

Board's Report

To the Members,

The Directors are pleased to present the 71st Annual Report, together with the audited financial statements for the financial year ended March 31, 2019.

COMPANY OVERVIEW

Your Company offers one of India's widest range of air conditioning and commercial refrigeration products, as well as a comprehensive range of air purifiers, air coolers, water purifiers, cold storage and specialty products. It fulfils the cooling and refrigeration requirements of a large number of corporate, commercial as well as residential customers.

Leveraging on its project execution capabilities, the Company offers turnkey solutions in MEP (Mechanical, Electrical, Plumbing and Fire-fighting) contracting for buildings, factories, infrastructure and heavy industry projects. The Company's integrated business model of a manufacturer, contractor and after-sales service provider enables it to offer an end-to-end solution to its customers, which has proved to be a significant differentiator in the market place.

FINANCIAL RESULTS

Effective April 1, 2018, the Company has adopted Indian Accounting Standards (Ind AS) 115 and accordingly, has realigned its revenue recognition policies appropriately. The accounting changes have been applied with retrospective effect to each of the prior reporting periods presented. The financial statements of the Company are in accordance with the Section 133 of the Companies Act, 2013 (the 'Act') read with Companies (Accounts) Rules, 2014 and amendments thereof. The standalone and consolidated financial highlights of the Company for the financial year ended March 31, 2019, are summarised as follows:

(₹ in crores)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from operations	4783.70	4312.19	5234.84	4648.13
Total Revenue	4806.81	4328.33	5259.53	4665.08
Total Expenses	4600.51	4165.29	5011.07	4474.78
Profit before exceptional items and tax	206.30	163.04	248.46	190.30
Profit after exceptional items and before tax	179.85	180.89	251.14	195.57
Income tax	58.06	48.68	41.99	49.42
Profit for the Year	121.79	132.21	190.06	143.96

OPERATING RESULTS

On a standalone basis, revenue from operations of the Company was ₹4783.70 crores as compared to ₹4312.19 crores in the previous year, registering a growth of 11%. The Company registered Net Profit after Tax of ₹121.79 crores as compared to ₹132.21 crores for the financial year ended March 31, 2018, showing a degrowth of 8%, primarily due to impact of margin pressures, higher cost of imports and adverse weather conditions, besides one-time expenses on Company's Platinum Jubilee Celebrations of ₹12.50 crores and provision of ₹29.13 crores made towards exposure in its joint venture at Oman elaborated in detail in the section on Joint Ventures and Subsidiaries.

On a consolidated basis, revenue from operations of the Company was ₹5234.84 crores as compared to ₹4648.13 crores in the previous year, registering a growth of 13%. The Company registered Net Profit after Tax of ₹190.06 crores as compared to ₹143.96 crores for the financial year ended March 31, 2018, registering a growth of 32%.

The Company operates three business segments (i) Electro-Mechanical Projects and Packaged Air Conditioning Systems (ii) Unitary Products, and (iii) Professional Electronics and Industrial Systems. Performance of the Company in the above-mentioned segments during the year under review is as stated below:

I. Electro-Mechanical Projects and Packaged Air Conditioning Systems

a) Electro-Mechanical Projects business

Overall market for this business remained intensely competitive during the year. Your Company, however, continued to maintain its leadership position in the electro-mechanical space in India. As against the sluggish market growth in the last year, this year showed signs of revival in terms of a large number of enquiries from the private sector. The Company's order bookings witnessed considerable growth. Revenue growth in this segment was largely contributed by offices, malls and healthcare segments.

Your Company continues to invest in systems and technology in line with its value proposition of superior project delivery through intelligent engineering, modern execution practices and committed teams.

b) Commercial Air Conditioning business (Central and Packaged Air Conditioning Products)

In this segment, the business grew at a faster pace than the market. The key growth drivers in this segment were large infrastructure projects, Government and industrial segments, increased penetration in the Northern region and network expansion in unrepresented markets. The Company was able to consolidate its position and enhance market share in VRF systems and chillers with its innovative product portfolio and witnessed healthy order inflow during this year. Consequently, the Company is positioned as the number three player in both VRF and chiller product categories.

c) International Business

Your Company's international business continued to focus on growth in Middle East, Africa, SAARC and ASEAN countries. The Company's first international state-of-the-art exclusive showroom in Dubai was inaugurated in April 2019. This showroom would display the complete range of the Company's latest energy efficient products to serve the UAE market.

The international projects executed through the Joint Ventures at Qatar and Malaysia continued to do well.

On a consolidated basis, revenue of this segment grew by 16% to ₹2748.11 crores from ₹2361.07 crores. Segment results registered an increase of 24% from ₹121.96 crores in the previous year to ₹150.85 crores in the year under review. Segment margins improved from 5.2% to 5.5%.

II. Unitary Products

The performance of the room air conditioner business was affected by the unseasonal rains and soft summer conditions earlier during the year. The impact was significant in the Southern states, including the floods in Kerala. Further, with the escalation in interest rates and the NBFC crisis, the cost of consumer financing increased. The Company persevered in these adverse market conditions and expanded the footprint in Northern region, aligned with lower market operating prices and accelerated liquidation of inventory. Consequently, the Company's market share grew from 11.5% to 12.3%.

On the Commercial Refrigeration business front, the Company continued to grow at a faster pace than the market. Your Company's strong position among national and key account customers helped the deep freezer category maintain a steady growth momentum. The new categories, namely Medical Refrigeration and Kitchen Refrigeration, also grew faster than the market. Expansion of Quick Service Restaurants (QSRs) has increased demand for modular cold rooms.

The water purifier business continued to perform well during the year and the revenue during this year in this segment almost doubled over revenue in the previous year. This was achieved primarily due to significant investment in brand building, by way of advertisements in newspapers as well as outdoor media. Various promotion schemes also helped in increasing footfall conversions at the retail level. The Company has recently started receiving inflow of service revenue in this business category.

On a consolidated basis, Unitary Products' revenue for the year grew by 9% to ₹2268.97 crores as against previous year's revenue of ₹2088.73 crores. Segment results have increased by 11% from ₹168.05 crores in the previous year to ₹185.92 crores for the year under review. Segment margins remained more or less the same at 8.2% from 8.0%.

III. Professional Electronics and Industrial Systems (PE&IS)

The PE&IS segment is operated by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. After a challenging financial year 2017-18, the company experienced robust growth in most lines of business. Revenue from the Data Security business continued to maintain positive growth momentum due to increased customer focus on

data security. Revenue from the Non-Destructive Testing Products and Systems business also improved significantly due to multiple large orders received during the year. Revenue in the health care business improved from supply of CT scanners to the health department of the Government of Uttar Pradesh. These developments resulted in improved billings which in turn increased margins for the year. The company has added niche and contemporary products and solutions to widen its reach in material testing and digital data security markets.

At a consolidated level, the revenue generated by this business segment during the year under review grew by 10% to ₹217.76 crores from ₹198.33 crores of the previous year. Segment results have increased by 82% from ₹24.02 crores in the previous year to ₹43.78 crores in the year under review. Segment margins improved from 12.1% to 20.1%.

DIVIDEND

The Board, at its meeting held on May 2, 2019, recommended a dividend of ₹10 per equity share of ₹2 each for the financial year ended March 31, 2019. This dividend is payable to those members whose names appear in the Register of Members as on the Record Date. This proposal is subject to the approval of Members at the ensuing Annual General Meeting.

The Board has adopted the Dividend Distribution Policy for the Company which can be viewed on the website of the Company under the link: <https://www.bluestarindia.com/media/104569/dividend-distribution-policy.pdf>

FINANCING

On a consolidated basis, finance cost for the year was ₹47.87 crores which is higher as compared to ₹28.74 crores in the previous year, due to increase in working capital requirements primarily on account of weather led sluggish demand and consequential higher than normal inventory levels in H1FY19. The year witnessed high levels of Indian currency volatility. During the year, INR depreciated by 6% to USD requiring higher levels of hedges to be maintained as part of the Company's currency risk management policy. Notwithstanding the severity of currency risk volatility, disciplined and systematic hedging decisions based on accurate information of forex exposure enabled prudent management of forex risk exposure.

The Company secured a short term rating of A1+ (Highest safety) from CRISIL, the top credit rating agency, for its commercial papers. The Company already enjoys A1+ rating from CARE.

DEPOSITS

The Company has not accepted any deposits from the public falling within the ambit of Section 73 of the Act, and the Companies (Acceptance of Deposits) Rules, 2014.

CHANGES IN SHARE CAPITAL

During the year under review, the Company allotted 3,14,100 equity shares of ₹2 each, fully paid up, to the option grantees pursuant to the exercise of stock options by the eligible employees under the Blue Star Employees' Stock Option Scheme, 2013.

Consequent to the above, the issued, subscribed and paid up share capital of your Company as on March 31, 2019, stood at ₹19,26,27,776 comprising 9,63,13,888 equity shares of ₹2 each.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The 'Listing Regulations') and Section 129(3) of the Act, the consolidated financial statements have been prepared by the Company, as per the Indian Accounting Standards (Ind AS), and form part of this Annual Report.

The Consolidated Financial Statements shall also be laid at the ensuing Annual General Meeting of the Company.

SUBSIDIARIES AND JOINT VENTURE COMPANIES

Subsidiary Companies:

a) Blue Star Engineering & Electronics Limited

Blue Star Engineering & Electronics Limited is a wholly owned subsidiary of the Company. It is a material subsidiary as per the thresholds laid down under the Listing Regulations. The company provides advanced technology products as well as turnkey engineering solutions that cater to several industries. It is the exclusive distributor in India for many globally

renowned manufacturers of hi-tech professional electronics equipment and solutions, as well as industrial products and systems.

Total revenue of Blue Star Engineering & Electronics Limited for the year ended March 31, 2019, was ₹226.34 crores, as against its previous year's revenue of ₹203.37 crores. The subsidiary achieved a net profit of ₹51.02 crores for the year under review, as against last year's net profit of ₹24.08 crores, representing a growth of 112%.

b) Blue Star Qatar WLL

Blue Star Qatar WLL is a joint venture between the Company and Al Malki Trading and Contracting WLL, wherein the Company holds 49% of the share capital and voting rights, and the balance is held by Al Malki Trading and Contracting WLL. The company is principally engaged in the business of MEP contracting and maintenance in Qatar.

It is a subsidiary of the Company by virtue of Section 2(87)(i) of the Act, as the Company controls the management of this company.

Total income of this company for the year ended March 31, 2019, was ₹154.07 crores as compared to ₹111.64 crores in the previous financial year. Net profit after tax for the year ended March 31, 2019, was ₹6.85 crores as compared to ₹5.43 crores in the previous year, representing a growth of 26%.

c) Blue Star International FZCO

Blue Star International FZCO, is a wholly owned subsidiary of the Company, operating in the Dubai Airport Freezone, UAE. It is responsible for development and growth of the Company's Global Products Sales business and Global Projects business. This company primarily promotes the export of Blue Star's air conditioning and commercial refrigeration products and systems and its Original Equipment Manufacturing (OEM)/Original Design Manufacturing (ODM) business.

Consolidated total income of this company for the year ended March 31, 2019, was ₹169.95 crores as compared to ₹53.45 crores in the previous financial period. On a consolidated basis, the company has generated a profit of ₹1.94 crores for the year ended March 31, 2019 as compared to net loss of ₹3.99 crores in the previous period.

d) Blue Star Systems and Solutions LLC

Blue Star International FZCO has, on August 15, 2018, formed a subsidiary company in the mainland UAE under the name Blue Star Systems and Solutions LLC.

The Company controls the composition of this company's board. Thus, by virtue of Section 2(87)(i) of the Act, this company is a subsidiary of the Company.

Through a direct presence in mainland UAE, the Company aims to improve its competitive position in central air conditioning equipment sales, mid-sized HVAC projects and service in the UAE.

The subsidiary will commence operations in the next financial year.

Joint Venture/Associate Companies:

a) Blue Star M & E Engineering Sdn Bhd

Blue Star M & E Engineering Sdn Bhd, a joint venture between Blue Star International FZCO and Amcorp Properties Bhd, Malaysia, is principally engaged in the business of HVAC contracting and maintenance in Malaysia.

This company's total income for the year ended March 31, 2019, was ₹106.88 crores as compared to ₹93.53 crores in the previous financial year. Net profit after tax for the year ended March 31, 2019, was ₹11.26 crores as compared to ₹7.18 crores in the previous year, representing a growth of 57%.

b) Blue Star Oman Electro-Mechanical Company LLC

A joint venture between W J Towell & Co LLC and the Company, Blue Star Oman Electro-Mechanical Company LLC was formed to principally engage in the business of MEP contracting and maintenance in Oman.

In view of cost overruns in the projects executed by the company and unattractive market potential in Oman, the Board

of Directors of the Company approved a proposal to exit this Joint Venture, subject to regulatory and other compliances as may be applicable. The Company has, accordingly, filed a petition before the jurisdictional court in Oman for liquidation of this company as per the provisions of the Commercial Companies Law of Oman.

In accordance with Section 136 of the Act, the audited annual accounts, including the consolidated financial statement of the Company and audited accounts of the subsidiary companies, are available on the website of the Company at www.bluestarindia.com.

A copy of these documents will be available to the members, on their request in writing. The annual accounts will also be available for inspection by any member during business hours at the registered office of the Company.

A statement containing the salient features of the financial statements of the subsidiaries and joint venture companies in Form AOC-1, as required under Rule 5 of the Companies (Accounts) Rules, 2014 forms part of the Consolidated Financial Statement.

SIGNIFICANT DEVELOPMENTS

- a) Your Company celebrated its Platinum Jubilee this year by launching 75 new models of room air conditioners. The range included energy-efficient inverter air conditioners capable of delivering 30% extra cooling over and above its rated capacity, leading to faster temperature pull-down. The Company has also unveiled a new line-up of super-efficient inverter ACs with a high Indian Seasonal Energy Efficiency Ratio (ISEER) which consumes 18% less power compared to the existing 5-star ACs, thus setting a new benchmark on the energy-efficiency front.
- b) Going forward, the Company intends to expand its manufacturing footprint with the dual objectives of import substitution and to increase value addition and consequently margins. The Company is in the process of shifting the manufacturing activity of deep freezers from its Ahmedabad Plant to its Wada Plant. Also, as the market for deep freezers is growing rapidly, it was deemed prudent to increase the manufacturing capacity of deep freezers. Considering this scenario, the Board of Directors granted its approval to the Company for expansion of the Wada Plant.

NEW INITIATIVES

The Company has embarked upon several initiatives in the areas of technology led digitalisation of some key business processes, employee engagement and internet enabled automation across its products and services.

AWARDS AND RECOGNITIONS

During the year under review, the Company was felicitated with many prestigious awards for excellence in its areas of business, and an illustrative list is given below:

- Blue Star was recognised in "Best Brands 2019" by the Economic Times group.
- Blue Star was felicitated at the YES Bank Best CFO & Digital Transformation Awards 2018, with an award for its remote monitoring project 'rView', under the category 'Best Customer Excellence'.
- Blue Star's Air Conditioning and Refrigeration Service Group won a 'Customer Excellence in Manufacturing and Engineering' award for its Service Management Mobile app at the Indian Merchants' Chambers Digital Technology Awards.
- Blue Star's Himachal Pradesh Plant won the 'KK Pillar Best Kaizen' award at the 11th National TPM Circle Competition organised by CII.
- Blue Star Customer Service Group won the 'Gold Plus' award at the CII-EXIM Bank Awards for Business Excellence and was also commended with the 'Gold Plus' award at the 26th Quality Summit 2018.
- Blue Star won the 'MEP Contractor of the Year' award at Construction Week India 2018 Awards for the third time at the 8th edition of the Construction Week India 2018 Awards.
- Blue Star's Water Purifier Division's innovative product, Stella, was awarded the 'Best Domestic RO+UV Water Purifier' in the country for the third time in a row and Blue Star's Research & Innovation Center (R&I)-WPD was awarded the 'Best Water R&D and Technological Breakthrough' for its product, 'Eternia' at the 13th edition of Water Digest Awards.

DIRECTORS

Suneel M Advani retired as a Director and the Chairman of the Board on March 31, 2019. The Board placed on record its sincere appreciation for the phenomenal contribution made by him during his association over fifty years with the Company as a Director and as the Chairman. He was appointed as Chairman Emeritus of the Company, effective April 1, 2019.

Shailesh Haribhakti, Independent Director of the Company has been appointed as the Chairman of the Board effective April 1, 2019.

In view of the Board's restructuring, Vir S Advani was elevated to Vice Chairman of the Board and was re-designated as Vice Chairman & Managing Director effective April 1, 2019. B Thiagarajan was elevated to Managing Director of the Company, effective April 1, 2019.

In accordance with the provisions of the Act, Dinesh N Vaswani retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Through a postal ballot dated October 30, 2018, Shailesh Haribhakti and Gurdeep Singh were re-appointed as Independent Directors with effect from April 1, 2019 for a second term of 5 (five) consecutive years and 4 (four) months, respectively. Your Company had received notice under Section 160 of the Act, from the members proposing the re-appointment of Shailesh Haribhakti and Gurdeep Singh as Independent Directors on the Board of your Company.

Shobana Kamineni completes her term of 5 (five) consecutive years as an Independent Director on May 29, 2019 and has not offered herself for re-appointment. Gurdeep Singh retires as a Director on July 31, 2019 on attaining the age of 75 years in terms of the retirement policy of the Board.

Further, based on the recommendation of the Nomination and Remuneration Committee, the Board appointed:

- Rumjhum Chatterjee as an additional Independent Director of the Company, with effect from February 5, 2019, for a period of 5 years;
- Arvind K Singhal as an additional Independent Director of the Company, with effect from February 5, 2019, for a period of 5 years; and
- Sunaina Murthy as an additional Non-Executive Promoter Director of the Company, with effect from April 1, 2019.

As per the provisions of the Act, Rumjhum Chatterjee, Arvind K Singhal and Sunaina Murthy shall hold office up to the date of the ensuing Annual General Meeting of the Company. Your Company has received notice under Section 160 of the Act from the members, proposing the appointment of Rumjhum Chatterjee and Arvind K Singhal as Independent Directors and Sunaina Murthy as a Non-Executive Promoter Director, on the Board of your Company.

Accordingly, the necessary resolutions seeking approval of the members for appointment of Rumjhum Chatterjee, Arvind K Singhal and Sunaina Murthy have been incorporated in the Notice of the ensuing Annual General Meeting.

Brief profiles of the Directors proposed to be appointed/re-appointed at the ensuing Annual General Meeting are annexed to the notice convening Annual General Meeting.

The Board recommends their appointment at the ensuing Annual General Meeting.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received the necessary declarations from each of the Independent Directors of the Company under Section 149(7) of the Act and Regulation 25 of the Listing Regulations, confirming that they meet with the criteria of independence as laid down in Section 149(6) of the Act, along with Rules framed thereunder and Regulation 16(1)(b) of the Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company.

KEY MANAGERIAL PERSONNEL

In accordance with the provisions of Section 203 of the Act, the following personnel have been designated as the Key Managerial Personnel of the Company:

Name	Designation
Vir S Advani	Vice Chairman & Managing Director
B Thiagarajan	Managing Director
Neeraj Basur	Group Chief Financial Officer
Vijay Devadiga	Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 134(5) of the Act, the Directors, to the best of their knowledge and belief, confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019, and of the profit of the Company for that period;
- they 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 preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts for the year ended March 31, 2019, on a going concern basis;
- they have laid down internal financial controls to be followed by the Company, and such internal financial controls are adequate and are operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems are adequate and operating effectively.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, 5 (five) meetings of the Board of Directors were held. The intervening gap between these meetings was within the period prescribed under the Act and Listing Regulations. The details of the meetings and attendance of the Directors are provided in the Corporate Governance Report.

BOARD COMMITTEES

Your Company has in place, all the Committee(s) as mandated under the provisions of the Act and Listing Regulations.

Currently, there are seven Committees of the Board, namely:

- Audit Committee
- Nomination and Remuneration Committee
- Investor Grievance cum Stakeholders' Relationship Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Share Transfer Committee
- Executive Management Committee

AUDIT COMMITTEE

The Audit Committee of the Company comprises Shailesh Haribhakti, Gurdeep Singh, Anil Harish and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Committee.

The composition of the Committee is in compliance with the requirements of Section 177 of the Act and Regulation 18 of the Listing Regulations. The charter of the Committee is in conformity with the Act and the Listing Regulations as more particularly set out in the Corporate Governance Report, which forms a part of this Annual Report.

During the year under review, there was no instance wherein the Board had not accepted any recommendation of the Audit Committee.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Gurdeep Singh, Sam Balsara, Dinesh N Vaswani and Sunaina Murthy. Gurdeep Singh is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Sunaina Murthy was inducted as a member of this Committee with effect from April 1, 2019.

The Committee is constituted in line with the requirements mandated by the Act and the Listing Regulations. The terms of reference of the Committee are in conformity with the said requirements, as more particularly set out in the Corporate Governance Report, which forms a part of this Annual Report.

INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Investor Grievance cum Stakeholders' Relationship Committee comprises Gurdeep Singh, Anil Harish, Rajiv R Lulla and B Thiagarajan. Gurdeep Singh is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Anil Harish was inducted as a member of this Committee with effect from April 1, 2019.

The Committee is constituted in line with the requirements mandated by the Act and the Listing Regulations. The terms of reference of the Committee are in conformity with the said requirements, as more particularly set out in the Corporate Governance Report, which forms a part of this Annual Report.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee has been formed to assist the Board in fulfilling its responsibilities relating to evaluation and mitigating various risks exposures that potentially impact the Company. An Enterprise Risk Management (ERM) framework prescribed under the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework has been adopted for implementation by the Committee.

The Committee comprises Vir S Advani, Rajiv R Lulla, B Thiagarajan and Neeraj Basur. Vir S Advani is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Rajiv R Lulla was inducted as a member of this Committee with effect from April 1, 2019.

The Committee has adopted a formal Risk Management Policy. The Committee identifies, evaluates and assesses the risks, understands the exposure of risks and accordingly prepares and oversees execution of appropriate risk mitigation plan. It has identified Risk Management Units within the Company, the risk profiles of which are constantly monitored, and the severity of risk is tracked, based on a systematic risk rating methodology. The Committee and the Board have identified elements of risks, which, according to them are crucial to the Company. Details of these elements of risks have been covered in the Management Discussion and Analysis and Integrated Report, which form part of this Annual Report and in the standalone financial statement in Note 42.

The Company maintains comprehensive risk registers to ensure that the effectiveness of the mitigation action plan gets assessed independently. These registers were presented to and reviewed by the Risk Management Committee and Audit Committee.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee comprises B Thiagarajan, Shobana Kamineni and Sunaina Murthy. Suneel M Advani ceased to be the Chairman and a member of the Committee with effect from April 1, 2019 and B Thiagarajan was appointed as the Chairman of this Committee. Sunaina Murthy was inducted as a member of this Committee with effect from April 1, 2019.

During the year under review, the Company was required to spend an amount of ₹266 lakhs towards activities as stipulated under Schedule VII of the Act. The Company has spent an amount of ₹312 lakhs towards various CSR initiatives.

A brief outline of the CSR Policy and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure 2 of this report as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy is also available on the website of the Company, under the weblink: <https://www.bluestarindia.com/media/217799/blue-star-csr-policy.pdf>

Details of the other committees of the Board are provided in the Corporate Governance Report.

EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND OF DIRECTORS

The Nomination and Remuneration Committee at its meeting held on January 3, 2019, approved the process in which the evaluation of Chairman, Directors, Board and its Committees were to be conducted. Accordingly, the questionnaires were circulated seeking inputs of the Directors to evaluate governance standards based on various parameters including structure and composition of Board and committees, quality of Board processes, Board culture and dynamics, effectiveness vis-à-vis stakeholders' expectations in terms strategic direction and guidance to the leadership team.

The inputs received from the Directors were deliberated and reviewed by the Independent Directors at a separate meeting held on March 29, 2019. At this meeting, they evaluated the performance of the Non-Independent Directors, the Board as well as that of the Chairman, taking into account the views of the Executive and Non-Executive Directors. The Board of Directors carried out an annual evaluation of the performance of the Board as a whole, the Directors individually and the working of the Committees of the Board. The outcome of the evaluation was noted by the Nomination and Remuneration Committee at its meeting held on April 26, 2019, and by the Board of Directors at its meeting held on May 2, 2019. While the Directors have expressed their satisfaction with the evaluation process and the outcome, the Board also noted the key action points emerged from the process for implementation. A detailed update on the Board Evaluation is provided in the relevant section in the Corporate Governance Report.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration policy of the Company was adopted by the Board based on the recommendation of the Nomination and Remuneration Committee. The Policy provides broad guidelines on appointment, removal, retirement, qualifications, attributes, structure of remuneration of the Directors, Key Managerial Personnel and Senior Management. It is designed to foster a high-performance culture that enables the Company to attract, retain and motivate the employees to achieve results. The performance of the Vice Chairman & Managing Director and Managing Director was evaluated and reviewed by the Nomination and Remuneration Committee at its meeting held on April 26, 2019. The Nomination and Remuneration Policy is uploaded on the Company's website under the web link at <https://bluestarindia.com/media/217800/blue-star-nrc-policy.pdf>

MANAGERIAL REMUNERATION

Details of the ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided below:

i.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Vir S Advani	101.94x
		B Thiagarajan	64.03x
ii.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Vir S Advani	10.38
		B Thiagarajan	8.33
		Neeraj Basur	11.13
		Vijay Devadiga	8.89
iii.	The percentage increase in the median remuneration of employees in the financial year	11.25	

iv.	The number of permanent employees on the rolls of Company	2812	
v.	Average percentile increase already made in the salaries of employees, other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof, and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase to employees other than Managerial Personnel and justification thereof	7.55% To remain competitive in the market, to attract and retain talent
		Average increase to Managerial Personnel	Please refer to (ii) of this table
		Exceptional circumstances for an increase to managerial remuneration	The average increase given in financial year 2018-19 was based on the outcome of compensation and benefits benchmarking to align remuneration of Whole-time Directors to market median.
vi.	Affirmation that the remuneration is as per the remuneration policy of the Company	It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy of the Company.	

The Non-Executive Directors of the Company are paid sitting fees and commission as per the statutory provisions and within the limits approved by the members. The ratio of remuneration and percentage increase for Non-Executive Directors' Remuneration are therefore not considered for the purposes above. The details of remuneration of Non-Executive Directors are provided in the Corporate Governance Report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of corporate governance and continues to be compliant with the requirements of corporate governance as enshrined in the Listing Regulations. The report on corporate governance together with a certificate from the Statutory Auditors of the Company, confirming compliance of corporate governance norms as stipulated in the Listing Regulations, forms a part of this Annual Report.

VIGIL MECHANISM

Your Company is committed to conducting its business with the highest standards of ethical standards, integrity and transparency across its operations, in compliance with the applicable laws and regulations. In line with a strong commitment to governance and compliance, the Company has instituted a robust Vigil Mechanism framework encompassing various elements and components in an integrated manner.

Vigil Mechanism structure at Blue Star is based on the COSO 2013 framework governing risk, compliance and controls. Embedded in the Vigil Mechanism structure are three lines of defence principles. The first line of defence comprises of key management controls viz financial controls, governance policies and internal control measures. The second line of defence is addressed by an assurance from risk management and compliance procedures. The third line of defence is provided through the work done by internal and external auditors.

Governance policies, internal controls, stakeholders' engagement, enterprise risk management, compliance, internal and statutory audit are key components of Blue Star's vigil mechanism. They are interwoven in the vigil mechanism system to enable constant interplays to drive home the assurance of best practices and creation of value for all the stakeholders of the Company.

As a part of its governance policies, the Company has laid down a whistle blower policy to enable the Directors and employees of the Company to report concerns of any unethical behaviour, unacceptable and improper practices or suspected fraud. The policy has also been uploaded on its website. An Ethics Committee has been constituted, comprising the Group Chief Financial Officer, Chief Human Resources Officer and Company Secretary (Ethics Officer) to administer this Policy.

The Whistle Blower Policy is uploaded on the Company's website under the web link at:
<https://www.bluestarindia.com/media/6011/whistle-blower-policy.pdf>

The Company has also adopted a Code of Conduct which is available on the website of the Company under the weblink of
<https://www.bluestarindia.com/media/6010/code-of-conduct.pdf>

The Audit Committee reviews on a quarterly basis, whistle blower and other complaints, if any, and implements corrective actions, wherever necessary.

INTERNAL CONTROL SYSTEMS

The Company has established an internal control system, commensurate with the size, scale and complexity of its operations. In order to enhance the standards of controls and governance, the Company has adopted the COSO 2013 framework to ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance.

Significant features of the Company's internal control system are:

- A well-established, independent, Internal Audit team operates in line with best-in-class governance practices. It reviews and reports to the Audit Committee about compliance with internal controls, the efficiency and effectiveness of operations as well as key process risks.
- The Audit Committee periodically reviews internal audit plans, significant audit findings and adequacy of internal controls.
- Systematic self-certification of adherence to key internal controls, as part of control self-assurance by process owners, monitors and reviewers.
- Adherence with a comprehensive information security policy and continuous upgrades of the Company's IT systems for strengthening automated controls.

During the year, the internal controls were tested and found effective, as a part of the Management's control testing initiative. Accordingly, the Board, with the concurrence of the Audit Committee and the Auditors is of the opinion that the Company's Internal Financial Controls were adequate and operating effectively for the financial year ended March 31, 2019.

LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act, as may be applicable, are given in the standalone financial statement as per Note 8.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions are approved by the Audit Committee. All related party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business.

There are no material transactions with any related party as defined under Section 188 of the Act, read with the Companies (Meetings of Board and its Powers) Rules, 2014. In view of this, disclosure in form AOC-2 has not been provided. The details of transactions with the related parties are provided in the standalone financial statement in Note 38.

A policy governing the related party transactions has been adopted, and the same has been uploaded on the Company's website under the weblink of <https://www.bluestarindia.com/media/78799/policy-for-transaction-with-related-parties.pdf>

HUMAN RESOURCES

The Human Resources philosophy of your Company is to attract and retain the best talent in the industry. Your Company considers its employees as partners in success. Your Company constantly endeavours in adopting the best policies to keep its employees motivated, engaged and aligned to the interests of the Company. Your Company undertakes various employee engagement programmes and also fosters a culture of continuous learning and development and creating future leaders. The Company has migrated to an e-learning platform wherein role based self-learning programs are designed to improve the proficiency level of the employees. Based on the employee engagement feedback, we have moved to a new performance management system which is much more fair and transparent. Your Company constantly explores various possibilities to make Blue Star a better place to work.

EMPLOYEE STOCK OPTIONS

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company, in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. Details of the shares issued under Employees' Stock Option Scheme (ESOS), as also the disclosures, in compliance with Section 62 of the Act, and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014, and SEBI (Share Based Employee Benefits) Regulations, 2014 are available on the website at www.bluestarindia.com. The exercise period of all the stock options vested in the employees under the ESOS expired on July 31, 2018 and shares in the Company have been allotted as per eligibility to those employees who have exercised the vested options on or before the said date.

A certificate from M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Statutory Auditors, with respect to the implementation of the Company's ESOS, would be placed before the Members at the ensuing Annual General Meeting. A copy of the same will also be available for inspection at the Company's Registered Office.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are required to be annexed to the Board's Report. The Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining the said particulars may write to the Company Secretary at the Registered Office of the Company.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at the workplace, and has adopted a policy on prevention, prohibition and redressal of the same, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. All employees (permanent, contractual, temporary and trainees) are covered under this Policy.

The Company has duly constituted Internal Complaints Committees in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, to redress complaints received regarding sexual harassment. The Company organises workshops and awareness programmes at regular intervals for sensitising the employees with the provisions of the said act. During the year under review, two complaints with allegations of sexual harassment were filed with the Company, and the same were investigated and appropriate actions were taken.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company incurred a total expenditure of ₹50.75 crores on research and development for the year as against ₹55.36 crores in the previous year.

During the year, the Company recorded foreign exchange earnings from export of its products, commission and other income, aggregating to ₹227.03 crores as against ₹263.68 crores in the previous year.

There was a corresponding increase in foreign exchange outflow, which stood at ₹1272.06 crores as compared to ₹1252.13 crores in the previous year.

The information on Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure 1.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis for the year under review, as stipulated under Regulation 34 of Listing Regulations, forms a part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT

In compliance with the Regulation 34 of the Listing Regulations, the Business Responsibility Report describing sustainability initiatives undertaken by the Company during the year under review is provided in a separate section forming part of this Annual Report.

INTEGRATED REPORTING

The Company being one of the top 500 companies in the Country in terms of market capitalization, has adopted Integrated Reporting describing initiatives undertaken by the Company for enhancing stakeholders' value in the long term. The report on Integrated Reporting is provided in a separate section forming part of this Annual Report.

STATUTORY AUDITORS

The Company's existing Statutory Auditors, M/s Deloitte Haskins & Sells LLP, Chartered Accountants, were appointed by the Members at the 70th Annual General Meeting (AGM) of the Company, for a period of 5 years, to hold office until the conclusion of the 75th AGM to be held for FY 2022-23. The period under review was the first year of audit by M/s Deloitte Haskins & Sells LLP in the Company.

AUDITORS' REPORT

The Board has duly reviewed the Statutory Auditors' Report on the financial statements. There is no qualification, reservation or adverse remark given by the Auditors in their report.

COST AUDITORS

In terms of the provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules, 2014, the Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, as the Cost Auditors, to conduct the cost audit for the financial year ended March 31, 2019.

As required under the Act, the remuneration payable to the cost auditor is required to be placed before the members in a general meeting for their ratification. Accordingly, a resolution seeking members' ratification for the remuneration payable to Cost Auditors, forms part of the Notice convening the Annual General Meeting.

SECRETARIAL AUDITOR

In terms of the provisions of Section 204 of the Act, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board had appointed M/s N L Bhatia & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company for conducting the secretarial audit of your Company for the financial year ended March 31, 2019.

The Secretarial Audit Report given by M/s N L Bhatia & Associates, Practicing Company Secretaries has been provided in Annexure 3 to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, none of the auditors, viz. statutory auditors, cost auditors and secretarial auditors have reported to the Audit Committee, under Section 143(12) of the Act, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's Report.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return in form MGT-9 has been uploaded on the Company's website under the weblink of <https://www.bluestarindia.com/investors/extract-of-annual-return>.

OTHER DISCLOSURES

- The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India, relating to Meetings of the Board, Committees and General Meetings which have mandatory application.
- Except as provided in the Report, there were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year under review and the date of this report.
- The Company has prepared and maintained the cost accounts and records as specified by the Central Government under Section 148(1) of the Act.
- There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of your Company and its operations in the future.
- Your Company has not issued any shares with differential voting rights.
- Your Company has not issued any sweat equity shares.
- There was no revision in the financial statements.

ACKNOWLEDGEMENTS

The Directors place on record, their sincere appreciation for the assistance, guidance and co-operation provided by the Government of India and other regulatory authorities. The Directors thank the financial institutions and banks associated with the Company for their support as well. The employees of Blue Star are instrumental in the Company scaling new heights year after year, and their commitment and contribution is deeply acknowledged. Shareholders' involvements are greatly valued. The Directors look forward to your continuing support.

For and on behalf of the Board of Directors

Date : May 2, 2019
Place : Mumbai

Shailesh Haribhakti
Chairman
(DIN: 00007347)

Annexure 1 to Board's Report

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Rule 8 of Companies (Accounts) Rules, 2014

(A) CONSERVATION OF ENERGY

I. Steps taken or impact on the conservation of energy

1. Himachal Pradesh Plants (HP1 and HP2)

- Energy cost reduced by 14% in the HP1 Plant during the year. This resulted in saving of ₹0.25 crore, while billing increased by 7% this year.
- Energy cost reduced by 8% in the HP2 Plant during the year. This resulted in saving of ₹0.06 crore, while billing increased by 16% this year.
- Installed energy efficient LP compressor of capacity 500 cubic feet per minute and 200 cubic feet per minute equipped with IE4 rated motors and sigma technology screw mechanism, which will result in a potential saving of ₹0.15 crore per annum.
- Installed heater less vaporizer in LPG gas bank in the HP1 Plant, which resulted in annualized savings of ₹0.07 crore.
- Initiative on unloading vacuum lifter saved 6450 kWh per annum in the HP2 Plant.

2. Dadra Plant

- Installed high bay LED lights in the shop floor in place of traditional metal halide lamps. This resulted in saving of ₹0.02 crore per annum.
- Installed timers in slitting line machine and expander machine to switch off the hydraulic motor when running idle.
- Installed LED tube lights in place of choke tube lights in stores and other storage areas.
- Pneumatic actuator operated valves were provided on all main air lines of assembly lines in order to switch off the air supply when the line is shut off. Savings achieved through this was ₹0.01 crore per annum.
- Motion sensors were installed in washrooms and lifts to switch off the lights in the absence of movements.
- Installed energy efficient pumps for cooling towers and achieved saving of ₹0.02 crore per annum.
- Trial is taken for knock off degreasing chemical to run on ambient instead of heating with the help of diesel fired burner. This will result in saving the diesel consumption of approximately ₹0.10 crore per annum.
- Installed timers for high as well as small low-pressure compressors to stagger their start-ups, thus it helped in saving on maximum demand. This would save ₹0.04 crore annually.
- Rain water harvesting project carried out, to overcome the daily need of Plant (80 kl). Total 7 recharge pits are made in the plant. In monsoon days, this will recharge 137 kl of water on a daily basis. This will raise the water table of the surrounding areas.

3. Wada Plant

- Installed real-time power factor correction panel with electronic switching system to maintain power factor to unity for various load conditions. This resulted in saving in the form of a rebate of ₹0.13 crore per annum.
- In the powder coating plant, all the pre-treatment pumps and oven motors were earlier operating with power and free conveyor. There was frequent breakdown of conveyor resulting in to wastage of electrical power. This conventional conveyor was replaced with chain conveyor, which resulted in to zero breakdown and saving of ₹0.11 crore per annum.
- Installed Smart Lux panels with programmable controllers in the Plant for lighting load, which will maintain operating voltage within permissible limits during operating hours of the lighting systems without effecting flux intensity of lighting system. This resulted in saving of 6000 kWh.
- In utility, reciprocating air compressor was earlier operating with conventional star-delta method at 50Hz frequency. This compressor was switched over from star delta to variable frequency drive. In this process, we saved 2700 kWh per month, resulting in saving of ₹0.03 crore per annum.

4. Ahmedabad Plant

- Maintaining the power factor near to unity resulting in saving in the form of rebate from electricity board.
- Installed controller based automated system for pressure pump; this resulted in saving of approximately ₹0.01 crore.
- Installed automated controlled system for HP compressor to make sharp cutoff at 350 pounds per square inch, which resulted in saving of ₹0.05 crore.
- Installed automated controller panel for hot water generator (with real time clock) in cabinet foaming plant for controlling the heaters with precise temperature control, resulting in saving of ₹0.01 crore.
- Optimization of use of LP compressor by installing booster pump at specific locations resulted in to saving of ₹0.04 crore per annum.

II. Steps taken by the Company for utilising alternate sources of energy

- In the HP1 Plant, electric fired oven was replaced with LPG fired oven which produced better calorific value in terms of heating efficiency. This initiative resulted in saving of ₹0.12 crore since November 2018 and has a potential annualized saving of ₹0.18 crore.

III. Capital investment on energy conservation equipment

(₹ in crores)

Particulars	Amount
Himachal Pradesh Plants (HP1 and HP2)	
Investment in high efficiency compressor and refrigerant driers, LPG fired oven, installation of heater less vaporizer; interlocking of unloading vacuum lifter by sensor and Variable Frequency Drive	0.62
Dadra	
Investment in energy efficient pumps, LED lights, process change to helium leak testing system, auto switch sensor, new technology IVRF machines, inverter package ducted ACs, booster pump, distributor system and capacitors	0.65
Wada Plant	
Investment in I beam chain conveyor, Real Time Power Factor Correction Panel, Smart Lux Panel and Variable Frequency Drive Panel for reciprocating air compressor	0.93
Ahmedabad Plant	
Investment in automated controllers for hot water generator, pressure pumps and booster pumps	0.02
Total Investment	2.22

(B) TECHNOLOGY ABSORPTION

a) Efforts made towards Technology Absorption:

Market share of variable speed inverter technology products is on the rise due to increased emphasis on efficiency as per the new standards and regulations. Competency development in inverter drive design is the most important strategic initiative in Research & Development (R&D). During the year, a special cell formed in R&D, worked with the technical experts from Japan and application engineers from leading electronic component suppliers to design and develop an inverter drive for room air conditioners.

An advanced version of smart controller for the indoor unit was developed in technology partnership with Internet of things (IoT) experts. New test facilities were added to ensure Electro-Magnetic Interference (EMI)/Electro-Magnetic Compliance (EMC) of electronic controllers.

A new range of high efficiency inverter scroll chillers were developed, which can achieve 15% higher part load efficiency than conventional fixed speed models offered in the Indian market.

Competency development was established for design of products with flammable refrigerants. New range of deep freezers was introduced with propane (R-290, hydrocarbon) refrigerant with low Global Warming Potential (GWP).

b) Outcome and benefits:

The in-house designed drive was successfully integrated with 1.5 TR 5-Star room air conditioner model. A complete range of inverter room air conditioners will be introduced with our own design drives by end of 2019. In-house drive design capability will reduce dependence on completely built imported units, which has also become a costly proposition due to increase in import duty.

A smart controller developed for the in-house inverter air conditioner offers over the air software update and energy consumption monitoring and control. This will enable remote functionality upgrades of the controller. The controller will also enable a customer to set a limit for energy consumption of the air conditioner.

The newly launched inverter scroll chillers, with 15% higher part load efficiency, will help in maintaining technology leadership position.

The newly introduced deep freezers with R-290 refrigerant offer 10% higher efficiency and faster pull down time. Blue Star is the first Indian manufacturer to offer the eco-friendly refrigerant in deep freezers.

c) Information regarding imported technology (imported during last 3 years):

No technology has been imported by the Company in the last 3 years.

d) Expenditure incurred on R&D:

(₹ in crores)

Particulars	2018-19	2017-18
Capital	9.59	11.54
Recurring	41.16	43.82
Total	50.75	55.36
Total R&D expenditure as a percentage of total turnover	0.96%	1.19%

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in crores)

Particulars	2018-19	2017-18
Total foreign exchange outgo	1272.06	1252.13
Total foreign exchange earned	227.03	263.68

For and on behalf of the Board of Directors

Date : May 2, 2019
Place : Mumbai

Shailesh Haribhakti
Chairman
(DIN: 00007347)

Annexure 2 to Board's Report

CORPORATE SOCIAL RESPONSIBILITY REPORT

Brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the weblink to the CSR Policy and project or programmes:

Blue Star's CSR Committee determines the CSR activities to be undertaken, and the Company pursues such activities over a considerable period of time (minimum 2 or 3 years), in order to create long term and sustainable impact in the areas that it works in.

Some points outlined in the Company's CSR policy are as follows:

1. In the long term, Blue Star's CSR focus areas comprise air purification, water purification and food preservation.
2. Contributing to the Government's 'Skill India' mission, the Company will undertake vocational education programmes in the air conditioning, plumbing and electrical installation and maintenance trades; apprentice programmes as well as scholarships for academically deserving, less privileged engineering/architecture students.
3. Pursuant to the 'Swachh Bharat' initiative of the Government, the Company will endeavour to improve sanitation and hygiene facilities for the less privileged communities, especially school children.
4. The Committee may also consider other deserving causes in the areas of health, education, poverty alleviation and others.
5. The Committee will decide on undertaking specific projects, in case of natural calamities, based on available budgets.
6. The Company will also continue to actively participate in the Affirmative Action Agenda of CII.
7. The Committee proposes to involve Company's employees in these CSR activities, so as to give them a sense of purpose beyond the commercial objectives, as well as to build pride in the Company.

Weblink to the CSR policy: <https://www.bluestarindia.com/media/217799/blue-star-csr-policy.pdf>

Composition of the CSR Committee

B Thiagarajan	- Chairman
Shobana Kamineni	- Member
Sunaina Murthy	- Member

Average net profit of the Company for last three financial years: ₹132.9 crores

Prescribed CSR expenditure (two per cent of the average net profit computed above): ₹2.66 crores

Details of CSR spent during financial year 2018-19:

- a) Total amount required to be spent for the financial year: ₹2.66 crores
- b) Amount unspent, if any: Not Applicable

Annexure 2 to Board's Report

c) Manner in which the amount spent during the financial year is detailed below:

(₹ in crores)

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programmes: (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Vocational Training- AC&R/MEP	Education	Aragonda Chennai Visakhapatnam Mumbai Pune Haryana Himachal Pradesh Dadra Wada Assam	1.45	1.34 Direct	1.34	1.02 - Direct National Employability Through Apprenticeship Program (NETAP), equipment for training purposes in ITIs in Maharashtra and Ramkrishna Mission Shilpamandir, Kolkata 0.32 - Indo-German Institute of Technology, Visakhapatnam; Bala Mandir Kamraj Trust, Chennai; Gyaan Prakash Foundation, Pune; Apollo Total Health, Chittoor; Sanskriti Samvardhan Mandal, Sagroli; and CII Foundation for Graamin Haats, Assam
2	Community Development around factories	Health	Wada Vikramgarh Jodhpur	0.45	0.44 Direct	0.44	0.01 - Direct 0.43 - Government aided schools through SACRED
3	Towards flagship projects of Blue Star Foundation	Education Health	Mumbai Wada Cuddalore	0.75	0.75 Direct	0.75	0.75 – Blue Star Foundation
4	Other Causes	Education Health	Mumbai Kerala Bhubaneswar	0.20	0.44 Direct	0.44	0.44 – The Hindu Publishing Group; CII Foundation; Kalinga Institute of Social Sciences, Bhubaneswar; CII-FAEA

Annexure 2 to Board's Report

(₹ in crores)

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programmes: (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
5	CSR Administrative Expenses	Administration	Mumbai	0.15	0.15 Overhead	0.15	0.15 - Direct
	Total			3.00	3.12	3.12	

In case the Company has failed to spend two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount in its Board report: Not Applicable

A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company:

We hereby declare that implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and CSR Policy of the Company.

Sunaina Murthy

Director
(DIN: 07865860)

Date : May 2, 2019

Place : Mumbai

B Thiagarajan

Chairman
Corporate Social Responsibility Committee
(DIN: 01790498)

Annexure 3 to Board's Report

SECRETARIAL AUDIT REPORT

To The Members

BLUE STAR LIMITED

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial Record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial Records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the Secretarial Records. We believe that the processes and practices, we followed provided a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, Standards is the responsibility of the Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For M/s N L Bhatia & Associates

Practicing Company Secretaries

UIN: P1996MH055800

Bharat Upadhyay

Partner

FCS: 5436

CP No. 4457

Date : May 2, 2019

Place : Mumbai

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To The Members

BLUE STAR LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Blue Star Limited** (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder;
2. The Companies (Amendment) Act, 2017 and the Rules made thereunder (to the extent notified);
3. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable;
5. KYC & PML Policy on securities formulated in terms of the Prevention of Money Laundering Act, 2005, Rules made there under and Guidelines issued by RBI;
6. The Depositories Act, 1996 and amendments thereof and the Regulations and bye-laws framed thereunder;
7. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 and amendments thereto ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR');
 - b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not applicable to the Company during the Financial Year;**
 - f) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - g) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993;
 - h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not applicable to the Company during the Financial Year;**
 - i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not applicable to the Company during the Financial Year;**

8. Other applicable Laws as per list attached as 'Annexure A' to this report.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and LODR.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. The Company has complied with the Secretarial Standards in respect of the meetings of its members, Board and its committees.

During the Financial year under review, the meeting of Independent Directors was held on March 29, 2019 for Board Evaluation.

All the decisions taken in the Board Meetings were passed unanimously and with the requisite majority in General Meetings.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the period under review:

1. The Company has spent ₹312 lakhs towards CSR expenditure during the Financial Year, as against ₹266 lakhs, which was required to be spent as per Section 135 of the Act.
2. No winding up petition has been filed against the Company, impacting the going concern status.
3. Two complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and subsequently disposed off.
4. The Company has granted financial assistance to its subsidiary companies/ joint ventures by way of loan and corporate guarantees.
5. The Company has subscribed to equity shares of its wholly owned subsidiary, Blue Star International FZCO.
6. The Company has granted short term loan to Blue Star Oman Electro-Mechanical Co LLC, joint venture.
7. The Company has entered into contract with the companies in which Independent Directors Mr Sam Balsara and Mrs Shobana Kamineni are directors on board of such companies, with necessary approvals and compliance with the LODR.
8. Mr Suneel M Advani, Non-Executive Chairman of the Board was due to retire on February 28, 2019 after attaining the age of 75 years as per retirement policy of the Board. The Board extended his tenure up to March 31, 2019 to mark completion of 50 years of his association with the Company.

For M/s N L Bhatia & Associates

Practicing Company Secretaries

UIN: P1996MH055800

Bharat Upadhyay

Partner

FCS: 5436

CP No. 4457

Date : May 2, 2019

Place : Mumbai

'ANNEXURE A'**LIST OF OTHER APPLICABLE LAWS** *(including statutory amendments made thereto or amendments thereof for the time being in force):*

1. Maharashtra Shops and Establishments (Regulation of employment and conditions of service) Act, 2017, Rules thereunder and other State Acts and rules thereunder, including statutory amendments made thereto.
2. Contract Labour (Regulation and Abolition) Act, 1970 and Contract Labour (Regulation and Abolition) Central Rules, 1971 and applicable State Rules.
3. Industrial Employment (Standing Orders) Act, 1946 and Industrial Employment (Standing Orders) Central Rules, 1946 and applicable State Rules.
4. Factories Act, 1948 and applicable State Rules.
5. Foreign Exchange Management Act, 1999 read with notifications, directions and circulars issued by the Reserve Bank of India (RBI).
6. Foreign Trade (Development and Regulation) Act, 1992.
7. Petroleum Act, 1934.
8. Securities and Exchange Board of India Act, 1992.
9. The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Central Rules, 1998, The Building and Other Construction Workers' Welfare Cess Act, 1996 and Cess Rules, 1998 and applicable State Rules.
10. Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957 and applicable State Rules.
11. Apprentices Act, 1961 and Apprentices Rules, 1992.
12. Employee Compensation Act, 1923 and Workmen Compensation Rules, 1924 and applicable State Rules.
13. Employees' State Insurance Act, 1948 and Employees' State Insurance (Central) Rules, 1950 and Employees' State Insurance (General) Regulations, 1950.
14. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Employees' Provident Fund Scheme, 1952 and Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976.
15. Equal Remuneration Act, 1976 and Equal Remuneration Rules, 1976.
16. Maternity Benefit Act, 1961 and applicable State Rules.
17. Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975.
18. Payment of Wages Act, 1936 and Payment of Wages (Nomination) Rules, 2009 and applicable State Rules.
19. Minimum Wages Act, 1948 and Minimum Wages Rules, 1950 and applicable State Rules.
20. Payment of Gratuity Act, 1972 and applicable State Rules.
21. Bombay Labour Welfare Fund Act, 1953 rules thereunder and other State Acts and rules thereunder.
22. Food Safety and Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011.
23. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
24. Information Technology Act, 2000 and Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011.

25. Bureau of Indian Standards Act, 1986 and Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers.
26. Maharashtra Fire Prevention and Life Safety Measures Act, Rules and other applicable States Acts and Rules as applicable.
27. Legal Metrology Act, 2009 and Legal Metrology (Enforcement) Rules, 2011 and applicable State Rules.
28. Explosives Act, 1884 and Gas Cylinder Rule, 2004.
29. Petroleum Act, 1934 and Petroleum Rules, 2002.
30. Electricity Act, 2003 and Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulations, 2010.
31. Energy Conservation Act, 2001.
32. Income Tax Act, 1961, Central Goods and Services Tax Act, 2017, Central Excise Act, 1944 and rules thereunder; State Acts governing Profession Tax, Tax on Trades, Callings and Employments Act and rules thereunder.
33. Environment (Protection) Act, 1986 and Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, Noise Pollution (Regulation and Control) Rules 2000, Environment (Protection) Rules, 1986, E-waste (Management) Rules, 2016, Ozone Depleting Substances (Regulation and Control) Rules, 2000, Bio-Medical Waste Management Rules, 2016, Batteries (Management and Handling) Rules, 2001.
34. Air (Prevention and Control of Pollution) Act, 1981 and Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983 and applicable State Rules.
35. Water (Prevention and Control of Pollution) Act, 1974 and Water (Prevention and Control of Pollution) Rules, 1975 and applicable State Rules.
36. Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003.
37. Bombay Provincial Municipal Corporation Act, 1949.
38. Any other Central and State Acts and rules made thereunder, as may be applicable.