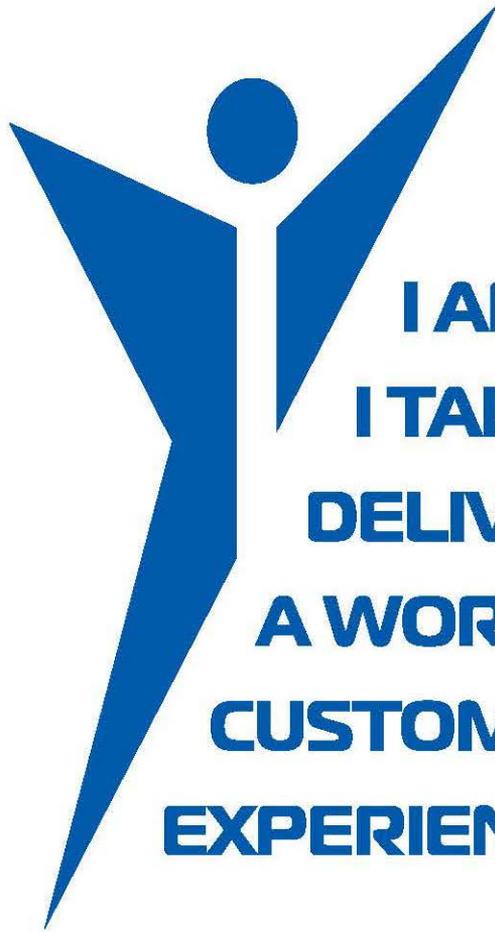




# **VISION**

**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.**



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## BOARD OF DIRECTORS

Ashok M Advani  
*Chairman*

Suneel M Advani  
*Vice Chairman*

Satish Jamdar  
*Managing Director (up to March 31, 2016)*

Vir S Advani  
*Managing Director (w.e.f. April 1, 2016)*

B Thiagarajan  
*Joint Managing Director (w.e.f. April 1, 2016)*

Shailesh Haribhakti  
Shobana Kamineni  
Pradeep Mallick  
M K Sharma  
Gurdeep Singh

## COMPANY SECRETARY

Vijay Devadiga

## BANKERS

The Hongkong & Shanghai Banking Corporation Ltd  
State Bank of India  
Oriental Bank of Commerce  
BNP Paribas  
Kotak Mahindra Bank  
IDBI Bank

## AUDITORS

S R B C & CO LLP, Chartered Accountants

## REGISTRAR & TRANSFER AGENTS

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

## REGISTERED OFFICE

Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
Tel: +91 22 6665 4000  
Fax: +91 22 6665 4151  
www.bluestarindia.com  
CIN: L28920MH1949PLC006870

## CORPORATE MANAGEMENT

Satish Jamdar  
*Managing Director (up to March 31, 2016)*

Vir S Advani  
*Managing Director (w.e.f. April 1, 2016)*

B Thiagarajan  
*Joint Managing Director (w.e.f. April 1, 2016)*

R Aravindan  
*Executive Vice President - Electro-Mechanical Projects Group*

Neeraj Basur  
*Chief Financial Officer*

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

R G Devnani  
*Executive Vice President - Manufacturing*

Tojo Jose  
*Executive Vice President - Human Resources (up to May 31, 2016)*

C P Mukundan Menon  
*Executive Vice President - Air Conditioning & Refrigeration Products Sales Group*

P Venkat Rao  
*Chief Human Resources Officer (w.e.f. June 1, 2016)*

V S Ashok  
*Vice President - Air Conditioning & Refrigeration Service Group*

Sujan Chatterjee  
*Vice President - Corporate Financial Services*

Rahul Deshpande  
*Vice President - Operations, Electro-Mechanical Projects Group*

C Haridas  
*Vice President - Sales & Marketing, Room Air Conditioners*

Suresh Iyer  
*Chief Information Officer*

D H Roy  
*Vice President - Procurement & Supply Chain*

Ajay Sharma  
*Head - Water Purifiers*

Rajendra Verma  
*Vice President - International Business Group*

# Letter from the Chairman



**Ashok M Advani**, *Chairman*

## **Dear Shareholder,**

2015-16 was a year of consolidation and transition for Blue Star. 'Consolidation' refers to the completion of a two-year exercise involving corporate restructuring and retrospective amalgamation of Blue Star Limited and Blue Star Infotech Limited (BSIL). Towards the end of the year, the Managing Director, Satish Jamdar, conveyed his desire to retire which created a mood of anticipation of the changes to come. The year concluded with the smooth transition of leadership from Satish Jamdar to Vir S Advani and B Thiagarajan.

## **Consolidated Financial Performance**

Instead of the Standalone Accounts, it is more meaningful to look at the Consolidated Audited Accounts. Total Revenue grew by 19% to ₹3787 crores, while Profit After Tax doubled from ₹54 crores to ₹108 crores.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) before exceptional items climbed to ₹233 crores. Return on Capital Employed at 24.8% and Return on Shareholders' Funds at 19.4% reached their highest levels in the past five

years and are expected to keep improving. These encouraging financial results confirm the acceleration of business growth and profitability that began in the previous year.

## **Balance Sheet & Cash Flow**

Complementing the healthy growth of revenue and profit is the state of the Balance Sheet which strengthened considerably mainly due to the merger of Blue Star and BSIL. The year-end borrowings of ₹363 crores shown in the Consolidated Accounts are really equivalent to a much lower net figure of ₹205 crores after 'adjusting' the current investment of ₹158 crores which was the net cash received by BSIL for the sale of its IT business.

The year-end debt equity ratio on a consolidated basis came down to 0.55, a more solid figure than the previous year's 0.87. This reduction occurred despite the interim dividend payout of ₹75 crores in March 2016. Had the dividend been declared and paid after the finalisation of accounts, as is usually done, borrowings would have been lower to that extent and debt/equity would have further reduced to a comfortable 0.44.

Thus, with modest leverage and substantial liquid assets in the Balance Sheet, Blue Star's financial position is now much stronger. Looking ahead, the Company's asset-light financial model aims to deliver cash profit high enough to pay good dividends, while retaining sufficient profit to fund future business growth without resorting to excessive debt. We have achieved this in the past and we will do it again.

## **Business Segments**

A review of the segment-wise performance reveals that Electro-Mechanical Projects & Packaged Air Conditioning Systems revenues grew a moderate 12% to ₹1908 crores, while operating profit showed a healthier increase of 48% to ₹80 crores. The business continued to be handicapped by the long slump in industrial investment and commercial construction aggravated by the slow execution of ongoing projects.

Unitary Products (the erstwhile Cooling Products) with 42% of Corporate revenues i.e. ₹1576 crores produced 58% of the profits i.e. ₹166 crores. This segment has consistently been the major bread-winner for the Company. The current extension

of the product range into non-cooling but related areas like water purifiers and air purifiers explains the new name for this business segment.

Professional Electronics & Industrial Systems had a disappointing year mainly due to recessionary conditions in the industrial sector. Though revenues grew 15%, the results declined from ₹31 crores to ₹27 crores.

### **Top Management Succession**

The new financial year 2016-17 began with the passing of the Managing Director's baton from Satish Jamdar to Vir S Advani. Simultaneously, B Thiagarajan stepped into the position of Joint Managing Director. While the new team will manage the Company together, each of them will oversee different business areas and support functions. This organisational structure leverages individual strengths and provides clear accountability in a diversified company. Major corporate matters, of course, involve coordination and joint decisions where the shared corporate culture and values ensure a common bond with unified decision making. What gives me confidence in the partnership is that Vir and Thiagarajan have actually worked successfully in this manner as Executive Directors under Satish.

The new top management is off to a quick start. They had already begun the planning process earlier along with senior managers by addressing the fundamental question of what sort of Company they want Blue Star to be in 3 years when it celebrates its 75<sup>th</sup> Jubilee. This exercise resulted in the Strategic Plan FY17-FY19: Blue Star @ 75 and the Annual Business Plan for 2016-17 which have been approved by the Board.

I do not intend to steal Vir's thunder. Let him tell you himself. In a separate communication in this Annual Report, he explains the Corporate Vision and plans, and how the management intends to tackle the opportunities and challenges of the Company. Suffice it to say, they aim to transform Blue Star in a number of important ways over the next 3 years. Their views and aspirations are thought-provoking and aggressive, yet very conscious of the heightened risks and uncertainties in the world of today.

### **The Road Ahead**

While 2016-17 has started well and business growth is expected to pick up, our plans are to some extent dependent on a healthy, growing economy. India is relatively well positioned compared to most other countries but there are a number of macro-economic factors that could be problematic. Inflation is rising again especially highly sensitive food prices. This is preventing the RBI from cutting interest rates. Investments in the infrastructure and industrial expansion remain subdued due to the dysfunctional banking system and over-leveraged corporate balance sheets. The Brexit development will create a major upheaval in international financial markets. India too will feel the effect to some extent but being relatively insulated, is better prepared to deal with the consequences.

I do not wish to list only problems and uncertainties because my personal view remains upbeat for good reason. There are many positive developments taking place across the broad economic, social, political and technological canvas of India. The Central and State governments are paying serious attention to the ease of doing business by simplifying bureaucratic procedures and relaxing controls which will benefit industrial and business activities while encouraging foreign investment. A new generation of youth is growing up with different hopes and aspirations. There may not be too many conventional blue collar jobs being created, but Indian entrepreneurial spirit is generating new self employment and contract work opportunities. In short, there is progress on many fronts and change is happening.

Blue Star too, has a younger group of engineers and managers who are empowered to take on the new challenges. The Company's financial position is reasonably strong. We are resilient enough to absorb the impact of Brexit and continue business as usual. We have the vision, the resources and the leadership. Our employees possess commitment, skill and above all, the willingness to work hard. I believe they will transform the Company into a dynamic new Blue Star.

Mumbai: June 24, 2016

**Ashok M Advani**  
Chairman

# Board of Directors



**Ashok M Advani**, *Chairman*

Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from MIT, USA and a BSc (Honours) from Mumbai University.

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. He was redesignated as Chairman & Managing Director in 2005 and Executive Chairman in 2009. He relinquished his position as the Executive Chairman in 2012, and continues as the Chairman of the Company.

Ashok was also the Vice Chairman of the erstwhile Blue Star Infotech Ltd. He has been a member of the Local Advisory Board of The Chase Manhattan Bank and is a Past President of the Bombay Chamber of Commerce and Industry.

**Suneel M Advani**, *Vice Chairman*

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

He 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 continues as Vice Chairman of the Board. 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, Stork-Comprimo in the hi-tech area, and with smaller Indian entities in the air conditioning 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 Refrigeration and Airconditioning Manufacturers' Association (RAMA).



**Vir S Advani**, *Managing Director*

Vir S Advani holds Bachelors Degrees in Systems Engineering and in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Program on Leadership Development 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 & 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 has been appointed as the Managing Director of the Company, and currently oversees the Electro-Mechanical Projects

business, the International Business Group, Corporate Financial Services, Corporate Planning and Investor Relations, apart from Blue Star Engineering & Electronics Ltd.

Vir is a Director of Blue Star Engineering & Electronics Ltd. He is a Member of three CII National Committees; namely Gulf & Middle East, Exports and Exports Competitiveness as well as Real Estate and Building Technology.

**B Thiagarajan**, *Joint Managing Director*

B Thiagarajan is a Bachelor of Engineering in Electrical and Electronics from Madurai University. He has also completed the Senior Executive Program of London Business School. He has over three decades of experience, having worked for 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. Under his leadership, the AC&R products business of the Company grew significantly. In 2013, Thiagarajan was elevated as Executive Director & President - AC&R Products Business. In April 2016, Thiagarajan has been appointed as Joint Managing Director, and currently oversees Manufacturing and R&D; Marketing, Supply Chain and Service operations pertaining to the Products business; Corporate Communications; Public Relations; Corporate Marketing Services as well as Human Resources.

Thiagarajan plays an active role in various industry forums, and is the Past President of RAMA. He has been driving the Cold Chain Infrastructure Development for several years. He is a nominated Member of the CII National Council, Chairperson of the CII National Committee on State Level Co-ordination in Agriculture, and represents Blue Star in the Western Regional Council of CII.





**Shailesh Haribhakti**, *Director*

Shailesh Haribhakti is a Chartered Accountant, Cost Accountant, Certified Internal Auditor, Financial Planner and Fraud Examiner. He strongly believes that good governance is of sustainable competitive advantage to companies. With a strong background in audit, tax and consulting, he seeks to create enduring value for companies and organisations that he is involved with. Being a strong supporter of a clean and green environment, Shailesh is pioneering the concept of 'innovating to zero' in the social context. He is currently Chairman of the National Pension Scheme Trust and Member of Pension Advisory Committee of Pension Fund Regulatory & Development Authority.

Shailesh joined the Board of Blue Star in 2005 and in addition, serves on Boards of multinational and Indian Companies as well as of not-for-profit organisations; and is a Member of several advisory boards. He is the Managing Partner of Haribhakti & Co LLP, Chartered Accountants; Group Chairman of Baker Tilly DH Consultants Pvt Ltd; Chairman of New Haribhakti Business Services; and Chairman, Mentorcap Management Pvt Ltd.

**Shobana Kamineni**, *Director*



Shobana Kamineni holds a Bachelors Degree in Economics and has an Accelerated Diploma in Hospital Administration from Columbia University, New York. As a member of the founding family of the Apollo Hospitals Group, she has directed the company's diversification into several new domains. She is the Executive Vice Chairperson of Apollo Hospitals Enterprise Ltd. Shobana is at the helm of Apollo Global Projects Consultancy that steers the planning, design and execution of new projects. Shobana spearheads Apollo Pharmacy - India's largest pharmacy chain. She has championed Apollo's collaboration with Munich Re in 2008, and continues to be a Wholetime Director on the Board of Apollo Munich Health Insurance.

Shobana joined the Board of Blue Star in 2014. She is Vice Chairperson of the KEI Group; an Independent Director on the Board of Hero MotoCorp Ltd; Advisor to the External Board of CISCO India; and on the Advisory Council of the National Cadet Corp. As an active member of CII, Shobana was elected as the Vice President for 2015. Shobana has been a recipient of prestigious national awards for Entrepreneurship and Leadership.



**Pradeep Mallick**, *Director*

Pradeep Mallick is a B Tech from IIT Madras and Diploma holder in Business Management from UK. He is also a Chartered Engineer and Fellow of the Institution of Engineering & Technology, London (CEng FIET). Pradeep is a recipient of the Distinguished Alumnus Award from IIT Madras. He was conferred Knight First Class of the Order of the White Rose of Finland. He joined the Board of Blue Star in 2003.

Pradeep was the Managing Director of Wartsila India Ltd from 1988 to 2003, prior to which he worked with several leading companies in the field of electrical power transmission and distribution. Pradeep is also on the Boards of several other companies including Automotive Stampings & Assemblies Ltd, Foseco India Ltd and Gujarat Pipavav Port Ltd. He is a Past Chairman of CII Western Region and Past President of Bombay Chamber of Commerce and Industry. He is also associated with social organisations like Population First.

**M K Sharma**, *Director*



M K Sharma holds Bachelors degrees in Arts and Law, and Post Graduate Diplomas in Personnel Management and Labour Laws. He has also attended the Advanced Management Program at Harvard Business School.

M K Sharma joined Hindustan Unilever Ltd in 1974, and subsequently joined its Management Committee in 1990. After serving as Vice Chairman for 7 years, he retired in 2007, completing 12 years on its Board. He has rich experience in mergers and acquisitions, corporate restructuring and law. He has also served as a member of Corporate Law Committee formed by the Ministry of Corporate Affairs and Naresh Chandra Committee on Corporate Governance.

M K Sharma joined the Board of Blue Star in 2013. He is currently Non-Executive Chairman of ICICI Bank Ltd as well as United Spirits Ltd; an Independent Director of Wipro Ltd as well as Asian Paints Ltd; a Member of the Board of Governors of the Anglo Scottish Education Society; and a Member of the Executive Board of Indian School of Business. He is also actively involved in several industry associations.



**Gurdeep Singh**, *Director*

Gurdeep Singh is a Chemical Engineering Graduate from IIT Delhi. After his graduation, he joined Hindustan Unilever Ltd as a Management Trainee. He held various responsible positions in the company before he was expatriated to Brazil as Technical Director of the Unilever Detergents business.

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

# Letter from the Managing Director

## Dear Shareholder,

I thank you for the opportunity to lead the Company at such an exciting time in its growth journey. It is an honour and a privilege to serve as the Managing Director, and I look forward to a long and meaningful relationship with all our stakeholders.

As we readied ourselves for the expected management transition, my colleague B Thiagarajan who has been elevated as Joint Managing Director, and I felt that it is necessary for us to define a new direction for the Company. We see growth as the key priority and we must therefore not only grow our existing businesses faster than the market, but should explore



*Vir S Advani, Managing Director and B Thiagarajan, Joint Managing Director (R-L)*

new avenues for profitable growth and expand our footprint beyond India. If we are to succeed, we need to focus on delivering world-class products and services and on attracting as well as retaining the best available talent. The goal is very clearly to generate sufficient profits, strengthen the Balance Sheet, invest in the businesses and have adequate surpluses to pay good dividends.

Keeping these objectives at the forefront, we have prepared a detailed Strategic Plan called Blue Star @75

that serves as a blue print for the next three years when our Company turns 75 years young in FY19. The foundation of the plan is a new Vision, a Credo and a fortified set of Values & Beliefs, which together define the way forward for Blue Star. On this foundation, we have identified strategic objectives for each of our businesses, including entry into new geographies and solution segments, as well as strategic priorities for the support functions including R&D, digital/IT, marketing, business development, finance, human resources and supply chain. The plan is strengthened by a programme to transform the work culture, which we expect will lead to committed and energised teams and leaders with a strong entrepreneurial and an innovation mindset. The plan is supported with adequate investments including capital expenditure on new manufacturing capacity of ₹215 crores and revenue investments in the businesses and support functions of approximately ₹200 crores over the next three years.

So, how will Blue Star look in the future? We will have globally competitive AC&R products and solutions that are supported by substantial investments in product development, brand building and backward integration in manufacturing. We will attain leadership in the projects business by focussing on superior project delivery, and will lead the market with a Gold Standard in customer service. Our import-distribution business will be rejuvenated with a portfolio of new system integrated solutions, and we will grow our presence in the Middle East, SAARC, Africa and the ASEAN region. Our brand will extend into new lines of business beyond AC&R for both the consumer and the B2B markets. Our employees and extended organisation of partners will embrace digital technologies that will open up new channels and bring us closer to our customers. We will have a talented and highly productive team that will endeavour to drive excellence and be the best in everything that we do. We will have industry-leading profitability and other financial performance metrics.

As the new leadership, Thiagarajan and I take responsibility for delivering Blue Star @75. Behind us is a very capable team who is committed to building a future-ready Blue Star that will delight customers, while consistently delivering impressive financial performance. We look forward to your unstinting support in the journey ahead.

**Vir S Advani**  
Managing Director

# Board's Report

The Directors are pleased to present the 68<sup>th</sup> Annual Report and the Audited Financial Statement for the year ended March 31, 2016, together with the Auditors' Report thereon.

## FINANCIAL SUMMARY (STANDALONE)

(₹ in crores)

Particulars	2015-16	2014-15
Total Income	3547.37	3090.94
Profit before Interest, Depreciation, Amortisation, Taxation and Exceptional Items	208.49	183.73
Financing costs	35.71	43.47
Depreciation and Amortisation	54.28	39.34
<b>Profit before tax and exceptional items</b>	<b>118.50</b>	<b>100.92</b>
Exceptional income	30.08	41.90
<b>Profit after exceptional items before tax</b>	<b>148.58</b>	<b>142.82</b>
Taxes (benefit)	25.81	(9.71)
<b>Profit after tax</b>	<b>122.77</b>	<b>152.53</b>
<b>Add:</b> Balance brought forward	302.70	222.46
<b>Less:</b> Adjustment to WDV of assets fully depreciated pursuant to Sch II of Companies Act, 2013	-	2.91
Total available for appropriation	425.47	372.08
<b>Less:</b> Transfer to General Reserve	12.28	15.25
Interim Equity Dividend	58.47	-
Dividend payable on shares arising from amalgamation	3.50	-
Proposed Dividend	-	44.97
Corporate Dividend Tax	12.62	9.16
<b>Balance carried forward</b>	<b>338.61</b>	<b>302.70</b>

## DIVIDEND

Your Directors had declared first interim dividend of ₹6.50 per equity share of ₹2 each on March 11, 2016 for the financial year 2015-16. This dividend was paid on March 28, 2016 to the shareholders of the Company as on record date of March 23, 2016. Having declared this interim dividend, your Board has not recommended a final dividend for the financial year 2015-16.

## TRANSFER TO RESERVES

With a view to conserve reserves for future growth, your Directors propose to transfer ₹12.28 crores from the Net Profits to the General Reserve.

## OPERATING PERFORMANCE

Total Revenue of the Company increased by over 15% to ₹3547.37 crores during the year under review.

Revenue from Electro-Mechanical Projects and Packaged Air Conditioning Systems has grown by 10% to ₹1770.39 crores from ₹1602.41 crores. This resulted in an increase of 18% in the Segment Result from ₹60.67 crores to ₹71.58 crores.

Unitary Products' revenue grew significantly by 19% to ₹1579.43 crores as against last year. This resulted in an increase of 15% in the Segment Result from ₹144.78 crores to ₹165.93 crores.

## EXPANSION

Blue Star Limited is in the process of expanding its manufacturing footprint. The Company would be setting up two plants, one at Samba in the State of Jammu & Kashmir, and another at Sri City in Andhra Pradesh. Total investment on this expansion is expected to be ₹215 crores over the next 3-4 years.

## PERFORMANCE/FINANCIAL POSITION OF SUBSIDIARIES AND JOINT VENTURE COMPANIES

### Subsidiary Companies:

#### a) Blue Star Engineering & Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited)

During the year under review, the Bombay High Court vide its order dated December 18, 2015 had sanctioned the Scheme of Amalgamation of Blue Star Design and Engineering Limited with Blue Star Engineering & Electronics Limited and their respective shareholders and creditors with effect from Appointed Date of February 1, 2015. This amalgamation took effect from January 29, 2016 and as a consequence, Blue Star Design and Engineering Limited has been wound up.

Total revenue of Blue Star Engineering & Electronics Limited was ₹132.47 crores, as against its previous year's revenue of ₹36.02 crores, primarily due to the performance of the Professional Electronics & Industrial Systems business, which was transferred from the Company to this subsidiary effective March 31, 2015. This subsidiary achieved a net profit of ₹2.15 crores for the year under review, as against last year's loss of ₹18.48 crores.

#### b) Blue Star Qatar (WLL)

This company is principally engaged in the business of designing, engineering, installation, maintenance, mechanical, electrical and plumbing contracts, and all works relating to heating, ventilation and air conditioning systems.

Its total income for the year ended March 31, 2016 was ₹71.36 crores as compared to ₹87.62 crores in the previous financial year. Net profit after tax of this venture for the year ended March 31, 2016 was ₹1.84 crores as compared to ₹3.90 crores in the previous year. The Company has reassessed its effective control and interest in this venture, and has given necessary accounting treatment of the same in the Consolidated Financial Statement.

The Company shall provide a copy of the annual accounts of subsidiary companies to the members, on their request in writing. Its annual accounts will also be kept open for inspection by any member at the registered office of the Company. It will also be uploaded on the corporate website.

### Joint Venture Companies:

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

This company is principally engaged in the field of mechanical, electrical and plumbing contracting, which includes operation and maintenance of heating, ventilation and air conditioning systems. There have been no significant changes in the nature of its activities during the financial year.

Its total income for the year ended March 31, 2016 was ₹102.97 crores as compared to ₹52.59 crores in the previous financial year. Net profit after tax for the year ended March 31, 2016 was ₹4.97 crores as compared to ₹2.99 crores in the previous year.

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

During the financial year, the Company had acquired 50% voting rights in Oman Electro Mechanical Contracting Co LLC, a company registered under the Commercial Companies Law of Oman, which was a 100% subsidiary of W J Towell & Co LLC. This entity was thereafter renamed as Blue Star Oman Electro-Mechanical Company LLC. This company is engaged in mechanical, electrical and plumbing contracting services in Oman. The income for the year ended March 31, 2016 was ₹17.90 crores. Net profit after tax of this venture for the year ended March 31, 2016 was ₹0.47 crores.

## CORPORATE RESTRUCTURING

### **Composite Scheme of Amalgamation of Blue Star Infotech Limited and Blue Star Infotech Business Intelligence & Analytics Private Limited with the Company and their respective Shareholders and Creditors:**

During the year, as a part of the Blue Star Group's strategic corporate restructuring, Blue Star Infotech Limited (BSIL) sold its IT business undertaking to Infogain India Private Limited and divested its shareholding in its three overseas subsidiaries to Infogain Corporation, USA. In addition, at its meeting held on September 29, 2015, your Board of Directors had approved the Composite Scheme of Amalgamation of BSIL and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA), a subsidiary of BSIL, with the Company and their respective Shareholders and Creditors, subject to applicable approvals from the relevant authorities and sanction by the High Court of Judicature at Mumbai.

This merger integrates and enables consolidation of the Group's resources and assets for optimal deployment and enhanced overall efficiencies. Availability of additional resources would help to grow the core air conditioning and refrigeration business of the Company and improve returns to create long-term sustainable value for all shareholders.

The Bombay High Court vide its order dated April 16, 2016, sanctioned the said Composite Scheme of Amalgamation, with effect from the Appointed Date of April 1, 2015.

Subsequent to the financial year under review, the Composite Scheme of Amalgamation became effective on May 21, 2016. A record date would be accordingly fixed for issuance of equity shares to BSIL shareholders in the approved share swap ratio of seven equity shares of ₹2 each in the Company for every ten equity shares of ₹10 each held in BSIL.

## CLOSURE OF FACTORIES

During the year under review, the Company closed its manufacturing operations of its plant at Bharuch, subsequent to the Voluntary Retirement Scheme announced for its workmen of the said plant in the preceding year.

The Company had also introduced a Voluntary Retirement Scheme for its workmen at Thane as operating the said plant had become unviable due to high cost of manufacturing, leading to incurring losses for the last four years. All the manufacturing activities at the said plant have since been closed.

## CHANGES IN SHARE CAPITAL

Consequent to the amalgamation of BSIL and BSIBIA with the Company, the issued capital of your Company would increase by 53,91,383 equity shares of ₹2 each. Further, your Company had allotted 15,000 equity shares of ₹2 each on March 16, 2016, and 14,000 equity shares of ₹2 each on May 25, 2016 on the exercise of stock options under the Blue Star Limited Employee Stock Option Scheme.

## CONSOLIDATED RESULTS

As required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as the 'Listing Regulations') and Section 129 of the Companies Act, 2013 (hereinafter referred to as the 'Act'), the Consolidated Financial Statement has been prepared by the Company, in accordance with the applicable Accounting Standards, which forms part of this Annual Report. A statement containing the salient features of the financial statements of the subsidiaries, joint ventures and associate companies in Form AOC-1, as required under Rule 5 of the Companies (Accounts) Rules, 2014, forms part of the Consolidated Financial Statement.

The Consolidated Financial Statement for the year reflects a total income of ₹3,786.95 crores as compared to ₹3,190.43 crores for the previous year. The Company has achieved a consolidated net profit of ₹108.38 crores as compared to ₹54.18 crores in the previous year.

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

The Company incurred a total expenditure of ₹49.82 crores on research and development for the year as against ₹40.74 crores in the previous year.

During the year, the Company clocked a significant increase in its foreign exchange earnings from export of its products, software services, commission and other income, aggregating to ₹349.09 crores as against ₹197.15 crores in the previous year. There was a corresponding increase in foreign exchange outflow, which stood at ₹925.46 crores as compared to ₹861.14 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.

## DIRECTORS

### a) Directors and Key Managerial Personnel (KMP):

In accordance with the provisions of Section 203 of the Act, the following have been designated as KMP of the Company:

Names of KMP	Designation
Mr Satish Jamdar (up to March 31, 2016)	Managing Director
Mr Vir S Advani (w.e.f. April 1, 2016)	Managing Director
Mr B Thiagarajan (w.e.f. April 1, 2016)	Joint Managing Director
Mr Neeraj Basur	Chief Financial Officer
Mr Vijay Devadiga (w.e.f. June 1, 2015) <sup>#</sup>	Company Secretary

<sup>#</sup> Mr Sangameshwar Iyer officiated as the Company Secretary up to May 31, 2015.

Mr Satish Jamdar, Managing Director of the Company, opted for early retirement from the office of Managing Director and Director of the Company w.e.f. April 1, 2016. He had been associated with the Company for about two decades in various capacities. The Board places on record its appreciation of the invaluable contribution and guidance provided by him.

In view of the said early retirement, there was a vacancy in the office of the Managing Director in the Company. Mr Vir S Advani was considered for being appointed as Managing Director of the Company and Mr B Thiagarajan as Joint Managing Director of the Company w.e.f. April 1, 2016.

Mr Vir S Advani has contributed immensely to the Company's growth and has been instrumental in leading the strategic transformation of its various business processes to position it on the growth path as a highly competitive player in the global HVAC space. With his strategic thinking, Mr B Thiagarajan has successfully steered the Company to acquire increased market share and profits in the white goods space in India and positioned it as a contender in international markets.

The terms and conditions of their appointment and remuneration have been provided in the Notice convening the 68<sup>th</sup> Annual General Meeting.

Mr Suneel M Advani, Director of the Company, who is retiring by rotation at the ensuing Annual General Meeting, offers himself for re-appointment.

### b) Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Act that they meet with the criteria of their independence laid down in Section 149(6) of the Act, read with Regulation 25 of the Listing Regulations.

### c) Formal Annual Evaluation

Pursuant to the provisions of Section 178 of the Act, read with Regulation 17 of the Listing Regulations, 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. In a separate meeting of Independent Directors held on March 23, 2016, the performance of Non-Independent Directors, performance of the Board and the performance of the Chairman were evaluated, taking into account the views of the Executive and Non-Executive Directors. This would be further deliberated by the Board to ensure effective implementation of the findings of the evaluation.

## MEETINGS OF BOARD OF DIRECTORS

There were 7 Meetings of the Board of Directors during the year under review; i.e. on May 29, 2015; July 28, 2015; September 29, 2015; October 26, 2015; January 29, 2016; March 8, 2016 and March 11, 2016. The gap between these Meetings was within the period prescribed under the Act and Regulation 17 of the Listing Regulations.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 134(3)(c) read with Section 134(5) of the Act, the Directors would like to state that:

- a) in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the Directors 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, 2016, and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts for the year ended March 31, 2016, on a going concern basis;
- e) the Directors have laid down internal financial controls to be followed by the Company, and that such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems are adequate and operating effectively.

## STATUTORY AUDITORS

M/s S R B C & CO LLP, Chartered Accountants (Regn No. 324982E/E300003) were appointed as the Statutory Auditors of the Company at the Annual General Meeting held on July 28, 2014 to hold office for a term of five years, i.e. till the conclusion of the Annual General Meeting to be held for the financial year 2018-19, subject to ratification of their appointment at every Annual General Meeting during the said term. The Board of Directors of the Company, at its meeting held on May 30, 2016, has recommended ratification of appointment of M/s S R B C & CO LLP as the Statutory Auditors of the Company for financial year 2016-2017 by the members at the ensuing Annual General Meeting.

The Company has received a letter from M/s S R B C & CO LLP, Chartered Accountants, to the effect that ratification of their appointment, if made, would be in accordance with the relevant provisions of Chapter X of the Act, read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

The Report given by the Auditors on the Financial Statement of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr Shailesh Haribhakti, Mr Pradeep Mallick and Mr M K Sharma. Mr Shailesh Haribhakti is the Chairman of the Committee. Mr Vir S Advani has stepped down as a member of the Audit Committee w.e.f. May 30, 2016, consequent to his elevation to the position of Managing Director of the Company.

The composition of the Audit 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 Report.

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

## VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

Pursuant to the provisions of sub-sections 9 and 10 of Section 177 of the Act and as per the Listing Regulations, the Company has established a Vigil Mechanism to enable the Directors and employees of the Company to report concerns of any unethical behaviour, unacceptable and improper practices or suspected fraud. The Company has a Whistle Blower Policy in place which has also been uploaded on its website. An Ethics Committee has been constituted comprising the Chief Financial Officer, HR Head and Company Secretary (Ethics Officer) to administer this Policy.

This Policy has adequate safeguards against victimisation of the whistle blower and ensures protection of the whistle blower's identity. In addition, as part of the vigil mechanism framework, an independent internal audit mechanism has also been put in place to review and report instances of non compliances with laws, regulations and policies to the Audit Committee. The Company has also adopted a Code of Conduct which is uploaded on the website of the Company.

The Audit Committee reviews on a quarterly basis, complaints, if any, and implements corrective actions, whenever necessary.

## INTERNAL FINANCIAL CONTROLS

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 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 governance practices. It reviews and reports to the Audit Committee about compliance with internal controls and the efficiency and effectiveness of operations as well as key process risks.
- The Audit Committee annually reviews internal audit plans, significant audit findings and adequacy of internal controls.
- Self certification of adherence to key internal controls, as part of control self assurance by process owners, monitors and reviewers.
- The Company also maintains a comprehensive information security policy and undertakes continuous upgrades to its IT systems for strengthening automated controls.

During the year, the internal controls were tested and found effective, as part of the Management's control testing initiative. Accordingly, the Board, with concurrence of the Audit committee, is of the opinion that the Company's Internal Financial Controls were adequate and effective for the year ended March 31, 2016.

## 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 Financial Statement.

## CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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. All the related party transactions are approved by the Audit Committee. In view of this, disclosure in form AOC-2 has not been provided as the same is not applicable to the Company.

There are no material transactions with any related party as defined under Section 188 of the Act, read with Companies (Meetings of Board and its Powers) Rules, 2014. A policy governing the related party transactions has been adopted and the same has been uploaded on the Company's website.

## RISK MANAGEMENT

The Company has constituted a Risk Committee comprising Mr Suneel M Advani, Mr Vir S Advani, Mr B Thiagarajan and Mr Neeraj Basur. Mr Vir S Advani is the Chairman of this Committee. Mr Satish Jamdar, Chairman of the Committee, stepped down as a member w.e.f. January 29, 2016 due to his impending retirement from the Company.

The Committee has adopted a formal charter outlining its terms of reference. The Committee also oversees and monitors effectiveness of the implementation of various elements of the risk management framework across the Company. The Company has also set up a core risk management team comprising its senior management. As a part of the

enterprise-wide risk management initiative, a process and framework have been established that involve identification of key risks significant to the Company, assigning appropriate risk rating, formulating adequate mitigation plans, and institutionalising implementation of these action plans to manage and mitigate all the identified risks.

Key residual risks, along with their mitigation action plans are reviewed by the Board.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR Committee comprises Mr Suneel M Advani, Mr B Thiagarajan and Ms Shobana Kamineni. Mr Suneel M Advani is the Chairman of this Committee. Mr Satish Jamdar stepped down as a member of the Committee w.e.f. January 29, 2016 due to his impending retirement from the Company.

During the year under review, the Company was required to spend an amount of ₹134 lakhs towards activities as stipulated under Schedule VII of the Act, of which an amount of ₹118.56 lakhs has been spent. The brief outline of the CSR Policy and the initiatives undertaken by the Company on CSR activities during the year, along with the rationale for the amount that could not be spent are set out in Annexure 2 of this Report in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy is also available on the website of the Company.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Mr Gurdeep Singh, Mr Ashok M Advani, Mr Suneel M Advani and Mr Pradeep Mallick. Mr Gurdeep Singh is the Chairman of this Committee.

The Committee is constituted in line with the requirements mandated by the Act and of 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 Report.

## 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 is given below:

i.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Mr Satish Jamdar	48x
		Mr Vir S Advani	32x
		Mr B Thiagarajan	33x
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	Mr Satish Jamdar	26.44%
		Mr Vir S Advani	36.28%
		Mr B Thiagarajan	28.07%
		Mr Neeraj Basur*	NA
		Mr Sangameshwar Iyer**	NA
	Mr Vijay Devadiga***	NA	
iii.	The percentage increase in the median remuneration of employees in the financial year	6.39%	
iv.	The number of permanent employees on the rolls of Company	2342	
v.	The explanation on the relationship between average increase in remuneration and Company performance	Increments are based on the individual employee performance, market benchmarking of salary, and net profit of the Company.	
vi.	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company	Total remuneration paid to the Key Managerial Personnel as mentioned in (ii) above, constituted 7.82% of the net profit of the Company for FY 2015-16.	

vii.	Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company, in comparison to the rate at which the Company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the Company as at the close of the current financial year and previous financial year		2015-16	2014-15
		Market Capitalisation (₹ in crores)	3510.79	2768.23
		PE ratio	30.30	18.15
		In the recent past, the Company has not made any public offer.		
viii.	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.	8.09%	
		Average increase to Managerial Personnel.	To remain competitive in the market, to attract and retain talent.	
		Exceptional circumstances for increase to managerial remuneration.	Please refer to (ii) of this table.	
ix.	Comparison of the remuneration of each Key Managerial Personnel against the performance of the Company	Mr Satish Jamdar	2.68% of net profit	
		Mr Vir S Advani	1.74% of net profit	
		Mr B Thiagarajan	1.81% of net profit	
		Mr Neeraj Basur	1.22% of net profit	
		Mr Sangameshwar Iyer (part of the year)	0.09% of net profit	
		Mr Vijay Devadiga (part of the year)	0.28% of net profit	
x.	The key parameters for any variable component of remuneration availed by the Directors	The Nomination and Remuneration Committee evaluates the performance of the Directors against the key result areas determined by it and recommends payment of commission to the Directors.		
xi.	The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year	NA		
xii.	Affirmation that the remuneration is as per the Remuneration Policy of the Company	Affirmed		

\*Mr Neeraj Basur was appointed as Chief Financial Officer w.e.f. August 1, 2014. Since the remuneration for FY 14-15 is for part of the year, the same is not comparable with FY 15-16.

\*\*Mr Sangameshwar Iyer officiated as the Company Secretary for part of FY 15-16, i.e. up to May 31, 2015. Hence the remuneration is not comparable with FY 14-15.

\*\*\*Mr Vijay Devadiga was designated as Company Secretary w.e.f. June 1, 2015. Since the remuneration is from FY 15-16, the same is not comparable with FY 14-15.

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 shareholders. The ratio of remuneration and percentage increase for Non-Executive Directors Remuneration is therefore not considered for the purposes above. The details of remuneration of Non-Executive Directors are provided in the Corporate Governance Report.

## 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. In accordance with the provisions of Section 136 of the Act, 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 such particulars may write to the Company Secretary at the Registered Office of the Company.

## **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 Employee Stock Option Plan (ESOP), 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 set out in Annexure 3 to this Report.

## **SECRETARIAL AUDIT REPORT**

Pursuant to the provisions of Section 204 of the Act, read with the Rules therein, the Secretarial Audit Report given by M/s N L Bhatia & Associates, Practicing Company Secretaries has been provided as per Annexure 4 to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## **COST AUDITORS**

In terms of the provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors has, on the recommendation of the Audit Committee, appointed M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, as Cost Auditors, to conduct cost audit for the financial year ended March 31, 2016.

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.

## **EXTRACT OF THE 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, an extract of annual return in Form MGT-9 has been provided as per Annexure 5 to this Report.

## **DEPOSITS**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report for the year under review, as stipulated under the Listing Regulations, is annexed to this report.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining the highest standards of Corporate Governance and adhering to the disclosure norms as set out by Securities and Exchange Board of India. The Report on Corporate Governance, as stipulated under Regulation 27 of the Listing Regulations, forms part of the Annual Report. The certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance, as stipulated under Regulation 27 of the Listing Regulations, has been annexed with this report.

## **MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

There have been 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.

## **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS**

There have been no significant and material orders passed by any regulators or courts or tribunals, impacting the going concern status of the Company and its future operations.

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

Your Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace, 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 set up an Internal Complaints Committee 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 Act. During the year under review, 2 complaints with allegations of sexual harassment were filed with the Company, and the same were investigated and resolved as per the provisions of the Act.

## **ACKNOWLEDGMENTS**

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 your Company for their support as well. The employees of Blue Star Limited 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

**Ashok M Advani**  
Chairman

Mumbai: May 30, 2016

# 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:

### CONSERVATION OF ENERGY

#### Energy conservation measures taken:

The Company believes that energy provides the means for economic growth and hence, it is important to conserve and use energy judiciously. Even though energy does not constitute a major cost factor in the Company's manufacturing facilities, several initiatives have been undertaken to reduce energy consumption, during the year under review.

#### Himachal Plants

- The utility power factor has been improved by installing capacitors with Automatic Power Factor Controller Relay (APFCR) at machine control centres. This has resulted in low maximum demand indicator (MDI), and helped reduce energy costs.
- The set point for unloading all air compressors by 0.5 kg/cm<sup>2</sup> has been decreased, resulting in energy savings by 4%. Air leakages in the low pressure distribution system have been arrested. These initiatives have resulted in energy savings and reduction of carbon footprint.
- Automatic ambient temperature controller has been installed on assembly lines as well as in the performance test room, which has led to energy savings.
- Auto lux level controller has been installed for switching on the street lights, resulting in energy savings.
- A single AC drive for the vacuum system for 24 pumps has been installed on the assembly line, leading to low MDI, power factor, maintenance costs and an increase in the vacuum pumps' capacity by 20%, resulting in energy savings.
- Energy-efficient, high volume, low speed fans have been installed for comfort inside the Plant during summer.
- All the above initiatives have resulted in electrical energy saving of ₹33.7 lakhs and carbon footprint reduction by 205 ton/annum.

#### Ahmedabad Plant

- Automatic Power Factor Controller (APFC) panel has been installed to maintain the power factor near to unity.
- Solar street lights have been set up outside the Plant for conservation of energy.
- Electrical motors have been replaced with a hydraulic system in the lifter equipment used at the assembly line, which has reduced energy consumption by 50%.
- High Volume Low Speed (HVLS) wave fan with a diameter of 16 feet has been set up, replacing the traditional industrial fans of 24 inches. This has reduced the energy consumption by 50%.

#### Wada Plant

- Energy bill has been reduced through a rebate of ₹8.30 lakhs/year by maintaining the power factor near to unity.
- Solar lights with solar panels have replaced the conventional high pressure sodium vapour. This has helped save energy costs by ₹1 lakh/year.
- Utility piping has been modified, resulting in a direct saving of 20 HP load of low pressure compressor and saving of ₹3 lakhs/year in utility costs.
- The load pattern of high pressure compressor has been studied and modified, unloading the operation of compressor to the auto on/off cycle, saving ₹1 lakh/year from both the compressors.
- Activation of 100 HP low pressure compressor using variable frequency drive (VFD) in place to star delta starting method, which has given a benefit of ₹1.5 lakhs/year.
- Considering the evacuation operation for scroll and screw chillers, the conventional on/off system was modified to smart on/off operation through mobile phone. This has resulted in energy savings of ₹2 lakhs/year.
- Total energy savings/benefits achieved during the financial year is ₹16.80 lakhs.

### Dadra Plant

- Installed a helium leak test set-up in coil shop, resulting in an annual savings of ₹3.76 lakhs through reduction in consumption of water and electricity, along with 60% improvement in productivity.
- Installed low-flow type water taps in all washrooms, resulting in reduction of water consumption by approximately 1825 kl/year.
- Installed HVLS fans in export lines, eliminating blowers and fans. These fans are run with VFDs, reducing the power consumption by 2400 kWh/year.
- Installed LPG gas bank and reduced the gas pressure to 1 kg/cm<sup>2</sup> from 2.5 kg/cm<sup>2</sup>, saving ₹1.8 lakhs/year.
- Switched off the vacuum pumps installed on F1 line by disconnecting the conveyor bus bar, thus saving approximately 900 kWh/year.
- Installed water-level sensor for reverse osmosis (RO) reject water storage tank to switch off a pump after attaining full water-level, saving approximately 180 kl/year.
- LED light fittings are provided in the R&D building instead of traditional light fittings, saving 2400 kWh/year.
- Inverter-based AC units are installed in the R&D section to reduce power consumption, saving 1680 kWh/year.

### TECHNOLOGY ABSORPTION

#### a) Efforts made towards technology absorption:

Continuous efforts have been made to strengthen the R&D facility in the areas of adoption of alternatives to low global warming potential (GWP) refrigerants wherever feasible, certification of labs, formation of core cells for embedded technology and understanding of emerging regulatory standards, which are mandatory for domestic and global sales. A complete new line of insulating panels with cyclopentane refrigerant having low GWP has been introduced. Inverter technology, which is the need of the day, continued to be absorbed and developed for high efficiency products. Blue Star labs for room ACs, ducted systems and refrigeration products are accredited by National Accreditation Board For Testing and Calibration Laboratories (NABL). The chiller lab is certified by Air-Conditioning, Heating and Refrigeration Institute (AHRI).

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

The Company launched inverter-based variable refrigerant flow (VRF) systems, chillers and wall-mounted units during the year under review. Ultra-high efficiency, wall-mounted units for the local market as well as ducted systems for exports have also been launched, along with a series of wall-mounted units with smart controllers.

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

Falling Film Technology was imported during the financial year 2013-14.

#### d) Expenditure incurred on R&D:

	(₹ in crores)	
	2015-16	2014-15
(a) Capital	10.60	12.65
(b) Recurring	39.22	28.09
Total	49.82	40.74
Total R&D expenditure as a percentage of total turnover	1.41%	1.32%

**FOREIGN EXCHANGE EARNINGS AND OUTGO****a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:**

Discussed in detail in the Management Discussion and Analysis section of the Annual Report.

**b) Total foreign exchange used and earned:**

	<i>(₹ in crores)</i>	
	<b>2015-16</b>	<b>2014-15</b>
Total foreign exchange used	925.46	861.14
Total foreign exchange earned	349.09	197.15

For and on behalf of the Board

**Ashok M Advani**  
Chairman

Mumbai: May 30, 2016

# Annexure 2 to Board's Report

## ANNUAL REPORT ON CSR ACTIVITIES

### **A 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 projects or programmes:**

Blue Star's CSR Committee decides the CSR activities to be undertaken, and the Company undertakes such activities for a considerable period of time (minimum of 2 or 3 years) in order to create and assess the impact.

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 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 construct toilets for the less privileged communities.
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 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, as well as to build pride in the Company.

Weblink to the CSR Policy: <https://www.bluestarindia.com/about/images/CSR-Policy.pdf>

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

Mr Suneel M Advani	- Chairman
Mr Satish Jamdar	- Member (up to January 29, 2016)
Mr B Thiagarajan	- Member
Ms Shobana Kamineni	- Member

**Average net profit of the Company for last 3 financial years for the purpose of computation of CSR:** ₹67.17 crores

**Prescribed CSR Expenditure (two percent of the amount as in item above):** ₹1.34 crores

### **Details of CSR spent during the financial year:**

- a. Total amount to be spent for the financial year: ₹1.34 crores
- b. Amount unspent, if any: ₹0.15 crores

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

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 (₹ in lakhs)	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead (₹ in lakhs)	Cumulative expenditure up to to the reporting period (₹ in lakhs)	Amount spent: Direct or through implementing agency (₹ in lakhs)
1	Vocational Training - AC&R/MEP	Education	Chennai Visakhapatnam Mumbai Dadra	24	41.73 Direct	41.73	41.73 Bala Mandir Kamaraj Trust, Chennai; Indo-German Institute of Advanced Technology, Visakhapatnam; National Employability Through Apprenticeship Program (NETAP)
2	School Toilets	Health	Wada Dadra	30	19.80 Direct	19.80	19.80 CII Foundation
3	Community Development around manufacturing facilities	Education Health	Dadra Himachal	0	18.48 Direct	18.48	18.48 Direct: 13.48 Through Aastha Welfare Society: 5
4	Tamil Nadu Flood Relief	Disaster Relief	Tamil Nadu	0	16.23 Direct	16.23	16.23 CII Foundation
5	Donation to NGOs	Health Education	Mumbai	0	1.50 Direct	1.50	1.50 St Jude India Childcare Centres, Mumbai; Cherish Life India Foundation, Mumbai
6	Donation of equipment to non-profit organisations	Health Education	Sirmour, Himachal; Chittoor, Andhra Pradesh; Vadodara; Mumbai	60	15.17 Direct	15.17	15.17 Direct
7	CSR Administrative Expenses	Administration	Mumbai	15	5.65 Overhead	5.65	5.65 Direct
8	Scholarships to needy engineering students	Education		5	–	–	Was implemented by Blue Star Foundation
	<b>Total</b>			<b>134</b>	<b>118.56</b>	<b>118.56</b>	

**In case the Company has failed to spend the 2% of average net profits of the last three financial years or part thereof, reasons for not spending to be mentioned:**

The Company donated ₹0.15 crores to Blue Star Foundation and Multiple Sclerosis Society of India for the Mumbai, Delhi and Chennai marathons. Though these were direct donations to the above charity partners towards support for the cause of education of less privileged children, the Company was subsequently advised that this donation would not qualify as CSR expenses.

**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 are in compliance with the CSR objectives and CSR Policy of the Company.

**Vir S Advani**  
Managing Director

Mumbai: May 30, 2016

**Suneel M Advani**  
Chairman  
Corporate Social Responsibility Committee

# Annexure 3 to Board's Report

## BLUE STAR EMPLOYEE STOCK OPTION PLAN 2013

		March 2015		March 2016				Total
		Grant I (June 6, 2014)	Grant II (Feb 13, 2015)	Grant III (May 29, 2015)	Grant IV (Aug 7, 2015)	Grant V (Jan 29, 2016)	Grant VI (Mar 7, 2016)	
(a)	Options granted	13,65,000*	42,000	28,000	56,000	54,000	6,000	15,51,000
(b)	Pricing formula	Market Price	Market Price	Market Price	Market Price	Market Price	Market Price	
(c)	Options vested during the year	2,70,000	Nil	Nil	Nil	Nil	Nil	2,70,000
(d)	Options exercised during the year	15,000	Nil	Nil	Nil	Nil	Nil	15,000
(e)	Total number of shares, arising as a result of exercise of options	15,000	Nil	Nil	Nil	Nil	Nil	15,000
(f)	Options lapsed during the year	2,05,500	Nil	Nil	Nil	Nil	Nil	2,05,500
(g)	Variation of terms of options during the year	NA						
(h)	Money realised by exercise of options	₹43,50,750	Nil	Nil	Nil	Nil	Nil	₹43,50,750
(i)	Total number of options in force as at March 31, 2016	11,44,500	42,000	28,000	56,000	54,000	6,000	13,30,500
(j)	Employee-wise details of options granted to							
<b>1</b>	<b>Senior Management Personnel (Executive Committee)</b>							
	Mr Satish Jamdar, Managing Director <i>(up to March 31, 2016)</i>	3,00,000	-	-	-	-	-	3,00,000
	Mr BThiagarajan, Joint Managing Director <i>(w.e.f. April 1, 2016)</i>	2,00,000	-	-	-	-	-	2,00,000
	Mr C P Mukundan Menon Executive Vice President - Air Conditioning & Refrigeration Products Sales Group	90,000	-	-	-	-	-	90,000

\*Outstanding and adjusted as of April 1, 2015

## Annexure 3 to Board's Report

		March 2015		March 2016				Total
		Grant I (June 6, 2014)	Grant II (Feb 13, 2015)	Grant III (May 29, 2015)	Grant IV (Aug 7, 2015)	Grant V (Jan 29, 2016)	Grant VI (Mar 7, 2016)	
	Mr Jitendra M Bhambure, Executive Vice President - R & D and Technology	80,000	-	-	-	-	-	80,000
	Mr Tojo Jose, Executive Vice President - Human Resources <i>(up to May 31, 2016)</i>	80,000	-	-	-	-	-	80,000
	Mr R Aravindan, Executive Vice President - Electro-Mechanical Projects Group	50,000	-	-	-	-	-	50,000
	Mr Ramesh Devnani, Executive Vice President - Manufacturing	50,000	-	-	-	-	-	50,000
	Mr Neeraj Basur, Chief Financial Officer	-	-	-	56,000	-	-	56,000
<b>2</b>	<b>Employees to whom more than 5% options granted during the year</b>	NA						
(k)	Diluted EPS, pursuant to issue of shares on exercise of options	12.85						
(l)								
1	Method of calculation of employee compensation cost	Calculation is based on intrinsic value method.						
2	Difference between the above and employee compensation cost that shall have been recognised if it had used the fair value of the options	Employee compensation cost would have been higher by ₹3.62 crores during the year, had the Company used fair value method for accounting the options issued under ESOS.						
3	Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by ₹3.62 crores and EPS would have been lower by ₹0.40 during the year, had the Company used fair value method of accounting the options issued under ESOS.						

## Annexure 3 to Board's Report

		March 2015		March 2016				Total
		Grant I (June 6, 2014)	Grant II (Feb 13, 2015)	Grant III (May 29, 2015)	Grant IV (Aug 7, 2015)	Grant V (Jan 29, 2016)	Grant VI (Mar 7, 2016)	
(m)								
1	Weighted average exercise price	₹290.05	₹320.70	₹345.65	₹369.55	₹355.10	₹341.35	
2	Weighted average fair value of options based on Black Scholes methodology	₹94.17	₹85.66	₹83.62	₹91.13	₹87.96	₹84.09	
(n)	Significant assumptions used to estimate fair value of options, including weighted average							
1	Risk free interest rate	8.51%	7.70%	7.81%	7.80%	7.78%	7.64%	
2	Expected life (Average)	45 months	24 months	24 months	24 months	24 months	24 months	
3	Expected volatility	38%	35%	30%	31%	32%	32%	
4	Expected dividends	Not separately included; factored in volatility working.						
5	Closing market price of share on a date, prior to date of grant	₹290.05	₹320.70	₹345.65	₹369.55	₹355.10	₹341.35	

For and on behalf of the Board of Directors

**Ashok M Advani**  
Chairman

Date: May 30, 2016

# Annexure 4 to Board's 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 N L Bhatia & Associates**

UIN: S1996MH016600

**Bharat Upadhyay**

(Partner)

FCS No. 5436

**CP No. 4457**

Date: May 20, 2016

**SECRETARIAL AUDIT REPORT**

**FORM NO. MR-3**

**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 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). The Secretarial Audit was conducted in a manner that provided us with 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, minute books, forms and returns filed, and other records maintained by the Company, and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company, during the audit period covering the financial year ended on March 31, 2016, 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, minute books, forms and returns filed, and other records maintained by the Company for the financial year ended on March 31, 2016, according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
3. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
4. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- Not applicable to the Company during the year;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008- Not applicable to the Company during the year;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- Not applicable to the Company during the year;
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- Not applicable to the Company during the year.

### Other Laws applicable to the Company;

List of other applicable Laws has been attached as **Annexure A** to this Report.

We have also examined compliance with the applicable clauses of the following:

- i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii) The Listing Agreements entered into by the Company under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above, subject to the following observation:

CSR expenditure as per the calculation provided by section 135 is ₹134.88 lakhs, and ₹118.56 lakhs has been spent by the Company during the financial year.

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 as per the requirement of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. There were no changes in the composition of the Board of Directors during the financial year 2015-16.

With effect from March 31, 2016, after office hours, Mr Satish Jamdar ceased to be Managing Director and Director, and Mr Vir Suneel Advani was appointed as Managing Director, with effect from April 1, 2016. Mr B Thiagarajan was also appointed as the Joint Managing Director, with effect from April 1, 2016. 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.

All the decisions at the Board Meetings were passed unanimously and with 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,

- i) The Company has entered into uniform Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited on January 20, 2016.
- ii) Mr Satish Jamdar has been allotted 15,000 equity shares under ESOP Scheme of the Company on March 16, 2016.
- iii) A Separate meeting of the Independent Directors was held on March 23, 2016.
- iv) No winding up petition has been filed against the Company impacting the going concern status of the Company.
- v) Two new complaints were received and subsequently disposed off under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
- vi) During the period under review, a Court Convened Meeting was held on February 27, 2016 for approving Composite Scheme of Amalgamation of Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited with the Company and their respective shareholders and creditors. The Scheme was approved by requisite majority. The Scheme has been sanctioned by the Hon'ble High Court of Judicature at Bombay vide its Order dated April 16, 2016.
- vii) During the period under review, the Company had declared a final dividend at its Annual General Meeting held on July 28, 2015 for the financial year 2014-15 at ₹5 per share to the shareholders whose names appear on the Company's Register of Members on July 13, 2015. ₹44,96,80,525 was transferred to Dividend account on July 31, 2015, and this amount was distributed through warrants/cheques/NEFT to eligible shareholders within 30 days of declaration thereof.

The Board has also declared an interim dividend of ₹6.50 per share at its meeting held on March 11, 2016. March 23, 2016 was fixed as the record date to determine the eligibility of the shareholders. Amount of ₹58,46,82,183 was deposited in the Dividend Account on March 16, 2016. This amount was distributed through warrants/cheques/NEFT to eligible shareholders of the Company within 30 days of declaration thereof.

As per the Composite Scheme of Amalgamation of BSIL and Blue Star Infotech Business Intelligence & Analytics Private Limited with the Company, in case any dividend had been recommended or declared by the Company, provision should be made for such dividend payable on 53,91,383 additional equity shares to be allotted to the shareholders of BSIL as per the swap ratio under the Scheme. In accordance with the same, ₹3,50,43,989.50 had been deposited in a separate bank account as Provisional Interim Dividend for the respective shareholders of BSIL, subject to sanction of the Scheme of Amalgamation by the Hon'ble High Court of Judicature at Bombay.

viii) During the period under review, the Company has entered into a Shareholders' agreement with W J Towell & Co LLC by acquiring 51% of the paid up capital (2,55,000 number of equity shares of RO 1 each) in Blue Star Oman Electro-Mechanical Co LLC.

Place: Mumbai  
Date: May 20, 2016

**For N L Bhatia & Associates**

UIN: S1996MH016600

**Bharat Upadhyay**

(Partner)

FCS No. 5436

CP No. 4457

**ANNEXURE A****LIST OF OTHER APPLICABLE LAWS FORMING PART OF THE SECRETARIAL AUDIT REPORT OF BLUE STAR LIMITED FOR THE FINANCIAL YEAR 2015-16 i.e. 01/04/2015 to 31/03/2016:**

1. Bombay Shop and Establishment Act, 1948, rules thereunder and other State Acts and rules thereunder
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 and Directions, Notifications and Circulars issued by RBI
6. Foreign Trade (Development and Regulation) Act, 1992
7. Securities and Exchange Board of India Act, 1992 and rules and regulations thereunder
8. Companies Act, 2013 and rules thereunder
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. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013
23. Information Technology Act, 2000 and Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011
24. Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers
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. Fire Prevention and Life Safety Measures Act, Rules and 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; Wealth Tax Act, 1957; Finance Act, 1994 (as amended from time to time) and Service Tax Rules, 1994; Central Sales Tax Act, 1956; Central Excise Act, 1944 and rules thereunder; Maharashtra Value Added Tax Act, 2002; Chattisgarh Vritti Kar Adhinyam, 1995; and other State Acts governing VAT, Profession Tax, Entry Tax, Tax on Trades, Callings and Employments Act and rules thereunder
33. Environment (Protection) Act, 1986 and Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008; Noise Pollution (Regulation and Control) Rules, 2000; Environment (Protection) Rules, 1986; E-waste (Management & Handling) Rules, 2011; Ozone Depletion Substances (Regulation) Rules, 2000; Bio Medical Waste (Management & Handling) Rule, 1998; Batteries (Management and Handling) Rules, 2001
34. Air (Prevention and Control of Pollution) Act, 1981; Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983 and applicable State Rules
35. Water (Prevention and Control of Pollution) Act, 1974; Water (Prevention and Control of Pollution) Rules, 1975 and applicable State Rules
36. Water (Prevention and Control of Pollution) Cess Act, 1977; Water (Prevention and Control of Pollution) Cess Rules, 1983 and applicable State Rules
37. Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003
38. Any other Central, State and Municipal Acts and rules made thereunder, as may be applicable

# Annexure 5 to Board's Report

## Form No. MGT-9

### Extract of Annual Return as on the financial year ended on March 31, 2016 [Pursuant to section 92(3) and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS

i.	CIN	<b>L28920MH1949PLC006870</b>
ii.	Registration Date	Incorporated on January 20, 1949
iii.	Name of the Company	Blue Star Limited
iv.	Category/Sub-Category of the Company	Public Company
v.	Address of the Registered office and contact details	Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400 020 Tel: +91 22 6665 4000; Fax: +91 22 6665 4151
vi.	Whether listed company (Yes/No)	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Pvt Ltd. C-13, Kantilal Maganlal Estate, Pannala Silk Mills Compound, L B S Marg, Bhandup (West), Mumbai 400 078 Tel.: +91 22 2594 6970, Fax: +91 22 2594 6969 Email: rnt.helpdesk@linkintime.co.in

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company, on standalone basis, are as under :

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Electro-Mechanical Projects and Packaged Air Conditioning Systems	8415	50.13
2	Unitary Products	8418	44.72

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Blue Star Engineering & Electronics Ltd (formerly known as Blue Star Electro-Mechanical Limited) Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai - 400 020	U70200MH2010PLC204612	Subsidiary Co	100%	Section 2(87) of Companies Act, 2013
2	Blue Star Qatar WLL P.O. Box 47242, Doha, State of Qatar	NA	Subsidiary Body Corporate	49%*	Section 2(87) of Companies Act, 2013
3	Blue Star M&E Engineering (Sdn) Bhd 2.01, PJ Tower, AMCORP Trade Center, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.	NA	Associate Body Corporate	49%	Section 2(6) of Companies Act, 2013
4	Blue Star Infotech Limited (This has been amalgamated with the Company effective May 21, 2016) 8th Floor, The Great Oasis Plot No. D-13, MIDC, Andheri (East), Mumbai	L72200MH1997PLC110459	Associate Co.	28.69%	Section 2(6) of Companies Act, 2013
5	Blue Star Oman Electro-Mechanical Co LLC P.O. Box 1010, Postal Code 112, Sultanate of Oman	NA	Associate Body Corporate	51%**	Section 2(6) of Companies Act, 2013

\*The Company controls composition of Board.

\*\*Representing 50% of voting rights.

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****i) Category-wise Share Holding**

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters &amp; Promoter Group</b>									
<b>(1) Indian</b>									
Individual/HUF	21468354	0	21468354	23.87	21468354	0	21468354	23.87	0.00
Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
Bodies Corp.	21731	0	21731	0.02	23331	0	23331	0.02	0.00
Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
Any Other	13458337	0	13458337	14.96	13458337	0	13458337	14.96	0.00
Sub-total (A)(1)	34948422	0	34948422	38.85	34950022	0	34950022	38.85	0.00
<b>(2) Foreign</b>									
a) NRIs - Individuals	543075	0	543075	0.60	543075	0	543075	0.60	0.00
b) Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A)(2)	543075	0	543075	0.60	543075	0	543075	0.60	0.00
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	<b>35491497</b>	<b>0</b>	<b>35491497</b>	<b>39.46</b>	<b>35493097</b>	<b>0</b>	<b>35493097</b>	<b>39.46</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds/UTI	16404084	1875	16405959	18.24	16605953	1875	16607828	18.46	0.22
b) Banks/FI	24660	8430	33090	0.04	14708	7905	22613	0.02	-0.02
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	932559	0	932559	1.04	576211	0	576211	0.64	-0.40
g) FIs	5870326	2250	5872576	6.53	8325122	2250	8327372	9.26	2.73

## Annexure 5 to Board's Report

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others - Qualified Foreign Investor (Foreign Mutual Funds)	377074	0	377074	0.42	477256	0	477256	0.53	0.11
Sub-total (B)(1)	23608703	12555	23621258	26.26	25999250	12030	26011280	28.91	2.66
<b>(2) Non-Institutions</b>									
a) Indian Bodies Corp.	3301995	55905	3357900	3.73	3009121	55905	3065026	3.41	-0.32
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹1 lakh	14836628	2868586	17705214	19.69	13363919	2660838	16024757	17.81	-1.87
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	8380733	206145	8586878	9.55	7900552	206145	8106697	9.01	-0.54
c) Others (specify)									
Clearing Members	22516	0	22516	0.02	151420	0	151420	0.17	0.15
Foreign Companies	0	375	375	0.00	0	375	375	0.00	0.00
Foreign Portfolio Investor (Individual)	346320	0	346320	0.38	0	0	0	0.00	0.38
Non Resident Indians (REPAT)	244347	6105	250452	0.28	220783	1500	222283	0.25	-0.03
Non Resident Indians (NON REPAT)	439898	0	439898	0.49	488591	0	488591	0.54	0.05
Market Maker	5033	0	5033	0.00	732	0	732	0.00	0.00
Hindu Undivided Family	108464	0	108464	0.12	304222	0	304222	0.04	0.04
Trust	300	0	300	0.00	82625	0	82625	0.09	0.09
Sub-total (B)(2)	27686234	3137116	30823350	34.27	25521965	2924763	28446728	31.62	-2.65

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
Total Public Shareholding (B) = (B)(1)+(B)(2)	51294937	3149671	54444608	60.54	51521215	2936793	54458008	60.54	0.00
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>86786434</b>	<b>3149671</b>	<b>89936105</b>	<b>100</b>	<b>87014312</b>	<b>2936793</b>	<b>89951105</b>	<b>100</b>	<b>0</b>

## (ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mr Ashok Mohan Advani	10315107	11.4694	0.00	10315107	11.4694	0.00	0.00
2	IL And FS Trust Company Limited	7458354	8.2929	0.00	7458354	8.2929	0.00	0.00
3	Mr Suneel Mohan Advani	5325948	5.9219	0.00	5325948	5.9219	0.00	0.00
4	IL And FS Trust Company Limited	3554722	3.9525	0.00	3554722	3.9525	0.00	0.00
5	Ms Nargis Suneel Advani	2720695	3.0251	0.00	2720695	3.0251	0.00	0.00
6	Ms Suneeta Nanik Vaswani	2141770	2.3814	0.00	2141770	2.3814	0.00	0.00
7	Ms Rohina Lulla	1116885	1.2419	0.00	1116885	1.2419	0.00	0.00
8	Ms Anissa Khanna	1076630	1.1971	0.00	1076630	1.1971	0.00	0.00
9	Mr Nanik Ramchand Vaswani	945095	1.0509	0.00	945095	1.0509	0.00	0.00
10	Suneel M Advani HUF	478310	0.5318	0.00	478310	0.5318	0.00	0.00
11	Mr Vir S Advani	50000	0.0556	0.00	50000	0.0556	0.00	0.00
12	Mr Armaan Sandeep Murthy	50000	0.0556	0.00	50000	0.0556	0.00	0.00
13	Mr Sumer Sandeep Murthy	50000	0.0556	0.00	50000	0.0556	0.00	0.00
14	Ms Sunaina S Advani	50000	0.0556	0.00	50000	0.0556	0.00	0.00
15	Mr Uday Vir Advani	50000	0.0556	0.00	50000	0.0556	0.00	0.00

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
16	Ms Anita Ashok Advani	30000	0.0334	0.00	30000	0.0334	0.00	0.00
17	J T Advani Finance Private Limited	21731	0.0242	0.00	23331	0.0256	0.00	0.00
18	Mr Dev Khanna	18750	0.0208	0.00	18750	0.0208	0.00	0.00
19	Mr Iman Rajiv Lulla	18750	0.0208	0.00	18750	0.0208	0.00	0.00
20	Mr Rana Rajiv Lulla	18750	0.0208	0.00	18750	0.0208	0.00	0.00
	<b>TOTAL</b>	<b>35491497</b>	<b>39.46</b>	<b>0.00</b>	<b>35493097</b>	<b>39.46</b>	<b>0.00</b>	<b>0.00</b>

## (iii) Change in Promoters' Shareholding

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>J.T. Advani Finance Private Limited - Promoter - DP ID IN30133017720022</b>				
	<b>At the beginning of the year</b>	<b>21731</b>	<b>0.02</b>	<b>21731</b>	<b>0.02</b>
	19/02/2016 (Transfer)	1600	0.00	23331	0.03
	<b>At the end of the year</b>	<b>23331</b>	<b>0.03</b>	<b>23331</b>	<b>0.03</b>

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>HDFC Trustee Company Ltd - A/C HDFC Mid - Cap Opportunities Fund</b>				
	<b>At the beginning of the year</b>	<b>4636502</b>	<b>5.15</b>	<b>4636502</b>	<b>5.15</b>
	17/04/2015 (Transfer)	100000	0.11	4736502	5.26
	22/01/2016 (Transfer)	700	0.00	4737202	5.27
	19/02/2016 (Transfer)	415	0.00	4737617	5.27
	<b>At the end of the year</b>	<b>4737617</b>	<b>5.27</b>	<b>4737617</b>	<b>5.27</b>
<b>2.</b>	<b>Saif Advisors Mauritius Limited a/c Saif India IV FII Holdings Limited</b>				
	<b>At the beginning of the year</b>	<b>4731983</b>	<b>5.26</b>	<b>4731983</b>	<b>5.26</b>
	No Change				
	<b>At the end of the year</b>	<b>4731983</b>	<b>5.26</b>	<b>4731983</b>	<b>5.26</b>
<b>3.</b>	<b>ICICI Prudential Value Discovery Fund</b>				
	<b>At the beginning of the year</b>	<b>1878581</b>	<b>2.09</b>	<b>1878581</b>	<b>2.09</b>
	06/05/2015 (Transfer)	(1878581)	2.09	0	0
	08/05/2015 (Transfer)	1878581	2.09	1878581	2.09
	<b>At the end of the year</b>	<b>1878581</b>	<b>2.09</b>	<b>1878581</b>	<b>2.09</b>
<b>4.</b>	<b>HDFC Standard Life Insurance Co. Ltd</b>				
	<b>At the beginning of the year</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	12/06/2015 (Transfer)	292257	0.32	292257	0.32
	24/07/2015 (Transfer)	224991	0.25	517248	0.58
	31/07/2015 (Transfer)	21681	0.02	538929	0.60
	07/08/2015 (Transfer)	27000	0.03	565929	0.63
	28/08/2015 (Transfer)	70763	0.08	636692	0.71
	11/09/2015 (Transfer)	23286	0.03	659978	0.73
	25/09/2015 (Transfer)	5206	0.00	665184	0.74
	30/09/2015 (Transfer)	250000	0.28	915184	1.02

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	06/11/2015 (Transfer)	250000	0.28	1165184	1.29
	27/11/2015 (Transfer)	1535	0.00	1166719	1.29
	04/12/2015 (Transfer)	22216	0.03	1188935	1.32
	11/12/2015 (Transfer)	17579	0.02	1206514	1.34
	18/12/2015 (Transfer)	9164	0.01	1215678	1.35
	31/12/2015 (Transfer)	14313	0.01	1229991	1.36
	01/01/2016 (Transfer)	8490	0.01	1238481	1.37
	22/01/2016 (Transfer)	11610	0.01	1250091	1.38
	29/01/2016 (Transfer)	8375	0.01	1258466	1.39
	05/02/2016 (Transfer)	28044	0.04	1286510	1.43
	12/02/2016 (Transfer)	20150	0.02	1306660	1.45
	19/02/2016 (Transfer)	15970	0.02	1322630	1.47
	26/02/2016 (Transfer)	5588	0.00	1328218	1.47
	04/03/2016 (Transfer)	10000	0.01	1338218	1.48
	11/03/2016 (Transfer)	2402	0.01	1340620	1.49
	18/03/2016 (Transfer)	(86000)	(0.10)	1254620	1.39
	25/03/2016 (Transfer)	25000	0.03	1279620	1.42
	31/03/2016 (Transfer)	(147386)	(0.17)	1132234	1.25
	<b>At the end of the year</b>	<b>1132234</b>	<b>1.25</b>	<b>1132234</b>	<b>1.25</b>
<b>5</b>	<b>First State Investments (Hongkong) Ltd</b>				
	<b>At the beginning of the year</b>	<b>365885</b>	<b>0.40</b>	<b>365885</b>	<b>0.40</b>
	06/05/2015 (Transfer)	(365885)	(0.40)	0	0.00
	08/05/2015 (Transfer)	365885	0.40	365885	0.40
	28/08/2015 (Transfer)	34848	0.04	400733	0.44
	04/09/2015 (Transfer)	12818	0.02	413551	0.46
	11/09/2015 (Transfer)	10213	0.01	423764	0.47
	18/09/2015 (Transfer)	20228	0.02	443992	0.49
	25/09/2015 (Transfer)	11663	0.01	455655	0.50

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	30/09/2015 (Transfer)	2776	0.01	458381	0.51
	09/10/2015 (Transfer)	6265	0.01	464646	0.52
	16/10/2015 (Transfer)	2937	0.00	467583	0.52
	30/10/2015 (Transfer)	27679	0.03	495262	0.55
	06/11/2015 (Transfer)	10354	0.01	505616	0.56
	13/11/2015 (Transfer)	4699	0.01	510315	0.57
	04/12/2015 (Transfer)	71562	0.08	581877	0.65
	22/01/2016 (Transfer)	179553	0.20	761430	0.85
	05/02/2016 (Transfer)	229465	0.25	990895	1.10
	19/02/2016 (Transfer)	29970	0.03	1020865	1.13
	26/02/2016 (Transfer)	17920	0.02	1038785	1.15
	<b>At the end of the year</b>	<b>1038785</b>	<b>1.15</b>	<b>1038785</b>	<b>1.15</b>
<b>6</b>	<b>Tata Balanced Fund</b>				
	<b>At the beginning of the year</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	15/01/2016 (Transfer)	350000	0.39	350000	0.39
	05/02/2016 (Transfer)	650000	0.72	1000000	1.11
	<b>At the end of the year</b>	<b>1000000</b>	<b>1.11</b>	<b>1000000</b>	<b>1.11</b>
<b>7</b>	<b>HDFC Trustee Co Ltd - HDFC Balanced Fund</b>				
	<b>At the beginning of the year</b>	<b>574225</b>	<b>0.64</b>	<b>574225</b>	<b>0.64</b>
	12/02/2016 (Transfer)	200000	0.22	774225	0.86
	26/02/2016 (Transfer)	5686	0.01	779911	0.87
	<b>At the end of the year</b>	<b>779911</b>	<b>0.87</b>	<b>779911</b>	<b>0.87</b>
<b>8</b>	<b>Birla Sun Life Trustee Co Pvt Ltd</b>				
	<b>At the beginning of the year</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	17/04/2015 (Transfer)	50500	0.06	50500	0.06
	24/04/2015 (Transfer)	190300	0.21	240800	0.27
	01/05/2015 (Transfer)	3100	0.00	243900	0.27
	15/05/2015 (Transfer)	6700	0.01	250600	0.28

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	22/05/2015 (Transfer)	49153	0.05	299753	0.33
	29/05/2015 (Transfer)	14918	0.02	314671	0.35
	05/06/2015 (Transfer)	192200	0.21	506871	0.56
	12/06/2015 (Transfer)	24600	0.03	531471	0.59
	19/06/2016 (Transfer)	11955	0.01	543426	0.60
	26/06/2015 (Transfer)	32700	0.04	576126	0.64
	07/08/2015 (Transfer)	18500	0.02	594626	0.66
	27/11/2015 (Transfer)	112500	0.12	707126	0.79
	08/01/2016 (Transfer)	67000	0.07	774126	0.86
	<b>At the end of the year</b>	<b>774126</b>	<b>0.86</b>	<b>774126</b>	<b>0.86</b>
<b>9</b>	<b>HDFC Trustee Company Ltd - HDFC Long Term Advantage Fund</b>				
	<b>At the beginning of the year</b>	<b>766768</b>	<b>0.85</b>	<b>766768</b>	<b>0.85</b>
	No Change				
	<b>At the end of the year</b>	<b>766768</b>	<b>0.85</b>	<b>766768</b>	<b>0.85</b>
<b>10</b>	<b>UTI – Infrastructure Fund</b>				
	<b>At the beginning of the year</b>	<b>750000</b>	<b>0.83</b>	<b>750000</b>	<b>0.83</b>
	No Change				
	<b>At the end of the year</b>	<b>750000</b>	<b>0.83</b>	<b>750000</b>	<b>0.83</b>

## (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
<b>1.</b>	<b>Mr Ashok Mohan Advani - Non Executive Chairman</b>				
	<b>At the beginning of the year</b>	<b>10315107</b>	<b>11.47</b>	<b>10315107</b>	<b>11.47</b>
		No change			
	<b>At the end of the year</b>	<b>10315107</b>	<b>11.47</b>	<b>10315107</b>	<b>11.47</b>
<b>2.</b>	<b>Mr Suneel Mohan Advani - Non Executive Vice Chairman</b>				
	<b>At the beginning of the year</b>	<b>5325948</b>	<b>5.92</b>	<b>5325948</b>	<b>5.92</b>
	12/02/2016 (Transfer)	1600	0.00	5327548	5.92
	19/02/2016 (Transfer)	(1600)	0.00	5325948	5.92
	<b>At the end of the year</b>	<b>5325948</b>	<b>5.92</b>	<b>5325948</b>	<b>5.92</b>
<b>3.</b>	<b>Mr Satish Jamdar - Managing Director (up to March 31, 2016)</b>				
	<b>At the beginning of the year</b>	<b>26750</b>	<b>0.03</b>	<b>26750</b>	<b>0.03</b>
	25/03/2016 (Allotment)*	15000	0.02	41750	0.05
	31/03/2016 (Transfer)	(750)	0.00	41000	0.04
	<b>At the end of the year</b>	<b>41000</b>	<b>0.04</b>	<b>41000</b>	<b>0.04</b>
<b>4.</b>	<b>Mr Vir S Advani - Managing Director (w.e.f. April 1, 2016)</b>				
	<b>At the beginning of the year</b>	<b>50000</b>	<b>0.05</b>	<b>50000</b>	<b>0.05</b>
		No change			
	<b>At the end of the year</b>	<b>50000</b>	<b>0.05</b>	<b>50000</b>	<b>0.05</b>

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
5.	<b>Mr B Thiagarajan - Joint Managing Director</b> <i>(w.e.f. April 1, 2016)</i>				
	<b>At the beginning of the year</b>	<b>1700</b>	<b>0.00</b>	<b>1700</b>	<b>0.00</b>
	No change				
	<b>At the end of the year</b>	<b>1700</b>	<b>0.00</b>	<b>1700</b>	<b>0.00</b>
6.	<b>Mr Gurdeep Singh - Independent Director</b>				
	<b>At the beginning of the year</b>	<b>1200</b>	<b>0.00</b>	<b>1200</b>	<b>0.00</b>
	No change				
	<b>At the end of the year</b>	<b>1200</b>	<b>0.00</b>	<b>1200</b>	<b>0.00</b>

\*Shares allotted under Blue Star Employee Stock Option Scheme.

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

*(₹ In lakhs)*

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	3,423.19	29,768.63	-	33,191.82
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1.94	10.01	-	11.95
<b>Total (i+ii+iii)</b>	<b>3,425.13</b>	<b>29,778.64</b>	<b>-</b>	<b>33,203.77</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	24,247.08	165,478.41	-	189,725.49
Reduction	16,083.96	178,266.53	-	194,350.49
Net Change	8,163.12	(12,788.12)	-	(4625.00)
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	11,586.31	16,980.51	-	28,566.82
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	17.41	20.13	-	37.54
<b>Total (i+ii+iii)</b>	<b>11,603.72</b>	<b>17,000.64</b>	<b>-</b>	<b>28,604.36</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:***(₹ in lakhs)*

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Mr Satish Jamdar - Managing Director (up to March 31, 2016)	Mr Vir S Advani - Managing Director (w.e.f. April 1, 2016)	Mr B Thiagarajan - Joint Managing Director (w.e.f. April 1, 2016)	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	175.46	118.42	118.42	412.3
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	7.77	4.92	4.92	17.61
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	9.39	-	-	9.39
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others (performance based)	135.52	83.32	91.55	310.39
5.	Others, please specify				
	Retirals (tax exempted)	10.36	7.31	7.31	24.98
	<b>Total (A)</b>	<b>338.50</b>	<b>213.97</b>	<b>222.20</b>	<b>774.67</b>
	Ceiling as per the Act	₹1037.12 lakhs (being 10% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013.)			

**B. REMUNERATION TO OTHER DIRECTORS:***(₹ in lakhs)*

Sr. No	Particulars of Remuneration	Name of Director							Total Amount
		Mr Ashok M Advani	Mr Suneel M Advani	Mr Gurdeep Singh	Mr Pradeep Mallick	Mr Shailesh Haribhakti	Mr M K Sharma	Ms Shobana Kamineni	
<b>1.</b>	<b>Other Non-Executive Directors</b>								
	Fee for attending board/ committee meetings (₹)	7.50	9.00	-	-	-	-	-	16.50
	Commission (₹)	22.00	22.00	-	-	-	-	-	44.00
	Others, please specify (₹)	-	-	-	-	-	-	-	-
	<b>Total (1) (₹)</b>	<b>29.50</b>	<b>31.00</b>						<b>60.50</b>
<b>2.</b>	<b>Independent Directors</b>								
	Fee for attending board/ committee meetings (₹)	-	-	9.25	11.00	10.00	10.25	3.25	43.75
	Commission (₹)	-	-	11.00	11.00	11.00	11.00	11.00	55.00
	Others, please specify (₹)	-	-	-	-	-	-	-	-
	<b>Total (2) (₹)</b>			<b>20.25</b>	<b>22.00</b>	<b>21.00</b>	<b>21.25</b>	<b>14.25</b>	<b>98.75</b>
	<b>Total (B)=(1+2) (₹)</b>	<b>29.50</b>	<b>31.00</b>	<b>20.25</b>	<b>22.00</b>	<b>21.00</b>	<b>21.25</b>	<b>14.25</b>	<b>159.25</b>
	<b>Total Managerial Remuneration (A+B) (₹)</b>								<b>933.92</b>
	<b>Overall Ceiling as per the Act</b>	₹1140.83 lakhs (being 11% of Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013.)							

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD :***(₹ in lakhs)*

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		Chief Financial Officer (Mr. Neeraj Basur)	Company Secretary (Mr Vijay Devadiga) w.e.f. June 1, 2015	Company Secretary {Mr Sangameshwar Iyer (up to May 31, 2015)}	
1.	Gross salary	148.57	33.54	10.83	192.94
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.69	0.23	0.63	1.55
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-	-
5.	Others, please specify				
	<b>Total</b>	<b>149.26</b>	<b>33.77</b>	<b>11.46</b>	<b>194.49</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES : NOT APPLICABLE**

There were no penalties/punishment/compounding of offences for breach of any Section of Companies Act against the Company or its Directors or other officers in default, if any, during the year.

For and on behalf of the Board of Directors

Mumbai : May 30, 2016

**Ashok M Advani**  
Chairman

# Corporate Governance Report

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Blue Star has consistently followed the principles of good corporate governance through transparency, accountability, fair dealings and mutual trust. Blue Star's Values and Beliefs have become a way of life in the Company, and each employee is responsible for strict adherence to these values.

## VALUES, BELIEFS AND CREDO

Blue Star has spelt out a set of ten Values and Beliefs inter alia, laying emphasis on integrity and ethics, enhancement of shareholder value, and others, thereby underlining its basic business philosophy and its responsibilities to all stakeholders: customers, shareholders, employees, business partners and society. The Credo is to deliver a world-class customer experience. Ensuring high standards of corporate governance continues to be one of the core values.

## CODE OF CONDUCT

While Blue Star participates in a competitive and demanding market, the Blue Star Way provides a code of conduct for its employees that requires strict adherence to the Corporate Values while delivering a world-class customer experience. The Company makes conscious efforts to align employees and business partners with the Blue Star Way.

## CORPORATE SAFETY POLICY

Blue Star's management firmly believes that the safety of its employees and all the stakeholders associated with the Company's project sites and manufacturing facilities is of utmost importance. Safety is an essential and integral part of all the Company's work activities. Blue Star believes that incidents or accidents and risk to health are preventable through active involvement of all the stakeholders, thereby creating a safe and accident-free work place.

## BOARD OF DIRECTORS

Mr Satish Jamdar stepped down from the office of the Managing Director of the Company w.e.f. April 1, 2016. In line with the succession planning approved by the Nomination and Remuneration Committee, Mr Vir S Advani and Mr B Thiagarajan, Executive Directors, were elevated to the positions of Managing Director and Joint Managing Director respectively, w.e.f. April 1, 2016, for a period of 5 years. Thus, the Board now comprises nine Directors, out of which one is the Managing Director, one is the Joint Managing Director, and out of the balance seven Directors, two are Non-Executive, Non-Independent Directors, and the remaining five are Independent Directors.

## NUMBER OF MEETINGS HELD BY THE BOARD

Seven Board Meetings were held during the financial year 2015-16 i.e. on May 29, 2015; July 28, 2015; September 29, 2015; October 26, 2015; January 29, 2016; March 8, 2016; and March 11, 2016. The Company had convened its last Annual General Meeting (AGM) on July 28, 2015.

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2015-16 are given below:

Name	Category	Attendance		Particulars of Directorships, Committee Memberships/Chairmanships (other than Blue Star Limited as on March 31, 2016)		
		Board Meeting	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Mr Ashok M Advani	Non-Executive Chairman	6	Present	1*	1*	1*
Mr Suneel M Advani	Non-Executive Vice Chairman	6	Present	3*	1*	Nil
Mr Satish Jamdar <i>(up to March 31, 2016)</i>	Managing Director	7	Present	Nil	Nil	Nil
Mr Vir S Advani <i>(w.e.f. April 1, 2016)</i>	Managing Director	5	Present	2	1	Nil
Mr B Thiagarajan <i>(w.e.f. April 1, 2016)</i>	Joint Managing Director	7	Present	1	Nil	Nil
Mr Pradeep Mallick	Independent Non-Executive Director	5	Present	4	5	2
Mr Gurdeep Singh	Independent Non-Executive Director	7	Present	3	Nil	Nil
Mr Shailesh Haribhakti	Independent Non-Executive Director	6	Present	19	9	4
Mr M K Sharma	Independent Non-Executive Director	7	Absent	7	4	2
Ms Shobana Kamineni	Independent Non-Executive Director	3	Absent	17	Nil	Nil

\*includes Directorships and Committee memberships of the erstwhile Blue Star Infotech Limited which has amalgamated with the Company effective May 21, 2016.

The Directorships as mentioned above consist of Directorships held in public limited companies and private limited companies. The committees considered above are audit committees and stakeholders' relationship committees.

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 Mr Ashok M Advani, Mr Suneel M Advani and Mr Vir S Advani, who are related, none of the other Directors is a relative of the other.

## DETAILS OF DIRECTORS BEING RE-APPOINTED

As per the provisions of the Companies Act, 2013 ('the Act'), two-thirds of the total number of Directors (other than Independent Directors) should be retiring Directors. One-third of these retiring Directors are required to retire every year, and if eligible, these Directors qualify for re-appointment by the members at the Annual General Meeting.

Pursuant to the provisions of the Act, Mr Suneel M Advani (DIN: 00001709) retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr Vir S Advani (DIN: 01571278) is proposed to be appointed as Managing Director of the Company for a period of five (5) years, with effect from April 1, 2016, subject to approval by the shareholders.

Mr B Thiagarajan (DIN: 01790498) is proposed to be appointed as Joint Managing Director of the Company for a period of five (5) years, with effect from April 1, 2016, subject to approval by the shareholders.

A detailed profile of Mr Suneel M Advani, who is eligible for re-appointment has been provided separately by way of an Annexure to the Notice for the Annual General Meeting, as required under the Act and the SEBI (Listing Obligation and Disclosure Requirements), 2015 (hereinafter called as 'Listing Regulations'). Explanatory statements on the resolutions proposed for appointment of Mr Vir S Advani and Mr B Thiagarajan are also provided therein, as required by the Act.

### **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 functions of the Company. Such presentations help them 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.

Weblink: <http://www.bluestarindia.com/investors/images/familiarization-programme-for-independent-directors.pdf>

### **PERFORMANCE EVALUATION**

The Board has carried out an annual performance evaluation comprising review of the performance of the Directors individually as well as the evaluation of the working of its Committees and the entire Board. 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 Stakeholders.

A separate exercise was carried out to evaluate the performance of individual Directors, including Chairman of the Board, who 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, etc.

In accordance with the provisions of the Act and the Listing Regulations, a meeting of the Independent Directors of the Company was also held on March 23, 2016, 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.

This was further deliberated by the Board to ensure effective implementation of the findings of the evaluation.

### **AUDIT COMMITTEE**

The Audit Committee comprises three Independent Directors; namely, Mr Shailesh Haribhakti, Mr Pradeep Mallick and Mr M K Sharma. Mr Shailesh Haribhakti is Chairman of the Audit Committee. Mr Vir S Advani stepped down as a member of the Audit Committee w.e.f. May 30, 2016, consequent to his elevation to the position of Managing Director of the Company.

#### **NO. OF MEETINGS HELD BY THE COMMITTEE**

The Committee met on May 29, 2015; July 28, 2015; September 29, 2015; October 26, 2015; January 29, 2016 and February 9, 2016.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Mr Shailesh Haribhakti, Chairman	6
Mr Pradeep Mallick	5
Mr M K Sharma	6
Mr Vir S Advani ( <i>up to May 30, 2016</i> )	5

The gap between two meetings did not exceed four months.

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

## 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 stock exchanges, regulatory authorities or the public, 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 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 Section 134 of the Act.
  - b. Changes, if any, in the accounting policies and reasons for the same.
  - c. Major accounting entries based on the exercise of the 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.
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, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the Management, the statement of use/application of funds raised through an issue (public, rights, preferential issue, etc) the 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 process.
8. Approval or any subsequent modification of transactions of the Company with 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.
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 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 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 the 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 Auditor, the annual scope and plan of the Company's Internal Audit and any significant changes thereto.
4. Review with the Internal Auditor 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 Auditor 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 Auditor, to discuss any matters that the Committee or the Chief Internal Auditor believes should be discussed separately.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises two Independent Directors; namely, Mr Gurdeep Singh and Mr Pradeep Mallick, and two Non-Executive Non-Independent Directors; namely, Mr Ashok M Advani and Mr Suneel M Advani. Mr Gurdeep Singh is the Chairman of the Committee.

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

### MEETINGS HELD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee met on May 28, 2015; June 17, 2015; October 26, 2015, November 17, 2015; January 29, 2016 and March 7, 2016. The attendance of the Committee members is given below (excluding Adjourned Meetings held on June 17, 2015 and November 17, 2015):

Name of the Member	No. of meetings attended
Mr Gurdeep Singh, Chairman	4
Mr Ashok M Advani	4
Mr Suneel M Advani	4
Mr Pradeep Mallick	4

### 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 Director 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. Such other matters as may be required under the Act and Listing Regulations.

## REMUNERATION POLICY

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director and Joint Managing Director. Annual increments are decided by the Nomination and Remuneration Committee (NRC), within the salary scale approved by the members of the Company. NRC recommends to the Board, the commission payable to the Managing Director and Joint Managing Director out of the profits for the financial year, and within the ceilings prescribed under the Act, based on the performance of the Company as well as the Managing Director and Joint Managing Director. Services may be terminated by either party, giving the other party six months' notice. There is no separate provision for payment of severance fees.

Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, partly by way of a fixed amount and partly based on the number of meetings attended by them.

The Company has an Employee Stock Option Scheme 2013 in place. During the year under review, Mr Satish Jamdar, erstwhile Managing Director, had exercised 15,000 employee stock options. Further details on the Employee Stock Option Scheme 2013 may be referred to in Annexure 3 to the Board's Report.

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

(₹ in lakhs)

Name	Salary	Retirals	Perquisites	Commission	Sitting Fees	Total
Mr Ashok M Advani	-	-	-	22.00	7.50	29.50
Mr Suneel M Advani	-	-	-	22.00	9.00	31.00
Mr Satish Jamdar <sup>@</sup>	58.49	18.13	116.97	135.52	-	329.11
Mr Vir S Advani	39.47	12.24	78.94	83.32	-	213.97
Mr B Thiagarajan <sup>@@</sup>	39.47	12.24	78.94	91.55	-	222.20
Mr Pradeep Mallick	-	-	-	11.00	11.00	22.00
Mr Gurdeep Singh	-	-	-	11.00	9.25	20.25
Mr Shailesh Haribhakti	-	-	-	11.00	10.00	21.00
Mr M K Sharma	-	-	-	11.00	10.25	21.25
Ms Shobana Kamineni	-	-	-	11.00	3.25	14.25

<sup>@</sup>3,00,000 stock options were granted on June 6, 2014 to Mr Satish Jamdar, erstwhile Managing Director, of which 65,700 options vested in him during the financial year. 15,000 vested options were exercised by him. Vested options are exercisable by him till June 30, 2018.

<sup>@@</sup>2,00,000 stock options were granted on June 6, 2014 to Mr B Thiagarajan, Joint Managing Director, of which 55,200 options vested in him during the financial year. Mr B Thiagarajan was granted additional 1,00,000 options on April 1, 2016. Vested options are exercisable by him till July 31, 2018.

Mr Ashok M Advani holds 1,03,15,107 shares, Mr Suneel M Advani holds 53,25,948 shares and Mr Gurdeep Singh holds 1,200 shares in the Company. Mr Pradeep Mallick, Mr Shailesh Haribhakti, Mr M K Sharma and Ms Shobana Kamineni do not hold any shares in the Company.

## INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE

Investor Grievance cum Stakeholders' Relationship Committee comprises four Directors; namely, Mr Gurdeep Singh, Mr Ashok M Advani, Mr Suneel M Advani and Mr B Thiagarajan. Mr Gurdeep Singh, who is an Independent Director, is the Chairman of this Committee.

### TERMS OF REFERENCE

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 stakeholders' related matters. In addition, the Committee also looks into matters, which facilitate investors' services and relations.

The Company had no complaints outstanding as on April 1, 2015, and received 53 complaints during the year ended March 31, 2016, and all complaints were resolved to the satisfaction of the shareholders. There were no complaints outstanding as on March 31, 2016.

## COMPLIANCE OFFICER

Mr Vijay Devadiga  
Company Secretary and Compliance Officer  
Tel: 022 6665 4000, Fax: 022 6665 4151  
Email: investorcomplaints@bluestarindia.com

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

CSR Committee of Directors as required under Section 135 of the Act comprises Mr Suneel M Advani, Mr B Thiagarajan and Ms Shobana Kamineni. Mr Suneel M Advani is the Chairman of this Committee. The Committee met on January 29, 2016. Mr Satish Jamdar stepped down as a member of the Committee w.e.f. January 29, 2016 due to his impending retirement from the Company.

### 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 Companies Act, 2013.
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 Annexure 2 of the Board's Report, may be referred to, for further information on CSR.

## RISK MANAGEMENT COMMITTEE

The Company has a robust risk management framework to identify, monitor and minimise risks.

The Company has a comprehensive risk management policy which is periodically reviewed by the Risk Management Committee. The Members of the Risk Management Committee are Mr Vir S Advani, Mr Suneel M Advani, Mr B Thiagarajan and Mr Neeraj Basur. Mr Vir S Advani is the Chairman of this Committee. Mr Satish Jamdar, Chairman of the Committee, stepped down as a member w.e.f. January 29, 2016 due to his impending retirement from the Company.

The Committee met on May 18, 2015; September 23, 2015; December 24, 2015; and March 28, 2016.

### 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.

## CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has a Code of Conduct for Prevention of Insider Trading in the shares and securities of the Company for its Directors, key managerial personnel and designated employees, and the same is disclosed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com).

## SUBSIDIARY COMPANIES

Blue Star Engineering & Electronics Limited and Blue Star Qatar (WLL) are subsidiaries of the Company. In accordance with the Listing Regulations, the Company has formulated a policy on determining material subsidiaries and the same has been disclosed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com).

Weblink: <https://www.bluestarindia.com/about/images/policy-for-determining-material-subsiidiaries.pdf>

## RELATED PARTY TRANSACTIONS

All transactions entered into with related parties as defined under the Act, read with the Listing Regulations during the financial year, 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 [www.bluestarindia.com](http://www.bluestarindia.com).

Weblink: <https://www.bluestarindia.com/about/images/policy-for-transaction-with-related-parties.pdf>

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

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.

Blue Star has 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 exposure. 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.

## OTHER DISCLOSURES

1. The details of transactions with related parties are given in Note no. 33 to the financial statement for the year ended March 31, 2016. 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.
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 an office for the Non-Executive Chairman at the Company's expense, ensuring financial statements with unmodified audit opinion, separation of post of Chairman and Managing Director, and reporting of internal auditor directly to the Audit Committee.
4. The Company has followed all relevant 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.

## ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meetings	Time
2012-13	July 22, 2013	Jai Hind College Hall, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai - 400020	2.30 pm
2013-14	July 28, 2014	-do -	3.00 pm
2014-15	July 28, 2015	-do -	3.00 pm

The following Special Resolution was passed in the previous three Annual General Meetings:

Payment of Commission to Non-Executive Directors, including Independent Directors - Date of the Meeting - July 28, 2014.

## POSTAL BALLOT

During the year under review, a Postal Ballot was conducted for taking approval of the public shareholders by way of Ordinary Resolution on the Composite Scheme of Amalgamation of Blue Star Infotech Limited and Blue Star Infotech Business Intelligence and Analytics Private Limited with Blue Star Limited and their respective shareholders and creditors.

Mr Bharat Upadhyay, Practicing Company Secretary was appointed as Scrutiniser for conducting the Postal Ballot Process. In the Postal Ballot conducted pursuant to the Listing Regulations, the Company had offered e-voting facility, through National Securities Depository Limited (NSDL), as an alternate, to enable the shareholders to cast their votes electronically.

The results of the postal ballot were declared on February 27, 2016. Details of the voting pattern were as under:

Sr. No.	Particulars	Resolution No. 1 No. of shares
1	Postal Ballot Forms/E-voting/Poll with assent for the Resolution	21172509
	% of Assent	99.85
2	Postal Ballot Forms/E-voting/Poll with dissent for the Resolution	30998
	% of Dissent	0.15
3	Total Postal Ballot Forms/E-voting/Poll	21203507
	% of Total	100

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

## 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 feature on the corporate website. The Company often holds meets with institutional investors and analysts after declaration of the results as mentioned on the website. Management Discussion and Analysis forms part of the Annual Report.

## SHAREHOLDERS' INFORMATION

### ANNUAL GENERAL MEETING:

Date	: August 1, 2016
Time	: 3 pm
Venue	: Jai Hind College Hall 23-24, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai 400 020.

### FINANCIAL CALENDAR (PROVISIONAL):

Unaudited results for the quarter ending June 30, 2016	: August 1, 2016
Unaudited results for the quarter ending Sept 30, 2016	: November 10, 2016
Unaudited results for the quarter ending Dec 31, 2016	: January 25, 2017
Audited results for the year ending March 2017	: May 30, 2017
Date of Book Closure	: Monday, July 18, 2016 to Monday, July 25, 2016

LISTING ON STOCK EXCHANGES	: BSE (Bombay Stock Exchange) Ltd National Stock Exchange of India Ltd
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Listing fees as applicable have been paid

STOCK CODE	: BSE Ltd - 500067 National Stock Exchange of India Ltd - BLUESTARCO
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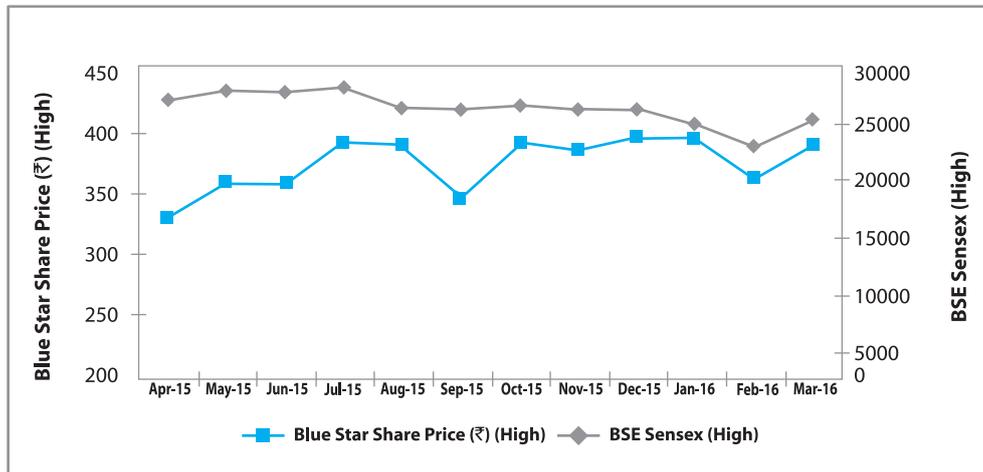
NSDL/CDSL - ISIN	: INE 472A01039
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**MARKET PRICE DATA**

(₹ per share)

	BSE Ltd		National Stock Exchange of India Ltd	
	High	Low	High	Low
<b>2015</b>				
April	340.00	289.60	342.00	285.70
May	365.45	299.75	364.95	305.05
June	364.00	315.10	364.90	315.25
July	395.00	322.00	394.40	320.10
August	392.00	332.50	393.00	330.10
September	354.00	322.50	356.00	339.25
October	394.00	331.80	396.00	331.20
November	388.95	345.00	389.00	342.60
December	398.00	347.85	400.00	349.95
<b>2016</b>				
January	396.95	321.85	399.50	320.00
February	368.00	306.10	368.00	305.60
March	392.00	310.00	431.10	314.80

**PERFORMANCE - COMPARISON WITH BSE SENSEX**



**REGISTRAR & TRANSFER AGENTS**

Link Intime India Pvt Ltd  
 C-13, Kantilal Maganlal Estate  
 Pannalal Silk Mills Compound  
 L B S Marg, Bhandup (W)  
 Mumbai 400 078.  
 Tel: +91 22 2594 6970, Fax: +91 22 2594 6969  
 Email: 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.

## UNCLAIMED DIVIDENDS

All the shareholders, whose dividends are unclaimed are requested to claim their dividends. Under the provisions of the Act, it would not be possible to claim the dividend amount, once deposited in Investor Education & Protection Fund.

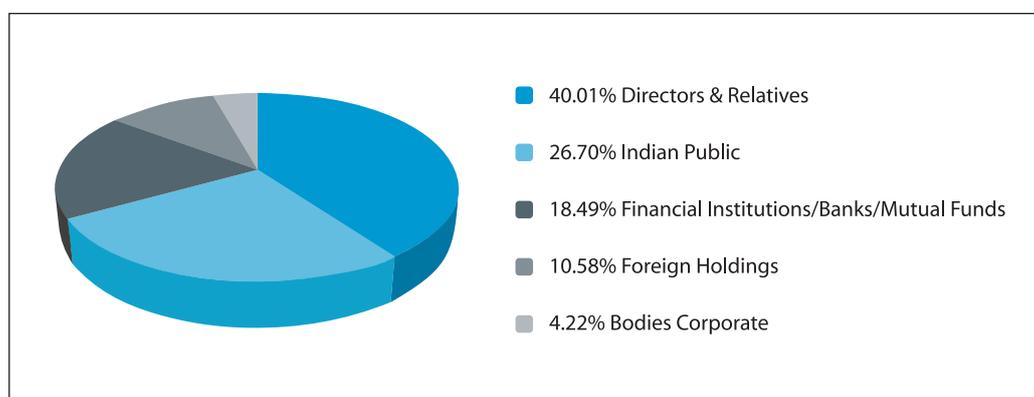
## TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, the Company has credited ₹34,81,968 as unpaid final dividend, for the financial year 2007-2008, lying in the unclaimed/unpaid dividend account to the Investor Education & Protection Fund.

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2016

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders	Total No. of Shares held	Percentage of Shares held
1 - 5000	18330	95.36	9590390	10.66
5001 - 10000	507	2.64	3562954	3.96
10001 - 20000	180	0.94	2478796	2.75
20001 - 30000	51	0.27	1245785	1.38
30001 - 40000	22	0.11	764799	0.85
40001 - 50000	18	0.09	823835	0.91
50001 - 100000	29	0.15	2140876	2.38
100001 - and above	84	0.44	69343670	77.09
<b>TOTAL</b>	<b>19221</b>	<b>100.00</b>	<b>89951105</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2016



## DEMATERIALISATION OF SHARES & LIQUIDITY

About 96.74% of the equity shares have been dematerialised by about 86.05% of the total shareholders as on March 31, 2016. The Company's shares can be traded only in dematerialised form as per SEBI notification. The Company has entered into agreements with NSDL and CDSL whereby shareholders have the option to dematerialise their shares with either of the Depositories. About 26.70% of the equity shares are held by public, and the shares are actively traded in BSE and NSE.

## PLANT LOCATIONS

Blue Star Limited  
Village Vasuri  
Khanivali Road  
Taluka Wada  
Dist: Thane 421 312.

Blue Star Limited  
Survey No.265/2  
Demni Road  
U.T. of Dadra &  
Nagar Haveli 396 193.

Blue Star Limited  
Nahan Road  
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  
Tejpur Road  
Sarkhej Baula Highway  
Changodar  
Ahmedabad 382 213.

## OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS

There are no outstanding convertible warrants/instruments.

## COMPLIANCE OFFICER

Mr Vijay Devadiga  
Company Secretary and Compliance Officer  
Tel: +91 22 6665 4000, Fax: +91 22 6665 4151  
Email: investorcomplaints@bluestarindia.com

## ADDRESS FOR CORRESPONDENCE

Blue Star Limited  
Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
CIN: L28920MH1949PLC006870  
Website: www.bluestarindia.com

## 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, 2016.

For **BLUE STAR LIMITED**

**Vir S Advani**  
Managing Director

Mumbai: May 30, 2016

# Auditors' Certificate

To

**The Members of Blue Star Limited**

We have examined the compliance of conditions of corporate governance by Blue Star Limited, for the year ended on March 31, 2016, as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the provisions as specified in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Company with stock exchange(s).

We further state that such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

**per Sudhir Soni**

Partner

Membership No. 41870

Mumbai: May 30, 2016

# Management Discussion and Analysis

## INTRODUCTION

Blue Star is India's leading air conditioning and commercial refrigeration company with over seven decades of experience in providing expert cooling solutions. It fulfills the cooling requirements of a large number of corporate, commercial as well as residential customers. It also offers expertise in allied contracting activities such as electrical, plumbing and fire-fighting services, in order to offer turnkey solutions, apart from execution of specialised industrial projects. Blue Star's other businesses include marketing and maintenance of imported professional electronic equipment and services, as well as industrial products and systems, which is handled by Blue Star Engineering & Electronics, a wholly owned subsidiary of the Company.

## BUSINESS SEGMENTS

In accordance with the nature of products and markets addressed, business drivers, and competitive positioning, the lines of business of Blue Star can be segmented as follows:

### ELECTRO-MECHANICAL PROJECTS AND PACKAGED 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. After-sales services such as revamp, retrofit and upgrades also form part of this segment.

### UNITARY PRODUCTS

Blue Star offers a wide variety of stylish, contemporary and 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. These formed part of Cooling Products Segment, which has been renamed as Unitary Products Segment due to the proposed extension of the product range to include water purifiers and air purifiers.

### 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.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

### AIR CONDITIONING

In 2015-16, the estimated total market size for air conditioning in India was around ₹16000 crores. Of this, the market for central air conditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹5900 crores, while the market for room air conditioners comprised the balance ₹10100 crores.

During the year, the commercial segment gained some momentum in select metros, whilst the overall market remained muted, with investments in the industrial and infrastructure segment not witnessing any improvement. Though the market sentiments were positive, active prospects for finalisation of projects were low, and hence purchase was limited. Segments such as healthcare, malls, metro and power witnessed enhanced demand, while corporates continued to remain cautious on fresh investments. The integrated mechanical, electrical, plumbing and fire-fighting (MEP) projects gained more traction, especially in segments such as hospitality, healthcare and malls.

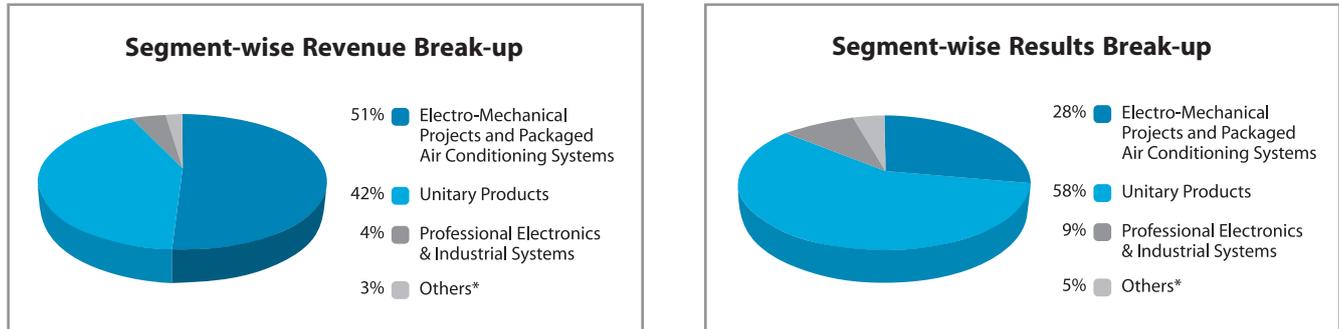
On the other hand, the room air conditioners market grew significantly, driven by the residential business. The rise in disposable incomes of the growing middle-class consumers, enhanced demand from Tier 3/4/5 markets, festive season purchases as well as a favourable early onset of summer in several parts of the country contributed to growth during the review period. Rupee depreciation was offset by lower commodity prices which ensured that prices were stable.

**COMMERCIAL REFRIGERATION**

The commercial refrigeration segment includes a wide range of products such as deep freezers, water coolers, bottled water dispensers, cold rooms, bottle coolers and ice cubers. Rapid changes in consumption patterns of the new and aware consumer, fuelled by modern trade, along with the growing food, dairy and pharmaceutical industries contributed to the growth in this segment.

**SEGMENT-WISE ANALYSIS**

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



\*Discontinued IT business

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

The Electro-Mechanical Projects and Packaged Air Conditioning Systems business continued to be the largest segment, accounting for 51% of the Company’s Total Segment Revenue.

In the electro-mechanical projects business, most of the private, medium and large-sized projects remained subdued, while there was a sharp increase in investments in Government-related projects of the Centre as well as the States. Business sentiments remained tepid as non-availability of capital funds continued to adversely affect expansions and investments. Several legacy projects were closed during the year, including short closure of a few, as there was no visibility of fund flow for revival of these otherwise dormant jobs.

In the central plant equipment segment, the market showed signs of improvement during the year, especially in Tier 2, 3 and 4 markets, but cash flow continued to be a concern with pressure on margins. Segments such as quick specialty restaurants, healthcare and hospitality showed enhanced demand, while commercial spaces, IT/ITeS and developer segments continued to be adversely affected. There was a modest upswing in commercial space consumption in National Capital Region, Bengaluru and Mumbai, though limited to a few developers and corporates of repute. Prospects from industrial segments showed some improvement, especially in Telengana, Gujarat, National Capital Region and some parts of Maharashtra. Hospitals, hotels and large mixed-use development projects increasingly prefer multi-service (mechanical, electrical, plumbing and fire-fighting) service providers. The value proposition of the Electro-Mechanical Projects Business has been identified as ‘Superior project delivery through intelligent engineering, modern execution practices, and committed teams’ which underpins a strong differentiator for the Company. Orders of ₹815 crores were booked in the integrated MEP (Mechanical, Electrical, Plumbing) domain during the review period, marking a 63% growth over last year.

Some significant orders received in the electro-mechanical projects business during the year included Delhi Metro, Gurugram and Noida; Power Grid Corporation, Karaikal and Tumkur; Sugam Vanijya Holdings, Chennai; Omkar Realtors, Mumbai; Cancer Hospital, Lucknow; Apollo Tyres, Chennai and Vadodara; RBS Dev Centre, Bengaluru; Tata Steel, Jamshedpur; Manipal Hospital, Bengaluru; Lakeshore Hospital, Kochi; Mars International, Pune; Indiabulls, Jodhpur; Lodha Developers, Mumbai; Pradhama Hospitals, Visakhapatnam; and Cummins India, Pune.

In the Industrial Projects business, there was a continued downturn in the steel sector as lack of new investments affected order inflow. Despite this, the focus on system integration offerings and strategic positioning of advanced solutions in the existing markets enabled growth in revenues, during the year under review.

In the central plant equipment segment, the Company introduced centrifugal chillers in a range of 300 TR - 4000 TR, in addition to the wide range of screw and scroll chillers. During the review period, the Company maintained its leadership position in scroll chillers, while the screw chiller segment recorded considerable growth. Blue Star's ducted systems range comprises packaged air conditioners, ducted split air conditioners and variable refrigerant flow (VRF) systems. While the market for ducted systems declined marginally, the Company retained its market leadership position in the segment. During the year, the Company announced the launch of Blue Star VRF IV Plus, the country's first 'Made in India', 100% inverter VRF system which is well suited for the varying climatic conditions across the country. Blue Star's 4th generation VRF IV Plus has several unique advantages, over and above the requisite features, including 100% inverter compressors which is the latest global technology, 100% cooling capacity delivered even at 43°C, non-stop cooling even at a peak ambient temperature of 56°C, highest energy efficiency, and is designed to operate across a wide voltage range. The VRF IV Plus is manufactured at the Company's modern state-of-the-art Dadra plant. With this launch, Blue Star has proved that an Indian manufacturer, equipped with the right technology as well as robust research and development capabilities, can develop a product which is best-in-class and can challenge any product globally. Blue Star VRF IV Plus has been well received by customers, and several orders received for this product during the year further strengthened its foothold in the fast-growing VRF market. Segments such as industrial, marriage/banquet halls, showrooms and offices witnessed enhanced demand during the review period. Some of the notable orders won during the year were from Ashoka University, Haryana; Hewlett Packard, Bengaluru; Estancia IT Park, Chennai; Sutherland, Secunderabad; Kalyan Jewellers; Ginger, Nagpur; HCL, Pune; Delhi Public School, Gandhidham; ThyssenKrupp, Pune and South City Projects, Kolkata.

### UNITARY PRODUCTS

This business segment comprises room air conditioners and commercial refrigeration products and systems, apart from new planned product lines such as water purifiers, air coolers and air purifiers.

The consumers in the room air conditioners segment are becoming more brand-conscious, preferring specialist air conditioning players. This has worked to the advantage of Blue Star since it is perceived to be a premium and aspirational brand, and its rich pedigree and high quality product array is in conjunction with this image. During the year, the room air conditioners business of the Company continued to grow faster than the market, thereby increasing its market share to 10.3% in terms of value. It launched a new range of contemporary and stylish room air conditioners for the residential segment, which comprises the largest range of inverter split air conditioners. They are available in a large number of retail channels across the country, including several Tier 3 and 4 towns. The emphasis during the year was on higher energy-efficient products such as inverter split air conditioners, 5-star rated split air conditioners as well as those with eco-friendly refrigerants. Blue Star's share in the inverter and 5-star air conditioners range is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. During the year, Blue Star also added several new customers in its national accounts business. Continued efforts in corporate and light commercial segments yielded results by way of large orders received from reputed institutions. Improved operational efficiency across all functions as well as enhanced manufacturing and supply chain management resulted in healthy margins in the room air conditioners business.

In the commercial refrigeration products business, the Company introduced new models of deep freezers in glass-top as well as hard-top variants. Sales of chest freezers and coolers grew well, with enhanced demand from the ice cream, dairy and frozen food segments. Significant orders were booked from Amul, Havmor, Creambell, Hatsun, McCain, Dairy Classic, Dinshaw's and Lazza during the year. The market continued to witness an increased demand for display freezers across businesses due to the expansion of frozen products and ice cream businesses, thereby driving growth for glass-top freezers. Introduction of eco-friendly cyclopentane panels at the start of the year, containing no ozone depleting substances, met with an encouraging response. It has enabled the Company to differentiate its cold room business on an eco-friendly platform, and this trend is likely to continue in the future.

Sales of bottled water dispensers grew well during the year as the Company enhanced engagement with retailers. Storage water coolers also performed well with a surge in the demand from the Government as well as educational and manufacturing segments. Blue Star storage water coolers with in-built water purifiers which was launched by the Company last year, met with good resonance from the market.

In the cold chain business, traditional segments like pharmaceuticals and ice cream contributed significantly, with several leading players investing in cold rooms for their warehouses as well as distribution points across the country. The Company's customer list includes prominent pharmaceutical majors like Sun Pharma, Gland Pharma, Mylan, Dr Reddy's, GlaxoSmithKline, and Sanofi, as well as ice cream majors such as Amul, Creambell and Mother Dairy. The quick service restaurants segment witnessed mixed results, with some multi-national chains undergoing restructuring of their business models for India. Blue Star continues to enjoy a preferred partner status with most of these food chains. Despite a challenging scenario, the Company has gained a major share of business from fast food chains such as Jubilant, Burger King, Carls Jr, TGIF, Hardcastle, Sbarro, Lite Bite, Nando's and Au Bon Pain.

During the year, Blue Star forayed into allied products such as air coolers and air purifiers to leverage its equity in the residential segment. It launched 5 models of air purifiers including models with HEPA filter with ioniser technology and plasma technology, for spaces varying from 200 sq ft to 400 sq ft. The market for air purifiers is nascent at about ₹750 crores but given the rising concern of air quality in the country, this category is expected to grow three-fold over the next 5 years. With regard to air coolers, Blue Star introduced 3 models catering to price conscious customers in non-humid areas of North and Central India for spaces ranging from 100 sq ft to 300 sq ft. The current market size for air coolers is about ₹2600 crores, with the organised segment at about ₹1600 crores, and this market is set to nearly double over the next 5 years. The Company intends to ride on its existing channel network for distributing these newly-launched products.

Blue Star has also announced that it is planning to enter the water purifiers business. The Company will initially offer residential water purifiers, and will gradually enhance its range to cover commercial water purification systems as well. Blue Star has been evaluating entering new product categories, in order to leverage its brand equity and distribution strength. It has been in the water cooler business for nearly seven decades, and is also amongst the largest suppliers of normal, hot and cold bottled water dispensers in the country. Since Blue Star has a strong connect with water, it believes that launching water purifiers would help it leverage this association. The market for pure drinking water has been on the rise. The residential water purifiers market in the country is pegged at about ₹4200 crores, increasing at a CAGR of 22%. About 8 million units are sold every year, with gravity-based water purifiers comprising about 5 million, and the balance are electric namely RO, UV and its variants. However, in terms of value, due to their higher price points, electric purifiers contribute to about 70% of the market. The business is also very service-intensive, with a regular need for replacement of consumables. Considering that Blue Star is India's largest AC&R service provider, it believes that it can offer differentiated service in this business too, and create new benchmarks in the industry. Blue Star plans to launch a comprehensive range of residential water purifiers towards the latter part of 2016.

### **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 moved up the value chain significantly 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 Ltd, which is a wholly owned subsidiary of the Company. The business has carved out profitable niches for itself in most of the specialised markets it operates in, such as Industrial Products and Systems, Material Testing Equipment and Systems (Destructive/Non-Destructive), Data Communication Products & Services, Testing and Measuring Instruments and Healthcare Systems.

During the review period, bookings and margins of the Industrial Products business were under pressure due to the dollar appreciation. The growth in industrial projects was sluggish due to significant delay in power projects and postponed industry investments. The Data Communication segment gained traction with significant sales of video surveillance equipment to the Armed Forces and city surveillance. The sales of data and transaction security products for banks and financial institutions grew significantly during the year. The Test and Measuring Instruments business, which mainly deals with radio frequency, microwave as well as avionics test and measuring equipment received important orders from the Defence, Space and Aerospace sectors. This business is moving towards indigenous products and solutions, especially due to the Government's thrust on 'Make in India'. Oscillographic recorders and phase noise measuring systems received good business from the Defence and Space segments. The product line of Radio Frequency over Fiber (ROF) converters which was launched last year, continues to gain traction among customers in defence and PSUs, with new and promising business opportunities. The Healthcare Systems segment registered good growth, with notable orders booked for CT scanners, patient monitors and colour dopplers, apart from orders from the pharmaceutical segment for Raman spectroscopy, particle sizing systems and bone densitometers.

### **MANUFACTURING FACILITIES**

Blue Star has five modern, state-of-the-art manufacturing facilities at Wada, Dadra, Himachal Pradesh and Ahmedabad. During the year, the Company embarked on a manufacturing footprint re-design programme with the help of KPMG. Consequent to that exercise, the Thane and Bharuch plants were closed. To meet the requirements of the fast growing room air conditioners and commercial refrigeration business, and keeping in mind the future capacity over the next 10 years, Blue Star intends to set up two modern, state-of-the-art factories at Samba in Jammu and Sri City in Andhra Pradesh, with an investment of ₹215 crores over the next 3-4 years to increase its overall production capacity by about a million units in the final phase. The facility at Samba would enable the Company to avail of the excise duty exemption for a period of 10 years from the commencement of production. Apart from planning to avail State GST benefits for intrastate sales, the Sri City Plant would lead to considerable savings in logistics costs since a significant proportion of air conditioner sales of the Company is from the South. It would also de-risk the products business by spreading its manufacturing footprint in two different States. The significant enhancement in Blue Star's manufacturing capacity will help cater to the burgeoning demand in the domestic as well as export markets. The land at Samba has been procured, which is being followed by plant construction, to enable it to commence operations by FY18. Land procurement is expected to begin shortly for Sri City, with the plant construction planned in a phased manner, to start operations by FY19.

The fully-integrated factories at Samba and Sri City will enhance the manufacturing capacity of the Company to position Blue Star as the largest Indian manufacturer in the AC&R industry. The Company is keen to introduce the best of automation in these new facilities, actualising the country's vision of 'Make in India'. The new factories are planned to be world-class manufacturing hubs with superior aesthetics and ergonomics, deploying state-of-the-art technology. These modern and contemporary plants will ensure that the products manufactured are not only globally competitive but also set new benchmarks in manufacturing technology in the country. The Company aims to transform into a digital enterprise by progressively building on smart manufacturing with Wi-Fi enabled products, inverter technology, vertical integration and environment-friendly products. Further, it intends to develop these plants as environmentally responsible and ecologically sustainable. These factories will primarily manufacture room air conditioners, deep freezers and water coolers.

The Dadra Plant, equipped with a state-of-the-art testing facility, is regarded as one of the best manufacturing facilities in the country for high-quality air conditioning products. The facility manufactures packaged/ducted split air conditioners and VRF systems. During the review period, it added the latest helium leak detectors to improve quality and productivity as well as reduce water consumption for testing.

The Wada Plant, which is the largest manufacturing facility of the Company, is fully equipped to produce the complete range of chillers, inclusive of air cooled and water cooled screw as well as scroll chillers. The first-of-its-kind set-up for cold room panel manufacturing, with eco-friendly foaming process, using cyclopentane was added at the start of the review period.

Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. The technology, supported by the Ozone Cell, Ministry of Environment and Forests, is in line with Blue Star's commitment to phase out chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs) substances. In addition, this facility also produces mortuaries, and low as well as negative temperature condensing units. The Wada Plant is also a contract manufacturer of sophisticated condensing units and roof-top units for a few multi-nationals for Europe, Australia and Middle East markets, and this business is on the upswing. The facility endeavours to increase value addition through in-house manufacturing.

The two Himachal Plants manufacture room air conditioners as well as storage water coolers. Due to the significant demand for room air conditioners, the factories registered a record production during the review period. Blue Star produced a substantial quantity of micro channel heat exchangers which were used for captive consumption. The factories have also added a range of machines with R32 refrigerant which has a low global warming potential, zero ozone depleting potential as well as relatively low inflammability.

The Ahmedabad Plant manufactures commercial refrigeration products and systems. Driven by the ice cream, frozen food and dairy segments, both Wada and Ahmedabad Plants catered to an increased demand for commercial refrigeration products, during the review period.

During the year, in consultation with top industry consultants, the Plants undertook a manufacturing excellence programme comprising four pillars of lean manufacturing, quality improvement, technology upgradation and culture building. This has led to substantial improvement in productivity. The factories have also embarked on a six sigma drive which is aimed at problem solving for manufacturing, quality, vendor supplies and logistics.

### **RESEARCH & DEVELOPMENT**

With the adoption of the latest technology, 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 as well as that of international business. This holds continuous and immense benefits for product positioning and cost competitiveness. Whilst wall-mounted inverter air conditioners were developed in the 3-star as well as 5-star categories to meet the voluntary labeling programme of Bureau of Energy Efficiency (BEE), cassette units were upgraded to meet the mandatory energy labelling standards. 5-star wall mounted air conditioners with R32 refrigerant were also launched.

Blue Star undertook a lab certification programme to upgrade the R&D facilities wherein two psychometric labs for room air conditioners and ducted systems as well as the calorimetric lab for refrigeration systems received accreditation from National Accreditation Board for Testing and Calibration Laboratories (NABL). The R&D facility has enhanced its capabilities in reliability and electronics which form the foundation for digital and smart products. Blue Star has developed in-house capabilities to test and certify the safety compliance of its products, which is an essential requisite for exports. A new customised range of room air conditioners and ducted systems was also developed to meet the specific requirements of Middle East markets. The R&D function continues to have an approved status from DSIR (Department of Scientific and Industrial Research), with re-certification as per new standards.

### **GREEN INITIATIVES**

All Blue Star products rate high in energy efficiency standards. The Company's adoption of eco-friendly refrigerants is ahead of the industry curve. Blue Star's officials are part of several national and international forums 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.

### **INTERNATIONAL BUSINESS**

In line with the corporate objective of building a larger international footprint for Blue Star over the next few years, new opportunities are being identified for AC&R products, MEP projects and after-sales service in global markets. In order to give

it the required focus and thrust, a separate business vertical named the International Business Group, responsible for all business activities of the Company outside India, was formed at the beginning of the financial year. The International Business Group comprises Global Projects and Global Product Sales.

The Global Projects business manages the joint ventures of the Company in Qatar, Malaysia as well as Oman, the latter being added during the year. These joint ventures undertake MEP projects and render Operations & Maintenance (O&M) services for residential, commercial and infrastructure buildings in their respective markets. The Global Projects business also handles all international projects enquiries received by the Company from other geographies. During the year, Blue Star acquired a 51% stake in Oman Electro Mechanical Contracting Co LLC (OEMC), a 100% step subsidiary of W J Towell & Co LLC, to form a joint venture entity called Blue Star Oman Electro-Mechanical Company LLC (Blue Star Oman).

The Global Product Sales business deals in the export of air conditioning and commercial refrigeration products and systems. The portfolio of products includes unitary products, refrigeration products and applied systems. Unitary products include window air conditioners, split air conditioners, inverter split air conditioners, cassette air conditioners and vertical split units; as well as refrigeration products including water coolers, deep freezers, bottled water dispensers, visi coolers and ice cube machines. The range of applied systems offered by the Company include tank chillers, air handling units, fan coil units, inverter VRF systems, ducted air conditioners, modular cold rooms, as well as positive and negative temperature refrigeration units. Till FY15, Blue Star's export focus had largely been on unitary products and refrigeration products. During the review period, the export portfolio has been expanded with applied systems. During the year, the Global Product Sales business received good order inflow for a range of unitary products from various distributors as well as OEM customers. Room air conditioners with the eco-friendly refrigerant R410A and high energy efficiency, in line with the new UAE regulation, met with an encouraging response in the market place. The newly-launched Blue Star VRF IV Plus was introduced in select countries as it suits the needs of commercial, residential and retail segments where diversity and performance at high ambient temperatures are critical parameters.

From a geographical perspective, the Global Product Sales business covers the Middle East, SAARC, Africa, and ASEAN regions. The Company is currently present through distributors in the following countries: Kuwait, Bahrain, UAE, Oman and Qatar in the Middle East; Bangladesh, Sri Lanka, Maldives, Nepal and Bhutan in the SAARC region; and Kenya, Nigeria and South Africa in the African continent. During the year, Blue Star entered the ASEAN market through Vietnam.

With the Company embarking on an aggressive channel expansion plan for the international markets, there was renewed focus on product-wise as well business-wise distribution. During the year, Blue Star tied up with several top, influential distributors including Jumbo Engineering LLC in Dubai to cater to the demand for cold room refrigeration units and mortuary chambers in the UAE market; DOMASCO in Qatar for unitary products; OMASCO in Oman for distribution of applied systems in Oman; Bin Hindi Group Bahrain to promote unitary products in Bahrain; A&R Integrated Solutions Company in Sudan for unitary products, DX commercial units, VRF systems, chilled water systems, modular cold rooms as well as refrigeration products; Compact Cool in South Africa for water coolers and process chillers; and A Technology (Vietnam) Corporation in Vietnam for unitary products, DX commercial units, VRF systems and chilled water systems.

During the year, Blue Star participated extensively in international exhibitions such as Big 5 in Dubai, Big Show in Oman and Middle East VRF Conference in Dubai as well as in significant trade shows in other countries, which has helped in increased networking opportunities and enhanced brand visibility. The Company has also published print ads in key trade magazines in the UAE. In FY17, the Company intends to augment its marketing budgets for international exhibitions, press conferences and print ads.

Going forward, the Company intends to strengthen its channel distribution across the Middle East and make deep inroads into the African continent in the coming year. In FY18, Blue Star plans to enter Cambodia, Vietnam, Laos, Myanmar and Indonesia in the ASEAN region. The Company plans to step up its presence in Bangladesh, Nigeria and Egypt through application of a CKD/SKD model, in liaison with local manufacturers. The products planned to be introduced in the upcoming year include VRF systems as well as bottled water dispensers with ESMA certification, split air conditioners with revised

energy standards for Qatar and Bahrain markets, T3 inverter split air conditioners with R410A refrigerant, SS430 grade water coolers for retail markets, G mark-qualified air conditioners and bottle water dispensers, amongst others.

### **AIR CONDITIONING AND REFRIGERATION SERVICE**

Blue Star continues to be the largest after-sales air conditioning and commercial refrigeration service provider in the country, and has sustained its reputed position in the market place as a superior value-added service provider. All its services are ISO 9001-2008 certified. Blue Star has embarked on a Gold Standard Service Programme which is aimed towards superior after-sales service, enhanced visibility, better customer centricity, analytics for in-depth customer insights, use of smart applications, modernisation of all tools and tackles, and remote monitoring, besides others. Refrigerated vans have been deployed in major locations for cold storage customers. The Company has introduced a new call desk equipped with the latest software which operates on a 24/7 basis.

### **SUPPLY CHAIN MANAGEMENT**

With China's economic crisis and sliding of commodity prices, the Company focused on a robust cost reduction programme with local and foreign vendors which comprised reverse auction, cost drill-down and consolidation, apart from direct negotiations. A detailed vendor performance rating system was put in place. During the year, a meet of important vendors was held to discuss the Company's focus areas and long term plans as well as to recognise top performers. The shared sourcing cell worked on several procurement projects related to capex and indirect procurement.

### **CHANNEL DEVELOPMENT**

The Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel administration, development and conflict resolution initiatives, added around 420 channel partners during the year. Currently, Blue Star has 2250 channel partners for room air conditioners, packaged air conditioning, chillers, cold rooms and refrigeration products and systems, and reaches out to customers in over 650 towns. Blue Star has also expanded the retail distribution reach of room air conditioners to about 630 retailers and distributors across the country. The Company has strengthened its presence in Tier 2 and 3 markets by 20% over last year.

Blue Star's channel partners form the extended arm of the Company, and many of these dealers are associated with Blue Star over a decade. Several Blue Star dealers are ex-employees of the Company and therefore, well-aligned to its value proposition. They are strong advocates for the Company, which proves to be of a competitive advantage for Blue Star. Dealer satisfaction surveys are conducted periodically, and their issues are addressed across various forums.

Key dealer policies across operating divisions were revised for enhanced alignment with the changing business environment. Numerous developmental and motivational programmes, including foreign incentive trips and felicitation of star performers with annual awards, were undertaken during the year. The Star League comprises a premium club of Blue Star's top-performing, exclusive sales and service dealers who are honoured with the Company's Star League Gold, Silver and Classic Memberships, based on their business performance. Grand annual award events are organised at striking, get-away destinations for Star League dealers to recognise their achievements and valuable contributions to the Company.

### **CORPORATE RESTRUCTURING**

Over the last couple of years, the Blue Star Group has gone through multiple rounds of strategic restructuring initiatives. The primary driver behind these restructuring initiatives was to enable Blue Star to generate additional resources, in order to support the next phase of growth of its core air conditioning business and related diversification opportunities. In addition, the restructuring was also undertaken to consolidate asset ownership, simplify the holding structure, address non-performing assets, monetise non-core assets and consequently, strengthen the Balance Sheet position of the Company.

Accordingly, in FY15, the Professional Electronics and Industrial Systems (PE&IS) business was transferred to Blue Star Engineering & Electronics, a wholly owned subsidiary of the Company. Simultaneously, Blue Star Design and Engineering Ltd, another

wholly owned subsidiary was merged with Blue Star Engineering & Electronics. Housing the PE&IS business in an independent legal entity is expected to provide strategic visibility and growth impetus to this business. Implementation of this round of restructuring has been completed and given effect to, partly in FY15 and also in the year under review.

During FY16, Blue Star Infotech Ltd (BSIL), an associate investee company sold its IT business to monetise and generate substantial value for its shareholders. Having sold off the operating IT business, BSIL was left with a substantial cash corpus and a healthy lease rental-bearing commercial office property. Separately, the Boards and Shareholders of BSIL and Blue Star approved a scheme for merging BSIL and its residual Indian subsidiary, Blue Star Infotech Business Intelligence & Analytics Private Ltd (BSIBIA) with Blue Star to align Group resources. In April 2016, the Honourable High Court of Bombay approved the scheme for amalgamating BSIL and BSIBIA with Blue Star, with April 1, 2015 as the appointed date. As a result of this amalgamation, the FY16 financial statements of Blue Star include nine months of BSIL's IT operations as well as the sale proceeds of the IT business.

The execution and implementation of these multiple and rather complex rounds of restructuring have come to an end in May 2016.

Since the financials for both FY15 and FY16 embed accounting impact of disparate restructuring elements, the financial results for FY16 are not comparable with FY15 across many aspects on a plain reading. However, since the restructuring was driven by the primary strategic objective to consolidate and simplify asset and business investment ownership, the consolidated financial results for both the years present a better comparability for understanding and analysing operating performance of the Company in FY16.

### FINANCIAL PERFORMANCE ANALYSIS:

The analysis of the financial year performance for the year ended March 31, 2016, in comparison to the previous year, on a consolidated basis is as under:

#### 1. INCOME

Total Operating Income (net of excise duty) for the year ended March 31, 2016 was ₹3770.11 crores as compared to ₹3181.94 crores in the previous year, an increase of 18.5%.

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

The cost of sales, work bills and services during the year was ₹2607.39 crores as compared to ₹2214.34 crores in the previous year. This cost was 69.2% of Total revenue from Operations (net) as compared to 69.6% in the previous year.

#### 3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost for the year at ₹346.26 crores increased by 29.5% as compared to ₹267.46 crores in the previous year. The employee cost was 9.2% of the Total Income as compared to 8.4% in the previous year.

#### 4. OPERATING AND GENERAL EXPENSES

Operating and General expenses increased to ₹600.30 crores from ₹532.87 crores in the previous year. As a percentage of Total Income, the Operating and General expenses for the year were at 15.9% as compared to 16.7% in the previous year.

#### 5. FINANCIAL EXPENSES

Financial cost for the year was lower at ₹42.74 crores as compared to ₹48.53 crores in the previous year. The financial cost for the year reduced to 1.1% of the Total Income as compared to 1.5% in the previous year.

#### 6. DEPRECIATION

Depreciation charge for the year increased to ₹60.48 crores as compared to ₹43.15 crores in the previous year, primarily due to BSIL's depreciation charge of ₹8.4 Crore.

### 7. EXCEPTIONAL ITEMS

Exceptional items for the year were a loss of ₹1.30 crores as compared to ₹41.44 crores in FY15. The Exceptional items in FY16 include cost update on major contracts of ₹27.24 crores (FY15 – ₹58.25 crores); surplus on sale of the IT business of ₹46.09 crores; cost of bonus expenses for earlier years, pursuant to retrospective amendment in statute of ₹1.46 crores; and cost of Voluntary Retirement Scheme and other expenses on closure of plant of ₹18.69 crores.

### 8. PRIOR PERIOD INCOME

During the year, the Company reassessed its effective control and interest in Blue Star Qatar WLL, and accordingly ₹6.92 crores was recognised as prior period income.

### 9. TAXATION

Tax expenses for FY16 were ₹26.94 crores as compared to negative charge (due to creation of deferred tax assets) of ₹7.89 crores in FY15. BSIL tax includes capital gains tax of ₹22.83 crores on the sale of IT business.

### 10. NET PROFIT

Net Profit for the year increased by 100.0% to ₹108.38 crores as compared to ₹54.18 crores in the previous year. Net Profit was 2.9% of the Total Income as compared to 1.7% in the previous year.

## 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 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, the internal controls were tested and found effective, as part of management's control testing initiative.

## RISKS AND CONCERNS

### RISKS

The primary operating risks which could impact the Company, relate to 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 high 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, risk assessment and mitigation with strong internal-controls, at both business groups and at the 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.

### CONCERNS

On a macro-economic level, there is an increase in investments in Government-related projects of the centre as well as the states. However, private sector investments remained subdued. While the complete revival of the commercial real estate segment is likely to take some more time, the macro-economic indicators are positive to fuel growth.

## HUMAN RESOURCES

During the review period, the Company reduced its total permanent head count marginally to 2567 as on March 31, 2016, as compared to 2599 as on March 31, 2015 (The headcounts are consolidated for Blue Star and Blue Star Engineering & Electronics). Around 200 campus recruits from reputed professional colleges were centrally appointed, and were allocated to respective functions based on business needs. People development continued to be the focus, with nearly 33,000 man

days of training delivered during the year, which included technical, functional and behavioural training. To develop future leaders from within the organisation, select senior managers underwent talent development programmes to build on managerial effectiveness and leadership skills.

During the year, the Environment, Health and Safety (EHS) function conducted targeted safety training programmes on various aspects of safety for over 25,000 personnel across all operational sites, offices and factories. Over 1700 safety audits were conducted across divisions. Employee health and wellness comprising food and food equipment, hygiene of food handlers, indoor air quality, drinking water and illumination levels of office spaces was mapped across Blue Star's main offices as well as guest houses, and corrective steps undertaken as required. Renowned health experts were invited to address employees on various lifestyle diseases at major locations across the country.

### **INFORMATION TECHNOLOGY**

The Company embarked on a digital transformation programme, leveraging technologies such as mobility, internet of things and cloud computing, primarily aimed at solutions for channel enablement, customer satisfaction as well as enhancement of products and services. Several mobile applications and software products were launched for customers, employees, dealers and consultants. To meet the requirements of its growing customer base and future growth plans, Blue Star upgraded its IT infrastructure and systems, and set up a disaster recovery system to mitigate risks related to core systems. An analytics solution was deployed to manage demand forecasting and replenishment planning, whilst a product catalogue application enabled customers and business partners to view Blue Star's entire range of products on a smart phone. A mobile sales force automation application, with a focus on enhancing sales activities and improving responsiveness, was also launched during the year. The Company migrated to a next-generation customer call handling system which is integrated to its core customer service management platform. Several SAP initiatives resulted in optimisation of internal processes as well as introduction of additional controls.

### **BRAND EQUITY**

In terms of advertising and brand communication, the Company enhanced its advertising spends, given its continued thrust on the residential segment. Blue Star continued with its differentiated value proposition of 'Nobody Cools Better' for the residential audience which highlights the unmatched superior expertise, experience and deep understanding of the science of cooling that Blue Star offers to its customers. The striking advantage of Blue Star's Inverter AC is precision cooling, which was widely publicised with a set of TV commercials, supported by ads in mainline dailies, cinema and hoardings. The Company continues to invest in its digital marketing efforts in social media as well as the internet, considering that most Blue Star buyers belong to the highest socio-economic category (SEC A), who are active on the internet.

Apart from mass media, the Company also made affordable investments in field marketing. These include participation in trade exhibitions, sponsorships of CII and other important events, IDEAC (Interior Designers, Architects and Consultants) relationship management, customer events and public relations through the Press. Several press conferences announcing the launch of the new room air conditioners range were held in Tier 1, 2 and 3 cities, which garnered huge publicity across media.

During the review period, the Company was recognised among the 'Best Corporate Brands' by the Economic Times. Blue Star's persistence with its strategy of integrated marketing communication comprising mass media, field promotions, digital platform, Press, events and social media, apart from one-to-one marketing, has helped the Company fortify its brand equity amongst customers and consumers.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Company has established a department for Corporate Social Responsibility (CSR), which is headed by a professionally-qualified senior manager, with the requisite domain knowledge, for planning and execution of the scheduled activities with proper due diligence, so as to ensure honest and intended application of amounts spent.

The Company was required to spend a sum of ₹134 lakhs by March 31, 2016 towards activities, as stipulated under Schedule VII of the Companies Act, 2013. The Company has spent a total of ₹118.56 lakhs towards Blue Star's CSR initiatives during the year, which includes vocational training in the area of AC&R, pursuant to the Government's 'Skill India' mission; community development activities around its manufacturing facilities; donation of Blue Star equipment to deserving not-for-profit organisations; building toilets in Zila Parishad (ZP) Schools as part of the Government's 'Swachh Bharat Initiative'; contribution to the Tamil Nadu flood relief activities as well as CSR staffing expenses.

Vocational training initiatives by the Company executed through meaningful partnerships in industry-specific programmes with NGOs, industry bodies and other like-minded corporate bodies across the country have helped in skilling school drop-outs in the vocation of AC&R. These vocational training initiatives are also being extended to MEP services. The Dadra factory hired 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.

During the year, toilets were built for deserving ZP schools, grappling with insufficient sanitation facilities, around Blue Star's factories at Wada and Dadra, providing for this basic need to over 900 students. Blue Star is also responsible for the upkeep of these toilets, as maintenance of toilets is a matter of concern in the country. The Company also organised sensitisation sessions on sanitation and hygiene practices for the students, parents and teachers through NGOs such as Navjeevan Lokvikas Sanstha at Wada. Infrastructure facilities of Government schools were also improvised at Dadra and Himachal, as part of a public-private partnership model. Air conditioners and water coolers have been donated to not-for-profit organisations such as the ZP School at Himachal, St Joseph's College in Tamil Nadu, Bombay Leprosy Project in Mumbai, Akshar Trust at Vadodara, Apollo's Community Health Project at Chittoor and several others. Blue Star made a contribution to CII Foundation during the year towards relief efforts and rehabilitation measures during the Tamil Nadu rain and floods disaster.

In addition, Blue Star also made donations totalling ₹15 lakhs to Blue Star Foundation, India Cares Foundation as well as Multiple Sclerosis Society of India. The Company actively participates in the Affirmative Action Agenda of CII and contributed for Development of Dalit Entrepreneurs by promoting supplier diversity, imparting management techniques and mentoring.

Blue Star Foundation (BSF), a public charitable trust established by Blue Star Limited, has been actively supporting philanthropic causes for over three decades now. BSF's charter covers education of less privileged children, health/medical support to marginalised communities and poverty alleviation. These include Kalinga Institute of Social Sciences in Odisha for holistic educational opportunities for tribals; Jyot Bahu-Uddeshiy Samajik Sanstha, Thane for school drop-outs to rejoin mainstream 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; Seva Sadan Society in Mumbai towards supporting girls in difficult circumstances; Indian Association of Blood Cancer & Allied Diseases, Kolkata for medical relief of cancer-affected patients; and several others.

The Mohan T Advani Centennial Scholarships by Blue Star Foundation render financial assistance to few undergraduate engineering students studying in Government recognised, un-aided colleges, during the year. These scholarships are for students in the Mechanical (Production)/Electrical/Electronics engineering disciplines. The initiative aims at holistic support for these students, inclusive of mentorships and internships to prepare them for future work life.

### **CORPORATE OUTLOOK**

With the heat wave conditions prevailing across the country, room air conditioners and refrigeration products sales are off to a good start. The wide product range, including state-of-the-art inverter split air conditioners; enhanced distribution reach; and premium brand equity will further strengthen the performance of the products business. The electro-mechanical projects business has shown modest signs of improvement in some markets and application segments, though the overall market has yet to pick up. Blue Star's new 100% inverter VRF air conditioner is gaining wide acceptance across national and international markets. With additional product lines such as water purifiers, air coolers and air purifiers being added to the Company's portfolio, Blue Star expects to sustain its growth momentum in FY17.

# The Dynamics of Blue Star's Growth

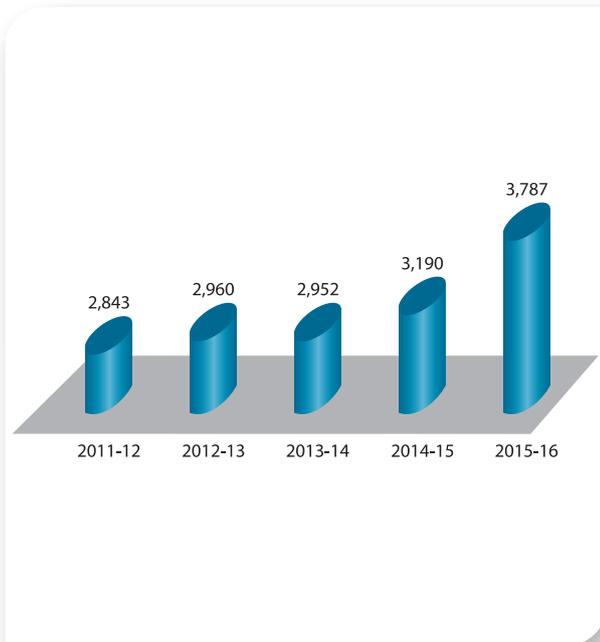
## 5 YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

		2015-16	2014-15	2013-14	2012-13	2011-12
<b>OPERATING RESULTS:</b>						
Revenue	₹ in crores	3786.95	3190.43	2952.13	2960.46	2843.03
EBITDA (before exceptional items)	"	233.00	175.77	168.34	126.85	44.48
Profit after tax	"	108.38	54.18	77.54	39.07	(105.10)
Dividend (Including corporate dividend tax)	"	74.59	54.12	42.09	31.57	10.45
<b>FINANCIAL POSITION:</b>						
Share capital*	₹ in crores	19.07	17.99	17.99	17.99	17.99
Reserves*	"	643.59	437.58	442.54	382.69	377.35
Shareholders' Funds	"	662.66	455.57	460.52	400.67	395.34
Borrowings	"	363.00	396.70	494.40	421.61	397.40
Capital Employed	"	1025.66	852.27	954.92	822.29	792.73
<b>PERFORMANCE INDICATORS:</b>						
Earnings per Share	₹	11.37	6.02	8.39	4.34	(11.69)
Dividend per Share	₹	6.50	5.00	4.00	3.00	1.00
Book Value per Equity Share	₹	69.50	50.65	51.21	44.55	43.96
Revenue Growth	%	18.7	8.1	(0.3)	4.1	(5.6)
EBITDA (before exceptional items) Growth	%	32.6	4.4	32.7	185.2	(84.6)
Debt Equity Ratio	Ratio	0.55	0.87	1.07	1.05	1.01
Capital Turnover Ratio	Ratio	4.03	3.53	3.32	3.67	3.25
Return on Shareholders' Funds	%	19.4	11.8	18.0	9.8	(23.2)
Return on Capital Employed	%	24.8	19.5	18.9	15.7	5.1
<b>OTHER INFORMATION:</b>						
Number of Shareholders	Nos.	19221	20686	22490	24623	24338
Number of Employees	"	2567	2599	2667	2881	3025

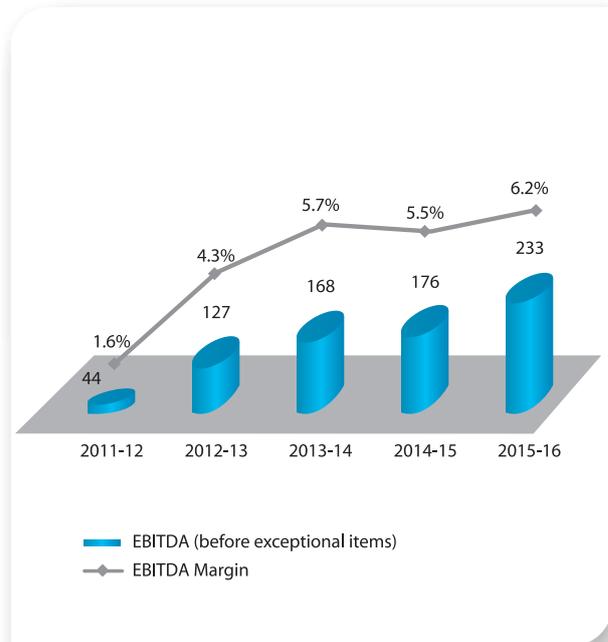
\* FY'16 includes the impact of new equity shares to be issued arising from amalgamation. Refer note 4 of the Consolidated Financial Statements.

**REVENUE**

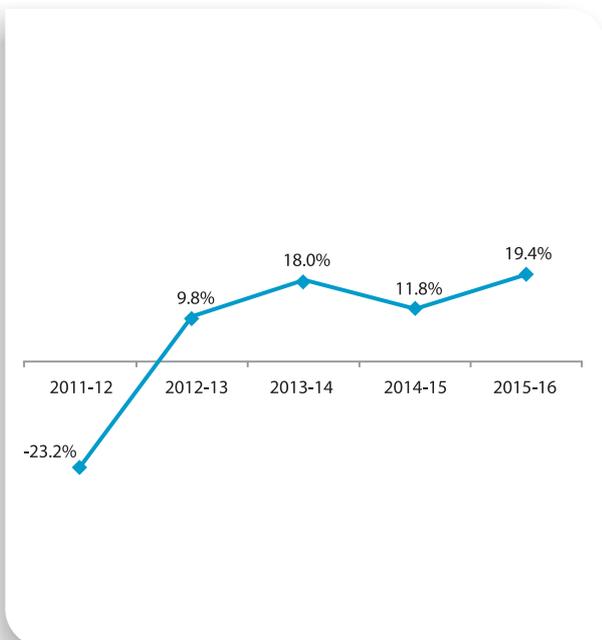
(₹ in crores)



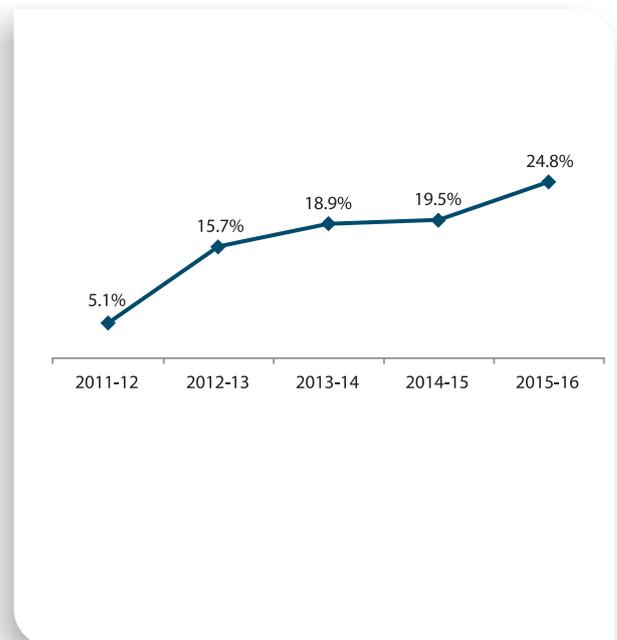
**OPERATING MARGIN**



**RETURN ON SHAREHOLDERS' FUNDS**



**RETURN ON CAPITAL EMPLOYED**



# Independent Auditors' Report

## To the Members of Blue Star Limited

### Report on the Financial Statements

We have audited the accompanying standalone financial statements of Blue Star Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, 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 purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 2" to this report;
  - (g) 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, 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 financial statements - Refer Note 26 to the financial statements;
    - 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. Further, the Company does not have any long term derivative contracts. Refer Note 6 to the financial statements;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

### Other Matter

The accompanying financial statements include total assets of ₹ 19,753 lacs as at March 31, 2016, and total revenues and net cash outflow of ₹ 11,711 lacs and ₹ 1,221 lacs for the year ended on that date, in respect of companies amalgamated during the year (refer note 4 of the financial statement), which have been audited by other auditors, whose reports have been furnished to us by the management.

Our opinion on the financial statements, in so far as it relates to the amounts and disclosures included in respect of amalgamated companies and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to these amalgamated companies, is based solely on the reports of such other auditors.

Our opinion on the financial statements, and our report on Other Legal and Regulatory Requirements above, 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 and the financial statements and other financial information certified by the Management.

For **S R B C & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per **Sudhir Soni**

Partner

Membership Number: 41870

Place of Signature: Mumbai

Date: May 30, 2016

# Annexure 1 to the Auditors' Report

## **Annexure referred to in paragraph 1 under the heading "Report on other legal and Regulatory Requirement" of our report of even date –**

Re: Blue Star Limited ("the Company")

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
(c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the company.
- ii. The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on physical verification.
- iii. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 during the current year.  
(b) The Company had granted loans that were re-payable on demand to a company covered in the register maintained under section 189 of the Companies Act, 2013 which were outstanding at the beginning of the year. During the year, the company has received the entire loan amount along with interest.  
(c) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are outstanding for more than ninety days.
- iv. In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- v. The Company has not accepted any deposits from the public.
- vi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture or service of air conditioning and refrigeration products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- vii. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.  
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.  
(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, excise duty, value added tax on account of any dispute, are as follows:

## Annexure 1 to the Auditors' Report

Name of Statute	Nature of dues	Amount ₹ Lacs *	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of Section 80IA/80IB deduction for non-allocation of Expenses	935.08	AY 1998-99, 2000-01 to 2005-06, 2006-07 to 2007-08	High Court/ITAT
	Advertisement on Brand Building considered as capital expenditure	127.15	AY 2006-07	ITAT/High Court
	Short deduction of Tax at Source on payment to subcontractors	166.50	AY 2008-09 to 2009-10	CIT Appeals
	Adjustment in value of Corporate guarantee to match it with arm's length price	11.24	AY 2013-14	Assessing Officer
	Depreciation disallowance on intangible assets	92.51	AY 2013-14	Assessing Officer
	Disallowance u/s 14A	18.18	AY 2013-14	Assessing Officer
	Interest on excess refund	19.95	AY 2001-02, 2002-03	High Court
	Penalty u/s 271(1)(c) of erstwhile Blue Star Infotech Limited.	119.61	2005-06, 2006-07	ITAT
	Income tax demand on various matter of erstwhile Blue Star Infotech Limited.	412.06	2004-05, 2005-06	ITAT
Service Tax under Finance Act, 1994	Service tax demand on Composite Contracts	64.17	2003-09	CESTAT
	Disallowance of Cenvat Credit to the extent of 80%, including penalty	586.37	2004-05, 2010-11	CESTAT/Commissioner (Appeals)
	Disallowance of claim of CRA under Export of Services	509.57	2003-10	CESTAT/Commissioner (Appeals)/ Supreme Court
	Reversal of Cenvat credit on input services used for providing taxable service as well as exempted services, including penalty	328.21	2009-10, 2010-11	CESTAT/Commissioner (Appeals)
	Wrong availment of Cenvat Credit/Service Tax paid	175.38	2003-04, 2006-12	CESTAT
	Disallowance of input tax credit on common service.	59.53	2005-10	CESTAT
	Short payment of Service Tax – Undervaluation of Installation & Commissioning charges SITC Order	684.85	2004-05	High Court
	Demand of service tax on differential value arrived at on the basis of trial/ ledger vis-à-vis ST-3 return, commission received for acting as agent of foreign clients, Irregular availment of cenvat credit.	13,210.44	2007-08 to 2011-12	Commissioner of Service Tax
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Rejection of credit notes	158.61	2009-11	Joint commissioner (Appeals)
	Demand notice received from Assessing authority treating works contract sales as product sales	2,221.36	2001-02 to 2011-12	Supreme Court
	Sales tax on Factory Direct Sale treated as Local branch sales	107.82	2002-04	Commissioner (Appeals)
	Disallowance of Set off u/s 41D & interest liability	90.43	2004-05	Commissioner (Appeals)
	Input credit disallowed	2,352.50	2005-06, 2007-08	Commissioner (Appeals)
	Non Submission of Forms	2,858.46	1992-93, 2000-01, 2003-04, 2005-06, 2007-14	Commissioner (Appeals)/ Tribunal
	sales tax demand on assessment	1,231.21	1990-91 TO 1998-99, 1994-2001, 2003-05, 2007-13	High Court/Tribunal/Commissioner (Appeals)
Entry Tax	Demand on factory direct sales	831.34	2001-02, 2004-05 , 2007-08 to 2011-12, 2014-15, 2015-16	High Court/Commissioner (Appeals)

Name of Statute	Nature of dues	Amount ₹ Lacs *	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	10% Demand of Excise Duty on Finished Goods, raised for not maintaining separate books of accounts for dispatches to SEZ Developers, including penalty.	112.62	2008-09	CESTAT
	CENVAT Credit Rejection on GTA/CHA/ Rent a Cab/Canteen services etc.	151.72	1994-96, 2005-12, 2014-15,	CESTAT/Commissioner Appeal
	Denial of exemption granted under various notifications.	68.60	1987-91, 1999-01, 2009-10, 2015-16	CESTAT/Supreme Court
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty.	13.80	1987-90	Central Excise Commissioner
	Valuation matter on Packaged Airconditioner, Centrapak condensors, chillers etc.	29.62	1986-90	CESTAT/High Court

\* net of advances

- viii. In our opinion and according to the information and based on explanations provided to us the Company has not defaulted in repayment of dues to a financial institution, bank, or debenture holders. The Company has not taken any loan or borrowing from the government.
- ix. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- xi. According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3 (xiv) are not applicable to the Company and, not commented upon.
- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of signature: Mumbai

Date: May 30, 2016

# Annexure 2 to the Auditors' Report

**Annexure referred to in paragraph 2(f) under the heading "Report on other legal and Regulatory Requirement" of our report of even date –**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To the Members of Blue Star Limited

We have audited the internal financial controls over financial reporting of Blue Star Limited ("the Company") as of March 31, 2016 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 the 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 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") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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.

## 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, 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, 2016, 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 **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of Signature: Mumbai

Date: May 30, 2016

# Balance Sheet as at March 31, 2016

(₹ in lakhs)

	Notes	As at March 31	
		2016	2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,799.02	1,798.72
Share capital suspense account	4	17,257.28	-
Reserves and surplus	5	65,571.12	60,709.74
		<b>84,627.42</b>	<b>62,508.46</b>
<b>Non-current liabilities</b>			
Long-term provisions	6	839.58	448.98
		<b>839.58</b>	<b>448.98</b>
<b>Current liabilities</b>			
Short-term borrowings	7	28,566.82	33,191.82
Trade payables	8	103,472.62	84,083.07
Other current liabilities	8	36,589.04	31,124.15
Short-term provisions	6	3,062.22	7,900.10
		<b>171,690.70</b>	<b>156,299.14</b>
<b>TOTAL</b>		<b>257,157.70</b>	<b>219,256.58</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets			
Tangible assets	9	18,937.36	19,581.70
Intangible assets	9	3,853.07	2,168.24
Capital work-in-progress		626.42	247.54
Intangible assets under development		1,007.40	1,993.51
Non-current investments	10	29,601.79	23,185.79
Deferred tax assets (net)	11	2,223.84	1,646.52
Long-term loans and advances	12	18,281.89	13,310.21
Trade receivables	13.1	4,835.02	6,734.25
Other non-current assets	13.2	334.99	108.49
		<b>79,701.78</b>	<b>68,976.25</b>
<b>Current assets</b>			
Current investments	10.1	15,806.83	-
Inventories	14	51,547.69	46,282.87
Trade receivables	13.1	71,266.52	64,076.67
Cash and bank balances	15	4,245.66	3,633.49
Short-term loans and advances	12	10,044.22	10,543.15
Other current assets	13.2	24,545.00	25,744.15
		<b>177,455.92</b>	<b>150,280.33</b>
<b>TOTAL</b>		<b>257,157.70</b>	<b>219,256.58</b>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 30, 2016

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

**Ashok M Advani**  
**Vir S Advani**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Vijay Devadiga**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 30, 2016

# Statement of Profit & Loss Account for the year ended March 31, 2016

(₹ in lakhs)

	Notes	Year ended March 31	
		2016	2015
<b>Income</b>			
Revenue from operations (gross)	16	356,329.78	310,766.96
Less: excise duty		3,179.41	2,687.52
<b>Revenue from operations (net)</b>		<b>353,150.37</b>	<b>308,079.44</b>
Other Income	17	1,586.95	1,014.33
<b>Total revenue (I)</b>		<b>354,737.32</b>	<b>309,093.77</b>
<b>Expenses</b>			
Cost of raw material and components consumed and Project related cost	18	183,789.66	171,193.35
Purchase of traded goods	18	65,085.62	42,996.26
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	19	(6,129.21)	(835.07)
Employee benefits expense	20	32,403.69	25,684.38
Other expenses	21	58,738.20	51,681.88
<b>Total (II)</b>		<b>333,887.96</b>	<b>290,720.80</b>
<b>Profit before interest, tax, depreciation, amortization and exceptional items (I) - (II)</b>		<b>20,849.36</b>	<b>18,372.97</b>
Depreciation and amortization expense	9	5,428.15	3,933.60
Finance costs	22	3,570.89	4,347.32
<b>Profit before tax and exceptional items</b>		<b>11,850.32</b>	<b>10,092.05</b>
Exceptional items (net)	23	3,007.72	4,190.26
<b>Profit after exceptional items before tax</b>		<b>14,858.04</b>	<b>14,282.31</b>
<b>Profit from continuing operations before taxation :</b>		<b>12,156.18</b>	<b>11,162.02</b>
Tax expenses			
i) Current tax		3,378.71	3,705.07
Less: MAT credit Entitlement		77.00	3,178.58
Net Current tax		3,301.71	526.49
Less: Tax expense of discontinuing operation		773.44	1,165.00
Current tax for continuing operation		2,528.27	(638.51)
ii) Deferred tax	11	(720.70)	(1,497.00)
Total tax expense for continuing operation		<b>1,807.57</b>	<b>(2,135.51)</b>
<b>Profit after tax from continuing operations [A]</b>		<b>10,348.61</b>	<b>13,297.53</b>
<b>Profit from discontinuing operation before taxation</b>	24	<b>2,701.86</b>	<b>3,120.29</b>
Tax expense for discontinuing operation		773.44	1,165.00
<b>Profit after tax from discontinuing operation [B]</b>		<b>1,928.42</b>	<b>1,955.29</b>
<b>Profit for the year (A + B)</b>		<b>12,277.03</b>	<b>15,252.82</b>
<b>Earnings per equity share [nominal value of share ₹2 (31 March 2015: ₹2) (refer note 35)]</b>			
<b>Basic</b>			
Computed on the basis of profit from continuing operations	₹	<b>10.85</b>	<b>14.79</b>
Computed on the basis of total profit for the year		<b>12.88</b>	<b>16.96</b>
<b>Diluted</b>			
Computed on the basis of profit from continuing operations	₹	<b>10.83</b>	<b>14.75</b>
Computed on the basis of total profit for the year		<b>12.85</b>	<b>16.92</b>
Summary of significant accounting policies	2.1		

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
**Partner**  
Membership No. 41870

Mumbai: May 30, 2016

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

**Ashok M Advani** Chairman  
**Vir S Advani** Managing Director  
**Shailesh Haribhakti** Director  
**Neeraj Basur** Chief Financial Officer  
**Vijay Devadiga** Company Secretary

Mumbai: May 30, 2016

# Cash Flow Statement for the year ended March 31, 2016

(₹ in lakhs)

	Year ended March 31	
	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit after exceptional items before tax</b>	<b>14,858.04</b>	<b>14,282.31</b>
<b>Exceptional item</b>		
Expenses for Projects (refer note 23)	2,723.78	5,824.89
<b>Profit before exceptional items and tax</b>	<b>17,581.82</b>	<b>20,107.20</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	5,428.15	3,933.59
Surplus on sale of Professional Electronics and Industrial Systems Division (refer note 23)	-	(8,334.64)
Profit on sale of the Information Technology Business (refer note 23)	(8,032.21)	-
Contingencies towards indemnities provided on sale of IT business (refer note 23)	286.25	-
Loss/(profit) on sale of fixed assets	(53.27)	(2,170.09)
Bad debts/advances written off	230.80	366.27
Provision for doubtful debts and advances	968.43	3,201.00
Unrealized foreign exchange loss/(gain)	(371.41)	17.20
Liabilities written back	(2,657.02)	(2,604.73)
Interest expense	3,570.89	4,347.32
Interest (income)	(277.11)	(305.47)
Dividend (income)	(207.48)	(274.12)
<b>Operating profit before working capital changes</b>	<b>16,467.84</b>	<b>18,283.53</b>
Movements in working capital :		
Increase/(decrease) in trade payables	23,580.77	8,147.86
Increase/(decrease) in long-term/short-term provisions	197.42	312.84
Increase/(decrease) in other current liabilities	2,697.25	713.01
Decrease/(increase) in trade receivables	(6,889.10)	(6,268.25)
Decrease/(increase) in inventories	(5,264.82)	(2,039.13)
Decrease/(increase) in long-term/short-term loans and advances	724.26	1,410.69
Decrease/(increase) in other current/non-current assets	(1,697.93)	1,011.76
<b>Cash generated from/(used in) operations</b>	<b>29,815.69</b>	<b>21,572.31</b>
Direct taxes paid (net of refunds)	(2,955.25)	(2,351.04)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>26,860.44</b>	<b>19,221.27</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(5,535.70)	(5,908.56)
Proceeds from sale of fixed assets	373.92	2,493.45
Proceeds on sale of the Information Technology Business	17,268.28	-
Transaction/Merger related One Time Cost	(995.00)	-
Tax on sale of the Information Technology Business	(2,116.51)	-
Purchase of current and non current investments	(15,806.83)	-
Purchase of investments in Joint Venture/Subsidiary	(701.15)	-

## Cash Flow Statement for the year ended March 31, 2016

(₹ in lakhs)

	Year ended March 31	
	2016	2015
Interest received	277.11	305.47
Dividends received	207.48	1,099.87
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(7,028.40)</b>	<b>(2,009.77)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowing	189,725.49	229,513.23
Repayment of short term borrowings	(193,419.45)	(240,392.17)
Proceeds/(Repayment) from other short-Borrowings, net	(931.04)	(585.70)
Proceeds from fresh issue of Equity Capital and Premium	43.51	-
Interest paid	(3,545.28)	(4,345.87)
Dividend paid on equity shares	(10,472.27)	(3,584.01)
Tax on equity dividend paid	(2,267.46)	(470.54)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(20,866.50)</b>	<b>(19,865.06)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(1,034.46)</b>	<b>(2,653.56)</b>
Effect of exchange differences on cash & cash equivalents held in foreign currency	2.33	(4.81)
Cash and cash equivalents at the beginning of the year	3,633.49	6,294.06
Add: Cash and Cash equivalents acquired from subsidiaries on account of merger	1,644.30	-
Less: Transfer to Other Company	-	(2.20)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4,245.66</b>	<b>3,633.49</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Balances with banks:		
- On current accounts	3,404.35	3,352.66
- On unpaid dividend account*	796.82	246.58
Cash on hand	44.49	34.25
<b>TOTAL CASH AND CASH EQUIVALENTS (NOTE 15)</b>	<b>4,245.66</b>	<b>3,633.49</b>

Summary of significant accounting policies

2.1

\* The company can utilize these balances only toward settlement of the respective unpaid dividend.

Amalgamation of Blue Star Infotech Limited and Blue Star Infotech Business Intelligence & Analytics Private Limited (refer note 4 of the financial statements) is a non cash transaction and hence, has no impact on the company's cash flow for the year.

The transfer of Professional Electronics and Industrial Systems (refer note 23) is a non cash transaction and hence, has no impact on the Company's cash flow for the previous year.

As per our report of even date

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

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

**Ashok M Advani**  
**Vir S Advani**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Vijay Devadiga**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

**per Sudhir Soni**  
**Partner**

Membership No. 41870

Mumbai: May 30, 2016

Mumbai: May 30, 2016

# Notes to Financial Statements for the year ended March 31, 2016

## 1. Corporate information

Blue Star Limited ("The Company") is into the business of central air conditioning and commercial refrigeration. The Company is also into distribution and maintenance of imported professional electronics and industrial systems.

During the year, Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) were amalgamated with the Company w.e.f April 1, 2015. BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The Company has subsequently sold its IT Business as explained in note 4 to the Financial Statement w.e.f January 1, 2016.

## 2. Basis of preparation

The financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standard notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III of Companies Act, 2013.

Based on the nature of business and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

### 2.1 Summary of Significant Accounting Policies

#### (a) Use of estimates

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

#### (b) Tangible fixed assets and Capital WIP

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use are also included in the cost of the assets to the extent these relate to the period up to the date such assets are ready to be put to use.

Expenditure (including interest) incurred during the construction period is included in Capital work-in-progress and the same is allocated to respective fixed assets on completion of the construction.

#### (c) Depreciation on tangible fixed assets

Cost of Leasehold land is amortized on a straight line basis over the period of lease.

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on useful lives as those prescribed under the schedule II to the Companies Act, 2013 except plant and machinery. The Company has used the following useful lives to provide depreciation on its fixed assets.

Useful lives (years)

Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	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 less

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in schedule II.

**(d) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Research and Development Cost:

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the recognition criteria are met. Development expenditure capitalized is amortized over the period of expected future sales from the related project not exceeding ten years.

Amortization of Intangible fixed assets:

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

**(e) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to assess if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**(f) Leases**

Where the Company is the lessee:

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Company is lessor:

Assets given on operating lease have been included under Investment Property of the Company. Lease income has been recognized on straight line basis over the primary period of lease.

**(g) Government grants and subsidies**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

Capital subsidy received from the government is credited to capital reserve and treated as part of the shareholders' funds. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related assets.

**(h) Investments**

All investments intended to be held for more than one year from the date of the purchase are classified as Long term investments. Long-term investments are carried at cost. A provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis.

## **Investment Property**

An investment in land or buildings, which is not intended to be occupied substantially for use by, or in the operations of, the company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation on building component of investment property is calculated on a written down value basis using the rate arrived at based on the useful life (60 years) as those prescribed under the schedule II to the Companies Act, 2013.

## **(i) Inventories**

Inventories are valued as follows:

- (i) Raw materials, stores and components are valued at lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- (ii) Work-In-Progress and Finished goods are valued at lower of cost and net realisable value.  
Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- (iii) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## **(j) Revenue Recognition**

- (i) Revenue from long - term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.
- (ii) Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Other Current Liabilities" in the balance sheet. Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably and has been reflected under "Other Current Assets".
- (iii) Revenues from annual maintenance contracts are recognized pro-rata over the period of the contract.
- (iv) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. Sales taxes and Value added taxes (VAT) are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.
- (v) Commission income is recognized as and when the terms of the contracts are fulfilled.
- (vi) Claims recoverable are accrued only to the extent it is probable that they will result in revenue and they are capable of being reliably measured.
- (vii) Export incentive receivable is accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.
- (viii) Dividend income is recognized when the right to receive dividend is established.
- (ix) Interest income is recognized on accrual basis.
- (x) Revenue from software development/sale of services with respect to time and material contracts has been recognized as related costs are incurred and services are performed in accordance with the terms of specific contracts.
- (xi) Revenue from fixed price contracts relating to software development has been recognized based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the basis of proportionate completion method. Provisions for estimated losses on incomplete contracts have been recorded in the period in which such losses become probable based on the current estimates.

- (xii) Revenue from sale of traded software licenses and traded hardware has been recognized on delivery to the customer.

**(k) Foreign Exchange Transactions**

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are restated at the exchange rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange difference

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts entered into to hedge foreign currency risk of an existing Asset/Liabilities

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Exchange difference arising on financing activities is reflected under the head 'finance costs' as Exchange difference on Borrowing (net).

**(l) Retirement and other Employee Benefits**

(i) Defined Contribution Plan

The Company's liability towards Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plan. The Company's contributions paid/payable towards this defined contribution plan is recognised as expense in the Statement of Profit and Loss during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trust.

(ii) Defined Benefit Plan

Provident Fund:

Eligible employees receive benefit from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contribution to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Blue Star Employees Provident Fund Trust. The trust invests in specific designated instruments as permitted by the statute. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

Gratuity:

Company's liability towards gratuity is considered as a Defined Benefit Plan. The present value of the obligations towards Gratuity and additional gratuity are determined based on actuarial valuation using the projected unit credit method at the end of each financial year. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields on Government securities at the balance sheet date, and adjusted for salary escalations and attrition rate. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.

(iii) Other Employee Benefits:

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are taken to the statement of profit and loss. The Company presents the entire leave as a Current Liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting period.

(iv) Voluntary Retirement Scheme

The cost incurred under the Voluntary Retirement Scheme is charged to the statement of Profit and loss in the month of separation of the employee.

**(m) Employee stock compensation cost**

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

**(n) Excise Duty**

Excise duty on direct sales by the manufacturing units is reduced from the sales.

Excise Duty liability on closing stock of finished goods lying at the manufacturing units is accounted based on the estimated duty payable as at the close of the year.

**(o) Taxes on Income**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises deferred tax assets to the extent that it has become reasonably certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**(p) Segment Reporting Policies**

(i) Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Allocation of common costs/assets & liabilities:

Common allocable costs/assets and liabilities are consistently allocated amongst the segments on appropriate basis.

(ii) Unallocated items:

Includes general corporate income and expense items which are not allocated to any business segment

(iii) Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

**(q) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(r) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(s) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

**(t) Cash and Cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(u) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

## Notes to Financial statements for the year ended March 31, 2016

### 3: SHARE CAPITAL

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Authorized Shares</b>		
10,000 (31 March 2015 : 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
283,600,000 (31 March 2015 : 148,700,000) Equity Shares of ₹2 each	5,672.00	2,974.00
16,000 (31 March 2015 : 16,000) Unclassified Shares of ₹100 each	16.00	16.00
5,20,000 (31 March 2015 : Nil) Cumulative Compulsorily Convertible Preference Shares of ₹10/- each	52.00	-
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods		
	<b>5,750.00</b>	<b>3,000.00</b>
<b>Issued, subscribed and fully paid-up shares</b>		
89,951,105 (31 March 2015: 89,936,105) Equity Shares of ₹2 each	1,799.02	1,798.72
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,799.02</b>	<b>1,798.72</b>

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31-Mar-16		31-Mar-15	
	No.	₹ lacs	No.	₹ lacs
At the beginning of the period	89,936,105	1,798.72	89,936,105	1,798.72
Issued during the period - ESOP exercised	15,000	0.30	-	-
Outstanding at the end of the period	<b>89,951,105</b>	<b>1,799.02</b>	<b>89,936,105</b>	<b>1,798.72</b>

b) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2016 interim dividend of ₹6.50 per share was distributed to the equity shareholders (31 March, 2015 : Final dividend ₹5 )

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

Name of the shareholder	As at 31 March 2016	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.24%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,869,953	7.64%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

## Notes to Financial statements for the year ended March 31, 2016

Name of the shareholder	As at 31 March 2015	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,828,673	7.59%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

# these shares are held in trust for the promoter group who are the beneficial owners

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares, except as disclosed.

d) 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 37).

#### 4. SHARE CAPITAL SUSPENSE ACCOUNT

(₹ in lakhs)

Details	As at March 31	
	2016	2015
53,91,383 equity shares of ₹2 each of the company will be 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	107.83	-
Securities Premium of ₹318.09 per share on 53,91,383 equity shares of ₹2 each of the company arising from the issuance of new equity shares as explained above.	17,149.45	-
	<b>17,257.28</b>	-

#### Amalgamation and sale of business of Blue Star Infotech Ltd (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Limited (the Company)

Pursuant to the composite scheme of amalgamation ('the Scheme') of BSIL and BSIBIA with the Company under sections 391 to 394 of The Companies Act, 1956 sanctioned by the Honorable High Court of Bombay on April 16, 2016, the assets and liabilities of BSIL and BSIBIA are transferred to and vested in the Company with effect from April 1, 2015. Accordingly, the Scheme has been given effect to in these accounts.

BSIL and BSIBIA were mainly engaged in the information technology and software services business till December 31, 2015. BSIL operations also include leasing of immovable property which continues.

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

1. The assets and liabilities of BSIL and BSIBIA as at April 1, 2015 have been recognised at their Fair values in the Financial Statements of the Company.
2. BSIL's 1,08,00,000 equity shares of ₹10 each fully paid up stands cancelled.
3. The Company has discharged the purchase consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Company. Pending issue and allotment of the equity shares, the face value and premium on such shares of ₹17,257.28 lakh has been shown under the heading "Share Suspense Account" as at March 31, 2016.
4. The excess of the fair value of purchase consideration over the fair value of net assets of BSIL and BSIBIA amounting to ₹1,036 Lacs has been treated as goodwill. Goodwill arising above has been amortised/charged off during the year.
5. As per the Scheme, pending allotment of shares, dividend @ ₹6.5 per share relating to 53,91,383 equity shares and amounting to ₹350.44 Lacs has been shown under other current liabilities as dividend payable.

## Notes to Financial statements for the year ended March 31, 2016

6. Pursuant to a Business Transfer Agreement executed on September 29, 2015 which was approved by the Board of Directors of BSIL on that date and subsequently by the shareholders of BSIL on November 18, 2015, BSIL has sold its Information Technology business on a Slump Sale basis to Infogain India Pvt. Ltd. effective January 1, 2016. The business transfer involves transfer of the business, employees and all business assets and liabilities for an agreed cash consideration of ₹7,358 lakhs.

Further, BSIL has also sold its investments in its three overseas subsidiaries as per the terms of individual Share Purchase Agreements entered on September 29, 2015 with Infogain Corporation, California, USA. The agreement, was approved by the Board of Directors of BSIL on that date and subsequently by shareholders of BSIL on November 18, 2015 vide a postal ballot. The agreed sales consideration was as follows :

Name of the overseas subsidiary	Country	Sale Consideration (in ₹ Lakhs)
Blue Star Infotech America Inc.	United States of America	3,650.00
Blue Star Infotech (UK) Ltd.	United Kingdom	2,180.00
Blue Star Infotech (Singapore) Pte. Ltd.	Singapore	4,080.00
<b>Total</b>		<b>9,910.00</b>

7. Consequent to amalgamation and sale of IT Business, the Company has recorded a gain of ₹8,032 lacs which has been disclosed as an exceptional item in the financial statement.
8. Figures for the current year include figures of BSIL and BSIBIA which has been amalgamated with the Company with effect from April 1, 2015, and are therefore to that extent not comparable with those of previous year.

### 5: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>General reserve</b>		
Balance as per the last financial statements	30,146.09	28,620.81
Add: Amount transferred from surplus in the statement of profit and loss	1,227.70	1,525.28
<b>Closing Balance</b>	<b>31,373.79</b>	<b>30,146.09</b>
<b>Capital redemption reserve</b>	233.56	233.56
<b>Securities Premium Account</b>		
Balance as per the last financial statements	-	-
Add: Shares issued during the year	43.21	-
<b>Closing Balance</b>	<b>43.21</b>	<b>-</b>
<b>Capital Subsidy from Government</b>		
Balance as per last financial statements	60.00	60.00
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	30,270.09	22,245.68
Profit for the year	12,277.03	15,252.82
Less: Adjustment to written down value of assets fully depreciated pursuant to Schedule II of the Companies Act, 2013, net of tax (refer note: 38)	-	290.86
Less: Appropriations		

## Notes to Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
Proposed equity dividend (amount per share ₹NIL (31 March 2015: ₹5))	-	4,496.81
Tax on proposed equity dividend	-	915.46
Interim equity dividend (amount per share ₹6.5 (31 March 2015: ₹NIL))	5,846.82	-
Dividend payable on shares arising from amalgamation (amount per share ₹6.5 (31 March 2015: ₹NIL))	350.44	-
Tax on equity dividend	1,261.60	-
Transfer to general reserve	1,227.70	1,525.28
Total appropriations	8,686.56	6,937.55
Net surplus in the statement of profit and loss	33,860.56	30,270.09
<b>Total reserves and surplus</b>	<b>65,571.12</b>	<b>60,709.74</b>

### 6: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Provision for employee benefits</b>				
Provision for Gratuity (refer note 31)	-	-	2.20	-
Provision for Leave benefits	-	-	1,239.45	1,116.00
Provision for Additional Gratuity (refer note 31)	56.18	52.48	4.36	5.32
	56.18	52.48	1,246.01	1,121.32
<b>Other provisions</b>				
Contingencies towards indemnities provided on Sale of IT business (refer note 23)	-	-	286.25	-
Provision for warranties	783.40	396.50	1,061.37	831.45
Loss order	-	-	468.59	535.06
Proposed equity dividend	-	-	-	4,496.81
Provision for tax on proposed equity dividend	-	-	-	915.46
	783.40	396.50	1,816.21	6,778.78
	<b>839.58</b>	<b>448.98</b>	<b>3,062.22</b>	<b>7,900.10</b>

### Contingencies towards indemnities provided on Sale of IT business

(₹ in lakhs)

	As at March 31	
	2016	2015
At the beginning of the year	-	-
Arising during the year	286.25	-
Utilized during the year	-	-
Unused amounts reversed during the year	-	-
<b>At the end of the year</b>	<b>286.25</b>	<b>-</b>

**Provision for warranties**

A provision is recognised for standard warranty claims based on turnover during the year and extended warranty on the basis of turnover for preceding two to four years as per terms of warranty. The company estimates the future cost of warranty based on historical experience of the level of repairs and returns. The estimates of such warranty cost are revised annually.

(₹ in lakhs)

	As at March 31	
	2016	2015
At the beginning of the year	1,227.95	807.06
Arising during the year	1,289.41	1,063.66
Utilized during the year	(672.58)	(642.77)
<b>At the end of the year</b>	<b>1,844.77</b>	<b>1,227.95</b>
Current portion	1,061.37	831.45
Non-current portion	783.40	396.50

**Loss order**

A provision for expected loss on construction contract is recognised when it is probable that the contract cost will exceed the total contract revenue. For all other contracts, loss order provisions are made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

**7: SHORT TERM BORROWINGS**

(₹ in lakhs)

	As at March 31	
	2016	2015
On cash credit and packing credit loan account from banks (secured) (Note a & b)	5,552.12	1,531.83
Buyers' credit (secured) (Note b & c)	6,034.18	1,891.36
Buyers' credit (unsecured) (Note c)	6,980.52	9,768.63
Commercial papers from banks (unsecured) (Note d)	10,000.00	10,000.00
Commercial papers from others (unsecured) (Note d)	-	10,000.00
	<b>28,566.82</b>	<b>33,191.82</b>
<b>The above amount includes</b>		
Secured borrowings	11,586.30	3,423.19
Unsecured borrowings	16,980.52	29,768.63

- Outstanding loans carry an average interest rate of 6.10% - 9.63% p.a. (31 March 2015: 7% to 10.26% p.a.).
- Outstanding loans is secured by hypothecation of stock-in-trade and trade receivables.
- Buyers' credit are availed for imports payables and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.68% (31 March 2015: Libor plus 0.95%).
- Commercial papers carry average interest rate @ 7.78% p.a. for the current year (31 March 2015: 8.75% p.a.). These are repayable within 15 days to 91 days from the date of drawdown.

## Notes to Financial statements for the year ended March 31, 2016

### 8: OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Trade payables</b> (including acceptances of ₹4337.32 lacs (31 March 2015: ₹3,328.29 lacs)) (refer note 30 for details of dues to micro, small & medium enterprises)	103,472.62	84,083.07
<b>Other liabilities</b>		
Interest accrued but not due on borrowings	37.55	11.95
Amount due to customers (refer note 25)	3,732.98	3,473.46
Unearned revenue on AMC services	4,615.40	4,482.25
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	446.64	246.58
Dividend payable on shares arising from amalgamation (refer note 4)	350.44	-
Advance from customers	20,259.38	18,182.08
Unrealised loss on forward contract liability	702.59	84.96
Others		
Other deposits	331.58	-
Creditors - capital expenditure	353.19	43.40
Interest free deposits from customers	242.04	227.14
Due to statutory bodies	5,343.71	4,234.63
Other liabilities - payroll deduction	173.54	137.70
	<b>36,589.04</b>	<b>31,124.15</b>

# Notes to Financial statements for the year ended March 31, 2016

## 9: FIXED ASSETS

(₹ in lakhs)

Sr. No.	Description of Assets	Gross Block					Depreciation						Net Block		
		Asat 1.04.2015	Adjustments dueto merger (Refer Note 4)	Additions during the year	Adjustments/ Reclassification	Deductions	Asat 31.03.2016	Asat 1.04.2015	Adjustments dueto merger (Refer Note 4)	Adjustments/ Reclassification	Deductions	Provided during the year	Adjustments (Refer Note 38)	Asat 31.03.2016	Asat 31.03.2016
<b>Tangible assets</b>															
1	Land - Freehold	889.39 (889.39)	-	-	-	-	889.39 (889.39)	-	-	-	-	-	-	-	889.39 (889.39)
2	Land -Leasehold	7.94 (7.94)	-	-	-	-	7.94 (7.94)	2.68 (2.68)	-	-	-	-	-	2.68 (2.68)	5.26 (5.26)
3	Building Sheds and Road	12,555.17 (11,830.38)	-	133.25 (867.48)	(11.83)	10.86 (142.69)	12,665.73 (12,555.17)	6,387.35 (5,775.26)	(2.24)	10.84 (94.27)	573.94 (554.12)	-	(152.24)	6,948.21 (6,387.35)	5,717.52 (6,167.82)
4	Plant & Machinery #	25,760.71 (24,456.80)	-	1,380.10 (2,147.41)	(38.95)	1,267.25 (843.50)	25,834.61 (25,760.71)	14,746.22 (13,472.71)	(10.00)	990.53 (533.70)	1,963.22 (1,805.84)	-	(1.37)	15,708.91 (14,746.22)	10,125.70 (11,014.49)
5	Furniture & Fixtures	2,084.33 (2,228.53)	574.55	122.98 (14.50)	119.27	415.36 (158.70)	2,485.77 (2,084.33)	1,752.10 (1,664.03)	460.89	0.11	395.14 (133.46)	191.44 (174.81)	(46.72)	2,009.40 (1,752.10)	476.37 (332.23)
6	Office equipments	1,169.10 (1,218.19)	255.59	103.63 (131.36)	0.61	247.05 (180.45)	1,281.88 (1,169.10)	1,007.81 (711.64)	208.52	-	213.46 (150.14)	124.93 (260.13)	(186.18)	1,127.80 (1,007.81)	154.08 (161.29)
7	Vehicles	931.55 (897.33)	87.47	610.53 (288.47)	-	167.68 (254.25)	1,461.87 (931.55)	523.28 (541.85)	59.63	-	119.62 (159.62)	245.61 (138.37)	(2.68)	708.90 (523.28)	752.97 (408.27)
8	Leasehold Improvements	164.29	624.58	62.77 (164.29)	(69.10)	624.58	157.96 (164.29)	2.18	359.19	12.13	403.32	59.57 (2.18)	-	29.75 (2.18)	128.21 (162.11)
9	Computers	1,877.27 (1,418.81)	1,059.46	704.29 (522.09)	-	1,103.70 (63.63)	2,537.32 (1,877.27)	1,436.43 (1,171.77)	872.06	-	979.76 (62.49)	520.73 (276.51)	(50.64)	1,849.46 (1,436.43)	687.86 (440.84)
<b>Total 2015-16</b>		<b>45,439.75</b>	<b>2,601.65</b>	<b>3,117.55</b>	<b>(0.00)</b>	<b>3,836.48</b>	<b>47,322.47</b>	<b>25,858.05</b>	<b>1,960.29</b>	<b>0.00</b>	<b>3,112.67</b>	<b>3,679.44</b>	<b>-</b>	<b>28,385.11</b>	<b>18,937.36</b>
<b>Total 2014-15</b>		<b>(42,947.37)</b>	<b>-</b>	<b>(4,135.60)</b>	<b>-</b>	<b>(1,643.22)</b>	<b>(45,439.75)</b>	<b>(23,339.94)</b>	<b>-</b>	<b>-</b>	<b>(1,133.68)</b>	<b>(3,211.96)</b>	<b>(439.83)</b>	<b>(25,858.05)</b>	<b>(19,581.70)</b>

Sr. No.	Description of Assets	Gross Block					Amortisation						Net Block		
		Asat 1.04.2015	Adjustments dueto merger (Refer Note 4)	Additions during the year	Adjustments/ Reclassification	Deductions	Asat 31.03.2016	Asat 1.04.2015	Adjustments dueto merger (Refer Note 4)	Adjustments/ Reclassification	Deductions	Provided during the year	Adjustments (Refer Note 38)	Asat 31.03.2016	Asat 31.03.2016
<b>Intangible Assets</b>															
1	Technical knowhow	2,005.14 (1,686.47)	-	1,556.81 (318.67)	-	-	3,561.95 (2,005.14)	913.78 (631.69)	-	-	-	498.51 (282.09)	-	1,412.29 (913.78)	2,149.66 (1,091.36)
2	Software	4,324.10 (3,679.17)	620.75	1,237.68 (644.93)	-	623.05	5,559.48 (4,324.10)	3,247.22 (2,807.67)	488.13	-	555.29	676.01 (439.55)	-	3,856.07 (3,247.22)	1,703.41 (1,076.88)
3	Intellectual property rights	-	103.78	-	-	103.78	-	-	52.00	-	103.78	51.78	-	-	-
4	Goodwill	-	1,036.72	-	-	1,036.72	-	-	-	-	155.51	155.51	-	-	-
<b>Total 2015-16</b>		<b>6,329.24</b>	<b>1,761.25</b>	<b>2,794.49</b>	<b>-</b>	<b>1,763.55</b>	<b>9,121.43</b>	<b>4,161.00</b>	<b>540.13</b>	<b>-</b>	<b>814.58</b>	<b>1,381.81</b>	<b>-</b>	<b>5,268.36</b>	<b>3,853.07</b>
<b>Total 2014-15</b>		<b>(5,365.64)</b>	<b>-</b>	<b>(963.60)</b>	<b>-</b>	<b>-</b>	<b>(6,329.24)</b>	<b>(3,439.36)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(721.64)</b>	<b>-</b>	<b>(4,161.00)</b>	<b>(2,168.24)</b>

# Net of Grant of ₹36.24 lacs (Previous year: ₹36.24 lacs) for UNIDO machine.

# Net of Grant of ₹574.95 lacs (Previous year: 340.10 Lacs) for Cyclopentane C5 Panel Project.

### Notes

1 Figures in brackets represents amounts pertaining to previous years.

### 2 Depreciation and amortisation Expense

	March 31	
	2016	2015
Depreciation on Tangible Assets	3,679.44	3,211.96
Amortization of Intangible Assets	1,381.81	721.64
Depreciation on Investment property (refer note 10)	366.90	-
	<b>5,428.15</b>	<b>3,933.60</b>

3 Plant & Machinery includes asset held for sale:

Gross Block ₹1,439.29 lacs (Previous year: ₹1,790.02 lacs) Depreciation ₹137.13 lacs (Previous year: ₹83.73 lacs) Accumulated Depreciation ₹1,242.09 lacs (Previous year: ₹1,257.90 lacs) Net book value ₹197.20 lacs (Previous year: ₹532.12 lacs)

**10: NON CURRENT INVESTMENTS**

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Long Term Investments:</b>		
<b>I. Investment property at cost less accumulated depreciation</b>		
Cost of Property given on operating lease	6,646.97	-
Less: Accumulated depreciation	366.90	-
<b>Net block</b>	<b>6,280.07</b>	<b>-</b>
<b>II. Trade investments (valued at cost unless stated otherwise)</b>		
Unquoted equity instruments		
<b>Investment in Subsidiaries</b>		
5,29,25,052 (31 March 2015: 3,83,00,052 Fully Paid Equity Shares of ₹2) Fully Paid Equity Shares of ₹2 each in Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro-Mechanical Ltd). (refer note 43)	22,825.50	22,767.00
NIL (31 March 2015: 975,000) Fully paid Equity shares of ₹10 each in Blue Star Design and Engineering Limited (refer note 43)	-	58.50
49 (31 March 2015: 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar (WLL)	12.11	12.11
<b>Investment in Joint Ventures</b>		
367,500 (31 March 2015: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	49.97	49.97
255,000 (31 March 2015 : Nil) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co. LLC	434.14	-
	<b>23,321.72</b>	<b>22,887.58</b>
<b>III. Non-trade investments (valued at cost unless stated otherwise)</b>		
<b>Investment in Associates (Quoted)</b>		
NIL (31 March 2015: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (refer note 4)	-	298.21
	-	298.21
	<b>29,601.79</b>	<b>23,185.79</b>
Aggregate amount of quoted investments (Market value: ₹NIL Lacs (31 March 2015: ₹6,109.31 lacs))	-	298.21
Aggregate amount of unquoted investments	23,321.72	22,887.58

## Notes to Financial statements for the year ended March 31, 2016

### 10.1 CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Non Trade, unquoted (Valued at cost unless stated otherwise)</b>		
<b>Investment in units of Mutual Funds</b>		
<b>Liquid Funds</b>		
98,717.962 Units (Previous year NIL) of ₹100 each fully paid up in ICICI Money Market Fund	218.89	-
46.385 Units (Previous year NIL) of ₹1,000 each fully paid up in HDFC Liquid Fund - Daily Dividend	0.47	-
<b>Growth Schemes</b>		
31,09,247.29 Units (Previous year NIL) of ₹10 each fully paid up in HDFC Mutual Fund	800.00	-
3,00,538.246 Units (Previous year NIL) of ₹100 each fully paid up in ICICI Prudential Mutual Fund	850.00	-
43,823.267 Units (Previous year NIL) of ₹1,000 each fully paid up in Kotak Mutual Fund	800.00	-
39,06,784.13 Units (Previous year NIL) of ₹10 each fully paid up in DHFL Mutual Fund	800.00	-
<b>Commercial Paper</b>		
Tata Motors Finance Ltd 364 Days, Maturity 10 August 2016-500 Units, Market value ₹2,428.10 Lakhs	2,421.04	-
Godrej Industries Ltd, Maturity 10 August 2016, Face value ₹5 Lakhs-500 Units, Market value ₹2,436.26 Lakhs	2,425.41	-
Housing Development Finance Corporation Ltd. 12 Months 9.3% NCD, Maturity 01 August 2016, Face value ₹10 Lakhs- 250 Units, Market value ₹2,654.46 Lakhs	2,651.75	-
Dewan Housing Finance Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs-500 Units, Market value ₹2,429.56 Lakhs	2,418.58	-
Kotak Mahindra Investments Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs- 500 Units, Market value ₹2,429.56 Lakhs	2,420.68	-
	<b>15,806.83</b>	<b>-</b>

### 11: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	2,498.12	1,905.48
Gross deferred tax liability	2,498.12	1,905.48
<b>Deferred tax asset</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	1,121.09	560.00
Provision for doubtful debts and advances	3,600.89	2,992.00
Gross deferred tax asset	4,721.98	3,552.00
<b>Net deferred tax asset*</b>	<b>2,223.84</b>	<b>1,646.52</b>

\* Includes opening deferred tax liability of ₹144 Lacs as on April 1, 2015 of BSIL taken over on amalgamation.

## 12: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Capital advances</b>				
Unsecured, considered good	869.36	339.77	-	-
	869.36	339.77	-	-
<b>Security deposit</b>				
Unsecured, considered good	1,576.86	1,538.76	-	-
	1,576.86	1,538.76	-	-
<b>Loan and advances to related parties</b>				
Unsecured, considered good	-	-	261.48	548.16
	-	-	261.48	548.16
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	-	-	2,821.48	2,860.07
	-	-	2,821.48	2,860.07
<b>Other loans and advances, Unsecured, considered good</b>				
Advance income-tax (net of Provisions ₹41,362.96 lacs (31 March 2015: ₹36,992.58 lacs))	7,482.14	3,753.32	-	-
MAT credit Entitlement	6,536.42	6,417.92	-	-
Prepaid expenses	2.76	4.04	1,872.16	1,384.84
Loans to employees	515.11	327.65	34.47	117.38
Balances with statutory/government authorities	1,299.24	928.75	5,054.63	5,632.70
	15,835.67	11,431.68	6,961.26	7,134.92
<b>Total</b>	<b>18,281.89</b>	<b>13,310.21</b>	<b>10,044.22</b>	<b>10,543.15</b>
Disclosures pursuant to the regulation 53(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015				
<b>Loans and Advances to related parties include:</b>				
Dues from Subsidiary Company				
Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro-Mechanical Ltd)	-	-	-	300.00
Maximum amount outstanding during the year ₹300 lacs (31 March 2015: ₹1,300.00 lacs)				
Working capital loan given to subsidiary.				
Blue Star Qatar - WLL	-	-	261.48	248.16
Maximum amount outstanding during the year ₹261.48 lacs (31 March 2015: ₹248.16 lacs) represents charges towards corporate guarantee commission recoverable from Blue Star Qatar WLL				

## Notes to Financial statements for the year ended March 31, 2016

### 13: TRADE RECEIVABLES AND OTHER ASSETS

(₹ in lakhs)

#### 13.1: TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Unsecured, considered good	-	-	15,555.61	15,131.60
Considered doubtful	-	-	9,689.55	8,730.82
	-	-	25,245.16	23,862.42
Provision for doubtful receivables	-	-	9,689.55	8,730.82
	-	-	15,555.61	15,131.60
<b>Other receivables</b>				
Unsecured, considered good	4,835.02	6,734.25	55,710.91	48,945.07
	4,835.02	6,734.25	55,710.91	48,945.07
	<b>4,835.02</b>	<b>6,734.25</b>	<b>71,266.52</b>	<b>64,076.67</b>
Due from Company in which the Company's Non executive Director is a Director				
Atria Convergence technologies Pvt Ltd.	-	0.82	10.70	

#### 13.2: OTHER ASSETS

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Unsecured, considered good unless stated otherwise</b>				
Non-current bank balances (refer note 15)	334.99	108.49	7.99	-
<b>Unbilled revenue :</b>				
Project Revenue (refer note 25)	-	-	24,022.58	25,286.67
AMC	-	-	514.43	457.48
	-	-	24,537.01	25,744.15
	<b>334.99</b>	<b>108.49</b>	<b>24,545.00</b>	<b>25,744.15</b>

## Notes to Financial statements for the year ended March 31, 2016

### 14: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at	
	31-Mar-16	31-Mar-15
Raw materials & components (includes in transit: ₹2,894.56 lacs (31 Mar 2015: ₹3,024.63 lacs))	10,800.27	11,894.12
Work-in-progress	3,384.14	3,585.26
Finished goods	10,663.71	13,516.64
Traded goods (including in transit ₹4,786.76 lacs (31 March 2015: ₹2,541.93 lacs))	23,231.72	14,048.46
Stores and spares	3,467.85	3,238.39
	<b>51,547.69</b>	<b>46,282.87</b>

### 15: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Cash and cash equivalents</b>				
Balances with banks:				
- On current accounts	-	-	2,727.67	3,352.66
- Deposits with original maturity of less than 3 months	-	-	676.68	-
- On unpaid dividend account	-	-	796.82	246.58
Cash on hand	-	-	44.49	34.25
	-	-	4,245.66	3,633.49
<b>Other bank balances</b>				
Margin money Deposit	334.99	108.49	-	-
	334.99	108.49	-	-
Amount disclosed under non-current assets (refer note 13.2)	(334.99)	(108.49)	-	-
	-	-	<b>4,245.66</b>	<b>3,633.49</b>

#### Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹334.99 Lacs (31 March 2015 : ₹108.49 lacs) are subject to a first charge as security deposit with customers.

## Notes to Financial statements for the year ended March 31, 2016

### 16: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
<b>Revenue from operations</b>		
Sale of products		
Finished goods	165,676.96	155,875.31
Traded goods	75,481.25	57,778.70
Net Sale of products	<b>241,158.21</b>	<b>213,654.01</b>
Services rendered	45,278.20	32,786.97
Revenue from Construction Contracts (refer note 25)	66,224.74	60,194.89
Other operating revenue		
Commission income	22.01	1,196.97
Provisions and Liabilities no longer required	2,657.02	2,604.73
Shared service recovery	658.84	-
Others	330.76	329.39
<b>Revenue from operations (gross)</b>	<b>356,329.78</b>	<b>310,766.96</b>
Less: Excise duty #	3,179.41	2,687.52
<b>Revenue from operations (net)</b>	<b>353,150.37</b>	<b>308,079.44</b>
<p># Excise duty on sales amounting to ₹3,179.41 lacs (31 March 2015 : ₹2,687.52 lacs) has been reduced from sales in the statement of profit &amp; loss and excise duty on (increase)/decrease in stock amounting to ₹1 lacs (31 March 2015 : ₹(31.14) lacs) has been considered as (income)/expense in note 19 of financial statements.</p>		
<b>Details of products Sold</b>		
<b>Finished goods sold</b>		
Air-Conditioning & Refrigeration Equipment	117,940.04	114,568.35
Central Air-Conditioning Plant	16,756.16	18,146.25
Spares & Components	30,980.76	23,160.71
	<b>165,676.96</b>	<b>155,875.31</b>
<b>Traded goods sold</b>		
Air-Conditioning & Refrigeration Equipment	60,492.20	36,385.11
Central Air-Conditioning Plant	2,625.04	689.54
Electronics & Other Appliances, Equipment, Instruments etc.	8,021.30	13,348.73
Spares & Components	4,112.54	7,355.32
Software Services	230.17	0.00
	<b>75,481.25</b>	<b>57,778.70</b>
<b>Detail of services rendered</b>		
AMC services	33,797.83	32,786.97
Software services (refer note 4)	11,480.37	-
	<b>45,278.20</b>	<b>32,786.97</b>

## Notes to Financial statements for the year ended March 31, 2016

### 17: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Interest income on		
Bank deposits	75.57	15.82
Others	366.30	289.65
Dividend income on		
Current investments	25.78	14.34
Long-term investments	181.70	259.78
Other non operating income	318.34	434.74
Income from lease rentals (refer note 34)	565.99	-
Profit on sale of assets	53.27	-
	<b>1,586.95</b>	<b>1,014.33</b>

### 18: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Cost of material consumed	123,113.14	110,169.72
Project cost (including bought outs) (see note 28b)	60,676.52	61,023.63
	<b>183,789.66</b>	<b>171,193.35</b>
Purchase of traded Goods	<b>65,085.62</b>	<b>42,996.26</b>
<b>Details of raw material and components consumed</b>		
Non ferrous metals	12,464.42	11,113.45
Ferrous metals	8,689.68	7,014.36
Compressors	30,040.09	28,778.24
Evaporating unit	8,557.09	15,917.00
Others	63,361.86	47,346.67
	<b>123,113.14</b>	<b>110,169.72</b>

(₹ in lakhs)

	31-Mar-16		31-Mar-15	
	₹ lacs	% of Total Consumption	₹ lacs	% of Total Consumption
Imported (at landed cost)	40,024.14	32.51%	43,759.20	39.72%
Indigenous	83,089.00	67.49%	66,410.52	60.28%
	<b>123,113.14</b>	<b>100.00%</b>	<b>110,169.72</b>	<b>100.00%</b>

## Notes to Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
<b>Details of purchase of traded goods</b>		
Air Conditioning & refrigeration equipment	55,033.78	29,496.96
Central Air Conditioning plant	817.25	286.60
Electronics & other appliances, equipment, instruments etc.	5,795.04	8,000.94
Spares & components	3,245.18	5,211.76
Software licenses and hardware	194.37	-
	<b>65,085.62</b>	<b>42,996.26</b>

### 19: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-16	31-Mar-15	(Increase)/ decrease
	31-Mar-16		
<b>Inventories at the end of the year</b>			
Traded goods	23,231.72	14,048.46	(9,183.25)
Work-in-progress	3,384.14	3,585.26	201.12
Finished goods	10,663.71	13,516.64	2,852.92
	<b>37,279.57</b>	<b>31,150.36</b>	<b>(6,129.21)</b>

(₹ in lakhs)

	31-Mar-16	31-Mar-15	(Increase)/ decrease
	31-Mar-15		
<b>Inventories at the beginning of the year</b>			
Traded goods	14,048.46	12,474.82	(1,573.64)
Work-in-progress	3,585.26	3,737.89	152.63
Finished goods	13,516.64	14,102.58	585.94
	<b>31,150.36</b>	<b>30,315.29</b>	<b>(835.07)</b>
	<b>(6,129.21)</b>	<b>(835.07)</b>	

### 20: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Salaries, wages and bonus	27,788.09	21,455.03
Contribution to provident and other funds	1,243.51	1,255.90
Gratuity expense (refer note 31)	530.89	710.96
Other employment benefits	501.60	546.42
Staff welfare expenses	2,339.60	1,716.07
	<b>32,403.69</b>	<b>25,684.38</b>

## Notes to Financial statements for the year ended March 31, 2016

### 21: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Stores and spares consumed	1,211.56	1,033.63
AMC subcontracting cost	18,534.53	17,064.99
Rent (refer note 28b and 34)	4,444.12	3,380.97
Rates and taxes	78.51	91.51
Power and fuel (refer note 28b)	1,699.51	1,486.89
Insurance (refer note 28b)	221.98	264.73
Repairs and maintenance		
Buildings	909.16	649.51
Plant and Machinery	431.65	365.72
Others	598.40	492.75
Advertising and sales promotion	6,283.05	5,193.73
Commission, discounts and incentives on Sales (refer note 28a)	5,133.71	3,533.27
Freight and forwarding charges	4,136.22	3,720.13
Travelling and conveyance (refer note 28b)	3,538.56	3,147.37
Printing and stationery (refer note 28b)	339.84	289.33
Legal and professional fees (refer note 28b)	6,584.69	4,182.88
Directors' sitting fees	60.38	62.00
Payment to auditor (Refer details A below )	126.86	98.22
Corporate social responsibility expenses (Refer details B below)	118.56	-
Donations	90.50	17.38
Loss on sale of fixed assets (net)	-	77.75
Exchange differences (net)	70.08	774.90
Bad debts/advances written off	230.80	366.27
Provision for doubtful debts and advances (net)	968.43	3,201.00
Miscellaneous expenses	2,927.10	2,186.95
	<b>58,738.20</b>	<b>51,681.88</b>
A. Payment to auditors		
As auditor:		
Audit fee	92.50	70.00
Limited review	18.00	15.00
In other capacity		
Other services	12.15	9.47
Reimbursement of expenses	4.21	3.75
	<b># 126.86</b>	<b>98.22</b>
# Excludes payment to auditors of ₹62.08 Lacs payable to Statutory auditors of BSIL and BSIBIA which has amalgamated with the Company w.e.f. April 1, 2015 (refer note 4). Such fees is included in legal and professional fees.		
B. Corporate social responsibility expenses		
(i) Gross amount required to be spent by the Company during the year	134.88	
(ii) Amount spent during the year	118.56	-

## Notes to Financial statements for the year ended March 31, 2016

### 22: FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Interest	2,530.82	3,054.56
Bank charges (refer note 28b)	413.45	408.07
Exchange impact on borrowing (net)	626.62	884.69
	<b>3,570.89</b>	<b>4,347.32</b>

### 23: EXCEPTIONAL ITEMS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
A. Exceptional Income		
Surplus on sale of assets	-	2,247.84
Surplus on transfer of Professional Electronics and Industrial Systems business (refer note 24(b))	-	8,334.64
Profit on sale of IT business (refer note 4)	8,032.21	
	8,032.21	10,582.48
Less :		
B. Exceptional expenses		
Contingencies towards indemnities provided on sale of IT business (refer note 4)***	(286.25)	-
Cost of Voluntary Retirement Scheme & other expenses on closure of plant*	(1,868.72)	(567.33)
Bonus expenses for earlier years pursuant to retrospective amendment in statute	(145.74)	-
Cost update on major contracts**	(2,723.78)	(5,824.89)
	(5,024.49)	(6,392.22)
Exceptional Items (Net)	<b>3,007.72</b>	<b>4,190.26</b>

\* includes gratuity expense of ₹ Nil lakhs (Previous Year 69.70 lakhs)

\*\* In earlier years, the Company had made claims for additional costs incurred due to project delays and design changes for certain major projects. Based on negotiations and certification by the customers, the company revises estimated revenue, cost and project related provisions. The consequent charge of ₹ 2,723.78 (Previous Year ₹ 5,824.89 Lacs) has been recorded and disclosed as an exceptional item.

\*\*\*The company has created provision for contingencies towards indemnities provided on Sale of IT business for BSIL's IT business as per the business transfer agreement and share purchase agreements.

### 24. DISCONTINUING OPERATIONS

**24(a)** BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The Company has subsequently sold its IT Business w.e.f January 1, 2016 (refer note 4).

## Notes to Financial statements for the year ended March 31, 2016

The following statement shows the revenue and expenditure of discontinuing operations:

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Revenue	11,710.55	-
Other income	450.67	-
Expenses	10,230.25	-
<b>Profit from operating activities</b>	<b>1,930.97</b>	-
Finance cost	18.01	-
Depreciation	493.35	-
<b>Profit before exceptional item and tax</b>	<b>1,419.61</b>	-
Exceptional items	-	-
<b>Profit after exceptional item before tax</b>	<b>1,419.61</b>	-
Income tax expenses	329.68	-
<b>Profit after tax</b>	<b>1,089.93</b>	-
The carrying amount of total assets and liabilities transferred on January 1, 2016 are as follows.		
<b>Details</b>		
Total assets	7,357.29	
Total liabilities	2,305.54	
<b>Net Assets</b>	<b>5,051.75</b>	
The net cash flows attributable to IT business are as below :		
Operating activities	1,991.83	-
Investing activities	(2,655.68)	-
Financing activities	(540.41)	-
Net cash inflows/( outflows)	<b>(1,204.26)</b>	-

**24(b)** The Board of Directors and shareholders had approved the transfer of the Company's Professional Electronics and Industrial Systems business to Blue Star Engineering and Electronics Ltd. (BSEEL) (erstwhile Blue Star Electro-Mechanical Ltd.), a wholly owned subsidiary of the Company. Accordingly, the Company entered into a business purchase agreement on March 13, 2015 with BSEEL for sale of the said business together with all its net assets for a consideration of ₹ 11,050 Lakhs. BSEEL has issued ₹ 2,84,50,052 equity shares of ₹ 2 each towards discharge of the consideration on the basis of an independent valuation. In accordance with the agreement, the transaction has been effected on March 31, 2015 and a surplus of ₹ 8,334.64 lakhs has been recognised in the Statement of Profit and Loss Account of the Company as an exceptional item. Comparative figures for Professional Electronics and Industrial Systems is disclosed in accordance with AS 24 Discontinuing Operations. The following statement shows the revenue and expenditure of discontinuing operations:

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Revenue	6,457.23	14,666.43
Other income	-	7.42
Expenses	5,174.98	11,550.44
<b>Profit from operating activities</b>	<b>1,282.25</b>	<b>3,123.41</b>
Finance cost	-	-
Depreciation	-	53.41
<b>Profit before tax</b>	<b>1,282.25</b>	<b>3,070.00</b>
Income tax expenses	443.76	1,165.00
<b>Profit after tax</b>	<b>838.49</b>	<b>1,905.00</b>

## Notes to Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
The carrying amount of total assets and liabilities transferred on 31st March 2016 are as follows.		
Total assets	924.20	5,289.94
Total liabilities	813.21	2,574.58
<b>Net Assets</b>	<b>110.99</b>	<b>2,715.36</b>
The net cash flows attributable to Professional Electronics and Industrial Systems are as below:		
Operating activities	1,229.45	3,901.12
Investing activities	-	(66.32)
Financing activities	-	-
Net cash inflows/( outflows)	<b>1,229.45</b>	<b>3,834.80</b>

During the year, due to customer and regulatory requirements, certain contracts of PE&IS business were also executed by Blue Star Limited.

### 25: DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹ in lakhs)

	2015-16	2014-15
I Contract revenue recognised for the year*	<b>66,110.19</b>	60,194.89
II For Contracts that are in progress as on 31st March		
A Contract costs incurred and recognized profits (Less Recognised losses)	<b>314,111.73</b>	300,038.00
B Advances received	<b>13,151.29</b>	11,481.53
C Gross amount due from customers for Contract work**	<b>23,889.47</b>	25,135.58
D Gross amount due to customers for Contract work***	<b>3,845.38</b>	3,632.63
E Retention amount	<b>1,043.33</b>	1,620.00

\* Includes revenue reversal of ₹115 Lacs disclosed as an exceptional item

\*\* Includes reduction of Imminent loss of ₹133.12 Lacs (31 March 2015 : ₹151.09 Lacs )

\*\*\* Includes Imminent loss impact (increase) of ₹112.40 Lacs (31 March 2015: ₹159.16 Lacs)

## Notes to Financial statements for the year ended March 31, 2016

### 26: CONTINGENT LIABILITIES:

(₹ in lakhs)

	2015-16	2014-15
Claims against the Company not acknowledged as debts	72.18	72.18
Sales Tax matters	9,070.00	12,048.84
Excise Duty matters	341.29	127.57
Service Tax matters	15,207.29	1,814.79
Income Tax matters	5,115.98	4,740.21
Corporate Guarantee given on behalf of Subsidiary and others	12,568.83	12,378.00

Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums/authorities. The management does not expect these claims to succeed and accordingly, no provision for the contingent liability has been recognized in the financial statements.

The company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with tax authorities. The company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on the financial statements.

**27:** Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹1,773.35 lacs (31 March 2015 : ₹513.81 lacs).

**28a:** Commission on sales are net of ₹ 292 lacs (31 March 2015 : ₹428.37 lacs) on account of reversal of provision no longer required.

**28b:** Aggregation of expenses disclosed in Project cost, Other expenses and Finance Cost vide note 18, 21 and 22 in respect of specific items is as follows:

(₹ in lakhs)

Nature of Expenses	2015-16			
	Note 18	Note 21	Note 22	Total
Subcontracting cost	17,489.17	-	-	17,489.17
	(15,577.84)	-	-	(15,577.84)
Rent	65.24	4,444.12	-	4,509.37
	(115.76)	(3,380.97)	-	(3,496.73)
Power & fuel	104.30	1,699.51	-	1,803.81
	(60.39)	(1,486.89)	-	(1,547.28)
Insurance	499.58	221.98	-	721.56
	(436.17)	(264.73)	-	(700.90)
Travelling & Conveyance	538.73	3,538.56	-	4,077.29
	(507.84)	(3,147.37)	-	(3,655.21)
Printing & Stationery	39.26	339.84	-	379.10
	(28.98)	(289.33)	-	(318.31)
Legal & Professional fees	903.88	6,584.69	-	7,488.57
	(1,097.84)	(4,182.88)	-	(5,280.72)
Bank charges	208.15	-	413.45	621.59
	(142.59)	-	(408.07)	(550.66)

Figures in brackets are for previous year

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

(₹ in lakhs)

	2015-16	2014-15
Employee benefits expense	1,319.16	1,238.28
Cost of raw material and components consumed	1,008.28	216.18
Legal & Professional fees	208.39	247.02
Depreciation	719.30	551.16
Others	666.48	556.81
<b>Total</b>	<b>3,921.61</b>	<b>2,809.45</b>

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

(₹ in lakhs)

	2015-16	2014-15
<b>Tangible Assets</b>		
Buildings	-	6.42
Plant & Machinery	446.30	97.52
Office Equipments	3.82	1.35
Electrical Installations	-	-
Computer	-	-
Furniture & Fixtures	-	20.75
<b>Intangible Assets (including under development)</b>		
Software	24.49	18.37
Technical Knowhow	585.24	1,120.10
<b>Total</b>	<b>1,059.85</b>	<b>1,264.51</b>

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

(₹ in lakhs)

	2015-16	2014-15
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year	2,173.12	2,264.04
(ii) The interest due on above	7.00	25.94
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	-	-
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	127.73	120.73
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	127.73	120.73

The information has been given in respect of such vendors to the extent they could be identified as 'Micro & Small Enterprises' on the basis of information available with the Company.

**31: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"****i. Defined Contribution Plans:**

Amount of ₹758.59 Lacs (31 March 2015 : ₹726.75 lacs) is recognized as an expense and included in "Employee Benefits expense" (refer note 20) in the statement of Profit and Loss.

**ii. Defined Benefits Plans:**

a) Amounts for the current period are as follows:

(₹ in lakhs)

	Gratuity		Additional Gratuity	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
<b>I Expense recognised in the Statement of Profit &amp; Loss for the year</b>				
1 Current Service Cost	250.97	241.13	10.09	12.31
2 Interest Cost	167.18	179.25	-	-
3 Expected return on plan assets	(188.87)	(191.95)	NA	NA
4 Net Actuarial (Gains)/Losses	301.61	552.23	-	-
5 Total Expense	530.89	780.66	10.09	12.31
6 Actual return on plan Assets	186.63	214.10	NA	NA
<b>II Net Assets/(Liability) recognised in the Balance Sheet</b>				
1 Present Value of Defined Obligation	2,472.88	2,434.71	60.54	57.80
2 Fair Value of plan assets	2,470.68	2,454.04	-	-
3 Funded Status [Surplus/(Deficit)]	(2.20)	19.33	(60.54)	(57.80)
4 Net Assets/(liability)	(2.20)	19.33	(60.54)	(57.80)
<b>III Change in Obligation during the Year</b>				
1 Present value of defined Benefit Obligation at the beginning of the year	2,434.71	2,229.76	57.80	56.13
Defined benefit obligation taken over on amalgamation	24.36	-	-	-
2 Current Service Cost	250.97	241.13	10.09	12.31
3 Interest Cost	167.18	179.25	-	-
4 Actuarial (Gains)/Losses	299.36	574.39	-	-
5 Benefits Payments	(703.70)	(476.20)	(7.35)	(5.95)
6 Less-Transfer to Subsidiary Company	-	(313.62)	-	(4.69)
7 Present value of Defined Benefit Obligation at the end of the year	2,472.88	2,434.71	60.54	57.80
<b>IV Change in Fair Value of Plan Assets during the year</b>				
1 Fair Value of Plan Assets at the beginning of the year	2,454.04	2,246.96	-	-
Fair Value of Plan Assets taken over on amalgamation	19.32	-	-	-
2 Expected return on Plan assets	188.87	191.95	-	-
3 Contribution by Employer	522.54	782.80	-	-
4 Actual benefits paid	(703.70)	(476.20)	-	-
5 Actuarial Gains/(losses) on Plan Assets	(10.39)	22.15	-	-
6 Less-Transfer to Subsidiary Company	-	(313.62)	-	-
7 Fair Value of Plan Assets at the end of the year	2,470.68	2,454.04	-	-

## Notes to Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	Gratuity		Additional Gratuity	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
<b>V Actuarial Assumptions:</b>				
1 Discount rate	<b>7.57%</b>	8.00%	<b>7.57%</b>	8.00%
2 Rate of return on Plan Assets	<b>8.00%</b>	8.00%	-	-
3 Mortality Rate	<b>IALM-2008</b>	LIC(1994-96)	<b>IALM-2006-08</b>	LIC(1994-96)
4 Salary escalation rate (Management-Staff-Directors)	<b>6%, 2%, 10%</b>	6%, 2%, 10%	<b>0%</b>	0%
5 Attrition rate	<b>1% throughout</b>	1% throughout	<b>1% throughout</b>	1% throughout

### VI. Amounts for the current and previous four years are as follows :

(₹ in lakhs)

	Gratuity				
	2015-16	2014-15	2013-14	2012-13	2011-12
1 Defined benefit obligation	<b>2,472.88</b>	2,434.71	2,229.76	2,587.02	2,800.29
2 Plan Assets	<b>2,470.68</b>	2,454.04	2,246.96	2,598.46	2,800.43
3 Surplus/(Deficit)	<b>(2.20)</b>	19.33	17.20	11.44	0.14
4 Experience adjustments on plan liabilities	<b>299.36</b>	574.39	(201.90)	(92.13)	(47.37)
5 Experience adjustments on plan assets	<b>(10.39)</b>	22.15	32.60	28.55	18.11
	Additional Gratuity				
	2015-16	2014-15	2013-14	2012-13	2011-12
1 Defined benefit obligation	<b>60.54</b>	57.80	56.13	70.31	64.78
2 Plan Assets	-	-	-	-	-
3 Surplus/(Deficit)	<b>60.54</b>	57.80	56.13	70.31	64.78
4 Experience adjustments on plan liabilities	-	-	-	-	-
5 Experience adjustments on plan assets	-	-	-	-	-

- b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹600 Lacs to gratuity fund in 2016-17 (31 March 2016 : ₹750 Lacs)
- c) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.
- d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2016. The Company's contribution to the Employee's Provident fund aggregates to ₹484.92 lacs (31 March 2015 : ₹529.14 lacs).

## Notes to Financial statements for the year ended March 31, 2016

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

(₹ in lakhs)

	As at March 31	
	2016	2015
Surplus of Plan assets over defined benefit obligation	<b>468.84</b>	372.82
Present value of interest rate guarantee obligation at year end	<b>200.21</b>	251.92
Shortfall	-	-
The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:		
Discounting rate	<b>8.65%</b>	8.51%
Expected guaranteed interest rate	<b>8.80%</b>	8.75%
Expected Rate of Return on Asset	<b>7.86%</b>	7.93%

### iii. General Description of significant defined plans:

#### 1. Gratuity Plan

Gratuity is payable to all eligible employees on separation/retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

#### 2. Additional Gratuity

Additional Gratuity is payable as per the specific rules of the Company i.e. ₹ 5,000 for staff and ₹ 10,000 for Managers subject to qualifying service of 15 years.

iv. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	As at March 31	
	2016	2015
Special Deposit Schemes	<b>4.20%</b>	4.27%
Central government Securities	-	13.55%
State government Securities	<b>20.91%</b>	30.78%
Public Sector Undertakings	<b>44.21%</b>	20.15%
Private Sector	<b>4.47%</b>	30.02%
Liquid funds	-	1.23%
Investment with approved Insurance company	<b>26.21%</b>	-
Total Investments	<b>100.00%</b>	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable for the period over which the obligation is to be settled.

**32: SEGMENT INFORMATION****A. Primary Segment Reporting (by Business Segment)**

The Company's business segments are organised around product lines as under:

- a. Electro-Mechanical Projects and Packaged Air-Conditioning Systems includes central Air-Conditioning projects, Electrical Contracting business and Packaged Air-Conditioning businesses including manufacturing and after sales service.
- b. Unitary Products includes cooling appliances, cold storage products, including manufacturing and after sales service.
- c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems (divested as on March 31, 2015. Refer note 24b)
- d. Others constitute BSIL and BSIBIA which are mainly engaged in information technology and software services business. This business was sold to Infogain India Pvt. Ltd on December 31, 2015 (Refer note 4 and note 24a).

**Segment Revenues, Results and other Information:**

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>I. SEGMENT REVENUE</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	177,039.21	160,241.23
ii. Unitary Products	157,943.42	133,171.78
iii. Professional Electronics and Industrial Systems (refer note 24b)	6,457.23	14,666.43
iv. Others (refer note 24a)	12,417.51	-
Less : Intersegment revenue	(707.00)	-
<b>TOTAL SEGMENT REVENUE</b>	<b>353,150.37</b>	308,079.44
Add: Other Income	1,586.95	1,014.33
<b>TOTAL INCOME</b>	<b>354,737.32</b>	309,093.77
<b>II. SEGMENT RESULT</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	7,158.21	6,066.86
ii. Unitary Products	16,592.83	14,478.27
iii. Professional Electronics and Industrial Systems (refer note 24b)	1,328.96	3,070.00
iv. Others (refer note 24a)	1,419.61	-
<b>TOTAL SEGMENT RESULT</b>	<b>26,499.61</b>	23,615.13
Less: i) Finance Cost	3,570.89	4,347.32
ii) Other un-allocable Expenditure Net of un-allocable Income	11,078.40	9,175.76
<b>TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>11,850.32</b>	10,092.05
EXCEPTIONAL ITEM	3,007.72	4,190.26
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>14,858.04</b>	14,282.31
PROVISION FOR TAXES	(2,581.01)	970.51
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>12,277.03</b>	15,252.82

## Notes to Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>III. OTHER INFORMATION:</b>		
<b>a. SEGMENT ASSETS</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	125,405.99	114,621.94
ii. Unitary Products	69,092.92	61,236.15
iii. Professional Electronics and Industrial Systems (refer note 24b)	924.20	-
iv. Others (refer note 24a)	-	-
<b>TOTAL SEGMENT ASSETS</b>	<b>195,423.11</b>	175,858.09
Add: Un-allocable Corporate Assets	61,734.60	43,398.49
<b>TOTAL ASSETS</b>	<b>257,157.70</b>	219,256.58
<b>b. SEGMENT LIABILITIES</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	90,210.27	72,687.99
ii. Unitary Products	55,069.59	42,380.68
iii. Professional Electronics and Industrial Systems (refer note 24b)	813.21	-
iv. Others (refer note 24a)	-	-
<b>TOTAL SEGMENT LIABILITIES</b>	<b>146,093.07</b>	115,068.67
Add: Un-allocable Corporate Liabilities	26,437.20	41,679.45
<b>TOTAL LIABILITIES</b>	<b>172,530.27</b>	156,748.12
<b>c. CAPITAL EXPENDITURE (including Capital WIP)</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	4,165.00	3,739.89
ii. Unitary Products	818.00	1,824.78
iii. Professional Electronics and Industrial Systems (refer note 24b)	17.00	129.73
iv. Others (refer note 24a)	36.00	-
v. Other Un-allocable	302.00	372.66
<b>TOTAL</b>	<b>5,338.00</b>	6,067.06
<b>d. DEPRECIATION</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	2,137.00	1,774.54
ii. Unitary Products	1,363.00	1,292.02
iii. Professional Electronics and Industrial Systems (refer note 24b)	-	53.41
iv. Others (refer note 24a)	314.46	-
iv Other Un-allocable	1,613.69	813.63
<b>TOTAL</b>	<b>5,428.15</b>	3,933.60
<b>e. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	758.08	3,044.73
ii. Unitary Products	216.71	484.14
iii. Professional Electronics and Industrial Systems (refer note 24b)	4.89	280.29
iv. Others (refer note 24a)	286.25	-
iv. Other Un-allocable	83.54	569.83
<b>TOTAL</b>	<b>1,349.47</b>	4,378.99

**B. Secondary segment information:**

Secondary segmental reporting is based on the geographical location of customer. The geographical segments have been disclosed based on revenues within India (sales to customers in India) and revenues outside India (sales to customer located outside India).

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Revenue (Sales, Services &amp; Commission) by Geographical Market</b>		
India	318,539.37	289,169.95
Outside India	34,611.00	18,909.49
<b>Total</b>	<b>353,150.37</b>	<b>308,079.44</b>
<b>Carrying amount of Segment Assets &amp; Intangibles Assets</b>		
India	247,886.70	215,357.36
Outside India	9,271.00	3,899.22
<b>Total</b>	<b>257,157.70</b>	<b>219,256.58</b>
<b>Capital Expenditure including Capital Work in Progress</b>		
India	5,338.00	6,067.06
Outside India	-	-
<b>Total</b>	<b>5,338.00</b>	<b>6,067.06</b>

**33: DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES****a Related Party Disclosure**

**Name of the Related parties where control exists irrespective of whether transactions have occurred or not.**

**Subsidiary :**

Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro-Mechanical Limited).

Blue Star Design and Engineering Limited (Upto January 31, 2015, refer note 43)

Blue Star Qatar- WLL

Blue Star Infotech (UK) Limited (BSIUK) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infotech America, Inc. (BSIA) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infotech (Singapore) Pte Limited (BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infostack Solutions Pte. Limited (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue7 Solutions LLC, USA (subsidiary of BSIA) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infostack (Malaysia) Sdn. Bhd. (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

**Names of other related parties as per AS 18 with whom transactions have taken place during the year:**

**Joint Ventures**

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Oman Electro-Mechanical Co. LLC

**Associate**

Blue Star Infotech Limited (upto March 31, 2015) (refer note 4)

**Key Management Personnel**

Mr Satish Jamdar

Mr Vir Advani

Mr B Thiagarajan

**Relatives of Key Management Personnel**

Ms Nargis Advani

Mr Suneel M. Advani

**Additional related parties as per Companies Act, 2013 with whom transactions have taken place during the year -****Key Management Personnel**

Mr Sangameshwar Iyer (upto May 31, 2015), Company Secretary

Mr Vijay Devadiga (w.e.f June 1, 2015), Company Secretary

Mr Neeraj Basur, Chief Financial Officer

**Enterprises in which a Director is a member/director**

KEIMED Private Limited

Apollo Munich Health Insurance Company Limited

**Transactions during the period with Related Parties are as under:***(₹ in lakhs)*

Name of Related party	2015-16		2014-15	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star M &amp; E Engineering (Sdn) Bhd</b>		<b>51.37</b>		80.92
Consultancy services rendered	<b>123.26</b>		383.14	
Dividend received (Gross)	<b>181.70</b>		135.86	
Reimbursement of expenses paid	-		305.92	
Recovery of expenses	-		91.49	
<b>Blue Star Infotech Limited (refer note 4)</b>		-		(143.94)
Sales & Services	-		5.38	
IT services	-		703.59	
Purchase of software & hardware	-		394.98	
Reimbursement of expenses	-		59.24	
Recovery of expenses	-		6.35	
Rent received	-		20.90	
Dividend received	-		123.92	
Repayment of rent deposit	-		100.00	
<b>Blue Star Qatar WLL</b>		<b>317.63</b>		248.16
Guarantee commission	<b>13.32</b>		76.54	
Sales & Services	<b>56.14</b>		27.94	
Corporate guarantee given on behalf of the Company	<b>5,226.30</b>	<b>21,450.20</b>	2,750.00	15,331.00
Outstanding balance of loans and guarantees as on March 31, 2016 is ₹6,516 lacs (March 31, 2015 - ₹7,625 lacs)				
Loan repaid	-		52.84	
<b>Blue Star Oman Electro-Mechanical Co. LLC</b>		-		-
Investment in Equity Shares	<b>434.14</b>		-	

Notes to Financial statements for the year ended March 31, 2016

Name of Related party	2015-16		2014-15	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star Design &amp; Engineering Limited</b>		-		198.25
Consultancy service received	-		201.01	
Corporate guarantee given on behalf of the Company	-	-	-	500.00
Outstanding balance of loans as on March 31, 2016 is ₹NIL lacs (March 31, 2015 - ₹142 lacs)				
Reimbursement of expenses	-		2.91	
Recovery of expenses	-		0.13	
Rent paid	-		261.13	
<b>Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro-Mechanical Ltd).</b>		<b>27.00</b>		300.00
Investment in Equity Shares (Refer note 43)	<b>58.50</b>		-	
Consultancy service received	<b>62.48</b>		-	
Rent paid	<b>261.13</b>		-	
Corporate guarantee given on behalf of the Company	-	<b>7,300.00</b>	200.00	7,500.00
Outstanding balance of loans as on March 31, 2016 is ₹6,053 lacs (March 31, 2015 - ₹4,611 lacs)				
Advances/loan given	-		1,300.00	
Interest on loan received	<b>8.14</b>		141.61	
Advances/loan repaid	<b>300.00</b>		1,000.00	
Recovery of expenses	<b>71.14</b>		113.34	
Reimbursement of expenses	<b>725.90</b>		164.05	
Shared service recovery	<b>658.84</b>		-	
Sales	<b>105.71</b>		8.28	
Sales & services received	<b>325.64</b>		-	
Sale of business (refer note 24(b))	-		11,050.00	
<b>Blue Star Infotech America Inc.</b>		-		-
Rendering of Services	<b>4,168.14</b>		-	
Receiving of Services	<b>195.36</b>		-	
Reimbursement of expenses	<b>31.07</b>		-	
<b>Blue Star Infotech (UK) Limited</b>		-		-
Rendering of Services	<b>882.20</b>		-	
Receiving of Services	<b>130.50</b>		-	
Reimbursement of expenses	<b>21.80</b>		-	
<b>Blue Star Infotech (Singapore) Pte. Limited</b>		-		-
Rendering of Services	<b>1,045.70</b>		-	
Receiving of Services	<b>9.84</b>		-	
Reimbursement of expenses	<b>12.49</b>		-	
<b>Blue Star Infostack Solutions Pte. Limited</b>		-		-
Rendering of Services	<b>13.89</b>		-	
Receiving of Services	<b>18.46</b>		-	
Reimbursement of expenses	-		-	

Notes to Financial statements for the year ended March 31, 2016

Name of Related party	2015-16		2014-15	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star Infostack (Malaysia) Sdn. Bhd.</b>		-		-
Rendering of Services	-		-	
Receiving of Services	1.77		-	
Reimbursement of expenses	-		-	
<b>Key Management Personnel</b>				
Managerial remuneration				
Satish Jamdar	329.11		260.29	
Vir S Advani	213.97		157.01	
B Thiagrajan	222.20		173.50	
Neeraj Basur	149.26		82.62	
Vijay Devadiga	33.77		-	
Sangameshwar Iyer	11.46		28.74	
<b>ESOP exercised</b>				
Satish Jamdar (15,000 Equity Shares of FV ₹ 2 each)	43.51		-	
<b>Services Received</b>				
Vir S Advani	29.11		-	
<b>Sale of Fixed Assets</b>				
Vir S Advani and Nargis Advani	-		2,300.00	
<b>Enterprises in which Director is a member/director</b>				
Sale of Goods	3.52		-	
Service Income	0.16		-	
Insurance Premium	199.04		477.06	
<b>Relative of Key Management Personnel</b>		170.00		70.00
Rent paid	1.20	-	1.20	-
Remuneration	42.60		-	

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Directors are not included above.

The company has given loans and corporate guarantees to subsidiaries and 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, 2016

### b) Interest in Joint Ventures

(₹ in lakhs)

	Blue Star M & E Engineering (Sdn) Bhd	Blue Star OMAN
Percentage of Interest	49%	50%
Percentage of Interest	49%	0%
Country of Incorporation	Malaysia	Oman
<b>Assets</b>	3,380.55	1,313.02
	<i>1,829.98</i>	-
<b>Liabilities</b>	2,873.05	803.99
	<i>1,393.19</i>	-
<b>Revenue</b>	5,045.73	894.77
	<i>2,623.59</i>	-
<b>Expenses</b>	4,725.12	871.43
	<i>2,477.11</i>	-

Figures in italics are for previous year

Contingent Liabilities of the jointly controlled entity is disclosed in note 26 to the financial statements.

### 34: Leases

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All leases are cancellable except two office premises. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹4,509.36 lacs (31 March 2015 : ₹3,496.73 lacs)

(₹ in lakhs)

	2015-16	2014-15
Minimum lease payments for non-cancellable operating lease as at 31 <sup>st</sup> March		
(a) Not later than one year	<b>224.96</b>	91.20
(b) Later than one year but not later than five years	<b>937.85</b>	400.14
(c) Later than five years	<b>607.62</b>	43.70

The Company has leased out office premises and furniture under cancelable operating lease agreements that are renewable at the option of both the lessor and the lessee.

An amount of ₹565.99 (Previous Year ₹Nil) is recognised as lease income in the statement of Profit & Loss for the year ended 31 March 2016.

### 35: EARNING PER SHARE

		2015-16	2014-15
Profit/(Loss) after taxation as per Statement of Profit & loss.	₹lacs	<b>12,277.03</b>	15,252.82
Weighted average number of Equity Shares Outstanding in calculating basic EPS (a)	Nos.	<b>89,951,105</b>	89,936,105
Number of equity shares in share capital suspense account (refer note 4) (b)	Nos.	<b>5,391,383</b>	-
Total number of Shares (a+b)	Nos.	<b>95,342,488</b>	89,936,105
Effect of Dilution - Stock options granted under ESOP	Nos.	<b>209,220</b>	197,968
Weighted average number of equity shares in calculating diluted EPS	Nos.	<b>95,551,708</b>	90,134,073
Basic Earnings per share (Face Value ₹2 per share)	₹	<b>12.88</b>	16.96
Diluted Earnings per share (Face Value ₹2 per share)	₹	<b>12.85</b>	16.92

## Notes to Financial statements for the year ended March 31, 2016

**36:** During previous years, the Company had entered into contracts, in the normal course of business, for services rendered and received for a value of ₹41.79 (previous year 2014-15 ₹41.79 lacs) with Private Limited Companies in which a Director of the Company is a Director. Payment has been received and paid in accordance with the normal terms. The Company is in the process of filing necessary application for approval from the Central Government under Section 297 of the Companies Act, 1956 for the said transaction.

**37:** The company provides share-based payment schemes to its employees. During the year ended 31 March 2016, 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 the 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 employee 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 other relevant terms of the grant are as below:

a) Employee Stock Option Scheme

Particulars	2015-16						2014-15	
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant I	Grant II
No of Options (Refer Note b)	1,144,500	42,000	28,000	56,000	54,000	6,000	1,365,000	42,000
Method of Accounting	Intrinsic Value						Intrinsic Value	
Exercise period (from date of vesting)	5 years	5 years	5 years	2 years	1 year	1 year	5 years	5 years
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	06 June 2014	13 Feb 2015
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35	290.05	320.70
Market price	290.05	320.70	345.65	369.55	355.10	341.35	290.05	320.70
Vesting conditions	Based on the performance ratings						Based on the performance ratings	
Method of Settlement	Equity						Equity	

b) Movement of Options

Particulars	2015-16						2014-15	
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant I	Grant II
Options outstanding at the beginning of the period	1,365,000	42,000	-	-	-	-	-	-
Options granted during the period	-	-	28,000	56,000	54,000	6,000	1,495,000	42,000
Options lapsed during the period	205,500	-	-	-	-	-	130,000	-
Options exercised during the period	15,000	-	-	-	-	-	-	-

## Notes to Financial statements for the year ended March 31, 2016

Particulars	2015-16						2014-15	
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant I	Grant II
Options outstanding at the end of the period	1,144,500	42,000	28,000	56,000	54,000	6,000	1,365,000	42,000
Options exercisable as on March 31	332,850	-	-	-	-	-	-	-

The weighted average share price at the date of exercise for stock options exercised was ₹351.25.

### c) Fair Valuation

The Fair Valuation of the options used to compute proforma net profit and earning per share have been done by an independent valuer on the date of grant using Black-Scholes Merton Formula. The key assumptions and Fair Value are as under:

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI
Dividend yield (%)	-	-	-	-	-	-
Expected volatility	38%	35%	30%	31%	32%	32%
Risk-free interest rate	8.51%	7.70%	7.81%	7.80%	7.78%	7.64%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09

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.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	(₹ in lakhs)	
	31-Mar-16	31-Mar-15
Profit after tax as reported	12,277.03	15,252.82
Add: Compensation cost using the intrinsic value method	-	-
Less: Compensation cost using the fair value method	(362.26)	(509.01)
<b>Proforma profit after tax</b>	<b>11,914.77</b>	<b>14,743.81</b>
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	12.88	16.96
- Proforma	12.50	16.39
<b>Diluted</b>		
- As reported	12.85	16.92
- Proforma	12.47	16.36

**38:** During the previous year 2014-15, the Company had revised the depreciation on certain assets as per the useful life specified in the Companies Act, 2013 or re-assessed by the company. Accordingly, carrying amount of ₹439.83 lacs in respect of assets whose useful life was exhausted as on April 1, 2014 net of deferred tax of ₹148.97 lacs thereon had been adjusted to retained earnings in the previous year.

**39: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE****a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date**

Foreign Currency	2015-16		2014-15	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD &amp; CNY:</b>				
<b>Hedge of underlying payables - USD</b>	<b>48,760,271.08</b>	<b>32,289.05</b>	34,068,741.73	21,269.12
- Buyers' Credit	19,289,583.42	12,773.56	18,696,660.56	11,672.33
- Other Payables	29,470,687.66	19,515.49	15,372,081.17	9,596.79
<b>Hedge of underlying payables - CNY</b>				
- Other Payables	503,880.00	51.40	-	-

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

Foreign Currency	2015-16		2014-15	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Bank Balances</b>				
AED	-	-	195,630.92	33.17
EUR	427,903.67	322.38	348,779.23	232.97
RMB	20,711.32	2.11	11,201.12	1.17
USD	1,568,670.27	1,038.77	1,288,518.57	804.42
<b>Receivables</b>				
AED	-	-	126,805.40	21.50
CAD	59,482.27	30.28	-	-
EUR	191,822.32	144.52	31,219.55	20.85
MYR	976,604.79	164.90	1,147,717.00	192.24
QAR	561,358.72	102.00	531,715.21	90.76
RMB	-	-	1,312.63	0.14
USD	8,730,707.38	5,781.47	4,797,412.87	2,995.02
ZAR	-	-	84,132.00	4.49
<b>Payables</b>				
AED	12,830.55	2.31	14,275.20	2.42
AUD	3,499.54	1.77	64,057.80	30.29
CAD	48,705.98	24.79	-	-
CHF	412.62	0.28	412.62	0.26
EUR	712,909.55	537.11	683,508.37	456.55
GBP	10,390.68	9.88	2,028.13	1.87
JPY	22,573,216.00	132.74	16,047,213.00	83.12
RMB	14,374,004.23	1,466.53	-	-
SEK	2,313.05	0.19	26,860.35	1.94
SGD	-	-	898.53	0.41
USD	14,918,988.25	9,879.35	20,442,296.07	12,762.13
<b>Buyers' Credit</b>				
USD	365,277.52	241.89	-	-

## Notes to Financial statements for the year ended March 31, 2016

### 40: VALUE OF IMPORTS ON CIF BASIS

(₹ in lakhs)

	2015-16	2014-15
Raw Materials & Components	51,980.51	54,770.31
Capital goods	2,319.15	1,345.39
Spares	1,195.40	1,542.70
Traded Goods	35,618.30	27,790.13
<b>Total</b>	<b>91,113.36</b>	<b>85,448.53</b>

### 41: EXPENDITURE INCURRED IN FOREIGN EXCHANGE (ACCRUAL BASIS)

(₹ in lakhs)

	2015-16	2014-15
Royalty & Know-how	20.80	17.53
Rent	25.50	37.18
Technical Services	0.87	157.97
Travel expenses	416.22	111.37
Overseas employee costs	553.53	27.89
Others	415.68	313.42
<b>Total</b>	<b>1,432.60</b>	<b>665.36</b>

### 42: EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS)

(₹ in lakhs)

	2015-16	2014-15
Export of goods on F.O.B. basis	24,165.08	17,949.33
Royalty, Know-how, Professional & Consultation fees	130.92	392.22
Dividend	181.70	135.86
Software Services	10,430.54	-
Other Income:		
Commission	0.93	1,160.94
Others	-	76.54
<b>Total</b>	<b>34,909.17</b>	<b>19,714.89</b>

**43** During the year, the Hon'ble Bombay High Court had sanctioned the Scheme of Amalgamation of Blue Star Design and Engineering Limited ("BSDEL") with Blue Star Engineering & Electronics Limited ("BSEEL") and their respective shareholders and creditors on December, 18, 2015. BSDEL and BSEEL are wholly-owned subsidiaries of the Company. 1,46,25,000 equity share of ₹2 each of the BSEEL have been issued to the Company in lieu of 9,75,000 shares of BSDEL.

### 44 Previous Year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 30, 2016

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

<b>Ashok M Advani</b>	Chairman
<b>Vir S Advani</b>	Managing Director
<b>Shailesh Haribhakti</b>	Director
<b>Neeraj Basur</b>	Chief Financial Officer
<b>Vijay Devadiga</b>	Company Secretary

Mumbai: May 30, 2016

# Independent Auditors' Report on Consolidated Financial Statements

## To the Members of Blue Star Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Blue Star Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control 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 Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. 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 paragraph (a) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

# Independent Auditors' Report on Consolidated Financial Statements

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its jointly controlled entities as at March 31, 2016, their consolidated profit, and their consolidated cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

- (a) We/the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the 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 Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary company incorporated in India, none of the directors of the Group's companies is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary company, refer to our separate report in "Annexure 1" to this report.
- (g) 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, 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 its consolidated financial position of the Group and its jointly controlled entities - Refer Note 27 to the consolidated financial statements;
  - 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. Refer Note 8 to the consolidated financial statements in respect of such items as it relates to the Group and its jointly controlled entities.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary and jointly controlled companies incorporated in India.

### Other Matter

- (a) The accompanying consolidated financial statements include total assets of ₹ 32,232 as at March 31, 2016, and total revenues and net cash outflows of ₹ 24,699 lacs and ₹ 898 lacs for the year ended on that date, in respect of a subsidiary, two joint ventures and two companies amalgamated during the year, which have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included of such subsidiary, jointly controlled entities and companies amalgamated during the year and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, jointly controlled entities and companies amalgamated during the year is based solely on the reports of such other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, 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 and the financial statements and other financial information certified by the Management.

For **S R B C & CO LLP**

Chartered Accountants

**ICAI Firm Registration Number:** 324982E/E300003

**per Sudhir Soni**

**Partner**

Membership Number: 41870

Place of Signature: Mumbai

Date: May 30, 2016

# Annexure 1 to the Auditors' Report

**Annexure referred to in paragraph f under the heading "Report on other legal and Regulatory Requirement" of our report of even date –**

**Report on the Internal Financial Controls 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 Blue Star Limited as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Blue Star Limited (hereinafter referred to as the "Holding Company") and its subsidiary company which are companies incorporated in India, as of that date.

## Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company 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 Holding 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 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 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") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be 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 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.

## 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, the Holding Company and its subsidiary company, which are companies incorporated in India, have maintained 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, 2016, based on the internal control over financial reporting criteria established by the Holding 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 **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Sudhir Soni**

Partner

Membership Number: 41870

Place of Signature: Mumbai

Date: May 30, 2016

# Consolidated Balance Sheet as at March 31, 2016

(₹ in lakhs)

	Notes	As at March 31	
		2016	2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,799.02	1,798.72
Share capital suspense account	4	17,257.28	-
Reserves and surplus	5	47,210.18	43,758.22
		<b>66,266.48</b>	<b>45,556.94</b>
Minority interest		102.97	-
<b>Non-current liabilities</b>			
Long-term borrowings	6.1	1,804.58	2,386.66
Trade payables		208.86	139.77
Other long-term liabilities	7.1	41.08	66.83
Long-term provisions	8	1,059.37	586.92
		<b>3,113.89</b>	<b>3,180.18</b>
<b>Current liabilities</b>			
Short-term borrowings	6.2	34,495.37	37,282.91
Trade payables		109,427.47	88,463.72
Other current liabilities	7.2	41,999.29	34,809.53
Short-term provisions	8	3,553.04	8,203.40
		<b>189,475.17</b>	<b>168,759.56</b>
<b>TOTAL</b>		<b>258,958.51</b>	<b>217,496.68</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets			
Tangible assets	9	22,927.57	23,457.18
Intangible assets	9	3,889.06	2,201.39
Capital work-in-progress		626.42	247.94
Intangible assets under development		1,008.72	1,994.84
Non-current investments	10	6,480.85	3,634.86
Deferred tax assets (net)	11	2,223.85	1,651.03
Long-term loans and advances	12	19,025.33	13,946.31
Trade receivables	13.1	5,715.51	7,694.67
Other non-current assets	13.2	334.99	108.49
		<b>62,232.30</b>	<b>54,936.71</b>
<b>Current assets</b>			
Current investments	10.1	15,806.83	-
Inventories	14	54,013.88	47,853.74
Trade receivables	13.1	83,129.47	71,784.47
Cash and bank balances	15	5,383.37	4,431.90
Short-term loans and advances	12	11,198.49	11,594.08
Other current assets	13.2	27,194.17	26,895.78
		<b>196,726.21</b>	<b>162,559.97</b>
<b>TOTAL</b>		<b>258,958.51</b>	<b>217,496.68</b>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**

Partner

Membership No. 41870

Mumbai: May 30, 2016

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

**Ashok M Advani**

**Vir S Advani**

**Shailesh Haribhakti**

**Neeraj Basur**

**Vijay Devadiga**

Chairman

Managing Director

Director

Chief Financial Officer

Company Secretary

Mumbai: May 30, 2016

# Statement of Consolidated Profit & Loss Account for the year ended March 31, 2016

(₹ in lakhs)

	Notes	Year ended March 31	
		2016	2015
<b>Income</b>			
Revenue from operations (gross)	16	380,190.02	320,881.59
<b>Less:</b> excise duty		3,179.41	2,687.52
<b>Revenue from operations (net)</b>		<b>377,010.61</b>	<b>318,194.07</b>
Other income	17	1,684.87	848.82
<b>Total revenue (I)</b>		<b>378,695.48</b>	<b>319,042.89</b>
<b>Expenses</b>			
Cost of raw material and components consumed and project related cost	18	196,302.30	180,842.13
Purchase of traded goods	18	70,925.14	42,996.26
(Increase)/decrease in inventories of finished goods,work-in-progress and traded goods	19	(6,488.30)	(2,404.70)
Employee benefits expense	20	34,625.98	26,746.48
Other expenses	21	60,029.95	53,285.86
<b>Total (II)</b>		<b>355,395.07</b>	<b>301,466.03</b>
<b>Profit before interest, tax, depreciation and amortization and exceptional items (I) – (II)</b>		<b>23,300.41</b>	<b>17,576.86</b>
Depreciation and amortization expense	9	6,047.71	4,314.50
Finance costs	22	4,274.43	4,852.82
<b>Profit before tax and exceptional items</b>		<b>12,978.27</b>	<b>8,409.54</b>
Exceptional items (net)	23	(130.03)	(4,144.38)
Prior period income (refer note 25(a))		692.09	-
<b>Profit after exceptional items before tax</b>		<b>13,540.33</b>	<b>4,265.16</b>
<b>Profit from continuing operations before taxation :</b>		<b>12,120.72</b>	<b>4,265.16</b>
<b>Tax expenses</b>			
i) Current tax		-	119.83
Minimum Alternate Tax (MAT)		3,491.24	3,705.07
Less: MAT credit Entitlement (including prior year entitlement of ₹ 184.19 Lacs)		77.00	3,362.77
Net Current tax		3,414.24	462.13
Adjustment of tax relating to earlier periods		-	106.90
Less: Tax expense of discontinuing operation		329.68	-
Current tax for continuing operation		3,084.56	569.03
ii) Deferred tax		(720.70)	(1,358.27)
<b>Total tax expense</b>		<b>2,363.86</b>	<b>(789.24)</b>
<b>Profit after tax from continuing operations [A]</b>		<b>9,756.86</b>	<b>5,054.40</b>
<b>Profit from discontinuing operation before taxation</b>		<b>1,419.61</b>	-
Tax expense for discontinuing operation		329.68	-
<b>Profit after tax from discontinuing operation [B]</b>		<b>1,089.93</b>	-
<b>Profit for the year before Share in Associate (A + B)</b>		<b>10,846.79</b>	<b>5,054.40</b>
Add: Share of profit in Associate company		-	363.70
Less: Minority interest		9.21	-
<b>Profit for the year</b>		<b>10,837.58</b>	<b>5,418.10</b>
<b>Earnings per equity share [nominal value of share ₹ 2 (31 March 2015: ₹ 2) (refer note 36)]</b>			
<b>Basic</b>			
Computed on the basis of profit/(loss) for the year	₹	<b>11.37</b>	<b>6.02</b>
<b>Diluted</b>			
Computed on the basis of profit/(loss) for the year	₹	<b>11.34</b>	<b>6.01</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 30, 2016

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

**Ashok M Advani**  
**Vir S Advani**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Vijay Devadiga**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 30, 2016

# Consolidated Cash Flow Statement for the year ended March 31, 2016

(₹ in lakhs)

	Year ended March 31	
	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit after exceptional items before tax</b>	<b>13,540.33</b>	<b>4,265.16</b>
<b>Exceptional item</b>		
Expenses for projects (refer note 23)	2,723.78	5,824.89
<b>Profit before exceptional items and tax</b>	<b>16,264.11</b>	<b>10,090.05</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	6,047.71	4,314.50
Loss/(profit) on sale of fixed assets (net)	(52.06)	(2,170.63)
Profit on sale of the Information Technology Business	(4,894.46)	-
Contingencies towards indemnities provided on sale of IT business (refer note 23)	286.25	-
Bad debts/advances written off	230.80	371.57
Provision for doubtful debts and advances	1,087.24	4,393.92
Unrealized foreign exchange loss/(gain)	(451.80)	17.20
Liabilities written back	(3,151.01)	(2,781.84)
Interest expense	4,274.43	4,852.83
Interest (income)	(287.10)	(179.69)
Dividend (income)	(207.48)	(274.13)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>19,146.63</b>	<b>18,633.78</b>
Movements in working capital :		
Increase/(decrease) in trade payables	25,543.33	7,130.06
Increase/(decrease) in long-term/short-term provisions	466.79	177.58
Increase/(decrease) in other current liabilities	3,980.73	(645.48)
Decrease/(increase) in trade receivables	(11,083.13)	(2,754.16)
Decrease/(increase) in inventories	(6,160.14)	(2,038.73)
Decrease/(increase) in long-term/short-term loans and advances	703.96	1,529.56
Decrease/(increase) in other current/non-current assets	(3,164.72)	2,032.22
Cash generated from/(used in) operations	29,433.45	24,064.82
Direct taxes paid (net of refunds)	(5,244.52)	(2,571.85)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>24,188.93</b>	<b>21,492.98</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(5,497.37)	(6,016.07)
Proceeds from sale of fixed assets	373.92	2,495.22
Proceeds on sale of the Information Technology Business	17,268.28	-
Transaction cost of merger	(995.00)	-
Purchase of current and non current investments	(15,806.83)	-
Purchase of investments	(267.64)	-
Purchase of Preference Shares (refer note 41)	-	(1,800.00)
Interest received	287.10	179.69
Dividends received	207.48	274.13
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(4,430.06)</b>	<b>(4,867.03)</b>
<b>Balance carried forward</b>	<b>19,758.87</b>	<b>16,625.95</b>

## Consolidated Cash Flow statement for the year ended March 31, 2016

(₹ in lakhs)

	Year ended March 31	
	2016	2015
<b>Balance brought forward</b>	<b>19,758.87</b>	<b>16,625.95</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowing	192,574.45	247,758.64
Repayment of short term borrowings	(194,430.95)	(257,196.43)
Proceeds/(Repayment) from other short-Borrowings, net	(931.04)	(2,719.09)
Proceeds from long-term borrowings	-	2,489.97
Repayment of long-term borrowings	(503.71)	-
Proceeds from issue of share capital	43.51	-
Interest paid	(4,300.38)	(4,966.58)
Dividend paid on equity shares and preference shares	(10,658.43)	(3,929.93)
Tax on equity dividend paid	(2,267.48)	(470.54)
<b>Net cash flow from/(used in) in financing activities (C)</b>	<b>(20,474.03)</b>	<b>(19,033.96)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(715.16)</b>	<b>(2,408.02)</b>
Effect of exchange differences on cash & cash equivalents held in foreign currency	2.33	(4.81)
Cash and cash equivalents at the beginning of the year	<b>4,431.89</b>	<b>6,844.72</b>
Add: Cash and Cash equivalents acquired from subsidiaries on account of merger	1,664.30	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>5,383.37</b>	<b>4,431.89</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Balances with banks:		
– On current accounts	3,155.60	3,417.13
– On unpaid dividend account*	796.82	246.58
– On Fixed Deposits	1,374.72	730.55
Cash on hand	56.23	37.64
<b>TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)</b>	<b>5,383.37</b>	<b>4,431.89</b>

Summary of significant accounting policies

2.1

\* The company can utilize these balances only toward settlement of the respective unpaid dividend.

Amalgamation of Blue Star Infotech Limited and Blue Star Infotech Business Intelligence & Analytics Private Limited (refer note 4 of the financial statements) is a non cash transaction and hence, has no impact on the company's cash flow for the year.

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
Partner  
Membership No. 41870

Mumbai: May 30, 2016

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

**Ashok M Advani**  
**Vir S Advani**  
**Shailesh Haribhakti**  
**Neeraj Basur**  
**Vijay Devadiga**

Chairman  
Managing Director  
Director  
Chief Financial Officer  
Company Secretary

Mumbai: May 30, 2016

# Notes to Consolidated Financial Statements for the year ended March 31, 2016

## 1. Corporate information

Blue Star Limited (hereinafter referred to as “The Company”) is a Company registered under the Indian Companies Act, 1913. The Company along with its Subsidiaries (hereafter collectively referred to as the “Blue Star Group” or “The Group”), along with its Joint Ventures is primarily engaged in the business of central Air Conditioning & commercial refrigeration, plumbing and firefighting and varied IT services. The Group is also into distribution and maintenance of imported professional electronics and industrial systems.

During the year, Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) were amalgamated with the Company w.e.f April 1, 2015. BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The company has subsequently sold its IT Business as explained in note 4 to the Consolidated Financial Statements w.e.f January 1, 2016.

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these consolidated financial statements to comply in all material respects with the accounting standard notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The consolidated financial statements have been prepared on accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of previous year.

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in Schedule III of Companies Act, 2013.

Based on the nature of business and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

### 2.1 Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The Consolidated Financial Statements relate to the Blue Star Group and have been accounted for in accordance with Accounting Standard 21 - Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures respectively notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies Accounts Standards (Rules), 2014. The Consolidated Financial Statements are prepared on the following basis:

- i) Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered. The results of operations of subsidiaries are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.
- ii) Interests in the assets, liabilities, income and expenses of the Joint Ventures are consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses are eliminated to the extent of the Company’s proportionate share, except where cost cannot be recovered.
- iii) The difference between the cost to the Group of investment in Subsidiaries and Joint Ventures and the proportionate share in the equity of the investee Company as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill arising on consolidation is tested for impairment annually.
- iv) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company’s standalone financial statements.
- v) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2016.

**(b) Use of estimates**

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

**(c) Tangible fixed assets and Capital WIP**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for their intended use are also included in the cost of the assets to the extent these relate to the period up to the date such assets are ready to be put to use.

Expenditure (including interest) incurred during the construction period is included in Capital Work in progress and the same is allocated to respective fixed assets on completion of the construction.

**(d) Depreciation on tangible fixed assets**

Cost of Leasehold land is amortized on a straight line basis over the period of lease.

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on useful lives estimated as those prescribed under the schedule II to the Companies Act, 2013 except plant and machinery. The company has used the following useful lives to provide depreciation on its fixed assets.

Useful lives	Years
Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	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 less

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in schedule II.

In the case of Building (Band Box - Mumbai) estimated useful life of the Asset has been taken at 85 years as per the Certification taken from a Chartered Engineer.

Depreciation on the following fixed assets of foreign subsidiary and joint ventures is charged on straight line method at the rates, based on the estimated useful lives of the assets as estimated by the management, which are different than the useful lives prescribed under Schedule II to the Companies Act, 2013:

The principal annual rates used are as follows:

Office equipment	2-10 Years
Furniture and fittings	5-10 years
Motor vehicles	5 Years
Tools and Machineries	6 years

**(e) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to assess if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**(f) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Research and Development Cost:

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the recognition criteria are met. Development expenditure capitalized is amortized over the period of expected future sales from the related project not exceeding ten years.

Amortization of Intangible fixed assets:

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

**(g) Leases**

Where the Company is the lessor:

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets given on operating lease have been included under Investment Property. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Where the Company is the lessee:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

**(h) Government grants and subsidies**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. Capital subsidy received from the government is credited to capital reserve and treated as part of the shareholders' funds. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related assets.

**(i) Investments**

All investments intended to be held for more than one year from the date of the purchase are classified as Long term investments. All other investments are classified as current investments. Long-term investments are carried at cost. A provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Current investments are carried in the consolidated financial statements at lower of cost and fair value determined on an individual investment basis.

**Investment Property**

An investment in land or buildings, which is not intended to be occupied substantially for use by, or in the operations of, the company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation on building component of investment property is calculated on a written down value basis using the rate arrived at based on the useful life (60 years) as those prescribed under the schedule II to the Companies Act, 2013.

### **(j) Inventories**

Inventories are valued as follows:

- (i) Raw materials, traded goods, stores and components are valued at Lower of cost or net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- (ii) Work-In-Progress and Finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- (iii) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

### **(k) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, upon fulfillment of following criteria:

- (i) Revenue from long – term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.
- (ii) Contract revenue earned in excess of billing has been reflected under “Other Current Assets” and billing in excess of contract revenue is reflected under “Other Current Liabilities” in the balance sheet. Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably and has been reflected under “Other Current Assets”.
- (iii) Revenues from annual maintenance contracts are recognized pro-rata over the period of the contract.
- (iv) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. Sales taxes and Value added taxes (VAT) are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.
- (v) Commission income is recognized as and when the terms of the contracts are fulfilled.
- (vi) Claims recoverable are accrued only to the extent it is probable that they will result in revenue and they are capable of being reliably measured.
- (vii) Export incentive receivable is accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.
- (viii) Dividend income is recognized when the right to receive dividend is established.
- (ix) Interest income is recognized on accrual basis.
- (x) Revenue from software development/sale of services with respect to time and material contracts has been recognized as related costs are incurred and services are performed in accordance with the terms of specific contracts.
- (xi) Revenue from fixed price contracts relating to software development has been recognized based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the basis of proportionate completion method. Provisions for estimated losses on incomplete contracts have been recorded in the period in which such losses become probable based on the current estimates.
- (xii) Revenue from sale of traded software licenses and traded hardware has been recognized on delivery to the customer.

### **(l) Foreign Exchange Transactions**

#### **(i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are restated at the exchange rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange difference

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Translation of Integral and Non-integral foreign operation

The company classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations." The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss is translated at exchange rates prevailing at the dates of transactions or average rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve.

(v) Forward Exchange Contracts entered into hedge foreign currency risk of an existing Asset/Liabilities

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the consolidated statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

(vi) Exchange difference arising on financing activities is reflected under the head 'finance costs' as 'Exchange differences on borrowings (net).

**(m) Retirement and other Employee Benefits**

(i) Defined Contribution Plan

The Company's liability towards Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plan. The Company's contributions paid/payable towards this defined contribution plan is recognized as expense in the consolidated statement of profit and loss during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trusts.

(ii) Defined Benefit Plan

Provident Fund:

Eligible employees receive benefit from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contribution to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Blue Star Employees Provident Fund Trust. The trust invests in specific designated instruments as permitted by the statute. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

Gratuity:

Company's liabilities towards gratuity are considered as Defined Benefit Plans. The present value of the obligations towards Gratuity and additional gratuity are determined based on actuarial valuation using the projected unit credit method at the end of each financial year. The obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields on Government securities at the balance sheet date and adjusted for salary escalation and attrition rate. Actuarial gains and losses are recognized in full in the period in which they occur in the consolidated statement of profit and loss.

(iii) Other Employee benefits:

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are taken to consolidated statement of profit and loss and are not deferred.

The Company presents the entire leave as a Current Liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting period.

(iv) Voluntary Retirement Scheme

The cost incurred under the Voluntary Retirement Scheme is charged to the consolidated statement of profit and loss in the month of separation of the employee.

**(n) Employee stock compensation cost**

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the consolidated statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

**(o) Excise Duty**

Excise duty on direct sales by the manufacturing units is reduced from the sales.

Excise Duty liability on closing stock of finished goods lying at the manufacturing units is accounted based on the estimated duty payable as at the close of the year.

**(p) Taxes on Income**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situation where the Company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the consolidated statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The said asset is created by way of credit to the consolidated statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**(q) Segment Reporting Policies**

**(i) Identification of segments :**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**(ii) Allocation of common costs/assets & liabilities:** Common allocable costs/assets and liabilities are consistently allocated amongst the segments on appropriate basis.

**(iii) Unallocated items:** Includes general corporate income and expense items which are not allocated to any business segment.

**(iv) Segment Policies:** The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the company as a whole.

**(r) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(s) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(t) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

**(u) Cash and Cash equivalents**

Cash and cash equivalents for the purposes of consolidated cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(v) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 3: SHARE CAPITAL

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Authorized Shares</b>		
10,000 (31 March 2015: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
283,600,000 (31 March 2015: 148,700,000) Equity Shares of ₹2 each	5,672.00	2,974.00
16,000 (31 March 2015: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
5,20,000 (31 March 2015: NIL) Cumulative Compulsorily Convertible Preference Shares of ₹10/- each	52.00	-
	<b>5,750.00</b>	<b>3,000.00</b>
<b>Issued, subscribed and fully paid-up shares</b>		
89,951,105 (31 March 2015: 89,936,105) Equity Shares of ₹2 each	1,799.02	1,798.72
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,799.02</b>	<b>1,798.72</b>

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

(₹ in lakhs)

Equity shares	As at March 31			
	31-Mar-16		31-Mar-15	
At the beginning of the period	89,936,105	1,798.72	89,936,105	1,798.72
Issued during the period – ESOP	15,000	0.30	-	-
<b>Outstanding at the end of the period</b>	<b>89,951,105</b>	<b>1,799.02</b>	<b>89,936,105</b>	<b>1,798.72</b>

b) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2016 interim & final dividend per share distributed to the equity shareholders is ₹6.50 (31 March, 2015 : Final Dividend ₹5).

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

Name of the shareholder	As at 31 March 2016	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Compa[ny Ltd #	11,013,076	12.24%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,869,953	7.64%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

## Notes to Consolidated Financial statements for the year ended March 31, 2016

Name of the shareholder	As at 31 March 2015	
	Nos.	% holding in the class
Equity shares of ₹2 each fully paid		
IL & FS Trust Company Ltd #	11,013,076	12.25%
Ashok Mohan Advani	10,315,107	11.47%
HDFC Trustee Company Limited	6,828,673	7.59%
Suneel Mohan Advani	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	5.26%

# these shares are held in trust for the promoter group who are the beneficial owners

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares, except as disclosed.

d) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company (refer note 38).

#### 4. SHARE CAPITAL SUSPENSE ACCOUNT

(₹ in lakhs)

Details	As at March 31	
	2016	2015
53,91,383 equity shares of ₹2 each of the company will be 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 16.4.16	107.83	-
Securities Premium of ₹318.09 per share on 53,91,383 equity shares of ₹2 each of the company arising from the issuance of new equity shares as explained above.	17,149.45	-
	17,257.28	-

#### Amalgamation and sale of business of Blue Star Infotech Ltd (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Limited (the Company)

Pursuant to the composite scheme of amalgamation ('the Scheme') of BSIL and BSIBIA with the Company under sections 391 to 394 of The Companies Act, 1956 sanctioned by the Honorable High Court of Bombay on April 16, 2016, the assets and liabilities of BSIL and BSIBIA are transferred to and vested in the Company with effect from April 1, 2015. Accordingly, the Scheme has been given effect to in these accounts.

BSIL and BSIBIA were mainly engaged in the information technology and software services business till December 31, 2015. BSIL operations also include leasing of immovable property which continues.

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

1. The assets and liabilities of BSIL and BSIBIA as at April 1, 2015 have been recognised at their Fair values in the Financial Statements of the Company.
2. BSIL's 1,08,00,000 equity shares of ₹10 each fully paid up stands cancelled.
3. The Company has discharged the purchase consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Company. Pending issue and allotment of the equity shares, the face value and premium on such shares of ₹17,257.28 lakh has been shown under the heading "Share Suspense Account" as at March 31, 2016.
4. The excess of the fair value of purchase consideration over the fair value of net assets of BSIL and BSIBIA amounting to ₹1,036 Lacs has been treated as goodwill. Goodwill arising above has been amortised/charged off during the year.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

- As per the Scheme, pending allotment of shares, dividend @ ₹6.5 per share relating to 53,91,383 equity shares and amounting to ₹350.44 Lacs has been shown under other current liabilities as dividend payable.
- Pursuant to a Business Transfer Agreement executed on September 29, 2015 which was approved by the Board of Directors of BSIL on that date and subsequently by the shareholders of BSIL on November 18, 2015, BSIL has sold its Information Technology business on a Slump Sale basis to Infogain India Pvt. Ltd. effective January 1, 2016. The business transfer involves transfer of the business, employees and all business assets and liabilities for an agreed cash consideration of ₹7,358 lakhs.

Further, BSIL has also sold its investments in its three overseas subsidiaries as per the terms of individual Share Purchase Agreements entered on September 29, 2015 with Infogain Corporation, California, USA. The agreement, was approved by the Board of Directors of BSIL on that date and subsequently by shareholders of BSIL on November 18, 2015 vide a postal ballot. The agreed sales consideration was as follows :

Name of the overseas subsidiary	Country	Sale Consideration (₹ in Lakhs)
Blue Star Infotech America Inc.	United States of America	3,650.00
Blue Star Infotech (UK) Ltd.	United Kingdom	2,180.00
Blue Star Infotech (Singapore) Pte. Ltd.	Singapore	4,080.00
<b>Total</b>		<b>9,910.00</b>

- Consequent to amalgamation and sale of IT Business, the Company has recorded a gain of ₹4894.46 lacs which has been disclosed as an exceptional item in the financial statement.
- Figures for the current year include figures of BSIL and BSIBIA which has been amalgamated with the Company with effect from April 1, 2015, and are therefore to that extent not comparable with those of previous year.

### 5: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>General reserve</b>		
Balance as per the last financial statements	20,880.76	19,355.48
Add: amount transferred from surplus balance in the statement of profit and loss	1,227.70	1,525.28
<b>Closing Balance</b>	<b>22,108.46</b>	<b>20,880.76</b>
<b>Capital redemption reserve</b>	233.56	233.56
<b>Capital Reserve on amalgamation</b>	2,793.62	2,793.62
<b>Capital reserve on acquisition of Joint Venture</b>	46.00	-
	2,839.62	2,793.62
<b>Securities Premium Account</b>		
Balance as per the last financial statements	-	-
Add: Received during the year	43.21	-
<b>Closing Balance</b>	<b>43.21</b>	<b>-</b>
<b>Capital Subsidy from Government</b>	60.00	60.00
<b>Foreign Currency Translation Reserve</b>		
Balance as per the last financial statements	153.70	175.00
Add: Adjustment on account of Joint ventures & Subsidiary	168.70	(21.30)
<b>Closing Balance</b>	<b>322.40</b>	<b>153.70</b>

## Notes to Consolidated Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Hedging Reserve on Forward Contract</b>		
Balance as per the last financial statements	(1.51)	-
Add: Adjustment on account of Associate	1.51	(1.51)
<b>Closing Balance</b>	-	(1.51)
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	19,638.09	21,636.10
Profit/(loss) for the year	10,837.58	5,418.10
Less : Adjustment to written down value of assets fully depreciated pursuant to Schedule II of the Companies Act, 2013, net of tax (refer note: 41)	-	290.86
Less: Adjustment due to dilution of share in Associate	-	52.28
<b>Less: Appropriations</b>		
Proposed equity dividend (amount per share ₹NIL (31 March 2015: ₹5))	-	4,496.81
Tax on proposed equity dividend	-	915.46
Interim equity dividend (amount per share ₹6.5 (31 March 2015: ₹NIL))	5,846.82	-
Dividend payable on shares arising from amalgamation (amount per share ₹6.5 (31 March 2015: ₹NIL))	350.44	-
Tax on Interim equity dividend	1,261.62	-
Interim equity dividend by joint venture	186.16	135.42
Transfer to general reserve	1,227.70	1,525.28
Total appropriations	<b>8,872.74</b>	<b>7,072.97</b>
<b>Net surplus in the statement of profit and loss</b>	<b>21,602.93</b>	<b>19,638.09</b>
<b>Total reserves and surplus</b>	<b>47,210.18</b>	<b>43,758.22</b>

### 6.1 LONG TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2016	2015
Term Loan from Bank against property	1,986.26	2,489.97
Less: Current maturities	(181.68)	(103.31)
	<b>1,804.58</b>	<b>2,386.66</b>

- Outstanding Loan carries interest rate of 10.50% p.a. to 11.70% p.a. (31 March 2015: 11.5%)
- Outstanding Loan is secured by hypothecation of building
- Loan is repayable over a period of 144 Months

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 6.2 SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2016	2015
On cash credit, packing credit & working capital demand loan accounts from banks (secured) (Note a & b)	10,494.90	5,582.96
Buyers' credit (secured) (Note b & c)	7,019.95	1,891.36
Buyers' credit (unsecured) (Note c)	6,980.52	9,808.59
Commercial papers from banks (unsecured) (Note d)	10,000.00	10,000.00
Commercial papers from others (unsecured) (Note d)	-	10,000.00
	<b>34,495.37</b>	<b>37,282.91</b>
<b>The above amount includes</b>		
Secured borrowings	17,514.85	7,474.32
Unsecured borrowings	16,980.52	29,808.59

- Outstanding loans carry an average interest rate of 6% to 9% p.a. (31 March 2015: 7% to 10.26% p.a.).
- Outstanding loans are secured by hypothecation of stock-in-trade and trade receivables.
- Buyers' credit are availed for imports payables and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.68% (31 March 2015: Libor plus 0.95%).
- Commercial papers carry average interest rate @ 7.78% p.a. for the current year (31 March 2015: 8.75% p.a.). These are repayable within 15 days to 91 days from the date of drawdown.

### 7.1 OTHER LONG TERM LIABILITIES

(₹ in lakhs)

	As at March 31	
	2016	2015
Lease Rent Deposit	41.08	66.83
	<b>41.08</b>	<b>66.83</b>

### 7.2 OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Other liabilities</b>		
Current maturities of long term borrowings - secured	181.68	103.31
Interest accrued but not due on borrowings	37.66	11.72
Amount due to customers (refer note 26)	5,547.27	4,548.58
Unearned revenue on AMC services	4,615.40	4,482.25
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	446.64	246.58
Dividend payable on shares arising from amalgamation (refer note 4)	350.44	-
Advance from customers	22,304.40	20,544.35
Unrealised loss on forward contract liability	702.59	84.96
Others		
Due to joint ventures	146.31	109.70
Creditors - capital expenditure	702.07	43.40

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 7.2 OTHER CURRENT LIABILITIES (CONTD.)

(₹ in lakhs)

	As at March 31	
	2016	2015
Interest free deposits from customers	242.04	227.26
Due to statutory bodies	5,687.41	4,268.92
Other liabilities	1,035.38	138.50
	<b>41,999.29</b>	<b>34,809.53</b>

### 8: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Provision for employee benefits</b>				
Provision for gratuity (refer note 32)	41.23	45.79	3.40	1.19
Provision for additional gratuity (refer note 32)	61.08	52.49	4.77	10.00
Provision for other employment benefits	173.66	77.74	188.81	59.66
Provision for leave benefits	-	14.40	1,514.96	1,317.92
	<b>275.97</b>	<b>190.42</b>	<b>1,711.93</b>	<b>1,388.77</b>
<b>Other provisions</b>				
Contingencies towards indemnities provided on Sale of IT business (refer note 23)	-	-	286.25	-
Provision for warranties	783.40	396.50	1,083.17	864.20
Loss order	-	-	471.68	538.16
Proposed equity dividend	-	-	-	4,496.81
Provision for tax on proposed equity dividend	-	-	-	915.46
	<b>783.40</b>	<b>396.50</b>	<b>1,841.10</b>	<b>6,814.63</b>
	<b>1,059.37</b>	<b>586.92</b>	<b>3,553.04</b>	<b>8,203.40</b>

### Contingencies towards representations and warranties

	As at March 31	
	2016	2015
At the beginning of the year	-	-
Arising during the year	286.25	-
Utilized during the year	-	-
Unused amounts reversed during the year	-	-
<b>At the end of the year</b>	<b>286.25</b>	<b>-</b>

### Provision for warranties

A provision is recognised for standard warranty claims based on turnover during the year and extended warranty on the basis of turnover for preceding two to four years. The company estimates the future cost of warranty based on historical experience of the level of repairs & returns. The estimates of such warranty cost are revised annually.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
At the beginning of the year	1,260.70	839.89
Arising during the year	1,311.21	1,063.66
Utilized during the year	(705.34)	(642.85)
<b>At the end of the year</b>	<b>1,866.57</b>	<b>1,260.70</b>
Current portion	1,083.17	864.20
Non-current portion	783.40	396.50

### Loss order

A provision for expected loss on construction contract is recognised when it is probable that the contract cost will exceed the total contract revenue. For all other contracts, loss order provisions are made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

# Notes to Consolidated Financial statements for the year ended March 31, 2016

## 9: FIXED ASSETS

(₹ in lakhs)

Sr. No.	Description of Assets	Gross Block					Depreciation					Net Block			
		Asat 1.4.2015	Adjustments due to merger (Refer Note 4)	Additions during the year	Adjustments/ Reclassification (Refer Note 25a)	Deductions	Asat 31.03.2016	Asat 1.4.2015	Adjustments due to merger (Refer Note 4)	Adjustments/ Reclassification (Refer Note 25a)	Deductions	Provided during the year	Adjustment (Refer Note 42)	Asat 31.03.2016	Asat 31.03.2016
<b>Tangible assets</b>															
1	Land-Freehold	889.39 (889.39)	-	-	-	-	889.39 (889.39)	-	-	-	-	-	-	-	889.39 (889.39)
2	Land-Leasehold	7.94 (7.94)	-	-	-	-	7.94 (7.94)	2.68 (2.68)	-	-	-	-	-	-	2.68 (2.68)
3	Building Sheds and Road	16,832.43 (16,107.64)	-	482.12 (867.48)	(11.83)	9.25 (142.69)	17,293.47 (16,832.43)	7,133.26 (6,193.52)	-	(2.24)	91.09 (94.27)	1,039.21 (881.77)	-	(152.24)	8,079.14 (7,133.26)
4	Plant & Machinery#	26,031.52 (24,506.07)	-	1,389.15 (2,153.09)	20.25	1,260.11 (627.64)	26,180.81 (26,031.52)	14,870.54 (13,489.98)	-	16.01	987.34 (434.74)	1,998.41 (1,813.94)	-	(1.37)	15,897.62 (14,870.54)
5	Furniture & Fixtures	2,127.17 (2,263.71)	574.55	137.38 (21.97)	147.34	411.64 (158.51)	2,574.80 (2,127.17)	1,775.06 (1,681.46)	460.89	14.01	394.51 (133.37)	203.88 (180.25)	-	(46.72)	2,059.33 (1,775.06)
6	Office Equipments	1,294.70 (1,311.02)	255.59	129.59 (138.61)	33.77	242.39 (154.93)	1,471.26 (1,294.70)	1,094.74 (787.38)	208.52	28.43	210.79 (147.61)	148.83 (268.79)	-	(186.18)	1,269.73 (1,094.74)
7	Vehicles	1,163.70 (1,036.72)	87.47	712.54 (328.04)	112.48	152.88 (201.05)	1,923.31 (1,163.70)	625.02 (602.20)	59.63	55.57	112.30 (150.24)	318.62 (170.37)	-	(2.68)	946.54 (625.02)
8	Leasehold Improvements	164.28	624.58	89.39 (164.28)	(69.10)	624.58	184.57 (164.28)	2.18	359.19	12.13	403.32	59.61 (2.18)	-	-	29.79 (2.18)
9	Computers	2,060.43 (1,600.29)	1,059.46	704.29 (522.09)	-	1,282.93 (61.95)	2,541.25 (2,060.43)	1,610.91 (1,350.38)	872.06	-	1,158.99 (61.95)	530.42 (271.84)	-	(50.64)	1,854.40 (1,610.91)
<b>Total 2015-16</b>		<b>50,571.56</b>	<b>2,601.65</b>	<b>3,644.46</b>	<b>232.91</b>	<b>3,983.78</b>	<b>53,066.80</b>	<b>27,114.39</b>	<b>1,960.29</b>	<b>123.91</b>	<b>3,358.34</b>	<b>4,298.98</b>	<b>-</b>	<b>(439.83)</b>	<b>30,139.23</b>
<b>Total 2014-15</b>		<b>(47,722.78)</b>	<b>-</b>	<b>(4,195.56)</b>	<b>-</b>	<b>(1,346.78)</b>	<b>(50,571.56)</b>	<b>(24,107.60)</b>	<b>-</b>	<b>-</b>	<b>(1,022.19)</b>	<b>(3,589.13)</b>	<b>-</b>	<b>(439.83)</b>	<b>(27,114.38)</b>

Sr. No.	Description of Assets	Gross Block					Depreciation					Net Block			
		Asat 1.4.2015	Adjustments due to merger (Refer Note 4)	Additions during the year	Adjustments/ Reclassification (Refer Note 25a)	Deductions	Asat 31.03.2016	Asat 1.4.2015	Adjustments due to merger (Refer Note 4)	Adjustments/ Reclassification (Refer Note 25a)	Deductions	Provided during the year	Adjustment (Refer Note 42)	Asat 31.03.2016	Asat 31.03.2016
<b>Intangible Assets</b>															
1	Technical Knowhow	2,005.14 (1,686.47)	-	1,556.81 (318.67)	-	-	3,561.95 (2,005.14)	913.78 (631.69)	-	-	-	498.51 (282.09)	-	-	1,412.29 (913.78)
2	Software	4,329.72 (3,684.79)	620.75	1,240.53 (644.93)	-	623.05	5,567.95 (4,329.72)	3,252.85 (2,809.57)	488.13	-	555.29	676.02 (443.28)	-	-	3,861.71 (3,252.85)
3	Marketing KnowHow	- (2.68)	103.78	-	-	103.78 (2.68)	-	-	52.00	-	103.78 (2.68)	51.78	-	-	-
4	Goodwill (Refer Note 37)	33.16	1,036.72	-	-	1,036.72	33.16 (33.16)	-	-	-	155.51	155.51	-	-	33.16 (33.16)
<b>Total 2015-16</b>		<b>6,368.02</b>	<b>1,761.25</b>	<b>2,797.34</b>	<b>-</b>	<b>1,763.55</b>	<b>9,163.06</b>	<b>4,166.63</b>	<b>540.13</b>	<b>-</b>	<b>814.58</b>	<b>1,381.82</b>	<b>-</b>	<b>-</b>	<b>5,274.00</b>
<b>Total 2014-15</b>		<b>(5,373.94)</b>	<b>-</b>	<b>(996.76)</b>	<b>-</b>	<b>(2.68)</b>	<b>(6,368.03)</b>	<b>(3,443.94)</b>	<b>-</b>	<b>-</b>	<b>(2.68)</b>	<b>(725.36)</b>	<b>-</b>	<b>-</b>	<b>(4,166.62)</b>

Figures in brackets represents amounts pertaining to previous years.

# Net of Grant of ₹36.24 lacs (Previous year: ₹36.24 lacs) for UNIDO machine.

# Net of Grant of ₹340.10 lacs (Previous year: ₹Nil) for Cyclopentane C5 Panel Project.

(₹ in lakhs)

	March 31	
	2016	2015
<b>Depreciation and Amortisation Expense</b>		
Depreciation on Tangible Assets	4,298.98	3,589.13
Amortization of Intangible Assets	1,381.82	725.36
Depreciation on Investment property (refer note 10)	366.91	-
	<b>6,047.71</b>	<b>4,314.50</b>

- 3 Plant & machinery includes asset held for sale -  
 Gross Block ₹1,439.29 lacs (Previous year: ₹1,790.02 lacs) Depreciation ₹137.13 lacs (Previous year: ₹83.73 lacs) Accumulated Depreciation ₹1,242.09 lacs (Previous year: ₹1,257.90 lacs) Net book value ₹197.20 lacs (Previous year: ₹532.12 lacs)

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 10: NON CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Long Term Investments :</b>		
<b>I. Investment property (at cost less accumulated depreciation)</b>		
Cost of property given on operating lease	6,646.97	-
Less: Accumulated depreciation	366.90	-
<b>Net block</b>	<b>6,280.07</b>	<b>-</b>
Investment Property (under development)	200.78	199.17
	<b>6,480.85</b>	<b>199.17</b>
<b>Other Non-trade investments (valued at cost unless stated otherwise)</b>		
<b>Investment in Associates (Quoted)</b>		
3,098,025 (31 March 2015 : 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (including Capital Reserve ₹203.52 lacs)	-	3,435.69
	-	<b>3,435.69</b>
	<b>6,480.85</b>	<b>3,634.86</b>

Aggregate amount of quoted investments (Market value: ₹NIL lacs (31 March 2015 : ₹6,109.31 lacs))

### 10.1 CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Non Trade, unquoted (Valued at cost unless stated otherwise)</b>		
<b>Investment in units of Mutual Funds</b>		
<b>Liquid Funds</b>		
98,717.962 Units (Previous year NIL) of ₹100 each fully paid up in ICICI Money Market Fund	218.90	-
46,385 Units (Previous year NIL) of ₹1,000 each fully paid up in HDFC Liquid Fund - Daily Dividend	0.47	-
<b>Growth Schemes</b>		
31,09,247.29 Units (Previous year NIL) of ₹10 each fully paid up in HDFC Mutual Fund	800.00	-
3,00,538.246 Units (Previous year NIL) of ₹100 each fully paid up in ICICI Prudential Mutual Fund	850.00	-
43,823.267 Units (Previous year NIL) of ₹1,000 each fully paid up in Kotak Mutual Fund	800.00	-
39,06,784.13 Units (Previous year NIL) of ₹10 each fully paid up in DHFL Mutual Fund	800.00	-
<b>Commercial Paper</b>		
Tata Motors Finance Ltd 364 Days, Maturity 10 August 2016-500 Units, Market value ₹2,428.10 Lakhs	2,421.04	-
Godrej Industries Ltd, Maturity 10 August 2016, Face value ₹5 Lakhs-500 Units, Market value ₹2,436.26 Lakhs	2,425.41	-
Housing Development Finance Corporation Ltd. 12 Months 9.3% NCD, Maturity 01 August 2016, Face value ₹10 Lakhs-250 Units, Market value ₹2,654.46 Lakhs	2,651.75	-

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 10.1 CURRENT INVESTMENTS (CONTD.)

(₹ in lakhs)

	As at March 31	
	2016	2015
Dewan Housing Finance Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs-500 Units, Market value ₹2,429.56 Lakhs	2,418.58	-
Kotak Mahindra Investments Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs-500 Units, Market value ₹2,429.56 Lakhs	2,420.68	-
	<b>15,806.83</b>	-

### 11: DEFERRED TAX ASSETS (NET)

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	2,498.12	1,910.28
Gross deferred tax liability	2,498.12	1,910.28
<b>Deferred tax asset</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	1,121.09	569.31
Provision for doubtful debts and advances	3,600.88	2,992.00
Gross deferred tax asset	4,721.97	3,561.31
<b>Net deferred tax asset*</b>	<b>2,223.85</b>	<b>1,651.03</b>

\* Includes opening deferred tax liability of ₹144 Lacs as on April 1, 2015 of BSIL taken over on amalgamation

### 12: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Capital advances</b>				
Unsecured, considered good	1,010.73	350.99	-	-
	1,010.73	350.99	-	-
<b>Security deposit</b>				
Unsecured, considered good	1,331.07	1,277.71	-	76.79
	1,331.07	1,277.71	-	76.79
<b>Loan and advances to related parties</b>				
Unsecured, considered good	-	-	-	68.68
	-	-	-	68.68
Provision for doubtful advances	-	-	-	-
	-	-	-	68.68
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	-	102.71	3,913.01	3,997.37
	-	102.71	3,913.01	3,997.37

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 12: LOANS AND ADVANCES (CONTD.)

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Other loans and advances, Unsecured, considered good</b>				
Advance income-tax (net of Provisions ₹41330.44 lacs (31 March 2015 : ₹37,373.19 lacs))	7,802.11	4,055.06	-	-
MAT credit entitlement	6,861.24	6,700.72	-	-
Prepaid expenses	2.75	4.04	1,881.07	1,414.23
Loans to employees	534.48	342.72	54.34	121.49
Balances with statutory/government authorities	1,482.95	1,112.36	5,350.07	5,915.52
	16,683.53	12,214.90	7,285.48	7,451.24
<b>Total</b>	<b>19,025.33</b>	<b>13,946.31</b>	<b>11,198.49</b>	<b>11,594.08</b>

### 13: TRADE RECEIVABLES AND OTHER ASSETS

(₹ in lakhs)

#### 13.1: TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Unsecured, considered good	-	-	17,818.01	16,844.67
Considered doubtful	-	-	11,516.59	10,805.13
	-	-	29,334.60	27,649.80
Provision for doubtful receivables	-	-	11,516.59	10,805.13
	-	-	17,818.01	16,844.67
<b>Other receivables</b>				
Unsecured, considered good	5,715.51	7,694.67	65,311.46	54,939.80
	5,715.51	7,694.67	65,311.46	54,939.80
	<b>5,715.51</b>	<b>7,694.67</b>	<b>83,129.47</b>	<b>71,784.47</b>
Due from Company in which the Company's Non executive Director is a Director				
Atria Convergence technologies Pvt Ltd.	-	-	0.82	10.70
<b>13.2: OTHER ASSETS</b>				
<b>Unsecured, considered good unless stated otherwise</b>				
Non-current bank balances (refer note 15)	334.99	108.49	7.99	-
<b>Unbilled Revenue :</b>				
Project revenue (refer note 26)	-	-	26,647.03	26,428.82
AMC	-	-	539.15	466.96
	-	-	27,186.18	26,895.78
	<b>334.99</b>	<b>108.49</b>	<b>27,194.17</b>	<b>26,895.78</b>

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 14: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2016	2015
Raw materials & components (includes in transit : ₹2,894.56 lacs (31 Mar 2015: ₹3,024.63 lacs))	11,337.75	11,894.11
Work-in-progress	3,384.14	3,585.26
Finished goods	10,663.71	13,516.64
Traded goods (including in transit: ₹4,871.58 lacs (31 March 2015: ₹2,541.93 lacs))	25,160.44	15,618.10
Stores and spares	3,467.84	3,239.63
	<b>54,013.88</b>	<b>47,853.74</b>

### 15: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<b>Cash and cash equivalents</b>				
Balances with banks:				
– On current accounts	-	-	3,155.60	3,417.13
– On unpaid dividend account	-	-	796.82	246.58
– Fixed deposits	-	-	1,374.72	730.55
Cash on hand	-	-	56.23	37.64
	-	-	5,383.37	4,431.90
<b>Other bank balances</b>				
Margin money deposit	334.99	108.49	-	-
	334.99	108.49	-	-
Amount disclosed under non-current assets (refer note 13.2)	(334.99)	(108.49)	-	-
	-	-	<b>5,383.37</b>	<b>4,431.90</b>

#### Margin money deposits given as security

Margin money deposits with a carrying amount of ₹334.99 Lacs (31 March 2015 : ₹108.49 lacs) are subject to first charge as Security deposit with customers.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 16: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
<b>Revenue from operations</b>		
Sale of products		
Finished goods	165,676.96	155,830.48
Traded goods	83,031.22	57,778.70
<b>Net Sale of products</b>	<b>248,708.18</b>	<b>213,609.18</b>
Services rendered	46,516.79	32,906.52
Revenue from construction contracts (refer note 26)	80,544.77	69,991.36
Other operating revenue		
Commission income	778.51	1,196.97
Provisions and Liabilities no longer required	3,151.01	2,781.84
Other	490.76	395.72
<b>Revenue from operations (gross)</b>	<b>380,190.02</b>	<b>320,881.59</b>
Less: Excise duty #	3,179.41	2,687.52
<b>Revenue from operations (net)</b>	<b>377,010.61</b>	<b>318,194.07</b>

# Excise duty on sales amounting to ₹3,179.41 lacs (31 March 2015 : ₹2,687.52 lacs) has been reduced from sales in the statement of profit & loss and excise duty on (increase)/decrease in stock amounting to ₹1 lacs (31 March 2015 : ₹(31.14) lacs) has been considered as (income)/expense in note 19 of financial statements.

### 17: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Interest income on		
Bank deposits	76.14	17.75
Others	375.46	161.94
Dividend income on		
Current investments	25.78	14.35
Long-term investment	181.70	259.78
Profit on sale of fixed assets (net)	52.06	1.89
Income from lease rentals (refer note 35)	660.76	-
Other non operating Income	312.97	393.11
	<b>1,684.87</b>	<b>848.82</b>

### 18: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Cost of material consumed	123,113.14	110,169.72
Project cost (including bought outs) (refer note 30)	73,189.16	70,672.41
	<b>196,302.30</b>	<b>180,842.13</b>
Purchase of traded goods	<b>70,925.14</b>	<b>42,996.26</b>

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 19: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-16	31-Mar-15	(Increase)/ decrease 31-Mar-16
<b>Inventories at the end of the year</b>			
Traded goods	25,160.44	15,618.09	9,542.34
Work-in-progress	3,384.14	3,585.26	(201.12)
Finished goods	10,663.71	13,516.64	(2,852.92)
	<b>39,208.29</b>	<b>32,719.99</b>	<b>6,488.30</b>
<b>Inventories at the beginning of the year</b>			
Traded goods	15,618.09	12,474.82	3,143.27
Work-in-progress	3,585.26	3,737.89	(152.63)
Finished goods	13,516.64	14,102.58	(585.94)
	<b>32,719.99</b>	<b>30,315.29</b>	<b>2,404.70</b>
	<b>(6,488.30)</b>	<b>(2,404.70)</b>	

### 20: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Salaries, wages and bonus	29,647.53	22,415.97
Contribution to provident and other funds	1,363.00	1,269.04
Gratuity expense (refer note 32)	585.08	803.42
Other employment benefits	601.15	508.42
Staff welfare expenses	2,429.22	1,749.63
	<b>34,625.98</b>	<b>26,746.48</b>

### 21: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Stores and spares consumed	1,212.48	1,033.63
AMC subcontracting cost	18,914.18	17,076.37
Rent (refer note 30 and 35)	4,282.77	3,162.10
Rates and taxes	94.20	289.34
Power and fuel (refer note 30)	1,702.98	1,488.71
Insurance (refer note 30)	243.44	276.10
Repairs and maintenance		
Buildings	1,000.40	663.61
Plant and machinery	433.55	365.72
Others	608.63	495.63
Advertising and sales promotion	6,313.72	5,194.42
Commission, discounts and incentives on sales (refer note 29)	5,136.91	3,533.27
Freight and forwarding charges	4,147.11	3,720.13
Travelling and conveyance (refer note 30)	3,924.04	3,177.63
Printing and stationery (refer note 30)	362.26	298.52

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 21: OTHER EXPENSES (CONTD.)

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Legal and professional fees (refer note 30)	6,818.82	4,455.74
Directors' sitting fees	60.58	62.00
Payment to auditor	140.61	112.61
Corporate social responsibility expenses	118.56	-
Donations	92.02	17.50
Loss on sale of fixed assets (net)	-	79.09
Exchange differences (net)	18.86	771.53
Bad debts/advances written off	230.80	371.57
Provision for doubtful debts and advances (net)	1,087.24	4,393.92
Miscellaneous expenses	3,085.79	2,246.72
	<b>60,029.95</b>	<b>53,285.86</b>

### 22: FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Interest	3,233.20	3,593.69
Bank charges (refer note 30)	414.61	374.44
Exchange difference on borrowing (net)	626.62	884.69
	<b>4,274.43</b>	<b>4,852.82</b>

### 23: EXCEPTIONAL ITEMS

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
A. Exceptional Income		
Surplus on sale of assets	-	2,247.84
Profit on sale of IT business (refer note 4)	4,894.46	-
	4,894.46	2,247.84
Less :		
B. Exceptional expenses		
Contingencies towards indemnities provided on Sale of IT business (refer note 4)***	(286.25)	-
Cost of Voluntary Retirement Scheme & other expenses on closure of plant*	(1,868.72)	(567.33)
Bonus expenses for earlier years pursuant to retrospective amendment in statute	(145.74)	-
Cost update on major contracts **	(2,723.78)	(5,824.89)
	(5,024.49)	(6,392.22)
Exceptional Items (Net)	<b>(130.03)</b>	<b>(4,144.38)</b>

\* includes gratuity expense of ₹Nil lakhs (Previous Year ₹69.70 lakhs)

\*\* In earlier years, the Company had made claims for additional costs incurred due to project delays and design changes for certain major projects. Based on negotiations and certification by the customers, the company revises estimated revenue, cost and project related provisions. The consequent charge of ₹2,723.78 (Previous Year ₹5,824.89 Lacs) has been recorded and disclosed as an exceptional item.

\*\*\*The company has created provision for contingencies towards representations and warranties issued for BSIL's IT business as per the business transfer agreement and share purchase agreements.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 24. DISCONTINUING OPERATIONS

BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The Company has subsequently sold its IT Business w.e.f January 1, 2016 (refer note 4).

The following statement shows the revenue and expenditure of discontinuing operations:

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Revenue	11,710.55	-
Other income	450.67	-
Expenses	10,230.25	-
<b>Profit from operating activities</b>	<b>1,930.97</b>	-
Finance cost	18.01	-
Depreciation	493.35	-
Profit before exceptional item and tax	<b>1,419.61</b>	-
Exceptional items	-	-
<b>Profit after exceptional item before tax</b>	<b>1,419.61</b>	-
Income tax expenses	329.68	-
<b>Profit after tax</b>	<b>1,089.93</b>	-

The carrying amount of total assets and liabilities transferred on January 1, 2016 are as follows.

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Total assets	7,357.29	-
Total liabilities	2,305.53	-
<b>Net Assets</b>	<b>5,051.76</b>	-

The net cash flows attributable to are as below:

(₹ in lakhs)

	Year Ended March 31	
	2016	2015
Operating activities	1,991.83	-
Investing activities	(2,655.68)	-
Financing activities	(540.41)	-
<b>Net cash inflows/( outflows)</b>	<b>(1,204.26)</b>	-

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 25a: THE BLUE STAR GROUP COMPRISES OF THE FOLLOWING ENTITIES

	Country of Incorporation	% Shareholding	
		2015-16	2014-15
<b>a) Subsidiary</b>			
Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro-Mechanical Limited)	India	100%	100%
Blue Star Design and Engineering Limited (Refer Note 39)	India	-	100%
Blue Star Qatar - WLL*	Qatar	49%	49%
<b>b) Foreign Joint Ventures- Jointly Controlled Entities</b>			
Blue Star M & E Engineering (Sdn) Bhd	Malaysia	49%	49%
Blue Star Oman Electro-Mechanical Co. LLC**	Oman	51%	0%
<b>c) Associate</b>			
Blue Star Infotech Limited (upto March 31, 2015)	India	-	28.69%

\* Blue Star Qatar WLL (BSQ) in which the Company holds 49% of the share capital was classified as a joint venture of the company and proportionate consolidation method as prescribed by Accounting Standard 27 - "Financial Reporting of Interests in Joint Ventures" was applied in respect of BSQ while preparing the consolidated financial statements. Upon reassessment of control over BSQ, the Company has concluded that the said company is a subsidiary of the Company under Accounting Standard 21 - "Consolidated Financial Statements" (AS 21). Further, the Company's profit share in the aforesaid mentioned company has been reassessed at 95% and accordingly the financials of BSQ have been consolidated during the current year with 95% share as per AS 21. Profits of ₹692 lacs recognised for earlier years due to increase in share has been disclosed as prior period income in the consolidated financial statements.

\*\* The Company has 50% profit sharing in Blue Star Oman Electro-Mechanical Co. LLC in which Company has acquired 51% share holding during the year.

### 25b: IN RESPECT OF JOINTLY CONTROLLED ENTITIES, THE COMPANY'S SHARE OF ASSETS, LIABILITIES, INCOME AND EXPENDITURE OF THE JOINT VENTURE COMPANIES ARE AS FOLLOWS:

(₹ in lakhs)

	2015-16	2014-15
<b>i Assets</b>		
<b>Non current assets</b>		
Fixed Assets		
Tangible assets	69.31	147.76
Intangible assets	-	-
Deferred tax assets (net)	-	-
Long-term loans and advances	5.84	-
Trade receivables	627.80	356.90
Non-current investments	200.78	-
Other non-current assets	-	-
<b>Current assets</b>		
Inventories	537.47	-
Trade receivables	1,266.38	2,798.04
Cash and bank balances	841.17	797.22
Short-term loans and advances	491.92	843.16
Other current assets	651.34	38.60

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 25b: IN RESPECT OF JOINTLY CONTROLLED ENTITIES, THE COMPANY'S SHARE OF ASSETS, LIABILITIES, INCOME AND EXPENDITURE OF THE JOINT VENTURE COMPANIES ARE AS FOLLOWS: (CONTD.)

(₹ in lakhs)

	2015-16	2014-15
<b>ii Liabilities</b>		
<b>Non current liabilities and Provisions</b>		
Trade payables	208.86	139.77
Long-term provisions	3.63	63.41
Deferred tax liability (net)	-	4.80
Other Long term liabilities	-	19.61
<b>Current liabilities and Provisions</b>		
Short-term borrowings	8.64	10.06
Trade payables	1,269.56	2,194.64
Other current liabilities	2,186.34	1,630.24
Short-term provisions	-	29.86
<b>iii Reserves</b>	523.22	1,120.82
<b>iv Income</b>		
Revenue from operations	5,940.50	6,767.36
Other Income	-	1.93
<b>v Expenses</b>		
Cost of raw material and components consumed and Project related cost	5,190.29	5,647.52
Purchase of traded goods	-	-
(Increase)/decrease in inventories	-	(2.16)
Employee benefits expense	284.37	361.23
Other expenses	98.11	66.14
Depreciation and amortization expense	13.85	50.57
Finance costs	9.94	68.84
<b>vi Contingent Liabilities</b>	-	-
<b>vii Capital Commitments</b>	-	19.27

### 26: DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER

(₹ in lakhs)

	2015-16	2014-15
I Contract revenue recognised for the year*	80,430.22	69,991.36
II For Contracts that are in progress as on 31st March		
A Contract costs incurred and recognized profits (Less Recognised losses)	333,159.33	303,321.60
B Advances received	14,664.52	13,124.23
C Gross amount due from customers for Contract work**	26,513.91	26,277.73
D Gross amount due to customers for Contract work***	5,659.67	4,707.74
E Retention amount	4,703.75	3,669.92

\* Includes revenue reversal of ₹115 Lacs disclosed as an exceptional item.

\*\* Includes reduction of Imminent loss of ₹133.12 Lacs (31 March 2015 : ₹151.09 Lacs )

\*\*\* Includes Imminent loss impact (increase) of ₹112.40 Lacs (31 March 2015: ₹159.16 Lacs)

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 27: CONTINGENT LIABILITIES

	(₹ in lakhs)	
	2015-16	2014-15
Claims against the Company not acknowledged as debts	72.18	72.18
Sales Tax matters	9,070.00	12,048.84
Excise Duty matters	341.29	127.57
Service Tax matters	15,207.29	1,814.79
Income Tax matters	5,115.98	4,740.21
Corporate Guarantee given on behalf of Joint Ventures	-	3,888.75

Future cash outflows in respect of above matters are determinable only on receipt of judgments/decisions pending at various forums/authorities. The management does not expect these claims to succeed and accordingly, no provision for the contingent liability has been recognized in the financial statements.

The company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with tax authorities. The company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material adverse effect on the financial statements.

- 28:** Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹1,809.99 lacs (31 March 2015 : ₹551.08 lacs).
- 29:** Commission on sales are net of ₹292 lacs (31 March 2015 : ₹428.37 lacs) on account of reversal of provision no longer required.
- 30:** Aggregation of expenses disclosed in Project cost, Other expenses and Finance Cost vide note 18, 21 and 22 in respect of specific items is as follows:

Nature of expenses	(₹ in lakhs)			
	2015-16			
	Note 18	Note 21	Note 22	Total
Rent	65.82	4,282.77	-	4,348.59
	(118.94)	(3,162.10)	-	(3,281.04)
Power & fuel	104.47	1,702.98	-	1,807.45
	(72.16)	(1,488.71)	-	(1,560.87)
Insurance	514.10	243.44	-	757.54
	(443.78)	(276.10)	-	(719.88)
Travelling & Conveyance	542.19	3,924.04	-	4,466.23
	(522.27)	(3,177.63)	-	(3,699.90)
Printing & Stationary	46.19	362.26	-	408.45
	(37.02)	(298.52)	-	(335.54)
Legal & Professional fees	983.19	6,818.82	-	7,802.01
	(1,097.84)	(4,455.74)	-	(5,553.58)
Bank charges	208.15	-	414.61	622.76
	(146.76)	-	(374.44)	(521.20)

Figures in brackets are for previous year

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 31a: DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	2015-16	2014-15
Employee benefits expense	1,319.16	1,238.28
Cost of raw material and components consumed	1,008.28	216.18
Legal & Professional fees	208.39	247.02
Depreciation & Ammortization	719.30	551.16
Others	666.49	556.81
	<b>3,921.62</b>	<b>2,809.45</b>

### 31b: DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	2015-16	2014-15
<b>Tangible Assets</b>		
Buildings	-	-
Plant & Machinery	446.30	6.42
Office Equipments	3.82	97.52
Electrical Installations	-	1.35
Computer	-	-
Furniture & Fixtures	-	20.75
<b>Intangible Assets (including under development)</b>		
Software	24.49	18.37
Technical Knowhow	585.24	1,120.10
	<b>1,059.85</b>	<b>1,264.51</b>

### 32: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"

#### i. Defined Contribution Plans:

Amount of ₹834.91 lacs (31 March 2015 : ₹739.90 lacs) is recognized as an expense and included in "Employee Benefits expense" (refer note 20) in the statement of Profit and Loss.

#### ii. Defined Benefits Plans:

a) Amounts for the current period are as follows:

(₹ in lakhs)

	Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
<b>I Expense recognised in the Statement of Profit &amp; Loss for the year</b>						
1 Current Service Cost	274.98	241.13	16.16	15.86	10.61	12.31
2 Interest Cost	191.70	179.25	3.39	3.07	-	-
3 Expected return on plan assets	(215.53)	(191.95)	-	-	NA	NA
4 Net Actuarial (Gains)/Losses	329.26	552.23	(14.88)	3.83	-	-
5 Total Expense	580.41	780.66	4.67	22.76	10.61	12.31
6 Actual return on plan Assets	210.71	214.10	-	-	NA	NA

## Notes to Consolidated Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	Gratuity (Funded)		Gratuity (Unfunded)		Additional Gratuity	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
<b>II Net Assets/(Liability) recognised in the Balance Sheet</b>					-	
1 Present Value of Defined Obligation	<b>2,845.95</b>	2,748.33	<b>42.43</b>	46.98	<b>65.85</b>	62.49
2 Fair Value of plan assets	<b>2,843.75</b>	2,767.66	-	-	-	-
3 Funded Status [Surplus/(Deficit)]	<b>(2.20)</b>	19.33	<b>(42.43)</b>	(46.98)	<b>(65.85)</b>	(62.49)
4 Net Assets/(liability)	<b>(2.20)</b>	19.33	<b>(42.43)</b>	(46.98)	<b>(65.85)</b>	(62.49)
<b>III Change in Obligation during the Year</b>						
1 Present value of defined Benefit Obligation at the beginning of the year	<b>2,748.33</b>	2,229.76	<b>46.98</b>	50.81	<b>62.49</b>	56.13
Defined benefit obligation taken over on amalgamation	<b>24.36</b>	-	-	-	-	-
2 Current Service Cost	<b>274.98</b>	241.13	<b>16.16</b>	15.86	<b>10.61</b>	12.31
3 Interest Cost	<b>191.70</b>	179.25	<b>3.39</b>	3.07	-	-
4 Actuarial (Gains)/Losses	<b>324.43</b>	574.39	<b>(14.88)</b>	3.83	-	-
5 Benefits Payments	<b>(717.85)</b>	(476.20)	<b>(9.22)</b>	(26.59)	<b>(7.25)</b>	(5.95)
6 Present value of Defined Benefit Obligation at the end of the year	<b>2,845.95</b>	2,748.33	<b>42.43</b>	46.98	<b>65.85</b>	62.49
<b>IV Change in Fair Value of Plan Assets during the year</b>						
1 Fair Value of Plan Assets at the beginning of the year	<b>2,767.66</b>	2,246.96	-	-	-	-
Fair Value of Plan Assets taken over on amalgamation	<b>18.27</b>	-	-	-	-	-
2 Expected return on Plan assets	<b>216.58</b>	191.95	-	-	-	-
3 Contribution by Employer	<b>572.06</b>	782.80	<b>9.22</b>	26.59	-	-
4 Actual benefits paid	<b>(717.85)</b>	(476.20)	<b>(9.22)</b>	(26.59)	-	-
5 Actuarial Gains/(losses) on Plan Assets	<b>(12.97)</b>	22.15	-	-	-	-
6 Fair Value of Plan Assets at the end of the year	<b>2,843.75</b>	2,767.66	-	-	-	-
<b>V Actuarial Assumptions:</b>						
1 Discount rate	<b>7.57%</b>	8.00%	<b>7.57%</b>	8.00%	<b>7.57%</b>	8.00%
2 Rate of return on Plan Assets	<b>8.00%</b>	8.00%	-	-	-	-
3 Mortality Rate	<b>IALM-2008</b>	LIC(1994-96)	<b>IALM-2008</b>	LIC(1994-96)	<b>IALM-2006-08</b>	LIC(1994-96)
4 Salary escalation rate (Management-Staff-Directors)	<b>6%, 2%, 10%</b>	6%, 2%, 10%	<b>6%, 2%</b>	7%	-	-
5 Attrition rate	<b>1% throughout</b>	1% throughout	<b>1% throughout</b>	1% throughout	<b>1% throughout</b>	1% throughout

## Notes to Consolidated Financial statements for the year ended March 31, 2016

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

(₹ in lakhs)

		Gratuity (Funded)				
		2015-16	2014-15	2013-14	2012-13	2011-12
1	Defined benefit obligation	<b>2,845.95</b>	2,748.33	2,229.76	2,587.02	2,800.29
2	Plan Assets	<b>2,843.75</b>	2,767.66	2,246.97	2,598.46	2,800.43
3	Surplus/(Deficit)	<b>(2.20)</b>	19.33	17.21	11.44	0.14
4	Experience adjustments on plan liabilities	<b>324.43</b>	574.39	(201.90)	(92.13)	(47.37)
5	Experience adjustments on plan assets	<b>(12.97)</b>	22.15	32.60	28.55	18.11
		Gratuity (Unfunded)				
		2015-16	2014-15	2013-14	2012-13	2011-12
1	Defined benefit obligation	<b>42.43</b>	46.98	42.79	78.34	92.99
2	Plan Assets	-	-	-	-	-
3	Surplus/(Deficit)	<b>(42.43)</b>	(46.98)	(42.79)	(78.34)	(92.99)
4	Experience adjustments on plan liabilities	-	-	-	-	-
5	Experience adjustments on plan assets	-	-	-	-	-
		Additional Gratuity				
		2015-16	2014-15	2013-14	2012-13	2011-12
1	Defined benefit obligation	<b>65.85</b>	62.49	56.13	70.31	64.78
2	Plan Assets	-	-	-	-	-
3	Surplus/(Deficit)	<b>(65.85)</b>	(62.49)	(56.13)	(70.31)	(64.78)
4	Experience adjustments on plan liabilities	-	-	-	-	-
5	Experience adjustments on plan assets	-	-	-	-	-

- b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year, Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹654 Lacs to gratuity fund in 2016-17 (31 March 2015 : ₹750 Lacs).
- c) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.
- d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2016. The Company's contribution to the Employee's Provident fund aggregates to ₹528.09 lacs (31 March 2015 : ₹529.14 lacs).

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

(₹ in lakhs)

	As at March 31	
	2016	2015
Plan assets at year end, at fair value	<b>521.00</b>	406.00
Present value of defined obligation at year end	<b>222.49</b>	274.34
Assets recognised in Balance Sheet	-	-

## Notes to Consolidated Financial statements for the year ended March 31, 2016

The assumption used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

	As at March 31	
	2016	2015
Discounting rate	8.65%	8.51%
Expected guaranteed interest rate	8.80%	8.75%
Expected Rate of Return on Asset	7.86%	7.93%

### iii. General Description of significant defined plans:

#### 1. Gratuity Plan

Gratuity is payable to all eligible employees on separation/retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

#### 2. Additional Gratuity

Additional Gratuity is payable as per the specific rules of the Company i.e. ₹5,000 for staff and ₹10,000 for Managers subject to qualifying service of 15 years.

### iv. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	As at March 31	
	2016	2015
Special Deposit Schemes	4.20%	4.27%
Central government Securities	-	13.55%
State government Securities	20.91%	30.78%
Public Sector Undertakings	44.21%	20.15%
Private Sector	4.47%	30.02%
Liquid funds	-	1.23%
Investment with approved insurance company	26.21%	-
Total Investments	100.00%	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable for the period over which the obligation is to be settled.

### 33: 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 Unitary 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.
- Others constitute BSIL and BSIBIA which are mainly engaged in information technology and software services business. This business was sold to Infogain India Pvt. Ltd on December 31, 2015 (Refer note 4 and note 24).

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>I. SEGMENT REVENUE</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	<b>190,772.23</b>	170,355.86
ii. Unitary Products	<b>157,630.56</b>	133,171.78
iii. Professional Electronics and Industrial Systems	<b>16,897.31</b>	14,666.43
iv. Others	<b>12,417.51</b>	-
Less: Inter segment Revenue	<b>(707.00)</b>	-
<b>TOTAL SEGMENT REVENUE</b>	<b>377,010.61</b>	318,194.07
Add: Other Income	<b>1,684.87</b>	848.82
<b>TOTAL INCOME</b>	<b>378,695.48</b>	319,042.89
	-	-
<b>II. SEGMENT RESULT</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	<b>7,989.95</b>	5,395.00
ii. Unitary Products	<b>16,592.83</b>	14,479.00
iii. Professional Electronics and Industrial Systems	<b>2,685.30</b>	3,070.00
iv. Others	<b>1,419.61</b>	-
<b>TOTAL SEGMENT RESULT</b>	<b>28,687.68</b>	22,944.00
Less: i) Finance Cost	<b>4,274.43</b>	4,852.82
ii) Other un-allocable Expenditure Net of un-allocable Income	<b>11,434.98</b>	9,681.64
<b>TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>12,978.27</b>	8,409.54
EXCEPTIONAL ITEM	<b>(130.03)</b>	(4,144.38)
PRIOR PERIOD ITEMS	<b>692.09</b>	-
<b>PROFIT BEFORE TAXATION</b>	<b>13,540.33</b>	4,265.16
PROVISION FOR TAXES	<b>2,693.55</b>	(789.24)
<b>NET PROFIT AFTER TAX</b>	<b>10,846.78</b>	5,054.40
Share of profit in Associate company	-	363.70
Less : Minority Interest	<b>9.21</b>	-
<b>Profit/(loss) for the year</b>	<b>10,837.58</b>	5,418.10
<b>III. OTHER INFORMATION:</b>		
<b>a. SEGMENT ASSETS</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	<b>140,131.35</b>	128,116.74
ii. Unitary Products	<b>69,092.92</b>	61,236.15
iii. Professional Electronics and Industrial Systems	<b>7,183.11</b>	5,289.94
iv. Others	-	-
<b>TOTAL SEGMENT ASSETS</b>	<b>216,407.38</b>	194,642.83
Add: Un-allocable Corporate Assets	<b>42,551.13</b>	22,853.85
<b>TOTAL ASSETS</b>	<b>258,958.51</b>	217,496.68

## Notes to Consolidated Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>b. SEGMENT LIABILITIES</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	101,218.71	83,479.78
ii. Unitary Products	55,069.59	42,380.68
iii. Professional Electronics and Industrial Systems	3,726.63	2,574.58
iv. Others	-	-
<b>TOTAL SEGMENT LIABILITIES</b>	<b>160,014.93</b>	128,435.04
Add: Un-allocable Corporate Liabilities	32,677.10	43,504.70
<b>TOTAL LIABILITIES</b>	<b>192,692.03</b>	171,939.74
<b>c. CAPITAL EXPENDITURE (including Capital WIP)</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	4,218.65	3,813.36
ii. Unitary Products	818.00	1,824.78
iii. Professional Electronics and Industrial Systems	118.41	162.73
iv. Others	36.00	-
v. Other Un-allocable	653.72	372.66
<b>TOTAL</b>	<b>5,844.78</b>	6,173.53
<b>d. DEPRECIATION</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	2,225.28	1,833.12
ii. Unitary Products	1,363.00	1,292.02
iii. Professional Electronics and Industrial Systems	57.03	53.41
iv. Others	314.46	-
v. Other Un-allocable	2,087.94	1,135.95
<b>TOTAL</b>	<b>6,047.71</b>	4,314.50
<b>e. NON CASH EXPENSES OTHER THAN DEPRECIATION</b>		
i. Electro-Mechanical Projects and Packaged Air-Conditioning Systems	808.42	4,237.65
ii. Unitary Products	216.71	484.14
iii. Professional Electronics and Industrial Systems	123.37	280.29
iv. Others	286.25	-
v. Other Un-allocable	83.54	569.83
<b>TOTAL</b>	<b>1,518.29</b>	<b>5,571.91</b>

### B. Secondary segment information:

Secondary segmental reporting is based on the geographical location of customer. The geographical segments have been disclosed based on revenues within India (sales to customers in India) and revenues outside India (sales to customer located outside India).

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Revenue (Sales, Services &amp; Commission) by Geographical Market</b>		
India	329,411.25	292,517.22
Outside India	47,599.36	25,676.85
<b>Total</b>	<b>377,010.61</b>	318,194.07

## Notes to Consolidated Financial statements for the year ended March 31, 2016

(₹ in lakhs)

	As at March 31	
	2016	2015
<b>Carrying amount of Segment Assets &amp; Intangibles Assets</b>		
India	236,865.24	208,435.91
Outside India	22,093.26	9,060.77
<b>Total</b>	<b>258,958.50</b>	<b>217,496.68</b>
<b>Capital Expenditure including Capital Work in Progress</b>		
India	5,791.13	6,100.06
Outside India	53.65	73.47
<b>Total</b>	<b>5,844.78</b>	<b>6,173.53</b>

### 34: Disclosure for Related Party and Interest in Joint Ventures

#### a Related Party Disclosure

##### Names of related parties with whom transactions have taken place during the year

##### Subsidiaries \*

Blue Star Infotech (UK) Limited (BSIUK) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infotech America, Inc. (BSIA) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infotech (Singapore) Pte Limited (BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infostack Solutions Pte. Limited (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue7 Solutions LLC, USA (subsidiary of BSIA) (April 1, 2015 to December 31, 2015 - refer note 4)

Blue Star Infostack (Malaysia) Sdn. Bhd. (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 4)

##### Associate

Blue Star Infotech Limited (upto March 31, 2015)

##### Joint Ventures

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Oman Electro-Mechanical Co. LLC

##### Key Management Personnel

Mr. Satish Jamdar

Mr. Vir Advani

Mr. B Thiagarajan

##### Relatives of Key Management Personnel

Ms. Nargis Advani

Mr. Suneel M. Advani

##### Additional related parties as per Companies Act, 2013 with whom transactions have taken place during the year:

##### Key Management Personnel

Mr. Sangameshwar Iyer (upto May 31, 2015)

Mr. Vijay Devadiga (w.e.f June 1, 2015)

Mr. Neeraj Basur

##### Enterprises in which Director is a member/director

KEIMED Private Limited

Apollo Munich Health Insurance Company Limited

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2015-16		2014-15	
	Amount ₹	Balance O/S DR/(CR) ₹	Amount ₹	Balance O/S DR/(CR) ₹
<b>Blue Star M &amp; E Engineering (Sdn) Bhd</b>		<b>26.20</b>		41.27
Consultancy services rendered by us	<b>62.86</b>	-	195.40	-
Dividend received (Gross)	<b>92.67</b>	-	135.86	-
Reimbursement of expenses paid	-	-	156.02	-
Recovery of expenses	-	-	46.66	-
<b>Blue Star Infotech Limited (refer note 4)</b>		-		(143.94)
Sales & Services	-		5.38	
IT services	-		703.59	
Purchase of software & hardware	-		394.98	
Reimbursement of expenses	-		59.24	
Recovery of expenses	-		6.35	
Rent received	-		20.90	
Dividend received	-		123.92	
Repayment of rent deposit	-		100.00	
<b>Key Management Personnel</b>				
Managerial remuneration				
Satish Jamdar	<b>329.11</b>		260.29	
Vir S Advani	<b>213.97</b>		157.01	
BThiagrajan	<b>222.20</b>		173.50	
Neeraj Basur	<b>149.26</b>		-	
Vijay Devadiga	<b>33.77</b>		-	
Sangameshwar Iyer	<b>11.46</b>		28.74	
<b>ESOP exercised</b>				
Satish Jamdar (15000 Equity Shares of FV ₹2 each)	<b>43.51</b>		-	
<b>Services Received</b>				
Vir S Advani	<b>29.11</b>		-	
<b>Sale of Fixed Assets</b>				
Vir S Advani and Nargis Advani	-		2,300.00	
<b>Enterprises in which Director is a member/director</b>				
Sale of Goods	<b>3.52</b>		-	
Service Income	<b>0.16</b>		-	
Insurance Premium	<b>199.04</b>		477.06	
<b>Relative of Key Management Personnel</b>	-	<b>170.00</b>	-	70.00
Rent paid	<b>1.20</b>	-	1.20	-
Remuneraton	<b>42.60</b>		-	

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Directors are not included above.

\* Consequent to the amalgamation, these companies have become the subsidiaries of the Company. However they have not been consolidated in the consolidated financial statements as the control was intended to be temporary and the subsidiaries have been subsequently sold (Refer Note 4).

## Notes to Consolidated Financial statements for the year ended March 31, 2016

### 35: LEASES

#### Operating Lease : Company as a Lessee

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All leases are cancellable except two office premises. There are no exceptional/restrictive covenants in the lease agreements. Lease rental expense debited to statement of Profit and Loss is ₹4348.59 lacs (31 March 2015: ₹3,281.04 lacs)

(₹ in lakhs)

	2015-16	2014-15
Minimum lease payments for non-cancellable operating lease as at 31st March		
(a) Not later than one year	224.96	99.65
(b) Later than one year but not later than five years	937.85	406.48
(c) Later than five years	607.62	43.70

#### Operating Lease : Company as a Lessor

The Company has entered into operating lease agreements. An amount of ₹660.76 (Previous Year NIL) is recognised as lease income in the statement of profit & loss account for the year ended 31 March 2016. All lease are cancellable except one property, which has a lock in period of 3 years. The future lease rental receipts are determined on the basis of monthly lease receipt terms as per the agreements. Future minimum rentals receivable under non-cancellable operating leases are as follows :

(₹ in lakhs)

	2015-16	2014-15
Minimum lease rentals receivables for non-cancellable operating lease as at 31st March		
(a) Not later than one year	99.51	-
(b) Later than one year but not later than five years	77.40	-
(a) Later than five years	-	-

### 36: EARNING PER SHARE

		2015-16	2014-15
Profit/(Loss) after taxation as per Profit & loss Account	₹lacs	10,837.58	5,418.10
Less : Preference Dividend and tax thereon		-	-
Profit attributable to equity shareholders	₹lacs	10,837.58	5,418.10
Weighted average number of Equity Shares Outstanding	Nos.	89,951,105	89,936,105
Number of equity shares in share capital suspense account	Nos.	5,391,383	-
Total number of Shares (a+b)	Nos.	95,342,488	89,936,105
Effect of Dilution - stock options granted under ESOP	Nos.	209,220	197,968
Weighted average number of Equity Shares Outstanding in calculating diluted EPS	Nos.	95,551,708	90,134,073
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	11.37	6.02
Diluted Earnings per share (Face Value ₹2 per share)	₹	11.34	6.01

37: During previous years, the Company had entered into contracts, in the normal course of business, for services rendered and received for a value of ₹41.79 (previous year 2014-15 ₹41.79 lacs) with Private Limited Companies in which a Director of the Company is a Director. Payment has been received and paid in accordance with the normal terms. The Company is in the process of filing necessary application for approval from the Central Government under Section 297 of the Companies Act, 1956 for the said transaction.

## Notes to Consolidated Financial statements for the year ended March 31, 2016

**38:** The company provides share-based payment schemes to its employees. During the year ended 31 March 2016, 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 the 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 employee 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 other relevant terms of the grant are as below:

### a) Employee Stock Option Scheme

Particulars	2015-16						2014-15	
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant I	Grant II
No of Options	1,144,500	42,000	28,000	56,000	54,000	6,000	1,365,000	42,000
Method of Accounting	Intrinsic Value						Intrinsic Value	
Exercise period (from date of vesting)	5 years	5 years	5 years	2 years	1 year	1 year	5 years	5 years
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	06 June 2014	13 Feb 2015
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35	290.05	320.70
Market price	290.05	320.70	345.65	369.55	355.10	341.35	290.05	320.70
Vesting Conditions	Based on the performance ratings						Based on the performance ratings	
Method of Settlement	Equity						Equity	

### b) Movement of Options

Particulars	2015-16						2014-15	
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant I	Grant II
Options outstanding at the beginning of the period	1,365,000	42,000	-	-	-	-	-	-
Options granted during the period	-	-	28,000	56,000	54,000	6,000	1,495,000	42,000
Options lapsed during the period	205,500	-	-	-	-	-	130,000	-
Options exercised during the period	15,000	-	-	-	-	-	-	-
Options outstanding at the end of the period	1,144,500	42,000	28,000	56,000	54,000	6,000	1,365,000	42,000
Options exercisable as on March 31	332,850	-	-	-	-	-	-	-

## Notes to Consolidated Financial statements for the year ended March 31, 2016

The weighted average share price at the date of exercise for stock options exercised was ₹351.25.

### b) Fair Valuation

The Fair Valuation of the options used to compute proforma net profit and earning per share have been done by an independent valuer on the date of grant using Black-Scholes Merton Formula. The key assumptions and Fair Value are as under

Particulars	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI
Dividend yield (%)	-	-	-	-	-	-
Expected volatility	38%	35%	30%	31%	32%	32%
Risk-free interest rate	8.51%	7.70%	7.81%	7.80%	7.78%	7.64%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09

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.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

	March 31	
	2016	2015
Profit after tax as reported	10,837.58	5,418.10
Add: Compensation cost using the intrinsic value method	-	-
Less: Compensation cost using the fair value method	(362.26)	(509.01)
<b>Proforma profit after tax</b>	<b>10,475.32</b>	<b>4,909.09</b>
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	11.37	6.02
- Proforma	10.99	5.46
<b>Diluted</b>		
- As reported	11.34	6.01
- Proforma	10.96	5.45

(₹ in lakhs)

39 During the year, the Hon'ble Bombay High Court had sanctioned the Scheme of Amalgamation of Blue Star Design and Engineering Limited ("BSDEL") with Blue Star Engineering & Electronics Limited ("BSEEL") and their respective shareholders and creditors on December, 18, 2015. BSDEL and BSEEL are wholly-owned subsidiaries of the Company. This transaction will have no impact on the consolidated financial statements.

## 40: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

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

Particulars	2015-16		2014-15	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Particulars of Derivatives</b>				
<b>Forward cover to Purchase USD</b>				
<b>Hedge of underlying payables - USD</b>	<b>48,760,271.08</b>	<b>32,289.05</b>	34,068,741.73	21,269.12
- Buyers' Credit	19,289,583.42	12,773.56	18,696,660.56	11,672.33
- Other Payables	29,470,687.66	19,515.49	15,372,081.17	9,596.79

Notes to Consolidated Financial statements for the year ended March 31, 2016

Particulars	2015-16		2014-15	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Hedge of underlying payables - CNY</b>				
- Other Payables	503,880.00	51.40	-	-

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

Foreign Currency	2015-16		2014-15	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
<b>Bank Balances</b>				
AED	-	-	195,630.92	33.17
EUR	427,903.67	322.38	348,779.23	232.97
RMB	20,711.32	2.11	11,201.12	1.17
USD	1,568,670.27	1,038.77	1,288,518.57	804.42
<b>Receivables</b>				
AED	830,271.62	144.02	126,805.40	21.50
CAD	63,552.47	32.29	78,052.16	38.24
EUR	325,658.11	239.45	402,067.78	269.15
GBP	34,416.44	32.66	31,145.94	28.73
JPY	4,490,192.00	23.45	5,115,382.00	26.50
MYR	976,604.79	164.90	881,676.40	147.68
QAR	-	-	271,174.76	46.29
RMB	-	-	1,312.63	0.14
USD	10,037,394.04	6,598.08	6,183,143.22	3,859.87
ZAR	-	-	84,132.00	4.49
<b>Payables</b>				
AED	832,587.95	144.49	21,020.20	3.56
AUD	3,499.54	1.77	64,057.80	30.29
CAD	49,188.90	25.03	-	-
CHF	412.62	0.28	412.62	0.26
EUR	1,076,612.78	813.49	846,418.02	565.71
GBP	10,390.68	9.88	2,069.52	1.91
JPY	22,573,816.00	132.75	16,611,838.00	86.05
RMB	14,374,004.23	1,466.53	-	-
SEK	2,313.05	0.19	26,860.35	1.94
SGD	-	-	898.53	0.41
USD	16,330,818.08	10,815.46	21,259,635.33	13,271.88
<b>Buyers' Credit</b>				
USD	365,277.52	241.89	-	-

## Notes to Consolidated Financial statements for the year ended March 31, 2016

**41** During the previous year 2014-15, the Company had revised the depreciation on certain assets as per the useful life specified in the Companies Act, 2013 or re-assessed by the company. Accordingly, carrying amount of ₹439.83 lacs in respect of assets whose useful life was exhausted as on April 1, 2014 net of deferred tax of ₹148.97 lacs thereon had been adjusted to retained earnings in the previous year.

**42** Information for Consolidated Financial Statement pursuant to Schedule III of the Companies Act, 2013:

Particulars	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Parent - Blue Star Limited (Standalone)	110.40%	73,155.03	88.36%	9,576.18
<b>Subsidiaries</b>				
<i>Indian</i>				
1. Blue Star Engineering and Electronics Limited	(13.85%)	(9,177.98)	0.30%	32.80
2. Blue Star Qatar - WLL - Qatar	2.66%	1,761.11	8.32%	901.20
<i>Foreign</i>				
<b>Joint Ventures</b>				
(As per proportionate consolidation/investment as per the equity method)				
<i>Foreign</i>				
1. Blue Star M & E Engineering (Sdn) Bhd - Malaysia	0.69%	457.53	2.81%	304.06
2. Blue Star Oman Electro-Mechanical Co. LLC	0.11%	69.77	0.22%	23.33
<b>Total</b>	<b>100.00%</b>	<b>66,265.46</b>	<b>100.00%</b>	<b>10,837.58</b>

**43** Figures pertaining to Subsidiaries and Joint Ventures have been reclassified wherever considered necessary to bring them in line with the holding Company's financial statements.

**44** Previous Year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

per **Sudhir Soni**  
**Partner**  
Membership No. 41870

Mumbai: May 30, 2016

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

<b>Ashok M Advani</b>	Chairman
<b>Vir S Advani</b>	Managing Director
<b>Shailesh Haribhakti</b>	Director
<b>Neeraj Basur</b>	Chief Financial Officer
<b>Vijay Devadiga</b>	Company Secretary

Mumbai: May 30, 2016

# Statement under section 129(3) read with rule 5 of Companies (Accounts) Rules 2014

## Part A : Subsidiaries

(₹ in lakhs)

Name of Subsidiaries:	Blue Star Engineering and Electronics Limited (formerly known as Blue Star Electro-Mechanical Limited)	Blue Star Qatar -WLL
The "Financial Year" of the Subsidiary Companies	March 31, 2016	March 31, 2016
Reporting Currency		QAR
Exchange rate as on the last day of the Financial year		18.17
Shares of the Subsidiary held by Blue Star Limited on the above dates :		
- Number and face value	529,25,052 Shares of ₹2/- each fully paid up	100 Shares of QAR 2000 each fully paid up
- Extent of holding (refer Note 25a of Consolidated Financial Statement)	100%	49% (The Company controls composition of the Board of Blue Star Qatar-WLL)
Equity Share Capital	1058.50	17.81
Preference Share Capital	-	-
Reserves and Surplus	12,459.21	1,755.41
Total Assets	24461.60	8130.26
Total Liabilities	10,943.89	6,357.04
Investments	0.01	
Turnover & Other Income	13,247.16	7,136.82
Profit Before Tax	215.08	219.88
Provision for Taxation	42.01	35.59
MAT Credit Entitlement/Reversed	(42.01)	-
Deferred Tax		
Profit/(Loss) after Tax	215.08	184.29
Proposed Dividend	-	-
Names of subsidiaries which have been liquidated or sold during the year:	During the year under review, the Bombay High Court vide its order dated December 18, 2015 had sanctioned the Scheme of Amalgamation of Blue Star Design and Engineering Ltd. with Blue Star Engineering & Electronics Limited and their respective shareholders and creditors with effect from Appointed Date of February 1, 2015. This amalgamation took effect from January 29, 2016 and as a consequence, Blue Star Design and Engineering Ltd. has been dissolved without being wound up.	

Statement under section 129(3) read with rule 5 of Companies (Accounts) Rules 2014

**Part B : Joint ventures**

(₹ in lakhs)

Name of Joint ventures:	Blue Star M & E Engineering (Sdn) Bhd	Blue Star Oman Electro-Mechanical Co. LLC**
	Joint Venture	Joint Venture
Latest audited Balance Sheet date	March 31, 2016	March 31, 2016
Shares of associate/Joint ventures held by the company on the year end :		
Number	367,500 fully paid Equity shares of MR 1 each	255,000 fully paid Equity shares of OMR 1 each
Amount of Investment in Associates/Joint Venture: ₹Lacs	49.97	434.14
Extent of Holding %	49%	51%
Description of how there is significant influence	There is significant influence due to percentage(%) of Share Capital	There is significant influence due to percentage(%) of Share Capital
Reason why the associate/joint venture is not consolidated	NA	NA
Net worth attributable to Shareholding as per latest audited Balance sheet ₹Lacs	507.50	507.46
Profit/(Loss) for the year : ₹Lacs		
1. Considered in Consolidation	243.67	23.33
2. Not considered in Consolidation	NA	NA
Names of associates or joint ventures which have been liquidated or sold during the year:	The Bombay High Court vide its order dated April 16, 2016, had sanctioned the Composite Scheme of Amalgamation of Blue Star Infotech Limited ("BSIL") and Blue Star Infotech Business Intelligence & Analytics Private Limited, a subsidiary of BSIL, with the Company and their respective Shareholders and Creditors with effect from Appointed Date of April 1, 2015. This amalgamation took effect from May 21, 2016 and as a consequence, BSIL has been dissolved without being wound up.	

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

<b>Ashok M Advani</b>	Chairman
<b>Vir S Advani</b>	Managing Director
<b>Shailesh Haribhakti</b>	Director
<b>Neeraj Basur</b>	Chief Financial Officer
<b>Vijay Devadiga</b>	Company Secretary

Mumbai: May 30, 2016

# Investor and Shareholder Information

## SHAREHOLDER INQUIRIES

Questions concerning your folio, share certificates, dividend, address changes (for physical shares only), consolidation of certificates, lost certificates and related matters should be addressed to Blue Star Limited directly or to their share transfer agents. Address changes in respect of Demat shares should be intimated to the concerned Depository Participant.

BLUE STAR LIMITED  
Kasturi Buildings  
Mohan T Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020.  
Tel: +91 22 6665 4000  
Fax: +91 22 6665 4151  
www.bluestarindia.com  
CIN: L28920MH1949PLC006870

Compliance Officer  
Mr Vijay Devadiga  
Company Secretary  
Email: vijaydevadiga@bluestarindia.com

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

## DEMATERIALISATION

The Company has made arrangements for dematerialisation of its shares through National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Since the Company shares are traded in Demat mode, the shareholders are requested to dematerialise their shareholding.

## INVESTOR RELATIONS PROGRAMME

Blue Star Limited has an active investor relations programme directed to both individual and institutional investors. The Company's investor relations mission is to maintain an ongoing awareness of the Company's performance among its shareholders and the financial community. The Company welcomes inquiries from its investors, large or small, as well as from members of the financial community.

For further information, please contact Blue Star's Investor Relations Department at the above address.

## BLUE STAR SHAREHOLDERS

As of March 31, 2016, the Company has 19221 registered shareholders. Approximately 27% of the Company's shares are held by individual investors. The Promoters hold approximately 40% of the shares while Foreign Investors, Institutions and Bodies Corporate hold the balance shares.

## STOCK EXCHANGE LISTINGS

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

# Blue Star Establishments





# VALUES & BELIEFS

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



# Notice

May 30, 2016

**NOTICE** is hereby given that the 68<sup>th</sup> Annual General Meeting of the Members of the Company will be held at Jai Hind College Hall, 23-24, Sitaram Deora Marg ('A' Road), Churchgate, Mumbai 400 020, on Monday, August 1, 2016 at 3.00 pm to transact the following business:

## A. ORDINARY BUSINESS

1. To receive, consider and adopt:
  - a) the Audited Financial Statement of the Company for the financial year ended March 31, 2016, together with the Reports of the Board of Directors and Auditors thereon; and
  - b) the Audited Consolidated Financial Statement of the Company for the financial year ended March 31, 2016, together with the Report of the Auditors thereon.
2. To confirm the payment of interim dividend on equity shares of the Company and treat the same as final dividend.
3. To appoint a Director in place of Mr Suneel M Advani (DIN: 00001709), who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 139 and any other applicable provisions of the Companies Act, 2013, read the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s S R B C & CO LLP Chartered Accountants (Registration No. 324982E/E300003) as the Statutory Auditors of the Company, to hold office from the conclusion of the Annual General Meeting held on July 28, 2014 until the conclusion of the Annual General Meeting to be held for the financial year 2018-19, on such remuneration as may be determined by the Board of Directors."

## B. SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the remuneration payable to M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, (Firm Registration No. 000042) appointed by the Board of Directors as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2016, amounting to ₹10,00,000 (rupees ten lakhs only) as also the payment of service tax as applicable and reimbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified and confirmed;

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."
6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be imposed or prescribed, and subject to the requisite approval of the Central Government, if required, approval of the Members of the Company be and is hereby accorded for the appointment of Mr Vir S Advani (DIN: 01571278) as Managing Director of the Company for a period of five (5) years, with effect from April 1, 2016, upon the remuneration and terms and conditions set out in draft agreement placed before this meeting and initialed by the Company Secretary for the purpose of identification, with liberty to the Nomination and Remuneration Committee of the Company to alter and vary the terms and conditions thereof in such manner as may be agreed to between the Nomination and Remuneration Committee and Mr Vir S Advani, subject to the applicable provisions of the Act, or any amendment thereto or any re-enactment thereof;

**RESOLVED FURTHER THAT** in the event of absence or inadequacy of profits in any financial year during his tenure as Managing Director, Mr Vir S Advani be paid the aforesaid remuneration as minimum remuneration for that year."

7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be imposed or prescribed, and subject to the requisite approval of the Central Government, if required, approval of the Members of the Company be and is hereby accorded for the appointment of Mr B Thiagarajan (DIN: 01790498) as Joint Managing Director of the Company for a period of five (5) years with effect from April 1, 2016, upon the remuneration and terms and conditions set out in draft agreement placed before this meeting and initialed by the Company Secretary for the purpose of identification with liberty to the Nomination and Remuneration Committee of the Company to alter and vary the terms and conditions thereof in such manner as may be agreed to between the Nomination and Remuneration Committee and Mr B Thiagarajan subject to the applicable provisions of the Act, or any amendment thereto or any re-enactment thereof;

**RESOLVED FURTHER THAT** in the event of absence or inadequacy of profits in any financial year during his tenure as Joint Managing Director, Mr B Thiagarajan be paid the aforesaid remuneration as minimum remuneration for that year.”

**NOTES:**

1. The relevant Explanatory Statements pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business under item nos. 5-7 above are annexed hereto. A statement giving the relevant details of the Directors seeking appointment/reappointment, as required by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.**  
**A PERSON CAN ACT AS PROXY ON BEHALF OF NOT EXCEEDING FIFTY (50) MEMBERS HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. PROXIES SUBMITTED ON BEHALF OF CORPORATE MEMBERS MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE.**
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, July 18, 2016 to Monday, July 25, 2016 (both days inclusive).
4. Under Section 124 of the Companies Act, 2013, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investor Education and Protection Fund of the Central Government and accordingly, the Company will be transferring the unpaid and unclaimed amount pertaining to Dividend paid for the year 2008-09 to the Investor Education and Protection Fund of the Central Government in October, 2016.  
Members, who have not encashed the dividend warrant(s) for Dividend 2008-09 or any subsequent dividend payment(s) so far, are requested to make their claims to the Company immediately. Please note that as per Section 124 of the Companies Act, 2013, no claim shall lie against the Company or the said Fund in respect of individual amounts which remain unclaimed or unpaid for a period of seven years from the date of payment and no payment shall be made in respect of such claims.
5. Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, ECS mandate, nomination, power of attorney, change of address, change in name, etc, to their Depository Participant (DP). These changes will be automatically reflected in the Company's records, which will help the Company to provide efficient and better service to the Members. Members holding shares in physical form are requested to intimate the changes to the Registrar & Transfer Agents of the Company.

6. Members are advised to avail of the facility for receipt of dividends through Electronic Clearing Service (ECS). The Reserve Bank of India has launched a facility for receipt of dividends through NECS, a centralised ECS operation to provide wider network, which requires updating of new bank account details with the Depository Participant (DP). You are therefore advised to update your bank details with your DP (in case of those who are holding shares in dematerialised mode) or the Company (in case of those who are holding the shares in physical mode) at an early date in order to avail the facility in future.
7. Members wishing to avail of dispatch of various notices, communications and documents including Annual Reports by the Company in electronic mode are requested to write to the Company accordingly and register their email IDs with the Company by intimating the same to the Registrar & Transfer Agents of the Company.
8. An electronic copy of the Annual Report for 2016 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any Member has requested only for a hard copy of the same. For Members who have not registered their email address, physical copies of the Annual Report for 2016 are being sent in the permitted mode.
9. An electronic copy of the Notice of the 68th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for only a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 68th Annual General Meeting (AGM) of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip, Proxy Form and the Ballot form are being sent in the permitted mode.
10. Members may also note that the Notice of the 68th AGM and the Annual Report for 2016 will also be available on the Company's website [www.bluestarindia.com](http://www.bluestarindia.com) for download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Mumbai for inspection during normal business hours on working days. Even after registering for e-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the email id: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in).

#### 11. VOTING THROUGH ELECTRONIC MEANS

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide Members facility to exercise their right to vote on resolutions proposed to be considered at the AGM by electronic means and the business may be transacted through e-voting Services. The facility of casting the votes by the Members using an electronic voting system from a place other than venue of the AGM (remote e-voting) will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through poll paper shall be made available at the venue of the AGM and the Members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through poll.
- III. The Members who have cast their vote by remote e-voting prior to the AGM may attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on July 27, 2016 (9.00 am) and ends on July 31, 2016 (5.00 pm). During this period, Members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date of July 25, 2016 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

- V. The process and manner for remote e-voting are as under:
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :
- (i) Open email and open PDF file viz; 'remote e-voting.pdf' with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - (iii) Click on 'Shareholder - Login'.
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
  - (vii) Select 'EVEN' of Blue Star Limited.
  - (viii) Now you are ready for remote e-voting as 'Cast Vote' page opens.
  - (ix) Cast your vote by selecting appropriate option and click on 'Submit' and also 'Confirm' when prompted.
  - (x) Upon confirmation, the message 'Vote cast successfully' will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc together with attested specimen signature of the duly authorised signatory(ies) who are authorised to attend and vote, to the Scrutiniser through an email to [navnitlb@nlba.in](mailto:navnitlb@nlba.in) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- B. In case a Member receives a physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:
- (i) Initial password is provided below/at the bottom of the Attendance Slip for the AGM:

<b>EVEN (Remote e-voting Event Number)</b>	<b>USER ID</b>	<b>PASSWORD/PIN</b>
(ii) Please follow all steps from Sl No. (ii) to Sl No. (xii) above, to cast vote.		
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and email ID in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of July 25, 2016.
- X. Any person, who acquires shares of the Company and becomes a Member of the Company after dispatch of the notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using 'Forgot User Details/Password' option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.

- XI. A person, whose name is recorded in the register of Members or in the register of beneficial owners maintained by the depositories, as on the cut-off date, only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through poll.
  - XII. Mr Bharat Upadhyay, of M/s N L Bhatia & Associates, Company Secretaries (Membership No. 5436 CP No. 4457) has been appointed as the Scrutiniser for providing facility to the Members of the Company to scrutinise the voting and remote e-voting process in a fair and transparent manner.
  - XIII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutiniser, by use of 'Poll Paper' for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
  - XIV. The Scrutiniser, after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours from of the conclusion of the AGM, a consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same and declare the result of the voting forthwith.
  - XV. The Results declared alongwith the report of the Scrutiniser shall be placed on the website of the Company [www.bluestarindia.com](http://www.bluestarindia.com) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorised by him in writing. The results shall also be immediately forwarded to the stock exchanges where the shares of the Company are listed.
12. In order to enable its Members who do not have access to the e-voting facility, the Company is enclosing a Ballot Form with the Notice. Instructions for Ballot Form are given at the back of the said form. The Members who have cast their vote by Ballot Form prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
  13. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days up to and including the date of the AGM.

**BLUE STAR LIMITED**  
**Kasturi Buildings**  
**Mohan T Advani Chowk**  
**Jamshedji Tata Road**  
**Mumbai 400 020**

May 30, 2016

**By Order of the Board of Directors**

**Vijay Devadiga**  
Company Secretary

# Annexure to Notice

## **INFORMATION AS REQUIRED BY SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:**

### **ITEM NO. 3:**

Mr Suneel M Advani, 72 years, is a double graduate in Electrical Engineering and Economics from MIT, USA. He also holds a degree in Law from Mumbai University.

He joined Blue Star in 1969 as a Management Trainee and moved up steadily by holding responsible positions before he was elevated to the position of President and Vice Chairman in 1984. He was re-designated as Vice Chairman & Managing Director in 2005. He relinquished his position of Managing Director in 2012 and was the Executive Vice Chairman of the Company until March 2014. He continues as Vice Chairman from 2014. Mr Suneel M Advani has served on the managing councils of several industry and trade bodies, such as CII, and is the founder and a Past President of Refrigeration and Airconditioning Manufacturers' Association (RAMA).

Mr Suneel M Advani holds 53,25,948 equity shares of the Company. Out of seven Board Meetings held during the year under review, Mr Suneel M Advani attended six Board Meetings.

He holds directorships in J T Advani Finance Private Limited, PIYUS Computers and Services Private Limited, and was also Managing Director and Chairman of the erstwhile Blue Star Infotech Limited.

Except for Mr Suneel M Advani, as it concerns himself and Mr Ashok M Advani, Chairman, and Mr Vir S Advani, Managing Director, being relatives of Mr Suneel M Advani, none of the other Directors of the Company and Key Managerial Personnel of the Company and their respective relatives, financially or otherwise is concerned or interested in the said Resolution.

## **EXPLANATORY STATEMENT U/S 102 OF THE COMPANIES ACT, 2013 AND INFORMATION ON DIRECTORS PROPOSED TO BE APPOINTED AS REQUIRED BY SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:**

### **ITEM NO. 5**

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2016. In terms of the provisions of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought to ratify the remuneration payable to the Cost Auditors.

The Board of Directors recommends the Ordinary Resolution as set out in item No. 5 of the Notice for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way, concerned or interested, financially or otherwise, in the said resolution.

### **ITEM NO. 6**

Mr Vir S Advani, 40 years, holds Bachelors Degrees in Systems Engineering and in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Program on Leadership Development at Harvard Business School.

Mr Vir S Advani, after a 2-year working stint in New York, joined erstwhile Blue Star Infotech Ltd in 2000. He founded the erstwhile Blue Star Design & Engineering Ltd in 2003 and was designated as its Chief Executive Officer. In 2007, he moved to Blue Star Ltd. 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; and President - Corporate Affairs & Special Projects in 2009.

Mr Vir S Advani was appointed as Whole time Director, designated as Executive Director of the Company with effect from July 1, 2010 for a period of five (5) years and subsequently he was reappointed for a further term of five (5) years at its Annual General Meeting held on July 25, 2015.

In view of the early retirement opted by Mr Satish Jamdar as Managing Director of the Company w.e.f. April 1, 2016 there was a vacancy in the office of the Managing Director in the Company. As per the succession plan approved by the Board, Mr Vir S Advani was considered for being appointed as Managing Director of the Company. He has contributed immensely to the Company's growth and been instrumental in leading the strategic transformation of its various business processes to position it on the growth path as a highly competitive player in the global HVAC space. The Board of Directors, at its meeting held on January 29, 2016, based upon the recommendation of the Nomination and Remuneration Committee at its meeting held on January 29, 2016, considered and approved the appointment of Mr Vir S Advani as the Managing Director for a period of 5(five) years with effect from April 1, 2016.

Mr Vir S Advani satisfies all the conditions set out in Part I of Schedule V of the Companies Act, 2013 for being eligible for appointment.

Therefore, approval of the Members of the Company is sought for the appointment of Mr Vir S Advani as Managing Director of the Company for a period of five (5) years with effect from April 1, 2016.

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

Name of the Company	Directorship	Committee Membership
Blue Star Engineering & Electronics Limited	Director	Audit Committee Nomination and Remuneration Committee
J T Advani Finance Private Limited	Director	-

Mr Vir S Advani holds 50,000 equity shares in the Company. Out of seven Board Meetings held during the year, Mr Vir S Advani attended five Board Meetings.

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

**A. Salary:**

Basic Salary at the rate of ₹60,42,296 per annum with annual increments at such rate as may be approved by the Nomination and Remuneration Committee subject to a ceiling of 30% of his basic salary.

**B. Commission and Performance linked Incentives:**

- 1. Commission:** ₹160 lakhs per annum, based on the achievement of the key results areas as approved by the Nomination and Remuneration Committee.
- 2. Performance linked Incentives:** Variable performance pay linked to his performance ratings in accordance with the relevant scheme(s) of the Company in this behalf and/or as approved by the Nomination and Remuneration Committee.

Provided that the above amounts would be subject to the ceiling of two percent of the net profits of the Company as computed under Section 198 of the Companies Act, 2013.

**C. Perquisites:**

- In addition to the salary, commission and performance linked incentives, Mr Vir S Advani is also entitled to perquisites and allowances including furnished accommodation or house rent in lieu thereof; gas, electricity, water and furnishings; medical reimbursement and leave travel concessions for self and family; club fees; and personal accident insurance or such other perquisites and/or cash compensation in accordance with the Rules applicable to other senior executives of the Company, subject to the condition that the total perquisites, including the cash compensation, will be restricted to an amount equivalent to twice his annual salary.

For the purpose of calculating the above, perquisites shall be valued as per Income-tax Rules wherever applicable.

- b) Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these are, either singly or put together, not taxable under the Income-tax Act, 1961; Gratuity benefits as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of perquisites.
- c) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

The total remuneration shall not exceed the individual and overall ceilings prescribed under Section 197 of the Companies Act, 2013 for the time being and from time to time in force.

In the event of loss or inadequacy of profits in any financial year, and Mr Advani shall be paid remuneration by way of salary and perquisites in accordance with the limits laid down in Schedule V of the Companies Act, 2013, or any statutory modifications therein or re-enactment thereof. The Nomination and Remuneration Committee shall have the discretion and authority to modify the foregoing terms of remuneration within the parameters of the applicable provisions of the Companies Act, 2013.

**D. Leave:**

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

**E. Others:**

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

**F. Termination:**

The Agreement may be terminated

- (a) forthwith by notice in writing on his vacation of office of Director by virtue of the applicable provisions of the Companies Act, 2013
- or
- (b) by giving 6 months' notice in writing by either party.

**G. Arbitration:**

Disputes to be settled by arbitration.

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

Except for Mr Vir S Advani, as it concerns himself and Mr Ashok M Advani, Chairman and Mr Suneel M Advani, Vice Chairman, being relatives of Mr Vir S Advani, none of the other Directors of the Company and Key Managerial Personnel of the Company and their respective relatives, financially or otherwise, is concerned or interested in the said Resolution.

**ITEM NO. 7**

Mr B Thiagarajan, 59 years, holds a Bachelor of Engineering in Electrical and Electronics from Madurai University. He has also completed the Senior Executive Program of London Business School. He has over three decades of experience, having worked for reputed companies such as Larsen & Toubro Ltd., BPL Systems Ltd. and Voltas Ltd., prior to joining Blue Star in 1998.

Mr Thiagarajan joined the Company in 1998 and has handled various assignments in the Service business, Corporate Communications & Marketing, and Corporate Affairs & Planning before he was promoted as President - AC&R Products Group in 2009. Under his leadership, the AC&R products business of the Company has grown significantly. In 2013, Mr Thiagarajan was elevated as Whole time Director designated as Executive Director & President - AC&R Products Business for a period of five (5) years with effect from May 13, 2013. With strategic thinking, he has successfully steered the Company to acquire increased market share and profits in the white goods space in India and positioned it as a contender in international markets.

Considering Mr B Thiagarajan's extensive experience and invaluable contribution to the Company, the Board of Directors at its meeting held on January 29, 2016 based on the recommendation of the Nomination and Remuneration Committee at its meeting held on January 29, 2016, considered and approved the appointment of Mr B Thiagarajan as the Joint Managing Director for a period of 5 (five) years with effect from April 1, 2016.

Mr B Thiagarajan satisfies all the conditions set out in Part I of Schedule V of the Companies Act, 2013 for being eligible for appointment.

Therefore, approval of the Members of the Company be and is hereby sought for the appointment of Mr B Thiagarajan as Joint Managing Director of the Company for a period of five (5) years with effect from April 1, 2016.

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

Name of the Company	Directorship	Committee Membership
Blue Star Engineering & Electronics Limited	Director	-

Mr B Thiagarajan holds 1,700 equity shares in the Company. He attended all the Board Meetings held during the year.

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

**A. Salary:**

Basic Salary at the rate of ₹60,42,296 per annum with annual increments at such rate as may be approved by the Nomination and Remuneration Committee subject to a ceiling of 30% of his basic salary.

**B. Commission and Performance linked Incentives:**

- 1. Commission:** ₹160 lakhs per annum, based on the achievement of the key results areas as approved by the Nomination and Remuneration Committee.
- 2. Performance linked Incentives:** Variable performance pay linked to his performance ratings in accordance with the relevant scheme(s) of the Company in this behalf and/or as approved by the Nomination and Remuneration Committee.

Provided that the above amounts would be subject to the ceiling of two percent of the net profits of the Company as computed under Section 198 of the Companies Act, 2013.

**C. Perquisites:**

- 1) In addition to the salary, commission and performance linked incentives, Mr B Thiagarajan is also entitled to perquisites and allowances including furnished accommodation or house rent in lieu thereof; gas, electricity, water and furnishings; medical reimbursement and leave travel concessions for self and family; club fees and personal accident insurance or such other perquisites and/or cash compensation in accordance with the Rules applicable to other senior executives of the Company, subject to the condition that the total perquisites, including the cash compensation, will be restricted to an amount equivalent to twice his annual salary.

For the purpose of calculating the above, perquisites shall be valued as per Income-tax Rules wherever applicable.

- 2) Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these are, either singly or put together, not taxable under the Income-tax Act, 1961; Gratuity benefits as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of perquisites.
- 3) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

The total remuneration shall not exceed the individual and overall ceilings prescribed under Section 197 of the Companies Act, 2013 for the time being and from time to time in force.

In the event of loss or inadequacy of profits in any financial year, and Mr B Thiagarajan shall be paid remuneration by way of salary and perquisites in accordance with the limits laid down in Schedule V of the Companies Act, 2013, or any statutory modifications therein or re-enactment thereof. The Nomination and Remuneration Committee shall have the discretion and authority to modify the foregoing terms of remuneration within the parameters of the applicable provisions of the Companies Act, 2013.

**D. Leave:**

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

**E. Others:**

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

**F. Termination:**

The Agreement may be terminated

(a) forthwith by notice in writing on his vacation of office of Director by virtue of the applicable provisions of the Companies Act, 2013

or

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

**G. Arbitration:**

Disputes to be settled by arbitration.

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

Except for Mr B Thiagarajan, as it concerns himself, none of the other Directors of the Company and Key Managerial Personnel of the Company and their respective relatives, financially or otherwise, is concerned or interested in the said Resolution.

**BLUE STAR LIMITED**  
**Kasturi Buildings**  
**Mohan T Advani Chowk**  
**Jamshedji Tata Road**  
**Mumbai 400 020**  
 May 30, 2016

**By Order of the Board of Directors**

**Vijay Devadiga**  
 Company Secretary

**FOR THE ATTENTION OF SHAREHOLDERS**

- Members are requested to forward their queries on Financial Statement for the financial year ended March 31, 2016 to the Registered Office of the Company at least 10 days in advance to enable us to keep the information ready at the Meeting.
- The Annual Reports and Attendance Slips will not be distributed at the AGM. Members attending the Meeting are requested to bring the same along with them.

**ROUTE MAP TO THE VENUE OF THE AGM**

**BLUE STAR LIMITED**

(CIN: L28920MH1949PLC006870)

Regd Office: Kasturi Buildings, Mohan T Advani Chowk, J Tata Road, Mumbai 400 020; Email: rnt.helpdesk@linkintime.co.in;

Website: www.bluestarindia.com; Phone: +91 22 6665 4000, Fax: +91 22 6665 4151

**PROXY FORM**

[Pursuant to section 105 (6) of the Companies Act, 2013 and Rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s): \_\_\_\_\_ Email Id: \_\_\_\_\_

Registered address: \_\_\_\_\_ Folio/DP ID-Client ID No.: \_\_\_\_\_

I/We, being the member(s) of \_\_\_\_\_ shares of the above named Company hereby appoint:

(1) Name: \_\_\_\_\_ Address: \_\_\_\_\_

Email Id: \_\_\_\_\_ Signature: \_\_\_\_\_, or failing him/her;

(2) Name: \_\_\_\_\_ Address: \_\_\_\_\_

Email Id: \_\_\_\_\_ Signature: \_\_\_\_\_, or failing him/her;

(3) Name: \_\_\_\_\_ Address: \_\_\_\_\_

Email Id: \_\_\_\_\_ Signature: \_\_\_\_\_, or failing him/her;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 68<sup>th</sup> Annual General Meeting of the Company, to be held on Monday, August 1, 2016 at 3.00 pm at Jai Hind College Hall, 23-24, Sitaram Deora Marg ('A' Road), Churchgate, Mumbai 400 020 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional*	
		For	Against
<b>ORDINARY BUSINESS</b>			
1.	Adoption of Financial Statement (Standalone & Consolidated), Board's Report and Auditors' Reports for the year ended March 31, 2016		
2.	Confirmation of interim dividend		
3.	Reappointment of Mr Suneel M Advani, who retires by rotation		
4.	Ratification of appointment of M/s S R B C & CO, LLP, Chartered Accountants, as Statutory Auditors and fixing their Remuneration		
<b>SPECIAL BUSINESS</b>			
5.	Ratification of remuneration of M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants for financial year ending March 31, 2016		
6.	Appointment of Mr Vir S Advani as the Managing Director of the Company for a period of five (5) years with effect from April 1, 2016		
7.	Appointment of Mr B Thiagarajan as the Joint Managing Director of the Company for a period of five (5) years with effect from April 1, 2016		

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2016 Signature of shareholder \_\_\_\_\_

Affix  
Revenue  
Stamp not  
Less than  
₹1/-\_\_\_\_\_  
Signature of Proxy holder(s) 1\_\_\_\_\_  
Signature of Proxy holder(s) 2\_\_\_\_\_  
Signature of Proxy holder(s) 3**Note:**

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting. A Proxy need not be a Member of the Company. A person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total share capital of the Company. Members Holding more than ten percent of the total Share Capital of the Company may appoint a single person as Proxy who shall not act as proxy for any other Member.**
- For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 68<sup>th</sup> Annual General Meeting.
- It is optional to put a 'X' in the appropriate column against the resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any of the Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Please complete all details including details of member(s) in above box before submission.