BLUE STAR LIMITED ANNUAL REPORT 2010-2011

BOARD OF DIRECTORS

Ashok M Advani
Executive Chairman

Suneel M Advani
Vice Chairman & Managing Director

Satish Jamdar
Managing Director

Vir S Advani
Executive Director

Shailesh Haribhakti
Pradeep Mallick
Gurdeep Singh
Suresh N Talwar

COMPANY SECRETARY

Sangameshwar Iyer

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd
State Bank of India
Oriental Bank of Commerce
The Royal Bank of Scotland
BNP Paribas

AUDITORS

S R Batliboi & Associates

REGISTRARS & SHARE 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.
Telephone: +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.
Telephone: +91 22 6665 4000
Fax: +91 22 6665 4151
www.bluestarindia.com

CORPORATE MANAGEMENT

Ashok M Advani
Executive Chairman

Suneel M Advani
Vice Chairman & Managing Director

Satish Jamdar
Managing Director

Vir S Advani
Executive Director

Avinash Pandit
President - Electro Mechanical Projects Group

B Thiagarajan
President - Airconditioning & Refrigeration Products Group

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

Tojo Jose
Executive Vice President- Human Resources & Administration

Manek Kalyaniwala
Executive Vice President - Finance

Arun Khorana
Executive Vice President
- Professional Electronics & Industrial Systems Division

G Anandkumar
Vice President - Plumbing Projects Division

R Aravindan
Vice President - Airconditioning Projects Division (South)

Sujan Chatterjee
Vice President - Corporate Finance & Accounts

Sumanta Chaudhuri
Vice President - Electrical Projects Division

R G Devnani
Vice President - Thane, Wada, Dadra & Bharuch Plants

C P Mukundan Menon
Vice President - Room Airconditioners Division

P Venkat Rao
Vice President - Packaged Airconditioning Division
& Refrigeration Products Division

D H Roy
Vice President - Himachal Plants

D P Singh
Vice President - Infrastructure Projects Division

K P Sukumar
Vice President - Airconditioning & Refrigeration Service Division

Contents

Letter from the Chairman

Dear Shareholder,

Blue Star's business growth picked up moderately in 2010-11 after a year of revenue stagnation with Total Income increasing by 14% to Rs. 2893 crores. That was one of the few positive developments in an extremely challenging year.

The Company was impacted by a combination of adverse external factors – rising input costs that squeezed gross margin by 2.4%; a general slowdown in commercial real estate projects leading to lower cash collections and mounting receivables on several of our electro mechanical projects; a substantial increase in borrowings and interest costs; and a higher income tax liability in spite of lower pre-tax profit.

Ashok M Advani, *Executive Chairman*

The Annexure to this letter reveals the effect of these factors on our financial results. To be quite honest, the overall picture is not pretty. A lower dividend, while not severe, has been recommended by the Board. In line with our belief that all stakeholders should "share the gain; share the pain", employees and Directors have also taken appropriate cuts in their performance incentives and commissions.

The declining results are disappointing vis-à-vis the high standards we established in the past. This comparison is somewhat deceptive because of the "high base effect". Compared to the operating margins, return on capital employed and return on shareholders' funds of many other "average" companies, our figures do not look too bad. We still made reasonable profits and declared a respectable dividend.

I am not arguing that we should be satisfied with these results. We have set and achieved high standards in the past. We intend to reach the same standards again. But first we must understand what went wrong.

One of the important lessons of last year was that we were mistaken in expecting an acceleration of GDP growth in India and a moderation of inflation after a good monsoon. We were misled by over-optimistic economic forecasts from various sources. As the year went by, sharp increases in global commodity prices, especially key raw materials like copper, steel and oil-based products, caused a serious erosion in our gross margin. This could only be partly mitigated by raising prices.

In 2011-12, the macro-economic scene is very different from the past. Even though the Indian economy is growing, it has changed radically and become more unpredictable, volatile and complex. Markets, competition and customer expectations are now more challenging, and the Company needs to change fast enough to deal with the new realities. We should pay heed to the old dictum, "The past is no guide to the future."

BUSINESS SEGMENTS

The 3 business segments of Blue Star performed quite differently from each other. The most severely affected was the Electro Mechanical Projects and Packaged Airconditioning Segment. Revenues grew a modest 4%, while Segment results declined 18% and Capital Employed climbed substantially by 24%. Being, by far, the largest segment accounting for 65% of total revenues, its lack-lustre performance had a big effect on overall Corporate results.

The other 2 business segments performed much better. The Cooling Products Segment produced healthy revenue growth of 35% though profits increased a moderate 12% because of erosion of margins due to inflationary cost increases. Professional Electronics and Industrial Systems also grew very well. Revenues jumped 40%, but a change in business mix allowed only a 20% profit increase.

BALANCE SHEET MANAGEMENT

One of Blue Star's strengths in recent years was a focus on efficient funds management and healthy cash flow that produced good profits to reward our stakeholders and provided resources for business growth. An additional strength was a conservative approach to debt that gave us a strong balance sheet and financial stability in turbulent times.

We did not leverage these strengths in our drive to grow when economic expansion slowed down in 2008 after the financial crisis. We were aggressive in booking new business in the deteriorating environment, but could not focus enough on cash flow and control of working capital. As a result, the balance sheet reflects much higher borrowings and interest costs that have climbed disproportionately.

THE WAY FORWARD

It is clear that faced with a challenging business environment, there is much to be done to put the Company back on the path to profitable growth. The plan involves immediate short-term operational measures as well as longer-term strategic and organisational issues which are needed to build and sustain our competitive strength and better meet customer expectations.

The operational measures to cut costs, speed up cash collections, manage working capital more efficiently and improve manpower productivity have already begun and should start yielding results soon. But given the magnitude of the problems, it will take a concerted effort to restore a satisfactory level of operational efficiency.

The longer-term programme is part of a 3-year Strategic Plan that addresses a number of Corporate priorities. The major planks of this plan include (a) strengthening our R&D and product development capabilities, (b) building the technical and managerial skills of our engineers and managers, (c) upgrading customer support and service delivery, (d) modernising the project planning and execution process for electro mechanical projects, (e) consolidating and integrating the newly acquired businesses, (f) increasing market penetration in fast growing segments like residential and smaller towns.

These programmes need managerial commitment and substantial resources over a sustained period to yield results. Each one is important to reinforce Blue Star's leadership position in the long run. These are still early days and we have a long road ahead. But we will not waver because we are determined to succeed.

Ashok M Advani
Executive Chairman

Mumbai : June 8, 2011

Annexure to Letter from the Chairman

BLUE STAR FINANCIAL PERFORMANCE

(Rs. in crores)

	2010-11 Audited	2009-10 Audited
Total Income	2892.91	2544.04
Growth over Previous Year	+14%	+1%
Operating Profit (PBITDA) excl. Non-Operating Income	282.67	305.84
Growth over Previous Year	-8%	+11%
Profit Before Tax	227.00	276.62
Growth over Previous Year	-18%	+16%
Profit After Tax	155.00	211.49
Growth over Previous Year	-27%	+17%
Shareholders' Funds	573.50	491.67
Borrowings	418.38	65.99
Capital Employed	991.88	557.67
Operating Cash Flow	(79.94)	91.08
Carry Forward Order Position	1967.9	1699.1
Growth Over Previous Year	+16%	+27%

KEY RATIOS

	2010-11 Audited	2009-10 Audited
Gross Margin (excl. Non-Operating Income)	23.5%	25.9%
Operating Margin (excl. Non-Operating Income)	9.8%	12.0%
Return on Capital Employed	22.9%	49.6%
Return on Shareholders' Funds	27.0%	43.0%
Earnings Per Share (Rs.)	17.23	23.52
Dividend Per Share (Rs.)	7.00	8.00
Capital Turnover	2.92	4.56
Debt/Equity	0.73	0.13
Inventory Turnover	5.45	7.25
Receivables (Days Billings Outstanding)	99	91

Board of Directors

Ashok M Advani
Executive Chairman

Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from MIT, USA and a B.Sc (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 with effect from July 2009. As Executive Chairman, he oversees Corporate Strategy, Corporate Governance, Investor Relations and Corporate Social Responsibility.

Ashok is the Vice Chairman of Blue Star Infotech Limited and on the Board of Alfa Laval (India) Limited. He has been a member of the Local Advisory Board of The Chase Manhattan Bank and a past President of the Bombay Chamber of Commerce and Industry.

Suneel M Advani
Vice Chairman &
Managing Director

Suneel M Advani 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 redesignated as Vice Chairman & Managing Director in 2005. As Vice Chairman & Managing Director, he oversees the Electro Mechanical Projects Group, Corporate Communications & Marketing and Public Relations.

Suneel is also the Chairman & Managing Director of Blue Star Infotech Limited, Chairman of Blue Star Design & Engineering Limited, Blue Star Infotech (UK) Limited and Blue Star Infotech America, Inc and a Director of Blue Star Electro-Mechnical Limited. Suneel is a Member of the CII National Council, the apex governing body of CII. Besides, he is also associated with other trade associations and was the President of the Refrigeration & Airconditioning Manufacturers' Association (RAMA).

Satish Jamdar
Managing Director

Satish Jamdar is a Mechanical Engineering graduate from IIT Bombay and also qualified in Systems Management from NIIT and Management Studies from UK and USA. He joined Blue Star in 1996 as Vice President - Manufacturing and has over 35 years of experience in manufacturing, materials management and IT projects having worked for companies such as Siemens, BPL-Sanyo and Alstom.

After joining Blue Star, Satish spearheaded the establishment of Blue Star's modern manufacturing facilities in Dadra, Himachal and Wada. He was also responsible for corporate financial services, airconditioning and refrigeration service, international operations as well as the customised OEM business.

Satish was promoted as Executive Director in 2003, Deputy Managing Director in 2007 and Managing Director in 2009. In his current appointment as Managing Director, Satish oversees the operations and support services of the Company. Satish is also a Director of Blue Star Electro-Mechanical Limited.

Vir S Advani
Executive Director

Vir S Advani holds a BS degree in Systems Engineering and a BA degree in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Programme on Leadership Development at Harvard Business School. Vir has been in the Blue Star Group for over a decade, after a 2-year working stint in New York.

In 2000, he joined Blue Star Infotech, and then founded Blue Star Design & Engineering 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 company-wide profit improvement programme as well as in electro mechanical projects, in a short span of time. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director in 2010.

Vir is also a Director of Blue Star Design & Engineering Limited, Blue Star Electro-Mechanical Limited and J T Advani Finance Private Limited.

Shailesh Haribhakti
Director

Shailesh Haribhakti is a Fellow member of Institute of Chartered Accountants of India.He is the Managing Partner of M/s Haribhakti & Co, Chartered Accountants and Chairman of BDO Consulting Pvt Ltd. He served a three-year term on the Standards Advisory Council of the International Accounting Standards Board.

Shailesh joined the Board of Blue Star in 2005. He is a Committee member of Futures & Options segment of National Stock Exchange of India and a Member of the SEBI Committee on Disclosures and Accounting Standards. He serves as Member of Managing Committees of ASSOCHAM and IMC and Corporate Governance Committees of ASSOCHAM and CII and is the Chairman of the Global Warming Committee of IMC. He is on the Board of Directors of several listed and private companies.

Pradeep Mallick
Director

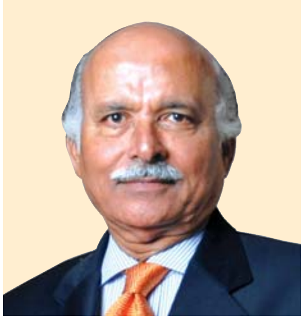
Pradeep Mallick is a B.Tech from IIT Madras and Diploma holder in Business Management from UK. He is also a Chartered Engineer and Fellow of the Institution of Engineering & Technology, London. Pradeep was the Managing Director of Wartsila India Limited from 1988 to 2003, prior to which he worked with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

Pradeep is also on the Boards of several other leading companies including Automotive Stampings & Assemblies, Elantas Beck India, ESAB India, Mount Everest Mineral Water and Tube Investments of India. In addition, he is associated with Industry Associations such as CII, Bombay Chamber of Commerce & Industry and social organizations like Population First.

Gurdeep Singh
Director

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

Gurdeep returned to Hindustan Lever in 1998 as Director - Human Resources , Corporate Affairs and Technology, and retired from the Company in October 2003. He joined the Board of Blue Star in 2003. He is also on the Boards of several leading companies including Halonix, Gabriel India, Everest Kanto Cylinder, Renuka do Brazil S A and Tecnova India.



Suresh N Talwar
Director

Suresh N Talwar is a Commerce & Law Graduate and Solicitor and Partner of M/s Talwar, Thakore & Associates, Mumbai. Before setting up this firm in April 2007, he was the Senior Partner of Crawford Bayley & Company.

He joined the Board of Blue Star in 1986. In addition to Blue Star, he is also on the Boards of several leading companies such as Merck, Larsen & Toubro, Greaves Cotton, Sandvik Asia, ESAB India, Johnson & Johnson and Uhde India, amongst others.

Corporate Management

Directors

Ashok M Advani
Executive Chairman

Suneel M Advani
Vice Chairman & Managing Director

Satish Jamdar
Managing Director

Vir S Advani
Executive Director

Presidents

Avinash Pandit
President - Electro Mechanical Projects Group

B Thiagarajan
President - Airconditioning & Refrigeration Products Group

Executive Vice Presidents

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

Tojo Jose
Executive Vice President- Human Resources & Administration

Manek Kalyaniwala
Executive Vice President - Finance

Arun Khorana
Executive Vice President - Professional Electronics & Industrial Systems Division

Vice Presidents

G Anandkumar
Vice President - Plumbing Projects Division

R Aravindan
Vice President - Airconditioning Projects Division (South)

Sujan Chatterjee
Vice President - Corporate Finance & Accounts

Sumanta Chaudhuri
Vice President - Electrical Projects Division

R G Devnani
Vice President - Thane, Wada, Dadra & Bharuch Plants

C P Mukundan Menon
Vice President - Room Airconditioners Division

P Venkat Rao
Vice President - Packaged Airconditioning Division & Refrigeration Products Division

D H Roy
Vice President - Himachal Plants

D P Singh
Vice President - Infrastructure Projects Division

K P Sukumar
Vice President - Airconditioning & Refrigeration Service Division

Directors' Report

The Directors are pleased to present their 63rd Annual Report and the Audited Accounts for the year ended March 31, 2011.

HIGHLIGHTS OF 2010-11

- Total Income grew by 14% to Rs. 2892.91 crores.
- Profit before Interest, Depreciation and Tax declined by 8% to Rs. 282.67 crores from Rs. 305.84 crores in the previous year.
- Earnings per share were Rs. 17.23 (face value of Rs. 2.00) compared to Rs. 23.52 in the previous year.
- A dividend of Rs. 7.00 per share (Rs. 8.00 for last year) has been recommended.

SUMMARISED FINANCIAL RESULTS

(Rs. in crores)

	April 2010 - March 2011	April 2009 - March 2010
Total Income	2892.91	2544.04
Profit before Interest, Depreciation and Taxation	282.67	305.84
Financial Expenses	24.39	8.45
Depreciation	31.71	34.73
Add: Profit on sale of investments	0.43	13.96
Profit before Tax	**227.00**	**276.62**
Taxes	72.00	65.13
Profit after Tax	**155.00**	**211.49**
Add: Balance brought forward	213.44	165.85
Total available for appropriation	368.44	377.34
Less: General Reserve	15.50	80.00
Proposed Dividend	62.96	71.95
Corporate Dividend Tax	10.21	11.95
Balance carried forward	279.77	213.44

DIVIDEND

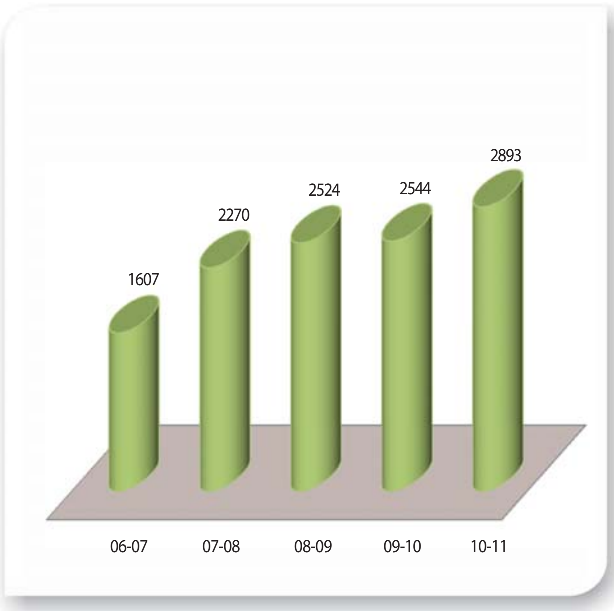
The Directors have proposed a dividend of Rs. 7.00 per equity share. The dividend will absorb Rs. 73.17 crores including Corporate Dividend Tax.

OPERATING PERFORMANCE

The revenues of the Company increased by 14% for the year, primarily due to growth of 35% in the Cooling Products segment and 40% in the Professional Electronics & Industrial Systems segment. However, the revenues of the Company's largest segment, Electro Mechanical Projects & Packaged Airconditioning Systems grew by a modest 4%, reflecting the general slowing in infrastructure growth.

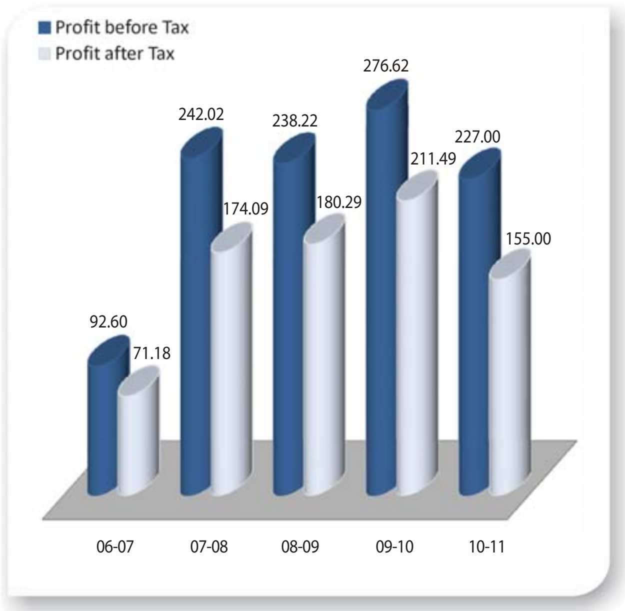
Total Income

(Rs. in crores)



Profit before Tax / Profit after Tax

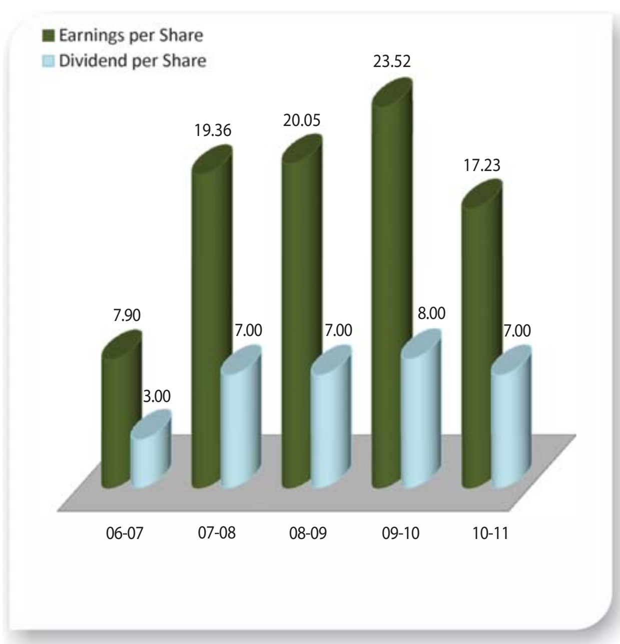
(Rs. in crores)

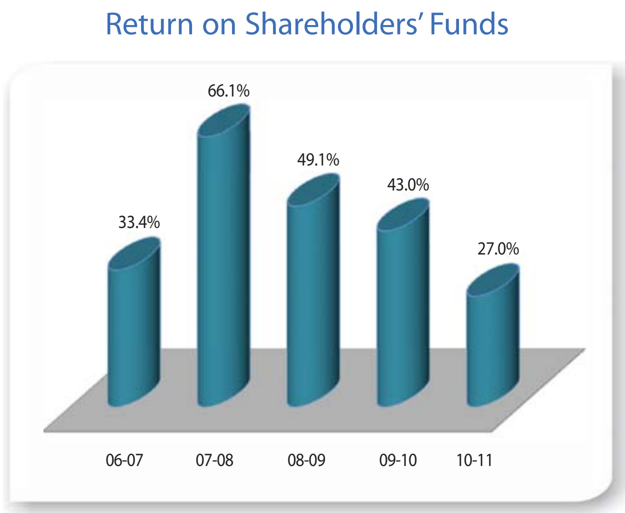


Operating (PBITDA) Margin

Earnings per Share & Dividend per Share

(Rs.)





Consistently high commodity prices and increase in general operating costs due to the overall inflationary conditions eroded margins and resulted in a reduction of 8% in the Profit before Interest, Depreciation and Taxation to Rs. 282.67 crores as compared to Rs. 305.84 crores in the previous year.

FINANCIAL PERFORMANCE

The Company's financial expenses increased sharply from Rs. 8.45 crores in the previous year to Rs. 24.39 crores in the current year, due to a higher interest rate regime and additional borrowings. The major slowdown in execution of several large projects, resulted in a comparatively tardy cash flow and increase in the Capital Employed in the business. As a result, the Profit before Tax for the year saw a reduction of 18% to Rs. 227.00 crores as compared to Rs. 276.62 crores in the previous year.

The higher income tax rate rose mainly due to lower benefits for the Himachal plant. This resulted in the Profit after Tax declining by 27% from Rs. 211.49 crores to Rs. 155.00 crores.

EXPORT & FOREIGN EXCHANGE EARNINGS

Product exports revived during the year, growing by 33% to Rs. 130.8 crores. Foreign Exchange inflow for the year, including commission income, was Rs. 160.3 crores as compared to Rs. 129.4 crores for the previous year. Foreign Exchange outflow for the year was Rs. 561.5 crores as compared to Rs. 475.5 crores in the previous year.

SUBSIDIARY COMPANY

During the year, the Company made an investment of Rs. 98 crores in the acquisition of the plumbing and fire fighting business of D S Gupta Construction Pvt Ltd, through the Company's wholly owned subsidiary, Blue Star Electro-Mechanical Limited, which was incorporated during the year.

CONSOLIDATED RESULTS

The Annual Report also includes the Consolidated Financial Statements of the Company, which include the results of the Company's wholly owned subsidiary Blue Star Electro-Mechanical Limited and its share in the results of its joint venture companies and associate company. The Consolidated Financial results for the year show a Total Income of Rs. 3009.85 crores and a Profit after Tax of Rs. 160.96 crores.

AUDITORS

M/s S R Batliboi & Associates, Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. As required under the provisions of section 224 of the

Companies Act, 1956, the Company has obtained a written certificate from M/s S R Batliboi & Associates, Chartered Accountants, to the effect that their appointment, if made, would be in conformity with the limits specified in the said section.

M/s ABK & Associates, Cost Accountants have been appointed as the Cost Auditor of the Company to conduct the cost audit of airconditioners manufactured by the Company for the financial year ending March 31, 2012 upon the remuneration and terms and conditions as may be mutually agreed between the Company and M/s ABK & Associates.

The observations made in the Auditors' Report are self-explanatory and do not call for any further comments under Section 217(3) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2011 are in full conformity with the requirement of the Companies Act, 1956. These financial results have been audited by the statutory auditors M/s S R Batliboi & Associates, Chartered Accountants. The Directors further confirm that:

1) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
2) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period.
3) 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 providing and detecting fraud and other irregularities.
4) The Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

During the year, Mr Vir S Advani was appointed as Executive Director of the Company with effect from July 1, 2010.

Mr Vir S Advani and Mr Shailesh Haribhakti will retire from the Board by rotation and being eligible, offer themselves for re-election.

It is proposed to appoint Mr Ashok M Advani as Managing Director designated as Executive Chairman and re-appoint Mr Suneel M Advani as Managing Director designated as Vice Chairman & Managing Director at the forthcoming Annual General Meeting.

EMPLOYEES

The increased level of operations and strengthening of the Company's R&D capabilities has resulted in an increase in the number of employees from 2603 as on March 31, 2010 to 2825 as on March 31, 2011.

DISCLOSURE OF PARTICULARS

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the rules made thereunder relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure A forming part of this report. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this report. However, in pursuance of Section 219(1)(b) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company "excluding" the aforesaid information. The said particulars will be made available for inspection at the Registered Office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company. A Management Discussion and Analysis Report, as required under Clause 49 of the Listing Agreement is published separately in this Annual Report.

For and on behalf of the Board

Ashok M Advani

Mumbai, May 24, 2011 — Executive Chairman

Annexure to Directors' Report - A

Information pursuant to Companies (Disclosure of particulars in the Report of the Board of Directors), Rules 1988.

CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company is committed to produce eco-friendly energy efficient products. The platform for developing new products is energy efficiency. The Company had already implemented the energy labelling programme for room airconditioners, which was made mandatory with effect from January 2010. The Company has also developed high energy efficient chillers to meet the changing market demand.

Even though energy does not constitute a major cost factor in the Company's manufacturing facilities, during the year under review, several initiatives were undertaken to reduce energy consumption. The Company has a certified Energy-Conservation audit team, which also helps customers in identifying and addressing their energy conservation plans.

Dadra Plant

- Augmented the speed of conveyor in the powder coating plant, saving about 12.5 kl of HSD and 31000 kWh of electrical energy.
- Installed high efficiency horizontal two stage air compressor, saving about 13000 kWh of electrical energy.
- Modified coil water testing facility and fire hydrant testing system, saving about 1000 kl /annum.
- Introduced Energy Saver on two mechanical expanders, saving about 5000 kWh.
- Introduced air blow system at exit of pre-treatment of paint shop, reducing heat load on water drying oven, saving about 2000 litres of HSD.
- Introduced pneumatic load unload system on low pressure air compressor, saving about 5500 kWh.

Wada Plant

Normally, air compressors are operated for full shift. Centralized auto On/Off panel was installed to control compressor run-time effectively. It stops compressors during tea/lunch break and 10 mins before shift end and starts automatically, giving a 10% reduction in power consumption.

A few shop floor lights are kept on during night-time for security purpose which contributes to non-productive power consumption. In order to reduce it, LED lights working on inverter have been installed, keeping illumination level same with lower power consumption. Power factor plays a major role in optimum utilization of available electricity power and helps in savings on maximum demand. Since the connected load has increased, 400 KVAR real time power factor control panel with harmonics filter was installed to achieve optimum power factor.

In the paint shop, frequent conveyor line stoppages were observed because of low air pressure, resulting in low productivity and higher power consumption. A 1000 litre air receiver was installed to get constant air supply. Also, automation on conveyor to interlock conveyor operation with air pressure prevented the rejection of painted components due to low pressure air.

In washroom and toilets, all the lights are on during most of the working hours. Movement sensors were installed in washrooms and toilets to save power.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

While no major additional investments are envisaged, efforts to conserve energy would continue and new investment proposals would be considered, based on the recommendations of the Energy Management Team.

In order to improve conversion costs, the plants have undertaken many process improvement initiatives, including energy management, enhanced safety practices, value engineering and TPM. Six sigma and quality circle initiatives are actively practiced at the plants.

c) Impact of measures taken:

There has been a reduction in electrical and fuel consumption, improved power factor and savings in cost of production.

Energy Savings

Two DG sets were used for screw chiller testing on production test bed with sanction of additional 450 KVA supply from MSEB. Both test beds are now operated using MSEB's grid power, thus reducing diesel consumption by 50%.

Due to capacity upgradation of the new R&D lab, the capacitor bank has been upgraded, thus controlling the power factor to unity, thereby getting maximum power factor rebate in monthly electricity bills and savings of approximately Rs. 50,000 per month.

RESEARCH AND DEVELOPMENT

a) Specific areas in which R&D carried out by the Company:

In order to meet the growing demand for latest technology products, and to compete in the market place, the Company decided to strengthen the R&D activities. The Company set up a laboratory for testing room airconditioners, and a new test facility for air-cooled and water-cooled chillers as per the international standards. Investments have also been made to upgrade existing laboratories to meet the increasing demand. The chiller test facilities are AHRI certified, which is an accepted standard in the industry.

Blue Star appointed a consultancy firm from USA to advise on the restructuring of R&D, develop robust processes and develop competency development plans. The engagement was for a period of 12 months, which is still ongoing.

Based on the recommendations and to integrate various technologies, specific cells address software, electrical and electronics controls, CFD analysis and laboratory measurement requirements. The strength of the R&D department has been increased substantially.

There are Government proposals for phasing out HCFC refrigerants and extending the labelling programme to other products in the coming years. The present labelling requirements for room airconditioners will also be revised for better efficiency. The Company has formed a team to address these requirements.

During the year, a new range of room airconditioners complying to the star labelling programme was developed. The Company also extended the range of high efficiency chillers and added roof top units for export markets. A new range of AHRI certified chillers was also launched.

A range of packaged units, using DC fan technology was introduced to meet the high energy efficiency requirements. The Company also developed scroll chillers and packaged units with eco-friendly refrigerants.

b) Benefits derived as a result of the above R&D:

The development of new products has helped the Company to remain at the top of cutting-edge technology.

c) Future plan of action:

The Company will continue to invest in infrastructure, additional manpower as well as restructuring and upgrading the R&D function. The Company is working towards getting a few selected products certified from international agencies and prepare to meet the legislative requirements on the energy labelling and HCFC phase-out programmes. The Company also plans to introduce new technologies for heat exchangers.

d) Expenditure on R&D:

(Rs. in lakhs)

	2010-11	2009-10
a) Capital (including Capital Work-in-Progress)	961.82	280.87
b) Recurring	1652.94	688.93
Total	2614.76	969.80
Total R&D expenditure as a percentage of turnover	0.90%	0.39%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts made towards technology absorption, adaptation and innovation:

Efforts continued in strengthening the R&D facilities in order to provide a comprehensive range of products complying with the legislative requirements and to suit the market needs. This also enabled widening the export opportunities, import substitution and adaptation of imported technology to suit the Indian market. Training was imparted to technical staff as an ongoing process.

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

Availability of energy efficient, environment friendly airconditioning systems and equipment; wider range of products; improved quality and product designs and cost reduction were amongst the benefits derived.

c) Information regarding imported technology:

No technologies were imported during the past five financial years.

MAJOR ITEMS OF 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' Report.

b) Total foreign exchange used and earned:

(Rs. in lakhs)

	2010-11	2009-10
Total foreign exchange used	56151.61	47549.44
Total foreign exchange earned	16031.97	12942.29

For and on behalf of the Board

Ashok M Advani
Executive Chairman

Mumbai: May 24, 2011

Report of the Directors on Corporate Governance

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. A basic set of Corporate Values and Beliefs have become a way of life in the Company and each employee is responsible for strict adherence to these values.

GUIDING VALUES AND BELIEFS

Blue Star has clearly spelt out a set of 12 Guiding Values and Beliefs that enunciate its basic business philosophy and its responsibilities to all stakeholders: customers, shareholders, employees, business partners and society. Ensuring high standards of corporate governance is one of the core values.

CODE OF CONDUCT

While we participate 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 safety of its employees and all the stakeholders associated with our project sites and manufacturing facilities is of utmost importance. Safety is an essential and integral part of all our work activities. We believe that incidents or accidents and risk to health are preventable through the active involvement of all the stakeholders, thereby creating a safe and accident-free work place.

CORPORATE SOCIAL RESPONSIBILITY

The Company has chosen 3 broad areas to focus its CSR activities:

1. Energy Conservation comprising:
   a) Energy Efficient Products and Services
   b) Other Energy Conservation Measures
2. Environmental Protection
3. Community Service

BOARD OF DIRECTORS

The Board consists of eight Directors – Four Wholetime and four Non-Executive. Out of the eight Directors, four are Independent Directors. One Wholetime Director was appointed with effect from July 1, 2010.

BOARD MEETINGS

Seven Board Meetings were held during the financial year 2010-11 i.e. on April 9, 2010; May 12, 2010; May 31, 2010; July 26, 2010; October 29, 2010; January 27, 2011 and March 15, 2011. The Company had its Annual General Meeting on July 26, 2010.

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2010-11 are given below:

Name	Category	Attendance		Particulars of other Directorships, Committee Memberships/Chairmanships		
		Board Mtg.	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Ashok M Advani	Promoter Executive	7	Yes	2	2	Nil
Suneel M Advani	Promoter Executive	6	Yes	5	1	Nil
Satish Jamdar	Non-Promoter Executive	7	Yes	1	Nil	Nil
Vir S Advani	Promoter Executive	4	Yes	2	Nil	Nil
Suresh N Talwar	Independent Non-Executive	6	Yes	13	7	3
Pradeep Mallick	Independent Non-Executive	7	Yes	7	6	2
Gurdeep Singh	Independent Non-Executive	6	Yes	5	1	Nil
Shailesh Haribhakti	Independent Non-Executive	7	Yes	13	4	5

Note:- Alternate Directorships, Directorships in Private Companies and Memberships in Governing Councils, Chambers and other bodies are not included.

Except Mr Ashok M Advani, Mr Suneel M Advani and Mr Vir S Advani who are relatives, none of the other Directors is inter se related to the other.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors namely Mr Suresh N Talwar, Mr Pradeep Mallick and Mr Shailesh Haribhakti, with Mr Suresh N Talwar as the Chairman.

The Committee met on May 12, 2010; July 26, 2010; October 29, 2010 and January 27, 2011. The Chairman of the Audit Committee attended all four Committee Meetings. The other Members also attended all the four Committee Meetings.

The gap between two meetings did not exceed four months.

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

The terms of reference of the Committee inter alia include review of the Company's financial reporting process and disclosure of its financial information; recommending the appointment and removal of external auditors and fixation of audit fees; review of periodical and annual financial statements, related party transactions, risk assessment and minimization procedure, adequacy of internal control systems, performance of statutory and internal auditors and adequacy of internal audit system and structure of internal audit department; looking into the reasons for substantial default in payments to depositors, shareholders, creditors etc. and review of the appointment, removal and remuneration of Chief Internal Auditor.

REMUNERATION POLICY

The Executive Chairman's, Managing Directors' and Executive Director's remuneration is recorded in a service agreement with the Company, the terms of which are approved by the Board of Directors and shareholders. Notice period for termination is 6 months on either side and no severance compensation is payable on termination.

The annual increment and commission for the Executive Chairman, Managing Directors and Executive Director and the commission for the Non-Executive Directors within the limits approved by the shareholders are determined by the Board of Directors. Since the remuneration of Directors is determined by the Board of Directors within the limits approved by the shareholders, no separate Remuneration Committee has been constituted. The Executive Chairman, Managing Directors and Executive Director are paid by way of salary, perquisites and commission based on their agreements with the Company. 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 details of amount paid/provided towards Directors' remuneration are as follows:

(Rs. in lakhs)

Name	Salary	Perquisites	Commission	Sitting Fees	Total
Ashok M Advani	65.40	130.80	209.18	-	405.38
Suneel M Advani	65.40	104.40	209.18	-	378.98
Satish Jamdar	41.85	83.70	182.96	-	308.51
Vir S Advani	19.80	39.60	138.44	-	197.84
Suresh N Talwar	-	-	11.60	2.0	13.60
Pradeep Mallick	-	-	12.00	2.2	14.20
Gurdeep Singh	-	-	10.00	1.4	11.40
Shailesh Haribhakti	-	-	12.00	2.2	14.20

Note:

1. Commission shown above are amounts actually paid for the year 2010-11 and hence differ from the provisions made in the accounts for the year ended March 31, 2011.
2. Mr Suresh N Talwar holds 71500 equity shares, Mr Gurdeep Singh holds 1200 equity shares and Mr Shailesh Haribhakti holds 2600 equity shares in the Company in his individual capacity and 2500 equity shares in his capacity as Karta of S V Haribhakti, HUF. Mr Pradeep Mallick does not hold any shares in the Company.

SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee comprises Mr Ashok M Advani, Mr Suneel M Advani and Mr Gurdeep Singh. Mr Gurdeep Singh, who is a Non-Executive Director, is the Chairman of the Committee. The Committee met on January 27, 2011 and reviewed the status of shareholders' grievances.

The Board has authorized Mr Sangameshwar Iyer, Company Secretary, to approve the transfer of shares and attend to other related matters and has been designated as the Compliance Officer.

During the year, the Company's Registrars received 518 letters of which 388 letters were requests for various actions such as change of address, dividend mandate, nominations, etc., and 130 letters were complaints for non-receipt of share certificates, dividend, demat credit, etc. All requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. There were no valid transfers pending as on March 31, 2011.

ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meetings	Time
2007-08	July 28, 2008	Jai Hind College Hall Sitaram Deora Marg ('A' Road), Churchgate Mumbai 400 020.	3.30 pm
2008-09	July 27, 2009	-do-	2.30 pm
2009-10	July 26, 2010	-do -	2.30 pm

Following special resolutions were passed in the previous three Annual General Meetings:

Subject	Date of Meeting
Commission to Non-Executive Directors & Promotion of Mr Vir S Advani as President	July 27, 2009

No special resolution was passed through postal ballot during the year 2010-11 and no special resolution is proposed to be passed by postal ballot.

DISCLOSURES

a. The details of transactions with related parties are given in Clause 13 of the Notes Forming Part of Balance Sheet and Profit and Loss Account (Schedule N). There were no transactions with related parties, which are likely to have potential conflict with the interests of the Company at large.

b. The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/ strictures have been imposed against it.

c. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. However, it has not adopted the non-mandatory requirements of the said Clause.

d. The Company has followed all relevant Accounting Standards while preparing the Financial Statements. As regards its subsidiary, the Company has disclosed an accounting treatment different from that prescribed by Accounting Standards as detailed in Note III.8b of Schedule N which forms part of the Consolidated Balance Sheet and Profit and Loss Account.

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 was published in Economic Times and Maharashtra Times. The Financial Results were also displayed on the website of the Company www.bluestarindia.com. Official press releases are also displayed on the website. The Company did not have any meetings with the analysts/ investors during the year 2010-11. Management Discussion and Analysis forms part of the Annual Report.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Date	: July 29, 2011
Time	: 2.30 pm
Venue	: Jai Hind College Hall 23-24, Sitaram Deora Marg ('A' Road) Churchgate, Mumbai 400 020.

FINANCIAL CALENDAR (PROVISIONAL)

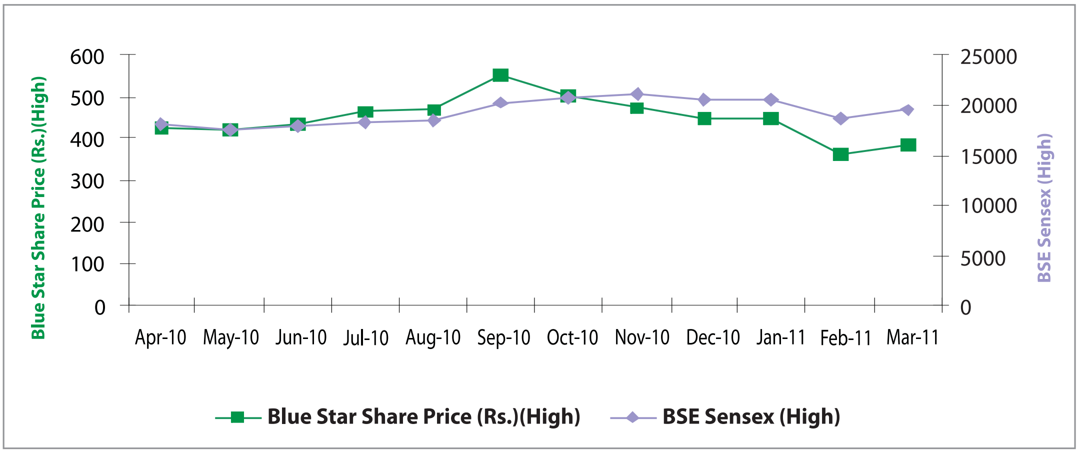
Unaudited results for the quarter ending June 30, 2011	: July 29, 2011
Unaudited results for the quarter ending Sept 30, 2011	: October 25, 2011
Unaudited results for the quarter ending Dec 31, 2011	: January 27, 2012
Audited results for the year ending March 31, 2012	: May 2012
Date of Book Closure	: Saturday, July 16, 2011 to Saturday, July 23, 2011
Dividend Payment Date	: August 03, 2011
LISTING ON STOCK EXCHANGES	: Bombay Stock Exchange National Stock Exchange
STOCK CODE	: Bombay Stock Exchange - 500067 National Stock Exchange-BLUESTARCO NSDL/CDSL-ISIN-INE 472A01039

MARKET PRICE DATA

(Rs. per share)

	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
2010				
April	427.75	360.00	428.00	362.00
May	424.35	370.00	424.00	370.00
June	435.95	392.10	434.95	393.65
July	464.00	411.00	458.20	411.00
August	469.70	390.00	469.00	407.50
September	553.65	416.40	524.40	422.05
October	501.00	439.00	512.00	437.30
November	471.80	389.00	470.90	381.85
December	448.00	399.00	449.00	398.65
2011				
January	449.75	328.00	447.00	315.40
February	363.30	321.00	363.90	318.00
March	384.00	316.00	384.50	315.45

PERFORMANCE - COMPARISON WITH BSE SENSEX



REGISTRAR & SHARE 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.: 022-25946970, Fax: 022-25946969
E-mail: rnt.helpdesk@linkintime.co.in

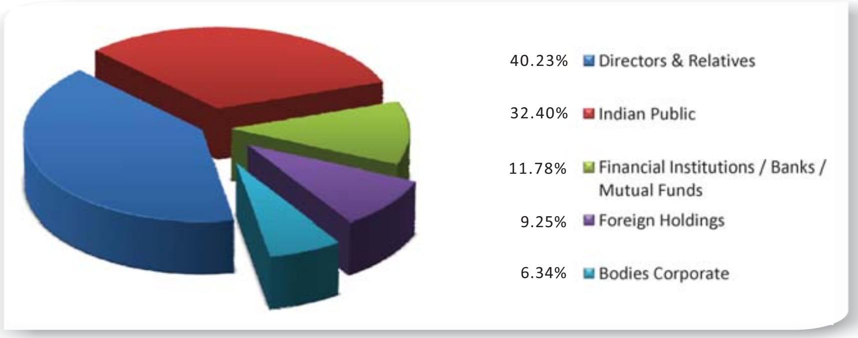
SHARE TRANSFER SYSTEM

The Company's shares are traded in the Stock Exchanges in demat mode. These transfers are effected through NSDL & CDSL. Most of the transfers of shares take place in this form. Transfer of shares in the physical form is 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. The Board has authorized Mr Sangameshwar Iyer, Company Secretary, to approve the transfer of shares.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

No. of equity shares held	No. of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
1 - 5000	20684	90.60	7786956	8.66
5001 - 10000	1084	4.75	3933414	4.37
10001 - 20000	588	2.58	4118388	4.58
20001 - 30000	178	0.78	2202426	2.45
30001 - 40000	62	0.27	1088313	1.21
40001 - 50000	38	0.17	868942	0.97
50001 - 100000	70	0.30	2494006	2.77
100001 - and above	126	0.55	67443660	74.99
TOTAL	**22830**	**100.00**	**89936105**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2011



DEMATERIALISATION OF SHARES & LIQUIDITY

About 94% of the equity shares have been dematerialized by about 84% of the total shareholders as on March 31, 2011. The Company's shares can be traded only in dematerialized form as per SEBI notification. The Company has entered into agreements with NSDL & CDSL whereby shareholders have the option to dematerialize their shares with either of the Depositories. About 32.40% of the equity shares are held by public and the shares are actively traded in BSE and NSE.

PLANT LOCATIONS

Blue Star Limited IInd Pokhran Road Majiwada Thane 400 601.	Blue Star Limited Plot Nos. 4 & 5 GIDC Indl Estate Bharuch 392 015.	Blue Star Limited Survey No. 265/2 Demni Road U. T. of Dadra & Nagar Haveli 396 193.	Blue Star Limited Nahan Road Rampur Jattan Kala Amb Dist: Sirmour Himachal Pradesh 173 030.	Blue Star Limited Village Vasuri Khanivali Road Taluka: Wada Dist: Thane 421 312.

COMPLIANCE OFFICER

Mr Sangameshwar Iyer
Company Secretary
Tel: 022 6665 4040 Fax: 022 6665 4151
Email: sangameshwar@bluestarindia.com

ADDRESS FOR CORRESPONDENCE

Blue Star Limited
Kasturi Buildings, 4th floor
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020.

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2011.

For **BLUE STAR LIMITED**

Ashok M Advani
Executive Chairman

Mumbai: May 24, 2011

Auditors' Certificate

To
The Members of Blue Star Limited

We have examined the compliance of conditions of corporate governance by Blue Star Limited ('the Company') for the year ended March 31, 2011, as stipulated in clause 49 of 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 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 above mentioned Listing Agreement.

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 Batliboi & Associates**
Firm registration number: 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

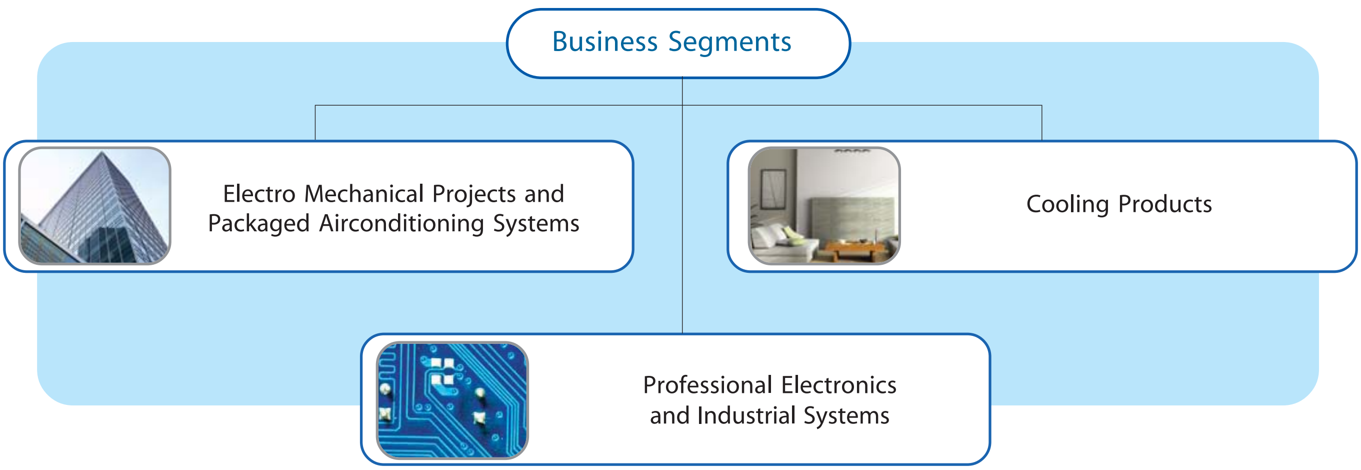
Mumbai: May 24, 2011

Management Discussion and Analysis

INTRODUCTION

Blue Star is India's leading central airconditioning and commercial refrigeration company, with over six 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 and also offers expertise in allied contracting activities such as electrical, plumbing and fire fighting services in order to provide a comprehensive solution. Blue Star's other businesses include marketing and maintenance of imported professional electronic and industrial systems and execution of industrial projects.

BUSINESS SEGMENTS



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

ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central airconditioning 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 as well as energy management and green building services are also included in this segment.

COOLING PRODUCTS

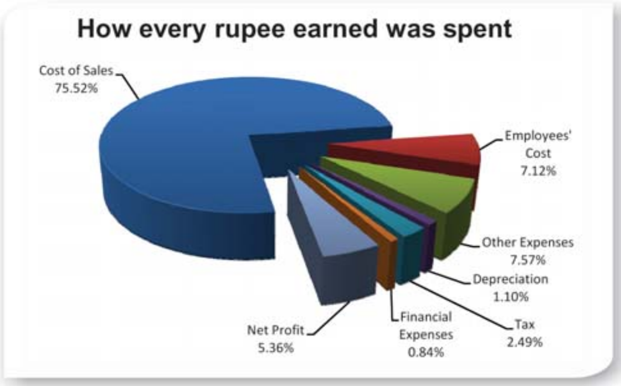
Blue Star offers a wide variety of contemporary and stylish room airconditioners for both residential as well as commercial applications. It also manufactures and markets a comprehensive range of commercial refrigeration products and cold chain equipment.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

For over five 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. The Company is also in the business of specialized industrial projects for the steel industry.

FINANCIAL HIGHLIGHTS

Total Income for the year ended March 31, 2011 was Rs. 2892.91 crores, compared to Rs. 2544.04 crores in FY10. Profit before Tax (excluding exceptional items) declined by 13.7% to Rs. 226.57 crores. Net Profit at Rs. 155.00 crores registered a decline of 26.7% over the previous year. Earnings per share for FY11 (Face value of Rs. 2.00) stood at Rs. 17.23 vis-à-vis Rs. 23.52 in the previous year. Return on Capital Employed (ROCE) declined to 22.9% from 49.6%, while Return on Shareholders' Funds was 27.0% compared to the previous year's figure of 43.0%.



ACQUISITION OF D S GUPTA CONSTRUCTION PVT LTD

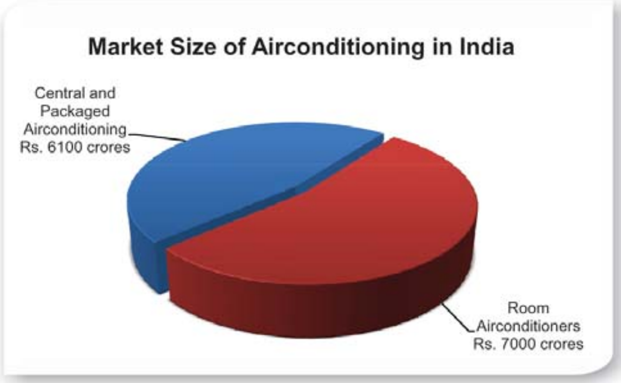
A few years ago, Blue Star recognized the trend of customers preferring an integrated Mechanical, Electrical, Plumbing & Fire fighting (MEP) contractor rather than several independent vendors. In order to add electrical contracting capabilities, Blue Star acquired Naseer Electricals in early 2008 and began offering integrated MEP services after a successful integration and roll out of operations across the country. The plumbing and fire fighting contracting skills were being developed in-house. However, the Company thought it prudent to acquire these capabilities inorganically through a strategic acquisition, in order to leverage the growth opportunities available.

During the year, the Company vide its wholly owned subsidiary, Blue Star Electro-Mechanical Ltd (BSEML) completed the acquisition of the plumbing and fire fighting businesses of D S Gupta Construction Private Limited, the largest independent plumbing and fire fighting contracting company in India, on a slump sale basis. The promoters of D S Gupta Construction will continue to manage the business for the foreseeable future. D S Gupta Construction Pvt Ltd was headquartered in Mumbai with a turnover of Rs. 130 crores in FY10. Established over two decades ago, it had pan-India operations and was reputed for its quality of work and timely execution. With this acquisition, Blue Star is in a position to aggressively pursue integrated MEP business, and is also bidding for standalone plumbing and fire fighting contracting projects by cross-selling its services to its existing airconditioning and electrical contracting customers.

INDUSTRY STRUCTURE AND DEVELOPMENTS

AIRCONDITIONING

In 2010-11, the estimated total market size for airconditioning in India was around Rs. 13,100 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems and VRF systems was about Rs. 6100 crores, while the market for room airconditioners comprised the balance Rs. 7000 crores.



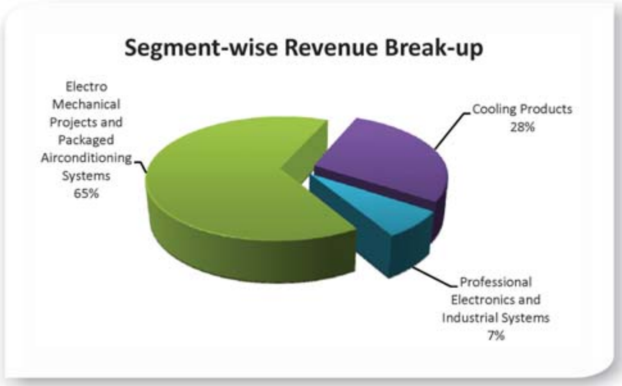
During the year, the central airconditioning industry saw good growth prospects from the healthcare, education and hospitality segments. However, the commercial real-estate market after a modest pick-up in the first half of the year, slowed down in the latter half. Infrastructure projects, too, have been moving slower than anticipated with adverse impact on cash flow. The telecom industry is reeling under severe margin pressures coupled with corruption issues and has significantly cut back on expansion. While there was a modest recovery in the IT/ITES and retail segments, it may take a while for these segments to get into an aggressive expansion mode. On the other hand, consumer spending on room airconditioners has been on the rise and the market continues to grow rapidly. The current penetration level of airconditioners in the country is a mere 3% and according to some industry estimates, the penetration is expected to double over the next 3-4 years. This presents significant opportunities to the players in the room airconditioners business.

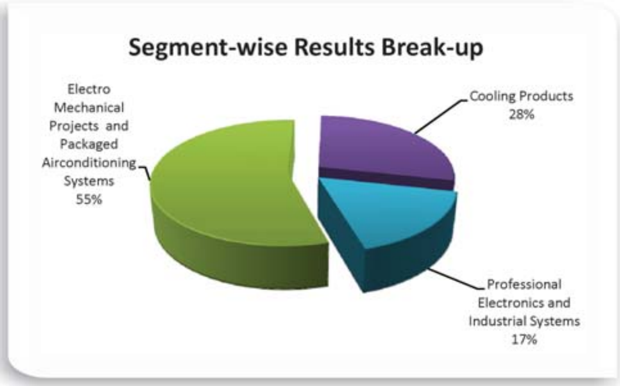
COMMERCIAL REFRIGERATION

The commercial refrigeration segment includes a wide range of products such as cold storages, water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers and ice cubers. The cold chain infrastructure is characterised by long and fragmented supply lines leading to high wastage. The major constraints on the development of the cold chain industry are high capital cost and electricity bills coupled with low rental revenues and inadequate availability of concessional finance. The Ministry of Agriculture in co-ordination with CII has constituted a Task Force, comprising experts from all stakeholders and the realistic target for developing a cold chain has been mapped out. Based on the recommendation of the task force, the Government has taken a decision to set up a body called National Centre for Cold Chain Development (NCCD) to develop a seamless cold chain network to balance demand and supply issues with remunerative price to farmers and to deliver quality produce in the hands of consumers. In addition, the task force has been developing technical standards and cost norms for several cold chain components.

SEGMENT-WISE ANALYSIS

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





ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

The Electro Mechanical Projects and Packaged Airconditioning business continued to be the largest segment accounting for 65% of the Company's Total Segment Revenue. While the demand from the IT/ITES, retail and builder segments continued to be subdued, the Company received several orders from the healthcare, hospitality, education and infrastructure segments including airports and power plants.

In the central plant equipment segment, the Company offers a range of screw and scroll chillers as well as air distribution products such as air handling units and fan coil units. The year under review saw significant demand for the Company's eco-friendly, next-generation range of screw chillers. Encouraged by the response, the Company has set up the most advanced chiller test facility in the country at its Thane plant. This facility is amongst the best in the world and has been certified by AHRI, an independent certification agency in the USA. The initiative will result in further strengthening the Company's reputation that its chillers are truly world-class.

During the review period, the Company won orders worth Rs. 118 crores for airconditioning and plumbing of the new integrated Terminal Building (Terminal 2) of the Chhatrapati Shivaji International Airport (CSIA), Mumbai. Mumbai International

Airport Pvt Ltd is implementing a master plan to modernize this airport as one of the best airports in the world. The works of the new integrated Terminal Building is being split into two phases. While Blue Star was awarded the contract to aircondition the South West Pier in FY10, it won the contract to aircondition the new Integrated Terminal valued at Rs. 96 crores during the year. In addition, D S Gupta Construction Pvt Ltd, the company that Blue Star has recently acquired, was also awarded the plumbing contracting works of this new integrated Terminal Building valued at Rs. 22 crores.

The Company strengthened its foothold in the healthcare segment during the year with several prestigious orders including orders from AIIMS (All India Institute of Medical Sciences), Bhubaneswar; GMR Care Hospital, Rajam; Continental Hospital, Hyderabad; Rockland Hospital, Manesar; Shivam Hospital, Hoshiarpur; Traumatology Hospital, Srinagar and Deep Chand Bandhu Hospital, New Delhi. Several notable orders were booked from power sector majors such as NTPC, Nabinagar; BHEL, Tuticorin; Reliance Infrastructure, Butibori & Sasan; Adani, Tiroda; Lanco, Amarkantak; BGR, Kalisindh and Indu Projects, Korwa.

Other prestigious business booked by the Company during the year include orders from Godrej Eternia, Chandigarh; HCL, Noida; DLF Magnolias, Gurgaon; Volkswagen, Pune; Novotel Hotel, Pune; NIT, Rourkela; Pune Embassy; Infosys Technologies, Thiruvananthapuram and Mysore; Juniper, Bengaluru; Indiabulls, Mumbai; Ashok Leyland, Chennai; Kohinoor Elite Hotels, Mumbai; Hindustan Unilever Limited, Mumbai; JSW Steel Energy, Mumbai; ABB, Vadodara and many more.

The electrical projects business performed impressively by cross-selling its services to existing HVAC customers as well as acquiring stand-alone orders. The business mainly caters to both the commercial building market as well as the power sector. During the year under review, several high value prestigious orders were received from the power and transmission segment including orders from Madhya Pradesh Paschim Vidyut Vitran Nigam Ltd, Indore; Avantha Power, Raigarh; Reliance Infrastructure, Sasan and Samalkot; OPTCL, Bhubaneswar and APTRANSCO, Andhra Pradesh. The business also grew significantly in the commercial buildings segment with prestigious orders from HCL, Dadri & Noida; Vinezia Mall, Noida; Novotel Hotel, Kolkata; GMR Airport, Secunderabad and Juniper Networks, Bengaluru, amongst several others. The Company also ventured into the residential segment as well as in the highway lighting segment.

In the plumbing and fire fighting business, after the acquisition of D S Gupta Construction Pvt Ltd, about 250 experienced personnel were added in the Company's subsidiary Blue Star Electro-Mechanical Limited. Some of the notable orders under execution include Mumbai International Airport Limited; Oberoi Realty, Mumbai; Hotel Renaissance, Bengaluru; Oberoi and Trident Hotel, Hyderabad; Fortis Hospital, Delhi; Kohinoor Square Commercial, Mumbai and Continental Hospital, Hyderabad, to name a few.

Blue Star's ducted systems range comprises packaged airconditioners as well as ducted split airconditioners. The Company also offers VRF systems, precision control packaged airconditioners as well as telepacs for telecom applications. Thus, Blue Star provides the widest range, and meets every conceivable customer requirement.

In the ducted systems segment, there was good demand from commercial segments such as showrooms, commercial complexes, hotels, restaurants, banquet halls and hospitals. While growth from the offices and manufacturing segments was moderate, the IT/ITES and retail segments continued to be adversely affected.

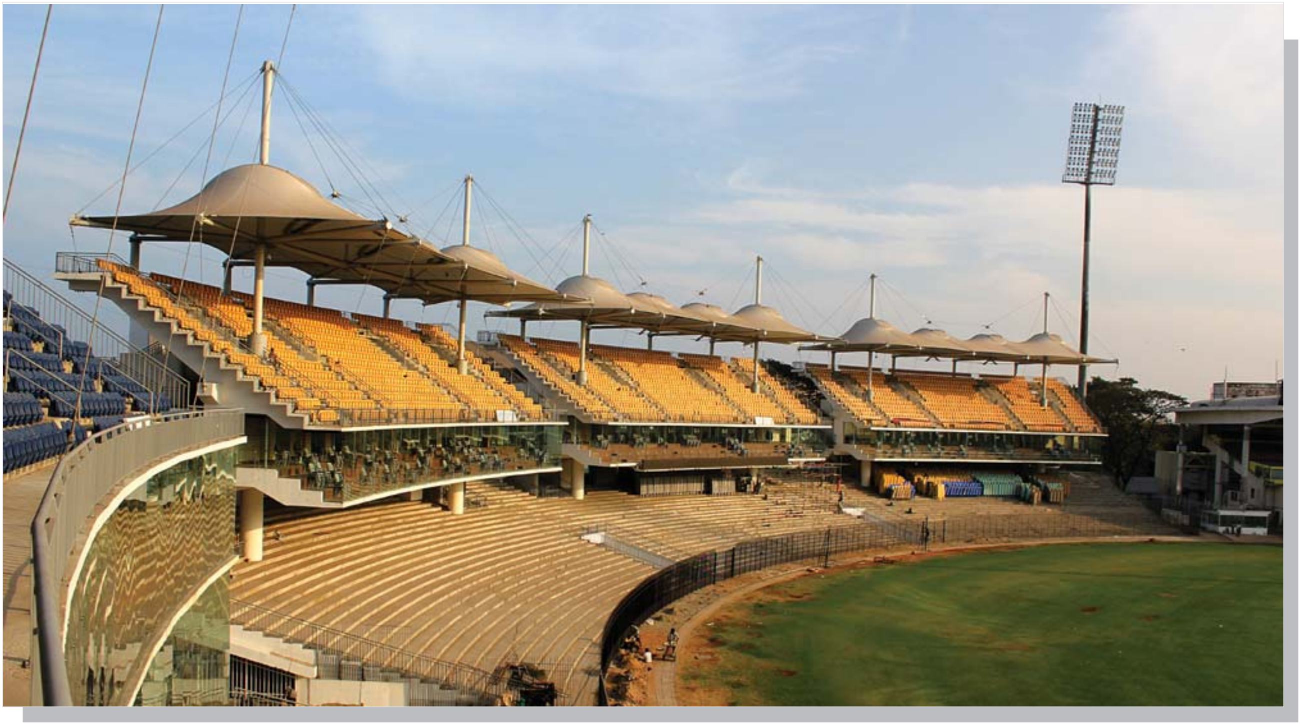
During the review period, the Company announced the launch of a new range of eco-friendly VRF airconditioning systems using inverter technology. A VRF system is a sophisticated centralized airconditioning system that cools large multi-zone spaces through intelligent controls resulting in substantial power savings. Many modern establishments having multi zones such as sophisticated offices, hotels, premium residential properties and hospitals are opting for VRF systems because of the flexibility of control and significantly lower electricity bills. In VRF systems, there are two popular technologies based on the compressor, namely digital scroll and inverter. Blue Star has been offering VRF systems with digital scroll technology since 2008. Considering that the VRF systems segment is on a fast-growth path, the Company thought it prudent to launch VRF systems with inverter technology in addition to digital scrolls in order to address the entire universe of customers.

SOME PRESTIGIOUS INSTALLATIONS

Central Airconditioning for Indiabulls Centre, Mumbai

Packaged Airconditioning for HCL Technologies, Manesar

Central Airconditioning for AMRI Hospital, Kolkata



Packaged Airconditioning for Tamil Nadu Cricket Association, Chepauk Stadium, Chennai

Central Airconditioning for Cnergy Corporate Complex, Mumbai

Cold Storage for DHL Lemuir Logistics, Tamil Nadu

While the Company sustained its dominant position in the telecom segment with its customised array of telepac airconditioners and battery coolers, several setbacks in the telecom industry due to regulatory and political controversies are threatening the outlook for the passive infrastructure companies that are largely dependant on the new operator companies. This has had a severe impact on the Company's telecom airconditioning business. However, the Company is well positioned to leverage on fresh growth opportunities whenever the tower roll-outs gain momentum.

COOLING PRODUCTS

This business segment includes room airconditioners apart from commercial refrigeration products and systems.

During the year, the Company announced its foray into the residential segment with a wide range of stylish room airconditioners in 2, 3 and 5 star-ratings. Blue Star has been selling room airconditioners mainly catering to the corporate and commercial segments. Over the last few years, the Company has witnessed considerable demand from the residential segment, mainly from consumers who believe that a specialist is better than a generalist. The Company, therefore, thought it prudent to aggressively target the residential segment and leverage on the expertise in cooling that Blue Star has built over the years. On the product front, there is a new contemporary range of split airconditioners to appeal to home consumers. Apart from being energy efficient, these airconditioners offer several attractive features. In addition, it has also launched a futuristic range of highly efficient smart split airconditioners using inverter technology. As regards distribution, the Company has begun offering these products through some reputed retail channels in select cities in addition to the current 700 sales-and-service dealers. It is also building up a strong installation and service franchise network to support the retailers.

In the commercial refrigeration products segment, sales of chest freezers and coolers grew well with enhanced demand from ice cream manufacturers. Storage water coolers registered an impressive growth driven by demand from educational institutes, banks, industrial segments and Government institutions. Bottled water dispensers also performed well owing to good offtake from residential, commercial and small offices segments. During the year, the Company introduced specialty products meant for HORECA (Hotels, Restaurants and Cafeterias) applications such as pastry cabinets, serve over counters, vertical chillers, under counter chillers and visi coolers, which were well received in the market place.

In the cold chain segment, Blue Star offers a wide range of equipment across the chain from the farm to the fork. During the year, the Company won orders from several logistics companies which are venturing into cold chain logistics. It also booked significant orders from Hotel Shangri-La, Bestech Hospitalities, Triton, Jaypee, Grandeur Agrotech, Alchemist and Wockhardt, amongst others. The Government of India has announced several financial incentive schemes in cold chain infrastructure. CII has released a publication on prime financial assistance schemes of Government of India for production, post harvest management, processing, marketing and exports of agricultural and horticultural produce. These schemes are expected to fuel private investments in the cold chain sector and are likely to provide enormous opportunities for the Company to aggressively pursue various cold chain components in the country.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

Over the years, the Company has changed its business model from being only a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain. The Company has the expertise to build a complete system around the products offered, thereby offering a comprehensive single window, turnkey solution.

During the financial year, the Division continued to contribute significantly to the overall performance of the Company. It is comprised of several strategic business units namely Industrial Projects, Industrial Products and Systems, Material Testing Equipment and Systems (Destructive / Non Destructive), Data Communication Products & Services, Test and Measuring Instruments, Analytical Instruments and Medical Diagnostic Equipment.

The industrial projects business performed impressively, with the business having considerable footprint in various steel majors. During the year, the Company won its first order for erection and fabrication of piping for a coal gasification plant at Jindal Steel & Power, Angul. It also won a prestigious order from Bhilai Steel Plant for an oxygen evacuation system. In the data communication business, the Company continues to dominate the market in banking transactions security, with significant growth coming from smaller banks and co-operative banks. The business also made progress in providing solutions for online data transfer in the warehousing segment.

The material testing equipment and automated test systems business is growing well in auto components, pipes, power and refinery sectors. The business booked several orders for bar testing and ERW pipe testing from JSW Salem, Usha Martin, Ratnamani Metal & Tubes and Surya Global Tubes, to name a few. Test and measurement instruments performed well with significant orders from Hindustan Aeronautics, Kanpur & Hyderabad. The business of radio communication test sets also grew well with major orders from ECIL & BEL. In the medical business, the Company continues to do well in the open MRI segment. Ruby Hall Clinic, Pune placed an order for 3 MRI systems for their upcoming hospitals in various locations. During the year, the Company also launched Blue Star branded colour doppler systems which have been received well in the market place.

MANUFACTURING FACILITIES

Blue Star has modern, state-of-the-art manufacturing facilities at Thane, Dadra, Bharuch, Himachal and Wada. Another plant is being planned in Himachal and will be operational in FY12.

Thane, which is the oldest manufacturing facility of Blue Star, primarily manufactures a range of screw chillers in air-cooled, water-cooled and flooded types. During the year, in order to improve conversion costs and to overcome material price increase, the plant undertook value analysis and value engineering projects and process improvement initiatives. There was focus on energy management, enhancing safety practices and TPM during the period.

The Dadra plant is regarded as one of the best manufacturing facilities in the country for high quality airconditioning products. The product range includes packaged/ducted split airconditioners, VRF systems, precision control packaged airconditioners and telepacs for the telecom sector. During the year, energy management, safety, value engineering and TPM were key focus areas. Six sigma and quality circle initiatives are actively practiced at the plant.

During the review period, Bharuch plant, which mainly manufactures commercial refrigeration products and systems, recorded the highest ever production driven by enhanced demand for water coolers and deep freezers. Further, the investments in the plant over the last few years towards modernization of PU sandwich panels helped in increasing output. Considering the anticipated growth over the next few years, initiatives are underway to double the production capacity by investing in state-of-the-art machinery. The safety projects during the year enabled the plant in once again receiving the safety award for "Exhibiting excellent safety measures in factory premises" by Gujarat Gas Ltd.

The Himachal plant manufactures window and split airconditioners. During the year, a new range of star-rated products was introduced. The quality systems were further strengthened to enhance reliability of the finished goods including a 3-layered process audit and a 7-day long run test. This has helped in achieving the performance of the products in a narrow band of tolerance thereby adhering to the Bureau of Energy Efficiency (BEE) standards and improving reliability.

During the year, the Wada Plant mainly focused on consolidation of existing products as well as introduction of new products. The plant is equipped with modern manufacturing facilities with complete vertical integration and manufactures a wide range of products including air handling units, battery coolers and roof top units. Scroll chillers were shifted from Thane Plant to the Wada Plant during latter part of the year. The scroll chiller assembly line is a modular set-up where the capacity can be doubled in a short span of time with minimum investment. In addition, a refrigeration products test lab, a psychometric lab and reliability test labs were also set up to upgrade product development and testing capabilities.

SOME OF OUR NEW PRODUCTS

Blue Star - Turbocor Centrifugal Chiller

Inverter VRF System

HiPer Green Packaged AC

5-Star Hi-wall Split AC

Inverter Split AC

Refrigerated Display Unit

Flexi Water Cooler

RESEARCH & DEVELOPMENT

In order to meet aggressive growth requirements in the products business, the Company substantially enhanced R&D capabilities in terms of processes, resources and infrastructure, during the year. A US-based consultancy firm was appointed to recommend and implement a new product development process and build competency. Based on the consultant's recommendations, the R&D team was restructured and the infrastructure goals were defined in terms of labs, hardware, and software. Overall, manpower deployed in R&D nearly doubled and three labs were added.

In terms of new products, a complete new range of room airconditioners was launched during the review period, to appeal to the residential segment. The range of screw chillers was certified by an independent US-based agency, AHRI. The team is also in the process of launching high efficiency centrifugal chillers using Danfoss-Turbocor oil-free compressors, which will be the first of its kind in the country. Further, to meet the requirements of Green Buildings, the team has developed a series of ultra-high efficiency packaged airconditioners incorporating eco-friendly refrigerants. The team applied for four patents during the year, and one such product won the first prize in product innovation in an industry event. Since the commodity prices have increased exponentially, alternate technologies of heat exchangers are being developed to mitigate the commodity prices, specifically copper.

EXPORTS

On the product exports front, the Company offers products such as chillers, air handling units, fan coil units and roof top units apart from traditional cooling products like water coolers, ducted systems and room airconditioners. These products, which compete with global brands, enjoy a good reputation in the Middle East market.

During the review period, the product exports business grew significantly with prestigious orders from Al Baker Tower, Al Gharafa Mall and Al Wakra Mall in Qatar; Arabella complex in Kuwait and Season Community in UAE. It is likely to take some more time before the complete revival of the economy in the Middle East. The segments that are contributing to growth currently are mainly those that were put on hold in FY10 and new mega projects are yet to begin. Further, the partial unrest in the Middle East may also limit expansion plans and is likely to have an adverse impact on the business in the short-term.

As far as international projects are concerned, the Company has joint ventures in Qatar as well as in Malaysia. During the year, the Company continued to be selective in pursuing only projects with reasonable margins.

AIRCONDITIONING AND REFRIGERATION SERVICE

Blue Star continues to be the largest after-sales airconditioning 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. While the customary annual maintenance services and revamp/retrofit businesses continues to be the core, a variety of value added services in the areas of energy, air and water management as well as Green Building certification and consultancy have been widely accepted. The Company also offers Total Facility Management solutions for large-sized industries, IT/ITES campuses and commercial/public utilities.

The Company booked several orders in the annual maintenance and revamp/retrofit businesses including orders from Regional Cancer Center, Thiruvananthapuram; Sanjay Gandhi Post Graduate Institute, Lucknow; Jaslok Hospital, Mumbai; Volkswagen, Pune; IOCL, Haldia; West Bengal Power Development Corporation; Delhi State Cancer University and the DLF Group; amongst several others. During the year, the Company also enabled Paharpur Business Centre, New Delhi to achieve a platinum rating, the highest level of LEED certification from the US Green Building Council. This is the first Platinum rated Green Building in India under the Existing Building segment and will be a role model for transforming a large number of existing buildings to Green buildings.

SUPPLY CHAIN MANAGEMENT

With emphasis on strengthening logistics performance from a service level perspective as well as reduce overall logistics costs, the Company has entered into a 4PL arrangement for room airconditioners and refrigeration products. The distribution model for these products has moved to a 'hub and spoke' model whereby all stocks from factories or imports move to the regional hubs and in turn, move to the spoke locations on a weekly basis purely on demand, thus achieving faster deliveries and reduced warehouse space consumption.

CHANNEL DEVELOPMENT

The Company has a Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel development and channel conflict resolution initiatives. Blue Star has approximately 225 channel partners for packaged airconditioning and cold rooms and approximately 850 dealers to sell room airconditioners and refrigeration products. Blue Star has also forayed into the retail arena for distribution of room airconditioners in select cities and around 85 retailers were appointed.

The year saw deeper channel engagement through many developmental and motivational programmes including incentive trips and new product launches. An important dealer improvement programme was test launched at select locations. As a part of this exercise, a performance scorecard is used to evaluate dealers on their sales, installation, service quality, statutory compliance capabilities and they are rated accordingly. Based on the grades attained by dealers, necessary action will be taken to improve the overall dealer capabilities.

FINANCIAL PERFORMANCE

The analysis of the financial year performance for the year ended March 31, 2011 in comparison to the previous year on a standalone basis is as under:

1. INCOME

For the year, the Total Income (net of excise duty) and before profit from sale of investments (exceptional item) at Rs. 2892.91 crores was 13.7% higher as compared to Rs. 2544.04 crores in the previous year.

2. COST OF SALES, WORK BILLS AND SERVICES

The cost of sales, work bills and services during the year was Rs. 2185.09 crores and was 76.5% of the revenue from sales, work bills and commission as compared to 74.1% in the previous year. This increase is mainly attributed to the sharp increase in the cost of materials due to higher commodity prices in the year.

3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost increased by 11.5% from Rs. 184.87 crores to Rs. 206.14 crores. The employee cost at 7.2% of the Total Income continued to be at the same level as the previous year.

4. OPERATING AND GENERAL EXPENSES

Operating and General expenses increased by 19.5% to Rs. 219.02 crores. As a percentage of Total Income, the Operating and General expenses for the year were at 7.6% as compared to 7.2% in the previous year.

5. FINANCIAL EXPENSES

Financial expenses amounted to Rs. 24.39 crores for the year. This was significantly higher than Rs. 8.45 crores incurred in the previous year, primarily due to a sharp increase in bank interest rates and higher financing for operations. Financial expenses for the year was 0.84% of the Total Income as compared to 0.33% in the previous year.

6. DEPRECIATION

Depreciation charge for the year was lower at Rs. 31.71 crores compared to Rs. 34.73 crores in the previous year.

7. TAXATION

Provision for taxation for the year was Rs. 72.00 crores, translating to 31.7% of the Profit before Tax, as compared to 23.5% in the previous year. The 8.2% increase in the effective tax rate was due to reduction in the tax holiday benefit from 100% to 30% consequent to completion of 5 years of the Himachal factory, coupled with a lower profit from the Himachal factory (due to higher cost of materials), resulting in a lower availment of the tax benefit.

8. EXCEPTIONAL ITEM

During the year, the Company realized a profit of Rs. 0.43 crores on sale of its residual shareholding in Ravistar India Pvt Ltd. As reported last year, the Company had realized a profit of Rs.13.96 crores on the sale of its shareholding in Rolastar Pvt Ltd and Ravistar India Pvt Ltd in the previous year.

9. NET PROFIT

Net profit after tax for the year amounted to Rs. 155.00 crores as compared to Rs. 211.49 crores in the previous year, resulting in a reduction of 26.7%. Profit before Tax and Exceptional items for the year stood at Rs. 226.57 crores, registering a decline of 13.7% over the Profit before Tax of Rs. 262.65 crores for the previous year. The Profit before Tax for the year after considering the exceptional item was Rs. 227.00 crores as compared to Rs. 276.62 crores in the previous year.

10. CAPITAL EXPENDITURE

Capital expenditure incurred by the Company during the year was Rs. 27.99 crores as compared to Rs. 47.47 crores in the previous year. This includes capital expenditure for setting up the additional manufacturing facility at Himachal.

11. CONSOLIDATED ACCOUNTS

The consolidated financial statements, incorporate the result of the Company's wholly owned subsidiary Blue Star Electro-Mechanical Limited and its share in the result of joint venture companies namely Blue Star M&E Engineering SDN BHD, Malaysia, Blue Star Qatar (WLL) and Blue Star Design & Engineering Ltd and the share in the profit of its associate company Blue Star Infotech Ltd. The Total Income (net of excise duty) and before exceptional items was Rs. 3009.85 crores and the Profit after Tax was Rs. 160.96 crores. This, being the first year that the Company is required to present consolidated financial results, there are no figures for the previous year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In line with its commitment to ensure the prevalence of an effective internal control environment which provides reliable financial and operational information, the Company has put in place a robust internal control mechanism based on a highly integrated ERP system. This has resulted in more effective reporting and further strengthening of internal controls. Besides, it also ensures compliance of corporate policies, applicable statutes and safeguards Company assets. The Company's in-house Internal Audit Department, which is ISO 9001:2008 certified, carries out internal audits covering all significant areas of the Company's operations in accordance with the annual Internal Audit plan approved by the Audit Committee. The Internal Audit Department is supported and supplemented by external firms which carry out internal audits at the regions and factories. The Audit Committee of the Board also discusses and reviews with the senior management and head of Internal Audit, the summary of Internal Audit Reports placed, before each meeting of the Audit Committee.

RISKS AND CONCERNS

RISKS

Financial risks relating to exchange rates, interest rates, credit risks and volatile commodity prices as well as operating risks arising out of high input costs, changes in technology, changes in the global scenario, customer preferences, increasing size and complexity of contracts and competitive pressures are the major risks which impact the Company. To address these risks, the Company has in place an effective risk management framework which ensures that these risks are periodically identified, assessed and acted upon by designated risk owners to minimise and mitigate their impact. These risks and the risk management process are also periodically reviewed by the senior management and the Board to ensure their effectiveness.

CONCERNS

The possibility of a slowdown in economic growth due to the need to bring inflation under control is a cause of concern and could impact the growth of the Company to some extent in the coming year. The Company will, however, continue to remain vigilant and will proactively take steps to mitigate the adverse impact, if any, arising out of these concerns with the strong fundamentals of the Company and its sound financial base, placing it in a strong position to face the vagaries of the market and the overall uncertain economic scenario.

HUMAN RESOURCES

During the review period, the Company increased its total permanent head count from 2603 as on March 31, 2010 to 2825 on March 31, 2011. Recruiting the right talent was a key thrust area, keeping in mind the need to optimize costs. The Company saw harmonious industrial relations, during the review period. A Corporate Technical Training Organisation (CTTO) was formed a few years back to handle all the technical trainings for the Company's AC&R businesses. During the year, CTTO delivered about 9600 man days of training for employees as well as channel and business partners, while the behavioural training covered about 4500 man days for the employees.

ENVIRONMENT, HEALTH & SAFETY

During the year, the Environment, Health and Safety (EHS) function further enhanced safety awareness among the employees and business partners. Over 8700 employees and technicians/workers of business partners were covered under safety training. Safety systems and processes at factories/project sites were implemented, creating a safe work place for all stakeholders. A total of over 1000 Kaizens on safety were implemented. The Company also initiated an e-waste management programme at a few locations and the same is planned for more locations in the near-term.

INFORMATION TECHNOLOGY

In FY10, the Company had executed the largest ever IT project implementation in the Company with the solution of SAP. During the year under review, the system has been seamlessly operating across all locations, with all business transactions being executed through it. The Company has moved well along the IT maturity curve with SAP integrated bar code systems for automation of inventory management in factories. There are other ongoing automation initiatives in the areas of master code generation and user training, as well as major initiatives in portal arena where the Company intends to have dealer/customer facing IT systems integrated with SAP at the back-end.

BRAND EQUITY

In terms of advertising and brand communication, the Company has plans to significantly increase its advertising spends, given the recent foray into the residential segment. The differentiated value proposition for the residential audience has been identified as 'Get office-like cooling at home' which leverages Blue Star's expertise in cooling offices and communicates that one can get the very same expertise at home.

Apart from the mass media, the Company also made affordable investments in field marketing. These include participation in trade exhibitions, sponsorships of CII and other events, IDEAC (Interior Designers, Architects and Consultants) relationship management, customer events and public relations through the Press. These field activities are critical and have gone a long way in complementing mass media campaigns and strengthening brand equity.

CORPORATE SOCIAL RESPONSIBILITY

Blue Star's Corporate Social Responsibility (CSR) philosophy is built on three pillars, namely Environment protection, Energy conservation and Community development around its manufacturing facilities.

The Company is highly committed to the cause of protecting the environment. Energy efficiency of its products remains a corner-stone of its research and development efforts. Air, water and energy management services as well as LEED consultancy for Green Buildings have been part of its business and practices. The Company has also been contributing in the technical domain in the use of eco-friendly refrigerants in its products.

In its efforts towards community development around the Company's manufacturing facilities, the Company continues to sponsor the vocational training courses offered by an NGO, Kherwadi Social Welfare Association (KSWA), in Wada. This centre has been set up to support a vocational training initiative for school and college drop-outs to make them employable contributing members of their families and communities. Over 600 students passed out during the year under review, and this is expected to significantly increase in the next year.

The Company has also embarked on a new programme in partnership with the Indian Green Building Council to conduct lectures in schools and colleges and build awareness about Green Buildings. Architect Karan Grover helped the Company to develop the presentation. Employees are being trained on the same by the Green Building Services team and each volunteer will give lectures to schools/colleges to sensitize young minds about going green.

In addition to the above CSR efforts, the Company continued to sponsor various philanthropic causes through its charitable Trust, Blue Star Foundation, which has been supporting activities in the areas of education and healthcare apart from relief measures in national calamities.

CORPORATE OUTLOOK

The general economic outlook for the Indian Economy for FY12 indicates a slower rate of GDP growth than for FY11. Inflation remains stubbornly high which will continue to squeeze margins. Rising interest rates and slow down in cash flow will also affect business growth. The Company is tackling these challenges by tough cost control measures and a focus on cash collections and control of working capital.

The Dynamics of Blue Star's Growth

10 YEAR FINANCIAL HIGHLIGHTS

		2010-11	2009-10	2008-09	2007-08
OPERATING RESULTS:					
Total Income (incl. Excise duty)	Rs. in Crores	2922.11	2576.62	2574.04	2270.09
Profit before Tax	"	227.00	276.62	238.22	242.02
Tax	"	72.00	65.14	57.93	67.92
Profit after Tax	"	155.00	211.49	180.29	174.10
Dividend (incl. Corporate Dividend tax)	"	73.18	83.90	73.65	73.65
Retained Profit	"	81.82	127.59	106.64	100.45
FINANCIAL POSITION:					
Paid up Capital	Rs. in Crores	17.99	17.99	17.99	17.99
Reserves	"	555.51	473.69	349.15	245.56
Shareholders' Funds	"	573.50	491.67	367.13	263.54
Borrowings	"	418.38	65.99	27.28	36.54
Total Funds Employed	"	991.88	557.67	394.41	300.08
Net Fixed Assets, Investments, DTA/DTL	"	324.09	205.92	216.76	160.39
Net Working Capital	"	667.79	351.74	295.70	141.86
Debt Equity Ratio	Ratio	0.73	0.13	0.07	0.14
Book Value per Equity Share	Rs.	63.77	54.67	40.82	29.30
OTHER INFORMATION:					
Number of Shareholders	Nos.	22830	22781	20470	19096
Number of Employees	Nos.	2825	2603	2620	2566
PERFORMANCE INDICATORS:					
Earnings per Share	Rs.	17.23	23.52	20.05	19.36
Dividend per Share **	Rs.	7.00	8.00	7.00	7.00
Return on Shareholders' Funds	%	27.0	43.0	49.1	66.1
Return on Capital Employed	%	22.9	49.6	60.4	81.4

** Proposed Dividend

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
	1607.41	1178.62	930.92	716.06	601.06	517.32
	92.60	69.09	52.44	46.59	40.18	27.33
	21.42	19.42	13.71	11.88	9.57	2.28
	71.18	48.90	39.16	32.55	31.04	27.45
	30.93	24.61	20.55	18.26	18.26	12.55
	40.26	24.29	18.61	14.29	12.78	14.90
	17.99	17.99	17.99	17.99	17.99	19.30
	194.98	154.72	130.43	111.82	97.53	92.10
	212.97	172.71	148.42	129.81	115.52	111.40
	89.05	75.87	37.28	13.35	12.05	12.09
	302.02	248.58	185.70	143.15	127.57	123.49
	121.79	113.04	89.03	70.41	59.79	68.41
	184.49	141.33	100.53	77.17	67.84	54.09
	0.42	0.44	0.25	0.10	0.10	0.11
	23.68	19.20	16.50	14.43	12.84	11.54
	18065	15609	17187	19422	22000	24878
	2181	1999	1868	1798	1808	1825
	7.91	5.44	4.35	3.62	3.45	2.84
	3.00	2.40	2.00	1.80	1.80	1.30
	33.4	28.3	26.4	25.1	26.9	24.6
	32.1	30.1	30.0	33.8	33.3	26.7

Auditors' Report

To

The Members of Blue Star Limited

1. We have audited the attached Balance Sheet of Blue Star Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Associates**
Firm registration number: 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 24, 2011

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) 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) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has granted loans to two Companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 2,146.57 lacs and the year-end balance of loans granted to such parties was Rs. 679.00 lacs.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for loan given to one Company is not prima facie prejudicial to the interest of the Company. Further, the Company has made interest-free loans to wholly-owned subsidiary. According to the information and explanations given to us, and having regard to management's representation that the interest free loans are given to wholly-owned subsidiary of the Company in the interest of the Company's business, the rate of interest and other terms and conditions for such loans were not prima facie prejudicial to the interest of the Company.

(c) The loans granted are re-payable on demand. We are informed that the company has not demanded repayment of any such loans during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest from one Company has been regular. The loans given to wholly-owned subsidiary were interest free.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) 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 209(1) (d) of the Companies Act, 1956, related to the manufacture of certain products, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty 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.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of Statute	Nature of the dues	Amount (Rs in Lacs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Dis allowance of Section 80IB deduction for non allocation of Corporate Expenses & Others	203.63	AY 2005-2006	Commissioner of Income tax(A)
Service Tax under Finance Act, 1994	Service Tax demand on Composite Contacts	55.00	2003-2004 to 2006-2007	CESTAT
	Dis allowance of Cenvat Credit to the extent of 80%	328.43	2004-2005 to 2009-2010	CESTAT/Commissioner Appeals
Local Sales Tax Act, VAT	Additional demand/disallowances on works contracts	121.48	2002-2003, 2003-2004, 2007-2008	Sales Tax Appellate Tribunal, High Court
Act and Central Sales Tax Act	Demand notice received from Assessing authority treating works contract sales as product sales	2,326.82	2001-2002 to 2002-2003 2005-2006 to 2008-2009	Supreme Court
	Factory Direct Sale treated as Local branch sales	147.10	2002-2003, 2003-2004	Deputy Commissioner (Appeals)
	Non Submission of Forms	353.73	1992-93, 2000-2001, 2003-2004, 2005-2006, 2006-2007	Deputy/Asst. Commissioner (Appeals)
	Disallowance of set off u/s 41D & interest liability	98.82	2002-2003, 2004-2005	Deputy Commissioner (Appeals)
	Sales tax demand on assessment	634.77	1990-91, 2002-2003, to 2005-2006	Deputy/Asst. Commissioner (Appeals)
	Show cause notice received from CTO, Hyderabad treating works contract sales as product sales	1,024.54	2003-04,2004-2005	High Court
Entry Tax	On Factory direct sales	2.59	2001-2002 to 2004-2005	Asst. Commissioner
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	56.00	2008-2009	CESTA T Mumbai
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty	11.53	1986-1990	Central Excise Commissioner
	Excise Duty on Electric fans manufactured and captively use in manufacture of water cooler	2.77	1980-1982	CESTAT
	Excise Duty on whole unit including Cabinet which is considered as walk in coolers and claimed as exemption	10.00	1981-1986	Supreme Court

* net of advances

According to the information and explanation given to us, there are no dues of wealth tax, customs duty and cess which have not been deposited on account of any dispute.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has not issued any debentures.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor’s Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor’s Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issue during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor’s Report) Order, 2003 (as amended) are not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S. R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 24, 2011

Balance Sheet as at March 31, 2011

(Rs. in lakhs)

	Schedule	As at March 31 2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	1,798.72	1,798.72
Reserves & Surplus	B	55,551.09	47,368.73
		57,349.81	**49,167.45**
LOAN FUNDS			
Secured Loans	C	20,458.88	6,006.88
Unsecured Loans	D	21,378.84	592.36
		41,837.72	**6,599.24**
		99,187.53	**55,766.69**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross Block		37,405.48	35,187.90
Less: Accumulated Depreciation		18,097.64	15,422.21
Net Block		**19,307.84**	**19,765.69**
Capital Work-in-Progress including Capital advances		2,847.24	259.64
INVESTMENTS	F	**10,183.79**	**420.33**
Deferred Tax Assets, Net (Refer Note III.16 of Schedule N)		**69.84**	**146.66**
CURRENT ASSETS, LOANS & ADVANCES	G		
a) Inventories		40,057.44	25,800.83
b) Sundry Debtors		77,859.02	62,821.29
c) Cash & Bank Balances		4,648.88	2,043.15
d) Other Current Assets		47,254.35	36,092.01
e) Loans & Advances		13,619.24	13,142.31
TOTAL		**183,438.93**	**139,899.59**
Less : CURRENT LIABILITIES & PROVISIONS	**H**		
Current Liabilities		106,432.86	93,121.68
Provisions		10,227.25	11,603.54
TOTAL		**116,660.11**	**104,725.22**
NET CURRENT ASSETS		**66,778.82**	**35,174.37**
		99,187.53	**55,766.69**
Notes forming part of the Accounts	**N**		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

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

As per our report of even date	**Ashok M Advani**	Executive Chairman
For **S R Batliboi & Associates**	**Suneel M Advani**	Vice Chairman & Managing Director
Firm Registration No 101049W	**Satish Jamdar**	Managing Director
Chartered Accountants	**Vir S Advani**	Director
	Pradeep Mallick	Director
per Sudhir Soni	**Gurdeep Singh**	Director
Partner	**Suresh N Talwar**	Director
Membership No. 41870	**Manek Kalyaniwala**	Executive Vice President - Finance
	Sangameshwar Iyer	Company Secretary
Mumbai: May 24, 2011		Mumbai: May 24, 2011

Profit & Loss Account for the year ended March 31, 2011

(Rs. in lakhs)

	Schedule	Year ended March 31 2011	2010
INCOME			
Sales and Services (Gross) (Refer Note III.1 of Schedule N)		286,105.35	253,103.36
Less: Excise Duty		2,919.40	3,258.50
Sales and Services (Net)		283,185.95	249,844.86
Commission		2,504.38	2,652.60
Other Income	I	3,601.02	1,906.54
		289,291.35	**254,404.00**
EXPENDITURE			
Cost of Sales and Services	J	218,508.63	187,005.70
Employee Remuneration & Benefits	K	20,613.83	18,487.27
Operating & General Expenses	L	21,902.03	18,326.67
Depreciation / Amortization	E	3,171.08	3,473.32
Financial Expenses	M	2,438.70	845.40
		266,634.27	**228,138.36**
PROFIT BEFORE TAXATION & EXCEPTIONAL ITEM		**22,657.08**	**26,265.64**
Exceptional Item			
- Profit on sale of Investments (Refer Note III.6 of Schedule N)		42.93	1,396.49
PROFIT BEFORE TAXATION		**22,700.01**	**27,662.13**
Provision for Tax			
- Current Tax		7,117.00	6,710.00
- Deferred Tax Charge / (Credit)		76.82	(208.37)
- Short Provision of earlier years		-	5.80
- Wealth Tax		6.43	6.13
		7,200.25	6,513.56
PROFIT AFTER TAXATION		**15,499.76**	**21,148.57**
Add: Balance brought forward		21,344.36	16,585.66
PROFIT AVAILABLE FOR APPROPRIATION		**36,844.12**	**37,734.23**
APPROPRIATIONS			
Transfer to General Reserve		1,550.00	8,000.00
Proposed Dividend		6,296.00	7,194.89
Corporate Dividend Tax		1,021.40	1,194.98
		8,867.40	**16,389.87**
Balance carried forward		**27,976.72**	**21,344.36**
Basic & Diluted EPS (Refer Note III.15 of Schedule N)	Rs.	17.23	23.52
(Nominal value of shares Rs. 2 (Previous Year: Rs. 2))			
Notes forming part of the Accounts	N		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

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

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 24, 2011

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Vir S Advani	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary
	Mumbai: May 24, 2011

Schedules forming part of the Balance Sheet

As at March 31, 2011

(Rs. in lakhs)

		As at March 31	
		2011	2010
SCHEDULE A: SHARE CAPITAL			
Authorised			
10,000	(Previous Year: 10,000) 7.8% Cumulative Preference Shares of Rs. 100 each	10.00	10.00
148,700,000	(Previous Year: 148,700,000) Equity Shares of Rs. 2 each	2,974.00	2,974.00
16,000	(Previous Year: 16,000) Unclassified Shares of Rs. 100 each	16.00	16.00
		3,000.00	**3,000.00**
Issued			
89,936,105	(Previous Year: 89,936,105) Equity Shares of Rs. 2 each	1,798.72	1,798.72
		1,798.72	**1,798.72**
Subscribed & Paid Up			
	Equity Shares of Rs. 2 each		
23,391,015	(Previous Year: 23,391,015) Shares fully paid in cash	467.82	467.82
4,645	(Previous Year: 4,645) Shares allotted as fully paid pursuant to a contract without payment being received in cash	0.09	0.09
66,526,340	(Previous Year: 66,526,340) Shares allotted as fully paidup Bonus shares by Capitalisation of Reserves and Securities Premium	1,330.53	1,330.53
14,105	(Previous Year: 14,105) Shares allotted as fully paid shares on conversion of 425 - 7.8% Cumulative Preference Shares of Rs. 100 each as per terms of the prospectus dated June 24, 1969	0.28	0.28
89,936,105		**1,798.72**	**1,798.72**
SCHEDULE B: RESERVES & SURPLUS			
General Reserve			
Balance as per last account		25,760.81	18,064.94
Less: Adjusted per Scheme of Arrangement (Refer Note III.7 of Schedule N)		-	304.13
		25,760.81	17,760.81
Add:Transfer from Profit & Loss Account		1,550.00	8,000.00
		27,310.81	25,760.81
Capital Redemption Reserve			
Balance as per last account		233.56	233.56
		233.56	233.56
Capital Subsidy from Government			
Balance as per last account		30.00	30.00
		30.00	30.00
Profit & Loss Account		27,976.72	21,344.36
		55,551.09	**47,368.73**

(Rs. in lakhs)

	As at March 31	
	2011	**2010**
SCHEDULE C: SECURED LOANS		
Loans From Banks		
Cash Credit facilities (Secured by hypothecation of stock-in-trade and book debts)	5,559.58	1,614.12
Buyers & Suppliers Credit	14,899.30	4,392.76
(Secured by hypothecation of stock-in-trade and book debts)		
	20,458.88	**6,006.88**
SCHEDULE D: UNSECURED LOANS		
Short Term Loans		
From Banks	7,000.00	-
Commercial Papers		
From Banks	6,000.00	-
From Others	4,000.00	-
(Maximum amount raised at any time during the year Rs. 10,000 lakhs (Previous year: Nil))		
Buyers & Suppliers Credit	4,378.84	592.36
	21,378.84	**592.36**

SCHEDULE E: FIXED ASSETS

(Rs. in lakhs)

ASSETS	Gross Block				Depreciation/Amortization				Net Block	
	As on 1.4.2010	Additions	Deletions/ Adjustment	As on 31.3.2011	As on 1.4.2010	For the Year	Deletions/ Adjustment	As on 31.3.2011	As on 31.3.2011	As on 31.3.2010
Tangible Assets										
Land - Freehold	486.37	402.65	-	889.02	-	-	-	-	889.02	486.37
Land - Leasehold	7.94	-	-	7.94	2.42	0.26	-	2.68	5.26	5.52
Building Sheds and Road	10,103.63	289.47	26.35	10,366.75	3,363.00	637.46	18.94	3,981.52	6,385.23	6,740.63
Plant and Machinery #	16,549.46	1,359.98	145.08	17,764.36	7,507.81	1,429.73	112.51	8,825.03	8,939.33	9,041.65
Furniture Fittings & Equipments	3,076.56	336.78	77.13	3,336.21	1,646.41	279.58	63.31	1,862.68	1,473.53	1,430.15
Vehicles	728.34	213.35	89.71	851.98	296.74	125.93	60.24	362.43	489.55	431.60
Computers	1,440.12	182.26	83.25	1,539.13	1,066.43	196.32	80.58	1,182.17	356.96	373.69
Intangible Assets										
- Technical Knowhow	419.85	-	160.07	259.78	418.43	1.42	160.07	259.78	0.00	1.42
- Softwares*	2,375.63	14.68	-	2,390.31	1,120.97	500.38	-	1,621.35	768.96	1,254.66
Total 31.3.2011	**35,187.90**	**2,799.17**	**581.59**	**37,405.48**	**15,422.21**	**3,171.08**	**495.65**	**18,097.64**	**19,307.84**	**19,765.69**
Total 31.3.2010	**33,251.22**	**4,747.09**	**2,810.41**	**35,187.90**	**14,492.44**	**3,473.32**	**2,543.55**	**15,422.21**	**19,765.69**	
Capital Work in Progress (including Capital Advances of Rs.151.82 lakhs Previous year Rs.102.00 lakhs)									**2,847.24**	**259.64**
									22,155.08	**20,025.33**

\# Net of Grant received for UNIDO Machine Rs. 36.24 lakhs (Previous year: Rs. 36.24 lakhs) and accumulated depreciation thereon Rs. 30.54 lakhs (Previous year: Rs. 27.56 lakhs)

* The balance unamortised life of Softwares is 4 years as on March 31, 2011.

(Rs. in lakhs)

	As at March 31	
	2011	**2010**
SCHEDULE F: INVESTMENTS		
Long Term Investments (At cost)		
A: UNQUOTED: TRADE INVESTMENTS		
NIL (Previous Year: 15,350) Fully paid Equity Shares of Rs. 10 each in Ravistar India Private Limited	**-**	1.54
367,500 (Previous Year: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	**49.97**	49.97
585,000 (Previous Year: 585,000) Fully paid Equity shares of Rs. 10 each in Blue Star Design and Engineering Limited	**58.50**	58.50
49(Previous Year: 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar (WLL)	**12.11**	12.11
B. IN SUBSIDIARY COMPANY - UNQUOTED		
16,50,000 (Previous Year: Nil) Fully paid Equity Shares of Rs.10 each in Blue Star Electro-Mechanical Limited (Refer note III. 5 of Schedule N)	**9,765.00**	-
C: QUOTED:		
OTHER THAN TRADE INVESTMENTS		
3,098,025 (Previous Year: 3,098,025) Fully Paid Equity shares of Rs.10 each in Blue Star Infotech Limited	**298.21**	298.21
	10,183.79	**420.33**
Aggregate amount of quoted investments (Market value Rs. 3,088.73 lakhs (Previous Year: Rs. 3,472.88 lakhs))	**298.21**	298.21
Aggregate amount of unquoted investments	**9,885.58**	122.12

(Rs. in lakhs)

	As at March 31	
	2011	**2010**
SCHEDULE G: CURRENT ASSETS LOANS & ADVANCES		
(a) INVENTORIES (At lower of Cost and Net realisable value)		
Raw Materials and Components	9,656.05	8,851.62
Goods in Transit - Raw Material	4,123.33	1,200.52
Work-in-Progress		
Product related	2,389.16	2,075.30
Projects related	16,537.05	7,845.18
Less: Advance received thereagainst	9,393.29	2,147.09
	7,143.76	5,698.09
Finished Goods	10,683.29	4,744.09
Traded goods	6,061.85	3,231.21
	40,057.44	**25,800.83**
(b) SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Good	25,249.26	18,272.02
Considered Doubtful	821.89	-
Other Debts		
Considered Good	52,609.76	44,549.27
Considered Doubtful	-	-
	78,680.91	62,821.29
Less: Provision For Doubtful Debts	821.89	-
	77,859.02	**62,821.29**
(c) CASH & BANK BALANCES		
Cash on hand	37.36	28.25
With Scheduled Banks:		
Current Account	4,410.30	1,856.02
Unclaimed Dividend Account	201.22	158.88
	4,648.88	**2,043.15**
(d) OTHER CURRENT ASSETS		
Contract Revenue in Excess of Billing and Unbilled Revenue (Refer Note III.1 of Schedule N)	47,254.35	36,092.01
	47,254.35	**36,092.01**

(Rs. in lakhs)

	As at March 31	
	2011	**2010**
SCHEDULE G: CURRENT ASSETS LOANS & ADVANCES (contd.)		
(e) LOANS & ADVANCES		
Unsecured and considered good:		
Advances recoverable in cash or in kind or for value to be received	8,063.99	8,803.47
Balances with customs, excise authorities, etc	2,061.89	1,957.61
Advance Tax payments (net of Provisions: Rs. 34,560.32 lakhs)	1,043.64	-
Deposits with Government and other bodies	2,449.72	2,381.23
Unsecured and considered doubtful:		
Other Loans and Advances	320.58	235.00
Less: Provision for doubtful loans and advances (Refer Note III.8 of Schedule N)	320.58	235.00
	-	-
	13,619.24	**13,142.31**
Due from Company under same management		
Blue Star Electro-Mechanical Limited (Maximum balance during the year Rs. 1,467.57 lakhs (Previous year Nil)	-	-

(Rs. in lakhs)

	Year ended March 31	
	2011	**2010**
SCHEDULE H: CURRENT LIABILITIES & PROVISIONS		
(a) Current Liabilities		
Sundry Creditors- Micro Small Medium Enterprises (Refer Note III.10 of Schedule N)	1,420.25	292.10
Sundry Creditors- Others	68,933.36	66,174.15
Advances from Customers	30,357.48	21,731.30
Due to Subsidiary Company	57.91	-
Other Liabilities	3,031.45	2,478.48
Amount due to Customers (Refer Note III.1 of Schedule N)	2,378.57	2,270.50
Investor Protection Fund shall be credited by the following amounts (as and when due)		
Unclaimed Dividends	201.22	158.88
Interest accrued but not due	52.62	16.27
	106,432.86	**93,121.68**
(b) Provisions		
Provision for other Employment Benefits (Refer Note III.11 of Schedule N)	1,680.33	1,618.69
Provision for Warranty (Refer Note III.4 of Schedule N)	1,229.52	1,419.58
Provision for Taxes (net of Advance tax Rs. 27,267.62 lakhs)	-	175.40
Proposed Dividend	6,296.00	7,194.89
Corporate Dividend Tax	1,021.40	1,194.98
	10,227.25	**11,603.54**

(Rs. in lakhs)

	Year Ended March 31	
	2011	2010
SCHEDULE I: OTHER INCOME		
Profit on Sale of Fixed Assets, (Net)	279.42	-
Interest - Others (Gross) (Including TDS Rs. 6.79 lakhs (Previous Year: Rs. 7.04 lakhs))	107.97	356.83
Provisions & Liabilities no longer required, written back	2,434.71	533.09
Dividend Income		
Long Term Investments Trade (Gross) (Including TDS Rs. 9.01 lakhs (Previous Year: Rs. 37.48 lakhs))	325.78	324.03
Exchange Rate Difference, (Net)	-	404.73
Miscellaneous Income	453.14	287.86
	3,601.02	**1,906.54**
SCHEDULE J: COST OF SALES AND SERVICES		
Stock at commencement:		
Raw Materials and Components	8,851.62	6,801.21
Work-in-Progress	9,920.48	9,142.45
Finished Goods (includes Excise Duty of Rs. 47.33 lakhs (Previous year Rs. 74.27 lakhs))	4,744.09	3,857.89
Traded Goods	3,231.21	2,411.42
Units Bonds and Shares in hand	-	5.03
	26,747.40	**22,218.00**
ADD: Purchases & Expenses (Refer Note III.9 of Schedule N)	236,280.37	190,980.50
	263,027.77	**213,198.50**
Less:Stock at Close:		
Raw Materials and Components	9,656.05	8,851.62
Work-in-Progress	18,926.22	9,920.48
Finished Goods (includes Excise Duty of Rs. 93.62 lakhs (Previous year Rs. 47.33 lakhs))	10,683.29	4,744.09
Traded Goods	6,061.85	3,231.21
Units Bonds and Shares in hand	-	-
	45,327.41	**26,747.40**
Stores and Spares Consumed	**808.27**	**554.60**
	218,508.63	**187,005.70**
SCHEDULE K: EMPLOYEE REMUNERATION & BENEFITS		
Salaries Wages and Bonus *	17,354.56	15,412.52
Contribution to Provident Fund and Superannuation	1,237.08	1,065.54
Gratuity Expenses (Refer Note III.11 of Schedule N)	45.29	115.43
Other Employment Benefits (Refer Note III.11 of Schedule N)	355.24	390.44
Welfare & Training Expenses	1,621.66	1,503.34
	20,613.83	**18,487.27**

* Includes Miscellaneous Expenditure written off on account of Voluntary Retirement Scheme Nil (Previous Year Rs. 59.92 lakhs)

(Rs. in lakhs)

	Year Ended March 31	
	2011	2010
SCHEDULE L : OPERATING & GENERAL EXPENSES		
Rent (Refer Note III.14 of Schedule N)	2,373.10	1,711.86
Rates & Taxes	38.97	47.85
Power	686.87	600.37
Insurance	241.95	180.41
Repairs & Maintenance		
Premises	404.10	307.55
Machinery	239.15	237.10
Others	422.90	377.19
Payment to Auditors		
As Auditor :		
Audit Fees	34.50	27.11
Tax Audit Fees	5.00	5.00
Limited Review Fees	12.00	6.00
Out of Pocket Expenses	1.47	2.26
In Other Manner		
Certification	8.22	15.84
Directors' Fees	7.80	6.80
Non Executive Directors Commission (Refer Note III.18 of Schedule N)	52.85	56.00
Donations	15.33	12.53
Commission Discounts and Incentives on Sales	3,025.23	2,416.66
Freight Outward	2,840.97	2,250.55
Advertising & Publicity	1,485.45	1,473.52
Travelling & Conveyance	2,679.58	2,181.25
Printing & Stationery	351.57	315.54
Legal & Professional fees (Refer Note III.9 of Schedule N)	3,635.18	2,749.33
Exchange Rate Difference, (Net)	150.47	-
Bad Debts and Advances Written off	583.44	1,404.03
Provision for Doubtful Loans and Advances (Refer Note III.8 of Schedule N)	85.58	235.00
Provision for Doubtful Debts	821.89	-
Loss on Sale of Fixed assets, (Net)	-	233.93
Research & Development Expenses	249.96	193.82
Other expenses	1,448.50	1,279.17
	21,902.03	**18,326.67**
SCHEDULE M: FINANCIAL EXPENSES		
Interest		
On banks	849.35	83.61
Others	1,100.15	304.71
Bank charges	489.20	457.08
	2,438.70	**845.40**

SCHEDULE N:

I. Nature of Operations

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

II. Statement of Significant Accounting Policies

1. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard by the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2. Use of estimates

The preparation of financial statements 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 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.

3. Fixed Assets and Capital W.I.P.

a. Fixed assets are stated at cost (or revalued amounts, as the case may be), 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. 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.

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

4. Depreciation/Amortisation

a. Depreciation is charged on all assets at rates applicable under Schedule XIV of Companies Act, 1956, on written down value of assets.

b. Cost of leasehold land is amortised over the period of lease.

c. Intangible Assets –

- Softwares are amortised on written down value of assets effectively over a period of 6 years.
- Technical knowhow are amortised on straight line basis over a period of 6 years.

5. 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.

6. Intangible assets

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 capitalised is amortised over the period of expected future sales from the related project not exceeding future sales.

7. 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 Profit and Loss account on a straight-line basis over the lease term.

8. 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 are credited to capital reserve and treated as part of the shareholders' funds.

9. Investments

All investments are held for more than one year and 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.

10. Inventories

Inventories are valued as follows:

i) Raw materials, stores and components lower of cost and 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) Contract Work-in-Progress is stated at cost till such time as the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

iii) 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.

iv) 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.

11. Revenue Recognition

a. 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.

Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Current Liabilities" in the balance sheet.

b. Annual maintenance contracts:

   Revenues from annual maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered

c. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer , which is generally on dispatch of goods. Sales are stated net of taxes(Excise duty and VAT) and trade discounts.

d. Commission income is recognised as and when the terms of the contracts are fulfilled.

f. Claims recoverable are accrued only to the extent admitted by the parties.

g. Export benefits are accrued only after the claims are lodged with the appropriate authorities, due to uncertainty involved in collecting necessary support documents from customers, banks etc.

h. Dividend income is recognised when the right to receive dividend is established.

i. Interest income is recognised on accrual basis.

12. Foreign Exchange Transactions

a. 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.

b. 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.

c. 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.

d. Forward Exchange Contracts not intended for trading or speculation purposes

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.

13. Retirement and other Employee Benefits

a. Defined Contribution Plan

The Company's liability towards Employee's Provident Fund and Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contribution plans are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trusts.

b. Defined Benefit Plan

Provident Fund:

In respect of certain employees covered by the Exempted Provident Fund, the contribution towards shortfall in interest rate payable as per statue and the earnings of the Provident Fund Trust is considered as Defined Benefit Plans and debited to Profit & Loss Account.

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. 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.

c. Other long term benefits

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 profit and loss account and are not deferred.

d. Voluntary Retirement Scheme

Payments made under the Voluntary Retirement Scheme are charged to the Profit and Loss Account in the same year.

14. 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.

15. 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.

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.

16. Segment Reporting Policies

a. 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.

b. Allocation of common costs/assets & liabilities :

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

c. Unallocated items :

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

d. 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.

17. Earning per share

Basic & Diluted 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.

18. Provisions

A provision is recognised 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.

19. 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.

III. Notes Forming Part of The Balance Sheet and Profit and Loss Account:

1. Disclosure in terms of revised Accounting Standard 7 on the Accounting of Construction Contracts is as under:

(Rs. in lakhs)

	2010-11	2009-10
I Contract revenue recognised for the year ended March 31,2011	**115,168.51**	91,838.56
II For Contracts that are in progress as on 31.3.2011		
A. Contract costs incurred and recognized profits (less recognised losses)	**329,092.16**	211,583.82
B. Advances received	**23,223.63**	19,146.58
C. Gross amount due from customers for Contract work	**47,254.35**	36,092.01
D. Gross amount due to customers for Contract work	**2,378.57**	2,270.50
E. Retention amount	**1,058.72**	518.54

2. Contingent Liabilities:

(Rs. in lakhs)

	2010-11	2009-10
i) Claims against the Company not acknowledged as debts	**66.44**	66.44
ii) Sales Tax matters	**5,279.88**	5,205.32
iii) Excise Duty matters	**80.30**	80.30
iv) Service Tax matters	**483.43**	241.21
v) Income Tax matters	**1,684.52**	1,726.42
vi) Corporate Guarantee given on behalf of Subsidiary, Associates and others	**8,141.43**	3,569.91

Future cash outflows in respect of above matters are determinable only on receipt of judgments / decisions pending at various forums / authorities.

3. Estimated amount of Contracts remaining to be executed on Capital account and not provided for Rs. 1,381.21 lakhs (Previous year: Rs. 411.70 lakhs).

4. As per the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets, the details of provisions made for warranty including extended warranty are as under:

(Rs. in lakhs)

	2010-11	2009-10
Opening balance	**1,419.58**	1,195.20
Additions during the year	**543.22**	792.36
Amounts paid / Adjusted during the year	**733.28**	567.98
Closing Balance	**1,229.52**	1,419.58

A provision is recognised for standard warranty claims based on turnover of products sold / projects executed during the year and extended warranty on the basis of turnover for preceding two years. The company estimates the future cost of warranty based on historical experience.

5. During the year, the Company has invested a sum of Rs. 9,765 lakhs in the share capital of its wholly owned subsidiary Blue Star Electro-Mechanical Ltd (BSEML), for acquiring 16,50,000 equity shares of Rs. 10/- each and assigned to BSEML it's rights and obligations under the Business Purchase Agreement entered into with M/s. D.S.Gupta Constructions Pvt Limited (DSGCPL) for acquisition of their plumbing and fire fighting business. BSEML has completed the acquisition of the plumbing and fire fighting business of DSGCPL on 1st September, 2010.

6. Exceptional Item represents profit of Rs. 42.93 lakhs on sale of 15,350 shares in Ravistar Private Limited as part of Share Purchase Agreement. The corresponding previous year figure of Rs. 1,396.49 lakhs represents profit on sale of 117,600 shares in Rolastar Private Limited and 61,440 shares in Ravistar India Private Limited.

7. In the previous year a sum of Rs. 304.13 lakhs was adjusted from the General Reserve in accordance with the Scheme of Arrangement approved by the shareholders and the Hon'ble High Court at Bombay in respect of the electrical contracting business acquired from Naseer Electricals Private Limited.

8. The Company had given an unsecured loan to its associate company Blue Star Design and Engineering Limited (BSDEL). Considering possible non-recovery, as a matter of prudence, a provision of Rs. 85.58 lakhs(Previous year Rs. 235 lakhs) has been made in respect of the amounts receivable from BSDEL.

9. Cost of Sales & Services and Legal & Professional fees are net of Rs. 1,128.48 lakhs (Previous year: Rs. 1,202.26 lakhs) and Rs. 81.33 lakhs (Previous year: Nil) respectively, on account of reversal of provision no longer required.

10. As per requirement of Section of 22 of Micro, Small & Medium Enterprises Development Act, 2006 ("the Act") following information is disclosed:

(Rs. in lakhs)

	2010-11	**2009-10**
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year	**1,420.25**	292.10
(ii) The interest due on above	**10.37**	1.35
(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).	**19.02**	2.98
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	**25.55**	1.35
(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 Enterprises Development Act, 2006	**-**	-

11. a. Gratuity and other post-employment defined benefit plans:

The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The scheme provides for payment of gratuity to employees on separation / retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

The Company provides certain additional employment benefits to employees such as leave encashment, additional gratuity and sick leave. These benefits are unfunded.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

		Gratuity		**Other Employment benefits**	
		March 31, 2011	**March 31, 2010**	March 31, 2011	March 31, 2010
I	**Expense recognised in the Statement of Profit & Loss for the year**				
1	Current Service Cost	**202.12**	211.88	**363.54**	429.22
2	Interest Cost	**182.08**	178.03	**75.65**	73.00
3	Expected return on plan assets	**(210.03)**	(208.08)	**NA**	NA
4	Net Actuarial (Gains) / Losses	**(128.88)**	(66.40)	**(83.95)**	(111.78)
5	Total Expense	**45.29**	115.43	**355.24**	390.44
6	Actual return on plan Assets	**228.69**	219.62	**NA**	NA

	Gratuity		Other Employment benefits	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
II Net Assets/ (Liability) recognised in the Balance Sheet				
1 Present Value of Defined Obligation	**2,740.04**	2,737.62	**1,680.33**	1,618.69
2 Fair Value of plan assets	**2,740.28**	2,737.62	**NA**	*NA*
3 Funded Status [Surplus / (Deficit)]	**0.24**	-	**(1,680.33)**	(1,618.69)
4 Net Assets / (liability)	**0.24**	-	**(1,680.33)**	(1,618.69)
III Change in Obligation during the Year				
1 Present value of defined Benefit Obligation at the beginning of the year	**2,737.62**	2,682.89	**1,618.69**	1,476.69
2 Current Service Cost	**202.12**	211.88	**363.54**	429.22
3 Interest Cost	**182.08**	178.03	**75.65**	73.00
4 Actuarial (Gains) / Losses	**(108.89)**	(56.04)	**(83.95)**	(111.78)
5 Benefits Payments	**(272.89)**	(279.15)	**(293.60)**	(248.44)
6 Present value of Defined Benefit Obligation at the end of the year	**2,740.04**	2,737.62	**1,680.33**	1,618.69
IV Change in Fair Value of Plan Assets during the year				
1 Fair Value of Plan Assets at the beginning of the year	**2,737.62**	2,682.89	**NA**	NA
2 Expected return on Plan assets	**210.03**	208.08	**NA**	NA
3 Contribution by Employer	**45.29**	115.43	**293.60**	248.44
4 Actual benefits paid	**(272.87)**	(279.15)	**(293.60)**	(248.44)
5 Actuarial Gains / (losses) on Plan Assets	**20.21**	10.37	**NA**	NA
6 Fair Value of Plan Assets at the end of the year	**2,740.28**	2,737.62	**NA**	NA

	As at March 31	
	2011	2010
V Actuarial Assumptions:		
1 Discount rate	**8%**	7%
2 Rate of return on Plan Assets	**8%**	7%
3 Mortality Rate	**LIC(1994-96)**	LIC(1994-96)
4 Salary escalation rate (Management-Staff-Directors)	**7%, 2%, 12%**	7%, 2%, 12%
5 Attrition rate	**1% throughout**	1% throughout

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

The Company expects to contribute Rs. 268 lakhs to gratuity fund in 2011-12.

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

Particulars	As at March 31	
	2011	**2010**
Special Deposit Schemes	**5.30%**	5.30%
Central Government Securities	**18.40%**	18.10%
State Government Securities	**22.20%**	21.30%
Public Sector Undertakings	**51.90%**	55.00%
Liquid funds	**2.20%**	0.30%
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 to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

VII. Amounts for the current and previous year are as follows:

	Gratuity			
	2010-11	2009-10	2008-09	2007-08
Defined benefit obligation	**2,740.04**	2,737.62	2,682.89	2,133.84
Plan Assets	**2,740.28**	2,737.62	2,682.89	2,134.00
Surplus / (Deficit)	**0.24**	-	-	-
Experience adjustments on plan liabilities	**(108.89)**	(56.04)	323.54	465.98
Experience adjustments on plan assets	**-**	-	-	-

	Other Employee benefits			
	2010-11	2009-10	2008-09	2007-08
Defined benefit obligation	**1,680.33**	1,618.69	1,476.69	706.02
Plan Assets	**1,680.33**	1,618.69	1,476.69	706.02
Surplus / (Deficit)	**(1,680.33)**	(1,618.69)	(1,476.69)	(706.02)
Experience adjustments on plan liabilities	**(83.95)**	(111.78)	208.80	152.77
Experience adjustments on plan assets	**-**	-	-	-

b. Defined Contribution plan:

An amount of Rs.1,237.08 lakhs (Previous Year Rs. 1,065.54 lakhs) is recognised as an expense and included in Schedule J – Contribution to Provident Fund and Superannuation in the Profit and Loss Account.

12. 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 Airconditioning Systems includes central airconditioning projects, Electrical Contracting business and Packaged airconditioning businesses including manufacturing and after sales service.

b. Cooling 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.

(Rs. in lakhs)

Description	**As at March 31**	
	2011	**2010**
Segment Revenues, Results and other Information:		
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**186,168.83**	179,600.93
ii. Cooling Products	**78,843.18**	58,095.60
iii. Professional Electronics and Industrial Systems	**20,678.32**	14,800.93
TOTAL SEGMENT REVENUE	**285,690.33**	252,497.46
Add: Other Income	**3,601.02**	1,906.54
TOTAL INCOME	**289,291.35**	254,404.00
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**17,621.83**	21,470.31
ii. Cooling Products	**9,008.21**	8,072.85
iii. Professional Electronics and Industrial Systems	**5,464.46**	4,570.69
TOTAL SEGMENT RESULT	**32,094.50**	34,113.85
Less: i) Interest paid	**2,438.70**	845.40
ii) Other un-allocable Expenditure (Net of un-allocable Income)	**6,998.72**	7,002.81
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**22,657.08**	26,265.64
EXCEPTIONAL ITEM	**42.93**	1,396.49
PROFIT BEFORE TAXATION	**22,700.01**	27,662.13
PROVISION FOR TAXES	**7,200.25**	6,513.56
NET PROFIT AFTER TAX	**15,499.76**	21,148.57
III. OTHER INFORMATION:		
SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**142,703.79**	121,453.95
ii. Cooling Products	**42,161.60**	25,727.16
iii. Professional Electronics and Industrial Systems	**11,333.86**	9,326.92
TOTAL SEGMENT ASSETS	**196,199.25**	156,508.03
Add: Un-allocable Corporate Assets	**19,648.39**	3,983.92
TOTAL ASSETS	**215,847.64**	160,491.95

(Rs. in lakhs)

Description	As at March 31 2011	As at March 31 2010
Segment Revenues, Results and other Information:		
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**92,498.58**	79,989.27
ii. Cooling Products	**28,259.09**	16,474.41
iii. Professional Electronics and Industrial Systems	**4,852.45**	4,051.69
TOTAL SEGMENT LIABILITIES	**125,610.12**	100,515.37
Add: Un-allocable Corporate Liabilities	**32,887.71**	10,809.09
TOTAL LIABILITIES	**158,497.83**	111,324.46
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**2,087.03**	2,527.68
ii. Cooling Products	**2,681.74**	317.68
iii. Professional Electronics and Industrial Systems	**91.45**	42.81
iv. Other Un-allocable	**786.19**	2,118.60
TOTAL	**5,646.41**	5,006.77
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**1,685.09**	1,722.11
ii. Cooling Products	**752.81**	785.89
iii. Professional Electronics and Industrial Systems	**58.61**	61.99
iv. Other Un-allocable	**674.57**	903.33
TOTAL	**3,171.08**	3,473.32
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Airconditioning Systems	**935.09**	1,173.11
ii. Cooling Products	**317.27**	259.52
iii. Professional Electronics and Industrial Systems	**177.06**	101.38
iv. Other Un-allocable	**108.55**	344.30
TOTAL	**1,537.97**	1,878.31

B. Secondary segment information:

Secondary segmental reporting is based on the geographical location of customers. 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.)

(Rs. in lakhs)

Particulars	As at March 31	
	2011	**2010**
Revenue (Sales, Services & Commission) by Geographical Market		
India	**272,446.52**	240,049.65
Outside India	**13,243.81**	12,447.81
Total	**285,690.33**	252,497.46
Carrying amount of Segment Assets & Intangibles Assets		
India	**212,141.68**	155,481.14
Outside India	**3,705.96**	5,010.81
Total	**215,847.64**	160,491.95
Additions to Fixed Assets including Capital Work in Progress		
India	**5,645.50**	5,005.27
Outside India	**0.91**	1.50
Total	**5,646.41**	5,006.77

13. Disclosure for Related Party and Interest in Joint Ventures

a **Related Party Disclosure**

Names of Related parties

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

Subsidiary :

Blue Star Electro-Mechanical Limited

Names of other related parties with whom transactions have taken place during the year

Associates:

Blue Star Infotech Limited

Ravistar India Private Limited (upto 19.11.2009)

Joint Ventures:

Blue Star Qatar- WLL

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Design and Engineering Limited

Key Management Personnel:

Mr Ashok M Advani

Mr Suneel M Advani

Mr Satish Jamdar

Mr Vir Advani (w.e.f 1.7.2010)

Mr T Gouri Sankara Babu (upto 31.3.2010)

Relatives of Key Management Personnel:

Ms Nargis Advani

Mr Vir Advani (upto 30.6.2010)

Transactions during the period with Related Parties are as under:

(Rs. in lakhs)

Name of Related Party	2010-11 Volume Rs.	2010-11 Balance O/S DR/(CR)	2009-10 Volume Rs.	2009-10 Balance O/S DR/(CR)
Blue Star M & E Engineering (Sdn) Bhd		**68.86**		41.06
Consultancy services rendered by us	**323.18**		275.71	
Dividend received (Gross)	**130.64**		149.93	
Reimbursement of expenses paid	**198.35**		187.03	
Blue Star Infotech Limited		**(230.81)**		(173.94)
Sales & Services	**59.96**		8.17	
IT services	**788.83**		761.22	
Reimbursement of expenses	**177.17**		17.48	
Recovery of expenses	**8.49**		3.20	
Rent received	**36.00**		36.00	
Dividend received	**154.90**		155.00	
Blue Star Qatar WLL		**103.70**		103.70
Corporate guarantee given	**556.40**		1,147.32	
Blue Star Design & Engineering Limited		**915.63**		815.58
Sales & Services rendered	**13.94**		3.68	
Consultancy service received	**198.41**		311.25	
Loan repaid	**-**		25.00	
Interest On Loan	**67.90**		70.40	
Corporate guarantee given	**492.08**		482.59	
Guarantee commission	**1.25**		5.00	
Purchase of Asset	**0.32**		-	
Reimbursement of expenses	**3.55**		12.44	
Blue Star Electro-Mechanical Limited		**(57.91)**		-
Investment in Shares	**9,765.00**		-	
Corporate guarantee given	**5,517.94**		-	
Advances given	**4,226.62**		-	
Advances repaid	**4,226.62**		-	
Reimbursement of expenses charged	**148.69**		-	
Ravistar India Private Limited		**-**		(98.56)
Purchase of goods	**-**		1,192.04	
Guarantee commission	**-**		0.45	
Dividend received	**-**		19.20	
Key Management Personnel				
Managerial remuneration	**1,342.68**		1,509.15	
Rent received	**7.10**		9.00	
Sale of Fixed Assets	**329.00**		-	
Relative of Key Management Personnel		**70.00**		70.00
Rent paid	**1.20**		1.20	
Salary	**14.71**		65.80	

b Interest in Joint Ventures

Name of the Joint Ventures	Blue Star M & E Engineering (Sdn) Bhd	Blue Star Qatar WLL	Blue Star Design & Engineering Limited
Percentage of Interest	49%	49%	30%
Country of Incorporation	Malaysia	Qatar	India
Assets	**1,493.15**	**907.15**	**171.81**
	1,553.33	*571.71*	*293.85*
Liabilities	**1,067.09**	**822.87**	**482.80**
	1,157.34	*544.47*	*541.94*
Revenue	**3,260.90**	**886.90**	**260.78**
	2,970.51	*955.56*	*384.28*
Expenses	**3,018.17**	**820.93**	**382.13**
	2,727.03	*894.39*	*396.58*

Figures in italics are for previous year

14. Leases:

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees.There are no exceptional / restrictive covenants in the lease agreements. Lease rental expense debited to Profit and Loss Account is Rs. 2,373.10 lakhs (Previous Year - Rs. 1,711.86 lakhs)

15. Earning Per Share:

		2010-11	**2009-10**
Profit after taxation as per Profit & loss Account.	(Rs. in lakhs)	**15,499.76**	21,148.57
Weighted average number of Equity Shares Outstanding.	Nos.	**89,936,105**	89,936,105
Basic and diluted Earnings per share (Face Value Rs. 2 per share)	Rs.	**17.23**	23.52

16. The breakup of Deferred Tax Assets/Liability is as under:

(Rs. in lakhs)

	As on March 31 2011		As on March 31 2010	
	Deferred Tax Asset	**Deferred Tax Liability**	Deferred Tax Asset	Deferred Tax Liability
Timing differences on account of				
Difference in book and Income tax Depreciation under IT Act, 1961		**921.19**		902.19
Provision of Doubtful Debts, Advances, & Inventories	**382.39**		432.29	
Leave Encashment Provision, other current Liabilities	**608.64**		616.56	
Total	**991.03**	**921.19**	1,048.85	902.19
Deferred tax Assets / (Liability), Net	**69.84**		146.66	

17. Directors' Remuneration:

(Rs. in lakhs)

	2010-11	2009-10
Salaries	**446.57**	460.49
Commission to whole time Directors	**739.77**	882.00
Commission to Non Executive Directors	**52.85**	56.00
Contribution to Provident Fund & Superannuation Scheme	**51.96**	52.73
Other Perquisites	**104.38**	113.93
Total	**1,395.53**	1,565.15

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.

18. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Directors:

(Rs. in lakhs)

	2010-11	2009-10
Profit before tax as per Profit and Loss Account	**22,700.01**	27,662.13
Add:		
Depreciation as per Profit and Loss Account	**3,171.08**	3,473.32
Whole time Directors Remuneration	**1,342.68**	1,509.15
Non Executive Directors Commission	**52.85**	56.00
Loss on Fixed Assets sold/Discarded	**47.05**	239.27
Provision for Doubtful Debts, Loans and Advances	**907.47**	235.00
Less:		
Depreciation u/s 350 of the Companies Act, 1956	**3,171.08**	3,473.32
Amortisation of Intangible Assets @	**990.19**	990.19
Amount adjusted against the General Reserves	**-**	304.13
Profit on sale of Fixed Assets/Investments	**326.47**	5.34
Profit on Sale of Investments	**42.93**	1,396.49
Net Profit for the purpose of Directors Commission	**23,690.47**	27,005.40
Maximum Remuneration payable up to 10% of the above to Whole-time Directors	**2,369.05**	2,700.55
Commission payable to the Whole-time Directors as per contract of service	**739.77**	882.00
Maximum commission payable up to 1% of the above Net Profits to the Non-Executive Directors	**236.90**	270.05
Commission payable to Non-Executive Directors	**52.85**	56.00

@ Goodwill and other Intangible assets of Rs. 4,950.14 lakhs acquired from NEPL in 2008-09 are amortized over a period of 5 years for the purpose of computation of profit u/s 349 of the Companies Act, 1956, although, the same have been adjusted against General Reserve as per the accounting treatment prescribed in the Scheme of Arrangement sanctioned by the Hon'ble High Court at Bombay.

19. Derivative Instruments and Un hedged Foreign Currency Exposure

a. Derivative Instruments:

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Purchase US $ 17,752,168 (Rs. 8082.19 lakhs)	**Hedge of underlying payables**

b. Particulars of Un hedged Foreign Currency Exposure as at the Balance Sheet date

	Foreign Currency	March 31, 2011		March 31, 2010	
		Amount in Foreign Currency	Rs in lakhs	Amount in Foreign Currency	Rs in lakhs
Investments					
	MR	**367,500**	**49.97**	367,500	49.97
	QR	**98,000**	**12.11**	98,000	12.11
Receivables					
	CAD	**123,230**	**55.50**	31,304	13.87
	EUR	**883,694**	**550.30**	750,051	453.63
	GBP	**7,071**	**5.10**	56,479	38.42
	JPY	**34,620,526**	**182.83**	23,803,580	115.04
	MYR	**481,215**	**68.86**	286,967	41.06
	SEK	**13,158**	**0.93**	46,053	2.86
	MUR	**642,668**	**12.10**	-	-
	SGD	**-**	**-**	176,341	56.78
	USD	**9,979,474**	**4,589.10**	6,141,271	2,770.33
	AED	**252,065**	**35.14**	6,587,261	844.23
Payables					
	AUD	**11,808**	**4.13**	446,766	184.47
	CAD	**2,239**	**0.99**	2,239	0.99
	CHF	**-**	**-**	160	0.07
	EUR	**1,047,616**	**657.68**	987,059	596.97
	GBP	**273,339**	**196.20**	239,874	163.16
	JPY	**64,166,211**	**290.15**	10,904,320	52.70
	SEK	**1,654**	**0.11**	17,460	1.08
	SGD	**120,794**	**42.63**	294,278	94.76
	USD	**35,577,382**	**16,080.29**	26,025,532	11,740.12
	AED	**3,394**	**0.48**	5,106,068	650.64

20. ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPHS 3 & 4 OF PART II OF SCHEDULE VI OF COMPANIES ACT, 1956.

A. PARTICULARS IN RESPECT OF EACH CLASS OF GOODS MANUFACTURED

Licensed Capacity: Not Applicable (Previous Year: Not Applicable)

Class of Goods	Unit	**Installed Capacity* 2010-11**	Installed Capacity 2009-10	**Actual Production 2010-11**	Actual Production 2009-10
Refrigeration & airconditioning equipment	Nos.	**893,320**	625,720	**286,425**	296,958
Packaged airconditioning	Nos.	**144,180**	107,592	**53,620**	41,315
Industrial packaged chillers	Nos.	**1,872**	1,500	**1,480**	1,395
Air handling units	Nos.	**12,912**	12,912	**5,223**	5,026

* As certified by the Management and relied upon by the Auditors being technical matter.

Note: Plant & Machinery installed is for general purpose and not meant exclusively for any particular product group.

B. INFORMATION IN REGARD TO PURCHASES, SALES, OPENING STOCKS AND CLOSING STOCKS:

PURCHASES AND SALES

(Rs. in lakhs)

Class of Goods	Unit	Purchases				Sales			
		Qty.		Value (Rs.)		Qty.		Value (Rs.)	
		2010-11	2009-10	**2010-11**	2009-10	**2010-11**	2009-10	**2010-11**	2009-10
Airconditioning & Refrigeration Equipment	Nos.	**549,710**	292,507	**82,873**	42,478	**323,034**	228,819	**65,301**	48,572
Central Airconditioning Plant (Sales Contract)	Worth			**18,632**	16,027			**54,792**	51,543
Electronics & Other Appliances, Equipment, Instruments Etc.	Nos	**138,900**	**34,068**	**7,085**	3,914	**48,807**	11,119	**12,874**	7,031
Spares & Components	Worth		-	**16,266**	15,960		-	**27,686**	34,576
Others (Works Contract)	Worth		-		-	**-**	-	**101,830**	91,838
Income from Services								**23,622**	19,543
Total				**124,856**	78,379			**286,105**	253,103

C. OPENING AND CLOSING STOCKS

(Rs. in lakhs)

Class of Goods	Unit	Opening Stock				Closing Stock			
		Qty.		Value (Rs.)		Qty.		Value (Rs.)	
		2010-11	2009-10	**2010-11**	2009-10	**2010-11**	2009-10	**2010-11**	2009-10
Airconditioning & Refrigeration Equipment	Nos.	**27,846**	20,932	**4,218**	3,295	**75,264**	27,846	**11,872**	4,218
Central Airconditioning Plant (Sales Contract)	Worth			**1,161**	1,049			**1,500**	1,161
Electronics & Other Appliances, Equipment, Instruments Etc.	Nos	**15,851**	16,200	**515**	442	**50,804**	15,851	**966**	515
Spares & Components	Worth			**2,081**	1,483			**2,407**	2,081
Total				**7,975**	6,269			**16,745**	7,975

D. Particulars of Raw Materials Stores, Spares & Components Consumed:

a) Raw Materials, Stores, Spares & Components Consumed:

	UNITS	2010-11		2009-10	
		QUANTITY	**(Rs. in lakhs)**	QUANTITY	(Rs. in lakhs)
Non-Ferrous Metals	Tonne	**8,336**	**26,121.27**	4,310	10,630.36
Ferrous Metal	Tonne	**17,789**	**11,079.05**	15,120	8,085.09
Compressors	Number	**346,672**	**19,526.70**	297,604	18,206.71
Stores & Spares	Worth		**808.27**		554.60
Others (items individually not exceeding 10% of total)	Worth		**75,970.50**		80,885.92
Total			**133,505.79**		118,362.68

b) Raw Materials & Components & Stores, Spares Consumed:

	Raw materials & Components				Stores & Spares			
	2010-11		2009-10		2010-11		2009-10	
	% Of total Consumption	**Value (Rs. in lakhs)**	% Of total Consumption	Value (Rs. in lakhs)	**% Of total Consumption**	**Value (Rs. in lakhs)**	% Of total Consumption	Value (Rs. in lakhs)
Imported (at landed cost)	27.42%	**36,390.18**	28.99%	34,156.84	-	-	-	-
Indigenous	72.58%	**96,307.34**	71.01%	83,651.24	100.00%	**808.27**	100.00%	554.60
Total	**100.00%**	**132,697.52**	100.00%	117,808.08	**100.00%**	**808.27**	100.00%	554.60

E. Value of imports on CIF Basis:

(Rs. in lakhs)

	2010-11	2009-10
Raw Materials & Components	**39,532.24**	37,308.63
Capital goods	**874.51**	440.80
Sample for R&D	**10.34**	10.92
Spares	**76.67**	84.65
Finished Goods	**15,174.95**	9,208.87
Total	**55,668.71**	47,053.87

F. Expenditure incurred in Foreign Exchange (Accrual Basis):

(Rs. in lakhs)

	2010-11	2009-10
Royalty & Know-how	**15.55**	27.62
Rent	**31.52**	27.52
Technical Services	**189.45**	202.42
Others	**246.38**	238.01
Total	**482.90**	495.57

G. Earnings in Foreign Exchange (Accrual Basis):

(Rs. in lakhs)

	2010-11	2009-10
Export of goods on F.O.B. basis	**13,076.38**	9,830.42
Royalty, Know-how, Professional & Consultation fees	**359.10**	344.65
Other Income:		
Commission	**2,465.85**	2,617.29
Others	**130.64**	149.93
Total	**16,031.97**	12,942.29

21. 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 Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner

Membership No. 41870

Mumbai: May 24, 2011

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

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Vir S Advani	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 24, 2011

Balance Sheet Abstract and Company's General Business Profile - Part IV

I. Registration Details

Registration No.: 0 0 6 8 7 0

State Code: 1 1

Balance Sheet Date: 3 1 0 3 2 0 1 1

Date Month Year

II. Capital raised during the year (Amount in Rs Thousands)

Public Issue	N I L
Rights Issue	N I L
Bonus Issue	N I L
Private Placement	N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)

Total Liabilities	9 9 1 8 7 5 3
Total Assets *(Net of Current Liabilities)*	9 9 1 8 7 5 3

Sources of Funds

Paid-up Capital	1 7 9 8 7 2
Reserves & Surplus	5 5 5 5 1 0 9
Secured Loans	2 0 4 5 8 8 8
Unsecured Loans	2 1 3 7 8 8 4

Applications of Funds

Net Fixed Assets (incl Capital WIP)	2 2 1 5 5 0 8
Investments	1 0 1 8 3 7 9
Net Current Assets	6 6 7 7 8 8 2
Misc. Expenditure	0
Deferred Tax Asset	6 9 8 4

IV. Performance of Company (Amount in Rs Thousands)

Turnover	2 8 9 2 9 1 3 5
Total Expenditure	2 6 6 6 3 4 2 7
Profit/Loss Before Tax	(+) 2 2 7 0 0 0 1
Profit/Loss After Tax	(+) 1 5 4 9 9 7 6
Earning Per Share *(in Rs.)*	1 7 . 2 3
Dividend rate %	3 5 0

V. Generic Names of Two Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE): 8 4 1 5 0 0

Product Description: A I R C O N D I T I O N I N G M A C H I N E S

Item Code No. (ITC CODE): 8 4 1 8 0 0

Product Description: R E F R I G E R A T I O N E Q U I P M E N T

Cash Flow Statement for the year ended March 31, 2011

In accordance with the requirement of the Listing Agreement with the Stock Exchanges

(Rs. in lakhs)

	Year ended March 31			
	2011		2010	
[A] CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	22,700.01		27,662.13	
Adjustments for:				
Depreciation	3,171.08		3,473.32	
Loss / (Profit) on sale of Fixed assets (Net)	(279.42)		233.93	
EVRS written off	-		59.91	
Profit on Sale of Investments	(42.93)		(1,396.49)	
Provision for Doubtful Loans and Advances	85.58		235.00	
Provision for Doubtful Debts	821.89		-	
Bad Debts and Advances Written off	583.44		1,404.03	
Unrealised exchange gain	143.27		(190.54)	
Interest expenses	2,438.70		845.40	
Interest income	(107.97)		(356.83)	
Dividend income	(325.78)		(324.03)	
Operating Profit before working capital changes	29,187.87		31,645.83	
Movements in working capital:				
(Increase) / Decrease in inventories	(14,256.62)		(4,995.09)	
(Increase) in sundry debtors	(16,367.86)		(3,465.13)	
(Increase) in loans and advances	475.30		(899.00)	
(Increase) in other current assets	(11,162.34)		(27,446.01)	
Increase in current liabilities & provisions	12,971.92		21,583.35	
Cash generated from operations	848.27		16,423.95	
Direct taxes paid (net of refund)	8,342.50		7,315.90	
Net Cash from Operating activities		**(7,494.23)**		**9,108.05**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(5,386.81)		(2,425.86)	
Sale of Fixed Assets	365.35		32.92	
Retainer Bonus / Earnout and Fees as per Business Purchase agreement (Refer Note III.7 of Schedule N)	-		(525.96)	
Refund of Escrow Amount paid under Business Purchase agreement(Refer Note III.7 of Schedule N)	-		221.83	
Proceeds from sale of Investments in shares (Refer Note III. 6 of Schedule N)	44.47		924.40	
Purchase of Investment (Refer Note III.5 of Schedule N)	(9,765.00)		-	
Interest received	113.80		328.85	
Dividend received	325.78		324.03	
Net Cash used in Investing activities		**(14,302.41)**		**(1,119.79)**
Balance Carried Forward		**(21,796.64)**		**(7,988.26)**

Cash Flow Statement for the year ended March 31, 2011

In accordance with the requirement of the Listing Agreement with the Stock Exchanges

(Rs. in lakhs)

	Year ended March 31			
	2011		2010	
Balance Brought Forward		**(21,796.64)**		**(7,988.26)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Borrowings, Net	35,238.49		1,324.69	
Interest paid	(2,402.34)		(845.53)	
Dividend paid	(7,194.89)		(6,295.53)	
Tax on Dividend distribution	(1,194.98)		(1,069.93)	
Net Cash from / (used) in Financing activities		**24,446.28**		**(6,886.30)**
Net Increase / (Decrease) in cash and cash equivalents		**2,649.64**		**1,101.96**
Cash and Cash equivalents at Beginning		2,043.15		919.53
Cash and Cash equivalents at End		**4,692.79**		**2,021.49**
Components of Cash and Cash equivalents				
Cash on hand		37.36		28.25
With Scheduled Banks:				
Current Account		4,410.30		1,856.02
Unclaimed Dividend Account *		201.22		158.88
Sub Total		**4,648.88**		**2,043.15**
Less: Effect of Exchange Differences on Cash and Cash Equivalents held in Foreign currency		(43.91)		21.66
Cash and Cash Equivalents in Cash Flow Statement		**4,692.79**		**2,021.49**

* These balances are not available for use by the Company as they represent corresponding unclaimed dividend liabilities

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner,
Membership No.: 41870

Mumbai: May 24, 2011

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

Ashok M Advani	Executive Chairman
Suneel M Advani	Vice Chairman & Managing Director
Satish Jamdar	Managing Director
Vir S Advani	Director
Pradeep Mallick	Director
Gurdeep Singh	Director
Suresh N Talwar	Director
Manek Kalyaniwala	Executive Vice President - Finance
Sangameshwar Iyer	Company Secretary

Mumbai: May 24, 2011

Auditors' Report on Consolidated Financial Statements

To

The Board of Directors

Blue Star Limited

1. We have audited the attached Consolidated Balance Sheet of Blue Star Limited (the "Company") and it Subsidiary, (collectively referred as "Blue Star Group"), alongwith its Joint Ventures and Associate as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Blue Star Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Joint Ventures, whose financial statements reflect (to the extent of proportionate share of Blue Star Group) total assets of Rs. 604.53 Lacs as at March 31, 2011, the total revenue of Rs. 4,408.58 Lacs and cash flows amounting to Rs. 127.52 Lacs for the year then ended. Further, we did not audit financial statements of an Associate whose financial statements reflect (to the extent of proportionate share of Blue Star Group) Profit for the year Rs. 265.83 lacs and opening Reserves & Surplus of Rs. 2,159.93 lacs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion in so far it relates to the amounts included for such Associate and Joint Ventures, is based solely on the report of other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Blue Star Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Without qualifying our opinion, we draw attention to note III 8b of schedule N wherein the Company has followed accounting treatment as per the Scheme of Arrangement approved by the High Court of Judicature Bombay which is not in compliance with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended)

6. Based on our audit and on consideration of reports of other Auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Blue Star Group as at March 31, 2011;

   (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Associates**
Firm registration number: 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 24, 2011

Consolidated Balance Sheet

As at March 31, 2011

(Rs. in lakhs)

	Schedule	As at March 31, 2011
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	A	1,798.72
Reserves & Surplus	B	49,325.52
		51,124.24
LOAN FUNDS		
Secured Loans	C	23,074.39
Unsecured Loans	D	21,378.84
		44,453.23
		95,577.47
APPLICATION OF FUNDS		
FIXED ASSETS	E	
Gross Block		37,652.16
Less: Accumulated Depreciation		18,250.84
Net Block		**19,401.32**
Capital Work-in-Progress including Capital advances		2,847.36
INVESTMENTS	F	**2,723.96**
Deferred Tax Assets, Net (Refer Note III.14 of Schedule N)		**73.68**
CURRENT ASSETS, LOANS & ADVANCES	G	
a) Inventories		40,429.21
b) Sundry Debtors		82,059.84
c) Cash & Bank Balances		5,243.94
d) Other Current Assets		53,313.99
e) Loans & Advances		14,647.05
TOTAL		**195,694.03**
Less: CURRENT LIABILITIES & PROVISIONS	H	
Current Liabilities		114,836.68
Provisions		10,326.20
TOTAL		**125,162.88**
NET CURRENT ASSETS		**70,531.15**
		95,577.47
Notes to the Consolidated Accounts	N	

The schedules referred to above and the notes to accounts form an integral part of the Consolidated Balance Sheet.

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

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870
Mumbai: May 24, 2011

Satish Jamdar Managing Director
Vir S Advani Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 24, 2011

Consolidated Profit & Loss Account

For the year ended March 31, 2011

(Rs. in lakhs)

	Schedule	Year ended March 31, 2011
INCOME		
Sales and Services (Gross) (Refer Note III.2 of Schedule N)		298,024.11
Less: Excise Duty		2,919.40
Sales and Services (Net)		295,104.71
Commission		2,504.38
Other Income	I	3,376.14
		300,985.23
EXPENDITURE		
Cost of Sales and Services	J	228,694.84
Employee Remuneration & Benefits	K	21,507.30
Operating & General Expenses	L	21,963.75
Depreciation / Amortization	E	3,192.82
Financial Expenses	M	2,556.72
		277,915.43
PROFIT BEFORE TAXATION & EXCEPTIONAL ITEM		**23,069.80**
Exceptional Item		
- Profit on sale of Investments (Refer Note III.6 of Schedule N)		42.93
PROFIT BEFORE TAXATION		**23,112.73**
Provision for Tax		
- Current Tax		7,292.91
- Deferred Tax Charge / (Credit)		78.19
- Prior period tax adjustment		6.33
- MAT credit entiltlement		(101.82)
- Wealth Tax		6.43
		7,282.05
PROFIT AFTER TAXATION		**15,830.68**
Share of Profit of Associate		**265.83**
NET PROFIT AFTER TAXATION		**16,096.51**
Add: Adjustment for opening Reserves of Associates / Joint ventures		2,529.57
Add: Balance brought forward		21,344.36
PROFIT AVAILABLE FOR APPROPRIATION		**39,970.44**
APPROPRIATIONS		
Transfer to General Reserve		1,550.00
Interim Dividend		119.88
Proposed Dividend		6,296.00
Corporate Dividend Tax		1,021.41
		8,987.29
Balance carried forward		**30,983.15**
Basic & Diluted EPS (Refer Note III. 13 of Schedule N) (Nominal value of shares Rs. 2)	**Rs.**	17.90
Notes forming part of the Consolidated Accounts	N	

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

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

As per our report of even date	**Satish Jamdar**	Managing Director
For **S R Batliboi & Associates**	**Vir S Advani**	Director
Firm Registration No 101049W	**Manek Kalyaniwala**	Executive Vice President - Finance
Chartered Accountants	**Sangameshwar Iyer**	Company Secretary

per Sudhir Soni
Partner
Membership No. 41870
Mumbai: May 24, 2011

Mumbai: May 24, 2011

Schedules forming part of the Consolidated Balance Sheet

As at March 31, 2011

(Rs. in lakhs)

		As at March 31, 2011
SCHEDULE A: SHARE CAPITAL		
Authorised		
10,000	7.8% Cumulative Preference Shares of Rs. 100 each	10.00
148,700,000	Equity Shares of Rs. 2 each	2,974.00
16,000	Unclassified Shares of Rs. 100 each	16.00
		3,000.00
Issued		
89,936,105	Equity Shares of Rs. 2 each	**1,798.72**
Subscribed & Paid Up		
	Equity Shares of Rs. 2 each	
23,391,015	Shares fully paid in cash	467.82
4,645	Shares allotted as fully paid pursuant to a contract without payment being received in cash	0.09
66,526,340	Shares allotted as fully paidup Bonus shares by Capitalisation of Reserves and Securities Premium	1,330.53
14,105	Shares allotted as fully paid shares on conversion of 425 - 7.8% Cumulative Preference Shares of Rs. 100 each as per terms of the prospectus dated June 24, 1969	0.28
89,936,105		**1,798.72**
SCHEDULE B: RESERVES & SURPLUS		
General Reserve		
Balance as per last account		25,766.61
Less: Adjusted per Scheme of Arrangement (Refer Note III. 8b of Schedule N)		9,242.81
		16,523.80
Add:Transfer from Profit & Loss Account		1,550.00
		18,073.80
Capital Redemption Reserve		
Balance as per last account		233.56
		233.56
Capital Subsidy from Government		
Balance as per last account		30.00
		30.00
Foreign currency Translation Reserve*		**5.01**
Profit & Loss Account		**30,983.15**
		49,325.52

* Represents foreign currency translation reserve arising on proportionate consolidation of non-integral Joint Ventures

(Rs. in lakhs)

	As at March 31, 2011
SCHEDULE C: SECURED LOANS	
Loans From Banks	
Cash Credit facilities (Secured by hypothecation of stock-in-trade and book debts)	8,107.04
Term loan	68.05
Buyers & Suppliers Credit	14,899.30
(Secured by hypothecation of stock-in-trade and book debts)	
	23,074.39
D. UNSECURED LOANS	
Short Term Loans	
From Banks	7,000.00
Commercial Papers	
From Banks	6,000.00
From Others (Maximum amount raised at any time during the year Rs.10,000 lakhs)	4,000.00
Buyers & Suppliers Credit	4,378.84
	21,378.84

SCHEDULE E: FIXED ASSETS

(Rs. in lakhs)

ASSETS	Gross Block				Depreciation/Amortization				Net Block
	As on 1.4.2010 (Refer Note)	Additions	Deletions/ Adjustment	As on 31.3.2011	As on 1.4.2010 (Refer Note)	For the Year	Deletions/ Adjustment	As on 31.3.2011	As on 31.3.2011
Tangible Assets									
Land - Freehold	486.37	402.65	-	889.02	-	-	-	-	889.02
Land - Leasehold	7.94	-	-	7.94	2.42	0.26	-	2.68	5.26
Building Sheds and Road	10,103.63	289.47	26.35	10,366.75	3,363.00	637.46	18.94	3,981.52	6,385.23
Plant and Machinery #	16,549.85	1,360.67	145.08	17,765.44	7,507.94	1,429.78	112.51	8,825.21	8,940.23
FurnitureFittings & Equipments	3,185.30	350.88	77.13	3,459.05	1,710.17	290.70	63.31	1,937.56	1,521.49
Vehicles	780.41	224.83	89.71	915.53	315.80	132.44	60.24	388.00	527.53
Computers	1,495.03	183.88	83.25	1,595.66	1,112.83	200.00	80.58	1,232.25	363.41
Intangible Assets									
- Business & Technical Knowhow*	419.85	1,183.40	1,343.47	259.78	418.43	1.42	160.07	259.78	-
- Softwares	2,375.63	14.68	-	2,390.31	1,120.97	500.38	-	1,621.35	768.96
- Goodwill*	-	774.78	774.78	-	-	-	-	-	-
- Trade Marks*	-	202.41	202.41	-	-	-	-	-	-
- Marketing Know How	2.68	-	-	2.68	2.11	0.38	-	2.49	0.19
- Customer Contracts*	-	2,999.75	2,999.75	-	-	-	-	-	-
- Non Compete*	-	839.66	839.66	-	-	-	-	-	-
Total 31.3.2011	**35,406.69**	**8,827.06**	**6,581.59**	**37,652.16**	**15,553.67**	**3,192.82**	**495.65**	**18,250.84**	**19,401.32**
Capital Work in Progress (including Capital Advances of Rs.151.82 lakhs									**2,847.36**
									22,248.68

Note: Opening Gross block and Depreciation are inclusive of proportionate share in the Joint Ventures amounting to Rs. 218.80 Lakhs and Rs. 131.45 Lakhs respectively.
Net of Grant received For UNIDO Machine Rs. 36.24 Lakhs and accumulated depreciation thereon Rs. 30.54 Lakhs.
* Refer Note III. 8a of Schedule N.

(Rs. in lakhs)

	As at March 31, 2011
SCHEDULE F: INVESTMENTS	
Long Term Investments	
QUOTED:	
OTHER THAN TRADE INVESTMENTS	
3,098,025 Fully Paid Equity shares of Rs. 10 each in Blue Star Infotech Limited (including Capital Reserve of Rs. 203.52 lakhs)	2,723.96
	2,723.96
Aggregate amount of quoted investments (Market value Rs. 3,088.73 lakhs)	
SCHEDULE G: CURRENT ASSETS LOANS & ADVANCES	
(a) INVENTORIES (At lower of Cost and Net realisable value)	
Raw Materials and Components	9,656.05
Goods in Transit - Raw Material	4,123.33
Work-in-Progress	
Product related	2,389.16
Projects related	16,908.82
Less:Advance received thereagainst	9,393.29
	7,515.53
Finished Goods	10,683.29
Traded goods	6,061.85
	40,429.21
(b) SUNDRY DEBTORS (Unsecured)	
Debts outstanding for a period exceeding six months	
Considered Good	27,140.06
Considered Doubtful	821.89
Other Debts	
Considered Good	54,919.78
Considered Doubtful	-
	82,881.73
Less: Provision For Doubtful Debts	821.89
	82,059.84
(c) CASH & BANK BALANCES	
Cash on hand	39.07
With Scheduled Banks:	
Current Account	4,604.37
Fixed Deposits	399.28
Unclaimed Dividend Account	201.22
	5,243.94

(Rs. in lakhs)

	As at March 31, 2011
(d) OTHER CURRENT ASSETS	
Contract Revenue in Excess of Billing and Unbilled Revenue (Refer Note III.2 of Schedule N)	53,313.99
	53,313.99
(e) LOANS & ADVANCES	
Unsecured and considered good:	
Advances recoverable in cash or in kind or for value to be received	8,678.73
Balances with customs, excise authorities, etc	2,374.54
Advance Tax payments (net of Provisions: Rs. 34,560.32 lakhs)	1,017.67
MAT Credit Entitlement A/c	101.82
Deposits with Government and other bodies	2,474.29
Unsecured and considered doubtful :	
Other Loans and Advances	320.58
Less : Provision for doubtful loans and advances	320.58
	-
	14,647.05
SCHEDULE H: CURRENT LIABILITIES & PROVISIONS	
(a) Current Liabilities	
Sundry Creditors - Micro Small Medium Enterprises	1,421.95
Sundry Creditors - Others	74,011.81
Advances from Customers	33,107.15
Other Liabilities	3,091.26
Amount due to Customers (Refer Note III.2 of Schedule N)	2,950.67
Investor Protection Fund shall be credited by the following amounts (as and when due)	
Unclaimed Dividends	201.22
Interest accrued but not due	52.62
	114,836.68
(b) Provisions	
Provision for other Employment Benefits (Refer Note III.9 of Schedule N)	1,779.27
Provision for Warranty (Refer Note III.5 of Schedule N)	1,229.52
Proposed Dividend	6,296.00
Corporate Dividend Tax	1,021.41
	10,326.20

(Rs. in lakhs)

	Year Ended March 31, 2011
SCHEDULE I: OTHER INCOME	
Profit on Sale of Fixed Assets, (Net)	278.60
Interest - Others (Gross) (Including TDS Rs. 6.79 lakhs)	121.03
Provisions & Liabilities no longer required, written back	2,447.08
Dividend Income	
Long Term Investments Trade (Gross) (Including TDS Rs. 9.01 lakhs)	40.24
Miscellaneous Income	489.19
	3,376.14
SCHEDULE J: COST OF SALES AND SERVICES	
Stock at commencement:	
Raw Materials and Components	8,851.62
Work-in-Progress	9,920.48
Finished Goods (includes Excise Duty of Rs. 47.33 lakhs)	4,744.09
Traded Goods	3,231.21
	26,747.40
Add: Purchases & Expenses (Refer Note III.7 of Schedule N)	**246,480.05**
	273,227.45
Less: Stock at Close:	
Raw Materials and Components	9,656.05
Work-in-Progress	18,939.69
Finished Goods (includes Excise Duty of Rs. 93.62 lakhs)	10,683.29
Traded Goods	6,061.85
	45,340.88
Stores and Spares Consumed	**808.27**
	228,694.84
SCHEDULE K: EMPLOYEE REMUNERATION & BENEFITS	
Salaries Wages and Bonus	18,131.81
Contribution to Provident Fund and Superannuation	1,264.31
Gratuity Expenses (Refer Note III.9 of Schedule N)	77.09
Other Employment Benefits (Refer Note III.9 of Schedule N)	370.98
Welfare & Training Expenses	1,663.11
	21,507.30

(Rs. in lakhs)

	Year Ended March 31, 2011
SCHEDULE L: OPERATING & GENERAL EXPENSES	
Rent (Refer Note III.12 of Schedule N)	2,404.05
Rates & Taxes	40.23
Power	693.27
Insurance	248.12
Repairs & Maintenance	
Premises	406.26
Machinery	239.15
Others	407.03
Payment to Auditors	
As Auditor:	
Audit Fees	42.58
Tax Audit Fees	6.12
Limited Review Fees	12.00
Out of Pocket Expenses	1.47
In Other Manner	
Certification	8.22
Directors' Fees	8.37
Non Executive Directors Commission	52.85
Donations	15.86
Commission Discounts and Incentives on Sales	3,026.76
Freight Outward	2,840.97
Advertising & Publicity	1,485.81
Travelling & Conveyance	2,754.20
Printing & Stationery	372.06
Legal & Professional fees (Refer Note III.7 of Schedule N)	3,464.61
Exchange Rate Difference, (Net)	147.84
Bad Debts and Advances Written off	637.91
Provision for Doubtful Loans and Advances	85.58
Provision for Doubtful Debts	821.89
Research & Development Expenses	249.96
Other expenses	1,490.58
	21,963.75
SCHEDULE M: FINANCIAL EXPENSES	
Interest	
On banks	901.53
Others	1,133.61
Bank charges	521.58
	2,556.72

Notes forming part of the Consolidated Accounts

SCHEDULE N:

I. Nature of Operations

Blue Star Limited (hereinafter referred to as "The Company") is a Company registered under the Indian Companies Act, 1913. The Company along with its Subsidiary, (hereafter collectively referred to as the "Blue Star Group" or "the Group"), alongwith its Joint Ventures and its Associate is primary engaged in the business of central air conditioning & commercial refrigeration, plumbing & fire fighting and varied IT services.

II. Statement of Significant Accounting Policies

1. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standard by the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The consolidated financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Group.

2. 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, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures respectively of the Companies Accounting Standards (Rules), 2006 (as amended). 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 a subsidiary 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) Investments in Associates are accounted for using the equity method under which the investment is initially recorded at cost, identifying any goodwill/ capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. Where the associate prepares and presents consolidated financial statements, such consolidated financial statements of the associate are used for the purpose of equity accounting.

v) 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.

vi) 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, 2011.

3. Use of estimates

The preparation of financial statements 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 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.

4. Fixed Assets and Capital W.I.P.

a. Fixed assets are stated at cost (or revalued amounts, as the case may be), 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. 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.

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

5. Depreciation/Amortisation

a. Depreciation is charged on all assets at rates applicable under Schedule XIV of Companies Act, 1956, on written down value of assets.

   Depreciation on the following fixed assets of some foreign 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 higher than the rates prescribed under Schedule XIV to the Companies Act, 1956:

   The principal annual rates used are as follows :-

Office equipment	10 - 33.33%
Furniture and fittings	10%
Motor vehicles	20%

b. Cost of leasehold land is amortised over the period of lease.

c. Intangible Assets –

   - Softwares are amortised on written down value of assets effectively over a period 6 years.
   - Technical knowhow are amortised on straight line basis over a period of 6 years.

6. 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.

7. Intangible assets

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 capitalised is amortised over the period of expected future sales from the related project not exceeding future sales.

8. 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 Profit and Loss account on a straight-line basis over the lease term.

9. 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 are credited to capital reserve and treated as part of the shareholders' funds.

10. Investments

All investments are held for more than one year and 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.

11. Inventories

Inventories are valued as follows:

i) Raw materials, stores and components lower of cost and 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) Contract Work-in-Progress is stated at cost till such time as the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

iii) 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.

iv) 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.

12. Revenue Recognition

a. 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.

Contract revenue earned in excess of billing has been reflected under "Other Current Assets" and billing in excess of contract revenue is reflected under "Current Liabilities" in the balance sheet.

b. Annual Maintenance Contracts

Revenues from annual maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered

c. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. Sales are stated net of taxes(Excise duty and VAT) and trade discounts.

d. Commission income is recognised as and when the terms of the contracts are fulfilled.

e. Claims recoverable are accrued only to the extent admitted by the parties.

f. Export benefits are accrued only after the claims are lodged with the appropriate authorities, due to uncertainty involved in collecting necessary support documents from customers, banks etc.

g. Dividend income is recognised when the right to receive dividend is established.

h. Interest income is recognised on accrual basis.

13. Foreign Exchange Transactions

a. 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.

b. 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.

c. 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.

d. Translation of Non-integral foreign operation

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

e. Forward Exchange Contracts not intended for trading or speculation purposes

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.

14. Retirement and other Employee Benefits

a. Defined Contribution Plan

The Company's liability towards Employee's Provident Fund and Superannuation scheme administered through the Trusts maintained by the Company, are considered as Defined Contribution Plans. The Company's contributions paid/payable towards these defined contribution plans are recognised as expense in the Profit and Loss Account during the period in which the employee renders the related service. There are no other obligations other than the contributions payable to the Trusts.

b. Defined Benefit Plan

Provident Fund:

In respect of certain employees covered by the Exempted Provident Fund, the contribution towards shortfall in interest rate payable as per statue and the earnings of the Provident Fund Trust is considered as Defined Benefit Plans and debited to Profit & Loss Account.

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. 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.

c. Other long term benefits

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 Profit and Loss Account and are not deferred.

d. Voluntary Retirement Scheme

Payments made under the Voluntary Retirement Scheme are charged to the Profit and loss Account in the same year.

15. 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.

16. 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.

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 or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

17. Segment Reporting Policies

a. 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.

b. Allocation of common costs/assets & liabilities :

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

c. Unallocated items :

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

d. 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.

18. Earning per share

Basic & Diluted 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.

19. 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.

20. 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.

SCHEDULE N:

III Notes Forming Part of The Consolidated Balance Sheet And Profit And Loss Accounts

1. The Blue Star Group comprises of the following entities:-

		Country of Incorporation	% Shareholding
a)	**Subsidiary**		
	Blue Star Electro-Mechanical Limited	India	100.00%
b)	**Foreign Joint Ventures- Jointly Controlled Entities**		
	Blue Star M & E Engineering (Sdn) Bhd	Malaysia	49.00%
	Blue Star Qatar- WLL (Refer note (i) below	Qatar	49.00%
c)	**Indian Joint Ventures-Jointly Controlled Entity**		
	Blue Star Design and Engineering Limited	India	30.00%
d)	**Associate**		
	Blue Star Infotech Limited	India	30.98%

(i) The financial statements of Blue Star Qatar - WLL have been drawn for 9 months period ended March 31, 2011, since they have changed their accounting year end from June 30 to March 31. This will not have significant impact on the reported net profit after tax for the year.

2. Disclosure in terms of revised Accounting Standard 7 on the Accounting of Construction Contracts is as under:

(Rs. in lakhs)

		As at March 31, 2011
I	Contract revenue recognised for the year ended March 31,2011	**127,299.59**
II	For Contracts that are in progress as on 31.3.2011	
A.	Contract costs incurred and recognized profits (less recognised losses)	**346,003.41**
B.	Advances received	**25,973.30**
C.	Gross amount due from customers for Contract work	**53,313.99**
D.	Gross amount due to customers for Contract work	**2,950.67**
E.	Retention amount	**1,489.33**

3. Contingent Liabilities:

(Rs. in lakhs)

		As at March 31, 2011
i)	Claims against the Company not acknowledged as debts	**66.44**
ii)	Sales Tax matters	**5,279.88**
iii)	Excise Duty matters	**81.06**
iv)	Service Tax matters	**483.43**
v)	Income Tax matters	**1,694.02**
vi)	Corporate Guarantee given on behalf of Subsidiary, Associates and others	**8,141.43**

Future cash outflows in respect of above matters are determinable only on receipt of judgments / decisions pending at various forums / authorities.

4. Estimated amount of Contracts remaining to be executed on Capital account and not provided for Rs. 1,381.21 lakhs.

5. As per the requirements of Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets, the details of provisions made for warranty including extended warranty are as under:

(Rs. in lakhs)

	As at March 31, 2011
Opening balance	**1,419.58**
Additions during the year	**543.22**
Amounts paid / Adjusted during the year	**733.28**
Closing Balance	**1,229.52**

A provision is recognized for standard warranty claims based on turnover of products sold /projects executed during the year and extended warranty on the basis of turnover for preceding two years. The company estimates the future cost of warranty based on historical experience.

6. Exceptional Item represents profit of Rs. 42.93 lakhs on sale of 15,350 shares in Ravistar Private Limited as part of Share Purchase Agreement. The corresponding previous year figure of Rs. 1396.49 lakhs represents profit on sale of 117,600 shares in Rolastar Private Limited and Rs. 61,440 shares in Ravistar India Private Limited.

7. Cost of Sales & Services and Legal & Professional fees are net of Rs. 1,128.48 lakhs and Rs. 81.33 lakhs respectively, on account reversal of provision no longer required.

8. a) During the year Blue Star Electro-Mechanical Limited ('Wholly owned Subsidiary' hereinafter referred to as BSEML) has acquired the plumbing and fire fighting contracting business of D. S. Gupta Construction Private Limited ('DSGCPL') on a slum sale basis via Business Purchase Agreement dated May 31, 2010 for a consideration of Rs. 8,000 lakhs. The closing date of the transaction was August 31, 2010. The purchase price allocation is detailed below:

Particulars	Amount in Rs Lakhs	Amount in Rs Lakhs
Purchase consideration paid		**8,000.00**
Allocation:		
Net current assets (Normalized Net working capital) taken over comprising of		
Debtors	3,252.29	
Work In Progress	778.86	
Creditors	(1,168.33)	
Advance from Customers	(818.66)	
Provision for Gratuity	(39.86)	
Provision for Leave Encashment	(4.29)	2,000.00
Intangible assets at Fair value (except Goodwill) (Refer Schedule E: Fixed Assets)		6,000.00
Customer Contracts	2,999.75	
Non Compete	839.66	
Business & Technical Knowhow	1,183.40	
Trade Mark	202.41	
Good Will	774.78	
Total		**8,000.00**

Pending the final reconciliation / settlement with DSGCPL, the business purchase has been accounted in the books on provisional basis.

b) In accordance with the Scheme of Arrangement between BSEML and it's Shareholders & Creditors duly approved by the Hon'ble High Court of Judicature at Bombay vide its order dated March 25, 2011, BSEML has adjusted the followings items against Securities Premium Account.

	Amount Rs. in lakhs (Net of Taxes NIL)*
1. Intangible assets arising on account of the acquisition of the plumbing and fire fighting business of DSGCPL	6,000.00
2. Fees, bonuses paid / payable to consultants in accordance with the Business Purchase Agreement entered into between BSEML and DSGCPL and Corporate Advisory Agreement entered into between BSEML and the promoters of DSGCPL	3,210.57
3. Costs, Charges and expenses incurred by BSEML in connection with the Scheme	32.24
Total	**9,242.81**

* Nil taxes is on account of non recognition of Deferred tax assets (Refer Note III 16 of Schedule N).

The appointed date of the Scheme of Arrangement is September 01, 2010. The High Court approval was subject to fulfillment of a condition that the Securities Premium Account balance should be increased to Rs. 11,500 lakhs. Accordingly, BSEML has through a further issue of share capital on 20th May, 2011 increased the Securities Premium balance to Rs. 11,520 lakhs and the Court Order has been filed with Registrar of Companies on 20th May, 2011 to give effect to the Scheme.

In the consolidated financial statements, the above has been adjusted against General Reserve. The above treatment is not in accordance with the notified Accounting Standards by the Companies (Accounting Standards) Rules, 2006, (as amended) (herein after referred as "the Accounting Standards") and has been given pursuant to the High Court order as stated above.

Had BSEML followed the Accounting Standards, the reported Consolidated Profit before tax of Rs. 23,112.73 lakhs would have reduced to Rs. 18,874.62 lakhs (considering the amortization impact of Rs. 995.30 lakhs for item 1 in the above table, Rs. 3,210.57 lakhs towards fees and bonus paid / provided for item 2 and Rs. 32.24 lakhs toward cost charges towards item 3), the fixed assets net block would have been Rs. 24,406.02 lakhs instead of reported figure of Rs. 19,401.32 lakhs, Basic and Diluted Earning Per Share would have been Rs. 13.19 instead of reported figure of Rs. 17.90.

9. a) Gratuity and other post-employment defined benefit plans:

The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The scheme provides for payment of gratuity to employees on separation / retirement based on 15 days last drawn salary for each completed years of service after continuous service for five years.

The Company provides certain additional employment benefits to employees such as leave encashment, additional gratuity and sick leave. These benefits are unfunded.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

	March 31,2011		
	Gratuity (Funded)	Gratuity (Unfunded)	Other Employment benefits
I Expense recognised in the Statement of Profit & Loss for the year			
1. Current Service Cost	202.12	2.95	372.31
2. Interest Cost	182.08	3.42	76.52
3. Expected return on plan assets	(210.03)	-	NA
4. Net Actuarial (Gains) / Losses	(128.88)	25.43	(77.86)
5. Total Expense	45.29	31.80	370.98
6. Actual return on plan Assets	228.69	-	NA
II Net Assets / (Liability) recognised in the Balance Sheet			
1. Present Value of Defined Obligation	2,740.04	74.60	1,704.67
2. Fair Value of plan assets	2,740.28	-	NA
3. Funded Status [Surplus / (Deficit)]	0.24	(74.60)	(1,704.67)
4. Net Assets / (liability)	0.24	(74.60)	(1,704.67)
III Change in Obligation during the Year			
1. Present value of defined Benefit Obligation at the beginning of the year	2,737.62	2.95	1,624.10
2. Present value of defined Benefit Obligation acquired on Purchase of Business	-	39.86	4.29
3. Current Service Cost	202.12	2.95	372.31
4. Interest Cost	182.08	2.96	76.52
5. Actuarial (Gains) / Losses	(108.89)	25.89	(77.86)
6. Benefits Payments	(272.89)	-	(294.70)
7. Present value of Defined Benefit Obligation at the end of the year	2,740.04	74.60	1,704.67

	Gratuity Funded	Other Employment benefits
IV Change in Fair Value of Plan Assets during the year		
1. Fair Value of Plan Assets at the beginning of the year	2,737.62	NA
2. Expected return on Plan assets	210.03	NA
3. Contribution by Employer	45.29	294.70
4. Actual benefits paid	(272.87)	(294.70)
5. Actuarial Gains / (losses) on Plan Assets	20.21	NA
6. Fair Value of Plan Assets at the end of the year	2,740.28	NA

V Actuarial Assumptions:	As at March 31, 2011
1. Discount rate	8%
2. Rate of return on Plan Assets	8%
3. Mortality Rate	LIC(1994-96)
4. Salary escalation rate (Management-Staff-Directors)	7%, 2%, 12%
5. Attrition rate	1% throughout

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.

The Company expects to contribute Rs.268 lakhs to gratuity fund in 2011-12

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

	As at March 31, 2011
Special Deposit Schemes	5.30%
Central Government Securities	18.40%
State Government Securities	22.20%
Public Sector Undertakings	51.90%
Liquid funds	2.20%
Total Investments	100.00%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to improved stock market scenario.

b) Defined Contribution Plan:

An amount of Rs.1,264.31 lakhs is recognised as an expense and included in Schedule J – Contribution to Provident Fund and Superannuation in the Profit and Loss Account.

10. 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 Airconditioning Systems includes central air-conditioning projects, Electrical Contracting, Plumbing, Fire Fighting and Packaged air-conditioning businesses including manufacturing and after sales service

b. Cooling 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.

Segment Revenues, Results and other Information:

(Rs. in lakhs)

Description	As at March 31, 2011
I. SEGMENT REVENUE	
i. Electro Mechanical Projects and Packaged Airconditioning Systems	198,087.59
ii. Cooling Products	78,843.18
iii. Professional Electronics and Industrial Systems	20,678.32
TOTAL SEGMENT REVENUE	**297,609.09**
Add: Other Income	3,376.14
TOTAL INCOME	**300,985.23**
II. SEGMENT RESULT	
i. Electro Mechanical Projects and Packaged Airconditioning Systems	18,152.52
ii. Cooling Products	9,008.21
iii. Professional Electronics and Industrial Systems	5,464.46
TOTAL SEGMENT RESULT	**32,625.19**
Less: i) Interest paid	2,556.72
ii) Other un-allocable Expenditure Net of un-allocable Income	6,998.67
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**23,069.80**

Segment Revenues, Results and other Information (contd.):

(Rs. in lakhs)

	Description	As at March 31, 2011
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**23,069.80**
	EXCEPTIONAL ITEM	42.93
	PROFIT BEFORE TAXATION	**23,112.73**
	PROVISION FOR TAXES	7,282.05
	PROFIT AFTER TAX	**15,830.68**
	SHARE OF PROFIT OF ASSOCIATE	265.83
	NET PROFIT AFTER TAXATION	**16,096.51**
III.	**OTHER INFORMATION:**	
a.	**SEGMENT ASSETS**	
	i. Electro Mechanical Projects and Packaged Airconditioning Systems	155,052.40
	ii. Cooling Products	42,161.60
	iii. Professional Electronics and Industrial Systems	11,333.86
	TOTAL SEGMENT ASSETS	**208,547.86**
	Add: Un-allocable Corporate Assets	12,192.49
	TOTAL ASSETS	**220,740.35**
b.	**SEGMENT LIABILITIES**	
	i. Electro Mechanical Projects and Packaged Airconditioning Systems	103,616.82
	ii. Cooling Products	28,259.09
	iii. Professional Electronics and Industrial Systems	4,852.45
	TOTAL SEGMENT LIABILITIES	**136,728.36**
	Add: Un-allocable Corporate Liabilities	32,887.75
	TOTAL LIABILITIES	**169,616.11**
c.	**CAPITAL EXPENDITURE (including Capital WIP)**	
	i. Electro Mechanical Projects and Packaged Airconditioning Systems	2,114.89
	ii. Cooling Products	2,681.74
	iii. Professional Electronics and Industrial Systems	91.45
	iv. Other Un-allocable	786.34
	TOTAL	**5,674.42**
d.	**DEPRECIATION**	
	i. Electro Mechanical Projects and Packaged Airconditioning Systems	1,706.87
	ii. Cooling Products	752.81
	iii. Professional Electronics and Industrial Systems	58.61
	iv Other Un-allocable	674.53
	TOTAL	**3,192.82**
e.	**NON CASH EXPENSES OTHER THAN DEPRECIATION**	
	i. Electro Mechanical Projects and Packaged Airconditioning Systems	990.38
	ii. Cooling Products	317.27
	iii. Professional Electronics and Industrial Systems	177.06
	iv. Other Un-allocable	108.55
	TOTAL	**1,593.26**

B. Secondary segment information:

Secondary segmental reporting is based on the geographical location of customers. 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.)

(Rs. in lakhs)

Particulars	As at March 31, 2011
Revenue (Sales, Services & Commission) by Geographical Market	
India	280,226.14
Outside India	17,382.95
Total	**297,609.09**
Carrying amount of Segment Assets & Intangibles Assets	
India	214,666.16
Outside India	6,074.19
Total	**220,740.35**
Additions to Fixed Assets including Capital Work in Progress	
India	5,648.67
Outside India	25.75
Total	**5,674.42**

11. Related Party Disclosure

Names of Related parties

Names of related parties with whom transactions have taken place during the year

Associates:

Blue Star Infotech Limited

Joint Ventures:

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Qatar- WLL

Blue Star Design and Engineering Limited

Key Management Personnel:

Mr Ashok M Advani

Mr Suneel M Advani

Mr Satish Jamdar

Mr Vir Advani (w.e.f 1.7.2010)

Relatives of Key Management Personnel:

Ms Nargis Advani

Mr Vir Advani (upto 30.6.2010)

Transactions during the period with Related Parties are as under:

(Rs. In lakhs)

Name of Related party	2010-11 Volume Rs.	2010-11 Balance O/SDR/(CR)
Blue Star Infotech Limited		(230.81)
Sales & Services	59.96	
IT services	788.83	
Reimbursement of expenses	177.17	
Recovery of expenses	8.49	
Rent received	36.00	
Blue Star M & E Engineering (Sdn) Bhd		35.12
Consultancy services rendered by us	164.82	
Reimbursement of expenses paid	198.35	
Blue Star Qatar LLC		52.89
Corporate guarantee given	556.40	
Blue Star Design & Engineering Limited		640.94
Sales & Services rendered	9.76	
Consultancy service received	138.89	
Interest On Loan	47.53	
Corporate guarantee given	492.08	
Guarantee commission	1.25	
Purchase of Asset	0.32	
Reimbursement of expenses	3.55	
Key Management Personnel		
Managerial remuneration	1,342.68	
Rent received	7.10	
Sale of Fixed Assets	329.00	
Relative of Key Management Personnel		70.00
Rent paid	1.20	
Salary	14.71	

12. Leases:

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees.There are no exceptional / restrictive covenants in the lease agreements. Lease rental expense debited to Profit and Loss Account is Rs. 2,404.05 lakhs and Rs. 11.15 lakhs debited to Profit and Loss Account under Cost of Sales & Services.

13. Earning Per Share:

		2010-11
Net Profit After Taxation as per Profit & Loss Account.	(Rs. in lakhs)	16,096.51
Weighted average number of Equity Shares Outstanding.	Nos.	89,936,105
Basic and diluted Earnings per share (Face Value Rs.2 per share)	Rs.	17.90

14. The breakup of Deferred Tax Assets/ Liability is as under:

(Rs. in lakhs)

	As on March 31, 2011	
	Deferred Tax Asset	Deferred Tax Liability
Timing differences on account of		
Difference in Book and Income tax Depreciation under IT Act, 1961		922.72
Provision of Doubtful Debts, Advances, & Inventories	382.39	
Leave Encashment Provision, other current Liabilities	614.01	
Total	**996.40**	**922.72**
Deferred Tax Assets, Net	**73.68**	

15. Derivative Instruments and Un hedged Foreign Currency Exposure

a. Derivative Instruments:

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Purchase US $ 17,752,168 (Rs. 8082.19 lakhs)	**Hedge of underlying payables**

b. Particulars of Un hedged Foreign Currency Exposure as at the Balance Sheet date

	March 31, 2011	
Foreign Currency	Amount in Foreign Currency	Rs in lakhs
Receivables		
CAD	**123,230**	**55.50**
EUR	**883,694**	**550.30**
GBP	**7,071**	**5.10**
JPY	**34,620,526**	**182.83**
MYR	**481,215**	**68.86**
SEK	**13,158**	**0.93**
MUR	**642,668**	**12.10**
USD	**9,979,474**	**4,589.10**
AED	**252,065**	**35.14**
Payables		
AUD	**11,808**	**4.13**
CAD	**2,239**	**0.99**
EUR	**1,047,616**	**657.68**
GBP	**273,339**	**196.20**
JPY	**64,166,211**	**290.15**
SEK	**1,654**	**0.11**
SGD	**120,794**	**42.63**
USD	**35,577,382**	**16,080.29**
AED	**3,394**	**0.48**

16. In absence of virtual certainity as required by Accounting Standard 22 on 'Taxes on Income' deferred tax assets have not been recognised in the Consolidated Balance Sheet as at March 31, 2011.

17. Figures pertaining to Subsidiary, Joint Ventures and Associate companies have been reclassified wherever considered necessary to bring them in line with the holding Company's financial statements. Further this is first year of presentation of consolidated financial statements and therefore previous year figures are not presented.

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870
Mumbai: May 24, 2011

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

Satish Jamdar Managing Director
Vir S Advani Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 24, 2011

The details of the Subsidiary Companies in terms of the General Circular No.2/2011 dated 8th February , 2011 issued by the Government of India, Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956

Rs in Lakhs

	Name of Subsidiary	Blue Star Electro-Mechanical Limited
1	Share Capital	165.00
2	Reserves & Surplus	868.05
3	Total Assets	10,228.90
4	Total Liabilities	9,195.85
5	Investment	-
6	Turnover and Other Income	8,088.42
7	Profit Before Tax	510.86
8	Provision for Taxation@	-
9	Profit / (loss) after tax	510.86
10	Equity dividend	-

@ Provision for tax is net of MAT credit entitlement

Consolidated Cash Flow Statement

For the year ended March 31, 2011

(Rs. in lakhs)

	Year Ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	23,112.73
Adjustments for:	
Depreciation	3,192.82
Loss / (Profit) on sale of Fixed assets (Net)	(278.60)
Fees / Cost adjusted against Securities Premium (Refer Note III.8b of Schedule N)	(3,242.81)
Profit on Sale of Investments	(42.93)
Provision for Doubtful Loans and Advances	85.58
Provision for Doubtful Debts	821.89
Bad Debts and Advances Written off	637.91
Unrealised exchange gain	141.66
Interest expenses	2,556.72
Interest income	(121.03)
Dividend income	(40.24)
Operating Profit before working capital changes	26,823.70
Movements in working capital:	
(Increase) / Decrease in inventories	(13,842.72)
(Increase) in sundry debtors	(16,294.29)
(Increase) in loans and advances	(149.65)
(Increase) in other current assets	(17,136.37)
Increase in current liabilities & provisions	17,730.30
Cash generated from operations	(2,869.03)
Direct taxes paid (net of refund)	8,454.13
Net Cash from Operating activities	**(11,323.16)**
B. CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(5,414.68)
Sale of Fixed Assets	365.35
Proceeds from sale of Investments in shares (Refer Note III. 6 of Schedule N)	44.47
Purchase of Business (Refer Note III. 8a of Schedule N)	(8,000.00)
Interest received	126.86
Dividend received	204.20
Net Cash used in Investing activities	**(12,673.80)**
Balance Carried Forward	**(23,996.96)**

(Rs. in lakhs)

	Year Ended March 31, 2011
Balance Brought Forward	**(23,996.96)**
C. CASH FLOW FROM FINANCING ACTIVITIES	
Proceed from Borrowings, Net	37,685.07
Interest paid	(2,520.36)
Dividend paid	(7,194.89)
Tax on Dividend distribution	(1,194.98)
Net Cash from/(used) in Financing activities	**26,774.85**
Net Increase / (Decrease) in cash and cash equivalents	**2,777.89**
Cash and Cash equivalents at Beginning	2,509.96
Cash and Cash equivalents at end	**5,287.85**
Components of Cash and Cash equivalents	
Cash on hand	39.07
With Scheduled Banks:	
Current Account	4,604.37
Fixed deposit	399.28
Unclaimed Dividend Account *	201.22
Sub Total	5,243.94
Less: Effect of Exchange Differences on Cash and Cash Equivalents held in Foreign currency	(43.91)
Cash and Cash Equivalents in Cash Flow Statement	**5,287.85**

* These balances are not available for use by the Company as they represent corresponding unclaimed dividend liabilities

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

As per our report of even date
For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 24, 2011

Satish Jamdar Managing Director
Vir S Advani Director
Manek Kalyaniwala Executive Vice President - Finance
Sangameshwar Iyer Company Secretary

Mumbai: May 24, 2011

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 their share transfer agents. Address changes in respect of Demat shares should be intimated to the concerned Depository Participant.

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Compliance Officer
Mr Sangameshwar Iyer
Company Secretary
E-mail: sangameshwar@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.
Telephone: +91 22 2594 6970
Fax: +91 22 2594 6969
Email: rnt.helpdesk@linkintime.co.in

Share transfer documents will also be accepted at

Link Intime India Pvt Ltd
203 Dawar House, 2nd floor
Next to Central Camera Building
197 D N Road
Fort, Mumbai 400 001.
Tel.: +91 22 2269 4127

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.

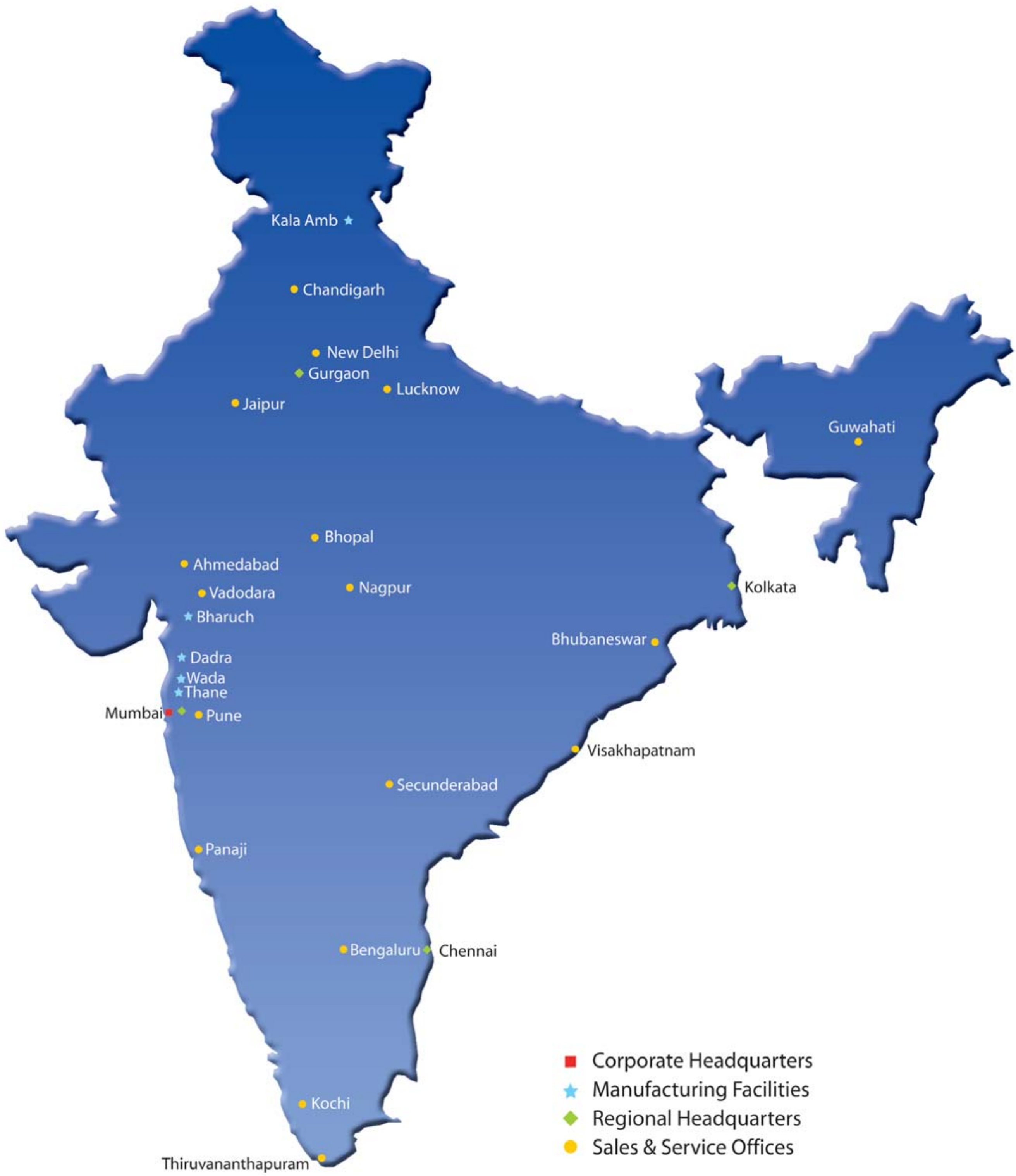
BLUE STAR SHAREHOLDERS

As of March 31, 2011, the Company has 22830 registered shareholders. Approximately 32 per cent of the Company's shares are held by individual investors. The Promoters hold approximately 40 per cent of the shares while Foreign Investors, Institutions and Body Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

Bombay Stock Exchange
National Stock Exchange

Blue Star Establishments



BLUE STAR

BREATHE EASY