

May 15, 2009

**NOTICE** is hereby given that the 61st Annual General Meeting of the Members of the Company will be held at Jai Hind College Hall, 23-24, Sitaram Deora Marg ('A' Road), Churchgate, Mumbai 400 020, on Monday, July 27, 2009 at 2.30 p.m. to transact the following business:

**A. ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report, the audited Balance Sheet as at March 31, 2009, the Profit & Loss Account for the financial year ended as at the same date and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Satish Jamdar who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr Pradeep Mallick who retires by rotation and, being eligible, offers himself for reappointment.
5. To consider appointment of Auditors in place of the retiring Auditors, (who have expressed their intention not to seek reappointment) and to fix their remuneration. A special notice in this regard has been received from a member to appoint Messrs S. R. Batliboi & Associates, Chartered Accountants, in place of the retiring Auditors.

**B. SPECIAL BUSINESS**

6. To consider and, if thought fit, to pass with or without modification, as an Ordinary Resolution, the following:  
"**RESOLVED** that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and it is hereby given to the appointment of Mr Satish Jamdar as a Managing Director of the Company for a period of 5 years with effect from July 1, 2009 upon the remuneration and terms and conditions set out in the draft agreement placed before this meeting and initialed by the Company Secretary for the purpose of identification."
7. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:  
"**RESOLVED** that pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act 1956, the consent of the Company be and it is hereby accorded to the payment of commission to the Non-Executive Directors for a period of five financial years of the Company commencing on 1<sup>st</sup> April, 2009 at such rate as may be approved by the Board of Directors of the Company, subject to a ceiling of 1% (one percent) per annum of the net profits of the Company calculated in accordance with the provisions of the said Act, such commission being divisible amongst the aforesaid Directors in such proportion and in such manner as may be decided by the Board of Directors"
8. To consider and, if thought fit, to pass with or without modification, as a Special Resolution, the following:  
"**RESOLVED** that pursuant to the provisions of Sections 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, the approval of the Company be and it is hereby given to Mr Vir S Advani, a relative of Mr Suneel M Advani, Vice Chairman and Managing Director of the Company, to continue to hold an office of profit in the Company with effect from July 1, 2009 as President, Corporate Affairs and Special Projects on a salary of Rs. 1,50,000/- per month together with usual incentives, allowances, perquisites and benefits, including terminal benefits such as Provident Fund, Gratuity and Superannuation, as applicable to other executives of the Company in similar grade, with authority to the Board of Directors to sanction, at their discretion, increments within the grade and/or promotion to the higher grade or grades on a higher salary together with the usual incentives, allowances, perquisites and benefits to such grade or grades as they may deem fit and proper, subject to the condition that the increase in remuneration on each occasion shall not exceed 30% of his last drawn remuneration.

**FURTHER RESOLVED** that the Board of Directors of the Company be and it is hereby authorized to agree to and accept any change in the aforesaid terms as may be required by the Central Government and acceptable to Mr Vir S Advani and to do all other necessary acts, deeds and things as may be necessary for giving effect to this resolution."

**NOTES:**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Ordinary/Special Business under Item nos. 5 to 8 above is annexed hereto. Information as required under Clause 49(VIA) of the Listing Agreement, relating to the Directors proposed to be reappointed, is also provided in the Annexure to this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.**
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, July 15, 2009 to Wednesday, July 22, 2009 (both days inclusive).
4. The dividend if declared at the Annual General Meeting will be paid on or after July 30, 2009, only to those Members whose names appear on the Company's Register of Members on July 22, 2009.
5. Under Section 205A of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investor Education and Protection Fund of the Central Government and accordingly the Company will be transferring the unpaid and unclaimed amount pertaining to Dividend paid for the year 2001-02 to the Investor Education and Protection Fund of the Central Government in August, 2009.

Members who have not encashed the dividend warrant(s) for Dividend 2002 or any subsequent dividend payment(s) so far, are requested to make their claims to the Company immediately. Please note that as per Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund in respect of individual amounts which remain unclaimed or unpaid for a period of seven years from the date of payment and no payment shall be made in respect of such claims.

6. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their bank details, ECS mandate, nomination, power of attorney, change of address, change in name, etc., to their depository participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members. Members holding shares in physical form are requested to intimate the changes to the Share Transfer Agents of the Company.
7. Members are advised to avail of the facility for receipt of future dividends through Electronic Clearing Service (ECS). The ECS facility is available at the specified locations. Members holding shares in dematerialized mode are requested to contact their respective Depository Participants (DPs) for availing ECS facility. Members holding shares in physical form and desirous of availing ECS facility are requested to write to the Company or its Registrars for details.

By Order of the Board of Directors

**K P T KUTTY**  
Company Secretary

## 1. EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956.

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to Ordinary/Special Business mentioned in the accompanying Notice dated May 15, 2009.

### ITEM NO. 5

Messrs K. S. Aiyar & Company, Chartered Accountants, Mumbai; Mohinder Puri & Company Chartered Accountants, New Delhi; R. Venkatarama Aiyar & Company, Chartered Accountants, Kolkata and Sharp & Tannan, Chartered Accountants, Chennai; Statutory and Branch Auditors of the Company who are retiring at the next Annual General Meeting have expressed their desire not to seek re-appointment.

The Company has received a notice pursuant to Sections 190 and 225 of the Companies Act, 1956 from a shareholder proposing the name of Messrs S. R. Batliboi & Associates, Chartered Accountants, Mumbai for appointment as Statutory Auditors at the forthcoming Annual General Meeting of the Company. They have given their consent to act as Auditors of the Company and confirmed that the appointment, if made, will be in compliance with Section 224 (1B) of the Companies Act 1956.

The Board commends the resolution for your approval.

None of the Directors of the Company is concerned or interested in passing this resolution.

### ITEM NO. 6

Mr Satish Jamdar was appointed as Deputy Managing Director for a period of five years with effect from July 1, 2007. In view of his excellent leadership and contribution to the growth and performance of the Company, the Board of Directors at its meeting held on May 15, 2009, approved his promotion as Managing Director and re-appointment for a period of five years with effect from July 1, 2009 on remuneration, terms and conditions contained in the draft agreement placed before that meeting. His present agreement will stand terminated with effect from that date. The information relating to Mr Satish Jamdar is provided hereunder.

Mr Satish Jamdar (57 years) is a Mechanical Engineer from IIT Bombay and also qualified in Systems Management from NIIT and Management Studies from UK and USA. He has held responsible positions in companies like Siemens, BPL and Alstom and has varied experience in manufacturing, materials management and IT projects. He joined Blue Star in 1996 as Vice President, Dadra Plant and was promoted to Executive Vice President in July 2000, Executive Director in November 2003 and Deputy Managing Director in July 2007. He was instrumental in setting up the modern manufacturing units in Dadra, Kala Amb and Wada. He currently oversees manufacturing activities, airconditioning & refrigeration service business and is in charge of international sales, materials management and corporate financial services of the Company.

Mr Jamdar's varied experience, leadership qualities, and excellent managerial capability will contribute substantially to the growth of the Company.

Mr Satish Jamdar holds 27200 equity shares of the Company.

He is not a Director or Committee Member of any other Company

The abstract of the terms and conditions contained in the draft agreement is as follows:

#### A. SALARY

Rs. 3,30,000/- per month with annual increments at such rate as may be approved by the Board of Directors of the Company subject to the ceiling of 25% of his basic salary.

#### B. COMMISSION

As approved by the Board of Directors subject to a ceiling of 2% percent of the net profits of the Company as computed under the Companies Act, 1956, provided that the total remuneration shall not exceed the individual and overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956 for the time being and from time to time in force.

#### C. PERQUISITES

- i) In addition to the salary and commission, Mr Satish Jamdar will also be entitled to perquisites and allowances including furnished accommodation or house rent in lieu thereof; gas, electricity, water and furnishings; medical reimbursement and leave travel concessions for self and family; club fees; and personal accident insurance or

such other perquisites and/or cash compensation in accordance with the Rules applicable to other senior executives of the Company, subject to the condition that the total perquisites, including the cash compensation, will be restricted to an amount equivalent to twice his annual salary.

For the purpose of calculating the above, perquisites shall be evaluated as per Income Tax Rules wherever applicable.

- ii) Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these are, either singly or put together, not taxable under the Income Tax Act; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of perquisites.
- iii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

In the event of loss or inadequacy of profits in any financial year, Mr Jamdar shall be paid remuneration by way of salary and perquisites in accordance with the limits laid down in Schedule XIII of the Companies Act, 1956, or any statutory modifications therein or enactment thereof, as may be agreed to by the Board of Directors and Mr Jamdar.

#### D. LEAVE

In accordance with the rules of the Company as applicable to other senior executives of the Company.

#### E. OTHERS

Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

#### F. NATURE OF DUTIES

He shall devote his whole time and attention to the business of the Company, perform his duties truly and faithfully and comply with the directives given to him from time to time by the Board, and further not to disclose to any person, firm or company any confidential information.

#### G. OTHER CONDITIONS

He shall not during his tenure as Managing Director, become interested or otherwise concerned directly or through his wife and/or minor children, if any, in any selling agency of the Company without the prior approval, as may be required under the Companies Act, 1956.

#### H. TERMINATION

The Agreement may be terminated

- (a) forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284, and other applicable provisions of the Companies Act, 1956

Or

- (b) by giving 6 months' notice in writing by either party.

#### I. ARBITRATION

Disputes to be settled by arbitration.

Copies of the Agreement will be available for inspection by the members at the Registered Office of the Company on any working day from Monday to Friday and will be available at the Meeting.

None of the Directors of the Company, except Mr Satish Jamdar, is concerned or interested in passing this resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract of the terms and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

#### ITEM NO. 7

At the Annual General Meeting held on July 26, 2004, a Special Resolution was passed approving the payment of commission to Non-Executive Directors of the Company for five financial years commencing from the financial year ended March 31, 2005. This approval needs to be renewed for payment of commission from the financial year beginning 1<sup>st</sup> April, 2009 onwards.

Since the Company seeks the services of Non-Executive Directors besides attending Board Meetings, it is just and equitable to continue compensating them by payment of commission based on the net profits of the Company. It is therefore, proposed that the payment of commission to Non-Executive Directors be continued for a further period of five years from the financial year beginning 1<sup>st</sup> April, 2009. The amount payable to each Director will be decided by the Board every year within the overall commission not exceeding 1% of the net profit of the Company.

Pursuant to Section 309 of the Companies Act, 1956, it is necessary to take the approval of shareholders for payment of commission to Directors. The proposed resolution is therefore, recommended for the approval.

All the Non-Executive Directors are concerned or interested in passing the above resolution.

#### ITEM NO.8

By a resolution passed by the shareholders at the Annual General Meeting held on August 3, 2007 and approved by the Central Government, Mr Vir S Advani was appointed Vice President of the Company effective September 1, 2007. He was promoted to Executive Vice President effective July 1, 2008. The Board of Directors, at its Meeting held on May 15, 2009, approved the promotion of Mr Vir S Advani as President on a higher salary scale with effect from July 1, 2009, subject to the approval of shareholders and the Central Government as required under Section 314 of the Companies Act, 1956.

Mr Vir S Advani is the son of Mr Suneel M Advani, the Vice Chairman and Managing Director of the Company. He holds a BS degree in System Engineering and B.A. degree in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Program 'The Program for Leadership Development' at Harvard Business School. Prior to his joining Blue Star Limited, he worked with Three Cities Research Inc., USA for two years, Blue Star Infotech Limited for three and a half years and Blue Star Design & Engineering Limited for three and a half years. In Blue Star Design & Engineering Limited, he was a wholetime Director designated as Chief Executive Officer responsible for the entire operations of the Company. In Blue Star Limited, Mr Vir S Advani took charge of a major corporate profit improvement project named 'Project Quantum' and successfully implemented the project in consultation with Accenture, a well-known consultancy firm. This project has already contributed immensely to the profitability and performance of the Company in its first year. He also headed the Infrastructure Projects and the International Projects businesses. Earlier, he was actively involved in various corporate developmental activities including acquisition of an electrical contracting business, planning and implementation of the SAP ERP system, etc.

Mr Vir S Advani is being promoted on a monthly salary of Rs. 1,50,000/- with usual incentives, allowances, perquisites and benefits, including terminal benefits such as Provident Fund, Gratuity and Superannuation, as applicable to other executives of the Company in similar grade. His gross remuneration in the present grade, excluding terminal benefits, would be approximately Rs. 70,00,000/- per annum. Besides, he will be entitled to a car and driver and telephone facilities as applicable to other executives. The Board of Directors is authorized to sanction, at their discretion, increments within the grade and promotions to the higher grade or grades on a higher salary together with usual incentives, allowances, perquisites and benefits applicable to such grade or grades, subject to the condition that the increase in remuneration on each occasion shall not exceed 30% of his previous remuneration. The Board of Directors of the Company is also authorized to agree to and accept any change in the aforesaid terms as may be required by the Central Government and acceptable to Mr Vir S Advani and to do all other necessary acts, deeds and things as may be necessary for giving effect to the resolution.

Pursuant to the provisions of Section 314 (1B) of the Companies Act, 1956, it is necessary to obtain the consent of the Company by a Special Resolution and approval of the Central Government for increasing the remuneration beyond the approved salary scale, of a relative of Director holding an office or place of profit in the Company.

Considering Mr Vir S Advani's qualifications, varied experience and his contributions to the growth and profitability of the Company, his promotion will immensely benefit the Company and the remuneration offered to him is commensurate with his qualifications, experience and the salary drawn by him in his previous grade.

None of the Directors of the Company, except Mr Suneel M Advani and Mr Ashok M Advani, is concerned or interested in this resolution.

## 2. INFORMATION AS REQUIRED BY CLAUSE 49(VIA) OF THE LISTING AGREEMENT

As required by Clause 49 (VIA) of the Listing Agreement with the Stock Exchange, the information relating to the Directors proposed to be reappointed is provided hereunder:

Information required in respect of Item No. 3 of the Notice is given in the Explanatory Statement hereinabove.

### ITEM NO. 4 - MR PRADEEP MALLICK

Mr Pradeep Mallick (66 years) is a B. Tech from IIT Madras, a Diploma holder in Business Management (UK) and Fellow of the Institution of Engineering & Technology, London. He was the Managing Director of Wartsila India Limited from 1988 to 2003, prior to which he worked with several leading Companies in the field of electrical power transmission and distribution. He joined the Board of Blue Star in 2003.

Details of his other Directorship/Membership of Committees are given below:

Name of the Company	Directorship	Committee Membership
ACCOR Radhakrishna Corporate Services Pvt. Ltd.	Chairman	
Auro Mira Energy Co Pvt. Ltd.	Chairman	
Automotive Stampings and Assemblies Ltd.	Director	Audit & Remuneration
Elantas Beck India Ltd.	Director	Audit
ESAB India Ltd.	Director	Audit & Investor Grievance
Mount Everest Mineral Water Ltd.	Director	Audit, Investor Grievance & Remuneration
Pragati Leadership Institute Pvt.Ltd.	Director	
Religare AEGON Trustee Co. Pvt. Ltd	Director	
Royal Images Direct Marketing Pvt. Ltd.	Chairman	
Tube Investments of India Ltd.	Director	Audit

Mr Pradeep Mallick does not hold any equity shares of the Company.

### BLUE STAR LIMITED

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

May 15, 2009

By Order of the Board of Directors

**K P T KUTTY**  
Company Secretary

### FOR THE ATTENTION OF SHAREHOLDERS

- Shareholders are requested to forward their queries on Accounts for the financial year ended March 31, 2009 to the Registered Office of the Company at least 10 days in advance to enable us to keep the information ready at the Meeting.
- The Annual Reports and Attendance Slips will not be distributed at the Annual General Meeting. Shareholders attending the Meeting are requested to bring the same along with them.