

BOARD'S REPORT

To the Members,

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

1. FINANCIAL RESULTS

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

2. PERFORMANCE

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

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

Your Company's performance has been discussed in detail in the 'Management Discussion and Analysis Report'.

Your Company does not have any subsidiary or associate or joint venture company.

3. RETURNS TO INVESTORS (DIVIDEND)

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

The final dividend, subject to approval of members, will be paid within statutory period, to those members whose names appear in the register of members, as on the date of book closure.

The dividend payout for the year under review is in accordance with your Company's policy to pay sustainable dividend linked to long-term growth objectives of your Company to be met by internal cash accruals.

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

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

Pursuant to applicable provisions of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF" or "Fund") established by the Central Government, after completion of seven years from the date of dividend becoming unpaid / unclaimed. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more shall also be transferred to the demat account created by the IEPF Authority.

The Company had sent individual notices and also advertised in the newspapers seeking action from the members who have not claimed their dividends for seven consecutive years or more. Accordingly, the Company has transferred such unpaid or unclaimed dividends and corresponding shares to IEPF, up to and including the interim dividend for the financial year ended 31 December 2011.

Members/claimants whose shares and/or unclaimed dividend, have been transferred to the IEPF Demat Account or the Fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF authority in Form IEPF-5 (available on <http://www.iepf.gov.in>) along with requisite fee as decided by the IEPF authority from time to time. The member/claimant can file only one consolidated claim in a financial year as per the IEPF Rules.

The Company will be transferring the final dividend and corresponding shares for the financial year ended 31 December 2011 and the interim dividend and corresponding shares for the financial year ended 31 December 2012 on or before 21 June 2019 and 20 September 2019 respectively. Members are requested to ensure that they claim the dividends and shares referred above, before they are transferred to the said Fund. The due dates for transfer of unclaimed dividend to IEPF are provided in the report on Corporate Governance.

Details of shares/shareholders in respect of which dividend has not been claimed, are provided on our website at https://www.castrol.com/en_in/india/investors/statement-of-unclaimed-dividend-and-shares.html. The shareholders are encouraged to verify their records and claim their dividends of all the earlier seven years, if not claimed.

5. SUPPLY CHAIN

Your Company's supply chain function remained an important enabler for the organization. The five strategic pillars of supply chain continued to be:

1. Contemporary, differentiated and competitive customer service

2. Premium quality – a source of enhanced customer experience
3. Supply chain capabilities – assets and resources to support growth
4. Consistent processes
5. Generating value for business through efficiency initiatives

Health, Safety, Security and Environment, along with Ethics and Values formed the core of our operations.

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

As part of the safe control and monitoring mechanism, safety observations continued to be recorded and proactively addressed. The Control of Work guidelines and Operating Management System processes across the plants and other supply chain functions continued to be strengthened. We reported zero injuries in our operations and also received recognition at multiple, country wide fora for our excellent quality and safe operations. To name a few, we received the Golden Peacock Award for Patalganga plant, Greentech Safety Award for Silvassa and Paharpur plants and CII Award - HSSE for Patalganga plant.

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

experience and also expanded our partnerships with new OEM contracts. Ford QI Certification is a demonstration of our focus on customer service.

The team continued to focus on quality by using stringent input measures and processes – helping drive a premium image in the market. Strong inspection programmes at supplier and at process levels continued through the year.

In order to support growth operations, your Company continued to invest in projects and initiatives to make the operations robust for future. The total capital investment across multiple supply chain projects for financial year 2018 was about INR 22.85 crores.

Throughout the year, there was a strong focus on generating value through standardization and simplification. Efficient sourcing and transportation initiatives, focusing on cost optimization, were led successfully, helping deliver additional value for business.

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

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

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

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

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

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Omer Dormen, Managing Director and Ms. Rashmi Joshi, Whole-time Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

Details of each of the Directors proposed to be re-appointed at the ensuing Annual General Meeting, as required by Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations 2015") and SS - 2 (Secretarial Standards on General Meetings) are provided in the Notice convening the 41st Annual General Meeting of the Company.

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

The Independent Directors of your Company have certified their independence to the Board, stating that they meet the criteria for independence as mentioned under Section 149 (6) of the Act.

There was no change in the composition of the Board of Directors and Key Managerial Personnel during the year under review, except as stated above.

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

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

8. BOARD EVALUATION

The Nomination and Remuneration Committee of your Company approved the Policy on Nomination, Independence, Remuneration, Diversity and Evaluation ("Policy"), which has been adopted by the Board of Directors. The Policy provides for evaluation of the Board, the committees of the Board and individual directors, including the Chairman of the Board. The Policy provides that evaluation of the performance of the Board as a whole and the Board committees and individual directors shall be carried out annually.

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

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

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

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

also of the Chairman taking into account views of executive directors and non-executive directors.

Based on the outcome of the evaluation, the Board and committees have agreed on various action points, which would result in each director, its committees and the board, its committees and each director playing more meaningful roles to increase shareholder value.

9. BOARD AND COMMITTEES

The Board met four times during the year, details of which are given in the Corporate Governance Report that forms part of this Annual Report. The intervening gap between the meetings was within the period prescribed under the Act and the SEBI Listing Regulations 2015. Details of all the Committees of the Board have been given in the Corporate Governance Report.

10. CORPORATE GOVERNANCE

Your Company is part of BP Group which is known globally for best standards of governance and business ethics. Your Company has put in place governance practices as prevalent globally. The Corporate Governance Report and the Auditor's Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

11. CORPORATE SOCIAL RESPONSIBILITY

Your Company recognizes the need and importance of a focused and inclusive social and economic development, especially of the industries and communities within which it operates. Your Company seeks to build open and constructive relationships with all its stakeholders and wants them to benefit from your Company's presence and this is set out in the Code of Conduct and values of your Company.

Over the years, Castrol India's Corporate Social Responsibility (CSR) activities have evolved from charitable giving to a strategic CSR programme, working in collaboration with key stakeholders. The CSR programme of your Company aligns business risks and opportunities with the national agenda of development priorities to meet the needs and aspirations of the populace.

Your Company aims to provide a safer and better quality of life for the communities it serves, whilst ensuring the long-term sustainability of the Company's operations in the relevant industries where it operates. In alignment with this vision the Company now focuses on two key flagship CSR programmes:

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

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

Corporate Social Responsibility committee of the Board has recommended and the Board has approved a Corporate Social Responsibility Policy in line with the requirements of Section 135 of the Act.

The Corporate Social Responsibility Policy is available on the website of the Company at http://www.castrol.com/en_in/india/about-us/csr.html.

The Annual Report on Corporate Social Responsibility activities is annexed to this report as **Annexure III**.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under sections 134(3) (c) and 134(5) of the Act, with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (a) in the preparation of the annual accounts for the year ended 31 December 2018, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;

- (b) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31 December 2018 and of the profit of your Company for the year ended on that date;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (d) the directors have prepared the annual accounts on a 'going concern' basis;
- (e) the directors have laid down internal financial controls to be followed by your Company and that such internal financial controls are adequate and are operating effectively; and
- (f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

13. RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Your Company has set up a Risk Management Committee. Your Company has also adopted a Risk Management Policy, the details of which are given in the Corporate Governance Report that forms part of this Annual Report.

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

an important element of your Company's internal control system. The internal control system is supplemented through an extensive internal audit programme and periodic review by management and Audit Committee.

Your Company has in place, adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

14. RELATED PARTY TRANSACTIONS

Your Company has adopted a Related Party Transactions Policy. The audit committee reviews this policy from time to time and also reviews and approves all related party transactions, to ensure that the same are in line with the provisions of applicable law and the Related Party Transactions Policy. The committee approves the related party transactions and wherever it is not possible to estimate the value, approves limit for the financial year, based on best estimates. All related party transactions are reviewed by an independent firm of chartered accountant to establish compliance with law and limits approved.

All related party transactions entered during the year were in the ordinary course of the business and on arms length pricing basis. No material related party transactions were entered into during the year by your Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Act, in Form AOC-2 is not applicable to your Company.

In conformity with the requirements of the Act, read with SEBI Listing Regulations, 2015, the policy to deal with related party transactions is also available on Company's website at https://www.castrol.com/content/dam/castrolcountry/en_in/About%20Us/Financials/related-party-transactions-policy-cil-2018-final-website.pdf.

15. DEPOSITS

Your Company has not accepted any fixed deposits under Chapter V of the Act during the financial year and as such, no amount on account

of principal or interest on deposits from public was outstanding as on 31 December 2018.

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

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

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

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

18. MATERIAL CHANGES OCCURRED AFTER END OF FINANCIAL YEAR

No material changes and commitments which could affect your Company's financial position have occurred between the end of the financial year of your Company and date of this report.

19. AUDITORS

STATUTORY AUDITOR

The statutory auditor of your Company, Deloitte Haskins & Sells LLP, Chartered Accountants, were appointed for a period of 5 (five) years at the Annual General Meeting held on 31 May 2017. The Companies (Amendment) Act, 2017 has waived the requirement for ratification of the appointment of statutory auditor by the shareholders at every Annual General Meeting. Hence, the approval of the members is not being sought for the re-appointment of the statutory auditor and in line with their resolution of appointment passed at the Annual General Meeting held on 31 May 2017, the statutory auditor will continue to hold office

till the conclusion of the 44th Annual General Meeting of the Company. The statutory auditor have confirmed their eligibility and submitted the certificate in writing that they are not disqualified to hold the office of the statutory auditor. The report given by the statutory auditor on the financial statements of the Company is part of the Annual Report. There is no qualification, reservation, adverse remark or disclaimer given by the statutory auditor in their report.

COST AUDITOR

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

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

SECRETARIAL AUDITOR

The Board had appointed S. N. Ananthasubramanian & Co., Company Secretaries in Whole-time Practice, to carry out Secretarial Audit under the provisions of Section 204 of the Act, for the Financial Year 2018. The Secretarial Auditor's report to the members does not contain any qualification, and is annexed to this report marked as **Annexure V**.

20. COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS

During the Financial Year, your Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

21. PARTICULARS OF EMPLOYEES

Disclosures with respect to the remuneration of Directors and employees as required under section 197 of the Act, and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed to this report as **Annexure VI**.

Details of employee remuneration as required under provisions of section 197 of the Act, and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report. As per the provisions of section 136 of the Act, the report and financial statements are being sent to the members of your Company and others entitled thereto, excluding the statement on particulars of employees. Copies of said statement are available at the registered office of the Company during the designated working hours from 21 days before the Annual General Meeting till date of the Annual General Meeting. Any member interested in obtaining such details may also write to the corporate secretarial department at the registered office of the Company.

22. PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

Your Company firmly believes in providing a safe, supportive and friendly workplace environment – a workplace where our values come to life through the supporting behaviors. Positive workplace environment and a great employee experience are integral part of our culture. Your Company believes in providing and ensuring a workplace free from discrimination and harassment based on gender.

Your Company educates its employees as to what may constitute sexual harassment and in the event of any occurrence of an incident constituting sexual harassment; Your Company has created the framework for individuals to seek recourse and redressal to instances of sexual harassment.

Your Company has a Sexual Harassment Prevention and Grievance Handling Policy in place to provide clarity around the process to raise such a grievance

and how the grievance will be investigated and resolved. An Internal Complaints Committee has been constituted in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year there was one complaint of sexual harassment that was reported which was reviewed by the Internal Committee. Pursuant to the review, disciplinary action was taken.

23. VIGIL MECHANISM

Your Company has a very strong whistle blower policy viz. 'Open Talk'. All employees of your Company also have access to the Chairman of the Audit Committee in case they wish to report any concern. Your Company has provided a dedicated e-mail address for reporting such concerns. All cases registered under Whistle Blower Policy of your Company are reported to and are subject to the review of the Audit Committee.

24. ANNUAL RETURN

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

25. GENERAL DISCLOSURES

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

1. Issue of Equity Shares with differential rights as to dividend, voting or otherwise
2. Issue of Equity Shares (including Sweat Equity Shares) to employees of your Company, under any scheme
3. Your Company has not resorted to any buy back of its Equity Shares during the year under review
4. Your Company does not have any subsidiaries. Hence, neither the Managing Director nor the Wholetime Directors of

your Company received any remuneration or commission during the year, from any of its subsidiaries

5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and your Company's operations in future.
6. No fraud has been reported by auditors under sub-section (12) of section 143.

26. AWARDS AND RECOGNITIONS

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

- IMC Ramkrishna Bajaj National Quality Awards 2018 in the Manufacturing category.
- Golden Peacock Innovation Management Award for the year 2018.
- Gold award at the Asia Pacific Smarties Awards under the category of 'Relationship Building' and a Silver at the Maddies Awards for Castrol CRB Mini-Truck mobile campaign.
- Golden Peacock Occupational Health & Safety Award 2018 for Patalganga plant.
- 'Overall Performance' Award from Maruti Suzuki India Limited in recognition of quality and customer excellence.
- Castrol India recognized as runners up in the classical category at The Mint Corporate Strategy Awards 2018.
- Castrol India's Patalganga plant was awarded as runners-up in Manufacturing Category (Large) at the 13th CII (WR) Safety, Health and Environment Excellence and Innovation Award 2018.
- Silvassa plant became the first lubricants plant in India to receive Ford Q1 certification recognizing its quality excellence.

- Ms. Rekha Pillai, Head - CSR won CSR Leader of 2018 at the Sabera Social and Business Enterprise Awards 2018.
- Ms. Rashmi Joshi, Chief Financial Officer & Wholetime Director was honoured as CFO of the year in Large Enterprise category at Financial Express CFO of the year Awards 2018.
- Castrol Turbomax Truck Aasana campaign for truck drivers was recognized with a silver and bronze prize at the coveted Effies Award.
- Silvassa Plant won the 17th Annual Greentech Safety Award 2018 for the fourth year in succession.
- Castrol Turbomax Truck Aasana campaign won the campaign of the year at ET Brand Equity Kaleido Awards 2019.

27. ACKNOWLEDGEMENT

The Board wishes to place on record its sincere appreciation of the efforts put in by your Company's employees for achieving encouraging results under difficult conditions. The Board also wishes to thank the members, distributors, vendors, customers, bankers, government and all other business associates for their support during the year.

On behalf of the Board of Directors

Omer Dormen
Managing Director
DIN: 07282001

Rashmi Joshi
Chief Financial Officer
& Wholetime Director
DIN: 06641898

Place : Mumbai
Date : 30 January 2019