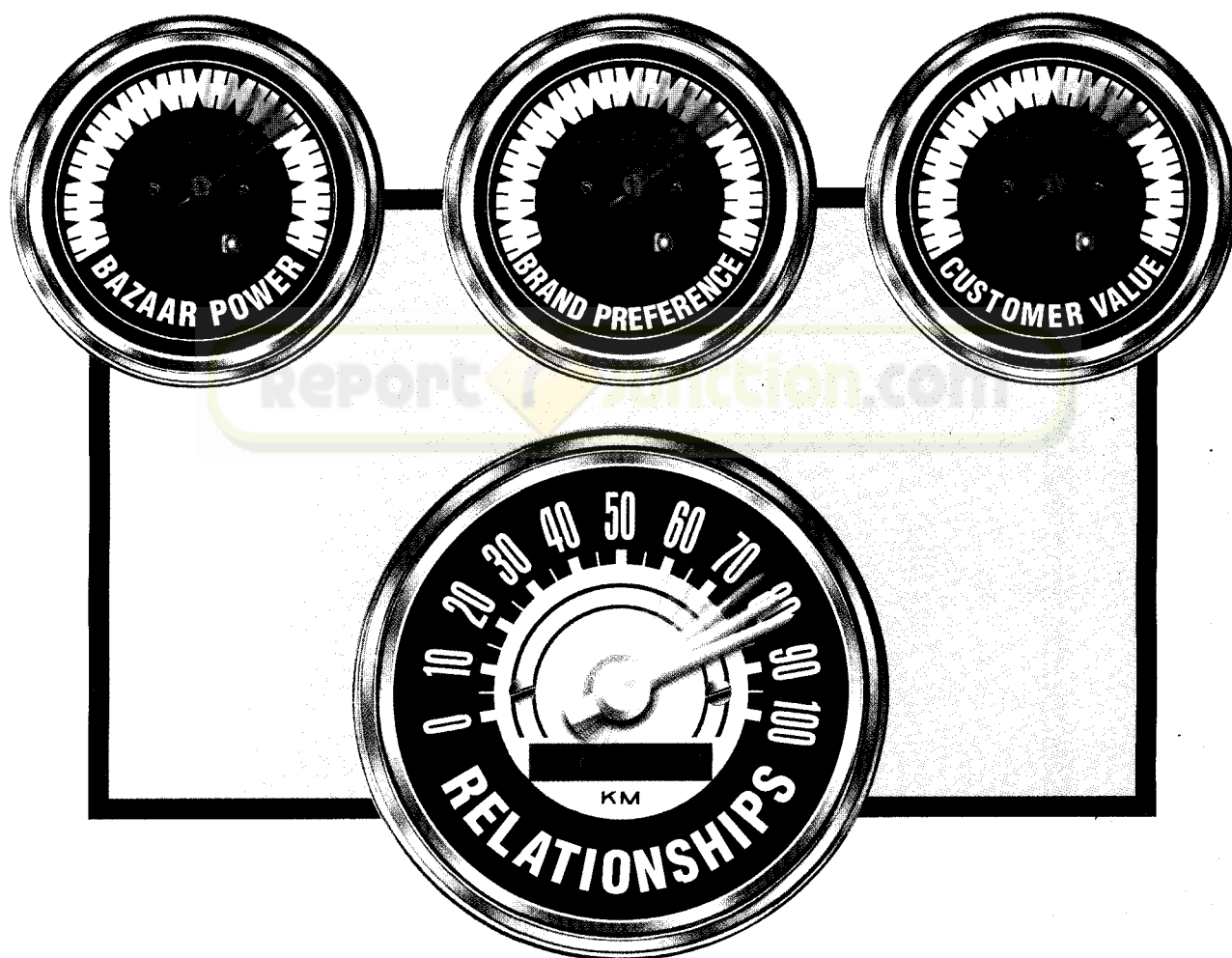


Annual Report 2003



Driving The Resurgence www.Reportjunction.com

2003 has been a year of turnaround

Dear Shareholders,

Although 2003 closed with a decline in profits, attributable to unprecedented raw material prices, your Company recorded an underlying volume growth for the first time since 1999. This was achieved in spite of overall market and company volume decline reported in the first half of the year. By year-end we also recorded share and turnover growth for the full year with increased investment in brand building and customer management. The year saw significantly increased efforts on Health, Safety and Security of our employees and partners. Your Company increased commitment to Social investment, especially in the area of Road Safety. We consolidated several different office locations into a single modern workplace for better work culture, morale and productivity. All this was achieved whilst simultaneously reducing overheads.

The strong underlying performance of the year reflects revitalizing of your Company. The second half of the year saw a volume growth of over 6%. Some of the path breaking achievements include creation and consolidation of key OEM alliances. We have outperformed competition in new channels and growing product categories. The biggest success was a breakthrough growth in bp brand. This now provides a second plank for acceleration of topline.

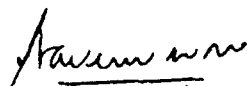
The economy is growing at a faster clip. The good monsoon augurs well for our agri-segment business. However, the downward pressure on demand for Commercial Vehicle lube oils will continue because of structural changes led by new engine technology. These efficient engines consume lesser lubricants per kilometer. Therefore, in spite of continued rapid growth in vehicle production, we are not witnessing a corresponding lube demand in transport segment.

We have started 2004 on a strong note. But it is appropriate to signal some of the challenges we face this year. Base oil and packaging material prices have escalated further to unforeseen levels, impacting margins. In a competitive market and a branded business, we need to carefully manage pricing to avoid downtrading or brand shifts by consumers. We recognize that material costs will reverse in the medium term because of their cyclical commodity nature.

In summary, 2003 was truly exhilarating for the Castrol Team because of:

- Successful implementation of a carefully crafted strategy
- Excellence in execution
- Immense learnings enabling us to set up a launch pad for revitalizing Castrol India

But above all, it was a year of building stronger bonds with our stakeholders. In the next few pages, we share with you the effort made to strengthen these relationships which provide a real competitive advantage for Castrol India.



Naveen Kshatriya
Managing Director

Castrol India Limited

Board of Directors

Non-Executive Directors

Chairman

S. M. Datta

Directors

C. D'Mello

R. Gopalakrishnan

P. Hughes

D. S. Parekh

R. A. Savoor

L. Freese – *Alternate to P. Hughes*

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.

Relationships - our competitive advantage

All companies strive to gain competitive advantage. Many rightly look in areas such as manufacturing, sales, financial planning and other links in their value chain. While these do offer an edge, they may not be sustainable in the long run.

Some competitive advantages are long lasting. These are intangible, difficult to replicate and thus more sustainable. Castrol India has focused on some of these to gain competitive advantage. These are :

- Distinctiveness driven by continuous innovation in all areas of the business
- Winning culture and a desire to excel in everything we do
- Strong meaningful relationships with all stakeholders - Consumers, Customers, Distributors, Intermediaries, OEMs, Suppliers, Strategic partners, communities in which we operate and above all, our own staff.

We value and carefully nurture relationships with our stakeholders. We truly believe that more than technological prowess and business process innovations, it is the 'focus on relationships' which has been the cornerstone of our satisfying and successful presence in India for over 85 years. In the lubricants business, Castrol India is probably the only company that offers a combination of International quality and International brands backed by in-depth local knowledge and strong enduring relationships with consumers, customers and partners.

This has been possible with deep insights of consumer behaviour as well as market demand drivers, understanding of the arena where we operate and quality execution - all thanks to a 'great team' which makes this happen.



A cross-functional group from 'Team Castrol'

Castrol CRB

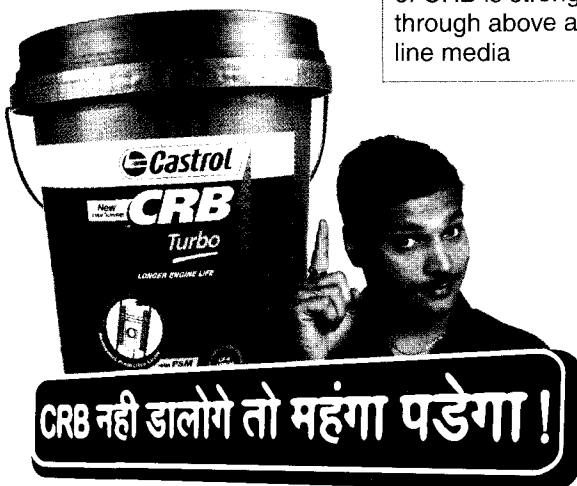
Adding value to consumers

The star in the Castrol portfolio, Castrol CRB has a loyal band of consumers who are willing to pay a premium for the distinctly superior performance of the brand. This loyalty has been built over the years through consistent product performance proved under the most grueling conditions which truckers have to face. In recent times we have added a unique PSM (Perma Stick Molecule) technology and developed CRB Turbo, a special variant for new generation engines.

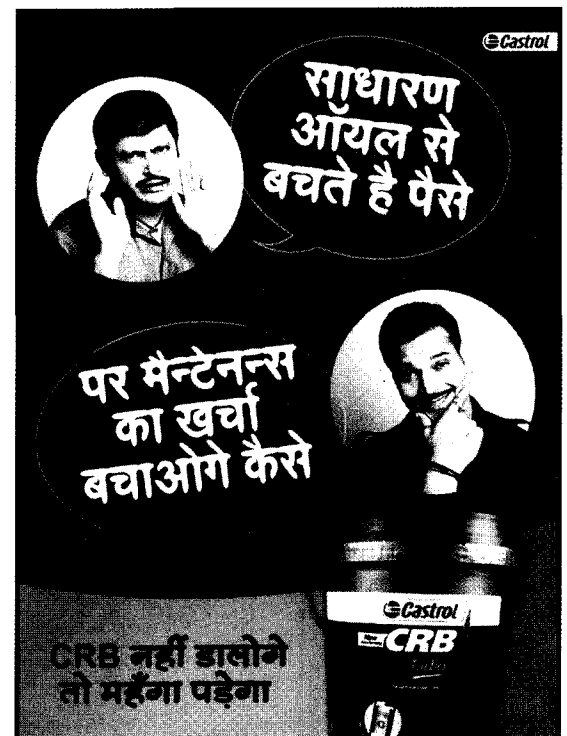
Though a premium offering, the cost benefit aspect of Castrol CRB brand is being further strengthened through a new advertising campaign which highlights the business sense of the CRB consumer who thinks long term and is not 'penny-wise, pound-foolish'. The campaign tries to instill a sense of pride in the CRB consumer and strengthens his emotional bond with the brand.



Castrol CRB with its unique PSM technology was launched with great fanfare to the Distributors



The cost benefit proposition of CRB is strongly communicated through above and below the line media



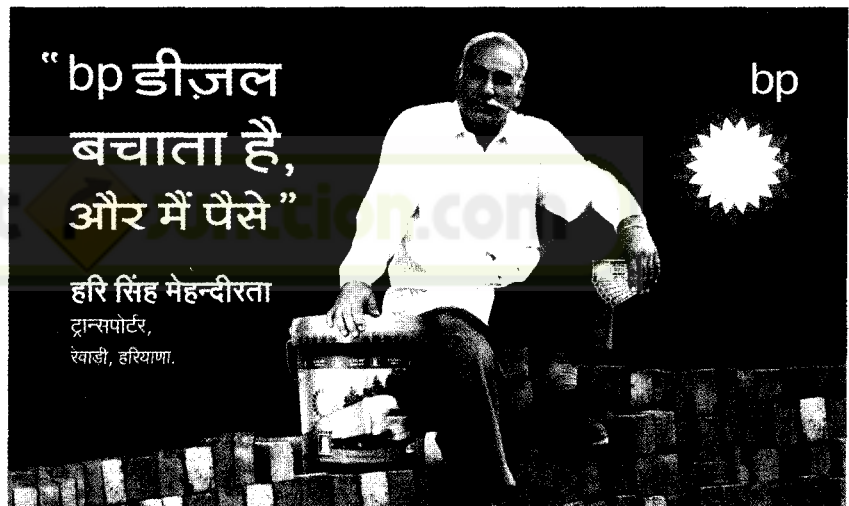
bp

Delighted consumers endorse brand performance

The bp brand distribution was integrated with Castrol distributors in early 2003 for creating wider availability of the brand. The brand proposition of 'reduced diesel consumption' was developed after intensive consumer research. This proposition is targeted at the bp consumer who is cost efficiency driven and is continuously seeking ways to reduce operational expenses.

The proposition was highly appreciated by bp consumers. The follow-up bp advertising campaign was built around testimonials from actual consumers who were delighted with the brand living up to its promise. An interesting case of consumers promoting a brand, it reflects the close relationship that the brand has built with its consumers over a fairly short period of time.

bp consumers star in mass media communication to share their brand experiences



bp consumers consider themselves part of the bp family and share their stories, experiences and dreams with other consumers through various platforms provided by bp



Two - wheelers / passenger cars

Driving their passion

Two-wheeler and car owners have a very special relationship with their vehicles. Castrol in turn has a very special relationship with this target group. Besides communicating the brand propositions through mass media campaigns featuring sports stars like Rahul Dravid and David Beckham, Castrol maintains close contact with its consumers through a spate of innovative promotions and exciting on-ground activities that connect very powerfully with consumers as well as trade.



Power 1: Creating an emotional bond with the youth through music programmes

Rahul Dravid endorses Activ 4T – a high performance 4-stroke motorcycle oil



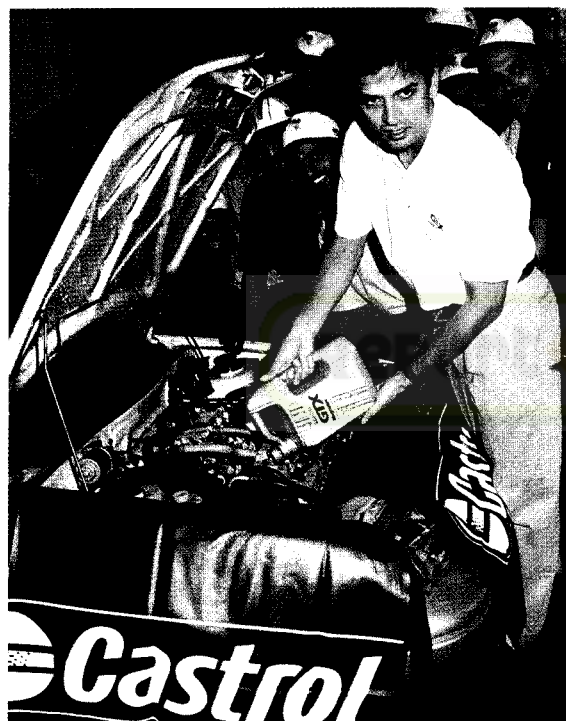
On-ground promotion for Activ 4T allows one-on-one contact with consumers



Franchised Workshops

High quality service for high technology engines

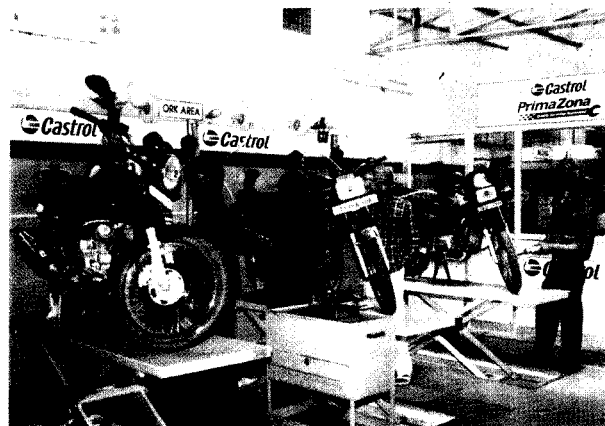
New sophisticated engine technologies across all vehicle segments are driving vehicle owners to franchise workshops that are fast emerging as an important channel for lubricant sales. Responding to this, Castrol India has set up a dedicated workforce to deliver superior propositions and OEM supported brands to this customer base. Castrol's specialist Workshop Development Team works closely with mechanics and garage owners to create a business relationship which improves their profitability.



Castrol brand ambassadors – Rahul Dravid and Adam Gilchrist interact with mechanics at key customer workshops

Castrol PrimaZona

Castrol PrimaZona is a new business opportunity for Castrol India. The Castrol Franchised two-wheeler workshops allow us to extend our relationship with motorcyclists, going beyond lubricants. The offer includes high standard service and basic repairs. It appeals especially to those motorcyclists who demand superior quality, typically Castrol brand patrons.



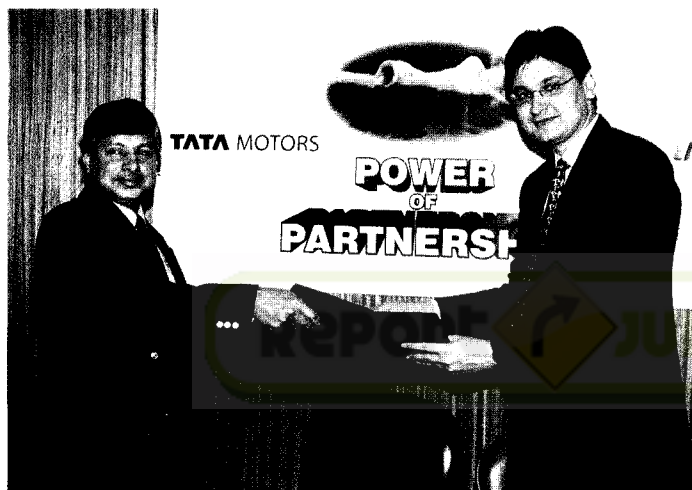
High quality and premium service is offered to consumers through Castrol PrimaZona

OEMs

Partnerships based on Win-Win relationships

Original Equipment Manufacturers (OEMs) and Equipment manufacturing industries play a strategic role in our business. We have a long and successful history of partnerships with leading OEMs across all vehicle categories. With strong brands, superior technology and width and depth of distribution, Castrol is an ideal partner for progressive OEMs who continuously seek to offer their consumers the best performance from their automobiles or manufacturing equipment.

We have recently entered into several new tie-ups and extended the scope of existing alliances with major OEMs. We work hard to find a win-win formula which makes the relationship distinct and value-adding to both sides.



Rajiv Dube - Vice President Commercial, Tata Motors (on right), exchanges a service fill agreement for auxiliary products, with Ravi Pisharody - Director, Marketing, CIL



CIL entered into a three-year exclusive service fill alliance with Ford India for their Endeavour Sports Utility vehicle. Seen in picture are (on left) David Friedman - MD & President, Ford India and Sanjeev Kaul - General Manager, Southern Region, CIL



Ranaveer Sinha - MD, TELCON (on right) and Anil Jayaraj - General Manager, Eastern Region, CIL, signing a five-year agreement for exclusive initial fill supply of hydraulic fluid



Rakesh Chopra - Business Head, Escorts Limited (on left), exchanging a service fill agreement with Naveen Kshatriya - MD, CIL

Distributors & Dealers

The extended Castrol family

Castrol has the best distribution in the lubricant industry with a wide network of C&FAs, distributors and customer service agents, reaching over 40,000 dealers and thousands of institutional and industrial customers. Many Castrol distributors and dealers have been with the company for generations. It is their loyalty and advocacy which has played a major role in establishing Castrol's strong leadership position in the retail market.

During the year, Castrol further strengthened its ties with this key customer segment through a number of promotional schemes and initiatives aimed at building loyalty and strengthening long term relationships.



The Castrol Mahayudh was a platform for us to share our strategies and plans with our Distributors



The Castrol Superstar Dhamaka - a series of star studded shows across the country, enabled us to interact with our dealers and acknowledge their contribution and achievements

