

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

Item Nos. 1 to 4

The Board of Directors of the Company ("the Board") at their meeting held on 26th April, 2013, have approved the Capital Reduction so as to reduce the fully paid-up face value of the equity shares from Rs. 10/- per share to Rs. 5/- per share thereby involving a payment of Rs. 5/- per share to the Shareholders of the Company on a Record Date to be fixed by the Board in consultation with the Stock Exchange/s after the said Capital Reduction becoming finally effective.

The Capital Reduction is conditional on and subject to:

- (a) the approval of the Resolutions at Item Nos. 1 to 4 by the Members of the Company under Section 100 of the Companies Act, 1956. The same is being obtained through postal ballot and e-voting process.
- (b) The approval of the High Court of Judicature at Bombay;
- (c) any other approval, consent or order of the appropriate Statutory/Government Authorities/forum as may be considered necessary and appropriate by the Board being obtained and granted in respect of any of the matters for which such approval, consent or order is required; and
- (d) the benefit of the Capital Reduction being extended to all the Members of the Company uniformly.

It is to be noted that the amount payable under the Capital Reduction will not be taxable in the hands of Members. However, the Company will be liable to pay the Dividend Distribution Tax at the prevailing rate of tax under Section 2(22)(d) read with Section 115O of the Income-tax Act, 1961. The payment under the Capital Reduction would not entail declaration or distribution of any dividend for the purposes of Section 205 and 205A of the Companies Act, 1956.

The Resolution at Item No. 1 is designed to obtain the approval of the Members pursuant to Article 7 of the Company's Articles of Association which, *inter alia*, empowers the Company to reduce the capital subject to the provisions of Sections 100 to 105 of the Companies Act, 1956.

The rationale for proposing the Capital Reduction to the Members of the Company is given hereunder:

1. The Company is engaged in the manufacture and/or marketing of Lubricants – Automotive, Industrial, Marine and Specialty.
2. Since its public issue in 1983, the Company has maintained a consistent growth which has been reflected in the dividend payout ratio, issue of bonus shares from time to time and the high market price.
3. The authorized share capital of the Company is Rs. 495 crores comprising of 49,50,00,000 equity shares Rs. 10/- each. The present issued, subscribed and paid-up equity share capital is Rs. 494.56 crores comprising of 49,45,61,192 fully paid up equity shares of Rs. 10/- each.