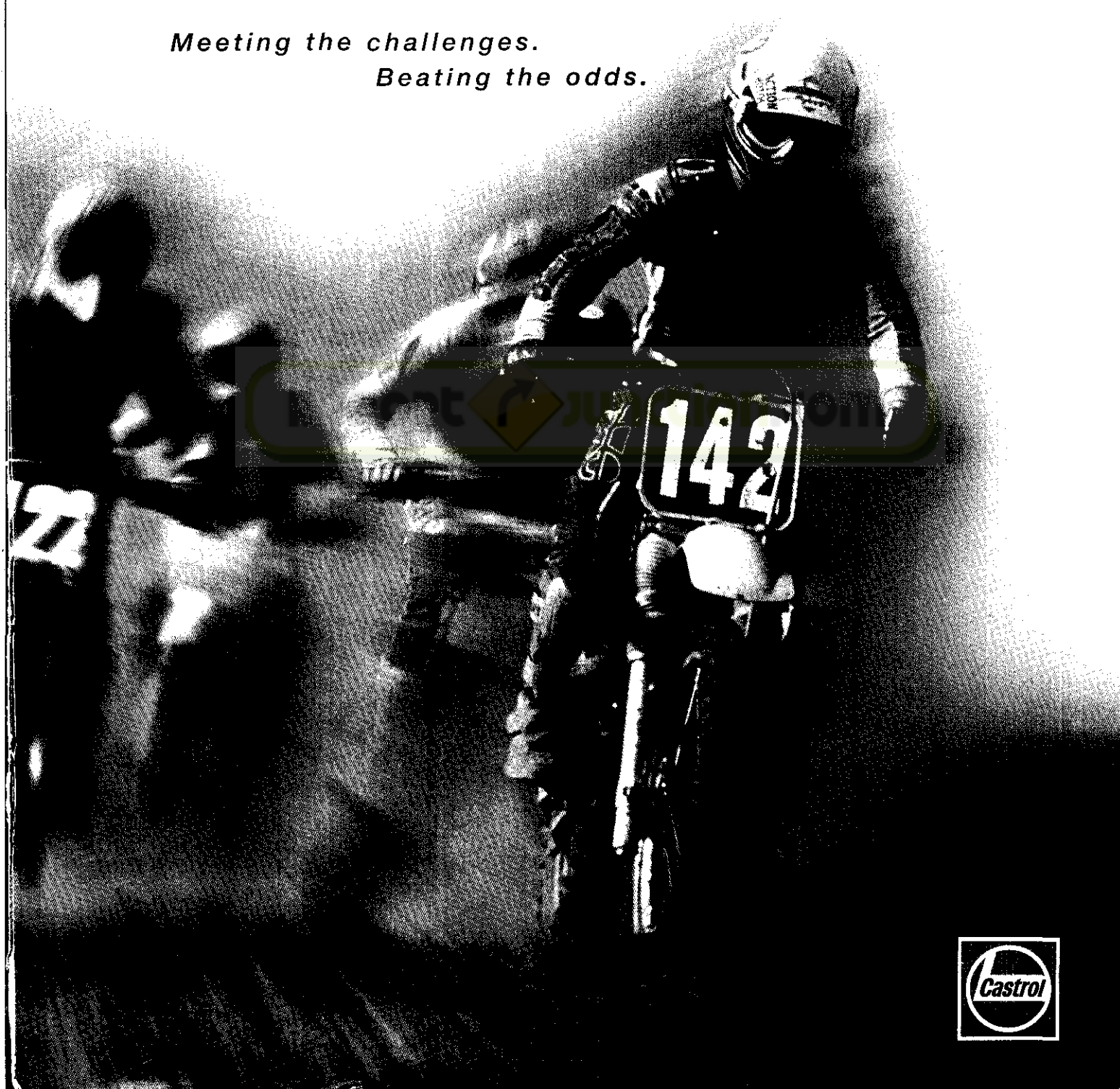


Annual Report 2000

Castrol India Limited

*Meeting the challenges.
Beating the odds.*



Annual Report 2000**Meeting the challenges.
Beating the odds.**

Dear Shareholders,

The year 2000 was probably the toughest year for the Indian lubricants industry in recent times. The steep rise in base oil costs, and the resultant steep increase in the cost of diesel, seriously impacted commercial vehicle movement and sales in the country.


This, combined with the overall slowdown in economic growth, affected the consumption of automotive engine oils, and especially diesel engine oils, which account for over 50% of the industry volume. The tractor engine oil segment was also severely affected by droughts and floods in different parts of the country.

All these conditions led to a decline in the demand for lubricants, which resulted in the industry registering a negative growth; which we believe to be around 6%.

Despite these odds, Castrol faced the challenges thrown up, quite convincingly, and was in fact able to consolidate and strengthen its market share, through a number of marketing, supply chain and technology innovations.

The company also adopted a strategy of building on the values of its various brands, through superior understanding of customer needs and focused communication of product benefits. Strategic alliances with leading Original Equipment Manufacturers also resulted in a number of new OE recommendations and approvals and also enabled us to access their service networks. This resulted in a strong presence in the rapidly growing franchised workshop segment.

Castrol has always believed that "when the going gets tough, the tough get going" and in the year 2000, we have proved that we are in a position to face any challenges that may come our way. These are difficult times, not only for the lubricant industry, but also for Indian industry per se; but we are confident of our ability of "Meeting the Challenges" and "Beating the Odds".



RAM SAVOOR
(Chief Executive & Managing Director)

Castrol India Limited**Board of Directors****Non-Executive Directors****Chairman**

S.M. Datta

Directors

J. Cook

C. D'Mello

R. Gopalakrishnan

D. Hulf

D. S. Parekh

K. Warnett – *Alternate to D. Hulf***Executive Directors****Chief Executive****& Managing Director**

R. A. Savoor

Directors

J. Goswami

M. Palta

Company Secretary & General Manager Legal

M. H. Thanawala

Bankers

The Hongkong & Shanghai Banking Corporation Ltd.

Citibank N.A.

State Bank of India

Barclays Bank plc.

Standard Chartered Bank

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,

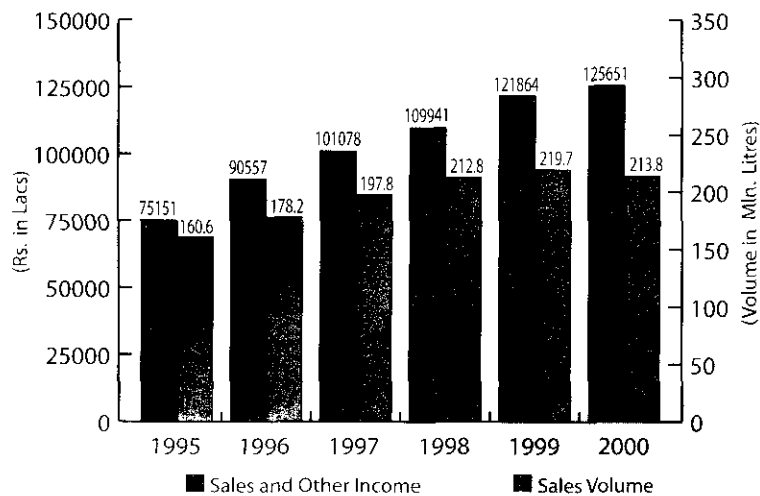
Mumbai 400 006.

CONTENTS

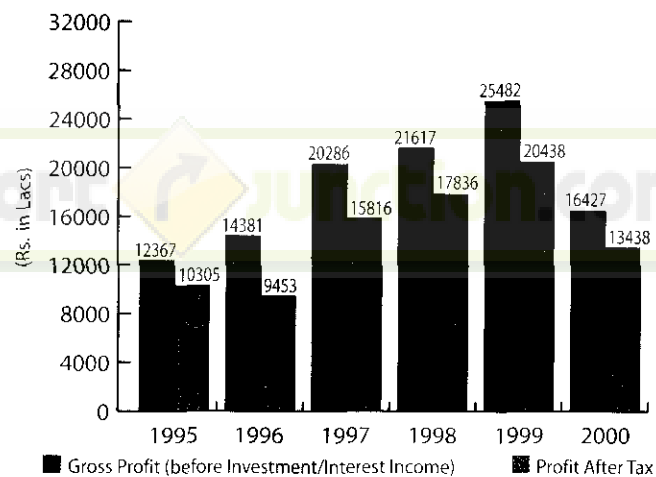
Financials	4
Directors' Report	5
Auditors' Report	24
Balance Sheet	26
Profit and Loss Account	27
Schedules	28

Financials

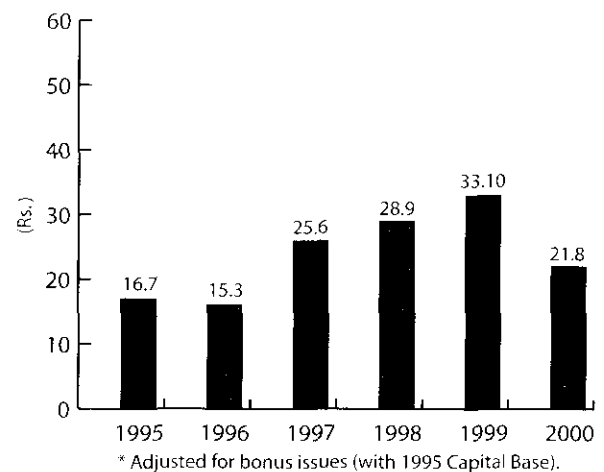
SALES AND OTHER INCOME

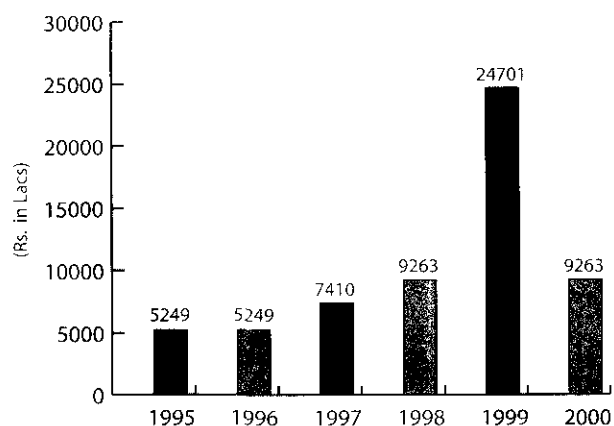
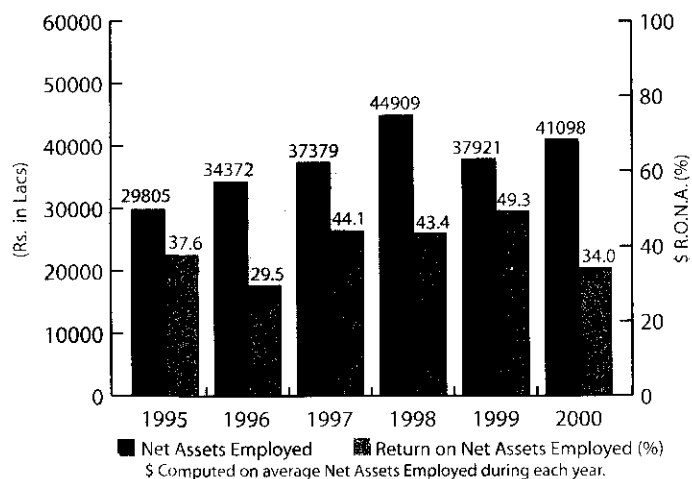
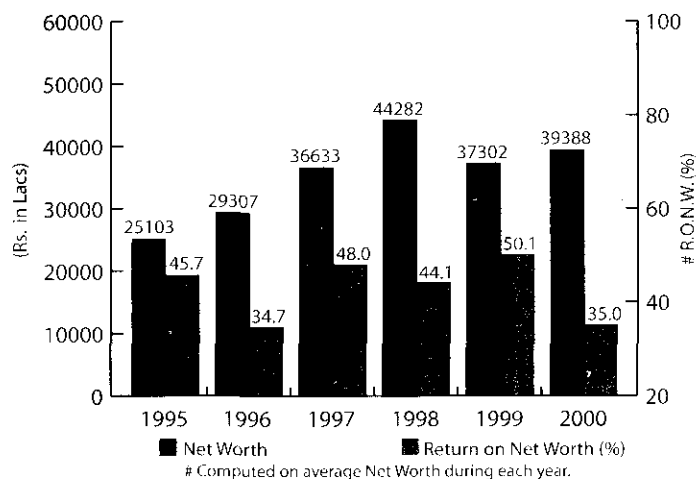
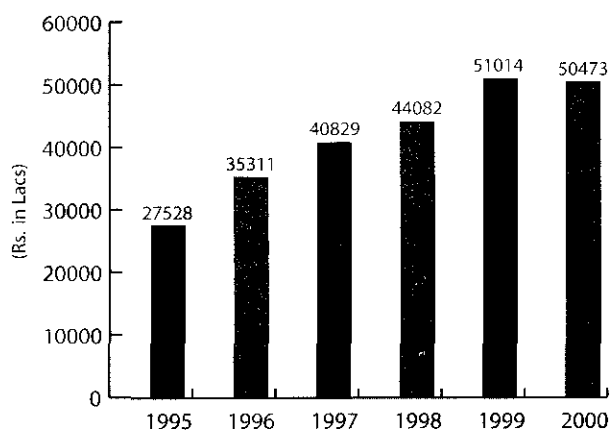


PROFITS



EARNING PER SHARE*



Castrol India Limited**DIVIDEND****RETURN ON NET ASSETS EMPLOYED**
RETURN ON NET WORTH**CONTRIBUTION TO EXCHEQUER**

Financials

A — FINANCIAL HIGHLIGHTS

Year	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991 (Apr.-Dec.)
Rupees in lacs										
Sales and Other Income	125651	121864	109941	101078	90557	75151	56852	41414	29154	16885
Raw Materials Consumed	60480	53001	52039	48933	50792	41583	31613	28161	19791	11013
Excise Duty	21775	16810	15129	13186	9795	6804	4612	519	260	356
Expenses	25143	25175	19766	17104	13060	10272	7618	4752	2935	1897
Interest	721	262	253	609	1698	1137	893	1061	745	377
Gross Profit (Before Investment/ Interest Income)	16427	25482	21617	20286	14381	12367	10462	6016	4703	3063
Gross Profit	17532	26616	22754	21246	15212	15355	12116	6921	5423	3242
Depreciation	1144	1008	843	680	449	258	258	201	137	95
Profit Before Extraordinary Item and Taxation	16388	25608	21911	20566	14763	15097	11858	6720	5286	3147
Depreciation for earlier year charge (write back)	—	—	—	—	—	(608)	—	61	—	—
Profit Before Taxation	16388	25608	21911	20566	14763	15705	11858	6659	5286	3147
Taxation	2950	5170	4075	4750	5310	5400	4560	2615	2040	1360
Profit After Taxation	13438	20438	17836	15816	9453	10305	7298	4044	3246	1787
Debenture Redemption Reserve	—	—	—	—	—	—	45	32	—	56
Dividend ‡	9263	24701	9263	7410	5249	5249	2895	1232	788	443
Gross Fixed Assets *	22349	21182	18818	17331	14499	8541	5175	3848	2900	2310
Net Fixed Assets *	17266	17098	15679	15021	12849	7321	3469	2380	1584	1178
Investments	37	8298	10554	8051	6250	11743	14934	9901	4007	2203
Net Current Assets	23795	12525	18676	14307	15273	10741	6568	8002	7725	5791
Miscellaneous Expenses	—	—	—	—	—	—	—	—	11	—
Net Assets	41098	37921	44909	37379	34372	29805	24971	20283	13327	9172
Share Capital	12350	12350	6175	6175	6175	6175	3859	1930	1576	985
Reserves & Surplus *	27038	24951	38107	30458	23132	18928	16120	13591	7350	5532
Net Worth	39388	37301	44282	36633	29307	25103	19979	15521	8926	6517
Borrowings	1710	619	627	747	5065	4703	4992	4763	4401	2655
Rupees										
Earnings per Share **	10.88	16.55	28.88	25.61	15.31	16.69	18.91	20.96	20.60	18.14§
Dividend per Share	7.50	20.00 ‡	15.00	12.00	8.50	8.50‡	7.50	7.50‡	5.00	4.50
Book Value per Share**	31.89	30.20	71.71	59.32	47.46	40.65	51.77	80.43	56.64	66.16
Debt Equity Ratio	0.14:1	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
* Figures for the year 1991 and 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	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991 (Apr.-Dec.)
Rupees in lacs										
Duty & Tax Payments	50473	51014	44082	40829	35311	27528	22200	15902	8112	3979
Total for 10 Financial Years Rs. 299430 Lacs										

Directors' Report**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER, 2000**

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st December, 2000.

For the year ended 31st December, 2000 (Rupees in Lacs)	For the year ended 31st December, 1999 (Rupees in Lacs)
---	---

FINANCIAL RESULTS

Gross Profit after interest but before Investment/Interest Income	16425.88	25482.10
Add: Investment/Interest Income	1105.35	1133.64
Gross Profit before Depreciation & Taxation	17531.23	26615.74
Deducting therefrom:		
Depreciation	1143.69	1007.88
Provision for Taxation	2950.00	5170.00
	13437.54	20437.86
Adding thereto:		
Balance as per last Balance Sheet brought forward	9929.12	19088.54
Transfer from Investment Allowance Reserve	—	20.50
Excess provision for taxes for earlier year written back	5.71	—
	23372.37	39546.90
The appropriations are:		
Dividend		
Interim	3087.58	12350.35
Special	—	12350.35
Final	6175.17	—
Tax on Dividend		
Interim	697.79	1358.54
Special	—	1358.54
Final	1395.59	—
Transfer to General Reserve	1500.00	2200.00
Balance carried forward	10516.24	9929.12
	23372.37	39546.90

ACQUISITION OF BURMAH CASTROL PLC BY BP AMOCO

During the year Burmah Castrol plc worldwide was acquired by BP Amoco.

Burmah Castrol plc holds 51% of the paid-up capital of this Company through its subsidiary Castrol Ltd., U.K.

Directors' Report**PERFORMANCE**

Total Sales and other Income increased by 3.11% to Rs. 1256.51 Crores. However, Gross Profit before depreciation and taxation reduced by 34.1% to Rs. 175.31 Crores.

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report covering division-wise performance and outlook is given below:

(a) Industry Structure and Developments**I. Automotive**

The growth and development of the vehicle parc drives the lube market in India. The parc consists of 45 million vehicles and is dominated by the 2-wheeler segment (scooters and motorcycles), which accounts for approximately 71% of the vehicle population. Diesel Engine Oils (DEO's) used in Commercial Vehicles and Tractors, however account for approximately 82% of Engine Oils sold and approximately 71% of lube sales (Greases and Engine Oils) the low vehicle share being offset by higher use.

Passenger Cars, the fastest growing vehicle segment, are expected to account for only 5% of lube consumption in 2005.

The 2-wheeler parc is expected to grow at a rate of approximately 9% per annum over the next 5 years. This growth is expected to be underlined by a strong shift towards 4 stroke motorcycles from the existing predominantly 2-stroke scooters. As a result the share of 2-wheeler Engine Oils is expected to increase to 20% by 2005.

The specialties/ancillaries segment consisting of greases, gear oils and brake fluids will continue to account for 15% of the market.

The year 2000 proved to be a difficult one for the lube industry with the overall market declining by more than

6%. The decline was driven by (i) higher lube and diesel prices, (ii) the move towards 'floor' sales tax rates which resulted in higher prices, (iii) the decline in freight movement as a result of the attempt to equalize sales taxes across the Country, (iv) stricter emission norms, which resulted in an increase in vehicle prices and (v) drought conditions prevailing in several parts of the country, which affected DEO demand in the agricultural segment.

II. Industrial

The general slowdown in the economy particularly the manufacturing sector affected the industrial business adversely.

(b) Opportunities and Threats**I. Automotive**

The health of the transport industry is a key driver of lube consumption. 2000 was a difficult year for the Transport Industry as it was forced to absorb a considerable part of the cost increase resulting from higher oil prices, which affected margins adversely and their ability to invest. The situation has improved in recent months and this together with the following positive developments should help lube consumption (i) decline in crude prices, (ii) introduction of new generation engines in trucks which should drive the market towards better quality premium lubricants, (iii) continued growth of the light commercial vehicles (LCV), Passenger Car Motor Oil (PCMO's) and Multi Utility Vehicles (MUV's) segments. (iv) rapid shift to 4- stroke engines in the 2-wheeler segment.

II. Industrial

Increased price competition has reduced margins as a result of the industry being unable to implement price increases in the market. However significant opportunities for growth are likely to result from Foreign Direct Investment particularly in the Transport Equipment Manufacturing (TEM) and Machinery Manufacturing segments.

Castrol India Limited**(c) Segment wise/Product wise Performance****I. Automotive**

Item	Million Litres	
	2000	1999
Lubricants and Greases	163.1	169.7
Brake Fluids, Coolants and others	10.6	10.9
Total	173.7	180.6

The slowdown in the commercial vehicle segment and the impact of the drought situation and floods on the agricultural segment, severely impacted the growth of the automotive lubricants industry during the year under review. Diesel engine oils which account for over 50% of the total automotive lubricants sales, was the worst affected segment and this was reflected in your company's diesel engine oil business. However, despite this difficult environment, the automotive business managed to reduce the impact of the downturn due to its strong brands, introduction of new products and continued consumer focus.

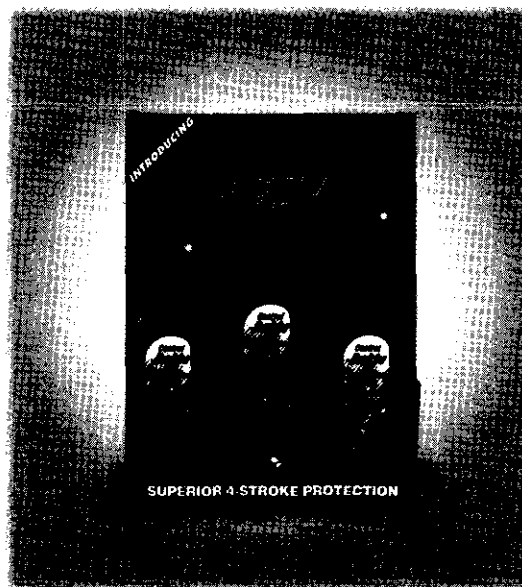
The company's superior understanding of consumer needs as a result of focused market research enabled introduction of new and improved product propositions leading to several new brands being launched during the year. These included Castrol Deusol Super – a premium diesel engine oil, introduced with two variants – Deusol Super Turbo Power and Deusol Super Euro.



Castrol RX Super Max – a high performance engine oil was also launched, with exclusive recommendation from Telco for all its Cummins engine fitted vehicles. Castrol CRB Plus – Tractor Special, was launched specifically for the tractor segment, in consumer friendly 7.5 litre pail packs.



The success story of the year was however, Castrol Activ 4T, a superior 4-stroke engine oil, which within less than a year of its launch, has emerged as the unchallenged market leader in its segment. Another



Directors' Report

innovation in the two-wheeler segment was the introduction of Castrol Scootek Hi-Mile, in a new Ezee Tube 40 ml pack – the first of its kind in India.

In the Passenger Car market, Castrol GTX Magnatec was launched nationally and has carved a niche for itself within the discerning consumer segment.



Besides product innovations, Castrol also initiated pioneering efforts in the channel management and route to market areas. A consumer service called "Castrol Call for a Can", now enables consumers in 7



leading cities, to get free home delivery of Castrol products.

Another novel concept aimed at consumer convenience was the launch of "Castrol Drive-Ins" – which are independent workshops, supported by Castrol. Apart from providing technical advice, including floor designs, to ensure safe, efficient, cost effective and friendly service to customers, Castrol partners these workshops by providing modern service equipment and marketing support.



The company is also in the process of implementing a programme on World Class Customer Management which will benchmark the company's customer management practices with the best in the world and help achieve the highest level of customer service.

II. Industrial

The focus of the Industrial Business is to create value for Customers through improved productivity and lower manufacturing costs by providing high performance products and value added services. The company has sought to achieve this through strategic alliances with Original Equipment Manufacturers, high performance products and a dedicated distribution channel for Industrial Customers.