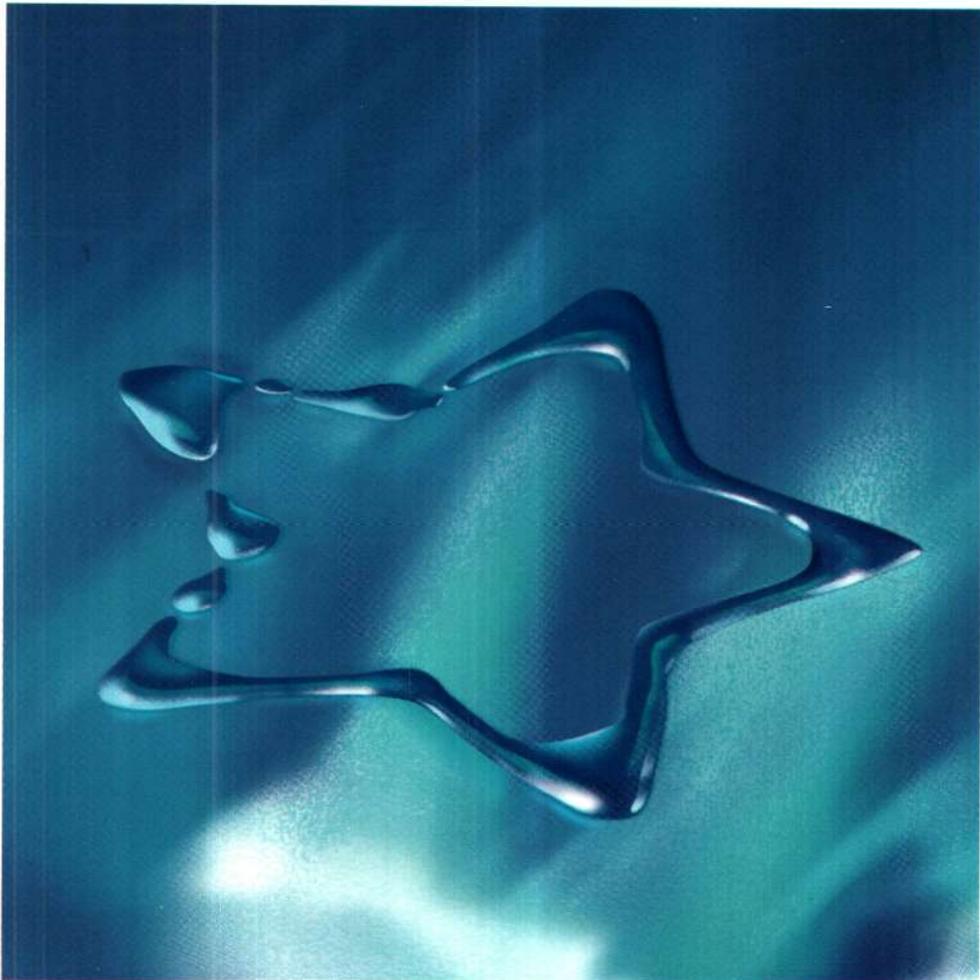


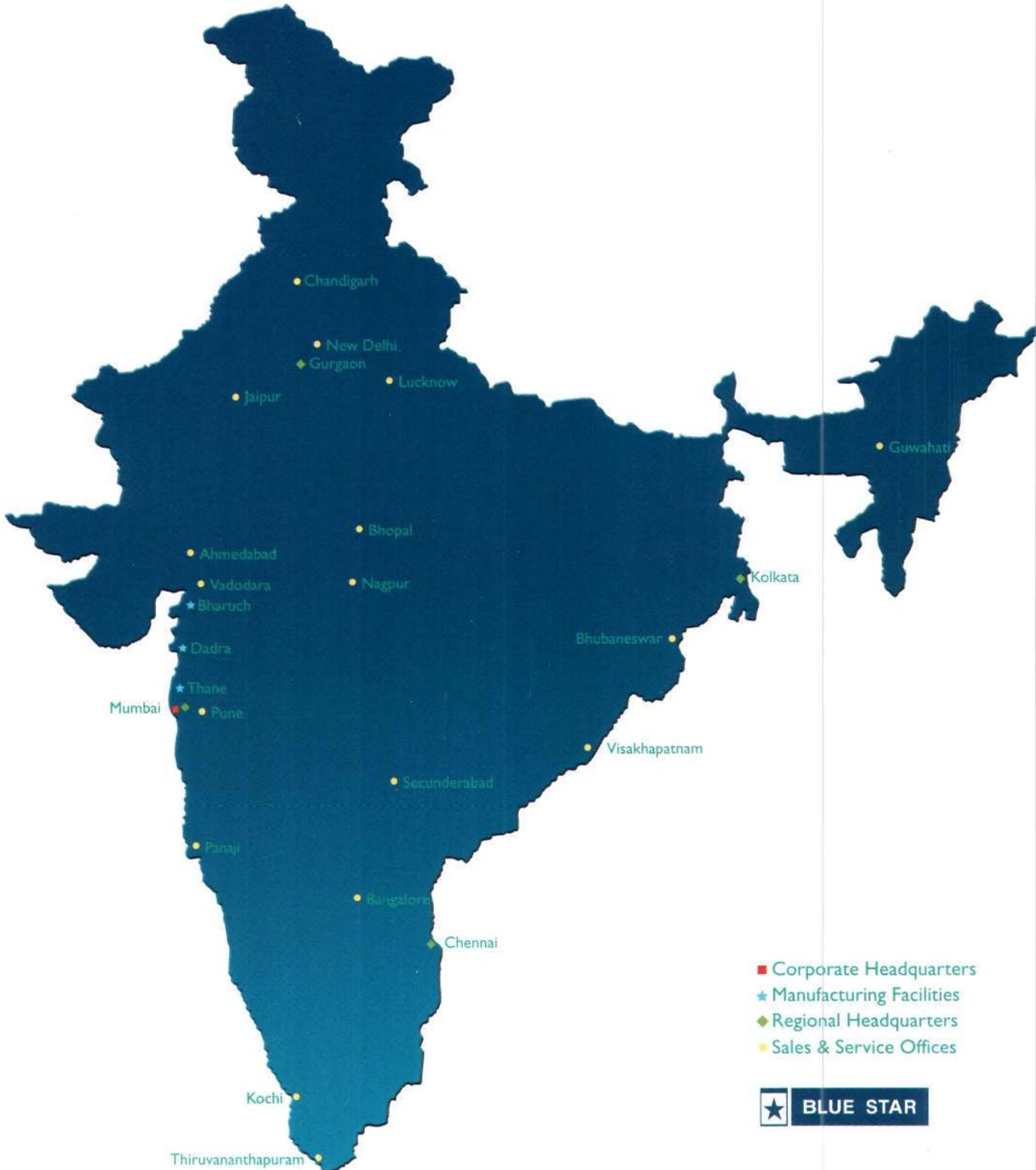
BLUE STAR LIMITED

# ANNUAL REPORT

2001-2002



# BLUE STAR ESTABLISHMENTS



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## BOARD OF DIRECTORS

Ashok M Advani  
*Chairman & Chief Executive*

Suneel M Advani  
*President & Vice Chairman*

T G S Babu  
*Executive Director*

Atul C Choksey

Uday S Kotak

G Ramchandani

Minoo R Shroff

Suresh N Talwar

## CORPORATE MANAGEMENT

Ashok M Advani  
*Chairman & Chief Executive*

Suneel M Advani  
*President & Vice Chairman*

T G S Babu  
*Executive Director*

V V Inamdar  
*Executive Vice President*

Satish Jamdar  
*Executive Vice President*

Neeraj Seth  
*Executive Vice President*

Arun Khorana  
*Vice President - Electronics Division*

Ranajit Majumdar  
*Vice President - Human Resources & Quality*

Avinash Pandit  
*Vice President - Packaged Airconditioning Division*

H Rajaram  
*Vice President - Finance*

S Sankaran  
*Vice President - Airconditioning Projects Division*

N Sivasankaran  
*Vice President - Central Airconditioning Service Division*

## COMPANY SECRETARY

K P T Kutty

## BANKERS

The Hongkong & Shanghai Banking Corporation Ltd

Standard Chartered Grindlays Bank Ltd

State Bank of India

Oriental Bank of Commerce

ABN - AMRO Bank

BNP Paribas

Bank of Baroda

Abu Dhabi Commercial Bank Ltd

## AUDITORS

K S Aiyar & Company, Mumbai

## BRANCH AUDITORS

R Venkatarama Aiyar & Company, Kolkata

Fraser & Ross, Chennai

Mohinder Puri & Company, New Delhi

## REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd  
260, Shanti Industrial Estate  
Sarojini Naidu Road, Mulund (West)  
Mumbai 400 080.

Telephone: 91-22-592 3837

Fax: 91-22-567 2693

## REGISTERED OFFICE

Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.

Telephone: 91-22-202 0868

Fax: 91-22-202 5813

[www.bluestarindia.com](http://www.bluestarindia.com)



## Dear Shareholder,

Last year was an unusual year of mixed corporate performance. The continuing economic slowdown and intense competition resulted in lack-lustre Total Income of Rs. 517 crores, a negligible increase over the previous year. The good news is that in spite of little top line growth, Profit After Tax climbed by 17% to reach Rs. 27.45 crores.

Improving the bottom line required a two-pronged restructuring drive. The first aspect covered reorganization of the core airconditioning and refrigeration business. The second dealt with the financial structure of the Company.

## ORGANIZATIONAL CHANGE

Signals from the market had been evident for the past few years that our AC&R businesses were not properly structured or manned. Their high costs and traditional way of doing business needed overhauling.

We decided on a major corporate restructuring last year with the objective of creating more focused and competitive operating divisions. What emerged were Special Projects Division for large airconditioning projects; a truncated Airconditioning Projects Division for medium-sized projects; a new Packaged Airconditioning Division for ducted systems and small chillers handled through a dealerised setup; Refrigeration and Airconditioning Products Division which covers all AC&R products including room airconditioners/mini split airconditioners; and Central Airconditioning Service Division for central airconditioning service. Electronics Division did not need restructuring though it continued its minor internal reorganization to improve efficiency.

There were also key managerial changes in the divisions. These, combined with headcount rationalization through a voluntary retirement scheme, were necessary to get the Company better aligned to address challenges in the market. The organizational changes took several months



to effect and resulted in considerable movement of people to new locations. Though there was no immediate improvement in operating performance, the benefits of the new divisional structure are expected to show up in the current year.

## FINANCIAL RESTRUCTURING

While the Audited Accounts and the Directors' Report present last year's financial results, I would like to highlight some of the significant developments and their impact on financial performance. The attached Annexure shows that even though Gross Margin was under pressure and Operating Margin remained flat, profitability measured in terms of Return on Capital Employed grew significantly from 20.5% to 26.7% while Return on Shareholders' Funds also improved from 21.4% to 24.6%. These figures are commendable especially so, in a difficult business environment.

Improving performance ratios obviously depends on growing the numerator viz. profit. What is often ignored is that even when the numerator is not increasing, the ratio can still improve by reducing the denominator, in this case, the funds employed. In accounting terms, the



focus needs to shift from the Profit & Loss Account to the Balance Sheet.

This is the approach we adopted last year. Slimming the Balance Sheet became a major thrust area. We started with a detailed analysis of all the assets and liabilities. Besides the normal business focus on controlling inventories and receivables, we looked for underutilized fixed assets, loans and advances as well as current liabilities. It was a rewarding exercise. There was a lot of potential cash hidden in the balance sheet.

The results are evident in the cash flow statement which shows a healthy net Operating Cash Flow of Rs. 43.16 crores in spite of a disappointing increase of Rs. 7.69 crores in Sundry Debtors. An additional Rs. 19.28 crores cash flow came from Investing Activities. Of this, Rs. 15.35 crores was the result of a net reduction in Fixed Assets i.e. sale less purchases.

The Balance Sheet as on March 31, 2002 reveals a sharp reduction of total funds from Rs. 167.39 crores to Rs. 123.50 crores. Borrowings came down to a negligible Rs. 12.09 crores. The Company ended this year in a strong financial position. And, despite ongoing doubts about the economic environment, cash flow continues to look comfortable.

## SHAREHOLDER VALUE

In the past I have clearly spelt out Blue Star's value proposition to investors. In short, it is to first earn 'real' profits which generate positive cash flows. Since Blue Star's basic business is not capital intensive, there is more than enough cash generated to comfortably finance the normal growth of the Company, pay a generous dividend to shareholders and still leave a substantial cash surplus.

This is precisely what happened last year. It was obvious that with low borrowings which were steadily coming

down as we tightened the balance sheet, the Company was overcapitalized. It made eminent financial sense and offered the best shareholder value to use Rs. 26.04 crores, i.e. 25% of the Net Worth for a share buyback.

We went ahead with this towards the end of the year. Shareholders approval of the buyback was obtained by way of a postal ballot. The buyback commenced on February 15, 2002 and proceeded smoothly. By March 31, 2002, shares worth Rs. 6.24 crores had been purchased from the open market thereby reducing the paid-up capital by 5.0%. Subsequently, as on date, a further Rs. 1.72 crores worth have been purchased by the Company. The buyback will continue as already announced.

## CORPORATE GOVERNANCE

In recent months, investors worldwide have been hit by a series of financial, managerial, accounting, auditing and regulatory scandals. This has left them confused and cynical. It has also hurt legitimate businesses trying to cope with a tough economic environment.

There are no easy answers to the challenge of cleaning up this mess. Tougher laws, better enforcement and more effective regulation by independent agencies are only a partial solution. Human ingenuity always seems to find ways around laws. In the final analysis, compliance must come voluntarily from basic values: accountability, integrity and transparency. Without sounding 'holier than thou', I must reiterate our firm belief in these values. We will continue to practice them.

**ASHOK M ADVANI**  
Chairman & Chief Executive

Mumbai, June 12, 2002



## BLUE STAR FINANCIAL PERFORMANCE

(Rs. in crores)

	2001-02	2000-01
Total Income	517.32	509.82
Growth over Previous Year	+ 1%	+15%
Operating Profit (PBDIT)	45.83	45.85
Profit Before Tax	27.33	25.57
Growth over Previous Year	+7%	+50%
Profit After Tax	27.45	23.54
Growth over Previous Year	+17%	+55%
Shareholders' Funds	111.41	110.04
Borrowings	12.09	57.35
Capital Employed	123.50	167.39
Operating Cash Flow	43.16	28.77

## KEY RATIOS

	2001-02	2000-01
Gross Margin	25.6%	25.9%
Operating Margin	8.9%	9.0%
Return on Capital Employed	26.7%	20.5%
Return on Shareholders' Funds	24.6%	21.4%
Earnings Per Share	Rs. 13.52	Rs. 11.58
Dividend Per Share	Rs. 6.50	Rs. 5.50
Capital Turnover	4.19	3.05
Debt/Equity	0.11	0.52
Inventory Turnover	6.54	6.01
Receivables (Days Billings Outstanding)	64	59



# BOARD OF DIRECTORS



**Ashok M Advani**  
*Chairman & Chief Executive*



**Suneel M Advani**  
*President & Vice Chairman*



**T G S Babu**  
*Executive Director*



**Atul C Choksey**  
*Director*





**Uday S Kotak**  
*Director*



**G Ramchandani**  
*Director*



**Minoor R Shroff**  
*Director*



**Suresh N Talwar**  
*Director*



The Directors are pleased to present their 54<sup>th</sup> Annual Report and the Audited Accounts for the year ended March 31, 2002.

## HIGHLIGHTS OF 2001-02

- Despite modest growth in total income, profit after tax increased by 17% to Rs. 27.45 crores.
- There was a substantial reduction in borrowings from Rs. 57.35 crores to Rs. 12.09 crores resulting in a debt/equity ratio of only 0.11.
- Interest cost reduced by 36% recording a saving of Rs. 3.10 crores.
- Earning per share increased to Rs. 13.52 as against Rs. 11.58 last year.

## SUMMARISED FINANCIAL RESULTS

Total Income	
Profit before interest, depreciation and taxation	
Interest	
Depreciation	
Profit before tax	
Provision for taxation	
Add: Deferred Tax	
Add: Prior years tax adjustment	
Profit after tax	
Add: Balance brought forward	
-- Transfer from Foreign Projects Reserve	
Less: Profit transferred to BSIL	
Total available for appropriation	
Less: General Reserve	
-- Proposed Dividend	
-- Corporate Dividend Tax	
Balance carried forward	

## DIVIDEND

The Directors have proposed a dividend of Rs. 6.50 per equity share versus Rs. 5.50 paid in the previous year. In view of the on-going share buyback the exact quantum of dividend will be somewhat less than Rs. 12.55 crores provided for in the accounts, depending on the equity capital as on the record date.

## OPERATING PERFORMANCE

While the Company retained its leadership position in the central airconditioning and commercial refrigeration businesses, revenue growth was marginal. The dull-economic environment, lack of fresh industrial investment and decline in some key business sectors were the primary factors responsible. Furthermore, severe price competition led to erosion in selling prices.

(Rs. in lakhs)

	April 2001 March 2002	April 2000 March 2001
	51732	50981
	4583	4585
	559	869
	1291	1159
	2733	2557
	228	203
	31	-
	209	-
	2745	2354
	1485	1898
	55	50
	-	1186
	4285	3116
	1900	400
	1255	1118
	-	114
	1130	1484



The Company took vigorous steps to cut material costs, control operating expenses and improve capital utilization which provided relief to the pressure on profitability.

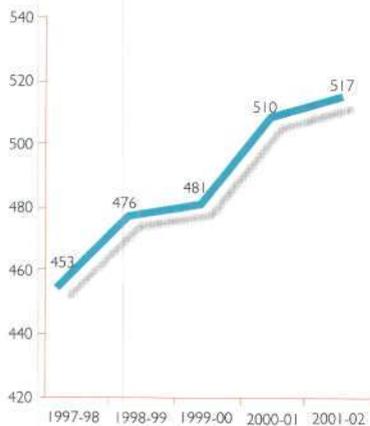
## FINANCIAL POSITION

During the year there was a major drive to restructure the balance sheet. Non-revenue generating investment in office property was disposed of to the extent of Rs. 19.35 crores. Operating cash flow was a healthy Rs. 43.16 crores compared to Rs. 28.77 crores in the previous year. As a result of these, actual borrowings reduced by Rs. 45.26 crores by year-end. Sound treasury management and a favourable interest rate scenario enabled an overall reduction of Rs. 3.10 crores in interest cost.

## BUYBACK OF EQUITY SHARES

A special resolution was passed by the shareholders on February 4, 2002 by means of postal ballot for buyback of equity shares of the Company from the open market through the stock exchanges. The Company is authorized to buyback upto 50,80,000 equity shares at a price not exceeding Rs. 75/- per share subject to the condition that the aggregate consideration for shares bought back shall not exceed Rs. 26.04 crores. The buyback started from February 15, 2002 and upto March 31, 2002, the Company bought back 10,20,035 equity shares for a total consideration of Rs. 6.24 crores. The buyback will remain open until the above limits are achieved or upto February 3, 2003 or such earlier date as may be determined by the Board.

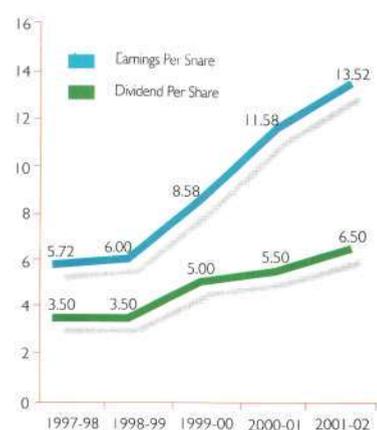
**Total Income**  
(Rs. in crores)



**Profit After Tax**  
(Rs. in crores)



**Earnings Per Share & Dividend Per Share**  
(Rs.)



## EXPORT & FOREIGN EXCHANGE EARNINGS

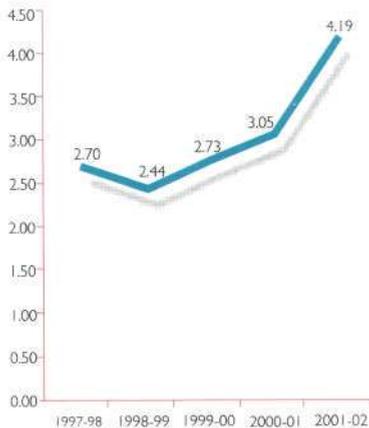
Total foreign exchange earnings during the year amounted to Rs. 21.20 crores, compared to Rs. 20.50 crores in the previous year. Income from export of goods and commission income showed a marginal increase during the year. Recessionary conditions and severe competition in international markets led to the slow growth in exports. Several steps have been taken to improve export earnings. Total foreign exchange outflow was Rs. 29.29 crores as compared to Rs. 44.97 crores in the previous year.

## DIRECTORS' RESPONSIBILITY STATEMENT

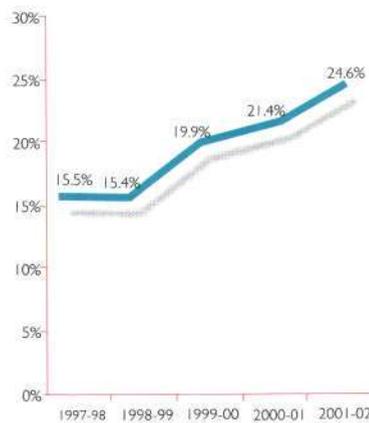
The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2002 are in full conformity with the requirement of the Companies Act, 1956. These financial results are audited by the statutory auditors M/s K S Aiyar & Company. The Directors further confirm that:

- 1) In the preparation of the Annual Accounts, the applicable accounting standards have been followed
- 2) The accounting policies are consistently applied and

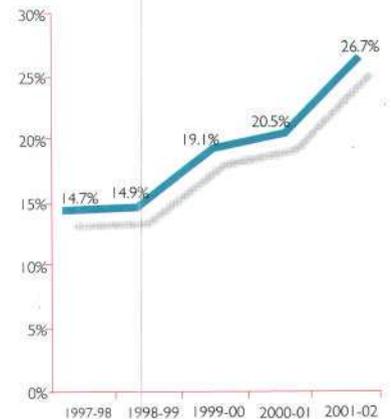
### Capital Turnover



### Return On Shareholders' Funds



### Return on Capital Employed



reasonable, prudent judgement 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

Mr Uday S Kotak and Mr G Ramchandani will retire from the Board by rotation. Being eligible they both offer themselves for re-election.

## EMPLOYEES

During the year, employee development continued to be a key thrust area with focus on improving technical, functional and managerial skills through internal as well as external training. One of the key organizational initiatives undertaken was to restructure the business units and right-size employee strength to enhance

organizational productivity and cut costs. An open-ended voluntary retirement scheme was designed and implemented which resulted in a manpower reduction from 2084 last year to 1825 at year-end.

The employee relations scenario was generally peaceful throughout the year. Positive steps were initiated to improve quality and productivity at the shop floor levels.

## 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

Mumbai, May 6, 2002

**ASHOK M ADVANI**  
Chairman & Chief Executive



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:

Energy consumption at the Company's factories is not a major cost factor. The average power factor in Thane and Dadra Plants were maintained at 0.99. Use of natural lights in shop floor at Thane by using FRP sheets for roofing, providing microprocessor based energy saving units in packaged airconditioners, providing electronic ballast for lighting, auto-illumination through photosensing techniques, use of chemical additive for saving diesel consumption and discontinuing powder painting process in Bharuch plant were some of the measures taken for energy conservation during the year 2001-02. This has resulted in substantial savings in electricity, diesel and gas consumption.

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

Investment for energy conservation measures will be considered as and when necessary.

### c) Impact of measures taken:

There has been 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:

New product development, extension of existing product range, product design and process engineering.

The new products developed during the year include microprocessor based small chillers with multiple energy efficient scroll compressors, airconditioners using energy efficient low noise rotary compressors, special application

packaged airconditioners for telecom sector, compact fan coil units, new range of water coolers with insitu PUF and new range of visicoolers and deep freezers.

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

Energy efficient and environment friendly products are made available in the Indian market. Microprocessor controls improve the life of the equipment and ensure reliable performance.

### c) Future plan of action:

Future plan involves strengthening of Computer Aided Engineering Systems, and upgrading the test facilities to assure good quality products to the customers.

### d) Expenditure on R & D:

(Rs. in lakhs)-

	2001-02	2000-2001
i) Capital	20.00	51.05
ii) Recurring	99.85	94.52
Total	<u>119.85</u>	<u>145.57</u>
Total R & D expenditure as a percentage of total turnover	0.24%	0.30%

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

### a) Efforts made towards technology absorption, adaptation and innovation:

New range of Chillers with eco-friendly refrigerant (R134a) were developed during the year. Other technology absorption measures are progressing as per schedule. Indigenous sources for import substitution are also being developed where feasible. The Company has carried out import substitution for most of the cold room components. Efforts also include adaptation of imported technology to Indian conditions. Where required, training is being imparted to the technical staff.

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

Availability of environment friendly airconditioning systems, increased product range, improved quality and



product designs and cost reduction are amongst the benefits derived.

c) Information regarding imported technology:

The following technologies were imported during the years mentioned there against:

Room and Packaged Airconditioners (1996), Air Handling Units(1997), Centrifugal Chillers using CFC-free R-123 as refrigerant (1998), Screw Chillers using CFC-free R-22 as refrigerant (1998), Panels and Door Sections (1998) and Humidicoil in-store cooling units and Chiller Units (2000).

Significant progress has been made in absorbing the technologies. Technology in respect of Centrifugal and Screw Chillers and Panels and Door Sections have been absorbed.

## MAJOR ITEMS OF FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, developments of new export markets for products and services and export plans:

Discussed in detail in the main report.

b) Total foreign exchange used and earned:

	<i>(Rs. in lakhs)</i>	
	2001-02	2000-01
Total foreign exchange used	2929.46	4497.09
Total foreign exchange earned	2120.31	2049.61

For and on behalf of the Board

**ASHOK M ADVANI**

Mumbai, May 6, 2002

Chairman & Chief Executive



# 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, 2001 TO MARCH 31, 2002

Name	Age (Yrs)	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of Joining Blue Star	Details of Last Employment		
							Employer	Designation	Period
<b>EMPLOYED FOR THE WHOLE OF THE YEAR</b>									
ADVANI A M	60	CHAIRMAN & CHIEF EXECUTIVE	3361829	B.SC., SB, MBA	36	1-Jul-69	RCA INC., USA	INFORMATION SYSTEMS PROJECT SPECIALIST	1968-69
ADVANI S M	58	PRESIDENT & VICE CHAIRMAN	3671155	SB, SB, LL.B.	33	17-Mar-69	-	-	-
BABU T G S	48	EXECUTIVE DIRECTOR	2596206	B.TECH., MBA	26	1-Nov-95	MRF LTD., CHENNAI	GENERAL MANAGER	1991-95
<b>EMPLOYED FOR THE PART OF THE YEAR</b>									
MALHOTRA B K	63	EXECUTIVE DIRECTOR	2137074	B.SC.(ENGG).	39	1-Nov-62	-	-	-

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 and Mr Suneel M Advani are relatives.



# REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Blue Star's philosophy on Corporate Governance envisages the attainment of the highest level of transparency and accountability in all facets of its operations including its dealing with shareholders, employees, Government and other stakeholders. The Company has been disclosing detailed operational data even before the concept of transparency and Corporate Governance came into the statute books. Blue Star believes that all its operations and actions must serve the ultimate goal of enhancing shareholder value. This is amply clear from its uninterrupted track record of profits and dividends.

## BOARD OF DIRECTORS

The Board consist of eight members – three Wholtime Directors and five Non Executive Directors. Out of eight Directors, six Directors are independent Directors. Mr B K Malhotra, who was an Executive Director of the Company, retired and ceased to be a Director with effect from October 25, 2001.

## BOARD MEETINGS

Six board meetings were held during the Financial Year 2001-2002 i.e. on May 16, 2001, July 30, 2001, October 25, 2001, November 23, 2001, January 24, 2002 and March 6, 2002. The Company had its Annual General Meeting on July 30, 2001.

The particulars of Directors, their attendance and other directorships, memberships/chairmanships of committees are given below:

Name	Category	Attendance		Particulars of other Directorships, Committee Memberships/Chairmanships		
		Board Mtg.	Last AGM	Directorship*	Committee Membership	Committee Chairmanship
Ashok M Advani	Promoter Executive	6	Yes	2	2	Nil
Suneel M Advani	- do -	4	Yes	1	1	Nil
B K Malhotra <sup>#</sup>	Non-Promoter Executive	1	No	Nil	Nil	Nil
T G S Babu	- do -	4	Yes	Nil	Nil	Nil
Atul C Choksey	Non-Promoter Non-Executive	4	No	12	Nil	Nil
Uday S Kotak	- do -	4	No	13	5	3
G Ramchandani	- do -	3	Yes	Nil	Nil	Nil
M R Shroff	- do -	6	Yes	10	9	5
Suresh N Talwar	- do -	6	Yes	14	9	5

\* Alternate directorships, directorships in private companies, foreign companies and memberships in governing councils, chambers and other bodies not included.

<sup>#</sup> Ceased to be a Director with effect from October 25, 2001.



## AUDIT COMMITTEE

The Audit Committee consisting of 3 independent Non-Executive Directors was constituted on January 29, 2001. The terms of reference of the Audit Committee are in line with the powers, duties and responsibilities stipulated in Clause 49 of the Listing Agreement. The members consist of Mr M R Shroff, Mr Suresh N Talwar and Mr G Ramchandani with Mr M R Shroff as the Chairman. The Committee met on May 16, 2001 and November 23, 2001 interalia to review the accounts for the year ended March 31, 2001 and half year ended September 30, 2001 respectively. All the members attended both the Meetings.

## REMUNERATION POLICY

The remuneration of the Wholetime Directors and Non-Executive Directors is approved by the Board of Directors and the shareholders. The annual increment and commission for the Wholetime Directors and the commission to the Non-Executive Directors within the limits approved by the shareholders are determined by the Board of Directors. Hence, no separate remuneration committee has been constituted. The Wholetime Directors are paid by way of salary, perquisites and commission based on their agreements with the Company. Non-Executive Directors are paid by way of 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. In addition, they are paid sitting fees @ Rs. 2000/- and other out-of-pocket expenses for each Board Meeting 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	11.40	6.19	14.25	-	31.84
Suneel M Advani	11.40	5.95	14.25	-	31.60
B K Malhotra	4.08	4.50	5.10	-	13.68
T G S Babu	7.90	6.65	9.88	-	24.43
Atul C Choksey	-	-	2.45	0.08	2.53
Uday S Kotak	-	-	2.45	0.08	2.53
G Ramchandani	-	-	2.75	0.06	2.81
M R Shroff	-	-	3.65	0.12	3.77
Suresh N Talwar	-	-	3.65	0.12	3.77

Note: Commission shown above are amounts actually paid and hence differs from the provisions made as on March 31, 2002. Mr B K Malhotra exercised stock option of 5000 shares, offered through Blue Star Employee Welfare Trust.



## SHAREHOLDERS' GRIEVANCE COMMITTEE

A Committee consisting of Mr Ashok M Advani, Mr Suneel M Advani and Mr G Ramchandani was constituted on January 29, 2001 as Shareholders' Grievance Committee.

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 799 requests/complaints from shareholders. 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, 2002.

## GENERAL BODY MEETINGS

Financial Year	AGM/EGM	Date	Location of Meetings	Time
1998-1999	AGM	Sep 28, 1999	Jai Hind College Hall 'A' Road, Churchgate, Mumbai 400 020	3.00 pm
1998-1999	EGM	Nov 13, 1998	- do -	11.00 am
1999-2000	AGM	Aug 29, 2000	- do -	3.00 pm
2000-2001	AGM	Jul 30, 2001	- do -	2.30 pm

In 2001-02, the Company proposed two Special Resolutions for amendment of Articles of Association of the Company and Buy-back of equity shares to be passed by means of postal ballot. Mr K B Dabke, Chartered Accountant & Company Secretary was the Scrutineer for the conduct of Postal Ballot. Both the resolutions were passed with requisite majority on February 4, 2002. No 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 12 of the Notes Forming Part of the Accounts (Other Notes). There were no transactions with related parties which 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 during the last three years.

## 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 also published in Economic Times and Maharashtra Times. The financial results were also displayed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com). No presentations were made to institutional investors or analysts during the year. Management Discussion and Analysis forms part of the Annual Report.



## SHAREHOLDERS' INFORMATION

### Annual General Meeting

Date	:	July 29, 2002
Time	:	3.00 pm
Venue	:	Jai Hind College Hall, 'A' Road, Churchgate, Mumbai 400 020.

### Financial Calendar (Provisional)

Unaudited results for quarter ending June 30, 2002	:	Last week of July 2002
Unaudited results for quarter ending September 30, 2002	:	Last week of October 2002
Unaudited results for quarter ending December 31, 2002	:	Last week of January 2003
Audited results for the year ending March 31, 2003	:	May 2003
Date of Book Closure	:	Wednesday, July 3, 2002 to Wednesday July, 17, 2002 (both days inclusive)
Dividend Payment Date	:	August 1, 2002 onwards

### Listing on Stock Exchanges

: The Stock Exchange, Mumbai  
National Stock Exchange of India Limited

### Stock Code

: The Stock Exchange, Mumbai : 500067  
National Stock Exchange : BLUESTARCO  
Depositories: NSDL/CDSL-ISIN-INE 472A01021

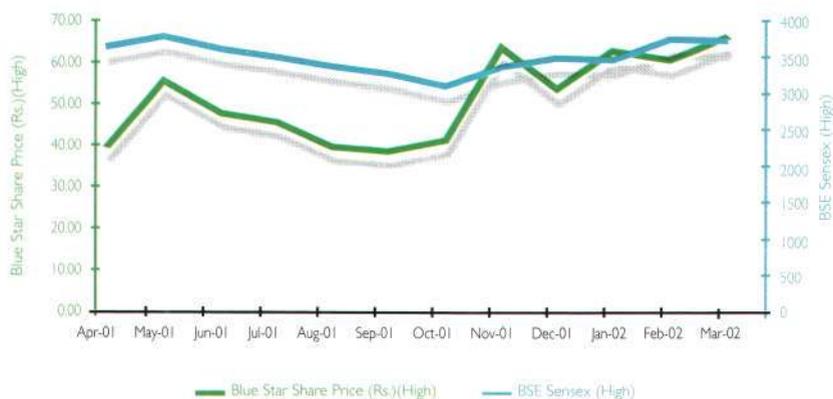
## MARKET PRICE DATA

	The Stock Exchange, Mumbai		National Stock Exchange	
	High	Low	High	Low
April 2001	39.30	29.00	37.80	28.20
May 2001	54.90	33.20	56.00	34.10
June 2001	47.00	35.80	51.00	33.60
July 2001	45.00	32.00	43.50	32.00
August 2001	38.90	34.90	39.65	34.30
September 2001	38.00	28.00	39.00	28.65
October 2001	40.50	31.00	41.50	30.50
November 2001	63.00	38.00	65.00	38.40
December 2001	53.00	40.70	55.00	41.60
January 2002	62.20	44.40	53.50	47.00
February 2002	59.95	49.50	60.00	49.60
March 2002	65.50	56.50	67.00	56.25



## PERFORMANCE – COMPARISON WITH BSE SENSEX

### Share Price Movement



Registrar & Share Transfer Agents:

Intime Spectrum Registry Ltd.  
260, Shanti Industrial Estate  
Sarojini Naidu Road  
Mulund (W), Mumbai 400 080

## 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 transfer 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. As per the SEBI guidelines, the Company has offered the transfer-cum-demat facility under which after the share transfer is effected, option letter is sent to the transferees indicating the details of shares transferred and informing him that if he so desires, he may demat the shares by submitting the letter along with the demat request form to his Depository Participant. If he does not exercise his option within one month from the date of the offer letter, share certificates are despatched to him.

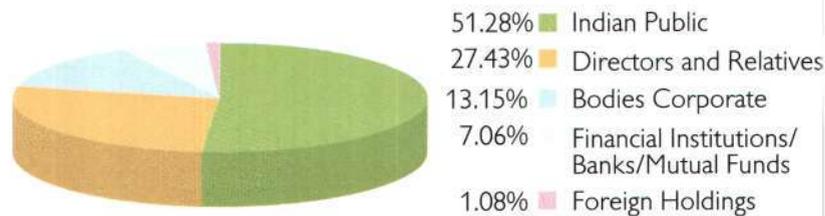


## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2002

No. of equity shares held	No. of shareholders	Percentage of shareholders	Total No. of shares held	Percentage of shares held
1 - 500	21112	84.86	3036326	15.31
501 - 1000	2075	8.34	1499422	7.56
1001 - 2000	1029	4.14	1405926	7.09
2001 - 3000	298	1.20	728053	3.67
3001 - 4000	90	0.36	317706	1.60
4001 - 5000	56	0.23	248711	1.25
5001 -10000	93	0.37	648332	3.27
10001 -and above	125	0.50	11949078	60.25
<b>TOTAL</b>	<b>24878</b>	<b>100.00</b>	<b>19833554</b>	<b>100.00</b>

Note: The total number of shares shown above include the shares bought back up to March 31, 2002 but not extinguished.

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2002



## DEMATERIALISATION OF SHARES & LIQUIDITY

About 82% of the equity shares have been dematerialised by about 59% of the total shareholders as on March 31, 2002. The Company's shares can be traded only in dematerialised form as per SEBI notification. The Company has entered into agreement with NSDL & CDSL whereby shareholders have the option to dematerialise their shares with either of the Depositories. More than 51% of the equity shares are held by public and the shares are actively traded in BSE and NSE.



## PLANT LOCATIONS

Blue Star Limited  
Ind Pokhran Road  
Majiwada  
Thane 400 601.

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

Blue Star Limited  
Survey No.265/2  
Demni Road  
Dadra 396 191  
U.T. of Dadra & Nagar Haveli.

## CORRESPONDENCE ADDRESS

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

## AUDITORS' CERTIFICATE

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The Board of Directors,  
Blue Star Limited,  
Mumbai 400 020.

We have examined the compliance of conditions of Corporate Governance by Blue Star Limited for the financial year ended March 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

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 the 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.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investors grievances remaining unattended/ pending for more than 30 days.

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 **K. S. AIYAR & CO.**  
Chartered Accountants

**Ramakrishna Prabhu**  
Partner

Mumbai, May 6, 2002.





## Ashok M Advani

*Chairman & Chief Executive*

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 Bombay 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. Ashok is also the Vice Chairman of Blue Star Infotech Limited and on the Board of Yokogawa Blue Star 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

*President & Vice Chairman*

Suneel M Advani is a double graduate in Electrical Engineering and Economics from MIT, USA. He also holds a degree in Law from Bombay 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. Suneel is also the Chairman of Blue Star Infotech Limited, Blue Star Infotech (UK) Limited, Blue Star Infotech Malaysia and Blue Star Infotech America, Inc., apart from being on the board of Arab Malaysian Blue Star Sdn Bhd.

Suneel is the President of Refrigeration & Airconditioning Manufacturers Association (RAMA) and is actively involved in CII and other trade associations.



## T G S Babu

*Executive Director*

T G S Babu is an Engineering graduate from IIT, Madras and has done his MBA from IIM, Ahmedabad. He has been working with Blue Star from 1977 in various positions, except for a four-year period when he worked with MRF Ltd as GM Sales.

Prior to his current appointment, T G S Babu was Executive Vice President. Under his leadership, Blue Star's Central Airconditioning business has achieved a clear market leadership and continues to grow at a healthy rate.





### Vijay Inamdar

*Executive Vice President*

Vijay Inamdar is a Mechanical Engineering graduate from IIT, Bombay and has been professionally trained in the University of Michigan Business School, USA. His career spans over 30 years in design of airconditioning systems, customer service, general management and marketing.

Vijay is in-charge of the Refrigeration & Airconditioning Special Projects Division of the Company. He is also responsible for international projects.

He is an active member of ASHRAE, USA as well as ISHRAE, India.

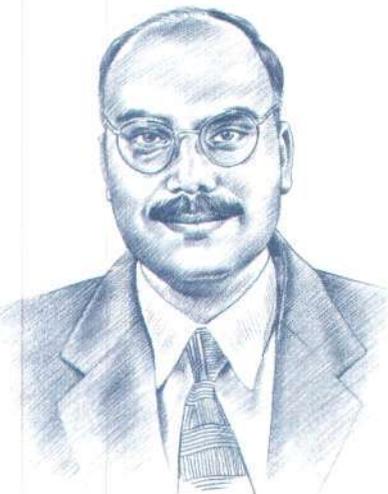
### Satish Jamdar

*Executive Vice President*

Satish Jamdar is a Mechanical Engineering graduate from IIT, Bombay and also qualified in Systems Management from NIIT and Business Management from UK. Satish's career spans over 29 years in various companies like Siemens, BPL and Alstom and has immense experience in manufacturing, materials management and IT projects.

Satish is responsible for the manufacturing operations of all the three factories of Blue Star, apart from materials management function. Under his leadership, the productivity and product development capabilities of the factories have substantially increased.

Satish has received training in factories in USA, UK, France, Denmark and Italy. Satish is the Co-Chairman of the Manufacturing Executive Committee of BCCI and President of the BaaN Users' Club.



### Neeraj Seth

*Executive Vice President*

Neeraj Seth is a graduate in Commerce and a post graduate in Management. He has over 17 years of experience in sales and marketing and has worked for Goodlass Nerolac and Usha International prior to joining Blue Star.

Neeraj is currently responsible for the Refrigeration and Airconditioning Products Division of the Company. Under his leadership, the Commercial Refrigeration business of the Company has grown substantially.

Neeraj has a very good exposure on cold chains in India and abroad and is on the invitation list of many bodies as a guest speaker on Cold Chains. He is also a member of CII National Committee on Food Processing Industries.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

Blue Star is India's largest provider of airconditioning and refrigeration products, systems and services. It has nearly six decades of experience in providing cooling solutions, and is recognized as an expert in the field. Owing to its expertise and in its endeavour to provide a world-class customer experience, Blue Star enjoys preferred vendor status with numerous corporate and commercial establishments.

Another significant area of business interest to Blue Star is import distribution and service of professional electronic equipment and systems. These include solutions in the areas of telecom, healthcare, defence and manufacturing.

The Centre of Monitoring Indian Economy (CMIE) in its annual report on Industry Market Sizes & Shares, August 2001, ranked Blue Star as the largest player in the airconditioning category in the country. This category included all types of airconditioning, namely, Central AC Plants, Packaged AC Systems, Window ACs and Split ACs. The Company was ranked the overall leader with a market share of 23.45%.

## BUSINESS SEGMENTS

Blue Star's focus is on the corporate and commercial sectors. These include institutional, industrial and government organizations, as well as commercial establishments such as showrooms, restaurants, banks, hospitals, theatres, shopping malls 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:

### Central Airconditioning Systems

This involves manufacturing, system design, installation, commissioning and support of large central airconditioning plants, packaged airconditioners and ducted split

airconditioners. This line of business also promotes after-sales service as a business, by offering several service products, including retrofitting and revamping.

### Cooling Products

Blue Star offers a wide range of contemporary window and split airconditioners. The Company also manufactures and markets a wide range of commercial refrigeration products and services that cater to the industrial, commercial and hospitality sectors. These include water coolers, bottled water dispensers, deep freezers, cold storages, visi coolers, ice cubers and commercial kitchen and laundry equipment.

### Professional Electronics and Industrial Equipment

For over 45 years, the Electronics Division has been the exclusive distributor in India for many internationally renowned manufacturers of hi-tech, professional electronic equipment and services, as well as industrial products and systems.

## FINANCIAL HIGHLIGHTS

Blue Star's financial performance for the year ended March 31, 2002 was amongst the best in the industry. Despite a flat top line on account of difficult economic conditions and an overall market slowdown during the year, the Company registered Net Profit growth of 17%. This good performance is attributable to the prudent cost reduction initiatives taken by the Company, to extensive value engineering in the factories, and more effective procurement and outsourcing of non-critical activities.

Another major factor that contributed to bottom line growth was the reduction in interest rates and tight working capital management, both of which resulted in lowering interest costs by 36% compared to the previous year.

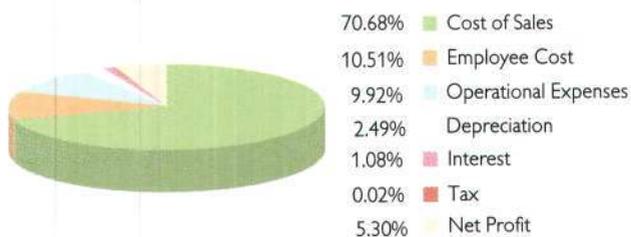


Additionally, Other Income increased from Rs. 7.20 crores to Rs. 13.15 crores on account of increased profit on sale of assets and higher interest and dividend income on investments.

On the whole, productive use of resources and good tax management resulted in improved profitability. Return on Capital Employed (ROCE) improved to 26.7% from 20.5%, while Return on Shareholders' Funds increased to 24.6% from 21.4%.

Over the last three years the Company spun off its international software business into a separate company and exited from the low profitable industrial business. Excluding the above two operations, the billing has grown at a Compounded Annual Growth Rate (CAGR) of 8%, while the booking has grown at a CAGR of 11% over the 3-year period. Thus, the Company has grown steadily in its core business areas of airconditioning, commercial refrigeration and professional electronics.

### How every rupee earned was spent



## RESTRUCTURING THE CORPORATION

In July 2001, the Company embarked upon a major restructuring exercise. This restructuring was carried out primarily to address more effectively each segment that Blue Star is targeting, and to enhance the customer experience.

Blue Star offers a wide range of products and cooling solutions, right from room airconditioners to large central airconditioning systems, from water coolers and deep freezers to large cold storages. The needs of its

customers across the product segments cover virtually the entire cooling spectrum.

Various segments need to be addressed with different competencies to be effective. For example, central airconditioning projects, where site coordination and project management are critical, need to be handled directly by the Company. On the other hand, the window airconditioner business requires penetration, reach and speed, and this can best be provided by the Company's dealers. What is common to all product segments is the need to continually reduce the cost of doing business. For all these reasons the Company restructured its airconditioning and refrigeration business into six separate, strategic business units. These are :

1. Airconditioning and Refrigeration Special Projects Division (SPD): This division handles large comfort and industrial airconditioning projects in the domestic and export markets, each through a self-contained project team.
2. Airconditioning Projects Division (ACPD): The medium sized central airconditioning business for industrial and comfort applications, is managed by the Company's own staff or its dealer network, depending on the location and complexity of each project.
3. Packaged Airconditioning Division (PAD): Offers custom-designed packaged comfort airconditioning solutions for showrooms, restaurants, small offices and banks through a well-trained dealer network. These jobs generally involve standard, floor-mounted Packaged AC units and Ducted Split units, as well as smaller chillers, and are short-duration projects.
4. Central Airconditioning Service Division (CASD): Handles after-sales service and promotes various service products including maintenance, energy audit, retrofitting and revamping.
5. Refrigeration and Airconditioning Products Division (RAPID): This Division has four departments as follows:



- **Cooling Products Department:** Offers window and split airconditioners, water coolers, deep freezers, visi coolers, bottled water dispensers and ice cubers. These are standard products, and are marketed through a wide-spread dealer network.
- **Cold Storage Department:** Markets customised pre-fabricated cold storages to a wide range of industries such as horticulture, dairy, food, poultry, hospitality and pharmaceuticals.
- **Commercial Kitchen & Laundry Equipment Department:** Offers a wide range of commercial kitchen and laundry equipment to the hospitality industry.
- **Customer Service Department:** Handles after-sales service for all the products of this division.

6. **Manufacturing Division:** This includes manufacturing of a wide range of airconditioning and refrigeration equipment at the Company's production facilities in Dadra, Thane and Bharuch.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

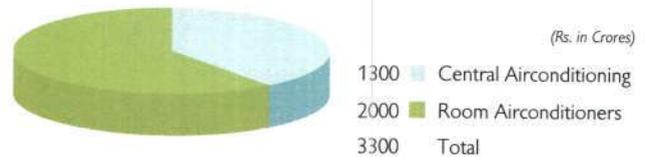
### Airconditioning

The market size for airconditioning in India is estimated to be around Rs. 3300 crores. Of this, the market for central airconditioning, including packaged and ducted airconditioning systems, is estimated to be around Rs. 1300 crores, whilst the market for window and split airconditioners comprises the balance Rs. 2000 crores.

Despite the slowdown in the industrial sector, the airconditioning market has been growing, mainly driven by the commercial segment such as retail, software, healthcare, hospitality, entertainment, telecom, banking and other service sectors. Apart from this, increasing demand from the residential as well as the SOHO (Small Office Home Office) segment has fuelled the growth of the industry. The industry's contribution to the exchequer exceeds Rs. 400 crores.

With the present investments in manufacturing capacities, technology, distribution and brand promotion, the Indian airconditioning industry is poised on a fast track. Although India is a large, tropical country, penetration levels are

### Market Size of Airconditioning in India



less than 1%. Thus, there is a huge opportunity available to expand demand. Moreover, factors such as global warming, pollution, humidity and the need to have better indoor air quality have moved the airconditioning industry from the bracket of luxury to comfort and necessity.

This vital industry warrants special attention from the Government to be able to harness the huge potential of the domestic market, and to exploit the vast opportunities available in export markets.

The Chinese airconditioning market which has historical similarities to India in terms of population, infrastructure and penetration, has over the last decade grown at a compounded annual growth rate (CAGR) of 45%. Nearly 20% of the revenues of the airconditioning industry in China come from export markets. These large volumes have helped further cost reduction and affordability. The industry in China is poised to become the largest in the world by 2005. The Indian airconditioning market, which is currently merely 5% of the Chinese airconditioning market, has the same growth potential as that of the Chinese market, if given the right impetus from the Government.

The Indian airconditioning industry faces two major anomalies in terms of taxation. The rate of excise duty singles out airconditioners with an excise duty of 32%



compared to 16% for all other consumer durables and white goods such as televisions, refrigerators and washing machines. Also, the industry continues to suffer due to a low abatement rate of 40% for the past two years, making the tax component on MRP as high as 53%. The industry is passing through severe price pressures and correction of these anomalies will go a long way to help the industry achieve the phenomenal growth rates of China.

## Commercial Refrigeration

The market for commercial refrigeration equipment and systems is estimated to be around Rs. 800 crores. The commercial refrigeration segment includes a wide range of products such as cold storages, water coolers, bottled water dispensers, deep freezers, visi coolers and ice cubers. Since the penetration level of these products is extremely low, there is a huge market potential. This industry is characterized by a significant presence of the unorganized sector, who offer inferior, high power-consuming technologies. Blue Star is perhaps the only powerful, national brand, which manufactures and markets such a wide range of commercial refrigeration equipment in India.

India is the second largest producer of vegetables, the largest producer of milk globally, and produces nearly 10% of the world's fruits crops. However, in a tropical country like ours, nearly 30% of the horticultural and agricultural produce is wasted due to poor storage conditions. In the recent past the Government, recognizing huge post harvest losses of over Rs. 50,000 crores in the food chain, has taken initiatives to encourage the setting up of cold storages. According to the Standing Committee on Agriculture, the country requires additional cold storages with 12 lakh tonnes storage capacity, valued at Rs. 480 crores in the aggregate.

Over the last couple of years, the demand for branded dairy products, ice creams, soft drinks, bottled mineral water, seafood and processed meat has increased sharply.

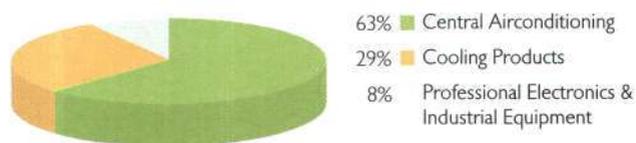
Hotels, restaurants and national fast food chains are coming up in large numbers. Further, the retail industry is undergoing a revolution with the emergence of supermarkets and shopping malls across the country.

All these developments have led to a spurt in demand for commercial refrigeration equipment in the country. While individual market segments are growing in a range from 20% to 100%, the sustained, overall average growth rate is expected to be in excess of 25%, over the medium term.

## SEGMENT-WISE ANALYSIS

The revenue break up in terms of business segments was as follows :

### Segment-wise Revenue Break-up



## Central Airconditioning Systems

Blue Star continues to be the undisputed market leader in this segment, with a market share of 29%. This line of business contributed 63% of the Company's revenues. The Company enjoys preferred vendor status in several fast-growing segments, with a share of over 50% in these. The Company manufactures a wide range of chillers, including centrifugal, screw, reciprocating and scroll. Blue Star has been the pioneer in introducing several state-of-the-art products and technologies in India such as variable speed drives and screw chillers, which specifically address energy efficiency and power savings requirements.

Apart from chillers, Blue Star's packaged airconditioning range includes floor and ceiling mounted packaged airconditioners as well as ducted split airconditioners.



These incorporate reciprocating as well as scroll compressors with options of air-cooled or water-cooled models. Thus, in ducted systems, Blue Star provides the widest possible range, and meets every conceivable requirement of customers.

During the year under review, the Company launched a new range of low-height, low-noise fan coil units. These units are ideal for high-end applications like 5-star hotels, and were received enthusiastically by the market.

The value proposition of Blue Star in this segment is "On-time, hassle-free execution by a friendly, expert and contemporary organization". The Company adds value by providing an end-to-end customised cooling solution by understanding the dynamics and intricacies of each customer's business, and providing the optimal solution.

Historically, the industrial airconditioning market constituted more than 60% of the total airconditioning market. Over the last five years, there has been a substantial shift from industrial to comfort airconditioning. Currently 80% of the market comprises comfort airconditioning requirements. In line with this trend, Blue Star restructured its product portfolio and processes to cater to growing customer demand for greater speed in execution, single point contact, as well as an emphasis on indoor air quality, low noise levels and energy efficiency.

In order to expand the distribution reach, dealers have been appointed in several cities to procure chillers, air handling units and fan coil units manufactured by Blue Star for executing airconditioning projects for their customers.

The Company received several prestigious orders during the year. These include airconditioning of Akshay Apollo Hospital in Ahmedabad; MIDC Seepz++ and Grand Hyatt in Mumbai; D-Link and Hyatt Regency in Goa; Moser Baer's CD ROM facility in Noida; Infosys Technologies and i-Flex Solutions in Chennai, Impulse, Shopper's Paradise and Aithent Technologies in

Gurgaon; Vanenburg IT Park in Hyderabad; and ICICI Bank and Ruby Tuesday in Delhi.

## Cooling Products

This line of business mainly consists of airconditioning and refrigeration products. The room airconditioner business was integrated with the refrigeration products and systems business in August 2001 in order to move up the value chain and effectively target changing market needs. Since the business models of the two groups were quite similar, the integration was seamless. With this integration, dealers can now avail of the entire basket of cooling products offered by Blue Star, which would help them enhance profitability and make more investments to increase sales.

During the year under review, the Company carried out an exhaustive study on the Commercial Refrigeration products and systems market in India. This market research, carried out by the reputed agency, Francis Kanoi Marketing Research, has helped the Company formulate strategies for accelerated growth.

Blue Star introduced several new products during the year, including the bottled water dispenser-cum-refrigerator, commercial reach-in refrigerators, eutectic deep freezers, and soft ice cream making machines. Several more new products are currently under development and testing, and due for launch in the next financial year, including a whole new range of aesthetically enhanced, digital window and split airconditioners. The Company has identified this line of business as a high-potential segment for future growth. The performance of some of the major products in this category were as follows:

### Room Airconditioners

Blue Star sold just under 14,000 window airconditioners and 6,000 split airconditioners in 2001-02. The marginal



growth of 6% in window airconditioners has been more or less in line with the industry, which saw an almost flat performance during 2001-02. The market was characterised by substantial price erosions to the extent of 20%. In spite of the overall market sentiments being negative, Blue Star enhanced its product offering by:

- a) Delivering value-for-money products such as the 1.25 Ton and 1.75 Ton Turbo Rotary Airconditioners incorporating state-of-the-art Mitsubishi Rotary compressors and anti bacterial filters.
- b) Improving the overall aesthetics of the products and thereby positioning the products in line with its value proposition of airconditioners from the experts in cooling solutions.

All these were achieved with marginal investments in the Company's existing manufacturing facilities.

### Water Coolers & Bottled Water Dispensers

Although the traditional storage-type water cooler market has declined by 11%, Blue Star maintained its leadership position with a market share of 45% in the organized sector during the financial year. With consumers becoming increasingly health conscious, the bottled water dispenser segment has opened up new opportunities for Blue Star. The Company introduced the bottled water dispenser-cum-refrigerator into its existing range, and the market response to this concept has been very encouraging. New introductions and network penetration helped the Company register a growth of 17% in the bottled water dispenser segment. Blue Star has identified this product line as an important growth area in the future.

The traditional storage-type water coolers continues to be an area of strength for Blue Star. The strategy is to enhance the product utility and usage through product re-engineering and cost effective innovations such as filtration systems. In addition to this, Blue Star will

continue to explore and expand on the encouraging response from the OEM and export markets.

### Deep Freezers

Although the overall deep freezer market registered a growth of around 25% in the financial year, Blue Star substantially increased its market share with a year on year growth of 59%. The Company sold more than 15,000 deep freezers during the review period. The ice cream segment continued to be the primary growth driver, comprising as much as 80% of the demand.

The trend of decreasing inclination of customers towards power inefficient and poorly finished small-scale, assembled freezers continued this year as well. Customers showed a clear preference for the high quality, energy efficient and aesthetically attractive deep freezers offered by Blue Star.

Blue Star also entered the visi cooler market towards the end of the year. The visi cooler market in India is estimated to be around Rs. 225 crores, and the Company is aiming at creating a place for itself through superior products, and by leveraging its strong brand equity in the commercial refrigeration segment.

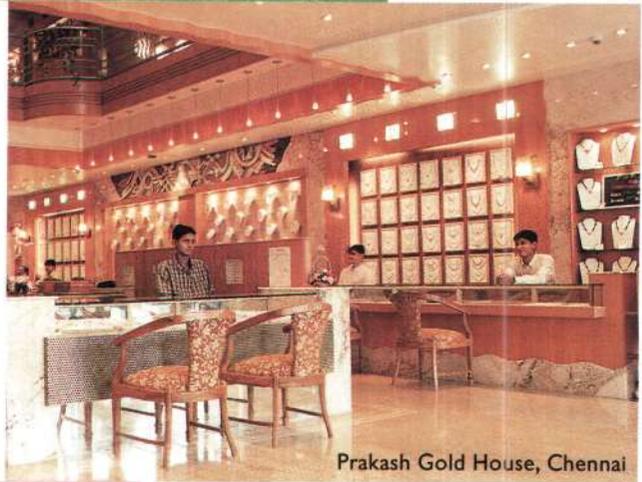
### Cold Storages

In the cold storage segment Blue Star has a leading market share of more than 35% in freon-based systems. This market is expected to grow at 30% per annum with subsidy support from the Central Government to improve the cold chain infrastructure in India. The formation of agri-export zones in 20 States is expected to fuel the growth of the cold storage industry. Blue Star has continued to maintain its leadership by doing well in the ice cream, dairy, pharmaceutical and horticulture segments.

During the review period, the Company received a prestigious order valued over Rs. 2 crores for design,



# SOME OF THE PRESTIGIOUS INSTALLATIONS





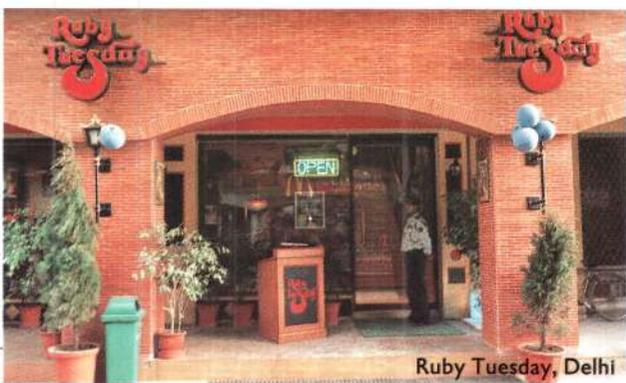
Impulse, Gurgaon



i-flex Solutions, Chennai



Shopper's Paradise, Gurgaon



Ruby Tuesday, Delhi



supply and installation of hi-tech potato stores for Golden Fries Limited, Coimbatore, the first frozen fries manufacturer in India. This project requires critical control of temperature and humidity, and is being executed in technical association with Thermal Engineering Systems, UK

Blue Star also replaced the old freezer rooms at Vasudhara Dairy (belonging to AMUL) with cold storages consisting of PUF Panels and imported freezing systems. In addition, Blue Star installed numerous cold storages for AMUL for storing both ice creams and dairy products such as butter and cheese.

## Professional Electronics and Industrial Equipment

The Electronics Division of Blue Star, for nearly five decades, has been consistently providing its customers with a wide range of products, systems and value-added services in the field of professional electronics and industrial equipment. The Company is the exclusive distributor for world-renowned manufacturers who are usually leaders in their respective fields, for high value, high technology products. These include Hitachi and Jeol from Japan; Krautkramer & Yxlon International from Germany; Jamesbury, ITT & Juniper from USA; Metso from Finland and Thales E-Security in UK. The Division has kept moving up the value chain by keeping abreast of the constant global changes in the world of technology, upgrading the knowledge and skills of its employees and building capability to offer turnkey solutions.

The Electronics Division has produced a profit in every single year of its existence, with minimal capital employed. During the year under review, this Division contributed significantly to the overall performance of the Company. The profitability of this Division grew sharply by 38% during the review period compared to the previous year. The Division has the following lines of business, all of

which have contributed to its overall growth:

1. Analytical Instruments
2. Medical Electronics
3. Industrial Products & Systems
4. Data Communication Products & Services
5. Material Testing Machines & Systems
6. Test & Measuring Instruments
7. Servicing of Professional Electronics Equipment

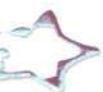
In the field of data communication products and services, the Company continues to dominate in the Host Security Business in the banking and financial sector. During the year under review, the Company also made strong inroads in the field of digital signatures.

In the field of Test & Measuring Instruments, the Company represents world-renowned manufacturers for Spectrum Analysers, Signal Generators and Protocol Analysers amongst others. During the year, several orders were bagged from the defence and space establishments.

The Testing Machines Department concentrated on value-added projects in the defence and research institutions. Prestigious orders were received from Director General Naval Projects, National Aerospace Laboratories and Hindustan Aeronautics Limited. Blue Star also secured a significant order for ultrasonic inspection of bomb shells. The complete automated robotic system for testing of these shells was designed and developed by in-house expertise and in association with vendors.

In the field of Analytical Instruments, the Company continues to dominate the Electron Microscopes market. Significant progress was also made in the field of Supercon NMR and Life Science products.

The Industrial Products business comprises supply of high technology process instruments including valves, actuators and accessories, as well as critical process



equipment. Despite a distinct slowdown in grass root project activity, this business registered considerable growth due to its aggressive marketing strategy, coverage and local engineering value addition.

In the field of medical imaging systems, the Division has done well in marketing of MRI and CT Scanners. The Division expanded its business by way of sales of pre-owned equipment sourced from different parts of the world. It has also tied up with world-renowned companies in the field of 3D/4D reconstruction of ultrasonic images and advanced mammography systems.

## Manufacturing Facilities

Blue Star's three manufacturing facilities are regarded as the best in the industry. All three factories are integrated with an ERP system, ensuring operational efficiency. The factories make extensive use of IT to enhance productivity and product development capability.

Blue Star uses a sophisticated 3D modelling software for new product development and value engineering. The product testing facilities for the various airconditioning and refrigeration products manufactured by the factories are state-of-the-art and world-class. A lot of the Company's success is attributable to the high quality of products manufactured at these factories at extremely competitive costs.

### Dadra Plant

The ISO 9001 certified Blue Star plant at Dadra is regarded by industry experts as the best manufacturing facility in the country for airconditioning products. The product range manufactured by this plant includes packaged airconditioners, ducted split airconditioners, mini split airconditioners, window airconditioners, vertical air handling units and fan coil units. The plant is also an OEM supplier to other companies to sell under their brand names in the domestic and export markets.

During the review period, the plant continued its outstanding work in value engineering and improving procurement processes, which resulted in cutting down material costs by 2.5% compared to the previous year. Operating expenses sharply dropped by 13% mainly due to saving on interest costs. Productivity also improved substantially, with enhanced output from the assembly lines and emphasis on training of operators. Another important highlight was outstanding contributions by workmen under the plant's Continuous Improvement (Kaizen) programme.

### Thane Plant

The plant manufactures a wide range of chillers for central airconditioning applications. It also manufactures PUF panels and refrigeration units for prefabricated cold storages and mortuary chambers.

During the year there was a lot of emphasis on cost reduction, and various measures to control expenses paid dividends, as the operating expenses sharply decreased by 11%. Enhanced productivity and addition of new machines in the assembly line increased capacity of coil manufacturing by 75%.

### Bharuch Plant

A wide range of water coolers for local and export markets as well as air handling units for central airconditioning plants are manufactured at the Bharuch Plant.

During the year under review, major re-layout in the assembly lines was carried out, ensuring a seamless process flow and improved flow of material. The Bharuch plant recorded 51% growth in the manufacture of air handling units.

## Research & Development

With global competition engulfing the Indian market, new product introduction and product upgradation have



become critical success factors. Investments in upgrading facilities for product development and improvement in product features and aesthetics are required continuously.

During the period under review, the focus of the Company continued to be on expanding the product range and reducing costs through value engineering. There was also emphasis on making the products environment friendly.

The product features of the entire range of airconditioning products were upgraded to a digital platform using microprocessors. This has helped the customer realise energy savings with sophisticated controls.

R&D infrastructure was upgraded with a psychrometric laboratory at the Dadra Plant for packaged airconditioners, a chiller test facility at Thane plant and a 3D modelling workstation at Bharuch.

New products were introduced in every line of business. These included window airconditioners of 1.25 and 1.75 ton capacity, comprising rotary compressors and microprocessor controls. The ducted split system range was extended by introduction of a 10 ton split unit. Packaged units were also upgraded with microprocessor controls.

A complete new series of air handling units was developed for special requirements of the pharmaceutical industry. Apart from this, ceiling suspended air handling units were introduced to meet customer needs at sites where floor space is minimal. The product range of fan coil units was extended, and product performance on various parameters including capacity, air quantities and flow, and low noise levels was certified by an independent accredited agency, Vipac Engineers & Scientists Ltd, Australia. These stringent tests have proved that the new range of fan coil units are superior to other fan coil units made in India, and are as good or better than imported brands.

A mini water cooler in stainless steel was developed for smaller offices and shops. This unit has options such as

wall mounting, table top, permanent plumbing and bottled water dispensing system.

Chillers with R-134a (eco friendly) refrigerant have been developed in-house and are now available as standard product offerings. The Scroll Chiller range has been upgraded with microprocessor control panels.

The PUF panel range for prefabricated cold storages was extended with introduction of 60 & 80 mm thickness panels. With availability of these panels, the Company can cater to the requirements of the telecom industry for shelters.

### **Airconditioning and Refrigeration service**

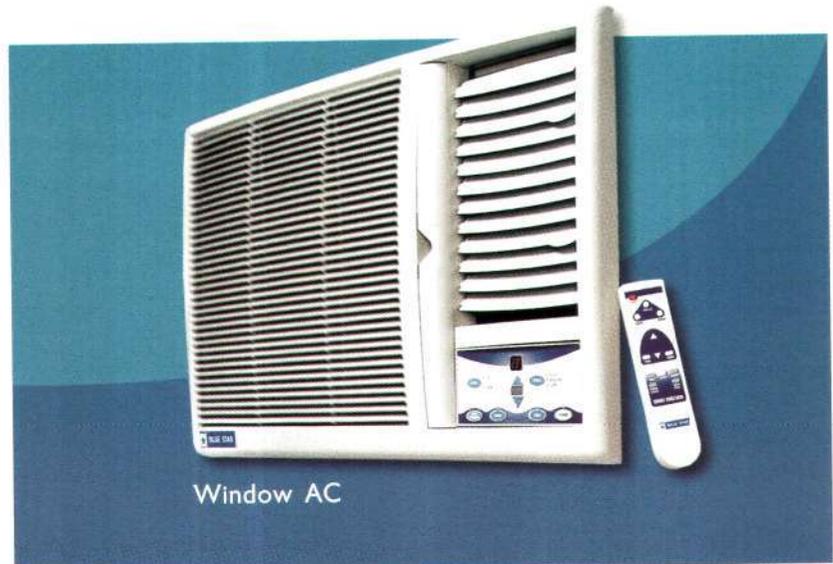
As part of its after-sales service offerings Blue Star provides regular preventive maintenance and a life-cycle enhancement service. This not only enhances the life of the equipment but helps customers cut costs through power savings. Recognising this, more and more customers are entering into comprehensive service and maintenance contracts with Blue Star. Revenue from the airconditioning and refrigeration service grew 10% to Rs. 86.5 crores, during the review period.

The highlight of the year was the setting up of a National Parts Centre (NPC), with the objective of delivering genuine spares for any equipment sold by Blue Star in the shortest possible time. This 450 sq metre centre located near Mumbai accepts indents online from any of the Blue Star offices, and ensures delivery by the fastest available mode. NPC is linked to the other warehouses spread across the country, and continuously monitors the stock status of frequently used spares. The web-enabled supply chain management system ensures that stocks are replenished in a timely manner based on consumption trends.

The manufacturing divisions and the suppliers of Blue Star ensure a smooth flow of spares to the NPC, which are closely monitored by specialist coordinators



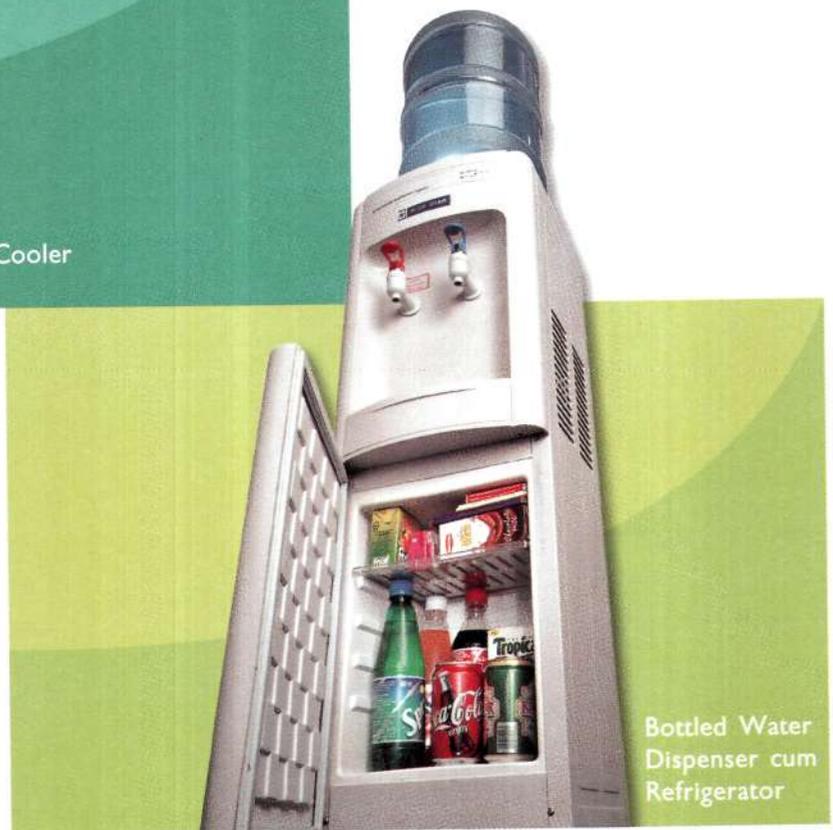
SOME OF THE  
NEW PRODUCTS  
LAUNCHED



Window AC



Visi Cooler



Bottled Water  
Dispenser cum  
Refrigerator



across critical points in the supply chain. NPC is one of the strategic steps embarked upon by Blue Star Limited in its pursuit to deliver a world-class customer experience.

Another initiative to enhance the customer experience in the area of after-sales service was introduction of an "Extended Hour" service call registering and response facility in many cities. Customers can now call and avail of service right from 8 am till midnight as against 9 am to 5.30 pm earlier. This facility is available 7 days a week, 365 days a year, so that even on Sundays and holidays customers can count on Blue Star to ensure that the equipment performs to expectations. With its focus on the corporate and commercial segments, the equipment supplied by Blue Star is often critical to the customer's business, which frequently works beyond normal working hours. Customers have given Blue Star's "Extended Hour" service a resounding vote of confidence.

The Company carried out customer surveys for each line of business to assess customer satisfaction levels. The outcome has been encouraging. Satisfaction levels have increased over the previous year, and the Company shall endeavour to further enhance these levels continuously.

## Dealerisation

A Blue Star dealer is an extended arm of the Company, and is trained by the Company in system design, installation and service. Dealers are governed by a well-documented policy, and their performance is closely monitored and rewarded. There is an established quality assurance system to ensure customer satisfaction. The Company helps its dealers to set up product display areas, and extends assistance in recruitment and training of sales and service staff. There are awards for excellence in sales and service performance for dealers. During the year under review, the Company improved its dealer strength as well as quality. This has helped the Company improve

penetration as well as enquiry-to-order conversion rates.

## Supply Chain Management

As part of its supply chain management initiatives, the Company initiated revamp and restructure of its warehousing, distribution and procurement systems. The Company is planning to upgrade its existing network of warehouses and logistics support, apart from looking at some professional service providers who would take responsibility for warehousing and transport simultaneously.

Currently the Company has over 30 stand-alone warehouses spread across the country and the Company is looking at the possibility of integrating them into a multi-tier set up. This would help the Company in lowering inventory levels, more transparency and better control over the distribution system. In addition, the Company also plans to extend its ERP network from the three factories to all operating divisions, branches, warehouses, dealers and vendors. The integrated ERP-SCM will allow instant access to information across the Company.

During the review period, the Company initiated material procurement through reverse auctions on the internet. Reverse auctions not only cut down the procurement process, to just a couple of hours, but provide more vendor options and the best competitive rates available. The Company bought steel, powder paints, cartons, cables and even services of freight forwarders through reverse auctions totaling to around Rs. 8 crores during the year, and saved an estimated Rs. 2 crores.

## Information Technology

Blue Star is a modern, IT-driven organization, and has made substantial investments in IT and communication infrastructure, as well as in advanced state-of-the-art software. The Company strongly believes that "old.



economy” companies should embrace the opportunities offered by the developments in IT in order to improve customer relations management, operational efficiency and product development.

One of the major initiatives in IT for the year 2001-02 was outsourcing the IT operations, which has enabled the Company to focus on its core business. Facilities Management (consisting of desktop management, network management, technical support services, asset management and mail management services) and Applications Management (consisting of application maintenance, operating system and database administration, and application enhancements) were outsourced to premier IT service providers. Efficient project management and a central helpdesk were also established.

After establishing the use of ERP at all of its factories and the Projects Division, the Company plans to integrate all its branches with the same. The Company plans to establish Wide Area Network (WAN) connectivity among all its branches to make the system accessible from anywhere. This would mean replacing all its legacy systems with state-of-the-art ERP systems, the benefits of which include re-engineering business processes to align with the best practices followed worldwide. Also, all its business functions from prospecting to order capturing to realization of cash and after-sales services management would be in one integrated system, thereby drastically reducing the time-to-information.

## FINANCIAL PERFORMANCE

The analysis for the 12-month period ended March 31, 2002 in comparison with the corresponding figures for the 12-month period ended March 31, 2001 is as follows:

### 1. Income

Total Income increased to Rs. 517.32 crores from Rs. 509.82 crores in the previous year. In spite of the

difficult market conditions and the industrial slowdown, the Company was able to sustain the topline through various marketing initiatives.

### 2. Cost of Sales, Work bills and Services

The Cost of Sales, Work bills and Services during the year stood at Rs. 365.73 crores. Cost of Sales as a percentage to Operating Income was controlled at previous year's levels.

### 3. Employee Remuneration and Benefits

Employee Remuneration and Benefits costs, at Rs. 54.41 crores, increased by 7.4%. This represents 10.5% of the Total Income compared with 9.9% of the previous year.

### 4. Other Expenditure

There was no significant change in operating and general expenses. Other expenditure was Rs. 51.35 crores as against Rs. 49.39 crores in the previous year.

### 5. Interest

Interest costs, at Rs. 5.59 crores, were lower by 36% compared to the previous year. This was on account of reduced borrowings, falling interest rates and sound treasury management.

### 6. Depreciation

Depreciation charge for the year under review was higher than the previous year. The depreciation charge stood at Rs. 12.91 crores compared to Rs. 11.59 crores in the previous year. This increase was due to major additions in the second half of the year ended March 31, 2001 and on account of additions during the year under review.

### 7. Taxation

Provision for taxation increased from Rs. 2.03 crores to Rs. 2.28 crores.

### 8. Net Profit

Net profit increased significantly by 17% to Rs. 27.45 crores compared to Rs. 23.54 crores in the previous year.



This increase, against a backdrop of a dull economic environment, is satisfactory considering that topline growth was nearly flat, and margins were under severe pressure. The Company took vigorous steps to control material costs and operating expenses as well as improve capital utilization for enhanced profitability.

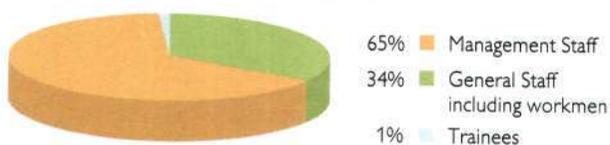
## INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

In any industry, the processes and internal control systems play a critical role in the health of the Company. Blue Star has robust internal processes as well as clearly defined roles, responsibilities and authorities at all levels. Frequent internal audits ensure compliance with these processes. Rigorous business planning as well as expense, capital and manpower budgeting processes ensure that progress is monitored against targets, and control is exercised on all major expenses, so that actual spending is in accordance with the budgets. The mature, timely and accurate management information systems are regarded as the best in the industry.

## HUMAN RESOURCES

The Management of Blue Star takes pride in the fact that the technical and business knowledge it has acquired over 58 years as an organization in the field of airconditioning and refrigeration is perhaps the richest in the country, and is invaluable. Its people are committed to the evolution of Blue Star into a world-class organization.

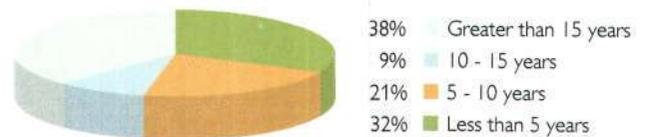
### Category-wise Employee Break-up



During the period under review, focus therefore continued to be on:

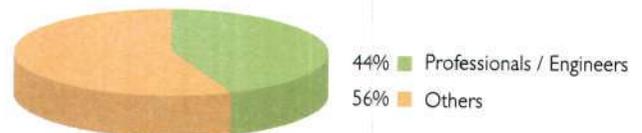
- Recruiting high quality people through structured recruitment process with attention to both functional and soft skills.
- Continuously improving the quality of people through training in skill development, as well as personality development. A total of 2840 mandays of training were imparted during the year.

### Experience Profile



The existing business conditions called for a restructuring of the organization in order to make it even more customer-focused and competitive.

### Qualification Profile



One of the key initiatives undertaken during the year was to restructure the business units and right-size the employee strength. A generous voluntary retirement scheme was implemented, and the overall headcount was reduced from 2084 as on end March 2001, to 1825 as on end March 2002. The Company took care to counsel the departing employees, and to advise them on post-separation issues and opportunities.

The employee relations scenario was absolutely peaceful throughout the year. The Management also took the initiative to open a dialogue with workers' unions in various parts of the country for improvement in



productivity, quality and for delivering a world-class customer experience.

The Company has instituted a Leadership Development Programme for a selected group of managers who have been identified to have leadership potential. This comprehensive programme provides these future leaders with timely and effective managerial and leadership inputs from well-known experts, with an objective to prepare them for occupying key positions in the organization in the future

## BRAND EQUITY

The Company embarked on a brand equity building programme some four years ago, recognizing that although it enjoyed strong brand recall with the corporate and institutional segments, amongst individuals and small businessmen its visibility was low. The Company has made substantial investments in marketing and advertising since then to strengthen its brand equity, particularly in this latter segment of the market. This has led to a positive shift in brand perception and recall.

During the summer of 2002, the Company continued its brand building activities by launching a major advertising campaign, in both print and television. This campaign was mainly targeted at the corporate and commercial segments, with the proposition of "Cooling Solutions to help your business do better". The objective was to communicate that Blue Star understands the dynamics and complexities involved in each customer's business, and that it is in a position to provide customized cooling solutions to help the customer's business do better,

considering the fact that cooling plays an important role in any business. Initial reports indicate that the campaign was successful and has achieved its objectives.

The Company also strengthened its direct marketing and field marketing activities, initiating a revamp of its product literature to give the Company a more contemporary and younger look. It enhanced its relationship with Interior Designers, Architects, Engineers and Airconditioning Consultants through a series of direct marketing initiatives. Further, the Company, in association with AMUL, installed 1250 glowsigns at AMUL Ice cream outlets with the message of "AMUL Ice Cream best preserved by Blue Star Freezers".

All these steps have helped Blue Star improve its visibility and strengthen its brand equity. The Company is seen as an expert in cooling solutions.

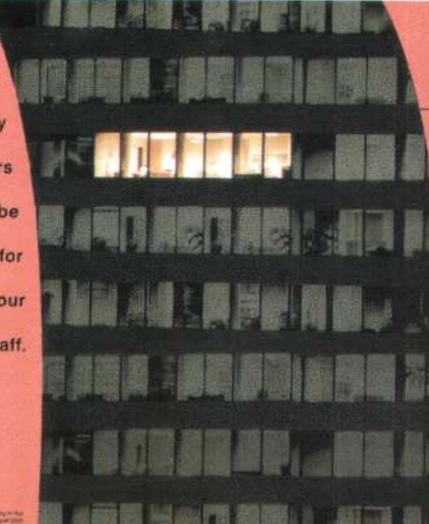
## OUTLOOK

Despite, the dull overall economic scenario, Blue Star has performed reasonably well. It has established a leadership position in most of the segments in which it operates, and has enhanced its market share. With almost six decades of experience in cooling solutions, Blue Star is well positioned to reap the benefits of the growth opportunities available in airconditioning, commercial refrigeration and professional electronics. Its solid credentials as a dependable, quality-conscious vendor with exemplary project management skills, coupled with its strong brand equity, provides a definitive competitive advantage, and will go a long way in maintaining and enhancing the leadership position it enjoys in the country.



## PRESS CAMPAIGN

**May 24 hours never be enough for you and your office staff.**



**Office Cooling Solutions to help your business do better.**

At Blue Star we design cooling solutions with just one objective in mind - to make your business more successful. We do this by understanding the dynamics of your business and its unique requirements. For instance, we know that an office needs to be temperature controlled 24/7, 365 days a year. Our equipment requires a particular temperature to function properly and an AC unit is often far from ideal in a densely populated work space. This understanding, coupled with equipment designed over 50 years helps us come up with sustainable solutions.

**Cooling Solutions that save on electricity**

**70%** But no matter how innovative our solution is, it still has to pass the savings test. It has to be low on electricity consumption. Here's how we help our customers save you up to a phenomenal 70% on electricity costs.

**Cooling Solutions from India's largest air conditioning company\***

**NO!** No matter when you go to the Blue Star Cooling Solutions you are in good company. Like Delhi, Bangalore, Chennai, Coimbatore, Hyderabad, Kolkata, Mumbai, Pune, Thiruvananthapuram, Visakhapatnam, and many more cities across India, you will find Blue Star Cooling Solutions. Do you need more reasons to choose India's most preferred cooling company?

**BLUE STAR**  
EASIER TO SAY

\*Blue Star Limited is the largest air conditioning company in the 2008 Report on Growth Potential and Wealth, August 2008.

The most air conditioning need for you email us at [enquiry@bluestar.com](mailto:enquiry@bluestar.com)

**May your waiting room always be full of impatient patients.**



**Clinic Cooling Solutions to help your practice do better.**

At Blue Star we design cooling solutions with just one objective in mind - to make your practice a roaring success. We do this by understanding the dynamics of your business and its unique requirements. For instance, we know that an office needs to be temperature controlled 24/7, 365 days a year. Our equipment requires a particular temperature to function properly and an AC unit is often far from ideal in a densely populated work space. This understanding, coupled with equipment designed over 50 years helps us come up with sustainable solutions.

**Cooling Solutions that save on electricity**

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The most air conditioning need for you email us at [enquiry@bluestar.com](mailto:enquiry@bluestar.com)

**May your deep freezer always run out of stock.**



**Cold Storage Solutions to help your business do better.**

At Blue Star we design cooling solutions with just one objective in mind - to ensure that your business always runs smoothly. We do this by understanding the dynamics of your business and its unique requirements. For instance, we know that power cuts can really impact production. That's why our equipment is designed to run for up to 24 hours on its own power. This understanding, coupled with equipment designed over 50 years, helps us come up with sustainable solutions.

**Cooling Solutions that save on electricity**

**70%** But no matter how innovative our solution is, it still has to pass the savings test. It has to be low on electricity consumption. Here's how we help our customers save you up to a phenomenal 70% on electricity costs. Compared with heavily insulated freezers, Blue Star deep storage freezers run at the lowest temperature is maintained for up to 24 hours on their own power cost.

**Cooling Solutions from India's largest air conditioning company\***

**NO!** No matter when you go to the Blue Star Cooling Solutions you are in good company. Like Delhi, Bangalore, Chennai, Coimbatore, Hyderabad, Kolkata, Mumbai, Pune, Thiruvananthapuram, Visakhapatnam, and many more cities across India, you will find Blue Star Cooling Solutions. Do you need more reasons to choose India's most preferred cooling company?

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The most air conditioning need for you email us at [enquiry@bluestar.com](mailto:enquiry@bluestar.com)



# TELEVISION CAMPAIGN



# THE DYNAMICS OF BLUE STAR'S GROWTH

## 10 YEAR FINANCIAL HIGHLIGHTS

		2001-02	2000-01	1999-00
<b>OPERATING RESULTS</b>				
Total Income	<i>Rs. in Crores</i>	517.32	509.82	480.94
Profit before Tax	"	27.33	25.57	25.20
Tax	"	2.28	2.03	1.96
Profit after Tax	"	27.45	23.54	23.24
Dividend	"	12.55	11.18	10.16
Retained Profit	"	14.90	11.22	11.85
<b>FINANCIAL POSITION</b>				
Paid up Capital	<i>Rs. in Crores</i>	19.30	20.32	27.10
Reserves	"	92.11	89.72	97.67
Shareholders' Funds	"	111.41	110.04	124.77
Borrowings	"	12.09	57.35	64.04
Total Funds Employed	"	123.50	167.39	188.81
Net Fixed Assets & Investments	<i>Rs. in Crores</i>	68.41	94.11	105.25
Net Working Capital	"	54.09	67.43	78.68
Debt Equity Ratio		0.11	0.52	0.51
Book Value per Equity Share	<i>Rs.</i>	53.59	51.27	44.24
<b>OTHER INFORMATION</b>				
Number of Shareholders	<i>Nos.</i>	24878	26094	27399
Number of Employees	"	1825	2084	2489
<b>PERFORMANCE INDICATORS</b>				
Earnings per Share	<i>Rs.</i>	13.52	11.58	8.58
Dividend per Share	<i>Rs.</i>	# 6.50	5.50	5.00
Return on Shareholders' Funds	%	24.6	21.4	19.8
Return on Capital Employed	%	26.7	20.5	19.1

# Proposed Dividend

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
476.49	452.77	440.85	408.91	318.82	247.54	222.77
18.12	18.04	23.21	35.48	22.10	9.29	4.52
1.85	2.53	8.43	10.30	5.72	3.25	0.40
16.27	15.51	14.78	25.18	16.38	6.04	4.12
9.48	9.48	9.48	8.12	3.51	2.49	1.64
5.75	5.08	4.35	17.06	12.87	3.19	2.48
27.10	27.10	27.10	27.10	10.05	9.95	7.20
85.95	80.37	75.47	71.27	51.56	39.47	29.61
113.05	107.47	102.57	98.37	61.61	49.42	36.81
82.49	60.43	32.96	10.18	15.65	17.44	30.87
195.54	167.90	135.53	108.55	77.26	66.86	67.68
99.93	97.05	73.60	46.00	37.81	26.69	25.78
88.18	67.44	61.88	62.45	38.93	39.00	50.60
0.73	0.56	0.32	0.10	0.26	0.36	0.87
38.98	38.40	37.84	36.26	60.79	48.51	49.92
23963	23318	20578	18004	15697	14692	12534
2504	2619	2799	2982	2661	2608	2683
6.00	5.72	5.45	10.85	16.30	6.07	5.79
3.50	3.50	3.50	3.50	3.50	2.50	2.30
15.4	15.5	15.6	27.8	30.5	14.7	15.1
14.9	14.7	22.0	39.1	39.2	25.7	18.3

# AUDITORS' REPORT

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To the Members of **BLUE STAR LIMITED**

Report on the Accounts for the year ended 31<sup>st</sup> March, 2002 in compliance with Section 227(2) of the Companies Act, 1956.

We have audited the attached Balance Sheet of BLUE STAR LIMITED, as at 31<sup>st</sup> March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto wherein are incorporated the locally audited returns from the branches. 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.

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 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.

As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 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 matter specified in paragraphs 4 and 5 of the said order.

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 purpose 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 and proper returns adequate for the purpose of our audit have been received from the Branches not visited by us. The Branch Auditor's Report has been forwarded to us and has been appropriately dealt with. *(Refer note 8 regarding office at Chennai) ;*
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with Company's books of account and locally audited returns from the Branches.
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ;
- v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2002, which are to be taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2002 from

being appointed as Director in term 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 Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2002; and

b) In the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date

**For K. S. AIYAR & CO.**  
*Chartered Accountants*

**RAMAKRISHNA PRABHU**  
*Partner*

Mumbai : May 6, 2002

# ANNEXURE TO THE AUDITORS' REPORT

*(Referred to in paragraph I of our Report of even date on the Accounts for the year ended 31<sup>st</sup> March, 2002 of Blue Star Limited)*

In our opinion, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief, we report that:

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- ii) None of the fixed assets have been revalued during the year.
- iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. The frequency of verification is reasonable.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on physical verification of stocks as compared to the book records were not material.
- vi) On the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
- vii) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in

the register maintained pursuant to the provisions of Section 301 of the Companies Act, 1956. The provisions of Section 370 are not applicable to a company with effect from 31<sup>st</sup> October, 1998.

viii) The Company has not given any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained pursuant to the provisions of Section 301 of the Companies Act, 1956. The provisions of Section 370 are not applicable to a company with effect from 31<sup>st</sup> October, 1998.

ix) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amount as stipulated and are also regular in the payment of interest where applicable.

x) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchase of stores, raw materials including components and in the case of plant and machinery, equipment and other assets and with regards to the sale of goods.

xi) The transaction of purchase of services, goods or materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices for such services, goods or materials, and the prices at which transactions for similar services, goods or materials have been made with other parties.

xii) The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, finished goods and traded goods. Adequate

provisions have been made in the accounts for the loss arising on the items so determined.

xiii) The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the Deposits accepted from the public.

xiv) The Company has maintained reasonable records for the sale and disposal of scrap. The Company does not have any realisable by-product.

xv) The Company has an internal audit system commensurate with the size and nature of its business.

xvi) The Central Government under Section 209(I)(d) of the Companies Act, 1956 has prescribed the maintenance of cost accounts and records in respect of certain products manufactured by the Company. The Company has prima facie made and maintained such accounts and records. We have broadly reviewed the same, but have not made a detailed examination of these accounts and records with a view to determine whether they are accurate or complete.

xvii) The Company is generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.

xviii) No undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as on 31<sup>st</sup> March, 2002 for a period of more than six months from the date they became payable.

xix) The Company is not a sick industrial company within the meaning of Clause (O) of Sub-section (I) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.

xx) No personal expenses have been charged to Profit & Loss Account.

xxi) In respect of the services activities of the Company:

a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of business.

b) Though allocation of man hours consumed is not made to relative jobs, in our opinion, control is exercised on the total labour consumed on the jobs.

c) The Company has a reasonable system of authorisation at proper levels with necessary control on the issue of stores. The Company has a system of internal control in this regard commensurate with its size and nature of business.

xxii) In respect of trading activities of the Company:

As explained to us, damaged goods have been determined and adequate provisions have been made in the financial statements for loss arising on the items so determined.

xxiii) In respect of investment activities of the Company:

a) The Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures or other similar securities.

b) The Company has maintained adequate records of transactions and contracts having regard to the size of these operations. Such transactions have been made in the Company's own name and have been recorded within a reasonable time.

**For K. S. AIYAR & CO**  
*Chartered Accountants*

**RAMAKRISHNA PRABHU**  
*Partner*

Mumbai : May 6, 2002

# BALANCE SHEET AS AT MARCH 31, 2002

(Rupees in lakhs)

	As at March 31		
	Schedule	2002	2001
<b>SOURCES OF FUNDS</b>			
Share Capital	A	19,30.28	20,32.28
Reserves & Surplus	B	92,10.75	89,71.48
<b>Shareholders' Funds</b>		<b>1,11,41.03</b>	<b>1,10,03.76</b>
Secured Loans	C	--	13,93.89
Unsecured Loans	D	12,09.40	43,41.39
<b>Loan Funds</b>		<b>12,09.40</b>	<b>57,35.28</b>
<b>TOTAL</b>		<b>1,23,50.43</b>	<b>1,67,39.04</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block		1,19,58.16	1,39,82.57
Depreciation		64,11.62	59,11.39
Net Block	E	55,46.54	80,71.18
Capital Work-in-Progress		70.41	92.79
Investments	F	12,24.26	12,47.11
<b>Fixed Assets &amp; Investments</b>		<b>68,41.21</b>	<b>94,11.08</b>
Inventories		55,93.96	60,50.70
Sundry Debtors		88,68.87	81,00.28
Cash & Bank Balances		4,60.74	3,49.71
Loans & Advances		53,33.11	56,81.14
<b>Total Current Assets, Loans &amp; Advances</b>	G	<b>2,02,56.68</b>	<b>2,01,81.83</b>
Current Liabilities		1,34,82.35	1,21,05.53
Provisions		13,64.63	13,33.81
Less : Total Current Liabilities & Provisions	H	<b>1,48,46.98</b>	<b>1,34,39.34</b>
<b>Net Current Assets</b>		<b>54,09.70</b>	<b>67,42.49</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted) (See note 6)		7,98.14	5,85.47
<b>Net Deferred Tax Liability</b> (See note 14)		(6,98.62)	--
<b>TOTAL</b>		<b>1,23,50.43</b>	<b>1,67,39.04</b>
Notes forming part of the Accounts	N		

As per our Report  
For **K. S. AIYAR & CO.**  
Chartered Accountants

**RAMAKRISHNA PRABHU**  
Partner

Mumbai : May 6, 2002

**Ashok M Advani**  
**Suneel M Advani**  
**T G S Babu**  
**Minoo R Shroff**  
**Suresh N Talwar**  
**G Ramchandani**  
**Uday Kotak**  
**H Rajaram**  
**K P T Kutty**

*Chairman & Chief Executive  
President & Vice Chairman  
Executive Director  
Director  
Director  
Director  
Director  
Vice President, Finance  
Company Secretary*

Mumbai : May 6, 2002

# PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2002

(Rupees in lakhs)

## INCOME

Sales, Work Bills & Services (See note 1)  
Commission  
Other Income

## EXPENDITURE

Cost of Sales, Work Bills & Services  
Employee Remuneration & Benefits  
Operating & General Expenses  
Depreciation  
Interest (Including Rs. 107.81 lakhs on  
Fixed Loans ; 2000-01 : Rs.234.95 lakhs )

## PROFIT

### PROFIT BEFORE TAXATION

Provision for Income Tax  
Provision for Wealth Tax

Add: Deferred Tax (See note 14)

Add: Prior years tax adjustments (See note 7)

### PROFIT AFTER TAXATION

Add: Balance brought forward  
Transfer from Foreign Project Reserve  
Less: Profit transferred to Blue Star Infotech Ltd.

### PROFIT AVAILABLE FOR DISPOSAL

## APPROPRIATIONS

Transfer to General Reserve  
Proposed Dividend  
Corporate Dividend Tax

### Balance carried forward

Basic and Diluted Earning per share  
(Face value Rs. 10 per share) (Rs.)  
Notes forming part of accounts

Schedule	Period ended March 31,	
	2002	2001
	4,91,42.30	4,91,05.38
	12,75.12	11,56.53
I	13,14.65	7,20.02
	5,17,32.07	5,09,81.93
J	3,65,72.83	3,63,92.17
K	54,40.80	50,66.03
L	51,35.11	49,39.03
M	12,91.16	11,59.04
	5,59.01	8,68.69
	4,89,98.91	4,84,24.96
	27,33.16	25,56.96
	2,25.00	2,00.00
	3.00	3.00
	2,28.00	2,03.00
	31.18	--
	2,09.09	--
	27,45.43	23,53.96
	14,84.62	18,98.18
	55.00	50.00
	--	11,85.67
	42,85.05	31,16.47
	19,00.00	4,00.00
	12,54.75	11,17.82
	--	1,14.03
	12,54.75	12,31.85
	11,30.30	14,84.62
	13.52	11.58
N		

Ashok M Advani  
Suneel M Advani

Chairman & Chief Executive  
President & Vice Chairman

T G S Babu

Executive Director

Minoo R Shroff  
Suresh N Talwar  
G Ramchandani  
Uday Kotak

Director  
Director  
Director  
Director

H Rajaram  
K P T Kutty

Vice President, Finance  
Company Secretary

As per our Report  
For K. S. AIYAR & CO.  
Chartered Accountants

RAMAKRISHNA PRABHU  
Partner

Mumbai : May 6, 2002

Mumbai : May 6, 2002

# SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2002

(Rupees in lakhs)

		As at March 31	
		2002	2001
<b>A. SHARE CAPITAL</b>			
<b>Authorised</b>			
10,000	7.8% Cumulative Preference Shares of Rs.100 each	10.00	10.00
2,97,40,000	Equity Shares of Rs.10 each	29,74.00	29,74.00
16,000	Unclassified Shares of Rs.100 each	16.00	16.00
		<b>30,00.00</b>	<b>30,00.00</b>
<b>Issued</b>			
2,03,22,827	Equity Shares of Rs.10 each	20,32.28	20,32.28
		<b>20,32.28</b>	<b>20,32.28</b>
<b>Subscribed &amp; Paid Up</b>			
	Equity Shares of Rs.10 each:		
50,20,363	(2000-01 : 52,85,658) Shares fully paid in cash	5,02.04	5,28.56
997	(2000-01: 1,050) Shares allotted as fully paid pursuant to a contract without payment being received in cash	0.10	0.11
1,42,78,405	(2000-01 : 1,50,32,932) Shares allotted as fully paid up Bonus shares by Capitalisation of Reserves and Share Premium	14,27.84	15,03.29
3,027	(2000-01 : 3,187) Shares allotted as fully paid shares on conversion of 425 — 7.8% Cumulative Preference Shares of Rs.100 each in terms of the prospectus dated June 24,1969	0.30	0.32
1,93,02,792	(2000-01 : 2,03,22,827) (See note 5)	<b>19,30.28</b>	<b>20,32.28</b>
<b>B. RESERVES &amp; SURPLUS</b>			
<b>General Reserve</b>			
	Balance as on April 1, 2001	63,57.48	59,57.48
	Less: Transferred to Capital Redemption Reserve	1,02.00	--
	Less: Adjustment for Deferred Tax Liability (See note 14)	7,29.80	--
		<b>55,25.68</b>	<b>59,57.48</b>
	Add: Transfer from Profit & Loss Account	19,00.00	4,00.00
		<b>74,25.68</b>	<b>63,57.48</b>
<b>Foreign Projects Reserve</b>			
	Balance as on April 1, 2001	93.50	1,43.50
	Less: Transfer to Profit & Loss Account	55.00	50.00
		<b>38.50</b>	<b>93.50</b>
	(Balance carried forward)	<b>74,64.18</b>	<b>64,50.98</b>



(Rupees in lakhs)

#### D. UNSECURED LOANS

Short term loan from Banks & others  
Fixed Deposits  
Commercial Paper (Maximum balance during  
the year: Rs. 27,00 lakhs; 2000-01 Rs. 27,00 lakhs)  
Others

As at March 31	
2002	2001
—	10,00.00
5,26.53	5,71.70
6,00.00	27,00.00
82.87	69.69
<b>12,09.40</b>	<b>43,41.39</b>

#### E. FIXED ASSETS

(Rupees in lakhs)

	Gross Block				Depreciation				Net Block	
	As at 31.3.2001	Additions	Deletions/ Adjustments	As at 31.3.2002	As at 31.3.2001	Additions	Deletions/ Adjustments	As at 31.3.2002	As at 31.3.2002	As at 31.3.2001
Land - Freehold	75.99	-	5.54	70.45	-	-	-	-	70.45	75.99
Land - Leasehold	18.18	-	-	18.18	3.13	0.15	-	3.28	14.90	15.05
Buildings, Sheds and Roads	48,28.00	24.27	18,68.46	29,83.81	12,58.42	2,22.82	3,32.83	11,48.40	18,35.41	35,69.58
Plant and Machinery	52,14.57	2,19.05	(46.48)	54,80.10	27,52.37	4,44.93	(80.15)	32,77.45	22,02.65	24,62.20
Furniture, Fittings & Equipments	14,09.22	91.92	2,36.32	12,64.82	7,88.11	1,17.62	1,43.54	7,62.19	5,02.63	6,21.11
Vehicles	3,43.58	14.86	56.94	3,01.50	1,17.37	56.67	32.01	1,42.03	1,59.47	2,26.21
Computers	20,93.03	1,62.58	4,16.31	18,39.30	9,91.99	4,48.96	3,62.68	10,78.27	7,61.03	11,01.04
<b>Total - 31-3-2002</b>	<b>1,39,82.57</b>	<b>5,12.68</b>	<b>25,37.09</b>	<b>1,19,58.16</b>	<b>59,11.39</b>	<b>12,91.16</b>	<b>7,90.92</b>	<b>64,11.62</b>	<b>55,46.54</b>	<b>80,71.18</b>
<b>Total - 31-3-2001</b>	<b>1,43,94.44</b>	<b>15,76.30</b>	<b>19,88.17</b>	<b>1,39,82.57</b>	<b>54,63.03</b>	<b>11,69.27</b>	<b>7,20.91</b>	<b>59,11.39</b>	<b>80,71.18</b>	

Note: Land and Building of Dadra plant and Sakinaka office premises have been mortgaged in favour of ICICI Ltd.

(Rupees in lakhs)

#### F. INVESTMENTS (AT COST)

In 7 year National Savings Certificates  
In 1,85,550 Units of Unit Trust of India  
(Face Value Rs.18.55 lakhs)(Sold during the year 82,900 units)

#### Unquoted: Trade Investments

1,000 Fully Paid Equity Shares of Rs.25  
each in Jaihind Cooperative Bank Ltd.  
2,400 Fully Paid Equity Shares of Rs.100  
each in Ashok Sunil & Company Private Ltd  
(Balance carried forward)

As at March 31	
2002	2001
---	0.04
18.56	36.96
0.25	0.25
5.64	5.64
<b>24.45</b>	<b>42.89</b>

(Rupees in lakhs)

**F. INVESTMENTS (AT COST) (Contd.)**

(Balance brought forward)

**Unquoted : Trade Investments**

76,790 Fully paid Equity Shares  
of Rs. 10 each in Ravistar India Private Limited

3,67,500 Fully Paid Equity Shares of  
MR 1 each in Arab Malaysian Blue Star SDN

2,94,000 Fully Paid Equity Shares of  
Rs.10 each in Rolastar Private Limited

**Quoted : Trade Investments**

29,25,725 Fully Paid Equity shares of Rs.10 each in  
Blue Star Infotech Ltd.  
(Aggregate Market Value Rs. 43,38.85 lakhs; 2000-01 : Rs. 8,52.85 lakhs)

24,98,824 Fully Paid Equity shares of  
Rs.10 each in Yokogawa Blue Star Ltd.  
(Aggregate Market Value Rs. 7,95.87 lakhs; 2000-01 : Rs. 8,52.10 lakhs)

21,400 Fully Paid Equity Shares  
of Rs.10 each in Ansal Housing & Properties Ltd.  
(Aggregate Market Value Rs. 0.94 lakhs; 2000-01 : Rs. 1.18 lakhs)

**G. CURRENT ASSETS, LOANS & ADVANCES**

**(a) Inventories**

Raw Materials,Stores & Components (at cost)

Work-in-Progress (at cost)

Work-in-Progress (at contract value)

Less: Advance received thereagainst

Finished Goods

(at cost or net realisable value,whichever is lower)

Goods in Transit (at cost)

Tools,Cylinders & Consumable Stores

Units, Bonds & Shares in hand

(at lower of cost or market value) (See note 18)

	As at March 31	
	2002	2001
	24.45	42.89
	7.68	7.68
	49.97	49.97
	29.40	29.40
	2,92.57	2,92.57
	8,19.25	8,19.25
	0.94	5.35
	<b>12,24.26</b>	<b>12,47.11</b>
	13,52.66	15,88.27
	28,27.14	30,82.57
	10,83.00	7,69.90
	39,10.14	38,52.47
	11,79.28	11,78.94
	27,30.86	26,73.53
	11,26.61	10,95.47
	3,47.17	6,36.25
	31.50	52.02
	5.16	5.16
	<b>55,93.96</b>	<b>60,50.70</b>

(Rupees in lakhs)

**G. CURRENT ASSETS, LOANS & ADVANCES (Contd.)**

**(b) Sundry Debtors (Unsecured)**

Considered Good :

Over six months

Others

Considered Doubtful :

Over six months

Less: Provided

**(c) CASH & BANK BALANCES**

Cash on hand (including Cheques on hand Rs. Nil ; 2000-01 Rs.12.13 lakhs)

**With Scheduled Banks**

Current Account

Unclaimed Dividend Account

Deposit Account

**With Unscheduled Banks**

1. Rafidain Bank (Maximum balance during the year Rs.0.68 lakhs ; 2000-01 : Rs.0.68 lakhs)

2. Rafidain Bank (Railway) (Maximum balance during the year Rs 31.63 lakhs ; 2000-01: Rs 31.63 lakhs)

3. Abu Dhabi Commercial Bank Ltd.A/c (Maximum balance during the year Rs.4.87 lakhs ; 2000-01 : Rs.4.87 lakhs)

4. Municipal Co-operative Bank Ltd. (Maximum balance during the year Rs.0.12 lakhs ; 2000-01 : Rs.0.13 lakhs)

5. Jai Hind Co-operative Bank Ltd. (Maximum balance during the year Rs.0.15 lakhs ; 2000-01 : Rs.0.32 lakhs)

6. Municipal Co-operative Bank Ltd. Deposit Account (Maximum balance during the year Rs. 0.15 lakhs ; 2000-01 : Rs.0.15 lakhs)

Less: Provided \* Cash & Bank Balances

	As at March 31	
	2002	2001
	23,38.50	17,68.40
	65,30.37	63,31.88
	37.58	26.78
	37.58	26.78
	<b>88,68.87</b>	<b>81,00.28</b>
	43.16	49.63
	1,67.02	1,65.14
	49.67	23.77
	2,00.99	1,07.11
	0.68	0.68
	31.63	31.63
	0.64	4.87
	0.12	0.13
	0.15	0.07
	0.15	0.15
	4,94.21	3,83.18
	33.47	33.47
	<b>4,60.74</b>	<b>3,49.71</b>

\* Provision for Non-Repatriable Foreign Assets

SCHEDULES FORMING PART OF THE  
BALANCE SHEET AS AT MARCH 31, 2002

(Rupees in lakhs)

**G. CURRENT ASSETS, LOANS & ADVANCES (Contd.)**

**(d) LOANS & ADVANCES**

Unsecured and considered good:

Advance recoverable in cash or in kind or for value to be received

Advance Tax paid (Net of Provision for Taxes)

Deposits with Government and other bodies

	As at March 31	
	2002	2001
	22,76.66	24,34.64
	20,00.88	21,34.30
	10,55.57	11,12.20
	<b>53,33.11</b>	<b>56,81.14</b>
	<b>2,02,56.68</b>	<b>2,01,81.83</b>
	98.31	1,10.29
	42,99.70	41,33.15
	70.41	77.45
	69,19.16	56,79.78
	20,45.10	20,73.98
	49.67	23.77
	--	7.11
<b>Current Liabilities</b>	<b>1,34,82.35</b>	<b>1,21,05.53</b>
Provision for Leave Encashment	1,09.95	1,02.04
Proposed Dividend	12,54.68	11,17.76
Corporate Dividend Tax	--	1,14.01
	12,54.68	12,31.77
<b>Provisions</b>	<b>13,64.63</b>	<b>13,33.81</b>
	<b>1,48,46.98</b>	<b>1,34,39.34</b>

*Note: Proposed Dividend is made in respect of shares outstanding as at March 31, 2002. The actual payment will be based on number of shares outstanding on the book closure date since the Company is continuing to buy-back its own shares.*

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2002

(Rupees in lakhs)

**I. OTHER INCOME**

	Period ended March 31	
	2002	2001
Profit on Sale of Assets	4,00.19	1,71.39
Interest (Tax deducted at source Rs.1.48 lakhs : 2000-01 Rs.2.23 lakhs )	1,36.03	49.34
Provisions & Liabilities no longer required	53.77	22.60
Dividends	2,47.22	1,34.11
Profit on sale of Investments	0.84	---
Exchange Rate Difference	31.59	38.11
Miscellaneous	4,45.01	3,04.47
	<b>13,14.65</b>	<b>7,20.02</b>

**J. COST OF SALES, WORK BILLS & SERVICES**

Stock at commencement:		
-- Raw Materials,Stores & Components	15,88.27	18,10.16
-- Work-in-Progress	30,82.57	35,53.05
-- Finished Goods	10,95.47	9,90.03
-- Units, Bonds and Shares in hand (See Note 18 )	5.16	5.03
Purchases & Expenses	3,61,12.93	3,58,05.37
	<b>4,18,84.40</b>	<b>3,61,18.10</b>
Less: Stock at Close:		
-- Raw Materials,Stores & Components	13,52.66	15,88.27
-- Work-in-Progress (at cost)	28,27.14	30,82.57
-- Finished Goods	11,26.61	10,95.47
-- Units, Bonds and Shares in hand (See Note 18 )	5.16	5.16
	<b>53,11.57</b>	<b>57,71.47</b>
	<b>3,65,72.83</b>	<b>3,63,92.17</b>

(See Note 15)

**K. EMPLOYEE REMUNERATION & BENEFITS**

Salaries, Wages & Bonus	34,25.86	32,96.82
Provident Fund, Superannuation, Gratuity Fund and Leave Encashment	6,74.63	6,71.97
Welfare & Training Expenses	13,40.31	10,97.24
	<b>54,40.80</b>	<b>50,66.03</b>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2002

(Rupees in lakhs)

	Period ended March 31	
	2002	2001
<b>L. OPERATING &amp; GENERAL EXPENSES</b>		
Rent	2,10.45	2,41.58
Lease Rentals	15.55	50.15
Rates & Taxes	33.00	28.70
Power	2,87.19	3,12.48
Insurance	39.26	33.00
Repairs & Maintenance		
-- Premises	2,03.99	1,98.46
-- Machinery	1,11.10	1,05.37
-- Others	75.99	77.30
Payment to Auditors (including payment to Branch Auditors)		
-- Audit Fees	11.49	11.11
-- Other Services (including for Tax Audit Rs.1.99 lakhs 2000-01 Rs 1.63 lakhs)	9.53	6.24
-- Reimbursement of Expenses	2.24	3.41
Directors' Fees	0.46	0.34
Non Executive Directors' Commission	13.15	13.15
Donations	--	8.06
Commission on Sales (other than salesmen)	2,93.39	3,54.41
Advertising & Publicity	8,24.19	6,56.35
Transport & Travelling	10,29.70	10,35.60
Stationery & Printing	1,60.14	1,90.41
Other Expenses	14,28.56	13,60.20
Non Recoverable Debts Written-off	2,32.12	2,11.34
Loss on Sale/Write-off of Investments	11.84	2.40
Loss on Assets sold or discarded	1,16.13	34.28
Research & Development	25.64	4.13
	<b>51,35.11</b>	<b>49,39.03</b>
<b>M. DEPRECIATION</b>		
Depreciation on Fixed Assets	12,91.16	11,69.27
Less: Transferred from Revaluation Reserve	--	10.23
Depreciation charged to Profit and Loss Account	<b>12,91.16</b>	<b>11,59.04</b>

# NOTES FORMING PART OF THE ACCOUNTS

## N. NOTES FORMING PART OF THE ACCOUNTS

### I SIGNIFICANT ACCOUNTING POLICIES

1. The Company follows the historical cost convention in the preparation of Accounts.

#### 2. Fixed Assets and Capital W.I.P.

- a) Fixed Assets are stated at cost
- b) Expenditure 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.

#### 3. Revenue Recognition

- a) On construction contracts
  - i) In respect of divisible contracts, revenue is recognised in respect of supplies as and when supplies are completed and in respect of erection and commissioning, on the Percentage Completion Method, except that in the case of Packaged Air-conditioning Division products, the Completed Contract Method is applied.
  - ii) In respect of indivisible contracts, revenue is recognised on the Percentage Completion Method, based on the billing schedules agreed with the customers. The relevant cost is recognised in accounts in the year of recognition of the revenue. Profit so recognised is adjusted to ensure that it does not exceed the estimated overall contract margin. If there is a loss on contract, then the same is provided fully. The total costs of the contract are estimated, based on technical and other estimates.
  - b) Warranty liability on account of after sale services is accounted on accrual basis to the extent ascertained; liability unascertainable is accounted on cash basis.
  - c) Service income is recognised on accrual basis.
  - d) Claims recoverable are accrued only to the extent admitted by the parties.

#### 4. Depreciation/Amortisation

- a) Depreciation is charged at rates applicable under

Schedule XIV of Companies Act, 1956, on written down value of assets.

- b) Technical Know-how Fees are amortised over a period of six years from the year in which they become payable.

#### 5. Inventory Valuations and Treatment of Costs

##### a) Basis of Valuation:

- i) Raw materials, stores, components at factories are valued at weighted average rate and at marketing units on first in first out basis (FIFO), after providing for obsolescence.
  - ii) Goods-in-transit are valued at cost.
  - iii) Work-In-Progress relating to manufacturing activity is valued at cost.
  - iv) In case of construction contracts, Contract Work-in-Progress awaiting customer acceptance is valued at proportionate contract value and the balance work-in-progress is valued at cost. All products of Packaged Air-conditioning Division are stated at cost.
  - v) Finished goods are valued at lower of cost (inclusive of estimated excise duty) and net realisable value.
  - vi) Service kits and demonstration stock are amortised over a period of five years.
  - vii) Bonds, Units & Shares held as stock-in-trade are valued at lower of cost or market value.
- ##### b) Basis of Allocation of Expenditure and Determination of Cost:
- i) Direct expenses identifiable to a specific job are debited to that job. Indirect expenses are not allocated to jobs but charged as period cost in the year it is incurred.
  - ii) Depreciation on assets used specifically and exclusively for a job contract is charged to the respective job and finally charged to cost of sales.

#### 6. R&D Expenditure

Revenue expenses are charged off in the year of expenditure and capital expenses are capitalised.

#### 7. Foreign Exchange Transactions

- a) Income and expenses in foreign exchange are

accounted at the average rate prevailing during the month of transaction.

- b) Income and expenses on foreign projects are accounted at average rate for the year.
- c) Assets purchased are capitalised at rates prevailing on the date of purchase.
- d) Balances in foreign bank accounts, Exchange Earners' Foreign Currency Account and Current Assets and Current Liabilities in respect of foreign projects are translated into Indian Rupees at rates prevailing at the year end.
- e) Exchange differences in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.

## 8. Deferred Revenue Expenditure

- a) Payment of compensation to employees who have retired under Early Voluntary Retirement Scheme prior to the year ended March 31, 2001, is amortised over a period of 3 years, whereas, payment of compensation to employees who have retired under Early Voluntary Retirement Scheme during the year, is amortised over a period of 5 years as per the amended provision of the Income Tax Act, 1961. In both the cases, the balance amount is carried forward as 'Miscellaneous Expenditure (to the extent not written off or adjusted).
- b) The expenses incurred on Advertisement and Publicity campaign for launch of new products are charged off over a period of 12 months to the Profit and Loss Account representing the estimated benefit that accrues to the Company during the year.
- c) Technical Know-how fees apportioned to manufacturing processes are treated as revenue expenditure to be deferred and amortised over a period of 6 years.
- d) The expenses incurred for Brand Equity image building are treated as revenue expenditure to be deferred and amortised over a period of 3 years from the date of conclusion of such expenditure.

## 9. Retirement Benefits

Liabilities of the Company on account of gratuity and leave encashment, on retirement are ascertained by actuarial valuation. The amount of Gratuity liability so

ascertained is paid to the Gratuity Fund and necessary provision is made towards leave encashment liability.

## 10. Excise/Customs Duty

- a) 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.
- b) Customs Duty is accounted in the year the goods are cleared from Customs Bonded Warehouse.

## 11. Taxes on Income

- a) The provision for taxation is made at the average rate of tax as applicable for the income of the previous year as defined under the Income Tax Act, 1961.
- b) The Company has the policy of reviewing and passing proper adjustment entries for Income Tax paid, provision for Income Tax made and excess/short tax provision for the year after receiving orders from the CIT Appeals. The Company also makes a fair estimate of the Income Tax liability for the said year and gives effect to it in the Books of Account.
- c) In accordance with Accounting Standard 22 - 'Accounting for Taxes on Income', the Company has recognised Deferred Tax arising out of timing differences between taxable income and accounting income.

Accumulated net Deferred Tax liability arising out of timing differences as on April 1, 2001, have been debited to the General Reserve Account.

## 12. Investments

Long term investments are valued at cost subject to reduction made for permanent diminution in value.

## 13. Contingent Liabilities

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

## II OTHER NOTES

### 1. Sales/Work bills include

A portion of Work-in-Progress valued at contract values, net effect of the same computed as under:

(Rs. in lakhs)

	2001-02	2000-01
Work done to be billed		
-At close	10,83.00	7,69.90
Less : At commencement	7,69.90	8,99.80
	3,13.10	(1,29.90)

### 2. Contingent Liabilities

(Rs. in lakhs)

	2001-02	2000-01
Claim against the Company not acknowledged as debts	1,23.74	1,26.13
(Net of Tax)	(79.57)	(76.24)
Sales tax demands under appeal	9,94.44	8,42.38
(Net of Tax)	(6,39.42)	(5,09.22)
Excise duty claims not acknowledged as debts	26.53	30.16
(Net of Tax)	(17.06)	(18.23)
Corporate Guarantee given on behalf of other Bodies Corporate	20,12.25	29.40
(Net of Tax)	(12,93.88)	(17.77)

3. a) Estimated amount of Contracts remaining to be executed on Capital account and not provided for Rs. 42.10 lakhs (2000-01 Rs.1,23.88 lakhs)

b) Future obligations of Lease rentals are Rs.Nil (2000-01 : Rs.16 lakhs) on account of assets taken on lease.

4. In accordance with Accounting Policy No.10 (b), the estimated amount of Customs Duty on imported materials lying in Customs Bonded Warehouse is Rs. Nil (2000-01 : Rs.1,26.23 lakhs). However, there is no effect on the profit for the year.

### 5. Buy-back of Shares

During the year, the Company has bought back 10,20,035 equity shares of Rs.10 each at an average price of Rs.61.14 per share from the open market through Stock Exchange operation.

Accordingly:

- The face value of these shares has been reduced from the paid up equity share capital.
- The balance price of Rs.51.14 per share paid on these shares aggregating to Rs.5,21.61 lakhs has been adjusted from the share premium account.
- As required, Rs.1.02 lakhs has been transferred to Capital Redemption Reserve from General Reserve.
- The Buy-back target of Rs.26.04 lakhs at a maximum price of Rs.75/- per share works out to 34,72,000 shares
- Expected completion date is by February 2003.
- Accounting entries for recording Buy-back of shares have been made in accordance with Regulation 19(6) of the SEBI (Buy-back) Regulations, 1998 combined with Section 77AA of the Companies Act, 1956.

6. a) In accordance with Accounting Policy No.8 (a) regarding Early Voluntary Retirement Scheme an amount of Rs.4,51.26 lakhs (2000-01 : Rs.1,29.37 lakhs) is carried forward under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)"

b) In accordance with Accounting Policy No.8 (c) regarding Technical Know-how related to manufacturing processes, an amount of Rs.31.40 lakhs (2000-01; Rs. 50.43 lakhs) is carried forward under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)".

c) In accordance with Accounting Policy No.8 (d) regarding Brand Equity expenditure, an amount of Rs.3,15.48 lakhs (2000-01 : Rs. 4,05.67 lakhs) is carried forward under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)".

7. The Company's Income Tax proceedings in respect of disputed issues for the Assessment Years 1986 - 87 to 1997 - 98 are pending before the Income Tax Appellate Tribunal (ITAT). During the year, a limited review of Income Tax Assessment records was carried out by the Company with the help of an independent firm of Chartered Accountants. Based on the report submitted by the firm, proper adjustment entries for Income Tax paid, provision for Income Tax made and excess provision for the earlier years have been passed, including arriving at a fair estimate of the Income Tax liability for the said years.

The Company is confident that the disputed issues before the ITAT will be settled in its favour and does not foresee any tax liability whatsoever arising out of the settled disputes in future. In keeping with the prudent accounting practices, the Company has retained in the books of account appropriate amounts of Income Tax refunds receivable and Income Tax provisions required. During the year, the Company has written back excess provision for Income Tax, which in its opinion is no longer, required.

The demand in respect of Income Tax matters disputed in appeals by the Company will, in the opinion of the management, be decided in favour of the Company. The contingent liability arising there-against is not presently ascertainable.

8. There was a fire at our Mount Road Office at Chennai on January 11, 2002. A portion of the building housing the Accounts and Service Departments including a portion of the Stores godown was destroyed. The Company had taken the back up of the accounting records up to 10.1.2002 and rebuilt the Books of Accounts for the year without loss of any data. The Company also collected copies of bills from most of the creditors including copies of contracts for high value service contract from the customers. The Company lodged necessary Insurance Claim with the Insurance Company and got them settled before the financial year-end. Necessary accounting entries

have accordingly been passed in the Books of Account.

9. a) There is no amount remaining unpaid to Small Scale Suppliers within the meaning of "The Interest on Delayed Payments to Small Scale & Ancillary Undertakings Act"

b) The small scale undertakings to whom the Company owes a sum exceeding Rs.1 lakhs which is outstanding for more than 30 days are as stated below:

M/S Khokhar Electricals	Airtech
Composite Aqua system & Eqpt.Pvt.Ltd.	Technomen
Navtech Enterprises Pvt.Ltd.	Prijai Works
Elvee Electricals	J.K. Insulation
J. B.Sawant Engg	Malde Paper Box Industries
Narendra Engineering Sections	Trigon Metal
Anfilco Ltd.	Hemant Engineering
Mihir Engineering	P.S. Engineers
Servex Engineers & Fabricators Ltd.	Brassomatic Pvt. Ltd.
Tricolite Electrical Industries P. Ltd.	Tropical Industries

c) The above information has been compiled to the extent they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

10. Subsidy from Government of Gujarat for setting up of new projects at Bharuch, is repayable only in the event of non-fulfillment of the conditions laid down.

## 11. Segment Information

### A. Primary Segment Reporting (by Business Segment)

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

- i Central Air-conditioning Systems includes Central Airconditioning projects, Packaged Air-conditioning business, including manufacturing and services.
- ii Cooling Products includes Cooling appliances, Cold Storage products, Commercial Kitchen and Laundry equipments, including manufacturing and customer service business.
- iii Professional Electronics and Industrial Equipment includes trading and servicing for Testing Machine Instruments, Analytical Instruments, Test Measuring Instruments, Data communication instruments and Medical Instruments.
- iv Residual includes discontinued business.

### Segment Revenues, Results and Other Information

(Rs. in lakhs)

Description	As at March 31, 2002
<b>I. SEGMENT REVENUE</b>	
i Central Air-conditioning Systems	3,18,29.08
ii Cooling Products	1,47,58.42
iii Professional Electronics and Industrial Equipments	40,52.15
iv Residual	1,55.85
<b>TOTAL SEGMENT REVENUE</b>	<b>5,07,95.50</b>
Less : Inter Segment Revenue	--
Add : Other Un-allocable Income	9,36.57
<b>TOTAL INCOME</b>	<b>5,17,32.07</b>
<b>II SEGMENT RESULT</b>	
i Central Air-conditioning Systems	31,95.42
ii Cooling Products	3,25.56
iii Professional Electronics and Industrial Equipments	7,40.93
iv Residual	(1,73.07)
<b>TOTAL SEGMENT RESULT</b>	<b>40,88.84</b>
Less : i) Interest	5,59.01
ii) Other un-allocable income net of un-allocable Expenditure	7,96.67
<b>TOTAL PROFIT BEFORE TAX</b>	<b>27,33.16</b>
Less : Provision for Tax	2,25.00
Provision for Wealth Tax	3.00
Add : Deferred Tax Adjustment	31.18
Prior years Tax Adjustment	2,09.09
<b>NET PROFIT AFTER TAX</b>	<b>27,45.43</b>

## Segment Revenues, Results and other Information (Contd.)

(Rs. in lakhs)

Description	As at March 31, 2002
<b>III OTHER INFORMATION</b>	
<b>a. SEGMENT ASSETS</b>	
i Central Air-conditioning Systems	1,29,66.91
ii Cooling Products	73,71.17
iii Professional Electronics and Industrial Equipments	17,15.10
iv Residual	5,36.38
<b>TOTAL SEGMENT ASSETS</b>	<b>2,25,89.56</b>
Add: Un-allocable Corporate Assets	53,06.47
<b>TOTAL ASSETS</b>	<b>2,78,96.03</b>
<b>b. SEGMENT LIABILITIES</b>	
i Central Air-conditioning Systems	85,96.92
ii Cooling Products	37,35.83
iii Professional Electronics and Industrial Equipments	9,30.35
iv Residual	61.88
<b>TOTAL SEGMENT LIABILITIES</b>	<b>1,33,24.98</b>
Add: Un-allocable Corporate Liabilities	15,22.00
<b>TOTAL LIABILITIES</b>	<b>1,48,46.98</b>
<b>c. CAPITAL EXPENDITURE</b>	
i Central Air-conditioning Systems	2,64.78
ii Cooling Products	1,38.00
iii Professional Electronics and Industrial Equipments	15.37
iv Residual	---
v Other Un-allocable	94.53
<b>TOTAL</b>	<b>5,12.68</b>
<b>d. DEPRECIATION</b>	
i Central Air-conditioning Systems	7,40.42
ii Cooling Products	3,13.08
iii Professional Electronics and Industrial Equipments	68.15
iv Residual	13.49
v Other Un-allocable	1,56.02
<b>TOTAL</b>	<b>12,91.16</b>
<b>e. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>	
i Central Air-conditioning Systems	1,66.24
ii Cooling Products	18.61
iii Professional Electronics and Industrial Equipments	12.19
iv Residual	32.05
v Other Un-allocable	3.03
<b>TOTAL</b>	<b>2,32.12</b>

## B. Secondary Segment Information

The Company predominantly caters to the needs of Indian market. Since the export turnover constitutes 4.05 % of the total turnover of the Company, there are no reportable geographical segments.

## 12. Related Party Disclosure

### A. Related Party and their Relationship

#### Joint Ventures

Yokogawa Blue Star Limited  
Rolastar Private Limited  
Ravistar Private Limited  
Arab Malaysian Blue Star SDN  
Stork Comprimo Blue Star (P) Ltd.

#### Associates

Blue Star Infotech Limited  
Synergy Realtors and Services Private Limited

#### Enterprises in which key management personnel & their relatives are interested

Admo Holding Private Limited  
Sunag Investments Private Limited  
Sunashad Investments Private Limited  
Sunash Investments  
Mohan T. Advani and Co. (AOP)  
Mohan T. Advani Finance (P) Ltd.  
J.T. Advani Finance (P) Ltd.  
Ashok Sunil & Co. Private Limited

#### Directors

Mr. Ashok M. Advani  
Mr. Suneel M. Advani  
Mr. T.G.S. Babu  
Mr. Bal K. Malhotra (since retired)  
Mr. M. R. Shroff  
Mr. S. Talwar  
Mr. G. Ramchandani  
Mr. Uday Kotak  
Mr. Atul Choksi

#### Relative of Directors

Mr. Vir S. Advani

## B. Transaction during the period with Related Parties are as under

(Rs.in lakhs)

Name of Related party	Transaction	Volume	Balance O/S
Yokogawa Blue Star Ltd.	Sales/Services chgs	7.56	8.40 Cr
Rolastar Pvt. Ltd.	Sale of materials	19.88	19.10 Dr
	Fabrication charges	2,64.33	
	Rent received	2.40	
	Corporate guarantee	50.00	
Ravistar Pvt. Ltd.	Purchase of goods	3,54.07	6.16 Cr
	Corporate guarantee	12.25	
Arab Malaysian Blue Star SDN.	Consultancy services	1,04.28	0.49 Cr
Stork Comprimo Blue Star (P) Ltd.	Nil	--	0.19 Dr
Blue Star Infotech Ltd.	Sales	11.34	(Written off) 0.22 Dr
	IT Services	1,20.87	
	Sale of Fixed Assets	15.82	
	Charges for use of Business center	46.50	
Synergy Realtors & Services Pvt. Ltd.	Sale of Fixed Assets	19,34.83	Nil
	Corporate guarantee	19,50.00	
Mohan T. Advani & Co.	Discounting charges	2.65	Nil
Ashok Sunil & Co.P.Ltd.	Nil	--	19.78 Dr.
Directors	Managerial remuneration	1,01.54	
	Commission payable to Non-executive Directors	13.15	
	Directors sitting fees	0.46	
	Housing loan	--	24.87 Dr.
	Sale of Fixed Assets	3.81	
Relative of Directors	Rent for leased flat	2.10	Nil

## 13. Earning Per Share

	2001-02	2000-01
Profit after Taxation as per Profit & Loss Account (Rs. in lakhs)	27,45.43	23,53.96
Weighted average number of Equity Shares Outstanding (Nos.)	2,03,12,684	2,03,22,827
Basic and diluted Earnings per share (Face Value Rs.10 per share) (Rs.)	13.52	11.58

14. a) The Company has adopted Accounting Standard 22- "Accounting for Taxes on Income" w.e.f.1.4.2001. The accumulated net deferred tax liability amounting to Rs. 7,29.80 lakhs on account of timing differences between book and tax profits as on 1.4.2001 has been debited to General Reserve Account.

b) The breakup of Net Deferred Tax liability as on March 31, 2002 is as under :

(Rs.in lakhs)

	Deferred Tax	
	Asset	Liability
Timing differences on account of :		
i. Difference in book and Income tax Depreciation under IT Act,1961		22,20.07
ii. Provision of Doubtful Debts, Advances, Cash and cash equivalents	1,41.35	
iii. Leave Encashment Provision	1,09.95	
iv. Others	11.84	
<b>Total</b>	<b>2,63.14</b>	<b>22,20.07</b>
<b>Net Timing Differences</b>	<b>19,56.93</b>	
<b>Net Deferred Tax Liability</b>	<b>6,98.62</b>	

15. Amounts debited during the year to Work-in-Progress which are to be transferred to Cost of Sales include the following :

(Rs.in lakhs)

	2001-02	2000-01
Salaries, Wages & Bonus	2.54	7.21
Employee Welfare & Training	0.05	0.70
Rent	0.22	2.25
Interest	--	11.59
Power	12.58	0.47
Insurance	1,27.01	93.68
Repairs & Maintenance	1,16.59	0.15
Transport & Travelling	1,48.28	1,60.68
Stationery & Printing	6.97	5.57
Commission on Sales (other than Salesmen)	4.37	48.93
Other Expenses	9,94.24	9,68.93

16. Managerial Remuneration to Whole-time Directors included in the Profit & Loss Account :

(Rs. in lakhs)

	2001-02	2000-01
a) Salaries	34.78	31.02
b) Commission	43.48	38.78
c) Contribution to Provident Fund & Superannuation Scheme	9.39	8.37
d) Other Perquisites	13.89	16.11
<b>Total</b>	<b>1,01.54</b>	<b>94.28</b>

## 17. Computation of Directors' Commission

	(Rs. in lakhs)	
	2001-02	2000-01
Profit before tax as per Profit and Loss Account	27,33.16	25,56.96
Add: Directors' Remuneration	1,14.69	1,07.43
Provision for doubtful debts/advances	10.80	---
Loss on sale/diminution in Investments	11.84	2.40
Loss on Fixed Assets sold/Discarded	1,16.13	34.28
Total	29,86.62	27,01.07
Less: Profit on sale of Fixed Assets	4,00.19	1,71.39
Net Profit for the purpose of Directors' Commission	25,86.43	25,29.68
Maximum Remuneration payable upto 10% of the above to Whole-time Directors	2,58.64	2,52.97
Commission payable to the Whole-time Directors as per contract of service	43.48	38.78
Maximum commission payable upto 1% of the above Net Profits to the Non-Executive Directors	25.86	25.30
Commission paid to Non-Executive Directors	13.15	13.15

## 18. Statement showing investments held as stock in trade

Investments	Type of Security	Opening Balance		Purchases During The Year		Sales During The Year		Closing Balance	
		Nos.	Value Rs. in lakhs	Nos.	Value Rs. in lakhs	Nos.	Value Rs. in lakhs	Nos.	Value Rs. in lakhs
Mastergain-92	Mutual Fund Units	3,600	0.35					3,600	0.35
Master Plus	Mutual Fund Units	38,200	4.68					38,200	4.68
Ansal Housing And Constructions Ltd	Shares	2,500	0.13					2,500	0.13
	<b>TOTAL</b>	<b>44,300</b>	<b>5.16</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>44,300</b>	<b>5.16</b>

19. The previous year figures hereabove as well as in the Additional Information hereunder have been regrouped/rearranged wherever necessary to conform to this years' groupings.

**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**

(Figures in brackets refer to previous year)

Class of goods	Unit	Installed Capacity	Actual Production	Opening		Closing	
				Qty	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)
Refrigeration & air conditioning equipment	Number	42,610.00 (45,110.00)	32,727.00 (38,697.00)	3,584.00 (3,847.00)	782.41 (611.12)	3,031.00 (3,636.00)	562.94 (788.82)
Packaged airconditioning	Number	7,000.00 (7,000.00)	5,314.00 (5,165.00)	122.00 (192.00)	132.07 (214.44)	47.00 (127.00)	34.03 (139.45)
Industrial packaged chillers	Number	300.00 (300.00)	342.00 (383.00)	12.00 (5.00)	97.30 (24.98)	9.00 (13.00)	59.66 (115.82)
Shell & tube condensers & coolers	Number	3,000.00 (3,000.00)	78.00 -	7.00 (65.00)	12.02 (56.56)	1.00 (7.00)	1.26 (12.02)
Air handling units	Number	3,240.00 (2,740.00)	1,083.00 (1,234.00)	64.00 (34.00)	14.10 (9.57)	18.00 (64.00)	3.85 (14.10)
Finned condensers & evaporators	Number	10,780.00 (11,780.00)	1,443.00 (1,735.00)	114.00 (94.00)	33.96 (25.44)	51.00 (138.00)	8.28 (35.98)
EPABX Equipment	Lines	- (50,000.00)	- -	55.00 (55.00)	0.64 (0.64)	- (55.00)	- (0.64)
Analytical instruments	Sets	- (150.00)	- -	- (1.00)	- (0.33)	- -	- -
Environmental test chambers	Sets	250.00 (250.00)	8.00 (21.00)	- -	- -	- -	- -

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

**B. PARTICULARS IN RESPECT OF GOODS TRADED**

(Figures in brackets refer to previous year)

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock		Sales	
		Qty	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)
Airconditioning & Refrigeration Equipment	Number	4,156.00 (3,395.00)	718.76 (635.79)	31,063.00 (31,453.00)	6,155.86 (6,737.74)	6,191.00 (4,157.00)	932.18 (718.76)	29,028.00 (31,291.00)	6,512.44 (7,836.39)
Central Airconditioning Plant (Sales Contract)	Worth	-	26.04 (13.52)	18	690.63 (698.90)	-	10.97 (26.04)	18	904.48 (845.53)
Electronics & Other Appliances, Equipment, Instruments, etc.	Worth	19	9.98 (24.50)	899	1,243.21 (1,349.63)	26.00	18.49 (15.38)	892	1,452.46 (1,595.61)
Spares & Components	Worth	-	189.38 (464.59)	-	1,595.42 (1,148.45)	-	137.46 (423.64)	-	2,560.34 (1,638.04)
Others	Number	7	4.35	50	35.86	6	2.96	51.00	57.17
TOTAL			948.51 (1,138.40)		9,720.98 (9,934.72)		1,102.06 (1,183.82)		11,486.89 (11,915.57)

Notes:

(i) Purchases are inclusive of own products.

(ii) Value of spares and components used for work bills and services are not included in purchases.

(Rs. in lakhs)

2001-02

C. Gross Income from services rendered:

(Figures in brackets refer to previous year)

75,30.87

(72,14.35)

D. Particulars of Raw Materials & Components Consumed

(Figures in brackets refer to previous year)

a) Raw Materials Consumed

Non-Ferrous Metals

Steel

Compressors

Compressor Components

Others (items individually not exceeding 10% of total)

Unit	Quantity	Rs. in lakhs
Tonne	782	6,29.84
	(807)	(14,97.53)
Tonne	642	3,69.27
	(1984)	(7,64.36)
Number	41902	30,75.71
	(46465)	(32,55.88)
Worth	---	1,67.89
		(3,97.33)
Worth	---	76,01.71
		(70,70.18)
		1,18,44.42
		(1,29,85.28)

b) Raw Materials & Components Consumed

Imported (at landed cost)

Indigenous

% of Total Consumption	Value (Rs. in lakhs)
29.88	35,39.29
(31.84)	(41,33.96)
70.12	83,05.13
(68.16)	(88,51.32)
100.00	1,18,44.42
(100.00)	(1,29,85.28)

E. Value of imports on CIF Basis

(Rs. in lakhs)

(a) Raw Materials

(b) Components

(c) Capital goods

(d) Spares

(e) Finished Goods

2001-02	2000-01
4,01.90	8,45.58
4,82.21	19,71.29
50.47	57.77
1,74.60	52.78
15,39.26	13,49.33
26,48.44	42,76.75

## F. Expenditure incurred in Foreign Exchange

*(Rs. in lakhs)*

	2001-02	2000-01
(a) Royalty & Know-how	1,62.20	1,77.80
(b) Others	1,18.82	42.53
	2,81.02	2,20.33

## G. Earnings in Foreign Exchange :

*(Rs.in lakhs)*

	2001-02	2000-01
(a) Export of goods on F.O.B. basis	6,45.07	5,89.68
(b) Project Exports	1,36.69	3,18.68
(c) Royalty, Know-how, Professional & Consultation fees	1,04.28	45.92
(d) Other Income :		
-- Commission	11,53.62	10,95.32
-- Others	80.65	---
	21,20.31	20,49.60

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

**I. Registration Details**

Registration No.

0 0 6 8 7 0

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 0 2

Date Month Year

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

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Issue

N I L

**III. Position of Mobilization and Deployment of Funds**

Total Liabilities

1 3 6 0 5 0 9

Total Assets (Net of current Liabilities & Deferred Tax Liabilities)

1 3 6 0 5 0 9

Sources of Funds

Paid up Capital

1 9 3 0 2 8

Reserve & Surplus

1 0 4 6 5 4 2

Secured Loans

N I L

Unsecured Loans

1 2 0 9 4 0

Application of Funds

Net Fixed Assets (Incl. Capital WIP)

5 6 1 6 9 5

Investments

1 2 2 4 2 6

Net Current Assets

6 6 6 4 3 8

Misc. Expenses

7 9 8 1 4

Accumulated Losses

N I L

Deferred Tax Liability

6 9 8 6 2

**IV. Performance of Company (Amount in Rs. Thousand)**

Turnover

5 1 7 3 2 0 7

Total Expenses

4 8 9 9 8 9 1

Profit / Loss Before Tax

2 7 3 3 1 6

Profit / Loss After Tax

2 7 4 5 4 3

Earnings Per Share (in Rs.)

1 3 . 5 2

Dividend Rate %

6 5

**V. Generic Names of Three 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 PERIOD ENDED MARCH 31, 2002 IN ACCORDANCE WITH THE REQUIREMENT OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

(Rupees in lakhs)

	Year ended March 31 2002	Year ended March 31 2001	
<b>[A] CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax & Capital Receipts	27,33.16	25,56.97	
Depreciation	12,91.16	11,59.04	
Foreign Exchange	(27.09)	(22.05)	
Investments/Others	(4,77.81)	(2,46.92)	
Interest/Dividend	(3,83.24)	(1,83.45)	
Interest charged	5,59.01	8,68.69	
	9,62.03	15,75.31	
Operating profit before working capital changes	36,95.19	41,32.28	
Adjustment for :			
Trade and other receivables	(5,40.52)	(11,67.97)	
Inventories	4,56.75	4,35.90	
Trade payables	13,56.01	5,41.66	
	12,72.24	(1,90.41)	
Cash generated from operations	49,67.43	39,41.87	
Direct taxes paid	(85.00)	(60.00)	
Interest paid	(5,66.12)	(10,04.86)	
	(6,51.12)	(10,64.86)	
Cash Flow before extraordinary items	43,16.31	28,77.01	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	43,16.31	28,77.01	
<b>[B] CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(4,90.31)	(11,57.42)	
Sale of Fixed Assets	20,25.23	3,13.82	
Purchase of Investments	--	(89.72)	
Sale of Investments	11.85	--	
(Balance carried forward)	15,46.77	(9,33.32)	28,77.01

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2002 IN ACCORDANCE WITH  
THE REQUIREMENT OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

(Rupees in lakhs)

**[B] CASH FLOW FROM INVESTING ACTIVITIES (Contd.)**

(Balance brought forward)

-Interest received

Dividend received

NET CASH USED IN INVESTING ACTIVITIES

**[C] CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from Share Capital

Proceeds from Long Term Borrowings

Dividend Paid

NET CASH FROM FINANCING ACTIVITIES

Less: Net Assets/Liabilities Transferred to BSIL on demerger

NET INCREASE IN CASH & CASH EQUIVALENTS

CASH & CASH EQUIVALENTS - OPENING BALANCE

CASH & CASH EQUIVALENTS - CLOSING BALANCE

	Year ended March 31 2002		Year ended March 31 2001	
(Balance brought forward)	15,46.77	43,16.31	(9,33.32)	28,77.01
-Interest received	1,34.18		1,01.50	
Dividend received	2,47.22		1,34.11	
NET CASH USED IN INVESTING ACTIVITIES		19,28.17		(6,97.71)
Proceeds from Share Capital	(6,23.62)		(6,77.43)	
Proceeds from Long Term Borrowings	(45,25.88)		(6,69.43)	
Dividend Paid	(12,06.01)		(11,40.74)	
NET CASH FROM FINANCING ACTIVITIES		(63,55.51)		(24,87.60)
Less: Net Assets/Liabilities Transferred to BSIL on demerger		--		1,74.62
NET INCREASE IN CASH & CASH EQUIVALENTS		(1,11.03)		(1,33.68)
CASH & CASH EQUIVALENTS - OPENING BALANCE		3,49.71		4,83.39
CASH & CASH EQUIVALENTS - CLOSING BALANCE		4,60.74		3,49.71

**Ashok M Advani**

*Chairman & Chief Executive*

**Suneel M Advani**

*President & Vice Chairman*

Mumbai : May 6, 2002

**T G S Babu**

**Minoo R Shroff**

**Suresh N Talwar**

**G Ramchandani**

**Uday Kotak**

**H Rajaram**

**K P T Kutty**

*Executive Director*

*Director*

*Director*

*Director*

*Director*

*Vice President, Finance*

*Company Secretary*

Mumbai : May 6, 2002

## AUDITORS' CERTIFICATE

We have examined the above cash flow statement of BLUE STAR LIMITED for the period ended 31st March, 2002. The Statement has been prepared by the Company in accordance with the listing agreement required by the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and the Balance Sheet of the Company covered by our report of May 6, 2002 to the Members of the Company.

For **K. S. AIYAR & CO.,**  
*Chartered Accountants*

**RAMAKRISHNA PRABHU**  
*Partner*

Mumbai : May 6, 2002

## SHAREHOLDER INQUIRIES

Questions concerning your folio, share certificates, dividend, address changes, consolidation of certificates, lost certificates and related matters should be addressed to Blue Star Limited, directly or their share transfer agents.

BLUE STAR LIMITED  
Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020  
Tel : 91-22-202 0868  
Fax : 91-22-202 5813  
www.bluestarindia.com

Intime Spectrum Registry Ltd  
260, Shanti Industrial Estate  
Sarojini Naidu Road  
Mulund (West)  
Mumbai 400 080  
Tel : 91-22-592 3837  
Fax : 91-22-567 2693

Share transfer documents will also be accepted at  
Intime Spectrum Registry Ltd  
203 Dawar House, 2nd floor  
Next to Central Camera Building  
197 D N Road  
Fort, Mumbai 400 001  
Tel : 91-22-265 6929

## 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 31st March 2002, the Company has 24878 registered shareholders. Approximately 51 per cent of the Company's shares are held by individual investors. The Directors and relatives hold approximately 27 per cent of the shares while Institutions and Body Corporate hold the balance shares.

## STOCK EXCHANGE LISTINGS

The Stock Exchange, Mumbai  
National Stock Exchange



