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YOUR TRUST IS THE REASON  
WE'RE 75 TODAY.



We've come a long way in the last 75 years. From a humble beginning as a small engineering company in a corner of Mumbai back in 1943, today we're a global entity with multiple businesses that not only cool, purify and preserve air, food and water but also deliver world-class electro-mechanical engineering services. And the one thing that has most inspired us on this journey is the trust you have placed in us.



Room Air Conditioners | Air Purifiers | Air Coolers | Water Coolers | Water Purifiers | Commercial Refrigeration Solutions | Central Air Conditioning Systems | Cold Storages  
Mechanical, Electrical, Plumbing & Fire-Fighting Services | Healthcare Diagnostics | Professional Electronics & Industrial Systems | Engineering Facility Management Services

## BOARD OF DIRECTORS

Shailesh Haribhakti  
*Chairman*

Vir S Advani  
*Vice Chairman & Managing Director*

B Thiagarajan  
*Managing Director*

Rajiv R Lulla  
*Non-Executive Director*

Sunaina Murthy  
*Non-Executive Director (w.e.f. April 1, 2019)*

Dinesh N Vaswani  
*Non-Executive Director*

### Independent Directors

Sam Balsara

Rumjhum Chatterjee *(w.e.f. February 5, 2019)*

Anil Harish

Shobana Kamineni *(up to May 29, 2019)*

Gurdeep Singh *(up to July 31, 2019)*

Arvind K Singhal *(w.e.f. February 5, 2019)*

## COMPANY SECRETARY

Vijay Devadiga

## BANKERS

The Hongkong and Shanghai Banking Corporation Ltd

BNP Paribas

Kotak Mahindra Bank Ltd

State Bank of India

Oriental Bank of Commerce

IDBI Bank Ltd

ICICI Bank Ltd

HDFC Bank Ltd

DBS Bank India Ltd

IDFC Bank Ltd

Standard Chartered Bank

Citibank N.A.

## AUDITORS

Deloitte Haskins & Sells LLP, Chartered Accountants

## INTERNAL AUDITORS

Mahajan & Aibara, Chartered Accountants LLP

## REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt Ltd

C-101, 247 Park, L B S Marg, Vikhroli (West)

Mumbai 400 083. Tel: +91 22 4918 6000; Fax: +91 22 4918 6060

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

## REGISTERED OFFICE

Kasturi Buildings

Mohan T Advani Chowk, Jamshedji Tata Road

Mumbai 400 020. Tel: +91 22 6665 4000

[www.bluestarindia.com](http://www.bluestarindia.com)

CIN: L28920MH1949PLC006870

## CORPORATE MANAGEMENT

Vir S Advani  
*Vice Chairman & Managing Director*

B Thiagarajan  
*Managing Director*

C P Mukundan Menon  
*President - Sales & Marketing, Products Business*

P Venkat Rao  
*President - Electro-Mechanical Projects & Customer Service*

Neeraj Basur  
*Group Chief Financial Officer*

Sandeep Bathla  
*Executive Vice President - Manufacturing*

V S Ashok  
*Chief Human Resources Officer*

D H Roy  
*Executive Vice President - R & D and Procurement*

Wilson Jebaraj  
*Vice President - Customer Service*

Rahul Deshpande  
*Vice President - Electro-Mechanical Projects (Buildings & Factories)*

C Haridas  
*Vice President - Sales & Marketing, Cooling & Purification Products*

Suresh Iyer  
*Chief Information Officer*

## SUBSIDIARY COMPANIES

Prem Kalliath  
*Chief Executive Officer, Blue Star Engineering & Electronics Ltd*

Dawood Bin Ozair  
*Chief Executive Officer, Blue Star International FZCO*

# Letter from the Chairman



**Shailesh Haribhakti**  
*Chairman of the Board*

## Dear Shareholder,

This letter marks my first communication to you as the Chairman of Blue Star Limited, and I am privileged to be addressing you at this momentous time when the Company is celebrating its 75-year milestone! At the outset, I express my deep gratitude to you for your continuous support over the years.

In the last quarter of FY19, Blue Star witnessed significant changes in its Board composition. After a career of 50 glorious years with the Company, Suneel M Advani retired from the Board on March 31, 2019 and was re-designated Chairman Emeritus. Consequently, I was appointed as Chairman with effect from April 1, 2019. We also inducted Rumjhum Chatterjee, Arvind Singhal and Sunaina Murthy as new Directors, and I am sure they will strengthen the Board with their rich and diverse experience.

I have been a member of Blue Star's Board since 2005, and I am honoured to be the first professional Independent Chairman of this 75-year old Company. My appointment underscores the importance that the Company's promoters accord to corporate governance and professional management.

Despite a soft summer season in FY19 combined with commodity price escalations, rupee depreciation, the NBFC crisis, and an increase in interest rates, the Company delivered an impressive performance across businesses. Blue Star outperformed the market across several categories and also continued to gain market share. Our market capitalisation crossed the coveted USD 1 billion mark! It is all the more significant and a matter of deep satisfaction that the Company had such several achievements in its Platinum Jubilee year. Rightly, the Directors recommended a dividend of ₹10.00 per equity share of ₹2.00 each for FY 2018-19 (FY 2017-18: regular dividend of ₹8.50 per equity share plus special dividend of ₹1.50 per share to commemorate the Company's Platinum Jubilee).

## Letter from the Chairman

Blue Star has been a leading player in the air conditioning and refrigeration industry for decades now, and it has established itself as a significant player in the room air conditioner business. It has gained a strong position in the mechanical, electrical, plumbing, and fire-fighting arena as well. We established our engineering facility management business a few years ago, along with foraying into the water and air purification segments, subsequently making successful inroads into these competitive categories. Our international business is now spread across various countries and our goal is to enhance it even further in FY20. We are the largest AC&R service provider in the country, maintaining more than five million tonnes of equipment, and handling over one million service calls a year. Today, we are proud to say that Blue Star, a predominantly cooling-centric brand for decades, has evolved into a multi-faceted company in the last few years due to strategic expansion and related diversification initiatives.

For 25 years, manufacturing has played a key role in Blue Star's success story, with our world-class and differentiated products. Our factories are state-of-the-art and we believe in staying ahead of the curve in terms of manufacturing processes. Our Manufacturing Excellence Programme leverages high-end digital technology and appropriate automation, helping the Company to be more agile, adaptive and connected, in line with Industry 4.0. To further our commitment in this area, we deployed an 'Intelligent Factory' solution at our Dadra and Wada plants during the financial year. The Company has embarked on a Business Excellence Mission as well, and intends to apply for the prestigious Deming Prize in 3 years.

Our after-sales service operations have been a strategic priority area for the Company, backed by its strong value proposition to provide 'Gold Standard Customer Service'. We continue to invest in enhancing our service delivery infrastructure as well as making it digitally enabled.

We have always endeavoured to make this Company a great place to work and we have embarked on a series of related initiatives in order to improve employee engagement and to be recognised as a preferred employer.

Each and every Blue Starite strives to live by the Company's Credo, "I am Blue Star. I take pride in delivering a world-class customer experience."

As Suneel M Advani had recalled in one of his speeches at the Company's Platinum Jubilee celebration, Founder Mohan T Advani's idea of Blue Star was not just a business enterprise generating profits and delivering returns, but an organisation committed to sustainability, good governance, and nation building. We have been front-runners in meeting environmental standards by embracing international norms. Today, Blue Star stands in the forefront of sustainable development initiatives for mitigating ozone depletion and global warming; community development in the areas of skill building; food preservation, as well as higher education - all of which contribute towards the progress of our society and nation.

Finally, let me take this opportunity to thank all our employees for their outstanding contributions to the Company's performance. I would also like to express my gratitude to the Board of Directors, our customers, shareholders, and all other partners for supporting us in shaping this wonderful organisation that is 'Built on Trust'.

### Looking ahead

While there will be macro-economic challenges, I am hopeful that India will be the fastest growing economy in the world. With its strong fundamentals, a remarkable portfolio of highly differentiated products and services, steady adoption of latest technologies and a pool of highly talented people, Blue Star will continue to grow and deliver value to its stakeholders!

I am excited about the prospects for Blue Star!

Yours sincerely,  
**Shailesh Haribhakti**

# Letter from the Vice Chairman & Managing Director



**Vir S Advani**  
*Vice Chairman & Managing Director*

## Dear Shareholder,

Blue Star completed 75 years in business on September 27, 2018, and it is heartening that we ended FY19 on an impressive note with growth in terms of new order inflow, revenue, and profitability. We navigated through a challenging market environment with determination and enhanced our market share across all product categories.

### **2018-19 Consolidated Financial Performance**

We reported a Total Income of ₹5259.53 crores, representing a growth of 12.7% over the previous year on a like-to-like basis, whilst Operating Profit grew by 30.6% to ₹248.46 crores. Net Profit increased by 32% to ₹190.06 crores. Strong operating performance, coupled with improving working capital efficiencies, contributed to an increase in the Return on Capital Employed to 29.8%, which is an increase of 4.1% compared to FY18.

### **Business Segments**

The Electro-Mechanical Projects business achieved notable growth amidst an intensely competitive market. Our integrated Mechanical, Electrical and Plumbing (MEP) offering gained more acceptance and we established ourselves as leaders in this space. We booked major orders from segments such as offices, malls, hospitals, factories and infrastructure.

In the Commercial Air Conditioning business, we outpaced the market, gaining market share in both VRF systems and screw chillers. Key segments that contributed to our growth included Government, buildings, retail, hospitality, industrial and education.

In the Room Air Conditioners business, we improved our market share to 12.3% in FY19 from 11.5% in FY18. Several innovative products were introduced along with a strategic expansion of our distribution reach in the North. We continued to invest in developing state-of-the-art products backed by a responsive after-sales service organisation. The notable achievement of the year was our mastering the Inverter Technology and the indigenisation of plastic components in order to substantially reduce our imports.



## Letter from the Vice Chairman & Managing Director

In the Water Purifiers business, which we forayed into over 2 years ago, we introduced products at various price points and expanded our dealer network. With nearly 70,000 installations across the country, we are now one of the key players in this product category.

Driven by strong demand for Deep Freezers and Cold Rooms, our Commercial Refrigeration business scaled up during the financial year. Medical Refrigeration gained traction with some major breakthroughs in the year, while Retail Refrigeration surged ahead with major retail customers placing multi-store orders.

The Professional Electronics and Industrial Systems segment witnessed impressive growth in revenue and profitability driven by Medical Electronics, Data Security and Non-Destructive Testing Products & Systems. One of the key highlights of the year was the successful execution of the major order from the Government of Uttar Pradesh for supply and installation of 28 CT Scanners.

On the International Business front, we set up a new subsidiary under Blue Star International FZCO, to handle the Company's operations in the UAE market. Blue Star also inaugurated a world-class showroom and experience centre in Dubai, establishing a one-stop-shop for our entire range of cooling and purification products.

Blue Star's Customer Service operations have always been a marketing differentiator and with the Company's Gold Standard Service programme, we have further improved our customer satisfaction scores. Our Customer Service operations stayed ahead of the curve by harnessing digital technologies to enhance customer experience. As an example, our state-of-the-art Remote Monitoring Centre reviews the health of chillers and VRF systems in multiple countries and enables us to offer predictive maintenance services.

Our manufacturing set-up is robust and modern, and continues to secure several recognitions. We are driving higher value-addition through backward integration, procurement and supply chain efficiencies. We made good progress during the year in our Manufacturing Excellence programme and TQM mission.

We unlocked process-driven efficiencies by strengthening the existing Enterprise Resource Management (ERP) platform, enhanced internal financial control mechanisms and broadened the risk management framework. Besides, we continued to build on our capabilities and invest in Human Resources, innovation and R&D, as well as channel expansion and management.

We continued to invest in brand building initiatives to address both existing and new generation customers. We significantly expanded our presence in the digital marketing and social media space. We also ran a Corporate campaign and launched a new tagline, 'Built on Trust'.

### **FY20 and Beyond**

FY19 was a good year for Blue Star, and we remain committed to profitable growth under the framework 'GEAR'- Growth, Excellence, Acceleration and Relationship. Though the global and Indian economies are facing challenges, we will continue to "expand the core" by adding products, services and solutions that are adjacent to and related to our current offerings. We will also invest in and stay focused on business fundamentals, such as differentiated products and services, superior customer experience, digital technologies, continuous process improvement, sustainability and shareholder value creation.

With a strong Government in place that has a specific agenda to revive economic growth, undertake focused agriculture and infrastructure development, as well as provide a boost to job creation, I am optimistic about the new opportunities expected to unfold across our business segments. As a good corporate citizen, we will work in collaboration with industry bodies as well as the Government towards the achievement of the larger goals of the nation.

Blue Star's success has been built on the everlasting relationships that we have with all our stakeholders and the trust you repose on us. My colleague B Thiagarajan, our leadership team, the entire extended Blue Star organisation and I will continue to rely on all of you, our shareholders, to propel us forward, and I am confident, that together, we will grow this Company even further, as we embark on our marathon journey towards Blue Star's centennial.

Yours sincerely,  
**Vir S Advani**



## Board of Directors

(L-R sitting) Vir S Advani, Shailesh Haribhakti, B Thiagarajan

(L-R standing) Rajiv R Lulla, Sunaina Murthy, Dinesh N Vaswani, Arvind K Singhal,  
Rumjhum Chatterjee, Gurdeep Singh, Anil Harish, Sam Balsara



Chairmen

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Emeriti

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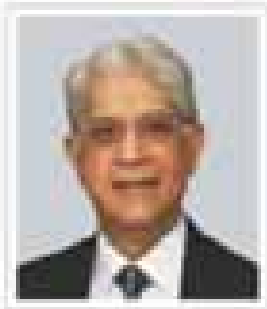
## Chairmen Emeriti



**Ashok M Advani**  
*Chairman Emeritus*

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. His professional career with Blue Star spanned more than 47 years, including 33 years as Chairman. During this period, revenues multiplied more than 400 times and the Company established itself as a leader in the air conditioning and commercial refrigeration industry in India. He retired from the Board in November 2016.

In recognition of his long and distinguished leadership of Blue Star, he was appointed Chairman Emeritus and is an invitee at Board Meetings. He continues his association with the Company as an Advisor to the Board and the Executive Management.



**Suneel M Advani**  
*Chairman Emeritus*

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

Suneel spent his entire working career in Blue Star, joining as a Management Trainee in 1969 and moving up steadily to President and Vice Chairman in 1984. He retired from his executive position in 2014, and was designated Vice Chairman of the Board. He was elevated to Chairman of the Board from December 2016. After spending 50 years in the Company including 36 years on its Board, he retired as Chairman of the Board on March 31, 2019. In recognition of his long and exemplary leadership of Blue Star, he was appointed Chairman Emeritus on April 1, 2019. He continues his association with the Company as an Advisor to the Board and the Executive Management.

Suneel established Blue Star's presence in computer software development and export, and when this division was spun off to become Blue Star Infotech Ltd in 2000, he assumed the position of Chairman there and later, Managing Director as well, in addition to his responsibilities in Blue Star. In the span of his career, Suneel formed many joint ventures with global majors such as HP, Motorola and Stork-Comprimo in the hi-tech area, and with Indian entities in the air conditioning ancillaries field. For Blue Star and Blue Star Infotech, he conceived and completed several corporate acquisitions. Over the years, he served on the managing councils of several industry and trade bodies, such as CII, and is the founder and a Past President of the Refrigeration and Air Conditioning Manufacturers' Association (RAMA).

## Board of Directors



**Shailesh Haribhakti**  
*Chairman*

Shailesh Haribhakti is a renowned Chartered Accountant with over four decades of experience in developing and leading one of India's most respected and diversified Chartered Accounting firms, Haribhakti & Co. LLP Chartered Accountants. Shailesh, on attaining the age of 62 in 2018, stepped down from the management of Haribhakti & Co. Presently, he is the Chairman of New Haribhakti Business Services LLP and Mentorcap Management Pvt Ltd. He is a strong supporter of a clean and green environment, and is pioneering the concept of 'innovating to zero' in the social context. He is a certified public accountant, certified internal auditor, financial planner, cost accountant and fraud examiner.

Shailesh joined the Board of Blue Star in 2005 as an Independent Director and he took charge as Chairman with effect from April 1, 2019. In addition, Shailesh is currently the Chairman of the Board of L&T Finance Holdings Ltd, L&T Mutual Fund Trustee Ltd, Future Lifestyle Fashions Ltd and NSDL e-Governance Infrastructure Ltd. He is also an Independent Board Member of a number of leading companies including Torrent Pharmaceuticals Ltd, Bennett Coleman and Company Ltd (Times Group), Mahindra Lifespaces, Ambuja Cements Ltd, ACC Ltd, etc. In recent times, some prominent Boards and Board Committees led by him have been recognised with coveted awards, which speak of his penchant for excellence in the areas of corporate governance and sustainability initiatives.

Shailesh is an Associate with IIM-Ahmedabad and a number of other management institutions as well as industry and professional forums including the NSE, CII, and ASSOCHAM. He has led Bombay Management Association; Institute of Internal Auditors, Mumbai; Institute of Chartered Accountants of India; Indian Merchants Chambers; Financial Planning and Standards Board, India; and Rotary Club of Bombay over the last many decades. He has served on the Standards Advisory Council of the IASB in London for two years and was Chairman of NPS (National Pension Scheme) Trust from 2015-2017.



**Vir S Advani**  
*Vice Chairman & Managing Director*

Vir S Advani holds Bachelor's Degrees in Systems Engineering and in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Program at Harvard Business School.

Vir, after a 2-year working stint in private equity in New York, joined Blue Star Infotech Ltd in 2000 and then founded Blue Star Design and 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. In April 2016, Vir was appointed as the Managing Director of the Company, and in April 2019, he was elevated to Vice Chairman and redesignated as Vice Chairman & Managing Director. In his enhanced role, Vir is the primary interface between the Board and the Executive Management, and directly oversees the PE&IS business, International Operations, Corporate Finance, Corporate Human Resources, Information Technology and Corporate Planning.

Vir is a Director of Blue Star Engineering & Electronics Ltd. He is an elected member of the CII National Council and member of various National Committees including International, Future Businesses, Artificial Intelligence and India@75.



**B Thiagarajan**  
*Managing Director*

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

Thiagarajan has handled various assignments in the Service Business, Corporate Communications & Marketing and Corporate Affairs & Planning before he was promoted as President-AC&R Products Group in 2009. He was elevated to the Board in 2013. He was appointed as Joint Managing Director in 2016 and with effect from April 1, 2019 he has taken charge as Managing Director. He currently oversees Electro-Mechanical Projects and Packaged Air Conditioning Systems Business; Sales, Marketing, Supply Chain and Service Operations pertaining to the Products Business; Manufacturing and R&D; Corporate Communications; Public Relations; as well as Corporate Marketing Services.

Thiagarajan plays an active role in various industry fora, and is the Past President of Refrigeration and Air Conditioning Manufacturers Association (RAMA) and CII Maharashtra State Council. He is a nominated member of the CII National Council and Co-chairperson of the CII National Agriculture Council.

Sam Balsara is Chairman of Madison World, which is amongst India's largest media and communication agencies. He holds a Bachelor's degree in Commerce and a Post Graduate diploma from Jamnalal Bajaj Institute of Management Studies. He has over 45 years of extensive experience in marketing, advertising and media. Sam started his career at Sarabhai's in 1972, with stints thereafter at Cadbury India Ltd, Contract Advertising Company (WPP) and Mudra Communications, before founding Madison in 1988.

Sam has won many accolades such as 'The Most Influential Person in Media' by Economic Times-Brand Equity for 10 consecutive years; IAA Leadership Award for Media Agency Professional of the Year, 2013; 'Lifetime Achievement Award' in 2009 from Advertising Agencies Association of India; and has been a jury member at the International Festival of Advertising in Cannes in 2005 as well as 2014; to name a few. He has held prestigious positions in several associations such as President of AAI of which he continues to be an Executive Committee member; Chairman of The Advertising Standards Council of India 2000-2001 and presently its Advisor; amongst others. Sam joined the Blue Star Board in June 2017.



**Sam Balsara**  
Independent Director

Rumjhum Chatterjee is one of the co-founders of Feedback Infra Group and serves as its Managing Director and Head-Human Capital, and is its Chief Compliance Officer. She is also Chairperson of the Feedback Foundation Trust. She is a member of the Board of Somany Ceramics Limited. She pioneered the practice of community-led interventions for rehabilitation and resettlement post land acquisition for infrastructure projects, and has a deep interest in women's empowerment. She holds a degree in Psychology from Calcutta University. She joined the Board of Blue Star with effect from February 5, 2019.

As an active member of CII, she has served as the first woman Chairperson for CII Northern Regional Council (2016-17). She is a Member of the National Council of CII, and currently chairs the National Committee on Women's Empowerment and the CII Indian Women Network (IWN).



**Rumjhum Chatterjee**  
Independent Director

Anil Harish is a Partner at the law firm, D M Harish & Co, and his practice includes many diverse areas of law including Property, Exchange Control, Foreign Investments, Trusts, Wills, and Indian as well as International Taxation. He has been on the Managing Committee of Indian Merchants Chamber, Chamber of Tax Consultants and ITAT Bar Association. He has also been an office bearer of several institutions in the legal field, such as the Society of Indian Law Firms, of which he was the Executive Vice President. As a specialist in real estate, Anil is on the Advisory Board of the magazine 'Property Scope', as well as of the Accommodation Times Institute of Real Estate Management and of Real Estate Management Institute. He has authored several articles which have been published in leading newspapers and professional journals.

Anil joined the Board of Blue Star in November 2017. He is a Director of reputed companies including Hinduja Global Solutions Ltd, Hinduja Ventures Ltd, Future Enterprises Ltd, Oberoi Realty Ltd, and Essel Finance Home Loans Ltd. He is also involved with a number of educational and charitable trusts, and is a Trustee of the Hyderabad (Sind) National Collegiate Board.



**Anil Harish**  
Independent Director

Rajiv R Lulla is a Founding Partner at Deep Blue Advisors, a merchant bank, and the Founder of Voltaire Advisory Services, a technology-enabled trading firm. He holds a Bachelor's degree in Mechanical Engineering with Electronics from King's College, London, and an MBA from Imperial College, London.

Rajiv has over 25 years of experience primarily as an investment banker engaged in merger advisory and corporate finance, and has completed transactions representing a combined value in excess of USD 220 billion across multiple industry sectors and geographies. He has held senior global leadership roles at Merrill Lynch, the Credit Agricole Group, and Deutsche Bank, based in New York, London, Paris and Hong Kong.



**Rajiv R Lulla**  
Non-Executive Director

Sunaina Murthy joined the Blue Star Board with effect from April 1, 2019. She holds a Bachelor's degree in Molecular Genetics from the University of Rochester, and a Master's degree in Biotechnology from Northwestern University. She began her career as a cancer researcher at the University of Pennsylvania, and then worked at a venture capital firm specialising in life sciences. Thereafter, she co-managed a USD 3 billion healthcare fund for AIM Capital Management, USA, where she made investments in publicly traded companies in the areas of biotechnology, medical devices, pharmaceuticals, hospitals and other healthcare services. After moving back to India in 2006, she consulted for CMEA Ventures, a California-based venture capital firm, and other companies in the life sciences space.

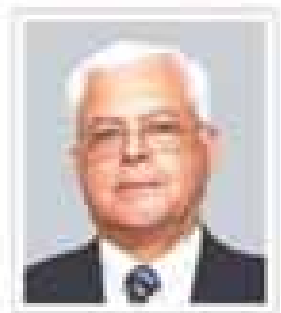
She has recently shifted gears and co-founded a digital newspaper for children, named [currentkids.in](http://currentkids.in), a venture to curate and simplify current affairs for children. She has served on the Board of Trustees of the Blue Star Foundation for the past six years.



**Sunaina Murthy**  
Non-Executive Director

Gurdeep Singh is a Chemical Engineering Graduate from IIT Delhi and has attended the Advanced Management Program at Harvard Business School. After graduation, he joined Hindustan Unilever Ltd as a Management Trainee. He held various senior positions in the company, including Vice President-Technical, before he was expatriated to Brazil as Technical Director of the Unilever Detergents business.

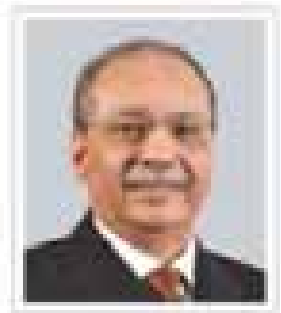
Gurdeep returned to Hindustan Unilever Ltd in 1998 as Director-Human Resources, Corporate Affairs and Technology, and retired from the company toward the end of 2003. He joined the Board of Blue Star in 2003. He is also on the Boards of several leading companies including Kloeckner Pentaplast India Pvt Ltd, Tecnova India Pvt Ltd, and Creative Polypack Ltd.



**Gurdeep Singh**  
Independent Director

Arvind K Singhal is the Founder & Chairman of Technopak Advisors, one of India's leading management consulting firms focusing on four sectors that cover Consumer Products & Retail, Textiles & Apparel, Food Services & Agriculture, and Education & Skills Development. He is also a member of the Boards of Welspun India, Greaves Cotton Ltd, Metro Shoes, and Premium Transmission Ltd. He holds an Engineering degree from IIT-Roorkee (Electronics & Communication) and an MBA (Finance & Marketing) from UCLA, USA.

He was involved in a consulting assignment with Blue Star that led to the Company's launching its water purifier business. He joined the Blue Star Board with effect from February 5, 2019. He has served on several committees in the leading chambers of commerce and industry in India.



**Arvind K Singhal**  
Independent Director

Dinesh N Vaswani is the Founder and Managing Director of Acuitas Capital Advisors Pvt Ltd, a multi-family investment office focused on advising families on their investment portfolios in India. He has over three decades of experience in both investing in and operating companies in India and the US. He holds an MBA from the Wharton School of Business and a BBA cum laude from the University of Texas at Austin.

Dinesh was a Managing Director at Temasek Holdings Advisors India Pvt Ltd, established Bessemer Venture Partners' operations in India, and was CEO of Blue Star Infotech, USA. He has served on a number of Boards of public and private companies including Firstsource, Mindtree, Venture Infotech, and Borosil.



**Dinesh N Vaswani**  
Non-Executive Director



# Board of --- Directors



- FINANCIAL CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL
- RELATIONSHIP CAPITAL
- SOCIAL AND NATURAL CAPITAL

# Integrated --- Report



# ENHANCED VALUE CREATION

## SOCIAL AND NATURAL CAPITAL

~ **44,000** lives benefitted across CSR outreach programmes  
Achieved overall **16%** reduction in water consumption across plants



## HUMAN CAPITAL

People strength **2,812**  
**9.5%** female employees across levels and roles in the management cadre



## RELATIONSHIP CAPITAL

**3,600** Channel Partners  
~ **800** Service Associates  
~ **5,000** Supplier Base



## MANUFACTURED CAPITAL

**5** state-of-the-art manufacturing facilities spread across Wada, Dadra, Himachal Pradesh and Ahmedabad



## FINANCIAL CAPITAL

Total Income **₹5,260** crores  
PAT **₹190** crores  
ROCE **29.8%**



## INTELLECTUAL CAPITAL

R&D spend **₹51** crores  
The Company's chiller test labs are **AHRI certified**, along with an accreditation from **NABL** for room air conditioners and ducted systems



# Integrated Report

## Company Overview



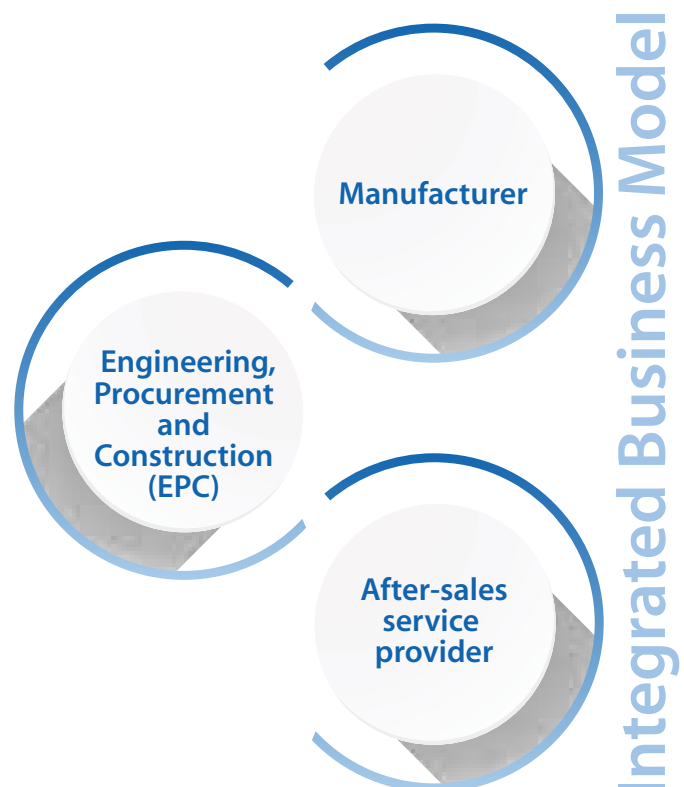
Blue Star is India's leading air conditioning and commercial refrigeration company. The Company is known for its value driven differentiated and customer-centric products and solutions, and enjoys a preferred partnership status with most of corporate and commercial India, almost one-third of which has a Blue Star product installed in its premises. During the year, Blue Star achieved yet another milestone – the Company celebrated its 75<sup>th</sup> anniversary in September 2018. Backed by consistent growth, systematic diversification and driven by exemplary leadership, Blue Star has grown multi-fold over the last 75 years with many landmark achievements to its credit.



As the Company embarked on its Platinum Jubilee celebrations, it unveiled its new logo with the tagline 'Built on Trust.' The new brand identity apart from providing Blue Star with a refreshing, modern personality that projects continuity, reliability, solidity, stability and strength also highlights 'Trust' as the building block of the Company's robust foundation and growth, that has enabled it to sustain its leadership position, and given it a place in the league of the most reliable corporate entities.

The Company's integrated business model of a Manufacturer; Engineering, Procurement and Construction (EPC) services provider; and an after-sales service provider enables it to offer end-to-end solutions to its customers across building, industrial and infrastructure segments. Its potent blend of technical know-how, talented workforce, design expertise, exceptional project execution capabilities and global footprint makes it the preferred choice for Mechanical, Electrical and Plumbing (MEP) projects.

As an expert in cooling, Blue Star offers a plethora of cooling solutions right from products to services, and has also forayed into water and air purification, engineering facilities management, commercial kitchen and healthcare refrigeration. It entered the residential air conditioners segment in 2011, and has since then, made deep inroads into this category, with a market share of 12.3%. Known for its reliability, Blue Star is also the country's largest after-sales air conditioning and commercial refrigeration service provider with a spectrum of world-class customer service solutions and other value-added services. It has an extensive network of exclusive, multi-brand and modern retail format channel partners as well as service partners across the country.



# Integrated Report

Blue Star's manufacturing prowess, its ability to leverage on innovation and technology, along with its strategic endeavours across business segments, all steered towards customer-centricity at its core, have given the Company an edge over its competitors. Digital interventions have efficiently sharpened its business processes, and the organisation has judiciously invested in state-of-the-art technologies for enhanced productivity and consistency.

Blue Star, through its joint ventures in Qatar and Malaysia, undertakes MEP projects for residential, commercial and infrastructure purposes. The Company exports to select countries across the Middle East, Africa, SAARC and ASEAN regions, where its products stand the test of time in some of the most difficult and extreme climatic conditions in the world. Traversing boundaries, Blue Star continues to garner global acclaim, thereby enhancing the Company's brand beyond India, while providing significant growth opportunities for its businesses on the international platform.

Blue Star's other businesses include marketing and maintenance of imported professional electronic equipment and services, as well as industrial products and systems, which are handled by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. It holds the reputation of providing advanced technology products as well as turnkey engineering solutions that cater to several industries across the country.



While the Company has grown by leaps and bounds, Blue Star's value system – the Blue Star Way, which has been formally re-affirmed in recent times, has always laid the foundation for how the Company functions.

Today, at 75, Blue Star with a clearly articulated vision, and a management driven by ambition, integrity, and values, is a preferred employer, the brand of choice for customers, and a stock that resonates with investors.

## Business Segments



In accordance with the nature of products and markets addressed, business drivers, and competitive positioning, the lines of business of Blue Star are categorised into three segments.

### **ELECTRO-MECHANICAL PROJECTS AND PACKAGED AIR CONDITIONING SYSTEMS**

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central air conditioning plants, packaged/ducted systems and variable refrigerant flow (VRF) systems, as well as contracting services in electrification, plumbing and fire-fighting. It also comprises after-sales services such as revamp, retrofit and upgrades as well as Engineering Facilities Management (EFM), which is the Company's recent introduction and covers a wide repertoire of operation and maintenance services for efficient functioning of electro-mechanical utilities.

### **UNITARY PRODUCTS**

Blue Star offers a wide variety of stylish, contemporary and highly energy-efficient room air conditioners for both residential as well as commercial applications. It also manufactures and markets a comprehensive range of commercial refrigeration products and cold chain equipment. The Company also has water purifiers, air purifiers and air coolers in its product portfolio.

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

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



## Industry Structure and Developments

### AIR CONDITIONING PRODUCTS

In FY19, the overall market size for air conditioning products in India was estimated at around ₹17,500 crores. Of this, the market for central air conditioning, including central plants, packaged and ducted systems, and VRF systems was around ₹3,350 crores and the market for other ancillary equipment was estimated at around ₹3,150 crores, while the market for room air conditioners comprised the balance ₹11,000 crores.

During the year, in central air conditioning, growth was mainly driven by government, industrial, infrastructure, hospitality, retail, and healthcare segments.

The room air conditioners market was impacted during the year by multiple macro-economic headwinds leading to a de-growth both in volume and value terms. On the positive side, there was enhanced demand from Tier 3, 4 and 5 markets fuelled by the rise in disposable incomes of the growing middle-class.



### COMMERCIAL REFRIGERATION

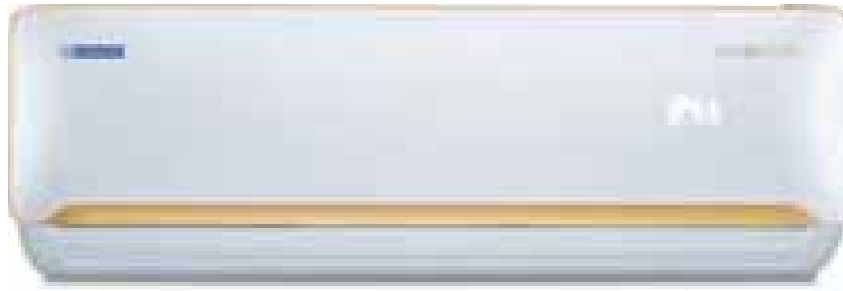
The Commercial Refrigeration segment consists of a wide spectrum of products including deep freezers, water coolers, visi coolers, visi freezers, bottled water dispensers, bottle coolers, ice machines and cold rooms. Kitchen refrigeration products such as reach-in as well as undercounter chillers and freezers, blast freezers, back bar chillers and saladettes as well as medical refrigeration products such as ultra-low temperature freezers, medical freezers, blood bank refrigerators and pharmacy refrigerators were in focus for this segment. The market witnessed a surge in demand driven by the fast-growing segments such as food, dairy, Quick Service Restaurants (QSRs) as well as pharmaceutical and healthcare industries.

Growing middle class consumption along with their preference for modern retail outlets are expected to drive growth and Blue Star being the largest player, is well positioned to tap the opportunities.





# Integrated Report



**|** *Inverter Split AC with Decimal Display*



**|** *Window AC*



**|** *Portable AC*



**|** *Air Purifier*



**|** *Air Cooler*

# Integrated Report



**VRF V Plus System**



**Process Chiller**



**Oil-free chiller**



**Scroll Chiller**

# Integrated Report



*Bottled Water Dispenser*



*Platinum Series Water Cooler*



*Glass Top Freezer*



*Water Purifiers*

# Integrated Report



Medical Freezer



Refrigerated Pastry Showcase



Reach-in Chiller and Freezer



Visi Cooler

# Integrated Report

## SOME PRESTIGIOUS INSTALLATIONS



*HVAC and plumbing works for Al Bayt Stadium, Energy Centre Project at Al Khor, Qatar, for the 2022 FIFA World Cup*



*HVAC services for Omkar Realtors & Developers, Mumbai*



*Installation of centrifugal and air cooled screw chillers, along with VRF V Plus system for Meenakshi Infrastructure, Hyderabad*

# Integrated Report

## SOME PRESTIGIOUS INSTALLATIONS

*Integrated MEP (Mechanical, Electrical & Plumbing) services for Venkateshwar Hospital, New Delhi*



*VRF V Plus system installed for Xavier University, Bhubaneswar*

*Cold Room installation for Domino's, Kolkata*



## Expanding Global Presence



Under the ambit of Blue Star's growth plan for its International Business Group, the Company continues to steadily advance on the global front. The growing hospitality sector along with the rise in construction activities coupled with extreme and ambient weather conditions across countries in the Middle East, Africa, SAARC and ASEAN regions, provide enormous growth opportunities to the Company. Further, with the upcoming Dubai Expo in 2020 and the FIFA World Cup in Qatar in 2022, the Company foresees good prospects in these regions in the coming years.



Blue Star International FZCO, a 100% subsidiary of Blue Star, headquartered in Dubai Airport Freezone, manages the Company's International business including its Global Products Sales Division and Global Projects Division as well as its joint ventures which focus on HVAC&R as well as MEP projects for residential, commercial and industrial segments.

The Global Products Sales Division takes care of the exports of air conditioning and commercial refrigeration products and systems such as unitary products, DX commercial, refrigeration and applied systems products of Blue Star, and its Original Equipment Manufacturing (OEM)/Original Design Manufacturing (ODM) businesses. Unitary products include window air conditioners, split air conditioners, inverter split air conditioners, cassette air conditioners and floor standing units. DX commercial products include packaged and ducted systems, VRF systems and multi split inverters. Refrigeration products comprise water coolers, deep freezers, visi coolers, bottled water dispensers, modular cold rooms with positive and negative temperature refrigeration units. The applied systems products offered by the Company include HVAC chillers, water tank chillers, air handling units and fan coil units.

During the year under review, Blue Star actively participated in International Exhibitions across the world and organised several seminars/technical sessions as well as embarked on advertising campaigns across its target markets with the objective to enhance awareness of the Blue Star brand in these regions. Besides, customer visits to the Company's manufacturing facilities were also organised. In order to make further inroads into global markets, new dealers were appointed to enhance the distribution outreach. Going forward, the Company intends to further strengthen its channel distribution and OEM/ODM businesses across countries as well as focus on expanding its consumer base and consolidating its presence in the existing regions.

During the year, the Company bagged some prestigious MEP projects including Qatar University, Al Bayt Stadium Energy Centre and Kahramaa New Tower through its joint venture Blue Star Qatar WLL, and Bukit Jalil Mall, Cyberjaya Hospital & Prolific Properties Hotel projects through its joint venture Blue Star M & E Engineering, Malaysia.

# Integrated Report



A subsidiary Blue Star Systems and Solutions LLC was incorporated in mainland UAE to support and expand the air conditioning and service businesses in the country.

Further, in April 2019, a state-of-the-art exclusive showroom was inaugurated in Dubai. This showroom has on display a complete range of the Company's latest energy efficient products for the Middle East. This move is expected to enable the Company to steadily advance in the Middle Eastern market.



*Blue Star's state-of-the-art showroom in Dubai*



## ENHANCED VALUE CREATION

### MANUFACTURED CAPITAL

- Adopted new technologies
- Upgraded existing technologies
- Invested in low cost automation
- Invested in Culture Building
- Invested in Total Quality Management

### HUMAN CAPITAL

- Enhanced engagement initiatives with a development-focused agenda aimed at empowering employees
- Enhanced investments in Training & Development
- Undertook women empowerment initiatives
- Adopted employee friendly policies
- Focused on Talent Management

### SOCIAL AND NATURAL CAPITAL

- Implemented CSR initiatives aimed at empowering the society
- Concerted efforts towards sustainable growth; continued with efforts to protect the environment reaping in significant savings in energy consumption and water consumption, amongst others



### FINANCIAL CAPITAL

- Efficient usage of Capital
- Increase in Total Income
- Increase in PAT
- Reduction in Debt Equity Ratio
- Higher returns to the shareholders

### INTELLECTUAL CAPITAL

- Accelerated R&D performance
- Rolled out new products
- Rolled out more new variants/models across product categories

### RELATIONSHIP CAPITAL

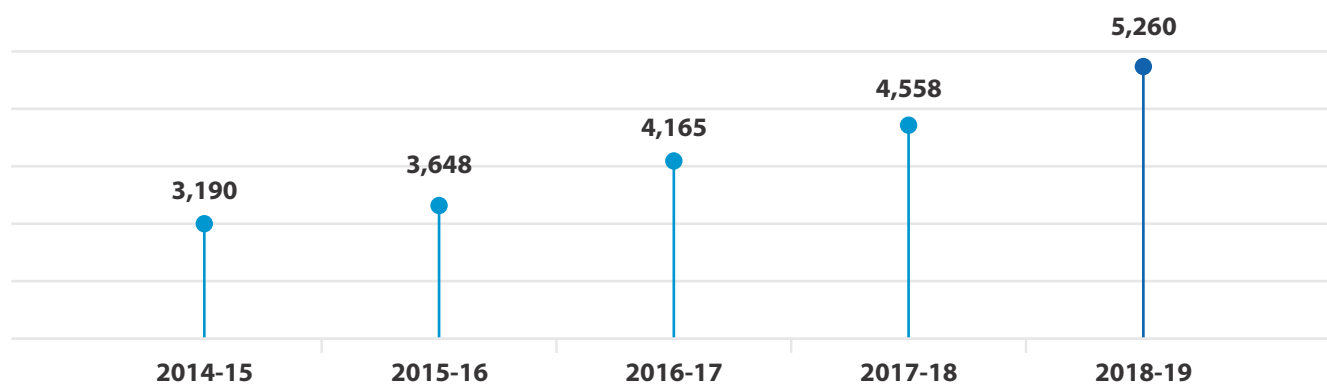
- Nurtured and fostered robust relationships 'Built on Trust' with all its stakeholders

# Integrated Report

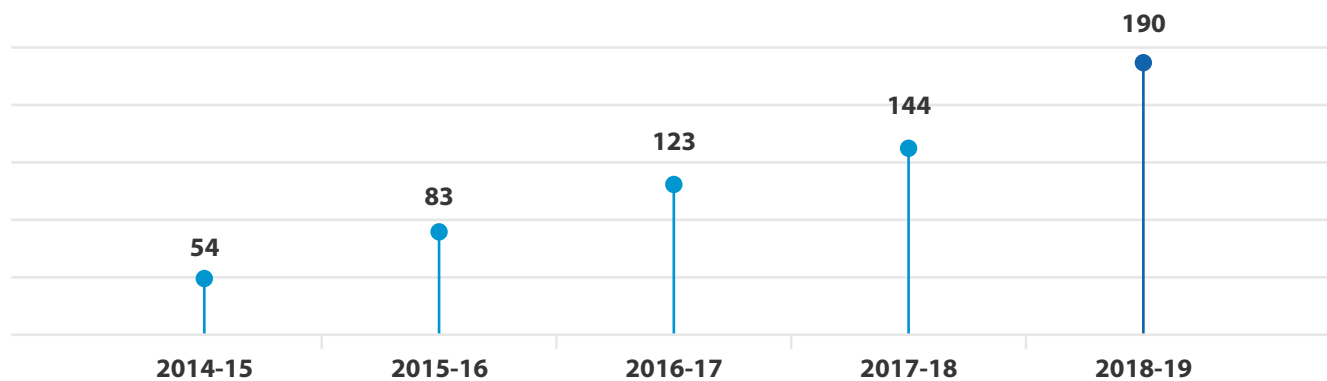


The Company continues to consistently deliver good financial performance supported by its lines of businesses and operational efficiencies.

## Total Income\* (₹ crores)



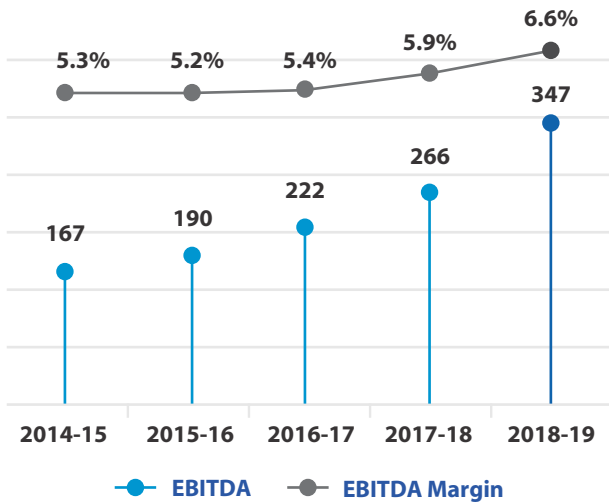
## PAT\* (₹ crores)



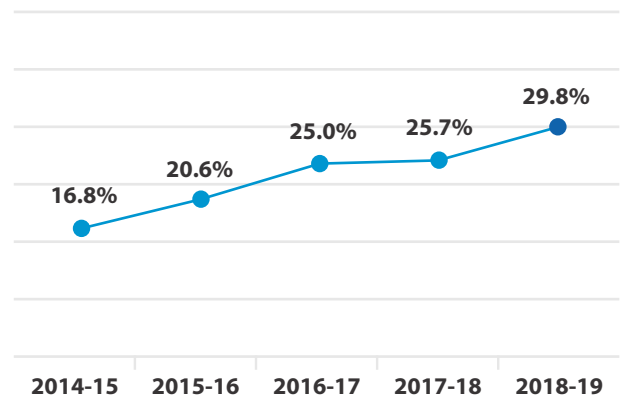
Note: 1) The financial information is on a consolidated basis  
2) \*Revenue and PAT of 2017-18 have been restated for the impact of INDAS 115

# Integrated Report

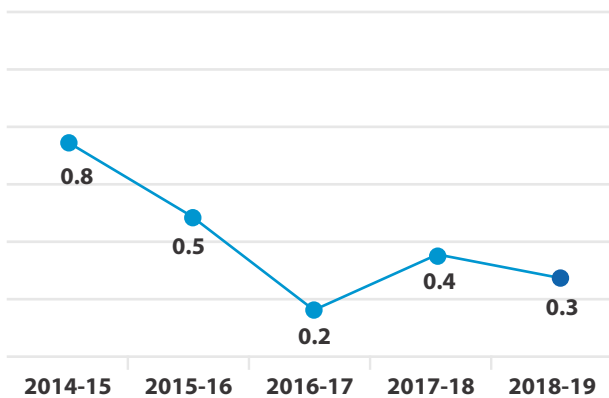
**Operating Margin (EBITDA)**  
(%) (₹ crores)



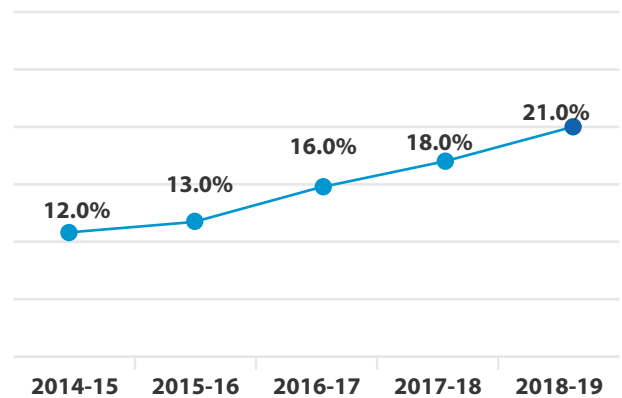
**Return on Capital Employed (%)**



**Debt Equity Ratio**



**Return on Shareholders' Funds (%)**



The Company's Return on Capital Employed (ROCE) for FY19 was 29.8% which is an increase of 4.1% compared to FY18 indicating efficient usage of capital.



Blue Star's debt to equity ratio improved to 0.3 as on March 31, 2019 as compared to 0.4 as on March 31, 2018, reflecting improvement in cash conversion cycle and overall cash flow discipline.

# Integrated Report



## Manufactured Capital

Blue Star's manufacturing footprint spans five state-of-the-art manufacturing facilities across Wada, Dadra, Himachal Pradesh and Ahmedabad. The Company is highly acclaimed the world over for its manufacturing prowess, and regularly embarks on initiatives to augment its existing strengths and keep pace with dynamic market conditions.

In line with the Company's plan to enhance its production capacity under the manufacturing footprint redesign programme that was initiated in FY17, the Company is in the process of setting up an additional facility at its existing manufacturing plant in Wada which is expected to be operational by the end of FY20.



Blue Star, under the aegis of the 'Manufacturing Excellence Programme' initiated in 2016 that lays strong emphasis on lean manufacturing, technology upgradation, quality improvement and culture building, has significantly strengthened its manufacturing expertise. The Company has been able to enhance its operational efficiency while producing robust, differentiated and acclaimed products.



*Shareholders visit Blue Star's manufacturing facility in Dadra*

# Integrated Report



*Blue Star's manufacturing facility in Dadra*

The Company continues to imbibe new and emerging technologies such as Internet of Things fuelled by the Industry 4.0 revolution. Besides, Six Sigma, a tool to drive process improvement in cost and quality, is being effectively used across all the plants and a majority of the manpower is also trained in Six Sigma practices.

During the year, Blue Star implemented a revised process and system for Occupational Health and Safety (OH&S) as per the ISO 45001:2018 standard. With this, four of the Company's manufacturing facilities comprising Dadra, Wada, and two plants in Himachal Pradesh were awarded the ISO 45001:2018 certificate by TUV Nord.

The Dadra Plant, which boasts of a state-of-the-art testing facility, enjoys the repute of being one of the top manufacturing facilities in India for high quality air conditioning products. The facility manufactures packaged/ducted split air conditioners and VRF systems, and performed extremely well during the review period, resulting in a record billing for the plant. During FY19, the Company also upgraded key equipment at Dadra which resulted in improved productivity levels as well as efficient space utilisation.

The two plants in Himachal Pradesh which continue to cater efficiently to the fast growing markets of room air conditioners and refrigeration products had an impressive performance during the review period. With the in-house manufacturing of inverter machines and indoor units as well as other products and components such as headers and strainers, the Company continued to unlock enhanced value through vertical integration which it had embarked upon in FY18. The Plant has added a new auto brazing machine to keep pace with emerging trends in technology and quality upgradation.

The Wada Plant, which is the largest manufacturing facility of the Company in terms of built-up area, produces a wide range of products such as scroll chillers, screw chillers, cold room panels, condensers and evaporators for the cold room business as well as condensing units for an overseas OEM. In order to align itself to Industry 4.0, an Automated Guided Vehicle (AGV), enabling automated movement of materials, was installed at the plant. Auto Storage and Retrieval System (ASRS) was also implemented.

# Integrated Report

During the period under review, this plant rolled out new products such as Platinum Series water coolers with UV & RO, configured air cooled flooded series chillers, configured oil free turbocor chillers, and inverter air cooled scroll chillers with R410a, to name a few.

The Ahmedabad plant continues to invest in initiatives aimed at enhancing operational efficiency. It introduced new green freezers which use Cyclopentane as blowing agent. A sophisticated performance testing laboratory was commissioned to strengthen the quality. To augment production capacity, an additional foaming mould and lid making machine was installed. Under Industry 4.0, the plant implemented digital interventions leading to digitization of reports and dashboards.

Intelligent application of LEAN/MOST practices led to efficiencies in production such as improvement in cycle time of split air conditioner outdoor units on the assembly line at the Company's HP plant, enhancement in foaming process of deep freezers at the Ahmedabad Plant, and ducted split air conditioners at the Dadra Plant, as well as in manufacturing of cold room panels at the Wada Plant. Besides, it also resulted in process cycle efficiency in the manufacturing of the storage water cooler kit and heat exchanger as well as helped in reducing inventory for heat exchanger stock.



*Blue Star's manufacturing facility in Himachal Pradesh*

# Integrated Report



Automated Guided Vehicle (AGV) at Blue Star's manufacturing facility in Wada



The foaming set-up at the Blue Star's manufacturing facility in Ahmedabad

# Integrated Report



## Intellectual Capital

The Company continues to have a strong focus on innovation, and remains committed in its efforts towards dedicated R&D underpinned by a systematic and structured approach. Blue Star has always been a front runner in areas related to energy-efficiency, sustainability and climate change.

The Company's mainstay of product development and R&D has been customer-centric designs and applied innovation coupled with eco-friendly and sustainable products. The Company continues to make planned investments in upgrading its infrastructure and design capabilities as well as imbuing cutting-edge technologies across its comprehensive range of products.

With the adoption of the latest technology and best-in-class test facilities, Blue Star's R&D capabilities are well aligned to meet the market and regulatory requirements related to room air conditioners, commercial refrigeration products and systems in the domestic as well as the international arena.



On account of the enhanced thrust in this direction, the Company has been accelerating its R&D performance across its businesses and continues to roll out new products as well as an increasing number of new variants and models across product categories.

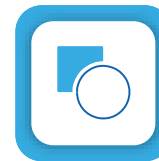
During the year, Air-Conditioning, Heating and Refrigeration Institute (AHRI) certified configured series of water cooled screw and turbocor chillers with multiple efficiencies, were introduced which has significantly enhanced the Company's market share in this arena. VFD air cooled scroll chillers with higher efficiency HFC refrigerant (zero ODP) were also introduced. Besides, condensing units for fresh air application and improvised tank chillers were developed for the Middle-East market.

A complete range of 3 & 5 star room air conditioners with specific focus on the cost competitive Inverter model series was launched. The Company developed its own designs for indoor units and started manufacturing them, thereby successfully venturing into vertical integration and reducing dependency on vendors. Further, inverter units with the Company's own drive were developed, and are currently undergoing field trials.

Higher capacity VRF outdoor unit series upto 28 HP was rolled out to ensure cost competitiveness. This has resulted in the Company enhancing its market share in the VRF segment.



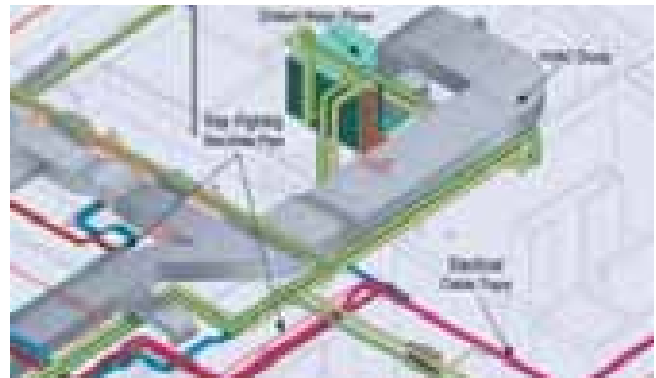
**38**  
Patents Filed



**30**  
Designs Filed



**₹ 51 Crores**  
R & D Spend (FY19)



3D Revit software depicting MEP services coordination above false ceiling



# Integrated Report

The Deep Freezers segment, the Company introduced a complete new range with low GWP refrigerant with substantial cost reduction, which gives Blue Star an edge over its competitors.

For the first time, the Company has applied for an International Patent.

The Company's performance laboratories for air conditioning and refrigeration products have received accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL). Blue Star continued to invest in building new test facilities for electronics reliability and product safety as well as towards competency development in inverter drives, smart controllers, industrial design and reliability. Besides, the Product Lifecycle Management (PLM) system was also implemented for digital transformation of the New Product Development (NPD) process.

Today, with over 130 employees, backed by new-age infrastructure including performance test labs, reliability testing facilities, electronics lab, design studio, and high end workstations for CAD and analysis, amongst others, the Company prides itself on having one of the best R&D centres in the Indian HVAC industry.

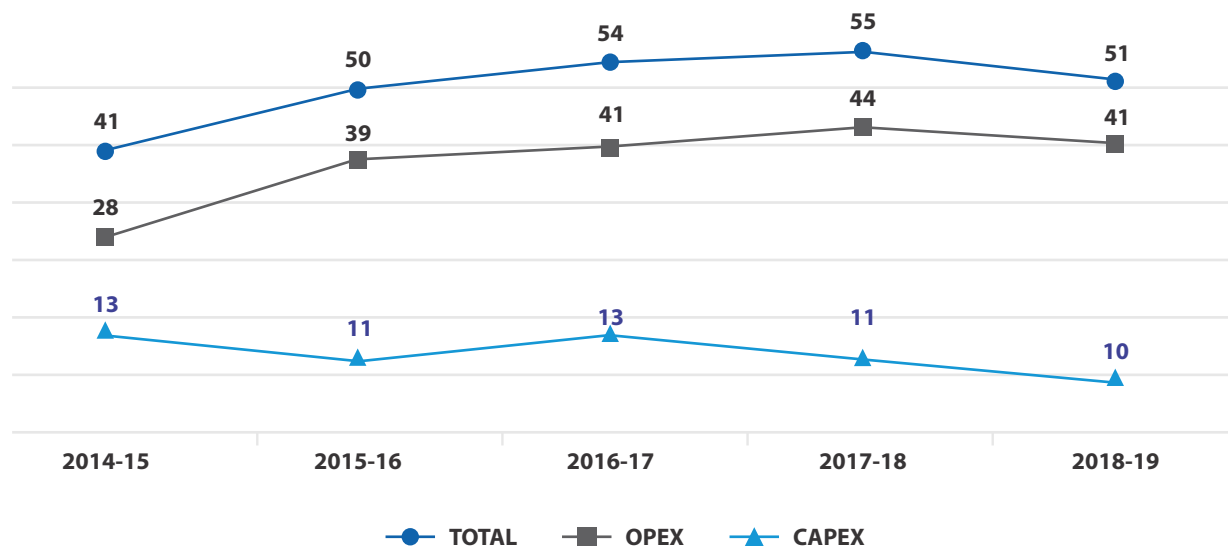


Compressor Lab comprising of two Compressor Test Rigs and Cut Sections of Tested Compressors at Blue Star's R&D facility in Thane



Glow Wire Tester (left) and Needle Flame Tester (right) used for Flammability Tests at Blue Star's R&D facility in Thane

## Investment in R&D (₹ crores)



# Integrated Report



Blue Star believes in continuously empowering its people by way of numerous employee driven engagements as well as by embracing people-friendly HR practices and initiatives.

Over 110 campus recruits from reputed professional colleges were centrally appointed during the year and allocated to respective functions based on the business needs.

The Company witnessed significant enhancement in employee engagement driven by a clearly articulated development-focused agenda under which the Company embarked on several strategic initiatives in FY18 and which it further streamlined during the year under review. The centralised recruitment process under the ambit of the 'Talent Acquisition Cell' that was introduced in FY18 is showing good results in enabling speedy recruitment as well as ensuring the quality of new hires. Steadily progressing on digitisation in HR, the Company has built on and augmented automation in all its HR related processes and Management Information Systems through its contemporary online platform, called 'MyWorld' to provide a better level of service to its employees with efficient self-service and synchronised options and controls. Improvements to the Performance Management Systems process continue to make it more objective and transparent year-on-year. Project ODEON that was launched in FY18 to conceptualise, design and implement an Organisation Design framework to ensure all people-related decisions (fitment, mobility, promotion and pay) are made based on modern principles of Organisation Design and by paying due attention to the role, the grade band and the person's capabilities, is progressing very well. The Company continues to encourage job rotation and significantly enhance its employee engagement initiatives, which have been instrumental in reducing attrition levels during the year. The Company remains committed in its efforts towards having a diverse and inclusive workforce at Blue Star. The gender ratio has improved to 9.5% in FY19.

## Manpower Strength



Top Management interacting with the employees at the HP facility on the occasion of Women's Day



Blue Star Marathoners at Mumbai Marathon 2019

# Integrated Report

“ With a strong focus on learning, quality, teamwork, and reengineering, the Company is making significant progress in the development of its employees through its revised and redefined Learning and Development framework that was rolled out last year. The framework promotes holistic learning in terms of technical and functional skills as well as behavioural, managerial and leadership development. The learning is a blend of e-learning, self-learning, guided learning and experiential learning.

## SAFETY

Safety training, safety audits and implementation of corrective actions as well as review of current actions were undertaken.

“ During the year, Environment, Health & Safety (EHS) activities continued with great fervour and enthusiasm with intent to inculcate a ‘safety first’ culture within the organisation.

The Company believes in promoting and encouraging the holistic well-being of its employees. On the health front, it has been issuing a monthly bulletin titled ‘Health Watch’ aimed at creating awareness amongst employees to stay fit as well as providing an update on the latest happenings in the health sector.

During the year, behavioural-based safety programmes were conducted aimed at developing ownership towards safety. A safety induction AV covering 32 critical work processes was also released.

Evacuation safety drills were staged across all office establishments and factories for all-time safety readiness. Employees were sensitised on adhering to safety standards and procedures using various mediums like print, AV films, class room interactions as well as imparting subject-specific trainings. Overall, more than 2,900 safety audits were conducted across the Company’s project sites, service sites and manufacturing facilities.

Training programmes on safety management were conducted covering 43,800 training mandays during the year.

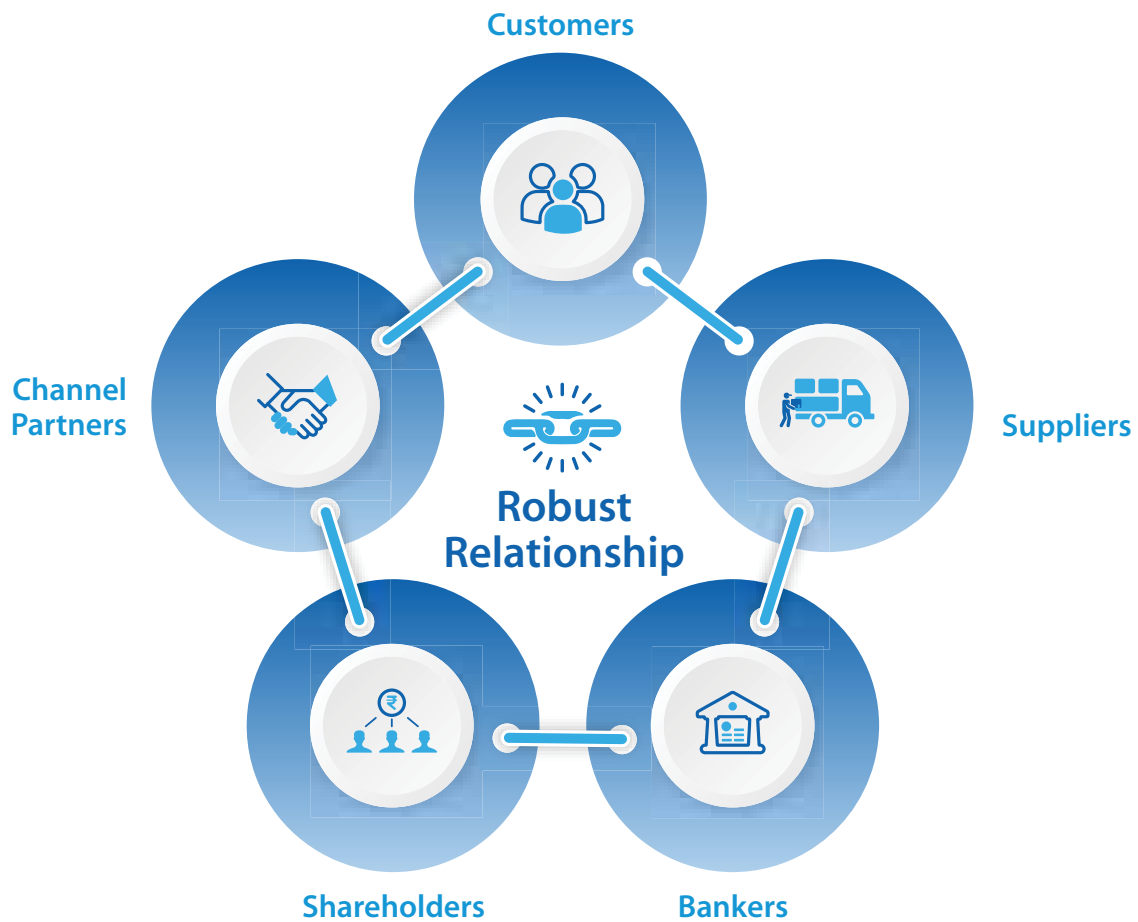


*Safety practices being adhered to at a project site*

# Integrated Report



## Relationship Capital



Blue Star consciously nurtures and ensures the fostering of strong relationships with all its external stakeholders such as Customers, Suppliers, Channel Partners, Shareholders and Bankers.

# Integrated Report

## CUSTOMER FOCUS

As an organisation, Blue Star is completely oriented towards serving its customers' needs, with a strong focus on providing a world-class customer experience.



The Company through its differentiated products and services not only endeavours to satisfy its customers but also aspires to delight its customers whereby it has been able to significantly improve its customer satisfaction index as well as ensure brand loyalty across categories.

The Company gives due importance to safety and environment while designing and developing all its products and services.

### VALUE CREATION THROUGH SERVICES - AIR CONDITIONING AND REFRIGERATION SERVICE (CSG)

Recognising the fact that after-sales service is one of the critical success factors for the air conditioning and commercial refrigeration lines of businesses, Blue Star strives towards providing a seamless customer experience with elements of assured response time and highest quality embedded in it. As a testimony to this, the Company continues to be the largest air conditioning and commercial refrigeration after-sales service provider in the country. Under the framework of its service excellence programme, the service reach has improved significantly to 3946 Taluks/Tehsils with a new assured service response time of 3 hours and turnaround time of 18 hours. The Company assures same-day installation for all its retail customers. Blue Star has set up a 24x7 call desk with an interactive voice response system wherein the customer can log a call within 12 seconds without talking to any personnel. An add-on, there is a customer service app with a one-touch facility for logging a service requirement. A host of other digital initiatives include a technician application and remote monitoring of chillers among others that give the Company a competitive edge. The facility to generate electronic field service reports by technicians using mobile apps is another added advantage which ensures transparency, real-time data sharing and saves paper. More than 30 service centres were set up across the country and the Company has more than 250 service vans to reach out to its customers speedily. For its quick service restaurant customers, refrigerated vans have been deployed for cold storage across seven major cities. 24x7 service is provided for a select segment of its cold room customers. A fully equipped VRF commissioning van was also launched in major metros to ensure smooth commissioning of the Company's wide range of VRF units.



Backed by its strong value proposition to provide 'Gold Standard Customer Service,' the Company's Customer Service Group (CSG) is known for its credibility and reliability. Blue Star's air conditioning and refrigeration service is ISO 9001:2015 certified which ensures consistent performance across product lines and geographies. CSG is one amongst the few service organizations to go for ISO 45001:2018 certification that ensures a safe working environment for its field force.



VRF Commissioning Van

# Integrated Report

Blue Star's Engineering Facilities Management (EFM) service which covers a wide range of operations and maintenance services to ensure efficient working of electro-mechanical utilities has received a good response from customers across various segments. The Company has secured several EFM orders from prestigious clients including seven manufacturing units of Cipla Limited across India, Suzuki Motors Limited, ISRO, Airports Authority of India, UIDAI (Aadhar), Hindustan Aeronautics Limited, Bengaluru International Airport, and Chennai and Kochi Metro, amongst others.

As a pioneer in the AC&R service industry, the Company has several benchmarks to its credit and continues to advance rapidly on the services front.

## SUPPLIER FOCUS

### SUPPLY CHAIN MANAGEMENT

Over the last couple of years, the Company's efforts towards reorienting its 'Supply Chain function' to include a separate vertical 'Sourcing and Vendor Development' to systematically focus on vendor development, early engagement with the R&D team for new product development, and driving various cost reduction initiatives as well as risk mitigation projects, are bringing in good results.



Refrigerated service van



'Service On Wheels' van



Remote Monitoring Services centre

# Integrated Report



During the year under review, the Company introduced and institutionalised many new initiatives such as benchmarking, standardisation, vendor managed inventory, and localisation, to name a few which resulted in cost reduction of 5 to 6% (on an annualised basis) in the Company's product businesses. This significantly improved the price competitiveness of Blue Star's products in the market.

Leveraging digital technology, the Company launched a vendor portal 'Star Sampark' through which it brought on-board more than 4000 vendors. This portal facilitates the vendors with an automated and transparent facility for the complete process right from procurement to payment, which will bring in more efficiency and reduce transactional costs. Besides, the supply chain function has also implemented various IT enabled system controls to ensure transparency and adherence to compliance across levels.

A new initiative under the Supplier Excellence Programme was launched whereby 25 suppliers deployed the Company's best practices in order to upgrade the overall quality of products/components.

The localisation of Indoor Units, Inverter ACs and drives immensely contributed towards de-risking the supply chain function by reducing dependency on vendors.

Numerous initiatives towards controlling Capital employed, such as driving the S&OP process, vendor managed inventory, and the enhancement of credit terms, were also embarked upon during FY19.

## DEALER FOCUS

### CHANNEL MANAGEMENT

The Channel Management Centre, which is the overall custodian of Blue Star's channel partners and a single point contact for all channel administration, development and conflict resolution initiatives, added around 710 channel partners and service associates during the year under review. The Company also expanded its retail distribution reach for room air conditioners and added about 1047 retailers and distributors across the country, thereby increasing its presence in Tier 2 and 3 markets by 10% over last year.



Currently, Blue Star has 3600 channel partners with over 5500 stores for room air conditioners, packaged air conditioners, chillers, cold rooms, refrigeration products and systems, as well as 783 service associates reaching out to customers in over 850 towns.

Blue Star's channel partners form the extended arm of the Company, and many of these dealers have been associated with the organisation for over a decade. Several dealers are ex-employees of the Company and therefore, well aligned to its value proposition. Dealer satisfaction surveys are conducted periodically, and their issues are addressed across various platforms.

During FY19, the online platform wherein the channel partners were on-boarded during FY18, was further strengthened and extended to bring on-board the Water Purifiers Service Associate channel appointments as well. Aspiring and established dealers who intend to do business with different divisions in Blue Star can apply online through the 'Dealer Registration' page on Blue Star's website. The dealer not only signs up, but also uploads the necessary documentation (after a filtering process) to be eventually appointed or rejected based on whether the dealer fulfils the selection criteria or not. So far, over 2500 dealers have evinced interest by applying online. Internationally, too, prospective channel partners from the Middle East, SAARC region, Africa, ASEAN and Europe have applied via the online route.

'Star Connect' launched last year to facilitate the channel partners with the ease of doing business has garnered wide acceptance and appreciation. Besides, based on extensive feedback sought from channel partners, a mobility app was also developed and rolled out. Extensive 'Star Connect' training programs were organised across all branches for dealers and their staff members and video tutorials and manuals in local languages were created to facilitate the trainings. Channel finance benefits are being extended to the channel partners by way of tie-ups with reputed bankers. The dealers can place their purchase orders through 'Star Connect' as well as make payments on this single platform. The objective is to support the dealers by eliminating time-consuming activities and doing away with redundant processes, thereby enhancing efficiency. Currently, dealers can place purchase orders for room air conditioners, commercial refrigeration, water purifiers and central air conditioning products through this platform.

# Integrated Report

At present, 90% of the Company's transactional interface with its dealers is digitised as a consequence of deployment of 'Star Connect', and this has contributed in enhanced dealer satisfaction and overall efficiency improvement.

Numerous programmes aimed at enhancing dealer engagement, development and motivation, including foreign incentive trips and felicitation of star performers at product launches were undertaken during the year. An attractive performance linked rewards and incentives scheme called 'PRIDE' was introduced for incentivising channel partners towards further excelling in their service performance.

## E-COMMERCE

With the advancement and penetration of digital technology, the entire marketing paradigm is changing rapidly. Not only is buying behaviour changing, but so are media consumption trends too. E-commerce, as a distribution channel, is witnessing phenomenal growth. Within e-commerce, quite a few new business models are emerging. Further, digital marketing has emerged as an important tool for securing share of mind of consumers. Integral to this development is digital content creation and management. Moreover, for targeted marketing, customer data analytics is critical. In managing and growing brand equity and market share, omni-channel marketing as a concept is gaining momentum. In other words, Marketing 4.0 is a reality, and it is certain that it is the future.

Keeping in mind the above developments, the Company began to invest in digital marketing, and in the past couple of years, has made good progress. The Company's website is ranked high; Blue Star did well in terms of search engine optimisation; its social media presence is reasonably strong with around 1,50,000 followers and its advertisements have been doing well on YouTube.

## SHAREHOLDER ENGAGEMENT

Blue Star continues to enhance value for its shareholders through improved return on equity and dividend payouts. Blue Star regularly engages with its shareholders, both individual and institutional, through investor relations programme and appraises them on its performance on an on-going basis. Quarterly earnings concalls are organised regularly to apprise the investor community about the Company's performance for the quarter gone by and the short and medium term outlook.

Besides these, the Company's management has been conducting several interactions with fund houses and research firms through the year. A special Investor and Analyst Meet was also organised on the occasion of the Company's Platinum Jubilee to update them on the Company's strategic direction and growth aspirations over the medium term.

## BANKERS AND CREDIT RATING AGENCIES

Over the years, Blue Star has built relationships with a group of banks, who have supported its growth. Blue Star regularly interacts with its bankers to update them about its financial performance and support required for growth. Blue Star has been prompt in servicing all its obligations and its covenants around lines of credit and borrowings. Blue Star's Commercial Paper has been rated 'A1+' by CARE and CRISIL.





Blue Star remains committed in its endeavours on the social front. The Company believes in empowering the society through its contributions and dedicatedly works towards this cause while also generating economic value for its stakeholders.



Education

Blue Star's department for Corporate Social Responsibility (CSR), established over a decade ago, consists of professionals with the requisite domain knowledge for planning, implementation and monitoring of the scheduled activities with due diligence.

Blue Star spent a total of ₹3.12 crores during the year on CSR, of which ₹75 lakhs was attributed to Blue Star Foundation. The major CSR initiatives are vocational training in the area of Air Conditioning & Refrigeration and MEP, pursuant to the Government's 'Skill India' mission; installation of water purification systems and building of toilets in Zilla Parishad schools as part of the Government's 'Swachh Bharat, Swachh Vidyalaya' initiative; along with support for other health and education causes.

As an important stakeholder for holistic vocational training initiatives in the AC&R and MEP fields for school drop-outs, Blue Star has undertaken numerous initiatives through meaningful partnerships in industry-specific programmes with NGOs, industry bodies and other like-minded corporate bodies across the country. The Company is an important stakeholder for holistic vocational training initiatives in Air Conditioning and Refrigeration Service (AC&R) and Mechanical, Electrical and Plumbing (MEP) fields, in partnership with like-minded institutions, professional bodies and corporates. Blue Star's training personnel contribute to setting up customised classrooms and practical labs, curriculum development, training of trainers, monitoring the quality of teaching sessions and imparting regular lectures at these centres. As in the last two years, this year too Blue Star supported existing institutes like Indo German Institute of Technology, Visakhapatnam; Bala Mandir Kamraj Trust, Chennai; Gyaan Prakash Foundation, Pune; and Apollo Total Health, Chittoor, with faculty fee and student expenditure reimbursement support through the year. The Company has also undertaken the renovation and upgradation of their labs with new technology such as that of inverter ACs, water purifier and others, as required, to ensure that the training imparted in these institutes is up-to-date with the market requirements. Apart from these, Blue Star is working with Sanskriti Samvardhan Mandal, Sagroli, a reputed NGO working in holistic rural development and skill enhancement in the areas around Nanded in Maharashtra, towards the development of a plumbing lab, on the lines of the IGIAT model. Donation of air conditioning and refrigeration equipment towards training and demonstration



Vocational Training



Affirmative Action



Water and Sanitation



Livelihood Generation and Capacity Building

# Integrated Report

## CSR Spend



for students of Government Industrial Training Institutes (ITIs) and Ramakrishna Mission Shilpamandir, Kolkata, were also made in this year. The Company constantly encourages its employees to dedicate their time and energy on a pro bono basis to impart employable skills at these centres, drawing from their extensive work experience. This initiative contributes towards building a fresh young talent pool for the building engineering industry. During the review period, over 750 students were trained at these facilities.

The Dadra, Wada and Ahmedabad factories as well as the R&D facility at Thane hired over 300 apprentices under National Employability Through Apprenticeship Program (NETAP) - a Public Private Partnership of TeamLease Skills University; CII; All India Council for Technical Education; and National Skills Development Corporation under the HRD Ministry. This initiative lends the much needed thrust for on-the-job training, and boosts job creation by aligning skills of the workforce to the industry's needs. Similarly, implementation of the NETAP apprentice programme for women in Water Purifiers business has aided in their exposure to the sales and product promotions at retail showrooms. Accordingly, around 20 women apprentices were hired across the country to front-end displays for water purifiers across showrooms/sales outlets. The NETAP apprentices were exposed to the real time work environment at Blue Star's manufacturing facilities, and female apprentices were trained on the job in product promotions and sales at retail showrooms. The apprenticeship initiative, while providing academic credit for on-the-job training, also assures of a recognised experience certificate, post minimum service tenure of 3 months. All trainees are paid stipends commensurate with the unskilled minimum wage for each state, which is significantly higher than the stipends paid under the Apprenticeship Act.



Inauguration of the AC&R lab for Apollo Total Health project

# Integrated Report

Blue Star is committed to the cause of enhancing awareness on the use of the cold chain infrastructure in food preservation by increasing the application knowledge as well as augmenting the skill sets of various stakeholders involved in the cold chain industry through a series of initiatives. In collaboration with CII, two Gramin Haats in Assam, namely Durangiri and Golaghat were adopted and upgraded with the requisite infrastructure and assured market linkage for the produce. This was aimed at augmented price realisation for farmers through appropriate handling, sorting, grading and storage facilities for their produce.



*Hand-wash station in a Government school at Wada*

Blue Star continued its efforts to improve the availability of safe drinking water, especially for children. School children are a vulnerable population for whom provision of safe drinking water can be provided in liaison with school authorities. Continuing the efforts of FY18, Blue Star embarked on a holistic intervention for safe and purified drinking water stations as well as refurbishment and renovation of the existing toilet blocks and group hand-washing stations in over 35 new Zilla Parishad schools across Wada and Vikramgarh block of Palghar district, Maharashtra. Also, awareness sessions on safe sanitation and hygiene practices for various stakeholders, including students, teachers and school management committees were conducted in these schools. Similarly, Blue Star also undertook setting up of clean drinking water stations in 6 Government schools in the Jodhpur district of Rajasthan. The need for drinking water is vital in these schools which often face severe water shortage. Consequently, more than 100 schools have been brought under this programme over the last 3 years.

A book donation drive in partnership with The Hindu Group of Publications was organised, during which over 4000 novels, text-books and other relevant material, like notebooks and stationery were collected from employees and other agencies, and donated to school students through reputed NGOs like Pratham Pune Foundation, Savali Foundation and SOS Children's Village, who do not have access to such for their educational needs. The books now find place in libraries of schools, colleges and reading rooms of the NGOs.

Like FY18, this year also, the Company sponsored two special 'In School' issues of The Hindu, with the supplement record of all important national/international events of 2018, and the other of Independence Day, for ₹2.4 lakhs, which were distributed across 40 Government-aided schools in Mumbai to encourage reading and augment one's general knowledge. The teachers supported the students in assimilating the newspaper content through classroom readings and quizzes. Kalinga Institute of Social Sciences, Bhubaneswar, amongst India's largest institutes for underprivileged tribal students, was supported towards quality education for needy students.

Blue Star aims to support projects that promote art and culture, as well as projects that preserve the country's heritage. This year, Blue Star supported the 'International Foundation for Fine Arts', supporting needy/aged musicians and towards raising awareness amongst the youth to keep Indian classical music alive.

The Company was quick to respond to the Kerala floods. It partnered with CII Foundation and contributed ₹44 lakhs towards immediate relief provisions, and for the long-term restoration and redevelopment of public property in the sphere of health and education. Over ₹20 lakhs from this contribution were employee contribution, which was matched by an equal contribution from the Company's CSR budget.

Apart from these special projects, Blue Star Foundation has disbursed ₹50 lakhs in FY19 towards the causes of education, health and poverty alleviation. The Foundation's charter covers education of less privileged children, health/medical support to marginalised communities and poverty alleviation. The organisations supported during the year include Jyot Bahu-Uddeshiy

# Integrated Report

Samajik Sanstha, Thane, towards vocational training opportunities for girls and adolescent health education; The Anchorage, Mumbai, offering opportunities for education and vocational training for the mentally challenged; Ashray Akruiti, Hyderabad, towards a special school for children with varying degrees of hearing impairment; Aishwarya Trust, Chennai, for corrective surgery for congenital heart defects in children; Mumbai Mobile Creches towards education and health initiatives for children of construction labourers; Indian Association of Blood Cancer & Allied Diseases, Kolkata, for medical relief of cancer-affected children, among others. 50 academically deserving, less privileged students across three engineering colleges and three architectural institutes are presently being supported with Mohan T Advani Centennial Scholarships. The scholarships are inclusive of a mentorship by Blue Star personnel as well as an annual internship at the Company's facilities.

Complementing the CSR initiatives driven centrally, the Company's manufacturing facilities have also been engaging in community development around the plants, as well as have been encouraging its employees to volunteer their time for the same. Some major events organised during FY19 by the manufacturing facilities comprised blood donation camps, industrial training and factory visits for students, donation camps and drives for schools, orphanages and old age homes, amongst others.

The Company's manufacturing facilities also independently adopt local Government schools. An example would be the Government Primary School in Kala Amb adopted by Blue Star's HP facility where they deployed the learnings of the 5S programme with the principles of Sort, Set in order, Shine, Standardise and Sustain for the students and teachers. As a result, the school has seen an impressive transformation in cleanliness, organisation and maintenance. Similarly, Dadra and Wada factories have also adopted local schools around their vicinity where they work in close coordination with the head-masters and teachers for improving the school infrastructure as well as conducting health camps, and distribution of study material.

**On the occasion of the Platinum Jubilee of the Company, ₹75 lakhs was awarded to Blue Star Foundation towards larger social impact through specific and targeted programmes across the spheres of education, vocational training and women empowerment, in liaison with reputed NGO partners.**

1

Kherwadi Social Welfare Association for vocational training of young women in the fields of tailoring, beautician and fashion designing; towards building of 50 individual household toilets; and farming using modern techniques

2

Muktangan for the training of in-service community teachers in the subjects of Science, Math and Language at Sayani School, Worli

3

Magic Bus India Foundation to build life and employability skills in over 700 first-generation adolescent learners in Bhiwandi from less privileged households, utilising sports for development and mentoring so that they complete their formal education

4

CII – National Agro Foundation for training a group of women across 20 villages in Cuddalore district of Tamil Nadu in the fields of crop handling, financing, sustainable and modern agricultural practices; finally leading them to the formation, strengthening and capacity building of a Farmer Producer Organisation (FPO) which directly markets its produce

5

Habitat for Humanity India, towards the distribution of 110 waterwheels to villages in Wada to reduce the drudgery of carrying water from far-off distances. These waterwheels are designed keeping in mind the ease of carrying water. They can be rolled around and carry 45 litres of water each at one instance

# Integrated Report

Blue Star is committed to directly conducting or supporting initiatives to ensure an equal footing for socially and economically disadvantaged sections in the country at large, especially the Scheduled Caste and Scheduled Tribe communities. As part of its CSR initiatives therefore, Blue Star actively participates in the Affirmative Action Agenda of CII and has contributed towards Development of Dalit Entrepreneurs by promoting supplier diversity, imparting management techniques and mentoring. The Company is also an active member of the CII Sub Committees on CSR and Affirmative Action, and contributes regularly to industry initiatives in this regard.



*Vocational training being imparted for AC&R service*

The Company also encourages its employees to adopt a fit and healthy lifestyle, and to augment this, encourages its employees to participate in marathons. Blue Star supports the four city marathons of Mumbai, Delhi, Chennai and Kolkata, as a corporate charity team, and the donations from the same are then used by Blue Star Foundation to sponsor the scholarship support for the Mohan T Advani Centennial Scholarships.

# Integrated Report



Natural  
Capital

Blue Star proactively works towards protecting the environment by consciously embarking on various initiatives such as usage of eco-friendly refrigerants, planting trees at its premises and reduction of consumption of water.



Through rigorous initiatives, the Company achieved an overall 16% reduction in water consumption across plants.

## SOME OF THE PROACTIVE STEPS TAKEN INCLUDE:

- ◆ The Company engages in regular tree plantation drives which help to combat many environmental issues such as deforestation, erosion of soil, desertification in semi-arid areas, and global warming, and thereby enhances the beauty and balance of the environment.
- ◆ The Company's Dadra plant carried out a comprehensive rain water harvesting project, to meet the daily needs of the plant (80 kl). Total seven recharge pits were made in the plant. During the monsoon season, this will recharge 137 kl of water on a daily basis. This will raise the water table of the surrounding areas.
- ◆ The Company has begun to use the environment-friendly Zero ODP refrigerant gas R290 as well as Zero ODP & very low GWP blowing agent Cyclopentane.

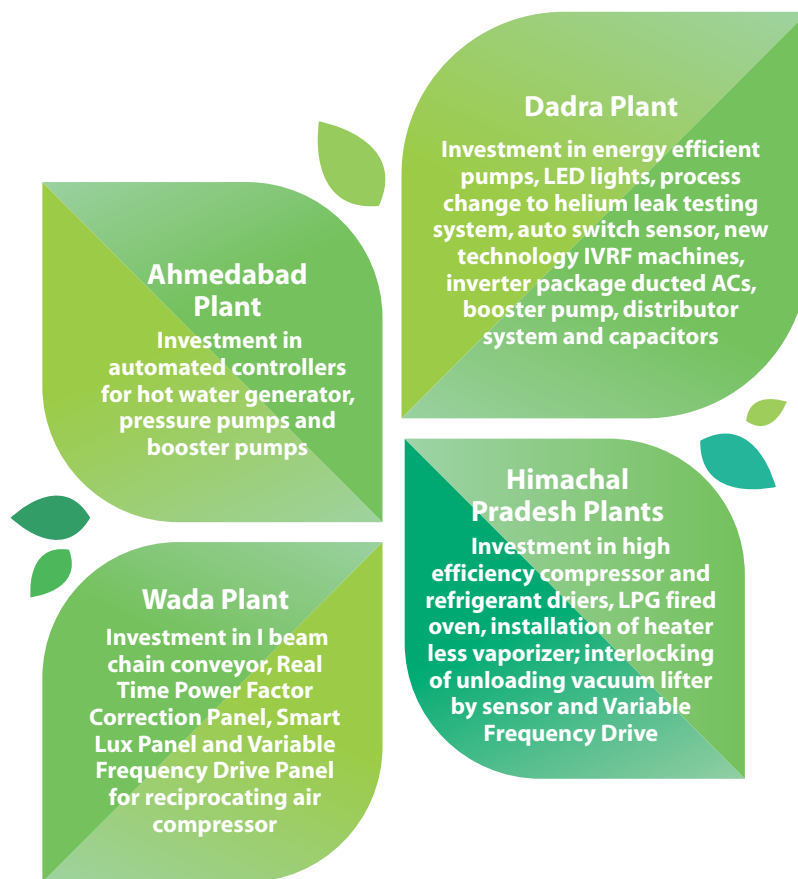


Renewable Energy initiatives undertaken at Blue Star's manufacturing facility

# Integrated Report

- ◆ Conscious efforts are being undertaken to eliminate the usage of wood in packaging.
- ◆ The Company has switched over from R407C to environment friendly R410 refrigerant for scroll chillers.
- ◆ The Company has also been deploying solar power at select locations for office and street lighting.
- ◆ No effluents were discharged outside Blue Star manufacturing facilities in FY19. Efficient operation of effluent treatment plants and sewage treatment plants ensured zero discharge. Treated water is used for flushing and local irrigation.

The Company invested in energy conservation equipment across plants:



(Refer Annexure 1 to Board's Reports on page no. 80)

# Integrated Report



## Strategy Planning and Development

Organisations, globally and locally, face several challenges arising out of macro-economic scenarios, geo-political situations, and the global trade environment, necessitating companies to periodically review their growth strategies and draw up short-term and long-term plans. Customer profiles and expectations are fast changing, adding a complex dimension to decision making. Indian market is becoming a hotbed of competition in many spheres of business with several multi-nationals looking at India now. Hence, it becomes imperative to constantly review organisational strategies and underlying assumptions.

The Company had rolled out its strategic plan, Blue Star@75, which defined the roadmap for Blue Star for three years up till FY19. As the Company entered its 75th year, the next rolling 3-year strategic plan, Blue Star@77, ending in FY21, was formulated. This plan lays down key milestones to be achieved each year at the Company level as well as at individual businesses and functional levels. The strategic plan emphasises clear focus on strengthening the Company's core capabilities, responding to competitive forces, acquiring new capabilities, building new processes, and acquiring new technologies as well as enumerates details on intended investments to support the growth plans.

To execute strategic plans, a framework called Strategic Implementation Framework (SIF) is in place for each business and function. The SIF essentially draws upon Balanced Score Card concepts of strategy execution and it maintains well-articulated focus on financials, processes and systems, people and innovation. The Company's strategic plan is thoroughly cascaded to all levels of the organisation by way of town hall meetings, KRA cascade sessions, talk over tea sessions and various appropriate internal forums to align the organisation to the Company goals.

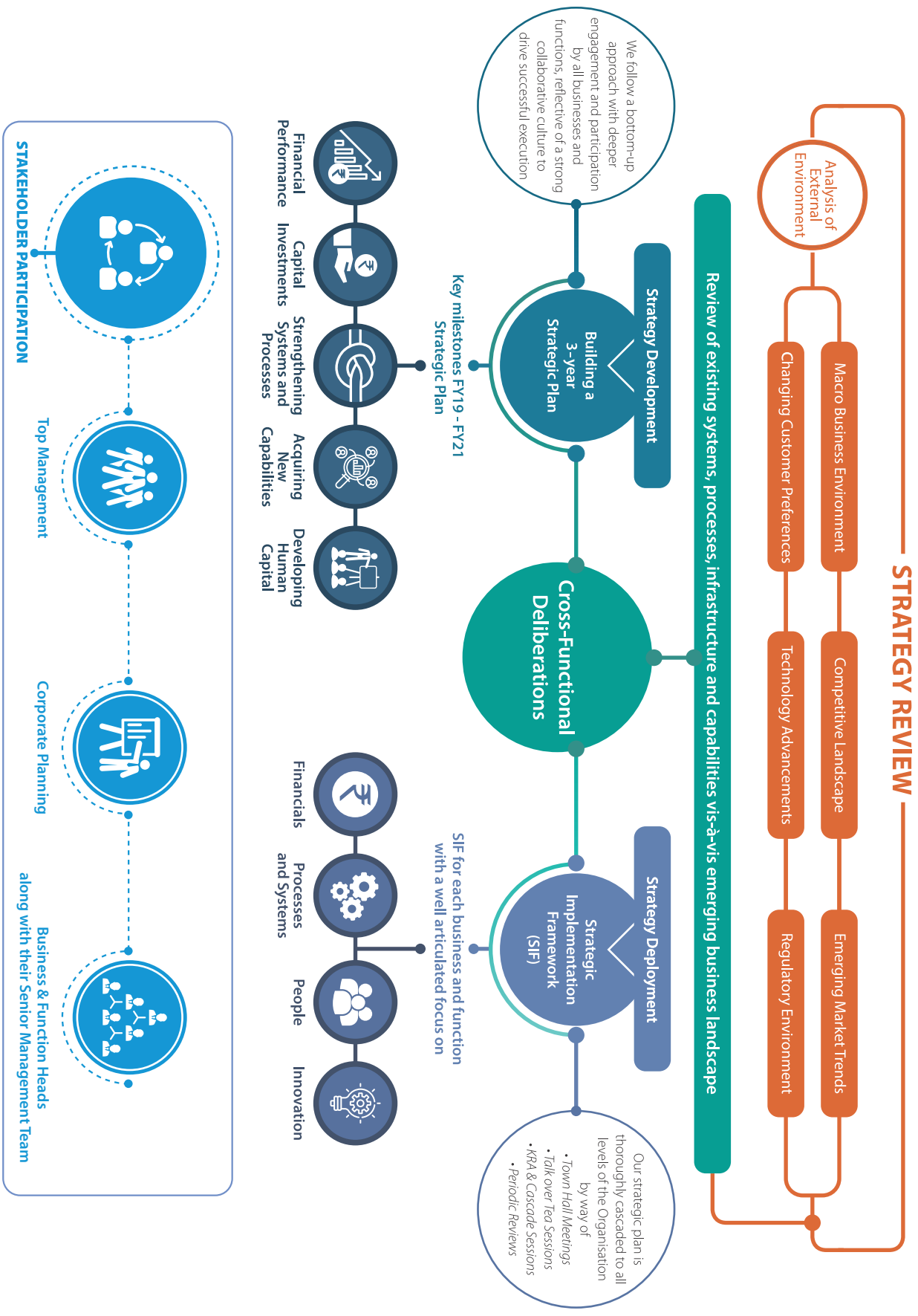
The strategic framework provides for periodic reviews in a structured way to take stock towards the progress of key milestones. This internal process helps in periodically discussing and reviewing the underlying assumptions related to the business landscape as well as understand the Company's competitive positioning and make due corrections as needed. The Company has undertaken several internal measures based on the strategic plan.



The Company periodically reviews its strategic plans in line with market dynamics and macro environment and takes tactical level course corrections as required from time to time.



Blue Star has a robust Strategic Planning process in place to formulate a 3-year roadmap for the Company and its businesses





## Risks and Mitigation Strategies

### Dynamic Macro-economic Environment:

The Company's core businesses are cyclical in nature and are exposed to the macro-economic environment. Besides, the international operations are also exposed to geo-political risks associated with these regions such as change in tax regime, political unrest amongst others.

#### Mitigation:

The Company continues to closely monitor the macro-economic environment on a regular basis. It undertakes efforts to tap the untapped segments in case of projects business and engages in development of new products with focus on profitability and scalability, all of which assist in de-risking its business operations. Enhanced thrust is placed on expanding Blue Star's global footprint as well as diversifying into related product segments. Besides, the Company invests in continuous in-house capability building and awareness creation with regards to new tax laws and related compliances.

### Seasonality:

The Company's product businesses are seasonal in nature. Unforeseen weather patterns may impact forecasting, leading to either stock-out and resultant loss of opportunity or excess inventory.

#### Mitigation:

The Company has in place a well-defined process to review and re-align, wherever necessary, the procurement plan, on a dynamic basis. It also has a continuous process improvement plan to reduce lead time for procurement.

### Business Model Risk for projects:

There has been a gradual shift in the business model for large projects where the full contracts are assigned to civil contractors who in turn sub-contract the components of the project. Some of the Mechanical, Electrical and Plumbing jobs undertaken by the Company are through such sub-contracted route. This could impact the returns and increase the credit risk based on the credit profile of the main contractor.

#### Mitigation:

The Company carries out independent due diligence before entering into a sub-contracting arrangement with the main contractor. The Company also enters into selective and project specific tie-ups with reputed and financially sound civil contractors.

# Integrated Report

## Financial:

Financial risks comprise volatility in global financial markets as well as fluctuations in the exchange rates. Credit default by customers is also a concern for the Company.

### Mitigation:

The Company has a robust policy in place for managing currency exposures. The Company has a due diligence mechanism to reduce the risk associated with credit default.

## Operational:

The Company in the normal course of its business is exposed to operational risks such as volatility in commodity prices; over dependency on suppliers and vendors; health and safety related concerns; higher input cost in case of fixed price contracts for Projects business; failure of Information Technology systems; and risk of epidemic technical failure.

### Mitigation:

The Company hedges a majority of the commodities that it uses in manufacturing. Alternate vendors are developed with similar facility on product category basis. Regular safety audits are conducted across sites. There is a robust delegation of authority matrix in place. Order booking guidelines are strictly implemented to book quality orders. Business Continuity Plan is developed in IT systems by setting up the ERP DR and the same is periodically monitored. Quality check teams are present to test all pre-launched products as well as for field tests in the market.

## Compliance:

Regulatory compliance often impacts the business operations if the Company is not proactive enough to diligently identify and adhere to such compliances. Some of the regulatory compliances comprise compliance with Competition Commission of India for norms pertaining to dedicated dealership; compliance with BEE rating norms; compliance with QCO norms; compliance with statutory requirements pertaining to Labour Laws, Environmental Laws, Factory Laws, Competition Laws, PF Laws, insider trading and listing requirement; amongst others.

### Mitigation:

The Company is very agile and ensures complete adherence to the regulatory compliances. It has built a strong compliance management system and has automated the compliance management process. It has adopted the automated legal metrology label printing, in order to prevent non-compliance and prosecution. Besides, the Company has entered into a comprehensive agreement with its dealers. The Company follows a structured approach towards any changes in the BEE ratings and ECBC 2017 norms by conducting meetings on a regular basis to identify and implement these changes across its product range. It also ensures compliance confirmation by its JVs and foreign subsidiaries.

## Cyber Crime:

Risk from absence of Information Security Mechanisms may leave the IT infrastructure vulnerable to hacking attacks.

### Mitigation:

The Company has a robust Vulnerability Assessment and Penetration Testing framework. It also has a set of policies and procedures to ensure compliance to rules and guidelines related to information security.

# Integrated Report

## Competitive Risks:

The Company faces competition from local and overseas players. There are chances of experiencing a shift in the buying behaviour of consumers due to the growth of e-commerce platforms. The Company could encounter low demand for some of its products in certain regions.

### Mitigation:

The Company is well diversified across related and new product categories. It has tie-ups with key e-commerce companies and has rolled out dedicated models meant to be sold only through online platforms. There is enhanced thrust on increasing penetration in Tier 3/4/5 cities. The Company focuses on developing more exclusive dealers. Periodic performance reviews are undertaken for the dealers.

## Technology:

The Company faces the risk of losing business to competitors if it is unable to create new products or upgrade its existing products within the evolving technology landscape.

### Mitigation:

The Company has partnered with consultants to evolve on the technology front for select product categories. It also has tie-ups with institutions for initiating technology development projects. It regularly reviews its product portfolio and has a structured medium term new product development plan.

## People:

Risk of inadequate success planning at the top and middle management positions may impact business continuity and business performance in the short term.

### Mitigation:

The Company has in place a systematic framework for management and development of its talent through structured leadership development programs. Talent councils are formed to review the succession plan on a periodic basis.

## Fraud:

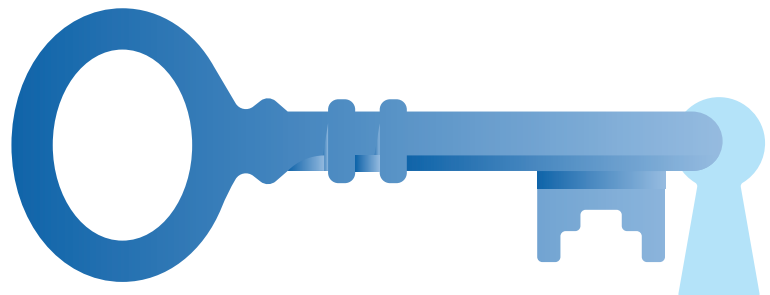
Not being able to proactively identify and address potential frauds.

### Mitigation:

The Company has a robust governance mechanism consisting of three lines of defence as required under the COSO 2013 framework. It extensively uses data analytics and rigorous monitoring to strengthen its fraud management framework.



- ◆ HVAC&R market in India is forecast to reach USD 5.9 billion by 2024.
- ◆ Government propelled infrastructure investments are expected to drive growth in the medium term.
- ◆ Sectors such as metro rail, healthcare, education, airports, light industrial projects and commercial offices are expected to witness significant capital expenditure; the Company has the capability to offer engineering solutions to underground and overground metro rail projects.
- ◆ Infrastructure investments in Tier – 2/3/4 cities, like shopping malls, retail complexes, and airports are further expected to push growth.
- ◆ Low penetrated market and growing middle class purchasing power offer immense opportunity for growth of room air conditioners business; the Company continuously focuses on developing newer products to tap this segment.
- ◆ Growth in the processed food sector and ice cream and dairy industries, offers tremendous opportunities for growth of the Company's commercial refrigeration business; the Company has forayed into product adjacencies to address the requirements of the processed foods sector and the modern retail segment.
- ◆ Increased investments, both public and private, in the healthcare sector, and growth potential of the Indian digital payment sector along with rising focus by enterprises on data security, offer growth opportunities for the Company's Professional Electronics and Industrial Systems segment; the Company has added niche products to widen the reach in the segment.



# Integrated Report



## Information Technology

The Company continued to march ahead on this front by imbibing the latest digital technologies across its operations and businesses. Using a bimodal approach, it strengthened its digital core while digitalising various parts of its business operations.

The Company upgraded its core ERP, SAP ECC, to SAP HANA S/4. This major upgrade will enable Blue Star to improve its speed of execution and cater to various operational needs that were not possible earlier due to inherent system limitations. In today's fast paced and digital economy, SAP HANA's ability to do real-time processing for transactions and generate analytics for all of the Company's data will equip the businesses with real-time indicators and data, thereby improving decision making.

On the Dealers front, the Company's Dealer Management System, launched in the previous year, was fully deployed with its entire dealer base across product lines transacting with the Company through the platform. The dealers can now avail of attractive dealer financing schemes through the portal and also make digital payments to the Company through an online payment gateway integrated with the portal.



With regards to manufacturing, the Company deployed its 'Intelligent Factory' solution at its Dadra manufacturing facility as was earlier implemented at the Wada facility. With this Industry 4.0 adaptation, the Company is in a position to enhance its operational effectiveness and increase output through better equipment maintenance and capacity utilisation across these two factories. The Company has leveraged the Augmented Reality technology in its factories by creating interactive visual aids that can guide its shopfloor employees in processes which may be complicated and error-prone, and thereby improves quality.

On the HR front, a Learning & Development portal was launched to enhance the proficiency and capabilities of its employees and associated partner employees. The portal provides technical and behavioural e-learning modules for employees to enhance their skills through a participative approach and enable them to deliver world-class services.

Taking cognizance of the increased information security threats, the Company further strengthened its information security policies by establishing a threat monitoring and assessment centre, and educating its employees on various security related aspects.

The Company continues to drive a number of initiatives using technologies such as Predictive Analytics, Machine Learning and Artificial Intelligence. Blue Star's first Bot, StarBot, which earlier provided only stock information to its sales executives, now provides a number of key insights, and serves as their virtual personal assistant helping them improve their productivity and effectiveness.

# Integrated Report

Brand  
Equity



On the occasion of the Company's Platinum Jubilee, the Company enhanced its spends with regards to advertising and brand communication. A corporate campaign emphasising on the Company's Platinum Jubilee as well as its new corporate value proposition 'Built on Trust' was rolled out through print and digital ads. A television commercial was also launched as a part of this corporate campaign. While showcasing the Company's various businesses with the intent to promote Blue Star as a multi-product and service brand, the commercial also conveys the trust and dependability that customers across the world have reposed in Blue Star for 75 years, which is depicted by people leaning on an invisible support, which is Blue Star. The advertisement aptly establishes Blue Star's tagline 'Built on Trust' in the minds of the consumers.

The Company launched its advertising campaign for Summer 2018 for its Room ACs given its continued thrust on the residential segment. The new range of inverter air conditioners launched in FY19 has taken Blue Star's differentiated value proposition of 'Nobody Cools Better' for the residential audience to the next level, by offering a unique and an exceptional aspect of '30% more cooling when you need it,' highlighting that the Blue Star Inverter AC performs efficiently even under extra load conditions by providing 30% more cooling when there are more people in the room. With this, the brand continues to leverage on its deep understanding of the science of cooling due to its pedigree in the business.

A 360-degree mass media campaign was launched for the summer which included television, print, outdoor and digital. For the television commercial, the Company strategically promoted the concept of '30% more cooling when you need it' through its Chimps television commercial ad. This was supported by print advertisements in mainline dailies as well as hoardings with the incorporation of several innovations. The Company has augmented its digital marketing efforts in social media as well as the internet. In this medium, Blue Star has invested in text, display and video formats, along with several other innovative properties, with a strong focus on brand awareness and recall.

Blue Star ran a campaign for its new range of Air Coolers. The value proposition for this product category is 'Summer will now feel like winter,' which is attributed to its unique cross-drift technology, a design advancement that retains water in the meshes for a longer time, resulting in 20% more cooling than other air coolers, thus giving a winter-like feeling in summers. Likewise, the Company also launched a campaign for its new range of innovative air purifiers with SensAir Technology, and advanced 7-stage filtration.

Significant investments were made in brand building of water purifiers during the year. The Company aired its new TV commercial showcasing warrior babies on the theme of 'Get armed with Immunity' owing to its Immuno Boost technology that is available in select models which provides alkaline and antioxidant water that helps one stay healthy. The TVC was aired on leading television channels and was supported by print, digital and outdoor media including branding of over 1000 Uber cabs in all the metros for nearly three months during the festive season. Concerted digital campaigns on e-commerce platforms continued to enhance brand saliency as well as boost online sales.

The Company also conducted press conferences across major markets to highlight Blue Star's offerings in the room air conditioning, air coolers, air purifiers and water purifiers category.



## Too many in the room? Get 30% more cooling.\*

The Blue Star Inverter AC actually gives you 30% more cooling.\* So whether there are more people at home or the temperature outside is too high, you will enjoy cool comfort at all times. That's not all. Its Precision Cooling Technology and Dual Rotor Compressor<sup>®</sup> give you comfort that's superior in every way.



**BLUE STAR**

NOBODY COOLS BETTER

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## Awards & Recognition



Blue Star was felicitated with the 'Best Brands 2019' award at 'The Economic Times Best Brands Festival'



Blue Star won the 'MEP Contractor of the Year' award at the 8<sup>th</sup> edition of Construction Week India 2018 Awards for the third time



Blue Star, for the third time in a row, won the 'Water Digest Award 2019' at the 13<sup>th</sup> edition of these awards



Blue Star won 'Gold Plus' award at the CII-EXIM Bank Awards in recognition of its Business Process Excellence in Customer Service

# Integrated Report



*Blue Star's Dadra Plant won prizes in two categories, Technology and Quality, at the 5<sup>th</sup> edition of 'Manufacturing Today Reinventing the Future'*



*Blue Star's HP Plant won two Gold awards at Kaizen Conclave organised by Quality Circle Forum of India, Delhi Chapter*



*Blue Star was appreciated at the 'ISHRAE Thane 2018-19 New CWC Installation Ceremony' for supporting ISHRAE's endeavors*



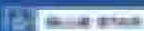
*Blue Star, in recognition for its five year long association and contribution towards vocational training in HVAC&R services, was felicitated by IICI Foundation*



*Blue Star was recognised for its remote monitoring project 'iView', at the 'YES Bank Best CFO & Digital Transformation Awards 2018' under the category 'Best Customer Excellence'*



*Blue Star's HP Plant won 'KK Pillar Best Kaizen' award at the 11<sup>th</sup> National TPM Circle competition organised by CII*



**VISION**

**TO DREAM, TO STRIVE,  
TO CARE, AND ABOVE ALL,  
TO BE THE BEST IN  
EVERYTHING WE DO.**



**CREDO**



**I AM BLUE STAR.  
I TAKE PRIDE IN  
DELIVERING  
A WORLD-CLASS  
CUSTOMER  
EXPERIENCE.**



# THE BLUE STAR WAY

- Be a company that is a pleasure to do business with.
- Win our people's hearts and minds.
- Continuously improve shareholder value.
- Give primacy to meritocracy and professional management.
- Place the Company's interest above one's own.
- Conduct business with personal integrity and ethics.
- Treat business partners as respected members of our organisation.
- Encourage learning, experimentation and innovation in what we do.
- Ensure high standards of corporate governance.
- Work in a boundary-less manner between various functions to provide the best solutions to customers.
- Be a good corporate citizen.



BLUE STAR

WORLD OF ENERGY

# Board's Report

## To the Members,

The Directors are pleased to present the 71<sup>st</sup> Annual Report, together with the audited financial statements for the financial year ended March 31, 2019.

## COMPANY OVERVIEW

Your Company offers one of India's widest range of air conditioning and commercial refrigeration products, as well as a comprehensive range of air purifiers, air coolers, water purifiers, cold storage and specialty products. It fulfils the cooling and refrigeration requirements of a large number of corporate, commercial as well as residential customers.

Leveraging on its project execution capabilities, the Company offers turnkey solutions in MEP (Mechanical, Electrical, Plumbing and Fire-fighting) contracting for buildings, factories, infrastructure and heavy industry projects. The Company's integrated business model of a manufacturer, contractor and after-sales service provider enables it to offer an end-to-end solution to its customers, which has proved to be a significant differentiator in the market place.

## FINANCIAL RESULTS

Effective April 1, 2018, the Company has adopted Indian Accounting Standards (Ind AS) 115 and accordingly, has realigned its revenue recognition policies appropriately. The accounting changes have been applied with retrospective effect to each of the prior reporting periods presented. The financial statements of the Company are in accordance with the Section 133 of the Companies Act, 2013 (the 'Act') read with Companies (Accounts) Rules, 2014 and amendments thereof. The standalone and consolidated financial highlights of the Company for the financial year ended March 31, 2019, are summarised as follows:

(₹ in crores)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from operations	4783.70	4312.19	5234.84	4648.13
Total Revenue	4806.81	4328.33	5259.53	4665.08
Total Expenses	4600.51	4165.29	5011.07	4474.78
Profit before exceptional items and tax	206.30	163.04	248.46	190.30
Profit after exceptional items and before tax	179.85	180.89	251.14	195.57
Income tax	58.06	48.68	41.99	49.42
<b>Profit for the Year</b>	<b>121.79</b>	<b>132.21</b>	<b>190.06</b>	<b>143.96</b>

## OPERATING RESULTS

On a standalone basis, revenue from operations of the Company was ₹4783.70 crores as compared to ₹4312.19 crores in the previous year, registering a growth of 11%. The Company registered Net Profit after Tax of ₹121.79 crores as compared to ₹132.21 crores for the financial year ended March 31, 2018, showing a degrowth of 8%, primarily due to impact of margin pressures, higher cost of imports and adverse weather conditions, besides one-time expenses on Company's Platinum Jubilee Celebrations of ₹12.50 crores and provision of ₹29.13 crores made towards exposure in its joint venture at Oman elaborated in detail in the section on Joint Ventures and Subsidiaries.

On a consolidated basis, revenue from operations of the Company was ₹5234.84 crores as compared to ₹4648.13 crores in the previous year, registering a growth of 13%. The Company registered Net Profit after Tax of ₹190.06 crores as compared to ₹143.96 crores for the financial year ended March 31, 2018, registering a growth of 32%.

The Company operates three business segments (i) Electro-Mechanical Projects and Packaged Air Conditioning Systems (ii) Unitary Products, and (iii) Professional Electronics and Industrial Systems. Performance of the Company in the above-mentioned segments during the year under review is as stated below:

## I. Electro-Mechanical Projects and Packaged Air Conditioning Systems

### a) Electro-Mechanical Projects business

Overall market for this business remained intensely competitive during the year. Your Company, however, continued to maintain its leadership position in the electro-mechanical space in India. As against the sluggish market growth in the last year, this year showed signs of revival in terms of a large number of enquiries from the private sector. The Company's order bookings witnessed considerable growth. Revenue growth in this segment was largely contributed by offices, malls and healthcare segments.

Your Company continues to invest in systems and technology in line with its value proposition of superior project delivery through intelligent engineering, modern execution practices and committed teams.

### b) Commercial Air Conditioning business (Central and Packaged Air Conditioning Products)

In this segment, the business grew at a faster pace than the market. The key growth drivers in this segment were large infrastructure projects, Government and industrial segments, increased penetration in the Northern region and network expansion in unrepresented markets. The Company was able to consolidate its position and enhance market share in VRF systems and chillers with its innovative product portfolio and witnessed healthy order inflow during this year. Consequently, the Company is positioned as the number three player in both VRF and chiller product categories.

### c) International Business

Your Company's international business continued to focus on growth in Middle East, Africa, SAARC and ASEAN countries. The Company's first international state-of-the-art exclusive showroom in Dubai was inaugurated in April 2019. This showroom would display the complete range of the Company's latest energy efficient products to serve the UAE market.

The international projects executed through the Joint Ventures at Qatar and Malaysia continued to do well.

On a consolidated basis, revenue of this segment grew by 16% to ₹2748.11 crores from ₹2361.07 crores. Segment results registered an increase of 24% from ₹121.96 crores in the previous year to ₹150.85 crores in the year under review. Segment margins improved from 5.2% to 5.5%.

## II. Unitary Products

The performance of the room air conditioner business was affected by the unseasonal rains and soft summer conditions earlier during the year. The impact was significant in the Southern states, including the floods in Kerala. Further, with the escalation in interest rates and the NBFC crisis, the cost of consumer financing increased. The Company persevered in these adverse market conditions and expanded the footprint in Northern region, aligned with lower market operating prices and accelerated liquidation of inventory. Consequently, the Company's market share grew from 11.5% to 12.3%.

On the Commercial Refrigeration business front, the Company continued to grow at a faster pace than the market. Your Company's strong position among national and key account customers helped the deep freezer category maintain a steady growth momentum. The new categories, namely Medical Refrigeration and Kitchen Refrigeration, also grew faster than the market. Expansion of Quick Service Restaurants (QSRs) has increased demand for modular cold rooms.

The water purifier business continued to perform well during the year and the revenue during this year in this segment almost doubled over revenue in the previous year. This was achieved primarily due to significant investment in brand building, by way of advertisements in newspapers as well as outdoor media. Various promotion schemes also helped in increasing footfall conversions at the retail level. The Company has recently started receiving inflow of service revenue in this business category.

On a consolidated basis, Unitary Products' revenue for the year grew by 9% to ₹2268.97 crores as against previous year's revenue of ₹2088.73 crores. Segment results have increased by 11% from ₹168.05 crores in the previous year to ₹185.92 crores for the year under review. Segment margins remained more or less the same at 8.2% from 8.0%.

## III. Professional Electronics and Industrial Systems (PE&IS)

The PE&IS segment is operated by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. After a challenging financial year 2017-18, the company experienced robust growth in most lines of business. Revenue from the Data Security business continued to maintain positive growth momentum due to increased customer focus on

data security. Revenue from the Non-Destructive Testing Products and Systems business also improved significantly due to multiple large orders received during the year. Revenue in the health care business improved from supply of CT scanners to the health department of the Government of Uttar Pradesh. These developments resulted in improved billings which in turn increased margins for the year. The company has added niche and contemporary products and solutions to widen its reach in material testing and digital data security markets.

At a consolidated level, the revenue generated by this business segment during the year under review grew by 10% to ₹217.76 crores from ₹198.33 crores of the previous year. Segment results have increased by 82% from ₹24.02 crores in the previous year to ₹43.78 crores in the year under review. Segment margins improved from 12.1% to 20.1%.

## DIVIDEND

The Board, at its meeting held on May 2, 2019, recommended a dividend of ₹10 per equity share of ₹2 each for the financial year ended March 31, 2019. This dividend is payable to those members whose names appear in the Register of Members as on the Record Date. This proposal is subject to the approval of Members at the ensuing Annual General Meeting.

The Board has adopted the Dividend Distribution Policy for the Company which can be viewed on the website of the Company under the link: <https://www.bluestarindia.com/media/104569/dividend-distribution-policy.pdf>

## FINANCING

On a consolidated basis, finance cost for the year was ₹47.87 crores which is higher as compared to ₹28.74 crores in the previous year, due to increase in working capital requirements primarily on account of weather led sluggish demand and consequential higher than normal inventory levels in H1FY19. The year witnessed high levels of Indian currency volatility. During the year, INR depreciated by 6% to USD requiring higher levels of hedges to be maintained as part of the Company's currency risk management policy. Notwithstanding the severity of currency risk volatility, disciplined and systematic hedging decisions based on accurate information of forex exposure enabled prudent management of forex risk exposure.

The Company secured a short term rating of A1+ (Highest safety) from CRISIL, the top credit rating agency, for its commercial papers. The Company already enjoys A1+ rating from CARE.

## DEPOSITS

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

## CHANGES IN SHARE CAPITAL

During the year under review, the Company allotted 3,14,100 equity shares of ₹2 each, fully paid up, to the option grantees pursuant to the exercise of stock options by the eligible employees under the Blue Star Employees' Stock Option Scheme, 2013.

Consequent to the above, the issued, subscribed and paid up share capital of your Company as on March 31, 2019, stood at ₹19,26,27,776 comprising 9,63,13,888 equity shares of ₹2 each.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The 'Listing Regulations') and Section 129(3) of the Act, the consolidated financial statements have been prepared by the Company, as per the Indian Accounting Standards (Ind AS), and form part of this Annual Report.

The Consolidated Financial Statements shall also be laid at the ensuing Annual General Meeting of the Company.

## SUBSIDIARIES AND JOINT VENTURE COMPANIES

### Subsidiary Companies:

#### a) Blue Star Engineering & Electronics Limited

Blue Star Engineering & Electronics Limited is a wholly owned subsidiary of the Company. It is a material subsidiary as per the thresholds laid down under the Listing Regulations. The company provides advanced technology products as well as turnkey engineering solutions that cater to several industries. It is the exclusive distributor in India for many globally

renowned manufacturers of hi-tech professional electronics equipment and solutions, as well as industrial products and systems.

Total revenue of Blue Star Engineering & Electronics Limited for the year ended March 31, 2019, was ₹226.34 crores, as against its previous year's revenue of ₹203.37 crores. The subsidiary achieved a net profit of ₹51.02 crores for the year under review, as against last year's net profit of ₹24.08 crores, representing a growth of 112%.

#### **b) Blue Star Qatar WLL**

Blue Star Qatar WLL is a joint venture between the Company and Al Malki Trading and Contracting WLL, wherein the Company holds 49% of the share capital and voting rights, and the balance is held by Al Malki Trading and Contracting WLL. The company is principally engaged in the business of MEP contracting and maintenance in Qatar.

It is a subsidiary of the Company by virtue of Section 2(87)(i) of the Act, as the Company controls the management of this company.

Total income of this company for the year ended March 31, 2019, was ₹154.07 crores as compared to ₹111.64 crores in the previous financial year. Net profit after tax for the year ended March 31, 2019, was ₹6.85 crores as compared to ₹5.43 crores in the previous year, representing a growth of 26%.

#### **c) Blue Star International FZCO**

Blue Star International FZCO, is a wholly owned subsidiary of the Company, operating in the Dubai Airport Freezone, UAE. It is responsible for development and growth of the Company's Global Products Sales business and Global Projects business. This company primarily promotes the export of Blue Star's air conditioning and commercial refrigeration products and systems and its Original Equipment Manufacturing (OEM)/Original Design Manufacturing (ODM) business.

Consolidated total income of this company for the year ended March 31, 2019, was ₹169.95 crores as compared to ₹53.45 crores in the previous financial period. On a consolidated basis, the company has generated a profit of ₹1.94 crores for the year ended March 31, 2019 as compared to net loss of ₹3.99 crores in the previous period.

#### **d) Blue Star Systems and Solutions LLC**

Blue Star International FZCO has, on August 15, 2018, formed a subsidiary company in the mainland UAE under the name Blue Star Systems and Solutions LLC.

The Company controls the composition of this company's board. Thus, by virtue of Section 2(87)(i) of the Act, this company is a subsidiary of the Company.

Through a direct presence in mainland UAE, the Company aims to improve its competitive position in central air conditioning equipment sales, mid-sized HVAC projects and service in the UAE.

The subsidiary will commence operations in the next financial year.

#### **Joint Venture/Associate Companies:**

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

Blue Star M & E Engineering Sdn Bhd, a joint venture between Blue Star International FZCO and Amcorp Properties Bhd, Malaysia, is principally engaged in the business of HVAC contracting and maintenance in Malaysia.

This company's total income for the year ended March 31, 2019, was ₹106.88 crores as compared to ₹93.53 crores in the previous financial year. Net profit after tax for the year ended March 31, 2019, was ₹11.26 crores as compared to ₹7.18 crores in the previous year, representing a growth of 57%.

##### **b) Blue Star Oman Electro-Mechanical Company LLC**

A joint venture between W J Towell & Co LLC and the Company, Blue Star Oman Electro-Mechanical Company LLC was formed to principally engage in the business of MEP contracting and maintenance in Oman.

In view of cost overruns in the projects executed by the company and unattractive market potential in Oman, the Board



of Directors of the Company approved a proposal to exit this Joint Venture, subject to regulatory and other compliances as may be applicable. The Company has, accordingly, filed a petition before the jurisdictional court in Oman for liquidation of this company as per the provisions of the Commercial Companies Law of Oman.

In accordance with Section 136 of the Act, the audited annual accounts, including the consolidated financial statement of the Company and audited accounts of the subsidiary companies, are available on the website of the Company at [www.bluestarindia.com](http://www.bluestarindia.com).

A copy of these documents will be available to the members, on their request in writing. The annual accounts will also be available for inspection by any member during business hours at the registered office of the Company.

A statement containing the salient features of the financial statements of the subsidiaries and joint venture companies in Form AOC-1, as required under Rule 5 of the Companies (Accounts) Rules, 2014 forms part of the Consolidated Financial Statement.

### SIGNIFICANT DEVELOPMENTS

- a) Your Company celebrated its Platinum Jubilee this year by launching 75 new models of room air conditioners. The range included energy-efficient inverter air conditioners capable of delivering 30% extra cooling over and above its rated capacity, leading to faster temperature pull-down. The Company has also unveiled a new line-up of super-efficient inverter ACs with a high Indian Seasonal Energy Efficiency Ratio (ISEER) which consumes 18% less power compared to the existing 5-star ACs, thus setting a new benchmark on the energy-efficiency front.
- b) Going forward, the Company intends to expand its manufacturing footprint with the dual objectives of import substitution and to increase value addition and consequently margins. The Company is in the process of shifting the manufacturing activity of deep freezers from its Ahmedabad Plant to its Wada Plant. Also, as the market for deep freezers is growing rapidly, it was deemed prudent to increase the manufacturing capacity of deep freezers. Considering this scenario, the Board of Directors granted its approval to the Company for expansion of the Wada Plant.

### NEW INITIATIVES

The Company has embarked upon several initiatives in the areas of technology led digitalisation of some key business processes, employee engagement and internet enabled automation across its products and services.

### AWARDS AND RECOGNITIONS

During the year under review, the Company was felicitated with many prestigious awards for excellence in its areas of business, and an illustrative list is given below:

- Blue Star was recognised in "Best Brands 2019" by the Economic Times group.
- Blue Star was felicitated at the YES Bank Best CFO & Digital Transformation Awards 2018, with an award for its remote monitoring project 'rView', under the category 'Best Customer Excellence'.
- Blue Star's Air Conditioning and Refrigeration Service Group won a 'Customer Excellence in Manufacturing and Engineering' award for its Service Management Mobile app at the Indian Merchants' Chambers Digital Technology Awards.
- Blue Star's Himachal Pradesh Plant won the 'KK Pillar Best Kaizen' award at the 11<sup>th</sup> National TPM Circle Competition organised by CII.
- Blue Star Customer Service Group won the 'Gold Plus' award at the CII-EXIM Bank Awards for Business Excellence and was also commended with the 'Gold Plus' award at the 26<sup>th</sup> Quality Summit 2018.
- Blue Star won the 'MEP Contractor of the Year' award at Construction Week India 2018 Awards for the third time at the 8<sup>th</sup> edition of the Construction Week India 2018 Awards.
- Blue Star's Water Purifier Division's innovative product, Stella, was awarded the 'Best Domestic RO+UV Water Purifier' in the country for the third time in a row and Blue Star's Research & Innovation Center (R&I)-WPD was awarded the 'Best Water R&D and Technological Breakthrough' for its product, 'Eternia' at the 13<sup>th</sup> edition of Water Digest Awards.

## DIRECTORS

Suneel M Advani retired as a Director and the Chairman of the Board on March 31, 2019. The Board placed on record its sincere appreciation for the phenomenal contribution made by him during his association over fifty years with the Company as a Director and as the Chairman. He was appointed as Chairman Emeritus of the Company, effective April 1, 2019.

Shailesh Haribhakti, Independent Director of the Company has been appointed as the Chairman of the Board effective April 1, 2019.

In view of the Board's restructuring, Vir S Advani was elevated to Vice Chairman of the Board and was re-designated as Vice Chairman & Managing Director effective April 1, 2019. B Thiagarajan was elevated to Managing Director of the Company, effective April 1, 2019.

In accordance with the provisions of the Act, Dinesh N Vaswani retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Through a postal ballot dated October 30, 2018, Shailesh Haribhakti and Gurdeep Singh were re-appointed as Independent Directors with effect from April 1, 2019 for a second term of 5 (five) consecutive years and 4 (four) months, respectively. Your Company had received notice under Section 160 of the Act, from the members proposing the re-appointment of Shailesh Haribhakti and Gurdeep Singh as Independent Directors on the Board of your Company.

Shobana Kamineni completes her term of 5 (five) consecutive years as an Independent Director on May 29, 2019 and has not offered herself for re-appointment. Gurdeep Singh retires as a Director on July 31, 2019 on attaining the age of 75 years in terms of the retirement policy of the Board.

Further, based on the recommendation of the Nomination and Remuneration Committee, the Board appointed:

- Rumjhum Chatterjee as an additional Independent Director of the Company, with effect from February 5, 2019, for a period of 5 years;
- Arvind K Singhal as an additional Independent Director of the Company, with effect from February 5, 2019, for a period of 5 years; and
- Sunaina Murthy as an additional Non-Executive Promoter Director of the Company, with effect from April 1, 2019.

As per the provisions of the Act, Rumjhum Chatterjee, Arvind K Singhal and Sunaina Murthy shall hold office up to the date of the ensuing Annual General Meeting of the Company. Your Company has received notice under Section 160 of the Act from the members, proposing the appointment of Rumjhum Chatterjee and Arvind K Singhal as Independent Directors and Sunaina Murthy as a Non-Executive Promoter Director, on the Board of your Company.

Accordingly, the necessary resolutions seeking approval of the members for appointment of Rumjhum Chatterjee, Arvind K Singhal and Sunaina Murthy have been incorporated in the Notice of the ensuing Annual General Meeting.

Brief profiles of the Directors proposed to be appointed/re-appointed at the ensuing Annual General Meeting are annexed to the notice convening Annual General Meeting.

The Board recommends their appointment at the ensuing Annual General Meeting.

## DECLARATION BY INDEPENDENT DIRECTORS

The Company has received the necessary declarations from each of the Independent Directors of the Company under Section 149(7) of the Act and Regulation 25 of the Listing Regulations, confirming that they meet with the criteria of independence as laid down in Section 149(6) of the Act, along with Rules framed thereunder and Regulation 16(1)(b) of the Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company.

## KEY MANAGERIAL PERSONNEL

In accordance with the provisions of Section 203 of the Act, the following personnel have been designated as the Key Managerial Personnel of the Company:

Name	Designation
Vir S Advani	Vice Chairman & Managing Director
B Thiagarajan	Managing Director
Neeraj Basur	Group Chief Financial Officer
Vijay Devadiga	Company Secretary

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 134(5) of the Act, the Directors, to the best of their knowledge and belief, confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019, and of the profit of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts for the year ended March 31, 2019, on a going concern basis;
- they have laid down internal financial controls to be followed by the Company, and such internal financial controls are adequate and are operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems are adequate and operating effectively.

## MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, 5 (five) meetings of the Board of Directors were held. The intervening gap between these meetings was within the period prescribed under the Act and Listing Regulations. The details of the meetings and attendance of the Directors are provided in the Corporate Governance Report.

## BOARD COMMITTEES

Your Company has in place, all the Committee(s) as mandated under the provisions of the Act and Listing Regulations.

Currently, there are seven Committees of the Board, namely:

- Audit Committee
- Nomination and Remuneration Committee
- Investor Grievance cum Stakeholders' Relationship Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Share Transfer Committee
- Executive Management Committee

## AUDIT COMMITTEE

The Audit Committee of the Company comprises Shailesh Haribhakti, Gurdeep Singh, Anil Harish and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Committee.

The composition of the Committee is in compliance with the requirements of Section 177 of the Act and Regulation 18 of the Listing Regulations. The charter of the Committee is in conformity with the Act and the Listing Regulations as more particularly set out in the Corporate Governance Report, which forms a part of this Annual Report.

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

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Gurdeep Singh, Sam Balsara, Dinesh N Vaswani and Sunaina Murthy. Gurdeep Singh is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Sunaina Murthy was inducted as a member of this Committee with effect from April 1, 2019.

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

## INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Investor Grievance cum Stakeholders' Relationship Committee comprises Gurdeep Singh, Anil Harish, Rajiv R Lulla and B Thiagarajan. Gurdeep Singh is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Anil Harish was inducted as a member of this Committee with effect from April 1, 2019.

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

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee has been formed to assist the Board in fulfilling its responsibilities relating to evaluation and mitigating various risks exposures that potentially impact the Company. An Enterprise Risk Management (ERM) framework prescribed under the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework has been adopted for implementation by the Committee.

The Committee comprises Vir S Advani, Rajiv R Lulla, B Thiagarajan and Neeraj Basur. Vir S Advani is the Chairman of this Committee. Suneel M Advani ceased to be a member of the Committee with effect from April 1, 2019. Rajiv R Lulla was inducted as a member of this Committee with effect from April 1, 2019.

The Committee has adopted a formal Risk Management Policy. The Committee identifies, evaluates and assesses the risks, understands the exposure of risks and accordingly prepares and oversees execution of appropriate risk mitigation plan. It has identified Risk Management Units within the Company, the risk profiles of which are constantly monitored, and the severity of risk is tracked, based on a systematic risk rating methodology. The Committee and the Board have identified elements of risks, which, according to them are crucial to the Company. Details of these elements of risks have been covered in the Management Discussion and Analysis and Integrated Report, which form part of this Annual Report and in the standalone financial statement in Note 42.

The Company maintains comprehensive risk registers to ensure that the effectiveness of the mitigation action plan gets assessed independently. These registers were presented to and reviewed by the Risk Management Committee and Audit Committee.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee comprises B Thiagarajan, Shobana Kamineni and Sunaina Murthy. Suneel M Advani ceased to be the Chairman and a member of the Committee with effect from April 1, 2019 and B Thiagarajan was appointed as the Chairman of this Committee. Sunaina Murthy was inducted as a member of this Committee with effect from April 1, 2019.

During the year under review, the Company was required to spend an amount of ₹266 lakhs towards activities as stipulated under Schedule VII of the Act. The Company has spent an amount of ₹312 lakhs towards various CSR initiatives.

A brief outline of the CSR Policy and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure 2 of this report as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy is also available on the website of the Company, under the weblink: <https://www.bluestarindia.com/media/217799/blue-star-csr-policy.pdf>

Details of the other committees of the Board are provided in the Corporate Governance Report.

## EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND OF DIRECTORS

The Nomination and Remuneration Committee at its meeting held on January 3, 2019, approved the process in which the evaluation of Chairman, Directors, Board and its Committees were to be conducted. Accordingly, the questionnaires were circulated seeking inputs of the Directors to evaluate governance standards based on various parameters including structure and composition of Board and committees, quality of Board processes, Board culture and dynamics, effectiveness vis-à-vis stakeholders' expectations in terms strategic direction and guidance to the leadership team.

The inputs received from the Directors were deliberated and reviewed by the Independent Directors at a separate meeting held on March 29, 2019. At this meeting, they evaluated the performance of the Non-Independent Directors, the Board as well as that of the Chairman, taking into account the views of the Executive and Non-Executive Directors. The Board of Directors carried out an annual evaluation of the performance of the Board as a whole, the Directors individually and the working of the Committees of the Board. The outcome of the evaluation was noted by the Nomination and Remuneration Committee at its meeting held on April 26, 2019, and by the Board of Directors at its meeting held on May 2, 2019. While the Directors have expressed their satisfaction with the evaluation process and the outcome, the Board also noted the key action points emerged from the process for implementation. A detailed update on the Board Evaluation is provided in the relevant section in the Corporate Governance Report.

## NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration policy of the Company was adopted by the Board based on the recommendation of the Nomination and Remuneration Committee. The Policy provides broad guidelines on appointment, removal, retirement, qualifications, attributes, structure of remuneration of the Directors, Key Managerial Personnel and Senior Management. It is designed to foster a high-performance culture that enables the Company to attract, retain and motivate the employees to achieve results. The performance of the Vice Chairman & Managing Director and Managing Director was evaluated and reviewed by the Nomination and Remuneration Committee at its meeting held on April 26, 2019. The Nomination and Remuneration Policy is uploaded on the Company's website under the web link at <https://bluestarindia.com/media/217800/blue-star-nrc-policy.pdf>

## MANAGERIAL REMUNERATION

Details of the ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided below:

i.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Vir S Advani	101.94x
		B Thiagarajan	64.03x
ii.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Vir S Advani	10.38
		B Thiagarajan	8.33
		Neeraj Basur	11.13
		Vijay Devadiga	8.89
iii.	The percentage increase in the median remuneration of employees in the financial year	11.25	

iv.	The number of permanent employees on the rolls of Company	2812	
v.	Average percentile increase already made in the salaries of employees, other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof, and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase to employees other than Managerial Personnel and justification thereof	7.55% To remain competitive in the market, to attract and retain talent
		Average increase to Managerial Personnel	Please refer to (ii) of this table
		Exceptional circumstances for an increase to managerial remuneration	The average increase given in financial year 2018-19 was based on the outcome of compensation and benefits benchmarking to align remuneration of Whole-time Directors to market median.
vi.	Affirmation that the remuneration is as per the remuneration policy of the Company	It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy of the Company.	

The Non-Executive Directors of the Company are paid sitting fees and commission as per the statutory provisions and within the limits approved by the members. The ratio of remuneration and percentage increase for Non-Executive Directors' Remuneration are therefore not considered for the purposes above. The details of remuneration of Non-Executive Directors are provided in the Corporate Governance Report.

## CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of corporate governance and continues to be compliant with the requirements of corporate governance as enshrined in the Listing Regulations. The report on corporate governance together with a certificate from the Statutory Auditors of the Company, confirming compliance of corporate governance norms as stipulated in the Listing Regulations, forms a part of this Annual Report.

## VIGIL MECHANISM

Your Company is committed to conducting its business with the highest standards of ethical standards, integrity and transparency across its operations, in compliance with the applicable laws and regulations. In line with a strong commitment to governance and compliance, the Company has instituted a robust Vigil Mechanism framework encompassing various elements and components in an integrated manner.

Vigil Mechanism structure at Blue Star is based on the COSO 2013 framework governing risk, compliance and controls. Embedded in the Vigil Mechanism structure are three lines of defence principles. The first line of defence comprises of key management controls viz financial controls, governance policies and internal control measures. The second line of defence is addressed by an assurance from risk management and compliance procedures. The third line of defence is provided through the work done by internal and external auditors.

Governance policies, internal controls, stakeholders' engagement, enterprise risk management, compliance, internal and statutory audit are key components of Blue Star's vigil mechanism. They are interwoven in the vigil mechanism system to enable constant interplays to drive home the assurance of best practices and creation of value for all the stakeholders of the Company.

As a part of its governance policies, the Company has laid down a whistle blower policy to enable the Directors and employees of the Company to report concerns of any unethical behaviour, unacceptable and improper practices or suspected fraud. The policy has also been uploaded on its website. An Ethics Committee has been constituted, comprising the Group Chief Financial Officer, Chief Human Resources Officer and Company Secretary (Ethics Officer) to administer this Policy.

The Whistle Blower Policy is uploaded on the Company's website under the web link at:  
<https://www.bluestarindia.com/media/6011/whistle-blower-policy.pdf>

The Company has also adopted a Code of Conduct which is available on the website of the Company under the weblink of  
<https://www.bluestarindia.com/media/6010/code-of-conduct.pdf>

The Audit Committee reviews on a quarterly basis, whistle blower and other complaints, if any, and implements corrective actions, wherever necessary.

## INTERNAL CONTROL SYSTEMS

The Company has established an internal control system, commensurate with the size, scale and complexity of its operations. In order to enhance the standards of controls and governance, the Company has adopted the COSO 2013 framework to ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance.

Significant features of the Company's internal control system are:

- A well-established, independent, Internal Audit team operates in line with best-in-class governance practices. It reviews and reports to the Audit Committee about compliance with internal controls, the efficiency and effectiveness of operations as well as key process risks.
- The Audit Committee periodically reviews internal audit plans, significant audit findings and adequacy of internal controls.
- Systematic self-certification of adherence to key internal controls, as part of control self-assurance by process owners, monitors and reviewers.
- Adherence with a comprehensive information security policy and continuous upgrades of the Company's IT systems for strengthening automated controls.

During the year, the internal controls were tested and found effective, as a part of the Management's control testing initiative. Accordingly, the Board, with the concurrence of the Audit Committee and the Auditors is of the opinion that the Company's Internal Financial Controls were adequate and operating effectively for the financial year ended March 31, 2019.

## LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act, as may be applicable, are given in the standalone financial statement as per Note 8.

## CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions are approved by the Audit Committee. All related party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business.

There are no material transactions with any related party as defined under Section 188 of the Act, read with the Companies (Meetings of Board and its Powers) Rules, 2014. In view of this, disclosure in form AOC-2 has not been provided. The details of transactions with the related parties are provided in the standalone financial statement in Note 38.

A policy governing the related party transactions has been adopted, and the same has been uploaded on the Company's website under the weblink of <https://www.bluestarindia.com/media/78799/policy-for-transaction-with-related-parties.pdf>

## HUMAN RESOURCES

The Human Resources philosophy of your Company is to attract and retain the best talent in the industry. Your Company considers its employees as partners in success. Your Company constantly endeavours in adopting the best policies to keep its employees motivated, engaged and aligned to the interests of the Company. Your Company undertakes various employee engagement programmes and also fosters a culture of continuous learning and development and creating future leaders. The Company has migrated to an e-learning platform wherein role based self-learning programs are designed to improve the proficiency level of the employees. Based on the employee engagement feedback, we have moved to a new performance management system which is much more fair and transparent. Your Company constantly explores various possibilities to make Blue Star a better place to work.

## EMPLOYEE STOCK OPTIONS

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company, in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. Details of the shares issued under Employees' Stock Option Scheme (ESOS), as also the disclosures, in compliance with Section 62 of the Act, and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014, and SEBI (Share Based Employee Benefits) Regulations, 2014 are available on the website at [www.bluestarindia.com](http://www.bluestarindia.com). The exercise period of all the stock options vested in the employees under the ESOS expired on July 31, 2018 and shares in the Company have been allotted as per eligibility to those employees who have exercised the vested options on or before the said date.

A certificate from M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Statutory Auditors, with respect to the implementation of the Company's ESOS, would be placed before the Members at the ensuing Annual General Meeting. A copy of the same will also be available for inspection at the Company's Registered Office.

### **PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are required to be annexed to the Board's Report. The Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining the said particulars may write to the Company Secretary at the Registered Office of the Company.

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

The Company has zero tolerance for sexual harassment at the workplace, and has adopted a policy on prevention, prohibition and redressal of the same, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. All employees (permanent, contractual, temporary and trainees) are covered under this Policy.

The Company has duly constituted Internal Complaints Committees in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, to redress complaints received regarding sexual harassment. The Company organises workshops and awareness programmes at regular intervals for sensitising the employees with the provisions of the said act. During the year under review, two complaints with allegations of sexual harassment were filed with the Company, and the same were investigated and appropriate actions were taken.

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

The Company incurred a total expenditure of ₹50.75 crores on research and development for the year as against ₹55.36 crores in the previous year.

During the year, the Company recorded foreign exchange earnings from export of its products, commission and other income, aggregating to ₹227.03 crores as against ₹263.68 crores in the previous year.

There was a corresponding increase in foreign exchange outflow, which stood at ₹1272.06 crores as compared to ₹1252.13 crores in the previous year.

The information on Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure 1.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis for the year under review, as stipulated under Regulation 34 of Listing Regulations, forms a part of this Annual Report.

### **BUSINESS RESPONSIBILITY REPORT**

In compliance with the Regulation 34 of the Listing Regulations, the Business Responsibility Report describing sustainability initiatives undertaken by the Company during the year under review is provided in a separate section forming part of this Annual Report.

### **INTEGRATED REPORTING**

The Company being one of the top 500 companies in the Country in terms of market capitalization, has adopted Integrated Reporting describing initiatives undertaken by the Company for enhancing stakeholders' value in the long term. The report on Integrated Reporting is provided in a separate section forming part of this Annual Report.

### **STATUTORY AUDITORS**

The Company's existing Statutory Auditors, M/s Deloitte Haskins & Sells LLP, Chartered Accountants, were appointed by the Members at the 70<sup>th</sup> Annual General Meeting (AGM) of the Company, for a period of 5 years, to hold office until the conclusion of the 75<sup>th</sup> AGM to be held for FY 2022-23. The period under review was the first year of audit by M/s Deloitte Haskins & Sells LLP in the Company.



## AUDITORS' REPORT

The Board has duly reviewed the Statutory Auditors' Report on the financial statements. There is no qualification, reservation or adverse remark given by the Auditors in their report.

## COST AUDITORS

In terms of the provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules, 2014, the Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, as the Cost Auditors, to conduct the cost audit for the financial year ended March 31, 2019.

As required under the Act, the remuneration payable to the cost auditor is required to be placed before the members in a general meeting for their ratification. Accordingly, a resolution seeking members' ratification for the remuneration payable to Cost Auditors, forms part of the Notice convening the Annual General Meeting.

## SECRETARIAL AUDITOR

In terms of the provisions of Section 204 of the Act, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board had appointed M/s N L Bhatia & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company for conducting the secretarial audit of your Company for the financial year ended March 31, 2019.

The Secretarial Audit Report given by M/s N L Bhatia & Associates, Practicing Company Secretaries has been provided in Annexure 3 to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## REPORTING OF FRAUDS BY AUDITORS

During the year under review, none of the auditors, viz. statutory auditors, cost auditors and secretarial auditors have reported to the Audit Committee, under Section 143(12) of the Act, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's Report.

## EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return in form MGT-9 has been uploaded on the Company's website under the weblink of <https://www.bluestarindia.com/investors/extract-of-annual-return>.

## OTHER DISCLOSURES

- The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India, relating to Meetings of the Board, Committees and General Meetings which have mandatory application.
- Except as provided in the Report, there were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year under review and the date of this report.
- The Company has prepared and maintained the cost accounts and records as specified by the Central Government under Section 148(1) of the Act.
- There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of your Company and its operations in the future.
- Your Company has not issued any shares with differential voting rights.
- Your Company has not issued any sweat equity shares.
- There was no revision in the financial statements.

## ACKNOWLEDGEMENTS

The Directors place on record, their sincere appreciation for the assistance, guidance and co-operation provided by the Government of India and other regulatory authorities. The Directors thank the financial institutions and banks associated with the Company for their support as well. The employees of Blue Star are instrumental in the Company scaling new heights year after year, and their commitment and contribution is deeply acknowledged. Shareholders' involvements are greatly valued. The Directors look forward to your continuing support.

For and on behalf of the Board of Directors

Date : May 2, 2019  
Place : Mumbai

**Shailesh Haribhakti**  
Chairman  
(DIN: 00007347)

# Annexure 1 to Board's Report

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

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

### (A) CONSERVATION OF ENERGY

#### I. Steps taken or impact on the conservation of energy

##### 1. Himachal Pradesh Plants (HP1 and HP2)

- Energy cost reduced by 14% in the HP1 Plant during the year. This resulted in saving of ₹0.25 crore, while billing increased by 7% this year.
- Energy cost reduced by 8% in the HP2 Plant during the year. This resulted in saving of ₹0.06 crore, while billing increased by 16% this year.
- Installed energy efficient LP compressor of capacity 500 cubic feet per minute and 200 cubic feet per minute equipped with IE4 rated motors and sigma technology screw mechanism, which will result in a potential saving of ₹0.15 crore per annum.
- Installed heater less vaporizer in LPG gas bank in the HP1 Plant, which resulted in annualized savings of ₹0.07 crore.
- Initiative on unloading vacuum lifter saved 6450 kWh per annum in the HP2 Plant.

##### 2. Dadra Plant

- Installed high bay LED lights in the shop floor in place of traditional metal halide lamps. This resulted in saving of ₹0.02 crore per annum.
- Installed timers in slitting line machine and expander machine to switch off the hydraulic motor when running idle.
- Installed LED tube lights in place of choke tube lights in stores and other storage areas.
- Pneumatic actuator operated valves were provided on all main air lines of assembly lines in order to switch off the air supply when the line is shut off. Savings achieved through this was ₹0.01 crore per annum.
- Motion sensors were installed in washrooms and lifts to switch off the lights in the absence of movements.
- Installed energy efficient pumps for cooling towers and achieved saving of ₹0.02 crore per annum.
- Trial is taken for knock off degreasing chemical to run on ambient instead of heating with the help of diesel fired burner. This will result in saving the diesel consumption of approximately ₹0.10 crore per annum.
- Installed timers for high as well as small low-pressure compressors to stagger their start-ups, thus it helped in saving on maximum demand. This would save ₹0.04 crore annually.
- Rain water harvesting project carried out, to overcome the daily need of Plant (80 kl). Total 7 recharge pits are made in the plant. In monsoon days, this will recharge 137 kl of water on a daily basis. This will raise the water table of the surrounding areas.

##### 3. Wada Plant

- Installed real-time power factor correction panel with electronic switching system to maintain power factor to unity for various load conditions. This resulted in saving in the form of a rebate of ₹0.13 crore per annum.
- In the powder coating plant, all the pre-treatment pumps and oven motors were earlier operating with power and free conveyor. There was frequent breakdown of conveyor resulting in to wastage of electrical power. This conventional conveyor was replaced with chain conveyor, which resulted in to zero breakdown and saving of ₹0.11 crore per annum.
- Installed Smart Lux panels with programmable controllers in the Plant for lighting load, which will maintain operating voltage within permissible limits during operating hours of the lighting systems without effecting flux intensity of lighting system. This resulted in saving of 6000 kWh.
- In utility, reciprocating air compressor was earlier operating with conventional star-delta method at 50Hz frequency. This compressor was switched over from star delta to variable frequency drive. In this process, we saved 2700 kWh per month, resulting in saving of ₹0.03 crore per annum.

#### 4. Ahmedabad Plant

- Maintaining the power factor near to unity resulting in saving in the form of rebate from electricity board.
- Installed controller based automated system for pressure pump; this resulted in saving of approximately ₹0.01 crore.
- Installed automated controlled system for HP compressor to make sharp cutoff at 350 pounds per square inch, which resulted in saving of ₹0.05 crore.
- Installed automated controller panel for hot water generator (with real time clock) in cabinet foaming plant for controlling the heaters with precise temperature control, resulting in saving of ₹0.01 crore.
- Optimization of use of LP compressor by installing booster pump at specific locations resulted in to saving of ₹0.04 crore per annum.

#### II. Steps taken by the Company for utilising alternate sources of energy

- In the HP1 Plant, electric fired oven was replaced with LPG fired oven which produced better calorific value in terms of heating efficiency. This initiative resulted in saving of ₹0.12 crore since November 2018 and has a potential annualized saving of ₹0.18 crore.

#### III. Capital investment on energy conservation equipment

(₹ in crores)

Particulars	Amount
<b>Himachal Pradesh Plants (HP1 and HP2)</b>	
Investment in high efficiency compressor and refrigerant driers, LPG fired oven, installation of heater less vaporizer; interlocking of unloading vacuum lifter by sensor and Variable Frequency Drive	0.62
<b>Dadra</b>	
Investment in energy efficient pumps, LED lights, process change to helium leak testing system, auto switch sensor, new technology IVRF machines, inverter package ducted ACs, booster pump, distributor system and capacitors	0.65
<b>Wada Plant</b>	
Investment in I beam chain conveyor, Real Time Power Factor Correction Panel, Smart Lux Panel and Variable Frequency Drive Panel for reciprocating air compressor	0.93
<b>Ahmedabad Plant</b>	
Investment in automated controllers for hot water generator, pressure pumps and booster pumps	0.02
<b>Total Investment</b>	<b>2.22</b>

#### (B) TECHNOLOGY ABSORPTION

##### a) Efforts made towards Technology Absorption:

Market share of variable speed inverter technology products is on the rise due to increased emphasis on efficiency as per the new standards and regulations. Competency development in inverter drive design is the most important strategic initiative in Research & Development (R&D). During the year, a special cell formed in R&D, worked with the technical experts from Japan and application engineers from leading electronic component suppliers to design and develop an inverter drive for room air conditioners.

An advanced version of smart controller for the indoor unit was developed in technology partnership with Internet of things (IoT) experts. New test facilities were added to ensure Electro-Magnetic Interference (EMI)/Electro-Magnetic Compliance (EMC) of electronic controllers.

A new range of high efficiency inverter scroll chillers were developed, which can achieve 15% higher part load efficiency than conventional fixed speed models offered in the Indian market.

Competency development was established for design of products with flammable refrigerants. New range of deep freezers was introduced with propane (R-290, hydrocarbon) refrigerant with low Global Warming Potential (GWP).

**b) Outcome and benefits:**

The in-house designed drive was successfully integrated with 1.5 TR 5-Star room air conditioner model. A complete range of inverter room air conditioners will be introduced with our own design drives by end of 2019. In-house drive design capability will reduce dependence on completely built imported units, which has also become a costly proposition due to increase in import duty.

A smart controller developed for the in-house inverter air conditioner offers over the air software update and energy consumption monitoring and control. This will enable remote functionality upgrades of the controller. The controller will also enable a customer to set a limit for energy consumption of the air conditioner.

The newly launched inverter scroll chillers, with 15% higher part load efficiency, will help in maintaining technology leadership position.

The newly introduced deep freezers with R-290 refrigerant offer 10% higher efficiency and faster pull down time. Blue Star is the first Indian manufacturer to offer the eco-friendly refrigerant in deep freezers.

**c) Information regarding imported technology (imported during last 3 years):**

No technology has been imported by the Company in the last 3 years.

**d) Expenditure incurred on R&D:***(₹ in crores)*

Particulars	2018-19	2017-18
Capital	9.59	11.54
Recurring	41.16	43.82
<b>Total</b>	<b>50.75</b>	<b>55.36</b>
Total R&D expenditure as a percentage of total turnover	0.96%	1.19%

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO***(₹ in crores)*

Particulars	2018-19	2017-18
Total foreign exchange outgo	1272.06	1252.13
Total foreign exchange earned	227.03	263.68

For and on behalf of the Board of Directors

Date : May 2, 2019  
Place : Mumbai

**Shailesh Haribhakti**  
Chairman  
(DIN: 00007347)

# Annexure 2 to Board's Report

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### **Brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the weblink to the CSR Policy and project or programmes:**

Blue Star's CSR Committee determines the CSR activities to be undertaken, and the Company pursues such activities over a considerable period of time (minimum 2 or 3 years), in order to create long term and sustainable impact in the areas that it works in.

Some points outlined in the Company's CSR policy are as follows:

1. In the long term, Blue Star's CSR focus areas comprise air purification, water purification and food preservation.
2. Contributing to the Government's 'Skill India' mission, the Company will undertake vocational education programmes in the air conditioning, plumbing and electrical installation and maintenance trades; apprentice programmes as well as scholarships for academically deserving, less privileged engineering/architecture students.
3. Pursuant to the 'Swachh Bharat' initiative of the Government, the Company will endeavour to improve sanitation and hygiene facilities for the less privileged communities, especially school children.
4. The Committee may also consider other deserving causes in the areas of health, education, poverty alleviation and others.
5. The Committee will decide on undertaking specific projects, in case of natural calamities, based on available budgets.
6. The Company will also continue to actively participate in the Affirmative Action Agenda of CII.
7. The Committee proposes to involve Company's employees in these CSR activities, so as to give them a sense of purpose beyond the commercial objectives, as well as to build pride in the Company.

Weblink to the CSR policy: <https://www.bluestarindia.com/media/217799/blue-star-csr-policy.pdf>

### **Composition of the CSR Committee**

B Thiagarajan	-	Chairman
Shobana Kamineni	-	Member
Sunaina Murthy	-	Member

**Average net profit of the Company for last three financial years:** ₹132.9 crores

**Prescribed CSR expenditure (two per cent of the average net profit computed above):** ₹2.66 crores

### **Details of CSR spent during financial year 2018-19:**

- a) Total amount required to be spent for the financial year: ₹2.66 crores
- b) Amount unspent, if any: Not Applicable

## Annexure 2 to Board's Report

c) Manner in which the amount spent during the financial year is detailed below:

(₹ in crores)

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programmes: (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Vocational Training- AC&R/MEP	Education	Aragonda Chennai Visakhapatnam Mumbai Pune Haryana Himachal Pradesh Dadra Wada Assam	1.45	1.34 Direct	1.34	1.02 - Direct National Employability Through Apprenticeship Program (NETAP), equipment for training purposes in ITIs in Maharashtra and Ramkrishna Mission Shilpamandir, Kolkata 0.32 - Indo-German Institute of Technology, Visakhapatnam; Bala Mandir Kamraj Trust, Chennai; Gyaan Prakash Foundation, Pune; Apollo Total Health, Chittoor; Sanskriti Samvardhan Mandal, Sagroli; and CII Foundation for Graamin Haats, Assam
2	Community Development around factories	Health	Wada Vikramgarh Jodhpur	0.45	0.44 Direct	0.44	0.01 - Direct 0.43 - Government aided schools through SACRED
3	Towards flagship projects of Blue Star Foundation	Education Health	Mumbai Wada Cuddalore	0.75	0.75 Direct	0.75	0.75 – Blue Star Foundation
4	Other Causes	Education Health	Mumbai Kerala Bhubaneswar	0.20	0.44 Direct	0.44	0.44 – The Hindu Publishing Group; CII Foundation; Kalinga Institute of Social Sciences, Bhubaneswar; CII-FAEA

## Annexure 2 to Board's Report

(₹ in crores)

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programmes: (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
5	CSR Administrative Expenses	Administration	Mumbai	0.15	0.15 Overhead	0.15	0.15 - Direct
	<b>Total</b>			<b>3.00</b>	<b>3.12</b>	<b>3.12</b>	

**In case the Company has failed to spend two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount in its Board report:** Not Applicable

**A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company:**

We hereby declare that implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and CSR Policy of the Company.

**Sunaina Murthy**

Director

(DIN: 07865860)

Date : May 2, 2019

Place : Mumbai

**B Thiagarajan**

Chairman

Corporate Social Responsibility Committee

(DIN: 01790498)

# Annexure 3 to Board's Report

## SECRETARIAL AUDIT REPORT

To The Members

### **BLUE STAR LIMITED**

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial Record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial Records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the Secretarial Records. We believe that the processes and practices, we followed provided a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, Standards is the responsibility of the Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

**For M/s N L Bhatia & Associates**

Practicing Company Secretaries

UIN: P1996MH055800

**Bharat Upadhyay**

Partner

FCS: 5436

CP No. 4457

Date : May 2, 2019

Place : Mumbai



**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To The Members

**BLUE STAR LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Blue Star Limited** (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder;
2. The Companies (Amendment) Act, 2017 and the Rules made thereunder (to the extent notified);
3. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent applicable;
5. KYC & PML Policy on securities formulated in terms of the Prevention of Money Laundering Act, 2005, Rules made there under and Guidelines issued by RBI;
6. The Depositories Act, 1996 and amendments thereof and the Regulations and bye-laws framed thereunder;
7. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 and amendments thereto ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR');
  - b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not applicable to the Company during the Financial Year;**
  - f) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - g) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993;
  - h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not applicable to the Company during the Financial Year;**
  - i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not applicable to the Company during the Financial Year;**

8. Other applicable Laws as per list attached as 'Annexure A' to this report.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and LODR.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. The Company has complied with the Secretarial Standards in respect of the meetings of its members, Board and its committees.

During the Financial year under review, the meeting of Independent Directors was held on March 29, 2019 for Board Evaluation.

All the decisions taken in the Board Meetings were passed unanimously and with the requisite majority in General Meetings.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that during the period under review:**

1. The Company has spent ₹312 lakhs towards CSR expenditure during the Financial Year, as against ₹266 lakhs, which was required to be spent as per Section 135 of the Act.
2. No winding up petition has been filed against the Company, impacting the going concern status.
3. Two complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and subsequently disposed off.
4. The Company has granted financial assistance to its subsidiary companies/ joint ventures by way of loan and corporate guarantees.
5. The Company has subscribed to equity shares of its wholly owned subsidiary, Blue Star International FZCO.
6. The Company has granted short term loan to Blue Star Oman Electro-Mechanical Co LLC, joint venture.
7. The Company has entered into contract with the companies in which Independent Directors Mr Sam Balsara and Mrs Shobana Kamineni are directors on board of such companies, with necessary approvals and compliance with the LODR.
8. Mr Suneel M Advani, Non-Executive Chairman of the Board was due to retire on February 28, 2019 after attaining the age of 75 years as per retirement policy of the Board. The Board extended his tenure up to March 31, 2019 to mark completion of 50 years of his association with the Company.

**For M/s N L Bhatia & Associates**

Practicing Company Secretaries

UIN: P1996MH055800

**Bharat Upadhyay**

Partner

FCS: 5436

CP No. 4457

Date : May 2, 2019

Place : Mumbai

**'ANNEXURE A'****LIST OF OTHER APPLICABLE LAWS** *(including statutory amendments made thereto or amendments thereof for the time being in force):*

1. Maharashtra Shops and Establishments (Regulation of employment and conditions of service) Act, 2017, Rules thereunder and other State Acts and rules thereunder, including statutory amendments made thereto.
2. Contract Labour (Regulation and Abolition) Act, 1970 and Contract Labour (Regulation and Abolition) Central Rules, 1971 and applicable State Rules.
3. Industrial Employment (Standing Orders) Act, 1946 and Industrial Employment (Standing Orders) Central Rules, 1946 and applicable State Rules.
4. Factories Act, 1948 and applicable State Rules.
5. Foreign Exchange Management Act, 1999 read with notifications, directions and circulars issued by the Reserve Bank of India (RBI).
6. Foreign Trade (Development and Regulation) Act, 1992.
7. Petroleum Act, 1934.
8. Securities and Exchange Board of India Act, 1992.
9. The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Central Rules, 1998, The Building and Other Construction Workers' Welfare Cess Act, 1996 and Cess Rules, 1998 and applicable State Rules.
10. Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957 and applicable State Rules.
11. Apprentices Act, 1961 and Apprentices Rules, 1992.
12. Employee Compensation Act, 1923 and Workmen Compensation Rules, 1924 and applicable State Rules.
13. Employees' State Insurance Act, 1948 and Employees' State Insurance (Central) Rules, 1950 and Employees' State Insurance (General) Regulations, 1950.
14. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Employees' Provident Fund Scheme, 1952 and Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976.
15. Equal Remuneration Act, 1976 and Equal Remuneration Rules, 1976.
16. Maternity Benefit Act, 1961 and applicable State Rules.
17. Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975.
18. Payment of Wages Act, 1936 and Payment of Wages (Nomination) Rules, 2009 and applicable State Rules.
19. Minimum Wages Act, 1948 and Minimum Wages Rules, 1950 and applicable State Rules.
20. Payment of Gratuity Act, 1972 and applicable State Rules.
21. Bombay Labour Welfare Fund Act, 1953 rules thereunder and other State Acts and rules thereunder.
22. Food Safety and Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011.
23. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
24. Information Technology Act, 2000 and Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011.

25. Bureau of Indian Standards Act, 1986 and Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers.
26. Maharashtra Fire Prevention and Life Safety Measures Act, Rules and other applicable States Acts and Rules as applicable.
27. Legal Metrology Act, 2009 and Legal Metrology (Enforcement) Rules, 2011 and applicable State Rules.
28. Explosives Act, 1884 and Gas Cylinder Rule, 2004.
29. Petroleum Act, 1934 and Petroleum Rules, 2002.
30. Electricity Act, 2003 and Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulations, 2010.
31. Energy Conservation Act, 2001.
32. Income Tax Act, 1961, Central Goods and Services Tax Act, 2017, Central Excise Act, 1944 and rules thereunder; State Acts governing Profession Tax, Tax on Trades, Callings and Employments Act and rules thereunder.
33. Environment (Protection) Act, 1986 and Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, Noise Pollution (Regulation and Control) Rules 2000, Environment (Protection) Rules, 1986, E-waste (Management) Rules, 2016, Ozone Depleting Substances (Regulation and Control) Rules, 2000, Bio-Medical Waste Management Rules, 2016, Batteries (Management and Handling) Rules, 2001.
34. Air (Prevention and Control of Pollution) Act, 1981 and Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983 and applicable State Rules.
35. Water (Prevention and Control of Pollution) Act, 1974 and Water (Prevention and Control of Pollution) Rules, 1975 and applicable State Rules.
36. Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003.
37. Bombay Provincial Municipal Corporation Act, 1949.
38. Any other Central and State Acts and rules made thereunder, as may be applicable.

# Corporate Governance Report

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance refers to the manner in which a corporation is governed, directed and managed. Corporate governance essentially involves balancing interests of all the stakeholders, such as shareholders, Board of Directors, management team, employees, customers, suppliers, bankers, government and the community. Sound corporate governance practices rests on basic principles of transparency, accountability, integrity, reliability, independence and security. Corporate governance facilitates effective, entrepreneurial and prudent management which can deliver sustainable business results over a long term. Good corporate governance creates a mechanism of checks and balances to ensure that the decision-making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

We, at Blue Star, continuously strive to adopt and implement the best in class governance practices. Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. The Company's governance framework enjoins the highest standards of ethical and responsible conduct of business to create value for all stakeholders. We firmly believe, that for our continued success, we will need to adhere to the highest standards of corporate behaviour towards every stakeholder and the society at large. Over the years, we have strengthened our governance practices, and it is our endeavour to achieve the best in class governance standards, benchmarked globally.

## VISION, CREDO, VALUES AND BELIEFS

We have consistently followed the principles of good corporate governance through transparency, accountability, fair dealings and promoting mutual trust. Our Values and Beliefs have become a way of life in the Company, and each employee is responsible for adherence with our Values.

It is our commitment to do business with integrity, honesty and fairness. With a view to achieve this, we have defined our Vision, Credo, Values and Beliefs as follows:

Blue Star's Vision is, *"To dream, to strive, to care and, above all, to be the best in everything we do."*

Our Credo is, *"I am Blue Star. I take pride in delivering a world-class customer experience."*

The Company's core Values and Beliefs are:

- Be a company that is a pleasure to do business with.
- Win our people's hearts and minds.
- Continuously improve shareholder value.
- Give primacy to meritocracy and professional management.
- Place the Company's interest above one's own.
- Conduct business with personal integrity and ethics.
- Treat business partners as respected members of our organisation.
- Encourage learning, experimentation and innovation in what we do.
- Ensure high standards of corporate governance.
- Work in a boundary-less manner between various functions to provide the best solutions to customers.
- Be a good corporate citizen.

The Company confirms compliance to the corporate governance practices as enshrined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'Listing Regulations'), details whereof for the financial year ended March 31, 2019 are as set out hereunder:

## BOARD OF DIRECTORS

The Board of Directors is the primary stakeholder influencing corporate governance. An active, well informed and independent board safeguards and maintains sound corporate governance across all the functions. The Board oversees how the management safeguards interests of all the stakeholders. The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with requisite powers, authorities and duties. The Board of Directors provide a long-term vision and policy approach which improves the quality of governance. It sets out the overall corporate objectives and provides direction and independence to the management to achieve these objectives for value creation through sustainable profitable growth.

## COMPOSITION OF THE BOARD

The Company has a balanced and diverse Board. The Company's Board has an optimum mix of Executive and Non-Executive Directors, to maintain independence and separate the functions of governance and management. The composition of the Board is in conformity with Regulation 17 of the Listing Regulations read with Section 149 of the Companies Act, 2013 (the 'Act'). The Listing Regulations mandate that for a company with a non-executive chairman, who is a promoter, at least half of the Board should be independent directors. As on March 31, 2019, the Board comprised twelve Directors. Out of twelve, eight (i.e. 67 percent) were Non-Executive Directors, of which six (i.e. 50 percent) were Independent Directors. Two out of twelve directors on the Board were women Independent Directors.

The Chairman presides over the meetings of the Board and of the shareholders of the Company. He leads the Board and ensures effective communication among the Directors. He is responsible for administering all matters relating to corporate governance. He ensures effectiveness of the Board and its Committees and evaluates the performance of individual directors in fulfilling their roles and responsibilities.

The Executive Directors assume overall responsibility for strategic management of business and corporate functions including oversight of governance processes and ensuring Top Management effectiveness. They act as a link between the Board and the Management of the Company and are responsible in managing and reviewing the roles and responsibilities of other executive officials including the Group Chief Financial Officer, Company Secretary and Heads of various business segments.

The Non-Executive Directors/Independent Directors play a critical role in providing balance to the Board processes with their independent judgment on issues involving strategy, performance, resources, and overall governance, besides providing the Board with valuable inputs based on their professional expertise.

The Company's Board comprises eminent professionals having sound knowledge and relevant expertise in the areas of finance, legal, technology, human resources and general business management. The Company has established systems and procedures to ensure that the Board of Directors are well informed and well equipped to fulfil their overall responsibilities and to provide management with strategic direction needed to create long term shareholder value.

The composition of the Board of Directors and the number of directorships and committee positions held by them as on March 31, 2019 are as under:

Name of Director	Category	Particulars of Directorships, Committee Memberships/Chairmanships as on March 31, 2019			
		Directorships <sup>1</sup>	Number of Directorship(s) held in public listed companies	Committee Memberships <sup>2</sup>	Committee Chairmanships <sup>2</sup>
Suneel M Advani <sup>3</sup>	Non-Executive Chairman	2	1	1	-
Vir S Advani <sup>4</sup>	Managing Director	3	1	1	-
B Thiagarajan <sup>4</sup>	Joint Managing Director	2	1	2	-
Rajiv R Lulla	Non-Executive Director	5	1	1	-
Dinesh N Vaswani	Non-Executive Director	2	1	-	-
Shailesh Haribhakti <sup>3</sup>	Independent Director	16	7	10	5
Gurdeep Singh	Independent Director	4	1	3	1
Shobana Kamineni	Independent Director	14	4	-	-
Sam Balsara	Independent Director	18	1	-	-

Name of Director	Category	Particulars of Directorships, Committee Memberships/Chairmanships as on March 31, 2019			
		Directorships <sup>1</sup>	Number of Directorship(s) held in public listed companies	Committee Memberships <sup>2</sup>	Committee Chairmanships <sup>2</sup>
Anil Harish	Independent Director	10	5	4	2
Rumjhum Chatterjee <sup>5</sup>	Independent Director	6	2	-	-
Arvind K Singhal <sup>5</sup>	Independent Director	11	3	-	-

<sup>1</sup> Directorships held by the Directors as mentioned above, consist of Directorships held in public limited companies and private limited companies but excludes directorships held in foreign companies and companies registered under section 8 of the Act.

<sup>2</sup> In accordance with Regulation 26 of the Listing Regulations, Memberships/Chairmanships of two Committees, namely Audit Committee and Stakeholders' Relationship Committee have been considered. Committee memberships include Chairmanships.

<sup>3</sup> Suneel M Advani retired as the Chairman of the Board on March 31, 2019. Subsequently, Shailesh Haribhakti was appointed as the Chairman of the Board effective April 1, 2019.

<sup>4</sup> Effective April 1, 2019, Vir S Advani was elevated from Managing Director to Vice Chairman & Managing Director and B Thiagarajan was elevated from Joint Managing Director to Managing Director.

<sup>5</sup> Rumjhum Chatterjee and Arvind K Singhal were appointed as Additional Independent Directors w.e.f. February 5, 2019.

None of the Directors is a Director on the Board of more than 10 public limited companies or act as an Independent Director in more than 7 listed companies. Further, none of the Directors is a member in more than 10 committees nor is a chairperson/ chairman of more than 5 committees, amongst the companies mentioned above.

Except Suneel M Advani and Vir S Advani, who are related, none of the Directors is a relative of the other, as defined under the Act.

Details of listed entity(ies) in which the Directors hold directorship as on March 31, 2019:

Name of Director	Name of Listed Entity(ies)	Category
Suneel M Advani*	- Blue Star Limited	Non-Executive Director
Vir S Advani	- Blue Star Limited	Executive Director
B Thiagarajan	- Blue Star Limited	Executive Director
Rajiv R Lulla	- Blue Star Limited	Non-Executive Director
Dinesh N Vaswani	- Blue Star Limited	Non-Executive Director
Shailesh Haribhakti*	- Blue Star Limited - Torrent Pharmaceuticals Limited - L&T Finance Holdings Limited - Future Lifestyle Fashions Limited - Mahindra Life Space Developers Limited - Ambuja Cements Limited - ACC Limited	Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
Gurdeep Singh	- Blue Star Limited	Independent Director

Name of Director	Name of Listed Entity(ies)	Category
Shobana Kamineni	<ul style="list-style-type: none"> <li>- Blue Star Limited</li> <li>- Apollo Hospitals Enterprise Limited</li> <li>- Indraprastha Medical Corporation Limited</li> <li>- Hero Motocorp Limited</li> </ul>	Independent Director Executive Director Non-Executive Director Independent Director
Sam Balsara	<ul style="list-style-type: none"> <li>- Blue Star Limited</li> </ul>	Independent Director
Anil Harish	<ul style="list-style-type: none"> <li>- Blue Star Limited</li> <li>- Hinduja Ventures Limited</li> <li>- Oberoi Realty Limited</li> <li>- Future Enterprises Limited</li> <li>- Hinduja Global Solutions Limited</li> </ul>	Independent Director Independent Director Independent Director Independent Director Independent Director
Rumjhum Chatterjee	<ul style="list-style-type: none"> <li>- Blue Star Limited</li> <li>- Somany Ceramics Limited</li> </ul>	Independent Director Independent Director
Arvind K Singhal	<ul style="list-style-type: none"> <li>- Blue Star Limited</li> <li>- Welspun India Limited</li> <li>- Greaves Cotton limited</li> </ul>	Independent Director Independent Director Independent Director

\* Suneel M Advani retired as the Chairman of the Board on March 31, 2019. Subsequently, Shailesh Haribhakti was appointed as the Chairman of the Board effective April 1, 2019.

#### CORE SKILLS REQUIRED IN THE CONTEXT OF COMPANY'S BUSINESS

The Company inducts distinguished individuals with expertise in diverse fields, as Directors on the Board. Members with high level of integrity, appropriate qualification, skills and expertise, and with the ability to contribute to the growth of the Company are brought on board.

The Board has identified the following skills/expertise/competencies fundamental for the effective functioning of the Company:

Strategy & Business Planning	- Comprehend the socio-economic, political, legal, regulatory and competitive environment in which the Company is operating and provide insights to identify opportunities and threats for the Company's businesses
Financial Acumen	- Analyse the Company's financial performance and provide oversight of capital allocation and returns
Human Capital	- Support management to develop policies and identity and retain the best talent; to develop people at all levels and make them future-ready; and to institutionalise succession planning for critical positions
Governance	- Monitor and guide statutory and regulatory compliance and contribute towards setting and upholding the highest standards of ethics, integrity and organisational conduct. Understand the key risks impacting the Company's businesses and contribute towards development of systems and controls for risk mitigation
Stakeholder Value Creation	- Enable shareholder value creation while ensuring interventions that create a positive and sustainable impact on society

All these skills are available with the Board.

#### CONFIRMATION ON INDEPENDENCE OF DIRECTORS

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Act and the Listing Regulations and in the opinion of the Board the Independent Directors fulfil the said criteria and are independent of the Management.



**CERTIFICATE FOR NON DISQUALIFICATION OF DIRECTORS**

A certificate from M/s N L Bhatia and Associates, Practicing Company Secretaries, has been issued, confirming that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as a director by the Securities and Exchange Board of India (SEBI)/Ministry of Corporate Affairs or any such statutory authority. The certificate is appended as an Annexure to this report.

**BOARD MEETINGS**

Minimum four Board meetings are held each year to review the quarterly financial results and operations of the Company. Apart from this, additional Board meetings are convened to address specific needs of the Company. In case of the business exigencies, resolutions are also passed by circulation, as permitted by law, which are confirmed in subsequent Board meetings.

There could be instances where it may not be possible for each of the Directors to be physically present at all the meetings. In such cases, video conferencing facilities are provided to enable their participation.

The agenda and agenda notes are circulated to all the Directors well in advance, usually a week before the meeting. All the agenda items are backed by agenda notes and relevant supporting papers to ensure adequate flow of information from the management, and to enable Directors to have focused discussions at the meeting and take informed decisions. All relevant information as mentioned in Part A of Schedule II of the Listing Regulations are tabled before the Board.

Draft Minutes of the Board/Committee meetings are circulated to all the Directors for their comments within 15 days of the meeting, and after incorporating comments so received, from the Directors, minutes are recorded and entered in minutes book within 30 days from the date of conclusion of the meeting.

**NUMBER OF MEETINGS HELD BY THE BOARD**

During the year, the Board met five times. The meetings were held on May 14, 2018; August 8, 2018; October 30, 2018; February 5, 2019 and March 5, 2019. The gap between two consecutive Board meetings did not exceed 120 days.

The Company had convened its last Annual General Meeting on August 8, 2018.

Attendance of the Directors at the Board meetings and at the last Annual General Meeting is as under:

Name of Director	Category	Attendance	
		Board Meeting	Last AGM (Y/N/NA)
Suneel M Advani*	Non-Executive Chairman	5	Y
Vir S Advani <sup>#</sup>	Managing Director	5	Y
B Thiagarajan <sup>#</sup>	Joint Managing Director	5	Y
Rajiv R Lulla	Non-Executive Director	5	Y
Dinesh N Vaswani	Non-Executive Director	5	Y
Shailesh Haribhakti*	Independent Director	5	Y
Gurdeep Singh	Independent Director	5	Y
Shobana Kamineni	Independent Director	5	Y
Sam Balsara	Independent Director	5	Y
Anil Harish	Independent Director	4	Y
Rumjhum Chatterjee <sup>@</sup>	Independent Director	2	NA
Arvind K Singhal <sup>@</sup>	Independent Director	2	NA

<sup>#</sup> Effective April 1, 2019, Vir S Advani was elevated from Managing Director to Vice Chairman & Managing Director and B Thiagarajan was elevated from Joint Managing Director to Managing Director.

\* Suneel M Advani retired as the Chairman of the Board on March 31, 2019. Subsequently, Shailesh Haribhakti was appointed as the Chairman of the Board effective April 1, 2019.

<sup>@</sup> Rumjhum Chatterjee and Arvind K Singhal were appointed as Additional Independent Directors w.e.f. February 5, 2019.

## FAMILIARISATION OF INDEPENDENT DIRECTORS

At the time of appointing a Director, a formal letter of appointment is given to him/her, which inter alia explains the role, functions, duties and responsibilities expected of him/her as a Director of the Company. The Company's management makes business presentations periodically at Board meetings to familiarise Independent Directors with the strategy, operations and functioning of the Company.

Such presentations help them to understand Blue Star's strategy, competitive landscape, business model, operations, service and product offerings, markets, organisation structure, finance, human resources, technology, quality, facilities and risk management, and such other areas as may be relevant for their familiarisation from time to time. These interactions provide them with a holistic perspective of the Company's business and regulatory framework. A structured induction programme for new Directors is also organised where they get to meet and interact with all senior leaders of business divisions and functions to obtain an in-depth understanding of the Company's business.

The details of familiarisation programme imparted to the Independent Directors are available on the website of the Company under the weblink: <https://www.bluestarindia.com/media/56472/familiarization-programme-for-independent-directors.pdf>

## PERFORMANCE EVALUATION

The Board carried out an annual performance evaluation comprising review of the performance of the Directors individually as well as the evaluation of the working of the entire Board and its Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as structure and composition of the Board, quality of Board processes, Board culture and dynamics, and effectiveness in carrying out its role as expected by all the stakeholders.

The performance of the Chairman of the Board was evaluated on parameters such as level of engagement and contribution, ability to encourage frank and free discussions among Board members, relationships with Board members and guidance in case of complex issues.

The performance evaluation criteria for Independent Directors, was determined by the Nomination and Remuneration Committee. The factors on which evaluation was carried out include (i) qualifications, experience, understanding and knowledge of business and sector, availability and attendance of meetings, (ii) openness in debating complex issues and aiding decision making, voicing opinion freely, exercises own judgment, (iii) adding value to the strategic direction and image makeover of the Company, (iv) ensuring integrity, regulatory compliance and controls as required, (v) level of preparedness, engagement and participation at various meetings, (vi) guidance and support to the leadership team as required, (vii) ability to function as a team member, actively takes initiatives in various areas, commitment to Board and Company, (viii) keeps shareholder and other stakeholder's interests in mind while voicing views and making recommendations, and (ix) expresses independent views and judgments freely.

In accordance with provisions of the Act and the Listing Regulations, a meeting of the Independent Directors of the Company was also held on March 29, 2019, to discuss the following:

- performance of Non-Independent Directors and the Board as a whole;
- performance of the Chairman of the Board, taking into account the views of Executive Directors and Non-Executive Directors; and
- quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

In the financial year 2017-18, the Independent Directors observed that Board level succession planning should be institutionalised, and younger people should be inducted in leadership roles. Further, the Company should focus on cost reduction and improvement of Return on Capital Employed and Return on Equity. These observations were implemented during the financial year 2018-19.

In the Board evaluation carried out for the financial year 2018-19, the Independent Directors observed that the Board should focus on profitability improvement, technology developments, sustainability objectives and leveraging the Blue Star brand for faster growth. To this end, more time will be spent on addressing key strategic issues and opportunities facing the Company in 2019-20.

The outcome of the evaluation was presented to the Board along with the course of actions proposed to be taken for implementing the above observations.

## CODE OF CONDUCT

While operating in a competitive and demanding market, the Company had published a comprehensive code of conduct for its employees and business partners that requires strict adherence to our corporate values while delivering a world-class customer experience. The Company makes conscious efforts to align its employees and business partners with the Blue Star way of conduct.

In view of the recent shifts in the regulatory regime and evolving best in class governance practices, the Code of Conduct of the Company was amended.

The Company's Code of Conduct is available on the Company's website under the weblink:  
<https://www.bluestarindia.com/media/6010/code-of-conduct.pdf>

## CORPORATE SAFETY POLICY

The Company firmly believes that the safety of its employees and all the stakeholders associated with the Company's project sites, manufacturing facilities, customer premises and office locations is of utmost importance. Safety is an essential and integral part of the Company's work activities. The Company believes that incidents or accidents and risk to health are preventable through active involvement of all the stakeholders, thereby creating a safe and accident-free work place. Accordingly, health and safety awareness programs and safety audits are conducted regularly. Safety protocols have been documented and get shared across the organisation regularly.

## COMMITTEES OF THE BOARD

The Committees of the Board include Audit Committee, Nomination and Remuneration Committee, Investor Grievance cum Stakeholders' Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee, Executive Management Committee and Share Transfer Committee. These Committees assist the Board in discharging its specific functions in which more focused and extensive discussions are required.

The role, composition and other details of the aforesaid Committees are given below:

### A. AUDIT COMMITTEE

The Audit Committee of the Company oversees the financial reporting process of the Company. The powers and role of the Audit Committee are in accordance with the Listing Regulations and the Act. The Audit Committee is governed by the charter which is in line with the regulatory requirements of the Act and the Listing Regulations.

As on March 31, 2019, the Committee comprised four directors:

- Shailesh Haribhakti, Chairman
- Gurdeep Singh
- Anil Harish
- B Thiagarajan

The composition of the Audit Committee is in line with the requirements of Section 177 of the Act and the Listing Regulations.

### NUMBER OF MEETINGS HELD BY THE COMMITTEE

During the year, the Committee met 5 times. The meetings were held on May 14, 2018; August 8, 2018; October 30, 2018; February 5, 2019 and March 6, 2019.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Shailesh Haribhakti, Chairman	5
Gurdeep Singh	5
Anil Harish	5
B Thiagarajan	5

The gap between two consecutive meetings did not exceed 120 days.

The Chairman of the Audit Committee was present at the last Annual General Meeting. All the recommendations made by the Audit Committee during the year were accepted by the Board.

### TERMS OF REFERENCE

#### A. Financial reporting and financial reporting processes, internal controls:

1. Oversight of the Company's financial reporting process, its overall internal controls and the disclosure of its financial information submitted to the stock exchanges, regulatory authorities or the public, and, to ensure that the financial statements are correct, sufficient and credible.
2. Oversee the Company's internal control framework, its adequacy and appropriateness across business processes.
3. Review with management, annual financial statements and the Auditors' Report thereon, before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Directors' Responsibility Statement to be made part of the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Act.
  - b) Changes, if any, in the accounting policies and reasons for the same.
  - c) Major accounting entries based on exercise of judgment by the management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements concerning financial statements.
  - f) Disclosures in financial statements, including related party transactions.
  - g) Modified opinion(s) in the draft Audit Report, if any.
4. Review any accounting adjustments that were noted or proposed by the statutory auditors but were not passed (as immaterial or otherwise).
5. Reviewing with the management, quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, statement of use/application of funds raised through an issue (public, rights, preferential issue, etc), statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the agency monitoring the utilisation of proceeds of a public issue or rights issue, and making appropriate recommendations to the Board to take steps in the matter whenever such fund raising happens.
7. Review and monitor the auditors' independence and performance, and effectiveness of audit processes.
8. Approval or any subsequent modification of transactions of the Company with the related parties.
9. Scrutiny of inter-corporate loans and investments
10. Valuation of undertakings or assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
14. Discussion with internal auditors on any significant findings and follow up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors in matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, stakeholders (in case of non-payment of declared dividends) and creditors.
18. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc of the candidate.

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

1. Review of the Management Discussion and Analysis of the financial condition and results of operations.
2. Statement of significant related party transactions (as defined by the Committee), submitted by the management.
3. Management letters/letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit reports relating to internal control weaknesses.
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor or a professional firm of internal auditors.
6. Statement of deviations:
  - a) Quarterly statement of deviation(s), including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
  - b) Annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice, in terms of Regulation 32(7) of the Listing Regulations.

### **C. Statutory audit:**

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

### **D. Internal audit:**

1. Review the internal audit plan and recommend changes, for the approval of the Board.
2. To approve appointment, removal and terms of remuneration of the Chief Internal Auditor or a professional firm selected to manage internal audit deliverables.
3. Consider and approve, in consultation with the Statutory Auditors and the Internal Auditors, the annual scope and plan of the Company's internal audit and any significant changes thereto.
4. Review with the Internal Auditors and the Statutory Auditors, the co-ordination of audit efforts to assure adequacy of coverage, reduction of redundant efforts, and the effective use of audit resources.
5. Review any significant findings and recommendations of Internal Audit, together with the management's responses thereto.

6. Review the findings of any internal investigations by the Internal Auditors in matters where there is suspected fraud or irregularity or a failure of an internal control system of a material nature, and report the matters to the Board.
7. Review with the Internal Auditors, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
8. Meet at least once in a year separately with the Internal Auditors, to discuss any matters that the Committee or the Chief Internal Auditor believes should be discussed separately.

## B. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for devising criteria for determining qualifications, attributes and independence of the Directors. It is also responsible for identifying persons to be appointed at senior management levels as well as devising remuneration policy for the Directors, Key Managerial Personnel and Senior Management.

The composition of the Committee meets the requirements of Section 178 of the Act and the Listing Regulations.

As on March 31, 2019, the Committee comprised four directors:

- Gurdeep Singh, Chairman
- Sam Balsara
- Suneel M Advani
- Dinesh N Vaswani

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

### MEETINGS HELD BY THE NOMINATION AND REMUNERATION COMMITTEE

During the year, the Committee met three times. The meetings were held on April 26, 2018; October 30, 2018 and January 3, 2019.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Gurdeep Singh, Chairman	3
Sam Balsara	3
Suneel M Advani	3
Dinesh N Vaswani	3

### TERMS OF REFERENCE

1. To inter alia recommend nominations for Board Membership, develop and recommend policies with respect to composition of the Board, commensurate with the size, nature of the business and operations of the Company.
2. To establish criteria for selection to the Board, with respect to the competencies, qualifications, experience, track record, integrity and gender, and to establish Directors' retirement policies and appropriate succession plans, and determining overall compensation policies of the Company.
3. To monitor/administer the Company's Employee Stock Option Schemes formulated from time to time, and take appropriate decisions in terms of the concerned Scheme(s) and such other matters as may be required under Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
4. To review market practices and formulate a remuneration policy, and within the framework of the said policy:
  - a) Recommend to the Board, a remuneration package applicable to the leadership team comprising the working directors and the key managerial personnel.
  - b) Recommend to the Board for its approval, performance parameters for them, review the same from time to time and thereafter, recommend the above to the Board for its approval.

5. To recommend to the Board, all remuneration, in whatever form, payable to senior management personnel.
6. Such other matters as may be required under the Act and Listing Regulations.

### REMUNERATION OF DIRECTORS

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission, performance linked incentives and stock options (variable component) to its Vice Chairman & Managing Director and Managing Director. Annual increments are decided by the Nomination and Remuneration Committee, within the salary scale approved by the members of the Company. The Nomination and Remuneration Committee recommends to the Board, the remuneration payable to the Vice Chairman & Managing Director and Managing Director out of the profits for the financial year, and within the ceilings prescribed under the Act, based on their performance and the performance of the Company. In line with the amendments made to the Listing Regulations, effective April 1, 2019, the functions of the Committee shall be extended to recommend to the Board, all remuneration, in whatever form, payable to Senior Management, i.e. one level below the Executive Directors. Services of the executive directors may be terminated by either party, giving the other party six months' notice. There is no separate provision for payment of any severance fees.

The Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, in accordance with Nomination and Remuneration Policy of the Company. The remuneration structure and criteria for determining performance based compensation are provided in the Nomination and Remuneration Policy.

During the year, none of the Non-Executive Directors received remuneration exceeding 50% of the total remuneration paid to the Non-Executive Directors.

The Nomination and Remuneration Policy is available on the website of the Company under the weblink: <https://www.bluestarindia.com/media/217800/blue-star-nrc-policy.pdf>

The Company has an Employee Stock Option Scheme, 2013 in place. Details on the Employee Stock Option Scheme, 2013 may be referred to on the website of the Company at [www.bluestarindia.com](http://www.bluestarindia.com).

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

(₹ in lakhs)

Name	Salary	Retirals	Perquisites	Commission	Performance linked incentive	Sitting Fees	Total
Suneel M Advani	-	-	-	32.00	-	12.50	44.50
Vir S Advani	90.63	181.27	28.1	145.80	408.29	-	854.09
B Thiagarajan	90.63	181.27	28.1	145.80	90.64	-	536.44
Dinesh N Vaswani	-	-	-	16.00	-	6.00	22.00
Rajiv R Lulla	-	-	-	16.00	-	4.25	20.25
Shailesh Haribhakti	-	-	-	16.00	-	8.00	24.00
Gurdeep Singh	-	-	-	16.00	-	10.75	26.75
Shobana Kamineni	-	-	-	16.00	-	4.25	20.25
Sam Balsara	-	-	-	16.00	-	6.50	22.50
Anil Harish	-	-	-	16.00	-	7.25	23.25
Rumjhum Chatterjee*	-	-	-	2.67	-	2.00	4.67
Arvind K Singhal*	-	-	-	2.67	-	1.50	4.17

\* Rumjhum Chatterjee and Arvind K Singhal were appointed as Additional Independent Directors w.e.f. February 5, 2019.

**DIRECTOR SHAREHOLDING**

AS ON MARCH 31, 2019

Name of Director	No. of Shares held	Percentage (%)
Suneel M Advani	61,16,496	6.35
Vir S Advani	74,625	0.08
B Thiagarajan	72,800	0.08
Dinesh N Vaswani	26,944	0.03
Rajiv R Lulla	-	-
Shailesh Haribhakti	-	-
Shobana Kamineni	-	-
Gurdeep Singh	1,839	0.00
Sam Balsara	10,662	0.01
Anil Harish	-	-
Rumjhum Chatterjee	-	-
Arvind K Singhal	-	-
<b>Total</b>	<b>63,03,366</b>	<b>6.55</b>

**C. INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE**

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

The composition of the Committee meets the requirements of Section 178 of the Act and Regulation 20 of the Listing Regulations.

As on March 31, 2019, the Committee comprised four Directors:

- Gurdeep Singh, Chairman
- Suneel M Advani
- Rajiv R Lulla
- B Thiagarajan

During the year, the meeting of this Committee was held on April 26, 2018. The Meeting was attended by all the members. The Chairman of the Committee was present at the last Annual General Meeting.

**TERMS OF REFERENCE**

1. Resolving the grievances of the security holders of the Company (including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings).
2. Review of measures taken for effective exercise of voting rights by the shareholders.
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Transfer Agent (RTA).
4. Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.



**INVESTORS' COMPLAINTS**

During the year, the complaints received from the investors were mainly pertaining to non-receipt of dividend, etc. Further during the year under review, the Company received 26 complaints, of which 23 complaints were resolved to the satisfaction of the shareholders. 3 complaints were pending for resolution as on March 31, 2019, as the same were received at the end of March 2019. These complaints were also resolved in time in the month of April 2019.

**COMPLIANCE OFFICER**

Vijay Devadiga

Company Secretary & Compliance Officer

Tel: 022 6654 4000

Email: investorcomplaints@bluestarindia.com

**D. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE**

The CSR Committee has been constituted in accordance with the requirements of Section 135 of the Act. The Committee recommends the CSR projects to be undertaken by the Company and also monitors its implementation status.

As on March 31, 2019, the Committee comprised three directors:

- Suneel M Advani, Chairman
- Shobana Kamineni
- B Thiagarajan

During the year, the meeting of this Committee was held on May 10, 2018. The Meeting was attended by all the members.

**TERMS OF REFERENCE**

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

A detailed CSR Report, which forms a part of the Board's Report, may be referred to, for further information on CSR.

**E. RISK MANAGEMENT COMMITTEE**

The Company has a robust risk management framework to identify, monitor and mitigate applicable risks. The Company has a comprehensive Risk Management Policy which is periodically reviewed by the Risk Management Committee.

As on March 31, 2019, the Committee comprised four directors:

- Vir S Advani, Chairman
- Suneel M Advani
- B Thiagarajan
- Neeraj Basur

During the year, the Committee met five times. The meetings were held on April 5, 2018; August 9, 2018; October 29, 2018; January 24, 2019 and March 29, 2019.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Vir S Advani, Chairman	5
Suneel M Advani	5
B Thiagarajan	4
Neeraj Basur	5

### TERMS OF REFERENCE

1. Annually review and approve the risk management policy and associated frameworks, processes and practices of the Company.
2. Ensure that the Company is taking appropriate measures to achieve prudent balance between risk and rewards in both ongoing and new business activities.
3. Assist the Board in effective operation of the risk management systems by performing specialised analyses and quality reviews.
4. Ensure that the Company has a robust compliance framework. Review the compliance reports and ensure appropriate measures for compliance adherence.
5. Maintain an aggregated view on the risk profile of the Company and its underlying business segments.
6. Report to the Board details on the risk exposures and actions taken to manage the exposures.
7. Advise the Board with regard to risk management decisions, in relation to the strategic and operational matters such as corporate strategy, mergers and acquisitions, and related matters.
8. Make regular reports to the Audit Committee and Board on risk assessment and mitigation strategies adopted by the Company.

### F. EXECUTIVE MANAGEMENT COMMITTEE

The Company has constituted an Executive Management Committee to approve matters relating to availing of financial facilities pertaining to borrowings and investments, and also to look after other operational and administrative matters of the Company.

As on March 31, 2019, the Committee comprised 3 directors:

- Suneel M Advani
- Vir S Advani
- B Thiagarajan

During the year, the Committee met five times. The meetings were held on May 14, 2018; July 20, 2018; October 30, 2018; February 5, 2019 and March 5, 2019.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Vir S Advani	5
Suneel M Advani	5
B Thiagarajan	5

### G. SHARE TRANSFER COMMITTEE

The Share Transfer Committee is empowered to make allotment of all kind of shares that may be issued by the Company from time to time.

As on March 31, 2019, the Committee comprised three directors:

- Suneel M Advani
- Vir S Advani
- B Thiagarajan

During the year, the meeting of this Committee was held on August 8, 2018. The meeting was attended by all the members.

## CODE OF INTERNAL PROCEDURES AND CONDUCT FOR REGULATING, MONITORING AND REPORTING OF TRADING BY INSIDERS AND CODE OF FAIR DISCLOSURE OF UNPUBLISHED PRICE SENSITIVE INFORMATION

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has a code of internal procedures and conduct for regulating, monitoring and reporting of trading by insiders and code of fair disclosure of unpublished price sensitive information for its Designated Persons which was amended in order to align with the revised SEBI (Prohibition of Insider Trading) Regulations, 2015. The same is effective April 1, 2019 and is disclosed on the website of the Company under the weblink: <https://www.bluestarindia.com/media/6013/code-of-conduct-insider-trading.pdf>

## SUBSIDIARY COMPANIES

Blue Star Engineering & Electronics Limited, Blue Star Qatar WLL, Blue Star International FZCO and Blue Star Systems and Solutions LLC are the four subsidiaries of the Company. As on March 31, 2019, Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company has become the material unlisted subsidiary of the Company. However, the requirement of appointing an Independent Director of the Company on the board of the material unlisted subsidiary as per Regulation 24 of the Listing Regulations does not apply to the Company as the threshold of 20% of consolidated income or net worth determining the materiality for appointment, has not been triggered.

In accordance with the Listing Regulations, the Company has formulated a policy on determining material subsidiaries which was amended during the year effective April 1, 2019, and the same has been disclosed on the website of the Company at <https://www.bluestarindia.com/media/6017/policy-for-determining-material-subsiidiaries-26022019.pdf>

## RELATED PARTY TRANSACTIONS

All transactions entered into with related parties during the financial year, as defined under the Act and read with the Listing Regulations, were in the ordinary course of business and at an arm's length basis. The requisite approvals of the Audit Committee and Board members, as applicable, are taken from time to time. There were no materially significant transactions with related parties during the financial year, which were in conflict with the interests of the Company. The Company has adopted a policy for related party transactions, and the same is disclosed on the website of the Company at <https://www.bluestarindia.com/media/78799/policy-for-transaction-with-related-parties.pdf>

## COMMODITY PRICE RISK/FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company mitigates commodity price risk by entering into appropriate rate contracts with major suppliers which factors in price commitments for a time period by the suppliers. This approach provides sufficient mitigation against volatility in commodity rates. Disclosure pursuant to SEBI circular dated November 15, 2018 is as below:

Commodity Name	Exposure (₹ in crores)	Exposure in Quantity (MT)	% of such exposure hedged through commodity derivatives				Total
			Domestic Market		International Market		
			OTC	Exchange	OTC	Exchange	
Copper	123	2265	-	4.5%	-	-	4.5%
Aluminium	36	1548	-	-	-	-	-

The Company has also laid out a well-defined forex risk management policy which ensures proactive and regular monitoring and managing of foreign exchange exposures. The forex policy of the Company defines limits for uncovered exposures. The Company uses foreign exchange forward and options contracts to hedge the forex exposures. The hedging strategy is to gear towards managing currency fluctuation risk within predefined risk appetite, while complying with applicable guidelines, rules, regulations and other statutory compliances. The Company does not use foreign exchange forward and options contract for trading or speculative purposes. Forward and options contract are fair valued at each reporting date. The resultant gain or loss from these transactions is recognised in the Statement of Profit and Loss.

## DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013 (THE 'POSH ACT')

The details of the complaints filed, disposed off and pending during the financial year under the POSH Act, related to sexual harassment has been disclosed in the Business Responsibility Report forming part of this Annual Report.

### OTHER DISCLOSURES

1. The details of transactions with related parties are given in Note No. 38 to the standalone financial statement for the year ended March 31, 2019. There were no materially significant related party transactions, which are likely to have potential conflict with the interests of the Company at large.
2. The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/strictures have been imposed on/against it by the stock exchanges, SEBI or any statutory authority during the last three years.
3. The Company has complied with all the requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) of Listing Regulations. The Company has also complied with discretionary requirements such as maintaining a separate office for the Non-Executive Chairman at the Company's expense, ensuring financial statements with unmodified audit opinion, separation of the post of Chairman and Managing Director, and reporting of internal auditor directly to the Audit Committee.
4. The Company has followed all relevant Indian Accounting Standards while preparing the Financial Statements.
5. Pursuant to the formulation of a Whistle Blower Policy by the Company, a mechanism has been provided to all the employees of the Company to enable them to report on any frauds/irregularities by way of complaints. The Whistle Blower Policy provides access for personnel to the Audit Committee and the same has not been denied.
6. During the financial year, the Company has not raised funds through preferential or qualified institutional placements.
7. The details of total fees for all the services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, are as follows:

(₹ in crores)

Type of services	March 31, 2019	March 31, 2018
Audit fee	0.92	1.04
Limited review	0.24	0.27
Tax audit	0.07	-
Other services	0.05	0.19
Reimbursement of expenses	0.05	0.05
<b>Total</b>	<b>1.33</b>	<b>1.55</b>

## CONFIRMATION BY THE BOARD OF DIRECTORS' ON ACCEPTANCE OF RECOMMENDATION OF MANDATORY COMMITTEES

In terms of the amendments made to the Listing Regulations, the Board of Directors confirms that during the financial year, it has accepted all recommendations received from its mandatory committees.

## ANNUAL GENERAL MEETINGS

The last three Annual General Meetings were held as under:

Financial Year	Date	Venue	Time	Details of Special Resolutions
2015-16	August 1, 2016	Jai Hind College Hall, Sitaram Deora Marg, ("A" Road), Churchgate, Mumbai - 400 020	3:00 p.m.	None
2016-17	August 11, 2017	-do-	4:00 p.m.	None
2017-18	August 8, 2018	P. L. Deshpande Maharashtra Kala Academy, (Ravindra Natya Mandir), Sayani Road, Next To ICICI Bank, Prabhadevi, Mumbai - 400 025	10:00 a.m.	None

## POSTAL BALLOT

During the financial year 2018-19, special resolutions were passed by way of Postal Ballot for seeking approval of members. Details of these resolutions, alongwith their voting pattern, are provided below:

Particulars of Resolutions	Votes in Favour			Votes Against			Invalid Votes	
	No. of members voted	No. of votes cast by them	% of total no. of votes	No. of members voted	No. of votes cast by them	% of total no. of votes	No. of members voted	No. of votes cast by them
<b>Special Resolution:</b>								
Re-appointment of Mr Shailesh Haribhakti (DIN: 00007347) as an Independent Director of the Company	423	55301167	90.75	60	5637909	9.25	15	7253
Re-appointment of Mr Gurdeep Singh (DIN: 00036992) as an Independent Director of the Company	453	60072700	98.60	27	855236	1.40	15	7253
Approval for payment of Commission to Non-Executive Directors up to 1% (one percent) of Net Profit of the Company	426	65168312	99.97	65	18218	0.03	15	7253

The said resolutions were passed through Postal Ballot and Members of the Company were provided e-voting facility for casting their votes electronically on the said resolutions.

### Voting pattern and procedure for Postal Ballot

The Board of Directors of the Company, vide resolution passed by the Board of Directors at their meeting held on October 30, 2018, had appointed Mr Bharat Upadhyay (Membership No. FCS 5436), failing him Mr N L Bhatia (Membership No. FCS1176) and failing him Mr Bhaskar Upadhyay (Membership No. FCS 8663) of M/s N L Bhatia & Associates, Practicing Company Secretaries as the Scrutiniser for conducting the postal ballot voting process.

The Company had completed the dispatch of the Postal Ballot Notice dated October 30, 2018 together with the explanatory Statement on November 21, 2018, along with forms and postage prepaid business reply envelopes to all the members whose names appeared in the Register of Members/List of Beneficiaries as on Friday, November 16, 2018.

The voting under the postal ballot was kept open from Thursday, November 22, 2018 at 9:00 a.m. (IST) to Friday, December 21, 2018 before 5:00 p.m. (IST) either physically or through electronic mode. The last date for receipt of duly completed and signed postal ballot was December 21, 2018 before 5:00 p.m.

Particulars of postal ballot forms received from the Members using the electronic platform of NSDL were entered in a register separately maintained for this purpose.

The postal ballot forms were kept under the safe custody of the scrutiniser in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.

All postal ballot forms received on or before December 21, 2018 by 5:00 p.m. (IST) had been considered for scrutiny.

Envelopes containing postal ballot forms received after 5:00 p.m. (IST) on December 21, 2018 had not been considered for scrutiny.

After completion of the voting process, the Scrutiniser had submitted his report dated December 21, 2018, and the results of Postal Ballot were announced.

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

### DETAILS OF UNCLAIMED SHARES IN TERMS OF REGULATION 39 OF THE LISTING REGULATIONS

In terms of regulation 39(4) of the Listing Regulations, the details in respect of equity shares lying in the suspense account are given as below:

Particulars	No. of Shares
Aggregate outstanding shares lying in the suspense account at the beginning of the year i.e. as on April 1, 2018	49
Number of shareholders who approached to the Issuer/Registrar for transfer of shares from suspense account during the financial year 2018-19	-
Number of shareholders to whom shares were transferred from suspense account during the financial year 2018-19	-
Aggregate outstanding shares lying in the suspense account at the end of the year i.e. as on March 31, 2019	49

The voting rights on the shares in the suspense account as on March 31, 2019 shall remain frozen till the rightful owners of such shares claim the shares.

### MEANS OF COMMUNICATION

The Company published its quarterly and half yearly results in the prescribed form within the prescribed time. The results were forthwith sent to the Stock Exchanges, where shares are listed and the same were published in Economic Times and Mumbai Lakshadeep. The financial results are also displayed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com). Official press releases also features on the website of the Company.

The Company frequently holds meetings with institutional investors and analysts after declaration of the results as mentioned on the website. In addition, investor interactions by way of quarterly earnings concalls and participation in various investor conferences are also organised throughout the year.

## SHAREHOLDERS' INFORMATION

### ANNUAL GENERAL MEETING:

Date	: August 13, 2019
Time	: 3:30 p.m.
Venue	: Jai Hind College hall, 23-24, Sitaram Deora Marg, ("A" Road), Churchgate, Mumbai - 400 020
Financial year	: April 1, 2018 to March 31, 2019

### FINANCIAL CALENDAR (PROVISIONAL):

Unaudited results for the quarter ending June 30, 2019	: August, 2019
Unaudited results for the quarter ending September 30, 2019	: November, 2019
Unaudited results for the quarter ending December 31, 2019	: January, 2020
Audited results for the year ending March 2020	: May, 2020
Record Date	: August 2, 2019 (as at the end of business hours)
Date of Book Closure	: August 3, 2019 to August 13, 2019 (both days inclusive)
Dividend Payment Date (if declared):	: on or after August 13, 2019

### LISTING ON STOCK EXCHANGES

: BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001

National Stock Exchange of India Ltd  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400 051

Listing fees as applicable have been paid

STOCK CODE : BSE Limited – 500067  
National Stock Exchange of India Ltd – BLUESTARCO

NSDL/CDSL – ISIN : INE472A01039

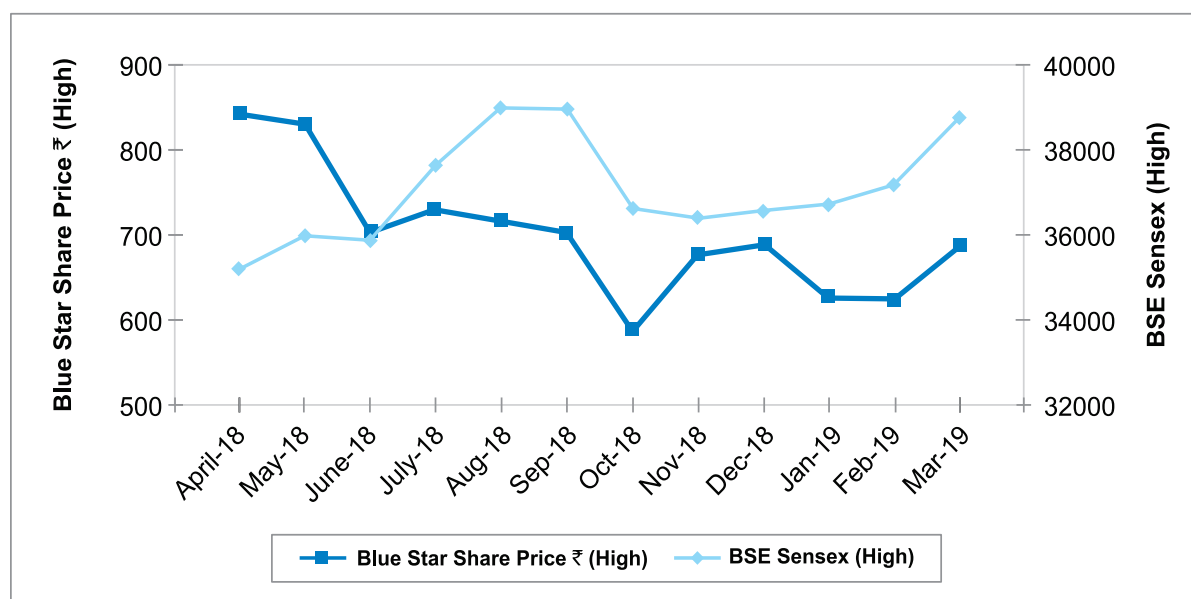
CREDIT RATING OBTAINED DURING THE YEAR : The Company has obtained A1+ rating from CARE and CRISIL for its Commercial Paper program. It also has obtained AA+ rating for its long term bank facilities and A1+ rating for its short term bank facilities from CARE.

## MARKET PRICE DATA

(₹ per share)

	BSE Limited		National Stock Exchange of India Ltd	
	High	Low	High	Low
<b>2018</b>				
April	842.50	755.05	844.30	757.95
May	829.95	684.95	832.00	683.05
June	703.55	632.00	705.05	632.00
July	729.70	636.00	728.90	636.00
August	716.90	654.00	718.35	668.00
September	704.00	564.85	691.00	562.00
October	589.00	507.30	594.80	508.05
November	679.00	555.10	681.65	555.00
December	688.95	605.00	690.50	606.10
<b>2019</b>				
January	628.00	593.70	629.90	592.00
February	624.00	560.30	625.95	560.00
March	686.70	621.85	688.00	618.80

## PERFORMANCE - COMPARISON WITH BSE SENSEX





## REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt Ltd  
 C 101, 247 Park, L.B.S.Marg, Vikhroli (West)  
 Mumbai - 400 083  
 Tel: +91 22 4918 6000, Fax: +91 22 4918 6060  
 Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

## SHARE TRANSFER SYSTEM

The Company's shares are traded in the Stock Exchanges in demat mode. These transfers are effected through NSDL and CDSL. Most of the transfers of shares take place in this form. Transfer of shares in the physical form are processed and approved weekly and the certificates are returned to the shareholders within 15 days from the date of receipt, subject to documents being valid and complete in all respects.

SEBI vide its notification dated June 8, 2018 amended regulation 40 of the Listing Regulations, whereby, on and after April 1, 2019, transfer of securities could not be processed unless the securities are held in the dematerialized form with a depository. Pursuant thereto, the Company has sent letters to those shareholders holding shares in physical form advising them to dematerialize their holding.

Members holding shares in physical form are requested to dematerialize their holdings at the earliest as it will not be possible to transfer shares held in physical mode.

## UNCLAIMED DIVIDENDS

The Company has sent periodical reminders to the members to claim their dividends in order to avoid transfer of dividends/shares to Investor Education and Protection Fund (IEPF) Authority. Once the dividends/shares are transferred to the IEPF Authority, Members will not be able to claim the same from the Company. However, pursuant to the provisions of the Act and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Members can claim their dividends/shares transferred to IEPF, by making an application to the IEPF Authority through Form IEPF-5 available on the website of the Authority [www.iepf.gov.in](http://www.iepf.gov.in).

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

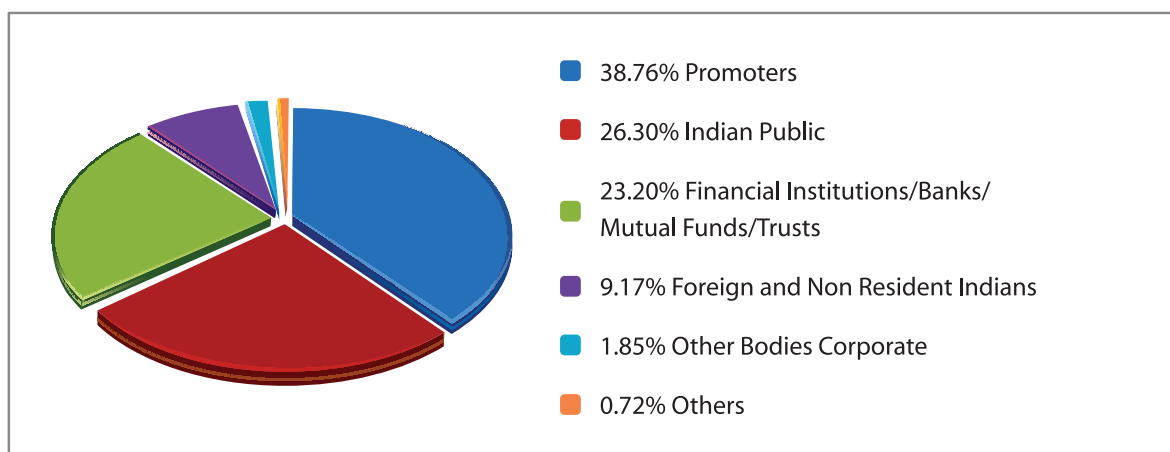
During the year under review, the Company has credited ₹45,63,272 as unpaid final dividend, for the financial year 2010-11, lying in the unclaimed/unpaid dividend account to the Investor Education and Protection Fund (IEPF). Further the unpaid dividend of ₹2,55,432 for the year 2010-11, lying in unclaimed/unpaid dividend account of erstwhile Blue Star Infotech Limited was also credited to the IEPF account during the year under review.

In terms of SEBI Circular No. SEBI/HO/ MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, the bankers to the dividend accounts opened by the Company for the earlier years have credited back the amount of dividend lying unpaid beyond the validity period into the relevant bank accounts. The Company has reconciled the dividend pertaining to the year 2011-12, to be transferred in the month of September 2019.

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2019

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders (%)	Total No. of Shares held	Percentage of Shares held (%)
1 - 5000	47,161	98.11	1,22,32,385	12.70
5001 - 10000	493	1.03	34,37,118	3.57
10001 - 20000	187	0.39	26,12,570	2.71
20001 - 30000	47	0.10	11,73,043	1.22
30001 - 40000	27	0.06	9,33,655	0.97
40001 - 50000	20	0.04	9,34,853	0.97
50001 - 100000	42	0.09	31,15,078	3.23
100001 - and above	91	0.19	7,18,75,186	74.63
<b>TOTAL</b>	<b>48,068</b>	<b>100.00</b>	<b>9,63,13,888</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2019



## DEMATERIALIZATION OF SHARES & LIQUIDITY

About 97.74% of the equity shares are in dematerialised form as on March 31, 2019. 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. The shares are actively traded in BSE and NSE.

## PLANT LOCATIONS

Blue Star Limited  
Village - Vasuri Khurd, Khanivali Road,  
P O – Khupari  
Taluka - Wada  
Dist: Palghar 421 312

Blue Star Limited  
Survey No.265/2,  
Demni Road,  
U.T. of Dadra & Nagar  
Haveli 396 191

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

Blue Star Limited  
Nahan Road,  
Rampur Jattan, Kala Amb  
Dist: Sirmour  
Himachal Pradesh 173 030

Blue Star Limited  
501/3, 503/2  
Tajpur Road  
Sarkhej-Bavla Highway  
Changodar  
Ahmedabad 382 213

## MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis forms a part to this Annual Report.

## MD/CFO CERTIFICATION

As required under Regulation 17(8) of the Listing Regulations, certificate duly signed by the MD/CFO of the Company is appended as an Annexure to this Report.

## AUDITORS' CERTIFICATION

As required under Regulation 34 of the Listing Regulations, the certificate from M/s Deloitte Haskins & Sells LLP, Chartered Accountants, affirming compliance of Corporate Governance as stipulated in the aforesaid Regulations is appended as an Annexure to this report.

## OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS

There are no outstanding convertible warrants/instruments.

## ADDRESS FOR CORRESPONDENCE

Blue Star Limited  
Band Box House  
4th floor, 254 D  
Dr. Annie Besant Road  
Worli, Mumbai - 400 030  
CIN: L28920MH1949PLC006870  
Website: www.bluestarindia.com

For and on behalf of the Board of Directors

Date : May 2, 2019  
Place : Mumbai

**Shailesh Haribhakti**  
Chairman  
(DIN: 00007347)

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## Declaration

As provided under Regulation 26(3) of the Listing Regulations, the Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2019.

For **BLUE STAR LIMITED**

Date : May 2, 2019  
Place : Mumbai

**B Thiagarajan**  
Managing Director  
(DIN: 01790498)

# Corporate Governance Certification

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To The Members

### Blue Star Limited

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Blue Star Limited having CIN: L28920MH1949PLC006870 and having registered office at Kasturi Buildings Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400 020 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ended March 31, 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Suneel M Advani	00001709	03/03/1983
2.	Vir S Advani	01571278	01/07/2010
3.	B Thiagarajan	01790498	13/05/2013
4.	Dinesh N Vaswani	00306990	01/12/2016
5.	Rajiv R Lulla	06384402	01/12/2016
6.	Shailesh Haribhakti	00007347	04/08/2006
7.	Gurdeep Singh	00036922	23/05/2003
8.	Shobana Kamineni	00003836	30/05/2014
9.	Sam Balsara	00076942	20/06/2017
10.	Anil Harish	00001685	22/11/2017
11.	Rumjhum Chatterjee	00283824	05/02/2019
12.	Arvind K Singhal	00709084	05/02/2019

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Date : May 2, 2019

Place : Mumbai

For **N L Bhatia & Associates**  
Practicing Company Secretaries  
UIN: P1996MH055800

**Bharat Upadhyay**  
Partner  
FCS: 5436  
CP No. 4457

# Corporate Governance Certification

## MD/CFO Certificate

To,

**The Board of Directors**

**Blue Star Limited**

Mumbai

We, B Thiagarajan, Managing Director and Neeraj Basur, Group Chief Financial Officer of Blue Star Limited ('the Company'), to the best of our knowledge and belief, hereby certify that:

- a) We have reviewed the financial statements of the Company for the year ended March 31, 2019 and:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, Applicable Laws and Regulations.
- b) There are no transactions entered into by the Company during the financial year 2018-19 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and steps that have been taken to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee, wherever applicable:
  - i. significant changes in the internal control over financial reporting during the year;
  - ii. significant changes in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

**B Thiagarajan**

Managing Director

(DIN: 01790498)

**Neeraj Basur**

Group Chief Financial Officer

Date : May 2, 2019

Place : Mumbai

# Corporate Governance Certification

## Auditors' Certificate

### Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

#### To Members of Blue Star Limited

1. This certificate is issued in accordance with the terms of our engagement letter reference no. MJ/18-19/93A dated August 8, 2018.
2. We, Deloitte Haskins & Sells LLP, Chartered Accountants, the Statutory Auditors of Blue Star Limited (the 'Company'), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2019, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

#### Management's Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

#### Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

#### Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2019.
9. We 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 Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Mukesh Jain**

**Partner**

(Membership No. 108262)

UDIN Ref: 19108262AAAAGD2429

Date : June 4, 2019

Place : Mumbai



**Top: Ringing of the 'Opening Bell' at the National Stock Exchange (NSE) on the Company's 75<sup>th</sup> Anniversary**  
**Bottom: Ringing of the 'Closing Bell' at the Bombay Stock Exchange (BSE) on the Company's 75<sup>th</sup> Anniversary**



विशेष आसुतः SPECIAL COVER

ब्लू स्टार प्लैटिनम जयंती



मुंबई | Mumbai - 400001  
27-09-2018



75 वर्षों में भारत को सौख्यता प्रदान करने में सौकारण  
Cooling India for 75 years  
1947 - 2018

Special Cover with a cancelled stamp by the Department of Posts, Government of India, released by the Company on the occasion of its 75<sup>th</sup> Anniversary



# Management Discussion and Analysis

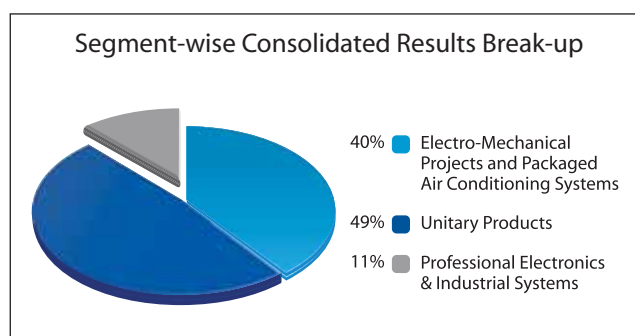
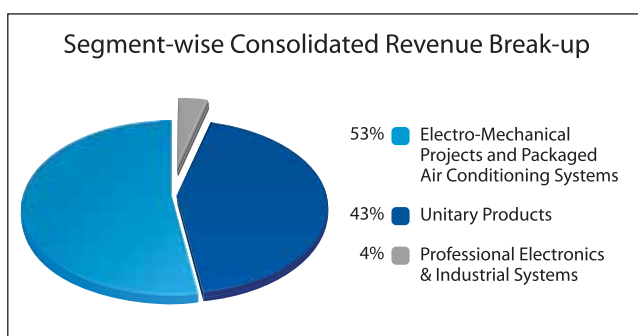
In the context of Blue Star's business operations and strategic positioning that are fully described in the Board's Report and Integrated Report, a detailed analysis of the operating business as well as financial performance is enumerated in the ensuing sections of this report.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

Blue Star is a leading player in the air conditioning and refrigeration industry in India. An overview of the industry and the current market dynamics are described in detail in the Integrated Report (refer Industry Structure and Developments on page no. 22).

## SEGMENT-WISE ANALYSIS

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



## ELECTRO-MECHANICAL PROJECTS AND PACKAGED AIR CONDITIONING SYSTEMS

The Electro-Mechanical Projects and Packaged Air Conditioning Systems business accounted for 53% of the Company's Total Revenue from Operations.

In the Electro-Mechanical Projects business, growth was mainly driven by Buildings & Factories, Infrastructure, and Industrial segments, amongst others. New order acquisitions gained momentum compared to the previous year with Buildings & Factories together contributing to around 90% of the total order bookings. In particular, the market witnessed a moderate upswing in the office space consumption. The business continued to expand into the Hospital and IT spaces as well. For the third year in a row, more than 50% of the orders were multi-service orders and the Company continues to lead the industry in this category.

Blue Star won the 'MEP Contractor of the Year 2018' award from Construction Week India in recognition of MEP services provided for the Delhi Metro across overhead stations and depots. With this award, the Company was recognised for the fourth time in a row by Construction Week India. Earlier, Blue Star had won this award twice; in 2017, the Company had bagged this award for providing MEP services to Delhi Metro for underground stations and likewise, in 2015, for Mumbai International Airport. Besides, in 2016, Blue Star was declared as a runner-up for the services provided for the Bengaluru Metro.

Some significant orders secured by the Electro-Mechanical Projects Business during the year include Apollo Tyres, Chennai; Brookefield, NCR; Mumbai Metro; Amrita Hospital, Faridabad; Wipro, Hyderabad and Chennai; RMG, Chennai; All India Institute of Medical Sciences, Guntur; Karle, Bengaluru; Kohinoor, Mumbai; Deloitte, Hyderabad; Indiabulls, Mumbai; DLF, Gurugram; Myntra, NCR; Meenakshi Group, Hyderabad; Public Works Department, Mumbai; Barclays, Pune; Biocon, Mangaluru; Embassy Group, Bengaluru; and Radisson Blu, Nashik; amongst others.

With a commitment to remain true to its value proposition of 'Superior Project Delivery' through intelligent engineering, modern execution practices, and committed teams, the Electro-Mechanical Projects Business established, during the year, a Resource Management Group that works towards ensuring modern and best-in-class project management practices across projects under execution.

In the Commercial Air Conditioning segment (erstwhile Central Plant Equipment segment), the Company registered healthy growth across product categories including ducted systems, VRF systems, and chillers, thereby significantly increasing its market share in each. In particular, VRF systems and screw chillers gained significant traction with market shares ramping up to around 17% and 15%, respectively, while ducted systems and scroll chillers maintained a market share of 39% during the year.

During the year, the Company launched configured oil free centrifugal chillers with a wide capacity ranging from 80 TR to 450 TR, which are capable of delivering an IPLV of 11.7, one of the best efficiency levels in the industry.

Blue Star also embarked on several initiatives to strengthen its outreach in the existing markets and to penetrate into unrepresented markets as well as to manage and motivate its channel partners. The Company conducted micro meets in numerous Tier 2 and 3 cities. To expand its distribution network in this category, the Company deployed more than 100 channel partners in 40 unrepresented towns. A VRF sales software tool was rolled out to assist the channel partners in offering technically correct solutions, and is expected to give phenomenal support to the new channel partners, especially in smaller towns.

Some of the notable orders received during the year were from Meenakshi Infrastructure, Noida Stadium, Niruvi Hospital, CEAT Tyres, Siemens, BHEL, Xavier University, Fantasia Mall, Poddar School, GITAM University, Deloitte Consulting, Reliance Retail, and Avenue Supermarkets, amongst others.

### UNITARY PRODUCTS

This business segment comprises room air conditioners as well as commercial refrigeration products and systems, apart from water purifiers, air coolers and air purifiers.

During the period under review, the room air conditioners industry was impacted by multiple headwinds due to soft summer conditions, increase in commodity prices, depreciation of the Rupee and increase in customs duty. Soft summer conditions coupled with lukewarm demand during the festival season led to higher than normal inventory holding across the industry and resulted in pressure on margins. In such a challenging year, the Room Air Conditioners business outperformed the market, thereby increasing the Company's market share to 12.3% in value terms. Blue Star launched 75 new superior and stylish AC models including energy-efficient inverter ACs capable of delivering 30% extra cooling over and above its rated capacity. This enables faster temperature pull-down even in crowded rooms as well as larger rooms during peak summers, thereby consuming less power and leading to significant savings on electricity bills.

Blue Star's share in the 5-star air conditioners segment is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. The complete range of inverter models is equipped with eco-friendly refrigerants. The new range also comprises 5-star rated inverter split air conditioners with built-in Air Purification Technology.

Besides, the Company also launched a new smart customer-centric mobile application which in addition to its capability to remotely monitor and control the machine, allows the consumers to personalise their AC profile, group the ACs for better control, optimise settings as well as integrate this app with home automation systems. Blue Star's smart inverter split ACs also come with a unique smart Wi-Fi App based on Internet of Things (IoT). This app has a feature of 'Smart Budget Management' embedded in it which enables the users to manage their budget smartly, track their AC usage trends, as well as schedule their AC with respect to different time and sleep curve management. Users can also update the latest features through 'Over the Air' (OTA) programming in their smart phone.

Blue Star also added several new customers in its National Accounts Business during the period under review. The year saw healthy order booking traction amongst customers in retail, restaurants, healthcare, and industrial segments.

The Company also launched a new range of air coolers under its sub-brand, 'Windus' which is equipped with a unique Cross Drift Technology that helps in faster cooling in harsh and dry summers. The range comes with different water tank capacities starting from 35 litres to 75 litres.

## Management Discussion and Analysis

The Commercial Refrigeration products business surpassed and outperformed the market with its wide spectrum of offerings including deep freezers, bottle coolers, visi coolers, visi freezers, water coolers, and bottled water dispensers as well as commercial kitchen refrigeration products, healthcare refrigeration products, supermarket refrigeration products and modular cold rooms. During the year, the Company successfully catered to diverse needs across various customer segments such as Dairy, Ice-cream, Processed Foods, Pharmaceutical, Hotels, Restaurants, Fast Food chains, Retail outlets, and several institutional clients. Blue Star's foray into adjacencies such as commercial kitchen refrigeration and healthcare refrigeration products and solutions evoked a good response and gained traction in the market during the year with the Company winning several notable orders from Foodpanda, Indian School of Hospitality, Andhra Pradesh Medical & Infrastructure Development Corporation, Chittaranjan National Cancer Institute in Kolkata, and the technical wing of Uttar Pradesh Police, amongst others. In addition, the Company's recent inroads into the supermarket refrigeration equipment and solution segment has gained quick market acceptance with several major retail players such as Metro Cash & Carry, SPAR, Spencers, and 24X7, amongst others, who have placed orders with the Company.

The Company's deep freezers and modular cold rooms witnessed steady growth underpinned by demand from Havmor, Amul, Hatsun, Creambell, Vadilal, and Dinshaws, to name a few. Expansion of e-tailers and portals such as Big Basket, Swiggy and Zomato accompanied by aggressive expansion plans from Quick Service Restaurants such as Domino's, McDonalds, KFC, Pizza Hut, and Sapphire Foods, amongst others, resulted in increase in demand for the Company's modular cold rooms.

The Company regularly launches new products and solutions in the commercial refrigeration space to cater to the emerging needs of varied customer segments and is a preferred partner for several reputed brands across segments. Besides, the Company is reckoned for robust distribution, as well as swift and timely after-sales service support. Overall, the Company's commercial refrigeration business was successful in reaping in good performance during the year and contributed significantly to the overall growth and profitability of the Company.

To combat the rising pollution levels in many cities across India, Blue Star also introduced a new range of innovative air purifiers with Sens Air Technology, along with Nano-e, Plasma, and UV purification systems.

During FY19, Blue Star made significant progress in the residential water purifiers business with the revenues in FY19 doubling over FY18. The water purifiers business expanded its product portfolio to add new series of products in the RO/RO+UV range in the entry/mid-level segment including an aggressively priced product range for e-commerce platforms. With the addition of these series, Blue Star now has a comprehensive range of models across various price points from ₹10,900 to ₹46,900 in the RO range. In addition, it launched Immuno Boost technology in select variants which offers alkaline antioxidant water that boosts metabolism, reduces acidity, improves hydration and enhances immunity.

The Company also launched a range of commercial RO+UF as well as commercial UV water purifiers which are targeted to water cooler customers of Blue Star as well as offices, restaurants, clinics, and other commercial establishments. In addition, it launched India's first point-of-use instant UV LED purifier, which offers pure water instantly without waiting for the warm up time of the UV lamp, as this model is powered by an eco-friendly non-mercury UV LED. Moreover, it offers a lifetime warranty on the UV LED which makes this product a unique and differentiated offering in markets which have fresh water supplies.

During the year, the Company consolidated its distribution and began focusing on enhancing channel effectiveness as well as identifying new channel partners who can strengthen the availability of the products in the markets it operates in. Aggressive sales and marketing initiatives coupled with a comprehensive product range across price points helped to enhance its market share to 2%. Blue Star water purifiers are present in 2800 touch-points across 150 towns and cities. It also engaged over 400 star water consultants (in-store demonstrators) who are available at retail outlets to highlight the superior features of Blue Star's water purifier range. These personnel carry out activations and other field marketing activities for brand awareness and lead generation as well. The Company also made significant inroads in the e-commerce market which is showing a lot of potential to grow, with the Company having strong presence in leading portals such as Amazon, Flipkart, Paytm and Tata CLiQ.

In Feb 2019, Blue Star won the prestigious Water Digest Award for the third time in a row for the 'Best RO+UV Domestic Purifier'. The Company had won this award in 2017 as well as 2018. This year it highlighted its Immuno Boost technology that provides alkaline and antioxidant water. In addition, it also won another award 'Best Water R&D and Technological Breakthrough' for its instant UV LED purifier. Water Digest Awards are considered amongst the most prestigious in the water industry and this initiative is supported by the Ministry of Water Resources and UNESCO. These awards were evaluated by an eminent jury comprising heads of several NGOs involved with the water industry, apart from TERI and UNESCO.

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

For over six decades, the Professional Electronics and Industrial Systems business has been the exclusive distributor in India for many internationally renowned manufacturers of hi-tech professional electronic equipment and services, as well as for industrial products and systems. Over the years, the Company has significantly scaled up operations in this business and has moved up the value chain by changing its business model from being merely a distributor to that of a system integrator and value-added re-seller. This business is handled by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. The business operates in two broad segments: Professional Electronics that comprises Healthcare Systems, Data Security Solutions, Infra Security Solutions and Communication Systems; and Industrial Systems that encompasses Testing Machines, Non Destructive Testing (NDT) Systems and Industrial Automation, NDT Products and Industrial Products. The business has been successful in capturing the pulse of the market and has carved out profitable niches for itself in most of the specialised markets that it operates in.

During the review period, while Industrial Systems, with some significant order wins, gradually regained traction from the sluggish market conditions, Professional Electronics grew, propelled by increased orders in the Data Security Systems and Healthcare businesses. The Healthcare Systems business performed well and registered good growth driven by a significant large order of CT scanners from the Government, Medical and Health Services sector. The Data Security business continued on the growth path aided by digitisation initiatives with orders from major banks, certificate authorities, telecom and payment technology companies. The Infra Security business, which predominantly revolves around video surveillance, was majorly engaged in project execution. The Communication Systems business that predominantly deals with radio frequency, microwave as well as avionics test and measuring equipment, also secured a few orders from the defence, space and aerospace sectors.

Research centres and agricultural universities continued to place orders for a wide range of inspection equipment including universal testing machines and customised plant growth chambers enabling the Testing Machines business to clock good performance through the year. The Non-Destructive Testing Systems and Industrial Automation business augmented its automation offerings and booked substantial orders in the latter part of the year from steel and defence segments. The Non-Destructive Testing Products business, with a highly diversified portfolio including technologies such as ultrasound, RVI, X-ray, industrial CT, radioscopy, portable radiography, eddy-current, and metrology, secured orders from the automotive, aerospace and inspection sectors. The Industrial Products business, which mainly deals in industrial valves and filters, despite a slowdown, was able to sustain itself by securing orders from the Oil & Gas industry.

Further, with the intent to improve focus on its chosen customer segments, the business continued to reorient its internal organisation structure. The business unleashed its value proposition 'Superior Technology Solutions' thereby reinforcing its core capability. Besides, it revamped its corporate website and launched a service management tool called, 'Dart' for service engineers and managers. This business continues to exert greater thrust on business development, sales automation, service management and project execution functions.

### **MEDIUM-TERM AND LONG-TERM STRATEGY**

Strategy formulation for medium to long term as well as its execution and review have always been a part of the Company's planning process. The Company regularly monitors and evaluates its internal strategies vis-à-vis the dynamic external environment (refer Strategy Planning and Development on page no. 54).

### FINANCIAL PERFORMANCE ANALYSIS

Effective April 1, 2018, Blue Star Limited has adopted Ind AS 115 and accordingly, has realigned its revenue recognition policies appropriately. The accounting changes have been applied with retrospective effect to each of the prior reporting periods presented.

Following are the financial highlights of the Company for the year ended March 31, 2019 on a comparable consolidated basis.

#### 1. INCOME

Total Income for the year ended March 31, 2019 was ₹5259.53 crores as compared to ₹4665.08 crores in the previous year, an increase of 12.7%.

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

The cost of sales, work bills and services during the year was ₹3931.18 crores as compared to ₹3464.13 crores in the previous year. This cost was 75.1% of the Revenue from operations as compared to 74.5% in the previous year.

#### 3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost for the year at ₹421.49 crores increased by 6.0% as compared to ₹397.72 crores in the previous year. The employee cost was 8.0% of the Total Income as compared to 8.5% in the previous year.

#### 4. OPERATING AND GENERAL EXPENSES

Operating and general expenses increased to ₹535.63 crores from ₹520.38 crores in the previous year. As a percentage of Total Income, the Operating and general expenses for the year were at 10.2% as compared to 11.2% in the previous year.

#### 5. FINANCIAL EXPENSES

Finance cost for the year was at ₹47.87 crores as compared to ₹28.74 crores in the previous year. The financial cost for the year increased to 0.9% of the Total Income as compared to 0.6% in the previous year.

#### 6. DEPRECIATION

Depreciation charge for the year increased to ₹74.90 crores as compared to ₹63.81 crores in the previous year.

#### 7. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS

Profit before tax and exceptional items for FY19 increased by 30.6% to ₹248.46 crores as compared to ₹190.30 crores in FY18. Profit before tax and exceptional items was 4.7% of the Total Income as compared to 4.1% in the previous year.

#### 8. EXCEPTIONAL ITEMS

There was a net exceptional income of ₹2.68 crores during the year. Profit on sale of property of ₹15.18 crores which was offset by spend on Platinum Jubilee expenses of ₹12.50 crores.

#### 9. PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS

Profit before tax and after exceptional items for FY19 increased by 28.4% to ₹251.14 crores as compared to ₹195.57 crores in FY18. Profit before tax and after exceptional items was 4.8% of the Total Income as compared to 4.2% in the previous year.

## KEY FINANCIAL RATIOS

SR NO	RATIO	UOM	FY18	FY19	% change
1	Debtors Turnover Ratio	Times	5.2	5.1	-2%
2	Inventory Turnover Ratio	Times	3.9	4.2	6%
3	Interest Coverage Ratio	Times	7.6	6.2	-19%
4	Current Ratio	Times	1.1	1.1	-
5	Debt Equity Ratio	Times	0.37	0.28	-24%
6	Operating Profit Margin (%)	(%)	5.9	6.6	13%
7	Net Profit Margin (%)	(%)	4.2	4.7	13%
8	Return on Net Worth	(%)	17.8	21.4	20%

There have not been significant changes in the key financial ratios in the current year as compared to the previous year.

Return on net worth for the year improved to 21.4% from 17.8% in the previous year driven by the following:

- A growth of 13% in Revenue from Operations
- Management of fixed cost at a reasonable level
- Reduction of tax expenses due to a one-time deferred tax credit
- Marginal increase in capital employed compared to growth in Revenue from Operations

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established an internal control system, commensurate with the size, scale and complexity of its operations. In order to enhance the standards of controls and governance, the Company has adopted the COSO 2013 framework to ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance. In addition, the internal audit function reviews and reports to the Audit Committee around compliance with internal controls, the efficiency and effectiveness of operations as well as key process risks. During the year, as part of the Management's control testing initiative, the internal controls were tested and found effective.

## RISKS AND CONCERNS

### RISKS

The primary operating risks which could impact the Company relate to dependence on room air conditioners products sales, volatile exchange rates, interest rates, credit risks, procurement concentration risk, volatile commodity prices risks, changes in tax and other legislations as well as risks arising out of higher input costs, especially in the case of fixed price contracts, health and site safety, 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. Blue Star lays great emphasis on risk management, and has put in place a robust system for risk identification, assessment and mitigation with strong internal controls, at both business groups and corporate level. Significant risks across the entity are reviewed periodically by the Risk Committee. Further, the mitigation action plans are integrated with the internal audit plans and embedded in the strategic business plan of each business group (refer Risks and Mitigation Strategies on page no. 56).

### **CONCERNS**

A confluence of factors on the global and local front such as usage of tariff and non-tariff barriers to address trade imbalances, volatility in crude oil and commodity prices, and the outcome of general elections in India, could impact business and consumer confidence. The Company will continue to closely monitor the macro and micro level trends in the global and Indian economy, and will take necessary steps to address these challenges.

### **OPPORTUNITIES**

The Company's presence in multiple segments across the industry, low penetration levels in the segments in which the Company operates, increasing urbanisation and investments driven by the Government in the infrastructure space, provide the Company with opportunities to grow. These opportunities have been elaborated in the Integrated Report. (refer Opportunities on page no. 59)

### **HUMAN RESOURCES**

The Company remains committed to nurturing and empowering its people. With caring for its people a way of life at Blue Star, the Company has been successful in fostering a people-centric cohesive trust based culture within the organisation that has been instrumental in creating and retaining its diverse pool of intellectual capital. The Company continues in its endeavour towards embarking on employee friendly initiatives and practices. (refer Integrated Report on page no. 40)

### **CORPORATE OUTLOOK**

Increased opportunities from the commercial real estate market and factory segments besides continuing thrust on infrastructure projects are expected to drive growth in the Electro-Mechanical Projects business. Room airconditioners segment is expected to grow faster than FY19 with the onset of summer in most parts of the country in April. The continued growth momentum in the ice-cream and frozen foods segments is expected to unleash opportunities for commercial refrigeration products. The Company also intends to maintain the pace of revenue growth in the Professional Electronics & Industrial Systems segment.

# The Dynamics of Blue Star's Growth

## 5 YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

		2018-19	2017-18	2016-17	2015-16	2014-15
<b>OPERATING RESULTS:</b>						
Total Income*	₹Crores	5259.53	4558.35	4165.35	3648.35	3190.43
EBITDA (before exceptional items and excluding other income & finance income)	"	346.54	265.90	222.41	189.75	167.29
Profit for the year after tax	"	190.06	143.96	123.05	83.02	54.18
Dividend (Including corporate dividend tax)	"	115.92	115.54	86.46	74.59	54.12
<b>FINANCIAL POSITION:</b>						
Share Capital	₹Crores	19.26	19.20	19.11	17.99	17.99
Shareholders' Funds	"	874.89	794.24	725.10	631.43	455.57
Borrowings (Net)	"	246.63	294.72	124.55	319.23	353.41
Net Capital Employed	"	1013.97	975.39	727.60	842.78	725.47
<b>PERFORMANCE INDICATORS:</b>						
Revenue Growth	%	15.4	9.4	14.2	14.4	8.1
Gross Margin	%	24.9	23.7	23.8	28.7	29.6
EBITDA Growth (before exceptional items & excluding other income and finance income)	%	30.3	19.6	17.2	13.4	11.2
EBITDA Margin (before exceptional items & excluding other income and finance income)	%	6.6	5.9	5.4	5.2	5.3
Earnings per Share (Basic)	₹	19.8	15.0	12.9	8.7	6.0
Dividend per Share	₹	10.0	10.0	7.5	6.5	5.0
Book Value per Equity Share	₹	90.9	82.7	75.9	66.2	50.7
Debt Equity Ratio	Ratio	0.28	0.37	0.17	0.51	0.78
Capital Turnover Ratio	Ratio	5.3	5.3	5.0	4.6	4.0
Return on Shareholders' Funds	%	21	18	16	13	12
Return on Capital Employed	%	29.8	25.7	25.0	20.6	16.8
<b>OTHER INFORMATION:</b>						
Number of Shareholders	Nos.	48068	39692	25553	19221	20686
Number of Employees	"	2812	2819	2711	2567	2599

Note: Financial Year 2015-16 excludes operating performance of the erstwhile subsidiary, Blue Star Infotech Limited for a like-to-like comparison.

\* Revenue from Operations in this statement for FY17 and FY18 have been restated to make them comparable since the reported Revenue for FY17 includes Excise Duty and that of FY18 includes Excise Duty in Q1. Revenue from Operations for FY18 and shareholders' funds for FY17 have also been adjusted and restated to make it comparable with FY19, consequent to the adoption of Ind AS 115 effective April 01, 2018.



# Business Responsibility Report

With a rich heritage of 75 years, Blue Star has always believed in sustainable and inclusive growth, taking into cognizance the interests of its internal and external stakeholders. The Company remains committed to conducting its business in a socially responsible manner by imbibing sound sustainable business practices across all its areas of operations which has resulted in improving its triple bottom line performance. The Company understands that social value creation has to run in parallel with its business growth. With a sharp focus on the long term viability of its businesses, the Company has integrated sustainable business practices into its core business strategy and aligned it with the societal and environmental interests. The Company ensures efficient utilisation of its resources by adopting the latest technology, and productivity processes, which are consistent with modern and sustainable management practices. Recognising the importance of stakeholder engagement towards this objective, Blue Star seeks increasingly higher stakeholder alignment to generate sustainable value creation. All products and services of the Company are designed and developed, keeping in view customer experience and safety, holistic community development as well as environment protection. Blue Star also seeks involvement of employees across all levels to raise awareness, enhance engagement and ensure commitment towards the cause of sustainability.

## About this Report

This Business Responsibility Report, as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides general information about the Company and its business responsibility as required by SEBI. The following five sections cover disclosures as per the Business Responsibility Reporting (BRR) framework suggested by SEBI.

## Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company L28920MH1949PLC006870
2. Name of the Company: Blue Star Limited
3. Registered address: Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400020
4. Website: www.bluestarindia.com
5. E-mail id: secretarialdesk@bluestarindia.com
6. Financial Year reported: April 1, 2018 to March 31, 2019
7. Sector(s) that the Company is engaged in (industrial activity code-wise):

Sr No	Name of main product/services	NIC of product/services
1	Electro-Mechanical Projects and Packaged Air Conditioning Systems	43219/43229
2	Unitary Products (room air conditioners, commercial refrigeration products and systems, water purifiers, air purifiers and air coolers)	28191/28192
3	Professional Electronics and Industrial Systems	N A

8. List three key products/ services that the Company manufactures/ provides (as in balance sheet):
  - i. Electro-Mechanical Projects and Packaged Air Conditioning Systems
  - ii. Unitary Products (room air conditioners, commercial refrigeration products and systems, water purifiers, air purifiers and air coolers)
  - iii. Professional Electronics and Industrial Systems
9. Total number of locations where business activity is undertaken by the Company:
  - (a) Number of International Locations (Provide details of major 5):
    - i. Blue Star International FZCO (a wholly owned subsidiary): UAE
    - ii. Blue Star Oman Electro-Mechanical Company LLC: Oman
    - iii. Blue Star Qatar WLL: Qatar
    - iv. Blue Star M & E Engineering Sdn Bhd: Malaysia \*
    - v. Blue Star Systems and Solutions LLC: UAE (with effect from August 15, 2018) \*

\*held through the Company's wholly owned subsidiary, Blue Star International FZCO
  - (b) Number of National Locations: 33 offices and 5 manufacturing facilities across the country.

### 10. Markets served by the Company:

Apart from India, the Company caters to select countries in the Middle East, Africa, SAARC and ASEAN regions.

### Section B: Financial Details of the Company

1. Paid up Capital (₹): 19.26 crores comprising 9,63,13,888 equity shares of ₹2 each
2. Total Turnover (₹): 4783.70 crores
3. Total profit after taxes (₹): 121.79 crores
4. Total spending on Corporate Social Responsibility (CSR) as a percentage of average net profit of the Company for last three financial years: 2.35% (₹3.12 crores)
5. List of activities in which expenditure in 4 above has been incurred:
  - (a) Vocational training in the areas of air conditioning and refrigeration as well as mechanical, electrical and plumbing services
  - (b) Installation of water purification systems in schools
  - (c) Construction of sanitation and hygiene facilities in schools
  - (d) Initiatives in education, health and women empowerment

### Section C: Other Details

#### 1. Does the Company have any subsidiary company/companies?

Yes. The Company has four subsidiary companies, Blue Star Engineering & Electronics Limited, Blue Star Qatar WLL, Blue Star International FZCO and Blue Star Systems and Solutions LLC. Details of these companies are provided under Note 49 to the Consolidated Financial Statements.

#### 2. Do the subsidiary company/companies participate in the Business Responsibility (BR) Initiatives of the parent company?

No.

**If yes, then indicate the number of such subsidiary company(s):** Not Applicable.

#### 3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

The Company promotes BR initiatives throughout its value chain, in collaboration with the concerned internal and external stakeholders. At present, over 60% of Blue Star's business associates participate in its BR initiatives. From the start of its association with the suppliers and distributors, the Company urges them to adhere to the various aspects of sustainable business. Further, Blue Star's Whistle Blower Policy applies across its network of business associates, providing them with a robust platform to report any unethical business practice without any hesitation or fear.

### Section D: BR Information

#### 1. Details of Director/Directors responsible for BR

##### Details of Director/Directors responsible as the BR Head for implementation of the BR policy/policies

<b>Name</b>	Vir S Advani	B Thiagarajan
<b>Designation</b>	Vice Chairman & Managing Director	Managing Director
<b>DIN</b>	01571278	01790498
<b>Contact No</b>	+91 22 6654 4000	+91 22 6654 4000
<b>Email Id</b>	vsa@bluestarindia.com	btn@bluestarindia.com

**2. Principle-wise BR policy/policies**

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine principles of Business Responsibility, as listed below:

Principle 1 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3 : Businesses should promote the well-being of all employees.

Principle 4 : Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Principle 5 : Businesses should respect and promote human rights.

Principle 6 : Business should respect, protect, and make efforts to restore the environment.

Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8 : Businesses should support inclusive growth and equitable development.

Principle 9 : Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

Sr Nb	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well-Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies in these	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Yes, the policies conform to the nine Principles of the NVGs for Business Responsibilities, further described under Section E below.								
4	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/ CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y

## Business Responsibility Report

Sr Nb	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well-Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
5	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y Note 2	Y	-	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Blue Star has a robust internal review mechanism for its key policies. Efforts have been made to enhance management systems and performance so that they conform to the Company's sustainability framework. On a regular basis, employees are also trained for assimilation and application of new techniques to ensure higher standards of socially responsible performance.								

*Note 1: All the relevant policies are uploaded on the intranet site for information as well as implementation by internal stakeholders. Further, policies on the Code of Conduct, CSR Policy, Whistle Blower Policy, Prevention of Sexual Harassment, Dividend Distribution Policy, and E-Waste Management Policy are also available on the website of the Company.*

*Note 2: The Company has adopted the Whistle Blower Policy to report concerns of unethical behaviour, violation of law or regulations, or suspected fraud.*

If answer to the question at serial number 1 against any principle is 'No', please explain why:

Principle	Response
Principle 7: Policy Advocacy	Blue Star is a member of various industrial and trade bodies, and plays a key role in advocating issues of the sector through them. It actively participates in industry fora, and also provides support in the formulation of relevant policies. Though the organisation does not have a stated policy on advocacy currently, it continues to follow and monitor the business and regulatory environment closely.

### 3. Governance related to BR

**(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, more than 1 year:**

The CSR Committee annually reviews the BR initiatives of the Company.

**(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company has published its Business Responsibility Report, and the same is available on the Company's website at <https://www.bluestarindia.com/investors/business-responsibility-report>. Being a socially responsible organisation, Blue Star has been undertaking numerous sustainability initiatives over the years.

### Section E: Principle-wise Performance

**Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.**

The Company's conduct is governed by its core values and beliefs with strict adherence to fair and transparent business practices including high emphasis on personal integrity and ethics. These values and beliefs, a way of life in the organisation, have been seamlessly integrated into its culture, with the onus resting on every employee, irrespective of his/her designation or profile. Each new employee, whether a campus or lateral recruit, is introduced to the Blue Star Way through a detailed classroom module in the HR training schedule. Well enumerated policies easily accessible on the employee portal as well as the corporate website, publicly affirm the organisation's commitment, govern actions and provide clarity of direction.

Blue Star's fair and transparent business conduct has always resonated well with the internal and external stakeholders, who hold Blue Star in the league of the most trusted and reliable entities, and consider it a pleasure to deal with the organisation. Blue Star's timeless basic values are to never compromise on doing a good job; being open, transparent and fair; and maintaining integrity in business. The Company has long and sustained relationships with several channel partners who have been associated with Blue Star over a long period, and they have also incorporated the Company's values and beliefs in their conduct and dealings. Blue Star believes in achieving growth in a prudent and sustainable manner benefitting all the stakeholders, employees, business partners and the society. The Company has a robust vigilance and control framework in place; and has implemented Enterprise Risk Management, Internal Audit and Whistle Blower Policies. All the policies and guidelines of the Company extend to its subsidiaries, joint ventures, employees, vendors, contractors, channel partners and associates.

Blue Star has put in place a robust Code of Conduct (<https://www.bluestarindia.com/media/6010/code-of-conduct.pdf>) applicable to its directors, employees and other business partners. The code focuses on strict adherence to the Company's corporate values while delivering a world-class customer experience. Integrity in personal conduct, conflict of interests and related aspects of dealing with external stakeholders are all covered under this code. It covers issues related to ethics, bribery and corruption, and serves as a roadmap for its employees as well as those of its subsidiaries and joint ventures. The Company's core values and beliefs which are embedded in the Code of Conduct are the guiding force for all business activities and stakeholder interactions at Blue Star. The Organisation is committed to follow the highest standard of professionalism and business ethics. The Board Members and Senior Management affirm their compliance to the Code of Conduct through an annual declaration.

The Whistle Blower Policy has been communicated to the employees and other business partners, encouraging them to report any instance of wrong-doing directly to the Company Secretary, who acts as the Ethics Officer; or to the Chairman of the Audit Committee, who is an Independent Director of the Company. As a responsible corporate body, Blue Star is particular about its financial and other disclosures on an ongoing basis in a transparent and truthful manner.

During 2018-19, the Ethics Committee of Blue Star investigated into complaints received from the Whistle Blowers within and outside the Company, and initiated disciplinary action as well as recovered the losses, if any, suffered by the Company. Blue Star has an established mechanism to receive and deal with the Whistle Blower complaints from various stakeholders.

### **Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

Blue Star has been a frontrunner in areas related to sustainability and climate change. All Blue Star products rate high in energy-efficiency standards. The Company's adoption of eco-friendly refrigerants has been ahead of the industry curve. The product management and R&D teams regularly review and adopt the latest technology in products across businesses, keeping in mind that these are resource-efficient and sustainable. There is a special, in-house focus on embedding the energy-efficient inverter technology across three key products of the Company, namely chillers, VRFs and wall-mounted split air conditioners. Refrigerants with low global warming potential help mitigate environmental impact and energy-efficiency concerns. Sustainability related aspects, risks as well as opportunities are integrated into the engineering and design of the Company's projects, products and services. Resources used for the production of the entire product portfolio of the Company are tracked and monitored diligently and systematically. Due to continuous product innovations with a focus on energy-efficiency and low global warming potential, power utilisation during product use at the consumer's end is systematically reduced, with lower environmental impact. The businesses strive to raise consumers' awareness of their rights through education, product labelling and details of the product composition, appropriate marketing communication, and promotion of safe usage as well as disposal of the products. The Company has been working towards higher sustainability in sourcing through a common supplier basket for multiple businesses, with respect to packaging to minimise waste, regular supplier meetings and discussions on the recommended practices as well as optimising logistics to reduce fuel consumption and carbon footprint. The sourcing team provides suppliers with managerial and technical assistance for improvements in productivity, quality, cost, delivery and safety. The organisation makes concerted efforts towards limiting waste in its production processes across factories. There is a continued focus on energy management, enhancement of safety practices and total productive maintenance across the Company.

Blue Star officials are part of several national and international fora which are involved in the study of the technological feasibility and performance of new eco-friendly refrigerants with low global warming potential; related safety issues, environmental impact assessments and intellectual property rights; commercial viability; as well as energy-efficiency in high ambient temperature conditions. Over 95% of the procurement for projects and close to 56% for products is from local producers, which includes micro and small vendors. The organisation evaluates various options for cost-effective and sustainable transportation of products and services as well as for reduced carbon emission from material transportation. It also conducts capacity-building programmes for vendors, sub-contractors and dealers, and provides training and technical expertise to improve operational efficiency. As a part of vendor upgradation programme, the Supply Chain Management of the Company works with suppliers for quality and process improvement.

Under the E-waste (Management) Rules, 2016, the Company has obtained authorisation as a Producer, to dispose all e-waste generated during business operations on a pan-India basis through an arrangement with certified e-waste dismantlers and recyclers. The Company has been discharging its extended producer responsibilities under the e-waste rules by achieving the set target of channelising e-waste and implementing other initiatives.

### **Principle 3: Businesses should promote the well-being of all employees.**

As a people-centric organisation, Blue Star has always believed in nurturing and empowering its employees. The Company has successfully built and fostered an employee-friendly and trust-based cohesive work culture, which has been the cornerstone of its robust foundation laid over 75 years of its existence. The Company's approach of shared growth, whereby it gives equal importance to its employees' individual growth and development along with the Company's growth, has been resonating well with the employees. The passion and fervour showcased by its employees, several of whom have been associated with the organisation since decades, and the pride they take in their association with Blue Star, is the highest testimony of the trust and confidence placed by its employees in the Company. Welfare of its employees is paramount for Blue Star. The Company has a robust HR framework in place which it revisits and improvises regularly in order to bring in a more modern and contemporary approach towards its people systems and processes. All of this is aimed at augmenting the employee-friendly ecosystem.

Blue Star has a rich and diversified workforce with employees from varied backgrounds, geography, ethnicity, language, gender, religion, caste and creed. The core thinking of its people is ingrained with strong value systems, ethics, honesty,

sincerity of purpose and team work, among many others. The total employee count of the Company was 2812 as on March 31, 2019. Apart from this, the Company had hired 2129 persons on a temporary or contractual basis. There are no permanent employees with permanent disabilities in the organisation. 349 employees, forming 12% of the permanent staff, are members of employee associations recognised by the Company. With a strong emphasis on development of its people, Blue Star organises numerous training and developmental programmes and workshops for its people as well as provides them with a well-rounded exposure to business activities, which enables them to hone their capabilities and build their career within the organisation. The Company believes in paying close attention to each employee's career graph, in relation to his/her potential and provides relevant opportunities for individual growth. Blue Star encourages job rotation which helps employees to take on new responsibilities thereby widening their exposure and enhancing their credentials. Training programmes for all-round development of workmen are also conducted at the factories.

The Company has rolled out numerous initiatives in its endeavour towards promoting a healthy work life balance, such as flexible timing and work-from-home that keep the employees positive and energised. The management has always been open and transparent in its dealings with the employees where an open-door-policy is promoted and practised as an employee can approach any Senior Management member to discuss ideas, suggestions or concerns. The findings of a recent employee engagement survey reveal that a majority of the employees feel Blue Star is a great place to work. Employees take pride in being associated with Blue Star and have a strong belief in the management's Vision, Competence and Ethics. They appreciate the management for maintaining a strong and regular communication with them as well as cherish the friendly and family-like work environment.

There are 231 permanent women employees in the management cadre in the organisation. The Company has augmented the strength of its female employees approximately to 9.5% across levels and roles in the management cadre during FY19 and further intends to increase the same to 13.5% by FY21 through a meticulously planned approach of consciously hiring in this direction. The Company endorses equal gender representation across management and leadership positions, and regularly conducts programmes around women-centric initiatives, honing aspiring female contenders for Senior Management positions. The HR team is committed to create a woman-friendly ecosystem across offices, factories and work sites which encourages gender equality at all times.

With Compensation & Benefits forming an integral part of being an employer of choice, Blue Star has a well-structured Compensation & Benefits system in place, which boosts the recruitment and retention efforts of the Company. Blue Star is making efforts towards its objective to pay higher than the industry average, which it aims to achieve over a three-year period ending by FY21. The Company's performance appraisal system is fair and transparent, and ensures higher employee satisfaction, leading to increased motivation and productivity. Besides, Blue Star's HR practices are also being strengthened with the intent to attract and retain the best-in-class talent which will help take the Company into the league of top 10 employers in the engineering industry. A strong employee engagement programme has been put in place to build energised teams across Blue Star. Largely, these encourage a culture of entrepreneurship and innovation in the Company. A full-fledged leadership development and succession planning programme has been put in place to develop the next set of leaders for Blue Star.

Safety is another aspect which the Company believes should not be compromised with at any cost. Blue Star remains committed in its endeavour to ensure and adhere to the highest standards of safety for which regular safety trainings, tool-box familiarisation, mock drills and specific safety interventions are held across Blue Star's offices and manufacturing facilities. The Channel partners are also familiarised with and apprised of the safety standards. This has been instrumental in fostering a 'Safety First' culture within the organisation. The capability of new sub-contractors with respect to safety requisites is evaluated before assigning contracts, and compliance to the policy is ensured through regular training, site visits and audits. All new employees, dealer technicians and contract workmen receive systematic safety training before commencing work, and regular refresher sessions are conducted in the course of work. The safety performance of various divisions of the Company is reviewed during business meetings and management review meetings. In addition, key safety performance numbers are reviewed by the Board on a quarterly basis. In the period under review, 959 permanent employees including 86 women underwent safety and skill upgradation training.

The Company lives by the principle of 'equal pay for equal work', and has a no-tolerance policy towards child labour, forced labour, sexual harassment and discriminatory employment or biases in growth opportunities for its staff members.

Well-defined policies on safety at work, prevention of sexual harassment at workplace, employee welfare programmes, managerial remuneration and benefits, performance recognition, maternity benefits, medical insurance, support for education of employees' children, service awards, health and wellness, celebrations, get-togethers and sports competitions, amongst others, have been made available on the employee portal for easy access and reference.

There were no complaints related to child labour, forced or involuntary labour filed during 2018-19. In line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company organises workshops and awareness programmes at regular intervals to sensitise employees across its offices and manufacturing facilities. During the year under review, two complaints alleging sexual harassment were filed with the Company, and the cases were investigated thoroughly and resolved as per the provisions of the aforesaid Act.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.**

Blue Star values the contribution of its stakeholders and towards this effectively engages with all of them. Effective communication being the key to effective engagement, the Company through various programmes and meets held across the country, regularly disseminates information pertaining to its vision as well as its product and service portfolio to its stakeholders. The Company has clearly mapped its internal and external stakeholders which include employees, customers, business associates, suppliers and distributors, shareholders, bankers, regulatory authorities and industry associations, besides others, in order to understand and respond to their changing needs. Over the last 75 years, the Company, through its transparent engagement, has built high trust-based relationships with all its stakeholders which has strengthened the Company's standing and has significantly contributed in its growth.

Blue Star's dealer network is a major strength in its businesses since dealers, as the extended arms of the Company, are responsible for quick and efficient response to customer needs all over the country. Product launch programmes and training sessions for dealers, besides performance recognition, ensure an ongoing interaction with channel associates. Through an active investor relations programme which covers both individual and institutional investors, the investors are regularly apprised of the on-going performance of the Company. The Company holds regular meets with institutional investors and analysts after declaration of its financial results. The corporate website contains information on all its products and services, policies, press releases, financial results, annual reports, investor updates and concall transcripts, amongst others.

Blue Star's CSR programmes focus primarily on disadvantaged and marginalised communities. The Company is conscious of the impact of its operations on the communities around its facilities, and is committed to contributing actively towards enhancing their living standards through interventions in skill development, water and sanitation, health, education and women empowerment. Blue Star strongly believes in affirmative action, and has been actively involved in the development of Dalit entrepreneurs by providing them with opportunities as vendors and channel partners, as well as mentoring them on various aspects of business and communication. For the initiatives undertaken by the Company towards the society, please refer to the CSR activities enumerated in Annexure 2 to the Board's Report as well as the section on CSR in the Integrated Report section of this report.

**Principle 5: Businesses should respect and promote human rights.**

Blue Star remains committed towards respecting and protecting human rights under all circumstances. The Company through policy advocacy, and fair and transparent business conduct which is clearly enumerated and articulated in its systems and policies, ensures strict adherence to protection of human rights and prevention of any violations thereunder.

Blue Star has formulated and adopted its Code of Conduct for vendors, dealers, service providers and employees to address and redress grievances of any nature including those that may lead to conduct breaches and sexual harassment. These comprise formal mechanisms which are administered through committees that review any grievance and are responsible to ensure anonymity and confidentiality of the complainants. Through regular communication and workshops, the employees have been made aware of the policy related to sexual harassment at workplace, along with the objectives, applicability, structure of committees and the process undertaken to redress complaints. The complainants are assured of complete anonymity and confidentiality. In its commitment towards safety and security of its employees, Blue Star ensures that safety practices are adhered to at its construction sites, and continues to engage with construction suppliers through training, safety audits and checks.



There is a discreet and formal mechanism in place for all the employees to voice their concerns, if any, to the Vice Chairman & Managing Director or Managing Director in person with the open-door-policy in place or through a dedicated email address, which is handled and managed by only the Vice Chairman & Managing Director or Managing Director.

**Principle 6: Business should respect, protect, and make efforts to restore the environment.**

Committed to sustainable business development, Blue Star believes in the responsible and balanced use of natural and man-made resources. With rising environmental concerns, the Company continues to actively contribute towards the protection of the environment for the benefit of future generations. The Company's mainstay of product development and R&D has been energy-efficiency, coupled with eco-friendly and sustainable products. Periodic enhancements are carried out with respect to the environmental impact of its products. Further, Blue Star has been constantly adding auxiliaries and energy-saving gadgets in its factories. The Company's products are validated and certified by several international bodies, signifying that they comply with the stringent norms and safety standards laid down by these entities. The Environment, Health and Safety department in Blue Star focuses on safety parameters, health and wellness of employees as well as environmental aspects. The Environment, Health and Safety Policy of the Company extends to its subsidiary companies as well as to its business associates.

Blue Star plays a critical role in initiatives to reduce power consumption and incorporate non-ozone depleting refrigerants with low global warming potential. The Company's room air conditioner range has always been in line with the updated energy standards prescribed by the Bureau of Energy Efficiency (BEE), and Blue Star was amongst the first companies to comply with BEE's voluntary labelling programme for inverter split air conditioners.

Effective January 1, 2018, the Government issued a notification revising the star rating plan applicable to unitary and split air conditioners. This evolved rating methodology factors in Indian Seasonal Energy Efficiency Ratio (ISEER) based on Indian climatic conditions. Consumers can now purchase air conditioners with higher efficiency leading to lower electricity bills. The Bureau has been increasing these standards such that the highest star rated air conditioner in 2010 has become the least rated air conditioner in 2018. The Company has complied with this revised star rating plan for all its room air conditioners to which the said notification is applicable.

Blue Star closely monitors the reduction of the use of hazardous substances in the manufacturing of its products. It consistently ensures that the products do not, at any given time, contain lead, mercury, cadmium or any such hazardous substances over the concentration value permitted by the environmental laws in India.

The manufacturing facilities are equipped with testing machines that use latest technology to aid in quality improvement as well as energy and water savings, which includes water harvesting facilities at manufacturing plants. A first-of-its-kind set-up for cold room panel manufacturing at the Wada and Ahmedabad Plants incorporates an eco-friendly foaming process using cyclopentane, which is supported by the Ozone Cell, Ministry of Environment, Forest and Climate Change. This is in line with Blue Star's commitment to phase out CFC/HFC substances. Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. Blue Star's Wada factory is certified as a Gold-rated Green Building by the Indian Green Building Council, Hyderabad.

Blue Star's Senior Management is part of numerous domestic and international initiatives, including participation in round table discussions and workshops that focus on certification and compliance processes, as well as standards and labelling programmes. These fora centre around the use of refrigerants and technologies used in HVAC products; the economic impact of the new generation of refrigerants that come at a higher price; new kinds of patents; development of alternate and natural refrigerants; safety standards; and financial viability, amongst others.

All the manufacturing facilities of the Company have consented to operate on a zero discharge basis since all the wastes generated due to industrial processes are treated onsite. The Company has been filing returns with the Central Pollution Control Board under E-Waste (Management) Rules, annually.

The organisation works at optimising its water consumption through adoption of new technologies and behaviour change initiatives. The employees of Blue Star showcase their support to the cause of renewable energy at various public fora. Key business partners and associates are persuaded, supported and educated to adopt the organisation's environmental-friendly practices across the value chain. The Company has received numerous commendations from its clients for its energy-efficient products and services, projects as well as installations.

The management of Blue Star identifies and assesses potential environmental risks from time-to-time. The Company has always been sensitive towards the environmental impact of its operations, and has proactively adopted environmentally-sustainable business practices wherever possible. Regular checks are conducted by internal and independent auditors/assessors to ensure compliance with relevant environmental regulations and policies.

There were no show cause/legal notices from these bodies pending as on March 31, 2019. Blue Star's initiatives on energy conservation, clean technology, energy-efficiency and renewable energy are given in Annexure 1 to the Board's Report.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

Blue Star is very active on the industry front and through its collaborations with industrial institutions and professional bodies, endeavours to work towards the betterment of the industry as a whole. The Company aspires to drive a positive change in the industry by way of providing advocacy in matters pertaining to advancement of the industry and public good. The Company also contributes to industrial and trade bodies related to governance and administration, economic reforms, inclusive development policies, energy security, water and food security, sustainable business principles, and others, seeking to create a transformational change.

Blue Star's senior leadership has been offering its expertise and insights during the formulation of public policies through strategic partnerships with industrial bodies and consortiums at the local, national and international levels, namely, Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Refrigeration and Air-conditioning Manufacturers Association (RAMA), Bombay Chamber of Commerce & Industry (BCCI), Indian Green Building Council (IGBC), The Energy and Resource Institute (TERI), Water Quality Association (WQA), National Safety Council and various other collective platforms or fora, to put forth the larger interests of the industry.

During the year, the Company led the Air-conditioning and Refrigeration Thematic Group involved in the making of a first-of-its-kind 'India Cooling Action Plan' through RAMA. The Company also actively participates in Montreal Protocol meetings held at the international level.

**Principle 8: Businesses should support inclusive growth and equitable development.**

The Company endeavours to help less privileged, rural and urban communities in the country through its social initiatives. Blue Star's CSR initiatives are strategically aligned to its domain knowledge and skill sets of its employees, who are given the opportunity to volunteer in these programmes. In the long term, the Company is committed to preservation of the quality of air, water and food through its products, services and social initiatives. Blue Star's CSR programmes focus on sustainable interventions in vocational training and upskilling of school dropouts in air conditioning as well as mechanical, electrical and plumbing services; building water purification systems, sanitation and hygiene facilities in Government schools around its manufacturing facilities; and supporting targeted and impact-driven interventions in the fields of education, health and women empowerment. The CSR Committee presently comprises the Managing Director along with one Non-Executive Director and an Independent Director of Blue Star Limited. The role of the CSR Committee is to review, monitor and provide strategic direction to Blue Star's CSR practices, which is well aligned to its competencies and core people skills. This Committee formulates and monitors the CSR Policy as well as recommends the annual CSR Plan of the Company to the Board, in line with Companies Act, 2013. Periodic reviews help monitor the benefits received by the community, and lead to augmenting the projects.

In addition to its CSR efforts, the Company has been supporting various philanthropic causes through its charitable Trust, Blue Star Foundation, which sponsors activities in the areas of education and healthcare, apart from relief measures during national calamities. Besides these, the local teams across its major offices and factories also support local initiatives to improve health, education, environment, hygiene and infrastructure for public utility. Details of the CSR activities of the Company and their impact are given in Annexure 2 to the Board's Report as well as in the Integrated Report.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

As a customer-centric organisation, the Company strives to generate highest value for its consumers with every product or service that it offers. All its efforts are directed towards meeting and surpassing customer expectations, and creating customer delight through enhanced value creation. Blue Star's world-class products are the result of extensive research and development

and incorporate cutting edge technology with stringent quality checks. The Electro-Mechanical Projects business, with 'Superior Project Delivery' as its value proposition, offers turnkey design and build solutions to its customers, which has proved to be a significant differentiator in the market place. The Company offers Gold Standard Service that has stringent response and turnaround time adhered to by the teams for resolution of consumer complaints and breakdown calls. Blue Star has a defined mechanism in place whereby consumer insights are sought systematically across businesses through customer interactions and focused group discussions, and incorporated in product development processes. All this empowers and enables the Company to respond effectively to the changing dynamics in the markets that it operates in, giving it an edge. Blue Star is also advancing well on the digital front by imbibing latest digital technologies across its lines of businesses including applications designed for smooth and enhanced customer interface across products and services as well as ease of doing business.

Blue Star's products and services are widely accepted across countries the world over. The Company's products, services and facilities have been validated and endorsed by several certification bodies for adherence to set standards and guidelines. Blue Star's room air conditioners have cleared stringent Bureau of Energy Efficiency (BEE) norms with each passing year. The Company's air conditioning & refrigeration services are ISO 9001:2015 certified. The Company was recently certified under ISO 45001:2018 for Engineering Facilities Management and Revamp Site Operation of Customer Service Group. The manufacturing facilities have received several certifications with respect to health and safety compliance as well as quality adherence. The Company has also received multiple certifications for its products and services for international markets.

Blue Star believes in honest and sincere communication of its products and services across media. The senior management regularly communicates the Company's performance, market trends, and impact of change in industry policies or Government regulations, besides others, to all its stakeholders and public at large. Blue Star adheres to all norms, standards as well as voluntary codes and guidelines related to marketing communication. The brand management guidelines have been institutionalised by Blue Star's Corporate Communications and Marketing Services department which help customers identify and distinguish Blue Star's products and services. The television commercials focus on intelligent, humour-based communication, educating customers in a unique manner about the function and benefits of its products and services.

The social media pages of the brand deliver value-based communication to customers. The pages, based on the theme of 'Cool My World', propagate content meant for stress-relief and relaxation. All marketing collaterals of the Company disseminate information truthfully and factually, so that customers can exercise their freedom to consume its products and services in a responsible manner. All products are accompanied by Operation & Maintenance manuals, in line with relevant codes and specifications. The sale of products is followed by responsible and seamless integration of its related services to enhance customer experience.

Customer engagement is an on-going process at Blue Star. The Company conducts periodical surveys through external market research firms to understand customer behaviour, requirements and satisfaction levels with respect to its products and services. There are several modes by which a customer can connect with the brand for getting their enquiries, feedback or concerns addressed. A multi-platform grievance mechanism ensures that the Company officials can be contacted via phone, e-mail, website, feedback forms and letters, as deemed fit.

Out of the total calls received by the Company from customers, approximately 88% were related to complaints, of which, 1.01% complaints were pending resolution as on March 31, 2019. All the other complaints were closed satisfactorily with the customers. The dissatisfied customers of the Company generally file their cases before the consumer fora, which the Company defends appropriately. Out of the total consumer cases filed, seven cases were resolved during 2018-19 and as on March 31, 2019, 47 cases were pending before various consumer fora. No case was filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising or anti-competitive behaviour during the last five years. The organisation is compliant with all legal requirements pertaining to product information and labelling. In addition to the mandatory requisites, it also provides service and safety manuals to the customers as deemed appropriate.

Further details with respect to the businesses and support functions of the Company have been enumerated in the Management Discussion and Analysis section and Integrated Report section of this report.



AIR CONDITIONING



REFRIGERATION SOLUTIONS




HEALTH DIAGNOSTICS




ELECTRICAL SERVICES



ENGINEERING FACILITY MANAGEMENT



WATER PURIFICATION



HOME COOLING



**BLUE STAR**

BUILT ON TRUST™

Customers from across India and the world have been leaning on us for over 75 years.

# Independent Auditor's Report on Consolidated Financial Statements

## **To The Members of Blue Star Limited Report on the Audit of the Consolidated Financial Statements**

### **Opinion**

We have audited the accompanying consolidated financial statements of Blue Star Limited (the "Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as the "Group") which includes the Group's share of profit/loss in its joint ventures, which comprise the Consolidated Balance Sheet as at March 31, 2019, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiary and joint venture referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS') and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the sub-paragraph (a) of the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

## Independent Auditor's Report on Consolidated Financial Statements

Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Accounting for fixed price contracts:</b>                      Estimate of effort is a critical estimate to determine revenues from fixed price contracts and liability for onerous obligations. This estimate has an inherent uncertainty as it requires measurement of the progress of contracts, which is based on effort till date and effort required to complete the remaining contract performance obligations.                      (Refer Note 14, 21, 25 and 50 of the consolidated financial statements)</p>	<p>We performed a range of audit procedures, which included:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of the relevant accounting policy and Company's measurement of the actual effort till date and the total estimated effort to completion of performance obligations.</li> <li>• evaluation of the design and implementation of internal controls over recording of actual effort till date and estimation of effort required to complete the performance obligations.</li> <li>• testing the operating effectiveness of the said internal controls for a selected sample of contracts.</li> <li>• substantive tests on a sample of contracts to identify, if any, significant variations in actual efforts till date and total efforts required to complete the performance obligations and verifying whether those variations have been factored in recognizing revenue for the year.</li> <li>• identifying onerous contracts to record a provision for expected costs to be incurred till completion of the contract.</li> </ul>
2	<p><b>Assessment of the carrying value of billed and unbilled receivables:</b>                      The appropriate valuation of billed and unbilled receivables is dependent on a number of factors such as age, credit worthiness, and, intent and ability of counterparties to make payment.                      (Refer Note 11 and 14 of the consolidated financial statements)</p>	<p>We performed a range of audit procedures, which included:</p> <ul style="list-style-type: none"> <li>• evaluation of the design and implementation of internal controls over review of valuation of billed and unbilled receivables including estimation of expected credit loss.</li> <li>• testing the operating effectiveness of the said internal controls for a selected samples.</li> <li>• scrutinising receivable accounts to confirm management's assessment about recoverability of the receivables, having regards to credit worthiness of the counterparties and the intent of the counterparties to make payment based on passage of time and/or information available with management.</li> <li>• verification of subsequent receipts, post balance sheet date.</li> <li>• evaluation of estimates for provision of Expected Credit Loss in terms of Ind AS 109 on Financial Instruments.</li> </ul>
3	<p><b>Recording sale of unitary products in the appropriate accounting period:</b>                      Revenue is recognised when performance obligations are satisfied by transferring promised goods to customers. Goods are considered transferred when the customer obtains 'control' of the promised goods. Control is the ability to direct the use of and obtain, substantially all the benefits from the goods.                      There is a risk of revenue not being recorded in the correct accounting period on account of the ability to establish with certainty the point of time when control has passed.                      (Refer Note 25 of the consolidated financial statements)</p>	<p>We performed a range of audit procedures, which included:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of the relevant accounting policy.</li> <li>• evaluation of the design and implementation of internal controls over management's assertion with respect to 'cut-off', to establish that control of promised goods has passed to customers.</li> <li>• testing the operating effectiveness of the said internal controls for a selected sample of sales.</li> <li>• substantive tests on a sample of sales to confirm that 'cut - off' has been properly applied, in particular, just before and after close of the accounting period.</li> </ul>

## Independent Auditor's Report on Consolidated Financial Statements

### Information Other than the Financial Statements and Auditor's Report Thereon

- The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the Letters from the Directors, Integrated Report, Board's Report, Management Discussion and Analysis, and The Dynamics of Blue Star's Growth (herein after referred to as "other information"), but does not include the financial statements and our auditor's report thereon.
- Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries and joint venture audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries and joint venture is traced from their financial statements audited by the other auditors.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group including its joint ventures in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its joint ventures are also responsible for overseeing the financial reporting process of the Group and joint ventures.

### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## Independent Auditor's Report on Consolidated Financial Statements

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the Group and its joint ventures to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the other entities or business activities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report on Consolidated Financial Statements

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

- (a) We did not audit the financial statements of a subsidiary and whose financial statements reflect total asset of ₹132.78 crores as at March 31, 2019, total revenue of ₹153.70 crores and net cash in flow amounting to ₹35.94 crores for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹5.53 crores for the year ended March 31, 2019, as considered in the consolidated financial statements, in respect of a joint venture, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and a joint venture, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and a joint venture is based solely on the reports of the other auditors.

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

- (b) We have not audited the comparative financial information as at and for the year ended March 31, 2018 included in the accompanying financial statements. The predecessor auditors have expressed an unmodified opinion dated May 14, 2018 on their audit of the comparative financial information. Comparative financial information as at April 01, 2017, included in the balance sheet has been extracted from the financial statements as at March 31, 2017, which were audited by the predecessor auditor who had expressed an unmodified report dated May 09, 2017.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements of the subsidiary and joint venture referred to in the Other Matters section above we report, to the extent applicable that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Parent as on March 31, 2019 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

## Independent Auditor's Report on Consolidated Financial Statements

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent company and a subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its joint ventures in accordance with generally accepted accounting principles.
- ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent Company.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Porus Pardiwalla**

Partner

(Membership No. 40005)

Place: Mumbai

Date : May 02, 2019

# Annexure “A” to the Independent Auditor’s Report

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BLUE STAR LIMITED**

**(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Blue Star Limited (hereinafter referred to as the “Parent”) and its subsidiary companies, which includes internal financial controls over financial reporting of its subsidiary which is a company incorporated in India, as of that date.

#### **Management’s Responsibility for Internal Financial Controls**

The respective Board of Directors of the Parent and its subsidiary company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary company which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent and its subsidiary company, which are companies incorporated in India.

## Annexure "A" to the Independent Auditor's Report

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion to the best of our information and according to the explanations given to us the Parent and its subsidiary company which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Place : Mumbai  
Date : May 02, 2019

**Porus Pardiwalla**  
Partner  
(Membership No. 40005)

# Consolidated Balance Sheet as at March 31, 2019

(₹ in crores)

	Notes	As at March 31		As at April 01, 2017
		2019	2018	(Refer Note 52)
<b>A ASSETS</b>				
<b>1. Non-Current Assets</b>				
Property, Plant and Equipment	4	281.46	274.00	244.04
Capital Work-in-Progress		30.77	18.38	21.51
Investment Property	5	68.42	61.87	68.34
Intangible Assets	6	50.32	56.13	43.73
Intangible Assets under Development		10.45	6.97	12.09
Investment in Joint Ventures	7	14.63	13.24	10.97
Financial Assets				
- Loans	8	19.82	18.17	17.31
- Other Financial Assets	9	4.36	3.96	3.61
Income Tax Assets (Net)		46.50	45.61	39.41
Deferred Tax Assets (Net)	24	107.55	113.57	122.05
Other Non-Current assets	14	56.10	45.81	38.68
<b>Total Non-Current Assets</b>		<b>690.38</b>	<b>657.71</b>	<b>621.74</b>
<b>2. Current assets</b>				
Inventories	10	869.32	1,017.08	744.33
Financial Assets				
- Loans	8	11.34	14.22	8.82
- Trade Receivables	11	1,112.05	950.42	794.62
- Cash and Cash Equivalents	12	83.86	71.11	89.17
- Other Bank Balances	13	17.08	9.77	7.40
- Other Financial Assets	9	-	1.31	-
Other Current assets	14	566.79	509.38	415.89
Assets held for sale	4	0.14	5.22	1.77
<b>Total Current Assets</b>		<b>2,660.58</b>	<b>2,578.51</b>	<b>2,062.00</b>
<b>Total Assets</b>		<b>3,350.96</b>	<b>3,236.22</b>	<b>2,683.74</b>
<b>B EQUITY AND LIABILITIES</b>				
<b>1. Equity</b>				
Equity Share Capital	15	19.26	19.20	19.11
Other Equity	16	853.80	773.53	704.76
<b>Total Equity</b>		<b>873.06</b>	<b>792.73</b>	<b>723.87</b>
Non Controlling Interest		1.83	1.52	1.22
<b>Total Equity</b>		<b>874.89</b>	<b>794.25</b>	<b>725.09</b>
<b>2. Non-Current Liabilities</b>				
Financial Liabilities				
- Borrowings	18	8.65	25.90	20.20
- Other Financial Liabilities	20	-	3.32	-
Provisions	22	12.06	12.54	11.17
Government Grants	23	6.45	2.95	3.49
<b>Total - Non-current liabilities</b>		<b>27.16</b>	<b>44.71</b>	<b>34.86</b>
<b>3. Current Liabilities</b>				
Financial Liabilities				
- Borrowings	18	335.89	344.02	195.92
- Trade Payables				
a. Total Outstanding dues of Micro Enterprises and Small Enterprises	19	40.06	36.02	33.37
b. Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises		1,494.56	1,496.67	1,126.60
- Other Financial liabilities	20	19.98	13.79	19.35
Provisions	22	87.00	59.00	41.44
Government Grants	23	4.08	0.54	0.65
Income Tax liabilities (Net)		0.98	0.75	0.59
Other Current Liabilities	21	466.36	446.47	505.87
<b>Total Current Liabilities</b>		<b>2,448.91</b>	<b>2,397.26</b>	<b>1,923.79</b>
<b>Total Equity and Liabilities</b>		<b>3,350.96</b>	<b>3,236.22</b>	<b>2,683.74</b>

The accompanying notes are an integral part of the financial statements 1 to 52

In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Porus Pardiwalla**  
Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
Managing Director  
Company Secretary  
Group Chief Financial Officer

DIN: 00007347  
DIN: 01790498

# Consolidated Statement of Profit & Loss for the year ended March 31, 2019

(₹ in crores)

	Notes	Year ended March 31	
		2019	2018
Revenue from operations	25	5,234.84	4,648.13
Other income	26	24.69	16.95
<b>Total Income (I)</b>		<b>5,259.53</b>	<b>4,665.08</b>
<b>Expenses</b>			
Cost of raw materials consumed (including direct project and service cost)	27	2,801.24	2,487.92
Purchase of stock-in-trade	27	959.50	1,191.29
Changes in inventories of finished goods, stock-in-trade and work-in-progress	27	170.44	(224.26)
Excise duty		-	9.18
Employee benefits expense	28	421.49	397.72
Depreciation and amortisation expense	29	74.90	63.81
Finance costs	31	47.87	28.74
Other expenses	30	535.63	520.38
<b>Total Expenses (II)</b>		<b>5,011.07</b>	<b>4,474.78</b>
<b>Profit before exceptional items and tax (I)-(II)</b>		<b>248.46</b>	<b>190.30</b>
Exceptional items	32	2.68	5.27
<b>Profit before Tax</b>		<b>251.14</b>	<b>195.57</b>
<b>Tax Expense</b>			
i) Current tax	24	39.14	42.60
ii) Deferred tax	24	10.28	8.50
iii) MAT Credit entitlement	24	(7.43)	(1.68)
<b>Total Tax Expense</b>		<b>41.99</b>	<b>49.42</b>
<b>Net Profit after tax</b>		<b>209.15</b>	<b>146.15</b>
Share in profit/(loss) of joint ventures		(18.75)	(1.92)
Non-controlling interests		(0.34)	(0.27)
<b>Profit for the year</b>		<b>190.06</b>	<b>143.96</b>
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods:</b>			
Re-measurement gains/(losses) on defined benefit plans		(4.87)	(3.11)
Income tax effect	24	1.55	0.84
		(3.32)	(2.27)
Foreign Currency Translation Reserve		0.30	(0.18)
Income tax effect	24	(0.11)	0.06
		0.19	(0.12)
<b>Other Comprehensive Income for the year</b>		<b>(3.13)</b>	<b>(2.39)</b>
<b>Total Comprehensive Income for the year</b>		<b>186.93</b>	<b>141.57</b>
<b>Earnings per share (Face value of ₹2 per share)</b>	33		
Basic (in ₹)		19.75	15.03
Diluted (in ₹)		19.74	14.98

The accompanying notes are an integral part of the financial statements 1 to 52

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
 Chartered Accountants

**Porus Pardiwalla**  
 Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
 Managing Director  
 Company Secretary  
 Group Chief Financial Officer

DIN: 00007347  
 DIN: 01790498

# Consolidated Statement of Changes in Equity for the year ended March 31, 2019

## (A) Equity Share Capital

For the year ended March 31, 2019

(₹ in crores)

Balance as at April 1, 2018	Changes in Equity Share Capital during the year	Balance as at March 31, 2019
19.20	0.06	19.26

For the year ended March 31, 2018

Balance as at April 1, 2017	Changes in Equity Share Capital during the year	Balance as at March 31, 2018
19.11	0.09	19.20

## (B) Other Equity

For the year ended March 31, 2019

(₹ in crores)

	Securities Premium (refer note 16)	Share based Payment Reserve (refer note 16)	Capital Redemption Reserve (refer note 16)	Capital Subsidy from Government	Capital Reserve	General Reserve (refer note 16)	Retained Earning	Other Comprehensive Income Foreign Currency Translation Reserve	Capital Reserve on Acquisition of Joint Venture	Total Other Equity
As at April 1, 2018	197.26	3.13	2.34	0.60	43.43	152.21	373.96	0.14	0.46	773.53
Profit for the year	-	-	-	-	-	-	190.06	-	-	190.06
Other Comprehensive Income for the year (net of tax)	-	-	-	-	-	-	(3.32)	0.19	-	(3.13)
<b>Sub-total</b>	<b>197.26</b>	<b>3.13</b>	<b>2.34</b>	<b>0.60</b>	<b>43.43</b>	<b>152.21</b>	<b>560.70</b>	<b>0.33</b>	<b>0.46</b>	<b>960.46</b>
Exercise of Employee Stock Options	12.89	(3.13)	-	-	-	-	-	-	-	9.76
Dividend and Dividend Distribution Tax thereon (refer note 17)	-	-	-	-	-	-	(115.96)	-	-	(115.96)
Adjustment/Transfer	-	-	-	-	-	-	-	-	(0.46)	(0.46)
<b>As at March 31, 2019</b>	<b>210.15</b>	<b>-</b>	<b>2.34</b>	<b>0.60</b>	<b>43.43</b>	<b>152.21</b>	<b>444.74</b>	<b>0.33</b>	<b>-</b>	<b>853.80</b>

For the year ended March 31, 2018

(₹ in crores)

	Securities Premium (refer note 16)	Share based Payment Reserve (refer note 16)	Capital Redemption Reserve (refer note 16)	Capital Subsidy from Government	Capital Reserve	General Reserve (refer note 16)	Retained Earning	Other Comprehensive Income Foreign Currency Translation Reserve	Capital Reserve on Acquisition of Joint Venture	Total Other Equity
As at April 1, 2017	180.46	6.67	2.34	0.60	44.32	151.89	317.64	0.38	0.46	704.76
Profit for the period	-	-	-	-	-	-	143.96	-	-	143.96
Other Comprehensive Income	-	-	-	-	-	-	(2.27)	(0.12)	-	(2.39)
<b>Sub-total</b>	<b>180.46</b>	<b>6.67</b>	<b>2.34</b>	<b>0.60</b>	<b>44.32</b>	<b>151.89</b>	<b>459.33</b>	<b>0.26</b>	<b>0.46</b>	<b>846.33</b>
Exercise of Employee Stock Options	16.80	(3.98)	-	-	-	-	-	-	-	12.82
Reversal of Employee Stock Option Expenses	-	(0.32)	-	-	-	0.32	-	-	-	-
Dividend and Dividend Distribution Tax thereon (refer note 17)	-	-	-	-	-	-	(86.47)	-	-	(86.47)
Fair valuation impact of asset within the Group	-	-	-	-	(0.89)	-	-	-	-	(0.89)
Deferred tax liability on Undistributed Profit	-	-	-	-	-	-	1.10	(0.12)	-	0.98
Employee Stock option expenses	-	0.76	-	-	-	-	-	-	-	0.76
<b>As at March 31, 2018</b>	<b>197.26</b>	<b>3.13</b>	<b>2.34</b>	<b>0.60</b>	<b>43.43</b>	<b>152.21</b>	<b>373.96</b>	<b>0.14</b>	<b>0.46</b>	<b>773.53</b>

The accompanying notes are an integral part of the financial statements 1 to 52

In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Porus Pardiwalla**  
Partner

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
Managing Director  
Company Secretary  
Group Chief Financial Officer

DIN: 00007347  
DIN: 01790498

Mumbai : May 02, 2019



# Consolidated Cash Flow Statement for the year ended March 31, 2019

(₹ in crores)

	Year ended March 31	
	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>251.14</b>	<b>195.57</b>
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Profit on sale of Property, Plant and Equipment	(15.18)	(5.27)
Depreciation/amortization	74.90	63.81
Amortisation of Government Grant	(1.36)	(0.65)
Fair Value (Gain)/loss on financial instruments	5.03	(4.39)
Share Based Payment	-	0.76
Loss/(profit) on sale of fixed assets	1.61	0.60
Bad debts/advances written off	2.85	1.94
Allowances for doubtful debts and advances	17.52	14.33
Unrealised foreign exchange loss/(gain)	(10.01)	8.33
Liabilities written back	(18.50)	(40.97)
Finance Cost	47.87	28.74
Interest (income)	(14.14)	(6.99)
Dividend (income)	-	(0.52)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>341.73</b>	<b>255.29</b>
Increase/(Decrease) in working capital :		
Trade Payables	25.98	408.82
Provisions	7.35	15.63
Other liabilities (including financial liabilities)	23.62	(63.36)
Trade receivables	(182.76)	(170.01)
Inventories	147.77	(272.75)
Loans	1.23	(6.26)
Other assets	(66.37)	(103.39)
Cash generated from operations	298.55	63.97
Direct taxes paid (net of refunds)	(35.19)	(45.10)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>263.36</b>	<b>18.87</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property Plant and equipments, including CWIP and capital advances	(102.78)	(98.28)
Investment in Joint Venture	-	(3.48)
Loan given to Joint Venture	(4.46)	-
Proceeds from sale of Property, Plant and Equipment	19.13	5.92
Proceeds from sale/maturity of current investments	-	0.01
Interest received	14.14	6.99
Dividends received	4.15	0.52
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(69.82)</b>	<b>(88.32)</b>
<b>Balance carried forward</b>	<b>193.54</b>	<b>(69.45)</b>

## Consolidated Cash Flow Statement for the year ended March 31, 2019

(₹ in crores)

	Year ended March 31	
	2019	2018
<b>Balance carried forward</b>	<b>193.54</b>	<b>(69.45)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) from Borrowings (net)	(27.35)	153.36
Finance Cost	(47.91)	(28.46)
Proceeds from fresh issue of Equity Capital (Including Securities Premium)	9.82	12.91
Dividend paid on equity shares (including Dividend Distribution Tax)	(115.35)	(86.42)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(180.79)</b>	<b>51.39</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>12.75</b>	<b>(18.06)</b>
Cash and cash equivalents at the beginning of the year	71.11	89.17
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>83.86</b>	<b>71.11</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on hand (refer note 12)	0.78	0.71
Balances with Banks		
– Current Account (refer note 12)	54.59	70.40
– Deposits having maturity less than 3 months (refer note 12)	28.49	-
– Unpaid Dividend (refer note 13)	3.31	2.69
– Balance not available for immediate use (refer note 13)	13.77	7.08
	<b>100.94</b>	<b>80.88</b>
Less:		
Balances with Banks		
– Unpaid Dividend (refer note 13)	3.31	2.69
– Balance not available for immediate use (refer note 13)	13.77	7.08
	<b>17.08</b>	<b>9.77</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>83.86</b>	<b>71.11</b>

In terms of our report attached

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

**Porus Pardiwalla**  
Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of  
BLUE STAR LIMITED**

**Shailesh Haribhakti**

Chairman

DIN: 00007347

**B Thiagarajan**

Managing Director

DIN: 01790498

**Vijay Devadiga**

Company Secretary

**Neeraj Basur**

Group Chief Financial Officer

# Notes to Consolidated Financial Statements for the year ended March 31, 2019

## 1. CORPORATE INFORMATION

Blue Star Limited (the "Parent"), a public listed company incorporated in the year 1943, and its subsidiaries (herein after referred to as the "Group"). The Group is primarily engaged in the business of manufacturing and installation of air conditioning units, commercial refrigeration units, water and air purifiers and air coolers. The Group is also into distribution and maintenance of imported professional electronics and industrial systems. The registered office of the Parent is located at Kasturi Buildings, M T Advani Chowk, Jamshedji Tata Road, Churchgate, Mumbai - 400020, Maharashtra.

The financial statements of the Group were approved by its Board of Directors on May 02, 2019.

## 2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time and other accounting principles generally accepted in India.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation and presentation

The Consolidated financial statements have been prepared on historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (b) Basis of Consolidation

#### Subsidiaries:

The Parent consolidates the financial statements of all subsidiaries it controls. Financial statements of Group entities are consolidated on a line-by-line basis. If a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, appropriate adjustments are made to that Group entity's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expense, cash flows and unrealised gains/losses relating to transactions between Group entities are eliminated on consolidation.

#### Investments in joint ventures:

The Group's interests in joint ventures are accounted for using the equity method, after initially recognising investment at cost, and the carrying amount is increased or decreased to recognise the Group's share in profit or loss of the joint venture after the date of acquisition.

### (c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Group to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent assets and liabilities and the reported amounts of income and expense for the periods presented.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 34.

### (d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is net off trade discounts, rebates and other similar allowances. Revenue excludes indirect taxes which are collected on behalf of Government.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### **i. Revenue from sale of goods:**

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer. Indicators that control has been transferred include, the establishment of the Group's present right to receive payment for the goods sold, transfer of legal title to the customer, transfer of physical possession to the customer, transfer of significant risks and rewards of ownership in the goods to the customer, and the acceptance of the goods by the customer.

### **ii. Revenue from construction contracts:**

Contract revenues are recognised based on the stage of completion of the contract activity. Revenue is measured based on the proportion of contract costs incurred for satisfying the performance obligation to the total estimated contract costs, there being a direct relationship between the input and the productivity. Claims are accounted for as income when accepted by the customer.

Expected loss, if any, on a contract is recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.

Incremental costs of obtaining a contract (such as professional fees, commission paid to acquire the contract) are recognised as assets and amortised over the term of the contract.

Contract modifications are accounted for, when additions, deletions or changes are approved either to the contract scope or contract price. Accounting for modifications of a contract involves assessing whether the services added to an existing contract are distinct and whether the pricing is a standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

### **iii. Revenue from sale of services:**

Revenue from services rendered over a period of time, such as annual maintenance contracts, are recognised on straight line basis over the period of the performance obligation.

### **iv. Dividend and Interest income:**

Dividend income is accounted for when declared and the right to receive the same is established. Interest income is recognised using the effective interest method.

### **v. Rental income:**

Rental income from operating leases is accounted for on a straight-line basis over the lease term.

## **(e) Government Grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

## **(f) Employee benefits**

### **Short term benefits:**

Salaries, wages, short-term compensated absences and other short term benefits, accruing to employees are recognised at undiscounted amounts in the period in which the employee renders the related service.

### **Retirement benefits:**

Defined contribution plan:

Payments to defined contribution retirement benefit plans are recognised as expense when employees have rendered the service entitling them to the contribution.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

Defined benefit plan:

The Group makes monthly contributions towards the employees' provident fund which is administered by a Trust. In the event of an interest shortfall (between the interest declared by the Government and the interest paid by the fund) the deficiency is made good by the Group, based on an actuarial valuation.

The Group's liability towards gratuity is determined based on the present value of the defined benefit obligation and fair value of plan assets and the net liability or asset is recognised in the balance sheet. The net liability or asset represents the deficit or surplus in the plan (the surplus is limited to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions). The present value of the defined benefit obligation is determined using the projected unit credit method, with actuarial valuations being carried out at each year end. Defined benefit costs are composed of:

- i. service cost-recognised in profit or loss;
- ii. net interest on the net liability or asset-recognised in profit or loss;
- iii. remeasurement of the net liability or asset-recognised in other comprehensive income

### **Other long-term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Statement of profit or loss have been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

### **(g) Share-based payments**

Share based payment arrangements: Equity-settled share-based payments to employees of the Group are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 36. The fair value determined at the grant date of the equity-settled share-based payments to employees of the Group is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity at the end of year. At the end of each year, the Group revisits its estimate of the number of equity instruments expected to vest and recognises any impact in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### **(h) Leases**

#### **Finance lease**

Assets taken on lease by the Group in its capacity as lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments, and a corresponding liability of an equivalent amount is recognised. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

#### **Operating lease**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in profit or loss, unless the lease agreement explicitly states that increase is on account of inflation.

### **(i) Foreign currencies**

The functional currency of the Group is Indian rupee (₹) whereas the functional currency of foreign subsidiaries is the currency of their countries of domicile.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in profit or loss.

Foreign currency denominated non - monetary assets and liabilities that are measured at historical cost are not retranslated.

In case of foreign operations of the Group with functional currency other than the functional currency of the Group, assets and liabilities have been translated using exchange rates prevailing on the balance sheet date and items of income and expense have been translated using average exchange rates during the period. Such translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity. On disposal of a foreign operation, the associated exchange differences are reclassified to Statement of Profit and Loss as part of the gain or loss on disposal.

### (j) Taxes

Income tax expense comprises current tax expense and the net change during the year, in the deferred tax asset or liability. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or in equity, in which case the related current and deferred tax are also recognised in other comprehensive income or in equity, respectively.

Current and Deferred Taxes are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax assets and tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts.

#### i. Current income tax

Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

#### ii. Deferred tax

Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

### (k) Exceptional items

Exceptional items refer to items of income or expense within the income statement from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Group and to assist users of financial statements in making projections of future financial performance.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### (l) Property, plant and equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Costs comprise of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to their intended use.

When significant components of plant and equipment are replaced separately, the Group depreciates them based on the useful lives of the components. Leasehold land is depreciated on a straight line basis over the period of the lease. All other assets are depreciated to their residual values on written-down value basis over their estimated useful lives. Estimated useful lives of the assets are as follows:

Nature of tangible asset	Useful life (years)
Factory buildings	30
Other buildings	60 - 85
Roads	5
Temporary structure	3
Plant & Machinery	15 - 20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is lower

Useful lives of plant and machinery are higher than those indicated in Schedule II to the Companies Act, 2013 based on management estimate and technical assessment made by technical expert.

Freehold land is not depreciated.

Any gain or loss arising on derecognition/disposal of an asset is included in profit or loss. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, as appropriate.

### (m) Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives of intangible assets are as mentioned below:

Nature of Intangibles Asset	Method of Amortisation
Software	Written down value of assets over a period of 6 years
Technical Know-how	Straight line basis over a period of 6 years

#### Research and development costs

Research costs are expensed as incurred. Development expenditure on projects is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention and ability to complete and to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of adequate resources to complete the asset.
- The ability to measure reliably the expenditure incurred during development.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

Development expenditure that does not meet the above criteria is expensed as incurred.

During the period of development, the asset is tested for impairment annually.

### (n) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The Group depreciates the building component of investment property over 60 years on written down value basis from the date of original purchase, which is as prescribed under the schedule II to the Companies Act, 2013. Investment properties are derecognised either when they have been disposed or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss arising on disposal of investment properties is included in profit or loss.

### (o) Impairment of non-financial assets

Property, plant and equipment and intangible assets with finite lives are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined for the individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognised in profit or loss.

### (p) Financial instruments

#### Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised by the Group when it becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument are adjusted to fair value, except where the financial instrument is measured at Fair Value through profit or loss, in which case the transaction costs are immediately recognised in profit or loss.

#### Financial assets

##### Cash and cash equivalents

The Group considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

##### Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### **Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

### **Financial liabilities and equity instruments**

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

#### **Other financial liabilities**

Other financial liabilities (including borrowings, financial guarantee contracts and trade and other payables) are subsequent to initial recognition, measured at amortised cost using the effective interest (EIR) method.

#### **Equity instruments**

An equity instrument is a contract that evidences residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments recognised by the Group are recognised at the proceeds received net off direct issue cost.

#### **Derivative financial instruments**

The Group enters into derivative contracts to hedge foreign currency/price risk on unexecuted firm commitments and highly probable forecast transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge item.

#### **Derecognition of financial instruments**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognised from the Group's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

#### **Fair value measurement**

When the fair values of financial assets or financial liabilities recorded or disclosed in the financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

### (q) Inventories

Inventories including Work-in-Progress (other than construction contracts) are valued at cost or net realisable value, whichever is lower, cost being worked out on weighted average basis. Cost includes all charges for bringing the goods to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### (r) Provisions and contingencies

#### Provisions

A provision is recognised when the Group has a present obligation as a result of past event and 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### Warranty provisions

The estimated liability for product warranties is recorded when products are sold/project is completed. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claims arise being typically upto five years.

#### Contingencies

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements. However, where an inflow of economic benefits is probable, the Group discloses the same in the financial statements.

### (s) Segment reporting

Segments are identified based on the manner in which the chief operating decision-maker (CODM) decides about the resource allocation and reviews performance.

Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Segment revenue resulting from transactions with other business segments is accounted for on the basis of the transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue/expenses/assets/ liabilities".

### (t) Earnings per share

The Group's Earnings per Share ('EPS') is determined based on the net profit attributable to the equity shareholders of the Group.

Basic earnings per share is calculated by dividing the profit from continuing operations and total profit, both attributable to equity shareholders of the company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is computed using the weighted average number of common and dilutive shares outstanding during the year including share based payments, except where the result would be anti-dilutive.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 4. PROPERTY PLANT & EQUIPMENT

(₹ in crores)

Particulars	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
<b>Cost</b>										
At April 1, 2017	14.00	8.89	90.09	132.83	4.57	8.89	4.02	13.63	13.64	290.56
Additions	-	6.26	11.97	39.86	1.21	3.03	3.05	7.13	3.33	75.84
Transfer from investment property	-	-	3.07	-	-	-	-	-	-	3.07
Exchange differences	-	-	-	(0.05)	-	(0.02)	(0.04)	(0.12)	-	(0.23)
Disposals	(0.06)	-	(5.41)	(3.27)	-	(0.92)	(2.11)	(2.55)	(0.34)	(14.66)
<b>At March 31, 2018</b>	<b>13.94</b>	<b>15.15</b>	<b>99.72</b>	<b>169.37</b>	<b>5.78</b>	<b>10.98</b>	<b>4.92</b>	<b>18.09</b>	<b>16.63</b>	<b>354.58</b>
At April 1, 2018	13.94	15.15	99.72	169.37	5.78	10.98	4.92	18.09	16.63	354.58
Additions	-	-	4.30	48.68	0.99	6.08	2.64	7.55	7.25	77.49
Exchange differences	-	-	-	0.09	(0.00)	0.09	0.07	0.24	0.01	0.50
Disposals	(10.53)	-	(0.07)	(1.54)	-	(1.41)	(0.55)	(1.63)	(0.02)	(15.75)
Transfer to investment property	-	-	(11.47)	-	-	-	-	-	-	(11.47)
<b>At March 31, 2019</b>	<b>3.41</b>	<b>15.15</b>	<b>92.48</b>	<b>216.60</b>	<b>6.77</b>	<b>15.74</b>	<b>7.08</b>	<b>24.25</b>	<b>23.87</b>	<b>405.35</b>
<b>Accumulated Depreciation</b>										
At April 1, 2017	-	-	12.32	20.14	0.83	1.57	1.20	3.09	7.37	46.52
Disposals	-	-	(1.30)	(2.50)	-	(0.89)	(1.99)	(2.10)	(0.34)	(9.12)
Provided during the year	0.30	-	7.46	21.27	0.70	2.32	1.91	4.35	4.87	43.18
<b>At March 31, 2018</b>	<b>0.30</b>	<b>-</b>	<b>18.48</b>	<b>38.91</b>	<b>1.53</b>	<b>3.00</b>	<b>1.12</b>	<b>5.34</b>	<b>11.90</b>	<b>80.58</b>
At April 1, 2018	0.30	-	18.48	38.91	1.53	3.00	1.12	5.34	11.90	80.58
Disposals	(0.38)	-	(0.14)	(1.01)	-	(1.15)	(0.38)	(1.01)	(0.01)	(4.08)
Reclassified to investment Property	-	-	(0.51)	-	-	-	-	-	-	(0.51)
Provided during the year	0.15	-	6.73	26.27	0.90	2.75	2.31	4.82	3.97	47.90
<b>At March 31, 2019</b>	<b>0.07</b>	<b>-</b>	<b>24.56</b>	<b>64.17</b>	<b>2.43</b>	<b>4.60</b>	<b>3.05</b>	<b>9.15</b>	<b>15.86</b>	<b>123.89</b>
<b>Net Book Value</b>										
At March 31, 2019	3.34	15.15	67.92	152.43	4.34	11.14	4.03	15.10	8.01	281.46
At March 31, 2018	13.64	15.15	81.24	130.46	4.25	7.98	3.80	12.75	4.73	274.00

#### Asset Held for Sale

	As at March 31	
	2019	2018
Asset held for Sale - Plant and Equipment	5.22	1.77
Addition	-	3.72
Disposal/reclassified to Property, Plant and Equipment	(3.72)	(0.27)
Less: Impairment Allowance	(1.36)	-
<b>Asset held for Sale - Plant and Equipment</b>	<b>0.14</b>	<b>5.22</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 5. INVESTMENT PROPERTY

<b>Cost</b>	(₹ in crores)
At April 1, 2017	79.03
Additions	-
Transfer to Property, Plant and Equipment/Adjustment	(3.96)
At March 31, 2018	75.07
Disposal	-
Transfer from Property, Plant and Equipment	11.47
At March 31, 2019	86.54
<b>Depreciation</b>	
At April 1, 2017	10.69
Additions	4.16
Transfer to Property, Plant and Equipment/Adjustment	(1.65)
At March 31, 2018	13.20
Additions	4.41
Transfer from Property, Plant and Equipment	0.51
At March 31, 2019	18.12
<b>Net Book Value</b>	
At March 31, 2019	68.42
At March 31, 2018	61.87
<b>Fair Value *</b>	
At March 31, 2019	96.58
At March 31, 2018	85.40

\* Valuation is based on fair value assessment done by accredited independent valuer.

#### Movement in Fair Valuation of Investment Property

<b>At April 1, 2018</b>	<b>85.40</b>
Additions	12.00
Decrease in Fair Valuation	(0.82)
<b>At March 31, 2019</b>	<b>96.58</b>

(₹ in crores)

#### Information regarding Income and Expenditure of Investment Property

	As at March 31	
	2019	2018
Rental income derived from investment property	7.32	6.53
Direct operating expenses (including repairs and maintenance) associated with rental income	(0.74)	(0.92)
Profit arising from investment property before depreciation and indirect expenses	6.58	5.61
Less - Depreciation	4.41	4.16
Less - Adjustment/Reclassification	0.51	(1.65)
Profit arising from investment property before indirect expenses	1.66	3.10

The Group has no restrictions on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop investment properties or has any plans for major repairs, maintenance and enhancements.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 6. INTANGIBLE ASSETS

(₹ in crores)

	Technical Knowhow	Software	Total
<b>Cost</b>			
At April 1, 2017	36.76	32.09	68.85
Additions	13.74	16.78	30.52
Disposals	-	(0.01)	(0.01)
At March 31, 2018	<b>50.50</b>	<b>48.86</b>	<b>99.36</b>
At April 1, 2018	50.50	48.86	99.36
Additions	0.66	16.11	16.77
Disposals	-	(0.02)	(0.02)
At March 31, 2019	<b>51.16</b>	<b>64.95</b>	<b>116.11</b>
<b>Amortisation</b>			
At April 1, 2017	11.63	13.49	25.12
Disposals	-	(0.01)	(0.01)
Provided during the year	7.32	10.80	18.12
At March 31, 2018	<b>18.95</b>	<b>24.28</b>	<b>43.23</b>
At April 1, 2018	18.95	24.28	43.23
Disposals	-	(0.03)	(0.03)
Provided during the year	7.97	14.62	22.59
At March 31, 2019	<b>26.92</b>	<b>38.87</b>	<b>65.79</b>
<b>Net Book Value</b>			
At March 31, 2019	24.24	26.08	50.32
At March 31, 2018	31.55	24.58	56.13

### 7. INVESTMENT IN JOINT VENTURES

(₹ in crores)

	As at March 31	
	2019	2018
<b>I. Non Current Investments</b>		
<b>Investment in Equity Instruments</b>		
<i>Unquoted equity instruments</i>		
<b>Investment accounted for using the equity method</b>		
<b>Investment in Joint Ventures (refer Note 40)</b>		
367,500 (31 March 2018 : 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering Sdn Bhd	11.15	9.76
255,000 (31 March 2018 : 255,000) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co LLC	4.34	4.34
Less: loss accounted upto the carrying value of investment (Refer Note 22)	(4.34)	(4.34)
	11.15	9.76
<b>Other Investment in Joint Venture</b>		
	-	-
Investment in 49 Redemable Convertible Preference Shares of MR 40,000 each in Blue Star M & E Engineering Sdn Bhd	3.48	3.48
<b>Total Non Current Investments</b>	<b>14.63</b>	<b>13.24</b>
<b>Aggregate Value of unquoted investments</b>	<b>14.63</b>	<b>13.24</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 8. LOANS (UNSECURED CONSIDERED GOOD UNLESS OTHERWISE STATED)

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
Security Deposit	14.92	12.69	9.45	11.90
Less: Allowance for Doubtful Deposits	-	-	(0.96)	(0.96)
Loans to employees	4.90	5.48	2.47	3.02
Loan to Joint Venture	4.46	-	-	-
Less: Allowance for Doubtful Loan (Refer note 22)	(4.46)	-	-	-
	19.82	18.17	10.96	13.96
Others	-	-	0.38	0.26
<b>Total Loans</b>	<b>19.82</b>	<b>18.17</b>	<b>11.34</b>	<b>14.22</b>

### 9. OTHER FINANCIAL ASSETS

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
<b>Financial assets at fair value through profit or loss</b>				
<b>Derivatives not designated as hedges</b>				
Foreign exchange forward contracts	-	-	-	1.31
Non-current Bank Balances (including Accrued Interest thereon)*	4.36	3.96	-	-
<b>Total Other Financial Assets</b>	<b>4.36</b>	<b>3.96</b>	<b>-</b>	<b>1.31</b>

\*Margin money deposits with a carrying amount of ₹4.36 Crores (March 31, 2018 : ₹3.96 Crores) are subject to a first charge as security deposit with customers.

### 10. INVENTORIES

(₹ in crores)

(Valued at lower of cost and net realisable value)	As at March 31	
	2019	2018
Raw materials & components (includes in transit: ₹67.33 Crores (March 31, 2018 : ₹70.55 Crores))	204.04	179.25
Work-in-progress	47.09	43.19
Finished goods	236.59	217.88
Stock-in-trade (includes in transit: ₹17.31 Crores (March 31, 2018: ₹70.46 Crores))	327.91	520.96
Stores and Spares	53.69	55.80
	<b>869.32</b>	<b>1,017.08</b>

The above inventory values are net of provisions made of ₹8.34 crores (March 31, 2018 : ₹10.12 crores) for slow moving, obsolete and defective inventory.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 11. TRADE RECEIVABLES

(₹ in crores)

	Current	
	31-Mar-19	31-Mar-18
Trade Receivables considered good - Unsecured	1,112.05	950.42
Trade Receivables which have significant increase in credit risk	37.24	34.03
Trade Receivables - Credit impaired	66.13	94.54
	<b>1,215.42</b>	<b>1,078.99</b>
Less:- Allowance for doubtful debts	103.37	128.57
<b>Total Trade receivables</b>	<b>1,112.05</b>	<b>950.42</b>

The movement for allowance for doubtful debts during the year in respect of trade receivables containing significant credit risk are as follows:

(₹ in crores)

	As at March 31	
	2019	2018
<b>Opening Balances as on 1st April</b>	<b>128.57</b>	<b>161.80</b>
Add: - Allowances for doubtful debts recognised during the year	13.20	14.00
Less: - Allowances provided earlier written off as bad debts	(38.40)	(47.23)
<b>Closing Balances as on 31st March</b>	<b>103.37</b>	<b>128.57</b>

### 12. CASH AND CASH EQUIVALENT

(₹ in crores)

	As at March 31	
	2019	2018
<b>Cash and cash equivalents</b>		
<i>Balances with banks:</i>		
- On current accounts	54.59	70.40
Deposits having maturity less than 3 months	28.49	-
Cash on hand	0.78	0.71
	<b>83.86</b>	<b>71.11</b>

### 13. OTHER BANK BALANCES

(₹ in crores)

	As at March 31	
	2019	2018
<b>Other Bank Balances</b>		
- Unpaid dividend *	3.31	2.69
- Cash & Bank balance not available for immediate use	13.77	7.08
	<b>17.08</b>	<b>9.77</b>

\* The Company can utilise these balances only towards settlement of unpaid dividend and fractional shares.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 14. OTHER ASSETS

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
Contract Assets	-	-	356.56	305.48
Less: Allowance for doubtful contract assets	-	-	19.88	15.82
Net Contract Assets	-	-	336.68	289.66
Retention	-	-	70.80	30.56
Capital Advances	14.38	10.27	-	-
Balance with Statutory Authorities	41.24	35.01	81.61	90.36
Gratuity paid in advance	-	-	-	2.85
Vendor Advances	-	-	47.13	72.36
Prepaid Expenses	0.48	0.53	26.90	23.59
Government Grant Receivable	-	-	3.67	-
	<b>56.10</b>	<b>45.81</b>	<b>566.79</b>	<b>509.38</b>

#### The movement for allowance for doubtful contract assets during the year are as follows:

(₹ in crores)

	As at March 31	
	2019	2018
Opening balances as on 1st April	15.82	15.59
Impairment loss recognised	4.06	0.23
Amounts written back	-	-
<b>Closing</b>	<b>19.88</b>	<b>15.82</b>

#### Breakup of total financial assets carried at amortised cost:

(₹ in crores)

	As at March 31	
	2019	2018
Trade receivables (refer note 11)	1,112.05	950.42
Cash and cash Equivalents (refer note 12)	83.86	71.11
Bank Balances (refer note 13)	17.08	9.77
Loans (refer note 8)	31.16	32.39
Other financial assets (refer note 9)	4.36	5.27
<b>Total financial assets carried at amortised cost</b>	<b>1,248.51</b>	<b>1,068.96</b>



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 15. SHARE CAPITAL

Authorised Share Capital	7.8% Cumulative Convertible Preference Shares of ₹100 each		Equity Shares of ₹2 each		Unclassified Shares of ₹100 each		Cumulative Compulsorily Convertible Preference Shares of ₹10 each	
	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores
<b>At April 1, 2017</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
<b>At March 31, 2018</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
<b>At March 31, 2019</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>

#### Terms/Rights attached to Equity Shares

The Parent has one class of Equity Shares having par value of ₹2 per share. Each share holder is entitled to one vote per share. The Parent declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend, if any.

In the event of liquidation of the Parent, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in the proportion of number of equity shares held by the shareholders.

#### Terms/Rights attached to 7.8% Cumulative Convertible Preference Shares and Cumulative Compulsorily Convertible Preference Shares

Each convertible preference share is convertible at the option of the shareholders into Equity shares.

The preference shares shall rank for the dividend in priority to the shares of the parent in the event of increase in share capital or winding up of the parent up to amount of dividend or any arrears of dividend. Preference share holders will not have any further right to participate in the profits or assets of the company.

#### Issued Share Capital

Equity Shares of ₹2 each issued, subscribed & fully paid up	No.	₹ Crores
At April 1, 2017	95,570,388	19.11
Issue of Share Capital - Employee Stock Options Exercised	429,400	0.09
At March 31, 2018	95,999,788	19.20
Issue of Share Capital - Employee Stock Options Exercised	314,100	0.06
<b>At March 31, 2019</b>	<b>96,313,888</b>	<b>19.26</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

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

Name of Shareholder	As at March 31, 2019		As at March 31, 2018	
	Numbers	% holding in the class	Numbers	% holding in the class
Vistra ITCL (India) Limited	11,955,601	12.41%	11,955,601	12.45%
IL & FS Trust Company Ltd	7,719,930	8.02%	7,719,930	8.04%
Suneel Mohan Advani	6,116,496	6.35%	5,626,827	5.86%
Aditya Birla Sunlife Trustee Pvt Limited	4,625,730	4.80%	5,076,493	5.29%
HDFC Trustee Company Limited	4,020,495	4.17%	5,276,678	5.50%

Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

(₹ in crores)

	March 31				
	2019	2018	2017	2016	2015
53,91,383 equity shares of ₹2 each of the company issued to the shareholders of Blue Star Infotech Ltd (BSIL) as per the approved Scheme of merger of BSIL and BSIBIA with the Company, vide High Court Order dated April 16, 2016	-	-	-	1.08	-

### Shares reserved for issue under options

For details of shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Company (refer note 36).

## 16. OTHER EQUITY

**Securities Premium** - Where the Parent issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium Reserve". The Parent may issue fully paid-up bonus shares to its members out of the securities premium reserve and Parent can use this reserve for buy-back of shares.

**Share Based Payment** - The Parent has an employee share option scheme under which options to subscribe for the Company's shares have been granted to the key employees and directors. The share-based payment reserve is used to recognize the value of equity-settled share-based payments provided to the key employees and directors as part of their remuneration. Refer to Note 36 for further details of the scheme.

**Capital Redemption Reserve** - Capital Redemption Reserve was created for buy-back of shares.

**Capital Subsidy Received from Government** - Subsidy is an assistance given by the government for investment in the form of capital asset. The subsidy is recognised when the requirements established for receiving them are met. The subsidy was received against the factory setup in the state of Himachal Pradesh for the year ended March 31, 2009 and year ended 2013.

**General Reserve** - General Reserve is created out of the profits earned by the Group by way of transfer from surplus in the statement of profit and loss. The Group can use this reserve for payment of dividend and issue of fully paid-up and not paid-up bonus shares.

Also Refer Statement of changes in Equity.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 17. DIVIDEND DISTRIBUTION MADE AND PROPOSED

(₹ in crores)

	As at March 31	
	2019	2018
<b>Cash dividends on equity shares declared and paid:</b>		
Final dividend for the year ended on March 31, 2018 : ₹10 per share (March 31, 2017: ₹7.5 per share)	96.20	71.82
Dividend Distribution tax on final Dividend	19.76	14.65
	<b>115.96</b>	<b>86.47</b>

The Directors have recommended for the year end March 31, 2019, a dividend of ₹10 per equity share of ₹2 each. (FY 2017-18 ₹8.50 per equity share plus special dividend of ₹1.50 per equity share to commemorate the Company's Platinum Jubilee). Proposed Dividend on Equity Shares are subject to approval at the Annual General Meeting.

### 18. BORROWINGS

(₹ in crores)

	As at March 31	
	2019	2018
<b>Non-current Borrowings</b>		
Term Loan from Bank (Unsecured) (Note a)	8.65	25.90
<b>Total non-current Borrowings</b>	<b>8.65</b>	<b>25.90</b>
<b>Current Borrowings</b>		
<b>Unsecured - at amortised cost</b>		
Working Capital Demand Loan (Unsecured) (Note b)	20.00	-
Buyers' credit from banks (unsecured) (Note d)	-	11.31
Commercial Papers		
- from banks (unsecured) (Note e)	-	49.90
- from others (unsecured) (Note e)	148.70	84.34
<b>Secured - at amortised cost</b>		
Packing credit loan account from banks (secured) (Note b & c)	50.50	88.00
Cash Credit/Bank overdrafts (secured) (Note b & c)	116.69	60.94
Buyers' credit from banks (secured) (Note c & d)	-	49.53
<b>Total current borrowings</b>	<b>335.89</b>	<b>344.02</b>
Aggregate secured loans	167.19	148.47
Aggregate Unsecured loans	177.35	221.45
<b>Total</b>	<b>344.54</b>	<b>369.92</b>

- Term loan is payable in sixteen equated quarterly installments @ 3M Libor plus 1.60% p.a. Secured against irrecoverable quarterly guarantee of the Company. (March 31, 2018 : @8.35% , 6M MCLR plus 0.05%)
- Outstanding loans carry an average interest rate of 5.20% - 9.75% p.a. (March 31, 2018 : 4.80% - 8.90% p.a.).
- Outstanding loans is secured by hypothecation of inventory and trade receivables.
- Buyers' credit are availed against imports dues and are repayable within maximum tenure of 360 days from the date of shipment. Interest Rate N.A. (March 31, 2018 : Libor plus 0.55%).
- Commercial papers carry average interest rate @ 7.60% p.a. for the current year (March 31, 2018 : 6.58% p.a.). These are repayable within 30 days to 61 days from the date of drawdown.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 19. DISCLOSURE AS PER SECTION 22 OF MSME ACT

(₹ in crores)

	As at March 31	
	2019	2018
(a) (i) Principal amount remaining unpaid to any supplier at the end of accounting year	38.13	33.52
(ii) Interest due on above	0.12	0.32
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	-
(c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	-	-
(d) Amount of interest accrued and remaining unpaid at the end of each accounting year	1.93	2.50
(e) 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 Act, 2006	1.93	2.50
	<b>40.06</b>	<b>36.02</b>

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

### 20. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	Non-current		Current	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Derivatives not designated as hedges</b>				
Foreign exchange forward contracts (Refer note (a) below)	-	-	3.71	-
<b>Financial liabilities at amortised cost</b>				
Other deposits	-	3.32	7.61	3.80
Interest accrued but not due on borrowings	-	-	0.25	0.29
<b>Total other financial liabilities at amortised cost</b>	-	<b>3.32</b>	<b>7.86</b>	<b>4.09</b>
Unpaid Dividend	-	-	3.31	2.69
Current Maturities of Long term borrowings	-	-	3.02	5.70
Creditors - capital expenditure	-	-	2.08	1.31
<b>Total other financial liabilities</b>	-	<b>3.32</b>	<b>19.98</b>	<b>13.79</b>

#### a) Foreign exchange forward contracts

The Company enters into foreign exchange forward contracts with the intention of reducing the foreign exchange risk of buyers credit and trade payables. The Company has also entered into commodity hedging contract with the intention of reducing the price fluctuation risk. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Break up of financial liabilities carried at amortised cost

(₹ in crores)

	As at March 31	
	2019	2018
Borrowings (refer note 18 and 20)	347.56	375.62
Trade Payables	1,534.62	1532.69
Other deposits (refer note 20)	7.61	3.80
Unpaid dividend (refer note 20)	3.31	2.69
Creditors-capital Expenditure (refer note 20)	2.08	1.31
Interest accrued but not due on borrowings (refer note 20)	0.25	0.29
<b>Total financial liabilities carried at amortised cost</b>	<b>1,895.43</b>	<b>1916.40</b>

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair value since the Company does not anticipate that the carrying amount would be significantly different from the value that would eventually be received or settled.

### 21. OTHER CURRENT LIABILITIES

(₹ in crores)

	As at March 31	
	2019	2018
Contract liabilities from construction contracts	60.57	33.52
Contract liabilities from annual maintenance contract services	61.82	52.00
Advances from customers	301.36	298.70
Dues to Statutory bodies	25.06	48.77
Others	17.55	13.48
<b>Total Other Liabilities</b>	<b>466.36</b>	<b>446.47</b>

### 22. PROVISIONS

(₹ in crores)

	Non-current		Current	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
<b>Provision for employee benefits</b>				
Provision for Gratuity (refer note 35)	0.53	0.32	0.46	-
Compensated absences	-	-	20.69	20.51
Provision for other employment benefits	-	-	3.20	2.48
Additional Gratuity (refer note 35)	0.38	0.30	-	-
	<b>0.91</b>	<b>0.62</b>	<b>24.35</b>	<b>22.99</b>
Other provisions				
Provision for customer warranties	11.15	11.92	16.38	10.85
Provision for foreseeable loss	-	-	2.07	2.78
Provision for Obligation towards guarantee given*	-	-	20.33	-
Other Provisions	-	-	23.87	22.38
	<b>11.15</b>	<b>11.92</b>	<b>62.65</b>	<b>36.01</b>
<b>Total</b>	<b>12.06</b>	<b>12.54</b>	<b>87.00</b>	<b>59.00</b>

\* In view of the ongoing losses of its Joint venture in Oman (Blue Star Oman electro - Mechanical Co LLC), the company is considering options for exit from the venture and has therefore made provision for its known financial obligations and committed financial involvement in the venture.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

(₹ in crores)

Provision for warranties	As at March 31	
	2019	
At the beginning of the year	22.77	
Add :- Additional provisions made during the year	22.89	
Less :- Amount used during the year	16.07	
Less:- Effect of change in provision on account of discounting during the year	2.06	
<b>At the end of the year</b>	<b>27.53</b>	
Current portion	16.38	
Non-current portion	11.15	

### Forseeable Loss

A provision for forseeable loss on contract with customers is recognised when it is probable that the contract cost will exceed the total contract revenue or when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

(₹ in crores)

Other Provisions	As at March 31	
	2019	
At the beginning of the year	22.38	
Add:- Additional provisions made during the year	1.49	
<b>At the end of the year</b>	<b>23.87</b>	

## 23. GOVERNMENT GRANTS

(₹ in crores)

	As at March 31	
	2019	2018
<b>At 1st April</b>	3.49	4.14
Additions during the year	8.40	-
Amortised during the year	(1.36)	(0.65)
<b>At 31st March</b>	<b>10.53</b>	<b>3.49</b>
Current	4.08	0.54
Non-Current	6.45	2.95

Government grants are towards the purchase of certain items of property, plant and equipment.

## 24. INCOME TAX

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2019 and March 31, 2018:

(₹ in crores)

	Year Ended March 31	
	2019	2018
Accounting profit before tax	251.15	195.57
Other Comprehensive Income before tax	(5.13)	(3.11)
<b>At India's statutory income tax rate of 34.944% (March 31, 2018: 34.608%)</b>	<b>246.02</b>	<b>192.47</b>
At India's statutory income tax rate	<b>85.97</b>	<b>66.61</b>
Expenses not allowed for tax purpose	4.44	3.31
Additional allowances for tax purpose	(16.55)	(17.19)
Incomes not considered for tax purpose	(1.64)	(2.69)
Savings due to tax paid at lower rate	(31.73)	(1.59)
Other	0.06	0.07
<b>At the effective income tax rate of 16.15% (March 31, 2018: 24.80%)</b>	<b>40.55</b>	<b>48.52</b>
Income tax expense reported in the statement of profit and loss	41.99	49.42
Income tax effect on OCI	1.44	0.90
	<b>40.55</b>	<b>48.52</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Deferred tax

Deferred tax relates to the following

(₹ in crores)

	Balance Sheet		Profit or loss	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Unabsorbed Losses	11.60	-	11.60	-
Provision for loss allowance	42.05	45.40	(3.35)	(7.34)
Provisions made disallowed and allowed only on payment basis	8.90	8.49	0.41	0.29
Accelerated Depreciation for tax purposes	(23.64)	(24.47)	0.83	(1.78)
Others	2.68	22.45	(19.77)	0.33
<b>Total (excluding MAT credit entitlement)</b>	<b>41.59</b>	<b>51.87</b>	<b>(10.28)</b>	<b>(8.50)</b>
MAT Credit Entitlement	67.09	62.33	7.43	1.68
<b>Total</b>	<b>108.68</b>	<b>114.20</b>	<b>(2.85)</b>	<b>(6.82)</b>
<b>Total deferred tax liability recognised directly in Retained Earnings</b>	<b>(1.13)</b>	<b>(0.68)</b>	-	-
<b>Total deferred tax as shown in Balance Sheet</b>	<b>107.55</b>	<b>113.57</b>	-	-

Reflected in the balance sheet as follows

(₹ in crores)

	As at March 31	
	2019	2018
Deferred tax assets	132.32	138.67
Deferred tax liabilities:	24.77	25.15
<b>Deferred tax Assets, net</b>	<b>107.55</b>	<b>113.57</b>

Reconciliation of deferred tax liabilities (net):

(₹ in crores)

	As at March 31	
	2019	2018
Opening balance as of 1 April	113.57	122.05
Tax income/(expense) during the period recognised in profit or loss	(27.34)	(8.50)
Tax income/(expense) during the period recognised in Retained Earnings	-	1.10
MAT Credit Entitlement	7.43	1.68
Deferred Tax on losses	17.06	-
Utilization of MAT Credit	(2.67)	(2.76)
Others	(0.51)	-
<b>Closing balance as at 31 March</b>	<b>107.55</b>	<b>113.57</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 25. REVENUE FROM OPERATIONS

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>Revenue from operations</b>		
Sale of products	3,435.21	3,157.99
Sale of services	476.64	432.78
Revenue from construction contracts	1,280.17	1,004.98
Other operating revenue		
Commission income	15.92	5.16
Provisions and liabilities no longer required	18.50	40.97
Others	8.40	6.25
<b>Total revenue from operations</b>	<b>5,234.84</b>	<b>4,648.13</b>

### 26. OTHER INCOME

(₹ in crores)

	Year Ended March 31	
	2019	2018
Interest income on		
Bank deposits	0.81	0.35
Others	13.33	6.64
Dividend income on current investments	-	0.52
Rental Income	7.32	6.68
Others	3.23	2.74
<b>Total</b>	<b>24.69</b>	<b>16.95</b>

### 27. COST OF RAW MATERIALS CONSUMED (INCLUDING DIRECT PROJECT AND SERVICE COST)

(₹ in crores)

	Year Ended March 31	
	2019	2018
Cost of material consumed	1,529.92	1,481.69
Project cost (including bought outs)	1,005.30	759.76
AMC subcontracting cost	266.02	246.47
<b>Total Cost of Raw Material and Components Consumed and Project related cost</b>	<b>2,801.24</b>	<b>2,487.92</b>
<b>Purchase of stock-in-trade</b>	<b>959.50</b>	<b>1,191.29</b>
<b>Inventories at the end of the year</b>		
Traded goods	327.91	520.96
Work-in-progress	47.09	43.19
Finished goods	236.59	217.88
	<b>611.59</b>	<b>782.03</b>
<b>Inventories at the beginning of the year</b>		
Traded goods	520.96	325.89
Work-in-progress	43.19	38.55
Finished goods	217.88	193.33
	<b>782.03</b>	<b>557.77</b>
<b>(Increase)/Decrease in inventories</b>	<b>170.44</b>	<b>(224.26)</b>



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 28. EMPLOYEE BENEFITS EXPENSE

(₹ in crores)

	Year Ended March 31	
	2019	2018
Salaries, wages and bonus	375.93	353.86
Share based Payment (refer note 36)	-	0.76
Contribution to provident and other funds	13.21	12.93
Gratuity expense (refer note 35)	3.36	2.91
Staff welfare expenses	28.99	27.26
	<b>421.49</b>	<b>397.72</b>

### 29. DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in crores)

	Year Ended March 31	
	2019	2018
Depreciation on Property, Plant and Equipment (refer note 4)	47.39	43.18
Amortization expenses on Intangible Assets (refer note 6)	22.59	18.12
Depreciation on Investment Properties (refer note 5)	4.92	2.51
	<b>74.90</b>	<b>63.81</b>

### 30. OTHER EXPENSES

(₹ in crores)

	Year Ended March 31	
	2019	2018
Stores and spares consumed	14.15	15.91
Power and fuel	17.22	17.23
Rent	75.50	60.51
Repairs and maintenance		
Buildings	5.44	9.23
Plant and machinery	4.30	3.40
Others	12.70	11.94
Insurance	2.54	2.69
Rates and taxes	1.44	1.13
Advertising Expenses	53.32	61.34
Sales Promotion Expenses	41.86	57.68
Freight and forwarding charges	87.45	73.63
Legal and professional fees	52.84	42.97
Travelling and conveyance	49.83	46.07
Commission and Sale Incentives	25.24	26.83
Warranty Cost	21.94	19.36
Printing and stationery	4.05	4.10
Payment to auditors (Refer details A below )	1.33	1.55
Corporate social responsibility expenses	3.12	2.20
Donations	0.47	0.39
Loss on sale of Property, Plant and equipment (net)	1.61	0.60
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	4.06	-
Bad debts/advances written off	41.25	
Less:- Provision for bad debts	(38.40)	
Allowances for doubtful debts and advances	17.52	14.33
Miscellaneous expenses	34.85	45.35
	<b>535.63</b>	<b>520.38</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### A. Payment to auditors

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>As auditor:</b>		
Audit fee	0.92	1.04
Limited review	0.24	0.27
Tax Audit	0.07	-
<b>In other capacity</b>		
Other services	0.05	0.19
Reimbursement of expenses	0.05	0.05
	<b>1.33</b>	<b>1.55</b>

### 31. FINANCE COSTS

(₹ in crores)

	Year Ended March 31	
	2019	2018
Interest	39.60	22.13
Bank charges	7.91	5.64
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.36	0.97
	<b>47.87</b>	<b>28.74</b>

### 32. EXCEPTIONAL ITEMS

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>A. Exceptional Income</b>		
Profit on sale of Property, Plant and Equipment	15.18	5.27
	15.18	5.27
<b>B. Exceptional expenses</b>		
Platinum jubilee expenses*	(12.50)	-
<b>Exceptional Items (Net)</b>	<b>2.68</b>	<b>5.27</b>

\* The Parent commenced its Platinum Jubilee year on September 27, 2018. To mark the momentous milestone the Parent will, through the year, hold various events and programmes, run special media campaigns and print special publications. Owing to singular frequency of costs related to the milestone, such costs are regarded as exceptional.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 33. EARNING PER SHARES (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations :

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>Profit attributable to equity holders of the company for basic earnings</b>	<b>190.06</b>	<b>143.96</b>
Weighted average number of Equity shares for basic EPS (a)	9.60	9.56
ESOP issued during the year (b)	0.02	0.02
Total number of Shares (a+b)	9.62	9.58
Effect of dilutions		
Shares Options	-	0.03
Weighted average number of Equity shares adjusted for the effect of dilutions *	<b>9.62</b>	<b>9.61</b>

\*The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year.

### 34. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Group's consolidated financial statements requires Management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses that are not readily apparent from other sources. Such judgements, estimates and associated assumptions are evaluated based on the Group's historical experience, existing market conditions, as well as forward looking estimates including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the consolidated financial statements and/or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Expected cost of completion of contracts

For the purpose of arriving at Revenue from construction contracts, the Group's Management estimates the cost to completion for each project. Management systematically reviews future projected costs and compares the aggregate of costs incurred to date and future costs projections against budgets, on the basis of which, proportionate revenue (or anticipated losses), if any, are recognised.

#### Contract variations

Contract variations are recognised as revenue to the extent that it is probable that they will result in revenue which can be reliably measured and it is probable that the economic benefits associated will flow to the Group. This requires exercise of judgement by management, based on prior experience, the contract terms, manner and terms of settlement, etc.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### **Rebates and discounts**

The Group provides rebates and discounts to its dealers and channel partners based on an expectation of volumes to be achieved and parameters such as exclusivity in marketing the products of the Group, quality of showroom among other parameters. This involves a certain degree of estimation of whether all the parameters to provide discounts have been achieved. Provision for discount and rebates is based on the Group's past experience of volumes achieved vis-à-vis targets and expected volumes to be achieved for the year.

### **Warranties**

Provision for warranty costs in respect of products sold which are still under warranty is based on the best estimate of the expenditure that will be required to settle the present obligation at the end of the reporting period.

### **Useful lives of property, plant and equipment and intangible assets**

Management reviews the useful lives of property, plant and equipment and intangible assets at least once a year. The lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative efficiency and operating costs. Accordingly depreciable lives are reviewed annually using the best information available to the Management.

### **Employee benefit plans**

The present value of defined benefit obligations is determined on an actuarial basis using a number of underlying assumptions, including the discount rate and expected increase in salary costs. Any changes in these assumptions will impact the carrying amount of obligations.

### **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### **Intangible asset under development**

The Group capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

### **Impairment of financial assets**

The impairment provision for financial assets (other than trade receivables) are based on assumptions of risk of default and expected loss rates. The Group makes judgements about these assumptions for selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Trade receivables are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts which are based on the aging of the receivable balances and historical experiences. Individual trade receivables are written off when management deems them not be collectible.

### **Income Taxes**

Provision of current and deferred tax liabilities is dependent on Management estimate of the allowability or otherwise of expenses incurred and other debits to profit or loss. Deferred tax assets (including MAT recoverable) are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 35. EMPLOYEE BENEFITS DISCLOSURE

#### I. Defined Benefit Plans

##### a. Gratuity

The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lumpsum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company contributes all ascertained liabilities to the Gratuity Fund Trust (the Trust).

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through remeasurements of the net defined benefit liability/(asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the profit or loss. The Company expects to contribute ₹3.80 crores to gratuity fund in 2019-20 (FY 2018-19 - ₹6.00 crores).

#### Change in present value of defined benefit obligation

(₹ in crores)

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Defined benefit obligation at the beginning of the year	32.72	27.77	0.44	0.38	0.31	0.26
Current service cost	3.45	2.93	0.06	0.06	0.02	0.03
Interest cost	2.48	2.01	0.04	0.03	0.02	0.02
Benefit Payments from Plan Assets	(5.69)	(3.45)	-	-	-	(0.03)
Benefit Payments from employer	-	(0.24)	-	(0.02)	(0.03)	-
Remeasurements						
a. Due to change in Demographic assumptions	-	3.33	-	-	-	0.04
b. Due to change in financial assumptions	0.58	(0.45)	(0.01)	-	0.01	-
c. Due to experience adjustments	4.25	0.82	-	(0.01)	0.05	(0.02)
<b>Defined benefit obligation at the end of the year</b>	<b>37.79</b>	<b>32.72</b>	<b>0.53</b>	<b>0.44</b>	<b>0.38</b>	<b>0.30</b>

#### Change in fair value of plan assets

(₹ in crores)

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Fair value of plan assets at the beginning of the year	35.65	28.50	-	-	-	-
Expected return on Plan assets	2.71	2.17	-	-	-	-
Contribution by employer	4.67	7.83	-	-	-	-
Actual benefits paid	(5.69)	(3.45)	-	-	-	-
Remeasurements	-	-	-	-	-	-
Return on assets	(0.01)	0.60	-	-	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>37.33</b>	<b>35.65</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Components of defined benefit cost recognised in Profit or Loss

(₹ in crores)

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Current service cost	3.45	2.93	0.06	0.06	0.02	0.03
Interest Cost	2.48	2.01	0.04	0.03	0.02	0.02
Expected return on plan assets	(2.71)	(2.17)	-	-	-	-
<b>Defined benefit cost recognised in Profit or Loss</b>	<b>3.22</b>	<b>2.77</b>	<b>0.10</b>	<b>0.09</b>	<b>0.04</b>	<b>0.05</b>
<b>Components of defined benefit cost recognised in Other Comprehensive Income</b>						
a. Due to change in demographic assumptions	-	3.33	-	-	-	0.04
b. Due to change in financial assumptions	0.58	(0.45)	(0.01)	-	0.01	-
c. Due to change in experience adjustments	4.25	0.82	-	(0.01)	0.05	(0.02)
d. (Return) on plan assets (excl. interest income)	(0.01)	(0.60)	-	-	-	-
<b>Remeasurements recognised in other comprehensive income (OCI)</b>	<b>4.82</b>	<b>3.10</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>0.06</b>	<b>0.02</b>

### Net Liability/(Assets) recognised in the statement of financial position

(₹ in crores)

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Defined benefit obligation	37.79	32.72	0.53	0.44	0.38	0.30
Fair value of plan assets	37.33	35.65	-	-	-	-
<b>Net defined benefit liability/(asset)</b>	<b>0.46</b>	<b>(2.94)</b>	<b>0.53</b>	<b>0.44</b>	<b>0.38</b>	<b>0.30</b>

The major categories of plan assets are as follows:

(₹ in crores)

	As at March 31	
	2019	2018
Cash and cash equivalents	1.13	0.71
Insurance company products	11.22	13.06
Others	24.98	21.88
<b>Total</b>	<b>37.33</b>	<b>35.65</b>

The principal assumptions used in determining gratuity for the company's plan are as shown below:

### Actuarial Assumptions

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Discount Rate	7.30%	7.60%	7.78%	7.88%	7.30%	7.60%
Disability Rate	5% of IALM - 2006-08	5% of IALM - 2006-08	-	-	-	-
Normal Retirement Age	65 years for Directors and 60 for others	65 years for Directors and 60 for others	-	-	65 years for Directors and 60 for others	65 years for Directors and 60 for others

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Actuarial Assumptions contd.

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Mortality Rate	100% of IALM - 2006-08	100% of IALM - 2006-08	IALM-2008	IALM-2008	105% of IALM - 2006-08	105% of IALM - 2006-08
Salary escalation rate (Management-Staff-Directors)	7%,3%,10%	7%,3%,10%	7%	7%	-	-
Attrition Rate	14% throughout	14% throughout	3% 2% 1%	3% 2% 1%	14% throughout	14% throughout

A quantitative sensitivity analysis for significant assumptions is shown as below:

(₹ in crores)

Assumptions	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	Decrease	Increase	Decrease	Increase
Discount Rate(-/+ 0.5%)	38.81	36.84	0.39	0.36
(% change Compared to base due to sensitivity)	2.68%	-2.57%	2.97%	-2.82%
Salary Growth Rate (-/+ 0.5%)	36.83	38.81	-	-
(% change Compared to base due to sensitivity)	-2.57%	2.68%	-	-
Attrition Rate (-/+ 1% of attrition rates)	37.80	37.80	0.37	0.36
(% change Compared to base due to sensitivity)	0.00%	0.00%	-2.12%	-2.89%
Mortality Rate (-/+ 10% of mortality rates)	37.80	37.80	0.37	0.37
(% change Compared to base due to sensitivity)	0.00%	0.00%	-0.23%	0.23%

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year 2018-19.

The average duration of the defined benefit plan obligation at the end of the reporting year 2018-19 is 6 years.

### b. Provident Fund

In accordance to Ind AS 19, that provident Fund set up by employers which requires 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, 2019. The Company's contribution to the Employee's Provident Fund aggregates to ₹6.80 Crores (March 31, 2018: ₹5.84 Crores).

The Supreme Court in a recent judgement has held that provident fund contributions are payable on basic wage, dearness allowances and all other monthly allowances, which are universally, necessarily and ordinarily paid to all the employees in the establishment of the Board. There are numerous interpretative issues relating to the judgement and the matter remains sub judice. As a matter of caution, the Company has made for an estimated amount, provision on a prospective basis.

### 36. SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended 31 March 2018, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On 18th January 2013, the Board of Directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to key employees and directors of the company. The Scheme was also approved by the Shareholders of the Company by a special resolution passed by postal ballot dated 7th March, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 1 to 5 years.

The exercise price of the share options under the current grants is equal to the market price of the underlying shares on the date of grant. The fair value of the share options is estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### a) Employee Stock Option Scheme

Particulars	2018 -19						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
No of Options (Refer Note b)	-	-	-	-	-	-	-
Method of Accounting	Fair Value						
Vesting period (in years)	3	2	2	2	1	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life (in years)	5	5	5	5	5	5	5
Exercise price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
No of Option (Refer Note b)	205,650	23,300	24,000	-	26,350	-	34,800
Method of Accounting	Fair Value						
Vesting period (in years)	3	2	2	2	1	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life (in years)	5	5	5	5	5	5	5
Exercise price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### b) Movement of Options

Particulars	2018 -19						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Options outstanding at the beginning of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	-	-	-	-	-	-	-
Options exercised during the period	205,650	23,300	24,000	-	26,350	-	34,800
Options outstanding at the end of the period	-	-	-	-	-	-	-
Options exercisable as on March 31	-	-	-	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised was ₹690.80

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Options outstanding at the beginning of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	98,800	3,900	1,600	6,400	21,600	3,000	6,400
Options exercised during the period	364,750	11,200	-	39,600	6,050	3,000	4,800
Options outstanding at the end of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options exercisable as on March 31	205,650	23,300	24,000	-	26,350	-	34,800

The weighted average share price at the date of exercise for stock options exercised was ₹695.14

The weighted average contractual life for the share options outstanding as at March 31, 2018 was 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### c) Fair Valuation

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Model used	Black-Scholes						
Expected volatility	38.0%	35.0%	30.0%	31.0%	32.0%	32.0%	36.0%
Risk-free interest rate	8.5%	7.7%	7.8%	7.8%	7.8%	7.6%	7.7%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

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

d) The expense recognised for employee services received during the year is shown in the following table:

	Year Ended March 31	
	2019	2018
Expense arising from equity-settled share-based payment transactions	-	0.76

(₹ in crores)

### 37. COMMITMENTS AND CONTINGENCIES

#### a. Contingent liabilities

	As at March 31	
	2019	2018
Claims against the Group not acknowledged as debts	0.15	0.25
Sales Tax matters	172.27	104.18
Excise Duty matters	11.90	8.99
Service Tax matters	173.67	163.05
Income Tax matters	90.57	58.82
GST matters	0.07	-

(₹ in crores)

#### b. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2019, Group had commitments (net of advances) of ₹59.32 crores (March 31, 2018 : ₹31.84 crores)

#### c. Financial Guarantees provided

	As at March 31	
	2019	2018
Corporate Guarantee given/utilised on behalf of Joint Venture (net of provision)	-	17.78

(₹ in crores)

d. Ministry of Environment, Forest and Climate Change (MoEF & CC) Government of India, has issued E-Waste (Management) Rules, 2016 ('the Rule'). Accordingly as per these rules, the Group is mandated to comply with the Extended Producer Responsibility (EPR) targets through channelization of e-waste to an authorised dismantler/recycler. The Group has an obligation for collection of electrical and electric equipment based on e-waste collection targets as specified in schedule III of these Rules, for the quantities placed in the market during previous 10 years. The Group has fulfilled its commitment for the financial year 2018-19 in accordance with these Rules.

### 38. DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES

Names of other related parties as per Ind AS 24 with whom transactions have taken place during the year:

Joint Ventures	Country of Incorporations	% of equity interest	
		31-Mar-19	31-Mar-18
Blue Star M & E Engineering Sdn Bhd	Malaysia	49.00*	49.00*
Blue Star Oman Electro-Mechanical Co LLC	Oman	51.00	51.00

\*Refer Note 40

#### Key Management Personnel

Mr Vir S Advani, Vice Chairman & Managing Director  
 Mr B Thiagarajan, Managing Director  
 Mr Vijay Devadiga, Company Secretary  
 Mr Neeraj Basur, Group Chief Financial Officer

#### Non Executive and Independent Directors

Mr Suneel M Advani  
 Mr Gurdeep Singh  
 Mr Shailesh Haribhakti  
 Ms Shobana Kamineni  
 Mr Rajiv R Lulla  
 Mr Dinesh N Vaswani  
 Mr Sam Balsara  
 Mr Anil Harish  
 Mrs Rumjhum Chatterjee (w.e.f Feb 05, 2019)  
 Mr Arvind K Singhal (w.e.f Feb 05, 2019)

#### Relative of Director

Mr Ashok M Advani

#### Enterprises in which a Director is/was a member/director during the year

KEIMED Private Limited  
 Apollo Munich Health Insurance Company Limited  
 Apollo Hospital Enterprises Limited  
 Pragati Leadership Institute Private Limited  
 Atria Convergence Technologies Pvt Ltd  
 Lifetime Wellness RX International Ltd  
 Entrust Communications Pvt Ltd  
 Moms Outdoor Media Solutions Pvt Ltd  
 Madison Communications Pvt Ltd  
 Platinum Communication Pvt Ltd

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

Transactions during the period with Related Parties are as under:

(₹ in crores)

Name of the Related Party	March 31, 2019		March 31, 2018	
	Transactions	Balance O/S DR/(CR)	Transactions	Balance O/S DR/(CR)
<b>Blue Star M &amp; E Engineering Sdn Bhd</b>		<b>0.47</b>		<b>0.29</b>
Consultancy services rendered	1.48		1.21	
<b>Blue Star Oman Electro-Mechanical Co LLC</b>				<b>0.03</b>
Loan given	4.46	4.46	-	-
Recovery of Remuneration Expense	0.36	-	-	-
Guarantee commission	0.23	-	0.03	-
<b>Enterprises in which Director is a member/director</b>				
Sale of Goods and Services				
Apollo Hospital Enterprises Ltd	0.47	-	3.52	-
Atria Convergence Technologies Pvt Ltd	0.19	0.04	0.03	-
KEIMED Private Ltd	0.04	-	0.01	-
Apollo Munich Health Insurance Co Ltd	0.01	-	0.15	-
Lifetime Wellness RX International Ltd	0.06	0.03	0.05	0.01
Madison Communications Pvt Ltd	0.08	0.01	0.05	-
Moms Outdoor Media Solutions Pvt Ltd	0.01	(0.01)	0.01	-
Platinum Communication Pvt Ltd	0.01	-	-	-
<b>Project Revenue</b>				
Apollo Hospital Enterprises Ltd	1.38	1.93	3.44	1.69
<b>Services Received</b>				
Pragati Leadership Institute Pvt Ltd	-	-	0.12	(0.08)
Entrust Communications Pvt Ltd	0.09	(0.02)	2.14	(0.33)
Moms Outdoor Media Solutions Pvt Ltd	3.49	(1.70)	8.47	(5.51)
Madison Communications Pvt Ltd	36.33	(7.93)	34.23	(8.04)
Apollo Hospital Enterprise Ltd	-	-	0.03	-
<b>Relative of Director</b>				
Fees for Professional Services	0.24	(0.05)	0.18	(0.05)
<b>Compensation of key managerial personnel</b>	-	<b>(9.39)</b>	-	<b>(9.14)</b>
Short term employee benefits	16.20	-	14.55	-
Sitting fees to Non Executive and Independent Directors	0.63	-	0.51	-
Commission to Non Executive and Independent Directors	1.49	-	1.59	-
Retirement benefits	0.64	-	0.47	-
Share-based payment transactions	-	-	0.19	-
<b>Total compensation paid to key management personnel</b>	<b>18.96</b>	-	<b>17.31</b>	-
ESOP exercised during the year				
B Thiagarajan 119600 (March 31, 2018 100000) equity shares of ₹2 each	3.82	-	2.90	-
Neeraj Basur Nil (March 31, 2018 39,600) equity shares of ₹2 each	-	-	1.46	-
Vijay Devadiga Nil ( March 31, 2018: 4800) equity shares of ₹2 each	-	-	0.18	-

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

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

### Terms & Conditions of Transactions with Related Party

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

### Corporate Guarantees to Related Parties

The Parent has given corporate guarantees to joint venture in the ordinary course of business to meet the working capital requirements of the joint venture.

Name of Related party	March 31	
	2019	2018
<b>Blue Star Oman Electro-Mechanical Co LLC</b>		
Corporate Guarantee Given (refer note 22)	20.33	21.63

(₹ in crores)

### Transactions with key managerial personnel/directors

#### Other Directors' interests

During the year ended March 31, 2019, the Company has received services from one of the relative of the director. The transactions entered into with enterprises in which director is a member/director are on arm's length basis.

#### Directors' interests in the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme")

Share options held by executive director of the Board of Directors under the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme") to purchase Equity shares have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise Price (₹)	As at 31-Mar-19 Number outstanding	As at 31-Mar-18 Number outstanding
06-Jun-2014	31-Jul-2018	290.05	-	84,800
01-Apr-2016	31-Jul-2018	390.30	-	34,800

## 39. SEGMENT INFORMATION:

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

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

- Electro Mechanical Projects and Packaged Air-conditioning Systems includes central air-conditioning projects, Electrical Contracting business and Packaged air-conditioning businesses including manufacturing and after sales service.
- Unitary Products includes cooling appliances, cold storage products, including manufacturing and after sales service.
- Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

(₹ in crores)

Segment Revenues, Results and other Information:	Year Ended March 31	
	2019	2018
<b>I. SEGMENT REVENUE</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	2,748.11	2,361.07
ii. Unitary Products	2,268.97	2,088.73
iii. Professional Electronics and Industrial Systems	217.76	198.33
<b>TOTAL SEGMENT REVENUE</b>	<b>5,234.84</b>	<b>4,648.13</b>
Add: Other Income	24.69	16.95
<b>TOTAL INCOME</b>	<b>5,259.53</b>	<b>4,665.08</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>II. SEGMENT RESULT</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	150.85	121.96
ii. Unitary Products	185.92	168.05
iii. Professional Electronics and Industrial Systems	43.78	24.02
<b>TOTAL SEGMENT RESULT</b>	<b>380.55</b>	<b>314.03</b>
Less: i) Finance Cost	47.87	28.74
ii) Other un-allocable Expenditure Net of un-allocable Income	84.22	94.99
<b>TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>248.46</b>	<b>190.30</b>
Exceptional Items	2.68	5.27
<b>PROFIT BEFORE TAXATION</b>	<b>251.14</b>	<b>195.57</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>III. OTHER INFORMATION:</b>		
<b>A. SEGMENT ASSETS</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,727.75	1,502.87
ii. Unitary Products	1,188.47	1,247.81
iii. Professional Electronics and Industrial Systems	57.90	87.14
<b>TOTAL SEGMENT ASSETS</b>	<b>2,974.12</b>	<b>2,837.82</b>
Add: Un-allocable Corporate Assets	376.84	398.40
<b>TOTAL ASSETS</b>	<b>3,350.96</b>	<b>3,236.22</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>B. SEGMENT LIABILITIES</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,213.19	1,049.65
ii. Unitary Products	719.68	864.89
iii. Professional Electronics and Industrial Systems	86.13	64.07
<b>TOTAL SEGMENT LIABILITIES</b>	<b>2,019.00</b>	<b>1,978.61</b>
Add: Un-allocable Corporate Liabilities	457.07	463.36
<b>TOTAL LIABILITIES</b>	<b>2,476.07</b>	<b>2,441.97</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>C. NON CURRENT ASSET</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	52.96	52.32
ii. Unitary Products	52.83	34.08
iii. Professional Electronics and Industrial Systems	0.44	0.72
iv. Un-allocable	14.69	12.85
<b>TOTAL</b>	<b>120.91</b>	<b>99.97</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>D. DEPRECIATION/AMORTISATION</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	33.07	23.67
ii. Unitary Products	26.01	16.25
iii. Professional Electronics and Industrial Systems	1.06	0.56
iv. Un-allocable	14.76	23.33
<b>TOTAL</b>	<b>74.90</b>	<b>63.81</b>

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>E. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	5.55	27.26
ii. Unitary Products	0.34	1.85
iii. Professional Electronics and Industrial Systems	1.76	2.59
iv. Un-allocable	0.78	2.17
<b>TOTAL</b>	<b>8.43</b>	<b>33.87</b>

### B. Secondary segment information:

(₹ in crores)

	As at March 31	
	2019	2018
<b>Revenue (Sales, Services &amp; Commission) by Geographical Market</b>		
India	4,731.57	4,196.26
Outside India	503.27	451.87
<b>Total</b>	<b>5,234.84</b>	<b>4,648.13</b>
<b>Carrying amount of Non-current assets</b>		
India	508.90	473.09
Outside India	3.26	3.31
<b>Total</b>	<b>512.16</b>	<b>476.40</b>

### 40. INTEREST IN JOINT VENTURE

The Blue Star Group comprises of the following entities

	Country of Incorporation	% Shareholding	
		March 31, 2019	March 31, 2018
<b>Foreign Joint Ventures-Jointly Controlled Entities</b>			
Blue Star M & E Engineering Sdn Bhd	Malaysia	49%	49%
Carrying amount of Investment (₹Crores)		14.63	13.24
Blue Star Oman Electro-Mechanical Company LLC (refer note 1)	Oman	51%	51%
Carrying amount of Investment (₹Crores) (refer note 2 below)		-	-

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Summarised Balance Sheet as at March 31, 2018:

(₹ in crores)

	As at March 31, 2019		As at March 31, 2018	
	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC (refer note 2 below)	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC
Current assets	82.51	-	80.24	94.68
Non-Current Assets	13.93	-	21.10	1.08
Current Liabilities	61.35	-	66.80	94.38
Non-current Liabilities	6.36	-	7.53	1.38
<b>EQUITY</b>	<b>28.73</b>	<b>-</b>	<b>27.01</b>	<b>-</b>

(₹ in crores)

	Year Ended March 31, 2019		Year Ended March 31, 2018	
	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC (refer note 2 below)	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC
Revenue	102.37	-	93.53	97.44
Other Income	4.51	-	-	-
Cost of raw material and components consumed	80.59	-	71.98	68.92
Depreciation and amortization	0.29	-	0.20	0.20
Finance cost	0.15	-	0.12	2.06
Employee Benefit	6.52	-	6.37	36.04
Other Expenses	3.97	-	3.65	1.08
Profit before Tax	15.36	-	11.21	(10.86)
Income Tax Expense	4.10	-	4.03	-
Profit for the year	11.26	-	7.18	(10.86)
<b>Group's share of profit for the year</b>	<b>5.53</b>	<b>-</b>	<b>3.51</b>	<b>(5.43)</b>

#### Notes:

- The Company has 51% shareholding in Blue Star Oman Electro-mechanical Co LLC however the profit/loss sharing is on 50-50 basis and is accounted as Joint Venture.
- In view of the ongoing losses of its Joint Venture in Oman (Blue Star Oman Electro-mechanical Co LLC), the company is considering options for exit from the venture. The Company has on April 09, 2019 filed a petition for liquidation of the venture before the appropriate jurisdictional court in Oman. The Company has therefore made provision for its known financial obligations and committed financial involvement in the venture.
- The group's had no contingent liabilities or capital commitments relating to its interest in Blue Star M & E Engineering Sdn Bhd and Blue Star Oman Electro-Mechanical Company LLC as at March 31, 2019 and March 31, 2018.



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 41. DERIVATIVE INSTRUMENTS AND ATTACHED FOREIGN CURRENCY EXPOSURE

The Group has a forex risk management policy which ensures proactive and regular monitoring and managing of foreign exchange exposures. Financial risks relating to changes in exchange rates are hedged by forward and options contracts. The hedging strategy is used towards managing currency fluctuation risk and the Group does not use foreign exchange forward and options contract for trading or speculative purposes.

Forward and options contract are fair valued at each reporting date. The resultant gain or loss of forward and option contract is recognised in the Profit or Loss.

Commodity risk is mitigated by entering into annual rate contracts with major suppliers which is factored in pricing decisions. This approach provides sufficient mitigation against volatility in commodity rates.

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

Foreign Currency	31-Mar-19		31-Mar-18	
	Amount in Foreign Currency (in Lakh)	₹ Crores	Amount in Foreign Currency (in Lakh)	₹ Crores
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD &amp; CNY:</b>				
<b>Hedge of underlying payables - USD</b>	<b>125.80</b>	<b>87.00</b>	<b>316.87</b>	<b>206.52</b>
- Buyers' Credit	-	-	81.09	52.85
- Payables	125.80	87.00	235.78	153.67
<b>Hedge of underlying payables - CNY</b>				
- Payables	1,004.23	103.31	1,132.43	117.57

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

Foreign Currency	31-Mar-19		31-Mar-18	
	Amount in Foreign Currency (in Lakh)	₹ Crores	Amount in Foreign Currency (in Lakh)	₹ Crores
<b>Bank Balances</b>				
EUR	9.09	7.06	6.26	5.06
USD	19.44	13.44	17.34	11.30
<b>Receivables</b>				
EUR	4.43	3.44	15.95	12.90
JPY	21.60	0.13	22.75	0.14
MYR	16.60	2.81	11.84	2.00
USD	176.45	122.02	107.53	70.08
<b>Payables</b>				
EUR	12.71	9.87	26.21	21.18
JPY	169.71	1.06	70.81	0.43
CNY	22.66	2.33	337.69	35.06
USD	137.77	95.27	164.19	107.01

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 42. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

#### Quantitative disclosures fair value measurement hierarchy as at March 31, 2019 :

(₹ in crores)

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Investment Property (refer note 5)	March 31, 2019	96.58	-	-	96.58
<b>Liability measured at fair value:</b>					
Derivatives not designated as hedges (refer note 19)					
- Foreign exchange forward contracts	March 31, 2019	3.71	-	3.71	-

There have been no transfers between Level 1 and Level 2 during the period.

#### Quantitative disclosures fair value measurement hierarchy as at March 31, 2018 :

(₹ in crores)

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Investment Property (refer note 5)	March 31, 2018	85.40	-	-	85.40
<b>Assets measured at fair value:</b>					
Derivatives not designated as hedges (refer note 9)					
- Foreign exchange forward contracts	March 31, 2018	1.31	-	1.31	-

There have been no transfers between Level 1 and Level 2 during the period

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures.

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: Currency risk and interest rate risk. Financial instruments affected by market risk includes borrowings, investments, trade payables, trade receivables, loans and derivative financial instruments.

#### Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). Foreign currency risks are managed within the approved policy parameters utilising foreign exchange forward contracts.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### Foreign Currency Sensitivity

The following table demonstrates the sensitivity of material unhedged foreign currencies to the functional currency of the Group, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives.

(₹ in crores)

	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2018
US Dollars	+5%	(2.01)	(0.70)	(1.31)	(0.46)
	-5%	2.01	0.70	1.31	0.46
CNY	+5%	0.11	0.04	0.07	(1.16)
	-5%	(0.11)	(0.04)	(0.07)	1.16

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate change does not affect significantly short term borrowing and investments.

### Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

#### 1. Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on credit term in line with respective industry norms. Outstanding customer receivables are regularly monitored. The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(₹ in crores)

	Neither past due nor impaired	Past due but not impaired		Total
		Less than 1 year	More than 1 year	
Trade Receivables as on March 31, 2019	374.57	562.90	174.58	1,112.05
Trade Receivables as on March 31, 2018	263.49	592.03	94.90	950.42

The requirement for impairment is analysed at each reporting date. Refer Note 11 for details on the impairment of trade receivables.

#### 2. Financial instruments and cash deposits

Credit risk from balances with banks is managed by Group's treasury in accordance with the Board approved policy. Investments of surplus funds, temporarily, are made only with approved counterparties, mainly mutual funds, who meet the minimum threshold requirements under the counterparty risk assessment process. The Group's maximum exposure for financial guarantees is given in Note 37.

### Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its obligations. The Company monitors rolling forecast of its liquidity position on the basis of expected cash flows. The Company's approach is to ensure that it has sufficient liquidity or borrowing headroom to meet its obligations at all point in time. The Company has sufficient short-term fund based lines, which provides healthy liquidity and these carry highest credit quality rating from reputed credit rating agency.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

The table below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

(₹ in crores)

	As at March 31, 2019		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	335.89	8.65	344.54
Trade Payables	1,534.62	-	1,534.62
Other financial liabilities	19.98	-	19.98
<b>Total</b>	<b>1,890.49</b>	<b>8.65</b>	<b>1,899.14</b>

(₹ in crores)

	As at March 31, 2018		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	344.02	25.90	369.91
Trade Payables	1,532.69	-	1,532.69
Other financial liabilities	13.79	-	13.79
<b>Total</b>	<b>1,890.49</b>	<b>25.90</b>	<b>1,916.39</b>

#### 44. CAPITAL MANAGEMENT

The Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are met through optimum mix of borrowed and owned funds.

The Company's adjusted net debt and equity position is as follows:

##### Gearing Ratio:

(₹ in crores)

	As at March 31	
	2019	2018
Borrowings	347.56	375.61
Less: Cash and cash equivalents	100.94	80.88
<b>Net Debt</b>	<b>246.62</b>	<b>293.73</b>
Equity	874.89	794.25
<b>Total Capital</b>	<b>874.89</b>	<b>794.25</b>
<b>Capital and Net Debt</b>	<b>1,121.51</b>	<b>1,087.98</b>
<b>Gearing Ratio</b>	<b>22%</b>	<b>27%</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 45. CURRENT ASSETS AND LIABILITIES EXPECTED TO BE RECOVERED/SETTLED WITHIN TWELVE MONTHS AND AFTER TWELVE MONTHS FROM THE REPORTING DATE:

(₹ in crores)

	March 31, 2019		
	Within 12 months	After 12 months	Total
<b>Assets</b>			
Inventories	869.32	-	869.32
Trade receivables	1,112.05	-	1,112.05
Loans	11.34	19.82	31.16
Other financial assets	-	4.36	4.36
Other Current Assets	566.79	56.10	622.89
Assets held for sale	0.14	-	0.14
<b>Liabilities</b>			
Trade Payables	1,534.62	-	1,534.62
Other Financial Liabilities	19.98	-	19.98
Other Current Liabilities	466.36	-	466.36
Provisions	87.00	12.06	99.06

(₹ in crores)

	March 31, 2018		
	Within 12 months	After 12 months	Total
<b>Assets</b>			
Inventories	1,017.08	-	1,017.08
Trade receivables	950.42	-	950.42
Loans	14.22	18.17	32.39
Other financial assets	1.31	3.96	5.27
Other Current Assets	509.38	45.81	555.19
Assets held for sale	5.22	-	5.22
<b>Liabilities</b>			
Trade Payables	1,532.39	-	1,532.39
Other Financial Liabilities	13.79	3.32	17.11
Other Current Liabilities	446.47	-	446.47
Provisions	59.00	-	59.00

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 46. AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST VIDE NOTE 27 IN RESPECT OF SPECIFIC ITEMS INCLUDED IN SALARIES AND WAGES, OTHER EXPENSES AND FINANCE COST VIDE NOTE 28, 30 AND 31 IS AS FOLLOWS:

(₹ in crores)

Nature of expenses	Note 27	Note 28	Note 30	Note 31	Total
Subcontracting cost	342.38	-	-	-	342.38
	(224.30)	-	-	-	(224.30)
Salary & wages	25.99	375.93	-	-	401.92
	(10.96)	(353.86)	-	-	(364.82)
Rent	0.96	-	75.50	-	76.46
	(0.72)	-	(60.51)	-	(61.23)
Power & fuel	4.01	-	17.22	-	21.22
	(2.01)	-	(17.23)	-	(19.24)
Insurance	1.41	-	2.54	-	3.95
	(4.31)	-	(2.69)	-	(7.01)
Travelling & Conveyance	3.12	-	49.83	-	52.96
	(3.50)	-	(46.07)	-	(49.57)
Printing & Stationery	0.65	-	4.05	-	4.69
	(0.82)	-	(4.10)	-	(4.92)
Freight and Forwarding Charges	0.72	-	87.45	-	88.19
	(2.28)	-	(73.63)	-	(75.90)
Legal & Professional fees	15.94	-	52.84	-	68.78
	(14.90)	-	(42.97)	-	(57.87)
Bank charges	2.18	-	-	7.91	10.08
	(1.44)	-	-	(5.64)	(7.08)

Figures in brackets are for previous year

### 47. LEASES

The Group has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. There are no exceptional/restrictive covenants in the lease agreements, except in case of Ten premises. Lease rental expense debited to statement of Profit and Loss is ₹76.46 Crores (March 31, 2018 : ₹61.23 Crores).

(₹ in crores)

	As at March 31	
	2019	2018
<b>Minimum lease payments for non-cancellable operating leases as at 31st March</b>		
(a) Not later than one year	6.36	5.59
(b) Later than one year but not later than five years	4.61	7.60
(c) Later than five years	-	-

The Company has leased out office premises and furniture under cancellable operating lease agreements that are renewable at the option of both the lessor and the lessee.

An amount of ₹7.32 Crores (Previous year: ₹6.68 Crores ) is recognised as lease income in the statement of profit & Loss for the year ended March 31, 2019.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 48. (a) Details of revenue expenditure directly related to Research & Development :

(₹ in crores)

	Year Ended March 31	
	2019	2018
Employee benefits expense	19.05	18.34
Cost of raw material and components consumed	4.66	5.89
Legal & Professional fees	0.66	2.90
Depreciation	11.02	10.19
Others	5.77	6.50
<b>Total</b>	<b>41.16</b>	<b>43.82</b>

### (b) Details of Capital expenditure directly related to Research & Development :

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>Tangible Assets</b>		
Building sheds and road	2.00	0.18
Plant & Equipment	1.56	2.21
Furniture & fixtures	0.08	0.26
Office equipments	0.05	0.98
Vehicles	0.74	-
Computers	0.13	-
<b>Intangible Assets (including under development)</b>		
Technical knowhow	4.70	7.71
Software	0.33	0.20
<b>Total</b>	<b>9.59</b>	<b>11.54</b>

### 49. STATUTORY GROUP INFORMATION

(₹ in crores)

	Net Assets i.e. total assets minus total liabilities		Share in profit or loss		Share in Other comprehensive Income		Share in Total comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive Income	Amount	As % of consolidated Total comprehensive Income	Amount
<b>Parent - Blue Star Limited (Standalone)</b>								
Balance at March 31, 2019	110%	961.00	64%	121.79	92%	(2.89)	64%	118.90
Balance at March 31, 2018	119%	948.25	92%	132.21	67%	(1.59)	92%	130.62
<b>Subsidiaries</b>								
<b>Indian</b>								
1. Blue Star Engineering & Electronics Limited								
Balance at March 31, 2019	14%	121.72	27%	51.02	14%	(0.43)	27%	50.59
Balance at March 31, 2018	9%	71.13	17%	24.08	29%	(0.69)	17%	23.39
<b>Foreign</b>								
1. Blue Star Qatar - WLL								
Balance at March 31, 2019	4%	35.98	4%	6.85	0%	-	4%	6.85
Balance at March 31, 2018	3%	27.52	4%	5.43	0%	-	4%	5.43

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### 49. STATUTORY GROUP INFORMATION (CONTD.)

(₹ in crores)

	Net Assets i.e. total assets minus total liabilities		Share in profit or loss		Share in Other comprehensive Income		Share in Total comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive Income	Amount	As % of consolidated Total comprehensive Income	Amount
<b>2. Blue Star International FZCO</b>								
Balance at March 31, 2019	0%	3.88	0%	0.55	0%	-	0%	0.55
Balance at March 31, 2018	0%	(1.38)	-4%	(6.28)	0%	-	-4%	(6.28)
<b>3. Blue Star Systems and Solutions LLC</b>								
Balance at March 31, 2019	0%	0.56	0%	-	0%	-	0%	-
Balance at March 31, 2018	0%	-	0%	-	0%	-	0%	-
<b>Joint Ventures</b> (As per proportionate consolidation/investment as per the equity method)								
<b>1. Blue Star M &amp; E Engineering Sdn Bhd</b>								
Balance at March 31, 2019	2%	14.08	3%	5.53	0%	-	3%	5.53
Balance at March 31, 2018	2%	13.23	2%	3.51	0%	-	2%	3.51
<b>2. Blue Star Oman Electro-Mechanical Co LLC</b>								
Balance at March 31, 2019 (refer note 22)	0%	-	-13%	(24.28)	0%	-	-13%	(24.28)
Balance at March 31, 2018	-1%	(4.67)	-4%	(5.43)	0%	-	-4%	(5.43)
<b>Consolidated adjustments/ Eliminations</b>								
Balance at March 31, 2019		(262.33)		28.60		0.19		28.79
Balance at March 31, 2018		(259.83)		(9.56)		(0.11)		(9.67)
<b>Total</b>								
<b>Balance at March 31, 2019</b>	<b>100%</b>	<b>874.89</b>	<b>100%</b>	<b>190.06</b>	<b>100%</b>	<b>(3.13)</b>	<b>100%</b>	<b>186.93</b>
<b>Balance at March 31, 2018</b>	<b>100%</b>	<b>794.25</b>	<b>100%</b>	<b>143.96</b>	<b>100%</b>	<b>(2.39)</b>	<b>100%</b>	<b>141.57</b>

### 50. DISCLOSURE IN CONNECTION WITH REVENUE FROM CONTRACT WITH CUSTOMERS

The Company has adopted Ind AS 115 - 'Revenue from Contracts with Customers', and also appropriately evaluated its revenue recognition policies, w.e.f. April 1, 2018. The changes have been applied retrospectively and the resultant impact on the immediately preceding comparative period is tabulated below:

(₹ in crores)

	Year Ended March 31 2018
<b>Statement of Profit and Loss</b>	
Revenue from operations	(101.86)
Change in inventories of finished goods, stock-in-trade and work-in-progress	(17.10)
Other expenses	(74.31)
Profit before Tax	(10.45)
Tax Expense	(5.15)
Profit after Tax	(5.30)
<b>Earnings per share</b>	
Basic (in ₹)	(0.55)
Diluted (in ₹)	(0.55)



## Notes to Consolidated Financial Statements for the year ended March 31, 2019

(₹ in crores)

	March 31, 2018	April 01, 2017
<b>Balance Sheet</b>		
Other equity	(5.31)	(33.24)
Trade Receivables	(8.44)	(138.51)
Inventory	17.10	148.75
Deferred Tax Assets (net)	5.14	14.42
Trade payables	(0.28)	11.74
Advances from customers	(20.05)	(70.25)
Provisions	1.22	0.61

On account of adoption of Ind AS 115 unbilled revenues and retention monies, of ₹336.68 crores and ₹70.80 crores, respectively (PY ₹289.66 crores and ₹30.56 crores) have been classified as a non-financial assets.

### (1) Disaggregation of revenue:

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2019 by offerings and contract-type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors:

(₹ in crores)

Revenue by type of contract	As at March 31, 2019			As at March 31, 2018		
	At a point in time	Over time	Total	At a point in time	Over time	Total
Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,198.61	1,547.03	2,745.64	998.34	1,360.08	2,358.42
Unitary Products	2,234.81	34.86	2,269.67	2,055.45	34.10	2,089.55
Professional Electronics and Industrial Systems	181.21	38.32	219.53	179.47	20.69	200.16
<b>Total</b>	<b>3,614.63</b>	<b>1,620.21</b>	<b>5,234.84</b>	<b>3,233.26</b>	<b>1,414.87</b>	<b>4,648.13</b>

### (2) Reconciliation of contracted price with the revenue recognised in profit or loss:

(₹ in crores)

	Year Ended March 31	
	2019	2018
Sale of products at transaction price & Construction and services Contracts at contracted price	5,272.72	4,670.33
Reductions towards variable consideration components *	(80.70)	(74.58)
Revenue recognised on sale of property, construction contracts and sale of services	5,192.02	4,595.75

\* Reduction towards variable consideration components include discounts, service level credits, etc.

(3) Revenue recognised relating to performance obligations that were satisfied in a prior year amounted to ₹ Nil crore (PY ₹ Nil crore).

(4) The aggregate value of Order Book as at March 31, 2019, is ₹2,430 crores (PY ₹2,015 crores). Out of this, the Company expects to recognize revenue of around 77% within the next one year and the remaining thereafter.

## Notes to Consolidated Financial Statements for the year ended March 31, 2019

### (5) Changes in contract assets and contract liabilities during the reporting period:

(₹ in crores)

	2018-19	2017-18
Opening balance - Contract assets (net of impairment)	289.66	262.02
Opening balance - Contract liabilities*	(85.52)	(81.73)
Revenue recognised during the year	(1620.21)	(1414.87)
Less: Progress billing during the year	1630.36	1438.72
<b>Closing Balance</b>	<b>214.29</b>	<b>204.14</b>
Closing balance contract assets (net of impairment)	336.68	289.66
Closing balance contract liabilities including income received in advance	(122.39)	(85.52)
*The Company has recognised revenue out of opening contract liabilities	85.52	81.73

### 51. CHANGES IN ACCOUNTING STANDARD AND RECENT ACCOUNTING PRONOUNCEMENTS

On March 30, 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116 on Leases. Ind AS 116 would replace the existing leases standard Ind AS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosures for both parties to a contract, i.e. the lessee and the lessor. Ind AS 116 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently for operating lease, rentals are charged to the statement of profit and loss. The Group is currently evaluating the implication of Ind AS 116 on the financial statements.

The Companies (Indian Accounting Standards) Amendment Rules, 2019 notified amendments to the following accounting standards. The amendments would be effective from April 1, 2019

1. Ind AS 12 – Income taxes – Appendix C on uncertainty over income tax treatments
2. Ind AS 23 – Borrowing costs
3. Ind AS 28 – investment in associates and joint ventures
4. Ind AS 103 and Ind AS 111 – Business combinations and joint arrangements
5. Ind AS 109 – Financial instruments
6. Ind AS 19 – Employee benefits

The Group is in the process of evaluating the impact of such amendments.

### 52. PREVIOUS YEAR COMPARATIVES

Corresponding figures for the immediately preceding period are disclosed in the financial statements. Additionally, the balance sheet as at the beginning of the preceding period has been presented in accordance with the requirements of Schedule III to the Companies Act, 2013 and Ind AS 1 – Presentation of Financial Statements. Previous years' figures have been regrouped where necessary to confirm to this year's classification.

#### For and on behalf of the Board of Directors of BLUE STAR LIMITED

<b>Shailesh Haribhakti</b>	Chairman	DIN: 00007347
<b>B Thiagarajan</b>	Managing Director	DIN: 01790498
<b>Vijay Devadiga</b>	Company Secretary	
<b>Neeraj Basur</b>	Group Chief Financial Officer	

Mumbai : May 02, 2019

# Independent Auditor's Report

## To The Members of Blue Star Limited Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of Blue Star Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit, total comprehensive income, its cash flows and changes in equity, for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	<b>Accounting for fixed price contracts:</b> Estimate of effort is a critical estimate to determine revenues from fixed price contracts and liability for onerous obligations. This estimate has an inherent uncertainty as it requires measurement of the progress of contracts, which is based on effort till date and effort required to complete the remaining contract performance obligations. (Refer Note 14, 21, 25 and 48 of the standalone financial statements)	We performed a range of audit procedures, which included: <ul style="list-style-type: none"><li>• assessing the appropriateness of the relevant accounting policy and Company's measurement of the actual effort till date and the total estimated effort to completion of performance obligations.</li><li>• evaluation of the design and implementation of internal controls over recording of actual effort till date and estimation of effort required to complete the performance obligations.</li><li>• testing the operating effectiveness of the said internal controls for a selected sample of contracts.</li><li>• substantive tests on a sample of contracts to identify, if any, significant variations in actual efforts till date and total efforts required to complete the performance obligations and verifying whether those variations have been factored in recognizing revenue for the year.</li><li>• identifying onerous contracts to record a provision for expected costs to be incurred till completion of the contract.</li></ul>

Sr. No.	Key Audit Matter	Auditor's Response
2	<p><b>Assessment of the carrying value of billed and unbilled receivables:</b></p> <p>The appropriate valuation of billed and unbilled receivables is dependent on a number of factors such as age, credit worthiness, and, intent and ability of counterparties to make payment.</p> <p>(Refer Note 11 and 14 of the standalone financial statements)</p>	<p>We performed a range of audit procedures, which included:</p> <ul style="list-style-type: none"> <li>• evaluation of the design and implementation of internal controls over review of valuation of billed and unbilled receivables including estimation of expected credit loss.</li> <li>• testing the operating effectiveness of the said internal controls for selected samples.</li> <li>• scrutinising receivable accounts to confirm management's assessment about recoverability of the receivables, having regards to credit worthiness of the counterparties and the intent of the counterparties to make payment based on passage of time and/or information available with management.</li> <li>• verification of subsequent receipts, post balance sheet date.</li> <li>• evaluation of estimates for provision of Expected Credit Loss in terms of Ind AS 109 on Financial Instruments.</li> </ul>
3	<p><b>Recording sale of unitary products in the appropriate accounting period:</b></p> <p>Revenue is recognised when performance obligations are satisfied by transferring promised goods to customers. Goods are considered transferred when the customer obtains 'control' of the promised goods. Control is the ability to direct the use of and obtain, substantially all the benefits from the goods.</p> <p>There is a risk of revenue not being recorded in the correct accounting period on account of the ability to establish with certainty the point of time when control has passed.</p> <p>(Refer Note 25 of the standalone financial statements)</p>	<p>We performed a range of audit procedures, which included:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of the relevant accounting policy.</li> <li>• evaluation of the design and implementation of internal controls over management's assertion with respect to 'cut-off', to establish that control of promised goods has passed to customers.</li> <li>• testing the operating effectiveness of the said internal controls for selected sample of sales.</li> <li>• substantive tests on a sample of sales to confirm that 'cut-off' has been properly applied, in particular, just before and after close of the accounting period.</li> </ul>

**Information Other than the Financial Statements and Auditor's Report Thereon**

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Letters from the Directors, Integrated Report, Board's Report, Management Discussion and Analysis, and The Dynamics of Blue Star's Growth (herein after referred to as "other information", but does not include the financial statements and our auditor's report thereon.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including

other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibility for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

We have not audited the comparative financial information as at and for the year ended March 31, 2018 included in the accompanying financial statements. The predecessor auditors have expressed an unmodified opinion dated May 14, 2018 on their audit of the comparative financial information. Comparative financial information as at April 01, 2017, included in the balance sheet has been extracted from the financial statements as at March 31, 2017, which were audited by the predecessor auditor who had expressed an unmodified report dated May 09, 2017.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements in accordance with generally accepted accounting principles;
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Porus Pardiwalla**  
Partner  
(Membership No. 40005)

Place : Mumbai  
Date : May 02, 2019

# Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 2(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **BLUE STAR LIMITED** (“the Company”) as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## **Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

## **Meaning of Internal Financial Controls Over Financial Reporting**

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

## Annexure "A" to the Independent Auditor's Report

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Porus Pardiwalla**  
Partner  
(Membership No. 40005)

Place : Mumbai  
Date : May 02, 2019



# Annexure “B” to the Independent Auditor’s Report

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a program of verification of property, plant and equipment to cover all the items in a phased manner over a period of 2 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain property, plant and equipment were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered title deeds of immovable properties provided to us, we report that, the title deeds comprising all the immovable properties of land and buildings which are freehold and included in property, plant and equipment, are held in the name of the Company as at the balance sheet date. In respect of leasehold land, the lease agreement is in the name of the Company.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) As per the information and explanations given to us and the records produced to us for our verification, the Company had granted loans to a joint venture party, which is covered in the register maintained under section 189 of the Companies Act 2013. The loan has a stipulated schedule of repayment of principal and interest amounts and while there is no overdue amount at the balance-sheet date and the terms and conditions of the grant of the loan were, when the loan was given, prima facie, not prejudicial to the Company’s interest. Having regard to the details given in note 8 read with note 31 of the Standalone financial statements, the Company has in its books fully provided the loan amount.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments, and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and there are no unclaimed deposits outstanding during/as at the year end. Hence the provisions of Sections 73 to 76 or any other relevant provisions of the Act are not applicable.
- (vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

## Annexure “B” to the Independent Auditor’s Report

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2019 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ in crores)	Amount unpaid (₹ in crores)
Income Tax Act 1961	Income Tax	High Court	FY 1989-90 to FY 1991-92, FY 1995-96, FY 1997-98, FY1999-2000 and FY 2001-02 to FY 2003-04	10.92	4.74
		ITAT	FY 2004-05 to FY 2008-09 and FY 2012-13	35.05	9.15
		CIT(A)	FY 2006-07 to FY 2011-12, FY 2013-14 and FY 2014-15	50.18	38.62
Local Sales Tax Act, Central Sales Tax Act and VAT Act	VAT,CST, Sales Tax, Entry Tax	Supreme Court	FY 2000-01 to FY 2010-11	7.85	5.05
		High Court	FY 1989-90 to FY 1990-91, FY 2006-07 to FY 2007-08 and FY 2010-11 to FY 2012-13	53.13	49.75
		Tribunal and Appellate Board	FY 2000-01 to FY 2003-04 and FY 2006-07 to FY 2012-13	13.29	12.27
		Commissioner Appeals, Commercial Tax Officer and Assessing Officer (CWG)	FY 1990-91 to FY 1992-93, FY 1999-2000 to FY 2017-18	91.48	84.49
Service tax under Finance Act 1994	Service Tax	CESTAT	FY 2002-03 to FY 2013-14	260.29	253.85
		Commissioner (Appeals)	FY 2002-03 to FY 2009-10, and FY 2011-12 to FY 2013-14	22.55	22.55
		High court	FY 2003-04 to FY 2005-06	7.35	7.35
Customs Act,1962 and Central Excise Act,1944	Excise Duty and Customs Duty	Supreme Court	FY 1987-88 to FY 1991-92	0.21	0.21
		High Court	FY 1984-85 to FY 1987-88	0.20	0.20
		CESTAT/ Appellate Tribunal	FY 1988-89 to FY 1995-96 and FY 2007-08 to FY 2015-16	6.19	5.19
		Commissioner (Appeals)/ Superintendent	FY 1987-88 to FY 1989-90, and FY 2005-06 to FY 2017-18	5.31	5.23

Footnote: FY means Financial Year

## Annexure "B" to the Independent Auditor's Report

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not taken any loans or borrowings from financial institutions and government or has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 188 and 177 of the Act, where applicable, for all transactions with related parties and the details of related party transactions have been disclosed in the standalone financial statements etc. as required by the applicable Accounting Standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence the provisions of Section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Porus Pardiwalla**  
Partner  
(Membership No. 40005)

Place : Mumbai  
Date : May 02, 2019

# Balance Sheet as at March 31, 2019

(₹ in crores)

	Notes	As at March 31		As at April 01, 2017
		2019	2018	(Refer Note 50)
<b>A ASSETS</b>				
<b>1. Non-Current Assets</b>				
Property, Plant and Equipment	4	256.18	234.80	216.09
Capital Work-in-Progress		30.77	18.38	21.52
Investment Property	5	52.85	56.07	59.49
Intangible Assets	6	50.30	56.12	43.71
Intangible Assets under Development		10.28	6.93	12.09
Financial Assets				
- Investments	7	220.88	220.26	215.08
- Loans	8	21.77	19.98	19.43
- Other Financial Assets	9	3.92	3.96	3.61
Income Tax Assets (Net)		46.50	45.59	37.65
Deferred Tax Assets (Net)	24	77.94	107.41	118.95
Other Non-Current Assets	14	53.05	44.27	37.29
<b>Total Non-Current Assets</b>		<b>824.44</b>	<b>813.77</b>	<b>784.91</b>
<b>2. Current assets</b>				
Inventories	10	857.75	1,002.07	718.21
Financial Assets				
- Loans	8	9.91	12.44	7.43
- Trade Receivables	11	1,015.95	809.55	685.30
- Cash and Cash Equivalents	12	21.79	52.14	74.00
- Other Bank Balances	13	5.62	12.94	4.00
- Other Financial Assets	9	0.67	2.80	1.62
Other Current Assets	14	503.39	487.88	382.12
Assets held for sale	4	0.14	5.22	1.77
<b>Total Current Assets</b>		<b>2,415.22</b>	<b>2,385.04</b>	<b>1,874.45</b>
<b>TOTAL ASSETS</b>		<b>3,239.66</b>	<b>3,198.81</b>	<b>2,659.36</b>
<b>B EQUITY AND LIABILITIES</b>				
<b>1. Equity</b>				
Equity Share Capital	15	19.26	19.20	19.11
Other Equity	16	941.74	929.05	871.32
<b>Total Equity</b>		<b>961.00</b>	<b>948.25</b>	<b>890.43</b>
<b>2. Non-Current Liabilities</b>				
Financial Liabilities				
- Other Financial Liabilities	20	0.05	4.20	0.56
Provisions	22	11.50	12.20	10.77
Government Grants	23	6.45	2.95	3.49
<b>Total Non-Current liabilities</b>		<b>18.00</b>	<b>19.35</b>	<b>14.82</b>
<b>3. Current Liabilities</b>				
Financial Liabilities				
- Borrowings	18	364.42	319.25	149.23
- Trade Payables				
a. Total outstanding dues of Micro Enterprises and Small Enterprises	19	40.06	34.62	33.37
b. Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises		1,384.85	1,397.57	1,057.96
- Other Financial Liabilities	20	16.72	8.53	14.94
Provisions	22	76.09	52.16	36.38
Government Grants	23	4.08	0.54	0.65
Other Current Liabilities	21	374.44	418.54	461.58
<b>Total Current liabilities</b>		<b>2,260.66</b>	<b>2,231.21</b>	<b>1,754.11</b>
<b>Total Equity and Liabilities</b>		<b>3,239.66</b>	<b>3,198.81</b>	<b>2,659.36</b>

The accompanying notes are an integral part of the financial statements 1 to 50

In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Porus Pardiwalla**  
Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
Managing Director  
Company Secretary  
Group Chief Financial Officer

DIN: 00007347  
DIN: 01790498

# Statement of Profit & Loss for the year ended March 31, 2019

(₹ in crores)

	Notes	Year ended March 31	
		2019	2018
Revenue from operations	25	4,783.70	4,312.19
Other Income	26	23.11	16.14
<b>Total Income (I)</b>		<b>4,806.81</b>	<b>4,328.33</b>
<b>Expenses</b>			
Cost of raw materials consumed (including direct project and service cost)	27	2,638.31	2,374.43
Purchase of stock-in-trade	27	790.74	1,060.59
Changes in inventories of finished goods, stock-in-trade and work-in-progress	27	166.99	(235.38)
Excise duty		-	9.18
Employee benefits expense	28	372.69	358.77
Depreciation and amortization expense	29	69.18	60.57
Finance costs	31	44.92	22.88
Other expenses	30	517.68	514.25
<b>Total Expenses (II)</b>		<b>4,600.51</b>	<b>4,165.29</b>
<b>Profit before exceptional items and tax (I)-(II)</b>		<b>206.30</b>	<b>163.04</b>
Exceptional items	32	(26.45)	17.85
<b>Profit before Tax</b>		<b>179.85</b>	<b>180.89</b>
Tax Expense			
i) Current tax	24	30.72	40.15
ii) Deferred tax	24	27.34	8.53
<b>Net Profit after tax</b>		<b>121.79</b>	<b>132.21</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Re-measurement gains/(losses) on defined benefit plans		(4.44)	(2.42)
Income tax effect	24	1.55	0.83
<b>Other comprehensive income for the year</b>		<b>(2.89)</b>	<b>(1.59)</b>
<b>Total comprehensive income for the year</b>		<b>118.90</b>	<b>130.62</b>
<b>Earnings per share (Face Value of ₹2 per Share)</b>	33		
Basic (in ₹)		12.66	13.80
Diluted (in ₹)		12.65	13.74

The accompanying notes are an integral part of the financial statements 1 to 50

In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Porus Pardiwalla**  
Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
Managing Director  
Company Secretary  
Group Chief Financial Officer

DIN: 00007347  
DIN: 01790498

# Statement of Changes in Equity for the year ended March 31, 2019

## (A) Equity Share Capital

For the year ended March 31, 2019

(₹ in crores)

Balance as at April 1, 2018	Changes in Equity Share Capital during the year	Balance as at March 31, 2019
19.20	0.06	19.26

Balance as at April 1, 2017	Changes in Equity Share Capital during the year	Balance as at March 31, 2018
19.11	0.09	19.20

## (B) Other Equity

For the year ended March 31, 2019

(₹ in crores)

Particulars	Securities Premium (refer note 16)	Share based Payment Reserve (refer note 16)	Capital Redemption Reserve (refer note 16)	Capital Subsidy from Government (refer note 16)	General Reserve (refer note 16)	Retained Earnings (refer note 16)	Total Other Equity
Balance as at April 1, 2018	197.26	3.13	2.34	0.60	326.05	399.67	929.05
Profit for the year	-	-	-	-	-	121.79	121.79
Other Comprehensive Income for the year (net of tax)	-	-	-	-	-	(2.89)	(2.89)
<b>Sub-total</b>	<b>197.26</b>	<b>3.13</b>	<b>2.34</b>	<b>0.60</b>	<b>326.05</b>	<b>518.57</b>	<b>1,047.95</b>
Exercise of Employee Stock Options	12.89	(3.13)	-	-	-	-	9.76
Dividend and Dividend Distribution Tax thereon (Refer note 17)	-	-	-	-	-	(115.97)	(115.97)
<b>Balance as at March 31, 2019</b>	<b>210.15</b>	<b>0.00</b>	<b>2.34</b>	<b>0.60</b>	<b>326.05</b>	<b>402.60</b>	<b>941.74</b>

For the year ended March 31, 2018

(₹ in crores)

Particulars	Securities Premium (refer note 16)	Share based Payment Reserve (refer note 16)	Capital Redemption Reserve (refer note 16)	Capital Subsidy from Government (refer note 16)	General Reserve (refer note 16)	Retained Earnings (refer note 16)	Total Other Equity
Balance as at April 1, 2017	180.46	6.67	2.34	0.60	325.73	355.52	871.32
Profit for the year	-	-	-	-	-	132.21	132.21
Other Comprehensive Income for the year (net of tax)	-	-	-	-	-	(1.59)	(1.59)
<b>Sub-total</b>	<b>180.46</b>	<b>6.67</b>	<b>2.34</b>	<b>0.60</b>	<b>325.73</b>	<b>486.14</b>	<b>1,001.94</b>
Exercise of Employee Stock Options	16.80	(3.98)	-	-	-	-	12.82
Employee Stock Option Cost	-	0.76	-	-	-	-	0.76
Dividend and Dividend Distribution Tax thereon (Refer note 17)	-	-	-	-	-	(86.47)	(86.47)
Transfer to General reserve	-	(0.32)	-	-	0.32	-	-
<b>Balance as at March 31, 2018</b>	<b>197.26</b>	<b>3.13</b>	<b>2.34</b>	<b>0.60</b>	<b>326.05</b>	<b>399.67</b>	<b>929.05</b>

The accompanying notes are an integral part of the financial statements 1 to 50

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
 Chartered Accountants

**Porus Pardiwalla**  
 Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of**  
**BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
 Managing Director  
 Company Secretary  
 Group Chief Financial Officer

DIN: 00007347  
 DIN: 01790498

# Cash Flow Statement for the year ended March 31, 2019

(₹ in crores)

	Year ended March 31	
	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>179.85</b>	<b>180.89</b>
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Profit on sale of stake in Blue Star M & E Engineering Sdn Bhd (Joint Venture) to Blue Star International FZCO	-	(12.58)
Provision for financial obligation and impairment of investment in Joint Venture	29.13	-
Profit on sale of office property	(15.18)	(5.27)
Depreciation/amortization	69.18	60.57
Amortisation of Government Grant	(1.36)	(0.65)
Employee stock option expense	-	0.76
Loss on sale of Property, Plant and Equipment	1.60	0.59
Bad debts/advances written off	2.85	1.93
Allowances for doubtful debts and advances	17.89	20.25
Unrealised foreign exchange loss/(gain)	(9.79)	8.33
Fair value (gain)/loss on financial instruments	4.95	(4.39)
Liabilities written back	(15.70)	(41.72)
Finance cost	44.92	22.88
Interest income	(13.14)	(6.43)
Dividend income	-	(0.52)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>295.20</b>	<b>224.64</b>
Increase/(Decrease) in working capital :		
Trade Payables	13.86	377.73
Provisions	3.19	14.78
Other Current Liabilities	(41.26)	(46.14)
Trade receivables	(228.41)	(144.37)
Inventories	144.32	(283.86)
Loans	0.74	(5.56)
Other assets	(7.47)	(121.98)
<b>Cash generated from operations</b>	<b>180.17</b>	<b>15.24</b>
Direct taxes paid (net of refunds)	(27.95)	(44.25)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>152.22</b>	<b>(29.01)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property Plant and equipment, including Capital-Work-in-Progress and capital advances	(100.77)	(85.90)
Proceeds from sale of Property, Plant and Equipment	19.13	5.92
Proceeds from sale of stake in Joint Venture	-	13.08
Loan given to Joint Venture	(4.46)	-
Purchase of investments in Subsidiary	(4.96)	(5.68)
Interest received	13.14	6.43
<b>Balance carried forward</b>	<b>74.30</b>	<b>(95.16)</b>

## Cash Flow Statement for the year ended March 31, 2019

(₹ in crores)

	Year ended March 31	
	2019	2018
<b>Balance brought forward</b>	<b>74.30</b>	<b>(95.16)</b>
Dividend received	-	0.52
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(77.92)</b>	<b>(65.63)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) from Borrowings (net)	15.84	168.89
Inter Corporate Deposit received from a subsidiary	30.00	-
Interest and Bank charges paid	(44.96)	(22.60)
Proceeds from fresh issue of Equity Capital (including Securities Premium)	9.82	12.91
Dividend paid on equity shares (including Dividend Distribution Tax)	(115.35)	(86.42)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(104.65)</b>	<b>72.78</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(30.35)</b>	<b>(21.86)</b>
Cash and cash equivalents at the beginning of the year	52.14	74.00
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21.79</b>	<b>52.14</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on Hand (refer note 12)	0.47	0.56
Balance with Banks		
- Current Account (refer note 12)	21.32	51.58
- Unpaid Dividend (refer note 13)	3.31	2.69
- Balance not available for immediate use (refer note 13)	2.31	10.25
	<b>27.41</b>	<b>65.08</b>
Less:-		
Balance with Banks		
- Unpaid Dividend (refer note 13)	3.31	2.69
- Balance not available for immediate use (refer note 13)	2.31	10.25
	<b>5.62</b>	<b>12.94</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>21.79</b>	<b>52.14</b>

The accompanying notes are an integral part of the financial statements 1 to 50

In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Porus Pardiwalla**  
Partner

Mumbai : May 02, 2019

**For and on behalf of the Board of Directors of  
BLUE STAR LIMITED**

**Shailesh Haribhakti**  
**B Thiagarajan**  
**Vijay Devadiga**  
**Neeraj Basur**

Chairman  
Managing Director  
Company Secretary  
Group Chief Financial Officer

DIN: 00007347  
DIN: 01790498



# Notes to Financial Statements for the year ended March 31, 2019

## 1. CORPORATE INFORMATION

Blue Star Limited (the "Company") is a public listed company incorporated in the year 1943. It is primarily engaged in the business of manufacturing and installation of air conditioning units, commercial refrigeration units, water and air purifiers and air coolers. The registered office of the Company is located at Kasturi Buildings, M T Advani Chowk, Jamshedji Tata Road, Churchgate, Mumbai - 400020, Maharashtra.

The financial statements of the Company were approved by its Board of Directors on May 02, 2019.

## 2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time and other accounting principles generally accepted in India.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation and presentation

The financial statements have been prepared on historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Company to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent assets and liabilities and the reported amounts of income and expense for the periods presented.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 34.

### (c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is net of trade discounts, rebates and other similar allowances. Revenue excludes indirect taxes which are collected on behalf of Government.

#### i. Revenue from sale of goods:

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer. Indicators that control has been transferred include, the establishment of the Company's present right to receive payment for the goods sold, transfer of legal title to the customer, transfer of physical possession to the customer, transfer of significant risks and rewards of ownership in the goods to the customer, and the acceptance of the goods by the customer.

#### ii. Revenue from construction contracts:

Contract revenues are recognised based on the stage of completion of the contract activity. Revenue is measured based on the proportion of contract costs incurred for satisfying the performance obligation to the total estimated contract costs, there being a direct relationship between the input and the productivity. Claims are accounted for as income when accepted by the customer.

Expected loss, if any, on a contract is recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.

Incremental costs of obtaining a contract (such as professional fees, commission paid to acquire the contract) are recognised as assets and amortised over the term of the contract.

## Notes to Financial Statements for the year ended March 31, 2019

Contract modifications are accounted for, when additions, deletions or changes are approved either to the contract scope or contract price. Accounting for modifications of a contract involves assessing whether the services added to an existing contract are distinct and whether the pricing is a standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

### iii. Revenue from sale of services:

Revenue from services rendered over a period of time, such as annual maintenance contracts, are recognised on straight line basis over the period of the performance obligation.

### iv. Dividend and Interest income:

Dividend income is accounted for when declared and the right to receive the same is established. Interest income is recognised using the effective interest method.

### v. Rental income:

Rental income from operating leases is accounted for on a straight-line basis over the lease term.

## (d) Government Grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

## (e) Employee benefits

### Short term benefits:

Salaries, wages, short-term compensated absences and other short term benefits, accruing to employees are recognised at undiscounted amounts in the period in which the employee renders the related service.

### Retirement benefits:

*Defined contribution plan:* Payments to defined contribution retirement benefit plans are recognised as expense when employees have rendered the service entitling them to the contribution.

*Defined benefit plan:* The Company makes monthly contributions towards the employees' provident fund which is administered by a trust. In the event of an interest shortfall (between the interest declared by the Government and the interest paid by the fund) the deficiency is made good by the Company, based on an actuarial valuation.

The Company's liability towards gratuity is determined based on the present value of the defined benefit obligation and fair value of plan assets and the net liability or asset is recognised in the balance sheet. The net liability or asset represents the deficit or surplus in the plan (the surplus is limited to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions). The present value of the defined benefit obligation is determined using the projected unit credit method, with actuarial valuations being carried out at each year end. Defined benefit costs are composed of:

- i. service cost - recognised in profit or loss;
- ii. net interest on the net liability or asset - recognised in profit or loss;
- iii. remeasurement of the net liability or asset - recognised in other comprehensive income

### Other long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

## (f) Share-based payments

Share based payment arrangements: Equity-settled share-based payments to employees of the Company and employees of subsidiary companies are measured at the fair value of the equity instruments at the grant date. Details regarding

## Notes to Financial Statements for the year ended March 31, 2019

the determination of the fair value of equity-settled share-based transactions are set out in Note 36. The fair value determined at the grant date of the equity-settled share-based payments to employees of the Company is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity at the end of year. At the end of each year, the Company revisits its estimate of the number of equity instruments expected to vest and recognises any impact in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### (g) Leases

#### Finance lease

Assets taken on lease by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments, and a corresponding liability of an equivalent amount is recognised. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

#### Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in profit or loss, unless the lease agreement explicitly states that increase is on account of inflation.

### (h) Foreign currencies

The functional currency of the Company is the Indian rupee (₹). Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and exchange gains and losses arising on settlement and restatement are recognised in profit or loss. Foreign currency denominated non-monetary assets and liabilities that are measured at historical cost are not retranslated.

### (i) Taxes

Income tax expense comprises current tax expense and the net change during the year, in the deferred tax asset or liability. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or in equity, in which case the related current and deferred tax are also recognised in other comprehensive income or in equity, respectively.

Current and Deferred Taxes are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax assets and tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts.

#### i. Current income tax

Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

#### ii. Deferred tax

Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

## Notes to Financial Statements for the year ended March 31, 2019

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

### (j) Exceptional items

Exceptional items refer to items of income or expense within the income statement from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company and to assist users of financial statements in making projections of future financial performance.

### (k) Property, plant and equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Costs comprise of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to their intended use. When significant components of plant and equipment are replaced separately, the Company depreciates them based on the useful lives of the components. Leasehold land is depreciated on a straight line basis over the period of the lease. All other assets are depreciated to their residual values on written-down value basis over their estimated useful lives. Estimated useful lives of the assets are as follows:

Nature of tangible asset	Useful life (years)
Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	15-20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is lower

Freehold land is not depreciated.

Any gain or loss arising on derecognition/disposal of an asset is included in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, as appropriate.

### (l) Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets are as mentioned below:

Nature of Intangibles asset	Method of amortisation
Software	Written down value of assets over a period of 6 years
Technical Know-how	Straight line basis over a period of 6 years

### **Research and development costs**

Research costs are expensed as incurred. Development expenditure on projects is recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention and ability to complete and to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of adequate resources to complete the asset.
- The ability to measure reliably the expenditure incurred during development.

Development expenditure that does not meet the above criteria is expensed as incurred.

During the period of development, the asset is tested for impairment annually.

### **(m) Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The Company depreciates the building component of investment property over 60 years on written down value basis from the date of original purchase, which is as prescribed under the schedule II to the Companies Act, 2013.

Investment properties are derecognised either when they have been disposed or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss arising on disposal of investment properties is included in profit or loss.

### **(n) Impairment of non-financial assets**

Property, plant and equipment and intangible assets with finite lives are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined for the individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognised in profit or loss.

### **(o) Financial instruments**

#### **Recognition and initial measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised by the Company when it becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument are adjusted to fair value, except where the financial instrument is measured at Fair Value through profit or loss, in which case the transaction costs are immediately recognised in profit or loss.

#### **Financial assets**

##### **Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### **Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### **Financial assets at fair value through other comprehensive income**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

### **Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

### **Investment in subsidiaries and joint ventures**

The Company accounts for its investments in subsidiaries and joint ventures at cost.

### **Financial liabilities and equity instruments**

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

(Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### **Other financial liabilities**

Other financial liabilities (including borrowings, financial guarantee contracts and trade and other payables) are subsequent to initial recognition, measured at amortised cost using the effective interest (EIR) method.

#### **Equity instruments**

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net of direct issue cost.

#### **Derivative financial instruments**

The Company enters into derivative contracts to hedge foreign currency/price risk on unexecuted firm commitments and highly probable forecast transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge item.

#### **Derecognition of financial instruments**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognised from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

### **Fair value measurement**

When the fair values of financial assets or financial liabilities recorded or disclosed in the financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

### **(p) Inventories**

Inventories including Work-in-Progress (other than construction contracts) are valued at cost or net realisable value, whichever is lower, cost being worked out on weighted average basis. Cost includes all charges for bringing the goods to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **(q) Provisions and contingencies**

#### **Provisions**

A provision is recognised when the Company has a present obligation as a result of past event and 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### **Warranty provisions**

The estimated liability for product warranties is recorded when products are sold/project is completed. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claims arise being typically upto five years.

#### **Contingencies**

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

### **(r) Segment reporting**

Segments are identified based on the manner in which the chief operating decision-maker (CODM) decides about the resource allocation and reviews performance.

Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Segment revenue resulting from transactions with other business segments is accounted for on the basis of the transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue/expenses/assets/liabilities".

Refer note 34 for Critical Accounting Judgements and Key Sources Of Estimation Uncertainty.

## Notes to Financial Statements for the year ended March 31, 2019

### 4. PROPERTY PLANT & EQUIPMENT

(₹ in crores)

Particulars	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
<b>Cost</b>										
At April 1, 2017	14.00	8.89	65.04	130.62	4.57	8.41	3.29	9.96	13.65	258.43
Additions	-	6.26	2.33	39.41	1.21	2.42	2.54	6.08	3.22	63.47
Disposals/Transfers	(0.06)	-	(5.41)	(3.27)	-	(0.92)	(2.05)	(2.56)	(0.34)	(14.62)
At March 31, 2018	<b>13.94</b>	<b>15.15</b>	<b>61.96</b>	<b>166.76</b>	<b>5.78</b>	<b>9.91</b>	<b>3.78</b>	<b>13.48</b>	<b>16.53</b>	<b>307.29</b>
At April 1, 2018	13.94	15.15	61.96	166.76	5.78	9.91	3.78	13.48	16.53	307.29
Additions	-	-	4.30	48.11	0.66	6.31	2.13	7.16	7.22	75.89
Disposals	(10.53)	-	(0.21)	(1.19)	-	(1.37)	(0.48)	(1.19)	(0.02)	(14.99)
At March 31, 2019	<b>3.41</b>	<b>15.15</b>	<b>66.05</b>	<b>213.68</b>	<b>6.44</b>	<b>14.85</b>	<b>5.43</b>	<b>19.46</b>	<b>23.73</b>	<b>368.20</b>
<b>Accumulated Depreciation</b>										
At April 1, 2017	-	-	10.82	19.58	0.83	1.32	0.79	1.65	7.35	42.34
Disposals/Transfers	-	-	(1.30)	(2.47)	-	(0.87)	(1.90)	(2.00)	(0.34)	(8.88)
Provided during the year	0.30	-	4.89	20.91	0.70	2.14	1.68	3.59	4.82	39.03
At March 31, 2018	0.30	-	14.41	38.02	1.53	2.59	0.57	3.24	11.83	72.49
At April 1, 2018	<b>0.30</b>	-	<b>14.41</b>	<b>38.02</b>	<b>1.53</b>	<b>2.59</b>	<b>0.57</b>	<b>3.24</b>	<b>11.83</b>	<b>72.49</b>
Disposals/Transfers	(0.38)	-	(0.14)	(1.06)	-	(1.15)	(0.38)	(0.72)	(0.01)	(3.84)
Provided during the year	0.15	-	4.69	25.39	0.80	2.56	1.94	3.95	3.89	43.37
At March 31, 2019	<b>0.07</b>	-	<b>18.96</b>	<b>62.35</b>	<b>2.33</b>	<b>4.00</b>	<b>2.13</b>	<b>6.47</b>	<b>15.71</b>	<b>112.02</b>
<b>Net Book Value</b>										
At March 31, 2019	3.34	15.15	47.09	151.33	4.11	10.85	3.30	12.99	8.02	256.18
At March 31, 2018	13.64	15.15	47.55	128.74	4.25	7.32	3.21	10.24	4.70	234.80

#### Asset Held for Sale

	As at March 31	
	2019	2018
Asset held for Sale - Plant and Equipment	5.22	1.77
Addition	-	3.72
Disposal/reclassified to Property, Plant and Equipment	(3.72)	(0.27)
Less: Impairment Allowance	(1.36)	-
<b>Asset held for Sale - Plant and Equipment</b>	<b>0.14</b>	<b>5.22</b>



## Notes to Financial Statements for the year ended March 31, 2019

### 5. INVESTMENT PROPERTY

(₹ in crores)

<b>Cost</b>	
At April 1, 2017	66.78
Additions	-
At March 31, 2018	66.78
Additions	-
At March 31, 2019	66.78
<b>Depreciation</b>	
At April 1, 2017	7.29
Additions	3.42
At March 31, 2018	10.71
Additions	3.22
At March 31, 2019	13.93
<b>Net Book Value</b>	
At March 31, 2019	52.85
At March 31, 2018	56.07
<b>Fair Value *</b>	
At March 31, 2019	66.04
At March 31, 2018	67.41

\* Valuation is based on fair value assessment done by accredited independent valuer.

(₹ in crores)

#### Information regarding Income and Expenditure of Investment Property

	As at March 31	
	2019	2018
Rental income derived from investment property	6.02	5.36
Direct operating expenses (including repairs and maintenance) associated with investment properties	(0.74)	(0.91)
Profit arising from investment property before depreciation and indirect expenses	5.28	4.45
Less - Depreciation	(3.22)	(3.42)
Profit arising from investment property before indirect expenses	2.06	1.03

The Company has no restrictions on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop investment properties or has any plans for major repairs, maintenance and enhancements.

## Notes to Financial Statements for the year ended March 31, 2019

### 6. INTANGIBLE ASSETS

(₹ in crores)

	Technical Knowhow	Software	Total
<b>Cost</b>			
At April 1, 2017	36.76	27.18	63.94
Additions	13.73	16.79	30.52
Disposals	-	(0.01)	(0.01)
At March 31, 2018	<b>50.49</b>	<b>43.96</b>	<b>94.45</b>
At April 1, 2018	50.49	43.96	94.45
Additions	0.67	16.11	16.78
Disposals	-	(0.04)	(0.04)
At March 31, 2019	<b>51.16</b>	<b>60.03</b>	<b>111.19</b>
<b>Amortisation</b>			
At April 1, 2017	11.64	8.58	20.22
Disposals	-	(0.01)	(0.01)
Provided during the year	7.32	10.80	18.12
At March 31, 2018	<b>18.96</b>	<b>19.37</b>	<b>38.33</b>
At April 1, 2018	18.96	19.37	38.33
Disposals	-	(0.03)	(0.03)
Provided during the year	7.97	14.62	22.59
At March 31, 2019	<b>26.93</b>	<b>33.96</b>	<b>60.89</b>
<b>Net Book Value</b>			
At March 31, 2019	24.23	26.07	50.30
At March 31, 2018	31.53	24.59	56.12

### 7. INVESTMENTS

(₹ in crores)

	As at March 31	
	2019	2018
<b>I. Non Current Investments</b>		
<b>Investments at Cost</b>		
<b>Investment in Equity Instruments</b>		
<i>Unquoted equity instruments</i>		
<b>Investment in Subsidiaries</b>		
5,29,25,052 (31 March 2018 : 5,29,25,052) Fully Paid Equity Shares of ₹2 each in Blue Star Engineering & Electronics Ltd (erstwhile Blue Star Electro Mechanical Ltd)	210.89	210.89
49 (31 March 2018 : 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar (WLL)	0.12	0.12
5,350 (31 March, 2018: 2,800) Fully Paid Equity Shares of AED 1000 each in Blue Star International FZCO	9.87	4.91
<b>Investment in Joint Ventures</b>		
255,000 (31 March 2018 : 255,000) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co LLC	4.34	4.34
Less: Impairment (Refer Note 22)	(4.34)	-
<b>Non-Current Investments</b>	<b>220.88</b>	<b>220.26</b>
Aggregate Value of unquoted investments	220.88	220.26

## Notes to Financial Statements for the year ended March 31, 2019

### 8. LOANS (UNSECURED CONSIDERED GOOD UNLESS OTHERWISE STATED)

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
Security Deposits	17.15	14.91	8.55	10.95
Less: Allowance for Doubtful Deposits	-	-	(0.96)	(0.96)
Loans to Employees	4.62	5.07	2.32	2.45
Loan to Joint Venture (Related Party - Refer Note 22)	4.46	-	-	-
Less: Allowance for Doubtful Loan	(4.46)	-	-	-
<b>Total Loans</b>	<b>21.77</b>	<b>19.98</b>	<b>9.91</b>	<b>12.44</b>

### 9. OTHER FINANCIAL ASSETS

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Derivatives not designated as hedges</b>				
Foreign exchange forward contracts	-	-	-	1.28
Non-current Bank Balances (including Accrued Interest thereon)*	3.92	3.96	-	-
Financial Guarantee Commission Receivable from a Subsidiary (Related Party - Refer Note 38)	-	-	0.67	1.52
<b>Total Other Financial Assets</b>	<b>3.92</b>	<b>3.96</b>	<b>0.67</b>	<b>2.80</b>

\*Margin money deposits with a carrying amount of ₹3.92 crores (March 31, 2018 : ₹3.96 crores are subject to a first charge as security deposit with customers).

### 10. INVENTORIES

(₹ in crores)

(Valued at lower of cost and net realisable value)

	As at March 31	
	2019	2018
Raw materials & components (includes in transit: ₹67.33 crores (March 31, 2018: ₹70.55 crores))	204.02	179.25
Work-in-progress	47.09	43.19
Finished goods	236.61	217.89
Stock-in-trade (includes in transit: ₹17.30 crores (March 31, 2018: ₹70.40 crores))	316.33	505.94
Stores and Spares	53.70	55.80
	<b>857.75</b>	<b>1,002.07</b>

The above inventory values are net of provisions made of ₹3.44 crores (March 31, 2018 : ₹3.66 crores) for slow moving, obsolete and defective inventory.

## Notes to Financial Statements for the year ended March 31, 2019

### 11. TRADE RECEIVABLES

(₹ in crores)

	Current	
	31-Mar-19	31-Mar-18
Trade Receivables considered good - Unsecured	1,015.95	809.55
Trade Receivables which have significant increase in credit risk	36.66	32.16
Trade Receivables - Credit impaired	53.12	82.62
	<b>1,105.73</b>	<b>924.33</b>
Less: Allowance for Doubtful Debts	89.78	114.78
<b>Total Trade receivables</b>	<b>1,015.95</b>	<b>809.55</b>

The movement for allowance for doubtful debts during the year in respect of trade receivables containing significant credit risk are as follows:

(₹ in crores)

Particulars	As at March 31	
	2019	2018
Opening Balances as on 1st April	114.78	136.72
Impairment loss recognised	13.40	19.52
Less: Allowances provided earlier written off as bad debts	(38.40)	(41.46)
<b>Closing Balances as on 31st March</b>	<b>89.78</b>	<b>114.78</b>

### 12. CASH AND CASH EQUIVALENT

(₹ in crores)

	As at March 31	
	2019	2018
<b>Cash and cash equivalent</b>		
<i>Balances with banks:</i>		
– On current accounts	21.32	51.58
Cash on hand	0.47	0.56
	<b>21.79</b>	<b>52.14</b>

### 13. OTHER BANK BALANCES

(₹ in crores)

	As at March 31	
	2019	2018
<b>Other Bank Balances</b>		
– Unpaid dividend*	3.31	2.69
– Cash & Bank balance not available for immediate use	2.31	10.25
	5.62	12.94

\*The Company can utilise these balances only towards settlement of unclaimed dividend and fractional shares.

## Notes to Financial Statements for the year ended March 31, 2019

### 14. OTHER ASSETS

(₹ in crores)

	Non-current		Current	
	31-March-19	31-March-18	31-March-19	31-March-18
Contract Assets	-	-	351.66	297.91
Less: Allowance for doubtful contract assets	-	-	(19.55)	(15.05)
Net Contract Assets	-	-	332.11	282.86
Retention	-	-	28.39	30.08
Capital Advances	13.93	10.27	-	-
Balances with Statutory Authorities	38.65	33.47	80.70	89.87
Gratuity paid in advance (Refer Note 35)	-	-	-	2.85
Vendor Advances	-	-	33.93	60.51
Prepaid Expenses	0.47	0.53	24.59	21.71
Government Grant Receivable	-	-	3.67	-
	<b>53.05</b>	<b>44.27</b>	<b>503.39</b>	<b>487.88</b>

The movement for allowance for doubtful contract assets during the year are as follows:

(₹ in crores)

	As at March 31	
	2019	2018
Opening Balances as on 1st April	15.05	14.31
Impairment loss recognised	4.50	0.74
Amounts written back	-	-
<b>Closing Balances as on 31st March</b>	<b>19.55</b>	<b>15.05</b>

Breakup of total financial assets carried at amortised cost:

(₹ in crores)

	As at March 31	
	2019	2018
Trade receivables (refer note 11)	1,015.95	809.55
Cash & bank balances (refer note 12 & 13)	27.41	65.08
Loans (refer note 8)	31.68	32.42
Other financial assets (refer note 9)	4.59	6.76
<b>Total financial assets carried at amortised cost</b>	<b>1,079.63</b>	<b>913.81</b>

**15. EQUITY SHARE CAPITAL**

Authorised Share Capital	7.8% Cumulative Convertible Preference Shares of ₹100 each		Equity Shares of ₹2 each		Unclassified Shares of ₹100 each		Cumulative Compulsorily Convertible Preference Shares of ₹10 each	
	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores
<b>At April 1, 2017</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
<b>At March 31, 2018</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
<b>At March 31, 2019</b>	<b>10,000</b>	<b>0.10</b>	<b>283,600,000</b>	<b>56.72</b>	<b>16,000</b>	<b>0.16</b>	<b>520,000</b>	<b>0.52</b>

**Terms/Rights attached to Equity Shares**

The Company has one class of Equity Shares having par value of ₹2 per share. Each share holder 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 approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend, if any.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in the proportion of number of equity shares held by the shareholders.

**Terms/Rights attached to 7.8 % Cumulative Convertible Preference Shares and Cumulative Compulsorily Convertible Preference Shares**

Each convertible preference share is convertible at the option of the shareholders into Equity shares.

The preference shares shall rank for the dividend in priority to the shares of the company in the event of increase in share capital or winding up of the Company up to amount of dividend or any arrears of dividend. Preference share holders will not have any further right to participate in the profits or assets of the company.

**Issued Share Capital**

Equity Shares of ₹2 each issued, subscribed & fully paid up	No.	₹ Crores
At April 1, 2017	95,570,388	19.11
Issue of Share Capital - Employee Share Options Exercised	429,400	0.09
At March 31, 2018	95,999,788	19.20
Issue of Share Capital - Employee Share Options Exercised	314,100	0.06
<b>At March 31, 2019</b>	<b>96,313,888</b>	<b>19.26</b>

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

Name of Shareholder	As at March 31, 2019		As at March 31, 2018	
	Numbers	% holding in the class	Numbers	% holding in the class
Vistra ITCL (India) Limited	11,955,601	12.41%	11,955,601	12.45%
IL&FS Trust Company Limited	7,719,930	8.02%	7,719,930	8.04%
Suneel Mohan Advani	6,116,496	6.35%	5,626,827	5.86%
Aditya Birla Sunlife Trustee Pvt Limited	4,625,730	4.80%	5,076,493	5.29%
HDFC Trustee Company Limited	4,020,495	4.17%	5,276,678	5.50%

Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

(₹ in crores)

	March 31				
	2019	2018	2017	2016	2015
53,91,383 equity shares of ₹2 each of the company issued to the shareholders of Blue Star Infotech Ltd (BSIL) as per the approved Scheme of merger of BSIL and BSIBIA with the Company, vide High Court Order dated April 16, 2016	-	-	-	1.08	-

**Shares reserved for issue under options**

For details of shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Company (refer note 36).

**16. OTHER EQUITY**

**Securities Premium** - Where the Company issues shares at a premium, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium Reserve". The Company may use this reserve for the purpose allowed under Section 52 of the Companies Act, 2013.

**Share Based Payment Reserve** - The Company has an employee share option scheme under which options to subscribe for the Company's shares have been granted to certain employees and directors. The share-based payment reserve is used to recognize the value of equity-settled share-based payments as part of their remuneration. Refer to Note 36 for further details of the scheme.

**Capital Redemption Reserve** - Capital Redemption Reserve was created in an earlier year for buy-back of shares.

**Capital Subsidy Received from Government** - Subsidy is an assistance given by the government for investment in capital assets. The subsidy is recognised when the requirements established for receiving subsidy are met. Subsidy was received towards factory setup in the state of Himachal Pradesh during the year ended March 31, 2009 and March 31, 2013.

**General Reserve** - General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the Statement of Profit and Loss. As the General Reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General Reserve will not be reclassified subsequently to statement of profit or loss. The Company can use this reserve for payment of dividend and issue of bonus shares.

Also Refer Statement of changes in Equity.

## Notes to Financial Statements for the year ended March 31, 2019

### 17. DIVIDEND DISTRIBUTION MADE AND PROPOSED

(₹ in crores)

	As at March 31	
	2019	2018
<b>Cash dividends on equity shares declared and paid:</b>		
Final dividend for the year ended on March 31, 2018 : ₹10 per share (March 31, 2017: ₹7.50 per share)	96.20	71.82
Dividend Distribution tax on final Dividend	19.77	14.65
	<b>115.97</b>	<b>86.47</b>

The Directors have recommended for the year ended March 31, 2019, a dividend of ₹10 per equity share of ₹2 each. (FY 2017-18 ₹8.50 per equity share plus special dividend of ₹1.50 per equity share to commemorate the Company's Platinum Jubilee). Proposed Dividend on Equity Shares are subject to approval at the Annual General Meeting.

### 18. BORROWINGS

(₹ in crores)

	As at March 31	
	2019	2018
<b>Short term borrowings</b>		
<b>Unsecured - at amortised cost</b>		
Working Capital Demand Loan from banks (Note a)	20.00	50.00
Buyers' credit from banks (Note c)	-	9.91
Commercial papers		
- from Banks (Note d)	-	49.90
- from others (Note d)	148.70	74.33
Inter Corporate Deposit Received from a Subsidiary (Related Party - Refer Note 38)	30.00	-
<b>Secured - at amortised cost</b>		
Packing Credit Loan from banks (Note a & b)	50.50	38.00
Cash Credit/Bank overdrafts (Note a & b)	115.22	55.35
Buyers' Credit from Banks (Note b & c)	-	41.76
<b>Total current borrowings</b>	<b>364.42</b>	<b>319.25</b>
Aggregate Secured Loans	165.72	135.11
Aggregate Unsecured Loans	198.70	184.14
<b>Total current borrowings</b>	<b>364.42</b>	<b>319.25</b>

- a. Outstanding loans carry an average interest rate of 5.20% - 9.75% p.a. (March 31, 2018 : 4.80% - 8.90% p.a.).
- b. Outstanding loans is secured by hypothecation of stock-in-trade and trade receivables.
- c. Buyers' credit are availed against imports dues and are repayable within a maximum tenure of 360 days from the date of shipment. Interest Rate N.A. (March 31, 2018 : Libor plus 0.55%).
- d. Commercial papers carry an average interest rate of 7.60% p.a. for the current year (March 31, 2018 : 6.58% p.a.). These are repayable within 30 days to 61 days from the date of drawdown.



## Notes to Financial Statements for the year ended March 31, 2019

### 19. DISCLOSURE AS PER SECTION 22 OF MSME ACT

(₹ in crores)

	As at March 31	
	2019	2018
(a) (i) Principal amount remaining unpaid to any supplier at the end of accounting year	38.13	32.81
(ii) Interest due on above	0.12	0.32
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	-
(c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	-	-
(d) Amount of interest accrued and remaining unpaid at the end of each accounting year	1.93	1.81
(e) 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 Act, 2006	1.93	1.81
	<b>40.06</b>	<b>34.62</b>

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

### 20. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	Non-current		Current	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Derivatives not designated as hedges</b>				
Foreign exchange forward contracts (Refer note a below)	-	-	3.66	-
<b>Financial liabilities at amortised cost</b>				
Other deposits	-	3.32	6.70	3.34
Financial guarantee contracts	0.05	0.88	0.73	0.94
Interest accrued but not due on borrowings	-	-	0.25	0.29
<b>Total other financial liabilities at amortised cost</b>	<b>0.05</b>	<b>4.20</b>	<b>7.68</b>	<b>4.57</b>
Unpaid Dividend	-	-	3.31	2.69
Creditors - capital expenditure	-	-	2.07	1.27
<b>Total other financial liabilities</b>	<b>0.05</b>	<b>4.20</b>	<b>16.72</b>	<b>8.53</b>

#### a) Foreign exchange forward contracts

The Company enters into foreign exchange forward contracts with the intention of reducing the foreign exchange risk of buyers credit and trade payables. The Company has also entered into commodity hedging contract with the intention of reducing the price fluctuation risk. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

## Notes to Financial Statements for the year ended March 31, 2019

### Break up of financial liabilities carried at amortised cost

(₹ in crores)

	As at March 31	
	2019	2018
Borrowings (refer note 18)	364.42	319.25
Trade Payables	1,424.91	1,432.19
Other deposits (refer note 20)	6.70	6.66
Financial Guarantee Contracts (refer note 20)	0.78	1.82
Unpaid dividend (refer note 20)	3.31	2.69
Creditors-capital Expenditure	2.07	1.27
Interest accrued but not due on borrowings (refer note 20)	0.25	0.29
<b>Total financial liabilities carried at amortised cost</b>	<b>1,802.44</b>	<b>1,764.17</b>

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60 day terms.

Other payables are non-interest bearing and have an average term of 3 months.

Interest payable is normally settled quarterly throughout the financial year.

For terms and conditions with related parties, refer Note 38.

For explanations on the Company's credit risk management processes, refer Note 42.

### 21. OTHER CURRENT LIABILITIES

(₹ in crores)

	As at March 31	
	2019	2018
Contract liabilities from construction contracts	39.13	28.93
Contract liabilities from annual maintenance contract services	56.12	48.20
Advances from customers	238.82	276.99
Dues to Statutory bodies	23.19	46.72
Others	17.18	17.70
<b>Total Other Liabilities</b>	<b>374.44</b>	<b>418.54</b>

### 22. PROVISIONS

(₹ in crores)

	Non-current		Current	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
<b>Provision for employee benefits</b>				
Provision for Gratuity (refer note 35)	-	-	0.43	-
Compensated absences	-	-	17.85	17.72
Additional Gratuity (refer note 35)	0.35	0.28	-	-
	<b>0.35</b>	<b>0.28</b>	<b>18.28</b>	<b>17.72</b>
<b>Other provisions</b>				
Provision for customer warranties	11.15	11.92	11.78	9.29
Provision for foreseeable loss	-	-	1.83	2.78
Provision for Obligation towards guarantee given*	-	-	20.33	-
Other provisions	-	-	23.87	22.38
	11.15	11.92	57.81	34.44
<b>Total</b>	<b>11.50</b>	<b>12.20</b>	<b>76.09</b>	<b>52.16</b>

\* In view of the ongoing losses of its Joint venture in Oman (Blue Star Oman Electro-Mechanical Co LLC), the company is considering options for exit from the venture and has therefore made provision for its known financial obligations and committed financial involvement in the venture.

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

Provision for warranties	As at March 31	
	2019	
At the beginning of the year	21.21	
Add:- Additional provisions made during the year	19.85	
Less:- Amount used during the year	16.07	
Less:- Effect of change in provision on account of discounting during the year	2.06	
<b>At the end of the year</b>	<b>22.93</b>	
Current portion	11.78	
Non-current portion	11.15	

### Forseeable Loss

A provision for forseeable loss on contract with customers is recognised when it is probable that the contract cost will exceed the total contract revenue or when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

(₹ in crores)

Other Provisions	As at March 31	
	2019	
At the beginning of the year	22.38	
Add:- Additional provisions made during the year	1.49	
<b>At the end of the year</b>	<b>23.87</b>	

## 23. GOVERNMENT GRANTS

(₹ in crores)

	As at March 31	
	2019	2018
<b>At 1st April</b>	<b>3.49</b>	<b>4.14</b>
Additions during the year	8.40	-
Amortised during the year	(1.36)	(0.65)
<b>At 31st March</b>	<b>10.53</b>	<b>3.49</b>
Current	4.08	0.54
Non-Current	6.45	2.95

Government grants are towards the purchase of certain items of property, plant and equipment.

## 24. INCOME TAX

Reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes for March 31, 2019 and March 31, 2018 is summarised below:

(₹ in crores)

	Year Ended March 31	
	2019	2018
Accounting profit before tax	179.85	180.89
Other Comprehensive Income before tax	(4.44)	(2.42)
<b>Total</b>	<b>175.41</b>	<b>178.47</b>
Enacted tax rates in India	34.94%	34.61%
<b>Computed expected tax expense</b>	<b>61.30</b>	<b>61.77</b>
Expenses not allowed for tax purpose	12.79	2.19
Additional allowances for tax purpose	(15.50)	(14.44)
Others	(2.08)	(1.67)
<b>At the effective income tax rate of 31.42% (31st March, 2018: 26.45%)</b>	<b>56.51</b>	<b>47.85</b>
Income tax expense reported in the statement of profit and loss	58.06	48.68
Income tax effect on other comprehensive income	(1.55)	(0.83)
	<b>56.51</b>	<b>47.85</b>

## Notes to Financial Statements for the year ended March 31, 2019

### Deferred tax Assets (Net)

The movement in gross deferred income tax assets and liabilities (before set off) for the year ended March 31, 2019 and March 31, 2018 is as follows:

(₹ in crores)

	Balance Sheet		Profit or loss	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Allowance for doubtful financial assets	38.22	45.40	(7.18)	(7.33)
Provisions allowed on payment basis	8.67	8.49	0.18	0.28
Accelerated Depreciation for tax purposes	(23.64)	(24.47)	0.83	(1.81)
Others	1.28	22.45	(21.17)	0.33
<b>Total (excluding MAT credit entitlement)</b>	<b>24.53</b>	<b>51.87</b>	<b>(27.34)</b>	<b>(8.53)</b>
MAT Credit Entitlement	53.41	55.54	-	-
<b>Total</b>	<b>77.94</b>	<b>107.41</b>	<b>(27.34)</b>	<b>(8.53)</b>

Reflected in the balance sheet as follows

(₹ in crores)

	As at March 31	
	2019	2018
Deferred tax assets	101.58	131.88
Deferred tax liabilities	23.64	24.47
<b>Deferred tax Assets, net</b>	<b>77.94</b>	<b>107.41</b>

Reconciliation of deferred tax assets (net):

(₹ in crores)

	As at March 31	
	2019	2018
Opening balance of deferred tax assets	107.41	118.99
Tax expense during the period recognised in Profit or Loss	(27.34)	(8.53)
Utilization of MAT Credit	(2.13)	(3.05)
<b>Closing balance as at 31st March</b>	<b>77.94</b>	<b>107.41</b>

### 25. REVENUE FROM OPERATIONS

(₹ in crores)

	Year Ended March 31	
	2019	2018
Revenue from operations		
Sale of products	3,204.42	2,966.68
Revenue from construction contracts	1,106.71	889.39
Sale of services	446.84	406.57
Other operating revenue		
Provisions and liabilities no longer required	15.70	41.72
Shared service recovery	1.32	1.34
Others	8.71	6.49
<b>Total revenue from operations</b>	<b>4,783.70</b>	<b>4,312.19</b>

## Notes to Financial Statements for the year ended March 31, 2019

### 26. OTHER INCOME

(₹ in crores)

	Year Ended March 31	
	2019	2018
Interest income on		
Bank deposits	0.39	0.26
Others	12.75	6.17
Dividend income on current investments	-	0.52
Rental Income	6.02	5.57
Others	3.95	3.62
<b>Total</b>	<b>23.11</b>	<b>16.14</b>

### 27. COST OF RAW MATERIALS CONSUMED (INCLUDING DIRECT PROJECT AND SERVICE COST)

(₹ in crores)

	Year Ended March 31	
	2019	2018
Cost of material consumed	1,393.71	1,382.40
Project cost (including bought outs)	989.10	757.02
AMC Subcontracting Cost	255.50	235.01
<b>Total Cost of Raw Material and Components Consumed and Project related cost</b>	<b>2,638.31</b>	<b>2,374.43</b>
<b>Purchase of stock-in-trade</b>	<b>790.74</b>	<b>1,060.59</b>
<b>Inventories at the end of the year</b>		
Traded goods	316.33	505.94
Work-in-progress	47.09	43.19
Finished goods	236.61	217.89
	<b>600.03</b>	<b>767.02</b>
<b>Inventories at the beginning of the year</b>		
Traded goods	505.94	299.76
Work-in-progress	43.19	38.55
Finished goods	217.89	193.33
	<b>767.02</b>	<b>531.64</b>
<b>(Increase)/Decrease in inventories</b>	<b>166.99</b>	<b>(235.38)</b>

### 28. EMPLOYEE BENEFITS EXPENSE

(₹ in crores)

	Year Ended March 31	
	2019	2018
Salaries, wages and bonus	331.12	317.64
Share based Payment (refer note 36)	-	0.76
Contribution to provident and other funds	12.08	11.76
Gratuity expense (refer note 35)	3.05	2.57
Staff welfare expenses	26.44	26.04
	<b>372.69</b>	<b>358.77</b>

## Notes to Financial Statements for the year ended March 31, 2019

### 29. DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in crores)

	Year Ended March 31	
	2019	2018
Depreciation on Property, Plant and Equipment (refer note 4)	43.37	39.03
Amortization expenses on Intangible Assets (refer note 6)	22.59	18.12
Depreciation on Investment Property (refer note 5)	3.22	3.42
	<b>69.18</b>	<b>60.57</b>

### 30. OTHER EXPENSES

(₹ in crores)

	Year Ended March 31	
	2019	2018
Stores and spares consumed	14.14	15.90
Power and fuel	17.13	17.20
Rent	75.73	61.99
Repairs and maintenance		
Buildings	5.12	8.93
Plant and machinery	4.30	3.40
Others	12.47	11.82
Insurance	1.87	1.87
Rates and taxes	1.35	0.98
Advertising expenses	52.93	59.70
Sales promotion expenses	41.86	57.68
Freight and forwarding charges	83.65	72.70
Legal and professional fees	49.79	41.66
Travelling and conveyance	43.17	40.63
Commission and Sales Incentives	25.24	29.03
Warranty Cost	21.94	19.36
Printing and stationery	3.84	3.81
Payment to auditors (Refer details A below )	1.09	1.39
Corporate social responsibility expenses (Refer details B below)	3.12	2.20
Donations	0.45	0.39
Loss on sale of Property, Plant and Equipment	1.60	0.59
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	3.92	-
Bad debts/advances written off	41.25	
Less:- Allowance for doubtful debts	(38.40)	1.93
Allowances for doubtful debts and advances	17.89	20.25
Miscellaneous expenses	32.23	40.84
	<b>517.68</b>	<b>514.25</b>

## Notes to Financial Statements for the year ended March 31, 2019

### A. Payment to auditors

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>As auditor:</b>		
Audit fee	0.71	0.90
Limited review	0.21	0.26
Tax Audit	0.07	-
<b>In other capacity</b>		
Other services	0.05	0.19
Reimbursement of expenses	0.05	0.04
	<b>1.09</b>	<b>1.39</b>

### B. Corporate social responsibility expenses

(₹ in crores)

	Year Ended March 31	
	2019	2018
(i) Gross amount required to be spent by the Company during the year	2.66	2.11
(ii) Amount spent during the year	3.12	2.20

### 31. FINANCE COSTS

(₹ in crores)

	Year Ended March 31	
	2019	2018
Interest	37.96	18.05
Bank charges	6.59	4.15
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.37	0.68
	<b>44.92</b>	<b>22.88</b>

### 32. EXCEPTIONAL ITEMS

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>A) Exceptional Income</b>		
Profit on sale of stake in Blue Star M & E Engineering Sdn Bhd (Joint Venture) to Blue Star International FZCO*	-	12.58
Profit on sale of Property, plant and Equipment	15.18	5.27
	15.18	17.85
<b>B. Exceptional expenses</b>		
Platinum Jubilee Expense**	12.50	-
Provision for financial obligation and impairment of investment in Joint Venture***	29.13	-
	41.63	-
<b>Exceptional Items (Net)</b>	<b>(26.45)</b>	<b>17.85</b>

\* As a part of group restructuring, during the year ended March 31, 2018, the Company sold its stake in joint venture, Blue Star M & E Engineering Sdn Bhd. to its wholly owned subsidiary, Blue Star International FZCO at a profit of ₹12.58 crores.

\*\* The Company commenced its Platinum Jubilee year on September 27, 2018. To mark the momentous milestone the Company will, through the year, hold various events and programmes, run special media campaigns and print special publications. Owing to singular frequency of costs related to the milestone, such costs are regarded as exceptional.

\*\*\* In view of the ongoing losses of its Joint Venture in Oman (Blue Star Oman Electro-Mechanical Co LLC), the Company is considering options for exit from the venture. The Company has on April 09, 2019 filed a petition for liquidation of the venture before the appropriate jurisdictional court in Oman. The Company has therefore made provision for its known financial obligations and committed financial involvement in the venture.

## Notes to Financial Statements for the year ended March 31, 2019

### 33. EARNING PER SHARES (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations :

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>Profit attributable to equity holders of the company for basic earnings</b>	<b>121.79</b>	<b>132.21</b>
Weighted average number of Equity shares for basic EPS (a)	9.60	9.56
ESOP issued during the year (b)	0.02	0.02
Total number of Shares (a+b)	9.62	9.58
Effect of dilutions		
Shares Options	-	0.03
Weighted average number of Equity shares adjusted for the effect of dilutions *	<b>9.62</b>	<b>9.61</b>

\*The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year.

### 34. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires Management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses that are not readily apparent from other sources. Such judgements, estimates and associated assumptions are evaluated based on the Company's historical experience, existing market conditions, as well as forward looking estimates including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements and/or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Expected cost of completion of contracts

For the purpose of arriving at Revenue from construction contracts, the Company's Management estimates the cost to completion for each project. Management systematically reviews future projected costs and compares the aggregate of costs incurred to date and future costs projections against budgets, on the basis of which, proportionate revenue (or anticipated losses), if any, are recognised.

#### Contract variations

Contract variations are recognised as revenue to the extent that it is probable that they will result in revenue which can be reliably measured and it is probable that the economic benefits associated will flow to the Company. This requires exercise of judgement by management, based on prior experience, the contract terms, manner and terms of settlement, etc.

#### Rebates and discounts

The Company provides rebates and discounts to its dealers and channel partners based on an expectation of volumes to be achieved and parameters such as exclusivity in marketing the products of the Company, quality of showroom among other parameters. This involves a certain degree of estimation of whether all the parameters to provide discounts have been achieved. Provision for discount and rebates is based on the Company's past experience of volumes achieved vis-à-vis targets and expected volumes to be achieved for the year.



### **Warranties**

Provision for warranty costs in respect of products sold which are still under warranty is based on the best estimate of the expenditure that will be required to settle the present obligation at the end of the reporting period.

### **Useful lives of property, plant and equipment and intangible assets**

Management reviews the useful lives of property, plant and equipment and intangible assets at least once a year. The lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative efficiency and operating costs. Accordingly depreciable lives are reviewed annually using the best information available to the Management.

### **Employee benefit plans**

The present value of defined benefit obligations is determined on an actuarial basis using a number of underlying assumptions, including the discount rate and expected increase in salary costs. Any changes in these assumptions will impact the carrying amount of obligations.

### **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### **Intangible asset under development**

The Company capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

### **Impairment of financial assets**

The impairment provision for financial assets (other than trade receivables) are based on assumptions of risk of default and expected loss rates. The Company makes judgements about these assumptions for selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade receivables are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts which are based on the aging of the receivable balances and historical experiences. Individual trade receivables are written off when management deems them not be collectible.

### **Income Taxes**

Provision of current and deferred tax liabilities is dependent on Management estimate of the allowability or otherwise of expenses incurred and other debits to profit or loss. Deferred tax assets (including MAT recoverable) are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**35. EMPLOYEE BENEFITS DISCLOSURE****I. Defined Benefit Plans****a. Gratuity**

The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lumpsum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company contributes all ascertained liabilities to the Gratuity Fund Trust (the Trust).

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through remeasurements of the net defined benefit liability/(asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the profit or loss. The Company expects to contribute ₹3.6 crore to gratuity fund in 2019-20 (FY 2018-19 - ₹6.00 crore).

**Change in present value of defined benefit obligation**

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Defined benefit obligation at the beginning of the year	28.97	24.52	0.28	0.24
Current service cost	3.23	2.68	0.02	0.02
Interest cost	2.20	1.77	0.02	0.02
Benefits paid	(4.00)	(3.42)	(0.02)	(0.02)
Remeasurements			-	-
a. Due to change in Demographic assumptions	-	3.14	-	0.03
b. Due to change in financial assumptions	0.53	(0.40)	0.01	-
c. Due to experience adjustments	3.85	0.68	0.04	(0.01)
<b>Defined benefit obligation at the end of the year</b>	<b>34.78</b>	<b>28.97</b>	<b>0.35</b>	<b>0.28</b>

**Change in fair value of plan assets**

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Fair value of plan assets at the beginning of the year	31.82	25.25	-	-
Expected return on Plan assets	2.42	1.92	-	-
Contribution	4.12	7.05	-	-
Benefits paid	(4.00)	(3.42)	-	-
Return on Assets	(0.01)	1.02	-	-
<b>Fair value of plan assets at the end</b>	<b>34.35</b>	<b>31.82</b>	<b>-</b>	<b>-</b>

**Components of defined benefit cost recognised in Profit or Loss**

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Current service cost	3.23	2.68	0.02	0.02
Interest Cost	2.20	1.77	0.02	0.02
Expected return on plan assets	(2.42)	(1.92)	-	-
<b>Defined benefit cost recognised in Profit or Loss</b>	<b>3.01</b>	<b>2.53</b>	<b>0.04</b>	<b>0.04</b>

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
<b>Components of defined benefit cost recognised in Other Comprehensive Income</b>				
a. Due to change in demographic assumptions	-	3.14	-	0.03
b. Due to change in financial assumptions	0.53	(0.40)	0.01	-
c. Due to change in experience adjustments	3.85	0.68	0.04	(0.01)
d. (Return) on plan assets (excl. interest income)	0.01	(1.02)	-	-
<b>Remeasurements recognised in other comprehensive income (OCI)</b>	<b>4.39</b>	<b>2.40</b>	<b>0.05</b>	<b>0.02</b>

### Net Liability/(Assets) recognised in the Balance Sheet

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Present Value of Defined benefit obligation	34.78	28.97	0.35	0.28
Fair value of plan assets	34.35	31.82	-	-
<b>Net Liability/(Assets)</b>	<b>0.43</b>	<b>(2.85)</b>	<b>0.35</b>	<b>0.28</b>

The major categories of plan assets are as follows:

(₹ in crores)

	As at March 31	
	2019	2018
Cash and cash equivalents	1.13	0.63
Insurance company products	11.22	11.66
Others	22.00	19.53
<b>Total</b>	<b>34.35</b>	<b>31.82</b>

The principal assumptions used in determining Gratuity and Additional Gratuity for the Company's plan are as shown below:

### Actuarial Assumptions

	As at March 31	
	2019	2018
Discount Rate	7.30%	7.60%
Disability Rate	5% of IALM-2006-08	5% of IALM-2006-08
Normal Retirement Age	65 years for Directors and 60 for others	65 years for Directors and 60 for others
Mortality Rate	100% of IALM-2006-08	100% of IALM-2006-08
Salary escalation rate (Directors-Management-staff)	10%,7%,3%	10%,7%,3%
Attrition Rate	14% throughout	14% throughout

## Notes to Financial Statements for the year ended March 31, 2019

A quantitative sensitivity analysis for significant assumptions as at March 31, 2019 is shown as below:

(₹ in crores)

Assumptions	As at March 31	
	Decrease	Increase
Discount Rate (-/+ 0.5%)	35.72	33.90
(% change Compared to base due to sensitivity)	2.70%	-2.50%
Salary Growth Rate (-/+ 0.5%)	33.89	35.72
(% change Compared to base due to sensitivity)	-2.60%	2.70%
Attrition Rate (-/+ 1% of attrition rates)	34.78	34.79
(% change Compared to base due to sensitivity)	0.00%	0.00%
Mortality Rate (-/+ 10% of mortality rates)	34.78	34.79
(% change Compared to base due to sensitivity)	0.00%	0.00%

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year 2018-19.

The average duration of the defined benefit plan obligation at the end of the reporting year 2018-19 is 6 years.

### b. Provident Fund

Eligible employees of the Company receive benefits from provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. 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.

The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2019. The Company's contribution to the Employee's Provident fund aggregates to ₹6.27 crores (March 2018 : ₹5.84 crores).

The Supreme Court in a recent judgement has held that provident fund contributions are payable on basic wage, dearness allowances and all other monthly allowances, which are universally, necessarily and ordinarily paid to all the employees in the establishment of the Board. There are numerous interpretative issues relating to the judgement and the matter remains sub judice. As a matter of caution, the Company has made for an estimated amount, provision on a prospective basis.

### 36. SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended March 31, 2019, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On January 18, 2013, the Board of Directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to key employees and directors of the company. The Scheme was also approved by the Shareholders of the Company by a special resolution passed by postal ballot dated March 07, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 1 to 5 years.

The exercise price of the share options under the current grants is equal to the market price of the underlying shares on the date of grant. The fair value of the share options is estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

## Notes to Financial Statements for the year ended March 31, 2019

### a) Employee Stock Option Scheme

Particulars	2018 -19						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
No of Options (Refer Note b)	-	-	-	-	-	-	-
Method of Accounting	Fair Value						
Vesting period (in years)	3	2	2	2	1	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life (in years)	5	5	5	5	5	5	5
Exercise price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
No of Options (Refer Note b)	205,650	23,300	24,000	-	26,350	-	34,800
Method of Accounting	Fair Value						
Vesting period (in years)	3	2	2	2	1	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life (in years)	5	5	5	5	5	5	5
Exercise price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price (₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						

## Notes to Financial Statements for the year ended March 31, 2019

### b) Movement of Options

Particulars	2018 -19						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Options outstanding at the beginning of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	-	-	-	-	-	-	-
Options exercised during the period	205,650	23,300	24,000	-	26,350	-	34,800
Options outstanding at the end of the period	-	-	-	-	-	-	-
Options exercisable as on March 31	-	-	-	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised was ₹690.80.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Options outstanding at the beginning of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	98,800	3,900	1,600	6,400	21,600	3,000	6,400
Options exercised during the period	364,750	11,200	-	39,600	6,050	3,000	4,800
Options outstanding at the end of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options exercisable as on March 31	205,650	23,300	24,000	-	26,350	-	34,800

The weighted average share price at the date of exercise for stock options exercised was ₹695.14.

The weighted average contractual life for the share options outstanding as at March 31, 2018 was 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

## Notes to Financial Statements for the year ended March 31, 2019

### c) Fair Valuation

Particulars	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Model used	Black-Scholes						
Expected volatility	38.0%	35.0%	30.0%	31.0%	32.0%	32.0%	36.0%
Risk-free interest rate	8.5%	7.7%	7.8%	7.8%	7.8%	7.6%	7.7%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

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

d) The expense recognised for employee services received during the year is shown in the following table:

	Year Ended March 31	
	2019	2018
Expense arising from equity-settled share-based payment transactions (net provision)	-	0.76

(₹ in crores)

### 37. COMMITMENTS AND CONTINGENCIES

#### a. Contingent liabilities

	As at March 31	
	2019	2018
Claims against the Company not acknowledged as debts	0.15	0.25
Sales Tax matters	157.89	104.18
Excise Duty matters	11.90	8.99
Service Tax matters	173.67	163.05
Income Tax matters	90.57	58.82
GST matters	0.07	-

(₹ in crores)

#### b. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2019, Company had commitments (net of advances) of ₹59.32 crores (March 31, 2018 : ₹31.84 crores)

#### c. Financial Guarantees provided

	As at March 31	
	2019	2018
Corporate Guarantee given/utilised on behalf of Subsidiary and others (net of Provision)	189.84	199.10

(₹ in crores)

d. Ministry of Environment, Forest and Climate Change (MoEF & CC) Government of India, has issued E-Waste (Management) Rules, 2016 ('the Rules'). Accordingly as per this rules, the Company is mandated to comply with the Extended Producer Responsibility (EPR) targets through channelization of e-waste to an authorised dismantler/recycler. These targets are computed on the basis of sales made in the preceding 10th year. The Company has fulfilled its commitment for the financial year 2018-19 and the cost of obligation if any, for the remaining preceding nine year sales can be reliably estimated, upon receipt of appropriate clarifications from the Ministry.

**38. DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES**

Related Party Disclosure	Country of Incorporations	% of equity interest	
		31-Mar-19	31-Mar-18
<b>Name of the Related parties where control exists irrespective of whether transactions have occurred or not.</b>			
<b>Subsidiaries :</b>			
Blue Star Engineering & Electronics Limited	India	100.00	100.00
Blue Star Qatar- WLL*	Qatar	49.00	49.00
Blue Star System and Solutions LLC (w.e.f 15-08-2018)	UAE	100.00	-
Blue Star International FZCO	UAE	100.00	100.00

\* The Company holds 49% of the share capital in Blue Star Qatar WLL (BSQ). Upon assessment of control over BSQ, the Company has concluded that the said company is a subsidiary of the company under Ind AS 110.

**Names of other related parties as per Ind AS 24 with whom transactions have taken place during the year:**

Joint Ventures	Country of Incorporations	% of equity interest	
		31-Mar-19	31-Mar-18
Blue Star M & E Engineering Sdn Bhd	Malaysia	49.00	49.00
Blue Star Oman Electro-Mechanical Co LLC**	Oman	51.00	51.00

\*\* The Company holds 51% of the share capital of Blue Star Oman Electro-Mechanical Co LLC, however the profit sharing is on 50-50 basis and it is treated as joint venture under Ind AS 111.

**Key Management Personnel**

Mr Vir S Advani, Vice Chairman & Managing Director  
 Mr B Thiagarajan, Managing Director  
 Mr Vijay Devadiga, Company Secretary  
 Mr Neeraj Basur, Group Chief Financial Officer

**Non Executive and Independent Directors**

Mr Suneel M Advani  
 Mr Gurdeep Singh  
 Mr Shailesh Haribhakti  
 Ms Shobana Kamineni  
 Mr Rajiv R Lulla  
 Mr Dinesh N Vaswani  
 Mr Sam Balsara  
 Mr Anil Harish  
 Mrs Rumjhum Chatterjee (w.e.f Feb 5 , 2019)  
 Mr Arvind K Singhal (w.e.f Feb 5 , 2019)

**Relative of Director**

Mr Ashok M Advani

**Enterprises in which a Director is/was a member/director during the year**

KEIMED Private Limited  
 Apollo Munich Health Insurance Company Limited  
 Apollo Hospital Enterprises Limited  
 Pragati Leadership Institute Private Limited  
 Atria Convergence Technologies Pvt Ltd  
 Lifetime Wellness RX International Ltd  
 Entrust Communications Pvt Ltd  
 Moms Outdoor Media Solutions Pvt Ltd  
 Madison Communications Pvt Ltd  
 Platinum Communication Pvt Ltd



## Notes to Financial Statements for the year ended March 31, 2019

Transactions during the year with Related Parties are as under:

(₹ in crores)

Name of the Related Party	March 31, 2019		March 31, 2018	
	Transactions	Balance O/S DR/(CR)	Transactions	Balance O/S DR/(CR)
<b>Blue Star M &amp; E Engineering Sdn Bhd</b>		<b>0.47</b>		<b>0.29</b>
Consultancy services rendered	1.48		1.21	
<b>Blue Star Qatar WLL</b>		<b>-</b>		<b>0.50</b>
Sales and Services	0.41		0.37	
Guarantee commission	0.36		0.55	
<b>Blue Star Engineering &amp; Electronics Ltd</b>		<b>(1.23)</b>		<b>(2.68)</b>
Reimbursement of employee cost	3.84		3.65	
Reimbursement of expense charged	-		0.03	
Purchase of Goods & Services	1.38		0.63	
Sales of Goods & Services	0.11		0.15	
Collateral Guarantee Charges	0.01		0.01	
Shared service recovery	1.32		1.34	
Rent paid	2.52		2.48	
Inter Corporate Deposit	30.00		-	
Finance Cost	0.22		-	
IT Services	0.44		-	
<b>Blue Star International FZCO</b>		<b>44.22</b>		<b>16.59</b>
Equity Investment	4.96		4.91	
Sale of Goods	90.66		25.51	
Reimbursement of Expenses	3.56		-	
Sale of Shares in Joint Venture	-		13.08	
Guarantee commission	0.04		0.04	
<b>Blue Star Oman Electro-Mechanical Co LLC</b>		<b>4.46</b>		<b>0.03</b>
Loan given	4.46		-	
Recovery of Remuneration paid	0.36		-	
Guarantee commission	0.23		0.03	
<b>Enterprises in which Director is a member/director</b>				
Sale of Goods and Services				
Apollo Hospital Enterprises Ltd	0.47	-	3.52	-
Atria Convergence Technologies Pvt Ltd	0.19	0.04	0.03	-
KEIMED Private Ltd	0.04	-	0.01	-
Apollo Munich Health Insurance Co Ltd	0.01	-	0.15	-
Lifetime Wellness RX International Ltd	0.06	0.03	0.05	0.01
Madison Communications Pvt Ltd	0.08	0.01	0.05	-
Moms Outdoor Media Solutions Pvt Ltd	0.01	(0.01)	0.01	-
Platinum Communication Pvt Ltd	0.01	-		

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

Name of Related party	March 31, 2019		March 31, 2018	
	Transactions	Balance O/S DR/(CR)	Transactions	Balance O/S DR/(CR)
<b>Project Revenue</b>				
Apollo Hospital Enterprises Ltd	1.38	1.93	3.44	1.69
<b>Services Received</b>				
Pragati Leadership Institute Pvt Ltd	-	-	0.12	(0.08)
Entrust Communications Pvt Ltd	0.09	(0.02)	2.14	(0.33)
Moms Outdoor Media Solutions Pvt Ltd	3.49	(1.70)	8.47	(5.51)
Madison Communications Pvt Ltd	36.33	(7.93)	34.23	(8.04)
Apollo Hospital Enterprise Ltd	-	-	0.03	-
<b>Relative of Director</b>				
Fees for Professional Services	0.24	(0.05)	0.18	(0.05)
<b>Compensation of key managerial personnel</b>		(9.39)		(9.14)
Short term employee benefits	16.20	-	14.55	-
Sitting fees to Non Executive and Independent Directors	0.63	-	0.51	-
Commission to Non Executive and Independent Directors	1.49	-	1.59	-
Retirement benefits	0.64	-	0.47	-
Share-based payment transactions	-	-	0.19	-
Total compensation paid to key management personnel	18.96		17.31	
<b>ESOP exercised during the year</b>				
B Thiagarajan 1,19,600 (March 31, 2018 1,00,000) equity shares of ₹2 each	3.82	-	2.90	-
Neeraj Basur Nil (March 31, 2018 39,600) equity shares of ₹2 each	-	-	1.46	-
Vijay Devadiga Nil (March 31, 2018: 4,800) equity shares of ₹2 each	-	-	0.18	-

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

### Terms & Conditions of Transactions with Related Party

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

### Corporate Guarantees to Related Parties

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

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

Name of Related party	March 31, 2019		March 31, 2018	
	Transactions	Balance O/S DR/(CR)	Transactions	Balance O/S DR/(CR)
Blue Star Qatar WLL (Outstanding balance of loans as on March 31, 2019 ₹152.95 crores (March 31, 2018 is ₹97.85 crores))	197.32	488.37	27.79	291.05
Blue Star Engineering & Electronics Ltd	(24.56)	80.00	-	104.56
Blue Star International FZCO	-	66.23	66.23	66.23
Blue Star Oman Electro-Mechanical Co LLC (refer note 22)	-	20.33	21.63	21.63

### Other Directors' interests

During the year ended March 31, 2019, the Company has received services from one of the relative of the director. The transactions entered into with enterprises in which director is a member/director are on arm's length basis.

### Directors' interests in the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme")

Share options held by Mr B Thiagarajan of the Board of Directors under the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme") to purchase Equity shares have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise Price (₹)	As at 31-Mar-19 Number outstanding	As at 31-Mar-18 Number outstanding
06-Jun-2014	31-Jul-2018	290.05	-	84,800
01-Apr-2016	31-Jul-2018	390.30	-	34,800

## 39. SEGMENT INFORMATION:

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

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

- Electro Mechanical Projects and Packaged Air-conditioning Systems includes central air-conditioning projects, Electrical Contracting business and Packaged air-conditioning businesses including manufacturing and after sales service.
- Unitary Products includes cooling appliances, cold storage products, including manufacturing and after sales service.
- Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

(₹ in crores)

### Segment Revenues, Results and other Information:

	Year Ended March 31	
	2019	2018
<b>I. SEGMENT REVENUE</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	2,513.35	2,220.11
ii. Unitary Products	2,269.67	2,089.55
iii. Professional Electronics and Industrial Systems	0.68	2.53
<b>TOTAL SEGMENT REVENUE</b>	<b>4,783.70</b>	<b>4,312.19</b>

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>II. SEGMENT RESULT</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	142.60	112.83
ii. Unitary Products	186.56	168.72
iii. Professional Electronics and Industrial Systems	(0.80)	(1.31)
<b>TOTAL SEGMENT RESULT</b>	<b>328.36</b>	<b>280.24</b>
Less: i) Finance Cost	44.92	22.88
ii) Other un-allocable Expenditure Net of un-allocable Income	77.14	94.32
<b>TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>206.30</b>	<b>163.04</b>
Exceptional Items	(26.45)	17.85
<b>PROFIT BEFORE TAXATION</b>	<b>179.85</b>	<b>180.89</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>III. OTHER INFORMATION:</b>		
<b>A. SEGMENT ASSETS</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	1,547.06	1,378.09
ii. Unitary Products	1,188.54	1,247.81
iii. Professional Electronics and Industrial Systems	1.90	3.02
<b>TOTAL SEGMENT ASSETS</b>	<b>2,737.50</b>	<b>2,628.92</b>
Add: Un-allocable Corporate Assets	502.16	569.89
<b>TOTAL ASSETS</b>	<b>3,239.66</b>	<b>3,198.81</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>B. SEGMENT LIABILITIES</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	1,080.47	953.98
ii. Unitary Products	719.54	864.87
iii. Professional Electronics and Industrial Systems	0.79	0.79
<b>TOTAL SEGMENT LIABILITIES</b>	<b>1,800.80</b>	<b>1,819.64</b>
Add: Un-allocable Corporate Liabilities	477.86	430.92
<b>TOTAL LIABILITIES</b>	<b>2,278.66</b>	<b>2,250.56</b>

(₹ in crores)

	As at March 31	
	2019	2018
<b>C. NON CURRENT ASSET</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	51.83	50.27
ii. Unitary Products	52.83	34.08
iii. Professional Electronics and Industrial Systems	-	0.01
iv. Un-allocable	13.91	2.46
<b>TOTAL</b>	<b>118.57</b>	<b>86.82</b>

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>D. DEPRECIATION/AMORTISATION</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	32.76	22.66
ii. Unitary Products	25.31	16.25
iii. Professional Electronics and Industrial Systems	-	-
iv. Un-allocable	11.11	21.66
<b>TOTAL</b>	<b>69.18</b>	<b>60.57</b>

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>E. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	5.55	21.13
ii. Unitary Products	0.34	1.85
iii. Professional Electronics and Industrial Systems	0.50	0.35
iv. Un-allocable	1.55	1.50
<b>TOTAL</b>	<b>7.94</b>	<b>24.83</b>

### B. Secondary segment information:

(₹ in crores)

	As at March 31	
	2019	2018
<b>a Revenue from operations</b>		
India	4,554.66	4,045.53
Outside India	229.04	266.66
<b>Total</b>	<b>4,783.70</b>	<b>4,312.19</b>
<b>b Carrying amount of Non-current assets</b>		
India	499.93	462.16
Outside India	-	-
<b>Total</b>	<b>499.93</b>	<b>462.16</b>

### 40. DERIVATIVE INSTRUMENTS AND ATTACHED FOREIGN CURRENCY EXPOSURE

The Company has a forex risk management policy which ensures proactive and regular monitoring and managing of foreign exchange exposures. Financial risks relating to changes in exchange rates are hedged by forward and options contracts. The hedging strategy is used towards managing currency fluctuation risk and the Company does not use foreign exchange forward and options contract for trading or speculative purposes.

Forward and options contract are fair valued at each reporting date. The resultant gain or loss of forward and option contract is recognised in the Profit or Loss.

Commodity risk is mitigated by entering into annual rate contracts with major suppliers which is factored in pricing decisions. This approach provides sufficient mitigation against volatility in commodity rates.

## Notes to Financial Statements for the year ended March 31, 2019

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

Foreign Currency	31-Mar-19		31-Mar-18	
	Amount in Foreign Currency (in lakh)	₹ Crores	Amount in Foreign Currency (in lakh)	₹ Crores
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD &amp; CNY:</b>				
<b>Hedge of underlying payables - USD</b>	<b>125.80</b>	<b>87.00</b>	<b>315.07</b>	<b>205.35</b>
- Buyers' Credit	-	-	79.28	51.67
- Payables	125.80	87.00	235.78	153.67
<b>Hedge of underlying payables - CNY</b>				
- Other Payables	1,004.23	103.31	1,132.43	117.57

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

Foreign Currency	31-Mar-19		31-Mar-18	
	Amount in Foreign Currency (in lakh)	₹ Crores	Amount in Foreign Currency (in lakh)	₹ Crores
<b>Bank Balances</b>				
EUR	1.01	0.78	3.09	2.50
USD	13.17	9.11	9.69	6.31
<b>Receivables</b>				
EUR	1.39	1.08	4.61	3.72
MYR	16.60	2.81	11.84	2.00
USD	87.61	60.58	89.38	58.25
<b>Payables</b>				
EUR	1.24	0.96	11.39	9.20
JPY	140.96	0.88	70.81	0.44
CNY	22.66	2.33	337.69	35.06
USD	44.94	31.08	139.82	91.12

## Notes to Financial Statements for the year ended March 31, 2019

### 41. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

#### Quantitative disclosures fair value measurement hierarchy as at March 31, 2019 :

(₹ in crores)

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Investment Property (refer note 5)	March 31, 2019	66.04	-	-	66.04
Derivatives not designated as hedges (refer note 20)					
- Foreign exchange forward contracts	March 31, 2019	3.66	-	3.66	-

There have been no transfers between Level 1 and Level 2 during the period.

#### Quantitative disclosures fair value measurement hierarchy as at March 31, 2018 :

(₹ in crores)

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Investment Property (refer note 5)	March 31, 2018	67.41	-	-	67.41
<b>Liabilities measured at fair value:</b>					
Derivatives not designated as hedges (refer note 9)					
- Foreign exchange forward contracts	March 31, 2018	1.28	-	1.28	-

There have been no transfers between Level 1 and Level 2 during the period.

### 42. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures.

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: Currency risk and interest rate risk. Financial instruments affected by market risk includes borrowings, investments, trade payables, trade receivables, loans and derivative financial instruments.

#### Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). Foreign currency risks are managed within the approved policy parameters utilising foreign exchange forward contracts.

## Notes to Financial Statements for the year ended March 31, 2019

### Foreign Currency Sensitivity

The following table demonstrates the sensitivity of material unhedged foreign currencies to the functional currency of the Company, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives.

(₹ in crores)

	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2018
US Dollars	+5%	(1.93)	(1.04)	(1.26)	(0.68)
	-5%	1.93	1.04	1.26	0.68
CNY	+5%	0.11	(1.75)	0.07	(1.14)
	-5%	(0.11)	1.75	(0.07)	1.14

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate change does not affect significantly short term borrowing and investments.

### Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

#### 1. Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on credit term in line with respective industry norms. Outstanding customer receivables are regularly monitored. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

The ageing analysis of trade receivables as of the reporting date is as follows:

(₹ in crores)

	Neither past due nor impaired	Past due but not impaired		Total
		Less than 1 year	More than 1 year	
Trade Receivables as of March 31, 2019	209.67	639.65	166.63	1,015.95
Trade Receivables as of March 31, 2018	113.87	531.04	164.64	809.55

The requirement for impairment is analysed at each reporting date. Refer Note 11 for details on the impairment of trade receivables.

#### 2. Financial instruments and cash deposits

Credit risk from balances with banks is managed by Company's treasury in accordance with the Board approved policy. Investments of surplus funds, temporarily, are made only with approved counterparties, mainly mutual funds, who meet the minimum threshold requirements under the counterparty risk assessment process. The Company's maximum exposure for financial guarantees is given in Note 37.

### Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its obligations. The Company monitors rolling forecast of its liquidity position on the basis of expected cash flows. The Company's approach is to ensure that it has sufficient liquidity or borrowing headroom to meet its obligations at all point in time. The Company has sufficient short-term fund based lines, which provides healthy liquidity and these carry highest credit quality rating from reputed credit rating agency.



## Notes to Financial Statements for the year ended March 31, 2019

The table below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

(₹ in crores)

	As at March 31, 2019		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	364.42	-	364.42
Trade Payables	1,424.91	-	1,424.91
Other financial liabilities	16.72	0.05	16.77
<b>Total</b>	<b>1,806.05</b>	<b>0.05</b>	<b>1,806.10</b>

(₹ in crores)

	As at March 31, 2018		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	319.25	-	319.25
Trade Payables	1,432.19	-	1,432.19
Other financial liabilities	8.53	4.20	12.73
<b>Total</b>	<b>1,759.97</b>	<b>4.20</b>	<b>1,764.17</b>

### 43 CAPITAL MANAGEMENT

The Company's objective for capital management is to maximize shareholder wealth, safeguard business continuity and support the growth of the Company. The Company determines the capital management requirement based on annual operating plans and long term and other strategic investment plans. The funding requirements are met through optimum mix of borrowed and owned funds.

The Company's adjusted net debt and equity position is as follows:

#### Gearing Ratio:

(₹ in crores)

	As at March 31	
	2019	2018
Borrowings	364.42	319.25
Less: Cash and cash equivalents	(21.79)	(52.14)
<b>Net Debt</b>	<b>342.63</b>	<b>267.11</b>
Equity	961.00	948.25
<b>Total Capital</b>	<b>961.00</b>	<b>948.25</b>
<b>Capital and Net Debt</b>	<b>1,303.63</b>	<b>1,215.36</b>
<b>Gearing Ratio</b>	<b>26.28%</b>	<b>21.98%</b>

## Notes to Financial Statements for the year ended March 31, 2019

### 44. CURRENT ASSETS AND LIABILITIES EXPECTED TO BE RECOVERED/SETTLED WITHIN TWELVE MONTHS AND AFTER TWELVE MONTHS FROM THE REPORTING DATE:

(₹ in crores)

	March 31, 2019		
	Within 12 months	After 12 months	Total
<b>Assets</b>			
Inventories	857.75	-	857.75
Trade receivables	1,015.95	-	1,015.95
Loans	9.91	21.77	31.68
Other financial assets	0.67	3.92	4.59
Other Current Assets	475.00	28.39	503.39
Assets held for sale	0.14	-	0.14
<b>Liabilities</b>			
Trade Payables	1,424.91	-	1,424.91
Other Financial Liabilities	16.72	0.05	16.77
Other current liabilities	374.44	-	374.44
Provisions	76.09	11.50	87.59

(₹ in crores)

	March 31, 2018		
	Within 12 months	After 12 months	Total
<b>Assets</b>			
Inventories	1,002.07	-	1,002.07
Trade receivables	809.55	-	809.55
Loans	12.44	19.98	32.42
Other financial assets	2.80	3.96	6.76
Other Current Assets	457.80	30.08	487.88
Assets held for sale	5.22	-	5.22
<b>Liabilities</b>			
Trade Payables	1,432.19	-	1,432.19
Other Financial Liabilities	8.53	4.20	12.73
Other current liabilities	418.54	-	418.54
Provisions	52.16	12.20	64.36

## Notes to Financial Statements for the year ended March 31, 2019

### 45. AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST VIDE NOTE 27 IN RESPECT OF SPECIFIC ITEMS INCLUDED IN SALARIES AND WAGES, OTHER EXPENSES AND FINANCE COST VIDE NOTE NOS 28, 30 AND 31 IS AS FOLLOWS:

(₹ in crores)

Nature of expenses	Note 27	Note 28	Note 30	Note 31	Total
Subcontracting cost	240.74	-	-	-	240.74
	(213.34)	-	-	-	(213.34)
Salaries and Wages	9.79	331.12	-	-	340.91
	(10.96)	(317.64)	-	-	(328.60)
Rent	0.95	-	75.73	-	76.68
	(0.71)	-	(61.99)	-	(62.70)
Power and fuel	4.01	-	17.13	-	21.14
	(1.74)	-	(17.20)	-	(18.94)
Insurance	1.41	-	1.87	-	3.28
	(4.31)	-	(1.87)	-	(6.18)
Travelling and Conveyance	2.66	-	43.17	-	45.83
	(3.32)	-	(40.63)	-	(43.95)
Printing and Stationery	0.65	-	3.84	-	4.49
	(0.82)	-	(3.81)	-	(4.63)
Communication Expenses	0.05	-	-	-	0.05
	(0.11)	-	(7.87)	-	(7.98)
Freight and Forwarding Charges	0.63	-	83.65	-	84.28
	(2.28)	-	(72.70)	-	(74.98)
Legal and Professional fees	15.38	-	49.79	-	65.17
	(14.86)	-	(41.66)	-	(56.52)
Bank charges	2.17	-	-	6.59	8.76
	(1.44)	-	-	(4.15)	(5.59)

Figures in brackets are for previous year

### 46. LEASES

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. There are no exceptional/restrictive covenants in the lease agreements, except in case of six premises. Lease rental expense debited to statement of Profit and Loss is ₹76.68 crores (March 31, 2018 : ₹62.70 crores).

(₹ in crores)

	As at March 31	
	2019	2018
<b>Minimum lease payments for operating leases with no exceptional/restrictive covenants as at 31st March</b>		
(a) Not later than one year	5.66	5.59
(b) Later than one year but not later than five years	4.61	7.60
(c) Later than five years	-	-

The Company has leased out office premises and furniture under cancellable operating lease agreements that are renewable at the option of both the lessor and the lessee.

An amount of ₹6.02 crores (Previous year: ₹5.57 crores) is recognised as lease income in the statement of profit & Loss for the year ended March 31, 2019.

## Notes to Financial Statements for the year ended March 31, 2019

### 47 (a) Details of revenue expenditure directly related to Research & Development :

(₹ in crores)

	Year Ended March 31	
	2019	2018
Employee benefits expense	19.05	18.34
Cost of raw material and components consumed	4.66	5.89
Legal & Professional fees	0.66	2.90
Depreciation	11.02	10.19
Others	5.77	6.50
<b>Total</b>	<b>41.16</b>	<b>43.82</b>

### (b) Details of Capital expenditure directly related to Research & Development :

(₹ in crores)

	Year Ended March 31	
	2019	2018
<b>Tangible Assets</b>		
Building sheds and road	2.00	0.18
Plant & equipment	1.56	2.21
Furniture & fixtures	0.08	0.26
Office equipments	0.05	0.98
Vehicles	0.74	-
Computers	0.13	-
<b>Intangible Assets (including under development)</b>		
Technical knowhow	4.70	7.71
Software	0.33	0.20
<b>Total</b>	<b>9.59</b>	<b>11.54</b>

### 48. DISCLOSURE IN CONNECTION WITH REVENUE FROM CONTRACT WITH CUSTOMERS

The Company has adopted Ind AS 115 - 'Revenue from Contracts with Customers', and also appropriately evaluated its revenue recognition policies, w.e.f. April 1, 2018. The changes have been applied retrospectively and the resultant impact on the immediately preceding comparative period is tabulated below:

(₹ in crores)

	March 31 2018
<b>Statement of Profit and Loss</b>	
Revenue from operations	(112.96)
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(23.79)
Other expenses	(74.33)
Profit before Tax	(14.86)
Tax Expense	(5.14)
Profit after Tax	(9.72)
<b>Earnings per share</b>	
Basic (in ₹)	(1.02)
Diluted (in ₹)	(1.02)

## Notes to Financial Statements for the year ended March 31, 2019

(₹ in crores)

	March 31	April 01
	2018	2017
<b>Balance Sheet</b>		
Other equity	(9.72)	(27.33)
Trade Receivables	(19.54)	(121.61)
Inventories	23.79	137.76
Deferred Tax Assets (net)	5.14	14.42
Trade Payables	(0.28)	11.74
Advances from customers	(20.05)	(70.25)
Provisions	1.22	0.61

On account of adoption of Ind AS 115 unbilled revenues and retention monies, of ₹332.11 crore and ₹28.39 crore, respectively (PY ₹282.86 crore and ₹30.08 crore) have been classified as non-financial assets.

### (1) Disaggregation of revenue:

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2019 by offerings and contract-type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors:

(₹ in crores)

Revenue by type of contract	March 31, 2019			March 31, 2018		
	At a point in time	Over time	Total	At a point in time	Over time	Total
Electro-Mechanical Projects and Packaged Air Conditioning Systems	1,028.66	1,484.69	2,513.35	944.89	1,275.22	2,220.11
Unitary Products	2,234.81	34.86	2,269.67	2,055.45	34.10	2,089.55
Professional Electronics and Industrial Systems	0.67	0.01	0.68	2.49	0.04	2.53
<b>Total</b>	<b>3,264.14</b>	<b>1,519.56</b>	<b>4,783.70</b>	<b>3,002.83</b>	<b>1,309.36</b>	<b>4,312.19</b>

### (2) Reconciliation of contracted price with the revenue recognised in profit or loss:

(₹ in crores)

	Year Ended March 31	
	2019	2018
Sale of products at transaction price and construction and services contracts at contracted price	4,838.67	4,337.22
Reductions towards variable consideration components *	(80.70)	(74.58)
Revenue recognised on sale of products, construction contracts and sale of services	4,757.97	4,262.64

\* Reduction towards variable consideration components include discounts, service level credits, etc.

- (3) Revenue recognised relating to performance obligations that were satisfied in a prior year amounted to ₹ Nil crore (PY ₹ Nil crore).
- (4) The aggregate value of Order Book as at March 31, 2019, is ₹2,316.07 crore (PY ₹1,900.58 Crore). Out of this, the Company expects to recognize revenue of around 77% within the next one year and the remaining thereafter.

## Notes to Financial Statements for the year ended March 31, 2019

### (5) Changes in contract assets and contract liabilities during the reporting period:

(₹ in crores)

	2018-19	2017-18
Opening balance - Contract assets (net of impairment)	282.86	238.69
Opening balance - Contract liabilities*	(77.13)	(76.82)
Revenue recognised during the year	(1,519.56)	(1,309.36)
Less: Progress billing during the year	1,550.69	1,353.22
<b>Closing Balance</b>	<b>236.86</b>	<b>205.73</b>
Closing balance contract assets (net of impairment)	332.11	282.86
Closing balance contract liabilities including income received in advance	(95.25)	(77.13)
<b>*The Company has recognised revenue out of opening contract liabilities</b>	<b>77.13</b>	<b>76.82</b>

### 49. CHANGES IN ACCOUNTING STANDARD AND RECENT ACCOUNTING PRONOUNCEMENTS

On March 30, 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116 on Leases. Ind AS 116 would replace the existing leases standard Ind AS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosures for both parties to a contract, i.e. the lessee and the lessor. Ind AS 116 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently for operating lease, rentals are charged to the statement of profit and loss. The Company is currently evaluating the implication of Ind AS 116 on the financial statements.

The Companies (Indian Accounting Standards) Amendment Rules, 2019 notified amendments to the following accounting standards. The amendments would be effective from April 1, 2019

1. Ind AS 12, Income taxes-Appendix C on uncertainty over income tax treatments
2. Ind AS 23, Borrowing costs
3. Ind AS 28 – investment in associates and joint ventures
4. Ind AS 103 and Ind AS 111 – Business combinations and joint arrangements
5. Ind AS 109 – Financial instruments
6. Ind AS 19 – Employee benefits

The Company is in the process of evaluating the impact of such amendments.

### 50. PREVIOUS YEAR COMPARATIVES

Corresponding figures for the immediately preceding period are disclosed in the financial statements. Additionally, the balance sheet as at the beginning of the preceding period has been presented in accordance with the requirements of Schedule III to the Companies Act, 2013 and Ind AS 1 – Presentation of Financial Statements. Previous years' figures have been regrouped where necessary to conform to this year's classification.

#### For and on behalf of the Board of Directors of BLUE STAR LIMITED

<b>Shailesh Haribhakti</b>	Chairman	DIN: 00007347
<b>B Thiagarajan</b>	Managing Director	DIN: 01790498
<b>Vijay Devadiga</b>	Company Secretary	
<b>Neeraj Basur</b>	Group Chief Financial Officer	

Mumbai : May 02, 2019

## Form AOC - I

(Pursuant to first provision to Section 129 (3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures

		Part 'A': Subsidiaries				(₹ in crores)
Sr. No.	Particulars	Name of the Subsidiaries				
		Blue Star Engineering & Electronics Limited	Blue Star Qatar WLL	Blue Star International FZCO	Blue Star Systems and Solutions LLC <sup>@</sup>	
1	Date since when subsidiary was acquired	June 22, 2010	February 12, 2007	April 18, 2017	August 15, 2018	
2	Reporting Period	April - March	April - March	April - March	April - March	
3	Reporting Currency	INR	QAR	AED	AED	
4	Exchange Rate as on the last date of the relevant financial year*	NA	18.99	18.83	18.83	
5	Share Capital	52925052 shares of ₹ 2/- each fully paid up	100 shares of QR 2000 each	5350 shares of AED 1000 each	300 shares of AED 1000 each	
6	Reserves & Surplus (Other Equity)	111.14	35.73	(5.84)	-	
7	Total Assets	218.77	132.78	85.35	0.56	
8	Total Liabilities	97.05	96.8	81.46	-	
9	Investments other than investments in Subsidiary	-	-	-	-	
10	Turnover (Total Income)	229.75	154.07	174.09	-	
11	Profit/(Loss) before Taxation	33.96	7.84	0.55	-	
12	Provision for Taxation	(17.06)	0.99	-	-	
13	Profit/(Loss) after Taxation	51.02	6.85	0.55	-	
14	Other Comprehensive Income/(Loss)	(0.43)	-	-	-	
15	Total Comprehensive Income/(Loss)	50.59	6.85	0.55	-	
16	Proposed Dividend	-	-	-	-	
17	% of Shareholding	100%	49%	100%	49% <sup>#</sup>	

\* closing exchange rate as on March 31, 2019 has been considered.

@ Blue Star Systems and Solutions LLC, a subsidiary of Blue Star International FZCO, is yet to commence operations.

# Blue Star International FZCO has management control of Blue Star Systems and Solutions LLC. So, the Company has consolidated 100% financial results.

## Form AOC - I

(Pursuant to first provision to Section 129 (3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Part 'B' : Associates and Joint Ventures

(₹ in crores)

Sr. No.	Particulars	Name of the Joint Ventures	
		Blue Star Oman Electro-Mechanical Company LLC##	Blue Star M & E Engineering Sdn Bhd**
1	Last Audited Balance Sheet Date	December 31, 2017	March 31, 2019
2	Date on which the Associate or Joint Venture was associated or acquired	October 29, 2015	November 30, 1993
	Number of shares held by the Company as on March 31, 2019	255000 shares of OMR 1 each	367500 shares of RM 1 each
	Number of shares held by the Company as on March 31, 2019	-	49 redeemable convertible preference shares of RM 40000 each
	Amount of Investment in Joint Venture/Associate	4.34	3.98
	Extent of holding %	51%	49%
3	Description of how there is a significant influence	There is significant influence due to percentage(%) of Share Capital	There is significant influence due to percentage(%) of Share Capital
4	Reasons why the Joint Venture is not consolidated	NA	NA
5	Net worth attributable to Shareholding as per latest audited Balance Sheet	-	14.63
6	Profit/(Loss) for the year		
	i. Considered in consolidation	(5.43)	5.53
	ii. Not considered in consolidation	-	-
7	Other Comprehensive Income/(Loss) for the year		
	i. Considered in consolidation	-	-
	ii. Not considered in consolidation	-	-
8	Total comprehensive Income/(Loss) for the year		
	i. Considered in consolidation	(5.43)	5.53
	ii. Not considered in consolidation	-	-

## Audit of Local GAAP Financial Statements of Blue Star Oman Electro-Mechanical LLC for the year ended December 31, 2018 is under progress.

\*\* Blue Star M & E Engineering Sdn Bhd is a joint venture of Blue Star International FZCO.

**For and on behalf of the Board of Directors of  
BLUE STAR LIMITED**

<b>Shailesh Haribhakti</b>	Chairman	DIN: 00007347
<b>B Thiagarajan</b>	Managing Director	DIN: 01790498
<b>Vijay Devadiga</b>	Company Secretary	
<b>Neeraj Basur</b>	Group Chief Financial Officer	

Mumbai : May 02, 2019



# Investor and Shareholder Information

## SHAREHOLDER INQUIRIES

Shareholders may note that activities concerning share certificates, dividend, address changes (for physical shares only), lost certificates and all other investor related matters are attended to and processed at the office of the Company's Registrar and Transfer Agent. Address changes in respect of dematerialised shares should be intimated to the concerned depository participant.

Blue Star Limited  
Band Box House, 4th Floor  
254 D, Dr Annie Besant Road  
Worli, Mumbai 400 030  
Tel: +91 22 6654 4000  
Fax: +91 22 6654 4001  
Website: [www.bluestarindia.com](http://www.bluestarindia.com)  
CIN: L28920MH1949PLC006870

Company Secretary & Compliance Officer  
Vijay Devadiga  
Email: [vijaydevadiga@bluestarindia.com](mailto:vijaydevadiga@bluestarindia.com)  
Tel: +91 22 6654 4000

Link Intime India Pvt Ltd  
C-101, 247 Park  
L B S Marg, Vikhroli (West)  
Mumbai 400 083  
Tel: +91 22 4918 6000  
Fax: +91 22 4918 6060  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)  
Email: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

National Securities Depository Limited  
Trade World, 'A' Wing, 4th Floor  
Kamala Mills Compound  
Senapati Bapat Marg  
Lower Parel, Mumbai 400 013  
Tel: +91 22 2499 4200 / +91 22 2497 6351

Central Depository Services (India) Limited  
Marathon Futurex, A-Wing, 25th floor  
NM Joshi Marg, Lower Parel  
Mumbai 400 013  
Tel: +91 22 2302 3333 / +91 22 2272 3199

## DEMATERIALISATION

The Company has made arrangements for dematerialisation of its shares through National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Since the Company shares are traded in dematerialised mode, the shareholders are requested to dematerialise their shareholding.

## INVESTOR RELATIONS PROGRAMME

The Company 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 the Company's Investor Relations Department at the above address.

## BLUE STAR SHAREHOLDERS

As of March 31, 2019, the Company has 46,488 registered shareholders. The Promoters hold 38.76% of the Company's shares. 26.3% of the Company's shares are held by individual investors while Foreign Investors, Institutions, Bodies Corporate and others hold the balance shares.

## STOCK EXCHANGE LISTINGS

BSE Limited  
National Stock Exchange of India Ltd



Air Conditioners 'Party with Friends' TVC



30% MORE COOLING  
WHEN NEEDED

 BLUE STAR

SMART. COOL. BETTER.

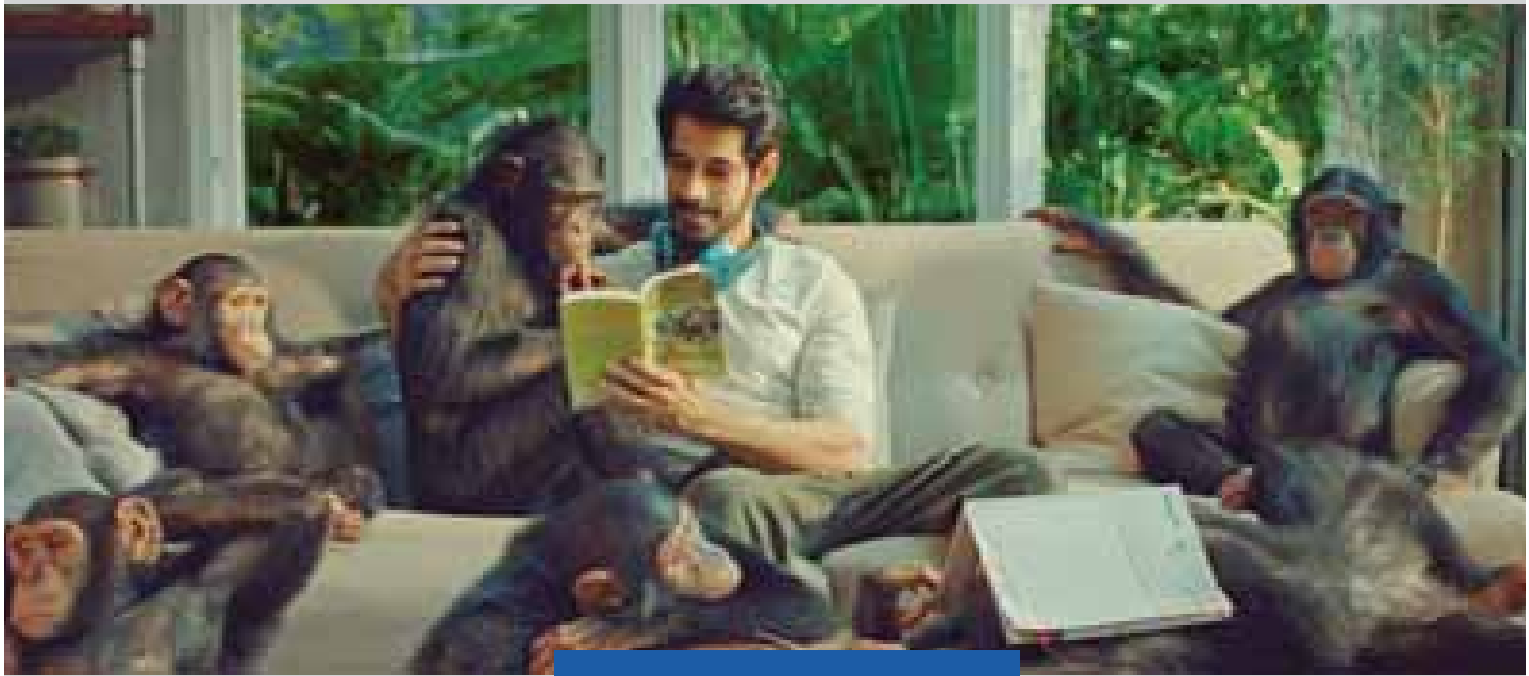


 BLUE STAR  
WATER PURIFIERS  
PURITY YOU CAN TRUST



Water Purifiers TVC





Air Conditioners 'Chimps' TVC

30% MORE  
COOLING  
WHEN NEEDED






Windus Air Coolers 'Winter in Summer' TVC

Geographical

Outreach





-  Corporate Headquarters
-  Regional Headquarters
-  Manufacturing Facilities
-  Sales & Service Office





