

Castrol India Limited

A N N U A L R E P O R T 1 9 9 8



F O C U S I S T H E F U T U R E

FOCUS IS THE FUTURE

In December 1997, Castrol initiated a two year international programme to reorganise its operations from a regional structure into global businesses covering Consumer, Commercial, Industrial and Marine streams.

Each business faces different opportunities and customer requirements and each needs a highly focused management approach. The new structure was therefore set up to enable Castrol to develop each of the businesses more effectively and maximise their individual profit potential by focusing international resources on the different requirements of each sector.

The move will provide a strategic focus to all our businesses, enabling us to understand our customers' specific needs better and provide solutions best suited to satisfying them.

In line with the global restructuring, Castrol India reorganised its business during 1998, to focus on the core businesses and bring us closer to our customers. The new organisation went on stream from January 1, 1999. We are confident that with this reorganisation, we will have an even more dynamic and high performance Castrol India to take us into the next century !

Castrol India Limited

NOTICE

NOTICE OF THE MEETING

Notice is hereby given that the Twenty-first Annual General Meeting of the Members of Castrol India Limited will be held at Sir Sitaram & Lady Shantabai Patkar Convocation Hall of S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Off Queen's Road, Mumbai 400 020, on Tuesday, 30th March, 1999 at 3.00 p.m. to transact the following business :-

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st December, 1998 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare final dividend on 6,17,51,728 Equity Shares for the year ended 31st December, 1998.
3. To appoint a Director in place of Mr. S.M. Datta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.A. Savoor who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following as an ORDINARY RESOLUTION:

RESOLVED THAT Price Waterhouse, Chartered Accountants be and are hereby appointed Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting.

RESOLVED FURTHER THAT the remuneration payable together with the out-of-pocket expenses, if any, and the instalments in which the remuneration is payable to the Auditors shall be such as shall be mutually agreed upon between the Board of Directors and the Auditors.

AS SPECIAL BUSINESS

6. To appoint a Director in place of Mr. Naveen Kshatriya who vacates office at this Annual General Meeting, and being eligible, offers himself for reappointment.
7. To consider and if thought fit, to pass with or without modification, the following as a SPECIAL RESOLUTION :-

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable

provisions (if any) of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the re-appointment of Mr. R.A. Savoor as Wholetime Director of the Company designated as Managing Director with effect from 1st January, 1999 to 31st December, 2003 or the normal date of retirement as in force whichever is earlier upon the terms and conditions including remuneration and minimum remuneration as set out in the Agreement dated 11th November, 1998 entered into by the Company with Mr. R.A. Savoor and placed before the meeting be and is hereby approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with any provision under the Act, for the time being in force or any statutory modification or re-enactment thereof and/or any Rules or Regulations framed thereunder and the terms of the aforesaid agreement between the Company and Mr. R.A. Savoor shall be suitably modified to give effect to such variation or increase as the case may be."

8. To consider and if thought fit, to pass with or without modification, the following as a SPECIAL RESOLUTION :-

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the appointment of Mr. Naveen Kshatriya as a Wholetime Director of the Company designated as Director-Consumer Division with effect from 29th July, 1998 to 28th July, 2003 upon the terms and conditions including remuneration and minimum remuneration as set out in the Agreement dated 17th August, 1998 entered into by the Company with Mr. Naveen Kshatriya and placed before the meeting be and is hereby approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified

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in the agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with any provision under the Act, for the time being in force or any statutory modification or re-enactment thereof and/or any Rules or Regulations framed thereunder and the terms of the aforesaid agreement between the Company and Mr. Naveen Kshatriya shall be suitably modified to give effect to such variation or increase as the case may be."

9. To consider and if thought fit, to pass with or without modification, the following as a SPECIAL RESOLUTION :-

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the appointment of Mr. Mukesh Palta as a Wholtime Director of the Company designated as Finance Director with effect from 29th July, 1998 to 28th July, 2003 upon the terms and conditions including remuneration and minimum remuneration as set out in the Agreement dated 17th August, 1998 entered into by the Company with Mr. Mukesh Palta and placed before the meeting be and is hereby approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with any provision under the Act, for the time being in force or any statutory modification or re-enactment thereof and/or any Rules or Regulations framed thereunder and the terms of the aforesaid agreement between the Company and Mr. Mukesh Palta shall be suitably modified to give effect to such variation or increase as the case may be."

10. To consider and if thought fit, to pass with or without modification, the following as an ORDINARY RESOLUTION :-

"RESOLVED THAT the authorised share capital of the Company be and is hereby increased from Rs. 62,00,00,000 (Rupees Sixty-two Crores only)

divided into 6,20,00,000 (Six Crores Twenty Lacs) Equity Shares of Rs. 10/- each to Rs.124,00,00,000 (Rupees One Hundred and Twenty-four Crores only) divided into 12,40,00,000 (Twelve Crores forty lacs only) Equity Shares of Rs.10/- each."

11. To consider and if thought fit, to pass with or without modification, the following as an ORDINARY RESOLUTION :-

RESOLVED THAT Clause V(a) of the Memorandum of Association of the Company be deleted and the following substituted in its place:-

"V(a) The authorised share capital of the Company is Rs.124,00,00,000 (Rupees One Hundred and twenty-four Crores only) divided into 12,40,00,000 (Twelve Crores forty lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each."

12. To consider and if thought fit, to pass with or without modification, the following as a SPECIAL RESOLUTION :-

RESOLVED THAT the first para of Article 3 beginning with the words "The authorised Share Capital" and ending with the words "(Rupees ten) each" of the Articles of Association of the Company be deleted and the following para be substituted in its place :-

"3. The authorised share capital of the Company is Rs.124,00,00,000 (Rupees One Hundred twenty-four Crores only) divided into 12,40,00,000 (Twelve Crores forty lacs only) Equity Shares of Rs. 10/- (Rupees Ten only) each."

13. To consider and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION :-

"RESOLVED THAT

- (i) pursuant to Article 168 of the Articles of Association of the Company and subject to the necessary approvals and/or sanctions of Reserve Bank of India and Securities and Exchange Board of India (SEBI) and other appropriate/ concerned authorities, as may be necessary a sum of Rs. 61,75,17,280/- (Rupees Sixty one Crores seventy-five lacs seventeen thousand two hundred and eighty only) out of the balance standing to the credit



Castrol India Limited

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Fax 022-361 9578

Dear Shareholders,

Re: Compulsory dematerialisation of shares of Castrol India Limited

As you may be aware, the Securities and Exchange Board of India (SEBI) has with effect from 15th February, 1999 made delivery of shares of Castrol India Limited compulsory in a dematerialised form.

The implications of this compulsory dematerialisation are as follows:

1. Any shareholder who wishes to sell shares of the Company or any investor who wishes to buy shares of the Company from a Stock Exchange which is linked with National Securities Depository Limited (NSDL) will have to open an account with a Depository Participant (DP).
2. Any shareholder who wants to sell the shares of the Company through a Stock Exchange which has established connectivity with NSDL will have to first dematerialise the shares of the Company before sale i.e. give delivery of shares in a dematerialised form. Likewise, any investor who wishes to purchase the shares of the Company from a Stock Exchange which has established connectivity with NSDL will get delivery of shares in a dematerialised form. However, for those Stock Exchanges which do not have connectivity with NSDL, buying and selling of shares on the said Stock Exchanges will be continued to be carried out in physical form.
3. Shareholders who are intending to dematerialise their shareholdings in the Company may contact their broker for selecting a DP.

For Castrol India Limited
M. H. THANAWALA
Company Secretary &
General Manager Legal

Mumbai

Dated : 8th February, 1999.





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of the Capital Reserves and/or General Reserves as on 31st December, 1998 be and is hereby capitalised and applied in paying up in full at par unissued Equity Shares of Rs. 10/- each in the capital of the Company, such shares to be appropriated as capital and as fully paid Bonus Shares allotted and distributed to and amongst persons who at the close of business on the date so determined by the Directors are or entitled to become the registered holders of the Equity Shares of the Company in the proportion of one new Equity Share for every one existing Equity Share then held by such holders respectively;

- (ii) the shares so distributed shall be treated for all purposes as an increase in the amount of capital held by each Member and not as income;
- (iii) the said 6,17,51,728 new Equity Shares to be issued and allotted as fully paid-up Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall subject thereto rank *pari passu* with existing Equity Shares in all respects save and except that such new Equity Shares shall carry the right to receive dividend that may be paid/declared on or after the allotment of such Bonus Shares;
- (iv) such allotment of Bonus Shares to non-resident shareholders of the Company shall be subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973;
- (v) this Resolution will not be operative in the event of the Company being unable to obtain all necessary approvals/consents of the appropriate authorities to enable allotment of Bonus Shares to Castrol Limited, U.K. in the proportion mentioned in (i) above;
- (vi) no allotment letters shall be issued but that the certificates in respect of the new Equity Shares to be allotted as fully paid Bonus Shares as aforesaid shall be completed and be ready for delivery within 3 months of the allotment thereof;

- (vii) for the purpose of giving effect to this Resolution, the Board of Directors be and is hereby also authorised to give such direction, as may be necessary or desirable and settle any questions or difficulties whatsoever including any question or difficulty in connection with any deceased or insolvent shareholder or a shareholder suffering from any disability or otherwise as it may think fit."

14. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :-

"RESOLVED THAT pursuant to the provisions of Section 17 of the Companies Act, 1956, Clause III C of the Memorandum of Association of the Company be altered by adding after the existing Clause 46, a new Object Clause to be numbered 47, as under :

"47. To act as consultants and to advise and assist on all aspects of corporate, commercial and industrial management or activity including production, manufacturing, personnel, advertising and public relations, public welfare, marketing, taxation, technology, insurance, purchasing, sales, quality control, computer applications, software, productivity, planning, research and development, organisation, import and export business, industrial relations, legal and management and to make evaluations, feasibility studies, project reports, forecasts and surveys and to give expert advice and suggest ways and means for improving efficiency in business in India and elsewhere in the world and improvement of business management, office organisation and export management; to supply to and provide, maintain and operate services, facilities, conveniences, bureau and the like for the benefit of any Company; to recruit and/or advice on the recruitment of staff for any Company".

15. To consider and if thought fit, to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION** :-

"RESOLVED THAT pursuant to the provisions of Section 149(2A) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the commencement of the business as set out in

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Clause III 47 of the Company's Memorandum of Association".

NOTES:

- i) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under Item Nos. 6 to 15 is annexed herewith.
- ii) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- iii) The Register of Members and Share Transfer Books will remain closed from 2nd March, 1999 to 30th March, 1999 (both days inclusive).
- iv) The dividend declared at the meeting will be made payable on or after 30th March, 1999 to those Members whose names appear in the Register of Members on 30th March, 1999.
- v) Members are requested to notify change of address, if any, to the Share Department of the Company at White House Annexe, 91, Walkeshwar Road, Mumbai 400 006 so as to reach the Department on or before 10th March, 1999.
- vi) Members are aware that as per Finance Act, 1997 no tax will be deducted at source on the final dividend payable to the shareholders.
- vii) Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed dividend upto 31st December, 1994 and interim dividend for the year ended 31st December, 1995 have been transferred to the General Revenue Account of the Central Government. Those members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.
- viii) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting.
- ix) Members are requested to affix their signature at the space provided for on the attendance sheet annexed to the proxy form and hand over the slip at the entrance to the place of the Meeting.

By Order of the Board
M.H. Thanawala
Company Secretary

Mumbai

Dated: 8th February, 1999.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 6

Mr. Naveen Kshatriya was appointed on 29th July, 1998 as an Additional Director of the Company pursuant to Article 115(a) of the Articles of Association of the Company. In accordance with Section 260 of the Companies Act, 1956, he will hold office upto the date of the ensuing Annual General Meeting. In terms of Section 257 of the Companies Act, 1956, the Company has received a notice from a shareholder along with the requisite deposit signifying his intention to propose Mr. Naveen Kshatriya as a candidate for the office of Director. Mr. Naveen Kshatriya has given his consent to act as a Director of the Company, if appointed, at the forthcoming Annual General Meeting.

The Board of Directors consider that it would be in the interest of the Company to continue to avail of the services of Mr. Naveen Kshatriya as a Director of the Company and therefore recommend his appointment.

None of the Directors other than Mr. Naveen Kshatriya is concerned or interested in the passing of this Resolution.

Item Nos. 7, 8 and 9

At the 15th Annual General Meeting of the Company held on 20th April, 1993 shareholders had re-appointed Mr. R.A. Savor as the Managing Director of the Company pursuant to Article 130 of the Articles of Association of the Company. The term of appointment of Mr. R.A. Savor ended on 31st December, 1998.

The Board of Directors at their meeting held on 31st October, 1998 re-appointed Mr. R.A. Savor as the Managing Director of the Company pursuant to Article 130 of the Articles of Association of the Company for a period of 5 years from 1st January, 1999 to 31st December, 2003 or the normal date of retirement as in force, whichever is earlier.

Further, vide agreements dated 17th August, 1998 entered into between the Company and Mr. Naveen Kshatriya and Mr. Mukesh Palta, they were appointed pursuant to Article 115 of the Articles of Association of the Company as Wholtime Directors of the Company designated as Director-Consumer Division and Finance Director

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respectively for a period of five years from 29th July, 1998 to 28th July, 2003.

The appointment of Mr. R.A. Savoor, Mr. Naveen Kshatriya and Mr. Mukesh Palta (each of whom for the sake of brevity is hereinafter referred to as "the Director") is subject to the provisions of Sections 198, 269 and 309 and other applicable provisions, (if any), of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act.

The terms of the contract contained in the above mentioned Agreements are as under:

- (1) The total remuneration payable to each of the Director shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Act, 1956.
- (2) **Salary:**
 - Mr. R.A. Savoor: Rs. 2,77,000 per month
 - Mr. N. Kshatriya: Rs. 1,40,000 per month
 - Mr. M. Palta: Rs. 1,15,000 per month
- (3) **Performance Linked Bonus:** Such percentage of the net profits of the Company or such amount as may be decided by the Directors for each financial year or part thereof.
 Proviso: Provided however that the aggregate amount of Salary and Performance Linked Bonus shall be subject to such limits as may be fixed by the Board of Directors for each financial year or part thereof from time to time.
- (4) **Perquisites:** The Director shall be entitled to perquisites as are allowed to Senior Executives in Job Group XIII and above in the Company based on the approval of the Board of Directors from time to time in addition to Salary, Performance Linked Bonus and in particular the following perquisites shall be allowed to each of the said Director.
 - (a) **Housing:**
 - (i) the Company will provide hired unfurnished accommodation; or
 - (ii) the Company will provide unfurnished Company owned accommodation; or
 - (iii) where no accommodation is provided by the Company or the Director does not opt for accommodation provided by the Company during any period covered under each of their agreements, then the Director shall be entitled to House Rent Allowance as per Rules of the Company applicable to Senior Executives in Job Group XIII and above in the Company.
 - (aa) The Company shall bear and pay charges and expenses in respect of gas, electricity, water and furnishings and the same shall be valued as per the Income-tax Rules, 1962.
- (bb) **Medical Reimbursement:**
 Expenditure incurred for each of the Director and his family as per the Rules of the Company applicable to Senior Executives in Job Group XIII and above.
- (cc) **Leave and Leave Travel Concession:**
 Leave on full salary, as per the Rules of the Company applicable to Senior Executives in Job Group XIII and above.
 Leave Travel Concession for each of the Director and families once in a year incurred in accordance with the Rules of the Company applicable to Senior Executives in Job Group XIII and above.
- (dd) **Club Fees:**
 Fees of Clubs subject to a maximum of two Clubs. Admission and Life Membership Fees will not be included.
- (ee) **Personal Accident Insurance:**
 As per Rules of the Company applicable to Senior Executives in Job Group XIII and above.
Explanation: "Family" shall mean the Director's wife and his dependent children.
- (ff) Contribution to Provident Fund and Superannuation Fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- (gg) Encashment of leave at the end of the tenure will be permitted as per Rules applicable to Senior Executives in Job Group XIII and above in the Company.
- (hh) Gratuity payable shall be as per Castrol India Limited Gratuity Fund Rules in force from time to time.
- (ii) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to each of the Director.
 Proviso: Provided however, that the value of the perquisites allowed under Clause (4) in its entirety but excluding subclause (a), (ff) (to the extent of the limits being exceeded, if any, prescribed thereunder) (gg) and (hh) shall not exceed the sum of Rs. 5 lacs for each financial year or part thereof. In arriving at the value of the perquisites insofar as there exists a provision

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for valuation of perquisites under the Income-tax Rules, the value shall be determined on the basis of Income-tax Rules in force from time to time.

Minimum Remuneration

Where in any financial year, the Company has no profit or its profits are inadequate the Company will pay to each of the Directors Minimum Remuneration as provided in Section II of Part II of Schedule XIII of the Act as notified from time to time.

The other terms and conditions relating to each of the Director are summarised below:

1. The Director must use his best endeavour to promote the interest of the Company. The Director shall however be entitled to hold non-executive Directorship of any other Company/any other assignment of any nature whatsoever as the case may be.
2. The Director shall perform his duties and exercise such powers subject to the supervision and control of the Board.
3. The Director shall not be paid any sitting fees for attending meetings of the Board or any Committee thereof.
4. The Director shall maintain secrecy during the continuance of his employment.
5. The Director shall as long as he functions as such not become interested or otherwise concerned directly or through his wife in any selling agency of the Company without prior approval of the Government.
6. The employment of the Director shall forthwith determine if he becomes insolvent.
7. In case the Director dies in the course of his employment, the Company shall pay to his legal personal representatives the salary and other emoluments for the then current month.
8. In the event the Director becomes disqualified as Director for any reason other than an inadvertent breach of Section 283 of the Companies Act, 1956, or to secure the leave of absence from meetings of the Board, the Company may by notice in writing to the Director determine his agreement with immediate effect.
9. The Director of the Company shall be entitled to determine the Agreement by giving not less than six calendar months' notice in writing to the

Company without the necessity of showing any cause.

10. The Director shall upon ceasing to be in the service of the Company for any reason whatsoever, vacate the accommodation provided to him by the Company.
11. Notice to be given by the Director to the Company shall be sent by Registered Post A.D. to the Company.
12. In the event of any amendment or modification of the Companies Act, 1956, and subject to the approval of the shareholders in general meeting, if required, the remuneration and perquisites payable to the Wholtime Director may be varied or increased.

As required under Section 302 of the Act, abstracts dated 29th July, 1998 and 31st October, 1998 relating to the terms and conditions of the appointments of Mr. N. Kshatriya, Mr. M. Palta and Mr. R.A. Savoor respectively as set out above were sent to the Members of the Company.

The appointment and remuneration of the said Wholtime Directors are required to be approved by the shareholders in the first General Meeting after their appointment and accordingly these Resolutions are being placed before the Members of the Company.

The Board of Directors recommend the passing of the Resolutions contained in Item Nos. 7, 8 and 9 of the accompanying notice.

None of the Directors of the Company are in any way concerned or interested in the passing of the Resolutions contained in Item Nos. 7, 8 and 9 except Mr. R.A. Savoor, Mr. N. Kshatriya and Mr. M. Palta to the extent of the remuneration payable to each of them.

Item Nos. 10, 11 and 12

The present share capital of the Company is Rs. 62,00,00,000 (Rupees Sixty-two Crores only) divided into 6,20,00,000 Equity Shares of Rs.10/- each and the present issued, subscribed and paid up capital of the Company is Rs. 61,75,17,280 divided into 6,17,51,728 Equity Shares of Rs.10/- each.

In view of the proposed issue of bonus equity shares as set out in Resolution No. 13 the Board of Directors of the Company considers that the share capital of the Company should be increased to Rs.124,00,00,000 (Rupees One hundred and twenty-four Crores) by the creation of 12,40,00,000 Equity Shares of Rs.10/- each.