BLUE STAR LIMITED ANNUAL REPORT 2013-2014

Contents

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 *(w.e.f. May 30, 2014)*
Pradeep Mallick
M K Sharma
Gurdeep Singh

COMPANY SECRETARY

Sangameshwar Iyer

BANKERS

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

AUDITORS

S R Batliboi & Associates 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.
Telephone: +91 22 2594 6970
Fax: +91 22 2594 6969
Email: rnt.helpdesk@linkintime.co.in

REGISTERED OFFICE

Kasturi Buildings
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.
Telephone: +91 22 6665 4000
Fax: +91 22 6665 4151
www.bluestarindia.com
CIN: L 28920MH1949PLC 006870

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

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

Tojo Jose
Executive Vice President - Human Resources

Manek Kalyaniwala
Executive Vice President - Finance

C P Mukundan Menon
Executive Vice President - Unitary Cooling Products

G Anandkumar
Vice President - Plumbing Projects Division & Large Projects Division

R Aravindan
Vice President & Joint Head of Operations - Electro Mechanical Projects Group

Sujan Chatterjee
Vice President - Corporate Financial Services

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

Anirudha Keskar
Vice President - Procurement & Supply Chain

V V Lanka
Vice President - Electrical Projects Division

D H Roy
Vice President - Himachal Plants

Rajendra Verma
Vice President & Joint Head of Operations - Electro Mechanical Projects Group

Letter from the Chairman

Dear Shareholder,

The year 2013-2014 was one of mixed fortunes for Blue Star. It was the second year of the continuing recovery of Corporate performance after problems originally surfaced in the Electro Mechanical Projects business.

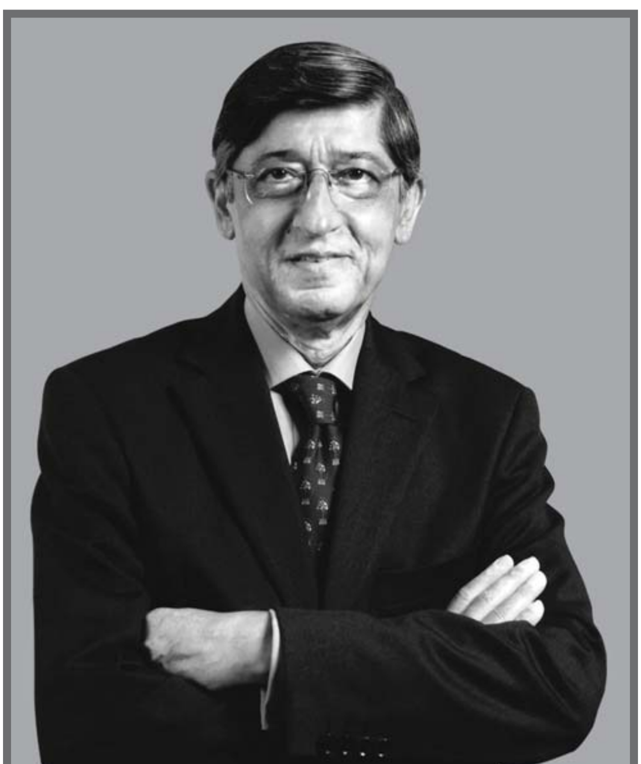
The good news was the sustained growth of the Cooling Products Segment (including room airconditioners, refrigeration products and cold rooms), Packaged Airconditioning Systems and After Sales Service continued to produce encouraging results in terms of revenues and profits. These core businesses are a source of strength which have provided financial resilience even in difficult times.

While Electro Mechanical Projects had been cleared of most of the earlier losses, new projects bookings reduced during the year due to the dismal business environment and the conscious decision to avoid new contracts that did not meet reasonable financial and commercial criteria. Another impediment was the slow pace of execution of many on-going projects due to liquidity problems with customers. The net outcome was a marginal drop in Segment I financial results.

Overall, the Company's revenues remained flat at ₹2825 crores for the third consecutive year. This was expected because from a financial standpoint, the emphasis was not on sales growth, but on managing cash flow and improving profitability. With strict cost control, manpower rationalisation, focus on cash collections and better margins, there was a 47% increase in net profit to ₹75.90 crores.

Though the financial results are not particularly exciting on an absolute basis, it is reassuring to see the Company moving in the right direction in a difficult environment. The turnaround encouraged the Board to raise the dividend from ₹3 per share to ₹4 per share while starting to rebuild the weak Balance Sheet.

As I observed last year, Blue Star's financial results mirror the growth and slowdown of the Indian economy. The last few years of declining GDP growth was clearly not acceptable to voters and the decisive election results reveal a massive mandate for change. The formation of the new NDA government under Mr Modi has given a big boost to business confidence. There are high expectations of an economic revival though there is some uncertainty about the time frame required to see tangible results because of the huge challenges confronting the Government.



Ashok M Advani, *Chairman*

Brand Equity

As you know, Blue Star celebrated its 70th anniversary last year. It has been a long corporate evolution growing from a small three-man proprietary concern in 1943 to a major listed corporate entity today. As Blue Starites, we are all proud of our Company's growth and success.

To me, one of our proudest achievements is the widespread public recognition and respect that Blue Star enjoys. Our positive Corporate reputation is an intangible but very real asset that has been built up over the years. One may ask: Where did this brand equity come from? Frankly, there is no marketing or management technique we used to create this value in the Blue Star name. It has simply evolved from the way we conduct our business.

Today, our customers identify Blue Star with expertise in cooling, but that is not unique to Blue Star. There are other companies which have good technology and cooling expertise. What differentiates us is the sense of trust and confidence that customers place in us based on how they are treated and how we stand behind what we deliver in terms of support and service. Enhancing the customer experience while following Blue Star's Corporate Values are what we have practised over many years. They are part of our Corporate DNA. That is what has created the Blue Star brand equity and, to me, it is priceless.

Enhancing Value Through Business Integration

In recent years, the trend in big construction projects has been to award contracts on an MEP (mechanical, electrical and plumbing) basis to players who can undertake an integrated responsibility, as opposed to three independent contractors. Anticipating this trend, Blue Star had acquired and amalgamated an electrical contracting business six years ago. Then three years later, we bought a plumbing business which is managed through a 100% subsidiary, Blue Star Electro Mechanical Limited (BSEML). These acquisitions have enabled Blue Star to become an active player in the growing Indian MEP market.

As the next logical step in integrating all the business activities of the Electro Mechanical Projects Group (EMPG), it is proposed (subject to the approval of shareholders, creditors, Court, and statutory/regulatory authorities), to amalgamate the Company, and its subsidiary, Blue Star Design & Engineering Ltd with Blue Star Electro Mechanical Ltd with effect from October 1, 2014. Post amalgamation, the EMPG business will be handled by one entity, namely Blue Star Ltd. This is only the gist of the plan. Details of the Scheme of Amalgamation will be sent to you subsequently.

Integrating the contracting activities into one entity makes business sense and the benefits are expected to be substantial. Besides simplification of the organisational structure, there will be synergistic consolidation of technical, operational and managerial resources, improved cash flows and more efficient use of capital. The synergies arising out of the consolidation are expected to lead to an increase in net worth and enhanced shareholder value.

Evolving Structure and Composition of the Board of Directors

Five years ago, Blue Star began a process of top management succession by promoting Satish Jamdar as Managing Director and my stepping out of operations to become Executive Chairman. Subsequently, we appointed two younger Executive Directors, first Vir Advani and then last year, B Thiagarajan.

The next logical change was my retirement two years ago from an executive role on the Board, though I remain Chairman. This year, Suneel M Advani has followed me, retiring from the Company and remains on the Board as Vice Chairman. While both of us, as 'Promoters', continue to have a major stake in the Company, our roles have changed. Being members of the Board we are involved, along with the Independent Directors, in matters of strategy, policy, governance and succession, while operating responsibility rests in the hands of the Managing Director and the two Executive Directors. This structure is in line with the current management thinking of separating ownership from management.

The other recent, welcome change on the Board is the appointment of Shobana Kamineni as an Additional Director. It is proposed to appoint her as an Independent Director at the forthcoming Annual General Meeting. Her induction is significant because she is the first woman to join our Board and brings with her a fresh perspective.

Looking Ahead

Blue Star's business recovery is still a work-in-progress. Though the worst is behind us, there is still a lot of work remaining. We are continuing to make steady progress but much depends on the economic revival. While the new Government has started to tackle the formidable challenges afflicting the country, a full economic recovery will take time. In Blue Star, we are not expecting much acceleration in the next few months, but we hope to start seeing a positive trend before the end of the year.

Ashok M Advani
Chairman

Mumbai: June 6, 2014

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 w.e.f. April 1, 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 w.e.f. April 1, 2012 and was the Executive Vice Chairman of the Company, until March 31, 2014. He continues as Vice Chairman w.e.f. April 1, 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 Electro-Mechanical Ltd. Suneel has been playing an active role in National level policy advocacy issues through CII and other industry forums and 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 Electro-Mechanical Ltd. He is a past Chairman of the CII Maharashtra State Council, and is currently Chairman of the CII-Western Region Affirmative Action Committee, 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, Professional Electronics & Industrial Systems business, Corporate Planning and Investor Relations.

Vir is a Director of Blue Star Design & Engineering Ltd, Blue Star Electro-Mechanical 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 Larsen & Toubro Ltd, BPL 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 AC&R Products, Manufacturing, Supply Chain, Service, 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 Member of the CII National Council, Chairperson of the CII National Committee on State Level Co-ordination in Agriculture, Member of National Agricultural Council and represents Blue Star in the Southern Regional Council of CII. Thiagarajan is also a Director of Blue Star Design & Engineering Ltd.

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 including outsourcing of knowledge processes, engaged investing, as well as efficiency and effectiveness enhancement in society, commercial and governmental organisations.

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

Shobana Kamineni, *Director (w.e.f. May 30, 2014)*

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 early 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 a past Chairperson of CII-Southern Region. Currently, she is the Chairperson of CII National Public Health Committee. Shobana has also been nominated as a Member of Executive Council and Finance Committee of Osmania University, Hyderabad and is a Member on the Advisory Committee of NCC.

Pradeep Mallick, *Director*

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

Pradeep is also on the Boards of several other leading companies including Automotive Stampings & Assemblies Ltd, ESAB India 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, ICICI Lombard General Insurance Company Ltd and Thomas Cook 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 Gabriel India Ltd, Technova India Ltd and Gateway Rail Freight Ltd.

Directors' Report

The Directors are pleased to present their 66th Annual Report and the Audited Accounts for the year ended March 31, 2014.

SUMMARISED FINANCIAL RESULTS

(₹ in crores)

	April 2013 - March 2014	April 2012 - March 2013
Total Income	2824.90	2803.58
Profit before Interest, Depreciation and Taxation	160.23	135.34
Financial Expenses	49.64	49.85
Depreciation	34.69	32.90
Add: Profit on sale of investments	-	-
Profit before tax	**75.90**	**52.59**
Taxes	-	0.85
Profit after tax	**75.90**	**51.74**
Add: Balance brought forward	**194.84**	**180.17**
Total available for appropriation	270.74	231.91
Less: General Reserve	7.60	5.50
Proposed Dividend	35.97	26.98
Corporate Dividend Tax	4.71	4.59
Balance carried forward	**222.46**	**194.84**

DIVIDEND

The Directors have proposed a dividend of ₹4.00 per equity share (Previous Year ₹3.00 per equity share, which included a special dividend of ₹1 per share on the occasion of the birth centenary of the Company's founder, Mr Mohan T Advani). The dividend will absorb ₹40.68 crores, including Corporate Dividend Tax.

OPERATING PERFORMANCE

Total Revenue of the Company for the year was practically flat at ₹2824.90 crores as compared to ₹2803.58 crores, on account of the challenging external environment. However, as a result of sharp focus on costs and efficiencies, the Operating Profit before Tax, Depreciation and Amortisation went up by 18.4% to ₹160.23 crores as compared to ₹135.34 crores in the previous year.

The Segment Result for Electro Mechanical Projects & Packaged Airconditioning Systems saw a small decline from ₹72.33 crores in the previous year to ₹67.15 crores, primarily on account of sluggish execution of projects by customers. Cooling Products recorded a healthy increase of 18% in its Segment Result from ₹80.35 crores to ₹94.77 crores, with an 11% increase in its Segment Revenue from ₹965.16 crores to ₹1075.51 crores. The Revenue of Professional Electronics & Industrial Systems declined marginally by 3% from ₹182.29 crores to ₹176.73 crores, whilst the Segment Result remained unchanged at ₹29.84 crores.

FINANCIAL PERFORMANCE

Finance costs for the year were held at ₹49.64 crores as compared to ₹49.86 crores, due to a sustained focus on cash flow and tight control on borrowing levels.

EXPORT & FOREIGN EXCHANGE EARNINGS

Foreign exchange inflows for the year, including commission income, further improved to ₹180.87 crores as against ₹158.57 crores in the previous year. Foreign exchange outflow for the year was ₹869.67 crores compared to ₹682.88 crores in the previous year, largely due to the sharp depreciation in the value of the local currency.

SUBSIDIARY COMPANIES

During the year, the Company's subsidiaries, Blue Star Electro-Mechanical Ltd reported a turnover of ₹68.50 crores and a loss of ₹13.28 crores, whilst Blue Star Design & Engineering Ltd reported a turnover of ₹24.82 crores and a profit of ₹15.95 crores.

CONSOLIDATED RESULTS

The Annual Report also includes the Consolidated Financial Statements of the Company, which include the results of the Company's subsidiaries; namely Blue Star Electro-Mechanical Ltd and Blue Star Design & Engineering Ltd, and its share in the results of its joint venture and associate companies. The Consolidated Financial results for the year show a Total Income of ₹2914.9 crores compared to ₹2924.0 crores and consolidated Net Profit of ₹77.54 crores compared to ₹39.07 crores in the previous year.

In terms of the general permission granted by the Ministry of Corporate Affairs vide General circular no.2/2011, the Accounts of the subsidiaries have not been attached with the accounts of the holding company. Any member desirous of obtaining the same will be provided with a copy thereof upon making a request to the Company.

CORPORATE RESTRUCTURING

On May 30, 2014, the Board approved a proposal for amalgamation of the Company and its subsidiary; namely, Blue Star Design & Engineering Ltd, with its wholly owned subsidiary, Blue Star Electro-Mechanical Ltd (BSEML) w.e.f. October 1, 2014 (Appointed Date), subject to Court and statutory/regulatory approvals. Post the amalgamation, the shares of BSEML shall be listed on the exchanges, and the name of BSEML shall be changed to Blue Star Limited.

The amalgamation will result in a number of benefits, including business consolidation, integration of the MEP contracting activities, simplification of group structure resulting in better regulatory compliances and improved corporate governance, besides improving operational efficiency and reducing costs.

AUDITORS

M/s S R Batliboi & Associates LLP, Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting. They have expressed their unwillingness to be re-appointed. It is therefore proposed to appoint M/s S R B C & Co, LLP, Chartered Accountants as Statutory Auditors of the Company at the forthcoming Annual General Meeting. M/s S R B C & Co, LLP, Chartered Accountants have given their consent for this appointment. As required under the provisions of section 141(3)g of the Companies Act, 2013, the Company has obtained a written certificate from M/s S R B C & Co, LLP, Chartered Accountants, to the effect that their appointment, if made, would be in conformity with the limits specified in the said section.

In pursuance to the provisions of Section 233B of the Companies Act, 1956 and with the prior approval of the Central Government, M/s N I Mehta & Company, Cost Accountants (Regn. No. 000023) were appointed as Cost Auditors to conduct audit of cost records for airconditioners activity for the financial year 2013-14. The Cost Audit Report for the financial year 2012-13 has been filed with the Ministry of Corporate Affairs.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2014 are in full conformity with the requirement of the Companies Act, 1956. These financial results have been audited by the statutory auditors, M/s S R Batliboi & Associates LLP, Chartered Accountants. The Directors further confirm that:

1) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

2) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period.

3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for providing and detecting fraud and other irregularities.

4) The Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

Ms Shobana Kamineni was appointed as Additional Director w.e.f. May 30, 2014 at the Meeting of the Board of Directors of the Company held on April 28, 2014.

She holds office upto the date of the forthcoming Annual General Meeting.

The Company has received notice together with the necessary deposit from a member signifying the member's intention to propose Ms Kamineni as an Independent Director of the Company at the forthcoming Annual General Meeting.

Mr Vir S Advani retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election thereat.

Mr Suresh N Talwar retired by rotation at the last Annual General Meeting. In line with the retirement policy of the Company for Directors, Mr Talwar did not seek re-appointment.

It is proposed to re-appoint Mr Satish Jamdar as Managing Director at the forthcoming Annual General Meeting.

In terms of Section 149 of the Companies Act, 2013, it is proposed to appoint the following Directors; namely Mr Pradeep Mallick, Mr Shailesh Haribhakti, Mr Gurdeep Singh and Mr M K Sharma as Independent Directors to hold office for a term of five consecutive years upto March 31, 2019, subject to the retirement policy of the Company for its Directors.

The Company has received necessary notices under Section 160 of the Companies Act, 2013 together with the necessary deposit from a member signifying his intention to appoint the aforesaid Directors at the forthcoming Annual General Meeting.

EMPLOYEES

The number of employees has gone down from 2698 at the end of the previous year to 2540 as at March 31, 2014.

EMPLOYEE STOCK OPTION SCHEME

During the financial year 2012-13, the Company had obtained the consent of the shareholders vide a Special Resolution passed by Postal Ballot for introduction of an Employee Stock Option Scheme. However, no options have been granted by the Company till date under the said Scheme. Necessary disclosures will be made by the Company as and when options are granted.

DISCLOSURE OF PARTICULARS

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the rules made thereunder relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure A forming part of this report. Particulars of employees as required under Section 217(2A) of the Companies Act,1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this report. However, in pursuance of Section 219(1) (b) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company excluding the aforesaid information. The said particulars will be made available for inspection at the Registered Office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company. A Management Discussion and Analysis Report and Corporate Governance Report as required under Clause 49 of the Listing Agreement are published separately in this Annual Report.

For and on behalf of the Board

Ashok M Advani

Mumbai: May 30, 2014

Chairman

Annexure to Directors' Report - A

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

CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company 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, during the year under review, several initiatives were undertaken to reduce energy consumption. The Company has a certified Energy-Conservation audit team, which also helps customers in identifying and addressing their energy conservation plans.

Accordingly, the Company has taken the following measures for energy conservation:

Himachal Plants

- Energy consumption on assembly lines was reduced by installing T5 lights on stations in place of highway luminaries. Water distribution and treatment system was improved for controlling the excess running of water pumps. Energy management system was installed on utility PCC system in both plants.
- Power conservation initiatives on CAB furnace used for brazing MCHX coils resulted in significant savings from ₹172/coil to ₹65/coil. Power factor was improved by installing capacitors on local distribution panels in fabrication, utility and MCHX area.
- Lux intensity system was installed for automatic switching of street lights. The Nitrogen distribution system was modified to get supply from both Nitrogen vessel and Nitrogen generation plant, which reduced the power consumption.

Ahmedabad Plant

- Installed 500 KVA servo stabilizer for the entire plant, resulting in 6% saving in energy costs.
- Timers were installed for street lights and warehouse lighting to save electrical energy.
- Energy savings of 50% by replacing low RPM motors with high RPM motors of the same current carrying capacity on vacuum pump conveyor.
- Installed VFD for auto indexing of final assembly conveyor, thus saving electrical energy costs.
- Replaced the motor of pick-and-place equipment by hydraulic system for energy savings in return stroke.

Wada Plant

- Installed 25 KVAR capacitor bank across 1000 KVA transformer and achieved a power factor near to unity, resulting in a saving of ₹3.85 lakhs/year, which is 5% of the total electricity bill.
- Switched off emergency lights on the shop floor in the day time on holidays, resulting in saving of electricity.
- Interlocked the process chiller operation with the multifold machine. This has resulted in saving of energy during the idle condition of the machine.
- The air pressure pipe line of low pressure was modified to run STCO machine without 100 CFM compressor, when only one press is in operation. This has resulted in saving of 1% of total electricity costs.
- In the paint booth, K Flex 32mm insulation was applied on the inside of the mezzanine floor, which resulted in a temperature drop of 10 degrees in the paint booth, thereby decreasing the heat load on the airconditioning system.

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

- To explore methods/devices to supplement load reduction.
- Installation of LED lights working on inverter to save lighting load.

c) Impact of measures taken:

Reduction in electrical and fuel consumption, resulting in savings in production costs.

RESEARCH AND DEVELOPMENT

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

The Company continued to invest in R&D infrastructure and manpower to keep pace with the technological developments, mainly in the areas of energy-efficient products and eco-friendly refrigerants to meet regulatory requirements, and to be competitive in the market.

Manpower has been increased by 5%. The R&D Facility has an approved status from DSIR (Department of Scientific & Industrial Research).

During the year, a range of R-410A ducted systems, based on micro-channel heat exchanger technology and a complete new range of room airconditioners (54 models) complying with BEE's upgraded Labelling Programme as well as water cooled ducted splits were developed.

With the objective to align with the trends of inverter technology, projects have been undertaken for the development of inverter-based chillers, wall mount units, cassettes, ducted systems and mini VRFs. The mini VRF systems have been introduced, and the rest of the products will be introduced in the financial year 2014-15.

As part of energy conservation, water heating systems suitable for hotels, hospitals and similar applications, have been introduced. These systems are 3-4 times more efficient than the conventional electrical heating.

To remain competitive in the chiller segment, high-efficiency twin tandem chillers with falling film technology and single circuit integrated oil separator systems have been introduced. During the year, improvised designs of cooling and freezing units for refrigeration application with eco-friendly refrigerant were also launched.

A project on developing 60Hz products to cater to the Middle East market has been initiated, which have 30% enhanced efficiency and new refrigerant requirements.

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

The development of new products has helped the Company to keep abreast with the market demand and current technologies, in order to improve the market share.

The Company received a prestigious CII Award in Design Excellence for its interactive controller design and a prestigious Bry-Air industry award for real time measurement of efficiencies of chillers.

c) Future Plan of Action:

The Company will continue to invest in infrastructure, additional manpower, as well as upgrading the R&D function. The Company intends to develop products to meet the regulatory requirements of new energy efficiency standards for chillers, VRFs and inverter room ACs. There is market demand for inverter technologies across all product lines and the Company will continue to invest in these technologies.

With the Company's business focus on export growth, R&D will develop products which are suitable for SAARC, Africa and Middle-East markets. The countries in these regions are developing their own regulatory standards which will be met.

d) Expenditure on R&D:

(₹ in lakhs)

	2013-14	2012-13
(a) Capital	748.17	1345.53
(b) Recurring	2472.91	1969.25
Total	3221.08	3314.78
Total R&D expenditure as a percentage of total turnover	1.14%	1.18%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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

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

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

c) Information regarding imported technology:

Falling film technology was imported during the year.

MAJOR ITEMS OF FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Discussed in detail in the 'Management Discussion and Analysis' Report.

b) Total foreign exchange used and earned:

(₹ in lakhs)

	2013-14	2012-13
Total foreign exchange used	73726.15	66443.10
Total foreign exchange earned	18087.31	15857.38

For and on behalf of the Board

Ashok M Advani
Chairman

Mumbai: May 30, 2014

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 the active involvement of all the stakeholders, thereby creating a safe and accident-free work place.

CORPORATE SOCIAL RESPONSIBILITY

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

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

BOARD OF DIRECTORS

The Board comprised ten Directors, out of which one was Managing Director and three were Wholetime Directors. Out of the balance six Non-Executive Directors, five were Independent Directors. As on March 31, 2014, the strength of the Board was nine due to the vacancy caused by the retirement of an Independent Director - Mr Suresh Talwar on July 22, 2013. The said vacancy was required to be filled by January 18, 2014. The Company appointed Ms Shobana Kamineni as an Independent Additional Director at its Board Meeting held on April 28, 2014, w.e.f. May 30, 2014.

BOARD MEETINGS

Five Board Meetings were held during the financial year 2013-14 i.e. on May 13, 2013; July 22, 2013; October 28, 2013; January 23, 2014 and March 12, 2014. The Company had its Annual General Meeting on July 22, 2013.

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2013-14 are given below:

Name	Category	Attendance		Particulars of other Directorships, Committee Memberships/Chairmanships		
		Board Mtg.	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Ashok M Advani	Promoter Non-Executive	5	Yes	1	1	Nil
Suneel M Advani	Promoter Executive	5	Yes	4	1	Nil
Satish Jamdar	Non-Promoter Executive	5	Yes	1	Nil	Nil
Vir S Advani	Promoter Executive	5	Yes	2	Nil	Nil
B Thiagarajan*	Non-Promoter Executive	5	Yes	1	Nil	Nil
Pradeep Mallick	Independent Non-Executive	5	Yes	4	4	1
Gurdeep Singh	Independent Non-Executive	5	Yes	4	3	Nil
Shailesh Haribhakti	Independent Non-Executive	5	Yes	11	2	4
M K Sharma*	Independent Non-Executive	3	Yes	11	6	Nil
Suresh Talwar**	Independent Non-Executive	2	Yes	13	5	2

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

**Appointed w.e.f. May 13, 2013. **Retired w.e.f. July 22, 2013.*

Except Mr Ashok M Advani, Mr Suneel M Advani and Mr Vir S Advani who are relatives, none of the other Directors are inter se related to the other.

AUDIT COMMITTEE

The Audit Committee comprised three Independent Non-Executive Directors; namely, Mr Suresh N Talwar, Mr Pradeep Mallick and Mr Shailesh Haribhakti, with Mr Suresh N Talwar as the Chairman.

Consequent to Mr Suresh N Talwar ceasing to be a Director of the Company, the Audit Committee was reconstituted during the year by the induction of Mr M K Sharma in his place. Mr Shailesh Haribhakti was elected as Chairman of the Committee.

The Committee met on May 13, 2013; July 22, 2013; October 28, 2013; January 23, 2013 and March 11, 2014. The attendence of the Committee Members is given below:

Name of the Member	No. of meetings attended
Mr Shailesh Haribhakti	5
Mr Pradeep Mallick	5
Mr M K Sharma*	3
Mr Suresh Talwar**	2

*Note:- *Appointed w.e.f. May 13, 2013. **Retired w.e.f. July 22, 2013.*

The gap between two meetings did not exceed four months.

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

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

REMUNERATION POLICY

The 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 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 and Wholetime Directors are paid by way of salary, perquisites and commission, based on their agreements with the Company. Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, partly by way of a fixed amount and partly based on the number of Meetings attended by them. The details of amount paid/provided towards Directors' remuneration are as follows:

(₹ in lakhs)

Name	Salary	Perquisites	Commission	Sitting Fees	Total
Ashok M Advani	-	-	22.10	1.80	23.90
Suneel M Advani	70.85	134.43	107.15	-	312.43
Satish Jamdar	47.45	107.72	149.76	-	304.93
Vir S Advani	29.61	67.21	81.38	-	178.20
B Thiagarajan*	26.41	59.94	81.38	-	167.73
Pradeep Mallick	-	-	14.70	2.60	17.30
Gurdeep Singh	-	-	13.10	1.80	14.90
Shailesh Haribhakti	-	-	14.45	2.40	16.85
M K Sharma*	-	-	9.50	1.60	11.10
Suresh Talwar**	-	-	4.90	0.80	5.70

*Note:- *Appointed w.e.f. May 13, 2013. **Retired w.e.f. July 22, 2013.*

Mr Ashok M Advani holds 10492281 equity shares and Mr Gurdeep Singh holds 1200 equity shares. Mr Shailesh Haribhakti, Mr Pradeep Mallick, Mr M K Sharma and Ms Shobha Kamineni do not hold any shares in the Company.

During the year, the Company had constituted a Nomination and Remuneration Committee comprising the following Directors; namely, Mr Gurdeep Singh, Mr Ashok M Advani and Mr Pradeep Mallick. The terms of reference of the Committee inter alia include formulating a remuneration policy for Directors and recommending the same to the Board.

SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee (renamed as Investors Grievance cum Stakeholders Relationship Committee during the year, in line with the provisions of the Companies Act, 2013) comprises Mr Ashok M Advani, Mr Suneel M Advani and Mr Gurdeep Singh. Mr Gurdeep Singh, who is a Non-Executive Director, is the Chairman of the Committee. The Committee met on January 23, 2014 and reviewed the status of shareholders' grievances.

The Board has authorised Mr Sangameshwar Iyer, Company Secretary, to approve the transfer of shares and attend to other related matters, and has designated him as the Compliance Officer.

During the year, the Company's Registrars received 333 letters, of which 297 letters were requests for various actions such as change of address, dividend mandate, nominations, etc., and 36 letters were complaints for non-receipt of share certificates, dividend, demat credit, etc. All requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. There were no valid transfers pending as on March 31, 2014.

ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meetings	Time
2010-11	July 29, 2011	Jai Hind College Hall, Sitaram Deora Marg ('A' Road), Churchgate, Mumbai 400020.	2.30 pm
2011-12	July 31, 2012	-do -	2.30 pm
2012-13	July 22, 2013	-do -	2.30 pm

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

Subject	Date of Meeting
1) Payment of Managerial remuneration to Managing and Wholetime Directors.	July 31, 2012

Following special resolutions were passed through postal ballot during the year 2012-13, relating to introduction and implementation of an Employee Stock Option Scheme in the Company. No special resolution is proposed to be passed at the forthcoming Annual General Meeting.

2) Employee Stock Option Scheme (Two resolutions passed through Postal Ballot)	March 7, 2013

DISCLOSURES

a. The details of transactions with related parties are given in Note 32 to the financial statement for the year ended March 31, 2014. There were no transactions with related parties, which are likely to have potential conflict with the interests of the Company at large.

b. The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/strictures have been imposed on/against it.

c. 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.

d. The Company has followed all relevant Accounting Standards while preparing the Financial Statements.

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 were also displayed on the website of the Company www.bluestarindia.com. Official press releases were also displayed on the website. The Company did not have any meetings with the analysts/ investors during the year 2013-14. Management Discussion and Analysis forms part of the Annual Report.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING:

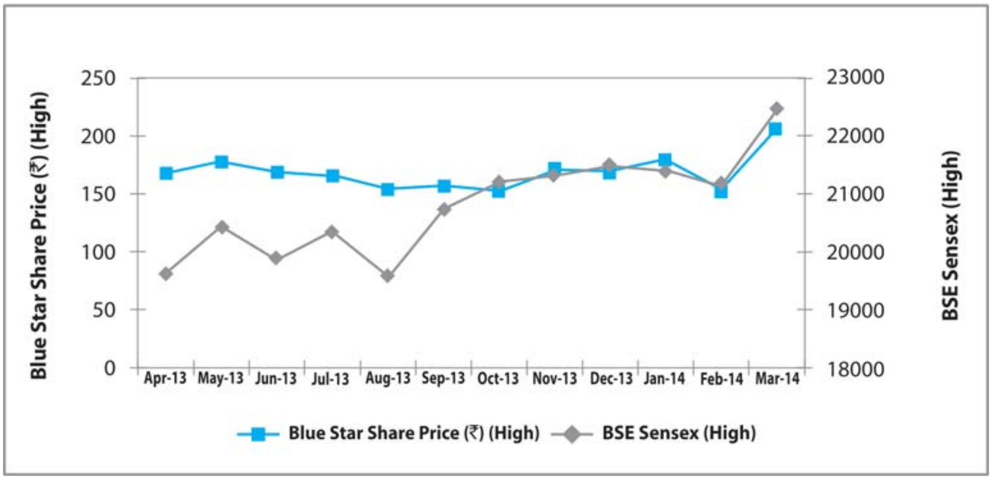
Date	:	July 28, 2014
Time	:	3 pm
Venue	:	Jai Hind College Hall 23-24, Sitaram Deora Marg ('A' Road), Churchgate, Mumbai - 400 020.
FINANCIAL CALENDAR (PROVISIONAL)		
Unaudited results for the quarter ending June 30, 2014	:	July 28, 2014
Unaudited results for the quarter ending Sept 30, 2014	:	October 2014
Unaudited results for the quarter ending Dec 31, 2014	:	January 2015
Audited results for the year ending March 31, 2015	:	May 2015
Date of Book Closure	:	Monday, July 14, 2014 to Monday, July 21, 2014
Dividend Payment Date	:	August 4, 2014 onwards
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**
2013				
April	167.95	157.50	167.60	156.10
May	177.50	161.30	177.90	161.00
June	168.80	155.00	168.90	154.05
July	165.35	148.00	165.00	148.05
August	154.50	130.15	154.15	130.30
September	157.00	131.55	156.00	130.40
October	152.75	140.00	152.00	141.00
November	170.55	138.25	170.00	135.55
December	170.00	152.00	171.20	151.20
2014				
January	179.75	138.05	180.00	138.00
February	153.80	134.50	153.70	134.15
March	206.80	147.15	207.00	147.70

PERFORMANCE – COMPARISON WITH BSE SENSEX



REGISTRAR & SHARE TRANSFER AGENTS

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

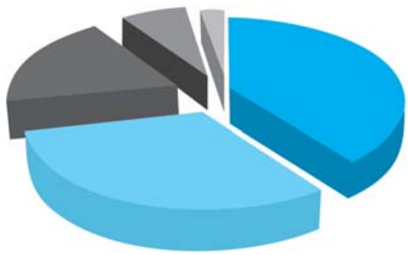
SHARE TRANSFER SYSTEM

The Company's shares are traded in the Stock Exchanges in demat mode. These transfers are effected through NSDL and CDSL. Most of the transfers of shares take place in this form. Transfers 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. The Board has authorised Mr Sangameshwar Iyer, Company Secretary, to approve the transfer of shares.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2014

No. of equity shares held	No. of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
1 - 5000	21530	95.73	11111242	12.35
5001 - 10000	550	2.45	3839753	4.27
10001 - 20000	210	0.93	2863635	3.18
20001 - 30000	55	0.24	1328369	1.48
30001 - 40000	21	0.09	725690	0.81
40001 - 50000	19	0.09	887976	0.99
50001 - 100000	24	0.11	1812758	2.02
100001 - and above	81	0.36	67366682	74.90
TOTAL	22490	100.00	89936105	100.00

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2014



DEMATERIALISATION OF SHARES & LIQUIDITY

About 96% of the equity shares have been dematerialised by about 87% of the total shareholders as on March 31, 2014. 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 32% 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
173 030.

Blue Star Limited
Nahan Road,
Village Ogli,
Kala Amb,
Dist: Sirmour,
Himachal Pradesh
173 030.

Blue Star Limited
501/3 , 503/2
Tejpur Road,
Sarkhej Baula Highway,
Changodar,
Ahmedabad - 382 213.

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

COMPLIANCE OFFICER

Mr Sangameshwar Iyer
Company Secretary
Tel: 022 6665 4040, Fax: 022 6665 4151
E-mail: sangameshwar@bluestarindia.com

ADDRESS FOR CORRESPONDENCE

Blue Star Limited
Kasturi Buildings, 4th floor
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.
CIN: L 28920MH1949PLC 006870
Website: 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, 2014.

For **BLUE STAR LIMITED**

Satish Jamdar
Managing Director

Mumbai: May 30, 2014

Auditors' Certificate

To
The Members of Blue Star Limited

We have examined the compliance of conditions of corporate governance by Blue Star Limited, for the year ended on March 31, 2014, 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 following:

Consequent to the resignation of an Independent Director, the Board of Directors was required to fill this vacancy by January 18, 2014. Accordingly, 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.

For **S R Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

Management Discussion and Analysis

INTRODUCTION

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 provide a comprehensive solution. Blue Star's other businesses include marketing and maintenance of imported professional electronic and industrial systems, and execution of industrial projects.

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 are also included in this segment.

COOLING PRODUCTS

Blue Star offers a wide variety of 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. The Company is also in the business of specialised industrial projects.

INDUSTRY STRUCTURE AND DEVELOPMENTS

AIRCONDITIONING

In 2013-14, the estimated total market size for airconditioning in India was around ₹13750 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹6250 crores, while the market for room airconditioners comprised the balance ₹7500 crores.

During the year, the macro economic environment continued to be challenging with negligible large investments in the commercial real estate segment. The pre-election impasse coupled with high inflation and interest rates, as well as volatility in forex rates adversely impacted demand. While there was an improvement in enquiry generation during the latter part of the year, the rate of order finalisation through the year was sluggish. In the room airconditioners business, which is largely driven by the residential segment, the market witnessed a modest growth, after two consecutive years of negative growth. This was mainly due to a relatively strong summer in most parts of the country. However, post summer of 2013, the price increase linked to the depreciation of the Rupee adversely affected the demand. Further, the implementation of Bureau of Energy Efficiency (BEE) Table 2.3 in January 2014 necessitated an upward revision in energy efficiency, resulting in an additional increase in prices for the same star-rating. However, the current penetration level of airconditioners in the country is a mere 3%, and this presents significant opportunities to the players in the room airconditioners business.

COMMERCIAL REFRIGERATION

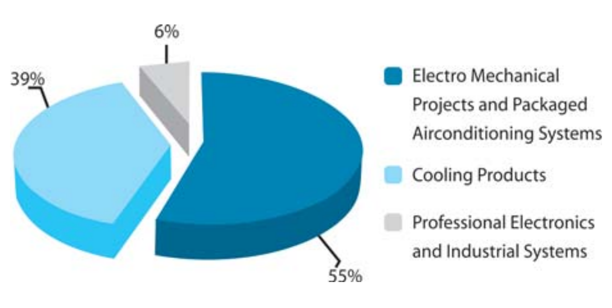
The commercial refrigeration segment includes a wide range of products such as deep freezers, water coolers, bottled water dispensers, cold rooms, milk coolers, bottle coolers and ice cubers. During the year, these segments performed well with demand from the ice cream, dairy and fast food segments. The Ministry of Agriculture, the Ministry of Food Processing

Industries and various State Governments, in co-ordination with industry bodies such as CII, have been taking initiatives to boost the cold chain infrastructure in the country to reduce wastage of perishables and contain food inflation. These initiatives are expected to significantly enhance demand for cold chain equipment in the country.

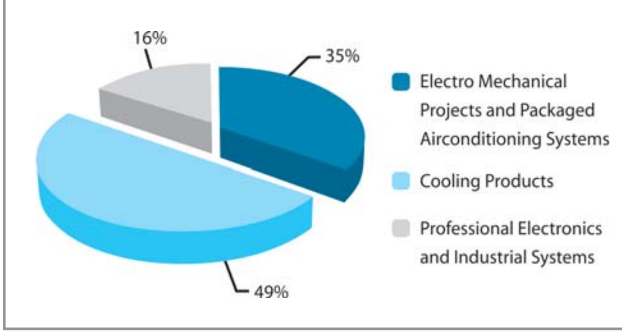
SEGMENT-WISE ANALYSIS

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

Segment-wise Revenue Break-up



Segment-wise Results Break-up



ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

Electro Mechanical Projects and Packaged Airconditioning Systems continued to be the largest segment, accounting for 55% of the Company's Total Segment Revenue.

In the electro mechanical projects business, there was demand from metro rail, hospitality, residential, healthcare and mixed-use development projects during the year. There was a concerted effort on improving the quality of new orders, in terms of margins as well as commercial terms. The Company focused on enhancing multi-service orders (mechanical, electrical, plumbing and fire-fighting) and orders of over ₹400 crores were booked in this domain during the review period. It also intends to selectively target high-rise residential towers being built by established developers for its multi-service business. The electrical projects business focused on opportunities available in the infrastructure and power sector during the review period. The Company enhanced its capabilities in the areas of construction and engineering, in order to handle large value industrial and power sector orders independently.

Significant orders received in the electro mechanical projects business during the year included Oasis Realty, Mumbai; Delhi Metro Rail Corporation-Phase 3; Danfoss Industries, Chennai; Apollo Hospitals, Visakhapatnam and Mumbai; Centenary Mall, Jamshedpur; Noida One, Noida; Maruti, Gurgaon; JCB, Rajasthan; GIFT City, Ahmedabad; BSES Rajdhani, Delhi; ESIC Hospital, Delhi; RMZ, Bengaluru and Tech Mahindra, Secunderabad; amongst several others.

In the central plant equipment segment, the Company offers a range of screw and scroll chillers as well as air distribution products. The innovative water cooled centrifugal chiller with magnetic bearings, which was launched a few years ago, continued to perform well, registering significant growth despite a flat trend in the centrifugal chillers category. The Company also maintained its leadership position in scroll chillers while the screw chiller segment recorded marginal growth. The Company actively pursued consultants as well as independent contracting companies to enhance its base. It has also set up a network of channel partners to aggressively target potential segments including industrial, hospitality and healthcare. Some of the notable orders won during the year were from Taj Krishna Hotel, Secunderabad; ABL More, Bengaluru; Velammal Medical College, Madurai; Hindustan Aeronautics, Bengaluru; Divis Lab, Secunderabad; OPAL, Dahej; Ashoka University, Chandigarh; Mahindra & Mahindra, Pune; Optimus Generic, Secunderabad; Hotel Amber Palace, Bhopal and Nemcare Hospital, Guwahati.

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 registered a modest growth retaining its market leadership position in the segment. The range of VRF airconditioning systems performed well with the Company further consolidating its position by aggressively marketing its solutions amongst customers, consultants, architects and interior designers through product launches, technical handbooks and mailers. The Company also launched a new product category of free match inverters, and the initial response to this category is encouraging.

Prestigious orders won in the packaged airconditioning business during the year were from L&T, Chennai; Jai Bhuvan Builders, Goa; Dalmia Cements, Midnapur and Belgaum; Marg Construction (for Police HQ), Delhi; Euro Star, Mumbai; Income Tax Office, Mysore; Paramount Projects (for Moser Baer), New Delhi; Banaras Hindu University, Varanasi; Thermax (for Visakhapatnam Steel Plant), Visakhapatnam and Xavier Institute of Management, Bhubaneswar; amongst others.

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 grew faster than the market, thereby increasing its market share. It launched a new range of contemporary and stylish room airconditioners for the residential segment which were 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 above initiatives helped the Company make deep inroads into the residential segment during the year. However, the appreciation of the dollar coupled with the implementation of the new energy efficiency norms had an adverse impact on the pricing as well as margins. 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.

In the commercial refrigeration products segment, the appreciation of the dollar impacted the pricing of imported products such as chest freezers and bottled water dispensers, thereby affecting the overall profitability of the business. Sales of chest freezers and coolers grew well, with enhanced demand from the ice cream and dairy segments. The Company received large orders from Vadilal, Amul, Havmor, Ramani's, Cream Bell, Hatsun, Karnataka Milk and Lazza. The market also witnessed enhanced demand for glass-top freezers. Sales of storage water coolers were flat due to a slack in demand while off-take of bottled water dispensers also marginally declined.

In the cold chain segment, Blue Star offers a wide range of equipment. During the year, traditional segments like pharma 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, Mylan, Hestor Bio, Roche Pharma and Dr Reddy's, as well as ice cream majors such as Amul, Vadilal, Kwality Walls, Cream Bell and Mother Dairy. The quick service restaurants segment witnessed significant growth with several multi-national chains entering Tier 2 towns. Blue Star continues to enjoy the preferred partner status with most of these food chains. 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

This segment comprises several strategic business units namely Industrial Projects, Industrial Products and Systems, Material Testing Equipment and Systems (Destructive / Non Destructive), Data Communication Products & Services, Test and Measuring Instruments and Healthcare Systems. Over the years, the Company has changed its business model from being only a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain.

During the review period, the demand for hi-technology imported equipment was sluggish due to the appreciation of foreign currencies. In the Industrial Projects business, the Company's focus is predominantly in the steel segment, but due to the uncertain market conditions, high cost of capital and restrictions in mining, all major projects were either put on hold or deferred. The Industrial Products business was also affected due to the sluggish movement of projects in power, oil and gas, fertilisers, pulp and paper, mining and mineral processing segments. The Material Testing segment received several orders for key system integration in ultrasonic inspection as well as for universal testing machines. While the lack lustre performance of the financial sector adversely impacted the host security modules business in the Data Communication segment, video surveillance and integrated building management systems offer good potential. The Test and Measuring Instruments business which mainly deals with radio frequency, microwave and avionics test and measuring equipment in defence, space, PSUs and paramilitary forces, took several initiatives which paid dividends. In the Healthcare Systems business, the Company did well in the refurbished MRI segment as well as in bone densitometers and patient monitoring.

MANUFACTURING FACILITIES

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

Thane, which is the oldest manufacturing facility in Blue Star, primarily manufactures a range of screw chillers in air cooled, water cooled and flooded types, with all products being AHRI certified. It also manufactures centrifugal chillers with magnetic bearings. The plant 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. 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. Wada Plant, which is the largest manufacturing facility of Blue Star, manufactures screw and scroll chillers. Plans are on the anvil for a new cold room panel set-up with eco-friendly foaming process supported by the Ozone Cell, Ministry of Environment and Forest. Wada is also a contract manufacturer of sophisticated condensing units and roof top units for a few multinationals for Europe, Australia and Middle East markets. 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. The Ahmedabad and Bharuch plants manufacture commercial refrigeration products and systems. Driven by the ice cream, frozen food and dairy segments, both plants cater 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

The processes of new product development were made more robust and infrastructure was enhanced in terms of reliability labs, performance labs, product data management and process standards. The range of room airconditioners was upgraded, complying with the new energy efficiency norms. Steps were taken to mitigate the dollar appreciation by developing some products for manufacturing in India, which were erstwhile bought-out. Projects were also undertaken across all product lines to adopt the emerging technologies of low Global Warming Potential refrigerants and inverter-based systems.

EXPORTS

The main focus of product exports is on the Middle East, North Africa and SAARC markets. The airconditioning market in the Middle East is doing well due to the revival in commercial construction and return of private investments. Growing consumer awareness on energy conservation, environmental concerns and indoor air quality is expected to drive the market. During the review period, the exports business in the Middle East performed very well, registering record growth. The Company is also making steady progress in developing the market in North Africa, and is in discussions with possible distributors mainly from South Sudan, Tanzania, Nigeria, Kenya and Ghana. In addition, the Company is also making inroads in SAARC countries, and tied up with distributors in Sri Lanka, Bangladesh, Nepal, Vietnam, Maldives and Bhutan during the year.

As far as international projects are concerned, the Company has joint ventures in Qatar as well as in Malaysia. During the year, the Company executed large orders from Qatar University, Kahramaa substations and Qatar Petroleum.

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 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 service operations are automated and systems have been designed for call management, preventive maintenance systems management and for providing visibility on spare parts. The customer call desk operates on a 24x7 basis all days a year. Apart from customary warranty and maintenance services, the Company performed well in revamp, retrofit and upgrades and green building certification services.

SUPPLY CHAIN MANAGEMENT

During the year, the Company consolidated the supply chain for the products business and service procurement, aligning both resources as well as processes to be more cost-effective. In addition, a sourcing support cell was formed which enabled usage of e-procurement tools for identifying and negotiating the best prices for products and services. Reverse auction tools were used effectively in logistics including sea freight, thereby yielding the best competitive rates.

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 150 channel partners during the year. The Company now has nearly 2000 channel partners for selling room airconditioners, packaged airconditioning, chillers, cold rooms and refrigeration products and reaches out to customers in more than 650 towns. Blue Star has also expanded the retail distribution reach of room airconditioners to about 450 retailers and distributors across the country.

Several developmental and motivational programmes including foreign incentive trips and felicitation of star performers with annual awards were announced. With a clear focus to enhance the overall competence and capabilities of dealers across the country, the Company conducted extensive training for its channel partners on an array of topics. The Company also streamlined the dealer after-sales service operations through development and deployment of a new portal. This green and paperless initiative has been well received by the channel partners.

FINANCIAL PERFORMANCE

The analysis of the financial performance for the year ended March 31, 2014, in comparison to the previous year on a stand-alone basis is as under:

1. **INCOME**

   For the year, Total Income (net of excise duty) was practically unchanged at ₹2770.40 crores as compared to ₹2767.10 crores in the previous year.

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

   The cost of sales, work bills and services during the year was ₹1974.63 crores as compared to ₹2037.84 crores in the previous year. This cost was 71.3% of the Total revenue from Operations (net) as compared to 73.6% in the previous year.

3. **EMPLOYEE REMUNERATION AND BENEFITS**

   Employee cost for the year at ₹234.04 crores increased by 8.6% as compared to ₹215.50 crores in the previous year. The employee cost was 8.4% of the Total Income as compared to 7.8% in the previous year.

4. **OPERATING AND GENERAL EXPENSES**

   Operating and General expenses increased to ₹455.99 crores from ₹414.89 crores in the previous year. As a percentage of Total Income, the Operating and General expenses for the year were at 16.5% as compared to 15.0% in the previous year.

5. **FINANCIAL EXPENSES**

   Financial cost for the year was marginally lower at ₹49.64 crores as compared to ₹49.85 crores in the previous year. The financial cost for the year was practically unchanged at 1.79% of the Total Income as compared to 1.80% in the previous year.

6. DEPRECIATION

Depreciation charge for the year increased to ₹34.69 crores as compared to ₹32.90 crores in the previous year.

7. TAXATION

In view of the brought forward business loss, the Company does not have a liability for normal income tax for the year under review. The Company has a liability of ₹20.87 crores (previous year liability was ₹11.52 crores) towards Minimum Alternate Tax (MAT), against which the Company has recognised an equivalent amount as MAT Credit Entitlement.

8. NET PROFIT

Net Profit for the year increased by 46.7% to ₹75.90 crores as compared to ₹51.74 crores in the previous year. Net Profit was 2.7% of the Total Income as compared to 1.9% in the previous year.

9. CAPITAL EXPENDITURE

Capital expenditure incurred by the Company during the year was ₹28.83 crores as compared to ₹50.99 crores in the previous year. This was largely due to the addition of certain balancing equipment at the Company's manufacturing facilities at Himachal Pradesh and Ahmedabad, as well as the capital expenditure for the Company's R&D facilities at Thane and Dadra.

10. CONSOLIDATED ACCOUNTS

The consolidated financial statements incorporate the result of the Company's subsidiaries; namely, 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. The Total Income (net of excise duty) was ₹2977.83 crores compared to ₹2960.46 crores in the previous year, and the Net Profit after tax was ₹77.54 crores compared to ₹39.07 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. During the year, the Company appointed M/s Mahajan & Aibara, Chartered Accountants, a reputed firm of Auditors, as Internal Auditors of the Company. 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 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. During the year, the Company appointed external Risk Management Consultants to review the existing risk management systems in the Company, and advise the Company in further strengthening its risk management framework, with a view to ensure that appropriate action is undertaken to minimise and mitigate the impact of various risks. The major risks and the effectiveness of the risk management process are also periodically reviewed by the senior management and the Board.

CONCERNS

As mentioned last year, the relative slowdown in economic growth experienced by the industry due to the need to bring inflation under control continued to be a cause for concern, and while the overall economic environment is improving, the slow pace of revival could impact the growth of the Company to some extent in the coming year. The Company's sound financial base, however, places it in a strong position to tackle such uncertainties and concerns as well as to tap into any emerging positive development in the economy.

HUMAN RESOURCES

During the review period, the Company reduced its total permanent head count marginally to 2540 as on March 31, 2014 as compared to 2698 as on March 31, 2013. Over 130 campus recruits were appointed from reputed colleges as a Corporate pool, and were allocated to the respective functions based on business needs. In its endeavour to e-enable and simplify HR processes, the complete performance management system was implemented online. People development continued to be the focus with over 20,000 man-days of training delivered during the year, including technical as well as behavioural training. The Company supported the 'ICICI Academy for Skills' by being their knowledge partner in the 'Refrigeration & Airconditioning Repair' course, with an objective to train unemployed youth to gain employable skills.

During the year, the Environment, Health and Safety (EHS) function further enhanced safety awareness among the employees and business partners. Over 12,000 employees and technicians/workers of business partners were covered under safety training, and around 750 safety audits were carried out during the year. A nation-wide programme across the Company and its stakeholders was initiated for spreading awareness about e-waste management.

INFORMATION TECHNOLOGY

The Company continued its thrust towards increasing process automation, technology adoption and infrastructure enhancement. On the infrastructure front, the Company upgraded its mission-critical SAP and Barcode application servers, resulting in higher performance and system availability. In SAP, the Company undertook projects in the areas of e-BOM (bill of materials), work order controls, 2M enhancement, auto-SMS of operational data and reports. The Company further enhanced its core service portal by implementing critical processes related to after-sales and customer service fulfillment. The Company is also in the process of implementing an industry leading software application to manage its spare parts inventory optimally which is expected to further enhance service delivery and effectiveness.

BRAND EQUITY

In terms of advertising and brand communication, the Company enhanced its advertising spends, given its thrust on the residential segment. The differentiated value proposition for the residential audience continued to be 'Get office-like cooling at home' which leverages Blue Star's expertise in cooling offices and communicates that one can get the very same expertise at home. Residential consumers, including those in non-metros, have reacted favourably to this communication, resulting in greater traction for the brand and enhanced enquiry levels at the retail stores.

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

CORPORATE SOCIAL RESPONSIBILITY

Blue Star's Corporate Social Responsibility (CSR) philosophy is built on three pillars; namely, Environment protection, Energy conservation and Community development around its manufacturing facilities. In addition, Blue Star Foundation continues to assist philanthropic causes mainly in the education of less privileged children, health/medical support of marginalised communities, poverty alleviation and environment protection. The organisations supported by Blue Star Foundation during the year included Aishwarya Trust, Chennai towards medical help for children suffering from congenital heart disorders;

Seva Sadan Society, Mumbai for support of adolescent girls in difficult circumstances; Friends of Tribal Society towards educational sponsorship of tribal children in the remote villages of India; Gujarat Nature Conservation Society in support of their environment sensitisation programmes for urban children; and Anbagam Rehabilitation Centre, Tamil Nadu for the mentally ill without familial support; to name a few.

CORPORATE OUTLOOK

With the formation of a stable Government, the Company is hopeful of a revival in the investment climate of the country. Enhanced capital investments as well as a recovery in the commercial construction segment will benefit the electro mechanical projects as well as the professional electronics and industrial systems businesses.

The cooling products business continues to perform well mainly due to the superior brand image that the Company enjoys. Blue Star, which was traditionally strong in the corporate and commercial segment, forayed into the residential segment a few years ago with its room airconditioners. Thereafter, the business has grown considerably, outperforming the market year on year. Considering the low penetration levels in the country and the Company's premium brand perception, the cooling products business offers significant potential in the long-term.

The Dynamics of Blue Star's Growth

10 YEAR FINANCIAL HIGHLIGHTS

		2013-14	2012-13	2011-12	2010-11
OPERATING RESULTS:					
Total Income (incl. Excise duty)	₹ in crores	2856.91	2835.34	2752.55	2922.11
Profit before Tax	"	75.90	52.59	(88.45)	227.00
Tax	"	-	0.85	0.70	72.00
Profit after Tax	"	75.90	51.74	(89.15)	155.00
Dividend (incl. Corporate Dividend tax)	"	40.68	31.57	10.45	73.18
Retained Profit	"	35.22	20.17	(99.60)	81.82
FINANCIAL POSITION:					
Paid up Capital	"	17.99	17.99	17.99	17.99
Reserves	"	511.60	476.38	455.91	555.51
Shareholders' Funds	"	529.59	494.37	473.90	573.50
Borrowings	"	430.88	372.67	373.57	418.38
Total Funds Employed	"	960.47	867.04	847.47	991.88
Net Fixed Assets, Investments, DTA/DTL	"	352.15	351.97	358.70	324.09
Net Working Capital	"	608.32	515.07	488.77	667.79
Debt Equity Ratio	Ratio	0.81	0.75	0.79	0.73
Book Value per Equity Share	₹	58.88	54.97	52.69	63.77
OTHER INFORMATION:					
Number of Shareholders	Nos.	22490	24623	24338	22830
Number of Employees	Nos.	2540	2698	2785	2825
PERFORMANCE INDICATORS:					
Earnings per Share	₹	8.44	5.75	(9.9)	17.23
Dividend per Share **	₹	4.00	3.00	1.00	7.00
Return on Shareholders' Funds	%	14.3	10.5	(18.8)	27.03
Return on Capital Employed	%	7.9	6.1	(10.4)	22.9

** Proposed Dividend

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
	2576.62	2574.04	2270.09	1607.41	1178.62	930.92
	276.62	238.22	242.02	92.60	69.09	52.44
	65.14	57.93	67.92	21.42	19.42	13.71
	211.49	180.29	174.10	71.18	48.90	39.16
	83.90	73.65	73.65	30.93	24.61	20.55
	127.59	106.64	100.45	40.26	24.29	18.61
	17.99	17.99	17.99	17.99	17.99	17.99
	473.69	349.15	245.56	194.98	154.72	130.43
	491.67	367.13	263.54	212.97	172.71	148.42
	65.99	27.28	36.54	89.05	75.87	37.28
	557.67	394.41	300.08	302.02	248.58	185.70
	205.92	216.76	160.39	121.79	113.04	89.03
	351.74	295.70	141.86	184.49	141.33	100.53
	0.13	0.07	0.14	0.42	0.44	0.25
	54.67	40.82	29.30	23.68	19.20	16.50
	22781	20470	19096	18065	15609	17187
	2603	2620	2566	2181	1999	1868
	23.52	20.05	19.36	7.91	5.44	4.35
	8.00	7.00	7.00	3.00	2.40	2.00
	43.0	49.1	66.1	33.4	28.3	26.4
	49.6	60.4	81.4	32.1	30.1	30.0

Independent Auditor's Report

To the Members of Blue Star Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Star Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and 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

Management is responsible for the preparation of these 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 notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the 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, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(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 Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs;

(e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Sudhir Soni
Partner
Membership Number: 41870

Place of Signature: Mumbai
Date: May 30, 2014

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" 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.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has granted loans to two Companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹1,959 lakhs and the year-end balance of loans granted to such parties was Nil.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for loans given are not prima facie prejudicial to the interest of the Company. According to the information and explanations given to us, and having regard to management's representation that the loans are given to wholly-owned subsidiary of the Company in the interest of the Company's business, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest has been regular.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, 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) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the company and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, 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.

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

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	690.25	AY 1998-99, 2000-01 to 2005-06	ITAT/High Court
	Disallowance of Section 80IB deduction for non allocation of Corporate Expenses, Disallowance of depreciation on intangible assets	595.83	AY 2010-2011	Deputy Commissioner of Income Tax
Service Tax under Finance Act, 1994	Service tax demand on Composite Contracts	55.00	2003-2004 to 2006-2007	CESTAT
	Disallowance of Cenvat Credit to the extent of 80%	381.27	2004-2005 to 2009-2010	CESTAT/Commissioner Appeals
	Wrong availment of Cenvat Credit/Service tax paid	175.38	2003-2004; 2006-2012	CESTAT
	Reversal of Cenvat credit on input services used for providing taxable service as well as exempted services	305.63	2009-2010	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	10.63	2006-2007	Commissioner Appeals
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Additional demand/disallowances on work contracts	13.71	1994-95: 2002-2003; 2003-2004	Appellate Tribunal; High Court, Addl/Appellate Commissioner/ Appellate Asst. Commissioner
	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	1,178.23	1992-93; 1997-98; 2000-2001; 2005-2006 to 2010-2011	Deputy/Asst. Commissioner (Appeals)
	Disallowance of set off u/s 41D & interest liabiity	98.82	2002-2003; 2004-2005	Deputy Commissioner (Appeals)
	Sales tax demand on assessment	1,424.80	1990-91, 2002-2003, 2004-2005 to 2005-06, 2009-10, 2010-11	Deputy/Asst. Commissioner (Appeals)
Entry Tax	On Factory direct sales	7.33	2001-2002; 2004-2005	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.

(x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash losses in the current year and in the financial year immediately preceding the financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or bank. The Company has not issued any debentures.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issue during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W

per Sudhir Soni
Partner
Membership No.: 41870

Place of Signature: Mumbai
Date: May 30, 2014

Balance Sheet as at March 31, 2014

(₹ in lakhs)

	Notes	As at March 31 2014	As at March 31 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	51,160.05	47,638.42
		52,958.77	**49,437.14**
Non-current liabilities			
Long-term provisions	5	281.12	335.76
		281.12	**335.76**
Current liabilities			
Short-term borrowings	6	43,088.16	37,267.25
Trade payables	7	78,929.96	75,274.52
Other current liabilities	7	41,598.92	41,343.90
Short-term provisions	5	6,654.04	6,326.39
		170,271.08	**160,212.06**
TOTAL		**223,510.97**	**209,984.96**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	19,607.43	20,204.31
Intangible assets	8	1,926.28	2,090.99
Capital work-in-progress		114.01	307.88
Intangible assets under development		1,432.42	458.29
Non-current investments	9	12,135.79	12,135.79
Deferred tax assets (net)	10	-	-
Long-term loans and advances	11	11,434.65	11,135.69
Trade receivables	12.1	5,275.07	8,059.14
Other non-current assets	12.2	84.12	7.50
		52,009.77	**54,399.59**
Current assets			
Inventories	13	58,139.80	50,882.30
Trade receivables	12.1	68,011.18	64,905.38
Cash and bank balances	14	4,725.75	1,097.78
Short-term loans and advances	11	13,063.23	9,202.93
Other current assets	12.2	27,561.24	29,496.98
		171,501.20	**155,585.37**
TOTAL		**223,510.97**	**209,984.96**
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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Ashok M Advani	Chairman
Suneel M Advani	Vice Chairman
Satish Jamdar	Managing Director
Vir S Advani	Executive Director
B Thiagarajan	Executive Director
Shailesh Haribhakti	Director
Shobana Kamineni	Director
M K Sharma	Director
Gurdeep Singh	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 30, 2014

Statement of Profit & Loss Account for the year ended March 31, 2014

(₹ in lakhs)

	Notes	Year ended March 31 2014	Year ended March 31 2013
Income			
Revenue from operations (gross)	15	280,240.88	279,902.57
Less: excise duty		3,202.47	3,196.59
Revenue from operations (net)		277,038.41	276,705.98
Other Income	16	5,451.35	3,652.89
Total revenue (I)		**282,489.76**	**280,358.87**
Expenses			
Cost of raw material and components consumed and Project related cost	17	165,343.47	159,726.30
Purchase of traded goods	17	38,344.71	46,944.82
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	18	(6,225.25)	(2,886.30)
Employee benefits expense	19	23,403.65	21,550.37
Other expenses	20	45,599.82	41,489.28
Total (II)		**266,466.40**	**266,824.47**
Profit before interest, tax, depreciation and amortization (I) – (II)		**16,023.36**	**13,534.40**
Depreciation and amortization expense	8	3,469.29	3,289.77
Finance costs	21	4,964.46	4,985.28
Profit before tax		**7,589.61**	**5,259.35**
Tax expenses			
Current tax : Minimum Alternate Tax (MAT)		2,087.47	1,151.87
Less: MAT credit Entitlement		2,087.47	1,151.87
Net Current Tax		-	-
Adjustment of tax relating to earlier periods		-	85.53
Deferred tax		-	
Total tax expense			**85.53**
Profit for the year		**7,589.61**	**5,173.82**
Earnings per equity share [nominal value of share ₹2 (31 March 2013: ₹2) (refer note 34)]			
Basic			
Computed on the basis of profit/(loss) for the year	₹	**8.44**	**5.75**
Diluted			
Computed on the basis of profit/(loss) for the year	₹	**8.44**	**5.75**
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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Ashok M Advani	Chairman
Suneel M Advani	Vice Chairman
Satish Jamdar	Managing Director
Vir S Advani	Executive Director
B Thiagarajan	Executive Director
Shailesh Haribhakti	Director
Shobana Kamineni	Director
M K Sharma	Director
Gurdeep Singh	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 30, 2014

Cash Flow Statement for the year ended March 31, 2014

(₹ in lakhs)

	Year ended March 31	
	2014	**2013**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,589.61	5,259.35
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	3,469.29	3,289.77
Loss/(profit) on sale of fixed assets	(111.60)	(218.93)
Bad debts/advances written off	285.34	1,666.35
Provision for doubtful debts and advances	3,068.17	416.76
Unrealized foreign exchange loss/(gain)	307.67	(48.44)
Liabilities written back	(2,809.96)	(2,671.50)
Interest expense	4,964.46	4,985.28
Interest (income)	(914.63)	(219.12)
Dividend (income)	(1,092.36)	(267.73)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,755.99	12,191.79
Movements in working capital :		
Increase/(decrease) in trade payables	6,069.44	7,646.39
Increase/(decrease) in long-term/short-term provisions	(638.43)	(774.94)
Increase/(decrease) in other current liabilities	126.90	(3,386.23)
Decrease/(increase) in trade receivables	(2,979.01)	(5,728.37)
Decrease/(increase) in inventories	(7,257.50)	(7,166.78)
Decrease/(increase) in long-term/short-term loans and advances	(2,212.86)	(528.92)
Decrease/(increase) in other current/non-current assets	1,859.13	4,613.57
Cash generated from/(used in) operations	9,723.66	6,866.51
Direct taxes paid (net of refunds)	(1,311.85)	(2,866.01)
Net cash flow from/(used in) operating activities (A)	**8,411.81**	**4,000.50**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(3,795.63)	(2,620.32)
Proceeds from sale of fixed assets	286.87	315.02
Purchase of current investments	(7,750.00)	(12,900.00)
Proceeds from sale/maturity of current investments	7,750.00	12,900.00
Receipt of capital subsidy from Government	-	30.00
Interest received	791.63	159.81
Dividends received	267.00	267.73
Net cash flow from/(used in) investing activities (B)	**(2,450.13)**	**(1,847.76)**
Balance carried forward	**5,961.68**	**2,152.74**

(₹ in lakhs)

	Year ended March 31	
	2014	2013
Balance brought forward	**5,961.68**	**2,152.74**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	-	(3,037.32)
Proceeds from short term borrowing	192,858.00	159,138.00
Repayment of short term borrowings	(186,411.00)	(158,654.00)
Proceeds/(Repayment) from other short-borrowings, net	(626.09)	2,462.10
Interest paid	(5,007.44)	(5,004.08)
Dividend paid on equity shares	(2,691.96)	(899.94)
Tax on equity dividend paid	(458.53)	(145.90)
Net cash flow from/(used in) in financing activities (C)	**(2,337.02)**	**(6,141.14)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**3,624.66**	**(3,988.40)**
Effect of exchange differences on cash & cash equivalents held in foreign currency	3.31	5.56
Cash and cash equivalents at the beginning of the year	1,097.78	5,080.62
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,725.75**	**1,097.78**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
- On current accounts	4,469.82	836.43
- On unpaid dividend account*	233.14	227.02
Cash on hand	22.79	34.33
TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)	**4,725.75**	**1,097.78**

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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Ashok M Advani	Chairman
Suneel M Advani	Vice Chairman
Satish Jamdar	Managing Director
Vir S Advani	Executive Director
B Thiagarajan	Executive Director
Shailesh Haribhakti	Director
Shobana Kamineni	Director
M K Sharma	Director
Gurdeep Singh	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 30, 2014

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 to comply in all material respects with the Accounting Standard notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956, read with General Circular 8/2014 dated April 4th 2014, issued by the Ministry of Corporate Affairs. 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.

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 Revised Schedule VI to the Companies Act, 1956.

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

(a) Use of estimates

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

(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

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

Cost of leasehold land is amortised on a straight line basis over the period of lease.

(d) 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.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation 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 capitalised is amortised over the period of expected future sales from the related project not exceeding ten years.

Amortization of Intangible fixed assets:

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

(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) 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.

(n) 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, 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

3: SHARE CAPITAL

(₹ in lakhs)

		As at March 31	
		2014	2013
Authorised Shares			
10,000	(31 March 2013: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000	(31 March 2013: 148,700,000) Equity Shares of ₹2 each	2,974.00	2,974.00
16,000	(31 March 2013: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
		3,000.00	**3,000.00**
Issued, subscribed and fully paid-up shares			
89,936,105	(31 March 2013: 89,936,105) Equity Shares of ₹2 each	1,798.72	1,798.72
Total issued, subscribed and fully paid-up share capital		**1,798.72**	**1,798.72**

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, 2014 the amount of per share dividend proposed as distribution to the equity shareholders is ₹4 (31 March, 2013 : ₹3)

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

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of ₹2 each fully paid				
IL & FS Trust Company Ltd #	11,013,076	12.25%	11,013,076	12.24%
Ashok Mohan Advani	10,492,281	11.67%	10,857,481	12.07%
Suneel Mohan Advani	5,325,948	5.92%	5,804,258	6.45%
HDFC Trustee Company Limited - HDFC Capital Builder Fund	5,020,457	5.58%	4,659,324	5.18%
ICICI Prudential Discovery Fund	4,868,769	5.41%	3,452,938	3.84%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%	3,803,979	4.23%

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.

4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2014	2013
General reserve		
Balance as per the last financial statements	27,860.81	27,310.81
Add: amount transferred from surplus balance in the statement of profit and loss	760.00	550.00
Closing Balance	28,620.81	27,860.81
Capital redemption reserve	233.56	233.56
Capital Subsidy from Government		
Balance as per the last financial statements	60.00	30.00
Add: Received during the year	-	30.00
Closing Balance	60.00	60.00
Surplus in the statement of profit and loss		
Balance as per last financial statements	19,484.05	18,016.85
Profit for the year	7,589.61	5,173.82
Less: Appropriations		
Proposed final equity dividend (amount per share ₹4 (31 March 2013: ₹3))	3,597.44	2,698.08
Tax on proposed equity dividend	470.54	458.54
Transfer to general reserve	760.00	550.00
Total appropriations	4,827.98	3,706.62
Net surplus in the statement of profit and loss	22,245.68	19,484.05
Total reserves and surplus	**51,160.05**	**47,638.42**

5: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Provision for employee benefits				
Provision for Leave benefits	-	-	1,014.52	1,144.15
Provision for Additional Gratuity (refer note 30)	52.12	65.76	4.01	4.55
	52.12	65.76	1,018.53	1,148.70
Other provisions				
Provision for warranties	229.00	270.00	578.06	645.79
Loss order	-	-	989.47	1,375.28
Proposed equity dividend	-	-	3,597.44	2,698.08
Provision for tax on proposed equity dividend	-	-	470.54	458.54
	229.00	270.00	5,635.51	5,177.69
	281.12	**335.76**	**6,654.04**	**6,326.39**

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	
	2014	2013
At the beginning of the year	915.79	1,049.20
Arising during the year	552.00	608.88
Utilized during the year	(550.01)	(469.37)
Unused amounts reversed during the year	(110.72)	(272.92)
At the end of the year	**807.06**	**915.79**
Current portion	578.06	645.79
Non-current portion	229.00	270.00

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.

(₹ in lakhs)

	As at March 31	
	2014	2013
At the beginning of the year	1,375.28	1,481.53
Arising during the year	2,545.82	4,283.80
Utilized during the year	(2,575.03)	(4,092.81)
Unused amounts reversed during the year	(356.60)	(297.24)
At the end of the year	**989.47**	**1,375.28**
Current portion	989.47	1,375.28
Non-current portion	-	-

6. SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2014	2013
On Cash credit, Packing credit & Working capital demand loan accounts from banks (secured) (Note a & b)	3,603.15	3,200.35
Buyers' credit (secured) (Note b & c)	8,548.40	14,147.63
Buyers' credit (unsecured) (Note c)	4,936.61	9,919.27
Commercial Papers from Banks (unsecured) (Note d)	10,000.00	5,000.00
Commercial Papers from Others (unsecured) (Note d)	16,000.00	5,000.00
	43,088.16	**37,267.25**
The above amount includes		
Secured borrowings	12,151.55	17,347.98
Unsecured borrowings	30,936.61	19,919.27

a. Outstanding Loans carry an average interest rate of 10.12 % (31 March 2013: 10.23%).

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 1.15%.

d. Commercial Papers carry average interest rate @ 9.62 % p.a. for the current year (31 March 2013: 8.97 % 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	
	2014	2013
Trade payables (including acceptances of ₹471 lakhs (31 March 2013 : Nil)) (refer note 29 for details of dues to micro and small enterprises)	78,929.96	75,274.52
Other liabilities		
Interest accrued but not due on borrowings	10.49	52.95
Amount Due to Customers (refer note 22)	4,723.43	2,522.35
Unearned revenue on AMC services	4,347.48	3,838.35
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	233.14	227.02
Advance from customers	27,576.24	30,713.48
Unrealised loss on Forward Contract liability	824.09	69.59
Others		
Creditors - Capital Expenditure	62.41	163.03
Interest free deposits from customers	314.07	345.27
Due to statutory bodies	3,302.54	3,230.32
Other Liabilities - Payroll deduction	205.03	181.54
	41,598.92	41,343.90
	120,528.88	**116,618.42**

8: FIXED ASSETS

(₹ in lakhs)

Description of Assets		Gross Block As at 1.04.2013	Gross Block Additions during the year	Gross Block Deductions	Gross Block As at 31.03.2014	Depreciation As at 1.04.2013	Depreciation Deductions	Depreciation Provided during the year	Depreciation As at 31.03.2014	Net Block As at 31.03.2014
Tangible Assets										
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	11,723.67 (11,637.09)	140.55 (143.43)	33.84 (56.85)	11,830.38 (11,723.67)	5,215.66 (4,620.81)	14.53 (25.56)	574.13 (620.41)	5,775.26 (5,215.66)	6,055.12 (6,508.01)
4	Plant & Machinery #	22,712.21 (20,010.11)	1,857.64 (2,796.92)	113.05 (94.82)	24,456.80 (22,712.21)	11,795.76 (10,179.86)	77.56 (76.45)	1,754.51 (1,692.35)	13,472.71 (11,795.76)	10,984.09 (10,916.45)
5	Furniture & Fixtures	2,172.44 (2,169.25)	100.36 (7.94)	44.27 (4.75)	2,228.53 (2,172.44)	1,585.69 (1,460.33)	39.52 (4.48)	117.86 (129.84)	1,664.03 (1,585.68)	564.50 (586.76)
6	Office Equipments	1,302.84 (1,220.64)	59.07 (92.30)	143.72 (10.10)	1,218.19 (1,302.84)	693.98 (590.37)	100.05 (6.50)	117.71 (110.11)	711.64 (693.98)	506.55 (608.86)
7	Vehicles	969.79 (942.81)	117.01 (117.36)	189.47 (90.38)	897.33 (969.79)	559.34 (483.25)	130.84 (50.10)	113.35 (126.19)	541.85 (559.34)	355.48 (410.45)
8	Computers	1,561.01 (1,553.40)	105.13 (108.51)	247.33 (100.90)	1,418.81 (1,561.01)	1,281.87 (1,236.91)	233.92 (81.39)	123.82 (126.35)	1,171.77 (1,281.87)	247.04 (279.13)
	Total 2013-14	**41,339.29**	**2,379.76**	**771.68**	**42,947.37**	**21,134.98**	**596.42**	**2,801.38**	**23,339.94**	**19,607.43**
	Total 2012-13	**(38,430.63)**	**(3,266.46)**	**(357.80)**	**(41,339.29)**	**(18,574.21)**	**(244.48)**	**(2,805.25)**	**(21,134.98)**	**(20,204.31)**

Intangible Assets

Description of Assets		Gross Block As at 1.04.2013	Gross Block Additions during the year	Gross Block Deductions	Gross Block As at 31.03.2014	Amortization As at 1.04.2013	Amortization Deductions	Amortization Provided during the year	Amortization As at 31.03.2014	Net Block As at 31.03.2014
1	Technical Knowhow	1,645.17 (259.78)	41.30 (1,385.46)	- (0.07)	1,686.47 (1,645.17)	393.85 (259.78)	- (0.09)	237.84 (134.16)	631.69 (393.85)	1,054.78 (1,251.32)
2	Software	3,217.27 (2,769.59)	461.89 (447.68)	- -	3,679.17 (3,217.27)	2,377.60 (2,044.52)	- (17.28)	430.07 (350.36)	2,807.67 (2,377.60)	871.50 (839.67)
	Total 2013-14	**4,862.44**	**503.19**	**-**	**5,365.64**	**2,771.45**	**-**	**667.91**	**3,439.36**	**1,926.28**
	Total 2012-13	**(3,029.37)**	**(1,833.14)**	**(0.07)**	**(4,862.44)**	**(2,304.30)**	**(17.37)**	**(484.52)**	**(2,771.45)**	**(2,090.99)**

Figures in brackets represents amounts pertaining to previous years.

\# Net of Grant for UNIDO machine ₹36.24 lakhs (Previous year: ₹36.24 lakhs) and accumalated depreciation thereon ₹33.07 lakhs (Previous year: ₹32.16 lakhs)

(₹ in lakhs)

Depreciation and Amortization Expense	March 31 2014	March 31 2013
Depreciation on Tangible Assets	2,801.38	2,805.25
Amortization of Intangible Assets	667.91	484.52
	3,469.29	**3,289.77**

9: NON CURRENT INVESTMENTS

(₹ in lakhs)

		As at March 31	
		2014	2013
Long Term Investment:			
Trade investments (valued at cost unless stated otherwise)			
Unquoted equity instruments			
Investment in Subsidiaries:			
19,70,000	(31 March 2013: 19,70,000) Fully Paid Equity Shares of ₹10 each in Blue Star Electro Mechanical Ltd. (refer note 36)	11,717.00	11,717.00
975,000	(31 March 2013: 975,000) Fully paid Equity shares of ₹10 each in Blue Star Design and Engineering Limited (refer note 25)	58.50	-
Investment in Joint Ventures			
367,500	(31 March 2013: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	49.97	49.97
975,000	(31 March 2013: 975,000) Fully paid Equity shares of ₹10 each in Blue Star Design and Engineering Limited (refer note 25)	-	58.50
49	(31 March 2013: 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar(WLL)	12.11	12.11
		11,837.58	11,837.58
Non-trade investments (valued at cost unless stated otherwise)			
Investment in Associates (Quoted)			
3,098,025	(31 March 2013: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd.	298.21	298.21
		298.21	298.21
		12,135.79	**12,135.79**
Aggregate amount of quoted investments (Market value: ₹3,629.34 lakhs (31 March 2013: ₹1,751.93 lakhs))		298.21	298.21
Aggregate amount of unquoted investments		11,837.58	11,837.58

10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2014	2013
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1,347.17	1,787.20
Gross deferred tax liability	1,347.17	1,787.20
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	417.20	476.74
Provision for doubtful debts and advances	929.97	1,074.39
Impact of Carried Forward Tax Loss	-	236.07
Gross deferred tax asset	1,347.17	1,787.20
Net deferred tax asset	**-**	**-**

The Company has recognised the deferred tax asset for the year only to the extent of the deferred tax liability arising from timing differences as the company has carry forward losses.

11: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Capital advances				
Unsecured, considered good	243.58	211.83	-	-
	243.58	211.83	-	-
Security deposit				
Unsecured, considered good	1,532.65	1,689.42	-	-
	1,532.65	1,689.42	-	-
Loans and advances to related parties				
Unsecured, considered good	-	655.12	1,169.19	372.56
Considered Doubtful	-	320.58	-	-
	-	975.70	1,169.19	372.56
Provision for Doubtful advances	-	320.58	-	-
	-	655.12	1,169.19	372.56
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	5,350.61	3,954.09
	-	-	5,350.61	3,954.09
Other loans and advances, unsecured, considered good				
Advance income-tax (net of Provisions ₹36,466.09 lakhs (31 March 2013: ₹34,382.22 lakhs))	5,107.34	5,882.97	-	-
MAT Credit Entitlement	3,239.34	1,151.87	-	-
Prepaid expenses	7.91	10.86	1,622.14	1,143.03
Loans to employees	376.89	389.38	119.13	150.35
Balances with statutory/government authorities	926.94	1,144.24	4,802.16	3,582.90
	9,658.42	8,579.32	6,543.43	4,876.28
Total	**11,434.65**	**11,135.69**	**13,063.23**	**9,202.93**
Disclosures pursuant to Clause 32 of the Listing Agreement:				
Loans and Advances to related parties include:				
Dues from Subsidiary Company				
Blue Star Electro Mechanical Limited	-	-	101.48	160.93
Maximum amount outstanding during the year ₹1310.00 lakhs (31 March 2013: ₹1,871.44 lakhs)				
Blue Star Design & Engineering Limited	-	975.70	-	-
Maximum amount outstanding during the year ₹1,008.92 lakhs (31 March 2013 : ₹975.70 lakhs)				
Dues from Joint Ventures:	-	-	345.72	211.63

12: TRADE RECEIVABLES AND OTHER ASSETS

(₹ in lakhs)

12.1: TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, Considered Good	-	-	20,372.40	18,499.65
Considered Doubtful	-	-	6,158.99	2,840.31
	-	-	26,531.39	21,339.96
Provision for Doubtful Receivables	-	-	6,158.99	2,840.31
	-	-	20,372.40	18,499.65
Other receivables				
Unsecured, Considered good	5,275.07	8,059.14	47,638.78	46,405.73
	5,275.07	8,059.14	47,638.78	46,405.73
	5,275.07	**8,059.14**	**68,011.18**	**64,905.38**
Due from Companies in which the Company's Non Executive Director is a Director				
Sandvik Asia Pvt. Ltd	-	-	-	6.64
Uhde India Pvt Ltd	-	-	-	0.16

12.2: OTHER ASSESTS

(₹ in lakhs)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 14)	84.12	7.50	-	-
Unrealised gain on Forward Contract	-	-	-	24.47
Unbilled Revenue :				
Project Revenue (refer note 22)	-	-	27,175.07	28,893.57
AMC	-	-	386.17	578.94
	-	-	27,561.24	29,472.51
	84.12	**7.50**	**27,561.24**	**29,496.98**

13: INVENTORIES

(Valued at lower of cost and net realisable value) *(₹ in lakhs)*

	As at March 31	
	2014	2013
Raw materials & components (includes in transit ₹5,793.81 lakhs (31 March 2013: ₹3,545.31 lakhs))	13,292.82	11,812.08
Work-in-progress	3,737.89	2,992.71
Finished goods	14,102.58	8,494.99
Traded goods (including in transit ₹5,047.67 lakhs (31 March 2013: ₹2,146.74 lakhs))	12,474.82	10,873.24
Work in progress - Projects (refer note 26)	11,576.53	13,305.63
Stores and spares	2,955.16	3,403.65
	58,139.80	**50,882.30**

14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Cash and cash equivalents				
Balances with banks:				
- On current accounts	-	-	4,469.82	836.43
- On unpaid dividend account	-	-	233.14	227.02
Cash on hand	-	-	22.79	34.33
	-	-	4,725.75	1,097.78
Other bank balances				
Margin Money Deposit	84.12	7.50	-	-
	84.12	7.50	-	-
Amount disclosed under non-current assets (refer note 12.2)	(84.12)	(7.50)	-	-
	-	**-**	**4,725.75**	**1,097.78**

Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹84.12 lakhs (31 March 2013: ₹7.50 lakhs) are subject to a first charge to secure the Custom claim amounting to ₹8.04 lakhs & Security deposit with customers amounting to ₹76.08 lakhs.

15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2014	**2013**
Revenue from operations		
Sale of products		
Finished goods	137,513.60	117,096.56
Traded goods	48,191.74	52,838.25
Sale of Services	28,836.98	27,286.16
Revenue from Construction Contracts (refer note 22)	63,780.27	80,030.80
Other operating revenue		
Commission income	1,501.53	2,194.79
Other	416.76	456.01
Revenue from operations (gross)	**280,240.88**	**279,902.57**
Less: Excise duty #	3,202.47	3,196.59
Revenue from operations (net)	**277,038.41**	**276,705.98**

Excise duty on sales amounting to ₹3,202.47 lakhs (31 March 2013: ₹3,196.59 lakhs) has been reduced from sales in the statement of profit & loss and excise duty on (increase)/decrease in inventories amounting to ₹(23.41) lakhs (31 March 2013: ₹(22.70) lakhs) has been considered as (income)/ expense in note 18 of financial statements.

Details of Products Sold		
Finished goods sold		
Air-conditioning & Refrigeration Equipment	97,042.95	79,094.30
Central Air-conditioning Plant	26,658.89	24,728.86
Spares & Components	13,811.76	13,273.40
	137,513.60	**117,096.56**
Traded goods sold		
Air-conditioning & Refrigeration Equipment	21,514.84	35,347.44
Central Air-conditioning Plant	10,619.24	2,242.79
Electronics & Other Appliances, Equipment, Instruments etc.	10,885.74	8,815.61
Spares & Components	5,171.92	6,432.41
	48,191.74	**52,838.25**
Detail of services rendered		
AMC services	28,836.98	27,286.16
	28,836.98	**27,286.16**

16: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Interest income on		
Bank deposits	12.38	4.53
Others (refer note 37)	902.24	214.59
Dividend income on		
Current investments	4.58	47.22
Long-term investments	1,087.79	220.51
Profit on sale of fixed assets (net)	111.60	218.93
Provisions and Liabilities no longer required	2,809.95	2,671.50
Other non operating Income (refer note 37)	522.81	275.61
	5,451.35	**3,652.89**

17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Cost of material consumed	105,772.68	88,413.61
Project Cost (including bought outs) (refer note 27a and 27b)	59,570.79	71,312.69
	165,343.47	**159,726.30**
Purchase of traded Goods	**38,344.71**	**46,944.82**
Details of raw material and components consumed		
Non ferrous metals	10,470.20	10,799.95
Ferrous metals	7,848.55	8,775.18
Compressors	27,391.17	20,915.33
Evaporating unit	13,322.81	8,267.20
Others	46,739.95	39,655.95
	105,772.68	**88,413.61**

(₹ in lakhs)

	31-Mar-14		31-Mar-13	
	₹ lakhs	% of Total Consumption	₹ lakhs	% of Total Consumption
Imported (at Landed Cost)	35,924.15	33.96%	26,683.32	30.18%
Indigenous	69,848.53	66.04%	61,730.29	69.82%
	105,772.68	**100.00%**	**88,413.61**	**100.00%**

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Details of Purchase of Traded Goods		
Air-conditioning & Refrigeration Equipment	29,271.20	30,415.42
Central Air-conditioning Plant	667.04	1,204.62
Electronics & Other Appliances, Equipment, Instruments etc.	7,223.01	10,149.60
Spares & Components	1,183.46	5,175.18
	38,344.71	**46,944.82**

18: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-14	31-Mar-13	(Increase) / decrease
			31-Mar-14
Inventories at the end of the year			
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)
Work-in-progress Projects	11,576.53	13,305.63	1,729.10
	41,891.82	35,666.57	(6,225.25)

(₹ in lakhs)

	31-Mar-14	31-Mar-13	(Increase) / decrease
			31-Mar-13
Inventories at the beginning of the year			
Traded goods	10,873.24	8,828.96	(2,044.28)
Work-in-progress	2,992.71	1,931.90	(1,060.81)
Finished goods	8,494.99	7,172.07	(1,322.92)
Work-in-progress Projects	13,305.63	14,847.34	1,541.71
	35,666.57	32,780.27	(2,886.30)
	(6,225.25)	**(2,886.30)**	

19: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Salaries, wages and bonus	20,299.86	18,492.91
Contribution to provident and other funds	1,262.16	1,250.31
Gratuity expense (refer note 30)	-	93.32
Other employment benefits	204.97	-
Staff welfare expenses	1,636.66	1,713.83
	23,403.65	**21,550.37**

20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Stores and Spares consumed	901.67	703.34
AMC Subcontracting cost	14,797.39	14,437.67
Rent (refer note 27b and 33)	3,206.10	2,935.62
Rates and taxes	85.76	75.04
Power and fuel (refer note 27b)	1,478.25	1,327.93
Insurance (refer note 27b)	169.06	332.87
Repairs and maintenance		
Buildings	461.13	535.99
Plant and machinery	265.22	242.87
Others	647.26	606.58
Advertising and sales promotion	3,427.96	3,002.96
Commission, Discounts and Incentives on Sales (refer note 27a)	3,654.29	3,229.45
Freight and forwarding charges	3,399.67	2,965.73
Travelling and conveyance (refer note 27b)	2,992.04	2,969.82
Printing and stationery (refer note 27b)	336.68	362.06
Legal and professional fees (refer note 27b)	3,705.11	4,198.58
Directors' sitting fees	11.00	8.82
Payment to auditor (refer details below)	83.28	71.36
Donations	30.06	12.54
Exchange differences (net)	718.16	(355.19)
Bad debts/advances written off	285.34	1,666.35
Provision for doubtful debts and advances (net)	3,068.17	416.76
Miscellaneous expenses	1,876.22	1,742.13
	45,599.82	**41,489.28**
Payment to auditor		
As auditor:		
Audit fee	59.00	50.00
Tax audit fee	6.00	5.00
Limited review	15.00	12.00
In other capacity:		
Other services (certification fees)	2.14	3.38
Reimbursement of expenses	1.14	0.98
	83.28	**71.36**

21: FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Interest	2,459.62	2,190.96
Bank charges (refer note 27b)	443.60	552.39
Exchange Difference on Borrowing (net)	2,061.24	2,241.93
	4,964.46	**4,985.28**

22: Disclosure in terms of revised Accounting Standard 7 on the Accounting of Construction Contracts is as under:

(₹ in lakhs)

		2013-14	2012-13
I	Contract revenue recognised for the year	**63,780.27**	80,030.80
II	For Contracts that are in progress as on 31.3.2014		
	A) Contract costs incurred and recognized profits (Less Recognised losses)*	**317,380.06**	334,055.96
	B) Advances received	**10,240.15**	21,317.92
	C) Gross amount due from customers for Contract work*	**38,751.60**	42,199.20
	D) Gross amount due to customers for Contract work	**4,723.43**	2,522.35
	E) Retention amount	**4,329.98**	3,942.05

* Includes WIP of ₹11,576.53 (31 March 2013: ₹13,305.63)

23: CONTINGENT LIABILITIES

(₹ in lakhs)

	2013-14	2012-13
Claims against the Company not acknowledged as debts	**67.16**	70.76
Sales Tax matters	**6,809.45**	7,267.40
Excise Duty matters	**105.25**	105.25
Service Tax matters	**1,017.28**	672.44
Income Tax matters	**2,505.00**	1,763.29
Corporate Guarantee given on behalf of Joint Ventures	**5,605.03**	6,347.39
Corporate Guarantee given on behalf of Subsidiary and others	**5,797.50**	6,956.76

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.

24 Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹1403.22 lakhs (31 March 2013 : ₹695.66 lakhs).

25 BSDEL is a Joint Venture of Blue Star Limited (The Company) and Synergy Realtors & Services Private Limited (SRSPL). During the year SRSPL (transferee) was amalgamated with BSDEL (transferor) pursuant to the scheme of amalgamation effective from April 1, 2012, approved by the respective honourable High Courts having jurisdiction over the Companies. In terms of the scheme, 180 fully paid up preference shares of ₹100 each of BSDEL for every 1 fully paid up equity share of ₹10 each of SRSPL were issued. The Investment of SRSPL in the equity share capital of BSDEL was cancelled. Consequently BSDEL has become a wholly owned subsidiary of the Company in the current year.

26 In accordance with a contract, the Company has made claims for additional costs incurred due to project delays and design changes on a customer in earlier years. Pending approval of the customer an amount of ₹5600 lakhs (net of provisions) is included under Work in Progress - Projects, and revenue has not been recognised there against. The final certification, handing over process and negotiations with the customer are in progress and management is confident of recovery of these claims.

27 a Project costs and Commission on sales are net of ₹228.87 lakhs (31 March 2013: ₹217 lakhs) and ₹626.4 lakhs (31 March 2013: 312.64 lakhs) respectively, on account of reversal of provision no longer required.

27 b 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	2013-14			
	Note 17	Note 20	Note 21	Total
Subcontracting cost	17,709.15	-	-	17,709.15
	(17,415.55)	-	-	(17,415.55)
Rent	112.80	3,206.10	-	3,318.90
	(79.14)	(2,935.62)	-	(3,014.76)
Power & fuel	62.99	1,478.25	-	1,541.24
	(69.10)	(1,327.93)	-	(1,397.03)
Insurance	413.54	169.06	-	582.60
	(507.93)	(332.87)	-	(840.80)
Travelling & Conveyance	857.26	2,992.04	-	3,849.30
	(961.40)	(2,969.82)	-	(3,931.22)
Printing & Stationery	21.43	336.68	-	358.11
	(23.46)	(362.06)	-	(385.52)
Legal & Professional fees	1,151.50	3,705.11	-	4,856.61
	(1,223.78)	(4,198.58)	-	(5,422.36)
Bank charges	161.15	-	443.60	604.75
	(151.34)	-	(552.39)	(703.73)

Figures in brackets are for previous year

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

(₹ in lakhs)

	2013-14	2012-13
Employee benefits expense	**1,065.21**	857.73
Cost of raw material and components consumed	**284.20**	220.82
Legal & Professional fees	**221.23**	233.48
Depreciation	**469.19**	347.89
Others	**433.08**	309.34
Total	**2,472.91**	1,969.26

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

(₹ in lakhs)

	2013-14	2012-13
Tangible Assets		
Plant & Machinery	**108.20**	66.88
Office Equipments	**0.12**	0.29
Electrical Installations	**0.71**	-
Computer	**17.10**	6.94
Furniture & Fixtures	**2.10**	9.31
Intangible Assets (including under development)		
Software	**3.93**	48.75
Technical Knowhow	**616.01**	1,213.36
Total	**748.17**	1,345.53

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

(₹ in lakhs)

	2013-14	2012-13
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year	**1,373.23**	220.81
(ii) The interest due on above	**33.36**	6.15
(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).	**80.81**	47.45
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	**94.79**	61.43
(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	**-**	-

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.

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

i. Defined Contribution Plans:

Amount of ₹723.73 lakhs (31 March 2013: ₹719.11 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 31,2014	March 31,2013	**March 31,2014**	March 31,2013
I	**Expense recognised in the Statement of Profit & Loss for the year**				
1)	Current Service Cost	**221.23**	210.00	**4.70**	4.55
2)	Interest Cost	**191.82**	210.70	**-**	-
3)	Expected return on plan assets	**(184.32)**	(206.54)	**NA**	NA
4)	Net Actuarial (Gains)/Losses	**(234.50)**	(120.84)	-	-
5)	Total Expense	**(5.76)**	93.32	**4.70**	4.55
6)	Actual return on plan Assets	**227.20**	235.25	**NA**	NA
II	**Net Assets/(Liability) recognised in the Balance Sheet**				
1)	Present Value of Defined Obligation	**2,229.76**	2,587.02	**56.13**	70.31
2)	Fair Value of plan assets	**2,246.96**	2,598.46	**-**	-
3)	Funded Status [Surplus/(Deficit)]	**17.19**	11.44	**(56.13)**	(70.31)
4)	Net Assets/(liability)	**17.19**	11.44	**(56.13)**	(70.31)
III	**Change in Obligation during the Year**				
1)	Present value of defined Benefit Obligation at the beginning of the year	**2,587.02**	2,800.29	**70.31**	64.78
2)	Current Service Cost	**221.23**	210.00	**4.70**	4.55
3)	Interest Cost	**191.82**	210.70	**-**	-
4)	Actuarial (Gains)/Losses	**(201.90)**	(92.13)	**-**	-
5)	Benefits Payments	**(568.41)**	(541.84)	**18.88**	(0.98)
6)	Present value of Defined Benefit Obligation at the end of the year	**2,229.76**	2,587.02	**56.13**	70.31
IV	**Change in Fair Value of Plan Assets during the year**				
1)	Fair Value of Plan Assets at the beginning of the year	**2,598.46**	2,800.43	**-**	-
2)	Expected return on Plan assets	**184.32**	206.54	**-**	-
3)	Contribution by Employer	**-**	104.80	**-**	-
4)	Actual benefits paid	**(568.41)**	(541.84)	**-**	-
5)	Actuarial Gains/(losses) on Plan Assets	**32.60**	28.55	**-**	-
6)	Fair Value of Plan Assets at the end of the year	**2,246.96**	2,598.46	**-**	-
V	**Actuarial Assumptions:**				
1)	Discount rate	**9.00%**	8.33%	**9.00%**	8.33%
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%

VI. Amounts for the current and previous four years are as follows : *(₹ in lakhs)*

		Gratuity				
		2013-14	**2012-13**	**2011-12**	**2010-11**	**2009-10**
1	Defined benefit obligation	**2,229.76**	2,587.02	2,800.29	2,740.04	2,737.62
2	Plan Assets	**2,246.96**	2,598.46	2,800.43	2,740.28	2,737.62
3	Surplus/(Deficit)	**17.20**	11.44	0.13	0.24	-
4	Experience adjustments on plan liabilities	**(201.90)**	(92.13)	(47.37)	(108.89)	(56.04)
5	Experience adjustments on plan assets	**32.60**	28.55	18.11	18.66	-
		Additional Gratuity				
		2013-14	**2012-13**	**2011-12**	**2010-11**	**2009-10**
1	Defined benefit obligation	**56.13**	70.31	64.78	64.01	79.33
2	Plan Assets	**-**	-	-	-	-
3	Surplus/(Deficit)	**56.13**	70.31	64.78	64.01	79.33
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 ₹170 lakhs to gratuity fund in 2014-15 (31 March 2013: ₹280 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, 2014. The Company's contribution to the Employee's Provident fund aggregates to ₹538.43 lakhs (31 March 2013: ₹531.20 lakhs).

The details of the fund and plan assets position are as follows: *(₹ in lakhs)*

	As at March 31	
	2014	**2013**
Plan assets at year end, at fair value	**268.00**	190.00
Present value of defined obligation at year end	**244.36**	157.10
Shortfall	**-**	-
The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:		
Discounting rate	**8.55%**	8.42%
Expected guaranteed interest rate	**8.75%**	8.50%
Expected Rate of Return on Asset	**9.15%**	8.32%

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	
	2014	**2013**
Special Deposit Schemes	**5.33%**	4.43%
Central Government Securities	**1.30%**	15.89%
State Government Securities	**27.84%**	21.47%
Public Sector Undertakings	**50.74%**	52.42%
Private Sector	**14.47%**	0.00%
Liquid funds	**0.32%**	5.79%
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:

a. 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.

b. Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.

c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2014	**2013**
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**151,815.02**	161,961.07
ii. Cooling Products	**107,550.79**	96,515.52
iii. Professional Electronics and Industrial Systems	**17,672.60**	18,229.39
TOTAL SEGMENT REVENUE	**277,038.41**	276,705.98
Add: Other Income	**5,451.35**	3,652.89
TOTAL INCOME	**282,489.76**	280,358.87
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**6,714.83**	7,233.40
ii. Cooling Products	**9,476.56**	8,035.34
iii. Professional Electronics and Industrial Systems	**2,983.23**	2,983.21
TOTAL SEGMENT RESULT	**19,174.62**	18,251.95
Less: i) Finance Cost	**4,964.46**	4,985.28
ii) Other un-allocable Expenditure Net of un-allocable Income	**6,620.55**	8,007.32
TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM	**7,589.61**	5,259.35
EXCEPTIONAL ITEM	**-**	-
PROFIT/(LOSS) BEFORE TAXATION	**7,589.61**	5,259.35
PROVISION FOR TAXES	**-**	85.53
NET PROFIT/(LOSS) AFTER TAX	**7,589.61**	5,173.82

(₹ in lakhs)

	As at March 31	
	2014	**2013**
III. OTHER INFORMATION:		
a. SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**123,955.34**	123,448.71
ii. Cooling Products	**62,313.88**	52,011.27
iii. Professional Electronics and Industrial Systems	**13,408.67**	13,105.01
TOTAL SEGMENT ASSETS	**199,677.89**	188,564.99
Add: Un-allocable Corporate Assets	**23,833.08**	21,419.97
TOTAL ASSETS	**223,510.97**	209,984.96
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**82,926.87**	83,359.74
ii. Cooling Products	**37,187.96**	30,059.78
iii. Professional Electronics and Industrial Systems	**5,882.62**	6,804.24
TOTAL SEGMENT LIABILITIES	**125,997.45**	120,223.76
Add: Un-allocable Corporate Liabilities	**44,554.75**	40,324.06
TOTAL LIABILITIES	**170,552.20**	160,547.82
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,024.88**	3,327.90
ii. Cooling Products	**1,564.01**	2,425.91
iii. Professional Electronics and Industrial Systems	**92.86**	69.06
iv. Other Un-allocable	**84.49**	42.72
TOTAL	**3,766.24**	5,865.59
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**1,571.07**	1,616.30
ii. Cooling Products	**1,266.50**	1,115.22
iii. Professional Electronics and Industrial Systems	**58.88**	61.60
iv. Other Un-allocable	**572.84**	496.65
TOTAL	**3,469.29**	3,289.77
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,600.30**	1,024.49
ii. Cooling Products	**606.92**	229.56
iii. Professional Electronics and Industrial Systems	**427.07**	406.91
iv. Other Un-allocable	**(280.78)**	45.07
TOTAL	**3,353.51**	1,706.03

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	
	2014	**2013**
Revenue (Sales, Services & Commission) by Geographical Market		
India	**259,969.96**	261,420.33
Outside India	**17,068.45**	15,285.65
Total	**277,038.41**	276,705.98
Carrying amount of Segment Assets & Intangibles Assets		
India	**218,804.97**	205,102.25
Outside India	**4,706.00**	4,882.70
Total	**223,510.97**	209,984.95
Capital Expenditure including Capital Work-in-Progress		
India	**3,766.24**	5,865.59
Outside India	**-**	-
Total	**3,766.24**	5,865.59

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 Electro Mechanical Limited

Blue Star Design and Engineering Limited (w.e.f : 1.04.12)

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

Mr Satish Jamdar

Mr Vir Advani

Mr B Thiagarajan (w.e.f : 13.05.13)

Relatives of Key Management Personnel

Ms Nargis Advani

Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2013-14		2012-13	
	Amount ₹	Balance O/s DR/(CR) ₹	Amount ₹	Balance O/s DR/(CR) ₹
Blue Star M & E Engineering (Sdn) Bhd		**121.26**		43.22
Consultancy services rendered by us	**431.06**		396.97	
Dividend received (Gross)	**197.08**		158.55	
Reimbursement of expenses paid	**268.02**		254.80	
Blue Star Infotech Limited		**(764.50)**		(760.11)
Sales & Services	**7.25**		18.67	
IT services	**519.00**		1,067.20	
Purchase of capital goods	**387.31**		-	
Reimbursement of expenses	**75.31**		61.26	
Recovery of expenses	**4.97**		4.89	
Advance against services	**40.10**		5.60	
Rent received	**36.00**		36.00	
Dividend received	**61.96**		61.96	
Blue Star Qatar WLL		**224.46**		168.41
Guarantee commission	**56.05**		58.71	
Sales & Services	**-**		20.06	
Corporate guarantee given	**5,605.03**		5,870.63	
Blue Star Design & Engineering Limited		**724.96**		975.70
Sales & Services rendered	**-**		1.21	
Consultancy service received	**188.53**		86.62	
Loan repaid	**649.00**		10.00	
Interest on Loan	**24.34**		65.90	
Corporate guarantee given	**463.57**		476.76	
Guarantee commission	**3.64**		5.00	
Dividend received gross	**828.75**		-	
Reimbursement of expenses	**43.25**		-	
Recovery of expenses	**29.82**		-	
Rent Deposit given	**8.96**		-	
Rent paid	**374.92**		-	
Blue Star Electro Mechanical Limited		**101.48**		160.93
Corporate guarantee given	**5,333.93**		6,131.75	
Advances given	**5,130.00**		11,909.81	
Interest on loan received	**83.81**		-	
Advances repaid	**5,130.00**		11,909.81	
Reimbursement of expenses charged	**187.78**		115.99	
Reimbursement of expenses	**63.87**		-	
Sales	**53.83**		30.26	
Sales & Services received	**5.44**		23.90	
Key Management Personnel				
Managerial remuneration				
Suneel M Advani	**279.11**		224.11	
Satish Jamdar	**229.00**		173.33	
Vir S Advani	**133.74**		103.97	
B Thiagarajan	**118.65**		-	

Name of Related party	2013-14 Amount ₹	2013-14 Balance O/s DR/(CR) ₹	2012-13 Amount ₹	2012-13 Balance O/s DR/(CR) ₹
Directors Sitting Fees & Commission				
Ashok M Advani	**-**		13.80	
Leave Benefits and Retirals				
Ashok M Advani	**-**		33.15	
Suneel M Advani	**13.65**		-	
Relative of Key Management Personnel		**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.

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
Assets	2,941.86	3,170.17
	1,669.92	*3,274.52*
Liabilities	2,474.95	2,618.64
	1,220.62	*2,991.63*
Revenue	3,976.61	3,904.01
	2,540.81	*3,456.99*
Expenses	3,788.65	3,726.52
	2,428.59	*3,304.40*

Figures in italics are for previous year

Contingent Liabilities of the jointly controlled entity is disclosed in note 23 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. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹3,318.90 lakhs (31 March 2013: ₹3,014.76 lakhs)

34: EARNING PER SHARE

		2013-14	2012-13
Profit/(Loss) after taxation as per Statement of Profit & loss.	₹ lakhs	**7,589.61**	5,173.82
Weighted average number of Equity Shares Outstanding.	Nos.	**89,936,105**	89,936,105
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	**8.44**	5.75

35 During the year, the Company has entered into a contract, in the normal course of business, for services rendered and received for a value of ₹12.43 lakhs (31 March 2013 ₹29.36 lakhs) with four (31 March 2013: two) 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 both the years.

36 The Company has long term investment in Blue Star Electro Mechanical Limited (BSEML), a wholly owned subsidiary. BSEML has incurred losses of ₹1,328.44 lakhs during the year ended March 31, 2014 and its net worth has fully eroded. Considering it to be a long term strategic investment and having regard to the operating plans, management does not consider diminution in value (other than temporary) as at the year end.

37 The Company was involved in an arbitration with a Customer for unpaid amount and additional claim for extra work carried out. In an earlier year the arbitration was awarded in favour of the Company against which the customer filed an application before the District Court. Subsequent to the year end, the application filed by the customer was dismissed by the District Court and accordingly the Company has recognised an income of ₹618 lakhs

38: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date

Foreign Currency	2013-14		2012-13	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Particulars of Derivatives				
Forward cover to Purchase USD:				
Hedge of underlying payables - USD	**40,947,209.06**	**24,531.45**	42,685,596.19	23,176.14
- Buyers' Credit	**17,149,801.55**	**10,274.45**	42,685,596.19	23,176.14
- Other Payables	**23,797,407.51**	**14,257.00**	-	-

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

Foreign Currency	2013-14		2012-13	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Bank Balances				
AED	**242,800.40**	**39.56**	74,665.00	11.02
EUR	**39,158.79**	**32.19**	321.74	0.22
MUR	**-**	**-**	658,405.24	11.44
RMB	**25,489.54**	**2.46**	67,137.39	5.86
USD	**972,700.08**	**582.24**	1,416,644.72	769.17
Receivables				
AED	**85,721.40**	**13.97**	143,051.00	21.12
CAD	**21,383.91**	**11.57**	107,118.93	57.20
EUR	**448,048.57**	**368.71**	623,857.96	433.78
GBP	**76,766.50**	**76.47**	66,941.50	55.21
JPY	**6,783,664.00**	**39.49**	10,746,016.00	61.95
MYR	**948,280.00**	**173.39**	555,520.00	97.24
QAR	**878,342.24**	**144.49**	878,342.24	128.24
RMB	**-**	**-**	7,417.72	0.65
USD	**54,604,504.65**	**3,357.33**	6,101,814.28	3,311.62
Payables				
AED	**15,951.79**	**2.60**	22,569.31	3.34
AUD	**31,712.33**	**17.56**	55,199.05	31.19
CAD	**9,691.65**	**5.26**	9,691.65	5.17
CHF	**1,986.62**	**1.34**	419.37	0.24
EUR	**952,527.71**	**783.72**	1,290,317.10	897.17
GBP	**22,749.59**	**22.66**	31,992.11	26.38
JPY	**20,651,686.00**	**120.25**	12,865,790.00	74.15
RMB	**21,330.70**	**2.06**	-	-
SEK	**5,865.32**	**0.54**	34,079.35	2.83
SGD	**82,393.20**	**39.18**	82,393.20	36.03
USD	**15,478,180.40**	**9,272.73**	35,817,107.46	19,445.88
Buyers' Credit				
USD	**5,359,390.39**	**3,210.81**	1,640,590.60	890.76

39: VALUE OF IMPORTS ON CIF BASIS

(₹ in lakhs)

	2013-14	2012-13
Raw Materials & Components	**43,971.08**	42,937.09
Capital goods	**1,034.94**	471.60
Spares	**4,938.63**	4,425.05
Traded Goods	**22,908.73**	17,925.21
Others	**3.10**	1.27
Total	**72,856.48**	65,760.22

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

	2013-14	2012-13
Royalty & Know-how	**39.93**	20.99
Rent	**37.63**	16.86
Technical Services	**186.63**	235.03
Others	**605.48**	410.00
Total	**869.67**	682.88

41: EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS):

	2013-14	2012-13
Export of goods on F.O.B. basis	**15,940.99**	13,104.30
Royalty, Know-how, Professional & Consultation fees	**456.70**	407.95
Other Income:		
Commission	**1,492.52**	2,186.58
Others	**197.10**	158.55
Total	**18,087.31**	15,857.38

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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Ashok M Advani	Chairman
Suneel M Advani	Vice Chairman
Satish Jamdar	Managing Director
Vir S Advani	Executive Director
B Thiagarajan	Executive Director
Shailesh Haribhakti	Director
Shobana Kamineni	Director
M K Sharma	Director
Gurdeep Singh	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 30, 2014

Independent Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Blue Star Limited

We have audited the accompanying consolidated financial statements of Blue Star Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 judgement, 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 control relevant to the Company's preparation and presentation of the consolidated 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 management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit total assets of ₹9,023.19 lakhs as at March 31, 2014, total revenues of ₹7661.80 lakhs and net cash outflows amounting to ₹103.50 lakhs for the year then ended, included in the accompanying consolidated financial statements in respect of a subsidiary and Joint Ventures and proportionate share of profit for the year ₹360.79 lakhs included in the accompanying consolidated financial statements in respect of an Associate, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries, joint ventures and associate is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 30, 2014

Consolidated Balance Sheet as at March 31, 2014

(₹ in lakhs)

	Notes	As at March 31 2014	As at March 31 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	44,253.76	38,268.77
		46,052.48	**40,067.49**
Preference shares issued by subsidiary company (refer note 37)		**1800.00**	-
Non-current liabilities			
Trade payables		170.93	126.79
Long-term provisions	5	423.67	516.39
		594.60	**643.18**
Current liabilities			
Short-term borrowings	6	47,871.47	42,161.40
Trade payables		82,965.41	80,235.70
Other current liabilities	7	45,886.88	46,419.66
Short-term provisions	5	6,894.26	6,443.05
		183,618.02	**175,259.81**
TOTAL		**232,065.10**	**215,970.48**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	23,817.87	20,424.56
Intangible assets	8	1,930.00	2,309.98
Capital work-in-progress		114.03	307.88
Intangible assets under development		1,432.42	458.29
Non-current investments	9	3,125.77	2,723.70
Deferred tax assets (net)	10	142.62	40.39
Long-term loans and advances	11	11,952.70	11,193.19
Trade receivables	12.1	6,207.85	9,209.96
Other non-current assets	12.2	84.12	7.50
		48,807.38	**46,675.45**
Current assets			
Inventories	13	58,330.48	50,980.03
Trade receivables	12.1	77,110.65	74,304.34
Cash and bank balances	14	5,276.41	1,653.59
Short-term loans and advances	11	13,007.03	9,817.08
Other current assets	12.2	29,533.15	32,539.99
		183,257.72	**169,295.03**
TOTAL		**232,065.10**	**215,970.48**
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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Satish Jamdar Managing Director
Vir S Advani Executive Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 30, 2014

Statement of Consolidated Profit & Loss Account for the year ended March 31, 2014

(₹ in lakhs)

	Notes	Year ended March 31	
		2014	2013
Income			
Revenue from operations (gross)	15	294,690.17	295,597.33
Less: excise duty		3,202.47	3,196.59
Revenue from operations (net)		**291,487.70**	**292,400.74**
Other Income	16	6,295.40	3,645.48
Total revenue (I)		**297,783.10**	**296,046.22**
Expenses			
Cost of raw material and components consumed and Project related cost	17	178,313.59	173,460.09
Purchase of traded goods	17	38,344.71	46,944.82
(Increase)/decrease in inventories	18	(6,318.20)	(2,030.86)
Employee benefits expense	19	24,761.07	22,995.18
Other expenses	20	45,860.46	41,992.07
Total (II)		**280,961.63**	**283,361.30**
Profit before interest, tax, depreciation and amortization (I) – (II)		**16,821.47**	**12,684.92**
Depreciation and amortization expense	8	3,784.30	3,336.72
Finance costs	21	5,420.96	5,279.97
Profit before tax		**7,616.21**	**4,068.23**
Tax expenses			
Current tax		102.35	66.95
Minimum Alternate Tax (MAT)		2,351.44	1,151.87
Less: MAT credit Entitlement		2,186.08	1,151.87
Net Current tax		267.71	66.95
Adjustment of tax relating to earlier periods		15.32	186.29
Deferred tax		(60.19)	1.46
Total tax expense		**222.84**	**254.70**
Profit for the year before share in Associate		**7,393.37**	**3,813.53**
Share of profit in Associate company		**360.79**	**93.52**
Profit for the year		**7,754.16**	**3,907.05**
Earnings per equity share [nominal value of share ₹2 (31 March 2013: ₹2)(refer note 35)]			
Basic			
Computed on the basis of profit/(loss) for the year	₹	**8.39**	**4.34**
Diluted			
Computed on the basis of profit/(loss) for the year	₹	**8.39**	**4.34**
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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Satish Jamdar Managing Director
Vir S Advani Executive Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 30, 2014

Consolidated Cash Flow Statement for the year ended March 31, 2014

(₹ in lakhs)

	Year ended March 31	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,616.21	4,068.23
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	3,784.30	3,336.72
Loss/(profit) on sale of fixed assets	(1,786.83)	(216.69)
Bad debts/advances written off	285.34	1,289.27
Provision for doubtful debts and advances	3,306.26	544.21
Unrealized foreign exchange loss/(gain)	307.67	(12.35)
Liabilities written back	(2,836.52)	(2,683.25)
Interest expense	5,420.96	5,279.97
Interest (income)	(413.00)	(243.66)
Dividend (income)	(263.71)	(267.73)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	15,420.68	11,094.72
Movements in working capital :		
Increase/(decrease) in trade payables	5,559.61	9,433.94
Increase/(decrease) in long-term/short-term provisions	(597.00)	(721.12)
Increase/(decrease) in other current liabilities	(2,501.33)	(3,726.05)
Decrease/(increase) in trade receivables	(2,642.92)	(8,524.00)
Decrease/(increase) in inventories	(7,350.45)	(6,311.34)
Decrease/(increase) in long-term/short-term loans and advances	(2,380.62)	(323.30)
Decrease/(increase) in other current/non-current assets	3,028.26	4,691.07
Cash generated from/(used in) operations	8,536.23	5,613.92
Direct taxes paid (net of refunds)	(1,876.70)	(2,992.66)
Net cash flow from/(used in) operating activities (A)	**6,659.53**	**2,621.26**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(3,994.33)	(2,760.97)
Proceeds from sale of fixed assets	4,561.40	316.70
Purchase of current investments	(7,750.00)	(12,900.00)
Proceeds from sale/maturity of current investments	7,750.00	12,900.00
Receipt of capital subsidy from Government	-	30.00
Interest received	289.57	181.31
Dividends received	263.71	267.73
Net cash flow from/(used in) investing activities (B)	**1,120.35**	**(1,965.23)**
Balance carried forward	**7,779.88**	**656.03**

(₹ in lakhs)

	Year ended March 31	
	2014	2013
Balance brought forward	**7,779.88**	**656.03**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	-	(3,036.49)
Proceeds/(Repayment) from short-term borrowings, net	4,347.34	5,228.51
Interest paid	(5,357.13)	(5,366.21)
Dividend paid on equity shares	(2,691.96)	(1,060.81)
Tax on equity dividend paid	(458.54)	(145.90)
Net cash flow from/(used in) in financing activities (C)	**(4,160.29)**	**(4,380.90)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	3,619.59	(3,724.87)
Effect of exchange differences on cash & cash equivalents held in foreign currency	3.23	8.55
Cash and cash equivalents at the beginning of the year	1,653.59	5,369.91
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5,276.41**	**1,653.59**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
– On current accounts	4621.22	1,153.66
– On unpaid dividend account*	233.14	227.02
– On Fixed Deposits	387.21	235.99
Cash on hand	34.84	36.92
TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)	**5,276.41**	**1,653.59**

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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Satish Jamdar Managing Director
Vir S Advani Executive Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 30, 2014

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 & fire fighting and varied IT services.

2. Basis of preparation

The consolidated financial statements have been prepared to comply in all material respects with the notified Accounting Standard by the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated April 4th 2014, issued by the Ministry of Corporate Affairs. 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.

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 Revised Schedule VI to the Companies Act, 1956.

Based on the nature of business and the time between acquisition of assets for processing and their realization in cashand 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

(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 of the Companies Accounting Standards (Rules), 2006 (as amended). The Consolidated Financial Statements are prepared on the following basis:

i) Subsidiary company is 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 a subsidiary 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.

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, 2014.

(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

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

Depreciation on the following fixed assets of some 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 higher than the rates prescribed under Schedule XIV to the Companies Act, 1956:

The principal annual rates used are as follows:

Office equipment	10 - 33.33%
Furniture and fittings	10%
Motor vehicles	20%

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

(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 amortised over the period of expected future sales from the related project not exceeding ten years.

Amortization of Intangible fixed assets:

- Software is amortised on written down value of assets effectively over a period 6 years.
- Technical knowhow are amortised 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 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 financial statements at lower of cost and fair value determined on an individual investment basis.

(j) 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 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.

(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.

(k) 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 accured 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 existing Assets/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 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 cost' as 'Exchange differences on borrowing (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 plans 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 trusts invest 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 statement of profit and loss in the month of separation of the employee.

(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 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 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 specific 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.

(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.

(q) 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 & 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.

(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 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.

(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.

3: SHARE CAPITAL

(₹ in lakhs)

		As at March 31	
		2014	2013
Authorized Shares			
10,000	(31 March 2013: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000	(31 March 2013: 148,700,000) Equity Shares of ₹2 each	2,974.00	2,974.00
16,000	(31 March 2013: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
		3,000.00	**3,000.00**
Issued, subscribed and fully paid-up shares			
89,936,105	(31 March 2013: 89,936,105) Equity Shares of ₹2 each	1798.72	1,798.72
Total issued, subscribed and fully paid-up share capital		**1,782.72**	**1,798.72**

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, 2014 the amount of per share dividend proposed as distribution to the equity shareholders is ₹4 (31 March, 2013 : ₹3)

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

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of ₹2 each fully paid				
IL & FS Trust Company Ltd #	11,013,076	12.25%	11,013,076	12.24%
Ashok Mohan Advani	10,492,281	11.67%	10,857,481	12.07%
Suneel Mohan Advani	5,325,948	5.92%	5,804,258	6.45%
HDFC Trustee Company Limited - HDFC Capital Builder Fund	5,020,457	5.58%	4,659,324	5.18%
ICICI Prudential Discovery Fund	4,868,769	5.41%	3,452,938	3.84%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%	3,803,979	4.23%

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.

4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2014	**2013**
General reserve		
Balance as per the last financial statements	18,435.48	17,885.48
Add: amount transferred from surplus balance in the statement of profit and loss	920.00	550.00
Closing Balance	19,355.48	18,435.48
Capital redemption reserve	233.56	233.56
Capital Reserve on amalgamation (refer note 37)	2,793.62	-
Capital Subsidy from Government		
Balance as per the last financial statements	60.00	30.00
Add: Received during the year	-	30.00
Closing Balance	60.00	60.00
Foreign Currency Translation Reserve*		
Balance as per the last financial statements	113.80	77.71
Add: Adjustment on account of Joint ventures	61.20	36.09
Closing Balance	175.00	113.80
Hedging Reserve on Forward Contract		
Balance as per the last financial statements	(41.28)	80.45
Add: Adjustment on account of Associate	41.28	(121.73)
Closing Balance	-	(41.28)
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	19,467.21	19,427.64
Profit/(loss) for the year	7,754.16	3,907.05
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 37)	(14.06)	-
Loss for Blue Star Design and Engineering Limited (BSDEL) for the year 2012-13 (refer note 37)	(30.20)	-
Less: Appropriations		
Proposed final equity dividend (amount per share ₹4 (31 March 2013: ₹3))	3,597.44	2,698.08
Tax on proposed equity dividend	611.48	458.54
Interim Equity dividend by Joint venture	201.59	160.86
Preference dividend given by subsidiary	180.00	-
Tax on preference dividend given by subsidiary	30.50	-
Transfer to general reserve	920.00	550.00
Total appropriations	5,541.01	3,867.48
Net surplus in the statement of profit and loss	21,636.10	19,467.21
Total reserves and surplus	**44,253.76**	**38,268.77**

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

5: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Provision for employee benefits				
Provision for Gratuity (refer note 31)	49.90	82.03	0.91	1.10
Provision for Additional Gratuity (refer note 31)	52.12	65.76	4.01	4.55
Provision for other employment benefits	67.39	39.81	112.79	-
Provision for Leave benefits	11.69	6.47	1,039.72	1,174.31
	181.10	194.07	1,157.43	1,179.96
Other provisions				
Provision for warranties	242.57	322.32	597.32	652.39
Loss order	-	-	1,071.53	1,454.08
Proposed equity dividend	-	-	3,597.44	2,698.08
Provision for tax on proposed equity dividend	-	-	470.54	458.54
	242.57	322.32	5,736.83	5,263.09
	423.67	**516.39**	**6,894.26**	**6,443.05**

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	
	2014	2013
At the beginning of the year	974.71	1,088.87
Arising during the year	565.57	628.14
Utilized during the year	(589.67)	(469.37)
Unused amounts reversed during the year	(110.72)	(272.93)
At the end of the year	**839.89**	**974.71**
Current portion	597.32	652.39
Non-current portion	242.57	322.32

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.

(₹ in lakhs)

	As at March 31	
	2014	2013
At the beginning of the year	1,454.08	1,481.53
Arising during the year	2,549.08	4,362.60
Utilized during the year	(2,575.03)	(4,092.81)
Unused amounts reversed during the year	(356.60)	(297.24)
At the end of the year	**1,071.53**	**1,454.08**
Current portion	1,071.53	1,454.08
Non-current portion	-	-

6. SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2014	2013
Cash credit, Packing credit & Working capital demand loan from banks (secured) (Note a & b)	8,386.46	8,094.50
Buyers credit (secured) (Note b & c)	8,548.40	14,147.63
Buyers credit (unsecured) (Note c)	4,936.61	9,919.27
Commercial Papers from Banks (unsecured) (Note d)	10,000.00	5,000.00
Commercial Papers from Others (unsecured) (Note d)	16,000.00	5,000.00
	47,871.47	**42,161.40**
The above amount includes		
Secured borrowings	16,934.86	22,242.13
Unsecured borrowings	30,936.61	19,919.27

a. Outstanding Loans carry an average interest rate of 10.12% (31 March 2013: 10.23%).

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 1.15%.

d. Commercial Papers carry average interest rate @ 9.62% p.a. for the current year (31 March 2013: 8.97% 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	
	2014	2013
Other liabilities		
Interest accrued but not due on borrowings	116.78	52.95
Amount Due to Customers (refer note 23)	6,433.67	4,105.33
Unearned revenue on AMC services	4,347.48	3,843.26
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	233.14	227.02
Advance from customers	28,664.53	32,952.84
Unrealised loss on Forward Contract liability	824.09	69.59
Others		
Creditors - Capital Expenditure	66.99	163.10
Interest free deposits from customers	314.07	345.27
Due to statutory bodies	3,368.95	3,349.23
Other Liabilities	1,517.18	1,311.07
	45,886.88	**46,419.66**

8: FIXED ASSETS

(₹ in lakhs)

	Description of Assets	Gross Block					Depreciation					Net Block
		As at 1.4.2013	Additions during the year	Adjustment during the year (Refer Note 37)	Deductions	As at 31.03.2014	As at 1.4.2013	Deductions	Provided during the year	Adjustment during the year (Refer Note 37)	As at 31.03.2014	As at 31.03.2014
	Tangible Assets											
1	Land - Freehold	889.39	-	-	-	889.39	-	-	-	-	-	889.39
		(889.39)	-	-	-	(889.39)	-	-	-	-	-	(889.39)
2	Land - Leasehold	7.94	-	-	-	7.94	2.68	-	-	-	2.68	5.26
		(7.94)	-	-	-	(7.94)	(2.68)	-	-	-	(2.68)	(5.26)
3	Building Sheds and Road	11,769.34	295.55	7,036.45	2,791.01	16,310.33	5,215.66	204.55	830.59	351.82	6,193.52	10,116.81
		(11,637.09)	(189.10)	-	(56.85)	(11,769.34)	(4,620.81)	(25.56)	(620.41)	-	(5,215.66)	(6,553.68)
4	Plant & Machinery #	22,740.24	1,874.43	-	108.60	24,506.07	11,803.19	76.49	1,763.28	-	13,489.98	11,016.09
		(20,026.60)	(2,807.30)	-	(93.66)	(22,740.24)	(10,182.59)	(76.27)	(1,696.87)	-	(11,803.19)	(10,937.05)
5	Furniture & Fixtures	2,268.52	101.32	64.87	171.00	2,263.71	1,646.73	136.63	122.99	48.37	1,681.46	582.25
		(2,231.18)	(14.74)	(25.95)	(3.35)	(2,268.52)	(1,496.49)	(3.87)	(137.99)	(16.12)	(1,646.73)	(621.79)
6	Office Equipments	1,396.61	61.32	8.63	155.54	1,311.02	755.76	106.85	133.41	5.06	787.38	523.64
		(1,297.89)	(102.00)	(3.45)	(6.73)	(1,396.61)	(640.11)	(4.22)	(118.08)	(1.79)	(755.76)	(640.85)
7	Vehicles	1,113.76	137.73	-	214.77	1,036.72	620.31	154.75	136.64	-	602.20	434.52
		(1,031.52)	(180.75)	-	(98.51)	(1,113.76)	(522.77)	(51.42)	(148.96)	-	(620.31)	(493.45)
8	Computers	1,652.87	105.13	89.62	247.33	1,600.29	1,369.78	234.41	128.43	86.58	1,350.38	249.91
		(1,608.55)	(109.39)	(35.85)	(100.92)	(1,652.87)	(1,288.33)	(81.41)	(129.04)	(33.82)	(1,369.78)	(283.09)
	Total 2013-14	**41,838.67**	**2,575.48**	**7,199.57**	**3,688.25**	**47,925.47**	**21,414.11**	**913.68**	**3,115.34**	**491.83**	**24,107.60**	**23,817.87**
	Total 2012-13	**(38,730.16)**	**(3,403.28)**	**(65.25)**	**(360.02)**	**(41,838.67)**	**(18,753.78)**	**(242.75)**	**(2,851.35)**	**(51.73)**	**(21,414.11)**	**(20,424.56)**

Intangible Assets *(₹ in lakhs)*

	Description of Assets	Gross Block					Amortization					Net Block
		As at 1.4.2013	Additions during the year	Adjustment during the year	Deductions	As at 31.03.2014	As at 1.4.2013	Deductions	Provided during the year	Adjustment during the year	As at 31.03.2014	As at 31.03.2014
1	Technical Knowhow	1,645.17	41.30	-	-	1,686.47	393.85	-	237.84	-	631.69	1,054.78
		(259.78)	(1,385.46)	-	(0.07)	(1,645.17)	(259.78)	(0.07)	(134.14)	-	(393.85)	(1,251.32)
2	Software	3,219.96	464.83	-	-	3,684.79	2,378.45	-	431.12	-	2,809.57	875.22
		(2,770.14)	(449.82)	-	-	(3,219.96)	(2,044.48)	(17.26)	(351.23)	-	(2,378.45)	(841.51)
3	Marketing Knowhow	2.68	-	-	2.68		2.68	2.68	-	-	-	-
		(2.68)	-	-	-	(2.68)	(2.68)				(2.68)	-
4	Goodwill (refer note 37)	217.15	-	-	217.15	-	-	-	-	-	-	-
		-	(217.15)	-	-	(217.15)	-	-	-	-	-	(217.15)
	Total 2013-14	**5,084.96**	**506.13**	**-**	**219.83**	**5,371.26**	**2,774.98**	**2.68**	**668.96**	**-**	**3,441.26**	**1,930.00**
	Total 2012-13	**(3,032.60)**	**(2,052.43)**	**-**	**(0.07)**	**(5,084.96)**	**(2,306.94)**	**(17.33)**	**(485.37)**	**-**	**(2,774.98)**	**(2,309.98)**

Figures in brackets represents amounts pertaining to previous years.

\# Net of Grant for UNIDO machine ₹36.24 lakhs (Previous year: ₹36.24 lakhs) and accumalated depreciation thereon ₹33.07 lakhs (Previous year: ₹32.16 lakhs)

(₹ in lakhs)

	As at March 31	
	2014	**2013**
Depreciation and Amortization Expense		
Depreciation on Tangible Assets	3,115.34	2,851.35
Amortization of Intangible Assets	668.96	485.37
	3,784.30	**3,336.72**

9: NON CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2014	**2013**
Non-trade investments (valued at cost unless stated otherwise)		
Investment in Associates (Quoted)		
3,098,025 (31 March 2013: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (including Capital Reserve ₹203.52 lakhs)	3,125.77	2,723.70
	3,125.77	**2,723.70**

Aggregate amount of quoted investments (Market value: ₹3,629.34 Lakhs (31 March 2013: ₹1,751.93 lakhs))

10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2014	**2013**
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	1,347.17	1,789.20
Gross deferred tax liability	1,347.17	1,789.20
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	559.82	485.60
Provision for doubtful debts and advances	929.97	1,074.39
Impact of Carried Forward Tax Loss	-	269.60
Gross deferred tax asset	1,489.79	1,829.59
Net deferred tax asset	**142.62**	**40.39**

Blue Star Limited, Blue Star Electro Mechanical Limited has recognised the deferred tax asset for the year only to the extent of the deferred tax liability arising from timing differences as the company has carry forward losses.

11: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Capital advances				
Unsecured, considered good	243.58	211.83	-	-
	243.58	211.83	-	-
Security deposit				
Unsecured, considered good	1,538.70	1,695.51	0.38	35.30
Unsecured considered doubtful	-	-	-	-
	1,538.70	1,695.51	0.38	35.30
Loan and advances to related parties				
Unsecured, considered good	-	167.27	150.17	107.94
Unsecured considered doubtful	-	320.58	-	-
	-	487.85	150.17	107.94
Provision for doubtful advances	-	320.58	-	-
	-	167.27	150.17	107.94
Advances recoverable in cash or kind				
Unsecured, considered good	68.68	-	5,825.49	4,714.60
	68.68	-	5,825.49	4,714.60
Other loans and advances, Unsecured, considered good				
Advance income-tax (net of Provisions ₹36,568.44 lakhs (31 March 2013: ₹34,449.17 lakhs))	5,415.01	5,988.56	-	18.85
MAT credit entitlement	3,239.34	1,151.87	98.61	-
Prepaid expenses	7.91	10.86	1,635.02	1,165.48
Loans to employees	376.89	389.38	119.30	164.88
Balances with statutory/government authorities	1,062.59	1,577.91	5,178.06	3,610.03
	10,101.74	9,118.58	7,030.99	4,959.24
Total	**11,952.70**	**11,193.19**	**13,007.03**	**9,817.08**

12: TRADE RECEIVABLES AND OTHER ASSETS

(₹ in lakhs)

12.1: TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	25,210.43	21,439.10
Considered doubtful	-	-	6,501.89	2,840.31
	-	-	31,712.32	24,279.41
Provision for doubtful Receivables	-	-	6,501.89	2,840.31
	-	-	25,210.43	21,439.10
Other receivables				
Secured, considered good	6,207.85	9,209.96	-	1,178.10
Unsecured, considered good	-	-	51,900.22	51,687.14
	6,207.85	9,209.96	51,900.22	52,865.24
Considered doubtful	-	-	-	-
	6,207.85	9,209.96	51,900.22	52,865.24
	6,207.85	**9,209.96**	**77,110.65**	**74,304.34**

12.2: OTHER ASSETS

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 14)	84.12	7.50	-	-
Unrealised gain on Forward Contract	-	-	-	24.47
Unbilled Revenue:				
Project Revenue (refer note 23)	-	-	29,146.98	31,936.58
AMC	-	-	386.17	578.94
	-	-	29,533.15	32,515.52
	84.12	**7.50**	**29,533.15**	**32,539.99**

13: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2014	2013
Raw materials & components (includes in transit ₹5,793.81 lakhs (31 March 2013: ₹3,545.31 lakhs))	13,292.82	11,812.08
Work-in-progress	3,737.89	2,992.71
Finished goods	14,102.58	8,494.99
Traded goods (including in transit ₹5,047.67 lakhs (31 March 2013: ₹2,146.74 lakhs))	12,474.82	10,873.24
Work in progress - Projects (refer note 26)	11,767.21	13,403.36
Stores and spares	2,955.16	3,403.65
	58,330.48	**50,980.03**

14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	4,621.22	1,153.66
– On unpaid dividend account	-	-	233.14	227.02
– Fixed Deposits	-	-	387.21	235.99
Cash on hand	-	-	34.84	36.92
	-	-	5,276.41	1,653.59
Other bank balances				
Margin money Deposit	84.12	7.50	-	-
	84.12	7.50	-	-
Amount disclosed under non-current assets (refer note 12.2)	(84.12)	(7.50)	-	-
	-	**-**	**5,276.41**	**1,653.59**

Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹84.12 lakhs (31 March 2013: ₹7.50 lakhs) are subject to a first charge to secure the Custom claim amounting to ₹8.04 lakhs & Security deposit with customers amounting to ₹76.08 lakhs.

15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Sale of products		
Finished goods	137,513.60	117,096.56
Traded goods	48,191.74	52,838.25
Sale of Services	29,169.92	27,580.69
Revenue from Construction Contracts (refer note 23)	77,860.04	95,376.65
Other operating revenue		
Commission income	1,501.53	2,194.79
Other	453.34	510.39
Revenue from operations (gross)	**294,690.17**	**295,597.33**
Less: Excise duty #	3,202.47	3,196.59
Revenue from operations (net)	**291,487.70**	**292,400.74**

Excise duty on sales amounting to ₹3,202.47 lakhs (31 March 2013: ₹3,196.59 lakhs) has been reduced from sales in the statement of profit & loss and excise duty on (increase)/decrease in stock amounting to ₹(23.41) lakhs (31 March 2013: ₹(22.70) lakhs) has been considered as (income)/ expense in note 18 of financial statements.

16: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2014	**2013**
Interest income on		
Bank deposits	58.91	58.90
Others (refer note 38)	794.09	184.76
Dividend income on		
Current investments	4.68	47.22
Long-term investments	259.04	220.51
Profit on sale of fixed assets (net)	1,786.83	216.91
Provisions & Liabilities no longer required	2,836.52	2,683.25
Other non operating Income (refer note 38)	555.33	233.93
	6,295.40	**3,645.48**

17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2014	**2013**
Cost of material consumed	105,772.68	88,413.61
Project Cost (including bought outs) (refer note 27 and 28)	72,540.91	85,046.48
	178,313.59	**173,460.09**
Purchase of traded Goods	**38,344.71**	**46,944.82**

18. (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-14	31-Mar-13	(Increase) / decrease 31-Mar-14
Inventories at the end of the year			
Traded goods	12,474.82	10,873.24	(2,448.48)
Work-in-progress	3,737.89	2,992.71	(603.56)
Finished goods	14,102.58	8,494.99	2,188.30
Work-in-progress Projects	11,767.21	13,403.36	3,133.69
	42,082.50	35,764.30	2,269.95
Inventories at the beginning of the year			
Traded goods	10,873.24	8,828.96	(5,597.75)
Work-in-progress	2,992.71	1,931.90	143.40
Finished goods	8,494.99	7,172.07	(2,427.98)
Work-in-progress Projects	13,403.36	15,800.51	(7,955.33)
	35,764.30	33,733.44	(15,837.66)
	(6,318.20)	**(2,030.86)**	

19. EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Salaries, wages and bonus	21,562.65	19,832.52
Contribution to provident and other funds	1,308.66	1,297.31
Gratuity expense (refer note 31)	-	103.24
Other employment benefits	206.23	1.89
Staff welfare expenses	1,683.53	1,760.22
	24,761.07	**22,995.18**

20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2014	2013
Stores and Spares consumed	901.67	703.34
AMC Subcontracting cost	14,831.16	14,457.56
Rent (refer note 28 & 34)	2,906.40	3,000.90
Rates and taxes	94.86	82.67
Power and fuel (refer note 28)	1,480.00	1,334.69
Insurance (refer note 28)	186.34	343.75
Repairs and maintenance		
Buildings	477.22	537.02
Plant and machinery	265.22	242.87
Others	656.24	614.47
Advertising and sales promotion	3,428.60	3,003.37
Commission, Discounts and Incentives on Sales (refer note 27)	3,654.29	3,229.45
Freight and forwarding charges	3,399.67	2,965.73
Travelling and conveyance (refer note 28)	3,040.99	3,044.47
Printing and stationery (refer note 28)	344.79	374.09
Legal and professional fees (refer note 28)	3,835.03	4,296.86
Directors' sitting fees	11.00	8.82
Payment to auditor	96.58	81.58
Donations	30.15	13.64
Loss on sale of Fixed Assets (net)	0.58	0.22
Exchange differences (net)	708.90	(363.71)
Bad debts/advances written off	285.34	1,793.80
Provision for doubtful debts and advances (net)	3,306.26	416.76
Miscellaneous expenses	1,919.17	1,809.72
	45,860.46	**41,992.07**

21. FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2014	**2013**
Interest	2,942.62	2,506.27
Bank charges (refer note 28)	417.10	531.77
Exchange Difference on Borrowing (net)	2,061.24	2,241.93
	5,420.96	**5,279.97**

22: A. THE BLUE STAR GROUP COMPRISES OF THE FOLLOWING ENTITIES

	Country of Incorporation	% Shareholding	
		2013-14	**2012-13**
a) Subsidiary			
Blue Star Electro Mechanical Limited	India	**100%**	100%
Blue Star Design and Engineering Limited (refer note 37)	India	**100%**	50%
b) Foreign Joint Ventures-Jointly Controlled Entities			
Blue Star M & E Engineering (Sdn) Bhd	Malaysia	**49%**	49%
Blue Star Qatar - WLL	Qatar	**49%**	49%
c) Indian Joint Ventures-Jointly Controlled Entity			
Blue Star Design and Engineering Limited	India	**-**	50%
d) Associate			
Blue Star Infotech Limited	India	**29.83%**	29.83%

22 B. 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)

		2013-14	2012-13
i	**Assets**		
	Non current assets		
	Fixed Assets		
	Tangible assets	341.05	208.26
	Intangible assets	-	217.15
	Deferred tax assets (net)	-	40.39
	Long-term loans and advances	-	18.07
	Trade receivables	398.01	198.63
	Other non-current assets	-	-
	Current assets		
	Inventories	7.91	1.55
	Trade receivables	3,956.19	3,770.74
	Cash and bank balances	500.62	554.97
	Short-term loans and advances	483.21	531.80
	Other current assets	183.84	30.23
ii	**Liabilities**		
	Non current liabilities and Provisions		
	Trade payables	170.93	126.79
	Long-term provisions	47.40	50.98
	Deferred tax liability (net)	8.46	-
	Other current liabilities	22.33	-
	Current liabilities and Provisions		
	Short-term borrowings	906.28	1,147.12
	Trade payables	2,085.79	2,103.07
	Other current liabilities	1,524.10	1,114.79
	Short-term provisions	87.09	0.12
iii	**Reserves**	956.36	316.80
iv	**Income**		
	Revenue from operations	7,630.17	5,984.88
	Other Income	11.76	10.07
v	**Expenses**		
	Cost of raw material and components consumed and Project related cost	6,627.38	4,952.44
	Purchase of traded goods	-	-
	(Increase)/decrease in inventories	(6.36)	(1.55)
	Employee benefits expense	349.35	437.60
	Other expenses	97.14	254.23
	Depreciation and amortization expense	48.09	40.68
	Finance costs	44.40	9.60
vi	**Contingent Liabilities**	-	-
vii	**Capital Commitments**	-	-

23 DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER

(₹ in lakhs)

		2013-14	2012-13
I	Contract revenue recognised for the year	**77,860.04**	95,376.65
II	For Contracts that are in progress as on 31.3.2014		
	A) Contract costs incurred and recognized profits (Less Recognised losses)*	**339,599.24**	348,858.42
	B) Advances received	**11,328.43**	23,445.91
	C) Gross amount due from customers for Contract work*	**40,914.19**	45,339.94
	D) Gross amount due to customers for Contract work	**6,433.67**	4,105.33
	E) Retention amount	**6,436.32**	5,440.31

* Includes WIP of ₹11,767.21 (31 March 2013: ₹13,403.36)

24 CONTINGENT LIABILITIES:

(₹ in lakhs)

	2013-14	2012-13
Claims against the Company not acknowledged as debts	**67.16**	70.76
Sales Tax matters	**6,928.43**	7,267.40
Excise Duty matters	**105.25**	105.25
Service Tax matters	**1,057.67**	672.44
Income Tax matters	**2,505.00**	1,763.29
Corporate Guarantee given on behalf of Joint Ventures	**2,858.57**	3,232.40
Corporate Guarantee given on behalf of Subsidiary and others	**-**	825.01

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.

25 Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹1403.22 lakhs (31 March 2013: ₹695.66 lakhs).

26 In accordance with a contract, the Company has made claims for additional costs incurred due to project delays and design changes on a customer in earlier years. Pending approval of the customer an amount of ₹5600 lakhs (net of provisions) is included under Work in Progress – Projects and revenue has not been recognised there against. The final certification, handing over process and negotiations with the customer are in progress and management is confident of recovery of these claims.

27 Project costs and Commission on sales are net of ₹228.87 lakhs (31 March 2013: ₹217 lakhs) and ₹626.4 lakhs (31 March 2013: ₹312.64 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	2013-14			
	Note 17	Note 20	Note 21	Total
Subcontracting cost	20,532.01	-	-	20,532.01
	(21,311.34)	-	-	(21,311.34)
Rent	129.22	2,906.40	-	3,035.62
	(123.48)	(3,000.90)	-	(3,124.38)
Power & fuel	125.01	1,480.00	-	1,605.01
	(106.19)	(1,334.69)	-	(1,440.88)
Insurance	437.65	186.34	-	623.99
	(543.83)	(343.75)	-	(887.58)
Travelling & Conveyance	953.22	3040.99	-	3,994.21
	(1,010.41)	(3,044.47)	-	(4,054.88)
Printing & Stationery	33.83	344.79	-	378.62
	(38.01)	(374.09)	-	(412.10)
Legal & Professional fees	1,151.50	3,835.03	-	4,986.53
	(216.28)	(4,296.86)	-	(4,513.14)
Bank charges	170.81	-	417.11	587.92
	(161.36)	-	(531.77)	(693.13)

Figures in brackets are for previous year

29: A DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	2013-14	2012-13
Employee benefits expense	**1,065.21**	857.73
Cost of raw material and components consumed	**284.20**	220.82
Legal & Professional fees	**221.23**	233.48
Depreciation	**469.19**	347.89
Others	**433.08**	309.34
	2,472.91	1,969.25

29: B DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	2013-14	2012-13
Tangible Assets		
Plant & Machinery	**108.20**	66.88
Office Equipments	**0.12**	0.29
Electrical Installations	**0.71**	-
Computer	**17.10**	6.94
Furniture & Fixtures	**2.10**	9.31
Intangible Assets		
Software	**3.93**	48.75
Technical Knowhow	**616.01**	1,213.36
	748.17	1,345.53

30 During the earlier year, Blue Star Electro Mechanical Limited ("Wholly owned Subsidiary" herein after referred to as BSEML) had acquired the plumbing and fire fighting contracting business of D.S. Gupta Constructions 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 Normalised Net Working Capital (herein after referred as "NNWC") was to be maintained at ₹2,000 Lakhs. The business purchase has been accounted in the books on provisional basis pending the final reconciliation/settlement of opening net current assets with the seller.

31: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"

i. Defined Contribution Plans:

Amount of ₹739.85 lakhs (31 March 2013: ₹766.11 lakhs) is recognized as an expense and included in "Employee Benefits expense" (see note 19) in the Profit and Loss account.

ii. Defined Benefits Plans:

a) Amounts for the current period are as follows:

(₹ in lakhs)

		Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
I	**Expense recognised in the Statement of Profit & Loss for the year**						
	1 Current Service Cost	**221.23**	210.00	**15.64**	13.25	**4.70**	4.55
	2 Interest Cost	**191.82**	210.70	**6.46**	6.91	**-**	-
	3 Expected return on plan assets	**(184.32)**	(206.54)	**-**	-	**NA**	NA
	4 Net Actuarial (Gains)/Losses	**(234.50)**	(120.84)	**(28.83)**	(10.24)	**-**	-
	5 Total Expense	**(5.76)**	93.32	**(6.72)**	9.91	**4.70**	4.55
	6 Actual return on plan Assets	**227.20**	235.25	**-**	-	**NA**	NA
II	**Net Assets/(Liability) recognised in the Balance Sheet**						
	1 Present Value of Defined Obligation	**2,229.76**	2,587.02	**50.81**	83.13	**56.13**	70.31
	2 Fair Value of plan assets	**2,246.96**	2,598.46	**-**	-	**-**	-
	3 Funded Status [Surplus/(Deficit)]	**17.19**	11.44	**(50.81)**	(83.13)	**(56.13)**	(70.31)
	4 Net Assets/(liability)	**17.19**	11.44	**(50.81)**	(83.13)	**(56.13)**	(70.31)

(₹ in lakhs)

		Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
III	**Change in Obligation during the Year**						
	1 Present value of defined Benefit Obligation at the beginning of the year	**2,587.02**	2,800.29	**87.92**	99.42	**70.31**	64.78
	2 Current Service Cost	**221.23**	210.00	**15.64**	13.25	**4.70**	4.55
	3 Interest Cost	**191.82**	210.70	**6.46**	6.91	**-**	-
	4 Actuarial (Gains)/Losses	**(201.90)**	(92.13)	**(30.94)**	(10.24)	**-**	-
	5 Benefits Payments	**(568.41)**	(541.84)	**(28.27)**	(26.21)	**18.88**	(0.98)
	6 Present value of Defined Benefit Obligation at the end of the year	**2,229.76**	2,587.02	**50.81**	83.13	**56.13**	70.31
IV	**Change in Fair Value of Plan Assets during the year**						
	1 Fair Value of Plan Assets at the beginning of the year	**2,598.46**	2,800.43	**-**	-	-	-
	2 Expected return on Plan assets	**184.32**	206.54	**-**	-	4.70	-
	3 Contribution by Employer	**-**	104.80	**30.38**	26.21	-	-
	4 Actual benefits paid	**(568.41)**	(541.84)	**(30.38)**	(26.21)	-	-
	5 Actuarial Gains/(losses) on Plan Assets	**32.60**	28.55	**-**	-	18.88	-
	6 Fair Value of Plan Assets at the end of the year	**2,246.96**	2,598.46	**-**	-	(14.18)	-
V	**Actuarial Assumptions:**						
	1 Discount rate	**9.00%**	8.33%	**9.00%**	8.00%	**9.00%**	8.33%
	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)	**LIC(1994-96)**	LIC(1994-96)
	4 Salary escalation rate (Management-Staff-Directors)	**6%, 2%, 10%**	6%, 2%, 10%	**7%, 6%**	6%.10%	**6%, 2%, 10%**	6%, 2%, 10%
	5 Attrition rate	**1%**	1%	**3% upto age 35, 2% 36-45, 1% above 45**	1%	**1%**	1%

VI. Amounts for the current and previous year are as follows :

(₹ in lakhs)

		Gratuity (Funded)				
		2013-14	**2012-13**	**2011-12**	**2010-11**	**2009-10**
1	Defined benefit obligation	**2,229.76**	2,587.02	2,800.29	2,740.04	2,737.62
2	Plan Assets	**2,246.96**	2,598.46	2,800.43	2,740.28	2,737.62
3	Surplus/(Deficit)	**17.20**	11.44	0.14	0.24	-
4	Experience adjustments on plan liabilities	**(201.90)**	(92.13)	(47.37)	(108.89)	(56.04)
5	Experience adjustments on plan assets	**32.60**	28.55	18.11	18.66	-
		Additional Gratuity				
		2013-14	**2012-13**	**2011-12**	**2010-11**	**2009-10**
1	Defined benefit obligation	**56.13**	70.31	64.78	64.01	79.33
2	Plan Assets	**-**	-	-	-	-
3	Surplus/(Deficit)	**56.13**	70.31	64.78	64.01	79.33
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 ₹170 lakhs to gratuity fund in 2014-15 (31 March 2013: ₹280 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, 2014. The Company's contribution to the Employee's Provident fund aggregates to ₹568.81 lakhs (31 March 2013: ₹579.00 lakhs).

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

(₹ in lakhs)

	As at March 31	
	2014	**2013**
Plan assets at year end, at fair value	**268.00**	190.00
Present value of defined obligation at year end	**244.36**	157.10
Shortfall	**-**	-
The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:		
Discounting rate	**8.55%**	8.42%
Expected guaranteed interest rate	**8.75%**	8.50%
Expected Rate of Return on Asset	**9.15%**	8.32%

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	
	2014	**2013**
Special Deposit Schemes	**5.33%**	4.43%
Central Government Securities	**1.30%**	15.89%
State Government Securities	**27.84%**	21.47%
Public Sector Undertakings	**50.74%**	52.42%
Private Sector	**14.47%**	0.00%
Liquid funds	**0.32%**	5.79%
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:

a. 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.

b. Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.

c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2014	**2013**
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**166,264.83**	177,655.83
ii. Cooling Products	**107,550.77**	96,515.52
iii. Professional Electronics and Industrial Systems	**17,672.10**	18,229.39
TOTAL SEGMENT REVENUE	**291,487.70**	292,400.74
Add: Other Income	**6,295.40**	3,645.48
TOTAL INCOME	**297,783.10**	296,046.22
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**5,524.45**	6,336.97
ii. Cooling Products	**9,476.56**	8,035.34
iii. Professional Electronics and Industrial Systems	**2,983.23**	2,983.21
TOTAL SEGMENT RESULT	**17,984.24**	17,355.52
Less: i) Finance Cost	**5,420.96**	5,279.97
ii) Other un-allocable Expenditure Net of un-allocable Income	**4,947.07**	8,007.32
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**7,616.21**	4,068.23
EXCEPTIONAL ITEM	**-**	-
PROFIT BEFORE TAXATION	**7,616.21**	4,068.23
PROVISION FOR TAXES	**222.84**	254.70
NET PROFIT AFTER TAX	**7,393.37**	3,813.53
Share of profit in Associate company	**360.79**	93.52
Profit/(loss) for the year	**7,754.16**	3,907.05
III. OTHER INFORMATION:		
a. SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**137,185.44**	138,629.17
ii. Cooling Products	**62,313.88**	52,011.27
iii. Professional Electronics and Industrial Systems	**13,408.67**	13,105.01
TOTAL SEGMENT ASSETS	**212,907.99**	203,745.45
Add: Un-allocable Corporate Assets	**19,157.11**	12,225.03
TOTAL ASSETS	**232,065.10**	215,970.48
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**94,780.72**	98,714.91
ii. Cooling Products	**37,187.96**	30,059.78
iii. Professional Electronics and Industrial Systems	**5,882.62**	6,804.24
TOTAL SEGMENT LIABILITIES	**137,851.30**	135,578.93
Add: Un-allocable Corporate Liabilities	**46,361.32**	40,324.06
TOTAL LIABILITIES	**184,212.62**	175,902.99

(₹ in lakhs)

	As at March 31	
	2014	**2013**
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,216.52**	3,467.05
ii. Cooling Products	**1,564.01**	2,425.91
iii. Professional Electronics and Industrial Systems	**92.86**	69.06
iv. Other Un-allocable	**84.49**	42.72
TOTAL	**3,957.88**	6,004.74
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**1,622.92**	1,663.25
ii. Cooling Products	**1,266.50**	1,115.22
iii. Professional Electronics and Industrial Systems	**58.88**	61.60
iv Other Un-allocable	**836.00**	496.65
TOTAL	**3,784.30**	3,336.72
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,838.40**	1,151.94
ii. Cooling Products	**606.92**	229.56
iii. Professional Electronics and Industrial Systems	**427.07**	406.91
iv. Other Un-allocable	**(280.78)**	45.07
TOTAL	**3,591.61**	1,833.48

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	
	2014	**2013**
Revenue (Sales, Services & Commission) by Geographical Market		
India	**266,717.88**	270,922.27
Outside India	**24,769.82**	21,478.47
Total	**291,487.70**	292,400.74
Carrying amount of Segment Assets & Intangibles Assets		
India	**225,953.00**	206,082.16
Outside India	**6,112.03**	9,888.32
Total	**232,065.03**	215,970.48
Capital Expenditure including Capital Work in Progress		
India	**3,769.18**	5,877.50
Outside India	**188.70**	127.24
Total	**3,957.88**	6,004.74

33: 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

Mr Satish Jamdar

Mr Vir Advani

Mr B Thiagarajan (w.e.f : 13.05.13)

Relatives of Key Management Personnel

Ms Nargis Advani

Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2013-14		2012-13	
	Amount ₹	Balance O/s DR/(CR) ₹	Amount ₹	Balance O/s DR/(CR) ₹
Blue Star M & E Engineering (Sdn) Bhd		**61.84**		22.04
Consultancy services rendered by us	**219.84**		202.45	
Dividend received (Gross)	**197.08**		158.55	
Reimbursement of expenses paid	**136.69**		129.95	
Blue Star Infotech Limited		**(764.50)**		(760.11)
Sales & Services	**7.25**		18.67	
IT services	**519.00**		1,067.20	
Purchase of capital goods	**387.31**		-	
Reimbursement of expenses	**75.31**		61.26	
Recovery of expenses	**4.97**		4.89	
Advance against services	**40.10**		5.60	
Rent received	**36.00**		36.00	
Dividend received	**61.96**		61.96	
Blue Star Qatar WLL		**114.47**		85.89
Guarantee commission	**28.59**		29.94	
Sales & Services	**-**		10.23	
Corporate guarantee given	**2,858.57**		2,994.02	
Blue Star Design & Engineering Limited		**-**		487.85
Sales & Services rendered	**-**		0.61	
Consultancy service received	**-**		43.31	
Loan repaid	**-**		5.00	
Interest on Loan	**-**		32.95	
Corporate guarantee given	**-**		238.38	
Guarantee commission	**-**		2.50	

(₹ in lakhs)

Name of Related party (contd.)	2013-14 Amount ₹	2013-14 Balance O/s DR/(CR) ₹	2012-13 Amount ₹	2012-13 Balance O/s DR/(CR) ₹
Key Management Personnel				
Managerial remuneration				
Suneel M Advani	**279.11**		224.11	
Satish Jamdar	**229.00**		173.33	
Vir S Advani	**133.74**		103.97	
B Thiagarajan	**118.65**		-	
Directors Sitting Fees & Commission				
Ashok M Advani	**-**		13.80	
Leave Benefits and Retirals				
Ashok M Advani	**-**		33.15	
Suneel M Advani	**13.65**			
Relative of Key Management Personnel		**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.

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. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹3035.62 lakhs (31 March 2013: ₹3,124.38 lakhs)

35: EARNING PER SHARE

		As at March 31 2014	As at March 31 2013
Profit/(Loss) after taxation as per Profit & loss Account	₹ lakhs	**7,754.16**	3,907.05
Less: Preference Dividend & tax thereon		**(210.50)**	-
Profit attributable to Equity Shareholders		**7,543.66**	3,907.05
Weighted average number of Equity Shares Outstanding.	Nos.	**89,936,105**	89,936,105
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	**8.39**	4.34

36 During the year, the Company has entered into a contract, in the normal course of business, for services rendered and received for a value of ₹12.43 lakhs (31 March 2013 ₹29.36 lakhs) with four (31 March 2013: two) 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 both the years.

37: AMALGAMATION

Amalgamation of Synergy Realtors and Services Private Limited (SRSPL) with Blue Star Design and Engineering Limited (BSDEL)

Pursuant to the scheme of amalgamation ('the scheme') of Synergy Realtors and Services Private Limited (SRSPL) with Blue Star Design and Engineering Limited (BSDEL) under section 391 and 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay on 15th March 2013 and Hon'ble High Court of Haryana and Punjab on 24th May, 2013, the assets and liabilities of SRSPL were transferred to and vested in BSDEL with effect from 1st April 2012. Accordingly, the scheme has been given effect to in these accounts.

BSDEL provides Engineering Services to the Manufacturing and Architecture, Engineering & Construction (AEC) sectors. The operations of SRSPL include Renting of immovable properties .

The amalgamation has been accounted for under the "purchase method" as prescribed by AS-14 'Accounting for Amalgamations'. Accordingly, the accounting treatment has been given as under:

i. In terms of the scheme, 180 fully paid up preference shares of ₹100 each of BSDEL 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 BSDEL was cancelled. Consequently BSDEL has become a wholly owned subsidiary of Blue Star Limited in the current year w.e.f 1st April, 2012.

ii. All asset and liabilities of SRSPL were recorded at fair market value as on 1st 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 has been credited to the Capital Reserve of BSDEL.

iii. Goodwill arising on consolidation of ₹217 lakhs recognised in the last year on step up acquisition of additional 20% in BSDEL and ₹640 lakhs arising due to additional acquisition of 50% stake in current year has been adjusted against Capital Reserve. Accordingly, net amount of ₹2793.62 has been disclosed in the consolidated financial statements as capital reserve.

iv. Profit of ₹224.54 lakhs of SRSPL for the year 2012-13 has been included in the Surplus/(deficit) in the Reserve & Surplus schedule in the Consolidated statement of profit and loss of the Blue Star Limited.

v. Additional depreciation of ₹238.6 lakhs on fair market valuation of SRSPL assets for the year 2012-13 has been included in Surplus/(deficit) in the Consolidated statement of profit and loss in Reserves and Surplus schedule.

vi. Loss of BSDEL for the year 2012-13 of ₹30.20 lakhs arising on account of acquisition of additional 50% share of BSDEL in the current year has been included in Surplus/(deficit) in the Consolidated statement of profit and loss in Reserves and Surplus schedule.

38 The Company was involved in an arbitration with a Customer for unpaid amount and additional claim for extra work carried out. In an earlier year the arbitration was awarded in favour of the Company against which the customer filed an application before the District Court. Subsequent to the year end, the application filed by the customer was dismissed by the District Court and accordingly the Company has recognised an income of ₹618 lakhs.

39: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date

Particulars	2013-14		2012-13	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Particulars of Derivatives				
Forward cover to Purchase USD				
Hedge of underlying payables - USD	**40,947,209.06**	**24,531.45**	42,685,596.19	23,176.14
- Buyers' Credit	**17,149,801.55**	**10,274.45**	42,685,596.19	23,176.14
- Other Payables	**23,797,407.51**	**14,257.00**	-	-

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

Foreign Currency	2013-14		2012-13	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Bank Balances				
AED	**242,800.40**	**39.56**	74,665.00	11.02
EUR	**39,158.79**	**32.19**	321.74	0.22
MUR	**-**	**-**	658,405.24	11.44
RMB	**25,489.54**	**2.46**	67,137.39	5.86
USD	**972,700.08**	**582.24**	1,416,644.72	769.17
Receivables				
AED	**85,721.40**	**13.97**	143,051.00	21.12
CAD	**21,383.91**	**11.57**	107,118.93	57.20
EUR	**448,048.57**	**368.71**	623,857.96	433.78
GBP	**76,766.50**	**76.47**	66,941.50	55.21
JPY	**6,783,664.00**	**39.49**	10,746,016.00	61.95
MYR	**948,280.00**	**173.39**	555,520.00	97.24
QAR	**878,342.24**	**144.49**	878,412.24	128.25
SEK	**-**	**-**	7,417.72	0.65
USD	**54,604,504.65**	**3,357.33**	6,101,814.28	3,311.62
Payables				
AED	**15,951.79**	**2.60**	22,569.31	3.34
AUD	**31,712.33**	**17.56**	55,199.05	31.19
CAD	**9,691.65**	**5.26**	9,691.65	5.17
CHF	**1,986.62**	**1.34**	419.37	0.24
EUR	**952,527.71**	**783.72**	1,290,317.10	897.17
GBP	**22,749.59**	**22.66**	31,992.11	26.38
JPY	**20,651,686.00**	**120.25**	12,865,790.00	74.15
RMB	**21,330.70**	**2.06**	-	-
SEK	**5,865.32**	**0.54**	34,079.35	2.83
SGD	**82,393.20**	**39.18**	82,393.20	36.03
USD	**15,478,180.40**	**9,272.73**	35,817,107.46	19,445.88
Buyers' Credit				
USD	**5,359,390.39**	**3,210.81**	1,640,590.60	890.76

40 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.

41 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. Batliboi & Associates LLP**
ICAI Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 30, 2014

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

Satish Jamdar	Managing Director
Vir S Advani	Executive Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 30, 2014

Statement under Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

The details of the subsidiary companies in terms of the general circular no 2/2011 dated 8th February, 2011 issued by the Government of India, Ministry of Corporate affairs under Section 212(8) of the Companies Act, 1956.

(₹ in lakhs)

Particulars	**Blue Star Design and Engineering Limited**	**Blue Star Electro Mechanical Limited**
The "Financial Year" of the Subsidiary Companies	March 31, 2014	March 31, 2014
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	19,70,000 Shares of ₹10/- each fully paid up
- Extent of holding	100%	100%
Equity Share Capital	97.50	197.00
Preference Share Capital	1,800.00	-
Reserves and Surplus	2,711.18	(1,920.40)
Total Assets	6,751.61	4712.79
Total Liabilities	2,142.92	6436.19
Investments	-	-
Turnover & Other Income	2,491.73	6,850.65
Profit before Tax	1,700.65	(1,327.26)
Provision for Taxation	-	1.18
MAT Credit Entitlement / Reversed	165.35	-
Deferred Tax	(60.19)	-
Profit/(Loss) after Tax	1,595.49	(1,328.44)
Preference Dividend	180.00	-
Equity Dividend	828.75	-

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: L 28920MH1949PLC 006870

Compliance Officer
Mr Sangameshwar Iyer
Company Secretary
E-mail: sangameshwar@bluestarindia.com

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

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

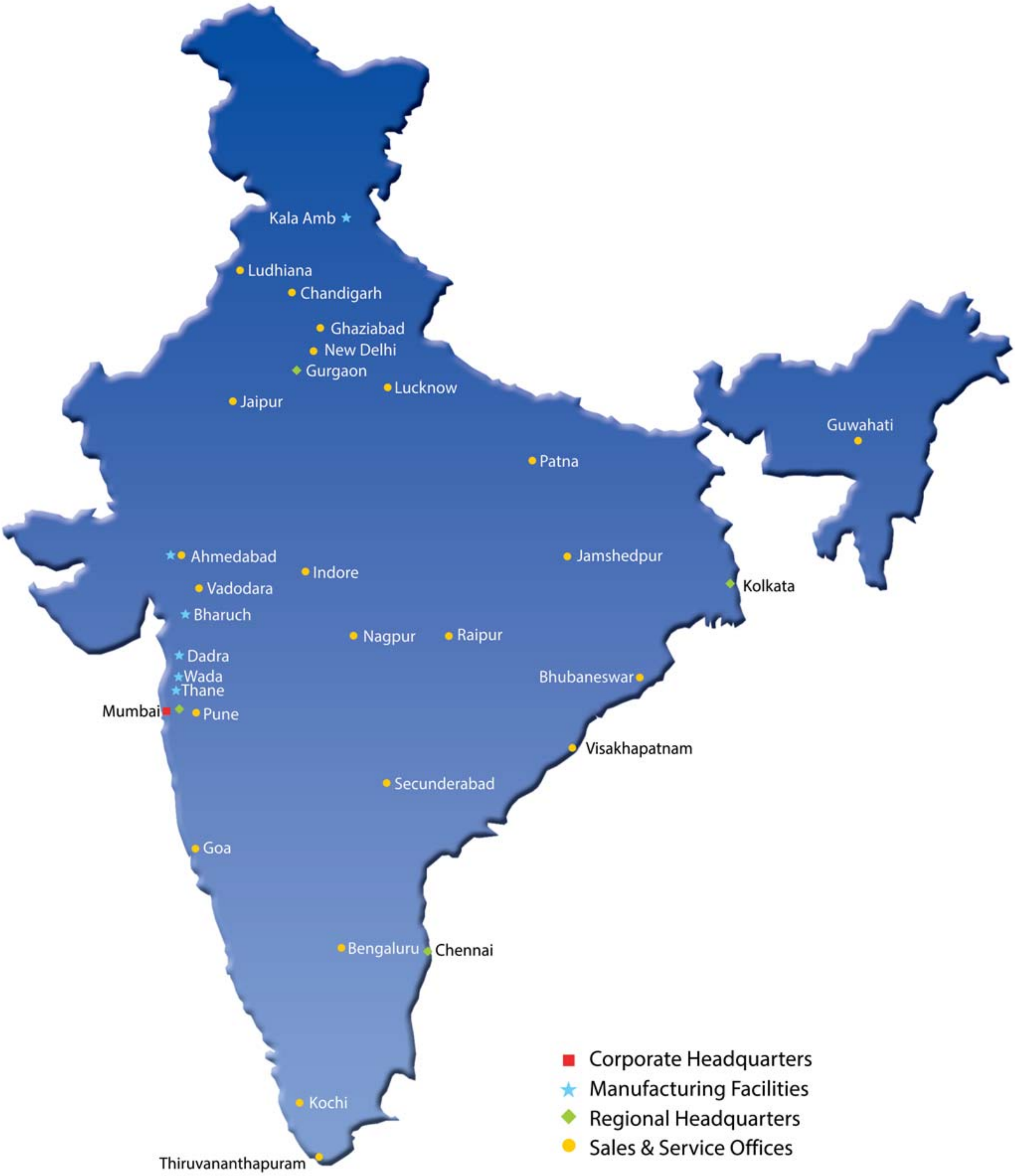
As of March 31, 2014, the Company has 22490 registered shareholders. Approximately 32% of the Company's shares are held by individual investors. The Promoters hold approximately 40% of the shares while Foreign Investors, Institutions and Body Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

BSE (Bombay Stock Exchange) Ltd
National Stock Exchange of India Ltd

Notes

Blue Star Establishments



BLUE STAR

BREATHE EASY