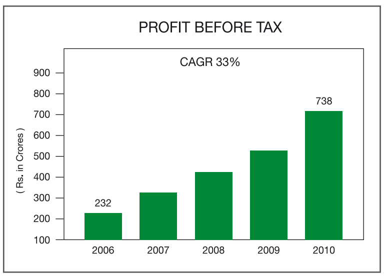

Castrol
Castrol
Castrol
Castrol
POWER1
PASSION
FOR PERFORMANC
Castrol India Limite
Annual Report 201
IT'S MORE THAN JUST OIL. IT'S LIQUID ENGINEERING.
Castrol

Dear Shareholders,

The most striking thing about our brand ambassador Sachin Tendulkar is his enduring 'Passion for Performance'. Sachin has consistently delivered for many years, especially under extreme pressure situations. I see a great parallel in Castrol India, which is also driven by a passion to perform. Your Company has delivered consistently even in challenging environments.

Castrol's sponsorship of the ICC (International Cricket Council) is a logical next step in its ongoing association with cricket. This association started with the Castrol Awards for Cricketing Excellence about 12 years ago. We believe that our strong association with cricket will help us engage and build an even deeper bond with millions of new vehicle owners coming into the Indian market year after year.



Despite the multifold increase in raw material costs in recent years and increased competition, your Company has grown handsomely, through its strategic focus on the profitable and growing segments of the Automotive and Industrial Lubricants. We have achieved this by delivering continuous innovation in products, distribution and customer relationships. This has required unflinching investment in the brand, technology and our people.I am pleased to say that in the last five years, your Company has nearly quadrupled its Profit Before Tax to Rs.738 crores in 2010, clocking a CAGR of 33.5%.

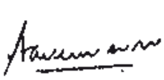
Your Company continues to deliver relative best-in-class performance compared to its peers in the industry and beyond, in consumable categories. I attribute this entirely to the passion of our employees and partners. Today Castrol India is by far the leading BP lubricant operation in Asia & Pacific, the largest Region in the world. It is also the second largest country in the BP lubricants business worldwide. A centre of excellence, Castrol India has contributed significantly to BP's global lubricant business with best practices, unique insights and a pool of talent.

In recent years, Castrol India's market capitalization has leap-frogged, rewarding its stakeholders with attractive total returns, in a sustained manner. Simultaneously, your Company has also successfully worked towards making the business accident-free and a great place to work.

Although your Company's success is rooted in being proactive in the fast changing world of automotive technology and customer needs, the pace of change is accelerating faster. Going forward, we will need to anticipate the future and be ready with solutions, even before the customer asks for them. To keep winning in tomorrow's world, we will need to be even more proactive, customer centric, contemporary and innovative. Innovation is in your Company's DNA and I am confident that this will keep us ahead and winning.

As the great Indian opportunity continues to unfold, Castrol India will be ready to seize the possibilities in the lubricant category. In doing so, we will draw on Castrol's global scale, technology and knowledge base and our proven skill of doing what is right for our local market and consumers.

Our success has been singularly possible because of our people who are passionate about your Company's success and more importantly, the success of our customers – that is our winning mantra!



Naveen Kshatriya
Vice Chairman

Board of Directors

Non-Executive Directors

Chairman
S. M. Datta

Vice-Chairman
N. K. Kshatriya

Directors
R. Gopalakrishnan
R. Hewins
S. Mukundan
D. S. Parekh
H. McCabe – *Alternate to R. Hewins*

Executive Directors

Chief Operating Officer
R. Kirpalani

Directors
S. Malekar
S. Vaidya

General Manager – Legal & Company Secretary
A. H. Mody

Bankers
Deutsche Bank
HDFC Bank Ltd.
The Hongkong & Shanghai Banking Corporation Ltd.
State Bank of India
Citibank N.A.

Solicitors & Advocates
Crawford Bayley & Co.
Dhru & Co.
Udwadia & Udeshi

Auditors
S. R. Batliboi & Co.

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

Share Department
TSR Darashaw Limited
(formerly known as Tata Share Registry Limited)
Unit: Castrol India Limited
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road,
Mahalaxmi, Mumbai 400 011.

Castrol Activ, India's largest selling 4T motorcycle oil was relaunched with 'improved protection' formula in a new 'secure seal' pack

Riding on the passion and excitement created by Castrol's global sponsorship of the FIFA 2010 World Cup™, a consumer promotion campaign for Castrol Power1 offered consumers the opportunity to meet Cristiano Ronaldo, one of the world's leading footballers, in Spain

Sanjeevani, an intensive consumer contact program has reached out to over one million tractor owners to bring alive the benefits of Castrol CRB

A consumer promotion for Castrol Edge, a premium synthetic engine oil created to perform under extreme conditions, enabled select consumers to win a 'Castrol Edge Experience' at Nurburgring - the toughest racing circuit in the world

Castrol Golden Edge Club - a special initiative for high performing dealers promoting synthetic brands like Castrol Edge and Castrol Magnatec, has been launched across major cities in India

A delighted Castrol consumer poses with his Nano car which was driven to Khardungla - the highest motorable road in the world, on Castrol Compact, a high performance engine oil, co-engineered for Tata Nano

Castrol's high performance range of Specialty Products was redesigned globally and relaunched in India to offer consumers high performance products and ease of choice

REACHING OUT

A major retail signalization program was undertaken to announce Castrol's partnership with ICC (International Cricket Council) and to promote the Castrol 'World Cup ka Hero' consumer program

Castrol Pitstops are multi-brand car workshops trained and equipped by Castrol

Castrol offers small and mid-size motorcycle service centres the opportunity to upgrade their workshops through offer of equipment and mechanic training. Castrol now has a vast network of Castrol BikePoints which offer convenience of multi-brand bike service to consumers

CASAs (Castrol Authorised Service Associates) enable Castrol to reach out to smaller independent mechanics mainly in remote locations and rural markets

ENDURING RELATIONSHIPS

Castrol has a strong global partnership with Volkswagen Group which continues in India as well. Picture shows Castrol branded car participating in the VW Polo Cup Racing championship

Continuing to build on its strong global relationships with Volkswagen Group, Castrol signed a new three year partnership agreement with Skoda Auto in India. Picture shows Thomas Kueh Member of the board, Sales & Marketing, Skoda Auto India (on left) with Ravi Kirpalani, Automotive Director & COO, Castrol India

Tata Motors and Castrol enjoy a strong and enduring relationship built over a decade. Picture shows senior leaders of the two teams after signing a five year renewal agreement

Castrol CRB Prima is specially recommended by Mahindra Tractors. The longer drain intervals of Castrol CRB Prima were extensively communicated to tractor owners through Mahindra Service Camps and Workshops

'Progress with Prima' is an innovative workshop program designed for Mahindra dealers aimed at enhancing their productivity, service quality and customer satisfaction levels. Picture shows a Mahindra dealer signing up for the initiative

Peter McConnon, VP, Global Supply Chain, BP Lubricants, hands over a Safety Award to a contractor driver for Zero Violation driving

Road Safety is a key priority for Castrol India. Inset pictures on right display Visual Journey Risk Management equipment which aids driving safety and monitoring of driver behavior

Soren Malekar, Supply Chain Director, Castrol India (extreme left), presenting the Castrol India Safety Rolling trophy to the Tondiarpet Plant team for its outstanding safety record

Dennis Henry, Asia & Pacific Regional Director HSSE, BP Lubricants (on right), presents a Safety Award to Kashish Bhandari, Production Executive at Castrol's Silvassa plant

Over 100 Castrol staff participated in the Mumbai Marathon to raise funds for two NGOs supporting the 'girl child' - Nanhi Kali and Project Crayons. Picture above shows Castrol staff who participated in the Marathon

Udaan Ghar - an initiative of Project Crayons is supported through funds raised by Castrol staff at the Mumbai Marathon as well as other activities

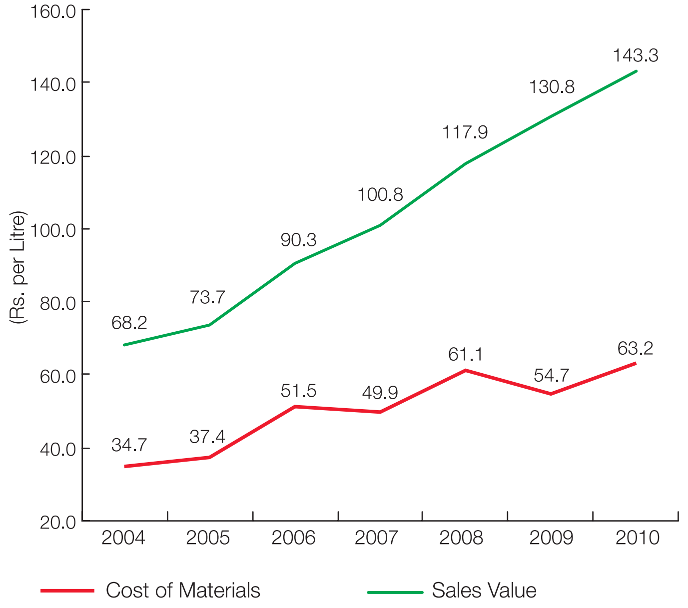
As part of its ongoing Eklavya Social Investment initiative aimed at upgrading technical skills of independent two wheeler mechanics, Castrol India trained around 18,000 mechanics during 2010

Passion for Cricket

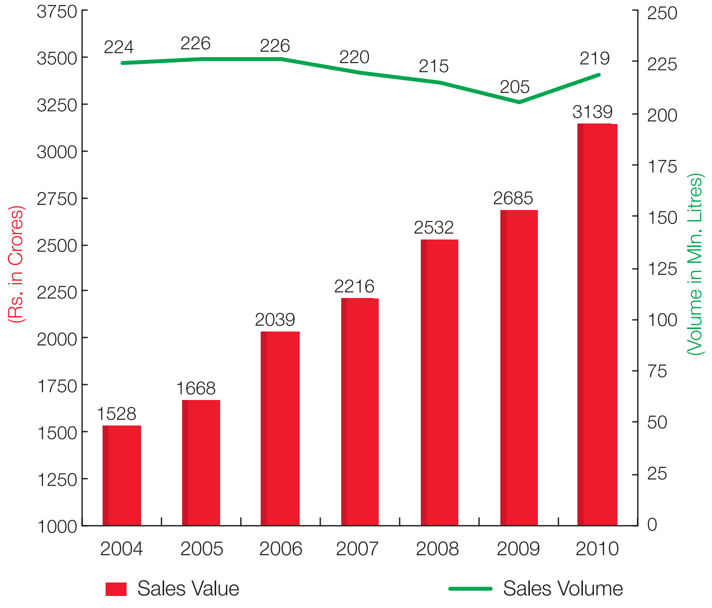
As the Official Performance Partner of the ICC, Castrol India strengthened its association with cricket through exciting and innovative consumer promotions, digital activation and advertising driven by an impressive array of Brand Ambassadors


PLAY THE WORLD CUP
CASTROL PLAYER PERFORMANCE
Castrol
Magnatec
Castrol
WORLD CUP
KE HEROES
Ab tak 10,000 vijeta.
Aap kab jeetenge?
Offer closes on 31st March, 2011.

COST OF MATERIALS AND SALES VALUE PER LITRE

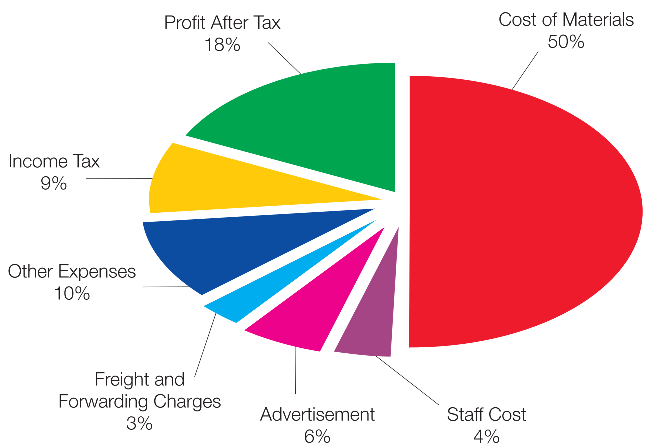


SALES VALUE AND VOLUME

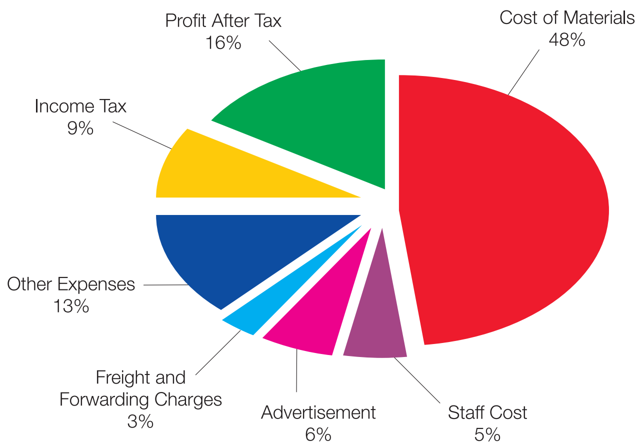


UTILISATION OF INCOME

2010

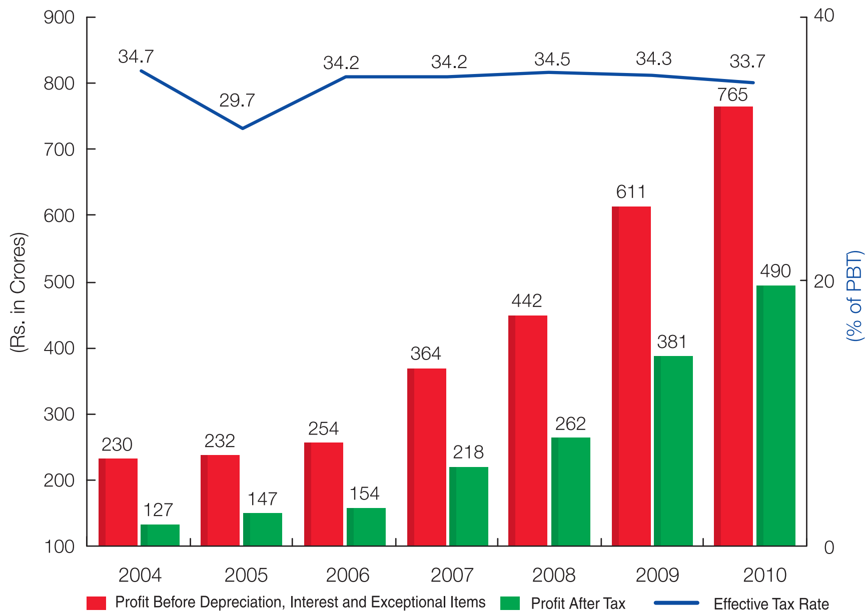


2009

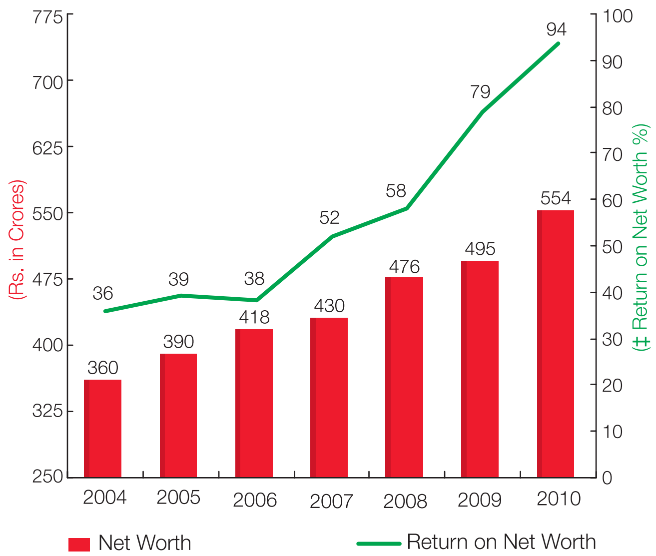


FINANCIALS

PROFIT AND EFFECTIVE TAX RATE

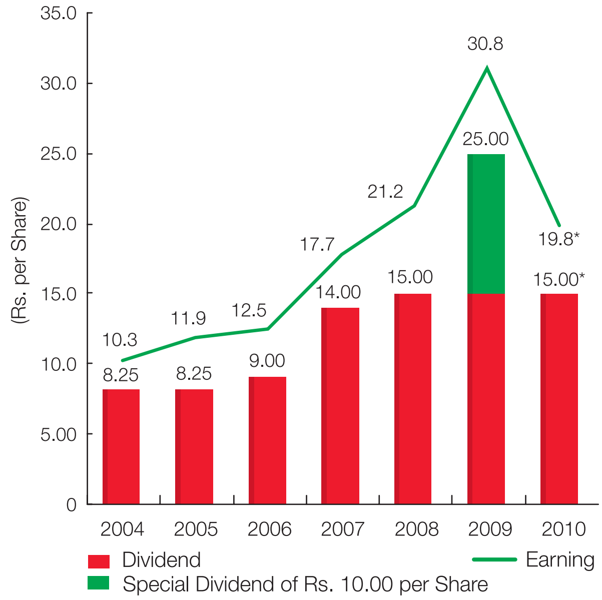


RETURN ON NET WORTH



‡ Computed on average Net Worth during each year

DIVIDEND AND EARNING PER SHARE



* Dividend and Earning per Share post Bonus Issue

FINANCIAL HIGHLIGHTS

Year	2010	2009	2008	2007	2006	2005	2004
							Rupees in Crores
Sales	**3,138.73**	2,685.23	2,531.71	2,216.48	2,038.59	1668.39	1528.25
Less: Excise Duty	**403.97**	367.04	326.01	328.22	286.18	238.01	218.09
Net Sales	**2,734.76**	2,318.19	2,205.70	1,888.26	1,752.41	1430.38	1310.16
Other Income	**39.50**	36.07	41.81	34.84	34.38	20.07	22.73
Cost of Materials	**1,384.67**	1,123.78	1,313.09	1,097.68	1,163.14	847.97	777.02
Operating and Other Expenses	**625.00**	619.05	492.89	461.01	369.29	370.73	325.56
Profit Before Depreciation, Interest and Exceptional Items	**764.59**	611.43	441.53	364.41	254.36	231.75	230.31
Interest	**2.42**	3.45	3.65	3.79	4.11	3.01	2.87
Depreciation	**24.33**	27.18	25.68	20.78	18.01	18.93	24.88
Profit Before Taxation and Exceptional Items	**737.84**	580.80	412.20	339.84	232.24	209.81	202.56
(Add)/Less: Exceptional Items:							
Write (Back)/Off Voluntary Retirement Scheme Expenses – Plant closure	**—**	—	—	—	—	(0.49)	3.72
Write (Back)/Off of Impairment of Fixed Assets – Plant closure	**—**	—	—	—	—	(0.33)	3.55
Profit Before Taxation	**737.84**	580.80	412.20	339.84	232.24	210.63	195.29
Current Taxation	**251.09**	206.83	151.00	139.94	85.24	68.16	68.73
Deferred Taxation	**(2.49)**	(7.80)	(8.60)	(23.56)	(5.72)	(5.56)	(0.90)
Fringe Benefit Tax	**—**	0.71	5.75	5.56	3.62	5.09	—
Excess Income Tax Provision for earlier years written back (Net)	**(1.07)**	—	1.68	(0.53)	(5.39)	(3.87)	—
Profit After Taxation	**490.31**	381.06	262.37	218.43	154.49	146.81	127.46
Dividend	**370.92**	309.10	185.46	173.10	111.28	102.01	102.01
Gross Fixed Assets	**312.04**	306.65	290.14	263.99	251.62	254.58	254.45
Net Fixed Assets	**136.89**	137.46	144.45	133.26	129.68	138.33	149.77
Investments	**—**	0.52	0.52	20.58	42.52	108.14	128.91
Net Current Assets/(Liabilities)	**379.50**	322.40	306.57	260.91	254.38	158.23	102.52
Net Assets	**553.50**	495.00	478.36	432.97	426.58	404.70	381.20
Share Capital	**247.28**	123.64	123.64	123.64	123.64	123.64	123.64
Reserves & Surplus	**306.22**	371.36	351.93	306.54	294.02	266.42	236.43
Net Worth	**553.50**	495.00	475.57	430.18	417.66	390.06	360.07
Loan Funds	**—**	—	2.79	2.79	2.79	2.79	3.72
Deferred Tax Assets/(Liability) (Net)	**37.11**	34.62	26.82	18.22	(6.13)	(11.85)	(17.41)
							Rupees
Earning per Share	**19.83**	30.82	21.22	17.67	12.50	11.87	10.31
Dividend per Share	**15.00**	‡25.00	15.00	14.00	9.00	8.25	8.25
Book Value per Share	**22.38**	40.04	38.46	34.79	33.78	31.55	29.12
Debt Equity Ratio	**0 :1**	0 :1	0.02 :1	0.02 :1	0.02 :1	0.02 :1	0.03 :1

‡ Includes Special Dividend of Rs. 10.00 per Share in 2009.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2010

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st December, 2010.

	For the year ended 31st December, 2010 (Rupees in Crores)	For the year ended 31st December, 2009 (Rupees in Crores)
FINANCIAL RESULTS		
Profit before Depreciation, Exceptional Items & Tax	**762.17**	607.98
Deducting therefrom:		
Depreciation	**24.33**	27.18
Provision for Tax		
Current [Including Wealth Tax of **Rs. 0.16 Crore** (2009: Rs. 0.16 Crore)]	**251.09**	206.83
Deferred Taxation	**(2.49)**	(7.80)
Fringe Benefit Tax	**—**	0.71
Excess Income Tax provision for earlier years written back	**(1.07)**	—
Profit after Tax	**490.31**	381.06
Adding thereto:		
Balance as per last Balance Sheet brought forward	**31.18**	50.75
Profit Available for Appropriation	**521.49**	431.81
The appropriations are:		
Dividend		
Interim	**173.10**	123.64
Final	**197.82**	61.82
Special	**—**	123.64
Tax on Dividend		
Interim	**28.75**	21.01
Final	**32.86**	10.51
Final 2009	**(0.24)**	—
Special – 2009	**(0.48)**	21.01
Transfer to General Reserve	**49.03**	39.00
Balance carried forward	**40.65**	31.18
	521.49	431.81

PERFORMANCE

Sales increased by 18% over the previous year to Rs. 2735 crores mainly due to an increase in unit sales realizations and higher volumes.

Costs of materials have increased by 23% over the previous year to Rs.1385 crores due to an increase in Base oil prices and higher volumes.

Pro-active Cost Containment Strategies helped your Company to grow its gross profits by 13%.

Operating & other expenses increased by Rs. 6 Crores only compared to 2009, though there was an increase in spend on Advertisement & Sales Promotion expenses by Rs. 13 Crores, the same being offset by savings in processing charges and miscellaneous expenditure.

Profit before tax increased by 27% over the previous year to Rs. 738 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 29% over the previous year to Rs. 490 Crores.

BONUS SHARES

As the members are aware, the Board of Directors had recommended, subject to the approval of the shareholders, one Bonus Equity Share for every one Equity Share of Rs. 10/- each held on the Record Date. Accordingly, the approval of the shareholders was obtained by way of a Postal Ballot on 30th March, 2010. The Bonus Shares were thereafter allotted on 13th April, 2010.

CORPORATE GOVERNANCE

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

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

The declaration by the Chief Operating Officer pursuant to clause 49(1) (ii) of the Listing Agreement stating that all the Board Members and Senior Management Personnel have affirmed their compliance with the Company's Code of Conduct for the year ended 31st December, 2010 is also attached to this Report and marked Annexure "C".

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st December, 2010 and of the profits of the Company for the year ended 31st December, 2010.

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

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

DIVIDEND

The Interim Dividend in respect of the year ended 31st December, 2010 of Rs. 7/- per share on

24,72,80,596 Equity Shares was paid to the Shareholders of the Company whose names appeared on the Register of Members on 2nd August, 2010.

The Directors recommend a payment of final dividend of Rs. 8/- per share on 24,72,80,596 Equity Shares.

DIRECTORS

Mr. Amish Mehta resigned with effect from close of business hours of 15th November, 2010 as the Wholetime Director of the Company designated as Director – Finance.

Mr Sujit Vaidya was at the Board Meeting held on 12th October, 2010 and was appointed with effect from the said date as an Additional Director of the Company. At the said Board Meeting, he was also appointed with effect from 16th November, 2010 as a Wholetime Director of the Company designated as Director – Finance.

In accordance with section 260 of the Companies Act, 1956 (the Act), Mr. Vaidya holds office up to the date of the forthcoming Annual General Meeting of the Company. Notice has been received under section 257 of the Act along with the requisite deposit from a shareholder proposing Mr. Vaidya as a candidate for the office of Director.

Your Directors wish to place on record their gratitude for the guidance and advice received from Mr. Mehta during his tenure as a Director of the Company.

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

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

CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

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

Patalganga:

1. Tube lights were replaced with compact fluorescent lamps
2. Variable Frequency Drives have been installed on pumps.
3. Energy savers have been installed on air conditioners.
4. Auto on /off system provided for street lighting with day light sensor.

Silvassa:

1. Installation of Variable Frequency Drive for transfer and filling pumps.
2. Automatic stoppage of blending agitators on completion of blending recipe.

Paharpur:

1. Automation of power factor panel to ensure high power factor close to one.
2. Optimising the thermopack efficiency by preventive maintenance.
3. Installation of solar lighting panel for street lights during the night.
4. Variable Frequency Drives installed for air compressor & thermopack pump which has led to energy efficiency.
5. Replacement of pumps with energy efficient pumps.
6. Optimising blending temperature of products which helped reduce energy consumption.

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

The measure mentioned in (a) above have led to reduction in fuel and electricity consumption as well as improvement in the productivity.

Further energy efficient luminaries have been installed in the laboratory, supply and dispatch area.

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

The measure mentioned above have led to reduction in fuel and electricity consumption as well as improvement in the productivity.

TECHNOLOGY ABSORPTION

1. Site Safety and Security continued to remain an area of focus at the Technology Centre. The Technology Centre transitioned into the “Operating Management System” with a management of change to align with Global Standards.
2. The year 2010 was a year of site upgradation for the Technology Centre. The focus on safety at all levels ensured that your Company completed the year without a single incident.
3. The Research & Development centre was recertified to the latest ISO specification of 9001 – 2008.
4. Huge emphasis was laid on technology protection and alignment with global requirements by ensuring that all product formulations and raw materials have global codes and are entered in databases like Streamline and Fusion.
5. Your Company secured business for various new products with OEM’s in India to further strengthen its partnership (TATA Nano, Mahindra & Mahindra, Maruti etc.).
6. Various products were launched throughout the year with superior properties and stronger differentiations. Some key launches were Magnatec 5W-30 and RX CNG. Work is already in progress to make sure your Company has the pipeline managed for product launches throughout the years 2011 and 2012.
7. Formulation optimization initiatives by Technology team with support from Supply Chain and Marketing was an area of focus, which brought about significant savings in raw material costs as well help to manage the security of supplies for our raw materials.
8. Your Company has developed and installed “Truck Driving Simulator” at their Technology Centre to meet increasing requirement for fuel economy and safe driving in India. The project, costing Rs. 4.8 million is aimed at providing such training to drivers. Fuel Economy is a key development area for all the OEM’s but limitations are being faced in significantly improving the same by conventional means. A two hour training session of drivers can improve their driving habits resulting in fuel efficient and safe driving contributing to cleaner environment and reduced number of accidents.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Export

There were no significant exports by the Company during the year. However, some of the countries where our products were exported were China, Saudi Arabia, and Thailand.

2. Earnings and Outgo

Members are requested to refer to note Nos. 18 & 19 and of Schedule L forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2010.

PARTICULARS OF EMPLOYEES

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

AUDITORS

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

PERSONNEL

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

STAKEHOLDERS

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

On behalf of the Board of Directors

N. K. Kshatriya *Vice Chairman*	R. Kirpalani *Director – Automotive & Chief Operating Officer*
S. Malekar *Director – Supply Chain*	S. Vaidya *Director – Finance*

Mumbai

Dated: 27th April, 2011

ANNEXURE A

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

(A) Industry structure and developments – 2010

The lubricant industry in India is broadly divided into three major market sectors: Automotive, Industrial and Marine & Energy applications. The industry is led by four major players (Castrol India Limited, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited) who contribute to approximately 70% of the market. There are numerous players, including global players, operating in the remaining 30% of the market, leading to a highly competitive scenario.

The automotive industry saw very good growth in 2010. The growth was across categories, with the passenger vehicles segment growing by over 29% and the commercial vehicles segment growing by 28%. It is believed this upward trend will be sustained in the foreseeable future due to a strong domestic market and increased thrust on exports.

The luxury car segment has taken off substantially in the last three years and current data suggests demand will be sustained in the long term. Additionally, the automobile industry is yet to fully tap into demand from rural areas but most Original Equipment Manufacturers (OEMs) are targeting the rural customer and there has been a gradual but steady growth in demand for passenger vehicles from these areas. Rural markets and the luxury car segment are expected to play a significant role as the Indian automobile industry seeks to double total sales over the next decade.

India is truly emerging as a global hub for compact cars with almost every OEM wanting to have a presence in this segment. Interestingly for Castrol, its global partners Ford and Volkswagen successfully launched their small car offerings Figo and Polo in the Indian market.

Castrol extended its strong partnerships with leading automotive OEMs by tying up with Skoda India. This tie up will benefit the synthetic segment of our portfolio. With more global OEMs coming into India, this trend presents us with strong partnership opportunities in 2011 and beyond.

Major industry developments

1. Economic scenario

The global economy has seen a revival with the outlook across North America and Europe improving. While growth continues to be strong in Asia, many countries, including India, have seen inflation rising and emerging as a threat to the growth outlook in the medium term. To combat inflation, driven by economic recovery and rising commodity prices, the Reserve Bank of India has continuously raised interest rates.

In India, inflation has now spread from agricultural commodities to manufactured goods, with the outlook remaining at an elevated 7-8%.

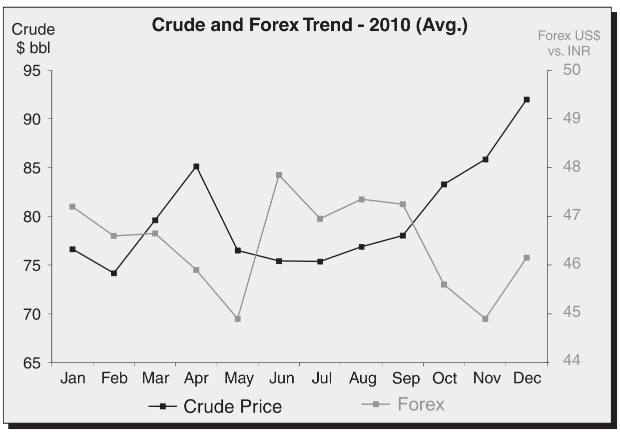
On the back of a global recovery, exports from India are up and employment outlook is strong, putting more people into the job market and providing more purchasing power to prospective vehicle owners.

While demand for automobiles continues to remain strong, rising commodity prices and interest rates could temper growth rates. Most forecasts for automobile sales range between 12-16%.

2. Crude oil

The buoyancy in crude oil prices was the key economic driver in 2010 for lubricant input materials. The supply and demand dynamics in favor of the latter also influenced significant inflation in input materials. The year saw considerable fluctuation in the foreign exchange rates of the US Dollar versus the Indian Rupee and as a consequence, price stability was short lived.

The graph below depicts the trend of crude prices and the exchange rate between the US Dollar and the Indian Rupee in the year 2010.



The Asia and Pacific region has seen a robust growth in the demand for base oils, led largely by China and India. A number of refinery shutdowns in the region, planned and unplanned – some for prolonged periods, put pressure on supply. This coupled with rising crude price, put pressure on refining margins and resulted in prices of base oils moving up by over 25% during the course of the year.

While the performance additives and chemicals category witnessed more than a double digit hike in prices on account of growing demand and rise in crude oil prices, the impact on commodity chemicals, solvents and refinery products was significantly higher at 35% over the last year.

Unseasonal rains in most parts of the country leading to crop failures created a demand supply imbalance in dependant commodity categories such as vegetable oils and derivatives. A rising trend in steel prices also impacted prices of metal drums adversely.

Your Company recognized the challenge of inflation and has kept a strong focus on strategic sourcing decisions. These included creation of alternative sources of supply, a focus on value engineering and working closely with key supplier partners. There was a considerable focus on value based inventory management which helped achieve balanced service and cash release.

Market behavior and outlook

Automotive sector outlook

The automotive lubricants sector can be segmented as per the following vehicle categories:

(a) Trucks, tractors and off-road equipment – mainly diesel engine oils

(b) Passenger cars – mainly gasoline engine oils

(c) Motorcycles and three wheelers – two stroke and four stroke oils

1. **Market growth:** The year 2010 was a year of robust recovery for the automotive lubricant market. The market is estimated to have grown volumes by 4-5%. This has been led by growth across categories, but primarily by the increased four stroke motorcycle and passenger car sales, recovery in agri-driven lubricants consumption and a growing new generation, high technology, truck segment. These trends are expected to continue in 2011. The old generation truck market and the two stroke motorcycle lubes market are projected to continue declining.

The building & construction segment and the mining segment, feeding the infrastructure sector, are also expected to continue growing at a fast pace. Thus, lubricant consumption is projected to grow robustly in passenger cars, four stroke motorcycles, building & construction equipment and mining sectors.

The monsoon in 2010 was substantial. Given good monsoon and extended winters, it is expected that better ground levels of water would facilitate a good summer agriculture season. Overall in 2011, the lubricant market is projected to grow at around 3-4% in volume terms.

2. **Channels:** With the burgeoning growth of the vehicle industry, especially passenger cars, two-wheelers and micro LCVs (Light Commercial Vehicles), almost all distribution channels have seen a growth in recent times. While the traditional retail channel continues to be dominant, OEM dealerships and authorized workshops registered a faster pace of growth on the back of higher vehicle sales and higher retention period of vehicle servicing at the OEM authorized workshops. However, since the growth in the number of workshops continues to lag the growth in vehicle population, the small independent workshops have also been witnessing a rapid pace of growth. The historically dominant channels, like petrol stations, continue to decline and are no longer a dominant channel for the industry. This trend is expected to continue.

Organized retail and the entry of global retailers, which have had a minimal impact till date, are expected to gradually pick up pace over the next few years, subject to changes in Foreign Direct Investment (FDI) norms in retail.

3. Competitive activity

The competitive situation remains largely unchanged with all major international lubricant players having been present in the market for several years now. Despite competitive activity increasing in the latter half of 2010, your Company continues to be the leading brand in the retail sector, followed by the public sector brands. However the smaller players have been competing aggressively with lower prices and higher sales promotions to gain market share.

Castrol continues to be a major player in the automotive lubricant market and holds a volume market share of approximately 20% in the overall market, according to internal estimates.

Non-Automotive sector outlook

The Indian Manufacturing Industry is poised for a sustained period of high growth. Industrial output, measured through the General IIP (Index of Industrial Production) has shown impressive 10% growth during 2010. Industrial production is also expected to grow at a healthy pace during 2011 and 2012. The growth will be driven by rise in both consumption and investment demand.

Rise in income of urban consumers, higher income in hands of farmers, laborers and industrial workers and record capacity additions across industries are some of the key factors that would drive the demand for consumables and the industrial production during the next two years.

In the automotive sector, production of passenger car and the two wheeler segments is expected to grow in double digits driven by rising income levels, easy availability of finance and new model launches. Increase in industrial production and domestic trade, along with a faster growth in road construction is also expected to fuel the demand for commercial vehicles. Overall growth in all the segments of automobiles is expected to generate good demand for automotive components. Commissioning of significant investment projects and the healthy order books is expected to generate good demand in the machinery manufacturing segment. Metals, cements and textiles are amongst the segments which are likely to post significant growth next year.

(B) Opportunities and threats

(i) Opportunities

Automotive sector

a. Overall economic activity: With an expected GDP growth of around 8% in 2011 and growth in the industry and infrastructure services sector, the basic consumption drivers for lubricants remain intact and are all set to make the industry grow. We expect growth in the economy to impact directly the movement of goods and hence increase consumption of commercial vehicle engine oils.

b. Growth in personal mobility: Growing personal disposable incomes, double income households and aggressive marketing by automobile manufacturers continue to drive demand for passenger cars and two wheelers. Castrol has strong brand equity in these segments and growth in the personal mobility segment would have a positive impact on your Company's performance. The business in these segments, especially passenger cars, is driven to a large extent by the workshop channel where superior service propositions, along with strong brands, can lead to significant business gains. It is also expected that the growth of four stroke motorcycle sales in rural markets will outstrip urban demand in the foreseeable future. This trend presents both an opportunity as well as a challenge to your Company.

c. Original Equipment Manufacturers: India is home to a vibrant automobile market. It has been one of the few markets worldwide which saw growth in passenger car sales even during the global downturn. In fact, 2010 has recorded the highest volumes ever in terms of vehicle production. While the Indian automobile industry seeks to double total sales on the back of steady growth over the next decade, the relatively under-tapped demand segments like rural markets, youth, women, luxury cars and infrastructure growth, are expected to play a significant role. Castrol, with its strong relationships with global, Asian and local OEMs, is strongly poised to leverage this emerging boom in India's auto industry.

d. Changes in engine technology: OEMs are increasingly investing in new technology in engine hardware as well as fuels and lubes. This is driven by increasing concerns on emissions and fuel economy. Additionally, with India emerging as an important export hub for automobiles, manufacturers are rapidly upgrading technology to meet stringent European norms. This is driving the lubricant market to low viscosity, synthetic lubricants. Castrol with its proven technology and marketing leadership is well poised to meet the requirements of high performance, technologically superior products and services.

e. **Infrastructure growth:** In the 2010 Finance Bill, the government announced that it would significantly increase spending on various infrastructure projects. This move will stimulate demand growth in the building and construction sector and thereby have a positive impact on lubricant demand.

f. **Demand for automotive services:** With the rapid pace of urbanization in the country, the consumer is increasingly becoming cash-rich and time-poor. As a result, there is an emerging trend of movement from 'shop' (retail buying of products) to 'workshop' (buying a full service package). To leverage this trend, your Company has greatly increased the number of Castrol BikePoints, Castrol Pitstops and Castrol Car Care centres which offer superior service solutions to vehicle owners.

In addition to the above, the rapid growth of vehicle population and penetration, especially outside the key urban centres, has meant that the market is now more geographically dispersed than ever before. To address optimally this shift in market coverage trend, your Company had implemented a new initiative aimed at bettering its reach and availability to its consumers. This has led to the emergence of the 'Castrol Authorized Service Associate' or CASA concept, which reaches out to small individual mechanics.

g. **Environmentally friendly products and services:** With the government's increased focus on emission control measures and any future growth in technology being subject to the requirements of lower carbon-footprint and emission control, your Company is in an advantageous position. This is primarily due to our ability to have ready access to Castrol's global technology and products and services which are environmentally friendly and proven in markets across the world.

h. **Association with sports:** Castrol has historically been associated with various sport sponsorships, as a means to connecting with its target audience. Ever since the inception of the Company, Castrol has built a strong association with motorsport and with record breaking feats on land, sea and air. Castrol extended its global sponsorship activities to football in 2008 and your Company leveraged this association during the 2010 FIFA World Cup™ through a series of consumer promotion activities and advertising campaigns.

In October 2010, your Company became the Official Performance Partner of the International Cricket Council (ICC) for a period of five years, till the end of the 2015 ICC Cricket World Cup. This is a strategic association and will go a long way in further strengthening the Castrol brand equity in the fast growing categories of motorcycle and car lubricants. The partnership will leverage Castrol's existing property – the Castrol Index for cricket, in a big way to lend credibility to its association with the ICC as its performance partner. The Castrol Index offers analysis and insights which help enhance the fans' enjoyment of the game.

The ICC Partnership also leverages the deployment of your Company's other cricket assets, such as the Castrol Awards for Cricketing Excellence and the popular cricket website - castrolcricket.com.

Your Company has also signed up with leading cricketers and commentators like Sachin Tendulkar, Brett Lee, Shakib Al Hasan, Harsha Bhogle and Ravi Shastri as its Brand Ambassadors.

Non-Automotive sector

The buoyancy in production of core industrial segments like automotive, machinery manufacturing and metals is expected to continue. Rising income levels, increase in agricultural output, generation of fresh employment due to capacity additions and a likely correction in inflation is expected to increase purchasing power of Indian consumers and push up demand for goods and services. Record capacity additions in the manufacturing sector will ensure that the industry does not face any capacity constraints in meeting the rising demand.

Indian industry is expected to complete projects worth Rs.15 lac crores in the next two years. The largest contributor to the completion of the projects will be the power sector. The other sectors that will see a substantial amount of project commissioning are telecommunication services, steel, road transport and allied services and petroleum products. The commissioning of fresh capacities across industrial sectors will enhance production and will increase the demand for lubricants and allied services.

(ii) Threats

Automotive sector

a. **Input costs:** With crude oil prices pushing up cost of base oils, additives and packaging material, margins are expected to be under pressure during the year and potentially impact demand as the lubricant industry passes a portion of the increased costs to customers.

b. **Competitive activity:** The Indian lubricant market is highly competitive. Given the fact that most international players have identified India as a focus market, this is likely to intensify.

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

d. **Price undercutting:** In the Industrial sector, price undercutting by small regional players and the tendency of PSU players to focus on volume rather than value, may put your Company's margins and volume market share under pressure.

Your Company will focus on creating sustainable competitive advantage while continuing to invest in strengthening its Brand and Technology.

Non-Automotive sector

a. **Input costs:** Manufacturing companies will continue to feel the heat of rise in raw material prices and if not mitigated, this might impact the growth momentum. Crude oil prices have been going up persistently. Higher base oil prices, coupled with increase in other raw material costs, are likely to impact input costs adversely.

b. Industrial growth: Whilst the manufacturing sector has recovered and is in the growth phase, the global situation may still impact its trajectory. Further, in spite of robust growth in the industrial environment, the focus on operational efficiency could dampen the growth rate for lubricants.

(C) Segment-wise / Product-wise performance

I. Automotive performance

In a challenging competitive environment, your Company delivered a stellar performance in the year 2010, with top line growth of 18% and a growth of 28% in operating profits in the automotive segment. This was achieved through a continued focus on the high-growth and high-margin segments.

(i) Distinctive propositions

Castrol has always focused on meeting consumers' needs by delivering distinctive and diversified propositions through its brand portfolio. In 2010, Castrol launched its global Product Brand Architecture in India for its Specialties range of products. Castrol launched "Advance Performance Series" & "Protector Series" range of greases, gear oils and coolants, across different vehicle segments.

In line with our long-term strategy, our lead brand for two-wheelers – Castrol Activ 4T – was also upgraded to a superior formulation during the year. Castrol Activ 4T which already enjoys enviable brand equity in the market, thereby further strengthened its proposition of better all-round protection.

(ii) Diesel Engine Oils (Consumer Truck & Heavy Duty Vehicles)

A large scale communication program targeting micro-LCV commercial vehicle consumers was implemented during the year. This program drove home the benefits of using Castrol lubricants for vehicle maintenance.

We continued with our intensive tractor consumer contact program – Sanjeevani, which has been highly successful. This program has been instrumental in reaching consumers not only at the point of consumption but also in their own villages, thereby driving brand preference and sales.

(iii) Motorcycle Oils (MCO)

The year 2010 has been a milestone year for the motorcycle engine oil category in your Company. Castrol Activ 4T continued to build its equity and gained momentum in the market with the launch of 'Secure Seal Cap + Improved Protection Formula'. This launch was supported by an integrated marketing program which included advertising, influencer (mechanic) engagement, market storming and dealer activation. Over 35000 mechanics were educated on the secure seal caps as an anti-counterfeit measure and on API SL technology upgrade.

Castrol Power 1 gained a foothold as a mainstream brand, successfully leveraging the 2010 FIFA World Cup™ sponsorship and brand association with Cristiano Ronaldo, through "Meet Ronaldo in Spain" Campaign. The Castrol BikePoint agenda continued to expand with about 2000 BikePoints added during the year under review.

(iv) Passenger Car Oils (PCO)

In 2010, the passenger car oils segment continued its rapid growth trajectory. Your Company accelerated its reach out to the mechanic community through innovative and engaging programs like the "Golden Spanner Mechanic Loyalty Program." In addition, recognizing the growing importance of the emerging synthetic segment, your Company initiated a unique dealer program called the "Synthetic Club", targeted at increasing market share.

The re-launch campaign for our lead brand Castrol GTX reached out to millions of consumers and influencers across all the channels, using an integrated communication approach which led to a strong growth of the brand.

During the second half of the year under review, your Company invested in Castrol Magnatec to enhance its share in the fast emerging synthetic segment. A new brand variant was launched backed by mass media investment which further led to robust growth of the brand and higher market share.

(v) Heavy Duty Channel (Transport fleets, Building & Construction and Mining)

During the year under review, the heavy-duty segment continued to grow in both volume and value. This was enabled by the strong relationships and preferred partner status your Company enjoys with key OEMs and customers. During the course of the year, we strengthened our offers and association with strategic accounts. We launched transport fleet management solutions – "TRANSMART" – consisting of superior products and services to support large fleets in the on-road customer segment. In line with our intent to take advantage of the booming infrastructure industry, we launched a series of products and services like "Total lube management" for off road segment in Building & Construction and emerging Mining segment. With our association and commitment to jointly working with the OEMs in creating and delivering value to customers with new products and initiatives, the performance of this segment in the coming years will continue to be strong.

(vi) Workshops

As the market for cars and motorcycles continues to grow impressively and manufacturers focus on bringing in contemporary engine technology into the country, the significance of the workshop channel, especially the workshops affiliated to OEMs, is growing rapidly. Your Company continues to focus on being ahead of the curve as the market transitions from "shop" to "workshop".

Your Company has leveraged its local partnership with market leading OEMs such as Maruti Suzuki and Tata Motors, to consolidate its position in the workshops affiliated to these OEMs. This has resulted in impressive volume growth in the business. With Castrol's global partners such as BMW, Jaguar Land Rover, Ford and the Volkswagen Group scaling up operations in India, Castrol has seen a rapid growth in its premium products which are co-engineered with these OEMs and sold exclusively within workshops affiliated to them.

II. Non-automotive performance

Industrial Lubricants and Services Business

The year 2010 was a very successful one for Castrol Industrial business. Your Company consolidated its position as the leading supplier of metal working fluids and high performance lubricants which are technologically superior and deliver substantial value to the customers.

With the introduction of new generation metal working fluids supported with technical expertise, your Company is jointly working with customers to add value to their operations and deliver benefits, not only in terms of metal working fluid consumption but also in terms of other costs associated with the processes like tooling cost, coolant sump life, machine down time etc. Your Company's endeavor is to address each of the cost components in the manufacturing process of the customer to reduce overall cost per component against mutually agreed timeline and on a sustainable basis.

Your Company is jointly working with a global company and a leading supplier of machine tools to a number of key industries – aerospace, medical, automotive and machinery manufacture, for providing manufacturing solutions and to develop new technology to meet customer's needs.

In the manufacturing sector today, the pressure to minimize environment impact has never been greater. With a complete range of environment friendly products, your Company's emphasis is on helping reduce customer's fluid usage and waste management costs, while cost effectively meeting local compliance targets.

Marine & Energy Lubricants Business

The market environment in the Marine business was extremely challenging during 2010. Excess capacity coupled with slow down in cargo movement, continued to result in low freight rates. In the Offshore sector, while the shallow water jack up rig market rates decreased significantly, the deep water rig market continued to be attractive. The competition in the market also intensified with the entrance of two new competitors in this space.

Castrol Marine responded to the change in environment by revisiting its strategy as a result of which your Company will now market the Castrol as well as BP Marine brands. Your Company will also focus on new "route to market" initiatives during 2011. The new marine modular offer will also be piloted with Indian customers.

(D) Risks and Concerns

Key business risks are around the following areas:

a. Continued increase in drain intervals in the commercial vehicle segment

b. High levels of employee attrition

c. Reviving economy leading to inflationary pressure resulting in a sharp increase of input costs

d. Price under-cutting by low-cost as well as international competitors in an attempt to gain volume share

e. Hardening interest rates leading to slowdown in sale of commercial and personal mobility vehicles

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

(E) Technology

Automotive and Industrial advances and the demand for environment friendly products are placing greater demands on lubricant technology. Your Company is well placed to seize the opportunities with its range of high performance lubricants – both in automotive and industrial sectors – especially at the premium end of the market.

The journey on synthetics continues with strong product portfolios for OEMs and retail products, positively impacting sales. In the Industrial part of the business your Company launched various premium synthetic products under the Syntilo umbrella brand, that has led to a larger share and greater profitability.

Several formulation optimization initiatives were undertaken jointly by the technology, supply chain and marketing teams, resulting in significant savings in raw material costs plus providing flexibility in formulations in times of short supply.

The Castrol Customer Engagement Centre that was set up last year to demonstrate Castrol product superiority and benefits, has started drawing a steady flow of visitors including leading OEM engineers, customers and end users.

(F) Internal Control Systems and their adequacy

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

(G) Health, Safety, Security and Environment

Health, Safety, Security and Environment (HSSE) is a core value of your Company. Simply stated, our goals are: no accidents, no harm to people and no damage to environment. The health, safety and security of everyone who works for your Company is critical to the success of the business.

Your Company's road safety program has been successfully running for the past several years and is recognized as the benchmark on road safety initiatives in India. Your Company has a driving behavior monitoring program in place for all its drivers including third party contractors. This has greatly helped improve driving behavior and in turn has positively impacted your Company's road safety performance. This and other road safety programs undertaken by your Company, continue to be recognized externally, as well as internally, within the BP Group.

The blending plants continued their strong safety performance. Two of our plants have been injury free for thirteen years and another one for ten years. One of the blend plants achieved one year of zero first aid incident free performance. Two of the blend plants have received awards from National Safety Council for consistent three year safety performance.

All the blending plants are certified for the Environment Management system (ISO 14001) and Occupational Health & Safety Management System (OHSAS 18001). These systems have been certified by accredited bodies recognized internationally. The blend plants have now implemented BP's Operating Management System (OMS) which is an enabler for enhanced safety performance.

(H) Developments in Human Resources Management

During the year under review, development of leadership capability in your Company continued to be the key focus with greater emphasis on leadership behaviors and its integration with all people processes. A number of training and development initiatives directed towards leadership development, like 'Ascent' and 'Leading the charge' were undertaken during the year. Your Company continued its focus on building the talent pipeline across all functions in the business.

During the year, your Company embarked upon building a diverse and inclusive workforce and focused its efforts in attracting, retaining and developing a talent pool which reflects the diversity of the communities it operates in. As a part of the journey, we engaged senior leadership through a workshop to co-create the Business case for Diversity. This was followed by engagement workshops covering all our executives to sensitize and to create a common understanding of our diversity and inclusion agenda.

Your Company continued its focus on employee communication through engagement programs. Building the functional capability of our employees continued to be a key focus during the year under review. Your Company embarked upon a number of initiatives to improve its brand as an employer to attract and retain talent in your Company and to realize its dream of making your Company a great place to work.

During the year, your Company participated in the reputed "Great Places to Work" study and was rated amongst the Top 100 great companies to work for in the country. Your Company received the "Best Prax Compass Leadership Award" for structured deployment of a best practice – Individual Performance Management – from Global Best Practice Network, a global organization which promotes benchmarking and sharing of best practices in organizations.

Our talent continues to be recognized within the BP Group and a number of employees undertook overseas assignments during the year.

Your Company signed a long term wage agreement before the expiry of the subsisting wage agreement at its Paharpur blending plant. The agreement will be in force for a period of 4 years and will benefit 41 bargainable employees. Our relations with our employees continued to remain cordial and peaceful during the year.

The total number of people employed in your Company as on 31st December 2010 was 792.

(I) Discussion on Financial Performance with respect to Operational Performance

Your Company delivered a significant increase in profits due to rigorous execution of its long term strategy of "winning in lubricants". This has been achieved by "in year focus" on defending and growing margins, attacking cost inefficiencies and reducing working capital.

Sales realization in 2010 grew by 18% due to higher volumes, improved product mix and judicious pricing. The total cost of material has increased by 23% due to higher volumes and increase in raw material costs. Margin improvement has been achieved through a combination of premium product mix and better sales realizations. Your Company continues to invest strongly in costs which build value – technology, brand, innovation, growth business opportunities and people. We continue to focus heavily on safety in operations. This has led to a strong Profit after Tax (PAT) growth by 29%.

Higher profit after tax, partly offset by increased working capital (due to higher raw material cost), has resulted in higher Cash flow for 2010.

The management team is confident that your Company has the ability to deliver a sustainable winning performance going forward.

On behalf of the Board of Directors

N. K. Kshatriya
Vice Chairman

R. Kirpalani
Director – Automotive & Chief Operating Officer

S. Malekar
Director – Supply Chain

S. Vaidya
Director – Finance

Mumbai
Dated: 27th April, 2011

ANNEXURE B

CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Governance

The Company's purpose is business and to maximise long-term shareholder value by selling its goods and services. Therefore, our Corporate Governance processes are directed at ensuring that Company actions, assets and agents are directed to achieving this purpose while complying with the Code of Governance and the Company's own policies and expectations. The Company's policies reflect those adopted by the Parent Company in the UK – BP plc. and covers aspects such as ethical conduct, health, safety and the environment; control and finance; commitment to employees; and relationships. Key aspects of the Company's Governance Processes are:

- Clear statements of Board Processes and Board Executive linkage.
- Disclosure, accountability, transparency, adequate systems and procedures to monitor the state of affairs of the Company to enable the Board to effectively discharge its responsibilities to the stakeholders of the Company.
- Identification and management of key risks to delivery of performance of the Company.

2. Board of Directors

(a) Composition

As of the year ended 31st December, 2010, the Board of Directors had 9 members comprising of 3 Executive Directors and 6 Non-Executive Directors. The Non-Executive Directors included 3 members who were Independent Directors and 3 members who had been nominated by Castrol Ltd., U.K. as provided in the Articles of Association of the Company. The Chairman of the Board is a Non-Executive Independent Director.

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

4 Board Meetings were held during the financial year from 1st January, 2010 to 31st December, 2010.

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

Name of Director	Category of Director-ship	No. of Meetings attended	% of total Meetings attended during the tenure as a Director
Mr. S. M. Datta	NED	4	100
Mr. N. K. Kshatriya	ND	4	100
Mr. R. Kirpalani	ED	4	100
Mr. A. P. Mehta (Ceased to be Director w.e.f. 16-11-2010)	ED	4	100
Mr. S. Malekar	ED	4	100
Mr. S. Vaidya (Appointed w.e.f. 16-11-2010)	ED	–	–
Mr. R. Gopalakrishnan	NED	4	100
Mr. Ralph Hewins or his Alternate	ND	4	100
Mr. S. Mukundan	ND	3	75
Mr. D. S. Parekh	NED	3	75

NED — Non-Executive Director
ED — Executive Director
ND — Nominee Director of Castrol Ltd., U.K.

All Directors except Mr. Sashi Mukundan attended the Annual General Meeting held on 30th April, 2010.

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

Name of the Director(s)	Number of other Companies (excluding Foreign and Private Companies) in which Director (excluding Alternate/ Nominee Director)	Number of Committees (other than Castrol India Limited) in which Member
Mr. S. M. Datta	12 (1)	5 (2)
Mr. N. K. Kshatriya	—	—
Mr. R. Kirpalani	—	—
Mr. S. Vaidya	—	—
Mr. S. Malekar	—	—
Mr. R. Gopalakrishnan	7 (3)	3
Mr. S. Mukundan	2	—
Mr. D. S. Parekh	12 (4)	6 (5)
Mr. Ralph Hewins	—	—

Notes:

1. Includes 5 Companies in which Chairman
2. Includes 1 Committee in which Chairman
3. Includes 2 Companies in which Chairman
4. Includes 7 Companies in which Chairman
5. Includes 4 Committees in which Chairman

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

4 Board Meetings were held during the financial year 1st January, 2010 to 31st December, 2010. The dates on which the said meetings were held are given below:

18th February, 2010

15th April, 2010

15th July, 2010

12th October, 2010

3. Audit Committee

(a) Terms of Reference

i. To investigate any activity within its terms of reference.

ii. To seek information from any employee.

iii. To obtain outside legal or other professional advice.

iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

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

(b) Composition, name of members and Chairperson

As on 31st December, 2010, the Audit Committee comprised of 4 Non-Executive Directors viz. Mr. D. S. Parekh, Mr. S. M. Datta, Mr. R. Gopalakrishnan and Mr. R. Hewins with the Company Secretary being the Secretary of the Committee. Mr. D. S. Parekh an Independent Director is the Chairman of the Committee. Mr. R. Gopalakrishnan and Mr. S. M. Datta are Independent Directors on the Committee whereas Mr. R. Hewins is a Nominee Director of Castrol Ltd., U.K.

(c) Meetings and attendance during the year

4 meetings were held during the financial year 1st January, 2010 to 31st December, 2010. The attendance of each Member of the Committee is given below:

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

4. Remuneration Committee

(a) Terms of Reference

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

(b) Composition, names of members and Chairperson

As of 31st December, 2010, the Committee comprised of 3 Non-Executive Directors viz. Mr. R. Gopalakrishnan, Mr. R. Hewins, and Mr. N. K. Kshatriya. Mr. R. Gopalakrishnan is an Independent Director whilst Mr. R. Hewins and Mr. N. K. Kshatriya are Nominee Directors of Castrol Ltd., U.K. Mr. R. Gopalakrishnan is the Chairman of the Committee.

(c) Attendance during the year

Two Meetings were held during the year. The attendance of each Member of the Committee is given below:

Name(s) of the Committee Members	No. of Meetings Attended	% of total Meetings attended during the tenure as a Director
Mr. R. Gopalakrishnan	2	100
Mr. N. K. Kshatriya	2	100
Mr. R. Hewins	2	100

(d) Remuneration Policy

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

(e) Details of Remuneration paid to all Directors (for the period 1st January, 2010 to 31st December, 2010)

	All elements of remuneration package i.e. Salary benefits bonuses, pension, etc. (Rs. in Lacs)	Fixed component & performance linked incentives along with the performance criteria (Rs. in Lacs)	Service Contracts notice period, severance fees	Stock option with details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable
i. Wholetime Director(s)				
Mr. R. Kirpalani	205.18	41.73	Please see Note 'a'	Please see Note 'b'
Mr. A.P. Mehta (upto 15th November, 2010)	68.45	—		
Mr. S. Malekar	120.89	22.06		
Mr. S. Vaidya (appointed w.e.f. 16th November, 2010)	16.02	4.29		

Notes

(a) The agreement with each Wholetime Director is for a period of 5 years or the normal retirement date whichever is earlier. Further, either party to the agreement is entitled to terminate the Agreement by giving not less than six calendar months notice in writing to the other party.

(b) Presently, the Company does not have a scheme for grant of stock options to its employees. However the Management staff are entitled to the Shares of BP plc under the BP Sharematch scheme as in force.

ii. Non-Wholetime Director(s)

	Sitting Fees (Rs.)	Commission (Rs. in lacs)
Mr. S. M. Datta	1,30,000	10.00
Mr. R. Gopalakrishnan	1,00,000	8.00
Mr. D. S. Parekh	60,000	8.00

As on 31st December, 2010, Mr. S. M. Datta is a joint-holder of 11,618 equity shares and Mr. N. K. Kshatriya holds 400 equity shares in the Company.

5. Transfer & Shareholders'/Investors' Grievance Committee

As on 31st December, 2010, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. S. M. Datta, Chairman, Mr. R. Kirpalani, and Mr. S. Vaidya. The Company Secretary is the Secretary of the Committee.

Mr. S. Vaidya was appointed w.e.f. 16th November, 2010 as a member of the Committee in place of Mr. A. P. Mehta

Mr. A. P. Mehta ceased to be a member of the Committee with effect from close of business hours of 15th November, 2010.

(a)	Name of the Non-Executive Director heading the Committee	: Mr. S. M. Datta
(b)	Name and Designation of Compliance Officer	: Mr. A. H. Mody General Manager – Legal & Company Secretary
(c)	No. of Shareholders complaints received during the financial year	: 25 complaints were received from Stock Exchange/Securities and Exchange Board of India (SEBI)/NSDL/CDSL and were reported to the Transfer and Shareholders'/ Investors' Grievance Committee in terms of Circular No.1(96-97) dated 25.7.96 of SEBI.

(d)	Number of complaints solved to the satisfaction of shareholders	:	24 complaints were resolved to the satisfaction of Complainants, except for disputed cases and sub-judice matters which would be solved after the matter is duly disposed off by the Court.
(e)	Number of pending complaints as on 31st December, 2010.	:	1 complaint regarding transfer of shares was pending as on 31st December, 2010 due to submission of incomplete documents by the Complainant. Duly completed documents were submitted on 28th December, 2010 and the complaint was resolved in January, 2011.

6A. General Body Meetings

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

	Location		Date	Time
(i)	Y.B. Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalya Gymkhana Mumbai 400 021	:	30.4.2010	11.00 a.m.
(ii)	Birla Matushri Sabhagar 19, Marine Lines Mumbai 400 020	:	27.4.2009	3.30 p.m.
(iii)	Birla Matushri Sabhagar 19, Marine Lines Mumbai 400 020	:	29.4.2008	3.30 p.m.

(b)	Whether any Special Resolutions were passed in the previous 3 AGMs	:	Yes
(c)	Whether any Special Resolution was passed through Postal Ballot last year	:	Yes For amendments to the capital clause in the Articles of Association of the Company and for increase in the Authorised Capital consequent to issue of bonus shares.
	Details of voting pattern	:	99.99% votes in favour of the resolution and 0.01% votes against the Resolution
(d)	Persons who conducted the Postal Ballot exercise	:	Ms. Shirin K. Bharucha Scrutineer
(e)	Whether any Special Resolution is proposed to be conducted through Postal Ballot	:	No
(f)	Procedure for Postal Ballot	:	The Postal Ballots along with the Notice & Explanatory Statement was posted to all the shareholders of the Company Under Certificate of Posting. The Scrutineer forwarded the results of the Postal Ballot to the Chairman and the same was published on 2nd April, 2010, in the Indian Express & Loksatta newspapers. The entire Postal Ballot process was carried out pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001

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

(i) Mr. R. Gopalakrishnan

Mr. Gopalakrishnan studied physics at Calcutta University and engineering at IIT. From 1967, he served in Hindustan Unilever Ltd. for over three decades in various capacities. The appointments held by Mr. Gopalakrishnan from 1990 onwards were: Chairman of Unilever Arabia (based in Jeddah), followed by Managing Director of Brooke Bond Lipton India (based in Bangalore), followed by Vice Chairman of then Hindustan Lever Limited.

He joined Tata Sons in September 1998. He is currently a Director of Tata Sons Ltd.

Mr. R. Gopalakrishnan is a Director in the following Companies:

Tata Sons Ltd.	Director
Tata Chemicals Ltd.	Vice Chairman
Tata Power Company Ltd.	Director
Rallis India Ltd.	Chairman
Tata AutoComp Systems Ltd.	Chairman
Tata Technologies Ltd.	Director
Akzo Nobel India Limited	Director

Mr. R. Gopalakrishnan does not hold any Shares in the Company

(ii) Mr. S. Malekar

Mr. Soren Malekar is a Post Graduate in Management from the Narsee Monjee Institute of Management Studies, specializing in Operations. He has done his graduation in Mechanical Engineering (B.E.) from Mumbai University.

He has over 20 years of experience in manufacturing, quality management, safety and supply chain functions.

He joined Castrol in 2007 as Vice President-Supply Chain. Since then, he has been a part of the strategic planning team for Castrol, led the supply chain on various ambitious initiatives in growth, productivity and efficiency and participated in cross functional projects for Castrol. Since 2009, he also has the added responsibility of the supply chain for BP in the Middle East.

Prior to joining Castrol, he had 16 years of supply chain experience with Asian Paints Limited, a leading company in the Indian paint industry.

Mr. Malekar is also an independent director on the Board of the Middle East Lubricants Company, UAE.

Mr. Malekar does not hold any shares in the Company

(iii) Mr. S. Vaidya

Mr. Sujit Vaidya is an associate Member of the Institute of Chartered Accountants of India. He has over 22 years of experience in Finance, Accounts, Commercial and Business Advisory Services. Prior to joining Castrol India Ltd., he had spent over 14 years working with organizations such as Citicorp, Procter & Gamble India Ltd., ITC-Agro Tech. Ltd. and The Boston Consulting Group. He joined Castrol India Limited in March 2003 as the Performance Manager. Since then he has managed various senior roles within BP Group in India as well as in United Kingdom.

Mr. S. Vaidya does not hold any shares in the Company

(iv) Mr. A.P. Mehta

Mr. Amish Mehta is a member of the Institute of Chartered Accountants of India. In 1997 he joined Ernst & Young as a Service Manager to their Business Advisory Service Group. In 1998, he joined Mobil India Private Limited as a Chief Financial Officer for the LPG segment and in 1999 was promoted as the Chief Executive Officer. From September 2001, he was a Director of Ernst & Young Private Limited and was on deputation as Chief Financial Officer to Media Labs Asia.

In January 2003, he joined BP India Services Private Limited a company which is a part of the BP group of companies worldwide and was the Financial Control Manager-Transcon.

As on 31st December, 2010, Mr. Mehta holds 17470 shares in the Company.

7. Disclosure

(a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large.	None
(b) Details of non-compliance by the company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.	None in the last three years
(c) Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee.	Presently, the Company does not have a Whistle Blower Policy but has a policy similar to it for the entire BP Group of Companies worldwide which is called Open Talk. No Personnel of the Company has been denied access to the Audit Committee.
(d) Details of Compliance with mandatory requirements and adoption of the Non-Mandatory requirements of this clause.	The Company has complied with all the Mandatory requirements of this clause. As regards the Non-Mandatory requirements the extent of Compliance has been stated in this report against each item.

8. Means of Communication

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

9. General Shareholder Information

(a) AGM : Monday,

Date, Time and Venue: 27th June, 2011, 3.30 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400020

(b) Financial year :
- (i) January 2011 to December 2011.
- (ii) First Quarter – 2011 Results – 3rd/4th week of April, 2011.
- (iii) Half yearly Results – 2011 – 1st/2nd week of August, 2011.
- (iv) Third Quarter – 2011 Results – 3rd/4th week of October, 2011.
- (v) Results for the year ending 31st December, 2011 – January/ February – 2012.

(c) Date of Book closure : 15th June, 2011 to 27th June, 2011 (both days inclusive).

(d) Dividend Payment date(s) : Interim – 2nd August, 2010 Final – on 11th July, 2011.

(e) Listing on the Bombay Stock Exchange, Limited (BSE) and National Stock Exchange of India Limited (NSE) : The Company has paid the listing fees for the period 1st April, 2010 to 31st March, 2011 in relation to both BSE & NSE.

(f) (i) Stock Code – Physical – :
BSE 500870
NSE CASTROL

(ii) Demat ISIN Number for NSDL & CDSL : INE 172A01019

(g) Market price Data High/Low during each month in last Financial Year : Please See Annexure I of this Report.

(h) Stock Performance in comparison to Broad-based indices such as BSE Sensex, CRISIL Index etc. : Please See Annexure II of this Report

(i) Registrar and Transfer Agents : TSR Darashaw Limited (formerly known as TATA Share Registry Limited), 6-10 Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalakshmi, Mumbai 400 011

(j) Share Transfer System : The Company Secretary has been authorized to approve the transfer of shares which is done within the time-limit stipulated by the Listing Agreement. The said transfers are then noted at the subsequent Transfer and Shareholders'/ Investors' Grievance Committee Meeting.

(k)

Distribution of Shareholding as on 31-12-2010	No. of Shares	No. of Share-holders	% of Share-holders
Upto 500	6692505	54712	80.83
501 – 1000	4086051	5483	8.10
1001 – 2000	5111252	3459	5.11
2001 – 3000	3395566	1358	2.00
3001 – 4000	3681477	1071	1.58
4001 – 5000	2014656	445	0.66
5001 – 100000	5624247	851	1.26
100001 and above	216674842	311	0.46
Grand Total	247280596	67690	100.00

(l)	Dematerialisation of Shares and liquidity	:	43.14% of the paid-up capital has been dematerialized as on 31st December, 2010.
(m)	Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	:	The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments
(n)	Plant Locations	:	The Company's plants are located at Patalganga, Paharpur, Silvassa & Tondiarpet
(o)	Address for Correspondence	:	i. Shareholders correspondence should be addressed to: TSR Darashaw Limited. Unit: Castrol India Limited, 6-10 Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalakshmi, Mumbai 400 011 Tel. No. 6656 8484 Fax No. 6656 8494/ 6656 8496
		:	ii. Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants

Compensation Policy

As required under sub-clause IV E (iii) of the Revised clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the Compensation Policy in relation to the Non-Executive Directors of the Company has been displayed on the Company's website referred to above.

B. NON-MANDATORY REQUIREMENTS

1.	(a)	Whether Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties	:	No, but the Company reimburses expenses in relation to the performance of his duties as Chairman.
	(b)	Independent Directors may have a time not exceeding in the aggregate a period of nine years on the Board of the Company	:	As on date Mr. S. M. Datta, Mr. D. S. Parekh and Mr. Gopalakrishnan have a term of office exceeding nine years on the Board of the Company.
2.		Remuneration Committee	:	Please refer to Sr. No. 4 of this Report.
3.		Shareholder Rights The half-yearly declaration of financial performance including summary of the significant events in last six months may be sent to each household of Shareholders	:	As the Company's half yearly results are published in English newspapers having a circulation all over India and in a Marathi newspaper (having a circulation in Mumbai) the same are not sent to the shareholders of the Company. Normally, there is no second half-yearly results. However the audited results are taken on record by the Board and then communicated to the shareholders through the Annual Report.

4.	Audit Qualification	: Presently not applicable to the Company
5.	Training of Board Members. Company may train its Board Members in the business model of the Company as well as the risk profile of the business parameters of the Company, their responsibilities as directors, and the best ways to discharge them	: Presently the Company does not have such a training programme
6.	Mechanism for evaluating Non-Executive Board Members – The performance evaluation of non-executive Directors may be done by a peer group comprising the entire Board of Directors, excluding the Director being evaluated; and Peer Group evaluation should be the mechanism to determine whether to extend/continue the terms of appointment of Non-Executive Directors	: Presently the Company does not have a mechanism as contemplated for evaluating the performance of Non-Executive Board Members
7.	Whistle Blower Policy – The Company to have such a policy	: Presently the Company does not have a Whistle Blower policy but has a policy similar to it for the entire BP Group of Companies worldwide which is referred to as "Open Talk".

On behalf of the Board of Directors

N. K. Kshatriya
Vice Chairman

R. Kirpalani
Director – Automotive & Chief Operating Officer

S. Malekar
Director – Supply Chain

S. Vaidya
Director – Finance

Mumbai
Dated: 27th April, 2011

Castrol India Limited

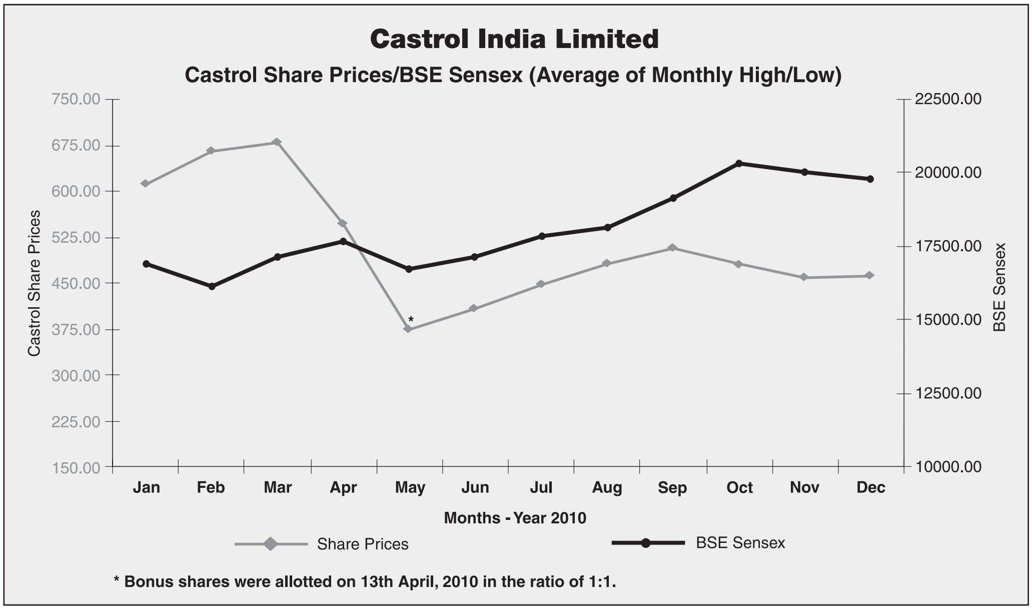
Annexure I

Market Price Data - High/Low during each month in the Year 2010

Month	Rate (Rs.)	
	Highest	Lowest
January	630.15	592.30
February	711.50	621.00
March	697.10	659.45
April*	730.10	361.95
May	383.45	361.90
June	444.00	372.60
July	471.05	425.70
August	506.20	455.05
September	526.65	486.40
October	504.95	459.10
November	485.60	433.75
December	476.70	445.50

*Note: Bonus shares were allotted on 13th April, 2010 in the ratio of 1:1

Annexure II



On behalf of the Board of Directors

N. K. Kshatriya	R. Kirpalani	S. Malekar	S. Vaidya
Vice Chairman	*Director – Automotive & Chief Operating Officer*	*Director – Supply Chain*	*Director – Finance*

Mumbai
Dated: 27th April, 2011

ANNEXURE C

In accordance with clause 49 sub clause (I) (D) (ii) of the Listing Agreement executed with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, I in my capacity as the Chief Operating Officer of the Company hereby confirm that all members of the Board of Directors and Senior Management Personnel of the Company have affirmed their Compliance for the Financial year 2010 with the Company's Code of Conduct.

For CASTROL INDIA LIMITED,

R. Kirpalani
Chief Operating Officer

Place : Mumbai.
Dated: 27th April, 2011

AUDITORS' CERTIFICATE

To,

The Members of Castrol India Limited

We have examined the compliance of conditions of Corporate Governance by Castrol India Limited, for the year ended on December 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

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

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

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

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

per Ravi Bansal
Partner
Membership No. : 49365

Place: Mumbai,
Dated: 27th April, 2011.

Shareholding Pattern as on 31st December, 2010

Sr. No.	Category	No. of Shareholders	No. of Shares held	% to paid-up capital
(i)	Foreign Collaborator	1	175374910	70.92
(ii)	Foreign Company	1	270948	0.11
(iii)	Foreign Institutional Investors	54	17397126	7.04
(iv)	Overseas Bodies Corporate	2	2000	0.00
(v)	Non-Resident Individuals	854	548332	0.22
(vi)	Financial Institutions	18	11705186	4.73
(vii)	Indian Mutual Funds	45	4531721	1.83
(viii)	(a) Nationalised Banks	22	35608	0.01
	(b) Other Banks	51	15696	0.01
(ix)	Domestic Companies	1326	4306710	1.74
(x)	Resident Individuals	65314	33080341	13.38
(xi)	Directors & Relatives	2	12018	0.01
	Grand Total	67690	247280596	100

Auditors' Report

To

The Members of Castrol India Limited

1. We have audited the attached Balance Sheet of Castrol India Limited as at December 31, 2010 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on December 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2010;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date : February 22, 2011

Annexure referred to in paragraph 3 of our report of even date

Re: **Castrol India Limited ('the Company')**

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(e) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time except in respect of certain transactions, where because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the

Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess have generally been regularly deposited with the appropriate authorities.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dispute	Amount (Rs. Crores)	Period to which amount relates	Forum where dispute is pending
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Non-submission of declaration forms, disallowance of set-off claim, disputes about classification/rate of tax, disallowance of credit notes and rebates.	87.58	1987 to 2008	Assistant/Deputy Commissioner, Tribunal, High Court.
Central Excise Act, 1944	Valuation including admissibility of discounts/deductions [PME] in provisional assessments, Modvat/ Cenvat Credit, Classification, Other Miscellaneous Issues.	28.20	1987 to 2009	Assistant/Deputy Commissioner, Commissioner (A), CESTAT, High Court & Supreme Court.
Customs Act, 1962	Dispute regarding basis to levy duty – whether on invoice quantity or actual quantity unloaded in shore tank and on demurrage, duty on FG imports on account of royalty.	6.83	1997 to 2006	Deputy Commissioner.
Service Tax, Chapter V of the Finance Act, 1994	Service tax on Royalty, on storage tanks, objections to credit of service tax availed and credit of service tax on secondary freight.	34.07	1997 to 2009	Assistant/Deputy Commissioner, Commissioner (A), CESTAT, High Court.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to bank. The Company has no outstanding dues in respect of financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issue during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

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

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date : February 22, 2011

Balance Sheet as at 31st December, 2010

	Schedule	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	**247.28**		123.64
Reserves and Surplus	B	**306.22**		371.36
			553.50	495.00
TOTAL			**553.50**	495.00
APPLICATION OF FUNDS				
Fixed Assets	C			
Gross Block		**295.47**		280.52
Less: Accumulated Depreciation/Amortisation		**159.61**		153.65
Less: Impairment Provision		**15.54**		15.54
Net Block		**120.32**		111.33
Capital Work-in-Progress (Including advances on Capital Account)		**16.57**		26.13
			136.89	137.46
Investments	D		**–**	0.52
Deferred Tax Assets (Net)	E		**37.11**	34.62
Current Assets, Loans & Advances	F			
Inventories		**244.20**		208.63
Sundry Debtors		**178.43**		160.60
Cash & Bank Balances		**619.26**		525.76
Other Current Assets		**5.06**		3.55
Loans & Advances		**101.75**		105.03
		1148.70		1003.57
Less: Current Liabilities & Provisions	G			
Current Liabilities		**494.86**		431.72
Provisions		**274.34**		249.45
		769.20		681.17
Net Current Assets			**379.50**	322.40
TOTAL			**553.50**	495.00
Notes on Accounts	L			

The schedules referred to herein form an integral part of the Balance Sheet.

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 22, 2011

S. M. DATTA — Chairman
N. K. KSHATRIYA — Vice Chairman
R. KIRPALANI — Chief Operating Officer

Executive Directors

S. VAIDYA — Director
S. MALEKAR — Director

Non-Executive Directors

R. GOPALAKRISHNAN — Director
R. HEWINS — Director
D. S. PAREKH — Director

Profit and Loss Account for the year ended 31st December, 2010

	Schedule	**2010 Rupees in Crores**	2009 Rupees in Crores
INCOME			
Sales [Net of rebates **Rs. 67.21 Crores** (2009: Rs. 72.37 Crores)]		**3138.73**	2685.23
Less: Excise Duty		**403.97**	367.04
Net Sales		**2734.76**	2318.19
Other Income	H	**39.50**	36.07
Total Income		**2774.26**	2354.26
EXPENDITURE			
Cost of Materials	I	**1384.67**	1123.78
Operating and Other Expenses	J	**625.00**	619.05
Interest and Finance Charges	K	**2.42**	3.45
Depreciation/Amortisation		**24.33**	27.18
Total Expenditure		**2036.42**	1773.46
PROFIT BEFORE TAXATION		**737.84**	580.80
Taxation			
Current [Including Wealth Tax **Rs. 0.16 Crore** (2009 : Rs. 0.16 Crore)]		**251.09**	206.83
Deferred Taxation		**(2.49)**	(7.80)
Fringe Benefit Tax		**–**	0.71
Excess Income Tax provision for earlier years written back (Net)		**(1.07)**	–
PROFIT AFTER TAXATION		**490.31**	381.06
Add: Balance as per last Balance Sheet brought forward		**31.18**	50.75
PROFIT AVAILABLE FOR APPROPRIATION		**521.49**	431.81
APPROPRIATION TO:			
Interim Dividend		**173.10**	123.64
Tax on Interim Dividend		**28.75**	21.01
Proposed Final Dividend		**197.82**	61.82
Tax on Proposed Final Dividend		**32.86**	10.51
Proposed Special Dividend		**–**	123.64
Tax on Proposed Special Dividend		**(0.48)**	21.01
Tax on Final Dividend 2009		**(0.24)**	–
General Reserve		**49.03**	39.00
Surplus carried forward to Balance Sheet		**40.65**	31.18
		521.49	431.81
Earning per share (Basic & Diluted) (Face value of Rs. 10/-)		**19.83**	15.41
Number of shares used in computing Earning per share (Refer note 2 of Schedule L)		**247,280,596**	247,280,596
Notes on Accounts	L		

The schedules referred to herein form an integral part of the Profit and Loss Account.

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
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R. HEWINS — Director
D. S. PAREKH — Director

Schedules forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE A

	2010 Rupees in Crores	2009 Rupees in Crores
SHARE CAPITAL		
Authorised		
248,000,000 (2009 : 124,000,000) Equity Shares of Rs. 10/- each	**248.00**	124.00
Issued, Subscribed and Paid up (Refer Notes below)		
247,280,596 (2009 : 123,640,298) fully paid up Equity Shares of Rs. 10/- each	**247.28**	123.64
	247.28	123.64

Notes :

1. Includes **175,374,910** (2009 : 87,687,455) Equity Shares of Rs. 10/- each held by Castrol Ltd., U.K., the Holding Company (Subsidiary of BP PLC, ultimate holding Company). (Also refer Note 2 and 6 of Schedule L).

2. Includes **239,993,616** (2009 : 116,353,318) Equity Shares allotted as fully paid up Bonus Shares by capitalisation of Share Premium/General Reserve.

SCHEDULE B

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
RESERVES & SURPLUS			
Capital Reserve		**13.62**	13.62
General Reserve			
As per last Balance Sheet	**326.56**		287.56
Less: Utilised for Issue of bonus shares	**123.64**		–
Add: Transferred from Profit and Loss Account	**49.03**		39.00
		251.95	326.56
Balance in Profit and Loss Account		**40.65**	31.18
		306.22	371.36

Schedules forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE C

FIXED ASSETS [Refer Notes 1(c) & 1(d) of Schedule L] **Rupees in Crores**

	GROSS BLOCK				DEPRECIATION / AMORTISATION				IMPAIRMENT LOSS #	NET BLOCK	
	As at 1.1.2010	Additions for the year	Deductions for the year	As at 31.12.2010	As at 1.1.2010	For the Year	On Deductions	As at 31.12.2010		As at 31.12.2010	As at 31.12.2009
Freehold Land	**6.44**	–	–	**6.44**	–	–	–	–	–	**6.44**	6.44
Leasehold Land (1)	**0.92**	–	–	**0.92**	**0.40**	**0.02**	–	**0.42**	–	**0.50**	0.52
Buildings (2)	**64.64**	**3.92**	**0.03**	**68.53**	**25.29**	**2.97**	**0.01**	**28.25**	–	**40.28**	39.35
Plant & Machinery	**148.50**	**17.10**	**19.21**	**146.39**	**92.75**	**14.55**	**17.29**	**90.01**	**3.47**	**52.91**	52.28
Plant & Machinery Intangibles	**5.66**	**0.39**	–	**6.05**	**2.95**	**0.53**	–	**3.48**	**0.72**	**1.85**	1.99
Furniture & Fixtures	**32.31**	**11.41**	**0.53**	**43.19**	**21.98**	**5.41**	**0.53**	**26.86**	**2.45**	**13.88**	7.88
Office Equipments	**21.17**	**2.42**	**0.59**	**23.00**	**9.95**	**0.73**	**0.54**	**10.14**	**8.59**	**4.27**	2.63
Motor Vehicles	**0.88**	**0.07**	–	**0.95**	**0.33**	**0.12**	–	**0.45**	**0.31**	**0.19**	0.24
	280.52	**35.31**	**20.36**	**295.47**	**153.65**	**24.33**	**18.37**	**159.61**	**15.54**	**120.32**	111.33
Previous Year	265.17	33.49	18.14	280.52	142.58	27.18	16.11	153.65	15.54		
Capital Work-in-Progress (Including advances on Capital Account)										**16.57**	26.13
										136.89	137.46

There is no movement in the impairment provision during the year.

Notes:

(1) Cost includes **Rs. 0.49 Crore** (2009 : Rs. 0.49 Crore) for which execution of Land Lease agreement in respect of plots in Mumbai is in progress.

(2) Comprises of cost of premises including shares of paid up value of **Rs. 0.01 Crore** (2009 : Rs. 0.01 Crore) in Co-operative Societies.

(3) Freehold Land **Rs. 1.26 Crores** (2009 : Rs.1.26 Crores), Building **Rs. 1.41 Crores** (2009 : Rs. 1.41 Crores), Plant & Machinery **Rs. 0.39 Crore** (2009 : Rs. 0.39 Crore), Furniture & Fixtures **Rs. Nil** (2009 : Rs. Nil) and Office Equipments **Rs. Nil** (2009 : Rs. Nil) are retired from active use and held for disposal. Accordingly these assets are carried at lower of net book value and net realisable value. The total carrying value of such assets as at 31st December, 2010 is **Rs. 3.06 Crores** (2009 : Rs. 3.06 Crores).

Schedules forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE D

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
INVESTMENTS – [Refer Note 1(e) of Schedule L]			
LONG TERM (At cost)			
Other than trade:			
Unquoted:			
Nil (2009 : 500) – 5.25% Non-Convertible Redeemable Taxable Bonds of Rural Electrification Corporation Ltd. of Rs. 10,000/- each		**–**	0.50
CURRENT (Lower of cost and market value)			
Other than trade:			
Unquoted:			
Government Securities * [Matured Face value **Rs. Nil** (2009 : Rs. 0.02 Crore)]	**0.02**		0.02
Less: Written off	**0.02**	**–**	–
		–	0.52

* Government Securities lodged with Mumbai Port Trust.

SCHEDULE E

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
DEFERRED TAX ASSETS (NET) [Refer Note 1(k) of Schedule L]			
Deferred Tax Assets and (Liabilities) are attributable to the following items:			
Deferred Tax Assets			
Provision for Doubtful Debts	**1.11**		1.09
Provision for Doubtful Advances	**2.91**		2.97
Voluntary Retirement Scheme Expenses	**1.90**		3.03
Accrual for expenses allowable only on payment	**20.08**		16.14
TDS Payable on Provision for Expenses	**14.79**		15.56
Others	**4.34**		3.00
		45.13	41.79
Less: Deferred Tax Liabilities			
Differences in depreciation in block of fixed assets as per tax books and financial books		**8.02**	7.17
		37.11	34.62

Schedules forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE F

	2010 Rupees in Crores	2009 Rupees in Crores
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories [(Lower of cost and net realisable value)* (See Note 1(f) of Schedule L)]		
Raw Materials	**110.53**	104.51
Finished Products	**103.90**	83.35
Traded Items	**23.20**	14.79
Packages	**5.29**	4.75
Stores & Consumables	**1.28**	1.23
	244.20	208.63
* Including Goods in Transit **Rs. 12.34 Crores** (2009 : Rs. 22.19 Crores)		
Sundry Debtors @		
Secured, considered good		
Exceeding six months	**–**	–
Others	**5.63**	4.49
Unsecured, considered good		
Exceeding six months	**0.65**	1.02
Others	**172.15**	155.09
Unsecured, considered doubtful		
Exceeding six months	**3.09**	2.87
Others	**0.26**	0.35
	181.78	163.82
Less: Provision for doubtful debts	**3.35**	3.22
	178.43	160.60

@ Includes amount due from Companies under same management **Rs. 3.61 Crores** (2009 : Rs. 5.65 Crores), maximum amount due at any time during the year **Rs. 5.87 Crores** (2009 : Rs. 22.12 Crores) is given below:

Rupees in Crores

Name of Company	2010	2009
Arabian Prod. & Marketing Lub. Co. Ltd.	**0.09**	0.03
BP (China) Industrial Lubricants Co.	**0.13**	0.24
BP Castrol (Thailand) Ltd.	**0.06**	0.10
BP Egypt Oil	**–**	0.01
BP Exploration (Alpha) Ltd.	**0.03**	0.03
BP India Services Pvt. Ltd.	**1.05**	2.82
BP International Limited	**0.01**	–
BP Marine Limited	**1.56**	0.51
BP Middle East	**0.04**	–

Rupees in Crores

Name of Company	2010	2009
BP Southern Africa (Proprietary) Limited	**0.02**	–
BP Singapore PTE Ltd.	**0.22**	0.01
BP Singapore Spec Ind Lubes	**–**	1.19
BP Singapore – LSC	**0.04**	0.07
BP Singapore – Marine	**0.03**	–
Castrol Pakistan Private Limited	**0.14**	–
Castrol (Shenzhen) Co. Ltd.	**–**	0.03
Lubricants UK Ltd.	**0.19**	0.59
PT Castrol Indonesia	**–**	0.02

	2010 Rupees in Crores	2009 Rupees in Crores
Cash and Bank Balances		
Cash on Hand	**0.03**	0.02
With Scheduled banks:		
On Current Account [including cheques on hand **Rs. 4.25 Crores** (2009 : Rs. 4.57 Crores)]	**14.50**	31.06
On Deposit Account [including Margin Deposit **Rs. 10.08 Crores** (2009 : Rs. Nil)]	**599.87**	490.14
Unclaimed Dividend Accounts*	**4.86**	4.54
	619.26	525.76
* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.		
Other Current Assets		
Interest accrued on Bank Fixed Deposits	**5.06**	3.54
Interest accrued on Investments	**–**	0.01
	5.06	3.55

Schedules forming part of the Balance Sheet as at 31st December, 2010

SCHEDULE F (Contd.)

	2010 Rupees in Crores	2009 Rupees in Crores
Loans and Advances		
(Unsecured, considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (Refer Note below)		
Considered good	**91.69**	93.59
Considered doubtful	**8.77**	8.72
Less: Provision for doubtful advances	**8.77**	8.72
	91.69	93.59
Balances with Customs, Port Trust and Excise Authorities	**9.26**	6.57
Advance Tax (Net of Provision)	**–**	3.07
Fringe Benefit Tax (Net of Provision)	**0.80**	1.80
	101.75	105.03
	1148.70	1003.57

Note: Amounts due from Directors of the Company **Rs. 0.16 Crore** (2009 : Rs. 0.16 Crore) and maximum amount due from Directors of the Company at any time during the year **Rs. 0.16 Crore** (2009 : Rs. 0.54 Crore).

SCHEDULE G

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry Creditors:			
Dues to Micro enterprises and Small enterprises (Refer Note 14 of Schedule L)	**2.97**		0.40
Dues to other than Micro enterprises and Small enterprises	**429.11**		374.93
		432.08	375.33
Advances from Customers		**5.12**	3.87
Investor Education and Protection Fund shall be credited as and when due by the following amount (Refer Note 1 below):			
Unclaimed Dividends		**4.86**	4.54
Interest accrued and not due on Deposits		**0.03**	0.01
Amount retained for taxation liability of Castrol Ltd., U.K.		**1.00**	1.01
Other Liabilities		**51.77**	46.96
		494.86	431.72
Provisions			
Provision for Indirect Taxation (Refer Note 2 below)		**32.87**	32.47
Provision for Current Taxation (Net of Advance Tax)		**10.79**	–
Proposed Final Dividend		**197.82**	61.82
Tax on Proposed Final Dividend		**32.86**	10.51
Proposed Special Dividend		**–**	123.64
Tax on Proposed Special Dividend		**–**	21.01
		274.34	249.45
		769.20	681.17

Notes: (1) There is no amount due and outstanding as at 31st December, 2010 to be credited to Investor Education and Protection Fund.

(2) Movement in Provision for Indirect Taxation

Rupees in Crores

	2010			2009		
	Excise, Customs & Service tax matters	**Sales Tax & VAT matters**	**Total**	Excise, Customs & Service tax matters	Sales Tax & VAT matters	Total
Balance as at 1st January	**7.15**	**25.32**	**32.47**	5.40	20.60	26.00
Additions during the year	**1.18**	**1.22**	**2.40**	2.06	5.23	7.29
Reversals during the year	**(0.86)**	**(1.14)**	**(2.00)**	(0.31)	(0.51)	(0.82)
Balance as at 31st December	**7.47**	**25.40**	**32.87**	7.15	25.32	32.47

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

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2010

SCHEDULE H

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
OTHER INCOME			
Interest (Gross)			
From Long term Investments (Non trade)	–		0.03
On Bank Deposits [Tax deducted at source **Rs. 2.47 Crores** (2009 : Rs. 2.92 Crores)]	**25.66**		18.55
Others	**0.27**		0.25
		25.93	18.83
Royalty & Commission Income		**8.15**	9.82
Miscellaneous Income [Tax deducted at source **Rs. 1.52 Crores** (2009 : Rs. 0.88 Crore)]		**5.40**	6.96
Debts written off in earlier years, realised		**0.02**	0.01
Excess provision for doubtful debts written back (Net)		–	0.45
		39.50	36.07

SCHEDULE I

	2010 Rupees in Crores	2009 Rupees in Crores
COST OF MATERIALS		
Opening Stock		
Raw Materials and Packages	**109.26**	139.74
Traded Items	**14.79**	15.21
	124.05	154.95
Add: Purchases		
Raw Materials and Packages	**1,374.37**	1,043.80
Traded Items	**40.46**	26.58
	1,538.88	1,225.33
Less: Closing Stock		
Raw Materials and Packages	**115.82**	109.26
Traded Items	**23.20**	14.79
	139.02	124.05
Cost of Materials		
Raw Materials and Packages	**1,367.81**	1,074.28
Traded Items	**32.05**	27.00
	1,399.86	1,101.28
(Increase)/Decrease in Stock in Finished Products		
Opening Stock	**83.35**	111.47
Closing Stock	**103.90**	83.35
	(20.55)	28.12
Excise Duty on account of Increase/(Decrease) in Stock of Finished Products	**5.36**	(5.62)
	1,384.67	1,123.78

Note: Purchases include foreign exchange difference on imports
— Gain **Rs. 1.02 Crores** (2009 : Gain Rs. 0.24 Crore)

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2010

SCHEDULE J

	Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
OPERATING AND OTHER EXPENSES			
Personnel Cost			
Salaries, Wages and Bonus [Refer Note 1(g) of Schedule L]	**78.46**		83.97
Performance Linked Incentive to Wholetime Directors	**1.01**		3.75
Contribution to Provident and Other Funds [Refer Note 1(g) and 8 of Schedule L]	**9.94**		7.61
Gratuity [Refer Note 1(g) and 8 of Schedule L]	**4.77**		0.91
Staff Welfare Expenses	**8.76**		8.15
		102.94	104.39
Rent		**13.12**	12.83
Rates & Taxes		**8.51**	8.64
Power & Fuel		**3.64**	3.48
Stores & Consumables		**1.25**	1.22
Freight & Forwarding Charges		**79.08**	68.67
Insurance		**1.86**	1.65
Repairs & Maintenance – Land & Building		**3.45**	3.43
Repairs & Maintenance – Plant & Machinery		**3.12**	3.26
Repairs & Maintenance – Others		**9.53**	9.88
Bad Debts written off		**0.18**	0.54
Provision for Doubtful Debts		**0.13**	–
Provision for Doubtful Advances		**0.02**	0.44
Investments Written off		**0.02**	–
Processing & Filling Charges		**11.44**	21.03
Advertisement & Sales Promotion		**162.40**	149.46
Stock Point Operating Charges		**18.25**	17.21
Loss on Disposal/Write off of Fixed Assets (Net) (includes impairment provision of **Rs. Nil,** 2009 : Rs. 12.43 Crores)		**1.91**	14.24
Directors' Sitting Fees		**0.03**	0.02
Voluntary Retirement Scheme Expenses (Refer Note 1(g) of Schedule L)		**0.55**	7.84
Commission to Resident Non-Wholetime Indian Directors		**0.26**	0.26
Royalty		**77.53**	63.12
Sales Promotion fee		**74.75**	60.07
Travelling Expenses		**12.22**	13.17
Legal and Professional Fees (Refer Note 13 of Schedule L)		**22.51**	25.85
Miscellaneous Expenses (Net)		**16.30**	28.35
		625.00	619.05

Note: Operating and Other expenses include foreign exchange differences (Net) — Gain **Rs. 0.14 Crore** (2009 : Loss Rs. 0.40 Crore).

SCHEDULE K

	2010 Rupees in Crores	2009 Rupees in Crores
INTEREST AND FINANCE CHARGES		
Bank Charges	**0.88**	1.06
Interest on Others	**1.54**	2.39
	2.42	3.45

Schedules forming part of the Balance Sheet as at 31st December, 2010 and the Profit and Loss Account for the year ended on that date.

SCHEDULE L

NOTES ON ACCOUNTS

1. **Accounting Policies :**

(a) Basis of Preparation of Accounts :

The Financial Statements have been prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards notified by the Companies (Accounting Standards) Rule, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies applied by the Company are consistent with those used in the previous year, except for the changes in accounting policy, if any.

(b) Use of estimates :

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

(c) Fixed Assets and Depreciation :

Fixed Assets (including Plant & Machinery Intangibles) are stated at cost less accumulated depreciation and impairment provision. Cost comprises the purchase price (Net of Cenvat and VAT wherever applicable) and any attributable cost of bringing the assets to its working condition for its intended use. Lease-hold Land and Lease-hold Improvements are being amortised on a straight-line basis over the period of lease.

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

FIXED ASSETS	USEFUL LIVES	FIXED ASSETS	USEFUL LIVES
Residential and Office Building	25 years	Office Equipments	10 years
Factory Building	30 years	Computers	4 years
Plant & Machinery	10 years to 21 years	Vehicles	4 years
Plant & Machinery Intangibles	4 years	Workshop Equipments *	2 years to 4 years
Moulds	4 years	Dealer Boards	3 years
Furniture & Fixtures	8 years		

* Workshop Equipments provided against Sales Agreements are depreciated over the standard period of Agreement.

Assets individually costing less than Rs. 5,000/- are fully depreciated in the year of acquisition.

(d) Impairment of Assets :

(i) The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(iii) A previously recognized 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.

(e) Valuation of Investments :

Long term Investments are stated at cost less provision, if any, for diminution which is other than temporary in nature.

Current Investments are valued at lower of cost and net realisable value determined on individual investment basis.

(f) Valuation of Inventories :

Raw Materials, Packages, Traded Items and Finished Goods are valued at lower of real time weighted average cost and net realisable value. Cost of Finished Goods includes material and packaging cost, proportion of manufacturing overheads based on normal operating capacity and Excise Duty. Custom Duty on stock lying in Bonded Warehouses is included in cost. Stores and Consumables are valued at cost.

SCHEDULE L (Contd.)

Accounting Policies : (Contd.)

(g) Employee Benefits :

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

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

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

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

(v) Voluntary Retirement Scheme Expenses are fully charged to the Profit and Loss Account in the year in which they accrue.

Please refer note 8 for disclosure as per revised AS 15.

(h) Recognition of Income and Expenditure :

Sales are recognised when goods are supplied and are recorded net of rebates and Sales Tax/VAT and inclusive of Excise Duty. Interest income is recognised on time proportion basis. Expenses are accounted for on accrual basis and provision is made for all known losses and expenses. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Foreign Currency Transactions :

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Premium on forward cover contracts, if any, in respect of import of raw materials is charged to Profit and Loss Account over the period of contract. All monetary assets and liabilities as at the Balance Sheet date, not covered by forward contracts are reinstated at the applicable exchange rates prevailing on that date. All exchange differences arising on transactions, not covered by forward contracts, are charged to Profit and Loss Account.

(j) Provision :

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

(k) Taxation :

(i) Tax expense comprises of Current, Deferred and Fringe Benefit Tax. Current Income Tax and Fringe Benefit Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

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

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

(iii) The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended on 31st March, 2010 and the provision for the remaining period of nine months ending on 31st December, 2010. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2010-11 to Profit Before Tax of the said period.

SCHEDULE L (Contd.)

Accounting Policies : (Contd.)

(l) Earning Per Share :

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

(m) Leases :

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

(n) Cash and Cash Equivalents :

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, fixed deposits and short-term investments which are readily convertible into known amounts of cash.

(o) Segment Reporting Policies :

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

2. The Company has allotted bonus shares on 13th April, 2010 in the ratio of one equity share for every one equity share of Rs. 10/- each held in the Company on the Record Date. The Basic and Diluted EPS has been calculated for all periods presented after taking into account the bonus issue.

3. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for **Rs. 7.47 Crores** (2009 : Rs. 2.41 Crores).

4. **Contingent Liabilities not provided for in the accounts :**

		31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
(a)	Guarantees and Counter Guarantees given by the Company	**34.45**	6.68
(b)	Excise/Sales Tax Demands made by the authorities, in respect of which appeals have been filed	**19.81**	18.07
(c)	Claims against the Company not acknowledged as debts estimated at :		
	(i) Income Tax	**–**	1.17
	(ii) In respect of Third Parties – Miscellaneous	**1.63**	1.43

Future cash outflows in respect of (b) above are determinable only on receipt of judgements/decisions pending with various forums/authorities.

5. (a) The Company had received in prior years, show cause notices from Excise Authorities in respect of input and Finished Goods stock differences at some of its plants aggregating to **Rs. 18.30 Crores** (2009 : Rs. 18.30 Crores). There have been three orders in favour of the Company though department has filed appeals against two of them. The orders were passed upholding the Company's contention that the stock differences have been almost fully reconciled/explained. The pending demands on account of stock differences aggregate to **Rs. 4.66 Crores** (2009 : Rs. 4.96 Crores) including the amounts involved in the cases where department has filed appeals. Considering that favourable orders have been received setting out a ratio that minor differences are condonable, the demands at other plants are also likely to be eventually dropped. The Company has also obtained legal opinions which concur with this view. However, as a matter of abundant caution, the Company has upto date made a provision of Rs. 0.47 Crore and payments of Rs. 1.40 Crores relating to excise cases of stock differences as on 31st December, 2010.

   (b) Certain disputed demand notices relating to Indirect Taxes amounting to **Rs. 106.74 Crores** (2009 : Rs. 100.50 Crores) have neither been considered as contingent liabilities nor acknowledged as claims, based on expert legal opinions obtained/ internal assessment. The Company is of the view that the possibility of the demands materialising is remote.

SCHEDULE L (Contd.)

6. A shareholder of the Company had filed a Public Interest Petition in the Delhi High Court interalia challenging the allotment of 3,537,862 equity shares on Preferential basis to Castrol Ltd., UK. The said Petition has been dismissed by the Delhi High Court on 11th January, 2005. However, the Shareholder has gone to appeal by way of a Special Leave Petition to the Supreme Court of India. The Appeal has been admitted but no interim relief has been granted.

7. **Segment Information :**

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

The above business segments have been identified considering :

– The customers

– The differing risks and returns

– The organisation structure

– The internal financial reporting system

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

Rupees in Crores

	31st December, 2010				31st December, 2009			
	Automotive	**Non-Automotive**	**Unallocated**	**Total**	Automotive	Non-Automotive	Unallocated	Total
Revenue								
Net Sales/Income from Operations	**2364.80**	**369.96**	**–**	**2734.76**	2008.30	309.89	–	2318.19
Results								
Segment Results	**610.87**	**103.45**	**–**	**714.32**	477.94	87.49	–	565.43
Unallocable Income net of Unallocable (Expenditure)	**–**	**–**	**25.94**	**25.94**	–	–	18.82	18.82
Interest and Finance Charges	**–**	**–**	**2.42**	**2.42**	–	–	3.45	3.45
Profit Before Taxation	**–**	**–**	**–**	**737.84**	–	–	–	580.80
Provision for Current Taxation	**–**	**–**	**–**	**251.09**	–	–	–	206.83
Deferred Taxation	**–**	**–**	**–**	**(2.49)**	–	–	–	(7.80)
Fringe Benefit Tax	**–**	**–**	**–**	**–**	–	–	–	0.71
Excess Income Tax provision for earlier years written back (Net)	**–**	**–**	**–**	**(1.07)**	–	–	–	–
Profit After Taxation	**–**	**–**	**–**	**490.31**	–	–	–	381.06
Other Information								
Segment Assets	**528.39**	**132.87**	**661.44**	**1322.70**	495.54	111.30	569.33	1176.17
Segment Liabilities	**465.59**	**48.04**	**255.57**	**769.20**	411.20	41.84	228.13	681.17
Capital Expenditure (Including Capital Work-in-Progress)	**23.97**	**1.78**	**–**	**25.75**	32.01	2.64	–	34.65
Depreciation/Amortisation	**23.20**	**1.13**	**–**	**24.33**	26.09	1.09	–	27.18
Geographical Segment								
Revenue								
India				**2732.80**				2315.21
Outside India				**1.96**				2.98
				2734.76				2318.19
Assets								
India				**1320.17**				1173.37
Outside India				**2.53**				2.80
				1322.70				1176.17
Capital Expenditure (Including Capital Work-in-Progress)								
India				**25.75**				34.65
Outside India				**–**				–
				25.75				34.65

SCHEDULE L (Contd.)

8. **Employee Benefits :**

General Description of Defined Benefit Plan

Gratuity

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

Provident Fund

The Company manages Provident Fund plan through a Provident Fund Trust for its employees which is permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee, together with interest, are payable at the time of separation from service or retirement, whichever is earlier.

The benefit under this plan vests immediately on rendering of service.

Survivor Protection Scheme

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

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.

Rupees in Crores

	As at 31st December, 2010				As at 31st December, 2009			
	Gratuity (Funded)	**Provident Fund (Funded)**	**Survivor Protection (Non-funded)**	**Pension Benefit (Non-funded)**	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:								
Obligation at period beginning	**21.28**	**86.83**	**0.18**	**1.99**	28.18	87.22	0.21	2.61
Current service cost	**1.50**	**3.16**	**–**	**–**	1.66	3.36	–	–
Interest cost	**1.63**	**5.05**	**–**	**–**	1.38	5.12	–	–
Actuarial (gain)/loss due to change in assumptions	**(0.46)**	**(0.05)**	**0.07**	**0.07**	(2.71)	(0.40)	(0.03)	(0.44)
Experience (gain)/loss on plan liability	**1.39**	**0.05**	**–**	**–**	2.82	(0.29)	–	–
Contribution	**–**	**4.90**	**–**	**–**	–	7.56	–	–
Benefits paid	**(2.49)**	**(16.06)**	**(0.08)**	**(0.18)**	(10.05)	(15.74)	–	(0.18)
Past service cost	**0.12**	**–**	**–**	**–**	–	–	–	–
Obligation at period end	**22.97**	**83.88**	**0.17**	**1.88**	21.28	86.83	0.18	1.99
Change in plan assets								
Plan Assets at period beginning, at fair value	**24.98**	**84.86**	**–**	**–**	30.60	85.01	–	–
Expected return on plan assets	**1.77**	**4.81**	**–**	**–**	1.74	2.76	–	–
Actuarial gain/(loss) due to change in assumptions	**(2.56)**	**(0.53)**	**–**	**–**	0.22	1.91	–	–
Contributions by Employer	**2.23**	**3.16**	**–**	**–**	2.47	3.36	–	–
Contributions by Plan Participants	**–**	**4.90**	**–**	**–**	–	7.56	–	–
Benefits paid	**(2.49)**	**(16.06)**	**–**	**–**	(10.05)	(15.74)	–	–
Plan Assets at period end, at fair value	**23.92**	**81.14**	**–**	**–**	24.98	84.86	–	–
Reconciliation of present value of the obligation and the fair value of plan assets								
Fair value of plan assets at the end of the period	**23.92**	**81.14**	**–**	**–**	24.98	84.86	–	–
Present value of the defined benefit obligation at the end of the period	**22.97**	**83.88**	**0.17**	**1.88**	21.28	86.83	0.18	1.99
Asset/(liability) recognised in the Balance Sheet	**0.95**	**(2.74)**	**(0.17)**	**(1.88)**	3.70	(1.97)	(0.18)	(1.99)
Expense for the year (Refer Note A (i) below)								
Current service cost	**1.50**	**3.16**	**–**	**–**	1.66	3.36	–	–
Interest cost on benefit obligation	**1.63**	**5.05**	**–**	**–**	1.38	5.12	–	–
Expected return on plan assets	**(1.77)**	**(4.81)**	**–**	**–**	(1.74)	(2.76)	–	–
Net actuarial (gain)/loss recognised in the year	**3.50**	**0.53**	**0.07**	**0.07**	(0.11)	(2.60)	(0.03)	(0.44)
Past service cost	**0.12**	**–**	**–**	**–**	–	–	–	–
Net cost	**4.98**	**3.93**	**0.07**	**0.07**	1.19	3.12	(0.03)	(0.44)
Actual return on plan assets	**1.77**	**4.81**	**–**	**–**	1.74	2.76	–	–
Estimated contribution to be made in next annual year	**2.50**	**3.50**	**–**	**–**	2.50	3.50	–	–

SCHEDULE L (Contd.)

Employee Benefits : (Contd.)

Rupees in Crores

Assumptions	As at 31st December, 2010				As at 31st December, 2009			
	Gratuity	**Provident Fund**	**Survivor Protection**	**Pension Benefit**	Gratuity	Provident Fund	Survivor Protection	Pension Benefit
Discount rate	**8.0%**	**8.0%**	**8.0%**	**8.0%**	7.5%	7.5%	7.5%	7.5%
Employee turnover	**8.0%**	**8.0%**	**–**	**–**	8.0%	8.0%	–	–
Mortality	**LIC Ultimate 94-96**	**LIC Ultimate 94-96**	**LIC Ultimate 94-96**	**–**	LIC Ultimate 94-96	LIC Ultimate 94-96	LIC Ultimate 94-96	–

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

	As at 31st December, 2010		As at 31st December, 2009	
	Gratuity	**Provident Fund**	Gratuity	Provident Fund
The composition of plan assets				
Debt Instruments	**83%**	**73%**	85%	73%
Others	**17%**	**27%**	15%	27%
	100%	**100%**	100%	100%

Amount for the current and previous periods are as follows :

Rupees in Crores

	As at 31st December, 2010				As at 31st December, 2009			
	Gratuity (Funded)	**Provident Fund (Funded)**	**Survivor Protection (Non-funded)**	**Pension Benefit (Non-funded)**	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Experience (gain)/loss on plan liability	**1.39**	**0.05**	**–**	**–**	2.82	(0.29)	–	–
Fair value of plan assets at the end of the period	**23.92**	**81.14**	**–**	**–**	24.98	84.86	–	–
Present value of the defined benefit obligation at the end of the period	**22.97**	**83.88**	**0.17**	**1.88**	21.28	86.83	0.18	1.99
Asset/(liability) recognised in the Balance Sheet	**0.95**	**(2.74)**	**(0.17)**	**(1.88)**	3.70	(1.97)	(0.18)	(1.99)

	As at 31st December, 2008				As at 31st December, 2007			
	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Experience (gain)/loss on plan liability	1.02	0.58	–	–	–	–	–	–
Fair value of plan assets at the end of the period	30.60	85.00	–	–	29.75	78.26	–	–
Present value of the defined benefit obligation at the end of the period	28.20	87.22	0.21	2.61	25.03	81.64	0.21	1.97
Asset/(liability) recognised in the Balance Sheet	2.40	(2.22)	(0.21)	(2.61)	4.72	(3.38)	(0.21)	(1.97)

SCHEDULE L (Contd.)

Employee Benefits : (Contd.)

A. **Amounts recognised as an expense :**

(i) **Defined Benefit Plan**

Gratuity in Schedule J includes gratuity cost of **Rs. 4.77 Crores** (2009 : Rs. 0.91 Crore) (net of recoveries of **Rs. 0.21 Crore** (2009 : Nil) towards employees on secondment from group companies). Contribution to Provident and Other Funds in Schedule J includes **Rs. 3.93 Crores** (2009 : Rs. 2.93 Crores) for Provident Fund.

Salaries, wages and bonus in Schedule J includes Leave encashment, survivor protection (death benefit), pension benefit to past employees, **Rs. 0.15 Crore** (2009 : Rs. 0.36 Crore).

(ii) **Defined Contribution Plan**

Contribution to Provident and Other Funds' in Schedule J includes **Rs. 4.90 Crores** (2009 : Rs. 4.63 Crores) for Pension Fund, ESIC and Labour Welfare Fund and 'Insurance' includes **Rs. 1.15 Crores** (2009 : Rs. 0.81 Crore) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Schedule J includes **Rs. 0.93 Crore** (2009 : Rs. 1.09 Crores) for Share Match.

B. **Basis used to determine expected rate of return on assets :**

The major portion of the assets are invested in debt instruments. Expected rate of return on investments for all defined benefit plans is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio since these are generally held to maturity, along with the estimated incremental investments to be made during the year. Expected rate of return on plan assets is **8%** (2009 : 8%).

9. **Related Party Disclosures :**

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

(a) Holding Companies

Castrol Ltd., U.K. (Holding Company of Castrol India Ltd.)
Burmah Castrol Holdings Ltd. (Holding Company of Castrol Ltd., U.K.)
BP PLC (Holding Company of Burmah Castrol Holdings Ltd.)

(b) Other Related Parties (where transaction exists)

Arabian Prod. & Marketing Lub. Co. Ltd.
Aspac Lubricants (Malaysia) Sdn Bhd
Aspac Lubricants Malaysia
BP China Aspac HKD Lub.
BP France
BP (China) Industrial Lubricants Ltd.
BP Alternative Energy International Ltd.
BP Australia Pty Ltd.
BP Castrol (Thailand) Ltd.
BP Castrol KK
BP Castrol Lubricants (Malaysia) SDN
BP China Holding Ltd.
BP Corporation NA Inc.
BP Egypt Company
BP Egypt Oil (335 GUPCO)
BP Energy India Pvt. Ltd.
BP Europa SE
BP Europa SE – BP Belgium (Branch)
BP Exploration (Alpha) Ltd. – CBM India
BP Exploration (Alpha) Ltd.
BP Exploration (In Salah) Ltd.
BP France SA Branch Office (Trading as BP Middle East)
BP India Services Pvt. Ltd.
BP International Ltd.
BP Italia SPA
BP Japan KK
BP Korea Limited
BP Lub. Shanghai SIBU
BP Lubricants USA, Inc.
BP Marine Ltd.
BP Mauritius Ltd.
BP Middle East
BP Oil Head Office
BP Oil International Ltd.
BP Oil UK Ltd.
BP Shipping Ltd.
BP Singapore – LSC Regional
BP Singapore Marine
BP Singapore Pte. Ltd.
BP Singapore Spec Ind. Lubes
BP South Africa
BP South West Pacific Limited
BP S. W. Pacific OAZ
BP Southern Africa (Proprietary) Limited
BP Turkiya OEU
BPOI – IST HO Costs
BPSA Lubes
Burmah Castrol Australia PTY Ltd.
Castrol (Shenzhen) Co. Ltd.
Castrol (Shenzhen) Company Ltd. (Shanghai Branch)

SCHEDULE L (Contd.)

Related Party Disclosures : (Contd.)

(b) Other Related Parties (where transaction exists) (Contd.)

Castrol (UK) Ltd.	Deutsche BP
Castrol Australia Pte. Ltd.	Deutsche BP AG
Castrol Austria AG	First Energy India Limited
Castrol Austria GmbH	Lubricants UK Ltd.
Castrol BP Petco Ltd.	Nordic Lubricants AB
Castrol BP Petco Limited Liability Company	Nordic Lubricants AS
Castrol Industrial North America Inc.	Premier Lubes Aspac Ltd.
Castrol Ltd. UK.	Premier Lubricants (S) Pte. Ltd.
Castrol Offshore	PT Castrol Indonesia
Castrol Pakistan Private Ltd.	Tata BP Solar India Ltd.

(c) Associates (where transaction exists)

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

(d) Key Management Personnel (where transaction exists)

N. K. Kshatriya	Managing Director	Upto 8th May, 2009
R. Kirpalani	Director – Automotive & Chief Operating Officer	From 8th May, 2009
A. S. Ramchander	Executive Director	Upto 30th April, 2009
A. P. Mehta	Executive Director	Upto 15th November, 2010
S. Vaidya	Executive Director	From 16th November, 2010
S. Malekar	Executive Director	From 1st May, 2008

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

Rupees in Crores

	31st December, 2010					31st December, 2009				
	Holding Companies	**Subsidiary**	**Associates**	**Key Management Personnel**	**Fellow Subsidiaries**	Holding Companies	Subsidiary	Associates	Key Management Personnel	Fellow Subsidiaries
Purchase of Materials/ Finished Goods										
BP Europa SE	–	–	–	–	**14.53**	–	–	–	–	–
BP Oil International Ltd.	–	–	–	–	**35.77**	–	–	–	–	34.50
Castrol Industrial North America	–	–	–	–	**9.80**	–	–	–	–	–
Others	–	–	–	–	**10.98**	–	–	–	–	19.24
Sale of Goods & Related Expenses										
BP (China) Industrial Lubricants Ltd.	–	–	–	–	**0.58**	–	–	–	–	0.70
BP Castrol (Thailand) Ltd.	–	–	–	–	**0.15**	–	–	–	–	0.14
BP Middle East	–	–	–	–	–	–	–	–	–	0.04
Others	–	–	–	–	**0.08**	–	–	–	–	0.14
Receiving of Services										
BP International Ltd.	–	–	–	–	**0.72**	–	–	–	–	–
BP Oil Head Office	–	–	–	–	–	–	–	–	–	0.80
Lubricants UK Ltd.	–	–	–	–	**4.41**	–	–	–	–	5.03
Others	–	–	–	–	**1.51**	–	–	–	–	2.06
Rendering of Services & Deputation of Employees										
BP India Services Pvt. Ltd.	–	–	–	–	**7.52**	–	–	–	–	7.70
BP Middle East	–	–	–	–	–	–	–	–	–	7.08
Others	–	–	–	–	**1.71**	–	–	–	–	6.68

SCHEDULE L (Contd.)

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

Rupees in Crores

	31st December, 2010					31st December, 2009				
	Holding Companies	Sub-sidiary	Asso-ciates	Key Manage-ment Personnel	Fellow Sub-sidiaries	Holding Companies	Sub-sidiary	Asso-ciates	Key Manage-ment Personnel	Fellow Sub-sidiaries
Transfer of Employee related balances										
BP India Services Pvt. Ltd. – Transfer out	–	–	–	–	0.59	–	–	–	–	1.51
BP India Services Pvt. Ltd. – Transfer in	–	–	–	–	0.50	–	–	–	–	0.58
Commission Income										
BP Marine Ltd.	–	–	–	–	4.56	–	–	–	–	3.85
Contribution to Funds										
Castrol India Ltd. Employees' Provident Fund	–	–	3.93	–	–	–	–	2.93	–	–
Castrol India Ltd. Staff Pension Fund	–	–	4.40	–	–	–	–	4.08	–	–
Castrol India Ltd. Employees' Gratuity Fund	–	–	4.77	–	–	–	–	0.91	–	–
Dividend										
Castrol Ltd., U.K.	263.06	–	–	–	–	219.22	–	–	–	–
Others	–	–	–	–	0.41	–	–	–	–	0.34
Royalty Expense										
Castrol Ltd., U.K.	77.53	–	–	–	–	63.12	–	–	–	–
Amounts Payable										
Castrol Ltd., U.K.	210.65	–	–	–	–	186.20	–	–	–	–
BP Oil International Ltd.	–	–	–	–	–	–	–	–	–	10.96
Others	–	–	–	–	9.35	–	–	–	–	6.32
Amounts Receivable										
BP India Services Pvt. Ltd.	–	–	–	–	1.35	–	–	–	–	2.82
BP Marine Ltd.	–	–	–	–	1.56	–	–	–	–	–
BP Singapore Spec Ind. Lubes	–	–	–	–	–	–	–	–	–	1.18
Lubricants UK Ltd.	–	–	–	–	–	–	–	–	–	0.59
Others	–	–	–	–	1.04	–	–	–	–	1.06
Remuneration to Managing Director										
N. K. Kshatriya	–	–	–	–	–	–	–	–	2.95	–
Remuneration to Executive Directors										
A. S. Ramchander	–	–	–	–	–	–	–	–	0.92	–
A. P. Mehta	–	–	–	0.68	–	–	–	–	1.43	–
Soren Malekar	–	–	–	1.27	–	–	–	–	1.24	–
Ravi Kirpalani	–	–	–	2.11	–	–	–	–	1.18	–
Sujit Vaidya	–	–	–	0.15	–	–	–	–	–	–
Loan Outstanding										
Ravi Kirpalani	–	–	–	0.16	–	–	–	–	0.16	–
Recovery of Loan & Interest thereon										
Ravi Kirpalani	–	–	–	0.01	–	–	–	–	0.01	–

SCHEDULE L (Contd.)

10. **Operating Lease for assets taken on lease after 1st April, 2001. ***

		31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
(a)	Total of future minimum lease payments.		
	(i) Not later than one year	**8.47**	10.95
	(ii) Later than one year and not later than five years	**2.74**	8.49
	(iii) Later than five years	**–**	–
(b)	Lease payments recognised in the Profit and Loss Account	**12.07**	12.64

* Office Premises, Residential Flats, Motor Cars and Equipments are obtained on operating lease. The lease terms range from one year to six years and are renewable at the option of the Company.

11. **Information given under Clause 3(i)(a), 3(ii), 4-C, 4-D of Part II of Schedule VI to the Companies Act, 1956.**

	31st December, 2010		31st December, 2009	
	Quantity (KLs/MTs)	**Value Rupees in Crores**	Quantity (KLs/MTs)	Value Rupees in Crores
(a) Turnover (Net Sales)				
Class of Goods :				
Lubricating Oils, Greases, etc.				
Manufactured Grades	**217071**	**2657.62**	202922	2266.81
Traded Items	**2063**	**72.89**	1614	48.89
	219134	**2730.51**	204536	2315.70
Old and used Containers		**4.25**		2.49
		2734.76		2318.19
(b) (i) Consumption of Raw Materials, Additives and Chemicals and Packages : *				
Base Oils	**187463**	**862.39**	176838	647.66
Additives and Chemicals	**31825**	**355.36**	32429	336.26
Packages (Individual items each being less than 10% of the total)	**–**	**150.06**	–	90.36
	219288	**1367.81**	209267	1074.28

* Does not include adjustment for old and used Containers

	31st December, 2010		31st December, 2009	
	Value Rupees in Crores	**% of Total Consumption**	Value Rupees in Crores	% of Total Consumption
(ii) Value of all Imported and Indigenous Raw Materials consumed during the year :				
Imported :				
Base Oils	**534.24**	**39.06**	369.56	34.41
Additives and Chemicals	**143.31**	**10.48**	135.84	12.64
Indigenous :				
Base Oils	**328.15**	**23.99**	278.10	25.88
Additives and Chemicals	**212.05**	**15.50**	200.42	18.65
Packages	**150.06**	**10.97**	90.36	8.41
	1367.81	**100.00**	1074.28	100.00
(iii) Value of all Imported and Indigenous Stores & Consumables consumed during the year :				
Imported	**0.09**	**7.20**	0.04	3.28
Indigenous	**1.16**	**92.80**	1.18	96.72
	1.25	**100.00**	1.22	100.00

SCHEDULE L (Contd.)

Information given under Clause 3(i)(a), 3(ii), 4-C, 4-D of Part II of Schedule VI to the Companies Act, 1956. (Contd.)

	31st December, 2010		31st December, 2009	
	Quantity (KLs/MTs)	**Value Rupees in Crores**	Quantity (KLs/MTs)	Value Rupees in Crores
(c) Opening and Closing Stock of Goods produced :				
Manufactured Grades :				
Lubricating Oils and Greases				
Opening Stock [Including Quantity held on account of free of cost scheme **2409 KLs/MTs** (2009 : 1623 KLs/MTs)]	**11602**	**83.35**	11733	111.47
Closing Stock [Excluding shortages/ losses – **61 KLs/MTs** (2009 : 107 KLs/MTs)] [Including Quantity held on account of free of cost scheme **2371 KLs/MTs** (2009 : 2409 KLs/MTs)]	**12363**	**103.90**	11602	83.35
(d) Traded Items:				
Lubricating Oils and Greases				
Opening Stock	**882**	**14.79**	912	15.21
Purchases	**2627**	**40.46**	1584	26.58
Closing Stock [Excluding Shortages/Losses **3 KLs** (2009 : Nil KLs)]	**1443**	**23.20**	882	14.79

(e) Licensed and Installed Capacity :

(i) Licensed Capacity – Not applicable as per legal advice

(ii) Installed Capacity

	[Technically evaluated as certified by the Management (Per Year on a single shift basis)]	
	31st December, 2010 (KLs/MTs)	31st December, 2009 (KLs/MTs)
For production of Lubricating Oils, Greases, Brake Fluids at Patalganga, Kolkata, Chennai & Silvassa	**236000**	236000
(f) Production of Lubricating Oils, Greases, etc. [Including processing done by third parties **14071 KLs/MTs** (2009 : 14895 KLs/MTs)]	**217542**	203684

(g) (i) Consumption includes adjustments for shortage/excess, etc. and the effects of reduction of inventory to realisable value.

(ii) Quantities of turnover, consumption, production, opening and closing stocks of additives and chemicals are made up of Kilolitres and Metric Tons, but the constituent units of measurement of the items have not been separately identified and indicated.

(iii) As the Company manufactures and trades, the information required by Clause 3(ii) (a) of Schedule VI Part II to the Companies Act, 1956 is interpreted to require total amounts to be disclosed in respect of opening stock, closing stock and purchases of traded items.

12. **Directors' Emoluments**

	31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
Total Remuneration (excluding sitting fees) [Refer (b) and (c) below]	**4.48**	7.99
Includes:		
(i) Salary and Allowances	**2.29**	3.01
(ii) Contribution to Provident and other funds	**0.42**	0.58
(iii) Estimated value of perquisites *	**0.50**	0.39
(iv) Performance Linked Incentive to Whole time Directors	**1.01**	3.75
(v) Commission to Resident Non-Whole time Indian Directors [Refer (c) below]	**0.26**	0.26

* Evaluated as per Income-tax Rules wherever applicable.

SCHEDULE L (Contd.)

Directors' Emoluments (Contd.)

			Rupees in Crores	31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
(a)	Computation of Profit in accordance with Section 349 of the Companies Act, 1956 :				
	Profit before Taxation as per Profit and Loss Account			**737.84**	580.80
	Add:	Depreciation as per Profit and Loss Account	**24.33**		27.18
		Provision for Doubtful Debts (Net of amounts written back)	**0.13**		(0.01)
		Provision for Doubtful Advances	**0.02**		0.44
		Investments Written off	**0.02**		–
		Directors' Sitting fees	**0.03**		0.02
		Profit on Disposal/Write off of Fixed Assets (Net)	**1.91**		1.81
				26.44	29.44
				764.28	610.24
	Less:	Depreciation under Section 350 of the Companies Act, 1956	**14.48**		14.31
		Wealth Tax	**0.16**		0.16
		Excess Provision for Doubtful Debts written back	**–**		0.45
				14.64	14.92
	Profit under Section 349 of the Companies Act, 1956			**749.64**	595.32
	Add:	Directors' Remuneration		**4.48**	7.99
	Profit as per Section 198(1)			**754.12**	603.31

Note: As the actuarial valuation impact is provided for the company as a whole, the amounts pertaining to the directors are not included above.

			31st December, 2010	31st December, 2009
(b)	Remuneration payable to Managing and Wholetime Directors			
	@ 10% on above profits		**75.41**	60.33
		Restricted by the Board of Directors to	**4.22**	7.73
(c)	Commission payable to resident Non-Wholetime Indian Directors			
	@ 1% on above profits		**7.54**	6.03
		Restricted by the Board of Directors to	**0.26**	0.26

13. **Legal and Professional Fees include Auditors' Remuneration as follows**

As auditor:			
(i)	Audit Fees – Statutory #	**0.42**	0.32
(ii)	Tax Audit Fee #	**0.17**	0.14
(iii)	Limited Review #	**0.11**	0.13
(iv)	Out-of-pocket expenses	**0.02**	0.02
In other manner :			
(i)	Certification	**0.02**	0.02
		0.74	0.63

Excluding Service Tax of **Rs. 0.08 Crore** (2009 : Rs. 0.07 Crore)

14. **Details of Dues to Micro enterprises and Small enterprises**

(i)	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year [Interest **Rs. Nil** (2009 : Rs. Nil)]	**2.97**	0.40
(ii)	The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**–**	–

SCHEDULE L (Contd.)

Details of Dues to Micro enterprises and Small enterprises : (Contd.)

		31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
(iii)	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 Small and Medium Enterprise Development Act, 2006.	**–**	–
(iv)	The amount of interest accrued and remaining unpaid at the end of each accounting year.	**–**	–
(v)	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 the Micro Small and Medium Enterprise Development Act, 2006.	**–**	–

15. Research and Development expenses amounting to **Rs. 8.02 Crores** (Net) (2009 : Rs. 8.26 Crores) are included under relevant heads of expense.

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

Particulars	Foreign Currency						
	AUD	EURO	GBP	JPY	SGD	USD	SEK
31st December, 2010							
Sundry Creditors – Foreign currency	**1551**	**956808**	**14475**	**862224**	**19746**	**8035185**	**–**
Sundry Creditors – Rs. in Crores	**0.01**	**5.63**	**0.10**	**0.05**	**0.07**	**36.05**	**–**
Sundry Debtors – Foreign currency	**–**	**–**	**–**	**–**	**–**	**777924**	**–**
Sundry Debtors – Rs. in Crores	**–**	**–**	**–**	**–**	**–**	**3.49**	**–**
Loans and Advances – Foreign currency	**–**	**3436**	**–**	**–**	**–**	**1088398**	**–**
Loans and Advances – Rs. in Crores	**–**	**0.02**	**–**	**–**	**–**	**4.88**	**–**
31st December, 2009							
Sundry Creditors – Foreign currency	6528	660463	7502	959438	109402	13474882	14248
Sundry Creditors – Rs. in Crores	0.03	4.43	0.06	0.05	0.36	62.89	0.01
Sundry Debtors – Foreign currency	–	–	–	–	–	588174	–
Sundry Debtors – Rs. in Crores	–	–	–	–	–	2.74	–
Loans and Advances – Foreign currency	–	–	–	–	–	490997	–
Loans and Advances – Rs. in Crores	–	–	–	–	–	2.29	–

		31st December, 2010 Rupees in Crores	31st December, 2009 Rupees in Crores
17.	**C.I.F. Value of Imports :**		
	Raw Materials	**548.29**	406.26
	Capital Goods	**3.63**	1.60
18.	**Expenditure in Foreign Currency (on accrual basis) :**		
	Travel	**1.32**	1.02
	Import of goods for resale	**30.74**	12.83
	Royalty (Gross) [Tax deducted at source **Rs. 8.19 Crores** (2009 : Rs. 9.46 Crores)]	**77.53**	63.12
	Others (Net of tax where applicable)	**13.03**	19.72
19.	**Earnings in Foreign Exchange (on accrual basis) :**		
	Supplies to Foreign Vessels	**10.83**	14.38
	Commission	**4.56**	3.85
	FOB value of goods exported	**1.96**	2.98

SCHEDULE L (Contd.)

20. Details of Dividend remitted during the year, to **Two** (2009 : Two) non-resident shareholders are as follows :

Dividend in respect of the year ended	No. of Shares	**31st December, 2010 Rupees in Crores**	31st December, 2009 Rupees in Crores
31-12-2008 (Final)	87822929	**–**	79.04
31-12-2009 (Interim)	87822929	**–**	87.82
31-12-2009 (Final & Special)	87822929	**131.73**	–
31-12-2010 (Interim)	175645858	**122.95**	–

21. Previous year's figures have been regrouped wherever necessary.

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 22, 2011

S. M. DATTA Chairman
N. K. KSHATRIYA Vice Chairman
R. KIRPALANI Chief Operating Officer

Executive Directors

S. VAIDYA Director
S. MALEKAR Director

Non-Executive Directors

R. GOPALAKRISHNAN Director
R. HEWINS Director
D. S. PAREKH Director

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile :

I. **Registration Details**

Registration No. 21359 State Code 11

Balance Sheet Date 31 (Date) 12 (Month) 2010 (Year)

II. **Capital raised during the year** (Amount in Rs. Thousands)

Public Issue	Rights Issue
–	–
Bonus Issue	Private Placement
1236400	–

III. **Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities	Total Assets
13227000	13227000

Sources of Funds :

Paid up Capital	Reserves & Surplus
2472800	3062200
Secured Loans	Unsecured Loans
–	–

Application of Funds :

Net Fixed Assets	Investments
1368900	–
Deferred Tax Assets/(Liability) (Net)	Net Current Assets
371100	3795000
Miscellaneous Expenditure	Accumulated Losses
–	–

IV. **Performance of the Company** (Amount in Rs. Thousands)

Turnover	Total Expenditure
27347600	20364200
Profit/(Loss) before tax	Profit/(Loss) after tax
7378400	4903100
Earning per share (Rs.)	Dividend Rate %
19.83	150

V. **Generic Names of Principal Products/Services of the Company**

Item Code No. (ITC Code) 271000.61

Product Description LUBRICATING OILS

S. M. DATTA	Chairman	N. K. KSHATRIYA	Vice Chairman
		R. KIRPALANI	Chief Operating Officer

Executive Directors

S. VAIDYA Director S. MALEKAR Director

A. H. MODY
General Manager
Legal & Company Secretary

Non-Executive Directors

R. GOPALAKRISHNAN Director R. HEWINS Director
D. S. PAREKH Director

Mumbai
February 22, 2011

Cash Flow Statement for the year ended 31st December, 2010

			2010	2009
		Rupees in Crores	**Rupees in Crores**	Rupees in Crores
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before Tax	**737.84**		580.80
	Adjustments for :			
	Depreciation	**24.33**		27.18
	Interest and Finance Charges	**2.42**		3.45
	Interest Income	**(25.93)**		(18.83)
	Provision for Doubtful Advances (Net)	**0.02**		0.44
	Provision for Doubtful Debts (Net)	**0.31**		0.09
	Investments Written off	**0.02**		–
	Unrealised foreign exchange (gain)/loss	**(0.45)**		(0.22)
	Loss on Disposal/Write off of Fixed Assets (Net)	**1.91**		14.24
	Miscellaneous Income	**–**		(0.81)
	Operating Profit before Working Capital Changes	**740.47**		606.34
	Movement in Working Capital (Increase)/Decrease			
	Sundry Debtors	**(18.14)**		1.62
	Inventories	**(35.57)**		58.67
	Other Loans & Advances	**3.26**		(13.21)
	Current Liabilities	**63.97**		134.53
	Cash generated from Operations	**753.99**		787.95
	Income Tax Paid	**(239.23)**		(218.38)
	Fringe Benefit Tax Paid	**–**		(1.12)
	NET CASH FLOW FROM OPERATING ACTIVITIES		**514.76**	568.45
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets	**(25.75)**		(34.65)
	Sale of Fixed Assets	**0.08**		0.22
	Sale of Investments	**0.50**		–
	Interest received	**24.42**		16.39
	Margin Money Deposit	**(10.08)**		–
	NET CASH FLOW FROM INVESTING ACTIVITIES		**(10.83)**	(18.04)

Cash Flow (Contd.)

		Rupees in Crores	2010 Rupees in Crores	2009 Rupees in Crores
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Repayment of long term borrowings	**–**		(1.98)
	Interest Paid	**(2.40)**		(3.46)
	Dividend Paid	**(358.56)**		(234.92)
	Dividend Tax paid	**(59.55)**		(39.92)
	NET CASH FLOW FROM FINANCING ACTIVITIES		**(420.51)**	(280.28)
D.	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)**		**83.42**	270.13
	CASH AND CASH EQUIVALENTS, beginning of the year		**525.76**	255.63
	CASH AND CASH EQUIVALENTS, end of the year		**609.18**	525.76

Notes: (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement as notified under Companies (Accounting Standards) Rule, 2006 (as amended).

(2)

Cash and Bank Balance (Refer Schedule F and Note 3 below)	619.26
Less: Margin Money Deposit	10.08
Cash and Cash Equivalents as above	609.18

(3) Cash and Cash equivalents as at the end of December 31, 2010 include Bank Deposits of Rs. 334.22 Crores with a maturity period exceeding three months and which are readily convertible into known amounts of cash.

(4) Previous year's figures have been regrouped wherever necessary.

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
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Notes