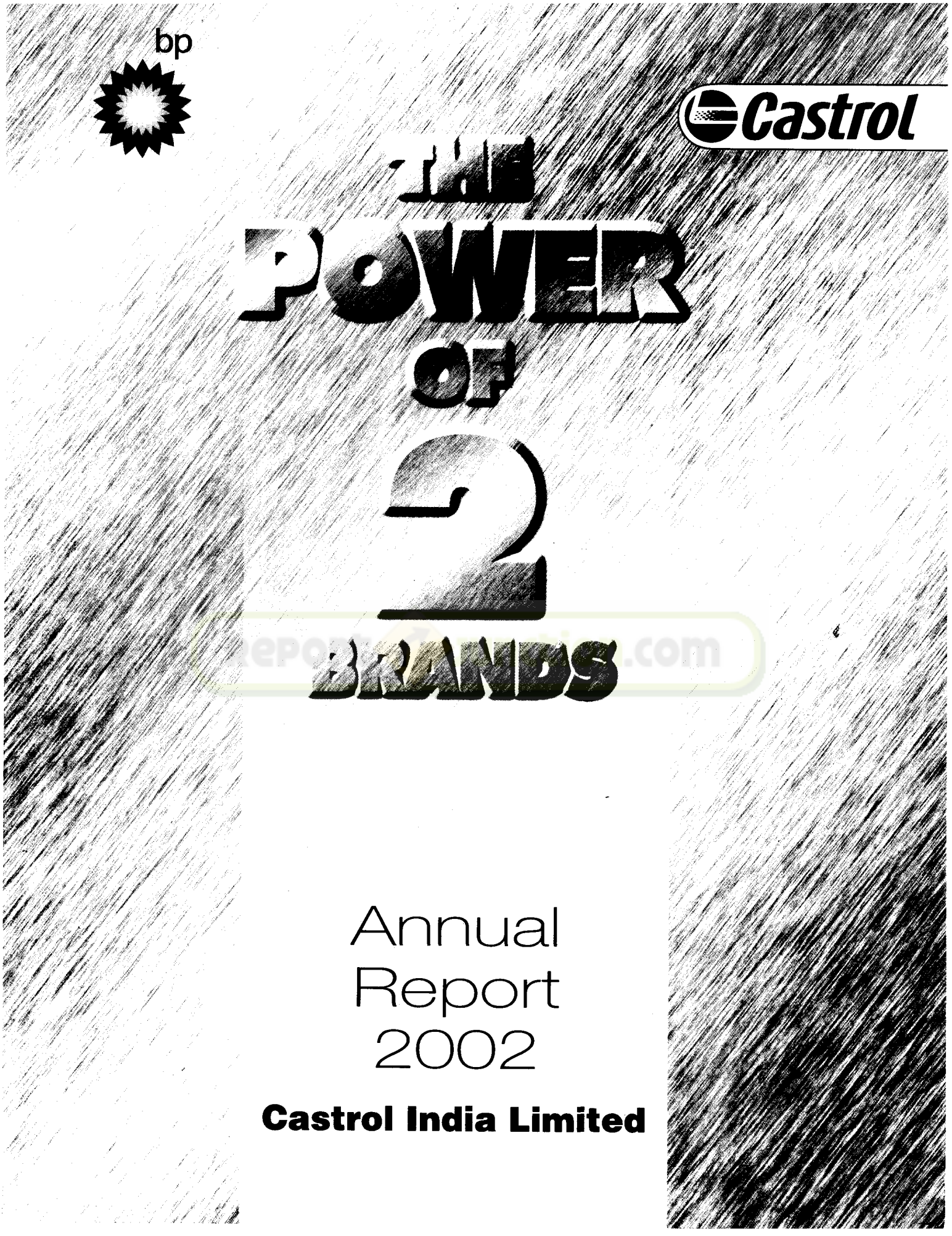
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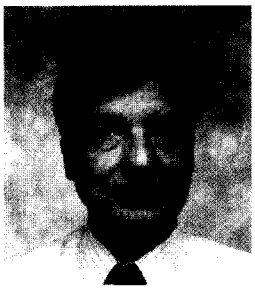

# Annual Report 2002

## Castrol India Limited

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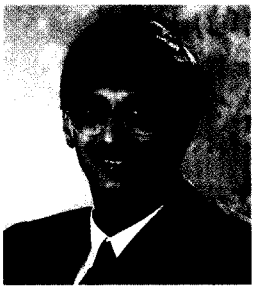
# Board of Directors



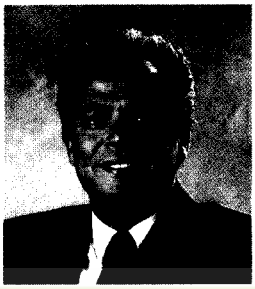
S. M. Datta
*Chairman*



N. K. Kshatriya
*Managing Director*



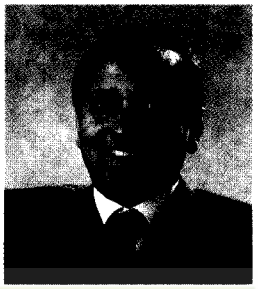
U. Desousa



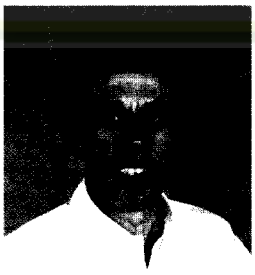
R. Elston-Green



R. Pisharody



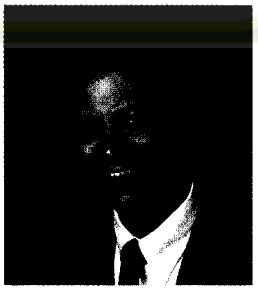
C. D'Mello



A. Ferguson



R. Gopalakrishnan



D. Hulf



D.S. Parekh



R.A. Savoor



K. Warnett
*Alternate to D. Hulf*

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# Castrol India Limited

## Board of Directors

**Non-Executive Directors**

**Chairman**
S. M. Datta

**Directors**
C. D'Mello
A. Ferguson
R. Gopalakrishnan
D. Hulf
D. S. Parekh
R. A. Savoor
K. Warnett – *Alternate to D. Hulf*

**Executive Directors**

**Chief Executive & Managing Director**
N. K. Kshatriya

**Directors**
U. Desousa
R. Elston-Green
R. Pisharody

**Company Secretary & Head – Legal**
A. H. Mody

**Bankers**
Deutsche Bank
Citibank N.A.
The Hongkong & Shanghai Banking Corporation Ltd.
Standard Chartered Bank
HDFC Bank Ltd.

**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.



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Dear Shareholders,

The year 2002 has seen a strong revival of financial performance of your Company with over 40% growth in profits over previous year. This has been achieved by unit price improvement, lower material costs, efficiencies in supply chain and cost reduction initiatives.

While we have maintained growth in the strategically important and growing segments, namely, engine oils for cars, 2 wheelers and new trucks, the overall sales volume continued to decline due to shortfall in our Commercial Vehicle Oil (CVO) segment, which accounts for a significant part of our portfolio.

The CVO market volumes have declined mainly because of :

- Increase in proportion of new technology trucks which consume less oil
- Old technology trucks extending oil change periods because of cost pressures
- Lower tractor utilisation because of difficult conditions in the agriculture sector

We believe that this market trend will continue until such time as there is a revival in freight market and agricultural activity. Your Company has carefully evaluated the long-term implications of this scenario and developed a multi-pronged strategy to address these structural changes in the market.

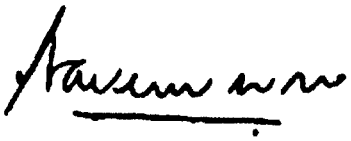
Our vision is to be the undisputed leader in Premium Automotive Lubricant Market. The actions which will drive our strategy will be:

- Extraordinary focus on consumer, channel-partner and OEM relationships, using brands as the primary drivers of our business
  - with technology based brand innovations
  - with novel consumer communications and interactions
  - with innovations in "route to market" and customer management
- World class supply chain and business processes

The execution of our strategy is already in full play now. In 2003, we plan to effectively leverage the power of our 2 brands: Castrol and BP. The BP brand, with enhanced distribution and sharper marketing, is expected to deliver its promise for volume growth in the "popular" price segment. With relaunch of our flagship brand Castrol CRB, with its unique new formulation, we will add significant value to diligent consumers. To facilitate these strategic initiatives, we have suitably modified our channel and customer management processes.

The years 2002 and early 2003 saw significant changes within our organization, including restructuring and rightsizing. Despite this, we have been able to implement the revised strategy in a record time, thanks to the dedication and commitment of our staff and business partners.

I am confident that with continued efforts by all members of our extended family, Castrol India will become stronger and more vibrant - the undisputed leader in automotive lubricants.



Naveen Kshatriya
Managing Director



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# Products and Services "Fit for Consumers"

*Having had a presence in India for over eight decades, Castrol India is in a strong position to understand changing dimensions of consumer needs as well as the environment. Castrol has a deep understanding of its consumers and is constantly in pursuit of developing products and services which are "fit for our consumer needs".*

*With the agriculture industry recording three successive years of negative growth and the transport industry under pressure, consumers are looking towards optimizing operating costs of their assets like trucks, tractors, etc. Hence they are seeking enhanced value from automotive equipment and consumables to improve their operational economics.*

## Castrol CRB Plus

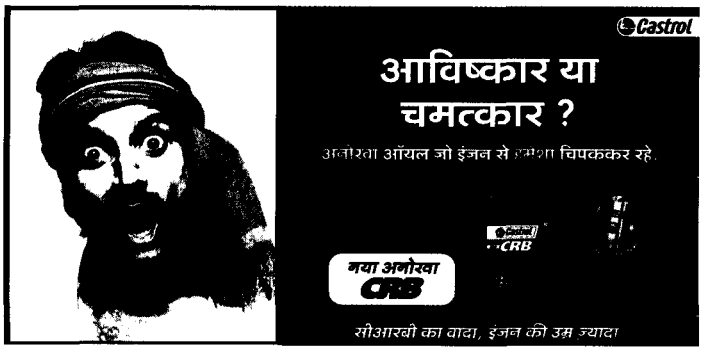
Castrol CRB Plus - Castrol's flagship brand, is the market leader in the diesel multigrade engine oil segment with its promise of 'Longer engine life'. Recognising the emerging trends for enhanced value, Castrol has added new breakthrough technology to this brand and launched New Unique Technology CRB with 'PSM' (Perma Stick Molecules). The unique technology enables the oil to form a permanent protective layer on the piston and cylinder under all operating conditions. This prevents engine wear and tear, leading to even longer engine life, thereby helping consumers get more out of their assets.

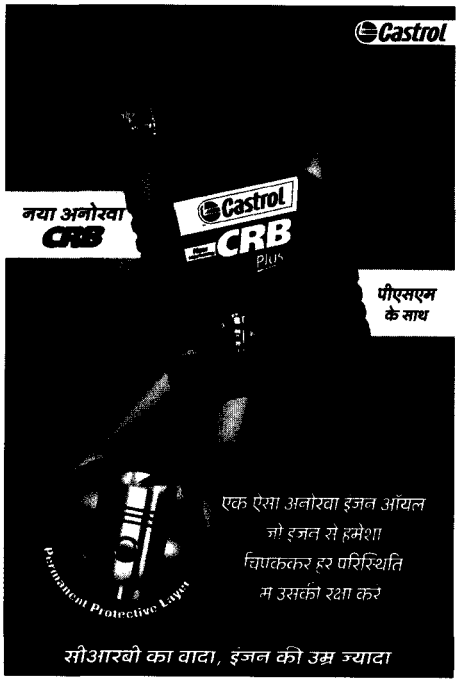
*The new 'PSM' technology is strongly communicated through above and below-the-line media*












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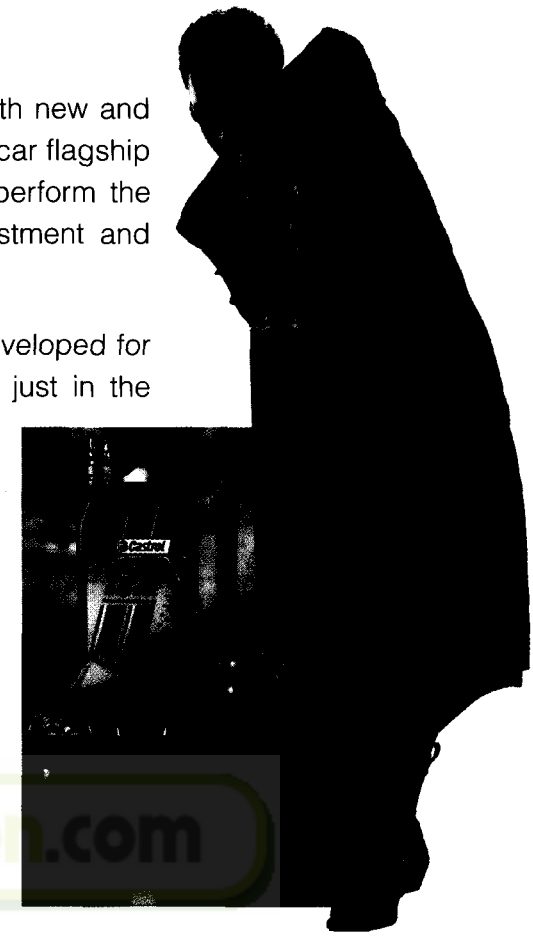
# Castrol GTX range

The landscape of the Indian car market is rapidly changing with new and sophisticated models being launched regularly. Our passenger car flagship brand GTX (GTX Extra and GTX Magnatec) continues to outperform the market, growing in share and well supported by brand investment and consumer interaction.

Our diesel engine oil variant of GTX - Castrol GTD, specially developed for Tata Indica cars, has been performing exceptionally well not just in the workshops but in the aftermarket as well.




*Castrol GTD - a diesel engine oil specially developed for Tata Indica cars*

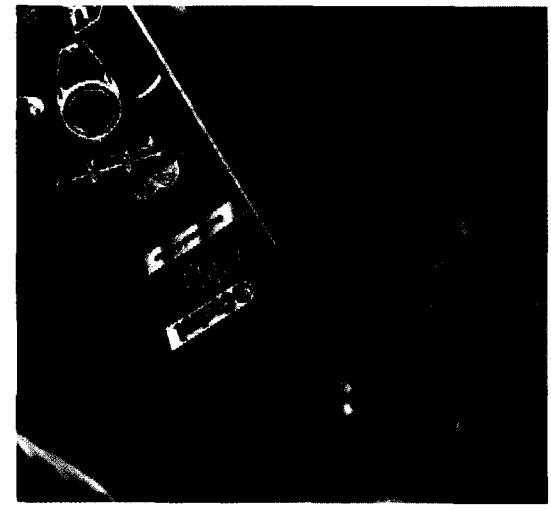


*Rahul Dravid - India's cricketing hero and Castrol's Brand Ambassador, promotes GTX Magnatec*

# Castrol Power 1

The 4-stroke motorcycle market is also evolving with consumers demanding higher performance engine oils which meet the requirements of their new generation motorcycles. During the year, the company launched the Castrol global motorcycle engine oil brand - Castrol Power 1, with endorsement by David Beckham - one of the most popular footballers in the world.

Activ 4T, another 4-stroke motorcycle engine oil in our portfolio, continues to be the most preferred brand amongst 4-stroke motorcycle owners, whilst Castrol Super TT and Scootek 2T continue to hold their own in the 2-stroke category.



*David Beckham stars in a TVC for Power 1*



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# Speciality products

One of the large, profitable categories in our portfolio is the Speciality segment which includes transmission fluids, brake fluid, greases, etc. Castrol holds the leadership position in this market segment. During the last few years, we have revamped the portfolio to upgrade the product technology, making it contemporary with the emerging needs of new generation vehicles and OEM specifications.




*Some of the recently upgraded Speciality products*

# Vishwas se bhara, hamesha khara

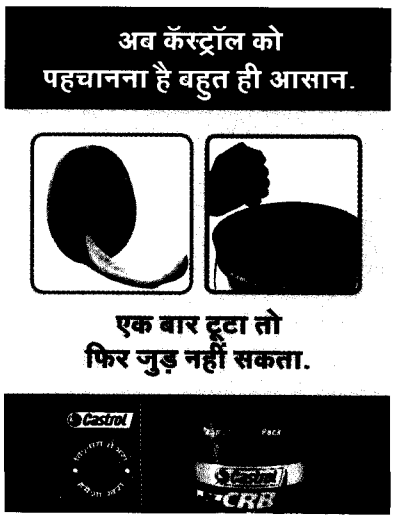
Our brands are our company's most valuable assets and Castrol has embarked upon an aggressive offensive to protect these assets in the market place. As part of this effort, we have launched a powerful multi-media campaign - "Castrol Vishwas se bhara, hamesha khara". The main objective of this campaign is to educate consumers about the various packaging innovations done by Castrol to deter counterfeiters and also create awareness amongst consumers on how to identify genuine Castrol packs.







*Demonstrating and communicating the new tamper-proof 'smart seal' to consumers*






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# BP

The BP range of lubricants was launched in India in mid 2001. The brand operates in the diesel engine oil segment - mainly in the trucking segment. BP Vanellus Multigrade Diesel Engine Oil (BP VMG) was launched with a unique benefit of 5.1% saving in diesel consumption - the "first of its kind" benefit offered in the lubricant industry.

With truck operators under tremendous pressure and diesel accounting for almost 60% of operating costs, this product proposition is a perfect fit for the consumer seeking operational efficiency in fuel consumption. Based on consumer feedback that they would be more comfortable with the popular 20W/40 viscometrics, we have modified the formulation to meet brand proposition and consumer needs.

*The new 20W/40 formulation of BP continues to offer the benefit of 5.1% less diesel consumption*







*The 5.1% less diesel consumption results in a cost saving of Rs. 29,000 per annum to a trucker*



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# BP

The distribution of the BP brand has been integrated with the Castrol distribution system, resulting in almost a doubling of the distribution reach. To ensure that the brand proposition is well known to all consumers and to generate trials for the brand, we have launched intensive Direct Consumer Contact programmes in key markets.

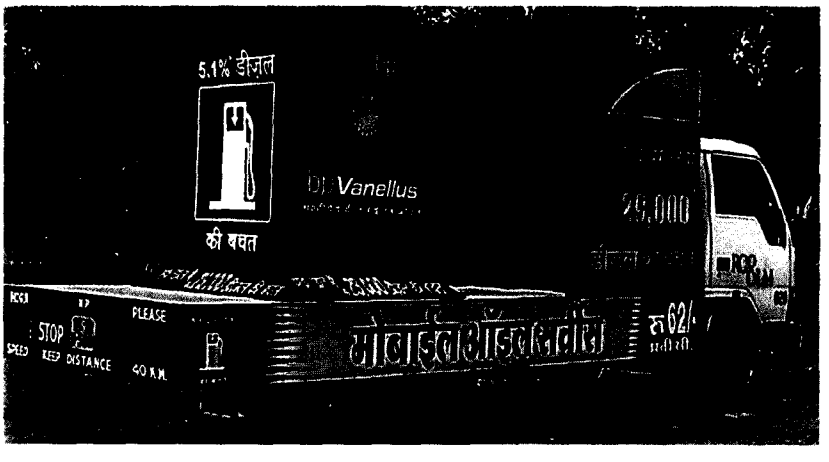
Over 100,000 truckers were contacted through the BP Health Mela Programme which was launched in 2002. The programme has been very successful in building relationships with our consumers and in conveying the product proposition and brand values.






*Various messages pertaining to health were promoted through the BP Health Melas which were also used to communicate the product proposition and brand values.*

Yet another initiative borne out of consumer insight is BP Direct. A substantial quantity of lubricants are bought loose from barrels. A major concern of these consumers is the quality and 'genuineness' of the products. To mitigate this concern, we are testing out a new concept aimed at providing consumers with a convenient and cost effective alternative which delivers reliable quality loose oils. The BP Mobile Oil Service Van operates in Transportnagars and directly sells to consumers, providing them assurance at an affordable price and yet offering a 'branded' experience.




*The BP Mobile Oil Service Van - a unique initiative*



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# Products and Services "Fit for Customers"

*Our customers are the intermediaries and partners through whom we channelize our products to the market (our route to market). They include our distributors, retailers, large workshops and institutional buyers like fleet operators, off highway operators, etc.*

## Distributors and retailers

A few years ago, Castrol embarked upon a new distributor led route to market and it has been a positive experience. Today we have a 250+ strong distributor network across the country. In our effort to align our distributors' vision with our business vision, we launched a Distributor Partnership Programme in 2002. This pioneering effort is already showing encouraging results.





*Our Distributors play a critical role in ensuring our products and services are available across the country*

Our 40,000 strong retail network has been the backbone of our distribution system. Many of the retailers are small individual owners who often lack the professionalism and expertise to run a business successfully. Castrol works closely with the retailers, through programmes like World Class Customer Management. This programme equips the retailers with the right skills and techniques which enable them to do their business better.




*A specially designed retail outlet in a predominant Passenger Car market area*



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