

May 30, 2007

NOTICE is hereby given that the 59th 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 Friday, August 3, 2007 at 3.00 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, 2007, the Profit & Loss Account for the financial year ended as at the same date and the Auditors' Report thereon.
2. To declare a final dividend.
3. To appoint a Director in place of Mr T G S Babu who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr Suresh N Talwar who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

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 Section 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the resolutions approving the terms and conditions of appointment of wholetime Directors, the approval be and it is hereby given to the Company for payment of perquisites to the Managing Directors viz, Mr Ashok M Advani and Mr Suneel M Advani and to the wholetime Directors viz, Mr T G S Babu and Mr Satish Jamdar, in cash and/or by way of reimbursement of expenses with effect from the financial year 2006-07, subject to the condition that the total amount paid by way of perquisites to each Director shall not exceed twice their respective annual salaries."
7. 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 T G S Babu as a Deputy Managing Director of the Company for a period of 5 years with effect from July 1, 2007 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."
8. 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 Deputy Managing Director of the Company for a period of 5 years with effect from July 1, 2007 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."
9. 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 hold an office of profit in the Company with effect from August 4, 2007 as Vice President of the Company on a salary of Rs. 80,000 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 previous 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 Special Business under Item nos.6 to 9 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 25, 2007 to Wednesday, August 1, 2007 (both days inclusive).
4. The dividend declared at the Annual General Meeting will be paid on or after August 8, 2007, only to those Members whose names appear on the Company's Register of Members on August 1, 2007.
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 Final Dividend paid for the year 1999-2000 to the Investor Education and Protection Fund of the Central Government in October, 2007.

Members who have not encashed the dividend warrant(s) for Final Dividend 2000 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

Annexure to Notice

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 Special Business mentioned in the accompanying Notice dated May 30, 2007.

ITEM NO. 6

The Shareholders had approved the remuneration of Mr Ashok M Advani and Mr Suneel M Advani at the Annual General Meeting held on July 23, 2003, that of Mr T G S Babu at the Annual General Meeting held on July 27, 2005 and that of Mr Satish Jamdar at the Annual General Meeting held on July 26, 2004. The remuneration *interalia* included reimbursement of perquisites subject to a ceiling of twice their respective annual salaries.

Since the perquisites were paid by way of reimbursement of actual expenditure incurred by the Managing Directors and wholetime Directors, the total perquisites received by the Directors differed and was far below the approved limits. In order to rationalize the remuneration, the Board of Directors at its meeting held on October 30, 2006 approved, subject to the approval of Shareholders, payment of perquisites in cash and/or by way of reimbursement expenses, subject to a maximum limit of twice their respective annual salaries, as in the case of other senior executives of the Company. The above change is effective from the financial year 2006-07.

Section 310 read with Schedule XIII of the Companies Act 1956 requires the approval of Shareholders for any amendment, which has the effect of directly or indirectly increasing the remuneration of wholetime Directors. All other terms and conditions approved at the Annual General Meetings mentioned above remain unchanged.

None of the Directors of the Company, except Mr Ashok M Advani, Mr Suneel M Advani, Mr T G S Babu and Mr Satish Jamdar, is concerned or interested in this resolution.

This Explanatory Statement may be treated as an abstract of the variation of terms and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

ITEM NOS. 7 & 8

Mr T G S Babu and Mr Satish Jamdar were appointed as wholetime Directors designated as Executive Directors for a period of five years with effect from September 1, 2005 and November 1, 2003 respectively. Considering the contributions made by Mr Babu and Mr Jamdar to the growth of the Company, the Board of Directors at its meeting held on May 30, 2007, approved their promotion as Deputy Managing Directors and re-appointment for a period of five years with effect from July 1, 2007 on remuneration, terms and conditions contained in the draft agreements placed before that meeting. Their present agreements will stand terminated with effect from that date. The information relating to Mr T G S Babu and Mr Satish Jamdar is provided hereunder.

1. MR T G S BABU

Mr T G S Babu (53 years) is a B Tech, MBA. He joined Blue Star in 1978 and was with the Company till August 1991. During this period, he held various responsible positions such as Regional Sales Manager – Medical Electronics, Branch Manager – Bangalore and General Manager – Communication Systems. After a short break of four years between September 1991 and October, 1995, during which period he worked as General Manager in MRF Limited, Chennai, he rejoined Blue Star in November, 1995 as Vice President – Packaged Airconditioning Division. He was promoted to Executive Vice President in 1998 and to Executive Director in September 2000. He currently oversees the channel business activities of the Company including packaged airconditioning, room airconditioners and commercial refrigeration products and systems.

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

He is not a Director or Committee Member of any other Company. He does not hold any equity shares in the Company.

2. MR SATISH JAMDAR

Satish Jamdar (55 years) is a Mechanical Engineer from IIT, Mumbai 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 on July 1, 2000 and Executive Director in November 2003. He was instrumental in setting up our most modern manufacturing units in Dadra and Kala Amb. Besides the manufacturing activities of the Company, he currently oversees the international sales, materials management and airconditioning and refrigeration service business.

Mr Satish Jamdar holds 63083 equity shares of the Company.

He is a Director of Blue Star M&E Engineering Sdn. Bhd. He is not a Committee Member of any other Company.

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

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

A. Salary:

Rs. 2,20,000/- 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 their basic salaries.

B. Commission:

Half percent of the net profits of the Company as computed under Section 349 of 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 or from time to time in force.

C. Perquisites:

i) In addition to the salary and commission, Mr T G S Babu and 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 their respective 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 Babu and 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 the Deputy Managing Directors.

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:

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

G. Other Conditions:

They shall not during their tenure as Deputy Managing Directors, become interested or otherwise concerned directly or through their 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:

- (a) The Board is entitled to terminate the Agreements forthwith by notice in writing on their vacation of office of Directors by virtue of Sections 283, 284, and other applicable provisions of the Companies Act, 1956.
- (b) 6 months' notice in writing by either party.

I. Arbitration:

Disputes to be settled by arbitration.

Copies of the Agreements 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 T G S Babu and Mr Satish Jamdar, is concerned or interested in 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.9

The Board of Directors at its meeting held on May 30, 2007, approved the appointment of Mr Vir S Advani as Vice President of the Company with effect from August 4, 2007, 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 BAS degree in System Engineering and B.A degree in Economics from the University of Pennsylvania. In May 2007, he completed a Comprehensive Executive Management Program, The Program for Leadership Development, at Harvard Business School. He worked as a Business Analyst with Three Cities Research Inc., USA for two years from 1999 to 2000. He joined Blue Star Infotech Limited in 2001 as Senior Manager, Business Development. He joined Blue Star Design & Engineering Limited in April 2004 as a wholetime Director designated as Chief Executive Officer of the Company. In this position he was responsible for the entire operations of the Company.

Mr Vir Advani is appointed on a monthly salary of Rs.80,000/- 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 approximately be Rs. 35,00,000/- 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 prior consent of the Company by a Special Resolution and approval of the Central Government to hold or continue to hold an office or place of profit in the Company by a relative of a Director of the Company.

Considering Mr Vir Advani's qualification, varied experience and his exposure to international business, his appointment as a Vice President will immensely benefit the Company and the remuneration offered to him is commensurate with his qualification, experience and the salary drawn by him in his previous employment.

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 SURESH N TALWAR

Mr Suresh Talwar (69 years) is a graduate in Commerce and Law and a Solicitor and Partner of M/s Talwar, Thakore & Associates, Mumbai. Before setting up this firm in April 2007, he was the Senior Partner of Crawford Bayley & Company, Mumbai. He joined the Board of Blue Star in June 1986. He is a legal Counsel to various Indian companies, multinational corporations and Indian and foreign banks. He has vast legal experience and expertise in corporate matters.

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

Name of the Company	Directorship	Committee Membership
PZ Cussons India Private Ltd	Chairman & Alternate Director	
FCI OEN Connectors Ltd	Chairman & Alternate Director	Audit Committee
Trans Warranty Finance Ltd	Chairman & Alternate Director	
Armstrong World Industries (India) Pvt Ltd	Chairman	
Moly Colloids Pvt Ltd	Chairman	
Merck Ltd	Chairman	Audit Committee
Romil Finance & Investments Pvt Ltd	Chairman	
Sidham Finance & Investments Pvt Ltd	Chairman	
20 th Century Fox Corpn (I) Pvt Ltd	Chairman	
Aon Global Insurance Services Pvt Ltd	Director	
Biocon Ltd	Director	Audit Committee
Birla Sun Life Insurance Co Ltd	Director	
Birla Sun Life Trustee Co Pvt Ltd	Director	
Blue Star Infotech Ltd	Director	Audit Committee

Name of the Company	Directorship	Committee Membership
Cadbury India Ltd	Director	Audit Committee
Carborundum Universal Ltd	Director	
Cholamandalam M/S General Insurance Company Ltd	Director	
Chowgule & Company Pvt Ltd	Director	
Collins Stewart Inga Pvt Ltd	Director	
Decagon Investments Pvt Ltd	Director	
Emerson Process Management (India) Pvt Ltd	Director	
Epitome Global Services Pvt Ltd	Director	
Greave Cotton Ltd	Director	
India Value Fund Trustee Co Pvt Ltd	Director	
IVF Trustee Co Pvt Ltd	Director	
IVF (Mauritius) PCC	Director	
IVF (Mauritius) Ltd	Director	
JM Morgan Stanley Securities Pvt Ltd	Director	
John Fowler (India) Pvt Ltd	Director	
Larsen & Toubro Ltd	Director	
Man Financial (India) Pvt Ltd	Director	
Rakeen Development PJSc	Director	
Renfro India Pvt Ltd	Director	
Rakindo Developers Pvt Ltd	Director	
Rediffusion Dentsu, Young & Rubicam Pvt Ltd	Director	
Reva Electric Car Co Pvt Ltd	Director	
Sandvik Asia Ltd	Director	Audit Committee
Shrenuj & Co Ltd	Director	
Solvay Pharma India Ltd	Director	Audit Committee
Snowcem Paints Pvt Ltd	Director	
Showdiff Worldwide Pvt Ltd	Director	
Sonata Software Ltd	Director	
Swiss Re Shared Services (India) Pvt Ltd	Director	
Swiss Re Healthcare Services Pvt Ltd	Director	
TTK Healthcare Services Pvt Ltd	Director	
Warner Bros Pictures (India) Pvt Ltd	Director	
Albright & Wilson Chemicals India Ltd	Alternate Director	
Beck India Ltd	Alternate Director	Audit Committee
Esab India Ltd	Alternate Director	
Garware Wall Ropes Ltd	Alternate Director	
Johnson & Johnson Ltd	Alternate Director	
Schenectady (India) Holdings Pvt Ltd	Alternate Director	
SI Group - India Ltd	Alternate Director	Remuneration Committee
Uhde India Ltd	Alternate Director	
Wyeth Limited	Alternate Director	Remuneration Committee

Mr Suresh N Talwar holds 71,125 Equity Shares in the Company.

BLUE STAR LIMITED

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

May 30, 2007

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, 2007 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.