



Engineering Business Outcomes

Letter from the Chairman and Managing Director	02
Board of Directors	04
Ten Year Financials (Consolidated)	06
Geographic Presence	08
Directors' Report	09
Corporate Governance	13
Management Discussion and Analysis	26

FINANCIAL STATEMENTS 2011-12

STANDALONE

Auditors' Report	33
Balance Sheet	36
Statement of Profit and Loss	37
Cash Flow Statement	38
Notes annexed to and forming part of Financial Statements	39

CONSOLIDATED

Auditors' Report	54
Balance Sheet	55
Statement of Profit and Loss	56
Cash Flow Statement	57
Notes annexed to and forming part of Consolidated Financial Statements	58
Statement u/s 212	72

Forward-looking Statement

In our report we have disclosed forward-looking information so that investors can comprehend the Company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the Management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We do not guarantee that any forward-looking statement will be realised, although we believe we have been diligent and prudent in our plan and assumptions. The achievement of future results is subject to risk, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

BOARD OF DIRECTORS

Suneel M Advani

Chairman and Managing Director

Ashok M Advani

Vice Chairman

Sunil Bhatia

Chief Executive Officer and Managing Director

Dr. Prakash G Hebalkar

Director

K P T Kutty

Director

Naresh K Malhotra

Director

Suresh N Talwar

Director

Sanjay N Vaswani

Director

EXECUTIVE COMMITTEE

Suneel M Advani

Chairman and Managing Director

Sunil Bhatia

Chief Executive Officer and Managing Director

Ramkumar Akella

President and Chief Operating Officer

Suresh Iyer

Executive Vice President - Marketing

Douglas Gray

Chief Solutions Officer

V. Sudarshan

Chief Financial Officer and Company Secretary

Sanjeev Sethi

President - Blue Star Infotech America, Inc.

Satish Gaonkar

Vice President - Consulting Services

Keyuri Singh

Vice President - Human Resources

COMPANY SECRETARY

V Sudarshan

BANKERS

Bank of America Merrill Lynch

Barclays Bank PLC

Corporation Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

The Hong Kong and Shanghai
Banking Corporation Ltd.

The Royal Bank of Scotland N.V.

AUDITORS

Walker, Chandiok & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400 078, India.

Tel : 91-22-25946970

Fax : 91-22-25946969

REGISTERED OFFICE & CORPORATE HEADQUARTERS

The Great Oasis,
8th Floor, Plot No. D -13
MIDC, Andheri (East)
Mumbai 400 093
Tel : 91-22-6695 6969
Fax : 91-22-6697 3866

DEVELOPMENT CENTRES

Unit 74, SDF III
Unit 150, SDF V
Unit 188, SDF VI
Seepz, Andheri (East),
Mumbai 400 096, India.

#7, 18th Main Road,
Koramangala Industrial Layout,
Bangalore 560 095, India.

The Great Oasis,
3rd and 8th Floor, Plot No. D -13
MIDC, Andheri (East)
Mumbai 400 093, India.

777 W Glencoe Place,
Bayside, WI 53217, USA.

Letter from the Chairman & Managing Director

Dear Shareholder,

As we look back, fiscal 2012 was a mixed year for Indian IT Services. While the overall global economy was sluggish and the benchmark BSE Sensex dropped 8%, the Indian IT-BPO industry grew by 14% to cross the USD 100 billion mark. NASSCOM, the trade association of the Indian IT and BPO industry, estimates that exports grew 16% in 2011 while domestic IT services grew 10%. Across the industry, capacity utilization stood at 78%.

Against this industry performance, your Company recorded a 37% jump in consolidated Income of ₹ 43.03 Crore for the quarter ended March 31, 2012 compared to ₹ 31.38 Crore for the same quarter of 2011. Consolidated Net Profit for the quarter stood at ₹ 1.56 Crore compared to a loss of ₹ 0.07 Crore for the same quarter of last year. Employee utilization increased to 79% for the fourth quarter of fiscal 2012 compared to 72% for the same quarter of fiscal 2011.

For the full year ended March 31, 2012, consolidated sales revenue stood at ₹ 126 Crore, an increase of 5% over ₹ 120 Crore registered for the year ending March 31, 2011, of which domestic income for the full year rose by 23% to ₹ 36.5 Crore, compared to ₹ 29.7 Crore in the previous year. However, consolidated Net Profit for the year fell to ₹ 3.6 Crore, from ₹ 8.4 Crore in fiscal 2011.

Business Environment

The year 2011-12 witnessed many global uncertainties and significant volatility in the IT industry. Many negative factors emerged which dampened the outlook for technology investments. Customers looked beyond cost savings, and expected vendors and partners to help them increase competitiveness and revenue, reduce time-to-market and fuel innovation. The role of technology and that of Technology service providers is thus becoming more and more transformative compared to merely supporting the business, and needs constant realignment to help customers address their evolving expectations.

We have responded by laying out a roadmap for our future which concentrates on the actions we are taking to strengthen our foundation and provide a platform for future growth and value creation. These actions aim to redesign our business model to achieve higher growth in a difficult environment, strengthen the sales and management teams, cater to changing customer demands, create differentiated offerings, and attain greater operational excellence.

Business Model Realignment and Growth

Our multi-pronged approach to increase revenue and profitability primarily revolves around increasing our focus on the U.S. market and increasing our onsite revenue ratio; continued focus on the Product Engineering and Travel & Hospitality sectors; incorporating a partner-led approach to expand our sales reach and solution offerings; focusing on mining our large global accounts; and identifying inorganic opportunities.

We have signed a global services agreement with SAS, the world leader in Business Analytics software, expanding our successful India-centric relationship with them. This, in addition to our global partnership with QlikView, a leader in user-driven Business Intelligence solutions, enables us to provide a comprehensive range of BI/Analytics solutions to our customers worldwide.



Sunil Bhatia
CEO and Managing Director

Suneel M Advani
Chairman and Managing Director

We entered into a strategic business relationship with a Travel & Hospitality industry veteran in the US for strengthening our sales in this key vertical. We have also tied up with a US-based consulting firm specialising in pricing optimisation and revenue management for the travel industry, for jointly offering analytics solutions and services to this sector.

Our inorganic focus, wherein we explored a number of acquisition and partnership opportunities, has resulted in the formation of a joint venture, Blue7 Solutions LLC, in partnership with one of our long-standing Travel & Hospitality product customers, Trisept Technologies LLC. The JV will deliver a committed business of \$12 million over a period of 3 years. In addition, the JV will also receive a number of benefits and subsidies from the State of Wisconsin.

On the delivery front, we have added a near-shore center in Milwaukee in the USA. This strengthens our capabilities on both Product Engineering as well as Travel & Hospitality, increases our ability to service US customers, and also allows us to provide an Integrated Global Delivery model incorporating an onsite/nearshore/offshore mix.

Infusing Leadership and Talent

Through the year, we inducted highly talented individuals in senior leadership positions. Ramkumar A, with prior experience at Accenture and Infosys, was appointed COO of our Company. Douglas G, our Chief Solutions Officer, has worked as CTO/Engineering Head at leading companies such as Sabre Airline Solutions and BMC Software, and will be leading our overall customer solutions strategy.

Our US sales organization was strengthened with the infusion of senior industry experts for Product Engineering and for Business Intelligence & Analytics.

We also inducted Keyuri S to take charge of our employee practices, and ensure that we have an environment that maximises employee productivity and engagement. She comes with rich experience in creating similar environments at several multinational companies.

Differentiated Offerings

From a pure service-centric model, we are thus transforming into a solution-led company incorporating a product-service mix and providing a range of delivery options that enables us to better differentiate ourselves.

During the year, we launched a number of solutions and accelerators. These include Business Intelligence solutions and tools built on SAS and QlikView for the Pharma, Manufacturing, Travel & Hospitality, and Utilities industries; online booking engine and supplier connectivity frameworks for Travel & Hospitality; ERP for HR-intensive organisations on the Microsoft Dynamics AX product; mobility solutions for the Apple iOS and Google Android platforms; and barcoding solutions for inventory and warehouse management.

We also launched an Independent Testing practice under the leadership of an experienced industry expert, who earlier had set up Testing and Validation Centres of Excellence for Infosys and Cognizant, and has a number of patents filed for model-based testing solutions.

Operational Excellence

Our goal here has been to reduce our operational overheads and generate further efficiencies. We have made significant progress on this front by rationalising the delivery team pyramid, optimising the support and mid-management layers, and increasing our working hours per month from 168 hours to 189 hours. Our utilisation went up by 7% and overall headcount reduced by 1% from previous year. Revenue per employee increased by 5%.

Our pyramid structure was made flatter with an increased thrust on the induction of fresh engineers and shrinkage of middle levels. Our efforts in increasing billability, creating solutions assets, and improving our bench profile also enabled us to make optimal use of our bench staff through the year.

In Conclusion

Our fourth quarter results indicate a positive trend. We remain cautiously optimistic for this new year. However, we do recognise that the business environment in 2012-13 will continue to pose challenges. Pricing pressures and higher taxes will create new pressures on our margins. This is corroborated by muted projections by industry experts - NASSCOM has reduced its projection to around 11-14% sector growth for FY13. Gartner estimates only 3.1% growth in IT services for 2012. Our operational efficiency measures coupled with our solutioning-driven services will help provide a buffer.

It will be our endeavor to grow the revenue and beat the sector forecast while protecting the interests of our stakeholders - customers, shareholders and employees at all times.

We thank you for your continued support.

Sincerely,

Suneel M Advani

Chairman & Managing Director

Sunil Bhatia

CEO & Managing Director

Place : Mumbai

Date : 3 May 2012

Board of Directors



Suneel M Advani,
Chairman & Managing
Director

Suneel M Advani is a double graduate in Electrical Engineering and Economics from the Massachusetts Institute of Technology, USA. He also holds a degree in Law from Mumbai University. Mr. Advani joined Blue Star Limited in March 1969 as a Management Trainee. He held various responsible positions in Blue Star Limited before joining its Board in 1983 as an Executive Director. He was then elevated to the position of President and Vice Chairman of Blue Star Limited in 1984 and was re-designated as Vice Chairman and Managing Director in 2005. He is currently the Executive Vice Chairman from April 2012.

Mr. Advani set up the Software Exports Division in Blue Star Limited in 1983 and oversaw its operations from inception. This Division was later spun off and incorporated as Blue Star Infotech Limited where he was appointed as the Chairman of the Company in 1998 and re-appointed as its Chairman and Managing Director in June 2005.

[\(Member of Shareholders' Grievance Committee\)](#)



Ashok M Advani,
Vice Chairman

Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from the Massachusetts Institute of Technology, USA and B.Sc. Honours from Mumbai University. He joined Blue Star Limited in 1969 after working for three years in the USA. He held a variety of senior positions in manufacturing and finance in Blue Star Limited before becoming a Director in 1979. He was appointed President & Vice Chairman in 1981 and took over as Chairman & Chief Executive of Blue Star Limited in 1984. He was re-designated as the Chairman and Managing Director in 2005, then the Executive Chairman in 2009 and is currently the Chairman from April 2012.

Mr. Advani was appointed as Vice Chairman of Blue Star Infotech Limited in 1998.

[\(Chairman of Shareholders' Grievance Committee\)](#)



Sunil Bhatia,
Chief Executive Officer &
Managing Director

Sunil has over 23 years' experience in the Information Technology industry across the globe. Sunil has held leadership positions at global giants such as IBM, Accenture and Satyam, in the US and Asia, where he has managed large businesses and led global teams. Prior to Blue Star Infotech, he served as a Partner with Accenture in USA, and earlier in Accenture Consulting Practice in India, where he has advised several large Indian corporations on globalization, expansion and strategic reviews. At IBM Singapore, he has spent over seven years building the business and strategic relationships in the Financial Services and worked across 10 Asian Countries. At Satyam, he led and managed global strategic accounts in US.

He has wide exposure across multiple industries such as Financial Services, Communication, High-Tech, Industrial and Public sector. He is known for his expertise in developing strong client and partner relationships, passion for building outstanding teams that are global and diverse in nature, and his disciplined focus on execution.

Sunil holds an MBA from Mumbai University. His professional qualifications include executive programs at Wharton and INSEAD. He is a charter member of TiE at Silicon Valley. He was appointed on the Board in April 2011.



Dr. Prakash G Hebalkar,
Director

Dr. Prakash G Hebalkar is a Doctor of Science in Computer Science and Economics from the Massachusetts Institute of Technology, USA. He has worked with IBM, USA and thereafter with Tata Burroughs / Unisys as Senior Vice President. He was instrumental in forming and building up the joint venture of Tata and Unisys as a successful software and consultancy services activity. He has been associated with several leading venture finance organizations and financial institutions and has served on the board of two Mahindra Group companies as an Independent Director.

Dr. Hebalkar joined the Board of Blue Star Infotech Limited in 2000.

[\(Member of Shareholders' Grievance Committee and Audit Committee\)](#)

K P T Kutty, currently a practising Company Secretary, has over three decades experience in the profession. He joined Blue Star Limited in 1980 holding various positions in the Legal & Secretarial Department before taking over as the Company Secretary in 1994. Mr. Kutty has also worked with Forbes Forbes Campbell & Co. Limited and Reserve Bank of India prior to joining Blue Star Limited. He has earlier been a Director of Blue Star Infotech Limited from 8th May 1998 to 21st January 2000. He was re-appointed on the Board in April 2011.



K P T Kutty,
Director

Naresh K Malhotra is a Commerce graduate from St. Xavier's College, University of Kolkata and a Chartered Accountant. His functional expertise is in systems, corporate finance, mergers and acquisitions, marketing and facilitating start-ups. He started his career with Blue Star Limited in 1971 and thereafter worked overseas for 15 years with ICI, Unilever Group, Colgate Palmolive and Bukhatir Investments.

Mr. Malhotra was the President and a member of the Supervisory Board of the U B Group during 1986–1992. In 1993 Mr. Malhotra joined KPMG as one of their Founding Partners and was the Managing Director, Corporate Finance and practice leader of the Real Estate, Hospitality and Retail businesses. Former CEO of Amalgamated Bean Coffee Trading Company (Cafe Coffee Day), Mr. Malhotra is also on the board of Royal Orchid Hotels, Onmobile and several other companies. He was also an advisor to GIV Management Inc., a Washington-based venture capital company and was an Operating Partner with Sequoia Capital India. Mr. Malhotra joined the Board of Blue Star Infotech Limited in 2003.

(Chairman of Audit Committee)



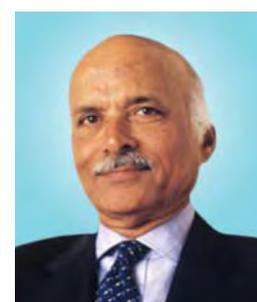
Naresh K Malhotra,
Director

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

He joined the board of Blue Star Limited in June 1986. Besides his vast legal experience, he is also on the board of several leading companies such as Merck, Larsen & Toubro, Greaves Cotton, Sanvik Asia, Esab India and Biocon amongst others.

Mr. Talwar joined the Board of Blue Star Infotech Limited in 2000.

(Member of Audit Committee)



Suresh N Talwar,
Director

Sanjay N Vaswani holds an MBA from the Wharton School of Business and a BBA summa cum laude from the University of Texas at Austin. He has worked for Intel Corporation and as an associate in McKinsey and Company, Inc. in Los Angeles. In 1990, he set up his own consulting firm, which is a consultant and advisor to hi-tech companies in the USA. He is also on the board of Brocade Communications Systems, Inc., USA.

Mr. Vaswani works and resides in the heart of Silicon Valley and is highly knowledgeable about the IT industry. He joined the Board of Blue Star Infotech Limited in 2000.



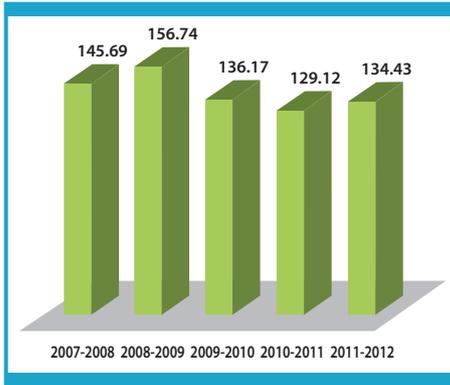
Sanjay N Vaswani,
Director

Ten Year Financials (Consolidated)

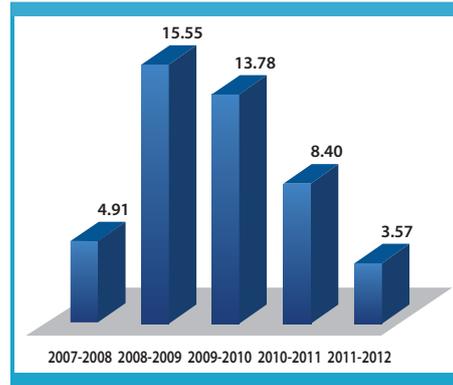
(All figures in ₹ Crores except figures under Other Information and Performance Indicators)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING RESULTS										
Total Income	134.43	129.12	136.17	156.74	145.69	120.83	93.35	106.97	109.71	79.63
Export Sales	89.52	90.55	105.61	130.40	113.03	96.57	73.65	91.37	89.47	61.32
Operating profit (PBIDT)	9.81	15.35	17.35	19.12	7.57	13.41	8.44	15.20	25.76	20.32
Profit after Tax	3.57	8.40	13.78	15.55	4.91	9.07	4.16	9.46	19.90	16.06
Dividend (Including Tax)	2.41	3.49	5.85	5.85	2.93	4.62	2.28	5.70	10.15	8.44
Retained Profit	1.16	4.91	7.93	9.70	1.98	4.45	1.88	3.76	9.75	7.62
FINANCIAL POSITION										
Paid-up Capital	10.38	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Reserves	71.87	74.45	69.72	57.32	50.29	48.31	43.87	41.98	38.23	28.64
Shareholders' Funds	82.26	84.45	79.72	67.32	60.29	58.31	53.87	51.98	48.23	38.64
Short-term Investments (Liquid)	5.55	17.22	27.51	11.64	-	-	2.51	10.75	20.14	16.92
Cash & Cash Equivalents	22.81	10.65	10.13	11.07	16.40	7.36	4.80	5.00	7.64	4.53
Market Capitalisation	74.98	100.85	112.90	47.95	60.65	93.65	107.00	132.83	168.75	129.45
OTHER INFORMATION										
Number of Shareholders	14,153	14,470	15,213	15,281	15,557	16,379	17,655	18,025	18,377	21,030
Number of Employees	818	821	795	858	901	828	583	589	797	591
Office Space (Sq. Ft.)	55,000	55,000	65,000	65,000	65,000	65,000	65,000	95,000	62,000	55,000
PERFORMANCE INDICATORS										
Earnings Per Share ₹	3.49	8.40	13.78	15.55	4.91	9.06	4.16	9.46	19.90	16.05
Dividend Per Share ₹	2.00	3.00	5.00	5.00	2.50	4.00	2.00	5.00	9.00	7.50
Book Value per equity Share ₹	82.26	84.45	79.72	67.32	60.29	58.31	53.87	51.98	48.23	38.64
Return On Shareholders' Funds	4.34%	9.94%	17.29%	23.11%	8.14%	15.55%	7.73%	18.19%	41.26%	41.55%
Return On Average Capital Employed	4.28%	10.23%	18.74%	24.39%	8.28%	16.17%	7.87%	18.88%	45.81%	46.09%

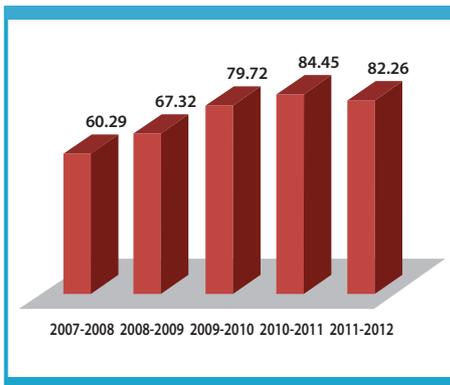
Total Income
(In ₹ Crores)



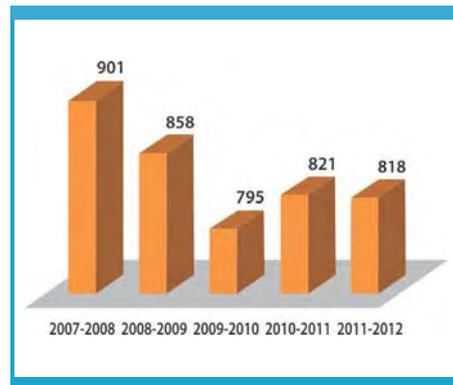
Profit After Tax
(In ₹ Crores)



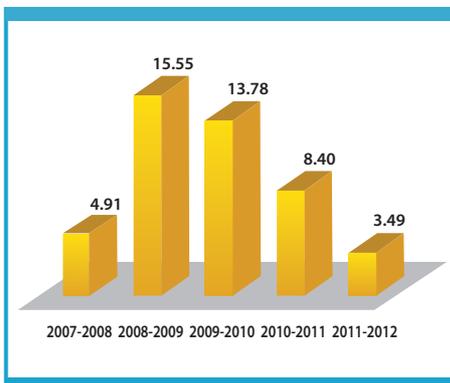
Shareholders' Funds
(In ₹ Crores)



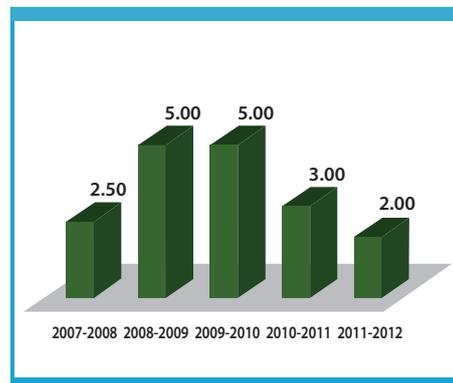
No. of Employees



Earnings Per Share
(In ₹)



Dividend Per Share
(In ₹)



Geographic Presence



HEADQUARTERS

The Great Oasis, 8th Floor, Plot No. D -13, MIDC, Andheri (East), Mumbai 400 093.
Tel : 91-22-6695 6969; Fax : 91-22-6697 3866

★ SALES OFFICES

Santa Clara, CA, USA

Princeton, NJ, USA

Austin, TX, USA

Milwaukee, WI, USA

London, UK

Delhi, India

Chennai, India

Mumbai, India

Bengaluru, India

Singapore

Tokyo, Japan

★ SOFTWARE DEVELOPMENT CENTRES

Mumbai, India

Bengaluru, India

Milwaukee, WI, USA

★ BUSINESS PARTNERS

San Jose, CA, USA

Belmont, CA, USA

South Africa

Germany

Dear Members,

Your Directors present herewith the Fifteenth Annual Report on the Business and Operations of the Company together with the Audited Financial Statements for the year ended March 31, 2012.

1. FINANCIAL RESULTS:

The Company's operating performance during the year ended March 31, 2012 as compared to the previous year is indicated in brief below:

	(₹ in Lakhs)	
	2011-2012	2010-2011
Total income	10,771	11,004
Profit before interest, depreciation and taxation	1,103	1,496
Depreciation and Amortisation	296	228
Profit before taxation	807	1,268
Provision for taxation	253	377
Exceptional item	Nil	64
Profit after taxation and Exceptional item	554	827
Balance brought forward	5,262	4,867
Profits available for appropriation	5,816	5,694
Less: Transfer to General Reserves	56	83
Dividend (Proposed)	207	300
Corporate Dividend Tax	34	49
Balance carried forward	5,519	5,262

2. DIVIDEND

Your Directors are pleased to recommend payment of a dividend of ₹ 2/- per equity share of ₹ 10/- each during the year subject to the approval of the shareholders. (Previous year ₹ 3/- per share of ₹ 10/- each).

3. OPERATING RESULTS AND BUSINESS

During the year under review, total income of the Company was ₹ 108 Crore from ₹ 110 Crore, i.e.; a decline of 2%. On a consolidated basis, total income increased by 4% to ₹ 134 Crore from ₹ 129 Crore.

The global economic scenario continued to be subdued for IT companies as well as other industries for a large part of FY 11-12. Exchange rate volatility was witnessed in the latter half of the financial year. Despite unchanged sales volumes, your company witnessed pressure on its operating costs. This was despite a prudent hedging of foreign currency thereby minimising foreign currency exchange losses, tight control over costs and continued insistence on higher manpower productivity and other operational efficiencies. The net profit after tax on a consolidated basis for the year ended March 31, 2012 was ₹ 3.57 Crore as compared to ₹ 8.40 Crore for the last financial year.

4. INVESTMENTS

The Company invests its surplus funds in debt based mutual funds which are considered safe. As on March 31, 2012 about ₹ 5.55 Crore was invested in liquid debt mutual fund schemes.

5. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company at present has following three subsidiary companies:

a) Blue Star Infotech America, Inc.

A 100% wholly owned subsidiary of the Company, Blue Star Infotech America, Inc. posted a total income of US\$ 13,002,875 (equivalent of ₹ 65.44 Crores) for the financial year ending March 31, 2012 as compared to US\$ 13,617,635 (equivalent of ₹ 62.06 Crores) for the previous year. The Company reported a net loss of US\$ 413,674 (equivalent of ₹ 2.07 Crores) this year compared to net loss of US\$ 168,575 (equivalent of ₹ 0.75 Crores) for the previous year.

As at the year end, there was further erosion in the net worth of Blue Star Infotech America Inc. which is reflected as erosion in the net worth of the subsidiary. The company infused further capital of US \$ 1 Million (₹ 5.01 Crores) during the year in the subsidiary. The management is of the view that the business loss is a temporary phenomenon arising in unstable market conditions. As business volumes increase and economic growth gets recouped, the company is expected to see a turn around in profitability. As a result, no impairment of the investment in the subsidiary is considered necessary.

b) Blue Star Infotech (UK) Ltd.

The total income of this wholly owned subsidiary of the Company was £ 2,760,596 (equivalent of ₹ 22.00 Crores) for the financial year ending March 31, 2012 as compared to £ 3,298,601 (equivalent of ₹ 23.35 Crores) for the previous year. It registered a net profit of £ 13,807 (equivalent of ₹ 0.11 Crores) for the financial year ending on March 31, 2012 compared to net profit of £ 97,082 (equivalent of ₹ 0.70 Crores) for the previous year.

c) Blue Star Infotech (Singapore) Pte. Ltd.

This subsidiary was incorporated in January 2012 but has no tangible financial operations as of the date of this report.

Section 212(8) of the Companies Act, 1956 exempts the holding company from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries. The Ministry of Corporate affairs vide its circular No. 2/2011 dated 8th February, 2011 granted subject to certain terms and conditions, permission on a general basis, to the Board of Directors of the holding company to allow for publication of the Annual Report without the subsidiary company's financials. Accordingly, the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of its subsidiaries.

6. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, two of the Directors, Mr. Ashok Advani and Mr. Naresh Malhotra retire by rotation and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting. Brief profiles of these Directors are given in the notice to the ensuing AGM.

7. EMPLOYEES STOCK OPTION PLAN (ESOP)

Disclosures required to be made under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ESOP are given in note no. 2.1 of Notes to the Financial Statements, forming part of the Accounts.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2012 are in full conformity with the requirement of the Companies Act, 1956. The Directors hereby confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- b) For recognising exchange gains or loss on foreign exchange, the Institute of Chartered Accountants of India has announced and recommended new accounting standard AS30 to be adopted. Your Directors have thought it prudent and appropriate to adopt this standard with effect from April 1, 2008 although it is yet to become mandatory. In accordance with this standard, foreign exchange gains or losses not related to the operations for the period are transferred to an account called Hedging Reserve in the Balance Sheet.
- c) The accounting policies are consistently applied, and reasonable, prudent judgments 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.
- d) 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 frauds and other irregularities.
- e) The Directors have prepared the annual accounts on a going concern basis.

9. AUDITORS

The Statutory Auditors M/s Walker, Chandio & Co, Chartered Accountants, Mumbai, who retire at the conclusion of the ensuing Annual General Meeting, being eligible offer themselves for re-appointment. A written certificate from the proposed Auditors have been obtained by the Company to the effect that the re-appointment, if made, would be in accordance with the limits specified under Section 224(1B) of the Companies Act, 1956.

10. CORPORATE GOVERNANCE

The Company has complied with all the recommendations of the Corporate Governance code as provided in clause 49 of the Listing Agreement with the stock exchanges.

A separate section on corporate governance, together with a certificate from the Company's Auditors confirming compliance, is set out separately, forming part of this Report.

11. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report have been attached, and forms part of the Directors' Report.

12. PARTICULARS OF EMPLOYEES

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) (iv) 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 on request and also 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.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to the conservation of energy, technology, absorption, foreign exchange earnings and outgoings respectively, is annexed and forms part of this report.

14. GREEN INITIATIVE IN THE CORPORATE GOVERNANCE

The Ministry of Corporate Affairs has recommended a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies after considering Sections 2, 4, 5 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

In this regard, the Company has implemented this green initiative of sending the Notice with Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report and Explanatory Statement etc. through email after obtaining consent of the shareholders who are willing to receive the aforementioned document through electronic mode. The company has printed 11,000 copies of the Annual Report this year as compared to 15,000 copies last year.

15. ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation of the sincere efforts put in by employees of the Company.

Your Directors appreciate the continued support of its clients, investors, business associates, bankers, vendors, regulatory and other authorities.

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

Suneel M Advani

Chairman and Managing Director

Place : Mumbai

Date : 3 May 2012

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

Conservation of Energy

The nature of the Company's operations entails a very low level of energy consumption. Adequate measures have, however, been taken to conserve energy by using energy efficient computing devices, regulating the air conditioning and by use of energy saving lights.

Research & Development

The Company is predominantly a service provider, and therefore has not set up a formal Research & Development unit. However, the Company has developed software products within the existing delivery setup for which IP's are being registered.

Technology Absorption

The Company did not import any technology during the year under review.

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

Over the years, we have established a direct marketing network around the world, including North America and Europe. These offices are staffed with Company personnel, who sell the Company's Services to clients.

The Company has set-up a Centre of Excellence in the Travel and Hospitality domain in the US during the year. This centre is expected to create valuable intellectual property in the near future.

We serve our global clientele through offices in Santa Clara (CA) and New Jersey (NJ) in North America, London, Singapore and Tokyo. We also have business associates in USA and Continental Europe.

b. Total foreign exchange earned and used.

The details of Foreign Exchange Earnings and Outgo are disclosed in note 2.23 of the Notes to the financial statements forming part of the Accounts.

c. Forex Management Policy.

To hedge against volatility on the forex market, your company has adopted a balanced hedging policy which combines forward exchange contracts with options up to certain levels. This policy is designed to minimise risks arising from foreign exchange fluctuations.

Corporate Governance is about commitment to ethical business conduct and is the system by which companies are directed and controlled by the management in the best interest of its stakeholders. Application of best management practices, compliance of laws, rules, regulations and adherence to standards to achieve the objectives of the Company, enhance shareholder value and discharging social responsibility are part of Corporate Governance. Good Corporate Governance practice lies at the foundation of the Company. Our Company does not view Corporate Governance principles as a set of binding obligations, but believes in using it as a framework to be followed in spirit. This is reflected in the Company's philosophy on Corporate Governance.

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company acknowledges its responsibilities to its Stakeholders. The Company is committed to the adoption of best governance practices and its adherence at all times. The Company recognises that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance. It is the Company's endeavour to attain highest level of governance to enhance the stakeholder's value. Your Company is committed to upholding the highest level of standards of corporate governance in its operations. In this direction, the Company is committed to ensure that the Company's Board of Directors continue to be constituted as per the prescribed norms, meet regularly as per the prescribed frequency, provide effective leadership, exercise control over the management, monitor executive performance and ensure appropriate disclosure.

In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges, the details are set out below:

II. BOARD OF DIRECTORS

a) The Board

The Company is in strict compliance with the Board composition requirements of the Listing agreement. The day-to-day management of the Company is entrusted to its key personnel led by the Managing Director who operates under the superintendence, direction and control of the Board. The Board reviews the appropriate skills and characteristics required of Board members and for making recommendations to the Members in the General Meeting. While appointing the directors, the Board considers their educational qualifications, skills, experience, commitment and background, in the context of the requirements of the Board at that point in time.

This year, the Board was expanded by the addition of Mr. K.P.T. Kutty and Mr. Sunil Bhatia as Directors on the Board of the Company at the Board Meeting held on April 15, 2011.

Mr. K.P.T. Kutty, currently a practising Company Secretary, has over three decades of experience in the Corporate, Legal and Secretarial functions. Mr Kutty has also worked with Forbes Campbell and Co. Limited and Reserve Bank of India prior to joining Blue Star Limited in 1980 where he took over as a Company Secretary in 1994. He was also previously a Director of Blue Star Infotech Limited from May 8, 1998 to January 21, 2000. He has rejoined the Board as an Independent director with effect from April 15 2011. He holds 2,650 shares of the Company as on March 31, 2012. His appointment was confirmed by the Shareholders in the Annual General Meeting held on July 22, 2011.

Mr. Sunil Bhatia was co-opted as an Additional Director at the Board Meeting held on April 15, 2011. The Board of Directors, in the same meeting, unanimously decided to appoint Mr. Sunil Bhatia as the Chief Executive Officer and Managing Director ("CEO and MD") for a period of three years on such remuneration as recommended by the Remuneration Committee, subject to the approval of the members and the Central Government.

Sunil Bhatia has over two decades of experience in building and growing large businesses and global teams in companies such as IBM, Satyam and Accenture, in Asia and the US. He has deep exposure across industries such as Communication, High-Tech, Financial Services, Industrial, Retail and Public sector. He has previously worked with IBM, Singapore for 7 years, where he was part of the leadership team responsible for building strategic and high-value relationships in the Finance Sector and Services business.

He holds 4,10,372 shares of the Company, in his personal and beneficial capacity, as on March 31, 2012.

b) Composition of the Board of Directors

The Board of Directors of the Company represents an optimum combination of Executive and Non-Executive Directors for its independent functioning. The Board comprises of eight Directors, of which one is the Chairman and Managing Director, another is CEO and Managing Director and Six Non-Executive Directors. Since the Chairman of the Board is also the Managing Director, half of the Board is composed of Independent Directors as defined in Clause 49 of the Listing Agreement with the Stock Exchanges.

c) Board Meetings

During the financial year 2011-12, the Board met five times on April 15, 2011; May 19, 2011, July 22, 2011, October 18, 2011 and January 17, 2012. The details of Board of Directors and their attendance in Board Meetings during the year and the last AGM along with number of other directorships are given below:

Details of Directors and other particulars:

Name	Category	Designation
Suneel M Advani	Promoter - Executive Director	Chairman and Managing Director
Sunil Bhatia#	Executive Director	CEO and Managing Director
Ashok M Advani	Promoter – Non Executive Director	Vice Chairman
Sanjay N Vaswani#	Promoter – Non Executive Director	Director
Suresh N Talwar	Independent Director	Director
Dr. Prakash G Hebalkar	Independent Director	Director
Naresh K Malhotra	Independent Director	Director
K.P.T Kutty	Independent Director	Director

Mr. Sunil Bhatia and Mr. Sanjay N Vaswani reside in the United States of America.

Details of Directors' attendance and other particulars:

Five Board meetings were held during the financial year 2011-12:

Director	Number of Board Meetings attended	Last AGM Attendance (Yes/No)	Number of Directorships on the Board of other Public Companies	Number of committee positions in all Public Companies	
				Chairman	Member
Suneel M Advani	5	Yes	3	-	2
Sunil Bhatia	5	Yes	-	-	-
Ashok M Advani	5	Yes	2	1	2
Sanjay N Vaswani	1	No	-	-	-
Suresh N Talwar	5	Yes	13	2	5
Dr. Prakash G Hebalkar	5	Yes	1	-	3
Naresh K Malhotra	5	Yes	3	3	2
K.P.T Kutty	5	Yes	-	-	-

- Leave of Absence was granted to the Directors who could not attend meetings.
- Alternate Directorships, Directorships in private companies, foreign companies, companies under section 25 of the Companies Act, 1956 and Memberships in governing councils, Chambers and other bodies are excluded. Memberships in public companies, listed and unlisted, alone have been considered.
- None of the Directors hold directorships in more than 15 companies.
- None of the Directors is a member of more than 10 committees, or is Chairman of more than five committees across all companies in which he is acting as a Director. For the purpose of reckoning the aforesaid limit, Chairmanships/ Memberships of the Audit Committee and the Shareholders' Grievances Committee alone are considered.

III. AUDIT COMMITTEE

The Company has a qualified and Independent Audit Committee comprising three Non-Executive Independent Directors, having adequate financial and accounting knowledge. The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreements with the Stock Exchanges in India read with Section 292A of the Companies Act, 1956.

Terms of Reference

The Audit Committee has inter-alia the following mandate:

- Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Reviewing with management, the annual financial statements before submission to the Board.
- Reviewing the Company's financial and risk management policies.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing statement of significant related party transactions, management letter / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

The constitution, powers, duties and responsibilities of the Audit Committee are in line with Clause 49 of the Listing Agreements with the Stock Exchanges in India

Naresh K Malhotra	Chairman
Suresh N Talwar	Member
Dr. Prakash G Hebalkar	Member

Secretary

V Sudarshan	CFO and Company Secretary
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Meetings and Attendance during the year

During the financial year 2011-12, Audit Committee Meetings were held on May 19, 2011, July 22, 2011, October 18, 2011 and January 17, 2012. The necessary quorum was present at the meetings.

Members	Meetings Held	Meetings Attended
Naresh K Malhotra	4	4
Suresh N Talwar	4	4
Dr. Prakash G Hebalkar	4	4

IV. REMUNERATION COMMITTEE

The Remuneration Committee is a non-mandatory requirement of Clause 49 of the Listing Agreement. The Company has constituted the same in accordance with its philosophy of voluntary transparency in operations.

Terms of Reference

The Committee shall have terms of reference as may be decided by the Board from time to time and shall look into aspects relating to remuneration of the Managing Director, Whole time and Executive Directors.

Composition

Only independent directors are a part of the Remuneration Committee.

Dr. Prakash G Hebalkar	Chairman
Suresh N Talwar	Member
Naresh K Malhotra	Member

Secretary

V Sudarshan	CFO and Company Secretary
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Meetings and Attendance during the year

During the financial year, Remuneration Committee meetings were held on April 15, 2011 and May 19, 2011. The necessary quorum was present for the meeting.

Members	Meetings Held	Meetings Attended
Dr. Prakash G Hebalkar	2	2
Suresh N Talwar	2	2
Naresh K Malhotra	2	1

V. REMUNERATION TO DIRECTORS

The remuneration of the Non-executive Directors is recommended by the Board of Directors and approved by the shareholders. Non-executive Directors are paid commission, based on the net profit of the Company, partly by way of fixed amount and partly based on the number of Board and Audit Committee meetings attended by them. They are paid sitting fees of ₹ 20,000 each, for each Board, Audit Committee and Remuneration Committee meeting attended by them.

The Chairman and Managing Director is also the Vice-Chairman and Managing Director in Blue Star Limited.

Details of remuneration paid/payable to Directors for financial year 2011-12 are as follows:

(₹ in Lakhs)					
Name of the Director	Salary and Perquisites (Net of recoveries, if any)	Reimbursement of CEO and MD's Remuneration	Commission (1% of profits)	Sitting fees	Total
Suneel M Advani (CMD)	44.40	-	-	-	44.40
Sunil Bhatia (CEO and MD)	-	25.70	-	-	25.70
Ashok M Advani	-	-	1.45	1.00	2.45
Sanjay N Vaswani	-	-	0.86	0.20	1.06
Suresh N Talwar	-	-	1.86	2.00	3.86
Dr. Prakash G Hebalkar	-	-	1.86	2.00	3.86
Naresh Malhotra	-	-	1.86	1.60	3.46
K.P.T. Kutty	-	-	1.20	1.00	2.20
Total	44.40	25.70	9.09	7.80	86.99

(a) The CMD and the CEO and MD are not paid sitting fees and commission. (b) Effective November 01, 2008 (₹ Lakhs) 2.20 per month is paid as salary to the CMD. The cost of the accommodation provided by the Company to the CMD amounts to (₹ Lakhs) 1.50 per month (net). This arrangement is approved by the shareholders at the AGM of the Company held on July 30, 2009. (c) The CEO and MD is paid salary by the US Subsidiary of the Company viz; Blue Star Infotech America, Inc. A sum of (₹ Lakhs) 25.70 is reimbursed to the subsidiary company towards value of the services rendered by the CEO & MD to the Company.

DETAILS OF SHAREHOLDING OF NON-EXECUTIVE DIRECTORS AS AT MARCH 31, 2012

Sr. No.	Name of the Director	Shareholding (No. of Shares)
1	Ashok M Advani	488,924
2	Suresh N Talwar	15,075
3	Sanjay N Vaswani	14,750
4	K.P.T. Kutty	2,650
5	Naresh K Malhotra	250
6	Dr. Prakash G Hebalkar	NIL

VI. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Company has constituted a Shareholders'/Investors' Grievance Committee of Directors to look into the effective redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/ annual reports, etc. The Company Secretary is the Compliance Officer for the Company.

Composition

Ashok M Advani	Chairman
Suneel M Advani	Member
Dr. Prakash G Hebalkar	Member

Secretary

V.Sudarshan	CFO and Company Secretary
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Meetings and Attendance during the year

Members	Meetings Held	Meetings Attended
Ashok M Advani	1	1
Suneel M Advani	1	1
Dr. Prakash G Hebalkar	1	1

The constitution, duties and responsibilities of the Shareholders' Grievance Committee are in line with Clause 49 of the Listing Agreement with the stock exchanges. During the financial year 2011-12, the Committee met on January 17, 2012.

The total number of shareholders' complaints received and responded to by the Registrar to the satisfaction of shareholders during the year under review was 38. All complaints of shareholders were satisfactorily resolved. No requests were pending as at March 31, 2012.

Nature of Complaints	Financial Year Ended March 31			
	2012		2011	
	Received	Attended	Received	Attended
Non-receipt of Dividend	20	20	42	42
Issues with share certificates / Demat account / share transfers	15	15	16	16
Non-receipt of annual report	3	3	14	14
Total for the year	38	38	72	72

Quarter-wise Comparative Break-up of Investor Grievances:

Quarter Ending	Financial Year Ended March 31			
	2012		2011	
	Received	Attended	Received	Attended
June 30	7	7	21	21
September 30	8	8	25	25
December 31	16	16	14	14
March 31	7	7	12	12
Total for the year	38	38	72	72

VII. Compensation Committee

The Compensation Committee considers and recommends the compensation of selected Executives at the senior level in the Company as also the allotment/devolution of Employee Stock Options (ESOP's) under approved ESOP Scheme 2005. During the financial year, meetings were held on April 15, 2011 and July 22, 2011 for the purpose of amendment to the ESOP Scheme and the appointment of COO and CFO respectively.

Composition

Suneel M Advani	Chairman
Mr. Suresh N. Talwar	Member
Dr. Prakash G Hebalkar	Member

Secretary

V. Sudarshan	CFO and Company Secretary
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Meetings and Attendance during the year

Members	Meetings Held	Meetings Attended
Suneel M Advani	2	2
Mr. Suresh N. Talwar	2	2
Dr. Prakash G Hebalkar	2	2

VIII. GENERAL BODY MEETINGS

Details of the last three annual general meetings (AGMs) of the Company are given below:

Financial Year ended	Date and Time	Venue	Special resolution passed
March 31, 2009	July 30, 2009 at 2.30 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai-400 020.	Increase in commission payable to Non-executive Directors up to 3% of Net Profits of the Company.
March 31, 2010	July 30, 2010 at 2.30 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai-400 020.	None
March 31, 2011	July 22, 2011 at 2.30 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai-400 020.	<ul style="list-style-type: none"> i) Appointment of Mr. Sunil Bhatia as the Chief Executive Officer and Managing Director ("CEO and MD") of the Company ii) Alteration of Articles of Association for increase in authorised share capital from 11,00,00,000/- (Rupees Eleven Crores) divided into 1,10,00,000 (One Crore Ten Lakhs) equity shares of ₹ 10/- (Rupees Ten only) to ₹ 20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores only) Equity Shares of ₹10/- each iii) Approval of Blue Star Infotech Employees Stock Option Scheme, 2003 (Amended 2011) to issue upto 10,00,000 equity shares of the face value of ₹ 10/- each. iv) Issue of 3,85,000 fresh equity shares on preferential basis to Mr. Sunil Bhatia

There was no special resolution passed through postal ballot in the last three years and none is proposed to be passed through postal ballot this year.

IX. DISCLOSURES

- A. In respect of related party transactions, the Company does not have any transactions which may have potential conflict with the interest of the Company at large.
- B. No penalties/strictures were imposed on the Company by the stock exchanges or SEBI or any statutory authority in any matters related to the capital markets during the last three years.
- C. The Company remains committed to the cause of maintaining fair dealing in all its transactions. In furtherance of this philosophy, the Company has constantly ensured that any immoral or unethical activity could be reported by any of its employees directly to the members of the senior management or the Audit Committee, with adequate safeguards against victimising the whistle-blower. The Company affirms that no employee has been denied direct access to the Audit Committee.
- D. Your Company recognises the role of prompt reporting of crimes – technological or otherwise – for moving towards transparent governance. Any suspicion of criminal activity should be reported promptly no matter how remote or minimal the damage. Towards this end, the Company declares that it has adequate technological fraud detection safeguards imbibed within its system, which are a combination of process controls and technological controls. The Company also declares that there have not been any known instances of technological frauds detected in the Company.
- E. Your Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement, as applicable. Of the non-mandatory requirements of Clause 49, the Company has adopted the requirement of a Remuneration Committee (constituted on October 30, 2008) for reviewing and recommending Executive Directors' remuneration. Your Company is committed towards complying with Clause 49 as a whole and will take suitable measures as and when possible.
- F. Risks are an imminent part of business and the industry. Recognising this fact, your Company has in place a Risk Management Policy to deal with the uncertainties of the times, where risks have been categorised based on the following criteria:
- **Nature of Risk:** External, Operational and Financial
 - **Severity of Risk:** Low, Medium and High
 - **Probability of Risk:** Low, Medium and High
- The Policy describes each risk in detail and analyses the risk mitigation strategy to counter every risk. The Policy is reviewed at regular intervals by the Risk Management Committee comprising of senior management personnel of the Company.
- G. Your Company also has several other policies in place, the scope and content of which is reviewed by the Board and Audit Committee at regular intervals:
- Policy on insurance of assets
 - Policy on inter-company transactions
 - Policy on electronic communication and asset usage
 - Policy on prevention of sexual harassment
 - Policy on verification of fixed assets
- Every policy has a defined implementation mechanism.
- H. Business is done with a measure of social accountability and the concept of giving back in fair measure to the society. Your Company has always been conscious of the developments in its environment and is taking small but sure steps towards fulfilling its Corporate Social Responsibility (CSR) initiatives such as cutting down wasteful expenditure, promoting green IT initiatives, an environmentally friendly working environment and encouraging innovation in all areas of operation.
- I. Your Company has consistently maintained a regime of unqualified financial statements.

X. MEANS OF COMMUNICATION

The Company publishes its quarterly, half yearly and annual results in the prescribed form, within the prescribed time. The results are sent to the stock exchanges where the Company's shares are listed and the same was published in Free Press Journal and Navshakti for the quarters ending June 30, 2011 (Q1), September 30, 2011(Q2), December 31, 2011 (Q3) and March 31, 2012 (Q4) respectively. The financial results are also displayed on Corporate Filing and Dissemination System (CFDS) in SEBI's website, www.corpfiling.co.in and also on the Company's website, www.bsil.com. The Company's website displays the official news releases. The financial results are also available on the websites of the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

As a transparency initiative, your Company has explained its business comprehensively in the Management Discussion and Analysis, which forms a part of this Annual Report.

XI. SHAREHOLDERS' INFORMATION

Annual General Meeting

The Company held its Annual General Meeting on July 22, 2011 for the financial year 2010-11.

For the Financial Year 2011-12, the Annual General Meeting is scheduled as follows:

Date : July 19, 2012

Time : 2.30 p.m.

Venue : Jai Hind College Hall, 23-24, Backbay Reclamation, Sitaram Deora Marg ('A' Road),
Churchgate, Mumbai – 400 020.

Financial Calendar for the year 2012 – 13

Declaration of results for the quarter ending on	Tentative date
June 30, 2012	Third week of July 2012
September 30, 2012	Last week of October 2012
December 31, 2012	Last week of January 2013
March 31, 2013	Second week of May 2013
16th Annual General Meeting	Third week of July 2013

Dates of Book Closure : July 9, 2012 to July 19, 2012 (both days inclusive)

Recommended Dividend : ₹ 2/- per share of face value, ₹ 10 each (Previous year ₹ 3/- per share of face value ₹ 10 each).

Dividend Payment Date : If declared, dividend shall be paid / credited on or after August 3, 2012.

Listing on Stock Exchanges

- The Bombay Stock Exchange Limited, Mumbai (BSE). **Scrip code** : 532346
- The National Stock Exchange of India Limited (NSE). **Stock Code**: BLUESTINFO
- ISIN No. for NSDL/CDSL: INE 504B01011

Dividend Payment History

Financial Year	Dividend (₹) per share of face value ₹ 10	Dividend as a % of the face value of each equity share
2000-2001	3.00	30%
2001-2002	6.00	60%
2002-2003	7.50	75%
2003-2004	9.00	90%
2004-2005	5.00	50%
2005-2006	2.00	20%
2006-2007*	4.00	40%
2007- 2008	2.50	25%
2008- 2009	5.00	50%
2009-2010	5.00	50%
2010-2011	3.00	30%
2011-2012 (Proposed – subject to members approval)	2.00	20%

*Represents Interim and Final Dividend of ₹ 2 each per share

Unclaimed Dividend

Shareholders who have not yet encashed their dividend warrants or in cases where the accounts could not be credited have been individually informed about the money due to them and the procedure to claim the same from the Company. Unclaimed/Unpaid dividend till the financial year 2003-04 has been transferred to the Investors Education and Protection Fund (IEPF) on August 23, 2011 on the completion of the mandatory 7 (seven) year period. Shareholders are advised that no claims will lie against the Company or the IEPF in respect of the unclaimed amounts so transferred.

The Unclaimed/Unpaid Dividend in respect of the year 2004-05 is due for transfer to the IEPF on August 28, 2012, after which no claims shall lie against the Company for the same. Shareholders who have not yet encashed their dividend warrants are requested to forward their claims to the Company or Share Transfer Agents.

Nomination Facility

Shareholders who hold shares in the physical form and wish to make/change a nomination in respect of their shares in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit the necessary details to Link Intime India Pvt. Ltd. in the prescribed Form 2B. A soft copy of the Form can be downloaded from the Company's website www.bsil.com. Shareholders with holdings in DEMAT accounts should contact their depository participants directly for this purpose.

Payment of Dividend by National Electronic Clearing Service (NECS)

Shareholders who wish to avail of the facility of direct credit of dividend amounts to their bank accounts are requested to submit the NECS mandate form available on the Company's website www.bsil.com as per the instructions mentioned on the form to the Company or its Share Transfer Agents, Link Intime India Pvt. Ltd.

Annual High-Low price History

Market Price Data

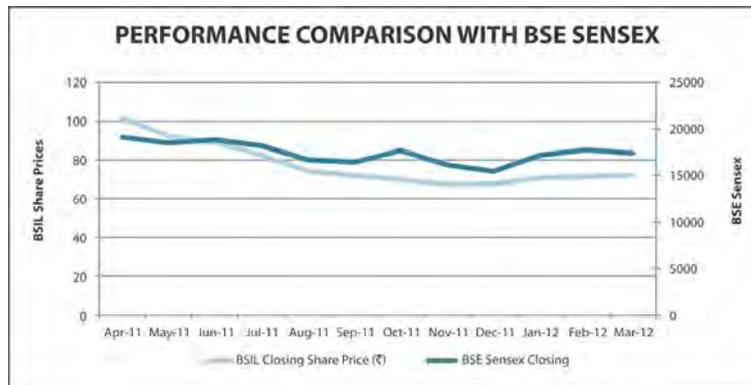
Fiscal Year	BSE		NSE	
	High (₹/Share)	Low (₹/Share)	High (₹/Share)	Low (₹/Share)
2007-08	128.20	54.00	136.10	50.60
2008-09	86.60	32.60	88.60	31.95
2009-10	155.80	47.10	156.40	47.15
2010-11	139.90	90.15	139.00	92.60
2011-12	111.40	53.50	116.75	57.40

Month-wise price History

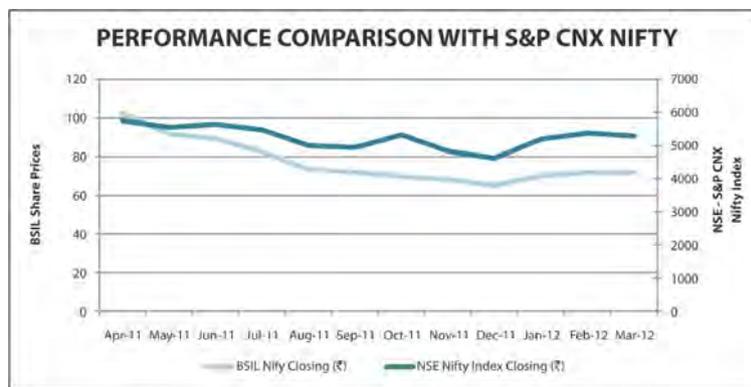
Market Price Data

Month	BSE		NSE	
	High (₹/Share)	Low (₹/Share)	High (₹/Share)	Low (₹/Share)
April 2011	109.55	99.60	110.00	99.00
May 2011	111.40	89.15	116.75	90.25
June 2011	98.95	85.05	104.00	82.90
July 2011	98.00	82.00	97.90	81.10
August 2011	85.50	71.10	85.35	68.95
September 2011	78.30	69.35	77.50	69.00
October 2011	78.00	55.05	73.00	64.05
November 2011	80.00	63.50	84.60	65.00
December 2011	72.00	53.50	71.95	65.00
January 2012	72.70	64.40	72.00	63.30
February 2012	75.00	67.50	82.00	68.05
March 2012	78.95	70.05	76.85	57.40

The performance comparison of Blue Star Infotech Limited's closing share prices in each month with BSE Sensex are presented as follows:



The performance comparison of Blue Star Infotech Limited's closing share prices at the end of each month with NSE – S&P CNX Nifty is presented below:



Share Transfer System

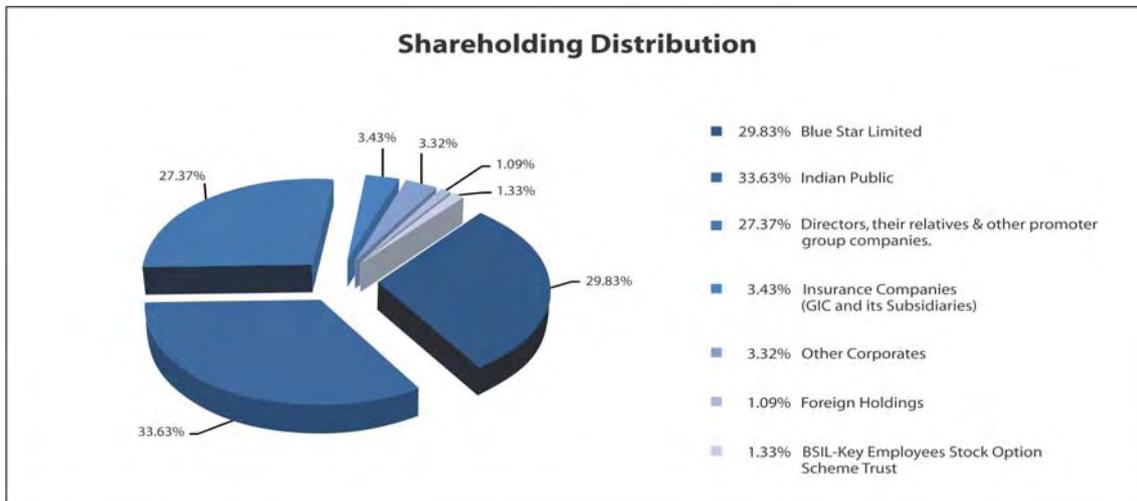
The transfer of shares in physical form is processed and approved on a weekly basis and the certificates are returned to the shareholders within 30 days from the date of receipt (subject to the documents being valid and complete in all respects.)

Distribution of Shareholding as at March 31, 2012

No. of Equity shares held	No. of shareholders	% of shareholders	Total No. of Shares held	Total % of shares held
1 - 250	11,616	82.07	8,26,579	7.96
251 - 500	1,386	9.79	5,28,558	5.09
501 - 1,000	605	4.28	4,65,965	4.49
1,001 - 2,000	254	1.79	3,70,661	3.57
2,001 - 3,000	90	0.64	2,29,858	2.21
3,001 - 4,000	36	0.25	1,23,162	1.19
4,001 - 5,000	37	0.26	1,72,881	1.66
5,001 - 10,000	63	0.45	4,64,350	4.47
10,001 & above	66	0.47	72,02,986	69.36
Total	14,153	100.00	1,03,85,000	100.00

Categories of Shareholders as at March 31, 2012

Particulars of Shareholding as at March 31, 2012	No. of Shares	%
Indian Public	34,92,831	33.63
Blue Star Limited (Promoter)	30,98,025	29.83
Directors, their relatives and other Promoter Group Companies	28,42,670	27.37
Insurance Companies (GIC and Subsidiaries)	3,55,897	3.43
BSIL – Key Employees Stock Option Scheme Trust	1,37,653	1.33
Other Corporate	3,44,880	3.32
Foreign Holdings	1,13,044	1.09
Total	1,03,85,000	100.00

**BLUE STAR INFOTECH SHAREHOLDERS**

As at March 31, 2012, the Company had 14,153 registered shareholders. 33.63% of the Company's shares were held by the public. The promoters and directors, including Blue Star Limited, hold 57.20% of shares; the ESOP Trust holds 1.33% and 3.43%, 3.32% and 1.09% are held by insurance companies, other corporate and foreign parties respectively.

DEMATERIALISATION OF SHARES AND LIQUIDITY

96.98% of the Company's equity shares were dematerialised as at March 31, 2012. 33.63% of the equity shares are held by the public and the shares are traded daily on the BSE and NSE.

Office Locations

- **Registered Office:**

The Great Oasis,
8th Floor, Plot No. D -13,
MIDC, Andheri (East),
Mumbai 400 093.

- **Development Centres (In India):**

- The Great Oasis,
3rd and 8th Floor, Plot No. D -13,
MIDC, Andheri (East),
Mumbai 400 093.
- SDF III, SDF V and SDF VI,
MIDC, SEEPZ, Andheri (East),
Mumbai 400 096.
- #7, 18th Main Road,
7th Block Koramangala,
Bengaluru 560 095.

Shareholder Inquiries

Questions concerning folio, share certificates, dividend, address changes, consolidation of certificates and related matters should be addressed to Blue Star Infotech Limited, at its Registered office or its share transfer agents at the below mentioned addresses:

Blue Star Infotech Limited

(Attn: The Investor Relations Department)

The Great Oasis, 8th Floor,
Plot No. D-13, MIDC,
Andheri (East), Mumbai-400 093.
Tel: +91-22-6695 6969
Fax: +91-22-6697 3866

www.bsil.com

E-mail:

Investor Relations: Investor.Relations@bsil.com

Company Secretary: cosec@bsil.com

Registrar and Transfer Agents

Link Intime India Pvt. Ltd.

Unit: Blue Star Infotech Limited

C-13, Pannalal Silk Mills Compound,
L B S Marg, Bhandup (West), Mumbai-400 078.
Tel : 91-22-2594 6970
Fax : 91-22-2594 6969
Email: rnt.helpdesk@linkintime.co.in

CODE OF CONDUCT DECLARATION

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

To

The Members of Blue Star Infotech Limited

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with the Code of Conduct from all the Board members and Senior Management personnel of the Company.

Suneel M Advani

Chairman and Managing Director

Place : Mumbai

Date : 3 May 2012

AUDITOR'S CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To

The Members of Blue Star Infotech Limited

We have examined the compliance of the conditions of Corporate Governance by Blue Star Infotech Limited for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to review of the 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 an 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 Agreements.

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 **Walker, Chandiook and Co**

Chartered Accountants

Firm Registration No. : 001076 N

per **Khushroo B Panthaky**

Partner

Membership No. F-42423

Place : Mumbai

Date : 3 May 2012

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of BSIL accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect, in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year.

A. IT Industry Scenario

According to the NASSCOM Strategic Review 2012 report, the Indian IT-BPO industry today stands at an inflection point in its evolution. It achieved a significant milestone when it crossed the USD 100 billion mark this year compared to USD 8 billion in 2000. Within exports, IT Services segment grew at 19 per cent over fiscal 2011 with revenue of over USD 40 billion.

Gartner, the global research firm, estimates a 3.1% growth in IT services for 2012, which is much lower than last year's 6.9% increase. According to NASSCOM, Indian IT-BPO services exports are expected to grow by 11-14%. Faced with the 'more' from 'less' buying mantra, vendors are facing tremendous pressure to reshape their offerings. Cloud computing, analytics, mobility and other emerging technologies are expected to drive future growth of software services.

India's Offshored Software Product Development (OSPD) exports crossed the billion dollar mark in 2011. Despite its small base, the OSPD market has consistently experienced double digit growth rates over the last 5 years. Recessionary effects have resulted in the software product market facing multiple challenges - constantly changing customer demands, margin pressures and price-sensitivity of emerging markets. To counter rising competition, product firms have to focus on accelerated time-to-market, rapid adoption of emerging and disrupting technologies, and more frequent product enhancements - all of these are fuelling growth within the OSPD segment.

Domestic IT-BPO revenue (excluding hardware) is expected to grow at almost 17 per cent to reach ₹ 9,180 crore (approximately USD 1.8 billion) in 2012. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organisations, and enhanced government focus are key drivers for increased technology adoption in India. IT Services, one of the fastest growing segment in the Indian domestic market, grew by 18 per cent to reach ₹ 5,890 crore (approximately USD 1.2 billion). This growth was driven by increasing adoption from all customer segments. This segment is expected to grow by 13-16% in 2012.

B. Changing Business Environment

The IT Industry is facing major challenges and opportunities, and currently undergoing a metamorphosis. Protectionist policies arising out of a highly weakened economic environment, stringent visa regulations, intense competition amongst vendors, and emergence of other low cost destinations are challenging the current business models. Further, with the end of the tax holiday, application of MAT on SEZs and spiraling inflation, the industry has to literally reinvent itself in order to remain relevant and continue to provide the returns expected.

The past year also saw an increased preference for onshore locations and other lower cost centres, primarily to tap into the local talent, as well as to provide customers with more options and stronger capabilities.

The next decade is expected to be vastly different from the previous one, in which business models will undergo transformation and new models will emerge. The labor arbitrage may not be sustainable beyond a few more years. The business model of the future will be driven by the need to change the profit per employee equation and increasingly bring in "non-linearity". Building capabilities in new technologies like smart computing, cloud computing, mobility and analytics, and investing in the creation of delivery accelerators and IP will enable vendors to rapidly deliver business-impacting solutions and value to their clients. To remain competitive and profitable, organisations must increase operational efficiencies, and reinvent and embrace new business models which will offer customers a transformed business proposition.

C. Blue Star Infotech Ltd. (BSIL) - Re-Engineering Itself

The Company is re-engineering itself to remain relevant to its stakeholders and competitive in the marketplace. Keeping in mind the changing market dynamics of the IT industry and with the client at the core, the Company focused on laying out a roadmap for its future that involved redesigning its business model and upgrading its value proposition and capabilities.

The key areas that the Company is attempting to address over the next few years are:

- Demonstrating value to its customers over a longer term horizon
- Attracting talent as an employer of choice
- Developing value for its partners to build beneficial global alliances
- Ensuring that it is a growing and profitable organisation for our shareholders

The Company has identified six key focus areas to help it in its transformation journey each of which is outlined below.

D. Key Focus Areas

D.1 Mission and Values

The company's transformation and global growth strategies are supported by its mission and values. These jointly connect all its employees and result in a consistent experience for its customers, partners and other stakeholders.

The Company's mission is to **help global enterprises derive measurable business outcomes through the efficient use of information technology.**

Its core set of values serves as a beacon for its employees and provides the necessary guidance to deal with challenges and situations. These values encompass empowerment, integrity, excellence, innovation, learning, teamwork and respect for the individual.

D.2 Profitable Growth

Profitable growth will emerge by identifying and concentrating on growth opportunities across industry segments, technology, markets and existing customers. For the immediate future, the North American geography will be a primary focus area from a market perspective. From an industry perspective, Technology, Travel and Hospitality and Manufacturing will be the primary industries addressed and within these, the thrust will be on large multi-million dollar contracts across Fortune 1000 organisations, increasing onsite revenue, and developing non-linear revenue streams.

The sales organisation is structured along 3 major service lines - Enterprise, Product Engineering, and Emerging Businesses. Each of these is led by a Global Sales Head having deep experience in leading and sustaining large accounts across a variety of industries, and with significant exposure to consultative solutions selling to C-level and VP/Director level executives in Fortune 500/Global 1000 companies worldwide.

Apart from the primary services, emerging businesses such as Testing, Mobility and Business Intelligence/Analytics will be marketed across all geographies and the existing customer base.

Within the current customer base, the Company has identified a number of clients with the potential to provide annuity revenue of more than US\$ 1 million each - growth within these accounts will be driven by dedicated client engagement teams, focused on developing deeper customer relationships and satisfaction.

From a Go-to-market perspective, while direct sales is being strengthened, the Company is focusing on expanding its sales bandwidth and market reach through value-added partnerships with both product and business partners. During the current year, the Company formed strategic global alliances with leading technology vendors and niche consulting companies. These alliances are CEO-led and driven globally. By working with leading product companies in technologies such as Mobility and Analytics, and by developing vertical solutions on these products, the Company is deepening its core expertise in areas that are expected to be in demand in the coming years.

In addition, these solutions, in combination with its own assets, enhance and differentiate the Company's service portfolio, and also enable it to generate non-linear revenue.

Apart from these, the Company continues to explore opportunities for acquisitions, partnerships, joint ventures or other alliances that can enhance its solution portfolio or provide enhanced market access.

D.3 Integrated Organisation Structure

In order to move as one unified team to drive its agreed strategies, enhance customer value, and bring agility and accountability, the Company made key changes to its customer-facing organisation across 3 key dimensions: Sales, Solutioning and Global Delivery. It has migrated to a simplified solution-led, customer-centric organisation focused on opportunities and challenges within client organisations.

The Sales organisation focuses on consultative selling, driving partner-led sales and acquiring newer must-have annuity customers. The Solutioning organization, working in close coordination with the sales team, provides the consulting interface and a differentiated solution to meet the customer's needs. The Solutioning organisation also focuses on the creation of innovative solutions, and developing thought leadership and Intellectual Property (IP). The Delivery organisation is aligned to servicing customers more effectively through competency enhancement, value creation, better processes and a balanced delivery model incorporating the right onsite, nearshore and offshore mix.

The Sales and Delivery organisations focus on driving customer-facing processes and aligning client relationship, delivery, revenue and profitability more closely with key service lines.

These changes have been driven by the re-definition of the IT value chain and changes within our key markets and customers. This internal realignment would enable us to grow our customer relationships by providing an integrated and customer focused approach.

D.4 Solution-led Service Offerings

The Company's ability to provide a comprehensive 'Boardroom' to 'Server room' suite of services can be significantly enhanced by incorporating a 'product-service' mix. This will also result in a shift from a traditional "labor-based service delivery" to an "asset-based service delivery" model.

Solution Accelerators and pre-built solutions are of even more importance in the current economic environment as client organisations seek to accelerate time-to-value, reduce costs, lower risk, and have more predictability in meeting business demands.

The Company strengthened its asset base by adding new tools, industry templates, solution frameworks, and industry solutions around products such as Microsoft Dynamics, SAS and QlikView. These solutions address specific industry needs and incorporate best practices gained from similar engagements. These include:

- Business Intelligence solutions for Pharma, Manufacturing, Travel and Hospitality and Utility industries
 - TravelQlik - a powerful, point-and-click solution which allows various Travel and Hospitality industry actors to drill down into their vast data from multiple sources to uncover specific patterns and drive decisions
 - ViewIT - a comprehensive solution that addresses the complete MIS needs of High-Tech, Manufacturing and Services industry
 - MediQ - enables pharma companies to clinically view key operational data and KPIs through dashboards and make the right diagnosis of operational ailments
 - Data Visualization tools built on the SAS product
 - Industry templates for extracting business insights from SAP implementations
 - Data Extraction tool for extracting data from unstructured sources
- ERP solution for HR-intensive organizations built on the Microsoft Dynamics AX product
- Online booking engine framework for hotels and travel agencies
- Travel Supplier Integrator solution to provide connectivity across the travel supply chain
- Mobility solution frameworks for the Apple and Android platforms
- Barcode solution for Inventory and Warehouse Management

This will also enable the Company to create a non-linear revenue model that can deliver higher revenue per employee thereby making the Company lean, while delivering sustainable and profitable growth.

D.5 Global Delivery Network

The Company is expanding its global delivery footprint by setting up nearshore delivery centres and providing its customers with the best options possible in terms of quality, pricing and service delivery.

With the formation of Blue7 Solutions in Milwaukee, WI, the Company now has a full-fledged and well-equipped delivery centre located in USA. The addition of this centre enables the Company to service its US customers more effectively through an Integrated Global Delivery model incorporating an onsite, nearshore and offshore mix, and also provides round-the-clock execution capabilities across multiple time zones.

Managing a geographically dispersed delivery organization requires a strong communication backbone that connects distributed teams together and ensures predictable delivery. The Company strengthened its communication infrastructure by implementing a multiprotocol label switch network providing better reliability and increased performance.

The Delivery organisation has established Centres of Excellence for Mobility, Analytics/Business Intelligence and Testing. These Centres focus on tracking technology trends, and creation of best practices and solution frameworks around them. Communities of Practice, cutting across service lines and focused on technology specialisation and excellence, have also been established. This enables the employees to gain accelerated learning on new technologies, become extremely fungible and participate in company-wide initiatives.

A number of operational initiatives were also rolled out during the year - these were to strengthen operational excellence, improve utilization, enhance skill and competency depth, and achieve higher process maturity. In addition, internal systems were revamped to meet key operational and business requirements. A knowledge management system is currently being implemented to enable the identification, tracking and utilisation of reusable components that can accelerate project delivery times and improve quality of deliveries.

D.6 Talent Management - focusing on the DNA of our Company

The year 2011-12 saw major initiatives launched in the areas of performance management, rewards and recognition, and employee engagement.

An online Performance Management System, developed in-house, was implemented with the aim of streamlining and simplifying this very crucial process. The Rewards and Recognition program was revamped to encourage and reward innovation and new ideas.

On the recruitment front, there was renewed focus on inducting fresh engineering graduates in order to become flatter and to rationalise the overall cost structure.

Employees are encouraged to be open about their concerns through avenues like Skip Level Meets, Open Minds, Town Halls, and Employee Connects - where there is a 2-way communication between the employees and the leadership team. In addition, a number of surveys are conducted during the year to solicit feedback on various enabling functions. This has helped in shaping the culture of the organisation, and in making it an employee-sensitive and connected enterprise.

The Company continues to focus on developing its talent across key technical dimensions such as technology, delivery processes, business processes and project management. On the soft skills side, the thrust was on developing and enhancing skills in communication, client management, leadership and cultural diversities.

By offering a progressive environment and focusing on emerging technologies, employees are provided the platform to stay at the cutting-edge of technology.

To facilitate Continuous Education and ensure that employees are able to flexibly undergo training programs, the Company introduced an online learning platform, "Element K". This platform offers award winning eLearning content in a wide range of domains from IT to soft skills. The contents of this hosted Learning Management System are updated regularly with the latest developments to keep pace with changing technology and skills requirements. This informal learning is also supported with brain bench exams and virtual labs for conceptual understanding and practice.

Adoption of new emerging technologies like Business Intelligence, Analytics and Mobility have also provided employees with avenues to exercise their technical prowess and ensure that they keep abreast of new technologies. A Most Valuable IP award was also instituted within the organisation to encourage IP development and innovation.

In order to effectively leverage the skills available, Competentia, a tool to collect and access employee skills information, was developed and launched - this enables the organisation to identify and deploy people at the right skill levels on projects. This tool provides easy access to the varied skill levels of all employees and helps in making the right decisions when staffing projects.

E. Outlook

The business environment in 2012-13 is expected to remain challenging and unpredictable for mid-sized IT service companies. The Company's increased agility for making course corrections and redirect itself will also enable it to capitalise on new opportunities and enable its customers to effectively deal with the changing dynamics of a globally sensitive environment.

The Company is looking at a three year horizon, and is confident that the multi-dimensional transformation that it has embarked upon will enable it to overcome these challenges and drive long-term sustainable growth.

F. RISKS AND CONCERNS

Risk is intrinsic in every commercial activity, and the de-risking capabilities of the organisation mark its success. In the event of a financial slowdown or recession in a particular economy or market situation, it is observed that an over dependence on that economy can pose risk.

Blue Star Infotech Ltd (BSIL) aims to de-risk its business by having its customer spread in India and in outside geographies. Concentration in a particular business segment can also be risky. BSIL has continuously tried to diversify its offerings in product engineering services, travel and hospitality, enterprise application business segments to address this concern. These strategies have helped the Company mitigate challenges emanating from the turbulent overseas markets.

Currency exchange risks arising from extreme volatility of exchange rates in international currencies is a major issue of concern for the company, due to its exports and billing in foreign currency. In the current year, the Company has addressed this issue by hedging its foreign exchange exposures suitably from time to time and also by having a diversified billing currency basket.

Inflationary pressures in India lead to cost increases predominantly in employee costs and fixed overheads which poses a concern to the entire Information Technology industry today. The Company has tried to mitigate this risk by consolidating its infrastructure and also by maintaining a high level of productivity coupled with an optimal mix of engineers on its projects and a recruitment plan that systematically inducts and grooms fresh engineers into its delivery organization. The company has put in place suitable cost control measures to ensure that they are need based and commensurate with the growth and profitability of business.

Overdue receivables or non-collectible receivables are a risk that has to be avoided by any business. The Company has addressed this by having a well-defined process to review the receivables, besides continuous follow-ups to ensure that collections are not unduly delayed or pose a collection risk.

Investment risk, involves risks of reduced returns on the money invested as also loss of capital. The company has implemented a balanced investment policy for investing its surplus funds where safety of principal with competitive returns is the principal objective.

Political instability, withdrawal of government fiscal / tax incentives and competitive pricing are other risks which affect this business.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY.

Adequacy of Internal control is considered extremely important to any business enterprise. The company has defined operational and other Budgets for its Business Units and empowered personnel appropriately based on their work specifications to make decisions. The company remains steadfast in upholding internal control, efficiency of operations and security which meets or exceeds industry standards. The current systems and procedures provide reasonable assurance of maintenance of appropriate accounting records, reliability of financial information, protection of resources and safeguarding of assets against unauthorized use. Compliance with well-established systems, policies and procedures are regularly monitored by your Company's internal audit process both at the divisional and corporate level, both internally and by a team of external auditors. The Audit committee of Directors comprising Mr. Naresh Malhotra (Chairman), Mr. Suresh Talwar and Dr. Prakash Hebalkar meet at least four times a year to review the internal control systems and financial disclosures by the company.

H. DISCUSSION OF FINANCIAL PERFORMANCE (Consolidated)

1. Financial Condition

a. Share capital

The Company has an authorised capital of 2 Crore equity shares of ₹ 10 each (Previous year 1.1 Crore equity Shares). The issued, subscribed and paid up capital is ₹ 10.385 Crores. The Company enhanced its Authorised Capital from ₹ 11 Crore to ₹ 20 Crore during the year. Further, during the year, the company made a preferential issue of 385,000 equity shares to Mr. Sunil Bhatia, CEO and Managing Director at a premium of ₹ 94.20 on the face value of ₹ 10 per equity share. The issue was subscribed, allotted and listed with the stock exchanges.

b. Reserves and surplus

The Reserves and Surplus of the Company decreased by ₹ 2.58 Crores to ₹ 71.87 Crores in the financial year 2011-12. ₹ 0.56 Crore was transferred from Profit and Loss Account to General Reserve. The reduction of reserve is principally on account of a provision towards hedging reserve to the tune of ₹ 7.31 Crore during the year.

c. Debt status

During the FY 2011-12, the Company was debt-free.

d. Fixed assets

The Gross block of fixed assets for the FY 2011-12 was ₹ 40.32 Crores and cumulative depreciation amounted to ₹ 18.64 Crores. Additions to fixed assets made during the year was of the order of ₹ 3.12 Crores mainly comprising of Leasehold building improvements (₹ 0.77 Crores), Computers (₹ 1.34 Crores), Air conditioning equipment (₹ 0.01 Crores), Office equipment (₹ 0.02 Crores) and Computer Software (₹ 0.92 Crores).

e. Investments

Company invests its surplus funds in liquid fund schemes of reputed mutual fund institutions and in fixed deposits with large / reputed scheduled banks. Investments in mutual funds decreased from ₹ 17.22 Crores to ₹ 5.55 Crores during the year. The fixed deposit with banks went up from ₹ 0.57 Crores to ₹ 8.31 Crore. The Company also invested ₹ 2.15 Crores in its new US joint venture besides investing ₹ 5 Crore in its US subsidiary Blue Star Infotech America Inc., during the year. In effect, sum total of all investments, in totality, is higher than the previous year.

f. Sundry debtors

During the year, debtors increased from ₹ 26.22 Crores to ₹ 28.53 Crores. These debtors are considered good and realizable and provision has been made for all doubtful debts.

Days	2011-12		2010-11	
	₹ In Crores	%	₹ In Crores	%
0-30	23.38	82	22.89	87
31-60	0.35	1	0.93	4
61-90	0.19	1	0.17	1
More than 90	4.61	16	2.23	8
Total	28.53	100	26.22	100

g. Cash and bank balance

The cash and bank balances during the year have gone up from ₹10.49 Crores to ₹ 22.81 Crores. The surplus non-operational cash of the company is invested in liquid mutual funds as described under (e) Investments, above. Cash balances are either held in Rupee or Export Earners Foreign Currency (EEFC) current accounts in India. The bank balances in EEFC accounts are generally used for (i) Import of technology assets, (ii) Meeting the remittance requirements of subsidiaries/branches, (iii) Strategic investments and (iv) Meeting operational expenses.

The remaining cash and bank balances mainly represent bank balances in current accounts with banks in India and abroad i.e.; in USA, UK, Japan and Finland.

h. Loans and advances

Loans and Advances represent the amount paid by the Company in advance for value and services to be received in future.

Short-term: The Company has ₹ 2.16 Crores advances recoverable in cash, ₹ 0.77 Crores in prepaid expenses for services to be received in future, ₹ 0.54 Crores in Other Deposits, ₹ 2.78 Crores in Unbilled Services and ₹ 20.42 Crores advance taxes paid net of provisions.

Long-term: ₹ 3.74 Crores in deposits towards leasehold premises and for utility companies.

i. Other Non-current assets

₹ 2.72 Crores represents tax credits that will be available to the Company in future against minimum alternate tax (MAT) paid.

j. Current liabilities

Sundry creditors represent amounts payable to vendors for supply of services and fixed assets purchases. There are no amounts due to small scale units. Unclaimed dividends represent dividends paid but not realised by shareholders. Other liabilities include accrued liabilities and benefits payable to the staff (including leave encashment) and amounts accrued for various operational expenses. Unearned revenue represents payments received in advance from customers for services to be provided in future viz; fees received against annual maintenance contracts. Hedging reserve on open forward contracts are potential liabilities on foreign exchange forward contracts which are primarily in the nature of cash flow hedges for future business, arising from contracted rate being lower than current spot rate.

k. Provisions

Long-term Provision for leave encashment (compensated absences) was ₹ 0.68 Crores and that for gratuity was ₹ 0.21 Crores at the end of the year. The Short-term Provision for leave encashment (compensated absences) was ₹ 0.58 Crores at the end of the year.

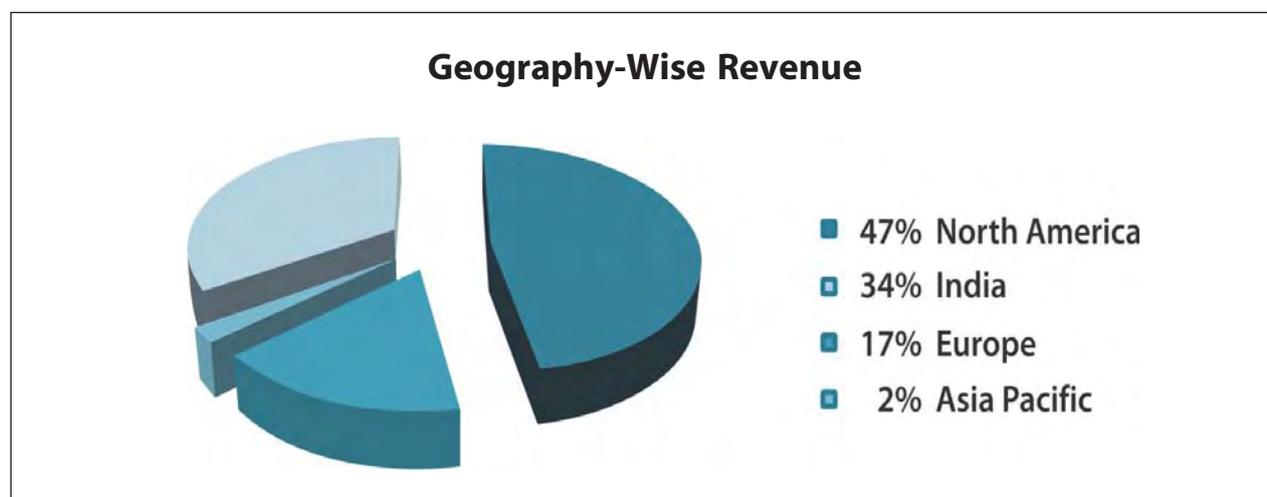
Both these provisions were calculated on the basis of an actuarial valuation in accordance with the prescribed accounting standards.

During the year, the entire export income of the company was taxable in view of the completion of the tax holiday period. Consequently, the company has made a tax provision of ₹ 2.28 Crores during the year. There is also an increase in deferred tax liability on account of timing difference in depreciation for which a provision of ₹ 0.95 Crores is made during the year. The Company also made provision of ₹ 2.08 Crores and ₹ 0.34 Crores for Proposed Dividend and Corporate Dividend Tax, respectively.

2. Results of Operations**a. Income**

The total income of the Company comprises income from operations and other incomes. In F.Y. 2011-12, Income from Operations (Sales and Software Services) was ₹ 125.98 Crores as compared to ₹ 120.26 Crores for the previous year. The income from other sources decreased from ₹ 8.85 Crores to ₹ 8.45 Crores. Other income was primarily from rentals received for leased office property, gains on foreign exchange and dividend from investments.

Geography-wise Revenue



b. Operating expenses

The total operating and general expenses increased from ₹ 33.87 Crores to ₹ 44.45 Crores in the year under review.

(₹ In Crores)

OPERATING AND GENERAL EXPENSES	FY 2011-12	FY 2010-11	% increase (decrease)
Cost of Technical and Other Manpower (Contract)	21.64	12.15	78%
Travelling and conveyance	6.64	7.47	(11)%
Rent	4.74	4.21	13%
Communication Expenses	2.10	1.65	27%
Power	1.72	1.60	8%
Repairs and maintenance	1.33	1.22	9%
Professional charges	0.58	0.65	(11)%
Rates and taxes	0.57	0.30	89%
Payment to auditors	0.41	0.34	22%
Recruitment charges	0.41	0.39	5%
Provision for bad and doubtful debts	0.38	-	-
Cost of Software License and Tools	0.30	0.23	30%
Security Charges	0.32	0.22	45%
Other expenses	3.31	3.44	(4)%
Total	44.45	33.87	31%

To,

The Members of Blue Star Infotech Limited

1. We have audited the attached Balance Sheet of Blue Star Infotech Limited (the 'Company'), as at 31 March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'financial statements'). 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 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 mis-statement. 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. 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;
 - b. 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;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
 - ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**

Chartered Accountants

Firm Registration No: 001076N

per **Khushroo B. Panthaky**

Partner

Membership No. F-42423

Place : Mumbai

Date : 3 May 2012

Annexure to the Auditors' Report

Annexure to the Auditors' Report of even date to members of Blue Star Infotech Limited on the financial statements for the year ended 31 March 2012.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
 - (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4 (iii)(d) of the Order are not applicable.
 - (b) 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 Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
 - (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is regular in depositing the 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, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
 - (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) The Company has no dues payable to a financial institution or a bank or debenture holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandio & Co**
Chartered Accountants
Firm Registration No. 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place : Mumbai
Date : 3 May 2012

Balance Sheet

As at 31 March 2012

	Notes	As at 31st March, 2012 ₹ in Lakhs	As at 31st March, 2011 ₹ in Lakhs
Equity and liabilities			
Shareholders' funds			
Share capital	2.1	1,038.50	1,000.00
Reserves and surplus	2.2	7,317.10	7,378.04
		8,355.60	8,378.04
Non-current liabilities			
Deferred tax liabilities (net)	2.3	147.23	126.21
Long-term provisions	2.4	88.35	188.89
Other long-term liabilities	2.5	266.37	266.37
		501.95	581.47
Current liabilities			
Trade payables	2.6	577.45	183.83
Other current liabilities	2.7	1,468.11	1,355.75
Short-term provisions	2.8	242.86	353.12
		2,288.42	1,892.70
Total		11,145.97	10,852.21
Assets			
Non-current assets			
Fixed assets			
Tangible assets	2.9	2,042.48	2,095.09
Intangible assets	2.9	115.95	82.22
Capital work-in-progress		-	139.12
Non-current investments	2.11 a)	892.56	391.36
Long-term loans and advances	2.12	357.65	332.82
Other non-current assets	2.13	313.61	469.21
		3,722.25	3,509.82
Current assets			
Current investments	2.11 b)	555.34	1,722.10
Trade receivables	2.14	2,700.24	2,461.70
Cash and Bank balances	2.15	1,883.15	693.85
Short-term loans and advances	2.16	2,278.56	2,313.74
Other current assets	2.17	6.43	151.00
		7,423.72	7,342.39
Total		11,145.97	10,852.21
Significant Accounting Policies and Notes to the Financial Statements	2.1 to 2.33		

This is the balance sheet referred to in our report of even date

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Statement of Profit and Loss

For the year ended 31 March 2012

	Notes	Year ended 31st March, 2012 ₹ in Lakhs	Year ended 31st March, 2011 ₹ in Lakhs
Revenue			
Sales and Software services	2.18		
Exports		6,480.82	7,228.81
Domestic		3,645.97	2,971.37
		10,126.79	10,200.18
Other income	2.19	644.52	803.33
Total		10,771.31	11,003.51
Expenses			
Purchase of traded software licenses		540.99	654.58
Purchase of traded hardware		104.68	3.00
Employee benefit expenses	2.20	6,373.22	6,372.11
Other expenses	2.21	2,649.20	2,477.58
Depreciation and amortisation expense		295.98	227.84
Total expenses		9,964.07	9,735.11
Profit before exceptional item and tax		807.24	1,268.40
Exceptional item (net of tax)		-	64.18
Profit before tax		807.24	1,204.22
Current tax			
- Indian Income Tax		232.05	280.12
Deferred tax expense		21.02	96.62
		253.07	376.74
Net Profit		554.17	827.48
Earnings per equity share (Basic and diluted) - (₹)	2.31	5.42	8.27
Face Value per Share - (₹)		10.00	10.00
Significant Accounting Policies and Notes to the Financial Statements	2.1 to 2.33		

This is the statement of profit and loss referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Cash Flow Statement

For the year ended 31 March 2012

	Year ended 31st March, 2012 ₹ in Lakhs	Year ended 31st March, 2011 ₹ in Lakhs
[A] Cash Flows from Operating Activities		
Net profit before tax and exceptional item	807.24	1,268.40
Exceptional item	-	(64.18)
	807.24	1,204.22
Depreciation and Amortisation expense	295.98	227.84
Unrealised foreign exchange gains (net)	(4.20)	(2.17)
Loss on disposal of fixed assets (net)	9.71	10.35
Bad debt written off	-	0.34
Dividend income	(93.92)	(124.12)
Provision for bad and doubtful debts / (Excess provision written back)	14.71	11.65
Interest income	(27.82)	(5.68)
	194.46	118.21
Operating profit before working capital changes	1,001.70	1,322.43
Adjustment for:		
Trade and other receivables	76.60	(465.81)
Trade payables and other liabilities	(174.41)	(118.20)
	(97.81)	(584.01)
Cash generated from operations	903.89	738.42
Direct taxes paid	(388.71)	(553.79)
Net cash from operating activities	515.18	184.63
[B] Cash flows from investing activities		
Purchase of fixed assets (including capital advances)	(168.80)	(712.89)
Sale of fixed assets	21.11	24.50
Purchase of investments	(5,203.02)	(10,240.27)
Sale of investments	6,463.72	11,393.32
Investment in Subsidiary Company	(501.20)	-
Dividend received	93.92	124.12
Dividend reinvested in Mutual Funds	(93.92)	(124.12)
Interest received	27.82	5.68
Net cash from investing activities	639.63	470.34
[C] Cash flows from financing activities		
Preferential Issue of Equity Shares	393.62	-
Dividend and tax thereon paid	(350.60)	(583.05)
Net cash from / (used in) financing activities	43.02	(583.05)
Net increase in cash and cash equivalents	1,197.83	71.92
Cash and cash equivalents - opening balance	715.83	643.91
Cash and cash equivalents - closing balance	1,913.66	715.83
Cash and cash equivalents comprise of:		
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	976.59	560.08
- deposit accounts (including EEFC deposit accounts)	830.93	57.25
- margin money deposits against guarantees	71.09	67.99
- unclaimed dividend accounts	21.50	24.20
Balance with non-scheduled bank in current account	1.12	1.07
Cash and Bank Balances as per books	1,901.23	710.59
Exchange difference on translation of foreign currency accounts/deposits	12.43	5.24
	1,913.66	715.83

Note: Cash and cash equivalents include (₹ Lakhs) 21.50 (Previous Year (₹ Lakhs) 24.20) which is not available for use by the Company.

This is the cash flow statement referred to in our report of even date

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Place : Mumbai
Date : 3 May 2012

Place : Mumbai
Date : 3 May 2012

Notes annexed to and forming part of the Financial Statements

For the year ended 31 March 2012

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

COMPANY OVERVIEW

Blue Star Infotech Limited ('Blue Star', 'BSIL' or the 'Company') along with its wholly owned and controlled subsidiaries, Blue Star Infotech America, Inc., Blue Star Infotech (UK) Limited and Blue Star Infotech (Singapore) Pte. Limited is an Information technology and software services organisation. The Company provides technology, consultancy and outsourcing services.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and preparation of financial statements

The financial statements which have been prepared under the historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable.

(b) Use of estimates

The preparation of the 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, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include estimate of useful life of fixed assets, unbilled revenue, income taxes, estimated gain/loss on foreign exchange contracts and future obligations under employee retirement benefit plans. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

(c) Fixed Assets, Capital Work-in-Progress and Depreciation

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- (ii) Depreciation is provided on Building under the Straight-Line Method and on other fixed assets, other than Leasehold building improvements, under the Written down Value method. Depreciation is provided on a pro-rata basis at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, which also represent the useful life of fixed assets.
- (iii) Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is earlier, on a straight-line basis.
- (iv) Assets acquired but not ready for use or assets under construction are classified under capital work-in-progress.
- (v) Management evaluates at regular intervals, using external and internal sources, the need for impairment of any asset. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its net realisable value on its eventual disposal. Any loss on account of impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(d) Intangible Assets

Costs relating to acquisition of computer software are capitalised as 'Intangible Assets' and amortised on a straight line basis over a period of three years, which is the management's estimate of the useful life of such software.

(e) Investments

Investments are classified into long-term investments and current investments. Long-term investments are carried at cost. Provision for diminution in the value of long-term investments is not made unless it is considered other than temporary. Current investments are valued at lower of cost and net realisable value.

(f) Foreign Currency Transactions

- (i) Initial Recognition - Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction.
- (ii) Conversion - Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet.
- (iii) Exchange Differences - All exchange differences arising on settlement/conversion of foreign currency transactions are included in the Statement of Profit and Loss in the year in which they arise.
- (iv) Forward Cover - The Company uses foreign exchange forward contracts and forward option contracts to hedge its exposure to foreign currency fluctuations. The premium or discount arising at the inception of forward option contracts and foreign exchange forward contracts is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts is recognised as income or expense for the year.
- (v) Pursuant to the Announcement 'Accounting for Derivatives' by the Institute of Chartered Accountants of India, the Company has adopted Accounting Standard 30, Financial Instruments: Recognition and Measurement, prescribed by the Institute of Chartered Accountants of India, with effect from April 1, 2008. Consequently, outstanding forward contracts have been treated as highly probable forecast transactions based on historic trends. Accordingly, gains / losses arising on 'mark to market' of such open forward contracts have been accumulated in 'Hedging Reserve Account'. The Company uses forward contracts as economic hedges and not for trading or speculative purposes.

(g) Staff benefits

- (i) All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- (ii) The Company's contribution to Provident Fund is remitted to a trust established for this purpose based on a fixed percentage of the eligible employees' salary and charged to Statement of Profit and Loss. The Company has categorised its Provident Fund as a defined contribution plan since it has no further obligations beyond these contributions.
- (iii) The Company's contribution under a defined Superannuation Plan to the trust established for this purpose based on a specified percentage of salary of eligible employees is charged to Statement of Profit and Loss. The Company has categorised Superannuation Plan as a defined contribution plan since it has no further obligations beyond these contributions.
- (iv) The Company's liability towards gratuity and compensated absences, being defined benefit plans is accounted for on the basis of an independent actuarial valuation using the projected unit credit method, done at the year end and actuarial gains/losses are charged to the Statement of Profit and Loss. Gratuity liability is funded by payments to the trust established for the purpose.

(h) Revenue recognition

- (i) Revenue from software development with respect to time and material contracts is recognised as related costs are incurred and services are performed in accordance with the terms of specific contracts.
- (ii) Revenue from fixed price contracts are recognised based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the percentage of completion basis.
- (iii) Revenue from sale of traded software licenses and traded hardware is recognised on delivery to the customer.
- (iv) Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings are classified as unearned revenue.
- (v) Dividend income is recognized when the right to receive the dividend is established.
- (vi) Interest income is recognized on time proportion basis.

(i) Lease Rentals

Rent expense is recognised with reference to the terms of lease agreement and other consideration in respect of operating leases on a straight line basis. Assets given on operating lease are included under fixed assets of the Company. Lease income is recognised on straight line basis over the primary period of lease.

(j) Taxes on Income

The provision for current taxation is computed in accordance with the relevant tax regulations. Deferred tax is recognised on timing differences between the accounting and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets in respect of unabsorbed depreciation and carry forward losses under tax laws are recognised and carried forward to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess realisation.

Tax credit is recognized in respect of Minimum Alternate Tax ('MAT') as per the provisions of Section 115 JAA of the Income Tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within statutory time frame and is reviewed at each Balance Sheet date.

(k) Provisions and Contingent Liabilities

Provisions are recognised in the financial statements in respect of present probable obligations, for amounts which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

All amounts in the financial statements are presented in Indian Rupees Lakhs (₹ in Lakhs) and two decimal places thereafter, except for per share data or as otherwise stated. One Lakh is one tenth of a million.

2.1 Share capital

Particulars	As at 31 March, 2012 (₹ in Lakhs)	As at 31 March, 2011 (₹ in Lakhs)
Authorised 2,00,00,000 (31 March 2011: 1,10,00,000) Equity Shares of ₹ 10 each	2,000.00	1,100.00
Issued, Subscribed and Paid up 1,03,85,000 (31 March 2011: 1,00,00,000) Equity Shares of ₹ 10 each fully paid-up	1,038.50	1,000.00
	1,038.50	1,000.00

The Company has only one class of shares referred as equity shares having a face value of ₹ 10/- each. Each shareholder is entitled to one vote per share.

The Company declares and pay dividends in Indian rupees. All dividends proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting.

During the year ended 31 March 2012, the amount of dividend recognized as distributions to equity shareholders was ₹ 2 per share. The total dividend appropriation for the year ended 31 March 2012 amounted to ₹ 241.40 lakhs (Previous year ₹ 348.67 lakhs) including corporate dividend tax of ₹ 33.70 lakhs (Previous year ₹ 48.67 lakhs).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

The reconciliation of the number of shares outstanding and the amount of share capital as at 31 March 2012 and 31 March 2011 is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Balance at the beginning of the year	1,00,00,000	10,00,00,000	1,00,00,000	10,00,00,000
Add: Shares issued on preferential allotment basis	3,85,000	38,50,000	-	-
Balance at the end of the year	1,03,85,000	10,38,50,000	1,00,00,000	10,00,00,000

Shareholders holding more than 5% Shares

As at 31 March 2012, Blue Star Limited holds 29.83% of the company's shares. (30.98% as of 31 March 2011) and Mr. Ashok Mohan Advani (SEBI stipulated Permanent Account Number based holding) holds 7.69% of the Company's shares (7.99% as of 31 March 2011).

Stock option plan

- The Company has implemented Employee Stock Option Plans for the key employees of the Company and its subsidiaries through the Blue Star Infotech Limited - Key Employee Stock Option Trust (the 'Trust') formed for the purpose. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the Blue Star Infotech Limited - Key Employee Stock Option Scheme are purchased by the trust from the open market. Based on the details provided by the Trust, the position of the Key Employee Stock Option Plans of the Company as at 31 March 2012 is as under:

Sr. No.	Particulars	ESOP Scheme 2003				
1.	Details of approval	Compensation Committee resolutions dated October 25, 2005, June 20, 2006, September 26, 2006, December 27, 2006, April 03, 2007, August 23, 2007, November 12, 2007 and January 23, 2008				July 22, 2011
2.	Implemented through	Trust				Trust
3.	Total number of shares	6,00,000				10,00,000
4.	Price per option	Closing market price prevailing on the previous day prior to issue of options				
5.	Granted	6,91,000				-
6.	Vested	1,98,000				-
7.	Exercised	1,75,850				-
8.	Lapsed/cancelled options	5,15,150				-
9.	Vested and unexercised	-				-
10.	Total number of options in force	-				10,00,000
11.	Money realised	(₹ Lakhs) NIL (Previous Year (₹ Lakhs) 16.53)				-
12.	Vesting Schedule					
	Designation					
	Managerial Employees	1) Vesting begins 3 years after granting				
	All options	2) Vesting on 31 October 2008 and thereafter viz. completion of 3 years from the date of grant				
13.	Senior Managerial Personnel	Options Granted	Options Vested	Options Lapsed	Options Exercised	Balance
		3,57,000	1,17,000	2,45,000	1,12,000	-
14.	All options have an exercise period of 1 year after vesting period.					

Notes:

- The compensation committee at its meeting held on 25 October 2005 pursuant to ESOP Scheme 2003 decided to grant 3,82,000 equity shares to senior employees of the Company at the closing market price of ₹ 117 as at 31 October 2005 on the National Stock Exchange with 10,000 equity shares vesting on 31 October 2006 and rest of the equity shares vesting on 31 October 2008. The offer price was revised to ₹ 72 per share (the closing market price on 19 June 2006 on the National Stock Exchange) for 3,23,000 equity shares vide approval of the members at the Annual General Meeting held on 29 August 2006.
- There is one employee who had been granted options equal to or exceeding 1% of the Issued Capital.
- The diluted Earnings Per Share and Earnings Per Share are the same, as the shares covered under vested options are already issued and allotted and are held by the Trust.
- In the event of any further rights or bonus issue of equity shares after vesting but prior to exercise of the options, the Company/ Trust shall consider the grant of an appropriate number of additional options, at such price as may be determined by the Compensation Committee.

- e) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method. The intrinsic value of the stock options issued by the Company to its employees for services rendered by them is measured as the amount by which the quoted market price of the Company's share as on the date of grant exceeds the exercise price of the stock option. Considering that the stock options have been issued with an exercise price that equals the quoted share price on the previous day, there is no compensation cost recorded in the financial statements using the intrinsic value method.

The movement of stock options during the year ended 31 March 2012 are summarized below:

	Number of options
Outstanding at the beginning of the year	1,31,500
Granted during the year	Nil
Forfeited during the year	Nil
Exercised during the year	Nil
Expired during the year	1,31,500
Outstanding at the end of the year	Nil
Exercisable at the end of the year	Nil

There were no options granted during the year.

Proforma disclosures for amortisation of fair value of options granted during earlier years

Particulars	Year ended 31 March 2012 (₹ in Lakhs)	Year ended 31 March 2011 (₹ in Lakhs)
Profit after taxation as per Statement of Profit and Loss	554.17	827.48
Less: Amortised cost of fair value of options (net of tax)	Nil	(3.48)
Profit after taxation after amortisation of options cost	554.17	824.00
Earnings Per Share- Basic and Diluted	5.42	8.24

2.2 Reserves and surplus

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
Hedging Reserve on Forward Contracts		
Balance at the beginning of the year	150.05	168.26
Add/(Less) : Movement during the year	(730.76)	(18.21)
Balance at the end of the year	(580.71)	150.05
Securities premium account		
Balance at the beginning of the year	-	-
Add: Receipts of Preferential Issue of Equity Shares (net of expenses for the issue)	355.12	-
Balance at the end of the year	355.12	-
General reserve		
Balance at the beginning of the year	1,965.55	1,882.80
Add: Transfer from Statement of Profit and Loss	55.50	82.75
Balance at the end of the year	2,021.05	1,965.55
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	5,262.44	4,866.37
Add : Transferred from Statement of Profit and Loss	554.17	827.48
Less : Proposed final dividend	207.70	300.00
Less : Corporate dividend tax	33.70	48.66
Less : Amount transferred to General Reserve	55.50	82.75
Add : Excess provision for dividend distribution tax written back	1.93	-
Net surplus in the Statement of Profit and Loss	5,521.64	5,262.44
Total Reserves and surplus	7,317.10	7,378.04

2.3 Deferred taxes

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
A Deferred tax liability on:		
Depreciation	147.23	126.21
(A)	147.23	126.21
B Deferred tax asset on:		
Unabsorbed depreciation	-	-
(B)	-	-
Net Deferred tax liability (A)-(B)	147.23	126.21

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has legally enforceable rights to set-off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities are in relation to such taxes which are levied by the same tax authority.

2.4 Long-term provisions

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
Provision for employee benefits (Also refer note 2.29)		
Gratuity	20.55	3.85
Compensated absences	67.80	185.04
	88.35	188.89

2.5 Other long-term liabilities

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
Deposits against leasehold premises	266.37	266.37
	266.37	266.37

2.6 Trade payables

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
Sundry creditors- for services (also refer note 2.27)	577.45	183.83
	577.45	183.83

2.7 Other current liabilities

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
Sundry creditors-others	679.54	883.84
Unearned revenue	66.12	230.33
Unclaimed dividends*	21.50	24.20
Hedging reserve on open forward contracts	580.71	-
Other liabilities	120.24	217.38
	1,468.11	1,355.75

* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund

2.8 Short-term provisions

	As at 31 March 2012 (₹ in Lakhs)	As at 31 March 2011 (₹ in Lakhs)
For employee benefit		
Compensated absences	1.46	2.52
For others		
Proposed dividend	207.70	300.00
Corporate dividend tax	33.70	50.60
	242.86	353.12

2.9 Fixed assets

(₹ in Lakhs)

Description of assets	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at 1 April 2011	Additions/ Transfers during April 11- March 12	Deletions/ Transfers during April 11- March 12	As at 31 March 2012	As at 1 April 2011	For the year April 11- March 12	Withdrawals during April 11- March 12	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Building	1,402.65	-	-	1,402.65	143.99	23.38	-	167.37	1,235.28	1,258.66
Leasehold building improvements	514.40	77.17	-	591.57	149.96	61.55	-	211.51	380.06	364.44
Air conditioners	157.40	1.48	19.93	138.95	97.44	8.50	16.69	89.25	49.70	59.96
Computers	623.34	131.62	29.32	725.64	493.15	91.10	28.17	556.08	169.56	130.19
Furniture & fittings	692.53	4.31	122.44	574.40	500.74	35.27	110.92	425.09	149.31	191.79
Office equipment	109.04	1.85	19.84	91.05	71.41	5.45	15.58	61.28	29.77	37.63
Vehicles	120.98	-	32.74	88.24	68.56	12.97	22.09	59.44	28.80	52.42
Intangible Assets										
Computer Software	265.53	91.49	0.56	356.46	183.31	57.76	0.56	240.51	115.95	82.22
TOTAL-Fixed Assets	3,885.87	307.92	224.83	3,968.96	1,708.56	295.98	194.01	1,810.53	2,158.43	2,177.31
<i>Previous Year</i>	<i>3,960.13</i>	<i>573.78</i>	<i>648.04</i>	<i>3,885.87</i>	<i>2,093.91</i>	<i>227.84</i>	<i>613.19</i>	<i>1,708.56</i>	<i>2,177.31</i>	<i>-</i>

2.10 Operating lease obligations

- a. The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 416.92 (Previous year (₹ in Lakhs) 349.59) is recognised as lease expenses in the Statement of profit and loss for the year ended 31 March 2012. The future guaranteed lease payments under non-cancellable portion of cancellable leases are:
 - i) less than one year - (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) 155.74)
 - ii) later than one year but not later than 5 years - (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) 9.8)
- b. The Company has leased out office premises and furniture under non-cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 369.91 (Previous year (₹ in Lakhs) 437.75) is recognised as lease income in the Statement of Profit and Loss for the year ended 31 March 2012. The future guaranteed lease payments under non-cancellable leases are:
 - i) less than one year - (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) 392.40)
 - ii) later than one year but not later than 5 years - (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) 1.87)

2.11 a) Non-current investments**Trade, unquoted (Valued at cost unless stated otherwise)**

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Investment in subsidiary companies		
13,50,000 shares (common stock) of US\$ 1 each in Blue Star Infotech America, Inc. (formerly USIN International, Inc.), fully paid-up (Previous year 3,50,000 shares of US\$ 1 each fully paid-up)	684.27	183.07
3,00,000 equity shares of GBP 1 each in Blue Star Infotech (UK) Limited fully paid-up (Previous year 3,00,000 equity shares of GBP 1 each, fully paid-up)	208.29	208.29
10 equity shares of SGD 1 each in Blue Star Infotech (Singapore) Pte. Limited fully paid-up (Previous year Nil equity shares of SGD 1 each, fully paid-up) (Value ₹ 430)	-	-
Note: Aggregate book value of unquoted investments (₹ in lakhs) 892.56 {Previous year (₹ in lakhs) 391.36}		
	892.56	391.36

b) Current investments**Non-Trade, unquoted**

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Investment in units of Mutual Funds		
DWS Mutual Fund - Fixed Term Fund - Series 73 - Growth Plan Nil units (Previous year - 20,00,000 units)	-	208.55
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment Nil units (Previous year - 19,93,720 units)	-	200.00
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 28,27,803 units (Previous year - 24,14,497 units)	300.78	256.82
ICICI Prudential - Liquid Super Institutional Plan - Daily Dividend Nil units (Previous year - 1,50,775 units)	-	150.81
Kotak Mutual Fund - Flexi Debt Scheme Institutional - Daily Dividend Reinvestment Nil units (Previous year 1,009,919 units)	-	101.47
Reliance Liquid Fund - Cash Plan - Daily Dividend Option Nil units (Previous year - 916,685 units)	-	102.13
Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan Nil units (Previous year - 23,46,482 units)	-	314.33
Tata Liquid Super High - Investment Fund - Daily Dividend Nil units (Previous year 34,812 units)	-	387.99
DWS Mutual Fund - Treasury Fund Cash - Institutional Plan - Daily Dividend 1,50,747 units (Previous year - Nil units)	151.50	-
ICICI Prudential Regular Savings Fund Growth - 9,22,416 units (Previous year - Nil units)	103.06	-
Note : Aggregate book value of unquoted investments (₹ in Lakhs) 555.34 {Previous year (₹ in Lakhs) 1722.10}		
	555.34	1,722.10

2.12 Long-term loans and advances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Deposit for Rent, Electricity and Water	357.65	332.82
	357.65	332.82

2.13 Other non-current assets

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Corpus to ESOP Trust	0.05	0.05
Corpus to Provident Fund Trust	0.25	0.25
MAT credit entitlement	271.56	400.53
Deferred rent	23.67	51.64
Deposits with maturity exceeding twelve months	18.08	16.74
	313.61	469.21

2.14 Trade receivables (Unsecured)

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Outstanding for a period exceeding six months		
- Considered good	38.38	17.99
- Considered doubtful	28.16	24.82
	66.54	42.81
Other debts		
- Considered good	2,661.86	2,443.71
- Considered doubtful	-	-
	2,728.40	2,486.52
Less: Provision for bad and doubtful debts	28.16	24.82
	2,700.24	2,461.70

Note: Sundry Debtors include due from Subsidiaries (₹ in Lakhs) 1,339.82 {Previous year (₹ in Lakhs) 1,658.17}

2.15 Cash and Bank balances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Cash and cash equivalents		
Cash on hand	-	-
Balances with scheduled banks in:		
- Current Accounts (including EEFC accounts)	976.59	560.08
Balance with non-scheduled bank in current account Nordea Bank, Finland - Maximum balance outstanding during the year (₹ Lakhs) 1.12 {Previous Year (₹ Lakhs) 1.07}	1.12	1.07
	977.71	561.15
Other bank balances		
- Deposit accounts (including EEFC deposit accounts)	830.93	57.25
- Margin money deposits against guarantees	71.09	67.99
- Unclaimed dividend accounts	21.50	24.20
	923.52	149.44
Total	1,901.23	710.59
Less : Amounts disclosed as Other non-current assets (Refer note 2.13)	(18.08)	(16.74)
	1,883.15	693.85

2.16 Short-term loans and advances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Unsecured and considered good		
Unbilled services	84.10	70.59
Prepaid expenses	61.74	43.13
Other deposits	54.33	73.03
Advances recoverable in cash or in kind or for value to be received	49.08	383.32
Advance tax (Net of provision)	2,029.31	1,743.67
	2,278.56	2,313.74

Loans and advances include amount due from a director – (₹ in Lakhs) Nil (Previous Year - (₹ in lakhs) Nil). Maximum balance outstanding from a director during the year (₹ in Lakhs) 1.50 (Previous Year (₹ in Lakhs) 1.50)

2.17 Other current assets

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Hedging reserve on open forward contracts	-	150.05
Deferred rent	6.43	0.95
	6.43	151.00

2.18 Sales and Software services

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Income from software services	9,327.59	9,385.06
Income from sale of software licences / hardware	794.85	802.52
Reimbursement income	4.35	12.60
	10,126.79	10,200.18

2.19 Other income

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Interest on bank deposits	27.82	5.68
Dividend income from current investments	93.92	124.12
Gain on exchange translation	152.13	219.40
License fee for office property	369.91	437.75
Miscellaneous income	0.74	16.38
	644.52	803.33

2.20 Employee benefit expenses

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Salaries and wages	5,024.17	4,897.92
Contribution to provident and other funds	288.42	232.48
Staff welfare	252.52	256.39
Overseas employee costs	808.11	985.32
	6,373.22	6,372.11

2.21 Other expenses

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Travelling and conveyance	529.28	695.37
Rent	416.92	349.59
Rates and taxes	41.30	11.52
Power	171.98	159.91
Communication expenses	172.84	133.75
Insurance	18.50	15.44
Repairs and maintenance		
- Building / Leasehold premises	74.41	67.25
- Computers and Air Conditioners	39.01	31.40
- Others	16.02	15.74
Payment to auditors		
- Audit services	13.90	13.90
- Taxation matters	1.70	1.70
- Certification work	3.90	0.90
- Out of pocket expenses	0.22	0.68
Directors' fees	7.80	5.40
Commission to Non-executive Directors	9.11	13.49
Reimbursement of CEO and Managing Directors' remuneration	25.70	-
Chairman and Managing Directors' remuneration	26.40	26.40
Cost of technical and other manpower	797.17	603.91
Professional charges	31.06	41.39
Loss on disposal of fixed assets	9.71	10.35
Bad debts written off	-	0.34
Provision for bad and doubtful debts	14.71	11.65
Recruitment charges	33.19	28.33
Forward option cost	4.37	40.58
Security charges	32.11	21.73
Cost of software license and tools	28.06	21.67
Miscellaneous expenses	129.83	155.19
	2,649.20	2,477.58

2.22 Contingent liabilities and commitments (to the extent not provided for)

i) Contingent liability not provided in respect of:

- Demand(s) raised by the Income Tax authorities for prior financial year(s) during the year aggregating (₹ in lakhs) Nil (Previous year (₹ in Lakhs) 3,196.41) against which the Company has filed appeal(s) with the Commissioner of Income-tax (Appeals).
- Appeal(s) filed with the Appellate Tribunal (India) towards income-tax demands amounting to (₹ in Lakhs) 175.50 (Previous year (₹ in Lakhs) 65.84).

The Company is advised that it would get a favourable verdict and no demand would be eventually sustained in any of the above matters. Accordingly, no provision is made in the books in respect of these contingent liabilities.

- ii) Guarantees given on behalf of the Company by banks (₹ in Lakhs) 71.09 (Previous Year (₹ in Lakhs) 67.99).
- iii) Guarantees given by Company on behalf of its subsidiary, Blue Star Infotech (UK) Limited (₹ in Lakhs) 27.18 (Previous year (₹ in Lakhs) NIL).

For the year ended 31 March 2012

2.23 Additional information pursuant to the provisions of Revised Schedule VI to the Companies Act, 1956

The Company is engaged in the development of computer software. Considering the nature of business, certain details required under Revised Schedule VI to the Companies Act, 1956 are not applicable.

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Value of imports on CIF basis (on accrual basis)		
Capital goods	56.00	84.68
Expenditure in foreign currency (on accrual basis)		
Travel expenses	233.72	363.82
Professional fees	Nil	1.11
Service charges to overseas subsidiaries	871.76	1,051.45
Purchase of traded software licences	17.59	6.03
	1,123.07	1,422.41
Earnings in foreign exchange (on accrual basis)		
Income from services	6,746.08	7,374.45

2.24 Dividend remitted in foreign currency:

	Year ended 31 March 2012	Year ended 31 March 2011
Number of non-resident shareholders	118	123
Number of shares held by them	95,778	107,398
Gross amount of dividend remitted (₹ in Lakhs)	2.87	5.37
The financial year to which it relates	2010-11	2009-10

2.25 Related party transactions

- Blue Star Infotech (UK) Limited (BSIUK), the 100 % subsidiary of the Company has earned profits during the year ended 31 March 2012 and also has a positive net worth, as at the year-end.
- Blue Star Infotech America Inc., the 100 % subsidiary of the Company has incurred a loss during the year ended 31 March 2012 but has a positive net worth as at the year-end. The management believes that the business loss is a temporary phenomenon arising mainly due to a temporary reduction in turnover consequent to transient adverse market conditions. Hence, no impairment of the investment in the subsidiary is currently deemed necessary in the books of account.

Related Party Disclosures:

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related, if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Particulars	(₹ in Lakhs)				
	Subsidiaries	Associates	Promoters	Key Managerial Personnel	Total for the Year
Rendering of Economic Benefits					
- Blue Star Infotech America, Inc.	4,238.10	-	-	-	4,238.10
- Blue Star Infotech (UK) Limited	1,667.63	-	-	-	1,667.63
- Blue Star Limited	-	934.17	-	-	934.17
	6,715.23	926.86	-	-	7,642.09
Receiving of Economic Benefits					
- Blue Star Infotech America, Inc.	937.99	-	-	-	937.99
- Blue Star Infotech (UK) Limited	157.57	-	-	-	157.57
- Blue Star Limited	-	41.56	-	-	41.56
	1,082.51	54.54	-	-	1,137.05
Reimbursement of expenses					
- Blue Star Infotech America, Inc.	52.05	-	-	-	52.05
- Blue Star Infotech (UK) Limited	24.72	-	-	-	24.72
	41.06	-	-	-	41.06

Particulars	Subsidiaries	Associates	Promoters	Key Managerial Personnel	Total for the Year
Purchase of capital goods					
- Blue Star Limited	-	58.81	-	-	58.81
	-	<i>72.40</i>	-	-	<i>72.40</i>
Capital advance given					
- Blue Star Limited	-	2.90	-	-	2.90
	-	-	-	-	-
Security deposit given					
	-	-	-	-	-
	-	<i>100.00</i>	-	-	<i>100.00</i>
Sale of capital goods					
- Blue Star Limited	-	2.40	-	-	2.40
	-	-	-	-	-
Director Sitting Fees					
- Mr. Ashok M. Advani	-	-	1.00	-	1.00
	-	-	<i>0.80</i>	-	<i>0.80</i>
Non - Executive Director commission					
- Mr. Ashok M. Advani	-	-	1.45	-	1.45
	-	-	2.62	-	2.62
Remuneration					
- Mr. Suneel M. Advani	-	-	44.40	-	44.40
- Mr. Sunil Bhatia	-	-	-	25.70	25.70
	-	-	<i>44.40</i>	-	<i>44.40</i>
Outstanding Balance					
Debit Balance	1,339.82	598.12	-	-	1,937.94
	<i>1,658.17</i>	<i>274.22</i>	-	-	<i>1,932.39</i>
Credit Balance	483.19	40.79	-	-	523.98
	<i>77.40</i>	<i>14.18</i>	-	-	<i>91.58</i>

Note: Figures in Italics are of the previous year

Names of related parties and description of relationship

Subsidiaries and related interests	(a) Blue Star Infotech America, Inc., USA (100% subsidiary) (b) Blue Star Infotech (UK) Limited, UK (100% subsidiary) (c) Blue Star Infotech (Singapore) Pte. Limited Singapore (100% subsidiary) (d) Blue7 Solutions LLC, USA (60% shareholding of Blue Star Infotech America Inc, USA)
Associates	Blue Star Limited (Holding 29.83% of the equity share capital of the Company)
Promoters	Mr. Suneel M. Advani, Chairman and Managing Director Mr. Ashok M. Advani, Vice-Chairman
Key Managerial Personnel	Mr. Sunil Bhatia, Chief Executive Officer and Managing Director

2.26 Remuneration to Managing Director included in the Statement of Profit and Loss is as follows :

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Chairman and Managing Director's remuneration	26.40	26.40
House Rent (net)	18.00	18.00
Reimbursement of CEO and Managing Director's remuneration	25.70	-
Total	70.10	44.40

2.27 Micro, small and medium enterprises

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2012. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the statutory auditors of the Company.

2.28 Derivative Instruments

The Company has entered into the following derivative instruments:

- (a) Forward Exchange Contracts and Foreign Exchange Options Contracts [being derivative instruments], which are not intended for trading or speculative purposes, but for hedging purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

There are outstanding Forward Exchange Contracts and Foreign Exchange Options Contracts entered into by the Company as at March 31, 2012 of US Dollar \$ 1,18,00,000 and GBP £ Nil Cross Currency-Rupees {Previous year US Dollar \$ 1,11,50,000 and GBP £ 80,000}

- (b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable (net of payables) in foreign currency on account of the following:

Foreign Currency Exposure	2011-2012 (₹ in Lakhs)	2011-2012	2010-2011 (₹ in Lakhs)	2010-2011
Exports in US \$	NIL	NIL	NIL	NIL
Exports in UK £	278.48	£340,438	291.38	£405,094
Exports in EUR €	NIL	NIL	NIL	NIL

2.29 Staff benefit cost in accordance with Accounting Standard 15 (Revised 2005)

- a) Defined Contribution Plans: The amount recognised as an expense during the year is (₹ in Lakhs) 288.42 (Previous Year (₹ in Lakhs) 232.48).
- b) Defined Benefit Plans:

Particulars	2011-12 ₹ in Lakhs	2010-11 ₹ in Lakhs
Change in Defined Benefit Obligation:		
Obligations as at the beginning of the year:	345.31	369.49
Service Cost	75.72	82.24
Interest Cost	23.23	25.47
Actuarial (gain) / loss	(101.93)	(72.13)
Benefits paid	(109.93)	(59.76)
Present value of defined benefit obligations as at year end (A)	232.40	345.31
Change in Plan Assets:		
Opening plan assets, at fair value	153.90	165.05
Expected return on plan assets	11.46	12.75
Actuarial gain / (loss)	(1.44)	(12.45)
Contributions	88.60	48.31
Benefits paid	(109.93)	(59.76)
Fair value of plan assets as at year end (B)	142.59	153.90
Cost for the year		
Service Cost	75.72	82.24
Interest Cost	23.23	25.47
Expected return on plan assets	(11.46)	(12.75)
Actuarial (gain) / loss	(100.49)	(59.68)
Total net cost recognised as employee remuneration	(13.00)	35.28
Reconciliation of Benefit Obligations & Plan Assets for the year:		
Present value of defined benefit obligations as at year end (A)	232.40	345.31
Fair value of plan assets as at year end (B)	142.59	153.90
Net (asset) / liability as at year end recognised in Balance Sheet (A) - (B)	89.81	191.41
Investment details of plan assets:		
The plan assets are invested in trust managed funds:		
Assumptions:		
Discount Rate	8.00%	8.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%

For the year ended 31 March 2012

- c) During the year, the Company has reversed provisions made towards incentive and sales commission relating to employees amounting to (₹ in Lakhs) Nil {Previous year (₹ in Lakhs) 235.00}.
- d) During the year, the Company has revised its Privilege leave salary policy wherein the maximum number of encashable Privilege leave is reduced from 120 days to 55 days. As a consequence, there is reversal of leave salary provision by (₹ In Lakhs) 119.67 {Previous year (₹ in Lakhs) Nil}.

2.30 Exceptional Item (FY 2010-11)

Notice(s) demanding differential stamp duty of (₹ Lakhs) 46.99 and penalty of (₹ Lakhs) 33.98 was received during the year 2007-08, pursuant to disallowance of stamp duty concession availed by the Company in the year 2005. As per the Information Technology (IT) Policy issued by the Government of Maharashtra in the year 2003, 75% stamp duty concession was granted on purchase of property for establishing a new unit related to Information Technology in recognized private IT Parks. This matter was disputed by stamp duty authorities before the Honourable High Court, Bombay. No hearing was scheduled in the aforesaid matter by the Honourable High Court, Bombay for over three years. As a matter of commercial prudence, the Board of Directors decided to withdraw the petition(s) from the Honourable High Court, Bombay and pay the differential stamp duty and penalty without getting into the merits of the matter. Accordingly, in the year 2010-11 a total sum of (₹ lakhs) 111.37 was paid including (₹ Lakhs) 64.18 as penalty which has been disclosed as an exceptional item in the Statement of Profit and Loss.

2.31 Earnings Per Share (EPS)

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax and exceptional item (and includes post tax effect of any extraordinary items). The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprise the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares which could have been issued on conversion of all dilutive potential shares.

	Year ended 31 March 2012	Year ended 31 March 2011
i. Net Profit after tax (₹ in Lakhs)	554.17	827.48
ii. Basic (weighted average) number of Equity Shares	1,02,31,421	1,00,00,000
iii. Diluted (weighted average) number of Equity Shares	1,02,31,421	1,00,00,000
iv. Earnings per share (EPS) in ₹ - Basic and diluted	5.42	8.27

2.32 The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 (51/12/2007-CL-III) dated 08 February 2011 read with General Circular No. 3/2011 dated 21 February 2011 issued under section 212(8) of the Companies Act, 1956 has granted general exemption to companies from attaching the Balance Sheet and Statement of Profit and Loss of their subsidiaries under section 212(1) of the Companies Act, 1956 and clarified that this exemption is applicable for financial statements prepared on or after 31 March 2011.

2.33 The previous year's figures have been recast/regrouped/rearranged, wherever considered necessary in accordance with Revised Schedule VI forming part of the Companies Act, 1956 and effective for financial year commencing on or after 01 April, 2011.

As per our report of even date attached

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

To

The Board of Directors of **Blue Star Infotech Limited**

1. We have audited the attached Consolidated Balance Sheet of Blue Star Infotech Limited, its subsidiaries and joint venture company (hereinafter collectively referred to as the 'Group'), as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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 whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated 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 report that the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of interests in Joint Ventures' notified pursuant to the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
 - (b) the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place : Mumbai

Date : 3 May 2012

Consolidated Balance Sheet

As at 31 March 2012

	Notes	As at 31st March, 2012 ₹ in Lakhs	As at 31st March, 2011 ₹ in Lakhs
Equity and liabilities			
Shareholders' funds			
Share capital	2.1	1,038.50	1,000.00
Reserves and surplus	2.2	7,187.02	7,445.05
		8,225.52	8,445.05
Non-current liabilities			
Deferred tax liabilities (net)	2.3	150.62	126.52
Long-term provisions	2.4	88.35	188.89
Other long-term liabilities	2.5	266.37	266.37
		505.34	581.78
Current liabilities			
Trade payables	2.6	638.68	146.05
Other current liabilities	2.7	1,764.73	1,623.46
Short-term provisions	2.8	299.00	398.36
		2,702.41	2,167.87
Total		11,433.27	11,194.70
Assets			
Non-current assets			
Fixed assets			
Tangible assets	2.9	2,051.88	2,106.39
Intangible assets	2.9	116.03	82.22
Capital work-in-progress		-	139.11
Non-current investments	2.11 a)	215.18	-
Deferred tax assets (net)	2.3	-	56.19
Long-term loans and advances	2.12	374.15	346.68
Other non-current assets	2.13	313.71	469.22
		3,070.95	3,199.81
Current assets			
Current investments	2.11 b)	555.34	1,722.10
Trade receivables	2.14	2,853.19	2,622.13
Cash and Bank balances	2.15	2,280.50	1,048.73
Short-term loans and advances	2.16	2,666.86	2,450.93
Other current assets	2.17	6.43	151.00
		8,362.32	7,994.89
Total		11,433.27	11,194.70
Significant Accounting Policies and Notes to the Financial Statements	2.1 to 2.28		

This is the balance sheet referred to in our report of even date

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Consolidated Statement of Profit and Loss

For the year ended 31 March 2012

	Notes	Year ended March 31, 2012 ₹ in Lakhs	Year ended March 31, 2011 ₹ in Lakhs
Revenue			
Sales and Software services	2.18		
Exports		8,951.81	9,055.01
Domestic		3,645.96	2,971.37
		12,597.77	12,026.38
Other income	2.19	845.26	885.24
Total		13,443.03	12,911.62
Expenses			
Purchase of traded software licenses		540.99	654.58
Purchase of traded hardware		104.68	3.00
Employee benefit expenses	2.20	7,370.98	7,331.57
Depreciation and amortisation expense		301.35	232.87
Other expenses	2.21	4,445.21	3,386.89
Total expenses		12,763.21	11,608.91
Profit before exceptional item and tax		679.82	1,302.71
Exceptional item (Net of tax)		-	64.18
Profit before tax		679.82	1,238.53
Current tax			
- Indian Income Tax		232.05	280.10
- Foreign Tax		(3.81)	21.94
Deferred tax expense		94.50	96.64
Total		322.74	398.68
Net Profit		357.08	839.85
Earnings per equity share (Basic and diluted) - (₹)	2.26	3.49	8.40
Face Value per Share - (₹)		10.00	10.00
Significant Accounting Policies and Notes to the Financial Statements	2.1 to 2.28		

This is the statement of profit and loss referred to in our report of even date

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
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Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2012

	Year Ended March 31, 2012 ₹ in Lakhs	Year Ended March 31, 2011 ₹ in Lakhs
[A] Cash Flows from Operating Activities		
Net profit before tax and exceptional item	679.82	1,302.71
Exceptional item	-	(64.18)
	679.82	1,238.53
Depreciation and Amortisation expense	301.35	232.87
Unrealised foreign exchange gains (net)	(41.82)	(38.26)
Loss on disposal of fixed assets (net)	9.71	10.35
Provision for bad and doubtful debts / (excess provision written back)	37.74	(27.01)
Dividend income	(93.92)	(124.12)
Bad and doubtful debts written off / Sundry balances written back (net)	0.14	(0.21)
Interest income	(28.24)	(6.07)
	184.96	47.55
Operating profit before working capital changes	864.78	1,286.08
Adjustment for:		
Trade and other receivables	(188.27)	(130.10)
Trade payables and other liabilities	(35.55)	(449.40)
	(223.82)	(579.50)
Cash generated from operations	640.96	706.58
Direct taxes paid	(398.90)	(556.35)
Net cash from operating activities	242.06	150.23
[B] Cash flows from investing activities		
Purchase of fixed assets (Including capital advances)	(173.12)	(719.33)
Sale of fixed assets	21.87	24.53
Purchase of investments	(5,203.02)	(10,240.27)
Sale of investments	6,463.71	11,393.32
Investment in Joint Venture Company	(215.18)	
Dividend received	93.92	124.12
Dividend reinvested in Mutual Funds	(93.92)	(124.12)
Interest received	28.24	6.07
Net cash from investing activities	922.50	464.32
[C] Cash flows from financing activities		
Preferential Issue of Equity Shares	393.62	
Dividend and tax thereon paid	(350.60)	(583.05)
Net cash from/(used) in financing activities	43.02	(583.05)
Net increase in cash and cash equivalents	1,207.58	31.50
Cash and cash equivalents - opening balance	1,036.18	1,004.68
Cash and cash equivalents - closing balance	2,243.76	1,036.18
Cash and cash equivalents comprise of:		
Cash on Hand	-	0.02
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	976.59	560.09
- deposit accounts (including EEFC deposit accounts)	830.93	57.23
- margin money deposits against guarantees	71.09	67.99
- unclaimed dividend accounts	21.50	24.20
Balance with non-scheduled bank in current account	398.47	355.94
Cash and Bank Balances as per books	2,298.58	1,065.47
Exchange difference on translation of foreign currency accounts/deposits	(54.82)	(29.29)
	2,243.76	1,036.18

Note: Cash and cash equivalents include (₹Lakhs) 21.50 (Previous Year (Rs. Lakhs) 24.20) which is not available for use by the Company.

This is the cash flow statement referred to in our report of even date

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
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Place : Mumbai
Date : 3 May 2012

Ashok M Advani
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Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director
Suresh N Talwar
Director

As at 31 March 2012

NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Basis of preparation

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006.

(ii) Principles of consolidation

The consolidated financial statements present the financial statements of Blue Star Infotech Limited (the 'Company') and all of its subsidiaries, which are more than 50% owned, controlled and integral to the core business of the group. All significant transactions and balances between the entities included in the consolidation have been eliminated.

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 on Consolidated Financial Statements. The financial statements of the parent company, Blue Star Infotech Limited, its subsidiaries, Blue Star Infotech America, Inc. and Blue Star Infotech (UK) Limited, Blue Star Infotech (Singapore) Pte. Limited (collectively the 'Group') have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

(iii) Companies Included in consolidation

Name of the Company	Country of incorporation	Proportion of ownership interest
Blue Star Infotech America, Inc.	United States of America (USA)	100% owned subsidiary
Blue Star Infotech (UK) Limited	United Kingdom (UK)	100% owned subsidiary
Blue Star Infotech (Singapore) Pte Ltd	Singapore	100% owned subsidiary

(b) Basis of accounting and preparation of financial statements

The financial statements which have been prepared under the historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable.

(c) Use of estimates

The preparation of the 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, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include estimate of useful life of fixed assets, unbilled revenue, income taxes, estimated gain/loss on foreign exchange contracts and future obligations under employee retirement benefit plans. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

(d) Fixed Assets, Capital Work-in-Progress and Depreciation

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- (ii) Depreciation is provided on Building under the Straight-Line Method and on other fixed assets, other than Leasehold building improvements, under the Written down Value method. Depreciation is provided on a pro-rata basis over the useful life of fixed assets.
- (iii) Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is earlier, on a straight-line basis.
- (iv) Assets acquired but not ready for use or assets under construction are classified under capital work-in-progress.

- (v) Management evaluates at regular intervals, using external and internal sources, the need for impairment of any asset. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its net realisable value on its eventual disposal. Any loss on account of impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(e) Intangible Assets

Costs relating to acquisition of computer software are capitalised as 'Intangible Assets' and amortised on a straight line basis over a period of three years, which is the management's estimate of the useful life of such software.

(f) Investments

Investments are classified into long-term investments and current investments. Long-term investments are carried at cost. Provision for diminution in the value of long-term investments is not made unless it is considered other than temporary. Current investments are valued at lower of cost and net realisable value.

(g) Foreign Currency Transactions

- (i) Initial Recognition - Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction.
- (ii) Conversion - Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet.
- (iii) Exchange Differences - All exchange differences arising on settlement/conversion of foreign currency transactions are included in the Statement of Profit and Loss in the year in which they arise.
- (iv) Forward Cover - The Company uses foreign exchange forward contracts and forward option contracts to hedge its exposure to foreign currency fluctuations. The premium or discount arising at the inception of forward option contracts and foreign exchange forward contracts is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts is recognised as income or expense for the year.
- (v) Pursuant to the Announcement 'Accounting for Derivatives' by the Institute of Chartered Accountants of India, the Company has adopted Accounting Standard 30, Financial Instruments: Recognition and Measurement, prescribed by the Institute of Chartered Accountants of India, with effect from April 1, 2008. Consequently, outstanding forward contracts have been treated as highly probable forecast transactions based on historic trends. Accordingly, gains / losses arising on 'mark to market' of such open forward contracts have been accumulated in 'Hedging Reserve Account'. The Company uses forward contracts as economic hedges and not for trading or speculative purposes.

(h) Staff benefits

1. In respect of India:

- (i) All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- (ii) The Company's contribution to Provident Fund is remitted to a trust established for this purpose based on a fixed percentage of the eligible employees' salary and charged to Statement of Profit and Loss. The Company has categorised its Provident Fund as a defined contribution plan since it has no further obligations beyond these contributions.
- (iii) The Company's contribution under a defined Superannuation Plan to the trust established for this purpose based on a specified percentage of salary of eligible employees is charged to Statement of Profit and Loss. The Company has categorised Superannuation Plan as a defined contribution plan since it has no further obligations beyond these contributions.
- (iv) The Company's liability towards gratuity and compensated absences, being defined benefit plans is accounted for on the basis of an independent actuarial valuation done at the year end and actuarial gains/losses are charged to the Statement of Profit and Loss. Gratuity liability is funded by payments to the trust established for the purpose.

2. In respect of the subsidiaries in USA and UK, no separate retirement benefit funds are created by the Group. However, all statutory contributions as required are paid regularly.

(i) Revenue recognition

- (i) Revenue from software development with respect to time and material contracts is recognised as related costs are incurred and services are performed in accordance with the terms of specific contracts.
- (ii) Revenue from fixed price contracts are recognised based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the percentage of completion basis.
- (iii) Revenue from sale of traded software licenses and traded hardware is recognised on delivery to the customer.
- (iv) Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings are classified as unearned revenue.
- (v) Dividend income is recognized when the right to receive the dividend is established.
- (vi) Interest income is recognized on time proportion basis.

(j) Lease Rentals

Rent expense is recognised with reference to the terms of lease agreement and other consideration in respect of operating leases on a straight line basis. Assets given on operating lease are included under fixed assets of the Company. Lease income is recognised on straight line basis over the primary period of lease.

(k) Taxes on Income

The provision for current taxation is computed in accordance with the relevant tax regulations. Deferred tax is recognised on timing differences between the accounting and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets in respect of unabsorbed depreciation and carry forward losses under tax laws are recognised and carried forward to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess realisation.

Tax credit is recognized in respect of Minimum Alternate Tax ('MAT') as per the provisions of Section 115 JAA of the Income Tax Act, 1961 of India based on convincing evidence that the Company will pay normal income tax within statutory time frame and is reviewed at each Balance Sheet date.

(l) Provisions and contingent liabilities

Provisions are recognised in the financial statements in respect of present probable obligations, for amounts which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

2. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

All amounts in the financial statements are presented in Indian Rupees Lakhs (₹ in Lakhs) and two decimal places thereafter, except for the per share data or as otherwise stated. One Lakh is one tenth of a million.

2.1 SHARE CAPITAL

(₹ in Lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
Authorised 2,00,00,000 (31 March 2011: 1,10,00,000) Equity Shares of ₹ 10 each	2,000.00	1,100.00
Issued, Subscribed and Paid up 1,03,85,000 (31 March 2011: 1,00,00,000) Equity Shares of ₹ 10 each fully paid-up	1,038.50	1,000.00
	1,038.50	1,000.00

The company has only one class of shares referred as equity shares having a face value of ₹ 10/-. Each shareholder is entitled to one vote per share.

The company declares and pay dividends in Indian rupees. All dividends proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting.

During the year ended 31 March 2012, the amount of dividend recognized as distributions to equity shareholders was ₹ 2 per share. The total dividend appropriation for the year ended 31 March 2012 amounted to ₹ 241.40 lakhs (Previous year ₹ 348.67 lakhs) including corporate dividend tax of ₹ 33.70 lakhs (Previous year ₹ 48.67 lakhs).

For the year ended 31 March 2012

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

The reconciliation of the number of shares outstanding and the amount of share capital as at 31 March 2012 and 31 March 2011 is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Balance at the beginning of the year	1,00,00,000	10,00,00,000	1,00,00,000	10,00,00,000
Add: Shares issued on preferential allotment basis	3,85,000	38,50,000	-	-
Balance at the end of the year	1,03,85,000	10,38,50,000	1,00,00,000	10,00,00,000

Shareholders holding more than 5% Shares

As at 31 March 2012, Blue Star Limited holds 29.83% of the company's shares. (30.98% as of 31 March 2011) and Mr. Ashok Mohan Advani (SEBI stipulated Permanent Account Number based holding) holds 7.69% of the Company's shares (7.99% as of 31 March 2011).

STOCK OPTION PLAN

- The Company has implemented Employee Stock Option Plans for the key employees of the Company and its subsidiaries through the Blue Star Infotech Limited - Key Employee Stock Option Trust (the 'Trust') formed for the purpose. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the Blue Star Infotech Limited - Key Employee Stock Option Scheme are purchased by the trust from the open market. Based on the details provided by the Trust, the position of the Key Employee Stock Option Plans of the Company as at 31 March 2012 is as under:

Sr. No.	Particulars	ESOP Scheme 2003				
1.	Details of approval	Compensation Committee resolutions dated October 25, 2005, June 20, 2006, September 26, 2006, December 27, 2006, April 03, 2007, August 23, 2007, November 12, 2007 and January 23, 2008			July 22, 2011	
2.	Implemented through	Trust			Trust	
3.	Total number of shares	6,00,000			10,00,000	
4.	Price per option	Closing market price prevailing on the previous day prior to issue of options				
5.	Granted	6,91,000			-	
6.	Vested	1,98,000			-	
7.	Exercised	1,75,850			-	
8.	Lapsed/cancelled options	5,15,150			-	
9.	Vested and unexercised	-			-	
10.	Total number of options in force	-			10,00,000	
11.	Money realised	(₹ Lakhs) NIL (Previous Year (₹ Lakhs) 16.53)			-	
12.	Vesting Schedule					
	Designation					
	Managerial Employees	1) Vesting begins 3 years after granting				
	All options	2) Vesting on October 31, 2008 and thereafter viz. completion of 3 years from the date of grant				
13.	Senior Managerial Personnel	Options Granted	Options Vested	Options Lapsed	Options Exercised	Balance
		3,57,000	1,17,000	2,45,000	1,12,000	-
14.	All options have an exercise period of 1 year after vesting period.					

Notes:

- The compensation committee at its meeting held on 25 October, 2005 pursuant to ESOP Scheme 2003 decided to grant 3,82,000 equity shares to senior employees of the Company at the closing market price of ₹ 117 as at 31 October, 2005 on the National Stock Exchange with 10,000 equity shares vesting on 31 October, 2006 and rest of the equity shares vesting on 31 October, 2008. The offer price was revised to ₹ 72 per share (the closing market price on 19 June, 2006 on the National Stock Exchange) for 3,23,000 equity shares vide approval of the members at the Annual General Meeting held on 29 August, 2006.

For the year ended 31 March 2012

- b) There is one employee who had been granted options equal to or exceeding 1% of the Issued Capital.
- c) The diluted Earnings Per Share and Earnings Per Share are the same, as the shares covered under vested options are already issued and allotted and are held by the Trust.
- d) In the event of any further rights or bonus issue of equity shares after vesting but prior to exercise of the options, the Company/Trust shall consider the grant of an appropriate number of additional options, at such price as may be determined by the Compensation Committee.
- e) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method. The intrinsic value of the stock options issued by the Company to its employees for services rendered by them is measured as the amount by which the quoted market price of the Company's share as on the date of grant exceeds the exercise price of the stock option. Considering that the stock options have been issued with an exercise price that equals the quoted share price on the previous day, there is no compensation cost recorded in the financial statements using the intrinsic value method.

The movement of stock options during the year ended March 31, 2012 are summarized below:

	Number of options
Outstanding at the beginning of the year	1,31,500
Granted during the year	Nil
Forfeited during the year	Nil
Exercised during the year	Nil
Expired during the year	1,31,500
Outstanding at the end of the year	Nil
Exercisable at the end of the year	Nil

There were no options granted during the year.

Proforma disclosures for amortisation of fair value of options granted during earlier years

Particulars	Year ended March 31, 2012 ₹ in Lakhs	Year ended March 31, 2011 ₹ in Lakhs
Profit after taxation as per Statement of Profit and Loss	357.08	839.85
Less: Amortised cost of fair value of options (net of tax)	Nil	(3.48)
Profit after taxation after amortisation of options cost	357.08	836.37
Earnings Per Share-Basic and Diluted	3.49	8.36

2.2 Reserves and surplus

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Hedging Reserve on Forward Contract		
Balance at the beginning of the year	150.05	168.26
Less : Movement during the year	730.76	18.21
Balance at the end of the year	(580.71)	150.05
Securities premium account		
Balance at the beginning of the year	-	-
Add: Receipts of Preferential Issue of equity shares (net of expenses for the issue)	355.12	-
Balance at the end of the year	355.12	-
Capital Reserve	41.89	41.89
General Reserve		
Balance at the beginning of the year	1,965.55	1,882.80
Add: Transfer from statement of profit and loss	55.50	82.75
Balance at the end of the year	2,021.05	1,965.55
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	5,287.56	4,879.13
Add: Transferred from Statement of Profit and Loss	357.08	839.85
Less: Proposed final dividend	207.70	300.00

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Less : Corporate dividend tax	33.70	48.67
Less : Amount transferred to General Reserve	55.50	82.75
Add: Excess provision for dividend distribution tax written back	1.93	-
Net surplus in the statement of profit and loss	5,349.67	5,287.56
Total Reserves and surplus	7,187.02	7,445.05

2.3 Deferred taxes

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
A Deferred tax liability on:		
Depreciation	150.62	126.52
(A)	150.62	126.52
B Deferred tax asset on:		
Unabsorbed Depreciation	-	37.42
Allowance for bad and doubtful debts	-	0.72
Vacation accruals	-	18.05
(B)	-	56.19
Net Deferred tax liability (A)-(B)	150.62	70.33

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has legally enforceable rights to set-off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities are in relation to such taxes which are levied by the same tax authority.

2.4 Long-term provisions

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Provision for employee benefit (Also refer note 2.25)		
Gratuity	20.55	3.85
Compensated absences	67.80	185.04
	88.35	188.89

2.5 Other long-term liability

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Deposits against leasehold premises	266.37	266.37
	266.37	266.37

2.6 Trade payables

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Sundry Creditors - For Services	638.68	146.05
	638.68	146.05

2.7 Other current liabilities

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Sundry Creditors-Others	897.95	1,025.23
Unearned Revenue	120.74	270.76
Unclaimed Dividends*	21.50	24.20
Hedging Reserve on Open Forward Contracts	580.71	-
Other Liabilities	143.83	303.27
	1,764.73	1,623.46

* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund

2.8 Short-term provisions

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
For employee benefits		
Compensated absences	57.60	47.76
For others		
Proposed Dividend	207.70	300.00
Corporate Dividend Tax	33.70	50.60
	299.00	398.36

2.9 Fixed assets

(₹ in Lakhs)

Description of assets	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at 1 April 2011	Additions/ Transfers during April 11- March 12	Deletions/ Transfers during April 11- March 12	As at 31 March 2012	As at 1 April 2011	For the year April 11- March 12	Withdrawals during April 11- March 12	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Building	1,402.65	-	-	1,402.65	143.99	23.38	-	167.37	1,235.28	1,258.66
Leasehold building improvements	514.40	77.17	-	591.57	149.96	61.55	-	211.51	380.06	364.44
Air conditioners	157.40	1.48	19.93	138.95	97.46	8.50	16.69	89.27	49.68	59.94
Computers	661.91	134.30	29.90	766.31	524.01	95.26	28.17	591.10	175.21	137.90
Furniture & fittings	707.30	5.33	122.61	590.02	512.82	36.08	110.92	437.98	152.04	194.48
Office equipment	114.80	2.33	19.84	97.29	76.25	5.81	15.58	66.48	30.81	38.55
Vehicles	121.00	-	32.74	88.26	68.58	12.97	22.09	59.46	28.80	52.42
Intangible Assets										
Computer Software	265.53	91.62	0.56	356.59	183.31	57.80	0.55	240.56	116.03	82.22
TOTAL - Fixed Assets	3944.99	312.23	225.58	4031.64	1756.38	301.35	194.00	1863.73	2167.91	2188.61
<i>Previous Year</i>	4012.97	580.22	648.20	3944.99	2136.83	232.87	613.32	1756.38	2188.61	-

2.10 Operating lease obligations

- a. The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 474.10 (Previous year (₹ in Lakhs) 420.98) is recognised as lease expenses in the Statement of Profit and Loss for the year ended 31 March, 2012. The future guaranteed lease payments under non-cancellable portion of cancellable leases are:
 - i) less than one year - (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) 155.74)
 - ii) later than one year but not later than 5 years - (₹ in lakhs) NIL (Previous year (₹ in Lakhs) 9.8)
- b. The Company has leased out office premises and furniture under non-cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 369.91 (Previous year (₹ in Lakhs) 450.07) is recognised as lease income in the Statement of Profit and Loss for the year ended 31 March, 2012. The future guaranteed lease payments under non-cancellable leases are:
 - i) less than one year (₹ in Lakhs) NIL {Previous year (₹ in Lakhs) 392.40}
 - ii) later than one year but not later than 5 years - (₹ in Lakhs) NIL {Previous year (₹ in Lakhs) 1.87}

2.11 a) Non-current investments**Trade, unquoted (Valued at cost unless stated otherwise)**

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Investment in Joint Venture company		
300,000 common stock of US\$ 1 each in Blue7 Solutions LLC., fully paid-up (Previous year Nil common stock of US\$ 1 each fully paid-up)	215.18	-
Note : Aggregate book value of unquoted investments (₹ in Lakhs) 215.18 (Previous year (₹ in Lakhs) Nil)		
	215.18	-

2.11 b) Current investments**Non-Trade, Unquoted**

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Investment in units of Mutual Funds		
DWS Mutual Fund - Fixed Term Fund - Series 73 - Growth Plan Nil units (Previous year - 20,00,000 units)	-	208.55
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment Nil units (Previous year - 19,93,720 units)	-	200.00
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 28,27,803 units (Previous year - 24,14,497 units)	300.78	256.82
ICICI Prudential - Liquid Super Institutional Plan - Daily Dividend Nil units (Previous year - 1,50,775 units)	-	150.81
Kotak Mutual Fund - Flexi Debt Scheme Institutional - Daily Dividend Reinvestment Nil units (Previous year 1,009,919 units)	-	101.47
Reliance Liquid Fund - Cash Plan - Daily Dividend Option Nil units (Previous year - 916,685 units)	-	102.13
Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan Nil units (Previous year - 23,46,482 units)	-	314.33
Tata Liquid Super High - Investment Fund - Daily Dividend Nil units (Previous year 34,812 units)	-	387.99
DWS Mutual Fund - Treasury Fund Cash - Institutional Plan - Daily Dividend 1,50,747 units (Previous year - Nil units)	151.50	-
ICICI Prudential Regular Savings Fund Growth - 9,22,416 units (Previous year - Nil units)	103.06	-
Note : Aggregate book value of unquoted investments (₹ in Lakhs) 555.34 (Previous year (₹ in Lakhs) 1,722.10)		
	555.34	1,722.10

2.12 Long-term loans and advances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Deposit for Rent, Electricity and Water	374.15	346.68
	374.15	346.68

2.13 Other Non-current assets

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Corpus to ESOP Trust	0.05	0.05
Corpus to Provident Fund Trust	0.25	0.25
Advance to Social Security Funds	0.10	-
MAT Credit Entitlement	271.56	400.53
Deferred rent	23.67	51.65
Deposit with maturity exceeding twelve months	18.08	16.74
	313.71	469.22

2.14 Trade receivables (Unsecured)

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Outstanding for a period exceeding six months		
- Considered good	36.67	44.67
- Considered doubtful	101.97	87.30
	138.64	131.97
Other debts		
- Considered good	2,816.52	2,577.46
- Considered doubtful	21.16	-
	2,976.32	2,709.43
Less: Provision for bad and doubtful debts	123.13	87.30
	2,853.19	2,622.13

2.15 Cash and Bank balances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Cash and cash equivalents		
Cash on hand	-	.02
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	976.59	560.09
Balance with non-scheduled bank in current account	398.47	355.94
	1,375.06	916.03
Other bank balances		
- deposit accounts (including EEFC deposit accounts)	830.93	57.23
- margin money deposits against guarantees	71.09	67.99
- unclaimed dividend accounts	21.50	24.20
	923.52	149.42
Total	2,298.58	1,065.47
Less : Amounts disclosed as Other non-current assets (Refer note 2.13)	(18.08)	(16.74)
	2,280.50	1,048.73

2.16 Short-term loans and advances

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Unsecured and considered good		
Unbilled Services	278.17	187.24
Prepaid expenses	77.00	60.67
Other Deposits	54.33	73.04
Advances recoverable in cash or in kind or for value to be received	215.81	388.06
Advance Tax (Net of Provision)	2,041.55	1,741.92
	2,666.86	2,450.93

Loans and advances include amount due from a director - (₹ In Lakhs) Nil (Previous Year - (₹ in lakhs) Nil). Maximum balance Outstanding from a director during the year (₹ in Lakhs) 1.50 (Previous Year (₹ in Lakhs) 1.50)

2.17 Other current assets

	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
Hedging reserve on open forward contracts	-	150.05
Deferred rent	6.43	0.95
	6.43	151.00

2.18 Sales and Software Services

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Income from software services	11,557.70	10,854.34
Income from sale of software licences / hardware	794.85	802.52
Reimbursement income	245.22	369.52
	12,597.77	12,026.38

2.19 Other income

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Interest on bank deposits	28.24	6.07
Dividend income from current investments	93.92	124.12
Gain on Exchange Translation	183.03	247.99
License Fee for office property	369.91	450.07
Excess provision for doubtful debts written back	-	27.01
Interest on loans granted	2.67	-
Miscellaneous income	167.49	29.98
	845.26	885.24

2.20 Employee benefits expenses

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Salaries and Wages	6,719.53	6,717.13
Contribution to provident and other funds	354.54	311.48
Staff welfare	296.91	302.96
	7,370.98	7,331.57

2.21 Other expenses

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
Travelling and conveyance	663.81	747.22
Rent	474.10	420.98
Rates and taxes	57.37	30.43
Power	171.98	159.91
Communication expenses	210.34	165.11
Insurance	22.10	18.24
Repairs and maintenance		
- Building / leasehold premises	76.77	73.70
- Computers and air conditioners	40.54	32.73
- Others	16.08	15.75
Payment to auditors		

	Year ended 31 March 2012 ₹ in Lakhs	Year ended 31 March 2011 ₹ in Lakhs
- Audit services	26.95	26.16
- Taxation matters	9.45	6.07
- Certification work	3.90	0.90
- Out of pocket expenses	0.29	0.87
Directors' fees	12.59	9.96
Commission to Non-executive directors	9.11	13.49
Reimbursement of CEO and Managing directors' remuneration	25.70	-
Chairman and managing directors' remuneration	26.40	26.40
Cost of technical and other manpower	2,163.73	1,215.24
Professional charges	57.87	64.69
Loss on disposal of fixed assets	9.71	10.35
Provision for bad and doubtful debts	37.74	-
Recruitment charges	41.26	38.72
Forward option cost	4.37	40.58
Security charges	32.11	21.73
Cost of software license and tools	30.30	22.62
Miscellaneous expenses	220.64	225.04
	4,445.21	3,386.89

2.22 Contingent liabilities and commitments (to the extent not provided for)

i) Contingent liability not provided in respect of:

- Demand(s) raised by the Income Tax authorities for prior financial year(s) during the year aggregating (₹ in Lakhs) Nil (Previous year (₹ in Lakhs) 3196.41) against which the Company has filed appeal(s) with the Commissioner of Income-tax (Appeals).
- Appeal(s) filed with the Appellate Tribunal (India) towards income-tax demands amounting to (₹ in Lakhs) 175.50 (Previous year (₹ in lakhs) 65.84)

The Company is advised that it would get a favourable verdict and no demand would be eventually sustained in any of the above matters. Accordingly, no provision is made in the books in respect of these contingent liabilities

ii) Guarantees given on behalf of the Company by banks (₹ Lakhs) 71.09 (Previous Year (₹ in Lakhs) 67.99).

2.23 Related party transactions

Related Party Disclosures:

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related, if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

For the year ended 31 March 2012

(₹ in Lakhs)

Particulars	Associates	Promoters	Company in which promoters have significant influence	Key Managerial Personnel	Total for the Year
Rendering of Economic Benefits					
- Blue Star Limited	936.57	-	-	-	936.57
	<i>926.86</i>				<i>926.86</i>
Receiving of Economic Benefits					
- Blue Star Limited	44.44	-	-	-	44.44
- Blue Star Design Engineering Limited	-	-	19.34	-	19.34
	<i>54.54</i>		<i>154.23</i>		<i>208.77</i>
Reimbursement of expenses					
- Blue Star Design Engineering Limited	-	-	1.92	-	1.92
			<i>1.91</i>		<i>1.91</i>
Purchase of Capital Goods					
- Blue Star Limited	58.81	-	-	-	58.81
	<i>72.40</i>				<i>72.40</i>
Security deposit given	-	-	-	-	-
	<i>100.00</i>				<i>100.00</i>
Director Sitting Fees					
- Mr. Ashok M. Advani	-	1.00	-	-	1.00
		<i>0.80</i>			<i>0.80</i>
Non - Executive Director commission					
- Mr. Ashok M. Advani	-	1.45	-	-	1.45
		<i>2.62</i>			<i>2.62</i>
Remuneration					
- Mr. Suneel M. Advani	-	44.40	-	-	44.40
- Mr. Sunil Bhatia	-	-	-	44.99	44.99
		<i>44.40</i>			<i>44.40</i>
Loans and Advances					
- Mr. Sunil Bhatia	-	-	-	120.41	120.41
					-
Capital Advances					
- Blue Star Limited	2.50	-	-	-	2.50
Sale of Capital Goods					
- Blue Star Limited	2.40	-	-	-	2.40
					-
Outstanding Balance					
Debit Balance	598.12	-	4.77	-	602.89
	<i>274.22</i>		<i>10.53</i>		<i>284.75</i>
Credit Balance	40.79	-	26.88	-	67.67
	<i>14.18</i>		<i>20.75</i>		<i>34.93</i>

Note:**Figures in Italics are of the previous year**

Associates	Blue Star Limited (Holding 29.83% of the equity share capital of the Company)
Promoters	Mr. Suneel M. Advani, Chairman and Managing Director Mr. Ashok M. Advani, Vice-chairman
Key Management Personnel	Mr. Sunil Bhatia, Chief Executive Officer and Managing Director

2.24 Derivative Instruments:

The Company has entered into the following derivative instruments:

- (a) Forward Exchange Contracts and Foreign Exchange Options Contracts [being derivative instruments], which are not intended for trading or speculative purposes, but for hedging purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

There are outstanding Forward Exchange Contracts and Foreign Exchange Options Contracts entered into by the Company as at 31 March 2012 of US Dollar \$ 1,18,00,000 and GBP £ Nil Cross Currency- Rupees {Previous year US Dollar \$ 1,11,50,000 and GBP £ 80,000}

- (b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable (net of payables) in foreign currency (including due to/from subsidiaries) on account of the following:

Foreign Currency Exposure	2011-2012 (₹ in Lakhs)	2011-2012	2010-2011 (₹ in Lakhs)	2010-2011
Exports in US \$	NIL	NIL	NIL	NIL
Exports in UK £	494.39	£ 6,04,392	631.27	£ 829,295
Exports in EUR €	50.50	£ 73,892	31.69	£ 50,117
Exports in JPY ¥	36.51	¥ 58,48,770	100.59	¥ 1,86,20,541

2.25 Staff benefits cost in accordance with Accounting Standard 15 (Revised 2005)

- a) Defined Contribution Plans: The amount recognised as an expense during the year is (₹ Lakhs) 354.54 (Previous Year (₹ in Lakhs) 311.48)

- b) Defined Benefit Plans (as applicable to employees of Blue Star Infotech Limited):

Particulars	2011-12 ₹ in Lakhs	2010-11 ₹ in Lakhs
Change in Defined Benefit Obligation:		
Obligations as at the beginning of the year:	345.31	369.49
Service Cost	75.72	82.24
Interest Cost	23.23	25.47
Actuarial (gain) / loss	(101.93)	(72.13)
Benefits paid	(109.93)	(59.76)
Present value of defined benefit obligations as at year end (A)	232.40	345.31
Change in Plan Assets:		
Opening plan assets, at fair value	153.90	165.05
Expected return on plan assets	11.46	12.75
Actuarial gain / (loss)	(1.44)	(12.45)
Contributions	88.60	48.31
Benefits paid	(109.93)	(59.76)
Fair value of plan assets as at year end (B)	142.59	153.90
Cost for the year		
Service Cost	75.72	82.24
Interest Cost	23.23	25.47
Expected return on plan assets	(11.46)	(12.75)
Actuarial (gain) / loss	(100.49)	(59.68)
Total net cost recognised as employee remuneration	(13.00)	35.28
Reconciliation of Benefit Obligations & Plan Assets for the year:		
Present value of defined benefit obligations as at year end (A)	232.40	345.31
Fair value of plan assets as at year end (B)	142.59	153.90
Net (asset) / liability as at year end recognised in Balance Sheet (A) - (B)	89.81	191.41
Investment details of plan assets:		
The plan assets are invested in trust managed funds:		
Assumptions:		
Discount Rate	8.00%	8.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%

- c) During the year, the Company has reversed provisions made towards incentive and sales commission relating to employees amounting to (₹ in Lakhs) Nil {Previous year (₹ in Lakhs) 235.00}.
- d) During the year, the Company has revised its Privilege leave salary policy wherein the maximum number of encashable Privilege leave is reduced from 120 days to 55 days. As a consequence, there is reversal of compensated absence provision by (₹ in Lakhs) 119.67 (Previous year (₹ in Lakhs) Nil).

2.26 Earnings Per Share (EPS)

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax and exceptional item (and includes post tax effect of any extraordinary items). The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprise the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares which could have been issued on conversion of all dilutive potential shares.

	Year ended 31 March 2012	Year ended 31 March 2011
i. Net Profit after tax (₹ in Lakhs)	357.08	839.85
ii. Basic (weighted average) number of Equity Shares	1,02,31,421	1,00,00,000
iii. Diluted (weighted average) number of Equity Shares	1,02,31,421	1,00,00,000
iv. Earnings per share (EPS) in ₹ - Basic and diluted	3.49	8.40

2.27 Exceptional Item (FY 2010-11)

Notice(s) demanding differential stamp duty of (₹ Lakhs) 46.99 and penalty of (₹ Lakhs) 33.98 was received during the year 2007-08, pursuant to disallowance of stamp duty concession availed by the Company in the year 2005. As per the Information Technology (IT) Policy issued by the Government of Maharashtra in the year 2003, 75% stamp duty concession was granted on purchase of property for establishing a new unit related to Information Technology in recognized private IT Parks. This matter was disputed by stamp duty authorities before the Honourable High Court, Bombay. No hearing was scheduled in the aforesaid matter by the Honourable High Court, Bombay for over three years. As a matter of commercial prudence, the Board of Directors decided to withdraw the petition(s) from the Honourable High Court, Bombay and pay the differential stamp duty and penalty without getting into the merits of the matter. Accordingly, in the year 2010-11 a total sum of (₹ lakhs) 111.37 was paid including (₹ Lakhs) 64.18 as penalty which has been disclosed as an exceptional item in the Statement of Profit and Loss.

- 2.28 The previous year's figures have been recast/regrouped/rearranged, wherever considered necessary in accordance with Revised Schedule VI forming part of the Companies Act, 1956 and effective for financial year commencing on or after 01 April, 2011.

As per our report of
even date attached

For Walker, Chandio & Co
Chartered Accountants

per **Khushroo B Panthaky**
Partner

Place : Mumbai
Date : 3 May 2012

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Place : Mumbai
Date : 3 May 2012

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial Officer
and Company Secretary

Sunil Bhatia
Chief Executive Officer
& Managing Director

Suresh N Talwar
Director

Statement Pursuant to Section 212 of the Companies Act, 1956

(₹ in '000)

1 Name of the Subsidiary Company	Blue Star Infotech America, Inc.	Blue Star Infotech (UK) Limited	Blue Star Infotech (Singapore) Pte. Limited
2 Financial Year of Subsidiary Company	March 31, 2012	March 31, 2012	March 31, 2012
3 (a) Number of shares held in Subsidiary Company on the above date	13,50,000 shares (Common Stock) of US \$ 1 each	3,00,000 equity shares of GBP 1 each	10 equity shares of SGD 1 each
(b) Extent of Holding	100%	100%	100%
(c) Capital	68,427	20,829	-
(d) Reserves / (Accumulated Losses)	(44,161)	15,689	-
(e) Total assets	2,18,508	83,218	-
(f) Total Liabilities (other than shareholders' funds)	1,94,242	46,700	-
(g) Details of Investments	NIL	NIL	-
(h) Turnover	6,54,435	2,19,964	-
(i) Profit /(Loss) before Taxation	(13,998)	1,457	-
(j) Provision for Taxation / (Reversal)	7,165	328	-
(k) Profit after Taxation	(21,164)	1,129	-
(l) Proposed Dividend	NIL	NIL	NIL
4 The net aggregate of profits less losses of the Subsidiary Company as far as it concerns the members of the Holding Company			
(i.) Not dealt with in the Holding Company's Accounts :			
(a) For the Financial Year of the Subsidiary	(21,164)	1,129	-
(b) For the previous Financial Years, since it became Holding Company's Subsidiary	(15,918)	13,737	-
(ii) Dealt with in the Holding Company's Accounts :			
(a) For the Financial Year of the Subsidiary	NIL	NIL	NIL
(b) For the previous Financial Years, since it became Holding Company's Subsidiary	NIL	NIL	NIL
5 Exchange Rates as on March 31, 2012	51.16	81.80	
	equivalent INR per USD	equivalent INR per GBP	equivalent INR per SGD

Note :

- Capital, Fixed Assets and Long-term liabilities are stated at cost, while all other assets and liabilities are translated at Closing rates. Revenues and Expenses are translated at average rates during the year.
- The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 No. 51/12/2007-CL-III dated February 08, 2011 read with General Circular No. 3/2011 dated February 21, 2011 issued under section 212(8) of the Companies Act, 1956 has granted general exemption to Companies from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries under section 212(1) of the Companies Act, 1956 and clarified that this exemption is applicable for accounts prepared on or after March 31, 2011.

For Blue Star Infotech Limited

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Suresh N Talwar
Director

Sunil Bhatia
Chief Executive
Officer & Managing
Director

Naresh K Malhotra
Director

K P T Kutty
Director

Dr. Prakash G Hebalkar
Director

V Sudarshan
Chief Financial
Officer and
Company Secretary

Place : Mumbai
Date : 3 May 2012

