

**Partners
today
for a
better
tomorrow**

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Castrol India Limited
ANNUAL REPORT 1999

Partners today for a better tomorrow

Today Castrol is the largest specialist lubricant company in the world and in India. Much of this success is due to the philosophy of its founder Sir Charles Cheers Wakefield who had the foresight to see that progress would best be achieved in partnership with his customers. He extensively drew on the help and encouragement of his customers in developing his new 'Castrol' oil, almost a 100 years ago. This "partnership" philosophy has proved as successful today for Castrol, as it was then.

The strong relationships established with emerging industries around the world, have been nurtured over the years and as a result, Castrol products are often specifically developed hand-in-hand with the manufacturers themselves and consequently, "factory" recommended. Today, more than ever before, Castrol remains committed to providing customers with the most technologically advanced lubricants and services.

The Castrol range of automotive, industrial and marine lubricants enables machines and equipment achieve greater levels of performance, reliability, endurance and cost-effectiveness. In addition to providing high performance, premium quality and technology led products, Castrol provides its customers with the highest level of personal services and technical advice. Castrol works in alliance with its partners to provide total lubrication management — a concept that includes not only products but services which range from basic product recommendation and application expertise to entire lubrication management at customers' manufacturing facilities. This enables Castrol's partners to work cost-effectively, thereby reducing costs and improving their business profitability.

In India, Castrol has established itself as one of the most trusted and treasured partners for industry and it has alliances and strong working relationships with most of the major manufacturers in the country. Castrol India works closely with Indian industry to develop international quality products and services which best meet the unique and demanding environmental conditions of our country.

Over the years, Castrol has grown with industries and the relationships have never been stronger. With a century of experience in satisfying our customers' needs, we remain as committed today to providing the most technically advanced lubricants and services as Charles Cheers Wakefield was, when he founded the company over a 100 years ago.



BOARD OF DIRECTORS

Non-Executive Directors

Chairman
S. M. Datta

Directors

B. Hardy
P. A. Kimberley
D. S. Parekh
D. Sellors – *Alternate to B. Hardy*

Executive Directors

**Chief Executive
& Managing Director**
R. A. Savoor

Directors

J. Goswami
N. K. Kshatriya
M. Palta

COMPANY SECRETARY & GENERAL MANAGER LEGAL

M. H. Thanawala

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd.
Citibank N. A.
Canara Bank
State Bank of India
Bank of India
Barclays Bank plc.

SOLICITORS & ADVOCATES

Crawford Bayley & Co.
Dhru & Co.

AUDITORS

Price Waterhouse

REGISTERED OFFICE

White House,
91, Walkeshwar Road,
Mumbai 400 006.

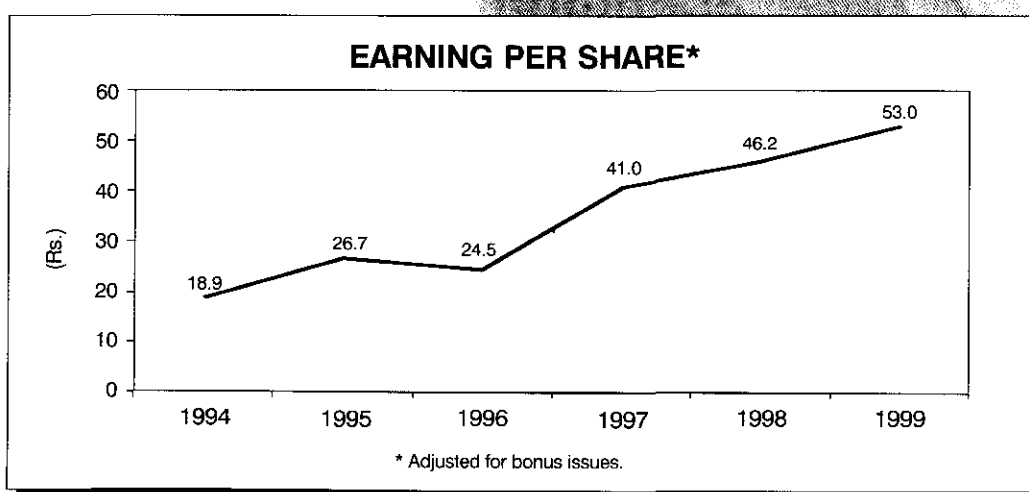
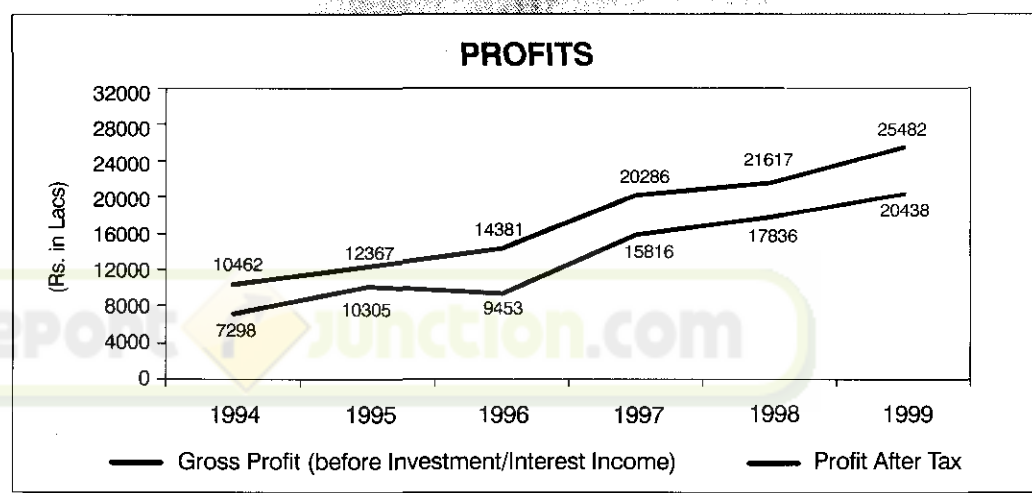
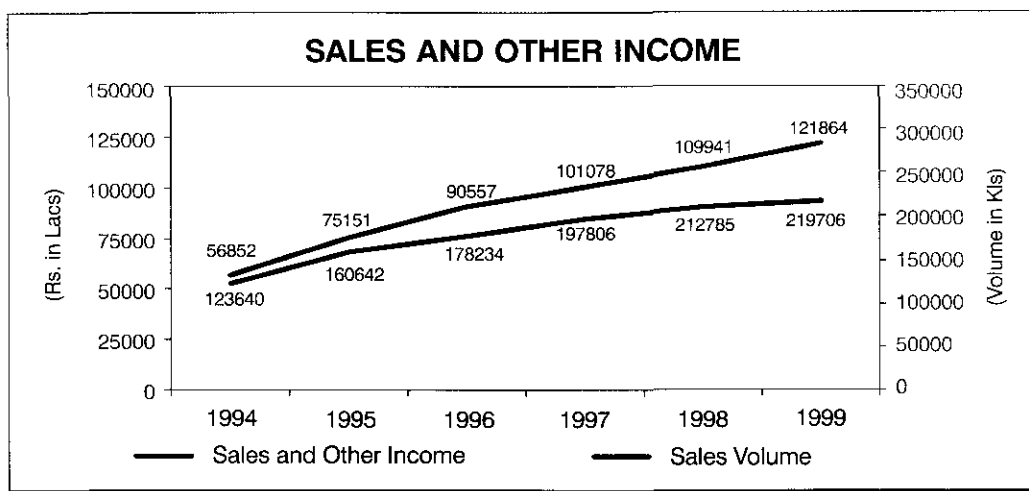
SHARE DEPARTMENT

White House Annexe,
91, Walkeshwar Road,
Mumbai 400 006.

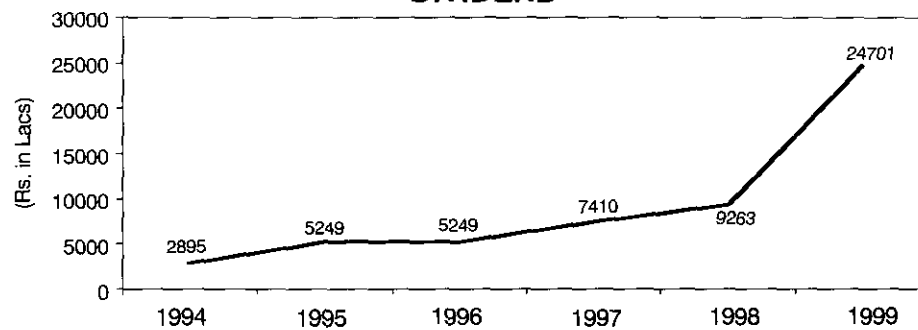
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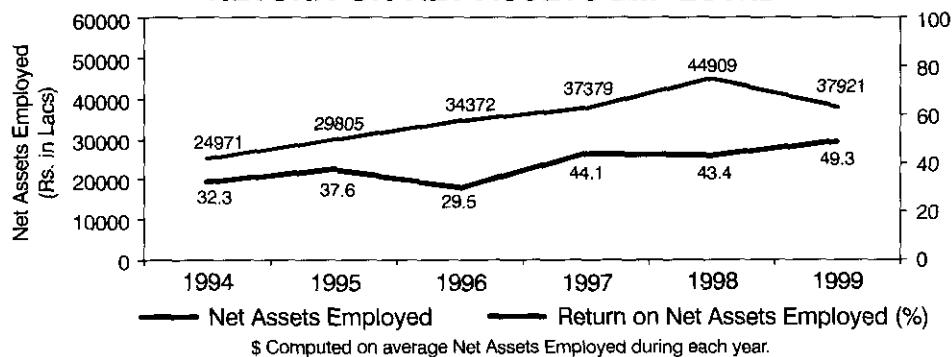
Financials



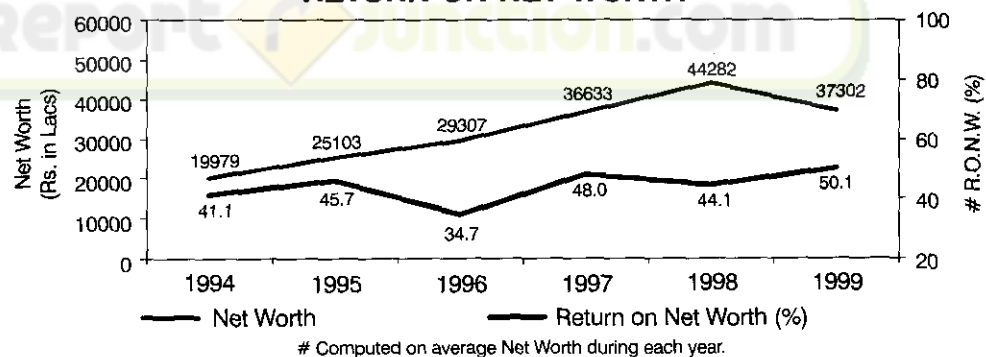
DIVIDEND



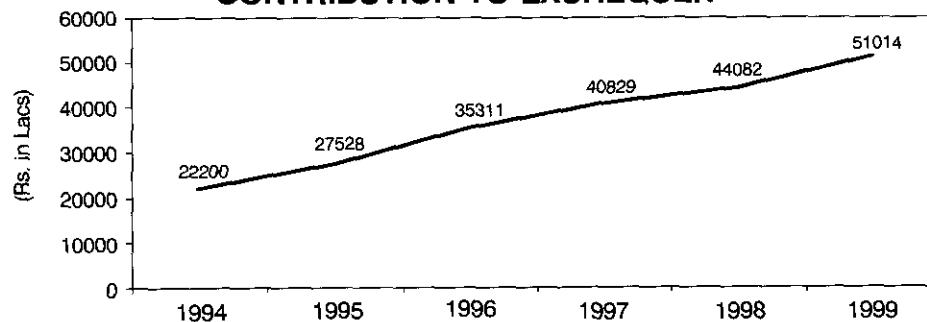
RETURN ON NET ASSETS EMPLOYED



RETURN ON NET WORTH



CONTRIBUTION TO EXCHEQUER



Financials

A — FINANCIAL HIGHLIGHTS

Year	1999	1998	1997	1996	1995	1994	1993	1992	1991 (Apr.-Dec.)	1990-91
Rupees in lacs										
Sales and Other Income	121864	109941	101078	90557	75151	56852	41414	29154	16885	18825
Raw Materials Consumed	53001	52039	48933	50792	41583	31613	28161	19791	11013	12481
Excise Duty	16810	15129	13186	9795	6804	4612	519	260	356	328
Expenses	25175	19766	17104	13060	10272	7618	4752	2935	1897	2200
Interest	262	253	609	1698	1137	893	1061	745	377	416
Gross Profit (Before investment/ Interest Income)	25482	21617	20286	14381	12367	10462	6016	4703	3063	3270
Gross Profit	26616	22754	21246	15212	15355	12116	6921	5423	3242	3400
Depreciation	1008	843	680	449	258	258	201	137	95	142
Profit Before Extraordinary Item and Taxation	25608	21911	20566	14763	15097	11858	6720	5286	3147	3258
Depreciation for earlier year charge (write back)	—	—	—	—	(608)	—	61	—	—	—
Profit Before Taxation	25608	21911	20566	14763	15705	11858	6659	5286	3147	3258
Taxation	5170	4075	4750	5310	5400	4560	2615	2040	1360	1150
Profit After Taxation	20438	17836	15816	9453	10305	7298	4044	3246	1787	2108
Debenture Redemption Reserve	—	—	—	—	—	45	32	—	56	56
Dividend ‡	24701	9263	7410	5249	5249	2895	1232	788	443	443
Gross Fixed Assets*	21182	18818	17331	14499	8541	5175	3848	2900	2310	2108
Net Fixed Assets*	17098	15679	15021	12849	7321	3469	2380	1584	1178	1074
Investments	8298	10554	8051	6250	11743	14934	9901	4007	2203	1646
Net Current Assets	12525	18676	14307	15273	10741	6568	8002	7725	5791	5692
Miscellaneous Expenses	—	—	—	—	—	—	—	11	—	—
Net Assets	37921	44909	37379	34372	29805	24971	20283	13327	9172	8412
Share Capital	12350	6175	6175	6175	6175	3859	1930	1576	985	985
Reserves & Surplus*	24951	38107	30458	23132	18928	16120	13591	7350	5532	4197
Net Worth	37301	44282	36633	29307	25103	19979	15521	8926	6517	5182
Borrowings	619	627	747	5065	4703	4992	4763	4401	2655	3230
Rupees										
Earnings per Share**	16.55	28.88	25.61	15.31	16.69	18.91	20.96	20.60	18.14§	21.40
Dividend per Share	20.00 ‡	15.00	12.00	8.50	8.50‡	7.50	7.50‡	5.00	4.50	4.50
Book Value per Share**	30.20	71.71	59.32	47.46	40.65	51.77	80.43	56.64	66.16	52.61
Debt Equity Ratio	0.05:1	0.1:1	0.1:1	0.2:1	0.2:1	0.3:1	0.3:1	0.5:1	0.4:1	0.6:1
* Figures for the year 1989-90 to 1992 for Gross Fixed Assets, Net Fixed Assets and Reserves and Surplus are after considering the effects of revaluation of certain Fixed Assets.										
** Arrived at after considering number of Shares as at the end of the period including Right Shares/Bonus Shares issued in the relevant period.										
§ Earnings per share on annualised basis Rs. 24.19 for 9 months ended 31-12-1991.										
‡ Includes Rs. 2.50 special for 75th year in 1993, Re. 1.00 special in 1995 and Rs. 10.00 special in 1999.										

B — CONTRIBUTION TO EXCHEQUER

Year	1999	1998	1997	1996	1995	1994	1993	1992	1991 (Apr.-Dec.)	1990-91
Rupees in lacs										
Duty & Tax Payments	51014	44082	40829	35311	27528	22200	15902	8112	3979	4284
Total for 10 Financial Years Rs. 253241 Lacs										

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 1999

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st December, 1999.

	For the year ended 31st December, 1999 (Rupees in Lacs)	For the year ended 31st December, 1998 (Rupees in Lacs)
FINANCIAL RESULTS		
Gross Profit after interest but before Investment/Interest Income	25482.10	21616.83
Add: Investment/Interest Income	1133.64	1136.94
Gross Profit before Depreciation & Taxation	26615.74	22753.77
Deducting therefrom:		
Depreciation	1007.88	842.98
Provision for Taxation	5170.00	4075.00
	20437.86	17835.79
Adding thereto:		
Balance as per last Balance Sheet brought forward	19088.54	13439.59
Excess provision for wealth tax for earlier year written back	—	2.18
Transfer from Investment Allowance Reserve	20.50	—
	39546.90	31277.56
<i>The appropriations are:</i>		
Dividend		
Interim	12350.35	8027.72
Special	12350.35	—
Final	—	1235.03
Tax on Dividend		
Interim	1358.54	802.77
Special	1358.54	—
Final	—	123.50
Transfer to General Reserve	2200.00	2000.00
Balance carried forward	9929.12	19088.54
	39546.90	31277.56

PERFORMANCE

During the year the Company recorded strong all round growth. Total Income and Sales increased by approximately 10.8% each to Rs.1218.64 crores and

Rs.1195.55 crores respectively. Trading profits were ahead by 17% at Rs. 235.61 crores, however, higher corporate taxes slowed growth in net profits which at Rs. 204.38 crores were 14.6% higher than in 1998.

Directors' Report

Higher investment in brands as a result of increased spending on product development and advertising ensured competitive positioning of the Company's products; upgradation of the Silvassa plant helped improved productivity in addition to increasing the product range thereby positioning the Company strongly to take advantage of emerging opportunities.

The Company expanded its IT infrastructure and as a result its offices, plants, warehouses and key suppliers are now connected through a VSAT network. This network, along with the J D Edwards ERP system has helped to integrate the planning process and will enable the Company to lower supply chain costs.

To provide better focus, improve service levels and respond more quickly to the changing needs of its customers the Company organised its operations into four business streams in line with global market segments. Whereas the Consumer Business Stream focuses on the automotive segment and is responsible for servicing the retail market, the Commercial Business Stream looks after the needs of institutional automotive customers and is involved in business to business type transactions. The Industrial Business Stream services industrial customers and the Marine Stream looks after the marine segment. Increased focus through streaming has helped underlying sales volume grow by approximately 10% during the year.

(a) Consumer Business Stream

The Company's Consumer business, accounting for about three fourths of total sales, achieved strong underlying volume growth of 8% on a large base, and outperformed the Consumer market which grew by about 4%. This was achieved despite significantly enhanced competition with large Public Sector companies concentrating on the lubricant market primarily by discounting and disproportionately high advertising. Castrol Consumer increased its focus on brand building through relevant innovations, effectiveness in brand positioning and communication. This was possible as a result of better consumer and

customer understanding through research and cost effective media planning and buying. Enhanced direct distribution, improved customer service and new software linkage down the distribution channel has enabled superior channel management and exploitation.

The Company relaunched its premier brand, Castrol CRB Plus during the year. It is expected that the



improved formulation will benefit consumers by delivering 33% extra engine life. In the passenger car segment the Company launched the globally successful Castrol GTX Magnatec; and brought with it the latest technology into the country.



Focused marketing initiatives and the use of convenient packaging helped increase share substantially in the scooter segment, which hitherto had been exclusively controlled by the Public Sector through petrol stations.

The Company plans to increase focus on the growing two wheeler and agri segments and is poised to launch products with superior performance to address evolving needs of consumers in these segments.



The switchover to selling through distributors was completed during the year. The new system provides the Company with an exclusive network enabling it to directly sell its products to more than 35,000 retailers as against 6,000 previously. As a result, the Company's width and depth of distribution has improved substantially giving it a clear competitive advantage. The change over to the new system of selling involved a one time up-stocking of the distributor pipeline in early 1998 and gave the Company a one time increase in sales. The growth in sales as reported does not therefore reflect the real growth which was affected by the higher base of the previous year.

To further strengthen its market and brand position the Company is entering into strategic alliances with car, truck and two wheeler manufacturers to enable it to develop products for use in their vehicles and to market these in partnership with them. Such arrangements, besides ensuring that products meet the vehicle manufacturers specifications, also gives the Company

access to the manufacturer's sales and service network. In the case of Tata Engineering and LML, selected Castrol brands have been endorsed by the partnering companies for their vehicles e.g. Tata trucks, Tata Passenger Cars and LML Motorcycles and Scooters and as a result has given Castrol access to their workshops in addition to their active endorsement. The agreement for the marketing of specially endorsed products provides for the Company



to sell these products both through authorised workshops and the Company's retail network.

The Company has signed a memorandum of understanding with Apollo Tyres. This provides it exclusive access to their retail outlets; a pioneering initiative in opening a new channel to access the same customer base more effectively. The Company continues to explore opportunities to enter new segments and to open up new channels of distribution to further consolidate its market position.

A detailed strategic review completed recently has resulted in the Consumer team developing a plan for the rapidly changing market scenario. The plan which takes into account discontinuities like Petroleum sector deregulation, tighter emission norms, the onset of the new E-economy, changing consumer and customer behaviour triggered by step changes in the growth of

Directors' Report

the automotive industry, the media revolution and the changing competitive arena, provides the basis for continued growth in the years to come.

(b) Industrial Business Stream

The Industrial Business Stream showed strong growth during the year, despite a difficult economic environment. Sales volumes increased by nearly 20% with higher growth achieved during the second half of the year. This higher growth was a result of increased focus on creating value for customers.

An organisation structure based on market segments was put into place to facilitate this initiative. The product and service integrated Castrol+Plus programme was introduced and strategic alliances were entered into with Original Equipment Manufacturers (OEMs) for supply of the Company's products. In addition, an exclusive distribution channel to service small and medium sized industrial customers was set up. To improve margins, increased focus was given to the Company's premium high performance lubricants.

During the year the industrial marketing team was reorganised to provide focus to a number of key strategic business segments enabling it to cater to the unique needs of a particular business segment. As a result there was better appreciation of customer needs and greater ability to respond to them effectively. This has enabled the Company to make inroads into several potentially lucrative industrial market segments such as power generation, cement and food processing and also helped consolidate its leadership position in the transport equipment and machinery manufacturing segments.

A major new initiative was the integration of products with value added services under the Castrol+Plus programme. Under this initiative the Company has started providing Chemical Management Services (CMS) and a Lube Management Programme (LMP) to large industries, opening up opportunities to increase productivity and reduce costs for customers. This is achieved by Castrol assuming responsibility for managing the processes and facilities covering all chemicals including lubricants. The Company has



Plants that use
Castrol Industrial
bear more fruit.

**Castrol
Industrial**
PRODUCTIVE INNOVATIONS

Innovative Communication for Innovative Products.