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## BOARD OF DIRECTORS

Ashok M Advani  
*Chairman*

Suneel M Advani  
*Vice Chairman*

Satish Jamdar  
*Managing Director*

Vir S Advani  
*Executive Director &  
President - Electro Mechanical Projects Business*

B Thiagarajan  
*Executive Director &  
President - AC&R Products Business*

Shailesh Haribhakti  
Shobana Kamineni  
Pradeep Mallick  
M K Sharma  
Gurdeep Singh

## COMPANY SECRETARY

Vijay Devadiga (*w.e.f. June 01, 2015*)

## BANKERS

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

## AUDITORS

S R B C & Co LLP, Chartered Accountants

## REGISTRARS & SHARE TRANSFER AGENTS

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

## REGISTERED OFFICE

Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
Tel: +91 22 6665 4000  
Fax: +91 22 6665 4151  
[www.bluestarindia.com](http://www.bluestarindia.com)  
CIN: L28920MH1949PLC006870

## CORPORATE MANAGEMENT

Satish Jamdar  
*Managing Director*

Vir S Advani  
*Executive Director & President - Electro Mechanical Projects Business*

B Thiagarajan  
*Executive Director & President - AC&R Products Business*

R Aravindan  
*Executive Vice President - Electro Mechanical Projects Group*

Neeraj Basur  
*Chief Financial Officer*

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

R G Devnani  
*Executive Vice President - Manufacturing*

Tojo Jose  
*Executive Vice President - Human Resources*

C P Mukundan Menon  
*Executive Vice President - Airconditioning & Refrigeration Products  
Sales Group*

V S Ashok  
*Vice President - Airconditioning & Refrigeration Service Group*

Sujan Chatterjee  
*Vice President - Corporate Financial Services*

V V Lanka  
*Vice President - Large Projects & Industrial Projects*

D H Roy  
*Vice President - Procurement & Supply Chain*

Rajendra Verma  
*Vice President - International Business Group*

# Letter from the Chairman



Ashok M Advani, *Chairman*

## Dear Shareholder,

Last year, after the Lok Sabha elections and formation of the new NDA Government, there were optimistic expectations of major economic reforms which would lead to a revival of GDP growth in the country. While I was also positive about the future, I felt that managing change in our vast country would be hugely challenging and would take time to show tangible results. Therefore, in my annual letter to shareholders a year ago, I had cautiously predicted, "In Blue Star, we are not expecting much acceleration in the next few months, but we hope to see a positive trend before the end of the year."

A year later, the financial results of the Company for 2014-15 are broadly in line with my expectations. The top line showed moderate growth of 10% with Total Income breaking through the ₹3000 crore barrier. Profit before Exceptional Items increased at a similar pace and reached ₹101 crores versus ₹93 crores last year.

Electro Mechanical Projects and Packaged Airconditioning Systems produced flat revenues of ₹1602 crores with the market for new projects showing little sign of revival. Order bookings

declined, and though we had a reasonable order backlog, the pace of project execution and billings remained frustratingly slow due to financial constraints faced by many customers.

The prolonged slump in the projects business has taught us some valuable lessons. We have used this slack period constructively to carefully study the market and identify the more attractive segments to focus on while avoiding areas which are clearly unprofitable. We had earlier revamped weak internal systems and processes, tightened management and financial controls and reduced flab to produce a leaner, more efficient organisation.

We recognise that Blue Star's project business remains highly dependent on macro-economic growth especially construction and industrial activity. There are early signs of revival in the inflow of enquiries. I am hopeful that before the end of this financial year, we will see tangible evidence in the form of new order bookings and project billings. Even though growth may be a gradual process, our improved capabilities give me confidence about the longer-term future of the projects business.

The Packaged Airconditioning sub-segment showed modest results last year due to the economic slowdown. This year, as the economy picks up, we expect a significant boost in revenues aided by the introduction of our new range of VRF models that is about to be launched.

Our star performer last year was undoubtedly Cooling Products which showed commendable revenue growth of 24% and a 55% jump in profit. Within the segment, the room airconditioner business once again gained market share achieving sales growth of 32%, making Blue Star the 5<sup>th</sup> largest player in the Indian market. The business outlook for Cooling Products remains reasonably good in the current year though much depends on the monsoons and macro-economic growth.

There was a clear revival of business performance in Professional Electronics & Industrial Systems (PE&IS). Revenues grew by 18% and Profit by 43%. After-sales Service had another good year and we initiated an international thrust into the Middle East and African markets. The outlook in all these areas is positive.

From a Balance Sheet perspective, the year-end picture depicts a more robust position than the previous year. Better operating performance and effective working capital management resulted in healthy cash flow. Borrowings reduced by ₹115 crores to ₹332 crores and Debt/Equity came down to 0.53 from 0.84 in the previous year.

Turning to a different subject, I would like to explain how Blue Star is reorganising to meet emerging business challenges. Over the years, we have taken up a number of new business activities in different markets and geographies. For operational and legal reasons, these have been set up in two subsidiary companies and several joint ventures. These developments have led to a group structure that has become unnecessarily complex and is not the most effective from a management, cost or tax perspective.

The Board therefore decided last year to restructure the wholly owned subsidiaries in order to simplify, rationalise and integrate operations. Associate and joint venture companies were not part of the reorganisation. The process of corporate restructuring is described in the Directors' Report and essentially consists of two steps. The first step was the transfer of the PE&IS business to one of the subsidiaries, Blue Star Engineering & Electronics Limited, which was completed on March 31, 2015. The second step involving a Scheme of Amalgamation of the two subsidiaries is underway and is expected to become effective in the current financial year.

There are a number of benefits that will arise from this somewhat convoluted legal process. After the Effective Date, the new corporate structure will comprise Blue Star Limited and one wholly owned subsidiary (in addition to joint ventures and associate companies). The parent company will handle the core airconditioning and refrigeration businesses, while the subsidiary, Blue Star Engineering & Electronics Limited will carry on the PE&IS business besides being the owner of several Corporate properties. PE&IS is a distinctly different, healthy and profitable business (currently reported under Segment 3) which we have been running for many years. With markets, technology, customers, employee skill sets and remuneration structure very different from airconditioning and commercial refrigeration, it is logical and beneficial to operate it as a separate corporate entity.

The restructuring exercise and sale of surplus assets last year was accompanied by a significant cleanup of excess costs incurred on some completed legacy projects as well as the impending closure of an old factory. Such non-recurring items of income and costs have been accounted as Exceptional Items because they are not part of the normal business activities.

I will sum up this brief review on a positive note. Your Company had a modestly successful 2014-15 and is well positioned to grow at a faster rate in 2015-16 as the Indian economy picks up momentum.

Mumbai, June 10, 2015

**Ashok M Advani**  
Chairman

# Board of Directors



**Ashok M Advani**, *Chairman*

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

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. He was redesignated as Chairman & Managing Director in 2005 and Executive Chairman in 2009. He relinquished his position as the Executive Chairman in 2012, and continues as the Chairman of the Company.

Ashok is also the Vice Chairman of Blue Star Infotech Ltd. He has been a member of the Local Advisory Board of The Chase Manhattan Bank and a past President of the Bombay Chamber of Commerce and Industry.



**Suneel M Advani**, *Vice Chairman*

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

He joined Blue Star in 1969 as a Management Trainee and moved up steadily by holding responsible positions before he was elevated to the position of President and Vice Chairman in 1984. He was redesignated as Vice Chairman & Managing Director in 2005. He relinquished his position of Managing Director in 2012 and was the Executive Vice Chairman of the Company until March 2014. He continues as Vice Chairman from 2014.

Suneel is also the Chairman & Managing Director of Blue Star Infotech Ltd; Chairman of Blue Star Infotech (UK) Ltd and Blue Star Infotech America, Inc as well as a Director of Blue Star Engineering & Electronics Ltd. Suneel is a past President of the Refrigeration and Airconditioning Manufacturers' Association (RAMA).



**Satish Jamdar**, *Managing Director*

Satish Jamdar is a Mechanical Engineering graduate from IIT Bombay with additional qualifications in Systems Management from NIIT, and Management Studies from UK and USA. He has over four decades of experience in manufacturing, supply chain, general management and IT projects, having worked for Siemens Ltd, BPL-Sanyo Ltd and Alstom Ltd, before joining Blue Star in 1996.

Satish has spearheaded the establishment of Blue Star's modern manufacturing facilities in Dadra, Himachal, Wada and Ahmedabad. He was also responsible for the Service business, International Operations, Corporate Finance and Human Resources. Satish was promoted as Executive Director in 2003, and as Deputy Managing Director in 2007, before taking over as the Managing Director of the Company in 2009. He oversees all the operations and support services of the Company.

Satish is also a Director of Blue Star Engineering & Electronics Ltd. He is a past Chairman of the CII Maharashtra State Council, and is currently Chairman of the CII-Western Region Sub Committee for Ease of Doing Business, as well as a member of the CII National Manufacturing Council.



**Vir S Advani**, *Executive Director & President - Electro Mechanical Projects Business*

Vir S Advani holds a BS degree in Systems Engineering and a BA degree in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Programme on Leadership Development at Harvard Business School.

Vir, after a 2-year working stint in New York, joined Blue Star Infotech Ltd in 2000 and then founded Blue Star Design & Engineering Ltd in 2003, designated as its Chief Executive Officer. In 2007, he moved to Blue Star as Vice President - Corporate Affairs, where he made valuable contributions in a profit improvement programme as well as in electro mechanical projects. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director in 2010. Vir currently oversees the Electro Mechanical Projects business, the International Business Group, Corporate Planning and Investor Relations, apart from Blue Star Engineering & Electronics Ltd.

Vir is a Director of Blue Star Design & Engineering Ltd, Blue Star Engineering & Electronics Ltd and J T Advani Finance Pvt Ltd. He is also Chairman of the HVAC Contractors' Sub-Committee of RAMA.

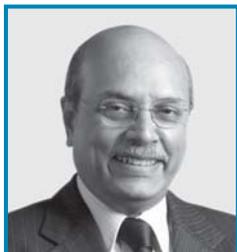


**B Thiagarajan**, *Executive Director & President - AC&R Products Business*

B Thiagarajan is a Bachelor of Engineering in Electrical and Electronics from Madurai University. He has also completed the Senior Executive Program of London Business School. He has over three decades of experience, having worked for reputed companies such as Larsen & Toubro Ltd, BPL Systems Ltd and Voltas Ltd, prior to joining Blue Star in 1998.

Thiagarajan has handled various assignments in the Service business, Corporate Communications & Marketing and Corporate Affairs & Planning before he was promoted as President - AC&R Products Group in 2009. Under his leadership, the AC&R products business of the Company grew significantly. In 2013, Thiagarajan was elevated as Executive Director & President - AC&R Products Business and currently oversees Manufacturing, Marketing, Supply Chain and Service operations pertaining to AC&R Products business; Corporate Communications & Marketing and Public Relations.

Thiagarajan plays an active role in various industry forums and is the past President of RAMA. He has been driving the Cold Chain Infrastructure Development for several years. He is a nominated Member of the CII National Council, Chairperson of the CII National Committee on State Level Co-ordination in Agriculture, Member of National Agriculture Council and represents Blue Star in the Southern Regional Council of CII.



**Shailesh Haribhakti**, *Director*

Shailesh Haribhakti is a Chartered and Cost Accountant, and a Certified Internal Auditor, Financial Planner & Fraud Examiner. During a career span of four decades, he has successfully established and led many innovative services. His current passions involve outsourcing of knowledge processes, engaged investing as well as efficiency and effectiveness enhancement in social, commercial and Governmental organisations. He strongly believes in 'shared value' creation, good public and corporate governance as well as in promoting a green environment. Shailesh actively promotes these causes, and contributes towards their evolution by participating in the process of framing regulations and standards. He is the President of Rotary Club of Bombay for the year 2014-2015.

Shailesh joined the Board of Blue Star in 2005 and in addition, is also on the Boards of several leading companies.



**Shobana Kamineni**, *Director*

Shobana Kamineni holds a Bachelors Degree in Economics and has an Accelerated Diploma in Hospital Administration from Columbia University, New York. As a member of the founding family of the Apollo Hospital Group, she has been instrumental in catalysing several of the Group's ambitious projects, right from their earlier days.

Shobana spearheads Apollo Pharmacy - India's largest pharma retailer. In 2008, she was at the helm of Apollo's foray into Health insurance in collaboration with Munich Re, named Apollo Munich Health Insurance. Shobana has also nurtured Apollo Health Education and Research Foundation's emergence as a milestone institution.

Shobana joined the Board of Blue Star in May 2014. She is the Vice Chairperson of the KEI Group and also serves as an Advisor to CISCO India's External Board. As an active member of CII, Shobana is a past Chairperson of CII - Southern Region, Chairperson of CII-AP and a past Chairperson of CII National Committees on Entrepreneurship and Public Health. Shobana is the Governing Council Member of the Overseas Indian Facilitation Centre (OIFC). Shobana has been nominated as Member of the Executive Council and Finance Committee of the Osmania University, Hyderabad and is on the Advisory Council of NCC.



**Pradeep Mallick**, *Director*

Pradeep Mallick is a B Tech from IIT Madras and a Diploma holder in Business Management from UK. He is also a Chartered Engineer and Fellow of the Institution of Engineering & Technology, London. Pradeep received the Distinguished Alumnus Award from IIT Madras. He joined the Board of Blue Star in 2003.

Pradeep was the Managing Director of Wartsila India Ltd from 1988 to 2003, prior to which he worked with several leading companies in the field of electrical power transmission and distribution. He was conferred Knight First Class of the Order of the White Rose of Finland by the President of Finland.

Pradeep is also on the Boards of several other leading companies including Automotive Stampings & Assemblies Ltd, Foseco India Ltd and Gujarat Pipavav Port Ltd. In addition, he is associated with Industry Associations such as CII, Bombay Chamber of Commerce and Industry, and social organisations like Population First.



**M K Sharma**, *Director*

M K Sharma holds Bachelors Degrees in Arts and Law, and Post Graduate Diplomas in Personnel Management and Labour Laws. He has also attended the Advanced Management Programme at Harvard Business School.

M K Sharma joined Hindustan Lever Ltd in 1974 and retired as its Vice Chairman in 2007, including serving 12 years on its Board. He has rich experience in mergers and acquisitions, corporate restructuring and law. He has also served as a member of Corporate Law Committee formed by the Ministry of Corporate Affairs and Naresh Chandra Committee on Corporate Governance.

M K Sharma joined the Board of Blue Star in 2013. He is on the Boards of several companies including Wipro Ltd, Asian Paints Ltd, United Spirits Limited, ICICI Lombard General Insurance Company Ltd and Thomas Cook India Ltd, amongst others. He is also actively involved in several industry associations and respected academic institutions.



**Gurdeep Singh**, *Director*

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

Gurdeep returned to Hindustan Lever Ltd in 1998 as Director - Human Resources, Corporate Affairs and Technology, and retired from the Company in 2003. He joined the Board of Blue Star in 2003. He is also on the Boards of several leading companies including Pheonix Lamps Ltd, Technova India Ltd and Gateway Rail Freight Ltd.

# Directors' Report

The Directors are pleased to present the 67<sup>th</sup> Annual Report and the Audited Financial Statement for the year ended March 31, 2015, together with the Auditors' Report thereon.

## FINANCIAL SUMMARY (STANDALONE)

(₹ in crores)

	April 2014 - March 2015	April 2013 - March 2014
Total Income	3090.94	2815.93
Profit before Interest, Depreciation, Amortisation, Taxation and Exceptional Items	183.73	177.09
Financing costs	43.47	49.64
Depreciation and Amortisation	39.34	34.69
<b>Profit before tax and exceptional items</b>	<b>100.92</b>	<b>92.76</b>
Exceptional income/(expenses)	41.90	(16.86)
<b>Profit after exceptional items before tax</b>	<b>142.82</b>	<b>75.90</b>
Taxes (benefit)	(9.71)	-
<b>Profit after tax</b>	<b>152.53</b>	<b>75.90</b>
<b>Add:</b> Balance brought forward	222.46	194.84
<b>Less:</b> Adjustment to WDV of assets fully depreciated pursuant to Sch II of Companies Act, 2013	2.91	-
Total available for appropriation	372.08	270.74
<b>Less:</b> Transfer to General Reserve	15.25	7.60
Proposed Dividend	44.97	35.97
Corporate Dividend Tax	9.16	4.71
<b>Balance carried forward</b>	<b>302.70</b>	<b>222.46</b>

## DIVIDEND

Your Directors recommend a dividend of ₹5 per equity share of ₹2 each for the year ended March 31, 2015. The Company proposes to transfer an amount of ₹15.25 crores to General Reserve. The Dividend payout would aggregate to ₹54.13 crores, including Corporate Dividend Tax.

## OPERATING PERFORMANCE

Total Revenue of the Company increased by 10% to ₹3090.94 crores during the year under review. Better control of input costs and expenses enabled Profit from operations before Other Income, Financing Costs and Exceptional Items to go up by 16% to ₹134.25 crores from ₹115.99 crores in the previous year.

Segment-wise performance showed a mixed picture. Revenue from Electro Mechanical Projects and Packaged Airconditioning Systems remained virtually stagnant at ₹1602.41 crores due to prolonged sluggishness in the projects business. This led to a decline in the Segment Result to ₹64.71 crores.

The decline was more than made up by 24% growth in revenue in Cooling Products from ₹1076.81 crores to ₹1331.72 crores. Cooling Products' results climbed by 55% from ₹94.77 crores to ₹146.83 crores, which is a significant achievement.

Professional Electronics and Industrial Systems' revenues grew by 18% from ₹124.04 crores to ₹146.66 crores, while results increased from ₹21.75 crores to ₹31.20 crores, a growth of 43%.

## FINANCING COSTS

Financing costs for the year were ₹43.47 crores as compared to ₹49.64 crores due to lower borrowings, led by better operating performance and efficient cash flow management.

## PERFORMANCE/FINANCIAL POSITION OF SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE COMPANIES

### Subsidiary companies:

As on March 31, 2015, Blue Star Limited has two wholly owned subsidiaries; namely, Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited) and Blue Star Design & Engineering Limited.

#### a) Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited)

During the year under review, as a part of the corporate restructuring exercise, the name of this subsidiary was changed from Blue Star Electro-Mechanical Limited to Blue Star Engineering & Electronics Limited, pursuant to approval granted by the Ministry of Corporate Affairs, vide fresh certificate of incorporation dated February 27, 2015.

Total revenue of this subsidiary was ₹36.02 crores as against its previous year's revenue of ₹69.20 crores. It has incurred a net loss of ₹18.48 crores for the year under review as against the net loss of ₹13.27 crores in the previous year.

#### b) Blue Star Design & Engineering Limited

Total revenue of this subsidiary was ₹6.06 crores as against previous year's revenue of ₹24.92 crores. It has suffered a loss of ₹3.53 crores for the year under review as against a net profit of ₹15.95 crores in the previous year.

The Company shall provide a copy of the annual accounts of these subsidiary companies to the members on their request in writing. The annual accounts of these subsidiary companies will also be kept open for inspection by any members at the registered office of the Company and also at the registered offices of the respective subsidiary companies during business hours.

### Joint Venture Companies:

#### a) Blue Star M & E Engineering (Sdn) Bhd

This company is principally engaged in the field of mechanical, electrical and plumbing contracting, which include operation and maintenance of heating, ventilation and airconditioning systems. There have been no significant changes in the nature of its activities during the financial year.

The income for the year ended March 31, 2015 was ₹52.59 crores as compared to ₹80.35 crores in the previous financial year. Net profit after tax for the year ended March 31, 2015 was ₹2.99 crores as compared to ₹3.83 crores in the previous year.

#### b) Blue Star Qatar (WLL)

This company is principally engaged in the business of designing, engineering, installation, maintenance and trading of mechanical, electrical and plumbing contracts, and all works relating to heating, ventilation and airconditioning systems.

The income for the year ended March 31, 2015 was ₹87.62 crores as compared to ₹79.63 crores in the previous financial year. Net profit after tax for the year ended March 31, 2015 was ₹3.90 crores as compared to ₹3.62 crores in the previous year.

### Associate Company:

#### Blue Star Infotech Limited

During the year ended March 31, 2015, the total revenue of Blue Star Infotech Ltd was ₹270.64 crores, as against previous year's revenue of ₹276.57 crores. Profit for the year under review was ₹18.16 crores as against profit of ₹14.87 crores in the previous year.

## CORPORATE RESTRUCTURING

### Transfer of Professional Electronics and Industrial Systems Undertaking to Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited)

The Company obtained approval of the members by way of a postal ballot on March 11, 2015 for the sale and transfer of its Professional Electronics and Industrial Systems undertaking to its wholly owned subsidiary, Blue Star Engineering & Electronics Limited at a fair price of ₹110.50 crores, against consideration of issue and allotment of its equity shares by Blue Star Engineering & Electronics Limited to the Company. Subsequently, a Business Purchase Agreement dated March 13, 2015 was duly executed in this regard, in terms of which the transfer of the said undertaking was consummated on

March 31, 2015, upon issue and allotment of 2,84,50,052 fully paid up equity shares of ₹2 each at a premium of ₹36.84 per share by Blue Star Engineering & Electronics Limited to the Company.

### **Scheme of Amalgamation of Blue Star Design & Engineering Limited with Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited)**

On March 5, 2015, Blue Star Engineering & Electronics Limited filed a Scheme with the Hon'ble Bombay High Court, for amalgamation of Blue Star Design & Engineering Limited with itself. The Appointed Date of the said Scheme is February 1, 2015 and would become effective from the date on which Blue Star Engineering & Electronics Limited files the order of the Hon'ble Bombay High Court, approving the said Scheme with the Ministry of Corporate Affairs. This amalgamation will consolidate and simplify the Company's investment structure and strengthen the financial position of the subsidiaries. It is also expected to provide an optimum integration of operations and generate operational synergies.

## **CONSOLIDATED RESULTS**

As required under Clause 32 of the Listing Agreement and Section 129 of the Companies Act, 2013 ('hereinafter referred to as the Act'), the Consolidated Financial Statement has been prepared by the Company in accordance with the applicable Accounting Standards, which forms part of this Annual Report. A statement containing the salient features of the Financial Statement of the subsidiaries, joint ventures and associate companies in Form AOC-1, as required under Rule 5 of the Companies (Accounts) Rules, 2014, also forms part of the Consolidated Financial Statement.

The Consolidated Financial Statement for the year reflects a total income of ₹3,190.43 crores as compared to ₹2,952.13 crores for the previous year. The Company has clocked a consolidated net profit of ₹54.18 crores as compared to ₹77.54 crores in the previous year.

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company incurred a total expenditure of ₹40.74 crores on research and development for the year as against ₹32.21 crores in the previous year.

During the year, the Company clocked an increase in its foreign exchange earnings from export of its products, commission and other income, aggregating to ₹197.15 crores as against ₹181.43 crores in the previous year. There was a corresponding increase in foreign exchange outflow, which stood at ₹861.14 crores as compared to ₹737.26 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.

## **DIRECTORS**

### **a) Directors and Key Managerial Personnel (KMP):**

In accordance with the provisions of Section 203 of the Act, the following have been designated as KMP of the Company:

<b>Name of KMP</b>	<b>Designation</b>
Mr Satish Jamdar	Managing Director
Mr Vir S Advani	Executive Director
Mr B Thiagarajan	Executive Director
Mr Manek Kalyaniwala (April 1, 2014 till July 31, 2014)	Chief Financial Officer
Mr Neeraj Basur (w.e.f. August 1, 2014)	Chief Financial Officer
Mr Sangameshwar Iyer (up to May 31, 2015)	Company Secretary

Mr Ashok M Advani, Director of the Company, who is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The Board at its meeting held on May 29, 2015, re-appointed Mr Vir S Advani as a Wholetime Director, designated as Executive Director of the Company for a period of 5 years w.e.f. July 1, 2015, subject to approval of the members of the Company. The terms and conditions of his re-appointment and remuneration have been provided in the Notice convening the 67<sup>th</sup> Annual General Meeting.

**b) Declaration by Independent Directors**

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Act that they meet with the criteria of their independence laid down in Section 149(6) of the Act read with Clause 49 of the Listing Agreement.

**c) Formal Annual Evaluation**

Pursuant to the provisions of Section 178 of the Act, read with Clause 49 of the Listing Agreement, the Board of Directors has 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 performance evaluation of the Chairman and other Non-Independent Non-Executive Directors was carried out by obtaining feedback on them from the entire Board. This was later finalised at the meeting of the Independent Directors held on March 17, 2015.

**MEETINGS OF BOARD OF DIRECTORS**

There were 8 meetings of Board of Directors during the year under review; i.e. on April 28, 2014; May 30, 2014; July 28, 2014; July 29, 2014; October 9, 2014; October 21, 2014; January 21, 2015 and February 13, 2015. The gap between these meetings was within the period prescribed under the Act and Clause 49 of the Listing Agreement.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to clause (c) of sub-Section (3) of Section 134 of the Act, the Directors would like to state that:

- (a) in the preparation of the annual accounts for financial year ended March 31, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the Directors 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, 2015 and of the profit of the Company for that period;
- (c) 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 preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts for the year ended March 31, 2015, on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**STATUTORY AUDITORS**

M/s S R B C & Co LLP, Chartered Accountants (Regn. No. 324982E) were appointed as the Statutory Auditors of the Company at the last Annual General Meeting held on July 28, 2014 to hold office for a term of five years, i.e. till the conclusion of the Annual General Meeting to be held for the financial year 2018-19, subject to ratification of their appointment at every Annual General Meeting during the said term. The Board of Directors of the Company at its meeting held on May 29, 2015 has recommended ratification of appointment of M/s S R B C & Co LLP as the Statutory Auditors of the Company for financial year 2015-2016 by the members at the ensuing Annual General Meeting.

The Company has received a letter from M/s S R B C & Co LLP, Chartered Accountants, to the effect that ratification of their appointment, if made, would be in accordance with the relevant provisions of Chapter X of the Act, read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

### AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr Shailesh Haribhakti, Mr Pradeep Mallick, Mr M K Sharma and Mr Vir S Advani. Mr Shailesh Haribhakti is the Chairman of the Committee.

The composition of the Audit Committee is in compliance with the requirements of Section 177 of the Act and Clause 49 of the Listing Agreement. The charter of the committee is in conformity with the Act and the Listing Agreement as more particularly set out in the Corporate Governance Report, which forms a part of this report.

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

### VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

Pursuant to the provisions of sub-sections 9 and 10 of Section 177 of the Act and as per Clause 49 of the Listing Agreement, the Company has established a Vigil Mechanism to enable the Directors and employees of the Company to report concerns of any unethical behaviour, violation of law or regulations, or suspected fraud. In this regard, the Company has formulated a Whistle Blower Policy, which is uploaded on the website of the Company. An Ethics Committee has been constituted comprising the Chief Financial Officer, HR head and Company Secretary (Ethics Officer) to administer this Policy. This Policy has adequate safeguards against victimisation of the whistle blower and ensures protection of the whistle blower's identity. In addition, as part of the vigil mechanism framework, an independent internal audit mechanism has also been put in place to review and report instances of non compliances with laws, regulations and policies to the Audit Committee. The Company has adopted a Code of Conduct which is uploaded on the website of the Company.

### INTERNAL FINANCIAL CONTROLS

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. In order to enhance controls and governance standards, the Company has adopted COSO 2013 framework to ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance. In addition, the Internal Audit function monitors and evaluates the efficacy and adequacy of the internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations. Periodical reports on the same are also presented to the Audit Committee.

### 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 Financial Statement.

### CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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. All the related party transactions are pre-approved by the Audit Committee. In view of this, disclosure in form AOC-2 has not been provided as the same is not applicable to the Company. A policy governing the related party transactions has been adopted and the same has been uploaded on the Company's website.

### RISK MANAGEMENT

As required under Clause 49 of the Listing Agreement, the Company has constituted a Risk Committee comprising Mr Satish Jamdar, Mr Vir S Advani, Mr B Thiagarajan and Mr Neeraj Basur. Mr Satish Jamdar is the Chairman of this Committee.

The Committee has adopted a formal charter outlining its terms of reference. The Committee also oversees and monitors effectiveness of the implementation of various elements of the risk management framework across the Company.

The Company has also set up a core risk management team comprising its senior management. As a part of the enterprise-wide risk management initiative, a process and framework has been established that involves identification of key risks significant to the Company, assigning appropriate risk rating, formulating adequate mitigation plans and institutionalising implementation of these action plans to manage and mitigate all the identified risks.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of Directors has constituted a CSR Committee comprising Mr Suneel M Advani, Mr Satish Jamdar, Mr B Thiagarajan and Ms Shobana Kamineni. Mr Suneel M Advani is the Chairman of this Committee.

The Company intends to undertake projects in accordance with Schedule VII of the Act, as a part of its initiatives under CSR. In this regard, the Board has approved a CSR policy for implementation by the Committee.

The Company was required to spend a sum of ₹26 lakhs by March 31, 2015 towards activities as stipulated under Schedule VII of the Act. As the Committee is in the process of identifying appropriate NGO partners for execution of identified projects, the Company did not incur the said expenditure during the financial year ended March 31, 2015.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Mr Gurdeep Singh, Mr Ashok M Advani, Mr Suneel M Advani and Mr Pradeep Mallick. Mr Gurdeep Singh is the Chairman of this Committee.

The Committee is constituted in line with the regulatory requirements mandated by the Act and Clause 49 of the Listing Agreement. The terms of reference thereof are in conformity with the said requirements, as more particularly set out in the Corporate Governance Report, which forms a part of this report.

## 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 is given below:

i.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Mr Satish Jamdar	41x	
		Mr Vir S Advani	25x	
		Mr B Thiagarajan	27x	
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	Mr Satish Jamdar	No increase	
		Mr Vir S Advani	No increase	
		Mr B Thiagarajan	3.44%	
		Mr Manek Kalyaniwala # (retired w.e.f. July 2014)	5.36%	
		Mr Sangameshwar Iyer	9.50%	
iii.	The percentage increase in the median remuneration of employees in the financial year	9.23%		
iv.	The number of permanent employees on the rolls of the Company	2508		
v.	The explanation on the relationship between average increase in remuneration and Company performance	Increments are based on the individual employee performance, market benchmarking of salary and net profit of the Company.		
vi.	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company	Total remuneration paid to the Key Managerial Personnel constituted 5% of the net profit of the Company for the financial year 2014-15.		
vii.	Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company, in comparison to the rate at which the Company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the Company as at the close of the current financial year and previous financial year		2014-15	2013-14
		Market Capitalisation (₹ in crores)	2768.23	1810.41
		PE ratio	18.15	23.85
		In the recent past, the Company has not made any public offer.		

viii.	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	11.39% (Adjusted for headcount changes) The average increase given in FY 2014-15 was based on the outcome of the compensation and benefits benchmarking survey initiated by the Company, 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 increase to managerial personnel	NA
ix.	Comparison of the remuneration of each Key Managerial Personnel against the performance of the Company	Mr Satish Jamdar	1.71% of net profit
		Mr Vir S Advani	1.03% of net profit
		Mr B Thiagarajan	1.14% of net profit
		Mr Manek Kalyaniwala (from April to July 2014*)	0.29% of net profit
		Mr Neeraj Basur (appointed w.e.f. August 2014)	0.60% of net profit
		Mr Sangameshwar Iyer	0.23% of net profit
x.	The key parameters for any variable component of remuneration availed by the Directors	The Nomination and Remuneration Committee evaluates the performance of the Directors against the key result areas determined by it and recommends payment of commission to the Directors.	
xi.	The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year	NA	
xii.	Affirmation that the remuneration is as per the Remuneration Policy of the Company	Affirmed	

#Since Mr Manek Kalyaniwala retired w.e.f. July 2014, the increment given to him was a special increment.

\*Mr Manek Kalyaniwala retired on July 31, 2014. The amount paid to him is inclusive of his retirement benefits.

## PARTICULARS OF EMPLOYEES

Particulars of employees as required under 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are required to be annexed to the Directors' Report. In accordance with the provisions of Section 136 of the Act, 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 such particulars may write to the Company Secretary at the Registered Office of the Company.

## EMPLOYEE STOCK OPTIONS

The Board has an ESOP Compensation Committee comprising the following members; Mr Gurdeep Singh, Mr Shailesh Haribhakti and Mr Vir S Advani. Mr Gurdeep Singh is the Chairman of this Committee.

The Committee granted 14,95,000 options on June 6, 2014 and 42,000 options on February 13, 2015 during the financial year under review.

The details as required as per Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014 and as per SEBI requirements have been provided as per Annexure 2 to this Report.

### SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Act, read with the Rules therein, the Secretarial Audit Report given by M/s N L Bhatia & Associates, Practicing Company Secretaries has been provided as per Annexure 3 to this Report.

### EXTRACT OF THE 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, an extract of annual return in Form MGT-9 has been provided as per Annexure 4 to this Report.

### DEPOSITS

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

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement, is annexed to this Report.

### CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of Corporate Governance and adhering to the disclosure norms as set out by Securities and Exchange Board of India. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 has been annexed with this report.

### MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been 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.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There have been no significant and material orders passed by any regulators or courts or tribunals, impacting the going concern status of the Company and its future operations.

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

The Company has in place an Anti Sexual Harassment Policy, in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has set up an Internal Complaints Committee to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy. The Company organises workshops and awareness programmes at regular intervals for sensitising the employees with the provisions of the Act.

During the year under review, the Company did not receive any complaint.

### ACKNOWLEDGMENTS

The Directors take this opportunity to express their deep and sincere gratitude to the customers of the Company for their confidence and patronage, as well as to the Government of India and other regulatory authorities for their co-operation, support and guidance. The Directors would like to express a profound sense of appreciation for the commitment shown by the employees in supporting the Company in its continued robust performance on all fronts.

For and on behalf of the Board of Directors

**Ashok M Advani**  
Chairman

Mumbai, May 29, 2015

# Annexure 1 to Directors' Report

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

### **CONSERVATION OF ENERGY**

#### **Energy conservation measures taken:**

The Company believes that energy provides the means for economic growth as well as social and political development. Hence, it is important to conserve and use energy judiciously. Even though energy does not constitute a major cost factor in the Company's manufacturing facilities, several initiatives were undertaken to reduce energy consumption, during the year under review. The Company has a certified energy conservation audit team which also helps customers in identifying and addressing their energy conservation plans.

#### **Himachal Plants**

- AC drives have been installed on vacuum pumps for assembly lines to increase the vacuum capacity from 500 LPM to 600 LPM. With this implementation along with capacity increase, it helped the plant to improve power factor, smooth start, less power consumption and MDI control.
- An energy management system was installed in utility sections to monitor and reduce energy consumption, improve the utilisation of the system, increase reliability and predict electrical system performance as well as optimise energy usage to reduce costs.
- Replacement of conventional tube lights with LED lights was initiated in both facilities, which would reduce global warming potential and save energy. Separate control switch for individual work stations for lights and fans have been fixed to prevent wastage of electricity.
- Daylight in the sheds increased by replacing old transparent sheets with skylight sheets, helped in major energy savings on assembly lines. Old switchgear has been replaced with new, innovative switchgear to reduce the pole losses.

#### **Ahmedabad Plant**

- Replaced the electrical motors with a hydraulic system in material handling equipment used for pick and place movement of product during the assembly process, which has reduced electrical energy consumption by 50%.
- Installation of timers on product testing line for auto switch-off of the product after the defined testing time is over, which would save electrical energy.
- Replaced metal halide lights with LED lights at a few work stations, which consumes 50% electrical energy.
- Replaced electrically operated product lifter equipment with pneumatic arrangement to eliminate electrical energy consumption of two electric motors.
- Modified transmission mechanism of testing conveyor for improved efficiency and reduction in electrical energy consumption.

#### **Wada Plant**

- Monitoring the controlling system to maintain the power factor near to unity.
- Reviewed hydraulic power pack application and replaced the 5 HP motors with 3 HP motors.
- Spare CFM of 50 HP/273 CFM recipe compressor was used for nitrogen generation plant instead of 100 HP independent compressor.
- Modified the low pressure compressed air pipe line, and started catering the air supply in second shift operation from 25 HP/100 CFM instead of 100 HP/393 CFM compressor.
- 50 HP motors for cold room foaming machine procured with drive control system instead of starter controller.
- Use of soft starter for ventilator motors instead of star delta starters.

**Thane Plant**

- Monitoring of the LP and HP compressors is stopped from 12 noon to 12.45 pm.
- Monitoring of the controlling system to maintain the power factor near to unity.
- During the financial year under review, this plant has been operated for 5 days a week for 5 months. This has resulted in power savings of approximately 8000 units/month.

**Dadra Plant**

- Replaced KOD/de-greasing chemical, Ridoline 1352BA, for which the temperature requirement was 50-60°C with Ridoline 4045 requiring temperature of 40-45°C, thereby ensuring a saving of ₹9.5 lakhs in diesel consumption during the year under review.
- Optimised airconditioning temperature in the paint booth, which resulted in a saving of ₹2.5 lakhs per year.
- Replaced KOD/de-greasing pump with higher energy-efficient pump, thereby saving 90,000 KWH per annum.
- Continuous monitoring of air leaks and corrections.

**TECHNOLOGY ABSORPTION****a) Efforts made towards technology absorption:**

Efforts have been continued in strengthening the research & development facilities, specifically in electronics, since controller and inverter technologies are important. This has helped in the development of a comprehensive range of products, complying with the legislative requirements, in line with the market needs. This has also enabled widening the export opportunities, import substitution and adaptation of imported technology to suit the Indian market. Technology training was also imparted to the technical staff as an ongoing process.

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

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

**c) Information regarding imported technology (Imported during last three years):**

Falling film technology was imported during the financial year 2013-2014.

**d) Expenditure incurred on Research & Development (R&D):**

	(₹ in crores)	
	2014-15	2013-14
(a) Capital	12.65	7.48
(b) Revenue	28.09	24.73
Total	40.74	32.21
Total R&D expenditure as a percentage of total turnover	1.32%	1.14%

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

These have been discussed in detail in the Management Discussion and Analysis section of the Annual Report.

**b) Total foreign exchange used and earned:**

	(₹ in crores)	
	2014-15	2013-14
Total foreign exchange used	861.14	737.26
Total foreign exchange earned	197.15	181.43

# Annexure 2 to Directors' Report

## BLUE STAR EMPLOYEE STOCK OPTION PLAN 2013

	Particulars	Grant I (June 6, 2014)	Grant II (Feb 13, 2015)	Total
(a)	Options Granted (Both Grants were in 2014-15)	1495000	42000	1537000
(b)	Pricing formula	Market Price	Market Price	
(c)	Options vested during the year	Nil	Nil	Nil
(d)	Options exercised during the year	Nil	Nil	Nil
(e)	Total number of shares, arising as a result of exercise of options	Nil	Nil	Nil
(f)	Options lapsed during the year	130000	Nil	130000
(g)	Variation of terms of options during the year	NA	NA	
(h)	Money realised by exercise of options	Nil	Nil	Nil
(i)	Total number of options in force as at March 31, 2015	1365000	42000	1407000
(j)	Employee-wise details of options granted to			
<b>1</b>	<b>Senior Management Personnel (Executive Committee)</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Total</b>
	Satish Jamdar, Managing Director	300000	-	300000
	B Thiagarajan, Executive Director & President - AC&R Products Business	200000	-	200000
	C P Mukundan Menon, Executive Vice President - Airconditioning & Refrigeration Products Sales Group	90000	-	90000
	J M Bhambure, Executive Vice President - R&D and Technology	80000	-	80000
	Tojo Jose, Executive Vice President - Human Resources	80000	-	80000
	R Aravindan, Executive Vice President - Electro Mechanical Projects Group	50000	-	50000
	R G Devnani, Executive Vice President - Manufacturing	50000	-	50000
<b>2</b>	<b>Employees to whom more than 5% options granted during the year</b>	<b>No. of Options</b>	<b>No. of Options</b>	<b>Total</b>
	Satish Jamdar, Managing Director	300000	-	300000
	B Thiagarajan, Executive Director & President - AC&R Products Business	200000	-	200000
	C P Mukundan Menon, Executive Vice President - Airconditioning & Refrigeration Products Sales Group	90000	-	90000
	J M Bhambure, Executive Vice President - R&D and Technology	80000	-	80000
	Tojo Jose, Executive Vice President - Human Resources	80000	-	80000

## Annexure 2 to Directors' Report

	Particulars	Grant I (June 6, 2014)	Grant II (Feb 13, 2015)	Total
<b>3</b>	<b>Employees to whom options more than 1% of issued capital granted during the year</b>	Nil	Nil	Nil
(k)	Diluted EPS, pursuant to issue of shares on exercise of options			16.92
(l)				
1	Method of calculation of employee compensation cost	Calculation is based on intrinsic value method.		
2	Difference between the above and employee compensation cost that shall have been recognised if it had used the fair value of the options	Employee compensation costs would have been higher by ₹5.09 crores during the year, had the Company used fair value method for accounting the options issued under ESOS.		
3	Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by ₹5.09 crores and EPS would have been lower by ₹0.56 during the year, had the Company used fair value method of accounting the options issued under ESOS.		
(m)				
1	Weighted average exercise price	₹290.05	₹320.70	
2	Weighted average fair value of options based on Black Scholes methodology	₹94.17	₹85.66	
(n)	Significant assumptions used to estimate fair value of options, including weighted average			
1	Risk free interest rate	8.51%	7.70%	
2	Expected life	Expected to be exercised within 6 months from Vesting.		
3	Expected volatility	38%	35%	
4	Expected dividends	Not separately included, factored in the volatility working.		
5	Closing market price of share on a date, prior to date of grant	₹290.05	₹320.70	

# Annexure 3 to Directors' Report

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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 provide 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 N L Bhatia & Associates**

UIN: S1996MH016600

**Bharat Upadhyay**

(Partner)

FCS No.5436

**CP No. 4457**

**SECRETARIAL AUDIT REPORT**  
**FORM NO. MR-3**  
**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2015**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 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 with 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, minute books, forms and returns filed and other records maintained by the Company, and also the information provided by the Company, its officers, agents and authorised 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, 2015 complied with the statutory provisions listed hereunder. 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, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2015 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder.
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder.
3. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
4. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 - **Not applicable to the Company during the year.**
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - **Not applicable to the Company during the year**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - **Not applicable to the Company during the year.**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable to the Company during the year.**

**Other Laws applicable to the Company:**

List of other applicable Laws has been attached as Annexure A to this Report.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India, to the extent adopted by the Company, as same was voluntary during the financial year.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above, subject to the following observations:-

***The Company has not spent 2% of its average net profits by March 31, 2015 as part of its commitment to Corporate Social Responsibility under Section 135 of the Companies Act, 2013.***

**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.

Adequate notice is given to all Directors to schedule the Board Meetings at least seven days in advance, and the agenda and detailed notes on agenda were sent three/four days in advance subsequently, 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.

**All the decisions at the Board Meetings were passed unanimously and with requisite majority in General Meeting.**

**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.

**List of other applicable Laws has been attached as Annexure A to this Report.**

**We further report that** during the audit period, the Company has by virtue of a Postal Ballot resolution dated March 11, 2015, members' approval was sought for the sale and transfer of the Professional Electronics and Industrial Systems Business of the Company to its wholly owned subsidiary Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited) for a consideration of ₹110,50,00,000.

The Company has an ESOP Scheme in place. During the year under review, the Company has granted 14,95,000 options on June 6, 2014 and 42,000 options on February 13, 2015.

**Place: Mumbai**  
**Date: May 21, 2015**

**For N L Bhatia & Associates**  
UIN: S1996MH016600

**Bharat Upadhyay**  
(Partner)  
FCS No.5436  
CP No.4457

**ANNEXURE A****LIST OF OTHER APPLICABLE LAWS FORMING PART OF THE SECRETARIAL AUDIT REPORT OF BLUE STAR LIMITED FOR THE FINANCIAL YEAR 2014-15 i.e. 01/04/2014 to 31/03/2015:**

1. Bombay Shop and Establishment Act, 1948; rules thereunder and other State Acts and rules thereunder
2. Contract Labour (Regulation and Abolition) Act, 1970; Contract Labour (Regulation and Abolition) Central Rules, 1971 and applicable State Rules
3. Industrial Employment (Standing Orders) Act, 1946; Industrial Employment (Standing Orders) Central Rules, 1946 and applicable State Rules
4. Factories Act, 1948 and applicable State Rules
5. 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; Cess Rules, 1998 and applicable State Rules
6. Industrial Disputes Act, 1947; Industrial Disputes (Central) Rules, 1957 and applicable State Rules
7. Apprentices Act, 1961 and Apprentices Rules, 1992
8. Employee Compensation Act, 1923; Workmen Compensation Rules, 1924 and applicable State Rules
9. Employees' State Insurance Act, 1948; Employees' State Insurance (Central) Rules, 1950 and Employees' State Insurance (General) Regulations, 1950
10. Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Employees' Provident Fund Scheme, 1952; Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976
11. Equal Remuneration Act, 1976 and Equal Remuneration Rules, 1976
12. Maternity Benefit Act, 1961 and applicable State Rules
13. Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975
14. Payment of Wages Act, 1936; Payment of Wages (Nomination) Rules, 2009 and applicable State Rules
15. Minimum Wages Act, 1948; Minimum Wages Rules, 1950 and applicable State Rules
16. Payment of Gratuity Act, 1972 and applicable State Rules
17. Bombay Labour Welfare Fund Act, 1953; rules thereunder and other State Acts and rules thereunder
18. Food Safety and Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011
19. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013
20. Information Technology Act, 2000 and Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011
21. Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers
22. Bureau of Indian Standards Act, 1986 and Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers

23. Legal Metrology Act, 2009; Legal Metrology (Enforcement) Rules, 2011 and applicable State Rules
24. Explosives Act, 1884 and Gas Cylinder Rule, 2004
25. Petroleum Act, 1934 and Petroleum Rules, 2002
26. Electricity Act, 2003 and Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulations, 2010
27. Income Tax Act, 1961; Wealth Tax Act, 1957; Finance Act, 1994 (as amended from time to time); Service Tax Rules, 1994; Central Sales Tax Act, 1956; Central Excise Act, 1944 and rules thereunder; Maharashtra Value Added Tax Act, 2002 and other State Acts governing VAT, Profession Tax, Entry Tax and rules thereunder
28. Environment (Protection) Act, 1986; Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008; Noise Pollution (Regulation and Control) Rules, 2000; Environment (Protection) Rules, 1986; E-waste (Management & Handling) Rules, 2011; Ozone Depletion Substances (Regulation) Rules, 2000; Bio Medical Waste (Management & Handling) Rule, 1998 and Batteries (Management and Handling) Rules, 2001
29. Air (Prevention and Control of Pollution) Act, 1981; Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983 and applicable State Rules
30. Water (Prevention and Control of Pollution) Act, 1974; Water (Prevention and Control of Pollution) Rules, 1975 and applicable State Rules
31. Water (Prevention and Control of Pollution) Cess Act, 1977; Water (Prevention and Control of Pollution) Cess Rules, 1983 and applicable State Rules
32. Any other Central and State Acts and rules made thereunder, as may be applicable

# Annexure 4 to Directors' Report

## Form No. MGT-9

Extract of Annual Return as on the financial year ended on March 31, 2015

[Pursuant to section 92(3) and Rule 12(1) of the  
Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS

i.	CIN	L28920MH1949PLC006870
ii.	Registration Date	Incorporated on January 20, 1949
iii.	Name of the Company	Blue Star Limited
iv.	Category/Sub-Category of the Company	Public Company
v.	Address of the Registered office and contact details	Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400 020 Tel: +91 22 6665 4000, Fax: +91 22 6665 4151
vi.	Whether listed company (Yes/No)	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Pvt Ltd. C-13, Kantilal Maganlal Estate, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West), Mumbai 400 078 Tel: +91 22 2594 6970, Fax: +91 22 2594 6969 Email: rnt.helpdesk@linkintime.co.in

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company, on a standalone basis, are as under :

Sl. No.	Name and Description of main products/services	NIC Code of the Product/Service	% to total turnover of the Company
1	Electro Mechanical Projects and Packaged Airconditioning Systems	8415	52.01
2	Cooling Products	8418	43.23
3	Professional Electronics and Industrial Systems*	9018	4.76

\*The undertaking of Professional Electronics & Industrial Systems has been transferred to Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited) which consummated on March 31, 2015.

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited) Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai - 400 020	U31400MH2010PLC204612	Subsidiary Company	100	Section 2(87) of Companies Act, 2013
2	Blue Star Design & Engineering Limited Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai - 400 020	U74210MH2003PLC143207	Subsidiary Company	100	Section 2(87) of Companies Act, 2013
3	Blue Star Infotech Limited 8th Floor, The Great Oasis Plot No. D-13, MIDC, Andheri (East), Mumbai	L72200MH1997PLC110459	Associate Company	28.69	Section 2(6) of Companies Act, 2013
4	Blue Star M&E Engineering (Sdn) Bhd 2.01, PJ Tower, AMCORP Trade Center, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.	NA	Associate Company (Joint Venture)	49	Section 2(6) of Companies Act, 2013
5	Blue Star Qatar WLL P.O. Box 47242, Doha, State of Qatar	NA	Associate Company (Joint Venture)	49	Section 2(6) of Companies Act, 2013

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****i) Category-wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters &amp; Promoter Group</b>									
<b>1. Indian</b>									
Individual/HUF	21468354	0	21468354	23.87	21468354	0	21468354	23.87	0.00
Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
Bodies Corp	21731	0	21731	0.02	21731	0	21731	0.02	0.00
Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
Any Other	13635511	0	13635511	15.16	13458337	0	13458337	14.96	-0.20
Subtotal (A)(1)	35125596	0	35125596	39.06	34948422	0	34948422	38.86	-0.20
<b>2. Foreign</b>									
a) NRIs- Individuals	543075	0	543075	0.60	543075	0	543075	0.60	0.00
b) Other- Individuals	0	0	0	0.00	0	0	0	0.00	0.00
Bodies Corp	0	0	0	0.00	0	0	0	0.00	0.00
Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Subtotal (A)(2)	543075	0	543075	0.60	543075	0	543075	0.60	0.00
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	<b>35668671</b>	<b>0</b>	<b>35668671</b>	<b>39.66</b>	<b>35491497</b>	<b>0</b>	<b>35491497</b>	<b>39.46</b>	<b>-0.20</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds/UTI	15662156	1875	15664031	17.42	16404084	1875	16405959	18.24	0.82
b) Banks/FI	44921	10680	55601	0.06	24660	8430	33090	0.04	-0.02
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	1174005	0	1174005	1.31	932559	0	932559	1.04	-0.27

## Annexure 4 to Directors' Report

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
g) FII's	6068962	0	6068962	6.75	5870326	2250	5872576	6.53	-0.22
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others - Qualified Foreign Investor (Foreign Mutual Funds)	257931	0	257931	0.29	377074	0	377074	0.42	0.13
<b>Subtotal (B)(1)</b>	<b>23207975</b>	<b>12555</b>	<b>23220530</b>	<b>25.82</b>	<b>23608703</b>	<b>12555</b>	<b>23621258</b>	<b>26.26</b>	<b>0.44</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp (Indian)	2245804	55795	2301599	2.56	3301995	55905	3357900	3.73	1.17
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹1 lakh	15528485	3039566	18568051	20.65	14945092	2868586	17813678	19.81	-0.84
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	8887393	206145	9093538	10.11	8380733	206145	8586878	9.55	-0.56
c) Others (specify)									
Clearing Members	184749	0	184749	0.21	22516	0	22516	0.03	-0.18
Foreign Companies	0	375	375	0.00	0	375	375	0.00	0.00
Foreign Portfolio Investor (Individual)	0	0	0	0.00	346320	0	346320	0.39	0.39
Non Resident Indians (REPAT)	293614	1500	295114	0.33	244347	6105	250452	0.28	-0.05
Non Resident Indians (NON REPAT)	598895	0	598895	0.67	439898	0	439898	0.49	-0.18
Market Maker	3283	0	3283	0.00	5033	0	5033	0.01	0.01
Trust	1300	0	1300	0.00	300	0	300	0.00	0.00

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
Subtotal (B)(2)	27743523	3303381	31046904	34.52	27686234	3137116	30823350	34.28	-0.24
Total Public Shareholding (B) = (B)(1)+(B)(2)	<b>50951498</b>	<b>3315936</b>	<b>54267434</b>	<b>60.34</b>	<b>51294937</b>	<b>3149671</b>	<b>54444608</b>	<b>60.54</b>	<b>0.20</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
	0	0	0	0.00	0	0	0	0.00	0.00
<b>Grand Total (A+B+C)</b>	<b>86620169</b>	<b>3315936</b>	<b>89936105</b>	<b>100</b>	<b>86786434</b>	<b>3149671</b>	<b>89936105</b>	<b>100</b>	<b>0.00</b>

## (ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mr Ashok Mohan Advani	10492281	11.67	0.00	10315107	11.47	0.00	-0.20
2	IL & FS Trust Company Limited	7458354	8.29	0.00	7458354	8.29	0.00	0.00
3	Mr Suneel Mohan Advani	5325948	5.92	0.00	5325948	5.92	0.00	0.00
4	IL & FS Trust Company Limited	3554722	3.95	0.00	3554722	3.95	0.00	0.00
5	Ms Nargis Suneel Advani	2720695	3.03	0.00	2720695	3.03	0.00	0.00
6	Ms Suneeta Nanik Vaswani	2141770	2.38	0.67	2141770	2.38	0.67	0.00
7	Ms Rohina Lulla	1116885	1.24	0.00	1116885	1.24	0.00	0.00
8	Ms Anissa Khanna	1076630	1.20	0.00	1076630	1.20	0.00	0.00
9	Mr Nanik Ramchand Vaswani	945095	1.05	0.00	945095	1.05	0.00	0.00
10	Mr Suneel Mohan Advani	478310	0.53	0.00	478310	0.53	0.00	0.00
11	Mr Vir S Advani	50000	0.06	0.00	50000	0.06	0.00	0.00
12	Mr Armaan Sandeep Murthy	50000	0.06	0.00	50000	0.06	0.00	0.00
13	Mr Sumer Sandeep Murthy	50000	0.06	0.00	50000	0.06	0.00	0.00
14	Ms Sunaina S Advani	50000	0.06	0.00	50000	0.06	0.00	0.00
15	Mr Uday Vir Advani	50000	0.06	0.00	50000	0.06	0.00	0.00

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
16	Ms Anita Ashok Advani	30000	0.03	0.00	30000	0.03	0.00	0.00
17	J T Advani Finance Private Limited	21731	0.02	0.00	21731	0.02	0.00	0.00
18	Mr Dev Khanna	18750	0.02	0.00	18750	0.02	0.00	0.00
19	Mr Iman Rajiv Lulla	18750	0.02	0.00	18750	0.02	0.00	0.00
20	Mr Rana Rajiv Lulla	18750	0.02	0.00	18750	0.02	0.00	0.00
	<b>TOTAL</b>	<b>35668671</b>	<b>39.66</b>	<b>0.67</b>	<b>35491497</b>	<b>39.46</b>	<b>0.67</b>	<b>-0.20</b>

## (iii) Change in Promoters' Shareholding

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>Mr Ashok Mohan Advani</b>	<b>10492281</b>	<b>11.67</b>	<b>10492281</b>	<b>11.67</b>
	4/4/2014 (Transfer)	(1674)	0.00	10490607	11.67
	6/6/2014 (Transfer)	(98887)	(0.12)	10391720	11.55
	13/6/2014 (Transfer)	(11113)	(0.01)	10380607	11.54
	22/8/2014 (Transfer)	(58000)	(0.06)	10322607	11.48
	12/12/2014 (Transfer)	(7500)	(0.01)	10315107	11.47
	<b>At the end of the year</b>	<b>10315107</b>	<b>11.47</b>	<b>10315107</b>	<b>11.47</b>

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>HDFC Trustee Company Ltd - A/C HDFC Mid - Capopportunities Fund</b>	<b>4475671</b>	<b>4.98</b>	<b>4475671</b>	<b>4.98</b>
	30/6/2014 (Transfer)	1909	0.00	4477580	4.98
	4/7/2014 (Transfer)	540008	0.60	5017588	5.58
	11/7/2014 (Transfer)	26801	0.03	5044389	5.61
	18/7/2014 (Transfer)	31124	0.03	5075513	5.64
	25/7/2014 (Transfer)	95400	0.11	5170913	5.75
	1/8/2014 (Transfer)	119660	0.13	5290573	5.88
	8/8/2014 (Transfer)	318000	0.35	5608573	6.24
	15/8/2014 (Transfer)	65164	0.07	5673737	6.31
	22/8/2014 (Transfer)	250836	0.28	5924573	6.59
	3/10/2014 (Transfer)	109000	0.12	6033573	6.71
	17/10/2014 (Transfer)	50000	0.06	6083573	6.76
	31/12/2014 (Transfer)	725000	0.81	6808573	7.57
	27/3/2015 (Transfer)	10000	0.01	6818573	7.58
	31/3/2015 (Transfer)	10100	0.01	6828673	7.59
	<b>At the end of the year</b>	<b>6828673</b>	<b>7.59</b>	<b>6828673</b>	<b>7.59</b>

## Annexure 4 to Directors' Report

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
2.	<b>Saif Advisors Mauritius Limited a/c Saif India IV FII Holdings Limited</b>	<b>4731983</b>	<b>5.26</b>	<b>4731983</b>	<b>5.26</b>
		No Change			
	<b>At the end of the year</b>	<b>4731983</b>	<b>5.26</b>	<b>4731983</b>	<b>5.26</b>
3.	<b>Reliance Capital Trustee Co. Ltd a/c Reliance equity Opportunities Fund</b>	<b>518831</b>	<b>0.58</b>	<b>518831</b>	<b>0.58</b>
	4/4/2014 (Transfer)	1193000	1.33	1711831	1.90
	25/4/2014 (Transfer)	415000	0.46	2126831	2.36
	2/5/2014 (Transfer)	419381	0.47	2546212	2.83
	9/5/2014 (Transfer)	62400	0.07	2608612	2.90
	15/5/2014 (Transfer)	65800	0.07	2674412	2.97
	23/5/2014 (Transfer)	156500	0.17	2830912	3.14
	30/5/2014 (Transfer)	5100	0.01	2836012	3.15
	13/6/2014 (Transfer)	(52420)	(0.06)	2783592	3.09
	30/6/2014 (Transfer)	186000	0.21	2969592	3.30
	8/8/2014 (Transfer)	130400	0.14	3099992	3.44
	5/9/2014 (Transfer)	(96000)	(0.11)	3003992	3.33
	19/9/2014 (Transfer)	(22000)	(0.02)	2981992	3.31
	2/1/2015 (Transfer)	(47000)	(0.05)	2934992	3.26
	23/1/2015 (Transfer)	(123600)	(0.14)	2811392	3.12

## Annexure 4 to Directors' Report

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	30/1/2015 (Transfer)	(100144)	(0.11)	2711248	3.01
	27/2/2015 (Transfer)	28300	0.03	2739548	3.04
	27/3/2015 (Transfer)	150000	0.17	2889548	3.21
	<b>At the end of the year</b>	<b>2889548</b>	<b>3.21</b>	<b>2889548</b>	<b>3.21</b>
<b>4.</b>	<b>ICICI Prudential Value Discovery Fund</b>	<b>2805504</b>	<b>3.12</b>	<b>2805504</b>	<b>3.12</b>
	15/8/2014 (Transfer)	(82967)	(0.09)	2722537	3.03
	23/1/2015 (Transfer)	(68160)	(0.08)	2654377	2.95
	13/2/2015 (Transfer)	(96617)	(0.11)	2557760	2.84
	<b>At the end of the year</b>	<b>2557760</b>	<b>2.84</b>	<b>2557760</b>	<b>2.84</b>
<b>5.</b>	<b>UTI-Infrastructure Fund</b>	<b>541951</b>	<b>0.60</b>	<b>541951</b>	<b>0.60</b>
	4/4/2014 (Transfer)	82567	0.09	624518	0.69
	11/4/2014 (Transfer)	11175	0.01	635693	0.70
	18/4/2014 (Transfer)	20000	0.02	655693	0.72
	25/4/2014 (Transfer)	543828	0.60	1199521	1.32
	5/12/2014 (Transfer)	180000	0.20	1379521	1.52
	23/1/2015 (Transfer)	(8064)	(0.01)	1371457	1.51
	<b>At the end of the year</b>	<b>1371457</b>	<b>1.51</b>	<b>1371457</b>	<b>1.51</b>

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>6.</b>	<b>The Oriental Insurance Company Limited</b>	<b>1174005</b>	<b>1.31</b>	<b>1174005</b>	<b>1.31</b>
	4/4/2014 (Transfer)	(10000)	(0.01)	1164005	1.30
	11/4/2014 (Transfer)	(27699)	(0.03)	1136306	1.27
	18/4/2014 (Transfer)	(28051)	(0.03)	1108255	1.24
	25/4/2014 (Transfer)	(44250)	(0.05)	1064005	1.19
	23/5/2014 (Transfer)	(15256)	(0.02)	1048749	1.17
	30/5/2014 (Transfer)	(24744)	(0.03)	1024005	1.14
	22/8/2014 (Transfer)	(15000)	(0.02)	1009005	1.12
	29/8/2014 (Transfer)	(20000)	(0.02)	989005	1.10
	5/9/2014 (Transfer)	(17674)	(0.02)	971331	1.08
	12/9/2014 (Transfer)	(10000)	(0.01)	961331	1.07
	19/9/2014 (Transfer)	(4382)	0.00	956949	1.07
	23/1/2015 (Transfer)	(24390)	(0.03)	932559	1.04
	<b>At the end of the year</b>	<b>932559</b>	<b>1.04</b>	<b>932559</b>	<b>1.04</b>

## Annexure 4 to Directors' Report

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>7.</b>	<b>L and T Mutual Fund Trustee Ltd- L and T Tax Advantage Fund</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	16/5/2014 (Transfer)	56115	0.06	56115	0.06
	6/6/2014 (Transfer)	24700	0.03	80815	0.09
	13/6/2014 (Transfer)	22000	0.02	102815	0.11
	4/7/2014 (Transfer)	60885	0.07	163700	0.18
	11/7/2014 (Transfer)	17400	0.02	181100	0.20
	18/7/2014 (Transfer)	13011	0.01	194111	0.21
	22/8/2014 (Transfer)	79000	0.09	273111	0.30
	29/8/2014 (Transfer)	30000	0.03	303111	0.33
	5/9/2014 (Transfer)	234200	0.26	537311	0.59
	19/9/2014 (Transfer)	29920	0.03	567231	0.62
	30/9/2014 (Transfer)	52849	0.06	620080	0.68
	3/10/2014 (Transfer)	50000	0.06	670080	0.74
	10/10/2014 (Transfer)	200861	0.22	870941	0.96
	21/11/2014 (Transfer)	48770	0.05	919711	1.01
	<b>At the end of the year</b>	<b>919711</b>	<b>1.01</b>	<b>919711</b>	<b>1.01</b>

## Annexure 4 to Directors' Report

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>8.</b>	<b>Kamal Tuljaram Jagtiani</b>	<b>712214</b>	<b>0.79</b>	<b>712214</b>	<b>0.79</b>
	No Change				
	<b>At the end of the year</b>	<b>712214</b>	<b>0.79</b>	<b>712214</b>	<b>0.79</b>
<b>9.</b>	<b>Franklin India Smaller Companies Fund</b>	<b>47841</b>	<b>0.05</b>	<b>47841</b>	<b>0.05</b>
	30/6/2014 (Transfer)	(47841)	(0.05)	0	0.00
	16/1/2014 (Transfer)	6044	0.01	6044	0.01
	23/1/2015 (Transfer)	201066	0.22	207110	0.23
	30/1/2015 (Transfer)	200000	0.22	407110	0.45
	6/2/2015 (Transfer)	98528	0.11	505638	0.56
	13/2/2015 (Transfer)	1724	0.00	507362	0.56
	20/2/2015 (Transfer)	7247	0.01	514609	0.57
	27/2/2015 (Transfer)	122501	0.14	637110	0.71
	20/3/2015 (Transfer)	53000	0.06	690110	0.77
	<b>At the end of the year</b>	<b>690110</b>	<b>0.77</b>	<b>690110</b>	<b>0.77</b>
<b>10.</b>	<b>Sheila Shamsher Singh</b>	<b>649065</b>	<b>0.72</b>	<b>649065</b>	<b>0.72</b>
	23/1/2015 (Transfer)	3750	0.00	652815	0.72
	<b>At the end of the year</b>	<b>652815</b>	<b>0.72</b>	<b>652815</b>	<b>0.72</b>

## (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>Mr Ashok Mohan Advani - Non Executive Chairman</b>	<b>10492281</b>	<b>11.67</b>	<b>10492281</b>	<b>11.67</b>
	4/4/2014 (Transfer)	(1674)	0.00	10490607	11.67
	6/6/2014 (Transfer)	(98887)	(0.12)	10391720	11.55
	13/6/2014 (Transfer)	(11113)	(0.01)	10380607	11.54
	22/8/2014 (Transfer)	(58000)	(0.06)	10322607	11.48
	12/12/2014 (Transfer)	(7500)	(0.01)	10315107	11.47
	<b>At the end of the year</b>	<b>10315107</b>	<b>11.47</b>	<b>10315107</b>	<b>11.47</b>
<b>2.</b>	<b>Mr Suneel Mohan Advani - Non - Executive Vice Chairman</b>	<b>5804258</b>	<b>6.45</b>	<b>5804258</b>	<b>6.45</b>
	No change				
	<b>At the end of the year</b>	<b>5804258</b>	<b>6.45</b>	<b>5804258</b>	<b>6.45</b>
<b>3.</b>	<b>Mr Satish Jamdar - Managing Director</b>	<b>27000</b>	<b>0.03</b>	<b>27000</b>	<b>0.03</b>
	20/6/2014 to 27/06/2014 (Transfer)	150	0.00	27150	0.03
	15/8/2014 to 22/8/2014 (Transfer)	(150)	0.00	27000	0.03
	05/9/2014 to 12/9/2014 (Transfer)	(50)	0.00	26950	0.03
	24/10/2014 to 31/10/2014 (Transfer)	(50)	0.00	26900	0.03
	7/11/2014 to 14/11/2014 (Transfer)	(25)	0.00	26875	0.03
	14/11/2014 to 21/11/2014 (Transfer)	(25)	0.00	26850	0.03
	28/11/2014 to 05/12/2014 (Transfer)	(6)	0.00	26844	0.03

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	30/01/2015 to 06/02/2015 (Transfer)	(44)	0.00	26800	0.03
	06/03/2015 to 13/03/2015 (Transfer)	(50)	0.00	26750	0.03
	<b>At the end of the year</b>	<b>26750</b>	<b>0.03</b>	<b>26750</b>	<b>0.03</b>
<b>4.</b>	<b>Mr Vir Suneel Advani - Executive Director</b>	<b>50000</b>	<b>0.06</b>	<b>50000</b>	<b>0.06</b>
	No change				
	<b>At the end of the year</b>	<b>50000</b>	<b>0.06</b>	<b>50000</b>	<b>0.06</b>
<b>5.</b>	<b>Mr B Thiagarajan - Executive Director</b>	<b>1700</b>	<b>0.00</b>	<b>1700</b>	<b>0.00</b>
	No change				
	<b>At the end of the year</b>	<b>1700</b>	<b>0.00</b>	<b>1700</b>	<b>0.00</b>
<b>6.</b>	<b>Mr Gurdeep Singh - Independent Director</b>	<b>1200</b>	<b>0.00</b>	<b>1200</b>	<b>0.00</b>
	No change				
	<b>At the end of the year</b>	<b>1200</b>	<b>0.00</b>	<b>1200</b>	<b>0.00</b>
<b>7.</b>	<b>Mr Neeraj Basur - Chief Financial Officer</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	Not Applicable				
	<b>At the end of the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>8.</b>	<b>Mr Sangameshwar Iyer - Company Secretary</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
	Not Applicable				
	<b>At the end of the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ In crores)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	137.19	309.37	-	446.56
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.07	0.04	-	0.11
<b>Total (i+ii+iii)</b>	<b>137.26</b>	<b>309.41</b>	<b>-</b>	<b>446.67</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	354.69	1944.21	-	2298.90
Reduction	457.70	1955.83	-	2413.53
Net Change	(103.01)	(11.62)	-	(114.63)
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	34.23	297.69	-	331.92
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.02	0.10	-	0.12
<b>Total (i+ii+iii)</b>	<b>34.25</b>	<b>297.79</b>	<b>-</b>	<b>332.04</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director and Whole-time Directors:**

(₹ in lakhs)

Sr. No.	Particulars of Remuneration	Mr Satish Jamdar - Managing Director	Mr Vir S Advani - Executive Director	Mr B Thiagarajan - Executive Director	Total Amount
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	158.69	97.47	97.47	353.63
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	6.93	3.87	3.87	14.67
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others (performance based)	85.21	49.47	65.96	200.64

## Annexure 4 to Directors' Report

(₹ in lakhs)

Sr. No.	Particulars of Remuneration	Mr Satish Jamdar - Managing Director	Mr Vir S Advani - Executive Director	Mr B Thiagarajan - Executive Director	Total Amount
5.	Others, please specify (Retirals tax exempted)	9.46	6.20	6.20	21.86
	<b>Total (A)</b>	<b>260.29</b>	<b>157.01</b>	<b>173.50</b>	<b>590.80</b>
	Ceiling as per the Act	₹817.42 lakhs (being 10% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013.			

**B. REMUNERATION TO OTHER DIRECTORS:**

(₹ in lakhs)

Sr. No	Particulars of Remuneration	Mr Ashok M Advani	Mr Suneel M Advani	Mr Gurdeep Singh	Mr Pradeep Mallick	Mr Shailesh Haribhakti	Mr M K Sharma	Ms Shobana Kamineni	Total Amount
<b>1.</b>	<b>Other Non-Executive Directors</b>								
	Fee for attending board/committee meetings	8.95	8.70	-	-	-	-	-	17.65
	Commission	18.00	18.00	-	-	-	-	-	36.00
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>26.95</b>	<b>26.70</b>	-	-	-	-	-	<b>53.65</b>
<b>2.</b>	<b>Independent Director</b>								
	Fee for attending board/committee meetings	-	-	10.15	10.45	11.10	10.40	2.25	44.35
	Commission	-	-	9.00	9.00	9.00	9.00	7.50	43.50
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	-	-	<b>19.15</b>	<b>19.45</b>	<b>20.10</b>	<b>19.40</b>	<b>9.75</b>	<b>87.85</b>
	<b>Total (B)=(1+2)</b>	<b>26.95</b>	<b>26.70</b>	<b>19.15</b>	<b>19.45</b>	<b>20.10</b>	<b>19.40</b>	<b>9.75</b>	<b>141.50</b>
	<b>Total Managerial Remuneration (A+B)</b>								<b>732.30</b>
	<b>Overall Ceiling as per the Act (%)</b>	₹899.14 lakhs (being 11% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013.							

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ WTD :***(₹ in lakhs)*

Sl.	Particulars of Remuneration	Chief Financial Officer (Mr Manek Kalyaniwala) From April to July 2014 *	Chief Financial Officer (Mr Neeraj Basur) W.e.f. August, 2014	Company Secretary (Mr Sangameshwar Iyer)	Total Amount
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	40.76 3.86 -	84.27 0.24 -	29.11 2.76 -	154.14 6.86 -
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit -others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	44.62	84.51	31.87	161.00

\*Mr Manek Kalyaniwala retired on 31/7/2014. The remuneration is inclusive of his retirement benefits.

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES : NOT APPLICABLE**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give details)
<b>A.</b>	<b>COMPANY</b>				
Penalty	None	None	None	None	None
Punishment	None	None	None	None	None
Compounding	None	None	None	None	None
<b>B.</b>	<b>DIRECTORS</b>				
Penalty	None	None	None	None	None
Punishment	None	None	None	None	None
Compounding	None	None	None	None	None
<b>C.</b>	<b>OTHER OFFICERS IN DEFAULT</b>				
Penalty	None	None	None	None	None
Punishment	None	None	None	None	None
Compounding	None	None	None	None	None

# Report of the Directors on Corporate Governance

## **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

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

## **GUIDING VALUES AND BELIEFS**

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

## **CODE OF CONDUCT**

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

## **CORPORATE SAFETY POLICY**

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

## **BOARD OF DIRECTORS**

The strength of the Company's Board of Directors is ten, out of which five are Independent Directors and the remaining are Executive and Non-Executive Directors. The Non-Executive Directors comprise Chairman and Vice Chairman of the Board. Amongst the Executive Directors, there are two Wholetime Directors and one Managing Director.

## **NUMBER OF MEETINGS HELD BY THE BOARD**

Eight Board meetings were held during the financial year 2014-15 i.e. on April 28, 2014; May 30, 2014; July 28, 2014; July 29, 2014; October 9, 2014; October 21, 2014; January 21, 2015 and February 13, 2015. The Company had convened its last Annual General Meeting on July 28, 2014.

## Report of the Directors on Corporate Governance

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2014-15 are given below:

Name	Category	Attendance		Particulars of Directorships, Committee Memberships/Chairmanships (other than Blue Star Limited as on 31/3/2015)		
		Board Meeting	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Mr Ashok M Advani	Non-Executive Chairman	8	Present	1	1	1
Mr Suneel M Advani	Non-Executive Vice Chairman	8	Present	3	1	Nil
Mr Satish Jamdar	Managing Director	8	Present	1	Nil	Nil
Mr Vir S Advani	Executive Director	8	Present	3	Nil	Nil
Mr B Thiagarajan	Executive Director	8	Present	1	Nil	Nil
Mr Pradeep Mallick	Independent Non-Executive Director	7	Present	4	5	2
Mr Gurdeep Singh	Independent Non-Executive Director	8	Present	4	1	Nil
Mr Shailesh Haribhakti	Independent Non-Executive Director	8	Present	19	9	5
Mr M K Sharma	Independent Non-Executive Director	8	Present	10	7	1
Ms Shobana Kamineni*	Independent Non-Executive Director	3	Absent	18	1	Nil

\*Appointed w.e.f. May 30, 2014.

The Directorships as mentioned above consist of directorships held in public limited companies and private limited companies. The committees considered above are audit committees and stakeholders' relationship committees.

None of the Directors is a member in more than 10 committees nor is a chairperson/chairman of more than 5 committees, amongst the companies mentioned above.

Except Mr Ashok M Advani, Mr Suneel M Advani and Mr Vir S Advani, who are related, none of the other Directors is a relative of the other.

### DETAILS OF DIRECTORS BEING RE-APPOINTED

As per the provisions of the Companies Act, 2013 (the Act), two-thirds of the total number of Directors (other than Independent Directors) should be retiring Directors. One-third of these retiring Directors are required to retire every year, and if eligible, these Directors qualify for re-appointment by the members at the Annual General Meeting.

Pursuant to the provisions of the Companies Act, 2013, Mr Ashok M Advani, (DIN: 00001372) retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr Vir S Advani (DIN: 01571278) is proposed to be re-appointed as Wholetime Director of the Company, designated as Executive Director, for a further period of five (5) years, with effect from July 1, 2015, subject to approval by the shareholders.

## Report of the Directors on Corporate Governance

A detailed profile of Mr Ashok M Advani, who is eligible for re-appointment is provided separately by way of an Annexure to the Notice for the Annual General Meeting, as required under the Act and Clause 49 of the Listing Agreement. Explanatory statement on the resolution proposed for re-appointment of Mr Vir S Advani is also provided therein as required by the Act.

### FAMILIARISATION OF INDEPENDENT DIRECTORS

At the time of appointing a Director, a formal letter of appointment is given to him/her, which inter alia explains the role, functions, duties and responsibilities expected of him/her as a Director of the Company. Further, with a view to familiarise him/her with the Company's Operations, the Director is also given a briefing on the organisation set-up of the Company, the functioning of various divisions/departments, the Company's market share and the market in which it operates, governance and internal control processes, and other relevant information pertaining to the Company's business. This provides the Directors a holistic perspective of Company's business and the regulatory framework in which it operates, and equips them to effectively discharge their duties and responsibilities as a Director of the Company.

Weblink: <http://www.bluestarindia.com/investors/images/familiarization-programme-for-independent-directors.pdf>

### PERFORMANCE EVALUATION

Pursuant to the provisions of the Act, read with Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, performance of the Directors individually as well as the evaluation of the working of its Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors, including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution as well as independence of judgment in safeguarding the interests of the Company and its minority shareholders. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the other Non-Independent Non-Executive Directors was carried out by obtaining feedback on them from the entire Board. This was later finalised at the meeting of the Independent Directors held on March 17, 2015. The Directors have expressed their satisfaction with the evaluation process.

### AUDIT COMMITTEE

The Audit Committee comprises three Independent Directors; namely, Mr Shailesh Haribhakti, Mr Pradeep Mallick, Mr M K Sharma and one Executive Director, Mr Vir S Advani. Mr Shailesh Haribhakti is the Chairman of the Audit Committee. The Audit Committee was reconstituted during the year by appointing Mr Vir S Advani as a member w.e.f. October 21, 2014.

#### NO. OF MEETINGS HELD BY THE COMMITTEE

The Committee met on May 29, 2014; May 30, 2014; July 28, 2014; October 21, 2014; January 21, 2015 and February 11, 2015. The attendance of the Committee members is given below :

Name of the Member	No. of meetings attended
Mr Shailesh Haribhakti, Chairman	6
Mr Pradeep Mallick	4
Mr M K Sharma	6
Mr Vir S Advani*	2

\*Appointed w.e.f. October 21, 2014.

The gap between two meetings did not exceed four months.

The Chairman of the Audit Committee was present at the last Annual General Meeting.

## TERMS OF REFERENCE

### A. Financial Reporting and Financial Reporting Processes, Internal Controls:

1. Oversight of the Company's financial reporting process, its overall internal controls and the disclosure of its financial information submitted to stock exchanges, regulatory authorities or the public, to ensure that the financial statements are correct, sufficient and credible.
2. Oversee the Company's internal control framework, its adequacy and appropriateness across business processes.
3. Review with Management, annual financial statements and Auditors' Report thereon, before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility statement to be made part of the Board's report in terms of clause (c) of Sub-section 3 Section 134 of the Companies Act, 2013.
  - b. Changes, if any, in the accounting policies and reasons for the same.
  - c. Major accounting entries based on the exercise of the judgment by the Management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements concerning financial statements.
  - f. Disclosures in financial statements, including related party transactions.
  - g. Qualifications in draft Audit Report.
4. Review any accounting adjustments that were noted or proposed by the statutory auditors but were passed (as immaterial or otherwise).
5. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the Management, the statement of use/application of funds raised through an issue (public, rights, preferential issue, etc) the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the agency monitoring the utilisation of proceeds of a public issue or rights issue, and making appropriate recommendations to the Board to take steps in the matter whenever such fund raising happens.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the Company with related parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
14. Discussion with internal auditors on any significant findings and follow up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors in matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, stakeholders (in case of non-payment of declared dividends) and creditors.

## Report of the Directors on Corporate Governance

18. Approval of appointment of Chief Financial Officer (i.e., the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc of the candidate.

### **B. Review of information:**

1. Review of the Management Discussion and Analysis of the financial condition and results of operations.
2. Statement of significant related party transactions (as defined by the Committee), submitted by the Management.
3. Management letters/letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit reports relating to internal control weaknesses.
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor.

### **C. Statutory Audit:**

1. Recommend to the Board the appointment, re-appointment, terms of appointment and if required, the replacement or removal of the statutory auditors and cost auditors after considering and reviewing their independence and effectiveness, and recommend the audit fees.
2. Give approval for making all payments to the statutory auditors for any other services rendered by them.
3. Annually review and discuss with the statutory auditors all significant relationships that they have with the Company or any of its related parties to determine the auditors' independence.
4. Review the performance of the statutory auditors.
5. Review and discuss the scope of the statutory auditors' annual audit.
6. Review of Management letters and any significant findings and recommendations issued by the statutory auditors, together with the Management's response thereto.
7. Following completion of the annual audit, review with the statutory auditors, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
8. Meet at least once every six months separately with the statutory auditors to discuss any matters that the Committee or the statutory auditors believe should be discussed separately.
9. Review the annual Cost Audit Report submitted by the Cost Auditors.

### **D. Internal Audit:**

1. Review the Internal Audit plan and recommend changes, if any, for the approval of the Board.
2. To approve appointment, removal and terms of remuneration of the Chief Internal Auditor or a professional firm selected to manage internal audit deliverables.
3. Consider and approve, in consultation with the Statutory Auditors and the Internal Auditor, the annual scope and plan of the Company's Internal Audit and any significant changes thereto.
4. Review with the Internal Auditor and the Statutory Auditors, the co-ordination of audit efforts to assure adequacy of coverage, reduction of redundant efforts, and the effective use of audit resources.
5. Review any significant findings and recommendations of Internal Audit, together with the Management's responses thereto.
6. Review the findings of any internal investigations by the Internal Auditor in matters where there is suspected fraud or irregularity or a failure of an internal control system of a material nature, and report the matters to the Board.
7. Review with the Internal Auditors, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
8. Meet at least once every six months separately with the Internal Auditor, to discuss any matters that the Committee or the Chief Internal Auditor believes should be discussed separately.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises two Independent Directors; namely, Mr Gurdeep Singh and Mr Pradeep Mallick, and two Non-Executive Non-Independent Directors; namely, Mr Ashok M Advani and Mr Suneel M Advani. Mr Gurdeep Singh is the Chairman of the Committee.

The Chairman of the Nomination and Remuneration Committee was present at the last Annual General Meeting.

### MEETINGS HELD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee met on May 30, 2014; June 6, 2014; September 9, 2014 and February 13, 2015. The attendance of the Committee members is given below :

Name of the Member	No. of meetings attended
Mr Gurdeep Singh, Chairman	4
Mr Ashok M Advani	4
Mr Suneel M Advani	3
Mr Pradeep Mallick	3

### TERMS OF REFERENCE

1. To inter alia recommend nominations for Board Membership, develop and recommend policies with respect to composition of the Board, commensurate with the size, nature of the business and operations of the Company.
2. To establish criteria for selection to the Board, with respect to the competencies, qualifications, experience, track record, integrity and gender, and to establish Director retirement policies and appropriate succession plans, and determining overall compensation policies of the Company.
3. To monitor/administer the Company's Employee Stock Option Schemes formulated from time to time, and take appropriate decisions in terms of the concerned Scheme(s).
4. To review market practices and formulate a remuneration policy, and within the framework of the said policy:
  - a. Recommend to the Board, a remuneration package applicable to the leadership team comprising the working directors and the key managerial personnel.
  - b. Recommend to the Board for its approval, performance parameters for them, review the same from time to time and thereafter, recommend the above to the Board for its approval.

### REMUNERATION POLICY

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

The annual increment and commission for the Managing Director and Wholetime Directors, and the commission for the Non-Executive Directors within the limits approved by the shareholders are determined by the Board of Directors. The Managing Director and Wholetime Directors are paid by way of salary, perquisites and commission, based on terms of their agreements with the Company. Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, partly by way of a fixed amount and partly based on the number of meetings attended by them. Commission to the Executive Directors and Non-Executive Directors is determined after taking into account their performance and the recommendation of the Nomination and Remuneration Committee.

The Company has an Employee Stock Option Scheme 2013 in place. During the year under review, 3,00,000 and 2,00,000 options have been granted to Mr Satish Jamdar and Mr B Thiagarajan respectively.

## Report of the Directors on Corporate Governance

The details of amount paid/provided towards Directors' remuneration are as follows:

(₹ in lakhs)

Name	Salary	Retirals	Perquisites	Commission	Sitting Fees	Total
Mr Ashok M Advani	-	-	-	18.00	8.95	26.95
Mr Suneel M Advani	-	-	-	18.00	8.70	26.70
Mr Satish Jamdar	52.89	16.40	105.79	85.21	-	260.29
Mr Vir S Advani	32.49	10.07	64.98	49.47	-	157.01
Mr B Thiagarajan	32.49	10.07	64.98	65.96	-	173.50
Mr Pradeep Mallick	-	-	-	9.00	10.45	19.45
Mr Gurdeep Singh	-	-	-	9.00	10.15	19.15
Mr Shailesh Haribhakti	-	-	-	9.00	11.10	20.10
Mr M K Sharma	-	-	-	9.00	10.40	19.40
Ms Shobana Kamineni*	-	-	-	7.50	2.25	9.75

\*Appointed w.e.f. May 30, 2014.

Mr Ashok M Advani holds 1,03,15,107 shares, Mr Suneel M Advani holds 58,04,258 shares and Mr Gurdeep Singh holds 1,200 shares in the Company. Mr Pradeep Mallick, Mr Shailesh Haribhakti, Mr M K Sharma and Ms Shobana Kamineni do not hold any shares in the Company.

### INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE

Investor Grievance cum Stakeholders' Relationship Committee comprises four Directors; namely, Mr Gurdeep Singh, Mr Ashok M Advani, Mr Suneel M Advani and Mr B Thiagarajan. Mr Gurdeep Singh, who is an Independent Director, is the Chairman of this Committee. The Committee was reconstituted during the year by appointing Mr B Thiagarajan as a member of the Committee w.e.f. February 13, 2015. The Committee met on February 13, 2015 and reviewed the status of shareholders' grievances.

#### TERMS OF REFERENCE

The Investor Grievance cum Stakeholders' Relationship Committee specifically looks into the redressal of investors' complaints relating to transfer of shares, non-receipt of annual reports, non-receipt of declared dividends and other stakeholders' related matters. In addition, the Committee also looks into matters, which facilitate investors' services and relations.

The Company had no complaints outstanding as on April 1, 2014 and received 60 complaints during the year ended March 31, 2015, and all complaints were resolved to the satisfaction of the shareholders. There were no complaints outstanding as on March 31, 2015.

#### COMPLIANCE OFFICER

Mr Sangameshwar Iyer

Company Secretary (upto May 31, 2015)

Mr Vijay Devadiga

Company Secretary (w.e.f. June 01, 2015)

Tel: 022 6665 4040, Fax: 022 6665 4151

E-mail: vijaydevadiga@bluestarindia.com

## CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors has constituted a Corporate Social Responsibility Committee comprising Mr Suneel M Advani, Mr Satish Jamdar, Mr B Thiagarajan and Ms Shobana Kamineni. Mr Suneel M Advani is the Chairman of this Committee.

The Company intends to undertake projects, in accordance with Schedule VII of the Companies Act, 2013, as a part of its initiatives under CSR. In this regard, the Board has approved a CSR policy for implementation by the Committee.

The Company was required to spend a sum of ₹26 lakhs by March 31, 2015 towards activities as stipulated under Schedule VII of the Companies Act, 2013. As the Committee is in the process of identifying appropriate NGO partners for execution of identified projects, the Company did not incur the said expenditure during the financial year ended March 31, 2015.

### TERMS OF REFERENCE

1. To formulate and recommend to the Board, a CSR Policy, which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
2. To recommend the amount of expenditure to be incurred on the CSR activities.
3. To monitor the CSR Policy of the Company from time to time.

## SUBSIDIARY COMPANIES

During the year under review, Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited) became a material subsidiary of the Company. Accordingly, a policy on material subsidiaries has been formulated and the same is disclosed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com).

Weblink: <https://www.bluestarindia.com/about/images/policy-for-determining-material-subsiidiaries.pdf>

## RELATED PARTY TRANSACTIONS

All transactions entered into with related parties as defined under the Companies Act, 2013, read with Clause 49 of the Listing Agreement during the financial year, were in the ordinary course of business and at an arm's length pricing basis. The requisite approvals of the Audit Committee and Board members, as applicable, are taken from time to time. There were no materially significant transactions with related parties during the financial year, which were in conflict with the interests of the Company. The Company has adopted a policy for related party transactions and the same is disclosed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com).

Weblink: <https://www.bluestarindia.com/about/images/policy-for-transaction-with-related-parties.pdf>

## OTHER DISCLOSURES

1. The details of transactions with related parties are given in Note no. 32 to the financial statement for the year ended March 31, 2015. There were no materially significant related party transactions, which are likely to have potential conflict with the interests of the Company at large.
2. The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/strictures have been imposed on/against it.
3. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. It has adopted the non-mandatory requirements of the said Clause relating to provision of a Chairman's office for a Non-Executive Chairman at Company's expense.
4. The Company has followed all relevant Accounting Standards while preparing the Financial Statements.
5. Pursuant to the formulation of a Whistle Blower Policy by the Company, a mechanism has been provided to all the employees of the Company to enable them to report on any frauds/irregularities by way of complaints. The Whistle Blower Policy provides access for personnel to the Audit Committee and the same has not been denied.

## ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meetings	Time
2011-12	July 31, 2012	Jai Hind College Hall, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai - 400020	2.30 pm
2012-13	July 22, 2013	-do-	2.30 pm
2013-14	July 28, 2014	-do-	3.00 pm

Following Special Resolutions were passed in the previous three Annual General Meetings:

- 1) Payment of remuneration to Managing Director and Wholetime Directors - Date of the Meeting: July 31, 2012.
- 2) Payment of Commission to Non-Executive Directors, including Independent Directors - Date of the Meeting: July 28, 2014.

## POSTAL BALLOT

Following Special Resolutions were passed through Postal Ballot:

- 1) Sale of Professional Electronics and Industrial Systems Business to a wholly owned subsidiary - March 11, 2015.
- 2) Approval for certain related party transactions with a wholly owned subsidiary under section 188 of the Companies Act, 2013 - March 11, 2015.

Mr N L Bhatia, Practicing Company Secretary was appointed as Scrutiniser for conducting the Postal Ballot Process. The above mentioned Special Resolutions have been passed on March 11, 2015 by postal ballot. In the Postal Ballot conducted pursuant to Clause 35B of the Listing Agreement, the Company had offered e-voting facility, through National Securities Depository Limited (NSDL), as an alternate, to enable the shareholders to cast their votes electronically.

The results of the postal ballot were declared on March 11, 2015. Details of the voting pattern were as under:

Sr. No.	Particulars	Resolution No. 1		Resolution No. 2	
		No. of Postal Ballot Forms (PBFs)/E-Voting	No. of Shares	No. of Postal Ballot Forms (PBFs)/E-Voting	No. of Shares
a)	PBFs/E-voting with assent for the Resolution	510	52276742	502	52267252
	% of Assent	95.33	99.98	95.26	99.97
b)	PBFs/E-voting with dissent for the Resolution	25	13306	25	14296
	% of Dissent	4.67	0.02	4.74	0.03
c)	Total PBFs/E-voting	535	52290048	527	52281548

As of the date of this report, the Company does not propose to pass any Special Resolution through Postal Ballot.

### MEANS OF COMMUNICATION

The Company published its quarterly and half yearly results in the prescribed form within the prescribed time. The results were forthwith sent to the Stock Exchanges, where shares are listed and the same were published in Economic Times and Mumbai Lakshadeep. The financial results are also displayed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com). Official press releases also feature on the website. The Company did not have any meetings with the analysts/investors during the year 2014-15. Management Discussion and Analysis forms part of the Annual Report.

### SHAREHOLDERS' INFORMATION

#### ANNUAL GENERAL MEETING:

Date	:	July 28, 2015
Time	:	3 pm
Venue	:	Jai Hind College Hall 23-24, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai 400 020.

#### FINANCIAL CALENDAR (PROVISIONAL):

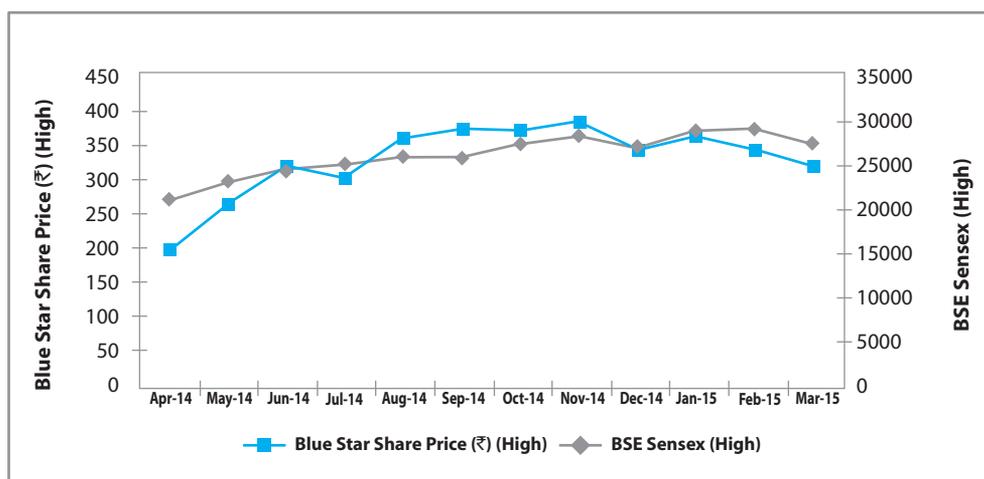
Unaudited results for the quarter ending June 30, 2015	:	July 2015
Unaudited results for the quarter ending Sept 30, 2015	:	October 2015
Unaudited results for the quarter ending Dec 31, 2015	:	January 2016
Audited results for the year ending March 2016	:	May 2016
Date of Book Closure	:	Tuesday, July 14, 2015 to Tuesday, July 21, 2015
Dividend Payment Date (subject to shareholder approval)	:	On or after July 31, 2015
LISTING ON STOCK EXCHANGES	:	BSE (Bombay Stock Exchange) Ltd National Stock Exchange of India Ltd
STOCK CODE	:	BSE Ltd - 500067 National Stock Exchange of India Ltd - BLUESTARCO
NSDL / CDSL - ISIN	:	INE 472A01039

## MARKET PRICE DATA

(₹ per share)

	BSE Ltd		National Stock Exchange of India Ltd	
	High	Low	High	Low
<b>2014</b>				
April	223.60	196.95	223.80	196.50
May	281.70	206.00	282.85	205.25
June	329.75	270.00	329.90	272.50
July	315.60	277.00	316.90	275.30
August	367.05	284.00	367.80	282.35
September	378.00	330.00	377.55	331.00
October	375.00	330.00	376.00	331.00
November	387.00	336.00	387.50	336.30
December	350.40	290.00	351.85	290.00
<b>2015</b>				
January	368.85	312.50	369.90	315.50
February	350.90	296.00	351.00	294.00
March	330.00	274.00	332.95	293.70

## PERFORMANCE - COMPARISON WITH BSE SENSEX



## REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Pvt Ltd  
 C-13, Kantilal Maganlal Estate  
 Pannalal Silk Mills Compound  
 L B S Marg, Bhandup (W)  
 Mumbai - 400 078.  
 Tel: 022-25946970, Fax: 022-25946969  
 Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

## SHARE TRANSFER SYSTEM

The Company's shares are traded in the Stock Exchanges in demat mode. These transfers are effected through NSDL and CDSL. Most of the transfers of shares take place in this form. Transfer of shares in the physical form are 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.

## UNCLAIMED DIVIDENDS

All the shareholders, whose dividends are unclaimed are requested to claim their dividends. Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount, once deposited in Investor Education & Protection Fund.

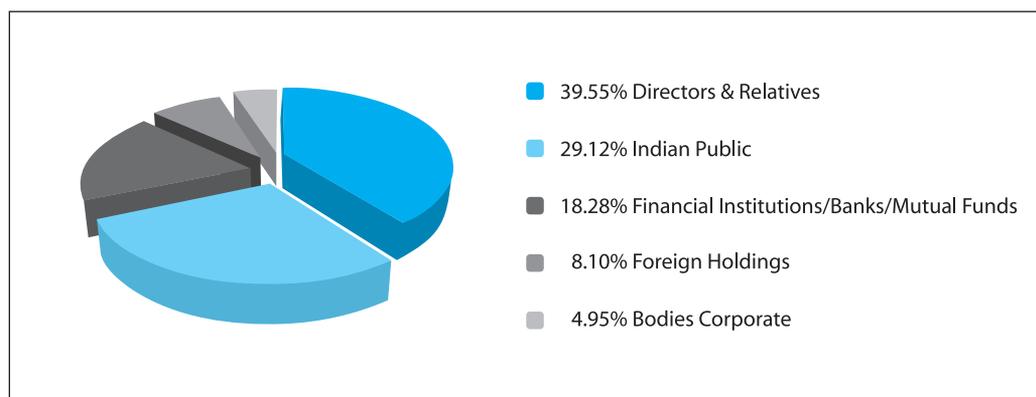
## TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, the Company has credited ₹14,60,818 and ₹3,49,268 as unpaid interim dividend and unpaid final dividend respectively, for the financial year 2006-2007, lying in the unclaimed/unpaid dividend account to the Investor Education & Protection Fund, pursuant to Section 125 of the Companies Act, 2013 (section not yet notified).

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2015

No. of equity shares held	No. of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
1 - 5000	19736	95.41	10449886	11.62
5001 - 10000	535	2.59	3733804	4.15
10001 - 20000	217	1.05	3014878	3.35
20001 - 30000	51	0.25	1225393	1.36
30001 - 40000	18	0.09	625183	0.70
40001 - 50000	20	0.10	915989	1.02
50001 - 100000	27	0.13	2099475	2.33
100001 - and above	82	0.40	67871497	75.47
<b>TOTAL</b>	<b>20686</b>	<b>100.00</b>	<b>89936105</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2015



### DEMATERIALISATION OF SHARES & LIQUIDITY

About 96.5% of the equity shares have been dematerialised by about 86% of the total shareholders as on March 31, 2015. The Company's shares can be traded only in dematerialised form as per SEBI notification. The Company has entered into agreements with NSDL and CDSL whereby shareholders have the option to dematerialise their shares with either of the Depositories. About 29.12% of the equity shares are held by public, and the shares are actively traded in BSE and NSE.

### PLANT LOCATIONS

Blue Star Limited  
IInd Pokhran Road  
Majiwada  
Thane 400 601.

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

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

Blue Star Limited  
Nahan Road  
Rampur Jattan  
Kala Amb,  
Dist: Sirmour,  
Himachal Pradesh  
173030.

Blue Star Limited  
Nahan Road,  
Village Ogli,  
Kala Amb,  
Dist: Sirmour,  
Himachal Pradesh  
173030.

Blue Star Limited  
501/3, 503/2  
Tejpur Road,  
Sarkhej Baula Highway,  
Changodar,  
Ahmedabad - 382213.

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

### OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS

There are no outstanding convertible warrants/instruments.

### ADDRESS FOR CORRESPONDENCE

Blue Star Limited  
Kasturi Buildings, 4th floor  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
CIN: L28920MH1949PLC006870  
Website: [www.bluestarindia.com](http://www.bluestarindia.com)

## Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2015.

For **BLUE STAR LIMITED**

Mumbai: May 29, 2015

**Satish Jamdar**  
Managing Director

# Auditors' Certificate

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To

**The Members of Blue Star Limited**

We have examined the compliance of conditions of corporate governance by Blue Star Limited, for the year ended on March 31, 2015, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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, subject to the matter wherein the Board of Directors was required to fill a vacancy consequent to the resignation of an Independent Director, by January 18, 2014 and which the Company has, at its meeting after that date, appointed an Independent Additional Director on April 28, 2014 with effect from May 30, 2014, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Mumbai: May 29, 2015

For **S R B C & Co LLP**  
Chartered Accountants  
ICAI Firm registration number: 324982E

**per Sudhir Soni**  
Partner  
Membership No. 41870

# Management Discussion and Analysis

## PREPARING FOR THE FUTURE

Blue Star is India's leading airconditioning and commercial refrigeration company with over seven decades of experience in providing expert cooling solutions. It fulfills the cooling requirements of a large number of corporate, commercial as well as residential customers. It also offers expertise in allied contracting activities such as electrical, plumbing and fire-fighting services, in order to offer turnkey solutions, apart from execution of specialised industrial projects. Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial products and systems. This business stands transferred to a wholly owned subsidiary of the Company called Blue Star Engineering & Electronics Limited, with effect from March 31, 2015.

Blue Star's integrated business model of a Manufacturer; Engineering, Procurement and Construction (EPC) solutions provider; 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. The Company's credentials and unmatched expertise help it to enjoy a preferred partnership status with most of corporate and commercial India. In fact, every third commercial building in the country has a Blue Star product installed. Blue Star has over 300 large National Account customers who award significant repeat orders to the Company on a regular basis. Blue Star also entered the residential segment a few years ago and has made deep inroads in the segment with a market share of 9.5%. It has an installed base of over a million units of room airconditioners. Blue Star products are now sold by over 2000 dealers, and are available in 3500 outlets in more than 650 towns across the country. Blue Star is also the largest after-sales AC&R service provider in India, maintaining around 2 million TR of equipment and handling over 1 million service calls a year. The Company has a manufacturing footprint of about 1 lakh sq m, manufacturing over 300 models across 25 product lines worth ₹1500 crores every year. There are about 2500 direct employees and over 20,000 indirect employees engaged in Blue Star's activities with around 20,000 man days of training imparted each year.

With the economic climate showing signs of improvement, the Company anticipates significant growth opportunities in the long-term and is preparing for the future. Increase in disposable income of the burgeoning middle class is likely to boost several sectors in the commercial space. Increase in capex spends by companies will improve office expansion as well as industrial and infrastructure spends. Moreover, the penetration of room airconditioners in the residential market is a mere 3%, and given the harsh climate, especially during the summer season, coupled with enhanced affordability of consumers, this segment is expected to grow notably in the future. As regards to commercial refrigeration, considering that post-harvest losses in the country are extensive, coupled with food scarcity and population expansion, food preservation is of utmost importance. Thus, the demand for cold chain and other commercial refrigeration products is anticipated to be sizeable. Blue Star's strong brand equity, credentials and unmatched expertise will enable it to leverage the exciting growth prospects.

Blue Star, being a leader in the airconditioning and commercial refrigeration industry, is conscious about the fact that it has to be a trendsetter in areas related to sustainability and climate change. Climate change and global warming are a serious concern and a growing threat to the world's ecosystem, and given India's large population, the country has a critical part to play in taking initiatives to reduce power consumption and using non-ozone depleting refrigerants with low global warming potential. The Company's mainstay of product development and R&D has been energy efficiency, coupled with eco-friendly and sustainable products.

The Company is also preparing to rationalise its manufacturing footprint vide a focused exercise which will involve demand assessment, revalidation of make/buy strategy and manufacturing capability assessment to ensure that Blue Star is future ready.

In the contracting business, the Indian economy is showing signs of improvement and the macroeconomic indicators are encouraging. The Company expects a revival of the commercial construction cycle in the near-term, which will give it the much needed impetus in the electro mechanical contracting space. The trend of combining multiple MEP services (HVAC, Electrical, Plumbing, Fire-fighting and Low Voltage systems) is gaining acceptance in the country. While the contracting space in India is rapidly changing and the customer needs are far more challenging, Blue Star has built its capabilities in MEP contracting in a systematic way, through a judicious mix of acquisitions and capability building.

Recently, it appointed The Boston Consulting Group to develop a strategy and action plan for profitable growth of its projects business. The key objectives included identification of attractive customer segments, acquiring higher share of business from

target customer segments, and developing a best-in-class delivery model. The strategic review has been completed and the key elements of the business growth strategy have been identified. These include internal reorganisation to better serve the integrated MEP requirements in the market; focusing on profitable market segments; and investing in building stronger engineering capabilities as well as in offering design-build solutions. The Company has identified multiple initiatives for stronger project management and procurement practices and plans to institutionalise modern site practices based on manufacturing principles to ensure a differentiated delivery experience. It will also IT enable its business processes while judiciously investing in construction technologies with the objective of driving productivity and consistency in its deliverables.

While Blue Star has done exceedingly well in the domestic business with its integrated model of a Manufacturer, EPC solutions provider and After-sales service provider, it is now keen on aggressively expanding its international footprint by taking forward these unique capabilities globally. It is in the process of identifying new opportunities for its airconditioning and commercial refrigeration products, MEP projects, after-sales service and system integration in global markets. The markets identified are Middle East, North Africa, SAARC and ASEAN regions and as the business matures, more markets will be added. This initiative would help in significantly enhancing the Blue Star brand beyond India, while providing growth opportunities for its businesses, and will go a long way in establishing Blue Star as a true global player.

### **BUSINESS SEGMENTS**

In accordance with the nature of products and markets addressed, business drivers, and competitive positioning, the lines of business of Blue Star can be segmented as follows:

#### **ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS**

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central airconditioning plants, packaged/ducted systems and variable refrigerant flow (VRF) systems, as well as contracting services in electrification, plumbing and fire-fighting. After-sales services such as revamp, retrofit and upgrades also form part of this segment.

#### **COOLING PRODUCTS**

Blue Star offers a wide variety of stylish, contemporary and energy-efficient room airconditioners for both residential as well as commercial applications. It also manufactures and markets a comprehensive range of commercial refrigeration products and cold chain equipment.

#### **PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS**

For over six decades, Blue Star has been the exclusive distributor in India for many internationally renowned manufacturers of professional electronic equipment and services, as well as industrial products and systems. This business is managed by the Company's wholly owned subsidiary, Blue Star Engineering & Electronics Ltd.

### **INDUSTRY STRUCTURE AND DEVELOPMENTS**

#### **AIRCONDITIONING**

In 2014-15, the estimated total market size for airconditioning in India was around ₹14750 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹5750 crores, while the market for room airconditioners comprised the balance ₹9000 crores.

During the year, though the macroeconomic indicators were positive and the environment improved, the corporate and commercial market continued to be sluggish as the revival of the commercial construction cycle is taking longer than expected. Segments such as integrated commercial complexes, power and utility, and healthcare witnessed some demand during the year under review.

On the other hand, the room airconditioners market grew significantly, driven by the residential business. The increase in disposable incomes of the growing middle-class consumers, enhanced demand from Tier 3/4/5 markets as well as an extended summer in several parts of the country contributed to growth during the review period. Further, steady foreign exchange rates as well as commodity prices ensured that the prices were stable.

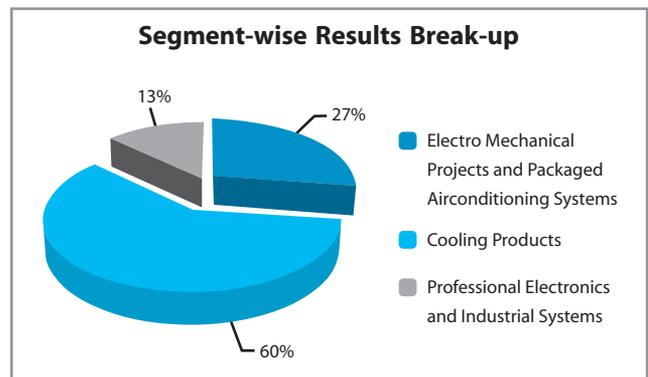
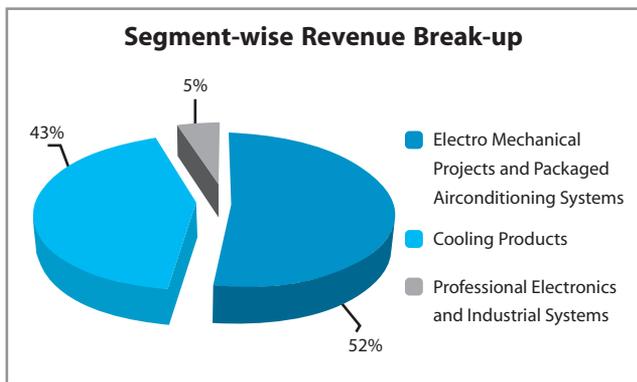
**COMMERCIAL REFRIGERATION**

The commercial refrigeration segment includes a wide range of products such as deep freezers, water coolers, bottled water dispensers, cold rooms, bottle coolers and ice cubers. Rapid changes in consumption patterns of the new and aware consumer fuelled by modern trade, along with the growing food, dairy and pharmaceutical industries are contributing to the growth in this segment.

During the year, the commercial refrigeration market grew well with demand from the ice cream, quick service restaurants and the pharmaceutical segments. Many initiatives are being undertaken by the Ministry of Agriculture, the Ministry of Food Processing Industries and various State Governments, in co-ordination with industry bodies such as CII to reduce wastage and loss of value of perishables, thereby containing food inflation. These initiatives are expected to significantly enhance demand for cold chain equipment in the country.

**SEGMENT-WISE ANALYSIS**

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



**ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS**

The Electro Mechanical Projects and Packaged Airconditioning Systems business continued to be the largest segment, accounting for 52% of the Company’s Total Segment Revenue.

In the electro mechanical projects business, there was demand from hospitality, residential, healthcare, metro-rail and mixed-use development projects during the year. However, this business was adversely impacted due to significant correction in project cost estimates of specific legacy orders. The Company aimed to aggressively close and/or make provisions in most of the legacy jobs during the fiscal in order to release resources engaged in such projects so as to focus on the imminent growth opportunities. While this affected the overall profitability of this segment during the review period, it will be beneficial in the long term when the industry revives. Further, the Company continued to focus on improving the quality of new orders, in terms of operating margins as well as payment terms. It also enhanced its share in multi-service orders (mechanical, electrical, plumbing and fire-fighting) and orders of over ₹500 crores were booked in this domain during the review period. The electrical projects business focused on opportunities available in the infrastructure and power sectors, while continuing to augment capabilities in the areas of construction and engineering, in order to handle large value orders independently.

Significant orders received in the electro mechanical projects business during the year included Venkateshwara Hospital, Delhi; Dr Oetkar Factory, Bhiwadi; Lodha Experia Mall, Mumbai; AIIMS Surgical Block, New Delhi; Amazon, Delhi; Kalpana Chawla Medical College & Hospital, Karnal; Citadines OMR Aparthotel, Bengaluru; Tharif Mall, Tirur; Pioneer Park, Delhi; HCL, Bengaluru; MRF, Chennai and Secunderabad; Abir Infrastructure, Secunderabad; Tata Steel, Jharkhand & Jamshedpur; Manipal Hospital, Delhi; TRIL Infopark, Chennai; Maharaja Agrasen Hospital, Delhi; Shalom Mall, Muvattupuzha; Qatar University; Damansara Uptown, Malaysia and Boulevard Mall, Qatar; amongst several others.

In the Industrial Projects business, focus on system integration offerings, increase in market share for standard products and strategic positioning of new advanced products in the existing markets enabled significant growth in the year under review. The Company won a large project from NMDC, Nagarmar for their upcoming expansion.

In the central plant equipment segment, the Company offers a range of screw and scroll chillers. During the year, the Company maintained its leadership position in scroll chillers, while the screw chiller segment recorded considerable growth. The Company actively pursued consultants as well as independent contracting companies to enhance its base. Blue Star's ducted systems range comprises packaged airconditioners, ducted split airconditioners and variable refrigerant flow (VRF) systems. While the market for ducted systems declined marginally, the Company retained its market leadership position in the segment. The range of VRF airconditioning systems performed well with the Company further consolidating its position. In the first quarter of FY16, the Company is set to launch a new VRF range called the 100% Inverter VRF which encompasses all variable speed compressors. All field trials of this range called the VRF IV Plus have been successfully completed and the Company is confident that with this new offering, it will further strengthen its foothold in the fast-growing VRF market. During the year, water cooled ducted mini split ACs were also launched which met with an encouraging response in the market place.

Segments such as industrial, marriage/banquet halls, showrooms and offices witnessed enhanced demand during the review period. Some of the notable orders won during the year were from UltraTech Cement, Rajasthan, West Bengal and Karnataka; Global Tech Park, Bengaluru; Pfizer; Godrej Realty, Kolkata; and GT Mall, Bengaluru.

### **COOLING PRODUCTS**

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

During the year, the room airconditioners business of the Company continued to grow faster than the market, thereby increasing its market share to 9.5%, in terms of value. It launched a new range of contemporary and stylish room airconditioners for the residential segment which are available in a large number of retail channels across the country, including several new Tier 3 and 4 towns. It also enhanced its advertising budgets to build brand salience. The emphasis during the year was on higher energy-efficient products such as inverter split airconditioners, 5-star rated airconditioners as well as those with eco-friendly refrigerants. Blue Star's share in the 5-star range is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. During the year, the Company also added several new customers in its national accounts business. Continued efforts in corporate and light commercial segments yielded results by way of large orders received from reputed institutions. Improved operational efficiency across all functions as well as enhanced manufacturing and supply chain management resulted in healthy margins in the room airconditioners business.

In the commercial refrigeration products segment, sales of chest freezers and coolers grew well, with enhanced demand from the ice cream and dairy segments. Significant orders were booked from Amul, Havmor, Top 'N Town, Creambell, Hatsun, McCain, Dairy Classic, Meriiboy, Milma, Vadilal, Dinshaw's, Sheetal Ice Cream and Lazza during the year. The market also witnessed a demand for improved display at the retail outlets, thereby driving growth for glass-top and display freezers.

Sales of bottled water dispensers grew well during the year as the Company engaged retailers with a strategic distribution model. Storage water coolers also performed well with demand from the educational and manufacturing segments. During the year, the Company announced a collaboration with Eureka Forbes to launch a range of Blue Star storage water coolers with in-built Aquaguard water purifiers. The market for pure drinking water has been on the rise with enhanced awareness about water-borne illnesses and the need for safe drinking water. Most water cooler customers have been combining the water cooler with an external water purification system to provide pure water. However, this solution has limitations, compromising the safety of water. The new integrated offering which offers last-point purification will reassure consumers that the water is absolutely pure and chilled. The range is available with both RO and UV filtration treatment options. The market for storage water coolers with in-built purification is in its nascent stage, and is expected to grow with more and more consumers shifting to in-built purification.

In the cold chain business, traditional segments like pharmaceuticals and ice cream contributed significantly with several leading players investing in cold rooms, as part of their capital expansion plans. The Company's customer list includes prominent pharmaceutical players like Sun Pharma, Gland Pharma, Biocon, Lupin, Pfizer, MedPlus, Mylan, Hester Biosciences, Roche Pharma and Dr Reddy's, as well as ice cream majors such as Amul, Creambell and Mother Dairy. The quick service restaurants segment witnessed significant growth with several multi-national chains entering Tier 2 and Tier 3 towns. Blue Star continues to enjoy the preferred partner status with most of these food chains. Blue Star has also partnered with new fast food chains such as Burger King, TGI Friday's, Sbarro, Lite Bite, Nando's and Au Bon Pain. The processed foods segment, driven by changing consumption habits, working youth and rising income levels, holds good promise for the cold chain business.

### **PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS**

For over six decades, the Professional Electronics and Industrial Systems business has been the exclusive distributor in India for many internationally renowned manufacturers of hi-tech professional electronic equipment and services, as well as for industrial products and systems. Over the years, the Company has changed its business model from merely being a distributor to that of a system integrator and value-added re-seller, thereby moving up the value chain. The Company has carved out profitable niches for itself in most of the specialised markets it operates in, such as Industrial Products and Systems, Material Testing Equipment and Systems (Destructive/Non-Destructive), Data Communication Products & Services, Testing and Measuring Instruments and Healthcare Systems.

With the expected revival of the economy, most of the segments targeted by this business are planning to increase their capex investments which will result in significant growth in demand. Further, the Company has been selling Blue Star branded products in some of the segments and this initiative has met with encouraging response. Since this business segment is distinctly different from the main AC&R businesses of the Company, it needed an independent identity along with specialised resources in order to exploit its full potential.

Keeping the above strategic imperatives in mind, the Company transferred the Professional Electronics & Industrial Systems undertaking of the Company to Blue Star Engineering & Electronics Ltd, a wholly owned subsidiary of the Company with effect from March 31, 2015. The Company intends to stay invested for a long term and grow this business. Housed in an independent subsidiary, this investment is expected to be value accretive in the long term for Blue Star shareholders. The leadership and management structure of this subsidiary will be strengthened, and the Company is confident that this step will provide the necessary growth impetus for Professional Electronics and Industrial Systems business in order to capitalise on the impending opportunities.

During the review period, with minimal investments in mining, coal, power and agriculture research sectors, the Industrial Products business faced significant challenges performing lower than expected. Significant sales of host security modules and video surveillance equipment helped register good growth for the Data Communication segment. The Test and Measuring Instruments business which mainly deals with radio frequency, microwave and avionics test and measuring equipment received significant orders from the defence, space, paramilitary and police forces. The business also expanded into newer arenas, partnering with related established principals. The newly launched product line of Radio Frequency over Fiber (ROF) converters is finding lot of traction amongst customers in defence and PSUs due to its new and innovative concept. The Healthcare Systems business registered good growth with notable orders booked for CT scanners and colour dopplers, apart from orders from the pharmaceutical segment for spectroscopy and particle sizing systems.

### **MANUFACTURING FACILITIES**

Blue Star has seven modern, state-of-the-art manufacturing facilities at Thane, Wada, Bharuch, Dadra, Himachal and Ahmedabad. The Thane Plant, which is the oldest manufacturing facility of Blue Star, primarily manufactures a range of screw chillers in air cooled, water cooled and flooded types, with all products being AHRI certified. The plant also takes pride in its AHRI certified test facility for water cooled as well as air cooled chillers which is the only air cooled chiller test facility in the country and the largest in Asia. It also produces a range of high-efficiency water cooled centrifugal chillers with oil-free technology. The Dadra

plant, regarded as one of the best manufacturing facilities in the country for high quality airconditioning products, manufactures packaged/ducted split airconditioners and VRF systems. The factory has added the latest range of panel benders in the manufacturing process which enables single piece flow output.

The Wada Plant, which is the largest manufacturing facility of the Company, manufactures screw and scroll chillers and has now been made fully equipped to produce the complete range of chillers. During the year, a new first-of-its-kind set-up for cold room panel manufacturing with eco-friendly foaming process using cyclopentane was added, supported by the Ozone Cell, Ministry of Environment and Forests. This is in line with Blue Star's commitment to phase out CFC/HCFC substances. Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. This facility commenced commercial production in April 2015. The Wada plant is also a contract manufacturer of sophisticated condensing units and roof top units for a few multi-nationals for Europe, Australia and Middle East markets and this business is on the upswing.

The two Himachal Plants manufacture room airconditioners as well as storage water coolers. Due to the significant demand for room airconditioners, the plants registered a record production during the review period. During the year, Blue Star produced a substantial quantity of micro channel heat exchangers which were used for captive consumption. The Ahmedabad and Bharuch plants manufacture commercial refrigeration products and systems. Driven by the ice cream, frozen food and dairy segments, both plants catered to the increased demand for commercial refrigeration products of the Company.

During the year, the plants undertook several value addition and value engineering projects, process improvement and quality control initiatives. There was focus on energy management, enhancing safety practices and TPM during the period.

### **RESEARCH & DEVELOPMENT**

To meet the market requirements of room airconditioners and that of Exports, upgraded products with higher energy efficiency were developed and successfully launched. There was special, in-house focus on the inverter technology which is fast emerging in chillers, VRFs and wall-mounted airconditioners. Refrigerants with lower global warming potential are being studied in detail with the intention to be adopted in select products. Projects were undertaken to augment the R&D competency across all product lines. The function continues to have an approved status from DSIR (Department of Scientific and Industrial Research), with re-certification as per new standards.

### **INTERNATIONAL BUSINESS**

In line with the corporate objective of building a larger international footprint for Blue Star over the next few years, new opportunities are being identified for AC&R products, MEP projects, after-sales service as well as system integration and agency businesses in global markets. The international business is currently engaged in AC&R product exports to the Middle East, Africa, SAARC and ASEAN regions as well as all OEM equipment sales. It also includes international projects which are mainly managed by the Company's international joint ventures in Qatar and Malaysia.

There are several drivers boosting the airconditioning market in the Middle East. Expo 2020 in the UAE as well as FIFA World Cup 2022 are anticipated to significantly enhance demand. With rapid change in the rules and regulations in the GCC countries such as Saudi Arabia and the UAE, the market for energy-efficient airconditioners is likely to increase. As regards SAARC and ASEAN regions, the market in countries such as Nepal, Bangladesh, Vietnam and Myanmar are expected to grow with higher FDI. While the hospitality segment is driving growth in Maldives, Nepal and Sri Lanka; manufacturing and power sectors are witnessing growth in Bangladesh; and the seafood industry coupled with manufacturing is driving growth in Vietnam and Sri Lanka.

During the year, the product exports of Blue Star registered healthy growth. It received good inflow of orders in room airconditioners, water coolers, ducted systems and refrigeration products from OEM accounts and various distributors in UAE, Qatar, and Kuwait. The Company participated in important industry trade shows such as the Big 5 in Dubai and the Big Show in Oman which enhanced its visibility amongst its target customers of consultants and contractors. Blue Star continues to expand its network in the GCC region and improve market coverage, engaging influential multiple dealers and sub dealers.

The Company is making steady progress in the developing African market. During the review period, the Company won significant orders for packaged units from Singapore. It also appointed dealers in Nepal, Maldives, Bangladesh and Sri Lanka. A successful product launch was conducted in Nepal during the latter part of the year. It also participated in an important hospitality event held at Maldives. The above initiatives have helped in enhancing visibility of the brand in the targeted international markets.

### **AIRCONDITIONING AND REFRIGERATION SERVICE**

Blue Star continues to be the largest after-sales airconditioning and commercial refrigeration service provider in the country, and has sustained its reputed position in the market place as a superior value-added service provider. All its services are ISO 9001-2008 certified. In order to strengthen its infrastructure in Tier 3 and 4 towns for the residential room airconditioners business, about 100 new service expert associates were appointed for these locations during the review period. The business launched several value added products in the areas of air, water and energy management. It has implemented a software solution for effective planning of spare parts availability which is a critical element to meet the prescribed turnaround time and enhance customer satisfaction. Customer meets were held at important locations to update the service stakeholders of developments in the function as well as to enhance relationship management.

### **SUPPLY CHAIN MANAGEMENT**

The Supply Chain Management function has been split into three verticals to cater to unitary products, applied systems and exports with the required focus to enhance efficiency, in line with the growth envisaged in the products as well as the exports businesses. These respective verticals carry end-to-end responsibility of the requisites which is expected to bring in cost competitiveness, fast implementation of any necessary changes and quick deliveries by resolving issues on priority with the needed impetus. During the year, a meet for major vendors was held to communicate Blue Star's current focus areas as well as the long term plan of the Company. The role of the sourcing support cell, which was formed last year, has been enhanced for optimal performance management of vendors and contractors. The use of e-procurement tools continue to yield the best competitive prices for products and services.

### **CHANNEL DEVELOPMENT**

The Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel development and channel conflict resolution initiatives, added around 230 channel partners during the year. Currently, Blue Star has 2225 channel partners for room airconditioners, packaged airconditioning, chillers, cold rooms and refrigeration products and systems, and reaches out to customers in over 650 towns.

Blue Star has also expanded the retail distribution reach of room airconditioners to about 530 retailers and distributors across the country. The Company has augmented its presence in Tier 2 and 3 markets by 25% over last year. Several developmental and motivational programmes including foreign incentive trips and felicitation of star performers with annual awards were announced.

## **FINANCIAL PERFORMANCE**

The analysis of the financial year performance for the year ended March 31, 2015, in comparison to the previous year on a stand-alone basis is as under:

### **1. INCOME**

For the year, Total Income from Operations (net of excise duty) was ₹3080.79 crores as compared to ₹2789.51 crores in the previous year, an increase of 10.4%.

### **2. COST OF SALES, WORK BILLS AND SERVICES**

The cost of sales, work bills and services during the year was ₹2133.54 crores as compared to ₹1957.76 crores in the previous year. This cost was 69.3% of the Total revenue from Operations (net) as compared to 70.2% in the previous year.

### 3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost for the year at ₹256.84 crores increased by 9.7% as compared to ₹234.04 crores in the previous year. The employee cost was 8.3% of the Total Income as compared to 8.4% in the previous year.

### 4. OPERATING AND GENERAL EXPENSES

Operating and General expenses increased to ₹516.82 crores from ₹447.02 crores in the previous year. As a percentage of Total Income, the Operating and General expenses for the year were at 16.8% as compared to 16.0% in the previous year.

### 5. FINANCIAL EXPENSES

Financial cost for the year was lower at ₹43.47 crores as compared to ₹49.64 crores in the previous year. The financial cost for the year reduced to 1.4% of the Total Income as compared to 1.8% in the previous year.

### 6. DEPRECIATION

Depreciation charge for the year increased to ₹39.34 crores as compared to ₹34.69 crores in the previous year.

### 7. EXCEPTIONAL ITEMS

Exceptional items for the year were a gain of ₹41.90 crores as compared to a loss of ₹16.86 crores in FY14. The Exceptional items in FY15 include cost update on major contracts of ₹58.25 crores (FY14 - ₹16.86 crores); surplus on transfer of Professional Electronics & Industrial Systems business to Blue Star Engineering and Electronics Ltd (erstwhile Blue Star Electro-Mechanical Ltd) of ₹83.34 crores; surplus on sale of assets of ₹22.48 crores; and cost of voluntary retirement schemes of ₹5.67 crores.

### 8. TAXATION

For FY15, net tax benefit was ₹9.7 crores as compared to 'nil' for FY14. Till FY14, carry forward tax losses of earlier years were adjusted against the taxable income and therefore no provision for tax was required and also no deferred tax asset could be recognised. In FY15, the entire taxable income has been subjected to normal tax provisions since carry forward losses have been fully adjusted. Further, deferred tax asset of ₹15.0 crores was recognised at the year-end, resulting in a net tax benefit.

### 9. NET PROFIT

Net Profit for the year increased by 101.0% to ₹152.53 crores as compared to ₹75.90 crores in the previous year. Net Profit was 5.0% of the Total Income as compared to 2.7% in the previous year.

### 10. CAPITAL EXPENDITURE

Capital expenditure incurred by the Company during the year was ₹50.99 crores as compared to ₹28.83 crores in the previous year. Main additions in fixed assets relate to investment in a new Cyclopentane facility in Wada, besides other routine replacement capital expenses.

### 11. CONSOLIDATED ACCOUNTS

The consolidated financial statements incorporate the result of the Company's subsidiaries; namely, Blue Star Engineering and Electronics Ltd (erstwhile Blue Star Electro-Mechanical Ltd) as well as Blue Star Design & Engineering Ltd, and its share in the result of joint venture companies namely Blue Star M&E Engineering Sdn Bhd, Malaysia and Blue Star Qatar (WLL); as well as the share in the profit of its associate company, Blue Star Infotech Ltd. Total Income (net of excise duty) was ₹3181.94 crores compared to ₹2934.27 crores in the previous year, and Net Profit after tax was ₹54.18 crores compared to ₹77.54 crores in the previous year.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place, a robust internal control mechanism based on a highly integrated ERP system, which is commensurate with the nature of its business as well as the size and complexity of its operations. M/s Mahajan & Aibara, Chartered Accountants, a reputed firm of Auditors, are working as Internal Auditors of the Company since April 2013. The mandate of the Internal

Auditors is to carry out internal audits at the Company's various offices, factories and project sites; review and report on the adherence to operating policies and guidelines as well as compliance with statutory requirements, in accordance with the annual Internal Audit plan approved by the Audit Committee of the Board. A summary of Internal Audit Reports is periodically submitted by the Internal Auditors to the Audit Committee of the Board, which discusses and reviews the findings with the Internal Auditors as well as with the senior management, including the heads of various operations and functions.

### **RISKS AND CONCERNS**

#### **RISKS**

The primary operating risks which could impact the Company relate to volatile exchange rates, interest rates, credit risks, volatile commodity prices risks, changes in tax and other legislations as well as risks arising out of high input costs, especially in the case of fixed price contracts and changes in technology which impact the Company's product offerings. In addition, a general slowdown in the global and local economy tends to aggravate risks faced by the Company. The Company has formed a Risk Committee in the current financial year to oversee enterprise-wide risk management. The Risk Committee is responsible for identification, evaluation and mitigation of operational, financial, strategic and external environmental risks.

#### **CONCERNS**

As mentioned last year, the slowdown in economic growth experienced by the industry continued to be a cause for concern. While the complete revival of the commercial real estate segment is likely to take some more time, the macro-economic indicators are positive to fuel growth.

### **HUMAN RESOURCES**

During the review period, the Company reduced its total permanent head count marginally to 2508 as on March 31, 2015 as compared to 2540 as on March 31, 2014. About 50 campus recruits from reputed colleges were centrally appointed, and were allocated to the respective divisions/functions based on business needs. People development continued to be the focus, with nearly 20,000 man days of training delivered during the year, which included both technical as well as behavioural training. To develop future leaders from within the organisation, senior managers underwent specialised programs to build on managerial effectiveness and leadership skills.

During the year, the Environment, Health and Safety (EHS) function further enhanced safety awareness programs, with a focused approach at specific target groups on sites. Over 1000 safety audits were conducted across divisions. E-waste management has been implemented on high priority with the waste generated across the Company facilities categorised as per norms and disposed of in the stipulated environment-friendly manner. To further enhance safety training capabilities of the Company, an audiovisual was developed to induct the factory staff to safe practices. Similar function-specific films are being planned for other business verticals.

### **INFORMATION TECHNOLOGY**

The Company focused on several IT initiatives during the year with emphasis on customer service and sales enablement. On the customer service front, it brought into use a leading software product in the industry for optimal management of its spare parts inventory as well as for enhancing service delivery and customer satisfaction. Blue Star initiated a strategic project to enable the remote monitoring and control of chillers and VRF systems. This aims to further enhance service responsiveness and turnaround time. The Company is in the process of implementing a leading sales force automation solution for its projects division, and a solution to forecast demand and plan replenishment for the product sales function. Blue Star is leveraging on the use of technologies such as cloud computing, mobility and analytics to implement various engineering and mobile solutions for its sales and services teams. Some of these solutions will be extended to its partner ecosystem as well. Blue Star also continued to enhance its SAP implementation by executing a number of major enhancements in the areas of work order controls, requirements for Blue Star Engineering & Electronics, mapping of the new Telengana State, collective contract invoicing and others.

### BRAND EQUITY

In terms of advertising and brand communication, the Company enhanced its advertising spends, given its continued thrust on the residential segment. The differentiated value proposition to the residential audience over the last few years has been 'Get office-like cooling at home' which leveraged Blue Star's expertise in cooling offices and communicated that one can get the very same expertise at home. Given the fact that Blue Star is now well entrenched in the residential segment, the Company has identified a new value proposition of 'Nobody Cools Better' which highlights the unmatched expertise, experience and deep understanding of the science of cooling that Blue Star offers to its customers. This new value proposition of 'Nobody Cools Better' was widely publicised with a set of TV commercials supported by ads in mainline dailies, cinema and hoardings. The Company continues to invest in its digital marketing efforts in social media as well as the internet, considering that most Blue Star buyers belong to the highest socio-economic category (SEC A), who are active on the internet.

Apart from mass media, the Company also made affordable investments in field marketing. These include participation in trade exhibitions, sponsorships of CII and other important events, IDEAC (Interior Designers, Architects and Consultants) relationship management, customer events and public relations through the Press. Several press conferences announcing product launches were held in Tier 1, 2 and 3 cities which garnered huge publicity across media. These field activities are critical and have gone a long way in complementing mass media campaigns as well as in strengthening brand equity.

### CORPORATE SOCIAL RESPONSIBILITY

The Company has established a CSR department headed by a professionally qualified senior manager with the requisite domain knowledge for planning and execution of the scheduled activities with proper due diligence, so as to ensure the honest and intended application of amounts spent.

The Company was required to spend a sum of ₹26 lakhs by March 31, 2015 towards activities as stipulated under Schedule VII of the Companies Act, 2013. As the CSR Committee is in the process of identifying appropriate NGO partners for execution of identified projects, the Company did not incur the said expenditure during the financial year ended March 31, 2015.

During the year, Blue Star made donations totalling ₹10 lakhs to Blue Star Foundation, India Cares Foundation and Multiple Sclerosis Society of India. Blue Star Foundation (BSF), a public charitable trust established by Blue Star Limited, has been actively supporting philanthropic causes for over three decades now. BSF's charter covers education of less privileged children, health/medical support to marginalised communities, poverty alleviation and environmental protection. The organisations supported by BSF during the year included St Jude India ChildCare Centres, Mumbai for holistic care in hygienic surroundings for children undergoing long durations of treatment for cancer; Seva Sadan Society, Mumbai towards residential and educational facilities for young girls in difficult circumstances; Kalinga Institute of Social Sciences, Bhubaneswar for all-round development of children from disadvantaged, indigenous tribal communities in Odisha; National Association of Disabled's Enterprises, Mumbai towards vocational training for physically challenged beneficiaries; and Akshar Trust, Vadodara for education of children with hearing difficulties; to name a few.

The Mohan T Advani Centennial Scholarships were initiated by BSF to render financial assistance to a few undergraduate engineering students studying in Government recognised unaided colleges during the year. These scholarships are for students in the Mechanical (Production)/Electrical/Electronics engineering disciplines. The initiative aims at holistic support for these students, inclusive of mentorships and internships, to prepare them for future work life.

### CORPORATE OUTLOOK

The economic climate is improving and the macro-economic indicators are encouraging. The residential and light commercial segments are registering a healthy growth with enhanced spends by consumers. While the revival in the commercial construction cycle is taking longer than anticipated, some activity is expected in this sector during FY16 which will benefit several businesses of Blue Star, especially the electro mechanical projects business which has been under severe pressure over the last few years. The Company intends to continue to make investments in manufacturing, marketing, brand building, product development as well as human resources in the next few quarters in order to capitalise on the imminent growth opportunities.

# The Dynamics of Blue Star's Growth

## 10 YEAR FINANCIAL HIGHLIGHTS

		2014-15	2013-14	2012-13	2011-12
<b>OPERATING RESULTS:</b>					
Total Income (incl. Excise duty)	₹ in Crs	3117.81	2847.95	2835.34	2752.55
Profit before Tax	"	142.82	75.90	52.59	(88.45)
Tax	"	(9.71)	-	0.85	0.70
Profit after Tax	"	152.53	75.90	51.74	(89.15)
Dividend (incl. Corporate Dividend tax)	"	54.12	40.68	31.57	10.45
Retained Profit	"	98.41	35.22	20.17	(99.60)
<b>FINANCIAL POSITION:</b>					
Paid up Capital	"	17.99	17.99	17.99	17.99
Reserves	"	607.10	511.60	476.38	455.91
Shareholders' Funds	"	625.09	529.59	494.37	473.90
Gross Borrowings	"	331.92	446.56	372.67	373.57
Total Funds Employed	"	957.01	976.15	867.04	847.47
Net Fixed Assets, Investments, DTA/DTL	"	488.23	352.16	351.97	358.70
Net Working Capital	"	468.78	623.99	515.07	488.77
Debt Equity Ratio	Ratio	0.53	0.84	0.75	0.79
Book Value per Equity Share	₹	69.49	58.88	54.97	52.69
<b>OTHER INFORMATION:</b>					
Number of Shareholders	Nos.	20686	22490	24623	24338
Number of Employees	Nos.	2508	2540	2698	2785
<b>PERFORMANCE INDICATORS:</b>					
Earnings per Share	₹	16.96	8.44	5.75	(9.9)
Dividend per Share **	₹	5.00	4.00	3.00	1.00
Return on Shareholders' Funds	%	24.4	14.3	10.5	(18.8)
Return on Capital Employed	%	14.9	7.8	6.1	(10.4)

\*\* Proposed Dividend

## The Dynamics of Blue Star's Growth

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
	2922.11	2576.62	2574.04	2270.09	1607.41	1178.62
	227.00	276.62	238.22	242.02	92.60	69.09
	72.00	65.14	57.93	67.92	21.42	19.42
	155.00	211.49	180.29	174.10	71.18	48.90
	73.18	83.90	73.65	73.65	30.93	24.61
	81.82	127.59	106.64	100.45	40.26	24.29
	17.99	17.99	17.99	17.99	17.99	17.99
	555.51	473.69	349.15	245.56	194.98	154.72
	573.50	491.67	367.13	263.54	212.97	172.71
	418.38	65.99	27.28	36.54	89.05	75.87
	991.88	557.67	394.41	300.08	302.02	248.58
	324.09	205.92	216.76	160.39	121.79	113.04
	667.79	351.74	295.70	141.86	184.49	141.33
	0.73	0.13	0.07	0.14	0.42	0.44
	63.77	54.67	40.82	29.30	23.68	19.20
	22830	22781	20470	19096	18065	15609
	2825	2603	2620	2566	2181	1999
	17.23	23.52	20.05	19.36	7.91	5.44
	7.00	8.00	7.00	7.00	3.00	2.40
	27.0	43.0	49.1	66.1	33.4	28.3
	22.9	49.6	60.4	81.4	32.1	30.1

# Independent Auditor's Report

## To the Members of Blue Star Limited

### Report on the Financial Statements

We have audited the accompanying standalone financial statements of Blue Star Limited ('the Company'), which comprise of the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015, its profit/loss and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2015 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2015, from being appointed as a director in terms of section 164 (2) of the Act.
  - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - a.i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 37 to the financial statements;
    - a.ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. Further, the company does not have any long term derivative contracts. Refer Note 5 to the financial statements;
    - a.iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of Signature: Mumbai

Date: May 29, 2015

# Annexure to the Auditors' Report

Annexure referred to in paragraph 1 under the heading "Report on other legal and Regulatory Requirement" of our report of even date -

Re: Blue Star Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
  - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted loans that are re-payable on demand, to companies covered in the register maintained under section 189 of the Companies Act, 2013. There has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.
  - (b) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of certain items in project business is made on the basis of customer preference, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148 (1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

  - (b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, excise duty, value added tax on account of any dispute, are as follows:

## Annexure to the Auditors' Report

Name of Statute	Nature of dues	Amount (₹ Lakhs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of Section 80IA/80IB deduction for non-allocation of Expenses	926.67	AY 1998-99, 2000-01 to 2005-06, 2006-07 to 2007-08	ITAT/High Court
	Advertisement on Brand Building considered as capital expenditure	127.15	2006-07	ITAT/High Court
	Short deduction of TDS on Payment to Subcontractors	166.49	2008-09 to 2009-10	CIT Appeals
Service Tax under Finance Act, 1994	Service tax demand on Composite Contracts	64.17	2003-2009	CESTAT
	Disallowance of Cenvat Credit to the extent of 80%	381.27	2004-2005 to 2009-2010	CESTAT/Commissioner Appeals
	Reversal of Cenvat credit on input services used for providing taxable service as well as exempted services	305.63	2009-2010; 2010-2011	CESTAT
	Wrong availment of Cenvat Credit/ service tax paid	175.38	2003-2004; 2006-2012	CESTAT
	Disallowance of input tax credit on common service	29.76	2005-2006 to 2009-2010	CESTAT
	Disallowance of claim of CRA under Export of Services	735.84	2003-2010	CESTAT/Commissioner Appeals
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Rejection of credit note	158.61	2009-10	Joint Commissioner Appeals
	Demand notice received from Assessing authority treating works contract sales as product sales	4,136.36	2001-02 to 2008-09	Supreme Court
	Factory Direct Sale treated as Local branch sales	107.82	2002-2003; 2003-2004	Deputy Commissioner (Appeals)
	Non Submission of Forms	4037.07	2003-04 to 2011-12	Deputy Commissioner (Appeals)/ITAT
	Disallowance of set off u/s 41D & interest liability	90.43	2004-2005	Deputy Commissioner (Appeals)
	Input credit disallowed	1,530.68	2005-2006	Deputy Commissioner
	Sales tax demand on assessment	1,993.00	1994-95; 2003-04 to 2011-12	Deputy Commissioner (Appeals)/ITAT
Entry Tax	On Factory direct sales	79.33	2001-2002; 2004-2005; 2009-12	Asst. Commissioner (Appeals)
Central Excise Act, 1944	10% Demand of Excise Duty on Finished Goods, raised for not maintaining separate books of accounts for dispatches to SEZ Developers	56.00	2008-2009	CESTAT Mumbai
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty	11.53	1986-1990	Central Excise Commissioner
	Excise Duty on Electric fans manufactured and captively use in manufacture of water cooler	2.77	1980-1982	CESTAT
	Excise Duty on whole unit including Cabinet which is considered as walk in coolers and claimed as exemption	10.00	1981-1986	Supreme Court
	Exemption granted to Power projects under Notification 6/2006 rejected	7.11	2009-10	CESTAT

\* net of advances

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

- (c) According to the information and explanations given to us, the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
- (viii) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has not issued any debentures.
- (x) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks and financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xi) The Company did not have any term loans outstanding during the year.
- (xii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of signature: Mumbai

Date: May 29, 2015

# Balance Sheet as at March 31, 2015

(₹ in lakhs)

	Notes	As at March 31	
		2015	2014
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	60,709.74	51,160.05
		<b>62,508.46</b>	<b>52,958.77</b>
<b>Non-current liabilities</b>			
Long-term provisions	5	448.98	281.12
		<b>448.98</b>	<b>281.12</b>
<b>Current liabilities</b>			
Short-term borrowings	6	33,191.82	44,656.47
Trade payables	7	84,083.07	78,929.96
Other current liabilities	7	31,124.15	41,598.92
Short-term provisions	5	7,900.10	6,654.04
		<b>156,299.14</b>	<b>171,839.39</b>
<b>TOTAL</b>		<b>219,256.58</b>	<b>225,079.28</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	8	19,581.70	19,607.43
Intangible assets	8	2,168.24	1,926.28
Capital work-in-progress		247.54	114.01
Intangible assets under development		1,993.51	1,432.42
Non-current investments	9	23,185.79	12,135.79
Deferred tax assets (net)	10	1,646.52	-
Long-term loans and advances	11	13,310.21	11,434.65
Trade receivables	12.1	6,734.25	5,275.07
Other non-current assets	12.2	108.49	84.12
		<b>68,976.25</b>	<b>52,009.77</b>
<b>Current assets</b>			
Inventories	13	46,282.87	46,563.27
Trade receivables	12.1	64,076.67	68,011.18
Cash and bank balances	14	3,633.49	6,294.06
Short-term loans and advances	11	10,543.15	13,063.23
Other current assets	12.2	25,744.15	39,137.77
		<b>150,280.33</b>	<b>173,069.51</b>
<b>TOTAL</b>		<b>219,256.58</b>	<b>225,079.28</b>

Summary of significant accounting policies 2.1  
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**  
ICAI Firm Registration No. 324982E  
Chartered Accountants

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 29, 2015

# Statement of Profit & Loss Account for the year ended March 31, 2015

(₹ in lakhs)

	Notes	Year ended March 31	
		2015	2014
<b>Income</b>			
Revenue from operations (gross)	15	310,766.96	282,153.83
Less: excise duty		2,687.52	3,202.47
<b>Revenue from operations (net)</b>		<b>308,079.44</b>	<b>278,951.36</b>
Other Income	16	1,014.33	2,641.40
<b>Total revenue (I)</b>		<b>309,093.77</b>	<b>281,592.76</b>
<b>Expenses</b>			
Cost of raw material and components consumed and Project related cost	17	171,193.35	165,386.57
Purchase of traded goods	17	42,996.26	38,344.71
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	18	(835.07)	(7,954.35)
Employee benefits expense	19	25,684.38	23,403.65
Other expenses	20	51,681.88	44,702.82
<b>Total (II)</b>		<b>290,720.80</b>	<b>263,883.40</b>
<b>Profit before interest, tax, depreciation, amortization and exceptional items (I) - (II)</b>		<b>18,372.97</b>	<b>17,709.36</b>
Depreciation and amortization expense	8	3,933.60	3,469.29
Finance costs	21	4,347.32	4,964.46
<b>Profit before tax and exceptional items</b>		<b>10,092.05</b>	<b>9,275.61</b>
Exceptional items	22	4,190.26	(1,686.00)
<b>Profit after exceptional items before tax</b>		<b>14,282.31</b>	<b>7,589.61</b>
<b>Profit from continuing operations before taxation :</b>		<b>11,162.02</b>	<b>5,414.61</b>
Tax expenses			
i) Current tax : Minimum Alternate Tax (MAT)		3,705.07	2,087.47
Less: MAT credit Entitlement		3,178.58	2,087.47
Net Current tax		526.49	-
Less: Tax expense of discontinuing operation		1,165.00	-
Current tax for continuing operation		(638.51)	-
ii) Deferred tax	10	(1,497.00)	-
Total tax expense for continuing operation		<b>(2,135.51)</b>	-
<b>Profit after tax from continuing operations [A]</b>		<b>13,297.53</b>	<b>5,414.61</b>
<b>Profit from discontinuing operation before taxation</b>	23	<b>3,120.29</b>	<b>2,175.00</b>
Tax expense for discontinuing operation		1,165.00	-
<b>Profit after tax from discontinuing operation [B]</b>		<b>1,955.29</b>	<b>2,175.00</b>
<b>Profit for the year (A + B)</b>		<b>15,252.82</b>	<b>7,589.61</b>
<b>Earnings per equity share [nominal value of share ₹2 (31 March 2014: ₹2) (refer note 34)]</b>			
<b>Basic</b>			
Computed on the basis of profit from continuing operations	₹	<b>14.79</b>	<b>6.02</b>
Computed on the basis of total profit for the year		<b>16.96</b>	<b>8.44</b>
<b>Diluted</b>			
Computed on the basis of profit from continuing operations	₹	<b>14.75</b>	<b>6.02</b>
Computed on the basis of total profit for the year		<b>16.92</b>	<b>8.44</b>

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements.

2.1

As per our report of even date

For **S R B C & CO LLP**  
ICAI Firm Registration No. 324982E  
Chartered Accountants

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani** Chairman  
**Satish Jamdar** Managing Director  
**Shailesh Haribhakti** Director  
**Neeraj Basur** Chief Financial Officer  
**Sangameshwar Iyer** Company Secretary

Mumbai: May 29, 2015

# Cash Flow Statement for the year ended March 31, 2015

(₹ in lakhs)

	Year ended March 31	
	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>14,282.31</b>	<b>7,589.61</b>
<b>Exceptional item</b>		
Cost update on major contracts (refer note 22)	5,824.89	1,686.00
<b>Profit before exceptional item</b>	<b>20,107.20</b>	<b>9,275.61</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	3,933.59	3,469.29
Surplus on sale of Professional Electronics and Industrial Systems Division (Refer Note 23)	(8,334.64)	-
Loss/(profit) on sale of fixed assets	(2,170.09)	(111.60)
Bad debts/advances written off	366.27	285.34
Provision for doubtful debts and advances	3,201.00	3,068.17
Unrealized foreign exchange loss/(gain)	17.20	307.67
Liabilities written back	(2,604.73)	(2,809.95)
Interest expense	4,347.32	4,964.46
Interest (income)	(305.47)	(914.63)
Dividend (income)	(274.12)	(1,092.36)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>18,283.53</b>	<b>16,442.00</b>
Movements in working capital :		
Increase/(decrease) in trade payables	8,147.86	5,383.44
Increase/(decrease) in long-term/short-term provisions	312.84	(638.43)
Increase/(decrease) in other current liabilities	713.01	126.90
Decrease/(increase) in trade receivables	(6,268.25)	(2,979.01)
Decrease/(increase) in inventories	(2,039.13)	(8,986.61)
Decrease/(increase) in long-term/short-term loans and advances	1,410.69	(2,212.86)
Decrease/(increase) in other current/non-current assets	1,011.76	2,588.23
Cash generated from/(used in) operations	21,572.31	9,723.66
Direct taxes paid (net of refunds)	(2,351.04)	(1,311.85)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>19,221.27</b>	<b>8,411.81</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(5,908.56)	(3,795.63)
Proceeds from sale of fixed assets	2,493.45	286.87
Purchase of current investments	-	(7,750.00)
Proceeds from sale/maturity of current investments	-	7,750.00
Interest received	305.47	791.63
Dividends received	1,099.87	267.00
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(2,009.77)</b>	<b>(2,450.13)</b>
<b>Balance carried forward</b>	<b>17,211.50</b>	<b>5,961.68</b>

## Cash Flow Statement for the year ended March 31, 2015

(₹ in lakhs)

	Year ended March 31	
	2015	2014
<b>Balance brought forward</b>	<b>17,211.50</b>	<b>5,961.68</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowings	229,513.23	192,858.00
Repayment of short term borrowings	(240,392.17)	(186,411.00)
Proceeds/(Repayment) from other short term borrowings, net	(585.70)	942.22
Interest paid	(4,345.87)	(5,007.44)
Dividend paid on equity shares	(3,584.01)	(2,691.96)
Tax on equity dividend paid	(470.54)	(458.53)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(19,865.06)</b>	<b>(768.71)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(2,653.56)</b>	<b>5,192.97</b>
Effect of exchange differences on cash & cash equivalents held in foreign currency	(4.81)	3.31
Cash and cash equivalents at the beginning of the year	6,294.06	1,097.78
Less-Transfer to Other Company	(2.20)	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>3,633.49</b>	<b>6,294.06</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Balances with banks:		
- On current accounts	3,352.66	6,038.13
- On unpaid dividend account*	246.58	233.14
Cash on hand	34.25	22.79
<b>TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)</b>	<b>3,633.49</b>	<b>6,294.06</b>

Summary of significant accounting policies 2.1

\*The company can utilize these balances only toward settlement of the respective unpaid dividend.

The transfer of Professional Electronics and Industrial Systems (Refer note 23) is a non cash transaction and hence, has no impact on the Company's cash flow for the year.

As per our report of even date

For **S R B C & CO LLP**  
**ICAI Firm Registration No. 324982E**  
 Chartered Accountants

**per Sudhir Soni**  
**Partner**  
 Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
 Managing Director  
 Director  
 Chief Financial Officer  
 Company Secretary

Mumbai: May 29, 2015

# Notes to Financial Statements for the year ended March 31, 2015

## 1. Corporate information

Blue Star Limited ("The Company") is into the business of central air conditioning and commercial refrigeration. The Company is also into distribution and maintenance of imported professional electronics and industrial systems.

## 2. Basis of preparation

The financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standard notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year except for change in accounting policy as explained below.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III of Companies Act, 2013.

Based on the nature of business and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of assets and liabilities.

### 2.1 Summary of Significant Accounting Policies

#### Change in accounting policy

##### (I) Depreciation on fixed assets

Till the year ended 31 March 2014, Schedule XIV of Companies Act, 1956, prescribed requirements concerning depreciation of fixed assets. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets. Unless stated otherwise, the impact mentioned for the current year is likely to hold good for future years also.

##### i. Useful lives/depreciation rates

Till the year ended 31 March 2014, depreciation rates prescribed under schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives & residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II. Hence, this change in accounting policy did not have material impact on financial statements of the company.

##### (a) Use of estimates

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

##### (b) Tangible fixed assets and Capital WIP

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use are also included in the cost of the assets to the extent these relate to the period up to the date such assets are ready to be put to use.

Expenditure (including interest) incurred during the construction period is included in Capital work-in-progress and the same is allocated to respective fixed assets on completion of the construction.

**(c) Depreciation on tangible fixed assets**

Cost of Leasehold land is amortized on a straight line basis over the period of lease

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on useful lives estimated by the management. The company has used the following useful lives to provide depreciation on its fixed assets.

Useful lives estimated by the management (years)

Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is less

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in schedule II.

**(d) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Research and Development Cost:

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the recognition criteria are met. Development expenditure capitalized is amortized over the period of expected future sales from the related project not exceeding ten years.

Amortization of Intangible fixed assets:

- Software is amortized on written down value of assets effectively over a period 6 years.
- Technical knowhow is amortized on straight line basis over a period of 6 years.

**(e) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to assess if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**(f) Leases**

Where the Company is the lessee:

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

**(g) Government grants and subsidies**

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

Capital subsidy received from the government is credited to capital reserve and treated as part of the shareholders' funds.

**(h) Investments**

All investments intended to be held for more than one year from the date of the purchase are classified as Long term investments. Long-term investments are carried at cost. A provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis.

**(i) Inventories**

Inventories are valued as follows:

- (i) Raw materials, stores and components are valued at lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- (ii) Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably.
- (iii) Work-In-Progress and Finished goods are valued at lower of cost and net realisable value.  
Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- (iv) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**(j) Revenue Recognition**

- (i) Revenue from long - term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.
- (ii) Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Other Current Liabilities" in the balance sheet.
- (iii) Annual Maintenance contracts: Revenues from annual maintenance contracts are recognized pro-rata over the period of the contract.
- (iv) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. Sales taxes and Value added taxes (VAT) are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.
- (v) Commission income is recognized as and when the terms of the contracts are fulfilled.
- (vi) Claims recoverable are accrued only to the extent it is probable that they will result in revenue and they are capable of being reliably measured.
- (vii) Export incentive receivable is accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.
- (viii) Dividend income is recognized when the right to receive dividend is established.
- (ix) Interest income is recognized on accrual basis.

**(k) Foreign Exchange Transactions**

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are restated at the exchange rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange difference

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts entered into to hedge foreign currency risk of an existing Asset/Liabilities

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Exchange difference arising on financing activities is reflected under the head 'finance costs' as Exchange difference on Borrowing (net).

**(l) Retirement and other Employee Benefits**

(i) Defined Contribution Plan

The Company's liability towards Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plan. The Company's contributions paid/payable towards this defined contribution plan is recognised as expense in the Statement of Profit and Loss during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trust.

(ii) Defined Benefit Plan

Provident Fund:

Eligible employees receive benefit from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contribution to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Blue Star Employees Provident Fund. The trust invests in specific designated instruments as permitted by the statute. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

Gratuity:

Company's liability towards gratuity is considered as a Defined Benefit Plan. The present value of the obligations towards Gratuity and additional gratuity are determined based on actuarial valuation using the projected unit credit method at the end of each financial year. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields on Government securities at the balance sheet date, and adjusted for salary escalations and attrition rate. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

(iii) Other Employee Benefits:

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are taken to the statement of profit and loss. The Company presents the entire leave as a Current Liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting period.

(iv) Voluntary Retirement Scheme

The cost incurred under the Voluntary Retirement Scheme is charged to the statement of Profit and loss in the month of separation of the employee.

**(m) Employee stock compensation cost**

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

**(n) Excise Duty**

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

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

**(o) Taxes on Income**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises deferred tax assets to the extent that it has become reasonably certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The said asset is created by way of credit to the statement of profit and loss and shown as

“MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**(p) Segment Reporting Policies**

(i) Identification of segments :

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

Allocation of common costs/assets & liabilities:

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

(ii) Unallocated items:

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

(iii) Segment Policies:

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

**(q) Earnings per share**

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(r) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(s) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

**(t) Cash and Cash equivalents**

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

**(u) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

## Notes to Financial statements for the year ended March 31, 2015

### 3: SHARE CAPITAL

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Authorized Shares</b>		
10,000 (31 March 2014: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000 (31 March 2014: 148,700,000) Equity Shares of ₹2 each	2,974.00	2,974.00
16,000 (31 March 2014: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
	<b>3,000.00</b>	<b>3,000.00</b>
<b>Issued, subscribed and fully paid-up shares</b>		
89,936,105 (31 March 2014: 89,936,105) Equity Shares of ₹2 each	1,798.72	1,798.72
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,798.72</b>	<b>1,798.72</b>

- a) There is no movement in the shares outstanding at the beginning and at the end of the reporting period.
- b) Terms/rights attached to equity shares  
 The Company has only one class of equity shares having par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.  
 During the year ended 31 March, 2015 the amount of per share dividend proposed as distribution to the equity shareholders is ₹5 (31 March, 2014 : ₹4)
- c) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2015	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,828,673	7.59%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

## Notes to Financial statements for the year ended March 31, 2015

Name of the shareholder	As at 31 March 2014	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,492,281	11.67%
Suneel Mohan Advani	5,325,948	5.92%
HDFC Trustee Company Limited - HDFC Capital Builder Fund	5,020,457	5.58%
ICICI Prudential Discovery Fund	4,868,769	5.41%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

# these shares are held in Trust for the Promoter group who are the beneficial owners

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares, except as disclosed.

d) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer note :36

#### 4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>General reserve</b>		
Balance as per the last financial statements	28,620.81	27,860.81
Add: amount transferred from surplus balance in the statement of profit and loss	1,525.28	760.00
<b>Closing Balance</b>	30,146.09	28,620.81
<b>Capital redemption reserve</b>	233.56	233.56
<b>Capital Subsidy from Government</b>	60.00	60.00
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	22,245.68	19,484.05
Profit for the year	15,252.82	7,589.61
Less : Adjustment to written down value of assets fully depreciated pursuant to Schedule II of the Companies Act, 2013, net of tax (refer note: 37)	290.86	-
Less: Appropriations		
Proposed final equity dividend (amount per share ₹5 (31 March 2014: ₹4))	4,496.81	3,597.44
Tax on proposed equity dividend	915.46	470.54
Transfer to general reserve	1,525.28	760.00
Total appropriations	6,937.55	4,827.98
Net surplus in the statement of profit and loss	30,270.09	22,245.68
<b>Total reserves and surplus</b>	<b>60,709.74</b>	<b>51,160.05</b>

## Notes to Financial statements for the year ended March 31, 2015

### 5: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Provision for employee benefits</b>				
Provision for Leave benefits	-	-	1,116.00	1,014.52
Provision for Additional Gratuity (refer note 30)	52.48	52.12	5.32	4.01
	52.48	52.12	1,121.32	1,018.53
<b>Other provisions</b>				
Provision for warranties	396.50	229.00	831.45	578.06
Loss order	-	-	535.06	989.47
Proposed equity dividend	-	-	4,496.81	3,597.44
Provision for tax on proposed equity dividend	-	-	915.46	470.54
	396.50	229.00	6,778.78	5,635.51
	<b>448.98</b>	<b>281.12</b>	<b>7,900.10</b>	<b>6,654.04</b>

#### Provision for warranties

A provision is recognised for standard warranty claims based on turnover during the year and extended warranty on the basis of turnover for preceding two years. The Company estimates the future cost of warranty based on historical experience of the level of repairs and returns. The estimates of such warranty cost are revised annually.

(₹ in lakhs)

	As at March 31	
	2015	2014
At the beginning of the year	807.06	915.79
Arising during the year	1,063.66	552.00
Utilized during the year	(642.77)	(550.01)
Unused amounts reversed during the year	-	(110.72)
<b>At the end of the year</b>	<b>1,227.95</b>	<b>807.06</b>
Current portion	831.45	578.06
Non-current portion	396.50	229.00

#### Loss order

A provision for expected loss on construction contract is recognised when it is probable that the contract cost will exceed the total contract revenue. For all other contracts, loss order provisions are made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

## Notes to Financial statements for the year ended March 31, 2015

### 6: SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2015	2014
On Cash credit, Packing credit & Working capital demand loan accounts from banks (secured) (Note a & b)	1,531.83	5,171.46
Buyers' credit (secured) (Note b & c)	1,891.36	8,548.40
Buyers' credit (unsecured) (Note c)	9,768.63	4,936.61
Commercial Papers from Banks (unsecured) (Note d)	10,000.00	10,000.00
Commercial Papers from Others (unsecured) (Note d)	10,000.00	16,000.00
	<b>33,191.82</b>	<b>44,656.47</b>
<b>The above amount includes</b>		
Secured borrowings	3,423.19	13,719.86
Unsecured borrowings	29,768.63	30,936.61

- a. Outstanding Loans carry an average interest rate of 10.26% p.a. (31 March 2014: 10.12% p.a.)
- b. Outstanding Loans is secured by hypothecation of stock-in-trade and trade receivables.
- c. Buyers' Credit are availed for imports payables and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.95%
- d. Commercial Papers carry average interest rate @ 8.75% p.a. for the current year (31 March 2014: 9.62% p.a.). These are repayable within 50 days to 90 days from the date of drawdown.

### 7: OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Trade payables</b> (including acceptances of ₹3,328 lakhs (31 March 2014 : ₹471 lakhs)) (refer note 29 for details of dues to micro, small & medium enterprises)	84,083.07	78,929.96
<b>Other liabilities</b>		
Interest accrued but not due on borrowings	11.95	10.49
Amount Due to Customers (refer note 24)	3,473.46	4,723.43
Unearned revenue on AMC services	4,482.25	4,347.48
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	246.58	233.14
Advance from customers	18,182.08	27,576.24
Unrealised loss on Forward Contract liability	84.96	824.09
Others		
Creditors - Capital Expenditure	43.40	62.41
Interest free deposits from customers	227.14	314.07
Due to statutory bodies	4,234.63	3,302.54
Other Liabilities - Payroll deduction	137.70	205.03
	<b>31,124.15</b>	<b>41,598.92</b>

# Notes to Financial statements for the year ended March 31, 2015

## 8: FIXED ASSETS

(₹ in lakhs)

Description of Assets	Gross Block				Depreciation				Net Block	
	As at 1.04.2014	Additions during the year	Deductions/ Adjustments	As at 31.03.2015	As at 1.04.2014	Deductions/ Adjustments	Provided during the year	Adjustments Refer Note:37	As at 31.03.2015	As at 31.03.2015
<b>Tangible Assets</b>										
1 Land - Freehold	889.39 (889.39)	-	-	889.39 (889.39)	-	-	-	-	-	889.39 (889.39)
2 Land - Leasehold	7.94 (7.94)	-	-	7.94 (7.94)	2.68 (2.68)	-	-	-	2.68 (2.68)	5.26 (5.26)
3 Building Sheds and Road	11,830.38 (11,723.67)	867.48 (140.55)	142.69 (33.84)	12,555.17 (11,830.38)	5,775.26 (5,215.66)	94.27 (14.53)	554.12 (574.13)	152.24	6,387.35 (5,775.26)	6,167.82 (6,055.12)
4 Plant & Machinery #	24,456.80 (22,712.21)	2,147.41 (1,857.64)	843.50 (113.05)	25,760.71 (24,456.80)	13,472.71 (11,795.76)	533.70 (77.56)	1,805.84 (1,754.51)	1.37	14,746.22 (13,472.71)	11,014.49 (10,984.09)
5 Furniture & Fixtures	2,228.53 (2,172.44)	14.50 (100.36)	158.70 (44.27)	2,084.33 (2,228.53)	1,664.03 (1,585.69)	133.46 (39.52)	174.81 (117.86)	46.72	1,752.10 (1,664.03)	332.23 (564.50)
6 Office Equipments	1,218.19 (1,302.84)	131.36 (59.07)	180.45 (143.72)	1,169.10 (1,218.19)	711.64 (693.98)	150.14 (100.05)	260.13 (117.71)	186.18	1,007.81 (711.64)	161.29 (506.55)
7 Vehicles	897.33 (969.79)	288.47 (117.01)	254.25 (189.47)	931.55 (897.33)	541.85 (559.34)	159.62 (130.84)	138.37 (113.35)	2.68	523.28 (541.85)	408.27 (355.48)
8 Leasehold Improvements	-	164.29	-	164.29	-	-	2.18	-	2.18	162.11
9 Computers	1,418.81 (1,561.01)	522.09 (105.13)	63.63 (247.33)	1,877.27 (1,418.81)	1,171.77 (1,281.87)	62.49 (233.92)	276.51 (123.82)	50.64	1,436.43 (1,171.77)	440.84 (247.04)
<b>Total 2014-15</b>	<b>42,947.37</b>	<b>4,135.60</b>	<b>1,643.22</b>	<b>45,439.75</b>	<b>23,339.94</b>	<b>1,133.68</b>	<b>3,211.96</b>	<b>439.83</b>	<b>25,858.05</b>	<b>19,581.70</b>
<b>Total 2013-14</b>	<b>(41,339.29)</b>	<b>(2,379.76)</b>	<b>(771.68)</b>	<b>(42,947.37)</b>	<b>(21,134.98)</b>	<b>(596.42)</b>	<b>(2,801.38)</b>	<b>-</b>	<b>(23,339.94)</b>	<b>(19,607.43)</b>

Description of Assets	Gross Block				Amortization				Net Block	
	As at 1.04.2014	Additions during the year	Deductions	As at 31.03.2015	As at 1.04.2014	Deductions	Provided during the year	As at 31.03.2015	As at 31.03.2015	
<b>Intangible Assets</b>										
1 Technical Knowhow	1,686.47 (1,645.17)	318.67 (41.30)	-	2,005.14 (1,686.47)	631.69 (393.85)	-	282.09 (237.84)	913.78 (631.69)	1,091.36 (1,054.78)	
2 Software	3,679.17 (3,217.27)	644.93 (461.89)	-	4,324.10 (3,679.17)	2,807.67 (2,377.60)	-	439.55 (430.07)	3,247.22 (2,807.67)	1,076.88 (871.50)	
<b>Total 2014-15</b>	<b>5,365.64</b>	<b>963.60</b>	<b>-</b>	<b>6,329.24</b>	<b>3,439.36</b>	<b>-</b>	<b>721.64</b>	<b>4,161.00</b>	<b>2,168.24</b>	
<b>Total 2013-14</b>	<b>(4,862.44)</b>	<b>(503.19)</b>	<b>-</b>	<b>(5,365.64)</b>	<b>(2,771.45)</b>	<b>-</b>	<b>(667.91)</b>	<b>(3,439.36)</b>	<b>(1,926.28)</b>	

# Net of Grant of ₹36.24 lakhs (Previous year: ₹36.24 lakhs) for UNIDO machine.  
# Net of Grant of ₹340.10 lakhs (Previous year: Nil) for Cyclopentane C5 Panel Project.

### Notes

1 Figures in brackets represents amounts pertaining to previous years.

### 2. Depreciation and Amortization Expense

	March 31	
	2015	2014
Depreciation on Tangible Assets	3,211.96	2,801.38
Amortization of Intangible Assets	721.64	667.91
	<b>3,933.60</b>	<b>3,469.29</b>

3 Plant & Machinery includes asset held for sale:

Gross Block ₹1790.02 lakhs (Previous year: ₹Nil lakhs), Depreciation ₹83.73 lakhs (Previous year: ₹Nil lakhs), Accumulated Depreciation ₹1257.90 lakhs (Previous year: ₹Nil lakhs), Net book value ₹532.12 lakhs (Previous year: ₹Nil lakhs)

## Notes to Financial statements for the year ended March 31, 2015

### 9: NON CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Long Term Investments :</b>		
<b>Trade investments (valued at cost unless stated otherwise)</b>		
Unquoted equity instruments		
<b>Investment in Subsidiaries</b>		
383,00,052 (31 March 2014: 19,70,000 Fully Paid Equity Shares of ₹10) Fully Paid Equity Shares of ₹2 each in Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro Mechanical Ltd.) (refer note 23)	22,767.00	11,717.00
975,000 (31 March 2014: 975,000) Fully paid Equity shares of ₹10 each in Blue Star Design and Engineering Limited	58.50	58.50
<b>Investment in Joint Ventures</b>		
367,500 (31 March 2014: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	49.97	49.97
49 (31 March 2014: 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar(WLL)	12.11	12.11
	<b>22,887.58</b>	<b>11,837.58</b>
<b>Non-trade investments (valued at cost unless stated otherwise)</b>		
<b>Investment in Associates (Quoted)</b>		
3,098,025 (31 March 2014: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd.	298.21	298.21
	<b>298.21</b>	<b>298.21</b>
	<b>23,185.79</b>	<b>12,135.79</b>
Aggregate amount of quoted investments (Market value: ₹6,109.31 Lakhs (31 March 2014: ₹3,629.34 lakhs))	298.21	298.21
Aggregate amount of unquoted investments	22,887.58	11,837.58

### 10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1,905.48	1,347.17
Gross deferred tax liability	1,905.48	1,347.17
<b>Deferred tax asset</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	560.00	417.20
Provision for doubtful debts and advances	2,992.00	929.97
Gross deferred tax asset	3,552.00	1,347.17
<b>Net deferred tax asset</b>	<b>1,646.52</b>	<b>-</b>

Until the previous year, the Company had recognised the deferred tax asset only to the extent of deferred tax liability arising from timing differences as the Company had carry forward losses. During the current year, the carry forward losses have been completely set off and there is reasonable certainty of realisation of deferred tax assets. Accordingly, deferred tax asset has been recognised on timing differences prevailing at the beginning of the year to the extent not recognised in earlier years.

Notes to Financial statements for the year ended March 31, 2015

11: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Capital advances</b>				
Unsecured, considered good	339.77	243.58	-	-
	339.77	243.58		
<b>Security deposit</b>				
Unsecured, considered good	1,538.76	1,532.65	-	-
	1,538.76	1,532.65	-	-
<b>Loan and advances to related parties</b>				
Unsecured, considered good	-	-	548.16	1,169.19
	-	-	548.16	1,169.19
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	-	-	2,860.07	5,350.61
	-	-	2,860.07	5,350.61
<b>Other loans and advances, unsecured, considered good</b>				
Advance income-tax (net of Provisions ₹36,992.58 lakhs (31 March 2014: ₹36,466.09 lakhs))	3,753.32	5,107.34	-	-
MAT credit Entitlement	6,417.92	3,239.34	-	-
Prepaid expenses	4.04	7.91	1,384.84	1,622.14
Loans to employees	327.65	376.89	117.38	119.13
Balances with statutory/government authorities	928.75	926.94	5,632.70	4,802.16
	11,431.68	9,658.42	7,134.92	6,543.43
<b>Total</b>	<b>13,310.21</b>	<b>11,434.65</b>	<b>10,543.15</b>	<b>13,063.23</b>
Disclosures pursuant to Clause 32 of the Listing Agreement:				
<b>Loans and Advances to related parties include:</b>				
Dues from Subsidiary Company				
Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro Mechanical Ltd)	-	-	300.00	-
Maximum amount outstanding during the year ₹1,300.00 lakhs (31 March 2014: ₹1,310.00 lakhs)				
Blue Star Design & Engineering Limited	-	-	-	823.47
Maximum amount outstanding during the year ₹nil lakhs (31 March 2014 : ₹1,008.92 lakhs)				
Dues from Joint Ventures:	-	-	248.16	345.72
Working capital loan given to subsidiary and joint venture. There is no repayment schedule in respect of this loan. It is repayable on demand.				

Notes to Financial statements for the year ended March 31, 2015

**12: TRADE RECEIVABLES AND OTHER ASSETS**

(₹ in lakhs)

**12.1: TRADE RECEIVABLES**

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Unsecured, considered good	-	-	15,131.60	20,372.40
Considered doubtful	-	-	8,730.82	6,158.99
	-	-	23,862.42	26,531.39
Provision for doubtful Receivables	-	-	8,730.82	6,158.99
	-	-	15,131.60	20,372.40
<b>Other receivables</b>				
Unsecured, considered good	6,734.25	5,275.07	48,945.07	47,638.78
	6,734.25	5,275.07	48,945.07	47,638.78
	<b>6,734.25</b>	<b>5,275.07</b>	<b>64,076.67</b>	<b>68,011.18</b>
Due from Company in which the Company's Non executive Director is a Director				
Atria Convergence technologies Pvt Ltd.	-	-	10.70	-

**12.2: OTHER ASSETS**

(₹ in lakhs)

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Unsecured, considered good unless stated otherwise</b>				
Non-current bank balances (refer note 14)	108.49	84.12	-	-
<b>Unbilled Revenue :</b>				
Project Revenue (refer note 24)	-	-	25,286.67	38,751.60
AMC	-	-	457.48	386.17
	-	-	25,744.15	39,137.77
	<b>108.49</b>	<b>84.12</b>	<b>25,744.15</b>	<b>39,137.77</b>

## Notes to Financial statements for the year ended March 31, 2015

### 13: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2015	2014
Raw materials & components (includes in transit : ₹3,024.63 lakhs (31 March 2014: ₹5,793.81 lakhs))	11,894.12	13,292.82
Work-in-progress	3,585.26	3,737.89
Finished goods	13,516.64	14,102.58
Traded goods (including in transit ₹2,541.93 lakhs (31 March 2014: ₹5,047.67 lakhs))	14,048.46	12,474.82
Stores and spares	3,238.39	2,955.16
	<b>46,282.87</b>	<b>46,563.27</b>

### 14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Cash and cash equivalents</b>				
Balances with banks:				
- On current accounts	-	-	3,352.66	6,038.13
- On unpaid dividend account	-	-	246.58	233.14
Cash on hand	-	-	34.25	22.79
	-	-	3,633.49	6,294.06
<b>Other bank balances</b>				
Margin money Deposit	108.49	84.12	-	-
	108.49	84.12	-	-
Amount disclosed under non-current assets (refer note 12.2)	(108.49)	(84.12)	-	-
	-	-	<b>3,633.49</b>	<b>6,294.06</b>

#### Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹108.49 lakhs (31 March 2014: ₹84.12 lakhs) are subject to a first charge to secure the Custom claim amounting to ₹8.73 lakhs & Security deposit with customers amounting to ₹99.76 lakhs.

## Notes to Financial statements for the year ended March 31, 2015

### 15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
<b>Revenue from operations</b>		
Sale of products		
Finished goods	155,875.31	136,881.60
Traded goods	57,778.70	47,926.74
Services rendered	32,786.97	28,836.98
Revenue from Construction Contracts (refer note 24)	60,194.89	63,780.27
Other operating revenue		
Commission income	1,196.97	1,501.53
Provisions and Liabilities no longer required	2,604.73	2,809.95
Others	329.39	416.76
<b>Revenue from operations (gross)</b>	<b>310,766.96</b>	<b>282,153.83</b>
Less: Excise duty #	2,687.52	3,202.47
<b>Revenue from operations (net)</b>	<b>308,079.44</b>	<b>278,951.36</b>

# Excise duty on sales amounting to ₹2,687.52 lakhs (31 March 2014: ₹3,202.47 lakhs) has been reduced from sales in the statement of profit & loss and excise duty on (increase)/decrease in stock amounting to ₹(31.14) lakhs (31 March 2014: ₹(23.41) lakhs) has been considered as (income)/expense in note 18 of financial statements.

<b>Details of Products Sold</b>		
<b>Finished goods sold</b>		
Air-conditioning & Refrigeration Equipment	114,568.35	98,379.70
Central Air-conditioning Plant	18,146.25	16,814.53
Spares & Components	23,160.71	21,687.37
	<b>155,875.31</b>	<b>136,881.60</b>
<b>Traded goods sold</b>		
Air-conditioning & Refrigeration Equipment	36,385.11	31,861.77
Central Air-conditioning Plant	689.54	1,440.62
Electronics & Other Appliances, Equipment, Instruments etc.	13,348.73	9,671.01
Spares & Components	7,355.32	4,953.34
	<b>57,778.70</b>	<b>47,926.74</b>
<b>Detail of services rendered</b>		
AMC services	32,786.97	28,836.98
	<b>32,786.97</b>	<b>28,836.98</b>

## Notes to Financial statements for the year ended March 31, 2015

### 16: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Interest income on		
Bank deposits	15.82	12.38
Others	289.65	902.24
Dividend income on		
Current investments	14.34	4.58
Long-term investments	259.78	1,087.79
Profit on sale of fixed assets (net)	-	111.60
Other non operating Income	434.74	522.81
	<b>1,014.33</b>	<b>2,641.40</b>

### 17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Cost of material consumed	110,169.72	105,772.68
Project Cost (including bought outs) (see note 27a and 27b)	61,023.63	59,613.89
	<b>171,193.35</b>	<b>165,386.57</b>
Purchase of traded Goods	<b>42,996.26</b>	<b>38,344.71</b>
<b>Details of raw material and components consumed</b>		
Non ferrous metals	11,113.45	10,470.20
Ferrous metals	7,014.36	7,848.55
Compressors	28,778.24	27,391.17
Evaporating unit	15,917.00	13,322.81
Others	47,346.67	46,739.95
	<b>110,169.72</b>	<b>105,772.68</b>

(₹ in lakhs)

	31-Mar-15		31-Mar-14	
	₹ lakhs	% of Total Consumption	₹ lakhs	% of Total Consumption
Imported (at Landed Cost)	43,759.20	39.72%	35,924.15	33.96%
Indigenous	66,410.52	60.28%	69,848.53	66.04%
	<b>110,169.72</b>	<b>100.00%</b>	<b>105,772.68</b>	<b>100.00%</b>

## Notes to Financial statements for the year ended March 31, 2015

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
<b>Details of Purchase of Traded Goods</b>		
Air-conditioning & Refrigeration Equipment	29,496.96	25,655.65
Central Air-conditioning Plant	286.60	641.89
Electronics & Other Appliances, Equipment, Instruments Etc.	8,000.94	7,206.01
Spares & Components	5,211.76	4,841.16
	<b>42,996.26</b>	<b>38,344.71</b>

### 18: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-15	31-Mar-14	(Increase)/ decrease
	31-Mar-15		
<b>Inventories at the end of the year</b>			
Traded goods	14,048.46	12,474.82	(1,573.64)
Work-in-progress	3,585.26	3,737.89	152.63
Finished goods	13,516.64	14,102.58	585.94
	<b>31,150.36</b>	<b>30,315.29</b>	<b>(835.07)</b>

(₹ in lakhs)

	31-Mar-15	31-Mar-14	(Increase)/ decrease
	31-Mar-14		
<b>Inventories at the beginning of the year</b>			
Traded goods	12,474.82	10,873.24	(1,601.58)
Work-in-progress	3,737.89	2,992.71	(745.18)
Finished goods	14,102.58	8,494.99	(5,607.59)
	<b>30,315.29</b>	<b>22,360.94</b>	<b>(7,954.35)</b>
	<b>(835.07)</b>	<b>(7,954.35)</b>	

### 19: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Salaries, wages and bonus	21,455.03	20,299.86
Contribution to provident and other funds	1,255.90	1,262.16
Gratuity expense (refer note 30)	710.96	-
Other employment benefits	546.42	204.97
Staff welfare expenses	1,716.07	1,636.66
	<b>25,684.38</b>	<b>23,403.65</b>

## Notes to Financial statements for the year ended March 31, 2015

### 20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Stores and Spares consumed	1,033.63	901.67
AMC Subcontracting cost	17,064.99	14,797.39
Rent (refer note 27b and 33)	3,380.97	3,206.10
Rates and taxes	91.51	85.76
Power and fuel (refer note 27b)	1,486.89	1,478.25
Insurance (refer note 27b)	264.73	169.06
Repairs and maintenance		
Buildings	649.51	461.13
Plant and machinery	365.72	265.22
Others	492.75	647.26
Advertising and sales promotion	5,193.73	3,427.96
Commission, Discounts and Incentives on Sales (refer note 27a)	3,533.27	2,757.29
Freight and forwarding charges	3,720.13	3,399.67
Travelling and conveyance (refer note 27b)	3,147.37	2,992.04
Printing and stationery (refer note 27b)	289.33	336.68
Legal and professional fees (refer note 27b)	4,182.88	3,711.11
Directors' sitting fees	62.00	11.00
Payment to auditor (Refer details below)	98.22	77.28
Donations	17.38	30.06
Loss on sale of Fixed Assets (net)	77.75	-
Exchange differences (net)	774.90	718.16
Bad debts/advances written off	366.27	285.34
Provision for doubtful debts and advances (net)	3,201.00	3,068.17
Miscellaneous expenses	2,186.95	1,876.22
	<b>51,681.88</b>	<b>44,702.82</b>
Payment to auditor		
As auditor:		
Audit fee	70.00	59.00
Limited review	15.00	15.00
In other capacity:		
Other services (certification fees)	9.47	2.14
Reimbursement of expenses	3.75	1.14
	<b>98.22</b>	<b>77.28</b>

**21: FINANCE COSTS**

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Interest	3,054.56	2,459.62
Bank charges (refer note 27b)	408.07	443.60
Exchange Difference on Borrowing (net)	884.69	2,061.24
	<b>4,347.32</b>	<b>4,964.46</b>

**22: EXCEPTIONAL ITEMS**

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
A. Exceptional Income		
Surplus on Sale of Assets	2,247.84	-
Surplus on transfer of Professional Electronics and Industrial Systems business (refer Note: 23)	8,334.64	-
	10,582.48	-
Less :		
B. Exceptional Expenses		
Cost of Voluntary Retirement Scheme *	(567.33)	-
Cost update on major contracts **	(5,824.89)	(1,686.00)
	(6,392.22)	(1,686.00)
Exceptional Items (Net)	<b>4,190.26</b>	<b>(1,686.00)</b>

\* includes gratuity expense of ₹69.70 lakhs

\*\* In earlier years, the Company had made claims for additional costs incurred due to project delays and design changes for certain major projects. Based on negotiations and certification by the customers, the company revises estimated revenue, cost and project related provisions. The consequent charge of ₹5,824.89 has been recorded and disclosed as an exceptional item.

**23: DISCONTINUING OPERATIONS**

The Board of Directors and shareholders had approved the transfer of the Company's Professional Electronics and Industrial Systems business to Blue Star Engineering and Electronics Ltd. (BSEEL) (erstwhile Blue Star Electro-Mechanical Ltd.), a wholly owned subsidiary of the Company. Accordingly, the Company entered into a business purchase agreement on March 13, 2015 with BSEEL for sale of the said business together with all its net assets for a consideration of ₹11,050 Lakhs. BSEEL has issued 2,84,50,052 equity shares of ₹2 each towards discharge of the consideration on the basis of an independent valuation. In accordance with the agreement, the transaction has been effected on March 31, 2015 and a surplus of ₹8,334.64 lakhs has been recognised in the Statement of Profit and Loss Account of the Company as an exceptional item.

## Notes to Financial statements for the year ended March 31, 2015

Comparative figures for Professional Electronics and Industrial Systems is disclosed in accordance with AS 24 Discontinuing Operations

The following statement shows the revenue and expenditure of discontinuing operations:

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Revenue	14,666.43	12,403.91
Other income	7.42	-
Expenses	11,500.15	10,170.03
<b>Profit from operating activities</b>	<b>3,173.70</b>	<b>2,233.88</b>
Finance cost	-	-
Depreciation	53.41	58.88
<b>Profit before tax</b>	<b>3,120.29</b>	<b>2,175.00</b>
Income tax expenses	1,165.00	-
<b>Profit after tax</b>	<b>1,955.29</b>	<b>2,175.00</b>
The carrying amount of total assets and liabilities transferred on 31 <sup>st</sup> March 2015 are as follows:		
Total assets	5,289.94	6,274.78
Total liabilities	2,574.58	3,127.30
<b>Net Assets</b>	<b>2,715.36</b>	<b>3,147.48</b>
The net cash flows attributable to Professional Electronics and Industrial Systems are as below:		
Operating activities	3,901.12	2,079.36
Investing activities	(66.32)	(34.84)
Financing activities	-	-
<b>Net cash inflows/(outflows)</b>	<b>3,834.80</b>	<b>2,044.52</b>

### 24: DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹ in lakhs)

	2014-15	2013-14
I Contract revenue recognised for the year	<b>60,194.89</b>	63,780.27
II For Contracts that are in progress as on 31 <sup>st</sup> March		
A Contract costs incurred and recognized profits (Less Recognised losses)	<b>300,038.00</b>	317,380.06
B Advances received	<b>11,481.53</b>	10,240.15
C Gross amount due from customers for Contract work*	<b>25,135.58</b>	38,380.85
D Gross amount due to customers for Contract work**	<b>3,632.63</b>	4,949.17
E Retention amount	<b>1,620.00</b>	4,329.98

\* Includes reduction of Imminent loss of ₹151.09 (31 March 2014: ₹370.75)

\*\* Includes Imminent loss impact (increase) of ₹159.16 (31 March 2014: ₹225.74)

## Notes to Financial statements for the year ended March 31, 2015

### 25: CONTINGENT LIABILITIES:

(₹ in lakhs)

	2014-15	2013-14
Claims against the Company not acknowledged as debts	72.18	67.16
Sales Tax matters	12,048.84	6,809.45
Excise Duty matters	127.57	105.25
Service Tax matters	1,814.79	1,017.28
Income Tax matters	4,740.21	2,505.00
Corporate Guarantee given on behalf of Joint Ventures	7,625.00	5,605.03
Corporate Guarantee given on behalf of Subsidiary and others	4,753.00	5,797.50

Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums/authorities. The management does not expect these claims to succeed and accordingly, no provision for the contingent liability has been recognized in the financial statements.

The Company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with tax authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on the financial statements.

**26:** Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹513.81 lakhs (31 March 2014 : ₹1,403.22 lakhs).

**27a:** Project costs and Commission on sales are net of ₹Nil (31 March 2014: ₹228.87 lakhs) and ₹428.37 lakhs (31 March 2014: ₹279.77 lakhs) respectively, on account of reversal of provision no longer required.

**27b:** Aggregation of expenses disclosed in Project cost, Other expenses and Finance Cost vide note 17, 20 and 21 in respect of specific items is as follows:

(₹ in lakhs)

Nature of Expenses	2014-15			
	Note 17	Note 20	Note 21	Total
Subcontracting cost	15,577.84	-	-	15,577.84
	(17,709.15)	-	-	(17,709.15)
Rent	115.76	3,380.97	-	3,496.73
	(112.80)	(3,206.10)	-	(3,318.90)
Power & fuel	60.39	1,486.89	-	1,547.28
	(62.99)	(1,478.25)	-	(1,541.24)
Insurance	436.17	264.73	-	700.90
	(413.54)	(169.06)	-	(582.60)
Travelling & Conveyance	507.84	3,147.37	-	3,655.21
	(857.26)	(2,992.04)	-	(3,849.30)
Printing & Stationery	28.98	289.33	-	318.31
	(21.43)	(336.68)	-	(358.11)
Legal & Professional fees	1,097.84	4,182.88	-	5,280.72
	(1,151.50)	(3,705.11)	-	(4,856.61)
Bank charges	142.59	-	408.07	550.66
	(161.15)	-	(443.60)	(604.75)

Figures in brackets are for previous year

**28a: DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:**

(₹ in lakhs)

	2014-15	2013-14
Employee benefits expense	1,238.28	1,065.21
Cost of raw material and components consumed	216.18	284.20
Legal & Professional fees	247.02	221.23
Depreciation	551.16	469.19
Others	556.81	433.08
Total	2,809.45	2,472.91

**28b: DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:**

(₹ in lakhs)

	2014-15	2013-14
<b>Tangible Assets</b>		
Buildings	6.42	-
Plant & Machinery	97.52	108.20
Office Equipments	1.35	0.12
Electrical Installations	-	0.71
Computer	-	17.10
Furniture & Fixtures	20.75	2.10
<b>Intangible Assets (including under development)</b>		
Software	18.37	3.93
Technical Knowhow	1,120.10	616.01
Total	1,264.51	748.17

**29: AS PER REQUIREMENT OF SECTION 22 OF MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("THE ACT") FOLLOWING INFORMATION IS DISCLOSED:**

(₹ in lakhs)

	2014-15	2013-14
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year	2,264.04	1,373.23
(ii) The interest due on above	25.94	33.36
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	120.73	94.79
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	120.73	94.79

The information has been given in respect of such vendors to the extent they could be identified as 'Micro & Small Enterprises' on the basis of information available with the Company.

## Notes to Financial statements for the year ended March 31, 2015

### 30: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"

#### i. Defined Contribution Plans:

Amount of ₹1255.90 lakhs (31 March 2014: ₹1262.16 lakhs) is recognized as an expense and included in "Employee Benefits expense" (refer note 19) in the statement of Profit and Loss.

#### ii. Defined Benefits Plans:

a) Amounts for the current period are as follows:

(₹ in lakhs)

	Gratuity		Additional Gratuity	
	March 31,2015	March 31,2014	March 31,2015	March 31,2014
<b>I Expense recognised in the Statement of Profit &amp; Loss for the year</b>				
1 Current Service Cost	241.13	221.23	12.31	4.70
2 Interest Cost	179.25	191.82	-	-
3 Expected return on plan assets	(191.95)	(184.32)	NA	NA
4 Net Actuarial (Gains)/Losses	552.23	(234.50)	-	-
5 Total Expense	780.66	(5.77)	12.31	4.70
6 Actual return on plan Assets	214.10	227.20	NA	NA
<b>II Net Assets/(Liability) recognised in the Balance Sheet</b>				
1 Present Value of Defined Obligation	2,434.71	2,229.76	57.80	56.13
2 Fair Value of plan assets	2,454.04	2,246.96	-	-
3 Funded Status [Surplus/(Deficit)]	19.33	17.20	(57.80)	(56.13)
4 Net Assets/(liability)	19.33	17.20	(57.80)	(56.13)
<b>III Change in Obligation during the Year</b>				
1 Present value of defined Benefit Obligation at the beginning of the year	2,229.76	2,587.02	56.13	70.31
2 Current Service Cost	241.13	221.23	12.31	4.70
3 Interest Cost	179.25	191.82	-	-
4 Actuarial (Gains)/Losses	574.39	(201.90)	-	-
5 Benefits Payments	(476.20)	(568.41)	(5.95)	(18.88)
6 Less-Transfer to Subsidiary Company	(313.62)	-	(4.69)	-
7 Present value of Defined Benefit Obligation at the end of the year	2,434.71	2,229.76	57.80	56.13
<b>IV Change in Fair Value of Plan Assets during the year</b>				
1 Fair Value of Plan Assets at the beginning of the year	2,246.96	2,598.46	-	-
2 Expected return on Plan assets	191.95	184.32	-	-
3 Contribution by Employer	782.80	-	-	-
4 Actual benefits paid	(476.20)	(568.41)	-	-
5 Actuarial Gains/(losses) on Plan Assets	22.15	32.60	-	-
6 Less-Transfer to Subsidiary Company	(313.62)	-	-	-
7 Fair Value of Plan Assets at the end of the year	2,454.04	2,246.96	-	-
<b>V Actuarial Assumptions:</b>				
1 Discount rate	8.00%	9.00%	8.00%	9.00%
2 Rate of return on Plan Assets	8.00%	8.00%	-	-
3 Mortality Rate	LIC(1994-96)	LIC(1994-96)	LIC(1994-96)	LIC(1994-96)
4 Salary escalation rate (Management-Staff-Directors)	6%, 2%, 10%	6%, 2%, 10%	6%, 2%, 10%	6%, 2%, 10%
5 Attrition rate	1%	1%	1%	1%

## Notes to Financial statements for the year ended March 31, 2015

### VI. Amounts for the current and previous four years are as follows :

(₹ in lakhs)

	Gratuity				
	2014-15	2013-14	2012-13	2011-12	2010-11
1 Defined benefit obligation	2,434.71	2,229.76	2,587.02	2,800.29	2,740.04
2 Plan Assets	2,454.04	2,246.96	2,598.46	2,800.43	2,740.28
3 Surplus/(Deficit)	19.33	17.20	11.44	0.13	0.24
4 Experience adjustments on plan liabilities	574.39	(201.90)	(92.13)	(47.37)	(108.89)
5 Experience adjustments on plan assets	22.15	32.60	28.55	18.11	18.66
	Additional Gratuity				
	2014-15	2013-14	2012-13	2011-12	2010-11
1 Defined benefit obligation	57.80	56.13	70.31	64.78	64.01
2 Plan Assets	-	-	-	-	-
3 Surplus/(Deficit)	57.80	56.13	70.31	64.78	64.01
4 Experience adjustments on plan liabilities	-	-	-	-	-
5 Experience adjustments on plan assets	-	-	-	-	-

- b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year, Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹750 Lakhs to gratuity fund in 2015-16 (31 March 2014: ₹170 Lakhs)
- c) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.
- d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2015. The Company's contribution to the Employee's Provident fund aggregates to ₹529.14 lakhs (31 March 2014: ₹538.43 lakhs).

The details of the fund and plan assets position are as follows:

(₹ in lakhs)

	As at March 31	
	2015	2014
Plan assets at year end, at fair value	406.00	268.00
Present value of defined obligation at year end	274.34	244.36
Shortfall	-	-

The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

Discounting rate	8.51%	8.55%
Expected guaranteed interest rate	8.75%	8.75%
Expected Rate of Return on Asset	7.93%	9.15%

### iii. General Description of significant defined plans:

#### 1. Gratuity Plan

Gratuity is payable to all eligible employees on separation/retirement based on 15 days last drawn salary for each completed years of service after continuous service for five year

## 2. Additional Gratuity

Additional Gratuity is payable as per the specific rules of the Company i.e. ₹5,000 for staff and ₹10,000 for Managers subject to qualifying service of 15 years.

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

	As at March 31	
	2015	2014
Special Deposit Schemes	4.27%	5.33%
Central government Securities	13.55%	1.30%
State government Securities	30.78%	27.84%
Public Sector Undertakings	20.15%	50.74%
Private Sector	30.02%	14.47%
Liquid funds	1.23%	0.32%
Total Investments	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable for the period over which the obligation is to be settled.

## 31: SEGMENT INFORMATION

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

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

- Electro Mechanical Projects and Packaged Air-conditioning Systems includes Central air-conditioning projects, Electrical Contracting business and Packaged air-conditioning businesses including manufacturing and after sales service.
- Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.
- Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems (divested as on March 31, 2015. Refer note 23)

### Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>I. SEGMENT REVENUE</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	160,241.23	158,866.22
ii. Cooling Products	133,171.78	107,681.23
iii. Professional Electronics and Industrial Systems (refer note 23)	14,666.43	12,403.91
<b>TOTAL SEGMENT REVENUE</b>	<b>308,079.44</b>	278,951.36
Add: Other Income	1,014.33	2,641.40
<b>TOTAL INCOME</b>	<b>309,093.77</b>	281,592.76
<b>II. SEGMENT RESULT</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	6,471.36	9,209.00
ii. Cooling Products	14,682.66	9,476.56
iii. Professional Electronics and Industrial Systems (refer note 23)	3,120.29	2,175.00
<b>TOTAL SEGMENT RESULT</b>	<b>24,274.31</b>	20,860.56
Less: i) Finance Cost	4,347.32	4,964.46
ii) Other un-allocable Expenditure Net of un-allocable Income	9,834.94	6,620.49
<b>TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>10,092.05</b>	9,275.61
EXCEPTIONAL ITEM	4,190.26	(1,686.00)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>14,282.31</b>	7,589.61
PROVISION FOR TAXES	(970.51)	-
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>15,252.82</b>	7,589.61

## Notes to Financial statements for the year ended March 31, 2015

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>III. OTHER INFORMATION:</b>		
<b>a. SEGMENT ASSETS</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>114,621.94</b>	131,089.23
ii. Cooling Products	<b>61,236.15</b>	62,313.88
iii. Professional Electronics and Industrial Systems (refer note 23)	-	6,274.78
<b>TOTAL SEGMENT ASSETS</b>	<b>175,858.09</b>	199,677.89
Add: Un-allocable Corporate Assets	<b>43,398.49</b>	25,401.39
<b>TOTAL ASSETS</b>	<b>219,256.58</b>	225,079.28
<b>b. SEGMENT LIABILITIES</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>72,687.99</b>	85,682.19
ii. Cooling Products	<b>42,380.68</b>	37,187.96
iii. Professional Electronics and Industrial Systems (refer note 23)	-	3,127.30
<b>TOTAL SEGMENT LIABILITIES</b>	<b>115,068.67</b>	125,997.45
Add: Un-allocable Corporate Liabilities	<b>41,679.45</b>	46,123.06
<b>TOTAL LIABILITIES</b>	<b>156,748.12</b>	172,120.51
<b>c. CAPITAL EXPENDITURE (including Capital WIP)</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>3,739.89</b>	2,024.88
ii. Cooling Products	<b>1,824.78</b>	1,564.01
iii. Professional Electronics and Industrial Systems (refer note 23)	<b>129.73</b>	92.86
iv. Other Un-allocable	<b>372.66</b>	84.49
<b>TOTAL</b>	<b>6,067.06</b>	3,766.24
<b>d. DEPRECIATION</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>1,774.54</b>	1,571.07
ii. Cooling Products	<b>1,292.02</b>	1,266.50
iii. Professional Electronics and Industrial Systems (refer note 23)	<b>53.41</b>	58.88
iv. Other Un-allocable	<b>813.63</b>	572.84
<b>TOTAL</b>	<b>3,933.60</b>	3,469.29
<b>e. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>3,044.73</b>	2,600.30
ii. Cooling Products	<b>484.14</b>	606.92
iii. Professional Electronics and Industrial Systems (refer note 23)	<b>280.29</b>	427.07
iv. Other Un-allocable	<b>569.83</b>	(280.78)
<b>TOTAL</b>	<b>4,378.99</b>	3,353.51

**B. Secondary segment information:**

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

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Revenue (Sales, Services &amp; Commission) by Geographical Market</b>		
India	<b>289,169.95</b>	261,882.91
Outside India	<b>18,909.49</b>	17,068.45
<b>Total</b>	<b>308,079.44</b>	278,951.36
<b>Carrying amount of Segment Assets &amp; Intangibles Assets</b>		
India	<b>215,357.36</b>	220,373.28
Outside India	<b>3,899.22</b>	4,706.00
<b>Total</b>	<b>219,256.58</b>	225,079.28
<b>Capital Expenditure including Capital Work in Progress</b>		
India	<b>6,067.06</b>	3,766.24
Outside India	-	-
<b>Total</b>	<b>6,067.06</b>	3,766.24

**32: DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES**a) **Related Party Disclosure****Names of Related parties**

Name of the Related parties where control exists irrespective of whether transactions have occurred or not.

**Subsidiary :**

Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited).

Blue Star Design and Engineering Limited

**Names of other related parties with whom transactions have taken place during the year****Associate**

Blue Star Infotech Limited

**Joint Ventures**

Blue Star Qatar- WLL

Blue Star M & E Engineering (Sdn) Bhd

**Key Management Personnel**

Mr Suneel M. Advani (upto 31.03.2014)

Mr Satish Jamdar

Mr Vir Advani

Mr B Thiagarajan (w.e.f : 13.05.2013)

**Relatives of Key Management Personnel**

Ms Nargis Advani

Notes to Financial statements for the year ended March 31, 2015

Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2014-15		2013-14	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star M &amp; E Engineering (Sdn) Bhd</b>		<b>80.92</b>		121.26
Consultancy services rendered	<b>383.14</b>		431.06	
Dividend received (Gross)	<b>135.86</b>		197.08	
Reimbursement of expenses paid	<b>305.92</b>		268.02	
Recovery of expenses	<b>91.49</b>			
<b>Blue Star Infotech Limited</b>		<b>(143.94)</b>		(764.50)
Sales & Services	<b>5.38</b>		7.25	
IT services	<b>703.59</b>		519.00	
Purchase of software & hardware	<b>394.98</b>		387.31	
Reimbursement of expenses	<b>59.24</b>		75.31	
Recovery of expenses	<b>6.35</b>		4.97	
Advance against services	-		40.10	
Rent received	<b>20.90</b>		36.00	
Dividend received	<b>123.92</b>		61.96	
Repayment of rent deposit	<b>100.00</b>			
<b>Blue Star Qatar WLL</b>		<b>248.16</b>		224.46
Guarantee commission	<b>76.54</b>		56.05	
Sales & Services	<b>27.94</b>		-	
Corporate guarantee given on behalf of the Company	<b>15,331.00</b>		10,913.29	
Outstanding balance of loans and guarantees as on March 31, 2015 is ₹7625 lakhs (March 31, 2014 - ₹5605 lakhs)				
Loan repaid	<b>52.84</b>			
<b>Blue Star Design &amp; Engineering Limited</b>		<b>198.25</b>		724.96
Consultancy service received	<b>201.01</b>		188.53	
Loan repaid	-		649.00	
Interest On Loan	-		24.34	
Corporate guarantee given on behalf of the Company	<b>500.00</b>		500.00	
Outstanding balance of loans as on March 31, 2015 is ₹142 lakhs (March 31, 2014 - ₹463 lakhs)				
Guarantee commission	-		3.64	
Dividend received gross	-		828.75	
Reimbursement of expenses	<b>2.91</b>		43.25	
Recovery of expenses	<b>0.13</b>		29.82	
Rent Deposit given	-		8.96	
Rent paid	<b>261.13</b>		374.92	

Notes to Financial statements for the year ended March 31, 2015

Name of Related party	2014-15		2013-14	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro Mechanical Ltd)</b>		<b>300.00</b>		101.48
Corporate guarantee given on behalf of the Company	<b>7,500.00</b>		7,300.00	
Outstanding balance of loans as on March 31, 2015 is ₹4611 lakhs (March 31, 2014 - ₹5333 lakhs)				
Advances/Loan given	<b>1,300.00</b>		5,130.00	
Interest on loan received	<b>141.61</b>		83.81	
Advances/Loan repaid	<b>1,000.00</b>		5,130.00	
Reimbursement of expenses charged	<b>113.34</b>		187.78	
Reimbursement of expenses	<b>164.05</b>		63.87	
Sales	<b>8.28</b>		53.83	
Sales & Services received	-		5.44	
Sale of business (refer note : 23)	<b>11,050.00</b>		-	
<b>Key Management Personnel</b>				
Managerial remuneration				
Suneel M Advani	-		279.11	
Satish Jamdar	<b>260.29</b>		229.00	
Vir S Advani	<b>157.01</b>		133.74	
B Thiagrajan	<b>173.50</b>		118.65	
<b>Sale of Fixed Assets</b>				
Vir S Advani and Nargis Advani	<b>2,300.00</b>		-	
<b>Leave Benefits and Retirals</b>				
Suneel M Advani	-		13.65	
<b>Relative of Key Management Personnel</b>		<b>70.00</b>		70.00
Rent paid	<b>1.20</b>		1.20	

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

The Company has given loans and corporate guarantees to subsidiaries and joint ventures in the ordinary course of business to meet the working capital requirements of subsidiaries and joint ventures.

## Notes to Financial statements for the year ended March 31, 2015

### b) Interest in Joint Ventures

(₹ in lakhs)

	Blue Star M & E Engineering (Sdn) Bhd	Blue Star Qatar WLL
Percentage of Interest	49%	49%
Percentage of Interest	49%	49%
Country of Incorporation	Malaysia	Qatar
<b>Assets</b>	1,829.98	3,331.56
	<i>2,941.86</i>	<i>3,170.17</i>
<b>Liabilities</b>	1,393.19	2,569.26
	<i>2,474.95</i>	<i>2,618.64</i>
<b>Revenue</b>	2,623.59	4,295.59
	<i>3,976.61</i>	<i>3,904.01</i>
<b>Expenses</b>	2,477.11	4,104.66
	<i>3,788.65</i>	<i>3,726.52</i>

Figures in italics are for previous year

Contingent Liabilities of the jointly controlled entity is disclosed in note 25 to the financial statements.

### 33: Leases

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All leases are cancellable except one office premises. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹3,496.73 lakhs (31 March 2014: ₹3,318.90 lakhs)

(₹ in lakhs)

	2014-15	2013-14
Minimum lease payments for non-cancellable operating lease as at 31 <sup>st</sup> March		
(a) Not later than one year	<b>91.20</b>	-
(b) Later than one year but not later than five years	<b>400.14</b>	-
(c) Later than five years	<b>43.70</b>	-

### 34: EARNING PER SHARE

		2014-15	2013-14
Profit/(Loss) after taxation as per Statement of Profit & loss.	₹lakhs	<b>15,252.82</b>	7,589.61
Weighted average number of Equity Shares Outstanding in calculating basic EPS	Nos.	<b>89,936,105</b>	89,936,105
Effect of Dilution - Stock options granted under ESOP	Nos.	<b>197,968</b>	-
Weighted average number of equity shares in calculating diluted EPS	Nos.	<b>90,134,073</b>	89,936,105
Basic Earnings per share (Face Value ₹2 per share)	₹	<b>16.96</b>	8.44
Diluted Earnings per share (Face Value ₹2 per share)	₹	<b>16.92</b>	8.44

**35:** During previous years, the Company had entered into contracts, in the normal course of business, for services rendered and received for a value of ₹41.79 lakhs with Private Limited Company in which a Director of the Company is a Director. Payment has been received and paid in accordance with the normal terms. The Company is in the process of filing necessary application for approval from the Central Government under Section 297 of the Companies Act, 1956 for the said transaction.

## Notes to Financial statements for the year ended March 31, 2015

**36:** The Company provides share-based payment schemes to its employees. During the year ended 31 March 2015, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On 18th January 2013, the board of directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to the key employees and directors of the Company. The Scheme was also approved by the shareholders of the Company by a special resolution passed by postal ballot dated 7<sup>th</sup> March, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years. The other relevant terms of the grant are as below:

a) Employee Stock Option Scheme

Particulars	Grant I	Grant II
No of Options	1,495,000	42,000
Method of Accounting	Intrinsic Value	
Exercise period (from date of vesting)	5 years	5 years
Grant Date	06 June 2014	13 February 2015
Exercise price	290.05	320.70
Market price	290.05	320.70
Method of Settlement	Equity	

b) Fair Valuation

The Fair Valuation of the options used to compute proforma net profit and earning per share have been done by an independent valuer on the date of grant using Black-Scholes Merton Formula. The key assumptions and Fair Value are as under

Particulars	Grant I	Grant II
Dividend yield (%)	-	-
Expected volatility	38%	35%
Risk-free interest rate	8.51%	7.70%
Weighted average share price (₹)	94.17	85.66

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	31-Mar-15	31-Mar-14
Profit after tax as reported	15,252.82	7,589.61
Add: Compensation cost using the intrinsic value method	-	-
Less: Compensation cost using the fair value method	(509.01)	-
<b>Proforma profit after tax</b>	<b>14,743.81</b>	<b>7,589.61</b>
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	16.96	8.44
- Proforma	16.39	8.44
<b>Diluted</b>		
- As reported	16.92	8.44
- Proforma	16.36	8.44

**37:** The Company has revised the depreciation on certain assets as per the useful life specified in the Companies Act, 2013 or re-assessed by the Company. Accordingly, carrying amount of ₹439.83 lakhs in respect of assets whose useful life is exhausted as on April 1, 2014 net of deferred tax of ₹148.97 lakhs thereon have been adjusted to retained earnings.

**38: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE****a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date**

Foreign Currency	2014-15		2013-14	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD:</b>				
<b>Hedge of underlying payables - USD</b>	<b>34,068,741.73</b>	<b>21,269.12</b>	40,947,209.06	24,531.45
- Buyers' Credit	<b>18,696,660.56</b>	<b>11,672.33</b>	17,149,801.55	10,274.45
- Other Payables	<b>15,372,081.17</b>	<b>9,596.79</b>	23,797,407.51	14,257.00

**b. Particulars of Un-hedged foreign Currency Exposure as at the Balance Sheet date**

Foreign Currency	2014-15		2013-14	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Bank Balances</b>				
AED	<b>195,630.92</b>	<b>33.17</b>	242,800.40	39.56
EUR	<b>348,779.23</b>	<b>232.97</b>	39,158.79	32.19
RMB	<b>11,201.12</b>	<b>1.17</b>	25,489.54	2.46
USD	<b>1,288,518.57</b>	<b>804.42</b>	972,700.08	582.24
<b>Receivables</b>				
AED	<b>126,805.40</b>	<b>21.50</b>	85,721.40	13.97
CAD	-	-	21,383.91	11.57
EUR	<b>31,219.55</b>	<b>20.85</b>	448,048.57	368.71
GBP	-	-	76,766.50	76.47
JPY	-	-	6,783,664.00	39.49
MYR	<b>1,147,717.00</b>	<b>192.24</b>	948,280.00	173.39
QAR	<b>531,715.21</b>	<b>90.76</b>	878,342.24	144.49
RMB	<b>1,312.63</b>	<b>0.14</b>	-	-
USD	<b>4,797,412.87</b>	<b>2,995.02</b>	54,604,504.65	3,357.33
ZAR	<b>84,132.00</b>	<b>4.49</b>	-	-
<b>Payables</b>				
AED	<b>14,275.20</b>	<b>2.42</b>	15,951.79	2.60
AUD	<b>64,057.80</b>	<b>30.29</b>	31,712.33	17.56
CAD	-	-	9,691.65	5.26
CHF	<b>412.62</b>	<b>0.26</b>	1,986.62	1.34
EUR	<b>683,508.37</b>	<b>456.55</b>	952,527.71	783.72
GBP	<b>2,028.13</b>	<b>1.87</b>	22,749.59	22.66
JPY	<b>16,047,213.00</b>	<b>83.12</b>	20,651,686.00	120.25
RMB	-	-	21,330.70	2.06
SEK	<b>26,860.35</b>	<b>1.94</b>	5,865.32	0.54
SGD	<b>898.53</b>	<b>0.41</b>	82,393.20	39.18
USD	<b>20,442,296.07</b>	<b>12,762.13</b>	15,478,180.40	9,272.73
<b>Buyers' Credit</b>				
USD	-	-	5,359,390.39	3,210.81

## Notes to Financial statements for the year ended March 31, 2015

### 39: VALUE OF IMPORTS ON CIF BASIS

(₹ in lakhs)

	2014-15	2013-14
Raw Materials & Components	54,770.31	46,373.36
Capital goods	1,345.39	1,034.94
Spares	1,542.70	1,046.73
Traded Goods	27,790.13	24,401.44
<b>Total</b>	<b>85,448.53</b>	<b>72,856.47</b>

### 40: EXPENDITURE INCURRED IN FOREIGN EXCHANGE (ACCRUAL BASIS)

(₹ in lakhs)

	2014-15	2013-14
Royalty & Know-how	17.53	39.93
Rent	37.18	37.63
Technical Services	157.97	186.63
Others	452.68	605.48
<b>Total</b>	<b>665.36</b>	<b>869.67</b>

### 41: EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS)

(₹ in lakhs)

	2014-15	2013-14
Export of goods on F.O.B. basis	17,949.33	15,940.99
Royalty, Know-how, Professional & Consultation fees	392.22	456.70
Dividend	135.86	197.08
Interest	-	0.03
Other Income:		
Commission	1,160.94	1,492.52
Others	76.54	56.05
<b>Total</b>	<b>19,714.89</b>	<b>18,143.37</b>

### 42: PREVIOUS YEAR COMPARATIVES

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

As per our report of even date

For **S R B C & CO LLP**  
**ICAI Firm Registration No. 324982E**  
 Chartered Accountants

**per Sudhir Soni**  
**Partner**  
 Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
 Managing Director  
 Director  
 Chief Financial Officer  
 Company Secretary

Mumbai: May 29, 2015

# Independent Auditors' Report on Consolidated Financial Statements

## To the Members of Blue Star Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Blue Star Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and joint controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2015, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

# Independent Auditors' Report on Consolidated Financial Statements

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, its associates and jointly controlled entities as at March 31, 2015, their consolidated profit, and their consolidated cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditor's report of the Holding company, its subsidiaries and associate companies to whom the Order applies, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143 (3) of the Act, we report, to the extent applicable, that:
  - (a) We/the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
  - (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
  - (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2015 taken on record by the Board of Directors of the Holding Company and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies and associate companies, none of the directors of the Group's companies and its associates companies incorporated in India is disqualified as on 31<sup>st</sup> March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associates and jointly controlled entities - Refer Note 25 to the consolidated financial statements;
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. Further, the company does not have any long term derivative contracts. Refer Note 7 to the financial statements;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and associates.

### Other Matter

(a) The accompanying consolidated financial statements include total assets of ₹11,506.57 lacs as at March 31, 2015, and total revenues and net cash inflows of ₹6,519.79 lacs and ₹409.18 lacs for the year ended on that date, in respect of a subsidiary, and two jointly controlled entities, which have been audited by other auditors, whose financial statements, prepared under the generally accepted accounting principles ('GAAPs') accepted in the respective countries, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Company's share of net profit of ₹363.70 lacs for the year ended March 31, 2015, as considered in the consolidated financial statements, in respect of an associate, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of such other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Sudhir Soni**

**Partner**

Membership Number: 41870

Place of Signature: Mumbai

Date: May 29, 2015

# Annexure to the Auditors' Report

## **Annexure referred to in paragraph 1 under the heading "Report on other legal and Regulatory Requirement" of our report of even date**

Re: The Group, comprising of Blue Star Limited ('the Holding Company') and its subsidiary companies and associate companies incorporated in India and to whom the provisions of the Order apply (together referred to as "the Covered entities" in this report)

- (i) (a) The Holding Company and the Covered entities of the Group have maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) All fixed assets of the Holding Company have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Holding Company and the nature of its assets. For covered entities, as reported by other auditors, fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
- (ii) (a) The management of the Holding Company and the Covered entities of the Group have conducted physical verification of inventory at reasonable intervals during the year.  
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Holding Company and the Covered entities of the Group and the nature of their business.  
(c) The Holding Company and the Covered entities of the Group are maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Holding Company and a Covered entity of the Group have granted loans that are re-payable on demand, to companies covered in the register maintained under section 189 of the Companies Act, 2013. The loans granted are re-payable on demand and there has been no default in repayment of any such loans during the year. The payment of interest has been regular.  
(b) There is no overdue amount of loans granted by the Holding Company and the covered entities of the Group to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us and as reported by the other auditors who audited the financial statements of certain Covered entities of the Group, and having regard to the explanation that purchases of certain items in project business is made on the basis of customer preference, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit and as reported by the other auditors who audited the financial statements of certain Covered entities of the Group, no major weakness or continuing failure to correct any major weakness in the internal control system of the Holding Company and the Covered entities of the Group was observed in respect of these areas.
- (v) The Holding Company and the Covered entities of the Group have not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained and as reported by the other auditors who audited the financial statements of covered entities of the Group, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Holding Company and the Covered entities of the Group.
- (vii) (a) The Company and its covered entities are generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.  
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable for the Holding Company and Covered entities of the Group.  
(b) According to the records of the Holding Company and a Covered entity of the Group and as reported by other auditors who audited the financial statements of the Covered entity in the Group, the dues outstanding of income-tax, sales-tax, service tax, excise duty, value added tax on account of any dispute, are as follows:

## Holding Company

Name of Statute	Nature of dues	Amount (₹ Lacs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of Section 80IA/80IB deduction for non-allocation of Expenses	926.67	AY 1998-99, 2000-01 to 2005-06, 2006-07 to 2007-08	ITAT/High Court
	Advertisement on Brand Building considered as capital expenditure	127.15	2006-07	ITAT/High Court
	Short deduction of TDS on Payment to Subcontractors	166.49	2008-09 to 2009-10	CIT (Appeals)
Service Tax under Finance Act, 1994	Service tax demand on Composite Contracts	64.17	2003-2009	CESTAT
	Disallowance of Cenvat Credit to the extent of 80%	381.27	2004-2005 to 2009-2010	CESTAT/Commissioner (Appeals)
	Reversal of Cenvat credit on input services used for providing taxable service as well as exempted services	305.63	2009-2010; 2010-2011	CESTAT
	Wrong availment of Cenvat Credit/ service tax paid	175.38	2003-2004; 2006-2012	CESTAT
	Disallowance of input tax credit on common service	29.76	2005-2006 to 2009-2010	CESTAT
	Disallowance of claim of CRA under Export of Services	735.84	2003-2010	CESTAT/Commissioner (Appeals)
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Rejection of credit note	158.61	2009-10	Joint Commissioner (Appeals)
	Demand notice received from Assessing authority treating works contract sales as product sales	4,136.36	2001-02 to 2008-09	Supreme Court
	Factory Direct Sale treated as Local branch sales	107.82	2002-2003; 2003-2004	Deputy Commissioner (Appeals)
	Non Submission of Forms	4037.07	2003-04 to 2011-12	Deputy Commissioner (Appeals)/ITAT
	Disallowance of set off u/s 41D & interest liability	90.43	2004-2005	Deputy Commissioner (Appeals)
	Input credit disallowed	1,530.68	2005-2006	Deputy Commissioner
	Sales tax demand on assessment	1,993.00	1994-95; 2003-04 to 2011-12	Deputy Commissioner (Appeals)/ITAT
Entry Tax	On Factory direct sales	79.33	2001-2002; 2004-2005; 2009-12	Asst. Commissioner (Appeals)
Central Excise Act, 1944	10% Demand of Excise Duty on Finished Goods, raised for not maintaining separate books of accounts for dispatches to SEZ Developers	56.00	2008-2009	CESTAT Mumbai
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty	11.53	1986-1990	Central Excise Commissioner
	Excise Duty on Electric fans manufactured and captively use in manufacture of water cooler	2.77	1980-1982	CESTAT
	Excise Duty on whole unit including Cabinet which is considered as walk in coolers and claimed as exemption	10.00	1981-1986	Supreme Court
	Exemption granted to Power projects under Notification 6/2006 rejected	7.11	2009-10	CESTAT

## Associate Company

Name of Statute	Nature of dues	Amount (₹ Lacs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty u/s 271(1)(c)	50.77	2006-07	Commissioner of Income Tax (Appeals)
	Income tax demand	327.47	2005-06	Commissioner of Income Tax (Appeals)
	Penalty u/s 271(1)(c)	63.61	2005-06	Commissioner of Income Tax (Appeals)
	Income tax demand	276.83	2004-05	Deputy Commissioner of Income Tax

\* net of advances

According to the information and explanations given to us and as reported by other auditors who audited the financial statements of certain Covered entities, there are no dues of wealth tax, customs duty and cess which have not been deposited on account of any dispute.

- (c) According to the information and explanations given to us and as reported by the other auditor who audited the financial statements of certain Covered entities, of the Group, the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time to the extent applicable to the covered entities.
- (viii) There are no accumulated losses at the end of the financial year and no cash losses in the current and immediately preceding financial year in respect of the Holding Company and a Covered Entity that have been registered for a period of more than five years. In respect of one of the covered entity and as reported by the other auditor who audited the financial statement of the covered entity, the accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year. One of the Covered Entity is registered for less than five years and hence not required to comment on whether or not the accumulated losses at the end of financial year is fifty percent or more of its net worth and whether it has incurred cash losses in the current financial year and in immediately preceding financial year.
- (ix) Based on our audit procedures and as per the information and explanations given by the management and as reported by the other auditor who audited the financial statements of certain Covered entities, of the Group, we are of the opinion that the Covered entities of the Group have not defaulted in their repayment of dues to a financial institution or bank. The Company and the Covered entities have not issued any debentures.
- (x) According to the information and explanations given to us and based on the reports of the other auditors who audited the financial statements of the Covered entities of the Group, the Holding Company and certain Covered entities of the Group have given guarantee for loans taken by others from banks and financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Holding Company and the Covered entities of the Group.
- (xi) Based on the information and explanations given to us by the management and the report of other auditors who audited the financial statements of certain Covered entities of the Group, term loans were applied for the purpose for which the loans were obtained by the Covered entities of the Group.
- (xii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the consolidated financial statements and as per the information and explanations given by the management and reports of the other auditors who audited the financial statements of other covered entities of the Group, which we have relied upon, we report that no fraud on or by the Holding Company and the Covered entities of the Group have been noticed or reported during the year.

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of signature: Mumbai

Date: May 29, 2015

# Consolidated Balance Sheet as at March 31, 2015

(₹ in lakhs)

	Notes	As at March 31	
		2015	2014
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	43,758.22	44,253.76
		<b>45,556.94</b>	<b>46,052.48</b>
<b>Preference shares issued by Subsidiary company (refer note 41)</b>		-	<b>1,800.00</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5.1	2,386.66	-
Trade payables		139.77	170.93
Other long-term liabilities	6.1	66.83	-
Long-term provisions	7	586.92	423.67
		<b>3,180.18</b>	<b>594.60</b>
<b>Current liabilities</b>			
Short-term borrowings	5.2	37,282.91	49,439.78
Trade payables		88,463.72	82,965.41
Other current liabilities	6.2	34,809.53	45,886.88
Short-term provisions	7	8,203.40	6,894.26
		<b>168,759.56</b>	<b>185,186.33</b>
<b>TOTAL</b>		<b>217,496.68</b>	<b>233,633.41</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	8	23,457.18	23,615.19
Intangible assets	8	2,201.39	1,930.00
Capital work-in-progress		247.94	114.03
Intangible assets under development		1,994.84	1,432.42
Non-current investments	9	3,634.86	3,328.45
Deferred tax assets (net)	10	1,651.03	142.62
Long-term loans and advances	11	13,946.31	11,952.70
Trade receivables	12.1	7,694.67	6,207.85
Other non-current assets	12.2	108.49	84.12
		<b>54,936.71</b>	<b>48,807.38</b>
<b>Current assets</b>			
Inventories	13	47,853.74	46,563.27
Trade receivables	12.1	71,784.47	77,110.65
Cash and bank balances	14	4,431.90	6,844.72
Short-term loans and advances	11	11,594.08	13,007.03
Other current assets	12.2	26,895.78	41,300.36
		<b>162,559.97</b>	<b>184,826.03</b>
<b>TOTAL</b>		<b>217,496.68</b>	<b>233,633.41</b>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

For **S R B C & CO LLP**  
**ICAI Firm Registration No. 324982E**  
Chartered Accountants

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

per **Sudhir Soni**  
**Partner**  
Membership No. 41870

Mumbai: May 29, 2015

Mumbai: May 29, 2015

# Statement of Consolidated Profit & Loss Account for the year ended March 31, 2015

(₹ in lakhs)

	Notes	Year ended March 31	
		2015	2014
<b>Income</b>			
Revenue from operations (gross)	15	320,881.59	296,629.69
<b>Less: excise duty</b>		2,687.52	3,202.47
<b>Revenue from operations (net)</b>		<b>318,194.07</b>	<b>293,427.22</b>
Other Income	16	848.82	1,785.34
<b>Total revenue (I)</b>		<b>319,042.89</b>	<b>295,212.56</b>
<b>Expenses</b>			
Cost of raw material and components consumed and Project related cost	17	180,842.13	178,263.74
Purchase of traded goods	17	42,996.26	38,344.71
(Increase)/decrease in inventories	18	(2,404.70)	(7,954.35)
Employee benefits expense	19	26,746.48	24,761.07
Other expenses	20	53,285.86	44,963.46
<b>Total (II)</b>		<b>301,466.03</b>	<b>278,378.63</b>
<b>Profit before interest, tax, depreciation, amortization and exceptional items (I) – (II)</b>		<b>17,576.86</b>	<b>16,833.93</b>
Depreciation and amortization expense	8	4,314.50	3,784.30
Finance costs	21	4,852.82	5,420.96
<b>Profit before tax and exceptional items</b>		<b>8,409.54</b>	<b>7,628.67</b>
Exceptional items	22	(4,144.38)	(12.46)
<b>Profit after exceptional items before tax</b>		<b>4,265.16</b>	<b>7,616.21</b>
<b>Tax expenses</b>			
Current tax		119.83	102.35
Minimum Alternate Tax (MAT)		3,705.07	2,351.44
Less: MAT credit Entitlement (including prior year entitlement of ₹184.19 Lakhs)		3,362.77	2,186.08
Net Current tax		462.13	267.71
Adjustment of tax relating to earlier periods		106.90	15.32
Deferred tax		(1,358.27)	(60.19)
<b>Total tax expense</b>		<b>(789.24)</b>	<b>222.84</b>
<b>Profit for the year before Share in Associate</b>		<b>5,054.40</b>	<b>7,393.37</b>
Share of profit in Associate company		363.70	360.79
<b>Profit for the year</b>		<b>5,418.10</b>	<b>7,754.16</b>
<b>Earnings per equity share [nominal value of share ₹2 (31 March 2014: ₹2)(refer note 35)]</b>			
<b>Basic</b>			
Computed on the basis of profit/(loss) for the year	₹	<b>6.02</b>	<b>8.39</b>
<b>Diluted</b>			
Computed on the basis of profit/(loss) for the year	₹	<b>6.01</b>	<b>8.39</b>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**  
ICAI Firm Registration No. 324982E  
Chartered Accountants

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 29, 2015

# Consolidated Cash Flow Statement for the year ended March 31, 2015

(₹ in lakhs)

	Year ended March 31	
	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>4,265.16</b>	<b>7,616.21</b>
<b>Exceptional item</b>		
Cost update on major contracts (refer note 22)	5,824.89	1,686.00
<b>Profit before exceptional item</b>	<b>10,090.05</b>	<b>9,302.21</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	4,314.50	3,784.30
Loss/(profit) on sale of fixed assets (net)	(2,170.63)	(1,786.83)
Bad debts/advances written off	371.57	285.34
Provision for doubtful debts and advances	4,393.92	3,306.26
Unrealized foreign exchange loss/(gain)	17.20	307.67
Liabilities written back	(2,781.84)	(2,836.52)
Interest expense	4,852.83	5,420.96
Interest (income)	(179.69)	(413.00)
Dividend (income)	(274.13)	(263.71)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>18,633.78</b>	<b>17,106.68</b>
Movements in working capital :		
Increase/(decrease) in trade payables	7,130.06	4,873.63
Increase/(decrease) in long-term/short-term provisions	177.58	(597.00)
Increase/(decrease) in other current liabilities	(645.48)	(2,501.33)
Decrease/(increase) in trade receivables	(2,754.16)	(2,642.92)
Decrease/(increase) in inventories	(2,038.73)	(8,986.57)
Decrease/(increase) in long-term/short-term loans and advances	1,529.56	(2,380.62)
Decrease/(increase) in other current/non-current assets	2,032.22	3,664.41
Cash generated from/(used in) operations	24,064.83	8,536.28
Direct taxes paid (net of refunds)	(2,571.85)	(1,876.70)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>21,492.98</b>	<b>6,659.58</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(6,016.07)	(3,994.33)
Proceeds from sale of fixed assets	2,495.22	4,561.40
Purchase of current investments	-	(7,750.00)
Purchase of Preference Shares (refer note 41)	(1,800.00)	-
Proceeds from sale/maturity of current investments	-	7,750.00
Interest received	179.69	289.57
Dividends received	274.13	263.71
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(4,867.03)</b>	<b>1,120.35</b>
<b>Balance carried forward</b>	<b>16,625.95</b>	<b>7,779.93</b>

## Consolidated Cash Flow statement for the year ended March 31, 2015

(₹ in lakhs)

	Year ended March 31	
	2015	2014
<b>Balance brought forward</b>	<b>16,625.95</b>	<b>7,779.93</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowings	247,758.64	-
Repayment of short term borrowings	(257,196.43)	-
Proceeds/(Repayment) from other short term borrowings, net	(2,719.09)	5,915.60
Proceeds from long-term borrowings	2,489.97	-
Interest paid	(4,966.58)	(5,357.13)
Dividend paid on equity shares and preference shares	(3,929.93)	(2,691.96)
Tax on equity and preference dividend paid	(470.54)	(458.54)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(19,033.96)</b>	<b>(2,592.03)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(2,408.01)</b>	<b>5,187.90</b>
Effect of exchange differences on cash & cash equivalents held in foreign currency	(4.81)	3.23
Cash and cash equivalents at the beginning of the year	6,844.72	1,653.59
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4,431.90</b>	<b>6,844.72</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Balances with banks:		
- On current accounts	3,417.13	6,189.53
- On unpaid dividend account*	246.58	233.14
- On Fixed Deposits	730.55	387.21
Cash on hand	37.64	34.84
<b>TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)</b>	<b>4,431.90</b>	<b>6,844.72</b>

Summary of significant accounting policies 2.1

\* The company can utilize these balances only toward settlement of the respective unpaid dividend.

As per our report of even date

For **S R B C & CO LLP**  
ICAI Firm Registration No. 324982E  
Chartered Accountants

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Sangameshwar Iyer**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 29, 2015

## 1. Corporate information

Blue Star Limited (hereinafter referred to as "The Company") is a Company registered under the Indian Companies Act, 1913. The Company along with its Subsidiary (hereafter collectively referred to as the "Blue Star Group" or "the Group"), along with its Joint Ventures and its Associate is primarily engaged in the business of central air conditioning & commercial refrigeration, plumbing and firefighting, varied IT services and into distribution and maintenance of imported professional electronics and industrial systems.

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these consolidated financial statements to comply in all material respects with the accounting standard notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The consolidated financial statements have been prepared on accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of previous year except for change in accounting policy as explained below.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III of Companies Act, 2013.

Based on the nature of business and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

### 2.1 Summary of Significant Accounting Policies

#### Change in accounting policy

##### (I) Depreciation on fixed assets

Till the year ended 31 March 2014, Schedule XIV of Companies Act, 1956, prescribed requirements concerning depreciation of fixed assets. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets. Unless stated otherwise, the impact mentioned for the current year is likely to hold good for future years also.

##### i. Useful lives/depreciation rates

Till the year ended 31 March 2014, depreciation rates prescribed under schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the consolidated financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives & residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II. Hence, this change in accounting policy did not have material impact on consolidated financial statements of the company.

##### (a) Principles of Consolidation

The Consolidated Financial Statements relate to the Blue Star Group and have been accounted for in accordance with Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures respectively notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Standards (Rules), 2014. The Consolidated Financial Statements are prepared on the following basis:

- i) Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered. The results of operations of subsidiaries are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.
- ii) Interests in the assets, liabilities, income and expenses of the Joint Ventures are consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses are eliminated to the extent of the Company's proportionate share, except where cost cannot be recovered.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

- iii) The difference between the cost to the Group of investment in Subsidiaries and Joint Ventures and the proportionate share in the equity of the investee Company as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill arising on consolidation is tested for impairment annually.
- iv) Investments in Associate is accounted for using the equity method under which the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. Where the associate prepares and presents consolidated financial statements, such consolidated financial statements of the associate are used for the purpose of equity accounting.
- v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements.
- vi) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2015.

### **(b) Use of estimates**

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

### **(c) Tangible fixed assets and Capital WIP**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use are also included in the cost of the assets to the extent these relate to the period up to the date such assets are ready to be put to use.

Expenditure (including interest) incurred during the construction period is included in Capital Work in progress and the same is allocated to respective fixed assets on completion of the construction.

### **(d) Depreciation on tangible fixed assets**

Cost of Leasehold land is amortized on a straight line basis over the period of lease

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on useful lives estimated by the management. The company has used the following useful lives to provide depreciation on its fixed assets.

Useful lives estimated by the management	Years
Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is less

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in schedule II.

In the case of Building (Band Box - Mumbai) estimated useful life of the Asset has been taken at 85 years as per the Certification taken from a Chartered Engineer.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

Depreciation on the following fixed assets of foreign joint ventures is charged on straight line method at the rates, based on the estimated useful lives of the assets as estimated by the management, which are different than the useful lives prescribed under Schedule II to the Companies Act, 2013:

The principal annual rates used are as follows:

Office equipment	2-10 Years
Furniture and fittings	5-10 years
Motor vehicles	5 Years
Tools and Machineries	6 years

### (e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to assess if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

### (f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

*Research and Development Cost:*

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the recognition criteria are met. Development expenditure capitalized is amortized over the period of expected future sales from the related project not exceeding ten years.

*Amortization of Intangible fixed assets:*

- Software is amortized on written down value of assets effectively over a period 6 years.
- Technical knowhow is amortized on straight line basis over a period of 6 years.

### (g) Leases

Where the Company is the lessee:

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

### (h) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. Capital subsidy received from the government are credited to capital reserve and treated as part of the shareholders' funds.

### (i) Investments

All investments intended to be held for more than one year from the date of the purchase are classified as Long term investments. Long-term investments are carried at cost. A provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Current investments are carried in the consolidated financial statements at lower of cost and fair value determined on an individual investment basis.

### (j) Inventories

Inventories are valued as follows:

- Raw materials, stores and components are valued at Lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably.
- Work-In-Progress and Finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

### (k) Revenue Recognition

- Revenue from long - term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is

measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

- (ii) Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Other Current Liabilities" in the balance sheet.
- (iii) Annual Maintenance contracts: Revenues from annual maintenance contracts are recognized pro-rata over the period of the contract.
- (iv) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. Sales taxes and Value added taxes (VAT) are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.
- (v) Commission income is recognized as and when the terms of the contracts are fulfilled.
- (vi) Claims recoverable are accrued only to the extent it is probable that they will result in revenue and they are capable of being reliably measured.
- (vii) Export incentive receivable is accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.
- (viii) Dividend income is recognized when the right to receive dividend is established.
- (ix) Interest income is recognized on accrual basis.

### **(l) Foreign Exchange Transactions**

#### **(i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### **(ii) Conversion**

Foreign currency monetary items are restated at the exchange rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### **(iii) Exchange difference**

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

#### **(iv) Translation of Integral and Non-integral foreign operation**

The Company classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations." The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss is translated at exchange rates prevailing at the dates of transactions or average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve.

#### **(v) Forward Exchange Contracts entered into hedge foreign currency risk of an existing Asset/Liabilities**

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the consolidated statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

#### **(vi) Exchange difference arising on financing activities is reflected under the head 'finance costs' as 'Exchange differences on borrowings (net).'**

### **(m) Retirement and other Employee Benefits**

#### **(i) Defined Contribution Plan**

The Company's liability towards Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plan. The Company's contributions paid/payable towards this defined contribution plan is recognized as expense in the consolidated statement of profit and loss during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trusts.

(ii) Defined Benefit Plan

Provident Fund:

Eligible employees receive benefit from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contribution to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Blue Star Employees Provident Fund. The trust invests in specific designated instruments as permitted by the statute. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

Gratuity:

Company's liabilities towards gratuity are considered as Defined Benefit Plans. The present value of the obligations towards Gratuity and additional gratuity are determined based on actuarial valuation using the projected unit credit method at the end of each financial year. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields on Government securities at the balance sheet date and adjusted for salary escalation and attrition rate. Actuarial gains and losses are recognized in full in the period in which they occur in the consolidated statement of profit and loss.

(iii) Other Employee benefits:

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are taken to consolidated statement of profit and loss and are not deferred.

The Company presents the entire leave as a Current Liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting period.

(iv) The cost incurred under the Voluntary Retirement Scheme is charged to the consolidated statement of profit and loss in the month of separation of the employee.

**(n) Employee stock compensation cost**

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the consolidated statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

**(o) Excise Duty**

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

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

**(p) Taxes on Income**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situation where the Company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the consolidated statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The said asset is created by way of credit to the consolidated statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### **(q) Segment Reporting Policies**

#### **(i) Identification of segments :**

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

#### **(ii) Allocation of common costs/assets & liabilities: Common allocable costs/assets and liabilities are consistently allocated amongst the segments on appropriate basis.**

#### **(iii) Unallocated items: Includes general corporate income and expense items which are not allocated to any business segment.**

#### **(iv) Segment Policies: The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the company as a whole.**

### **(r) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### **(s) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### **(t) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

### **(u) Cash and Cash equivalents**

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

### **(v) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 3: SHARE CAPITAL

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Authorized Shares</b>		
10,000 (31 March 2014: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000 (31 March 2014: 148,700,000) Equity Shares of ₹2 each	2,974.00	2,974.00
16,000 (31 March 2014: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
	<b>3,000.00</b>	<b>3,000.00</b>
<b>Issued, subscribed and fully paid-up shares</b>		
89,936,105 (31 March 2014: 89,936,105) Equity Shares of ₹2 each	1,798.72	1,798.72
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,798.72</b>	<b>1,798.72</b>

a) There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

b) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2015 the amount of per share dividend proposed as distribution to the equity shareholders is ₹5 (31 March, 2014 : ₹4).

c) Details of shareholders holding more than 5% shares in the Company.

Name of the shareholder	As at 31 March 2015	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,828,673	7.59%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

Name of the shareholder	As at 31 March 2014	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,492,281	11.67%
Suneel Mohan Advani	5,325,948	5.92%
HDFC Trustee Company Limited - HDFC Capital Builder Fund	5,020,457	5.58%
ICICI Prudential Discovery Fund	4,868,769	5.41%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

# these shares are held in Trust for the Promoter group who are the beneficial owners.

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares, except as disclosed.

d) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, refer note: 37

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>General reserve</b>		
Balance as per the last financial statements	19,355.48	18,435.48
Add: amount transferred from surplus balance in the statement of profit and loss	1,525.28	920.00
<b>Closing Balance</b>	<b>20,880.76</b>	<b>19,355.48</b>
<b>Capital redemption reserve</b>	<b>233.56</b>	<b>233.56</b>
<b>Capital Reserve on amalgamation</b> (refer note 38)	<b>2,793.62</b>	<b>2,793.62</b>
<b>Capital Subsidy from Government</b>	<b>60.00</b>	<b>60.00</b>
<b>Foreign Currency Translation Reserve*</b>		
Balance as per the last financial statements	175.00	113.80
Add: Adjustment on account of Joint ventures	(21.30)	61.20
<b>Closing Balance</b>	<b>153.70</b>	<b>175.00</b>
<b>Hedging Reserve on Forward Contract</b>		
Balance as per the last financial statements	-	(41.28)
Add: Adjustment on account of Associate	(1.51)	41.28
<b>Closing Balance</b>	<b>(1.51)</b>	<b>-</b>
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	21,636.10	19,467.21
Profit/(loss) for the year	5,418.10	7,754.16
Add: Profit taken over for the year 2012-13 and additional depreciation on Fair market valuation of assets of Synergy Realtors and Services Private Limited (SRSPL) (refer note 38)	-	(14.06)
Loss for Blue Star Design and Engineering Limited (BSDEL) for the year 2012-13 (refer note 38)	-	(30.20)
Less: Adjustment to written down value of assets fully depreciated pursuant to Schedule II of the Companies Act, 2013, net of tax (refer note: 42)	290.86	-
Less: Adjustment due to dilution of share in Associate	52.28	-
<b>Less: Appropriations</b>		
Proposed final equity dividend (amount per share ₹5 (31 March 2014: ₹4))	4,496.81	3,597.44
Tax on proposed equity dividend	915.46	611.48
Interim Equity dividend by Joint venture	135.42	201.59
Preference dividend given by subsidiary	-	180.00
Tax on preference dividend given by subsidiary	-	30.50
Transfer to general reserve	1,525.28	920.00
Total appropriations	7,072.97	5,541.01
Net surplus in the statement of profit and loss	19,638.09	21,636.10
<b>Total reserves and surplus</b>	<b>43,758.22</b>	<b>44,253.76</b>

\* Represents foreign currency translation reserve arising on proportionate consolidation of non-integral joint ventures.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 5.1: LONG TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2015	2014
Term Loan from Bank against Property	2,489.97	-
Less: Current maturities	(103.31)	-
	<b>2,386.66</b>	-

- Outstanding Loan carries interest rate of 11.5% (31 March 2014: Nil)
- Outstanding Loan is secured by hypothecation of building
- Loan is repayable over a period of 144 Months

### 5.2: SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2015	2014
On Cash credit, Packing credit & Working capital demand loan accounts from banks (secured) (Note a & b)	5,582.96	9,954.77
Buyers' credit (secured) (Note b & c)	1,891.36	8,548.40
Buyers' credit (unsecured) (Note c)	9,808.59	4,936.61
Commercial Papers from Banks (unsecured) (Note d)	10,000.00	10,000.00
Commercial Papers from Others (unsecured) (Note d)	10,000.00	16,000.00
	<b>37,282.91</b>	<b>49,439.78</b>
<b>The above amount includes</b>		
Secured borrowings	7,474.31	18,503.17
Unsecured borrowings	29,808.60	30,936.61

- Outstanding Loans carry an average interest rate of 10.26% (31 March 2014: 10.12%).
- Outstanding Loans is secured by hypothecation of stock-in-trade and trade receivables.
- Buyers' Credit are availed for imports payables and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.95%.
- Commercial Papers carry an average interest rate @ 8.75% p.a. for the current year (31 March 2014: 9.62% p.a.). These are repayable within 50 days to 90 days from the date of drawdown.

### 6.1: OTHER LONG TERM LIABILITIES

(₹ in lakhs)

	As at March 31	
	2015	2014
Lease Rent Deposit	66.83	-
	<b>66.83</b>	-

### 6.2: OTHER CURRENT LIABILITIES

	As at March 31	
	2015	2014
<b>Other liabilities</b>		
Current maturities of long term borrowings - Secured	103.31	-
Interest accrued but not due on borrowings	11.72	116.78
Amount Due to Customers (see note 24)	4,548.58	6,433.67
Unearned revenue on AMC services	4,482.25	4,347.48

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 6.2: OTHER CURRENT LIABILITIES (CONTD.)

(₹ in lakhs)

	As at March 31	
	2015	2014
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	246.58	233.14
Advance from customers	20,544.35	28,664.53
Unrealised loss on Forward Contract liability	84.96	824.09
Others		
Due to Joint Ventures	109.70	-
Creditors - Capital Expenditure	43.40	66.99
Interest free deposits from customers	227.26	314.07
Due to statutory bodies	4,268.92	3,368.95
Other Liabilities	138.50	1,517.18
	<b>34,809.53</b>	<b>45,886.88</b>

### 7: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Provision for employee benefits</b>				
Provision for gratuity (refer note 31)	45.79	49.90	1.19	0.91
Provision for Additional Gratuity (refer note 31)	52.49	52.12	10.00	4.01
Provision for other employment benefits	77.74	67.39	59.66	112.79
Provision for Leave benefits	14.40	11.69	1,317.92	1,039.72
	190.42	181.10	1,388.77	1,157.43
<b>Other provisions</b>				
Provision for warranties	396.50	242.57	864.20	597.32
Loss order	-	-	538.16	1,071.53
Proposed equity dividend	-	-	4,496.81	3,597.44
Provision for tax on proposed equity dividend	-	-	915.46	470.54
	396.50	242.57	6,814.63	5,736.83
	<b>586.92</b>	<b>423.67</b>	<b>8,203.40</b>	<b>6,894.26</b>

#### Provision for warranties

A provision is recognised for standard warranty claims based on turnover during the year and extended warranty on the basis of turnover for preceding two years. The Company estimates the future cost of warranty based on historical experience of the level of repairs & returns. The estimates of such warranty cost are revised annually.

(₹ in lakhs)

	As at March 31	
	2015	2014
At the beginning of the year	839.89	974.71
Arising during the year	1,063.66	565.57
Utilized during the year	(642.85)	(589.67)
Unused amounts reversed during the year	-	(110.72)
<b>At the end of the year</b>	<b>1,260.70</b>	<b>839.89</b>
Current portion	864.20	597.32
Non-current portion	396.50	242.57

#### Loss order

A provision for expected loss on construction contract is recognised when it is probable that the contract cost will exceed the total contract revenue. For all other contracts, loss order provisions are made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

# Notes to Consolidated Financial statements for the year ended March 31, 2015

## 8: FIXED ASSETS

(₹ in lakhs)

Description of Assets	Gross Block				Depreciation					Net Block	
	As at 1.4.2014	Additions during the year	Adjustment during the year (Refer Note 38)	Deductions	As at 31.03.2015	As at 1.4.2014	Deductions	Provided during the year	Adjustment during the year (Refer Note 42 & 38)	As at 31.03.2015	As at 31.03.2015
<b>Tangible Assets</b>											
1 Land - Freehold	889.39 (889.39)	-	-	-	889.39 (889.39)	-	-	-	-	-	889.39 (889.39)
2 Land - Leasehold	7.94 (7.94)	-	-	-	7.94 (7.94)	2.68 (2.68)	-	-	-	2.68 (2.68)	5.26 (5.26)
3 Building Sheds and Road	16,107.64 (11,721.65)	867.48 (140.55)	- (7,036.45)	142.69 (2,791.01)	16,832.43 (16,107.64)	6,193.52 (5,215.66)	94.27 (204.55)	881.77 (830.59)	152.24 (351.82)	7,133.26 (6,193.52)	9,699.17 (9,914.12)
4 Plant & Machinery #	24,506.07 (22,740.24)	2,153.09 (1,874.43)	-	627.64 (108.60)	26,031.52 (24,506.07)	13,489.98 (11,803.19)	434.74 (76.49)	1,813.94 (1,763.28)	1.37	14,870.55 (13,489.98)	11,160.97 (11,016.09)
5 Furniture & Fixtures	2,263.71 (2,268.52)	21.97 (101.32)	- (64.87)	158.51 (171.00)	2,127.17 (2,263.71)	1,681.46 (1,646.73)	133.37 (136.63)	180.25 (122.99)	46.72 (48.37)	1,775.06 (1,681.46)	352.11 (582.25)
6 Office Equipments	1,311.02 (1,396.61)	138.61 (61.32)	- (8.63)	154.93 (155.54)	1,294.70 (1,311.02)	787.38 (755.76)	147.61 (106.85)	268.79 (133.41)	186.18 (5.06)	1,094.74 (787.38)	199.96 (523.64)
7 Vehicles	1,036.72 (1,113.76)	328.04 (137.73)	-	201.05 (214.77)	1,163.71 (1,036.72)	602.20 (620.31)	150.24 (154.75)	170.37 (136.64)	2.68	625.01 (602.20)	538.70 (434.52)
8 Leasehold Improvements	-	164.28	-	-	164.28	-	-	2.18	-	2.18	162.10
9 Computers	1,600.29 (1,652.87)	522.09 (105.13)	- (89.62)	61.95 (247.33)	2,060.43 (1,600.29)	1,350.38 (1,369.78)	61.95 (234.41)	271.84 (128.43)	50.64 (86.58)	1,610.91 (1,350.38)	449.52 (249.91)
<b>Total 2014-15</b>	<b>47,722.78</b>	<b>4,195.56</b>	<b>-</b>	<b>1,346.77</b>	<b>50,571.57</b>	<b>24,107.60</b>	<b>1,022.18</b>	<b>3,589.14</b>	<b>439.83</b>	<b>27,114.39</b>	<b>23,457.18</b>
<b>Total 2013-14</b>	<b>(41,790.98)</b>	<b>(2,420.48)</b>	<b>(7,199.57)</b>	<b>(3,688.25)</b>	<b>(47,722.78)</b>	<b>(21,414.11)</b>	<b>(913.68)</b>	<b>(3,115.34)</b>	<b>(491.83)</b>	<b>(24,107.60)</b>	<b>(23,615.19)</b>

(₹ in lakhs)

Description of Assets	Gross Block				Amortization					Net Block	
	As at 1.4.2014	Additions during the year	Adjustment during the year	Deductions	As at 31.03.2015	As at 1.4.2014	Deductions	Provided during the year	Adjustment during the year	As at 31.03.2015	As at 31.03.2015
<b>Intangible Assets</b>											
1 Technical Knowhow	1,686.47 (1,645.17)	318.67 (41.30)	-	-	2,005.14 (1,686.47)	631.69 (393.85)	-	282.09 (237.84)	-	913.78 (631.69)	1,091.36 (1,054.78)
2 Software	3,684.79 (3,219.96)	644.93 (464.83)	-	-	4,329.72 (3,684.79)	2,809.57 (2,378.45)	-	443.27 (431.12)	-	3,252.84 (2,809.57)	1,076.88 (875.22)
3 Marketing Knowhow	- (2.68)	-	-	-	- (2.68)	- (2.68)	-	-	-	-	-
4 Goodwill (Refer Note 38)	- (217.15)	33.15	-	-	33.15 (217.15)	-	-	-	-	-	33.15
<b>Total 2014-15</b>	<b>5,371.26</b>	<b>996.75</b>	<b>-</b>	<b>-</b>	<b>6,368.01</b>	<b>3,441.26</b>	<b>-</b>	<b>725.36</b>	<b>-</b>	<b>4,166.62</b>	<b>2,201.39</b>
<b>Total 2013-14</b>	<b>(5,084.96)</b>	<b>(506.13)</b>	<b>-</b>	<b>(219.83)</b>	<b>(5,371.26)</b>	<b>(2,774.98)</b>	<b>(2.68)</b>	<b>(668.96)</b>	<b>-</b>	<b>(3,441.26)</b>	<b>(1,930.00)</b>

# Net of Grant of ₹36.24 lakhs (Previous year: ₹36.24 lakhs) for UNIDO machine.  
Net of Grant of ₹340.10 lakhs (Previous year: Nil) for Cyclopentane C5 Panel Project.

### Notes

1 Figures in brackets represents amounts pertaining to previous years.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 8: FIXED ASSETS (CONTD.)

(₹ in lakhs)

2 Depreciation and Amortization Expense	March 31	
	2015	2014
Depreciation on Tangible Assets	3,589.14	3,115.34
Amortization of Intangible Assets	725.36	668.96
	<b>4,314.50</b>	<b>3,784.30</b>

- 3 Plant & Machinery includes asset held for sale:  
 Gross Block ₹1790.02 lakhs (Previous year: ₹Nil lakhs), Depreciation ₹83.73 lakhs (Previous year: ₹Nil lakhs),  
 Accumulated Depreciation ₹1257.90 lakhs (Previous year: ₹Nil lakhs), Net book value ₹532.12 lakhs (Previous year:  
 ₹Nil lakhs)

### 9: NON CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Non-trade investments (valued at cost unless stated otherwise)</b>		
Investment in Associates (Quoted)		
3,098,025 (31 March 2014: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (including Capital Reserve ₹203.52 lakhs)	3,435.69	3,125.77
Investment Property (under development)	199.17	202.68
	<b>3,634.86</b>	<b>3,328.45</b>

Aggregate amount of quoted investments (Market value: ₹6,109.31 Lakhs (31 March 2014: ₹3,629.34 lakhs))

### 10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1,910.28	1,347.17
Gross deferred tax liability	1,910.28	1,347.17
<b>Deferred tax asset</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	569.31	559.82
Provision for doubtful debts and advances	2,992.00	929.97
Gross deferred tax asset	3,561.31	1,489.79
<b>Net deferred tax asset</b>	<b>1,651.03</b>	<b>142.62</b>

Until the previous year, Blue Star Limited had recognised the deferred tax asset only to the extent of deferred tax liability arising from timing differences as the Company had carry forward losses. During the current year, the carry forward losses have been completely set off and there is reasonable certainty of realisation of deferred tax assets. Accordingly, deferred tax asset has been recognised on timing differences prevailing at the beginning of the year to the extent not recognised in earlier years.

Notes to Consolidated Financial statements for the year ended March 31, 2015

**11: LOANS AND ADVANCES**

(₹ in lakhs)

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Capital advances</b>				
Unsecured, considered good	350.99	243.58	-	-
	350.99	243.58	-	-
<b>Security deposit</b>				
Unsecured, considered good	1,277.71	1,538.70	76.79	0.38
	1,277.71	1,538.70	76.79	0.38
<b>Loan and advances to related parties</b>				
Unsecured, considered good	-	-	68.68	150.17
	-	-	68.68	150.17
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	102.71	68.68	3,997.37	5,825.49
	102.71	68.68	3,997.37	5,825.49
<b>Other loans and advances, Unsecured, considered good</b>				
Advance income-tax (net of Provisions ₹37,373.19 lakhs (31 March 2014: ₹36,568.44 lakhs))	4,055.06	5,415.01	-	-
MAT credit entitlement	6,700.72	3,239.34	-	98.61
Prepaid expenses	4.04	7.91	1,414.23	1,635.02
Loans to employees	342.72	376.89	121.49	119.30
Balances with statutory/government authorities	1,112.36	1,062.59	5,915.52	5,178.06
	12,214.90	10,101.74	7,451.24	7,030.99
<b>Total</b>	<b>13,946.31</b>	<b>11,952.70</b>	<b>11,594.08</b>	<b>13,007.03</b>

Notes to Consolidated Financial statements for the year ended March 31, 2015

**12: TRADE RECEIVABLES AND OTHER ASSETS**

(₹ in lakhs)

**12.1: TRADE RECEIVABLES**

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Unsecured, considered good	-	-	16,844.67	25,210.43
Considered doubtful	-	-	10,805.13	6,501.89
	-	-	27,649.80	31,712.32
Provision for doubtful Receivables	-	-	10,805.13	6,501.89
	-	-	16,844.67	25,210.43
<b>Other receivables</b>				
Unsecured, considered good	7,694.67	6,207.85	54,939.80	51,900.22
	7,694.67	6,207.85	54,939.80	51,900.22
	<b>7,694.67</b>	<b>6,207.85</b>	<b>71,784.47</b>	<b>77,110.65</b>
Due from Company in which the Company's Non executive Director is a Director				
Atria Convergence technologies Pvt Ltd.	-	-	10.70	-
<b>12.2: OTHER ASSETS</b>				
<b>Unsecured, considered good unless stated otherwise</b>				
Non-current bank balances (refer note 14)	108.49	84.12	-	-
<b>Unbilled Revenue:</b>				
Project Revenue (refer note 24)	-	-	26,428.82	40,914.19
AMC	-	-	466.96	386.17
	-	-	26,895.78	41,300.36
	<b>108.49</b>	<b>84.12</b>	<b>26,895.78</b>	<b>41,300.36</b>

**13: INVENTORIES**

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2015	2014
Raw materials & components (includes in transit ₹3,024.63 lakhs (31 March 2014: ₹5,793.81 lakhs))	11,894.11	13,292.82
Work-in-progress	3,585.26	3,737.89
Finished goods	13,516.64	14,102.58
Traded goods (including in transit ₹2,541.93 lakhs (31 March 2014: ₹5,047.67 lakhs))	15,618.10	12,474.82
Stores and spares	3,239.63	2,955.16
	<b>47,853.74</b>	<b>46,563.27</b>

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
<b>Cash and cash equivalents</b>				
Balances with banks:				
– On current accounts	-	-	3,417.13	6,189.53
– On unpaid dividend account	-	-	246.58	233.14
– Fixed Deposits	-	-	730.55	387.21
Cash on hand	-	-	37.64	34.84
	-	-	4,431.90	6,844.72
<b>Other bank balances</b>				
Margin money Deposit	108.49	84.12	-	-
	108.49	84.12	-	-
Amount disclosed under non-current assets (refer note 12.2)	(108.49)	(84.12)	-	-
	-	-	<b>4,431.90</b>	<b>6,844.72</b>

#### Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹108.49 lakhs (31 March 2014: ₹84.12 lakhs) are subject to a first charge to secure the Custom claim amounting to ₹8.73 lakhs & Security deposit with customers amounting to ₹99.76 lakhs.

### 15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Sale of products		
Finished goods	155,830.48	136,881.60
Traded goods	57,778.70	47,926.74
Services rendered	32,906.52	29,169.92
Revenue from Construction Contracts (refer note 24)	69,991.36	77,860.04
Other operating revenue		
Commission income	1,196.97	1,501.53
Provisions and Liabilities no longer required	2,781.84	2,836.52
Others	395.72	453.34
<b>Revenue from operations (gross)</b>	<b>320,881.59</b>	<b>296,629.69</b>
Less: Excise duty #	2,687.52	3,202.47
<b>Revenue from operations (net)</b>	<b>318,194.07</b>	<b>293,427.22</b>

# Excise duty on sales amounting to ₹2,687.52 lakhs (31 March 2014: ₹3,202.47 lakhs) has been reduced from sales in the statement of profit & loss and excise duty on (increase)/decrease in stock amounting to ₹(31.14) lakhs (31 March 2014: ₹(23.41) lakhs) has been considered as (income)/expense in note 18 of financial statements.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 16: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Interest income on		
Bank deposits	17.75	58.91
Others	161.94	794.09
Dividend income on		
Current investments	14.35	4.68
Long-term investments	259.78	259.04
Profit on sale of fixed assets (net)	1.89	113.29
Other non operating Income	393.11	555.33
	<b>848.82</b>	<b>1,785.34</b>

### 17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Cost of material consumed	110,169.72	105,772.68
Project Cost (including bought outs) (refer note 27 and 28 )	70,672.41	72,491.06
	<b>180,842.13</b>	<b>178,263.74</b>
Purchase of traded Goods	<b>42,996.26</b>	<b>38,344.71</b>

### 18: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-15	31-Mar-14	(Increase)/ decrease 31-Mar-15
<b>Inventories at the end of the year</b>			
Traded goods	15,618.09	12,474.82	(3,143.27)
Work-in-progress	3,585.26	3,737.89	152.63
Finished goods	13,516.64	14,102.58	585.94
	<b>32,719.99</b>	<b>30,315.29</b>	<b>(2,404.70)</b>
<b>Inventories at the beginning of the year</b>			
Traded goods	12,474.82	10,873.24	(1,601.58)
Work-in-progress	3,737.89	2,992.71	(745.18)
Finished goods	14,102.58	8,494.99	(5,607.59)
	<b>30,315.29</b>	<b>22,360.94</b>	<b>(7,954.35)</b>
	<b>(2,404.70)</b>	<b>(7,954.35)</b>	

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 19: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Salaries, wages and bonus	22,415.97	21,562.65
Contribution to provident and other funds	1,304.19	1,308.66
Gratuity expense (refer note 31)	746.03	-
Other employment benefits	530.66	206.23
Staff welfare expenses	1,749.63	1,683.53
	<b>26,746.48</b>	<b>24,761.07</b>

### 20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Stores and Spares consumed	1,033.63	901.67
AMC Subcontracting cost	17,076.37	14,831.16
Rent (refer note 28 and 34)	3,162.10	2,906.40
Rates and taxes	289.34	94.86
Power and fuel (refer note 28)	1,488.71	1,480.00
Insurance (refer note 28)	276.10	186.34
Repairs and maintenance		
Buildings	663.61	477.22
Plant and machinery	365.72	265.22
Others	495.63	656.24
Advertising and sales promotion	5,194.42	3,428.60
Commission, Discounts and Incentives on Sales (refer note 27)	3,533.27	2,757.29
Freight and forwarding charges	3,720.13	3,399.67
Travelling and conveyance (refer note 28)	3,177.63	3,040.99
Printing and stationery (refer note 28)	298.52	344.79
Legal and professional fees (refer note 28)	4,455.74	3,835.03
Directors' sitting fees	62.00	11.00
Payment to auditor	112.61	96.58
Donations	17.50	30.15
Loss on sale of Fixed Assets (net)	79.09	0.58
Exchange differences (net)	771.53	708.90
Bad debts/advances written off	371.57	285.34
Provision for doubtful debts and advances (net)	4,393.92	3,306.26
Miscellaneous expenses	2,246.72	1,919.17
	<b>53,285.86</b>	<b>44,963.46</b>

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### 21: FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
Interest	3,593.69	2,942.62
Bank charges (refer note 28)	374.44	417.10
Exchange Difference on Borrowing (net)	884.69	2,061.24
	<b>4,852.82</b>	<b>5,420.96</b>

### 22: EXCEPTIONAL ITEMS

(₹ in lakhs)

	Year Ended March 31	
	2015	2014
A. Exceptional Income		
Surplus on Sale of Assets	2,247.84	1,673.54
	2,247.84	1,673.54
Less:		
B. Exceptional Expenses		
Cost of Voluntary Retirement Scheme *	(567.33)	-
Cost update on major contracts **	(5,824.89)	(1,686.00)
	(6,392.22)	(1,686.00)
Exceptional Items (Net)	<b>(4,144.38)</b>	<b>(12.46)</b>

\* includes gratuity expense of ₹69.70 lakhs

\*\* In earlier years, the Company had made claims for additional costs incurred due to project delays and design changes for certain major projects. Based on negotiations and certification by the customers, the company revises estimated revenue, cost and project related provisions. The consequent charge of ₹5,824.89 has been recorded and disclosed as an exceptional item.

### 23b: THE BLUE STAR GROUP COMPRISES OF THE FOLLOWING ENTITIES

	Country of Incorporation	% Shareholding	
		2014-15	2013-14
<b>a) Subsidiaries</b>			
Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited)	India	100%	100%
Blue Star Design and Engineering Limited	India	100%	100%
<b>b) Foreign Joint Ventures- Jointly Controlled Entities</b>			
Blue Star M & E Engineering (Sdn) Bhd	Malaysia	49%	49%
Blue Star Qatar - WLL	Qatar	49%	49%
<b>c) Associate</b>			
Blue Star Infotech Limited	India	28.69%	29.83%

Notes to Consolidated Financial statements for the year ended March 31, 2015

**23b: IN RESPECT OF JOINTLY CONTROLLED ENTITIES, THE COMPANY'S SHARE OF ASSETS, LIABILITIES, INCOME AND EXPENDITURE OF THE JOINT VENTURE COMPANIES ARE AS FOLLOWS:**

(₹ in lakhs)

	2014-15	2013-14
<b>i Assets</b>		
<b>Non current assets</b>		
Fixed Assets		
Tangible assets	147.76	341.05
Intangible assets	-	-
Deferred tax assets (net)	-	-
Long-term loans and advances	-	-
Trade receivables	356.90	398.01
Other non-current assets	-	-
<b>Current assets</b>		
Inventories	-	7.91
Trade receivables	2,798.04	3,956.19
Cash and bank balances	797.22	500.62
Short-term loans and advances	843.16	483.21
Other current assets	38.60	183.84
<b>ii Liabilities</b>		
<b>Non current liabilities and Provisions</b>		
Trade payables	139.77	170.93
Long-term provisions	63.41	47.40
Deferred tax liability (net)	4.80	8.46
Other Long term liabilities	19.61	22.33
<b>Current liabilities and Provisions</b>		
Short-term borrowings	10.06	906.28
Trade payables	2,194.64	2,085.79
Other current liabilities	1,630.24	1,524.10
Short-term provisions	29.86	87.09
<b>iii Reserves</b>	1,120.82	956.36
<b>iv Income</b>		
Revenue from operations	6,767.36	7,630.17
Other Income	1.93	11.76
<b>v Expenses</b>		
Cost of raw material and components consumed and Project related cost	5,647.52	6,627.38
Purchase of traded goods	-	-
(Increase)/decrease in inventories	(2.16)	(6.36)
Employee benefits expense	361.23	349.35
Other expenses	66.14	97.14
Depreciation and amortization expense	50.57	48.09
Finance costs	68.84	44.40
<b>vi Contingent Liabilities</b>	-	-
<b>vii Capital Commitments</b>	19.27	35.77

**24: DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7  
ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER**

(₹ in lakhs)

	2014-15	2013-14
I Contract revenue recognised for the year	<b>69,991.36</b>	77,860.04
II For Contracts that are in progress as on 31 <sup>st</sup> March		
A Contract costs incurred and recognized profits (Less Recognised losses)	<b>303,321.60</b>	339,599.24
B Advances received	<b>13,124.23</b>	11,328.43
C Gross amount due from customers for Contract work*	<b>26,277.73</b>	40,543.44
D Gross amount due to customers for Contract work**	<b>4,707.74</b>	6,659.41
E Retention amount	<b>3,669.92</b>	6,436.32

\* Includes reduction of Imminent loss of ₹151.09 (31 March 2014: ₹370.75)

\*\* Includes Imminent loss impact (increase) of ₹159.16 (31 March 2014: ₹225.74)

**25: CONTINGENT LIABILITIES**

(₹ in lakhs)

	2014-15	2013-14
Claims against the Company not acknowledged as debts	<b>72.18</b>	67.16
Sales Tax matters	<b>12,048.84</b>	6,928.43
Excise Duty matters	<b>127.57</b>	105.25
Service Tax matters	<b>1,814.79</b>	1,057.67
Income Tax matters	<b>4,740.21</b>	2,505.00
Corporate Guarantee given on behalf of Joint Ventures	<b>3,888.75</b>	2,858.57

Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums/authorities. The management does not expect these claims to succeed and accordingly, no provision for the contingent liability has been recognized in the financial statements.

The Company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with tax authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on the financial statements.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

**26:** Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹551.08 lakhs (31 March 2014 : ₹1,438.99 lakhs).

**27:** Project costs and Commission on sales are net of ₹Nil (31 March 2014: ₹228.87 lakhs) and ₹428.37 lakhs (31 March 2014: ₹279.77 lakhs) respectively, on account of reversal of provision no longer required.

**28:** Aggregation of expenses disclosed in Project cost, Other expenses and Finance Cost vide note 17, 20 and 21 in respect of specific items is as follows:

(₹ in lakhs)

Nature of expenses	2014-15			
	Note 17	Note 20	Note 21	Total
Subcontracting cost	16,807.71	-	-	16,807.71
	(20,532.01)	-	-	(20,532.01)
Rent	118.94	3,162.10	-	3,281.04
	(129.22)	(2,906.40)	-	(3,035.62)
Power & fuel	72.16	1,488.71	-	1,560.87
	(125.01)	(1,480.00)	-	(1,605.01)
Insurance	443.78	276.10	-	719.88
	(437.65)	(186.34)	-	(623.99)
Travelling & Conveyance	522.27	3,177.62	-	3,699.89
	(953.22)	(3,040.99)	-	(3,994.21)
Printing & Stationery	37.02	298.52	-	335.54
	(33.83)	(344.79)	-	(378.62)
Legal & Professional fees	1,097.84	4,455.74	-	5,553.58
	(1,151.50)	(3,835.03)	-	(4,986.53)
Bank charges	146.76	-	374.44	521.20
	(170.81)	-	(417.11)	(587.92)

Figures in brackets are for previous year

### 29a: DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	2014-15	2013-14
Employee benefits expense	<b>1,238.28</b>	1,065.21
Cost of raw material and components consumed	<b>216.18</b>	284.20
Legal & Professional fees	<b>247.02</b>	221.23
Depreciation	<b>551.16</b>	469.19
Others	<b>556.81</b>	433.08
	<b>2,809.45</b>	2,472.91

**29b: DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:**

(₹ in lakhs)

	2014-15	2013-14
<b>Tangible Assets</b>		
Plant & Machinery	6.42	108.20
Office Equipments	97.52	0.12
Electrical Installations	1.35	0.71
Computer	-	17.10
Furniture & Fixtures	20.75	2.10
<b>Intangible Assets (including under development)</b>		
Software	18.37	3.93
Technical Knowhow	1,120.10	616.01
	<b>1,264.51</b>	<b>748.17</b>

**30:** During the earlier year, Blue Star Engineering and Electronics Limited (BSEEL) (erstwhile Blue Star Electro Mechanical Limited) had acquired the plumbing and fire fighting contracting business of D. S. Gupta Construction Private Limited ('DSGCPL') on a slump sale basis via Business Purchase Agreement dated May 31, 2010 for a consideration of ₹8,000 lakhs. The closing date of the transaction was August 31, 2010. Pursuant to the said agreement the Normalized Net Working Capital (herein after referred as "NNWC") was to be maintained at ₹2,000 lakhs. Based on the final reconciliation a net amount of ₹157.05 Lakhs has been accounted in other income.

**31: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"****i. Defined Contribution Plans:**

Amount of ₹1304.19 lakhs (31 March 2014: ₹1308.66 lakhs) is recognized as an expense and included in "Employee Benefits expense" (refer note 19) in the statement of Profit and Loss.

**ii. Defined Benefits Plans:**

a) Amounts for the current period are as follows:

(₹ in lakhs)

	Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
<b>I Expense recognised in the Statement of Profit &amp; Loss for the year</b>						
1 Current Service Cost	241.13	221.23	15.86	15.64	12.31	4.70
2 Interest Cost	179.25	191.82	3.07	6.46	-	-
3 Expected return on plan assets	(191.95)	(184.32)	-	-	NA	NA
4 Net Actuarial (Gains)/Losses	552.23	(234.50)	3.83	(28.83)	-	-
5 Total Expense	780.66	(5.77)	22.76	(6.73)	12.31	4.70
6 Actual return on plan Assets	214.10	227.20	-	-	NA	NA
<b>II Net Assets/(Liability) recognised in the Balance Sheet</b>						
1 Present Value of Defined Obligation	2,748.33	2,229.76	46.98	50.81	62.49	56.13
2 Fair Value of plan assets	2,767.66	2,246.96	-	-	-	-
3 Funded Status [Surplus/(Deficit)]	19.33	17.19	(46.98)	(50.81)	(62.49)	(56.13)
4 Net Assets/(liability)	19.33	17.19	(46.98)	(50.81)	(62.49)	(56.13)

## Notes to Consolidated Financial statements for the year ended March 31, 2015

(₹ in lakhs)

	Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
<b>III Change in Obligation during the year</b>						
1 Present value of defined Benefit Obligation at the beginning of the year	<b>2,229.76</b>	2,587.02	<b>50.81</b>	87.92	<b>56.13</b>	70.31
2 Current Service Cost	<b>241.13</b>	221.23	<b>15.86</b>	15.64	<b>12.31</b>	4.70
3 Interest Cost	<b>179.25</b>	191.82	<b>3.07</b>	6.46	-	-
4 Actuarial (Gains)/Losses	<b>574.39</b>	(201.90)	<b>3.83</b>	(30.94)	-	-
5 Benefits Payments	<b>(476.20)</b>	(568.41)	<b>(26.59)</b>	(28.27)	<b>(5.95)</b>	(18.88)
6 Present value of Defined Benefit Obligation at the end of the year	<b>2,748.33</b>	2,229.76	<b>46.98</b>	50.81	<b>62.49</b>	56.13
<b>IV Change in Fair Value of Plan Assets during the year</b>						
1 Fair Value of Plan Assets at the beginning of the year	<b>2,246.96</b>	2,598.46	-	-	-	-
2 Expected return on Plan assets	<b>191.95</b>	184.32	-	-	-	-
3 Contribution by Employer	<b>782.80</b>	-	<b>26.59</b>	30.38	-	-
4 Actual benefits paid	<b>(476.20)</b>	(568.41)	<b>(26.59)</b>	(30.38)	-	-
5 Actuarial Gains/(losses) on Plan Assets	<b>22.15</b>	32.60	-	-	-	-
6 Fair Value of Plan Assets at the end of the year	<b>2,767.66</b>	2,246.96	-	-	-	-
<b>V Actuarial Assumptions:</b>						
1 Discount rate	<b>8.00%</b>	9.00%	<b>8.00%</b>	9.00%	<b>8.00%</b>	9.00%
2 Rate of return on Plan Assets	<b>8.00%</b>	8.00%	-	-	-	-
3 Mortality Rate	<b>LIC(1994-96)</b>	LIC(1994-96)	<b>LIC(1994-96)</b>	LIC(1994-96)	<b>LIC(1994-96)</b>	LIC(1994-96)
4 Salary escalation rate (Management-Staff-Directors)	<b>6%, 2%, 10%</b>	6%, 2%, 10%	<b>7%</b>	7%, 6%	<b>6%, 2%, 10%</b>	6%, 2%, 10%
5 Attrition rate	<b>1%</b>	1%	<b>1%</b>	3%: Upto Age 35, 2%: 36-45, 1%: Above 45	<b>1%</b>	1%

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### VI. Amounts for the current and previous year are as follows :

(₹ in lakhs)

		Gratuity (Funded)				
		2014-15	2013-14	2012-13	2011-12	2010-11
1	Defined benefit obligation	<b>2,748.33</b>	2,229.76	2,587.02	2,800.29	2,740.04
2	Plan Assets	<b>2,767.66</b>	2,246.97	2,598.46	2,800.43	2,740.28
3	Surplus/(Deficit)	<b>19.33</b>	17.21	11.44	0.14	0.24
4	Experience adjustments on plan liabilities	<b>574.39</b>	(201.90)	(92.13)	(47.37)	(108.89)
5	Experience adjustments on plan assets	<b>22.15</b>	32.60	28.55	18.11	18.66
		Additional Gratuity				
		2014-15	2013-14	2012-13	2011-12	2010-11
1	Defined benefit obligation	<b>62.49</b>	56.13	70.31	64.78	64.01
2	Plan Assets	-	-	-	-	-
3	Surplus/(Deficit)	<b>(62.49)</b>	(56.13)	(70.31)	(64.78)	(64.01)
4	Experience adjustments on plan liabilities	-	-	-	-	-
5	Experience adjustments on plan assets	-	-	-	-	-

- b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹750 Lakhs to gratuity fund in 2015-16 (31 March 2014: ₹170 Lakhs)
- c) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.
- d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2015. The Company's contribution to the Employee's Provident fund aggregates to ₹529.14 lakhs (31 March 2014: ₹568.81 lakhs).

### The details of the fund and plan assets position are as follows:

(₹ in lakhs)

		As at March 31	
		2015	2014
Plan assets at year end, at fair value		<b>406.00</b>	268.00
Present value of defined obligation at year end		<b>274.34</b>	244.36
Shortfall		-	-
The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:			
Discounting rate		<b>8.51%</b>	8.55%
Expected guaranteed interest rate		<b>8.75%</b>	8.75%
Expected Rate of Return on Asset		<b>7.93%</b>	9.15%

**iii. General Description of significant defined plans:**

**1. Gratuity Plan**

Gratuity is payable to all eligible employees on separation/retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

**2. Additional Gratuity**

Additional Gratuity is payable as per the specific rules of the Company i.e. ₹5,000 for staff and ₹10,000 for Managers subject to qualifying service of 15 years.

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

	As at March 31	
	2015	2014
Special Deposit Schemes	4.27%	5.33%
Central government Securities	13.55%	1.30%
State government Securities	30.78%	27.84%
Public Sector Undertakings	20.15%	50.74%
Private Sector	30.02%	14.47%
Liquid funds	1.23%	0.32%
Total Investments	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable for the period over which the obligation is to be settled.

**32: SEGMENT INFORMATION**

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

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

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

## Notes to Consolidated Financial statements for the year ended March 31, 2015

### Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>I. SEGMENT REVENUE</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>170,355.86</b>	173,342.08
ii. Cooling Products	<b>133,171.78</b>	107,681.23
iii. Professional Electronics and Industrial Systems	<b>14,666.43</b>	12,403.91
<b>TOTAL SEGMENT REVENUE</b>	<b>318,194.07</b>	293,427.22
Add: Other Income	<b>848.82</b>	1,785.34
<b>TOTAL INCOME</b>	<b>319,042.89</b>	295,212.56
<b>II. SEGMENT RESULT</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>5,799.67</b>	6,608.44
ii. Cooling Products	<b>14,682.67</b>	9,476.56
iii. Professional Electronics and Industrial Systems	<b>3,120.29</b>	2,175.00
<b>TOTAL SEGMENT RESULT</b>	<b>23,602.63</b>	18,260.00
Less: i) Finance Cost	<b>4,852.82</b>	5,420.96
ii) Other un-allocable Expenditure Net of un-allocable Income	<b>10,340.27</b>	5,210.37
<b>TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>8,409.54</b>	7,628.67
EXCEPTIONAL ITEM	<b>(4,144.38)</b>	(12.46)
<b>PROFIT BEFORE TAXATION</b>	<b>4,265.16</b>	7,616.21
PROVISION FOR TAXES	<b>(789.24)</b>	222.84
<b>NET PROFIT AFTER TAX</b>	<b>5,054.40</b>	7,393.37
Share of profit in Associate company	<b>363.70</b>	360.79
<b>Profit/(loss)for the year</b>	<b>5,418.10</b>	7,754.16
<b>III. OTHER INFORMATION:</b>		
<b>a. SEGMENT ASSETS</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>128,116.74</b>	144,319.33
ii. Cooling Products	<b>61,236.15</b>	62,313.88
iii. Professional Electronics and Industrial Systems	<b>5,289.94</b>	6,274.78
<b>TOTAL SEGMENT ASSETS</b>	<b>194,642.83</b>	212,907.99
Add: Un-allocable Corporate Assets	<b>22,853.85</b>	20,725.42
<b>TOTAL ASSETS</b>	<b>217,496.68</b>	233,633.41
<b>b. SEGMENT LIABILITIES</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>83,479.78</b>	97,536.04
ii. Cooling Products	<b>42,380.68</b>	37,187.96
iii. Professional Electronics and Industrial Systems	<b>2,574.58</b>	3,127.30
<b>TOTAL SEGMENT LIABILITIES</b>	<b>128,435.04</b>	137,851.30
Add: Un-allocable Corporate Liabilities	<b>43,504.70</b>	47,929.63
<b>TOTAL LIABILITIES</b>	<b>171,939.74</b>	185,780.93

Notes to Consolidated Financial statements for the year ended March 31, 2015

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>c. CAPITAL EXPENDITURE (including Capital WIP)</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>3,813.36</b>	2,216.52
ii. Cooling Products	<b>1,824.78</b>	1,564.01
iii. Professional Electronics and Industrial Systems	<b>162.73</b>	92.86
iv. Other Un-allocable	<b>372.66</b>	84.49
<b>TOTAL</b>	<b>6,173.53</b>	3,957.88
<b>d. DEPRECIATION</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>1,833.12</b>	1,622.92
ii. Cooling Products	<b>1,292.02</b>	1,266.50
iii. Professional Electronics and Industrial Systems	<b>53.41</b>	58.88
iv. Other Un-allocable	<b>1,135.95</b>	836.00
<b>TOTAL</b>	<b>4,314.50</b>	3,784.30
<b>e. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	<b>4,237.65</b>	2,838.40
ii. Cooling Products	<b>484.14</b>	606.92
iii. Professional Electronics and Industrial Systems	<b>280.29</b>	427.07
iv. Other Un-allocable	<b>569.83</b>	(280.78)
<b>TOTAL</b>	<b>5,571.91</b>	<b>3,591.61</b>

**B. Secondary segment information:**

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

(₹ in lakhs)

	As at March 31	
	2015	2014
<b>Revenue (Sales, Services &amp; Commission) by Geographical Market</b>		
India	<b>292,517.22</b>	268,657.40
Outside India	<b>25,676.85</b>	24,769.82
<b>Total</b>	<b>318,194.07</b>	293,427.22
<b>Carrying amount of Segment Assets &amp; Intangibles Assets</b>		
India	<b>208,435.91</b>	227,521.38
Outside India	<b>9,060.77</b>	6,112.03
<b>Total</b>	<b>217,496.68</b>	233,633.41
<b>Capital Expenditure including Capital Work in Progress</b>		
India	<b>6,100.06</b>	3,769.18
Outside India	<b>73.47</b>	188.70
<b>Total</b>	<b>6,173.53</b>	3,957.88

**33: Disclosure for Related Party and Interest in Joint Ventures**

**a Related Party Disclosure**

**Names of Related parties**

Names of related parties with whom transactions have taken place during the year

**Associate**

Blue Star Infotech Limited

**Joint Ventures**

Blue Star Qatar-WLL

Blue Star M & E Engineering (Sdn) Bhd

**Key Management Personnel**

Mr Suneel M Advani (upto 31.03.2014)

Mr Satish Jamdar

Mr Vir Advani

Mr B Thiagarajan (w.e.f: 13.05.2013)

**Relatives of Key Management Personnel**

Ms Nargis Advani

Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2014-15		2013-14	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star M &amp; E Engineering (Sdn) Bhd</b>		<b>41.27</b>		61.84
Consultancy services rendered by us	<b>195.40</b>		219.84	
Dividend received (Gross)	<b>135.86</b>		197.08	
Reimbursement of expenses paid	<b>156.02</b>		136.69	
Recovery of expenses	<b>46.66</b>		-	
<b>Blue Star Infotech Limited</b>		<b>(143.94)</b>		(764.50)
Sales & Services	<b>5.38</b>		7.25	
IT services	<b>703.59</b>		519.00	
Purchase of software & hardware	<b>394.98</b>		387.31	
Reimbursement of expenses	<b>59.24</b>		75.31	
Recovery of expenses	<b>6.35</b>		4.97	
Advance against services	-		40.10	
Rent received	<b>20.90</b>		36.00	
Dividend received	<b>123.92</b>		61.96	
Repayment of rent deposit	<b>100.00</b>		-	
<b>Blue Star Qatar WLL</b>		<b>180.59</b>		166.80
Guarantee commission	<b>39.04</b>		28.59	
Sales & Services	<b>14.25</b>		-	
Corporate guarantee given on behalf of the Company	<b>7,818.81</b>		5,565.78	
Outstanding balance of loans and guarantees as on March 31, 2015 is ₹3,889 lakhs (March 31, 2014 - ₹2,859 lakhs)				
Loan repaid	<b>26.95</b>		-	

## Notes to Consolidated Financial statements for the year ended March 31, 2015

(₹ in lakhs)

Name of Related party (contd.)	2014-15		2013-14	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Key Management Personnel</b>				
Managerial remuneration				
Suneel M Advani	-		279.11	
Satish Jamdar	260.29		229.00	
Vir S Advani	157.01		133.74	
B Thiagrajan	173.50		118.65	
<b>Sale of Fixed Assets</b>				
Vir S Advani and Nargis Advani	2,300.00		-	
<b>Leave Benefits and Retirals</b>				
Suneel M Advani	-		13.65	
<b>Relative of Key Management Personnel</b>		70.00		70.00
Rent paid	1.20		1.20	

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

The Company has given loans and corporate guarantees to subsidiaries and joint ventures in the ordinary course of business to meet the working capital requirements of subsidiaries and joint ventures.

### 34: LEASES

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All leases are cancellable except one office premises. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹3,281.04 lakhs (31 March 2014: ₹3,035.62 lakhs)

	2014-15	2013-14
Minimum lease payments for non-cancellable operating lease as at 31st March		
(a) Not later than one year	99.65	-
(b) Later than one year but not later than five years	406.48	-
(c) Later than five years	43.70	-

### 35: EARNING PER SHARE

		2014-15	2013-14
Profit/(Loss) after taxation as per Profit & loss Account	₹lakhs	5,418.10	7,754.16
Less : Preference Dividend and tax thereon	₹lakhs	-	210.50
Profit attributable to equity shareholders	₹lakhs	5,418.10	7,543.66
Weighted average number of Equity Shares Outstanding	Nos.	89,936,105	89,936,105
Effect of Dilution - stock options granted under ESOP	Nos.	197,968	-
Weighted average number of Equity Shares Outstanding in calculating diluted EPS	Nos.	90,134,073	89,936,105
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	6.02	8.39
Diluted Earnings per share (Face Value ₹2 per share)	₹	6.01	8.39

## Notes to Consolidated Financial statements for the year ended March 31, 2015

**36:** During previous years, the Company had entered into contracts, in the normal course of business, for services rendered and received for a value of ₹41.79 lakhs with Private Limited Companies in which a Director of the Company is a Director. Payment has been received and paid in accordance with the normal terms. The Company is in the process of filing necessary application for approval from the Central Government under Section 297 of the Companies Act, 1956 for the said transaction.

**37:** The Company provides share-based payment schemes to its employees. During the year ended 31 March 2015, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On 18th January 2013, the board of directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to the key employees and directors of the Company. The Scheme was also approved by the shareholders of the Company by a special resolution passed by postal ballot dated 7<sup>th</sup> March, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years. The other relevant terms of the grant are as below:

a) Employee Stock Option Scheme

Particulars	Grant I	Grant II
No of Options	1,495,000	42,000
Method of Accounting	Intrinsic Value	
Exercise period (from date of vesting)	5 years	5 years
Grant Date	06 June 2014	13 February 2015
Exercise price	290.05	320.70
Market price	290.05	320.70
Method of Settlement	Equity	

b) Fair Valuation

The Fair Valuation of the options used to compute proforma net profit and earning per share have been done by an independent valuer on the date of grant using Black-Scholes Mertion Formula. The key assumptions and Fair Value are as under:

Particulars	Grant I	Grant II
Dividend yield (%)	-	-
Expected volatility	38%	35%
Risk-free interest rate	8.51%	7.70%
Weighted average share price (₹)	94.17	85.66

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

## Notes to Consolidated Financial statements for the year ended March 31, 2015

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

(₹ in lakhs)

	March 31	
	2015	2014
Profit after tax as reported	5418.10	7,754.16
Add: Compensation cost using the intrinsic value method	-	-
Less: Compensation cost using the fair value method	(509.01)	-
<b>Proforma profit after tax</b>	<b>4909.09</b>	7,754.16
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	6.02	8.39
- Proforma	5.46	8.39
<b>Diluted</b>		
- As reported	6.01	8.39
- Proforma	5.45	8.39

### 38: Amalgamation

Amalgamation of Synergy Realtors and Services Private Limited (SRSPL) with Blue Star Design and Engineering Limited (BSEEL) During the previous year pursuant to the scheme of amalgamation ('the scheme') of Synergy Realtors and Services Private Limited (SRSPL) with Blue Star Design and Engineering Limited (BSEEL) under section 391 and 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay on 15<sup>th</sup> March 2013 and Hon'ble High Court of Haryana and Punjab on 24<sup>th</sup> May, 2013, the assets and liabilities of SRSPL were transferred to and vested in BSEEL with effect from 1<sup>st</sup> April 2012. Accordingly, the scheme had been given effect to in previous year accounts as under:

BSEEL provides Engineering Services to the Manufacturing and Architecture, Engineering & Construction (AEC) sectors. The operations of SRSPL include Renting of immovable properties .

The amalgamation had been accounted for under the "purchase method" as prescribed by AS-14 'Accounting for Amalgamations'. Accordingly, the accounting treatment in the previous year had been given as under:

- In terms of the scheme, 180 fully paid up preference shares of ₹100 each of BSEEL for every 1 fully paid up equity share of ₹10 each of SRSPL were issued. The Investment of SRSPL in the equity share capital (9,75,000 equity shares of ₹10 each) of BSEEL was cancelled. Consequently BSEEL had become a wholly owned subsidiary of Blue Star Limited in the previous year w.e.f 1<sup>st</sup> April, 2012.
- All asset and liabilities of SRSPL were recorded at fair market value as on 1<sup>st</sup> April, 2012. ₹3651 Lakhs being the difference between the value of net assets of SRSPL and the value of preference shares issued as consideration for the amalgamation of SRSPL had been credited to the Capital Reserve of BSEEL in the previous year.
- Goodwill arising on consolidation of ₹217 lakhs was recognised in the Financial Year 2012-13 on step up acquisition of additional 20% in BSEEL and ₹640 lakhs arising due to additional acquisition of 50% stake in Financial Year 2013-14 had been adjusted against Capital Reserve. Accordingly, net amount of ₹2793.62 lakhs had been disclosed in the consolidated financial statements as capital reserve in previous year.
- Profit of ₹224.54 lakhs of SRSPL for the year 2012-13 had been included in the Surplus/(deficit) in the Reserve & Surplus schedule in the Consolidated statement of profit and loss of the Blue Star Limited in the previous year.
- Additional depreciation of ₹238.6 lakhs on fair market valuation of SRSPL assets for the year 2012-13 had been included in Surplus/(deficit) in the Consolidated statement of profit and loss in Reserves and Surplus schedule in the previous year.
- Loss of BSEEL for the year 2012-13 of ₹30.20 lakhs arising on account of acquisition of additional 50% share of BSEEL in the previous year had been included in Surplus/(deficit) in the Consolidated statement of profit and loss in Reserves and Surplus schedule.

39: In the meeting on January 21, 2014, the Board of Directors of Blue Star Engineering and Electronics Limited (BSEEL) (erstwhile Blue Star Electro Mechanical Limited) had approved a Scheme of Amalgamation with its Fellow Subsidiary, Blue Star Design and Engineering Limited (BSEEL) , effective from February 1, 2015 subject to all required approvals and sanctions. After obtaining necessary consents from the shareholder of BSEEL and BSEEL, petitions were filed before the Hon'ble Bombay High Court on March 5, 2015, seeking approval for the amalgamation of BSEEL with BSEEL. This transaction will have no impact on the consolidated financial statement.

**40: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE****a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date**

Particulars	2014-15		2013-14	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD</b>				
<b>Hedge of underlying payables - USD</b>	<b>34,068,741.73</b>	<b>21,269.12</b>	40,947,209.06	24,531.45
- Buyers' Credit	<b>18,696,660.56</b>	<b>11,672.33</b>	17,149,801.55	10,274.45
- Other Payables	<b>15,372,081.17</b>	<b>9,596.79</b>	23,797,407.51	14,257.00

**b. Particulars of Un-hedged Foreign Currency Exposure as at the Balance Sheet date**

Foreign Currency	2014-15		2013-14	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Bank Balances</b>				
AED	<b>195,630.92</b>	<b>33.17</b>	242,800.40	39.56
EUR	<b>348,779.23</b>	<b>232.97</b>	39,158.79	32.19
MUR	-	-	-	-
RMB	<b>11,201.12</b>	<b>1.17</b>	25,489.54	2.46
USD	<b>1,288,518.57</b>	<b>804.42</b>	972,700.08	582.24
<b>Receivables</b>				
AED	<b>126,805.40</b>	<b>21.50</b>	85,721.40	13.97
CAD	<b>78,052.16</b>	<b>38.24</b>	21,383.91	11.57
EUR	<b>402,067.78</b>	<b>269.15</b>	448,048.57	368.71
GBP	<b>31,145.94</b>	<b>28.73</b>	76,766.50	76.47
JPY	<b>5,115,382.00</b>	<b>26.50</b>	6,783,664.00	39.49
MYR	<b>881,676.40</b>	<b>147.68</b>	673,262.60	123.10
QAR	<b>271,174.76</b>	<b>46.29</b>	447,954.54	73.69
RMB	<b>1,312.63</b>	<b>0.14</b>	-	-
USD	<b>6,183,143.22</b>	<b>3,859.87</b>	54,694,060.65	3,410.98
ZAR	<b>84,132.00</b>	<b>4.49</b>	-	-
<b>Payables</b>				
AED	<b>21,020.20</b>	<b>3.56</b>	15,951.79	2.60
AUD	<b>64,057.80</b>	<b>30.29</b>	31,712.33	17.56
CAD	-	-	9,691.65	5.26
CHF	<b>412.62</b>	<b>0.26</b>	1,986.62	1.34
EUR	<b>846,418.02</b>	<b>565.71</b>	952,527.71	783.72
GBP	<b>2,069.52</b>	<b>1.91</b>	22,749.59	22.66
JPY	<b>16,611,838.00</b>	<b>86.05</b>	20,651,686.00	120.25
RMB	-	-	21,330.70	2.06
SEK	<b>26,860.35</b>	<b>1.94</b>	5,865.32	0.54
SGD	<b>898.53</b>	<b>0.41</b>	82,393.20	39.18
USD	<b>21,259,635.33</b>	<b>13,271.88</b>	15,478,180.40	9,272.73
<b>Buyers' Credit</b>				
USD	-	-	5,359,390.39	3,210.81

## Notes to Consolidated Financial statements for the year ended March 31, 2015

- 41:** During the year, Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited) has acquired Preference Shares of Blue Star Design & Engineering Limited from a third party.
- 42:** The Company has revised the depreciation on certain assets as per the useful life specified in the Companies Act, 2013 or re-assessed by the Company. Based on current estimates, carrying amount of ₹439.83 lakhs in respect of assets whose useful life is exhausted as on April 1, 2014 net of deferred tax of ₹148.97 lakhs thereon have been adjusted to retained earnings.
- 43:** Information for Consolidated Financial Statement pursuant to Schedule III of the Companies Act, 2013:

Particulars	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent - Blue Star Limited (Standalone)	118.91%	54,173.83	131.11%	7,103.77
<b>Subsidiaries</b>				
<i>Indian</i>				
1. Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited)	-33.56%	(15,288.18)	-32.99%	(1,787.33)
2. Blue Star Design and Engineering Limited	5.26%	2,396.79	-16.73%	(906.69)
<b>Associates</b>				
(Investment as per equity method)				
<i>Indian</i>				
1. Blue Star Infotech Limited	6.89%	3,137.48	6.71%	363.70
<b>Joint Ventures</b>				
(As per proportionate consolidation/investment as per the equity method)				
<i>Foreign</i>				
1. Blue Star M & E Engineering (Sdn) Bhd - Malaysia	0.85%	386.82	7.43%	402.52
2. Blue Star Qatar - WLL - Qatar	1.65%	750.20	4.47%	242.13
<b>Total</b>	<b>100.00%</b>	<b>45,556.94</b>	<b>100.00%</b>	<b>5,418.10</b>

**44:** Figures pertaining to Subsidiary, Joint Ventures and Associate companies have been reclassified wherever considered necessary to bring them in line with the holding Company's financial statements.

**45:** Previous Year Comparatives

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

As per our report of even date

For **S R B C & CO LLP**  
**ICAI Firm Registration No. 324982E**  
 Chartered Accountants

per **Sudhir Soni**  
**Partner**  
 Membership No. 41870

Mumbai: May 29, 2015

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

**Ashok M Advani** Chairman  
**Satish Jamdar** Managing Director  
**Shailesh Haribhakti** Director  
**Neeraj Basur** Chief Financial Officer  
**Sangameshwar Iyer** Company Secretary

Mumbai: May 29, 2015

# Statement under section 129(3) read with rule 5 of Companies (Accounts) Rules 2014

## Part A : Subsidiaries

(₹ in lakhs)

Name of Subsidiaries:	Blue Star Design and Engineering Limited	Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited)
The "Financial Year" of the Subsidiary Companies	March 31, 2015	March 31, 2015
Shares of the Subsidiary held by Blue Star Limited on the above dates :		
- Number and face value	9,75,000 Shares of ₹10/- each fully paid up	383,00,052 Shares of ₹2/- each fully paid up
- Extent of holding	100%	100%
Equity Share Capital	97.50	766.00
Preference Share Capital	1,800.00	-
Reserves and Surplus	2,357.79	6,712.82
Total Assets	7,311.67	19,596.45
Total Liabilities	3,056.38	12,117.63
Investments	0.01	1,800.00
Turnover & Other Income	602.76	3,601.67
Profit Before Tax	(254.53)	(1,847.78)
Provision for Taxation	40.33	-
MAT Credit Entitlement/Reversed	(83.25)	-
Deferred Tax	141.77	-
Profit/(Loss) after Tax	(353.38)	(1,847.78)
Proposed Dividend	-	-

## Part B : Joint ventures and Associates

Name of Joint ventures and Associates:	Blue Star Qatar-WLL	Blue Star M & E Engineering (Sdn) Bhd	Blue Star Infotech Ltd.
	Joint Venture	Joint Venture	Associate
Latest audited Balance Sheet date	March 31, 2015	March 31, 2015	March 31, 2015
Shares of associate/Joint ventures held by the company on the year end :			
Number	49 fully paid Equity shares of QR 2000 each	367,500 fully paid Equity shares of MR 1 each	3,098,025 fully paid Equity shares of ₹10 each
Amount of Investment in Associates/Joint Venture : ₹Lakhs	12.11	49.97	298.21
Extent of Holding %	49%	49%	28.69%
Description of how there is significant influence	There is significant influence due to percentage(%) of Share Capital	There is significant influence due to percentage(%) of Share Capital	There is significant influence due to percentage(%) of Share Capital
Reason why the associate/joint venture is not consolidated	NA	NA	NA
Net worth attributable to Shareholding as per latest audited Balance sheet ₹Lakhs	762.31	436.79	3435.69
Profit/(Loss) for the year : ₹Lakhs			
1. Considered in Consolidation	190.92	146.47	363.70
2. Not considered in Consolidation	NA	NA	NA

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

**Ashok M Advani**  
**Satish Jamdar**  
**Shailesh Haribhakti**

Chairman  
Managing Director  
Director

**Neeraj Basur**  
**Sangameshwar Iyer**

Chief Financial Officer  
Company Secretary

Mumbai: May 29, 2015

# Investor and Shareholder Information

## SHAREHOLDER INQUIRIES

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

BLUE STAR LIMITED  
Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
Tel: +91 22 6665 4000  
Fax: +91 22 6665 4151  
www.bluestarindia.com  
CIN: L28920MH1949PLC006870

Compliance Officer  
(w.e.f. June 01, 2015)  
Mr Vijay Devadiga  
Company Secretary  
Email: vijaydevadiga@bluestarindia.com

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

## DEMATERIALISATION

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

## INVESTOR RELATIONS PROGRAMME

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

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

## BLUE STAR SHAREHOLDERS

As of March 31, 2015, the Company has 20686 registered shareholders. Approximately 30% of the Company's shares are held by individual investors. The Promoters hold approximately 40% of the shares while Foreign Investors, Institutions and Body Corporate hold the balance shares.

## STOCK EXCHANGE LISTINGS

BSE (Bombay Stock Exchange) Ltd  
National Stock Exchange of India Ltd

# Blue Star Establishments



