Castrol India Limited
Annual Report 2017

Journey to BRILLIANCE

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

Castrol™

The POWER Within

"Each individual is committed to putting in one hundred percent of effort, pushing themselves to their limit every day, reaching deep within to achieve their full potential and complementing each other, thereby further strengthening the team effort."

JOURNEY TO BRILLIANCE

Dear shareholders,

"The strength of each team is the individual member. The strength of each member is the team."

- Phil Jackson

In 2015, Castrol India launched its 'Shining Vision' – declaring an extraordinary intent to take the Company to a new level of prosperity and brilliance for all its stakeholders – customers, consumers, employees, partners, shareholders and indeed everyone associated with the Company.

The first two years have seen us well on course on our journey towards this vision. So we pushed ourselves even further and in 2017, embarked upon a Journey to Brilliance – challenging ourselves to focus even more on three key priorities – safety and compliance, profitable volume growth and providing a premium brand experience to all our stakeholders at every touch point.

In 2017, we saw a great start to this Journey to Brilliance despite an extremely challenging environment, especially in the first half. The lingering effect of demonetization and the uncertainty around GST, saw a disappointing performance in the first half. But the team came back strongly in the second half, delivering volume growth for the second consecutive year driven by double-digit growth in personal mobility and premium brands, to finish the year on a high.

It was also pleasing that we ended the year with an exceptional safety record and were awarded the Golden Peacock Special Commendation for Excellence in Corporate Governance. This performance in the second half of the year has given us the confidence for an even stronger delivery in 2018.

The challenges of the previous year have shown that there is immense power within the team. Each individual is committed to putting in one hundred percent of effort, pushing themselves to their limit every day, reaching deep within to achieve their full potential and complementing each other, thereby further strengthening the team effort.

With this power of the individual and the strength of the team, we are confident we will be able to make great strides in our Journey to Brilliance!

Omer Dormen
Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

S M Datta
Chairman

Uday Khanna
Independent Director

R Gopalakrishnan
Independent Director

Sashi Mukundan
Nominee Director

Shiva McMahon
Nominee Director (w.e.f. 11 May 2017)

Peter Weidner
Nominee Director

Jayanta Chatterjee
Wholetime Director - Supply Chain

Rashmi Joshi
Chief Financial Officer & Wholetime Director

Omer Dormen
Managing Director

Chandana Dhar
Company Secretary & Compliance Officer (w.e.f. 12 January 2017)

AUDITORS

Deloitte Haskins & Sells 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,
Andheri (East),
Mumbai 400 093, India.

CIN: L23200MH1979PLC021359
Telephone: 022-6698 4100
Website: www.castrol.co.in

REGISTRAR AND TRANSFER AGENT

(w.e.f. March 2018)

Link Intime India Private Limited
C-101, 247 Park,
LBS Marg, Vikhroli West,
Mumbai 400 011, India.

Telephone: 022-4918 6000
Fax: 022-4918 6060
Toll-free number: 1800 1020 878
Website: www.linkintime.co.in
Email: rnt.helpdesk@linkintime.co.in

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Rashmi Joshi
Chief Financial Officer &
Wholetime Director

Omer Dormen
Managing Director

LEADERSHIP TEAM













From left

First row

- M A Mubeenuddin, *Vice President – Indirect Sales*
- Simon Edwards, *Technology Manager*
- Maria P Valles, *Vice President – Human Resources*
- Sagar Vira, *Vice President – Customer Excellence & Operations*

Second row

- Rajeev Govil, *Vice President – Workshop & OEM Sales*
- Kedar Apte, *Vice President – Marketing*
- Omer Dormen, *Managing Director*
- Rashmi Joshi, *Chief Financial Officer & Wholetime Director*

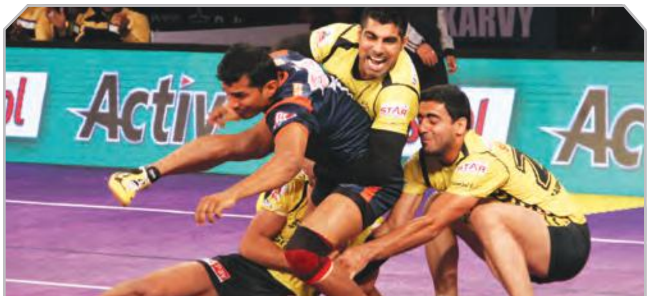
Third row

- Dilnaz Anklesaria, *Associate Vice President – Corporate Communications*
- Vikram Garga, *Vice President – Industrial & Heavy Duty*
- Jayanta Chatterjee, *Wholetime Director – Supply Chain*
- Siddharth Shetty, *Managing Counsel*

Fourth row

- Ramesh Srinivasan, *HSSE Manager (Interim)*

STRONG BRANDS




Castrol Activ launched a thematic TV commercial during the Pro Kabaddi League strengthening its association with the sport and driving the brand proposition of 'Cling On'

Castrol POWER1 CRUISE was launched for cruiser bikes with 'Power Sustain' technology delivering 'On-Demand Acceleration'

New Castrol Activ was launched which is fortified with improved Actibond® molecules which cling on to critical engine parts providing 50% better* protection

than standard lubricants for motorcycle segment in India


Ace cricketer Ravindra Jadeja unveiled the Castrol Super Mechanic Trophy for the Castrol Super Mechanic contest - a platform to develop and showcase skills for mechanics (top)

The contest was won by a mechanic trio from Rajasthan who were also featured on the Castrol Activ packs (bottom)

STRONG BRANDS

'Girl in the City' Season 2 web series sponsored by Castrol Activ SCOOTER garnered a staggering reach of over 57 million views. An innovative content strategy including a contest promoting women entrepreneurs and an in-episode gratification for the winners led to its success

Castrol GTX ESSENTIAL was relaunched with wider application across vehicle categories enabling a stronger offering in passenger car oils

Castrol MAGNATEC WAH USTAAD technical training campaign was initiated to update channel partners with the latest technology in the automotive domain

Castrol branded mobile units engaged with over 26,000 car mechanics educating them about lubricants technology and communicating the brand proposition of Castrol passenger car oils

'De-Stress Your Drive', a 360 degree media activation, was rolled out to drive brand advantage for Castrol MAGNATEC STOP-START which is designed to protect engines during driving in congested traffic conditions

STRONG BRANDS

Customer testimonial for Castrol VECTON with System 5 Technology calling out its unique benefits for owners of mixed fleets to help maximize engine performance

Engaged with tractor owners as part of the agri-activation to communicate the launch of new and improved Castrol CRB Plus with the promise of '400 hours of protection'

A digital marketing campaign was rolled out to industrial customers highlighting Castrol's key brands in industrial lubricants

VECTON on Wheels, a state-of-the-art mobile activation unit which communicated the brand advantage to fleet owners in key transport hubs

Castrol Hysol SL 35 XBB, an environment-friendly high performance metal working fluid, which is boron and biocide free, was introduced for industrial customers

ENDURING PARTNERSHIPS

Piaggio Vehicles Private Limited entered into a partnership with Castrol India Limited for lubricant supply for Piaggio's two-wheeler brands, Vespa and Aprilia, in India

Essar Oil Limited and Castrol India Limited signed an agreement for sale of Castrol lubricants through Essar fuel stations

Franchise workshop customers and Castrol India employees experienced Castrol hospitality at the F1 Singapore Grand Prix

Volkswagen Group NSC and Castrol India Limited agreed to a strategic co-operation and supply agreement of Castrol engine oil products in the Volkswagen Group after-sales service network in India

Activations at Maruti Suzuki car franchise workshops to build the Castrol EDGE Professional brand proposition with end consumers

The partnership of Maruti Suzuki India Limited and Castrol India Limited extended to the Maruti Suzuki Nexa channel as Castrol was selected as a partner of choice for Suzuki Ecstar brand

RETAIL TRANSFORMATION

Transforming the Castrol brand experience for customers and consumers through premium branded retail outlets and workshops

OUR SOCIAL RESPONSIBILITY

Created awareness on safe two-wheeler riding among college students in and around Mumbai as part of the '2 Wheels One Life' event under Castrol India's 'Ehtiyat' programme

Truck drivers were familiarized with road safety signs and made aware of HIV on World Aids Day, as part of Castrol India's 'Sarathi Mitra' programme, aimed at safer mobility for the truck driving community

Castrol India employees spread road safety awareness amongst children at a local school, as part of employee volunteering efforts

On the job training for upskilling mechanics conducted under Castrol India's skill development programme 'Eklavya'

Students near Patalganga plant graduated from a retail management course as part of 'Ekjut', Castrol India's community development programme

AWARDS AND ACCOLADES

'Eklavya', Castrol India's programme on skill development for mechanics, was awarded the runners-up prize at FICCI CSR Awards 2017

Castrol India received the Golden Peacock Special Commendation for Excellence in Corporate Governance 2017 at a special ceremony in the UK

Castrol India Limited was recognized as Best Company in the 'Specialty Oils and Lubricants' sector at the Dun & Bradstreet Corporate Awards 2017

Castrol India's road safety practices won the Best Practice Award at the Ramkrishna Bajaj 'Making Quality Happen' 2017 seminar

Castrol India was winner of the INDIASTAR & PACMACHINE 2017 National Award in packaging design for the development of a unique e-promotional cap (seen in extreme right of photograph) used in small retail packs

Castrol India's Silvassa plant was the recipient of the 16th Annual Greentech Safety Award for excellence in safety for the third consecutive year

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Castrol India's operations at its Silvassa plant

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

"India is the world's third largest lubricants market, next only to US and China, with a total consumption of approximately 2.6 billion litres in 2016"

INDUSTRY STRUCTURE AND DEVELOPMENTS

Industry structure

The Company operates in all major categories of the highly competitive lubricants industry, such as 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 40% [1] of the market. Other multi-national companies make up 30% of the market while local players constitute the rest. Over the years, the Company has established a well-entrenched position in automotive lubricants, the predominant category 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 protection of the parts. Lubricants play an important role in a variety of automotive, commercial and industrial applications such as motor vehicles, manufacturing, power generation and marine vessels. Automotive vehicles require engine oils, transmission fluids, brake fluids and greases.

India is the world's third largest lubricants market, next only to US and China, with a total consumption of approximately 2.6 billion litres in 2016 [2]. 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.

[1] **Source:** *A C Nielsen Report 2017*
[2] **Source:** *Kline Report 2017*

> "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"

In case of marine & energy lubricants, the demand drivers are global and local ship movements, which facilitate large-scale movement of cargo / goods. The 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 offshore 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 the automotive and industrial sectors.

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 the lubricants business to fluctuations in foreign exchange rates.

Major industry developments

Automotive lubricants:

Overall vehicle sales grew by ~7% during 2017, compared to the previous year. Commercial vehicle sales increased by 9% overall, while heavy commercial vehicle sales grew by 2%, medium / light commercial vehicle sales (MLCV) by 14% and tractor sales moved up by 15%. Passenger car sales (including utility vehicles) also increased by 9% and two-wheeler sales moved up by ~7% [(3)].

The lubricants market growth (other than industrial and marine & energy) was 3% for 2017 [(4)] post a recovery in the second half of the year. 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 the emergence of gearless scooters driven by increasing number of women riders, has also led to a growth in two-wheeler sales.

Overall vehicle sales grew by ~7% during 2017

Industrial lubricants:

The total industrial lubricants market in India in 2017 was estimated to be 1.4 billion litres [(5)]. Industrial production, measured by the IIP, contracted to the lowest in the past 36 months during the second quarter of 2017 [(6)].

Marine & energy lubricants:

World Trade Organization economists issued an upward revision to their forecast for 2017 trade expansion following an acceleration in global trade growth in the first half of the year. This was better than last year, although set within a range of 1.8% - 3.6%.

Globally, the shipping industry continued to face challenges of falling freight rates. In an effort to attract more demand, freight rates were drastically reduced. This meant that key players in the shipping industry had to come up with sustainable options to keep the bottomline steady. The Company had to operate on thinner margins to support customers in tough times.

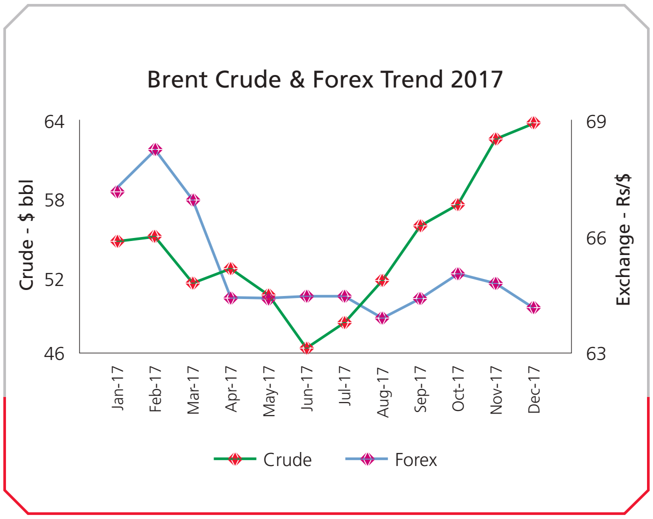
In India, Reliance Industries Limited and BP have pledged Rs. 40,000 crores towards capex, while ONGC has plans of incurring a capex of Rs. 29,000 crores for the next fiscal year towards exploration activities along the east coast of India. This will certainly see some uptake for energy lubricants.

Impact of foreign exchange, crude oil and raw material prices

Though foreign exchange was largely stable and range bound during most parts of the year, Brent Crude witnessed a 32% hike in prices from July onwards, which had a significant impact on raw material prices across all major categories.

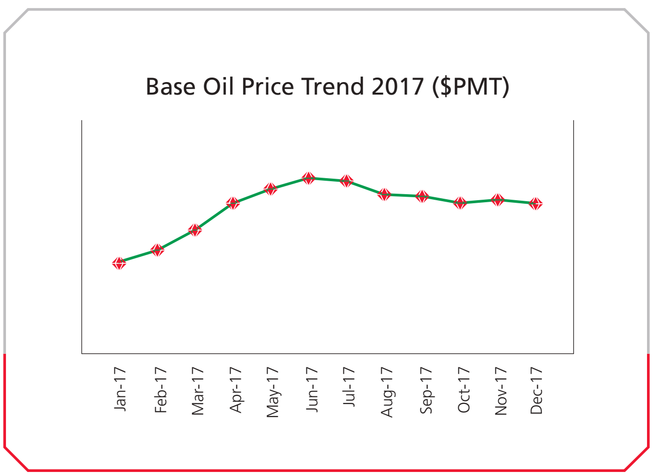
[(3)] **Source:** *CRISIL (SIAM) YTD November 2017*
[(4)] **Source:** *A C Nielsen Report 2017*
[(5)] **Source:** *Kline Report 2017*
[(6)] **Source:** *Oxford Economics Report 2017*

The following graph indicates the trend of crude prices and Rupee/USD for 2017.



On the back of a steady increase in crude prices in 2017, feedstock prices for additives and chemicals increased significantly. Polymer prices were largely stable, but steel picked up from the second half of the year. This was owing to the cumulative effect of higher demand post Goods & Services Tax (GST) implementation and market uncertainty due to export restrictions which impacted cost of packaging.

The following graph indicates the trend of base oil price movement for 2017.



Indian base oil prices rose steadily in 2017 as the market faced unexpected supply tightness throughout the year due to a heavy round of plant maintenance in the Asia-Pacific region. This limited the supplies in the market and declining stocks

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

gave enough leverage to refiners to hike prices. The strong demand and tight supplies left base oil values at unusually firm levels by the end of June. The premium of Group II heavy grades to crude rose to more than US$ 530 per metric tonne (PMT), its highest level since mid-2012.

Rising crude from the second half of the year, coupled with higher demand, kept prices of raw material at relatively higher levels.

Despite this highly uncertain and challenging business environment, the Company continued to generate value for its investors through strategic sourcing, leveraging term contracts, value improvement initiatives, extensive focus on service and quality as well as 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.

OPPORTUNITIES AND THREATS

(i) Opportunities

a. **Personal mobility:** With multiple opportunities in personal mobility, including the growth of first time users, increase in usage in smaller towns and rural areas, as well as a growing number of women riders, the Company is tapping these segments for growth.

b. **Original Equipment Manufacturer (OEM) partnerships:** The Company works with OEMs to build enduring partnerships, such as its recent tie-up with Maruti for their premium Nexa channel and Piaggio for two-wheelers. It also works with OEMs on product development with new technologies as well as addressing the environmental needs of lower emission and fuel efficiency.

c. **Medium / light commercial vehicles (MLCV):** While the MLCV segment was moderately impacted by the economic slowdown in the first half of 2017, it is poised for growth due to the last-mile connectivity offered, which enables the Company to continue to focus on this category.

Castrol CRB PLUS offers an improved formulation for commercial vehicle oils giving a superior promise of '400 hours of protection.'

d. **Improving technology in trucks:** With the advent of stricter emission norms resulting in newer technologies for trucks, the CI4+ segment is the fastest growing segment in the commercial vehicle category, in which the Company enjoys a strong position.

e. **Distribution:** The Company has a large distribution network in the retail market. Renewed focus on distribution and customer reach in different market segments will enable future growth.

f. **Marine & energy sector:** The likelihood of the development of India's east coast may bring in more rigs to Indian waters with an opportunity to increase volumes in energy lubricants.

With the maritime sector getting a boost from the Government through infrastructural developments in the coastal areas, higher demand for ships, barges and passenger vessels, and, therefore, for more marine lubricants is foreseen.

> "The Company continued to deliver a strong performance in automotive lubricants achieving top line growth, driven mainly by performance of its power brands"

(ii) Threats

a. **Economic uncertainty:** After relative stability of low crude prices in the first half of 2016, the Company has seen an upward trend of base oil costs from late 2016, which rose further in 2017. This is likely to continue throughout 2018, based on the current and future market environment estimates.

b. **GST:** With GST rollout in 2017, there was very low inventory and stocking, and hence, overall production. The effect started diminishing gradually in the second half of 2017. Also, the Company has been one of the first among lubricant players to transition smoothly to GST and bill customers immediately, post its introduction.

While some uncertainty around GST implementation currently exists, and measures are being taken to iron out these issues, this uncertainty is likely to continue in 2018.

c. **Competitive activity:** Competition in the lubricants market is intense and most international players have identified India as a focus market. Competitive activity is likely to remain high in the foreseeable future. There is also a trend of some OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.

Competition in the marine market is expected to increase, which may affect margins.

PRODUCT-WISE PERFORMANCE

Automotive lubricants

The Company continued to deliver a strong performance in automotive lubricants achieving top line growth, driven mainly by performance of its power brands – Castrol Activ, Castrol POWER1, Castrol GTX, Castrol MAGNATEC, Castrol EDGE, Castrol CRB and Castrol VECTON. The Company also selectively played in the mid-price segment in certain categories.

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.

The Company continued to engage with its key influencers, mechanics, in the automotive market. Innovative micro-marketing campaigns were used to engage them and to strengthen brand equity among this community. The Company developed a unique programme for two-wheeler mechanics

The finale of Castrol Super Mechanic was held in Mumbai where mechanics from across the country were seen competing for the coveted title

called 'Castrol Super Mechanic.' This programme helped strengthen mechanic advocacy for the Company.

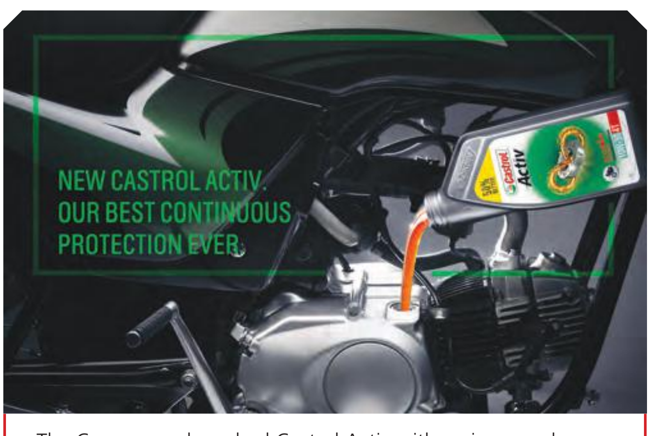
The Company launched Castrol GTX Essential, a value for money offering in car engine oils in the market in 2017. The Company relaunched Castrol Activ with an improved formulation for two-wheelers, which has received a positive market response.

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 in digital media. The Company leveraged its association with the Pro Kabaddi League to drive connect with the youth. The Company continued to grow sales of Castrol Activ SCOOTER, a product customized for gearless scooters, through advertising to build distinct brand recall.



The Company relaunched Castrol Activ with an improved formulation for two-wheelers

> "The Company relaunched Castrol Activ with an improved formulation for two-wheelers, which has received a positive market response"

For the second successive year, the Company associated with the very successful and popular web series 'Girl in the City' which has been one of the most watched web series with over 57 million views. The Company launched a new product - Castrol POWER1 CRUISE targeted to the cruiser biker segment. The brand also continued to engage young passionate bikers via the social community 'Castrol Biking', which is 1.6 million followers strong.

Passenger car oils in retail and independent workshops

The Company continued driving synthetic products focussing on key metro cities through its 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.

Passenger car oils in OEM franchised workshops

The Company continues to build a dedicated range of products under the Castrol Professional series to cater to the specific needs of this segment. With Castrol EDGE Professional, Castrol MAGNATEC Professional and Castrol

> A state-of-the-art integrated Technology and Quality laboratory was set up at the Company's Silvassa plant

GTX Professional product variants, the Company meets the varied engine oil requirements of partner OEM workshops such as Maruti Suzuki, Tata Motors, Ford, Volkswagen Group and Jaguar-Land Rover.

Commercial vehicle oils

The Company continued to promote Castrol CRB PLUS, offering an improved formulation providing superior promise of '400 hours of protection.' The Company engaged consumers and influencers through its on-ground integrated activation programme. The Company also 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

Despite a tough external environment Castrol has been able to hold its aggregate industrial lubricants' volumes in 2017. This has been made possible through customer acquisition and new product introduction, supported by initiatives such as customer seminars and digital marketing.

Keeping up with its promise of environment-friendly products, the Company launched high performance metal working fluid Castrol Hysol SL 35 XBB which is boron and biocide free. The Company also strengthened its relationship with key strategic partners, such as JCB, which helped it grow substantially in the heavy duty segment of the market.

Marine & energy lubricants

The Company continues to focus on customer intimacy and provide products and services that are best-in-class in marine and energy lubricants. It continued to offer value-added services such as fleet optimizer, along with best practices from its marine businesses across the globe, enabling enhanced customer confidence.

Quality

The Company continued its focus on strengthening quality standards. Quality programmes such as 'Q standard' for manufacturing sites and for third-party manufacturing locations were implemented and extended to warehouses too. Laboratory equipment was upgraded to cater to high performance lubricants testing and a state-of-the-art integrated Technology and Quality laboratory was set up at the Company's Silvassa plant.

A technician working in the state-of-the-art technology and quality laboratory at Silvassa

The global process of quality field inspections which enable monitoring the effectiveness of control barriers to manage quality risks was rolled out during the year. The Company successfully transitioned to new standards of ISO 9001-2015 and IATF 16949-2016 certifications.

OUTLOOK

The outlook for 2018 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: With increasing sales of two-wheelers, this category of engine oils will continue to see an upward trend. The rural segment is expected to be a key driver for the growth of two-wheeler sales in India. With its wide distribution reach, the Company is expected to capitalize on this opportunity. The scooter oil sub-category has done very well in 2017 and is expected to continue the momentum of growth in the coming years. The demand for lubricants in the two-wheeler segment is expected to grow by 8% in 2018 [7].

Passenger cars: The passenger car population is expected to grow by 8% in 2018, while the passenger car engine oil market is also expected to grow at approximately the same pace. Synthetic oils will grow at a faster rate in this category.

Commercial vehicles: The demand for lubricants in commercial vehicle segment is expected to grow by 0.5% in 2018 [8] due to the advancement of engine oil technology leading to longer oil drain intervals.

[7] [8] **Source:** *Kline Report 2017*

Growth in construction and off-highway sectors due to investment in infrastructure is also likely to lead to lubricants demand growth in this category.

Industrial lubricants

The industrial output growth in 2018 is likely to be around 6% [9], basis industry estimates. With economic reforms gaining momentum and a strong IIP performance between October to December 2017, India's long-term prospects for growth remain optimistic. The 'Make in India' programme is expected to drive growth of the manufacturing sector, including some key industrial sectors such as 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 2018.

Marine & energy lubricants

India has 12 major and 200 notified minor and intermediate ports where cargo traffic is increasing substantially. The country's major ports handled a combined traffic volume of 647.76 million tonnes (mt) during 2016 -17, registering an annual growth rate of 6.8%. The Indian Government has allowed foreign direct investment of upto 100% under the automatic route for port and harbour construction and maintenance projects. It has also facilitated a 10-year tax holiday to enterprises that develop, maintain and operate waterways and ports. Several measures to improve operational efficiency of ports and speedier shipping operations in the shipping belt have been initiated by the government, which augurs well for the marine lubricants segment.

Channels of distribution

The Company's products are distributed through 350 distributors who service approximately 90,000 customers. It also leverages its distribution channels to reach a wider network of independent workshops. The Company's sub-distributors reach out to additional outlets in rural markets. The distribution network covers outlets that contribute to over 70% of the Company's business. The Company also serves over 3,000 key institutional accounts directly, and in some cases through its distributors.

Over the last two years, the focus on priority channels has contributed to growth in the Company's business.

The Company has continued to drive simplification in systems and processes to bring in more speed and transparency in various back-end operations. It has also leveraged digitization to create a superior and premium experience for customers in their interaction with the Company.

The Company continues to invest in training and development to build distributor staff capability to compete and excel in the marketplace.

> The Company has leveraged digitization to create a superior and premium experience for customers

RISKS AND CONCERNS

Volatility in input costs and foreign exchange continues to remain a risk. The Company has appropriate mitigation plans in place to deal with such risks and protect margins. During 2017, appropriate pricing actions were taken in the market as required, keeping in mind input costs, competitive positioning and product brand strategy.

Ambiguity in GST regulations may continue to create a short-term adverse impact on the Company's operations. However, there are appropriate processes in place to address the same.

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 and Environment (HSSE) are critical focus areas 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.

Our driving safety programme for professional drivers called 'SMART' to help keep them safe on the roads

[9] **Source:** *Oxford Economics Report 2017*

> "The Company's vision for Quality, 'right quality first time every time,' is a key enabler to help the Company provide a premium customer experience"

Similarly, product quality and integrity continue to be another focus area for the Company. Its vision for Quality, 'right quality first time every time,' is 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.

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 systems provide, among other things, a reasonable assurance that transactions are executed with management authorization. It also ensures that 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. This is supplemented through an extensive internal audit programme and periodic review by the management and the Audit Committee.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company delivered a strong Gross Profit growth of 4% in 2017 over 2016, driven by higher volumes. Cost of sales increased during 2017 by 9% over the previous year, primarily due to rise in input costs.

The Company managed to sustain realizations due to its focus on the personal mobility category and margin management.

Operating and other expenses increased by Rs. 46 crores as compared to 2016 due to investment in safety, people, brands and business growth opportunities. Profit After Tax (PAT) has increased by Rs. 22 crores and is at Rs. 692 crores, compared to 2016, mainly due to higher gross profit.

With stabilization of the business environment post GST, the Company is confident that the actions it continues to take will deliver results. The management is beginning to see signs of recovery in the Indian economy and with the structural reforms continuing, it sees an increase in sale of vehicles as well as freight movement.

Aligned to the long-term strategic direction and on the back of continued investments in technology and brands, aggressive growth plans, innovative marketing programmes and delivery of premium customer experience at multiple touch points, the Company is confident of continuing to deliver robust business performance.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

People are the Company's key assets and the focus in 2017 was to develop people's capabilities and enhance employee engagement, aimed towards driving performance excellence. Employee capability continues to form the most critical pillar of the Company's development architecture. The Global Capability Week under the theme 'Learn and Grow' was observed across the Company, focussing on functional and personal development.

The Company continued to invest in leadership development through the flagship leadership offer for all team leaders and managers. It also drove the agenda of continuous conversations as a part of the performance cycle, which aims at creating better manager – subordinate relations by encouraging regular check-ins and feedback. The Company is happy to inform that internal candidates filled 47% of the vacancies in 2017, as compared to 40% in 2016.

The Global Capability Week under the theme 'Learn and Grow' was observed across the Company

The Company continued to actively drive efforts around Ethics and Compliance and Cyber Security via trainings and regular employee engagement. This helps in cultivating a culture of speak up, listen up, always doing the right thing, non-retaliation and zero tolerance to non-compliance as well as safe cyber behaviours and practices.

A cross section of the women employees at the Company's corporate office

The Company has continued to focus on building a diverse and inclusive workforce by creating awareness among the employees. It also focussed on changing its hiring practices ensuring recruitment of diverse candidates without compromising on meritocracy. The overall number of women in the managerial population has increased from 17% in 2016 to 19% in 2017. The Company was recognized as one of the top 100 companies for women in India by 'Working Mother & AVTAR' for the work it is doing to advance gender diversity.

Control and compliance in HR

In 2017, 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 these processes. The audit showed a continuous improvement in accomplishing 'A' level rating indicating that key internal controls and processes are operating efficiently and effectively. The Company continued to implement a real-time compliance monitoring tool for compliance reporting across various units and ensured 100% reporting culture.

Employee relations at plants

The Company had cordial employee relations with internal and external stakeholders. There has been a continued and focussed engagement with workmen and contractors at plants by the senior leaderships through town halls, offsite team meetings, regular sharing of business and safety updates, plant performance reviews and recognition of exemplary performance on safety and quality consciousness. The strength of the employee relations at the plants is also indicative by

"The Company was recognized as one of the top 100 companies for women in India for the work it is doing to advance gender diversity"

the absence of unionization of contractual labour, which is prevalent in the neighbouring industries. There has been no loss of man-days due to labour unrest or indiscipline.

The total number of people employed in the Company as on 31 December 2017, including factory workmen, was 738.

Health, Safety, Security and Environment

The Company continues to accord the highest priority to health and safety of the workforce and the communities it operates in. The Company has been fully committed to comply with all applicable laws and regulations and maintains the highest standards of Occupational Health, Safety and Environment. The Company has an HSSE policy which applies uniformly 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 environmental friendly operations. The effectiveness of implementation and compliance of OMS is being checked through a systematic process called field inspection, led by the Country Leadership Team.

All three blending plants are certified to the Environment Management System (ISO 14001:2004) and Occupational Health & Safety Management System (OHSAS 18001: 2007).

Team Silvassa with some members of the Board of Directors, Jayanta Chatterjee, Peter Weidner and Shiva McMahon, when they visited the Silvassa plant

Shareholders visited the Patalganga plant during the year to get a better understanding of the business

> "The plant at Silvassa has been awarded the Greentech Safety Award for its exemplary HSSE performance and practices for the third year in succession"

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 plant at Silvassa has been awarded the Greentech Safety Award for its exemplary HSSE performance and practices for the third year in succession.

The Company is also undertaking 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.

Safety and environmental performance has been integral to the Company's business performance. This is reviewed every month by the Country Leadership Team. The Company continues to focus on its 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.

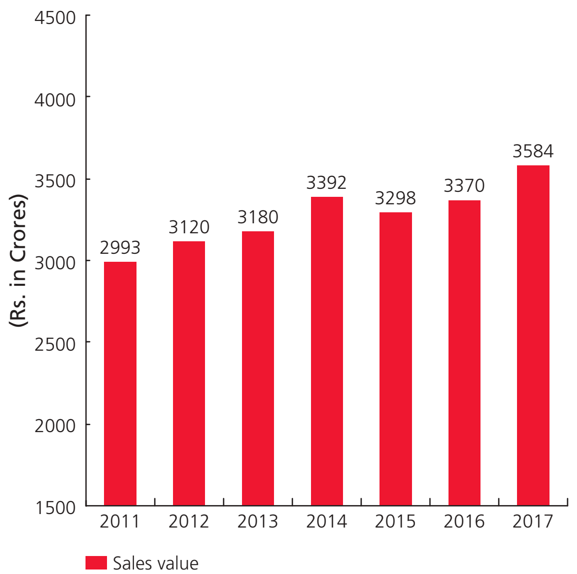
On behalf of the Board of Directors

Omer Dormen Managing Director DIN: 07282001	Rashmi Joshi Chief Financial Officer & Wholetime Director DIN: 06641898

Place: Mumbai
Date: 6 February 2018

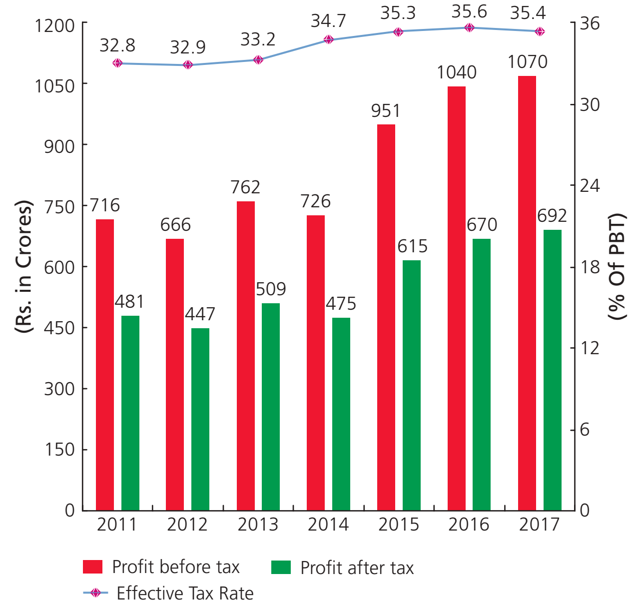
FINANCIAL HIGHLIGHTS

SALES

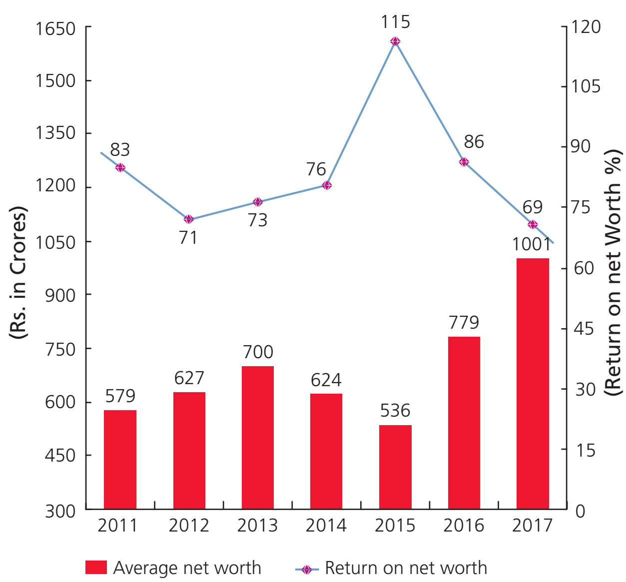


* Sales value includes other operating revenue and excludes excise duty

PROFIT AND EFFECTIVE TAX RATE

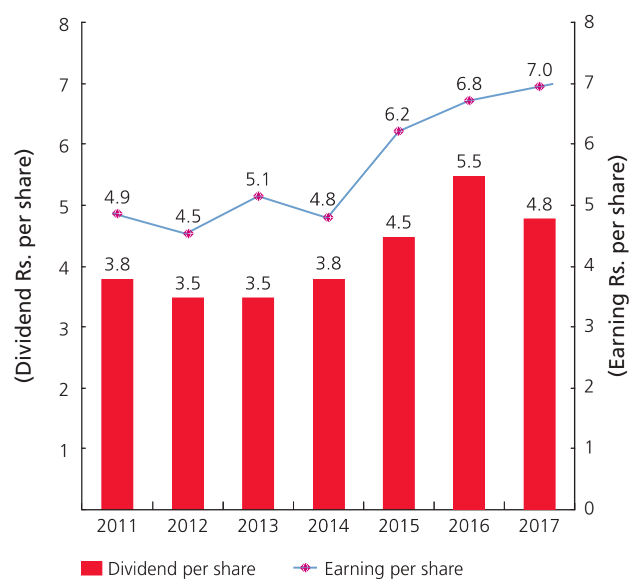


RETURN ON NET WORTH



* Computed on average Net Worth during each year

DIVIDEND AND EARNING PER SHARE*



* After considering adjustment for issue of bonus shares in 2012 and 2017

FINANCIAL HIGHLIGHTS

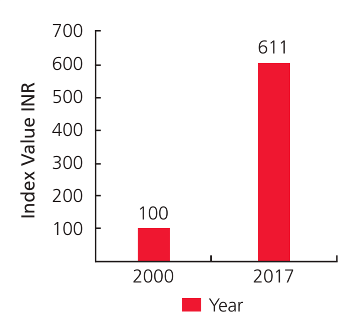
	Ind AS		IGAAP				
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
							Rupees in Crores
Revenue from Operations (gross)	3,851.56	3,875.96	3,791.42	3,918.62	3,677.50	3,605.38	3,439.23
Less: Excise Duty	^ 267.24	^ 505.63	493.39	526.29	497.88	484.52	445.96
Revenue from operations (net)	**3,584.32**	**3,370.33**	**3,298.03**	**3,392.33**	**3,179.62**	**3,120.86**	**2,993.27**
Other income	83.65	87.39	95.87	48.10	83.64	72.18	73.09
Cost of materials consumed	1,665.90	1,531.59	1,600.79	1,937.50	1,788.47	1,824.27	1,694.49
Employee benefits and other expenses	885.30	839.39	802.36	738.11	703.67	673.67	628.90
Depreciation and amortisation expense	45.50	44.96	38.97	36.13	30.45	26.64	25.11
Finance Costs	1.20	1.48	0.83	2.38	1.71	2.14	1.91
Profit before exceptional items and tax	**1,070.07**	**1,040.30**	**950.95**	**726.31**	**738.96**	**666.32**	**715.95**
Exceptional item	—	—	—	—	22.80	—	—
Profit before tax	**1,070.07**	**1,040.30**	**950.95**	**726.31**	**761.76**	**666.32**	**715.95**
Current taxation	365.14	388.04	323.80	260.60	241.06	227.78	255.44
Deferred taxation	13.12	(18.12)	11.89	(8.85)	12.13	(8.85)	(19.13)
Short/(excess) provision of tax relating to earlier years	—	—	—	—	—	—	(1.39)
Profit after taxation	**691.81**	**670.38**	**615.26**	**474.56**	**508.57**	**447.39**	**481.03**
Total other comprehensive income / (expense) for the year	(2.10)	1.35	—	—	—	—	—
Total Comprehensive income for the year	689.71	671.73	615.26	474.56	508.57	447.39	481.03
Net fixed assets	196.24	184.23	185.25	187.74	175.33	157.08	141.82
Net assets	1,020.15	981.54	575.61	496.78	751.42	649.23	604.20
Share capital	494.56	247.28	247.28	247.28	494.56	494.56	247.28
Reserves & surplus	525.59	734.26	328.33	249.50	256.86	154.67	356.92
Net worth	**1,020.15**	**981.54**	**575.61**	**496.78**	**751.42**	**649.23**	**604.20**
Deferred tax assets (net)	55.15	67.17	49.92	61.81	52.96	65.09	56.24
							Rupees
Earning per share*	**6.99**	**6.78**	**6.22**	**4.80**	**5.14**	**4.53**	**4.87**
Dividend per share (on proposed basis)*	**4.75**	**‡ 5.50**	**4.50**	**3.75**	**3.50**	**3.50**	**3.75**
Book value per share*	**10.31**	**9.92**	**5.82**	**5.02**	**7.60**	**6.56**	**6.11**

^ Excise duty has been netted off from sales to make it comparable with previous years.
* After considering adjustments for issue of bonus shares in 2012 and 2017.
‡ Includes equivalent special dividend of Rs. 1.00 per share.

SUSTAINABLE WEALTH CREATION

Year	Investment & Corporate action	No. of shares	Amount (INR)	Indexed value
2000	Shares purchased from open market	100	31,490	100
2010	Bonus shares (1:1)	100	-	
2012	Bonus shares (1:1)	200	-	
2017	Bonus shares (1:1)	400	-	
Total holding and cost as on December 31, 2017		800	31,490	100

Date	Particulars	Price per share (INR)	Amount (INR)	Indexed value
31-Dec-17	Market value	193.15	154,520	491
	Dividend received		37,925	120
	Gross return		**192,445**	**611**
	Compounded annual return since purchase in the year 2000		**11%**	



The Company has consistently provided returns at a CAGR of 11% which is substantially higher than the average risk free rate (government bond yield rate) for the investment period of 7.75%, thereby creating wealth for shareholders.

BOARD'S REPORT

To the Members,

Your Company's Directors are pleased to present the 40th Annual Report of the Company, along with Audited Financial Statement for the year ended 31 December 2017.

1. FINANCIAL RESULTS

Particulars	For the year ended 31 December 2017 (Rupees in Crores)	For the year ended 31 December 2016 (Rupees in Crores)
Sales (excluding excise duty) (a)	3,584	3,370
Other income (b)	84	87
Total Revenue (a+b)	3,668	3,457
Profit before tax and depreciation	1,116	1,085
Depreciation and amortisation	46	45
Profit before tax	1,070	1,040
Tax expense	378	370
Profit after tax	692	670
Other Comprehensive income (net of tax)	(2)	2
Total Comprehensive income	690	672
Balance brought forward	564	460
Profit available for appropriation	692	670
Appropriation		
Dividend (incl. tax)	655	566
Bonus issue	98	–
Balance carried forward	503	564

The Company has adopted "Ind AS" with effect from 1 January 2017. Financial statements for the year ended and as at 31 December 2016 have been re-stated to conform to Ind AS. Note 33 to the financial statement provides further explanation on the transition to Ind AS.

2. PERFORMANCE

Revenue from operations of your Company has increased by about 6.3% over the previous year to Rs. 3,584 Crores.

Costs of materials were higher by about 9% over the previous year at Rs. 1,666 Crores mainly due to rise in input costs. Operating and other expenses (excl. excise) increased by Rs. 46 Crores as compared to the previous year. Profit Before Tax increased by about 3% over previous year to Rs. 1,070 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 3% over the previous year to Rs. 692 Crores.

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

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

3. RETURNS TO INVESTORS

A. DIVIDEND

Your Directors are pleased to recommend a Final Dividend of Rs. 2.50 per share for Financial Year ended 31 December 2017 (2016: Final Dividend Rs. 4.50 per share and a Special Dividend of Rs. 2.00 per share). The said Final Dividend is on the enhanced paid-up equity share capital post issue of bonus shares in the ratio of 1:1. This is in addition to an Interim Dividend of Rs. 4.50 per share (pre bonus per share) (2016: Rs. 4.50 per share).

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 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.

B. BONUS SHARES:

Considering the financial parameters, and the position of reserves of the Company, your Board of Directors at its Meeting held on 7 November 2017 approved issue of bonus equity shares in the proportion of 1:1, i.e. 1 (One) bonus equity share of Rs. 5/- for every 1 (One) fully paid-up equity share held.

The Members of the Company, approved the proposal for issue of bonus equity shares in ratio 1:1, through postal ballot, on 15 December 2017. On 26 December 2017, your Company allotted the bonus equity shares to all the Members who held the fully paid-up equity shares as on 23 December 2017, being the "Record Date".

4. SHARE CAPITAL

During the year there has been an increase in the paid-up equity share capital due to issue of bonus equity shares to the Members of the Company. The paid-up equity share capital of the Company as on 31 December 2017 was Rs. 494.56 Crores (previous year Rs. 247.28 Crores). The authorized capital of the Company as on 31 December 2017 was Rs. 495 Crores, divided into 99,00,00,000 equity shares of Rs. 5/- each. There was no change in the authorized capital of the Company, during the year.

5. IND AS – IFRS CONVERGED STANDARDS

Your Company had adopted Ind AS with effect from 1 January 2017 pursuant to a notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, notifying the Companies (Indian Accounting Standard) Rules, 2015. Your Company has published Ind AS Financials for the year ended 31 December 2017 along with comparable as on 31 December 2016 and Opening Statement of Assets and Liabilities as on 1 January 2016.

Your Company has shared all four quarters re-stated Ind AS Profit and Loss Statement with investors along with quarterly results for comparison.

6. GOODS AND SERVICES TAX (GST)

The Goods and Services Tax (GST) is a landmark reform which will have a lasting impact on the economy and on businesses. Implementation of a well-designed GST model that applies to the widest possible base at a low rate can provide stimulus to the business and contribute to the Hon'ble Prime Minister's mission of 'Make in India'.

Your Company has successfully implemented and migrated to GST with effect from 1 July 2017 and changes across IT systems, Supply Chain and operations have been made keeping in mind the sweeping changes that GST has brought in.

7. TRANSFERS TO THE INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to applicable provisions of the Companies Act, 2013 ("the Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("The Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, after completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the Members for seven consecutive years or more shall also be transferred to the demat account created by the IEPF Authority.

The Company had sent individual notices and also advertised in the newspapers seeking action from the Members who have not claimed their dividends for seven consecutive years or more. Accordingly, the Company has transferred such unpaid or unclaimed dividends and corresponding shares upto the Interim Dividend for the Financial Year ended 31 December 2010.

Members/claimants whose shares, unclaimed dividend, have been transferred to the IEPF Demat Account or the Fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF Authority in Form IEPF-5 (available on http://www.iepf.gov.in) along with requisite fee as decided by the IEPF Authority from time to time. The Member/claimant can file only one consolidated claim in a Financial Year as per the IEPF Rules.

The Company will be transferring the Final Dividend and corresponding shares for the Financial Year ended 31 December 2010 and the Interim Dividend and corresponding shares for the Financial Year ended 31 December 2011 on or before 31 July 2018 and 15 September 2018 respectively. Members are requested to ensure that they claim the dividends and shares referred above, before they are transferred to the said Fund. Due dates for Transfer of Unclaimed Dividend to IEPF are provided in the Report on Corporate Governance.

Details of shares/shareholders in respect of which dividend has not been claimed, are provided on our website at http://www.castrol.com/en_in/india/financials/other-financial-documents-policies.html. The shareholders are therefore encouraged to verify their records and claim their dividends of all the earlier seven years, if not claimed.

8. PROMOTERS' SHAREHOLDING

During the year under review, BP Mauritius Limited, a subsidiary company of the promoter company, Castrol Limited, transferred its entire shareholding of 5,41,896 shares, aggregating to 0.11% of the paid-up equity share capital of the Company, to Castrol Limited. The present promoter of your Company is Castrol Limited, holding (51%) of the paid-up equity share capital of the Company.

9. COMPOUNDING

Your Company had filed a *suo-moto* application for compounding of the contravention of Section 203(4) of the Act (delay in appointment of the Company Secretary, a whole-time key managerial person of the Company) before the Hon'ble National Company Law Tribunal, Mumbai Bench.

The Hon'ble National Company Law Tribunal, Mumbai Bench, vide their order dated 2 August 2017, had disposed the matter favourably for your Company.

10. 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 our operations.

The safety agenda continued to be driven strongly through plant safety and road safety initiatives. Through the year, the Family Connect engagement programme for heavy vehicle drivers, with a strong focus on Safe Driving, continued to be an important forum for engagement across multiple locations.

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 continued to be driven by proactively anticipating demand changes and variability, and through the order fulfilment processes. Plant production, raw materials and packaging supplier reliability were also important pillars for a strong service delivery.

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.

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 Financial Year 2017 was about Rs. 25.5 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.

11. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Your Board, by way of a Circular Resolution, appointed Ms. Shiva McMahon (DIN: 07770783), as a Non Executive, Nominee Director of the Company, with effect from 11 May 2017.

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Jayanta Chatterjee and Ms. Rashmi Joshi, Wholetime Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

Details of each of the Directors proposed to be re-appointed at the ensuing Annual General Meeting, as required by Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations 2015") and SS - 2 (Secretarial Standards On General Meetings) are provided at the end of the Notice convening the 40th Annual General Meeting of the Company (Page 7).

Further, details of the Directorships held by Mr. Jayanta Chatterjee and Ms. Rashmi Joshi 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 proposed at the ensuing Annual General Meeting, which the Board recommends for your approval.

The Independent Directors of your Company have certified their independence to the Board, stating that they meet the criteria for independence as mentioned under Section 149 (6) of the Act.

The Board of Directors has appointed Ms. Chandana Dhar as the Company Secretary & Compliance Officer with effect from 12 January 2017.

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

12. BOARD EVALUATION

The Nomination and Remuneration Committee of your Company approved the Board Performance Evaluation Policy (the "Policy"), which has been 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. The Policy is provided as **Annexure II** to this report of the Board to the Members.

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 focussed 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 7 November 2017 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, its Committees and each Director playing more meaningful roles to increase shareholder value.

13. 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 **Annexure II** to this report of the Board to the Members.

14. BOARD AND COMMITTEES

The Board met four 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 Regulations 2015. Details of all the Committees of the Board have been given in the Corporate Governance Report.

15. 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.

16. 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 focusses 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.

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

17. 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 2017, 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 2017 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.

18. 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.

19. RELATED PARTY TRANSACTIONS

Your Company has adopted a Related Party Transactions Policy. The Audit Committee reviews the Policy from time to time and also reviews and approves all Related Party Transactions, to ensure that the same are in line with the provisions of applicable law and the Related Party Transactions 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 the ordinary course of the business and on arm's length pricing basis. No material related party transactions were entered into 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.

20. 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 2017.

21. 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 form part of the Annual Report.

22. 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 IV**.

23. 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 Report.

24. AUDITORS

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, were appointed as Statutory Auditors of your Company at the Annual General Meeting held on 31 May 2017, for a term of five consecutive years. As per the provisions of Section 139 of the Act, the appointment of Auditors is required to be ratified by Members at every Annual General Meeting. Resolution for the said ratification is being moved at the ensuing Annual General Meeting.

The Report given by the Auditors on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

M/s. Kishore Bhatia & Associates, Cost Accountants carried out the Cost Audit for the Company. They have been re-appointed as Cost Auditors for the Financial Year ending 31 December 2018.

The Board had appointed 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 2017. The Secretarial Auditor's report to the shareholders does not contain any qualification, and is annexed to this report marked as **Annexure V**.

25. COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS

During the Financial Year, your Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

26. 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 VI**.

27. 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 VII**.

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 Members 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 from 21 days before the Annual General Meeting till date of the Annual General Meeting. Any Member interested in obtaining such details may also write to the Corporate Secretarial Department at the Registered Office of the Company.

28. 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.

29. 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.

30. 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 Equity Shares (including Sweat Equity Shares) to employees of your Company, under any scheme
3. Your Company has not resorted to any buy back of its Equity Shares during the year under review
4. Your Company does not have any subsidiaries. Hence, neither the Managing Director nor the Wholetime Directors of your Company received any remuneration or commission during the year, from any of its subsidiaries
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and your Company's operations in future.

31. AWARDS AND RECOGNITIONS

Your Company won a clutch of prestigious and diverse external accolades in 2017 which include:

- IMC Ramkrishna Bajaj National Quality Performance Excellence Trophy
- Golden Peacock Award - Special Commendation for Excellence in Corporate Governance
- IndiaStar Packaging Award for its e-promo cap
- Greentech Safety Award for its Silvassa plant for the third successive year
- Runners up award at the FICCI CSR Awards for its Eklavya skill development programme for mechanics
- Employee's Provident Fund Organization Award where it was ranked # 1 among 1,500 companies
- Featured as one of the top 100 companies for women in India as per a study by Working Mother and AVTAR Group.

32. 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 the 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
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place : Mumbai
Date : 6 February 2018

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 preceeding 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 divided 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 & 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 NOMINATION, REMUNERATION, DIVERSITY AND EVALUATION

(Consolidated Policy approved by the Board of Directors on 6 February 2018)

This Policy of Castrol India Limited (the "Company") shall be referred to as "Policy on Nomination, Remuneration, Diversity and Evaluation (the "Policy"). This Policy shall act as a guideline for "Nomination and Remuneration Committee" (the "Committee") on matters relating to Appointment of Directors including Independent Directors, Remuneration of Directors, Key Managerial Personnel (KMPs) and Senior Management Personnel, Board evaluation and Board Diversity. This Policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 (the "Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations, 2015") and is subject to the provisions of other applicable laws as amended from time to time.

1. Policy

The Committee is responsible for recommending this Policy to the Board including any amendments to be made in this Policy.

2. Review of the Policy

The Board of Directors (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 for reasons that include but are not limited to regulatory changes.

Implementation of this Policy shall be the responsibility of the Company Secretary & Compliance Officer 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 the Act read with SEBI Listing Regulations, 2015.

The power to interpret and administer the Policy shall rest with the Chairperson of the Committee whose decision shall be final and binding. The Chairperson is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or placed before the Committee, from time to time, to ensure the Committee's oversight on these issues.

3. 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 annual general 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.

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 to 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 internally 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 Board 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 reputation, both personal and professional, consistent with the image and reputation of Castrol.

   ii. The Board 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.

   iii. The Board 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.

   iv. The Board 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 or conflict of interest.

   v. Board Candidate should be highly accomplished in its respective field, with superior credentials and recognition.

   vi. 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 Board candidate is or has been the Chief Executive Officer, Chief Operating Officer or other major operating or officer of a major corporation, with a background in law / marketing / finance / business operations / strategic management.

      b. Industry – The Board candidate has experience in the fast-moving consumer goods (FMCG) industry/ automobile industry or other complementary field.

      c. Information Technology – The Board candidate should have fair understanding of information technology, e-commerce or digital marketing and also of regulatory framework in which the industry operates.

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.

4. 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.

The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Act. This policy is subject to the provisions of the Companies Act, 2013 and Listing Regulations issued by Securities and Exchange Board of India (SEBI) from time to time and that the Nomination and Remuneration Committee/ Board to assess the Independence of Independent Directors of the Company according to the criteria of Independence laid down by the Companies Act, 2013 read with Listing Regulations.

5. Policy on Remuneration of Directors

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 equalization, 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.

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 Whole-time Director, Key Managerial Personnel and Senior Management Personnel in the same position/remuneration or revised remuneration after attaining the age of superannuation, for organizational development reasons.

The Committee will discuss succession plans for the Directors, Key Managerial Personnel and Senior Management Personnel in consonance with the Company's policies, as applicable from time to time.

(i) Remuneration for Independent Directors (IDs) 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 recognized 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.

c. The IDs and NEDs are not entitled to any stock options of the Company.

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.

(ii) Remuneration for Managing Director (MD)/Whole-time Directors (WTDs)/Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs)

A. The remuneration policy for the Managing Director (MD)/Whole-time Directors (WTDs)/ KMPs and Senior Management Personnel (SMPs) 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 whole-time 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-imbursements 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 organizational 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.

v. Severance Pay may be awarded (under supervision and with approval of the Committee) to the eligible MD/WTDs/KMPs/SMPs in case of major organisational structuring(s).

vi. Long Term Incentives may be awarded (under supervision and with approval of the Committee) to the eligible MD/WTDs/KMPs/SMPs based on their contribution to the performance of the Company, relative position in the organisation, and length of service.

C. *Annual Compensation Review* – The compensation review year will be financial year of the Company. 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.

6. Board Evaluation

1. The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. Towards this end, the Committee shall establish the criteria and processes for evaluation of performance of Individual Directors, Chairperson of the Board, the Board as a whole and the Committees of the Board and recommend the same to the Board.
2. The Board is responsible for monitoring and reviewing of the Board Evaluation framework.
3. The Committee shall
   - formulate criteria for evaluation of performance of independent directors and the board of directors;
   - carry out evaluation of every director's performance;
   - determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
4. The performance evaluation shall take place annually. It shall be the responsibility of the Chairperson of the Committee to organise the evaluation process.
5. The appointment/re-appointment/continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.
6. The process and criteria for evaluation shall be guided by the "Guidance Note on Board Evaluation" issued by SEBI (No. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 5, 2017), applicable provisions of the SEBI Listing Regulations, 2015 and the Act and amendments/modifications thereto made from time to time.

7. Meeting of Independent Directors:

   The Independent Directors of the Company shall hold at least one meeting in a year, without the attendance of Non-independent Directors and members of the management.

   Such meeting shall:

   a) review the performance of Non-independent Directors and the Board as a whole;

   b) review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-executive Directors;

   c) assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

   The Independent Directors may call such meeting(s) at any point of time as desired.

7. 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, Law, 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 at least one Board member who has accounting or related financial management expertise and at least one woman director.

   The Board recognises the benefits that diversity 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 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 III

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 of the CSR programmes it undertakes, with leading non-governmental organisations (NGOs), prior to implementing the same. Based on stakeholder response, partner experience and contribution to the Company's CSR vision, the projects are accordingly upscaled or redesigned. Encouraged by the response to the pilot programmes and impact studies of existing progammes, the portfolio continues to grow with expanding partnerships and investments.

The Company's CSR Policy can be viewed at: http://www.castrol.com/en_in/india/about-us/csr.html.

2. Composition of the CSR Committee of the Board

- 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

Average net profit of the Company for last three financial years (2014, 2015 and 2016) calculated in accordance with the provisions of Section 198 of the Companies Act, 2013 is Rs. 907.78 Crores.

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

Two percent of the average net profit for last three financial years is Rs. 18.16 Crores.

5. Details of CSR spend during the financial year

a. The Company was required to spend Rs. 18.16 Crores in 2017 on CSR activities. A sum of Rs. 0.82 Crores remained unspent from the CSR budget of 2016, which was carried forward to the CSR budget of 2017 and spent fully on CSR activities in 2017. For the Financial Year ended 31 December 2017, the Company spent Rs. 19.16 Crores on CSR projects.

b. Amount unspent, if any: Nil

c. Manner in which the amount was spent during the financial year is detailed below:

(Rs. in Crores)

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/ Programmes (1) Local area or other (2) Specify the State and district where Projects/ Programmes were undertaken	Amount outlay (budget) Project/ Programme wise	Amount spent on the Projects/ Programmes	Cumulative expenditure up to reporting period	Amount spent directly or through Implementing Agency (IA)
1	Eklavya : Strengthening skills in the automotive and industrial sectors, with a focus on technology	Livelihood enhancement projects	Chhattisgarh, Maharashtra, Assam, Himachal Pradesh, Tamil Nadu, Delhi/NCR	5.59	5.59	5.59	IA – Social Empowerment and Economic Development Society, Pravah.

(Rs. in Crores)

Sr. No.	CSR project/ activity identified	Sector in which the Project is covered	Projects/ Programmes (1) Local area or other (2) Specify the State and district where Projects/ Programmes were undertaken	Amount outlay (budget) Project/ Programme wise	Amount spent on the Projects/ Programmes	Cumulative expenditure up to reporting period	Amount spent directly or through Implementing Agency (IA)
2	Ehtiyat : Collaborating for safer mobility	Promotion of Road Safety	Maharashtra, Delhi/NCR, Rajasthan, Tamil Nadu & West Bengal	10.22	10.22	10.22	IA — Federation Of Indian Chamber Of Commerce and Industry's Socio Economic Development Foundation; Social Empowerment and Economic Development Society; Synergie
3	Ekjut : Community Development in the areas of operation and presence	Promoting education, including special education and employment enhancing vocation skills	Silvassa, Patalganga and Paharpur	2.22	2.22	2.22	IA — Ambuja Cement Foundation, Pratham Education Foundation, Friends Union for Energising Lives
4	Ehsaas : Humanitarian Aid	Disaster Relief	Flood affected areas of Assam	0.29	0.29	0.29	IA — United Way of India
5	Administrative Overheads			0.84	0.84	0.84	Direct
	Total			**19.16**	**19.16**	**19.16**	

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.**

   Not Applicable (The Company spent over 2% of the Average Net Profit of the last three financial years in 2017)

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 implementation partners. Ensuring an active oversight and providing guidance on the Company's CSR investments are key responsibilities 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	**R. Gopalakrishnan**
Managing Director	**Chairman, CSR Committee**
DIN: 07282001	**DIN: 00027858**

Place : Mumbai
Date : 6 February 2018

Annexure IV

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

- Agitator installation for reducing batch cycle time in two blenders
- Maintaining power factor, optimizing power consumption and energy bill
- Usage of battery operated forklifts
- Replacement of 2 star rated aircon with 5 star rated aircon
- Continuous rationalization of certain blending operations for a few products with reduced temperature, to reduce energy consumption
- Constant focus on increasing awareness level amongst the work force for various energy conservation measures at the plant level
- Continuous usage of Plate Type Heat Exchangers (PHE) in certain units to reduce energy consumption by improving the heat transfer rate
- Continuous usage of energy efficient pumps for unloading and transfer application & air cooled pump with Variable Frequency Drive (VFD) compatible motor

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

None.

(iii) Capital investment on energy conservation equipments

- Replacement of specific identified Aircon (Rs. 8 lakhs)
- Agitator installation in two blenders (Rs. 15 lakhs)

(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 Financial Year 2017 in motorcycle, passenger cars and commercial vehicles spaces, with superior benefits to consumers. The company upgraded the existing ACTIV brand portfolio to provide superior benefits to the customer which now gives 50% better continuous protection (versus industry standard limits). In Financial Year 2017, the Company launched GTX professional CI-4+, a product brand variant in Castrol GTX specifically for TATA, which can provide superior protection to help extend engine life for cars fitted with BSIII/IV diesel engines. The Company also launched a CNG variant of CRB mini truck, which is required by the current generation of CNG-fitted mini trucks and has unique heat-shield boosters engineered to fight thermal degradation. The company has also upgraded Manual T80W gear oil for TATA vehicles, which now provides extended drain in synchromesh gear boxes or transaxles.
- The Company continued to focus on environmental protection through the introduction of new products, particularly in the Industrial range. Hysol SL 35 XBB was introduced, which is a unique Boron and Biocide free formulation, which delivers prolonged fluid life with an improved health and safety profile.

This technology is a significant step forward for soluble cutting oils in India. In 2017, Castrol became the first lubricant supplier in the world to offer carbon-neutral lubricants for the wind turbine industry. Our two products, Optigear Synthetic CT 320 and Optigear Synthetic X 320 are now PAS 2060 certified by the British Standards Institute, which means that these products are certified as completely carbon neutral for their entire lifecycle, helping to further reduce the carbon footprint of wind turbine operations.

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

- New product launch: import and local development:
  - Tribol BW 22 launched with improved product stability and performance for the textile industry. The product is approved by knitting machines OEM
- The following brands were re-launched during the year with product improvement:
  - Activ and Manual T80W
  - Tribol BW 22 launched 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, GTX CI-4+ with superior protection to help extend engine life.

(iv) Expenditure on R&D

	(Rs. in Crores)
Capital	5.03
Recurring	19.94
Total	**24.97**

(C) Foreign Exchange Earnings 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 Malaysia, China, Thailand, and Indonesia

2. Earnings and Outgo

	Rs. in Crores
Foreign Exchange Earnings	25.65
Foreign Exchange Outgo	99.77

On behalf of the Board of Directors

Omer Dormen	**Rashmi Joshi**
Managing Director	**Chief Financial Officer & Wholetime Director**
DIN: 07282001	**DIN: 06641898**

Place : Mumbai
Date : 6 February 2018

Annexure V

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

[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 **31st December 2017**. 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 **31st December 2017**, 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 **31st December 2017** according to the provisions of:

i. Companies Act, 2013 (the Act), 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 – **Overseas Direct Investment and External Commercial Borrowing not applicable as the Company has not made Overseas Investment and not availed any External Commercial Borrowing;**

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

   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.

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 including two Women Directors. 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 unanimously.

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 Managing Counsel 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 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:

The Company has on 26th December 2017 issued and allotted one Equity Share for every one equity share held by the Members as on 23rd December 2017 as Bonus Equity Shares. The said Equity Shares were listed on the Stock Exchanges on 4th January 2018.

For S. N. ANANTHASUBRAMANIAN & CO.
Company Secretaries

S. N. Ananthasubramanian
Partner
FCS No: 4206
C.P. No: 1774
Date : 01.02.2018
Place : Thane

Annexure VI

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

[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.	**CIN**	L23200MH1979PLC021359
ii.	**Registration Date**	31.05.1979
iii.	**Name of the Company**	Castrol India Limited
iv.	**Category / Sub-Category of the Company**	Public company / Limited by shares
v.	**Address of the Registered Office and Contact details**	Technopolis Knowledge Park, Mahakali Caves Road, Andheri (East), Mumbai-400 093. Tel: 022-6698 4100 Fax: 022-6698 4101
vi.	**Whether listed company**	Yes
vii.	**Name, Address and Contact details of Registrar and Transfer Agent, if any**	TSR Darashaw Limited 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalakshmi, Mumbai-400 011. (with effect from 1 March 2018) Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg, Vikhroli West, Mumbai-400 083. Website: www.linkintime.co.in Contact No. 022-4918 6000 / 022-4918 6270 Fax: 022-4918 6060 Toll-free number: 1800 1020 878 Email ID: rnt.helpdesk@linkintime.co.in

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:

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Castrol Limited	Not Applicable	Holding	51.00	2(46)

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

i. Category-wise Share Holding

Category of Shareholders	Shareholding at the beginning of the year				Shareholding at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1) Indian									
a) Individuals / Hindu Undivided Family	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Government / State Governments(s)	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A)(1):	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0.00**
2) Foreign									
a) Individuals (Non-Resident Individuals / Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
b) Bodies Corporate	25,22,26,208	0	25,22,26,208	51.00	25,22,26,208	0	25,22,26,208	51.00	0.00
c) Institutions	0	0	0	0.00	0	0	0	0.00	0.00
d) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A)(2):	**25,22,26,208**	**0**	**25,22,26,208**	**51.00**	**25,22,26,208**	**0**	**25,22,26,208**	**51.00**	**0.00**
Total Shareholding of Promoter and Promoter Group (A)	25,22,26,208	0	25,22,26,208	51.00	25,22,26,208	0	25,22,26,208	51.00	0.00
B. Public Shareholding									
1. Institutions									
a) Mutual Funds / UTI	5,31,37,813	9,306	5,31,47,119	10.75	2,74,51,125	9,246	2,74,60,371	5.55	(5.19)
b) Financial Institutions / Banks	17,47,893	18,258	17,66,151	0.36	22,12,220	16,142	22,28,362	0.45	0.09
c) Central Government / State Governments(s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
e) Insurance Companies	3,73,03,326	0	3,73,03,326	7.54	5,25,96,647	0	5,25,96,647	10.64	3.09
f) Foreign Institutional Investors	1,75,40,494	2,480	1,75,42,974	3.55	3,21,046	1,240	3,22,286	0.07	(3.48)
g) Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
h) Qualified Foreign Investors	0	0	0	0.00	0	0	0	0.00	0.00
i) Foreign Portfolio Investors (Corporate)	4,08,96,558	0	4,08,96,558	8.27	5,06,43,012	0	5,06,43,012	10.24	1.97
j) Any Other (specify) Alternative Investment Funds	0	0	0	0.00	6,49,748	0	6,49,748	0.13	0.13
Sub-total (B)(1)	**15,06,26,084**	**30,044**	**15,06,56,128**	**30.46**	**13,38,73,798**	**26,628**	**13,39,00,426**	**27.07**	**(3.39)**
2. Non-Institutions									
a) Bodies Corporate									
(i) Indian	2,07,10,989	41,108	2,07,52,097	4.20	2,15,69,026	34,210	2,16,03,236	4.37	0.17
(ii) Overseas	0	4,000	4,000	0.00	0	2,000	2,000	0.00	0.00
b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	5,23,85,247	77,78,967	6,01,64,214	12.17	7,29,86,068	71,98,583	8,01,84,651	16.21	4.05
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1,02,98,885	4,59,660	1,07,58,545	2.18	65,39,103	1,05,568	66,44,671	1.34	(0.83)
c) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
d) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(2)	**8,33,95,121**	**82,83,735**	**9,16,78,856**	**18.54**	**10,10,94,197**	**73,40,361**	**10,84,34,558**	**21.93**	**3.39**
Total Public Shareholding (B) = (B)(1) + (B)(2)	**23,40,21,205**	**83,13,779**	**24,23,34,984**	**49.00**	**23,49,67,995**	**73,66,989**	**24,23,34,984**	**49.00**	**0.00**
Total (A) + (B)	**48,62,47,413**	**83,13,779**	**49,45,61,192**	**100.00**	**48,71,94,203**	**73,66,989**	**49,45,61,192**	**100.00**	
C. Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A + B + C)	**48,62,47,413**	**83,13,779**	**49,45,61,192**	**100.00**	**48,71,94,203**	**73,66,989**	**49,45,61,192**	**100.00**	

ii. Shareholding of Promoters

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding 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 Limited	25,16,84,312	50.89	0.00	25,22,26,208	51.00	0.00	0.11
2.	BP Mauritius Limited	5,41,896	0.11	0.00	0	0.00	0.00	(0.11)
	Total	**25,22,26,208**	**51.00**	**0.00**	**25,22,26,208**	**51.00**	**0.00**	**0.00**

iii. Change in Promoters' Shareholding

Sr. No.	Name of Shareholder	Date	Particulars	Shareholding		Cumulative Shareholding	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Castrol Limited	31.12.2016	At the Beginning of the year	25,16,84,312	50.89	25,16,84,312	50.89
		19.06.2017	Bought during the year	5,41,896	0.11	25,22,26,208	51.00
		31.12.2017	At the end of the year	25,22,26,208	51.00	25,22,26,208	51.00
2.	BP Mauritius Limited	31.12.2016	At the Beginning of the year	5,41,896	0.11	5,41,896	0.11
		19.06.2017	Sold during the year	5,41,896	0.11	0	0.00
		31.12.2017	At the end of the year	25,22,26,208	51.00	0	0.00

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name of Shareholder	Shareholding		Cummulative Shareholding	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**LIC of India Child Fortune Plus Balanced Fund**				
	At the beginning of the year	3,14,02,126	6.35	3,14,02,126	6.35
	Bought during the year	1,20,35,252	2.43	4,34,37,378	8.78
	Sold during the year	0	0.00	0	0.00
	At the end of the year	4,34,37,378	8.78	4,34,37,378	8.78
2.	**R Shares Junior Bees - Investment Account**				
	At the beginning of the year	1,06,10,215	2.15	1,06,10,215	2.15
	Bought during the year	44,23,825	0.89	1,50,34,040	3.04
	Sold during the year	86,22,226	1.74	64,11,814	1.30
	At the end of the year	64,11,814	1.30	64,11,814	1.30
3.	**UTI-Unit Scheme For Charitable And Religious Trusts And Registered Societies**				
	At the beginning of the year	45,87,190	0.93	45,87,190	0.93
	Bought during the year	24,76,425	0.50	70,63,615	1.43
	Sold during the year	7,50,478	0.15	63,13,137	1.28
	At the end of the year	63,13,137	1.28	63,13,137	1.28
4.	**Government of Singapore**				
	At the beginning of the year	58,14,643	1.18	58,14,643	1.18
	Bought during the year	11,80,685	0.24	69,95,328	1.41
	Sold during the year	11,67,434	0.24	58,27,894	1.18
	At the end of the year	58,27,894	1.18	58,27,894	1.18

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of Shareholder	Shareholding		Cummulative Shareholding	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
5.	**Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Balanced 95 Fund**				
	At the beginning of the year	73,72,407	1.49	73,72,407	1.49
	Bought during the year	24,77,950	0.50	98,50,357	1.99
	Sold during the year	47,97,673	0.97	50,52,684	1.02
	At the end of the year	50,52,684	1.02	50,52,684	1.02
6.	**Aberdeen Global Indian Equity Limited**				
	At the beginning of the year	53,40,000	1.08	53,40,000	1.08
	Bought during the year	0	0.00	0	0.00
	Sold during the year	10,05,000	0.20	10,05,000	0.20
	At the end of the year	43,35,000	0.87	43,35,000	0.87
7.	**Aberdeen Global-Asian Smaller Companies Fund**				
	At the beginning of the year	32,19,004	0.65	32,19,004	0.65
	Bought during the year	3,50,000	0.07	3,50,000	0.07
	Sold during the year	0	0.00	0	0.00
	At the end of the year	35,69,004	0.72	35,69,004	0.72
8.	**DSP Blackrock MIP Fund**				
	At the beginning of the year	3,91,515	0.08	3,91,515	0.08
	Bought during the year	31,77,806	0.64	35,69,321	0.72
	Sold during the year	6,37,145	0.13	29,32,176	0.59
	At the end of the year	29,32,176	0.59	29,32,176	0.59
9.	**NPS Trust- A/C LIC Pension Fund Scheme - Central Govt.**				
	At the beginning of the year	26,12,655	0.53	26,12,655	0.53
	Bought during the year	3,76,772	0.07	29,89,427	0.60
	Sold during the year	1,50,834	0.03	28,38,593	0.57
	At the end of the year	28,38,593	0.57	28,38,593	0.57
10.	**ICICI Prudential Value Fund - Series 1**				
	At the beginning of the year	1,47,13,313	2.98	1,47,13,313	2.98
	Bought during the year	28,22,631	0.57	1,75,35,944	3.55
	Sold during the year	1,49,67,442	3.03	25,68,502	0.52
	At the end of the year	25,68,502	0.52	25,68,502	0.52

v. Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Directors / Key Managerial Personnel	Shareholding		Cumulative Shareholding	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**Mr. Susim Mukul Datta - Chairman**				
	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

v. Shareholding of Directors and Key Managerial Personnel (Contd.)

Sr. No.	Name of the Directors / Key Managerial Personnel	Shareholding		Cumulative Shareholding	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
2.	**Mr. Uday Khanna - Independent Director**				
	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.	**Mr. R. Gopalakrishnan - Independent Director**				
	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.	**Mr. Omer Dormen - Managing Director**				
	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.	**Mr. Sashi Mukundan - Nominee Director**				
	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.	**Mr. Peter Weidner - Nominee Director**				
	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.	**Ms. Rashmi Joshi - Chief Financial Officer & Wholetime Director**				
	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.	**Mr. Jayanta Chatterjee - Wholetime Director, Supply Chain**				
	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
9.	**Ms. Shiva McMahon - Nominee Director (w.e.f. 11 May 2017)**				
	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
10.	**Ms. Chandana Dhar - Company Secretary & Compliance Officer (w.e.f. 12 January 2017)**				
	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.

 # The Company has, on 26 December 2017, allotted 49,45,61,192 Equity Shares of Rs. 5/- as fully paid-up bonus equity shares, to the members whose names appeared in the Register of Members of the Company/List of Beneficial Owners as received from the National Securities Depository Limited and Central Depository Services (India) Limited as on 23 December 2017, 'the Record Date' fixed for this purpose, in the proportion of 1:1 i.e. 1 (One) Bonus Equity Share of Rs. 5/- of the Company for every 1(One) fully paid Equity Share of Rs. 5/- held as on the Record Date. The shares so allotted shall rank, pari passu, with the existing Equity Shares of the Company. The aforesaid bonus shares were credited by the depositories on 4 January 2018.

V. INDEBTEDNESS

The Company had no indebtedness with respect to Secured or Unsecured Loans or Deposits as on 31 December 2017.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and Key Managerial Personnel

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	Name of MD/WTD			Total
		Mr. Omer Dormen	Ms. Rashmi Joshi	Mr. Jayanta Chatterjee	
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	5,59,96,516	1,51,01,494	1,66,38,554	8,77,36,564
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	1,19,81,514	10,54,512	16,63,976	1,47,00,002
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	0	0	0	0
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)	6,79,78,030	1,61,56,006	1,83,02,530	10,24,36,566
	Ceiling as per the Act	INR 1,08,42,11,791 (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	7,50,000	7,50,000	4,50,000	**19,50,000**
	• Commission*	20,00,000	16,00,000	16,00,000	**52,00,000**
	• Others, please specify	0	0	0	**0**
	Total (1)	27,50,000	23,50,000	20,50,000	**71,50,000**
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)	27,50,000	23,50,000	20,50,000	**71,50,000**
	Total Managerial Remuneration Total (A) + (B)				**10,95,86,566**
	Ceiling as per the Act	INR 10,84,21,179 (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 1,19,26,31,000 (Being 11% of Net Profit of the Company calculated as per Section 198 of the Companies Act, 2013)			

* *Commission for the Financial Year ended 31 December 2017 will be paid after adoption of the financial statements at the 40th AGM to be held on 3 May 2018.*

C. Remuneration to Key Managerial Personnel other than MD/WTD

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	**Ms. Chandana Dhar** Company Secretary* (Key Managerial Personnel)
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	61,48,350
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	56,408
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	0
2.	Stock Option	0
3.	Sweat Equity	0
4.	Commission	0
5.	Others, please specify	0
	Total	62,04,758

* *Appointed as Company Secretary with effect from 12 January 2017.*

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	203(4)	Hon'ble National Company Law Tribunal, Mumbai Bench (NCLT) vide Order dated 2nd August, 2017 compounded offence under Section 203(4) of the Companies Act, 2013	Rs. 5,000/- Compounding Fee imposed on the Company.	NCLT, Mumbai Bench	NA
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	203(4)	Hon'ble National Company Law Tribunal, Mumbai Bench (NCLT) vide Order dated 2nd August, 2017 compounded offence under Section 203(4) of the Companies Act, 2013	Rs. 5,000/- each Compounding Fee imposed on Mr. Omer Dormen, Managing Director, Ms. Rashmi Joshi, Chief Financial Officer and Whole-time Director and Mr. Jayanta Chatterjee, Whole-time Director – Supply Chain.	NCLT, Mumbai Bench	NA
C. OTHERS OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

On behalf of the Board of Directors

Omer Dormen
Managing Director
DIN: 07282001

Rashmi Joshi
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place : Mumbai
Date : 6 February 2018

Annexure VII

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 2017, percentage increase in remuneration of the Chief Executive Officer, the Chief Financial Officer and other Executive Directors and the Company Secretary during the Financial Year 2017:

Sr. No.	Name of Director/KMP	Designation	Remuneration of Director/KMP for FY 2017 (Rs. in Crores)	Percentage increase in Remuneration in the Financial Year 2017	Ratio of remuneration of each Director/KMP to median remuneration of employees
1.	Mr. Omer Dormen	Managing Director	6.80	12.08%	37.07
2.	Ms. Rashmi Joshi	Chief Financial Officer and Wholetime Director	1.62	2.72%	8.81
3.	Mr. Jayanta Chatterjee	Wholetime Director – Supply Chain	1.83	8.49%	9.98
4.	Mr. S. M. Datta*	Independent Director	—	—	—
5.	Mr. Uday Khanna*	Independent Director	—	—	—
6.	Mr. R. Gopalakrishnan*	Independent Director	—	—	—
7.	Mr. Sashi Mukundan	Nominee Director	—	—	—
8.	Mr. Ralph Hewins#	Nominee Director	—	—	—
9.	Mr. Peter Weidner	Nominee Director	—	—	—
10.	Ms. Shiva McMahon@	Nominee Director	—	—	—
11.	Ms. Chandana Dhar	Company Secretary & Compliance Officer	0.78	—	—

* *The Independent Directors of the Company are entitled to sitting fees and commission as per the statutory provisions and within the limits approved by the Board of Directors and Shareholders. The details of remuneration of Independent Directors are provided in the Corporate Governance Report.*

\# *Resigned as Nominee Director w.e.f. 31 August 2016.*

@ *Appointed as Nominee Director w.e.f. 11 May 2017.*

(ii) Other details:

Permanent employees on the rolls of the Company as on 31 December 2017	739
Percentage increase in the median remuneration of employees* in the Financial Year	17.93%

* *excluding Managing Director and Wholetime Directors.*

(iii) The average percentage increase made in the salaries of employees (other than the managerial personnel) was 8.00% while increase in the managerial remuneration was 7.01%. The increase in salaries during the year are based on the remuneration policy/reward philosophy of the Company and 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
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place : Mumbai
Date : 6 February 2018

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 2017, the Board consisted of nine (9) Directors comprising of three (3) Executive Directors, three (3) 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, Ms. Shiva McMahon was appointed as a Nominee Director of the Company with effect from 11 May 2017.

Appointment and Tenure

The Directors of the Company are appointed by Members at the General Meetings and two-third Directors (other than Independent Directors and Nominee 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 year ended 31 December 2017, numbers of meetings held and attended during the year are as follows:

Name of Director	Designation	Board Meetings during the year		Attendance at last AGM	Directorships in listed companies (including Castrol India Limited)****	Memberships of Board Committees (including Castrol India Limited)*****	
		Held	Attended			Member	Chairman
Mr. S. M. Datta	Chairman and Independent Director	4	4	Yes	4	6	2
Mr. R. Gopalakrishnan	Non-Executive Independent Director	4	4	Yes	2	2	0
Mr. Uday Khanna	Non-Executive Independent Director	4	4	Yes	5	4	3
Mr. Sashi Mukundan	Non-Executive Nominee Director	4	4	Yes	1	0	0
Ms. Shiva McMahon*	Non-Executive Nominee Director	3*	3	Yes	1	1	0
Mr. Peter Weidner	Non-Executive Nominee Director	4	4	Yes	1	0	0
Mr. Omer Dormen	Managing Director	4	4	Yes	1	1	0
Ms. Rashmi Joshi	Chief Financial Officer & Wholetime Director	4	4	Yes	1	1	1
Mr. Jayanta Chatterjee	Wholetime Director – Supply Chain	4	4	Yes	1	0	0

* *Appointed as Nominee Director w.e.f. 11 May 2017*

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

***** *Other Board Committees' Memberships include memberships of Audit Committee and Stakeholders Relationship Committee of public limited companies, whether listed or not.*

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

Mr. S. M. Datta (in individual capacity) holds 10,000 Equity Shares of the Company as on 31 December 2017, while Mr. Uday Khanna holds 1,600 Equity Shares of the Company as on 31 December 2017. No other Non-Executive Director holds any shares in the Company. The Company has not issued any convertible securities.

Board Meetings

The Board meets at regular intervals to discuss and decide on Company/business policy and strategy apart from other Board business. A tentative annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which is noted and confirmed in the subsequent Board Meeting.

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 & Compliance Officer is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Company Secretary & Compliance Officer 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.

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

Independent Directors' Meeting

During the year, all the three Independent Directors of the Company met separately on 7 November 2017 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.

During the Financial Year, total four (4) Board Meetings were held i.e. on 21 February 2017, 31 May 2017, 23 August 2017, and 7 November 2017 respectively. The maximum interval between any two meetings was within the maximum allowed gap of 120 days.

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 — https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/CIL%20Board%20Familarisation%20Programme%202017.pdf

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. Jayanta Chatterjee

Mr. Jayanta Chatterjee was appointed as Director – Supply Chain of the Company w.e.f. 30 October 2014.

Mr. Jayanta Chatterjee is a Bachelor of Electrical Engineering from Jadavpur University Calcutta and Post Graduate Diploma in Business Management from IIM Calcutta. He started his professional career with Philips India Limited in their Lighting Division in the area of Industrial Engineering and Purchasing.

He joined Castrol India in 1999 and has progressed through roles of increasing responsibility in Supply Chain, most recently he was the Regional Customer Fulfilment and Planning Manager based in Singapore and had also been responsible for leading the Supply Chain for Middle East and KSA business of BP Lubricants and the Operations Excellence team for Asia-Pacific Supply Chain.

Mr. Jayanta Chatterjee has twenty six years of Supply Chain leadership experience across multiple functions – Planning, Customer Fulfilment, Manufacturing and Process Implementation – and distribution channels – Retails, Distributor, OEM, Industrial and Marine – in Asia-Pacific and India.

Mr. Jayanta Chatterjee was re-designated as the Wholetime Director – Supply Chain with effect from 1 November 2017.

Mr. Jayanta Chatterjee is a member of the Corporate Social Responsibility Committee and Risk Management Committee of the Company.

Mr. Jayanta Chatterjee 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) of the Company 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 was re-designated as the Chief Financial Officer and Wholetime Director with effect from 1 November 2017.

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

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 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 information;
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 four (4) Members – three (3) Independent Directors viz. Mr. S. M. Datta, Mr. R. Gopalakrishnan, Mr. Uday Khanna and one (1) Nominee Director viz. Ms. Shiva McMahon 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 Chief Financial Officer, 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 & Compliance Officer acts as the Secretary to the Committee.

Four (4) Audit Committee meetings were held during the Financial Year ended 31 December 2017 on 21 February 2017, 31 May 2017, 23 August 2017 and 7 November 2017. The attendance of each member of the Committee is given below:

Name	Designation	No. of Meetings held	No. of Meetings attended
Mr. Uday Khanna	Chairman	4	4
Mr. S. M. Datta	Member	4	4
Mr. R. Gopalakrishnan	Member	4	4
Ms. Shiva McMahon*	Member	3	3

** Ms. Shiva McMahon was appointed as Member of Audit Committee w.e.f. 11 May 2017.*

(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) Formulation of criteria for evaluation of performance of independent directors and the board of directors;
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;
5) Making decision on whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

As on 31 December 2017, the NRC comprises of 4 (four) members viz. Mr. R. Gopalakrishnan, Independent Director, Mr. S. M. Datta, Independent Director, Mr. Peter Weidner, Non-Executive Director and Ms. Shiva McMahon, Non-Executive Director. The NRC is chaired by Mr. R. Gopalakrishnan. Ms. Shiva McMahon was appointed as a member of the Committee w.e.f. 11 May 2017.

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 synchronization 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.

Three (3) Committee meetings were held during the year ended 31 December 2017 on 21 February 2017, 23 August 2017 and 7 November 2017. The Chairman of the Committee attended the Annual General Meeting for the year ended 31 December 2016.

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	3	3
Mr. S. M. Datta	Member	3	3
Ms. Shiva McMahon*	Member	2	2
Mr. Peter Weidner	Member	3	3

** Ms. Shiva McMahon was appointed as a member of the Committee w.e.f. 11 May 2017.*

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 are disclosed in a Policy and the same is available on https://www.castrol.com/en_in/india/financials/other-financial-documents-policies.html. Details of remuneration of Executive Directors for the Financial Year ended 31 December 2017 is as under:

(Amount in Rs.)

Name of Director	Salary	Perquisites	Retiral Benefits*	Performance based incentives**	Total
Mr. Omer Dormen	5,13,31,731	1,19,81,514	14,02,980	32,61,805	**6,79,78,030**
Ms. Rashmi Joshi	1,16,45,195	10,54,512	7,20,167	27,36,132	**1,61,56,006**
Mr. Jayanta Chatterjee	1,20,74,428	16,63,976	11,95,116	33,69,010	**1,83,02,530**

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

** *Performance based incentive for the year 2016 paid in the year 2017.*

- 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 Wholetime 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 three 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 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, Independent Directors for the Financial Year ended 31 December 2017

(Amount in Rs.)

Name of Director	Commission	Sitting Fees	Total
Mr. S. M. Datta	20,00,000	7,50,000	27,50,000
Mr. R. Gopalakrishnan	16,00,000	7,50,000	23,50,000
Mr. Uday Khanna	16,00,000	4,50,000	20,50,000
TOTAL			**71,50,000**

(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. Ms. Chandana Dhar, Company Secretary & Compliance Officer of the Company, is the Compliance Officer of the Company for redressal of Shareholder's/Investor's complaints.

Four (4) Committee Meetings were held during the year ended 31 December 2017 on 21 February 2017, 31 May 2017, 23 August 2017 and 7 November 2017 and all members attended all the Meetings.

Details of Shareholders'/Investors' Complaints

During the Financial Year ended 31 December 2017, 16 complaints were received from the shareholders. Out of the total complaints received during the year 4 were pending as on 31 December 2017. The complaints relate to non-receipt of annual report, dividend, share transfers, etc.

Opening as on 1 January 2017	2
Received during the year	16
Disposed of during the year	14
Closing as on 31 December 2017	4

(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 & Compliance Officer acts as the Secretary to the Committee.

Two (2) meetings of the Committee were held during the year ended 31 December 2017 viz. on 21 February 2017 and 23 August 2017 and all members attended all the Meetings.

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 2017.

(E) Risk Management Committee

The Risk Management Committee comprises of Mr. Omer Dormen, Managing Director as the Chairman of the Committee and other members viz. Ms. Rashmi Joshi, Chief Financial Officer and Wholetime Director and Mr. Jayanta Chatterjee, Wholetime Director – Supply Chain, Mr. Vikram Garga, (Sales Manager Industrial & HD) and Mr. Siddharth Shetty, Managing Counsel. The Company Secretary & Compliance Officer acts as the Secretary to the Committee.

Four (4) meetings of the Committee were held during the year ended 31 December 2017 viz. on 8 February 2017, 15 May 2017, 9 August 2017, 9 October 2017.

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 2017, 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. 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

5. General Body Meetings

Location and time of the last three AGMs of the Company

Location	Date	Time	Special Resolution
Pama Thadhani Auditorium, Jai Hind College, 'A' Road, Churchgate, Mumbai- 400 020	31 May 2017	3.30 pm	NIL
Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020	5 May 2016	3.30 pm	1. Appointments of Mr. Omer Dormen as Managing Director and Mr. Ravi Kirpalani as a whole time Director 2. Alteration of Articles of Association
	14 May 2015		1. Remuneration to Non-Executive Directors in aggregate not exceeding 1% of the Net Profit

Postal Ballot

The Board of Directors, at its Meeting held on 7 November 2017 had proposed issuance of bonus equity shares to the Members of the Company in the ratio of 1:1 and had also proposed a change in place of keeping the Register of Members, Index of Members etc., both proposals being subject to approval by the Members of the Company by means of postal ballot/ e-voting process. During the Financial Year ended 31 December 2017, Members of the Company had approved 2 (two) resolutions by means of postal ballot/e-voting process as per details below –

Further details of the aforesaid postal ballot/e-voting process:

Date of Postal Ballot Notice	**7 November 2017**
Voting Period	16 November 2017 to 15 December 2017
Date of approval	15 December 2017
Date of declaration of results	16 December 2017

Resolution	Nature of Resolution	No. of valid votes cast	Votes cast in favour		Votes cast against		No. of invalid votes cast
			No. of votes	%	No. of votes	%	
Issue of bonus share in the ratio of 1(one) Bonus Equity Share of Rs. 5/- for every 1 (one) fully paid up Equity Share	Ordinary	36,52,17,047	36,52,04,995	(99.99%)	12,052	(0.01%)	61,19,177
Change in place of keeping the Register of Members, Index of Members etc.	Special	36,49,96,100	36,49,07,891	(99.98%)	88,209	(0.02%)	63,29,580

The aforesaid resolutions were passed with requisite majority on 15 December 2017.

Saraf & Associates, Practicing Company Secretaries, was appointed scrutinizer for carrying out the postal ballot process in a fair and transparent manner.

Procedure for Postal Ballot

In Compliance with Sections 108 and 110 and other applicable provisions of the Companies Act, 2013, read with the related Rules, the Company provides electronic voting (e-voting) facility, in addition to physical ballot, to all its members. For this purpose, the Company has engaged the services of NSDL.

Postal Ballot notices and forms are dispatched, along with postage-prepaid business envelopes to registered members/beneficiaries. The same notice is sent by email to Members who have opted for receiving communication through the electronic mode. The Company also publishes a notice in the Newspaper declaring the details and requirements as mandated by the Act and applicable Rules.

Voting Rights are reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date. Members who want to exercise their votes by physical postal ballot are requested to return the forms, dully completed and signed, to the scrutinizer on or before the close of the voting period. Those using the e-voting option are requested to vote before the close of business hours on the last day of e-voting.

The scrutinizer completes his scrutiny and submits his report to the Chairman/Authourized Officer and the consolidated results of the voting are announced by the Chairman/Authourized Officer. The results are also displayed on the Company website – www.castrol.co.in, besides being communicated to the Stock Exchanges, Depositories and Registrar and Share Transfer Agent. The last date for the receipt of postal ballot forms or e-voting shall be the date on which the resolution would be deemed to have been passed, if approved by the requisite majority.

No special resolution is proposed to be conducted through Postal Ballot in the ensuing Annual General Meeting.

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.

The 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. 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 every quarter are displayed on the Company's website www.castrol.co.in.

7. General Shareholder Information

Fortieth (40th) Annual General Meeting

Date : 3 May 2018

Time : 10:00 a.m.

Venue : Yashwantrao Chavan Pratishthan Auditorium
Yashwantrao Chavan Pratishthan Centre,
General Jagannath Bhosale Road,
Nariman Point, Opp. Mantralaya,
Mumbai 400 021, Maharashtra

Last date for receipt of proxy forms : 1 May 2018, 10:00 a.m.

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from 27 April 2018 to 3 May 2018 (both days inclusive). The said book closure is for payment of Final Dividend for the year ended 31 December 2017. The book closure dates have been fixed in consultation with the Stock Exchanges.

Dividend Payment Date

The Board of Directors of the Company has at its meeting held on 6 February 2018 recommended a Final Dividend of Rs. 2.50 per share for Financial Year ended 31 December 2017 (2016 : Final dividend Rs. 4.50 per share and a Special Dividend of Rs. 2/- per share). The said Final Dividend is on the enhanced paid up share capital post issue of Bonus shares in the ratio of 1:1. This is in addition to an interim dividend of Rs. 4.50 per share (pre bonus per share) (2016 : Rs. 4.50 per share).

The Register of Members and Share Transfer Books of the Company will remain closed for the purpose of Final Dividend from 27 April 2018 to 3 May 2018 (both days inclusive). The Final Dividend, if approved by the Shareholders of the Company at the 40th Annual General Meeting, shall be paid on or before 1 June 2018.

Financial 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 2018

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the Financial Year ending 31 December 2018 are as follows:

First Quarter Results	Not later than 15 May 2018
Second Quarter/Half Yearly Result	Not later than 14 August 2018
Third Quarter Results	Not later than 14 November 2018
Fourth Quarter/Annual Results	Not later than 1 March 2019

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
2010	Final	27.06.2011	02.08.2018
2011	Interim	11.08.2011	16.09.2018
2011	Final	16.04.2012	22.05.2019
2012	Interim	16.07.2012	21.08.2019
2012	Final	26.04.2013	01.06.2020
2013	Interim	01.08.2013	06.09.2020
2013	Final	13.05.2014	18.06.2021
2014	Interim	31.07.2014	05.09.2021
2014	Final	14.05.2015	19.06.2022
2015	Interim	29.07.2015	03.09.2022
2015	Final	05.05.2016	10.06.2023
2016	Interim	27.07.2016	01.09.2023
2016	Special	21.02.2017	29.03.2024
2016	Final	31.05.2017	06.07.2024
2017	Interim	23.08.2017	29.09.2024

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 financial year 2017-18 have been paid by the Company to BSE and NSE.

Stock Code

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

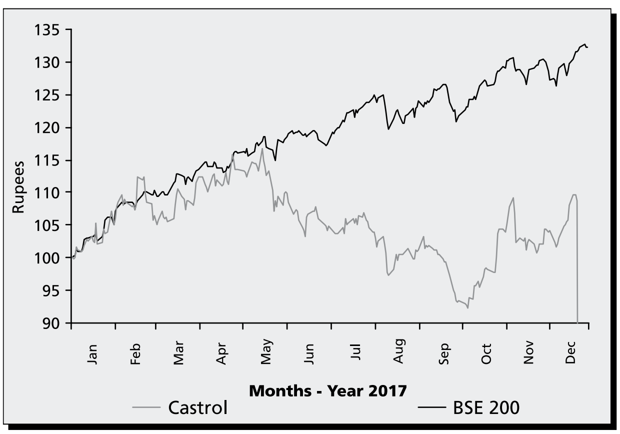
Market Price Data

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 2017.

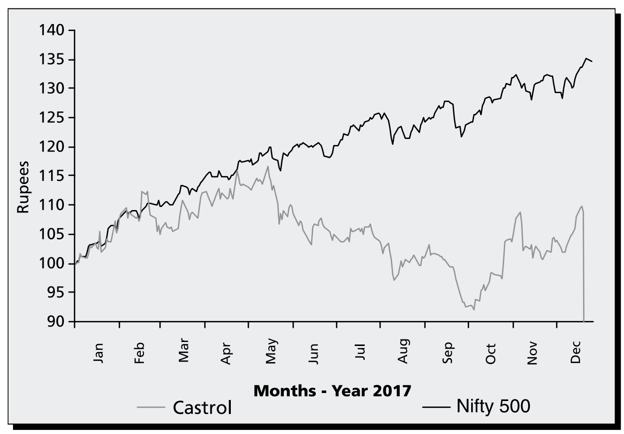
MONTHS	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January 2017	417.35	379.15	417.75	379.00
February 2017	438.75	405.35	438.80	405.15
March 2017	436.30	403.55	435.95	402.60
April 2017	453.80	422.50	452.80	422.25
May 2017	451.30	408.30	452.00	408.10
June 2017	425.55	396.50	426.00	396.10
July 2017	415.90	398.00	415.85	396.15
August 2017	404.00	372.75	403.95	372.00
September 2017	399.70	354.10	399.80	352.00
October 2017	412.00	353.15	412.00	353.40
November 2017	428.85	385.75	428.95	385.50
December 2017	425.90	192.65	425.40	192.55

Stock Performance in comparison to the BSE 200 and NSE Nifty 500 Indices

BSE 200 VS CASTROL INDIA LIMITED SHARE PRICE (INDEXED)



NSE NIFTY 500 VS CASTROL INDIA LIMITED SHARE PRICE (INDEXED)



During the Financial Year ended 31 December 2017, securities of the Company have not been suspended from trading on any of the stock exchanges where they are listed.

The Registrar and Share Transfer Agent of the Company

M/s. TSR Darashaw Limited is the Registrar and Share Transfer Agent of the Company as on 31 December 2017.

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

The Board of Directors of the Company, at its meeting held on 7 November 2017 appointed Link Intime India Private Limited as the Registrar & Share Transfer Agent of the Company with effect from 1 March 2018 in place TSR Darashaw Limited.

The address for correspondence is:
Link Intime India Private Limited
(Registrar and Share Transfer Agent)
C-101, 247 Park, L.B.S. Marg,
Vikhroli West, Mumbai-400 083
Phone : 022 4918 6000
Toll free number : 1800 1020 878
Email : rnt.helpdesk@linkintime.co.in

Members of the Company are further requested to note that they shall address their queries/grievances to Link Intime India Private Limited effective 1 March 2018 onwards.

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:

No. of Shares held	No. of shares		No. of shareholders		% of shareholders	
	as on 31 December 2017	as on 5 January 2018	as on 31 December 2017	as on 5 January 2018	as on 31 December 2017	as on 5 January 2018
Upto 500	1,52,44,727	1,78,81,601	1,34,578	1,23,478	3.08	74.93
501 – 1000	76,67,555	1,30,09,407	10,034	16,897	1.55	10.25
1001 – 2000	88,87,706	1,50,99,042	6,007	9,918	1.80	6.02
2001 – 3000	59,32,617	90,99,986	2,383	3,619	1.20	2.20
3001 – 4000	50,11,888	86,56,556	1,407	2,390	1.01	1.45
4001 – 5000	41,81,644	66,87,886	910	1,467	0.85	0.89
5001 – 10000	4,36,67,444	2,37,67,358	3,513	3,287	8.83	1.99
10001 and above	40,39,67,611	89,49,20,548	166	3,731	81.68	2.26
Total	**49,45,61,192**	**98,91,22,384**	**1,58,998**	**1,64,787**	**100.00**	**100.00**

Distribution of shareholding by ownership:

Sr. No.	Category	No. of shareholders		No. of shares held		% of the total paid up capital	
		as on 31 December 2017	as on 5 January 2018	as on 31 December 2017	as on 5 January 2018	as on 31 December 2017	as on 5 January 2018
i	Foreign Company	0	0	0	0	0.00	0.00
ii	Foreign Collaborator	1	1	25,22,26,208	50,44,52,416	51.00	51.00
iii	Foreign Institutional Investors	140	140	5,09,65,298	10,05,08,882	10.31	10.16
iv	Overseas Bodies Corporate	2	2	2,000	400	0.00	0.00
v	Non-Resident Individuals	2,868	2,968	22,55,632	45,47,917	0.46	0.00
vi	Public Financial Institutions	17	9	5,32,50,367	10,27,71,038	10.77	10.39
vii	Indian Mutual Funds	24	26	2,74,56,399	5,47,70,872	5.55	5.54
viii (a)	Nationalised Banks	16	16	20,47,957	41,80,954	0.41	0.42
(b)	Other Banks	46	46	1,80,405	6,73,756	0.04	0.07
ix	Domestic Companies	1,721	1,870	2,16,03,236	4,36,27,068	4.37	4.41
x	Resident Individuals	1,54,160	1,59,706	8,45,44,654	17,35,31,009	17.09	17.54
xi	Directors and Relatives	3	3	29,036	58,072	0.01	0.01
	Total	**1,58,998**	**1,64,787**	**49,45,61,192**	**98,91,22,384**	**100.00**	**100.00**

The Company has, on 26 December 2017, allotted 49,45,61,192 Equity Shares of Rs. 5/- as fully paid-up bonus equity shares, to the members whose names appeared in the Register of Members of the Company/ List of Beneficial Owners as received from the National Securities Depository Limited and Central Depository Services (India) Limited as on 23 December 2017, 'the Record Date' fixed for this purpose, in the proportion of 1:1 i.e. 1 (One) Bonus Equity Share of Rs. 5/- of the Company for every 1 (One) fully paid Equity Share of Rs. 5/- held as on the Record Date. The shares so allotted shall rank, *pari passu*, with the existing Equity Shares of the Company. The aforesaid bonus shares were credited by the depositories on 4 January 2018.

Consequent to the completion of allotment of bonus equity shares, the paid-up share capital of the Company shall stand increased to Rs. 494,56,11,920/- divided in 98,91,22,384 Equity Shares of Rs. 5/-, fully paid-up.

As on 31 December 2017, about 98.51% of the Paid-up Share Capital of the Company has been dematerialized. Trading in Equity Shares of the Company is permitted only in dematerialized form. Promoter's holding is held in dematerialized form.

The Company does not maintain any demat suspense account and/or unclaimed suspense account.

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
Email ID for investors: investorrelations.india@castrol.com
Phone: 022 6698 4100

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 https://www.castrol.com/en_in/india/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 Hon'ble National Company Law Tribunal, Mumbai Bench vide order dated 2 August, 2017 compounded the non-compliance of Section 203 of the Companies Act, 2013 for delay in appointment of Company Secretary of the Company and levied Compounding Fees on the Company and Executive Directors. The same has been paid by the Company and respective Directors and the said order has also been taken on record by the Registrar of Companies, Maharashtra, Mumbai.

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 "OpenTalk". 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 indiaauditcommitteec@bp.com. 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(e) As per Clause 13 of Part C of Schedule V to the Listing Regulations, the Company has made disclosures of the compliance with corporate governance requirements specified in Regulation 17 to 27 and Clauses (b) to (i) of Sub-regulation (2) of Regulation 46 on the website of the Company.

9. Discretionary 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 the Senior Management Personnel of the Company have affirmed their compliance with the Company's Code of Conduct of the Company for the Board of Directors and the Senior Management, for the Financial Year ended 31 December 2017.

Omer Dormen
Managing Director
DIN: 07282001

Place : Mumbai
Date : 6 February 2018

TO
THE MEMBERS OF
CASTROL INDIA LIMITED

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

1. This certificate is issued in accordance with the terms of our engagement letter dated 3rd July, 2017 for the audit of the financial statements.
2. We, Deloitte Haskins & Sells LLP, Chartered Accountants, the Statutory Auditors of Castrol India Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on 31 December 2017, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

Management's Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended December 31, 2017.
9. We 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 **Deloitte Haskins & Sells LLP**
Chartered Accountants

Samir R. Shah
Partner
(Membership No. 101708)

MUMBAI, 6 February 2018

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 Chief Financial Officer (CFO & Wholetime Director) 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 2017 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
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place : Mumbai
Date : 6 February 2018

BUSINESS RESPONSIBILITY REPORT

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 2017 – 31 December 2017
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:	Lubricating oils
9.	Total number of locations where business activity is undertaken by the Company	• Number of international locations: None • Number of national locations: 8 ▪ Corporate Office – 1 ▪ Regional Offices – 4 ▪ Plants – 3
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)	494.56 Crores
2.	Total Turnover (INR)	3,584 Crores
3.	Total profit after taxes (INR)	692 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.77% (Rs. 19.16 Crores)
5.	List of activities in which expenditure in 4 above has been incurred	Please refer to CSR Annual Report at page no. 40

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

SECTION D: BUSINESS RESPONSIBILITY (BR) INFORMATION

1. Details of Director/Directors responsible for BR

Details of the Directors responsible for implementation of the BR policy/policies:

Sr. No.	Particulars	Details	
1.	**DIN Number (if applicable)**	07282001	06641898
2.	**Name**	Mr. Omer Dormen	Ms. Rashmi Joshi
3.	**Designation**	Managing Director	Chief Financial Officer and Wholetime Director
4.	**Telephone number**	+ 91-22-66984100	
5.	**E-mail ID**	investorrelations.india@castrol.com	

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

Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
		Business Ethics	Sustainability	Employees' well-being	Stakeholders' Welfare	Human Rights	Environment	Regulatory Policy	Equitable Development	Customer Responsibility
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy been 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?	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 been 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
5.	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	http://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/COC-BOARD-SR-MGT.pdf								
		https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/QUALITY%20POLICY%20POSTER%20A4_ARIAL.PDF								
		https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/HSSE%20Policy_A2_new.pdf								
		http://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Castrol-India-CSR-policy.pdf								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y

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

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
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

If answer to Sr. No. 1 against any principle, is 'No', please explain why: 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 of the Company, available on the website of the Company at https://www.castrol.com/en_in/india/financials.html.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1

Ethics, Bribery, Corruption and Transparency

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 applies to every employee of the Company and the endeavour 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 with 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 and a helpline number is available to all stakeholders. In appropriate and exceptional cases, concerns may be raised directly to the Chairman of the Audit Committee.

In Financial Year 2017, a total of 16 complaints, issues and concerns were reported under the Speak Up policy of the Company and were investigated/are under investigation in accordance with the Code of Conduct protocols of the Company. 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, appropriate disciplinary action was taken.

For details on shareholders'/investors' complaints, refer to Corporate Governance Report on Page 60.

Principle 2

Products Lifecycle Sustainability

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

The Company has certificates of ISO 9001:2015, IATF 16949:2016, ISO 14001:2015 and OHSAS 18001:2007. The Company's commitment to sustainability is demonstrated through products like Castrol VECTON RX fuelsaver with 3% fuel efficiency and Castrol Professional range which is carbon neutral, as part of its product portfolio.

In 2017, the Company relaunched Castrol Activ 4T with 50% better continuous protection (versus industry standard limits).

In line with its endeavour to serve the best interests of consumers while being focussed on environmental responsibilities, the Company introduced Castrol Hysol SL 35 XBB, which is a unique Boron and Biocide free formulation, which delivers prolonged fluid life with an improved health and safety profile. The XBB range of products also increases the coolant sump life thereby reducing the water consumption and waste oil generation during sump change. In 2017, Castrol became the first lubricant supplier in the world to offer carbon-neutral lubricants for the wind turbine industry. Our two products, Optigear Synthetic CT 320 and Optigear Synthetic X 320 are now PAS 2060 certified by the British Standards Institute, helping to further reduce the carbon footprint of wind turbine operations.

The raw material sourcing and finished goods distribution systems of the Company are both optimized with a view to reduce the distance travelled and hence the environmental impact. High capacity vehicles account for about 51% of our entire fleet including tankers and finished goods' trucks. Hence while the volumes grew, the total kilometers travelled by the trucks and tankers remained unchanged – a significant contribution towards lowering road safety risk and impact on 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
- Optimizing power and utility operations
- Continued usage of recycling treated water from effluent treatment plant 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, and findings actioned appropriately. These actions continue to form the basis of overall system improvement continuously and sustainably.

Principle 3

Employees' Well-being

Businesses should promote the well-being of all employees

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

1. People's safety is the first priority
2. The Company grows best by growing its own people
3. Our people have potential – we need to develop it
4. Diversity matters – so does inclusion
5. The Company needs the best talent and needs 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 count for CIL employees as on 31 December 2017 is 560, of which 104 are female employees and additional of 179 workmen. The Company does not have any employees with permanent disability. Workers' trade unions are active in each of the plants and approximately 25% of permanent employees are members of these trade unions.

In summary, the Company's people agenda is focussed 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's 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 five 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 counselling 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. In addition there are pan India fun activities conducted periodically to engage teams, recognize people, celebrate birthdays and welcome new joiners.

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 capture their development needs in a structured format following talent conversations with their line managers.

   Internal candidates filled 47% of the vacancies the Company had in 2017.

   "Global Capability Week" was introduced for the very first time in the Company in June 2017. All employees participated in initiatives focussing on functional and personal development. 21 June 2017 was observed as Tools Down Day which enabled employees participate in learning events hosted globally.

   Learning emails were initiated to inform employees of online development/training programmes' availability and how to access them.

   The Company has continued to actively drive Ethics & Compliance via mandatory training programmes and by organizing focussed 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.

   This year an education and awareness series on Cyber Security was also launched which was driven across all locations.

   Leadership Training for Top 50: The Company conducted two meetings for the top 50 members of the leadership team. This was aimed at training the extended leadership team to feel empowered, take ownership of Company's strategy, vision and drive actions in order to achieve the enabling key deliverables.

3. **Diversity and Inclusion:** The Business Resource Groups (BRGs) are employee-initiated and employee-driven 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). Four BP WIN events were organized in 2017 on various topics including Leadership and Parenting.

   The Company has continued on its journey to build a diverse and inclusive workforce during the Financial Year 2017. Pan India workshops on Respect were conducted. 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.

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 member. As per the applicable statutory requirements, a new committee was put in place in April 2017 comprising of three employees of the Company and one independent external member.

Principle 4

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

The Company recognizes the need and importance of focussed 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 truck drivers 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 conducts a comprehensive safety programme for truck drivers and their families to encourage safer driving habits through the "Family Connect" programmes. The Company has, through its CSR programme – "Castrol Sarathi Mitra", conducted road safety training programme for more than 25,000 truck drivers across five states of India. 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 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 Organization'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 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

Businesses 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 performances are integral to the business performance of the Company. HSSE performance of the Company is being reviewed monthly by the Country Leadership Team.

The Company ensures safe, systematic, reliable and environmentally friendly operations through its Operating Management System (OMS). The effectiveness of implementation and compliance of OMS is being checked through systematic process called Field Inspection led by the Country Leadership Team.

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.

Silvassa Plant has been awarded Greentech Safety Award for its exemplary HSSE performance and practices.

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 recognized 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 focussed 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.

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 focusses 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;
- **Ehsaas:** Humanitarian aid.

In 2017, 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 2017, a few of which are listed below:

- Providing technical skills that are in tune with upgraded technology and life competency skills through the Eklavya programme to over 5,660 two-wheeler technicians across seven states in India. During the year, the Company was awarded an appreciation plaque for the commendable work done through the Eklavya programme by Shri P. P. Chaudhary, Minister of State for Corporate Affairs, Law & Justice, Government of India and Ms. Rajashree Birla, Chairperson FICCI Aditya Birla CSR Centre of Excellence at the FICCI CSR Summit, 2017.
- Engaging with transporters and truck drivers for safer mobility of truck drivers through the Castrol Sarathi Mitra Program. The programme provides a comprehensive training on road safety, financial literacy training and eye check-up for truck drivers in five states of India. Through this programme, the Company was able to impact the lives of more than 25,000 truck drivers in 2017.
- Programme for skilling of underprivileged youth and women in vocational skills like electrical, automotive, phone repairing, retail management and digital embroidery in communities near the plants at Silvassa, Patalganga and Paharpur.
- Career counselling to 5,934 high school students from low income backgrounds in Paharpur 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.

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. 19 Crores in 2017, the CSR portfolio focussed 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 continuously monitors the trends in automotive and manufacturing industries and develops products and offers that create maximum value for its consumers. With technology advancements, the Company continuously upgrades its products benefits and specifications to serve the best interests of consumers.

In 2017, the Company relaunched Castrol ACTIV brand portfolio with superior benefit of 50% better protection (versus industry standard limits).

For CNG fitted mini trucks, the Company launched Castrol CRB mini truck CNG, with unique heat-shield boosters engineered to fight thermal degradation. The Company also launched Castrol GTX Professional CI-4+, specifically for TATA cars, providing superior protection to help extend engine life for cars fitted with BSIII/IV diesel engines.

The Company continued to focus on environmental protection through the introduction of new products like Hysol SL 35 XBB which is a unique Boron and Biocide free formulation which delivers prolonged fluid life with an improved health and safety profile. The product allows for reduced coolant concentrations, simplified operational use and optimised inventory management through the use of a single pack system. Overall this leads to simplification and cost savings.

The Company has organized its business through different distribution channels which include retail trade, 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 2017, 90.5% of the genuine quality complaints received from the market were closed on time. 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** **Chief Financial Officer** **& Wholetime Director** **DIN: 06641898**

Place : Mumbai
Date : 6 February 2018

INDEPENDENT AUDITOR'S REPORT

To,

The Members of Castrol India Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Castrol India Limited ("the Company"), which comprise the Balance Sheet as at 31st December, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 Ind AS 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 Ind AS financial statements based on our audit.

In conducting 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 of the Ind AS financial statements in accordance with the Standards on Auditing 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 the 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 Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 31st December, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Other Matter

The comparative financial information of the Company for the year ended 31st December, 2016 and the transition date opening balance sheet as at 1st January 2016 prepared in accordance with Ind AS included in these Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information and the said opening balance sheet dated 6th September, 2017 expressed an unmodified opinion.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. 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 purposes 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, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
   e) On the basis of the written representations received from the directors as on 31st December, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2017 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   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, as amended, 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 Ind AS financial statements (refer note no. 25 to the Ind AS financial statements).
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. The Company has transferred the amounts required to be transferred to the Investor Education and Protection Fund within 7 days and 9 days from the dues dates, except for cases where disputes relating to ownership of the underlying shares have remained unresolved. (refer note no. 11 to the Ind AS financial statements).
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Samir R. Shah
Partner
(Membership No. 101708)

Place : Mumbai
Date : February 6, 2018

Report on Internal Financial Controls Over Financial Reporting

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 31st December, 2017 in conjunction with our audit of the Ind AS 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 ("the Guidance Note") 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 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 issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control 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 control 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 control 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, to the best of our information and according to the explanations given to us, 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 31st December, 2017, 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 issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Samir R. Shah
Partner
(Membership No. 101708)

Place : Mumbai
Date : February 6, 2018

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT
[Referred to in paragraph 2 under "Report on Other Legal and Regulatory Requirements" Section of our report of even date]

1. In respect of its fixed assets:

   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The fixed assets of the Company have been physically verified during the year by the Management according to a phased program designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us by the Management, no material discrepancies were noticed on such verification.

   (c) According to the information and explanations given to us and the records examined by us and based on the examination of registered sale deed / transfer deed/ conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and acquired buildings which are freehold, are held in the name of the Company as at the balance sheet date except as follows:

Rs. in Crores

No. of Cases	Asset Category	Gross Block as at December 31, 2017	Net Block as at December 31, 2017	Remarks
1	Freehold Land located at Mehsana	0.01	0.01	The deed of conveyance is in the erstwhile name of the Company and the mutation of the name is pending.

In respect of land taken on lease, the lease agreements are in the name of the Company except as follows:

Rs. in Crores

No. of Cases	Asset Category	Gross Block as at December 31, 2017	Net Block as at December 31, 2017	Remarks
2	Leasehold Land located at Patalganga	0.29	0.28	The lease deed is in the erstwhile name of the Company.

2. As explained to us, the inventories (other than Good in Transit) were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on such physical verification.

3. 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 Act.

4. The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the order is not applicable.

5. According to the information and explanations given to us, the Company has not accepted any public deposits. Accordingly, the provisions of clause (v) of the Order are not applicable to the Company.

6. The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government under sub-section (1) of Section 148 of the Act, in respect of manufacture of lubricants and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

7. According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Service Tax, Cess and other material statutory dues, as applicable, with the appropriate authorities except in case of tax deducted at source reported in clause (b) below.

(b) There are no undisputed amounts payable in respect of the above statutory dues outstanding as at 31st December, 2017 for a period of more than six months from the date they became payable, except as follows.

Name of the Statute	Nature of Dues	Amount (Rs. in Crores)	Period to which Amount Relates	Due date	Date of Payment
The Income Tax Act, 1961	Tax deducted at source	0.13	March-2015	30th April, 2015	Unpaid
		1.17	March-2017	30th April, 2017	Unpaid

(c) Details of Income tax, Sales tax, Service tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on 31st December, 2017 on account of disputes are given below:

Rs. in Crores

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the Amount Relates	Total disputed dues	Amount paid	Amount unpaid
Central Excise Act, 1944	Duty and Penalty	Commissioner	1990-2016	12.49	0.73	11.77
	Duty and Penalty	Commissioner (A)	2001-2009	0.28	0.02	0.26
	Duty and Penalty	Tribunal	1987-2013	15.97	1.78	14.19
	Duty and Penalty	High Court	1999-2002	0.15	–	0.15
	Duty and Penalty	Supreme Court	1998-1999	0.40	0.20	0.20
Custom Act, 1962	Duty	Assistant Commissioner	2015	1.56	–	1.56
	Duty	Tribunal	1997 to 2006	1.58	–	1.58
Service Tax Rules, 1994	Tax and Penalty	Commissioner	2005-2017	45.34	1.57	43.77
	Tax and Penalty	Commissioner (A)	2007-2015	1.95	0.16	1.79
	Tax and Penalty	Tribunal	2005-2013	97.72	1.09	96.63
	Tax and Penalty	High Court	1997-2016	8.28	–	8.28
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Tax, Interest and Penalty	Commissioner	1999-2016	47.06	17.19	29.87
	Tax, Interest and Penalty	Tribunal	1994-2014	20.07	10.32	9.75
	Tax, Interest and Penalty	High Court	1997-2002	0.45	0.06	0.39
	Tax and Interest	Central Sales Tax Appellate Authority (CSTAA)	2009-2010	255.50	–	255.50
The Income Tax Act, 1961	Tax and Interest	Income Tax Appellate Tribunal	2004-05 and 2006-07	2.64	–	2.64
	Tax and Interest	Commission of Income Tax	2011-12	0.08	–	0.08

8. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence, reporting under clause (viii) of the Order is not applicable to the Company.
9. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans. Hence, reporting under clause (ix) of the Order is not applicable to the Company.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
11. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. The Company is not a Nidhi Company and hence, reporting under clause (xii) of the Order is not applicable to the Company.
13. In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Act where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Ind AS financial statements etc. as required by the applicable accounting standards.
14. During the year the Company has not made any preferential allotment or private placement of the shares or fully or partly convertible debentures. Hence, reporting under clause (xiv) of the Order is not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of Section 192 of the Act are not applicable to the Company.
16. The Company is not required to be registered under Section 45 IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Samir R. Shah
Partner
(Membership No. 101708)

Place : Mumbai
Date : February 6, 2018

Balance Sheet as at December 31, 2017

Particulars	Note No.	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Assets				
Non-current assets				
Property, plant and equipment	3	**136.35**	141.93	140.20
Capital work-in-progress		**57.27**	37.26	36.41
Other intangible assets	3	**2.62**	5.04	8.64
Financial assets				
Loans	4.1	**10.81**	4.70	10.95
Other financial assets	4.2	**–**	–	–
Income tax assets (net)	5	**33.97**	26.06	32.59
Deferred tax assets (net)	6	**55.15**	67.17	49.92
Other non-current assets	7	**109.04**	62.45	48.81
Total non-current assets		**405.21**	**344.61**	**327.52**
Current assets				
Inventories	8	**319.57**	343.88	304.58
Financial assets				
Trade receivables	4.3	**284.97**	255.22	236.46
Cash and cash equivalent	4.4	**215.47**	111.58	48.47
Bank balances other than above	4.5	**568.76**	710.30	648.03
Loans	4.1	**0.50**	7.22	1.93
Other financial assets	4.2	**22.01**	22.51	16.52
Other current assets	7	**160.46**	93.01	77.94
Total current assets		**1,571.74**	**1,543.72**	**1,333.93**
Total assets		**1,976.95**	**1,888.33**	**1,661.45**
Equity and liabilities				
Equity				
Equity share capital	9	**494.56**	247.28	247.28
Other equity	10	**525.59**	734.26	625.10
Total equity		**1,020.15**	**981.54**	**872.38**
Liabilities				
Non-current liabilities				
Financial liabilities				
Other financial liabilities	11.2	**0.06**	0.06	0.06
Provisions	12	**15.88**	14.03	14.87
Total non-current liabilities		**15.94**	**14.09**	**14.93**
Current liabilities				
Financial liabilities				
Trade payables	11.1	**606.64**	496.64	431.43
Other financial liabilities	11.2	**235.22**	220.78	178.51
Other liabilities	14	**42.61**	90.14	81.87
Provisions	12	**37.60**	48.36	46.70
Current tax liabilities (net)	13	**18.79**	36.78	35.63
Total current liabilities		**940.86**	**892.70**	**774.14**
Total equity and liabilities		**1,976.95**	**1,888.33**	**1,661.45**
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 Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

SAMIR R. SHAH
Partner
Membership No. 101708

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	Chief Financial Officer & Wholetime Director
JAYANTA CHATTERJEE	DIN No. : 06986918	Wholetime Director Supply Chain
R. GOPALAKRISHNAN	DIN No. : 00027858	Non-Executive Directors
SASHI MUKUNDAN	DIN No. : 02519725	Non-Executive Directors
UDAY KHANNA	DIN No. : 00079129	Non-Executive Directors
PETER WEIDNER	DIN No. : 03620389	Non-Executive Directors

Place: Mumbai
February 6, 2018

Statement of Profit and Loss for the year ended December 31, 2017

Particulars	Note No.	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Income			
Revenue from operations	15	**3,851.56**	3,875.96
Other income	16	**83.65**	87.39
Total income		**3,935.21**	**3,963.35**
Expenses			
Cost of raw and packing materials consumed	17.1	**1,474.63**	1,320.27
Purchase of traded goods	17.2	**196.70**	226.30
(Increase)/decrease in inventories of finished goods/traded goods	17.3	**(5.43)**	(14.98)
Excise duty		**267.24**	505.63
Employee benefits expense	18	**195.63**	177.96
Finance costs	19	**1.20**	1.48
Depreciation and amortisation expense	20	**45.50**	44.96
Other expenses	21	**689.67**	661.43
Total expenses		**2,865.14**	**2,923.05**
Profit before tax		**1,070.07**	**1,040.30**
Tax expenses			
Current tax (net of reversal of earlier years – Rs. 4.17 Crores)		**365.14**	388.04
Deferred tax	6	**13.12**	(18.12)
Total tax expenses		**378.26**	369.92
Profit after tax		**691.81**	**670.38**
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent period			
Re-measurement gains/(losses) on defined benefit plans		**(3.21)**	2.22
Less: Income tax effect on above		**1.11**	(0.87)
Total other comprehensive income/(expense) for the year		**(2.10)**	**1.35**
Total comprehensive income for the year		**689.71**	**671.73**
Earnings per equity share – Basic & Diluted (Rs.)	22	**6.99**	6.78
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 Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

SAMIR R. SHAH
Partner
Membership No. 101708

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
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SASHI MUKUNDAN	DIN No. : 02519725	
UDAY KHANNA	DIN No. : 00079129	
PETER WEIDNER	DIN No. : 03620389	

Place: Mumbai
February 6, 2018

Cash Flow Statement for the year ended December 31, 2017

Particulars		For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Cash flow from operating activities			
Profit before tax		**1,070.07**	1,040.30
Adjustments for:			
Depreciation and amortisation expenses		**45.50**	44.96
Gain on disposal/write off of property, plant and equipment and intangible assets (net)		**(17.61)**	(10.95)
Impairment loss		**–**	1.37
Provision for doubtful advances (net)		**0.04**	–
Provision for doubtful debts (net)		**2.08**	0.47
Expense recognised in respect of share based payments		**3.62**	2.91
Loss on fair valuation of forward contract		**0.51**	(0.02)
Unrealized foreign exchange (gain)/loss		**(0.81)**	(0.77)
Interest expense		**1.20**	1.48
Interest income		**(45.89)**	(53.25)
Debts written off/(write back)		**4.20**	(8.08)
Operating profit before working capital changes		**1,062.91**	1,018.42
Movements in working capital:			
Decrease/(increase) in inventories		**24.31**	(39.30)
Decrease/(increase) in trade and other receivables		**(142.63)**	(43.34)
Increase/(decrease) in trade and other payables and provisions		**53.84**	107.82
Cash generated from/(used in) operations		**998.43**	1,043.60
Income tax refund/(payment) (net) (including interest)		**(389.17)**	(379.49)
Net cash flow from operating activities	(A)	**609.26**	**664.11**
Cash flow from investing activities			
Purchase of property, plant and equipment including capital work-in-progress		**(56.32)**	(35.80)
Proceeds from sale of property, plant and equipment		**20.82**	13.08
Placement of bank deposits		**(1,199.00)**	(1,465.31)
Encashment of bank deposits		**1,341.50**	1,403.04
Interest received		**44.37**	52.02
Net cash flow from/(used in) investing activities	(B)	**151.37**	**(32.97)**

Cash Flow Statement for the year ended December 31, 2017 (contd.)

Particulars		For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Cash flow from financing activities			
Dividend paid		**(544.01)**	(469.83)
Dividend distribution tax paid		**(110.76)**	(95.65)
Interest paid		**(1.01)**	(1.74)
Unclaimed dividend account		**(0.96)**	(0.81)
Net cash flow used in financing activities	(C)	**(656.74)**	**(568.03)**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**103.89**	63.11
Cash and cash equivalents at the beginning of the year		**111.58**	48.47
Cash and cash equivalents at the end of the year		**215.47**	**111.58**
Components of cash and cash equivalents			
Cash on hand		**0.01**	0.01
On current accounts		**23.99**	9.43
Deposits with banks		**190.76**	101.17
Cheques on hand		**0.71**	0.97
Total cash and cash equivalents (note 4.4)		**215.47**	**111.58**

Non-cash transactions:

(a) Bonus:

During the year, the Company has issued 494,561,192 equity shares of Rs. 5.00 each as bonus shares from general reserves and retained earnings [refer note 9 (d)].

(b) Share value plan:

Equity settled share based payments is expensed over the restricted period with a corresponding adjustment to Other Equity as the cost of such share value plan is borne by the Ultimate Holding Company [refer note 2 (d)].

Notes:

(i) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS 7, 'Statement of Cash Flows'.

(ii) As required under Paragraph (10C) of Ind AS 101, the Company has reclassified items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind AS.

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

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

SAMIR R. SHAH
Partner
Membership No. 101708

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	Chief Financial Officer & Wholetime Director
JAYANTA CHATTERJEE	DIN No. : 06986918	Wholetime 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 6, 2018

Statement of Changes in Equity for the year ended December 31, 2017

(a) Equity share capital

Rupees in Crores

Particulars	No. of shares	Amount
Balance as at January 1, 2016	**494,561,192**	**247.28**
Changes in equity share capital during the year	–	–
Balance as at December 31, 2016	**494,561,192**	**247.28**
Changes in equity share capital during the year*	494,561,192	247.28
Balance as at December 31, 2017	**989,122,384**	**494.56**

* Issue of bonus shares

(b) Other equity

Rupees in Crores

Particulars	Reserves & surplus			Share based payment	Other comprehensive income	Total other equity
	Capital reserve	General reserve	Retained earnings		Remeasurement of net defined benefit plans	
Balance as at January 1, 2016	**13.62**	**148.38**	**459.49**	**3.61**	**–**	**625.10**
Profit for the year	–	–	670.38	–	–	670.38
Recognition of share based payment charge	–	–	–	2.91	–	2.91
Other comprehensive income, net of tax	–	–	–	–	1.35	1.35
Total comprehensive income for the year	**–**	**–**	**670.38**	**2.91**	**1.35**	**674.64**
Payment of dividend including corporate dividend tax	–	–	(565.48)	–	–	(565.48)
Balance as at December 31, 2016	**13.62**	**148.38**	**564.39**	**6.52**	**1.35**	**734.26**
Issue of bonus shares	–	(148.38)	(98.90)	–	–	(247.28)
Profit for the year	–	–	691.81	–	–	691.81
Recognition of share based payment charge	–	–	–	3.62	–	3.62
Other comprehensive income, net of tax	–	–	–	–	(2.10)	(2.10)
Total comprehensive income for the year	**–**	**–**	**691.81**	**3.62**	**(2.10)**	**693.33**
Payment of dividend including corporate dividend tax	–	–	(654.72)	–	–	(654.72)
Balance as at December 31, 2017	**13.62**	**–**	**502.58**	**10.14**	**(0.75)**	**525.59**

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

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

SAMIR R. SHAH
Partner
Membership No. 101708

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 Chief Financial Officer & Wholetime Director
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R. GOPALAKRISHNAN DIN No. : 00027858
SASHI MUKUNDAN DIN No. : 02519725
UDAY KHANNA DIN No. : 00079129
PETER WEIDNER DIN No. : 03620389
Non-Executive Directors

Place: Mumbai
February 6, 2018

Notes to the Financial Statements for the year ended December 31, 2017

1. Corporate information

Castrol India Limited (the 'Company') is a public limited Company incorporated in India with its registered office at Technopolis Knowledge Park, Mahakali Caves Road, Chakala, Andheri (East), Mumbai–400 093. The equity shares of the Company are listed on two recognised stock exchanges in India. The Company is principally engaged in the business of manufacturing & marketing of automotive and industrial lubricants and related services.

2. Significant accounting policies

2.1 Basis of preparation

Statement of Compliance with Indian Accounting Standards (Ind AS): The financial statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act and other accounting principles generally accepted in India. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is January 1, 2016.

Up to the financial year ended December 31, 2016, the Company prepared its financial statements in accordance with the requirements of the previous applicable GAAP, which included the Standards notified under the Companies (Accounting Standards) Rules, 2006 notified under Section 133 of the Act and other relevant provisions of the Act.

First-time adoption: In accordance with Ind AS 101 on First-time adoption of Indian Accounting Standards, the Company's first Ind AS financial statements include, three balance sheets viz. the opening balance sheet as at January 1, 2016 and balance sheets as at December 31, 2016 and 2017, and, two statements each of profit and loss, cash flows and changes in equity for the years ended December 31, 2016 and 2017 together with related notes. The same accounting policies have been used for all periods presented, [except where the Company has made use of exceptions or exemptions allowed under Ind AS 101 in the preparation of the opening Ind AS balance sheet which have been disclosed in note 33].

2.2 Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

2.3 Critical accounting estimates

A. Useful lives and residual values of property, plant and equipment

Property, plant and equipment represent a material portion of the Company's asset base. The periodic charge of depreciation is derived after estimating useful life of an asset and expected residual value at the end of its useful life. The useful lives and residual values of assets are estimated by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on various external and internal factors including historical experience, relative efficiency and operating costs and change in technology.

B. Income taxes

The Company's tax jurisdiction is India. Significant judgments are involved in determining the provision for income taxes including amounts to be recovered or paid for uncertain tax positions. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

C. Defined benefit obligations

Defined benefit obligations are measured at fair value for financial reporting purposes. Fair value determined by actuary is based on actuarial assumptions. Management judgement is required to determine such actuarial assumptions. Such assumptions are reviewed annually using the best information available with the Management.

D. Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystalising or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

2.4 Recent accounting pronouncements

Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and has amended the following standards:

Amendments to Ind AS 7, Statement of Cash Flows

The amendments to Ind AS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Accordingly, an entity is required to disclose changes arising from non-cash transactions in addition to changes from financing cash flows. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after April 1, 2017. Application of this amendment will not have any material impact on the financial statements.

Amendments to Ind AS 102, Share-based Payment

Amendments to Ind AS 102 provide specific guidance for the measurement of cash settled awards, modifications of cash settled awards and the awards that include a net settlement feature in respect of withholding taxes. The said amendment will not have any impact on the financial statements.

2.5 Summary of significant accounting policies

a. Current versus non-current classification

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

Sale of goods

Revenue from sale of goods is recognised when ownership in the goods is transferred to the buyer for a price, when significant risks and rewards of ownership have been transferred to the buyer and no effective control, to a degree usually associated with ownership, is retained by the Company. Sale of goods are stated net of trade discounts and volume rebates, and include excise duty.

Income from services

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

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

Interest income

Interest income is recorded using the Effective Interest Rate (EIR) for debt instruments carried at amortised cost. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset.

c. Foreign currencies

Functional currency

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

Transactions and balances

Foreign currency transactions are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. All foreign currency monetary assets and monetary liabilities as at the Balance Sheet date are translated into the functional currency at the applicable exchange rates prevailing on that date. All exchange differences arising on translation, are recognised in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Gain or losses upon settlement of foreign currency transactions are recognised in the Statement of Profit and Loss for the period in which the transaction is settled.

d. Retirement and other employee benefits

Gratuity

The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on respective employee's salary and tenure of employment with the Company.

Liabilities with regard to Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using projected unit credit method. The Company fully contributes all ascertained liabilities to the Castrol India Limited Employees' Gratuity Fund Trust ('the Trust'). Trustees administer contributions made to the Trusts and contributions are invested in insurance and deposit schemes.

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability.

Gains and losses through remeasurements of the net defined benefit liability/(asset) are recognised in other comprehensive income. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in Statement of Profit and Loss.

Superannuation

Certain employees of the Company are participants in a defined contribution plan. The Company has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Castrol India Limited Staff Pension Fund, the corpus of which is invested with the Life Insurance Corporation of India and Bajaj Allianz Life Insurance Co. Ltd.

Provident fund

Eligible employees of the Company receive benefits from a Provident fund, which is defined benefit plan. Both the eligible employees and the Company make monthly contributions to the provident fund equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Castrol India Limited Employees' Provident Fund Trust ('The PF trust'). The PF trust invests in specific designated instruments as permitted by Indian Law. The rate at which the annual interest is payable to the beneficiaries by the PF trust is being administrated by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the PF trust and the notified interest rate.

Compensated absences

The Company has a policy on compensated absences which is applicable to its executives joined upto a specified period and all workers. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the Balance Sheet date.

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

Share-based compensation

Share value plan

BP PLC ("Ultimate Holding Company") has a "Share Value Plan" whereby the specified employees of its subsidiaries are granted restricted share units of Ultimate Holding Company. Each restricted share unit represents a conditional entitlement to receive one share of Ultimate Holding Company in future, provided that certain terms and conditions are met. The main terms and conditions are a) continuous employment with the BP group until the end of restricted period and b) achievement of certain performance targets by the employee and/or BP Group. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments on the date on which they are granted and is recognised as an expense over the restricted period. A corresponding credit is recognised within equity since the cost of such share value plan is borne by the Ultimate Holding Company.

Share match plan

The Ultimate Holding Company has a "Share Match Plan" whereby all executive employees of its subsidiaries have been given a right to purchase the shares of Ultimate Holding Company upto a specified amount. Every employee who opts for the scheme contributes by way of payroll deduction a specified amount towards purchase of share. The Company contributes equal amount and charges it to employee benefits expense.

Other employee benefits

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.

Redundancy Expenses are fully charged to the Statement of Profit and Loss in the year in which they accrue.

e. Taxes

Income tax expense comprises current income tax and deferred income tax. Income tax expense is recognised in the Statement of Profit and Loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income or other equity as the case may be.

Current income tax

Current tax is the amount of tax payable based on the taxable profit for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961.

The current 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, 2017 and the provision for the remaining period of nine months ending on December 31, 2017. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2017-18 to Profit Before Tax of the said period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies *(contd.)*

f. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price (Net of Cenvat and VAT credit/GST input credit wherever applicable) and any attributable cost of bringing the assets to its working condition for its intended use. Such cost also includes the cost of replacing part of the Property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Depreciation on Property, plant and equipment is calculated on a straight-line basis, from the month of addition, using the estimated useful lives, as specified in schedule II to the Companies Act, 2013, except in respect of the following assets:

Assets description	Useful life as per management (as technically assessed)	Useful life under schedule II
Residential and office buildings	5 years to 25 years	60 years
Plant and machinery	5 years to 21 years	15 years
Computers	4 years to 6 years	3 years
Equipment board with dealers	3 years	10 years
Furniture and fixtures	3 years to 10 years	10 years
Motor vehicles	4 years to 10 years	8 years
Laboratory equipment	5 years to 21 years	10 years

Leasehold land is being amortised on a straight-line basis over the the lease term.

The residual values, useful lives and methods of depreciation of Property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life i.e. 4 years based on management assessment and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit and loss.

h. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Leases not classified as finance lease are classified as operating lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

i. Inventories

Inventories consist of raw and packing materials, stock-in-trade and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of inventories is determined on weighted average basis. Cost of manufactured finished goods and work-in-progress includes material cost determined on weighted average basis and also includes an appropriate portion of allocable overheads. Cost of traded goods includes cost of purchase and other cost incurred in bringing the inventories to the present location and condition. Due allowances are made in respect of slow moving, non-moving and obsolete inventories based on estimate made by management.

Impairment of non-financial assets

The carrying amount of assets are reviewed for impairment at the end of each reporting 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 fair value less cost of disposal 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 fair value, recent market transactions are taken into account.

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 and other macro economic factors and historical trends and variability.

Impairment losses including impairment on inventories are recognised in the statement of profit and loss, except for previously revalued tangible 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.

j. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

k. Financial instruments

(a) Non-derivative financial instruments:

Initial recognition and measurement

All financial assets and liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognised using trade date accounting.

Subsequent measurement

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset which is not classified in any of the above categories are measured at FVTPL.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(b) Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of profit and loss immediately.

Derecognition of financial instruments

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVOCI, lease receivables, trade receivables, other contractual rights to receive cash or other financial asset not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument.

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

Notes to the Financial Statements for the year ended December 31, 2017

2. Significant accounting policies (contd.)

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

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

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

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward looking information.

l. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, as they are considered an integral part of the Company's cash management.

m. Earnings per share

Basic earnings 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 earnings 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.

n. Cash dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

o. 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.

Notes to the Financial Statements for the year ended December 31, 2017

3. Property, plant and equipment, capital work-in-progress and intangible assets

Rupees in Crores

Description	Property, plant and equipment										Other intangible assets	Capital work-in-progress
	Freehold land	Leasehold land	Building (including leasehold improvements)	Plant & equipment	Laboratory equipment	Computer hardware	Furniture & fixture	Office equipment	Motor vehicles	Total tangible assets	Computer software	
Gross Block [refer note (b)]												
As at January 1, 2016	**3.92**	**0.39**	**39.21**	**63.22**	**11.09**	**3.30**	**16.05**	**3.02**	**–**	**140.20**	**8.64**	
Additions	–	–	1.54	22.60	1.43	0.22	19.43	0.46	0.22	45.90	0.69	
Disposals	–	–	0.43	1.79	0.21	0.10	0.16	0.04	–	2.73		
Reclassification	–	–	–	–	–	1.49	–	–	–	1.49	(1.49)	
As at December 31, 2016	**3.92**	**0.39**	**40.32**	**84.03**	**12.31**	**4.91**	**35.32**	**3.44**	**0.22**	**184.86**	**7.84**	
Additions	–	–	4.44	8.46	2.72	1.22	22.05	1.32	–	40.21	0.50	
Disposals	–	0.10	2.74	0.81	0.56	0.05	8.27	0.03	–	12.56	–	
Reclassification	–	–	–	–	–	–	–	–	–	–		
As at December 31, 2017	**3.92**	**0.29**	**42.02**	**91.68**	**14.47**	**6.08**	**49.10**	**4.73**	**0.22**	**212.51**	**8.34**	
Depreciation and amortisation												
As at January 1, 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
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	–	–	0.04	0.43	0.02	0.08	0.03	–	–	0.60	–	
As at December 31, 2016	**–**	**0.02**	**5.77**	**13.74**	**1.61**	**2.53**	**16.46**	**1.42**	**0.01**	**41.56**	**2.80**	
Charge for the year	–	0.02	5.05	15.76	1.75	1.80	16.72	1.46	0.02	42.58	2.92	
Disposals	–	0.03	0.68	0.30	0.19	0.04	8.09	0.02	–	9.35	–	
As at December 31, 2017	**–**	**0.01**	**10.14**	**29.20**	**3.17**	**4.29**	**25.09**	**2.86**	**0.03**	**74.79**	**5.72**	
Impairment loss [refer note (a)]												
As at January 1, 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Additions	–	–	0.05	1.69	0.15	–	0.25	0.03	–	2.17	–	
Disposals	–	–	–	0.80	–	–	–	–	–	0.80	–	
As at December 31, 2016	**–**	**–**	**0.05**	**0.89**	**0.15**	**–**	**0.25**	**0.03**	**–**	**1.37**	**–**	
Additions	–	–	–	–	–	–	–	–	–	–	–	
Disposals	–	–	–	–	–	–	–	–	–	–	–	
As at December 31, 2017	**–**	**–**	**0.05**	**0.89**	**0.15**	**–**	**0.25**	**0.03**	**–**	**1.37**	**–**	
Net Block												
As at January 1, 2016	**3.92**	**0.39**	**39.21**	**63.22**	**11.09**	**3.30**	**16.05**	**3.02**	**–**	**140.20**	**8.64**	**36.41**
As at December 31, 2016	**3.92**	**0.37**	**34.50**	**69.40**	**10.55**	**2.38**	**18.61**	**1.99**	**0.21**	**141.93**	**5.04**	**37.26**
As at December 31, 2017	**3.92**	**0.28**	**31.83**	**61.59**	**11.15**	**1.79**	**23.76**	**1.84**	**0.19**	**136.35**	**2.62**	**57.27**

Notes:

(a) Impairment Loss is recognised in the Statement of Profit and Loss under "Impairment on property, plant and equipment and other intangible assets".

(b) The Company has elected to measure all its property, plant and equipment at the previous GAAP carrying amount i.e. January 1, 2016 as its deemed cost (Gross Block Value) on the date of transition to Ind AS i.e. January 1, 2016.

(c) The Company has availed the deemed cost exemption in relation to the property, plant and equipment, capital work-in-progress and intangibles on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date.

Refer note below for the gross block value, accumulated depreciation and impairment loss as on January 1, 2016 under the previous GAAP.

Rupees in Crores

Description	Gross Block as at January 1, 2016	Accumulated Depreciation as at January 1, 2016	Impairment loss as at January 1, 2016	Net Block as at January 1, 2016
Property, plant and equipment				
Freehold land	3.92	–	–	3.92
Leasehold land	0.92	0.53	–	0.39
Building (including leasehold improvements)	92.43	48.16	5.06	39.21
Plant & machinery	158.19	93.92	1.04	63.22
Laboratory equipment	16.40	5.31	–	11.09
Computer hardware	13.00	9.70	–	3.30
Furniture & fixture	74.55	58.45	0.05	16.05
Office equipment	12.94	9.92	–	3.02
Motor vehicles	0.88	0.57	0.31	–
Total property, plant and equipment	**373.23**	**226.56**	**6.46**	**140.20**
Capital work-in-progress	**36.41**	**–**	**–**	**36.41**
Intangibles – Computer software	**18.28**	**9.64**	**–**	**8.64**

Notes to the Financial Statements for the year ended December 31, 2017

4. Financial assets

(Unsecured, considered good unless otherwise stated)

4.1 Loans

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Non-current			
Loans to employees	**0.98**	1.15	1.15
Security deposit#	**9.83**	3.55	9.80
	10.81	**4.70**	**10.95**
Current			
Loans to employees*	**0.45**	0.33	0.73
Security deposit#	**0.05**	6.89	1.20
	0.50	**7.22**	**1.93**

* Loans to employees include loan to key managerial personnel of Rs. Nil (December 31, 2016 : Rs. Nil, January 1, 2016 : Rs. 0.12 Crores).

\# Security deposit are non-interest bearing and recoverable at the termination of contract unless otherwise agreed.

4.2 Other financial assets

Financial assets carried at amortised cost

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Non-current			
Rebates receivable	–	6.50	6.50
Less: Provision for doubtful receivable (expected credit loss allowance)	–	6.50	6.50
	–	–	–
Current			
Rebates receivable	**14.43**	14.38	9.79
Interest accrued on bank deposits	**7.58**	7.93	6.70
Derivative instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange forward contracts*	–	0.20	0.03
	22.01	**22.51**	**16.52**

* While the Company entered into forward contracts with the intention of reducing the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Notes to the Financial Statements for the year ended December 31, 2017

4.3 Trade receivables*# (Refer note 29)

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Current			
Secured##			
Considered good	**63.60**	63.68	60.93
Unsecured			
Considered good	**221.37**	191.54	175.53
Considered doubtful	**9.96**	8.60	8.77
Less : Allowance for doubtful debts (expected credit loss allowance)	**9.96**	8.60	8.77
	221.37	**191.54**	**175.53**
	284.97	**255.22**	**236.46**

Movement in the allowance of doubtful receivables

Particulars	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Balance at the beginning of the year	**8.60**	8.77	8.02
Less : Amounts written off during the year (net)	**(0.72)**	(0.64)	(0.59)
Changes in allowance for doubtful receivables	**2.08**	0.47	1.34
Balance at end of the year	**9.96**	**8.60**	**8.77**

* Refer note no. 28 for related party receivables.

\# The average credit period ranges from 1 to 90 days. No interest is charged on trade receivables during credit period. Thereafter, interest is charged at 24% p.a. on the outstanding balance.

\## Secured by deposits and bank guarantees from customers.

4.4 Cash and cash equivalents

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Balance with banks			
On current accounts	**23.99**	9.43	15.14
Deposits with original maturity of less than 3 months	**190.76**	101.17	33.31
Cheques on hand	**0.71**	0.97	–
Cash on hand	**0.01**	0.01	0.02
	215.47	**111.58**	**48.47**

Notes to the Financial Statements for the year ended December 31, 2017

4.5 Bank balances other than above

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Deposits with remaining maturity for less than 12 months	**557.00**	699.50	638.04
Unclaimed dividend account and capital reduction (Includes unclaimed amount of Rs. 0.96 Crores pertaining to capital reduction in earlier years)	**11.76**	10.80	9.99
	568.76	**710.30**	**648.03**

Break up of financial assets carried at amortised cost

Particulars	Note	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Loans	4.1	**11.31**	11.92	12.88
Trade receivables	4.3	**284.97**	255.22	236.46
Cash and cash equivalents	4.4	**215.47**	111.58	48.47
Other balances with banks	4.5	**568.76**	710.30	648.03
Other financial assets	4.2	**22.01**	22.31	16.49
		1,102.52	**1,111.33**	**962.33**

5. Income tax assets (net)

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Advance income tax/tax deducted at source (net of current tax provision)	**33.97**	26.06	32.59
	33.97	**26.06**	**32.59**

6. Deferred tax (net)

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Deferred tax assets (net)	**55.15**	67.17	49.92
	55.15	**67.17**	**49.92**

Movement in deferred tax balances

Particulars	**Net balance as at January 1, 2017**	**Recognised in statement of profit and loss**	**Recognised in OCI**	**Net deferred tax asset/(liability) as at December 31, 2017**
Deferred tax asset/(liabilities)				
Property, plant and equipment	**11.58**	**1.91**	**–**	**13.49**
43B disallowances	**27.88**	**(6.37)**	**1.11**	**22.62**
Inventory – obsolete	**3.66**	**(0.95)**	**–**	**2.71**
Provision for doubtful debts	**9.74**	**(5.79)**	**–**	**3.95**
Other temporary differences	**14.31**	**(1.93)**	**–**	**12.37**
	67.17	**(13.12)**	**1.11**	**55.15**

Notes to the Financial Statements for the year ended December 31, 2017

6. Deferred tax (net) (contd.)

Movement in deferred tax balances

Particulars	Net balance as at January 1, 2016	Recognised in statement of profit and loss	Recognised in OCI	Net deferred tax asset/(liability) as at December 31, 2016
Deferred tax asset/(liabilities)				
Property, plant and equipment	3.83	7.75	–	11.58
43B disallowances	22.83	5.92	(0.87)	27.88
Inventory – obsolete	2.47	1.19	–	3.66
Provision for doubtful debts	10.22	(0.48)	–	9.74
Other temporary differences	10.57	3.74	–	14.31
	49.92	**18.12**	**(0.87)**	**67.17**

Income tax

The major components of income tax expense for the year ended December 31, 2017

Particulars	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Profit and Loss:		
Current tax – net of reversal of earlier years : Rs. 4.17 Crores (December 31, 2016 : Nil)	**365.14**	388.04
Deferred tax	**13.12**	(18.12)
Total income tax expense	**378.26**	**369.92**

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate

Particulars	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Profit before income tax expense	**1,070.07**	1,040.30
Tax at the Indian tax rate 34.608%	**370.33**	360.03
Items giving rise to difference in tax		
Effect of non-deductible expenses	**8.06**	9.89
Capital gain on property, plant and equipments	**(1.80)**	–
Others	**1.67**	–
Income tax expense	**378.26**	**369.92**

Notes to the Financial Statements for the year ended December 31, 2017

7. Other assets

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Non-current			
Capital advances	**10.44**	0.83	2.45
Prepaid expenses	**2.17**	0.92	0.93
Provident fund surplus assets	**5.08**	2.04	0.15
Advance to customers – rebate	**39.65**	19.84	10.35
Deposits/balance with statutory/government authorities	**51.70**	38.82	34.93
	109.04	**62.45**	**48.81**
Current			
Prepaid expenses	**3.38**	3.43	2.47
Advance to customers – rebate	**35.16**	25.45	11.57
Advance to supplier	**30.54**	16.49	25.29
Other receivables			
Considered good	**9.04**	3.64	3.83
Considered doubtful	**1.45**	1.41	1.41
	10.49	5.05	5.24
Less: Provision for doubtful advances (expected credit loss allowance)	**1.45**	1.41	1.41
	9.04	3.64	3.83
Deposits/balance with statutory/government authorities	**82.34**	44.00	34.78
	160.46	**93.01**	**77.94**

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

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Raw materials (including stock in transit Rs. 13.08 Crores [December 31, 2016 : Rs. 10.74 Crores, January 1, 2016 : Rs. 6.26 Crores)]	**154.41**	151.59	130.20
Packing materials	**3.82**	2.16	1.91
Finished goods	**109.35**	139.10	124.19
Traded goods (including stock in transit Rs. 11.76 Crores [December 31, 2016 : Rs. 11.56 Crores, January 1, 2016 : Rs. 7.86 Crores)]	**51.99**	51.03	48.28
	319.57	**343.88**	**304.58**

Note:
The cost of inventories recognised as an expense in December 31, 2017 includes Rs. 2.74 Crores in respect of reversal of write-downs of inventories to net realisable value while the cost of inventories recognised as an expense in December 31, 2016 and January 1, 2016 includes Rs. 3.45 Crores and 0.80 Crores in respect of write-downs of inventories to net realisable value respectively.

Notes to the Financial Statements for the year ended December 31, 2017

9. Equity share capital

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Authorised			
990,000,000 equity shares of Rs. 5/- each (December 31, 2016 : 990,000,000 equity shares of Rs. 5/- each, January 1, 2016 : 990,000,000 equity shares of Rs. 5/- each)	**495.00**	495.00	495.00
	495.00	**495.00**	**495.00**
Issued, subscribed and fully paid-up			
989,122,384 equity shares of Rs. 5/- each (December 31, 2016 : 494,561,192 equity shares of Rs. 5/- each, January 1, 2016 : 494,561,192 equity shares of Rs. 5/- each)	**494.56**	247.28	247.28
	494.56	**247.28**	**247.28**

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

Equity shares	As at December 31, 2017		As at December 31, 2016	
	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
Add: Bonus shares issued during the year#	**494,561,192**	**247.28**	–	–
Outstanding at the end of the year	**989,122,384**	**494.56**	**494,561,192**	**247.28**

\# The Company has issued and allotted 494,561,192 no. of bonus equity shares of Rs. 5/- each, on December 26, 2017, following approval of the members of the Company on December 15, 2017, vide postal ballot.

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 5/- per share (December 31, 2016 : Rs. 5/- per share, January 1, 2016 : 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 (AGM). The Company declares and pays dividend in Indian Rupees.

During the year ended December 31, 2017, the board declared an amount of Rs. 4.50 per share (December 31, 2016 : Rs. 4.50, January 1, 2016 : Rs. 4.00) as interim dividend which was distributed to equity shareholders. The amount of interim dividend distributed to equity shareholders was Rs. 267.86 Crores including corporate dividend tax (December 31, 2016 : Rs. 267.86 Crores, January 1, 2016 : Rs. 237.09 Crores).

In addition, the board has also declared a special dividend of Rs. Nil per share (December 31, 2016 : Rs. 2.00 per share, January 1, 2016 : Nil per share). The amount of special dividend distributed to equity shareholders is Rs. Nil including corporate dividend tax (December 31, 2016 : Rs. 119.05 Crores, January 1, 2016 : Rs. Nil).

The Board of directors in their meeting dated February 6, 2018 have proposed a final dividend of Rs. 2.50 per share (December 31, 2016 : Rs. 4.50 per share, January 1, 2016 : Rs. 5.00 per share) for the year ended December 31, 2017. The proposal is subject to approval of shareholders at the AGM to be held on May 3, 2018 and if approved would result in outflow of Rs. 297.62 Crores (December 31, 2016 : Rs. 267.86 Crores, January 1, 2016 : Rs. 297.62 Crores) including corporate dividend tax.

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.

Notes to the Financial Statements for the year ended December 31, 2017

9. Equity share capital (contd.)

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, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Castrol Limited, U.K. 504,452,416 equity shares of Rs. 5/- each fully paid (Holding Company) (December 31, 2016 : 251,684,312, January 1, 2016 : 350,749,820) [December 31, 2016 : Rs. 5/ each, January 1, 2016 : Rs. 5/- each]	**252.22**	125.84	175.37
BP Mauritius Limited Nil equity shares of Rs. 5/- each fully paid (Subsidiary of Ultimate Holding Company) (December 31, 2016 : 541,896, January 1, 2016 : 541,896) [December 31, 2016 : Rs. 5/ each, January 1, 2016 : Rs. 5/- each]	–	0.27	0.27

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

	As at December 31, 2017 No. of Shares	As at December 31, 2016 No. of Shares	As at January 1, 2016 No. of Shares
Equity shares allotted as fully paid bonus shares by capitalisation of general reserve and retained earnings	**865,482,086**	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, 2017		As at December 31, 2016		As at January 1, 2016	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs. 5/- each fully paid up (December 31, 2016 : Rs. 5/- each)						
Castrol Limited, U.K.	**504,452,416**	**51.00%**	251,684,312	50.89%	350,749,820	70.92%
Life Insurance Corporation of India	**86,874,756**	**8.78%**	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.

Notes to the Financial Statements for the year ended December 31, 2017

10. Other equity

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Other equity			
Share based payment##	**10.14**	6.52	3.61
Reserves & surplus**			
Capital reserve#	**13.62**	13.62	13.62
General reserve*	**–**	148.38	148.38
Retained earnings	**502.58**	564.39	459.49
Other comprehensive income – remeasurement of net defined benefit plans	**(0.75)**	1.35	–
	525.59	**734.26**	**625.10**

\# Capital reserve mainly represents amount transferred on amalgamation with erstwhile Tata BP Lubricants

\## Share value plan of Ultimate Holding Company [refer note 2(d) of significant accounting policies]

* General reserve reflects amount transferred from statement of profit and loss in accordance with regulations of the Companies Act, 2013

** For movement, refer statement of changes in equity.

11. Financial liabilities

11.1 Trade payables# (Refer note 29)

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Current			
Micro and small enterprises (refer note 26)	**4.26**	5.91	4.13
Other than micro and small enterprises	**602.38**	490.73	427.30
	606.64	**496.64**	**431.43**

\# Trade payables are non-interest bearing and are normally settled between 7 to 90 days credit terms

11.2 Other financial liabilities

Financial liabilities at amortised cost

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Non-current			
Deposit from customers#	**0.06**	0.06	0.06
	0.06	**0.06**	**0.06**
Current			
Deposit from customers#	**15.30**	15.68	13.94
Employee benefits payable	**21.94**	19.57	28.69
Capex payables	**39.16**	25.15	15.13
Interest accrued and due on deposit from customers	**0.37**	0.18	0.44
Rebate payables	**137.57**	138.19	101.68
Corporate social responsibility	**8.37**	10.77	8.35
Unpaid dividend and capital reduction@ (Includes unclaimed amount of Rs. 0.96 Crores pertaining to capital reduction in earlier years)	**11.76**	10.80	9.99
Derivative instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange forward contracts*	**0.75**	0.44	0.29
	235.22	**220.78**	**178.51**

* While the Company entered into forward contracts with the intention of reducing the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

\# Deposit from customers are interest bearing and repayable on termination of agreement unless otherwise agreed.

@ 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.

Notes to the Financial Statements for the year ended December 31, 2017

12. Provisions

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Non-current			
Provision for employee benefit (refer note 27)	**15.88**	14.03	14.87
	15.88	14.03	14.87
Current			
Provision for employee benefit (refer note 27)	**4.14**	4.22	7.03
Provision for indirect taxes [refer note (a) and (c) below]	**31.85**	42.53	38.06
Provision for litigations [refer note (b) and (c) below]	**1.61**	1.61	1.61
	37.60	**48.36**	**46.70**

(a) Movement in provision for indirect taxes:

	As at December 31, 2017 Rupees in Crores	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at December 31, 2016 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	**11.01**	**31.52**	7.18	30.88
Addition during the year	**0.54**	**3.68**	3.83	5.33
Reversed/paid during the year	**3.67**	**11.23**	–	4.69
Balance as at December 31	**7.88**	**23.97**	11.01	31.52
Total		**31.85**		**42.53**

(b) There has been no movement in provisions for litigations during the year.

(c) The Company has made provision 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.

13. Current tax liabilities (net)

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Provision for tax (net of advance tax and tax deducted at source)	**18.79**	36.78	35.63
	18.79	**36.78**	**35.63**

14. Other liabilities

	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Statutory dues	**37.52**	85.68	78.72
Advance from customers	**5.09**	4.46	3.15
	42.61	**90.14**	**81.87**

Notes to the Financial Statements for the year ended December 31, 2017

15. Revenue from operations

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Revenue from operations		
Sale of products* [net of rebates Rs. 322.72 Crores (December 31, 2016 : Rs. 289.87 Crores)]	**3,836.10**	3,863.56
Other operating revenue		
Income from services	**10.16**	8.22
Scrap sale	**5.30**	4.18
	3,851.56	**3,875.96**

* Excise duty on sales amounting to Rs. 267.24 Crores (December 31, 2016 : Rs. 505.63 Crores) has been included in sales in Statement of Profit and Loss.

16. Other income

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Interest income on financial assets carried at amortised cost		
From bank deposits	**43.11**	51.97
Others	**2.78**	1.28
Excess accruals written back	**–**	8.08
Provision for doubtful debts written back (net)	**–**	0.17
Profit on sale of property, plant and equipment (net)	**17.61**	10.95
Miscellaneous income*	**20.15**	14.94
	83.65	**87.39**

* Includes service rendered to related parties of Rs. 17.81 Crores (December 31, 2016 : Rs. 11.57 Crores)

17.1 Cost of raw and packing materials consumed

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Raw and packing materials consumed		
Inventory at the beginning of the year	**153.75**	132.11
Add: Purchases during the year	**1,479.11**	1,341.91
	1,632.86	1,474.02
Less: Inventory at the end of the year	**158.23**	153.75
	1,474.63	**1,320.27**

17.2 Purchase of traded goods

Purchase of traded goods	**196.70**	226.30
	196.70	**226.30**

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

Inventories at the end of the year		
Traded goods	**51.99**	51.03
Finished goods	**109.35**	139.10
	161.34	**190.13**
Inventories at the beginning of the year		
Traded goods	**51.03**	48.28
Finished goods	**139.10**	124.19
	190.13	172.47
Less: Net increase/(decrease) in excise duty on inventories of finished goods	**(34.22)**	2.68
	(5.43)	**(14.98)**

Notes to the Financial Statements for the year ended December 31, 2017

18. Employee benefits expense

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Salaries and wages	**164.15**	146.02
Share based payments	**5.72**	4.92
Contribution to provident and other funds	**12.17**	11.81
Staff welfare expenses	**11.35**	11.97
Redundancy cost	**2.24**	3.24
	195.63	**177.96**

19. Finance costs

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Interest on financial liabilities carried at amortised cost	**1.20**	1.48
	1.20	**1.48**

20. Depreciation and amortisation expense

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Depreciation on property, plant and equipment	**42.58**	42.16
Amortisation on intangible assets	**2.92**	2.80
	45.50	**44.96**

21. Other expenses

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Rent	**28.23**	17.90
Rates and taxes	**9.08**	18.53
Power and fuel	**5.26**	4.60
Stores and consumables	**1.27**	1.40
Freight and forwarding charges	**116.30**	107.05
Insurance	**3.75**	3.22
Repairs and maintenance		
Land and buildings	**4.50**	4.06
Plant and equipment	**5.59**	4.50
Others	**9.66**	18.96
Provision for doubtful debts (net)	**2.08**	0.64
Provision for doubtful advance (net)	**0.04**	–
Processing and filling charges	**13.79**	10.68
Advertising and sales promotion	**112.73**	130.00
Stock point operating charges	**35.70**	28.61
Impairment on property, plant and equipment and intangible assets	**–**	1.37
Director sitting fees	**0.20**	0.20
Commission to resident non-wholetime Indian directors	**0.52**	0.26
Royalty	**105.95**	104.00
Sales promotion fees	**124.62**	115.55
Travelling expenses	**11.14**	9.85
Legal, professional fees and contract charges	**41.10**	39.86
Payment to auditors [refer note (i) below]	**1.22**	1.35
Exchange difference (net)	**1.37**	0.89
Loss on fair valuation of forward contract	**2.44**	0.55
Corporate social responsibility [refer note (ii) below]	**19.16**	15.23
Miscellaneous expenses	**33.97**	22.17
	689.67	**661.43**

Notes to the Financial Statements for the year ended December 31, 2017

21. Other expenses (contd.)

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Note		
(i) Payment to auditor (excluding taxes)		
As auditor:		
Audit fee	**0.72**	0.87
Tax accounts and tax audit fees	**0.25**	0.21
Limited review	**0.16**	0.16
In other capacity:		
Certification fees	**0.05**	0.07
Reimbursement of expenses	**0.04**	0.04
	1.22	**1.35**
(ii) Corporate social responsibility activities		
a) Amount required to be spent by the Company during the year.	**18.16**	16.03
b) Amount spent during the year (on purpose other than construction/acquisition of assets controlled by the Company)	**19.16 # ***	15.23 # *
# The above expenditure includes contribution to funds, expenses incurred 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)	**8.37**	10.77

22. Earnings per share (EPS)

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Profit for the year	**691.81**	670.38
	No. of Shares	No. of Shares
Weighted average number of equity shares in calculating Basic and Diluted EPS	**989,122,384**	989,122,384
Basic and Diluted earnings per share (Rs.)*	**6.99**	6.78
Nominal value per share (Rs.)	**5.00**	5.00

* Restated due to bonus issue

23. Leases

Operating lease: Company as lessee

Office premises and motor cars are obtained on operating lease. The lease terms range from one year to four years and are renewable at the option of the Company. These lease rentals are recognised under "other expenses".

The specified disclosure in respect of these agreements is given below:

	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Charged to Statement of Profit and Loss	**11.73**	17.25
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	**12.48**	8.51
After one year but not more than five years	**14.64**	0.62
More than five years	**–**	–
	27.12	**9.13**

Notes to the Financial Statements for the year ended December 31, 2017

24. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

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 reportable business segment consists of a single segment of "Lubricants" w.e.f. January 1, 2016 in terms of Ind AS 108. The Managing Director (Chief Operating Decision Maker) is accountable for leading the growth agenda for an integrated automotive and industrial business.

Information by Geographies	**For the year ended December 31, 2017 Rupees in Crores**	**For the year ended December 31, 2016 Rupees in Crores**
Revenue		
India	**3,843.47**	3,870.90
Outside India	**8.09**	5.06
	3,851.56	**3,875.96**
Capital expenditure (including capital work-in-progress)		
India	**60.72**	47.45
Outside India	–	–
	60.72	**47.45**

	As at December 31, 2017 Rupees in Crores	**As at December 31, 2016 Rupees in Crores**	**As at January 1, 2016 Rupees in Crores**
Non-current assets*			
India	**299.22**	244.26	232.07
Outside India	**0.98**	0.38	1.84
	300.20	**244.64**	**233.91**

* There are no transactions with single customer which amounts to 10% or more of the Company's revenue for the year ended December 31, 2017 and December 31, 2016.

Notes to the Financial Statements for the year ended December 31, 2017

25. (i) Contingent liabilities & commitments

			As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores
(a)	**Contingent liabilities**			
(1)	Excise/sales tax/service tax demands made by the authorities, in respect of which appeals have been filed [refer note (i) below]		**51.67**	51.08
(2)	Claims against the Company not acknowledged as debts estimated at:			
	– In respect of compensation claimed by third parties/ workers/employees		**1.41**	1.27
		(A)	**53.08**	**52.35**
(b)	**Commitments**			
(1)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		**15.31**	9.74
(2)	Operating lease obligation (refer note 23)		**27.12**	9.13
		(B)	**42.43**	18.87
		Total (A + B)	**95.51**	**71.22**

Notes: (i) The management does not expect these demands/claims to succeed. Claims, where the possibility of outflow of resources embodying economic benefits is remote, have not been considered in contingent liability.

(ii) The Company had received an order from Maharashtra Sales Tax Department for the financial year 2009-10, 2007-08, 2010-11 and 2011-12 demanding Rs. 255.50 Crores, Rs. 306.39 Crores, Rs. 263.60 Crores and Rs. 474.62 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/precedent and in Company's opinion the said demand is unjustified. The Company had 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. During the year, the Company has received favourable order for all the above years from MVAT Tribunal in response to the appeals filed. The department has filed an appeal for the year 2009-10 before the Central Sales Tax Appellate Tribunal Delhi (CSTAA) and the matter is pending for hearing. Considering the favourable orders from MVAT Tribunal and based on the legal advice the Company has not made any provision for any liability in this regard in the current financial statements.

26. 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, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 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	**4.26**	5.91	4.13
	– Interest due on above	**–**	–	–
b.	The amount of interest paid by the buyer in terms of Section 16 of the MSMED 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 MSMED 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 MSMED Act, 2006.	**–**	–	–

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

Notes to the Financial Statements for the year ended December 31, 2017

27. Employee benefits

I) Defined contribution plan

Contribution to Provident and Other Funds' in Note 18 includes Rs. 1.10 Crores (December 31, 2016 : Rs. 1.20 Crores) for ESIC and Labour Welfare Fund. Note 21 includes 'Insurance' Rs. 2.10 Crores (December 31, 2016 : Rs. 1.50 Crores) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Note 18 includes Rs. 2.10 Crores for share match (December 31, 2016 : Rs. 2.00 Crores).

II) Defined benefit plan

A) General Description of defined benefit plan

i) 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.

The Company has a defined benefit gratuity plan in India (funded). The Company defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

ii) 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, 2017. 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.

iii) 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.

iv) Compensated absences

The Company has a policy on compensated absences which is applicable to its executives jointed upto a specified period and all workers. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date.

B) The plans in India typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to the Financial Statements for the year ended December 31, 2017

27. Employee benefits (contd.)

C) Amounts recognised in financial statements in respect of these defined benefit plans are as follows:

i) The following tables set out the funded status of the gratuity, pension, compensated absences and provident fund plans and the amounts recognised in the Company's financial statements as at December 31, 2017 and December 31, 2016:

Rupees in Crores

Particulars	As at December 31, 2017				As at December 31, 2016			
	Gratuity	Pension benefit	Compensated absences	Provident fund	Gratuity	Pension benefit	Compensated absences	Provident fund
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)
Change in the present value of the defined benefit obligation and fair value of plan assets:								
Obligation at period beginning	**40.98**	**1.44**	**1.49**	**133.79**	**38.89**	**1.50**	**1.39**	**125.57**
Current service cost	**2.78**	**0.07**	**0.02**	**5.63**	2.69	–	0.09	6.27
Interest cost	**2.66**	**–**	**0.03**	**8.65**	2.91	–	0.02	9.64
Actuarial (gain)/loss due to change in assumptions	**3.61**	**(0.11)**	**0.30**	**(1.31)**	2.96	0.09	0.21	(0.23)
Experience (gain)/loss on plan liability	**2.21**	**–**	**–**	**–**	(2.38)	–	–	–
Benefits paid and transfer out	**(4.11)**	**–**	**(0.36)**	**(7.90)**	(4.09)	(0.15)	(0.22)	(17.38)
Contributions by employee	**–**	**–**	**–**	**8.68**	–	–	–	8.13
Transfer in	**–**	**–**	**–**	**5.94**	–	–	–	1.79
Obligation at period end	**48.13**	**1.40**	**1.48**	**153.48**	**40.98**	**1.44**	**1.49**	**133.79**
Change in plan assets								
Plan assets at period beginning, at fair value	**33.11**	**–**	**–**	**135.83**	31.16	–	–	125.72
Expected return on plan assets	**2.25**	**–**	**–**	**9.26**	2.51	–	–	10.21
Experience (gain)/loss on plan assets	**0.38**	**–**	**–**	**–**	0.58	–	–	–
Asset gain/(loss)				**1.12**				2.09
Contributions by employer	**3.19**	**–**	**–**	**5.63**	2.95	–	–	5.27
Contributions by employee	**–**	**–**	**–**	**8.68**	–	–	–	8.13
Benefits paid	**(4.11)**	**–**	**–**	**(7.90)**	(4.09)	–	–	(17.38)
Transfer in	**–**	**–**	**–**	**5.94**	–	–	–	1.79
Plan assets at period end, at fair value	**34.82**	**–**	**–**	**158.56**	**33.11**	**–**	**–**	**135.83**
Change in the present value of the defined benefit obligation and fair value of plan assets:								
Fair value of plan assets at the end of the period	**34.82**	**–**	**–**	**158.56**	33.11	–	–	135.83
Present value of the defined benefit obligation at the end of the period	**(48.13)**	**(1.40)**	**(1.48)**	**(153.48)**	(40.98)	(1.44)	(1.49)	(133.79)
Asset/(liability) recognised in the Balance Sheet*	**(13.31)**	**(1.40)**	**(1.48)**	**5.08**	**(7.87)**	**(1.44)**	**(1.49)**	**2.04**

* Excludes provision of Rs. 3.83 Crores (December 31, 2016 : Rs. 7.48 Crores) made on account of long term services incentives.

ii) Amount for the year ended December 31, 2017 and December 31, 2016 recognised in the statement of profit and loss under employee benefit expenses:

Rupees in Crores

Particulars	For the year ended December 31, 2017				For the year ended December 31, 2016			
	Gratuity	Pension benefit	Compensated absences	Provident fund	Gratuity	Pension benefit	Compensated absences	Provident fund
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)
Current service cost	**2.78**	**0.07**	**0.02**	**5.63**	2.69	–	0.02	6.27
Net interest cost	**0.41**	**–**	**0.03**	**8.65**	0.40	–	0.02	9.64
Interest income	**–**	**–**	**–**	**(9.26)**	–	–	–	(10.21)
(Gains)/losses – other long term benefits	**–**	**–**	**–**	**–**	–	–	–	–
Total cost recognised in statement of profit and loss	**3.19**	**0.07**	**0.05**	**5.02**	**3.09**	**–**	**0.04**	**5.70**

Notes to the Financial Statements for the year ended December 31, 2017

27. Employee benefits (contd.)

iii) Amount for the year ended December 31, 2017 and December 31, 2016 recognised in the statement of other comprehensive income:

Rupees in Crores

Particulars	For the year ended December 31, 2017				For the year ended December 31, 2016			
	Gratuity	Pension benefit	Compensated absences	Provident fund	Gratuity	Pension benefit	Compensated absences	Provident fund
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)
Actuarial (gain)/ loss due to financial assumption changes in defined benefit obligation	**3.61**	**(0.11)**	**0.30**	**(1.31)**	2.95	(0.09)	0.21	(0.23)
Actuarial (gain)/loss due to experience on defined benefit obligation	**2.21**	**–**	**–**	**–**	(2.38)	–	–	–
Return on plan assets (greater)/less than discount rate	**(0.38)**	**–**	**–**	**(1.12)**	(0.59)	–	–	(2.09)
Total actuarial (gain)/ loss included in other comprehensive income	**5.44**	**(0.11)**	**0.30**	**(2.43)**	**(0.02)**	**(0.09)**	**0.21**	**(2.32)**

iv) Major categories of plan assets are as follows:

Provident fund **Rupees in Crores**

Particulars	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
The composition of plan assets			
Special deposits	**18.68**	18.75	18.82
Investment in Government and debt securities	**133.23**	114.83	103.19
Investment in mutual funds	**3.88**	1.83	0.85
Bank balance	**1.53**	0.42	0.61
Other receivables	**1.24**	–	2.23
Total	**158.56**	**135.83**	**125.70**

Gratuity **Rupees in Crores**

Particulars	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
The composition of plan assets			
Special deposits	**0.82**	0.82	0.82
Deposit with insurance schemes	**35.39**	31.97	29.49
Bank balance	**0.11**	0.32	–
Others – receivables/(payables)	**(1.50)**	–	0.85
Total	**34.82**	**33.11**	**31.16**

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The fair values of the above investments are determined based on prices in active markets. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of equity instruments, property and debt instruments. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

Notes to the Financial Statements for the year ended December 31, 2017

27. Employee benefits (contd.)

v) The significant assumptions used to determine benefit obligations as at December 31, 2017 and December 31, 2016 are set out below:

Particulars	As at December 31, 2017			As at December 31, 2016		
	Gratuity	Compensated absences	Provident fund	Gratuity	Compensated absences	Provident fund
	(Funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Funded)
Discount rate	**7.35%**	**7.35%**	**7.35%**	6.80%	6.80%	6.80%
Rate of increase in compensation level	**Executives – 12.25% for first year, 12.50% thereafter, Workers – 4%**	**Executives – 12.25% for first year, 12.50% thereafter, Workers – 4%**	**–**	Executives – 12% for first year, 10% thereafter, Workers – 4%	Executives – 12% for first year, 10% thereafter, Workers – 4%	–
Interest rate guarantee			**8.65%**			8.65%

vi) Sensitivity analysis:

Rupees in Crores

Particulars	As at December 31, 2017			As at December 31, 2016		
	Gratuity	Compensated absences	Provident fund	Gratuity	Compensated absences	Provident fund
	(Funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Funded)
Discount per annum						
a) Increase by 100 basis points	**51.37**	**0.36**	**149.99**	43.66	0.35	131.15
b) Decrease by 100 basis points	**45.24**	**0.43**	**159.75**	38.59	0.42	138.45
Rate of increase in compensation						
a) Increase by 100 basis points	**45.52**	**0.43**	**–**	38.71	0.42	–
b) Decrease by 100 basis points	**50.95**	**0.36**	**–**	43.43	0.35	–
Interest rate guarantee						
a) Increase by 100 basis points	**–**	**–**	**159.41**	–	–	138.18
b) Decrease by 100 basis points	**–**	**–**	**150.02**	–	–	131.17

The sensitivity analysis above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

The expected contribution payable for next year is as under:

Gratuity plan: Rs. 5.38 Crores (December 31, 2016 : Rs. 3.70 Crores, January 1, 2016 : Rs. 5.37 Crores)

Provident fund: Rs. 6.25 Crores (December 31, 2016 : Rs. 5.63 Crores, January 1, 2016 : Rs. 6.27 Crores)

vii) Maturity profile of defined benefit obligation is as follows:

Rupees in Crores

Particulars	As at December 31, 2017		As at December 31, 2016		As at January 1, 2016	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Year 1	**5.38**	**17.19**	3.70	15.77	5.37	13.78
Year 2	**5.97**	**22.58**	4.93	20.71	3.37	13.94
Year 3	**5.92**	**21.53**	6.69	19.75	4.60	18.61
Year 4	**4.22**	**19.67**	4.97	18.04	6.15	17.37
Year 5	**4.38**	**13.62**	3.44	12.50	4.56	16.34
Year 6-10	**24.69**	**66.03**	18.05	60.58	17.80	55.41

Notes to the Financial Statements for the year ended December 31, 2017

28. Related party disclosures as required under Ind AS 24, "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:

a) Fellow subsidiaries (where transaction exists)

AsPac Lubricants (Malaysia) Sdn. Bhd.
BP – Castrol (Thailand) Limited
BP (China) Industrial Lubricants Limited
BP Asia Pacific (Malaysia) SDN
BP Business Service Centre
BP Castrol KK
BP Castrol Lubricants (Malaysia) Sdn. Bhd.
BP Corporation North America
BP Europa SE
BP Europa SE BP Belgium
BP Europa SE Zweigniederlassung Austria (Lubes)
BP Exploration (Alpha) Limited
BP France Lubes
BP India Services Private Limited
BP International Limited
BP Italia SPA
BP Japan K.K.
BP Korea Limited
BP Lubricants USA Inc
BP Marine Limited
BP Mauritius Limited
BP Middle East (Auto and Marine Lubes)
BP Oil International Limited
BP Petrolleri Anonim Sirketi
BP Products North America Inc
BP Shipping Limited – OBC UK
BP Singapore Commercial
BP Singapore Pte Limited
BP Southern Africa Lubricants
BP Taiwan Marketing Limited
Castrol (China) Limited
Castrol (Shenzhen) Company Limited
Castrol Australia Pty Limited
Castrol BP Petco Limited Liability Company
Castrol Industrial North America Inc
Lubricants UK Limited
PT Castrol Indonesia

b) Post employment benefit funds

Castrol India Ltd. Employees' Provident Fund
Castrol India Ltd. Staff Pension Fund
Castrol India Ltd. Employees' Gratuity Fund

c) Key management personnel (where transaction exists)

Omer Dormen	Managing Director (w.e.f. 12.10.2015)
Rashmi Joshi	Chief Financial Officer & Wholetime Director
Jayanta Chatterjee	Wholetime Director – Supply Chain
Ravi Kirpalani	Managing Director (up to 11.10.2015) & thereafter Executive Director (up to 31.12.2015)

d) Non-Executive Independent Directors* — R. Gopalakrishnan, Uday Khanna, S.M. Datta

e) Non-Executive Non-Independent Directors* — Sashi Mukundan, Peter Weidner, Shiva McMahon (w.e.f. 11.05.2017)

* Non-Executive Directors are disclosed as Key Management Personnel as per the requirement of Ind AS 24. However, they are not Key Management Personnel as per Companies Act, 2013.

Notes to the Financial Statements for the year ended December 31, 2017

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (contd.)

B. Transactions with related parties (contd.)

	Nature of Relationship	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Purchase of materials/traded goods			
BP Europa SE	Fellow subsidiary	**22.32**	15.90
BP Europa SE – BP Belgium (Branch)	Fellow subsidiary	**20.66**	20.69
BP France	Fellow subsidiary	**11.93**	10.56
Castrol Industrial North America Inc	Fellow subsidiary	**10.15**	18.05
BP Lubricants USA Inc	Fellow subsidiary	**11.90**	2.01
Others	Fellow subsidiaries	**6.92**	6.04
Total		**83.88**	**73.25**
Sale of goods			
BP (China) Industrial Lubricants Limited	Fellow subsidiary	**1.05**	0.80
BP – Castrol (Thailand) Limited	Fellow subsidiary	**0.64**	0.24
AsPac Lubricants (Malaysia) Sdn. Bhd.	Fellow subsidiary	**3.80**	–
PT Castrol Indonesia	Fellow subsidiary	**0.46**	0.33
Others	Fellow subsidiaries	**0.21**	0.15
Total		**6.16**	**1.52**
Receiving of services			
BP International Limited	Fellow subsidiary	**4.60**	8.92
BP Europa SE	Fellow subsidiary	**11.48**	–
Lubricants UK Limited	Fellow subsidiary	**1.57**	14.20
BP Singapore Pte Limited	Fellow subsidiary	**2.87**	1.29
Others	Fellow subsidiaries	**3.22**	1.00
Total		**23.74**	**25.41**
Rendering of services & deputation of employees (Including reimbursement of expenses)			
Castrol Limited, U.K.	Holding Company	**10.47**	3.61
BP International Limited	Fellow subsidiary	**5.35**	5.88
BP India Services Private Limited	Fellow subsidiary	**8.34**	8.80
Others	Fellow subsidiaries	**1.61**	1.82
Total		**25.77**	**20.11**
Contribution to funds			
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**5.63**	5.27
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**2.90**	2.91
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**3.19**	2.95
Total		**11.72**	**11.13**

Notes to the Financial Statements for the year ended December 31, 2017

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (contd.)

B. Transactions with related parties (contd.)

	Nature of Relationship	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Disbursement from funds			
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**7.89**	17.38
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**5.96**	8.91
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**4.11**	4.09
Total		**17.96**	**30.38**
Commission income			
BP Marine Limited	Fellow subsidiary	**2.78**	3.74
Total		**2.78**	**3.74**
Dividend (on payment basis)			
Castrol Limited, U.K.	Holding Company	**277.10**	307.62
Others	Fellow subsidiary	**0.35**	0.51
Total		**277.45**	**308.13**
Royalty expense			
Castrol Limited, U.K.	Holding Company	**105.95**	104.00
Total		**105.95**	**104.00**
Share based payments*			
BP PLC	Ultimate Holding Company	**3.62**	2.91
Total		**3.62**	**2.91**

* Expense to be borne by BP PLC

	Nature of Relationship	For the year ended December 31, 2017 Rupees in Crores	For the year ended December 31, 2016 Rupees in Crores
Issue of bonus shares			
Castrol Limited, U.K.	Holding Company	**126.11**	–
Total		**126.11**	**–**

C. Balance with related parties as at year ended

	Nature of Relationship	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Amounts payable				
Castrol Limited, U.K.	Holding Company	**94.49**	92.75	83.54
BP Europa SE	Fellow subsidiary	**15.51**	4.94	3.57
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**1.83**	1.31	2.36
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**–**	–	0.05
Others	Fellow subsidiaries	**21.92**	36.38	31.83
Total		**133.75**	**135.38**	**121.35**

Notes to the Financial Statements for the year ended December 31, 2017

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (contd.)

C. Balance with related parties as at year ended (contd.)

	Nature of Relationship	As at December 31, 2017 Rupees in Crores	As at December 31, 2016 Rupees in Crores	As at January 1, 2016 Rupees in Crores
Amounts receivable				
AsPac Lubricants (Malaysia) Sdn. Bhd.	Fellow subsidiary	**3.43**	–	–
Castrol Limited, U.K.	Holding Company	**3.58**	–	2.96
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**5.34**	5.42	–
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**2.01**	2.19	0.66
BP International Limited	Fellow subsidiary	**2.08**	1.06	0.75
Others	Fellow subsidiaries	**3.81**	2.30	6.34
Total		**20.25**	**10.97**	**10.71**
Share based payments – other equity*				
BP PLC	Ultimate Holding Company	**10.14**	6.52	3.61
Total		**10.14**	**6.52**	**3.61**

* Payments are not made being deemed contribution.

D. Remuneration to Executive Directors* #

Omer Dormen	Key management personnel	**6.80**	6.67	
Rashmi Joshi	Key management personnel	**1.62**	1.52	
Jayanta Chatterjee	Key management personnel	**1.83**	1.60	
Total		**10.25**	**9.79**	
Bifurcation of long-term and short-term benefits				
Short-term employee benefits		**9.22**	8.94	
Post-employment gratuity and medical benefits		**0.33**	0.34	
Share-based payment transactions		**0.70**	0.51	
Total compensation paid to Executive Directors		**10.25**	**9.79**	
Commission and Director sitting fees to Non-Executive Independent Directors				
R. Gopalakrishnan	Key management personnel	**0.23**	0.15	
S.M. Datta	Key management personnel	**0.28**	0.18	
Uday Khanna	Key management personnel	**0.21**	0.13	
Total		**0.72**	**0.46**	
Loan outstanding				
Ravi Kirpalani	Key management personnel	**–**	–	0.12
Total		**–**	**–**	**0.12**

* The remuneration to Executive Directors includes contribution of company towards share match and charge incurred by the ultimate holding company towards share value plan.

\# Exclusive of provision for liability in respect of leave earned and gratuity, since this is based on actuarial valuation done on an overall basis for all employees, Performance bonus/incentive amount considered on payment basis.

Notes to the Financial Statements for the year ended December 31, 2017

29. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Audit Committee of the Company. The primary market risk to the Company is foreign exchange risk. The Company uses forward contracts to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

A. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: foreign currency risk and other price risk, such as commodity risk. Financial instruments that are affected by market risk include deposits and foreign exchange forward contracts. The sensitivity analysis in the following sections relate to the position as at December 31, 2017, December 31, 2016 and January 1, 2016. The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities. This is based on the financial assets and financial liabilities held at December 31, 2017, December 31, 2016 and January 1, 2016.

A1. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (primarily material costs are denominated in a foreign currency). The Company manages its foreign currency risk by hedging certain material costs that are expected to occur within a range of 1 to 3 months period for hedges of purchases of base oil and additives. When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of highly probable transactions the derivatives cover the period of exposure from the point of the commitment up to the point of settlement of the resulting payable that is denominated in the foreign currency. At December 31, 2017, December 31, 2016 and January 1, 2016 the Company hedged approximately ~ 80-85% of its expected foreign currency purchases for 1 to 3 months. Those hedged purchases were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts. Details are as given below:

Hedged foreign currency exposure	**As at December 31, 2017**	**As at December 31, 2016**	**As at January 1, 2016**
No of buy contracts relating to firm commitments for base oil	**7**	10	9
Foreign currency – USD	**9,396,000**	13,491,000	4,640,000
Rupees in Crores	**60.07**	92.30	30.84

Notes to the Financial Statements for the year ended December 31, 2017

29. Financial risk management (contd.)

Unhedged foreign currency exposure as at balance sheet date

The following table analysis the foreign currency risk from financial instruments as of December 31, 2017, December 31, 2016 and January 1, 2016.

Particulars	USD	EURO	GBP	CHF	SGD	AUD	JPY
December 31, 2017							
Trade payables – Foreign currency	**13,322,433**	**3,635,141**	**59,078**	**22,347**	**74,889**	**32,208**	**–**
Trade payables – Rs. Crores	**85.21**	**27.79**	**0.51**	**0.15**	**0.36**	**0.16**	**–**
Trade receivables – Foreign currency	**1,771,227**	**–**	**–**	**–**	**–**	**–**	**–**
Trade receivables – Rs. Crores	**11.34**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and advances given – Foreign currency	**2,037,282**	**269,507**	**–**	**48,347**	**–**	**–**	**1,926**
Loans and advances given – Rs. Crores	**12.93**	**2.06**	**–**	**0.32**	**–**	**–**	**0.00**
December 31, 2016							
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	–	–	–	–	–	–
January 1, 2016							
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	–	–	–

Sensitivity analysis

The Company is mainly exposed to changes in USD and Euro. The sensitivity analysis demonstrate a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. 5% appreciation/depreciation of USD and Euro with respect to functional currency of the Company will have impact of following (decrease)/increase in profit.

Rupees in Crores

Particulars	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
USD	**3.05**	6.52	5.42
Euro	**1.29**	0.62	0.59
Total	**4.34**	**7.14**	**6.01**

A2. Commodity Price risk

The Company's exposure to market risk with respect to commodity prices primarily arises from the fact that we are a purchaser of base oil. This is a commodity product whose prices can fluctuate sharply over short periods of time. The prices of base oil generally fluctuate in line with commodity cycles. Material purchase forms the largest portion of our operating expenses. The Company evaluates and manages commodity price risk exposure through operating procedures and sourcing policies. The Company has not entered into any commodity derivative contracts. It may also be noted that there are no direct derivatives available for base oil, but there are derivatives for crude oil.

Sensitivity : 1% decrease in commodity rates would have led to approximately an additional 0.60 Crores (December 31, 2016 : 0.70 Crores) gain in the statement of profit and loss. 1% increase in commodity rates would have led to an equal but opposite effect.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), deposits with banks and foreign exchange transactions. The Company's customer mainly consists of its distributors and Original Equipment Manufacturers (OEMs). The Company has a credit policy, approved by the Management that is designed to ensure that consistent processes are in place to measure and control credit risk.

The Company has trade relationships only with reputed third parties. The receivable balances are constantly monitored, resulting in an insignificant exposure of the Company to the risk of non-collectible receivables. Credit risk is managed through credit approvals, establishing credit limits, obtaining collaterals from the customers in the form of deposits and/or bank guarantees and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The maximum credit exposure associated with financial assets is equal to the carrying amount.

Notes to the Financial Statements for the year ended December 31, 2017

29. Financial risk management (contd.)

The Company's historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories and so trade receivables are considered to be a single class of financial assets.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in financial statements. As a practical expedient, the Company follows the policy of providing for debtors which are due for more than 90 days. In case of cash and cash equivalents, since the amount is in form of demand deposits with bank there is no credit risk perceived. Hence no provision for expected credit loss has been made.

C. Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company has no outstanding bank borrowings. The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of December 31, 2017, December 31, 2016 and January 1, 2016 the Company had a working capital of Rs. 630.88 Crores, Rs. 651.02 Crores and Rs. 559.79 Crores respectively including cash and cash equivalents of Rs. 215.47 Crores, Rs. 111.58 Crores and Rs. 48.47 Crores respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as on reporting date.

Rupees in Crores

Particulars	On demand	Less than 1 year	1 to 5 years	Total
December 31, 2017				
Other financial liabilities	**(11.76)**	**(223.46)**	**(0.06)**	**(235.28)**
Trade and other payables	–	**(606.64)**	–	**(606.64)**
December 31, 2016				
Other financial liabilities	(10.80)	(209.98)	(0.06)	(220.84)
Trade and other payables	–	(496.64)	–	(496.64)
January 1, 2016				
Other financial liabilities	(9.99)	(168.52)	(0.06)	(178.57)
Trade and other payables	–	(431.43)	–	(431.43)

30. Fair value measurement

The carrying value and fair value of financial instruments by categories as of December 31, 2017, December 31, 2016 and January 1, 2016 were as follows:

Rupees in Crores

Particulars	December 31, 2017		December 31, 2016		January 1, 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Loans	**10.81**	**10.81**	4.70	4.70	10.95	10.95
Foreign exchange forward contracts	–	–	0.20	0.20	0.03	0.03
Total	**10.81**	**10.81**	**4.90**	**4.90**	**10.98**	**10.98**
Liabilities						
Other financial liabilities	**0.06**	**0.06**	0.06	0.06	0.06	0.06
Foreign exchange forward contracts	**0.75**	**0.75**	0.44	0.44	0.29	0.29
Total	**0.81**	**0.81**	**0.50**	**0.50**	**0.35**	**0.35**

The management assessed that cash and cash equivalents, loans, other balances with banks, trade receivables, trade payables and other current liabilities/assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

31. Fair value hierarchy

The Company does not have any financial instrument other than derivatives which are measured at fair value through Profit & Loss. The fair value of such derivatives is categorised as level 2 based on the valuation technique used to arrive at the fair value.

Valuation technique for Level 2 Financial Instruments (Derivatives):
The fair value of derivative financial instruments has been determined using valuation technique with market observable inputs.

Notes to the Financial Statements for the year ended December 31, 2017

32. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio and is measured by net debt divided by total capital plus net debt. The Company's includes net debt is equal to trade and other payables less cash and cash equivalents. The Company did not have any borrowings at any time during the year.

Rupees in Crores

Particulars	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Trade payables	**606.64**	496.64	431.43
Other payables	**350.16**	410.15	357.64
Less: Cash and cash equivalents	**215.47**	111.58	48.47
Net debt	**741.33**	**795.21**	**740.60**
Total equity	**1,020.15**	981.54	872.38
Capital and net debt	**1,761.48**	**1,776.75**	**1,612.98**
Gearing ratio	**42%**	**45%**	**46%**

33. First-time adoption of Ind AS

I. Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and in the presentation of opening Ind AS balance sheet at January 1, 2016 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amount reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position and financial performance is set out in the following tables and notes.

II. Exemptions from retrospective application:

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

a) Deemed cost for Property, Plant and Equipment (PPE), Capital work-in-progress and Intangible assets

Ind AS 101 permits first time adopter to continue with the carrying value for all its property, plant and equipment and intangible assets as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. Accordingly, the Company has elected to measure all of its PPE and intangible asset at their previous GAAP carrying values.

b) Determining whether an arrangement contains a lease

The Company has applied 'Appendix C of Ind AS 17 Determining whether an arrangement contains a lease' to determine whether an arrangement existing at the transition date contains a lease on the basis of the facts and circumstances existing at that date.

The remaining voluntary exemptions as per Ind AS 101 – First time adoption of Indian Accounting Standards either do not apply or are not relevant to the Company.

III. Exceptions from full retrospective application:

a) Estimates

On assessment of estimates made under the previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence of an error in those estimates. However, estimates that were required under Ind AS but not required under previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

b) Classification and measurement of financial assets

The Company has classified and measured the financial assets on the basis of facts and circumstances that exist at the date of transition to Ind AS.

The remaining mandatory exceptions either do not apply or are not relevant to the Company.

Notes to the Financial Statements for the year ended December 31, 2017

33. First-time adoption of Ind AS (contd.)

IV. Reconciliation under Ind AS 101

(a) Reconciliation of Equity as previously reported under IGAAP to Ind AS

Rupees in Crores

Particulars	Balance sheet as at January 1, 2016				Balance sheet as at December 31, 2016		
	Note	IGAAP*	Effects of transition to Ind AS	Ind AS	IGAAP*	Effects of transition to Ind AS	Ind AS
Assets							
Non-current assets							
Property, plant and equipment		140.20	–	140.20	141.93	–	141.93
Capital work-in-progress		36.41	–	36.41	37.26	–	37.26
Intangible assets		8.64	–	8.64	5.04	–	5.04
Financial assets							
Loans		10.95	–	10.95	4.70	–	4.70
Other financial assets		–	–	–	–	–	–
Advance Income tax assets (net)		32.59	–	32.59	26.06	–	26.06
Deferred tax assets (net)	D	49.92	–	49.92	67.17	–	67.17
Other non-current assets	B	49.66	(0.85)	48.81	63.58	(1.13)	62.45
		328.37	(0.85)	327.52	345.74	(1.13)	344.61
Current assets							
Inventories		304.58	–	304.58	343.88	–	343.88
Financial assets							
Trade receivables		236.46	–	236.46	255.22	–	255.22
Cash and cash equivalent		48.47	–	48.47	111.58	–	111.58
Bank balance other than above		648.03	–	648.03	710.30	–	710.30
Loans		1.93	–	1.93	7.22	–	7.22
Other financial assets		16.52	–	16.52	22.51	–	22.51
Other current assets		77.94	–	77.94	93.01	–	93.01
		1,333.93	–	1,333.93	1,543.72	–	1,543.72
Total assets		**1,662.30**	**(0.85)**	**1,661.45**	**1,889.46**	**(1.13)**	**1,888.33**
Equity and liabilities							
Equity							
Share capital		247.28	–	247.28	247.28	–	247.28
Other equity	A	328.34	296.76	625.10	348.47	385.79	734.26
Total equity		**575.62**	**296.76**	**872.38**	**595.75**	**385.79**	**981.54**
Liabilities							
Non-current liabilities							
Financial liabilities							
Other financial liabilities		0.06	–	0.06	0.06	–	0.06
Provisions		14.87	–	14.87	14.03	–	14.03
		14.93	–	14.93	14.09	–	14.09
Current liabilities							
Financial liabilities							
Trade payables		431.43	–	431.43	496.64	–	496.64
Other financial liabilities		178.51	–	178.51	220.78	–	220.78
Other liabilities		81.87	–	81.87	90.14	–	90.14
Provisions	C	344.31	(297.61)	46.70	435.28	(386.92)	48.36
Current tax liabilities (net)		35.63	–	35.63	36.78	–	36.78
		1,071.75	**(297.61)**	**774.14**	**1,279.62**	**(386.92)**	**892.70**
Total equity and liabilities		**1,662.30**	**(0.85)**	**1,661.45**	**1,889.46**	**(1.13)**	**1,888.33**

* The Indian GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

Notes to the Financial Statements for the year ended December 31, 2017

33. First-time adoption of Ind AS (contd.)

Notes:

Explanation for Reconciliation of Equity as previously reported under IGAAP to Ind AS

A. Other equity

Adjustments to retained earnings and other comprehensive income has been made in accordance with Ind AS for the below mentioned items:

i) In the financial statements prepared under previous GAAP, dividend on equity shares recommended by the board of directors after the end of reporting period but before the financial statements were approved for issue, was recognised as a liability in the financial statements in the reporting period relating to which dividend was proposed. Under Ind AS, such dividend is recognised in the reporting period in which the same is approved by the members in a general meeting. On the date of transition, the above change in accounting treatment of proposed dividend has resulted in increase in equity with a corresponding decrease in provisions by Rs. 386.92 Crores. The above change however, does not affect the IGAAP Statement of Profit and Loss.

ii) Under previous GAAP, employees entitlement to Company share-based compensation schemes, entitling them to shares of BP Plc. (Ultimate Holding Company) was not recognised in the books of account. Under Ind AS 102, the cost of equity settled share based plan is recognised based on the fair value of the shares as at the grant date over the restriction period with a corresponding increase in other equity.

B. PF Trust assets

Adjustments reflect remeasurement gains/(losses) on defined benefit plans due to fair valuation of PF trust assets based on guidance under Ind AS 19.

C. Provisions

In the financial statements prepared under Previous GAAP, dividend on equity shares recommended by the board of directors after the end of reporting period but before the financial statements were approved for issue, was recognised as a liability in the financial statements in the reporting period relating to which dividend was proposed. Under Ind AS, such dividend is recognised in the reporting period in which the same is approved by the members in a general meeting.

On the date of transition, the above change in accounting treatment of proposed dividend has resulted in increase in equity with a corresponding decrease in provisions by Rs. 297.62 Crores and Rs. 386.92 Crores as at January 1, 2016 and December 31, 2016 respectively. The above change however, does not affect the Statement of Profit and Loss.

D. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 has not resulted into any additional material temporary differences, hence there has been no change to deferred tax under Ind AS and previous GAAP.

Notes to the Financial Statements for the year ended December 31, 2017

33. First-time adoption of Ind AS (contd.)

(b) Reconciliation Statement of Profit and Loss as previously reported under IGAAP to Ind AS

Rupees in Crores

Particulars	Note	Year ended December 31, 2016		
		IGAAP*	Effects of transition to Ind AS	Ind AS
Income				
Revenue from operations	A	3,370.33	505.63	3,875.96
Other income		87.39	–	87.39
Total revenue		**3,457.72**	**505.63**	**3,963.35**
Expenses				
Cost of materials consumed		1,320.27	–	1,320.27
Purchase of stock-in-trade		226.30	–	226.30
(Increase)/decrease in inventories of finished/ stock-in-trade		(14.98)	–	(14.98)
Excise duty on sale of products	A	–	505.63	505.63
Employee benefits expense	B	172.56	5.40	177.96
Finance costs		1.48	–	1.48
Depreciation and amortisation expense		44.96	–	44.96
Other expenses		661.43	–	661.43
Total expenses		**2,412.02**	**511.03**	**2,923.05**
Profit before tax		1,045.70	(5.40)	1,040.30
Tax expenses				
Current tax		388.04	–	388.04
Deferred tax	C	(17.25)	(0.87)	(18.12)
Total tax expenses		**370.79**	**(0.87)**	**369.92**
Profit for the year		674.91	(4.53)	670.38
Other comprehensive income/(expense) not to be reclassified to profit/loss in subsequent period	D			
Re-measurement gains/(losses) on defined benefit plans		–	2.22	2.22
Less: Income tax effect		–	(0.87)	(0.87)
		–	1.35	1.35
Total comprehensive income		**674.91**	**(3.18)**	**671.73**

* The Indian GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

(c) Reconciliation of Statement of Cash Flow

Particulars	IGAAP	IND AS	Difference
Cash flow from operations	663.31	664.11	(0.80)
Cash flow from investing activities #	29.29	(32.97)	62.26
Cash flow from financing activities	(568.03)	(568.03)	–
Net increase/(decrease) in cash and cash equivalents	**124.57**	**63.11**	**61.46**
Cash and cash equivalents at the beginning of the year #	**686.51**	**48.47**	**638.04**
Cash and cash equivalents at the end of the year #	**811.08**	**111.58**	**699.50**

Bank deposits having original maturity period of more than 3 months have been disclosed separately and have not been considered part of cash and cash equivalents.

Notes to the Financial Statements for the year ended December 31, 2017

33. First-time adoption of Ind AS (contd.)

Notes:

Explanation for reconciliation of Statement of Profit & Loss as previously reported under IGAAP to Ind AS

A. Revenue from operations

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus sale of goods under Ind AS has increased by INR 505.63 Crores with a corresponding increase in other expense.

B. Employee benefit expense

The change in Employee Benefit expense is on account of below reasons

1. Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of the Statement of Profit and Loss. Under the IGAAP, these remeasurements were forming part of the Statement of Profit and Loss for the year. In addition to actuarial impact change in fair valuation of PF trust assets based on guidance under Ind AS 19.
2. Under previous GAAP, employees entitlement to Company share-based compensation schemes, entitling them to shares of BP Plc. (Ultimate Holding Company) was not recognised in the books of account. Under Ind AS 102, the cost of equity settled share based plan is recognised based on the fair value of the options as at the grant date over the vesting period with a corresponding increase in other equity.

C. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 has not resulted into any additional material temporary differences, hence there has been no change to deferred tax charge under Ind AS and previous GAAP.

D. Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in the Statement of Profit and Loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in Statement of Profit and Loss but are shown in the Statement of Profit and Loss as 'Other Comprehensive Income' includes remeasurements of defined benefit plans. The concept of other comprehensive income did not exist under IGAAP. Hence the Company has presented a reconciliation between Statement of Profit and Loss and Total Comprehensive Income as per Ind AS.

34. As required under Paragraph (10C) of Ind AS 101, the Company has reclassified items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind AS.

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

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants

SAMIR R. SHAH
Partner

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	Chief Financial Officer & Wholetime Director
JAYANTA CHATTERJEE	DIN No. : 06986918	Wholetime 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 6, 2018

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