Castrol India Limited
Annual Report 2009

Castrol

UDAAN

ASPIRING FOR GREATER HEIGHTS

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

Dear Shareholders,

On the heels of an impressive year on year growth in each of the years 2006 to 2008, your Company delivered a Profit Before Tax of Rs. 581 crores, a growth of 41%, in 2009. The result was indeed heart warming as it was in the centenary year of brand Castrol in India.

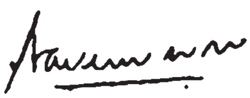
Back in 2006, Team Castrol India had made a resolve to change the future of your Company, by aspiring to and achieving ambitious goals. The team had declared an intent to double profits to over Rs. 500 crores by 2011. This was underpinned by a clearly articulated Winning Strategy. I am delighted to inform you that the goal has been significantly exceeded, two years ahead of schedule. In addition to the in year bottom-line achievement, key performance indicators like return on sales, return on capital employed, productivity and business health measures show strong improvement as well. This suggests sustainability of growth. I believe the prime reason for our strong performance is the faithful execution of our winning strategy: targeted segment participation and distinctive brand and customer offers, whilst continuously driving cost effectiveness and efficiency. All this has been possible by the Right people and the Right organization.

The 2009 results feel extraordinary in face of a very difficult external environment during the year and we made this possible by defending margins and attacking inefficiencies but remaining committed to our core values, especially personal and operational safety. Key features of the 2009 performance included significant enhancement in brand investment, customer relationships and people. Your Company increased efforts in building organization capability and enhancing engagement with staff. It is heartening to note that we have been recognized externally for our excellence in HR practices and value creation for all stakeholders.

Not many brands survive, let alone remain successful or grow for a century. We have celebrated 100 years of brand Castrol in India with our best performance to date. We have achieved this by envisioning a bright future, setting bold goals for ourselves and working at achieving these diligently. Your Company is blessed with a passionate team which revels in the success of all stakeholders: Customers, Shareholders, Partners and our People. Your Company's 2009 Winning Performance was celebrated with a record dividend and a bonus issue in the ratio of 1:1.

Our success over the past hundred years in India has given us the confidence to plan audaciously for the future and we hope to go from strength to strength. The team at Castrol India refers to your Company's rise to the next level as their 'Udaan' - a flight to greater heights. On behalf of the management team and the Board of Directors, I am happy to share with you that we are already on the way. I am confident that the best is yet to come because today we have built a stronger brand, stronger partnerships and a stronger team.

All this has been possible because of your unflinching faith in our teams of yesterday and today who have tirelessly given their best to Castrol.



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
A. P. Mehta
S. Malekar

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

Bankers
Deutsche Bank
HDFC Bank Ltd.
The Hongkong & Shanghai Banking Corporation Ltd.
State Bank of India
Bank of America

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)
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road,
Mahalaxmi,
Mumbai 400 011.

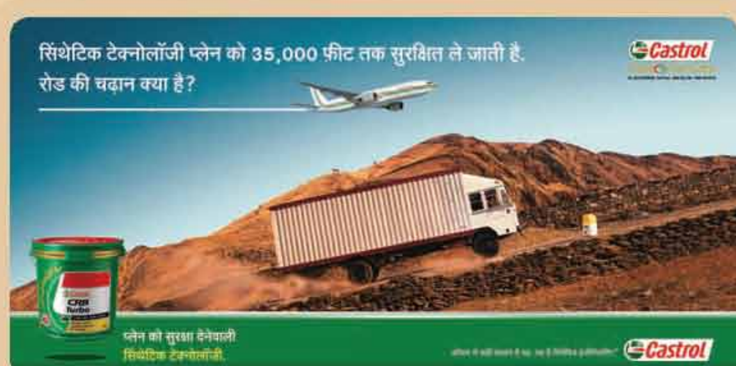
WINNING PERFORMANCES

Strong Brands

Top racing teams in the world rely on Castrol Edge to provide them superior performance even under extreme conditions

Castrol Activ, India's largest selling 4T motorcycle oil was relaunched with synthetic technology

Castrol CRB Turbo - a high performance new generation diesel engine oil for trucks, was relaunched with synthetic technology



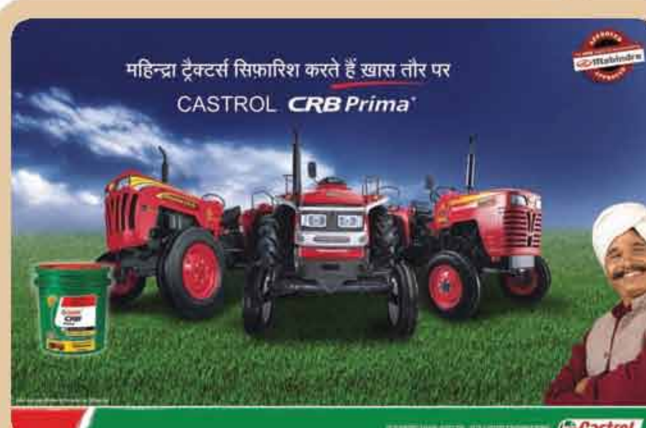
Castrol GTX – the flagship brand in the passenger car engine oil segment was relaunched with new 'sludge buster' proposition

Power1 Passion Hunt – a nationwide hunt for India's most passionate biker, drew large participation and positively impacted the Power1 brand

Sanjeevani – a consumer contact program reached out to over three lakh tractor owners across the country

Winners of the Golden Spanner Mechanic Contest with Anuradha Bambawale – Brand Manager for passenger cars (on extreme left)

Mahindra Tractors, the largest manufacturer of tractors in the world, specially recommends Castrol CRB Prima



bp vanellus tractor – a diesel engine oil launched for Swaraj tractors

WINNING PERFORMANCES

Reaching out

Premium retail lubricant outlets have been transformed with Castrol signalization – promoting our high performance brands and giving the outlets a distinctive look

Castrol GTX and Castrol CRB Turbo mobile vans reach out to customers in the market place

Castrol Authorized Service Associates (CASAs) ensure distribution of Castrol brands to mechanics and small workshops across the country

Top performing Industrial Distributors seen here with Jitin Munjal - General Manager (fifth from left) and Uday Kumar - Area Director (seventh from left), help extend the distribution of Castrol Industrial products across the country

Enduring Relationships

In 2009 Castrol celebrated 25 years of its association with Maruti Suzuki. Picture shows senior leaders from Maruti and Castrol at the event held to celebrate the occasion

A print advertisement celebrating Castrol's partnership philosophy

A Tata Nano car on display at the Castrol International Technology Centre in Pangbourne, UK, where the special oil for the car was co-engineered by Castrol and Tata Motors

Mr. Bishwambhar Mishra - CEO, Swaraj Tractor Division, M&M (on right) and Ravi Kirpalani - Automotive Director & COO, CIL, signing an agreement recommending Castrol Engine Oils for Swaraj Tractors

WINNING PERFORMANCES

Sports & Sponsorships

Discover the new stars of Twenty20 CASTROLCRICKET.com HOME OF THE CASTROL INDEX

CASTROL INDEX

Castrolcricket.com, an online website offers unique insights into the performances of cricketers and teams and is the preferred destination for discerning cricket fans

The Castrol Awards for Cricketing Excellence are India's premier Awards which recognize Indian cricketers – past, present and future. Picture shows Ravi Kirpalani – Automotive Director and COO, CIL, handing over the trophy for the Castrol Indian Cricketer of the Year 2008, to Gautam Gambhir

THE Castrol AWARDS FOR CRICKETING EXCELLENCE

Giriraj Bagri – Vice President Marketing, CIL, handing over the Castrol Indian Test Player of the Year Award to Virender Sehwag

Ace footballer Baichung Bhutia, Actor and Castrol Brand Ambassador – John Abraham, Giriraj Bagri and Ravi Kirpalani (from left to right) at a Press Conference to announce the launch of a Castrol consumer promotion in India

Cristiano Ronaldo – one of the world's leading footballers is Castrol's global brand ambassador

Focus on Safety

Castrol
T20 ROAD SAFETY CHALLENGE

Castrol India employees participated in a Castrol T20 Road Safety Challenge to spread the message of road safety to family and friends.

Picture shows Naveen Kshatriya – Vice Chairman, CIL and Regional Vice President, BP Lubricants, Asia & Pacific Region, handing over an Award to recognize the program and Castrol India's overall initiatives in Road Safety. Others in picture include (from left to right): Soren Malekar, Director – Supply Chain, C Prasanth – National OEM Account Manager and O A Vijayakumar – General Manager, HSSE

Castrol's Tondiarpet (Chennai) Plant received a State level Safety Appreciation Award from the National Safety Council (Tamil Nadu Chapter).

Picture shows Mr. Raghunathan - Chief Inspector of Factories (second from left) handing over the Award to the CIL Tondiarpet team (from left to right): M. Balaji - HSSE Co-ordinator, A.S.R.S.Mani - HR Manager, Joseph Varghese - Manufacturing Manager and A. G. Balasubramanian - QC In-charge

Ushwin Desousa – VC400 Work Stream Director; LBM & Manufacturing, BP Lubricants (on left), handing over an Award to Byram Dhalla for the Best Transport Contractor of 2009

A driver undergoes counseling on driving behavior and journey management at one of Castrol's Driver Management Centres before embarking on a journey. This initiative has significantly improved safe driving skills of truck drivers transporting Castrol products.

WINNING PERFORMANCES

Awards & Accolades

Castrol India was awarded the Outlook Money NDTV Award in the mid-cap category for being one of the top two value creators.

Picture shows Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Government of India (centre), handing over the Award to Ravi Kirpalani - Automotive Director & COO, CIL (on extreme left) and Amish Mehta - Finance Director, CIL (on right).

Castrol India received the SAIL HR Excellence Award for path breaking contribution in the field of People Management Processes.

Picture shows Naveen Kshatriya - Vice Chairman, CIL and Regional Vice President, BP Lubricants, Asia & Pacific Region (extreme right) and Keith Hales - Regional Director, ASEAN, BP Lubricants (extreme left) handing over an Award to the India HR team (from left to right): Matangi Gowrishankar - VP HR, V V Narayanan - GM HR, Maria Valles - GM HR and Bhavana Issar - GM HR

Castrol India's Patalganga Plant won the Maharashtra State Energy Conservation Award - First Prize in the Petroleum Sector. Picture shows Ramdas Kamath - Head, Corporate Manufacturing Services receiving the Award from the then Governor of Maharashtra - His Excellency Shri S C Jamir (on left)

Rajesh Hiware (on left) and Vishnu Bhatia, Winning Performances Gold Award Winners, with the Asia & Pacific Leadership team

Sandesh Namnaik
Winning Performances
Gold Award Winner

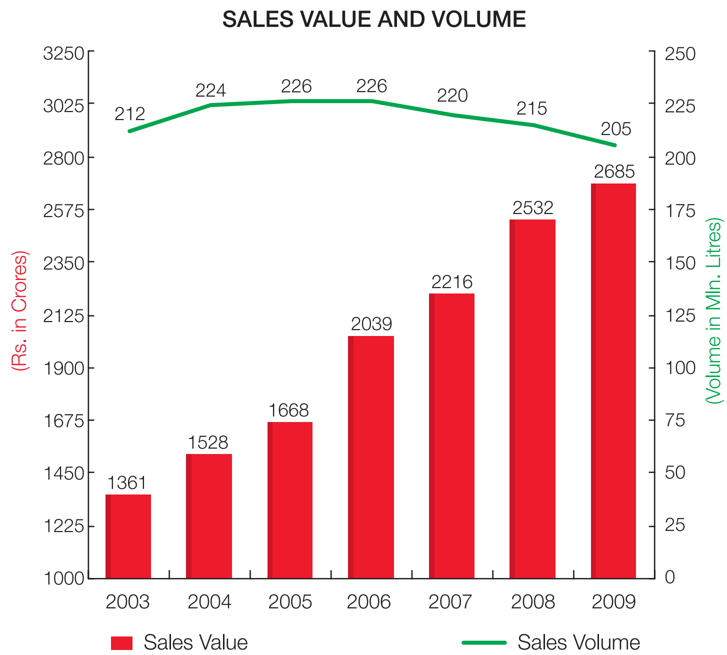
Rajendra Mahajan
Winning Performances
Gold Award Winner

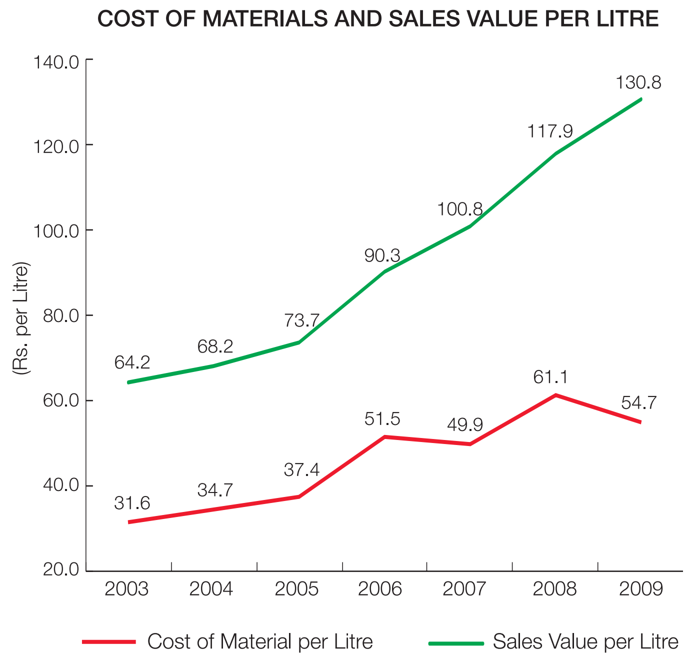
Winning Performances is a global employee recognition program in BP Lubricants. Several employees from Castrol India received Winning Performances Awards in various categories

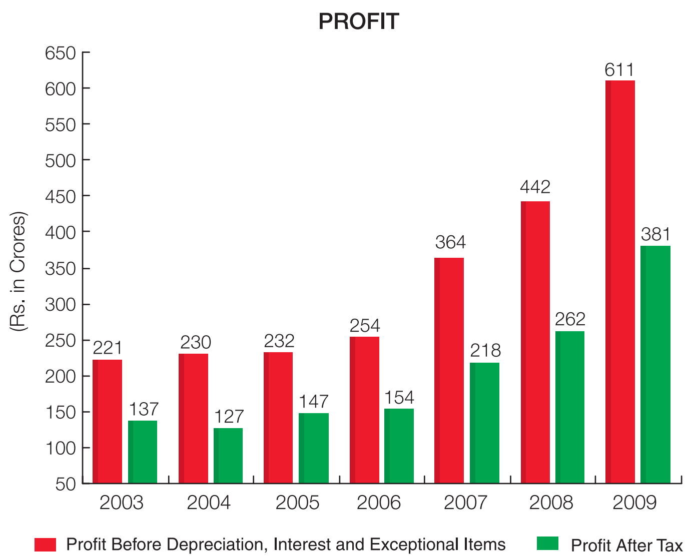
Deepesh Baxi - GM Finance & Accounts (second from right) and K Ravi - Regional Application Manager receiving a Regional Award for their contribution to ERP implementation (J D Edwards) from Naveen Kshatriya (extreme right) and Keith Hales (extreme left)

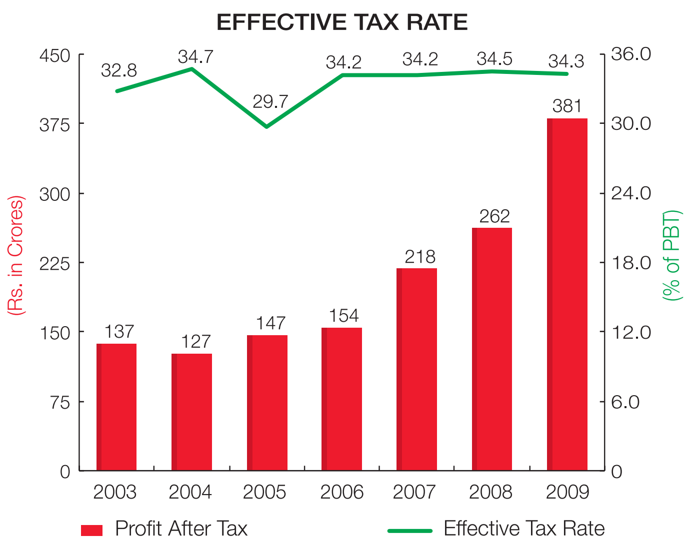
Anuradha Bambawale and Rohit Talwar (Brand Manager) received the BP Group Helios Award commendations for the Golden Spanner Mechanic Program and the Power1 Passion Hunt respectively

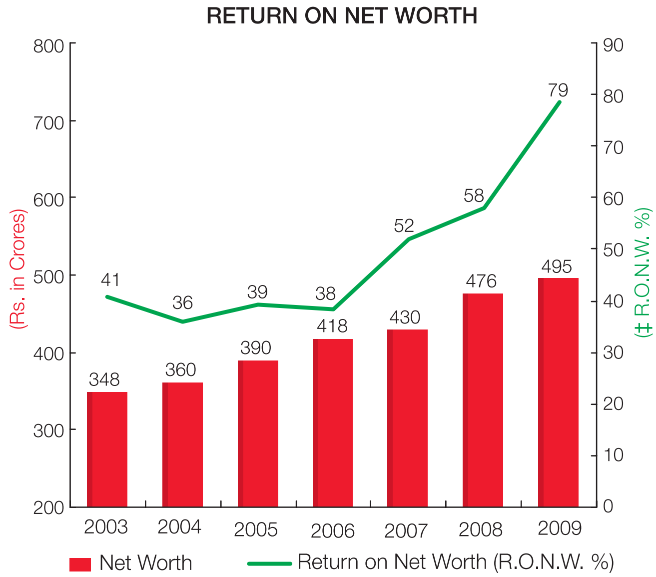
FINANCIALS


SALES VALUE AND VOLUME
(Rs. in Crores)
(Volume in Mln. Litres)
3250
3025
2800
2575
2350
2125
1900
1675
1450
1225
1000
250
225
200
175
150
125
100
75
50
25
0
212
224
226
226
220
215
205
1361
1528
1668
2039
2216
2532
2685
2003
2004
2005
2006
2007
2008
2009
Sales Value
Sales Volume

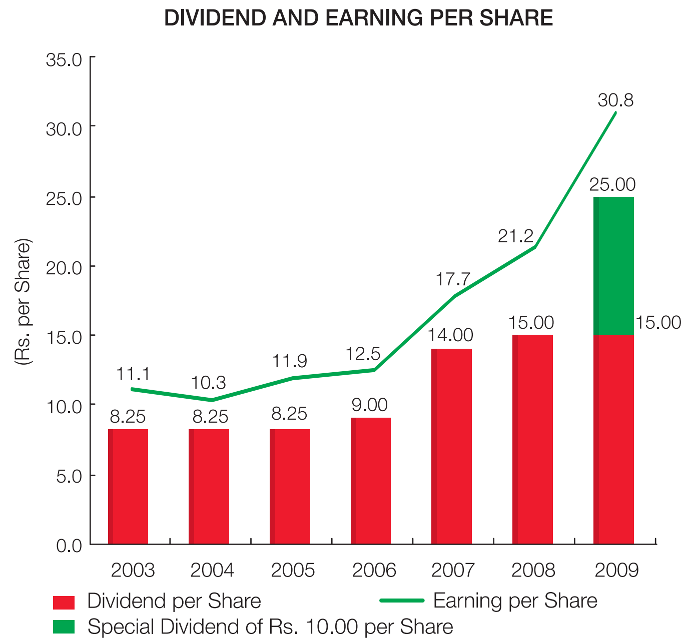

COST OF MATERIALS AND SALES VALUE PER LITRE
(Rs. per Litre)
140.0
120.0
100.0
80.0
60.0
40.0
20.0
64.2
68.2
73.7
90.3
100.8
117.9
130.8
31.6
34.7
37.4
51.5
49.9
61.1
54.7
2003
2004
2005
2006
2007
2008
2009
Cost of Material per Litre
Sales Value per Litre


PROFIT
(Rs. in Crores)
650
600
550
500
450
400
350
300
250
200
150
100
50
221
137
230
127
232
147
254
154
364
218
442
262
611
381
2003
2004
2005
2006
2007
2008
2009
Profit Before Depreciation, Interest and Exceptional Items
Profit After Tax

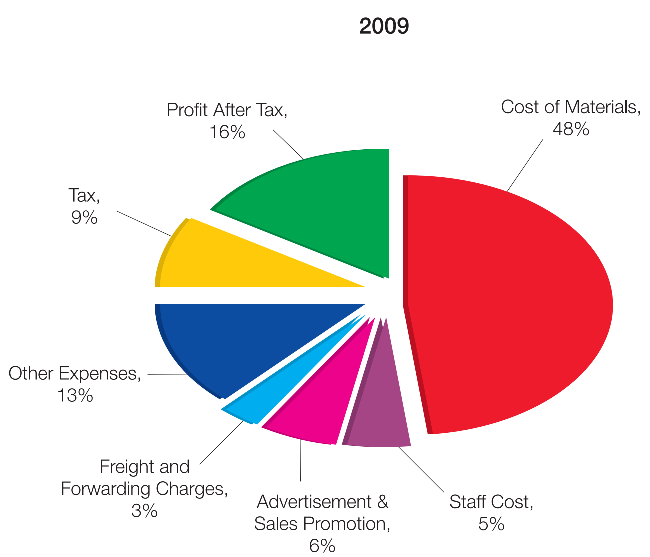

EFFECTIVE TAX RATE
(Rs. in Crores)
(% of PBT)
450
375
300
225
150
75
0
36.0
30.0
24.0
18.0
12.0
6.0
0
32.8
34.7
29.7
34.2
34.2
34.5
34.3
137
127
147
154
218
262
381
2003
2004
2005
2006
2007
2008
2009
Profit After Tax
Effective Tax Rate

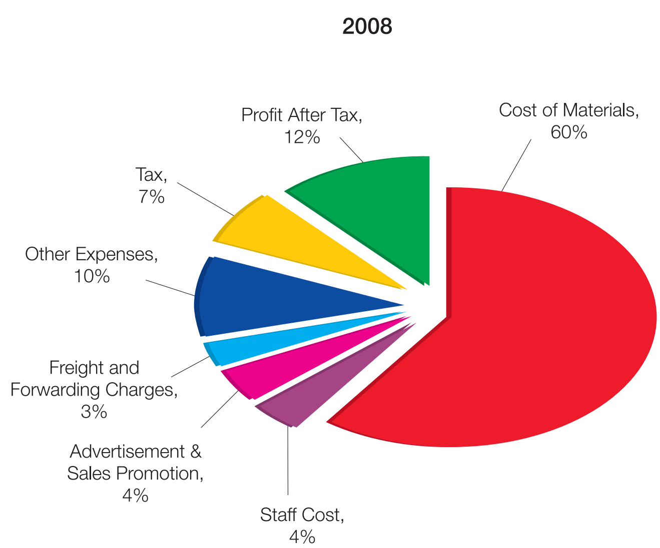


‡ Computed on average Net Worth during each year



UTILISATION OF INCOME





FINANCIAL HIGHLIGHTS

Year	**2009**	2008	2007	2006	2005	2004	2003
							Rupees in Crores
Sales	**2,685.23**	2,531.71	2,216.48	2,038.59	1668.39	1528.25	1360.51
Less: Excise Duty	**367.04**	326.01	328.22	286.18	238.01	218.09	189.36
Net Sales	**2,318.19**	2,205.70	1,888.26	1,752.41	1430.38	1310.16	1171.15
Other Income	**36.07**	41.81	34.84	34.38	20.07	22.73	19.14
Cost of Materials	**1,123.78**	1,313.09	1,097.68	1,163.14	847.97	777.02	669.72
Operating and Other Expenses	**619.05**	492.89	461.01	369.29	370.73	325.56	299.33
Profit Before Depreciation, Interest and Exceptional Items	**611.43**	441.53	364.41	254.36	231.75	230.31	221.24
Interest	**3.45**	3.65	3.79	4.11	3.01	2.87	2.57
Depreciation	**27.18**	25.68	20.78	18.01	18.93	24.88	14.31
Profit Before Taxation and Exceptional Items	**580.80**	412.20	339.84	232.24	209.81	202.56	204.36
(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	**580.80**	412.20	339.84	232.24	210.63	195.29	204.36
Current Taxation	**206.83**	151.00	139.94	85.24	68.16	68.73	63.35
Deferred Taxation	**(7.80)**	(8.60)	(23.56)	(5.72)	(5.56)	(0.90)	3.63
Fringe Benefit Tax	**0.71**	5.75	5.56	3.62	5.09	—	—
Excess Income Tax Provision for earlier years written back (Net)	**—**	1.68	(0.53)	(5.39)	(3.87)	—	—
Profit After Taxation	**381.06**	262.37	218.43	154.49	146.81	127.46	137.38
Dividend	**309.10**	185.46	173.10	111.28	102.01	102.01	102.01
Gross Fixed Assets	**306.65**	290.14	263.99	251.62	254.58	254.45	250.83
Net Fixed Assets	**137.46**	144.45	133.26	129.68	138.33	149.77	171.01
Investments	**0.52**	0.52	20.58	42.52	108.14	128.91	84.79
Net Current Assets/(Liabilities)	**322.40**	306.57	260.91	254.38	158.23	102.52	114.79
Net Assets	**495.00**	478.36	432.97	426.58	404.70	381.20	370.59
Share Capital	**123.64**	123.64	123.64	123.64	123.64	123.64	123.64
Reserves & Surplus	**371.36**	351.93	306.54	294.02	266.42	236.43	224.44
Net Worth	**495.00**	475.57	430.18	417.66	390.06	360.07	348.08
Loan Funds	**—**	2.79	2.79	2.79	2.79	3.72	4.20
Deferred Tax Assets/(Liability) (Net)	**34.62**	26.82	18.22	(6.13)	(11.85)	(17.41)	(18.31)
							Rupees
Earning per Share	**30.82**	21.22	17.67	12.50	11.87	10.31	11.11
Dividend per Share	**‡25.00**	15.00	14.00	9.00	8.25	8.25	8.25
Book Value per Share	**40.04**	38.46	34.79	33.78	31.55	29.12	28.15
Debt Equity Ratio	**0 :1**	0.02 :1	0.02 :1	0.02 :1	0.02 :1	0.03 :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, 2009

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st December, 2009.

	For the year ended 31st December, 2009 (Rupees in Crores)	For the year ended 31st December, 2008 (Rupees in Crores)
FINANCIAL RESULTS		
Profit before Depreciation, Exceptional Items & Tax	**607.98**	437.88
Deducting therefrom:		
Depreciation	**27.18**	25.68
Provision for Tax		
Current [Including Wealth Tax of **Rs. 0.16 Crore** (2008: Rs. 0.12 Crore)]	**206.83**	151.00
Deferred Taxation	**(7.80)**	(8.60)
Fringe Benefit Tax	**0.71**	5.75
Excess Income Tax provision for earlier years written back	**—**	1.68
Profit after Tax	**381.06**	262.37
Adding thereto:		
Balance as per last Balance Sheet brought forward	**50.75**	32.36
Profit Available for Appropriation	**431.81**	294.73
The appropriations are:		
Dividend		
Interim	**123.64**	74.18
Final	**61.82**	111.28
Special	**123.64**	—
Tax on Dividend		
Interim	**21.01**	12.61
Final	**10.51**	18.91
Special	**21.01**	—
Transfer to General Reserve	**39.00**	27.00
Balance carried forward	**31.18**	50.75
	431.81	294.73

PERFORMANCE

Sales increased by 6% over the previous year to Rs. 2685 Crores mainly due to an increase in unit sales realizations and better sales mix.

Costs of Materials have reduced by 14% over the previous year to Rs. 1124 Crores due to a reduction in Base Oil prices.

Pro-active Margin Management strategy helped us to grow our gross profits by 34%.

Operating & other expenses increased by 26%, mainly due to increase in advertisement cost, sales promotion expenses & Salaries.

Profit before tax has increased by 41% over previous year to Rs. 581 Crores.

Tax rate for the current year has remained at nearly the same level as that of the previous year. Fringe Benefit Tax was lower by Rs. 5 Crores during the year as the same was abolished from 1st April, 2009. As a result Profit after Tax increased by 45% over the previous year to Rs. 381 Crores.

BONUS SHARES

The Board of Directors, have at their Board Meeting held on 18th February, 2010, recommended the issue of Bonus shares in the ratio of one Bonus Equity Share for every one Equity Share of Rs. 10/- each held on the Record Date to be fixed in consultation with the stock exchange and subject to the approval of the shareholders and other requisite approvals.

The approval of the shareholders would be obtained by way of a Postal Ballot.

The Bonus shares are entitled to receive dividend that may be declared/paid on or after the allotment of Bonus shares for the financial year ending 31st December, 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 Annexures '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)(D)(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, 2009 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, 2009 and of the profits of the Company for the year ended 31st December, 2009.

(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, 2009 of Rs. 10/- per share on 12,36,40,298 Equity Shares was paid to the Shareholders of the Company whose names appeared on the Register of Members on 3rd August, 2009.

The Directors recommend a payment of final dividend of Rs.15/- per share (which includes a Special Dividend of Rs. 10/- per share) on 12,36,40,298 Equity Shares.

FIXED DEPOSITS

There were no fixed deposits outstanding and unclaimed as on 31st December, 2009.

DIRECTORS

Mr. S. Mukundan was nominated with effect from 21st April, 2009 to the Board pursuant to Article 112 of the Articles of Association of the Company in place of Mr. A. K. Jhawar.

Ms. Helen McCabe was nominated with effect from 21st April, 2009 to the Board pursuant to Articles 112 & 114 of the Articles of Association of the Company as an Alternate Director to Mr. P. Hughes in place of Mr. Udayen Sen.

Mr. A. S. Ramchander Wholetime Director of the Company designated as Director – Automotive resigned as a Director of the Company with effect from 30th April, 2009.

Mr. Naveen Kumar Kshatriya resigned with effect from 8th May, 2009 as the Managing Director of the Company. He was thereafter nominated to the Board pursuant to Article 112 of the Articles of Association of the Company as a Non-Executive Director designated as Vice Chairman.

Mr. Ravi Kirpalani was with effect from 1st May, 2009 appointed as an Additional Director of the Company. Consequent to the said appointment, he was also appointed as a Wholetime Director of the Company designated as Director – Automotive and Chief Operating officer. In accordance with Section 260 of the Companies Act, 1956 (the Act), Mr. Kirpalani holds office upto 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. Kirpalani as a candidate for the office of Director.

Mr. R. Hewins was nominated with effect from 28th December, 2009 to the Board pursuant to Article 112 of the Articles of Association of the Company in place of Mr. P. Hughes. Therefore, Ms. H. McCabe who was nominated as an Alternate Director to Mr. Hughes was nominated as an Alternate Director to Mr. Hewins.

Your Directors wish to place on record their gratitude for the guidance and advice received from Mr. Naveen Kumar Kshatriya and Mr. A. S. Ramchander during their tenures as Managing Director and Wholetime Director respectively of the Company.

Your Directors also wish to place on record their gratitude for the guidance and advice received from Mr. A. K. Jhawar, Mr. Udayen Sen and Mr. P. Hughes during their respective tenures as Directors of the Company.

Mr. S. M. Datta and Mr. D. S. Parekh 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. Provision of CFL in the filling and blending plant, Administration block and Quality Control laboratory.
2. Replacement of old air-conditioners with 3 star rating air-conditioners which are more energy efficient.
3. Provision of Variable Frequency drives for few pumps for higher motor rating for energy consumption reduction.

4. Power factor improvement to 0.99 with the installation of additional capacitor banks.
5. Replacement of old defective insulation for a few blenders in the plant for improved heat transfer and reduced heat losses.
6. Reduction in batch cycle time through lean six sigma methodology.
7. Boiler and steam distribution system audit through external agency.

Silvassa:

1. Installation of servo controlled stabilizer in lighting circuits has helped to cut down the wastage of electrical energy.
2. Installation of new air receiver of similar capacity to reduce the energy waste.
3. Fuel Saving through measures such as use of combustion efficiency enhancing additives, regular monitoring of excess air in Thermopack & Operational control to switch off firing of thermopack 2 hours before switching of the unit.
4. Variable Frequency Drive installed to regulate the speed and optimize the head of hot oil circulation pump leading to energy saving.

Tondiarpet:

1. Reduction in the specific consumption of electricity by optimizing its usage.
2. Initiatives in maintaining the power consumption and demand within the sanctioned load. This includes auto cut off switch for the air-conditioners in the plant and monitoring of the light load.
3. Effective planning of blending operations leading to reduction in boiler run hours.
4. Insulation of few blenders done to improve heat transfer and reduce heat losses. Automatic blow down control for boiler thereby eliminating wastages due to uncontrolled/ manual operation.
5. Process Improvements through implementation of lean project recommendations on process optimizing and elimination of wastages.

Paharpur:

1. Replaced a few inefficient pumps by energy efficient pumps.
2. Old office air-conditioners replaced by energy efficient air-conditioners.
3. Effective monitoring and corrective actions to eliminate water leakages & wastages.
4. Up-gradation of Capacitor Panel and replacement of Automatic Power Factor controller relay for maintaining close to unity power factor.
5. Up-gradation of Temperature Controller Panel to eliminate wastages and conserve energy.
6. Reduction in Batch Cycle Time of some of the blends through process optimization.

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

1. Steam pipeline modification in blending Plant. Additional steam traps and flash vessels for better condensate recovery.
2. Variable frequency drive for tanker unloading & additive transfer pumps.
3. Solar lights for the boundary wall.

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

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

TECHNOLOGY ABSORPTION

1. Site Safety and Security remained an area of focus at the Technology Center. Operating Management System was initiated to identify safety critical processes and align compliance with Global Standards. Integrity Management was also implemented.
2. Year 2009 was a year of Site upgradation for the Technology Center. The focus on safety at all levels ensured that the Company completed the year without a single incident.

3. Old Electrical Panels were removed and modern compact Electrical room with possibility of reduced power factor was constructed.
4. Critical contributions made towards Project Tansen, which was launched globally for creating superior technology communications for target customers.
5. Old Machine Test Laboratory was renovated to design a world class Customer Engagement Centre as well as Canteen Extension was carried out.
6. Plant area which was being used for storage was demolished and the Company is in the process of having a recreation centre along with car parking facilities.
7. Automotive and Industrial laboratories were audited by global teams and found to comply with global standards.
8. Greater emphasis was laid on technology protection and alignment with global requirements by ensuring all product formulations and raw materials have global codes and are entered in databases like Stremline and Fusion.
9. Syntheticisation journey continued with more products like Activ4T being manufactured with synthetic technology and product superiority communications made for the target customer segments.
10. Project Pavarotti activities continued in India to improve awareness of lubricant technology amongst all levels of staff. More than 100 staff members at Plants and offices were trained for the basic Bronze module. Advanced training was also provided to marketing/sales staff as well as new recruits through Silver and product immersion modules. This was extended to cover external customers through conducting technology CAFÉ.
11. Formulation optimization initiatives by the Technology team with support from Supply Chain and Marketing departments was an area of focus, which brought about significant savings in raw material costs.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Export

There were no significant exports by the Company during the year.

2. Earnings and Outgo

Members are requested to refer to note Nos. 18 and 19 of Schedule M forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2009.

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*
A. P. Mehta *Finance Director*	S. Malekar *Director – Supply Chain*

Mumbai
Dated: 19th March, 2010

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 – 2009

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 balance 30% of the market, leading to an extremely competitive market scenario.

The year 2009 has been a mixed year for the industry. At the end of 2008, in line with global trends, the Indian economic outlook was rather grim with most industries slowing down significantly and many companies registering a decline in growth rates. The first half of 2009 followed in similar vein. As a result, the market growth outlook was bleak to start with. However, in the latter half of the year, conditions improved in India and economic activity picked up pace.

Vehicle sales were also stagnant during the first five months of 2009, with commercial vehicles registering a decline compared to previous year. However, with the economy showing strong signs of recovery in the latter half, the automotive industry closed the year strongly across all vehicle categories. On the back of this strong revival in the second half of the year, the lubricant industry is estimated to have grown by 1- 2% in 2009.

The year also saw several global Original Equipment Manufacturers (OEMs) accelerating their activities in India. BMW, VW, Man, Audi and Volvo launched several new models in the Indian market. These new technology, high performance vehicles will require high performance, superior quality lubricants and this will provide additional opportunities for lube players. In addition, focus by many OEMs on inexpensive small cars, like the Tata Nano, could significantly increase car penetration in coming years.

Major Industry developments

1. Economic scenario

The global meltdown that started in 2008 continued in the first few months of the year. Firms around the world had to cope with the effects of a financial crisis that started in rich economies in the West but led to a global economic downturn. Access to finance became more difficult. Demand for many products fell in domestic and international markets and trade slowed globally. As a result, a large segment of consumers too adopted a wait-and-watch approach. This adversely impacted automotive sales and commercial vehicle utilization in the first few months of the year.

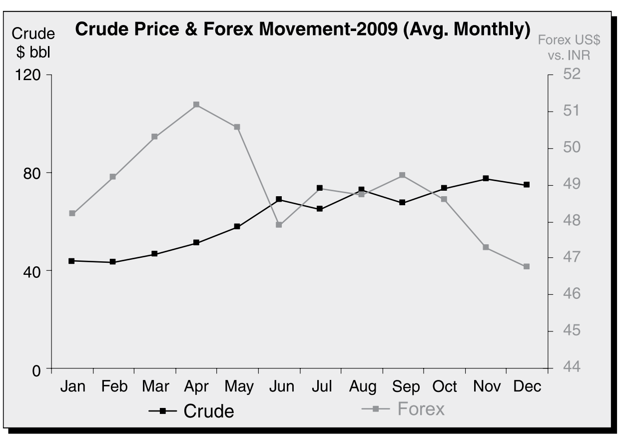
However, the impact of the global recession has neither been severe nor sustained in India, on account of strong domestic demand, low dependence on export and a diversified export basket. As a result, the country was among the early ones showing signs of recovery from the slump.

It is projected that the GDP growth in the Indian economy will accelerate in the coming years.

2. Crude oil

Crude prices continued to remain an important cost input element to base oil in addition to supply demand economics. The year 2009 saw a tough business environment. While crude price touched new lows at the end of 2008, by the end of 2009 it had risen to around US$80 per barrel, up from a low of US$40 per barrel.

The graph below indicates the trend of crude prices in the year 2009.



3. Base Oils and Additives

The global downturn in economic conditions put many sectors to a severe test. Though base oil prices were softer for a short period, eventually the prices moved up by 60-70% from its low, driven by several factors.

The global economic crisis impacted the Refining and Marketing sector significantly. With intent to protect their refining margins and in view of the lower demand, refineries sought to take measures like closures, run cuts and forced shutdowns to balance the demand and supply position.

Despite crude and other commodity chemicals softening in early 2009, the performance additive prices witnessed a sharp increase in 2008 and remained at almost the same levels in 2009. This was mainly due to rising demand in Asian countries and pricing policy of global additive companies to recover earlier losses.

The commodity chemicals, primarily driven by crude oil, witnessed a gradual price increase since second quarter of 2009 and reached 20-25% higher levels by the end of 2009.

However, effective control of the inventories and effective buying decisions in highly volatile markets helped your Company to procure at the best rates and release cash in a timely manner.

Market behavior and outlook

Automotive Sector outlook

The automotive lubricant 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 – 2-stroke and 4-stroke oils

1. Market growth: The year 2009 has been a mixed year for the automotive lubricant market. The market is estimated to have grown volumes by 1-2% after an initial no-growth projection. This has been led primarily by the increased four stroke motorcycle and passenger car sales, recovery in agri-driven lubricant consumption and a growing, new generation, high technology, truck segment. These trends are expected to continue in 2010. The old generation truck market and the two stroke motorcycle lubes market are projected to decline.

The building & construction segment, feeding the infrastructure sector, is also expected to continue growing at a fast pace.

Thus, lubricant consumption is projected to grow robustly in passenger cars, four stroke motorcycles and the building & construction equipment segments.

The monsoon in 2009 was delayed and though it recovered, there may be some residual impact felt in 2010. Overall, the lube market is projected to grow at around 2-3% in volume terms in 2010.

2. Channels: With the burgeoning growth of the vehicle industry, especially cars and two-wheelers, 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 number of workshops has not yet kept pace with 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.

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. 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 promotion to gain market share.

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

Non-Automotive sector outlook

Indian industry swiftly recovered in the second half of 2009 from the unprecedented economic and financial situation which prevailed globally during the first half and the outlook is expected to be good.

Industrial output, measured through the General IIP (Index of Industrial Production) is expected to grow at around 8% in 2009-10 compared to 2.7% growth achieved in 2008-09. The growth in industrial production is expected to accelerate in 2010.

The rising income levels, availability of affordable finance and raft of new automobile models will ensure that the demand for passenger cars and two wheelers continues to grow at robust pace in 2010. The increased activity in the transportation segment is also leading to higher demand for commercial vehicles. Overall, the automotive sector is expected to grow significantly in 2010. Commissioning of fresh capacities and healthy order books of Machinery manufacturers implies that the growth in this segment would also be good for the next two years. An increase in the production of machinery and automobiles and increased activity in the construction and infrastructure industry will generate positive demand for metal and metal products in 2010. Cement, Paper, Chemicals and Food products are also likely to grow substantially during the current year.

Your Company is well placed to reap the benefits of the manufacturing sector growth, through innovative and differentiated products and services which add distinctive value to the customers.

(B) Opportunities and threats

(i) Opportunities

Automotive sector

a. Overall economic activity: With an expected GDP growth of more than 7% in 2010, growth in the industry and infrastructure services sector and a likely good monsoon, the basic consumption drivers for lubricants are all set to make the industry grow. We expect the revival of the economy to directly impact 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 implication 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. OEMs: The influx of international OEMs into the Indian market continued in 2009. Although the number of new model launches announced in the first few months was low, with the economy reviving, there have been renewed signs of activity by almost all OEMs. A slew of new vehicle launches are on the cards.

The start of the low-price vehicle segment, pioneered by the Tata Nano and subsequently taken up by others like Bajaj and Renault, will drive a sharper rate of increase in car ownership.

Castrol has strong partnerships with leading automotive OEMs as well as with key off-road equipment manufacturers. With more global OEMs coming into India, this trend presents us with a strong partnership opportunity in 2010 and beyond.

d. Changes in engine technology: With increasing pace of adoption of superior engine technology, we expect that the market demand for higher quality lubricants will also go up. The resultant demand for high-performance synthetic lubricants is therefore expected to result in industry profitability growth. Castrol with its proven track record of technological leadership will drive the 'syntheticization' trend in the market.

e. Infrastructure growth: In the 2010 Finance Bill, the government announced that it would significantly increase spending on various infrastructure projects. This move is slated to 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 take advantage of this trend, your Company has greatly increased the number of Castrol Bike Points and Pit Stops.

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 optimally address this shift in market coverage trend, your Company has implemented a series of new initiatives that are aimed at bettering its reach and availability to its consumers. This has led to the emergence of the 'Castrol Authorized Service Associate' (CASA).

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 to benefit on account of its global technological leadership.

h. **Association with sports:** In keeping with one of its core brand values of 'performance', Castrol has always been associated with performance sports such as motorsport and cricket. While we have been historically associated with cricket in India through the Castrol Awards for Cricketing Excellence, in 2009 we further strengthened our bond with the game – not only by being associated with key cricketing events but also launching the Castrol Cricket Index – a statistical performance tool aimed at bringing alive new metrics of the game in an engaging fashion on the internet.

In June 2008, Castrol became one of the major sponsors of football on the world stage when it became an official FIFA World Cup Sponsor™ - a global marketing initiative. Besides the 2010 FIFA World Cup™ in South Africa and the 2014 FIFA World Cup™ in Brazil, Castrol is also the official UEFA EURO 2012™ sponsor. These sponsorships are supported by a team of world class ambassadors who will give fans a unique insight into what it takes to deliver a winning performance. Amongst Castrol's global brand ambassadors is star footballer Cristiano Ronaldo, former players Alan Shearer, Cafu, along with football coaches and experts like Arsène Wenger and Pierluigi Collina.

In India, your Company is leveraging this great sponsorship to connect more deeply with its consumers and customers. The intensity of the activities will increase in 2010.

Non-Automotive sector

Consistent rise in demand, aided by fiscal stimulus, improvement in prices and low base last year, has helped the manufacturing sector return to growth. The industrial production is expected to consolidate the growth and further accelerate in 2010 as the demand for goods and services will continue to improve. Rise in purchasing power and availability of easy and affordable finance is also expected to fuel the demand for automobiles, consumer durables and home appliances. The industrial sector is well positioned to grow its output and cater to the incremental demand.

Industrial production is expected to accelerate in 2010 as the demand for goods and services will continue to rise. As a consequence, the industrial lubricants demand is expected to grow.

Industrial output growth is likely to be broad based with Automotive, Machinery Manufacturing and Metals, amongst other segments, expected to grow in double digits. Your Company's focus on customers in these core segments should ensure another year of strong performance in the Industrial segment.

The commissioning of fresh capacities in some of the industrial sectors will enhance production; the process of commissioning of these capacities will increase the demand for machinery and consumables, resulting in increased demand for industrial lubricants.

(ii) Threats

a. Input costs: With crude oil prices pushing up cost of base oils, additives and packaging, margins are expected to be impacted during the year and potentially impact demand as the lube 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 lubricant volume growth in the market, especially in the commercial vehicle segment.

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

e. 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 our Brand and Technology.

(C) Segment-wise / Product-wise performance

I. Automotive performance

Despite a challenging economic environment, your Company delivered a stellar performance during the year 2009, with growth in topline of 8% and growth in operating profits of 47% in the automotive segment. This was achieved through a continued focus on the high-growth and high-margin segments.

(i) Distinctive propositions

Your Company has always focused on meeting consumers' needs by delivering distinctive and diversified propositions through its brand portfolio.

As part of our long term strategy to drive the 'syntheticization' of the Indian lubricants market, we had upgraded our lead brand in the diesel oil category – Castrol CRB, to include synthetic technology. Castrol CRB, a heritage brand in the Indian market, with a very strong and loyal consumer following, further cemented its position in 2009.

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

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

In the diesel engine oils space, a large scale consumer contact program was mounted for the tractor consumer. This program was instrumental in reaching consumers at the point of consumption and thereby driving sales.

A large scale communication program targeting commercial vehicle mechanics was also implemented during the year. This program drove home the benefits of using Castrol lubricants in vehicle maintenance.

An integrated marketing campaign for Castrol CRB Turbo emphasized the importance of not making a compromise in vehicle maintenance even in difficult times. This key program was instrumental in reviving consumer confidence and resulted in a turnaround in sales.

(iii) Motorcycle Oils (MCO)

The flagship brand in two-wheeler segment, Castrol Activ, was relaunched in second quarter of the year. Castrol Activ now has synthetic technology that gives the bike's engine, clutch and gear, superior all-round protection. The launch was supported with complete 360 degree campaign including a new Television Commercial, direct contacts with consumers, synthetic meets and merchandising blitz across retail and trade channels. The brand has seen a significant uplift in its performance in terms of volume, distribution and brand health.

Castrol Power1 launched 'Power1Passion Hunt' — a nationwide hunt for India's 'most passionate biker'. The contest drew large participation and the bikers were evaluated on style, skill, knowledge and passion. The campaign drew lot of media attention and positively impacted the brand image.

(iv) Passenger Car Oils (PCO)

In 2009, the passenger car oils segment continued its rapid growth trajectory. Your Company continued to reach out to the mechanic community through innovative and engaging programs like the 'Castrol Golden Spanner Awards' which recognize the skill and knowledge of mechanics.

In a new initiative — one of the first of its kind, the flagship brand in the passenger car oils category, Castrol GTX was relaunched with a new "sludge-buster" proposition. The relaunch campaign reached out to millions of consumers and influencers across all the channels, using a 360 degree communication approach which led to a strong growth of the brand.

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

In 2009, the heavy-duty segment continued its growth path in both volumes and margins, due to 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 consisting of superior products and services to support customer operations. In line with our intent to take advantage of the booming infrastructure industry, we launched a series of products dedicated to this segment called 'Castrol Heavy Duty Series'. With our association and commitment to jointly work 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

In its foray into owning the point of lubricant consumption i.e. workshops, your Company has continued to clock a high growth in setting up Castrol Bike Points, doubling the number during the year. This has led to a strong growth in this new channel. Another new route to market, CASA (Castrol Authorised Service Associate), has also continued its momentum. With the roll out of CASAs to new States in 2009, the channel today covers small mechanics/workshops across large geographies of the country.

We continued focus on our Independent Workshop agenda through the expansion of the Castrol Car Care and Castrol Pit Stops. Your Company now offers its products through a wide network of service points across select cities in the country.

During the year 2009, your Company decided to transition the BikeZone business into the core lubricants business. Your Company plans to align this business with the larger Independent Workshop (IWS) agenda which is a key plank for growth for your Company in the rapidly expanding personal mobility segment.

II. Non-automotive performance

Industrial Lubricants and Services Business

Your Company was well aware of the challenges faced by industries due to the difficult industrial environment in 2009. We therefore continued to work jointly with our customers to identify opportunities which would support their manufacturing objectives and deliver benefits through our range of superior products, application expertise and carefully planned Continuous Improvement Projects.

Efficient 'Route to Market' has improved the availability of your Company's industrial products across the country. New Industrial customers are now provided superior industrial products and services by specialized industrial distributors in areas not represented hitherto by your Company.

Industrial lubricant demand is dependent on industrial production and growth trends in the economy. As the manufacturing sector continues to grow, your Company is well placed to deliver another year of strong performance through differentiated products and services for customers.

Marine & Energy Lubricants Business

The year 2009 was probably one of the worst in recent times for the Marine industry across the globe. This was reflected in the market place by volumes showing a double digit decline.

Despite a recessionary environment in Marine as well as Energy segments, your Company was able to grow its business in value as well as gross margin terms.

Leveraging on its global footprint and strategic tie-ups, Energy lubricants consolidated its market share. Further, Castrol Offshore has now become a vendor of choice for Indian drilling companies.

(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 as the economy revives

c. Reviving economy leading to an inflationary pressure that could result 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 which could lead 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 technology 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 – especially at the premium end of the market.

The focus on synthetics continues. Castrol Activ 4T was relaunched with synthetic technology and this has positively impacted sales of the brand. Greater emphasis was also laid on technology protection and alignment with global technology requirements.

Several formulation optimization initiatives were undertaken jointly by the Technology, Supply Chain and Marketing teams, resulting in significant savings in raw material costs.

Besides technology improvement and innovation, one of the key initiatives undertaken during the year was the upgradation of the Technology centre site in Wadala, Mumbai, which included the setting up of a world class Customer Engagement Centre. We have also been increasingly leveraging our international technology centres to support our customers in India. With the global OEMs now coming to India, we expect this trend to continue.

(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 committees.

(G) Health, Safety, Security and Environment

Health, Safety, Security & Environment (HSSE) is a core value for 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 us, is critical to the success of our business.

Your Company's road safety program has been successfully running for the past several years and is now recognized as the benchmark on road safety initiatives in India. We have a driving behavior monitoring program in place for all our drivers including third party contractors. This has greatly helped improve the driving behavior and in turn has positively impacted your Company's road safety performance. This and other road safety programs undertaken by your Company have been 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 twelve years and another one for nine.

All the blending plants are certified for Environmental Management System (ISO 14001) and Occupational Health & Safety Management System (OHSAS 18001). The systems have been certified by accredited bodies recognized internationally. We are now putting in place the BP Operating Management System (OMS) as an enabler for better safety performance.

(H) Developments in Human Resources Management

During the year under review, your Company embarked upon simplification of the organization structure to meet its strategic objective of creating a simpler, performance-driven organization.

Development of leadership capability in your Company continued to be the key focus during the year with greater emphasis on leadership behaviors and its integration with all people processes. A number of training and development initiatives directed towards people development were undertaken during the year. Your Company also undertook a talent deep dive across key functions to identify and manage challenges to build its talent pipeline. Communication and employee engagement continues to be a key focus area.

Building the capability of frontline sales force and development of frontline leadership continues to be a priority. We have embarked upon a number of initiatives to improve your Company's brand as an employer so as to attract and retain talent and to realize our vision of making your Company a "great place to work".

During the year, your Company received the "HR Excellence" award for mid cap companies in recognition of best global practices. The award was instituted by Steel Authority of India Limited (SAIL) and Indian Institute of Management, Ahmedabad (IIMA). Your Company also received the "Best Employer Brand" award in the Oil and Gas (Private sector) sector in the Regional Round, from the Employer Branding Institute, Pune.

Our talent continues to be recognized within the BP Group and this year saw several employees moving to global assignments.

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 2009, was 799.

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

Your Company delivered a remarkable 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.

Unit sales realization in 2009 grew by 11% due to judicious pricing decisions and better sales mix. The total costs of materials have reduced by 14% due to lower volumes and reduction in base oil prices. Margin improvement has been achieved through a combination of premium product mix, better sales realization and favorable cost of materials. 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 45%.

With reference to working capital, there has been a reduction in inventory due to lower raw material cost and an increase in current liabilities and provisions. Higher profits after tax and reduced working capital have resulted in higher cash flow for 2009.

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*
A. P. Mehta *Finance Director*	S. Malekar *Director – Supply Chain*

Mumbai
Dated: 19th March, 2010

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, 2009, 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, 2009 to 31st December, 2009.

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

Name of Director	Category of Directorship	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 (Please see Note 1)	ND	4	100
Mr. Mr. R. Kirpalani (Appointed w.e.f. 1-5-2009)	ED	2	100
Mr. A. P. Mehta	ED	4	100
Mr. S. Malekar	ED	4	100
Mr. R. Gopalakrishnan	NED	3	75
Mr. P. Hughes or his Alternate (Please see Note 2)	ND	4	100
Mr. D. S. Parekh	NED	3	75
Mr. S. Mukundan (Appointed w.e.f. 21-4-2009)	ND	2	67
Mr. A. K. Jhawar (Ceased w.e.f 21-4-2009)	ND	1	100
Mr. Ralph Hewins or his Alternate (Please see Note 2)	ND	—	—
Mr. A. S. Ramchander (Resigned w.e.f. 30-4-2009)	ED	1	50

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

Notes: 1. Mr. Kshatriya resigned w.e.f. 8th May, 2009 as the Managing Director of the Company. He was thereafter nominated as Non-Executive Vice-Chairman of the Company.

2. Mr. P. Hughes ceased w.e.f. 28th December, 2009 to be a Nominee Director of the Company. Mr. R. Hewins was appointed in place of Mr. P. Hughes as a Nominee Director w.e.f. from the said date.

All Directors except Mr. A. S. Ramchander attended the Annual General Meeting held on 27th April, 2009.

(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 Private and Foreign Companies) in which Director (excluding Alternate/ Nominee Director)	Number of Committees (other than Castrol India) in which Member
Mr. S. M. Datta	14 (1)	5 (2)
Mr. N. K. Kshatriya	1	—
Mr. R. Kirpalani	—	—
Mr. A. P. Mehta	1	—
Mr. S. Malekar	—	—
Mr. R. Gopalakrishnan	8 (3)	3
Mr. S. Mukundan	1	—
Mr. D. S. Parekh	12 (4)	6 (5)
Mr. Ralph Hewins	—	—

1. Includes 6 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, 2009 to 31st December, 2009. The dates on which the said meetings were held are given below:

2nd February, 2009
27th April, 2009
27th July, 2009
26th October, 2009

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, 2009, 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 is the Chairman of the Committee. Mr. R. Gopalakrishnan and Mr. S. M. Datta are Independent Directors on the Committee whereas Mr. R. Hewins was appointed as a Nominee Director w.e.f. 28th December, 2009 in place of Mr. P. Hughes.

(c) Meetings and attendance during the year

4 meetings were held during the financial year 1st January, 2009 to 31st December, 2009. 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	2	50
Mr. P. Hughes or his Alternate	2	50
Mr. R. Hewins or his Alternate	—	—
Mr. S. M. Datta (Appointed w.e.f. 27-4-2009)	3	100

Note: Mr. P. Hughes ceased w.e.f. 28th December, 2009 to be a Nominee Director of the Company. Mr. R. Hewins was appointed in place of Mr. P. Hughes as a Nominee Director w.e.f. from the said date.

Mr. S. M. Datta was co-opted as a member of the Committee in the absence of Mr. R. Gopalakrishnan for the meeting held on 27th April, 2009 to constitute a valid quorum for the meeting.

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 on 31st December, 2009, 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. Mr. Jhawar ceased to be a member of the Remuneration committee with effect from 21st April, 2009. Mr. R. Hewins was appointed w.e.f. 28th December, 2009 as a Nominee Director in place of Mr. P. Hughes.

(c) Attendance during the year

One Meeting was 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	1	100
Mr. A. Jhawar	1	100

(d) Remuneration Policy

The Directors are paid a 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, 2009 to 31st December, 2009)

	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. N. K. Kshatriya (up to 30-4-2009)	294.85	68.55	Please see Note 'a'	Please see Note 'b'
Mr. R. Kirpalani (w.e.f. 1-5-2009)	118.06	28.75		
Mr. A. P. Mehta	143.24	33.20		
Mr. S. Malekar	124.25	20.42		
Mr. A. S. Ramchander (up to 30th April, 2009)	91.91	14.11		

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	1,10,000	10.00
Mr. R. Gopalakrishnan	60,000	8.00
Mr. D. S. Parekh	60,000	8.00

Mr. S. M. Datta is a jointholder of 5809 equity shares and Mr. N. K. Kshatriya holds 200 equity shares in the Company

5. Transfer & Shareholders'/Investors' Grievance Committee

As on 31st December, 2009, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. S. M. Datta, Chairman, Mr. R. Kirpalani, and Mr. A. P. Mehta. Mr. N. K. Kshatriya ceased to be a member of the Committee with effect from 8th May, 2009 The Company Secretary is the Secretary of the Committee.

(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	: 14 complaints were received from Stock Exchange/Securities and Exchange Board of India (SEBI)/ NSDL 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 not solved to the satisfaction of shareholders	: All the Complaints have been resolved to the satisfaction of the 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, 2009.	: None

6A. General Body Meetings

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

	Location	Date	Time
(i)	Birla Matushri Sabhagar: 19, Marine Lines Mumbai 400 020	27.4.2009	3.30 p.m.
(ii)	Birla Matushri Sabhagar: 19, Marine Lines Mumbai 400 020	29.4.2008	3.30 p.m.
(iii)	Birla Matushri Sabhagar: 19, Marine Lines Mumbai 400 020	30.4.2007	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	: No
	Details of voting pattern	: Not Applicable
(d)	Persons who conducted the Postal Ballot exercise	: Not Applicable
(e)	Whether any Special Resolution is proposed to be conducted through Postal Ballot	: No
(f)	Procedure for Postal Ballot	: Not Applicable

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

(i) Mr. S. M. Datta

Mr. S. M. Datta graduated with Honours in Chemistry from the Presidency college, Calcutta and obtained a post graduate degree in science & technology from Calcutta University. He is a Chartered Engineer, Fellow of the Institution of Engineers, Fellow of the Indian Institute of Chemical Engineers, Member, Society of Chemical Industry (London) and Honorary Fellow of All India Management Association.

Mr. Datta was Chairman of Hindustan Lever Limited [HLL] (presently known as Hindustan Unilever Limited) as well as all Unilever companies in India and Nepal from 1990 to 1996. He had joined HLL as a Management Trainee in 1956 after completing his university education in Chemical Engineering.

He is a Past President of Associated Chambers of Commerce & Industry and the council of EU Chamber of Commerce in India, Past President of the Bombay Chamber of Commerce & Industry and of Indian Chemical manufacturers Association and Past Chairman of Bombay First.

Mr. Datta is a Director in the following companies :

Philips Electronics India Ltd.	Chairman
IL & FS Investments Managers Ltd.	Chairman
BOC India Ltd.	Chairman
Peerless Hospitex Hospital & Research Centre Ltd.	Chairman
Tata Trustee Co. Ltd.	Chairman
Transport Corp. of India Ltd.	Chairman
Peerless Gen. Finance & Inv. Co. Ltd.	Director
Peerless Hotels Ltd.	Director
Zodiac Clothing Company Ltd.	Director
Kansai Nerolac Paints Ltd.	Director
Atul Ltd.	Director
Bhoruka Power Corpn. Ltd.	Director
Deutsche Postbank Home Finance Ltd.	Director
Rabo India Finance Ltd.	Director

Mr. Datta is a joint holder of 5809 equity shares in the Company.

(ii) Mr. D. S. Parekh

Mr. Deepak Parekh is a Chartered Accountant and is a member of the Institute of Chartered Accountants – England & Wales.

In 1970, Mr. Parekh began his career with Ernst & Young Management Consultancy Services in New York, post which he moved to India where he had a short stint with Precision Fasteners Ltd., Mumbai. He also worked with Grindlays Bank and Chase Manhattan Bank in Mumbai for about three years each.

In 1978, Mr. Parekh joined India's premier housing finance company HDFC Ltd. as Deputy General Manager and then went on to become its Chairman in 1993.

He is an active member of various high-powered Economic Groups, Government-appointed Advisory Committees and Task Forces some of which are listed below.

- Member of a high level committee constituted in 2010 by the Government of India to make recommendations on the issues regarding the deteriorating financial health and competitiveness of BSNL.
- Investment Commission for advise on Foreign Direct Investment policies and procedures to attract higher foreign investment in India;
- Expert Group for recommending investment norms for New Pension Scheme (NPS) launched by the Pension Fund Regulatory & Development Authority.
- High Level Task Force on affordable housing;
- Member of the Audit Advisory Board constituted by the Comptroller & Auditor General of India (C&AG);
- A Committee on reforms in the Insurance Sector;

- Task Force on Infrastructure constituted by the Prime Minister's Office with the aim of attracting investments in specific projects of national and regional importance, and ensuring timely completion;
- Expert Committee constituted by the Ministry of Power on reforms in the power sector;
- Expert committee set up by the Indian Finance Ministry to suggest long-term funding options for the infrastructure sector.
- SEBI's Primary Market Advisory Committee (PMAC) for development of the primary market in India;

He was also appointed as a Special Director on the Board of Satyam Limited.

In 2006 Mr. Parekh was conferred the Padma Bhushan by the Government of India. Some of the other awards include special award from NDTV and CNN IBN for being part of the team that revived Satyam – 2009, the IMC Juran Quality Medal 2008, Outstanding Business Leader of the Year 2008 by CNBC, NDTV Business Leader of the Year Award – 2008, Lifetime Achievement Award – CNBC Awaaz Crisil Real Estate Awards 2008, Lifetime Achievement Award by Finance Asia magazine – Honking in 2008, the Priyadarshni Academy Award for his outstanding contribution to Banking and Financial Services in 2008. He was also recognized for his work in the areas of philanthropy and social commitment by the American India Foundation in 2007, was chosen as the 'Best Non-Executive Director – 2006' by the Asian Centre for Corporate Governance in recognition of his leadership on the board of several large companies and was honored with the Lifetime Achievement Award by The Economic Times in 2006.

Mr. Parekh is a Director in the following Companies:

Housing Development Finance Corpn. Ltd.	Chairman
Infrastructure Development Finance Co. Ltd	Chairman
GlaxoSmithKline Pharmaceuticals Ltd.	Chairman
HDFC Asset Management Co. Ltd.	Chairman
HDFC Ergo General Insurance Co. Ltd.	Chairman
HDFC Standard Life Insuranc Co. Ltd.	Chairman
Siemens Ltd.	Chairman
Hindustan Unilever Ltd.	Director
Mahindra & Mahindra Ltd.	Director
Hindustan Oil Exploration Co. Ltd.	Director
The Indian Hotels Co. Ltd.	Director
Airport Authoritry of India	Director
Borax Morarji Ltd.	Director
Zodiac Clothing Co. Ltd.	Director
Bharat Bijlee Ltd.	Director
Exide Industries Ltd.	Director

Mr. D. S. Parekh does not hold any shares in the Company

(iii) Mr. R. Kirpalani

Mr. Ravi Kirpalani is an Economics (Hons) graduate from St. Stephens College, Delhi and an MBA from IIM, Kolkata.

Mr. Kirpalani has almost 30 years of experience in Sales, Marketing and Strategy.

He joined Castrol India Ltd. in 1999 as the General Manager, East and was promoted in 2002 to Vice President, Sales. In 2004, he was appointed as the Customer Director for India, Middle East, Turkey and Africa. In 2005, he moved to the UK as the Transformation Director and was a member of the global strategy team. He played a key role in the implementation of the global strategy.

Mr. Kirpalani returned to Castrol India in 2009 as the Chief Operating Officer and Automotive Director.

Prior to Castrol, Mr. Kirpalani worked for Reckitt Benckiser for 12 years, in various roles and for a leading consumer products company in Muscat, Oman.

Mr. Kirpalani brings vast experience and strong strategic thinking to his current position in Castrol India.

He does not hold any 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, Cochin, Ahmedabad, Bangalore, Bhubaneshwar, Hyderabad, Chennai, Pune, Chandigarh and Lucknow 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 Date, Time and Venue : Friday, 30th April, 2010, 11.00 a.m. at Y.B. Chavan Centre, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai 400021

(b) Financial year :
- (i) January 2010 to December 2010.
- (ii) First Quarter – 2010 Results – 3rd/4th week of April, 2010.
- (iii) Half yearly Results – 2010 – 3rd/4th Week of July, 2010.
- (iv) Third Quarter – 2010 Results – 3rd/4th week of October, 2010.
- (v) Results for the year ending 31st December, 2010 – January/February – 2011.

(c) Date of Book closure : 24th February, 2010 to 26th February, 2010 (both days inclusive).

(d) Dividend Payment date(s) : Interim – 11th August, 2009
Final – on or after 30th April, 2010.

(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, 2009 to 31st March, 2010 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 31-12-2009	No. of Shares	No. of Share-holders	% of Share-holders
Upto 500	4957798	44689	85.38
501 – 1000	2564346	3458	6.61
1001 – 2000	3646411	2499	4.78
2001 – 3000	1996963	803	1.53
3001 – 4000	1457324	433	0.83
4001 – 5000	541046	118	0.23
5001 – 100000	1258653	185	0.35
100001 and above	107217757	154	0.29
Grand Total	123640298	52339	100.00

(l)	Dematerialisation of Shares and liquidity	: 42.85% of the paid-up capital has been dematerialized as on 31st December, 2009 which includes 16.84% held by Castrol Ltd., U.K.
(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 as 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*
A. P. Mehta *Finance Director*	S. Malekar *Director – Supply Chain*

Mumbai

Dated: 19th March, 2010

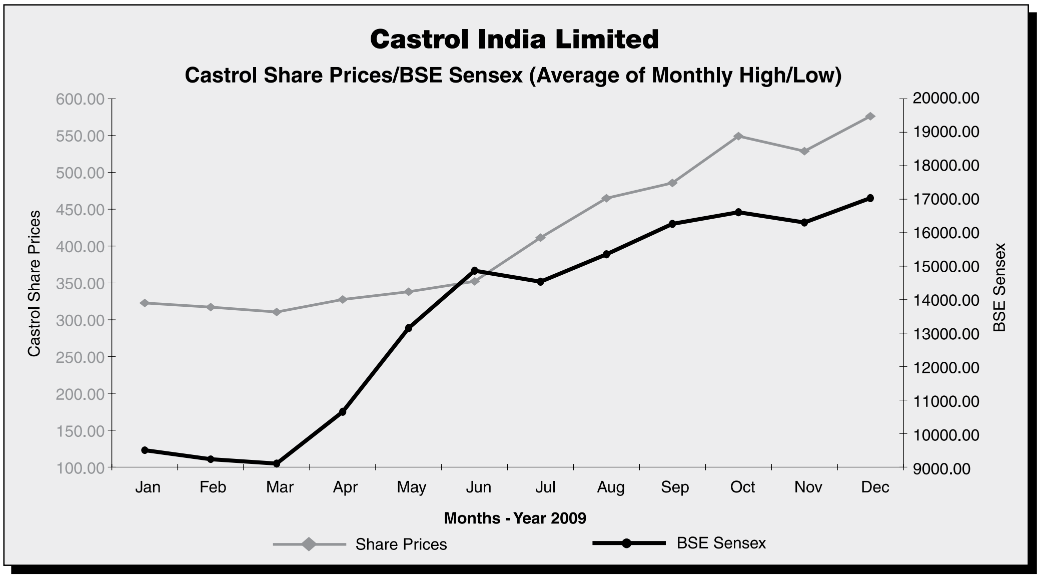
Castrol India Limited

Annexure I

Market Price Data - High/Low during each month in the Year 2009

Month	Rate (Rs.)	
	Highest	Lowest
January	335.20	310.20
February	330.05	304.05
March	325.50	295.40
April	342.10	312.95
May	347.75	328.20
June	376.30	328.10
July	463.65	359.15
August	490.20	439.70
September	500.60	470.60
October	579.75	518.65
November	538.35	519.15
December	609.30	543.05

Annexure II



On behalf of the Board of Directors

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

Mumbai
Dated: 19th March, 2010

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 2009 with the Company's Code of Conduct.

For CASTROL INDIA LIMITED,

R. Kirpalani
Chief Operating Officer

Place : Mumbai.
Dated: 19th March, 2010

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, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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.
Chartered Accountants
per Hemal Shah
Partner
Membership No. : 42650

Mumbai,
Dated: 19th March, 2010.

Shareholding Pattern as on 31st December, 2009

Sr. No.	Category	No. of Shareholders	No. of Shares held	% to paid-up capital
(i)	Foreign Collaborator	1	87687455	70.92
(ii)	Foreign Company	1	135474	0.11
(iii)	Foreign Institutional Investors	50	6526690	5.28
(iv)	Overseas Bodies Corporate	3	1003	0.00
(v)	Non-Resident Individuals	458	257079	0.21
(vi)	Financial Institutions	16	6235753	5.04
(vii)	Indian Mutual Funds	57	3520647	2.85
(viii)	(a) Nationalised Banks	23	8536	0.01
	(b) Other Banks	52	6591	0.00
(ix)	Domestic Companies	1188	2841619	2.30
(x)	Resident Individuals	50485	16402707	13.27
(xi)	Directors & Relatives	3	16744	0.01
	Grand Total	52337	123640298	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, 2009 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. Without qualifying our opinion, we draw attention to Note No. 2 of schedule M to the financials statements regarding approval of the Central Government in respect of certain transactions for the rendering of services to the parties covered under Section 297 of the Companies Act, 1956 for the period upto December 31, 2008, which the Company has applied for and is pending approval from the authorities. Our Audit report for the year ended December 31, 2008 also included a Emphasis of Matter in respect of the same.
4. 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.
5. 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, 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on December 31, 2009 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, 2009;
      (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.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai
Date : February 18, 2010

Annexure referred to in paragraph 4 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.	85.37	1987 to 2009	Assistant/Deputy Commissioner, Tribunal, High Court.
Central Excise Act, 1944	Valuation including admissibility of discounts/deductions [PME] in provisional assessments, Modvat/ Cenvat Credit, Classification, Stock differences and Other Miscellaneous Issues.	35.75	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.	2.83	1997 to 2008	Tribunal.
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.	27.11	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.
Chartered Accountants

per Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai
Date : February 18, 2010

Balance Sheet as at 31st December, 2009

	Schedule	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	**123.64**		123.64
Reserves and Surplus	B	**371.36**		351.93
			495.00	475.57
Loan Funds	C			
Unsecured Loans			**—**	2.79
TOTAL			**495.00**	478.36
APPLICATION OF FUNDS				
Fixed Assets	D			
Gross Block		**280.52**		265.17
Less: Depreciation/Amortisation		**153.65**		142.58
Less: Impairment of Fixed Assets		**15.54**		3.11
Net Block		**111.33**		119.48
Capital Work-in-Progress (Including advances on Capital Account)		**26.13**		24.97
			137.46	144.45
Investments	E		**0.52**	0.52
Deferred Tax Assets (Net)	F		**34.62**	26.82
Current Assets, Loans & Advances	G			
Inventories		**208.63**		267.30
Sundry Debtors		**160.60**		162.31
Cash and Bank Balances		**525.76**		255.63
Other Current Assets		**3.55**		1.11
Loans and Advances		**105.03**		89.19
		1003.57		775.54
Less: Current Liabilities & Provisions	H			
Current Liabilities		**431.72**		303.89
Provisions		**249.45**		165.08
		681.17		468.97
Net Current Assets			**322.40**	306.57
TOTAL			**495.00**	478.36
Notes on Accounts	M			

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.
Chartered Accountants

per HEMAL SHAH
Partner
Membership No. : 42650

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 18, 2010

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

Executive Directors

A. P. MEHTA Director
S. MALEKAR Director

Non-Executive Directors

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

Profit and Loss Account for the year ended 31st December, 2009

	Schedule	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
INCOME				
Sales [Net of rebates **Rs. 72.37 Crores** (2008 : Rs. 57.27 Crores)]		**2685.23**		2531.71
Less: Excise Duty		**367.04**		326.01
Net Sales			**2318.19**	2205.70
Other Income	I		**36.07**	41.81
Total Income			**2354.26**	2247.51
EXPENDITURE				
Cost of Materials	J		**1123.78**	1313.09
Operating and Other Expenses	K		**619.05**	492.89
Interest and Finance Charges	L		**3.45**	3.65
Depreciation/Amortisation			**27.18**	25.68
Total Expenditure			**1773.46**	1835.31
PROFIT BEFORE TAXATION			**580.80**	412.20
Taxation				
Current [Including Wealth Tax **Rs. 0.16 Crore** (2008 : Rs. 0.12 Crore)]			**206.83**	151.00
Deferred Taxation			**(7.80)**	(8.60)
Fringe Benefit Tax			**0.71**	5.75
Excess Income Tax provision for earlier years written back (Net)			**—**	1.68
PROFIT AFTER TAXATION			**381.06**	262.37
Add: Balance as per last Balance Sheet brought forward			**50.75**	32.36
PROFIT AVAILABLE FOR APPROPRIATION			**431.81**	294.73
APPROPRIATION TO:				
Interim Dividend			**123.64**	74.18
Tax on Interim Dividend			**21.01**	12.61
Proposed Final Dividend			**61.82**	111.28
Tax on Proposed Final Dividend			**10.51**	18.91
Proposed Special Dividend			**123.64**	—
Tax on Proposed Special Dividend			**21.01**	—
General Reserve			**39.00**	27.00
Balance carried forward			**31.18**	50.75
			431.81	294.73
Earning per share (Basic & Diluted) (Face value of Rs. 10/-) [Refer Note 1(l) of Schedule M]			**30.82**	21.22
Number of shares used in computing Earning per share			**123,640,298**	123,640,298
Notes on Accounts	M			

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.
Chartered Accountants

per HEMAL SHAH
Partner
Membership No. : 42650

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 18, 2010

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

Executive Directors

A. P. MEHTA — Director
S. MALEKAR — Director

Non-Executive Directors

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

Schedules forming part of the Balance Sheet as at 31st December, 2009

SCHEDULE A

	2009 Rupees in Crores	2008 Rupees in Crores
SHARE CAPITAL		
Authorised		
124,000,000 (2008 : 124,000,000) Equity Shares of Rs. 10/- each	**124.00**	124.00
Issued and Subscribed (Refer Notes below)		
123,640,298 (2008 : 123,640,298) fully paid up Equity Shares of Rs. 10/- each	**123.64**	123.64
	123.64	123.64

Notes :

1. Includes **87,687,455** (2008 : 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 6 of Schedule M).
2. Includes **116,353,318** (2008 : 116,353,318) Equity Shares allotted as fully paid up Bonus Shares by capitalisation of Share Premium/General Reserve.

SCHEDULE B

	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
RESERVES & SURPLUS			
Capital Reserve		**13.62**	13.62
General Reserve			
As per last Balance Sheet	**287.56**		260.56
Add: Transferred from Profit and Loss Account	**39.00**		27.00
		326.56	287.56
Balance in Profit and Loss Account		**31.18**	50.75
		371.36	351.93

Schedules forming part of the Balance Sheet as at 31st December, 2009

SCHEDULE C

	2009 Rupees in Crores	2008 Rupees in Crores
LOAN FUNDS		
UNSECURED LOANS		
Sales Tax Deferral Loan (Interest Free)		
From SICOM Ltd.	—	2.79
	—	2.79

SCHEDULE D

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

	GROSS BLOCK				DEPRECIATION / AMORTISATION				IMPAIRMENT LOSS	NET BLOCK	
	As at 1.1.2009	Additions for the year	Deductions for the year	As at 31.12.2009	As at 1.1.2009	For the Year	On Deductions	As at 31.12.2009		As at 31.12.2009	As at 31.12.2008
Freehold Land	**6.44**	—	—	**6.44**	—	—	—	—	—	**6.44**	6.44
Leasehold Land (1)	**0.92**	—	—	**0.92**	**0.38**	**0.02**	—	**0.40**	—	**0.52**	0.54
Buildings (2)	**63.84**	**1.63**	**0.83**	**64.64**	**23.03**	**2.82**	**0.56**	**25.29**	—	**39.35**	40.81
Plant & Machinery	**147.49**	**15.97**	**14.96**	**148.50**	**90.41**	**15.59**	**13.25**	**92.75**	**3.47***	**52.28**	53.97
Plant & Machinery Intangibles	**2.89**	**2.82**	**0.05**	**5.66**	**2.75**	**0.25**	**0.05**	**2.95**	**0.72**	**1.99**	0.14
Furniture & Fixtures	**26.60**	**6.76**	**1.05**	**32.31**	**18.00**	**5.00**	**1.02**	**21.98**	**2.45**	**7.88**	8.59
Office Equipments	**16.40**	**6.00**	**1.23**	**21.17**	**7.78**	**3.38**	**1.21**	**9.95**	**8.59**	**2.63**	8.63
Motor Vehicles	**0.59**	**0.31**	**0.02**	**0.88**	**0.23**	**0.12**	**0.02**	**0.33**	**0.31**	**0.24**	0.36
	265.17	**33.49**	**18.14**	**280.52**	**142.58**	**27.18**	**16.11**	**153.65**	**15.54**	**111.33**	119.48
Previous Year	249.04	27.23	11.10	265.17	127.62	25.68	10.72	142.58	3.11		
Capital Work-in-Progress (Including advances on Capital Account)										**26.13**	24.97
										137.46	144.45

* **Rs. 3.47 Crores** includes impairment provision of Rs. 3.11 Crores as at 31st December, 2008.

Notes:

(1) Cost includes **Rs. 0.49 Crore** (2008 : 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** (2008 : Rs. 0.01 Crore) in Co-operative Societies.

(3) Freehold Land **Rs. 1.26 Crores** (2008: Rs. 1.26 Crores), Building **Rs. 1.41 Crores** (2008 : Rs. 1.41 Crores), Plant & Machinery **Rs. 0.16 Crore** (2008 : Rs. 0.37 Crore), Furniture & Fixtures **Rs. 0.06** Crore (2008 : Rs. 0.06 Crore) and Office Equipments **Rs. 0.17 Crore** (2008 : Rs. 0.17 Crore) 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, 2009 is **Rs. 3.06 Crores** (2008 : Rs. 3.27 Crores).

Schedules forming part of the Balance Sheet as at 31st December, 2009

SCHEDULE E

	2009 Rupees in Crores	2008 Rupees in Crores
INVESTMENTS – [Refer Note 1(e) of Schedule M]		
LONG TERM (At cost)		
Other than trade:		
Unquoted:		
500 (2008 : 500) – 5.25% Non-Convertible Redeemable Taxable Bonds of Rural Electrification Corporation Ltd. of Rs. 10,000/- each	**0.50**	0.50
CURRENT (Lower of cost and market value)		
Other than trade:		
Unquoted:		
Government Securities * [Matured Face value **Rs. 0.02 Crore** (2008 : Rs. 0.02 Crore)]	**0.02**	0.02
	0.52	0.52

* Government Securities lodged with Mumbai Port Trust.

SCHEDULE F

	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
DEFERRED TAX ASSETS / (LIABILITY) (NET) [Refer Note 1(k) of Schedule M]			
Deferred Tax Assets / (Liability) are attributable to the following items:			
Assets			
Provision for Doubtful Debts	**1.09**		0.91
Provision for Doubtful Advances	**2.97**		2.71
Voluntary Retirement Scheme Expenses	**3.03**		0.11
Accrual for expenses allowable only on payment	**16.14**		18.03
TDS Payable on Provision for Expenses	**15.56**		15.05
Others	**3.00**		4.01
		41.79	40.82
Less: Liability			
Differences in depreciation in block of fixed assets as per tax books and financial books		**7.17**	14.00
		34.62	26.82

Schedules forming part of the Balance Sheet as at 31st December, 2009

SCHEDULE G

	2009 Rupees in Crores	2008 Rupees in Crores
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories [(Lower of cost and net realisable value)* (See Note 1(f) of Schedule M)]		
Raw Materials	**104.51**	134.12
Finished Products	**83.35**	111.47
Traded Items	**14.79**	15.21
Packages	**4.75**	5.62
Stores & Consumables	**1.23**	0.88
	208.63	267.30
* Including Goods in Transit **Rs. 22.19 Crores** (2008 : Rs. 8.70 Crores)		
Sundry Debtors @		
Secured, considered good		
Exceeding six months	**—**	—
Others	**4.49**	4.85
Unsecured, considered good		
Exceeding six months	**1.02**	1.79
Others	**155.09**	155.67
Unsecured, considered doubtful		
Exceeding six months	**2.87**	2.25
Others	**0.35**	1.41
	163.82	165.97
Less: Provision for doubtful debts	**3.22**	3.66
	160.60	162.31

@ Includes amount due from Companies under same management **Rs. 5.65 Crores** (2008 : Rs. 6.91 Crores), maximum amount due at any time during the year **Rs. 22.12 Crores** (2008 : Rs. 16.68 Crores) is given below:

Rupees in Crores

Name of Company	2009	2008
Arabian Prod. & Marketing Lub. Co. Ltd.	**0.03**	—
Aspac Oil (Thailand) Ltd.	**—**	0.01
BP China Aspac HKD Lub	**—**	0.05
BP (China) Industrial Lubricants Co.	**0.24**	—
BP Alternative Energy International Ltd.	**—**	0.33
BP Castrol (Thailand) Ltd.	**0.10**	—
BP Egypt Oil	**0.01**	—
BP Energy India Pvt. Ltd.	**—**	0.33
BP Exploration (Alpha) Ltd.	**0.03**	0.03
BP Exploration (IN SALAH) Ltd.	**—**	0.13
BP India Services Pvt. Ltd.	**2.82**	2.07
BP International Limited	**—**	(0.06)
BP Lub Shanghai SIBU	**—**	(0.09)

Rupees in Crores

Name of Company	2009	2008
BP Marine Limited	**0.51**	1.62
BP Middle East	**—**	0.97
BP Oil UK Ltd.	**—**	0.04
BP Singapore PTE Ltd.	**0.01**	0.07
BP Singapore Spec Ind Lubes	**1.19**	0.27
BP Singapore – LSC	**0.07**	0.10
BP Singapore – Marine	**—**	0.01
BP South Africa	**—**	0.01
BPOI – IST HO Costs	**—**	0.09
Castrol (Shenzhen) Co. Ltd.	**0.03**	—
Lubricants UK Ltd.	**0.59**	0.93
PT Castrol Indonesia	**0.02**	—

	2009	2008
Cash and Bank Balances		
Cash on Hand	**0.02**	0.03
With Scheduled banks:		
On Current Account [including cheques on hand **Rs. 4.57 Crores** (2008 : Rs. 4.85 Crores)]	**31.06**	31.21
On Deposit Account	**490.14**	220.17
Unclaimed Dividend Accounts*	**4.54**	4.22
	525.76	255.63
* 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	**3.54**	1.10
Interest accrued on Investments	**0.01**	0.01
	3.55	1.11

Schedules forming part of the Balance Sheet as at 31st December, 2009

SCHEDULE G — (Contd.)

	2009 Rupees in Crores	2008 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	**93.59**	79.19
Considered doubtful	**8.72**	8.37
Less: Provision for doubtful advances	**8.72**	8.37
	93.59	79.19
Balances with Customs, Port Trust and Excise Authorities	**6.57**	10.00
Advance Tax (Net of Provision)	**3.07**	—
Fringe Benefit Tax (Net of Provision)	**1.80**	—
	105.03	89.19
	1003.57	775.54

Note: Amounts due from Directors of the Company **Rs. 0.16 Crore** (2008 : Rs. 0.54 Crore) and maximum amount due from Directors of the Company at any time during the year **Rs. 0.54 Crore** (2008 : Rs. 0.56 Crore).

SCHEDULE H

	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry Creditors:			
Dues to other than Micro enterprises and Small enterprises	**374.93**		267.20
Dues to Micro enterprises and Small enterprises (Refer Note 14 of Schedule M)	**0.40**		0.65
		375.33	267.85
Advances from Customers		**3.87**	2.33
Investor Education and Protection Fund shall be credited as an when due by the following amount (Refer Note 1 below):			
Unclaimed Dividends		**4.54**	4.22
Interest accrued and not due on Deposits		**0.01**	0.02
Amount retained for taxation liability of Castrol Ltd., U.K.		**1.01**	1.13
Other Liabilities		**46.96**	28.34
		431.72	303.89
Provisions			
Provision for Indirect Taxation (Refer Note 2 below)		**32.47**	26.00
Provision for Current Taxation (Net of Advance Tax)		—	8.48
Provision for Fringe Benefit Tax (Net of Advance Fringe Benefit Tax)		—	0.41
Proposed Final Dividend		**61.82**	111.28
Tax on Proposed Final Dividend		**10.51**	18.91
Proposed Special Dividend		**123.64**	—
Tax on Proposed Special Dividend		**21.01**	—
		249.45	165.08
		681.17	468.97

Notes: (1) There is no amount due and outstanding as at 31st December, 2009 to be credited to Investor Education and Protection Fund.
(2) Movement in Provision for Indirect Taxation

Rupees in Crores

	2009			2008		
	Excise, Customs & Service tax	**Sales Tax & VAT**	**Total**	Excise, Customs & Service tax	Sales Tax & VAT	Total
Balance as at 1st January	**5.40**	**20.60**	**26.00**	5.79	17.66	23.45
Additions during the year	**2.06**	**5.23**	**7.29**	0.19	2.94	3.13
Reversals during the year	**(0.31)**	**(0.51)**	**(0.82)**	(0.58)	—	(0.58)
Balance as at 31st December	**7.15**	**25.32**	**32.47**	5.40	20.60	26.00

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2009

SCHEDULE I

	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
OTHER INCOME			
Interest (Gross)			
From Current Investments (Non trade)	—		0.24
From Long term Investments (Non trade)	**0.03**		0.04
On Bank Deposits [Tax deducted at source **Rs. 2.92 Crores** (2008 : Rs. 4.57 Crores)]	**18.55**		20.54
Others	**0.25**		0.22
		18.83	21.04
Royalty & Commission Income		**9.82**	11.10
Miscellaneous Income [Tax deducted at source **Rs. 0.88 Crore** (2008 : Rs. 3.20 Crores)]		**6.96**	9.49
Provision for Doubtful Advances written back (Net)		—	0.10
Debts written off in earlier years, realised		**0.01**	0.08
Excess provision for doubtful debts written back (Net)		**0.45**	—
		36.07	41.81

SCHEDULE J

	2009 Rupees in Crores	2008 Rupees in Crores
COST OF MATERIALS		
Opening Stock		
Raw Materials and Packages	**139.74**	110.34
Traded Items	**15.21**	6.94
	154.95	117.28
Add: Purchases		
Raw Materials and Packages	**1043.80**	1323.00
Traded Items	**26.58**	32.07
	1225.33	1472.35
Less: Closing Stock		
Raw Materials and Packages	**109.26**	139.74
Traded Items	**14.79**	15.21
	124.05	154.95
Cost of Materials		
Raw Materials and Packages	**1074.28**	1293.60
Traded Items	**27.00**	23.80
	1101.28	1317.40
(Increase)/Decrease in Stock in Finished Products		
Opening Stock	**111.47**	106.56
Closing Stock	**83.35**	111.47
	28.12	(4.91)
Excise Duty on account of Increase/(Decrease) in Stock of Finished Products	**(5.62)**	0.60
	1123.78	1313.09

Note: Purchases include foreign exchange difference on imports — Gain **Rs. 0.24 Crore** (2008 : Loss Rs. 17.04 Crores).

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2009

SCHEDULE K

	Rupees in Crores	2009 Rupees in Crores	2008 Rupees in Crores
OPERATING AND OTHER EXPENSES			
Salaries, Wages and Bonus [Refer Note 1(g) of Schedule M]	**83.97**		76.19
Performance Linked Incentive to Wholetime Directors	**3.75**		1.02
Contribution to Provident and Other Funds [Refer Note 1(g) of Schedule M]	**7.61**		6.97
Gratuity [Refer Note 1(g) of Schedule M]	**0.91**		4.47
Staff Welfare Expenses	**8.15**		7.39
		104.39	96.04
Rent		**12.83**	12.51
Rates & Taxes		**3.54**	2.72
Power & Fuel		**3.48**	3.79
Stores & Consumables		**1.22**	1.10
Freight & Forwarding Charges		**68.67**	68.23
Insurance		**1.65**	1.74
Repairs & Maintenance – Land & Building		**3.43**	3.05
Repairs & Maintenance – Plant & Machinery		**3.26**	2.72
Repairs & Maintenance – Others		**9.88**	11.37
Bad Debts written off		**0.54**	1.15
Provision for Doubtful Debts		**—**	0.47
Provision for Doubtful Advances		**0.44**	—
Processing & Filling Charges		**21.03**	23.08
Non recovered Taxes		**5.10**	3.74
Advertisement & Sales Promotion		**149.46**	97.67
Stock Point Operating Charges		**17.21**	16.67
Loss on Disposal/Write off of Fixed Assets (Net) [includes impairment loss of **Rs. 12.43 Crores** (2008 : Nil)]		**14.24**	0.24
Directors' Sitting Fees		**0.02**	0.03
Voluntary Retirement Scheme Expenses [Refer Note 1(g) of Schedule M]		**7.84**	1.26
Commission to Resident Non-Wholetime Indian Directors		**0.26**	0.26
Royalty		**63.12**	45.80
Sales Promotion Fee		**60.07**	42.55
Travelling Expenses		**13.17**	19.53
Legal and Professional Fees (Refer Note 13 of Schedule M)		**25.85**	22.50
Miscellaneous Expenses (Net)		**28.35**	14.67
		619.05	492.89

Note: Operating and Other expenses include foreign exchange differences (Net) – Loss **Rs. 0.40 Crore** (2008 : Loss Rs. 1.23 Crores)

SCHEDULE L

	2009 Rupees in Crores	2008 Rupees in Crores
INTEREST AND FINANCE CHARGES		
Bank Charges	**1.06**	1.59
Interest on Others	**2.39**	2.06
	3.45	3.65

Schedules forming part of the Balance Sheet as at 31st December, 2009 and the Profit and Loss Account for the year ended on that date.

SCHEDULE M

NOTES ON ACCOUNTS

1. **Accounting Policies :**

(a) Basis of Preparation of Accounts :

The accounts 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 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 (Net of Cenvat and VAT wherever applicable) less accumulated depreciation and impairment loss. 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 *	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 for indicators of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of 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 recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(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.

(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, overheads and Excise Duty. Custom Duty on stock lying in Bonded Warehouses is included in cost. Stores and Consumables are valued at cost.

Pursuant to the implementation of an upgraded version of ERP system, during the year, the Company has changed its cost formula from monthly weighted average to real time weighted average for Raw Materials, Packages, Traded Items and Finished Goods, the impact of which is not material.

SCHEDULE M (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 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 written off 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. 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 & 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 recognised 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.

(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, 2009 and the provision for the remaining period of nine months ending on 31st December, 2009. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2009-10 to Profit Before Tax of the said period.

SCHEDULE M (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 recognised 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 Balance Sheet comprise cash at bank and in hand, fixed deposits and short-term investments which are readily convertible into known amounts of cash.

2. The Company had entered into transactions for rendering of services and secondment of personnel with two private limited companies incorporated in India which are a part of the BP group of companies worldwide. The said agreements attracted the provisions of Section 297 of the Companies Act, 1956 as there were common Directors between the Company and the two private limited companies. The Company is applications to the Regional Director (Ministry of Corporate Affairs) for necessary approvals. The Regional Director (Ministry of Corporate Affairs) has sought clarifications and requested the Company to make fresh applications with additional information. The Company has made fresh applications in relation to both the private limited companies to the Regional Director (Ministry of Corporate Affairs) and is currently awaiting approval.

3. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for **Rs. 2.41 Crores** (2008 : Rs. 2.08 Crores).

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

		31st December, 2009 Rupees in Crores	31st December, 2008 Rupees in Crores
(a)	Counter Guarantees given to Banks	**6.68**	5.67
(b)	Excise/Sales Tax Demands made by the Authorities, in respect of which appeals have been filed	**18.07**	10.46
(c)	Claims against the Company not acknowledged as debts estimated at :		
	(i) Income Tax	**1.17**	—
	(ii) In respect of Third Parties – Miscellaneous	**1.43**	1.23

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** (2008 : 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. 4.96 Crores** (2008 : Rs. 7.87 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. 1.70 Crores relating to Excise cases of stock differences as on 31st December, 2009.

(b) Certain disputed demand notices relating to Indirect Taxes amounting to **Rs. 100.50 Crores** (2008 : Rs. 95.32 Crores) have neither been considered as contingent liabilities nor acknowledged as claims, based on expert legal opinions obtained/ internal assessment. Further, the Company has been consistent in adopting the policy of assessing risks as set out in their health check report from reputed Tax Advisors. The Company is of the view that the possibility of the demands materialising is remote.

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., U.K. 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.

SCHEDULE M (Contd.)

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, 2009				31st December, 2008			
	Automotive	Non-Automotive	Unallocated	Total	Automotive	Non-Automotive	Unallocated	Total
Revenue								
Net Sales/Income from Operations	2008.30	309.89	—	2318.19	1867.90	337.80	—	2205.70
Results								
Segment Results	477.94	87.49	—	565.43	325.77	67.49	—	393.26
Unallocable Income net of Unallocable (Expenditure)	—	—	18.82	18.82	—	—	22.59	22.59
Interest and Finance Charges	—	—	3.45	3.45	—	—	3.65	3.65
Profit Before Taxation	—	—	—	580.80	—	—	—	412.20
Provision For Current Taxation	—	—	—	206.83	—	—	—	151.00
Deferred Taxation	—	—	—	(7.80)	—	—	—	(8.60)
Fringe Benefit Tax	—	—	—	0.71	—	—	—	5.75
Excess Income Tax provision for earlier years written back (Net)	—	—	—	—	—	—	—	1.68
Profit After Taxation	—	—	—	381.06	—	—	—	262.37
Other Information								
Segment Assets	495.54	111.30	569.33	1,176.17	523.84	139.43	284.06	947.33
Segment Liabilities	411.20	41.84	228.13	681.17	285.08	31.80	154.88	471.76
Capital Expenditure (Including Capital Work-in-Progress)	32.01	2.64	—	34.65	36.29	0.96	—	37.25
Depreciation/Amortisation	26.09	1.09	—	27.18	22.89	2.79	—	25.68
Geographical Segment								
Revenue								
India				2315.21				2202.46
Outside India				2.98				3.24
				2318.19				2205.70
Assets								
India				1173.37				942.85
Outside India				2.80				4.48
				1176.17				947.33
Capital Expenditure (Including Capital Work-in-Progress)								
India				34.65				37.25
Outside India				—				—
				34.65				37.25

SCHEDULE M (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 employees' 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.

SCHEDULE M (Contd.)

Employee Benefits : (Contd.)

Pension Benefit to past employees

Under the Company's Pension Scheme, certain categories of employees, on retirement, are eligible for monthly differential pension which is accounted for on an actuarial basis as on the Balance Sheet date.

Rupees in Crores

	31st December, 2009			
	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	28.18	87.22	0.21	2.61
Current service cost	1.66	3.36	—	—
Interest cost	1.38	5.12	—	—
Actuarial (gain)/loss due to change in assumptions	(2.71)	(0.40)	(0.03)	(0.44)
Experience (gain)/loss	2.82	(0.29)	—	—
Contribution	—	7.56	—	—
Benefits paid	(10.05)	(15.74)	—	(0.18)
Obligation at period end	21.28	86.83	0.18	1.99
Change in plan assets				
Plan Assets at period beginning, at fair value	30.60	85.01	—	—
Expected return on plan assets	1.74	2.76	—	—
Actuarial gain/(loss)	0.22	1.91	—	—
Contributions by Employer	2.47	3.36	—	—
Contributions by Plan Participants	—	7.56	—	—
Benefits paid	(10.05)	(15.74)	—	—
Plan Assets at period end, at fair value	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	24.98	84.86	—	—
Present value of the defined benefit obligation at the end of the period	21.28	86.83	0.18	1.99
Asset/(liability) recognised in the balance sheet	3.70	(1.97)	(0.18)	(1.99)
Expense for the year (Refer Note A (i) below)				
Current service cost	1.66	3.36	—	—
Interest cost on benefit obligation	1.38	5.12	—	—
Expected return on plan assets	(1.74)	(2.76)	—	—
Net actuarial (gain)/loss recognised in the year	(0.11)	(2.60)	(0.03)	(0.44)
Net cost	1.19	3.12	(0.03)	(0.44)
Actual return on plan assets	1.74	2.76	—	—
Estimated contribution to be made in next annual year	2.50	3.50	—	—

	31st December, 2009			
Assumptions	Gratuity	Provident Fund	Survivor Protection	Pension Benefit
Discount rate	7.5%	7.5%	7.5%	7.5%
Employee turnover	8%	8%	—	—
Mortality	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.

	31st December, 2009	
	Gratuity	Provident Fund
The composition of plan assets		
Debt Instruments	85%	73%
Others	15%	27%
	100%	100%

Rupees in Crores

31st December, 2008				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)
25.03	81.64	0.21	1.97	22.64	73.29	—	—
1.63	3.60	—	0.81	2.41	3.53	0.20	1.99
1.90	6.72	—	—	1.87	5.72	—	—
4.52	0.53	—	0.01	1.38	1.50	0.04	0.12
1.02	0.58	—	—	—	—	—	—
—	6.77	—	—	—	6.01	—	—
(5.90)	(12.62)	—	(0.18)	(3.27)	(8.40)	(0.03)	(0.13)
28.20	87.22	0.21	2.61	25.03	81.64	0.21	1.97
29.75	78.26	—	—	26.92	71.99	—	—
2.24	6.59	—	—	2.30	6.03	—	—
1.77	2.40	—	—	(0.84)	(0.89)	—	—
2.74	4.47	—	—	4.64	5.05	—	—
—	5.90	—	—	—	6.00	—	—
(5.90)	(12.62)	—	—	(3.27)	(9.92)	—	—
30.60	85.00	—	—	29.75	78.26	—	—
30.60	85.00	—	—	29.75	78.26	—	—
28.20	87.22	—	—	25.03	81.64	—	—
2.40	(2.22)	—	—	4.72	(3.38)	—	—
1.63	3.60	—	0.81	2.41	3.53	0.20	1.99
1.90	6.72	—	—	1.87	5.72	—	—
(2.24)	(6.59)	—	—	(2.30)	(6.03)	—	—
3.77	(1.29)	—	0.01	2.22	0.89	0.04	0.12
5.06	2.44	—	0.82	4.21	4.12	0.24	2.11
2.24	6.59	—	—	2.30	6.03	—	—
3.00	3.50	—	—	4.50	—	—	—

31st December, 2008				31st December, 2007			
Gratuity	Provident Fund	Survivor Protection	Pension Benefit	Gratuity	Provident Fund	Survivor Protection	Pension Benefit
5%	5%	5%	5%	8%	8%	8%	8%
8%	8%	—	—	8%	8%	—	—
LIC Ultimate 94-96	—	LIC Ultimate 94-96	—	LIC Ultimate 94-96	—	LIC Ultimate 94-96	—

31st December, 2008		31st December, 2007	
Gratuity	Provident Fund	Gratuity	Provident Fund
89%	75%	83%	73%
11%	25%	17%	27%
100%	100%	100%	100%

SCHEDULE M (Contd.)

Employee Benefits : (Contd.)

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

(i) **Defined Benefit Plan**

Gratuity in Schedule K includes gratuity cost of **Rs. 0.91 Crore** (2008 : Rs. 4.47 Crores, 2007 : Rs. 3.14 Crores) (net of recoveries of **Rs. 0.28 Crore** towards employees on secondment from group companies). Contribution to Provident and Other Funds in Schedule K includes **Rs. 2.93 Crores** (2008 : Rs. 2.18 Crores, 2007 : Rs. 3.33 Crores) (net of recoveries of Rs. 0.19 Crore towards employees on secondment from group companies) for Provident Fund.

Salaries, wages and bonus in Schedule K includes Leave encashment, survivor protection (death benefit), pension benefit to past employees, credit of **Rs. 0.36 Crore** (2008 : Rs. 1.79 Crores, 2007 : Rs. 2.50 Crores).

(ii) **Defined Contribution Plan**

Contribution to Provident and Other Funds' in Schedule K includes **Rs. 4.63 Crores** (2008 : Rs. 4.74 Crores, 2007 : Rs. 4.30 Crores) for Pension Fund, ESIC and Labour Welfare Fund and 'Insurance' includes **Rs. 0.81 Crore** (2008 : Rs. 0.73 Crore, 2007 : Rs. 0.71 Crore) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Schedule K includes **Rs. 1.09 Crores** (2008 : Rs. 1.05 Crores, 2007 : Rs. 1.03 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%** (2008 : 7.50%, 2007 : 7.50%).

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) Subsidiary

None

(c) Fellow Subsidiaries with which the Company has transactions.

Air BP Lub. Sales Office
Arabian Prod. & Marketing Lub. Co. Ltd.
ASPAC Lubricants (Malaysia) Sdn Bhd
Aspac Lubricants Malaysia
ASPAC Oil (Thailand) Ltd.
Aspac Oil Korea
BP China Aspac HKD Lub.
BP (China) Industrial Lubricants Ltd.
BP Alternative Energy Ltd.
BP Alternative Energy International Ltd.
BP Australia Pty. Ltd.
BP Belgium NV/SA
BP Belgium – LUBESCO
BP Castrol KK
BP Castrol (Thailand) Ltd.
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 Exploration (Alpha) Ltd.
BP Exploration (IN SALAH) Ltd.
BP France
BP India Services Pvt. Ltd.
BP International Ltd.
BP Italia SPA
BP Japan KK
BP Korea Ltd.
BP Lub Shanghai SIBU
BP Lubricants USA, Inc.
BP Marine Ltd.
BP Maritime Services (ISLE OF MAN) Ltd.
BP Maritime Services Singapore Pte. Ltd.
BP Mauritius Ltd.
BP Middle East
BP Oil France
BP Oil Head office
BP Oil International Ltd.
BP Oil UK Ltd.
BP Sharjah Oil Co.
BP Shipping Ltd.
BP Singapore – LSC Regional

SCHEDULE M (Contd.)

Related Party Disclosures : (Contd.)

(c) Fellow Subsidiaries with which the Company has transactions (Contd.)

BP Singapore Lubes	Castrol Industries GMBH
BP Singapore Marine	Castrol Italiana
BP Singapore Pte. Ltd.	Castrol Ltd. UK.
BP Singapore Spec Ind. Lubes	Castrol Offshore
BP South Africa	Castrol Shenzhen Co. Ltd.
BP South West Pacific Ltd.	Castrol Switzerland
BP Turkiya OEU	Deutsche BP
BPOI – IST HO Costs	Deutsche BP AG
BPSA Lubes	First Energy India Ltd.
Burmah Oil GMBH	Lubricants UK Ltd.
Castrol (UK) Ltd.	Nordic Lubricants AB
Castrol Australia Pte. Ltd.	Nordic Lubricants AS
Castrol Austria AG	Premier Lube M ILS
Castrol Austria GMBH	Premier Lubes Aspac Ltd.
Castrol BP Petco Ltd.	Premier Lubricants (S) Pte. Ltd.
Castrol Industrial North America Inc.	PT Castrol Indonesia

(d) Associates

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

(e) Key Management Personnel

N. K. Kshatriya	Managing Director	Upto 8th May, 2009
R. Kirpalani	Chief Operating Officer	From 8th May, 2009
A. S. Ramchander	Executive Director	Upto 30th April, 2009
A. P. Mehta	Executive Director	
S. Malekar	Executive Director	From 1st May, 2008

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

Rupees in Crores

	31st December 2009					31st December 2008				
	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
Purchase of Materials/ Finished Goods										
BP Oil International Ltd.	—	—	—	—	**34.50**	—	—	—	—	125.01
Others	—	—	—	—	**19.24**	—	—	—	—	20.53
Sale of Goods & Related Expenses										
ASPAC Oil (Thailand) Ltd.	—	—	—	—	—	—	—	—	—	0.41
BP (China) Industrial Lubricants Ltd.	—	—	—	—	**0.70**	—	—	—	—	0.87
BP Castrol (Thailand) Ltd.	—	—	—	—	**0.14**	—	—	—	—	—
BP Middle East	—	—	—	—	**0.04**	—	—	—	—	0.22
Others	—	—	—	—	**0.14**	—	—	—	—	—
Receiving of Services										
BP Corporation NA Inc.	—	—	—	—	—	—	—	—	—	0.94
BP Oil Head Office	—	—	—	—	**0.80**	—	—	—	—	1.90
BP Singapore Lubes	—	—	—	—	—	—	—	—	—	1.39
Lubricants UK Ltd.	—	—	—	—	**5.03**	—	—	—	—	—
Others	—	—	—	—	**2.06**	—	—	—	—	0.68
Rendering of Services & Deputation of Employees										
BP Energy Pvt. Ltd.	—	—	—	—	—	—	—	—	—	3.36
BP India Services Pvt. Ltd.	—	—	—	—	**7.70**	—	—	—	—	16.03
BP Middle East	—	—	—	—	**7.08**	—	—	—	—	3.69
Others	—	—	—	—	**6.68**	—	—	—	—	4.65

SCHEDULE M (Contd.)

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

Rupees in Crores

	31st December 2009					31st December 2008				
	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 (Net)										
BP India Services Pvt. Ltd.	—	—	—	—	0.93	—	—	—	—	—
Commission Income										
BP Marine Ltd.	—	—	—	—	3.85	—	—	—	—	4.70
Contribution to Funds										
Castrol India Ltd. Employees' Provident Fund	—	—	2.93	—	—	—	—	2.18	—	—
Castrol India Ltd. Staff Pension Fund	—	—	4.08	—	—	—	—	4.18	—	—
Castrol India Ltd. Employees' Gratuity Fund	—	—	0.91	—	—	—	—	4.47	—	—
Dividend										
Castrol Ltd., U.K.	219.22	—	—	—	—	131.53	—	—	—	—
Others	—	—	—	—	0.34	—	—	—	—	0.20
Royalty Expense										
Castrol Ltd., U.K.	63.12	—	—	—	—	45.80	—	—	—	—
Amounts Payable										
Castrol Ltd., U.K.	186.20	—	—	—	—	118.98	—	—	—	—
BP Oil International Ltd.	—	—	—	—	10.96	—	—	—	—	—
Others	—	—	—	—	6.32	—	—	—	—	15.81
Amounts Receivable										
BP Energy Pvt. Ltd.	—	—	—	—	—	—	—	—	—	0.33
BP Middle East	—	—	—	—	—	—	—	—	—	0.97
BP India Services Pvt. Ltd.	—	—	—	—	2.82	—	—	—	—	2.07
BP Marine Ltd.	—	—	—	—	—	—	—	—	—	1.62
BP Singapore Spec Ind. Lubes	—	—	—	—	1.18	—	—	—	—	—
Lubricants UK Ltd.	—	—	—	—	0.59	—	—	—	—	0.93
Others	—	—	—	—	1.06	—	—	—	—	1.01
Remuneration to Managing Director										
N. K. Kshatriya	—	—	—	2.95	—	—	—	—	3.25	—
Remuneration to Executive Directors										
A. S. Ramchander	—	—	—	0.92	—	—	—	—	1.50	—
A. P. Mehta	—	—	—	1.43	—	—	—	—	0.94	—
Soren Malekar	—	—	—	1.24	—	—	—	—	0.56	—
A. Ahmad	—	—	—	—	—	—	—	—	0.24	—
Ravi Kirpalani	—	—	—	1.18	—	—	—	—	—	—
Loan Outstanding										
N. K. Kshatriya	—	—	—	—	—	—	—	—	0.16	—
A. S. Ramchander	—	—	—	—	—	—	—	—	0.19	—
A. Ahmad	—	—	—	—	—	—	—	—	0.19	—
Ravi Kirpalani	—	—	—	0.16	—	—	—	—	—	—
Recovery of Loan & Interest thereon										
N. K. Kshatriya	—	—	—	—	—	—	—	—	0.01	—
A. S. Ramchander	—	—	—	—	—	—	—	—	0.01	—
A. Ahmad	—	—	—	—	—	—	—	—	0.02	—
Ravi Kirpalani	—	—	—	0.01	—	—	—	—	—	—

SCHEDULE M (Contd.)

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

		31st December, 2009 Rupees in Crores	31st December, 2008 Rupees in Crores
(a)	Total of future minimum lease payments.		
	(i) Not later than one year	**10.95**	5.25
	(ii) Later than one year and not later than five years	**8.49**	8.14
	(iii) Later than five years	**—**	—
(b)	Lease payments recognised in the Profit and Loss account	**12.64**	12.51

* 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, 2009		31st December, 2008	
		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	**202922**	**2266.81**	212855	2158.46
	Traded Items	**1614**	**48.89**	1723	43.18
		204536	**2315.70**	214578	2201.64
	Old and used Containers		**2.49**		4.06
			2318.19		2205.70
(b)	(i) Consumption of Raw Materials, Additives and Chemicals and Packages : *				
	Base Oils	**176838**	**647.79**	182293	888.04
	Additives and Chemicals	**32429**	**336.26**	32494	315.26
	Packages (Individual items each being less than 10% of the total)	**—**	**90.23**	—	90.30
		209267	**1074.28**	214787	1293.60

* Does not include adjustment for old and used Containers

		31st December, 2009		31st December, 2008	
		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	**369.69**	**34.41**	472.55	36.53
	Additives and Chemicals	**135.84**	**12.64**	110.96	8.58
	Indigenous :				
	Base Oils	**278.10**	**25.89**	415.49	32.12
	Additives and Chemicals	**200.42**	**18.66**	204.30	15.79
	Packages	**90.23**	**8.40**	90.30	6.98
		1074.28	**100.00**	1293.60	100.00

SCHEDULE M (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, 2009		31st December, 2008	
		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	**11733**	**111.47**	17068	106.56
	Closing Stock [Excluding shortages/ losses – **107 KLs/MTs** (2008 : 137 KLs/ MTs)]	**11602**	**83.35**	11733	111.47
(d)	Traded Items:				
	Lubricating Oils and Greases				
	Opening Stock	**912**	**15.21**	499	6.94
	Purchases	**1584**	**26.58**	2136	32.06
	Closing Stock [Excluding Shortages/Losses **3 KLs** (2008 : 1 KL)]	**882**	**14.79**	912	15.21

(e) Licensed and Installed Capacity :

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

(ii) Installed Capacity

		(Technically evaluated as certified by the Management and accepted by Auditors) (Per Year on a single shift basis)	
		31st December, 2009 (KLs/MTs)	31st December, 2008 (KLs/MTs)
	For production of Lubricating Oils, Greases, Brake Fluids at Patalganga, Kolkata, Chennai & Silvassa.	**236000**	188054
(f)	Production of Lubricating Oils, Greases, etc. [Including processing done by third parties **14895 KLs/MTs** (2008 : 16280 KLs/MTs)]	**203684**	207814

(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 of 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, 2009 Rupees in Crores	31st December, 2008 Rupees in Crores
	Total Remuneration (excluding sitting fees) [Refer (b) and (c) below]	**7.99**	6.75
	Includes:		
(i)	Salary and Allowances	**3.01**	3.79
(ii)	Contribution to Provident and other funds	**0.58**	0.90
(iii)	Estimated Value of perquisites *	**0.39**	0.78
(iv)	Performance Linked Incentive to Whole time Directors	**3.75**	1.02
(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 M (Contd.)

Directors' Emoluments (Contd.)

			Rupees in Crores	31st December, 2009 Rupees in Crores	31st December, 2008 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			**580.80**	412.20
	Add:	Depreciation as per Profit and Loss Account	**27.18**		25.68
		Provision for Doubtful Debts (Net of amounts written back)	**(0.01)**		0.39
		Provision for Doubtful Advances	**0.44**		(0.10)
		Directors' Sitting fees	**0.02**		0.03
		Profit on Disposal/Write off of Fixed Assets (Net)	**1.81**		0.24
				29.44	26.24
				610.24	438.44
	Less:	Depreciation u/s 350 of Companies Act, 1956	**14.31**		12.31
		Wealth Tax	**0.16**		0.12
		Excess Provision for Doubtful Debts written back	**0.45**		—
				14.92	12.43
	Profit under Section 349 of the Companies Act, 1956			**595.32**	426.01
	Add: Directors' Remuneration			**7.99**	6.75
	Profit as per Section 198(1)			**603.31**	432.76

Note: The impact of actuarial valuation is determined for the Company as a whole. Hence, the amount pertaining to the directors is not ascertainable.

		2009	2008
(b)	Remuneration payable to Managing and Wholetime Directors		
	@ 10% on above profits	**60.33**	43.28
	Restricted by the Board of Directors to	**7.73**	6.49
(c)	Commission payable to resident Non-Wholetime Indian Directors		
	@ 1% on above profits	**6.03**	4.33
	Restricted by the Board of Directors to	**0.26**	0.26

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

		2009	2008
(i)	Audit Fees – Statutory #	**0.34**	0.34
(ii)	In other capacity : #		
	Audit Fees – Tax Accounts/Tax Audit	**0.14**	0.11
	Other Services	**0.13**	0.13
(iii)	Reimbursement of out of pocket expenses	**0.02**	0.01
		0.63	0.59

Excluding Service Tax of **Rs. 0.07 Crore** (2008 : Rs. 0.07 Crore)

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

		2009	2008
(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** (2008 : Rs. Nil)]	**0.40**	0.65
(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 M (Contd.)

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

		31st December, 2009 Rupees in Crores	31st December, 2008 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. 8.26 Crores** (Net) (2008 : Rs. 7.03 Crores) are included under relevant heads of expense.

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

Particulars	Foreign Currrency							
	AUD	EURO	GBP	JPY	SGD	USD	ZAR	SEK
31st December, 2009								
Sundry Creditors	**6528**	**660463**	**7502**	**959438**	**109402**	**13474882**	**—**	**14248**
Sundry Debtors	**—**	**—**	**—**	**—**	**—**	**588174**	**—**	**—**
Loans and Advances	**—**	**—**	**—**	**—**	**—**	**490997**	**—**	**—**
31st December, 2008								
Sundry Creditors	127417	395975	535101	40320	25104	3367093	296404	—
Sundry Debtors	—	—	—	—	—	1200648	—	—
Loans and Advances	—	—	—	—	—	476944	—	—

		31st December, 2009 Rupees in Crores	31st December, 2008 Rupees in Crores
17.	**C.I.F Value of Imports :**		
	Raw Materials	**406.26**	542.56
	Capital Goods	**1.60**	2.01
18.	**Expenditure in Foreign Currency (on accrual basis) :**		
	Travel	**1.02**	0.75
	Imports of goods for resale	**12.83**	19.49
	Others (Net of tax where applicable)	**19.72**	7.13
	Royalty (Gross) [Tax deducted at source **Rs. 9.46 Crores** (2008 : Rs. 6.87 Crores)]	**63.12**	45.80
19.	**Earnings in Foreign Exchange (on accrual basis) :**		
	Supplies to Foreign Vessels	**14.38**	15.05
	Commission	**3.85**	4.70
	FOB value of goods exported	**2.98**	3.24

SCHEDULE M (Contd.)

20. Details of Dividend remitted during the year, to **Two** (2008 : Two) non-resident shareholders are as follows :

Dividend in respect of the year ended	No. of Shares	**31st December, 2009 Rupees in Crores**	31st December, 2008 Rupees in Crores
31-12-2007 (Final)	87822929	**—**	83.43
31-12-2008 (Interim)	87822929	**—**	52.69
31-12-2008 (Final)	87822929	**79.04**	—
31-12-2009 (Interim)	87822929	**87.82**	—

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

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants

per HEMAL SHAH
Partner
Membership No. : 42650

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 18, 2010

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

Executive Directors

A. P. MEHTA Director
S. MALEKAR Director

Non-Executive Directors

R. GOPALAKRISHNAN Director
R. HEWINS Director
S. MUKUNDAN 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) 2009 (Year)

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

Public Issue	Rights Issue
—	—
Bonus Issue	Private Placement
—	—

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

Total Liabilities	Total Assets
11761700	11761700

Sources of Funds :

Paid up Capital	Reserves & Surplus
1236400	3713600
Secured Loans	Unsecured Loans
—	—

Application of Funds :

Net Fixed Assets	Investments
1374600	5200
Deferred Tax Assets/(Liability) (Net)	Net Current Assets
346200	3224000
Miscellaneous Expenditure	Accumulated Losses
—	—

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

Turnover	Total Expenditure
23181900	17734600
Profit/(Loss) before tax	Profit/(Loss) after tax
5808000	3810600
Earning per share (Rs.)	Dividend Rate %
30.82	250.00

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

A. P. MEHTA	Director	S. MALEKAR	Director

A. H. MODY
General Manager
Legal & Company Secretary

Non-Executive Directors

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

Mumbai
February 18, 2010

Cash Flow Statement for the year ended 31st December, 2009

			2009	2008
		Rupees in Crores	**Rupees in Crores**	Rupees in Crores
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit Before Tax	**580.80**		412.20
	Adjustments for :			
	Depreciation	**27.18**		25.68
	Interest and Finance Charges	**3.45**		3.65
	Interest Income	**(18.83)**		(21.04)
	Provision for Doubtful Advances (Net)	**0.53**		1.62
	Unrealised Foreign Exchange (Gain)/Loss	**(0.22)**		17.04
	(Profit)/Loss on Disposal/Write off of Fixed Assets (Net)	**14.24**		0.24
	Miscellaneous Income	**(0.81)**		—
	Operating Profit before Working Capital Changes	**606.34**		439.39
	Adjustments for:			
	Sundry Debtors	**1.62**		(15.98)
	Inventories	**58.89**		(59.36)
	Other Loans & Advances	**(15.65)**		(8.62)
	Current Liabilities	**134.31**		(35.31)
	Cash generated from Operations	**785.51**		320.12
	Income Tax Paid	**(218.38)**		(152.46)
	Fringe Benefit Tax Paid	**(1.12)**		(5.99)
	NET CASH FLOW FROM OPERATING ACTIVITIES		**566.01**	161.67
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets	**(34.65)**		(37.25)
	Sale of Fixed Assets	**0.22**		0.14
	Sale of Investments	**—**		20.06
	Interest received	**18.83**		21.04
	NET CASH FLOW FROM INVESTING ACTIVITIES		**(15.60)**	3.99

Cash Flow (Contd.)

			2009	2008
		Rupees in Crores	**Rupees in Crores**	Rupees in Crores
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Repayment of long term borrowings	**(1.98)**		—
	Interest Paid	**(3.46)**		(3.73)
	Dividend Paid	**(234.92)**		(191.64)
	Dividend Tax paid	**(39.92)**		(32.57)
	NET CASH FLOW FROM FINANCING ACTIVITIES		**(280.28)**	(227.94)
D.	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)**		**270.13**	(62.28)
	CASH AND CASH EQUIVALENTS, beginning of the year		**255.63**	317.91
	CASH AND CASH EQUIVALENTS, end of the year (Refer Note 2 below)		**525.76**	255.63

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 Standard Rules.
(2) Cash and Cash equivalents as at the end of 31st December, 2009 include Bank Deposits of Rs. 399.53 Crores with a maturity period exceeding three months and which are readily convertible into known amounts of cash.
(3) Previous year's figures have been regrouped wherever necessary.

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants

per HEMAL SHAH
Partner
Membership No. : 42650

A. H. MODY
General Manager
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Mumbai
February 18, 2010

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Non-Executive Directors

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

People trust our oil. Often, even with their savings.

Castrol is at the heart of healthy engines. Being a BSE Group A stock (and one of the bluest of blue chip companies) it is at the heart of healthy investments, too. Over the years, Castrol has performed—both on the roads and on the stock exchange.

Our stakeholders recognize us for our stability, and not without reason. Just last year, crude oil prices doubled. Yet, our profits continued to grow. And in spite of the recent upheavals in the stock market, our dividend touched an all time high.

The world is stepping out of a tough financial phase and Castrol is poised, ready to scale new heights. As a glorious Centenary comes to pass, we assure you—the best is yet to come.

Castrol 100 Years in India

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