POWERED BY PARTNERSHIPS GEARED FOR GROWTH

Castrol India Limited
Annual Report 2011

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

Board of Directors

Non-Executive Directors

Chairman
S. M. Datta

Vice-Chairman
N. K. Kshatriya

Directors
R. Gopalakrishnan
R. Hewins
U. Khanna
S. Mukundan
H. McCabe – *Alternate to R. Hewins*

Executive Directors

Chief Operating Officer
R. Kirpalani

Directors
S. Malekar
S. Vaidya

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

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

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

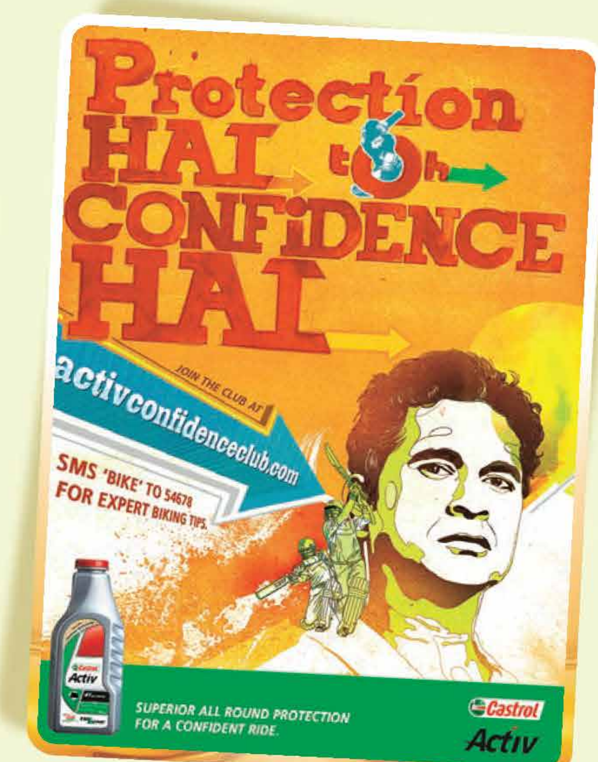
Auditors
S. R. Batliboi & Co.

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

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

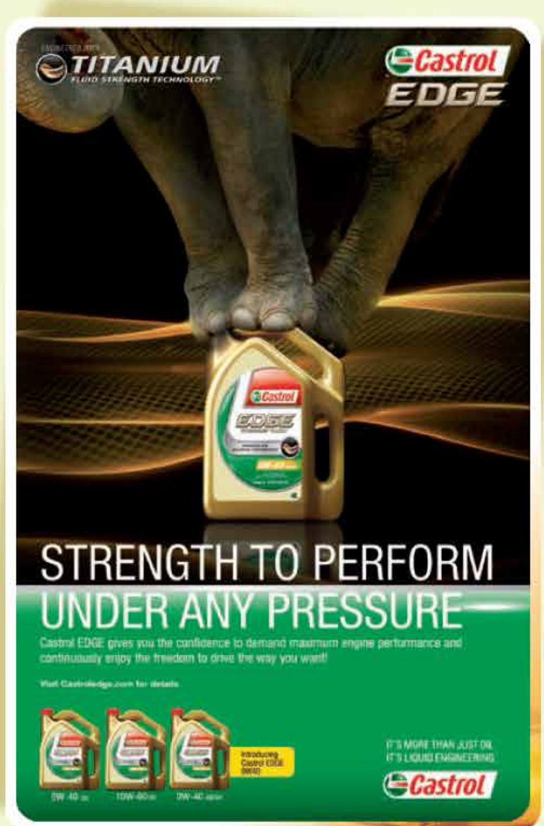
STRONG BRANDS

Castrol Honda World Superbike riders Jonathan Rea and Alex Lowes joined Castrol Brand Ambassador and Actor John Abraham, to re-launch Castrol Power1 with the advanced power release formula

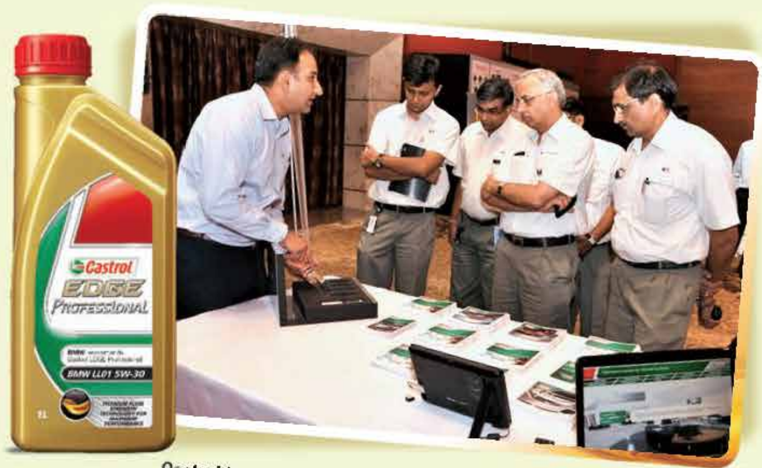


Castrol Activ Confidence Club, an online Facebook community for bikers, has attracted over 35000 users

Castrol Activ Scooter, India's first gearless scooter engine oil, was launched with unique Scootek technology. A direct consumer contact program reached out to over 6000 dealers and Castrol Bikepoints in 63 cities



Castrol Edge – a fully synthetic oil for high performance cars was re-launched with advanced Titanium Fluid Strength Technology



Castrol launched the Professional product series exclusively for the OEM Franchise Workshop segment. Picture shows the product demonstration during the launch

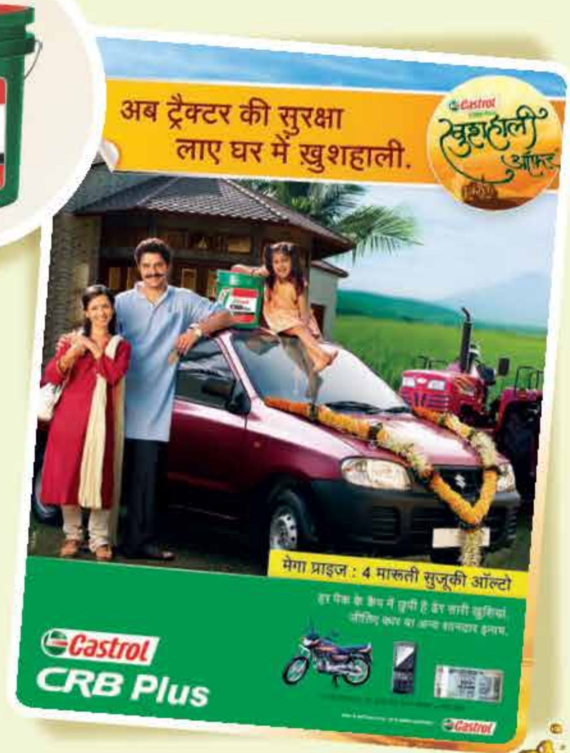
A new Castrol GTX TVC starring Castrol Brand Ambassador Sachin Tendulkar was unveiled during the ICC Cricket World Cup 2011, promoting the unique brand benefit of protection from sludge

Castrol ran a customer contest, where 60 winners across the country were invited to meet Castrol Brand Ambassador and ace bowler Brett Lee

STRONG BRANDS

A 360 degree campaign was launched to promote Castrol CRB Turbo with its brand proposition of 'Keeps the engine like new'. The brand benefit was brought alive through an on-ground consumer contact program

The bp brand was re-launched with a proposition of 'cleaner engine' supported by new 'Cleanguard' technology



Castrol CRB Plus was supported with a 'Khushali' offer for tractor owners, promoting the brand message of 'protection leading to prosperity'

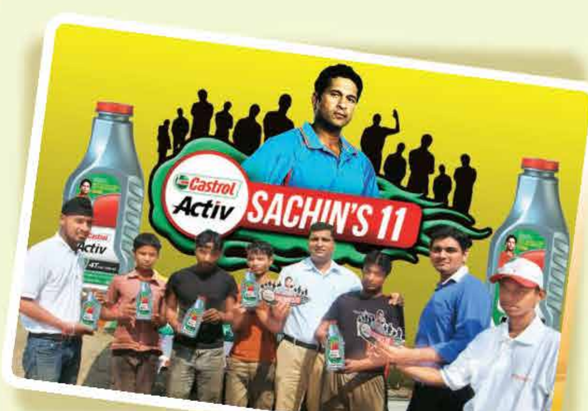
REACHING OUT

Castrol Golden Spanner Awards were given to 'ustaad' car mechanics to recognize their skills and knowledge. Over 20000 mechanics from across the country enrolled in the contest. Picture shows the national winner being felicitated by Castrol Brand Ambassador Sachin Tendulkar

Castrol launched a 'Castrol ke Anmol Ratn' dealer partnership program aimed at recognizing and rewarding key dealers and further strengthening Castrol's relationship with its key stakeholders

The Castrol GTX 'I love my car' display contest for dealers ensured enhanced brand visibility at retail outlets across the country

Reaching out to rural customers through Castrol Rural outlets



Castrol Activ consumer promotion offered lucky winners an opportunity to meet Castrol Brand Ambassador Sachin Tendulkar

ENDURING RELATIONSHIPS

Castrol and BMW extended their strategic global partnership to the India business. Picture shows (from left to right) Ravi Kirpalani, Automotive Director & COO, Castrol India; Naveen Kshatriya, the then Regional Vice President, BP Lubricants, Asia & Pacific; Stephan Rausch, Aftersales Director, BMW India and Rodney Woods, Chief Financial Officer, BMW India

Castrol extended its global partnership with Volkswagen to India with renewal of a three year agreement. Picture shows Neeraj Garg, Director, Sales & Marketing, VW (on left) and Ravi Kirpalani, Automotive Director & COO, Castrol India

Castrol conducted technology days at Tata Motors and Maruti Suzuki to showcase its technology leadership and share new trends in lubricant technology

A Castrol Lubricants Learning Centre has been set up at Tata Motors plant in Pune. The Centre imparts training and showcases latest trends in lubricant technology. Picture shows (from left to right) Ravi Pisharody, President Tata Motors CVBU, P M Telang, MD, India Operations and Ravi Kirpalani, Automotive Director & COO, Castrol India

ENDURING RELATIONSHIPS

Castrol's industrial business entered into a strategic alliance with ACE Micromatic Group - the largest CNC machine tool manufacturers in India. Picture shows T K Ramesh, CEO, ACE Micromatic (on left) and Uday Kumar, the then Castrol Industrial Sales Director, India & Thailand

Castrol India's Industrial business team was recognized as 'Best Supplier' by John Deere for a commendable performance in the indirect material and services category for 2011. Picture shows (from left to right) Suvankar Chakraborty, Key Account Manager and Rajiv Choudhuri, Business Manager, Castrol Industrial Lubricants & Services, receiving the award from Kristin Campbell, Global Manager Supply Management, John Deere

Castrol India was recognized amongst the 'Longest Serving Partners' associated with SKF India for more than 40 years. Picture shows Vadiraj Galagali, Purchasing Manager Indirect Material, SKF, India (on left) with Charudatta Joshi, General Manager Direct Sales, Castrol India and R Manohar, Director Demand Chain, SKF, India (extreme right)

Castrol's Heavy Duty Mining team offered its first Lubenet service to L&T at their customer's mining site. Castrol provides Total Lube Management service, oil condition monitoring and training on safe practices at the site

SAFETY

Castrol's Patalganga plant has a strong safety track record which has been recognized externally and internally. Picture shows Soren Malekar, Director Supply Chain, Castrol India (on left), receiving a safety award from Peter McConnon, VP Global Supply Chain, BP Lubricants. Picture on right shows the Patalganga Plant leadership team with various safety awards received during the year

Road safety is a key focus area for Castrol India. The company runs various safety programs for staff as well as third party transport operators. Picture above shows winners of Castrol Road Safety Awards along with members of the leadership team

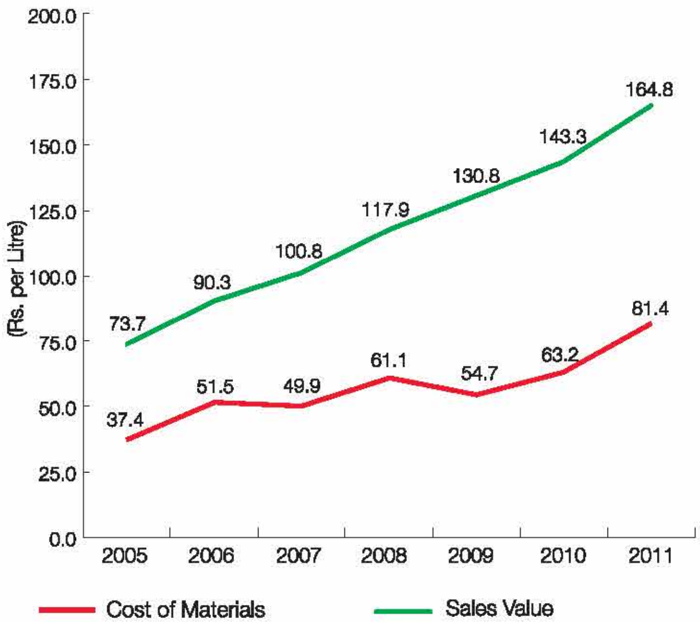
H.S. Gill, Deputy Sales Manager, Retail Sales (on left) and Arulprakasam, Deputy Sales Manager, Rural (on right), receiving Road Safety Awards for three years of incident free driving from Ravi Kirpalani, Automotive Director & COO, Castrol India

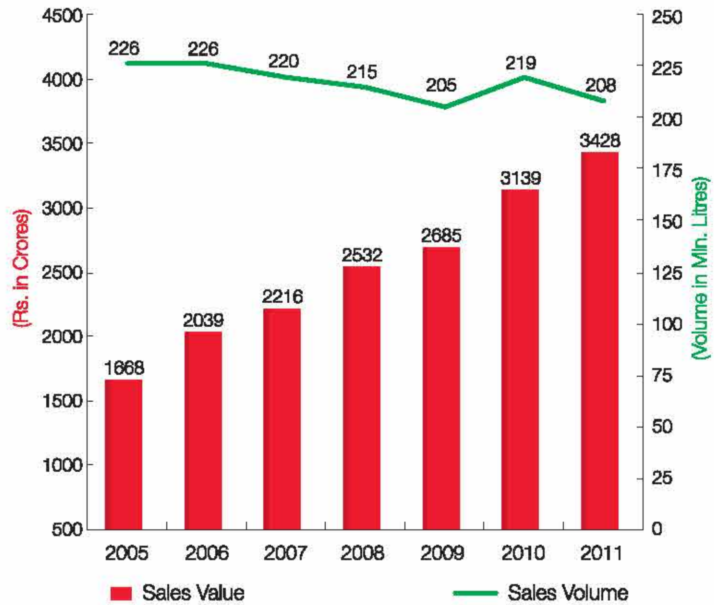
Eklavya

Castrol's ongoing Eklavya Social Investment initiative provides training to independent two-wheeler mechanics to ensure that they remain competitive in a fast changing technical landscape. Over 50000 mechanics have been trained under this program over the last two and a half years

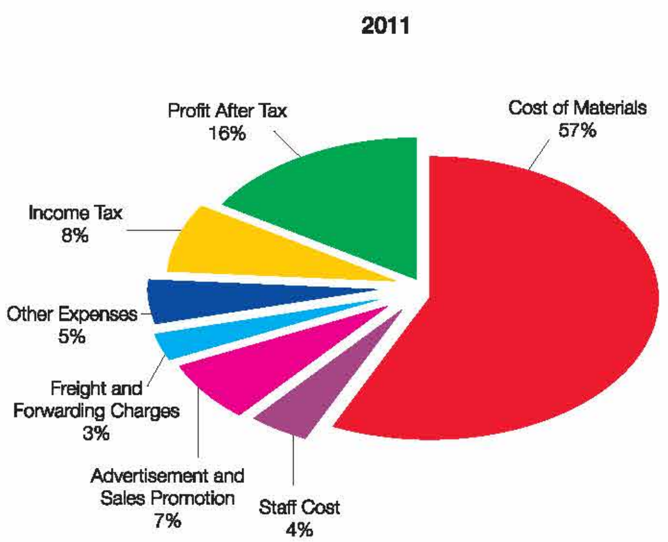
Over 150 Castrol employees ran the Mumbai Marathon this year to raise funds for the girl child, supporting two NGOs - Nanhi Kali and Project Crayon. Picture shows some of the staff members who participated in the event

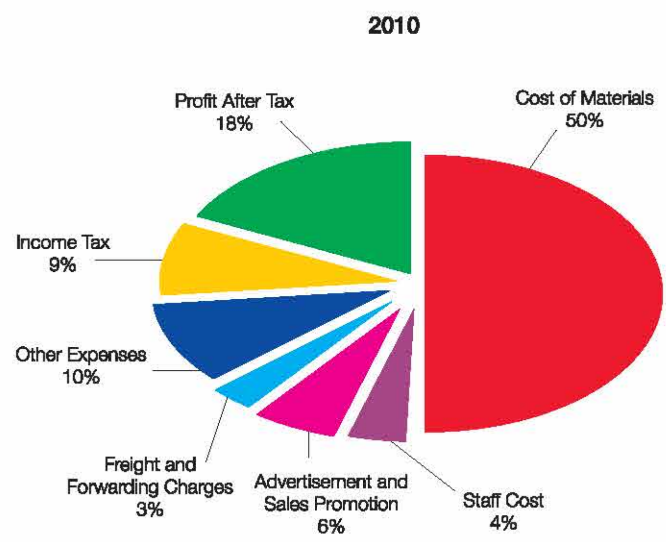
Castrol staff with children at Udaan Ghar (Project Crayon)



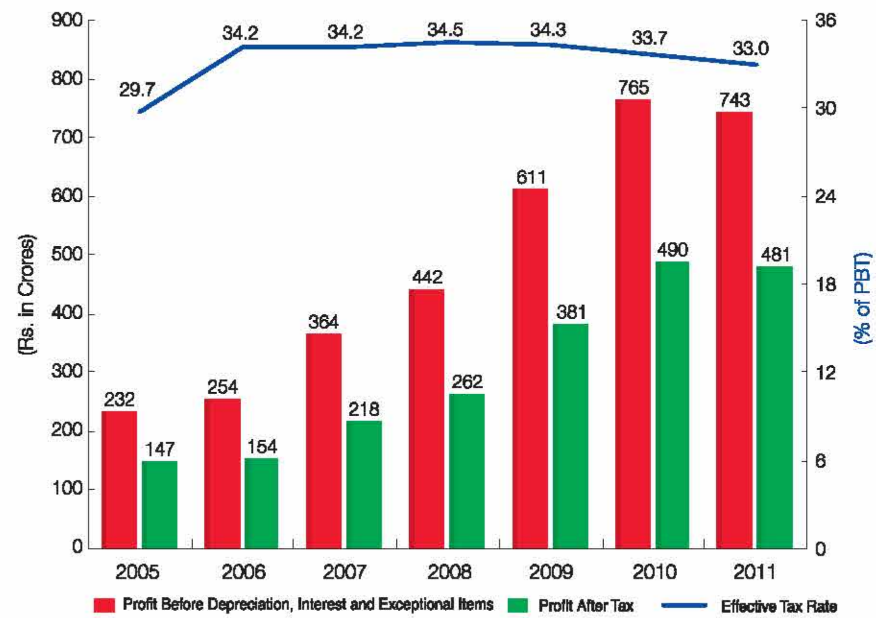


UTILISATION OF INCOME

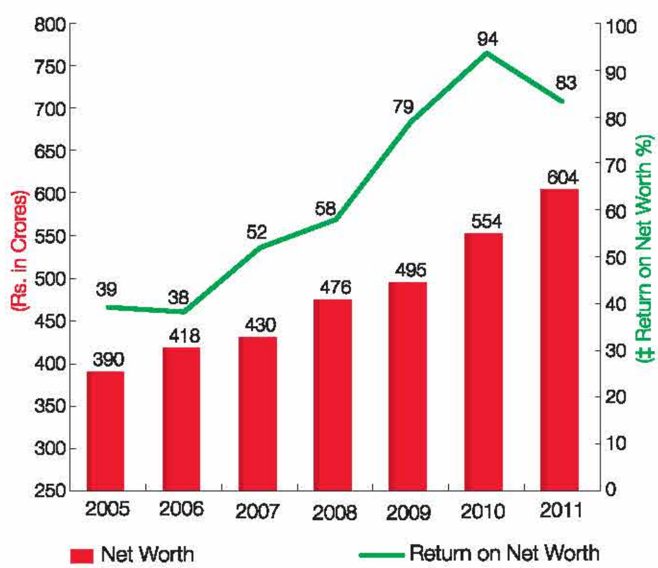




PROFIT AND EFFECTIVE TAX RATE

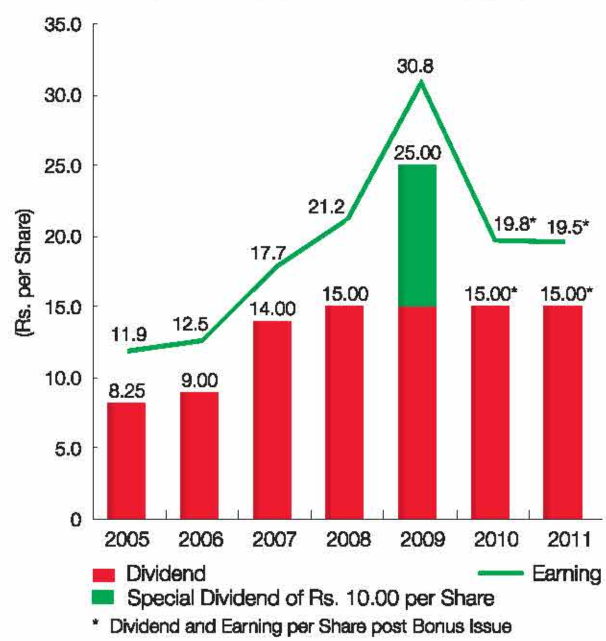


RETURN ON NET WORTH



‡ Computed on average Net Worth during each year

DIVIDEND AND EARNING PER SHARE



* Dividend and Earning per Share post Bonus Issue

FINANCIAL HIGHLIGHTS

Year	**2011**	2010	2009	2008	2007	2006	2005
							Rupees in Crores
Sales	**3427.74**	3138.73	2685.23	2531.71	2216.48	2038.59	1668.39
Less: Excise Duty	**445.96**	403.97	367.04	326.01	328.22	286.18	238.01
Net Sales	**2981.78**	2734.76	2318.19	2205.70	1888.26	1752.41	1430.38
Other Income	**84.58**	39.50	36.07	41.81	34.84	34.38	20.07
Cost of Materials	**1694.49**	1384.67	1123.78	1313.09	1097.68	1163.14	847.97
Operating and Other Expenses	**628.90**	625.00	619.05	492.89	461.01	369.29	370.73
Profit Before Depreciation, Interest and Exceptional Items	**742.97**	764.59	611.43	441.53	364.41	254.36	231.75
Interest	**1.91**	2.42	3.45	3.65	3.79	4.11	3.01
Depreciation	**25.11**	24.33	27.18	25.68	20.78	18.01	18.93
Profit Before Taxation and Exceptional Items	**715.95**	737.84	580.80	412.20	339.84	232.24	209.81
(Add)/Less: Exceptional Items:							
Write (Back)/Off Voluntary Retirement Scheme Expenses – Plant closure	**—**	—	—	—	—	—	(0.49)
Write (Back)/Off of Impairment of Fixed Assets – Plant closure	**—**	—	—	—	—	—	(0.33)
Profit Before Taxation	**715.95**	737.84	580.80	412.20	339.84	232.24	210.63
Current Taxation	**255.44**	251.09	206.83	151.00	139.94	85.24	68.16
Deferred Taxation	**(19.13)**	(2.49)	(7.80)	(8.60)	(23.56)	(5.72)	(5.56)
Fringe Benefit Tax	**—**	—	0.71	5.75	5.56	3.62	5.09
Excess Income Tax Provision for earlier years written back (Net)	**(1.39)**	(1.07)	—	1.68	(0.53)	(5.39)	(3.87)
Profit After Taxation	**481.03**	490.31	381.06	262.37	218.43	154.49	146.81
Dividend	**370.92**	370.92	309.10	185.46	173.10	111.28	102.01
Gross Fixed Assets	**337.63**	312.04	306.65	290.14	263.99	251.62	254.58
Net Fixed Assets	**143.56**	136.89	137.46	144.45	133.26	129.68	138.33
Investments	**—**	—	0.52	0.52	20.58	42.52	108.14
Net Current Assets/(Liabilities)	**404.40**	379.50	322.40	306.57	260.91	254.38	158.23
Net Assets	**604.20**	553.50	495.00	478.36	432.97	426.58	404.70
Share Capital	**247.28**	247.28	123.64	123.64	123.64	123.64	123.64
Reserves & Surplus	**356.92**	306.22	371.36	351.93	306.54	294.02	266.42
Net Worth	**604.20**	553.50	495.00	475.57	430.18	417.66	390.06
Loan Funds	**—**	—	—	2.79	2.79	2.79	2.79
Deferred Tax Assets/(Liability) (Net)	**56.24**	37.11	34.62	26.82	18.22	(6.13)	(11.85)
							Rupees
Earning per Share	**19.45**	19.83	30.82	21.22	17.67	12.50	11.87
Dividend per Share	**15.00**	15.00	‡ 25.00	15.00	14.00	9.00	8.25
Book Value per Share	**24.43**	22.38	40.04	38.46	34.79	33.78	31.55
Debt Equity Ratio	**0 :1**	0 :1	0 :1	0.02 :1	0.02 :1	0.02 :1	0.02 :1

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2011

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st December, 2011

	For the year ended 31st December, 2011 (Rupees in Crores)	For the year ended 31st December, 2010 (Rupees in Crores)
FINANCIAL RESULTS		
Gross Profit before Depreciation, Exceptional Items & Tax	**741.06**	762.17
Deducting therefrom:		
Depreciation	**25.11**	24.33
Provision for Tax		
Current [Including Wealth Tax of **Rs. 0.16 Crore** (2010 : Rs. 0.16 Crore)]	**255.44**	251.09
Deferred Taxation	**(19.13)**	(2.49)
Excess Income Tax provision for earlier years written back	**(1.39)**	(1.07)
Profit after Tax	**481.03**	490.31
Adding thereto:		
Balance as per last Balance Sheet brought forward	**40.65**	31.18
Profit Available for Appropriation	**521.68**	521.49
The appropriations are:		
Dividend		
Interim	**173.10**	173.10
Final	**197.82**	197.82
Tax on Dividend		
Interim	**28.08**	28.75
Final	**32.09**	32.86
Final – 2009	**—**	(0.24)
Final – 2010	**(0.76)**	—
Special – 2009	**—**	(0.48)
Transfer to General Reserve	**48.11**	49.03
Balance carried forward	**43.24**	40.65
	521.68	521.49

PERFORMANCE

Sales realizations have increased by 9% over the previous year to Rs. 3428 crores mainly due to an increase in unit sales realizations. However the sales volumes have declined by 5% over the pervious year.

Costs of materials have increased by 22% over the previous year to Rs. 1694 crores due to an increase in base oil prices and Indian Rupee devaluation against the US Dollar.

Despite increasing cost pressures, a pro-active margin management strategy helped your Company to maintain its unit gross profit. Driven largely by lower volumes the Gross Profit has declined by 5% over the previous year.

Operating & other expenses increased by Rs. 4 crores as compared to the year 2010. Advertisement & Sales Promotion expenses reduced 9% over the previous year through judicious control over spending.

Profit before tax decreased by 3% over previous year to Rs. 716 crores.

Tax rate for the current year has remained at nearly the same level as that of the previous year. Profit after tax decreased by 2% over the previous year to Rs. 481 crores.

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, 2011 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, 2011 and of the profits of the Company for the year ended 31st December, 2011.

(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, 2011 of Rs. 7/- per share on 24,72,80,596 Equity Shares was paid to the Shareholders of the Company whose names appeared in the Register of Members on 23rd August, 2011.

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

DIRECTORS

Mr. D. S. Parekh resigned with effect from 20th December, 2011 as a Non-Executive Director of the Company.

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

Mr. Uday Khanna was appointed with effect from 3rd January, 2012 as an Additional Director of the Company.

In accordance with Section 260 of the Companies Act, 1956 (the Act), Mr. Khanna 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. Khanna as a candidate for the office of Director.

Mr. S. M. Datta and Mr. R. Kirpalani 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. Installed energy efficient air compressor with Variable Frequency Drive (VFD) thereby achieving a reduction in energy consumption.
2. Installed improved new technology automatic garden sprinkler system for gardening thereby reducing the overall water consumption.
3. Installed Energy efficient VFD in process pumps resulting in a reduction in energy consumption.
4. Replaced 250 watts street lights by energy efficient 60 watts LED Street lights resulting in reduction of street light power consumption.

Silvassa:

1. Operation of smaller cooling water circulation pump for utility resulting in reduced load.
2. Heating and cooling cycle optimised for air drier.
3. Energy efficient lighting in Quality Control and Supply & Distribution office.
4. Replacement of existing roofing sheets with new roofing sheets & translucent sheets thereby improving the natural lighting of the main plant building.
5. Recharge of bore well through rain water harvesting.

Paharpur:

1. Installation of solar lights in tank farm area to reduce the unit consumption of street lights.
2. Reduction in running time of jockey pump by reducing the underground water leakage.
3. Installation of timers in air conditioners and thus reducing the overall running hours and unwanted usage of AC.
4. Replacing 8.5 TR centralized AC with small individual AC's for cabins thereby reducing the TR load and power load.
5. Installation of roof extractors in shop floor instead of exhaust fans.

6. Fixing Individual area wise energy meters to track, monitor and take corrective action to reduce energy load.
7. Installation of variable frequency drive in thermic fluid pump.
8. Pre-mix heating in bulk quantity than in small batches reducing the fuel consumption in thermic fluid heater.

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

Replacement of existing power factor control panel with new generation auto power factor control panel to maintain power factor to unity and achieve energy saving.

(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) & (b) above have lead to a reduction in energy consumption which in turn has impacted the cost of production.

TECHNOLOGY ABSORPTION

1. Site Safety and Security continued to remain an area of focus at the Technology Centre. The Technology Centre went live into the "Operating Management System" with a continuous improvement plan on reduction of safety and compliance risks at site.
2. The year 2011 continued to be a year of Site upgradation for the Technology Centre. The focus on safety at all levels ensured that your Company completed the year without a single incident.
3. The Technology Centre started a project on a new pilot and laboratory scale blending facility that would ensure a much safer laboratory, lower inventory and faster turnaround time for sample blends.
4. The Technology Centre was audited and your Company continued to be ISO certified viz ISO certifications 9001 – 2008.
5. Your Company secured business for its various new product with Original Equipment Manufactures (OEM's) e.g. TATA, Ford Motors, Maruti etc. in India to further strengthen its partnership.
6. After having opened the Liquid Engineering Centre your Company wanted to take the benefit propositions at the OEM's doorstep. Hence your Company organized "Technology Day" at both TATA and Maruti premises, wherein the Company showcased the superiority and benefit of its products to the OEM's. This was a global effort wherein teams from global technology and marketing participated.
7. Based on the response of the technology day, your Company was allotted an exclusive space in the premises of Tata Motors for setting up a technical training facility for lubricants. Your Company is the first oil company to have been allotted such space.
8. Your Company continued to launch various products throughout the year with superior properties and stronger differentiations. Some key launches were Activ Scooter and BP range of products. Work is in progress to make sure that your Company have their pipeline managed for product launches throughout 2012 and beyond.
9. Formulation optimization initiatives by the Technology team with support from Supply Chain and Marketing teams was an area of focus, which brought about significant savings in raw material costs as well helped to manage the security of supplies for your Company's raw materials.
10. Post the development and installation of "Truck Driving Simulator" at the Technology Centre; the same was showcased to various consumers and OEM's as a tool to demonstrate safe driving

techniques. Your Company now has one such simulator installed at the TATA Training Centre at Pune.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. **Activities relating to Export**
   There were no significant exports by the Company during the year. However, some of the countries where our products were exported to are China, Thailand & Saudi Arabia.
2. **Earnings and Outgo**
   Members are requested to refer to note Nos. 18 and 19 of Schedule L forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2011.

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

R. Kirpalani
Director – Automotive & Chief Operating Officer

S. Malekar
Director – Supply Chain

S. Vaidya
Director – Finance

Mumbai
Dated: 5th March, 2012

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 – 2011

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 50% of the market in terms of volumes. Another 25% of the market is accounted for by multinational companies such as Total, Shell, Gulf Oil and Tidewater Oil, amongst others. Numerous smaller players, including global players, operate in the remaining 25% of the market, leading to an extremely competitive market scenario.

The automotive industry growth slowed in 2011. While the year started on a robust note, second quarter onwards saw a decelerating trend in car sales, freight movement and lubricant consumption, exacerbated by high inflation and interest rates.

While the medium and heavy commercial vehicle segment did show moderation and decline in growth rates, the growth in the small commercial vehicle segment offset this, growing at more than 30% year on year. The focus by Original Equipment Manufacturers (OEMs) on leveraging the booming market for micro light commercial vehicles has resulted in multiple product launches in the last 18 months. We expect this sub-segment to sustain high double-digit growth in the medium term.

The two-wheeler industry had another good year, registering a 16% growth in volume terms in 2011. On the demand side there were various contributing factors including continued increase in rural disposable income. On the supply side, manufacturers debottlenecked capacity constraints and also commissioned fresh capacity. Rising demand from rural markets is a trend due to an increase in farm and non-farm income. Higher business activity spurred by improved road, telephone and electricity penetration has further improved the economic environment in rural India and this market is expected to contribute 50% to the overall sale of two wheelers by 2015.

After recording strong growth in the previous two years, new car sales slowed down in 2011. The entry level segment of the Indian passenger car market shrunk in 2011, for the first time in many years, and saw its market share dip below 50% of the overall passenger car market. The situation was quite different for the premium compact segment which grew at a rate of 6.5%. The fastest growth came from the SUV (sports utility vehicles) segment which grew by a rate of 30% whilst the demand for high end cars was also on the rise with sedans seeing a demand rise of 15%.

The infrastructure sector, led by mining and construction, experienced a significant slowdown given the legal issues around the sector and rapid deceleration of incremental investment in infrastructure, especially road and power. The global economic crisis also saw exports decelerating during second half of the year.

Major industry developments

1. Economic Conditions

The global economic scene deteriorated quarter on quarter, with the deepening of the European crisis led by Greece. In the second half of 2011, the growth rate of the Indian economy slowed down significantly. The 13 successive rate increases that the Reserve Bank of India took to contain inflation began to bite. The Indian Rupee depreciated sharply in the fourth quarter.

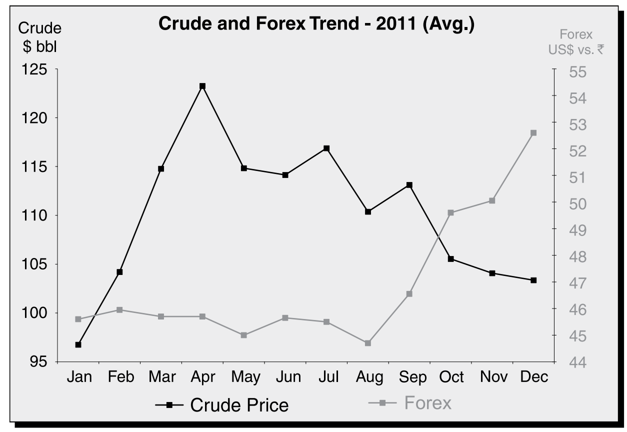
2. Crude oil, base oil and additives

The year 2011 witnessed an uncertain climate across major economies. Crude prices reflected the volatile trends and reached a high of US $123 in April 2011. The supply market situation tightened with a number of planned and unplanned shutdowns by refineries and natural calamities like earth quake, floods and the tsunami causing disruptions.

Rising crude prices coupled with the tight supply market in the Asia and Pacific region impacted base oil prices adversely for most part of the year.

The inflationary trend during the year and the Indian Rupee depreciating against the US Dollar, aggravated trade conditions and impacted businesses across segments.

The graph below indicates the trend of crude prices and US Dollar in the year 2011.



The initial demand growth seen in major markets of Asia and Pacific region for base oils, underpinned by the strong crude prices during the first half of 2011 drove up base oil prices to over 30% from the close of 2010. The depreciated Indian Rupee continued to put pressure on base oil and additive prices despite some softening in the second half.

The performance additives and chemicals category also witnessed more than a double-digit (15%) hike in prices on account of growing demand and supply market uncertainties, including force majeure declared by major chemical suppliers.

Steel prices rose in 2011, triggered by natural calamities and disruptions. Polymer prices also played a role in rising packaging material costs.

Your Company, recognising the challenge of inflation, continued its focus on strategic sourcing and value improvement initiatives. Initiatives which improved service and cash release included negotiating better credit terms with suppliers, implementing cost competitive sourcing model, developing new substitutes and suppliers, value focused inventory management and better planning.

In a difficult and unpredictable environment and many challenges on input materials, your Company ensured that there was no outage in product supply through smart planning processes and good execution.

Market behavior and outlook

Automotive sector outlook

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

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

(b) Passenger cars – both gasoline and diesel engine oils

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

1. Market growth: 2011 was a year of moderate market growth for the automotive lubricant market, especially in the commercial vehicle sector, given the slowing GDP. The market is estimated to have grown volumes by 2-3%. This demand was driven by growth across categories, but primarily by the growing four stroke motorcycle and passenger car segment, recovery in agri-driven lubricants consumption and a growing new generation, high technology, truck segment. These trends are expected to continue in 2012. The old generation truck market and the two stroke motorcycle lubes market are projected to continue declining.

The building & construction segment and the mining segment, feeding the infrastructure sector, will continue to remain impacted in 2012, unless policy interventions clear legal hurdles and environmental requirements. With GDP growth expected to improve to 7.5–8% in 2012 vs approximately 7% in 2011, there should be a mild improvement in the category consumption. Thus, lubricant consumption is projected to grow, led by growth in passenger cars and four stroke motorcycles.

The monsoon in 2011 was substantial. Given a good monsoon, it is expected that better ground levels of water would facilitate a good summer agriculture season. Overall in 2012, the lubricant market is projected to grow around 3-4% in volume terms.

2. Channels: While the traditional retail channel continues to be dominant, OEM dealerships and authorized workshops registered a faster pace of growth on the back of vehicle sales and higher retention period of vehicle servicing at the OEM authorized workshops. However, since the growth in number of workshops continues to lag the growth in vehicle population, the small independent workshops have also been witnessing a rapid pace of growth. The historically dominant channels, like petrol stations, continue to decline and are no longer a dominant channel for the industry. This trend is expected to continue.

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 lubricant market and holds a volume market share of approximately 20%, according to internal estimates.

Non-Automotive sector outlook

Industrial production, measured by the IIP (Index of Industrial Production), has slowed down and is projected to grow within a range of 5-6% during 2011-2012 compared to 8.2% in the same period a year ago. Lower industrial production growth during 2011-2012 is expected due to high input costs, sustained inflation and a steady hike in domestic interest rates as well as slower global demand.

The Indian Manufacturing Industry is poised to revive and is projected to grow at 7-8% during the next two years. The improvement is expected to be driven by the automotive manufacturing, metals, machinery manufacturing and power generation sectors.

Growth in commercial vehicles, passenger cars and two-wheelers will drive the automotive manufacturing sector growth. Consumer sentiment is expected to improve automotive sales due to likely rise in income of urban and rural consumers, anticipated correction in the interest rates and launch of new models of vehicles by the automotive sector. Expected localization and component indigenization will enable the automotive sector to reduce costs and improve logistics leading to consolidation of performance in the automotive ancillaries sector.

Demand is expected to improve in machinery manufacturing, metals and other core industrial segments driven by strong demand from automotive manufacturing sector, power generation, project execution by construction companies and higher investment in infrastructure segment.

(B) Opportunities and threats

(i) Opportunities

Automotive sector

a. Overall economic activity: Whilst lubricant demand growth in the first half of the year is expected to be slow owing to economic and political uncertainties and depressed economic activity, we do expect growth to come back to trend line towards the second half of the year. Growth in economy and a good monsoon will positively impact lubricant demand growth.

b. Growth in personal mobility: While overall GDP growth forecast has been tempered downward, the outlook for sale of passenger cars and two-wheelers continues to be positive. Between two-wheelers and passenger cars, the country may see sales in the range of 15 million units annually, in the next four years. Castrol, with its 'Olympic' status brand, has a strong position in these segments and hence growth in personal mobility would have a positive impact on your Company's performance.

A large part of the increase in demand is also likely to come from the smaller towns and rural areas (especially in the case of two-wheelers) where your Company with its vast distribution network has a competitive advantage. Your Company is currently in the process of further strengthening its rural distribution network.

c. Original Equipment Manufacturers: The influx of international passenger car OEMs in the Indian market continued in 2011. In spite of relatively muted levels of economic growth, there have been renewed signs of activity by almost all OEMs. A range of new vehicle launches are on the cards in 2012 as well.

Debottlenecking by key OEM players in the two-wheeler segment will also present opportunities for growth.

Your Company has historically strong and enduring partnerships with leading automotive OEMs and key off-road equipment manufacturers, globally and locally. This is mainly because of the superior technology and high service levels provided. With more global OEMs coming into India, this presents your Company with further partnership opportunities.

d. Changes in engine technology: Stronger emission norms and demand for fuel efficiency is driving OEMs to keep developing new engine technology at a faster pace. India has also become an export hub for many global players who are demanding higher specification engines and engine oils to meet the more stringent international specifications. It is expected that these factors will result in a demand for higher quality lubricants, leading the industry towards increased acceptance of synthetic lubricants. Your Company has already launched synthetic and semi-synthetic lubricants in the market and is well set to leverage its technology superiority in this segment.

e. 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.

f. Association with sports: Castrol has historically been associated with various sports sponsorships, as a means to connect with its target audience. Almost since the inception of the Company globally, Castrol has built a strong association with motorsport and with record breaking feats on land, sea and air. Castrol extended its global sponsorship activities to football in 2008 and your Company leveraged this association during the 2010 FIFA World Cup™ and will continue to do so with Euro 2012™.

In 2010, your Company became the Official Performance Partner of the International Cricket Council (ICC) for a period of five years, till the end of the 2015 ICC Cricket World Cup.

In 2011, your Company leveraged this sponsorship to build a strong association with cricket and performance in the minds of its consumers. This association will help your Company win with consumers, especially first-time users. We will continue to leverage this property in 2012.

Non-Automotive sector

Growth in industrial production is expected to accelerate during 2012-2014 period, picking up pace sometime from second half of 2012 onwards. The industrial output growth is likely to be broad based with Automotive, Machinery Manufacturing, Metals, Electricity, Chemicals and Apparels being some of the segments expected to grow in double digits.

The Indian industry is expected to complete projects worth Rs. 5 lakh crores in 2011-2012. The value of project completion remains healthy. The commissioning of fresh capacities in industrial sectors will enhance production and would increase the demand for lubricants and allied services.

(ii) Threats

Automotive sector

(a) Input costs: Volatility in input costs has a direct impact on our cost of goods. Crude oil prices are expected to remain firm in 2012. Of late, the adverse foreign exchange situation and political uncertainty in the Middle East has further aggregated inflation on input cost of raw material for importers, including your Company. This has created uncertainty with regard to medium term outlook on cost of goods and pressure on margins.

(b) Competitive activity: The Indian lubricants market is highly competitive. Most international players have identified India as a focus market and competition is likely to intensify further. Intense price competition in the wake of high degree of fragmentation and proliferation of regional players (given low entry barriers) is another trend that can threaten to chip away share from existing players. The industry has also witnessed a trend of some OEMs introducing lubricants under their own brand name, further intensifying the competitive landscape.

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

Non-Automotive sector

The steep rise in raw material and fuel prices, high interest rates and sharp depreciation of the Indian Rupee since September 2011, continue to impact the performance and profitability of industrial companies. While lower inflationary expectations and a possible consequent fall in interest rates are expected to boost the demand for goods and services, the financial crisis in Europe and other parts of the world may cast their shadow on these expectations.

Your Company will focus on creating sustainable competitive advantage while continuing to invest in strengthening its brand, technology and partnerships with all key stakeholders.

(C) Segment-wise / Product-wise performance

I. Automotive performance

In a challenging competitive and cost environment, your Company delivered a top line growth of 8% in the Automotive business during 2011. Volumes declined by 6% on account of higher price premiums. We took price increase to offset the cost of goods increase while the competitors delayed taking their price increases. Lower volumes, increased cost of raw materials and Indian Rupee devaluation against US Dollar, have resulted in the operating profits being lower by 8% as compared with last year.

(i) Distinctive propositions

Your Company continued to focus on offering consumers and customers distinctive propositions around its key brands. During the year, we re-launched two of our top end brands – Castrol Edge with new Titanium FST (Fluid Strength Technology) for passenger cars and Castrol Power1 – a part-synthetic engine oil for high performance motorcycles. The end of the year also saw the launch of Castrol Activ Scooter with unique Scootek technology, India's first two-wheeler engine oil specially created for gearless scooters – a fast growing two-wheeler segment.

Your Company also introduced the Castrol Professional marketing program exclusively for the OEM franchised workshop segment. The Castrol Professional proposition of 'performance innovations developed by, with and for experts,' is a complete package of products and services exclusively created for and in partnership with the world's leading car manufacturers.

Your Company kicked off its 2011 marketing activities with a successful cross portfolio consumer promotion campaign built around its five year sponsorship of the International Cricket Council (ICC) and the 2011 ICC Cricket World Cup. The promotion and other activation built around this sponsorship resulted in further strengthening of the Castrol brand – which is already recognized as an 'Olympic' status brand.

(ii) Diesel Engine Oils

A 360 degree communication campaign was undertaken to refresh and rejuvenate Castrol CRB Turbo and bring alive its proposition of 'Keeps your engine newer for longer'. The key benefits of the brand were brought alive through an on-ground activation program which directly reached out to almost 80,000 consumers and helped drive consumption through trials.

The re-launch of our Specialties range in last quarter of 2010 was followed by extensive field activation with key consumers – truckers and mechanics - in 2011.

(iii) Passenger Car Engine Oils

The year 2011 was key for the PCO category with a series of initiatives to strengthen the lead brands – Castrol GTX, Castrol Magnatec and Castrol Edge. A new television commercial (TVC) was launched to promote Castrol GTX, coinciding with the ICC Cricket World Cup 2011. The TVC, starring Sachin Tendulkar, Castrol's Brand Ambassador, was built around the brand proposition of 'protection from sludge'.

Castrol Edge, a fully synthetic engine oil was re-launched with Titanium Fluid Strength Technology and new variants introduced in a market which is rapidly moving towards synthetics.

The Castrol Golden Spanner Awards instituted in 2009, continued this year and top mechanics from 18 cities across the country participated in the grand finals held in Mumbai. Over 19,000 mechanics were contacted during the course of this program which significantly strengthened our relationship with this key influencer group.

(iv) Two-wheeler Engine Oils

A series of initiatives were undertaken in 2011 to strengthen the lead brands – Castrol Activ and Castrol Power1. Leveraging the euphoria around the ICC Cricket World Cup, a new TV campaign was launched for Castrol Activ, starring Castrol Brand Ambassador Sachin Tendulkar. The TVC promoted the key brand proposition of 'superior all round protection'.

Castrol Activ Scooter with Scootek technology was launched in a unique, convenient spout pack. The unique Scootek technology reduces engine friction by 24% and results in 30% reduction of heat in gearless scooters.

The re-launch of Castrol Power1 by biking icon John Abraham and world Superbike riders Jonathan Rea and Alex Lowes, created a big stir in the Indian biking community. The new and improved Castrol Power1 has an advanced power release formula for improved acceleration and better pickup.

The two-wheeler team continued to strengthen its strong relationship with mechanics. More than 50,000 mechanics were contacted during the year through various mechanic meets and launches, resulting in stronger ties and better brand advocacy.

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

Despite the infrastructure sector witnessing a slowdown last year, the heavy duty segment continued to grow on volume. Your Company's strategy for the heavy duty business enables it to focus and drive key actions underpinned by distinct offers to deliver superior results over the long term.

Your Company continues to build on its unique solutions based approach through Total Lube Management and Transmart offers to deliver operational efficiencies in the rapidly evolving Building & Construction and Road Transport customer segments.

A dedicated team has been formed to focus on the emerging opportunity in the mining sector and this team will draw upon the expertise and experience of Castrol's global mining team.

Your Company continues to build on its preferred partner status with key OEMs through superior products and services, complemented by strong relationships.

Considering your Company's track record in this segment and its foray into mining, the overall performance of this business segment will continue to be strong in the future.

(vi) Workshops

2011 saw a marginal dip in the growth momentum of the entry level passenger car segment, driven by rising inflation and subsequent tightening of liquidity in the market. However, the luxury segment saw robust growth led by BMW, JLR and the VW group. Rising concerns on fuel economy and emission meant increased focus from OEMs to bring contemporary engine technology into the country.

Continuing its focus to remain ahead of the curve as the market transitions from Shop to Workshop, your Company launched its Castrol Professional range of products and service support to its key OEM partners like Maruti Suzuki, TATA, Ford, VW, Skoda, BMW, Audi and Jaguar Land Rover. This has resulted in further strengthening of our partnerships and significant volume growth in the premium end of the lubricants segment.

II. Non-automotive performance

Industrial Lubricants and Services Business

Your Company continues to consolidate its position as the leading supplier of metal working fluids and high performance lubricants, products which are technologically superior and that deliver substantial value to the customers.

Your Company has brought in compatible chemistry concept in lubrication for automobile industry in India. This concept brings all inter-facing process fluid and lubricant technologies together to enable sustainable manufacturing performance while driving out waste costs for the customers.

Your Company has also recently launched new generation grinding fluids based on the latest generation of EHVI hydrocracked oils and technology performance additives. The product is designed for high speed, creep feed grinding, especially gear grinding of ferrous and yellow metals with CBN and carborundum wheels and gear cutting operations.

One of the challenges our customers face today is to improve continuously productivity, efficiency and quality of end products. In the endeavor to address these challenges, your Company is creating an eco system to offer holistic solutions. Your Company has recently entered into a strategic alliance with ACE Micromatic Group – the largest CNC machine tool manufacturer in India – to help unlock value in the manufacturing process of customers.

Marine & Energy Lubricants Business

The Marine Industry in India and globally, continued to operate in a challenging environment in 2011 and best estimates indicate that turnaround is expected only in the first half of 2013. Over-supply of vessels in all segments – Bulker, Tanker and Container, has led to lower freight rates. Increasing operating cost of crew, bunkers and lubricants, makes it a tougher environment. Your Company's focus remains on maintaining customer intimacy and in providing customers with world class products and services. We have started selling marine products in India through distributors and this is expected to deliver additional volume and value from 2012 onwards.

Your Company has strengthened its position in the offshore drilling segment in 2011 by focusing its efforts on value offers and increasing its market share despite reduced drilling activity by a leading player. However, as ONGC continues to hunt for oil and gas reserves, we expect some momentum in this segment in 2012. Your Company will maintain its focus on value and specialist offers such as subsea solutions, to further consolidate its market share in the offshore drilling segment.

Your Company also commenced marketing of aviation lubricants in India during the fourth quarter of 2011 and its focus will be to nurture and grow this business going forward.

(D) Risks and Concerns

Key business risks are around the following areas:

a. Macro economic risk caused by policy freeze and global financial turmoil leading to slower GDP growth and depressed economic activity. This could negatively impact lubricant consumption and demand

b. High levels of employee attrition

c. Aggressive price led strategy by local as well as international competitors in an attempt to gain volume share will have an impact on overall industry margin

d. Crude oil volatility impacting base oil pricing and impact on cost of goods

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

(E) Technology

Automotive and Industrial advances and the demand for reduction in harmful emissions and fuel used are placing greater challenges on lubricant technology. Your Company is well placed to seize the opportunities with its range of high performance lubricants and new formulations of engine and driveline oils.

The journey on synthetics continues with strong product portfolios with OEM and retail products, giving our consumers and customers benefits of increased fuel efficiency whilst also reducing the wear in the engine's critical components. In the Industrial business, we launched a high flash rust preventive specifically developed in India for the local market and several premium synthetic products in the cutting oil category.

Quality remains your Company's highest focus area in technology and we have recently introduced a single quality standard across the globe with the signing and deployment of a global quality assurance manual. This is further enhanced with the introduction of a harmonized process to monitor and improve Quality, Integrity and Compliance throughout the entire product life cycle.

Several formulation optimization initiatives were undertaken jointly by the technology, supply chain and marketing teams, resulting in significant efficiencies plus providing flexibility in formulations to ensure supply security in times of short supply.

In a significant move, the global motorcycle product development activity has been shifted to the Castrol Technology Centre in Mumbai. This will allow us to enhance our support to motorcycle manufacturers in India with products designed, developed and tested in the country. Your Company will leverage this opportunity to develop and deliver bespoke solutions for motorcycle OEMs in India to meet their specific development challenges.

A state-of-the-art Customer Engagement Centre, set up in Mumbai in 2011, at the Castrol Technology Centre, continues to attract a steady flow of customers and consumers keen to learn more about your Company and its unique technology. We have further expanded the reach of this facility, offering bespoke training days for key OEM partners.

(F) Internal Control Systems and their adequacy

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

(G) Health, Safety, Security and Environment

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

Your Company's road safety program has been successfully running for several years and we strive to upgrade the same with new initiatives to continue being a benchmark on road safety initiatives in India. In 2010, we had done work on driving behavior, which is now well embedded. In 2011, the focus was on journey risk management and all of the journeys which are made in moving products for your Company are now risk assessed. This and other road safety programs undertaken by your Company continue to be recognized externally as well as internally within the BP group.

The blending plants continued their strong safety performance. In 2011, safety initiatives like contractor assurance process, risk assessments and process integrity have been strengthened. Safety leadership training programs were conducted for all employees, including shop floor employees, at all our plants.

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

The HSSE team did an outstanding job of ensuring safety and security of over one thousand five hundred consumers, customers, partners and employees who attended various events and matches during the ICC Cricket World Cup 2011.

(H) Developments in Human Resources Management

During the year under review, development of leadership capability and talent management continued to be the key focus with greater emphasis on both technical and leadership skills and its integration with all people processes. The focus in 2011 was on defining our employee value proposition by holding interactive sessions with new joinees, prospective employees from business schools and the extended leadership team. Your Company will now use this to drive employee engagement. Our talent continues to be recognized within the BP group and a number of employees undertook overseas assignments during the year.

Your Company continued on its journey of building a diverse and inclusive workforce and focused its efforts on attracting, retaining and developing a talent pool which reflects the diversity of the communities it operates in. We embarked upon a number of initiatives to improve our employer brand to realize our dream of making your Company a great place to work.

In 2011, your Company decided to phase out manufacturing activities at its Tondiarpet plant since it was not commercially viable. A Voluntary Retirement Scheme was offered to unionized staff and was accepted by all. The entire process of the plant closure was done in an extremely amicable manner with continuous consultation and engagement with the staff.

Your Company continued to make changes in its reward offer to ensure it remains simpler, contemporary and competitive.

The total number of people employed in your Company as on 31st December 2011 was 769.

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

Sales realizations have increased by 9% over the previous year to Rs. 3428 crores mainly due to an increase in unit sales realizations. However, the sales volumes have declined by 6% over the previous year.

Costs of materials have increased by 22% over the previous year to Rs. 1694 crores due to an increase in base oil prices and Indian Rupee devaluation against US Dollar.

Despite increasing cost pressures, pro-active Margin Management strategy helped your Company to maintain its Unit Gross Profit. Gross Profit has declined by 5% over the previous year driven largely by lower volumes.

Operating and other expenses increased by Rs. 4 crores as compared to 2010. Advertisement and Sales Promotion expenses reduced by 9% over the previous year through judicious control over spends.

Profit before tax decreased by 3% over previous year to Rs. 716 crores.

Tax rate for the current year has remained at nearly the same level as that of the previous year. Profit after tax decreased by 2% over the previous year to Rs. 481 crores.

The management team is confident that your Company, with its strong brands, enduring relationships with key stakeholders and continued commitment of its staff, has the ability to deliver a sustainable performance going forward.

On behalf of the Board of Directors

R. Kirpalani
Director – Automotive & Chief Operating Officer

S. Malekar
Director – Supply Chain

S. Vaidya
Director – Finance

Mumbai
Dated: 5th March, 2012

ANNEXURE B

CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Governance

The Company's purpose is to maximize long-term shareholder value by leveraging its premium brand strength and technological leadership in the lubricants market in India.

Our Board is collectively responsible for pursuing this purpose and our Corporate Governance processes are structured to direct the Company's actions, assets and agents to achieve 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. ("BP plc Board Governance Principles") 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 the Board's relationship with Executive Management.
- Establish a framework of prudent and effective controls which enable risks to be assessed and managed.
- Set the Company's values and standards and ensure that obligations to shareholders and others are understood and met. The Board recognises that in conducting its business, the Company should be responsive to other relevant constituencies.
- Review and where appropriate determine the long term strategy and the annual plan for the Company based on proposals made by the Group Chief Executive for achieving the Company's purpose.

2. Board of Directors

(a) Composition

As of the year ended 31st December, 2011, the Board of Directors had 8 members comprising of 3 Executive Directors and 5 Non-Executive Directors. The Non-Executive Directors included 2 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.

Mr. D. S. Parekh, Independent Non-Executive Director resigned as a member of the Board with effect from 20th December, 2011. Mr. Uday Khanna was appointed with effect from 3rd January, 2012 as a Non-Executive Independent Director of the Company.

(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, 2011 to 31st December, 2011.

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	ND	4	100
Mr. R. Kirpalani	ED	4	100
Mr. S. Malekar	ED	4	100
Mr. S. Vaidya	ED	4	100
Mr. R. Gopalakrishnan	NED	4	100
Mr. R. Hewins or his Alternate	ND	4	100
Mr. S. Mukundan	ND	2	50
Mr. D. S. Parekh (Resigned with effect from 20th December, 2011)	NED	4	100

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

All Directors attended the Annual General Meeting held on 27th June, 2011.

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

Name of the Director(s)	Number of other Companies (excluding Foreign and Private Companies) in which Director (excluding Alternate/Nominee Director)	Number of Committees (other than Castrol India Limited) in which Member
Mr. S. M. Datta	14 (1)	8 (2)
Mr. N. K. Kshatriya	—	—
Mr. R. Kirpalani	—	—
Mr. S. Malekar	—	—
Mr. S. Vaidya	—	—
Mr. R. Gopalakrishnan	7 (3)	3
Mr. R. Hewins	—	—
Mr. S. Mukundan	2	—

Notes:
1. Includes 6 Companies in which Chairman
2. Includes 3 Committes in which Chairman
3. Includes 2 Companies 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, 2011 to 31st December, 2011. The dates on which the said meetings were held are given below:

22nd February, 2011

27th April, 2011

11th August, 2011

31st October, 2011

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, 2011, the Audit Committee comprised of 3 Non-Executive Directors viz. Mr. S. M. Datta, Mr. R. Gopalakrishnan and Mr. R. Hewins with the Company Secretary being the Secretary of the Committee. Mr. R. Gopalakrishnan and Mr. S. M. Datta are Independent Directors on the Committee whereas Mr. R. Hewins is a Nominee Director of Castrol Ltd., U.K.

Consequent to the resignation of Mr. Parekh as a Director of the Company, he ceased to be the Chairman of the Audit Committee.

Post Mr. Uday Khanna's appointment as a Non-Executive Independent Director of the Company, he was appointed as a Member & Chairman of the Audit Committee.

(c) Meetings and attendance during the year

4 meetings were held during the financial year 1st January, 2011 to 31st December, 2011. 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	4	100
Mr. S. M. Datta	4	100
Mr. R. Gopalakrishnan	4	100
Mr. R. Hewins or his Alternate	4	100

4. Remuneration Committee

(a) Terms of Reference

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

(b) Composition, names of members and Chairperson

As of 31st December, 2011, the Committee comprised of 3 Non-Executive Directors viz. Mr. R. Gopalakrishnan, Mr. R. Hewins and Mr. N. K. Kshatriya. Mr. R. Gopalakrishnan is an Independent Director whilst Mr. R. Hewins and Mr. N. K. Kshatriya are Nominee Directors of Castrol Ltd., U.K. Mr. R. Gopalakrishnan is the Chairman of the Committee.

(c) Attendance during the year

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 Member
Mr. R. Gopalakrishnan	1	100
Mr. N. K. Kshatriya	1	100
Mr. R. Hewins	1	100

(d) Remuneration Policy

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

(e) Details of Remuneration paid to all Directors (for the period 1st January, 2011 to 31st December, 2011)

	All elements of remuneration package i.e. Salary benefits bonuses, pension, etc. (Rs. in Lacs)	Fixed component & performance linked incentives along with the performance criteria (Rs. in Lacs)	Service Contracts notice period, severance fees	Stock option with details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable
i. Wholetime Director(s)				
Mr. R. Kirpalani	177.95	16.66	Please see Note 'a'	Please see Note 'b'
Mr. S. Malekar	124.16	21.30		
Mr. S. Vaidya	150.00	18.97		

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	1,20,000	10.00
Mr. R. Gopalakrishnan	90,000	8.00
Mr. D. S. Parekh	80,000	8.00

As on 31st December, 2011, Mr. S. M. Datta holds in his individual capacity and as a jointholder 14,118 equity shares and Mr. N. K. Kshatriya holds 400 equity shares in the Company.

5. Transfer & Shareholders'/Investors' Grievance Committee

As on 31st December, 2011, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. S. M. Datta, Chairman, Mr. R. Kirpalani, and Mr. S. Vaidya. The Company Secretary is the Secretary of the Committee.

(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	: 10 complaints were received from Stock Exchange/Securities and Exchange Board of India (SEBI)/NSDL/CDSL and were reported to the Transfer and Shareholders'/ Investors' Grievance Committee in terms of Circular No.1(96-97) dated 25.7.1996 of SEBI.
(d)	Number of complaints solved to the satisfaction of shareholders	: All the 10 Complaints have been resolved to the satisfaction of the Complainants.
(e)	Number of pending complaints as on 31st December, 2011.	: None

6A. General Body Meetings

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

	Location	Date	Time
(i)	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020	: 27.6.2011	3.30 p.m.
(ii)	Y. B. Chavan Centre, General Jagannath Bhosale Marg, Next to Sachivalya Gymkhana, Mumbai 400 021	: 30.4.2010	11.00 a.m.
(iii)	Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020	: 27.4.2009	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 IV G (i) of the Listing Agreement entered into with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

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:

BOC India Ltd.	Chairman
Reach (Cargo Movers) Pvt. Ltd.	Chairman
Chandras' Chemical Enterprises (Pvt.) Ltd.	Director
Philips Electronics India Ltd.	Chairman
IL & FS Investment Managers Ltd.	Chairman
Tata Trustee Company Ltd.	Chairman
Transport Corporation of India Limited	Chairman
Specialty Restaurants Limited	Chairman
Peerless Hotels Ltd.	Director
Zodiac Clothing Co. Ltd.	Director
Peerless General Finance & Investment Co. Ltd.	Director
Kansai Nerolac Paints Ltd.	Director
Atul Ltd.	Director
Bhoruka Power Corporation Ltd.	Director
Ambit Holdings Pte Ltd.	Director
Rabo India Finance Ltd.	Director
Door Sabha Nigam Limited	Director

Mr. Datta holds in his individual capacity and as a jointholder 14,118 equity shares of the Company.

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 over 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 Director – Automotive & Chief Operating Officer.

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 own any shares in the Company.

Mr. U. Khanna

Mr. Uday Khanna is a Chartered Accountant. He joined the Lafarge Group in Paris on 1st June, 2003 as Senior Vice President for Group Strategy, after a long experience of almost 30 years with Hindustan Lever/Unilever in a variety of financial, commercial and general management roles both nationally and internationally. He was from July, 2005 to July, 2011, the Managing Director & Chief Executive Officer of Lafarge India.

His last position before joining Lafarge, was Senior Vice President Finance, Unilever – Asia, based in Singapore. He was earlier been on the Board of Hindustan Unilever as Director–Exports. He has also worked as Vice Chairman of Lever Brothers in Nigeria and General Auditor for Unilever – North America based in the USA. He has also occupied the position of Financial Controller & Treasurer of Hindustan Lever earlier in his career.

He was in 2008 & 2009 the President of the Indo-French Chamber of Commerce & Industry and is currently Vice President of the Bombay Chamber of Commerce & Industry and on the Managing Committee of the Associated Chamber of Commerce & Industry.

Mr. Khanna is a Director in the following companies:

Bata India Ltd.	Chairman
Lafarge India Pvt. Ltd.	Chairman
LI Cement Pvt. Ltd.	Director
LI Eastern Pvt. Ltd.	Director

He holds 400 equity shares of the Company.

7. Disclosure

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

8. Means of Communication

(a)	Quarterly Results	: Published in the newspapers in terms of Clause 41 of the Listing agreement.
(b)	Newspapers in which results are normally published in	: (i) **Economic Times** and **Business Standard** Mumbai, New Delhi, Kolkata, Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Hyderabad, Kochi, Lucknow and Pune in English editions. : (ii) **Maharashtra Times** and **Sakal** in Marathi.
	Any website, where displayed	: Yes – www.castrol.co.in

Whether it also displays official news releases	:	Yes
The presentations made to institutional investors or to the analysts	:	No

9. General Shareholder Information

(a) AGM Date, Time and Venue : Monday 16th April, 2012. 3.30 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020.

(b) Financial year :
- (i) January 2012 to December 2012.
- (ii) First Quarter – 2012 Results – 2nd/3rd week of April, 2012.
- (iii) Half yearly Results – 2012 – 2nd/3rd week of July, 2012.
- (iv) Third Quarter – 2012 Results – 2nd/3rd week of October, 2012.
- (v) Results for the year ending 31st December, 2012 – January/ February – 2013.

(c) Date of Book closure : Wednesday, 4th April, 2012 to Monday, 16th April, 2012 (both days inclusive).

(d) Dividend Payment date(s) : Interim – 5th September, 2011
Final – on 3rd May, 2012.

(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, 2011 to 31st March, 2012 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 Ltd.)
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 31-12-2011	No. of Shares	No. of Share-holders	% of Share-holders
Upto 500	6604741	56010	81.39
501 – 1000	3991440	5368	7.80
1001 – 2000	5116551	3467	5.04
2001 – 3000	3328125	1330	1.93
3001 – 4000	3701856	1075	1.56
4001 – 5000	1914354	423	0.62
5001 – 100000	5480780	828	1.20
100001 and above	217142749	315	0.46
Grand Total	247280596	66816	100.00

(l)	Dematerialisation of Shares and liquidity	:	97.45% of the paid-up capital has been dematerialized as on 31st December, 2011. Entire shareholdings of Foreign Collaborator has been dematerialized.
(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.
(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 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 term not exceeding in the aggregate a period of nine years on the Board of the Company	:	As on date Mr. S. M. Datta and Mr. Gopalakrishnan have a term of office exceeding nine years on the Board of the Company.
2.	Remuneration Committee	:	Please refer to Sr. No. 4 of this Report
3.	Shareholder Rights The half-yearly declaration of financial performance including summary of the significant events in last six months may be sent to each household of Shareholders	:	As the Company's half-yearly results are published in English newspapers having a circulation all over India and in a Marathi newspaper (having a circulation in Mumbai) the same are not sent to the shareholders of the Company. Normally, there is no second half-yearly results. However the audited results are taken on record by the Board and then communicated to the shareholders through the Annual Report.

4.	Audit Qualification	:	None.
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

R. Kirpalani	S. Malekar
Director – Automotive & Chief Operating Officer	*Director – Supply Chain*

S. Vaidya

Director – Finance

Mumbai

Dated: 5th March, 2012

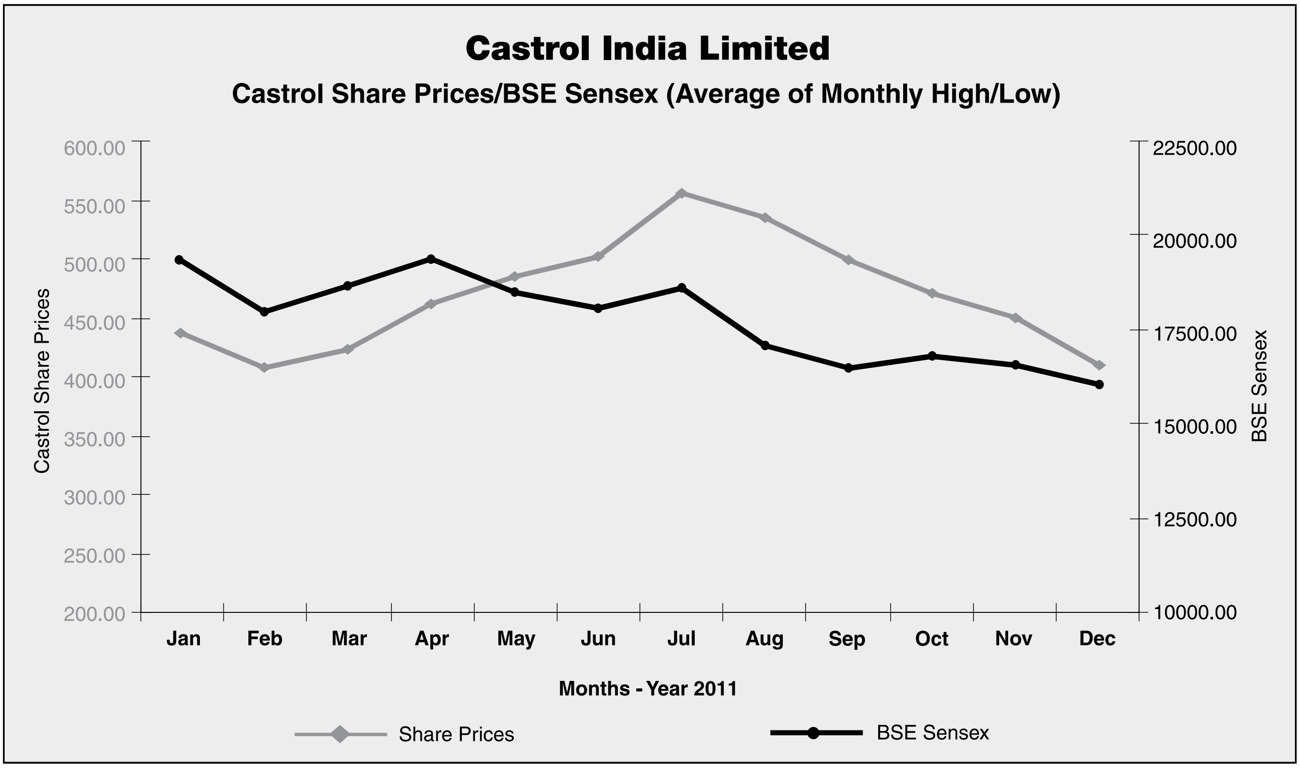
Castrol India Limited

Annexure I

BSE Market Price Data - High/Low during each month in the Year 2011

Month	Rate (Rs.)	
	Highest	Lowest
January	461.20	414.55
February	428.65	388.60
March	445.75	402.10
April	483.85	441.35
May	515.90	455.55
June	526.20	479.25
July	576.80	536.20
August	564.95	506.40
September	523.80	475.70
October	493.05	450.00
November	481.40	420.05
December	430.95	390.30

Annexure II



On behalf of the Board of Directors

R. Kirpalani	S. Malekar	S. Vaidya
Director – Automotive & Chief Operating Officer	*Director – Supply Chain*	*Director – Finance*

Mumbai
Dated: 5th March, 2012

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 2011 with the Company's Code of Conduct.

For CASTROL INDIA LIMITED,

R. Kirpalani
Chief Operating Officer

Place : Mumbai.
Dated : 5th March, 2012.

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

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

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

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

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

per Ravi Bansal
Partner
Membership No. : 49365

Place : Mumbai.
Dated : 5th March, 2012.

Shareholding Pattern as on 31st December, 2011

Sr. No.	Category	No. of Shareholders	No. of Shares held	% to paid-up capital
(i)	Foreign Collaborator	1	175374910	70.92
(ii)	Foreign Company	1	270948	0.11
(iii)	Foreign Institutional Investors	64	18232681	7.37
(iv)	Overseas Bodies Corporate	2	2000	0.00
(v)	Non-Resident Individuals	971	582561	0.23
(vi)	Financial Institutions	19	11598043	4.69
(vii)	Indian Mutual Funds	53	4053495	1.64
(viii)	(a) Nationalised Banks	21	10433	0.00
	(b) Other Banks	52	17436	0.01
(ix)	Domestic Companies	1399	4640886	1.88
(x)	Resident Individuals	66230	32482685	13.14
(xi)	Directors & Relatives	3	14518	0.01
	Grand Total	68816	247280596	100

Auditors' Report

To
The Members of Castrol India Limited

1. We have audited the attached Balance Sheet of Castrol India Limited as at December 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on December 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2011 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, 2011;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date : February 13, 2012

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

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

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. 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) According to the information and explanations given 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, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e) According to information and explanations given 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, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, 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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(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 Companies Act, 1956 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 and exceeding the 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, related to the manufacture of Lubricating Oils and Greases and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(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 Dues	Amount (Rs. Crores)	Period to which amount relates	Forum where dispute is pending
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Tax, Interest and Penalty	122.13	1987 to 2010	Assistant/Deputy/ Additional/Joint/Special, Revisional Board/ Commissioner, Tribunal, High Court.
Central Excise Act, 1944	Duty and Penalty	30.41	1987 to 2011	Assistant/Deputy/ Additional/Joint Commissioner, Commissioner (A), CESTAT, High Court & Supreme Court.
Customs Act, 1962	Duty and Interest	2.83	1997 to 2006	Tribunal
Service Tax, Chapter V of the Finance Act, 1994	Tax and Penalty	67.66	1997 to 2011	Assistant/Deputy/ Additional/Joint 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. Therefore, 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 fraud on or by the Company has been noticed or reported during the year.

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

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date : February 13, 2012

Balance Sheet as at 31st December, 2011

	Schedule	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	**247.28**		247.28
Reserves and Surplus	B	**356.92**		306.22
			604.20	553.50
TOTAL			**604.20**	553.50
APPLICATION OF FUNDS				
Fixed Assets	C			
Gross Block		**306.59**		295.47
Less: Accumulated Depreciation/Amortisation		**175.53**		159.61
Less: Impairment Provision		**18.54**		15.54
Net Block		**112.52**		120.32
Capital Work-in-Progress (Including advances on Capital Account)		**31.04**		16.57
			143.56	136.89
Investments	D		**–**	–
Deferred Tax Assets (Net)	E		**56.24**	37.11
Current Assets, Loans & Advances	F			
Inventories		**300.92**		244.20
Sundry Debtors		**218.95**		178.43
Cash & Bank Balances		**549.00**		619.26
Other Current Assets		**8.51**		5.06
Loans & Advances		**126.16**		115.83
		1203.54		1162.78
Less: Current Liabilities & Provisions	G			
Current Liabilities		**513.98**		494.86
Provisions		**285.16**		288.42
		799.14		783.28
Net Current Assets			**404.40**	379.50
TOTAL			**604.20**	553.50
Notes on Accounts	L			

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

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 13, 2012

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

Executive Directors

S. VAIDYA — Director
S. MALEKAR — Director

Non-Executive Directors

R. GOPALAKRISHNAN — Director
R. HEWINS — Director
S. MUKUNDAN — Director
U. KHANNA — Director

Profit and Loss Account for the year ended 31st December, 2011

	Schedule	**2011 Rupees in Crores**	2010 Rupees in Crores
INCOME			
Sales [Net of rebates **Rs. 100.33 Crores** (2010 : Rs. 67.21 Crores)]		**3427.74**	3138.73
Less: Excise Duty		**445.96**	403.97
Net Sales		**2981.78**	2734.76
Other Income	H	**84.58**	39.50
Total Income		**3066.36**	2774.26
EXPENDITURE			
Cost of Materials	I	**1694.49**	1384.67
Operating and Other Expenses	J	**628.90**	625.00
Interest and Finance Charges	K	**1.91**	2.42
Depreciation/Amortisation		**25.11**	24.33
Total Expenditure		**2350.41**	2036.42
PROFIT BEFORE TAXATION		**715.95**	737.84
Taxation			
Current [Including Wealth Tax **Rs. 0.16 Crore** (2010 : Rs. 0.16 Crore)]		**255.44**	251.09
Excess Income Tax provision for earlier years written back – (Net)		**(1.39)**	(1.07)
Deferred Taxation		**(19.13)**	(2.49)
PROFIT AFTER TAXATION		**481.03**	490.31
Add: Balance as per last Balance Sheet brought forward		**40.65**	31.18
PROFIT AVAILABLE FOR APPROPRIATION		**521.68**	521.49
APPROPRIATION TO:			
Interim Dividend		**173.10**	173.10
Tax on Interim Dividend		**28.08**	28.75
Proposed Final Dividend		**197.82**	197.82
Tax on Proposed Final Dividend		**32.09**	32.86
Tax on Proposed Special Dividend		**–**	(0.48)
Tax on Final Dividend 2010		**(0.76)**	–
Tax on Final Dividend 2009		**–**	(0.24)
General Reserve		**48.11**	49.03
Surplus carried forward to Balance Sheet		**43.24**	40.65
		521.68	521.49
Earning per share (Basic & Diluted) (Face value of Rs. 10/-)		**19.45**	19.83
Number of shares used in computing Earning per share (Refer note 2 of Schedule L)		**247,280,596**	247,280,596
Notes on Accounts	L		

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

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 13, 2012

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

Executive Directors

S. VAIDYA — Director
S. MALEKAR — Director

Non-Executive Directors

R. GOPALAKRISHNAN — Director
R. HEWINS — Director
S. MUKUNDAN — Director
U. KHANNA — Director

Schedules forming part of the Balance Sheet as at 31st December, 2011

SCHEDULE A

	2011 Rupees in Crores	2010 Rupees in Crores
SHARE CAPITAL		
Authorised		
248,000,000 (2010 : 248,000,000) Equity Shares of Rs. 10/- each	**248.00**	248.00
Issued, Subscribed and Paid up (Refer Notes below)		
247,280,596 (2010 : 247,280,596) fully paid up Equity Shares of Rs. 10/- each	**247.28**	247.28
	247.28	247.28

Notes :

1. Includes **175,374,910** (2010 : 175,374,910) Equity Shares of Rs. 10/- each held by Castrol Ltd., U.K., the Holding Company (Subsidiary of BP PLC, ultimate holding Company). (Also refer Note 2 and 6 of Schedule L).
2. Includes **239,993,616** (2010 : 239,993,616) Equity Shares allotted as fully paid up Bonus Shares by capitalisation of Share Premium/General Reserve.

SCHEDULE B

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
RESERVES & SURPLUS			
Capital Reserve		**13.62**	13.62
General Reserve			
As per last Balance Sheet	**251.95**		326.56
Less: Utilised for Issue of bonus shares	–		123.64
Add: Transferred from Profit and Loss Account	**48.11**		49.03
		300.06	251.95
Balance in Profit and Loss Account		**43.24**	40.65
		356.92	306.22

Schedules forming part of the Balance Sheet as at 31st December, 2011

SCHEDULE C

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

	GROSS BLOCK				DEPRECIATION / AMORTISATION				IMPAIRMENT PROVISION #	NET BLOCK	
	As at 1.1.2011	**Additions for the year**	**Deductions for the year**	**As at 31.12.2011**	**As at 1.1.2011**	**For the Year**	**On Deductions**	**As at 31.12.2011**		**As at 31.12.2011**	As at 31.12.2010
Freehold Land	**6.44**	–	–	**6.44**	–	–	–	–	–	**6.44**	6.44
Leasehold Land (1)	**0.92**	–	–	**0.92**	**0.42**	**0.02**	–	**0.44**	–	**0.48**	0.50
Buildings (2)	**68.53**	**5.00**	**0.07**	**73.46**	**28.25**	**3.12**	**0.03**	**31.34**	–	**42.12**	40.28
Plant & Machinery	**146.39**	**10.27**	**10.76**	**145.90**	**90.01**	**14.25**	**8.74**	**95.52**	**6.47**	**43.91**	52.91
Plant & Machinery Intangibles – Software	**6.05**	**0.55**	**0.01**	**6.59**	**3.48**	**0.71**	**0.01**	**4.18**	**0.72**	**1.69**	1.85
Furniture & Fixtures	**43.19**	**6.30**	**0.09**	**49.40**	**26.86**	**6.15**	**0.08**	**32.93**	**2.45**	**14.02**	13.88
Office Equipments	**23.00**	**0.29**	**0.29**	**23.00**	**10.14**	**0.74**	**0.26**	**10.62**	**8.59**	**3.79**	4.27
Motor Vehicles	**0.95**	**0.01**	**0.08**	**0.88**	**0.45**	**0.12**	**0.07**	**0.50**	**0.31**	**0.07**	0.19
	295.47	**22.42**	**11.30**	**306.59**	**159.61**	**25.11**	**9.19**	**175.53**	**18.54**	**112.52**	120.32
Previous Year	280.52	35.31	20.36	295.47	153.65	24.33	18.37	159.61	15.54		
Capital Work-in-Progress (Including advances on Capital Account)										**31.04**	16.57
										143.56	136.89

During the year, the Company had discontinued the manufacturing activity at the Tondiarpet plant since it was not commercially viable. Accordingly, the Company had made impairment provision of Rs. 3.00 Crores towards its fixed assets at the above plant.

Notes:

(1) Cost includes **Rs. 0.49 Crore** (2010 : 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** (2010 : Rs. 0.01 Crore) in Co-operative Societies.

(3) Freehold Land **Rs. 1.26 Crores** (2010 : Rs.1.26 Crores), Building **Rs. 1.41 Crores** (2010 : Rs. 1.41 Crores), Plant & Machinery **Rs. 0.37 Crore** (2010 : Rs. 0.39 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, 2011 is **Rs. 3.04 Crores** (2010 : Rs. 3.06 Crores).

Schedules forming part of the Balance Sheet as at 31st December, 2011

SCHEDULE D

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
INVESTMENTS – [Refer Note 1(e) of Schedule L]			
CURRENT (Lower of cost and market value)			
Other than trade:			
Unquoted:			
Government Securities * [Matured Face value **Rs. Nil** (2010 : Rs. Nil)]	**–**		0.02
Less: Written off	**–**	**–**	0.02
		–	–

* Government Securities lodged with Mumbai Port Trust.

SCHEDULE E

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
DEFERRED TAX ASSETS (NET) [Refer Note 1(k) of Schedule L]			
Deferred Tax Assets and (Liabilities) are attributable to the following items:			
Deferred Tax Assets			
Provision for Doubtful Debts	**1.63**		1.11
Provision for Doubtful Advances	**3.33**		2.91
Voluntary Retirement Scheme Expenses	**3.62**		1.90
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	**50.75**		34.87
Others	**1.53**		4.34
		60.86	45.13
Less: Deferred Tax Liabilities			
Differences in depreciation in block of fixed assets as per tax books and financial books		**4.62**	8.02
		56.24	37.11

Schedules forming part of the Balance Sheet as at 31st December, 2011

SCHEDULE F

	2011 Rupees in Crores	2010 Rupees in Crores
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories (Lower of cost and net realisable value)* [See Note 1(f) of Schedule L]		
Raw Materials (Including Packages)	**144.94**	115.82
Finished Products	**116.74**	103.90
Traded Items	**37.48**	23.20
Stores & Consumables	**1.76**	1.28
	300.92	244.20

* Including Goods in Transit **Rs. 23.20 Crores** (2010 : Rs. 12.34 Crores)

	2011	2010
Sundry Debtors @		
Secured, considered good		
Exceeding six months	**–**	–
Others	**4.81**	5.63
Unsecured, considered good		
Exceeding six months	**0.81**	0.65
Others	**213.33**	172.15
Unsecured, considered doubtful		
Exceeding six months	**4.30**	3.09
Others	**0.73**	0.26
	223.98	181.78
Less: Provision for doubtful debts	**5.03**	3.35
	218.95	178.43

@ Includes amount due from Companies under same management **Rs. 6.22 Crores** (2010 : Rs. 3.61 Crores), maximum amount due at any time during the year **Rs. 7.58 Crores** (2010 : Rs. 5.87 Crores) is given below:

Rupees in Crores

Name of Company	2011	2010
Arabian Prod. & Marketing Lub. Co. Ltd.	**0.13**	0.09
BP (China) Industrial Lubricants Ltd.	**0.34**	0.13
BP Castrol (Thailand) Ltd.	**0.05**	0.06
BP Exploration (Alpha) Ltd.	**–**	0.03
BP India Services Pvt. Ltd.	**0.90**	1.05
BP International Ltd.	**0.03**	0.01
BP Marine Ltd.	**2.43**	1.56
BP France SA Branch Office (Trading as BP Middle East)	**0.20**	0.04

Rupees in Crores

Name of Company	2011	2010
BP Southern Africa (Proprietary) Ltd.	**–**	0.02
BP Singapore PTE Ltd.	**0.23**	0.22
BP Singapore – LSC	**–**	0.04
BP Singapore – Marine	**–**	0.03
Castrol Pakistan Private Ltd.	**0.16**	0.14
Castrol (Shenzhen) Co. Ltd.	**0.33**	–
Lubricants UK Ltd.	**1.42**	0.19

	2011	2010
Cash and Bank Balances		
Cash on Hand	**0.01**	0.03
With Scheduled banks:		
On Current Account [including cheques on hand **Rs. 6.59 Crores** (2010 : Rs. 4.25 Crores)]	**43.16**	14.50
On Deposit Account [including Margin Deposit **Rs. 9.17 Crores** (2010 : Rs. 10.08 Crores)]	**500.01**	599.87
Unclaimed Dividend Accounts*	**5.82**	4.86
	549.00	619.26

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

	2011	2010
Other Current Assets		
Interest accrued on Bank Fixed Deposits	**8.51**	5.06
	8.51	5.06

Schedules forming part of the Balance Sheet as at 31st December, 2011

SCHEDULE F (Contd.)

	2011 Rupees in Crores	2010 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	**93.51**	91.69
Considered doubtful	**10.27**	8.77
Less : Provision for doubtful advances	**10.27**	8.77
	93.51	91.69
Balances with Customs, Port Trust and Excise Authorities	**9.49**	9.26
Advance Tax (Net of Provision)	**22.36**	14.08
Fringe Benefit Tax (Net of Provision)	**0.80**	0.80
	126.16	115.83

Note: Amounts due from Directors of the Company **Rs. 0.15 Crore** (2010 : Rs. 0.16 Crore) and maximum amount due from Directors of the Company at any time during the year **Rs. 0.16 Crore** (2010 : Rs. 0.16 Crore).

	2011	2010
	1203.54	1162.78

SCHEDULE G

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry Creditors:			
Dues to Micro enterprises and Small enterprises (Refer Note 14 of Schedule L)	**4.23**		2.97
Dues to other than Micro enterprises and Small enterprises	**451.83**		429.11
		456.06	432.08
Advances from Customers		**2.66**	5.12
Investor Education and Protection Fund shall be credited as and when due by the following amount (Refer Note 1 below):			
Unclaimed Dividends		**5.82**	4.86
Interest accrued and not due on Deposits		**0.02**	0.03
Amount retained for taxation liability of Castrol Ltd., U.K.		**0.99**	1.00
Other Liabilities		**48.43**	51.77
		513.98	494.86
Provisions			
Provision for Indirect Taxation (Refer Note 2 and 3 below)		**32.94**	32.87
Provision for Current Taxation (Net of Advance Tax) (Refer Note 3 below)		**22.31**	24.87
Proposed Final Dividend		**197.82**	197.82
Tax on Proposed Final Dividend		**32.09**	32.86
		285.16	288.42
		799.14	783.28

Notes: (1) There is no amount due and outstanding as at 31st December, 2011 to be credited to Investor Education and Protection Fund.

(2) Movement in Provision for Indirect Taxation

Rupees in Crores

	2011			2010		
	Excise, Customs & Service tax matters	Sales Tax & VAT matters	Total	Excise, Customs & Service tax matters	Sales Tax & VAT matters	Total
Balance as at 1st January	**7.47**	**25.40**	**32.87**	7.15	25.32	32.47
Additions during the year	**0.99**	**1.68**	**2.67**	1.18	1.22	2.40
Reversals during the year	**(2.23)**	**(0.37)**	**(2.60)**	(0.86)	(1.14)	(2.00)
Balance as at 31st December	**6.23**	**26.71**	**32.94**	7.47	25.40	32.87

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

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2011

SCHEDULE H

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
OTHER INCOME			
Interest (Gross)			
On Bank Deposits [Tax deducted at source **Rs. 4.56 Crores** (2010 : Rs. 2.47 Crores)]	**45.69**		25.66
On Income Tax Refund	**5.21**		–
Others	**0.53**		0.27
		51.43	25.93
Royalty & Commission Income		**11.49**	8.15
Miscellaneous Income [Tax deducted at source **Rs. 0.93 Crore** (2010 : Rs. 1.52 Crores)]		**6.40**	5.40
Excess provision written back		**14.31**	–
Debts written off in earlier years, realised		**0.95**	0.02
		84.58	39.50

SCHEDULE I

	2011 Rupees in Crores	2010 Rupees in Crores
COST OF MATERIALS		
Opening Stock		
Raw Materials and Packages	**115.82**	109.26
Traded Items	**23.20**	14.79
	139.02	124.05
Add: Purchases		
Raw Materials and Packages	**1624.60**	1374.37
Traded Items	**125.82**	40.46
	1889.44	1538.88
Less: Closing Stock		
Raw Materials and Packages	**144.94**	115.82
Traded Items	**37.48**	23.20
	182.42	139.02
Cost of Materials		
Raw Materials and Packages	**1595.48**	1367.81
Traded Items	**111.54**	32.05
	1707.02	1399.86
(Increase)/Decrease in Stock in Finished Products		
Opening Stock	**103.90**	83.35
Closing Stock	**116.74**	103.90
	(12.84)	(20.55)
Excise Duty on account of Increase/(Decrease) in Stock of Finished Products	**0.31**	5.36
	1694.49	1384.67

Note: Purchases include foreign exchange difference on imports — Loss **Rs. 13.98 Crores** (2010 : Gain Rs. 1.02 Crores).

Schedules forming part of the Profit and Loss Account for the year ended 31st December, 2011

SCHEDULE J

	Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
OPERATING AND OTHER EXPENSES			
Personnel Cost			
Salaries, Wages and Bonus [Refer Note 1(g) of Schedule L]	**85.52**		78.46
Performance Linked Incentive to Wholetime Directors	**0.85**		1.01
Contribution to Provident and Other Funds [Refer Note 1(g) and 8 of Schedule L]	**9.24**		9.94
Gratuity [Refer Note 1(g) and 8 of Schedule L]#	**(2.13)**		4.77
Staff Welfare Expenses	**14.31**		8.76
		107.79	102.94
Rent		**12.40**	13.12
Rates & Taxes		**10.41**	8.51
Power & Fuel		**3.83**	3.64
Stores & Consumables		**1.26**	1.25
Freight & Forwarding Charges		**79.82**	79.08
Insurance		**2.19**	1.86
Repairs & Maintenance – Land & Building		**3.24**	3.45
Repairs & Maintenance – Plant & Machinery		**3.18**	3.12
Repairs & Maintenance – Others		**12.46**	9.53
Bad Debts written off		**–**	0.18
Provision for Doubtful Debts		**1.67**	0.13
Provision for Doubtful Advances		**1.50**	0.02
Investments Written off		**–**	0.02
Processing & Filling Charges		**8.42**	11.44
Advertisement & Sales Promotion		**127.11**	162.40
Stock Point Operating Charges		**17.63**	18.25
Loss on Disposal/Write off of Fixed Assets (Net) (includes impairment loss of **Rs. 3.00 Crores,** 2010 : Rs. Nil)		**4.83**	1.91
Directors' Sitting Fees		**0.03**	0.03
Voluntary Retirement Scheme Expenses [Refer Note 1(g) of Schedule L]		**8.11**	0.55
Commission to Resident Non-Wholetime Indian Directors		**0.26**	0.26
Royalty		**73.31**	77.53
Sales Promotion fee		**88.24**	74.75
Travelling Expenses		**15.92**	12.22
Legal and Professional Fees (Refer Note 13 of Schedule L)		**30.00**	22.51
Miscellaneous Expenses (Net)		**15.29**	16.30
		628.90	625.00

Note : Operating and Other expenses include foreign exchange differences (Net) – Loss **Rs. 1.97 Crores** (2010 : Gain Rs. 0.28 Crore).

Net of credit of Rs. 5.32 Crores on account of excess provision write back.

SCHEDULE K

	2011 Rupees in Crores	2010 Rupees in Crores
INTEREST AND FINANCE CHARGES		
Bank Charges	**0.23**	0.88
Interest on Others	**1.68**	1.54
	1.91	2.42

Schedules forming part of the Balance Sheet as at 31st December, 2011 and the Profit and Loss Account for the year ended on that date.

SCHEDULE L

NOTES ON ACCOUNTS

1. **Accounting Policies :**

(a) Basis of Preparation of Accounts :

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

(b) Use of Estimates :

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

(c) Fixed Assets and Depreciation :

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

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

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

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

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

(d) Impairment of Assets :

(i) The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

(iii) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(e) Valuation of Investments :

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

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

(f) Valuation of Inventories :

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

SCHEDULE L (Contd.)

Accounting Policies : (Contd.)

(g) Employee Benefits :

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

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

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

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

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

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

(h) Recognition of Income and Expenditure :

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

(i) Foreign Currency Transactions :

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. All Monetary assets and liabilities as at the Balance Sheet date, are reinstated at the applicable exchange rates prevailing on that date. All exchange differences arising on transactions, are charged to Profit and Loss Account.

(j) Provision :

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

(k) Taxation :

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

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

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

(iii) The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended on 31st March, 2011 and the provision for the remaining period of nine months ending on 31st December, 2011. The provision for the remaining period of nine months has been arrived at by applying the effective tax rate of the financial year 2011-12 to Profit Before Tax of the said period.

SCHEDULE L (Contd.)

Accounting Policies : (Contd.)

(l) Earning Per Share :

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

(m) Leases :

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

(n) Cash and Cash Equivalents :

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

(o) Segment Reporting Policies :

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

2. The Company has allotted bonus shares on 13th April, 2010 in the ratio of one equity share for every one equity share of Rs. 10/- each held in the Company on the Record Date.

3. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for **Rs. 8.86 Crores** (2010 : Rs. 7.47 Crores).

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

		31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
(a)	Guarantees and Counter Guarantees given by the Company	**40.72**	34.45
(b)	Excise/Sales Tax Demands made by the Authorities, in respect of which appeals have been filed	**21.90**	19.81
(c)	Claims against the Company not acknowledged as debts estimated at :		
	(i) Income Tax	**–**	–
	(ii) In respect of Third Parties – Miscellaneous	**1.69**	1.63

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

5. (a) The Company had received in prior years, show cause notices from Excise Authorities in respect of input and finished goods stock differences at some of its plants aggregating to **Rs. 18.30 Crores** (2010 : 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. 5.86 Crores** (2010 : Rs. 4.66 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. 0.77 Crore and payments of Rs. 1.40 Crores relating to excise cases of stock differences as on 31st December, 2011.

   (b) Certain disputed demand notices relating to Indirect Taxes amounting to **Rs. 178.23 Crores** (2010 : Rs. 106.74 Crores) have neither been considered as contingent liabilities nor acknowledged as claims, based on expert legal opinions obtained/ internal assessment. The Company is of the view that the possibility of the demands materialising is remote.

SCHEDULE L (Contd.)

6. A shareholder of the Company had filed a Public Interest Petition in the Delhi High Court interalia challenging the allotment of 3,537,862 equity shares on Preferential basis to Castrol Ltd., U.K. The said Petition has been dismissed by the Delhi High Court on 11th January, 2005. However, the Shareholder has gone in 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. The matter has to-date not come up for hearing.

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, 2011				31st December, 2010			
	Automotive	**Non-Automotive**	**Unallocated**	**Total**	Automotive	Non-Automotive	Unallocated	Total
Revenue								
Net Sales/Income from Operations	**2554.17**	**427.61**	**–**	**2981.78**	2364.80	369.96	–	2734.76
Results								
Segment Results	**561.66**	**104.77**	**–**	**666.43**	610.87	103.45	–	714.32
Unallocable Income net of Unallocable (Expenditure)	**–**	**–**	**51.43**	**51.43**	–	–	25.94	25.94
Interest and Finance Charges	**–**	**–**	**1.91**	**1.91**	–	–	2.42	2.42
Profit Before Taxation	**–**	**–**	**–**	**715.95**	–	–	–	737.84
Provision For Current Taxation	**–**	**–**	**–**	**255.44**	–	–	–	251.09
Deferred Taxation	**–**	**–**	**–**	**(19.13)**	–	–	–	(2.49)
Excess Income Tax provision for earlier years written back – Net	**–**	**–**	**–**	**(1.39)**	–	–	–	(1.07)
Profit After Taxation	**–**	**–**	**–**	**481.03**	–	–	–	490.31
Other Information								
Segment Assets	**609.98**	**157.31**	**636.05**	**1403.34**	528.39	132.87	675.52	1336.78
Segment Liabilities	**482.26**	**55.35**	**261.53**	**799.14**	465.59	48.04	269.65	783.28
Capital Expenditure (Including Capital Work-in-Progress)	**34.11**	**2.78**	**–**	**36.89**	23.97	1.78	–	25.75
Depreciation/Amortisation	**23.88**	**1.23**	**–**	**25.11**	23.20	1.13	–	24.33
Geographical Segment								
Revenue								
India				**2976.87**				2732.80
Outside India				**4.91**				1.96
				2981.78				2734.76
Assets								
India				**1398.01**				1320.17
Outside India				**5.33**				2.53
				1403.34				1322.70
Capital Expenditure (Including Capital Work-in-Progress)								
India				**36.89**				25.75
Outside India				**–**				–
				36.89				25.75

SCHEDULE L (Contd.)

8. **Employee Benefits :**

General Description of Defined Benefit Plan

Gratuity

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

Provident Fund

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

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

Survivor Protection Scheme

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

Pension Benefit to past employees

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

Rupees in Crores

	As at 31st December, 2011				As at 31st December, 2010			
	Gratuity (Funded)	**Provident Fund (Funded)**	**Survivor Protection (Non-funded)**	**Pension Benefit (Non-funded)**	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Reconciliation of opening and closing balances of the present value of the defined benefit obligation :								
Obligation at period beginning	**22.97**	**83.88**	**0.17**	**1.88**	21.28	86.83	0.18	1.99
Current service cost	**1.60**	**3.59**	**–**	**–**	1.50	3.16	–	–
Interest cost	**1.82**	**7.26**	**–**	**–**	1.63	5.05	–	–
Actuarial (gain)/loss due to change in assumptions	**(0.45)**	**–**	**–**	**0.05**	(0.46)	(0.05)	0.07	0.07
Experience (gain)/loss on plan liability	**1.86**	**(1.49)**	**–**	**–**	1.39	0.05	–	–
Contribution	**–**	**5.23**	**–**	**–**	–	4.90	–	–
Benefits paid	**(3.98)**	**(9.38)**	**–**	**(0.17)**	(2.49)	(16.06)	(0.08)	(0.18)
Past service cost	**–**	**–**	**–**	**–**	0.12	–	–	–
Obligation at period end	**23.82**	**89.09**	**0.17**	**1.76**	22.97	83.88	0.17	1.88
Change in plan assets								
Plan Assets at period beginning, at fair value	**23.92**	**81.14**	**–**	**–**	24.98	84.86	–	–
Expected return on plan assets	**1.81**	**6.78**	**–**	**–**	1.77	4.81	–	–
Actuarial gain/(loss) due to change in assumptions	**(0.20)**	**0.15**	**–**	**–**	(2.56)	(0.53)	–	–
Contributions by Employer	**2.26**	**3.59**	**–**	**–**	2.23	3.16	–	–
Contributions by Plan Participants	**–**	**5.23**	**–**	**–**	–	4.90	–	–
Benefits paid	**(3.98)**	**(9.38)**	**–**	**–**	(2.49)	(16.06)	–	–
Plan Assets at period end, at fair value	**23.81**	**87.51**	**–**	**–**	23.92	81.14	–	–
Reconciliation of present value of the obligation and the fair value of plan assets								
Fair value of plan assets at the end of the period	**23.81**	**87.51**	**–**	**–**	23.92	81.14	–	–
Present value of the defined benefit obligation at the end of the period	**23.82**	**89.09**	**0.17**	**1.76**	22.97	83.88	0.17	1.88
Asset/(liability) recognised in the Balance Sheet	**(0.01)**	**(1.58)**	**(0.17)**	**(1.76)**	0.95	(2.74)	(0.17)	(1.88)
Expense for the year (Refer Note A (i) below)								
Current service cost	**1.60**	**3.59**	**–**	**–**	1.50	3.16	–	–
Interest cost on benefit obligation	**1.82**	**7.26**	**–**	**–**	1.63	5.05	–	–
Expected return on plan assets	**(1.81)**	**(6.78)**	**–**	**–**	(1.77)	(4.81)	–	–
Net actuarial (gain)/loss recognised in the year	**1.61**	**(1.64)**	**–**	**0.05**	3.50	0.53	0.07	0.07
Past service cost	**–**	**–**	**–**	**–**	0.12	–	–	–
Net cost	**3.22**	**2.43**	**–**	**0.05**	4.98	3.93	0.07	0.07
Actual return on plan assets	**1.81**	**6.78**	**–**	**–**	1.77	4.81	–	–
Estimated contribution to be made in next annual year	**2.50**	**3.50**	**–**	**–**	2.50	3.50	–	–

SCHEDULE L (Contd.)

Employee Benefits : (Contd.)

Assumptions	As at 31st December, 2011				As at 31st December, 2010			
	Gratuity	**Provident Fund**	**Survivor Protection**	**Pension Benefit**	Gratuity	Provident Fund	Survivor Protection	Pension Benefit
Discount rate	**8.5%**	**8.5%**	**8.5%**	**8.5%**	8.0%	8.0%	8.0%	8.0%
Employee turnover	**8.0%**	**8.0%**	**–**	**–**	8.0%	8.0%	–	–
Mortality	**LIC Ultimate 94-96**	**LIC Ultimate 94-96**	**LIC Ultimate 94-96**	**–**	LIC Ultimate 94-96	LIC Ultimate 94-96	LIC Ultimate 94-96	–

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

	As at 31st December, 2011		As at 31st December, 2010	
	Gratuity	**Provident Fund**	Gratuity	Provident Fund
The composition of plan assets				
Debt Instruments	**90%**	**75%**	83%	73%
Others	**10%**	**25%**	17%	27%
	100%	**100%**	100%	100%

Amount for the current and previous periods are as follows :

Rupees in Crores

	As at 31st December, 2011				As at 31st December, 2010			
	Gratuity (Funded)	**Provident Fund (Funded)**	**Survivor Protection (Non-funded)**	**Pension Benefit (Non-funded)**	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Experience (gain)/loss on plan liability	**1.86**	**(1.49)**	**–**	**–**	1.39	0.05	–	–
Fair value of plan assets at the end of the period	**23.81**	**87.51**	**–**	**–**	23.92	81.14	–	–
Present value of the defined benefit obligation at the end of the period	**23.82**	**89.09**	**0.17**	**1.76**	22.97	83.88	0.17	1.88
Asset/(liability) recognised in the Balance Sheet	**(0.01)**	**(1.58)**	**(0.17)**	**(1.76)**	0.95	(2.74)	(0.17)	(1.88)

Rupees in Crores

	As at 31st December, 2009				As at 31st December, 2008				As at 31st December, 2007			
	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)	Gratuity (Funded)	Provident Fund (Funded)	Survivor Protection (Non-funded)	Pension Benefit (Non-funded)
Experience (gain)/loss on plan liability	2.82	(0.29)	–	–	1.02	0.58	–	–	–	–	–	–
Fair value of plan assets at the end of the period	24.98	84.86	–	–	30.60	85.00	–	–	29.75	78.26	–	–
Present value of the defined benefit obligation at the end of the period	21.28	86.83	0.18	1.99	28.20	87.22	0.21	2.61	25.03	81.64	0.21	1.97
Asset/(liability) recognised in the Balance Sheet	3.70	(1.97)	(0.18)	(1.99)	2.40	(2.22)	(0.21)	(2.61)	4.72	(3.38)	(0.21)	(1.97)

SCHEDULE L (Contd.)

Employee Benefits : (Contd.)

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

(i) **Defined Benefit Plan**

Gratuity in Schedule J includes gratuity cost of **Rs. 3.19 Crores** (2010 : Rs. 4.77 Crores) (net of recoveries of **Rs. 0.03 Crore** (2010 : 0.21 Crore) towards employees on secondment from group companies). Contribution to Provident and Other Funds in Schedule J includes **Rs. 2.43 Crores** (2010 : Rs. 3.93 Crores) for Provident Fund.

Salaries, wages and bonus in Schedule J includes Leave encashment, survivor protection (death benefit), pension benefit to past employees, **Rs. 0.05 Crore** (2010 : Rs. 0.15 Crore).

(ii) **Defined Contribution Plan**

Contribution to Provident and Other Funds in Schedule J includes **Rs. 4.17 Crores** (2010 : Rs. 4.90 Crores) for Pension Fund, ESIC and Labour Welfare Fund and 'Insurance' includes **Rs. 1.19 Crores** (2010 : Rs. 1.15 Crores) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Schedule J includes **Rs. 1.04 Crores** (2010 : Rs. 0.93 Crore) 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 **8.0%** (2010 : 8.0%).

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) Fellow Subsidiaries (where transaction exists)

Arabian Prod. & Marketing Lub. Co. Ltd.
Aspac Lubricants (Malaysia) Sdn Bhd
BP Castrol (Thailand) Ltd.
BP (China) Industrial Lubricants Ltd.
BP Alternative Energy International Ltd.
BP Australia Pty Ltd.
BP Castrol (Thailand) Ltd.
BP Castrol KK
BP Corporation North America Inc.
BP Europa SE
BP Europa SE – BP Belgium (Branch)
BP Exploration (Alpha) Ltd.
BP France
BP France SA Branch Office
(Trading as BP Middle East)
BP India Services Pvt. Ltd.
BP International Ltd.
BP Italia SPA
BP Japan KK
BP Korea Limited
BP Lubricants USA Inc.
BP Marine Ltd.
BP Mauritius Ltd.
BP Oil International Ltd.
BP Singapore – LSC Regional
BP Singapore Marine
BP Singapore Pte. Ltd.
Burmah Castrol Australia Pty Ltd.
Castrol (Shenzhen) Co. Ltd.
Castrol Austria GmbH
Castrol BP Petco Limited
Castrol Industrial North America Inc.
Castrol Ltd. UK
Castrol Pakistan Pvt. Ltd.
Lubricants UK Ltd.
Nordic Lubricants AB
Tata BP Solar India Ltd.
BP Southern Africa (Proprietary) Ltd.

SCHEDULE L (Contd.)

Related Party Disclosures : (Contd.)

(c) Associates (where transaction exists)
- Castrol India Ltd. Employees' Provident Fund
- Castrol India Ltd. Staff Pension Fund
- Castrol India Ltd. Employees' Gratuity Fund

(d) Key Management Personnel (where transaction exists)

R. Kirpalani	Director – Automotive & Chief Operating Officer	
A. P. Mehta	Executive Director	Upto 15th November, 2010
S. Vaidya	Executive Director	From 16th November, 2010
S. Malekar	Executive Director	

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

Rupees in Crores

	31st December, 2011				31st December, 2010			
	Holding Companies	**Associates**	**Key Management Personnel**	**Fellow Subsidiaries**	Holding Companies	Associates	Key Management Personnel	Fellow Subsidiaries
Purchase of Materials/ Finished Goods								
BP France	–	–	–	**6.56**	–	–	–	–
BP Europa SE	–	–	–	**21.72**	–	–	–	14.53
BP Oil International Ltd.	–	–	–	**10.35**	–	–	–	35.77
Castrol Industrial North America	–	–	–	**15.08**	–	–	–	9.80
Others	–	–	–	**6.98**	–	–	–	10.98
Sale of Goods & Related Expenses								
BP (China) Industrial Lubricants Ltd.	–	–	–	**1.54**	–	–	–	0.58
BP Castrol (Thailand) Ltd.	–	–	–	**0.39**	–	–	–	0.15
Castrol (Shenzhen) Co. Ltd.	–	–	–	**1.23**	–	–	–	–
Others	–	–	–	**0.38**	–	–	–	0.08
Receiving of Services								
BP Corporation N.A. Inc.	–	–	–	**0.43**	–	–	–	–
BP International Ltd.	–	–	–	**0.75**	–	–	–	0.72
BP Singapore Pte. Ltd.	–	–	–	**0.37**	–	–	–	–
Lubricants UK Ltd.	–	–	–	**1.95**	–	–	–	4.41
Others	–	–	–	–	–	–	–	1.51
Rendering of Services & Deputation of Employees								
BP India Services Pvt. Ltd.	–	–	–	**7.26**	–	–	–	7.52
Lubricants UK Ltd.	–	–	–	**1.94**	–	–	–	–
Others	–	–	–	**1.54**	–	–	–	1.71

SCHEDULE L (Contd.)

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

Rupees in Crores

	31st December, 2011				31st December, 2010			
	Holding Companies	**Associates**	**Key Management Personnel**	**Fellow Subsidiaries**	Holding Companies	Associates	Key Management Personnel	Fellow Subsidiaries
Transfer of Employee related balances								
BP India Services Pvt. Ltd. – Transfer out	–	–	–	1.41	–	–	–	0.59
BP India Services Pvt. Ltd. – Transfer in	–	–	–	1.30	–	–	–	0.50
Commission Income								
BP Marine Ltd.	–	–	–	7.35	–	–	–	4.56
Contribution to Funds								
Castrol India Ltd. Employees' Provident Fund	–	2.43	–	–	–	3.93	–	–
Castrol India Ltd. Staff Pension Fund	–	4.14	–	–	–	4.40	–	–
Castrol India Ltd. Employees' Gratuity Fund	–	3.19	–	–	–	4.77	–	–
Dividend								
Castrol Ltd., U.K.	263.06	–	–	–	263.06	–	–	–
Others	–	–	–	0.41	–	–	–	0.41
Royalty Expense								
Castrol Ltd., U.K.	73.31	–	–	–	77.53	–	–	–
Amounts Payable								
Castrol Ltd., U.K.	206.89	–	–	–	210.65	–	–	–
Others	–	–	–	11.76	–	–	–	9.35
Amounts Receivable								
BP India Services Pvt. Ltd.	–	–	–	0.94	–	–	–	1.35
BP Marine Ltd.	–	–	–	2.43	–	–	–	1.56
Lubricants UK Ltd.	–	–	–	1.42	–	–	–	–
Others	–	–	–	1.47	–	–	–	1.04
Remuneration to Executive Directors								
A. P. Mehta	–	–	–	–	–	–	0.68	–
Soren Malekar	–	–	1.22	–	–	–	1.27	–
Ravi Kirpalani	–	–	1.99	–	–	–	2.11	–
Sujit Vaidya	–	–	1.59	–	–	–	0.15	–
Loan Outstanding								
Ravi Kirpalani	–	–	0.15	–	–	–	0.16	–
Recovery of Loan & Interest thereon								
Ravi Kirpalani	–	–	0.01	–	–	–	0.01	–

SCHEDULE L (Contd.)

10. **Operating Lease ***

			31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
(a)	Total of future minimum lease payments			
	(i)	Not later than one year	**0.39**	3.43
	(ii)	Later than one year and not later than five years	**–**	0.35
	(iii)	Later than five years	**–**	–
(b)	Lease payments recognised in the Profit and Loss Account		**12.03**	11.00

* 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. Some of the lease agreements have escalation clause. There are no restrictions imposed by lease arrangements. There are no subleases.

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, 2011		31st December, 2010	
			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	**201229**	**2807.19**	217071	2657.62
		Traded Items	**7465**	**172.04**	2063	72.89
			208694	**2979.23**	219134	2730.51
	Old and used Containers			**2.55**		4.25
				2981.78		2734.76
(b)	(i)	Consumption of Raw Materials (Including Packages) : *				
		Base Oils	**168911**	**1043.26**	187463	862.39
		Additives and Chemicals	**30076**	**395.89**	31825	355.36
		Packages (Individual items each being less than 10% of the total)	**–**	**156.33**	–	150.06
			198987	**1595.48**	219288	1367.81

* Does not include adjustment for old and used Containers

		31st December, 2011		31st December, 2010	
		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	**715.57**	**44.85**	534.24	39.06
	Additives and Chemicals	**167.17**	**10.48**	143.31	10.48
	Indigenous :				
	Base Oils	**327.69**	**20.54**	328.15	23.99
	Additives and Chemicals	**228.72**	**14.34**	212.05	15.50
	Packages	**156.33**	**9.80**	150.06	10.97
		1595.48	**100.00**	1367.81	100.00
(iii)	Value of all Imported and Indigenous Stores & Consumables consumed during the year :				
	Imported	**0.10**	**7.94**	0.09	7.20
	Indigenous	**1.16**	**92.06**	1.16	92.80
		1.26	**100.00**	1.25	100.00

SCHEDULE L (Contd.)

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

	31st December, 2011		31st December, 2010	
	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 [Excluding Quantity held on account of free of cost scheme **2371 KLs/MTs** (2010 : 2409 KLs/MTs.)]	**12363**	**103.90**	11602	83.35
Closing Stock [Excluding shortages/ losses – **38 KLs/MTs** (2010 : 61 KLs/ MTs)] [Excluding Quantity held on account of free of cost scheme **1730 KLs/MTs** (2010 : 2371 KLs/MTs.)]	**10395**	**116.74**	12363	103.90
(d) Traded Items :				
Lubricating Oils and Greases				
Opening Stock	**1443**	**23.20**	882	14.79
Purchases	**8113**	**125.82**	2627	40.46
Closing Stock [Excluding Shortages/Losses **3.1 KLs** (2010 : 3 KLs)]	**2088**	**37.48**	1443	23.20

(e) Licensed and Installed Capacity :

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

(ii) Installed Capacity #

	[Technically evaluated as certified by the Management (Per Year on a single shift basis)]	
	31st December, 2011 (KLs/MTs)	31st December, 2010 (KLs/MTs)
For production of Lubricating Oils, Greases, Brake Fluids at Patalganga, Kolkata, Chennai & Silvassa.	**188000**	236000

During the year, the Company had discontinued the manufacturing activity at the Tondiarpet plant since it was not commercially viable. Accordingly, the installed capacity has reduced.

(f) Production of Lubricating Oils, Greases, etc. [Including processing done by third parties **9259 KLs/MTs** (2010 : 14071 KLs/MTs.)]	**198535**	217542

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

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

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

12. **Directors' Emoluments**

	31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
Total Remuneration (excluding sitting fees) [Refer (b) and (c) below]	**5.06**	4.48
Includes :		
(i) Salary and Allowances	**3.06**	2.29
(ii) Contribution to Provident and other funds	**0.45**	0.42
(iii) Estimated Value of perquisites *	**0.44**	0.50
(iv) Performance Linked Incentive to Whole time Directors	**0.85**	1.01
(v) Commission to Resident Non-Whole time Indian Directors [Refer (c) below]	**0.26**	0.26

* Evaluated as per Income-tax Rules wherever applicable.

SCHEDULE L (Contd.)

Directors' Emoluments (Contd.)

			Rupees in Crores	31st December, 2011 Rupees in Crores	31st December, 2010 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			**715.95**	737.84
	Add:	Depreciation as per Profit and Loss Account	**25.11**		24.33
		Provision for Doubtful Debts (Net of amounts written back)	**1.67**		0.13
		Provision for Doubtful Advances	**1.50**		0.02
		Investments Written off	**–**		0.02
		Directors' Sitting fees	**0.03**		0.03
		(Profit)/Loss on Disposal/Write off of Fixed Assets (Net)	**4.83**		1.91
				33.14	26.44
				749.09	764.28
	Less:	Depreciation under Section 350 of the Companies Act, 1956	**12.54**		14.48
		Wealth Tax	**0.16**		0.16
		Excess Provision written back	**14.31**		–
				27.01	14.64
	Profit under Section 349 of the Companies Act, 1956			**722.08**	749.64
	Add:	Directors' Remuneration		**5.06**	4.48
	Profit as per Section 198(1)			**727.14**	754.12
	Note:	As the actuarial valuation impact on Gratuity, Provident Fund and Survivor Protection is provided for the Company as a whole, the amounts pertaining to the directors are not included above.			
(b)	Remuneration payable to Managing and Wholetime Directors				
	@ 10% on above profits			**72.71**	75.41
		Restricted by the Board of Directors to		**4.80**	4.22
(c)	Commission payable to resident Non-Wholetime Indian Directors				
	@ 1% on above profits			**7.27**	7.54
		Restricted by the Board of Directors to		**0.26**	0.26

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

		31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
As auditor :			
(i)	Audit Fees – Statutory #	**0.42**	0.42
(ii)	Tax Audit Fee #	**0.16**	0.17
(iii)	Limited Review #	**0.12**	0.11
(iv)	Out-of-pocket expenses #	**0.02**	0.02
In other manner :			
(i)	Certification #	**0.02**	0.02
		0.74	0.74

Excluding Service Tax of **Rs. 0.08 Crore** (2010 : Rs. 0.08 Crore)

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

		31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
(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** (2010 : Rs. Nil)].	**4.23**	2.97
(ii)	The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	**–**	–

SCHEDULE L (Contd.)

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

		31st December, 2011 Rupees in Crores	31st December, 2010 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. 8.81 Crores** (Net) (2010 : Rs. 8.02 Crores) are included under relevant heads of expense.

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

Particulars	Foreign Currency					
	AUD	EURO	GBP	JPY	SGD	USD
31st December, 2011						
Sundry Creditors – Foreign currency	**24174**	**1716362**	**23532**	**–**	**6692**	**11164154**
Sundry Creditors – Rs. in Crores	**0.13**	**11.79**	**0.21**	**–**	**0.03**	**59.46**
Sundry Debtors – Foreign currency	**–**	**–**	**–**	**–**	**–**	**835852**
Sundry Debtors – Rs. in Crores	**–**	**–**	**–**	**–**	**–**	**4.44**
Loans and Advances – Foreign currency	**–**	**457**	**–**	**–**	**–**	**690589**
Loans and Advances – Rs. in Crores	**–**	**0.01**	**–**	**–**	**–**	**3.68**
31st December, 2010						
Sundry Creditors – Foreign currency	1551	956808	14475	862224	19746	8035185
Sundry Creditors – Rs. in Crores	0.01	5.63	0.10	0.05	0.07	36.05
Sundry Debtors – Foreign currency	–	–	–	–	–	777924
Sundry Debtors – Rs. in Crores	–	–	–	–	–	3.49
Loans and Advances – Foreign currency	–	3436	–	–	–	1088398
Loans and Advances – Rs. in Crores	–	0.02	–	–	–	4.88

		31st December, 2011 Rupees in Crores	31st December, 2010 Rupees in Crores
17.	**C.I.F. Value of Imports :**		
	Raw Materials	**777.67**	548.29
	Capital Goods	**6.58**	3.71
18.	**Expenditure in Foreign Currency (on accrual basis) :**		
	Travel	**1.25**	1.32
	Import of goods for resale	**43.72**	30.74
	Royalty (Gross) [Tax deducted at source **Rs. 7.71 Crores** (2010 : Rs. 8.19 Crores)]	**73.31**	77.53
	Others (Net of tax where applicable)	**18.58**	13.03
19.	**Earnings in Foreign Exchange (on accrual basis) :**		
	Supplies to Foreign Vessels	**13.32**	10.83
	Commission	**7.35**	4.56
	FOB value of goods exported	**4.91**	1.96

SCHEDULE L (Contd.)

20. Details of Dividend remitted during the year, to **Two** (2010 : Two) non-resident shareholders are as follows :

Dividend in respect of the year ended	No. of Shares	**31st December, 2011 Rupees in Crores**	31st December, 2010 Rupees in Crores
31-12-2009 (Final & Special)	87,822,929	**–**	131.73
31-12-2010 (Interim)	175,645,858	**–**	122.95
31-12-2010 (Final)	175,645,858	**140.52**	–
31-12-2011 (Interim)	175,645,858	**122.95**	–

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

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

per RAVI BANSAL
Partner
Membership No. : 49365

A. H. MODY
General Manager
Legal & Company Secretary

Mumbai
February 13, 2012

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

Executive Directors

S. VAIDYA Director
S. MALEKAR Director

Non-Executive Directors

R. GOPALAKRISHNAN Director
R. HEWINS Director
S. MUKUNDAN Director
U. KHANNA 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) 2011 (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
14033400	14033400

Sources of Funds :

Paid up Capital	Reserves & Surplus
2472800	3569200
Secured Loans	**Unsecured Loans**
–	–

Application of Funds :

Net Fixed Assets	Investments
1435600	–
Deferred Tax Assets/(Liability) (Net)	**Net Current Assets**
562400	4044000
Miscellaneous Expenditure	**Accumulated Losses**
–	–

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

Turnover	Total Expenditure
29817800	23504100
Profit/(Loss) before tax	**Profit/(Loss) after tax**
7159500	4810300
Earning per share (Rs.)	**Dividend Rate %**
19.45	150

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

Item Code No. (ITC Code) 271000.61

Product Description LUBRICATING OILS

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

Executive Directors

S. VAIDYA	Director	S. MALEKAR	Director

A. H. MODY
General Manager
Legal & Company Secretary

Non-Executive Directors

R. GOPALAKRISHNAN	Director	R. HEWINS	Director
S. MUKUNDAN	Director	U. KHANNA	Director

Mumbai
February 13, 2012

Cash Flow Statement for the year ended 31st December, 2011

			2011	2010
		Rupees in Crores	**Rupees in Crores**	Rupees in Crores
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net profit before Tax	**715.95**		737.84
	Adjustments for :			
	Depreciation	**25.11**		24.33
	Interest and Finance Charges	**1.91**		2.42
	Interest Income	**(51.43)**		(25.93)
	Provision for Doubtful Advances (Net)	**1.50**		0.02
	Provision for Doubtful Debts (Net)	**1.67**		0.31
	Investments Written off	**–**		0.02
	Unrealised foreign exchange (gain)/loss	**2.27**		(0.59)
	Loss on Disposal/Write off of Fixed Assets (Net)	**4.83**		1.91
	Operating Profit before Working Capital Changes	**701.81**		740.33
	Movement in Working Capital (Increase)/Decrease			
	Sundry Debtors	**(42.19)**		(18.14)
	Inventories	**(56.72)**		(35.57)
	Other Loans & Advances	**(11.83)**		(10.82)
	Current Liabilities & Provisions	**15.97**		59.25
	Cash generated from Operations	**607.04**		735.05
	Income Tax Paid	**(256.61)**		(225.15)
	NET CASH FLOW FROM OPERATING ACTIVITIES		**350.43**	509.90
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets	**(36.89)**		(25.75)
	Sale of Fixed Assets	**0.28**		0.08
	Sale of Investments	**–**		0.50
	Interest received	**47.98**		24.42
	Margin Money Deposit	**0.91**		(10.08)
	NET CASH FLOW FROM INVESTING ACTIVITIES		**12.28**	(10.83)

Cash Flow (Contd.)

		Rupees in Crores	2011 Rupees in Crores	2010 Rupees in Crores
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Interest Paid	**(1.92)**		(2.40)
	Dividend Paid	**(370.92)**		(358.56)
	Dividend Tax paid	**(60.18)**		(59.55)
	NET CASH FLOW FROM FINANCING ACTIVITIES		**(433.02)**	(420.51)
D.	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)**		**(70.31)**	78.56
	CASH AND CASH EQUIVALENTS, beginning of the year		**604.32**	525.76
	CASH AND CASH EQUIVALENTS, end of the year		**534.01**	604.32

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

		2011	2010
(2)	Cash and Bank Balance (Refer Schedule F and Note 3 below)	**549.00**	619.26
	Less: Margin Money Deposit	**9.17**	10.08
	Less: Unclaimed Dividends	**5.82**	4.86
	Cash and Cash Equivalents as above	**534.01**	604.32

(3) Cash and Cash equivalents as at the end of December 31, 2011 include Bank Deposits of **Rs. 181.33 Crores** (2010 : Rs. 334.22 Crores) with a maturity period exceeding three months and which are readily convertible into known amounts of cash.

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

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

per RAVI BANSAL
Partner
Membership No. : 49365

Mumbai
February 13, 2012

A. H. MODY
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Notes