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

Castrol India Limited
Annual Report 2013

MAINTAIN MOMENTUM > GO FOR GROWTH

Board of Directors

Chairman
Mr. S. M. Datta

Managing Director
Mr. Ravi Kirpalani

Non-Executive Directors
Mr. R. Gopalakrishnan
Mr. Uday Khanna
Mr. Ralph Hewins
Mr. Peter Weidner
Mr. Sashi Mukundan

Director - Finance
Ms. Rashmi Joshi

Company Secretary
Mr. Sandeep Deshmukh

Auditors
M/s. S. R. Batliboi & Co. LLP
Chartered Accountants

Bankers
Deutsche Bank
HDFC Bank Ltd.
The Hong Kong & Shanghai Banking Corporation Ltd.
State Bank of India
Citibank N.A.
DBS Bank Ltd.
J P Morgan Chase Bank N.A.

Registered Office
Technopolis Knowledge Park
Mahakali Caves Road,
Chakala, Andheri (East),
Mumbai 400 093, INDIA.
Telephone: 022-66984100

Registrar & Share Transfer Agents
TSR Darashaw Private Limited
Unit: Castrol India Limited
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai 400 011, INDIA.

Contents

STRONG BRANDS

Castrol Activ with unique Actibond molecules is a high performance motorcycle engine oil. 'Live' Actibonds interact with fans during the ICC Champions Trophy, England and Wales 2013

Castrol Biking, a community of passionate bikers on Facebook, reached a milestone of over a million fans

Substantial growth in the two-wheeler engine oil category came from Castrol Bike Points, independent workshops exclusively using Castrol products

Unveiling of new Castrol Power1 pack by Castrol brand ambassador, Bollywood actor and avid biker, John Abraham

Soma Ghosh - VP Marketing, Castrol India, addressing the audience

STRONG BRANDS

Driving visibility of Castrol Magnatec in key cities through outdoor campaign

Over 8000 mechanics were trained on the benefits of Castrol Magnatec technology through a mobile marketing unit. This unique programme was recognized globally as a marketing best practice within BP and won the Group's Beacon Award

Innovative market activation through street plays to promote Castrol GTX with 'sludgebusters'

Castrol CRB Prima with 'permastick' molecules provides non-stop protection during peak agriculture season

Focusing on Micro LCV users through Castrol CRB Turbo with Durashield™ Boosters which delivers up to two times longer engine life

PIONEERING TECHNOLOGY

Castrol Magnatec Diesel combines dedicated diesel technology with intelligent molecules for an extra layer of protection, reducing wear during critical warm-up period

Stop-Start city driving can lead to increased wear and tear in the engine. Castrol Magnatec Stop-Start engine oil for cars has smart molecules that cling to engine parts and form a self-healing layer, protecting the engine and providing instant protection from the moment you start, every time you start

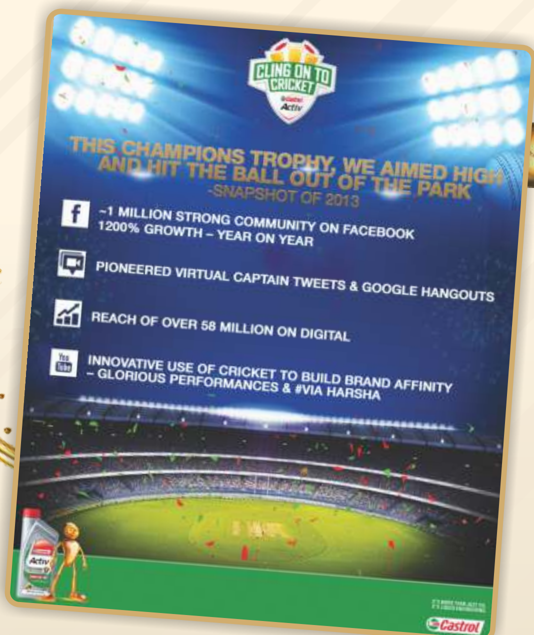
Castrol RX Super Max Fuel Saver, co-engineered by Castrol India and Tata Motors, provides 1.5% fuel efficiency in Tata trucks, saving substantial amount of diesel as well as operating costs

Castrol Activ Scooter with 'ZipBoosters'® is a specialist scooter engine oil which provides protection from high temperature deposit build up and lowers friction

WINNING WITH CRICKET

Leveraging the star power of cricket experts Rahul Dravid and Harsha Bhogle to launch Castrol Activ Scooter Zip Factor, a new statistical formula to evaluate performances in T20 cricket

Live Castrol Actibonds welcome Uday Khanna (Independent Director on the Board of Castrol India) and his wife at the ICC Champions Trophy, England & Wales, 2013



As Performance Partners of the ICC, Castrol combined cricket with social media to deliver a winning campaign reaching out to millions of consumers

The 'Legacy of 100 Glorious Performances of Indian Cricket' - an innovative Facebook App, engaged youth digitally through Castrol Cricket Facebook page and its one million fan base

Castrol pioneered display of fan tweets on perimeter boards during the ICC Champions Trophy, England & Wales, 2013 - the first time ever in a live cricket match

ENDURING PARTNERSHIPS

As Performance Partners of the ICC, Castrol had the opportunity to do a trophy tour of the prestigious World Twenty20 trophy for its key partners and customers. Picture on left shows from left to right: Gurpreet Bhatia - VP, B2B, Castrol India; Dietmar Hilder Brandt - Director, Group Services, Volkswagen; Nalin Jain - Finance Director, Volkswagen; Harsha Bhogle - Cricket Expert. Picture on right shows: Sanjeev Handa - GM Marketing, Maruti Suzuki (on left) with Anupam Shome - Key Account Manager, OEM Business, Castrol India

Ravi Pisharody - Executive Director, Tata Motors (on right) and Ravi Kirpalani - Managing Director, Castrol India, at the launch of Castrol RX Super Max Fuel Saver

Pawan Sabharwal - Area Director, Industrial Business, Castrol India, planting a tree at the Bosch India factory (one of our key customers) on World Environment Day

ENDURING PARTNERSHIPS

Castrol Anmol Ratn Dealers had the opportunity to visit Castrol's state-of-the-art lubricant manufacturing plant at Silvassa

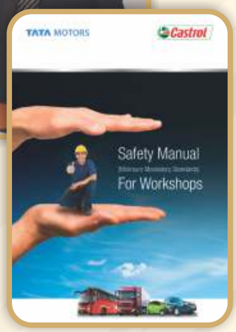
Tata Motors and Castrol collaborated to conduct SkillFest, a national skill contest for Tata Motors Workshop Service Advisors. From left to right: Sanjeev Garg - Global Head, Customer Care, Tata Motors, CVBU; Ravi Pisharody - Executive Director, Tata Motors; Sunil Dalai - Winner of the contest; Ravi Kirpalani - Managing Director, Castrol India; Sanjeev Kaul - Regional OEM Director, BP Lubricants, Asia & Pacific Region and Gurpreet Bhatia - VP, B2B, Castrol India

Mechanics are a key stakeholder group for Castrol and the company has strong relationships with them. Picture on left shows Castrol's Eklavya CSR Programme in action. Under this programme Castrol has provided basic maintenance training to over 150,000 independent two-wheeler mechanics over the last four years. Picture on right shows a mechanic connect marketing programme where mechanics are kept informed about the latest products and services offered by Castrol

Castrol ENGINE EXPERTS CLUB

Over 30,000 mechanics have enrolled for the Castrol Engine Experts Club, a mechanic loyalty programme

SAFETY



Castrol and Tata Motors jointly developed a Safety Manual to raise Safety Awareness and implement Safety Standards at Tata Motors workshops. From left to right: Gurpreet Bhatia - VP, B2B, Castrol India; Ravi Kirpalani - Managing Director, Castrol India; Late Mr. Karl Slym - (then Managing Director) Tata Motors; Ravi Pisharody - Executive Director, Tata Motors

Castrol's internal Star Club Award for displaying Safety value was won by Team North, which suggested formation of 'Club Zero' to identify and recognize Castrol employees with zero driving safety deviations

Members of Castrol's Patalganga Plant Leadership Team with various safety awards won by the Plant

Castrol reached out to truck drivers and their families through a Family Connect programme aimed at promoting safe driving amongst truckers. Pictures show truckers taking a safety pledge and family members engaging with the organizers

PEOPLE

From left to right: Rashmi Joshi - Director Finance, Castrol India; Sunil Aima - VP, Sales, Castrol India; Ravi Kirpalani - Managing Director, Castrol India, with team members from Paharpur Plant during a Plant visit

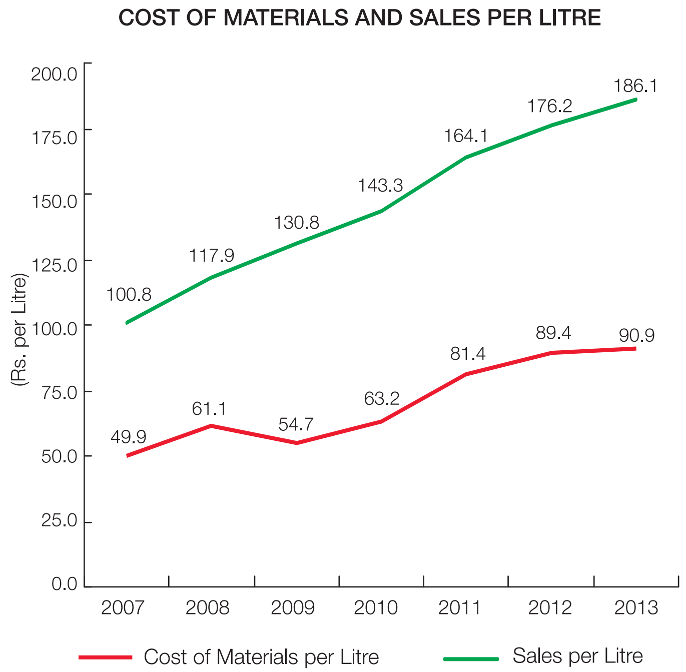
Iain Conn - Chief Executive, Refining & Marketing, BP Group (second from right) and Ravi Kirpalani - Managing Director, Castrol India (extreme left), with some of the team members responsible for development and marketing of Castrol RX Super Max Fuel Saver

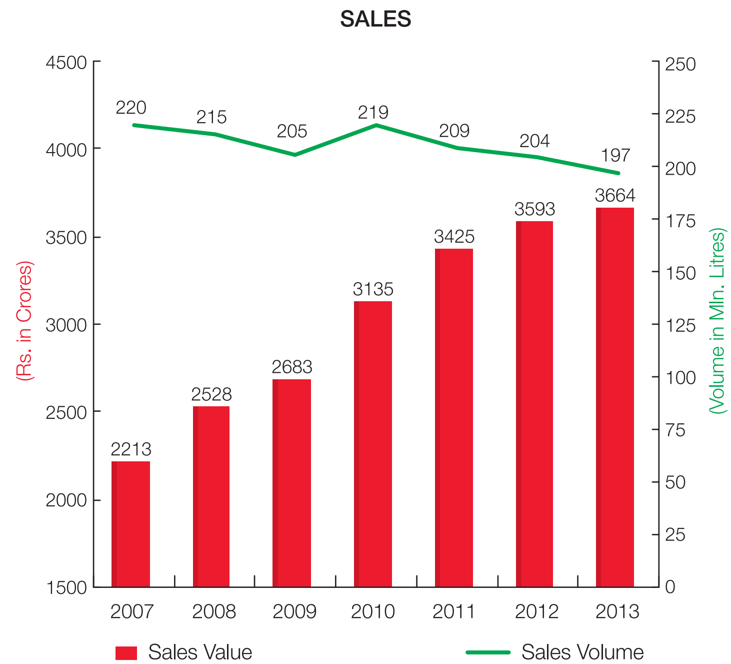
Staff members ran the Mumbai Marathon to raise funds for the girl child through the NGO Nanhi Kali

Winners of best performance award at Castrol Industrial Relaunch event with Pawan Sabharwal - Area Director (second from left), Industrial Business, Castrol India

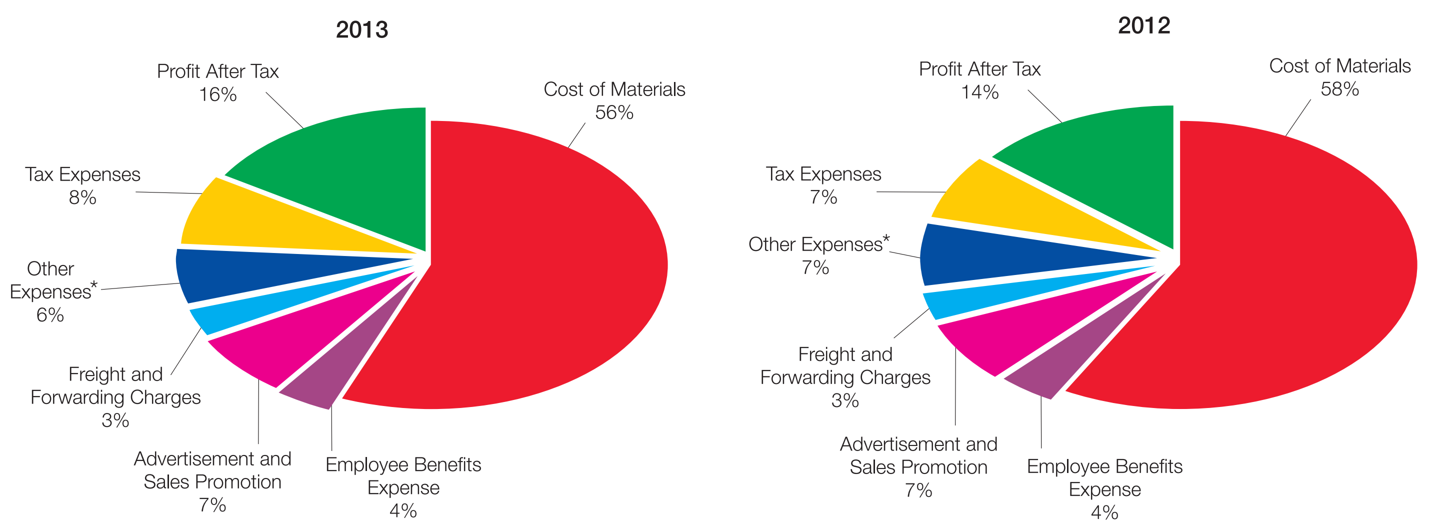
Peter Weidner - Regional Vice President and Shyam Balasubramanian - Marketing Director, both from BP Lubricants, Asia & Pacific Region, and Ravi Kirpalani - Managing Director, Castrol India, with the Eastern Region team which won the Best Region award for 2013

FINANCIAL HIGHLIGHTS





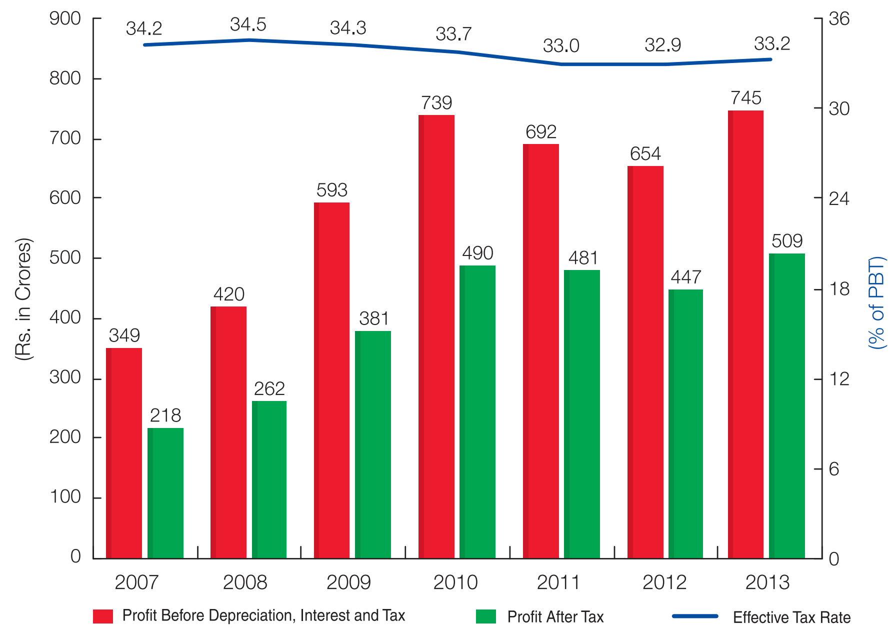
UTILISATION OF INCOME



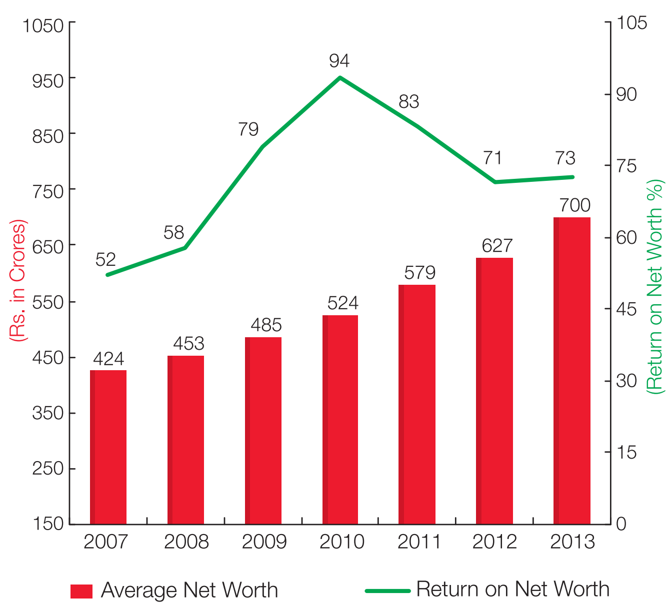
* Other expenses are net of interest income and exceptional items.

FINANCIAL HIGHLIGHTS

PROFIT AND EFFECTIVE TAX RATE

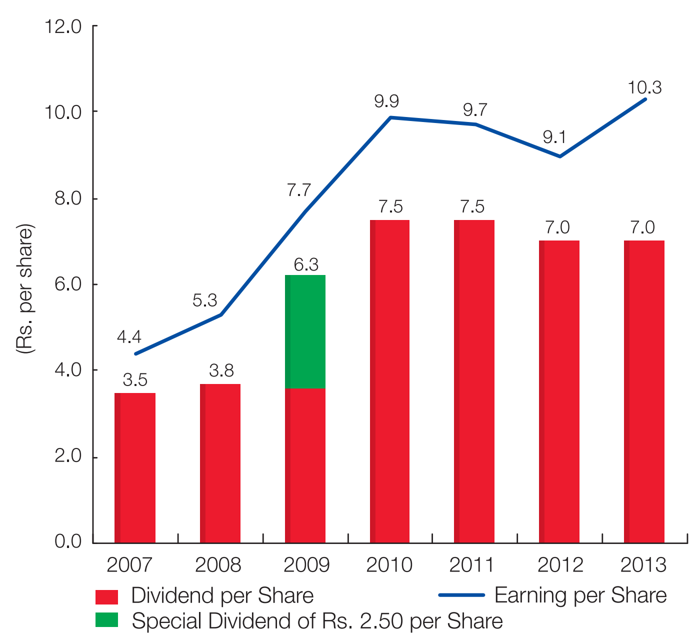


RETURN ON NET WORTH



‡ Computed on average Net Worth during each year

DIVIDEND AND EARNING PER SHARE*



* Dividend and earning per equity share for all years have been re-calculated after considering the effect of bonus shares in 2010 and 2012.

FINANCIAL HIGHLIGHTS

Particulars	**2013**	2012	2011	2010	2009	2008	2007
							Rupees in Crores
Revenue from Operations (Gross)	**3,677.50**	3,605.38	3,439.23	3,146.88	2,695.05	2,542.60	2,223.14
Less: Excise Duty	**497.88**	484.52	445.96	403.97	367.04	326.01	328.22
Revenue from Operations (Net)	**3,179.62**	3,120.86	2,993.27	2,742.91	2,328.01	2,216.59	1,894.92
Other Income	**35.06**	30.84	21.66	5.42	7.42	9.88	13.09
Cost of Materials consumed	**1,788.47**	1,824.27	1,694.49	1,384.67	1,123.78	1,313.09	1,097.68
Employee Benefits and Other Expenses	**703.67**	673.67	628.90	625.00	619.05	492.89	461.01
Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional Item	**722.54**	653.76	691.54	738.66	592.60	420.49	349.32
Exceptional Item	**22.80**	—	—	—	—	—	—
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	**745.34**	653.76	691.54	738.66	592.60	420.49	349.32
Depreciation and Amortisation Expense	**30.45**	26.64	25.11	24.33	27.18	25.68	20.78
Finance Costs	**1.71**	2.14	1.91	2.42	3.45	3.65	3.79
Interest Income	**48.58**	41.34	51.43	25.93	18.83	21.04	15.09
Profit Before Taxation	**761.76**	666.32	715.95	737.84	580.80	412.20	339.84
Current Taxation	**241.06**	227.78	255.44	251.09	206.83	151.00	139.94
Deferred Taxation	**12.13**	(8.85)	(19.13)	(2.49)	(7.80)	(8.60)	(23.56)
Fringe Benefit Tax	**—**	—	—	—	0.71	5.75	5.56
Short/(excess) Provision of Tax relating to earlier years	**—**	—	(1.39)	(1.07)	—	1.68	(0.53)
Profit After Taxation	**508.57**	447.39	481.03	490.31	381.06	262.37	218.43
Dividend	**346.20**	346.20	370.92	370.92	309.10	185.46	173.10
Net Fixed Assets	**175.33**	157.08	141.82	133.92	134.69	143.31	131.48
Investments	**—**	—	—	—	0.52	0.52	20.58
Net Assets	**751.42**	649.23	604.20	553.50	495.00	478.36	432.97
Share Capital	**494.56**	494.56	247.28	247.28	123.64	123.64	123.64
Reserves & Surplus	**256.86**	154.67	356.92	306.22	371.36	351.93	306.54
Net Worth	**751.42**	649.23	604.20	553.50	495.00	475.57	430.18
Loan Funds	**—**	—	—	—	—	2.79	2.79
Deferred Tax Assets/(Liability) (Net)	**52.96**	65.09	56.24	37.11	34.62	26.82	18.22
							Rupees
Earning per Share*	**10.28**	9.05	9.73	9.92	7.71	5.31	4.42
Dividend per Share*	**7.00**	7.00	7.50	7.50	‡6.25	3.75	3.50
Book Value per Share*	**15.19**	13.13	12.22	11.19	10.01	9.62	8.70
Debt Equity Ratio	**—**	—	—	—	—	0.02 :1	0.02 :1

* After considering adjustments for issue of bonus shares in 2010 and 2012.

‡ Includes Special Dividend of Rs. 2.50 per share (Adjusted for issue of bonus shares in 2010 & 2012 i.e. Rs. 10 per share, Pre-Bonus).

DIRECTORS' REPORT

Report of the Directors to the Members of the Company in respect of the year ended 31st December, 2013.

	For the year ended 31st December, 2013 (Rupees in crores)	For the year ended 31st December, 2012 (Rupees in crores)
Profit before Depreciation, Exceptional Items & Tax	**769.41**	692.96
Exceptional items	**22.80**	—
Profit before Depreciation & Tax	**792.21**	692.96
Depreciation & Amortisation	**30.45**	26.64
Tax Expenses		
Current Tax	**241.06**	227.78
Deferred Tax	**12.13**	(8.85)
Profit after Tax	**508.57**	447.39
Adding thereto:		
Balance as per last Balance Sheet brought forward	**43.53**	43.24
Profit available for Appropriation	**552.10**	490.63
The appropriations are:		
Dividend		
Interim	**173.10**	173.10
Final	**173.10**	173.10
Tax on Dividend		
Interim	**29.42**	28.08
Final	**29.42**	28.08
Final – 2012	**1.34**	—
Transfer to General Reserve	**50.86**	44.74
Net surplus in the Statement of Profit & Loss	**94.86**	43.53
	552.10	490.63

PERFORMANCE

Sales realisations of the Company have increased by about 2% over the previous year to Rs. 3,664 crores, mainly due to an increase in unit sales realizations. However, the sales volumes have declined by 3% over the previous year. Costs of materials have decreased by about 2% over the previous year to Rs. 1,788 crores. Despite the challenging economic environment, a pro-active margin management strategy helped your Company to improve its unit gross margin and gross profit. Operating and other expenses increased by about Rs. 34 crores as compared to the previous year mainly due to inflation. Profit Before Tax increased by about 14% over previous year to Rs. 762 crores.

Tax rate for the current year has remained at nearly the same level as that of the previous year. Profit after tax increased by 14% over the previous year to Rs. 509 crores.

The Company's performance has been discussed in detail in 'Management Discussion and Analysis Report' at Annexure 'A' and is part of this Report.

DIVIDEND

The Interim Dividend in respect of the year ended 31st December, 2013 of Rs. 3.50 per share on 49,45,61,192 Equity Shares was paid to the Members of the Company whose names appeared in the Register of Members on 7th August, 2013.

The Directors have recommended payment of Final Dividend of Rs. 3.50 per share on 49,45,61,192 Equity Shares. The dividend, if approved by the Members will be paid to all the eligible Members and reduction in share capital from Rs. 10/- to Rs. 5/- per share, will not affect the entitlement (amount) of the dividend to be received.

REDUCTION OF SHARE CAPITAL

The Board of Directors had approved the reduction of Share Capital so as to reduce the fully paid-up face value of equity shares from Rs.10/- per share to Rs. 5/- per share, subject to the approval of the Members and the Hon'ble Bombay High Court. Accordingly, the reduction of Share Capital was approved by the Members by Postal Ballot on 9th October, 2013 and was confirmed by the Hon'ble Bombay High Court on 20th December, 2013. The said Reduction of Share Capital became finally effective on 20th January, 2014 upon obtaining the Certificate of Registration of Order and minutes of reduction of Capital from Registrar of Companies, Maharashtra, Mumbai. Consequently, the existing Issued, Subscribed and Paid-up Capital Share Capital of the Company is reduced from Rs. 494,56,11,920 (Rupees Four Hundred Ninety Four Crores Fifty Six Lakhs Eleven Thousand Nine Hundred and Twenty only) comprising of 49,45,61,192 (Forty Nine Crores Forty Five Lakhs Sixty One Thousand One Hundred Ninety Two) Equity Shares of the face value of Rs. 10/- each fully paid-up to Rs. 247,28,05,960 (Rupees Two Hundred Forty Seven Crores Twenty Eight Lakhs Five Thousand Nine Hundred Sixty only) comprising of 49,45,61,192 (Forty Nine Crores Forty Five Lakhs Sixty One Thousand One Hundred Ninety Two) Equity Shares of the face value of Rs. 5/- each fully paid-up.

DIRECTORS

Mr. Sujit Vaidya, Director – Finance of the Company (since November, 2010), resigned from the Board of Directors of the Company with effect from 17th May, 2013.

Mr. Bijay Kamath, Director – Supply Chain of the Company (since November, 2012), resigned from the Board of Directors of the Company with effect from 31st July, 2013.

The Board places on record its appreciation of the contributions made by them during their respective tenures on the Company's Board as Directors of the Company.

Mr. Ravi Kirpalani was appointed as a Whole-time Director designated as Managing Director of the Company for the period of 5 years effective from 27th April, 2013, subject to the approval of the Members. An abstract and memorandum of interest under Section 302 of the Act, was sent to the Members of the Company.

Ms. Rashmi Joshi was appointed as Additional Director effective from 1st August, 2013. In accordance with the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 115(a) of the Company's Articles of Association, she will cease to hold this office at the forthcoming Annual General Meeting and is eligible for re-appointment. Ms. Rashmi Joshi is also appointed as the Whole-time Director designated as 'Director – Finance' of the Company for a period of 5 years with effect from 1st August, 2013, subject to the approval of the Members and the Central Government. An abstract and memorandum of interest under Section 302 of the Act, was sent to the Members of the Company. Pursuant to Section 257 of the Companies Act, 1956, notice has been received from a Member, together with necessary deposit, proposing the appointment of Ms. Rashmi Joshi as a Director retiring by rotation on the Board of the Company.

Mr. S.M. Datta and Mr. Uday Khanna retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

The brief profile of directors seeking appointment/ re-appointment, as required under Clause 49 of the Listing Agreement has been given in the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed 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 the Company as on 31st December, 2013 and of the profits of the Company for the year ended 31st December, 2013.

(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.

AUDITORS

M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letters from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

COST AUDITORS

The Board of Directors 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 2013 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.

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 factories of the Company:

Patalganga:

1) In Boilers

- Addition of Fuel Additives.
- Survey on Hi-Firing/Low Firing was done. Based on that modulation was fine tuned to optimum pressure.
- Regular blow down and effective maintenance of condensate recovery system.
- Installation of flash steam recovery system for tanker heating system.
- Providing condensate return line for tanker unloading system.

2) Electricity Energy reduction
   - Installation of VFD (Variable Frequency Drive) for most of the pumps in the system.
   - Maintaining unity power factor through Auto Power Factor Controller.
   - Installation of harmonics filtration system.
   - Provided sensor and timer for barrel conveyor.
   - Sensor for switching on/off the street lights automatically based on the natural light.

3) Water Conservation measures
   - Maintaining water sprinklers provided on all gardens which operates at set intervals.
   - Identified water leakage from many places and plugged them.
   - Replaced conventional float valves by SS Puf filled float valves which prevented water overflowing from water tank.

     Savings in water consumption from the year 2012 to 2013 is 3320 cubic meters which is about 24.5% reduction.

Silvassa:

Optimizing power and utility operations by

- Running of utility pumps closer to their best efficiency point.
- Air leakage audit conducted for site and arrested leakages.
- Energy efficient luminaries changed in production area.
- Fire pump & water line leakages arrested to reduce raw water consumption.
- Created awareness by monitoring/forecasting and sharing the information to run the operations, efficiently.

Paharpur:

- Installed new capacitor panel to improve the power factor of the site saving electrical losses.
- Rationalised blending of few products with reduced temperature which reduced the fuel consumption.
- Executed three key de-bottlenecking projects and improved the efficiency- viz batch cycle time i.e. producing identical volumes in lesser number of days in a month.
- Reduced water consumption by providing additional water meters, on/off type of sanitary fittings, better management of water supply during out of office hours and reduced the annual water consumption by around 300 KL. This also helped in reducing the power consumed by water pump saving electricity.

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

Nil

(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 have led to reduction in fuel and electricity consumption as well as improvement in the productivity.

TECHNOLOGY ABSORPTION

1. Your Company continues to derive sustainable benefits from its India Technology Centre located in Mumbai. The year 2013 was yet another year where your Company's product development capability helped the business meet pressing customer needs, partner closely with its customers and leverage strengths of its global affiliates to meet the needs of the local market.
2. In the year under review, your Company continued its investment in a world-class motorcycle oil product development team based out of Technology Centre in India to support the needs of the domestic market. To support this team in its work, your Company also installed state-of-the-art test rigs specific to motorcycle oil development. This was an imperative as India has emerged as the world's second largest two-wheeler market and winning in this category in India has been identified as a part of your Company's core strategy.

3. In a scenario where goods movement is impaired, freight rates are soft and diesel prices are rising, a product that reduces cost of operations for commercial vehicle customers was the need of the hour. Your Company's OEM Technology and Global product development team, had the opportunity to work with the engineers at Tata Motors, one of the most esteemed customers, to co-engineer the first-ever OEM-endorsed fuel-efficient engine oil – RX Turbo Fuel Saver. The product was launched at a glittering event attended by the leadership team of our customer organization, bearing testimony to the landmark joint achievement.

4. With Intelligent Molecules that cling and protect, Castrol Magnatec is an engine-oil for cars with a unique proposition. But with leaps in diesel engine technology and OEMs introducing diesel variants for all their popular models, there was an opportunity to expand the application of the Magnatec portfolio from beyond its main-stay of petrol engines. Support from BP's research facility at Pangbourne, UK, helped in shortening development cycle for a diesel variant for Magnatec and your Company could respond to the market quickly.

5. Building capability within the organization to sell the technologically superior products developed by your Company is a critical link to ensure our customers understand the superior value they are getting when they purchase our products. Towards this end, your Company had invested in a "Liquid Engineering Centre" (LEC) a few years ago. The year witnessed significant improvements to the customer experience and knowledge transfer capabilities of the Liquid Engineering Centre. It also served as a platform to showcase your Company's product capabilities to key members of business-to-business customer organizations. In the year under review, over 450 customers visited the LEC. Using modern technology and innovative ideas we were able to contact more than 2000 customers (and OEM employees) through in field demonstrations. We also conducted training to more than 400 employees and partners.

6. The year was also marked by an organization-wide initiative, titled PICASSO, within your Company to further raise the profile of quality within the organization, especially on the aspect of product development. The initiative involved internal audits conducted by the BP Group on quality processes and assurance programs, and the auditors found all processes satisfactory. Another major milestone that was achieved in the year 2013 was the renewal of the ISO 14001 and 9001:2008 certification for the Centre. Both these certifications are effectively a license-to-operate today for a reputed organization such as your Company. The ISO 9001:2008 assures the management of your Company that the operations of the Centre continue to be streamlined and efficient. The ISO 14001 certification is a mark of your Company's commitment to the customer and shareholder to be environmentally responsible and to adopt sustainable business practices.

RESEARCH & DEVELOPMENT (R&D)

(A) Specific areas in respect of which R&D was carried out:

(i) **New product launches with stronger consumer propositions/benefits:**

Following brands were re-launched during the year with strong consumer benefits viz.

(i) Castrol Magnatec Diesel with intelligent molecules;

(ii) RX Turbo Fuel Saver;

(iii) Power 1; and

(iv) Safecoat DW27 VC – high flash rust preventive oil.

(ii) **New products and offers for Original Equipment Manufacturers (OEMs):**

Your Company was successful in obtaining endorsements for its product RX Turbo Fuel Saver from Tata Motors with fuel efficiency numbers.

Your Company has obtained an approval for fuel efficient diesel engine oil for Maruti diesel cars.

(iii) **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 2013.

(B) Benefits derived as a result of 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 that 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 modelling to fast track product development cycles.

(D) Expenditure on R&D **(Rs. in crores)**

(i)	Capital	2.64
(ii)	Recurring	7.09
(iii)	Total	9.73
(iv)	Total R&D expenditure as a percentage of Net Sales	0.31

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, is provided in the Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. Any member interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office address.

ACKNOWLEDGEMENT

The Board wishes to place on record its sincere appreciation of the efforts put in by the Company's workers, staff and executives for achieving encouraging results under difficult conditions. The Board also wishes to thank its Members, distributors, vendors, customers, bankers, government and all other business associates for their support during the year.

On behalf of the Board of Directors

Ravi Kirpalani
Managing Director

Rashmi Joshi
Director – Finance

Mumbai
Dated: 17th February, 2014

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 – 2013

Your Company operates across all three major market sectors of the lubricant industry – Automotive, Industrial and Marine & Energy.

The overall industry is led by your Company and Indian national oil companies, who contribute to approximately 55% of the market in terms of volumes. Another 20% of the market, by volume, is accounted for by private multinationals that are mostly integrated oil companies and the rest of the market is constituted by numerous smaller players, largely local in nature. There are over 30 established players in the Indian lubricant industry, making it very competitive. The market for automotive applications, where your Company has earned a well-entrenched position over the years, is the predominant one amongst the three sectors within the lubricant industry.

Demand drivers: India is an important market for the lubricant industry worldwide, contributing to over 5.5% of global automotive lubricant demand and over 4% of industrial lubricant demand.

Demand for automotive lubricants is driven by the dual forces of growth in vehicle population and the extent of use of these vehicles.

The demand for lubricants in the Industrial sector is primarily driven by industrial production. The Index of Industrial Production (IIP) has been observed to have a strong correlation to consumption demand for industrial lubricants in India.

In case of Marine applications, global and local ship movements are the drivers of demand. Large-scale global movement of goods happens predominantly by sea. This demand for shipping services drives fleet utilization and freight rates for shipping companies, in turn driving consumption of marine lubricants. With Energy lubricants, the installed base of off-shore rigs along the coast-line of India and their up-time, drive demand for such products.

Supply drivers: Lubricants are manufactured by blending base oils and additives, with base oil being the main component. India is a net base oil deficit market and many additives used in lubricants are sourced from outside India. This necessitates large-scale import of raw materials and thus also exposes lubricant businesses to fluctuations in foreign exchange rates.

Major industry developments

The year 2013 was a challenging business environment due to the twin effects of a slower GDP growth rate of around 4.7% and relatively high inflation rates prevailing through the year. In addition, the lubricant industry faced many other strong headwinds from demand and supply drivers alike during the year.

Automotive sector

Vehicle sales in India grew by 1.7% in the year 2013 compared to the previous year. With respect to sales in the previous year, commercial vehicle sales declined by 15%, passenger car and utility vehicle sales declined by 8%, while two-wheeler sales grew by 4%. In addition, the slowing down of the economic growth translated into weakening of goods movement across the country and also a slowing down of infrastructure projects. This has had a direct impact on lubricant consumption in the commercial vehicle sector and other business-to-business segments.

The choice of lubricant and its specification plays a key role in enabling Original Equipment Manufacturers (OEMs) to comply with tightening regulations on tail-pipe emissions and to meet demands for lower cost of operations. This places onus on the lubricant industry to respond with products that are able to cope with the increasing sophistication of these modern vehicles. These improved products, typically 'synthetic' lubricants, are also able to maintain their physico-chemical and performance properties for a longer period of usage than earlier generation lubricants, thus lengthening oil drain intervals.

This has had an impact on structural demand in the industry. Lubricant volume consumption for the same rate of use decreases while per unit cost and price realization increases. Therefore, other drivers remaining unchanged, the growth in demand for lubricants is expected to lag vehicle population growth rate in the foreseeable future.

Personal mobility

Two-wheelers: In the two-wheeler industry, gearless scooters seem to be finding favour with the consumers over the past few years. Scooter sales have grown by 14% in 2013, helping the industry overcome the sluggish growth rate in motorcycles sales. This has translated into an increase of 7% growth in two-wheeler population in the country and a similar growth in demand for two-wheeler oils.

With an increasing number of two-wheelers being sold into the smaller towns and villages over the past decade, an estimated 50% of the two-wheeler population resides in rural India today.

Passenger cars: Passenger car sale continued its declining trend in the year 2013 vis-à-vis the previous year. Utility Vehicles, which witnessed a growth in sales last year, also experienced a decline in 2013, impacted by weakening consumer sentiment and hike in duties, lending rates and diesel prices. The year witnessed an addition of circa 10% to the car population which is estimated to have increased the demand for passenger car oils. This was partly offset by the shift to higher quality, synthetic lubricants that provide longer oil drain intervals, resulting in a net increase of 5% in demand for passenger car oils during the year.

Commercial vehicles

Trucks: The medium and heavy commercial vehicle (M&HCV) population in India grew by circa 2%, while the micro-light commercial vehicles grew by 22% during 2013. Continuing weak transporter sentiment due to higher interest rates, vehicle & fuel prices and weaker freight rates, continued to adversely impact M&HCV usage in 2013. Your Company estimates that this has resulted in a circa 5% decline in consumption of truck engine oils.

Tractors: Tractor sales have experienced 15% growth in 2013 over previous year, on the back of a good monsoon and better price realization for the Rabi crop in large agriculture-driven states. As a result, tractor population in India is estimated to have increased by 6% during the year.

Off-road vehicles: Off-road vehicle sales and utilization were also negatively impacted by the slowing down of many material infrastructure-related projects and due to the bottle-necks in the mining sector.

Non-automotive sectors

Industrial lubricants

The year 2013 was one of unprecedented challenges for some of the key industrial sectors and for the Indian economy alike. Industrial activity remained subdued for most of the year, reflecting a flat growth in aggregate output. Industrial output measured by the Index of Industrial Production (IIP), has grown by circa 0.6% in 2013. This was the lowest growth recorded for the index in more than a decade. This is believed to have been triggered by sustained inflation, higher raw material prices and lower demand for consumer durables and capital goods. All of the above has had a knock-on effect on sectors such as automobile manufacturing, machinery manufacturing and fabricated metal goods (FMG) industries, causing a decline in their respective outputs.

This has impacted the overall demand for Industrial lubricants which remained flat during the year.

Marine and Energy lubricants

Global shipping industry is still passing through one of its worst phases in several decades. The Indian shipping industry has followed the global pattern to a large extent, where global trade had grown 12.6% in 2010, before slowing down to 3.2% in 2012.

The ban on iron ore export from India, changes in tax structure of coal exporting countries and high cost of funding have exacerbated the problems of the Indian shipping business.

During 2013, many Indian shipping and ship management companies increased scrapping or sale of vessels, with several companies turning delinquent.

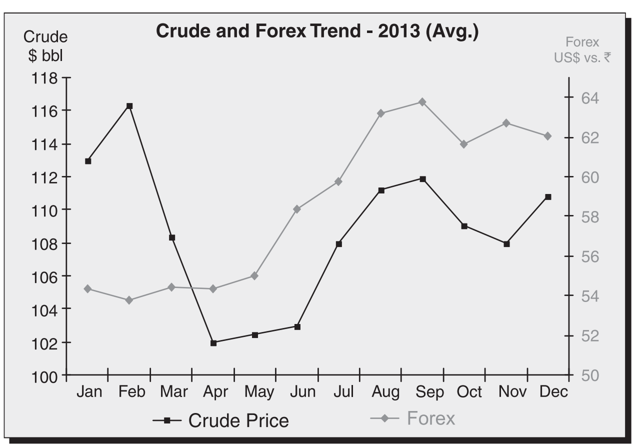
Impact of foreign exchange, crude oil and raw material prices

From a supply perspective, 2013 was challenging due to multiple unfavourable dynamics such as the global economic slowdown, high crude oil prices and significant rupee devaluation. Crude oil stayed at an average of $108/bbl, causing continued pressure on input raw materials throughout the year.

The Indian rupee witnessed its highest ever rate of devaluation in 2013, devaluing by 13% between January and December 2013.

Higher crude prices coupled with the huge devaluation of currency had cascading effect on prices of base oil, downstream performance additives and chemicals during the year. This resulted in higher input cost across all commodity segments for the industry and your Company.

The overall economic slowdown across the globe since 2012 has impacted base oil consumption and markets were oversupplied. Despite the subdued base oil market, prices were soft to stable in first few months of the year before taking an upward trend due to the twin effects of seasonal demand change from the April-June quarter and currency devaluation. The following graph indicates the trend of crude prices and Rupee/USD for the year 2013.



Prices of polymers continued to show an upward trend across the year, with an average increase of 14% over exit 2012. Since polymers form majority of packaging material used by the industry, this contributed to an increase in cost of goods sold.

However, in a very challenging and unpredictable business environment, your Company continued generating value for its investors through strategic sourcing, value improvement initiatives, extensive focus on service and continuous monitoring of costs.

Your Company worked determinedly on a cost effective purchase model and value-based inventory management, keeping a close watch on cash costs and working capital, with tremendous improvement in service levels.

Market behaviour and outlook

GDP growth rate is expected to have bottomed out in 2013 and to average slightly higher in 2014 than it was for 2013. The Wholesale Price Index for inflation is expected to increase marginally from the average of 5.5% in 2013 to about 6.3%. Consumer sentiment is expected to be muted, especially in the first half of 2014.

Automotive sector

The outlook for the automotive sector has been examined closely by your Company through the three broad dimensions of demand drivers, distribution channels and competitive activity.

The outlook for each segment where your Company operates are explained below:

1. Outlook

Personal mobility

Two-wheelers: Fuelled by the growth in demand in rural markets, the two-wheeler population is expected to grow by 7% on its high base in 2014 and to drive the demand for two-wheeler lubricants. Also, the surge in demand for gearless scooters is expected to drive the growth of a separate sub-category of scooter oils in the year 2014.

Passenger cars: Passenger car population is expected to grow by 8% in 2014 over the previous year, while car sales are expected to remain sluggish. The strong trend of increasing oil drain intervals and use of higher quality lubricants is expected to mute growth in demand for passenger car oils to about 4% over 2013.

Commercial vehicles

Trucks: The demand for lubricants in old generation commercial vehicles is expected to decline more sharply than in 2013 due to continued low freight rates keeping fleet utilization levels unchanged from the previous year. At the same time, demand for lubricants in micro-light commercial vehicles (MLCVs) is expected to continue the increase in demand seen in the year 2013, on the back of a projected 20% increase in MLCV population. Overall, commercial vehicle population is expected to grow by 2% in 2014. However, lubricants demand is expected to decline in 2014 compared to 2013 due to lower utilization rates of vehicles and the longer oil drain intervals being driven by truck manufacturers.

Tractors: Due to an estimated 7% increase in tractor population, increased area under sowing for the Kharif crop and improved price realization, helping the agriculture economy in 2014, the demand for tractor oils is expected to grow at a similar rate.

Off-road vehicles: The slowdown observed in the infrastructure sector is expected to continue and key projects being delayed during the year will keep equipment utilization levels low.

2. Channels of distribution

Customers in urban India continue to move towards premium synthetic lubricants driven mostly by manufacturer specifications. Rural customers have also begun to make their presence felt with unprecedented levels of consumption demand for the category.

The composition of dealer types within the retail channel continues to evolve. Government investment in the rural economy has seen a rapid rise in the disposable incomes of rural households, leading to increasing economic activity for small towns and villages.

Your Company has, yet again, pioneered the development of effective and efficient distribution networks to harness this opportunity. Over the last two years, innovations in the route-to-market have led to exponential growth in business from small towns and rural India, which today looks slated to reach one-eighth of all retail sales. In urban markets, your Company's focus has been on improving customer service by providing increasing levels of reliable service and more relevant customer oriented loyalty programmes. Your Company has, as in the past, stayed at the cutting edge of technology to service customers better – like the usage of Personal Digital Assistants (PDAs) which enable our sales people to customize offers to dealers.

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. Television remains the most popular medium for reaching out to consumers with brand messages across the automotive sectors. Your Company continues to be one of the leading brands in the retail automotive sector, followed by the public sector brands. However, the smaller players have been competing aggressively, with lower prices and higher sales promotion to gain market share. In the urban retail automotive segment, against a backdrop of strong competitive action, your Company has held share overall compared to 2012, with significant gains in the motorcycle oils category.

Non-automotive sector

Industrial lubricants

The manufacturing activity is expected to gather momentum during 2014, owing to a pick-up in the domestic demand and likely growth in exports. Improved rural income due to good agricultural output and an improvement in consumer sentiment in the urban areas are expected to generate higher demand. Besides, the investment demand is also expected to show a gradual improvement. Some of the key Industrial sectors like automobiles, metals, machinery manufacturing and cement are expected to capitalize on the higher demand and record better growth during 2014.

Marine and Energy lubricants

Decisions on policy changes are under discussion within the Oil & Gas Ministry and with other key stakeholders. Policy decisions and investments in this sector would be a significant stimulus to the Energy lubricants sub-sector.

(B) Opportunities and threats

Automotive sector

(i) Opportunities

a. First time users (FTUs) of personal mobility: With higher disposable incomes, personal mobility through two-wheelers or four-wheelers is a phenomenon that has gained a lot of momentum in the past decade. These first time users of personal mobility need reliable solutions to ensure the upkeep of their prized investment. Since the needs, socio-economic backgrounds and media consumption patterns of these new entrants into the category differ from the more mature consumers, they need specially tailored products and marketing communication to enable your Company to tap into this new consumer segment.

Two-way engagement through media, prominently digital and social media, is emerging as a strong alternative to communicate with these first time users.

b. Two-wheelers in small towns and emergence of gearless scooters: More than 50% of two-wheelers sold in the last decade have been in the small towns and villages. With lagging public transport infrastructure, these two-wheelers are the only reliable mode of transport for many. Providing reliable supply of vehicle fluids to ensure the upkeep of these essential mobility solutions for two-wheeler owners in these markets is a material opportunity.

The share of gearless scooters in domestic two-wheeler sales has also consistently risen over the last six years. This provides a further opportunity for a new, differentiated product.

c. Partnerships with Original Equipment Manufacturers (OEMs): Partnerships with key OEMs across vehicle types, especially those that are material or are growing market share, is a significant opportunity for lubricant players. 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 automotive OEMs.

Stronger emission norms and demand for fuel efficiency is driving OEMs to keep developing new engine technologies rapidly. This is expected to translate into demand for lubricants with very specific physico-chemical and performance properties and will imply opportunities to introduce more advanced lubricants to cater to the needs of these new engines in the Indian market.

d. Diesel cars and sports utility vehicles (SUVs): Population growth of diesel cars continues to outpace that of petrol cars. Since diesel cars are driven more than their petrol-powered variants, their demand for lubricants is higher.

e. Micro-light commercial vehicles (MLCV): MLCV population is expected to grow at a healthy pace. The MLCV segment remains least impacted by economic downturn as it is still underpenetrated as a customer segment.

(ii) Threats

a. Input costs: Volatility in commodity prices is one of the most material risks to business stability. Crude oil prices are expected to remain firm in 2014. An adverse foreign exchange situation and high inflation could put increased pressure on input costs in 2014.

b. Competitive activity: The Indian lubricant market is highly competitive. Most international players have identified India as a focus market and competition across all categories and sub-categories, is likely to remain intense in the foreseeable future. The industry has also witnessed a trend of some OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.

c. 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 drastically increased in the recent past, impacting margins, availability of funds and liquidity of infrastructure companies.

iii. Impediments to mining activity due to policy review or environmental concerns.

iv. Administrative hurdles in obtaining statutory clearances leading to implementation delays, cost overruns and profitability of major projects.

Non-automotive sector

(i) Opportunities

Manufacturing sector is expected to post a moderate growth especially in some of our focus industrial sectors like automobiles, metals, machinery manufacturing and cement. The growth will be driven by rise in both consumption demand and investment demand.

The automobile manufacturing sector is expected to return to growth during 2014 with higher production of motor vehicles compared to the earlier year. Overall growth in this sector is also expected to generate good demand for automotive components. The pick-up in automobile production and a gradual improvement in the construction activity in 2014 are expected to augur well for both the Metal & the Fabricated Metal Goods (FMG) sectors. Higher exports mainly due to improved economic condition in United States will positively impact the growth of machinery manufacturing and textile industries.

On the supply side, improvement in availability of key inputs such as mined products and agricultural products is expected to help the manufacturing sector grow. Better availability of sugarcane is expected to result in healthy double digit growth in sugar production in the next crushing season.

(ii) Threats

Continuous increase in input cost of raw material and fuel prices is impacting the performance and profitability of industrial companies. This may lead to increase in the selling prices of finished goods resulting in lower consumer demand of products.

Further rupee depreciation could adversely impact the input cost of lubricants. This may put pressure on our margins and market share.

Sustained inflation and higher interest costs have resulted in unrelenting increase in cost of raising capital for the industries. This may result in delay of expansion plans of some of the industrial customers.

(C) Performance of segments and categories

I. Automotive lubricants

Overview

Your Company delivered a strong performance across the personal mobility segments of two-wheelers and passenger car oils in the year 2013, driven by performance of its Power Brands – Castrol Activ, Castrol Power1, Castrol GTX and Castrol Magnatec. The strong head-winds in the commercial vehicle oils segment, impacted your Company's performance in this category. This was offset to some extent through new product introductions and a play in the mid-price segment.

There were also significant challenges that your Company encountered in the Heavy Duty category which caters to large fleets, mining, and building and construction equipment applications. This is due to the twin effects of lowered economic activity in this category and rising input costs for the industry.

The Castrol brand continued to pioneer and drive the movement towards synthetics in response to the demands from vehicle manufacturers (OEMs) for better performing and environment-friendly products, while also selectively making a play in the mid-price segment in certain categories. Your Company continued its close association with its OEM partners, especially Maruti Suzuki, Jaguar Land Rover, BMW, Ford and the Volkswagen group and introduced co-engineered products with Tata Motors during the year under review.

Your Company also further deepened relations with key retail channel partners through the highly successful Anmol Ratn programme. The Castrol Engine Experts Club was launched during the second half of 2013 to further endear brand Castrol to mechanics, who are key influencers in the choice of oil and who are the primary handlers of lubricants in many categories.

The following sub-sections of the report detail out the performance of each category within automotive lubricants.

Personal mobility

Two-wheeler oils: Two-wheeler oils category consists of oils for four-stroke and two-stroke engines that power motorcycles and scooters. Oils for four-stroke motorcycle engines dominate the category currently, while the gearless scooters segment is witnessing a re-emergence. Castrol operates in this space through three principal product brands – Castrol Activ, Castrol Power1 and Castrol Go!. Castrol Bike Points are exclusive stock-and-sell independent two-wheeler workshops and a key driver of growth for your Company in this category.

Two-wheeler oils category delivered strong growth in volumes during the year, powered by some exciting brand activations for Castrol Activ and Castrol Power1 and by broad-basing its play through the introduction of Castrol Go! in the mid-price segment.

With a majority of two-wheeler owners, especially first time users, being heavy consumers of digital media, the two-wheeler oils category witnessed some strong activation campaigns on this platform, especially on Facebook, Twitter and other popular social media platforms.

Castrol Activ, the largest brand in volume terms for your Company, witnessed a strong growth on the back of exciting 360° consumer campaigns. Your Company leveraged its relationship with the International Cricket Council (ICC) as its official Performance Partner at the ICC Champions Trophy in UK. This was dove-tailed with an exciting Twitter-enabled digital activation targeted at cricket fans, a large proportion of who ride a motorcycle.

Castrol Power1 continued to build on one of the largest online marketing communities for bikers – Castrol Biking – on Facebook and kept its over one million users engaged through exciting content and promotions.

Through a mix of new account acquisitions and exciting promotions at Castrol Bike Points, this exclusive Castrol channel has delivered a growth of 14% in 2013.

Passenger car oils in the after-market (PCO Retail): PCO Retail consists of engine oils for cars & utility vehicles and brake fluids. It caters to the market with principally three product brands – Castrol GTX, Castrol Magnatec and Castrol EDGE. Passenger car oils sell through two major channels in the after-market – retail channel and the stock-and-sell independent workshops.

The year 2013 was a period of strong performance where the PCO Retail business grew significantly in volume terms over the previous year. Your Company also achieved significant progress on the syntheticisation agenda in the category, with strong growth in both Castrol Magnatec and Castrol EDGE. In addition, two exciting programmes enabled these growth stories:

a. Winning in big cities: With less than 2% of the Indian population owning cars, there is a very high concentration of cars in the key metros. Your Company devised and executed a strategy to win in these big cities through a 360° approach, targeting the top metros. The PCO Retail business is now growing at more than twice the rate in these markets compared to the rest of the country.

b. Winning with mechanics: Your Company launched a training-on-wheels programme in key cities to spread awareness about the special requirements of modern engines and to explain why the new generation Castrol Magnatec is the right solution for these sophisticated machines. A number of these units that are operational across the key cities were very well appreciated by the 'experts' community. This unique programme was recognized and commended internally within the wider BP group as a best-in-class marketing programme.

Passenger car oils in OEM franchised workshops (PCO FWs): Products supplied to PCO franchised workshops include engine oils and drive-line oils. OEM approvals for products and strong relations with franchised workshops of the respective OEMs are the business drivers of this segment. Since the year 2011, your Company has embarked on a journey to cater to this specialized channel through a dedicated range of products called the Castrol Professional series. Through a combination of variants of Castrol

Magnatec Professional, Castrol GTX Professional and Castrol EDGE Professional, your Company caters to the engine oil requirement of franchised workshops of Maruti Suzuki, Ford, the Volkswagen group, Jaguar-Land Rover, Tata Motors, BMW and other OEMs.

The category delivered a strong performance for your Company in the year 2013 with a significant growth in volumes. This was possible through new account acquisitions and the launch of a new service-advisor advocacy and capability-builder programme.

Commercial vehicle oils (CVOs)

Commercial vehicle oils category consists of lubricant applications for small and large trucks, farm equipment and specialized products for the Heavy Duty segment. In product terms, it comprises engine oils for new and old generation commercial vehicles, and the Specialty Products range. Specialty Products is an umbrella term representing essential vehicle fluids other than engine oils; such as drive-line oils, greases and coolants.

Castrol CRB is the oldest and best known brand in the commercial vehicles segment, participating in the lubricants segment for agri-sector and old-generation MHCVs with Castrol CRB Plus and in the new generation commercial vehicles segment with Castrol CRB Turbo. Castrol RX Super brand leads the play for your Company in the mid-price segment in the truck applications.

The year 2013 provided a very challenging environment for the category with almost all economic indicators showing an unfavourable trend and a resultant decline in lubricant consumption in this category. While overall performance was impacted by the unfavourable economic conditions, mentioned below are some of the highlights of the business during the period under review:

a. Your Company broad-based its participation in the mid-tier price segments in trucks with the Castrol RX Super brand.

b. Fuel-saving engine oil co-engineered with Tata Motors – Castrol RX Super Max Fuel Saver, launched in the second half of the year, was a first in the history of the segment.

c. Tapping of the burgeoning micro light commercial vehicle segments in the urban and semi-urban markets, through appropriately developed products packed in appropriate pack-sizes, was another driver of growth.

d. In the agri-sector, your Company launched two large-scale activations targeted at farmers and tractor mechanics. In the Heavy Duty segment, in the face of a drastic slowdown in consumption, your Company focused on a mix of activities to maintain profits. Profitability was ensured by upgrading key customers to better performance products in hydraulics, transmission oils and performance lubricants.

II. Non-automotive lubricants

Industrial lubricants

The year 2013 was very successful for your Company in this segment despite the challenging environment. While the overall volume remains flat, your Company was able to significantly improve the gross margins due to acceleration in acquisition of Small and Medium Enterprise customers through the industrial distribution network, improved product mix and internal efficiency initiatives that yielded reduction in costs.

Your Company also improved its market share in its chosen segments of automotive and machinery manufacturing and consolidated its position as the leading supplier of metal-working fluids and high performance lubricants – products which are technologically superior and which deliver substantial value to the customers.

Marine and Energy lubricants

Your Company continues to focus on customer intimacy and provides products and services that are best in class in this segment. However, there has been a drop in the volume of marine business due to lower utilization rates of fleets, higher lay-ups and the adoption of slow-steaming.

Your Company has maintained its leadership position in the offshore drilling segment during the year under review, by focusing its efforts on value offers despite minimal drilling activity by a leading player in the segment. We will maintain our focus on value and specialist offers such as sub-sea solutions, as drilling moves into deeper seas, to further consolidate our market share in the off-shore 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

Your Company continues to derive sustainable benefits from its global Technology Centres including the one located in Mumbai. Your Company's product development capability helped the business meet pressing customer needs, partner closely with its customers and leverage strengths of its global affiliates to meet the needs of the local market.

Developments in two-wheeler oils

During the year under review, your Company continued its investment in a world class two-wheeler oil product development team based out of the India Technology Centre to support the needs of the domestic market. To enable this team in its work, your Company also installed state-of-the-art test rigs specific to two-wheeler engine oil development. This was an imperative as India has emerged as the world's second largest two-wheeler market.

Developments in passenger car oils

With 'Intelligent Molecules that cling and protect', Castrol Magnatec is a car engine oil with a unique proposition. With leaps in diesel engine technology and with car OEMs introducing diesel variants for all their popular models, there was an opportunity to expand the application of the Castrol Magnatec portfolio beyond its main-stay of petrol engines. Along with assistance from BP lubricants' global research facility at Pangbourne in UK, the development cycle for a diesel variant for Castrol Magnatec could be shortened and your Company could respond to the market need with speed.

Developments in commercial vehicle oils

In a scenario where goods movement is impaired, freight rates are soft and diesel prices are rising, a product that reduces cost of operations for commercial vehicle customers was the need of the hour. Your Company's OEM Technology and global product development team had the opportunity to work with the engineers at Tata Motors – one of its strategic partners – to co-engineer the first-ever OEM endorsed fuel efficient engine oil – Castrol RX Super Max Fuel Saver. This product has been extensively tested and carries an OEM endorsement for a 1.5% fuel saving.

Investments in capability building

Building internal capability to sell the technologically superior products developed by your Company is a critical link to ensure our customers understand the superior value they are getting when they purchase our products. Towards this end, your Company has invested in a Liquid Engineering Centre, a facility to showcase the product capabilities of your Company. During 2013, your Company witnessed significant improvements to the Customer Experience and Knowledge Transfer capabilities of this centre. The Liquid Engineering Centre also serves as a great platform to showcase your Company's product capabilities to its strategic partners and customers. During the year under review, over 450 customers visited the centre. Using modern technology and innovative ideas, your Company contacted a further 2000 customers (OEM customer employees) through in-field demonstrations. Your Company also conducted training for more than 400 employees and partners.

Focus on quality

The year was also marked by an organization-wide initiative within your Company, titled PICASSO, to further raise the profile of quality within the organization, especially on the aspect of product development. The initiative involved internal audits conducted by the BP group on quality processes and assurance programmes and all processes were found to be satisfactory.

Another major milestone that was achieved during the year was the renewal of the ISO 14001 and 9001:2008 certification for the India Technology Centre.

(F) Internal control systems and their adequacy

Your Company maintains an adequate and effective Internal Control system commensurate with its size and complexity. Your Company believes 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

Your Company remains as committed as ever to maintain the highest standards of health, safety, security and environment (HSSE) and comply with all applicable laws of the land. The HSSE performance has been integral to your Company's business performance and it continues its focus on the goal: *'No Accidents, No Harm to People and No Damage to the Environment'.*

All three blending plants of your Company are certified for the Environment Management system (ISO 14001:2004) and Occupational Health & Safety Management System (OHSAS 18001: 2007). Your Company also implements ISO 9001:2008 (Quality Management System Standard) and ISO/TS 16949:2009 (Automotive Customer Specific Standard) to continually improve its processes. Compliance to these systems has been certified by internationally recognized and accredited bodies. Your Company is implementing BP's global Operating Management System (OMS) to further enable continuous improvement of its processes and operations and make them safe, systematic and reliable.

During the year under review, your Company's plant at Patalganga underwent a major automation and up-gradation exercise. It is a testimony to your Company's commitment to safety that the entire project was executed without any safety incident or any negative impact on the people, plant or processes. In fact, the Patalganga plant has completed 16 years without any lost time injury (LTI).

The number of awards and recognitions conferred upon your Company's plants by industry bodies for their exemplary safety and sustainability track-record, vindicates its unwavering commitment to safety. In the year 2013, your Company received the following safety awards:

- National Energy Conservation Award from Ministry of Power (GOI) – Certificate of Merit
- Gold Award for Safety Management by Greentech Foundation to Patalganga Plant
- Gold Award for Safety Management by Greentech Foundation to Paharpur Plant
- Silver Award for Environment by Greentech Foundation to Paharpur Plant
- Appreciation on Safety Performance by National Safety Council to Paharpur Plant

Your Company also strives to be a benchmark for road safety practices in India. Multiple new road safety initiatives such as Family Connect, Driver Health Campaigns, SMART (Safe from the Moment you stART) and driver incentive programmes have been started to sustain its track record on road safety.

(H) Developments in human resources management

Values & behaviours and employee value proposition

People are a key resource for your Company. During the year under review, the focus continued to be on the development of the various facets of leadership capability and talent management with a view to ensuring alignment to the overall business strategy.

The key focus areas for 2013 were employee engagement and recognition. These were actively driven through an inclusive process of dialogue and articulation of the employee value proposition.

In the spirit of continuous learning and building capability to support the business and people strategy, another initiative has been to pilot programmes to help line managers get better at people processes by building their awareness and capability to be better people managers and coaches.

Your Company also launched the Castrol Learning Academy which incorporates internal and external best practises and is based on a philosophy that development is a function of learning, experience and application on the job.

The year also marked the launch of SAP within your Company to support the automation of Human Resource (HR) processes and ensure efficient and effective HR process management.

Your Company has continued on its journey to build a diverse and inclusive workforce in the year 2013. The key initiatives in this area were workshops conducted to empower women to thrive in the workplace. There was also a specific offer for women managers in Sales and Marketing – PRISM (Progress through Sales and Marketing).

There were also workshops for managers to effectively manage the different generations at the workplace. In addition, there is a constant endeavour to ensure that your Company is hiring and retaining diverse talent. Flexibility, through a well-defined Agile Working policy, including working from home, flexi-timing, telecommuting, have been the other key initiatives launched to enhance your Company's employee value proposition.

Reward and recognition

It is your Company's constant endeavour to review its reward structure, benefits and employee policies in order to make its total reward offer both contemporary and competitive.

Towards that objective, a Group Term Life Insurance for all employees was implemented, with the sum assured to cover for unfortunate event of death due to natural causes. It also strengthened its Long Service Award policy by introducing new service milestones and enhanced the loan limit for Emergency Loan, which can be availed by the employees for specific contingencies.

Your Company also launched a recognition programme during the year under review. Titled 'Castrol STAR Club Awards', it is based on bringing BP values to life and lays emphasis on recognition rather than reward.

Feedback was sought from employees around employee engagement and retention through an external agency. One of the outcomes of the project was that internal designations across functions were reviewed to represent roles better, level progression in sales was redefined, a development centre was launched for individual contributor roles in sales and there was a stronger focus built on building line manager capability.

These initiatives are expected to engage and retain your Company's valuable employees more effectively.

Control and compliance

This year your Company continued its high degree of compliance with employment legislations by conducting audits in many of its locations and closing any gaps. It also improved two-tier monitoring system which enabled improving and sustaining the compliance culture in your Company. Also, all new agreements entered into were reviewed in detail to ensure a high level of compliance by the contractor.

There was some significant improvements made on payroll processing.

Employee relations at Plants

Your Company has a harmonious employee relations scenario with a participative culture, receptive to technical up-gradation at the plants.

The smooth negotiation of a long-term settlement at Silvassa with no loss of productivity was a significant achievement in 2013.

With the emphasis on workmen competency building and training, the plants have been successful in redeployment of manpower. The total number of people employed in your Company as on 31 December 2013, including factory workmen, was 838.

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

The business delivered a strong gross profit growth in 2013, primarily due to underlying improvement in unit sales realization of 6% due to judicious pricing decisions. This is despite a drop in sales volume of 3% largely driven by weak market conditions in the building & construction and the industrial segments.

The unit material cost has increased by 2%, 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. 34 crores as compared to 2012 as your Company continues to invest in its people, brands, innovation and business growth opportunities. This has resulted in overall increase in Profit after Tax (PAT) by 14% over previous year, to Rs. 509 crores.

The next few quarters will continue to be challenging owing to the macro-economic weaknesses and upcoming national elections. Moreover, slow automotive and industrial growth will continue to dampen the 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

Ravi Kirpalani	Rashmi Joshi
Managing Director	*Director – Finance*

Mumbai

Dated: 17th February, 2014

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

Good governance practices stem from the value system and philosophy of the organization, and at Castrol we are committed to meet the aspirations of all our stakeholders. This is demonstrated in shareholder returns, high credit ratings, governance processes and an entrepreneurial, performance with conducive work environment. Our customers have benefited from high quality products delivered at the most competitive prices due to technological leadership of the Company in the lubricants market in India.

The Board is collectively responsible for pursuing this purpose and Corporate Governance processes is 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. The Company's policies reflect those adopted by the Parent Company in the UK – BP p.l.c. ("BP p.l.c 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 Process 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 management for achieving the Company's purpose.

2. Board of Directors

The Board of Directors of the Company comprises of an optimum combination of Executive and Non-Executive Directors. As of the year ended 31st December, 2013, the Board consists of 8 Directors comprising of two Executive Directors, & three Non-Executive Directors nominated by Castrol Limited, UK as provided under the Articles of Association of the Company and three Independent Directors. The Chairman of the Board is a Non-Executive Independent Director.

The composition and other details of the Board of Directors as on 31st December, 2013 are given below:

Name	Designation	Other Directorships	Other Board Committees Membership	
			Member	Chairperson
Mr. S. M. Datta*	Chairman	12	6	1
Mr. Ravi Kirpalani	Managing Director	None	None	None
Ms. Rashmi Joshi	Director – Finance	None	None	None
Mr. R. Gopalakrishnan*	Non-Executive Director	10	2	None
Mr. Uday Khanna*	Non-Executive Director	4	2	3
Mr. Sashi Mukundan**	Non-Executive Director	1	None	None
Mr. Ralph Hewins**	Non-Executive Director	None	None	None
Mr. Peter Weidner**	Non-Executive Director	None	None	None

* Independent Directors

** Nominee Directors

Note: "Other Directorships" excludes directorships in private limited companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships. "Other Board Committees Membership" includes memberships of Audit Committee and Share Transfer and Investor Grievance Committee of public limited companies, only.

During the financial year ended 31st December, 2013, total four (4) Board Meetings were held i.e. on 27th February, 2013, 26th April, 2013, 1st August, 2013 and 16th October, 2013. The 35th Annual General Meeting for the Financial Year ended 31st December, 2012 was held on 26th April, 2013. The attendance of

Directors at the Board Meetings and at the last Annual General Meeting is as under:

Name	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Last AGM whether attended
Mr. S. M. Datta	4	4	Yes
Mr. Ravi Kirpalani***	4	4	Yes
Mr. Sujit Vaidya*	4	2	Yes
Mr. Bijay Kamath**	4	2	Yes
Ms. Rashmi Joshi****	4	2	No
Mr. R. Gopalakrishnan	4	4	Yes
Mr. Uday Khanna	4	4	Yes
Mr. Sashi Mukundan	4	4	Yes
Mr. Ralph Hewins	4	4	Yes
Mr. Peter Weidner	4	3	Yes

* Mr. Sujit Vaidya resigned from Directorship of the Company with effect from 17th May, 2013.

** Mr. Bijay Kamath resigned from Directorship of the Company with effect from 31st July, 2013.

*** Mr. Ravi Kirpalani, Whole-time Director was appointed as Managing Director of the Company with effect from 27th April, 2013, subject to the approval of Shareholders.

****Ms. Rashmi Joshi was appointed as an Additional Director of the Company with effect from 1st August, 2013 and then appointed as Whole-time Director of the Company designated as "Director Finance", subject to the approval of Shareholders.

The Directors of the Company are appointed by members at the General Meetings and all Directors other than Nominee Directors retire by rotation pursuant to the provisions of the Companies Act, 1956. The Managing Director/Whole-time Directors of the Company are normally appointed for a term of five years. The Executive Directors on the Board serve in accordance with the terms of their contract of service with the Company. Based on the evaluation of the relationships disclosed, all Independent Directors (which also includes Chairman) are independent in terms of Clause 49 of the Listing Agreement.

3. Audit Committee

All the members of the Audit Committee have extensive financial background and accounting knowledge. The terms of reference of the Audit Committee are in line with Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956. The Audit Committee, inter alia, provides reassurance to the Board on the existence of an effective internal control environment. The terms of reference of Audit Committee is as per the Audit Charter, which amongst other things includes the following:

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.

The Audit Committee comprises of four (4) members which include three (3) Independent Directors viz. Mr. S. M. Datta, Mr. R. Gopalakrishnan, Mr. Uday Khanna and one Nominee Director viz. Mr. Ralph Hewins. The Audit Committee Chairman is Mr. Uday Khanna. The quorum for the Committee is two members, who should be Independent Directors.

The meetings of Audit Committee are also attended by Managing Director, Director Finance, Statutory Auditors and Internal Auditors as special invitees. The Company Secretary of the Company generally acts as the Secretary to the Committee.

For part of the year and as at the year end, on account of resignation of the erstwhile full-time Company Secretary, the Company did not have a full-time Company Secretary. This vacancy has been filled subsequent to the year end. During the period of vacancy, the Company had engaged an external Company Secretary in practice to act as a Secretary to the Audit Committee.

Total four (4) Audit Committee meetings were held during the financial year ended on 31st December, 2013. The attendance of each member of the Committee is given below:

Name	Designation	No. of Meetings held	No. of Meetings attended
Mr. Uday Khanna	Chairman	4	4
Mr. S. M. Datta	Member	4	4
Mr. R. Gopalakrishnan	Member	4	4
Mr. Ralph Hewins	Member	4	4

4. Remuneration Committee

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

The Committee overviews and gives its recommendation on the reward philosophy of the Company to ensure the effective recognition of performance and encourages a focus on achieving superior operational results, by the employees.

The Remuneration Committee comprises of Mr. R. Gopalakrishnan, Mr. Ralph Hewins and Mr. Peter Weidner. The Remuneration Committee is chaired by Mr. R. Gopalakrishnan, who is the Independent Director. Total three (3) Remuneration Committee meetings were held during the financial year ended 31st December, 2013. The attendance of each member of the Committee is given below:

Name	Designation	No. of Meetings held	No. of Meetings attended
Mr. R. Gopalakrishnan	Chairman	3	3
Mr. Ralph Hewins	Member	3	3
Mr. Peter Weidner	Member	3	2

The Executive Directors are paid Salary and Performance Linked Bonus, which is calculated, based on pre-determined parameters of performance. The Independent Directors are paid Siting Fees and Commission as determined by the Board from time to time. Compensation Policy in relation to the Non-Executive Directors of the Company has been displayed on the Company's website www.castrol.co.in.

Details of Remuneration paid to the Directors

Details of Remuneration of Executive Directors for the financial year ended 31st December, 2013

(Rs.)

Name	Basic Salary	Perquisites	Retrial Benefits	Performance based incentives	Total
Mr. Ravi Kirpalani	60,43,812	62,97,112	21,36,445	67,58,405	**2,12,35,774**
Mr. Bijay Kamath	21,78,115	33,04,187	3,66,142	—	**58,48,444**
Mr. Sujit Vaidya	17,12,667	9,14,235	6,05,085	—	**32,31,987**
Ms. Rashmi Joshi	14,48,375	26,60,710	5,11,710	25,43,991	**71,64,786**

Notes:

- Remuneration figures are given on accural basis.
- The agreement with Whole-time Director and Managing 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 months' notice in writing to the other party.
- 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 p.l.c. under the BP Share-match scheme as in force.

Details of Remuneration of Non-Executive Directors for the financial year ended 31st December, 2013

(Rs.)

Name	Sitting Fees	Commission*	Total
Mr. S. M. Datta	1,80,000	10,00,000	11,80,000
Mr. R. Gopalakrishnan	1,40,000	8,00,000	9,40,000
Mr. Uday Khanna	1,20,000	8,00,000	9,20,000

* Commission for Financial year 2012 has been paid in 2013

Mr. S. M. Datta (in his individual capacity and as a joint holder) holds 28,236 shares, while Mr. Uday Khanna holds 800 shares.

5. Transfer & Shareholders'/Investors' Grievance Committee

Transfer and Shareholders'/Investors' Grievance Committee comprises of Mr. S. M. Datta, Mr. Ravi Kirpalani and Ms. Rashmi Joshi. Mr. S. M. Datta is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee. Mr. Siddharth Shetty, Managing Counsel is the Compliance Officer as on 31st December, 2013. Total 28 shareholders' complaints were received during the year from Stock Exchange/ Securities and Exchange Board of India, and were reported to the Committee. All the complaints were resolved and there were no pending complaints as on 31st December, 2013.

6. Notes on Directors seeking appointment/ re-appointment

Mr. S. M. Datta

Mr. S. M. Datta graduated with Honours in Chemistry from the Presidency College, Calcutta and obtained a post graduate degree in Science & Technology from Calcutta University. He is a Chartered Engineer, Fellow of the Institution of Engineers, Fellow of the Indian Institute of Chemical Engineers, Member, Society of Chemical Industry (London) and Honorary Fellow of All India Management Association. Mr. S. M. Datta was Chairman of Hindustan Unilever Limited as well as all Unilever companies in India and Nepal, from 1990 to 1996. He had joined HUL as a Management Trainee in 1956 after completing his university education in Chemical Engineering. He is a Past President of Associated

Chambers of Commerce & Industry and the Council of EU Chamber of Commerce in India, Past President of the Bombay Chamber of Commerce & Industry and of Indian Chemical Manufacturers Association and Past Chairman of Bombay First. Mr. Datta is a Director in the following companies:

a.	Reach (Cargo Movers) Pvt. Limited	Chairman
b.	Chandras' Chemical Enterprises (Pvt.) Limited	Director
c.	Philips India Limited *(Member of Audit Committee)*	Chairman
d.	IL & FS Investment Managers Limited *(Member of Compensation Committee and Investors Grievances Committee)*	Chairman
e.	Transport Corporation of India Limited *(Member of Audit Committee, Chairman of Remuneration Committee and Compensation Committee)*	Chairman
f.	Specialty Restaurants Limited	Chairman
g.	Peerless Developers Limited *(Member of Audit Committee)*	Director
h.	Peerless Hotels Limited	Director
i.	Peerless General Finance & Investment Co. Limited *(Member of Audit Committee)*	Director
j.	Atul Limited	Director
k.	Bhoruka Power Corporation Limited *(Chairman of Audit Committee)*	Director
l.	Rabo India Finance Limited *(Member of Audit Committee)*	Director
m.	Door Sabha Nigam Limited	Director
n.	Zodiac Clothing Co. Limited	Director

Mr. Uday Khanna

Mr. Uday Khanna is currently the non-executive Chairman of Lafarge India Pvt. Ltd. and Bata India Ltd. Mr. Uday Khanna was Managing Director & CEO of Lafarge India from July 1, 2005 to July 2011. He joined the Lafarge Group in Paris on 1st June 2003 as Senior Vice President for Group Strategy, after a long experience of almost 30 years with Hindustan Lever/ Unilever in a variety of financial, commercial and general management roles both nationally and internationally. His last position before joining Lafarge, was Senior Vice President – Finance, Unilever – Asia, based in Singapore. Mr. Khanna has earlier been on the Board of Hindustan Unilever as Director – Exports, after having served as Financial Controller and Treasurer of the company. He has also worked as Vice-Chairman of Lever Brothers in Nigeria and General Auditor for Unilever – North America based in the USA. Mr. Khanna is a Chartered Accountant, B.Com, FCA. He was the President of the Indo-French Chamber of Commerce & Industry in 2008 & 2009 and the President of the Bombay Chamber of Commerce & Industry in 2012-2013. Mr. Khanna is a Director in the following companies:

a.	Bata India Limited *(Member of Audit Committee)*	Chairman
b.	Thomas Cook (India) Limited *(Chairman of Audit Committee and Investors' Grievances Committee)*	Director
c.	Pfizer Limited *(Member of Audit Committee)*	Director
d.	Coromandel International Limited *(Chairman of Audit Committee)*	Director
e.	Lafarge India Private Limited	Chairman
f.	Indo-French Chambers of Commerce and Industry	Director
g.	The Anglo Scottish Education Society	Director
h.	Bombay Chambers of Commerce and Industry	Director
i.	DSP Black Rock Investment Managers Private Limited	Director

Mr. Ravi Kirpalani

Mr. Kirpalani has almost 30 years of experience in Sales, Marketing and Strategy. Mr. Kirpalani served as the Chief Operating Officer and Director of Automotive at Castrol India Ltd. from May 1, 2009 to April 26, 2013. He joined Castrol India Ltd. in 1999 as the General Manager, East and was promoted in 2002 to Vice President, Sales. In 2004, he was appointed as the Customer Director for India, Middle East, Turkey and Africa. In 2005, he moved to the UK as the Transformation Director and was a member of the global strategy team. Mr. Kirpalani played a key role in the implementation of the global strategy.

Prior to Castrol, he worked for M/s Reckitt Benckiser for 12 years, in various roles and for a leading consumer products company in Muscat, Oman. Mr. Kirpalani has been a Director of Castrol India Ltd. since May 1, 2009. Mr. Kirpalani is an Economics (Hons.) graduate from St. Stephens College, Delhi and holds an MBA from IIM, Kolkata. Mr. Kirpalani is not on the Board of any other Company.

Ms. Rashmi Joshi

Ms. Rashmi Joshi is a Chartered Accountant and a Company Secretary with over 24 years of post-qualification experience in finance function in FMCG, Pharma, Consumer Durable and Oil & Gas industries. She joined Castrol India in 2005, as General Manager Finance & Accounts and later moved into an Asia & Pacific region Planning and Performance Manager's role based at Singapore. Ms. Rashmi Joshi is not on the Board of any other Company.

7. General Body Meetings

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

	Location	Date	Time
1.	Y. B. Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalya Gymkhana, Mumbai 400 021	26.04.2013	3.30 p.m.
2.	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020	16.04.2012	3.30 p.m.
3.	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020	27.06.2011	3.30 p.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 Article of Association and Memorandum of Association of the Company and for reduction of Share Capital.
	Details of Voting Pattern	99.87% votes in favor of the Resolution & 0.13% 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

8. Disclosure

(a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large : During the year under review, besides the transactions reported elsewhere in the Annual Report, there were no other related party transactions with the promoters, directors and management that had a potential conflict with the interest of the Company at large.

			All the transactions with related parties are periodically placed before the Audit Committee. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in Notes to the Accounts in the Annual Report and there are no material transactions during the Financial Year that have a potential conflict with the interests of the Company.
(b)	Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital market, during the last three years.	:	None in the last three years.
(c)	Whistle Blower Policy and affirmation that no personnel have been denied access to the Audit Committee.	:	The Company is a part of BP group and has a very effective policy on whistle-blower applying to entire BP group of companies worldwide, which is called "Open Talk". The employees are encouraged to raise any of their concerns by way of whistle-blowing and none of the employees have been denied access to the Audit Committee.
(d)	Code of Conduct	:	The Company is governed by BP Code of Conduct which sets the standard we all work to. It is aligned with our values, group standards and legal requirements, and clarifies the ethics and compliance expectations for everyone who works at BP. The Code reflects a value-based approach, where rules are not stated explicitly and everyday business decisions will be guided by our values. The Code, covers health, safety and the environment; our people, our business partners and suppliers, governments and communities; and protecting Company's assets. Each section contains key principles, basic rules and advice on where to find further information. A new section, 'Living our Code', is designed to help people make decisions when faced with dilemmas where there are no clear rules to follow. Our Code also includes key points from new BP standards related to anti-bribery and corruption, anti-money laundering, competition and antitrust law, and trade sanctions.

		The Company has received confirmations from the Managing Director, Director-Finance as well as Senior Management Personnel regarding compliance of the Code during the year under review in compliance with the provision of Clause 49 of the Listing Agreement. All the members of the Board have affirmed compliance to the Code of Conduct as on 31st December, 2013, and a declaration to that effect signed by the Managing Director is attached and forms a part of this Report.
(e)	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 to non mandatory requirements the extent of compliance has been stated in this report against each item.

9. 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.
(c)	Any website, where displayed	: www.castrol.co.in
(d)	Whether it also displays official news release	: Yes
(e)	The presentations made to institutional investors or to the analysts	: No

10. General Shareholders Information

(a) Annual General Meeting

Date and Time	: Tuesday, 13th May, 2014 at 3.30 p.m.
Venue	: Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020

(b) Financial Calendar

• Financial Year	: 1st January, 2014 to 31st December, 2014
• First Quarter Results – 31st March, 2014	: 2nd Week of May 2014
• Second Quarter and Half yearly Results – 30th June, 2014	: 2nd/3rd Week of July 2014

• Third Quarter Results – 30th September, 2014	:	2nd/3rd Week of October 2014
• Fourth Quarter and Annual Results – 31st December, 2014	:	January/February 2015

(c) Date of Book Closure : (Tuesday) 6th May, 2014 to (Tuesday)13th May, 2014 Both days inclusive

(d) Dividend Payment Dates : Interim Dividend – Paid on 22nd August, 2013
Final Dividend – 3rd June, 2014 or immediately thereafter

(e) Due Dates for transfer of Unclaimed Dividend to Investors' Education and Protection Fund (IEPF):

Year	Dividend	Date of Declaration	Due for transfer to IEPF
2006	Final	30.04.2007	04.06.2014
2007	Interim	24.07.2007	27.08.2014
2007	Final	29.04.2008	02.06.2015
2008	Interim	31.07.2008	03.09.2015
2008	Final	27.09.2009	01.06.2016
2009	Interim	27.07.2009	30.08.2016
2009	Final	30.04.2010	03.06.2017
2010	Interim	15.07.2010	18.08.2017
2010	Final	27.06.2011	31.07.2018
2011	Interim	11.08.2011	15.09.2018
2011	Final	16.04.2012	20.05.2019
2012	Interim	16.07.2012	19.08.2019
2012	Final	26.04.2013	30.05.2020
2013	Interim	01.08.2013	03.10.2020

(f) Listing

The Company's shares are listed on the BSE Limited and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1st April, 2013 to 31st March, 2014 in relation to both BSE Limited and National Stock Exchange of India Limited.

(g) Stock Code

BSE Limited	500870
National Stock Exchange of India Limited	CASTROL
ISIN	INE172A01019*

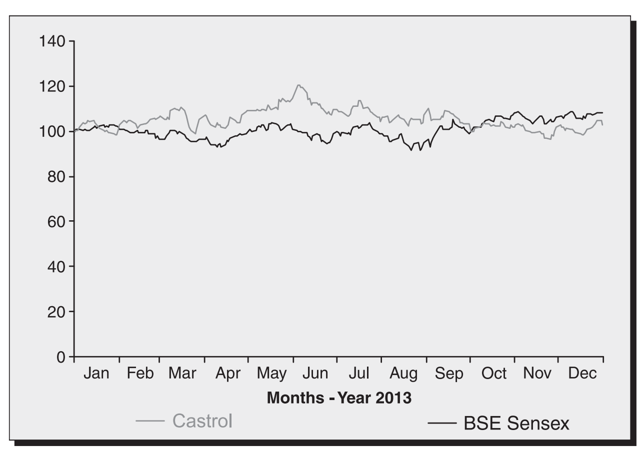
* Subject to change upon listing of Rs. 5 equity shares after Capital Reduction.

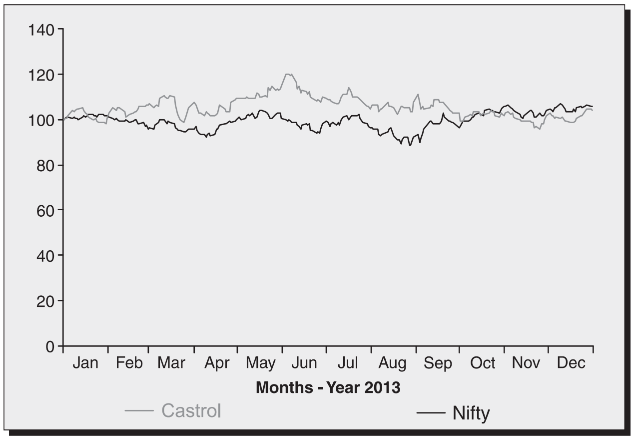
(h) Market Price Data

Monthly high and low quotation of shares traded on BSE and NSE during the Financial Year 2013

MONTHS	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January 2013	317.90	294.20	318.40	293.50
February 2013	321.85	302.45	323.65	302.20
March 2013	336.75	295.60	339.35	296.10
April 2013	332.80	303.50	332.90	303.35
May 2013	359.50	324.55	359.80	323.85
June 2013	371.45	320.25	372.00	321.10
July 2013	352.80	307.75	353.80	312.40
August 2013	331.00	306.15	331.25	305.00
September 2013	341.65	308.30	342.85	307.35
October 2013	317.00	296.60	317.80	296.00
November 2013	313.75	288.50	312.00	287.00
December 2013	318.75	295.10	318.70	295.05

(i) Stock Performance in comparison to the BSE Sensex and NSE Nifty (indexed to 100)





Share Transfer System

The Company Secretary has been authorized to approve the transfer of shares and this is being 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.

(j) Address for correspondence with Registrar and Share Transfer Agent

TSR Darashaw Private Limited
6-10 Haji Moosa Patrawala Industrial Estate,
20 Dr. E. Moses Road, Mahalakshmi,
Mumbai 400 011

Tel: +91-22-6656 8484
Fax: +91-22-6656 8494
Email: csg-unit@tsrdarashaw.com

(k) Distribution of shareholding by size as on 31st December, 2013

No. of Shares held	No. of shares	No. of shareholders	% of shareholders
Upto 500	85,56,522	64,565	76.15
501-1000	57,07,915	7,670	9.04
1001-2000	77,75,477	5,252	6.19
2001-3000	50,07,850	2,026	2.39
3001-4000	50,32,005	1,405	1.66
4001-5000	33,31,541	734	0.87
5001-10000	1,42,08,801	2,045	2.41
10001 and above	44,49,41,081	1,088	1.29
Grand Total	49,45,61,192	84,785	100.00

(l) Distribution of shareholding by ownership as on 31st December, 2013

Sr. No.	Category	No. of Shareholders	No. of Shares held	% of the total Paid up Capital
i	Foreign Company	1	5,41,896	0.11
ii	Foreign Collaborator	1	35,07,49,820	70.92
iii	Foreign Institutional Investors	73	4,43,62,020	8.97
iv	Overseas Bodies Corporate	2	4,000	0.00
v	Non-Resident Individuals	1,279	12,16,395	0.24
vi	Public Financial Institutions	15	2,33,20,974	4.71
vii	Indian Mutual Funds	36	25,55,305	0.52
viii (a)	Nationalised Banks	20	30,485	0.01
(b)	Other Banks	52	1,26,292	0.03
ix	Domestic Companies	1,626	66,88,824	1.35
x	Resident Individuals	81,677	6,49,36,145	13.13
xi	Directors & Relatives	3	29,036	0.01
	Total	**84,785**	**49,45,61,192**	**100.00**

As on 31st December, 2013, about 97.84% of the Paid-up Share Capital has been dematerialized. Trading in Equity Shares of the Company is permitted only in dematerialized form. Promoter's holding is held 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.

NON-MANDATORY REQUIREMENTS

1. Chairman of the Board

The Chairman of the Board does not maintain a Chairman's office at the Company's expense. However, the Company from time to time reimburses the expenses in relation to the Chairman's office in connection with performance of his duties as the Chairman of the Company.

2. Remuneration Committee

The Company has a Remuneration Committee. Please refer to Sr. No. 4 of this Report.

3. Shareholder Rights – Half yearly results

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.

4. Audit Qualification

There are no qualifications contained in the Audit Report.

5. Training of Board Members

The Independent Directors of the Company are individuals having long experience and expertise being leaders in their respective fields. Similarly both the Wholetime Directors & Directors nominated by the Parent Company also have long experience in their respective fields. Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, strategy and risks involved, so that they are updated on 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

The performance evaluation of Non-Executive Directors is done as per the policies and process which are put in place in BP Group. There is no formal mechanism for evaluation of performance.

7. Whistle Blower Policy

BP Group has a very strong Whistle Blower Policy applicable worldwide, which is referred to as 'Open Talk' and is discussed in this Report. All the employees and other stakeholders have access to the same.

CODE OF CONDUCT DECLARATION

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, Ravi Kirpalani in my capacity as the Managing Director 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 2013 with the Company's Code of Conduct.

Ravi Kirpalani
Managing Director

Mumbai,
Dated: 17th February, 2014

CEO-CFO CERTIFICATION

To,

The Board of Directors Castrol India Limited,

We, the undersigned, in our respective capacities as Managing Director (Chief Executive Officer) and Director Finance (Chief Financial Officer) of Castrol India Limited ("the Company"), to the best of our knowledge and belief certify that:

(a) We have reviewed the financial statements and the cash flow statement for the financial year ended 31st December, 2013 and based on our knowledge and belief, we state that:

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading.

  (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

(b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:

  (i) significant changes, if any, in the internal control over financial reporting during the year;

  (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and

  (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

On behalf of the Board of Directors

Ravi Kirpalani	Rashmi Joshi
Managing Director	*Director – Finance*

Mumbai

Dated: 17th February, 2014

AUDITORS' CERTIFICATE

To,

The Members of Castrol India Limited

We have examined the compliance of conditions of Corporate Governance by Castrol India Limited ("the Company"), for the year ended on December 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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. LLP

Chartered Accountants

Firm Registration No. 301003E

per Dolphy D'souza

Partner

Membership No.: 38730

Place: Mumbai,

Dated: 17th February, 2014

Section A: General information about the Company

Sr. No.	Particulars	Information
1.	Corporate Identity Number (CIN) of the Company	L23200MH1979PLC021359
2.	Name of the Company	Castrol India Limited
3.	Registered Address	Technopolis Knowledge Park, Post Box No. 19411, Mahakali Caves Road, Chakala, Andheri (East), Mumbai–400 093.
4.	Website	www.castrol.co.in
5.	E-mail id	investorrelations.india@castrol.com
6.	Financial Year Reported	January 1, 2013 – December 31, 2013
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	2 7 1 0 0 0 . 6 1 – Lubricating oils
8.	List three key products/services that the Company manufactures/provides (as in balance sheet):	Lubricating oils
9.	Total number of locations where business activity is undertaken by the Company	• Number of International Locations (Provide details of major 5): None • Number of National Locations: 9 ▪ Corporate Office – 1 ▪ Regional Offices – 4 ▪ Plants – 3 ▪ Technology Centre – 1
10.	Markets served by the Company – Local/State/ National/International	National

Section B: Financial details of the Company

Sr. No.	Particulars	Information
1.	Paid up Capital (INR)	Rs. 494.6 crores
2.	Total Turnover (INR)	Rs. 3,166.1 crores
3.	Total profit after taxes (INR)	Rs. 508.6 crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	– Total Spends – Rs. 2.13 crores (0.42%) a. *'Eklavya'* Spends – Rs. 1.8 crores (Total Mechanics trained in 2013: 49,742 nos.) b. Community investment around Silvassa plant – Rs. 0.18 crore c. Supporting *'Nanhi Kali'* – an NGO providing education to the girl child through the Mumbai Marathon – Rs. 0.15 crore.
5.	List of activities in which expenditure in 4 above has been incurred:	a. *Eklavya* – a basic technical training programme for two-wheeler mechanics. b. Community investment around Silvassa plant c. Supporting *Nanhi Kali* – an NGO providing education to the girl child through the Mumbai Marathon

Section C: Other Details

1. **Does the Company have any Subsidiary Company/Companies?**

   No, the Company does not have any Subsidiary Company.

2. **Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).**

   Not Applicable.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   The Code of Conduct is applicable to all the business entities who do business with the Company. The business partners however do not directly participate in Business Responsibility (BR) initiatives of the Company.

Section D: BR Information

Details of Director/Directors responsible for BR

(a) Details of the Director/Directors responsible for implementation of the BR policy/policies:

Particulars	**Details**	
DIN Number	02613688	06641898
Name	Mr. Ravi Kirpalani	Ms. Rashmi Joshi
Designation	Managing Director	Director – Finance

(b) Details of the BR head:

Sr. No.	**Particulars**	**Details**	
1.	**DIN Number (if applicable)**	02613688	06641898
2.	**Name**	Mr. Ravi Kirpalani	Ms. Rashmi Joshi
3.	**Designation**	Managing Director	Director – Finance
4.	**Telephone number**	91-22-66984100	
5.	**E-mail id**	investorrelations.india@castrol.com	

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
		Business Ethics	Sustainability	Employees' well-being	Stakeholders' Welfare	Human Rights	Environment	Regulatory Policy	Equitable Development	Customer Responsibility
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Many of the Company policies are aligned with BP group policies which incorporate the global best practices. The Company is an ISO 9001 Company and the manufacturing locations are 14001 and 18001 certified.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The Code of Conduct and the other frameworks adopted by the parent company BP globally have been adopted by the Company.								
5.	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	http://www.bp.com/en/global/corporate/sustainability/our people-and-values.html								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

2a. If answer to Sr. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr. No.	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1.	The Company has not understood the Principles	NA	NA	NA	NA	NA	NA	NA	NA	NA
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	The Company does not have financial or manpower resources available for the task	NA	NA	NA	NA	NA	NA	NA	NA	NA
4.	It is planned to be done within next 6 months	NA	NA	NA	NA	NA	NA	NA	NA	NA
5.	It is planned to be done within next 1 year	NA	NA	NA	NA	NA	NA	NA	NA	NA
6.	Any other reason (please specify)	NA	NA	NA	NA	NA	NA	NA	NA	NA

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.**
  The Board of Directors of the Company assesses various initiatives forming part of the BR performance of the Company at least once a year.
- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**
  The Company publishes the information on BR which forms a part of the Annual Report of the Company. The hyperlink to view the Annual Report is: www.castrol.co.in

Section E: Principle-wise performance

Principle 1

Policy relating to ethics, bribery and corruption

Code of Conduct

Company's Code of Conduct (also referred to as the 'Code') outlines its commitment to ethical standards and compliance with applicable local laws. As mentioned earlier, Company's policies reflect those adopted by its Parent Company in the UK viz. BP p.l.c. Company's Code is based on its values and clarifies the ethics and compliance expectations for everyone who works for the Company. The Code includes sections on operating safely, responsibly & reliably; its people; its business partners; the governments and communities the Company works with and its assets and financial integrity. The Code takes into account key points from Company's internal standards related to anti-bribery and corruption, anti-money laundering, competition and anti-trust law and trade sanctions. Company conducts due diligence on all its vendors and customers in accordance with these policies.

Who the Code of Conduct applies to

The Code applies to every employee of the Company and the endeavor is to extend this Code to all its contractors and business partners. Where feasible, the Company seeks a contractual commitment from its contractors and business partners to comply and work in line with the Code. Where the Company has the right to do so, it may consider terminating contracts where a contractor has not complied with the obligations or not renewing a contract where a contractor has acted in a manner that is not consistent with Company's values or the Code. The Company rigorously follows ethical business decisions, ensuring the actions of all its employees, vendors, business partners and customers are consistent with the law. The Company collaborates closely with all stakeholders in order to initiate and foster fair business practices in all spheres of business to create and sustain an ethical and transparent environment.

Certifying the Code

Each year, the Company engages its employees in Code of Conduct certification. It is embedded in the annual performance contract of all employees to comply with the Code and to create an environment where people can confidently raise concerns without fear of reprisal.

During the year, seven (7) instances of breach of the Code were reported for which appropriate inquiries were initiated and appropriate action taken. Seven contractors/employees were dismissed for non-compliance of the Code or unethical behaviour.

Fostering a 'speak up' culture

The Company is committed to providing an open environment where its employees, contractors and other stakeholders are comfortable speaking up whenever they have a question about our code or think that laws, regulations or the Code, may have been breached. All stakeholders are encouraged to raise concerns with the Company's management team or BP's global helpline.

Your Company has adopted a Policy for Prevention of Sexual Harassment at the workplace and the Internal Complaints Committee is constituted.

Principle 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

The Company has ISO certificates of 9001:2008, 14001 and ISO/TS 16949:2009. The Company launched/re-launched several products throughout 2013, offering superior products and benefits to consumers. The Company continues its focus on generating fuel efficient products for its consumers. Castrol RX Max fuel saver, co-engineered with Tata Motors and extensively tested, reduces fuel consumption by about 1.5%. Castrol Magnatec – a proprietary formulation that has intelligent molecules that cling to various parts of the engine and provides protection right from the time of starting the engine. Castrol Magnatec Diesel was launched to extend the brand offering to diesel vehicles.

The Company also offers high performance greases for extremely severe applications in various industries.

Both our raw material sourcing and finished goods distribution are optimised with a view to reduce the distance travelled and environmental impact.

The Company has taken various energy efficiency measures at its plants, including:

- Using energy efficient technology like solar and LED lights to reduce energy consumption.
- Using fuel additive with furnace oil to obtain best fuel efficiency boiler condensate recovery and maintenance resulting in lower furnace oil consumption.
- Optimising power and utility operations.
- Recycling treated water from effluent treatment plant which is now being used for sanitation, resulting in reduction of fresh water consumption.
- Improve boiler efficiency through optimised running of blend operation, reduce power consumption by improving power factor and reduce water consumption through various initiatives.

The Company's technology centre in India hosts the global product development centre for motorcycle engine oils. A highly qualified technical team is in place, along with the necessary infrastructure, to enable pioneering product development.

Principle 3

Businesses should promote the well-being of all employees

The Company's approach for managing its core asset i.e. its people, is founded on the following beliefs:

1. People's safety is our first priority
2. BP grows best by growing its own people
3. Our people have potential – we need to develop it
4. Diversity matters – so does inclusion
5. We need the best talent – and need to meet the expectations of the best talent.

In our endeavour to be a contemporary organisation, we constantly review our policies and benchmark them against the best in class to ensure that the Company's agenda on employee well-being and engagement is serviced effectively. The Company gets feedback from its employees through an annual survey conducted globally. In 2013, the survey indicated that overall employee engagement score for the Company was in the top quartile indicating very good engagement with 78% of the employees feeling strongly engaged. Further, maintaining its excellent track record of cordial relationship with its trade unions, during the year the Company concluded the signing of long term settlement with the trade union at its Silvassa facility.

The total headcount as on December 31, 2013 is 838, of which 92 are permanent women employees. The Company has hired 210 employees on a contractual/ temporary basis. The Company does not have any employees with permanent disability. There is workers' trade union active mainly in plants and approximately

24% of permanent employees are members of this trade union.

In summary, Company's people agenda is focused on the following principles:

1. **Health & Safety:** HSSE (Health, Safety, Security and Environment) is at the heart of everything that the Company does and is a key enabler of its business strategy. The Company is committed to the goal of 'No accidents, no harm to people and no damage to the environment'. Our HSSE strategy is designed around following three key elements:
   - Having safe and healthy employees
   - Being a responsible operator
   - Ensuring our products and services can be trusted

   The Company empowers and thus expects every employee to be a safety leader; our safety leadership pledge being – *"I commit to lead all in safety, so that all employees go home safely every day. This is more important to us than anything else that we do"*. Road safety continues to be a focus area for the Company and thus all professional drivers undergo a rigorous defensive driver training and all road safety related incidents, howsoever minor, are reported and investigated. The same driving standards are used while dealing with contractors engaged in transporting raw material and finished goods. All permanent and contract employees are given safety training during the year.

   The Company has been steadily progressing in implementing BP's Operating Management System (OMS) to continuously improve the delivery of safe, responsible and reliable operations. The OMS has helped the Company to manage four key elements of operating – People, Plant, Processes and Performance, effectively.

   The Company has been regularly providing annual preventive health checks for all employees at its own cost. Further, to enable employees manage work-life balance and related stress, if any, the Company has taken several initiatives, including:
   - **Agile Working:** A core component of the Company's Diversity & Inclusion ambition, agile working encompasses a wide range of working options that enables employees to work flexibly at full potential. Part time working, job-share, home working and flexible hours are some options granted under this initiative.
   - **Career Break and Maternity/Paternity Leave:** These benefits are available to employees of the Company irrespective of the level that they operate at.
   - **PRISM-Gender Diversity Offer:** The Company has introduced a specific offer for women managers in sales and marketing function called PRISM (Progress through Sales and Marketing), to empower and enable them to be successful by creating an inclusive workplace.
   - **Workplace facilities:** At all offices and facilities of the Company, attention is paid to ergonomics to ensure a comfortable work environment.

2. **Leadership Development:** Building both, people and functional capability is one of the key elements of our investment in people. Last year, the Company took concrete steps to embed BP's global leadership framework that requires leaders to demonstrate capabilities in managing culture, performance, talent and development. Further, this year, the capability calendar was designed to look at the leadership development requirements around different stages of an employee's career, viz – New Joiners, Leading Self, Leading Others, Leading Managers and Leading a Function or Business. Discover BP, Preparing to Lead, Leading the BP Way, Responsible Leadership, Leading the Charge were some of the key leadership development programmes successfully implemented by the Company this year.

3. **Diversity and Inclusion:** As a part of a large multinational group, the Company wants the workforce to represent the societies in which its operates. Company's commitment to Diversity and Inclusion enables it to be creative, competitive and thrive in our environment. Improving gender diversity continues to be the focus area for the Company and has taken several initiatives like PRISM, Agile Working and ran various empowering and educational events through our International Women's network (BPWIN). Workshops were also held to equip managers with knowledge and skills to manage a multigenerational workforce and enable women to succeed in the workplace. Refresher courses on Diversity & Inclusion were also held. Both in the industry and outside, BP has been recognised for its work on gender diversity. It has been awarded a citation as an Employer of choice for women for the third consecutive

year by EOWA [Equal Opportunity for Women in workplace Agency].

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last financial year.

Principle 4

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

The Company has identified and is responsive to the needs of all its stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

The Company has a planned approach to engage with its key stakeholders including consumers, customers, shareholders, employees, local community, government and media through a multitude of channels including face to face and on line communication and innovative channels like the Castrol Magnatec Mobile van which reaches out to mechanics at their doorstep.

The Company has a Customer Care help line where consumers and customers can call in and seek help or provide insights and inputs. The Company's philosophy, based on that of its founding father Charles Cheers Wakefield's belief is that 'success can best be achieved in partnership with its customers'. Towards this end, the Company works closely with its consumers and customers to develop products and services which meet their specific requirements. The Company also organises a number of consumer and customer meets including dealer, farmer and mechanic meets to understand their requirements and provide them with solutions which deliver enhanced business performance.

The Company engages with shareholders and analysts through its annual general meeting and other events. Also the Company communicates via roadshows and one-to-one meetings. The Company is consistently rewarding shareholders through bonus shares and dividends.

Castrol India relies on a range of internal communication channels to keep its employees informed about the context within which they work. The Company has accordingly established channels for the employees and contractors to raise concerns, and to maintain regular communication with them.

The Code requires that Company's employees and contractors are honest and responsive in any interactions they have with governments. Recognising the contribution by Castrol India towards tax compliance, the Company was awarded "Best Dealer Award" for VAT in Delhi.

Over the past few years, the Company has recognised that as automotive technology rapidly evolves and the ownership of motorcycles grows in small towns, many of the independent two-wheeler mechanics may not have the capability to enhance their skills to service this constantly evolving new technology driven vehicles. In 2009, the Company developed and launched a two-wheeler mechanic skill enhancement programme called *Eklavya*. To date, the Company has reached out to and trained almost 140,000 mechanics, completely free of cost, across seven cities in India.

The Company regularly interacts with the electronic, print, television and online media through press releases and media events.

Principle 5

Businesses should respect and promote Human Rights

A formal Human Right's policy was launched this year which applies to every employee. This policy contains following seven key principles:

- The Company conducts its business in a manner that respects the rights and dignity of all people, complying with all legal requirements.
- The Company respects internationally recognised human rights, as set out in the International Bill of Human Rights and the International Labour Organisation's declaration on Fundamental Principles and Rights at Work.
- The Company recognises its responsibility to respect human rights and avoid complicity in human rights abuses, as stated in the UN Guiding Principles on Business and Human Rights.
- The Company treats everyone who works for us, fairly and without discrimination. The employees, agency staff and suppliers are entitled to work in an environment and under conditions that respect their rights and dignity.
- The Company respects freedom of association. Where its employees wish to be represented by trade unions or works councils, the Company will cooperate in good faith with the bodies that its employees collectively choose to represent them within the appropriate national legal frameworks.

- The Company respects the rights of people in communities impacted by its activities. The Company will seek to identify adverse human rights impact and take appropriate steps to avoid, minimise and/or mitigate them.
- The Company will seek to make contractual commitments with suppliers with a view to encourage them to adhere to the same principles.

  The policy applies to every employee. The Company's employees, contractors, suppliers and business partners are entitled to work in an environment and under conditions that respect their rights and dignity.

Principle 6

Business should respect, protect, and make efforts to restore the environment

The Company is committed to maintain highest standards of Occupational Health, Safety & Environment and complies with all applicable laws and requirements, as spelt in the policy which uniformly applies to every employee. Safety & Environmental Performance has been integral to the business performance of the Company and continues to focus on the goal: *'no accidents, no harm to people and no damage to the environment'*.

All three blending plants of the Company are certified for the Environment Management System (ISO 14001:2004) and Occupational Health & Safety Management System (OHSAS 18001: 2007). The Company also implements ISO 9001:2008 (Quality Management System Standard) and ISO/TS 16949:2009 (Automotive Customer Specific Standard) to continually improve its processes. Compliance to these systems has been certified by internationally recognised and accredited bodies. The Company is implementing BP's global Operating Management System (OMS) to further enable it to continuously improve processes and operations and make them safe, systematic, reliable and environment friendly.

Initiatives to mitigate possible environmental risks and reduce environment footprint are in place. All efforts are taken to minimise energy consumption, water consumption and waste generation from manufacturing operations viz. optimising the manufacturing batch sizes, switching to energy efficient lighting, maximising the use of solar lighting during the day, regular water monitoring and audits – to name a few. The Company's environment performance has also been recognised and appreciated by various external organisations.

The Company has not received any show cause/legal notices from CPCB/SPCB which are pending as on end of Financial Year.

Principle 7

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

The Code of Conduct of the Company provides that although the Company does not directly take part in political activity, it could engage in policy debate in various ways including lobbying, on subjects of legitimate concern to the Company, its staff and the communities in which it operates. Any lobbying activity on behalf of the Company's interests is highly regulated and is done only by authorised people.

In the course of its activities, the Company's approach to corporate political activity is clear and uncompromising. The Company does not take part directly in political activity. The Company does not make any political contributions – either in cash or in kind.

The Company aims to engage constructively with Governments everywhere it operates, as well as to build constructive relationships with the media.

The Company complies with all laws and regulations that prohibit bribery and corruption and ensure that its suppliers, contractors and joint venture partners do the same. All business partners who represent or act on behalf of the Company are asked to comply with applicable bribery and corruption laws. Where appropriate, they are required to show that they have appropriate programmes in place to prevent bribery.

The Company believes that trade associations and industry bodies can be helpful in achieving business goals – for example, promoting safety.

The Company has represented in many industry and business Associations which work in the relevant areas, including:

- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Bombay Chamber of Commerce & Industry
- The Advertising Standards Council of India
- All India Management Association

Principle 8

Businesses should support inclusive growth and equitable development

As mentioned in Principle 4 above, the Company has a social investment programme called *Eklavya*, under which it has trained over 140,000 two-wheeler mechanics since the inception of the programme in 2009. The programme is aimed at fostering inclusive growth and ensuring that the smaller independent mechanics do not lose out due to lack of skills in the face of constantly evolving automotive technology.

The constant upgradation of technology and the inflow of international players bringing in their latest technology vehicles has posed a huge challenge for mechanics who have to constantly upgrade their technical skills and keep abreast of the latest technology development. The largest impact has been on the two-wheeler segment where many of the smaller, independent mechanics lack formal technical education.

Keeping this in mind, the Company launched *Eklavya* to support this marginalised section of mechanics so that they are not excluded from the future growth story of the Indian automobile industry.

Eklavya started with introduction of a basic module which focused on diagnostics and minor repairs. Based on the positive feedback and the request received from the mechanics, the programme has been expanded and now includes two other higher level advanced modules. The entire programme has been designed, developed and executed in-house.

The Company's social investment programme aims to create a sustainable and meaningful impact – one that is relevant to local needs and aligned with the Company's business. Towards this end, it also works with local authorities and communities to deliver community programmes around its plants in Patalganga and Silvassa – the focus here being on education and healthcare.

The Company is working on a more comprehensive social community programme in 2014.

Principle 9

Businesses should engage with and provide value to their customers and consumers in a responsible manner

The Company is in the business of meeting the needs of its customers and consumers in an efficient and compelling manner. The products are developed basis insights gained from regular consumer and customer interactions and structured research projects. The Company partnered with Tata Motors to launch an engine oil that reduces fuel consumption, thus benefiting the environment. The Company continuously monitors the trends in automotive and manufacturing industries and launches products suitable for emerging segments. Castrol Magnatec Diesel was launched this year to extend the Castrol Magnatec brand benefits to diesel cars. Your Company has organised its business around Business to Business (B2B) and Business to Consumers (B2C) channels. The Company offers a blend of products and solutions based offers; for example, for its large workshop customers, the Company offers training on soft skills aimed at improving Customer Satisfaction Index (CSI) scores and for its small independent workshops, the Company provides equipment for servicing and collaterals and programmes for attracting more customers. The Company regularly tracks satisfaction score of its distributor partners as well as trade and references the same against market norms. Appropriate actions are taken to improve customer satisfaction. The Company has less than 8% complaints which are under resolution. Significant emphasis is laid to ensure product integrity and formulation compliance. Regular internal and external audits are conducted at the plant level as well as the formulation level to ensure that only compliant products reach the customers and consumers. The Company mentions information such as product benefits to the consumer, technology used in the product, etc. in addition to the mandatory information. There are no cases pertaining to Anti-Trust or Competition Law filed by or against the Company. However, there are some complaints/ cases filed by consumers/shareholders which are pending in Consumer Forums/Courts. These are being appropriately dealt with by the Company.

On behalf of the Board of Directors

Ravi Kirpalani	Rashmi Joshi
Managing Director	Director – Finance

Mumbai
Dated: February 17, 2014

INDEPENDENT AUDITORS' REPORT

To
The Members of Castrol India Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Castrol India Limited ('the Company'), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ('the Act') 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, 2013;

(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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) 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;

   (c) 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;

   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;

   (e) On the basis of written representations received from the directors as on December 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Dolphy D'souza
Partner
Membership Number: 38730

Place : Mumbai
Date : February 17, 2014

Annexure referred to in paragraph of audit report on Other Legal and Regulatory Requirements 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)-(d) 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)-(g) 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 (Rs. Crores)	Period to which amount relates	Forum where dispute is pending
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Tax, Interest and Penalty	121.23	1987 to 2013	Assistant/Deputy/ Additional/Joint/Special, Revisional Board/ Commissioner, Tribunal & High Court.
Central Excise Act, 1944	Duty and Penalty	20.76	1987 to 2013	Assistant/Deputy/ Additional/Joint Commissioner, Commissioner (A), CESTAT, High Court & Supreme 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	119.42	1997 to 2013	Assistant/Deputy/ Additional/Joint Commissioner, Commissioner (A), CESTAT & High Court.
The Income Tax Act, 1961	Tax and Interest	1.16	Assessment years 2000-2001, 2008-2009 and 2009-2010	Deputy Commissioner of Income Tax, Commissioner of Income Tax (A) & ITAT

(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) To the best of our knowledge, and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company, has been noticed or reported during the year.

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Dolphy D'souza
Partner
Membership Number: 38730

Place : Mumbai
Date : February 17, 2014

Balance Sheet as at December 31, 2013

Particulars	Note No.	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**494.56**	494.56
Reserves and surplus	4	**256.86**	154.67
		751.42	649.23
Non-current liabilities			
Other long-term liabilities	5	**10.83**	8.29
Long-term provisions	6	**2.48**	3.43
		13.31	11.72
Current liabilities			
Trade payables	7	**472.83**	436.63
Other current liabilities	7	**120.95**	118.58
Short-term provisions	6	**256.50**	263.41
		850.28	818.62
TOTAL		**1,615.01**	1,479.57
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	**143.22**	125.07
Intangible assets	8	**0.24**	1.05
Capital work-in-progress		**31.87**	30.96
Deferred tax assets (net)	9	**52.96**	65.09
Long-term loans and advances	10	**87.59**	84.85
Other assets	14	**–**	0.26
		315.88	307.28
Current assets			
Inventories	11	**374.01**	315.76
Trade receivables	12	**237.24**	216.62
Cash and bank balances	13	**594.22**	574.59
Short-term loans and advances	10	**86.44**	51.03
Other assets	14	**7.22**	14.29
		1,299.13	1,172.29
TOTAL		**1,615.01**	1,479.57
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. LLP
Chartered Accountants
ICAI Firm Registration no : 301003E

per DOLPHY D'SOUZA
Partner
Membership No. : 38730

SANDEEP DESHMUKH
Company Secretary

Place: Mumbai
February 17, 2014

For and on behalf of Board of Directors

S. M. DATTA — Chairman
RAVI KIRPALANI — Managing Director
RASHMI JOSHI — Executive Director

R. GOPALAKRISHNAN
RALPH HEWINS
SASHI MUKUNDAN
UDAY KHANNA
PETER WEIDNER
Non-Executive Directors

Place: Mumbai
February 17, 2014

Statement of Profit and Loss for the year ended December 31, 2013

Particulars	Note No.	**For the year ended December 31, 2013 Rupees in Crores**	For the year ended December 31, 2012 Rupees in Crores
INCOME			
Revenue from operations (gross)	15	**3,677.50**	3,605.38
Less: Excise duty		**497.88**	484.52
Revenue from operations (net)		**3,179.62**	3,120.86
Other income	16.1	**35.06**	30.84
Total revenue		**3,214.68**	3,151.70
EXPENSES			
Cost of materials consumed	17.1	**1,681.42**	1,689.44
Purchase of traded goods	17.2	**138.47**	146.83
(Increase)/decrease in inventories	17.3	**(31.42)**	(12.00)
Employee benefits expense	18	**145.97**	128.40
Other expenses	19	**557.70**	545.27
Total expenses		**2,492.14**	2,497.94
Earnings before interest, tax, depreciation, amortisation and exceptional item		**722.54**	653.76
Exceptional item	16.1.a	**22.80**	–
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**745.34**	653.76
Depreciation and amortisation expense	20	**30.45**	26.64
Finance costs	21	**1.71**	2.14
Interest income	16.2	**48.58**	41.34
PROFIT/(LOSS) BEFORE TAX		**761.76**	666.32
Tax expenses			
Current tax		**241.06**	227.78
Deferred tax		**12.13**	(8.85)
Total tax expenses		**253.19**	218.93
PROFIT/(LOSS) FOR THE YEAR		**508.57**	447.39
Nominal value of share (Rs.)		**10.00**	10.00
Earnings per equity share – Basic & Diluted (Rs.)	22	**10.28**	9.05
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. LLP
Chartered Accountants
ICAI Firm Registration no : 301003E

per DOLPHY D'SOUZA
Partner
Membership No. : 38730

Place: Mumbai
February 17, 2014

SANDEEP DESHMUKH
Company Secretary

For and on behalf of Board of Directors

S. M. DATTA Chairman

RAVI KIRPALANI Managing Director

RASHMI JOSHI Executive Director

R. GOPALAKRISHNAN
RALPH HEWINS
SASHI MUKUNDAN
UDAY KHANNA
PETER WEIDNER
Non-Executive Directors

Place: Mumbai
February 17, 2014

Cash Flow Statement for the year ended December 31, 2013

Particulars		As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Cash Flow from Operating Activities			
Net profit before tax		**761.76**	666.32
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation expenses		**30.45**	26.64
Loss/(gain) on disposal/write off of fixed assets (net)		**(22.67)**	1.79
Provision for doubtful advances (net)		**(0.21)**	0.48
Provision for doubtful debts (net)		**(2.27)**	5.16
Unrealised foreign exchange (gain)/loss		**0.90**	0.12
Finance costs		**1.71**	2.14
Interest (income)		**(48.58)**	(41.34)
Operating profit before working capital changes		**721.09**	661.31
Movements in working capital:			
Decrease/(increase) in inventories		**(58.25)**	(14.84)
Decrease/(increase) in trade receivables		**(18.35)**	(2.83)
Decrease/(increase) in short-term loans & advances		**(35.41)**	(1.97)
Decrease/(increase) in long-term loans & advances		**(2.53)**	(16.99)
Increase/(decrease) in other long-term liabilities		**2.54**	(0.77)
Increase/(decrease) in other current liabilities		**1.40**	15.45
Increase/(decrease) in long-term provisions		**(0.95)**	0.01
Increase/(decrease) in trade payables		**36.20**	43.90
Increase/(decrease) in long-term trade payables		**–**	(3.36)
Increase/(decrease) in short-term provisions		**(0.21)**	3.71
Cash generated from/(used in) operations		**645.53**	683.62
Direct taxes paid (net of refunds)		**(249.10)**	(216.46)
Net Cash Flow from/(used in) Operating Activities	**(A)**	**396.43**	467.16
Cash Flow from Investing Activities			
Purchase of fixed assets, including CWIP		**(54.32)**	(43.70)
Proceeds from sale of fixed assets		**28.29**	0.01
Maturity of margin deposits		**–**	8.91
Interest received		**55.91**	35.56
Net Cash Flow from/(used in) Investing Activities	**(B)**	**29.88**	0.78

Cash Flow Statement for the year ended December 31, 2013 (contd.)

Particulars		As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Cash Flow from Financing Activities			
Dividend paid		**(346.20)**	(370.92)
Dividend tax paid		**(58.84)**	(60.17)
Interest paid		**(1.64)**	(2.09)
Net Cash Flow from/(used in) Financing Activities	**(C)**	**(406.68)**	(433.18)
Net Increase/(Decrease) in Cash and Cash Equivalents	**(A+B+C)**	**19.63**	34.76
Cash and cash equivalents at the beginning of the year		**574.59**	539.83
Cash and Cash Equivalents at the end of the year		**594.22**	574.59
Components of Cash and Cash Equivalents			
Cash on hand		**0.02**	0.02
Balance with banks:			
On current accounts		**1.37**	9.63
Deposits with original maturity of less than 3 months		**257.86**	74.56
Deposits with original maturity of more than 3 months		**327.41**	483.60
Unclaimed dividend account [note (b) below]		**7.56**	6.78
Total Cash and Cash Equivalents (note 13)		**594.22**	574.59

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. LLP
Chartered Accountants
ICAI Firm Registration no : 301003E

per DOLPHY D'SOUZA
Partner
Membership No. : 38730

Place: Mumbai
February 17, 2014

SANDEEP DESHMUKH
Company Secretary

For and on behalf of Board of Directors

S. M. DATTA — Chairman
RAVI KIRPALANI — Managing Director
RASHMI JOSHI — Executive Director

R. GOPALAKRISHNAN
RALPH HEWINS
SASHI MUKUNDAN
UDAY KHANNA
PETER WEIDNER
Non-Executive Directors

Place: Mumbai
February 17, 2014

Notes to the Financial Statements for the year ended December 31, 2013

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 read with General Circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. 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 derivative financial instruments which have been measured at fair value. 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 twelve months for the purpose of current/non-current classification of assets and liabilities.

2. Significant accounting policies

a. 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.

b. Tangible fixed assets

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

c. 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.

d. 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.

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) below]	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.

Notes to the Financial Statements for the year ended December 31, 2013

2. Significant accounting policies (contd.)

e. 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 an asset's or cash generating unit's (CGU) net selling price and its 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.

f. 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, 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.

g. 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. Cost of traded items includes cost of purchase and other cost incurred in bringing the inventories to the present location and condition.

(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.

h. 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.

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. The Company collects Sales Tax/VAT on behalf of the Government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

Income from services

Income from services is recognised based on the terms of the agreements as and when the 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.

i. 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.

Notes to the Financial Statements for the year ended December 31, 2013

2. Significant accounting policies (contd.)

j. Retirement and other 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 Retiral Medical Benefit Scheme and Sharematch are recognised in the Statement of Profit and Loss, when an employee rendered the related service.

If the contribution payable to the scheme for service received before the Balance Sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the Balance Sheet date, then excess is recognised as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Defined benefit plans

Company's liabilities towards gratuity, survivor protection (death benefit), pension benefit to past employees are actuarially determined using the projected unit credit method, at each year end, 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 income or expense. Obligation is measured at the present value of estimated future cash flows using a discount 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.

Provident Fund

The Company administers employees provident fund benefits through a trust, whereby amounts determined at a fixed percentage of basic salaries of the employees are deposited to the trust every month. The benefit vests upon commencement of the employment. The interest rate payable by the trust to the beneficiaries every year is notified by the government and the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company has obtained actuarial valuation to determine the shortfall, if any, as at the Balance Sheet date.

Retirement and other employee benefits

Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

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.

k. 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. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

l. Derivative instruments

The Company uses foreign exchange forward contracts for exposure to movement in foreign exchange rates. The Company has adopted the principles of Accounting Standard 30, Financial Instruments: Recognition and Measurement (AS-30) issued by ICAI to the extent the adoption of AS-30 does not conflict with existing accounting standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements. AS-30 is applied on those contracts which are not covered under AS-11.

In accordance with the recognition and measurement principles set out in AS-30, gains/losses on mark to market of derivative financial instruments are recognised in the Statement of Profit and Loss. Gains and losses arising on account of rollover/cancellation of forward contracts are recognised as income/expense of the period in which such rollover/ cancellation takes place.

Notes to the Financial Statements for the year ended December 31, 2013

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, 2013 and the provision for the remaining period of nine months ending on December 31, 2013. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2013-14 to Profit Before Tax of the said period.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

n. Provisions

A provision is recognised when the Company 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, 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, impairment and amortisation expenses, finance costs, interest income and tax expenses.

Notes to the Financial Statements for the year ended December 31, 2013

3. Share capital

	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Authorised shares		
495,000,000 (2012 : 495,000,000) equity shares of Rs. 10/- each	**495.00**	495.00
	495.00	495.00
Issued, subscribed and fully paid-up shares		
494,561,192 (2012 : 494,561,192) equity shares of Rs. 10/- each	**494.56**	494.56
	494.56	494.56

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

Equity shares	**As at December 31, 2013**		As at December 31, 2012	
	No. of Shares	**Rupees in Crores**	No. of Shares	Rupees in Crores
At the beginning of the year	**494,561,192**	**494.56**	247,280,596	247.28
Bonus shares issued during the year [refer note (i) below]	**–**	**–**	247,280,596	247.28
Outstanding at the end of the year	**494,561,192**	**494.56**	494,561,192	494.56

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 approvals of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividend in Indian Rupees.

During the year ended December 31, 2013, the amount of per share interim dividend recognised as distribution to equity shareholders was **Rs. 3.50** (2012 : Rs. 7.00). The amount of interim dividend distributed to equity shareholders is **Rs. 173.10 crores** (2012 : 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** (2012 : Rs. 3.50). The amount of final proposed dividend distributed to equity shareholders is **Rs. 173.10 crores** (2012 : Rs. 173.10 crores). Both dividends aggregating to **Rs. 7.00** per share (2012 : Rs. 10.50 per share).

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 December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Castrol Limited, U.K. **350,749,820** (2012 : 350,749,820) equity shares of Rs. 10/- each fully paid (holding company)	**350.75**	350.75
BP Mauritius Limited **541,896** (2012 : 541,896) equity shares of Rs. 10/- each fully paid (subsidiary of ultimate holding company)	**0.54**	0.54

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 December 31, 2013 No. of Shares	As at December 31, 2012 No. of Shares
Equity shares allotted as fully paid bonus shares by capitalisation of general reserve	**370,920,894**	370,920,894

Notes to the Financial Statements for the year ended December 31, 2013

3. Share capital (contd.)

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

	As at December 31, 2013		As at December 31, 2012	
	No. of Shares	**% holding in the class**	No. of Shares	% holding in the class
Equity shares of Rs. 10/- each fully paid-up Castrol Limited, U.K.	**350,749,820**	**70.92%**	350,749,820	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.

f. Pursuant to the scheme of reduction of share capital u/s 100 to 105 of the Companies Act, 1956 as approved by the shareholders and the Hon'ble High Court of Bombay, the Company will reduce the fully paid-up face value of equity shares from Rs. 10 per share to Rs. 5 per share effective from January 20, 2014. Consequently, the Company will pay Rs. 5 per share to the shareholders in the due course of time.

4. Reserves and surplus

	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Capital reserve	**13.62**	13.62
General reserve		
Balance as per the last financial statements	**97.52**	300.06
Less: Utilised towards issue of fully paid bonus shares	**–**	247.28
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	**50.86**	44.74
Closing balance	**148.38**	97.52
Surplus/(deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	**43.53**	43.24
Profit for the year	**508.57**	447.39
Less: Appropriations		
Interim dividend on equity shares [amount per share **Rs. 3.50** (2012 : Rs. 7.00)]	**173.10**	173.10
Tax on interim dividend	**29.42**	28.08
Proposed final dividend on equity shares [amount per share **Rs. 3.50** (2012 : Rs. 3.50)]	**173.10**	173.10
Tax on final dividend	**29.42**	28.08
Tax on final dividend 2012	**1.34**	–
Transfer to general reserve	**50.86**	44.74
Total appropriations	**457.24**	447.10
Net surplus in the Statement of Profit and Loss	**94.86**	43.53
Total reserves and surplus	**256.86**	154.67

5. Other long-term liabilities

	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Employee benefits payable	**10.82**	7.68
Security deposit	**0.01**	0.61
	10.83	8.29

Notes to the Financial Statements for the year ended December 31, 2013

6. Provisions

	Long-term		Short-term	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Provision for employee benefits				
Provision for company pension plan	**1.41**	1.51	**0.16**	0.16
Provision for survivor protection scheme	**–**	0.17	**–**	0.02
Provision for leave benefits	**1.07**	1.75	**0.14**	0.13
	2.48	3.43	**0.30**	0.31
Other provisions				
Provision for tax (net of advance tax)	**–**	–	**17.22**	25.26
Provision for indirect taxes [refer note (a) below]	**–**	–	**36.46**	36.66
Provision for proposed final dividend	**–**	–	**173.10**	173.10
Provision for tax on proposed final dividend	**–**	–	**29.42**	28.08
	–	–	**256.20**	263.10
	2.48	3.43	**256.50**	263.41

Notes:

(a) Movement in provision for indirect taxes:

	As at December 31, 2013 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores	As at December 31, 2012 Rupees in Crores
	Excise, customs and service tax	**Sales tax and VAT**	Excise, customs and service tax	Sales tax and VAT
Balance as at January 1	**6.30**	**30.36**	6.23	26.71
Addition during the year	**0.99**	**3.46**	0.69	6.85
Reversed/paid during the year	**1.14**	**3.51**	0.62	3.20
Balance as at December 31	**6.15**	**30.31**	6.30	30.36
Total		**36.46**		36.66

(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, 2013

7. Trade payables and other current liabilities

	Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Trade payables		
(Refer note 27 for details of dues to micro and small enterprises)	**472.83**	436.63
Other current liabilities		
Capex payables	**16.00**	11.45
Interest accrued and dues on security deposit	**0.55**	0.48
Advance from customers	**3.91**	2.69
Unpaid dividend [refer note (a) below]	**7.56**	6.78
Deposit from distributors & others	**9.73**	8.47
Forward contract payable	**0.90**	–
Statutory dues	**61.51**	65.66
Employee benefits payable	**20.79**	23.05
	120.95	118.58
	593.78	555.21

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

Rupees in Crores

	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**
Cost										
As at January 1, 2012	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	–	–
As at December 31, 2012	6.44	0.92	78.19	165.49	44.81	25.27	0.88	322.00	6.71	6.71
Additions	–	–	6.91	28.69	16.17	1.64	–	53.41	–	–
Disposals	2.52	–	4.54	18.31	4.49	14.61	–	44.47	1.08	1.08
As at December 31, 2013	**3.92**	**0.92**	**80.56**	**175.87**	**56.49**	**12.30**	**0.88**	**330.94**	**5.63**	**5.63**
Depreciation/amortisation										
As at January 1, 2012	–	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	–	–
As at December 31, 2012	–	0.46	34.44	105.29	27.25	11.13	0.54	179.11	4.94	4.94
Charge for the year	–	0.02	3.84	14.18	10.77	1.03	0.02	29.86	0.59	0.59
Disposals	–	–	1.87	11.83	1.98	5.94	–	21.62	0.14	0.14
As at December 31, 2013	**–**	**0.48**	**36.41**	**107.64**	**36.04**	**6.22**	**0.56**	**187.35**	**5.39**	**5.39**
Impairment loss										
As at January 1, 2012	–	–	–	6.47	2.45	8.59	0.31	17.82	0.72	0.72
Reclassification	–	–	0.86	(0.86)	–	–	–	–	–	–
As at December 31, 2012	–	–	0.86	5.61	2.45	8.59	0.31	17.82	0.72	0.72
Additions	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	0.86	5.40	2.40	8.56	–	17.22	0.95	0.95
Reclassification	–	–	–	(0.15)	(0.05)	(0.03)	–	(0.23)	0.23	0.23
As at December 31, 2013	**–**	**–**	**–**	**0.06**	**–**	**–**	**0.31**	**0.37**	**–**	**–**
Net block										
As at December 31, 2012	6.44	0.46	42.89	54.59	15.11	5.55	0.03	125.07	1.05	1.05
As at December 31, 2013	**3.92**	**0.44**	**44.15**	**68.17**	**20.45**	**6.08**	**0.01**	**143.22**	**0.24**	**0.24**

Notes:

(a) Cost includes **Rs. 0.49 crore** (2012 : Rs. 0.49 crore) for which execution of land lease agreement in respect of plots in Mumbai is in progress.

(b) Comprises of cost of premises including shares of paid-up value of **Rs. 0.01 crore** (2012 : Rs. 0.01 crore) in co-operative societies.

Notes to the Financial Statements for the year ended December 31, 2013

9. Deferred tax assets (net)

	Non-current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortisation charge for the financial reporting	**1.34**	0.49
Gross deferred tax liabilities	**1.34**	0.49
Deferred tax asset		
Impact of expenditure charged to the Statement of Profit and Loss in the current year but allowed for tax purposes on payment basis	**45.63**	58.86
Provision for doubtful debts	**8.67**	6.72
Gross deferred tax assets	**54.30**	65.58
Net deferred tax asset/(liability)	**52.96**	65.09

10. Loans and advances

(Unsecured, considered good unless otherwise stated)	Non-current		Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Capital advances	**7.82**	3.25	**–**	–
Security deposits	**8.35**	8.70	**1.53**	0.71
(A)	**16.17**	11.95	**1.53**	0.71
Advances recoverable in cash or kind	**31.80**	30.32	**61.23**	33.62
Less: Provision for doubtful advances	**16.23**	6.92	**3.19**	3.60
(B)	**15.57**	23.40	**58.04**	30.02
Other loans and advances				
Advance income-tax (net of provisions)	**23.94**	18.22	**–**	–
Prepaid expenses	**0.89**	1.08	**2.20**	2.38
Loans to employees [refer note (a) below]	**1.41**	1.57	**0.58**	0.61
Balance with statutory/government authorities	**29.61**	28.63	**24.09**	17.31
(C)	**55.85**	49.50	**26.87**	20.30
Total (A+B+C)	**87.59**	84.85	**86.44**	51.03

Note (a) :

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

	Non-current		Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Dues from executive director (As a part of service condition extended to all its eligible employees)	**0.12**	0.13	**0.01**	0.01

Notes to the Financial Statements for the year ended December 31, 2013

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

	Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Raw materials [includes stock in transit **Rs. 9.52 crores** (2012 : Rs. 22.12 crores)]	**160.13**	139.11
Packing materials	**4.57**	5.18
Stores and consumables	**1.39**	1.47
Finished goods	**161.48**	119.60
Traded goods [including stock in transit **Rs. 9.79 crores** (2012 : Rs. 9.10 crores)]	**46.44**	50.40
	374.01	315.76

12. Trade receivables

		Current	
		As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Unsecured, considered good unless stated otherwise			
Outstanding for a period exceeding six months from the date they are due for payment			
Secured, considered good		**–**	–
Unsecured, considered good		**0.21**	0.15
Doubtful		**4.84**	7.28
		5.05	7.43
Less: Provision for doubtful receivables		**4.84**	7.28
	(A)	**0.21**	0.15
Other receivables			
Secured, considered good		**6.98**	5.57
Unsecured, considered good		**230.05**	210.90
Doubtful		**1.28**	2.92
		238.31	219.39
Less: Provision for doubtful receivables		**1.28**	2.92
	(B)	**237.03**	216.47
Total (A+B)		**237.24**	216.62

Notes to the Financial Statements for the year ended December 31, 2013

13. Cash and bank balances

	Non-current		Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Cash and cash equivalents				
Cash on hand	**–**	–	**0.02**	0.02
Balance with banks				
On current accounts	**–**	–	**1.37**	9.63
Deposits with original maturity of less than 3 months	**–**	–	**257.86**	74.56
Deposits with original maturity of more than 3 months but less than 12 months [refer note (a) below]	**–**	–	**327.41**	483.60
Unclaimed dividend account [refer note (b) below]	**–**	–	**7.56**	6.78
(A)	**–**	–	**594.22**	574.59
Other bank balances				
Margin money deposit	**–**	0.26	**0.26**	–
Amount disclosed under “Other assets” (note 14)	**–**	(0.26)	**(0.26)**	–
(B)	**–**	–	**–**	–
Total (A+B)	**–**	–	**594.22**	574.59

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 available for use only towards settlement of corresponding unpaid dividend liabilities.

14. Other assets

Unsecured, considered good unless stated otherwise

	Non-current		Current	
	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Interest accrued on deposits	**–**	–	**6.96**	14.29
Margin money deposit (note 13)	**–**	0.26	**0.26**	–
	–	0.26	**7.22**	14.29

Notes to the Financial Statements for the year ended December 31, 2013

15. Revenue from operations

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Revenue from operations		
Sale of products [net of rebates **Rs. 157.69 crores** (2012 : Rs. 133.32 crores) refer note (a) below]		
Finished goods	**3,451.88**	3,385.04
Traded goods	**212.09**	207.92
Other operating revenue		
Commission, royalty and service income	**9.92**	9.49
Scrap sale	**3.61**	2.93
Revenue from operations (gross)	**3,677.50**	3,605.38
Less: Excise duty [refer note (b) below]	**497.88**	484.52
Revenue from operations (net)	**3,179.62**	3,120.86

Notes:

(a) Detail of products sold

Finished goods sold		
Lubricating oils and greases	**3,451.88**	3,385.04
	3,451.88	3,385.04
Traded goods sold		
Lubricating oils and greases	**212.09**	207.92
	212.09	207.92
	3,663.97	3,592.96

(b) Excise duty on sales amounting to **Rs. 497.88 crores** (2012 : Rs. 484.52 crores) has been reduced from sales in Statement of Profit and Loss and excise duty on increase/(decrease) in stock amounting to **Rs. 6.50 crores** (2012 : Rs. 3.78 crores) has been considered as (income)/expense in note 17.3 of the financial statements.

16.1 Other income

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Excess accruals written back	**20.50**	20.52
Debts written off in earlier years, realised	**0.05**	–
Provision for Doubtful Debts (net)	**4.08**	–
Provision for doubtful advance	**0.21**	–
Miscellaneous income	**10.22**	10.32
	35.06	30.84

16.1.a Exceptional item

During the year ended December 31, 2013, the Company completed the sale of two of its non-operating plants. The resulting gain of Rs. 22.80 crores has been disclosed as an exceptional item.

16.2 Interest income

Interest income		
From bank deposits	**47.41**	40.37
Others	**1.17**	0.97
	48.58	41.34

Notes to the Financial Statements for the year ended December 31, 2013

17.1 Cost of materials consumed

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Raw materials and packing materials consumed [refer note (a) below]		
Inventory at the beginning of the year	**144.29**	144.94
Add: Purchases during the year	**1,701.83**	1,688.79
	1,846.12	1,833.73
Less: Inventory at the end of the year [refer note (b) below]	**164.70**	144.29
Total raw materials and packing materials consumed	**1,681.42**	1,689.44
Notes:		
(a) Details of raw materials and packing materials consumed		
Base oil	**1,007.21**	1,068.77
Additives and chemicals	**482.59**	445.78
Packages (individual items each being less than 10% of the total)	**191.62**	174.89
Total raw materials and packing materials consumed	**1,681.42**	1,689.44
(b) Details of raw materials and packing materials at the end of the year		
Base oil	**102.23**	83.09
Additives and chemicals	**57.90**	56.02
Packages (individual items each being less than 10% of the total)	**4.57**	5.18
Total raw materials and packing materials at the end of the year	**164.70**	144.29

17.2 Purchase of traded goods

Lubricating oils and greases	**138.47**	146.83
	138.47	146.83

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

Inventories at the end of the year		
Traded goods [refer note (a) below]	**46.44**	50.40
Finished goods [refer note (a) below]	**161.48**	119.60
	207.92	170.00
Inventories at the beginning of the year		
Traded goods	**50.40**	37.48
Finished goods	**119.60**	116.74
	170.00	154.22
Less: Excise duty on account of increase/(decrease) in stock of finished products	**6.50**	3.78
	(31.42)	(12.00)
Note:		
(a) Details of traded and finished goods at the end of the year:		
Traded goods		
Lubricating oils and greases	**46.44**	50.40
	46.44	50.40
Finished goods		
Lubricating oils and greases	**161.48**	119.60
	161.48	119.60

Notes to the Financial Statements for the year ended December 31, 2013

18. Employee benefits expense

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Salaries, wages and bonus [refer note 28]	**121.18**	106.96
Contribution to provident and other funds	**8.48**	6.65
Gratuity expense	**4.34**	3.50
Staff welfare expenses	**11.08**	11.29
Voluntary retirement/severance scheme expenses	**0.89**	–
	145.97	128.40

19. Other expenses

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Rent	**17.10**	12.11
Rates and taxes	**19.85**	20.87
Power and fuel	**5.51**	4.20
Stores and consumables	**0.94**	1.48
Freight and forwarding charges	**92.00**	90.90
Insurance	**2.62**	2.26
Repairs and maintenance		
Land and buildings	**5.10**	3.38
Plant and machinery	**3.76**	3.48
Others	**9.71**	11.44
Bad debts written off	**1.81**	–
Provision for doubtful debts	**–**	5.16
Provision for doubtful advance	**–**	0.48
Processing and filling charges	**10.07**	7.26
Advertising and sales promotion	**113.14**	112.70
Stock point operating charges	**21.26**	18.82
Loss on disposal/write off of fixed assets (net)	**0.13**	1.79
Director sitting fees	**0.04**	0.03
Commission to resident non-whole time Indian directors	**0.26**	0.26
Royalty	**77.29**	66.22
Sales promotion fees	**103.26**	110.95
Travelling expenses	**13.27**	13.96
Legal and professional fees	**35.58**	36.85
Payment to auditors [refer note (i) below]	**0.91**	0.78
Exchange difference (net)	**4.01**	3.24
Loss on forward contract (including provision for MTM)	**3.57**	–
Miscellaneous expenses	**16.51**	16.65
	557.70	545.27

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

As auditor:		
Audit fee	**0.42**	0.42
Tax accounts and tax audit fees	**0.20**	0.18
Limited review	**0.16**	0.14
In other capacity:		
Certification fees	**0.11**	0.02
Reimbursement of expenses	**0.02**	0.02
	0.91	0.78

Notes to the Financial Statements for the year ended December 31, 2013

20. Depreciation and amortisation expense

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Depreciation on tangible assets	**29.86**	25.88
Amortisation on intangible assets	**0.59**	0.76
	30.45	26.64

21. Finance costs

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Interest on income tax	**–**	0.35
Interest others	**1.71**	1.79
	1.71	2.14

22. Earnings per share (EPS)

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Total operations for the year		
Profit after tax	**508.57**	447.39
Net profit for calculation of basic and diluted EPS	**508.57**	447.39
	No. of Shares	No. of Shares
Weighted average number of equity shares in calculating Basic and Diluted EPS	**494,561,192**	494,561,192
Basic and diluted earnings per share (Rs.)*	**10.28**	9.05
Nominal value per share (Rs.)	**10.00**	10.00

* The basic and diluted EPS has been calculated for 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. 3.23 crores** (2012 : Rs. 3.90 crores) for Pension Fund, ESIC and Labour Welfare Fund. Note 19 includes 'Insurance' **Rs. 1.31 crores** (2012 : Rs. 1.31 crores) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in note 18 includes **Rs. 2.30 crores** (2012 : Rs. 1.32 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 Provident Fund (administered by a trust) is a defined benefit scheme whereby the Company deposits amounts determined as a fixed percentage of basic pay to the fund every month. The actuary has provided a valuation and determined the fund assets and obligations as at December 31, 2013. Further, it has been determined that the yield on the investments of the trust is adequate to meet the obligation towards the payment of the interest rate notified by the government.

Particulars	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
Plan obligation	**(98.56)**	(93.15)
Plan assets at fair value	**96.88**	93.54
Asset/(liability) recognised in the Balance Sheet	**(1.68)**	0.39

Notes to the Financial Statements for the year ended December 31, 2013

23. Employee benefits (contd.)

Survivor protection scheme

Till 2012, the Company provided an exgratia payment to the employees' 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. In 2013, the Company has terminated the said plan and taken a life cover for all its employees.

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. 4.34 crores** (2012 : Rs. 3.50 crores). Contribution to provident and other funds in note 18 includes **Rs. 6.97 crores** (2012 : Rs. 2.26 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** (2012 : Rs. 0.13 crores).

Rupees in Crores

	As at December 31, 2013			As at December 31, 2012		
	Gratuity	Survivor protection	Pension benefit	Gratuity	Survivor protection	Pension benefit
Particulars	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Non-funded)	(Non-funded)
Change in the present value of the defined benefit obligation and fair value of plan assets:						
Obligation at period beginning	**27.48**	**0.19**	**1.67**	23.82	0.17	1.76
Current service cost	**1.80**	–	–	1.56	–	–
Interest cost	**2.27**	–	–	2.05	–	–
Actuarial (gain)/loss due to change in assumptions	**(1.77)**	**(0.19)**	**0.06**	0.26	0.05	0.08
Experience (gain)/loss on plan liability	**2.92**	–	–	2.38	–	–
Contributions by plan participants	–	–	–	–	–	–
Benefits paid	**(3.39)**	–	**(0.16)**	(2.59)	(0.03)	(0.17)
Past service cost	–	–	–	–	–	–
Obligation at period end	**29.31**	–	**1.57**	27.48	0.19	1.67
Change in plan assets						
Plan assets at period beginning, at fair value	**26.43**	–	–	23.81	–	–
Expected return on plan assets	**2.05**	–	–	1.81	–	–
Actuarial gain/(loss) due to change in assumptions	–	–	–	–	–	–
Experience (gain)/loss on plan assets	**(1.17)**	–	–	0.94	–	–
Contributions by employer	**2.72**	–	–	2.46	–	–
Contributions by plan participants	–	–	–	–	–	–
Benefits paid	**(3.39)**	–	–	(2.59)	–	–
Plan Assets at period end, at fair value	**26.64**	–	–	26.43	–	–
Change in the present value of the defined benefit obligation and fair value of plan assets:						
Fair value of plan assets at the end of the period	**26.64**	–	–	26.43	–	–
Present value of the defined benefit obligation at the end of the period	**(29.31)**	–	**(1.57)**	(27.48)	(0.19)	(1.67)
Asset/(liability) recognised in the Balance Sheet	**(2.67)**	–	**(1.57)**	(1.05)	(0.19)	(1.67)
Expense for the year						
Current service cost	**1.80**	–	–	1.56	–	–
Interest cost on benefit obligation	**2.27**	–	–	2.05	–	–
Expected return on plan assets	**(2.05)**	–	–	(1.81)	–	–
Net actuarial (gain)/loss recognised in the year	**2.32**	**(0.19)**	**0.06**	1.70	0.05	0.08
Past service cost	–	–	–	–	–	–
Net cost	**4.34**	**(0.19)**	**0.06**	3.50	0.05	0.08
Actual return on plan assets	**2.12**	–	–	2.00	–	–
Estimated contribution to be made in next annual year	**2.96**	–	–	2.50	–	–

Basis used to determine expected rate of return on assets:

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 **9.30%** (2012 : 8.00%).

Notes to the Financial Statements for the year ended December 31, 2013

23. Employee benefits (contd.)

Assumptions	As at December 31, 2013			As at December 31, 2012		
	Gratuity	**Survivor protection**	**Pension benefit**	Gratuity	Survivor protection	Pension benefit
Discount rate	**9.30%**	**–**	**9.30%**	8.35%	8.35%	8.35%
Employee turnover	**Executives: upto 35 years – 15% p.a. thereafter – 10% p.a. Expats & Workers – 1% p.a.**	**–**	**–**	Executives: upto 35 years – 15% p.a. thereafter – 10% p.a. Expats & Workers – 1% p.a.	–	–
Mortality	**Indian Assured Lives Mortality (2006-08) Ultimate**	**–**	**Indian Assured Lives Mortality (2006-08) Ultimate**	LIC Ultimate 94-96	LIC Ultimate 94-96	LIC Ultimate 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.

The composition of plan assets

Particulars	As at December 31, 2013		As at December 31, 2012	
	Gratuity	**Provident fund**	Gratuity	Provident fund
Debt instruments	**95%**	**80%**	95%	79%
Others	**5%**	**20%**	5%	21%
	100%	**100%**	100%	100%

Amount for the current and previous periods are as follows:

Rupees in Crores

Particulars	As at December 31, 2013			As at December 31, 2012		
	Gratuity	**Survivor protection**	**Pension benefit**	Gratuity	Survivor protection	Pension benefit
	(Funded)	**(Non-funded)**	**(Non-funded)**	(Funded)	(Non-funded)	(Non-funded)
Experience (gain)/loss on plan liability	**2.92**	**(0.19)**	**0.06**	2.38	0.05	0.08
Fair value of plan assets at the end of the period	**26.64**	**–**	**–**	26.43	–	–
Present value of the defined benefit obligation at the end of the period	**(29.31)**	**–**	**(1.57)**	(27.48)	(0.19)	(1.67)
Asset/(liability) recognised in the Balance Sheet	**(2.67)**	**–**	**(1.57)**	(1.05)	(0.19)	(1.67)

Rupees in Crores

Particulars	As at December 31, 2011			As at December 31, 2010			As at December 31, 2009		
	Gratuity	Survivor protection	Pension benefit	Gratuity	Survivor protection	Pension benefit	Gratuity	Survivor protection	Pension benefit
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Non-funded)	(Non-funded)
Experience (gain)/loss on plan liability	1.86	–	–	1.39	–	–	2.82	–	–
Fair value of plan assets at the end of the period	23.81	–	–	23.92	–	–	24.98	–	–
Present value of the defined benefit obligation at the end of the period	(23.82)	(0.17)	(1.77)	(22.97)	(0.17)	(1.88)	(21.28)	(0.18)	(1.99)
Asset/(liability) recognised in the Balance Sheet	(0.01)	(0.17)	(1.77)	0.95	(0.17)	(1.88)	3.70	(0.18)	(1.99)

Notes to the Financial Statements for the year ended December 31, 2013

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 December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Charged to Statement of Profit and Loss	**16.39**	11.47
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	**14.96**	14.50
After one year but not more than five years	**14.40**	27.19
More than five years	**–**	–
	29.36	41.69

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 and 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**	**Unallocated**	**Total**
For the year ended December 31, 2013				
Revenue				
Revenue from operations (net)	**2,791.56**	**388.06**	**–**	**3,179.62**
Results				
Segment results	**635.15**	**78.94**	**–**	**714.09**
Unallocable income net of unallocable (expenditure)	**–**	**–**	**49.40**	**49.40**
Finance costs	**–**	**–**	**1.71**	**1.71**
Profit before tax (including exceptional item)				**761.76**
Less: Provision for current tax				**241.06**
Less: Provision for deferred tax				**12.13**
Profit after tax				**508.57**
Other information				
As at December 31, 2013				
Segment assets	**767.02**	**169.65**	**678.34**	**1,615.01**
Segment liabilities	**563.17**	**70.61**	**229.81**	**863.59**
Capital expenditure (including capital work-in-progress)	**51.83**	**2.49**	**–**	**54.32**
Depreciation/amortisation for the year	**29.16**	**1.29**	**–**	**30.45**

Notes to the Financial Statements for the year ended December 31, 2013

25. Segment information (contd.)

Rupees in Crores

	Automotive	Non-Automotive	Unallocated	Total
Geographical segment:				
For the year ended December 31, 2013				
Revenue				
India				**3,174.77**
Outside India				**4.85**
				3,179.62
As at December 31, 2013				
Assets				
India				**1,611.94**
Outside India				**3.07**
				1,615.01
Capital expenditure (including capital work-in-progress)				
India				**54.32**
Outside India				**–**
				54.32

Business segment:

Rupees in Crores

	Automotive	Non-Automotive	Unallocated	Total
For the year ended December 31, 2012				
Revenue				
Revenue from operations (net)	2,717.23	403.63	–	3,120.86
Results				
Segment results	555.84	68.59	–	624.43
Unallocable income net of unallocable (expenditure)	–	–	44.03	44.03
Finance costs	–	–	2.14	2.14
Profit before tax				666.32
Less: Provision for current tax				227.78
Less: Provision for deferred tax				(8.85)
Profit after tax				447.39
Other information				
As at December 31, 2012				
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
Geographical segment:				
For the year ended December 31, 2012				
Revenue				
India				3,114.83
Outside India				6.03
				3,120.86
As at December 31, 2012				
Assets				
India				1,476.92
Outside India				2.65
				1,479.57
Capital expenditure (including capital work-in-progress)				
India				43.70
Outside India				–
				43.70

Notes to the Financial Statements for the year ended December 31, 2013

26. Contingent liabilities & commitments

			As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
(a)		**Contingent liabilities**		
	(1)	Excise/sales tax demands made by the authorities, in respect of which appeals have been filed [refer note (a) below]	**16.77**	22.22
	(2)	Claims against the Company not acknowledged as debts estimated at:		
		— In respect of third parties – miscellaneous	**0.98**	1.85
		(A)	**17.75**	24.07
(b)		**Commitments**		
	(1)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**7.33**	7.58
	(2)	Long-term advertisement contracts	**44.61**	47.44
		(B)	**51.94**	55.02
		Total (A + B)	**69.69**	79.09

Notes:

(a) The management does not expect these claims to succeed. Accordingly, no provision for contingent liability has been recognised in the financial statements.

(b) A shareholder of the Company had filed a public interest petition in the Delhi High Court interalia 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 December 31, 2013 Rupees in Crores	As at December 31, 2012 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	**5.72**	3.95
	— 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, 2013

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.

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Salaries, wages and bonus [refer note 18]	**0.88**	1.67

29. Related party disclosures as required under AS-18, "Related Party Disclosures", are given below:

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

(a) Holding Companies

- Castrol Limited, U.K. (Holding Company of Castrol India Limited)
- Burmah Castrol PLC (Holding Company of Castrol Limited, U.K.)
- BP PLC (Holding Company of Burmah Castrol PLC), Ultimate Holding Company

B. Name of the related party and nature of relationship where transaction have taken place during the year:

(a) Fellow Subsidiaries (where transaction exists)

Arabian Production and Marketing Lubricants Company	BP Lubricants USA Inc
AsPac Lubricants (Malaysia) Sdn. Bhd	BP Marine Limited
BP – Castrol (Thailand) Limited	BP Mauritius Limited
BP (China) Industrial Lubricants Limited	BP Oil International Limited
BP Asia Pacific (Malaysia) Sdn. Bhd	BP Products North America Inc
BP Australia Pty Limited	BP Singapore Pte. Limited
BP Corporation North America Inc	BP Southern Africa (Proprietary) Limited
BP Europa SE	BP Taiwan Marketing Limited
BP Europa SE – BP Belgium (Branch)	Burmah Castrol Australia PTY Limited
BP Exploration (Alpha) Limited	Castrol (Shenzhen) Company Limited
BP Exploration Operating Company Limited	Castrol (Shenzhen) Company Limited Shanghai Pudong Branch
BP France	Castrol BP Petco Limited Liability Company
BP France SA Branch Office (Trading as BP Middle East)	Castrol Industrial North America Inc
BP India Services Private Limited	Castrol Philippines, Inc.
BP International Limited	Lubricants UK Limited
BP Italia SpA	Tata BP Solar India Limited (up to 28.06.2012)
BP Japan K.K.	
BP Korea Limited	

(b) Key management personnel (where transaction exists)

R. Kirpalani	Managing Director
R. Joshi	Executive Director (w.e.f. 01.08.2013)
S. Vaidya	Executive Director (up to 17.05.2013)
S. Malekar	Executive Director (up to 31.10.2012)
B. Kamath	Executive Director (w.e.f. 01.11.2012 and up to 31.07.2013)

Notes to the Financial Statements for the year ended December 31, 2013

29. Related party disclosures as required under AS-18, "Related Party Disclosures", are given below: (contd.)

B. Transactions with related parties

	Nature of Relationship	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Purchase of materials/traded goods			
BP Europa SE	Fellow subsidiary	**28.23**	26.23
BP Europa SE – BP Belgium (Branch)	Fellow subsidiary	**9.41**	–
Castrol Industrial North America Inc	Fellow subsidiary	**8.36**	12.54
BP France	Fellow subsidiary	**5.72**	9.52
Others	Fellow subsidiaries	**5.06**	12.98
Total		**56.78**	61.27
Sale of goods & related expenses			
BP (China) Industrial Lubricants Limited	Fellow subsidiary	**2.43**	0.51
BP – Castrol (Thailand) Limited	Fellow subsidiary	**0.36**	0.51
BP Europa SE	Fellow subsidiary	**0.46**	–
Others	Fellow subsidiaries	**0.08**	0.02
Total		**3.33**	1.04
Receiving of services			
BP Corporation North America Inc	Fellow subsidiary	**4.50**	4.35
BP Singapore Pte Limited	Fellow subsidiary	**0.46**	1.61
Lubricants UK Limited	Fellow subsidiary	**7.54**	7.48
Others	Fellow subsidiaries	**1.83**	1.74
Total		**14.33**	15.18
Rendering of services & deputation of employees			
Castrol Limited, U.K.	Holding company	**3.11**	2.59
BP India Services Private Limited	Fellow subsidiary	**8.76**	8.35
Lubricants UK Limited	Fellow subsidiary	**2.71**	1.53
Others	Fellow subsidiaries	**2.75**	1.54
Total		**17.33**	14.01
Other income (excess accrual written back)			
Lubricants UK Limited	Fellow subsidiary	**2.50**	6.10
BP Corporation North America Inc	Fellow subsidiary	**9.80**	12.30
Total		**12.30**	18.40
Commission income			
BP Marine Limited	Fellow subsidiary	**4.64**	5.20
Total		**4.64**	5.20
Dividend			
Castrol Limited, U.K.	Holding company	**245.52**	245.52
Others	Fellow subsidiaries	**0.38**	0.38
Total		**245.90**	245.90

Notes to the Financial Statements for the year ended December 31, 2013

29. Related party disclosures as required under AS-18, "Related Party Disclosures", are given below: (contd.)

B. Transactions with related parties (contd.)

	Nature of Relationship	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Royalty expense			
Castrol Limited, U.K.	Holding company	**77.29**	66.22
Total		**77.29**	66.22
Recovery of loan & interest thereon			
Ravi Kirpalani	Key management personnel	**0.01**	0.01
Total		**0.01**	0.01

Balance as at year ended	Nature of Relationship	As at December 31, 2013 Rupees in Crores	As at December 31, 2012 Rupees in Crores
Amounts payable			
Castrol Limited, U.K.	Holding company	**189.75**	183.86
Others	Fellow subsidiaries	**22.98**	26.58
Total		**212.73**	210.44
Amounts receivable			
BP India Services Private Limited	Fellow subsidiary	**0.84**	0.93
BP Europa SE	Fellow subsidiary	**0.46**	–
BP Marine Limited	Fellow subsidiary	**1.12**	0.80
Lubricants UK Limited	Fellow subsidiary	**1.45**	0.89
Others	Fellow subsidiaries	**0.77**	1.15
Total		**4.64**	3.77
Remuneration to executive directors paid/ payable			
R. Kirpalani	Key management personnel	**2.05**	1.57
R. Joshi (w.e.f. 01.08.2013)	Key management personnel	**0.70**	–
S. Vaidya (up to 17.05.2013)	Key management personnel	**0.32**	1.50
B. Kamath (w.e.f. 01.11.2012 and up to 31.07.2013)	Key management personnel	**0.58**	0.29
S. Malekar (up to 31.10.2012)	Key management personnel	**–**	1.09
Total		**3.65**	4.45
Loan outstanding			
R. Kirpalani	Key management personnel	**0.13**	0.14
Total		**0.13**	0.14

Notes to the Financial Statements for the year ended December 31, 2013

30. Forward contracts and unhedged foreign currency exposures:

30.1 Forward contracts outstanding as at the Balance Sheet date

	As at December 31, 2013	As at December 31, 2012
No. of buy contracts relating to firm commitments	**5**	–
Foreign currency – USD	**12,019,551**	–
Rs. crores	**74.72**	–

30.2 Foreign currency exposures which are not hedged as at the Balance Sheet date

Particulars	USD	EURO	GBP	SGD	AUD	JPY
December 31, 2013						
Trade payables – Foreign currency	**9,337,843**	**1,651,227**	**579,635**	**12,990**	**52,434**	**1,166,864**
Trade payables – Rs. crores	**57.78**	**14.09**	**5.92**	**0.06**	**0.29**	**0.07**
Trade receivables – Foreign currency	**304,902**	**54,440**	**–**	**–**	**–**	**–**
Trade receivables – Rs. crores	**1.87**	**0.46**	**–**	**–**	**–**	**–**
Loans and advances given – Foreign currency	**1,700,827**	**173,169**	**–**	**–**	**–**	**–**
Loans and advances given – Rs. crores	**10.52**	**1.48**	**–**	**–**	**–**	**–**
December 31, 2012						
Trade payables – Foreign currency	18,200,691	1,127,063	344,251	8,835	–	–
Trade payables – Rs. crores	99.70	8.16	3.05	0.04	–	–
Trade receivables – Foreign currency	866,347	–	21,347	–	–	–
Trade receivables – Rs. crores	4.75	–	0.19	–	–	–
Loans and advances given – Foreign currency	1,211,607	–	–	–	–	–
Loans and advances given – Rs. crores	6.64	–	–	–	–	–

31. C.I.F. value of imports

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Raw materials	**758.79**	773.19
Capital goods	**6.63**	5.83

32. Expenditure in foreign currency (on accrual basis)

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Travelling expenses	**1.07**	0.39
Imports of goods for resale	**55.77**	60.84
Royalty (gross) [tax deducted at source **Rs. 7.86 crores** (2012 : Rs. 5.12 crores)]	**77.29**	66.22
Advertisement and sales promotion	**9.97**	15.35
Sales promotion fees	**3.02**	–
Others (net of tax, where applicable)	**16.39**	8.00

33. Earnings in foreign currency (on accrual basis)

	For the year ended December 31, 2013 Rupees in Crores	For the year ended December 31, 2012 Rupees in Crores
Supplies to foreign vessels	**3.78**	9.84
Commission	**4.67**	5.21
FOB value of goods exported	**3.20**	4.81
Energy supplies	**1.65**	1.22
Others	**3.08**	2.55

Notes to the Financial Statements for the year ended December 31, 2013

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

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Rupees in Crores	**% of Total**	Rupees in Crores	% of Total
Imported:				
Base oil	**637.86**	**37.94**	706.46	41.82
Additives and chemicals	**249.69**	**14.85**	212.94	12.60
Indigenous:				
Base oil	**369.35**	**21.97**	362.31	21.45
Additives and chemicals	**232.90**	**13.85**	232.84	13.78
Packages	**191.62**	**11.40**	174.89	10.35
	1,681.42	**100.00**	1,689.44	100.00

35. Details of dividend remitted during the year, to two (2012 – two) non-resident shareholders are as follows:

Dividend in respect of the year ended	**No. of Shares**	**As at December 31, 2013 Rupees in Crores**	As at December 31, 2012 Rupees in Crores
31-12-2012 (Final)	351,291,716	**122.95**	–
31-12-2013 (Interim)	351,291,716	**122.95**	–
31-12-2011 (Final)	175,645,858	**–**	140.52
31-12-2012 (Interim)	175,645,858	**–**	122.95

36. For part of the current year and as at the balance sheet date, the Company did not have a full time Company Secretary. This vacancy has been filled subsequent to the balance sheet date. During the period of vacancy, the Company had taken adequate measures to fill up the vacancy and to ensure the regulatory and legal compliances.

37. Previous year figures

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. LLP
Chartered Accountants
ICAI Firm Registration no : 301003E

per DOLPHY D'SOUZA
Partner
Membership No. : 38730

SANDEEP DESHMUKH
Company Secretary

Place: Mumbai
February 17, 2014

For and on behalf of Board of Directors

S. M. DATTA — Chairman
RAVI KIRPALANI — Managing Director
RASHMI JOSHI — Executive Director

R. GOPALAKRISHNAN
RALPH HEWINS
SASHI MUKUNDAN
UDAY KHANNA
PETER WEIDNER
— Non-Executive Directors

Place: Mumbai
February 17, 2014

Form A
(Pursuant to clause 31 (a) of Listing Agreement)

Format of covering letter of the annual audit report to be filed with the Stock Exchange

Sr. No	Particulars	Details
1.	Name of the Company	Castrol India Limited
2.	Annual Financial Statement for the year ended	31st December 2013
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not Applicable
5.	To be signed by- • Managing Director • Director Finance • Audit Committee Chairman • Auditors of the Company	 Ravi Kirpalani R Kirpalani Ms. Rashmi Joshi RJoshi Mr. Uday Khanna Uday Khanna For S.R.Baltiboi & Co.LLP ICAI Firm Registration No. 301003E Chartered Accountants D D'souza per Dolphy D'souza Partner Membership No: 38730