

29th September, 2015

The Board of Directors,
Blue Star Limited,
Bandbox House,
4th Flr, 254 D,
Dr Annie Besant Road,
Worli, Mumbai - 400 030

Dear Members of the Board:

I. Engagement Background

We understand that the Board of Directors of Blue Star Limited is considering the amalgamation of Blue Star Infotech Limited (“Transferor Company 1/ BSIL”) with Blue Star Limited (“Transferee Company / BSL”). The proposed reorganization is to be carried out pursuant to a Composite scheme of Amalgamation under section 391-394 of the Companies Act, 1956 and other relevant provisions of the Act (including corresponding provisions of the Companies Act, 2013 as may be applicable). Further, we understand that the Board of Directors of BSL is also considering amalgamation of Blue Star Infotech Business Intelligence & Analytics Private Limited (“Transferor Company 2/BSIBIA”), currently a wholly owned subsidiary of BSIL, with itself, subject to satisfactory fulfilment and accomplishment of amalgamation of BSIL with BSL. It may be noted that upon amalgamation of Transferor Company 1 with Transferee Company, the entire share capital of BSIBIA will be held by the Transferee Company.

The scheme envisages an amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company as per terms and conditions more fully set forth in the scheme of Amalgamation to be placed before the Board for their approval.

In consideration of the amalgamation of the Transferor Company 1 into the Transferee Company pursuant to the Scheme of Amalgamation, for every 10 (Ten) equity shares of the face value of Rs. 10 each held by the shareholders of the Transferor Company 1, the Transferee Company shall issue and allot 7 (Seven) equity share of the face value of Rs. 2 each fully paid up (hereinafter referred to as the “Share Exchange Ratio”).



Axis Capital Limited (Erstwhile “Axis Securities and Sales Limited”)

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In connection with the aforesaid, you requested our Fairness Opinion (“Opinion”) as of the date hereof, as to the fairness of the Share Exchange Ratio to the Equity Shareholders of the Transferee Company.

II. Basis of Opinion

In the Rationale of the Scheme of Amalgamation, it was showcased that the proposed amalgamation will consolidate group level resources and assets for optimal deployment and enhanced efficiencies and administratively simplify management of underlying businesses and office property portfolio within the Group and realize available synergies

Further it will provide capital funding for the growth of Group’s core business and improve returns to create long term sustainable value for all shareholders. It will also enable better and efficient management, control and running of the businesses to attain operational efficiencies, cost competitiveness, create synergies and will be beneficial for capitalizing on the growth opportunities to the fullest extent.

A brief history of each of the aforesaid companies is as under -

- (a) Blue Star Limited (hereinafter referred to as “**Transferee Company / BSL**”) is a public company, incorporated under the provisions of the Companies Act 1956. The equity shares of BSL are listed on the Bombay Stock Exchange and the National Stock Exchange of India. BSL is engaged in the business of central air conditioning and commercial refrigeration, plumbing and fire-fighting.
- (b) Blue Star Infotech Limited (hereinafter referred to as “**Transferor Company 1/ BSIL**”) is a public company, incorporated under the provisions of the Companies Act 1956. The equity shares of BSIL are listed on BSE Limited and the National Stock Exchange of India Limited. BSIL is engaged in the business of dealing in microprocessor based mini computers and data processing system and different types of software, calculators, electronic and electrical apparatuses, equipment, gadgets including mobility, cloud computing, analytics and business intelligence, product engineering, testing, package implementation, applications services and leasing of immovable property. We have been given to understand that Transferor Company 1 has entered into business transfer agreement pertaining to the transfer of the IT Business on a going concern and “as-is-where-is” basis, including the assets and liabilities, for a lump sum consideration without assigning value to individual assets and liabilities and subject to the terms, conditions and provisions set forth under the Transfer Agreement.
- (c) Blue Star Infotech Business Intelligence & Analytics Private Limited (“**Transferor Company No 2 / BSIBIA**”), originally incorporated under the name “Activecubes India

Private Limited”, is a private limited company incorporated under the provisions of the Companies Act, 1956. BSIBIA is in the business of dealing in microprocessor based mini computers and data processing system and different types of software, calculators, electronic and electrical apparatuses, equipment, gadgets including mobility, cloud computing, analytics and business intelligence, product engineering, testing, package implementation, applications services.

The key features of the scheme provided to and relied upon by us for framing an Opinion on Share Exchange Ratio in consideration of the amalgamation of BSIL with BSL are as under:

1. Upon the scheme becoming effective, all the assets and liabilities will stand transferred from the Transferor Company 1 to the Transferee Company at book values
2. Investment held by the Transferee Company in form of equity shares in Transferor Company 1 will be cancelled
3. As consideration for the transfer, equity shares in the Transferee Company shall be issued to the other equity shareholders of the Transferor Company 1
4. All the Shareholders of the Transferor Company 1 shall become shareholders of the Transferee Company
5. Every equity shareholder of Transferor Company 1 shall receive 7 (Seven) equity shares of Rupees Two each of Transferee Company for every 10 (Ten) equity shares of Rupees Ten each held in Transferor Company 1 as on the Record date for the implementation of the scheme
6. Any inter se contracts between BSIL and BSL shall stand adjusted and vest in BSL upon sanction of the scheme and upon the scheme becoming effective
7. The said equity shares in BSL to be issued to the other shareholders of BSIL shall rank pari passu in all respect with the existing equity shares of the Transferee Company.
8. Subject to satisfactory fulfilment and accomplishment of amalgamation of BSIL into BSL, BSIBIA will amalgamate into BSL pursuant to provisions of Section 391 to 394 of Companies Act, 1956 and other applicable provisions of the Companies Act, 2013.
9. Share Exchange Ratio is based on the joint valuation report dated 29th September 2015 submitted by M/s BSR & Associates LLP (“BSR”) and SSPA & Co. (“SSPA”) appointed by the Board.
10. The appointed date for the amalgamation of BSIL into BSL is April 1, 2015

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of “fairness” for purposes of this Opinion.



III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Transferor Company 1 and the Transferee Company including the valuation report prepared by BSR & Associates LLP and SSPA & Co. and a Draft of the Composite Scheme of Amalgamation.

We have relied upon the accuracy and completeness of all information and documents provided to us, including:

- The audited financial statements of BSL as on March 31, 2015 and unaudited financial statements of BSL as on June 30, 2015
- The audited financial statements of BSIL as on March 31, 2015 and unaudited financial statements of BSIL as on June 30, 2015
- The financial projections of BSL for the period Financial Year (FY) 2016 to FY2020 and management information as provided to us by the management of BSL
- Net Cash position of BSIL consolidated as of 29th September after considering net sale consideration to be received by BSIL upon sale of its entire IT business along with net asset value of other assets including real estate.
- Other information, explanations and representations provided by the management of the companies.

The Company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final Opinion.

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Transferor Company 1 /BSIL or Transferor Company 2 /BSIBIA or the Transferee Company/ BSL and / or its subsidiaries. In particular, we do not express any opinion as to the value of any asset of the Transferor Company 1 /BSIL or Transferor Company 2 /BSIBIA or the Transferee Company/ BSL and / or its subsidiaries, whether at current prices or in the future. No investigation of the Companies claim to title of assets has been made for the purpose of the exercise and the Companies claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore, no responsibility whatsoever is assumed for matters of a legal nature.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where shares of the Transferee Company are being issued as



consideration to the shareholders of the Transferor Company 1, it is not the absolute per share values that are important for framing an opinion but the relative per share values of the Transferee Company vis-a-vis share value of the Transferor Company.

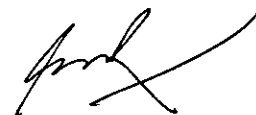
In rendering our Opinion, we have assumed, that the scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary Regulatory or third party approvals for the scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Transferor Company 1, the Transferor Company 2 or the Transferee Company and / or its subsidiaries and their respective shareholders.

We do not express any Opinion as to any tax or other consequences that might arise from the scheme on the Transferor Company 1 and / or its subsidiaries, the Transferor Company 2 or the Transferee Company and / or its subsidiaries and their respective shareholders, nor does our Opinion address any legal, tax, regulatory including all SEBI regulations or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the amalgamation of BSIL and BSIBIA with BSL as contemplated in the scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholders rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the Composite Scheme of Amalgamation other than the fairness, from financial point of view, of the Share Exchange Ratio.

We have in the past provided, and may currently or in the future provide, investment banking services to BSL and/or its subsidiaries or their respective affiliates that are unrelated to the proposed scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Ltd. may invest in securities of BSL and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers subject to compliance of SEBI (Prohibition of Insider Trading) Regulations and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of BSL in connection with its consideration of the scheme and for none other. Neither Axis Capital Ltd., nor its



affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

The fee for our services is not contingent upon the results of the proposed amalgamations. This Opinion is subject to the laws of India.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the scheme or any matter related thereto.

IV. Conclusion

In respect of BSIL amalgamation with BSL, based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Exchange Ratio is fair to the equity shareholders of BSL.

Further, in respect of BSIBIA amalgamation with BSL, we are of the opinion, that no fresh shares are being issued to the shareholders of BSIBIA as per the valuation report since the entire share capital of BSIBIA held by BSL (post amalgamation of BSIL with BSL) will be extinguished/cancelled on the effective date without any further act or deed.

Very truly yours,

For Axis Capital Ltd.



Lalit Ratadia

Managing Director

Investment Banking