BLUE STAR LIMITED ANNUAL REPORT 2011-2012

BLUE STAR

Contents

BOARD OF DIRECTORS

Ashok M Advani
Chairman

Suneel M Advani
Executive Vice Chairman

Satish Jamdar
Managing Director

Vir S Advani
President - Electro Mechanical Projects Group and Executive Director

Shailesh Haribhakti
Pradeep Mallick
Gurdeep Singh
Suresh N Talwar

COMPANY SECRETARY

Sangameshwar Iyer

BANKERS

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

AUDITORS

S R Batliboi & Associates

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt Ltd
C-13, Kantilal Maganlal Estate
Pannalal Silk Mills Compound
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Telephone: +91 22 2594 6970
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REGISTERED OFFICE

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Mumbai 400 020.
Telephone: +91 22 6665 4000
Fax: +91 22 6665 4151
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CORPORATE MANAGEMENT

Suneel M Advani
Executive Vice Chairman

Satish Jamdar
Managing Director

Vir S Advani
President - Electro Mechanical Projects Group and Executive Director

B Thiagarajan
President - Airconditioning & Refrigeration Products Group

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

Tojo Jose
Executive Vice President - Human Resources

Manek Kalyaniwala
Executive Vice President - Finance

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

P Venkat Rao
Executive Vice President- Central and Packaged Airconditioning Products

G Anandkumar
Vice President - Plumbing Projects Division

R Aravindan
Vice President - Airconditioning Projects Division, Southern Region

Sujan Chatterjee
Vice President - Corporate Financial Services

Sumanta Chaudhuri
Vice President - Electrical Projects Division

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

C P Mukundan Menon
Vice President- Room Airconditioners and Refrigeration Products & Systems

A Rakesh Rao
Vice President - Business Development, Electro Mechanical Projects Group

D H Roy
Vice President - Himachal Plants

D P Singh
Vice President - Infrastructure Projects Division

K P Sukumar
Vice President- Corporate Programmes

Rajendra Verma
Vice President - Airconditioning Projects Division, Northern & Western Regions

Letter from the Chairman

Dear Shareholder,

The past year was one that most of us in Blue Star would rather forget. It began somewhat innocuously on a modestly hopeful note. We had expectations of tackling the slowing economy and facing challenging market conditions in our usual determined manner. But our confidence was shaken by some disturbing developments that came to light in Q1 itself.

Ashok M Advani, *Chairman*

The problems I am referring to pertain to Blue Star's biggest business, namely Electro Mechanical Projects Group (EMPG). It is basically a contracting business which involves system design and engineering, manufacture and procurement of equipment, project execution at job site, and commissioning.

The industrial economy has been slowing down for a couple of years especially in sectors such as infrastructure and capital goods. This has affected new order inflow and billings in EMPG Projects and Professional Electronics & Industrial Systems.

At the start of 2011-12, the tempo of many ongoing projects had reduced due to tight liquidity conditions leading to undue delay in collections from customers. This resulted in poor cash flow in the business, higher borrowings and increased interest cost. Because of inflationary conditions, the Company reviewed the majority of projects under execution to assess actual costs incurred and expected costs to completion. The review revealed substantial cost over-runs and erosion of gross margin in the majority of the fixed price contracts. In accordance with Accounting Standard AS7, the cost increase was absorbed in the accounts for the year 2011-12 resulting in losses and reduced revenues.

As a corrective measure, we promptly issued strict guidelines for minimum gross margins and terms of payment for new order bookings. While the revised guidelines improved the quality of new business booked last year, they also further reduced the volume of business in the shrunken market. This decline in revenues is a price we have to pay until the economy revives, but it reinforces a sound business principle: Top-line growth is good only if it makes a profit for the Company.

One of the bright spots of the year was the growth of the room airconditioner and refrigeration products businesses. In an otherwise dull room airconditioner market which declined by 10%, the Company showed 25% growth by successfully expanding market coverage in the residential segment and mid-sized Tier III and Tier IV towns.

Persistent inflation had driven up raw material costs like copper, steel and oil-based raw materials. This led to a squeeze on gross margins across the board. For room airconditioners and refrigeration products with substantial import content, the problem was compounded by the depreciation in the exchange rate of the rupee.

Faced with such a variety of negative factors, the Company took decisive action on multiple fronts:

- Cash flow was the top priority that needed urgent attention. By September 2011, borrowings had climbed to over ₹600 crores. A Company-wide drive on collection of dues with careful control of cash outflows was able to bring total borrowings down by almost ₹250 crores by year-end. This creditable achievement did a lot to boost confidence. The emphasis on cash management continues in the current year with obvious benefits to the balance sheet and lower interest expenses.

- Price increases became unavoidable due to escalating input costs, but raising prices to maintain margins was only possible to a limited extent because of competitive pressures and customer resistance to higher prices.
- A longer term plan was initiated to address costs across the entire value chain including product design, value engineering, procurement, manufacturing, logistics and marketing. This should start yielding results in the current year.
- Since the decline in Corporate revenues will take time to reverse, control of operating expenses and overheads is essential. Employee expenses are being curtailed by trimming excess headcount and outsourcing various processes in support functions like administration, warehousing and payroll.

All this requires discipline and hard work and we have been making progress. With the worst behind us in 2011-12, the recovery process has begun. The Company expects to make a modest profit this year. A big concern continues to be the difficult and uncertain economic environment. Much depends on revival of economic growth which, when it happens, will help immensely in the drive back to good Corporate health. In the meanwhile, financial prudence must remain a Corporate priority.

Ashok M Advani

Mumbai : June 20, 2012

Chairman

Board of Directors

Ashok M Advani
Chairman

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

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. He was redesignated as Chairman & Managing Director in 2005 and Executive Chairman in 2009. He has relinquished his position as the Executive Chairman, w.e.f. April 1, 2012 and continues as the Chairman of the Company.

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

Suneel M Advani
Executive Vice Chairman

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

He joined Blue Star in 1969 as a Management Trainee and moved up steadily by holding responsible positions before he was elevated to the position of President and Vice Chairman in 1984. He was redesignated as Vice Chairman & Managing Director of the Company in 2005. He has relinquished his position of Managing Director w.e.f. April 1, 2012 and is presently the Executive Vice Chairman of the Company.

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

Satish Jamdar
Managing Director

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

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

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

Vir S Advani
President, Electro Mechanical Projects Group and Executive Director

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

In 2000, he joined Blue Star Infotech, and then founded Blue Star Design & Engineering in 2003, designated as its Chief Executive Officer. In 2007, he moved to Blue Star as Vice President - Corporate Affairs, where he made valuable contributions in a company-wide profit improvement programme as well as in electro mechanical projects, in a short span of time. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director of the Company in 2010. In July 2011, Vir took over the business operations of the Electro Mechanical Projects Group and was redesignated as President, Electro Mechanical Projects Group and Executive Director.

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

Shailesh Haribhakti
Director

Shailesh Haribhakti is a Fellow Chartered Accountant and the Chairman of BDO Consulting Pvt Ltd, which is the Indian Member Firm of the world's fifth largest accountancy network – BDO International. As Managing Partner of Haribhakti & Co, he is deeply involved in Auditing, Risk Advisory Services and Tax Services. He serves on the Board of over ten large Indian Companies and Chairs five Audit Committees. He joined the Board of Blue Star in 2005.

Shailesh's passion for quality reflects in ISO 9000 certification for various processes of the Group's operations. During a career span of over three decades, he has successfully established many innovative services. His current passions involve SME Ecosystem Transformation and Mentor Capital provision. He strongly believes in the virtues of Corporate Social Responsibility, Governance and promoting a greener environment. He actively promotes these causes through forums like ASSOCHAM, CII and the Indian Merchants' Chamber. He contributes towards their evolution by participating in the process of framing regulations and standards.

Pradeep Mallick
Director

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

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

Gurdeep Singh
Director

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

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

Suresh N Talwar
Director

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

He joined the Board of Blue Star in 1986. In addition to Blue Star, he is also on the Boards of several leading companies such as Merck, Larsen & Toubro, Greaves Cotton, Sandvik Asia, ESAB India, Johnson & Johnson and Uhde India, amongst others. His professional specialisation covers corporate law, corporate tax, foreign exchange laws, Restrictive Trade Practices laws and international issue of securities by Indian companies.

Directors' Report

The Directors are pleased to present their 64th Annual Report and the Audited Accounts for the year ended March 31, 2012.

SUMMARISED FINANCIAL RESULTS

(₹ in crores)

	April 2011 - March 2012	April 2010 - March 2011
Total Revenue	2724.59	2892.91
Profit (Loss) before Interest, Depreciation and Taxation	13.25	282.58
Financial Expenses	70.25	24.36
Depreciation	31.45	31.71
Add: Profit on sale of investments	-	0.43
Profit (Loss) before Tax	**(88.45)**	**226.94**
Taxes	0.70	71.94
Profit (Loss) after Tax	**(89.15)**	**155.00**
Add: Balance brought forward	279.77	213.44
Total available for appropriation	190.62	368.44
Less: General Reserve	-	15.50
Proposed Dividend	8.99	62.96
Corporate Dividend Tax	1.46	10.21
Balance carried forward	180.17	279.77

DIVIDEND

The Directors have proposed a dividend of ₹1.00 per equity share. The dividend will absorb ₹10.45 crores including Corporate Dividend Tax.

OPERATING PERFORMANCE

Total Revenue of the Company was ₹2724.59 crores for the year ended March 31, 2012 compared to ₹2892.91 crores in the previous year. Operating Profit Before Interest, Depreciation and Tax declined from ₹282.58 crores to ₹13.25 crores.

The sharp decline in Operating Profit was largely caused by a combination of factors in the Electro Mechanical Projects business in Segment 1. These included a slowdown in execution of projects due to delays in collections from customers; inflationary cost over-runs and erosion of gross margins on fixed price contracts; and higher expected costs for completion of ongoing projects. In accordance with Accounting Standard AS7, all these cost increases were absorbed in the accounts for 2011-12, resulting in losses and reduced revenues.

In the Cooling Products segment, while top-line growth was favourable, margins were under pressure due to higher input costs and significant increases in fuel and freight costs. Consequently, the segment result was marginally lower. The Professional Electronics and Industrial Systems business was also affected by the general business slowdown.

FINANCIAL PERFORMANCE

Finance costs increased sharply from ₹24.36 crores to ₹70.25 crores. This was partly due to higher interest on increased borrowings. In addition, there was a significant foreign exchange loss and cost of forward cover of ₹36.67 crores. Profit/(Loss) After Tax was a disappointing ₹(89.15) crores compared to ₹155 crores in the previous year.

EXPORT & FOREIGN EXCHANGE EARNINGS

Foreign exchange inflow for the year, including commission income, was ₹149.5 crores compared to ₹160.3 crores for the previous year. Foreign exchange outflow for the year was ₹544.4 crores as compared to ₹561.5 crores in the previous year.

SUBSIDIARY COMPANY

During the year, the Company made a further investment of ₹19.52 crores in the shares of the wholly owned subsidiary, Blue Star Electro-Mechanical Limited.

CONSOLIDATED RESULTS

The Annual Report also includes the Consolidated Financial Statements of the Company. This incorporates the results of the Company's wholly owned subsidiary, Blue Star Electro-Mechanical Ltd and its share in the results of its joint venture companies and associate company. The consolidated results for the year show a Total Revenue of ₹2843.03 crores compared to the previous year's ₹3012.59 crores and a Net Loss of ₹105.10 crores versus Profit After Tax of ₹160.96 crores in the previous year. In terms of the general permission granted by the Ministry of Corporate Affairs vide General circular no.2/2011, the Accounts of the subsidiary have not been attached with the accounts of the holding company. Any member desirous of obtaining the same will be provided with a copy thereof upon making a request to the Company.

AUDITORS

M/s S R Batliboi & Associates, Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s S R Batliboi & Associates, Chartered Accountants, to the effect that their appointment, if made, would be in conformity with the limits specified in the said section.

In compliance with the provisions of Section 233B of the Companies Act, 1956 and with the prior approval of the Central Government, M/s ABK & Associates, Cost Accountants (Regn. No. 036) were appointed as Cost Auditors to conduct audit of cost records for airconditioners for the financial year 2011-12. The Cost Audit Report for the financial year 2010-11 which was due to be filed with the Ministry of Corporate Affairs within 180 days from the close of the financial year (i.e. dt: 27.9.2011) was filed on 27.8.2011.

Vide an order of the MCA issued under Notification No.52/26/CAB-2010 dated 24.1.2012, the MCA has covered a number of industries, under automatic Cost Audit with effect from the financial year commencing on or after 1.4.2012. Accordingly, M/s ABK & Associates, Cost Accountants have been appointed as the Cost Auditor of the Company to conduct the cost audit of all the manufactured products of the Company, viz. airconditioning and refrigeration equipment, packaged airconditioners, industrial packaged chillers, air handling units and airconditioners manufactured by the Company for the financial year ending March 31, 2013, upon the remuneration and terms and conditions as may be mutually agreed between the Company and M/s ABK & Associates.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby 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. These financial results have been audited by the statutory auditors M/s S R Batliboi & Associates, Chartered Accountants. The Directors further confirm that:

1) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

2) The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period.

3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for providing and detecting fraud and other irregularities.

4) The Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

With effect from April 1, 2012, Mr Ashok M Advani relinquished his position of Executive Chairman and Wholetime Director and continues as Chairman. Mr Suneel M Advani relinquished his position of Managing Director with effect from April 1, 2012 and is presently the Executive Vice Chairman of the Company.

Mr Satish Jamdar and Mr Pradeep Mallick will retire from the Board by rotation and being eligible, offer themselves for re-election.

EMPLOYEES

The number of permanent employees decreased from 2825 at the end of the previous year to 2785 as at March 31, 2012.

DISCLOSURE OF PARTICULARS

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

For and on behalf of the Board

Ashok M Advani
Chairman

Mumbai : May 16, 2012

Annexure to Directors' Report - A

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

CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company believes that energy is vital for economic growth and social development, and must therefore be conserved and used judiciously.

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

Accordingly, the Company has taken the following measures for energy conservation:

Himachal Plant

- Natural Wind Turbo Ventilator was installed. This provides for perfect ventilation and is the ideal solution for emitting hot air, smoke, gas etc. It works on free wind energy (consumes zero electric power) and helps in keeping the environment clean. Durable, high in performance and low on maintenance, this is a totally weather-proof installation that reduces the inside temperature by 3-5°C.
- Transparent FRP sheets were installed on the roof to enable plenty of natural daylight during working hours, thus increasing the lux level and reducing the use of high bay lights.
- Insulated the roof using a layer of glass wool below the pre-coated G.I sheets, thus reducing the working area temperature by 5-6°C and saving energy.
- Water level sensors were installed to control the water level in the overhead tanks automatically, thereby reducing water wastage and energy consumption of pumps.
- Installed energy meters in all sections to record, monitor and control the daily electricity demand and plan efficient energy consumption.
- Use of inverters with motors for assembly line conveyors and fabrication shop machinery to improve power factor.

Wada Plant

- Installed 400 KVAR real time power factor control panel with harmonics filter to improve power factor.
- Modified design of manifold on vacuum pump for scroll chiller to reduce evacuation time and power consumption.
- Installed VRF Airconditioning System in office block for energy efficiency.
- Installed VFD for AHU, cooling tower and pumps in new screw chiller test set to save energy.
- Reduced use of DG power for running the R&D labs.
- Installed low flow faucets in wash rooms and canteen to control water consumption.

Dadra Plant

- Designed air compressor operating system, based on past compressed air consumption pattern, thereby reducing energy consumption.
- Installed VFD for pre-treatment pump to conserve energy.
- Optimized diesel flow by modifying the burner nozzle in paint shop oven, saving significant amount of diesel.
- Introduced energy efficient CNC punching machine.
- Installed the innovative and energy saving Turbocor chiller in PD lab.
- Redesigned coil leak testing tank, thereby saving water.
- Cooling tower logic was modified using temperature controller to reduce fan motor operation, saving energy.

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

- Installation of servo controlled stabiliser for the lighting load to reduce energy consumption.
- Installation of VFD for 50 HP motor to save energy.
- Installation of delta to star controller for HP compressor to reduce energy consumption.
- Installation of flat belts in place of V belts to save energy.
- Installation of LED lights working on inverter to save on lighting load.

c) Impact of measures taken:

Reduction in production cost through savings in electrical and fuel consumption.

RESEARCH AND DEVELOPMENT

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

The Company continued to invest in R&D infrastructure and manpower to keep pace with technological developments, mainly in the areas of energy efficient products and eco-friendly refrigerants.

The R&D Department has been restructured and reorganised. Manpower has been increased by 70%. R&D now follows a Stage-Gate Process, which is in line with international practices. The R&D Facility has received an approved status from DSIR (Department of Scientific & Industrial Research).

During the year, a complete range of window and split airconditioners for room airconditioning applications was developed, to comply with the enhanced energy efficiency requirements of the BEE Labelling Programme. Apart from the conventional room airconditioners, wall-mounted units with Inverter technology were introduced. These units are 30 to 40% more efficient than conventional room airconditioners.

A complete new range of cost-effective screw chillers was developed to compete with international suppliers. Ultra high efficiency chillers were developed using oil-free technology. These have been AHRI certified and are 25% more efficient than conventional chillers.

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

The development of new products has helped the Company to keep abreast with market demand and current technologies, in order to improve market share.

c) Future plan of action:

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

d) Expenditure on R&D:

(₹ in lakhs)

	2011-12	2010-11
a) Capital	1317.81	963.95
b) Recurring	1633.12	1627.29
Total	2950.93	2591.24
Total R&D expenditure as a percentage of total turnover	1.08%	0.90%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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

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

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

c) Information regarding imported technology:

No technologies were imported during the past five financial years.

MAJOR ITEMS OF FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Discussed in detail in the 'Management Discussion and Analysis' Report.

b) Total foreign exchange used and earned:

(₹ in lakhs)

	2011-12	2010-11
Total foreign exchange used	54435.52	56151.61
Total foreign exchange earned	14945.60	16031.97

For and on behalf of the Board

Ashok M Advani
Chairman

Mumbai: May 16, 2012

Report of the Directors on Corporate Governance

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

GUIDING VALUES AND BELIEFS

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

CODE OF CONDUCT

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

CORPORATE SAFETY POLICY

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

BOARD OF DIRECTORS

During the year ended March 31, 2012, the Board consisted of eight Directors – four Wholetime and four Non-Executive. Out of the eight Directors, four are Independent Directors. With effect from 1.4.2012, Mr Ashok M Advani has relinquished his position as Executive Chairman and Wholetime Director, and continues as Chairman.

BOARD MEETINGS

Five Board Meetings were held during the financial year 2011-12 i.e. on May 24, 2011; July 29, 2011; October 22, 2011; January 27, 2012 and March 15, 2012. The Company had its Annual General Meeting on July 29, 2011.

The particulars of Directors, their attendance and other Directorships, Memberships/Chairmanships of Committees for the financial year 2011-12 are given below:

Name	Category	Attendance		Particulars of other Directorships, Committee Memberships/Chairmanships		
		Board Mtg.	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Ashok M Advani	Promoter Executive	5	Yes	2	2	Nil
Suneel M Advani	Promoter Executive	5	Yes	5	1	Nil
Satish Jamdar	Non-Promoter Executive	5	Yes	1	Nil	Nil
Vir S Advani	Promoter Executive	5	Yes	2	Nil	Nil
Suresh N Talwar	Independent Non-Executive	4	Yes	14	4	3
Pradeep Mallick	Independent Non-Executive	5	Yes	6	7	1
Gurdeep Singh	Independent Non-Executive	5	Yes	5	1	Nil
Shailesh Haribhakti	Independent Non-Executive	4	Yes	13	4	5

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

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

AUDIT COMMITTEE

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

The Committee met on May 4, 2011; May 24, 2011; July 29, 2011; October 22, 2011 and January 27, 2012. The attendance of each Committee Member was as under:-

Name of Member	No. of Meetings attended
Mr Suresh N Talwar	4
Mr Pradeep Mallick	5
Mr Shailesh Haribhakti	4

The gap between two meetings did not exceed four months.

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

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

REMUNERATION POLICY

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

The annual increment and commission for the Managing and Wholetime Directors, and the commission for the Non-Executive Directors within the limits approved by the shareholders are determined by the Board of Directors. The Managing and Wholetime Directors, are paid by way of salary, perquisites and commission based on their agreements with the Company. Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, partly by way of a fixed amount and partly based on the number of Meetings attended by them. The details of amount paid/provided towards Directors' remuneration are as follows:

(₹ in lakhs)

Name	Salary	Perquisites & Allowances including Contribution to PF & SA Fund	Sitting Fees	Total
Ashok M Advani	67.80	150.15	-	217.95
Suneel M Advani	67.80	123.75	-	191.55
Satish Jamdar	42.60	94.34	-	136.94
Vir S Advani	26.40	58.46	-	84.86
Suresh N Talwar	-	-	1.80	1.80
Pradeep Mallick	-	-	2.40	2.40
Gurdeep Singh	-	-	1.60	1.60
Shailesh Haribhakti	-	-	2.00	2.00

Note:

1. During the course of the year, a Remuneration Committee as mandated by Schedule XIII of the Companies Act, 1956 was constituted to enable the Company to make an application to the Central Government seeking its approval for making payment of managerial remuneration to its Managing Director and Wholetime Directors, in the event of a loss or inadequacy of profits for the financial year 2011-2012. Please refer Note No.26 of the Financial Statement.
2. In view of the loss for the year, no Commission has been paid/provided.
3. Mr Suresh N Talwar holds 71500 equity shares and Mr Gurdeep Singh holds 1200 equity shares. Mr Shailesh Haribhakti and Mr Pradeep Mallick do not hold any shares in the Company.

SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee comprises Mr Ashok M Advani, Mr Suneel M Advani and Mr Gurdeep Singh. Mr Gurdeep Singh, who is a Non-Executive Director, is the Chairman of the Committee. The Committee met on January 27, 2012 and reviewed the status of shareholders' grievances.

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

During the year, the Company's Registrars received 375 letters, of which 320 letters were requests for various actions such as change of address, dividend mandate, nominations, etc., and 55 letters were complaints for non-receipt of share certificates, dividend, demat credit, etc. All requests/complaints were attended to promptly and resolved to the satisfaction of the shareholders. There were no valid transfers pending as on March 31, 2012.

ANNUAL GENERAL MEETINGS

Financial Year	Date	Location of Meetings	Time
2008-09	July 27, 2009	Jai Hind College Hall Sitaram Deora Marg ('A' Road), Churchgate Mumbai 400 020.	2.30 pm
2009-10	July 26, 2010	-do -	2.30 pm
2010-11	July 29, 2011	-do -	2.30 pm

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

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

No special resolution was passed through postal ballot during the year 2011-12.

DISCLOSURES

a. The details of transactions with related parties are given in Note No. 32a to the Financial Statement for the year ended March 31, 2012. There were no transactions with related parties, which are likely to have potential conflict with the interests of the Company at large.

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

c. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. However, it has not adopted the non-mandatory requirements of the said Clause during the year ended March 31, 2012.

d. The Company has followed all relevant Accounting Standards while preparing the Financial Statements. As regards its subsidiary, the Company has disclosed an accounting treatment different from that prescribed by the Accounting Standards as detailed in Note No. 29b which forms part of Consolidated Financial Statements.

MEANS OF COMMUNICATION

The Company published its quarterly and half yearly results in the prescribed form within the prescribed time. The results were forthwith sent to the Stock Exchanges where shares are listed and the same was published in Economic Times and Maharashtra Times. The Financial Results were also displayed on the website of the Company www.bluestarindia.com. Official press releases are also displayed on the website. The Company did not have any meetings with the analysts/investors during the year 2011-12. Management Discussion and Analysis forms part of the Annual Report.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Date	:	July 31, 2012
Time	:	2.30 pm
Venue	:	Jai Hind College Hall 23-24, Sitaram Deora Marg ('A' Road) Churchgate, Mumbai 400 020.

FINANCIAL CALENDAR (PROVISIONAL)

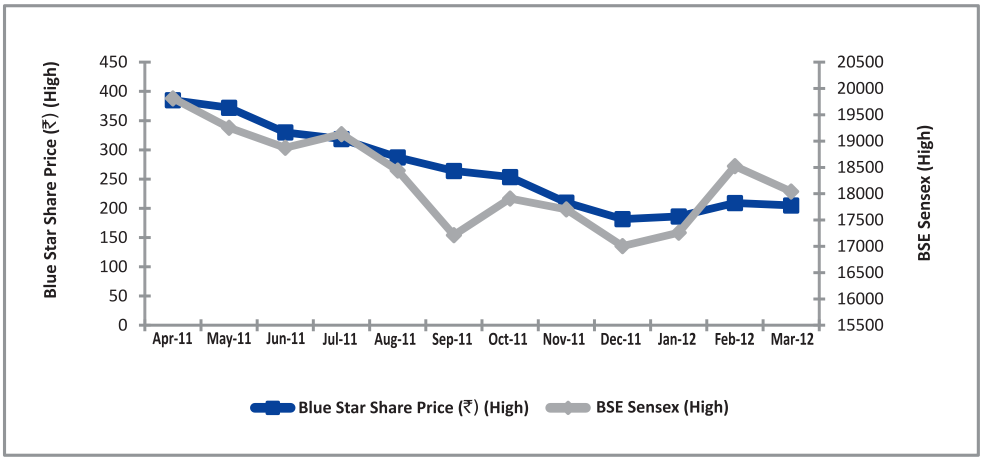
Unaudited results for the quarter ending June 30, 2012	:	July 31, 2012
Unaudited results for the quarter ending Sept 30, 2012	:	October 19, 2012
Unaudited results for the quarter ending Dec 31, 2012	:	January 18, 2013
Audited results for the year ending March 31, 2013	:	May 2013
Date of Book Closure	:	Wednesday, July 18, 2012 to Wednesday, July 25, 2012
Dividend Payment Date	:	August 03, 2012
LISTING ON STOCK EXCHANGES	:	Bombay Stock Exchange National Stock Exchange
STOCK CODE	:	Bombay Stock Exchange - 500067 National Stock Exchange-BLUESTARCO NSDL/CDSL-ISIN-INE 472A01039

MARKET PRICE DATA

(₹ per share)

	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
2011				
April	384.85	346.60	384.00	351.55
May	371.95	312.80	372.30	311.30
June	329.80	287.90	375.00	291.00
July	318.40	275.10	318.80	276.25
August	287.00	243.00	287.30	243.00
September	263.80	220.00	264.00	215.60
October	253.40	194.00	254.10	193.20
November	209.70	164.75	209.00	163.50
December	181.50	150.55	189.75	150.75
2012				
January	186.00	161.05	187.00	160.00
February	209.00	167.60	209.00	166.20
March	204.80	178.00	204.80	177.35

PERFORMANCE - COMPARISON WITH BSE SENSEX



REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt Ltd
C-13, Kantilal Maganlal Estate
Pannalal Silk Mills Compound
L B S Marg, Bhandup (W)
Mumbai - 400 078.
Tel.: 022-25946970, Fax: 022-25946969
E-mail: rnt.helpdesk@linkintime.co.in

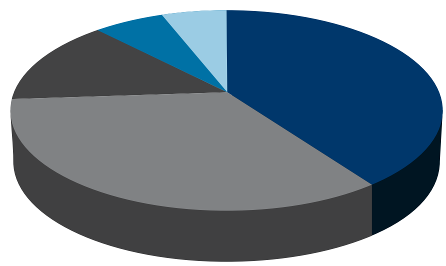
SHARE TRANSFER SYSTEM

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

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2012

No. of equity shares held	No. of Shareholders	Percentage of Shareholders	Total No. of shares held	Percentage of shares held
1 - 5000	23305	95.75	11830208	13.15
5001 - 10000	572	2.35	4007055	4.45
10001 - 20000	238	0.98	3240889	3.60
20001 - 30000	61	0.25	1497666	1.67
30001 - 40000	26	0.11	915119	1.02
40001 - 50000	16	0.07	738655	0.82
50001 - 100000	105	0.43	24251935	26.97
100001 - and above	15	0.06	43454578	48.32
TOTAL	24338	100.00	89936105	100.00

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2012



DEMATERIALISATION OF SHARES & LIQUIDITY

About 96% of the equity shares have been dematerialised by about 87% of the total shareholders as on March 31, 2012. The Company's shares can be traded only in dematerialised form as per SEBI notification. The Company has entered into agreements with NSDL & CDSL whereby shareholders have the option to dematerialise their shares with either of the Depositories. About 34% of the equity shares are held by public and the shares are actively traded in BSE and NSE.

PLANT LOCATIONS

Blue Star Limited
IInd Pokhran Road
Majiwada
Thane 400 601.

Blue Star Limited
Plot Nos. 4 & 5
GIDC Indl Estate
Bharuch 392 015.

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

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

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

Blue Star Limited
501/3, 503/2, Tejpur Road
Sarkhej Baula Highway
Changodar
Ahmedabad 382213.

Blue Star Limited
Nahan Road
Village Ogli, Kala Amb
Dist : Sirmour
Himachal Pradesh 173030.

COMPLIANCE OFFICER

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

ADDRESS FOR CORRESPONDENCE

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

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2012.

For **BLUE STAR LIMITED**

Satish Jamdar
Managing Director

Mumbai : May 16, 2012

Auditors' Certificate

To
The Members of Blue Star Limited

We have examined the compliance of conditions of corporate governance by Blue Star Limited ('the Company') for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai : May 16, 2012

Management Discussion and Analysis

INTRODUCTION

Blue Star is India's leading central airconditioning and commercial refrigeration company, with over six decades of experience in providing expert cooling solutions. It fulfills the cooling requirements of a large number of corporate, commercial as well as residential customers; and also offers expertise in allied contracting activities such as electrical, plumbing and fire-fighting services, in order to provide a comprehensive solution. Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial systems, and execution of industrial projects.

BUSINESS SEGMENTS

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

ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central airconditioning plants, packaged/ducted systems and variable refrigerant flow (VRF) systems, as well as contracting services in electrification, plumbing and fire-fighting. After-sales services such as revamp, retrofit and upgrades as well as energy management and green building services are also included in this segment.

COOLING PRODUCTS

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

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

For nearly six decades, Blue Star has been the exclusive distributor in India for many internationally renowned manufacturers of professional electronic equipment and services, as well as industrial products and systems. The Company is also in the business of specialised industrial projects.

INDUSTRY STRUCTURE AND DEVELOPMENTS

AIRCONDITIONING

In 2011-12, the estimated total market size for airconditioning in India was around ₹11,300 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems and VRF systems was about ₹5300 crores, while the market for room airconditioners comprised the balance ₹6000 crores.

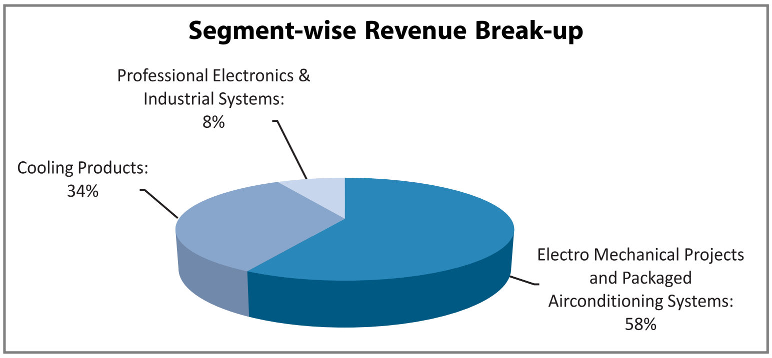
During the year, owing to the uncertain economic environment, the pace of inflow of orders as well as execution of projects in the central airconditioning segment was sluggish. While the commercial real-estate market continued to be adversely affected, there was demand from the IT/ITeS, retail, hospitality and industrial segments. Infrastructure projects, too, moved slower than anticipated with adverse impact on cash flow. Even in the room airconditioners business, which is largely driven by the home segment, for the first time in several years, the market declined as compared to the previous year. This was mainly due to a relatively mild summer coupled with reduced consumer spending on account of rising interest rates and inflationary pressures. However, the current penetration level of airconditioners in the country is a mere 3%, and this presents significant opportunities to the players in the room airconditioners business, when the economic as well as geographic climate is favourable.

COMMERCIAL REFRIGERATION

The commercial refrigeration segment includes a wide range of products such as cold storages, water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers and ice cubers. During the year, these segments performed well with demand from the ice cream, dairy and frozen food industries. The Ministry of Agriculture in co-ordination with CII has been taking initiatives to develop a seamless and robust cold chain infrastructure which will enable remunerative price to farmers and quality produce in the hands of consumers. In addition, technical standards and cost norms for several cold chain components are also being developed. These initiatives are expected to significantly enhance demand for cold chain equipment in the country.

SEGMENT-WISE ANALYSIS

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



ELECTRO MECHANICAL PROJECTS AND PACKAGED AIRCONDITIONING SYSTEMS

The Electro Mechanical Projects and Packaged Airconditioning Systems business continued to be the largest segment accounting for 58% of the Company's Total Segment Revenue. There was demand from the IT/ITeS, retail (including malls and multiplexes), industrial, healthcare and hospitality segments, during the year. However, due to the sluggish business environment, project execution in several projects was delayed. A large proportion of the Company's order book is fixed price. Inflationary trends coupled with high commodity prices adversely impacted the older jobs. Cost over-runs in building electricals, large infrastructure projects as well as commercial and residential projects for builders and general contractors, resulted in the decline in profitability of the segment.

In the central plant equipment segment, the Company offers a range of screw and scroll chillers as well as air distribution products such as air handling units and fan coil units. It launched the innovative Blue Star-Turbocor centrifugal chiller during the year, which met with an encouraging response. The Company has set up the most advanced chiller testing facility in the country at its Thane plant, which was formally inaugurated during the year. This facility is amongst the best in the world and has been certified by AHRI, an independent certification agency in the USA. The initiative will result in further strengthening the Company's reputation that its chillers are truly world-class.

During the year, Blue Star won an order for the environmental control system and building management system for the 7 underground stations of Phase-I of Bangalore Metro Rail project, valued at ₹84 crores. This project, commonly known as Namma Metro, will weave through the bustling commercial and residential areas of Bengaluru. Blue Star's expertise and competence in project execution coupled with the execution of several projects for Delhi Metro over the last few years helped the Company win this order. The Company also won an order from Airports Authority of India for airconditioning and building management system of the new terminal building of Goa Airport. Other significant orders received during the year include Hotel J W Marriott, Mumbai; DLF Mall of India, Noida; Cisco Systems, Bengaluru; Hotel Radisson Plaza, Mumbai; Tril Info Park, Chennai; Pioneer Urban Square, Gurgaon; ESIC Hospital, Hyderabad; Suncity Biotech Campus, Faridabad and Acropolis, Kolkata, amongst others.

The electrical projects business focused on opportunities available in the industrial and power sector during the review period. It enhanced its capabilities in the areas of construction and engineering in order to handle large value industrial and power sector orders independently. Several prestigious orders were received during the year including orders from Ireo, Gurgaon; GMR Hyderabad Aviation SEZ, Hyderabad; Prestige White Meadows, Bengaluru; Reliance Infrastructure, Sasan; Emaar MGF, Gurgaon and Central Ordnance Depot, Agra, to name a few.

In the plumbing and fire-fighting business, after the acquisition of D S Gupta Construction Pvt Ltd in 2010, experienced personnel were added in the Company's subsidiary Blue Star Electro-Mechanical Limited. Some of the notable orders under execution include Hotel J W Marriott, Mumbai; Panacea New Rise Hospital, Gurgaon; Oberoi Commerz, Mumbai; TSI Business Park, Hyderabad; Hotel Radisson Plaza, Mumbai; Nirlon Knowledge Park, Mumbai; Virtous Mall, Surat; Wipro, Delhi and El Dupont, Hyderabad to name a few.

Blue Star's ducted systems range comprises packaged airconditioners, ducted split airconditioners and variable refrigerant flow (VRF) systems. Blue Star provides the widest range and meets every conceivable customer requirement. In the ducted systems segment, there was good demand from healthcare, educational institutes, manufacturing plants, restaurants, shops and showrooms. Tier 2 and 3 cities and towns contributed to growth. The range of eco-friendly VRF airconditioning systems using inverter technology, which was launched during FY11, met with an encouraging response from the market place with significant bookings. In FY13, the Company is looking at further consolidating its position in this segment by enhancing its range with a new state-of-the-art VRF system using digital scroll technology as well as aggressively marketing the same amongst customers, consultants, architects and interior designers.

COOLING PRODUCTS

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

During the year, the Company launched a new range of contemporary and stylish room airconditioners for the residential segment which are available in a large number of retail channels across the country. These airconditioners, apart from modern features, offer higher energy efficiency resulting in significant power savings, since they adhere to the new energy standards prescribed by the Bureau of Energy Efficiency (BEE). The Company forayed into the residential segment in FY11, and made significant changes to its marketing mix including a product line-up to appeal to the residential segment, distribution through home appliance retail outlets and enhanced advertising budgets. This foray met with resounding success and Blue Star's room airconditioners sales grew considerably during the review period despite a decline in sales in the overall room airconditioners industry.

The Company also launched a new break-through product called the Multi-Inverter, wherein an inverter-technology based outdoor unit can be coupled to three indoor units to aircondition upto three rooms simultaneously. This product range appeals to consumers who want to aircondition their entire house and at the same time would like to dramatically save on power bills. This product re-emphasized the Company's commitment to offer high-technology products to residential customers.

In the commercial refrigeration products segment, the appreciation of the dollar impacted the margins of imported products such as chest freezers and bottled water dispensers. Sales of chest freezers and coolers grew well with enhanced demand from the ice cream, dairy and frozen foods segments. Storage water coolers registered good growth driven by demand from educational institutes, banks, industrial segments and Government institutions. Bottled water dispensers also performed well owing to significant off-take from the residential, commercial and small offices segments.

In the cold chain segment, Blue Star offers a wide range of equipment across the chain from the farm to the fork. Owing to the rise in disposable incomes of the middle class segment, the fast food sector is witnessing exponential growth expanding its footprint across the country. This has led to significant demand for cold chain equipment. Other segments such as dairy, ice cream, hotels and pharmaceutical are also contributing to growth. During the year, the Company won several orders from quick service/traditional restaurants, seafood, logistics, pharmaceutical, horticultural and ripening segments.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

This segment comprises several strategic business units namely Industrial Projects, Industrial Products and Systems, Material Testing Equipment and Systems (Destructive / Non Destructive), Data Communication Products & Services, Test and Measuring Instruments, Analytical Instruments and Medical Diagnostic Equipment. Over the years, the Company has changed its business model from being only a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain.

During the review period, due to the liquidity crunch and depreciation of the rupee, capital equipment procurement in the business lines of testing machines and industrial products and systems slowed down, with a decline in demand from major market segments such as automobiles, pipes and steel. In the industrial products and systems business, the Company added several new product lines in the areas of shrink wrapping, automated bagging systems for bulk materials, and valves and pumps sourced from Europe, USA, Japan and China. The significant business of slurry pumps in fly ash disposal and mining segments witnessed a decline due to coal shortage and lack of clarity in the mining policies. The industrial projects business also had a setback with the steel sector going slow. The import distribution businesses of analytical instruments, medical equipment as well as test and measurement instruments were adversely affected due to a steep rise in foreign exchange rates, since several customers deferred purchases with a hope of the rates lowering, which did not happen. Further, supply of permanent magnet MRI systems was hampered, with China cutting off supply of raw material for manufacturing of the permanent magnet. The data communications segment maintained its dominance in payment gateway security products for the banking sector and performed reasonably well in the new activities of building management and surveillance products.

MANUFACTURING FACILITIES

Blue Star has six modern, state-of-the-art manufacturing facilities at Thane, Dadra, Wada, Himachal and Bharuch. Another plant has been commissioned in Ahmedabad in FY13.

Thane, which is the oldest manufacturing facility in Blue Star, primarily manufactures a range of screw chillers in air cooled, water cooled and flooded types, with all products being AHRI certified. It also manufactures the innovative Blue Star-Turbocor centrifugal chiller. The Dadra plant, regarded as one of the best manufacturing facilities in the country for high quality airconditioning products, manufactures packaged/ducted split airconditioners and VRF systems. The Wada Plant, which is the largest manufacturing facility of Blue Star, manufactures air handling units, scroll chillers and refrigeration units for cold rooms. It is also a contract manufacturer of sophisticated condensing units for a European multinational. The two Himachal Plants manufacture room airconditioners as well as storage water coolers. In these plants, a sophisticated manufacturing facility for aluminum heat exchangers is being set up which will be operational in the first half of 2012. The Bharuch plant manufactures commercial refrigeration products and systems including deep freezers, chest coolers and PUF panels for cold rooms. Driven by the ice cream, frozen food and dairy segments, the commercial refrigeration business of Blue Star has been on the rise and considering the expected demand in the future, the Company thought it prudent to expand its manufacturing capacity for refrigeration products by setting up another plant in Ahmedabad which will augment the current production capacity of these products significantly.

During the year, in order to improve conversion costs and to overcome material price increase, the plants undertook several value analysis and value engineering projects and process improvement initiatives. There was focus on energy management, enhancing safety practices and TPM during the period.

RESEARCH & DEVELOPMENT

In FY11, the Company had substantially enhanced R&D capabilities in terms of processes, resources and infrastructure with the assistance of a US-based consultancy firm, which helped to recommend and implement a new product development process and build competency. This has enabled the Company to develop modern and sophisticated products across several product lines. The new structure has helped the Company meet its commitments with respect to the regulatory requirements of room airconditioners as well as address new technologies involving green building products and ozone-friendly refrigerants. In addition, there is also emphasis on non-conventional raw materials owing to the steep rise in commodity prices. The R&D facility has also received an approved status from DSIR (Department of Scientific & Industrial Research).

EXPORTS

The main focus of product exports is on the Middle East markets. The Company offers products such as chillers, air handling units, fan coil units and roof top units apart from traditional cooling products like water coolers, ducted systems and room airconditioners. These products, which compete with global brands, enjoy a good reputation in the market. The Company has also taken initiatives to develop the products in 60 Hz for growing markets such as Saudi Arabia.

During the year, the business was adversely affected due to the uprising in Libya, Syria, Egypt, Bahrain, Iran, Oman and Yemen. Several new projects have been deferred and investments are cautious. Qatar continues to have strong growth prospects, given its stable political environment. During the review period, the exports business booked several prestigious orders including Qatar Foundation, Marwa Tower and Hilton Garden Inn Hotel in Qatar; Larsen & Toubro project in Oman, and Hamriya Free Zone area in UAE.

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

AIRCONDITIONING AND REFRIGERATION SERVICE

Blue Star continues to be the largest after-sales airconditioning and commercial refrigeration service provider in the country and has sustained its reputed position in the market place as a superior value added service provider. The service team uses advanced diagnostic tools and deploys the latest techniques whilst handling technologically intensive products and solutions. The entire service operations, covering warranty and post warranty services, are ISO certified.

Apart from the common and customary annual maintenance services, the Company provides retrofit and revamping solutions to customers. In addition, services in the areas of energy, air and water management as well as Green Building certification and consultancy have been widely accepted. The total facility management solutions for large sized industries, IT/ITeS campuses and commercial/ public utilities is a new extension to the service business and is performing well.

SUPPLY CHAIN MANAGEMENT

During the year, the Company further consolidated the supply chain and logistics function to closely align with the businesses. This has ensured end-to-end visibility and operational control leading to lower costs and enhanced service levels. The Company also deployed sophisticated procurement techniques comprising long term contracts, e-procurement, time-based competition, hedging and managing risk. It also effectively leveraged IT tools for superior sourcing and enhanced speed of order fulfillment.

CHANNEL DEVELOPMENT

The Company has a Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel development and channel conflict resolution initiatives. Blue Star has approximately 1700 channel partners for room airconditioners, packaged airconditioning, cold rooms and refrigeration products and systems. Blue Star has also forayed into the retail arena for distribution of room airconditioners in several cities across the country.

Several developmental and motivational programmes including incentive trips, formation of dealer clubs and new product launches were executed. A dealer improvement programme aimed to evaluate dealers on their sales, installation, service quality and statutory compliance capabilities was conducted for the packaged airconditioning and cold room dealers across the country. The programme proved to be a resounding success, as it provided a clear understanding of various areas of strengths and weaknesses of all those rated, which in turn was useful in developing an action plan to improve the overall competence of the channel partners.

FINANCIAL PERFORMANCE

The analysis of the financial performance for the year ended March 31, 2012 in comparison to the previous year on a stand-alone basis is as under:

1. TOTAL REVENUE

For the year, the Total Revenue at ₹2724.59 crores was 5.8% lower as compared to ₹2892.91 crores in the previous year.

2. COST OF MATERIALS, PROJECT RELATED COSTS AND TRADED GOODS

The cost of materials, project related costs and traded goods during the year was ₹2085.83 crores as compared to ₹2043.22 crores in the previous year, and was 77.2% of the Total Revenue as compared to 71.5% in the previous year. The sharp erosion in gross margin was due to significantly higher cost of inputs, including imports; inflationary cost over-runs and erosion of gross margins on fixed price contracts; and higher expected costs for completion of ongoing projects, which have been absorbed in the accounts for the year in accordance with the requirements of Accounting Standards.

3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost at ₹206.91 crores in the year was marginally higher than ₹206.14 crores incurred in the previous year.

4. OTHER EXPENSES

Operating and General expenses increased by 15.9% to ₹418.58 crores, due to higher spends on advertisement and sales promotion; increase in write-off of bad debts and provision for doubtful debts; and the impact of inflation on other expenses. As a percentage of Total Revenue, the Operating and General expenses for the year were at 15.4% as compared to 12.5% in the previous year.

5. OPERATING PROFIT BEFORE FINANCIAL EXPENSES, DEPRECIATION AND TAX

Due to the reduction in revenue and gross margin, and increase in other expenses, the Operating Profit before financial expenses, depreciation and tax declined sharply from ₹282.58 crores in the previous year to ₹13.25 crores in the year under review.

6. FINANCIAL EXPENSES

Financial expenses were ₹70.25 crores for the year as compared to ₹24.36 crores in the previous year. The financial expense for the year includes a foreign exchange loss and forward cover cost of ₹36.7 crores (previous year Nil) incurred on the Company's short term liabilities in foreign currency on account of the sharp depreciation of the Indian Rupee.

7. DEPRECIATION

Depreciation charge for the year was lower at ₹31.44 crores compared to ₹31.71 crores in the previous year.

8. TAXATION

Due to the loss in the year under review, the provision for taxation for the year was nil compared to ₹72.00 crores in the previous year.

9. NET PROFIT / (LOSS) AFTER TAX

The sharp decline in the Operating Profit and increase in financial expenses, partially offset by a reduction in provision for taxation, resulted in a Net Loss after tax of ₹89.15 crores for the year as compared to a Net Profit of ₹155.00 crores in the previous year.

10. CAPITAL EXPENDITURE

Capital expenditure incurred by the Company during the year was ₹45.05 crores as compared to ₹27.99 crores in the previous year. This was largely towards setting up additional manufacturing facilities at Himachal Pradesh and Ahmedabad, and for capital expenditure for research and development.

11. CONSOLIDATED ACCOUNTS

The consolidated financial statements incorporate the result of the Company's wholly owned subsidiary, Blue Star Electro-Mechanical Ltd and its share in the result of joint venture companies, namely Blue Star M&E Engineering SDN BHD, Malaysia; Blue Star Qatar (WLL) and Blue Star Design & Engineering Ltd as well as the share in the profit of its associate company, Blue Star Infotech Ltd. The consolidated Total Revenue for the year under review was ₹2843.02 crores as compared to ₹3012.59 crores in the previous year, and the consolidated Net Loss after tax for the year was ₹105.10 crores as against a consolidated Net Profit after tax of ₹160.96 crores in the previous year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's in-house ISO 9001:2008 certified Internal Audit Department is mandated with the task of carrying out internal audits as per the annual Internal Audit plan approved by the Audit Committee of the Board, and for this purpose, the Internal Audit Department is supported and supplemented by two external firms. A summary of the internal audit findings and audit recommendations are actively reviewed and discussed by the Audit Committee with the head of Internal Audit and the senior management at every meeting of the Audit Committee. The Internal Audit Department also carries out additional reviews and audits, as required from time to time, as part of its on-going endeavour to ensure that an effective internal control environment not only provides reliable financial and operational information, but also enables the Company to run its operations more effectively. During the year, the Company reviewed and further strengthened several key internal control parameters and implemented additional system-based as well as operational controls, especially in the projects-related businesses of the Company.

RISKS AND CONCERNS

RISKS

The Company's projects-related businesses are exposed to risks of inflation and volatile commodity prices, since a large proportion of contracts are fixed price in nature, while its products-related businesses are exposed to risks relating to currency depreciation for imported inputs. Other risks include weak demand due to the slowdown in the local and global economy. The Company has strengthened the existing risk management framework in several areas to ensure that these risks are periodically identified, assessed and acted upon by designated risk owners to minimise and thereby mitigate their impact. Risks and the risk management process are also periodically reviewed by the senior management and the Board to ensure their effectiveness.

CONCERNS

The global and local economic fundamentals have clearly weakened over the last year. The global economy is struggling to cope with the uncertainties in the Eurozone and lower growth in US and China. The Indian economy continues to grapple with the structural problems of high levels of inflation and interest rates as well as fiscal and current account deficits, aggravated by a sharply weakening rupee and high global oil and commodity prices, all of which could result in a significant deceleration in the strong economic growth seen by the country in the last several years. This could adversely impact the level of investment activity in the country as well as consumer demand, and is thus an area of concern. The Company will continue to focus on remaining competitive by enhancing operational efficiency, curtailing costs, optimising capital deployed in the business and managing and mitigating business risks in order to address these concerns.

HUMAN RESOURCES

During the review period, the Company reduced its total permanent head count marginally to 2785 as on March 31, 2012 as compared to 2825 as on March 31, 2011. Recruiting the right talent was a key thrust area, keeping in mind the need to optimise costs. The Company saw harmonious industrial relations and signed a long-term settlement with the union. People development was a thrust area and a total of over 18000 man days of training was delivered during the year which included both technical as well as behavioural training. A new training centre was set up at Thane to develop the required skill sets for the electro mechanical projects business.

ENVIRONMENT, HEALTH & SAFETY

During the year, the Environment, Health and Safety (EHS) function further enhanced safety awareness among the employees and business partners. Over 10000 employees and technicians/workers of business partners were covered under safety training. Over 900 safety audits were carried out during the year and several Kaizens on safety were implemented. Emergency response plans and mock drills were conducted at all the manufacturing facilities and some offices to prepare employees for exigencies.

INFORMATION TECHNOLOGY

During the year, the Company successfully completed deployment of a portal for its service function as well its retail operations. The portal is well integrated with the ERP and CRM systems, and extends the reach of the Company's IT systems to its customers, dealers and franchisee network. Integration between the ERP and CRM systems was enhanced for providing better data visibility of the Company's installation base for its service function. This is expected to improve service revenue generation.

BRAND EQUITY

In terms of advertising and brand communication, the Company enhanced its advertising spends, given the foray into the residential segment. The differentiated value proposition for the residential audience continued to be 'Get office-like cooling at home' which leverages Blue Star's expertise in cooling offices and communicates that one can get the very same expertise at home. Various researches conducted by the Company highlight that the residential consumers have reacted favourably to this communication and this has led to greater traction for the brand.

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

In its efforts towards community development around the Company's manufacturing facilities, the Company continues to sponsor the vocational training courses offered by an NGO, Kherwadi Social Welfare Association (KSWA), in Wada. This centre has been set up to support a vocational training initiative for school and college drop-outs and make them employable contributing members of their families and communities. Over 500 students passed out during the year under review. The Company had also embarked on a new programme in partnership with the Indian Green Building Council to conduct lectures in schools and colleges and build awareness about Green Buildings. Over 50 employees were trained on the same and several volunteers have begun giving lectures in schools/colleges to sensitise young minds about going green.

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

CORPORATE OUTLOOK

The Company is tackling the challenges posed by the current uncertain business environment by tough cost control measures coupled with focus on cash collections and control of working capital, and expects to return to modest profitability in FY13.

The Dynamics of Blue Star's Growth

10 YEAR FINANCIAL HIGHLIGHTS

		2011-12	2010-11	2009-10	2008-09
OPERATING RESULTS:					
Total Income (incl. Excise duty)	₹ in Crores	2752.55	2922.11	2576.62	2574.04
Profit before Tax	"	(88.45)	227.00	276.62	238.22
Tax	"	0.70	72.00	65.14	57.93
Profit after Tax	"	(89.15)	155.00	211.49	180.29
Dividend (incl. Corporate Dividend tax)	"	10.45	73.18	83.90	73.65
Retained Profit	"	(99.60)	81.82	127.59	106.64
FINANCIAL POSITION:					
Paid up Capital	₹ in Crores	17.99	17.99	17.99	17.99
Reserves	"	455.91	555.51	473.69	349.15
Shareholders' Funds	"	473.90	573.50	491.67	367.13
Borrowings	"	373.57	418.38	65.99	27.28
Total Funds Employed	"	847.47	991.88	557.67	394.41
Net Fixed Assets, Investments, DTA/DTL	"	358.70	324.09	205.92	216.76
Net Working Capital	"	488.77	667.79	351.74	295.70
Debt Equity Ratio	Ratio	0.79	0.73	0.13	0.07
Book Value per Equity Share	₹	52.69	63.77	54.67	40.82
OTHER INFORMATION:					
Number of Shareholders	Nos.	24338	22830	22781	20470
Number of Employees	Nos.	2785	2825	2603	2620
PERFORMANCE INDICATORS:					
Earnings per Share	₹	(9.9)	17.23	23.52	20.05
Dividend per Share **	₹	1.00	7.00	8.00	7.00
Return on Shareholders' Funds	%	(18.8)	27.03	43.0	49.1
Return on Capital Employed	%	(10.4)	22.9	49.6	60.4

** Proposed Dividend

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
	2270.09	1607.41	1178.62	930.92	716.06	601.06
	242.02	92.60	69.09	52.44	46.59	40.18
	67.92	21.42	19.42	13.71	11.88	9.57
	174.10	71.18	48.90	39.16	32.55	31.04
	73.65	30.93	24.61	20.55	18.26	18.26
	100.45	40.26	24.29	18.61	14.29	12.78
	17.99	17.99	17.99	17.99	17.99	17.99
	245.56	194.98	154.72	130.43	111.82	97.53
	263.54	212.97	172.71	148.42	129.81	115.52
	36.54	89.05	75.87	37.28	13.35	12.05
	300.08	302.02	248.58	185.70	143.15	127.57
	160.39	121.79	113.04	89.03	70.41	59.79
	141.86	184.49	141.33	100.53	77.17	67.84
	0.14	0.42	0.44	0.25	0.10	0.10
	29.30	23.68	19.20	16.50	14.43	12.84
	19096	18065	15609	17187	19422	22000
	2566	2181	1999	1868	1798	1808
	19.36	7.91	5.44	4.35	3.62	3.45
	7.00	3.00	2.40	2.00	1.80	1.80
	66.1	33.4	28.3	26.4	25.1	26.9
	81.4	32.1	30.1	30.0	33.8	33.3

Auditors' Report

To

The Members of Blue Star Limited

1. We have audited the attached Balance Sheet of Blue Star Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our report, we draw attention to note 26 to the financial statements regarding managerial remuneration amounting to ₹594.47 lacs paid / provided during the year of which ₹402.56 lacs is in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956. As represented to us, the Company has filed an application with the Central government for approval of such excess remuneration.
5. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
      b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 16, 2012

Annexure to the Auditors' Report

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

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

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

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

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

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

(iii) (a) The Company has granted loans to two Companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹2,317.79 lacs and the year-end balance of loans granted to such parties was ₹659.00 lacs.

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

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

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

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

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

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

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

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

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, related to the manufacture of certain products, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) 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 have generally been regularly deposited with the appropriate authorities *though there have been significant delays in few cases in deposit of tax deducted at source.*

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

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

Name of Statute	Nature of the dues	Amount (₹ in Lacs*)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act,1961	Disallowance of Section 80IB deduction for non allocation of Corporate Expenses, Disallowance of depreciation on intangible assets acquired from NEPL & others	1,152.52	AY 2008-2009	Commissioner of Income tax (A)
Service Tax under Finance	Service tax demand on Composite Contracts	55.00	2003-2004 to 2006-2007	CESTAT
Act, 1994	Disallowance of Cenvat Credit to the extent of 80%	328.43	2004-2005 to 2009-2010	CESTAT / Commissioner Appeals
	Additional demand/disallowances on work contracts	121.48	1994-95: 2002- 2003; 2003-2004; 2007-2008	Sales Tax Appellate Tribunal; High Court
	Demand notice received from Assessing authority treating works contract sales as product sales	2,326.82	2001-2002 to 2002-2003; 2005-2006 to 2008-2009	Supreme Court
	Factory Direct Sale treated as Local branch sales	147.10	2002-2003; 2003-2004	Deputy Commissioner (Appeals)
Local Sales Tax Act, VAT Act and Central Sales Tax Act	Non Submission of Forms	429.99	1992-93; 2000-2001; 2003-2004; 2005-2006; 2006-2007; 2007-2008	Deputy / Asst. Commissioner (Appeals)
	Disallowance of set off u/s 41D & interest liabiity	98.82	2002-2003; 2004-2005	Deputy Commissioner (Appeals)
	Sales tax demand on assessment	634.77	1990-91, 2002-2003 to 2005-2006	Deputy / Asst. Commissioner (Appeals)
	Show cause notice received from CTO, Hyderabad treating works contract sales as product sales	1,024.54	2003-2004; 2004-2005	High Court
Entry Tax	On Factory direct sales	2.59	2001-2002; 2004-2005	Asst. Commissioner
Central Excise Act, 1944	10% Demand of Excise Duty on Finished Goods, raised for not maintaining separate books of accounts for dispatches to SEZ Developers	56.00	2008-2009	CESTAT Mumbai
	Excise Duty on Insulated panels which is considered as walk in coolers and claimed as concessional duty	11.53	1986-1990	Central Excise Commissioner
	Excise Duty on Electric fans manufactured and captively used in manufacture of water cooler	2.77	1980-1982	CESTAT
	Excise Duty on whole unit including Cabinet which is considered as walk in coolers and claimed as exemption	10.00	1981-1986	Supreme Court
	Exemption granted to Power projects under Notification 6/2006 rejected	7.11	2009-10	CESTAT
	Non submission of proof of export during EA 2000 Audit	16.56	2008-09	CESTAT
	Non submission of proof of re-warehousing under certificates obtained from customers	1.28	2008-09	CESTAT

* net of advances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 16, 2012

Balance Sheet as at March 31, 2012

(₹ in lakhs)

	Notes	As at March 31 2012	2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	45,591.22	55,551.12
		47,389.94	**57,349.84**
Non-current liabilities			
Long-term provisions	5	294.76	305.22
		294.76	**305.22**
Current liabilities			
Short-term borrowings	6	34,321.14	41,837.72
Trade payables (refer note 29)		70,299.68	68,904.63
Other current liabilities	7	47,725.82	47,051.49
Short-term provisions	5	5,030.97	10,465.53
		157,377.61	**168,259.37**
TOTAL		**205,062.31**	**225,914.43**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	19,856.42	18,538.88
Intangible assets	8	725.06	768.96
Capital work-in-progress		1,901.47	1,931.97
Intangible assets under development		1,251.84	602.19
Non-current investments	9	12,135.79	10,183.79
Deferred tax assets (net)	10	-	69.84
Long-term loans and advances	11	7,178.38	3,941.78
Trade receivables	12.1	238.53	626.68
Other non-current assets	12.2	6.95	-
		19,559.64	**14,822.09**
Current assets			
Inventories	13	43,715.52	49,450.74
Trade receivables	12.1	69,347.58	77,232.34
Cash and bank balances	14	5,080.62	4,648.89
Short-term loans and advances	11	9,513.04	10,333.26
Other current assets	12.2	34,111.11	47,585.11
		161,767.87	**189,250.34**
TOTAL		**205,062.31**	**225,914.43**
Summary of significant accounting policies	2.1		

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

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

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

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

Mumbai: May 16, 2012

Statement of Profit & Loss Account for the year ended March 31, 2012

(₹ in lakhs)

	Notes	Year ended March 31 2012	Year ended March 31 2011
INCOME			
Revenue from operations (gross)	15	272,824.73	288,811.18
Less: excise duty		2,796.31	2,919.40
Revenue from operations (net)		270,028.42	285,891.78
Other income	16	2,430.66	3,399.59
Total revenue (I)		**272,459.08**	**289,291.37**
Expenses			
Cost of raw material and components consumed and Project related cost	17	166,391.54	194,062.04
Purchase of traded goods	17	36,937.93	30,398.91
(Increase)/decrease in inventories of finished goods, work-in-progress and traded goods	18	5,253.99	(20,138.48)
Employee benefits expense	19	20,691.71	20,613.83
Other expenses	20	41,858.78	36,097.08
Total (II)		**271,133.95**	**261,033.38**
Profit before interest, tax, depreciation and amortization (I) – (II)		**1,325.13**	**28,257.99**
Depreciation and amortization expense	8	3,144.52	3,171.08
Finance costs	21	7,025.41	2,436.23
Profit/(L oss) before tax and Exceptional items		**(8,844.80)**	**22,650.68**
Exceptional items - Profit on sale of Investments			**42.93**
Profit/(Loss) before tax		**(8,844.80)**	**22,693.61**
Tax expenses			
Current tax		-	7,117.00
Deferred tax		69.84	76.82
Total tax expense		**69.84**	**7,193.82**
Profit/(loss) for the year		**(8,914.64)**	**15,499.79**
Earnings per equity share [nominal value of share ₹2 (31 March 2011: ₹2) (refer note 34)			
Basic			
Computed on the basis of profit/(loss) for the year	₹	**(9.91)**	**17.23**
Diluted			
Computed on the basis of profit/(loss) for the year	₹	**(9.91)**	**17.23**
Summary of significant accounting policies	2.1		

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

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

As per our report of even date		
As per our report of even date	**Ashok M Advani**	Chairman
For **S R Batliboi & Associates**	**Suneel M Advani**	Executive Vice Chairman
Firm Registration No 101049W	**Satish Jamdar**	Managing Director
Chartered Accountants	**Vir S Advani**	Director
	Pradeep Mallick	Director
per Sudhir Soni	**Gurdeep Singh**	Director
Partner	**Suresh N Talwar**	Director
Membership No. 41870	**Manek Kalyaniwala**	Executive Vice President - Finance
	Sangameshwar Iyer	Company Secretary
Mumbai: May 16, 2012		Mumbai: May 16, 2012

1. Corporate information

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

2. Basis of preparation

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

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

2.1 Summary of Significant Accounting Policies

(a) Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(b) Use of estimates

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

(c) Tangible fixed assets and Capital WIP

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

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

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(d) Depreciation on tangible fixed assets

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

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

(e) Impairment

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

(f) Intangible assets

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

Research and Development Cost:

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

Amortisation of Intangible fixed assets:

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

(g) Leases

Where the Company is the lessee

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

(h) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with capital subsidy received from the government are credited to capital reserve and treated as part of the shareholders' funds.

(i) Investments

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

(j) Inventories

Inventories are valued as follows:

(i) Raw materials, stores and components are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

(ii) Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably.

(iii) Work-In-Progress and Finished goods are valued at lower of cost and net realisable value.

Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

(iv) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(k) Revenue Recognition

(i) Revenue from long – term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

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

(iii) Annual Maintenance contracts: Revenues from annual maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

(iv) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally on dispatch of goods. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

(v) Commission income is recognised as and when the terms of the contracts are fulfilled.

(vi) Claims recoverable are accrued only to the extent admitted by the parties.

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

(viii) Dividend income is recognised when the right to receive dividend is established.

(ix) Interest income is recognised on accrual basis.

(l) Foreign Exchange Transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange difference

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

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

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

(m) Retirement and other Employee Benefits

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

Provident Fund:

In respect of certain employees covered by the Employee's Provident fund, the contribution towards shortfall in interest rate payable as per statue and the earnings of the Provident Fund Trust is considered as Defined Benefit Plans and debited to Profit & loss account.

Gratuity:

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

(iii) Other long term benefits:

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

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

(iv) Voluntary Retirement Scheme

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

(n) Excise Duty

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

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

(o) Taxes on Income

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

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

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

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

(p) Segment Reporting Policies

(i) Identification of segments :

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

(ii) Allocation of common costs/ assets & liabilities: Common allocable costs/assets and liabilites are consistently allocated amongst the segments on appropriate basis.

(iii) Unallocated items: Includes general corporate income and expense items which are not allocated to any business segment.

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

(q) Earning per share

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

(r) Provisions

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

(s) Contingent Liability

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

(t) Cash and Cash equivalents

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

(u) Borrowing Costs

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

3: SHARE CAPITAL

(₹ in lakhs)

		As at March 31	
		2012	2011
Authorised Shares			
10,000	(31 March 2011: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000	(31 March 2011: 148,700,000) Equity Shares of ₹2 each	2,974.00	2,974.00
16,000	(31 March 2011: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
		3,000.00	**3,000.00**
Issued, subscribed and fully paid-up shares			
89,936,105	(31 March 2011: 89,936,105) Equity Shares of ₹2 each	1,798.72	1,798.72
Total issued, subscribed and fully paid-up share capital		**1,798.72**	**1,798.72**

a) There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

b) Terms/rights attached to equity shares

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

During the year ended 31 March, 2012 the amount of per share dividend proposed as distribution to the equity shareholders is ₹1 (31 March, 2011: ₹7)

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

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of ₹2 each fully paid				
Ashok Mohan Advani	10,857,481	12.07%	10,857,481	12.07%
IL & FS Trust Company Ltd #	7,458,354	8.29%	7,458,354	8.29%
Suneel Mohan Advani	5,325,098	5.92%	5,800,908	6.45%
HDFC Trustee Company Limited - HDFC Capital Builder Fund #	4,888,971	5.44%	3,954,561	4.40%

these shares are held in Trust for the Promoter group who are the beneficial owners.

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

4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2012	2011
General reserve		
Balance as per the last financial statements	27,310.81	25,760.81
Add: amount transferred from surplus balance in the statement of profit and loss	-	1,550.00
Closing Balance	27,310.81	27,310.81
Capital Redemption Reserve	233.56	233.56
Capital Subsidy from Government	30.00	30.00
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	27,976.75	21,344.36
Profit/(loss) for the year	(8,914.64)	15,499.79
Less: Appropriations		
Proposed final equity dividend (amount per share ₹1 (31 March 2011: ₹7))	899.36	6,296.00
Tax on proposed equity dividend	145.90	1,021.40
Transfer to general reserve	-	1,550.00
Total appropriations	1,045.26	8,867.40
Net surplus in the statement of profit and loss	18,016.85	27,976.75
Total reserves and surplus	**45,591.22**	**55,551.12**

5: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Provision for employee benefits				
Provision for Leave benefits	-	-	1,684.96	1,616.36
Provision for Additional Gratuity (refer note 30)	60.48	59.80	4.30	4.21
	60.48	59.80	1,689.26	1,620.57
Other provisions				
Provision for warranties	234.28	245.42	814.92	984.10
Loss order	-	-	1,481.53	543.46
Proposed equity dividend	-	-	899.36	6,296.00
Provision for tax on proposed equity dividend	-	-	145.90	1,021.40
	234.28	245.42	3,341.71	8,844.96
	294.76	**305.22**	**5,030.97**	**10,465.53**

Provision for warranties

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

(₹ in lakhs)

	As at March 31	
	2012	**2011**
At the beginning of the year	1,229.52	1,419.58
Arising during the year	923.89	543.22
Utilized during the year	(890.53)	(733.28)
Unused amounts reversed during the year	(213.68)	-
At the end of the year	**1,049.20**	**1,229.52**
Current portion	814.92	984.10
Non-current portion	234.28	245.42

Loss order

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

(₹ in lakhs)

	As at March 31	
	2012	**2011**
At the beginning of the year	543.46	735.33
Arising during the year	9,158.72	400.78
Utilized during the year	(8,131.92)	(435.92)
Unused amounts reversed during the year	(88.73)	(156.73)
At the end of the year	**1,481.53**	**543.46**
Current portion	1,481.53	543.46
Non-current portion	-	-

6. SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2012	2011
Cash credit from banks (secured)	-	5,559.58
Buyers credit (secured)	11,523.11	14,899.30
Buyers credit (unsecured)	8,849.65	4,378.84
Commercial Papers from Banks (unsecured)	1,000.00	6,000.00
Commercial Papers from Others (unsecured)	12,100.00	4,000.00
Term Loans from Banks (unsecured)		
Foreign Currency loan	848.38	-
Indian Rupee Loans	-	7,000.00
	34,321.14	**41,837.72**
The above amount includes		
Secured borrowings	11,523.11	20,458.88
Unsecured borrowings	22,798.03	21,378.84

Cash credit and Buyers Credit from banks is Secured by hypothecation of stock-in-trade and trade receivables. The cash credit carries average interest @ 10.0% p.a and Buyers' credit carries average interest @ Libor plus 1.25%. Cash credit are repayable on demand and Buyers' Credit are availed for imports payables and are repayable within maximum tenure of 360 days from the date of shipment.

Commercial Papers carry average interest rate @ 9.80% p.a. for the current year. These are repayable within 45 days to 365 days from the date of drawdown.

Foreign Currency Loan carry average interest @ 7% p.a. for the current year. The loan is repayable after one year from the date of its origination.

Indian Rupee loan carry average interest @ 9.75% p.a. The loan are repayable within maximum tenure of 60 days from the date of its origination.

7: OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31	
	2012	2011
Other liabilities		
Current maturities of long term borrowings (Foreign Currency Loan) unsecured	3,036.49	-
Interest accrued but not due on borrowings	71.75	39.57
Amount Due to Customers (see note 22)	2,249.45	2,378.57
Unearned revenue on AMC services	3,401.85	3,119.36
Investor Education and Protection Fund will be credited by following amount (as and when due)		
Unpaid dividend	227.60	201.22
Advance from customers	34,882.64	36,631.41
Unrealised loss on Forward Contract liability	144.14	63.54
Others		
Due to subsidiary company	-	57.91
Creditors - Capital Expenditure	27.60	343.35
Interest free deposits from customers	377.92	343.55
Due to statutory bodies	3,111.64	3,442.27
Other Liabilities - Payroll deductions	194.74	430.74
	47,725.82	**47,051.49**

Foreign Currency Loan carry average interest @7% p.a. for the current year. The loan is repayable after one year from the date of its origination.

8: FIXED ASSETS

(₹ in lakhs)

	Description of Assets	Gross Block				Depreciation				Net Block
		As at 1.4.2011	Additions Adjustment during the year	Deductions	As at 31.3.2012	As at 1.4.2011	Deductions	Provided during the year	As at 31.3.2012	As at 31.3.2012
Tangible Assets										
1	Land - Freehold	889.02	0.37	-	889.39	-	-	-	-	889.39
		(486.37)	(402.65)	-	(889.02)	-	-	-	-	(889.02)
2	Land - Leasehold	7.94	-	-	7.94	2.68	-	-	2.68	5.26
		(7.94)	-	-	(7.94)	(2.42)	-	(0.26)	(2.68)	(5.26)
3	Building Sheds and Road	10,366.75	1,275.61	5.27	11,637.09	3,981.52	3.65	642.94	4,620.81	7,016.28
		(10,103.63)	(289.47)	(26.35)	(10,366.75)	(3,363.00)	(18.94)	(637.46)	(3,981.52)	(6,385.23)
4	Plant & Equipment#	17,764.36	2,414.29	168.54	20,010.11	8,825.03	136.08	1,490.92	10,179.86	9,830.25
		(16,549.46)	(1,359.98)	(145.08)	(17,764.36)	(7,507.81)	(112.51)	(1,429.73)	(8,825.03)	(8,939.33)
5	Furniture,Fixture & Equipments	3,336.21	102.24	48.57	3,389.89	1,862.68	37.03	225.05	2,050.69	1,339.19
		(3,076.56)	(336.78)	(77.13)	(3,336.21)	(1,646.41)	(63.31)	(279.58)	(1,862.68)	(1,473.53)
6	Vehicles	851.98	150.06	59.23	942.82	362.43	26.19	147.01	483.25	459.57
		(728.34)	(213.35)	(89.71)	(851.98)	(296.74)	(60.24)	(125.93)	(362.43)	(489.55)
7	Computers	1,539.13	172.90	158.63	1,553.40	1,182.17	149.57	204.32	1,236.92	316.47
		(1,440.12)	(182.26)	(83.25)	(1,539.13)	(1,066.43)	(80.58)	(196.32)	(1,182.17)	(356.96)
	Total 2011-12	**34,755.39**	**4,115.48**	**440.24**	**38,430.63**	**16,216.51**	**352.53**	**2,710.23**	**18,574.21**	**19,856.42**
	Total 2010-11	**(32,392.42)**	**(2,784.49)**	**(421.52)**	**(34,755.39)**	**(13,882.81)**	**(335.58)**	**(2,669.28)**	**(16,216.51)**	**(18,538.88)**

Intangible Assets

	Description of Assets	Gross Block				Depreciation				Net Block
		As at 1.4.2011	Additions Adjustment during the year	Deductions	As at 31.3.2012	As at 1.4.2011	Deductions	Provided during the year	As at 31.3.2012	As at 31.3.2012
1	Technical Knowhow	259.78	-	-	259.78	259.78	-	-	259.78	-
		(419.85)	-	(160.07)	(259.78)	(418.43)	(160.07)	(1.42)	(259.78)	-
2	Softwares	2,390.31	390.46	11.19	2,769.59	1,621.35	11.12	434.29	2,044.52	725.06
		(2,375.63)	(14.68)	-	(2,390.31)	(1,120.97)	-	(500.38)	(1,621.35)	(768.96)
	Total 2011-12	**2,650.09**	**390.46**	**11.19**	**3,029.37**	**1,881.13**	**11.12**	**434.29**	**2,304.30**	**725.06**
	Total 2010-11	**(2,795.48)**	**(14.68)**	**(160.07)**	**(2,650.09)**	**(1,539.40)**	**(160.07)**	**(501.80)**	**(1,881.13)**	**(768.96)**

Figures in brackets represents amounts pertaining to previous years.

\# Net of Grant received for UNIDO machine ₹36.24 lakhs (Previous year: ₹36.24 lakhs) and accumalated depreciation thereon ₹31.33 lakhs (Previous year: ₹30.54 lakhs).

(₹ in lakhs)

Depreciation and Amortization Expense	March 31	
	2012	2011
Depreciation on Tangible Assets	2,710.23	2,669.28
Amortization of Intangible Assets	434.29	501.80
	3,144.52	**3,171.08**

9: NON CURRENT INVESTMENTS

(₹ in lakhs)

		As at March 31	
		2012	2011
Trade investments (valued at cost unless stated otherwise)			
Unquoted equity instruments			
Investment in Subsidiary			
19,70,000	(31 March 2011: 16,50,000) Fully Paid Equity Shares of ₹10 each in Blue Star Electro Mechanical Ltd. (refer note 25)	11,717.00	9,765.00
Investment in Joint Ventures			
367,500	(31 March 2011: 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	49.97	49.97
585,000	(31 March 2011: 585,000) Fully paid Equity shares of ₹10 each in Blue Star Design and Engineering Limited	58.50	58.50
49	(31 March 2011: 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar(WLL)	12.11	12.11
		11,837.58	9,885.58
Non-trade investments (valued at cost unless stated otherwise)			
Investment in Associates (Quoted)			
3,098,025	(31 March 2011: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd.	298.21	298.21
		298.21	298.21
		12,135.79	**10,183.79**
Aggregate amount of quoted investments (Market value: ₹2,236.77 lakhs (31 March 2011: ₹3,088.73 lakhs))		298.21	298.21
Aggregate amount of unquoted investments		11,837.58	9,885.58

10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2012	2011
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	1,858.51	921.19
Gross deferred tax liability	1,858.51	921.19
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	649.74	608.64
Provision for doubtful debts and advances	890.33	382.39
Impact of Carried Forward Tax Loss	318.44	-
Gross deferred tax asset	1,858.51	991.03
Net deferred tax asset	**-**	**69.84**

The Company has recognised the deferred tax asset on carried forward loss for the year only to the extent of the deferred tax liability arising from timing differences.

11: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Capital advances				
Unsecured, considered good	168.37	313.19	-	-
	168.37	313.19	-	-
Security deposit				
Unsecured, considered good	1,568.22	1,266.39	-	-
	1,568.22	1,266.39	-	-
Loan and advances to related parties				
Unsecured, considered good	-	-	664.86	576.86
Condidered Doubtful	-	-	320.58	320.58
	-	-	985.44	897.44
Provision for Doubtful advances	-	-	320.58	320.58
	-	-	664.86	576.86
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	4,726.85	6,002.35
	-	-	4,726.85	6,002.35
Other loans and advances, Unsecured, considered good				
Advance income-tax (net of Provisions ₹34,560.03 Lakhs (Previous year ₹34,560.32 lakhs))	4,253.82	1,043.64	-	-
Prepaid expenses	14.27	17.68	1,323.12	1,529.05
Loans to employees	237.49	248.46	115.29	115.70
Balances with statutory / government authorities	936.21	1,052.42	2,682.92	2,109.30
	5,441.79	2,362.20	4,121.33	3,754.05
Total	**7,178.38**	**3,941.78**	**9,513.04**	**10,333.26**
Loans and Advances to related parties include:				
Dues from Subsidiary Company	-	-	37.77	-
Dues from Joint Ventures	-	-	947.67	897.44

12 TRADE RECEIVABLES AND OTHER ASSETS

12.1 TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, Considered good	238.53	626.68	18,940.49	24,622.58
Considered Doubtful	-	-	2,423.55	821.89
	238.53	626.68	21,364.04	25,444.47
Provision for Doubtful Receivables	-	-	2,423.55	821.89
	238.53	626.68	18,940.49	24,622.58
Other receivables				
Unsecured, Considered good	-	-	50,407.09	52,609.76
	-	-	50,407.09	52,609.76
	238.53	**626.68**	**69,347.58**	**77,232.34**

12.2: OTHER ASSETS

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 14)	6.95	-	-	-
Unrealised gain on Forward Contract	-	-	267.41	-
Unbilled Revenue :				
Project Revenue (refer note 22)	-	-	33,607.16	47,254.30
AMC	-	-	236.54	330.81
			33,843.70	47,585.11
	6.95	**-**	**34,111.11**	**47,585.11**

13: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2012	2011
Raw materials & components (includes in transit ₹1,700.86 lakhs (31 March 2011: ₹1,760.42 lakhs))	8,027.05	7,751.36
Work-in-progress	1,931.90	2,389.16
Finished goods	7,172.07	10,683.29
Traded goods (including in transit ₹3,518.70 lakhs (31 March 2011: ₹2,362.90 lakhs))	8,828.96	8,424.76
Work in progress - Projects	14,847.34	16,537.05
Stores and spares	2,908.20	3,665.12
	43,715.52	**49,450.74**

14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Cash and cash equivalents				
Balances with banks:				
– On current accounts			4,825.89	4,410.31
– On unpaid dividend account			227.60	201.22
Cash on hand			27.13	37.36
			5,080.62	4,648.89
Other bank balances				
Margin money Deposit	6.95	-		
	6.95	-		
Amount disclosed under non-current assets (refer note 12.2)	(6.95)	-		-
	-	**-**	**5,080.62**	**4,648.89**

Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹6.95 lakhs (31 March 2011: ₹ Nil) are subject to first charge to secure the Custom claim.

15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Revenue from operations		
Sale of products		
Finished goods	115,363.29	115,932.74
Traded goods	64,266.67	44,690.45
Sale of Services	26,294.91	23,622.55
Revenue from Construction Contracts (refer note 22)	63,806.48	101,859.62
Other operating revenue		
Commission income	2,831.87	2,504.38
Other	261.51	201.44
Revenue from operations (gross)	**272,824.73**	**288,811.18**
Less: Excise duty#	2,796.31	2,919.40
Revenue from operations (net)	**270,028.42**	**285,891.78**

Excise duty on sales amounting to ₹2,796.31 lakhs (31 March 2011: ₹2,919.40 lakhs) has been reduced from sales in profit & loss account and excise duty on (increase)/decrease in stock amounting to ₹39.42 lakhs (31 March 2011: ₹46.29 lakhs) has been considered as (income)/expense in note 18 of financial statements.

Details of Products Sold		
Finished goods sold		
Air-conditioning & Refrigeration Equipment	61,797.68	60,773.76
Central Air-conditioning Plant	41,939.00	44,690.98
Spares & Components	11,626.61	10,468.00
	115,363.29	**115,932.74**
Traded goods sold		
Air-conditioning & Refrigeration Equipment	50,122.76	30,555.90
Central Air-conditioning Plant	1,735.04	640.22
Electronics & Other Appliances, Equipment, Instruments etc.	8,259.69	10,488.40
Spares & Components	4,149.18	3,005.93
	64,266.67	**44,690.45**
Detail of services rendered		
AMC services	26,294.91	23,622.55
	26,294.91	**23,622.55**

16: OTHER INCOME

	Year Ended March 31	
	2012	**2011**
Interest income on		
Bank deposits	5.84	1.24
Others	73.23	106.74
Dividend income on		
Current investments	60.66	40.23
Long-term investments	274.09	285.54
Profit on sale of fixed assets(net)	-	279.42
Provisions & Liabilities no longer required	1,671.05	2,434.71
Other non operating Income	345.79	251.71
	2,430.66	**3,399.59**

17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Cost of material consumed	77,639.43	108,174.46
Project Cost (including bought outs) (refer note 27b)	88,752.11	85,887.58
	166,391.54	**194,062.04**
Purchase of traded Goods	**36,937.93**	**30,398.91**
Details of raw material and components consumed		
Non ferrous metals	14,932.47	26,121.27
Ferrous metals	10,681.28	11,079.05
Compressors	17,238.97	19,526.70
Others	34,786.71	51,447.44
	77,639.43	**108,174.46**

(₹ in lakhs)

	31-Mar-12		31-Mar-11	
	₹	%	₹	%
Imported (at Landed Cost)	26,540.48	34.18%	36,390.18	33.64%
Indigenous	51,098.95	65.82%	71,784.28	66.36%
	77,639.43	**100.00%**	**108,174.46**	**100.00%**

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Details of Purchase of Traded Goods		
Air-conditioning & Refrigeration Equipment	22,904.49	18,221.59
Central Air-conditioning Plant	1,848.72	1,246.97
Electronics & Other Appliances, Equipment, Instruments Etc.	5,746.38	8,875.92
Spares & Components	6,438.34	2,054.43
	36,937.93	**30,398.91**

18: (INCREASE)/DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-12	31-Mar-11	(Increase) / decrease 31-Mar-12
Inventories at the end of the year			
Traded goods	8,828.96	8,424.76	(404.20)
Work-in-progress	1,931.90	2,389.16	457.26
Finished goods	7,172.07	10,683.29	3,511.22
Work-in-progress Projects	14,847.34	16,537.05	1,689.71
	32,780.27	38,034.26	5,253.99

(₹ in lakhs)

	31-Mar-12	31-Mar-11	(Increase) / decrease 31-Mar-11
Inventories at the beginning of the year			
Traded goods	8,424.76	3,231.21	(5,193.55)
Work-in-progress	2,389.16	2,075.30	(313.86)
Finished goods	10,683.29	4,744.09	(5,939.20)
Work-in-progress Projects	16,537.05	7,845.18	(8,691.87)
	38,034.26	17,895.78	(20,138.48)
	5,253.99	**(20,138.48)**	

19: EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Salaries, wages and bonus	17,263.88	17,354.56
Contribution to provident and other funds	1,296.49	1,237.08
Gratuity expense (refer note 30)	138.77	45.29
Other employment benefits	296.19	355.24
Staff welfare expenses	1,696.38	1,621.66
(refer notes 26)	**20,691.71**	**20,613.83**

20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Stores and Spares consumed	613.41	808.27
AMC Subcontracting cost	13,679.61	12,600.34
Rent (refer note 33)	3,007.29	2,373.10
Rates and taxes	53.34	45.40
Power and fuel	1,000.74	1,159.08
Insurance	231.74	241.95
Repairs and maintenance		
Buildings	541.14	404.10
Plant and machinery	213.63	239.15
Others	550.70	422.90
Advertising and sales promotion	2,344.15	1,485.45
Commission, Discounts and Incentives on Sales	3,480.03	3,025.23
Freight and forwarding charges	3,453.43	3,146.31
Travelling and conveyance	2,676.52	2,679.58
Printing and stationery	336.48	351.57
Legal and professional fees	3,853.01	3,635.18
Directors' sitting fees	7.80	7.80
Payment to auditor (Refer details below)	76.08	61.19
Non Executive Directors Commission	-	52.85
Donations	21.55	15.33
Loss on sale of Fixed Assets (net)	20.52	-
Exchange differences (net)	73.18	152.93
Bad debts / advances written off	2,375.60	583.44
Provision for doubtful debts and advances (net)	1,601.66	907.47
Miscellaneous expenses	1,647.17	1,698.46
	41,858.78	**36,097.08**
Payment to auditor		
As auditor:		
Audit fee	44.50	34.50
Tax audit fee	5.00	5.00
Limited review	12.00	12.00
In other capacity:		
Other services (certification fees)	9.72	8.22
Reimbursement of expenses	4.86	1.47
	76.08	**61.19**

21: FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Interest	2,735.05	1,949.49
Bank charges	623.62	486.74
Exchange Difference on Borrowing (net)	3,666.74	-
	7,025.41	**2,436.23**

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

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
I Contract revenue recognised for the year	**63,806.48**	101,859.62
II For Contracts that are in progress as on 31.3.2012		
A) Contract costs incurred and recognized profits (Less Recognised losses)	**319,246.01**	312,594.29
B) Advances received	**18,296.36**	23,224.63
C) Gross amount due from customers for Contract work	**33,607.16**	47,254.30
D) Gross amount due to customers for Contract work	**2,249.45**	2,378.57
E) Retention amount	**1,592.43**	1,058.72

23: CONTINGENT LIABILITIES

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Claims against the Company not acknowledged as debts	**71.76**	66.44
Sales Tax matters	**5,353.93**	5,279.88
Excise Duty matters	**105.25**	80.30
Service Tax matters	**483.43**	483.43
Income Tax matters	**2,837.04**	1,684.52
Corporate Guarantee given on behalf of Subsidiary, Associates and others	**8,318.74**	8,141.43

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

24 Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹616.47 lakhs (31 March 2011: ₹1,381.21 lakhs).

25 During the year the Company has further invested a sum of ₹1,952 lakhs (March 31, 2011: ₹9,765 lakhs) in the share capital of its wholly owned subsidiary Blue Star Electro Mechanical Ltd (BSEML), for acquiring further 3,20,000 (March 31, 2011:16,50,000) equity shares of ₹10/- each.

26 Employee benefit expenses (Note 19) include ₹594.47 lakhs paid/ provided during the year towards Director's remuneration of which ₹402.46 lakhs in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. The Company is seeking approval of the Central Government and the shareholders for the excess managerial remuneration paid to / provided for Directors' remuneration. Pending receipt of such approval, the amount of ₹202.47 lakhs paid to the Directors in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956 is held in trust by the said Directors.

27 a. Project costs and Legal & Professional fees are net of ₹213 lakhs (31 March 2011: ₹1,128.48 lakhs) and Nil (31 March 2011: ₹81.33 lakhs) respectively, on account of reversal of provision no longer required.

27b: PROJECT COSTS INCLUDES FOLLOWING OTHER EXPENSES:

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Subcontracting cost	**21,596.47**	26,109.04
Rent	**36.53**	11.21
Power & fuel	**98.31**	100.89
Insurance	**604.32**	596.66
Travelling & Conveyance	**1,186.44**	1,203.09
Printing & Stationary	**39.35**	52.53
Legal & Professional fees	**313.01**	129.15
Bank charges	**125.14**	118.14
	23,999.56	28,320.71

28a: DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

	2012	2011
Employee benefits expense	**727.78**	559.57
Cost of raw material and components consumed	**145.23**	303.07
Legal & Professional fees	**216.55**	291.44
Depreciation	**159.31**	116.75
Others	**384.25**	356.46
	1,633.12	1,627.29

28b: DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

	2012	2011
Tangible Assets		
Buildings	**-**	15.82
Plant & Machinery	**370.49**	495.74
Office Equipments	**49.48**	8.59
Electrical Installations	**2.07**	6.78
Computer	**5.36**	43.88
Furniture & Fixtures	**42.41**	1.36
Intangible Assets		
Software	**49.80**	-
Technical Knowhow	**798.20**	391.78
	1,317.81	963.95

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

	2012	2011
(a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year	**173.59**	1,420.25
(ii) The interest due on above	**13.98**	10.37
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	**-**	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	**41.30**	19.02
(d) The amount of interest accrued and remaining unpaid at the end of each accounting year	**55.28**	25.55
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	**-**	-

30: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"

i. Defined Contribution Plans:

Amount of ₹882.06 lakhs (31 March 2011: ₹867.36 lakhs) is recognized as an expense and included in "Employee Benefits expense" (see note 19) in the Profit and Loss account.

ii. Defined Benefits Plans:

a) Amounts for the current period are as follows:

(₹ in lakhs)

		Gratuity		Additional Gratuity	
		March 31,2012	March 31,2011	**March 31,2012**	March 31,2011
I	**Expense recognised in the Statement of Profit & Loss for the year**				
1)	Current Service Cost	**209.12**	202.12	**4.67**	(6.09)
2)	Interest Cost	**206.87**	182.08	**-**	-
3)	Expected return on plan assets	**(212.46)**	(210.03)	**NA**	NA
4)	Net Actuarial (Gains)/ Losses	**(64.76)**	(128.88)	**-**	-
5)	Total Expense	**138.77**	45.29	**4.67**	(6.09)
6)	Actual return on plan Assets	**229.84**	228.69	**NA**	NA
II	**Net Assets/ (Liability) recognised in the Balance Sheet**				
1)	Present Value of Defined Obligation	**2,800.29**	2,740.04	**64.78**	64.01
2)	Fair Value of plan assets	**2,800.43**	2,740.28	**-**	-
3)	Funded Status [Surplus / (Deficit)]	**0.14**	0.24	**(64.78)**	(64.01)
4)	Net Assets/ (liability)	**0.14**	0.24	**(64.78)**	(64.01)
III	**Change in Obligation during the Year**				
1)	Present value of defined Benefit Obligation at the beginning of the year	**2,740.04**	2,737.62	**64.01**	79.33
2)	Current Service Cost	**209.12**	202.12	**4.67**	(6.09)
3)	Interest Cost	**206.87**	182.08	**-**	
4)	Actuarial (Gains)/ Losses	**(47.37)**	(108.89)	**-**	
5)	Benefits Payments	**(308.37)**	(272.89)	**3.90**	9.23
6)	Present value of Defined Benefit Obligation at the end of the year	**2,800.29**	2,740.04	**64.78**	64.01
IV	**Change in Fair Value of Plan Assets during the year**				
1)	Fair Value of Plan Assets at the beginning of the year	**2,740.28**	2,737.62	**-**	-
2)	Expected return on Plan assets	**212.46**	210.03	**-**	-
3)	Contribution by Employer	**137.95**	45.29	**-**	-
4)	Actual benefits paid	**(308.37)**	(272.87)	**-**	-
5)	Actuarial Gains / (losses) on Plan Assets	**18.11**	20.21	**-**	-
6)	Fair Value of Plan Assets at the end of the year	**2,800.43**	2,740.28	**-**	-
V	**Actuarial Assumptions:**				
1)	Discount rate	**8.33%**	8%	**8.33%**	8%
2)	Rate of return on Plan Assets	**8.00%**	8%	**-**	-
3)	Mortality Rate	**LIC(1994-96)**	LIC(1994-96)	**LIC(1994-96)**	LIC(1994-96)
4)	Salary escalation rate (Management-Staff-Directors)	**7%, 2%, 12%**	7%, 2%, 12%	**7%, 2%, 12%**	7%, 2%, 12%
5)	Attrition rate	**1%**	1%	**1%**	1%

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

(₹ in lakhs)

		Gratuity				
		2011-12	**2010-11**	**2009-10**	**2008-09**	**2007-08**
1	Defined benefit obligation	**2,800.29**	2,740.04	2,737.62	2,682.89	2,133.84
2	Plan Assets	**2,800.43**	2,740.28	2,737.62	2,682.89	2,134.00
3	Surplus / (Deficit)	**0.14**	0.24	-	-	0.16
4	Experience adjustments on plan liabilities	**(47.37)**	(108.89)	(56.04)	323.54	465.98
5	Experience adjustments on plan assets	**17.38**	18.66	-	-	-

		Additional Gratuity				
		2011-12	**2010-11**	**2009-10**	**2008-09**	**2007-08**
1	Defined benefit obligation	**64.78**	64.01	79.33	69.53	-
2	Plan Assets	**-**	-	-	-	-
3	Surplus / (Deficit)	**64.78**	64.01	79.33	69.53	-
4	Experience adjustments on plan liabilities	**-**	-	-	-	-
5	Experience adjustments on plan assets	**-**	-	-	-	-

b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year, Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹168 lakhs to gratuity fund in 2012-13 (31 March 2011: ₹268 lakhs).

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

d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The Actuary Society of India has issued the final guidance for measurement of provident fund liabilities during the quarter ended December 31, 2011. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2012. The Company's contribution to the Employee's Provident fund aggregates to ₹414.43 lakhs (31 March 2011: ₹369.72 lakhs).

iii. General Description of significant defined plans:

1. Gratuity Plan

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

2. Additional Gratuity

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

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

	As at March 31	
	2012	**2011**
Special Deposit Schemes	**5.29%**	5.30%
Central government Securities	**18.13%**	18.40%
State government Securities	**21.97%**	22.20%
Public Sector Undertakings	**50.12%**	51.90%
Liquid funds	**4.49%**	2.20%
Total Investments	**100.00%**	100.00%

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

31: SEGMENT INFORMATION

A. **Primary Segment Reporting (by Business Segment)**

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

a. Electro Mechanical Projects and Packaged Air-conditioning Systems includes central air-conditioning projects, Electrical Contracting business and Packaged air-conditioning businesses including manufacturing and after sales service.

b. Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.

c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2012	2011
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**155,553.52**	186,320.78
ii. Cooling Products	**93,264.06**	78,893.01
iii. Professional Electronics and Industrial Systems	**21,210.84**	20,677.99
TOTAL SEGMENT REVENUE	**270,028.42**	285,891.78
Add: Other Income	**2,430.66**	3,399.59
TOTAL INCOME	**272,459.08**	289,291.37
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**(8,509.43)**	17,586.92
ii. Cooling Products	**8,745.49**	9,022.90
iii. Professional Electronics and Industrial Systems	**5,229.06**	5,461.79
TOTAL SEGMENT RESULT	**5,465.12**	32,071.61
Less: i) Finance Cost	**7,025.41**	2,436.23
ii) Other un-allocable Expenditure Net of un-allocable Income	**7,284.51**	6,984.70
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**(8,844.80)**	22,650.68
EXCEPTIONAL ITEM	**-**	42.93
PROFIT BEFORE TAXATION	**(8,844.80)**	22,693.61
PROVISION FOR TAXES	**69.84**	7,193.82
NET PROFIT AFTER TAX	**(8,914.64)**	15,499.79
III. OTHER INFORMATION		
a. SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**123,117.70**	137,797.46
ii. Cooling Products	**45,734.79**	47,067.96
iii. Professional Electronics and Industrial Systems	**12,511.72**	11,333.84
TOTAL SEGMENT ASSETS	**181,364.21**	196,199.26
Add: Un-allocable Corporate Assets	**23,698.09**	29,715.17
TOTAL ASSETS	**205,062.31**	225,914.43
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**88,058.42**	85,835.60
ii. Cooling Products	**25,051.51**	19,440.05
iii. Professional Electronics and Industrial Systems	**5,416.74**	4,283.97
TOTAL SEGMENT LIABILITIES	**118,526.66**	109,559.62
Add: Un-allocable Corporate Liabilities	**39,145.71**	59,004.97
TOTAL LIABILITIES	**157,672.37**	168,564.59

(₹ in lakhs)

	As at March 31	
	2012	2011
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,835.87**	2,087.03
ii. Cooling Products	**3,735.66**	2,681.74
iii. Professional Electronics and Industrial Systems	**91.09**	91.45
iv. Other Un-allocable	**998.46**	473.19
TOTAL	**7,661.08**	5,333.41
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**1,583.33**	1,685.09
ii. Cooling Products	**905.02**	752.81
iii. Professional Electronics and Industrial Systems	**63.71**	58.61
iv Other Un-allocable	**592.46**	674.57
TOTAL	**3,144.52**	3,171.08
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,745.26**	935.09
ii. Cooling Products	**796.21**	317.27
iii. Professional Electronics and Industrial Systems	**430.07**	177.06
iv. Other Un-allocable	**5.72**	108.55
TOTAL	**3,977.26**	1,537.97

B. **Secondary segment information:**

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

(₹ in lakhs)

	As at March 31	
	2012	2011
Revenue (Sales, Services & Commission) by Geographical Market		
India	**255,726.44**	270,311.02
Outside India	**14,301.99**	15,580.76
Total	**270,028.42**	285,891.78
Carrying amount of Segment Assets & Intangibles Assets		
India	**199,191.34**	222,208.47
Outside India	**5,870.97**	3,705.96
Total	**205,062.31**	225,914.43
Capital Expenditure including Capital Work in Progress		
India	**7,661.08**	5,332.50
Outside India	**-**	0.91
Total	**7,661.08**	5,333.41

32: DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES

a) Related Party Disclosure

Names of Related parties

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

Subsidiary :

Blue Star Electro Mechanical Limited

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

Associate

Blue Star Infotech Limited

Joint Ventures

Blue Star Qatar- WLL

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Design and Engineering Limited

Key Management Personnel

Mr Ashok M Advani

Mr Suneel M Advani

Mr Satish Jamdar

Mr Vir Advani (w.e.f. 01.07.2010)

Relatives of Key Management Personnel

Ms. Nargis Advani

Mr. Vir Advani (Upto 30.06.2010)

Transactions during the period with Related Parties are as under:

(₹ in lakhs)

Name of Related party	2011-12		2010-11	
	Amount ₹	Balance O/s DR/(CR) ₹	Amount ₹	Balance O/s DR/(CR) ₹
Blue Star M & E Engineering (Sdn) Bhd		**10.71**		68.86
Consultancy services rendered by us	**357.13**		323.18	
Dividend received (Gross)	**181.15**		130.64	
Reimbursement of expenses paid	**178.55**		198.35	
Blue Star Infotech Limited		**(303.55)**		(230.81)
Sales & Services	**54.46**		59.96	
IT services	**738.70**		788.83	
Reimbursement of expenses	**40.58**		177.17	
Recovery of expenses	**2.09**		8.49	
Rent received	**36.00**		36.00	
Dividend received	**92.94**		154.90	
Blue Star Qatar WLL		**326.78**		103.70
Guarantee commission	**6.00**			
Sales & Services	**259.00**			
Corporate guarantee given	**600.08**		556.40	

(₹ in lakhs)

Name of Related party (contd.)	31-Mar-12 Amount ₹	31-Mar-12 Balance O/s DR/(CR) ₹	31-Mar-11 Amount ₹	31-Mar-11 Balance O/s DR/(CR) ₹
Blue Star Design & Engineering Limited		**902.99**		915.63
Sales & Services rendered	**63.28**		13.94	
Consultancy service received	**556.44**		198.41	
Loan repaid	**20.00**		-	
Interest On Loan	**67.90**		67.90	
Corporate guarantee given	**484.17**		492.08	
Guarantee commission	**8.75**		1.25	
Purchase of Asset	**-**		0.32	
Reimbursement of expenses	**-**		3.55	
Blue Star Electro Mechanical Limited		**37.77**		(57.91)
Investment in Shares	**1,952.00**		9,765.00	
Corporate guarantee given	**6,016.99**		5,517.94	
Advances given	**12,136.26**		4,226.62	
Advances repaid	**12,136.26**		4,226.62	
Reimbursement of expenses charged	**37.77**		148.69	
Key Management Personnel				
Managerial remuneration				
Ashok M Advani	**208.92**		423.04	
Suneel M Advani	**209.78**		396.64	
Satish Jamdar	**131.25**		319.81	
Vir S Advani	**81.35**		203.19	
Rent received	**-**		7.10	
Sale of Fixed Assets	**-**		329.00	
Relative of Key Management Personnel		**70.00**		70.00
Rent paid	**1.20**		1.20	
Salary	**-**		14.71	

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

b) Interest in Joint Ventures

(₹ in lakhs)

	Blue Star M & E Engineering (Sdn) Bhd	Blue Star Qatar WLL	Blue Star Design & Engineering Limited
Percentage of Interest	49%	49%	30%
Country of Incorporation	Malaysia	Qatar	India
Assets	2,117.80	849.73	248.21
	1,493.15	*907.15*	*171.81*
Liabilities	1,635.39	677.60	573.96
	1,067.09	*822.87*	*482.80*
Revenue	3,192.56	963.23	239.47
	3,260.90	*886.90*	*260.78*
Expenses	2,942.90	876.20	231.25
	3,018.17	*820.93*	*382.13*

Figures in italics are for previous year

Contingent Liabilities of the jointly controlled entity is disclosed in note 23 to the financial statements.

33: LEASES

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All leases are cancellable. There are no exceptional / restrictive covenants in the lease agreements. Lease rental expense debited to Profit and Loss Account is ₹3,007.29 lakhs (31 March 2011: ₹2,373.10 lakhs)

34: EARNING PER SHARE

		As at March 31	
		2012	2011
Profit / (Loss) after taxation as per Profit & loss Account	₹ lakhs	**(8,914.64)**	15,499.79
Weighted average number of Equity Shares Outstanding.	Nos.	**89,936,105**	89,936,105
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	**(9.91)**	17.23

35: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date

Foreign Currency	2011-12		2010-11	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Particulars of Derivatives				
Forward cover to Purchase USD & EUR:				
Hedge of underlying payables - USD	**51,005,372.04**	**25,948.98**	17,752,168.00	8,082.19
- Buyers' Credit	**39,840,690.00**	**20,268.95**	7,714,740.34	3,512.36
- Other Payables	**11,164,682.04**	**5,680.03**	10,037,427.66	4,569.83
Foreign Currency Loan from Bank				
EUR	**3,850,000.00**	**2,613.00**	-	-
USD	**2,500,000.00**	**1,271.88**	-	-

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

Foreign Currency	2011-12		2010-11	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Investments				
MR	**367,500.00**	**49.97**	367,500.00	49.97
QR	**98,000.00**	**12.11**	98,000.00	12.11
Bank Balances				
EUR	**165,956.34**	**7.60**	604,850.58	87.49
MUR	**650,341.82**	**12.23**	642,668.00	12.10
USD	**1,592,921.17**	**156.21**	127,317.12	73.48
AED	**6,165,289.55**	**813.94**	3,036,255.14	397.84
Receivables				
CAD	**12,892.00**	**6.48**	123,230.00	55.50
EUR	**570,212.35**	**307.09**	476,535.87	296.67
GBP	**20,829.00**	**16.56**	7,071.00	5.10
JPY	**11,551,911.00**	**71.23**	26,493,880.00	138.72
MYR	**485,483.63**	**69.47**	481,215.00	68.86
SEK	**-**	**-**	13,158.00	0.93
USD	**6,589,092.79**	**2,363.16**	5,075,211.51	2,318.06
AED	**7,974,127.23**	**1,087.67**	252,065.00	35.14
Payables				
AUD	**40,921.51**	**18.22**	11,808.00	4.13
CAD	**9,691.65**	**0.34**	2,239.00	0.99
CHF	**2,349.27**	**1.33**	-	-
EUR	**1,231,918.37**	**503.09**	1,047,616.00	657.68
GBP	**11,519.71**	**9.08**	273,339.00	196.20
JPY	**22,548,280.00**	**137.01**	64,166,211.00	290.15
SEK	**3,599.73**	**0.26**	1,654.00	0.11
SGD	**82,524.83**	**29.16**	120,794.00	42.63
USD	**13,422,106.95**	**5,157.36**	17,825,214.00	7,998.10
AED	**9,794,319.06**	**1,328.30**	3,394.00	0.48
Buyers' Credit				
USD	**204,050.00**	**103.81**	31,421,946.48	14,202.09

36: VALUE OF IMPORTS ON CIF BASIS

(₹ in lakhs)

	2011-12	2010-11
Raw Materials & Components	**34,919.42**	39,532.24
Capital goods	**1,421.88**	874.51
Spares	**3,399.02**	76.67
Finished Goods	**14,191.64**	15,174.95
Others	**1.05**	10.34
Total	**53,933.01**	55,668.71

37: EXPENDITURE INCURRED IN FOREIGN EXCHANGE (ACCRUAL BASIS)

(₹ in lakhs)

	2011-12	2010-11
Royalty & Know-how	**9.86**	15.55
Rent	**14.44**	31.52
Technical Services	**178.55**	189.45
Others	**299.66**	246.38
Total	**502.51**	482.90

38: EARNINGS IN FOREIGN EXCHANGE(ACCRUAL BASIS)

(₹ in lakhs)

	2011-12	2010-11
Export of goods on F.O.B. basis	**11,496.63**	13,076.38
Royalty, Know-how, Professional & Consultation fees	**438.11**	359.10
Other Income:		
Commission	**2,829.71**	2,465.85
Others	**181.15**	130.64
Total	**14,945.60**	16,031.97

39: PREVIOUS YEAR COMPARATIVES

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

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

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

Mumbai: May 16, 2012

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

Cash Flow statement for the year ended March 31, 2012

(₹ in lakhs)

	Year ended March 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(8,844.80)	22,693.61
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/ amortization	3,144.52	3,171.08
Loss/ (profit) on sale of fixed assets	20.52	(279.42)
Bad debts / advances written off	2,375.60	583.44
Provision for doubtful debts and advances	1,601.66	907.47
Unrealized foreign exchange loss / (gain)	(17.93)	143.27
Net (gain)/ loss on sale of current investments	-	(42.93)
Interest expense	7,025.41	2,436.23
Interest (income)	(79.08)	(107.97)
Dividend (income)	(334.75)	(325.78)
Operating profit before working capital changes	4,891.15	29,179.00
Movements in working capital :		
Increase/ (decrease) in trade payables	1,395.00	2,438.38
Increase / (decrease) in long-term / short-term provisions	827.12	415.08
Increase/ (decrease) in other current liabilities	(1,983.23)	10,118.46
Decrease / (increase) in trade receivables	4,220.59	(16,367.86)
Decrease / (increase) in inventories	5,735.22	(14,256.62)
Decrease / (increase) in long-term / short-term loans and advances	697.92	475.30
Decrease / (increase) in other current / non-current assets	13,467.02	(11,162.34)
Cash generated from /(used in) operations	29,250.79	839.40
Direct taxes paid (net of refunds)	(3,210.17)	(8,336.08)
Net cash flow from / (used in) operating activities (A)	**26,040.62**	**(7,496.68)**
Cash flows from investing activities		
Purchase of fixed assets, including CWIP and capital advances	(5,296.02)	(5,386.81)
Proceeds from sale of fixed assets	67.26	365.35
Purchase of current investments	(21,000.00)	-
Proceeds from sale/maturity of current investments	21,000.00	44.47
Purchase of investment in subsidiary (Refer note 25)	(1,952.00)	(9,765.00)
Interest received	30.14	113.80
Dividends received	334.75	325.77
Net cash flow from / (used in) investing activities (B)	**(6,815.87)**	**(14,302.42)**
Balance carried forward	**19,224.75**	**(21,799.10)**

(₹ in lakhs)

	Year ended March 31	
	2012	**2011**
Balance brought forward	**19,224.75**	**(21,799.10)**
Cash flows from financing activities		
Proceeds from long-term borrowings	3,036.49	-
Proceeds / (Repayment) from short-Borrowings, net	(7,516.58)	35,238.49
Interest paid	(6,993.23)	(2,399.87)
Dividend paid on equity shares	(6,269.62)	(7,194.89)
Tax on equity dividend paid	(1,021.40)	(1,194.98)
Net cash flow from/ (used in) in financing activities (C)	**(18,764.34)**	**24,448.75**
Net increase/(decrease) in cash and cash equivalents (A + B + C)	460.41	2,649.65
Effect of exchange differences on cash & cash equivalents held in foreign currency	(28.68)	(43.91)
Cash and cash equivalents at the beginning of the year	4,648.89	2,043.15
Cash and cash equivalents at the end of the year	**5,080.62**	**4,648.89**
Components of cash and cash equivalents		
Balances with banks:		
– On current accounts	4,825.89	4,410.31
– On unpaid dividend account*	227.60	201.22
Cash on hand	27.13	37.36
Total cash and cash equivalents (note 14)	**5,080.62**	**4,648.89**

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

Summary of significant accounting policies 2.1

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

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

per Sudhir Soni
Partner,
Membership No.: 41870

Mumbai: May 16, 2012

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

Mumbai: May 16, 2012

Auditors' Report on Consolidated Financial Statements

To

The Board of Directors

Blue Star Limited

1. We have audited the attached consolidated balance sheet of Blue Star Limited ('the Company') and its Subsidiary,(collectively referred to as "Blue Star Group"), along with its Joint Ventures and Associate 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. These financial statements are the responsibility of the Blue Star Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Joint Ventures, whose financial statements reflect (to the extent of proportionate share of Blue Star Group) total assets of ₹2,782.67 lacs as at 31 March 2012, the total revenue of ₹4,085.57 lacs and cash flows amounting to ₹305.95 lacs for the year then ended. Further, we did not audit financial statements of an Associate whose financial statements reflect (to the extent of proportionate share of Blue Star Group) loss for the year ₹52.50 lacs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Blue Star Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended)

5a. Without qualifying our report, we draw attention to note 26 to the financial statements regarding managerial remuneration amounting to ₹594.47 lacs paid / provided during the year of which ₹402.56 lacs is in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956. As represented to us, The Company has filed an application with the Central government for approval of such excess remuneration.

5b. Without qualifying our opinion, we draw attention to note 29b of the Financial Statements attached, wherein the Company has followed accounting treatment as per the Scheme of Arrangement approved by High Court of Judicature Bombay which is not in compliance with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended).

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

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Blue Star Group as at 31 March 2012**;**

   (b) in the case of the consolidated statement of profit and loss, of the loss for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

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

per Sudhir Soni
Partner
Membership No. 41870

Mumbai, May 16, 2012

Consolidated Balance Sheet As at March 31, 2012

(₹ in lakhs)

	Notes	As at March 31 2012	As at March 31 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	1,798.72	1,798.72
Reserves and surplus	4	37,734.84	49,325.54
		39,533.56	**51,124.26**
Non-current liabilities			
Long-term provisions	5	490.22	305.22
		490.22	**305.22**
Current liabilities			
Short-term borrowings	6	36,703.37	44,453.24
Trade payables		73,592.69	72,911.71
Other current liabilities	7	53,103.75	51,446.31
Short-term provisions	5	5,052.62	10,564.46
		168,452.43	**179,375.72**
TOTAL		**208,476.21**	**230,805.20**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	19,977.22	18,632.17
Intangible assets	8	725.06	769.15
Capital work-in-progress		1,902.29	1,931.97
Intangible assets under development		1,251.83	602.19
Non-current investments	9	2,751.88	2,723.96
Deferred tax assets (net)	10	23.89	73.68
Long-term loans and advances	11	7,342.24	4,042.20
Trade receivables	12.1	782.84	626.68
Other non-current assets	12.2	44.62	-
		10,945.47	**7,466.52**
Current assets			
Inventories	13	44,668.69	49,822.51
Trade receivables	12.1	76,207.60	81,433.20
Cash and bank balances	14	5,369.91	5,243.94
Short-term loans and advances	11	10,235.81	11,259.95
Other current assets	12.2	37,192.33	53,643.60
		173,674.34	**201,403.20**
TOTAL		**208,476.21**	**230,805.20**
Summary of significant accounting policies	2.1		

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

As per our report of even date

For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

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

Satish Jamdar Managing Director

Vir S Advani Director

Manek Kalyaniwala Executive Vice President - Finance

Sangameshwar Iyer Company Secretary

Mumbai: May 16, 2012

Statement of Consolidated Profit & Loss Account For the year ended March 31, 2011

(₹in lakhs)

	Notes	Year ended March 31 2012	Year ended March 31 2011
INCOME			
Revenue from operations (gross)	15	284,781.91	300,992.88
Less: Excise duty		2,796.31	2,919.40
Revenue from operations (net)		**281,985.60**	**298,073.48**
Other income	16	2,317.10	3,185.85
Total revenue (I)		**284,302.70**	**301,259.33**
Expenses			
Cost of raw material and components consumed and Project expenses	17	178,353.48	204,619.30
Purchase of traded goods	17	36,937.93	30,398.91
(Increase) / decrease in inventories	18	4,672.59	(20,510.25)
Employee benefits expense	19	22,068.65	21,507.29
Other expenses	20	42,225.57	36,433.63
Total (II)		**284,258.22**	**272,448.88**
Profit before interest, tax, depreciation and amortization (I) – (II)		**44.48**	**28,810.45**
Depreciation and amortization expense	8	3,175.71	3,192.82
Finance costs	21	7,211.60	2,554.25
Profit/(Loss) before tax and Exceptional items		**(10,342.83)**	**23,063.38**
Exceptional items- Profit on sale of Investments		-	42.93
Profit/(Loss) before tax		**(10,342.83)**	**23,106.31**
Tax expenses			
Current tax		65.53	7,299.24
Deferred tax		49.40	78.19
MAT credit entitlement		-	(101.82)
Total tax expense		**114.93**	**7,275.61**
Profit / (loss) for the year		(10,457.76)	15,830.70
Share of Profit / (Loss) of Associate		(52.50)	265.83
Profit/(loss) for the year		**(10,510.26)**	**16,096.53**
Earnings per equity share [nominal value of share ₹2 (31 March 2011: ₹2) (refer note 34)			
Basic			
Computed on the basis of profit / (loss) for the year	₹	(11.69)	17.90
Diluted			
Computed on the basis of profit / (loss) for the year	₹	(11.69)	17.90
Summary of significant accounting policies	2.1		

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

As per our report of even date

For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

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

Satish Jamdar Managing Director

Vir S Advani Director

Manek Kalyaniwala Executive Vice President - Finance

Sangameshwar Iyer Company Secretary

Mumbai: May 16, 2012

1. Corporate information

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

2. Basis of preparation

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

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

2.1 Summary of Significant Accounting Policies

(a) Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its consolidated financial statements, the adoption of revised Schedule VI does not impact recognition and measurement principles. However, it has significant impact on presentation and disclosures made in the consolidated financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(b) Principles of Consolidation

The Consolidated Financial Statements relate to the Blue Star Group and have been accounted for in accordance with Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures respectively of the Companies Accounting Standards (Rules), 2006 (as amended). The Consolidated Financial Statements are prepared on the following basis:

i) Subsidiary company is consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealized profits or losses, except where cost cannot be recovered. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.

ii) Interests in the assets, liabilities, income and expenses of the Joint Ventures are consolidated using proportionate consolidation method. Intra group balances, transactions and unrealized profits/losses are eliminated to the extent of the Company's proportionate share, except where cost cannot be recovered.

iii) The difference between the cost to the Group of investment in Subsidiaries and Joint Ventures and the proportionate share in the equity of the investee Company as at the date of acquisition of stake is recognized in the consolidated financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill arising on consolidation is tested for impairment annually.

iv) Investments in Associate is accounted for using the equity method under which the investment is initially recorded at cost, identifying any goodwill/ capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. Where the associate prepares and presents consolidated financial statements, such consolidated financial statements of the associate are used for the purpose of equity accounting.

v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements.

vi) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2012.

(c) Use of estimates

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

(d) Tangible fixed assets and Capital WIP

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

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

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit and loss when the asset is derecognized.

(e) Depreciation on tangible fixed assets

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

Depreciation on the following fixed assets of some foreign joint ventures is charged on straight line method at the rates, based on the estimated useful lives of the assets as estimated by the management, which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956:

The principal annual rates used are as follows :-

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

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

(f) Impairment

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

(g) Intangible assets

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

Research and Development Cost:

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

Amortisation of Intangible fixed assets:

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

(h) Leases

Where the Company is the lessee

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

(i) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with. Capital subsidy received from the government are credited to capital reserve and treated as part of the shareholders' funds.

(j) Investments

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

(k) Inventories

Inventories are valued as follows:

(i) Raw materials, stores and components Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

(ii) Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably.

(iii) Work-In-Progress and Finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

(iv) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(l) Revenue Recognition

(i) Revenue from long – term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

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

(iii) Annual Maintenance contracts: Revenues from annual maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

(iv) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer , which is generally on dispatch of goods. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

(v) Commission income is recognised as and when the terms of the contracts are fulfilled.

(vi) Claims recoverable are accrued only to the extent admitted by the parties.

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

(viii) Dividend income is recognised when the right to receive dividend is established.

(ix) Interest income is recognised on accrual basis.

(m) Foreign Exchange Transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange difference

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

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

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

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

(v) Forward Exchange Contracts not intended for trading or speculation purposes

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

(n) Retirement and other Employee Benefits

(i) Defined Contribution Plan

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

(ii) Defined Benefit Plan

Provident Fund: In respect of certain employees covered by the Employee's Provident fund ,the contribution towards shortfall in interest rate payable as per statue and the earnings of the Provident Fund Trust is considered as Defined Benefit Plans and debited to consolidated statement of profit and loss account.

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

(iii) Other long term benefits: Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

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

(iv) Voluntary Retirement Scheme: Payments made under the Voluntary Retirement Scheme are charged to the consolidated statement of profit and loss in the same year.

(o) Excise Duty

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

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

(p) Taxes on Income

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

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

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

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

(q) Segment Reporting Policies

(i) Identification of segments :

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

(ii) Allocation of common costs/ assets & liabilities: Common allocable costs/assets and liabilites are consistently allocated amongst the segments on appropriate basis.

(iii) Unallocated items: Includes general corporate income and expense items which are not allocated to any business segment.

(iv) Segment Policies: The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the company as a whole.

(r) Earning per share

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

(s) Provisions

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

(t) Contingent Liability

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

(u) Cash and Cash equivalents

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

(v) Borrowing Costs

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

3: SHARE CAPITAL

(₹ in lakhs)

		As at March 31	
		2012	2011
Authorised Shares			
10,000	(31 March 2011: 10,000) 7.8% Cumulative Convertible Preference Shares of ₹100 each	10.00	10.00
148,700,000	(31 March 2011: 148,700,000) Equity Shares of ₹2 each	2974.00	2974.00
16,000	(31 March 2011: 16,000) Unclassified Shares of ₹100 each	16.00	16.00
		3000.00	**3000.00**
Issued, subscribed and fully paid-up shares			
89,936,105	(31 March 2011: 89,936,105) Equity Shares of ₹2 each	1798.72	1798.72
Total issued, subscribed and fully paid-up share capital		**1798.72**	**1798.72**

a) There is no movement in the shares outstanding at the beginning and at the end of the reporting period.

b) Terms/ rights attached to equity shares

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

During the year ended 31 March, 2012 the amount of per share dividend recognised as distributions to the equity shareholders was ₹1 (31 March, 2011 : ₹7)

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

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of ₹2 each fully paid				
Ashok Mohan Advani	10,857,481	12.07%	10,857,481	12.07%
IL & FS Trust Company Ltd #	7,458,354	8.29%	7,458,354	8.29%
Suneel Mohan Advani	5,325,098	5.92%	5,800,908	6.45%
HDFC Trustee Company Limited - HDFC Capital Builder Fund #	4,888,971	5.44%	3,954,561	4.40%

these shares are held in Trust for the Promoter's group who are the beneficial owners.

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

4: RESERVES & SURPLUS

(₹ in lakhs)

	As at March 31	
	2012	**2011**
General reserve		
Balance as per the last financial statements	18,073.80	25,766.61
Less: Adjusted as per Scheme of Arrangement (Refer Note 29b)	188.32	9,242.81
	17,885.48	16,523.80
Add: amount transferred from surplus balance in the statement of profit and loss	-	1,550.00
Closing balance	17,885.48	18,073.80
Capital Redemption Reserve	233.56	233.56
Capital Subsidy from Government	30.00	30.00
Foreign currency translation reserve*		
Balance as per the last financial statements	5.01	-
Add: Adjustments for the year	72.69	5.01
Closing balance	77.70	5.01
Hedging reserve on forward contract		
Balance as per the last financial statements	-	-
Add: Adjustment on account of Associate	80.45	-
Closing balance	80.45	-
Surplus / (deficit) in the statement of profit and loss		
Balance as per last financial statements	30,983.16	21,344.36
Add: Adjustment for opening Reserves of Associate/Joint Venture	-	2,409.68
Profit/(loss) for the year	(10,510.26)	16,096.53
Less: Appropriations		
Proposed final equity dividend (amount per share ₹1 (31 March 2011: ₹7))	899.36	6,296.00
Tax on proposed equity dividend	145.90	1,021.40
Transfer to general reserve	-	1,550.00
Total appropriations	1,045.26	8,867.40
Net surplus in the statement of profit and loss	19,427.65	30,983.16
Total reserves and surplus	**37,734.84**	**49,325.54**

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

5: PROVISIONS

(₹ in lakhs)

	Long-term		Short-term	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Provision for employee benefits				
Provision for Additional gratuity (refer note 30)	60.48	59.80	4.30	4.21
Provision for Gratuity (refer note 30)	90.37	-	6.48	74.60
Provision for other employment benefits	10.96	-	14.19	18.08
Provision for Leave benefits	54.46	-	1685.94	1622.65
	216.27	59.80	1710.91	1719.51
Other provisions				
Provision for warranties	273.95	245.42	814.92	984.10
Loss order	-	-	1481.53	543.46
Proposed equity dividend	-	-	899.36	6296.00
Provision for tax on proposed equity dividend	-	-	145.90	1021.40
	273.95	245.42	3341.71	8844.96
	490.22	**305.22**	**5052.62**	**10564.46**

Provision for warranties

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

(₹ in lakhs)

	As at March 31	
	2012	2011
At the beginning of the year	1229.52	1419.58
Arising during the year	963.56	543.22
Utilized during the year	(890.53)	(733.28)
Un used amounts reversed during the year	(213.68)	-
At the end of the year	**1088.87**	**1229.52**
Current portion	814.92	984.1
Non-current portion	273.95	245.42

Loss order

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

(₹ in lakhs)

	As at March 31	
	2012	2011
At the beginning of the year	543.46	735.33
Arising during the year	9,158.72	400.78
Utilized during the year	(8,131.92)	(435.92)
Unused amounts reversed during the year	(88.73)	(156.73)
At the end of the year	**1,481.53**	**543.46**
Current portion	1,481.53	543.46
Non-current portion	-	-

6. SHORT TERM BORROWINGS

(₹ in lakhs)

	As at March 31	
	2012	2011
Cash credit from banks (secured)	2,382.23	8,107.04
Buyers credit (secured)	11,523.11	14,899.30
Buyers credit (unsecured)	8,849.65	4,378.84
Commercial Papers from Banks (unsecured)	1,000.00	6,000.00
Commercial Papers from Others(unsecured)	12,100.00	4,000.00
Term Loans from Banks		
Foreign Currency loan, unsecured	848.38	-
Indian Rupee Loans, unsecured	-	7,000.00
Indian Rupee Loans, secured	-	68.05
	36,703.37	**44,453.24**
The above amount includes		
Secured borrowings	13,905.34	23,074.40
Unsecured borrowings	22,798.03	21,378.84

Cash credit and Buyers Credit from banks are Secured by hypothecation of stock-in-trade and trade receivables. The cash credit carries average interest @ 10.0 %p.a and Buyers' credit carries average interest @ Libor plus 1.25%. Cash credit are repayable on demand and Buyers' Credit are availed for import payables and are repayable within maximum tenure of 360 days from the date of shipment.

Commercial Papers carry average interest @ 9.80% p.a. for the current year. These are repayable within 45 days to 365 days from the date of drawdown.

Foreign Currency Loan carry average interest @ 7%p.a. for the current year. The loan is repayable after one year from the date of its origination.

Indian Rupee Loan carry average interest @ 9.75% p.a. The loan is secured by way of corporate guarantee from Blue Star Limited. The loan are repayable within maximum tenure of 60 days from the date of its origination.

7: OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31	
	2012	2011
Other liabilities		
Current maturities of long term borrowings (Foreign Currency Loan), unsecured	3,036.49	0.00
Interest accrued but not due on borrowings	139.19	94.08
Amount Due to Customers (refer note 23)	4,102.49	2,950.67
Unearned revenue on AMC services	3,401.85	3,119.36
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	227.60	201.22
Advance from customers	37,124.21	39,381.08
Unrealised loss on Forward Contract liability	144.14	63.54
Others		
Creditors - Capital Expenditure	30.23	347.31
Interest free deposits from customers	377.92	343.55
Due to statutory bodies	3,197.33	3,442.27
Other Liabilities	1322.29	1503.23
	53,103.75	**51446.31**

Foreign Currency Loan carry average interest @ 7% p.a. for the current year. The loan is repayable after one year from the date of its origination.

8: FIXED ASSETS

(₹ in lakhs)

	Description of Assets	Gross Block: As at 1.4.2011	Gross Block: Additions/ Adjustment during the year	Gross Block: Deductions	Gross Block: As at 31.3.2012	Depreciation: As at 1.4.2011	Depreciation: Deductions	Depreciation: Provided during the year	Depreciation: As at 31.3.2012	Net Block: As at 31.3.2012
Tangible Assets										
1	Land - Freehold	889.02	0.37	-	889.39	-	-	-	-	889.39
		(486.37)	(402.65)	-	(889.02)	-	-	-	-	(889.02)
2	Land - Leasehold	7.94	-	-	7.94	2.68	-	-	2.68	5.26
		(7.94)	-	-	(7.94)	(2.42)	-	(0.26)	(2.68)	(5.26)
3	Building Sheds and Road	10,366.75	1,275.61	5.27	11,637.09	3,981.52	3.65	642.94	4,620.81	7,016.28
		(10,103.63)	(289.47)	(26.35)	(10,366.75)	(3,363.00)	(18.94)	(637.46)	(3,981.52)	(6,385.23)
4	Plant & Equipment#	17,765.44	2,429.70	168.54	20,026.60	8,825.21	136.08	1,493.46	10,182.59	9,844.01
		(16,549.85)	(1,360.67)	(145.08)	(17,765.44)	(7,507.94)	(112.51)	(1,429.78)	(8,825.21)	(8,940.23)
5	Furniture, Fixture & Equipments	3,459.05	120.72	50.69	3,529.08	1,937.56	38.11	237.15	2,136.60	1,392.48
		(3,185.30)	(350.88)	(77.13)	(3,459.05)	(1,710.17)	(63.31)	(290.70)	(1,937.56)	(1,521.49)
6	Vehicles	915.53	175.22	59.23	1,031.52	388.00	26.19	160.96	522.77	508.75
		(780.41)	(224.83)	(89.71)	(915.53)	(315.80)	(60.24)	(132.44)	(388.00)	(527.53)
7	Computers	1,595.66	173.45	159.78	1,609.33	1,232.25	150.68	206.95	1,288.52	320.81
		(1,495.03)	(183.88)	(83.25)	(1,595.66)	(1,112.83)	(80.58)	(200.00)	(1,232.25)	(363.41)
	Total 2011-12	**34,999.39**	**4,175.06**	**443.50**	**38,730.95**	**16,367.22**	**354.72**	**2,741.23**	**18,753.96**	**19,977.22**
	Total 2010-11	**(32,608.53)**	**(2,812.38)**	**(421.52)**	**(34,999.39)**	**(14,012.16)**	**(335.58)**	**(2,690.64)**	**(16,367.22)**	**(18,632.17)**

Intangible Assets

(₹ in lakhs)

	Description of Assets	Gross Block: As at 1.4.2011	Gross Block: Additions Adjustment during the year	Gross Block: Additions on account of Acquisition	Gross Block: Deductions	Gross Block: As at 31.3.2012	Depreciation: As at 1.4.2011	Depreciation: Deductions	Depreciation: Provided during the year	Depreciation: As at 31.3.2012	Net Block: As at 31.3.2012
1	Business & Technical Knowhow *	259.78	-	-	-	259.78	259.78	-	-	259.78	-
		(419.85)	-	(1,183.40)	(1,343.47)	(923.62)	(418.43)	(160.07)	(1.42)	(259.78)	-
2	Softwares	2,390.31	390.46	-	11.19	2,769.59	1,621.35	11.12	434.29	2,044.52	725.06
		(2,375.63)	(14.68)	-	-	(2,390.31)	(1,120.97)	-	(500.38)	(1,621.35)	(768.96)
3	Goodwill *	-	-		-	-	-	-	-	-	-
		-	-	(774.78)	(774.78)	-	-	-	-	-	-
4	Trade Marks*	-	-	-	-	-	-	-	-	-	-
		-	-	(202.41)	(202.41)	-	-	-	-	-	-
5	Marketing KnowHow	2.68	-	-	-	2.68	2.49	-	0.19	2.68	-
		(2.68)	-	-	-	(2.68)	(2.11)	-	(0.38)	(2.49)	(0.19)
6	Customer Contracts*	-	-		-	-	-	-	-	-	-
		-	-	(2,999.75)	(2,999.75)	-	-	-	-	-	-
7	Non Compete*	-	-		-	-	-	-	-	-	-
		-	-	(839.66)	(839.66)	-	-	-	-	-	-
	Total 2011-12	**2,652.77**	**390.46**	**-**	**11.19**	**3,032.05**	**1,883.62**	**11.12**	**434.48**	**2,306.98**	**725.06**
	Total 2010-11	**(2,798.16)**	**(14.68)**	**(6,000.00)**	**(6,160.07)**	**(1,469.37)**	**(1,541.51)**	**(160.07)**	**(502.18)**	**(1,883.62)**	**(769.15)**

Figures in brackets represents amounts pertaining to previous years.

\# Net of Grant received for UNIDO machine ₹ 36.24 lakhs (31 March 2011: ₹ 36.24 lakhs) and accumalated depreciation thereon ₹ 31.33 lakhs (31 March 2011: ₹ 30.54 lakhs).

* Refer note 29b

(₹ in lakhs)

	As at March 31	
	2012	**2011**
Depreciation and Amortization Expense		
Depreciation on Tangible Assets	2,741.23	2,690.64
Amortization of Intangible Assets	434.48	502.18
	3,175.71	**3,192.82**

9: NON CURRENT INVESTMENTS

(₹ in lakhs)

	As at March 31	
	2012	**2011**
Non-trade investments (valued at cost unless stated otherwise)		
Investment in Associate (Quoted)		
3,098,025 (31 March 2011: 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (including Capital reserve of ₹203.52 lakhs)	2751.88	2723.96
	2751.88	**2723.96**

Aggregate amount of quoted investments (Market value ₹2,236.77 lakhs (31 March 2011: ₹3,088.73 lakhs))

10: DEFERRED TAX ASSETS, (NET)

(₹ in lakhs)

	As at March 31	
	2012	**2011**
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1856.48	922.72
Gross deferred tax liability	1856.48	922.72
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	653.04	614.01
Provision for doubtful debts and advances	890.33	382.39
Impact of carried forward tax loss	337.00	-
Gross deferred tax asset	1880.37	996.40
Net deferred tax asset	**23.89**	**73.68**

Blue Star Limited and Blue Star Electro Mechanical Limited has recognised the deferred tax asset on carried forward loss for the year only to the extent of the deferred tax liability arising from timing differences.

11: LOANS AND ADVANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Capital advances				
Unsecured, considered good	168.37	313.19	-	-
	168.37	313.19	-	-
Security deposit				
Unsecured, considered good	1,568.86	1,266.39	23.57	21.90
	1,568.86	1,266.39	23.57	21.90
Loan and advances to related parties				
Unsecured, considered good	-	-	305.63	193.45
Condidered doubtful	-	-	320.58	320.58
	-	-	626.21	514.03
Provision for doubtful advances	-	-	320.58	320.58
	-	-	305.63	193.45
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	5,414.60	6,978.61
	-	-	5,414.60	6,978.61
Other loans and advances, unsecured, considered good				
Advance income-tax (net of Provisions ₹34,560.03 lakhs (31 March 2011: ₹34,560.32 lakhs))	4,312.82	1,017.67	4.90	-
Prepaid expenses	16.67	17.68	1,354.11	1,529.05
Loans to employees	237.49	248.46	150.26	115.70
MAT credit entitlement A/c	101.82	101.82	-	-
Balances with statutory/government authorities	936.21	1,076.99	2,982.75	2,421.24
	5,605.01	2,462.62	4,492.01	4,065.99
	7,342.24	**4,042.20**	**10,235.81**	**11,259.95**

12 TRADE RECEIVABLES AND OTHER ASSETS

12.1 TRADE RECEIVABLES

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	782.84	626.68	21,546.69	26,513.42
Considered doubtful	-	-	2,423.55	821.89
	782.84	626.68	23,970.25	27,335.31
Provision for doubtful receivables	-	-	2,423.55	821.89
	782.84	626.68	21,546.70	26,513.42
Other receivables				
Secured, considered good (refer note 29a)	-	-	1,026.31	608.38
Unsecured, considered good	-	-	53,634.59	54,311.40
	-	-	54,660.90	54,919.78
	782.84	**626.68**	**76,207.60**	**81,433.20**

12.2: OTHER ASSETS

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Unsecured, considered good unless stated otherwise				
Non-current bank balances (refer note 14)	6.95	-	-	
Unrealised gain on Forward Contract	-	-	267.41	-
Unbilled Revenue :				
Project Revenue (refer note 23)	37.67	-	36,687.75	53,312.81
AMC	-	-	237.17	330.79
	-	-	36,924.92	53,643.60
	44.62	**-**	**37,192.33**	**53,643.60**

13: INVENTORIES

(Valued at lower of cost and net realisable value)

(₹ in lakhs)

	As at March 31	
	2012	2011
Raw materials & components (includes in transit ₹1,700.86 lakhs (31 March, 2011: ₹1,760.42 lakhs))	8,027.05	7,751.36
Work-in-progress	1,931.90	2,389.16
Finished goods	7,172.07	10,683.29
Traded goods (including in transit ₹3,518.70 lakhs (31 March 2011: ₹2,362.90 lakhs))	8,828.96	8,424.76
Work in progress - Projects	15,800.51	16,908.82
Stores and spares	2,908.20	3,665.12
	44,668.69	**49,822.51**

14: CASH AND BANK BALANCES

(₹ in lakhs)

	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	4,860.71	4,604.37
– On unpaid dividend account	-	-	227.60	201.22
– Fixed Deposits	-	-	253.03	399.28
Cash on hand	-	-	28.57	39.07
			5,369.91	5,243.94
Other bank balances				
Margin money Deposit	6.95	-	-	-
	6.95	-	-	-
Amount disclosed under non-current assets	(6.95)	-	-	-
(refer note 12.2)	**-**	**-**	**5,369.91**	**5,243.94**

Margin Money Deposits given as security

Margin money deposits with a carrying amount of ₹6.95 lakhs (31 March 2011: ₹Nil) are subject to first charge to secure the Custom claim.

15: REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Sale of Products		
Finished Goods	115,363.29	115,932.74
Traded Goods	64,266.67	44,690.45
Sale of Services	26,271.24	23,622.55
Revenue from Construction Contracts (refer note 23)	75,779.64	114,041.33
Other Operating Revenue		
Commission income	2,831.87	2,504.38
Other	269.20	201.44
Revenue from operations (gross)	**284,781.91**	**300,992.88**
Less: Excise duty #	2,796.31	2,919.40
Revenue from operations (net)	**281,985.60**	**298,073.48**

Excise duty on sales amounting to ₹2,796.31 lakhs (31 March, 2011: ₹2,919.40 lakhs) has been reduced from sales in statement of profit & loss and excise duty on (increase)/decrease in stock amounting to ₹39.42 lakhs (31 March, 2011: ₹46.29 lakhs) has been considered as (income)/expense in note 18 of financial statements.

NOTES 16: OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Interest income on		
Bank deposits	25.98	1.24
Others	73.23	119.79
Dividend income on		
Current investments	60.66	40.23
Long-term investments	92.94	-
Profit on sale of fixed assets(net)	-	278.60
Provisions & Liabilities no longer required	1,679.64	2,447.08
Other non operating Income	384.65	298.91
	2,317.10	**3,185.85**

17: COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Cost of material consumed	77,639.43	108,174.46
Project Cost (including bought outs) (refer note 27b)	100,714.05	96,444.84
	178,353.48	**204,619.30**
Purchase of traded Goods	**36,937.93**	**30,398.91**

18. (INCREASE)/ DECREASE IN INVENTORIES

(₹ in lakhs)

	31-Mar-12	31-Mar-11	(Increase) / decrease 31-Mar-12
Inventories at the end of the year			
Traded goods	8,828.96	8,424.76	(404.20)
Work-in-progress	1,931.90	2,389.16	457.26
Finished goods	7,172.07	10,683.29	3,511.22
Work-in-progress Projects	15,800.51	16,908.82	1,108.31
	33,733.44	38,406.03	4,672.59

	31-Mar-12	31-Mar-11	(Increase) / decrease 31-Mar-11
Inventories at the beginning of the year			
Traded goods	8,424.76	3,231.21	(5,193.55)
Work-in-progress	2,389.16	2,075.30	(313.86)
Finished goods	10,683.29	4,744.09	(5,939.20)
Work-in-progress Projects	16,908.82	7,845.18	(9,063.64)
	38,406.03	17,895.78	(20,510.25)
	4,672.59	**(20,510.25)**	

19. EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Salaries, wages and bonus	18,521.79	18,131.81
Contribution to provident and other funds	1,344.11	1,264.31
Gratuity expense (refer note 30)	167.69	77.09
Other employment benefits	321.53	370.98
Staff welfare expenses	1,713.53	1,663.11
(refer note 26)	**22,068.65**	**21,507.29**

20: OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2012	2011
Stores and Spares consumed	613.41	808.27
AMC Subcontracting cost	13,713.36	12,600.34
Rent (refer note 33)	3,060.00	2,415.21
Rates and taxes	53.34	46.67
Power and fuel	1,006.79	1,165.47
Insurance	239.89	248.12
Repairs and maintenance		
Buildings	542.23	406.26
Plant and machinery	213.63	239.15
Others	553.94	425.61
Advertising and sales promotion	2,345.11	1,485.81
Commission Discounts and Incentives on Sales	3,481.74	3,026.76
Freight and forwarding charges	3,453.43	3,146.31
Travelling and conveyance	2,741.39	2,754.20
Printing and stationery	346.67	372.06
Legal and professional fees	3,921.27	3,708.99
Directors' sitting fees	8.13	8.37
Payment to auditor	85.42	70.40
Non Executive Directors Commission	-	52.85
Donations	22.41	15.86
Loss on sale of Fixed Assets (net)	20.87	-
Exchange differences (net)	69.03	150.30
Bad debts / advances written off	2,384.93	637.91
Provision for doubtful debts and advances (net)	1,601.66	907.47
Miscellaneous expenses	1,746.90	1,741.23
	42,225.56	**36,433.63**

21. FINANCE COSTS

	Year Ended March 31	
	2012	2011
Interest	2,911.05	2,035.14
Bank charges	633.81	519.12
Exchange difference on borrowing (net)	3,666.74	-
	7,211.60	**2,554.25**

22: THE BLUE STAR GROUP COMPRISES OF THE FOLLOWING ENTITIES

(₹ in lakhs)

	Country of Incorporation	% Shareholding 2011-12	2010-11
a) Subsidiary			
Blue Star Electro Mechanical Limited	India	**100%**	100%
b) Foreign Joint Ventures- Jointly Controlled Entities			
Blue Star M & E Engineering (Sdn) Bhd	Malaysia	**49%**	49%
Blue Star Qatar - WLL	Qatar	**49%**	49%
c) Indian Joint Ventures-Jointly Controlled Entity			
Blue Star Design and Engineering Limited	India	**30%**	30%
d) Associate			
Blue Star Infotech Limited	India	**29.83%**	30.98%

23 DISCLOSURE IN TERMS OF REVISED ACCOUNTING STANDARD 7 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER

(₹ in lakhs)

	Year Ended March 31 2012	2011
I Contract revenue recognised for the year	**75779.64**	114041.33
II For Contracts that are in progress as on 31.3.2012		
A) Contract costs incurred and recognized profits (Less Recognised losses)	**337,487.00**	329,578.47
B) Advances received	**20,314.73**	25,974.30
C) Gross amount due from customers for Contract work	**36,725.42**	53,312.81
D) Gross amount due to customers for Contract work	**4,102.49**	2,950.67
E) Retention amount	**2,821.63**	1,489.33

24 CONTINGENT LIABILITIES:

(₹ in lakhs)

	Year Ended March 31 2012	2011
Claims against the Company not acknowledged as debts	**71.76**	66.44
Sales Tax matters	**5,353.93**	5,279.88
Excise Duty matters	**105.25**	81.06
Service Tax matters	**483.43**	483.43
Income Tax matters	**2,837.04**	1,694.02
Corporate Guarantee given on behalf of Associates and others	**1,656.80**	1,995.26

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

25. Estimated amount of Contracts remaining to be executed on Capital account and not provided for ₹617.27 lakhs (31 March 2011: ₹1,381.21 lakhs).

26. Employee benefit expenses (Note 19) include ₹594.47 lakhs paid/provided during the year towards Company's Director's remuneration of which ₹402.46 lakhs is in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. The Company is seeking approval of the Central Government and the shareholders for the excess managerial remuneration paid to / provided for Directors' remuneration. Pending receipt of such approval, the amount of ₹202.47 lakhs paid to the Directors in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956 is held in trust by the said Directors.

27: a Project costs and Legal & Professional fees are net of ₹213 lakhs (31 March 2011: ₹1,128.48 lakhs) and Nil (31 March 2011: ₹81.33 lakhs) respectively, on account reversal of provision no longer required.

b Project costs includes following other expenses:

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Subcontracting cost	**25,232.51**	26,694.51
Rent	**86.34**	22.36
Power & fuel	**133.16**	108.53
Insurance	**651.90**	620.14
Travelling & Conveyance	**1,226.81**	1,224.77
Printing & Stationary	**51.34**	56.81
Legal & Professional fees	**318.64**	129.81
Bank charges	**128.81**	126.21
	27,829.52	**28,983.13**

28: A DETAILS OF REVENUE EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Employee benefits expense	**727.78**	559.57
Cost of raw material and components consumed	**145.23**	303.07
Legal & Professional fees	**216.55**	291.44
Depreciation	**159.31**	116.75
Others	**384.25**	356.46
	1,633.12	**1,627.29**

28: B DETAILS OF CAPITAL EXPENDITURE DIRECTLY RELATED TO RESEARCH & DEVELOPMENT:

(₹ in lakhs)

	Year Ended March 31	
	2012	**2011**
Tangible Assets		
Buildings	**-**	15.82
Plant & Machinery	**370.49**	495.74
Office Equipments	**49.48**	8.59
Electrical Installations	**2.07**	6.78
Computer	**5.36**	43.88
Furniture & Fixtures	**42.41**	1.36
Intangible Assets		
Software	**49.80**	-
Technical Knowhow	**798.20**	391.78
	1,317.81	**963.95**

29 a During the previous year, Blue Star Electro Mechanical Limited ('Wholly owned Subsidiary' hereinafter referred to as BSEML) had acquired the plumbing and fire fighting contracting business of D. S. Gupta Construction Private Limited ('DSGCPL') on a slump sale basis via Business Purchase Agreement dated May 31, 2010 for a consideration of ₹8,000 lakhs. The closing date of the transaction was August 31, 2010. Pursuant to the said agreement the Normalized Net Working Capital (herein after referred as "NNWC") was to be maintained at ₹2,000 lakhs. The business purchase has been accounted in the books on provisional basis pending the final reconciliation / settlement of the opening net current assets with the seller.

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

(₹ in lakhs)

	Particulars	Year Ended March 31	
		2012	**2011**
1	Intangible assets arising on account of the acquisition of the plumbing and fire fighting business of DSGCPL (Net of taxes of ₹Nil)*	-	6000
2	Fees, incentives, bonuses paid / consultants in accordance with the business purchase agreement entered into between the Company and DSGCPL and corporate advisory agreement entered into between the Company and promoters of DSGCPL (Net of taxes of ₹Nil)*	**169.53**	3210.57
3	Costs, Charges and expenses incurred by the Company in connection with the Scheme (Net of taxes of ₹Nil)*	**18.79**	32.24
	Total	**188.32**	**9242.81**

* Nil taxes is on account of non recognition of Deferred Tax Assets.

In the consolidated financial statements, the above has been adjusted against General Reserve. The above treatment is not in accordance with notified Accounting Standard by the Companies (Accounting Standards) Rules, 2006, (as amended) (herein after referred as "the Accounting Standards") and has been given pursuant to the High Court order as stated above. Had BSEML followed the Accounting Standards, the reported Consolidated Loss before tax of ₹10,342.82 lakhs (31 March 2011: Profit before tax of ₹23,106.30 lakhs) would have resulted in Loss before tax of ₹11,673.19 lakhs (31 March 2011: Profit before tax of ₹18,867.60 lakhs) considering the amortization impact of ₹1,141.05 lakhs (31 March 2011: ₹995.30 lakhs) for item 1 in the above table, ₹169.53 lakhs (31 March 2011: ₹3,210.57 lakhs) towards fees and bonus paid / provided towards item 2 and ₹18.79 lakhs (31 March 2011: ₹32.24 lakhs) towards cost charges towards item 3, the Intangible fixed assets net block would have been ₹4,587.12 lakhs (31 March 2011: ₹5,773.26 lakhs) instead of reported figure of ₹725.06 lakhs (31 March 2011: ₹769.15 lakhs), Basic & Diluted Earnings Per share would have been ₹(13.17) (31 March 2011: ₹13.19) instead of reported figure of ₹(11.69) (31 March 2011: ₹17.90).

30: DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 "EMPLOYEE BENEFITS"

i. Defined Contribution Plans:

Amount of ₹929.68 lakhs (31 March 2011: ₹894.59 lakhs) is recognized as an expense and included in "Employee Benefits expense" (see note 19) in the Profit and Loss account.

ii. Defined Benefits Plans:

a) Amounts for the current period are as follows:

(₹ in lakhs)

		Gratuity (funded)		Gratuity (Unfunded)		Additional Gratuity	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
I	**Expense recognised in the Statement of Profit & Loss for the year**						
1	Current Service Cost	**209.12**	202.12	**16.68**	2.95	**4.67**	(6.09)
2	Interest Cost	**206.87**	182.08	**5.70**	3.42	**-**	-
3	Expected return on plan assets	**(212.46)**	(210.03)	**-**	-	**NA**	NA
4	Net Actuarial (Gains)/ Losses	**(64.76)**	(128.88)	**6.53**	25.43	**-**	-
5	Total Expense	**138.77**	45.29	**28.92**	31.80	**4.67**	(6.09)
6	Actual return on plan Assets	**229.84**	228.69	**NA**	NA	**NA**	NA
II	**Net Assets/ (Liability) recognised in the Balance Sheet**						
1	Present Value of Defined Obligation	**2,800.29**	2,740.04	**96.85**	74.60	**64.78**	64.01
2	Fair Value of plan assets	**2,800.43**	2,740.28	**-**	-	**-**	-
3	Funded Status [Surplus / (Deficit)]	**0.14**	0.24	**(96.85)**	(74.60)	**(64.78)**	(64.01)
4	Net Assets/ (liability)	**0.14**	0.24	**(96.85)**	(74.60)	**(64.78)**	(64.01)
III	**Change in Obligation during the Year**						
1	Present value of defined Benefit Obligation at the beginning of the year	**2,740.04**	2,737.62	**74.60**	2.95	**64.01**	79.33
2	Present value of defined Benefit Obligation acquired on Purchase of Business	**-**	-	**-**	39.86	**-**	-
3	Current Service Cost	**209.12**	202.12	**16.68**	2.08	**4.67**	(6.09)
4	Interest Cost	**206.87**	182.08	**5.70**	4.29	**-**	
5	Actuarial (Gains)/ Losses	**(47.37)**	(108.89)	**6.53**	26.25	**-**	
6	Benefits Payments	**(308.37)**	(272.89)	**(6.67)**	(0.82)	**3.90**	9.23
7	Present value of Defined Benefit Obligation at the end of the year	**2,800.29**	2,740.04	**96.85**	74.60	**64.78**	64.01
IV	**Change in Fair Value of Plan Assets during the year**						
1	Fair Value of Plan Assets at the beginning of the year	**2,740.28**	2,737.62	**-**	-	**-**	-
2	Expected return on Plan assets	**212.46**	210.03	**-**	-	**-**	-
3	Contribution by Employer	**137.95**	45.29	**6.67**	-	**-**	-
4	Actual benefits paid	**(308.37)**	(272.87)	**(6.67)**	-	**-**	-
5	Actuarial Gains / (losses) on Plan Assets	**18.11**	20.21	**-**	-	**-**	-
6	Fair Value of Plan Assets at the end of the year	**2,800.43**	2,740.28	**-**	-	**-**	-

(₹ in lakhs)

		Gratuity (funded)		Gratuity (Unfunded)		Additional Gratuity	
		March 31,2012	March 31,2011	March 31,2012	March 31,2011	March 31,2012	March 31,2011
V	**Actuarial Assumptions:**						
1	Discount rate	**8.33%**	8.00%	**8.00%**	8.00%	**8.33%**	8.00%
2	Rate of return on Plan Assets	**8.00%**	8.00%				
3	Mortality Rate	**LIC(1994-96)**	LIC(1994-96)	**LIC(1994-96)**	LIC(1994-96)	**LIC(1994-96)**	LIC(1994-96)
4	Salary escalation rate (Management-Staff-Directors)	**7%, 2%, 12%**	7%, 2%, 12%	**10%, 6%**	10%, 6%	**7%, 2%, 12%**	7%, 2%, 12%
5	Attrition rate	**1%**	1%	**1%**	1%	**1%**	1%

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

		Gratuity (funded)				
		2011-12	2010-11	2009-10	2008-09	2007-08
1	Defined benefit obligation	**2,800.29**	2,740.04	2,737.62	2,682.89	2,133.84
2	Plan Assets	**2,800.43**	2,740.28	2,737.62	2,682.89	2,134.00
3	Surplus / (Deficit)	**0.14**	0.24	-	-	0.16
4	Experience adjustments on plan liabilities	**(47.38)**	(108.89)	(56.04)	323.54	465.98
5	Experience adjustments on plan assets	**17.38**	18.66	-	-	-

		Additional Gratuity				
		2011-12	2010-11	2009-10	2008-09	2007-08
1	Defined benefit obligation	**64.78**	74.60	79.33	69.53	-
2	Plan Assets	**-**	-	-	-	-
3	Surplus / (Deficit)	**64.78**	74.60	79.33	69.53	-
4	Experience adjustments on plan liabilities	**-**	-	-	-	-
5	Experience adjustments on plan assets	**-**	-	-	-	-

b) The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for qualifying employees. The fund formed by the Company manages the investments of the Gratuity fund. Expected rate of return on investments is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year, Yield on portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities. The Company expects to contribute ₹168 lakhs to gratuity fund in 2012-13 (31 March 2011: ₹268 lakhs)

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

d) The guidance issued by the Accounting Standard Board (ASB) on implementing AS 15, Employee Benefits (revised 2005) states that provident fund set up by employers which requires interest shortfall to be met by the employer, should be treated as a defined benefits plan. The Actuary society of India has issued the final guidance for measurement of provident fund liabilities during the quarter ended December 31, 2011. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2012. the Company's contribution to the Employee's Provident fund aggregates to ₹414.43 lakhs (31 March 2011: ₹369.72 lakhs).

iii. General Description of significant defined plans:

1. Gratuity Plan

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

2. Additional Gratuity

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

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

(₹ in lakhs)

	As at March 31	
	2012	**2011**
Special Deposit Schemes	**5.29%**	5.30%
Central government Securities	**18.13%**	18.40%
State government Securities	**21.97%**	22.20%
Public Sector Undertakings	**50.12%**	51.90%
Liquid funds	**4.49%**	2.20%
Total Investments	**100.00%**	100.00%

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

Segment Information:

A. Primary Segment Reporting (by Business Segment)

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

a. Electro Mechanical Projects and Packaged Air-conditioning Systems includes central air-conditioning projects, Electrical Contracting business and Packaged air-conditioning businesses including manufacturing and after sales service.

b. Cooling Products includes cooling appliances, cold storage products, including manufacturing and after sales service.

c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems.

Segment Revenues, Results and other Information:

(₹ in lakhs)

	As at March 31	
	2012	**2011**
I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**167,510.70**	198,502.48
ii. Cooling Products	**93,264.06**	78,893.01
iii. Professional Electronics and Industrial Systems	**21,210.83**	20,677.98
TOTAL SEGMENT REVENUE	**281,985.60**	**298,073.48**
Add: Other Income	**2,317.10**	3,185.85
TOTAL INCOME	**284,302.70**	**301,259.33**
II. SEGMENT RESULT		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**(9,820.00)**	18,118.83
ii. Cooling Products	**8,745.49**	9,022.90
iii. Professional Electronics and Industrial Systems	**5,229.06**	5,461.79
TOTAL SEGMENT RESULT	**4,154.55**	**32,603.52**
Less: i) Finance Cost	**7,211.60**	2,554.25
ii) Other un-allocable Expenditure Net of un-allocable Income	**7,285.78**	6,985.89
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM (carried forward)	**(10,342.83)**	**23,063.38**

(₹ in lakhs)

	As at March 31	
	2012	**2011**
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM (brought forward)	**(10,342.83)**	**23,063.38**
EXCEPTIONAL ITEM	**-**	42.93
PROFIT BEFORE TAXATION	**(10,342.83)**	**23,106.31**
PROVISION FOR TAXES	**114.93**	7,275.61
PROFIT AFTER TAX	**(10,457.75)**	**15,830.69**
Share of Profit/(Loss) of Associate	**(52.50)**	265.83
NET PROFIT AFTER TAX	**(10,510.26)**	**16,096.53**
III. OTHER INFORMATION:		
a. SEGMENT ASSETS		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**135,317.51**	149,450.18
ii. Cooling Products	**45,734.79**	47,067.96
iii. Professional Electronics and Industrial Systems	**12,511.72**	11,333.84
TOTAL SEGMENT ASSETS	**193,564.02**	**207,851.98**
Add: Un-allocable Corporate Assets	**14,912.19**	22,953.22
TOTAL ASSETS	**208,476.21**	**230,805.20**
b. SEGMENT LIABILITIES		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**96,951.69**	96,256.60
ii. Cooling Products	**25,051.51**	19,440.05
iii. Professional Electronics and Industrial Systems	**5,416.74**	4,283.97
TOTAL SEGMENT LIABILITIES	**127,419.93**	**119,980.62**
Add: Un-allocable Corporate Liabilities	**41,522.73**	59,700.32
TOTAL LIABILITIES	**168,942.66**	**179,680.94**
c. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,835.87**	2,114.89
ii. Cooling Products	**3,735.66**	2,681.74
iii. Professional Electronics and Industrial Systems	**91.09**	91.45
iv. Other Un-allocable	**1,057.03**	786.34
TOTAL	**7,719.65**	**5,674.42**
d. DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**1,614.52**	1,706.87
ii. Cooling Products	**905.02**	752.81
iii. Professional Electronics and Industrial Systems	**63.71**	58.61
iv. Other Un-allocable	**592.46**	674.53
TOTAL	**3,175.71**	**3,192.82**
e. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	**2,754.59**	942.51
ii. Cooling Products	**796.21**	317.27
iii. Professional Electronics and Industrial Systems	**430.07**	177.06
iv. Other Un-allocable	**5.72**	108.55
TOTAL	**3,986.59**	**1,545.38**

B. Secondary segment information:

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

(₹ in lakhs)

	As at March 31	
	2012	**2011**
Revenue (Sales, Services & Commission) by Geographical Market		
India	**263,527.82**	278,344.92
Outside India	**18,457.78**	19,728.56
Total	**281,985.60**	**298,073.48**
Carrying amount of Segment Assets & Intangibles Assets		
India	**199,637.71**	224,698.94
Outside India	**8,838.50**	6,106.26
Total	**208,476.21**	**230,805.20**
Capital Expenditure (including Capital Work in Progress)		
India	**7,686.44**	5,648.67
Outside India	**33.21**	25.75
Total	**7,719.65**	**5,674.42**

32: Related Party Disclosure

Names of Related parties

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

Associate

Blue Star Infotech Limited

Joint Ventures

Blue Star Qatar- WLL

Blue Star M & E Engineering (Sdn) Bhd

Blue Star Design and Engineering Limited

Key Management Personnel

Mr Ashok M Advani

Mr Suneel M Advani

Mr Satish Jamdar

Mr Vir Advani (w.e.f. 01.07.2010)

Relatives of Key Management Personnel

Ms Nargis Advani

Mr Vir Advani (Upto 30.06.2010)

(₹ in lakhs)

Name of Related party	2011-12 Amount ₹	2011-12 Balance O/s DR/(CR) ₹	2010-11 Amount ₹	2010-11 Balance O/s DR/(CR) ₹
Blue Star M & E Engineering (Sdn) Bhd		**5.46**		35.12
Consultancy services rendered by us	**182.14**		164.82	
Reimbursement of expenses paid	**91.06**		101.16	
Blue Star Infotech Limited		**(303.55)**		(230.81)
Sales & Services	**54.46**		59.96	
IT services	**738.70**		788.83	
Reimbursement of expenses	**40.58**		177.17	
Recovery of expenses	**2.09**		8.49	
Rent received	**36.00**		36.00	
Blue Star Qatar WLL		**166.66**		52.89
Guarantee commission	**3.06**		-	
Sales & Services	**132.09**		-	
Corporate guarantee given	**306.04**		283.76	
Blue Star Design & Engineering Limited		**632.09**		640.94
Sales & Services rendered	**44.30**		9.76	
Consultancy service received	**389.51**		138.89	
Loan repaid	**20.00**		-	
Interest On Loan	**47.53**		47.53	
Corporate guarantee given	**338.92**		344.46	
Guarantee commission	**6.13**		0.88	
Purchase of Asset	**-**		0.32	
Reimbursement of expenses	**-**		2.48	
Key Management Personnel				
Managerial remuneration				
Ashok M Advani	**217.95**		423.04	
Suneel M Advani	**191.55**		396.64	
Satish Jamdar	**136.94**		319.81	
Vir S Advani	**84.86**		203.19	
Rent received	**-**		7.10	
Sale of Fixed Assets	**-**		329.00	
Relative of Key Management Personnel		**70.00**		70.00
Rent paid	**1.20**		1.20	
Salary	**-**		14.71	

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

33: LEASES

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. All lease are cancellable. There are no exceptional / restrictive covenants in the lease agreements. Lease rental expense debited to Profit and Loss Account is ₹3,060.00 lakhs (31 March 2011: ₹2,415.21 lakhs).

34: EARNING PER SHARE

		As at March 31	
		2012	2011
Profit / (Loss) after taxation as per Profit & loss Account	₹ lakhs	**(10,510.26)**	16,096.53
Weighted average number of Equity Shares Outstanding.	Nos.	**89,936,105**	89,936,105
Basic and diluted Earnings per share (Face Value ₹2 per share)	₹	**(11.69)**	17.90

35: DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

a. Derivative Instruments: Forward contract outstanding as at Balance Sheet date

Particulars	2011-12		2010-11	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Particulars of Derivatives				
Forward cover to Purchase USD & EUR:				
Hedge of underlying payables - USD	**51,005,372.04**	**25,948.98**	17,752,168.00	8,082.19
- Buyers' Credit	**39,840,690.00**	**20,268.95**	7,714,740.34	3,512.36
- Other Payables	**11,164,682.04**	**5,680.03**	10,037,427.66	4,569.83
Foreign Currency Loan from Bank				
EUR	**3,850,000.00**	**2,613.00**	-	-
USD	**2,500,000.00**	**1,271.88**	-	-

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

Foreign Currency	2011-12		2010-11	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Bank Balances				
EUR	**165,956.34**	**7.60**	604,850.58	87.49
MUR	**650,341.82**	**12.23**	642,668.00	12.10
USD	**1,592,921.17**	**156.21**	127,317.12	73.48
AED	**6,165,289.55**	**813.94**	3,036,255.14	397.84
Receivables				
CAD	**12,892.00**	**6.48**	123,230.00	55.50
EUR	**570,212.35**	**307.09**	476,535.87	296.67
GBP	**20,829.00**	**16.56**	7,071.00	5.10
JPY	**11,551,911.00**	**71.23**	26,493,880.00	138.72
MYR	**485,483.63**	**69.47**	481,215.00	68.86
SEK	**-**	**-**	13,158.00	0.93
USD	**6,589,092.79**	**2,363.16**	5,075,211.51	2,318.06
AED	**7,974,127.23**	**1,087.67**	252,065.00	35.14
Payables				
AUD	**40,921.51**	**18.22**	11,808.00	4.13
CAD	**9,691.65**	**0.34**	2,239.00	0.99
CHF	**2,349.27**	**1.33**	-	-
EUR	**1,231,918.37**	**503.09**	1,047,616.00	657.68

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

Foreign Currency	2011-12		2010-11	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
GBP	**11,519.71**	**9.08**	273,339.00	196.20
JPY	**22,548,280.00**	**137.01**	64,166,211.00	290.15
SEK	**3,599.73**	**0.26**	1,654.00	0.11
SGD	**82,524.83**	**29.16**	120,794.00	42.63
USD	**13,422,106.95**	**5,157.36**	17,825,214.00	7,998.10
AED	**9,794,319.06**	**1,328.30**	3,394.00	0.48
Buyers' Credit				
USD	**204,050.00**	**103.81**	31,421,946.48	14,202.09

36 Figures pertaining to Subsidiary, Joint Ventures and Associate companies have been reclassified wherever considered necessary to bring them in line with the holding Company's financial statements.

37 Previous Year Comparatives

Till the year ended 31 March 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

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

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

Mumbai: May 16, 2012

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

(₹ in lakhs)

Name of Subsidiary	Blue Star Electro-Mechanical Limited	
	2011-12	2010-11
1 Share Capital	**197.00**	165.00
2 Reserves & Surplus	**1,002.94**	868.05
3 Total Assets	**10,071.03**	10,228.90
4 Total Liabilities	**8,871.09**	9,195.85
5 Investment	**-**	-
6 Turnover and Other Income	**7,964.33**	8,088.42
7 Profit before Tax	**(1,596.79)**	510.86
8 Provision for Taxation@	**-**	-
9 Profit / (loss) after tax	**(1,596.79)**	510.86
10 Equity dividend	**-**	-

@ Provision for tax is net of MAT credit entitlement

Consolidated Cash Flow Statement for the year ended March 31, 2012

(₹ in lakhs)

	Year ended March 31	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(10,342.83)	23,106.31
Non-cash adjustment to reconcile profit / (loss) before tax to net cash flows		
Depreciation / amortization	3,175.71	3,192.82
Fees / Cost adjusted against Securities Premium	(188.32)	(3,242.81)
Loss / (profit) on sale of fixed assets	20.87	(278.60)
Bad debts / advances written off	2,384.93	637.91
Provision for doubtful debts and advances	1,601.66	907.47
Unrealized foreign exchange loss / (gain)	54.31	144.12
Net (gain) / loss on sale of current investments	-	(42.93)
Interest expense	7,211.60	2,554.25
Interest (income)	(99.21)	(121.03)
Dividend (income)	(153.60)	(40.23)
Operating profit before working capital changes	3,665.12	26,817.28
Movements in working capital :		
Increase/ (decrease) in trade payables	(680.98)	8,967.51
Increase / (decrease) in long-term / short-term provisions	945.30	(29.48)
Increase / (decrease) in other current liabilities	1,011.73	8,792.26
Decrease / (increase) in current / non-current trade receivables	1,007.79	(16,294.29)
Decrease / (increase) in inventories	5,153.82	(13,842.72)
Decrease / (increase) in long-term / short-term loans and advances	928.27	(149.65)
Decrease / (increase) in current / non-current other assets	16,406.66	(17,136.37)
Cash generated from / (used in) operations	27,776.21	(2,875.46)
Direct taxes paid (net of refunds)	(3,364.80)	(8,447.69)
Net cash flow from/ (used in) operating activities (A)	**24,411.41**	**(11,323.15)**
Cash flows from investing activities		
Purchase of fixed assets, including CWIP and capital advances	(5,357.74)	(5,414.68)
Proceeds from sale of fixed assets	67.99	365.35
Purchase of current investments	(21,000.00)	-
Proceeds from sale / maturity of current investments	21,000.00	44.47
Purchase of Business	-	(8,000.00)
Interest received	50.27	126.86
Dividends received	153.60	204.20
Net cash flow from / (used in) investing activities (B)	**(5,085.88)**	**(12,673.80)**
Balance carried forward	**19,325.53**	**(23,996.95)**

(₹ in lakhs)

	Year ended March 31	
	2012	**2011**
Balance brought forward	**19,325.53**	**(23,996.95)**
Cash flows from financing activities		
Proceeds from long-term borrowings	3,036.49	-
Proceeds / (Repayment) from short-Borrowings, net	(7,749.86)	37,685.07
Interest paid	(7,166.48)	(2,520.36)
Dividend paid on equity shares	(6,269.62)	(7,194.89)
Tax on equity dividend paid	(1,021.40)	(1,194.98)
Net cash flow from / (used in) in financing activities (C)	**(19,170.87)**	**26,774.84**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**154.66**	**2,777.89**
Effect of exchange differences on cash & cash equivalents held in foreign currency	(28.69)	(43.91)
Cash and cash equivalents at the beginning of the year	5,243.94	2,509.96
Cash and cash equivalents at the end of the year	**5,369.91**	**5,243.94**
Components of cash and cash equivalents		
Balances with banks:		
– On current accounts	4,860.71	4,604.37
– On unpaid dividend account*	227.60	201.22
– On Fixed Deposits	253.03	399.28
Cash on hand	28.57	39.07
Total cash and cash equivalents (note 14)	**5,369.91**	**5,243.94**

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

Summary of significant accounting policies 2.1

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

As per our report of even date

For **S R Batliboi & Associates**
Firm Registration No 101049W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai: May 16, 2012

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

Satish Jamdar Managing Director

Vir S Advani Director

Manek Kalyaniwala Executive Vice President - Finance

Sangameshwar Iyer Company Secretary

Mumbai: May 16, 2012

Investor and Shareholder Information

SHAREHOLDER INQUIRIES

Questions concerning your folio, share certificates, dividend, address changes (for physical shares only), consolidation of certificates, lost certificates and related matters should be addressed to Blue Star Limited, directly or their share transfer agents. Address changes in respect of Demat shares should be intimated to the concerned Depository Participant.

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Compliance Officer
Mr Sangameshwar Iyer
Company Secretary
E-mail: sangameshwar@bluestarindia.com

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Telephone: +91 22 2594 6970
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Email: rnt.helpdesk@linkintime.co.in

DEMATERIALISATION

The Company has made arrangements for dematerialisation of its shares through National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Since the Company shares are traded in Demat mode, the shareholders are requested to dematerialise their shareholding.

INVESTOR RELATIONS PROGRAMME

Blue Star Limited has an active investor relations programme directed to both individual and institutional investors. The Company's investor relations mission is to maintain an ongoing awareness of the Company's performance among its shareholders and the financial community. The Company welcomes inquiries from its investors, large or small, as well as from members of the financial community.

For further information, please contact Blue Star's Investor Relations Department at the above address.

BLUE STAR SHAREHOLDERS

As of March 31, 2012, the Company has 24338 registered shareholders. Approximately 34% of the Company's shares are held by individual investors. The Promoters hold approximately 40% of the shares while Foreign Investors, Institutions and Body Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

Bombay Stock Exchange
National Stock Exchange

Blue Star Establishments

BLUE STAR

BREATHE EASY