



Annual Report 2004



Revving up a great performance



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Your Company has had an excellent 2004 with strong revival in the underlying health of the business, although there is a drop in Profit After Tax. The resurgence of volume and top line growth, well ahead of market, proves the strength of the brand and marketing excellence of the organization. It reassures us of our approach of sustained investment in our brands irrespective of difficult or prosperous circumstances. Superior brand preference, customer satisfaction, innovative distribution and focused communication strategy have all enabled us to recover the unprecedented material cost increase, with twin approach of significant price increases and volume growth.

Our strategy is paying off with our winning formula: focus on select segments, quality in market execution and strong partnerships. Starting mid 2003, we have continuously grown in volume and revenue, despite increasing competition and cost escalation. We have made progress in key segments which will be the growth engines in the future: new generation Commercial vehicles, passenger cars and motorcycle oils. It's a matter of pride that we have revived the flagging truck / tractor oil category performance in a declining market. This segment is under volume pressure because of reducing oil usage rates of newer, efficient engines.

Strong strategic partnerships with Automotive leaders like Mahindras, Tatas, JCB, Escorts and Tata Cummins have been great assets. We have been the first to enter the new private sector petrol pump chains of Reliance and Essar, thereby gaining access to a new channel of distribution. BP brand continues on its sharp growth trend. The Industrial segment business has delivered significant improvement in volumes and profitability. Our strategy to focus on premium offers and value customers is paying rich dividends. 2004 saw many innovative marketing initiatives which improved our customer satisfaction and loyalty to record levels.

We are proud to be part of BP, one of the largest companies in the world and a leading Global oil major. In the lubricant category we are well respected within BP for our strong business and marketing acumen as well as quality human resources. We continue to receive recognition and top awards for various Marketing, Finance and Safety initiatives within BP as well as from reputed external organizations. Amongst several values imbibed from our parent company, possibly the most exciting and relevant is deeper concern for Health, Safety and Environment. In today's environment of huge changes in road infrastructure and automobile population explosion, our aim is to play a leadership role in increasing awareness of safety on roads. In addition to undertaking initiatives to educate the public, we are investing large sums in improving driving safety of our own staff as well as transport contractors and operators. This is done through upgrading of vehicles and driver training programmes.

Our people continue to be our main asset and are often hailed as a pool of functional excellence in the BP world. The return to growth path of your Company and revving up to new heights of performance can be singularly attributed to the innovative and winning spirit of Team Castrol.

Yours faithfully,

Naveen Kshatriya
Managing Director

Castrol India Limited

Board of Directors

Non-Executive Directors

Chairman

S. M. Datta

Directors

R. Gopalakrishnan

P. Hughes

A. K. Jhavar

D. S. Parekh

L. Freese – *Alternate to P. Hughes*

Executive Directors

Chief Executive & Managing Director

N. K. Kshatriya

Directors

R. Elston-Green

A. S. Ramchander

Company Secretary & Head – Legal

A. H. Mody

Bankers

Deutsche Bank

HDFC Bank Ltd.

The Hongkong & Shanghai Banking Corporation Ltd.

State Bank of India

Solicitors & Advocates

Crawford Bayley & Co.

Dhru & Co.

Auditors

S. R. Batliboi & Co.

Registered Office

Technopolis Knowledge Park

Mahakali Caves Road, Andheri (East)

Mumbai 400 093

Share Department

Tata Share Registry Limited

Unit: Castrol India Limited

Army & Navy Building

148, M. G. Road, Mumbai 400 001.

Two-wheeler Segment

"Bikes ki nayi bhasha"

Castrol is the market leader in the two-wheeler engine oil segment. This position is being further strengthened through a new communication campaign which focuses on the importance of performance of the 3 critical areas of a bike – the engine, clutch and gear.

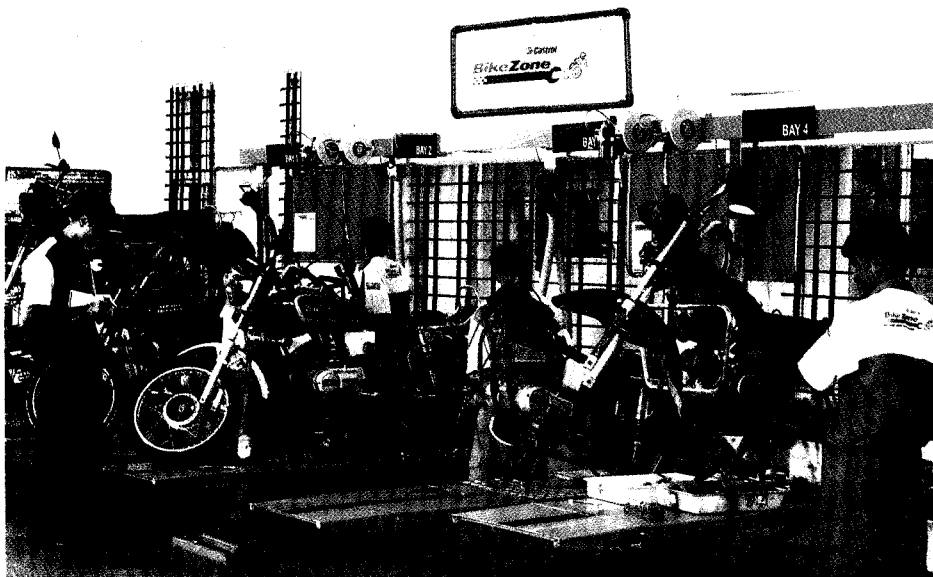
Bikers universally share a unique 'language' that they use to showcase the performance of their bikes. A new television commercial exploits this consumer insight and creates a bond with the consumers who instantly empathize with the scenario. The mass media campaign is strongly supported by innovative on-ground activities aimed at consumers, mechanics and trade.



▲ The new 4T commercial with the mechanic as protagonist, has struck a chord with motorcyclists



▲ As one of the customer relationship building initiatives, Castrol's Brand Ambassador Rahul Dravid, conducted cricket clinics for children of Franchised workshop owners



▲ Castrol BikeZone – Castrol franchised motorcycle service, is a new initiative launched globally. The first BikeZone was launched in Bangalore

Commercial Vehicle Segment - CRB Plus

Key consumer insight leads to superior consumer satisfaction

CRB Plus, the Shahenshah of engine oils, has been relaunched with a "heat proof" formula and backed by a communication package specially designed for tractor owners. The reformulation was based on a key consumer insight gained during research with tractor owners who voiced their concern about overheating of the tractor engine due to long hours of working during peak season.

The brand tag line "Mehenti itna, aap jitna" has struck a chord with farmers. The new campaign has further strengthened Castrol's position as a company which truly understands the consumer's problems and offers innovative and dependable solutions.



▲ New CRB Plus with "Heat Proof" formula was relaunched with great fanfare to Dealers and Distributors. Picture on top left shows Christi Serrao – Senior Brand Manager, Diesel Engine Oils, introducing new CRB Plus with "heat proof" formula

◀ Castrol CRB Turbo – a high performance engine oil for new generation vehicles is promoted to truckers and mechanics through on-ground interactive road shows

Commercial Vehicle Segment - BP

Building brands through consumer intimacy

The BP lubricant brand has been built on the back of high emotional quotient achieved through developing personal relationships with truckers across the country. The brand is seen as one which truly cares for its customers – a fact that has been established through a continuing series of on-ground and mass media activities aimed at improving the image of truckers.

During 2004, BP launched the BP Hello Highway TV programme which projects truckers in a positive light and highlights the travails of real truckers who share their experiences.

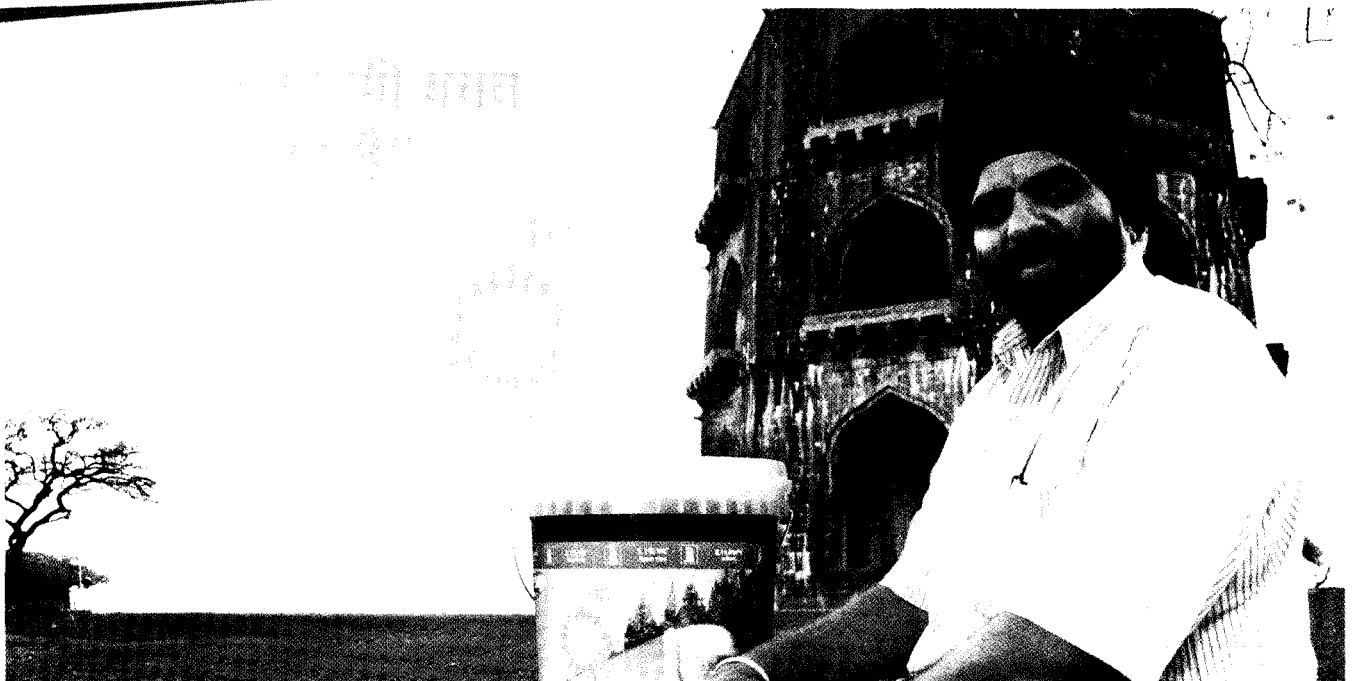
The programme has created great excitement amongst the truckers who believe that they are finally getting their due recognition with support from BP.



▲ Auditions for the BP Hello Highway programme generated a lot of publicity and excitement amongst truckers with over 1500 truckers turning up to tell their story



▼ Several truckers were profiled through the BP Hello Highway programme on television as well as through hoardings. Picture shows one of the hoarding designs with a trucker's testimonial on BP



Heavy Duty Segment

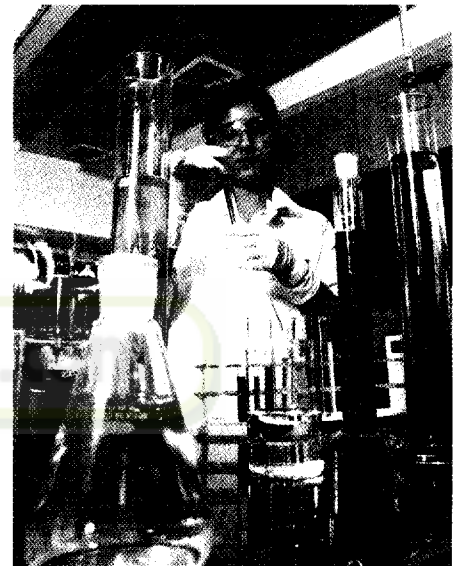
Delivering beyond products

Castrol's range of Heavy Duty Engine Oils are positioned for the Business to Business segment which caters to On Road (Road Freight & Transport industry) and Off Road (Building & Construction, off highway and quarrying) businesses. Castrol's strength in this segment is mainly due to the 'Product Plus' package offered to customers. Besides offering the best quality products, Castrol also offers strong technical support and value added services like Oil Check and 'Performa' (engine diagnostic service). Castrol also provides training and support to its business partners to promote Road Safety and safe material storage and handling.



▲ Castrol has achieved breakthrough success in most of the major national infrastructure projects where it has a dominant supply position

Conducting Safe Driving programmes as part of the value added services for our business partners



▲ A lab assistant conducting an oil check at our Wadala Product Development & Technology Centre which is one of the Global Centres of Excellence



Partners in Progress

Strengthening old relationships, forging new alliances

Long and sustainable relationships with Original Equipment Manufacturers has been one of the pillars of Castrol's success story across the world and especially in India.

Besides strengthening existing relationships with long-term partners like Tata Motors, Escorts Agri Machinery Group, L&T Komatsu Limited and JCB Limited, we entered into several new partnerships in 2004. These included tie-ups with Mahindra & Mahindra, Tata Cummins and International Tractors limited.

V K Jayaswal – VP, Tata Cummins (on extreme right) and Naveen Kshatriya, exchanging a long-term partnership agreement. Others in picture from left : A S Ramchander – Director Automotive and Anil Jayaraj – GM Marketing, Consumer Truck (CIL)



▲ From left to right : R Bhurat – VP, Spares Business Unit (M&M); Rajeev Dubey – ED, Human Resources & Corporate Services (M&M); Naveen Kshatriya – MD, CIL and Gautam Nagrekar – EVP, Sales & Marketing (M&M) announce the signing of a long-term agreement



▲ Shailendra Gupte – Director Marketing, Transcon Region (BP lubricants), handing over a memento to Onkar Sonar – MD, JCB Escorts, to mark the signing of an agreement with JCB Limited

◀ A partnership agreement with Essar Oils has opened up a new channel of distribution for Castrol through the Essar fuel stations.

Working together to win together

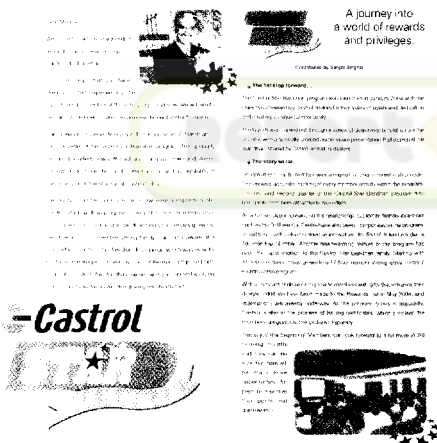
Building long-term winning relationships

Castrol's relationship with its distributors, dealers and direct customers has been built and nurtured over several decades through outstanding service and product offerings and carefully planned and executed relationship building programmes.

Programmes like the Castrol Star Bandhan, Castrol Superstar Dhamaka and Castrol Royal Club Programme are aimed at motivating dealers and key customers to move beyond a transaction and sales incentive oriented relationship to a long-term sustainable relationship based on mutual understanding and benefit.



Castrol Royal Club Member programme is a special initiative for Top Tata CVD Franchisee Workshops. Picture shows S M Bafna – Chairman & MD, Bafna Motors, receiving a memento of appreciation from Sanjeev Kaul – GM (West & South), CIL



Special newsletter for Castrol Star Bandhan dealers

The Castrol Superstar Dhamaka – a star studded musical extravaganza offers us an opportunity to reward our top performing dealers and recognize outstanding dealer performances

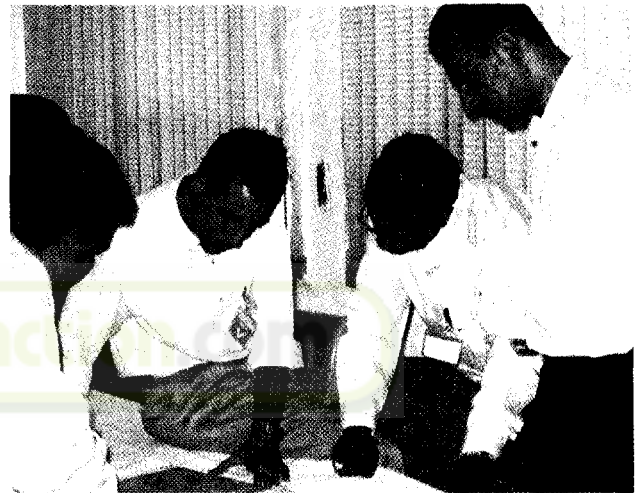


Driving Safety

Drive safely. Arrive safely

Our goal is to be a leader in driving safety and in order to achieve this we are sharing our experience, knowledge and expertise not just within Castrol but with the community at large.

During 2004, Castrol introduced the Driving Safety Standards (DSS) to all employees. The standards are designed to help save lives, reduce the number of accidents and improve safety performance. We are also engaging with our transport contractors/operators and encouraging them to adopt DSS. Together, we are developing safer and more comfortable vehicles fitted with seat belts. During the last two years, we have provided safe driving training to over 3000 drivers of heavy vehicle contractors.



▲
▶ The Driving Safety Standards being communicated to staff members and contractors



◀ Installation of high quality seats and seat belts has been undertaken in all existing contractor fleets