

Journey to  
**BRILLIANCE**

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



# JOURNEY TO BRILLIANCE



Dear shareholders,

*“A journey of a thousand miles begins with a single step.” ~ Lao Tzu*

Castrol India’s journey in India started way back in 1910 when certain Castrol products started appearing in the country. And what an exciting journey it has been. Over the last one hundred years, Castrol has been at the forefront of the Indian lubricant industry, recognized as a pioneer, innovator and leader, besides being the only lubricant company which has an uninterrupted presence in the country over this period.

As in every journey, Castrol India has had its ups and downs but with its strong brands, pioneering technology, enduring relationships, passionate people and foresight and resilience of its leadership over the years, your Company has maintained its position as one of the leading lubricant companies in the country.

At the end of 2015, the Castrol India Management team launched a new vision with an intent to take your Company to a new level of prosperity and brilliance for all stakeholders – customers, consumers, employees, partners, shareholders – indeed everyone who is associated with the Company in any way. Thus was born the Castrol India Shining Vision – a road map to 2020, with clear goals and milestones, declaring a new extraordinary intent focusing on employees, brands, customers, environment, financial performance and good governance.

It’s been just over a year since the launch of the new Vision and I am delighted to inform you that we are well on course for this new phase of our journey and have already achieved some exciting milestones ahead of target. The extremely positive response of Castrol India employees to these changes and their inspiring passion to deliver the strategy have increased our confidence that Castrol India is well set on its Journey to Brilliance.

I would like to take this opportunity to thank all our key stakeholders, especially our shareholders for their continuous support and encouragement; our distributors and customers for their loyalty and co-operation and our employees for their dedication and hard work.

A stylized, handwritten signature in black ink, appearing to read 'Omer Dormen'.

**Omer Dormen**

*Managing Director*

# CORPORATE INFORMATION

## Board of Directors

Mr. S. M. Datta  
*Chairman*

Mr. R. Gopalakrishnan  
*Independent Director*

Mr. Uday Khanna  
*Independent Director*

Mr. Ralph Hewins  
*Nominee Director (upto 31 August 2016)*

Mr. Peter Weidner  
*Nominee Director*

Mr. Sashi Mukundan  
*Nominee Director*

Mr. Omer Dornen  
*Managing Director*

Ms. Rashmi Joshi  
*Director - Finance & Chief Financial Officer*

Mr. Jayanta Chatterjee  
*Director - Supply Chain*

Mr. Sandeep Deshmukh  
*Company Secretary (upto 14 March 2016)*

## Auditors

M/s. SRBC & 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.

CIN: L23200MH1979PLC021359

Telephone: 022-6698 4100

Website: [www.castrol.co.in](http://www.castrol.co.in)

## Registrar and Transfer Agents

TSR Darashaw Limited  
Unit: Castrol India Limited  
6-10, Haji Moosa Patrawala Industrial  
Estate, 20, Dr. E. Moses Road,  
Mahalaxmi, Mumbai 400 011, India.

Telephone: 022-6656 8484

Website: [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

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# BOARD OF DIRECTORS

**S M Datta**  
*Chairman*



**R Gopalakrishnan**  
*Independent Director*



**Uday Khanna**  
*Independent Director*



**Peter Weidner**  
*Nominee Director*



**Sashi Mukundan**  
*Nominee Director*



**Omer Dormen**  
*Managing Director*



**Rashmi Joshi**  
*Director - Finance &  
Chief Financial  
Officer*



**Jayanta Chatterjee**  
*Director - Supply Chain*



# LEADERSHIP TEAM



Mandhir Singh, Chief Operating Officer, BP Lubricants (third from left, front row) and A S Ramchander, Vice President - Global Marketing, BP Lubricants, (fifth from left, front row), seen with the Castrol India Country Leadership Team during a visit to India.

## Front row (from left)

- |   |   |
|---|---|
| 1. <b>Rajeev Govil</b><br>Vice President<br>- Workshop & OEM Sales        | 5. <b>A S Ramchander</b><br>Vice President - Global<br>Marketing, BP Lubricants |
| 2. <b>Pankaj Singh</b><br>General Manager - HSSE                          | 6. <b>Maria P Valles</b><br>Vice President - Human<br>Resources                 |
| 3. <b>Mandhir Singh</b><br>COO, BP Lubricants                             | 7. <b>Jayanta Chatterjee</b><br>Director - Supply Chain                         |
| 4. <b>Rashmi Joshi</b><br>Director - Finance &<br>Chief Financial Officer | 8. <b>Omer Dormen</b><br>Managing Director                                      |

## Back row (from left)

- |   |  |
|---|--|
| 1. <b>Pawan Sabharwal</b><br>Vice President - Industrial &<br>Heavy Duty (outgoing)   | 5. <b>Siddharth Shetty</b><br>Managing Counsel                               |
| 2. <b>Ashish Gondal</b><br>Technology Manager<br>(Interim)                            | 6. <b>Sunil Aima</b><br>Vice President - Indirect Sales                      |
| 3. <b>Dilnaz Anklesaria</b><br>Associate Vice President -<br>Corporate Communications | 7. <b>Kedar Apte</b><br>Vice President - Marketing                           |
| 4. <b>Vikram Garga</b><br>Vice President - Industrial &<br>Heavy Duty                 | 8. <b>Sagar Vira</b><br>Vice President - Customer<br>Excellence & Operations |

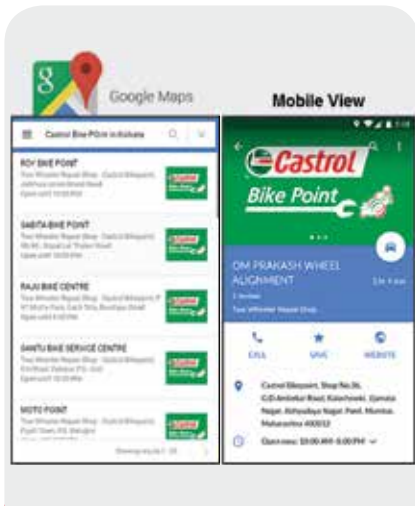
# STRONG BRANDS



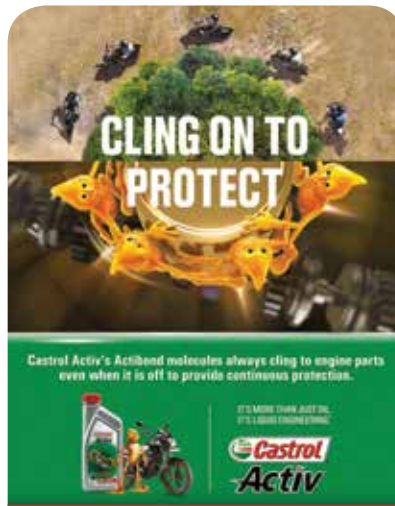
Castrol Activ SCOOTER celebrated Raksha Bandhan through a digital video titled 'Chal Ude Hain', depicting the independence and confidence of modern women



Castrol POWER1 sponsored 'SQUADRANN' - a web series which had a strong brand connect with the biking community



Castrol Bike Points and Castrol Pit Stops in the four metros are now just a click away and can be found easily on Google Maps



Castrol Activ's 'Cling on to protect' campaign was brought alive through digital, television and on ground activations



Castrol Activ SCOOTER sponsored 'Girl in the City' - a web series built around stories about a girl and her scooter, which became one of the most watched web series globally



Castrol Activ's innovative association with the Pro Kabaddi League was a perfect fit to bring alive the Castrol Activ brand proposition of 'Cling on to protect'

# STRONG BRANDS



The launch of Castrol GTX ECO in India marked a pioneering first step in eco-engineered lubricant technology



Castrol MAGNATEC STOP-START has been specially formulated to protect engines during heavy stop-start driving conditions



Nurturing independent workshop channel for cars through branding, skill building and differentiated consumer offerings



Leading car OEMs choose Castrol EDGE PROFESSIONAL boosted with TITANIUM FST™ - Castrol's strongest ever oil

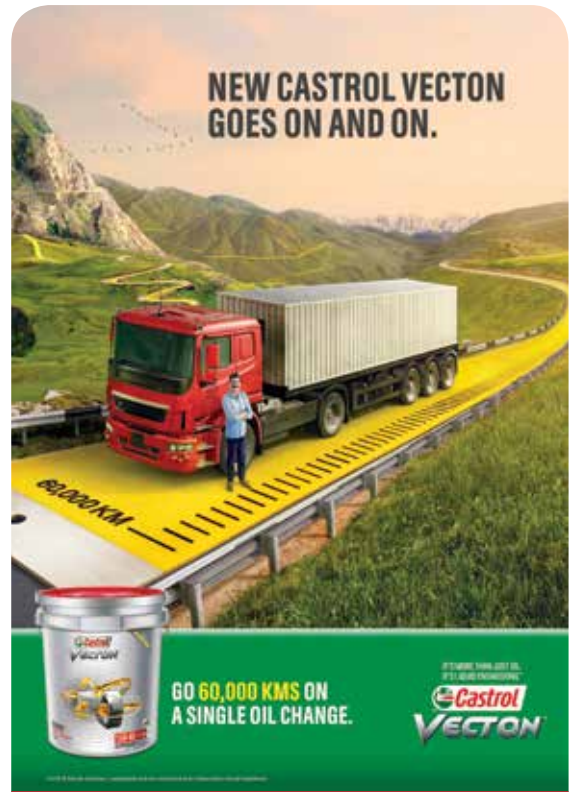


Castrol GTX ULTRACLEAN with synthetic technology delivers superior performance and longer engine life whilst its double action formula provides 50% superior sludge protection (as compared to API SN limit)

# STRONG BRANDS



Launch of improved Castrol CRB PLUS with a superior claim of 400 hours of protection for tractor consumers



Castrol VECTON with System 5 technology goes upto 60,000 kilometres on a single oil change



Castrol CRB MINI-TRUCK with specially designed Heatshield Booster Technology is engineered to fight the enhanced heat in Mini-Truck engines and delivers three times better heat protection



Castrol UDAAN - an integrated onground activation campaign for commercial vehicle oils reached out to 75,000 consumers and influencers using innovative technology to demonstrate various brand propositions



# WINNING PARTNERSHIPS



Castrol and Maruti Suzuki team held a joint workshop on BS VI emission norms



Castrol and Tata Motors passenger car division signed a new strategic agreement which will see the two companies working even closer together. Photograph shows Omer Dormen, Managing Director, Castrol India (on left) with Mayank Pareek, President, Passenger Vehicle Business, Tata Motors Limited



Castrol Royals – a partnership programme for key OEM customers provided a great opportunity for networking and learning through innovative programmes and events. Photograph on left shows prize winners at Castrol Royals Asamblee - a networking event held in Mumbai, while photograph on right shows some Castrol Royals at a programme held at IIM Ahmedabad



Castrol partnered Maruti Suzuki in SUPRA SAE INDIA 2016 to develop skills of innovation and design excellence among engineering students



GLOBAL SKILLFEST - a skill development initiative and international competition for Service Advisors of Tata Motors CVBU, held jointly by Castrol and Tata Motors

# OUR SOCIAL RESPONSIBILITY



Photographs on left and centre show computerized embroidery stitching courses for underprivileged women while photograph on right shows two and four wheeler technician course being run for unemployed youth living around our plants under the Ekjut programme



Sarathi Mitra – a programme promoting road safety and financial literacy for truck drivers, was launched under the Ehtiyat programme



'Two Wheels One Life' road safety campaign was run across 100 Mumbai colleges under the Ehtiyat programme to promote safe two wheeler riding



Convocation ceremony for automotive service technician course held under the Eklavya programme



Castrol provided humanitarian relief to around 3,000 drought affected families in Marathwada under the Ehsaas programme

# DRIVE FOR SAFETY



Castrol Family Connect programmes are aimed at the families of heavy vehicle drivers to create road safety awareness and to positively influence the drivers through their families to be safe on the road



In its continuous endeavour to extend safety beyond its own sites, Castrol launched two innovations for the first time in India. Photograph on left shows a hydraulic tail lift developed to ensure safe handling of barrels. Photograph on right shows a three side open vehicle specially designed for a key OEM to enable safe and efficient handling of products



Sashi Mukundan, Regional President & Head of Country - India, BP Group Companies (third from left), handing over the Road Safety Award to JFK Transporters at the Castrol India Annual Logistics Contractors' Meet



Castrol's Industrial and CMS team was recognized at the Ford Sanand Plant for its contribution towards safety at the site

# AWARDS AND ACCOLADES



Castrol was recognised as Best Company in the Specialty Oils & Lubricants sector at the Dun & Bradstreet Awards



Castrol won the Performance Excellence Trophy in the Manufacturing category at the Ramkrishna Bajaj National Quality Awards



Castrol won two Asia Star Awards for excellence and innovation in Packaging Design



Castrol's Silvassa Plant won the 15<sup>th</sup> Annual Greentech Safety Award – Gold category in the Petrochemicals sector for the second consecutive year



Castrol marketing team responsible for the Castrol CRB MINI-TRUCK mobile campaign which won several prestigious awards



Rashmi Joshi, Director – Finance & Chief Financial Officer (extreme right), won the Yes Bank Business World Woman CFO of the Year Award



Dhaval Shah, Finance Transformation Manager (extreme right), was awarded CA – Professional Achiever 2016 in the Oil and Gas sector by The Institute of Chartered Accountants of India



Swarnalatha R S, General Manager – Planning and Performance, was recognized as YES Bank Business World Most Promising Future CFO (Women Leaders)

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT



A glimpse of Castrol India's Silvassa plant

“The Company has established a well-entrenched position over the years in automotive lubricants which is the predominant segment in this industry”

Pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Management Discussion and Analysis Report covering segment-wise performance and outlook (within limits set by Company's competitive position) is given below:

## (A) INDUSTRY STRUCTURE AND DEVELOPMENTS

### Industry structure

The Company operates in all major market segments of the highly competitive lubricants industry – namely automotive, industrial and marine & energy applications. The industry is made up of over 30 established players. The Company is the market leader and along with National Oil Companies, accounts for 41%<sup>1</sup> of the market. Other MNCs make up 20% of the market while the unorganized sector and small local players constitute the rest. The Company has established a well-entrenched position over the years in automotive lubricants which is the predominant segment in this industry.

### Demand drivers

The main role of a lubricant is to reduce friction between metal surfaces, leading to reduction of heat generation and ultimately to the protection of the parts. Lubricants play an important role in a variety of automotive, commercial and industrial applications such as automotive, manufacturing, power generation and marine. Automotive vehicles require engine oils, transmission fluids, brake fluids and greases.

India is the world's third largest lubricant market, behind USA and China, with a total consumption of approximately 2.15 mt in 2015<sup>2</sup>. Demand for

automotive lubricants is driven by the usage of vehicles in the country, while the growth in the market in recent years has been due to the rapid expansion of vehicle population. Demand for industrial lubricants has been observed to have a strong correlation with the Index of Industrial Production (IIP) which is largely driven by economic activity.

In case of marine and energy lubricants, demand drivers are global and local ship movements. Large-scale global movement of goods happens predominantly by sea and demand for shipping services drives fleet utilization rates and freight rates for shipping companies. This, in turn, fuels the consumption of marine lubricants. The installed base of off-shore rigs along the coastline of India and their up-time drives demand for energy lubricants.

### Supply drivers

Lubricants are manufactured by blending base oils and additives, with base oil being the main component. Majority of lubricants continue to use mineral based base oil, despite a significant growth in demand for premium lubricants which use synthetic base oils in automotive and industrial segments.

With India being a net base oil deficit market as well as many additives not being manufactured locally, large scale import of base oil and additives takes place which exposes lubricants business to fluctuations in foreign exchange rates.

<sup>1</sup> A C Nielsen Report 2016

<sup>2</sup> Kline Report 2016

## Major industry developments

### Automotive lubricants:

Overall vehicle sales grew by 9% during 2016 compared to the previous year. Commercial vehicle sales increased by 8% overall, and heavy commercial vehicle sales grew by 7% compared to the previous year. Light commercial vehicle sales declined by 9%, whilst tractor sales moved up by 17%. Passenger car sales (including utility vehicles) also increased by 7% and two-wheeler sales moved up by 10%.

The demand for finished lubricants in 2015 in India increased by 1% over the previous year. The major contributor to this was the consumer segment, growing at a high rate, while the industrial and commercial segments experienced flat to moderate growth rates.

At an overall lubricants level, there was growth of 3% until October 2016 which saw a decline of approximately 11%<sup>3</sup> in the last two months of 2016 post demonetization. The impact is expected to ease out in the first few months of 2017.

Other longer term macro-trends in the industry remained largely unchanged.

With Indian households generating higher disposable incomes, there has been a significant boost in vehicle sales for personal mobility, both for two and four wheelers. First time users of personal mobility vehicles, along with growth in usage of two-wheelers in small towns and emergence of gearless scooters driven by increasing number of women riders has also led to a growth in two wheeler sales.

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. The lubricant industry therefore needed to respond with new products which are able to cope with this requirement. These improved lubricants, are also able to maintain their physico-chemical and performance properties for a longer period of usage than earlier generation lubricants, leading to lengthening oil drain intervals.

However, this has an impact on structural demand in the industry. Therefore, other drivers remaining unchanged, the



Castrol OPTIGEAR low friction gear oils that optimize efficiency

growth in demand for lubricants is expected to lag vehicle population growth rate in the foreseeable future.

On the back of revival in the mining and infrastructure sectors, off-road vehicle sales and utilization has seen an upward trend for the first time.

### Industrial lubricants:

The total industrial lubricant market in 2015 in India was estimated at 1.4 billion litres. Industrial production, measured by the IIP, showed a marginal cumulative growth of 0.3% for the period April to December 2016.

### Marine and energy lubricants:

World trade grew slower than expected in 2016, expanding by 1.7% (12.6% in 2010), below April 2016 forecast of 2.8%, as per World Trade Organization estimates. Globally, the shipping industry went through a slowdown and the Indian shipping industry followed this pattern. The Baltic dry index too was at a low in 2016.

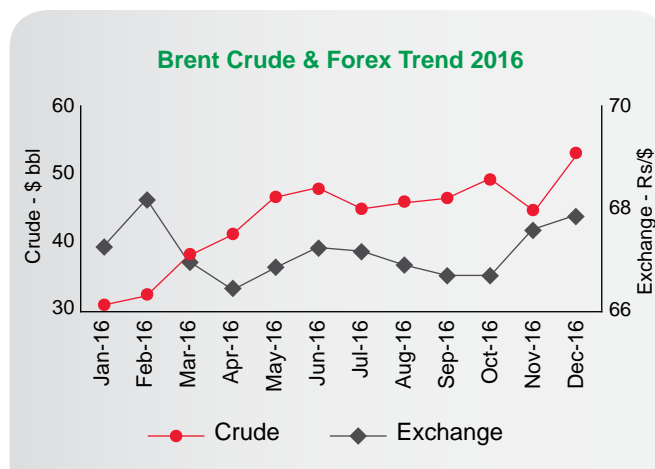
In India, the Government's push to de-bottleneck infrastructure projects has improved prospects, with trade growth estimate pegged between 1.8% - 3.1% in 2017.

Also after a pause of a few years, leading Indian upstream operators began to relook their exploration and production activities in 2016. Oil prices remained at lower levels and as a result, market for rig supply and rig fleet utilization declined throughout the year with day rates following suit. Spending by oil companies in upstream sector which had gone down by 20% in 2015, further dropped in 2016.

### Impact of foreign exchange, crude oil and raw material prices

The year 2016 started with crude price touching its lowest since many years before picking up in late first quarter and ended the year almost at \$53 bbl. Overall, low average of crude had a favourable impact on base oil prices, supported by forex, especially in the first half of the year.

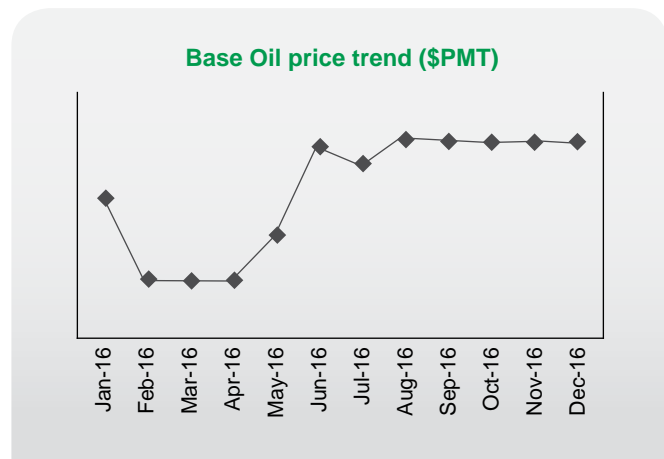
The following graph indicates the trend of crude prices and Rupee/USD for 2016.



“ The Company continued to generate value for its investors through strategic sourcing, value improvement initiatives, extensive focus on service and quality and continuous monitoring of costs. ”

On the back of overall lower crude prices, additives and chemicals witnessed favourable pricing. However, benefits were eroded by Indian Rupee depreciation especially in the latter part of the year. Polymer prices continued to decline throughout the year but benefits were largely negated by rising steel prices from the second quarter of the year, which impacted cost of packaging.

The following graph indicates the trend of base oil movement for 2016.



The year 2016 started with declining base oil prices largely on the back of softening crude before moving northward in the second quarter. Rising crude coupled with seasonal demand of base oil pushed the prices by almost \$110 per metric ton in a short span of two months. During this phase, base oil market witnessed acute supply crunch due to technical issues in several refineries which made the situation worse.

Base oil market was stable to soft in second half of the year but price reductions were marginal due to continuous rise in crude prices.

Overall, base oil market was volatile throughout 2016 but the Company ensured continuous value generation by leveraging term contracts.

However, despite a highly uncertain and challenging business environment, the Company continued to generate value for its investors through strategic sourcing, value improvement



Castrol Activ SCOOTER continues to build category in the fast growing scooter segment

initiatives, extensive focus on service and quality and continuous monitoring of costs.

The Company worked on a best value purchase model and value-based inventory management, keeping a close watch on cash-costs and working capital.

## (B) OPPORTUNITIES AND THREATS

### (i) Opportunities

- Personal mobility:** With multiple opportunities in personal mobility including growth of first time users, increase in usage in smaller towns and growing number of women riders, the Company is tapping these segments for growth.
- OEM partnerships:** The Company works with OEMs to address more stringent emission norms and increased demand for fuel efficiency. E.g.: Castrol VECTON RX Fuel Saver.
- Medium/Light Commercial Vehicles (MLCV):** While the MLCV segment has been moderately impacted by the economic downturn, it is still under-penetrated and offers the Company good opportunities to explore.
- Improving technology in trucks:** With the advent of stricter emission norms resulting in newer technologies for trucks, the C14+ segment is becoming an important and growing segment in the commercial vehicle category where the Company enjoys a strong position.

- e. **Distribution:** The Company already enjoys a large distribution network in retail market. Renewed focus on distribution and customer reach in different market segments will enable superior performance.
- f. **Upstream:** As upstream operators are beginning to relook exploration and production activities, this is likely to bring in more rigs to Indian waters with an opportunity to increase volume in energy lubricants.
- g. **Maritime sector:** With the maritime sector getting a boost by the government, this may mean a demand for more coastal ships, barges and passenger vessels, and therefore for marine lubricants.

**(ii) Threats**

**a. Economic uncertainty**

- After relative stability of low crude prices in 2015 and in the first half of 2016, The Company has seen an upward trend of base oil costs from late 2016. This is likely to continue throughout 2017 based on current and future market environment estimates.
- The Company is well prepared to be fully compliant on GST laws and policies as and when they become effective.

**b. GST**

While the Indian manufacturing industry is expected to do better in 2017, there could be some correction in inventory levels and hence production, on account of GST rollout, which could have a short term impact on sale of industrial lubricants.

**c. Demonetization**

The temporary effect of demonetization is expected to continue in the first few months of 2017.

**d. Competitive activity**

- Competition in the lubricant market is intense and is likely to remain so in the foreseeable future. Most international players have identified India as a focus market.
- Competition's response to rising cost of goods might be slower than the Company, putting pressure on volume growth.



Micro marketing through Castrol MAGNATEC mobile unit to build influencer advocacy

- There is also a trend of some OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.
- With oil prices still trading around \$50 bbl, competition in marine market will increase and margins will come under further pressure. The number of rigs under contract may continue a downtrend and rig rates will remain low which could continue to impact the Company's energy business.

**(C) SEGMENT WISE / PRODUCT WISE PERFORMANCE**

**Automotive lubricants**

The Company continued to deliver a strong performance in the automotive segment and achieving top line growth, driven mainly by the performance of its power brands – Castrol Activ, Castrol POWER1, Castrol GTX, Castrol MAGNATEC, Castrol EDGE, Castrol CRB and Castrol VECTON. Castrol, as a brand, continued to pioneer and drive the premiumization and synthesization of the category in response to demands from OEMs for better performing and environment-friendly products. The Company further strengthened its close association with its key strategic OEM customers, while also selectively making a play in the mid-price segment in certain categories. (See Pages 4 to 6 for photographs)



Some of the key power brands



The Company developed specific channel loyalty programmes to support the requirements of the different channels to drive growth in the market. Innovative micro marketing campaigns were used to engage 25,000 car mechanics and to further strengthen Castrol brand equity among the mechanics community, who are key influencers in the automotive market.

The Company continued to derive sustainable benefits from its pioneering technology and product development capabilities which helped it to closely work with its customers and meet their specific demands. Some evidences of such solutions are Castrol GTX ECO which is the first eco-product for passenger cars in the Castrol GTX range and Castrol GTX ULTRACLEAN, which offers superior sludge protection compared to tough industry standards<sup>4</sup>. (See Page 5 for photographs)

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

**Personal mobility:**

**Two-wheeler oils:**

- Castrol Activ continued to dominate the category on television as well as on digital media. The Company leveraged its association with the Premier Kabaddi League to drive connect with the youth through an innovative campaign which brought alive the product proposition of “Vaada chipke rehene ka”.
- The Company continued to grow sales of Castrol Activ Scooter, a product customized for gearless scooters,



Innovative micro marketing campaigns were used to engage car mechanics



Castrol GTX ECO - first eco-product for passenger cars in the Castrol GTX range

through advertising and building distinct brand recall with youth and women scooterists. The Company associated with the very successful and popular web series ‘Girl In The City’ which was one of the most watched web series with more than 40 million views.

- Castrol POWER1 continued to engage young passionate bikers via the social community - ‘Castrol Biking,’ which is 1.6 million strong. The biker web series SQUADRANN and the Moto GP association went viral and were a huge success on social media.

**Passenger Car Oils in retail and independent workshops:**

- The Company continued driving synthetic products, focusing on key metro cities through 360 degree marketing and activation plans aimed at growing share in the after-market.
- The lead brand, Castrol MAGNATEC, was promoted through outdoor, radio, digital platforms and mechanic advocacy programmes.
- The Company further strengthened its participation in the synthetics’ category through introduction of Castrol GTX ULTRACLEAN, which offers superior sludge protection compared to tough industry standards<sup>4</sup>.
- The Company focused on optimizing current formulations in the personal mobility segment through value engineering. Castrol GTX Essential was introduced for CNG-powered engines including three-wheelers. The global pilot launch of Castrol GTX ECO - the first eco product for passenger cars in the Castrol GTX range

<sup>4</sup>50% cleaner than the API SN industry limit as measured in the ASTM Seq. VG sludge test



Castrol CRB PLUS, an improved formulation for commercial vehicle oils with a superior claim of 400 hours of protection

“The Company refreshed Castrol CRB PLUS, offering an improved formulation giving superior claim of 400 hours of protection”

was conducted in India using an innovative base oil blend of virgin base oil and re-refined base oil.

#### Passenger Car Oils in OEM Franchised Workshops:

- Since 2011, the Company has maintained a dedicated range of products, under the Castrol Professional series, to cater to the specialized needs of this segment. With Castrol EDGE Professional, Castrol MAGNATEC Professional and Castrol GTX Professional product variants, the Company meets the varied engine oil requirements of partner OEM workshops like Maruti Suzuki, Tata Motors, Ford, Volkswagen Group and Jaguar-Land Rover.
- Loyalty programmes in this channel led to improved account retention and growth, leading to share gain in existing accounts for the Company.

#### Commercial Vehicle Oils:

- The Company refreshed Castrol CRB PLUS, offering an improved formulation giving superior claim of 400 hours of protection.
- The Company launched an integrated activation programme reaching consumers and influencers across key CVO brands in engine oils and specialties portfolio.
- The Company continued promoting Castrol VECTON through 'VECTON on WHEELS' - a state-of-the-art mobile activation unit to drive brand awareness and advantage amongst consumers and mechanics.

#### Industrial lubricants

The year was very successful for the Company's Industrial business as it delivered strong top line growth driven by volume growth despite tough external environment and intense competition. The Company increased its share of business in key customer accounts and also won new prestigious accounts by providing superior technology and better customer service. Wind energy was another

segment where the Company delivered a 30% volume growth over 2015. An environment-friendly high performance metal working oil Castrol Alusol SL 51 XBB, which is Boron and Biocide free, was also introduced.

#### Marine and Energy lubricants

While marine and energy lubricants' performance was affected due to sluggish shipping and upstream activity, the Company continues to focus on customer intimacy and provides products and services that are best-in-class in this segment. Introduction of environment-friendly biodegradable lubricants for stern tube and value-added services like fleet optimiser and Scavenge Drain Analysis (SDA) were embraced by marine customers. The Company also launched a unique chemistry product for use in low sulphur environment, which has a state-of-the-art ash control technology. In addition, the Company continued to focus its efforts to bring in more efficiency in its operations and concentrate on value driven and profitable customers to maintain its value and thought leadership position in the marine segment.



VECTON on WHEELS - a state-of-the-art mobile activation unit

The Company maintained its leadership position in offshore drilling during the year by focussing its efforts on value offers despite minimal drilling activity. Introduction of environment-friendly biodegradable lubricants for offshore drilling sector was welcomed by major drillers in country.

All these factors will support long term business growth once market conditions begin to improve.

### Quality

The Company implemented many new initiatives to strengthen its quality standards. Implementation of end-to-end quality programmes such as 'Q standard' at manufacturing sites and third parties, focus on quality assessments at warehouses and suppliers, upgradation of laboratory equipments and improvement of packaging standards have helped in systematic reduction of quality-related customer complaints. Manufacturing sites continue to maintain high standards through ISO 9001 and TS16949 certifications.

During the year, the Company participated in the Ramkrishna Bajaj National Quality Award and won the Performance Excellence Trophy for 2016. The criteria for this performance excellence award are embodied under seven categories - Leadership, Strategic Planning, Customer Focus, Measurement, Analysis and Knowledge Management, Workforce Focus, Operations Focus and Financial Results. (See Page 10 for photograph)

### (D) OUTLOOK

The outlook for 2017 has been examined closely by the Company through the broad dimensions of demand drivers and distribution channels.

### Demand drivers

The key drivers of demand growth in each segment where the Company operates are explained below:

#### Automotive lubricants

**Two-wheelers:** Despite the impact of demonetization in the initial part of 2017, the two-wheeler population is expected to grow by 10% during 2017. The rural segment will be leading the growth in motorcycle sales in India and this will provide further opportunity to the Company with its vast distribution network. The scooter oil sub-category has done very well in 2016 and is expected to continue the momentum of growth in the coming years.

**Passenger cars:** The passenger car population is expected to grow by 7% in 2017 while the passenger car engine oil market is also expected to grow at approximately the same pace in 2017.

**Commercial vehicles:** Overall, commercial vehicle population is expected to grow by 5% in 2017; however lubricants'

demand for this category is expected to grow slower in comparison, due to the impact of demonetization and advancement of the engine oil technology leading to longer oil drain intervals.

The Company expects lubricant demand growth in MLCV segment parallel to the growth in vehicle sales and

in the construction and off-highway sectors as a result of revival in the infrastructure investments. The Company also expects growth in the lubricant demand in the agriculture market.

#### Industrial lubricants

The industrial output growth in 2017 is likely to be around 7% basis industry estimates.

With economic reforms gaining momentum and a strong IIP performance in November 2016, India's long term prospects for growth remain optimistic. The 'Make in India' programme is expected to drive the growth of the manufacturing sector including some key industrial sectors like automobile manufacturing, automotive components and machinery manufacturing. An increasing trend of global OEMs setting up manufacturing units in India for local and export consumption should also bolster growth prospects in 2017.

“During the year, the Company participated in the Ramkrishna Bajaj National Quality Award and won the Performance Excellence Trophy for 2016”



Castrol UDAAN - onground activation campaign for commercial vehicle oils

#### Marine and Energy lubricants

The marine industry continues to operate in a very challenging environment. Though outlook for the shipping sector looks subdued for short term, it may improve in long term as

government is taking several initiatives on this front. Approval for incentives to promote domestic shipbuilding industry will also provide some boost to the sector. The government is also aiming to increase cargo and passenger movement through waterways from the current 5% to 30% in the next 15 years.

The performance of dry bulk and container operators, however, will continue to be affected by weak global trade growth and persistent overcapacity. Nevertheless, the tankers' segment, which accounts for a majority of vessels, will remain an exception due to its better demand-supply situation.

After two long years of contraction, it is expected that companies providing workers and equipments to oil and gas exploration companies may start expanding or rehiring in 2017.

### Channels of distribution

The Company's products are distributed through 350 distributors who service approximately 90,000 customers. The Company also leverages its distribution network to reach a wider Independent Workshop network through Castrol Bike Points, Castrol Car Care, Castrol Pit Stops, Castrol Authorized Service Associates and Independent Workshops. Castrol sub-distributors reach additional outlets in rural markets.

The distribution network covers outlets that contribute to over 70% of the Company business. The Company also serves over 3,000 key institutional accounts directly and in some case through its distributors.

Demand for premium products has seen an upward trend especially in urban India, whilst rural consumers have also begun to make their presence felt with higher levels of consumption demand. The Company has yet again pioneered the development of effective and efficient distribution networks to harness these opportunities.

Over the last two years, innovations in the route-to-market have led to exponential growth in the Company's business. The Company has continued to drive simplification and digitization to service customers better.



A new look Castrol Bike Point to enable premium brand experience for our customers

Personal Digital Assistants used by distributor sales representatives (DSR) to collect orders from market and integration with Secondary Billing Software has also driven significant efficiency for distributors while eliminating human errors from the process. Building DSR capability by ensuring that 100% DSRs were trained in various aspects of sales and product knowledge has been another key achievement.

### (E) RISKS AND CONCERNS

The Company expects volatility to increase during the first half of 2017, with rising input costs due to increase in base oil prices driven by an imbalance between supply and demand situation as well as volatility of crude prices, foreign exchange and the continued impact of demonetization. The Company expects prices of lubricants to rise leading to some short term pressure on volumes and margins due to the competitive landscape.

With India being a growth market, opportunities for employability and for commensurate roles are higher. The Company's strong capability offer which nurtures and develops its talent makes its employees more relevant to the market, thereby increasing the risk of attrition for the Company.

Health, Safety, Security, Environment is a critical focus area for the Company. The Company's goal is to cause no harm to anyone and to the environment. Given the extremely challenging driving conditions in India, road safety is an area of particular focus for the Company when its front line and transporters are driving across the country.

Similarly, product quality and integrity continue to be focus area for the Company. Its vision for Quality is "right quality first time every time" - a key enabler to help the Company provide a premium customer experience.

The Company has a robust risk mitigation plan to minimize identified risks through continuous monitoring and mitigating actions.

### (F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains an adequate and effective Internal Control System commensurate with its size and complexity. It believes that these Internal Control Systems provide, among other things, a reasonable assurance that transactions are executed with management authorization and they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles, along with the assets of the Company being adequately safeguarded against significant misuse or loss. An independent Internal Audit function is an important element of the 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) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The Company delivered a strong Gross Profit growth of 8% in 2016 over 2015, driven by higher volume and lower material cost. Cost of sales declined during 2016 by 4% over the previous year primarily due to lower base oil prices. The Company managed to sustain realizations due to its focus on the personal mobility segment and sale of premium product mix.

Operating and other expenses increased by Rs. 37 Crores as compared to 2015 due to investment in safety, people, brands, Corporate Social Responsibility (CSR) and business growth opportunities. The Profit After Tax (PAT) has increased by Rs. 59.7 Crores and is at Rs. 674.9 Crores compared to 2015 mainly due to higher gross profit.

Given the volatility in base oil prices and forex, 2017 is expected to be a challenging year but the Company is optimistic about the long term prospects of the Indian lubricant market and its business growth. The Management is confident that Castrol India will continue winning in the market in 2017, thanks to the commitment of its employees, strength of the Castrol brand, its enduring relationships and its clearly articulated and focussed strategy.

## **(H) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

People are the Company's key assets. The focus in 2016 was on enhancing employee engagement and driving performance excellence to achieve the Company's long term vision. Employee capability was further strengthened by empowering line managers through leadership development programmes to effectively help nurture their teams in realizing their potential. The Company is happy to inform that internal candidates filled 40% of the vacancies in 2016.

The Company continued to actively drive the Ethics and Compliance agenda via trainings, programmes and employee engagements focussing on the importance of cultivating a culture of SpeakUp, ListenUp, Always doing the right thing, non-retaliation and zero tolerance to non-compliance.

The Company has continued to focus on building a diverse and inclusive workforce and has initiated a market mapping exercise to help identify future diverse hiring pools.

### **Control and compliance**

In 2016, the Internal Control templates and key controls on the entire Human Resources and payroll processes were checked by the Internal Audit team to provide assertions to the management on design and operating effectiveness of processes. The audit showed a continuous improvement in accomplishing 'A' level rating - indicating that the key internal controls provide a high level of assurance that processes

**“The Company delivered a strong Gross Profit growth of 8% in 2016 over 2015, driven by higher volume and lower material cost”**

are operating efficiently and effectively for the fifth year in succession, with each year delivering better process improvements. The Company implemented a real-time compliance monitoring tool for all compliance reporting across various units and ensured 100% reporting culture.

### **Employee relations at plants**

The Company has closed out the Long Term Settlement at its Silvassa and Patalganga plants during 2016.

It enjoys harmonious internal and external industrial relations. The engagement and communication with the workmen through initiatives like the plant performance reviews and leadership team interactions and town halls have been appreciated. The strength of the employee relations at the plants is also indicative by the absence of unionization of contractual labour, which is prevalent in the neighboring industries.

The Wadala technology centre was closed down and the Analytical Laboratory has been shifted to Silvassa plant, wherein a state-of-the-art technology laboratory is being constructed. The Company ensured that the workmen of the Wadala centre were treated with care during their exit as part of this closure.

The total number of people employed in the Company as on 31 December 2016, including factory workmen, was 711.

### **Health, Safety, Security and Environment (HSSE)**

The Company continues to accord highest priority to health and safety of the workforce and the communities it operates in. The Company has been fully committed



SMART programme – Our global driving safety programme for professional drivers to keep them safe on the roads



High speed filling line at Castrol India's Patalganga plant

to comply with all applicable laws and regulations and maintains highest standards of Occupational Health, Safety and Environment. The Company has an HSSE policy which uniformly applies to every member of the workforce, including all contractors.

The Company has implemented best-in-class internal standards - Operating Management System (OMS) to ensure safe, systematic, reliable and environmentally friendly operations throughout its operations. All three blending plants are certified to the Environment Management System (ISO 14001:2004) and Occupational Health & Safety Management System (OHSAS 18001:2007). The Company is also certified for ISO 9001:2008 (Quality Management System Standard). The Company is periodically certified by internationally recognized and accredited bodies against these standard requirements.

The Company is also taking numerous environment management programmes and projects to minimize environment footprint, energy and water consumption as well as waste generation from manufacturing operations. This involves optimizing the manufacturing batch sizes, maximizing the use of natural lighting, use of LED and energy efficient lighting as well as regular water monitoring and audits.

**“The Company continues to focus on the goal of ‘no accidents, no harm to people and no damage to the environment’ with the primary objective that everyone goes home safely every single day”**

Safety and Environmental Performance has been integral to business performance and the Company continues to focus on the goal of ‘no accidents, no harm to people and no damage to the environment’ with the primary objective that everyone goes home safely every single day.

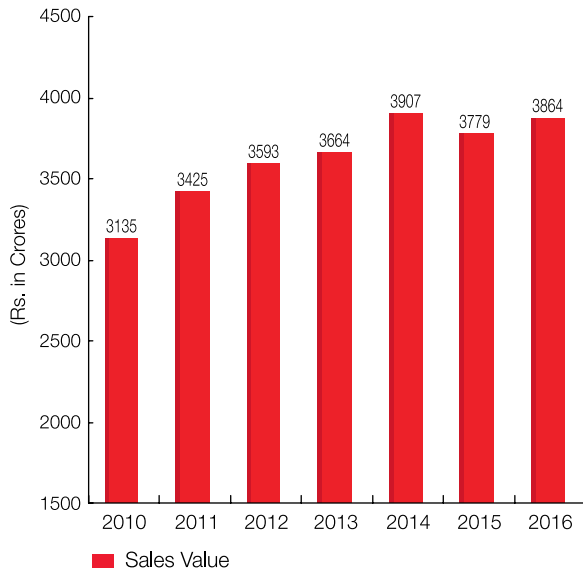
On behalf of the Board of Directors

Omer Dorman  
*Managing Director*  
 DIN: 07282001

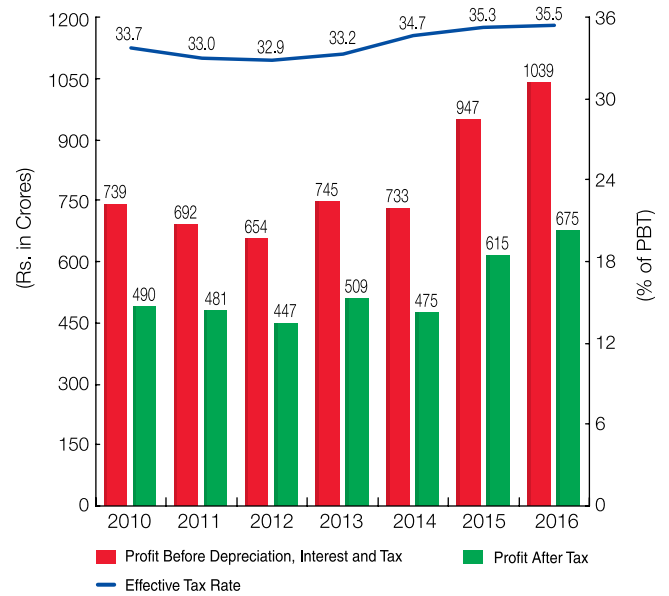
Rashmi Joshi  
*Director Finance &  
 Chief Financial Officer*  
 DIN: 06641898

Place: Mumbai  
 Dated: 21 February 2017

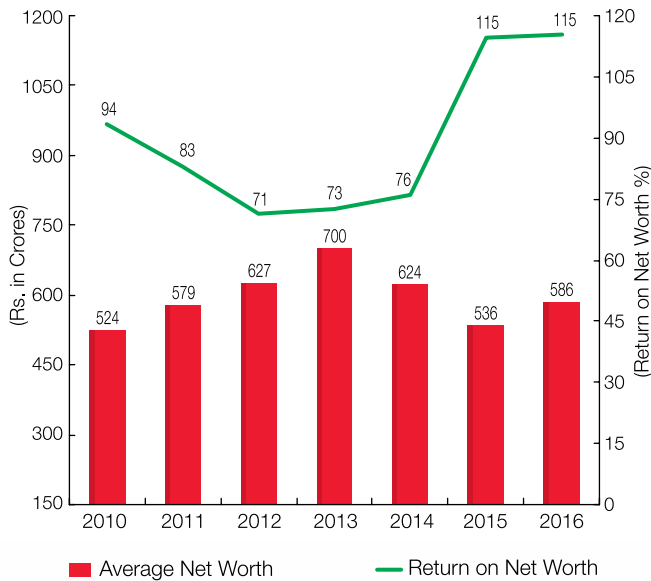
**SALES**



**PROFIT AND EFFECTIVE TAX RATE**

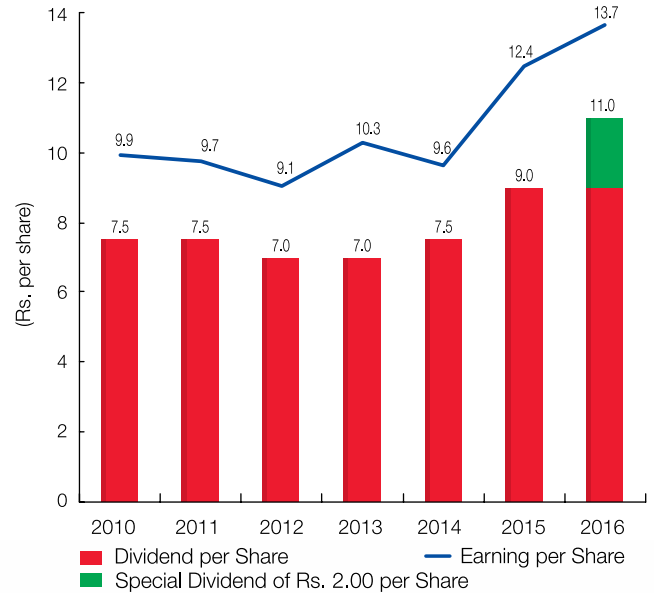


**RETURN ON NET WORTH\***



\* 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.

Particulars	2016	2015	2014	2013	2012	2011	2010
	<b>Rupees in Crores</b>						
Revenue from Operations (Gross)	<b>3,875.96</b>	3,791.42	3,918.62	3,677.50	3,605.38	3,439.23	3,146.88
Less: Excise Duty	<b>505.63</b>	493.39	526.29	497.88	484.52	445.96	403.97
Revenue from Operations (Net)	<b>3,370.33</b>	3,298.03	3,392.33	3,179.62	3,120.86	2,993.27	2,742.91
Other Income	<b>34.02</b>	52.58	16.06	35.06	30.84	21.66	5.42
Cost of Materials consumed	<b>1,531.59</b>	1,600.79	1,937.50	1,788.47	1,824.27	1,694.49	1,384.67
Employee Benefits and Other Expenses	<b>833.87</b>	802.36	738.11	703.67	673.67	628.90	625.00
Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional Item	<b>1,038.89</b>	947.46	732.78	722.54	653.76	691.54	738.66
Exceptional Item	—	—	—	22.80	—	—	—
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	<b>1,038.89</b>	947.46	732.78	745.34	653.76	691.54	738.66
Depreciation and Amortisation Expense	<b>44.96</b>	38.97	36.13	30.45	26.64	25.11	24.33
Finance Costs	<b>1.48</b>	0.83	2.38	1.71	2.14	1.91	2.42
Interest Income	<b>53.25</b>	43.29	32.04	48.58	41.34	51.43	25.93
Profit Before Taxation	<b>1,045.70</b>	950.95	726.31	761.76	666.32	715.95	737.84
Current Taxation	<b>388.04</b>	323.80	260.60	241.06	227.78	255.44	251.09
Deferred Taxation	<b>(17.25)</b>	11.89	(8.85)	12.13	(8.85)	(19.13)	(2.49)
Short/(excess) Provision of Tax relating to earlier years	—	—	—	—	—	(1.39)	(1.07)
Profit After Taxation	<b>674.91</b>	615.26	474.56	508.57	447.39	481.03	490.31
Dividend	<b>544.01</b>	445.10	370.92	346.20	346.20	370.92	370.92
Net Fixed Assets	<b>184.24</b>	185.25	187.74	175.33	157.08	141.82	133.92
Net Assets	<b>595.75</b>	575.61	496.78	751.42	649.23	604.20	553.50
Share Capital	<b>247.28</b>	247.28	247.28	494.56	494.56	247.28	247.28
Reserves & Surplus	<b>348.47</b>	328.33	249.50	256.86	154.67	356.92	306.22
Net Worth	<b>595.75</b>	575.61	496.78	751.42	649.23	604.20	553.50
Deferred Tax Assets (Net)	<b>67.17</b>	49.92	61.81	52.96	65.09	56.24	37.11
	<b>Rupees</b>						
Earning per Share*	<b>13.65</b>	12.44	9.60	10.28	9.05	9.73	9.92
Dividend per Share*	<b>₹ 11.00</b>	9.00	7.50	7.00	7.00	7.50	7.50
Book Value per Share*	<b>12.05</b>	11.64	10.04	15.19	13.13	12.22	11.19

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

‡ Includes Special Dividend of Rs. 2.00 per share.



To the Members,

Your Company's Directors are pleased to present the 39<sup>th</sup> Annual Report of the Company, along with Audited Financial Statement for the year ended 31 December 2016.

## 1. FINANCIAL RESULTS

Particulars	<b>For the year ended 31 December 2016 (Rupees in Crores)</b>	For the year ended 31 December 2015 (Rupees in Crores)
<b>Profit before Depreciation, Exceptional Items &amp; Tax</b>	<b>1,038.89</b>	947.46
Interest Income (Net of Finance Cost)	<b>51.77</b>	42.46
<b>Profit before Depreciation &amp; Tax</b>	<b>1,090.66</b>	989.92
Depreciation & Amortisation	<b>44.96</b>	38.97
Tax Expenses		
Current Tax	<b>388.04</b>	323.80
Deferred Tax	<b>(17.25)</b>	11.89
<b>Profit after Tax</b>	<b>674.91</b>	615.26
Adding thereto:		
Balance as per last Balance Sheet brought forward	<b>166.33</b>	87.50
Profit available for Appropriation	<b>841.24</b>	702.76
<b>The Appropriations are:</b>		
Dividend		
Interim	<b>222.55</b>	197.82
Special	<b>98.91</b>	—
Final	<b>222.55</b>	247.28
Tax on Dividend		
Interim	<b>45.31</b>	40.27
Special	<b>20.14</b>	—
Final	<b>45.31</b>	50.34
Tax on Final Dividend – 2014	—	0.72
Net surplus in the Statement of Profit & Loss	<b>186.47</b>	166.33
	<b>841.24</b>	702.76

## 2. PERFORMANCE

Net revenues from operations of your Company have increased by about 2% over the previous year to Rs. 3,370 Crores, mainly due to 4.4% rise in volumes driven by growth in Power Brands and personal mobility segment. Costs of materials were lower by about 4% over the previous year at Rs. 1,532 Crores mainly due to drop in input costs. Operating and other expenses increased by Rs. 31.51 Crores as compared to the previous year. Profit Before Tax increased by about 10% over previous year to Rs. 1,046 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 10% over the previous year to Rs. 675 Crores.

Your Company's performance has been discussed in detail in 'Management Discussion and Analysis Report'.

Your Company does not have any subsidiary or associate or joint venture company.

## 3. DIVIDEND

Your Directors are pleased to recommend a final dividend of Rs. 4.50/- per equity share (2015: Rs. 5/- per share) for the Financial Year ended 31 December 2016. This is in addition to the interim dividend of Rs. 4.50/- per share (2015: interim dividend Rs. 4/- per share) paid on 18 August 2016 and a special dividend of Rs. 2/- per share (2015: Nil per share) to be paid on or before 23 March 2017.

The final dividend, subject to approval of Members, will be paid within statutory period, to those Members whose names appear in the Register of Members, as on the date of book closure. The total dividend for the Financial Year ended 31 December 2016, including the proposed final dividend, amounts to Rs. 11/- per equity share (220% on paid-up equity share capital) (2015: Rs. 9/- per share) and will absorb Rs. 544.01 Crores (2015: Rs. 445.10 Crores).

The dividend payout for the year under review is in accordance with your Company's policy to pay sustainable dividend linked to long-term growth objectives of your Company to be met by internal cash accruals.

The dividend distribution policy is given as **Annexure-I** to this Report. The same is also available on the website of the Company at [http://www.castrol.com/en\\_in/india/financials/other-financial-documents-policies.html](http://www.castrol.com/en_in/india/financials/other-financial-documents-policies.html)

## 4. TRANSFER TO RESERVE

Your Directors do not propose to transfer any amount to the General Reserves for the Financial Year ended 31 December 2016.

## 5. INDIAN ACCOUNTING STANDARDS (IND AS) – IFRS CONVERGED STANDARDS

Your Company will adopt Ind-AS with effect from 1 January 2017 pursuant to Ministry of Corporate Affairs' notification dated 16 February 2015 notifying the Companies (Indian Accounting Standard) Rules, 2015.

## 6. SUPPLY CHAIN

Your Company's Supply Chain function remained an important enabler for the organization. The five strategic pillars of Supply Chain continued to be:

- (1) Contemporary, differentiated and competitive customer service;
- (2) Premium quality – a source of enhanced customer experience;
- (3) Supply Chain capabilities – assets and resources to support growth;
- (4) Consistent processes;
- (5) Generating value for business through efficiency initiatives.

Health, Safety, Security and Environment, along with Ethics and Values formed the core of operations.

The safety agenda continued to be driven strongly through plant safety and road safety initiatives. The Family Connect programme for heavy vehicle drivers continued to be an important forum for engagement with the drivers across multiple locations. Within plants, as part of the safe control and monitoring mechanism, Safety Observations continued to be recorded and proactively addressed. The Control of Work guidelines and Operating Management System processes across the plants and other Supply Chain functions continued to be strengthened.

Customer service and product availability were key priorities for Supply Chain. They were driven by proactively anticipating demand changes and variability, as well as continuous improvement in order fulfilment processes. The improvements in customer service were fully supported by plant production reliability as well as raw materials and packaging suppliers.

The team continued to focus on quality by using stringent input measures and processes – helping drive a premium image in the market. Strong inspection programmes at supplier and process levels continued through the year. As a result of continuous improvement in customer complaints, the quality complaint closure rate for the period was increased to 92.6%.

In order to support growth operations, your Company continued to invest in projects and initiatives to make the operations robust for future. The total capital investment across multiple Supply Chain projects for 2016 was about Rs. 22.5 Crores.

Throughout the year, there was strong focus on generating value through standardization and simplification. Efficient sourcing and transportation initiatives, focusing on cost optimization, were led successfully, helping deliver additional value for business.

## 7. DIRECTORS AND KEY MANAGERIAL PERSONNEL

At the 38<sup>th</sup> Annual General Meeting held on 5 May 2016, Members approved appointment of Mr. Omer Dormen as the Managing Director of the Company.

Mr. Ralph Hewins ceased to be a Nominee Director of the Company with effect from 31 August 2016 as your Company had received a letter from Castrol Limited UK intimating the withdrawal of his nomination, consequent to his resignation from Castrol Limited UK. Your Board places on record its appreciation for outstanding contributions made by Mr. Ralph Hewins during his tenure as the Nominee Director of the Company.

Mr. Sandeep Deshmukh resigned as Company Secretary with effect from 14 March 2016. Your Board places on record its appreciation for contributions made by Mr. Sandeep Deshmukh during his tenure as the Company Secretary of your Company.

Your Board at its meeting held on 16 December 2016 appointed Ms. Chandana Dhar, as Company Secretary and Compliance Officer of the Company effective from 12 January 2017 on the recommendation made by Nomination and Remuneration Committee.

In accordance with the provisions of the Companies Act, 2013 (the "Act") and the Articles of Association of the Company, Mr. Omer Dormen and Ms. Rashmi Joshi, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

A brief resume of each of the Directors proposed to be re-appointed at the ensuing Annual General Meeting, and the details of the Directorships held by them in other companies are given in the Corporate Governance section

of this Annual Report. Appropriate resolutions for the re-appointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

The Independent Directors of your Company have given the certificate of independence to your Company stating that they meet the criteria of independence as mentioned under Section 149(6) of the Act.

There is no change in the composition of the Board of Directors and Key Managerial Personnel during the year under review, except as stated above.

## 8. BOARD EVALUATION

The Nomination and Remuneration Committee of your Company approved Board Performance Evaluation Policy (the "Policy") during the year, which was adopted by the Board of Directors. The Policy provides for evaluation of the Board, the Committees of the Board and individual Directors, including the Chairman of the Board. The Policy provides that evaluation of the performance of the Board as a whole and the Board Committees and individual Directors shall be carried out annually.

Your Company has appointed a reputed agency that engages with the Chairman of the Board and Chairman of the Nomination and Remuneration Committee in respect of the evaluation process. The agency prepares an independent report which is used for giving appropriate feedback to the Board/Committees/Directors for discussions in the meetings.

During the year, the evaluation cycle was completed by the Company which included the evaluation of the Board as a whole, Board Committees and individual Directors. The evaluation process focused on various aspects

of the Board and Committees' functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties, obligations and governance issues. A separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution and exercise of independent judgment.

The results of the evaluation of the Board and Committees were shared with the Board and respective Committees. The Chairman of the Board had individual discussions with each member of the Board to discuss the performance feedback based on self-appraisal and peer review. The Nomination and Remuneration Committee Chairman discussed the performance review with the Chairman of the Board.

The Independent Directors met on 14 November 2016 to review performance evaluation of Non-Independent Directors and the Board of Directors and also of the Chairman taking into account views of Executive Directors and Non-Executive Directors.

Based on the outcome of the evaluation, the Board and Committees have agreed on various action points, which would result in each Director, its Committees and the Board playing more meaningful roles to increase shareholder value.

## 9. POLICY ON DIRECTORS' APPOINTMENTS, REMUNERATION, ETC.

Policy on Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Employees and Policy on Appointment of Directors, Independence of Directors and Board Diversity are given as **Annexures II & III** to this report.

## 10. BOARD AND COMMITTEES

A calendar of proposed dates for meetings is prepared and circulated in advance to the Directors. The Board met five times during

the year, details of which are given in the Corporate Governance Report that forms part of this Annual Report. The intervening gap between the meetings was within the period prescribed under the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations 2015"). Details of all the Committee of the Board have been given in the Corporate Governance Report.

## 11. CORPORATE GOVERNANCE

Your Company is part of BP Group which is known globally for best standards of governance and business ethics. Your Company has put in place governance practices as prevalent globally. The Corporate Governance Report and the Auditor's Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

## 12. CORPORATE SOCIAL RESPONSIBILITY

Your Company recognizes the need and importance of a focused and inclusive social and economic development, especially of the industries and communities within which it operates. Your Company seeks to build open and constructive relationships with all its stakeholders and wants them to benefit from your Company's presence and this is set out in the Code of Conduct and values of your Company. Over the last hundred years of the Company's presence in India, Castrol India's Corporate Social Responsibility (CSR) activities have evolved from charitable giving to a strategic CSR programme, working in collaboration with key stakeholders. The CSR programme of your Company aligns business risks and opportunities with the national agenda of development priorities to meet the needs and aspirations of the populace.

Your Company aims to provide a safer and better quality of life for the communities it serves, whilst ensuring the long-term sustainability of the

Company's operations in the relevant industries where it operates. In alignment with our core skills and vision of building a safer and better quality of life, underpinned by our focus on progressive technology and in line with the aspirations of the country's youth, the Company focuses on the following programmes:

- i. Eklavya: Strengthening skills in the automotive and industrial sectors, with a focus on technology
- ii. Ehtiyat: Collaborating for safer mobility
- iii. Ekjut: Community Development in areas of operation and presence
- iv. Ehsaas: Humanitarian aid

Corporate Social Responsibility Committee of the Board has recommended and the Board has approved a CSR Policy in line with the requirements of Section 135 of the Act.

The Corporate Social Responsibility Policy is available on the website of the Company at [http://www.castrol.com/en\\_in/india/about-us/csr.html](http://www.castrol.com/en_in/india/about-us/csr.html).

The Annual Report on CSR activities is annexed to this report as **Annexure-IV**.

The Business Responsibility Report also contains information on work done on CSR.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Sections 134(3)(c) and 134(5) of the Act, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (a) in the preparation of the annual accounts for the year ended 31 December 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;

- (b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31 December 2016 and of the profit of your Company for the year ended on that date;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a 'going concern' basis;
- (e) the Directors have laid down internal financial controls to be followed by your Company and that such internal financial controls are adequate and are operating effectively; and
- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

#### **14. RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

Your Company has set up a Risk Management Committee. Your Company has also adopted a Risk Management Policy, the details of which are given in the Corporate Governance Report that forms part of this Annual Report.

Your Company maintains an adequate and effective Internal Control System commensurate with its size and complexity. We believe that these internal control systems provide, among other things, a reasonable assurance that transactions are

executed with Management authorisation 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.

Your Company has in place, adequate Internal Financial Controls with reference to Financial Statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### **15. RELATED PARTY TRANSACTIONS**

Your Company has adopted a Related Party Transactions Policy. The Audit Committee reviews the Policy from time to time and also approves and reviews all Related Party Transactions, to ensure that the same are in line with the provisions of applicable law and the Policy. The Committee approves the Related Party Transactions and wherever it is not possible to estimate the value, approves limit for the Financial Year, based on best estimates. All Related Party Transactions are reviewed by an independent accounting firm to establish compliance with law and limits approved.

All Related Party Transactions entered during the year were in Ordinary Course of the Business and on Arm's Length basis. No Material Related Party Transactions were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Act, in Form AOC-2 is not applicable to your Company.

In conformity with the requirements of the Act, read with SEBI Listing Regulations, 2015 the policy to deal with Related Party Transactions is also available on Company's website at [http://www.castrol.com/en\\_in/india/about-us/financials/other-financial-documents-policies.html](http://www.castrol.com/en_in/india/about-us/financials/other-financial-documents-policies.html)

## 16. DEPOSITS

Your Company has not accepted any Fixed Deposits under Chapter V of The Act during this Financial Year and as such, no amount on account of Principal or Interest on Deposits from Public was outstanding as on 31 December 2016.

## 17. PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN AND SECURITIES PROVIDED

Particulars of loans, guarantees and investments made by your Company pursuant to Section 186 of the Act, are given in the Notes to the Financial Statement which forms part of the Annual Report.

## 18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R&D) AND FOREIGN EXCHANGE EARNING AND OUTGO

The particulars relating to conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, as required to be disclosed under the Act, are provided as **Annexure-V**.

## 19. MATERIAL CHANGES OCCURRED AFTER END OF FINANCIAL YEAR

Except as disclosed elsewhere in this Annual Report, no material changes and commitments which could affect your Company's financial position have occurred between the end of the Financial Year of your Company and date of this Annual Report.

## 20. AUDITORS

M/s. SRBC & Co. LLP, Chartered Accountants, retire as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting. The Audit Report given by the Auditors on the financial statements of your Company is part of the Annual Report. There has been no qualification, reservation or adverse remark given by the Auditors in their Report.

In accordance with Section 139 of the Act, listed companies cannot appoint or re-appoint the auditor for more than two terms of five consecutive years, if the auditor is an audit firm. Existing companies, which are covered under auditor rotation requirement, should comply with these requirements within three years from the date of commencement of the Act.

SRBC & Co, LLP, Chartered Accountants (ICAI Firm Registration No. 324982E), Mumbai have been the Auditors of your Company since 2001 and have completed a term of sixteen years (including three years of transitional period). It is now proposed to appoint M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration Number 117366W-100018) as Statutory Auditors of your Company. Further, M/s. Deloitte Haskins & Sells LLP have consented to be appointed as Statutory Auditors of the Company and have confirmed that their appointment, if made, would be in compliance with the provisions of Sections 139 and 141 of the Act and Rules framed thereunder.

The Audit Committee and the Board, at their respective meetings held on 21 February 2017, have recommended appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration Number 117366W-100018), as Statutory Auditors of the Company, from the conclusion of ensuing Annual General Meeting until conclusion of 44<sup>th</sup> Annual General Meeting.

M/s. Kishore Bhatia & Associates, Cost Accountants carried out the Cost Audit for applicable business segment. It is proposed to re-appoint them as Cost Auditors for the Financial Year ending 31 December 2017.

The Board had appointed M/s. S. N. Ananthasubramanian & Co., Company Secretaries in Whole-time Practice, to carry out Secretarial Audit under the provisions of Section 204 of the Act, for the Financial Year 2016. The Secretarial Audit report is annexed to this report marked as **Annexure-VI**.

The qualification made by the Secretarial Auditor in the Secretarial Audit Report is pertaining to non-appointment of Company Secretary within the statutorily permitted period of six months from the vacancy of office of the whole-time Key Managerial Personnel pursuant to Section 203(4) of the Companies Act, 2013 for which your Company has filed a suo-moto application for compounding of the contravention of said provision of the Act before the Hon'ble National Company Law Tribunal, Mumbai Bench.

Your Board has appointed Ms. Chandana Dhar as Company Secretary with effect from 12 January 2017.

## 21. EXTRACT OF THE ANNUAL RETURN

Details forming part of the extract of the Annual Return in Form MGT 9 as per provisions of the Act, and rules thereto are annexed to this report as **Annexure VII**.

## 22. PARTICULARS OF EMPLOYEES

Disclosures with respect to the remuneration of Directors and employees as required under Section 197 of the Act, and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed to this report as **Annexure-VIII**.

Details of employee remuneration as required under provisions of Section 197 of the Act, and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this Report. As per the provisions of Section 136 of the Act, the Report and Financial Statement are being sent to the shareholders of your Company and others entitled thereto, excluding the statement on particulars of employees. Copies of said statement are available at the Registered Office of the Company during the designated working hours up to 21 days before the Annual General Meeting. Any Member interested in obtaining such details may also write to the Secretarial Department at the Registered Office of the Company.

## 23. PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

Your Company firmly believes in providing a safe, supportive and friendly workplace environment – a workplace where our values come to life through the supporting behaviours. Positive workplace environment and a great employee experience are integral part of our culture. Your Company believes in providing and ensuring a workplace free from discrimination and harassment based on gender.

Your Company educates its employees as to what may constitute sexual harassment and in the event of any occurrence of an incident constituting sexual harassment, your Company provides the mechanism to seek recourse and redressal to the concerned individual subjected to sexual harassment.

Your Company has a Sexual Harassment – Prevention and Grievance Handling Policy in place to provide clarity around the process to raise such a grievance and how the grievance will be investigated and resolved. An Internal Complaints Committee has been constituted in



line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year there was one complaint of sexual harassment that was reported which was reviewed by the Internal Complaints Committee. Pursuant to the review, disciplinary action was taken against the employee accused of sexual harassment.

#### 24. VIGIL MECHANISM

Your Company has a very strong whistle blower policy viz. 'Open Talk'. All employees of your Company also have access to the Chairman of the Audit Committee in case they wish to report any concern. Your Company has provided a dedicated e-mail address for reporting such concerns. All cases registered under Whistle Blower Policy of your Company are reported to and are subject to the review of the Audit Committee.

#### 25. GENERAL DISCLOSURES

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Issue of Equity Shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (including Sweat Equity Shares) to employees of your Company under

any scheme. Your Company has not resorted to any buy back of its shares during the year under review.

3. Neither the Managing Director nor the Whole-time Directors of your Company receive any remuneration or commission from any of its subsidiaries.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

#### 26. ACKNOWLEDGEMENT

The Board wishes to place on record its sincere appreciation of the efforts put in by your Company's employees 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

Omer Dormen  
*Managing Director*  
DIN: 07282001

Rashmi Joshi  
*Director Finance &  
Chief Financial Officer*  
DIN: 06641898

Place : Mumbai

Date : 21 February 2017

## Annexure I

### Dividend Distribution Policy

#### 1. Objective

The objective of this Policy document is to articulate Castrol India Limited's Dividend Distribution Policy.

This Policy applies to all types of Dividend declared or recommended by the Board of Directors of the Company and seeks to conform to the requirements of Section 123 of the Companies Act, 2013, the notified rules thereof and other such provisions.

#### 2. Philosophy

At Castrol we respect, and are committed to, our role towards shareholders and meeting our obligations to the communities in which we do business. We believe that sustainable growth can be achieved by creating wealth and jobs, developing useful skills, and investing time and money in people.

Castrol aims to share its prosperity with the shareholders by way of declaring dividend subject to liquidity and growth requirement.

#### 3. The Regulatory Framework

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top 500 Listed Companies in India as per Market Capitalisation as on the preceding Financial Year shall formulate a dividend distribution policy.

Castrol falls within the list of Top 500 Listed Companies.

#### 4. Definitions

Unless repugnant to the context:

- 4.1. "Act" shall mean the Companies Act, 2013 including the Rules made thereunder.
- 4.2. "Company or Castrol" shall mean Castrol India Limited.
- 4.3. "Chairman" shall mean the Chairman of the Board of Directors of the Company.
- 4.4. "Board" or "Board of Directors" shall mean Board of Directors of the Company.
- 4.5. "Dividend" shall mean Dividend as defined under Companies Act, 2013 or SEBI Regulations.

- 4.6. "SEBI Regulations" shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modifications or re-enactments thereof for the time being in force.

#### 5. Policy

##### 5.1. Frequency of payment of dividend:

- 5.1.1. Castrol believes in rewarding its shareholders as and when the funds are available for distribution as dividend and generally strive to declare Interim Dividend at least once in a year and to recommend Final Dividend to the Members at the Annual General Meeting of the Company.
- 5.1.2. If the frequency of Interim Dividend is more than once, Castrol may not recommend Final Dividend for that year.

##### 5.2. Internal and external factors that would be considered for declaration of dividend:

- 5.2.1. Castrol considers several Internal and External Factors before deciding declaration or recommendation of dividend.
- 5.2.2. The Internal Factors are adequacy of profits for last year and likely profits for next year, allocation of capital towards capital expenditure, probably mergers and acquisitions, loan repayments and working capital requirements.
- 5.2.3. The External Factors that would impact dividend payout are interest rate on surplus funds, taxation on distribution of dividend including taxation on dividend received from subsidiaries and dividend payout ratios of comparable companies.

##### 5.3. The financial parameters that will be considered while declaring dividends:

- 5.3.1. In order to maximize corporate value over the long term, internal capital resources will be secured for measures that will increase corporate value. These measures include investments in R&D and Capital Investments, which are vital to future business expansion.
- 5.3.2. After taking into consideration the required investments for future growth and the level of free cash flow, surplus will be distributed to the shareholders to the maximum extent possible.

5.3.3. For dividends in each financial year, Castrol's policy is to enhance stable, uninterrupted profit distributions by taking into account consolidated results as well as indicators including dividends on equity (DOE), which is return on equity (ROE) multiplied by the payout ratio, although this is subject to the level of internal capital resources necessary.

5.3.4. Other Financial Parameters like Net Free cash generation after factoring internal parameters like Net Operating Profit after Tax, working capital and capital expenditure requirements, loan repayments and payouts towards any probably merger and acquisition will be considered by the Company before declaring or recommending dividend.

**5.4. The circumstances under which their shareholders can or cannot expect dividend:**

In an event where Company has undertaken a significant project requiring higher allocation of capital or Merger or Acquisitions which demands higher capital allocation or in event where the company profits are inadequate or company makes losses, the Company would like to use the Company's reserves judiciously and not declare dividend or declare dividend lower than its normal rate of dividend.

**5.5. Policy as to how the retained earnings will be utilized:**

5.5.1. The Company would like to retain the balances in Reserves and Surplus to give the required strength to the balance sheet for exploring leverage options for supporting growth.

5.5.2. The Company would be very cautious in declaring dividend out of past profits and reserves.

**5.6. Transfer of Profits to Reserves:**

The Company will not transfer any amount to reserves unless otherwise statutory.

**5.7. Provisions regarding class of shares:**

Currently, the Company has issued only Equity Shares and this Policy shall be applicable to Equity Shares.

As and when the Company issues other kind of shares, the Board shall amend this

Policy along with Rationale at the time or before issue of other class of shares.

**6. Procedure**

6.1. The Chief Financial Officer in consultation with the Managing Director of the Company shall recommend any amount to be declared as Dividend to the Board of Directors of the Company.

6.2. The Company Secretary and Compliance Officer of the Company shall ensure compliance of Insider Trading Rules of the Company and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6.3. The Agenda of the Board of Directors where Dividend declaration is proposed shall contain the rationale of the proposal.

6.4. The Board of Directors shall approve the declaration or recommendation of Dividend after ensuring compliance of Act, SEBI Regulations and this Policy.

6.5. The Company shall ensure compliance of provisions of Act, SEBI Regulations and this Policy in relation to dividend.

6.6. Item on Confirmation of Interim Dividend(s) declared by the Board of Directors of the Company shall form part of Notice of every Annual General Meeting of the Company.

**7. General**

7.1. This Policy would be subject to revision/ amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs and/or Securities Exchange Board of India from time to time, on the subject matter.

7.2. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

7.3. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

## Annexure II

### Policy on Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Employees

The Board has adopted a policy viz. "Policy on Remuneration of Directors, Key Managerial Personnel (KMPs) and Senior Management employees". This policy shall act as a guideline for "Nomination and Remuneration Committee" (Committee) on matters relating to remuneration of Directors, KMPs and Senior Management employees. This policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 ("Act"), SEBI Listing Regulations and is subject to the provisions of the law as amended from time to time. Extracts of the Policy are as under:

#### 1. Implementation

The Committee is responsible for recommending this Policy to the Board.

#### 2. Review of the Policy

The Board is responsible for approving and overseeing implementation of this Policy and the same will be reviewed and reassessed by the Committee as and when required and appropriate. Recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise.

Implementation of this Policy shall be the responsibility of the Company Secretary who shall advise the Board from time to time. All the terms like Director, Managing Director, KMP, Independent Director, Remuneration, Committee shall have the same meaning as assigned under Companies Act, 2013.

#### 3. Policy Statement

In order to attract and retain best talent, who has the potential to drive the growth and enhance shareholder value, it is essential to adopt comprehensive compensation policy which is synchronised with the industry trends. The remuneration of Directors, KMP and all other employees shall be based on competency, contribution and commitment demonstrated by them towards the Company.

#### 4. While formulating this Policy, the Committee has considered that the Policy should help to –

- i. Attract highly competent human resources to sustain and grow the Company's business;
- ii. Build a performance culture by aligning performance of individuals with the business objectives of the Company;
- iii. Level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs and Senior executives, of the quality required to run the Company successfully; and
- iv. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

#### 5. Remuneration for Independent Directors and Non-Independent Non-Executive Directors (NED)

The remuneration should be sufficient to attract, motivate and retain world-class, non-executive talent. Remuneration practice should be consistent with recognised best practice standards for Chairman and NED remuneration. The aggregate annual remuneration payable to the NEDs is determined by shareholder resolution, subject to the limits of Law. The Non-Executive Directors nominated by Promoters are not entitled to receive any remuneration.

- a. *Directors Sitting Fees* – The NEDs are entitled to sitting fees as determined by the Board from time to time for attending Board/Committee meetings thereof in accordance with the provisions of Act. Sitting fees amount may be subject to review on a periodic basis, as required. Within the parameters prescribed by law, the payment of sitting fees will be recommended by the Committee and approved by the Board.
- b. *Profit-linked Commission* – The profit-linked commission shall be paid to the NEDs within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Act. Amount of Commission

would be determined considering the overall performance of the Company, attendance at the meetings of Board/Committees, Membership/Chairmanship of Committees and contribution by the respective NEDs. The Committee will recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process.

NEDs are supported through the Company Secretary's office. This support includes assistance with travel and transport, security advice (when needed) and administrative services. NEDs shall be issued letters of appointment that recognize that, their service is at the discretion of shareholders.

The quantum and structure of the Chairman's remuneration is set by the Board based upon a recommendation from the Nominations Committee. The Chairman is not involved in setting his own remuneration. The Chairman's office is not maintained by the Company however he is provided administrative support and all reasonable travelling, communication and other expenses incurred in carrying out his duties are reimbursed.

#### **6. Remuneration for Managing Director (MD)/ Executive Directors (EDs)/KMPs and Senior employees**

**A.** The remuneration policy for the Managing Director (MD)/Executive Directors (EDs)/KMPs and Senior employees shall be guided by five key principles.

- *Linked to strategy:* A substantial proportion of remuneration is linked to success in implementing the Company's strategy.
- *Performance related:* The major part of total remuneration varies with performance, with the largest elements being share based, further aligning with shareholders' interests.
- *Long term:* The structure of pay is designed to reflect the long-term nature

of Castrol's business and the significance of safety and environmental risks.

- *Informed judgement:* There are quantitative and qualitative assessments of performance with the Committee making informed judgement within a framework approved by shareholders.
- *Fair treatment:* Total overall pay takes account of both the external market and Company conditions to achieve a balanced, 'fair' outcome.

**B.** The aim of this policy is to ensure that Executive Directors are remunerated in a way that reflects the Company's long-term strategy. Consistent with this, a high proportion of Directors' total potential remuneration has been, and will be, strongly linked to the Company's long-term performance. Salaries will normally be set in the home currency of the Director and reviewed annually. Remuneration shall comprise of two broad components; fixed and variable. Fixed portion comprises of Base pay and perquisites and variable pay termed as Performance Linked Bonus (PLB) comprises of a pre-determined maximum compensation that can be paid at the end of the performance year. Entire remuneration shall be paid as per the contract approved by the Board and terms approved by shareholders, as under:

- i. *Fixed Component* – This includes Salary and other perquisites/benefits. This provides base-level fixed remuneration to reflect the scale and dynamics of the business and to be competitive with the external market. Basic/fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience. In addition to the basic/fixed salary, the Company may provide employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings and tax optimisation, where possible. The Company may also provide

all employees with a social security net (subject to limits) by covering medical expenses and hospitalisation through re-imbursments or insurance cover and accidental death and dismemberment through personal accident insurance.

- ii. *Performance Linked Bonus (PLB)* – The specific amount payable to the MD/EDs would be based on performance as evaluated by the Board. It provides a variable level of remuneration dependent on short-term performance against the annual plan. Total overall Bonus is based on performance relative to measures and targets reflected in the annual plan, which in turn reflects Company's strategy.
  - iii. Retirals in the form of contribution to Provident Fund, Superannuation and Gratuity be paid as per statutory requirements.
  - iv. Based on the organisational need for retaining high performing employees and also those who are playing critical roles, from time to time, certain retention features may be rolled out as part of the overall compensation package. These may take form of Retention Bonuses, group Share Value Plan etc.
- C. Annual Compensation Review** – The compensation review year will be financial year. The annual compensation review, as a part of the performance management system cycle, shall be guided by Industry/business outlook, employee differentiation based on individual performance rating achieved during the applicable performance year.

**7. While determining Remuneration, the Committee shall take into account –**

- i. Salary level of new director/employee is competitive, relative to the peer group.

- ii. Variable remuneration is awarded within the parameters, and is subject to a requirement of continued service and corporate performance condition.
- iii. Where an existing employee is promoted to the Board, the Company will honour all existing contractual commitments including any outstanding share awards or pension entitlements.
- iv. Where an individual is relocating in order to take up the role, the Company may provide certain one-off benefits such as reasonable relocation expenses, accommodation for a period following appointment and assistance with visa applications or other immigration issues and ongoing arrangements such as tax equalisation, annual flights home, and housing allowance.
- v. Where an individual would be forfeiting valuable remuneration in order to join the Company, the Committee may award appropriate compensation based on evidence.

In making/revising remuneration package, the Committee would balance shareholder expectations, current best practice and the requirements of any new recruit.

- 8. The Committee may recommend to the Board, changes in remuneration terms of Directors, Key Managerial Personnel or Senior Management Personnel subject to the provisions of the Act and applicable Group policies, regulations of Service, Code of Ethics and Principles of legal compliance framed and adopted by the Company from time to time. The Directors and Key Managerial Personnel/Senior Management Personnel shall superannuate as per the applicable provisions of the regulation and prevailing policy of the Company. The Board of Directors will have the discretion to retain the Executive Director, Key Managerial Personnel and Senior Management Personnel in the same position/remuneration or revised remuneration after attaining the age of superannuation, for organisational development reasons.

## Annexure III

### Policy on Appointment of Directors, Independence of Directors and Board Diversity

The Board has adopted a policy viz. "Policy on Appointment of Directors, Independence of Directors and Board Diversity" and it shall act as guideline on matters relating to appointment of the Directors. This Policy shall act as a guideline for "Nomination and Remuneration Committee" (Committee) in determining qualifications, positive attributes, independence of a Directors relating to the appointment/re-appointment of Directors. The Policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 ("Act"), SEBI Listing Regulations and is subject to the provisions of the law as amended from time to time. Extracts of the Policy pertaining to Appointment of Directors are as under:

#### 1. Implementation

The Committee is responsible for recommending the Policy to the Board.

#### 2. Review of the Policy

The Board is responsible for approving and overseeing implementation of this Policy and the same will be reviewed and reassessed by the Committee as and when required and appropriate. Recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise.

Implementation of this Policy shall be the responsibility of the Company Secretary who shall advise the Board from time to time. All the terms like Director, Managing Director, KMP, Independent Director, Remuneration, Committee shall have the same meaning as assigned under Companies Act, 2013.

#### 3. This policy has the following three parts –

- A. Policy on Appointment of Directors;
- B. Policy on Independence of Directors; and
- C. Board Diversity Policy.

#### A. Policy on Appointment of Directors

- a. In accordance with Company's Articles of Association, the Board determines, from time to time, the size of the Board and may fill any vacancies that occur between shareholder meetings. The Committee periodically evaluates and makes recommendations to the Board concerning the appropriate size of the Board based upon the needs of the Board. The Board currently believes that the Board's optimum size is between 8 and 12 members.
- b. Appointment of a Director will be based on the outcome of a proper planning. The Committee shall consider the standards of qualification, expertise and experience of the candidates for appointment as Director and accordingly recommend to the Board his/her appointment. The Committee will assess skill-sets, the Board needs have for the industry the Company operates in and also in view of Group corporate philosophy and governance standards.
- c. The Committee shall request reference from BP Group for a candidate having relevant experience or from external consultants or any other source as deemed appropriate by the Committee.
- d. For inducting Directors, the Committee members shall personally meet the potential candidate and assess suitability of the candidate for the role in view of Castrol values and standards of governance.
- e. The Committee shall recommend appointment of the shortlisted candidate for directorship to the Board for its consideration. The Committee shall also recommend compensation that can be paid to a Director, commensurate to the industry norms and position.

- f. If position of a Director suddenly becomes vacant by unanticipated occurrence of any event, the Committee shall meet at the earliest opportunity to discuss succession and fill such vacancy.
- g. Criteria for selection:
- i. The candidate should be of the highest ethical character and share the values of Castrol as reflected in the Code of Conduct and Corporate Governance principles. Board candidate should have reputations, both personal and professional, consistent with the image and reputation of Castrol.
  - ii. The candidate should be highly accomplished in its respective field, with superior credentials and recognition.
  - iii. In recognition of the fact that the foundation of the Company is in lubricants industry, the Board should prefer person who has relevant experience. A candidate should have extensive and relevant leadership experience including understanding of the complex challenges of enterprise leadership. International experience will in many cases be considered a significant positive characteristic in a Board candidate's profile. An ideal Board candidate will have gained this experience in one or more of the settings outlined below.
    - a. *Business* – The candidate is or has been the Chief Executive Officer, Chief Operating Officer or other major operating or staff officer of a major corporation, with a background in marketing/ finance/ business operations/ strategic management.
    - b. *Industry* – The candidate has experience in the fast-moving consumer goods (FMCG) industry/automobile industry or other complementary field.
    - c. *Information Technology* – The candidate should have fair understanding of information technology, e-commerce or digital marketing and also of regulatory framework in which the industry operates.
    - iv. The candidate should be of the highest moral and ethical character. The candidate must exhibit independence, objectivity and be capable of serving as a representative of the stockholder.
    - v. The candidate should have the personal qualities to be able to make a substantial active contribution to Board deliberations. These qualities include intelligence, self-assuredness, a high ethical standard, inter-personal skills, independence, courage, and willingness to ask the difficult questions, communication skills and commitment.
    - vi. The candidate must be willing to commit, as well as have, sufficient time available to discharge the duties of Board membership and should not have any prohibited interlocking relationships.
- In considering candidates for election to the Board of Directors, the Board should constantly be striving to achieve the diversity of the communities in which the Company operates. The Committee shall work with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience as per Diversity Policy of the Company.



**B. Policy on Independence of Directors**

For the Independent Directors, the Committee shall assess the Independence of Directors at the time of appointment/re-appointment and the Board shall assess the same annually as per the 'Policy on Independence of Directors'. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director. An Independent Director in relation to a company, means a Director other than a Managing Director or a Whole-time Director or a Nominee Director—

- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b.
  - (i) who is or was not a promoter of the Company or its holding, subsidiary or associate company;
  - (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c. who has or had no pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding two financial years or during the current financial year;
- d. none of whose relatives has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the three immediately preceding financial years or during the current financial year;
- e. who, neither himself nor any of his relatives—
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the Company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
    - (A) a firm of auditors or Company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent or more of the total voting power of the Company; or
  - (iv) is a Chief Executive or Director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the Company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the Company; or
  - (v) is a material supplier, service provider or customer or a lessor of lessee of the Company.
- f. shall possess such other qualifications as may be prescribed from time to time, under the Companies Act, 2013.
- g. who is not less than 21 years of age.

The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013. This policy is subject to the provisions of Companies Act, 2013 and Listing Regulations issued by Securities and Exchange Board of India (SEBI) from time to time and the Policy is framed to define the criteria that will be used by the Nomination and Remuneration Committee/Board to assess the independence of Directors of the Company.

### C. Board Diversity Policy

1. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board of Directors of the Company. Building a diverse and inclusive culture is integral to the success of Company. Ethnicity, age and gender diversity, underpinned by meritocracy are areas of strategic focus for the employee base and the same principle is applied to the composition of Board.

2. Policy Statement

The Board of Directors shall comprise of Directors having expertise in different areas/fields like Strategic Planning, Finance, Sales, Engineering or as may be considered appropriate. In designing the Board's composition, Board diversity shall not be limited to gender, age, cultural and educational background, ethnicity,

professional experience, skills and knowledge. The Board shall have atleast one Board member who has accounting or related financial management expertise and atleast one woman director.

The Board recognises the benefits that diversity, including gender brings to the Board. In considering the composition of the Board, directors will be mindful of:

- *Diversity*: ensuring the Board and the company reflects the global communities in which it works;
- *Inclusiveness*: creating an environment where all board members, employees and business partners are valued and can give of their best;
- *Meritocracy*: ensuring that Board appointments are made on the basis of merit alone.

The Board delegates the search and nomination of new directors to the Nomination Committee. When considering the nomination of new directors, the Committee will evaluate the balance of skills, knowledge and experience on the Board in order to identify the capabilities desirable for a particular appointment. Such evaluations will also consider the diversity the individual brings to the overall Board and will aim to ensure as diverse a mix as possible.

## Annexure IV

### Annual Report on Corporate Social Responsibility (CSR) activities

[Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014]

#### 1. A brief outline of the Company's CSR policy, including overview of projects/programmes undertaken

The Company aspires to be a trusted partner, continuously engaging with its stakeholders. Through its CSR programmes aimed at skill enhancement, safe mobility, community development and humanitarian aid, the Company strives to contribute to a safer and better quality of life.

In alignment with its core skills and vision of engaging with its stakeholders to contribute to a safer and better quality of life, the Company intends to focus on:

- I. *Eklavya*: Strengthening skills in the automotive and industrial sectors, with a focus on technology;
- II. *Ehtiyat*: Collaborating for safer mobility;
- III. *Ekjut*: Community Development in the areas of operation and presence;
- IV. *Ehsaas*: Humanitarian aid.

The Company follows an approach of initiating pilot projects to test on-ground relevance with leading non-governmental organisations (NGOs). Based on stakeholder response, partner experience and contribution to agenda, the projects are accordingly upscaled or redesigned. Encouraged by the response, the portfolio continues to grow with expanding partnerships and investments.

The Company's CSR Policy for 2016 can be viewed at [http://www.castrol.com/en\\_in/india/about-us/csr.html](http://www.castrol.com/en_in/india/about-us/csr.html)

#### 2. Composition of the CSR Committee

- Mr. R Gopalakrishnan (Chairman)
- Mr. Sashi Mukundan
- Mr. Omer Dormen
- Ms. Rashmi Joshi
- Mr. Jayanta Chatterjee

#### 3. Average net profit of the Company for last three financial years

Rs. 802.94 Crores

#### 4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

Rs. 16.05 Crores

#### 5. Details of CSR spend during the financial year

- a. Total amount to be spent for the financial year: Rs. 16.05 Crores
- b. Amount unspent, if any: Rs. 0.82 Crores
- c. Manner in which the amount was spent during the financial year is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects/ Programs (1) Local area or other (2) Specify the State and district where Projects/ Programs were undertaken	Amount outlay (budget) Project/ Program wise (INR)	Amount spent on the Projects/ Programs, Subheads (INR)	Cumulative expenditure up to reporting period (INR)	Amount spent: Directly or through Implementing Agency (IA)
1	Eklavya : Strengthening skills in the automotive and industrial sectors, with a focus on technology, targeting un-organised two-wheeler mechanics	Livelihood enhancement projects	Gujarat, Bihar, Odisha, Chhattisgarh, Maharashtra, Assam, Himachal Pradesh, Tamil Nadu, Madhya Pradesh, Delhi/ NCR	98,605,074	98,605,074	98,605,074	IA – Social Empowerment and Economic Development Society, Jan Sahas Social Development Society, Pravah, Pandit Deendayal Petroleum University (PDPU)
2	Ehtiyat : Collaborating for safer mobility	Promotion of Road Safety	Maharashtra	8,225,000	8,225,000	8,225,000	IA – Federation Of Indian Chamber Of Commerce and Industry's Socio Economic Development Foundation (FICCI – SEDF)

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects/ Programs (1) Local area or other (2) Specify the State and district where Projects/ Programs were undertaken	Amount outlay (budget) Project/ Program wise (INR)	Amount spent on the Projects/ Programs, Subheads (INR)	Cumulative expenditure up to reporting period (INR)	Amount spent: Directly or through Implementing Agency (IA)
3	Ekjut : Community Development in areas of operation and presence	Promoting education, including special education and employment enhancing vocation skills	Silvassa, Patalganga and Paharpur	17,655,050	17,655,050	17,655,050	IA — Ambuja Cement Foundation, Pratham Education Foundation, United Way of Mumbai, Friends Union for Energising Lives
4	Ehsaas : Humanitarian Aid	Disaster Relief	Drought affected areas in Marathwada, flood affected areas of Bihar and Assam	20,218,900	20,218,900	20,218,900	IA — Plan International, United Way of Mumbai, Americares India Foundation
5	Administrative Overheads			7,618,905	7,618,905	7,618,905	Direct
	<b>Total</b>			<b>152,322,929</b>	<b>152,322,929</b>	<b>152,322,929</b>	

Further details of the Company's CSR projects can be found in Section B.5 of the Business Responsibility Report in the Annual Report for the year ended 31 December 2016.

**6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.**

The Company conducted various CSR activities in collaboration with key stakeholders in a responsible and accountable manner. This enabled the Company to spend 95% of the CSR budget in 2016.

A sum of Rs. 0.82 Crores remained unspent from the CSR budget of 2016, given the Company's agenda to utilise the funds in justifiable, sustainable and measurable activities. Going forward it is proposed to strengthen engagement with various stakeholders and ramp up the CSR spend.

**7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

The Board of Directors and its CSR Committee are whole-heartedly committed to fulfilling the Company's CSR vision of aspiring to be a trusted

partner while striving to contribute to a safer and better quality of life.

The Company's four-pronged focus area approach, governance structure and efforts are designed to deliver mutually set out objectives with our partners. Ensuring an active oversight and guidance of the Company's CSR investments are key responsibility of the Board and are therefore taken up with regularity and rigour.

We look forward to working together with our peers, the Government and civil society towards nation building.

On behalf of the Board of Directors

Omer Dormen  
Managing Director  
DIN: 07282001

R. Gopalakrishnan  
Chairman, CSR Committee  
DIN: 00027858

Place : Mumbai  
Date : 21 February 2017

## Annexure V

### Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo required under the Companies (Accounts) Rules, 2014

#### (A) Conservation of Energy

##### (i) Steps taken or impact on conservation of energy

- Maintaining power factor resulting in reduced reactive power consumption and energy bill
- Usage of battery operated forklifts
- Continuous rationalization of certain blending operations for a few products with reduced temperature, to reduce energy consumption
- Modification to the thermopack unit, resulting in lower fuel consumption
- Constant focus on increasing awareness level amongst the work force for various energy conservation measures at the plant level
- Using Plate Type Heat Exchangers (PHE) in certain units to reduce energy consumption by improving the heat transfer rate
- Using energy efficient pumps for unloading and transfer application & air cooled pump with Variable Frequency Drive (VFD) compatible motor
- Replacement of CFL lamp to LED lamp in specific identified areas of the plants Installation of energy efficient air compressor.

##### (ii) Steps taken by the Company for utilizing the alternate sources of energy

None.

##### (iii) Capital investment on energy conservation equipments

- Replacement of CFL lamp to LED lamp (Rs. 7 lakh) in specific identified areas of the plants
- Investment for energy efficient air compressor (Rs. 87 lakh).

#### (B) Technology Absorption

##### (i) Efforts made towards technology absorption

- The Company continued to derive sustainable benefits from technology with the analytical laboratory facilities operating out of Silvassa.
- This was another year where the Company's product development capability helped the business meet pressing consumer needs, partner closely with its customers and leverage strengths of its global affiliates to meet the needs of the local market.
- The Company has launched products throughout 2016 in passenger car and commercial vehicles spaces, with superior benefits to consumers while protecting the environment. In 2016, the Company launched GTX Ultraclean, a product brand variant in Castrol GTX, which can provide up to 50% superior cleanliness in engines. The Company also upgraded Castrol CRB Plus to API CH4 specification which is required by the current generation of low emission engines, and also educating customers on the advantages of using such high performance oils in vehicles.
- The Company continued to focus on environmental protection through introduction of new products in Automotive as well as Industrial range. A pilot was conducted for Castrol GTX ECO, blended

with re-refined used oils, which otherwise can harm the environment if not properly disposed. This is an important step towards making customers aware about the possibility of using re-refined oils in high performance products.

- The Company also introduced Alusol 51 XBB in industrial product range, which is Boron and Biocide free high performance cutting oil. This technology is a significant step forward in terms of environmental protection and performance in the 'soluble cutting oils' in India.

**(ii) Benefits derived like product improvement, cost reduction, product development or import substitution**

- New product launch: import and development:
  - Pilot launch of Castrol GTX ECO, blended with re-refined base oils with lower carbon foot print
  - Alusol 51 XBB, Boron and Biocide free high performance cutting oil with environmentally friendly raw materials.
- Following brands were re-launched during the year with product improvement:
  - CRB Plus upgraded to API CH4 specifications from CF-4 with improved drain interval of 400 hours
  - Hysol 3505 with improved product stability and performance
  - Driving efficiencies: Initiatives continued during the year by using technology to ensure that the Company availed of the maximum efficiencies by localizing imported products, support manufacturing by improving blending processes and reduce waste by reducing flushing oil.

**(iii) Imported technology**

- Industrial: High performance and metal working lubricants were introduced into the Indian market: Optileb series (food grade), Alusol SL 51 XBB, Hysol MB 50 etc.
- Automotive: The following high performance automotive lubricants were introduced into Indian market within the last 3 years: Vecton CI-4 Plus with extend drain interval claim of 60,000 km, GTX Ultraclean with superior engine cleanliness, Rx Super Fuel Saver with improved fuel efficiency for end users.

**(iv) Expenditure on R&D (Rs. in Crores)**

Capital	—
Recurring	10.51
<b>Total</b>	<b>10.51</b>

**(C) Foreign Exchange Earning and Outgo**

**1. Activities relating to Export**

There were no significant exports by the Company during the year. However, some quantities of the products were exported to China, Thailand, France and Indonesia.

**2. Earning and Outgo**

	Rs. in Crores
Foreign Exchange Earnings	14.30
Foreign Exchange Outgo	205.68

On behalf of the Board of Directors

Omer Dormen  
*Managing Director*  
 DIN: 07282001

Rashmi Joshi  
*Director Finance &  
 Chief Financial Officer*  
 DIN: 06641898

Place : Mumbai

Date : 21 February 2017

## Annexure VI

### Form No. MR-3 Secretarial Audit Report For the Financial Year ended 31 December 2016

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,  
The Members,  
**Castrol India Limited**  
CIN L23200MH1979PLC021359  
Technopolis Knowledge Park,  
Mahakali Caves Road,  
Chakala, Andheri (East),  
Mumbai-400 093

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Castrol India Limited** (hereinafter called the Company) for the year ended 31 December 2016. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31 December 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 December 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act), the Companies Act, 1956 and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 — *Not Applicable as the Company has not issued further capital during the financial year under review;*
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 — *Not Applicable as the Company has not issued any shares/options to directors /employees under the said Guidelines/Regulations during the period under review;*
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 — *Not Applicable as the Company has not issued and listed debt securities during the financial year under review;*
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client — *Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;*
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 — *Not Applicable as the Company has not delisted/proposed to delist its equity shares from any Stock Exchange during the financial year under review;* and

- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 — *Not Applicable as the Company has not bought back/proposed to buy-back any of its securities during the financial year under review.*
- vi. The management has identified and confirmed the following law as specifically applicable to the Company:

**The Petroleum Act, 1934 and Rules made thereunder.**

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- (ii) Listing Agreement entered into with BSE Limited and National Stock Exchange of India Limited and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following.

The Company Secretary of the Company resigned with effect from 14 March, 2016 and the Company appointed Company Secretary with effect from 12 January 2017. The Company has filed application under Section 441 of the Companies Act, 2013 for compounding the contravention under Section 203 of the Companies Act, 2013. During the interim period the Company appointed Managing Counsel as the Compliance Officer to perform duties as required under SEBI Regulations.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and a Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent seven days in advance before the meeting. There exists system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All decisions of the Board and Committee meeting were carried with requisite majority.

We further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary/Compliance Officer (in charge) and taken on record by the Board of Directors at their meeting(s), we are of the opinion that there are adequate systems and processes in place in the Company which is commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines:

- As informed, the Company has responded appropriately to notices received from various statutory /regulatory authorities including initiating actions for corrective measures, wherever found necessary.

We further report that during the audit period there were no specific events/actions having a major bearing on Company's affairs in pursuance of the above-referred laws, rules, regulations, guidelines, standards, etc., referred to above.

For S. N. ANANTHASUBRAMANIAN & CO.  
Company Secretaries  
Firm Registration No. P1991MH040400

S. N. Ananthasubramanian  
Partner  
C.P. No: 1774

Date : 21 February 2017  
Place : Thane



**Annexure VII****Extract of Annual Return as on the Financial Year ended on 31 December 2016**

*[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]*

**I. REGISTRATION AND OTHER DETAILS:**

i.	<b>CIN</b>	L23200MH1979PLC021359
ii.	<b>Registration Date</b>	31.05.1979
iii.	<b>Name of the Company</b>	Castrol India Limited
iv.	<b>Category / Sub-Category of the Company</b>	Public company/ Limited by shares
v.	<b>Address of the Registered Office and contact details</b>	Technopolis Knowledge Park, Mahakali Caves Road, Andheri (East), Mumbai-400 093. Tel: 022-66984100 Fax: 022-66984101
vi.	<b>Whether listed company</b>	Yes
vii.	<b>Name, Address and contact details of Registrar and Transfer Agent, if any</b>	M/s. TSR Darshaw Limited 6-10 Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalakshmi, Mumbai-400 011.

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

<b>Sr. No.</b>	<b>Name and Description of main products / services</b>	<b>NIC Code of the Product/ service</b>	<b>% to total turnover of the Company</b>
1.	<b>Coke and refined petroleum products</b>	19201	99.00%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:**

<b>Sr. No.</b>	<b>Name and Address of the Company</b>	<b>CIN/GLN</b>	<b>Holding/ Subsidiary/ Associate</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1.	Castrol Limited	Not Applicable	Holding	50.89	2(46)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoter</b>									
1) <i>Indian</i>									
a) Individual / HUF	0	0	0	0.00	0	0	0	0.00	0
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0
c) State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0
d) Bodies Corp	0	0	0	0.00	0	0	0	0.00	0
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0
f) Any Other	0	0	0	0.00	0	0	0	0.00	0
Sub-total (A)(1):									
2) <i>Foreign</i>									
a) NRIs – Individuals	0	0	0	0.00	0	0	0	0.00	0
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0
c) Bodies Corp.	35,12,91,716	0	35,12,91,716	71.03	25,22,26,208	0	25,22,26,208	51.00	(20.03)
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0
e) Any Other	0	0	0	0.00	0	0	0	0.00	0
Sub-total (A)(2):	35,12,91,716	0	35,12,91,716	71.03	25,22,26,208	0	25,22,26,208	51.00	(20.03)
Total shareholding of Promoter and Promoter Group (A)	35,12,91,716	0	35,12,91,716	71.03	25,22,26,208	0	25,22,26,208	51.00	(20.03)
<b>B. Public Shareholding</b>									
1. <i>Institutions</i>									
a) Mutual Funds	91,93,604	9,306	92,02,910	1.86	5,31,37,813	9,306	5,31,47,119	10.75	8.89
b) Banks / FI	10,80,276	18,258	10,98,534	0.22	17,47,893	18,258	17,66,151	0.36	0.13
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
f) Insurance Companies	2,72,64,374	0	2,72,64,374	5.51	3,73,03,326	0	3,73,03,326	7.54	2.03
g) FIs	2,44,14,720	2,480	2,44,17,200	4.94	1,75,40,494	2,480	1,75,42,974	3.55	(1.39)
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
i) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0
j) Foreign Portfolio Investor (Corporate)	66,21,402	0	66,21,402	1.34	4,08,96,558	0	4,08,96,558	8.27	6.93
k) Any others (specify)	0	0	0	0.00	0	0	0	0.00	0
Sub-total (B)(1)	6,85,74,376	30,044	6,86,04,420	13.87	15,06,26,084	30,044	15,06,56,128	30.46	16.59
2. <i>Non Institutions</i>									
a) Bodies Corp.									
(i) Indian	73,64,815	41,108	74,05,923	1.50	2,07,10,989	41,108	2,07,52,097	4.20	2.70
(ii) Overseas	0	4,000	4,000	0.00	0	4,000	4,000	0.00	0.00
b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	4,99,08,067	82,86,199	5,81,94,266	11.77	5,23,85,247	77,78,967	6,01,64,214	12.17	0.40
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	85,87,867	4,73,000	90,60,867	1.83	1,02,98,885	4,59,660	1,07,85,845	2.18	0.34
c) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0
d) Any others (Specify)	0	0	0	0.00	0	0	0	0.00	0
Sub-total (B)(2)	6,58,60,749	88,04,307	7,46,65,056	15.10	8,33,95,121	82,83,735	9,16,78,856	18.54	3.44
Total Public Shareholding (B)=(B)(1)+ (B)(2)	13,44,35,125	88,34,351	14,32,69,476	28.97	23,40,21,205	83,13,779	24,23,34,984	49.00	20.03
Total (A) + (B)	48,57,26,841	88,34,351	49,45,61,192	100.00	48,62,47,413	83,13,779	49,45,61,192	100.00	
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	48,57,26,841	88,34,351	49,45,61,192	100.00	48,62,47,413	83,13,779	49,45,61,192	100.00	

## ii. Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	Castrol Ltd.	35,07,49,820	70.92	0	25,16,84,312	50.89	0	(20.03)
2.	BP Mauritius Ltd.	5,41,896	0.11	0	5,41,896	0.11	0	0.00
	<b>Total</b>	<b>35,12,91,716</b>	<b>71.03</b>	<b>0</b>	<b>25,22,26,208</b>	<b>51.00</b>	<b>0</b>	<b>(20.03)</b>

## iii. Change in Promoters' Shareholding (please specify, if there is no change)

Name of Shareholder	Date	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Castrol Limited	31.12.2015	At the beginning of the year	35,07,49,820	70.92	35,07,49,820	70.92
	20.05.2016	Sold during the year	5,68,74,538	11.50	29,38,75,282	59.42
	23.09.2016	Sold during the year	4,21,90,970	8.53	25,16,84,312	50.89
	31.12.2016	At the end of the year	25,16,84,312	50.89	25,16,84,312	50.89

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on 31<sup>st</sup> December 2016:

Sr. No.	Name of Shareholders	Shareholding		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	<b>LIC of India Child Fortune Plus Balanced Fund</b>				
	At the beginning of the year	2,28,33,602	4.62	2,28,33,602	4.62
	Bought during the year	85,68,524	1.73	3,14,02,126	6.35
	Sold during the year	0	0	0	0
	At the end of the year	3,14,02,126	6.35	3,14,02,126	6.35
2.	<b>Aberdeen Global Indian Equity Limited</b>				
	At the beginning of the year	58,00,000	1.17	58,00,000	1.17
	Bought during the year	3,40,000	0.07	61,40,000	1.24
	Sold during the year	8,00,000	0.16	53,40,000	1.08
	At the end of the year	53,40,000	1.08	53,40,000	1.08
3.	<b>Aberdeen Global-Asian Smaller Companies Fund</b>				
	At the beginning of the year	30,84,004	0.62	30,84,004	0.62
	Bought during the year	6,00,000	0.12	36,84,004	0.74
	Sold during the year	4,65,000	0.09	32,19,004	0.65
	At the end of the year	32,19,004	0.65	32,19,004	0.65
4.	<b>ICICI Prudential Value Fund Series 1</b>				
	At the beginning of the year	16,40,031	0.33	16,40,031	0.33
	Bought during the year	2,10,12,666	4.25	2,26,52,697	4.58
	Sold during the year	79,39,384	1.61	1,47,13,313	2.97
	At the end of the year	1,47,13,313	2.97	1,47,13,313	2.97

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on 31 December 2016: (Contd.)

Sr. No.	Name of Shareholders	Shareholding		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
5.	<b>R Shares Junior Bees-Investment A/C</b>				
	At the beginning of the year	25,26,970	0.51	25,26,970	0.51
	Bought during the year	1,39,94,216	2.83	1,65,21,186	3.34
	Sold during the year	59,10,971	1.20	1,06,10,215	2.14
	At the end of the year	1,06,10,215	2.14	1,06,10,215	2.14
6.	<b>Birla Sun Life Trustee Company Private Limited Ac Birla Sun Life Balanced 95 Fund</b>				
	At the beginning of the year	2,79,600	0.06	2,79,600	0.06
	Bought during the year	95,95,070	1.94	98,74,670	2
	Sold during the year	25,02,263	0.51	73,72,407	1.49
	At the end of the year	73,72,407	1.49	73,72,407	1.49
7.	<b>Government of Singapore</b>				
	At the beginning of the year	15,60,906	0.32	15,60,906	0.32
	Bought during the year	42,53,737	0.86	58,14,643	1.18
	Sold during the year	0	0	0	0
	At the end of the year	58,14,643	1.18	58,14,643	1.18
8.	<b>IDFC Classic Equity Fund</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year	55,91,605	1.13	55,91,605	1.13
	Sold during the year	2,85,800	0.06	53,05,805	1.07
	At the end of the year	53,05,805	1.07	53,05,805	1.07
9.	<b>UTI-Unit Scheme for Charitable and Religious Trust and Registered Societies</b>				
	At the beginning of the year	5,65,064	0.11	5,65,064	0.11
	Bought during the year	40,22,126	0.81	45,87,190	0.92
	Sold during the year	0	0	0	0
	At the end of the year	45,87,190	0.92	45,87,190	0.92
10.	<b>Morgan Stanley Mauritius Company Limited</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year	51,58,922	1.04	51,58,922	1.04
	Sold during the year	11,74,299	0.24	39,84,623	0.81
	At the end of the year	39,84,623	0.81	39,84,623	0.81

Note: The above information is based on the weekly beneficiary position received from Depositories.

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name of the Directors / KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	<b>Susim Mukul Datta</b>				
	At the beginning of the year	28,236*	0.00	28,236	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	28,236	0.00	28,236	0.00

Sr. No.	Name of the Directors / KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
2.	<b>Uday Chander Khanna</b>				
	At the beginning of the year	800	0.00	800	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	800	0.00	800	0.00
3.	<b>R Gopalakrishnan</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
4.	<b>Sashi Mukundan</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
5.	<b>Peter Weidner</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
6.	<b>Rashmi Joshi</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
7.	<b>Jayanta Chatterjee</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
8.	<b>Omer Dormen</b>				
	At the beginning of the year	0	0.00	0	0.00
	Bought during the year	0	0.00	0	0.00
	Sold during the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00

\*Mr. Datta hold 5,000 shares in individual capacity and holds 23,236 shares jointly with his relatives.

## V. INDEBTEDNESS

The Company had no indebtedness with respect to Secured or Unsecured Loans or Deposits as on 31 December 2016.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total
		Ms. Rashmi Joshi	Mr. Omer Dormen	Mr. Jayanta Chatterjee	
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,34,10,426	4,94,79,537	1,43,09,767	7,71,99,730
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	13,08,153	95,01,883	11,77,034	1,19,87,070
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	10,08,882	16,71,883	13,83,645	40,64,410
2.	Stock Option	0	0	0	0
3.	Sweat Equity	0	0	0	0
4.	Commission – as % of profit – others, specify	0	0	0	0
5.	Others, please specify	0	0	0	0
	Total (A)	1,57,27,461	6,06,53,303	1,68,70,446	9,32,51,210
	Ceiling as per the Act	INR 1,05,62,20,000 (Being 10% of Net Profit of the Company calculated as per Section 198 of the Companies Act, 2013)			

### B. Remuneration to other Directors

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total
		Mr. S.M. Datta	Mr. R. Gopalakrisnan	Mr. Uday Khanna	
1.	Independent Directors				
	• Fee for attending board committee meetings	8,00,000	7,00,000	5,00,000	20,00,000
	• Commission	10,00,000	8,00,000	8,00,000	26,00,000
	• Others, please specify	0	0	0	0
	Total (1)	18,00,000	15,00,000	13,00,000	46,00,000
2.	Other Non-Executive Directors				
	• Fee for attending board committee meetings	0	0	0	0
	• Commission	0	0	0	0
	• Others, please specify	0	0	0	0
	Total (2)	0	0	0	0
	Total (B)=(1+2)	18,00,000	15,00,000	13,00,000	46,00,000
	Total Managerial Remuneration Total (A) + (B)				9,78,51,210
	Ceiling as per the Act	INR 10,56,22,000 (Being 1% of Net Profit of the Company calculated as per Section 198 of the Companies Act, 2013)			
	Overall Ceiling as per the Act	INR 1,16,18,42,000 (Being 11% of Net Profit of the Company calculated as per Section 198 of the Companies Act, 2013)			

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD – No KMP during the year other than MD/Manager/WTD

(Amount in Rs.)

Sl. No.	Particulars of Remuneration	Mr. Sandeep Deshmukh Company Secretary (Key Managerial Personnel)
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	20,54,087
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	85,401
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	86,759
2.	Stock Option	0
3.	Sweat Equity	0
4.	Commission	0
5.	Others, please specify	0
	Total	22,26,248

**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:**

There were no penalties / punishment / compounding of offences for breach of any section of Companies Act, 2013 against the Company or its Directors or other officers in default, during the year.

On behalf of the Board of Directors

Omer Dornen  
Managing Director  
DIN: 07282001

Rashmi Joshi  
Director Finance &  
Chief Financial Officer  
DIN: 06641898

Place : Mumbai  
Date : 21 February 2017

**Annexure VIII**

**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12)  
OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES  
(APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

- (i) **Ratio of the remuneration of each Director to the median remuneration of employees of the Company for the financial year 2016, the percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer and other Executive Directors and Company Secretary during the financial year 2016:**

Sr. No.	Name of Director/KMP	Designation	Remuneration of Director/KMP for FY 2016 (Rs. in Crores)	% increase in Remuneration in the Financial Year 2016	Ratio of remuneration of each Director/KMP to median remuneration of employees
1.	Mr. Omer Dormen**	Managing Director	6.065	17%	38.91
2.	Ms. Rashmi Joshi**	Director – Finance & Chief Financial Officer	1.521	6%	9.75
3.	Mr. Jayanta Chatterjee	Director – Supply Chain	1.605	12%	10.3
4.	Mr. S. M. Datta*	Independent Director	—	—	—
5.	Mr. Uday Khanna*	Independent Director	—	—	—
6.	Mr. R. Gopalakrishnan*	Independent Director	—	—	—
7.	Mr. Sashi Mukundan	Non-Executive Director	—	—	—
8.	Mr. Ralph Hewins	Non-Executive Director	—	—	—
9.	Mr. Peter Weidner	Non-Executive Director	—	—	—
10.	Mr. Sandeep Deshmukh**	Company Secretary	0.223	—***	—***

\* The Non-Executive Independent Directors of the Company are entitled to sitting fee and commission as per the statutory provisions and within the limits approved by the shareholders. The details of remuneration of Non-Executive Independent Directors are provided in the Corporate Governance Report.

\*\* Key Managerial Personnel (KMP).

\*\*\* Mr. Sandeep Deshmukh was Company Secretary and KMP upto 14 March 2016.

**(ii) Other details:**

Permanent employees on the rolls of Company as on 31 December 2016	711
% increase in the median remuneration of employees* in the financial year	12%

\* excluding Managing Director and Wholetime Directors.

- (iii) The average percentage increase made in the salaries of employees (other than the managerial personnel) was 12% while increase in the remuneration of managerial personnel was 19%. The increases in salary during the year are based on the remuneration policy/reward philosophy of the Company and are based on annual appraisals of employees.
- (iv) The remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees as recommended by the Nomination and Remuneration Committee and approved by the Board from time to time.

On behalf of the Board of Directors

Omer Dormen  
Managing Director  
DIN: 07282001

Rashmi Joshi  
Director Finance &  
Chief Financial Officer  
DIN: 06641898

Place : Mumbai  
Date : 21 February 2017



## REPORT ON CORPORATE GOVERNANCE

*[Pursuant to Part C of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015].*

### 1. Brief Statement on 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 optimize shareholder returns, governance processes and an entrepreneurial, performance focused, conducive work environment.

The values of the Company i.e. Safety, Respect, Excellence, Courage and One Team in its ways of working, are fundamental drivers of sustainable business performance.

The Board is collectively responsible to ensure that Corporate Governance processes are structured to direct the Company's actions and agents to achieve this purpose, while complying with the Code of Governance. The Company's policies cover aspects such as ethical conduct, care for health, safety and environment; control and finance; commitment to employees and relationships as rooted in the Company's Governance Principles. Key aspects of the Company's Governance processes are:

- Clear statements of Board processes and the Board's relationship with the Management;
- A framework of prudent and effective controls which enable risks to be assessed and mitigated;
- Set the Company's values and standards and ensure that obligations to shareholders and other stakeholders are understood and fulfilled. The Board recognises that in conducting its business, the Company should be responsive to other relevant stakeholders.

- 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

#### Composition and Category

The Board of Directors of the Company comprises of an optimum combination of Executive and Non-Executive Directors, which is in conformity with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015"). As of the year ended 31 December 2016, the Board consisted of eight (8) Directors comprising of three (3) Executive Directors, two (2) Non-Executive Directors nominated by Castrol Limited, UK as provided under the Articles of Association of the Company and three (3) Independent Directors. The Chairman of the Board is a Non-Executive, Independent Director. None of the Directors of the Company is related to each other.

During the year, Mr. Ralph Hewins ceased to be a Nominee Director of the Company with effect from 31 August 2016.

#### Appointment and Tenure

The Directors of the Company are appointed by Members at the General Meetings and two-third Directors (other than Independent Directors) retire by rotation pursuant to the provisions of the Companies Act, 2013. The Executive Directors serve in accordance with the terms of their contract of service with the Company.

#### Board Independence

Based on the confirmation/disclosures received from the Directors and on evaluation of the relationships disclosed, all the Non-Executive, Independent Directors including the Chairman are independent in terms of Listing Regulations, 2015.

The composition of the Board, Directorships/Committee membership positions in other companies as on 31 December 2016, number of meetings held and attended during the year are as follows:

Name of Director	Designation	Board Meetings during the year		Attendance at last AGM	Other Directorships (including Castrol India Limited)****	Memberships of Board Committees of other Companies*****	
		Held	Attended			Member	Chairman
Mr. S. M. Datta*	Chairman	5	5	Yes	12	7	1
Mr. R. Gopalakrishnan*	Non-Executive Director	5	4	No	5	1	0
Mr. Uday Khanna*	Non-Executive Director	5	5	Yes	7	4	2
Mr. Sashi Mukundan**	Non-Executive Director	5	5	Yes	2	None	None
Mr. Ralph Hewins***	Non-Executive Director	3***	3	Yes	1	None	None
Mr. Peter Weidner**	Non-Executive Director	5	3	No	1	None	None
Mr. Omer Dormen	Managing Director	5	5	Yes	1	None	None
Ms. Rashmi Joshi	Whole-time Director	5	5	Yes	2	None	1
Mr. Jayanta Chatterjee	Whole-time Director	5	5	Yes	1	None	None

\* Independent Directors

\*\* Nominee Directors

\*\*\* Ceased to be a Nominee Director w.e.f. 31 August 2016.

\*\*\*\* Other Directorships exclude Directorships in Foreign Companies.

\*\*\*\*\* Other Board Committees' Memberships include memberships of Audit Committees and Stakeholders' Relationship Committees of Public Limited Companies only.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees across all companies in which they are Directors.

During the financial year, total five (5) Board Meetings were held i.e. on 24 February 2016, 5 May 2016, 27 July 2016, 27 October 2016 and 16 December 2016 respectively.

Mr. S. M. Datta (in individual capacity and as a joint holder) holds 28,236 shares, while Mr. Uday Khanna holds 800 shares of the Company. No other Non-Executive Director holds any shares in the Company. The Company has not issued any convertible securities.

### Board Meeting Processes

The notice of Board Meeting is given well in advance to all Directors. Usually, meetings of the Board are held in Mumbai. The Agenda and Pre-reads are circulated well in advance before each meeting, to all Directors, for facilitating effective discussion and decision making. Considerable time is spent by the Directors on discussions and deliberations at the Board Meetings.

The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Company Secretary is also responsible for preparation of the Agenda and convening of the Board and Committee meetings. The Company Secretary/ Compliance Officer attends all meetings of the Board and its Committees, advises/assures the Board on compliance and governance principles and ensures appropriate recording of minutes of the meetings.

During the year, the Independent Directors of the Company met separately on 14 November 2016 without the presence of other Directors or Management representatives, to review the performance of Non-Independent Directors, the Board and the Chairman of the Company and to assess the quality, quantity and timeliness of flow of information between the Management and the Board. All the Independent Directors attended the meeting.

In addition to the formal meetings, interactions outside the Board Meetings also take place between the Chairman and the Independent Directors.

### Directors' Induction and Familiarization

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize themselves with the Company's procedures and practices. Periodic presentations are made at the Board and the Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

Independent Directors and Executive Directors are issued Letters of Appointment setting out in detail, the terms of appointment, duties, responsibilities and expected time commitments. The induction process for Non-Executive, Independent Directors includes interactive sessions with the Management, Business and Functional Heads, visits to markets/plants, etc.

The Independent Directors, from time to time, request the Management to provide detailed understanding of any specific project, activity or process of the Company. The Management provides such information and training either at the meeting of Board of Directors or otherwise.

Web link giving the details of familiarization programme imparted to the Independent Directors — [http://www.castrol.com/en\\_in/india/about-us/financials/otherfinancials-document-policies.html](http://www.castrol.com/en_in/india/about-us/financials/otherfinancials-document-policies.html)

### Board Evaluation

The Nomination and Remuneration Committee has specified the criteria for performance evaluation of the Directors, the Board and its Committees. The Board is committed to evaluating its own performance as a Board and evaluating performance of individual Directors, in order to identify strengths and areas in which it may improve functioning. Further, overall effectiveness of the Board is measured to decide the appointments and re-appointments of Directors. The details of annual Board Evaluation process for Directors have been provided in the Board's Report.

Following are the major criteria applied for performance evaluation —

1. Attendance and contribution at Board and Committee Meetings and application of his/her expertise, leadership qualities and knowledge to give overall strategic direction for enhancing the shareholders' value.
2. His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
3. His/her ability to monitor the performance of the Management and satisfy himself/herself with integrity of the financial controls and systems in place, etc.
4. Independent Directors' performance is evaluated also based on his/her help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct and his/her ability to bring an objective view in the evaluation of the performance of the Board and the Management.

### Directors seeking appointment/re-appointment

#### Mr. Omer Dormen

Mr. Omer Dormen was appointed as Managing Director of the Company with effect from 12 October 2015.

Mr. Omer Dormen has over 30 years of experience in business management. Omer studied Business at North London University and following his graduation in 1985 joined Turkp petrol in Turkey and worked in various sales and marketing roles with a range of responsibilities for lubricants, fuels and LPG businesses. In 1991 he became the Sales and Marketing Director of the Joint Venture of Castrol and Turkp petrol before becoming the Chief Executive of the newly established Castrol Company in Turkey and was responsible for setting up the business. Following BP's acquisition of Castrol, he became the Performance Unit Leader for Turkey and managed the integration of the two businesses. In 2004, he was appointed as the BP Sales Director in Middle East Region, and was responsible for setting up the businesses in Pakistan and Saudi Arabia. Between 2011 and 2015 he served as the Castrol Cluster Director for Russia, Turkey, Central Asia and Nordics region.

Mr. Omer Dormen is a member of Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee of the Company.

Mr. Omer Dormen retires by rotation and, being eligible, offers himself for re-appointment at the forthcoming Annual General Meeting.

**Ms. Rashmi Joshi**

Ms. Rashmi Joshi was appointed as Director Finance (Chief Financial Officer) w.e.f. 1 August 2013.

Ms. Rashmi Joshi is a qualified Chartered Accountant and Company Secretary. She has more than 25 years of experience in finance function working for FMCG, Pharmaceutical, Consumer durable and Lubricants business.

At Castrol India she is *inter alia* responsible for leading India finance team, transformation of finance processes, business partnering by actively contributing in delivery of plans, improving key performance ratios, shaping country strategy for India and South Asia, Risk management & Investor relations.

Prior to the current role, she was based in Singapore for 4 years as Asia & Pacific Planning & Performance Manager for Asia & Pacific operating unit of Lubricants business. In that role she was responsible for leading the financial planning and performance management process for the Lubricants business in the Asia & Pacific region consisting of 17 countries, influencing the regional leadership team to intervene to ensure delivery of financial plans and strategy, region-wide business process change management, working capital improvements and MI simplification.

She also led finance teams for a cluster of 5 countries covering Middle East, Saudi Arabia, Pakistan, Korea and Taiwan. While in Singapore she served as a Non-Executive Director on the Board of Castrol Philippines.

Ms. Rashmi Joshi is a member of the Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee of the Company.

Ms. Rashmi Joshi retires by rotation and, being eligible, offers herself for re-appointment at the forthcoming Annual General Meeting.

**3. Committees of the Board**

The Board Committees are set up to carry out clearly defined roles which are considered to be performed by members of the Board, as a part of good governance practice. Minutes of proceedings of Committee meetings are circulated to the Directors and placed before Board

Meetings for noting. The Board has currently established the following Committees:

**(A) Audit Committee**

The members of the Audit Committee have wide exposure and knowledge in areas of finance and accounting. The terms of reference of the Audit Committee have been drawn up in line with Regulation 18 of Listing Regulations, 2015 and Section 177 of the Companies Act, 2013. The Audit Committee, *inter alia*, provides reassurance to the Board on the existence of an effective internal controls environment.

The terms of reference of the Committee are briefly described below:

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- 2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- 3) Reviewing and monitoring the auditor's independence and performance;
- 4) Recommending to the Board, the appointment and remuneration of cost auditor;
- 5) Approval of payment to statutory auditor for any other services rendered by the statutory auditor;
- 6) Reviewing, with the Management, the annual financial statement and quarterly financial statements;
- 7) Reviewing with the Management, performance of internal auditor and adequacy of the internal control systems;
- 8) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and frequency of internal audit;
- 9) Discussing with internal auditor any significant findings and follow-up thereon;
- 10) Reviewing the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

- 11) Discussion with statutory auditor before the audit commences;
- 12) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- 13) To review the functioning of the Whistle Blower mechanism;
- 14) Approval or any subsequent modification of transactions of the Company with related parties;
- 15) To evaluate internal financial controls and risk managements systems;
- 16) Approval of appointment of Chief Financial Officer (CFO).

The Audit Committee comprises of three (3) Independent Directors viz. Mr. S. M. Datta, Mr. R. Gopalakrishnan, Mr. Uday Khanna as Members of the Committee. Mr. Uday Khanna is the Chairman of the Committee.

Meetings of Audit Committee are also attended by the Managing Director, the CFO, the Statutory Auditors and the Internal Auditors as permanent invitees. The Cost Auditors attend the Audit Committee Meeting where cost audit reports are discussed. The Company Secretary 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. During the period of vacancy, the Company had engaged a Company Secretary in practice to assist to the Audit Committee.

Four (4) Audit Committee meetings were held during the financial year ended 31 December 2016 on 24 February 2016, 5 May 2016, 27 July 2016 and 27 October 2016. 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	3
Mr. Ralph Hewins*	Member	3	3

\* Mr. Ralph Hewins resigned as Nominee Director w.e.f. 31 August 2016.

## (B) Nomination and Remuneration Committee

In terms of Section 178(1) of the Companies Act, 2013 and Regulation 19 of Listing Regulations, 2015, the Nomination and Remuneration Committee ("NRC") has been constituted.

Role (in brief) of the Nomination and Remuneration Committee is as follows:

- 1) Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment/removal.
- 2) Carry out evaluation of every Director's performance.
- 3) Devising a policy on Board diversity.
- 4) Formulate criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

As on 31 December 2016, the NRC comprises of the following members viz. Mr. R. Gopalakrishnan, Independent Director, Mr. S. M. Datta, Independent Director and Mr. Peter Weidner, Non-Executive Director. The NRC is chaired by Mr. R. Gopalakrishnan. Mr. Ralph Hewins ceased to be member of the Committee w.e.f. 31 August 2016.

The Company has adopted a Nomination and Remuneration Policy. The Nomination and Remuneration Policy is in compliance with all applicable provisions of the Companies Act, 2013, particularly Section 178 read together with the applicable rules thereto and Regulation 19(4) of Listing Regulations, 2015. The Policy is designed to attract and retain best talent, who has the potential to drive growth and enhance shareholder value, it is essential to adopt comprehensive compensation policy which is in synchronisation with the industry trends. The Nomination and Remuneration Policy is annexed to the Board's Report.

The Company has also adopted a Board Diversity Policy which is based on the principle that the Company's Board of Directors should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business. The Company recognizes that

a Board composed of appropriately qualified people with a broad spectrum of experience relevant to the business is important for effective corporate governance and sustained commercial success of the Company. The Company aims to achieve a sustainable and balanced development by building a diverse and inclusive culture. The Board Diversity Policy is annexed to the Board's Report.

Two (2) Committee meetings were held during the year ended 31 December 2016 on 24 February 2016 and 27 October 2016. The Chairman of the Committee authorized Mr. Ralph Hewins, member of the Committee to attend the Annual General Meeting for the year ended 31 December 2015.

The attendance of each member of the Committee is given below:

Name of Director	Designation	No. of Meetings held	No. of Meetings attended
Mr. R. Gopalakrishnan	Chairman	2	2
Mr. S. M. Datta	Member	2	2
Mr. Ralph Hewins*	Member	1	1
Mr. Peter Weidner	Member	2	2

\* Mr. Ralph Hewins resigned as Nominee Director w.e.f. 31 August 2016.

### Remuneration of Directors

#### (a) Pecuniary Relationship of Non-Executive Directors

The Company has no pecuniary relationship or transaction with its Non-Executive and Independent Directors other than payment of sitting fees to them for attending Board and Committee meetings and Commission as approved by Members for their invaluable services to the Company.

#### (b) Details of Remuneration paid to Directors

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 sitting fees and Commission as determined by the Board from time to time. Other Non-Executive Directors do not receive any remuneration including sitting fees. Sitting fees to the Independent Directors are being paid as permissible

under Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Criteria of making payments to the Non-Executive Directors is disclosed in a Policy and the same is available on [http://www.castrol.com/en\\_in/india/about-us/financials/other/financial-documents-policies.html](http://www.castrol.com/en_in/india/about-us/financials/other/financial-documents-policies.html) Details of remuneration of Executive Directors for the financial year ended 31 December 2016 is as under:

(Amount in Rs.)

Name of Director	Salary	Perquisites	Retiral Benefits*	Performance based incentives**	Total
Ms. Rashmi Joshi	1,03,51,513	13,08,153	10,08,882	30,58,913	1,57,27,461
Mr. Jayanta Chatterjee	1,06,72,676	11,77,034	13,83,645	36,37,091	1,68,70,446
Mr. Omer Dornen	4,44,89,911	95,01,883	16,71,883	49,89,626	6,06,53,303

\* Retiral benefits consist of Provident Fund, Gratuity and Pension.

\*\* Performance based incentive for the year 2015 paid in the year 2016.

- The key parameters for the performance based pay/variable component of remuneration availed by the Directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee. Variable pay/Performance Linked Bonus (PLB) is dependent on short-term performance against the annual plan. Total overall Bonus is based on performance relative to measure and targets reflected in the annual plan which in turn reflects Company's strategy.
- The agreement with each Whole-time Director and the Managing Director is made for a period of 5 and 3 years respectively. 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.
- The appointment of Executive Directors, Key Managerial Personnel, the Management and other employees is by virtue of their employment with the Company and therefore, their terms of employment vis-à-vis salary, variable pay, service contract, notice period and severance fee, if any, are governed by the applicable policies of the Company at the relevant point in time.
- Presently, the Company does not have a scheme for grant of stock options to its employees. However,

the management staff is entitled to the Shares of BP PLC (Ultimate Holding Company) under the 'BP Share-Match Scheme' as in force.

Details of remuneration of Non-Executive Directors for the financial year ended 31 December 2016:

(Amount in Rs.)

Name of Director	Commission	Sitting Fees	Total
Mr. S. M. Datta	10,00,000	8,00,000	18,00,000
Mr. R. Gopalakrishnan	8,00,000	7,00,000	15,00,000
Mr. Uday Khanna	8,00,000	5,00,000	13,00,000

### (C) Stakeholders' Relationship Committee

Stakeholders' Relationship Committee has been constituted to monitor and review investors' grievances. It comprises of Mr. S. M. Datta, Mr. Omer Dormen and Ms. Rashmi Joshi. Mr. S.M. Datta is the Chairman of the Committee. Mr. Siddharth Shetty, Managing Counsel, was the Compliance Officer, upto 11 January 2017, for redressal of Shareholder's/Investor's complaints. Ms. Chandana Dhar, Company Secretary, has been appointed the Compliance Officer w.e.f. 12 January 2017.

Four (4) Committee Meetings were held during the year ended 31 December 2016 on 24 February 2016, 5 May 2016, 27 July 2016 and 27 October 2016 and all members attended the Meetings.

### Details of Shareholders' / Investors' Complaints

During the financial year ended 31 December 2016, eight (8) complaints were received from the shareholders. All complaints have been addressed during the year and two (2) of them were pending as on 31 December 2016. The complaints relate to non-receipt of annual report, dividend, share transfers, etc.

Opening as on 1 January 2016	3
Received during the year	8
Disposed of during the year	9
Closing as on 31 December 2016	2

### (D) Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee comprises of Mr. R. Gopalakrishnan as Chairman, Mr. Sashi Mukundan, Mr. Omer Dormen, Ms. Rashmi

Joshi and Mr. Jayanta Chatterjee as members. The Company Secretary acts as the Secretary to the Committee.

Four (4) meetings of the Committee were held during the year ended 31 December 2016 on 24 February 2016, 27 July 2016, 6 September, 2016 and 16 December 2016.

The details of attendance of each member of the Committee are as follows:

Name of Director	Designation	No. of Meetings held	No. of Meetings attended
Mr. R. Gopalakrishnan	Chairman	4	4
Mr. Sashi Mukundan	Member	4	4
Ms. Rashmi Joshi	Member	4	4
Mr. Jayanta Chatterjee	Member	4	4
Mr. Omer Dormen	Member	4	4

Please refer to the Board's Report and its annexures for details regarding CSR activities carried out by the Company during the year ended 31 December 2016.

### (E) Risk Management Committee

The Risk Management Committee comprises of Mr. Omer Dormen, as the Chairman of the Committee and other members viz. Ms. Rashmi Joshi, Director, Mr. Jayanta Chatterjee, Director, Mr. Pawan Sabharwal and Mr. Siddharth Shetty. The Company Secretary acts as the Secretary to the Committee.

Four (4) meetings of the Committee were held during the year ended 31 December 2016 on 15 February 2016, 27 April 2016, 15 July 2016 and 19 October 2016.

### Internal Controls and Risk Management

The Company has laid down internal financial controls framework through a combination of Entity level controls, Process level controls and IT General controls, *inter-alia*, to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information,

safeguarding of assets, prevention and detection of frauds and errors.

The evaluation of these internal financial controls was done through the internal audit process, established within the Company and also through appointing professional firm to carry out such tests by way of systematic annual internal audit program. Based on the review of these reported evaluations, the Directors confirm that, for the preparation of financial accounts for the year ended 31 December 2016, the applicable Accounting Standards have been followed and the design of the internal financial controls were found to be adequate and that no significant deficiencies were noticed.

During the year, on the recommendation of the Audit Committee, the Board of Directors appointed KPMG as the Internal Auditor of the Company.

#### 4. Affirmation and Disclosure

- There were no materially financial or commercial transaction, between the Company and members of the Management that may have a potential conflict with the interest of the Company at large.
- All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board and the interested Directors neither participate in the discussion nor vote on such matters.

#### Code of Conduct

The Company's Code of Conduct (CoC) is based on its values and clarifies the principles and expectations for everyone who works at Castrol. It applies to all Castrol employees, officers and members of the Board. The Code of Conduct is available on the website of the Company [http://www.castrol.com/en\\_in/india/financials.html](http://www.castrol.com/en_in/india/financials.html). The Board of Directors is responsible for ensuring that rules are in place to avoid conflict of interest by the Board members and the Management. The Board has adopted the Code of Conduct for the members of the Board and Senior Management Team. The Code provides that the Directors are required to avoid any interest in contracts entered into by the Company. If such an interest exists, they are required to make adequate disclosures to the Board and to abstain from discussion, voting or otherwise influencing the decision on any matter in which the

concerned Director has or may have such interest. The members of the Board and the Management annually confirm the compliance of the Code of Conduct to the Board. The Code of Conduct for the members of the Board and Senior Management Team is in addition to the Code of Conduct of the Company. A copy of the said Code of Conduct is available on the website of the Company at [http://www.castrol.com/content/dam/castrolcountry/en\\_in/About%20Us/Financials/COC-BOARD-SR-MGT.pdf](http://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/COC-BOARD-SR-MGT.pdf)

#### 5. General Body Meetings

##### Location and time of the last three AGMs of the Company

Location	Date	Time	Special Resolution
	5 May 2016		Appointments of Mr. Omer Dorman as Managing Director and Mr. Ravi Kirpalani as a whole time Director Alteration of Articles of Association
Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020	14 May 2015	3.30 p.m.	Remuneration to Non-Executive Directors in aggregate not exceeding 1% of the Net Profit
	13 May 2014		Appointments of Mr. Ravi Kirpalani as the Managing Director and Ms. Rashmi Joshi as a Whole-time Director of the Company

During the financial year ended 31 December 2016 no resolutions were passed through postal ballot. There is no proposal to conduct any business through Postal Ballot.

#### (6) Means of Communication with Shareholders

The Company regularly interacts with shareholders through multiple channels of communication such as results' announcements, annual report, media releases, Company's website and subject specific communications.

The quarterly, half yearly and annual results of the Company's performance are published in leading newspapers such as Business Standard and Sakal.



These aforesaid results are also made available on the website of the Company [http://www.castrol.com/en\\_in/india/about-us/financials/financial-results.html](http://www.castrol.com/en_in/india/about-us/financials/financial-results.html). The website also displays vital information relating to the Company and its performance and official press releases.

The Quarterly Results, Shareholding Pattern and all other corporate communication to the Stock Exchanges are filed through NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre, for dissemination on their respective websites.

Presentations, if any, referred to during analysts and institutional investors' meets / calls are displayed on the Company's website [www.castrol.co.in](http://www.castrol.co.in)

## 7. General Shareholder Information

### Thirty-Ninth (39<sup>th</sup>) Annual General Meeting

Date : 31 May 2017

Time : 3.30 p.m.

Venue : Pama Thadhani Auditorium,  
Jai Hind College, 'A' Road, Churchgate,  
Mumbai- 400 020.

### Book Closure Dates

**24 May 2017 to 31 May 2017** (both days inclusive).  
The said book closure is for payment of Final Dividend for the year ended 31 December 2016.

### Financial Year

#### (Calendar Year) 1 January to 31 December

(The Company has obtained approval from the Company Law Board vide order No. 19 dated 23 April 2015 to follow different financial year i.e. other than April to March financial year)

### Tentative calendar of Board Meetings for financial year ending 31 December 2017

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the financial year ending 31 December 2017 are as follows:

First Quarter Results	May 2017
Second Quarter and Half Yearly Result	August 2017
Third Quarter Results	November 2017
Fourth Quarter and Annual Results	February 2018

### Dividend Payment Date

The Board of Directors at its meeting held on 21 February 2017, recommended a Final Dividend of Rs. 4.5/- per equity share of face value of Rs. 5/- each, for the year ended 31 December 2016. Together with the Interim Dividend of Rs. 4.5/- per equity share paid on 18 August 2016 and a Special Dividend of Rs. 2/- per equity share to be paid on or before 23 March 2017, the total dividend for the year works out to Rs. 11/- per equity share of face value of Rs. 5/- each. Final Dividend, if approved by Members, will be paid on or before 30 June 2017.

### Due Dates for Transfer of Unclaimed Dividend to the Investor Education and Protection Fund (IEPF)

Year	Dividend	Date of Declaration	Due for transfer to IEPF
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
2013	Final	13.05.2014	15.06.2021
2014	Interim	31.07.2014	02.09.2021
2014	Final	14.05.2015	16.06.2022
2015	Interim	29.07.2015	30.08.2022
2015	Final	05.05.2016	09.06.2023
2016	Interim	27.07.2016	29.08.2023

### Listing on Stock Exchanges — Equity Shares

BSE Limited (BSE)  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited (NSE)  
“Exchange Plaza”,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai 400 051.

### Payment of Listing Fees

Annual listing fees for the year 2016-17 has been paid by the Company to BSE and NSE.

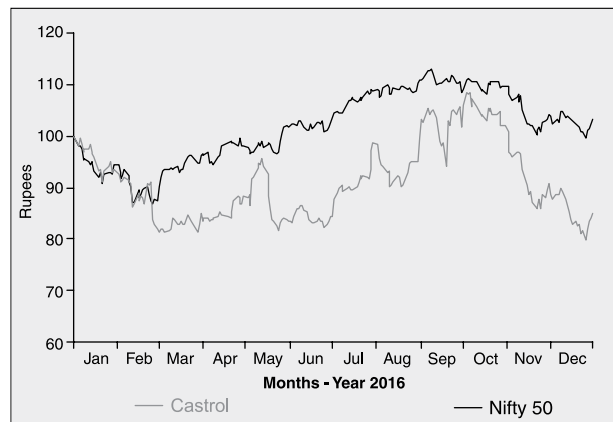
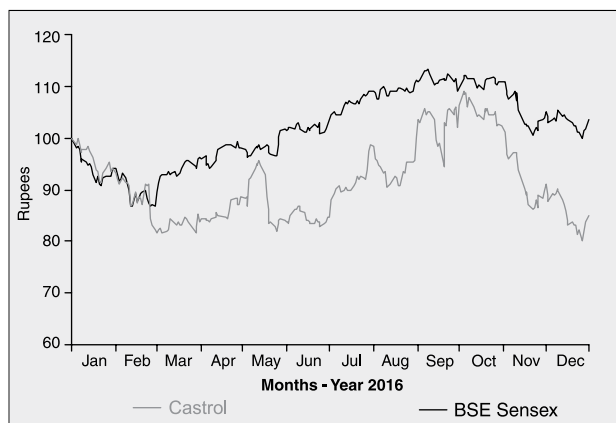
**Stock Code**

BSE Limited	500870
National Stock Exchange of India Limited	CASTROLIND
ISIN	INE172A01027

**Market Price Data**

Monthly high and low quotation of the equity shares of the Company traded on the BSE and the NSE during the year ended 31 December 2016.

MONTHS	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January 2016	454.00	402.70	450.70	402.00
February 2016	423.95	362.30	423.45	362.70
March 2016	387.05	360.10	387.40	360.85
April 2016	400.90	373.00	400.90	373.00
May 2016	432.65	363.75	432.70	363.70
June 2016	391.50	361.60	391.50	361.35
July 2016	453.40	379.35	453.90	379.00
August 2016	451.25	390.10	451.30	396.40
September 2016	483.50	420.50	485.90	420.05
October 2016	495.00	443.85	495.30	443.25
November 2016	459.50	382.55	460.85	382.05
December 2016	408.95	354.00	408.95	353.20

**Stock Performance in comparison to the BSE Sensex and NSE Nifty 50**

**The Registrar and Share Transfer Agents of the Company is TSR Darashaw Limited.**

**Address for Correspondence  
(Registrar and Share Transfer Agent)**

**TSR Darashaw 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](mailto:csg-unit@tsrdarashaw.com)

**Share Transfer System**

All Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents as per the Listing Regulations, 2015. Request for transfer and transmissions are approved by the Share Transfer Agent under the authority granted by the Board. Shares under objection are returned within two weeks.

All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories i.e. the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CDSL) within 15 days.

### Distribution of shareholding by size class as on 31 December 2016

No. of Shares held	No. of shares	No. of shareholders	% of shareholders
Upto 500	107,71,797	92,462	81.14
501-1000	63,21,546	8,390	7.36
1001-2000	78,73,039	5,312	4.66
2001-3000	52,60,866	2,124	1.86
3001-4000	47,63,933	1,334	1.17
4001-5000	38,72,399	849	0.75
5001-10000	1,44,67,480	2,081	1.83
10001 and above	44,12,30,132	1,398	1.23
<b>Total</b>	<b>49,45,61,192</b>	<b>1,13,950</b>	<b>100.00</b>

### Distribution of shareholding by ownership as on 31 December 2016

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	25,16,84,312	50.89
iii	Foreign Institutional Investors	172	5,84,39,532	11.82
iv	Overseas Bodies Corporate	2	4,000	0.00
v	Non-Resident Individuals	2,188	20,73,762	0.42
vi	Public Financial Institutions	19	3,73,07,298	7.54
vii	Indian Mutual Funds	163	5,31,43,147	10.75
viii (a)	Nationalised Banks	27	13,32,275	0.27
(b)	Other Banks	50	4,33,876	0.09
ix	Domestic Companies	1,949	20,752,097	4.20
x	Resident Individuals	1,09,375	6,88,19,961	13.91
xi	Directors and Relatives	3	29,036	0.00
<b>Total</b>		<b>1,13,950</b>	<b>49,45,61,192</b>	<b>100.00</b>

As on 31 December 2016, about 98.32% of the Paid-up Share Capital of the Company has been dematerialised. Trading in Equity Shares of the Company is permitted only in dematerialised form. Promoter's holding is held in dematerialised form.

### 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.

### Plant Locations

The Company's plants are located at Patalganga in Maharashtra; Paharpur in West Bengal and Silvassa (Union Territory).

### Address for Correspondence (other than queries relating to shares)

Castrol India Limited  
Technopolis Knowledge Park,  
Mahakali Caves Road, Andheri (East),  
Mumbai 400 093.

### Commodity price risks / Foreign exchange risk and hedging activities

The Company is subject to commodity price risks due to fluctuation in prices of base oil. The Company's payables and receivables are in foreign currencies and due to fluctuations in foreign exchange prices, it is subject to foreign exchange risks. The Company has in place a robust risk management framework for identification and monitoring and mitigation of commodity price and foreign exchange risks.

### 8. Other Disclosures

#### (a) Disclosures on materially significant related party transactions having potential conflict with the interests of the Company at large

In line with the requirements of the applicable statutory requirements, the Company has formulated a Policy on Related Party Transactions which is also available on Company's website at [http://www.castrol.com/en\\_in/india/about-us/financials/other-financial-documents-policies.html](http://www.castrol.com/en_in/india/about-us/financials/other-financial-documents-policies.html). The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. There were no related party transactions that may have potential conflict with the interest of the Company at large.

**(b) Disclosure of pending cases / instances of non-compliance**

The Company has filed an application under Section 441 of the Companies Act, 2013 for compounding the contravention under Section 203 of the Companies Act, 2013.

There were no instances of penalties and strictures imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to the capital market during the last three years.

**(c) Whistle Blower Policy/Vigil Mechanism**

The Company has a robust whistle-blower mechanism called "Open Talk". The employees are encouraged to raise any of their concerns by way of whistle-blowing and all employees have been given access to the Audit Committee Chairman through a dedicated e-mail address. No employee has been denied access to the Audit Committee pertaining to the Whistle Blower Policy.

**(d)** The Company has complied with all mandatory items of the Listing Regulations, 2015. The Company has executed the fresh agreements with the BSE and the NSE as required under the newly enacted Listing Regulations, 2015.

**9. Non-Mandatory Requirements****A. 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.

**B. Shareholders' Rights – Half yearly results**

As the Company's half yearly results are published in an English newspapers having a circulation all over India and in a Marathi newspaper (having a circulation in Mumbai), the same are not sent separately to the shareholders of the Company, but hosted on the website of the Company.

**C. Audit Qualification**

There are no qualifications contained in the Audit Report.

**D. Separate positions of the Chairman and the CEO/Managing Director**

The positions of the Chairman and the Managing Director are separate.

**E. Reporting of Internal Auditors**

The Internal Auditors of the Company report to the Audit Committee and make detailed presentation at quarterly meetings.

**F.** The Company has no subsidiary and hence there is no need to frame any policy for determining "material" subsidiary.

**G.** There is no non-compliance of any requirement of Corporate Governance Report of sub-para (2) to (10) of the Part C of Schedule V of the Listing Regulations, 2015.

### CODE OF CONDUCT DECLARATION

In accordance with Listing Regulations executed with the BSE Limited and the National Stock Exchange of India Limited, I, Omer Dormen 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 2016 with the Company's Code of Conduct.

Omer Dormen  
*Managing Director*  
DIN: 07282001

Place : Mumbai  
Dated : 21 February 2017

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### 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, 2016, as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with 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 provisions

as specified in chapter IV Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Company with stock exchanges.

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 B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No. 324982E / E300003

per Dolphy D'souza  
Partner  
Membership No.: 38730  
Place : Mumbai  
Dated : March 21, 2017

**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 31 December 2016 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

Omer Dormen  
*Managing Director*  
DIN: 07282001

Rashmi Joshi  
*Director Finance &  
Chief Financial Officer*  
DIN: 06641898

Place : Mumbai

Dated : 21 February 2017

Note : This certificate is given to the Board pursuant to Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

**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, 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	1 January 2016 – 31 December 2016
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	<ul style="list-style-type: none"> <li>• Number of International Locations (Provide details of major 5): None</li> <li>• Number of National Locations: 8 <ul style="list-style-type: none"> <li>▪ Corporate Office – 1</li> <li>▪ Regional Offices – 4</li> <li>▪ Plants – 3</li> </ul> </li> </ul>
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)	247.28 Crores
2.	Total Turnover (INR)	3,357.93 Crores
3.	Total profit after taxes (INR)	674.91 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.26% (Rs. 15.23 Crores)
5.	List of activities in which expenditure in 4 above has been incurred:	<p>CIL Corporate Social Responsibility agenda is focused on four key themes:</p> <p><b>a. Eklavya (Skill Development – Rs. 9.86 Crores)</b></p> <ul style="list-style-type: none"> <li>• Skill development for 7,000 two-wheeler mechanics with a focus on technology, targeting unorganized two-wheeler mechanics in Gujarat, Bihar, Odisha, Maharashtra, Chhattisgarh, Assam, Himachal Pradesh, Tamil Nadu.</li> <li>• Technical and life skills training in Delhi, NCR and Uttar Pradesh to 2,500 two-wheeler road-side mechanics.</li> </ul>

Sr. No.	Particulars	Information
		<ul style="list-style-type: none"> <li>• Technical upskill training to 2,520 two-wheeler mechanics in Madhya Pradesh. Total mechanics trained in 2016: 12,020.</li> <li>• Skill development of 308 ITI pass out unemployed youth for computer numeric machine operations.</li> <li>• Setting up of Castrol Liquid Engineering Centre and Laboratory at Pandit Deendayal Petroleum University, Gandhinagar for the benefit of students learning petroleum engineering.</li> </ul> <p><b>b. Ehtiyat (Road Safety – Rs. 0.82 Crores)</b></p> <ul style="list-style-type: none"> <li>• A comprehensive Road Safety Programme for truck drivers and their families through a variety of interventions with the goal of increasing overall awareness and improving road safety behavior. Programme also included enhancing financial literacy and providing eye check-up.</li> </ul> <p><b>c. Ekjut (Community Development – Rs. 1.77 Crores)</b></p> <ul style="list-style-type: none"> <li>• Skill Development for 200 youth in two and three wheeler mechanic training and for 100 young women in digital embroidery training in Paharpur, West Bengal.</li> <li>• Skill Development for 320 youth as electricians, and two/ four wheeler mechanics in Silvassa and Patalganga.</li> <li>• Support to school for differently abled children and to Public Health Center to empower communities in Silvassa.</li> <li>• Career counselling for 2,500 high school students in Silvassa and Patalganga.</li> <li>• Skill training in beauty therapy and bedside assistance for 200 unemployed women in Patalganga.</li> <li>• Health and nutrition interventions for 300 women of child bearing age, 1,200 community members and 300 malnourished children at Silvassa.</li> </ul> <p><b>d. Ehsaas (Humanitarian Aid – Rs. 2.02 Crores)</b></p> <ul style="list-style-type: none"> <li>• Provided relief to 2,200 drought affected families in Marathwada area.</li> <li>• Provided relief to 5,900 flood affected families in Bihar and Assam.</li> </ul>



## SECTION C: OTHER DETAILS

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

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 Company's Code of Conduct is applicable to all the business entities which do business with the Company. The business partners however do not directly participate in Business Responsibility 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	07282001	06641898
Name	Mr. Omer Dormen	Ms. Rashmi Joshi
Designation	Managing Director	Director Finance & Chief Financial Officer

(b) Details of the BR head:

Sr. No.	Particulars	Details	
1.	DIN Number (if applicable)	07282001	06641898
2.	Name	Mr. Omer Dormen	Ms. Rashmi Joshi
3.	Designation	Managing Director	Director Finance & Chief Financial Officer
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)

### 2a. Details of Compliance (Reply 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)	Majority of the Company policies are aligned with BP Group policies which incorporates 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 Company have been approved by the Board of Directors of 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?	<a href="http://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/COC-BOARD-SR-MGT.pdf">http://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/COC-BOARD-SR-MGT.pdf</a>								
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

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

Not Applicable

**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.**

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 in the Annual Report which is available on the website of the Company.

## SECTION E: PRINCIPLE-WISE PERFORMANCE

### Principle 1

#### Policy relating to ethics, bribery and corruption

##### Code of Conduct

The Company's Code of Conduct (also referred to as the 'Code') outlines its commitment to ethical standards and compliance with applicable local laws.

The Code is based on the Company's values and clarifies the ethics and compliance expectations for everyone who works for the Company. The Code includes sections on operating safely, responsibly and reliably; Company's people; Company's business partners; the governments and communities the Company works with and its assets and financial integrity. The Code takes into account key points from the Company's internal standards related to anti-bribery and corruption, anti-money laundering, competition and anti-trust law and trade sanctions. The Company conducts due diligence on all its vendors and customers in accordance with these policies.

#### Who the Code of Conduct applies to

The Code of Conduct applies to every employee of the Company and the endeavor is to extend this Code to all 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 the 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 confidentially raise concerns without fear of reprisal.

### **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 the 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 the helpline number available to all stakeholders.

There was one complaint of sexual harassment during the year which was resolved appropriately by the duly constituted Internal Complaints Committee.

## **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. It has launched products in 2016 in passenger car and commercial vehicles spaces, with superior benefits to consumers while protecting the environment. In 2016, the Company launched Castrol GTX ULTRACLEAN, a product brand variant of Castrol GTX which can provide upto 50% superior cleanliness in engines compared to API SN limit. The Company has also upgraded Castrol CRB Plus to API CH4 specification which is required by the current generation of low emission engines, and educated customers on the advantages of using such high performance oils in vehicles.

In line with its endeavour to serve the best interests of consumers while being focused on environmental responsibilities, the Company introduced Castrol GTX ECO in Mumbai for diesel engines. Made from 50% re-refined oil, Castrol GTX ECO delivers 10% CO<sub>2</sub> reduction\* and helps extend engine life. This is an important step towards making customers aware about the possibility of using re-refined oils in high performance products.

The Company also introduced Castrol Alusol 51 XBB, which is a Boron and Biocide free high performance cutting oil, in the industrial product range. Congruent chemistry of Castrol Hysol EM 400 and Boost WP 45 offers significant direct saving on initial fills, as well as top ups and extended sump life apart from other cost savings on tools. Since this is a two-pack water soluble product, it offers flexibility to use the product in all machining applications and on different metallurgy combinations be it aluminum, steel or cast iron.

The raw material sourcing and finished goods distribution systems of the Company are both optimized with a view to reduce the distance travelled and environmental impact. High capacity vehicles account for about 40% of our entire fleet including tankers and finished goods' trucks. Hence while the volumes grew by about 4.4% in 2016, the total kilometers travelled by the trucks and tankers remained unchanged – a significant contribution towards lowering road safety risk and to the environment.

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

- Reduced generation and efficient utilization of flushing oils
- Using energy efficient technology like solar and LED lights to reduce energy consumption

\* With its specially developed refining process, CO<sub>2</sub> equivalent emissions are reduced by 10% during the lubricant's life cycle. 10% CO<sub>2</sub> reduction based on 2015 Life Cycle Assessment when compared with Castrol GTX Diesel 15W-40

- Using fuel additive with furnace oil to obtain best fuel efficiency and boiler condensate recovery and maintenance resulting in lower furnace oil consumption
- Optimizing 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
- Improved boiler efficiency through optimized running of blending operation, reduced power consumption by improving power factor and reduced water consumption through various initiatives.

The Company sources its packaging materials locally. To ensure vendors are developed to match the quality requirements of the Company, regular quality checks and audits are conducted. The findings of these are communicated through learning opportunities for them to improve their overall systems.

### 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. The safety of our people is our first priority;
2. We grow best by growing our 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 its constant endeavour to be a contemporary organisation, the Company reviews its policies and benchmarks 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 internal survey. The last survey indicated that overall

employee engagement score for the Company was in the top quartile indicating very good engagement. Harmonious and cordial industrial relations are prevalent at all plants.

The total headcount as on 31 December 2016 was 715 of which 87 are permanent women employees and 146 employees are working on a contractual/temporary basis. The Company does not have any employees with permanent disability. There is a workers' trade union active mainly in plants and approximately 25% of permanent employees are members of these trade unions.

The Company's people agenda is focused on the following principles:

**1. Health, Safety, Security and Environment (HSSE)** 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 injury to people and no damage to the environment'. Safety is the Company's first priority and the Company's goal is to ensure that everyone who works for Castrol goes home safely every day.

The Company expects every employee to be a safety leader. Road safety continues to be a focus area for the Company and thus all professional drivers (those driving on company business) undergo rigorous defensive driver training and all road safety related incidents, howsoever minor, are reported and investigated in an attempt to adopt lessons learnt. The same driving standards are used while working with contractors engaged in transporting raw material and finished goods. All new permanent and contract employees undergo HSSE training within 5 days of joining the Company.

The Company has fully implemented a Global Operating Management System (OMS) to continuously improve the delivery of safe, responsible and reliable operations. OMS has helped the Company to manage four key elements of operations – People, Plants, Processes and Performance effectively.

The Company has been regularly providing annual preventive health checks for all employees. Furthermore, to contribute to employees' better management of work-life balance, the Company has taken several initiatives including:

- **Employee Wellbeing Programme:** This is a personal, confidential and professional counseling service for employees and their family members provided by professional consultants through telephone, email or face to face in English and regional languages and available at all times.
- **Agile Working:** A core component of the Company's diversity and inclusion ambition is agile working which encompasses a wide range of working options enabling employees to work flexibly at full potential. Part-time working, job-share, homeworking 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 their levels.
- **Workplace facilities:** The Company aims to provide an ergonomically safe and comfortable work environment at all offices and plants.

**2. Leadership Development:** Building both people and functional capability is one of the key elements of the Company's investment in people. There is an emphasis on employee engagement, and building line manager and employee capability via trainings covering a range of key people and HR processes. Robust talent management sessions are conducted with focus on managers having talent conversations with their teams. All eligible employees captured their development needs in a structured format following talent conversations with their line managers.

Sales Competency Framework was also rolled out for the entire sales organization. Internal candidates filled in 40% of the vacancies the Company had in 2016.

Learning emails were initiated to inform employees of what online development/training programmes are available and where and how to access them.

The Company has continued to actively drive Ethics & Compliance via mandatory training programmes and by organizing focused sessions on Ethics & Compliance stressing the importance of key themes including Speak Up/Listen Up, Always do the right thing, zero-retaliation and zero tolerance to non-compliance.

**Leadership Training for Top 50:** The Company conducted a 3 day training for the top 50 talent in Castrol. This was aimed at training the extended leadership team to feel empowered, take ownership of company strategy, vision and drive actions in order to achieve the enabling key deliverables.

**Castrol Leadership Team appointments:** The Company had 5 vacancies in the Leadership Team which was all filled in via internal talent pool – an example of building capability, growing and promoting internal talent to key leadership positions.

**3. Diversity and Inclusion:** The Business Resource Groups (BRGs) are employee-initiated and employee-driven groups and share a common goal of making the Company more inclusive through delivering its diversity and inclusion ambition. They are supported by the diversity and inclusion team and in some cases a Global Steering Committee. Typically BRGs focus on recruitment, retention, development and enhancing the Company's brand. An example of one such BRG in India is BP WIN (Women's International Network). Six BP WIN events were organized in 2016 on various topics including Leadership, Parenting and Skill Development. The Company also celebrated PRIDE month in 2016.

The Company has continued on its journey to build a diverse and inclusive workforce during 2016. The Company also initiated a market map for roles in Sales and Global Supply Chain with a selected peer

group of companies which will help identify future hiring pools for female candidates.

There were no complaints relating to child labour, forced labour or involuntary labour in the last financial year. An outplacement service provider was appointed to support the Company's employees during any restructuring.

**4. Sexual Harassment Prevention and Grievance handling policy:** This policy was rolled out in 2014 and an Internal Complaints Committee was also set up. The Committee consists of three employees of the Company and one independent external panel member.

#### Principle 4

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

The Company recognizes the need and importance of focused and inclusive social and economic development especially in the communities within which it operates. It seeks to build cordial and constructive relationships with all its stakeholders.

Towards this end the Company runs programmes through its CSR initiatives for communities around its plants in Silvassa, Patalganga and Paharpur. In addition to the community investment programmes, Castrol also runs programmes for other key stakeholders like mechanics and farmers in the areas of technology upgradation, skill enhancement and safety. The Company has been running a mechanic training programme with the objective of imparting knowledge to independent two-wheeler mechanics about constantly evolving automotive and lubricant technology. The Company aims for safer mobility for truck drivers and has commissioned a comprehensive safety programme for truck drivers and their families to encourage safer driving habits. The Marketing team also runs regular mechanic and farmer meets where it shares knowledge and information on evolving technologies, safety and business management skills.

#### Principle 5

**Businesses should respect and promote Human Rights**

A formal Human Rights policy was launched in 2014 which applies to every employee. This policy contains 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 recognized 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 recognizes 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 it fairly, and without discrimination. The employees, agency staff, partners 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 co-operate 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 where it operates. The Company will seek to identify adverse human rights impact and take appropriate steps to avoid, minimize 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.

## Principle 6

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

The Company continues to focus on the goal: 'no accidents, no harm to people and no damage to the environment'. The Company has been fully committed to comply with all applicable laws and requirements and maintains the highest standards of Occupational Health, Safety and Environment. The Company has defined and implemented an HSSE policy which uniformly applies to every member of the workforce including contractors and agencies. Safety and environmental performance is integral to the business performance of the Company.

The Company ensures safe, systematic, reliable and environmentally friendly operations through its Operating Management System. 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 is also certified for ISO 9001:2008 (Quality Management System Standard). Compliance to these systems has been certified by internationally recognized and accredited bodies. Regular internal and external audits help to continually improve the process and make the Company's processes more efficient.

The Company is also taking various initiatives for reducing the environment footprint of its operations and mitigating any possible environmental risks. Efforts are taken to minimize energy consumption, water consumption and waste generation from manufacturing operations.

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

- Reduced generation and efficient utilization of Flushing oils;
- 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;
- Optimizing 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.

The Company is also committed to continually work on optimizing logistics' processes to bring in efficiency and reduce carbon footprint as also to reduce the road safety risks. The Company's environment performance has been recognised and appreciated by various stakeholders and bodies. The Company has not received any show cause/legal notices from any State or Central Pollution Control Board.

## Principle 7

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

The Code of the Company provides that the Company will not directly take part in any political activity, but it could engage in policy debates in various ways including lobbying, on subjects of legitimate concern to the Company, its staff and the communities in which it operates. This is done in a highly regulated manner and only by authorized officers of the Company.

The Company does not take part directly in any activity promoted by any particular political party and does not make any political contributions – in cash or in kind. The Company aims to engage constructively with local Governments wherever it operates, as well as to build constructive relationships with the media fraternity.

The Company complies with all applicable laws and regulations that prohibit bribery and corruption, and ensures that its suppliers, contractors and business partners do the same. All business partners who represent or act on behalf of the Company are asked to comply with applicable anti-bribery and



anti-corruption laws. Wherever appropriate, they are required to demonstrate and disclose to the Company that they have appropriate programmes in place to prevent bribery and corruption.

The Company is represented in many industry and business associations which work in relevant areas including:

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

## Principle 8

### Businesses should support inclusive growth and equitable development

In line with its business strategy and growth aspirations, the Company recognizes the need and importance of focused and inclusive social and economic development, especially in the communities within which the Company operates. The Company seeks to build cordial and constructive relationships with all the stakeholders. In furtherance of this, the Company's Corporate Social Responsibility (CSR) Policy articulates the vision and guidelines for achieving these objectives.

The Policy applies to all CSR activities of the Company in India and is underpinned and guided at all times by the Code.

**CSR Mission and objectives:** Castrol India Limited aspires to be a responsible corporate citizen, continuously engaging with its stakeholders. Through its CSR programmes aimed at skill enhancement, safe mobility, community development and humanitarian aid, the Company strives to contribute towards a safer and better quality of life for its stakeholders. Over the last hundred years of the Company's presence in India, the Company has conducted various activities working in collaboration with key stakeholders in a responsible and accountable manner.

In alignment with its core competency and vision of engaging with its stakeholders to contribute to a safer and better quality of life, the Company focuses on the following broad areas:

- **Eklavya:** Strengthening technical and soft skills in the automotive and industrial sectors, with a focus on technology;
- **Ehtiyat:** Collaborating for safer mobility;
- **Ekjut:** Community development in areas of operation and presence; and
- **Ehsaas:** Humanitarian aids.

In 2016, the Company, in partnership with leading non-governmental organizations (NGOs) continued to invest in building India's social capital through the above focus areas. As part of this engagement, the Company undertook several initiatives in 2016, a few of which are listed below:

- Providing technical skills that are in tune with upgraded technology and life competency skills for over 12,000 two-wheeler technicians across 11 states in India.
- Engaging with transporters and truck drivers for safer mobility of truck drivers. The Company initiated a comprehensive safety and financial literacy training and eye check-up programme for 1000 truck drivers in Bhiwandi.
- Programme for skilling of underprivileged youth in vocational skills (Electrical and Automotive) in Silvassa and Patalganga and digital embroidery, beauty therapy and bedside assistance training to underprivileged young women in Paharpur and Patalganga.
- Career counselling to 2,500 high school students from low income backgrounds in Silvassa and Patalganga to enable the students to make the right choices towards fulfilling careers paths.
- Provision of immediate relief materials including food baskets, utensils, tents and blankets to those affected by floods in Assam and Bihar. The Company

also partnered with NGOs to provide water supply through tankers to the drought affected families in Marathawada.

With the objective of creating a sustainable and meaningful impact, one that is relevant to local needs and aligned with the Company's agenda, all activities have been supported by third party monitoring and evaluation process to ensure flagging of mid-course corrections that may be required and helping the Company stay on track.

With a social investment of more than Rs. 15 Crores in 2016, the CSR portfolio focused on creating an enabling environment with active participation of local stakeholders, which was the key to ensuring sustainability of interventions.

### 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. Products are developed basis insights gained from regular consumer and customer interactions and structured research projects.

The Company has continued its focus on environmental protection through introduction of new products in Automotive as well as Industrial range. The Company introduced Castrol GTX ECO (blended with re-refined oil) in Mumbai. This is an important step towards making customers aware about the possibility of using re-refined oils in high performance products. Alusol 51 XBB was introduced in industrial product range, which is Boron and Biocide free high performance cutting oil.

With its specially developed refining process, CO<sub>2</sub> equivalent emissions are reduced by 10% during the lubricant's life cycle. 10% CO<sub>2</sub> reduction based on 2015 Life Cycle Assessment when compared with Castrol GTX Diesel 15W-40.

The Company has organized its business through different distribution channels which include retail, franchised and independent workshops, and industrial and heavy duty direct and indirect customers, keeping in mind channel specific needs and offers. The Company regularly tracks customer satisfaction scores in different channels and amongst its distributors, and takes conscious steps to improve customer satisfaction by taking appropriate actions.

To ensure product and formulation compliance, regular audits are conducted at the plants. The Company has Quality Key Performance Indicators (KPIs), and customer complaint closure time is tracked as a metric. In 2016, 92.6% of the genuine quality complaints received from the market were closed. For all quality complaints that are significant in nature (G+ level as per the company's reporting guidelines) the Company has completed all the actions from the learnings and the actions are closed. The Company mentions information such as product, benefits and technical specification used in the product, in addition to the mandatory information on the product label.

On behalf of the Board of Directors

Omer Dormen  
*Managing Director*  
DIN: 07282001

Rashmi Joshi  
*Director Finance &  
Chief Financial Officer*  
DIN: 06641898

Place : Mumbai  
Date : 21 February 2017

## 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, 2016, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at December 31, 2016, its profit, and its 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, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and 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 it 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on December 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 6, 7, 26 and 35 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E / E300003

**per Dolphy D'Souza**

Partner

Membership Number: 38730

Place : Mumbai

Date : February 21, 2017

**Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date**

- (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) According to the information and explanations given by the management, the title deeds of immovable properties, other than self-constructed buildings, included in fixed assets are held in the name of the Company except for the cases below:

(Rs. Crores)

No. of cases	Asset category	Gross block as at December 31, 2016	Net block as at December 31, 2016	Remarks
1	Freehold land	0.01	0.01	The deed of conveyance is in the erstwhile name of the Company and the mutation of the name is pending.
1	Leasehold land	0.43	0.28	The lease deed is in the erstwhile name of the Company.
1	Leasehold land	0.49	0.09	There is a letter from Mumbai Port Trust addressed to the Company which defines the contractual framework between the Company and Mumbai Port Trust. There is no lease deed.

- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at various dates and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) 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, provisions of Section 185 and 186 of the Companies Act, 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made, guarantees and securities given have been complied with by the Company.

- (v) The Company has not accepted any deposits from the public.
- (vi) 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 148(1) of the Companies Act, 2013, related to the manufacture of lubricants, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other 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 of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the 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	895.20	1987 to 2016	Assistant/Deputy/ Additional/Joint/Special, Revisional Board/ Commissioner, Tribunal & High Court.
Central Excise Act, 1944	Duty and Penalty	27.58	1987 to 2016	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	142.11	1997 to 2016	Assistant/Deputy/ Additional/Joint Commissioner, Commissioner (A), CESTAT & High Court.
The Income Tax Act, 1961	Tax and Interest	6.97	Assessment years 2002-03, 2004-05, 2005-06, 2006-07, 2011-12 and 2013-14	Deputy Commissioner of Income Tax, Commissioner of Income Tax (A), ITAT, HC

- (viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E / E300003

**per Dolphy D'Souza**

Partner

Membership Number: 38730

Place : Mumbai

Date : February 21, 2017

## **Annexure 2 to the Independent Auditors' Report of even date on the Financial Statements of Castrol India Limited**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the Internal Financial Controls over Financial Reporting of Castrol India Limited ("the Company") as of December 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's Internal Financial Controls over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;



(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2016, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E / E300003

**per Dolphy D'Souza**

Partner

Membership Number: 38730

Place : Mumbai

Date : February 21, 2017

## Balance Sheet as at December 31, 2016

Particulars	Note No.	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	247.28	247.28
Reserves and surplus	4	348.47	328.33
		<u>595.75</u>	<u>575.61</u>
<b>Non-current liabilities</b>			
Other long-term liabilities	5	11.43	12.30
Long-term provisions	6	2.66	2.64
		<u>14.09</u>	<u>14.94</u>
<b>Current liabilities</b>			
Trade payables			
Micro and small enterprises	7	5.91	4.13
Other than micro and small enterprises	7	639.69	537.30
Other current liabilities	7	163.73	156.46
Short-term provisions	6	468.10	373.18
		<u>1,277.43</u>	<u>1,071.07</u>
<b>TOTAL</b>		<u><b>1,887.27</b></u>	<u><b>1,661.62</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	8	141.94	140.21
Intangible assets	8	5.04	8.63
Capital work-in-progress		37.26	36.41
Deferred tax assets	9	67.17	49.92
Loans and advances	10	94.36	93.24
		<u>345.77</u>	<u>328.41</u>
<b>Current assets</b>			
Inventories	11	343.88	304.58
Trade receivables	12	255.22	236.46
Cash and bank balances	13	821.88	696.50
Loans and advances	10	112.59	88.97
Other current assets	14	7.93	6.70
		<u>1,541.50</u>	<u>1,333.21</u>
<b>TOTAL</b>		<u><b>1,887.27</b></u>	<u><b>1,661.62</b></u>
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 B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No. : 324982E / E300003

per DOLPHY D'SOUZA  
Partner  
Membership No. : 38730

CHANDANA DHAR  
Company Secretary  
ACS No. : 17891

Place: Mumbai  
February 21, 2017

For and on behalf of Board of Directors

S. M. DATTA	DIN No. : 00032812	Chairman
OMER DORMEN	DIN No. : 07282001	Managing Director
RASHMI JOSHI	DIN No. : 06641898	Director Finance (CFO)
JAYANTA CHATTERJEE	DIN No. : 06986918	Director Supply Chain
R. GOPALAKRISHNAN	DIN No. : 00027858	} Non-Executive Directors
SASHI MUKUNDAN	DIN No. : 02519725	
UDAY KHANNA	DIN No. : 00079129	
PETER WEIDNER	DIN No. : 03620389	

Place: Mumbai  
February 21, 2017

## Statement of Profit and Loss for the year ended December 31, 2016

Particulars	Note No.	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
<b>INCOME</b>			
Revenue from operations (gross)	15	3,875.96	3,791.42
Less: Excise duty		505.63	493.39
Revenue from operations (net)		3,370.33	3,298.03
Other income	16.1	34.02	52.58
<b>Total revenue</b>		<b>3,404.35</b>	<b>3,350.61</b>
<b>EXPENSES</b>			
Cost of materials consumed	17.1	1,320.27	1,388.38
Purchase of traded goods	17.2	226.30	197.60
(Increase)/decrease in inventories	17.3	(14.98)	14.81
Employee benefits expense	18	172.56	176.59
Other expenses	19	661.31	625.77
<b>Total expenses</b>		<b>2,365.46</b>	<b>2,403.15</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>1,038.89</b>	<b>947.46</b>
Depreciation and amortisation expense	20	44.96	38.97
Finance costs	21	1.48	0.83
Interest income	16.2	53.25	43.29
<b>PROFIT BEFORE TAX</b>		<b>1,045.70</b>	<b>950.95</b>
<b>Tax expenses</b>			
Current tax		388.04	323.80
Deferred tax		(17.25)	11.89
<b>Total tax expenses</b>		<b>370.79</b>	<b>335.69</b>
<b>PROFIT FOR THE YEAR</b>		<b>674.91</b>	<b>615.26</b>
Nominal value of share (Rs.)		5.00	5.00
Earnings per equity share – Basic & Diluted (Rs.)	22	13.65	12.44
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 B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No. : 324982E / E300003

per DOLPHY D'SOUZA  
Partner  
Membership No. : 38730

Place: Mumbai  
February 21, 2017

CHANDANA DHAR  
Company Secretary  
ACS No. : 17891

For and on behalf of Board of Directors

S. M. DATTA	DIN No. : 00032812	Chairman
OMER DORMEN	DIN No. : 07282001	Managing Director
RASHMI JOSHI	DIN No. : 06641898	Director Finance (CFO)
JAYANTA CHATTERJEE	DIN No. : 06986918	Director Supply Chain
R. GOPALAKRISHNAN	DIN No. : 00027858	} Non-Executive Directors
SASHI MUKUNDAN	DIN No. : 02519725	
UDAY KHANNA	DIN No. : 00079129	
PETER WEIDNER	DIN No. : 03620389	

Place: Mumbai  
February 21, 2017

## Cash Flow Statement for the year ended December 31, 2016

Particulars	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Cash Flow from Operating Activities</b>		
<b>Net profit before tax</b>	<b>1,045.70</b>	950.95
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expenses	44.96	38.97
Loss/(gain) on disposal/write off of fixed assets (net)	(9.58)	5.86
Provision for doubtful advances (net)	–	0.33
Provision for doubtful debts (net)	0.47	1.34
MTM (gain)/loss on forward contract	0.24	0.26
Unrealised foreign exchange (gain)/loss	(0.77)	(0.09)
Finance costs	1.48	0.83
Interest (income)	(53.25)	(43.29)
<b>Operating profit before working capital changes</b>	<b>1,029.25</b>	955.16
Movements in working capital:		
Decrease/(increase) in inventories	(39.30)	60.89
Decrease/(increase) in trade receivables	(19.23)	33.70
Decrease/(increase) in short-term loans & advances	(23.42)	(2.42)
Decrease/(increase) in long-term loans & advances	(9.27)	(2.41)
Increase/(decrease) in other long-term liabilities	(0.87)	1.27
Increase/(decrease) in other current liabilities	(2.16)	14.63
Increase/(decrease) in long-term provisions	0.02	–
Increase/(decrease) in trade payables	104.17	3.18
Increase/(decrease) in short-term provisions	4.48	3.67
Cash generated from/(used in) operations	1,043.67	1,067.67
Direct taxes paid (net of refunds)	(380.36)	(327.66)
<b>Net Cash Flow from/(used in) Operating Activities</b>	<b>663.31</b>	740.01
	(A)	
<b>Cash Flow from Investing Activities</b>		
Purchase of fixed assets, including CWIP	(35.81)	(37.88)
Proceeds from sale of fixed assets	13.08	0.92
Interest received	52.02	39.22
<b>Net Cash Flow from/(used in) Investing Activities</b>	<b>29.29</b>	2.26
	(B)	

**Cash Flow Statement for the year ended December 31, 2016** (contd.)

Particulars		As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Cash Flow from Financing Activities</b>			
Dividend paid		(469.83)	(395.64)
Dividend tax paid		(95.65)	(80.54)
Interest paid		(1.74)	(1.04)
Unclaimed dividend account (note b below)		(0.81)	(0.61)
<b>Net Cash Flow from/(used in) Financing Activities</b>	(C)	<b>(568.03)</b>	<b>(477.83)</b>
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>124.57</b>	264.44
Cash and cash equivalents at the beginning of the year		<b>686.51</b>	422.07
<b>Cash and Cash Equivalents at the end of the year</b>		<b>811.08</b>	686.51
<b>Components of Cash and Cash Equivalents</b>			
Cash on hand		0.01	0.02
On current accounts		9.43	15.14
Deposits with original maturity of less than 3 months		101.17	33.31
Cheques on hand		0.97	-
Deposits with remaining maturity for less than 12 months		699.50	638.04
<b>Total Cash and Cash Equivalents (note 13)</b>		<b>811.08</b>	686.51

**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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (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 B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No. : 324982E / E300003

per DOLPHY D'SOUZA  
Partner  
Membership No. : 38730

CHANDANA DHAR  
Company Secretary  
ACS No. : 17891

Place: Mumbai  
February 21, 2017

For and on behalf of Board of Directors

S. M. DATTA	DIN No. : 00032812	Chairman
OMER DORMEN	DIN No. : 07282001	Managing Director
RASHMI JOSHI	DIN No. : 06641898	Director Finance (CFO)
JAYANTA CHATTERJEE	DIN No. : 06986918	Director Supply Chain
R. GOPALAKRISHNAN	DIN No. : 00027858	} Non-Executive Directors
SASHI MUKUNDAN	DIN No. : 02519725	
UDAY KHANNA	DIN No. : 00079129	
PETER WEIDNER	DIN No. : 03620389	

Place: Mumbai  
February 21, 2017

## Notes to the Financial Statements for the year ended December 31, 2016

### 1. Corporate information

Castrol India Limited (the 'Company') is a public limited Company domiciled in India. The Company is engaged in the business of manufacturing & marketing of Lubricants and related services.

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

The Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these Financial Statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014. The Financial Statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of Financial Statements are consistent with those of previous year.

### 2. Significant accounting policies

#### a. Use of estimates

The preparation of Financial Statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, 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.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net proceeds from disposal and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

#### 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 and amortisation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful life to provide depreciation on its fixed assets.

Asset description	Useful life as per management
Residential and office building	25 years
Factory building	10 years to 30 years
Plant & machinery	10 years to 21 years
Furniture & fixtures	10 years
Office equipments	5 years
Computer hardware	6 years
Vehicles	4 years
Workshop equipments [refer note (i) below]	2 years to 4 years
Boards with dealers	3 years
Computer software	4 years
Lab equipments	10 years

## Notes to the Financial Statements for the year ended December 31, 2016

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

Due to application of Schedule II of the Companies Act, 2013 with effect from January 1, 2015 management has reassessed the useful life based on the internal/external technical assessment of usage pattern of assets. The useful lives in respect of the below assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013, which are as under:

Assets description	Present useful life	Useful life under Schedule II
Residential and office buildings	25 years	60 years
Plant and machinery	10 years to 21 years	15 years
Computers and other IT assets	4 years	3 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 the lease which ranges between 4 years to 30 years.

The Company has adopted component accounting as required under Schedule II to the Companies Act, 2013. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

#### 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 factor. An impairment loss is recognised in the Statement of Profit and Loss wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's or cash generating unit's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The business plans which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. As an initial step in the preparation of these plans, various assumptions regarding market conditions and cost inflation rates are set by senior management. These assumptions take account of existing prices, other macroeconomic factors, historical trends and variability.

Impairment losses are recognised in the Statement of Profit and Loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognised in the revaluation reserve up to the amount of any previous revaluation.

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.

Such reversal is recognised in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### 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.

## Notes to the Financial Statements for the year ended December 31, 2016

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

#### g. Inventories

- (i) Raw materials, packing materials, traded items and finished goods are valued at lower of 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 and other cost incurred in bringing the inventories to the present location and condition. 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) 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.
- (iii) Due allowances are made in respect of slow moving, non-moving and obsolete inventory based on estimates made by management.

#### 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/Value Added Tax (VAT) and inclusive of excise duty. The Company collects Sales Taxes and 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 service rendered is recognised based on the terms of the agreements as and when services are rendered and are net of service tax (wherever applicable).

##### Interest

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

#### 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.

#### j. Retirement and other employee benefits

##### Long term employee benefits

##### Defined contribution plans

Company's contributions paid/payable during the year to Company's Pension Fund, ESIC and Labour Welfare Fund, Medical Insurance Benefits, Post Retiral Medical Benefit scheme and share match are recognised in the Statement of Profit and Loss, when an employee renders 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.



## Notes to the Financial Statements for the year ended December 31, 2016

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

#### Defined benefit plans

Company's liabilities towards gratuity, 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 gain 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 discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimated terms of the defined benefit obligation.

#### 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 actuarially determined its liability 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 currency forward contracts to hedge foreign currency risk arising from future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. The Company designates these forward contracts in a hedging relationship by applying the hedge accounting principles of AS-30, Financial Instruments: Recognition and Measurement.

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 roll over/cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.

#### 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.

## Notes to the Financial Statements for the year ended December 31, 2016

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

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, 2016 and the provision for the remaining period of nine months ending on December 31, 2016. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2016-17 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 has integrated its organisation structure with respect to its automotive and non-automotive business considering that the synergies, risks and returns associated with business operations are not predominantly distinct. The Company has aligned its internal financial reporting system in line with the new organisation structure. As a result the Company's business segment consists of a single reportable segment of "Lubricants" w.e.f. January 1, 2016 in terms of Accounting Standard-17.

#### 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

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 Profit and Loss. In its measurement, the Company does not include depreciation and amortisation expense, finance costs, tax expense and exceptional items.

## Notes to the Financial Statements for the year ended December 31, 2016

### 3. Share capital

	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Authorised shares</b>		
990,000,000 equity shares of Rs. 5/- each (2015 : 990,000,000 equity shares of Rs. 5/- each)	495.00	495.00
	<u>495.00</u>	<u>495.00</u>
<b>Issued, subscribed and fully paid-up shares</b>		
494,561,192 equity shares of Rs. 5/- each (2015 : 494,561,192 equity shares of Rs. 5/- each)	247.28	247.28
	<u>247.28</u>	<u>247.28</u>

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

	As at December 31, 2016		As at December 31, 2015	
	No. of Shares	Rupees in Crores	No. of Shares	Rupees in Crores
At the beginning of the year	494,561,192	247.28	494,561,192	247.28
Outstanding at the end of the year	<u>494,561,192</u>	<u>247.28</u>	<u>494,561,192</u>	<u>247.28</u>

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

The Company has only one class of equity shares having par value of Rs. 5/- per share (2015 : Rs. 5/- 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, 2016, the Board declared an amount of Rs. 4.50 (2015 : Rs. 4.00) per share as interim dividend which was distributed to equity shareholders. The amount of interim dividend distributed to equity shareholders was Rs. 222.55 crores (2015 : Rs. 197.82 crores). In addition, the Board has also declared a Special Dividend of Rs. 2.00 per share (2015 : Nil). The amount of Special Dividend to be distributed to equity shareholders is Rs. 98.91 crores (2015 : Rs. Nil). The Board has also proposed a final dividend of Rs. 4.50 (2015 : Rs. 5.00) for distribution to equity shareholders. The amount of final proposed dividend to be distributed to equity shareholders shall be Rs. 222.55 crores (2015 : Rs. 247.28 crores). All dividends aggregating to Rs. 11.00 per share (2015 : Rs. 9.00 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, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Castrol Limited, U.K. 251,684,312 (2015 : 350,749,820) equity shares of Rs. 5/- each (2015 : Rs. 5/- each) fully paid (holding company)	125.84	175.37
BP Mauritius Limited 541,896 (2015 : 541,896) equity shares of Rs. 5/- each (2015 : Rs. 5/- each) fully paid (subsidiary of ultimate holding company)	0.27	0.27

## Notes to the Financial Statements for the year ended December 31, 2016

### 3. Share capital (contd.)

- 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, 2016 No. of Shares	As at December 31, 2015 No. of Shares
Equity shares allotted as fully paid bonus shares by capitalisation of general reserve	370,920,894	370,920,894

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

	As at December 31, 2016		As at December 31, 2015	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs. 5/- each fully paid up (2015 : Rs. 5/- each) Castrol Limited, U.K.	251,684,312	50.89%	350,749,820	70.92%
Life Insurance Corporation of India	31,402,126	6.35%	22,833,602	4.62%

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

### 4. Reserves and surplus

	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Capital reserve</b>	<b>13.62</b>	13.62
<b>General reserve</b>		
Balance as per the last Financial Statements	148.38	148.38
<b>Closing balance</b>	<b>148.38</b>	148.38
<b>Surplus/(deficit) in the Statement of Profit and Loss</b>		
Balance as per last Financial Statements	166.33	87.50
Profit for the year	674.91	615.26
<b>Less: Appropriations</b>		
Interim dividend on equity shares [amount per share Rs. 4.50 (2015 : Rs. 4.00)]	222.55	197.82
Tax on interim dividend	45.31	40.27
Special dividend on equity shares [amount per share Rs. 2.00 (2015 : Rs. Nil)]	98.91	-
Tax on special dividend	20.14	-
Proposed final dividend on equity shares [amount per share Rs. 4.50 (2015 : Rs. 5.00)]	222.55	247.28
Tax on final dividend	45.31	50.34
Incremental Tax on final dividend 2014	-	0.72
Total appropriations	654.77	536.43
Net surplus in the Statement of Profit and Loss	186.47	166.33
<b>Total reserves and surplus</b>	<b>348.47</b>	328.33

## Notes to the Financial Statements for the year ended December 31, 2016

## 5. Other long-term liabilities

	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Employee benefits payable	11.37	12.24
Deposit from customers	0.06	0.06
	<u>11.43</u>	<u>12.30</u>

## 6. Provisions

	Long-term		Short-term	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Provision for employee benefits</b>				
Provision for company pension plan	1.30	1.36	0.14	0.15
Provision for leave benefits	1.36	1.28	0.13	0.11
	<u>2.66</u>	<u>2.64</u>	<u>0.27</u>	<u>0.26</u>
<b>Other provisions</b>				
Provision for tax (net of advance tax)	-	-	36.78	35.63
Provision for indirect taxes [refer note (a) below]	-	-	42.53	38.06
Provision for litigations [refer note (b) below]	-	-	1.61	1.61
Provision for special dividend	-	-	98.91	-
Provision for tax on special dividend	-	-	20.14	-
Provision for proposed final dividend	-	-	222.55	247.28
Provision for tax on proposed final dividend	-	-	45.31	50.34
	<u>-</u>	<u>-</u>	<u>467.83</u>	<u>372.92</u>
	<u>2.66</u>	<u>2.64</u>	<u>468.10</u>	<u>373.18</u>

## Notes:

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

	As at December 31, 2016 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores	As at December 31, 2015 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	7.18	30.88	6.62	27.75
Addition during the year	3.83	5.33	0.86	4.94
Reversed/paid during the year	-	4.69	0.30	1.81
Balance as at December 31	<u>11.01</u>	<u>31.52</u>	<u>7.18</u>	<u>30.88</u>
<b>Total</b>		<u>42.53</u>		<u>38.06</u>

- (b) The Company has made provisions for known litigation cases and pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on cessation of respective events. There is no movement in provision for litigation during the year.

## Notes to the Financial Statements for the year ended December 31, 2016

## 7. Trade payables and other current liabilities

	Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Trade payables</b>		
Micro and small enterprises	5.91	4.13
Other than micro and small enterprises (Refer note 27 for details of dues to micro and small enterprises)	639.69	537.30
	<b>645.60</b>	<b>541.43</b>
<b>Other current liabilities</b>		
Capex payables	25.15	15.13
Interest accrued and due on deposit from customers	0.18	0.44
Advance from customers	4.46	3.15
Unpaid dividend [refer note (a) below]	10.80	9.99
Deposit from customers	15.68	13.94
Forward contract payable	0.44	0.29
Statutory dues	83.49	78.06
Employee benefits payable	23.53	35.46
	<b>163.73</b>	<b>156.46</b>
	<b>809.33</b>	<b>697.89</b>

## Note (a)

There are no amounts due for payment to the Investor Education & Protection fund under Section 125 of the Companies Act, 2013 as at the year end.

## 8. Tangible and Intangible assets

	Rupees in Crores											Intangible assets
	Tangible assets											
	Freehold land	Leasehold land	Leasehold Improvements	Building [refer note (a)]	Plant & machinery	Laboratory equipment	Computer hardware	Furniture & fixture	Office equipment	Motor vehicles	Total tangible assets	Computer software
<b>Cost or valuation</b>												
As at January 1, 2015	3.92	0.92	38.20	50.68	152.19	13.70	15.50	70.59	12.94	0.88	359.52	16.67
Additions	-	-	-	3.55	9.69	2.75	0.55	4.09	0.28	-	20.91	1.61
Disposals	-	-	-	-	3.69	0.05	3.05	0.13	0.28	-	7.20	-
As at December 31, 2015	3.92	0.92	38.20	54.23	158.19	16.40	13.00	74.55	12.94	0.88	373.23	18.28
Additions	-	-	-	1.54	22.59	1.43	0.22	19.43	0.47	0.22	45.90	0.70
Disposals	-	-	-	1.63	6.28	0.49	1.36	22.16	0.66	0.04	32.62	-
Reclassification	-	-	-	-	-	-	1.49	-	-	-	1.49	(1.49)
As at December 31, 2016	3.92	0.92	38.20	54.14	174.50	17.34	13.35	71.82	12.75	1.06	388.00	17.49
<b>Depreciation and amortisation</b>												
As at January 1, 2015	-	0.50	21.00	20.92	86.55	3.83	10.15	46.48	7.00	0.56	196.99	6.81
Charge for the year	-	0.03	-	6.24	10.56	1.52	2.54	12.06	3.18	0.01	36.14	2.84
Disposals	-	-	-	-	3.19	0.04	2.99	0.09	0.26	-	6.57	-
As at December 31, 2015	-	0.53	21.00	27.16	93.92	5.31	9.70	58.45	9.92	0.57	226.56	9.65
Charge for the year	-	0.02	-	5.81	14.17	1.63	2.61	16.49	1.42	0.01	42.16	2.80
Disposals	-	-	-	1.24	4.92	0.30	1.34	22.03	0.62	0.04	30.49	-
As at December 31, 2016	-	0.55	21.00	31.73	103.17	6.64	10.97	52.91	10.72	0.54	238.23	12.45
<b>Impairment Loss [refer note (b)]</b>												
As at January 1, 2015	-	-	-	-	-	-	-	-	-	0.31	0.31	-
Additions	-	-	-	5.06	1.04	-	-	0.05	-	-	6.15	-
As at December 31, 2015	-	-	-	5.06	1.04	-	-	0.05	-	0.31	6.46	-
Additions	-	-	-	0.05	1.69	0.15	-	0.25	0.03	-	2.17	-
Disposals	-	-	-	-	0.80	-	-	-	-	-	0.80	-
As at December 31, 2016	-	-	-	5.11	1.93	0.15	-	0.30	0.03	0.31	7.83	-
<b>Net Block</b>												
As at December 31, 2015	3.92	0.39	17.20	22.01	63.23	11.09	3.30	16.05	3.02	-	140.21	8.63
As at December 31, 2016	3.92	0.37	17.20	17.30	69.40	10.55	2.38	18.61	2.00	0.21	141.94	5.04

## Notes:

- (a) Comprises of cost of premises including shares of paid-up value of Rs. 0.01 crore (2015 : Rs. 0.01 crore) in co-operative societies.  
(b) Impairment Loss is recognised in the Statement of Profit and Loss under "Loss on disposal/write off of fixed assets".

## Notes to the Financial Statements for the year ended December 31, 2016

### 9. Deferred tax assets

	Non-current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Impact of expenditure charged to the Statement of Profit and Loss but allowed for tax purposes on payment basis	45.83	35.84
Provision for doubtful debts	9.74	10.22
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortisation charge for the financial reporting	11.60	3.86
	<u>67.17</u>	<u>49.92</u>

### 10. Loans and advances

(Unsecured, considered good unless otherwise stated)

	Non-current		Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Capital advances	0.83	2.45	–	–
Security deposit	3.55	9.80	6.89	0.77
(A)	<u>4.38</u>	<u>12.25</u>	<u>6.89</u>	<u>0.77</u>
Advances recoverable in cash or kind				
Considered good	24.35	11.43	57.74	49.76
Considered doubtful	6.50	6.50	1.41	1.41
	<u>30.85</u>	<u>17.93</u>	<u>59.15</u>	<u>51.17</u>
Less: Provision for doubtful advances	6.50	6.50	1.41	1.41
(B)	<u>24.35</u>	<u>11.43</u>	<u>57.74</u>	<u>49.76</u>
<b>Other loans and advances</b>				
Advance income-tax (net of provisions)	26.06	32.59	–	–
Forward contract receivable	–	–	0.20	0.03
Prepaid expenses	0.92	0.93	3.43	2.90
Loans to employees [refer note (a) below]	1.15	1.15	0.33	0.73
Balance with statutory/government authorities	37.50	34.89	44.00	34.78
(C)	<u>65.63</u>	<u>69.56</u>	<u>47.96</u>	<u>38.44</u>
<b>Total (A+B+C)</b>	<u><u>94.36</u></u>	<u><u>93.24</u></u>	<u><u>112.59</u></u>	<u><u>88.97</u></u>

Note (a) :

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

	Non-current		Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Dues from executive director (As a part of service condition extended to all its eligible employees)	–	–	–	0.12

## Notes to the Financial Statements for the year ended December 31, 2016

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

	Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Raw materials [including stock in transit Rs. 10.74 crores (2015 : Rs. 6.26 crores)]	151.59	130.20
Packing materials	2.16	1.91
Finished goods	139.10	124.19
Traded goods [including stock in transit Rs. 11.56 crores (2015 : Rs. 7.86 crores)]	51.03	48.28
	<u>343.88</u>	<u>304.58</u>

### 12. Trade receivables

	Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Unsecured, considered good unless stated otherwise</b>		
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	0.28	0.27
Doubtful	8.33	7.57
	<u>8.61</u>	<u>7.84</u>
Less: Provision for doubtful receivables	8.33	7.57
	(A) <u>0.28</u>	<u>0.27</u>
<b>Other receivables</b>		
Secured, considered good	10.56	7.84
Unsecured, considered good	244.38	228.35
Doubtful	0.27	1.20
	<u>255.21</u>	<u>237.39</u>
Less: Provision for doubtful receivables	0.27	1.20
	(B) <u>254.94</u>	<u>236.19</u>
<b>Total (A+B)</b>	<u>255.22</u>	<u>236.46</u>



## Notes to the Financial Statements for the year ended December 31, 2016

## 13. Cash and bank balances

	Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
<b>Cash and cash equivalents</b>		
Cash on hand	0.01	0.02
On current accounts	9.43	15.14
Deposits with original maturity of less than 3 months	101.17	33.31
Cheques on hand	0.97	—
	(A) <u>111.58</u>	<u>48.47</u>
<b>Balance with banks</b>		
Deposits with remaining maturity for less than 12 months [refer note (a) below]	699.50	638.04
Unclaimed dividend account [refer note (b) below]	10.80	9.99
	(B) <u>710.30</u>	<u>648.03</u>
<b>Total (A+B)</b>	<u><u>821.88</u></u>	<u><u>696.50</u></u>

**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 current assets

**Unsecured, considered good unless stated otherwise**

	Current	
	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Interest accrued on deposits	7.93	6.70
	<u>7.93</u>	<u>6.70</u>

## Notes to the Financial Statements for the year ended December 31, 2016

### 15. Revenue from operations

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
<b>Revenue from operations</b>		
Sale of products [net of rebates Rs. 289.87 crores (2015 : Rs. 215.26 crores) refer note (a) below]		
Finished goods	3,525.10	3,469.75
Traded goods	338.46	308.97
<b>Other operating revenue</b>		
Commission, royalty and service income	8.22	8.16
Scrap sale	4.18	4.54
<b>Revenue from operations (gross)</b>	<b>3,875.96</b>	<b>3,791.42</b>
Less: Excise duty [refer note (b) below]	505.63	493.39
<b>Revenue from operations (net)</b>	<b>3,370.33</b>	<b>3,298.03</b>

#### Notes:

#### (a) Detail of products sold

##### Finished goods sold

Lubricating oils and greases	3,525.10	3,469.75
	<b>3,525.10</b>	<b>3,469.75</b>

##### Traded goods sold

Lubricating oils and greases	338.46	308.97
	<b>338.46</b>	<b>308.97</b>
	<b>3,863.56</b>	<b>3,778.72</b>

(b) Excise duty on sales amounting to Rs. 505.63 crores (2015 : Rs. 493.39 crores) has been reduced from sales in Statement of Profit and Loss and excise duty on increase/(decrease) in stock amounting to Rs. 2.68 crores (2015 : Rs. (1.63) crores) has been considered as (income)/expense in note 17.3 of the financial statement.

### 16.1 Other income

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Excess accruals written back	8.08	31.28
Debts written off in earlier years, realised	-	0.05
Exchange difference (net)	-	3.12
Provision for doubtful debts (net)	0.17	-
Miscellaneous income	14.54	18.13
Profit on sale of fixed assets (net)	11.23	-
	<b>34.02</b>	<b>52.58</b>

### 16.2 Interest income

<b>Interest income</b>		
From bank deposits	51.97	40.91
Others	1.28	2.38
	<b>53.25</b>	<b>43.29</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 17.1 Cost of materials consumed

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
<b>Raw materials and packing materials consumed</b> [refer note (a) below]		
Inventory at the beginning of the year	132.11	175.10
Add: Purchases during the year	1,341.91	1,345.39
	<u>1,474.02</u>	<u>1,520.49</u>
Less: Inventory at the end of the year [refer note (b) below]	153.75	132.11
<b>Total raw materials and packing materials consumed</b>	<u>1,320.27</u>	<u>1,388.38</u>
<b>Notes:</b>		
<b>(a) Details of raw materials and packing materials consumed</b>		
Base oil	647.56	738.19
Additives and chemicals	497.94	462.86
Packing materials (individual items each being less than 10% of the total)	174.77	187.33
	<u>1,320.27</u>	<u>1,388.38</u>
<b>(b) Details of raw materials and packing materials at the end of the year</b>		
Base oil	85.75	72.38
Additives and chemicals	65.84	57.82
Packing materials (individual items each being less than 10% of the total)	2.16	1.91
	<u>153.75</u>	<u>132.11</u>

### 17.2 Purchase of traded goods

Lubricating oils and greases	226.30	197.60
	<u>226.30</u>	<u>197.60</u>

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

<b>Inventories at the end of the year</b>		
Traded goods [refer note (a) below]	51.03	48.28
Finished goods [refer note (a) below]	139.10	124.19
	<u>190.13</u>	<u>172.47</u>
<b>Inventories at the beginning of the year</b>		
Traded goods	48.28	41.89
Finished goods	124.19	147.02
	<u>172.47</u>	<u>188.91</u>
Less: Excise duty on account of increase/(decrease) in stock of finished products	2.68	(1.63)
	<u>(14.98)</u>	<u>14.81</u>
<b>Note:</b>		
<b>(a) Details of traded and finished goods at the end of the year:</b>		
<b>Traded goods</b>		
Lubricating oils and greases	51.03	48.28
	<u>51.03</u>	<u>48.28</u>
<b>Finished goods</b>		
Lubricating oils and greases	139.10	124.19
	<u>139.10</u>	<u>124.19</u>

## Notes to the Financial Statements for the year ended December 31, 2016

### 18. Employee benefits expense

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Salaries, wages and bonus [refer note 28]	146.91	145.17
Contribution to provident and other funds	7.07	10.57
Gratuity expense	3.37	6.44
Staff welfare expenses	11.97	9.59
Redundancy cost	3.24	4.82
	<u>172.56</u>	<u>176.59</u>

### 19. Other expenses

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Rent	17.90	17.11
Rates and taxes	18.53	18.69
Power and fuel	4.60	4.84
Stores and consumables	1.40	2.32
Freight and forwarding charges	107.05	100.72
Insurance	3.22	3.54
Repairs and maintenance		
Land and buildings	4.06	4.14
Plant and equipment	4.50	3.84
Others	18.96	17.95
Bad debts written off	0.64	0.59
Provision for doubtful debts	-	0.75
Provision for doubtful advance	-	0.33
Processing and filling charges	10.68	8.61
Advertising and sales promotion	130.00	129.14
Stock point operating charges	28.61	26.13
Loss on disposal/write off of fixed assets (net)	1.65	5.86
Director sitting fees	0.20	0.23
Commission to resident non-whole time Indian directors	0.26	0.26
Royalty	104.00	93.09
Sales promotion fees	115.55	110.58
Travelling expenses	9.85	9.60
Legal and professional fees	39.86	36.29
Payment to auditors [refer note (i) below]	1.35	1.05
Exchange difference (net)	0.89	-
Loss on forward contract (including provision for MTM)	0.55	0.80
Corporate social responsibility [refer note (ii) below]	15.23	10.48
Miscellaneous expenses	21.77	18.83
	<u>661.31</u>	<u>625.77</u>

#### Notes:

#### (i) Payment to auditor (excluding service tax)

##### As auditor:

Audit fee	0.87	0.58
Tax accounts and tax audit fees	0.21	0.21
Limited review	0.16	0.16

##### In other capacity:

Certification fees	0.07	0.05
Reimbursement of expenses	0.04	0.05
	<u>1.35</u>	<u>1.05</u>

#### (ii) Corporate Social Responsibility Activities

(a) Amount required to be spent by the Company during the year.	16.06	14.24
(b) Amount spent during the year (on purpose other than construction/acquisition of assets controlled by the Company)	15.23 # *	10.48 # *

# The above expenditure includes contribution to funds, expenses through registered trusts/registered society or company established under Section 8 of the Companies Act, 2013 and direct expenses by the Company.

\* Amount outstanding as at year end. (including previous year) 10.77      8.35

## Notes to the Financial Statements for the year ended December 31, 2016

### 20. Depreciation and amortisation expense

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Depreciation of tangible assets	42.16	36.13
Amortisation of intangible assets	2.80	2.84
	<u>44.96</u>	<u>38.97</u>

### 21. Finance costs

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Interest others	1.48	0.83
	<u>1.48</u>	<u>0.83</u>

### 22. Earnings per share (EPS)

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Profit for the year	674.91	615.26
	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.)	13.65	12.44
Nominal value per share (Rs.)	5.00	5.00

### 23. Employee benefits

#### Defined contribution plan

#### Amounts recognised as an expense

Contribution to Provident and Other Funds' in Note 18 includes Rs. 2.92 crores (2015 : Rs. 3.23 crores) for Pension Fund, ESIC and Labour Welfare Fund. Note 19 includes 'Insurance' Rs. 1.51 crores (2015 : Rs. 1.83 crores) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Note 18 includes Rs. 2.01 crores (2015 : Rs. 2.11 crores) for Sharematch.

The company has incurred redundancy cost of Rs. 3.24 crores (2015 : Rs. 4.82 crores) due to the re-organisation activity, this is included in 'Employee benefits expense' – Note 18.

#### 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, 2016. 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, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
Plan obligation	(133.80)	(125.89)
Plan assets at fair value	136.97	126.89
<b>Asset/(liability) recognised in the Balance Sheet</b>	<b>3.17</b>	<b>1.00</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 23. Employee benefits (contd.)

#### Pension benefit to past employees

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

#### Amounts recognised as an expense

##### Defined benefit plan

Gratuity in note 18 includes gratuity cost of Rs. 3.37 crores (2015 : Rs. 6.44 crores). Contribution to Provident and other funds in note 18 includes Rs. 2.92 crores (2015 : Rs. 6.06 crores) for Provident fund. Salaries, wages and bonus in note 18 includes pension benefit to past employees, Rs. 0.20 crore (2015 : Rs. 0.20 crore).

Particulars	Rupees in Crores			
	As at December 31, 2016		As at December 31, 2015	
	Gratuity (Funded)	Pension benefit (Non- funded)	Gratuity (Funded)	Pension benefit (Non- funded)
<b>Change in the present value of the defined benefit obligation and fair value of plan assets:</b>				
<b>Obligation at period beginning</b>	<b>38.89</b>	<b>1.50</b>	35.42	1.56
Current service cost	2.69	–	2.40	–
Interest cost	2.96	–	2.67	–
Actuarial (gain)/loss due to change in assumptions	2.96	0.09	0.36	0.09
Experience (gain)/loss on plan liability	(2.43)	–	3.68	–
Benefits paid	(4.09)	(0.15)	(5.64)	(0.15)
<b>Obligation at period end</b>	<b>40.98</b>	<b>1.44</b>	38.89	1.50
<b>Change in plan assets</b>				
<b>Plan assets at period beginning, at fair value</b>	<b>31.16</b>	–	31.18	–
Expected return on plan assets	2.46	–	2.45	–
Experience (gain)/loss on plan assets	0.64	–	0.16	–
Contributions by employer	2.94	–	3.01	–
Benefits paid	(4.09)	–	(5.64)	–
<b>Plan Assets at period end, at fair value</b>	<b>33.11</b>	–	31.16	–
<b>Change in the present value of the defined benefit obligation and fair value of plan assets:</b>				
Fair value of plan assets at the end of the period	33.11	–	31.16	–
Present value of the defined benefit obligation at the end of the period	(40.98)	(1.44)	(38.89)	(1.50)
<b>Asset/(liability) recognised in the Balance Sheet</b>	<b>(7.87)</b>	<b>(1.44)</b>	(7.73)	(1.50)
<b>Expense for the year [refer note A (i) below]</b>				
Current service cost	2.69	–	2.40	–
Interest cost on benefit obligation	2.96	–	2.67	–
Expected return on plan assets	(2.46)	–	(2.45)	–
Net actuarial (gain)/loss recognised in the year	(0.11)	0.09	3.82	0.09
<b>Net cost</b>	<b>3.08</b>	<b>0.09</b>	6.44	0.09
Actual return on plan assets	3.10	–	1.97	–
Estimated contribution to be made in next annual year	3.70	–	5.37	–

#### 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 6.80% (2015 : 8.05%).

## Notes to the Financial Statements for the year ended December 31, 2016

## 23. Employee benefits (contd.)

Assumptions	As at December 31, 2016		As at December 31, 2015	
	Gratuity	Pension benefit	Gratuity	Pension benefit
Discount rate	6.80%	6.80%	8.05%	8.05%
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	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

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, 2016		As at December 31, 2015	
	Gratuity	Provident fund	Gratuity	Provident fund
Debt instruments	97%	86%	95%	86%
Others	3%	14%	5%	14%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

## Amount for the current and previous periods are as follows:

Particulars	Rupees in Crores			
	As at December 31, 2016		As at December 31, 2015	
	Gratuity	Pension benefit	Gratuity	Pension benefit
	(Funded)	(Non-funded)	(Funded)	(Non-funded)
Experience (gain)/loss on plan liability	(2.43)	0.09	3.68	0.09
Fair value of plan assets at the end of the period	33.11	–	31.16	–
Present value of the defined benefit obligation at the end of the period	(40.98)	(1.44)	(38.89)	(1.50)
Asset/(liability) recognised in the Balance Sheet	(7.87)	(1.44)	(7.73)	(1.50)

Particulars	Rupees in Crores				
	As at December 31, 2014			As at December 31, 2013	
	Gratuity	Pension benefit	Gratuity	Survivor protection	Pension benefit
	(Funded)	(Non-funded)	(Funded)	(Non-funded)	(Non-funded)
Experience (gain)/loss on plan liability	1.63	0.13	2.92	(0.19)	0.06
Fair value of plan assets at the end of the period	31.18	–	26.64	–	–
Present value of the defined benefit obligation at the end of the period	(35.42)	(1.56)	(29.31)	–	(1.57)
Asset/(liability) recognised in the Balance Sheet	(4.24)	(1.56)	(2.67)	–	(1.57)

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

## Notes to the Financial Statements for the year ended December 31, 2016

### 24. Leases

#### Operating Lease: Company as lessee

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.

The specified disclosure in respect of these agreements is given below:

	<b>For the year ended December 31, 2016 Rupees in Crores</b>	For the year ended December 31, 2015 Rupees in Crores
Charged to Statement of Profit and Loss	<b>17.25</b>	16.41
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	<b>8.51</b>	14.48
After one year but not more than five years	<b>0.62</b>	8.39
More than five years	—	—
	<b>9.13</b>	<b>22.87</b>

### 25. Segment information

The business segment has been considered as the primary segment.

The Company has integrated its organisation structure with respect to its automotive and non-automotive business considering that the synergies, risks and returns associated with business operations are not predominantly distinct. The Company has aligned its internal financial reporting system in line with the new organisation structure. As a result the Company's business segment consists of a single segment of "Lubricants" w.e.f. January 1, 2016 in terms of Accounting Standard-17.

During the previous year the Company was 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			
	<u>Automotive</u>	<u>Non-Automotive</u>	<u>Unallocated</u>	<u>Total</u>
<b>For the year ended December 31, 2015</b>				
<b>Revenue</b>				
Revenue from operations (net)	<b>2,887.85</b>	<b>410.18</b>	—	<b>3,298.03</b>
<b>Results</b>				
Segment results	<b>818.27</b>	<b>91.50</b>	—	<b>909.77</b>
Unallocable income net of unallocable (expenditure)	—	—	<b>42.01</b>	<b>42.01</b>
Finance costs	—	—	<b>0.83</b>	<b>0.83</b>
<b>Profit before tax</b>				<b>950.95</b>
Less: Provision for current tax				<b>323.80</b>
Less: Provision for deferred tax				<b>11.89</b>
<b>Profit after tax</b>				<b>615.26</b>



## Notes to the Financial Statements for the year ended December 31, 2016

## 25. Segment information (contd.)

	Rupees in Crores			
	Automotive	Non-Automotive	Unallocated	Total
<b>Other information</b>				
<b>As at December 31, 2015</b>				
Segment assets	698.86	177.05	785.71	1,661.62
Segment liabilities	671.93	68.00	346.08	1,086.01
Capital expenditure (including capital work-in-progress)	40.73	2.53	–	43.26
Depreciation/amortisation for the year	37.35	1.62	–	38.97
			<b>For the year ended December 31, 2016 Rupees in Crores</b>	<b>For the year ended December 31, 2015 Rupees in Crores</b>
<b>Geographical segment:</b>				
<b>For the year ended</b>				
<b>Revenue</b>				
India		3,369.01		3,295.28
Outside India		1.32		2.75
		<u>3,370.33</u>		<u>3,298.03</u>
<b>Assets</b>				
India		1,871.79		1,636.76
Outside India		15.48		24.86
		<u>1,887.27</u>		<u>1,661.62</u>
<b>Capital expenditure (including capital work-in-progress)</b>				
India		47.45		43.26
Outside India		–		–
		<u>47.45</u>		<u>43.26</u>

## 26. Contingent liabilities &amp; commitments

	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
	<b>(a) Contingent liabilities</b>	
(1) Excise/sales tax/service tax demands made by the authorities, in respect of which appeals have been filed [refer note (a) below]	51.08	26.91
(2) Claims against the Company not acknowledged as debts estimated at:		
— In respect of third parties – miscellaneous	1.27	1.22
	<u>52.35</u>	<u>28.13</u>
<b>(b) Commitments</b>		
(1) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	9.74	3.87
(2) Operating lease obligation (Refer note 24)	9.13	22.87
	<u>18.87</u>	<u>26.74</u>
<b>Total (A + B)</b>	<u>71.22</u>	<u>54.87</u>

**Note:**

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

## Notes to the Financial Statements for the year ended December 31, 2016

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

	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 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	5.91	4.13
– 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.

### 28. Capitalisation of expenditure

During the year, the Company has capitalised the following expenses which is 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, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Salaries, wages and bonus [refer note 18]	0.23	–

## Notes to the Financial Statements for the year ended December 31, 2016

### 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 exists:

- |                       |  |
|-----------------------|--|
| (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<br>(where transaction exists)      | AsPac Lubricants (Malaysia) Sdn. Bhd.        | BP Korea Limited  |
|  | BP (China) Industrial Lubricants Limited     | BP Lubricants USA Inc.  |
|  | BP Australia Pty Limited                     | BP Marine Limited   |
|  | BP Business Service Centre Asia              | BP Mauritius Limited  |
|  | BP Castrol Lubricants (Malaysia) Sdn. Bhd.   | BP Middle East (Auto and Marine Lubes)  |
|  | BP – Castrol (Thailand) Limited              | BP Petrolleri Anonim Sirketi  |
|  | BP Corporation North America Inc.            | BP S.A. Pty Oil Hq  |
|  | BP Europa SE                                 | BP Shipping Limited   |
|  | BP Europa SE BP Belgium                      | BP Singapore Pte. Limited   |
|  | BP Europa SE Zweigniederlassung – BP Austria | BP Southern Africa Proprietary Limited  |
|  | BP Exploration (Alpha) Limited               | Castrol (Shenzhen) Company Limited  |
|  | BP France                                    | Castrol Australia Pty Limited   |
|  | BP India Services Private Limited            | Castrol Industrial North America Inc.   |
|  | BP International Limited                     | Lubricants UK Limited   |
|  | BP Italia SPA                                | PT Castrol Indonesia  |
|  | BP Japan K.K.                                |   |
| (b) Key management personnel<br>(where transaction exists) | Omer Dormen                                  | Managing Director (w.e.f. 12.10.2015)   |
|  | Rashmi Joshi                                 | Director Finance  |
|  | Jayanta Chatterjee                           | Director Supply Chain   |
|  | Ravi Kirpalani                               | Managing Director (up to 11.10.2015) & thereafter Executive Director (up to 31.12.2015) |

## Notes to the Financial Statements for the year ended December 31, 2016

### 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, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
<b>Purchase of materials/traded goods</b>			
BP Europa SE	Fellow subsidiary	15.90	14.75
BP Europa SE – BP Belgium (Branch)	Fellow subsidiary	20.69	19.43
BP France	Fellow subsidiary	10.56	5.25
Castrol Industrial North America Inc	Fellow subsidiary	18.05	15.61
Others	Fellow subsidiaries	8.05	12.85
<b>Total</b>		<b>73.25</b>	<b>67.89</b>
<b>Sale of goods &amp; related expenses</b>			
BP (China) Industrial Lubricants Limited	Fellow subsidiary	0.80	1.11
BP – Castrol (Thailand) Limited	Fellow subsidiary	0.24	0.35
Castrol (Shenzhen) Company Limited	Fellow subsidiary	–	1.05
PT Castrol Indonesia	Fellow subsidiary	0.33	–
Others	Fellow subsidiaries	0.15	–
<b>Total</b>		<b>1.52</b>	<b>2.51</b>
<b>Receiving of services</b>			
BP International Limited	Fellow subsidiary	8.92	10.70
Lubricants UK Limited	Fellow subsidiary	14.20	11.56
Others	Fellow subsidiaries	2.29	2.03
<b>Total</b>		<b>25.41</b>	<b>24.29</b>
<b>Rendering of services &amp; deputation of employees</b>			
Castrol Limited, U.K.	Holding company	3.61	6.49
BP International Limited	Fellow subsidiary	5.88	4.34
BP India Services Private Limited	Fellow subsidiary	8.80	8.53
Lubricants UK Limited	Fellow subsidiary	0.09	6.04
Others	Fellow subsidiaries	1.73	2.01
<b>Total</b>		<b>20.11</b>	<b>27.41</b>
<b>Commission income</b>			
BP Marine Limited	Fellow subsidiary	3.74	2.62
<b>Total</b>		<b>3.74</b>	<b>2.62</b>
<b>Dividend</b>			
Castrol Limited, U.K.	Holding company	321.43	315.67
Others	Fellow subsidiary	0.59	0.49
<b>Total</b>		<b>322.03</b>	<b>316.16</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 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, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
<b>Royalty expense</b>			
Castrol Limited, U.K.	Holding company	104.00	93.09
<b>Total</b>		<b>104.00</b>	<b>93.09</b>
<b>Recovery of loan &amp; interest thereon</b>			
Ravi Kirpalani	Key management personnel	-	0.01
<b>Total</b>		<b>-</b>	<b>0.01</b>
<b>Balance as at year ended</b>			
<b>Amounts payable</b>			
Castrol Limited, U.K.	Holding company	257.33	257.46
Others	Fellow subsidiaries	40.01	33.04
<b>Total</b>		<b>297.35</b>	<b>290.50</b>
<b>Amounts receivable</b>			
BP India Services Private Limited	Fellow subsidiary	0.88	-
Castrol Limited, U.K.	Holding company	-	2.96
BP Marine Limited	Fellow subsidiary	0.77	0.02
BP (China) Industrial Lubricants Limited	Fellow subsidiary	0.35	0.16
Lubricants UK Limited	Fellow subsidiary	0.01	4.49
Others	Fellow subsidiaries	0.33	1.67
<b>Total</b>		<b>2.34</b>	<b>9.30</b>
<b>Remuneration to executive directors paid/ payable</b>			
Omer Dormen	Key management personnel	6.07	1.61
Rashmi Joshi	Key management personnel	1.57	1.55
Ravi Kirpalani	Key management personnel	-	4.55
Jayanta Chatterjee	Key management personnel	1.69	1.57
<b>Total</b>		<b>9.33</b>	<b>9.28</b>
<b>Loan outstanding</b>			
Ravi Kirpalani	Key management personnel	-	0.12
<b>Total</b>		<b>-</b>	<b>0.12</b>

## Notes to the Financial Statements for the year ended December 31, 2016

### 30. Forward contracts and unhedged foreign currency exposures:

#### 30.1 Forward contracts outstanding as at the Balance Sheet date

	As at December 31, 2016	As at December 31, 2015
No. of buy contracts relating to firm commitments for Base Oil	10	9
Foreign currency – USD	13,491,000	4,640,000
Rs. crores	92.30	30.84

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

Particulars	USD	EURO	GBP	CHF	SGD	AUD	JPY
<b>December 31, 2016</b>							
Trade payables – Foreign currency	21,452,588	1,763,013	1,777,865	–	246,787	1,492	549,172
Trade payables – Rs. crores	145.84	12.57	14.78	–	1.16	0.01	0.03
Trade receivables – Foreign currency	415,782	12,302	–	–	–	–	–
Trade receivables – Rs. crores	2.83	0.09	–	–	–	–	–
Loans and advances given – Foreign currency	1,848,581	–	–	–	–	–	–
Loans and advances given – Rs. crores	12.57	–	–	–	–	–	–
<b>December 31, 2015</b>							
Trade payables – Foreign currency	19,838,859	1,823,993	1,140,345	–	114,604	105,294	–
Trade payables – Rs. crores	131.71	13.22	11.24	–	0.54	0.51	–
Trade receivables – Foreign currency	820,830	–	–	–	–	–	–
Trade receivables – Rs. crores	5.45	–	–	–	–	–	–
Loans and advances given – Foreign currency	2,690,215	206,319	–	8,700	–	–	–
Loans and advances given – Rs. crores	17.85	1.50	–	0.06	–	–	–

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

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Raw materials	652.79	659.93
Capital goods	5.63	24.05

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

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Travelling expenses	0.47	0.73
Imports of goods for resale	67.91	64.61
Royalty	104.00	93.09
Advertisement and sales promotion	0.81	4.11
Sales promotion fees	11.68	14.87
Others	20.81	32.99

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

	For the year ended December 31, 2016 Rupees in Crores	For the year ended December 31, 2015 Rupees in Crores
Supplies to foreign vessels	1.58	2.82
Commission	3.74	2.62
FOB value of goods exported	1.32	2.29
Energy supplies	–	0.46
Others	7.66	7.77

## Notes to the Financial Statements for the year ended December 31, 2016

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

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Rupees in Crores	% of Total	Rupees in Crores	% of Total
<b>Imported:</b>				
Base oil	461.14	34.93	536.43	38.64
Additive and chemicals	249.94	18.93	221.38	15.95
<b>Indigenous:</b>				
Base oil	186.42	14.12	201.76	14.53
Additive and chemicals	248.00	18.78	241.48	17.39
Packages	174.77	13.24	187.33	13.49
	<b>1,320.27</b>	<b>100.00</b>	<b>1,388.38</b>	<b>100.00</b>

35. The Company has received an order from Maharashtra Sales Tax Department for the financial year 2009-10, 2007-08 and 2010-11 demanding Rs. 255.00 crores, Rs. 306.00 crores and Rs. 264.00 crores respectively towards sales tax (including interest). The demand pertains to sale of goods made by the Company in the states other than Maharashtra, where applicable taxes have been paid as per the provisions of law. Also the movement of goods from Maharashtra was not pursuant to any contract/order from customers in other states hence the understanding of operations/systems recorded in the assessment orders are not factually correct. The Company's tax payment methodology in respect of the goods sold is adequately supported by robust legal grounds/precedents and in Company's opinion the said demand is unjustified. The Company has filed the appeal against these orders. The management believes that the findings in the orders are not sustainable and that the Company has a strong case based on the facts of the matter. The Company does not expect any liability on account of the order received from Maharashtra Sales Tax Department. Hence, the Company has not made any provision for any liability in this regard in the current financial statements.

### 36. Details of dividend remitted during the year, to two (2015 – two) non-resident shareholders are as follows:

Dividend in respect of the year ended	No. of Shares	As at December 31, 2016 Rupees in Crores	As at December 31, 2015 Rupees in Crores
31-12-2014 (Final)	351,291,716	–	140.52
31-12-2015 (Interim)	351,291,716	–	140.52
31-12-2015 (Final)	351,291,716	175.65	–
31-12-2016 (Interim)	351,291,716	158.09	–

### 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 B C & CO LLP  
Chartered Accountants  
ICAI Firm Registration No. : 324982E/E300003

per DOLPHY D'SOUZA  
Partner  
Membership No. : 38730

Place: Mumbai  
February 21, 2017

CHANDANA DHAR  
Company Secretary  
ACS No. : 17891

For and on behalf of Board of Directors

S. M. DATTA	DIN No. : 00032812	Chairman
OMER DORMEN	DIN No. : 07282001	Managing Director
RASHMI JOSHI	DIN No. : 06641898	Director Finance
JAYANTA CHATTERJEE	DIN No. : 06986918	Director Supply Chain
R. GOPALAKRISHNAN	DIN No. : 00027858	} Non-Executive Directors
SASHI MUKUNDAN	DIN No. : 02519725	
UDAY KHANNA	DIN No. : 00079129	
PETER WEIDNER	DIN No. : 03620389	

Place: Mumbai  
February 21, 2017





## NOTES

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