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BOARD OF DIRECTORS

Ashok M Advani
Executive Chairman

Suneel M Advani
Vice Chairman & Managing Director

Satish Jamdar
Managing Director

Vir S Advani
Executive Director (w.e.f July 1, 2010)

Shailesh Haribhakti
Pradeep Mallick
Gurdeep Singh
Suresh N Talwar

COMPANY SECRETARY

K P T Kutty

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd
State Bank of India
Oriental Bank of Commerce
The Royal Bank of Scotland
BNP Paribas

AUDITORS

S R Batliboi & Associates

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt Ltd
C-13, Kantilal Maganlal Estate
Pannalal Silk Mills Compound
L B S Marg, Bhandup (West)
Mumbai 400 078.
Telephone: +91 22 2594 6970
Fax: +91 22 2594 6969
Email: rnt.helpdesk@linkintime.co.in

REGISTERED OFFICE

Kasturi Buildings
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.
Telephone: +91 22 6665 4000
Fax: +91 22 6665 4151
www.bluestarindia.com

CORPORATE MANAGEMENT

Ashok M Advani
Executive Chairman

Suneel M Advani
Vice Chairman & Managing Director

Satish Jamdar
Managing Director

Vir S Advani
Executive Director (w.e.f July 1, 2010)

Avinash Pandit
President - Electro Mechanical Projects Group

B Thiagarajan
President - Airconditioning & Refrigeration Products Group

J M Bhambure
Executive Vice President - R&D and Manufacturing

Manek Kalyaniwala
Executive Vice President - Finance

Arun Khorana
*Executive Vice President
- Professional Electronics & Industrial Systems Division*

R Aravindan
Vice President - Airconditioning Projects Division (South)

Sumanta Chaudhuri
Vice President - Electrical Projects Division

R G Devnani
Vice President - Dadra, Bharuch & Thane Plants

Harish Govind
Vice President - Human Resources & Administration

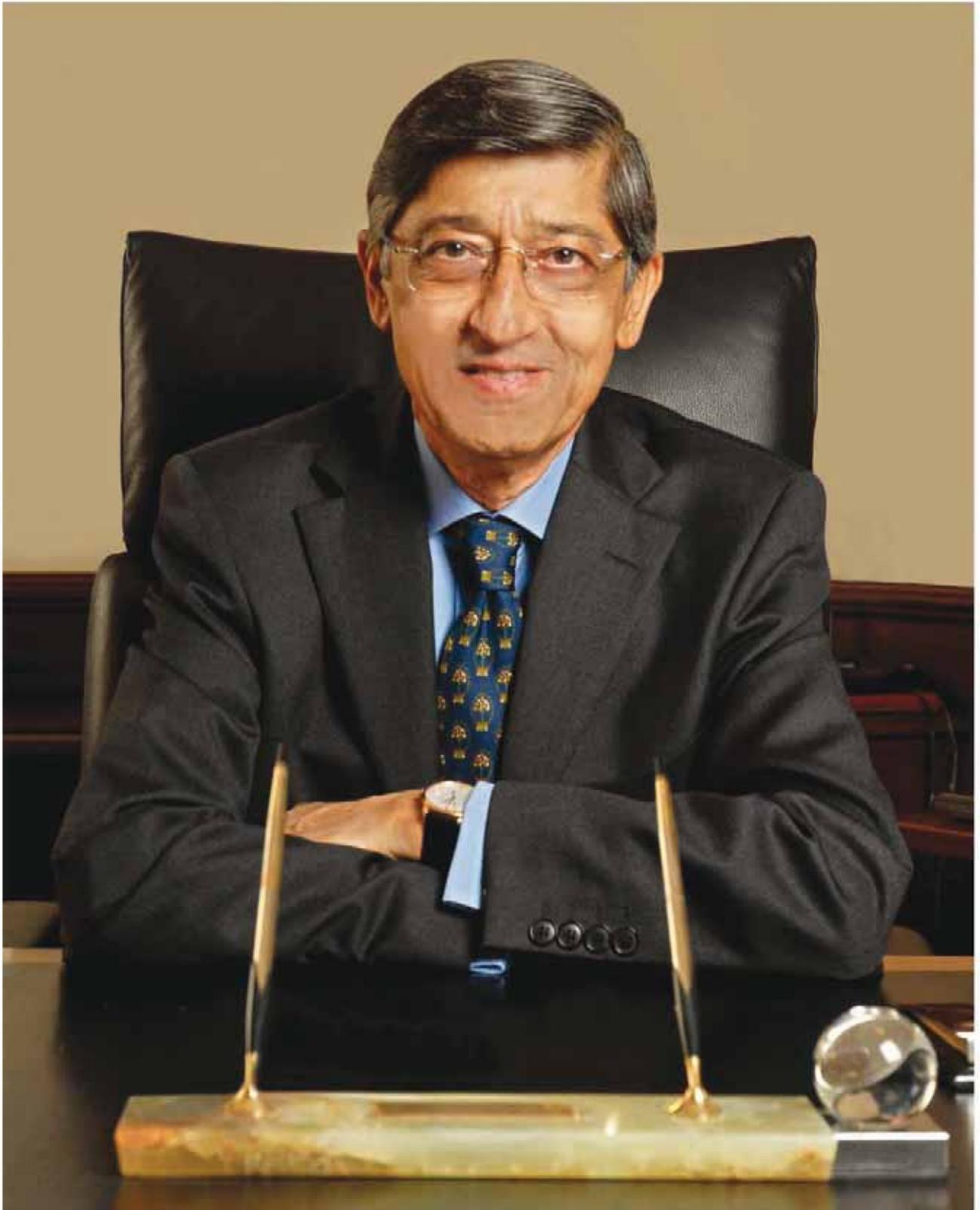
C P Mukundan Menon
Vice President - Room Airconditioners Division

P Venkat Rao
*Vice President - Packaged Airconditioning Division &
Refrigeration Products Division*

D H Roy
Vice President - Wada & Himachal Plants

D P Singh
Vice President - Infrastructure Projects Division

K P Sukumar
Vice President - Airconditioning & Refrigeration Service Division



Letter from the Chairman

Dear Shareholder,

2009-10 was the second year of the global economic recession that began in the summer of 2008. The Indian economy weathered the financial and business turmoil better than most industrialised countries, but the slowdown put pressure on many business enterprises across a wide range of industries. For Blue Star, even though it was perhaps the most challenging year of the past decade, we were able to produce respectable financial results.

The attached Annexure summarises Blue Star's financial performance and key ratios. Despite a virtually flat Income line of Rs. 2556.11 crores, Profit After Tax grew by 17% to Rs. 211.49 crores. The other results and key ratios were moderately up or down compared to the previous year's figures which were already reasonably good. By and large, the Company maintained healthy profitability ratios and the Balance Sheet continues to show a strong financial position with negligible borrowings.

The quarterly business trend was interesting. The slump in key markets led to two successive quarters of revenue decline in Q1 and Q2 before the top line resumed an upward trend in Q3. This upturn signaled the end of the recession and in Q4 revenue growth accelerated to 23% enabling Total Income for the year to just exceed the previous year's figure. In short, the decline in the first half of the year was neutralised by the growth in the second half. The Company ended the year with the carry forward order position a healthy 30% higher than the year before.

The quarterly profit trend was steadier than the fluctuating Income line. In fact, in each of the four quarters there was positive growth in year-on-year Profit After Tax. This achievement was due to success in controlling operating expenses and interest costs. The moderation in raw material costs also helped in boosting gross margin and profits.

BUSINESS SEGMENTS

The economic slowdown affected all 3 business segments of the Company to some extent. The big Electro Mechanical Projects and Packaged Airconditioning Segment experienced a sharp slump in traditional markets, but the gap was filled by new opportunities in other fast growing sectors: integrated Mechanical-Electrical-Plumbing (MEP) projects, infrastructure, healthcare, education, hospitality and telecommunications. While Segment revenues showed modest growth of 4%, Segment profits declined by 3%.

The Cooling Products Segment sales were down by 2%, but better margins and cost control enabled a profit improvement of 11%. The resumption of sales growth toward the end of the year was an encouraging indicator of the positive outlook for 2010-11.

The Professional Electronics and Industrial Systems Segment results are somewhat confusing for the average reader. The segment is an amalgamation of a number of specialized niche businesses, most of which were adversely affected by the general slowdown. But an earlier strategic diversification into industrial projects a few years ago bore ample fruit with the booking of substantial project orders that began to be billed towards the end of the year. This change in the business mix resulted in a 19% profit increase, in spite of an overall 14% decline in revenues in the other businesses. The good news is the comfortable carry forward order position for industrial projects which bodes well for 2010-11.

THE EVOLVING ORGANISATION

In July 2009 we had initiated the process of succession at the top management level by promoting Mr Satish Jamdar as Managing Director. Below him, 3 Presidents and 3 Executive Vice Presidents were responsible for the various lines of business and staff activities. This major restructuring allowed the Chairman and Vice Chairman to shift out of day-to-day operations and focus on activities such as guiding the long-term direction of the Company, organisational development, approving business plans and reviewing performance.

Nearly one year later I can report that the transition of executive responsibility to a younger professional management team was reasonably smooth in spite of the difficult economic environment. The new team proved to be quick learners and tackled the problems head-on. Not surprisingly, there were some concerns such as individuals adjusting to new responsibilities or coping with volatility and uncertainty in the market place. But these issues were mostly of a routine nature and were handled smoothly.

One more top management change in the current year is the impending promotion of Mr Vir S Advani as whole-time Director to the Board of Directors with effect from July 1, 2010. His elevation to the Board will induct young blood that brings fresh ideas in a fast-changing world.

THE ROAD AHEAD

Turning to plans for 2010-11, with the Indian economy showing perceptible signs of faster growth, our business plans have also shifted to a more aggressive mode. But it will not be business as usual. The world continues to change and Blue Star needs to be ready to meet new business demands. Here are the major thrust areas the Company has identified for 2010-11:

- Strategies to accelerate business growth.
- Upgrading technology and strengthening capabilities in R&D for new products.
- Refocusing on providing a world-class customer experience.
- Building robust work processes to improve consistency and reliability in delivery.
- Grooming tomorrow's leaders and managers.

Our people are excited that Blue Star's plans remain focused on profitable growth. They acknowledge that while there are attractive opportunities, we face a challenging future that will demand much from everyone. But they remain confident that the well-tested Blue Star Way will continue to guide us successfully as it always has.

Mumbai : May 26, 2010

Ashok M Advani
Executive Chairman

Annexure to Letter from the Chairman

BLUE STAR FINANCIAL PERFORMANCE

(Rs. in crores)

	2009-10 Audited	2008-09 Audited
Total Income	2556.11	2524.38
Growth over Previous Year	+1%	+13%
Operating Profit (PBITDA) excl. Non-Operating Income	299.16	276.41
Growth over Previous Year	+8%	+16%
Profit Before Tax	276.62	238.22
Growth over Previous Year	+16%	-2%
Profit After Tax	211.49	180.29
Growth over Previous Year	+17%	+4%
Shareholders' Funds	491.68	367.13
Borrowings	8.93	27.28
Capital Employed	500.61	395.03
Operating Cash Flow	115.46	189.56
Carry Forward Order Position	1747	1339
Growth Over Previous Year	+30%	+18%

KEY RATIOS

	2009-10 Audited	2008-09 Audited
Gross Margin (excl. Non-Operating Income)	26.2%	25.6%
Operating Margin (excl. Non-Operating Income)	11.7%	10.9%
Return on Capital Employed	55.3%	60.3%
Return on Shareholders' Funds	43.0%	49.1%
Earnings Per Share (Rs.)	23.52	20.05
Dividend Per Share (Rs.)	8.00	7.00
Capital Turnover	5.11	6.39
Debt/Equity	0.02	0.07
Inventory Turnover	7.29	9.01
Receivables (Days Billings Outstanding)	90	87

Board of Directors



Ashok M Advani, Executive Chairman

Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from MIT, USA and a B.Sc (Honours) from Mumbai University.

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. He was redesignated as Chairman & Managing Director in 2005 and Executive Chairman with effect from July 2009. As Executive Chairman, he oversees Corporate Strategy, Corporate Governance, Investor Relations and Corporate Social Responsibility.

Ashok is the Vice Chairman of Blue Star Infotech Limited and on the Board of Alfa Laval (India) Limited. He has been a member of the Local Advisory Board of The Chase Manhattan Bank and a past President of the Bombay Chamber of Commerce and Industry.



Suneel M Advani, Vice Chairman & Managing Director

Suneel M Advani is a double graduate in Electrical Engineering and Economics from MIT, USA. He also holds a degree in Law from Mumbai University.

He joined Blue Star in 1969 as a Management Trainee and moved up steadily by holding responsible positions before he was elevated to the position of President and Vice Chairman in 1984. He was redesignated as Vice Chairman & Managing Director in 2005. As Vice Chairman & Managing Director, he oversees the Electro Mechanical Projects Group, Corporate Communications & Marketing and Public Relations.

Suneel is also the Chairman & Managing Director of Blue Star Infotech Limited, Chairman of Blue Star Design & Engineering Limited, Blue Star Infotech (UK) Limited and Blue Star Infotech America, Inc. Suneel is a Member of the CII National Council, the apex governing body of CII. Besides, he is also associated with other trade associations and was the President of the Refrigeration and Airconditioning Manufacturers' Association (RAMA).



Satish Jamdar, Managing Director

Satish Jamdar is a Mechanical Engineering graduate from IIT Bombay and also qualified in Systems Management from NIIT and Management Studies from UK and USA. He joined Blue Star in 1996 as Vice President - Manufacturing and has over 35 years of experience in manufacturing, materials management and IT projects having worked for companies such as Siemens, BPL-Sanyo and Alstom.

After joining Blue Star, Satish spearheaded the establishment of Blue Star's modern manufacturing facilities in Dadra, Himachal and Wada. He was also responsible for corporate financial services, airconditioning and refrigeration service, international operations as well as the customised OEM business.

Satish was promoted as Executive Director in 2003, Deputy Managing Director in 2007 and Managing Director in 2009. In his current appointment as Managing Director, Satish oversees the operations and support services of the Company.



Vir S Advani, Executive Director (w.e.f July 1, 2010)

Vir S Advani holds a BS degree in Systems Engineering and a BA degree in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Programme on Leadership Development at Harvard Business School. Vir has been in the Blue Star Group for a decade, after a 2-year working stint in New York.

In 2000, he joined Blue Star Infotech, and then founded Blue Star Design & Engineering in 2003, designated as its Chief Executive Officer. In 2007, he moved to Blue Star as Vice President - Corporate Affairs, where he made valuable contributions in a company-wide profit improvement programme as well as in electro mechanical projects, in a short span of time. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director w.e.f July 1, 2010.

Vir is also a Director of Blue Star Design & Engineering Limited and J T Advani Finance Private Limited.



Shailesh Haribhakti, Director

Shailesh Haribhakti is a Fellow member of the Institute of Chartered Accountants of India. He is also a Graduate Cost Accountant, Certified Internal Auditor, Certified Fraud Examiner and Certified Financial Planner. He joined M/s Haribhakti & Co, Chartered Accountants, Mumbai as Deputy Managing Partner in 1978 and is currently its Managing Partner.

Shailesh joined the Board of Blue Star in 2005. In addition to Blue Star, he is also on the Boards of several leading companies such as Ambuja Cement, Akruti, ACC and Pantaloon, amongst others. He has been associated with several institutions and trade associations such as Indian Merchants' Chamber, Institute of Internal Auditors, Bombay Management Association, ASSOCHAM, Western India Regional Council of ICA and NMIMS. In addition, he is empanelled as an Arbitrator by the Indian Council of Arbitration.



Pradeep Mallick, Director

Pradeep Mallick is a B.Tech from IIT Madras and Diploma holder in Business Management from UK. He is also a Chartered Engineer and Fellow of the Institution of Engineering & Technology, London. Pradeep was the Managing Director of Wartsila India Limited from 1988 to 2003, prior to which he worked with several leading companies in the field of electrical power transmission and distribution. He joined the Board of Blue Star in 2003.

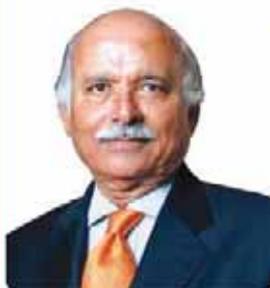
Pradeep is also on the Boards of several other leading companies including Elantas Beck India, ESAB India, Mount Everest Mineral Water and Tube Investments of India. In addition, he is associated with Industry Associations such as Confederation of Indian Industry, Bombay Chamber of Commerce & Industry and social organizations like Population First.



Gurdeep Singh, Director

Gurdeep Singh is a Chemical Engineering Graduate from IIT Delhi. After his graduation, he joined Hindustan Lever Limited as a Management Trainee. He held various responsible positions in the Company before he was expatriated to Brazil as Technical Director of Unilever Detergents business.

In 1998, Gurdeep returned to Hindustan Lever as the Director - Human Resources and Corporate Affairs. He retired as Senior Vice President - Corporate Affairs in April 2006. He joined the Board of Blue Star in 2003. He is also on the Boards of Halonix, Gabriel India and Technova India.



Suresh N Talwar, Director

Suresh N Talwar is a Commerce & Law Graduate and a solicitor and Partner of M/s Talwar, Thakore & Associates, Mumbai. Before setting up this firm in April 2007, he was the Senior Partner of Crawford Bayley & Company.

He joined the Board of Blue Star in 1986. In addition to Blue Star, he is also on the Boards of several leading companies such as Merck, Cadbury India, Larsen & Toubro, Greaves Cotton, Sandvik Asia, ESAB India, Johnson & Johnson and Uhde India, amongst others.

Directors



Ashok M Advani
Executive Chairman



Suneel M Advani
Vice Chairman & Managing Director



Satish Jamdar
Managing Director



Vir S Advani
Executive Director
(w.e.f July 1, 2010)

Presidents



Avinash Pandit
President - Electro Mechanical Projects Group



B Thiagarajan
President - Airconditioning & Refrigeration Products Group

Executive Vice Presidents



J M Bhambure
*Executive Vice President - R&D and
Manufacturing*



Manek Kalyaniwala
Executive Vice President - Finance



Arun Khorana
*Executive Vice President - Professional
Electronics & Industrial Systems Division*

Vice Presidents



R Aravindan
*Vice President - Airconditioning
Projects Division (South)*



Sumanta Chaudhuri
*Vice President - Electrical
Projects Division*



R G Devnani
*Vice President - Dadra,
Bharuch & Thane Plants*



Harish Govind
*Vice President - Human Resources &
Administration*



C P Mukundan Menon
*Vice President - Room Airconditioners
Division*



P Venkat Rao
*Vice President - Packaged Airconditioning
Division & Refrigeration Products Division*



D H Roy
*Vice President - Wada & Himachal
Plants*



D P Singh
*Vice President - Infrastructure
Projects Division*



K P Sukumar
*Vice President - Airconditioning &
Refrigeration Service Division*

Directors' Report

The Directors are pleased to present their 62nd Annual Report and the Audited Accounts for the year ended March 31, 2010.

HIGHLIGHTS OF 2009-10

- Total Income grew only marginally to Rs. 2556.11 crores.
- Profit After Tax increased by 17% to Rs. 211.49 crores from Rs. 180.29 crores in the previous year.
- Earnings per share reached Rs. 23.52 (face value of Rs. 2/-) compared to Rs. 20.05 in the previous year.
- A dividend of Rs. 8.00 per share (Rs. 7.00 for last year) has been recommended.
- Year-end borrowings reduced for the third year in succession to a low of Rs. 8.93 crores from Rs. 27.28 crores in the previous year.

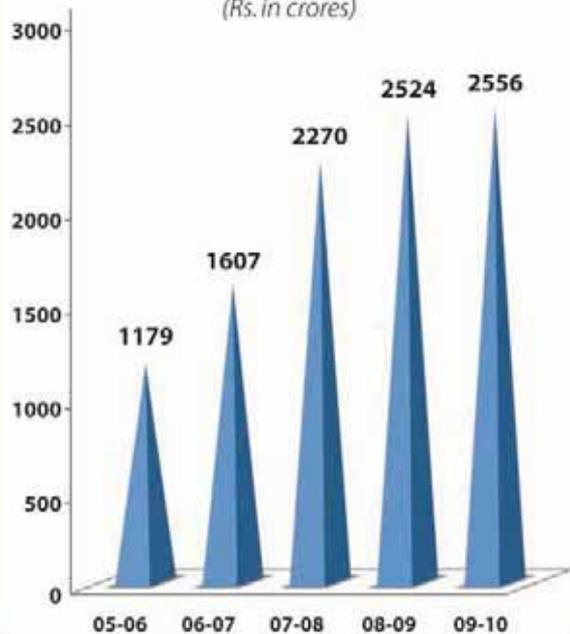
SUMMARISED FINANCIAL RESULTS

(Rs. in crores)

	April 2009 - March 2010	April 2008 - March 2009
Total Income	2556.11	2524.38
Profit before interest, depreciation and taxation	305.84	281.35
Financial Expenses	8.45	17.25
Depreciation	34.73	25.88
Add: Profit on sale of investments	13.96	-
Profit before tax	276.62	238.22
Provision for taxation	67.21	60.90
Add/(Less): Deferred Tax	2.08	2.97
Profit after tax	211.49	180.29
Add: Balance brought forward	165.86	119.22
Total available for appropriation	377.34	299.51
Less: General Reserve	80.00	60.00
Proposed Dividend	71.95	62.95
Corporate Dividend Tax	11.95	10.70
Balance carried forward	213.44	165.86

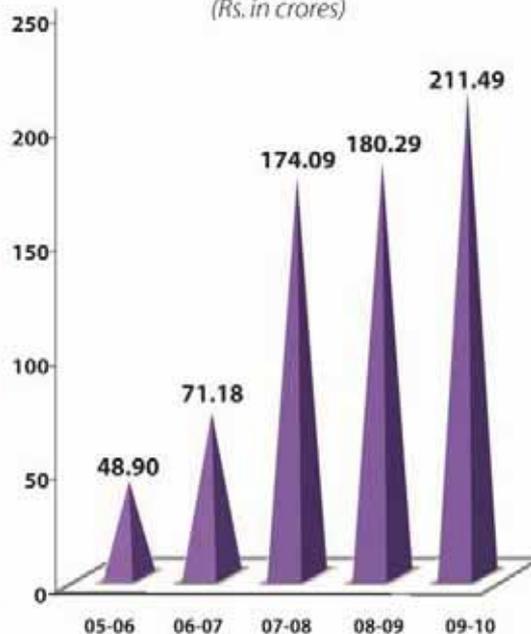
Total Income

(Rs. in crores)



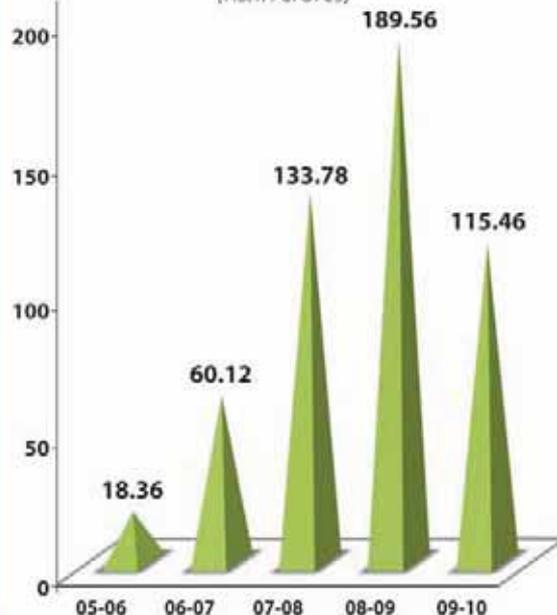
Profit After Tax

(Rs. in crores)

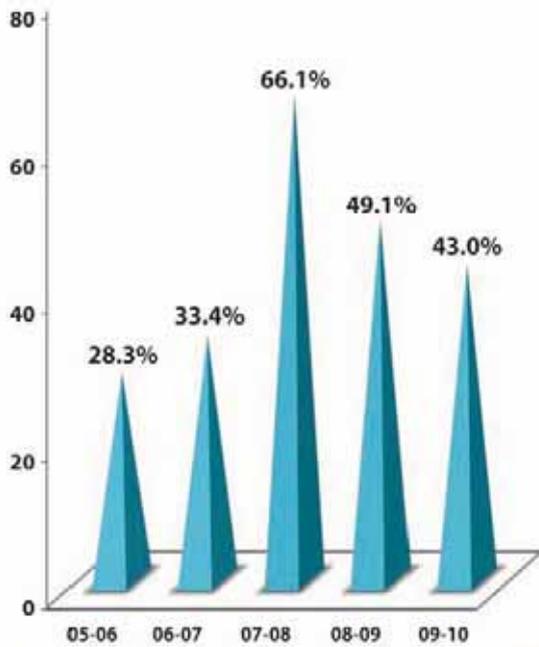


Operating Cash Flow

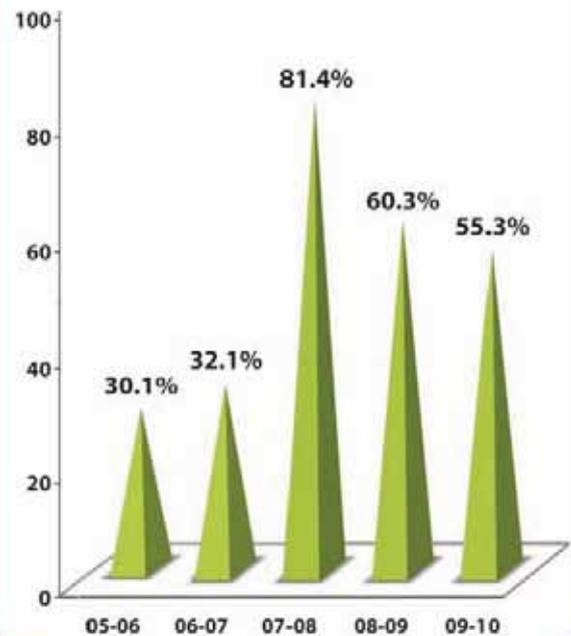
(Rs. in crores)



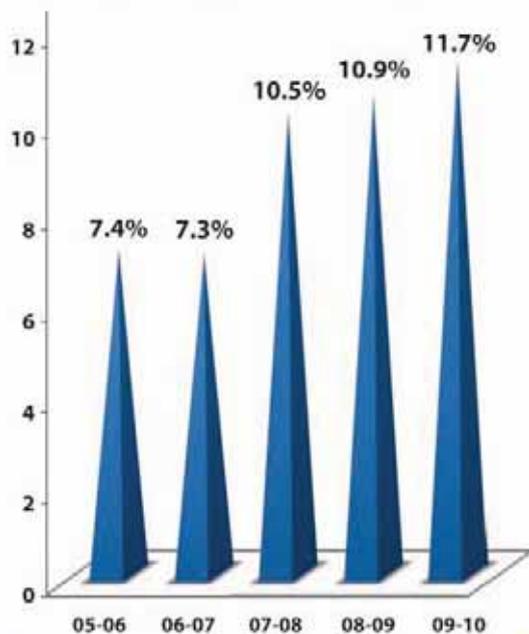
Return on Shareholders' Funds



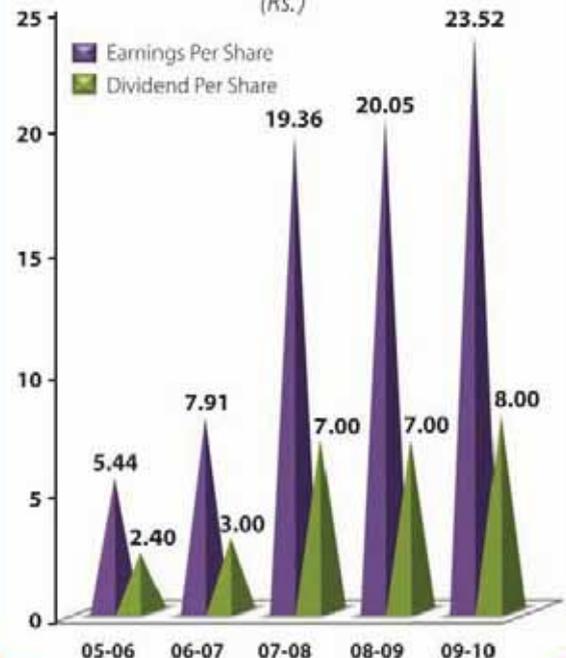
Return on Capital Employed



Operating (PBITDA) Margin



Earnings per Share & Dividend per Share (Rs.)



DIVIDEND

The Directors have proposed a dividend of Rs. 8.00 per equity share. The dividend will absorb Rs. 83.90 crores including Corporate Dividend Tax.

OPERATING PERFORMANCE

The economic slowdown impacted the Company's revenue growth during the year. While the Electro Mechanical Projects and Packaged Airconditioning segment showed marginal growth, Cooling Products and Professional Electronics and Industrial Systems recorded a small decline. However, on the profit front, Cooling Products and Professional Electronics and Industrial Systems segments recorded positive growth which offset the small reduction in the Electro Mechanical Projects and Packaged Airconditioning segment. This, together with an exceptional item of sale of investments, increased the Profit After Tax by 17% during the year.

FINANCIAL PERFORMANCE

Effective cost control measures coupled with lower cost of finance helped the Company to cope with flat revenues. Financial expenses including interest cost reduced by over 50%. However, slow cash collections and increased Sundry Debtors reduced the net cash flow from operations. Nevertheless, good inventory management and suppliers' credit kept overall borrowings under control - a marked reduction to Rs. 8.93 crores from Rs. 27.28 crores in the previous year.

The Company made additional investments in fixed assets amounting to Rs. 47.47 crores during the year which was financed entirely out of internal resources.

The Earnings per share increased by 17% to Rs. 23.52 per equity share of Rs. 2/- each.

EXPORT & FOREIGN EXCHANGE EARNINGS

Export income declined sharply during the year, with product exports declining by 51% and commission income by 7%. There were no project exports during the year.

Foreign exchange outflow during the year was Rs. 475.49 crores as compared to Rs. 510.45 crores during the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2010 are in full conformity with the requirement of the Companies Act, 1956. These financial results have been audited by the statutory auditors M/s S R Batliboi & Associates. The Directors further confirm that:

- 1) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- 2) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period.
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for providing and detecting fraud and other irregularities.
- 4) The Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

It is proposed to appoint Mr Vir S Advani as a Wholetime Director of the Company with effect from July 1, 2010. Mr Suresh N Talwar and Mr Gurdeep Singh will retire from the Board by rotation and being eligible, offer themselves for re-election.

EMPLOYEES

Due to the business slowdown, employee strength was prudently contained. As on March 31, 2010, total employee strength stood at 2603, slightly lower than 2620 in the previous year. The Company provided modest performance linked increases in salaries which helped to maintain employee morale.

The employee relations scenario continued to be harmonious and congenial and the Company signed a short term settlement with the Union during the year.

Safety awareness among the employees and business partners was enhanced during the year. Over 4000 employees and technicians/workers of business partners were covered under the corporate safety training programme. Safety systems and processes were developed for project sites and factories and implemented to ensure a safer work place.

DISCLOSURE OF PARTICULARS

Information as per Section 217(1)(e) and 217(2A) of the Companies Act, 1956, read with the rules made thereunder relating to conservation of energy, technology absorption, foreign exchange earnings and outgo and particulars of employees respectively, are given in Annexures A and B forming part of this report. A Management Discussion and Analysis Report, as required under Clause 49 of the Listing Agreement is published separately in this Annual Report.

For and on behalf of the Board

Ashok M Advani
Executive Chairman

Mumbai: May 12, 2010

Annexure to Directors' Report - A

Information pursuant to Companies (Disclosure of particulars in the Report of the Board of Directors), Rules 1988.

CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company is committed to produce eco-friendly energy efficient products. The platform for developing new products is energy efficiency. The Company has already implemented the energy labeling programme for room airconditioners, which was made mandatory with effect from January 2010. The Company has also developed high energy efficient chillers to meet the changing market demand.

Energy consumption in the Company's manufacturing facilities is not a major cost factor. While energy conservation at the manufacturing facilities is an ongoing process, during the year under review, several initiatives were undertaken to reduce energy consumption. Some of these include installation of energy savers on hydraulic pack, automation of belt conveyor and slat conveyor using sensors, arresting air leakages to reduce the load on air compressors, upgradation of powder coating plants, cascading in the pre-treatment process to reduce water consumption, redistributing electrical load for equipment efficiency across three phases and replacing conventional lighting systems with CFL/LED type lighting, amongst others. These efforts helped reduce energy consumption during the year.

The Company has a certified Energy Conservation Audit team, which also helps customers in identifying and addressing their energy conservation plans.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

While no major additional investments are envisaged, efforts to conserve energy will continue and new investment proposals will be considered based on the recommendations of the Energy Management team.

c) Impact of measures taken:

There was a reduction in electrical and fuel consumption, improved power factor and saving in cost of production.

RESEARCH AND DEVELOPMENT

a) Specific areas in which R&D carried out by the Company:

In order to meet the growing demand for latest technology products and to compete in the market place, the Company decided to strengthen the R&D activities. The Company set up a laboratory for testing room airconditioners and a new test facility for air cooled and water cooled chillers as per international standards. Investments have also been made to upgrade existing laboratories to meet the increasing demand.

With the need for integration of various technologies, specific cells address software, electrical and electronics controls, CFD analysis and laboratory measurement requirements. The strength of the R&D department has been increased substantially.

There are Government proposals for phasing out HCFC refrigerants and extending the labeling programme to other products in the coming years. The present labeling requirements for room airconditioners will also be revised for better efficiency. The Company has formed a team to address these requirements.

During the year, a new range of room airconditioners complying to the star labeling programme was developed. The Company also extended the range of high efficiency chillers and added roof top units for export markets.

A range of precision control packaged units, using DC fan technology was introduced to meet the high energy efficiency requirements. The Company also developed scroll chillers and packaged units with eco-friendly refrigerants.

b) Benefits derived as a result of the above R&D:

The development of new products has helped to remain at par with the technologies offered by some other companies and in retaining and improving market share.

c) Future plan of action:

The Company will continue to invest in infrastructure, additional manpower as well as restructuring and upgrading the R&D function. The Company intends to get a few selected products certified from international agencies and also prepare to meet the legislative requirements on the energy labeling and HCFC phase-out programmes. The Company also proposes to introduce new technologies for heat exchangers.

d) Expenditure on R&D:*(Rs. in lakhs)*

	2009-10	2008-09
a) Capital	280.87	9.46
b) Recurring	688.93	191.86
Total	969.80	201.32
Total R&D expenditure as a percentage of total turnover	0.39%	0.08%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**a) Efforts made towards technology absorption, adaptation and innovation:**

Efforts continued in strengthening the R&D facilities in order to provide a comprehensive range of products complying with the legislative requirements and to suit market needs. This also enabled widening the export opportunities, import substitution and adaptation of imported technology to suit the Indian market. Training was imparted to technical staff as an ongoing process.

b) Benefits derived as a result of the above efforts:

Availability of energy efficient and environment friendly airconditioning systems and equipment, wider range of products, improved quality and product designs and cost reduction were amongst the benefits derived.

c) Information regarding imported technology:

No technology was imported during the past five financial years.

MAJOR ITEMS OF FOREIGN EXCHANGE EARNINGS AND OUTGO**a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:**

Discussed in detail in the Management Discussion and Analysis Report.

b) Total foreign exchange used and earned:*(Rs. in lakhs)*

	2009-10	2008-09
Total foreign exchange used	47549.44	51045.80
Total foreign exchange earned	12942.29	23397.57

For and on behalf of the Board

Ashok M Advani
Executive Chairman

Mumbai: May 12, 2010

Annexure to Directors' Report - B

INFORMATION UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD APRIL 1, 2009 TO MARCH 31, 2010

Name	Age (Yrs)	Designation & nature of duties	Remuneration (Rupees)	Qualification	Experience (Yrs)	Date of Joining Blue Star	Details of Last Employment		
							Employer	Designation	Period
Employed for the whole of the year									
Advani A M	68	Executive Chairman	43626720	B.Sc, SB, MBA	44	1-Jul-69	RCA Inc., USA	Information Systems Project Specialist	1968-69
Advani S M	66	Vice Chairman & Managing Director	41195599	SB, SB, LLB	41	17-Mar-69	-	-	-
Jamdar S	58	Managing Director	23934402	B.Tech, BM	36	2-May-96	Real Value, Mumbai	Vice President	1995-96
Babu T G S	56	Deputy Managing Director	26928158	B.Tech, MBA	34	1-Nov-95	MRF Ltd., Chennai	General Manager	1991-95
Pandit A	57	President	9907484	B.E. (Mechanical)	33	18-Feb-82	Otis Elevators	Executive	1981-82
Thiagarajan B	53	President	8186960	B.E.	30	18-May-98	Voltas Ltd.	Divisional Manager	1990-98
Advani Vir S	34	President	7042050	BS, BA	11	28-Aug-07	Blue Star Design & Engg	Chief Executive Officer	2004-07
Bhambure J M	52	Executive Vice President	5707287	B.E., DMS	30	15-Nov-92	HMP Engineers Ltd.	Prod Dev Manager	1979-92
Kalyaniwala Manek J	56	Executive Vice President	5539490	B.Com, ACA	32	1-Feb-08	Wartsila India Ltd.	Head-Finance, Secretarial & Admin	2004-07
Sukumar K P	48	Vice President	4931198	DMT	26	19-May-95	Audco India	Supervisor	1984-95
Aravindan R	45	Vice President	4848327	B.E.	24	11-Apr-88	Fedders Lloyd	Marketing Officer	1986-88
Venkat Rao P	46	Vice President	4724424	B.E., MBA, PGDPM	25	21-Mar-96	Carrier Aircon	Manager	1995-96
Devnani R G	51	Vice President	4658145	B.E., MMS	28	4-Feb-94	Pam Pharmaceuticals	Production Manager	1993-94
Singh D P	53	Vice President	4548625	B.E.	29	28-Jun-80	-	-	-
Govind Harsh	47	Vice President	3829462	B.Sc., MA (PM & IR)	24	20-Oct-08	Blue Star Infotech Ltd.	Vice President - HR	2000-08
Chaudhuri Sumanta	53	Vice President	3595415	B.E., MBA	32	4-Aug-08	ABB Ltd.	Asst. Vice President	2004-08
Roy D H	45	Vice President	3554223	B.E. (Mech)	23	11-Aug-97	Siel Aircon Ltd.	Sr Manager - Projects	1995-97
Lakshmanan K S	51	Senior General Manager	3909904	B.E., PGDMSM	29	3-Jun-82	Precision Screws Ltd.	Sales Engineer	1981-82
Mehta Rahul	53	Senior General Manager	3666891	B.Sc, B.Textile Tech	31	3-Oct-00	United Phosphorus Ltd.	General Manager - IT	1998-00
Anandkumar G	52	Senior General Manager	3621330	B.E.	31	28-Jun-82	Hyderabad Asbestos Cement	Engineer	1981-82
Krishnan R	56	Senior General Manager	3492210	B.E., DFM	32	6-Aug-04	Fedders Lloyd Corporation	Chief Executive Officer	2002-04
Radha J	43	Senior General Manager	3484253	B.Com., ACA	19	3-Apr-03	Thomson Multimedia India Pvt. Ltd.	Sr. Mgr - Commercial	2000-03
Menezes Sean	44	Senior General Manager	3393252	B.Com	23	9-Sep-02	Amtrex Hitachi App. Ltd.	Head - National Sales	1992-02
Sathe Anil S	51	Senior General Manager	3298856	B.Tech (Mech)	28	9-Apr-08	Reliance Retail Ltd.	Asst. VP - EPC	2007-08
Kutty K P T	60	Company Secretary	3264057	B.Com, LLB, ACS	39	1-Apr-80	Reserve Bank Of India	Gen Clerk	1973-80
Ramesh N K	51	Senior General Manager	3219476	B.E. (Electrcs)	29	29-Oct-80	-	-	-
Sudeshkumar B	53	Senior General Manager	3214429	DME	31	20-Jul-83	ITC Bangalore	Machinist	1980-83
Chatterjee Sujan	52	Senior General Manager	3213013	CA	26	10-Jul-89	The General Electric Co. Of India Ltd.	Financial Accountant	1983-89
Bhat Ashok	51	Senior General Manager	3203238	B.E. (Elec & Comm)	29	9-Mar-81	Weston Electronics	Trainee Engineer	-
Iyengar R M	59	Senior General Manager	3182513	B.E.	40	1-Mar-96	Southern Group Industries	Dy. General Manager	1995-96
Shipley Anil	49	Senior General Manager	3128945	B.Tech, PGDBM	26	13-Jun-05	Escorts Ltd.	General Manager - Materials	2002-05

Name	Age (Yrs)	Designation & nature of duties	Remuneration (Rupees)	Qualification	Experience (Yrs)	Date of Joining Blue Star	Details of Last Employment		
							Employer	Designation	Period
Employed for the whole of the year									
Ramdoss A	42	Senior General Manager	3089865	B.E., PGDBA	21	2-Jun-88	-	-	-
Shankar Pradeep	56	Senior General Manager	3086945	B.E.	32	15-Jul-77	-	-	-
Verma Rajendra	49	Senior General Manager	3049903	B.E. (Mech)	28	17-Feb-03	Bern Co. Bahrain	Sr. Mgr - Projects	1998-03
Mukundan Menon C P	48	Senior General Manager	2967271	B.Tech, DM	25	5-Jan-05	Oman Marketing And Services Co.	Country Division Manager	1998-04
Sankar T	56	Senior General Manager	2912474	B.Sc, FCA	32	3-Oct-00	Fiat India Ltd.	Asst. GM - (IA)	1998-00
Deopujari Ajay V	48	Senior General Manager	2865193	B.E. (Mech)	25	27-Nov-06	Universal Comfort Products (P) Ltd.	Deputy General Manager	2004-06
Amaria H S	49	General Manager	3238826	B.Com, ACA, LLB	30	2-Sep-85	Adverts Pvt. Ltd.	Accountant	1982-85
Chaina Avan	48	General Manager	3040342	B.Com, CA, CS, LLB	29	11-Mar-96	Colour Cartons Ltd.	AM - Fin & Sec	1991-96
Mitra Parthopratin	49	General Manager	3003485	B.Sc, DME	22	6-Jan-88	TSC Instrumentation (P) Ltd.	Senior Sales Engineer	1987-88
Saxena Deepak	48	General Manager	2943427	B.E. (Mech), PGDBM	25	26-Apr-95	Voltas Ltd.	Purchase Executive	1990-95
Shvakumar R	43	General Manager	2922571	B.Com, ACA, ICWAI, ACS	19	1-Nov-04	Vallabhdas Kanji Ltd.	GM - Finance & Co. Sec.	2002-04
Ashok V S	42	General Manager	2879035	B.Tech, PGDMM	19	10-Jul-92	Elgi Tyre & Tread Ltd.	Trainee Engineer	1990-92
Khatwani Haresh K	47	General Manager	2829140	B.E. (Mech)	25	23-Aug-84	Ingersoll Rand (I) Ltd.	Apprentice Engineer	1983-84
Viswanathan G	40	General Manager	2774094	B.E., PGDFT	19	7-Aug-90	-	-	-
Hilwarkar Anil M	48	General Manager	2612421	B.E. (Mech)	27	21-Mar-07	Caparo Engineering (I) Pvt Ltd.	General Manager (Production)	2008
Singh Vivek	46	General Manager	2433374	B.Sc, MBA	21	1-May-98	Air Command India Ltd.	Area Sales Manager	1993-98
Salvi Dilip P	53	Deputy General Manager	2577449	DME	29	6-May-95	Voltas International	Project Engineer	1994-95
Employed for the part of the year									
Khorana A	60	Executive Vice President	10212943	B.Sc. (Engineering)	39	1-Feb-73	Motwani Pvt. Ltd.	Sales Engineer	1972-73
Rakesh Rao A	52	Vice President	5866361	B.E.	29	18-Aug-81	-	-	-
Govindan R	54	General Manager	2778369	B.Sc., CA	26	15-Feb-96	Mather & Platt (I) Ltd.	Manager - Accounts	1994-96

1. Remuneration for the purpose of this statement includes all expenses incurred by the Company in providing any benefit or amenity to the employee as per CLB's circular No. 23/76 dated 6.8.1976 which is independent of the perquisite valuation under the Income Tax Act, 1961.
2. The nature of employment in all cases is contractual.
3. Relatives of Directors: Mr Ashok M Advani, Mr Suneel M Advani and Mr Vir S Advani are relatives.

Report of the Directors on Corporate Governance

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Blue Star has consistently followed the principles of good corporate governance through transparency, accountability, fair dealings and mutual trust. A basic set of Corporate Values and Beliefs have become a way of life in the Company and each employee is responsible for strict adherence to these values.

GUIDING VALUES AND BELIEFS

Blue Star has clearly spelt out a set of 12 Guiding Values and Beliefs that enunciate its basic business philosophy and its responsibilities to all stakeholders: customers, shareholders, employees, business partners and society. Ensuring high standards of corporate governance is one of the core values.

CODE OF CONDUCT

While we participate in a competitive and demanding market, the Blue Star Way provides a code of conduct for its employees that requires strict adherence to the Corporate Values while delivering a world class customer experience. The Company makes conscious efforts to align employees and business partners with the Blue Star Way.

CORPORATE SAFETY POLICY

Blue Star's Management firmly believes that safety of its employees and all the stakeholders associated with our project sites and manufacturing facilities is of utmost importance. Safety is an essential and integral part of all our work activities. We believe that incidents or accidents and risk to health are preventable through the active involvement of all the stakeholders, thereby creating a safe and accident-free work place.

CORPORATE SOCIAL RESPONSIBILITY

The Company has chosen 3 broad areas to focus its CSR activities:

1. Energy Conservation comprising:
 - a) Energy Efficient Products and Services
 - b) Other Energy Conservation Measures
2. Environmental Protection
3. Community Service

BOARD OF DIRECTORS

The Board consists of eight Directors – Four Wholetime and four Non-Executive. Out of the eight Directors, four are Independent Directors. One Wholetime Director retired effective March 31, 2010.

BOARD MEETINGS

Five Board Meetings were held during the Financial Year 2009-10 i.e., on May 15, 2009; July 27, 2009; October 12, 2009; October 26, 2009 and January 25, 2010. The Company had its Annual General Meeting on July 27, 2009.

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2009-10 are given below:

Name	Category	Attendance		Particulars of other Directorships, Committee Memberships/Chairmanships		
		Board Mtg.	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Ashok M Advani	Promoter Executive	5	Yes	2	2	Nil
Suneel M Advani	Promoter Executive	5	Yes	2	1	Nil
Satish Jamdar	Non-Promoter Executive	5	Yes	Nil	Nil	Nil
T G S Babu (Retired effective 31.3.2010)	Non-Promoter Executive	4	Yes	Nil	Nil	Nil
Shailesh Haribhakti	Independent Non-Executive	5	Yes	13	9	5
Pradeep Mallick	Independent Non-Executive	5	Yes	6	7	2
Gurdeep Singh	Independent Non-Executive	5	Yes	3	1	Nil
Suresh N Talwar	Independent Non-Executive	5	Yes	13	9	3

Note:- Alternate Directorships, Directorships in Private Companies and Memberships in Governing Councils, Chambers and other bodies are not included.

AUDIT COMMITTEE

The Audit Committee comprises three independent Non-Executive Directors namely Mr Suresh N Talwar, Mr Pradeep Mallick and Mr Shailesh Haribhakti with Mr Suresh N Talwar as the Chairman. The Committee met on April 7, 2009; May 15, 2009; July 27, 2009; October 26, 2009 and January 25, 2010. Mr Suresh N Talwar attended four Committee Meetings. The other Members attended all the five Committee Meetings.

The terms of reference of the Committee include review of Company's financial reporting process and disclosure of its financial information; recommending the appointment and removal of external auditors and fixation of audit fees; review of periodical and annual financial statements, related party transactions, risk assessment and minimization procedure, adequacy of internal control systems, performance of statutory and internal auditors and adequacy of internal audit system and structure of internal audit department; looking into the reasons for substantial default in payments to depositors, shareholders, creditors etc. and review of the appointment, removal and remuneration of Chief Internal Auditor.

REMUNERATION POLICY

The Executive Chairman's, Managing Directors' and Deputy Managing Directors' remuneration is recorded in a service agreement with the Company, the terms of which are approved by the Board of Directors and shareholders. Notice period for termination is 6 months on either side and no severance compensation is payable on termination.

The annual increment and commission for the Executive Chairman, Managing Directors and Deputy Managing Director and the commission for the Non-Executive Directors within the limits approved by the shareholders are determined by the Board of Directors.

Since the remuneration of Directors is determined by the Board of Directors within the limits approved by the shareholders, no separate remuneration committee has been constituted. The Executive Chairman, Managing Directors and Deputy Managing Director are paid by way of salary, perquisites and commission based on their agreements with the Company. Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, partly by way of a fixed amount and partly based on the number of Meetings attended by them. The details of amount paid/provided towards Directors' remuneration are as follows:

(Rs. in lakhs)

Name	Salary	Perquisites	Commission	Sitting Fees	Total
Ashok M Advani	61.50	123.00	261.41	-	445.91
Suneel M Advani	61.50	96.59	261.41	-	419.50
Satish Jamdar	37.95	75.90	228.70	-	342.55
T G S Babu	34.35	68.70	130.70	-	233.75
Shailesh Haribhakti	-	-	13.00	2.00	15.00
Pradeep Mallick	-	-	13.00	2.00	15.00
Gurdeep Singh	-	-	11.15	1.00	12.15
Suresh N Talwar	-	-	12.70	1.80	14.50

Note:

1. Commission shown above are amounts actually paid for the year 2009-10 and hence differ from the provisions made in the accounts for the year ended March 31, 2010.
2. Mr Suresh N Talwar holds 71500 equity shares and Mr Shailesh Haribhakti holds 100 equity shares in the Company. None of the other Non-Executive Directors hold any shares in the Company.

SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee comprises Mr Ashok M Advani, Mr Suneel M Advani and Mr Gurdeep Singh. Mr Gurdeep Singh, who is a Non-Executive Director, is the Chairman of the Committee. The Committee met on January 25, 2010 and reviewed the status of shareholders' grievances.

The Board has authorized Mr K P T Kutty, Company Secretary, to approve the transfer of shares and attend to other related matters and has been designated as the Compliance Officer.

During the year, the Company's Registrars received 421 letters of which 380 letters were requests for various actions such as change of address, dividend mandate, nominations, etc., and 41 letters were complaints for non-receipt of share certificates, dividend, demat credit, etc. All requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. There were no valid transfers pending as on March 31, 2010.

ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meeting	Time
2006-07	August 3, 2007	Jai Hind College Hall Sitaram Deora Marg (‘A’ Road), Churchgate Mumbai 400 020.	3.00 pm
2007-08	July 28, 2008	-do-	3.30 pm
2008-09	July 27, 2009	-do-	2.30 pm

Following special resolutions were passed in the previous three Annual General Meetings:

Subject	Date of Meeting
Appointment of Mr Vir S Advani (the relative of a Director) as Vice President of the Company	August 3, 2007
Commission to Non-Executive Directors & Promotion of Mr Vir S Advani as President	July 27, 2009

No special resolution was passed through postal ballot during the year 2009-10 and no special resolution is proposed to be passed by postal ballot at the forthcoming Annual General Meeting.

DISCLOSURES

- The details of transactions with related parties are given in Clause 11 of the Notes Forming Part of Balance Sheet and Profit and Loss Account (Schedule-M). There were no transactions with related parties, which are likely to have potential conflict with the interests of the Company at large.
- The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/strictures have been imposed against it.
- The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. However, it has not adopted the non-mandatory requirements of the said Clause.

MEANS OF COMMUNICATION

The Company published its quarterly and half yearly results in the prescribed form within the prescribed time. The results were forthwith sent to the Stock Exchanges where shares are listed and the same was published in Economic Times and Maharashtra Times. The Financial Results were also displayed on the website of the Company www.bluestarindia.com. Official press releases are also displayed on the website. The Company did not have any meetings with the analysts/investors during the year 2009-10. Management Discussion and Analysis forms part of the Annual Report.

SHAREHOLDERS' INFORMATION**ANNUAL GENERAL MEETING**

Date	: July 26, 2010
Time	: 2.30 pm
Venue	: Jai Hind College Hall 23-24, Sitaram Deora Marg (‘A’ Road) Churchgate, Mumbai 400 020.

FINANCIAL CALENDAR (PROVISIONAL)

Unaudited results for the quarter ending June 30, 2010	: July 26, 2010
Unaudited results for the quarter ending Sept 30, 2010	: October 29, 2010
Unaudited results for the quarter ending Dec 31, 2010	: January 27, 2011
Audited results for the year ending March 31, 2011	: May 2011
Date of Book Closure:	: Wednesday, July 14, 2010 to Wednesday, July 21, 2010
Dividend Payment Date	: July 29, 2010 onwards

LISTING ON STOCK EXCHANGES

: Bombay Stock Exchange
National Stock Exchange

STOCK CODE

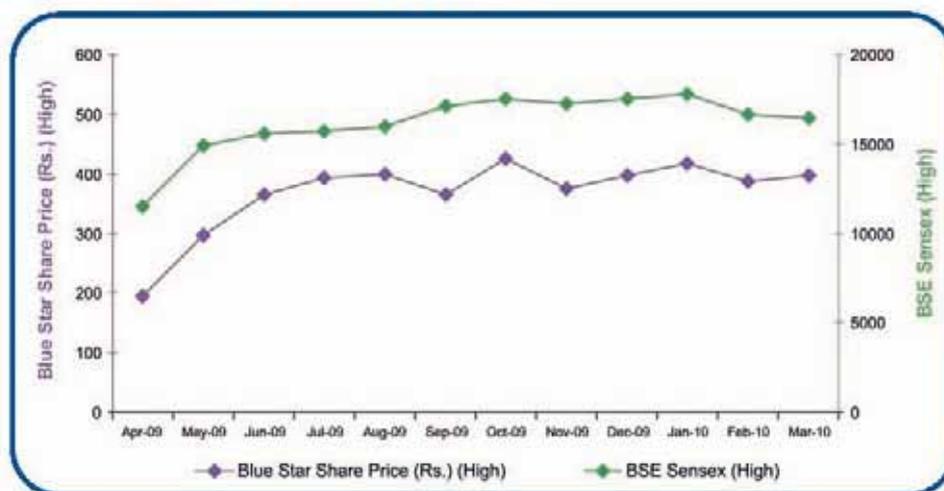
: Bombay Stock Exchange - 500067
National Stock Exchange-BLUESTARCO
NSDL/CDSL-ISIN-INE 472A01039

MARKET PRICE DATA

(Rs. per share)

	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
2009				
April	193.75	150.25	204.00	151.00
May	296.00	166.00	293.00	170.35
June	364.90	275.10	365.00	282.00
July	394.00	304.00	398.90	303.50
August	399.85	325.00	398.00	322.00
September	365.00	334.00	364.90	334.00
October	425.00	325.05	423.50	326.60
November	375.00	328.00	356.00	328.95
December	398.00	340.00	399.00	337.10
2010				
January	417.90	354.00	414.80	355.00
February	387.80	345.05	424.00	342.75
March	398.00	349.05	394.00	350.00

PERFORMANCE - COMPARISON WITH BSE SENSEX



REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt Ltd

C-13, Kantilal Maganlal Estate

Pannalal Silk Mills Compound

L B S Marg, Bhandup (W)

Mumbai - 400 078.

Tel.: 022-25946970, Fax: 022-25946969

E-mail: rnt.helpdesk@linkintime.co.in

SHARE TRANSFER SYSTEM

The Company's shares are traded in the Stock Exchanges in demat mode. These transfers are effected through NSDL & CDSL. Most of the transfers of shares take place in this form. Transfer of shares in the physical form is processed and approved weekly and the certificates are returned to the shareholders within 15 days from the date of receipt, subject to documents being valid and complete in all respects. The Board has authorized Mr K P T Kutty, Company Secretary, to approve the transfer of shares.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010

No. of equity shares held	No. of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
1 - 5000	20488	89.94	8466525	9.41
5001 - 10000	1151	5.05	4152758	4.62
10001 - 20000	629	2.76	4422615	4.92
20001 - 30000	189	0.83	2334383	2.59
30001 - 40000	76	0.33	1341661	1.49
40001 - 50000	42	0.18	952393	1.06
50001 - 100000	79	0.35	2785489	3.10
100001 - and above	127	0.56	65480281	72.81
TOTAL	22781	100.00	89936105	100.00

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2010



DEMATERIALISATION OF SHARES & LIQUIDITY

About 94% of the equity shares have been dematerialized by about 84% of the total shareholders as on March 31, 2010. The Company's shares can be traded only in dematerialized form as per SEBI notification. The Company has entered into agreements with NSDL & CDSL whereby shareholders have the option to dematerialize their shares with either of the Depositories. About 34% of the equity shares are held by public and the shares are actively traded in BSE and NSE.

PLANT LOCATIONS

Blue Star Limited
IInd Pokhran Road
Majiwada
Thane 400 601.

Blue Star Limited
Plot Nos. 4 & 5
GIDC Indl Estate
Bharuch 392 015.

Blue Star Limited
Survey No. 265/2
Demni Road
U. T. of Dadra &
Nagar Havell
396 193.

Blue Star Limited
Nahan Road
Rampur Jattan
Kala Amb
Dist: Sirmour
Himachal Pradesh
173 030.

Blue Star Limited
Village Vasuri
Khanivali Road
Taluka: Wada
Dist: Thane
421 312.

COMPLIANCE OFFICER

KPT Kutty
Company Secretary
Tel: 022 6665 4040 Fax: 022 6665 4151
Email: kptkutty@bluestarindia.com

ADDRESS FOR CORRESPONDENCE

Blue Star Limited
Kasturi Buildings, 4th floor
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2010.

For **BLUE STAR LIMITED**

Ashok M Advani
Executive Chairman

Mumbai: May 12, 2010.

Auditors' Certificate

To The Members of
Blue Star Limited

We have examined the compliance of conditions of corporate governance by Blue Star Limited for the year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S R Batliboi & Associates
Chartered Accountants

Per Sudhir Soni
Partner

Membership No. 41870

Mumbai: May 12, 2010

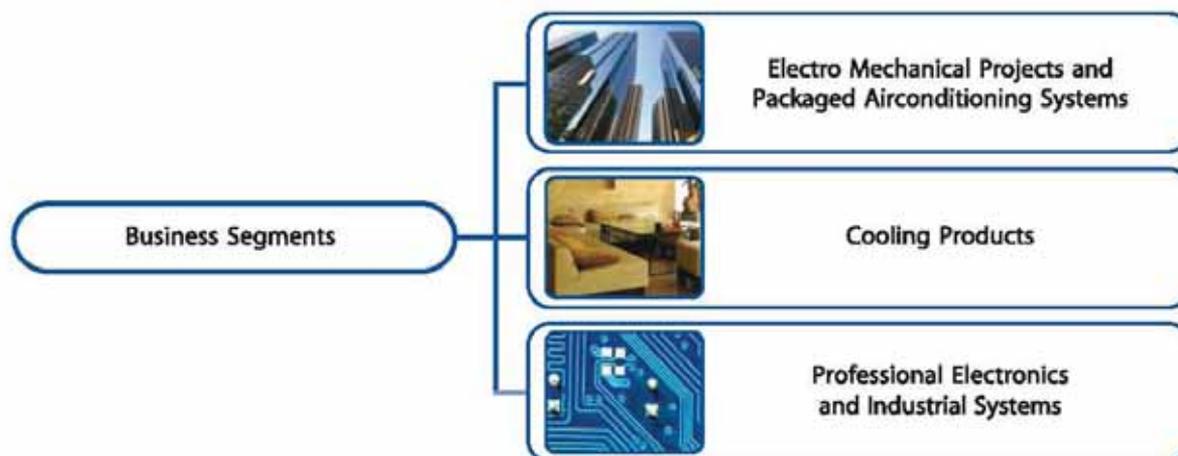
Management Discussion and Analysis

INTRODUCTION

Blue Star is India's leading central airconditioning and commercial refrigeration company, fulfilling the cooling requirements of a large number of corporate and commercial customers. It also offers expertise in allied contracting activities such as electrical, plumbing and fire fighting services. Blue Star's other businesses include marketing and maintenance of imported professional electronic and industrial systems and execution of industrial projects.

Blue Star's business model of providing end-to-end solutions as a manufacturer, contractor and after-sales service provider coupled with differentiated products and expert solutions have contributed to sustained growth and leadership.

BUSINESS SEGMENTS



Blue Star primarily focuses on the corporate and commercial markets. These include institutional, industrial and government organizations as well as commercial establishments such as malls, multiplexes, hotels, hospitals, showrooms, restaurants and boutiques. In accordance with the nature of products and markets, business drivers, and competitive positioning, the lines of business of Blue Star can be segmented as follows:

ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central airconditioning plants, packaged/ducted systems and VRF systems, as well as contracting services in electrification, plumbing and fire fighting. After-sales services such as revamp, retrofit and upgrades as well as energy management and green building services are also included in this segment.

COOLING PRODUCTS

Blue Star offers a wide variety of contemporary and differentiated room airconditioners. It also manufactures and markets a comprehensive range of commercial refrigeration products and cold chain equipment.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

For over five decades, Blue Star has been the exclusive distributor in India for many internationally renowned manufacturers of professional electronic equipment and services, as well as industrial products and systems. The Company is also in the business of specialized industrial projects for the steel industry.

FINANCIAL HIGHLIGHTS

In spite of a subdued economic environment, Blue Star performed reasonably well, mainly due to effective cost control and favourable input costs. Total Income was Rs. 2556.11 crores for the year ended March 31, 2010, compared to Rs. 2524.38 crores in FY09. Profit Before Tax (excluding exceptional items) grew 10% to Rs. 262.66 crores. Net Profit at Rs. 211.49 crores registered an increase of 17% over last year. Earnings per share for FY10 (Face value of Rs. 2.00) stood at Rs. 23.52 vis-à-vis Rs. 20.05 in the previous year. Return on Capital Employed (ROCE) declined to 55.3% from 60.3%, while Return on Shareholders' Funds was 43.0% compared to last year's figure of 49.1%.

How every rupee earned was spent



INDUSTRY STRUCTURE AND DEVELOPMENTS

AIRCONDITIONING

In 2009-10, the estimated total market size for airconditioning in India was around Rs. 10750 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems and VRF systems was about Rs. 5250 crores, while the market for room airconditioners comprised the balance Rs. 5500 crores.

During the year, the economic slowdown continued to affect certain segments such as retail and builders. Project expansion plans in the IT/ITES segment were also delayed mainly due to the impact of the US recession on this segment. However, the airconditioning market witnessed significant growth in segments such as healthcare, hospitality, data centres and education. In addition, infrastructure segments such as airports, power plants, steel and metro rail were unaffected by the economic downturn and project plans were largely on track.

Market Size of Airconditioning in India



COMMERCIAL REFRIGERATION

The commercial refrigeration segment includes a wide range of products such as cold storages, water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers and ice cubers.

The Indian food and grocery vertical is one of the fastest growing segments. This largely comprises fruits and vegetables, dairy and milk products and aqua and marine products. The distribution and storage of perishable commodities require the application of various temperatures and humidity levels from the farm to the final consumption point.

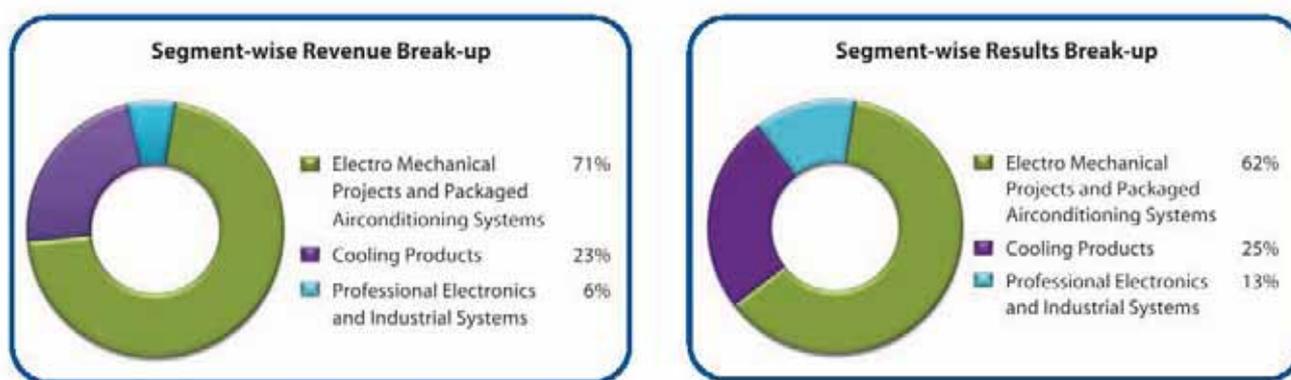
India is the largest producer of fruits and second largest producer of vegetables in the world. The wastages due to inadequacy in the cold chain has been felt by the policy makers as well as the private sector, in the context of food security concerns experienced across the globe. In the present scenario, the cold chain infrastructure is characterised by long and fragmented supply lines leading to high wastage. The major constraints on the development of the cold chain industry are high capital cost and electricity bills coupled with low rental revenues and inadequate availability of concessional finance.

The Ministry of Agriculture in co-ordination with CII has constituted a Task Force, comprising experts from all stakeholders and a realistic target for developing a cold chain has been mapped out. The Task Force has proposed the creation of a 'National Green Grid' to develop a seamless cold chain network to balance demand and supply issues with remunerative price to farmers and to deliver quality produce in the hands of consumers.

In addition, the Government of India has announced several incentives like capital subsidy, project import status for private investments and schemes like Rashtriya Krishi Vikas Yojana for various state initiatives. It is expected that in the coming years, a significant amount of private and public investments will flow into this segment.

SEGMENT-WISE ANALYSIS

The revenue and results break-up in terms of business segments were as follows:



ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

The electro mechanical projects and packaged airconditioning business continued to be the largest segment accounting for 71% of the Company's Total Revenue. While the demand from the IT/ITES, retail and builder segment was muted, the Company received several orders from the healthcare, hospitality, education and Infrastructure segment including airports, power plants and metro rail.

In the central plant equipment segment, the Company offers a range of screw and scroll chillers in both air cooled and water cooled versions as well as air distribution products such as air handling units and fan coil units. The year under review saw significant demand for the Company's eco-friendly, next-generation and ASHRAE / ECBC-compliant range of screw chillers incorporating R134a refrigerant. Encouraged with the response, the Company plans to set up a Eurovent-certified test lab, a first-of-its-kind in India, to test these chillers locally.

During the review period, the Company won a prestigious Rs. 172 crores integrated MEP order for the proposed Delhi Airport Metro Express Line. This line is envisaged to be a 23 km long underground/ at grade/ elevated high speed rail corridor which will connect New Delhi International Airport to various metro stations. The rail corridor is being developed with state-of-the-art technology and will be comparable to the world's best airport link expresses such as the ones in Heathrow and Hong Kong. Blue Star's scope covers design, supply, fabrication, erection, testing, inspection and commissioning of HVAC, Electrical, Fire Fighting, Plumbing, Station Management System, Access System and Track Side Auxiliary System for the entire project. The project is expected to be completed before the 2010 Commonwealth Games.

The Company strengthened its foothold in the healthcare segment during the year with several prestigious orders including orders from Bangalore Medical College; ESIC hospitals at Jaipur, Bengaluru, Manesar and Mumbai; Narayana Hrudayalaya, Hyderabad and Jaipur; Apollo Hospitals, Karaikudi; Rockland Hospital, Manesar; Sadar Hospital, Ranchi and numerous other hospitals.

The Company also booked some notable orders from power sector majors such as NTPC, Vindhyachal, Rihand and Nabinagar; Reliance Infrastructure, Raghunathpur; Essar, Mahan and Salaya; and Adani, Tiroda, amongst others. From the steel sector, the Company received notable orders from IISCO, Bokaro and Rourkela, and Jindal, Angul.

The Company continued to aggressively pursue business from the Government of India and won prestigious orders from CPWD and several other Government/PPP agencies. It also executed a project for the recently inaugurated state-of-the-art Tamil Nadu State Legislative Assembly Complex. The Company was responsible for providing turnkey airconditioning and electrical services for Circle 1 & 2, which houses the Chief Minister's office.

Other prestigious business booked by the Company during the year include orders from Wipro Data Centre, Greater Noida; Hewlett Packard, Mumbai; CA India Technologies, Hyderabad; Synthesis Business Park, Kolkata; Infosys, Mysore and Pune; National Centre for Biological Sciences, Hyderabad; Indiabulls Real Estate Company, Mumbai; Sheth Developers, Mumbai; Vrindavan Techvillage Ph-II, Bengaluru; Boomerang IT Campus, Mumbai; C-DAC Innovation Park, Pune; Sirifort Training Centre, Delhi; Jaypee Greens Hotels & Resort, Greater Noida; Shangri-La Hotel, Mumbai; IBM-Airtel Data Centre, Bhubaneswar; Kohinoor City, Mumbai; DLF Magnolias, Gurgaon; RBS Corporate Office, New Delhi; Inorbit Mall, Bengaluru; HBN Commercial Centre, Bathinda; Mariott, Bengaluru and many more.

Blue Star's ducted systems range comprises packaged airconditioners as well as ducted split airconditioners. The Company also offers VRF systems; precision control packaged airconditioners for applications where accurate control of temperature is critical; as well as telepacs for telecom applications. Thus, Blue Star provides the widest range, and meets every conceivable customer requirement.

In the ducted systems segment, traditional segments such as manufacturing, educational institutions, offices and Government took the lead in an otherwise subdued market. There was a sharp decline in the IT/ITES and retail segments due to deferment of fresh investment plans. While business from big metros declined, share of business from Tier II / III towns increased steadily, thereby contributing to a larger share of the overall pie.

Blue Star's precision control packaged airconditioners continued to perform well with fast growing demand from data centres, banking and telecom segments. The Company also sustained its leadership position in the telecom segment with its customised array of telepac airconditioners, especially designed for the telecom industry. During the year, the Company introduced a new range of emergency free cooling telepacs and battery coolers which were designed as operating cost saving solutions through joint innovation programmes with customers. The Company also performed well in the high technology VRF airconditioning systems business, during the year.

The newly formed electrical projects business performed impressively by cross-selling its services to existing HVAC customers as well as acquiring stand-alone orders. Some of the prestigious orders won during the year include TCS, Secunderabad; Shangri-La Hotel, Mumbai; Inorbit Mall, Bengaluru; Nokia Siemens, Bengaluru; Paradise Mall, Delhi; Wipro Data Centre, Delhi; Brigade Sheraton, Bengaluru; Park Hyatt, Chennai; Gulmarg Hotel, Srinagar and Main Mall, Pune. The Company also entered the Extra High Voltage (EHV) 132 kV business domain for the first time with two prestigious orders of substations and transmission lines at Discencherla and Chintal, Andhra Pradesh from Aptransco. These substations are expected to be operational by October 2010 and will supply power to the rural Nalgonda and the urban Ranga Reddy Districts of Andhra Pradesh.

Blue Star has also been offering plumbing and fire fighting services in order to offer a single window, turnkey Mechanical, Electrical & Plumbing (MEP) solution to customers. The Company won several orders for plumbing and fire fighting services during the year, most of which were bundled with airconditioning and electrical contracting orders.

COOLING PRODUCTS

This business segment includes room airconditioners apart from commercial refrigeration products and systems.

During the year, the Company launched a new range of energy labeled (star-rated) room airconditioners. These airconditioners are available in a wide range of 2, 3 & 5 star ratings and in multiple capacities. The Bureau of Energy Efficiency

SOME PRESTIGIOUS INSTALLATIONS



Central Airconditioning for Hindustan Unilever, Mumbai



Central Airconditioning and Total Facility Management for Volkswagen India, Pune



Central Airconditioning for Medicity Hospital, Gurgaon



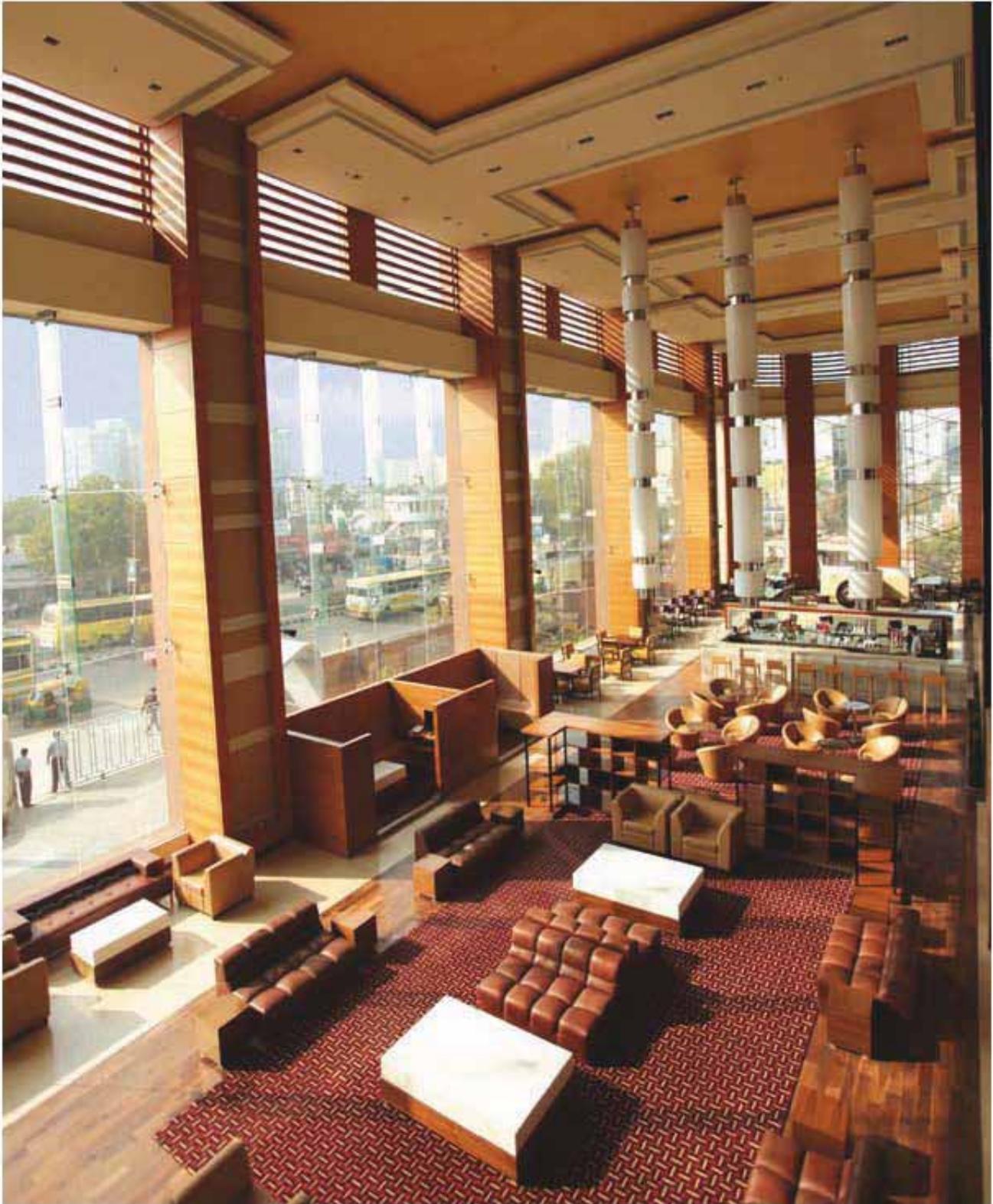
Electrical Substation for Bell Ceramics, Bengaluru



Packhouse and Perishable Cargo Centre for Gujarat Agro Industries Corporation, Ahmedabad



Central Airconditioning for Major Dhyanchand National Stadium, Delhi



Central Airconditioning for Courtyard Marriott, Ahmedabad

(Ministry of Power, Govt of India) has made energy labeling mandatory with effect from January 7, 2010.

With the legislation finally getting implemented, Blue Star has spruced up its product portfolio and has launched a comprehensive range of star-rated window and wall mounted split airconditioners to meet a wide range of requirements. The energy savings is expected to be a minimum 12% for 2-star and goes up to 25% in the case of 5-star. The Company has also improved the range of commercial split airconditioners by introducing flat paneled mega split airconditioners apart from energy efficient scroll compressor-fitted cassette and vertical split airconditioners.

Owing to the onset of early summer in the West and South, there was enhanced demand for room airconditioners from the residential segment. Focus on educational institutes yielded good business from schools, professional colleges, universities and coaching centres. The National Accounts Cell won several orders from key customers, especially banks, ATM infrastructure providers, financial service providers and telecom players.

In the commercial refrigeration products segment, sales of chest freezers grew well with enhanced demand from ice cream manufacturers and unorganised grocery stores. The Company tied up with key accounts in ice cream and dairy segments such as Amul, Havmor, Shital, Dinshaws, Vadilal, Ramani, Lazza, Dairy Classic, Hatsun Agro, Vijaya Dairy and Milma Dairy, amongst others, supplying significant quantities of freezers to them. Bottled water dispenser sales recorded high growth driven by demand from small offices, shops and residential customers. Storage water coolers registered modest growth driven by the manufacturing sector, educational institutes, offices and Government establishments.

In the cold chain segment, Blue Star offers a wide range of equipment across the chain from the farm to the fork. During the year, Rajasthan State Agriculture Marketing Board placed an Rs. 8 crores order on Blue Star for storage of fruits and vegetables at three locations. The scope involves civil, structural, electrical and refrigeration. In addition, Gujarat Agro placed an order valued at Rs. 9 crores for potato storage. The Company also booked a prestigious order valued at Rs. 8.5 crores from the Ministry of Health and Family Welfare for vaccine storage across the country. This project is funded by World Bank.

The Cold Chain Task Force, constituted by CII and Department of Agriculture and Co-operation, where Blue Star is also an active participant, is working on creating an economically sustainable cold chain model through Government subsidy in the areas of integrated packhouses, ripening chambers, bulk cold storages, controlled atmosphere chambers and transport refrigeration. The cold chain is expected to handle 15% of fruits and vegetables in a time span of 3-4 years and 40% in the time span of 5-6 years. This would mean an investment of Rs. 22000 crores to handle 15% of the fruits and vegetables production and Rs. 55000 crores to handle 40% of the fruits and vegetables production in India at the current level. These investments would throw up an enormous opportunity for Blue Star to aggressively pursue various cold chain components like farm-end packhouses, multi commodity cold storages, centres for perishable cargo and distribution centres for logistics, amongst others.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

Over the years, the Company has changed its business model from being only a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain. The Company has the expertise to build a complete system around the products offered, thereby offering a comprehensive single window, turnkey solution.

In 2009-10, the Segment continued to contribute significantly to the overall performance of the Company. It is comprised of several strategic business units namely Industrial Projects, Industrial Products and Systems, Material Testing Equipment and Systems (Destructive / Non Destructive), Data Communication Products & Services, Test and Measuring Instruments, Analytical Instruments and Medical Diagnostic Equipment.

During the year, the Industrial Projects business performed exceedingly well. The Company won a Rs. 45 crores order from SAIL-IISCO Steel Plant, Burnpur for compressed air station. The plant is undergoing an expansion of 2.5 MTPA with a new blast furnace. The centralised compressed air station will provide required dry compressed air for various industrial

SOME OF OUR PRODUCTS



Air Cooled Screw Chiller



5-star HI Wall Split AC



Air Handling Unit



Deep Freezer



Telepac

services as well as instruments. Blue Star's scope includes all civil, structural work and technological structures; compressor building; handling and hoisting equipment including electricals; illumination; C&I; water system; compressed air pipelines; fire protection and detection systems; roads and drainage. The Company also won prestigious orders from other steel majors such as Vizag Steel Plant, Rourkela Steel Plant, Tata Blue Scope and Tinplate, during the review period.

The destructive and non-destructive testing machines business had a relatively slow year. However, during the last quarter, there was enhanced demand, especially from automobiles, pipes and allied industries.

MANUFACTURING FACILITIES

Blue Star has five modern, state-of-the-art manufacturing facilities at Thane, Bharuch, Dadra, Himachal and recently, Wada.

Thane, which is the oldest manufacturing facility in Blue Star, primarily manufactures a range of screw and scroll chillers. It also manufactures special chillers for the process industry. During the year, the main emphasis was on quality and consistency through robust manufacturing processes. Process improvements coupled with TPM initiatives helped in reducing the throughput time thereby resulting in lower lead times. It also helped in ramping up of production capacity by about 25% in both screw as well as scroll chillers. The screw chiller testing facility is being modernized with the help of DMT, Germany which will help in getting the chillers certified from ARI/Eurovent. While the lab upgradation has been completed, the certification will be carried out during the first quarter of FY11.

The Dadra plant is regarded as one of the best manufacturing facilities in the country for high quality airconditioning products for domestic as well as export markets. The product range includes packaged/ducted split airconditioners, VRF systems, precision control packaged airconditioners and telepacs for the telecom sector. Despite slackened demand, the plant was able to maintain profitability by stringent control on operating expenses coupled with prudent inventory management and enhanced productivity. There was focus on energy management, enhancing safety practices, value engineering and TPM, during the review period. Six sigma and quality circle initiatives are actively practiced at the plant.

Over the last few years, the Bharuch plant has been focusing on the refrigeration products and cold chain business and has invested in developing modern manufacturing facilities for polyurethane sandwich panels which has resulted in significant growth in capacity of panel production. During the review period, layout changes were carried out in the deep freezer assembly, resulting in enhanced deep freezer volumes. The implementation of TPM for manufacturing excellence resulted in higher productivity. The safety initiatives during the year enabled the plant in receiving the safety award for "Exhibiting excellent safety measures in factory premises" by Gujarat Gas Ltd, for the second consecutive year.

The Himachal plant manufactures window and split airconditioners. During the year, a new range of upgraded products was introduced to meet the now mandatory energy labeling programme initiated by BEE (Bureau of Energy Efficiency). The manufacturing processes, reliability lab and online run-test setup was upgraded in line with the stringent BEE regulations. All the star-rated models have been tested at an independent Intertek Lab. The new initiatives including ISO, six sigma and TPM are being pursued enthusiastically at the plant, resulting in higher operational efficiency.

This was the second full year of operation of Blue Star's latest state-of-the-art manufacturing facility at Wada. The plant manufactures the entire range of air handling units and specialized airconditioners for the telecom industry. The plant is equipped with modern manufacturing facilities with complete vertical integration. An Export Oriented Unit (EOU) is also housed within the main plant. The EOU is capable of manufacturing air handling units, storage water coolers and packaged airconditioning equipment. During the year, there was proactive participation at all levels for various initiatives such as TPM, SGA and Kaizen. The plant has also been certified for deployment of quality management systems (ISO 9001: Version 2008) by Underwriters Labs, USA. Vendor assessment audits for the factory conducted by multinationals such as Danfoss and Nokia Siemens resulted in immediate approvals.

RESEARCH & DEVELOPMENT

Blue Star invested Rs. 9.7 crores on research and development during the year. The Company has invested in modern product development facilities as well as sophisticated test laboratories.

The year under review saw the development and launch of several new products as well as entire product lines. These included a new range of star-rated room airconditioners under the mandatory BEE energy labeling programme. The existing air handling units range was also redesigned and a new range was developed incorporating heat pipes and heat recovery wheels. A few models of ducted/package airconditioners with a 15% improvement in energy efficiency for green building applications were also developed. Further, a new range of VRF systems was also introduced in capacities from 6 HP to 12 HP. Specific models were developed for the exports market including roof top and top discharge split units and heat recovery units for fresh air applications.

The team has also initiated work on some technology projects including phasing out of non eco-friendly refrigerants and replacing them with ozone friendly ones; identifying an alternative to copper in heat exchangers; and integrating components such as drives and DC motors in products to improve energy efficiency.

EXPORTS

On the product export front, the Company offers products such as chillers, air handling units, fan coil units and roof top units apart from traditional cooling products like water coolers, ducted systems and room airconditioners. These products, which compete with global brands, enjoy a good reputation in the Middle East market.

The product export business saw a drop in revenues during the year due to the slack demand. The global economic slowdown adversely affected Dubai and several other Middle East nations, with the real estate business severely impacted. However, towards the end of the year, there was a slow recovery in some segments. The export business registered an overall increase in profitability due to a shift in product mix towards engineered and niche products which enjoy higher margins. During the year, the Company signed two MOUs – with Triangle Co., Syria and Alenaire Airconditioning Phil. Inc., Philippines as business partners. This appointment is expected to strengthen Blue Star's presence in West Asian and South East Asian regions.

As far as international projects are concerned, the Company has joint ventures in Qatar as well as in Malaysia. During the year, the Company continued to be selective in pursuing only projects with reasonable margins.

AIRCONDITIONING AND REFRIGERATION SERVICE

Blue Star continues to retain its eminent position in the market place as a superior value added service provider. The total tonnage maintained under various categories of after-sales solutions make the Company the largest after-sales service provider in the country. While the customary warranty and annual maintenance services continues to be the mainstay, the Company's focus into the service parts and accessories arena has resulted in increased responsiveness and easy availability of genuine parts. In addition, a variety of value added services in the areas of energy, air and water management as well as Green Building certification and consultancy have been widely accepted. The Company has begun to provide Total Facility Management solutions and has built the required infrastructure to meet the requirements of large sized industries, IT/ITES campuses and commercial / public utilities.

As a result of Blue Star's Energy Audit recommendations – carried out by a strong 30-member team of BEE accredited Energy Auditors and Managers, many customers are opting for revamp or retrofit solutions and upgrading to more energy efficient systems. Green Building consultancy services are offered for both new construction and existing buildings. The team comprises 3 US Green Building Council (USGBC) certified Leadership in Energy and Environmental Design (LEED) Accredited Professionals. In addition, its NEBB certified personnel make Blue Star the only company in India to offer TAB (testing, adjusting and balancing of air and hydronic systems) services to HVAC customers.

The Company continued to focus on enhancing the quality of service delivery, during the year. Towards this end, several developmental programmes were implemented including certification and training of dealers and business associates; monitoring of service delivery quality through a Service Quality Assurance Group; and the handling of high-end technical problems through a Service Specialists' Group. The Commissioning Services Group which was constituted to handle commissioning services in line with international practices resulted in higher customer satisfaction and lower warranty expenses.

SUPPLY CHAIN MANAGEMENT

With a significant amount being spent on outside goods, the Company has an agile and adaptable supply chain incorporating modern procurement practices such as long term contracts, e-procurement, time-based competition, hedging and managing risk. During the year, the Company reduced the primary transportation spend by better indent management and volume consolidation. With GST expected to come in effect from April 2011, the Company is already working out a new network design based on the hub and spoke model for distribution, which will help it quickly migrate to the GST environment.

CHANNEL DEVELOPMENT

The Company has a Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel development and channel conflict resolution initiatives. Blue Star has 215 systems dealers who exclusively deal in the Company's systems businesses comprising packaged airconditioning and cold rooms and 720 dealers to sell room airconditioners and refrigeration products.

On the channel development front, the Company implemented several developmental and motivational programmes for its channel partners, including trips abroad for high performing dealers. An important initiative was in the area of site safety. A comprehensive 'Safety Policy and Manual for Business Partners' was created and distributed to all channel partners apart from imparting several training programmes on safety. The Company put up 4 more Product Display Areas (PDAs) in association with its leading dealers during the year, taking the total number of PDAs in the country to 44. The PDAs aim to provide customers with a pleasant, standardised shopping experience, apart from the comprehensive product information that Blue Star dealers are known for.

FINANCIAL PERFORMANCE

The analysis of the financial year performance for the year ended March 31, 2010 in comparison to the previous year is as under:

1. INCOME

Total Income (net of excise duty) and before profit from sale of investments (exceptional item) for the year at Rs. 2556.11 crores increased marginally by 1.3% over Rs. 2524.38 crores in the previous year.

2. COST OF SALES, WORK BILLS AND SERVICES

The cost of sales, work bills and services during the year was Rs. 1882.08 crores and was 74.5% of the revenue from sales, work bills and commission as compared to 74.9% in the previous year. Despite an increase in the cost of materials due to higher commodity prices for part of the year, the cost of sales for the year was contained due to significant savings as a result of value engineering, aided by the appreciation of the rupee in the latter part of the year.

3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost increased by 1% from Rs. 182.25 crores to Rs. 184.87 crores. The employee cost was 7.2% of the Total Income at the same level as previous year.

4. OPERATING AND GENERAL EXPENSES

Operating and General expenses amounted to Rs. 183.32 crores, reflecting a reduction of 2% over the previous year. As a percentage of Total Income, the Operating and General expenses for the year were at 7.1% compared to 7.4% in the previous year.

5. FINANCIAL EXPENSES

Financial cost at Rs. 8.45 crores for the year was significantly lower than Rs. 17.25 crores incurred in the previous year, primarily due to better cash management and reduction in bank interest rates during the year. Interest cost for the year was 0.33% of the Total Income as compared to 0.68% in the previous year.

6. DEPRECIATION

Depreciation charge for the year was significantly higher at Rs. 34.73 crores compared to Rs. 25.88 crores in the previous year, mainly due to capitalisation of SAP ERP and additional facilities at the manufacturing plant at Wada.

7. TAXATION

Provision for taxation for the year was Rs. 65.13 crores which is 23.5% of the Profit before tax, as compared to 24.3% in the previous year. The decrease was mainly due to higher tax depreciation on account of significantly higher additions of fixed assets during the year and the increase in the quantum of profits of the Himachal factory which are eligible for tax holiday.

8. EXCEPTIONAL ITEM

During the year, the Company realized a profit of Rs. 13.96 crores on the sale of its shareholding in Rolastar Pvt Ltd and Ravistar India Pvt Ltd.

9. NET PROFIT

Net profit after tax for the year was Rs. 211.49 crores as compared to Rs. 180.29 crores in the previous year, representing an increase of 17%. Profit before Tax and Exceptional items for the year at Rs. 262.66 crores, recorded a growth of 10.2% over the Profit before Tax of Rs. 238.33 crores in the previous year. Including the Exceptional item, the Profit before Tax for the year was Rs. 276.62 crores as compared to Rs. 238.22 crores in the previous year.

10. CAPITAL EXPENDITURE

During the year, the Company incurred capital expenditure of Rs. 47.47 crores as compared to Rs. 80.06 crores in the previous year. This includes capital expenditure incurred for the SAP ERP package implemented in the financial year and additional investments in the manufacturing facility at Wada.

11. ADJUSTMENTS AGAINST GENERAL RESERVE IN ACCORDANCE WITH THE SCHEME OF ARRANGEMENT PERTAINING TO THE ACQUISITION OF THE ELECTRICAL CONTRACTING BUSINESS OF NASEER ELECTRICALS PRIVATE LIMITED

The Company had in January 2008 acquired the electrical contracting business of Naseer Electricals Private Limited (NEPL) under a Business Purchase Agreement on a slump sale basis for Rs. 48.10 crores, including a sum of Rs. 5 crores held in Escrow account till the conditions stipulated in the said Agreement were fulfilled. In accordance with a Scheme of Arrangement approved by the shareholders and sanctioned by the Hon'ble High Court at Bombay in April 2008, the goodwill arising on the acquisition had been adjusted against the General Reserve of the Company. Consequent upon final settlement with NEPL, a sum of Rs. 2.22 crores was received back by the Company from the amount held in the Escrow account and the same has been credited to the General Reserve of the Company.

Further, in accordance with the said Scheme of Arrangement, fees and bonus of Rs. 5.26 crores paid during the year to the consultants in terms of the said Agreement has been adjusted against the General Reserve of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company remains committed to ensure the prevalence of an effective internal control environment that provides reliable financial and operational information, ensures compliance of corporate policies and applicable statutory regulations and safeguards company assets.

The in-house Internal Audit Department is ISO 9001:2000 certified and carries out internal audits covering all significant areas of the Company's operations in accordance with the annual Internal Audit plan approved by the Audit Committee. The Internal Audit Department is supported and supplemented by external firms which carry out internal audits at the regions and factories. The Audit Committee of the Board periodically meets the Internal Auditors and reviews the internal audit recommendations, auditee responses and monitors the remedial action taken.

With the successful implementation of SAP, the Company has in place a highly integrated ERP system which has resulted in more effective and efficient reporting and further strengthening of internal controls.

RISKS AND CONCERNS

RISKS

The Company has in place an effective Risk Management framework under which all internal and external risks across the various businesses and functions are periodically identified, assessed and acted upon by designated risk owners to minimise and mitigate their impact. These risks and the risk management process are also periodically reviewed by the senior management and the Board to ensure their effectiveness.

The Company continues to satisfactorily address the various financial risks relating to exchange rates, interest rates and credit risks as well as operating risks arising out of high input costs, changes in technology, changes in the global scenario, customer preferences, increasing size and complexity of contracts and competitive pressures.

CONCERNS

The strong fundamentals of the Company and its sound financial base have placed it in a strong position to face the vagaries of the market. The uncertain global economic scenario could affect the Indian economy. This could impact the growth of the Company to some extent. The Company will continue to remain vigilant and will proactively take steps to mitigate the adverse impact, if any, arising out of these concerns.

HUMAN RESOURCES

During the review period, the Company reduced its total head count marginally from 2620 as on March 31, 2009 to 2603 on March 31, 2010. The focus of the function was to control costs and yet maintain a high degree of productivity. The Company released modest increases in salaries which helped maintain productivity and employee morale during the year. The Company saw harmonious industrial relations and the Company signed a short term settlement with the Union during the course of the year.

A Central Technical Training Organisation (CTTO) was formed a few years back to handle all the technical trainings for the Company's AC&R businesses. In all, the CTTO delivered about 8400 man days of training for employees as well as channel partners during the year.

ENVIRONMENT, HEALTH & SAFETY

During the year, the Environment, Health and Safety (EHS) function further enhanced safety awareness among the employees and business partners. Over 4000 employees and technicians/workers of business partners were covered under safety training. Safety systems and processes were developed for project sites / factories and the same were implemented, creating a safe work place for all stakeholders. Safety audits were conducted engaging external agencies like Central Labour Institute, Mumbai as well as internal safety professionals to measure safety compliance. Based on the findings, necessary corrective and preventive measures were undertaken on a priority basis. There was a 42% drop in the reported accidents in the organization during the year compared to the previous year. The EHS function was further strengthened by employing more safety professionals.

INFORMATION TECHNOLOGY

The year witnessed the culmination of the largest ever IT project implementation in the Company with the big-bang "Go-Live" solution of SAP ECC 6.0. Through the year, the solution achieved stability and is now seamlessly operating across all business divisions and all locations. The MIS reporting has also gained steam and almost all reports are now generated from the SAP platform. A dedicated team of over 70 professionals from the Company and its partners are involved in supporting the SAP solution. The solution has helped the Company achieve uniformity in its business processes

across its divisions; automating and streamlining operational processes; increasing productivity in operations with a role-based solution and centralized information; extending collaboration to all value chain partners; and improving operational performance with strategic business insight.

BRAND EQUITY

The Company has made substantial investments in building brand equity over the last few years. During the year under review, as a measure of economy, there was a moderate reduction in advertising. During the latter part of the year, the Company launched a new TV commercial on room airconditioners with the value proposition of 'Get office-like cooling at home' which has met with a good response.

Apart from the mass media, the Company also made affordable investments in field marketing. These include participation in trade exhibitions, sponsorships of events by CII and others, IDEAC (Interior Designers, Architects and Consultants) relationship management, customer events and public relations through the Press. These field activities are critical and have gone a long way in complementing mass media campaigns and strengthening brand equity.

CORPORATE SOCIAL RESPONSIBILITY

Blue Star's Corporate Social Responsibility (CSR) philosophy is built on three pillars namely Environment protection, Energy conservation and Community development around our facilities.

The Company is highly committed to the cause of protecting the environment. Energy efficiency of its products remains a corner-stone of its research and development efforts. Air, water and energy management services as well as LEED consultancy for Green Buildings have been part of its business and practices. The Company has also been contributing in the technical domain through the use of eco-friendly refrigerants in its products.

Energy Conservation goes beyond using efficient products. A huge amount of energy is wasted nationally due to sheer ignorance and lack of awareness. The Company is helping deserving institutions such as hospitals and colleges to save power by conducting free walk-through energy audits. In its efforts towards community development around the Company's facilities, the Company continues to sponsor the vocational training courses offered by an NGO, Kherwadi Social Welfare Association (KSWA), in Wada. This centre has been set up to support a vocational training initiative for school and college dropouts to make them employable contributing members of their families and communities. Regular visits by the Company's employees have aided in technical support to KSWA for conducting the courses.

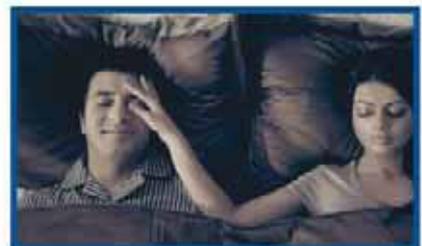
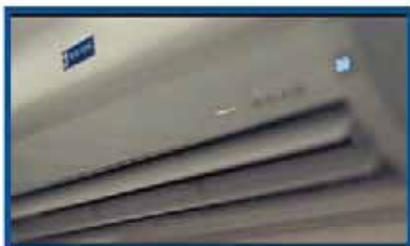
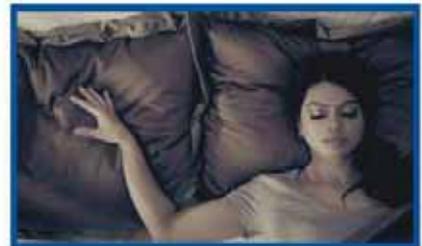
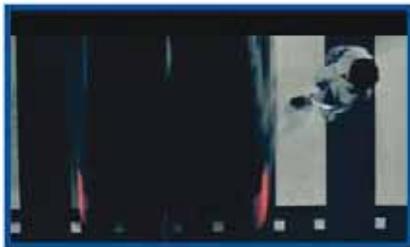
In addition to the above CSR efforts, the Company continued to sponsor various philanthropic causes through its charitable Trust, Blue Star Foundation, which has been supporting activities in the areas of education and healthcare, apart from relief measures in national calamities.

CORPORATE OUTLOOK

In spite of the weak economic environment that led to a slow start last year, Blue Star's profits continued to grow due to effective cost control and favourable input costs, with the year ending on an encouraging note. The worst of the slowdown seems to be behind us and considering the healthy carry forward order book coupled with Blue Star's expertise, leadership and credentials, the Company is confident of better business prospects in the year ahead.

Latest TV Commercial

'WANT OFFICE-LIKE COOLING AT HOME?'



The Dynamics of Blue Star's Growth

10 YEAR FINANCIAL HIGHLIGHTS

		2009-10	2008-09	2007-08	2006-07
OPERATING RESULTS					
Total Income (including Excise duty)	Rs. in Crores	2602.66	2574.04	2270.09	1607.41
Profit before Tax	"	276.62	238.22	242.02	92.60
Tax	"	65.14	57.93	67.92	21.42
Profit after Tax	"	211.49	180.29	174.10	71.18
Dividend (including Corporate Dividend tax)	"	83.90	73.65	73.65	30.93
Retained Profit	"	127.59	106.64	100.45	40.26
FINANCIAL POSITION					
Paid up Capital	Rs. in Crores	17.99	17.99	17.99	17.99
Reserves	"	473.69	349.15	245.56	194.98
Shareholders' Funds	"	491.68	367.13	263.54	212.97
Borrowings	"	8.93	27.28	36.54	89.05
Total Funds Employed	"	500.60	394.41	300.08	302.02
Net Fixed Assets, Investments, } Deferred Tax Assets	Rs. in Crores	204.90	216.76	160.39	121.79
Net Working Capital	"	295.70	177.67	141.86	184.49
Debt Equity Ratio	Ratio	0.02	0.07	0.14	0.42
Book Value per Equity Share	Rs.	54.67	40.82	29.30	23.68
OTHER INFORMATION					
Number of Shareholders	Nos.	22781	20470	19096	18065
Number of Employees	"	2603	2620	2566	2181
PERFORMANCE INDICATORS					
Earnings per Share	Rs.	23.52	20.05	19.36	7.91
Dividend per Share **	Rs.	8.00	7.00	7.00	3.00
Return on Shareholders' Funds	%	43.00	49.10	66.10	33.40
Return on Capital Employed	%	55.30	60.30	81.40	32.10

** Proposed Dividend

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
1178.62	930.92	716.06	601.06	517.32	509.82
69.09	52.44	46.59	40.18	27.33	25.57
19.42	13.71	11.88	9.57	2.28	2.03
48.90	39.16	32.55	31.04	27.45	23.54
24.61	20.55	18.26	18.26	12.55	12.32
24.29	18.61	14.29	12.78	14.90	11.22
17.99	17.99	17.99	17.99	19.30	20.32
154.72	130.43	111.82	97.53	92.10	89.72
172.71	148.42	129.81	115.52	111.40	110.04
75.87	37.28	13.35	12.05	12.09	57.35
248.58	185.70	143.15	127.57	123.49	167.39
113.04	89.03	70.41	59.79	68.41	94.11
141.33	100.53	77.17	67.84	54.09	67.43
0.44	0.25	0.10	0.10	0.11	0.52
19.20	16.50	14.43	12.84	11.54	10.83
15609	17187	19422	22000	24878	26094
1999	1868	1798	1808	1825	2084
5.44	4.35	3.62	3.45	2.84	2.32
2.40	2.00	1.80	1.80	1.30	1.10
28.30	26.40	25.10	26.90	24.60	21.40
30.10	30.00	33.80	33.30	26.70	20.50

Auditors' Report

To the Members of **BLUE STAR LIMITED**

1. We have audited the attached Balance Sheet of Blue Star Limited ('the Company') as at March 31, 2010 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Associates**
Firm registration number: 10149W
Chartered Accountants

Per Sudhir Soni
Partner
Membership No. 41870

Mumbai, 12, May 2010

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date,

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
(c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (iii) (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 824.58 lacs (inclusive of interest of Rs. 120.58 lacs) and the year-end balance of loan granted was Rs. 799.58 lacs (inclusive of interest of Rs. 120.58 lacs).
(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
(c) The loans granted are re-payable on demand and payment of interest has been regular.
(d) There is no overdue amount more than rupees one lakh of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
(e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public during the year
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of certain products manufactured by the Company, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, wealth-tax, customs duty, excise duty and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income tax, sales tax, service tax, excise duty on account of dispute are as follows:

Name of Statute	Nature of the dues	Amount (Rs in lakhs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Dis allowance of Section 80IC deduction for non allocation of Corporate Expenses & Others	384.02	AY 2007-2008	CIT (a)
Service Tax under Finance Act, 1994	Service Tax demand on Composite Contacts	3,343.36	2003-2004 to 2006-2007	CESTAT
	Dis allowance of Cenvat Credit to the extent of 80%	86.21	2004-2005 to 2007-2008	CESTAT/Commissioner Appeals
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Additional demand/ disallowances on works contracts	143.00	1984-85 to 1991-92, 2002-03, 2003-04, 2007-2008	Sales Tax Appellate Tribunal, High Court
	Additional Sales tax on works contracts	80.71	2000-01, 2001-02	High Court
	Demand notice treating works contract sales as product sales received from Assessing authority	2,414.70	2001-02 to 2002-03 2005-06 to 2008-09	Supreme Court, Appellate Deputy Commissioner
	Factory Direct Sale treated as Local branch sales	146.52	2002-03, 2003-04	DC - (Appeals)
	Non Submission of Forms	589.78	1992-93, 2000-01, 2003-04, 2005-06, 2006-07	Deputy/Asst. Commissioner
	Sales tax demand on assessment	437.64	1990-91, 2002-03, to 2005-06	Deputy/Asst./Joint Commissioner
	Show cause notice received from CTO, Hyderabad treating works contract sales as product sales	1,024.54	2003-04, 2004-05	High Court
	Entry Tax	On Factory direct sales	4.83	2001-02 to 2004-05
Central Excise Act, 1944	10% Demand of Excise Duty on Finished Goods, raised for not maintaining separate books of a accounts for dispatches to SEZ Developers	56.00	2008-09	CESTA T Mumbai
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty	11.53	1986-1990	Central Excise Commissioner
	Excise Duty on Electric fans manufactured and captively use in manufacture of water cooler	16.77	1980-82, 1990-94	CESTAT
	Excise Duty on whole unit including Cabinet which is considered as walk in coolers and claimed as exemption	144.92	1981-86	Supreme Court

* net of advances

According to the information and explanation given to us, there are no dues of customs duty and cess which have not been deposited on account of any dispute.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has not taken any loan from financial institutions. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name and same has been sold during the year.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year. Consequently, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Associates
Firm registration number: 10149W
Chartered Accountants

Per Sudhir Soni
Partner
Membership No. 41870

Mumbai, 12, May 2010

Balance Sheet as at March 31, 2010

(Rs. in lakhs)

	Schedule	As at March 31	
		2010	2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	1,798.72	1,798.72
Reserves & Surplus	B	47,368.84	34,914.22
		49,167.56	36,712.94
LOAN FUNDS			
Secured Loans	C	892.66	2,728.22
		892.66	2,728.22
Deferred Tax Liability, Net (Refer Note III.14 of Schedule M)		-	61.71
		50,060.22	39,502.87
APPLICATION OF FUNDS			
FIXED ASSETS			
	D		
Gross Block		35,187.90	33,251.22
Less: Accumulated Depreciation		15,422.21	14,492.44
Net Block		19,765.69	18,758.78
Capital Work-in-Progress including Capital advances		157.68	2,478.88
INVESTMENTS			
	E		
Deferred Tax Assets, Net (Refer Note III.14 of Schedule M)		146.66	-
CURRENT ASSETS, LOANS & ADVANCES			
	F		
Inventories		25,800.84	20,805.75
Sundry Debtors		62,821.30	60,863.71
Cash & Bank Balances		1,321.70	919.53
Other Current Assets		36,092.01	8,646.85
Loans & Advances		13,244.31	12,552.33
TOTAL		139,280.16	103,788.17
Less: CURRENT LIABILITIES & PROVISIONS			
	G		
Current Liabilities		98,106.79	75,214.06
Provisions		11,603.51	10,807.05
TOTAL		109,710.30	86,021.11
NET CURRENT ASSETS		29,569.86	17,767.06
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)		-	59.92
		50,060.22	39,502.87
Notes forming part of the Accounts	M		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date
For **S. R. Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

Per **Sudhir Soni**
Partner

Membership No. 41870
Mumbai: May 12, 2010

For and on behalf of the **Board of Directors of Blue Star Limited**

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Shailesh Haribhakti	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
K P T Kutty	Company Secretary

Mumbai: May 12, 2010

Profit & Loss Account for the year ended March 31, 2010

(Rs. in lakhs)

	Schedule	Year ended March 31	
		2010	2009
INCOME			
Sales and Services (Gross) (Refer Note III.1 of Schedule M)		253,103.36	252,317.13
Less: Excise Duty		3,258.50	4,966.27
Sales and Services (Net)		249,844.86	247,350.86
Commission		2,652.60	2,911.60
Other Income	H	3,114.04	2,175.11
		255,611.50	252,437.57
EXPENDITURE			
Cost of Sales and Services	I	188,207.82	187,425.84
Employee Remuneration & Benefits	J	18,487.27	18,225.59
Operating & General Expenses	K	18,332.00	18,650.17
Depreciation / Amortization	D	3,473.32	2,588.32
Financial Expenses	L	845.40	1,725.35
		229,345.81	228,615.27
PROFIT BEFORE TAXATION & EXCEPTIONAL ITEM		26,265.69	23,822.30
Exceptional Item			
- Profit on sale of Investments (Refer Note III.6 of Schedule M)		1,396.49	-
PROFIT BEFORE TAXATION		27,662.18	23,822.30
Provision for Tax			
- Current Tax		6,710.00	5,854.20
- Deferred Tax Charge / (Credit)		(208.37)	(297.07)
- Provision for tax earlier years		5.80	-
- Wealth Tax		6.13	6.31
- Fringe Benefit Tax		-	230.00
		6,513.56	5,793.44
PROFIT AFTER TAXATION		21,148.62	18,028.86
Add: Balance brought forward		16,585.72	11,922.31
PROFIT AVAILABLE FOR APPROPRIATION		37,734.34	29,951.17
APPROPRIATIONS			
Transfer to General Reserve		8,000.00	6,000.00
Proposed Dividend		7,194.89	6,295.53
Corporate Dividend Tax		1,194.98	1,069.92
		16,389.87	13,365.45
Balance carried forward		21,344.47	16,585.72
Basic & Diluted EPS (Refer Note III.13 of Schedule M)	Rs.	23.52	20.05
(Nominal value of shares Rs. 2 (Previous Year: Rs. 2))			
Notes forming part of the Accounts		M	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date
For **S. R. Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

Per **Sudhir Soni**
Partner

Membership No. 41870
Mumbai: May 12, 2010

For and on behalf of the Board of Directors of Blue Star Limited

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Shailesh Haribhakti	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
K P T Kutty	Company Secretary

Mumbai: May 12, 2010

Schedules Forming Part of The Balance Sheet

As At March 31, 2010

(Rs. in lakhs)

		As at March 31	
		2010	2009
SCHEDULE A: SHARE CAPITAL			
Authorised			
10,000	(Previous Year: 10,000) 7.8% Cumulative Preference Shares of Rs.100 each	10.00	10.00
148,700,000	(Previous Year: 148,700,000) Equity Shares of Rs.2 each	2,974.00	2,974.00
16,000	(Previous Year: 16,000) Unclassified Shares of Rs.100 each	16.00	16.00
		3,000.00	3,000.00
Issued			
89,936,105	(Previous Year: 89,936,105) Equity Shares of Rs.2 each	1,798.72	1,798.72
		1,798.72	1,798.72
Subscribed & Paid Up			
	Equity Shares of Rs.2 each		
23,391,015	(Previous Year: 23,391,015) Shares fully paid in cash	467.82	467.82
4,645	(Previous Year: 4,645) Shares allotted as fully paid pursuant to a contract without payment being received in cash	0.09	0.09
66,526,340	(Previous Year: 66,526,340) Shares allotted as fully paidup Bonus shares by Capitalisation of Reserves and Share Premium	1,330.53	1,330.53
14,105	(Previous Year: 14,105) Shares allotted as fully paid shares on conversion of 425 - 7.8% Cumulative Preference Shares of Rs.100 each as per terms of the prospectus dated June 24, 1969	0.28	0.28
89,936,105		1,798.72	1,798.72
SCHEDULE B: RESERVES & SURPLUS			
General Reserve			
	Balance as per last account	18,064.94	12,400.03
	Less: Adjusted per Scheme of Arrangement (Refer Note III.5 of Schedule M)	304.13	335.09
		17,760.81	12,064.94
	Add: Transfer from Profit & Loss Account	8,000.00	6,000.00
		25,760.81	18,064.94
Capital Redemption Reserve			
	Balance as per last account	233.56	233.56
		233.56	233.56
Capital Subsidy from Government			
	Balance as per last account	30.00	-
	Add: Received during the year	-	30.00
		30.00	30.00
Profit & Loss Account			
		21,344.47	16,585.72
		47,368.84	34,914.22

Schedules Forming Part of The Balance Sheet As At March 31, 2010

(Rs. in lakhs)

	As at March 31	
	2010	2009
SCHEDULE C: SECURED LOANS		
Loans and Advances From Banks		
Cash Credit facilities (Secured by hypothecation of stock-in-trade and book debts)	892.66	2,728.22
	892.66	2,728.22

SCHEDULE D: FIXED ASSETS

(Rs. in lakhs)

ASSETS	Gross Block				Depreciation/Amortization				Net Block	
	Ason 1.4.2009	Additions	Deletions/ Adjustment	Ason 31.3.2010	Ason 1.4.2009	For the Year	Deletions/ Adjustment	Ason 31.3.2010	Ason 31.3.2010	Ason 31.3.2009
Tangible Assets										
Land - Freehold	473.50	12.87	-	486.37	-	-	-	-	486.37	473.50
Land - Leasehold	7.94	-	-	7.94	2.16	0.26	-	2.42	5.52	5.78
Building Sheds and Road	9,739.46	389.77	25.60	10,103.63	2,707.08	672.09	16.17	3,363.00	6,740.63	7,032.38
Plant and Machinery #	15,049.08	2,020.24	519.86	16,549.46	6,485.84	1,425.54	403.57	7,507.81	9,041.65	8,563.24
Furniture Fittings & Equipments	2,924.40	214.51	62.35	3,076.56	1,415.00	281.70	50.29	1,646.41	1,430.15	1,509.40
Vehicles	647.33	136.18	55.17	728.34	213.21	122.83	39.30	296.74	431.60	434.12
Computers	2,458.36	62.33	1,080.57	1,440.12	1,881.55	240.36	1,055.48	1,066.43	373.69	576.81
Intangible Assets										
- Technical Knowhow	419.85	-	-	419.85	416.03	2.40	-	418.43	1.42	3.82
- Softwares *	1,531.30	1,911.19	1,066.86	2,375.63	1,371.57	728.14	978.74	1,120.97	1,254.66	159.73
Total 31.3.2010	33,251.22	4,747.09	2,810.41	35,187.90	14,492.44	3,473.32	2,543.55	15,422.21	19,765.69	18,758.78
Total 31.3.2009	27,257.34	8,006.01	2,012.13	33,251.22	13,484.06	2,588.32	1,579.94	14,492.44	18,758.78	

Net of Grant received for UNIDO Machine Rs. 36.24 lakhs (Previous year: Rs. 36.24 lakhs) and accumulated depreciation thereon Rs. 27.56 lakhs (Previous year: Rs. 25.07 lakhs)

* The balance unamortised life of Softwares is 6 years as on March 31, 2010.

Schedules Forming Part of The Balance Sheet As At March 31, 2010

(Rs. in lakhs)

	As at March 31	
	2010	2009
SCHEDULE E: INVESTMENTS		
Long Term Investments (At cost)		
UNQUOTED: TRADE INVESTMENTS		
15,350 (Previous Year: 76,790) Fully paid Equity Shares of Rs. 10 each in Ravistar India Private Limited	1.54	7.68
367,500 (Previous Year: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	49.97	49.97
Nil (Previous Year: 117,600) Fully paid Equity Shares of Rs.10 each in Rolastar Private Limited	-	11.76
585,000 (Previous Year: 585,000) Fully paid Equity shares of Rs. 10 each in Blue Star Design and Engineering Limited	58.50	58.50
98,000 (Previous Year: 98,000) Fully Paid Equity shares of QR 1000 each in Blue Star Qatar(LLC)	12.11	12.11
QUOTED:		
OTHER INVESTMENTS		
3,098,025 (Previous Year: 3,098,025) Fully Paid Equity shares of Rs.10 each in Blue Star Infotech Limited	298.21	298.21
	420.33	438.23
Aggregate amount of quoted investments (Market value Rs. 3,472.88 (Previous Year: Rs. 1,514.93))	298.21	298.21
Aggregate amount of unquoted investments	122.12	140.02

Schedules Forming Part of The Balance Sheet As At March 31, 2010

(Rs. in lakhs)

	As at March 31	
	2010	2009
SCHEDULE F: CURRENT ASSETS, LOANS & ADVANCES		
(a) INVENTORIES (At lower of Cost and Net realisable value)		
Raw Materials and Components	8,851.62	6,801.21
Goods in Transit - Raw Material	1,200.53	610.40
Work-in-Progress	9,920.48	9,142.45
Less: Advance received thereagainst	2,147.09	2,022.64
	7,773.39	7,119.81
Finished Goods	7,975.30	6,269.30
Units Bonds & Shares in hand	-	5.03
	25,800.84	20,805.75
(b) SUNDRY DEBTORS (Unsecured)		
Considered Good :		
Over six months	18,272.02	16,142.32
Others	44,549.28	44,721.39
	62,821.30	60,863.71
(c) CASH & BANK BALANCES		
Cash on hand	28.25	21.05
With Scheduled Banks		
Current Account	1,134.57	769.28
Unclaimed Dividend Account	158.88	129.20
	1,321.70	919.53
(d) OTHER CURRENT ASSETS		
Contract Revenue in Excess of Billing and Unbilled Revenue (Refer Note III. 1 of Schedule M)	36,092.01	8,646.85
	36,092.01	8,646.85
(e) LOANS & ADVANCES		
Unsecured and considered good:		
Advances recoverable in cash or in kind or for value to be received	8,905.47	8,767.07
Balances with customs, excise authorities, etc.	1,957.61	1,782.19
Deposits with Government and other bodies	2,381.23	2,003.07
Unsecured and considered doubtful:		
Other Loans and Advances	235.00	-
Less: Provision for doubtful loans and advances (Refer Note III.7 of Schedule M)	235.00	-
	-	-
	13,244.31	12,552.33

Schedules Forming Part of The Balance Sheet As At March 31, 2010

(Rs. in lakhs)

	As at March 31	
	2010	2009
SCHEDULE G: CURRENT LIABILITIES & PROVISIONS		
(a) Current Liabilities		
Sundry Creditors- Micro Small Medium Enterprises (Refer Note III.8 of Schedule M)	292.10	307.64
Sundry Creditors- Others	55,015.73	37,967.90
Acceptances	4,985.12	2,546.63
Advances from Customers	21,731.30	15,949.01
Other Liabilities	13,636.89	16,140.75
Amount due to Customers (Refer Note III.1 of Schedule M)	2,270.50	2,156.07
Investor Protection Fund shall be credited by the following amounts (as and when due)		
Unclaimed Dividends	158.88	129.20
Unclaimed Fixed Deposits	-	0.45
Interest accrued but not due	16.27	16.41
	98,106.79	75,214.06
(b) Provisions		
Provision for other Post Employment Benefits (Refer Note III.9 of Schedule M)	1,618.69	1,476.69
Provision for Warranty (Refer Note III.4 of Schedule M)	1,419.58	1,195.20
Provision for Taxes (net of advance tax payments Rs.27,267.62 (Previous Year: Rs.20,194.88))	175.37	769.70
Proposed Dividend	7,194.89	6,295.53
Corporate Dividend Tax	1,194.98	1,069.93
	11,603.51	10,807.05

Schedules Forming Part of Profit & Loss Account

For The Year Ended March 31, 2010

(Rs. in lakhs)

	Year ended March 31	
	2010	2009
SCHEDULE H: OTHER INCOME		
Profit on Sale of Fixed Assets	5.34	23.45
Interest - Others (Gross) (Including TDS Rs. 7.04 (Previous Year: Rs. 14.40))	356.83	141.68
Provisions & Liabilities no longer required, written back	1,735.25	1,276.71
Dividend Income:		
Long Term Investments Trade (Gross) (Including TDS Rs. 37.48 (Previous Year: Rs. 54.58))	324.03	337.89
Exchange gain (net)	404.73	-
Miscellaneous	287.86	395.38
	3,114.04	2,175.11
SCHEDULE I: COST OF SALES AND SERVICES		
Stock at commencement:		
Raw Materials and Components	6,801.21	9,136.14
Work-in-Progress	9,142.45	10,382.03
Finished Goods	6,269.30	5,532.25
Units Bonds and Shares in hand	5.03	5.03
	22,217.99	25,055.45
Add: Purchases & Expenses	192,737.23	184,588.38
	214,955.22	209,643.83
Less: Stock at Close:		
Raw Materials and Components	8,851.62	6,801.21
Work-in-Progress	9,920.48	9,142.45
Finished Goods	7,975.30	6,269.30
Units Bonds and Shares in hand	-	5.03
	26,747.40	22,217.99
	188,207.82	187,425.84
SCHEDULE J: EMPLOYEE REMUNERATION & BENEFITS		
Salaries Wages and Bonus*	15,412.52	14,907.24
Contribution to Provident Fund and Superannuation	1,065.54	1,022.95
Gratuity Expenses (Refer Note III.9 of Schedule M)	115.43	543.27
Other Post Employment Benefits (Refer Note III.9 of Schedule M)	390.44	319.58
Welfare & Training Expenses	1,503.34	1,432.55
	18,487.27	18,225.59

* Includes Miscellaneous Expenditure written off on account of Voluntary Retirement Scheme Rs. 59.92 lakhs (Previous Year Rs. 81.88 lakhs)

Schedules Forming Part of Profit & Loss Account For The Year Ended March 31, 2010

(Rs. in lakhs)

	Year Ended March 31	
	2010	2009
SCHEDULE K: OPERATING & GENERAL EXPENSES		
Rent (Refer Note III.12 of Schedule M)	1,711.86	1,769.18
Rates & Taxes	47.85	30.70
Power	600.37	742.92
Insurance	180.41	153.54
Repairs & Maintenance		
Premises	307.55	644.81
Machinery	237.10	231.32
Others	377.19	220.90
Payment to Auditors (including payment to Branch Auditors)		
As Auditor		
Audit Fees	27.00	34.68
Tax Audit Fees	5.00	8.45
Limited Review Fees	6.00	10.75
Out of Pocket Expenses	2.26	3.23
In Other Manner		
Certification	15.95	25.03
Directors' Fees	6.80	6.20
Non Executive Directors Commission (Refer Note III.16 of Schedule M)	56.00	47.60
Donations	12.53	23.36
Commission on Sales (other than salesmen)	2,416.66	2,389.59
Freight Outward	2,250.55	1,981.08
Advertising & Publicity	1,473.52	1,883.20
Transport & Travelling	2,181.25	2,478.07
Stationery & Printing	315.54	311.08
Legal & Professional fees	2,765.91	2,142.01
Other expenses	1,262.58	1,200.84
Exchange Rate Difference	-	518.73
Bad Debts and Advances Written off	1,404.03	1,467.98
Provision for Doubtful Loans and Advances (Refer Note III.7 of Schedule M)	235.00	-
Loss on Fixed assets sold or discarded	239.27	287.16
Research & Development	193.82	37.76
	18,332.00	18,650.17
SCHEDULE L: FINANCIAL EXPENSES		
Interest		
On banks	83.61	234.36
Others	304.71	1,120.90
Bank charges	457.08	370.09
	845.40	1,725.35

Notes Forming Part of The Accounts

SCHEDULE M:

NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

I. Nature of Operations

Blue Star Limited ("The Company") is India's leading central air conditioning and commercial refrigeration company, fulfilling the cooling requirements of large number of corporate and commercial customers. Another significant area of business interest for the Company is distribution and maintenance of imported professional electronics and industrial systems.

II. Statement of Significant Accounting Policies

1. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard by the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Fixed Assets and Capital W.I.P.

- a. Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use are also included in the cost of the assets to the extent these relate to the period up to the date such assets are ready to be put to use.
- b. Expenditure (including interest) incurred during the construction period is included in Capital W.I.P. and the same is allocated to respective fixed assets on completion of the construction.

4. Depreciation/Amortisation

Depreciation is charged on all assets at rates applicable under Schedule XIV of the Companies Act, 1956, on written down value of assets.

Cost of leasehold land is amortised over the period of lease.

Intangible Assets –

- Softwares are amortised at the rate applicable to computers under Schedule XIV of the Companies Act 1956, on written down value of assets effectively amortised over a period of 6 years.
- Technical knowhow are amortised on straight line basis over a period of 6 years.

5. Impairment

The carrying amounts of assets are reviewed at each balance sheet date to assess if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is arrived at by estimating the future cash flows which are likely to be generated from the use of the assets, discounted to their present value at the weighted average cost of capital.

6. Intangible assets

Research and Development Cost

All revenue expenses pertaining to Research and Development are charged to profit and loss account in the year in which they are incurred and development expenditure of a capital nature is capitalised as fixed assets.

7. Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

8. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

9. Investments

All investments are held for more than one year and classified as Long term investments. Long-term investments are carried at cost. A provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

10. Inventories

Inventories are valued at lower of cost and net realisable value.

- i) Raw materials, stores and components are valued at weighted average rate and are net of Value Added Tax/ CENVAT input credit and after providing for requisite diminution in the value due to obsolescence.
- ii) Contract Work-in-Progress is stated at cost till such time as the outcome of the job cannot be ascertained reliably and at realisable value thereafter.
- iii) Work-In-Progress and Finished goods are valued at lower of cost and net realisable value.
Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- iv) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.
- v) Changes in Accounting Policies:
Consequent to implementation of SAP, the Company changed its policy for valuation of inventories at marketing units from First-in-First-out (FIFO) basis to weighted average rates. The management believes that such change will result in a more appropriate presentation of these assets. Consequent to such change in the method, the impact on the inventory valuation as per the previous method and on the profit for the period ended is not material.

11. Revenue Recognition

- a. Revenue from long - term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Current Liabilities" in the balance sheet.

- b. Annual Maintenance Contracts:
The revenue from maintenance contracts is recognised on accrual basis and advance received in respect of future period is accounted for as unexpired service revenue.
- c. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are stated net of taxes (Excise duty and VAT) and trade discounts.
- d. Commission income is recognised as and when the terms of the contracts are fulfilled.
- e. Claims recoverable are accrued only to the extent admitted by the parties.
- f. Export benefits are accrued only after the claims are lodged with the appropriate authorities, due to uncertainty involved in collecting necessary support documents from customers, banks etc.
- g. Dividend income is recognised when the right to receive dividend is established.
- h. Interest income is recognised on accrual basis.

12. Foreign Exchange Transactions

- a. Initial Recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b. Conversion
Foreign currency monetary items are restated at the exchange rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c. Exchange difference
The financial statements of an integral foreign operation are translated as per policy described above in clause a and b.

13. Retirement and other Employee Benefits

- a. Defined Contribution Plan
The Company's liability towards Employee's Provident Fund and Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contribution plans are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trusts.
- b. Defined Benefit Plan
In respect of certain employees covered by the Exempted Provident fund, the contribution towards shortfall in interest rate payable as per statute and the earnings of the Provident Fund Trust is considered as Defined Benefit Plans.

Company's liabilities towards gratuity and leave encashment benefits are considered as Defined Benefit Plans. The present value of the obligations towards Gratuity, leave encashment, sick leave and additional gratuity are determined based on actuarial valuation using the projected unit credit method. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields on Government securities at the balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

c. **Voluntary Retirement Scheme**

Payments made under the Voluntary Retirement Scheme are charged to the Profit and loss Account in the same year.

14. Excise Duty

Excise duty on direct sales by the manufacturing units is reduced from the sales.

Excise Duty liability on closing stock of finished goods lying at the manufacturing units is accounted based on the estimated duty payable as at the close of the year.

15. Taxes on Income

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by the same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets & liabilities are reviewed at each balance sheet date.

16. Segment Reporting Policies

a. **Identification of segments:**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b. **Allocation of common costs/ assets & liabilities :**

Common allocable costs/assets and liabilities are consistently allocated amongst the segments on appropriate basis.

c. **Unallocated items :**

Includes general corporate income and expense items which are not allocated to any business segment.

d. **Segment Policies :**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

17. Earning per share

Basic & Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

18. Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

19. Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

III. Notes Forming Part of The Balance Sheet and Profit and Loss Account:**1. Disclosure in terms of revised Accounting Standard 7 on the Accounting of Construction Contracts is as under:***(Rs. in lakhs)*

	2009-10	2008-09
I Contract revenue recognised as revenue in the period	91,838.56	76,154.39
II For Contracts that are in progress as on 31.3.2010		
A Contract costs incurred and recognized profits (Less Recognised losses) up to the reporting date.	117,201.00	79,854.27
B Advances received	19,146.58	13,764.87
C Gross amount due from customers for contract work	36,092.01	8,646.85
D Gross amount due to customers for Contract work	2,270.50	2,156.07
E Retention amount	518.54	243.80

2. Contingent Liabilities:*(Rs. in lakhs)*

	2009-10	2008-09
i) Claims against the Company not acknowledged as debts	66.44	86.74
ii) Sales Tax matters	5,205.32	4,143.09
iii) Excise Duty matters	229.22	187.22
iv) Service Tax matters	3,529.57	3,509.03
v) Income Tax matters	1,114.42	873.72
vi) Corporate Guarantee given on behalf of Associates and other Companies	3,569.91	3,209.50

3. Estimated amount of Contracts remaining to be executed on Capital account and not provided for Rs. 411.70 lakhs (Previous year: Rs. 364.96 lakhs).

4. As per the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets, the details of provisions made for warranty including extended warranty are as under:

(Rs. in lakhs)

	2009-10	2008-09
Opening balance	1,195.20	786.40
Additions during the year	792.36	981.40
Amounts paid / Adjusted during the year	567.98	572.60
Closing Balance	1,419.58	1,195.20

A provision is recognized for standard warranty claims based on turnover of products sold /projects executed during the year and extended warranty on the basis of turnover for preceding two years. The company estimates the future cost of warranty based on historical experience.

5. The Company had acquired the electrical contracting business of Naseer Electricals Private Limited (NEPL) under a Business Purchase Agreement on a slump sale basis for Rs. 4,809.77 lakhs (including Rs. 500 lakhs held in Escrow account till the conditions stipulated in the said agreement are fulfilled) with effect from January 24, 2008. Consequent upon final settlement, a sum of Rs. 221.83 lakhs was received back from the amount held in the Escrow account and the same has been credited to the General Reserve of the Company.

Further, in accordance with the Scheme of Arrangement approved by the shareholders and the Hon'ble High Court at Bombay in respect of the electrical contracting business acquired from NEPL, the fees and bonus of Rs. 525.96 lakhs (Previous Year Rs.370 lakhs) paid to the consultants in terms of the Business Purchase Agreement and its Annexure thereof, entered into with NEPL for the said acquisition has been adjusted against the General Reserve of the Company.

In the previous year a sum of Rs.335.09 lakhs (net) was adjusted against General Reserve towards earn out bonus of Rs 270 lakhs and retainership fees of Rs 100 lakhs paid as per the business purchase agreement with NEPL, net of a write back of Rs.34.91 lakhs earlier forming part of the goodwill.

6. Exceptional Item includes profit of Rs.1,396.49 lakhs on sale of 117,600 shares in Rolastar Private Limited and 61,440 shares in Ravistar India Private Limited. The Company has further commitment to sell the balance investment of 15,350 shares in Ravistar Private Limited as part of Share Purchase agreement not later than June 30, 2010. On April 23, 2010, the Company has received the consideration of Rs.48 lakhs stipulated in the agreement and transferred the balance shares in favour of the purchaser.
7. The Company has given an unsecured loan to its associate company Blue Star Design and Engineering Limited (BSDEL). Considering possible non-recovery, as a matter of prudence, a provision of Rs.235 lakhs has been made in respect of the amounts receivable from BSDEL.
8. As per requirement of Section 22 of Micro, Small & Medium Enterprises Development Act, 2006 ("the Act") following information is disclosed:

(Rs. in lakhs)

	2009-10	2008-09
(a) i) The principal amount remaining unpaid to any supplier at the end of accounting year	292.10	307.64
ii) The interest due on above	1.35	2.81
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	6.36
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	2.98	2.95
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	1.35	2.81

9. a. Gratuity and other post-employment defined benefit plans:

The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The scheme provides for payment of gratuity to employees on separation/retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

The Company provides certain additional employment benefits to employees such as leave encashment, additional gratuity and sick leave. These benefits are unfunded.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

(Rs. in lakhs)

	Gratuity Funded	Other Employee benefits
I. Expense recognised in the Statement of Profit & Loss for the year ended 31st March 2010		
1. Current Service Cost	211.88 221.44	429.22 615.67
2. Interest Cost	178.03 164.30	73.00 52.49
3. Expected return on plan assets	(208.08) (186.05)	NA
4. Net Actuarial (Gains)/ Losses	(66.40) 343.58	(111.78) 202.24
5. Total Expense	115.43 543.27	390.44 870.40
II. Net Assets/ (Liability) recognised in the Balance Sheet as at 31st March 2010		
1 Present Value of Defined Obligation as at 31st March 2010	2,737.62 2,682.89	1,618.69 1,476.69
2 Fair Value of plan assets as at 31st March 2010	2,737.62 2,682.89	NA
3 Funded Status [Surplus / (Deficit)]	- 0.30	(1,618.69) (1,476.69)
4 Net Assets/ (liability) as at 31st March 2010	- 0.30	(1,618.69) (1,476.69)
III. Change in Obligation during the Year ended 31st March 2010		
1 Present value of defined Benefit Obligation at the beginning of the year	2,682.89 2,133.84	1,476.69 706.02
2 Current Service Cost	211.88 221.45	429.22 615.67
3 Interest Cost	178.03 164.30	73.00 52.49
4. Actuarial (Gains)/ Losses	(56.04) 323.54	(111.78) 202.24
5. Benefits Payments	(279.15) (160.23)	(248.44) (99.74)
6. Present value of Defined Benefit Obligation at the end of the year	2,737.62 2,682.89	1,618.69 1,476.69

(Rs. in lakhs)

	Gratuity Funded	Other Employee benefits
IV. Change in Fair Value of Plan Assets during the year ended 31st March 2010		
1 Fair Value of Plan Assets at the beginning of the year	2,682.89 <i>2,133.84</i>	NA
2 Expected return on Plan assets	208.08 <i>186.05</i>	NA
3 Contribution by Employer	115.43 <i>543.40</i>	248.44 <i>99.74</i>
4 Actual benefits paid	(279.15) <i>(160.23)</i>	(248.44) <i>(99.74)</i>
5 Actuarial Gains / (losses) on Plan Assets	10.37 <i>(20.17)</i>	NA
6 Fair Value of Plan Assets at the end of the year	2,737.62 <i>2,682.89</i>	NA

*(Figures in Italics pertain to previous year)***V. Actuarial Assumptions:**

	As at March 31	
	2010	2009
Discount rate	7 %	7 %
Rate of return on Plan Assets	7 %	7 %
Salary escalation rate (Management-Staff-Directors)	7%, 2%, 12%	7%, 2%, 12%
Attrition rate	1% throughout	1% throughout

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

The Company expects to contribute Rs.116 lakhs to gratuity fund in 2011.

VI. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	As at March 31	
	2010	2009
Special Deposit Schemes	5.3%	5.4%
Central government Securities	18.1%	21.5%
State government Securities	21.3%	16.6%
Public Sector Undertakings	55.0%	56.4%
Liquid funds	0.3%	0.0%
Total Investments	100.0%	100.0%

VII. Amounts for the current and previous year are as follows*(Rs. in lakhs)*

	Gratuity Funded	Other Employee benefits
Defined benefit obligation	2,737.62 2,682.89	1,618.69 1,476.69
Plan Assets	2,737.62 2,682.89	1,618.69 1,476.69
Surplus / (Deficit)	- -	(1618.69) (1476.69)
Experience adjustments on plan liabilities	(56.03) 323.54	(111.78) 208.80
Experience adjustments on plan assets	- NA	- NA

b. Defined Contribution plan:

An amount of Rs.1,065.54 lakhs (Previous Year Rs. 1,022.95 lakhs) is recognised as an expense and included in Schedule J – Contribution to Provident Fund and Superannuation in the Profit and Loss Account.

10. Segment Information:**A. Primary Segment Reporting (by Business Segment)**

The Company's business segments are organised around product lines as under:

- Electro Mechanical Projects and Packaged Air-conditioning Systems includes central air-conditioning projects and packaged air-conditioning businesses including manufacturing and after sales service and also includes the newly acquired Electrical Contracting business.
- Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.
- Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

Segment Revenues, Results and other Information:

(Rs. in lakhs)

Sr. Description	As at March 31	
	2010	2009
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	179,400.83	173,307.46
ii. Cooling Products	58,295.59	59,746.98
iii. Professional Electronics and Industrial Systems	14,801.04	17,208.02
TOTAL SEGMENT REVENUE	252,497.46	250,262.46
Add: Other Income	3,114.04	2,175.11
TOTAL INCOME	255,611.50	252,437.57
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	21,260.22	21,817.23
ii. Cooling Products	8,347.70	7,535.15
iii. Professional Electronics and Industrial Systems	4,570.81	3,832.72
TOTAL SEGMENT RESULT	34,178.73	33,185.10
Less: i) Interest paid	845.40	1,725.26
ii.) Other un-allocable Expenditure Net of un-allocable Income	7,067.64	7,637.54
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	26,265.69	23,822.30
EXCEPTIONAL ITEM	1,396.49	-
PROFIT BEFORE TAXATION	27,662.18	23,822.30
PROVISION FOR TAXES	6,513.56	5,793.44
NET PROFIT AFTER TAX	21,148.62	18,028.86
III. OTHER INFORMATION:		
a. SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	117,917.59	75,488.11
ii. Cooling Products	27,051.67	21,375.04
iii. Professional Electronics and Industrial Systems	9,390.11	6,166.69
TOTAL SEGMENT ASSETS	154,359.37	103,029.84
Add: Un-allocable Corporate Assets	5,411.15	22,434.22
TOTAL ASSETS	159,770.52	125,464.06

(Rs. in lakhs)

Sr. Description	As at March 31	
	2010	2009
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	77,535.92	44,741.52
ii. Cooling Products	16,714.19	10,262.29
iii. Professional Electronics and Industrial Systems	4,116.30	3,230.48
TOTAL SEGMENT LIABILITIES	98,366.41	58,234.29
Add: Un-allocable Corporate Liabilities	12,236.55	30,576.75
TOTAL LIABILITIES	110,602.96	88,811.04
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	2,527.68	7,779.61
ii. Cooling Products	317.68	681.75
iii. Professional Electronics and Industrial Systems	42.81	154.54
iv. Other Un-allocable	2,016.60	1,868.99
TOTAL	4,904.77	10,484.89
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	1,722.11	1,386.28
ii. Cooling Products	785.89	889.86
iii. Professional Electronics and Industrial Systems	61.99	26.64
iv. Other Un-allocable	903.33	285.54
TOTAL	3,473.32	2588.32
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	1,173.11	857.73
ii. Cooling Products	259.52	217.41
iii. Professional Electronics and Industrial Systems	101.38	169.00
iv. Other Un-allocable	344.30	511.00
TOTAL	1,878.31	1,755.14

B. Secondary segment information:

Secondary segmental reporting is based on the geographical location of customers. The geographical segments have been disclosed based on revenues within India (sales to customers in India) and revenues outside India (sales to customer located outside India.)

(Rs. in lakhs)

Particulars	As at March 31	
	2010	2009
Sales Revenue by Geographical Market		
India	240,049.65	227,366.50
Outside India	12,447.81	22,895.96
Total	252,497.46	250,262.46
Carrying amount of Segment Assets & Intangibles Assets		
India	154,759.71	121,132.02
Outside India	5,010.81	4,332.04
Total	159,770.52	125,464.06
Additions to Fixed Assets including Capital Work in Progress		
India	4,903.27	10,475.24
Outside India	1.50	9.65
Total	4,904.77	10,484.89

11. Related Party Disclosure**Names of related parties****Names of other related parties with whom transactions have taken place during the year Associates**

Ravistar India Private Limited (upto 19.11.2009)

Blue Star Qatar - LLC

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Infotech Limited

Blue Star Design and Engineering Limited

Key Management Personnel

Mr. Ashok M Advani

Mr. Suneel M Advani

Mr. Satish Jamdar

Mr. T. Gouri Sankara Babu (upto 31.3.2010)

Relatives of Key Management Personnel

Ms. Nargis Advani

Mr. Vir Advani

Transactions during the period with Related Parties are as under:

(Rs. in lakhs)

Name of Related party	2009-10		2008-09	
	Volume Rs.	Balance O/S DR/(CR)	Volume Rs.	Balance O/S DR/(CR)
Blue Star M & E Engineering (Sdn) Bhd		41.06		26.05
Consultancy services rendered	275.71		228.07	
Dividend received (Gross)	149.93		240.73	
Reimbursement of expenses	187.03		138.52	
Blue Star Infotech Limited		(173.94)		(95.06)
Sales & Services	8.17		100.69	
IT services	761.22		558.92	
Reimbursement of expenses	17.48		6.25	
Recovery of expenses	3.20		5.88	
Rent received	36.00		15.00	
Rent deposit received	-		100.00	
Dividend received	155.00		77.45	
Blue Star Qatar LLC		103.70		103.70
Reimbursement of expenses	-		29.71	
Corporate guarantee	1,147.32		504.66	
Blue Star Design & Engineering Limited		815.58		827.37
Sales	3.68		1.47	
Consultancy service	311.25		78.40	
Loan given(Refer Note III.7 of Schedule M)	-		55.00	
Loan repaid	25.00		6.00	
Interest received/ receivable	70.40		70.36	
Corporate guarantee	482.59		481.55	
Guarantee commission	5.00		4.50	
Purchase of Fixed Assets	-		83.78	
Reimbursement of expenses	12.44		3.42	
Ravistar India Private Limited		(98.56)		185.28
Purchase of goods	1,192.04		2,428.81	
Corporate guarantee	-		25.17	
Guarantee commission	0.45		0.90	
Reimbursement of expenses	-		19.16	
Dividend received	19.20		19.20	
Key Management Personnel				
Managerial remuneration	1,509.15		1,204.02	
Housing loan	-		2.74	
Services	-		0.30	
Rent received	9.00		-	
Relative of Key Management Personnel		70.00		70.10
Rent paid	1.20		1.20	
Salary	65.80		39.95	

12. Leases:

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. The future lease rental payments are determined on the basis of monthly lease payment terms as per the agreements. At the expiry of non cancellable lease period the option of renewal rest with the Company. Lease rental expense debited to Profit and Loss Account is Rs. 1,711.86 lakhs (Previous year Rs. 1,769.18 lakhs).

13. Earning Per Share:

		2009-10	2008-09
Profit after taxation as per Profit & loss Account.	(Rs in lakhs)	21,148.62	18,028.86
Weighted average number of Equity Shares Outstanding.	Nos.	89,936,105	89,936,105
Basic and diluted Earnings per share (Face Value Rs.2 per share)	Rs.	23.52	20.05

14. The breakup of Deferred Tax Assets/ Liability is as under:

(Rs. in lakhs)

	As on March 31 2010		As on March 31 2009	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Timing differences on account of				
Difference in book and Income tax Depreciation under IT Act, 1961		(902.19)		(870.61)
Provision of Doubtful Debts, Advances, & Inventories	432.29		240.69	
Leave Encashment Provision, other current Liabilities	616.56		568.21	
Total	1,048.85	(902.19)	808.90	(870.61)
Deferred tax Assets / (Liability), Net	146.66			(61.71)

15. Directors' Remuneration:

(Rs. in lakhs)

	2009-10	2008-09
a) Salaries	460.49	404.36
b) Commission to whole time Directors'	882.00	700.00
c) Commission to Non Executive Directors'	56.00	47.60
d) Contribution to Provident Fund & Superannuation Scheme	52.73	42.52
e) Other Perquisites	113.93	57.14
Total	1,565.15	1,251.62

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

16. Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors:

(Rs. in lakhs)

	2009-10	2008-09
Profit before tax as per Profit and Loss Account	27,662.18	23,822.30
Add:		
Depreciation as per Profit and Loss Account	3,473.32	2,588.32
Whole time Directors' Remuneration	1,509.15	1,204.02
Non Executive Directors Commission	56.00	47.60
Loss on Fixed Assets sold/Discarded	239.27	287.16
Provision for Doubtful Loans and Advances	235.00	-
Less:		
Depreciation u/s 350 of the Companies Act, 1956	3,473.32	2,588.32
Amortisation of Intangible Assets @	990.19	990.19
Amount adjusted against the General Reserves	304.13	335.09
Profit on sale of Fixed Assets/Investments	5.34	23.45
Profit on Sale of Investments	1,396.49	-
Net Profit for the purpose of Directors' Commission	27,005.45	24,012.35
Maximum Remuneration payable up to 10% of the above to Whole-time Directors	2,700.55	2,401.23
Commission payable to the Whole-time Directors as per contract of service	882.00	700.00
Maximum commission payable up to 1% of the above Net Profits to the Non-Executive Directors	270.05	240.12
Commission payable to Non-Executive Directors	56.00	47.60

@ Goodwill and other Intangible assets of Rs. 4,950.14 lakhs acquired from NEPL are amortized over a period of 5 years for the purpose of computation of profit u/s 349 of the Companies Act, 1956, although, the same have been adjusted against General reserve as per the accounting treatment prescribed in the Scheme of Arrangement sanctioned by the Hon'ble High Court at Bombay.

17. Un hedged Foreign Currency Exposure

Particulars of Un hedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Foreign Currency	March 31, 2010		March 31, 2009	
		Amount in Foreign Currency	Rs in lakhs	Amount in Foreign Currency	Rs in lakhs
Receivables	CAD	31,304	13.87	60,661	24.11
	EUR	750,051	453.63	438,067	290.76
	GBP	56,479	38.42	13,582	9.68
	JPY	23,803,580	115.04	26,173,507	133.71
	MYR	286,967	41.06	181,968	26.05
	SEK	46,053	2.86	-	-
	SGD	176,341	56.78	-	-
	USD	6,141,271	2,770.33	4,623,998	2,329.44
	AED	6,587,261	844.23	8,317,964	1,136.39
	Total			4,336.22	
Payables	AUD	446,766	184.47	-	-
	CAD	2,239	0.99	-	-
	CHF	160	0.07	-	-
	EUR	987,059	596.97	188,415	130.46
	GBP	239,874	163.16	11,331	8.43
	JPY	10,904,320	52.70	6,036,857	32.03
	SEK	17,460	1.08	-	-
	SGD	294,278	94.76	258,761	88.44
	USD	26,025,532	11,740.12	9,587,124	4,945.81
	AED	5,106,068	650.64	9,166,040	1,291.57
Total			13,484.96		6,496.74

18. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPHS 3 & 4 OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956.

A. PARTICULARS IN RESPECT OF EACH CLASS OF GOODS MANUFACTURED

Licensed Capacity: Not Applicable (Previous Year: Not Applicable)

Class of Goods	Unit	Installed Capacity* 2009-10	Installed Capacity 2008-09	Actual Production 2009-10	Actual Production 2008-09
Refrigeration & air conditioning equipment.	Nos.	625720	692750	296958	277383
Packaged air-conditioning	Nos.	107592	112500	41315	25516
Industrial packaged chillers	Nos.	1500	1500	1395	1134
Air handling units	Nos.	12912	17500	5026	7743

* As certified by the Management and relied upon by the Auditors being technical matter.

Note: Plant & Machinery installed is for general purpose and not meant exclusively for any particular product group.

B. INFORMATION IN REGARD TO PURCHASES, SALES, OPENING STOCKS AND CLOSING STOCKS:

PURCHASES AND SALES

(Rs. in lakhs)

Class of Goods	Unit	Purchases				Sales			
		Qty.		Value (Rs.)		Qty.		Value (Rs.)	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Air-conditioning & Refrigeration Equipment	Nos.	292507	213762	42478	48808	228819	219638	48572	59070
Central Air-conditioning Plant (Sales Contract)	Worth			16027	6242			51543	49626
Electronics & Other Appliances, Equipment, Instruments Etc.	Nos	34068	61920	3914	5258	11119	62952	7031	7012
Spares & Components	Worth		-	15960	10064		-	34576	37769
Others	Nos.		-	-	-		-	91838	76154
Income from Services								19543	22686
Total				78379	70,372			253103	252317

NOTES:

1. Purchases are inclusive of own products.
2. Value of spares and components used for work bills and services are not included in purchases.

C. OPENING AND CLOSING STOCKS

(Rs. in lakhs)

Class of Goods	Unit	Opening Stock				Closing Stock			
		Qty.		Value (Rs.)		Qty.		Value (Rs.)	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Air-conditioning & Refrigeration Equipment	Nos.	20932	24640	3295	4269	27846	20932	4218	3295
Central Air-conditioning Plant (Sales Contract)	Worth			1049	99			1161	1049
Electronics & Other Appliances, Equipment, Instruments Etc.	Nos.	16200	371	442	243	15851	16200	515	442
Spares & Components	Worth			1483	1304			2081	1483
Others	Nos.								
Total				6269	5915			7975	6269

D. Particulars of Raw Materials & Components Consumed:

a) Raw Materials Consumed:

	UNITS	2009-10		2008-09	
		QUANTITY	(Rs in lakhs)	QUANTITY	(Rs in lakhs)
Non-Ferrous Metals	Tonne	4,310	10,630.36	3,464	10,575.50
Ferrous Metals	Tonne	15,120	8,085.09	9,244	5,310.96
Compressors	Number	297,604	18,206.71	271,803	16,966.13
Others (Items individually not exceeding 10% of total)	Worth		80,885.92		49,063.52
Total			117,808.08		81,916.11

b) Raw Materials & Components Consumed:

	2009-10		2008-09	
	% Of total Consumption	Value (Rs in lakhs)	% Of total Consumption	Value (Rs in lakhs)
Imported (at landed cost)	28.99	34,156.84	49.25	40,341.21
Indigenous	71.01	83,651.24	50.75	41,574.90
Total	100.00	117,808.08	100.00	81,916.11

E. Value of imports on CIF Basis:

	<i>(Rs. in lakhs)</i>	
	2009-10	2008-09
(a) Raw Materials & Components	37,308.63	39,449.10
(b) Capital goods	440.80	1,558.34
(c) Sample for R&D	10.92	23.78
(d) Spares	84.65	5,093.79
(d) Finished Goods	9,208.87	4,409.44
(e) Total	47,053.87	50,534.45

F. Expenditure incurred in Foreign Exchange:

	<i>(Rs. in lakhs)</i>	
	2009-10	2008-09
(a) Project Exports	-	60.28
(b) Royalty & Know-how	27.62	14.60
(c) Others	467.95	4,36.47
Total	495.57	5,11.35

G. Earnings in Foreign Exchange:

	<i>(Rs. in lakhs)</i>	
	2009-10	2008-09
(a) Export of goods on F.O.B. basis	9,830.42	20,093.78
(b) Project Exports	-	23.30
(c) Royalty, Know-how, Professional & Consultation fees	344.65	228.07
(d) Other Income:		
Commission	2,617.29	2,802.19
Others	149.93	250.23
Total	12,942.29	23,397.57

19. Previous Year Comparatives

The figures of previous year were audited by a firm of Chartered accountants other than S R Batliboi & Associates.

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

Per Sudhir Soni
Partner

Membership No. 41870
Mumbai: May 12, 2010

For and on behalf of the Board of Directors of Blue Star Limited

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Shailesh Haribhakti	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
K P T Kutty	Company Secretary

Mumbai: May 12, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE - PART IV

I. Registration Details

Registration No.

		0	0	6	8	7	0
--	--	---	---	---	---	---	---

Balance Sheet Date

3	1	0	3	2	0	1	0
---	---	---	---	---	---	---	---

Date Month Year

State Code

						1	1
--	--	--	--	--	--	---	---

II. Capital raised during the year (Amount in Rs Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)

Total Liabilities

	5	0	0	6	0	2	2
--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

1	7	9	8	7	2	2	1
---	---	---	---	---	---	---	---

Secured Loans

			8	9	2	6	6
--	--	--	---	---	---	---	---

Applications of Funds

Net Fixed Assets (incl Capital WIP)

	1	9	9	2	3	3	7
--	---	---	---	---	---	---	---

Net Current Assets

	2	9	5	6	9	8	6
--	---	---	---	---	---	---	---

Deferred Tax Asset

			1	4	6	6	6
--	--	--	---	---	---	---	---

Total Assets (Net of Current Liabilities)

	5	0	0	6	0	2	2
--	---	---	---	---	---	---	---

Reserves & Surplus

	4	7	3	6	8	8	4
--	---	---	---	---	---	---	---

Unsecured Loans

							-
--	--	--	--	--	--	--	---

Investments

			4	2	0	3	3
--	--	--	---	---	---	---	---

Misc. Expenditure

							0
--	--	--	--	--	--	--	---

IV. Performance of Company (Amount in Rs Thousands)

Turnover

2	5	5	6	1	1	5	0
---	---	---	---	---	---	---	---

Profit/Loss Before Tax

(+)	2	7	6	6	2	1	8
-----	---	---	---	---	---	---	---

Earning Per Share (In Rs.)

			2	3	.	5	2
--	--	--	---	---	---	---	---

Total Expenditure

2	2	9	3	4	5	8	1
---	---	---	---	---	---	---	---

Profit/Loss After Tax

(+)	2	1	1	4	8	6	2
-----	---	---	---	---	---	---	---

Dividend rate %

					4	0	0
--	--	--	--	--	---	---	---

V. Generic Names of Two Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE)

		8	4	1	5	0	0
--	--	---	---	---	---	---	---

Product Description

A	I	R	C	O	N	D	I	T	I	O	N	I	N	G	M	A	C	H	I	N	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC CODE)

		8	4	1	8	0	0
--	--	---	---	---	---	---	---

Product Description

R	E	F	R	I	G	E	R	A	T	I	O	N	E	Q	U	I	P	M	E	N	T
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Cash Flow Statement For The Year Ended March 31, 2010

In Accordance with The Requirement of The Listing Agreement with The Stock Exchanges

(Rs. in lakhs)

	Year ended March 31	
	2010	2009
[A] CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	27,662.18	23,822.30
Adjustments for:		
Depreciation	3,473.32	2,588.32
Loss on assets sold or discarded	239.27	287.16
EVRS written off	59.91	81.86
Profit on Sale of Assets	(5.34)	(23.45)
Profit on Sale of Investments	(1,396.49)	-
Provision for Doubtful Loans and Advances	235.00	
Bad Debts and Advances Written off	1,404.03	1,467.98
Unrealised exchange gain (net)	(190.54)	(412.05)
Interest expenses	845.39	1,725.35
Interest income	(356.83)	(141.68)
Dividend income	(324.03)	(337.89)
	31,645.87	29,057.90
Operating Profit before working capital changes		
Movements in working capital:		
(Increase) / Decrease in inventories	(4,995.09)	6,543.41
(Increase) in sundry debtors	(3,465.13)	(13,991.65)
(Increase) in loans and advances	(899.00)	(975.17)
(Increase) in other current assets	(27,446.01)	(8,646.00)
Increase in current liabilities & provisions	24,022.48	13,281.41
Cash generated from operations	18,863.12	25,269.90
Direct taxes paid (net of refund)	7,316.28	6,313.67
Net Cash from operating activities	11,546.84	18,956.23
[B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,425.86)	(8,675.64)
Sale of Fixed Assets	32.92	168.48
Retainer Bonus/ Earnout and Fees as per Business Purchase agreement(Refer Note III.5 of Schedule M)	(525.96)	(335.09)
Refund of Escrow Amount paid under Business Purchase agreement(Refer Note III.5 of Schedule M)	221.83	-
Proceeds from sale of Investments in shares	924.40	18.56
Interest received	328.85	75.44
Dividend received	324.03	337.89
Net Cash used in Investing activities	(1,119.79)	(8,410.35)
Balance Carried Forward	10,427.05	10,545.88

Cash Flow Statement For The Year Ended March 31, 2010 In Accordance with The Requirement of The Listing Agreement with The Stock Exchanges

(Rs. in lakhs)

	Year ended March 31	
	2010	2009
Balance Brought Forward	10,427.05	10,545.88
[C] CASH FLOW FROM FINANCING ACTIVITIES		
Movement in Cash Credit accounts	(1,835.55)	(925.56)
Capital subsidy received	-	30.00
Interest paid	(845.53)	(1,717.78)
Dividend paid	(6,295.53)	(6,295.53)
Tax on Dividend distribution	(1,069.93)	(1,069.93)
NET CASH FROM/(USED) IN FINANCING ACTIVITIES	(10,046.54)	(9,978.80)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	380.51	567.08
Cash and Cash equivalents at Beginning	919.53	267.24
Cash and Cash equivalents at end	1,300.04	834.32
Components of Cash and Cash equivalents		
Cash on hand	28.25	21.05
With Scheduled Banks:		
Current Account	1,134.57	769.28
Unclaimed Dividend Account *	158.88	129.20
Sub Total	1,321.70	919.53
Less: Effect of Exchange Differences on Cash and Cash Equivalents held in Foreign currency	21.66	85.21
Cash and Cash Equivalents in Cash Flow Statement	1,300.04	834.32

* These balances are not available for use by the Company as they represent corresponding unclaimed dividend liabilities

As per our report of even date
For **S. R. Batlibol & Associates**
Firm Registration No 101049W
Chartered Accountants

Per **Sudhir Soni**
Partner,
Membership No.: 41870

Mumbai: May 12, 2010

For and on behalf of the Board of Directors of Blue Star Limited

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Shailesh Haribhakti	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
K P T Kutty	Company Secretary

Mumbai: May 12, 2010

Investor and Shareholder Information

SHAREHOLDER INQUIRIES

Questions concerning your folio, share certificates, dividend, address changes (for physical shares only), consolidation of certificates, lost certificates and related matters should be addressed to Blue Star Limited, directly or their share transfer agents. Address changes in respect of Demat shares should be intimated to the concerned Depository Participant.

BLUE STAR LIMITED
Kasturi Buildings
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.
Tel.: +91 22 6665 4000
Fax: +91 22 6665 4151
www.bluestarindia.com

Compliance Officer
Mr K P T Kutty
Company Secretary
E-mail: kptkutty@bluestarindia.com

Link Intime India Pvt Ltd
C-13, Kantilal Maganlal Estate
Pannalal Silk Mills Compound
L B S Marg, Bhandup (West)
Mumbai 400 078.
Telephone: +91 22 2594 6970
Fax: +91 22 2594 6969
Email: rnt.helpdesk@linkintime.co.in

Share transfer documents will also be accepted at

Link Intime India Pvt Ltd
203 Dawar House, 2nd floor
Next to Central Camera Building
197 D N Road
Fort, Mumbai 400 001.
Tel.: +91 22 2269 4127

DEMATERIALISATION

The Company has made arrangements for dematerialisation of its shares through National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Since the Company shares are traded in Demat mode, the shareholders are requested to dematerialise their shareholding.

INVESTOR RELATIONS PROGRAMME

Blue Star Limited has an active investor relations programme directed to both individual and institutional investors. The Company's investor relations mission is to maintain an ongoing awareness of the Company's performance among its shareholders and the financial community. The Company welcomes inquiries from its investors, large or small, as well as from members of the financial community.

For further information, please contact Blue Star's Investor Relations Department at the above address.

BLUE STAR SHAREHOLDERS

As of March 31, 2010, the Company has 22781 registered shareholders. Approximately 34 per cent of the Company's shares are held by individual investors. The Promoters hold approximately 40 per cent of the shares while Foreign Investors, Institutions and Body Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

Bombay Stock Exchange
National Stock Exchange

Blue Star Establishments



