Notes to the financial statements for the year ended 31 December 2020

1. Corporate information

Castrol India Limited (the 'Company') is a public limited Company incorporated in India with its registered office at Technopolis Knowledge Park, Mahakali Caves Road, Chakala, Andheri (East), Mumbai–400 093. The equity shares of the Company are listed on two recognised stock exchanges in India. The Company is principally engaged in the business of manufacturing & marketing of automotive and industrial lubricants and related services.

2. Significant accounting policies

2.1. Basis of preparation

Statement of Compliance with Indian Accounting Standards (Ind AS): The financial statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act and other accounting principles generally accepted in India.

2.2. Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

2.3. Critical accounting estimates

A. Useful lives and residual values of property, plant and equipment

Property, plant and equipment represent a material portion of the Company's asset base. The periodic charge of depreciation is derived after estimating useful life of an asset and expected residual value at the end of its useful life. The useful lives and residual values of assets are estimated by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on various external and internal factors including historical experience, relative efficiency and operating costs and change in technology.

B. Income taxes

The Company's tax jurisdiction is India. Significant judgments are involved in determining the provision for income taxes including amounts to be recovered or paid for uncertain tax positions. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

C. Defined benefit obligations

Defined benefit obligations are measured at fair value for financial reporting purposes. Fair value determined by actuary is based on actuarial assumptions. Management judgement is required to determine such actuarial assumptions. Such assumptions are reviewed annually using the best information available with the Management.

D. Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystalising or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

2.4. Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from January 1, 2021.

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

2.5. Applicability of new and revised Indian Accounting Standards

a. Ind AS 116, "Leases"

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Company has adopted Ind AS 116 "Leases" effective January 1, 2020 using the modified retrospective approach. Refer Note 2.6 (h).

b. Appendix C to Ind AS 12, "Uncertainty over Income Tax Treatments"

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of Appendix C did not have any material impact on the financial statements of the Company.

2.6. Summary of significant accounting policies

a. Current versus non-current classification

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

b. Revenue recognition

Revenue

Revenue from contracts with customers is recognised on transfer of control of promised goods or services to a customer at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for those goods or services.

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold, and services rendered is net of variable consideration on account of discounts offered by the Company as part of the contract. This variable consideration is estimated based on the expected value of outflow. Revenue (net of variable consideration) is recognised only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

Sale of products

Revenue from sale of products is recognized when the control on the goods have been transferred to the customer. The performance obligation in case of sale of product is satisfied at a point in time i.e., when the material is shipped to the customer or on delivery to the customer, as may be specified in the contract.

Income from services

Revenue from services is recognized over time by measuring progress towards satisfaction of performance obligation for the services rendered. The Company uses input method for measurement of revenue from services as it is directly linked to the expenses incurred by the Company.

Interest income

Interest income is recorded using the Effective Interest Rate (EIR) for debt instruments carried at amortised cost. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset.

c. Foreign currencies

Functional currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees (rounded off to crore).

Transactions and balances

Foreign currency transactions are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. All foreign currency monetary assets and monetary liabilities as at the Balance Sheet date are translated into the functional currency at the applicable exchange rates prevailing on that date. All exchange differences arising on translation, are recognised in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Gain or losses upon settlement of foreign currency transactions are recognized in the Statement of Profit and Loss for the period in which the transaction is settled.

d. Retirement and other employee benefits

Gratuity

The Company provides for gratuity, a defined benefit retirement plan (‘the Gratuity Plan’) covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

termination of employment, of an amount based on respective employee's salary and tenure of employment with the Company.

Liabilities with regard to Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using projected unit credit method. The Company fully contributes all ascertained liabilities to the Castrol India Limited Employees' Gratuity Fund Trust ('the Trust'). Trustees administer contributions made to the Trusts and contributions are invested in insurance and deposit schemes.

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability.

Gains and losses through remeasurements of the net defined benefit liability/(asset) are recognised in other comprehensive income. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments is recognised in net profit in Statement of Profit and Loss.

Superannuation

Certain employees of the Company are participants in a defined contribution plan. The Company has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Castrol India Limited Staff Pension Fund, the corpus of which is invested with the Life Insurance Corporation of India and Bajaj Allianz Life Insurance Co. Ltd.

Provident fund

Eligible employees of the Company receive benefits from a Provident fund, which is defined benefit plan. Both the eligible employees and the Company make monthly contributions to the provident fund equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Castrol India Limited Employees' Provident Fund Trust ('The PF trust'). The PF trust invests in specific designated instruments as permitted by Indian Law. The rate at which the annual interest is payable to the beneficiaries by the PF trust is being administrated by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the PF trust and the notified interest rate.

Compensated absences

The Company has a policy on compensated absences which is applicable to its executives joined upto a specified period and all workers. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the Balance Sheet date.

Termination benefits

Termination benefits, in the nature of voluntary retirement benefits or termination benefits arising from restructuring, are recognised in the Statement of Profit and Loss. The Company recognises termination benefits at the earlier of the following dates:

a) when the Company can no longer withdraw the offer of those benefits; or

b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

Share-based compensation

Share value plan

BP PLC ("Ultimate Holding Company") has a "Share Value Plan" whereby the specified employees of its subsidiaries are granted restricted share units of Ultimate Holding Company. Each restricted share unit represents a conditional

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

entitlement to receive one share of Ultimate Holding Company in future, provided that certain terms and conditions are met. The main terms and conditions are a) continuous employment with the BP group until the end of restricted period and b) achievement of certain performance targets by the employee and/or BP Group. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments on the date on which they are granted and is recognised as an expense over the restricted period. A corresponding credit is recognised within equity since the cost of such share value plan is borne by the Ultimate Holding Company.

Share match plan

The Ultimate Holding Company has a "Share Match Plan" whereby all executive employees of its subsidiaries have been given a right to purchase the shares of Ultimate Holding Company upto a specified amount. Every employee who opts for the scheme contributes by way of payroll deduction a specified amount towards purchase of share. The Company contributes equal amount and charges it to employee benefits expense.

Other employee benefits

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

Redundancy Expenses are fully charged to the Statement of Profit and Loss in the year in which they accrue.

e. Taxes

Income tax expense comprises current income tax and deferred income tax. Income tax expense is recognised in the Statement of Profit and Loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income or other equity as the case may be.

Current income tax

Current tax is the amount of tax payable based on the taxable profit for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961.

The current tax year for the Company being the year ending March 31, the provision for taxation for the year is aggregate of the provision made for the three months ended on March 31, 2020 and the provision for the remaining period of nine months ending on December 31, 2020. The provision for the remaining period of nine months has been arrived at by applying the applicable tax rate of the financial year 2020-21 to Profit Before Tax of the said period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price, including import duties and non-refundable purchase taxes (Net of taxes credit wherever applicable) and any attributable cost of bringing the assets to its working condition for its intended use. Such cost also includes the cost of replacing part of the Property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Depreciation on Property, plant and equipment is calculated on a straight-line basis, from the month of addition, using the estimated useful lives based on single shift, as specified in schedule II to the Companies Act, 2013, except in respect of the following assets:

Assets description	Useful life as per management (as technically assessed)	Useful life under schedule II
Residential and office buildings	5 years to 25 years	60 years
Plant and machinery	5 years to 21 years	15 years
Computers	4 years to 6 years	3 years
Equipment board with dealers	3 years	10 years
Furniture and fixtures	3 years to 10 years	10 years
Motor vehicles	4 years to 10 years	8 years
Laboratory equipment	5 years to 21 years	10 years

The residual values, useful lives and methods of depreciation of Property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life i.e. 4-5 years based on management assessment and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit and loss.

h. Leases

The Company has adopted Ind AS 116 “Leases” effective January 1, 2020 using the modified retrospective approach without restating the comparative period. Leases that were accounted for as operating leases in accordance with

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

Ind AS 17, are recognized at the present value of the remaining lease payments starting January 1, 2020 and discounted using the lessee's incremental borrowing rate as at the date of initial application.

The Company, at the inception of a contract, assesses whether a contract, is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company elected to use the transition practical expedient that allows the standard to be applied only to the contracts previously identified under Ind AS 17, "Leases" and the contracts assessed using the guidance available under Appendix – C to Ind AS 17, "Determining Whether an Arrangement Contains a Lease". Also, the Company has elected not to recognise right-of-use of assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured, with a corresponding adjustment to the ROU asset, upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments.

Lease liabilities and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

i. Inventories

Inventories consist of raw and packing materials, stock-in-trade and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of inventories is determined on weighted average basis. Cost of manufactured finished goods and work-in-progress includes material cost determined on weighted average basis and also includes an appropriate portion of allocable overheads. Cost of traded goods includes cost of purchase and other cost incurred in bringing the inventories to the present location and condition. Due allowances are made in respect of slow moving, non-moving and obsolete inventories based on estimate made by management.

j. Impairment of non-financial assets

The carrying amount of assets are reviewed for impairment at the end of each reporting date if there is any indication of impairment based on internal/external factor. An impairment loss is recognised in the statement of profit and loss wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's or cash generating unit's fair value less cost of disposal 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. In determining fair value, recent market transactions are taken into account.

The business plans which are approved on an annual basis by senior management are the primary source of information for the determination of value in use. As an initial step in the preparation of these plans, various assumptions regarding market conditions, and cost inflation rates are set by senior management. These assumptions take account of existing prices and other macro economic factors and historical trends and variability.

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

Impairment losses including impairment on inventories are recognised in the statement of profit and loss, except for previously revalued tangible assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognised in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment. Such reversal is recognised in the statement of profit and loss.

k. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

l. Financial instruments

a) Non-derivative financial instruments:

Initial recognition and measurement

All financial assets and liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognised using trade date accounting.

Subsequent measurement

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

b) Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of profit and loss immediately.

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

Derecognition of financial instruments

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVOCI, lease receivables, trade receivables, other contractual rights to receive cash or other financial asset not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. 12 months expected credit losses are portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the Company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the Company again measures the loss allowance based on 12 months expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and

Notes to the financial statements for the year ended 31 December 2020

2. Significant accounting policies (contd.)

considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward looking information.

m. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, as they are considered an integral part of the Company's cash management.

n. Earnings per share

Basic earnings 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 earnings 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.

o. Cash dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

p. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

Notes to the financial statements for the year ended 31 December 2020

3. Property, plant and equipment, Capital work-in-progress and Intangible assets

		As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
A.	**Carrying amounts**		
	Tangible Assets		
	Freehold Land	**3.92**	3.92
	Leasehold Land	**-**	0.28
	Building (Including Leasehold Improvements)	**38.33**	41.04
	Plant & equipment	**62.13**	62.63
	Laboratory Equipment	**12.25**	14.09
	Computer Hardware	**3.17**	4.84
	Furniture & Fixture	**49.10**	66.86
	Office Equipment	**3.55**	3.56
	Motor Vehicles	**0.13**	0.15
		172.58	**197.37**
	Intangible Assets		
	Computer Software	**1.75**	**2.33**
B.	**Capital work-in-progress**	**43.54**	**27.33**

Rupees in Crore

	Freehold Land	Leasehold Land	Building (Including Leasehold Improvements)	Plant & equipment	Laboratory Equipment	Computer Hardware	Furniture & Fixture	Office Equipment	Motor Vehicles	Computer Software	Total
Cost											
Balance at January 1, 2019	**3.92**	**0.29**	**49.86**	**118.42**	**17.77**	**7.27**	**92.59**	**6.70**	**0.22**	**9.57**	**306.61**
Additions	-	-	8.66	12.32	4.46	4.14	52.49	1.77	-	1.59	85.43
Disposals	-	-	0.02	3.79	1.86	1.86	16.76	0.43	-	-	24.72
Balance at December 31, 2019	**3.92**	**0.29**	**58.50**	**126.95**	**20.37**	**9.55**	**128.32**	**8.04**	**0.22**	**11.16**	**367.32**
Additions	-	-	1.48	17.29	0.36	0.12	22.89	1.30	-	0.45	43.89
Disposals	-	-	1.43	0.84	0.06	0.68	33.94	0.43	-	-	37.38
Reclassified on account of Adoption of Ind AS 116	-	0.29	-	-	-	-	-	-	-	-	0.29
Balance at December 31, 2020	**3.92**	**-**	**58.55**	**143.40**	**20.67**	**8.99**	**117.27**	**8.91**	**0.22**	**11.61**	**373.54**
Accumulated depreciation											
Balance at January 1, 2019	**-**	**0.01**	**13.62**	**47.12**	**4.98**	**4.82**	**37.79**	**3.85**	**0.05**	**7.93**	**120.17**
Depreciation expense	-	-	3.85	19.75	2.09	1.71	40.37	1.05	0.02	0.90	69.74
Eliminated on disposals	-	-	0.01	2.91	0.80	1.82	16.73	0.42	-	-	22.69
Balance at December 31, 2019	**-**	**0.01**	**17.46**	**63.96**	**6.27**	**4.71**	**61.43**	**4.48**	**0.07**	**8.83**	**167.22**
Depreciation expense	-	-	4.17	17.79	2.19	1.53	40.56	1.30	0.02	1.03	68.59
Eliminated on disposals	-	-	1.41	0.48	0.04	0.65	33.82	0.42	-	-	36.82
Reclassified on account of Adoption of Ind AS 116	-	0.01	-	-	-	-	-	-	-	-	0.01
Balance at December 31, 2020	**-**	**-**	**20.22**	**81.27**	**8.42**	**5.59**	**68.17**	**5.36**	**0.09**	**9.86**	**198.98**
Impairment Loss [refer Note a]											
Balance at January 1, 2019	**-**	**-**	**-**	**0.36**	**0.01**	**-**	**0.03**	**-**	**-**	**-**	**0.40**
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019	**-**	**-**	**-**	**0.36**	**0.01**	**-**	**0.03**	**-**	**-**	**-**	**0.40**
Additions	-	-	-	-	-	0.23	-	-	-	-	0.23
Disposals	-	-	-	0.36	0.01	-	0.03	-	-	-	0.40
Balance at December 31, 2020	**-**	**-**	**-**	**-**	**-**	**0.23**	**-**	**-**	**-**	**-**	**0.23**
Carrying amounts											
Balance at January 1, 2019	**3.92**	**0.28**	**36.24**	**70.94**	**12.78**	**2.45**	**54.77**	**2.85**	**0.17**	**1.64**	**186.04**
Additions	-	-	8.66	12.32	4.46	4.14	52.49	1.77	-	1.59	85.43
Depreciation / Impairment	-	-	3.85	19.75	2.09	1.71	40.37	1.05	0.02	0.90	69.74
Disposals (net)	-	-	0.01	0.88	1.06	0.04	0.03	0.01	-	-	2.03
Balance at December 31, 2019	**3.92**	**0.28**	**41.04**	**62.63**	**14.09**	**4.84**	**66.86**	**3.56**	**0.15**	**2.33**	**199.70**
Additions	-	-	1.48	17.29	0.36	0.12	22.89	1.30	-	0.45	43.89
Depreciation / Impairment	-	-	4.17	17.79	2.19	1.76	40.56	1.30	0.02	1.03	68.82
Disposals (net)	-	-	0.02	-	0.01	0.03	0.09	0.01	-	-	0.16
Reclassified on account of Adoption of Ind AS 116	-	0.28	-	-	-	-	-	-	-	-	0.28
Balance at December 31, 2020	**3.92**	**-**	**38.33**	**62.13**	**12.25**	**3.17**	**49.10**	**3.55**	**0.13**	**1.75**	**174.33**
Capital work in progress movement											
Balance at January 1, 2019											**35.04**
Addition during the year											77.72
Capitalised during the year											85.43
Balance at December 31, 2019											**27.33**
Addition during the year											60.10
Capitalised during the year											43.89
Balance at December 31, 2020											**43.54**

Notes :

(a) Impairment Loss is recognized in the statement of Profit and Loss under "Impairment on property, plant and equipment and other intangible assets".

Notes to the financial statements for the year ended 31 December 2020

4. Financial assets

(Unsecured, considered good, unless otherwise stated)

4.1 Loans receivable

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non-Current		
Loans receivable Considered good- Unsecured		
Loans to employees *	**0.52**	0.62
Security deposits #	**5.60**	8.35
	6.12	**8.97**
Current		
Loans receivable Considered good- Unsecured		
Loans to employees *	**0.45**	0.39
Security deposits #	**1.01**	0.25
	1.46	**0.64**

Security deposit are non interest bearing and recoverable at the termination of contract unless otherwise agreed

* Loans to employees include loan to key managerial personnel of Rs. Nil (December 31, 2019 : Rs. Nil).

4.2 Other financial assets

Financial assets carried at amortised cost

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non Current		
Advance to Customers - Rebate		
- Considered good	**-**	-
- Considered Doubtful	**4.12**	4.12
	4.12	**4.12**
Less : Allowance for doubtful advances	**4.12**	4.12
	-	**-**
Current		
Rebates receivable	**16.12**	14.09
Interest accrued on bank deposits	**14.40**	9.26
Derivative instruments at fair value through Profit or loss		
Derivatives not designated as hedges		
Foreign exchange forward contracts *	**0.32**	-
	30.84	**23.35**

* While the Company entered into forward contracts with the intention of reducing the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Notes to the financial statements for the year ended 31 December 2020

4.3 Trade receivables*# (Refer note 28)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Current		
Trade receivables Considered good - Secured ##	**54.61**	67.56
Unsecured		
Trade receivables Considered good - Unsecured	**125.88**	414.47
Trade receivables - Considered Doubtful	**11.84**	13.70
Less : Allowance for doubtful debts	**11.84**	13.70
	125.88	**414.47**
	180.49	**482.03**

Movement in the allowance of doubtful debts

Particulars	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Balance at the beginning of the year	**13.70**	10.26
Add: Allowance created during the year	**1.84**	7.21
Less: Reversal of allowance during the year	**(3.20)**	(3.74)
Less: Amount Written back during the year	**(0.50)**	(0.03)
Balance at end of the year	**11.84**	**13.70**

* Refer note no. 28 for related party receivables.

The average credit period ranges from 1 to 90 days. Interest is charged at 24% p.a. on the overdue balance.

Secured by deposits and bank guarantees from customers.

Notes to the financial statements for the year ended 31 December 2020

4.4 Cash and cash equivalents

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Balance with banks		
In current accounts	**19.00**	6.40
Deposits with original maturity of less than 3 months	**175.67**	60.15
Cheques on hand	-	0.60
Cash on hand	**0.01**	0.01
	194.68	**67.16**

4.5 Bank Balances other than above

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Deposits with original maturity for less than 12 months	**1,058.97**	859.99
Earmarked deposit with banks #	**5.18**	3.04
Unclaimed dividend account and capital reduction (Includes unclaimed amount of Rs. 1.22 Crore (December 31, 2019 : Rs. 1.23 Crore) pertaining to capital reduction in earlier years)	**15.36**	15.81
	1,079.51	**878.84**

Represents deposit placed for payment for acquisition of land

Break up of financial assets carried at amortised cost

Particulars	Note	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Loans	4.1	**7.58**	9.61
Trade receivables	4.3	**180.49**	482.03
Cash and cash equivalents	4.4	**194.68**	67.16
Other balances with banks	4.5	**1,079.51**	878.84
Other financial assets	4.2	**30.52**	23.35
		1,492.78	**1,460.99**

5. Income tax assets (net)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Advance Income tax / tax deducted at source (net of current tax provision)	**60.32**	30.09
	60.32	**30.09**

Notes to the financial statements for the year ended 31 December 2020

6. Deferred tax assets - (net)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Deferred tax assets (net)	**62.24**	58.50
	62.24	**58.50**

Movement in deferred tax assets balances

Rupees in Crore

	Net balance as at January 1, 2020	Recognised in profit and loss	Recognised in OCI	Net deferred tax asset/(liability) as at December 31, 2020
Deferred tax asset / (liabilities)				
Property, plant and equipment	22.95	7.73	-	30.68
43B disallowances	13.10	0.77	(1.24)	12.63
Inventory - obsolete	1.76	0.88	-	2.64
Allowance for doubtful debts	4.98	0.98	-	5.96
Other temporary differences	15.70	(5.38)	-	10.32
Deferred tax asset / (liabilities)	**58.50**	**4.98**	**(1.24)**	**62.24**

Movement in deferred tax balances

Rupees in Crore

	Net balance as at January 1, 2019	Recognised in profit and loss	Recognised in OCI	Net deferred tax asset/(liability) as at December 31, 2019
Deferred tax asset / (liabilities)				
Property, plant and equipment	20.08	2.87	-	22.95
43B disallowances	19.69	(8.03)	1.44	13.10
Inventory - obsolete	2.89	(1.13)	-	1.76
Allowance for doubtful debts	5.67	(0.69)	-	4.98
Other temporary differences	4.93	10.77	-	15.70
Deferred tax asset / (liabilities)	**53.27**	**3.79**	**1.44**	**58.50**

Income Tax

The major components of income tax expense

Particulars	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Profit and Loss:		
Current tax [net of reversal of earlier years - Rs. 4.60 Crore (December 31, 2019 : Rs. 19.40 Crore)]	**207.40**	323.33
Deferred tax	**(4.98)**	(3.79)
Total Income tax expense	**202.42**	**319.54**

Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate

Particulars	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Profit before Income tax expense	**785.36**	1,146.91
Tax at the Indian tax rate 25.17% (December 31, 2019 : 34.944% for January 1, 2019 to March 31, 2019 and 25.17% for April 1, 2019 to December 31, 2019)	**197.68**	317.43
Item giving rise to difference in tax		
Effect of non-deductible expenses	**9.18**	1.57
Effect of change in tax rate	**-**	19.94
Effect of tax adjustment of earlier years	**(4.61)**	(19.40)
Others	**0.17**	-
Income tax expense	**202.42**	319.54

Notes to the financial statements for the year ended 31 December 2020

7. Other assets

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non-Current		
Advance to Customers - Rebate		
- Considered good	**22.01**	12.76
- Doubtful	**0.03**	0.08
	22.04	**12.84**
Less : Allowance for doubtful advances	**0.03**	0.08
	22.01	**12.76**
Capital advances	**0.46**	12.84
Prepaid expenses	**0.77**	0.72
Provident fund surplus assets	**1.83**	1.04
Deposits / balance with statutory / government authorities		
- Considered good	**43.37**	41.37
- Doubtful	**6.86**	2.54
	75.30	**71.27**
Less: Allowance for doubtful deposits	**6.86**	2.54
	68.44	**68.73**
Current		
Advance to Customers - Rebate		
- Considered good	**14.29**	17.05
- Doubtful	**0.45**	0.40
	14.74	**17.45**
Less : Allowance for doubtful advances	**0.45**	0.40
	14.29	**17.05**
Prepaid expenses	**2.58**	2.08
Advance to supplier	**8.50**	10.11
Other receivables		
Considered good	**3.59**	4.64
Considered doubtful	**0.37**	0.37
	3.96	**5.01**
Less: Allowance for doubtful receivables	**0.37**	0.37
	3.59	**4.64**
Deposits / balance with statutory / government authorities	**60.82**	44.84
	89.78	**78.72**

8. Inventories (lower of cost and net realizable value)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Raw materials (including stock in transit Rs. 46.59 Crore (December 31, 2019 : Rs. 11.25 Crore)	**185.93**	149.34
Packing materials	**6.65**	5.22
Finished goods	**136.20**	101.87
Traded goods (including stock in transit Rs. 6.32 Crore (December 31, 2019 : Rs. 4.87 Crore)	**38.09**	48.29
	366.87	**304.72**

Note:

The cost of inventories recognised in December 31, 2020 includes Rs. 3.50 Crore in respect of write down of inventories to net realisable value (December 31, 2019 : Rs. 1.28 Crore in respect of reversal of write down of inventories)

Notes to the financial statements for the year ended 31 December 2020

9. Equity share capital

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Authorized		
990,000,000 equity shares of Rs. 5/- each (December 31, 2019 : 990,000,000 equity shares of Rs. 5/- each)	**495.00**	495.00
	495.00	**495.00**
Issued, subscribed and fully paid-up		
989,122,384 equity shares of Rs. 5/- each (December 31, 2019 : 989,122,384 equity shares of Rs. 5/- each)	**494.56**	494.56
	494.56	**494.56**

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the year

Equity shares

	As at December 31, 2020		As at December 31, 2019	
	No. of Shares	Rupees in Crore	No. of Shares	Rupees in Crore
At the beginning of the year	**989,122,384**	**494.56**	989,122,384	494.56
Outstanding at the end of the year	989,122,384	494.56	**989,122,384**	**494.56**

b. Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 5/- per share (December 31, 2019 : Rs. 5/- per share). Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approvals of the shareholders in the ensuing Annual General Meeting (AGM). The Company declares and pays dividend in Indian Rupees.

Dividend on Equity Shares	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Dividend on Equity Shares paid during the year		
Final Dividend Rs. Nil per share for the year December 31, 2019 (December 31, 2018 : Rs. 2.75 per share)	-	272.01
Dividend Distribution Tax on Final Dividend	-	55.91
Interim Dividend Rs. 2.50 per share for the year December 31, 2020 (December 31, 2019 : Rs. 2.50 per share)	**247.28**	247.28
Dividend Distribution Tax on Interim Dividend	-	50.83
2nd Interim Dividend Rs. 3.00 per share for the year December 31, 2019 (December 31, 2018 : Rs. 0.00 per share)	**296.73**	-
Proposed Dividend on Equity Shares		
Final Dividend Rs. 3.00 per share for year December 31, 2020 (December 31, 2019 : Rs. Nil per share)	**296.73**	-

Notes to the financial statements for the year ended 31 December 2020

9. Equity share capital (Contd.)

The Board of Directors of the Company has at its meeting held on February 1, 2021 recommended a final dividend of Rs. 3.00 per share for year ended December 31, 2020 (December 31, 2019 : Rs. Nil per share).

The Board of Directors of the Company had at its meeting held on January 31, 2020 recommended a final dividend of Rs. 3.00 per share for year ended December 31, 2019. Subsequently, the board of directors, vide its meeting held on June 17, 2020, revoked the aforesaid dividend due to delay in holding the 42nd Annual General Meeting (AGM) owing to spread of coronavirus (Covid-19) pandemic and nation-wide lockdown and declared a second interim dividend of Rs. 3/- per equity share for the financial year ended December 31, 2019, which is at the same rate as the Final Dividend for the financial year ended December 31, 2019.

In the event of the Company being liquidated, since the equity shares of the Company are fully paid - up, there would be no additional liability on the shareholders of the Company. However, post settlement of the liabilities of the Company, the surplus, if any, would be distributed amongst the shareholders in proportion to the number of shares held by each one of them.

c. Equity shares in the Company held by its holding/ultimate holding company and/or their subsidiaries/ associates are as below:

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Castrol Limited, U.K. 504,452,416 equity shares of Rs. 5/- each fully paid (Holding Company) [December 31, 2019 : 504,452,416 equity shares of Rs. 5/- each fully paid (Holding Company)]	**252.22**	252.22

d. Aggregate number of bonus shares issued, for consideration other than cash during the period of five years immediately preceding the balance sheet date:

	As at December 31, 2020 No. of Shares	As at December 31, 2019 No. of Shares
Equity shares allotted as fully paid bonus shares by capitalisation of general reserve and retained earnings		
The Company had issued and allotted bonus equity shares of Rs.5/- each, on December 26, 2017	**494,561,192**	494,561,192
	494,561,192	**494,561,192**

e. Details of shareholders holding more than 5% shares in the company are as below:

	As at December 31, 2020		As at December 31, 2019	
	No. of Shares	% Holding in the class	No. of Shares	% Holding in the class
Equity shares of Rs. 5/- each fully paid up (December 31, 2019 : Rs. 5/- each)				
Castrol Limited, U.K.	**504,452,416**	**51.00%**	504,452,416	51.00%
Life Insurance Corporation of India	**104,581,312**	**10.57%**	102,041,977	10.32%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Notes to the financial statements for the year ended 31 December 2020

10. Other Equity **

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Share based payment ##	**23.75**	19.07
Capital Reserve #	**13.62**	13.62
Retained Earnings @	**882.30**	839.70
	919.67	**872.39**

Share value plan of Ultimate Holding Company (refer note 2.6(d) of significant accounting policies

Capital Reserve mainly represents amount transferred on amalgamation with erstwhile Tata BP Lubricants

** For movement, refer Statement of Changes in Equity

@ Retained earnings represents profit that a Company has earned to date, less any dividends or other distributions paid to the investor.

11. Financial Liabilities

11.1 Trade payables # (Refer note 28)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Current		
Total outstanding dues of micro enterprises and small enterprises (Refer note 26)	**4.62**	6.30
Total outstanding dues of creditors other than micro enterprises and small enterprises	**540.91**	465.49
	545.53	**471.79**

Trade payables are non-interest bearing and are normally settled between 7 to 90 days credit terms

Notes to the financial statements for the year ended 31 December 2020

11.2 Other financial liabilities

Financial liabilities at amortised cost

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non Current		
Lease Liabilities	**6.22**	-
	6.22	**-**
Current		
Deposit from customers #	**23.25**	18.86
Employee benefits payable	**35.38**	30.29
Capex payables	**45.01**	21.05
Interest accrued and due on deposit from customers	**0.65**	0.56
Rebate payables	**172.42**	150.99
Corporate social responsibility	**2.15**	3.42
Unclaimed dividend account and capital reduction [Includes unclaimed amount of Rs. 1.22 Crore (December 31, 2019 : Rs. 1.23 Crore) pertaining to capital reduction in earlier years]	**15.36**	15.81
Lease Liabilities	**11.22**	-
Derivative instruments at fair value through Profit or loss		
Derivatives not designated as hedges	**-**	-
Foreign exchange forward contracts*	**-**	0.21
	305.44	**241.19**

* While the Company entered into forward contracts with the intention of reducing the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

\# Deposit from customers are interest bearing and repayable on termination of agreement unless otherwise agreed

@ The Company has transferred the amounts required to be transferred to the Investor Education and Protection Fund within due date in accordance with MCA Circular No.16/2020 dated 13 April 2020 and Circular No. 35/2020 dated 29 September 2020. The company has not transferred an amount of Rs.0.10 Crore, accumulated over the years as dividends held in abeyance, for cases where disputes relating to ownership of the underlying shares have remained unresolved. There are no other amounts due for payment to the IEPF under Section 125 of the Companies Act, 2013 as at the year end.

12. Provisions

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non Current		
Provision for employee benefit (Refer note 27)	**18.84**	21.39
	18.84	**21.39**
Current		
Provision for employee benefit (Refer note 27)	**0.40**	0.62
Provision for indirect taxes (Refer note (a) and (c) below)	**33.51**	26.09
Provision for litigations (Refer note (b) and (c) below)	**1.61**	1.61
	35.52	**28.32**

Notes to the financial statements for the year ended 31 December 2020

12. Provisions (Contd.)

(a) Movement in Provision for Indirect Taxes:

	As at December 31, 2020 Rupees in Crore	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore	As at December 31, 2019 Rupees in Crore
	Excise, Customs and Service tax	Sales Tax, VAT and GST	Excise, Customs and Service tax	Sales Tax and VAT
Balance as at January 1	**7.33**	**18.76**	5.99	22.17
Addition during the year	**1.92**	**13.11**	2.72	1.00
Reversed / Paid during the year	**2.71**	**4.90**	1.38	4.41
Balance as at December 31	**6.54**	**26.97**	**7.33**	**18.76**
Total		**33.51**		**26.09**

(b) There has been no movement in provisions for litigations during the year.

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

13. Current tax liabilities (net)

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Provision for tax (net of advance tax and tax deducted at source)	**15.90**	17.42
	15.90	**17.42**

14. Other liabilities

	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Non Current		
Advance Rebate from Supplier	**7.58**	-
	7.58	**-**
Current		
Statutory dues	**22.80**	72.99
Advance from customers	**6.74**	8.73
Deferred revenue	**14.70**	-
	44.24	**81.72**

Notes to the financial statements for the year ended 31 December 2020

15. Revenue from operations

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Revenue from operations		
Sale of products ([net of rebates Rs. 347.55 Crore] December 31, 2019 : Rs. 396.03 Crore)	**2,982.16**	3,858.89
Other operating revenue		
Income from services	**9.49**	12.13
Scrap sale	**5.27**	5.80
Revenue from operations	**2,996.92**	**3,876.82**

In case of sale of goods, the Company satisfies its performance obligation upon delivery, which is based on the terms agreed with the customer, and for the sale of services, the performance obligation is satisfied as and when the services are rendered. The Company does not have any remaining performance obligations as contracts entered for sale of goods are for shorter duration. There are no contract for sale of services wherein, performance obligation is unsatisfied to which transaction price has been allocated. The Company disaggregated revenues from contracts with customers by geography. Refer Note 24 below.

16. Other income

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Interest income on financial assets carried at amortized cost		
From bank deposits	**46.64**	48.72
Others	**0.34**	1.22
Excess accruals written back	**2.09**	2.70
Exchange Gain (net)	**2.40**	-
Allowance for doubtful debts written back (net)	**1.36**	-
Profit on fair valuation of forward contract	**0.76**	0.92
Net gain on termination of lease contracts	**0.10**	-
Miscellaneous income *	**8.34**	11.21
	62.03	**64.77**

* Includes service rendered to related parties of Rs. 6.73 Crore (December 31, 2019 : Rs. 6.33 Crore)

17.1 Cost of raw and packing materials consumed

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Raw materials and packing materials consumed		
Inventory at the beginning of the year	**154.56**	230.90
Add : Purchases during the year	**1,211.99**	1,411.93
	1,366.55	1,642.83
Less : Inventory at the end of the year	**192.58**	154.56
	1,173.97	**1,488.27**

Notes to the financial statements for the year ended 31 December 2020

17.2 Purchase of traded goods

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Purchase of traded goods	**116.50**	183.65
	116.50	**183.65**

17.3 (Increase) / decrease in inventories of finished / traded goods

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Inventories at the end of the year		
Traded goods	**38.09**	48.29
Finished goods	**136.20**	101.87
	174.29	**150.16**
Inventories at the beginning of the year		
Traded goods	**48.29**	72.93
Finished goods	**101.87**	152.96
	150.16	**225.89**
Net (Increase) / decrease in inventories of finished / traded goods	**(24.13)**	**75.73**

18. Employee benefits expense

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Salaries and wages	**167.43**	181.12
Share based payments	**6.08**	5.56
Contribution to provident and other funds	**17.87**	15.43
Staff welfare expenses	**8.68**	10.67
Redundancy cost	**#19.75**	0.30
	219.81	**213.08**

include one time cost of Rs. 19.50 crore towards Organisation Transformation and Restructuring Programme implemented during the year.

19. Finance costs

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Interest on financial liabilities carried at amortized cost	**1.29**	1.19
Interest on income tax	**0.43**	-
Interest on lease liabilities	**2.44**	-
	4.16	**1.19**

20. Depreciation and amortisation expense

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Depreciation of property plant and equipment (refer note 3)	**67.56**	68.84
Depreciation of Right-of-use asset	**18.02**	-
Amortization of intangible assets (refer note 3)	**1.04**	0.90
	86.62	**69.74**

Notes to the financial statements for the year ended 31 December 2020

21. Other expenses

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Rent	**0.56**	19.87
Rates and taxes	**0.92**	2.45
Power and fuel	**5.11**	6.39
Stores and consumables	**1.81**	1.70
Freight and forwarding charges	**109.20**	132.21
Insurance	**4.08**	3.95
Repairs and maintenance		
Land and buildings	**4.32**	5.83
Plant and equipment	**5.86**	6.93
Others	**19.05**	18.95
Allowance for doubtful debts (net)	**-**	3.47
Processing and filling charges	**14.53**	14.61
Advertising	**132.97**	113.88
Stock point operating charges	**38.39**	41.58
Loss on disposal/write off of Property, plant and equipment and Intangible assets (net)	**0.15**	0.63
Impairment on property, plant and equipment and intangible assets	**0.23**	-
Director sitting fees	**0.35**	0.27
Commission to resident non-whole time Indian directors	**0.68**	0.68
Royalty	**79.27**	112.28
Sales promotion fees	**172.24**	159.73
Travelling expenses	**4.62**	17.22
Legal, professional fees and contract charges	**56.87**	51.77
Payment to auditors [Refer note (i) below]	**1.55**	1.67
Exchange loss (net)	**-**	4.24
Corporate social responsibility [Refer note (ii) below]	**25.37**	22.72
Miscellaneous expenses	**18.53**	19.99
	696.66	**763.02**

			For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Note				
(i)	**Payment to auditor (excluding taxes)**			
	As auditor:			
		Audit fee	**1.00**	1.17
		Tax accounts and tax audit fees	**0.25**	0.25
		Limited review	**0.18**	0.18
	In other capacity:			
		Certification fees	**0.01**	0.03
		Reimbursement of expenses	**0.11**	0.04
			1.55	**1.67**
(ii)	**Corporate social responsibility activities**			
	a)	Amount required to be spent by the Company during the year.	**22.60**	21.68
	b)	Amount spent during the year (on purpose other than construction / acquisition of assets controlled by the company)	**25.37#***	22.72#*
	#	The above expenditure includes contribution to funds, expenses incurred through registered trusts / registered society or company established under section 8 of the Companies Act, 2013 and direct expenses by the company.		
	*	Amount outstanding as at year end (including previous year)	**2.15**	3.42

Notes to the financial statements for the year ended 31 December 2020

22. Earnings per share (EPS)

	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Profit for the year	**582.94**	827.37
	No. of Shares	No. of Shares
Weighted average number of equity shares in calculating Basic and Diluted EPS	**989,122,384**	989,122,384
Basic and Diluted earnings per share (Rs.)	**5.89**	8.36
Nominal value per share (Rs.)	**5.00**	5.00

23. Leases

Right-of-use assets

Rupees in Crore

Particulars	Land	Buildings	Vehicles	Total
Balance at January 1, 2020	-	-	-	-
Add: Reclassified on account of Adoption of Ind AS 116	0.28	-	-	0.28
Additions	19.81	31.98	6.69	58.48
Less: Deletions	-	5.58	0.29	5.87
Less: Depreciation	1.00	11.89	5.13	18.02
Balance at December 31, 2020	**19.09**	**14.52**	**1.27**	**34.88**

Lease Liabilities

Rupees in Crore

Particulars	Land	Buildings	Vehicles	Total
Balance at January 1, 2020	-	-	-	-
Additions	1.41	32.01	6.69	40.11
Add: Finance costs	0.13	1.97	0.34	2.44
Less: Deletions	-	5.68	0.31	5.99
Less: Payments	0.77	12.95	5.40	19.12
Balance at December 31, 2020	**0.77**	**15.35**	**1.32**	**17.44**

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis as at December 31, 2020:

Particulars	Rupees in Crore
Less than one year	12.28
Between one and five years	6.40

Expenses relating to short-term leases and low-value assets for the year ended December 31, 2020 are Rs. 0.07 crore and Rs. 0.08 crore respectively

The weighted average rate of discount applied to lease liabilities as at January 1, 2020 is 8.25%. The lease liabilities as at January 1, 2020 can be reconciled to the operating lease commitments as of December 31, 2019 as follows:

	Rupees in Crore
Operating Lease Commitments as at December 31, 2019	44.42
Less: Impact of discounting on operating lease liability	(4.43)
Less: Low value leases not recognised as a liability	(0.01)
Lease liabilities recognised as at January 1, 2020	39.98

Notes to the financial statements for the year ended 31 December 2020

Year ended December 31, 2019

Operating lease: Company as lessee

Office premises and motor cars are obtained on operating lease. The lease terms range from one year to four years and are renewable at the option of the Company. These lease rentals are recognized under "Rent".

	As at December 31, 2019 Rupees in Crore
Charged to Statement of Profit and Loss	19.08
Future minimum rentals payable under non-cancellable operating leases are as follows:	
Within one year	19.30
After one year but not more than five years	25.12
More than five years	-
	44.42

24. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

The Company has integrated its organization structure with respect to its automotive and non-automotive business considering that the synergies, risks and returns associated with business operations are not predominantly distinct. The company has aligned its internal financial reporting system in line with the new organization structure. As a result the Company's reportable business segment consists of a single segment of "Lubricants" in terms of Ind AS 108. The Managing Director (Chief Operating Decision Maker) is accountable for leading the growth agenda for an integrated Automotive and Industrial business.

Information by Geographies	**For the year ended December 31, 2020 Rupees in Crore**	**For the year ended December 31, 2019 Rupees in Crore**
Revenue		
India	**2,989.89**	3,862.85
Outside India	**7.03**	13.97
	2,996.92	**3,876.82**
Capital expenditure (including capital work-in-progress)		
India	**60.10**	77.72
Outside India	**-**	-
	60.10	**77.72**

	As at December 31, 2020 Rupees in Crore	**As at December 31, 2019 Rupees in Crore**
Non-current assets		
India	**319.36**	292.48
Outside India	**-**	2.24
	319.36	**294.72**

There are no transactions with single customer which amounts to 10% or more of the Company's revenue for year ended December 31, 2020 and December 31, 2019.

Notes to the financial statements for the year ended 31 December 2020

25. (i) Contingent liabilities & commitments

			As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
(a)	**Contingent liabilities**			
(1)	Demands made by the authorities, in respect of which appeals have been filed [Refer note (i) below]			
	Sales tax		**37.81**	38.74
	Service tax		**-**	0.09
(2)	Claims against the Company not acknowledged as debts estimated at:			
	- In respect of compensation claimed by third parties / workers / employees		**3.59**	3.57
		(A)	**41.40**	**42.40**
(b)	**Commitments**			
(1)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		**25.47**	25.34
		(B)	**25.47**	25.34
		Total (A + B)	**66.87**	**67.74**

Notes: (i) The management does not expect these demands / claims to succeed. Claims, where the possibility of outflow of resources embodying economic benefits is remote, have not been considered in contingent liability.

25. (ii) The Company has received following demand orders from Maharashtra Sales Tax Department for disputes relating to the movement of goods from the Plant/ MWHs situated in Maharashtra to the CFAs for sale of goods made by the company in the states other than Maharashtra, where applicable taxes have been paid as per the provisions of law. The department alleged that the movement of goods was to fulfil pre-existing orders in the destination States, and were therefore in the nature of inter-State sales. The Company contends that the movement of goods from Maharashtra was not pursuant to any contract /order from customers in other States hence the understanding of operations/systems recorded in the assessment orders are not factually correct. The Company's tax payment methodology in respect of the goods sold is adequately supported by robust legal grounds/precedents and in Company's opinion the said demands are unjustified. Thus considering the favorable orders from MVAT Tribunal and based on the legal advice the Company has not made any provision in the books for the year ended 31st December 2020 and considered this to be remote.

Financial Year	Demand (including interest) Rupees in Crore	Status
2007-08	306.71	The company had received the favourable orders from Maharashtra Sales Tax Tribunal (MSTT) against which department had filed the appeal in Central Sales Tax Appellate Authority, Delhi (CSTAA). Hearing date awaited from CSTAA.
2009-10	255.50	
2010-11	263.63	
2011-12	474.60	
2012-13	578.05	
2013-14	485.22	
2014-15	528.34	
2015-16	510.69	Company have filed the appeal in Maharashtra Sales Tax Tribunal (MSTT) against the adverse order received from the Maharashtra Sales Tax Department.Hearing date awaited from MSTT
Total	**3,402.74**	

Note : It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings as it is determinable only on receipt of judgements/decisions pending with various forums/ authorities.

Notes to the financial statements for the year ended 31 December 2020

26. Details of dues to micro enterprises and small enterprises as defined under The Micro, Small and Medium Enterprises Development (MSMED) Act 2006*

		As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
a.	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
	- Principal amount due to micro and small enterprises	**4.58**	6.30
	- Interest due on above	**0.04**	0.00
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro and Small Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	**-**	-
c.	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 and Small Enterprise Development Act, 2006.	**-**	-
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year;	**0.04**	0.00
e.	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 Micro and Small Enterprise Development Act, 2006.	**-**	-

* The company has initiated the process of identification of suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006, by obtaining confirmations from all suppliers. Information has been collated only to the extent of information received.

'0.00' represents amount less than Re. 0.01 crore.

27 Employee Benefits

I) Defined Contribution Plan

Contribution to Provident and Other Funds' in Note 18 includes Rs. 1 Crore (December 31, 2019: Rs. 1.1 Crore) for ESIC and Labour Welfare Fund. Note 21 includes Insurance Rs. 2.1 Crore (December 31, 2019: Rs. 2.2 Crore) for Medical Insurance benefits and post retiral medical benefit scheme. Salaries, wages and bonus in Note 18 includes Rs. 1.4 Crore for share match (December 31, 2019: Rs. 1.3 Crore).

II) Defined Benefit Plan

A) General Description of Defined Benefit Plan

i) 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, retirement or death, whichever is earlier. The benefit vests after five years of continuous service.

The Company has a defined benefit gratuity plan in India (funded).The Company defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.

Notes to the financial statements for the year ended 31 December 2020

27 Employee Benefits (Contd.)

`The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

ii) Provident Fund

The Provident Fund (administered by a trust) is a defined benefit scheme whereby the Company deposits amounts determined as a fixed percentage of basic pay to the fund every month. The actuary has provided a valuation and determined the fund assets and obligations as at December 31, 2020. Further, it has been determined that the yield on the investments of the trust is adequate to meet the obligation towards the payment of the interest rate notified by the government.

iii) 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.

iv) Compensated absences

The Company has a policy on compensated absences which is applicable to its executives joined upto a specified period and all workers. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date.

B) The plans in India typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to the financial statements for the year ended 31 December 2020

27 Employee Benefits (Contd.)

C) Amounts recognized in financial statements respect of these defined benefit plans are as follows:

i) The following tables set out the funded status of the gratuity, pension, compensated absences and provident fund plans and the amounts recognized in the Company's financial statements as at December 31, 2020 and December 31, 2019:

Rupees in Crore

Particulars	As at December 31, 2020				As at December 31, 2019			
	Gratuity (Funded)	Pension Benefit (Non-funded)	Compensated absences (Non-funded)	Provident Fund (Funded)	Gratuity (Funded)	Pension Benefit (Non-funded)	Compensated absences (Non-funded)	Provident Fund (Funded)
Change in the present value of the defined benefit obligation and fair value of plan assets:								
Obligation at period beginning	**58.58**	**1.49**	**1.56**	**189.28**	**50.91**	**1.43**	**1.47**	**167.32**
Current service cost	4.42	0.10	0.20	7.66	3.85	0.06	0.31	7.20
Past service cost	-	-	-		-	-	-	-
Interest cost	3.53	-	-	16.41	3.42	-	-	14.49
Actuarial (gain) / loss due to change in assumptions	(3.08)	-	-	-	2.50	-	-	-
Experience (gain) / loss on plan liability	(2.00)	-	-	1.95	2.84	-	-	3.24
Benefits paid and transfer out	(3.66)	-	(0.28)	(18.56)	(6.52)	-	(0.21)	(20.64)
Contributions by employee	-	-	-	11.25		-	-	10.55
Transfer in	(0.58)	-	-	7.25	1.58	-	-	7.12
Obligation at period end	**57.21**	**1.59**	**1.48**	**215.24**	**58.58**	**1.49**	**1.56**	**189.28**
Change in plan assets								
Plan assets at period beginning, at fair value	**39.61**	**-**	**-**	**190.32**	**37.54**	**-**	**-**	**169.06**
Expected return on plan assets	2.58	-	-	16.50	2.76	-	-	14.66
Experience (gain) / loss on plan assets	(0.87)	-	-	2.65	0.47	-	-	2.37
Asset gain / (loss)	(0.58)	-	-	-	1.58	-	-	-
Contributions by employer	3.95	-	-	7.66	3.78	-	-	7.20
Contributions by employee	-	-	-	11.25	-	-	-	10.55
Benefits paid	(3.66)	-	-	(18.56)	(6.52)	-	-	(20.64)
Transfer in	-	-	-	7.25		-	-	7.12
Plan assets at period end, at fair value	**41.03**	**-**	**-**	**217.07**	**39.61**	**-**	**-**	**190.32**
Change in the present value of the defined benefit obligation and fair value of plan assets:								
Fair value of plan assets at the end of the period	41.03	-	-	217.07	39.61	-	-	190.32
Present value of the defined benefit obligation at the end of the period	(57.21)	(1.59)	(1.48)	(215.24)	(58.58)	(1.49)	(1.56)	(189.28)
Asset / (liability) recognized in the Balance Sheet	**(16.18)**	**(1.59)**	**(1.48)**	**1.83**	**(18.97)**	**(1.49)**	**(1.56)**	**1.04**

Notes to the financial statements for the year ended 31 December 2020

27 Employee Benefits (Contd.)

ii) Amount for the year ended December 31, 2020 and December 31, 2019 recognised in the statement of Profit and Loss/capitalised (including amount recovered from group Companies) under employee benefit expenses.

Rupees in Crore

Particulars	For the year ended December 31, 2020				For the year ended December 31, 2019			
	Gratuity	Pension Benefit	Compensated absences	Provident Fund	Gratuity	Pension Benefit	Compensated absences	Provident Fund
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)
Current service cost	4.42	0.10	0.20	7.66	3.85	0.06	0.31	7.20
Past service cost	-	-	-	-	-	-	-	-
Net interest cost	0.95	-	-	16.41	0.66	-	-	14.49
Interest income	-	-	-	(16.50)	-	-	-	(14.66)
(Gains) / losses - other long term benefits								
Total cost recognised in Profit and Loss	**5.37**	**0.10**	**0.20**	**7.57**	**4.51**	**0.06**	**0.31**	**7.03**

iii) Amount for the year ended December 31, 2020 and December 31, 2019 recognized in the statement of other comprehensive income:

Rupees in Crore

Particulars	As at December 31, 2020				As at December 31, 2019			
	Gratuity	Pension Benefit	Compensated absences	Provident Fund	Gratuity	Pension Benefit	Compensated absences	Provident Fund
	(Funded)	(Non-funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Non-funded)	(Funded)
Actuarial (Gain) / Loss due to Demographic Assumption changes in DBO	0.04	-	-	-	(0.14)	-	-	-
Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	(3.12)	-	-	-	2.64	-	-	3.24
Actuarial (Gain) / Loss due to Experience on DBO	(2.00)	-	-	1.95	2.84	-	-	-
Return on Plan Assets (Greater) / Less than Discount rate	0.87	-	-	(2.65)	(0.47)	-	-	(2.37)
Total Actuarial (Gain)/Loss included in OCI	**(4.21)**	**-**	**-**	**(0.70)**	**4.87**	**-**	**-**	**0.87**

Notes to the financial statements for the year ended 31 December 2020

27 Employee Benefits (Contd.)

D) Major Categories of Plan assets are as follows:

Provident fund Rupees in Crore

	As at December 31, 2020	As at December 31, 2019
The composition of plan assets		
Special Deposit	**17.32**	17.32
Investment in Government and Debt Securities	**172.61**	153.40
Investment in Mutual Funds	**7.23**	5.03
Bank Balance	**10.65**	6.92
Other receivables	**9.26**	7.65
Total	**217.07**	**190.32**

Gratuity Rupees in Crore

	As at December 31, 2020	As at December 31, 2019
The composition of plan assets		
Special Deposits	**0.76**	0.76
Deposit with insurance schemes	**34.76**	36.50
Bank Balance	**4.15**	0.83
Others - Receivables / (Payables)	**1.36**	1.52
Total	**41.03**	**39.61**

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The fair values of the above investments are determined based on prices in active markets. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of equity instruments, property and debt instruments. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

E) The significant assumptions used to determine benefit obligations as at December 31, 2020 and December 31, 2019 are set out below:

Particulars	As at December 31, 2020			As at December 31, 2019		
	Gratuity	Compensated absences	Provident Fund	Gratuity	Compensated absences	Provident Fund
	(Funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Funded)
Discount rate	5.27%	5.27%	5.27%	6.52%	6.52%	6.52%
Rate of increase in compensation level	Executives - 10.00% Workers - 4%	10.00%	Executives - 10.00% Workers - 4%	Executives - 12.75% Workers - 4%	12.75%	Executives - 12.75% Workers - 4%
Interest Rate Guarantee	-	-	8.50%	-	-	8.65%

Notes to the financial statements for the year ended 31 December 2020

27 Employee Benefits (Contd.)

F) Sensitivity Analysis:

Rupees in Crore

Particulars	As at December 31, 2020			As at December 31, 2019		
	Gratuity	Compensated absences	Provident Fund	Gratuity	Compensated absences	Provident Fund
	(Funded)	(Non-funded)	(Funded)	(Funded)	(Non-funded)	(Funded)
Discount per annum						
a) Increase by 100 basis points	54.13	1.40	208.61	55.55	1.49	185.99
b) Decrease by 100 basis points	60.62	1.57	224.47	61.92	1.65	195.42
Rate of increase in compensation						
a) Increase by 100 basis points	60.16	1.57		61.47	1.64	
b) Decrease by 100 basis points	54.41	1.40		55.84	1.49	
Interest Rate Guarantee						
a) Increase by 100 basis points	-	-	223.92	-	-	195.14
b) Decrease by 100 basis points	-	-	208.73	-	-	186.00

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognized in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

The expected contribution payable for next year is as under:

Gratuity plan: Rs. 4.52 Crore (December 31, 2019: Rs 8.85 Crore)

Provident fund: Rs. 8.12 Crore (December 31, 2019: Rs. 7.78 Crore)

G) Maturity profile of defined benefit obligation is as follows:

Rupees in Crore

Particulars	As at December 31, 2020		As at December 31, 2019	
	Gratuity	Provident Fund	Gratuity	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
Year 1	9.86	24.55	8.85	21.56
Year 2	6.48	32.25	6.77	28.32
Year 3	6.53	30.74	6.64	27.00
Year 4	6.21	28.09	7.38	24.67
Year 5	6.57	19.45	6.03	17.09
Year 6 - 10	21.56	80.16	22.91	70.64

Notes to the financial statements for the year ended 31 December 2020

28. Related party disclosures as required under Ind AS - 24, "Related Party Disclosures", are given below:

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

a)	Holding companies	Castrol Limited, U.K. (Holding Company of Castrol India Limited) Burmah Castrol PLC (Holding Company of Castrol Limited, U.K.) BP PLC (Holding Company of Burmah Castrol PLC), Ultimate Holding Company

B. Name of the related party and nature of relationship where transaction have taken place

a)	Fellow subsidiaries (where transaction exists)	AsPac Lubricants (Malaysia) Sdn. Bhd.	BP Marine Limited
		BP - Castrol (Thailand) Limited	BP Middle East (Auto and Marine Lubes)
		BP (China) Industrial Lubricants Limited	BP Petrolleri Anonim Sirketi
		BP Corporation North America	BP Shipping Limited - OBC UK
		BP Europa SE	BP Singapore Pte Limited
		BP Europa SE BP Belgium	Castrol (Shenzhen) Company Limited
		BP Europa SE Zweigniederlassung Austria (Lubes)	BP Australia Pty Limited
		BP Exploration (Alpha) Limited	Lubricants UK Limited
		BP France Lubes	PT Castrol Indonesia
		BP India Private Limited	Castrol K.K.
		BP International Limited	BP Asia Pacific (Malaysia) SDN
		BP Italia SPA	Castrol bp Petco limited
		BP Japan K.K.	Castrol Philippines Inc
		BP Korea Limited	BP Products North America Inc
		BP Lubricants USA Inc	Nordic Lubricants A/S
		Castrol (Shanghai) Management Co.	
b)	Joint venture of BP Global Investment Limited, a subsidiary of Ultimate Holding Company	Reliance BP Mobility Limited	
c)	Post employment benefit funds	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)	Omer Dormen	Managing Director (up to 31.12.2019)
		Sandeep Sangwan	Managing Director (w.e.f 01.01.2020)
		Rashmi Joshi	Chief Financial Officer & Whole time Director (up to 31.12.2020)
		Deepesh Baxi	Chief Financial Officer & Whole time Director (w.e.f 01.01.2021)
		Jayanta Chatterjee	Whole Time Director - Supply Chain (up to 31.12.2020)
e)	Non-executive Independent Directors *	S. M. Datta (up to 30.09.2019)	R. Gopalakrishnan (Chairman - w.e.f 01.10.2019)
		Uday Khanna	Sangeeta Talwar
		Rakesh Makhija (w.e.f 01.10.2019)	
f)	Non-executive non-Independent Directors *	Sashi Mukundan	A. S. Ramchander (w.e.f 29.04.2019)
		Peter Weidner (up to 31.01.2019)	Udayan Sen (w.e.f 02.04.2020)
		Mark Josceline Sclater (w.e.f 16.05.2019 to 06.12.2019)	

* Non-executive directors are disclosed as Key Management Personnel as per the requirement of Ind AS 24. However, they are not Key Management Personnel as per Companies Act, 2013.

Notes to the financial statements for the year ended 31 December 2020

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (Contd.)

C. **Transactions with related parties**

	Nature of Relationship	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Purchase of materials / traded goods			
BP Europa SE	Fellow subsidiary	**12.73**	17.65
BP Europa SE - BP Belgium (Branch)	Fellow subsidiary	**13.58**	29.31
BP France	Fellow subsidiary	**1.22**	7.71
BP Products North America Inc	Fellow subsidiary	**15.92**	-
BP Lubricants USA Inc	Fellow subsidiary	**6.01**	10.18
Others	Fellow subsidiaries	**3.04**	9.65
Total		**52.50**	**74.50**
Sale of goods (net of returns) / Other operating income			
Reliance BP Mobility Limited	Joint venture of BP Global Investment Limited, a subsidiary of Ultimate Holding Company	**5.77**	-
AsPac Lubricants (Malaysia) Sdn. Bhd.	Fellow subsidiary	**1.20**	5.41
BP - Castrol (Thailand) Limited	Fellow subsidiary	**0.97**	0.63
Others	Fellow subsidiaries	**1.67**	5.23
Total		**9.61**	**11.27**
Receiving of services			
BP International Limited	Fellow subsidiary	**7.18**	9.11
BP Europa SE	Fellow subsidiary	**6.10**	14.41
Lubricants UK Limited	Fellow subsidiary	**1.65**	1.68
Others	Fellow subsidiaries	**0.85**	2.18
Total		**15.78**	**27.38**
Payment of IT Support service			
BP India Private Limited	Fellow subsidiary	**1.37**	-
Total		**1.37**	**-**
Rendering of services (Including reimbursement of expenses)			
Castrol Limited, U.K	Holding company	**2.31**	3.60
BP International Limited	Fellow subsidiary	**1.73**	3.65
BP India Private Limited	Fellow subsidiary	**4.20**	4.75
Lubricants UK Limited	Fellow subsidiary	**0.31**	3.01
BP Singapore Pte Limited	Fellow subsidiary	**2.07**	-
Others	Fellow subsidiaries	**0.99**	1.70
Total		**11.61**	**16.71**

Notes to the financial statements for the year ended 31 December 2020

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (Contd.)

C. Transactions with related parties (Contd.)

	Nature of Relationship	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Contribution to funds			
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**7.66**	7.20
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**3.29**	3.27
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**3.95**	3.78
Total		**14.90**	**14.25**
Disbursement from funds			
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**18.56**	20.75
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**6.84**	8.51
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**3.66**	6.52
Total		**29.06**	**35.78**
Commission income			
BP Marine Limited	Fellow subsidiary	**2.30**	2.66
Total		**2.30**	**2.66**
Overridding Commission			
Reliance BP Mobility Limited	Joint venture of BP Global Investment Limited, a subsidiary of Ultimate Holding Company	**1.50**	-
Total		**1.50**	**-**
Dividend (On payment Basis)			
Castrol Limited, U.K.	Holding company	**277.45**	264.84
Total		**277.45**	**264.84**
Royalty expense			
Castrol Limited, U.K.	Holding company	**79.27**	112.28
Total		**79.27**	**112.28**
Share value and share match payments *			
BP PLC	Ultimate Holding Company	**6.08**	5.56
Total		**6.08**	**5.56**
* Share value expenses to be borne by BP PLC			

Notes to the financial statements for the year ended 31 December 2020

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (Contd.)

C. Transactions with related parties (Contd.)

	Nature of Relationship	For the year ended December 31, 2020 Rupees in Crore	For the year ended December 31, 2019 Rupees in Crore
Remuneration to executive directors * ##			
Omer Dormen	Key management personnel	-	6.28
Sandeep Sangwan	Key management personnel	**3.72**	-
Rashmi Joshi	Key management personnel	**2.31**	2.00
Jayanta Chatterjee	Key management personnel	**2.45**	2.27
Total		**8.48**	**10.55**
Bifurcation of long term and short term benefits			
Short-term employee benefits		**7.13**	8.11
Post-employment gratuity and medical benefits		**0.39**	0.36
Share-based payment transactions		**0.96**	2.08
Total compensation paid to executive directors		**8.48**	**10.55**
Commission and Director sitting fees to non-executive Independent directors			
R Gopalakrishnan	Key management personnel	**0.29**	0.25
S.M.Datta	Key management personnel	-	0.21
Uday Khanna	Key management personnel	**0.24**	0.21
Rakesh Makhija	Key management personnel	**0.25**	0.06
Sangeeta Talwar	Key management personnel	**0.25**	0.22
Total		**1.03**	**0.95**

* The remuneration to executive directors includes share value plan and contribution of company towards share match.

Exclusive of provision for liability in respect of leave earned and gratuity, since this is based on actuarial valuation done on an overall basis for all employees. Performance bonus / incentive amount considered on payment basis.

Notes to the financial statements for the year ended 31 December 2020

28. Related party disclosures as required under Ind AS 24, "Related Party Disclosures", are given below: (Contd.)

D. Balance as at year ended

	Nature of Relationship	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Amounts payable			
Castrol Limited, U.K.	Holding company	**70.62**	100.01
BP Europa SE	Fellow subsidiary	**11.21**	15.43
BP products north america inc	Fellow subsidiary	**15.94**	-
Castrol India Ltd. Employees' Provident Fund	Post employment benefit funds	**3.15**	1.52
Castrol India Ltd. Staff Pension Fund	Post employment benefit funds	**0.27**	0.28
Castrol India Ltd. Employees' Gratuity Fund	Post employment benefit funds	**0.34**	0.32
R Gopalakrishnan #	Key management personnel	**0.20**	-
Uday Khanna #	Key management personnel	**0.16**	-
Rakesh Makhija #	Key management personnel	**0.16**	-
Sangeeta Talwar #	Key management personnel	**0.16**	-
Others	Fellow subsidiaries	**10.21**	8.48
Total		**112.42**	**126.04**
# Commission to non-executive Independent directors			
Amounts receivable			
Castrol Limited, U.K.	Holding company	**2.29**	3.55
BP India Private Limited	Fellow subsidiary	**0.84**	0.84
Reliance BP Mobility Limited	Joint venture of BP Global Investment Limited, a subsidiary of Ultimate Holding Company	**1.36**	-
BP Marine Limited	Fellow subsidiary	**0.75**	0.82
BP Lubricants USA Inc	Fellow subsidiary	**-**	3.37
Others	Fellow subsidiaries	**1.28**	1.36
Total		**6.52**	**9.94**
Share based payments - Other equity *			
BP PLC	Ultimate Holding Company	**23.75**	19.07
Total		**23.75**	**19.07**

* Payments are not made being deemed contribution.

Notes to the financial statements for the year ended 31 December 2020

29. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set and monitor appropriate risk limits and controls, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are also placed before the Audit Committee of the Company. The primary market risk to the Company is foreign exchange risk. The Company uses forward contracts to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

A. Liquidity risk

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of December 31, 2020 and December 31, 2019, the Company had a working capital of Rs. 997.00 Crore and Rs. 995.02 Crore respectively including cash and cash equivalents of Rs.194.68 Crore and Rs. 67.16 Crore respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as on reporting date.

Particulars	On demand	Less than 1 year	1 to 5 years	Total
As at December 31, 2020				
Other financial liabilities	(15.36)	(290.08)	(6.22)	(311.66)
Trade and other payables	-	(545.53)	-	(545.53)
As at December 31, 2019				
Other financial liabilities	(15.81)	(225.38)	-	(241.19)
Trade and other payables	-	(471.79)	-	(471.79)

B. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: foreign currency risk and other price risk, such as commodity risk. Financial instruments that are affected by market risk include deposits and foreign exchange forward contracts. The sensitivity analysis in the following sections relate to the position as at 31 December 2020 and 31 December 2019. The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities. This is based on the financial assets and financial liabilities held at 31 December 2020 and 31 December 2019.

B1. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (primarily material costs are denominated in a foreign currency). The Company manages its foreign currency risk by hedging certain material costs that are expected to occur within a range of 1 to 3 month period for hedges of purchases of base oil and additives. When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of highly probable transactions the derivatives cover the period of exposure from the point of the commitment up to the point of settlement of the resulting payable that is denominated in the foreign currency. At 31 December 2020 and 31 December 2019 the Company hedged more than 80% of its expected

Notes to the financial statements for the year ended 31 December 2020

29. Financial risk management (Contd.)

foreign currency purchases for 1 to 3 months. Those hedged purchases were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts. Details are as given below:

Hedged Foreign Currency exposure as at Balance Sheet Date	As at December 31, 2020	As at December 31, 2019
No of buy contracts relating to firm commitments for imports	**2**	3
Foreign currency - USD	**15,950,957**	11,413,989
Rs. Crore	**117.47**	82.06

Unhedged Foreign Currency exposure as at Balance Sheet Date

The following table analyses the foreign currency risk from financial instruments

Particulars	As at December 31, 2020		As at December 31, 2019	
	Foreign currency	Rupees in Crore	Foreign currency	Rupees in Crore
Trade payables				
USD	**2,087,865**	**14.31**	2,540,442	18.11
EURO	**1,820,608**	**16.36**	2,655,142	21.21
GBP	**234,704**	**2.34**	1,193,892	11.16
SGD	**-**	**-**	116,274	0.62
AUD	**849**	**0.00**	5,171	0.03
JPY	**535,172**	**0.04**	1,700,000	0.11
CHF	**44,680**	**0.37**	-	-
Trade receivables				
USD	**1,889,017**	**13.80**	2,368,671	16.88
Loans and advances given				
USD	**435,193**	**3.18**	1,048,865	7.48
EURO	**5,400**	**0.05**	329,817	2.63
GBP	**-**	**-**	2,460	0.02

Sensitivity analysis

The Company is mainly exposed to changes in USD and Euro.The sensitivity analyses demonstrate a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. 5% appreciation/depreciation of USD and Euro with respect to functional currency of the Company will have impact of following (decrease)/increase in profit (Rs. in Crore)

Particulars	As at December 31, 2020	As at December 31, 2019
USD	**(0.13)**	(0.31)
Euro	**0.82**	0.93
Total	**0.68**	**0.62**

B2. Commodity price risk

The Company exposure to market risk with respect to commodity prices primarily arises from the fact that we are a purchaser of base oil. This is a commodity product whose prices can fluctuate sharply over short periods of time. The prices of base oil generally fluctuate in line with commodity cycles. Material purchases forms the largest portion of our operating expenses. The Company evaluates and manages commodity price risk exposure through operating procedures and sourcing policies. The Company has not entered into any commodity derivative contracts. It may also be noted that there are no direct derivatives available for base oil, but there are derivatives for crude oil.

Notes to the financial statements for the year ended 31 December 2020

29. Financial risk management (Contd.)

Sensitivity : 1% decrease in commodity rates would have led to approximately an additional 0.68 Crore (December 31, 2019 – 0.54 Crore) gain in the statement of profit and loss. 1% increase in commodity rates would have led to an equal but opposite effect.

C. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), deposits with banks and foreign exchange transactions. The Company's customer mainly consists of it distributors and Original Equipment Manufacturers (OEMs). The Company has a credit policy, approved by the Management that is designed to ensure that consistent processes are in place to measure and control credit risk.

The Company has trade relationships only with reputed third parties. The receivable balances are constantly monitored, resulting in an insignificant exposure of the Company to the risk of non-collectible receivables. Credit risk is managed through credit approvals, establishing credit limits, obtaining collaterals from the customers in the form of deposits and/or bank guarantees and periodically monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The maximum credit exposure associated with financial assets is equal to the carrying amount.

The Company historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories and so trade receivables are considered to be a single class of financial assets.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in financial statements. In case of cash and cash equivalents, since the amount is in the form of demand deposits with bank there is no credit risk perceived. Hence no provision for expected credit loss has been made.

30. (A) Fair Value Measurement

The Carrying value and fair value of financial instruments by categories as of December 31, 2020 and December 31, 2019 were as follows:

Rupees in Crore

Particulars	As at December 31, 2020		As at December 31, 2019	
	Carrying value	Fair Value	Carrying value	Fair Value
Assets				
Loans	**6.12**	**6.12**	8.97	8.97
Other financial assets	**-**	**-**	-	-
Foreign exchange forward contracts	**0.32**	**0.32**	-	-
Total	**6.44**	**6.44**	**8.97**	**8.97**
Liabilities				
Other financial liabilities	**6.22**	**6.22**	-	-
Foreign exchange forward contracts	**-**	**-**	0.21	0.21
Total	**6.22**	**6.22**	**0.21**	**0.21**

The management assessed that cash and cash equivalents, loans, other balances with banks, trade receivables, trade payables and other current liabilities/assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

(B) Fair Value Hierarchy

The Company does not have any financial instrument other than derivatives which are measured at fair value through Profit & loss.

The fair value of such derivatives is categorised as level 2 based on the valuation technique used to arrive at the fair value.

Notes to the financial statements for the year ended 31 December 2020

31. Equity Settled Share-based payments

a) Share Match Plan

During the year ended 31st December, 2020, 99,388 shares (31st December, 2019 : 55,707 shares) were purchased by employees at weighted average fair value of GBP 3.30 per share (31st December, 2019 : GBP. 5.23 per share). The Company contribution during the year on such purchase of shares amounting to Rs. 1.40 Crore (31st December, 2019 : Rs 1.32 Crore) has been charged under employee benefit expense under Note 27.

b) Share Value Plan

The expense recognised for employee services received during the year is shown in the following table:

Particulars	December 31, 2020 Rupees in Crore	December 31, 2019 Rupees in Crore
Total expense recognised for equity settled share-based payment transaction	**4.68**	4.24

All share-based payments transactions relate to employee compensation.

Fair values and associated details for restricted share units granted are as follows :

Particulars	December 31, 2020	December 31, 2019
Share Value Plan		
Number of units granted	**193,920**	116,725
Weighted average fair value	**$3.51**	$7.22

The BP group operates a number of equity-settled employee share plans under which share units are granted to the group's senior leaders and certain other employees. These plans typically have a three-year performance or restricted period during which the units accrue net notional dividends which are treated as having been reinvested. Leaving employment will normally preclude the conversion of units into shares, but special arrangements apply for participants that leave for qualifying reasons. The number of shares that are expected to vest each year under employee share plans are shown in the table below.

Share Plan Vesting	December 31, 2020 Number of shares	December 31, 2019 Number of shares
Within one year	**90,357**	100,699
1 to 2 years	**92,922**	120,680
2 to 3 years	**193,220**	114,135
3 to 4 years	**-**	-
Total	**376,499**	**335,514**

Notes to the financial statements for the year ended 31 December 2020

32. Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio and is measured by net debt divided by total capital plus net debt. The Company includes within net debt trade and other payables, less cash and cash equivalents. The Company did not have any borrowings at any time during the year.

Particulars	As at December 31, 2020 Rupees in Crore	As at December 31, 2019 Rupees in Crore
Trade payables	**545.53**	471.79
Other payables	**433.74**	390.04
Less: cash and cash equivalents	**194.68**	67.16
Net debt	**784.59**	794.67
Total equity	**1,414.23**	1,366.95
Capital and net debt	**2,198.82**	2,161.62
Gearing ratio	**36%**	37%

33. Estimation of uncertainties relating to the global health pandemic from COVID-19: The Company has considered the possible effects that may result from the pandemic relating to COVID-19 in the preparation of the financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of the pandemic, the Company has, at the date of approval of the financial statements, used internal and external sources of information and expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the financial statements may be different from that estimated as at the date of approval of these financial statements.

34. The Parliament of India has approved the Code on Social Security, 2020 (the Code) which may impact the contributions by the Company towards provident fund, gratuity and ESIC. The Code has been published in the Gazette of India however, the effective date has not yet been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective, if any.

The accompanying notes 1-34 are an integral part of the financial statements.

For and on behalf of Board of Directors
Executive Directors

R Gopalakrishnan Chairman
DIN : 00027858

Sandeep Sangwan Managing Director
DIN : 08617717

Chandana Dhar Company Secretary
ACS No. : 17891

Deepesh Baxi Chief Financial Officer & Whole time Director
DIN : 02509800

Place : Mumbai
Date : February 1, 2021