Castrol India Limited
Annual Report 2018

Journey to BRILLIANCE

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

Dear shareholders,

The launch of the Castrol India Shining Vision three years ago set us on our journey of transformation with the goal to prepare your Company for a rapidly changing future, building on our 110-year old solid foundation and aspiring for continued strength in business performance and increased prosperity for all our stakeholders.

We are happy that we have driven noteworthy progress against several key parameters of business performance with clear focus on premium customer experience while strengthening our agenda on safety, quality, sustainability and governance in this time period.

In 2018, we turned in a solid set of results. We grew volumes profitably three years in a row achieving the highest ever volume since 2010, and grew ahead of the market in the retail and industrial segments. We achieved the highest Profit Before Tax at Rs. 1,098 crores and performed well on all our strategic priorities despite a tough external environment. We introduced differentiated and industry-first products across categories to meet evolving needs of our consumers and consistently created superior value for them with the aim to delight them through our products, services, reach and network.

As a result of these efforts, several industry accolades across diverse themes of safety, innovation, CSR, quality and business excellence came our way which gave us impetus and inspiration to keep aspiring higher. The key to this continued success has been the team's consistent performance every single day, coupled with an excellence mindset and indomitable spirit.

We are committed to build on the proud legacy of Castrol in India and continue to work uncompromisingly towards preparing your Company for the future. We look forward to your abundant support, as always, as we target the next set of audacious milestones on our Journey to Brilliance.

Omer Dormen
Managing Director

2018: A YEAR OF GROWTH

Consistent volume growth
for third consecutive year

Growth in
retail automotive space
faster than market

Profitable
Volume
Growth

Differentiated
technologically superior
products launched
across spaces

New product introductions
contributed to
80%
of volume growth

Product
Innovation

EBITDA
Rs. 1,102 crores

Return on Net Worth
65%

Strong
Financial
Performance

CORPORATE INFORMATION

BOARD OF DIRECTORS

S M Datta
Independent Director, Chairman

R Gopalakrishnan
Independent Director

Uday Khanna
Independent Director

Sangeeta Talwar
Independent Director
(w.e.f 23 July 2018)

Sashi Mukundan
Nominee Director

Shiva McMahon
Nominee Director
(up to and including 15 November 2018)

Peter Weidner
Nominee Director
(up to and including 31 January 2019)

Omer Dormen
Managing Director

Rashmi Joshi
Chief Financial Officer & Wholetime Director

Jayanta Chatterjee
Wholetime Director - Supply Chain

COMPANY SECRETARY & COMPLIANCE OFFICER

Chandana Dhar

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.

Standard Chartered Bank

REGISTERED OFFICE

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

CIN: L23200MH1979PLC021359

Tel: +91-22-6698 4100
Fax: +91-22-6698 4101

Mail: investorrelations.india@castrol.com
Website: www.castrol.co.in

REGISTRAR AND TRANSFER AGENT

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

Tel: +91-22-4918 6000
Fax: +91-22-4918 6060

Toll-free number: 1800 1020 878

Mail: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

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BOARD OF DIRECTORS

S M Datta
Independent Director, Chairman

R Gopalakrishnan
Independent Director

Uday Khanna
Independent Director

Sangeeta Talwar
Independent Director

Sashi Mukundan
Nominee Director

Shiva McMahon
Nominee Director

Peter Weidner
Nominee Director

Omer Dormen
Managing Director

Rashmi Joshi
Chief Financial Officer & Wholetime Director

Jayanta Chatterjee
Wholetime Director - Supply Chain

LEADERSHIP TEAM

From left

First row

Omer Dormen, Managing Director

Jayanta Chatterjee, Wholetime Director – Supply Chain

Kedar Apte, Vice President – Marketing

Rashmi Joshi, Chief Financial Officer & Wholetime Director

Second row

Rajeev Govil, Vice President – Workshop & OEM Sales

Rajesh Madathingal, Technology Manager

Dilnaz Anklesaria, Associate Vice President – Corporate Communications

Ramesh Srinivasan, HSSE Manager

Third row

Maria P Valles, Vice President – Human Resources

Sagar Vira, Vice President – Customer Excellence & Operations

Siddharth Shetty, Managing Counsel

M A Mubeenuddin, Vice President – Indirect Sales

Fourth row

Vikram Garga, Vice President – Industrial & Heavy Duty
(up to and including 10 December 2018)

STRONG BRANDS

Castrol Activ Champions – a digital content series on iconic cricketers building on Castrol Activ's proposition of 'Continuous Protection' was started.

The new Castrol POWER1 range was launched with 'Power Release Technology™' for bikers who love the exhilaration of riding.

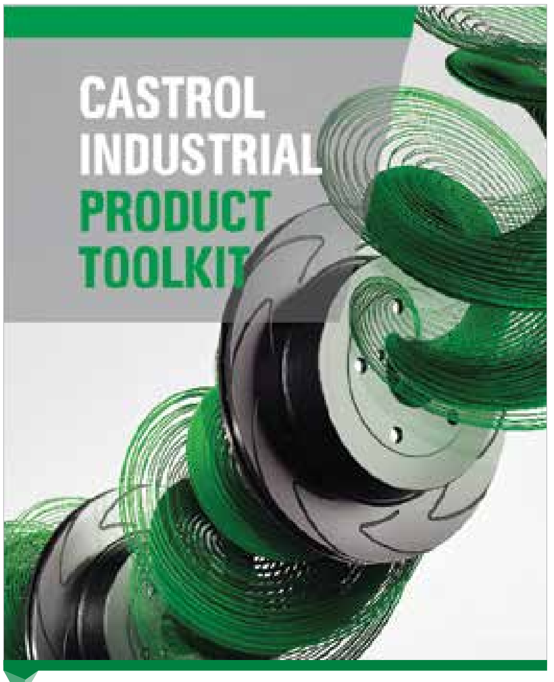
Inspired by Castrol Activ's television commercial which showcased youngsters protecting what they loved, on-ground activations in cities were carried out transforming dirty spaces to box cricket areas for communities.

Castrol Garage Guru – The Super Mechanic Show that gave mechanics an opportunity to be on television for the first time went on-air.

Castrol enters a new segment of bike care with Castrol Chain Lube Racing.

STRONG BRANDS

The latest generation of Castrol MAGNATEC Stop-Start engine oil with breakthrough DUALOCK technology was launched.



A revamped product toolkit was introduced to share key benefits of Castrol's industrial lubricants to customers.

Castrol GTX ESSENTIAL 15W40 engine oil was launched for the diesel car segment.

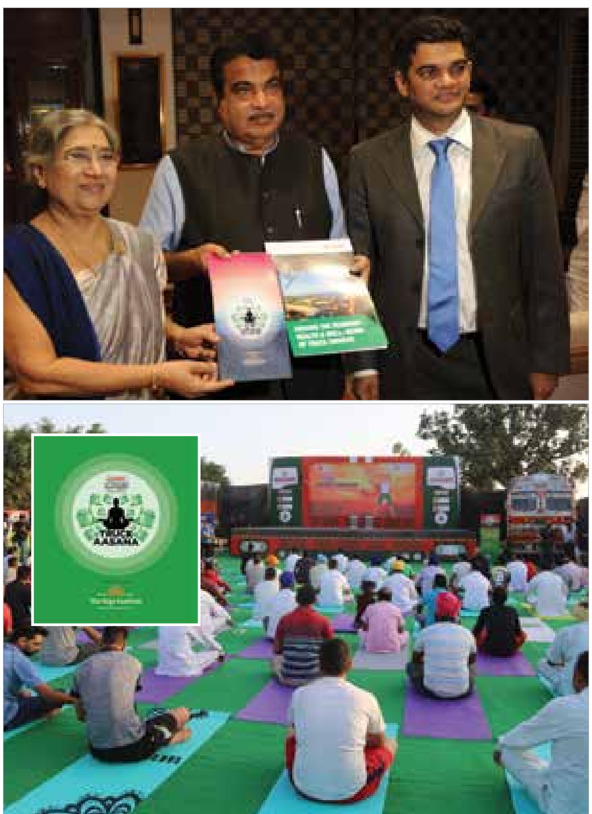
Castrol further expanded its branded independent workshop network across Tier II cities.

Castrol branded mobile units reached out to over 30,000 car mechanics upgrading their information on latest lubricants technology.

STRONG BRANDS

Castrol CRB TURBOMAX was back on television with its latest campaign on the brand's promise of longer engine life.

Castrol TRANSMAX driveline oils with improved protection and reduced downtime for commercial vehicles was introduced.



Castrol presented the trucker health report to the Hon'ble Union Minister for Road Transport & Highways, Nitin Gadkari and launched Castrol CRB Truck Aasana - simple yoga postures to help truckers stay fit.

Castrol UDAAN, an integrated on-ground activation campaign, for commercial vehicle oils reached out to three lakh consumers and influencers.

Castrol SPHEEROL - a new range of greases for commercial vehicles offering protection for up to 1,00,000 kms* was unveiled.
*in ideal conditions.

ENDURING PARTNERSHIPS

Castrol India Limited signed a strategic alliance with Mahindra & Mahindra Limited to endorse a range of tractor fluids under 'Mileage ka Master' brand.

A technology and OEM partnership showcase event held in UK for top Castrol franchise workshop customers.

Castrol iLearning - a microlearning application was launched to enhance the capability of workshop service advisors.

Interactive on-ground consumer engagements encouraged brand awareness and showcased benefits of Castrol's premium range of synthetic oils.

Built advocacy with key franchise workshop customers through customized trainings and management programmes with leading management schools to meet their evolving business requirements.

AWARDS AND ACCOLADES

Castrol India was the winner of the IMC Ramkrishna Bajaj National Quality Awards 2018 in the manufacturing category.

Castrol India won the Golden Peacock Innovation Management Award 2018 for fostering a culture of innovativeness.

Castrol India's Silvassa plant became the first lubricants plant in India to be awarded the coveted Ford Q1 Certification.

Castrol India's Patalganga plant was the winner of the Golden Peacock Occupational Health & Safety Award 2018 in the industrial sector.

Rashmi Joshi, Chief Financial Officer & Wholetime Director was honoured as CFO of the Year in the large enterprise category at the Financial Express CFO of the Year Awards 2018.

Castrol India's Silvassa and Paharpur plants were the recipients of the 17th Annual Greentech Safety Award 2018. Silvassa plant (first from left) won it for the fourth consecutive year.

AWARDS AND ACCOLADES

Castrol India was recognized as Overall Supplier of the year 2018 by Maruti Suzuki India Limited.

Castrol India was the runners-up in the classical category at The Mint Corporate Strategy Awards 2018.

Castrol India's Patalganga plant was awarded as runners-up in manufacturing category (large) at the 13th CII (WR) Safety, Health and Environment Excellence and Innovation Award 2018.

Rekha Pillai, Head – CSR was awarded the CSR Leader at Sabera Social and Business Enterprise Awards 2018 for Castrol India's CSR programme for mechanics.

Castrol CRB TURBOMAX Truck Aasana campaign won several laurels including Campaign of the Year at ET Brand Equity Kaleido Awards (left), and a silver and bronze at the Effie Awards.

OUR SOCIAL RESPONSIBILITY

Mechanics being trained and certified as part of Castrol Eklavya – a Castrol India flagship CSR programme.

Castrol India undertook relief and rehabilitation programmes, and supported the upgrade of eight health centres in Kerala affected by the 2017 floods.

Students from local communities visited Castrol's Silvassa plant to understand its operations as part of a community development initiative.

Castrol India employees volunteered to encourage children from government schools to read by donating books and conducting reading sessions.

Truck Aasana sessions (left) and a certification ceremony conducted for truck drivers as a part of Castrol Sarathi Mitra – a flagship CSR programme of Castrol India.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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:

A Castrol tanker waiting to be filled at Castrol India's Patalganga plant.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Industry structure

India is the world's third largest lubricants[1] market, next only to US and China, and ahead of Japan, Russia and Brazil, with a total consumption of approximately 2.4 billion litres.[2]

The Company operates in all major categories such as automotive, industrial and marine & energy applications in the highly competitive and fragmented lubricants industry comprising national oil companies, several international majors, and a large number of local companies.

The Company is the leading international player in India and has established a well-entrenched position in the retail automotive lubricants - the predominant category in this industry.

Demand drivers

Lubricants play a major role in reducing friction generated by metal to metal contact. It also helps in reducing noise and heat generation of metal parts – such as engines in automotive industry and cutting or honing parts in industrial applications. Detergents and dispersants in a lubricant help cleaning, while anti-wear agents help protect the metal surface from wear and tear as well as corrosion.

Automotive vehicles require engine oils, transmission fluids, brake fluids, hydraulic oils and greases, while industrial and manufacturing applications require lubricants for metal working, rust preventives and coolants.

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.

The Company operates in all major categories such as automotive, industrial and marine & energy applications

1 including process oil

2 Source: Kline Report

The overall lubricant demand continued to grow between 2 - 4% fueled by 5 - 6% growth in the personal mobility space, and with the industrial and commercial segment lubricant demand growth between 2 - 3%

Demand for industrial lubricants has been observed to have a strong co-relation with the Index of Industrial Production (IIP), which is largely driven by economic activity. In case of marine & energy lubricants, the demand drivers are global and local ship movements, which facilitate large - scale movement of cargo and goods. The installed base of offshore rigs along the coastline of India and their uptime drives demand for energy lubricants.

Supply drivers

Lubricants are manufactured by blending base oils and additives, with base oil being the primary component. They are blended according to highly advanced formulations as per the specific purpose the lubricant serves, as well as in line with the OEM specifications and industry norms set out.

Majority of lubricants continue to use mineral-based base oil, despite a significant growth in demand for premium lubricants in the automotive and industrial sectors which use synthetic base oils.

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.

India is the world's third largest lubricants market.

Major industry developments

Overall lubricants market

Overall vehicle sales in India grew by 13% in 2018[3], compared to the previous year. Sustained focus on infrastructure development and on the manufacturing sector supported the growth in GDP (7 - 8%) in the year while industrial output measured by the IIP grew at an average of 4% during April - December 2018.[4] The overall lubricant demand continued to grow between 2 - 4% fueled by 5 - 6% growth in the personal mobility space, and with the industrial and commercial segment lubricant demand growth between 2 - 3%.[5]

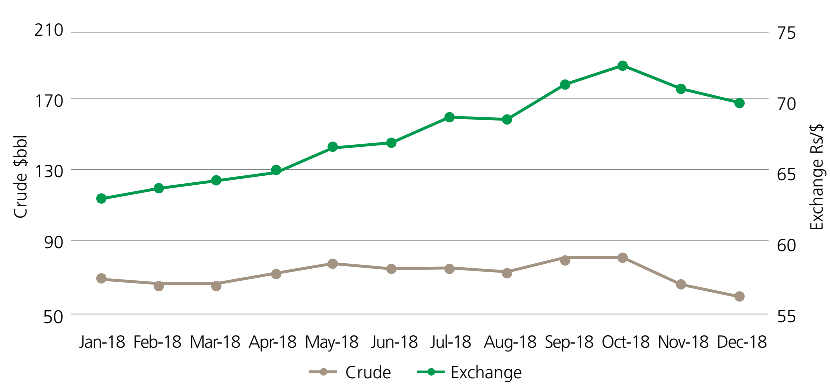
Impact of foreign exchange, crude oil and raw material prices

2018 witnessed tremendous volatility in both Brent Crude and foreign exchange. From the start of the year, the rupee continued to depreciate and lost almost 15% of its value from January to October, while Brent Crude rose by 23% during the same period and touched a four-year high in October.

These adverse market factors impacted raw material prices significantly across all major categories.

The below graph indicates the trend of crude prices and Rupee/USD for 2018.

Brent Crude & Forex Trend 2018



3 Source: CRISIL Research

4 Source: Open Government Data Platform India

5 Source: Kline Report

As a result of rising crude and foreign exchange for most part of 2018, feedstock prices for additives, chemicals and polymer increased significantly.

Indian base oil prices rose steadily during first half of 2018 due to rising input cost coupled with seasonal demand before subsiding in the second half. Base oil supplies improved significantly in 2018 owing to lesser refinery shutdown compared to 2017 which kept the prices in check.

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 driven by increase in first time users, growing number of women riders, as well as a continuing shift towards higher quality formulations and lighter viscosity grades, the Company is well placed to tap this potential.

b. **Original Equipment Manufacturer (OEM) partnerships:** The Company works with leading OEMs in India and has built enduring partnerships with them. It works closely with them on product development with new technologies as well as to address the environmental needs of lower emission and fuel efficiency.

Continued focus on the strong and wide distribution as well as customer reach in different market segments will enable future growth for the Company

c. **Medium / light commercial vehicles (MLCV):** The MLCV segment is likely to continue growing due to the last-mile connectivity offered, enabling the Company to continue its focus on this category.

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. The Company is also poised to take advantage of further enhanced technologies with BS VI compliant products.

e. **Distribution:** Continued focus on the strong and wide distribution as well as customer reach the Company enjoys 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, higher demand for ships, barges and passenger vessels, and, therefore, for more marine lubricants is foreseen.

The Company works with leading OEMs in India and has built enduring partnerships with them

(ii) Threats

a. **Economic uncertainty:** Based on the current and future market environment estimates, the base oil and forex trend is expected to continue to be volatile. Published GDP estimates signal possibilities of a marginal slow down in the growth rates.

b. **Competitive activity:** Competition in the lubricants market is intense and competitive activity is likely to remain high in the foreseeable future. There is also a trend of OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.

Castrol continues its focus on MLCV segment.

Purpose-led innovative marketing campaigns strengthened brand equity within communities.

PRODUCT-WISE PERFORMANCE

Automotive lubricants: The Company continued to deliver a strong performance in automotive lubricants achieving top line growth, driven by a strong performance across all spaces of personal mobility as well as commercial vehicles. The Company also had significant play in the mid-price segment in certain categories.

The Company continued to pioneer and drive the premiumization and synthetization 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.

Purpose-led innovative marketing campaigns like the Castrol CRB Truck Aasana and Castrol Activ clean-up campaign were used to engage with and strengthen brand equity within the community. The Company continued to engage and grow advocacy with its key influencers - mechanics in the automotive market through its unique Castrol Super Mechanic programme for car and bike mechanics.

The Company continued to focus on innovation and new product launches across spaces with almost 80% growth in 2018 coming from new product introductions alone.

Industrial lubricants: Despite a tough external environment, the Company has been able to grow its aggregate industrial lubricants volumes in 2018, by growing faster than the category. This has been made possible through customer acquisition and new product introduction, supported by initiatives such as customer seminars and digital marketing.

Marine & energy lubricants: The Company focuses on providing products and services that are best-in-class in marine & energy lubricants. It continued to offer value-added services along with best practices from its marine businesses across the globe, enabling enhanced customer confidence.

Quality: The Company has continued its attention on strengthening quality standards. It tracked its progress against global quality standards for manufacturing sites, third-party manufacturing locations and extended it to warehousing operations as well.

A new programme of Quality Observations and Conversations was implemented to strengthen the quality culture in the Company. The Company was recognized by OEMs for its quality performance during the year. The Company received the prestigious 'Ford Q1' certification from Ford, considered worldwide as a benchmark of exceptional quality performance and 'Overall Supplier of the Year' award from Maruti Suzuki India Limited for all round value delivery. The Company was also awarded with the IMC Ramkrishna Bajaj National Quality Award 2018 in the manufacturing category, considered to be one of India's most coveted awards in quality.

Castrol Super Mechanic programme winners at the finale event.

OUTLOOK

The outlook for 2019 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

Personal mobility: 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.

Synthetic oils will continue to lead the growth for passenger cars and the Company is well placed to take advantage of the same with its well-rounded portfolio of synthetic products.

Commercial vehicles: The demand for lubricants in commercial vehicle segment is expected to grow due to continued growth in economic activity.

> The Company has continued to drive simplification in systems and processes to bring more speed and transparency in back-end operations

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

Industrial lubricants

The demand for Industrial lubricants saw a marginal slow down due to the dip in IIP seen in the last quarter of 2018. However, the industrial lubricants demand is likely to grow with economic reforms gaining momentum as India's long-term prospects for growth remain optimistic. As global OEMs continue their focus in India, growth prospects are likely to get bolstered further.

Marine & energy lubricants

Transport fuels (gasoline and diesel) and residential LPG are foreseen to be some of the drivers of oil demand growth.

Several measures to improve operational efficiency of ports and speedier shipping operations in the shipping belt have been initiated by the government. This augurs well for the marine & energy lubricants segment.

Castrol India has a large distribution network in the retail market.

Castrol India's world class customer care centre was inaugurated.

Channels of distribution

The Company's products are distributed through 350 distributors who service over one lakh customers and sub-distributors who reach out to additional outlets in rural markets.

It also leverages its distribution channels to reach a wider network of independent workshops. The Company also serves over 3,000 key institutional accounts directly, and in some cases through its distributors.

Over the last few 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.

A world class customer care centre with an integrated customer complaints management system backed by a robust CRM was launched to effectively cater to the requirements and inquiries of customers and consumers.

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 2018, 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.

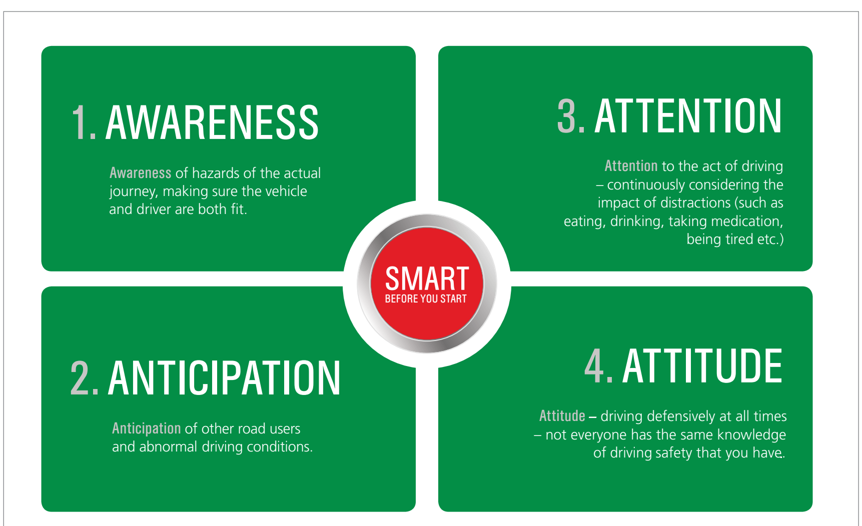
Health, Safety, Security and Environment (HSSE) are critical focus areas for the Company. Road safety is an area of particular focus given that its frontline team and transporters drive across the country on business.

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 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.



The four A's of our driving safety programme for professional drivers called 'SMART' to help keep them safe on the roads.

Road safety is an area of particular focus for the Company as its frontline team and transporters drive across the country on business

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company delivered a Gross Profit growth of 4% in 2018 over 2017, driven by higher volumes. Cost of sales increased during 2018 by 14% over the previous year, primarily due to rise in input costs and higher volumes. Operating and other expenses increased by Rs. 42 crores as compared to 2017 due to investment in safety, people, brands and business growth opportunities. Efficiency measures enabled us to hold cost increase below inflation. Profit After Tax (PAT) has increased by Rs. 16.5 crores and is at Rs. 708 crores, compared to 2017, mainly due to gross profit growth.

2018 marked another year of solid performance as the Company recorded consistent revenue and profit growth for the third consecutive year. The Company introduced new and differentiated products in its portfolio that have contributed significantly to volume growth during the year.

The Company was able to protect margins through appropriate pricing interventions and rigorous cost management despite an extremely volatile input cost environment.

With stabilization of the business environment post GST, the Company is confident that the actions it continues to take will deliver results.

In line with the Company's long term strategy, continuous investment in people, brands, distribution network, customer acquisition and advocacy efforts has helped it deliver on all strategic priorities enabling growth ahead of the market, especially in retail. This makes the Company confident of continuing to deliver strong business performance.

A special learning series on developing managerial capabilities was launched.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

People are the Company's key assets and the focus in 2018 was to develop people's capabilities and enhance employee engagement, aimed towards driving performance excellence in changing times. The Company's people agenda focuses on building distinctive capabilities to help it deliver in short term and prepare for the future. Employee capability continues to form one of the most critical pillars of the Company's development architecture. The initiatives taken this year were to help employees focus on creating strong individual plans to help deliver organizational results. They reinforced the Company's vision to develop talent to take new responsibilities and showcased available platforms for employees to learn and grow. The Company launched a special learning series for line managers which focused on developing managerial capabilities through a peer coaching and learning format. The Company is happy to inform that 48% positions were filled internally.

The Company has continued its efforts in building a diverse and inclusive workforce. Diversity remains a key prerogative for the Company and its hiring practices continue to ensure recruitment of diverse candidates without compromising on meritocracy. The overall number and managerial population of women employees was at 19% and 21% respectively in 2018.

The Company has continued engagement with workmen and contractors at plants by senior leadership through various communication engagements

Control and compliance in HR

In 2018, the Internal Control templates and key controls of the 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 Satisfactory 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 units and ensured 100% reporting culture.

People are the Company's key assets and the focus in 2018 was to develop people's capabilities and enhance employee engagement, aimed towards driving performance excellence in changing times

Employee relations at plants

The Company has cordial employee relations with internal and external stakeholders. There has been continued engagement with workmen and contractors at plants by senior leadership through various communication engagements. There has been no loss of man-days due to labour unrest or indiscipline which is indicative of the strength of the employee relations at the plants and effective management of the contractual labour. The total number of people employed in the Company as on 31 December 2018, including factory workmen, was 720.

Health, Safety, Security and Environment (HSSE)

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 a HSSE policy which applies uniformly to every member of the workforce, including 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 Leadership Team.

All plants are certified to the Environment Management System (ISO 14001:2004), Occupational Health & Safety Management System (OHSAS 18001: 2007) and ISO 9001:2008 (Quality Management System Standard). The Company is periodically certified by internationally recognized and accredited bodies against these standard requirements.

The Company's Silvassa plant won the International Safety Award conferred by the British Safety Council

Loading operations in progress at Castrol India's Silvassa plant.

All manufacturing plants have been awarded externally for their exemplary HSSE performance and practices. The Silvassa plant won the Greentech Safety Award for the fourth consecutive time while the Paharpur plant also won it this year. The Patalganga plant was the winner of the Golden Peacock Occupational Health & Safety Award 2018 and emerged runners-up in the Manufacturing Category (Large) at the 13th CII (Western Region) Safety, Health and Environment Excellence and Innovation Award 2018. Silvassa plant won another prestigious Safety laurel - the International Safety Award conferred by the British Safety Council.

The Company is also undertaking 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 have been integral to the Company's business performance which is reviewed every month by the Leadership Team.

All plants are certified to the Environment Management System (ISO 14001:2004), Occupational Health & Safety Management System (OHSAS 18001: 2007) and ISO 9001:2008 (Quality Management System Standard)

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

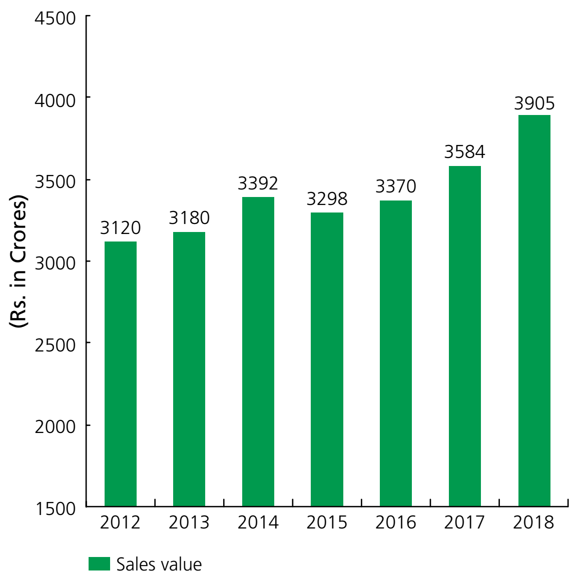
Omer Dormen
Managing Director
DIN: 07282001

Rashmi Joshi
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place: Mumbai
Date: 8 April 2019

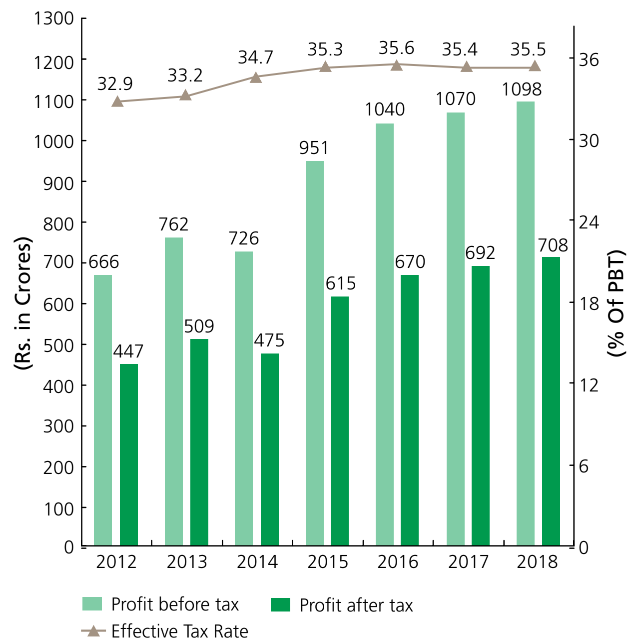
FINANCIAL HIGHLIGHTS

SALES

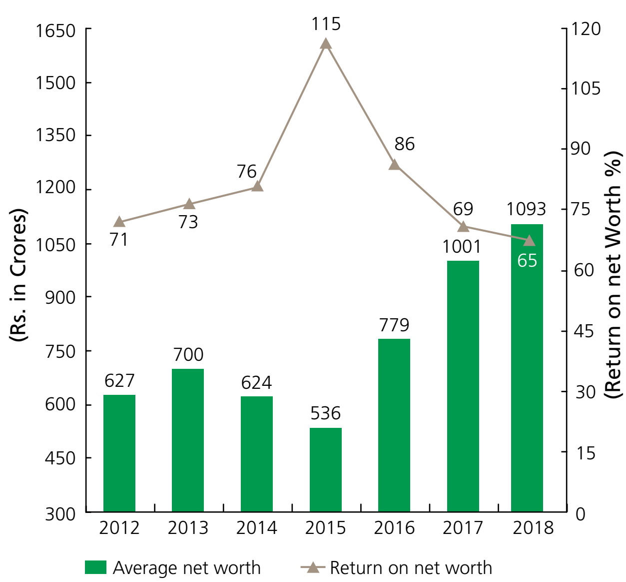


* Sales value includes other operating revenue and excludes excise duty

PROFIT AND EFFECTIVE TAX RATE

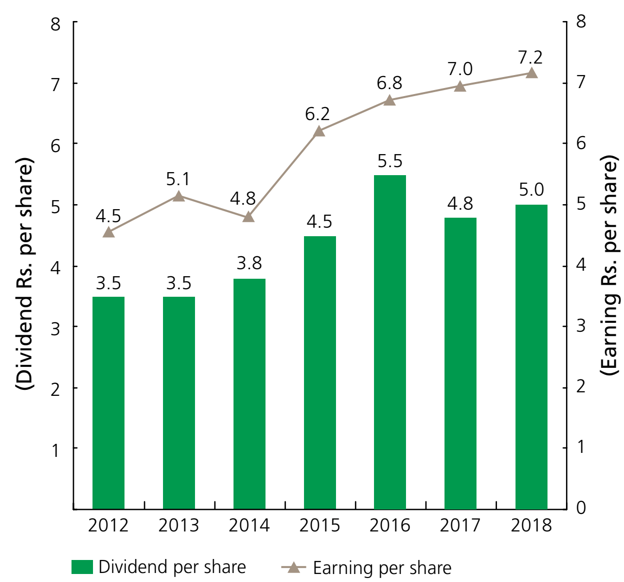


RETURN ON NET WORTH



* 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			
Particulars	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
							Rupees in Crores
Revenue from Operations (gross)	3,904.55	3,851.56	3,875.96	3,791.42	3,918.62	3,677.50	3,605.38
Less: Excise Duty	—	^ 267.24	^ 505.63	493.39	526.29	497.88	484.52
Revenue from operations (net)	**3,904.55**	**3,584.32**	**3,370.33**	**3,298.03**	**3,392.33**	**3,179.62**	**3,120.86**
Other income	84.31	83.65	87.39	95.87	48.10	83.64	72.18
Cost of materials consumed	1,906.56	1,665.90	1,531.59	1,600.79	1,937.50	1,788.47	1,824.27
Employee benefits and other expenses	927.22	885.30	839.39	802.36	738.11	703.67	673.67
Depreciation and amortisation expense	55.57	45.50	44.96	38.97	36.13	30.45	26.64
Finance Costs	1.09	1.20	1.48	0.83	2.38	1.71	2.14
Profit before exceptional items and tax	**1,098.42**	**1,070.07**	**1,040.30**	**950.95**	**726.31**	**738.96**	**666.32**
Exceptional item	—	—	—	—	—	22.80	—
Profit before tax	**1,098.42**	**1,070.07**	**1,040.30**	**950.95**	**726.31**	**761.76**	**666.32**
Current taxation (net of reversal of earlier years)	387.58	365.14	388.04	323.80	260.60	241.06	227.78
Deferred taxation	2.48	13.12	(18.12)	11.89	(8.85)	12.13	(8.85)
Profit after taxation	**708.36**	**691.81**	**670.38**	**615.26**	**474.56**	**508.57**	**447.39**
Total other comprehensive income / (expense) for the year	(1.13)	(2.10)	1.35	—	—	—	—
Total Comprehensive income for the year	707.23	689.71	671.73	615.26	474.56	508.57	447.39
Net fixed assets	221.08	196.24	184.23	185.25	187.74	175.33	157.08
Net assets	1,165.66	1,020.15	981.54	575.61	496.78	751.42	649.23
Share capital	494.56	494.56	247.28	247.28	247.28	494.56	494.56
Reserves & surplus	671.10	525.59	734.26	328.33	249.50	256.86	154.67
Net worth	**1,165.66**	**1,020.15**	**981.54**	**575.61**	**496.78**	**751.42**	**649.23**
Deferred tax assets (net)	53.27	55.15	67.17	49.92	61.81	52.96	65.09
Earning per share*	**7.16**	**6.99**	**6.78**	**6.22**	**4.80**	**5.14**	**4.53**
Dividend per share (on proposed basis)*	**5.00**	**4.75**	**‡ 5.50**	**4.50**	**3.75**	**3.50**	**3.50**
Book value per share*	**11.78**	**10.31**	**9.92**	**5.82**	**5.02**	**7.60**	**6.56**

^ 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 Special Dividend of equivalent Rs. 1 per share (Pre bonus Rs. 2.00 per share).

BOARD'S REPORT

To the Members,

Your Company's Directors are pleased to present the 41st Annual Report of the Company, along with Audited Financial Statement for the year ended 31 December 2018.

1. FINANCIAL RESULTS

Particulars	For the year ended 31 December 2018 (INR in crores)	For the year ended 31 December 2017 (INR in crores)
Sales (excluding excise duty) (a)	**3905**	3,584
Other income (b)	**84**	84
Total Revenue (a+b)	**3989**	3,668
Profit before tax and depreciation	**1154**	1,116
Depreciation and amortization	**56**	46
Profit before tax	**1098**	1,070
Tax expense	**390**	378
Profit after tax	**708**	692
Other Comprehensive income (net of tax)	**(1.1)**	(2)
Total Comprehensive income	**707**	690
Balance brought forward	**503**	564
Profit available for appropriation	**708**	692
Appropriation		
Dividend (incl. tax)	**566**	655
Bonus issue	**-**	98
Balance carried forward	**643**	503

2. PERFORMANCE

Revenue from operations of your Company has increased by about 9% over the previous year to INR 3,905 crores.

Costs of materials were higher by about 14% over the previous year at INR 1,907 crores mainly due to rise in input costs. Operating and other expenses (excl. excise) increased by INR 42 crores as compared to the previous year mainly due to higher volume. Profit before Tax increased by about 3% over previous year to INR 1,098 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 2% over the previous year to INR 708 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 (DIVIDEND)

The Board of Directors of the Company recommended a final dividend of INR 2.75 per share for the financial year ended 31 December 2018 (2017: final dividend INR 2.50 per share). This is in addition to an interim dividend of INR 2.25 per share (2017: interim dividend of INR 4.50 pre bonus issue per share) for the financial year ended 31 December 2018.

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 annexed as **Annexure I** to this Report. The same is also available on the website of the Company at https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/DividendDistributionPolicy.pdf.

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

Pursuant to applicable provisions of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF" or "Fund") established by the Central Government, after completion of seven years from the date of dividend becoming unpaid / unclaimed. 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 to IEPF, up to and including the interim dividend for the financial year ended 31 December 2011.

Members/claimants whose shares and/or 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 2011 and the interim dividend and corresponding shares for the financial year ended 31 December 2012 on or before 21 June 2019 and 20 September 2019 respectively. Members are requested to ensure that they claim the dividends and shares referred above, before they are transferred to the said Fund. The 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 https://www.castrol.com/en_in/india/investors/statement-of-unclaimed-dividend-and-shares.html. The shareholders are encouraged to verify their records and claim their dividends of all the earlier seven years, if not claimed.

5. 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. We conducted our annual road safety campaign with heavy vehicle drivers. With a strong focus on safe driving, it continued to be an important forum for engagement with an overwhelming participation from our employees to initiate and continue conversations on safety with the heavy vehicle drivers.

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. We reported zero injuries in our operations and also received recognition at multiple, country wide fora for our excellent quality and safe operations. To name a few, we received the Golden Peacock Award for Patalganga plant, Greentech Safety Award for Silvassa and Paharpur plants and CII Award - HSSE for Patalganga plant.

Customer service and product availability continued to be driven by proactively anticipating demand changes and variability, and through the order fulfillment processes. We managed our operations without impact to service despite of adverse incidents such as the transporters strike. Plant production, raw materials and packaging supplier reliability were also important pillars for a strong service delivery. With a close ear to the ground and sensing our customer needs, we introduced a variety of new products across various segments. We served our existing customers and OEM partners with a focus on premium brand experience and also expanded our partnerships with new OEM contracts. Ford QI Certification is a demonstration of our focus on customer service.

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 at 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 2018 was about INR 22.85 crores.

Throughout the year, there was a 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.

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Your Board appointed Ms. Sangeeta Talwar (DIN 00062478), as an Additional (Independent) Director of the Company with effect from 23 July 2018 for a period of 5 (five) years subject to the approval of the members.

Your Board re-appointed Ms. Rashmi Joshi (DIN: 06641898) as Whole-time Director of the Company with w.e.f. 1 August 2018 for a period of 5 (five) years subject to the approval of the members.

Your Board re-appointed Mr. Omer Dormen (DIN: 07282001) as Managing Director of the Company with w.e.f. 12 October 2018 for a period of 1 (one) year subject to the approval of the members and the Central Government. The Company has made an application to the Central Government in Form MR-2 for the said re-appointment of Mr. Omer Dormen.

Your Board appointed Mr. Siddharth Shetty, Managing Counsel as Key Managerial Personnel of the Company for a period of 3 (three) years with effect from 3 May 2018.

Ms. Shiva McMahon (DIN: 07770783), ceased to be a Nominee Director of the Company, with effect from close of business hours on 15 November 2018.

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Omer Dormen, Managing Director and Ms. Rashmi Joshi, Whole-time Director 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 in the Notice convening the 41st Annual General Meeting of the Company.

Further, details of the directorships held by Mr. Omer Dormen and Ms. Rashmi Joshi in other companies, are also given in the Corporate Governance section of this Annual Report.

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.

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.

7. POLICY ON NOMINATION, INDEPENDENCE, REMUNERATION, DIVERSITY AND EVALUATION.

The Policy on Nomination, Independence, Remuneration, Diversity and Evaluation, approved by the Nomination and Remuneration Committee of your Company and which has been adopted by the Board of Directors, is annexed as **Annexure II** to this report of the Board to the Members. The policy is available on the website of the Company at https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/CIL-NRC-Policy-CIL-2018-FINAL.pdf

8. BOARD EVALUATION

The Nomination and Remuneration Committee of your Company approved the Policy on Nomination, Independence, Remuneration, Diversity and Evaluation ("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.

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

During the year, the evaluation cycle was completed by the Company which included the evaluation of the board as a whole, board committees and individual directors. The evaluation process focused on various aspects of the board and committees' functioning such as composition of the board and committees, experience and competencies, performance of specific duties, obligations and governance issues. A separate exercise was carried out to evaluate the performance of individual directors on parameters such as attendance, contribution and exercise of independent judgment.

The results of the evaluation of the board and committees were shared with the board and respective committees. The Chairman of the board had individual discussions with each member of the Board to discuss the performance feedback based on self-appraisal and peer review. The nomination and remuneration committee Chairman discussed the performance review with the Chairman of the Board.

The independent directors met on 31 October 2018 to review performance evaluation of non-independent directors and the Board 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.

9. 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.

10. 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.

11. 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 years, 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 this vision the Company now focuses on two key flagship CSR programmes:

- Programme for holistic development of truck drivers – Castrol Sarathi Mitra
- Programme for mechanics with an aim to strengthen skills development in automotive and industrial sectors, with a focus on technology – Castrol Eklavya

Additionally, the Company continues to support community development initiatives around areas of operations and presence. The Company, from time to time, supports humanitarian aid activities in India, by providing relief and rehabilitation to people impacted by natural disasters.

Corporate Social Responsibility committee of the Board has recommended and the Board has approved a Corporate Social Responsibility 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 Corporate Social Responsibility activities is annexed to this report as **Annexure III**.

12. 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 2018, 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 2018 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.

13. 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 authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safe-guarded against significant misuse or loss. An independent internal audit function is an important element of your Company's internal control system. The internal control system is supplemented through an extensive internal audit programme and periodic review by management and Audit Committee.

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.

14. RELATED PARTY TRANSACTIONS

Your Company has adopted a Related Party Transactions Policy. The audit committee reviews this 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 firm of chartered accountant 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 arms 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 https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/related-party-transactions-policy-cil-2018-final-website.pdf.

15. DEPOSITS

Your Company has not accepted any fixed deposits under Chapter V of the Act during the financial year and as such, no amount on account of principal or interest on deposits from public was outstanding as on 31 December 2018.

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

Particulars of loans, guarantees, investments made and securities provided by your Company pursuant to Section 186 of the Act, are given in the notes to the financial statements, which form part of the Annual Report.

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

The particulars relating to conservation of energy, technology absorption, research & development and foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided as **Annexure IV**.

18. MATERIAL CHANGES OCCURRED AFTER END OF FINANCIAL YEAR

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.

19. AUDITORS

STATUTORY AUDITOR

The statutory auditor of your Company, Deloitte Haskins & Sells LLP, Chartered Accountants, were appointed for a period of 5 (five) years at the Annual General Meeting held on 31 May 2017. The Companies (Amendment) Act, 2017 has waived the requirement for ratification of the appointment of statutory auditor by the shareholders at every Annual General Meeting. Hence, the approval of the members is not being sought for the re-appointment of the statutory auditor and in line with their resolution of appointment passed at the Annual General Meeting held on 31 May 2017, the statutory auditor will continue to hold office till the conclusion of the 44th Annual General Meeting of the Company. The statutory auditor have confirmed their eligibility and submitted the certificate in writing that they are not disqualified to hold the office of the statutory auditor. The report given by the statutory auditor on the financial statements of the Company is part of the Annual Report. There is no qualification, reservation, adverse remark or disclaimer given by the statutory auditor in their report.

COST AUDITOR

M/s. Kishore Bhatia & Associates, Cost Accountants carried out the cost audit for the Company. They have been re-appointed as cost auditor for the financial year ending 31 December 2019.

Your Company is required to maintain the cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013. Your Company has accordingly maintained the same and has filed the Cost Audit Report for Formulations and Compliance Report for the financial year ended 31 December 2017 on 10 May 2018 which is within the stipulated timeline prescribed under the applicable regulations. The Cost Audit Report for the financial year ended 31 December 2018 is due to be filed in the current financial year.

SECRETARIAL AUDITOR

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 2018. The Secretarial Auditor's report to the members does not contain any qualification, and is annexed to this report marked as **Annexure V**.

20. 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.

21. 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 VI**.

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 statements 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.

22. 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 behaviors. 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 has created the framework for individuals to seek recourse and redressal to instances of 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 Committee. Pursuant to the review, disciplinary action was taken.

23. 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.

24. ANNUAL RETURN

The annual return of the Company as required under the Companies Act, 2013 will be available on the website of the Company at www.castrol.co.in.

25. GENERAL DISCLOSURES

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

1. Issue of Equity Shares with differential rights as to dividend, voting or otherwise
2. Issue of 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.

6. No fraud has been reported by auditors under sub-section (12) of section 143.

26. AWARDS AND RECOGNITIONS

Your Company was recognized with many prestigious and diverse external accolades in 2018 which include:

- IMC Ramkrishna Bajaj National Quality Awards 2018 in the Manufacturing category.
- Golden Peacock Innovation Management Award for the year 2018.
- Gold award at the Asia Pacific Smarties Awards under the category of 'Relationship Building' and a Silver at the Maddies Awards for Castrol CRB Mini-Truck mobile campaign.
- Golden Peacock Occupational Health & Safety Award 2018 for Patalganga plant.
- 'Overall Performance' Award from Maruti Suzuki India Limited in recognition of quality and customer excellence.
- Castrol India recognized as runners up in the classical category at The Mint Corporate Strategy Awards 2018.
- Castrol India's Patalganga plant was awarded as runners-up in Manufacturing Category (Large) at the 13th CII (WR) Safety, Health and Environment Excellence and Innovation Award 2018.
- Silvassa plant became the first lubricants plant in India to receive Ford Q1 certification recognizing its quality excellence.
- Ms. Rekha Pillai, Head - CSR won CSR Leader of 2018 at the Sabera Social and Business Enterprise Awards 2018.
- Ms. Rashmi Joshi, Chief Financial Officer & Wholetime Director was honoured as CFO of the year in Large Enterprise category at Financial Express CFO of the year Awards 2018.
- Castrol Turbomax Truck Aasana campaign for truck drivers was recognized with a silver and bronze prize at the coveted Effies Award.
- Silvassa Plant won the 17th Annual Greentech Safety Award 2018 for the forth year in succession.
- Castrol Turbomax Truck Aasana campaign won the campaign of the year at ET Brand Equity Kaleido Awards 2019.

27. 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 : 30 January 2019

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 Capitalization as on the preceding Financial Year shall formulate a dividend distribution policy.

Castrol falls within the list of Top 500 Listed Companies.

4. Definitions

Unless repugnant to the context:

4.1. "Act" shall mean the Companies Act, 2013 including the Rules made thereunder.

4.2. "Company or Castrol" shall mean Castrol India Limited.

4.3. "Chairman" shall mean the Chairman of the Board of Directors of the Company.

4.4. "Board" or "Board of Directors" shall mean Board of Directors of the Company.

4.5. "Dividend" shall mean Dividend as defined under Companies Act, 2013 or SEBI Regulations.

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

5. Policy

5.1. Frequency of payment of dividend:

5.1.1. Castrol believes in rewarding its shareholders as and when the funds are available for distribution as dividend and generally strive to declare Interim Dividend at least once in a year and to recommend Final Dividend to the Members at the Annual General Meeting of the Company.

5.1.2. If the frequency of Interim Dividend is more than once, Castrol may not recommend Final Dividend for that year.

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

5.2.1. Castrol considers several Internal and External Factors before deciding declaration or recommendation of dividend.

5.2.2. The Internal Factors are adequacy of profits for last year and likely profits for next year, allocation of capital towards capital expenditure, probably mergers and acquisitions, loan repayments and working capital requirements.

5.2.3. The External Factors that would impact dividend payout are interest rate on surplus funds, taxation on distribution of dividend including taxation on dividend received from subsidiaries and dividend payout ratios of comparable companies.

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

5.3.1. In order to maximize corporate value over the long term, internal capital resources will be secured for measures that will increase corporate value. These measures include investments in R&D and Capital Investments, which are vital to future business expansion.

5.3.2. After taking into consideration the required investments for future growth and the level of free cash flow, surplus will be distributed to the shareholders to the maximum extent possible.

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

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

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

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

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

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

5.5.2. The Company would be very cautious in declaring 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, INDEPENDENCE 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 optimization, 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 organize 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**

   At Castrol India Limited ("CIL"), we believe that we have a responsibility to bring enduring positive value to communities we work with. In line with our core theme to keep India moving, we have and will continue to build enduring and engaging relationships with key stakeholders in the mobility sector.

   Truck drivers and mechanics are two key partners who play a significant role in keeping the wheels of this sector moving. Truck drivers carry the majority of freight traffic in the country while mechanics service one of the largest automotive markets in the world. However their skills, livelihood opportunities and socio-economic conditions need more focus.

   At CIL, we are committed to making a positive impact in the lives of truck drivers and mechanics by preparing them to face today's reality and leverage tomorrow's opportunity.

   <u>Vision:</u>

   Transforming the lives of truck drivers and mechanics towards a sustainable livelihood and building pride in their professions.

   <u>Mission:</u>

   To prepare truck drivers and mechanics in India for today's reality and tomorrow's opportunity by:

   i. Enabling sustainable livelihoods and making them future-ready through upskilling

   ii. Providing opportunities for socio-economic growth through financial literacy and entrepreneurship development

   iii. Building pride in their professions through multiple programmatic interventions and platforms

   In line with this vision, CIL now focusses on two key flagship CSR programmes:

   - Programme for holistic development of truck drivers – Castrol Sarathi Mitra
   - Programme for mechanics with an aim to strengthen skills development in automotive and industrial sectors, with a focus on technology – Castrol Eklavya

   Additionally, CIL continues to support community development initiatives around areas of operations and presence. The Company, from time to time, supports humanitarian aid activities in India, by providing relief and rehabilitation to people impacted by natural disasters.

   The Company follows an approach of initiating pilot projects to test on-ground relevance with leading non-governmental organisations (NGOs). Based on stakeholder response, partner experience and contribution to agenda, the projects are accordingly upscaled or redesigned. Encouraged by the response, the portfolio continues to grow with expanding partnerships and investments. The Company's CSR Policy for 2018 can be viewed at: http://www.castrol.com/en_in/india/about-us/csr.html

2. **Composition of the CSR Committee**

   - Mr. R Gopalakrishnan (Chairman)
   - Mr. Sashi Mukundan
   - Ms. Sangeeta Talwar
   - 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 (2015, 2016 and 2017) calculated in accordance with the provisions of the section 198 of the Companies Act, 2013 is INR 1018.8 crores.

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

   Two percent of the average net profit for last three financial years is INR 20.4 crores

5. Details of CSR spend during the financial year

a. Total amount to be spent for the financial year: In 2018, the company has spent INR 20.5 crores on CSR activities.

b. Amount unspent, if any: Nil

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

(All figures in INR crores)

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/programs were undertaken	Amount outlay (budget) project/ program wise	Amount spent on the projects/ programs	Cumulative expenditure up to reporting period	Amount spent: Directly or through Implementing Agency (IA)
Flagship Programmes						
Programme for mechanics- Castrol 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	7.8	7.8	7.8	IA – Social Empowerment and Economic Development Society, Pravah,
Programme for truck drivers – Castrol Sarathi Mitra: holistic development of truck drivers	Promotion of Road Safety	Maharashtra, Delhi/NCR, Rajasthan, Tamil Nadu & West Bengal	9.5	9.5	9.5	IA —Social Empowerment and Economic Development Society; Synergie
Other Programmes						
Community Development in the areas of operation and presence	Promoting education, including special education and employment enhancing vocation skills	Silvassa, Patalganga and Paharpur	1.8	1.8	1.8	IA — Ambuja Cement Foundation, Pratham Education Foundation, Friends Union for Energising Lives
Humanitarian Aid	Disaster Relief	Flood affected areas of Kerala	0.5	0.5	0.5	IA — United Way of India
Administrative Overheads			0.9	0.9	0.9	Direct
Total			20.5	20.5	20.5	

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 has spent over 2% of the average net profit of the last three financial years in 2018)

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 transforming the lives of truck drivers and mechanics towards a sustainable livelihood and building pride in their professions aspiring to be a trusted partner while striving to contribute to a safer and better quality of life.

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

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

On behalf of the Board of Directors

R. Gopalakrishnan	**Omer Dormen**
Chairman, CSR Committee	**Managing Director**
DIN: 00027858	**DIN: 07282001**

Place : Mumbai
Date : 30 January 2019

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

- Control of Harmonics Injection from our electrical system into Electricity board grid
- Improved power factor after putting new APFC panel resulting energy saving and discount from Electricity board
- Optimizing the UPS Loads
- Recycle/reuse of hazardous wastes – through scrap sale etc.
- Continuous rationalization of certain blending operations for a few products for batch cycle time optimization, to reduce energy consumption
- Conversion of street lights from HPSV to LED type

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

- Use of cleaner fuel for thermopack operations

(iii) Capital investment on energy conservation equipment

- Replacement of plant street light with energy efficient LED lights (INR 30 Lakhs)
- Steam system upgradation (INR 19 Lakhs)
- Replacement of old conventional light with energy efficient LED light (INR 11 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 and the deployment activities carried out from Mumbai.
- 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 2018 in motorcycle, passenger cars and commercial vehicles spaces, with superior benefits to consumers. The company launched the Magnatec with Dualock Technology which helps to reduce wear by almost 50% (versus industry standard limits) and save up to 60L of fuel in congested driving. The company also introduced Activ Essential with benefit of essential engine protection for a trouble free ride. The Company relaunched the Castrol CRB product with DURASHIELD™ Boosters for providing advanced protection to engine in three ways to give a long and healthy life to engine. The Company refreshed the grease portfolio and introduced Spheerol 80K and 100K greases which provide drain intervals of up to 80,000km and 100,000km. The Company also forayed into bike care products and introduced scooter gear oils, chain spray oils for bike and bike greases to complete the entire offer for the motorcycle segment. The Company has also refreshed the entire transmission oil portfolio by bringing the entire portfolio into Transmax range of products.

- The Company continued to focus on environmental protection through the introduction of new products, particularly in the Industrial range. Alusol SL 61 XBB and Hysol SL 35 XBB were introduced for aluminium and cast iron machining respectively based on 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. Similarly in greases, introduced environment friendly Spheerol EPL range of products delivering improved HSE profile and superior product performance. The Company also launched new generation corrosion preventive - Product SL 0009 RP to meet the changing needs of metal industry with the benefits like low consumption, better performance and increased process reliability.

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

- New product launch: import and local development:
- Company relaunched the Magnatec and Power 1 brands with new claims and launched the Spheerol and Transmax range of products. The Company also relaunched the new CRB range of products.
- OGMX 150 new gear oil with improved performance for the textile industry.

(iii) Imported technology

- 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, Activ with 50% better wear protection (versus industry standards).
- Industrial: High performance and metal working lubricants were introduced into the Indian market: Optitemp 6590, Optitemp XBT1LF, Alusol SL 61 XBB, Hysol MB 50 etc.

(iv) Expenditure on R&D	**(INR in crores)**
Capital	1.84
Recurring	7.85
Total	**9.68**

(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

	(INR in crores)
Foreign Exchange Earnings	27.72
Foreign Exchange Outgo	231.28

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 : 30 January 2019

Annexure V

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018

[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 2018**. 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 2018**, 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 **31st December 2018** 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 – **Not Applicable to the extent of Overseas Direct Investment and External Commercial Borrowings as there was no reportable event during the financial year under review;**

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 (upto 10th November 2018) and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements, 2018 (with effect from 11th November 2018)

   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 Regulations during the financial year 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 its equity shares 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) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **and** Listing Agreement entered into with BSE Limited and National Stock Exchange of India Limited.

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 one Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent seven days in advance before the meeting. There exists system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All decisions of the Board and Committee meeting were carried 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 that there were no specific events / actions having major bearing on Company's affairs in pursuance of the above-referred laws, rules, regulations, guidelines, standards, etc., referred to above.

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

For S. N. ANANTHASUBRAMANIAN & CO.
Company Secretaries

FIRM REGISTRATION NO. P1991MH040400
S. N. Ananthasubramanian
Partner
FCS No: 4206
C.P. No: 1774
Date : 29th January, 2019
Place: Thane

Annexure A

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

Our Secretarial Audit Report for the financial year ended **31st December 2018** of even date is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

Disclaimer

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

For S. N. ANANTHASUBRAMANIAN & CO
Company Secretaries

S.N. Ananthasubramanian
Partner
C.P No. 1774
Date : 29th January, 2019
Place: Thane

Annexure VI

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 2018, 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 2018:

Sr. No.	Name of Director/KMP	Designation	Remuneration of Director/KMP for FY 2018 (Rs. in crores)	Percentage increase in Remuneration in the Financial Year 2018	Ratio of remuneration of each Director/KMP to median remuneration of employees
1.	Mr. Omer Dormen	Managing Director	5.3	3.5%	28.67
2.	Ms. Rashmi Joshi	Chief Financial Officer and Wholetime Director	1.8	11.7%	9.73
3.	Mr. Jayanta Chatterjee	Wholetime Director – Supply Chain	2.1	13.3%	11.15
4.	Mr. S. M. Datta*	Independent Director	–	–	–
5.	Mr. Uday Khanna*	Independent Director	–	–	–
6.	Mr. R. Gopalakrishnan*	Independent Director	–	–	–
7.	Ms. Sangeeta Talwar*	Independent Director@	–	–	–
8.	Mr. Sashi Mukundan	Nominee Director	–	–	–
9.	Mr. Peter Weidner	Nominee Director	–	–	–
10.	Ms. Shiva McMahon#	Nominee Director	–	–	–
11.	Ms. Chandana Dhar	Company Secretary & Compliance Officer	0.80	2.5%	4.30

* *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 the remuneration of Independent Directors are provided in the Corporate Governance Report.*

@ *Appointed as independent director with effect from 23 July 2018.*

Ceased to be a nominee director with effect from close of business hours 15 November 2018.

(ii) Other details:

Permanent employees on the rolls of the Company as on 31 December 2018	721
Percentage increase in the median remuneration of employees* in the Financial Year	1.4%

* excluding Managing Director and Wholetime Directors.

(iii) The average percentage increase made in the salaries of employees (other than the managerial personnel) was 10.1% while increase in the managerial remuneration was 6.7%. 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 : 30 January 2019

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 recognizes 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 2018, the Board consisted of nine (9) directors comprising of three (3) executive directors, two (2) non-executive directors nominated by Castrol Limited, UK as provided under the Articles of Association of the Company and four (4) 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 under review, following are the changes in the composition of Directors:

1. Ms. Sangeeta Talwar (DIN: 00062478) was appointed as a Additional (Independent Director) of the Company with effect from 23 July 2018 subject to the opproval of members.
2. Ms. Rashmi Joshi (DIN:06641898) was re-appointed as Wholetime Director of the Company w.e.f. 1 August 2018 for a period of 5 (Five) years subject to the approval of the members.
3. Mr. Omer Dormen (DIN:07282001) was re-appointed as Managing Director of the Company w.e.f. 12 October 2018 for a period of 1 (One) year subject to the approval of the members and the Central Government. The Company has made an application to the Central Government in Form MR-2 for the said re-appointment of Mr. Omer Dormen.

4. Ms. Shiva McMahon (DIN: 07770783) ceased to be a Nominee Director of the Company with effect from close of the business hours on 15 November 2018

Appointment and Tenure

The Directors of the Company except nominee directors are appointed by members at the General Meetings and two-third of total number of 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 2018, 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	1	1	0
Mr. Uday Khanna	Non-Executive Independent Director	4	4	Yes	5	4	4
Ms. Sangeeta Talwar***	Non-Executive Independent Director	2	2	NA	3	6	1
Mr. Sashi Mukundan	Non-Executive Nominee Director	4	3	Yes	1	0	0
Mr. Peter Weidner	Non-Executive Nominee Director	4	4	Yes	1	0	0
Ms. Shiva McMahon*	Non-Executive Nominee Director	4	2	Yes	1**	1**	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

* *Ms. Shiva ceased to be a Nominee Director of the Company with effect from the close of the business hours on 15 November 2018.*

** *The composition of Ms. Shiva McMahon's Directorships/Committee membership positions in other companies as on close of business hours on 15 November 2018.*

*** *Appointed as a Non-Executive Director in the category of Independent Director with effect from 23 July 2018.*

Note: 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 25,000 equity shares of the Company as on 31 December 2018, while Mr. Uday Khanna holds 1,600 equity shares of the Company as on 31 December 2018. 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 the business policy and strategy of the Company 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 and Compliance Officer is responsible for collation, review and distribution of all papers submitted to the board and committees thereof for consideration. The Company Secretary and Compliance Officer is also responsible for preparation of the agenda and convening of the Board and committee meetings. The Company Secretary and 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.

During the Financial Year, total 4 (four) Board meetings were held i.e. on 6 February 2018, 3 May 2018, 31 July 2018 and 31 October 2018 respectively. The maximum interval between any two meetings was within the maximum allowed gap of 120 days.

Independent Directors' Meeting

During the year, the four independent directors of the Company met separately on 31 October 2018 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.

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/News/CIL-Board-Familarisation-Programme-2017.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.

Independent directors' performance is evaluated also based on his/her help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct and his/her ability to bring an objective view in the evaluation of the performance of the Board and the management.

Directors seeking appointment/re-appointment

Mr. Omer Dormen

Mr. Omer Dormen was appointed as a Managing Director – w.e.f. 12 October 2015

Mr. Omer Dormen has studied business at North London University. He started his professional career with Turkpetrol in Turkey and worked in various sales and marketing roles with a range responsibilities for lubricants, fuels and LPG businesses.

In 1991 he became the Sales and Marketing Director of the joint venture between Castrol and Turkpetrol before becoming the Chief Executive of the newly established Castrol entity in Turkey and was responsible for setting up the business. Following BP's acquisition of Castrol, he became the performance unit leader for Turkey and managed the integration of the two businesses.

In 2004 he was appointed as the BP Sales Director for the Middle East Region, and was responsible for setting up the businesses in Pakistan and Saudi Arabia. He served as the Castrol Cluster Director for Russia, Turkey, Central Asia and Nordics region between 2011 and 2015.

Mr. Omer Dormen has over 30 years of experience in strategic planning and business management in a variety of international roles.

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

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

Ms. Rashmi Joshi

Ms. Rashmi Joshi was appointed as Director Finance (Chief Financial Officer) 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 durables and lubricants businesses. At Castrol India Limited she is *inter alia* responsible for leading the 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, risk management and investor relations.

Prior to the current role, she was based in Singapore for four years as Asia-Pacific Planning and 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).

As on 31 December 2018, the Audit Committee comprises of three (3) members–all independent directors viz. Mr. Uday Khanna, Mr. S. M. Datta, Mr. R. Gopalakrishnan. Mr. Uday Khanna is the Chairman of the Committee. Ms. Shiva McMahon ceased to be a member of the Audit Committee with effect from close of business hours on 15 November 2018 consequent to her cessation as Nominee Director of the Company.

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 and Compliance Officer acts as the secretary to the Audit Committee.

The Chairman of the Audit Committee attended the Annual General Meeting for the year ended 31 December 2017.

Four (4) Audit Committee meetings were held during the financial year ended 31 December 2018 on 6 February 2018, 3 May 2018, 31 July 2018 and 31 October 2018. 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	4	3*

* *Ms. Shiva McMahon ceased to be a Member of the Committee with effect from the close of the business hours on 15 November 2018 consequent to her cessation as Nominee Director of the Company.*

(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 NRC 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, recommend to the Board their appointment / removal.
2. carry out evaluation of every director's performance.
3. devising a policy on Board diversity;
4. formulate criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
5. formulation of criteria for evaluation of performance of independent directors and the board of directors;
6. to decide 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.
7. recommend to the board, all remuneration, in whatever form, payable to senior management.

As on 31 December 2018, the NRC comprised of 4 (four) members viz. Mr. R. Gopalakrishnan, Independent Director, Mr. S. M. Datta, Independent Director, Mr. Peter Weidner, Non-Executive Director and Ms. Sangeeta Talwar, Independent Director. The NRC is chaired by Mr. R. Gopalakrishnan.

During the year under review there were following changes in the NRC:

1. Ms. Sangeeta Talwar was appointed as a member of the Committee with effect from 23 July 2018
2. Ms. Shiva McMahon ceased to be a nominee director of the Company with effect from close of the business hours on 15 November 2018 consequent to her cessation as nominee director of the Company.

The Company has adopted a policy on Nomination, Independence, Remuneration, Diversity and Evaluation ("Policy"). The 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 Company has also adopted the 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 Policy is annexed to the Board's Report.

Four (4) NRC meetings were held during the year ended 31 December 2018 on 6 February 2018, 3 May 2018, 31 July 2018 and 31 October 2018. The Chairman of the committee attended the Annual General Meeting for the year ended 31 December 2017. The Company Secretary and Compliance Officer acts as the Secretary to the committee.

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

Name of Director	Designation	No. of Meetings held	No. of Meetings attended
Mr. R. Gopalakrishnan	Chairman	4	4
Mr. S. M. Datta	Member	4	4
Ms. Shiva McMahon*	Member	4	3
Mr. Peter Weidner	Member	4	4
Ms. Sangeeta Talwar**	Member	2	2

* *Ms. Shiva McMahon ceased to be a member of the Nomination and Remuneration Committee of the Company with effect from close of the business hours on 15 November 2018 consequent to her cessation as Nominee Director of the Company.*

** *Ms. Sangeeta Talwar was appointed as a member of the Nomination and Remuneration Committee of the Company with effect from 23 July 2018.*

Remuneration of Directors

(i) 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.

(ii) 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 2018 is as under:

(Amount in Rs.)

Name of Director	Salary	Perquisites	Retiral Benefits*	Performance based incentives**	Total
Mr. Omer Dormen	33,223,592	13,975,249	1,216,160	4,885,261	53,300,262
Ms. Rashmi Joshi	12,970,345	1,629,800	790,673	3,234,694	18,625,512
Mr. Jayanta Chatterjee	13,862,208	2,385,258	1,368,333	3,622,602	21,238,401

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

** *Performance based incentive for the year 2017 paid in the year 2018.*

- 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. The 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 Directors and the Managing Director is made for a period of 5 and 1 year(s) 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 2018.

(Amount in Rs.)

Name of Director	Commission	Sitting Fees	Total
Mr. S. M. Datta	20,00,000	850,000	28,50,000
Mr. R. Gopalakrishnan	16,00,000	750,000	23,50,000
Mr. Uday Khanna	16,00,000	450,000	20,50,000
Ms. Sangeeta Talwar*	7,07,000	300,000	10,07,000
TOTAL			**82,57,000**

* *Ms. Sangeeta Talwar was appointed as an Independent Director of the Company with effect from 23 July 2018*

(C) Stakeholders Relationship Committee

Stakeholders Relationship committee has been constituted to monitor and review investors' grievances. As on 31 December 2018, 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 and 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 2018 on 6 February 2018, 3 May 2018, 31 July 2018 and 31 October 2018 and all members attended all the meetings. The Chairman of the committee attended the Annual General Meeting for the year ended 31 December 2017. The Company Secretary and Compliance Officer acts as the Secretary to the committee

Details of Shareholders'/Investors' Complaints

During the Financial Year ended 31 December 2018, 34 complaints were received from the shareholders. Out of the total complaints received during the year 6 were pending as on 31 December 2018. The complaints relate to non-receipt of annual report, dividend, share transfers, etc.

Opening as on 1 January 2018	4
Received during the year	34
Disposed of during the year	32
Closing as on 31 December 2018	6

(D) Corporate Social Responsibility (CSR) Committee

As on 31 December 2018, the Corporate Social Responsibility committee comprises of Mr. R. Gopalakrishnan as Chairman, Mr. Sashi Mukundan, Ms. Sangeeta Talwar, Mr. Omer Dormen, Ms. Rashmi Joshi and Mr. Jayanta Chatterjee as members. The Company Secretary and Compliance Officer acts as the Secretary to the committee.

Ms. Sangeeta Talwar was appointed as a member of the CSR committee of the Company with effect from 23 July 2018.

Two (2) meetings of the Committee were held during the year ended 31 December 2018 viz. on 6 February 2018 and 31 July 2018 and all members attended all the meetings except Mr. Sashi Mukundan sought leave of absence for the meeting held on 31 July 2018.

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 2018.

(E) Risk Management Committee

As on 31 December 2018, 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 and Mr. Siddharth Shetty, Managing Counsel. The Company Secretary and Compliance Officer acts as the Secretary to the Committee. Mr. Vikram Garga ceased to be member of the Risk Management Committee w.e.f. 10 December 2018 consequent upon his resignation from the Company.

Four (4) meetings of the Risk Management Committee were held during the year ended 31 December 2018 viz. on 1 February 2018, 24 April 2018, 20 July 2018 and 22 October 2018.

Name of Director	Designation	No. of Meetings held	No. of Meetings attended
Mr. Omer Dormen	Chairman	4	4
Ms. Rashmi Joshi	Member	4	4
Mr. Jayanta Chatterjee	Member	4	3
Mr. Siddharth Shetty	Member	4	3
Mr. Vikram Garga*	Member	4	2

** Mr. Vikram Garga ceased to be member of the Committee w.e.f. 10 December 2018 consequent upon his resignation from the Company.*

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 2018, 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 Aneja and Associates, Chartered Accountants 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 India Limited. It applies to all Castrol India Limited employees, officers and members of the Board. The Code of Conduct is available on the website of the Company https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/BP%20CoC.pdf.

The Board of Directors are 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 – https://www.castrol.com/

content/dam/castrolcountry/en_in/About%20Us/Financials/COC-BOARD-SR-MGT_1.pdf

5. General Body Meetings

Location and time of the last three AGMs of the Company

Location	Date	Time	Special Resolution
Yashwantrao Chavan Pratishthan Auditorium, General Jagannath Bhosale Marg, Nariman Point, Opp. Mantralaya, Mumbai-400021	3 May 2018	10.00 a.m.	NIL
Pama Thadhani Auditorium, Jai Hind College, 'A' Road, Churchgate, Mumbai- 400020	31 May 2017	3.30 pm	NIL
Birla Matushri Sabhagar, Marine Lines, Mumbai 400020	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

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 – https://www.castrol.com/en_in/india/investors/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

Forty-first (41st) Annual General Meeting

Date : 15 May 2019

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: 13 May 2019 10:00 a.m.

Book Closure Dates

The register of members and share transfer books of the Company will remain closed from 11 May 2019 to 15 May 2019 (both days inclusive). The said book closure is for payment of final dividend for the year ended 31 December 2018. 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 30 January 2019 recommended a final dividend of INR 2.75 per share for financial year ended 31 December 2018 (2017: final dividend INR 2.50 per share This is in addition to an interim dividend of INR 2.25 per share (2017: INR 4.50 pre-bonus issue per share) for the Financial Year ended 31 December 2018.

The register of members and share transfer books of the Company will remain closed for the purpose of final dividend from 11 May 2019 to 15 May 2019 (both days inclusive). The final dividend, if approved by the shareholders of the Company at the 41st Annual General Meeting, shall be paid on or before 14 June 2019.

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 2019

The tentative dates of meeting of board of directors for consideration of quarterly financial results for the financial year ending 31 December 2019 are as follows:

First Quarter Results	Not later than 15 May 2019
Second Quarter/Half Yearly Result	Not later than 14 August 2019
Third Quarter Results	Not later than 14 November 2019
Fourth Quarter/Annual Results	Not later than 1 March 2020

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

Year	Dividend	Date of Declaration	Due Date for transfer to IEPF
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
2017	Final	3.05.2018	08.06.2025
2018	Interim	31.07.2018	05.09.2025

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 2018-19 have been paid by the Company to BSE and NSE

Stock Code

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

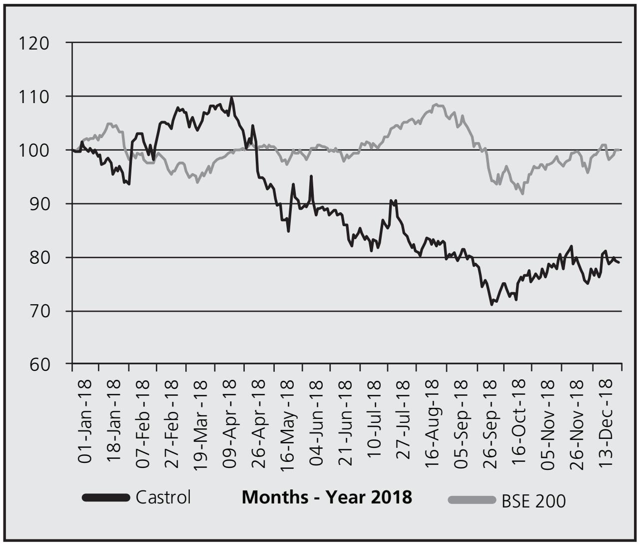
Market Price Data

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 2018.

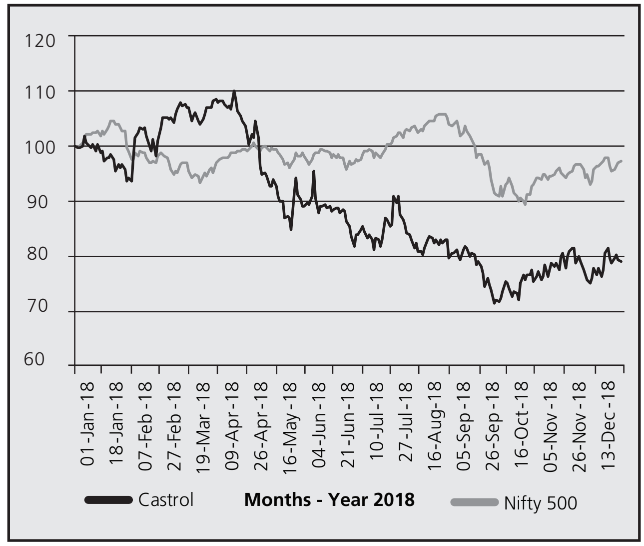
MONTHS	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January 2018	196.50	182.00	196.50	182.00
February 2018	202.80	172.25	202.80	171.50
March 2018	208.90	190.65	209.00	196.15
April 2018	214.00	191.75	213.95	191.60
May 2018	202.70	161.75	202.95	161.60
June 2018	183.40	161.30	183.85	161.05
July 2018	176.00	154.65	176.20	153.70
August 2018	177.15	153.10	177.80	152.70
September 2018	160.15	140.55	160.20	140.25
October 2018	149.55	134.85	150.00	134.95
November 2018	159.70	141.85	160.00	143.60
December 2018	156.50	142.10	156.80	141.50

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 2018, 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

Link Intime India Private Limited is the Registrar and Share Transfer Agent of the Company as on 31 December 2018.

Address for Correspondence
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

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
Upto 500	20649050	153636	2.0876
501 – 1000	15308762	19758	1.5477
1001 – 2000	15851884	10581	1.6026
2001 – 3000	9729469	3863	0.9836
3001 – 4000	8411921	2342	0.8504
4001 – 5000	7048451	1541	0.7126
5001 – 10000	23777095	3308	2.4039
10001 and above	888345752	3486	89.8115
Total	989122384	198515	100.0000

Distribution of shareholding by ownership:

Sr. No.	Category	No. of shareholders	No. of shares held	% of the total paid up capital
I	Foreign Promoter Company	3	504452416	51.00
II	Foreign Collaborator	0	0	0.00
III	Foreign Institutional Investors	128	88677002	8.97
IV	Overseas Bodies Corporate	0	0	0.00
V	Non-Resident Individuals	4109	5687529	0.58
VI	Public Financial Institutions	8	17868308	1.81
VII	Indian Mutual Funds	76	58207370	5.88
VIII (a)	Nationalised Banks/ Non Nationalised Bank	19	4783293	0.48
(b)	Other Banks (Foreign Bank)	13	19573	0.00
IX	Domestic Companies (Other Bodies Corporate)	1640	27514248	2.78
X	Resident Individuals	192069	171119807	17.30
XI	Directors and Relatives	0	0	0.00
XII	Other (Clearing member, Insurance companies, IEPF, Trust	450	110792838	11.20
	Total	**198515**	**989122384**	**100.00**

As on 31 December 2018, about 98.79%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: +91 22 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/content/dam/castrolcountry/en_in/About%20Us/Financials/related-party-transactions-policy-cil-2018-final-website.pdf

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) 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.

(c) The Company has complied with all mandatory items of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(d) 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.

H. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Sr. No.	Particulars	
a.	Number of Complaints filed during the Financial Year	01
b.	Number of Complaints disposed of during the Financial year	01
c.	Number of complaints pending as on the end of the Financial year	Nil

CODE OF CONDUCT DECLARATION

In accordance with Listing Regulations executed with BSE Limited and 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 2018.

Omer Dormen
Managing Director
DIN: 07282001

Place : Mumbai
Date : 30 January 2019

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 2018 – 31 December 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	2 7 1 0 0 0 . 6 1 – Lubricating oils
8.	List three key products/services that the Company manufactures/provides (as in balance sheet):	Lubricating oils
9.	Total number of locations where business activity is undertaken by the Company	• Number of International Locations (Provide details of major 5): None • Number of National Locations: 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)	3,905 crores
3.	Total profit after taxes (INR)	708 crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.89% (Rs.20.45 crores)
5.	List of activities in which expenditure in 4 above has been incurred:	Please refer to CSR Annual Report at page no. 18

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: BR INFORMATION

1. Details of Director/Directors responsible for BR

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

Particulars	Details	
DIN Number	07282001	06641898
Name	Mr. Omer Dormen	Ms. Rashmi Joshi
Designation	Managing Director	Chief Financial Officer and Wholetime Director

(b) Details of the BR head:

Sr. No.	Particulars	Details	
1.	**DIN Number (if applicable)**	07282001	06641898
2.	**Name**	Mr. Omer Dormen	Ms. Rashmi Joshi
3.	**Designation**	Managing Director	Chief Financial Officer and Wholetime Director
4.	**Telephone number**	+91-22-6698 4100	
5.	**E-mail ID**	investorrelations.india@castrol.com	

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

Sr. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
		Business Ethics	Sustainability	Employees' well-being	Stakeholders' Welfare	Human Rights	Environment	Regulatory Policy	Equitable Development	Customer Responsibility
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Majority of the company policies are aligned with BP group policies which incorporates global best practices. The Company is an ISO 9001 Company and the manufacturing locations are 14001 and 18001 certified.								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/Owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y

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
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%20 Us/Financials/COC-BOARD-SR-MGT.pdf https://intranet.bp.com/en_gb/global-businesses/lubricants/operating-units/asia-pacific/customer-policy/india-customer-policy.html https://www.castrol.com/content/dam/castrolcountry/en_in/About%20 Us/QUALITY%20POLICY%20POSTER%20A4_ARIAL.PDF https://www.castrol.com/content/dam/castrolcountry/en_in/About%20 Us/HSSE%20Policy_A2_new.pdf http://www.castrol.com/content/dam/castrolcountry/en_in/About%20 Us/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
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

2b. If answer to Sr. No. 1 against any principle, is 'No', please explain why: 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. Within 3 months, 3-6 months, Annually, More than 1 year.**

  The Board of Directors of the Company assesses various initiatives forming part of the BR performance of the Company at least once a year.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

  The Company publishes the information on BR in the Annual Report of the Company available on the website of the Company at https://www.castrol.com/en_in/india/investors/annual-report-2016.html.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 -

Ethics, Bribery and Corruption, 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.

To Whom the Code of Conduct applies to

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

Certifying the Code

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

Fostering a 'Speak Up' culture

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

In Financial Year 2018, a total of 23 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. This included 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 33.

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 ISO certificates of ISO 9001:2015, IATF 16949:2016, ISO 14001:2015 and OHSAS 18001:2007. The company's commitment to sustainability is demonstrated through maintaining products like Castrol VECTON RX fuelsaver with 3% fuel efficiency & Castrol Professional range which is carbon neutral in the portfolio. The company also launched a number of products last year in line with our commitment to sustainability.

In 2018, the Company launched Castrol Magnatec Stop-Start 0W-20 and 5W-30 which reduce wear by up to 50% (tested versus industry standard limits) and saves up to 60 litres fuel a year (under standard test conditions) in congested driving. The company also launched Castrol SPHEEROL CV Performance 80,000 km and Castrol SPHEEROL CV Performance 100,000 km greases which provide service life up to 80,000 km and 100,000 km respectively.

In line with its endeavor to serve the best interests of consumers while being focused on environmental responsibilities on reducing carbon print, Castrol technology team has extended the Castrol Optigear Synthetic X series (which was developed keeping in mind the requirements of wind energy segment) towards general Industrial gear oils. This is expected to provide better performance and longer oil drain intervals compared to market general gear oils, thus reducing the carbon foot print. Castrol Optigear MX 150 has been launched for Industrial gear oils in different segments which is expected to outperform market general oil grades. Castrol Optigear Synthetic CT 320 and Castrol 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. We also introduced High Flash point based Corrosion Preventives in 2018, which reduce VOC (Volatile Organic Carbon) elements, thus reducing quantum of hazardous emissions. This also reduces consumption thereby reducing the disposal of oil.

Castrol Industrial introduced a smell - free rust preventive product for metal industry. It's a next generation medium flash rust preventive product with medium flash point which lowered fire risk, this improving overall health and safety.

The raw material sourcing and finished goods distribution systems of the Company are both optimized with a view to reduce the distance travelled and environmental impact. High capacity vehicles account for about 57% 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 to the environment.

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

- Reduced generation and efficient utilization of flushing oils
- Using energy efficient technology like solar and LED lights to reduce energy consumption
- 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.
- Use of cleaner fuels in plant operations

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

In 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 2018 is 548, of which 105 are female employees and additional of 172 workmen. The Company does not have any employees with permanent disability. Workers' trade unions are active in each of the plants and approximately 24% of permanent employees are members of these trade unions. In summary, the Company's people agenda is focused on the following principles:

1. **Health, Safety, Security and Environment (HSSE) is** at the heart of everything that the Company does and is a key enabler of its business strategy. The Company is committed to the goal of 'no accidents, no injury to people and no damage to the environment'. Safety is the Company's first priority and the Company's goal is to ensure that everyone who works for Castrol goes home safely every day.

   The Company expects every employee to be a safety leader. Road safety continues to be a focus area for the Company and thus all professional drivers (those driving on company business) undergo rigorous defensive driver training and all road safety related incidents, howsoever minor, are reported and investigated in an attempt to adopt lessons learnt. The same driving standards are used while working with contractors engaged in transporting raw material and finished goods. All new employees, permanent and contract 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 counseling service for employees and their family members provided by professional consultants through telephone, email or face to face in English and regional languages and available at all times.
   - Agile Working: A core component of the Company's diversity and inclusion ambition is agile working which encompasses a wide range of working options enabling employees to work flexibly at full potential. Part-time working, job share, homeworking and flexible hours are some options granted under this initiative.
   - Career Break and Maternity/Paternity Leave: These benefits are available to employees of the Company irrespective of their levels.
   - Workplace facilities: The Company aims to provide an ergonomically safe and comfortable work environment at all offices and plants. In addition there are fun activities conducted periodically to engage teams, recognise people and celebrate birthdays and welcome new joiners across all offices.

2. **Leadership development:** Building people's 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 Human Resource (HR) processes. Robust talent management sessions are conducted with focus on managers having talent conversations with their teams. All eligible employees captured their development needs in a structured format following talent conversations with their line managers.

   Internal candidates filled in 48% of the vacancies the Company had in 2018.

   Global Capability week was introduced for the very first time in the Company in 2017. We continued with this theme in 2018 as well, where we focused on helping employees complete their personal development plans. Organization wide sessions on building effective profiles (development plans) were organized co-facilitated by HR and the Leadership team.

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

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

This year we also launched an education and awareness series on Cyber Security which were 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 helping the extended leadership team to understand business context more closely and drive actions to achieve the enabling of key deliverables.

3. **Diversity and Inclusion:** The Business Resource Groups (BRGs) on diversity and inclusion is employee-initiated and employee-driven and works towards making the Company more inclusive by helping delivering its diversity and inclusion ambition. This group is supported by the diversity and inclusion team and in some cases a Global Steering Committee.

   An example of one such BRG in India is BP WIN (Women's International Network). BP WIN events were organized in 2018 on Women's Day under the theme Think He Think She. A panel discussion on 'Generations' was conducted and a session with Regional Leadership Team was also held. BP WIN also supported a unique intervention with the leaders at Castrol on Respect and Inclusion. A lot of interest on this was created through a calendar competition and by sharing interesting videos on this theme. This theme ran in October 2018 and garnered a lot of interest amongst the employees. We also conducted specific learning series for line managers to build their capability around respect and inclusion.

   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, refurbished in 2018 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. This continued in 2018. An education series on Policy on Sexual Harassment was conducted through a pan India webinar this year for all employees.

Principle 4 – Stakeholder Engagement

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

Heavy vehicle drivers form an important part of an ecosystem, helping carry products across the country. However, their skills, livelihood opportunities and socio-economic conditions need more focus.

Castrol India business contracts with 55 transport contractors who contract with 2000+ truck drivers. We employ about 700+ trucks on a daily basis which cover approx. 900 kilometer on an average daily

With a vision of transforming the lives of truck drivers towards a sustainable livelihood and pride for their professions, we at Castrol India worked very closely with heavy vehicle drivers along with their respective transporters.

As an input measure, we used a philosophy of 4As (Awareness, Anticipation, Attention, and Attitude) to touch life of heavy vehicle drivers. This approach helped them in increasing their competency.

Awareness: Programs like Defensive Driving Training (DDT) and Risk Based Campaigns helped us in creating awareness among truck drivers towards few of the obvious risk related to driving.

Anticipation: Annual Health Check-up of these heavy vehicle drivers help them to monitor on their overall health condition.

Attention: Sharing of critical risk of route before starting a trip and further assistance throughout the journey with the help of an exclusive voice alert mechanism helped drivers to keep their attention on road.

Attitude: We ran three different programmes, Family Connect to engage family members of drivers, Stop Listen Proceed to demonstrate commitment of CIL towards Safety and One to One engagement by CIL employees before inducting any new driver for Castrol operations. These three programmes have helped us in developing the right attitude and loyalty of these drivers towards our system.

As a part of our vision, we have also supported other truck drivers through our CSR initiatives. One of our Flagship Programmes **Castrol Sarathi Mitra** is focusing on holistic development of truck drivers. The programme is aimed at holistically improving lives of truck drivers through interventions that enable a sustainable livelihood and opportunities for socio-economic growth. The programme is closely supported by transporter associations and local traffic authorities.

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.

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

Principle 6

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

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

The Company has initiatives to address environmental aspects for its plant sites at Silvassa, Patalganga & Paharpur. Eg. Plant site does not buy any equipment that use/contain ozone depleting source in it. Sites have programmes in place to track energy and water conservation. Site has developed a programme on waste management focusing on 3Rs i.e. Reduce, Reuse and Recycle.

The company maintains a risk register with all potential environmental, safety, health and business risks. These risks are assessed, and barriers put in place to elimate reduce and mitigate risk to 'as low as reasonably practicable' level, and the same is monitored regularly. The register is reviewed annually and endorsed by the leadership team.

Apart from this, the manufacturing plant sites have an elaborate oil spill plan which includes possible scenarios of oil leakage and spill with necessary controls. The same is reviewed annually.

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 lead by the 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.

The Company is also taking various initiatives to reduce 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 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 programme 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

At Castrol India, we believe that we have a responsibility to bring enduring positive value to communities we work with. In line with our core theme to keep India moving, we have and will continue to build enduring and engaging relationships with key stakeholders in the mobility sector.

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 always underpinned and guided by the code of conduct.

At Castrol India, we are committed to making a positive impact in the lives of truck drivers and mechanics, two key partners who play a significant role in keeping the wheels of this sector moving. Truck drivers carry most of the freight traffic in the country while mechanics service one of the largest automotive markets in the world. However, their skills, livelihood opportunities and socio-economic conditions need more focus.

With a vision of transforming the lives of truck drivers and mechanics towards a sustainable livelihood and pride for their professions, Castrol India CSR initiatives focus on two key flagships programmes

- Programme for holistic development of truck drivers - Castrol Sarathi Mitra

  The programme aims at holistically improving lives of truck drivers through interventions that enable a sustainable livelihood and opportunities for socio-economic growth. The programme focuses on (1) road safety training (2) financial literacy training and (3) eye checks with distribution of corrective glasses and overall wellbeing of the truck drivers. The pilot programme was launched in January 2017. Through this programme, the Company was able to impact the lives of more than 50,000 truck drivers by December 2018. Castrol Truck Aasanas yoga postures which were specifically developed keeping in mind the tough and demanding live of truck drivers were also introduced in the training this year. The programme is closely supported by transporter associations and the local traffic authorities.

- Programme for mechanics with an aim to strengthen skills development in automotive and industrial sectors, with a focus on technology - Castrol Eklavya

  During the year 2018 over 6,000 two-wheeler technicians were provided technical skills that are in tune with upgraded technology and life competency skills through the Castrol Eklavya programme. Launched in 2009 as a pilot programme, the Castrol Eklavya programme is one of the largest skilling initiatives in the automotive industry in India aiming to deliver inclusive growth for mechanics, covering the basics and focusing on diagnostic skills. Over the years, the programme has evolved to cover 10 states in India and has expanded the curriculum to include life skills, business skills and financial literacy training. The training is aligned to National Skills Qualification Framework (NSQF) and incorporates trade wise competencies designed in the National Occupation Standard (NOS) by the automotive skill sector council. The Castrol Eklavya programme has trained over two lakh mechanics across the country till date.

Other initiatives

The Company continued to engage with the communities around its plant and other areas of presence through its various community development programmes as mentioned below:

- Programme for skilling of underprivileged youth & women in vocational skills like electrical, automotive, phone repairing, retail management and digital embroidery in communities near the Plants at Silvassa, Patalganga and Paharpur. Through this programme more than 2,000 youth have been trained in employable skills

- Career counselling to around 12,000 high school students from low income backgrounds in Paharpur and Patalganga to enable the students to make the right choices towards fulfilling careers paths.
- Programme for safe two wheeler riding training for youth in and around Mumbai and the annual event "Two wheels one life" created awareness in safe two wheeler driving techniques in more than 50,000 youth in and near the city.

During the year, the state of Kerala was hugely impacted by heavy rainfall and flooding. The Company supported in the national response to this disaster by providing immediate relief materials in the district of Wayanad. The Company also supported in the response plan by adopting eight primary health care centres to be refurnished to family health care centres.

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 an evaluation process to ensure flagging of mid-course corrections that may be required enabling the Company stay on track.

With a social investment of more than Rs. 20 crores in 2018, the CSR portfolio focused on creating an enabling environment with active participation of local stakeholders, which was the key to ensuring sustainability of interventions.

Principle 9

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

The Company is in the business of meeting the needs of its customers and consumers in an efficient and compelling manner. Products are developed basis insights gained from regular consumer and customer interactions and structured research projects.

In 2018, we refreshed our Castrol POWER1 range of premium bike engine oil with best in class and differentiated claims about on-demand acceleration. New Castrol POWER1 with Power Release Technology beats key competitors on Acceleration: five metres ahead in just 30 seconds*. We also introduced a range of bike care products which helps our channel partners and customers to increase their earning potential.

Positions calculated based on a 30-second full throttle simulated acceleration test conducted by Castrol using a Honda CBR300 engine

The Company also launched Castrol Magnatec Stop-Start 0W-20 and 5W-30 products which reduce wear up to 50% (versus standard industry limits) and saves fuel up to 60 litres (under standard test conditions).

The Company launched Castrol SPHEEROL range of greases and Castrol TRANSMAX range of driveline oils, which provide better value to our customers and consumers. Castrol TRANSMAX oil reduces oil thickening in gear and axles thereby offering better protection. While Castrol SPHEEROL range of greases offer protection up to 100,000 km.

Castrol CRB Turbomax launched a new television commercial which educates truck drivers on the promise of 2X longer engine life.

Going beyond the Trucks to Truckers, we launched Truck Aasana – a set of 21 Yoga Aasanas specially curated for the Truckers to address the driving related health issues faced by them. This was created as a result of a research conducted with over 1000 truckers to understand their lifestyle, driving related health issues and fitness initiatives by partnering with The Yoga Institute, Mumbai. The TruckAasana campaign propagates the idea of promoting health and fitness among India's truck drivers, who are an integral part of India's economy.

Castrol technology team has extended the Castrol Optigear Synthetic X series (which was developed keeping in mind the requirements of the wind energy segment), towards general industrial gear oils. General industrial gear oils are formulated with mineral oil and additive pack, however Castrol Optigear MX 150 was developed with mineral oil but the combination of additives selected were similar to Castrol Optigear Synthetic X series. This is expected to provide better performance and longer oil drain intervals compared to general gear oils in the market, thus reducing carbon foot print. Castrol Optigear MX 150 has been launched for industrial gear oils in different segments.

Castrol introduced a smell free rust preventive product for metal industry. It's a next generation medium flash rust preventive product with medium flash point which lowered fire risk, thus improving overall health and safety.

The Company has organized its business through different distribution channels which include retail, franchised and independent workshops, as well as industrial and heavy duty direct/ 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 and customer complaint closure time is tracked as a metric. In 2018, 90.2% of the genuine quality complaints received from the market were closed on time. The Company mentions information such as claims 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	**Rashmi Joshi**
Managing Director	**Chief Financial Officer**
DIN : 0782001	**& Wholetime Director**
	DIN: 06641898

Place : Mumbai
Dated: 30 January 2019

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, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143 (11) of the Act.

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, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2018 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 the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanation given to us, the remuneration paid by the Company to its directors is in accordance with the provisions of section 197 of the Act.

   h) 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 due dates except for Rs 0.09 Crores for the reasons described in note 11 to the 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 : 30th January, 2019

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, 2018 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, 2018, 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 : 30th January, 2019

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 Company has a program of verification of fixed assets to cover all the items in a phased manner 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, no fixed assets were physically verified by the Management during the year.

   (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 Crore

No. of Cases	Asset Category	Gross Block as at 31st December 2018	Net Block as at 31st December 2018	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 Crore

No. of Cases	Asset Category	Gross Block as at 31st December 2018	Net Block as at 31st December 2018	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 Goods 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 Services 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, 2018 for a period of more than six months from the date they became payable, except as follows.

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which the Amount Relates	Due date	Date of Payment
The Income Tax Act. 1961	Tax deducted at source	0.64 crores	March-2018	30th April, 2018	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, 2018 on account of disputes are given below:

Rs. in Crore

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	Disputes relating to Excise Duty & Service Tax.	Commissioner	1990-2018	19.33	0.55	18.78
		Commissioner (A)	2001-2009	1.91	0.03	1.88
		Tribunal	1994 – 2006	91.78	4.69	87.09
		High Court	1999-2002	8.43	-	8.43
		Supreme Court	1998-1999	0.40	0.20	0.20
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Disputes relating to Local Sales Tax, VAT Act and CST Act.	Commissioner	2000-2016	43.79	13.19	30.60
		Appellate Authority	1994-2016	15.45	7.11	8.34
		Central Sales Tax Appellate Authority (CSTAA)	2007-2008 & 2009-2010 to 2011-2012	1,300.44	-	1,300.44
		Tribunal	1999-2014	1,598.02	3.46	1594.56
		High Court	1999-2000	0.23	-	0.23
The Income Tax Act, 1961	IT matters under dispute	Commissioner of Income Tax	2006-2008 and 2010-2011	1.99	-	1.99
		Income Tax Appellate Tribunal	2003-04 and 2005-2006	2.64	-	2.64

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 Companies Act, 2013.

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 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 Companies Act, 2013 are not applicable.
16. The Company is not required to be registered under Section 45 I 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 : 30th January, 2019

BALANCE SHEET AS AT DECEMBER 31, 2018

Particulars	Note No.	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Assets			
Non-current assets			
Property, plant and equipment	3	**184.40**	136.35
Capital work-in-progress		**35.04**	57.27
Other intangible assets	3	**1.64**	2.62
Financial assets			
Loans receivable	4.1	**9.24**	10.81
Other financial assets	4.2	**0.10**	-
Income tax assets (net)	5	**37.97**	33.97
Deferred tax assets (net)	6	**53.27**	55.15
Other non-current assets	7	**58.48**	109.04
Total Non-current assets		**380.14**	**405.21**
Current assets			
Inventories	8	**456.79**	319.57
Financial assets			
Trade receivables	4.3	**391.80**	284.97
Cash and cash equivalents	4.4	**263.65**	215.47
Bank balances other than above	4.5	**480.20**	568.76
Loans receivable	4.1	**0.45**	0.50
Other financial assets	4.2	**23.05**	22.01
Other current assets	7	**110.69**	160.46
Total Current assets		**1,726.63**	**1,571.74**
Total assets		**2,106.77**	**1,976.95**
Equity and liabilities			
Equity			
Equity share capital	9	**494.56**	494.56
Other equity	10	**671.10**	525.59
Total equity		**1,165.66**	**1,020.15**
Liabilities			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	11.2	**-**	0.06
Provisions	12	**15.87**	15.88
Total Non-current liabilities		**15.87**	**15.94**
Current liabilities			
Financial liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	11.1	**28.83**	4.26
Total outstanding dues of creditors other than micro enterprises and small enterprises	11.1	**555.22**	602.38
Other financial liabilities	11.2	**259.67**	235.22
Other liabilities	14	**40.65**	42.61
Provisions	12	**30.17**	37.60
Current tax liabilities (net)	13	**10.70**	18.79
Total Current liabilities		**925.24**	**940.86**
Total equity and liabilities		**2,106.77**	**1,976.95**
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

For and on behalf of Board of Directors
Executive Directors

S.M. Datta	DIN : 00032812	Chairman
Omer Dormen	DIN : 07282001	Managing Director
Rashmi Joshi	DIN : 06641898	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	DIN : 06986918	Whole time Director - Supply Chain

Samir R. Shah
Partner

Chandana Dhar
Company Secretary
ACS No. : 17891

Place : Mumbai
Date : January 30, 2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Note No.	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Income			
Revenue from operations	15	**3,904.55**	3,851.56
Other income	16	**84.31**	83.65
Total Income		**3,988.86**	**3,935.21**
Expenses			
Cost of raw and packing materials consumed	17.1	**1,757.77**	1,474.63
Purchase of traded goods	17.2	**213.34**	196.70
(Increase) / decrease in inventories of finished goods / traded goods	17.3	**(64.55)**	(5.43)
Excise duty		**-**	267.24
Employee benefits expense	18	**203.40**	195.63
Finance costs	19	**1.09**	1.20
Depreciation and amortisation expense	20	**55.57**	45.50
Other expenses	21	**723.82**	689.67
Total Expenses		**2,890.44**	**2,865.14**
Profit Before Tax		**1,098.42**	**1,070.07**
Tax expenses			
Current tax (net of reversal of earlier years - Rs. 2.02 Crores (December 31, 2017 : Rs. 4.17 Crores))		**387.58**	365.14
Deferred tax	6	**2.48**	13.12
Total tax expenses		**390.06**	**378.26**
Profit after tax		**708.36**	**691.81**
Other comprehensive income / (expenses) not to be reclassified to profit or loss in subsequent period			
Re-measurement gains / (losses) on defined benefit plans		**(1.73)**	(3.21)
Less : Income tax effect on above		**0.60**	1.11
Total other comprehensive income / (expense) for the year		**(1.13)**	**(2.10)**
Total comprehensive income for the year		**707.23**	**689.71**
Earnings per equity share - Basic and Diluted (Rs.)	22	**7.16**	6.99
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

Samir R. Shah
Partner

Chandana Dhar
Company Secretary
ACS No. : 17891

For and on behalf of Board of Directors
Executive Directors

S.M. Datta	DIN : 00032812	Chairman
Omer Dormen	DIN : 07282001	Managing Director
Rashmi Joshi	DIN : 06641898	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	DIN : 06986918	Whole time Director - Supply Chain

Place : Mumbai
Date : January 30, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars		For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Cash flow from operating activities			
Profit before tax		**1,098.42**	1,070.07
Adjustments for:			
Depreciation and amortisation expenses		**55.57**	45.50
Gain on disposal / write off of property, plant and equipment and intangible assets (net)		**0.00**	(17.61)
Provision for doubtful advances (net)		**-**	0.04
Provision for doubtful debts (net)		**0.62**	2.08
Expense recognised in respect of share based payments		**4.69**	3.62
Loss on fair valuation of forward contract		**0.38**	0.51
Unrealised foreign exchange (gain) / loss		**(1.54)**	(0.81)
Interest expense		**1.09**	1.20
Interest income		**(52.87)**	(45.89)
Debts written off / (write back)		**(8.53)**	4.20
Operating profit before working capital changes		**1,097.83**	**1,062.91**
Movements in working capital:			
Decrease / (Increase) in inventories		**(137.22)**	24.31
Decrease / (Increase) in trade and other receivables		**(17.40)**	(142.63)
Increase / (Decrease) in trade and other payables and provisions		**5.94**	**52.88**
Cash generated from / (used in) operations		**949.15**	997.47
Income tax refund / (payment) (net) (including interest)		**(399.67)**	(389.17)
Net cash flow from operating activities	**(A)**	**549.48**	**608.30**
Cash flow from investing activities			
Purchase of property, plant and equipment, including capital work-in-progress		**(78.31)**	(56.32)
Proceeds from sale of property, plant and equipment		**0.36**	20.82
Placement of bank deposits		**(1,357.00)**	(1,199.00)
Encashment of bank deposits		**1,449.00**	1,341.50
Interest received		**52.06**	44.37
Net cash flow from / (used in) investing activities	**(B)**	**66.12**	**151.37**

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018 (CONTD.)

Particulars		For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Cash flow from financing activities			
Dividend paid		**(469.83)**	(544.01)
Dividend distribution tax paid		**(96.57)**	(110.76)
Interest paid		**(1.01)**	(1.01)
Net cash flow used in financing activities	**(C)**	**(567.42)**	**(655.78)**
Net increase / (decrease) in cash and cash equivalents	**(A+B+C)**	**48.18**	103.89
Cash and cash equivalents at the beginning of the year		**215.47**	111.58
Cash and cash equivalents at the end of the year		**263.65**	**215.47**
Components of cash and cash equivalents			
Cash on hand		**0.00**	0.01
On current accounts		**16.45**	23.99
Deposits with banks		**245.84**	190.76
Cheques on hand		**1.36**	0.71
Total cash and cash equivalents (note 4.4)		**263.65**	**215.47**

'0.00' represents amount less then Rs. 0.01 crore.

Non cash transactions:

a) **Bonus:**

During the previous 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:

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

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
Executive Directors

S.M. Datta	DIN : 00032812	Chairman
Omer Dormen	DIN : 07282001	Managing Director
Rashmi Joshi	DIN : 06641898	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	DIN : 06986918	Whole time Director - Supply Chain

Place : Mumbai
Date : January 30, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(a) Equity share capital

(Rupees in Crores)

Particulars	No. of shares	Amount
Balance as at January 1, 2017	**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**
Changes in equity share capital during the year	-	-
Balance as at December 31, 2018	**989,122,384**	**494.56**

* Issue of bonus shares

(b) Other equity

(Rupees in Crores)

Particulars	Reserves & Surplus				Total Other Equity
	Capital Reserve	General Reserve	Retained Earnings	Share based payment	
Balance as at January 1, 2017	**13.62**	**148.38**	**565.74**	**6.52**	**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	**-**	**(148.38)**	**590.81**	**3.62**	**446.05**
Payment of Dividend including corporate dividend tax	-	-	(654.72)	-	(654.72)
Balance as at December 31, 2017	**13.62**	**-**	**501.83**	**10.14**	**525.59**
Profit for the year	-	-	708.36	-	708.36
Recognition of Share based payment charge	-	-	-	4.69	4.69
Other comprehensive Income, net of tax	-	-	(1.13)	-	(1.13)
Total Comprehensive Income for the year	**-**	**-**	**707.23**	**4.69**	**711.92**
Payment of Dividend including corporate dividend tax	-	-	(566.41)	-	(566.41)
Balance as at December 31, 2018	**13.62**	**-**	**642.65**	**14.83**	**671.10**

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
Executive Directors

S.M. Datta	DIN : 00032812	Chairman
Omer Dormen	DIN : 07282001	Managing Director
Rashmi Joshi	DIN : 06641898	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	DIN : 06986918	Whole time Director - Supply Chain

Place : Mumbai
Date : January 30, 2019

Notes to the financial statements for the year ended December 31, 2018

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.

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.

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, 2018 dated 28th March 2018 and has amended the following standards.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

Ind AS 115 Revenue from contracts with Customers

Revenue from contracts with customers Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard used by the Company. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when control of the goods and service underlying the particular performance obligation is transferred to the customer. The company is in process of evaluating the impact of Ind AS 115 and no material impact is expected.

The effective date of adoption of Ind AS 115 is for the periods beginning on or after 1st April 2018.

Amendment to Ind AS 21

The standard clarified the "Date of transaction" to be used for the non-monetary assets or liabilities. As per the clarification, the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

The standard will be effective from 1st April 2018. The company is in process of evaluating the impact of amendment to Ind AS 21 and no material impact is expected.

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.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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.

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.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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 a 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.

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.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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, 2018 and the provision for the remaining period of nine months ending on December 31, 2018. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2018-19 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.

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

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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.

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.

j. 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

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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.

k. 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.

l. 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.

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.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

(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.

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.

Notes to the financial statements for the year ended December 31, 2018

2. Significant accounting policies (contd.)

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.

m. 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.

n. 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.

o. 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.

p. 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, 2018

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

Rupees in Crores

	Property, plant and equipment										Capital work-in-progress	Other Intangible Assets
	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												
As at January 1, 2017	**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		-
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**
Additions	-	-	7.89	27.93	3.64	1.50	58.63	2.20	-	101.79		1.24
Disposals	-	-	0.05	1.19	0.34	0.31	15.14	0.23	-	17.26		0.01
As at December 31, 2018	**3.92**	**0.29**	**49.86**	**118.42**	**17.77**	**7.27**	**92.59**	**6.70**	**0.22**	**297.04**		**9.57**
Depreciation and amortisation												
As at January 1, 2017	**-**	**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**
Charge for the year	-	-	3.48	18.38	1.90	0.84	27.59	1.14	0.02	53.35		2.22
Disposals	-	-	-	0.46	0.09	0.31	14.89	0.15	-	15.90		0.01
As at December 31, 2018	**-**	**0.01**	**13.62**	**47.12**	**4.98**	**4.82**	**37.79**	**3.85**	**0.05**	**112.24**		**7.93**
Impairment Loss [refer Note a]												
As at January 1, 2017	**-**	**-**	**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**		**-**
Additions	-	-	-	-	-	-	-	-	-	-		-
Disposals	-	-	0.05	0.53	0.14	-	0.22	0.03	-	0.97		-
As at December 31, 2018	**-**	**-**	**-**	**0.36**	**0.01**	**-**	**0.03**	**-**	**-**	**0.40**		**-**
Net Block												
As at January 1, 2017	3.92	0.37	34.50	69.40	10.55	2.38	18.61	1.99	0.21	141.93	37.26	5.04
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	57.27	2.62
As at December 31, 2018	3.92	0.28	36.24	70.94	12.78	2.45	54.77	2.85	0.17	184.40	35.04	1.64

Notes :

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

4. Financial assets

(Unsecured, considered good, unless otherwise stated)

4.1 Loans receivable[@]

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non-Current		
Loans receivable Considered good - Unsecured		
Loans to employees	**0.83**	0.98
Security deposits[#]	**8.41**	9.83
	9.24	**10.81**
Current		
Loans receivable Considered good - Unsecured		
Loans to employees*	**0.45**	0.45
Security deposits[#]	**-**	0.05
	0.45	**0.50**

@ There are no loans which have "increase in credit risk" or "credit impaired"

* Loans to employees include loan to key managerial personnel of Rs. Nil (December 31, 2017 : Rs. Nil).

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

Notes to the financial statements for the year ended December 31, 2018

4.2 Other financial assets

Financial assets carried at amortised cost

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non Current		
Advance to Customers - Rebate		
Considered good	**0.10**	-
Credit impaired	**1.22**	-
	1.32	**-**
Less : Provision for doubtful allowance (expected credit loss)	**(1.22)**	-
	0.10	**-**
Current@		
Rebates receivable	**14.66**	14.43
Interest accrued on bank deposits	**8.39**	7.58
	23.05	**22.01**

@ There are no assets which have "increase in credit risk" or "credit impaired"

4.3 Trade receivables*# (Refer note 29)

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Current		
Trade receivables Considered good - Secured##	**55.11**	63.60
Unsecured		
Trade receivables Considered good - Unsecured	**336.69**	221.37
Trade receivables which have significant increase in credit Risk	**-**	-
Trade receivables - credit impaired	**10.26**	9.96
Less : Allowance for doubtful debts (expected credit loss allowance)	**10.26**	9.96
	336.69	**221.37**
	391.80	**284.97**

Movement in the allowance of doubtful debts

Particulars	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Balance at the beginning of the year	**9.96**	8.60
Add: Provision created during the year	**4.05**	6.01
Less: Reversal of provision during the year	**(3.43)**	(3.93)
Less: Amount Written back during the year	**(0.32)**	(0.72)
Balance at end of the year	**10.26**	**9.96**

* Refer note no. 28 for related party receivables.

\# The average credit period ranges from 1 to 90 days. Interest is charged at 24% p.a. on the overdue balance.

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

Notes to the financial statements for the year ended December 31, 2018

4.4 Cash and cash equivalents

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Balance with banks		
On current accounts	**16.45**	23.99
Deposits with original maturity of less than 3 months	**245.84**	190.76
Cheques on hand	**1.36**	0.71
Cash on hand	**0.00**	0.01
	263.65	**215.47**

'0.00' represent amount less than Rs. 0.01 crore

4.5 Bank Balances other than above

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Deposits with original maturity for less than 12 months	**465.00**	557.00
Unclaimed dividend account and capital reduction (Includes unclaimed amount of Rs. 1.23 Crores (December 31, 2017 : Rs. 0.96 Crores) pertaining to capital reduction in earlier years)	**15.20**	11.76
	480.20	**568.76**

Break up of financial assets carried at amortised cost

Particulars	Note	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Loans	4.1	**9.69**	11.31
Trade receivables	4.3	**391.80**	284.97
Cash and cash equivalents	4.4	**263.65**	215.47
Other balances with banks	4.5	**480.20**	568.76
Other financial assets	4.2	**23.15**	22.01
		1,168.49	**1,102.52**

5. Income tax assets (net)

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Advance Income tax / tax deducted at source (net of current tax provision)	**37.97**	33.97
	37.97	**33.97**

Notes to the financial statements for the year ended December 31, 2018

6. Deferred tax assets - (net)

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Deferred tax assets (net)	**53.27**	55.15
	53.27	**55.15**

Movement in deferred tax asssts balances

Rupees in Crores

	Net balance as at January 1, 2018	Recognised in profit and loss	Recognised in OCI	Net deferred tax asset/(liability) as at December 31, 2018
Deferred tax asset / (liabilities)				
Property, plant and equipment	13.49	6.59	-	20.08
43B disallowances	22.62	(3.53)	0.60	19.69
Inventory - obsolete	2.71	0.18	-	2.89
Provision for doubtful debts	3.95	1.72	-	5.67
Other temporary differences	12.37	(7.44)	-	4.93
	55.15	**(2.48)**	**0.60**	**53.27**

Movement in deferred tax balances

Rupees in Crores

	Net balance as at January 1, 2017	Recognised in 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**

Income Tax

The major components of income tax expense

Particulars	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Profit and Loss:		
Current tax - net of reversal of earlier years Rs. 2.02 Crores (December 31, 2017 : Rs. 4.17 Crores)	**387.58**	365.14
Deferred tax	**2.48**	13.12
Total Income tax expense	**390.06**	**378.26**

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

Particulars	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Profit before Income tax expense	**1,098.42**	1,070.07
Tax at the Indian tax rate 34.944 % (December 31, 2017 : 34.608%)	**383.83**	370.33
Items giving rise to difference in tax		
Effect of non-deductible expenses	**7.96**	8.06
Capital gain on Property, plant and equipment	**-**	(1.80)
Effect of change in tax rate	**(0.51)**	-
Effect of tax adjustment of earlier years	**(2.02)**	-
Others	**0.80**	1.67
Income tax expense	**390.06**	**378.26**

Notes to the financial statements for the year ended December 31, 2018

7. Other assets

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non-Current		
Advance to Customers - Rebate		
Considered good	**14.20**	39.65
Doubtful	**1.31**	-
	15.51	**39.65**
Less : Provision for doubtful advances	**1.31**	-
	14.20	**39.65**
Capital advances	**0.60**	10.44
Prepaid expenses	**1.07**	2.17
Provident fund surplus assets	**1.74**	5.08
Deposits / balance with statutory / government authorities		
Considered good	**40.87**	51.70
Doubtful	**1.12**	-
	59.60	**109.04**
Less: Provision for doubtful deposits	**1.12**	-
	58.48	**109.04**
Current		
Advance to Customers - Rebate		
Considered good	**23.47**	35.16
Doubtful	**2.07**	-
	25.54	**35.16**
Less : Provision for doubtful advances	**2.07**	-
	23.47	**35.16**
Prepaid expenses	**3.59**	3.38
Advance to supplier	**16.37**	30.54
Other receivables		
Considered good	**5.03**	9.04
Considered doubtful	**0.37**	1.45
	5.40	**10.49**
Less: Provision for doubtful receivables	**0.37**	1.45
	5.03	**9.04**
Deposits / balance with statutory / government authorities	**62.23**	82.34
	110.69	**160.46**

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

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Raw materials (including stock in transit Rs. 30.42 Crores (December 31, 2017 : Rs. 13.08 Crores)	**225.03**	154.41
Packing materials	**5.87**	3.82
Finished goods	**152.96**	109.35
Traded goods (including stock in transit Rs. 17.48 Crores (December 31, 2017 : Rs. 11.76 Crores)	**72.93**	51.99
	456.79	**319.57**

Note:

The cost of inventories recognised in December 31, 2018 includes Rs. 0.44 Crores in respect of write down of inventories to net realisable value (December 31, 2017 : Rs. 2.74 Crores in respect of reversal of write down of inventories)

Notes to the financial statements for the year ended December 31, 2018

9. Equity share capital

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Authorised		
990,000,000 equity shares of Rs. 5/- each (December 31, 2017 : 990,000,000 equity shares of Rs. 5/- each)	**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, 2017 : 989,122,384 equity shares of Rs. 5/- each)	**494.56**	494.56
	494.56	**494.56**

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

	As at December 31, 2018		As at December 31, 2017	
	No. of Shares	Rupees in Crores	No. of Shares	Rupees in Crores
At the beginning of the year	**989,122,384**	**494.56**	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**	**989,122,384**	**494.56**

The Company had 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, 2017 : 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.

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Dividend on Equity Shares paid during the year		
Final Dividend Rs. 2.50 per share for the year December 31, 2017 (December 31, 2016 : Rs. 4.50 per share)	**247.28**	222.55
Dividend Distribution Tax on Final Dividend	**50.83**	45.31
Special Dividend Rs. Nil per share for the year December 31, 2017 (December 31, 2016 : Rs. 2.00 per share)	**-**	98.91
Dividend Distribution Tax on Special Dividend	**-**	20.14
Interim Dividend Rs. 2.25 per share for the year December 31, 2018 (December 31, 2017 : Rs. 4.50 per share)	**222.55**	222.55
Dividend Distribution Tax on Interim Dividend	**45.75**	45.31
Proposed Dividend on Equity Shares		
Final Dividend Rs. 2.75 per share for year December 31, 2018 (December 31, 2017 : Rs. 2.50 per share)	**272.01**	247.28
Dividend Distribution Tax on Final Dividend	**55.91**	50.83

Notes to the financial statements for the year ended December 31, 2018

9. Equity share capital (Contd.)

The Board of Directors of the Company has at its meeting held on January 30, 2019 recommended a final dividend of Rs. 2.75 per share for the year ended December 31, 2018 (December 31, 2017: Rs. 2.50 per share).

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

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

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Castrol Limited, U.K . 504,452,416 equity shares of Rs. 5/- each fully paid (Holding Company) (December 31, 2017 : 504,452,416) [December 31, 2017 : Rs. 5/ each fully paid]	**252.22**	252.22

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, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Equity shares allotted as fully paid bonus shares by capitalisation of general reserve and retained earnings	**865,482,086**	865,482,086

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

	As at December 31, 2018		As at December 31, 2017	
	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, 2017 : Rs. 5/- each)				
Castrol Limited, U.K.	**504,452,416**	**51.00%**	504,452,416	51.00%
Life Insurance Corporation of India	**102,041,977**	**10.32%**	86,874,756	8.78%

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, 2018

10. Other Equity **

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Share based payment ##	**14.83**	10.14
Capital Reserve #	**13.62**	13.62
General Reserve *	**-**	-
Retained Earnings @	**642.65**	501.83
	671.10	**525.59**

** For movement, refer statement of changes in equity

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

Capital Reserve mainly represents amount transferred on amalgamation with erstwhile Tata BP Lubricants

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

@ Retained earnings represents profit that a Company has earned to date, less any dividends or other distributions paid to the investor.

11. Financial Liabilities

11.1 Trade payables # (Refer note 29)

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Current		
Total outstanding dues of micro enterprises and small enterprises (Refer note 26)	**28.83**	4.26
Total outstanding dues of creditors other than micro enterprises and small enterprises	**555.22**	602.38
	584.05	**606.64**

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

Notes to the financial statements for the year ended December 31, 2018

11.2 Other financial liabilities

Financial liabilities at amortised cost

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non Current		
Deposit from customers #	-	0.06
	-	**0.06**
Current		
Deposit from customers #	**15.95**	15.30
Employee benefits payable	**30.29**	21.94
Capex payables	**31.79**	39.16
Interest accrued and due on deposit from customers	**0.45**	0.37
Rebate payables	**164.56**	137.57
Corporate social responsibility	**0.03**	8.37
Unclaimed dividend account and capital reduction@ (Includes unclaimed amount of Rs. 1.23 Crores (December 31, 2017 : Rs. 0.96 Crores) pertaining to capital reduction in earlier years)	**15.20**	11.76
Derivative instruments at fair value through Profit or loss		
Derivatives not designated as hedges		
Foreign exchange forward contracts*	**1.40**	0.75
	259.67	**235.22**

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

* 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.

@ Dividend amounting to Rs. 0.09 crores (relating to financial years 2010 and earlier) was not deposited with IEPF owing to disputes including relating ownership of the shares. The high court has dismissed one of the matters of dividend amounting to Rs 0.06 crores during the year. The aggrieved parties have applied for restoration of the dismissed order which is awaiting admission by the court. An appropriate action (i.e. deposit with IEPF or payment to the shareholder) will be taken in due course based on the outcome of the matter.

12. Provisions

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non Current		
Provision for employee benefit (Refer note 27)	**15.87**	15.88
	15.87	**15.88**
Current		
Provision for employee benefit (Refer note 27)	**0.40**	4.14
Provision for indirect taxes (Refer note (a) and (c) below)	**28.16**	31.85
Provision for litigations (Refer note (b) and (c) below)	**1.61**	1.61
	30.17	**37.60**

Notes to the financial statements for the year ended December 31, 2018

12. Provisions (Contd.)

(a) Movement in Provision for Indirect Taxes:

	As at December 31, 2018 Rupees in Crores	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores	As at December 31, 2017 Rupees in Crores
	Excise, Customs and Service tax	Sales Tax and VAT	Excise, Customs and Service tax	Sales Tax and VAT
Balance as at January 1	**7.88**	**23.97**	11.01	31.52
Addition during the year	**0.58**	**3.11**	0.54	3.68
Reversed / Paid during the year	**2.47**	**4.91**	3.67	11.23
Balance as at December 31	**5.99**	**22.17**	**7.88**	**23.97**
Total		**28.16**		**31.85**

(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, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Provision for tax (net of advance tax and tax deducted at source)	**10.70**	18.79
	10.70	**18.79**

14. Other liabilities

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Statutory dues	**35.52**	37.52
Advance from customers	**5.13**	5.09
	40.65	**42.61**

15. Revenue from operations

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Revenue from operations		
Sale of products * ([net of rebates Rs. 388.01 Crores] December 31, 2017 : Rs. 322.72 Crores)	**3,884.85**	3,836.10
Other operating revenue		
Income from services	**13.33**	10.16
Scrap sale	**6.37**	5.30
	3,904.55	**3,851.56**

* Excise duty on sales amounting to Rs. Nil (December 31, 2017 : Rs. 267.24 Crores) has been included in sales in Statement of Profit and Loss.

Notes to the financial statements for the year ended December 31, 2018

16. Other income

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Interest income on financial assets carried at amortised cost		
From bank deposits	**48.80**	43.11
Others	**4.07**	2.78
Excess accruals written back	**8.53**	-
Exchange Gain (net)	**3.17**	-
Provision for doubtful advance written back (net)	**0.16**	-
Profit on sale of property, plant and equipment (net)	**-**	17.61
Miscellaneous income *	**19.58**	20.15
	84.31	**83.65**

* Includes service rendered to related parties of Rs. 10.71 Crores (December 31, 2017 : Rs. 17.81 Crores), refund of deposit written off in earlier years - Rs. 8.67 Crores (December 31, 2017 : Rs. Nil)

17.1 Cost of raw and packing materials consumed

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Raw materials and packing materials consumed		
Inventory at the beginning of the year	**158.23**	153.75
Add : Purchases during the year	**1,830.44**	1,479.11
	1,988.67	1,632.86
Less : Inventory at the end of the year	**230.90**	158.23
Total raw materials and packing materials consumed	**1,757.77**	**1,474.63**

17.2 Purchase of traded goods

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Purchase of traded goods	**213.34**	196.70
	213.34	**196.70**

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

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Inventories at the end of the year		
Traded goods	**72.93**	51.99
Finished goods	**152.96**	109.35
	225.89	**161.34**
Inventories at the beginning of the year		
Traded goods	**51.99**	51.03
Finished goods	**109.35**	139.10
	161.34	**190.13**
Less: Net increase / (decrease) in excise duty on inventories of finished goods	**-**	(34.22)
	(64.55)	**(5.43)**

Notes to the financial statements for the year ended December 31, 2018

18. Employee benefits expense

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Salaries and wages	**170.06**	164.15
Share based payments	**4.98**	5.72
Contribution to provident and other funds	**15.21**	12.17
Staff welfare expenses	**10.97**	11.35
Redundancy cost	**2.18**	2.24
	203.40	**195.63**

19. Finance costs

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Interest on financial liabilities carried at amortised cost	**1.09**	1.20
	1.09	**1.20**

20. Depreciation and amortisation expense

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Depreciation of property plant and equipment	**53.35**	42.58
Amortization of intangible assets	**2.22**	2.92
	55.57	**45.50**

21. Other expenses

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Rent	**19.21**	28.23
Rates and taxes	**1.85**	9.08
Power and fuel	**5.96**	5.26
Stores and consumables	**1.59**	1.27
Freight and forwarding charges	**133.69**	116.30
Insurance	**4.05**	3.75
Repairs and maintenance		
Land and buildings	**4.86**	4.50
Plant and equipment	**7.20**	5.59
Others	**18.04**	9.66
Provision for doubtful debts (net)	**0.62**	2.08
Provision for doubtful advance (net)	**-**	0.04
Processing and filling charges	**14.89**	13.79
Advertising	**127.91**	112.73
Stock point operating charges	**37.61**	35.70
Loss on disposal/write off of Property, plant and equipment and Intangible assets (net)	**0.00**	-
Director sitting fees	**0.24**	0.20
Commission to resident non-whole time Indian directors	**0.59**	0.52
Royalty	**111.35**	105.95
Sales promotion fees	**124.09**	124.62
Travelling expenses	**17.40**	11.14
Legal, professional fees and contract charges	**48.04**	41.10
Payment to auditors [Refer note (i) below]	**1.57**	1.22
Exchange difference (net)	**-**	1.37
Loss on fair valuation of forward contract	**0.38**	2.44
Corporate social responsibility [Refer note (ii) below]	**20.45**	19.16
Miscellaneous expenses	**22.23**	33.97
	723.82	**689.67**

'0.00' represents amount less then Rs. 0.01 crore.

Notes to the financial statements for the year ended December 31, 2018

21. Other expenses (Contd.)

		For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Note			
(i)	**Payment to auditor (excluding taxes)**		
	As auditor:		
	Audit fee	**1.06**	0.72
	Tax accounts and tax audit fees	**0.25**	0.25
	Limited review	**0.18**	0.16
	In other capacity:		
	Certification fees	**0.05**	0.05
	Reimbursement of expenses	**0.03**	0.04
		1.57	**1.22**
(ii)	**Corporate social responsibility activities**		
a)	Amount required to be spent by the Company during the year.	**20.37**	18.16
b)	Amount spent during the year (on purpose other than construction / acquisition of assets controlled by the company)	**20.45 #***	19.16 #*
#	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)	**0.03**	8.37

22. Earnings per share (EPS)

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Profit for the year	**708.36**	691.81
	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.)	**7.16**	6.99
Nominal value per share (Rs.)	**5.00**	5.00

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 "Rent".

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

	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Charged to Statement of Profit and Loss	**15.19**	11.73
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	**12.70**	12.48
After one year but not more than five years	**8.00**	14.64
More than five years	**-**	-
	20.70	**27.12**

Notes to the financial statements for the year ended December 31, 2018

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, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Revenue		
India	**3,890.27**	3,843.47
Outside India	**14.28**	8.09
	3,904.55	**3,851.56**
Capital expenditure (including capital work-in-progress)		
India	**80.80**	60.72
Outside India	**-**	-
	80.80	**60.72**

	As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
Non-current assets		
India	**277.82**	299.22
Outside India	**-**	0.98
	277.82	**300.20**

There are no transactions with single customer which amounts to 10% or more of the Company's revenue for the year ended December 31, 2018 and December 31, 2017.

Notes to the financial statements for the year ended December 31, 2018

25. Contingent liabilities & commitments

			As at December 31, 2018 Rupees in Crores	As at December 31, 2017 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]		**41.63**	51.67
(2)	Claims against the Company not acknowledged as debts estimated at:			
	In respect of compensation claimed by third parties / workers / employees		**2.43**	1.41
		(A)	**44.06**	**53.08**
(b)	**Commitments**			
(1)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		**10.00**	15.31
(2)	Operating lease obligation (Refer note 23)		**20.70**	27.12
		(B)	**30.70**	42.43
		Total (A + B)	**74.76**	95.51

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

(ii) The Company has received following demand orders from Maharashtra Sales Tax Department for disputes relating to the movement of goods from the Plant/ MWHs situated in Maharashtra to the CFAs for 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. The department alleged that the movement of goods was to fulfil pre-existing orders in the destination States, and were therefore in the nature of inter-State sales. The Company contends that the movement of goods from Maharashtra was not pursuant to any contract /order from customers in other States hence the understanding of operations/systems recorded in the assessment orders are not factually correct. The Company's tax payment methodology in respect of the goods sold is adequately supported by robust legal grounds/precedents and in Company's opinion the said demands are unjustified. Thus considering the favorable orders from MVAT Tribunal and based on the legal advice the Company has not made any provision in the books for the year ended 31st December 2018 and considered this to be remote.

Financial Year	Demand (including interest) Rupees in Crores	Status
2007-08	306.71	The company had received the favourable orders from Maharashtra Sales Tax Tribunal (MSTT) against which department had filed the appeal in Central Sales Tax Appellate Authority, Delhi (CSTAA). Hearing date awaited from CSTAA.
2009-10	255.50	
2010-11	263.63	
2011-12	474.60	
2012-13	578.05	Company has filed the appeal in Maharashtra Sales Tax Tribunal (MSTT) against the adverse order received from the Maharashtra Sales Tax Department.
2013-14	485.22	
2014-15	528.33	
Total	**2,892.04**	

Notes to the financial statements for the year ended December 31, 2018

26. Details of dues to micro enterprises and small enterprises as defined under The Micro, Small and Medium Enterprises Development (MSMED) Act 2006*

		As at December 31, 2018 Rupees in Crores	As at December 31, 2017 Rupees in Crores
a.	The principal amount and the interest due thereon remaining unpaid to any supplier as		
	Principal amount due to micro and small enterprises	**28.82**	4.26
	Interest due on above	**0.01**	-
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro and Small Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	**-**	-
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro and Small Enterprise Development Act, 2006.	**-**	-
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year.	**0.01**	-
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of Micro and Small Enterprises Development Act, 2006.	**-**	-

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

27 Employee Benefits

I) Defined Contribution Plan

Contribution to Provident and Other Funds in Note 18 includes Rs. 1.10 crores (December 31, 2017: Rs. 1.10 crores) for ESIC and Labour Welfare Fund. Note 21 includes Insurance Rs. 2.50 crores (December 31, 2017: Rs. 2.10 crores) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Note 18 includes Rs. 0.30 crores for share match (December 31, 2017: Rs. 2.10 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.

Notes to the financial statements for the year ended December 31, 2018

27 Employee Benefits (Contd.)

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, 2018. 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 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 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, 2018

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, 2018 and December 31, 2017:

Rupees in Crores

Particulars	As at December 31, 2018				As at December 31, 2017			
	Gratuity (Funded)	Pension Benefit (Non-funded)	Compensated absences (Non-funded)	Provident Fund (Funded)	Gratuity (Funded)	Pension Benefit (Non-funded)	Compensated absences (Non-funded)	Provident Fund (Funded)
Change in the present value of the defined benefit obligation and fair value of plan assets:								
Obligation at period beginning	**48.13**	**1.40**	**1.48**	**153.48**	**40.98**	**1.44**	**1.49**	**133.79**
Current service cost	3.58	0.03	-	6.39	2.78	0.07	0.02	5.63
Past service cost	1.01	-	-	-	-	-	-	-
Interest cost	3.34	-	0.15	11.33	2.66	-	0.03	8.65
Actuarial (gain) / loss due to change in assumptions	(1.36)	-	(0.09)	1.30	3.61	(0.11)	0.30	(1.31)
Experience (gain) / loss on plan liability	(0.03)	-	-	-	2.21	-	-	-
Benefits paid	(3.76)	-	(0.08)	(17.46)	(4.11)	-	(0.35)	(7.90)
Contributions by employee	-	-	-	9.38	-	-	-	8.68
Transfer in /Transfer out	-	-	-	2.90	-	-	-	5.94
Obligation at period end	**50.91**	**1.43**	**1.47**	**167.32**	**48.13**	**1.40**	**1.48**	**153.48**
Change in plan assets								
Plan assets at period beginning, at fair value	**34.82**	**-**	**-**	**158.56**	**33.11**	**-**	**-**	**135.83**
Expected return on plan assets	2.56	-	-	11.70	2.25	-	-	9.26
Experience (gain) / loss on plan assets	0.49	-	-	-	0.38	-	-	-
Asset gain / (loss)	-	-	-	(2.42)	-	-	-	1.12
Contributions by employer	3.43	-	-	6.40	3.19	-	-	5.63
Contributions by employee	-	-	-	9.38	-	-	-	8.68
Benefits paid	(3.76)	-	-	(17.46)	(4.11)	-	-	(7.90)
Transfer in /Transfer out	-	-	-	2.90	-	-	-	5.94
Plan assets at period end, at fair value	**37.54**	**-**	**-**	**169.06**	**34.82**	**-**	**-**	**158.56**
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	37.54	-	-	169.06	34.82	-	-	158.56
Present value of the defined benefit obligation at the end of the period	(50.91)	(1.43)	(1.47)	(167.32)	(48.13)	(1.40)	(1.48)	(153.48)
Asset / (liability) recognised in the Balance Sheet	**(13.37)**	**(1.43)**	**(1.47)**	**1.74**	**(13.32)**	**(1.40)**	**(1.48)**	**5.08**

Notes to the financial statements for the year ended December 31, 2018

27 Employee Benefits (Contd.)

ii) Amount for the year ended December 31, 2018 and December 31, 2017 recognised in the statement of Profit and Loss under employee benefit expenses:

Rupees in Crores

Particulars	For the year ended December 31, 2018				For the year ended December 31, 2017			
	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	3.58	0.03	0.24	6.39	2.78	0.07	0.02	5.63
Past service cost	1.01	-	-	-	-	-	-	-
Net interest cost	0.78	-	0.03	11.33	0.41	-	0.03	8.65
Interest income	-	-	-	(11.70)	-	-	-	(9.26)
(Gains) / losses - other long term benefits	-	-	-	-	-	-	-	-
Total cost recognised in Profit and Loss	**5.37**	**0.03**	**0.27**	**6.02**	**3.19**	**0.07**	**0.05**	**5.02**

iii) Amount for the year ended December 31, 2018 and December 31, 2017 recognized in the statement of other comprehensive income:

Rupees in Crores

Particulars	As at December 31, 2018				As at December 31, 2017			
	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 Demographic Assumption changes in DBO	(1.83)	-	-	-	-	-	-	-
Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	0.46	-	(0.09)	-	3.61	(0.11)	0.30	(1.31)
Actuarial (Gain) / Loss due to Experience on DBO	(0.03)	-	-	1.30	2.21	-	-	-
Return on Plan Assets (Greater) / Less than Discount rate	(0.49)	-	-	2.41	(0.38)	-	-	(1.12)
Total Actuarial (Gain)/Loss included in OCI	**(1.89)**	**-**	**(0.09)**	**3.71**	**5.44**	**(0.11)**	**0.30**	**(2.43)**

Notes to the financial statements for the year ended December 31, 2018

27 Employee Benefits (Contd.)

iv) Major Categories of Plan assets are as follows:

Provident fund

Rupees in Crores

	As at December 31, 2018	As at December 31, 2017
The composition of plan assets		
Special Deposit	**17.32**	18.68
Investment in Government and Debt Securities	**135.23**	133.23
Investment in Mutual Funds	**4.61**	3.88
Bank Balance	**5.01**	1.53
Other receivables	**6.89**	1.24
Total	**169.06**	**158.56**

Gratuity

Rupees in Crores

	As at December 31, 2018	As at December 31, 2017
The composition of plan assets		
Special Deposits	**0.76**	0.82
Deposit with insurance schemes	**36.40**	35.39
Bank Balance	**0.15**	0.11
Others - Receivables / (Payables)	**0.22**	(1.50)
Total	**37.53**	**34.82**

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such 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.

v) The significant assumptions used to determine benefit obligations as at December 31, 2018 and December 31, 2017 are set out below:

Particulars	As at December 31, 2018			As at December 31, 2017		
	Gratuity (Funded)	Compensated absences (Non-funded)	Provident Fund (Funded)	Gratuity (Funded)	Compensated absences (Non-funded)	Provident Fund (Funded)
Discount rate	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%
Rate of increase in compensation level	Executives - 12.7%, Workers - 4%	12.7%	Executives - 12.7%, Workers - 4%	Executives - 12.25% for first year, 12.50% thereafter,Workers - 4%	Executives - 12.25% for first year, 12.50% thereafter,Workers - 4%	-
Interest Rate Guarantee	-	-	8.55%	-	-	8.65%

Notes to the financial statements for the year ended December 31, 2018

27 Employee Benefits (Contd.)

vi) Sensitivity Analysis:

Rupees in Crores

Particulars	As at December 31, 2018			As at December 31, 2017		
	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	48.46	1.40	163.32	51.37	1.41	149.99
b) Decrease by 100 basis points	53.62	1.57	174.33	45.24	1.53	159.75
Rate of increase in compensation						
a) Increase by 100 basis points	53.31	1.56	-	45.52	1.53	-
b) Decrease by 100 basis points	48.65	1.45	-	50.95	1.41	-
Interest Rate Guarantee						
a) Increase by 100 basis points	-	-	172.60	-	-	159.41
b) Decrease by 100 basis points	-	-	163.24	-	-	150.02

The sensitivity analyses 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. 8.83 crores (December 31, 2017: Rs 5.38 crores)

Provident fund: Rs. 6.90 crores (December 31, 2017: Rs. 6.25 crores)

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

Rupees in Crores

Particulars	As at December 31, 2018		As at December 31, 2017	
	Gratuity	Provident Fund	Gratuity	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
Year 1	8.83	19.25	5.38	17.19
Year 2	7.51	25.29	5.97	22.58
Year 3	5.64	24.11	5.92	21.53
Year 4	5.45	22.03	4.22	19.67
Year 5	5.64	15.25	4.38	13.62
Year 6 - 10	23.44	73.95	24.69	66.03

Notes to the financial statements for the year ended December 31, 2018

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 exist

a) Holding companies

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

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

a) Fellow subsidiaries (where transaction exists)

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

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
Rashmi Joshi	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	Whole time Director - Supply Chain

d) Non-executive Independent Directors *

S. M. Datta; R. Gopalakrishnan; Uday Khanna; Sangeeta Talwar (w.e.f. 23.07.2018)

e) Non-executive non-Independent Directors *

Sashi Mukundan; Peter Weidner; Shiva McMahon (up to 15.11.2018)

* 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, 2018

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

B. Transactions with related parties

	Nature of Relationship	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Purchase of materials / traded goods			
BP Europa SE	Fellow subsidiary	**19.69**	22.32
BP Europa SE - BP Belgium (Branch)	Fellow subsidiary	**30.21**	20.66
BP France	Fellow subsidiary	**9.72**	11.93
Castrol Industrial North America Inc	Fellow subsidiary	**3.88**	10.15
BP Lubricants USA Inc	Fellow subsidiary	**12.93**	11.90
Others	Fellow subsidiaries	**13.30**	6.92
Total		**89.73**	**83.88**
Sale of goods			
BP (China) Industrial Lubricants Limited	Fellow subsidiary	**2.34**	1.05
BP - Castrol (Thailand) Limited	Fellow subsidiary	**0.06**	0.64
AsPac Lubricants (Malaysia) Sdn. Bhd.	Fellow subsidiary	**1.78**	3.80
Others	Fellow subsidiaries	**0.44**	0.67
Total		**4.62**	**6.16**
Receiving of services			
BP International Limited	Fellow subsidiary	**9.43**	4.60
BP Europa SE	Fellow subsidiary	**14.29**	11.48
BP Singapore Pte Limited	Fellow subsidiary	**2.92**	2.87
Others	Fellow subsidiaries	**1.46**	4.79
Total		**28.10**	**23.74**
Rendering of services and deputation of employees (Including reimbursement of expenses)			
Castrol Limited, U.K	Holding company	**4.16**	10.47
BP International Limited	Fellow subsidiary	**5.11**	5.35
BP India Services Private Limited	Fellow subsidiary	**6.64**	8.34
Others	Fellow subsidiaries	**3.64**	1.61
Total		**19.55**	**25.77**
Contribution to funds			
Castrol India Ltd. Employee's Provident Fund	Post employment benefit funds	**6.39**	5.63
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**2.98**	2.90
Castrol India Ltd. Employee's Gratuity Fund	Post employment benefit funds	**3.44**	3.19
Total		**12.81**	**11.72**

Notes to the financial statements for the year ended December 31, 2018

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, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Disbursement from funds			
Castrol India Ltd. Employee's Provident Fund	Post employment benefit funds	**17.46**	7.89
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**3.42**	5.96
Castrol India Ltd. Employee's Gratuity Fund	Post employment benefit funds	**3.76**	4.11
Total		**24.64**	**17.96**
Commission income			
BP Marine Limited	Fellow subsidiary	**2.96**	2.78
Total		**2.96**	**2.78**
Dividend (On payment Basis)			
Castrol Limited, U.K.	Holding company	**239.61**	277.10
Others	Fellow subsidiary	**-**	0.35
Total		**239.61**	**277.45**
Royalty expense			
Castrol Limited, U.K.	Holding company	**111.35**	105.95
Total		**111.35**	**105.95**
Share based payments *			
BP PLC	Ultimate Holding Company	**4.69**	3.62
Total		**4.69**	**3.62**
* Expense to be borne by BP PLC			
Issue of Bonus Shares			
Castrol Limited, U.K.	Holding company	**-**	126.11
Total		**-**	**126.11**
Balance as at year ended			
Amounts payable			
Castrol Limited, U.K.	Holding company	**99.88**	94.49
BP Europa SE	Fellow subsidiary	**18.91**	15.51
Castrol India Ltd. Employee's Provident Fund	Post employment benefit funds	**1.34**	1.83
Others	Fellow subsidiaries	**20.36**	21.92
Total		**140.49**	**133.75**
Amounts receivable			
AsPac Lubricants (Malaysia) Sdn. Bhd.	Fellow subsidiary	**0.90**	3.43
Castrol Limited, U.K.	Holding company	**-**	3.58
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**1.07**	5.34

Notes to the financial statements for the year ended December 31, 2018

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

B. Transactions with related parties

	Nature of Relationship	For the year ended December 31, 2018 Rupees in Crores	For the year ended December 31, 2017 Rupees in Crores
Castrol India Ltd. Employee's Gratuity Fund	Post employment benefit funds	**0.14**	2.01
Castrol (Shenzhen) Company Limited	Fellow subsidiary	**1.00**	-
BP International Limited	Fellow subsidiary	**-**	2.08
BP India Services Private Limited	Fellow subsidiary	**2.96**	-
Lubricants UK Limited	Fellow subsidiary	**1.18**	-
Others	Fellow subsidiaries	**1.42**	3.81
Total		**8.67**	**20.25**
Share based payments - Other equity *			
BP PLC	Ultimate Holding Company	**14.83**	10.14
Total		**14.83**	**10.14**
* Payments are not made being deemed contribution.			
Remuneration to executive directors * ##			
Omer Dormen	Key management personnel	**5.33**	6.80
Rashmi Joshi	Key management personnel	**1.86**	1.62
Jayanta Chatterjee	Key management personnel	**2.12**	1.83
Total		**9.31**	**10.25**
Bifurcation of long term and short term benefits			
Short-term employee benefits		**8.26**	9.22
Post-employment gratuity and medical benefits		**0.33**	0.33
Share-based payment transactions		**0.72**	0.70
Total		**9.31**	**10.25**
Commission and Director sitting fees to non-executive Independent directors			
R Gopalakrishnan	Key management personnel	**0.24**	0.23
S.M.Datta	Key management personnel	**0.28**	0.28
Uday Khanna	Key management personnel	**0.21**	0.21
Sangeeta Talwar	Key management personnel	**0.10**	-
Total		**0.83**	**0.72**

* The remuneration to executive directors includes contribution of company towards share match.

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.

Notes to the financial statements for the year ended December 31, 2018

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. 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, 2018 and December 31, 2017, the Company had a working capital of Rs. 801.39 Crores and Rs. 630.88 Crores respectively including cash and cash equivalents of Rs. 263.65 Crores and Rs. 215.47 Crores respectively.

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

Particulars	On demand	Less than 1 year	1 to 5 years	Total
As at December 31, 2018				
Other financial liabilities	(15.20)	(244.47)	-	(259.67)
Trade and other payables	-	(584.05)	-	(584.05)
As at December 31, 2017				
Other financial liabilities	(11.76)	(223.46)	(0.06)	(235.28)
Trade and other payables	-	(606.64)	-	(606.64)

B. 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 31 December 2018 and 31 December 2017. The analyses 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 31 December 2018 and 31 December 2017.

B1. 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 month 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

Notes to the financial statements for the year ended December 31, 2018

29. Financial risk management (Contd.)

foreign currency. At 31 December 2018 and 31 December 2017 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 Balance Sheet Date	As at December 31, 2018	As at December 31, 2017
No of buy contracts relating to firm commitments for base oil	**15**	7
Foreign currency - USD	**12,336,052**	9,396,000
Rs. Crores	**87.70**	60.07

Unhedged foreign currency exposure as at balance sheet date

The following table analyses the foreign currency risk from financial instruments as at December 31, 2018 and December 31, 2017.

Particulars	USD	EURO	GBP	CHF	SGD	AUD	JPY
As at December 31, 2018							
Trade payables - Foreign currency	**12,541,914**	**3,100,071**	**65,038**	**-**	**10,809**	**845**	**1,233,020**
Trade payables - Rs. Crores	**87.35**	**24.79**	**0.58**	**-**	**0.06**	**0.01**	**0.08**
Trade receivables - Foreign currency	**557,162**	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables - Rs. Crores	**3.89**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances given - Foreign currency	**3,303,348**	**7,630**	**-**	**-**	**-**	**-**	**-**
Loans and advances given - Rs. Crores	**23.06**	**0.06**	**-**	**-**	**-**	**-**	**-**
As at 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

'0.00' represents amount less then Rs. 0.01 crore

Sensitivity analysis

The Company is mainly exposed to changes in USD and Euro. The sensitivity analyses 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 (Rs. in crores)

Particulars	As at December 31, 2018	As at December 31, 2017
USD	**3.02**	3.05
Euro	**1.24**	1.29
Total	**4.26**	**4.34**

Notes to the financial statements for the year ended December 31, 2018

29. Financial risk management (Contd.)

B2. Commodity price risk

The Company 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 purchases 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 Rs. 1.08 crores (December 31, 2017 - Rs. 0.60 crores) gain in the statement of profit and loss. 1% increase in commodity rates would have led to an equal but opposite effect.

C. 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 it 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 periodically 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.

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.

30. Fair value measurement

The Carrying value and fair value of financial instruments by categories as of December 31, 2018 and December 31, 2017 were as follows:

Particulars	As at December 31, 2018		As at December 31, 2017	
	Carrying value	Fair Value	Carrying value	Fair Value
Assets				
Loans	**9.24**	**9.24**	10.81	10.81
Other financial assets	**0.10**	**0.10**	-	-
Foreign exchange forward contracts	**-**	**-**	-	-
Total	**9.34**	**9.34**	**10.81**	**10.81**
Liabilities				
Other financial liabilities	**-**	**-**	0.06	0.06
Foreign exchange forward contracts	**1.40**	**1.40**	0.75	0.75
Total	**1.40**	**1.40**	**0.81**	**0.81**

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.

Notes to the financial statements for the year ended December 31, 2018

31. Equity Settled Share-based payments

a) Share Match Plan

During the year ended 31st December, 2018, 49,310 shares were purchased by employees at weighted average fair value of $. 5.75 per share. The Company's contribution during the year on such purchase of shares amounting to Rs. 0.30 crores (31st December, 2017: Rs 2.10 crores) has been charged under employee benefit expense under Note 23.

b) Share Value Plan

The expense recognised for employee services received during the year is shown in the following table:

Particulars	December 31, 2018 Rupees in Crores	December 31, 2017 Rupees in Crores
Total expense recognised for equity settled share-based payment transaction	**4.69**	3.62

All share-based payments transactions relate to employee compensation.

Fair values and associated details for restricted share units granted are as follows :

Particulars	December 31, 2018	December 31, 2017
Share Value Plan		
Number of units granted	**130,235**	429,875
Weighted average fair value	**$6.49**	$5.68

The BP group operates a number of equity-settled employee share plans under which share units are granted to the group's senior leaders and certain other employees. These plans typically have a three-year performance or restricted period during which the units accrue net notional dividends which are treated as having been reinvested. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons. The number of shares that are expected to vest each year under employee share plans are shown in the table below.

Share Plan Vesting	December 31, 2018 Number of shares	December 31, 2017 Number of shares
Within one year	**88,285**	73,129
1 to 2 years	**102,904**	95,755
2 to 3 years	**126,930**	109,074
3 to 4 years	**-**	5,172
Total	**318,119**	**283,130**

32. Fair value hierarchy

The Company does not have any financial instrument other than derivatives which are measured at fair value through Profit and loss.

The fair value of such derivatives is categorised as level 2 based on the valuation technique used to arrive at the fair value.

Notes to the financial statements for the year ended December 31, 2018

33. 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's capital management is to maximize 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 includes within net debt trade and other payables, less cash and cash equivalents. The Company did not have any borrowings at any time during the year.

Particulars	**As at December 31, 2018 Rupees in Crores**	**As at December 31, 2017 Rupees in Crores**
Trade payables	**584.05**	606.64
Other payables	**357.06**	350.16
Less: cash and cash equivalents	**263.65**	215.47
Net debt	**677.46**	**741.33**
Total equity	**1,165.66**	**1,020.15**
Capital and net debt	**1,843.12**	**1,761.48**
Gearing ratio	**37%**	**42%**

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
Executive Directors

S.M. Datta	DIN : 00032812	Chairman
Omer Dormen	DIN : 07282001	Managing Director
Rashmi Joshi	DIN : 06641898	Chief Financial Officer & Whole time Director
Jayanta Chatterjee	DIN : 06986918	Whole time Director - Supply Chain

Place : Mumbai
Date : January 30, 2019

NOTES

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