



INDEPENDENT AUDITOR'S REPORT

To

The Members of Castrol India Limited Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Castrol India Limited ("the Company"), which comprise the Balance Sheet as at 31st December, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143 (11) of the Act.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st December, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31st December, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanation given to us, the remuneration paid by the Company to its directors is in accordance with the provisions of section 197 of the Act.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements (refer note no. 25 to the Ind AS financial statements).
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. The Company has transferred the amounts required to be transferred to the Investor Education and Protection Fund within due dates except for Rs 0.09 Crores for the reasons described in note 11 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

Samir R. Shah
(Partner)
(Membership No. 101708)

Place : Mumbai
Date : 30th January, 2019

Report on Internal Financial Controls Over Financial Reporting

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Castrol India Limited ("the Company") as of 31st December, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st December, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)

Samir R. Shah

(Partner)

(Membership No. 101708)

Place : Mumbai

Date : 30th January, 2019

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

1. In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, no fixed assets were physically verified by the Management during the year.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and acquired buildings which are freehold, are held in the name of the Company as at the balance sheet date except as follows:

Rs. in Crore

No. of Cases	Asset Category	Gross Block as at 31 st December 2018	Net Block as at 31 st December 2018	Remarks
1	Freehold Land located at Mehsana	0.01	0.01	The deed of conveyance is in the erstwhile name of the Company and the mutation of the name is pending.

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

Rs. in Crore

No. of Cases	Asset Category	Gross Block as at 31 st December 2018	Net Block as at 31 st December 2018	Remarks
2	Leasehold Land located at Patalganga	0.29	0.28	The lease deed is in the erstwhile name of the Company.

2. As explained to us, the inventories (other than Goods in Transit) were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on such physical verification.
3. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act.
4. The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the order is not applicable.
5. According to the information and explanations given to us, the Company has not accepted any public deposits. Accordingly, the provisions of clause (v) of the Order are not applicable to the Company.
6. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government under sub-section (1) of Section 148 of the Act, in respect of manufacture of lubricants and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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

- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Services Tax, Cess and other material statutory dues, as applicable, with the appropriate authorities except in case of tax deducted at source reported in clause (b) below.
- (b) There are no undisputed amounts payable in respect of the above statutory dues outstanding as at 31st December, 2018 for a period of more than six months from the date they became payable, except as follows.

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

- (c) Details of Income tax, Sales tax, Service tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on 31st December, 2018 on account of disputes are given below:

						Rs. in Crore
Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the Amount Relates	Total disputed dues	Amount paid	Amount unpaid
Central Excise Act, 1944	Disputes relating to Excise Duty & Service Tax.	Commissioner	1990-2018	19.33	0.55	18.78
		Commissioner (A)	2001-2009	1.91	0.03	1.88
		Tribunal	1994 – 2006	91.78	4.69	87.09
		High Court	1999-2002	8.43	-	8.43
		Supreme Court	1998-1999	0.40	0.20	0.20
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Disputes relating to Local Sales Tax, VAT Act and CST Act.	Commissioner	2000-2016	43.79	13.19	30.60
		Appellate Authority	1994-2016	15.45	7.11	8.34
		Central Sales Tax Appellate Authority (CSTAA)	2007-2008 & 2009-2010 to 2011-2012	1,300.44	-	1,300.44
		Tribunal	1999-2014	1,598.02	3.46	1594.56
		High Court	1999-2000	0.23	-	0.23
The Income Tax Act, 1961	IT matters under dispute	Commissioner of Income Tax	2006-2008 and 2010-2011	1.99	-	1.99
		Income Tax Appellate Tribunal	2003-04 and 2005-2006	2.64	-	2.64

8. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence, reporting under clause (viii) of the Order is not applicable to the Company.
9. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans. Hence, reporting under clause (ix) of the Order is not applicable to the Company.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
11. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

12. The Company is not a Nidhi Company and hence, reporting under clause (xii) of the Order is not applicable to the Company.
13. In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Act where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
14. During the year, the Company has not made any preferential allotment or private placement of the shares or fully or partly convertible debentures. Hence, reporting under clause (xiv) of the Order is not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
16. The Company is not required to be registered under Section 45 I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)

Samir R. Shah

(Partner)

(Membership No. 101708)

Place : Mumbai

Date : 30th January, 2019