BLUE STAR

BLUE STAR LIMITED ANNUAL REPORT 2016-2017

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BOARD OF DIRECTORS

Ashok M Advani
Chairman (up to November 30, 2016)

Suneel M Advani
Chairman (w.e.f. December 1, 2016)

Vir S Advani
Managing Director

B Thiagarajan
Joint Managing Director

Rajiv R Lulla
Non-Executive Director (w.e.f. December 1, 2016)

Dinesh N Vaswani
Non-Executive Director (w.e.f. December 1, 2016)

Independent Directors

Sam Balsara *(w.e.f. June 20, 2017)*

Shailesh Haribhakti

Shobana Kamineni

Pradeep Mallick

M K Sharma *(up to June 12, 2017)*

Gurdeep Singh

COMPANY SECRETARY

Vijay Devadiga

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd
State Bank of India
Oriental Bank of Commerce
BNP Paribas
Kotak Mahindra Bank Ltd
IDBI Bank Ltd
IDFC Bank Ltd
ICICI Bank Ltd
DBS Bank Ltd
Standard Chartered Bank

AUDITORS

S R B C & CO LLP, Chartered Accountants

INTERNAL AUDITORS

Mahajan & Aibara, Chartered Accountants LLP

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt Ltd
C-101, 247 Park, L B S Marg, Vikhroli (West),
Mumbai 400 083. Tel: +91 22 4918 6270; Fax: +91 22 4918 6060
Website: www.linkintime.co.in

REGISTERED OFFICE

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

CORPORATE MANAGEMENT

Vir S Advani
Managing Director

B Thiagarajan
Joint Managing Director

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

R Aravindan
Executive Vice President - Electro-Mechanical Projects Group

Neeraj Basur
Chief Financial Officer

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

R G Devnani
Executive Vice President - Manufacturing

P Venkat Rao
Chief Human Resources Officer

D H Roy
Executive Vice President - Supply Chain

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

Sujan Chatterjee
Vice President - Corporate Financial Services

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

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

Suresh Iyer
Chief Information Officer

Ajay Sharma
Head - Water Purifiers

SUBSIDIARY COMPANIES

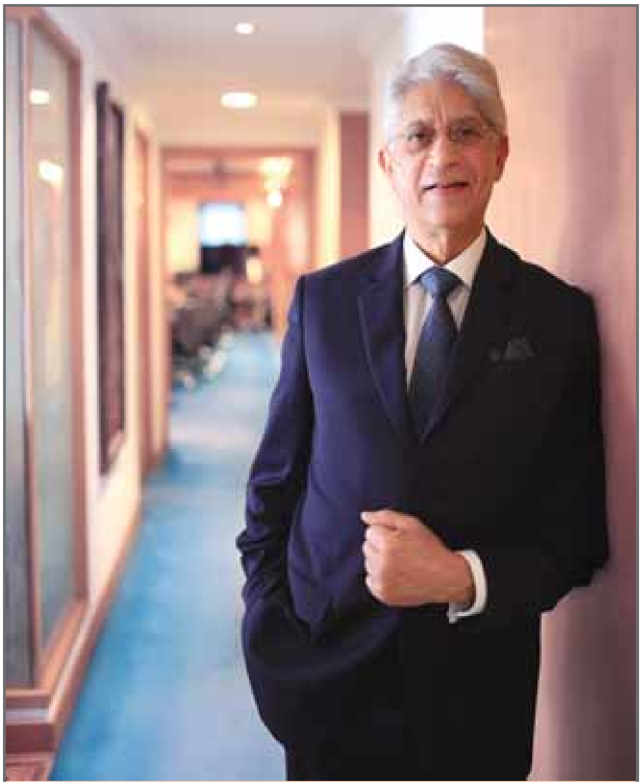
Prem Kalliath
Chief Executive Officer, Blue Star Engineering & Electronics Ltd

Dawood Bin Ozair
Chief Executive Officer, Blue Star International FZCO

Letter from the Chairman

Dear Shareholder,

This is my first letter to you as Chairman of Blue Star, and at the outset I would like to thank you for your continued support to both Ashok and myself over the years. The year 2016-17 has witnessed some major changes in the Board composition, starting with a smooth transition from Ashok to me, when I took over as Chairman over 6 months ago. Subsequently, Dinesh N Vaswani and Rajiv R Lulla from the promoter family joined the Board as Non-Executive Directors, and the Company stands to gain from their extensive repertoire of knowledge and experience as senior professionals in business and finance, both in India and overseas.



Suneel M Advani, *Chairman of the Board*

2016-17 Consolidated Financial Performance

2016-17 was a strong year for Blue Star in terms of all-round performance, despite major hiccups during the year such as demonetisation, which threatened to upend the Indian economy, and poor investments in the manufacturing and construction sectors. The Company reported a Total Operating Income of ₹4425 crores, representing growth of 22% over the previous year on a like-to-like basis, whilst Operating Profit for the year grew 20% to ₹257 crores. So, both revenue and profit grew hand-in-hand, which is a good indicator of robust growth. Significantly, Blue Star gained market share across all its businesses, and this was accompanied by improved customer satisfaction levels.

Blue Star's business performance and steady improvement in operating results has been recognised by the stock markets, and is reflected in the impressive growth in our share price. Blue Star shares have generated a return of 79% in the last one year. Also, consequent to the merger last year, shareholders of Blue Star Infotech who were allotted Blue Star shares have also experienced an annualised return of 84% over the last year.

Balance Sheet & Cash Flow

Our Balance Sheet position strengthened considerably on the back of improved operating performance and proceeds from the sale of Blue Star Infotech's business, last year. Year-end net borrowings reduced to ₹120 crores from ₹317 crores last year, which helped to substantially improve our year-end debt equity ratio to 0.16 from 0.50 last year. Strong operating performance, coupled with improving working capital efficiencies contributed to an increase in the Return on Capital Employed to 28.1%, up from 23.9%. Blue Star's financial position is stronger than before and looking ahead, the Company's asset-light financial model aims to deliver cash profit high enough to pay good dividends, while retaining sufficient profit to fund future business growth without resorting to excessive debt.

Business Segments and Support Functions

While the Electro-Mechanical Projects business continued to be impacted due to the slowdown in commercial construction, the Air Conditioning & Refrigeration Products business continued to perform very well, driven by our strong brand equity, enhanced distribution reach and comprehensive portfolio of products. The room air conditioners business grew much faster than the industry growth of 20%, with Blue Star's market share growing to 11.5% in this product category. Whilst the manufacturing facilities reported record production, the R&D team worked at incorporating state-of-the-art technology across the diverse product portfolio. The supply chain team delivered larger than expected cost savings, supported by a soft commodity market. Further, the Company has strengthened its portfolio with its entry into the Water Purifier business and the Export business, which are promising growth drivers for the future.

With the launch of 13 models of water purifiers last year including India's first RO+UV+Hot+Cold model, Blue Star has positioned itself as a premium player in this category. Blue Star water purifiers are already available in 80 towns with over 135 channel distributors, and have met with a very encouraging response in the market.

With an enhanced presence in over 17 countries across the Middle East, SAARC, Africa, and ASEAN regions, the International business has shown great promise in its expansion plans, and intends to cover five more geographical locations in 2017-18. The Company has tied up with several large, influential distributors across the addressed markets to reach out to end-consumers, and continues to participate in various international exhibitions, networking events as well as press conferences overseas.

We are working towards de-risking the high dependence on the domestic construction cycle through strategic investments in overseas markets. The Company is now pursuing new opportunities in areas adjacent to our existing businesses, such as MEP projects for factories; air coolers and air purifiers; and kitchen and healthcare refrigeration, in addition to the earlier stated related diversification into water purification. We are also incubating new lines of business to keep the Professional Electronics and Industrial Systems businesses relevant and profitable.

Blue Star continues to be the largest after-sales air conditioning and commercial refrigeration service provider in the country, and has enhanced its reputed position in the market place as a superior value-added service provider. In line with Blue Star's Gold Standard Service Programme, service performance parameters have improved dramatically, registering an all-time high on our customer satisfaction index. The remote monitoring centre at Thane does a remarkable job of monitoring hundreds of chillers and VRF systems installed across the country, along with failure prediction of components to enable preventive maintenance. In addition to Air Conditioning & Refrigeration service, the Company offers broader services such as Enterprise Facility Management, which have been received well.

In 2016-17, the Corporate Finance team excelled at robust forex risk management and tax refund collections. The Company counts on them to drive the transition to GST and a seamless migration of key business processes efficiently. Blue Star has taken corporate governance to the next level by implementing an ERM framework, a vigilance mechanism and a strong controller function.

Due to the concerted and creative efforts of the IT team, we look forward to Blue Star becoming a truly digital enterprise with physical products at the core, equipped with data-based, innovative services and processes. Across divisions, the Company has won numerous industry awards and recognitions in 2016-17, including the 'Best MEP Contractor 2016' runner-up award from Construction Week India for the Bengaluru Metro project; the Brand Excellence Award in Consumer Durables from ABP News; and the 'Best Domestic RO+UV Water Purifier' award of Water Digest.

A new, fair and transparent performance management system for employees has been put in place, with policies promoting better work-life balance as well as schemes for employee reward and recognition. The objective of 15% gender diversity across managerial levels and businesses by FY19 is being driven systematically through conscious and planned hiring, with women-centric initiatives across locations. A talent management programme is being implemented systematically to hone the future leaders of the Company.

Suneel M Advani with Vir S Advani (l) and B Thiagarajan (r) at the bust of Mohan T Advani, Founder.

Looking Ahead

Unpredictability and volatility have become a part of all our lives, and we need to equip ourselves with agility and flexibility to deal with these difficult times. Instead of scaling back or retreating as many companies are doing, Blue Star is calmly and confidently making plans to expand its businesses, enter new markets, and launch new products.

Blue Star's ability to adapt to changing times as well as its deep-rooted values and ethics have helped it grow from strength to strength over the past seven decades, whilst many companies which were started in 1940s-60s ceased to exist along the way. The emphasis on customer-centricity and employee engagement makes Blue Star the company of choice for all - customers, employees and investors.

The Board continues to have high confidence in the twin leadership of Vir S Advani and B Thiagarajan to ably steer the Company's operations well in these times of complexity and turbulence. They are making concerted efforts to implement the aggressive but prudent Strategic Plan, 'Blue Star@75', which will make the Company ready for the future, looking for opportunities while looking out for challenges. I am confident that this management duo will be able to take this Company to even greater heights, one that we can all continue to be truly proud of.

Suneel M Advani
Chairman of the Board

Letter from the Managing Director

Dear Shareholder,

As you may recall, my colleague, B Thiagarajan and I had prepared a Strategic Plan called Blue Star@75, which defines the roadmap for the three years leading up to the Company's Platinum Jubilee in 2018-2019. Blue Star's new Vision, Credo and fortified set of Values & Beliefs serve as the foundation for this ambitious plan, which calls for aggressively growing our existing businesses, expanding geographically and seeding new business lines while keeping profitability and return on capital at the forefront. The plan commits us to preparing a future-ready, customer-centric Blue Star, with significant investments in R&D, manufacturing, digital transformation, brand building, governance, quality, people and leadership, as well as an enhanced focus on our channel partners, business associates and vendors for higher levels of engagement.

Vir S Advani, *Managing Director*

Against this backdrop, I am pleased to report that in spite of the challenges in the economy and demonetisation, we have moved ahead on a number of fronts in 2016-2017, the first year of Blue Star@75. We began by using a Balanced Score Card framework for preparing an actionable plan with clearly defined strategic objectives and initiatives with identified inter-dependencies for each of the businesses and functions. The leadership team conducted extensive interactions with Blue Starites across the country to align them to the Strategic Plan.

In our existing businesses, we focused on offering differentiated products and solutions. We leveraged our world-class product development, supply chain and manufacturing capabilities to bring innovative AC&R products to the market ahead of our competition. This, coupled with a concerted effort to expand our solutions portfolio in the after-sales service, MEP projects as well as the electronics and engineering system integration businesses, contributed to a market share improvement in every business.

On the new business front, we entered five new countries with a range of AC&R products, taking the total count to seventeen. We evaluated a number of new business opportunities as a part of an ongoing effort to expand our business core through related diversification. In line with the findings, we entered the residential water purifier market, the Company's first significant related diversification in over five years.

The Blue Star brand building effort was given a special focus in the year as we broadened our communication beyond the room air conditioner category for our growing B2C product portfolio. Going forward, we have planned larger mass media investments to demonstrate Blue Star's depth and breadth of solutions across the B2B and B2C markets that we serve.

We have made significant progress and investments in our three flagship quality and productivity improvement excellence programmes in MEP projects, after-sales service and manufacturing operations. The results are already showing, with customer satisfaction levels improving, and the Company being recognised in various industry fora.

I hope you will share my enthusiasm in the progress that we have made on Blue Star@75 in 2016-2017. While the world is getting more polarised, as the Indian economy breaks out into a gallop, we expect increased multi-national competition in the domestic market. Going forward, retaining our leadership position will require a different mindset and new capabilities, which my colleague, B Thiagarajan and I are committed to build, as we steer the Company into the future. We look forward to your continued support through this exciting journey that lies ahead for Blue Star.

Vir S Advani
Managing Director

Board of Directors

(L-R sitting) Shailesh Haribhakti, Vir S Advani, Suneel M Advani, B Thiagarajan, Gurdeep Singh

(L-R standing) Dinesh N Vaswani, Sam Balsara, Pradeep Mallick, Shobana Kamineni, Rajiv R Lulla

Board of Directors

Suneel M Advani, *Chairman*

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

Suneel spent his entire working career in Blue Star, joining as a Management Trainee in 1969 and moving up steadily to President and Vice Chairman in 1984. He retired from his executive position in 2014, and was designated as Vice Chairman of the Board. He has been elevated as the Chairman of the Board from December 2016. Suneel established Blue Star's presence in computer software development and export, and when this division was spun off to become Blue Star Infotech Ltd in 2000, he assumed the position of Chairman there and later, Managing Director as well, in addition to his responsibilities in Blue Star.

In the span of his career, Suneel formed many joint ventures with global majors such as HP, Motorola and Stork-Comprimo in the hi-tech area, and with smaller Indian entities in the air conditioning field. For Blue Star and Blue Star Infotech, he conceived and completed several corporate acquisitions. Over the years, he served on the managing councils of several industry and trade bodies, such as CII, and is the founder and a Past President of Refrigeration and Air Conditioning Manufacturers' Association (RAMA).

Vir S Advani, *Managing Director*

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

Vir, after a 2-year working stint in private equity in New York, joined Blue Star Infotech Ltd in 2000 and then founded Blue Star Design & Engineering Ltd in 2003, designated as its Chief Executive Officer. In 2007, he moved to Blue Star as Vice President - Corporate Affairs, where he made valuable contributions in a profit improvement programme as well as in electro-mechanical projects. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director in 2010. In April 2016, Vir was appointed as the Managing Director of the Company, and currently oversees the Electro-Mechanical Projects business, the International Business Group, Corporate Financial Services, Corporate Planning and Investor Relations, apart from Blue Star Engineering & Electronics Ltd.

Vir is a Director of Blue Star Engineering & Electronics Ltd. He is a member of the CII International Council as well as a member of two CII National Committees; namely Exports as well as Real Estate and Building Technology.

B Thiagarajan, *Joint Managing Director*

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

Thiagarajan has handled various assignments in the Service business, Corporate Communications & Marketing and Corporate Affairs & Planning before he was promoted as President - AC&R Products Group in 2009. Under his leadership, the AC&R products business of the Company grew significantly. In 2013, Thiagarajan was elevated as Executive Director & President - AC&R Products Business. He was appointed as Joint Managing Director in 2016, and currently oversees Sales, Marketing, Supply Chain and Service Operations pertaining to the Products Business; Manufacturing and R&D; Corporate Communications; Public Relations; Corporate Marketing Services as well as Human Resources.

Thiagarajan plays an active role in various industry fora, and is the Past President of RAMA. He is a nominated member of the CII National Council, Co-chairperson of the CII Agriculture Council, and Vice Chairman of CII Maharashtra State Council.

Ashok M Advani, *Chairman Emeritus*

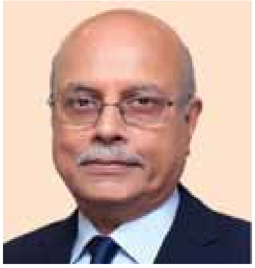
Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from MIT, USA and a BSc (Honours) from Mumbai University. His professional career with Blue Star spanned more than 47 years, including 33 years as Chairman. During this period, revenues multiplied more than 400 times and the Company established itself as a leader in the air conditioning and commercial refrigeration industry in India. He retired from the Board in November 2016.

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

Sam Balsara, *Independent Director*

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

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



Shailesh Haribhakti, *Independent Director*

Shailesh Haribhakti is Chairman of Haribhakti & Co LLP (Chartered Accountants), New Haribhakti Business Services LLP, and Mentorcap Management Pvt Ltd. Evolving from a background in Audit, Tax and Consulting, Shailesh seeks to create enduring value for companies and organisations he is involved in by being a deeply-engaged Independent Director. His strong belief is that good governance creates a sustainable competitive advantage. He is a strong supporter of a clean and green environment, and is pioneering the concept of 'innovating to zero' in the social context.

Shailesh is currently Chairman & Trustee of the National Pension Scheme Trust; member of Pension Advisory Committee of Pension Fund Regulatory & Development Authority; Chairman of L&T Finance Holdings Ltd; and Chairman of Future Lifestyle Fashions Ltd. He serves on several Boards of multinational as well as Indian companies, and is also a member of many Advisory Boards. He is an associate with IIM-Ahmedabad and several other management institutions as well as industry and professional forums.

Shobana Kamineni, *Independent Director*

Shobana Kamineni holds a Bachelor's Degree in Economics and has an Accelerated Diploma in Hospital Administration from Columbia University, New York. She is Executive Vice Chairperson of Apollo Hospitals Enterprise Ltd, and a member of its founding family. Shobana is at the helm of Apollo Global Projects Consultancy that steers the planning, design and execution of new projects. She spearheads Apollo Pharmacy - India's largest pharmacy chain. She is the founder and a Wholetime Director on the Board of Apollo Munich Health Insurance.

Shobana joined the Board of Blue Star in 2014. She is Vice Chairperson of the KEI Group; an Independent Director on the Board of Hero MotoCorp Ltd; Advisor to the External Board of CISCO India; and on the Advisory Council of the National Cadet Corp. As an active member of CII, Shobana was elected as President for 2017-18. She has been a recipient of prestigious national awards for Entrepreneurship and Leadership.

Rajiv R Lulla, *Non-Executive Director*

Rajiv R Lulla is a Senior Advisor at Voltaire Capital (UK), and the Founder of Voltaire Capital (India), a technology-enabled trading firm operating in the UK, US and recently in India. He holds a Bachelor's Degree in Mechanical Engineering with Electronics from King's College, London, and an MBA from Imperial College, London.

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

Pradeep Mallick, *Independent Director*

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

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

Gurdeep Singh, *Independent Director*

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

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

Dinesh N Vaswani, *Non-Executive Director*

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

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

The Directors are pleased to present the 69th Annual Report, together with the Audited Financial Statements for the year ended March 31, 2017.

COMPANY OVERVIEW

Your Company is India's leading air conditioning and commercial refrigeration company with close to 75 years of experience in providing expert cooling solutions, and has a network of 35 offices, 5 modern manufacturing facilities, 2200 dealers and 600 retailers. It fulfills the cooling requirements of a large number of corporate, commercial as well as residential customers. It also offers expertise in allied contracting activities such as mechanical, electrical, plumbing and fire-fighting services, in order to offer turnkey solutions, apart from execution of specialised industrial projects. The Company's integrated business model of a manufacturer, contractor and after-sales service provider enables it to offer an end-to-end solution to its customers, which has proved to be a significant differentiator in the market place. It has also recently forayed into the business of residential water purifiers as well as air purifiers and air coolers.

FINANCIAL RESULTS

(₹ in crores)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2016
Total Revenue	4183.47	3585.77	4459.30	3859.42
Total Expenses	4035.19	3462.73	4300.67	3715.06
Profit before exceptional items and tax	148.28	123.04	158.63	144.36
Profit after exceptional items and before tax	148.28	153.12	158.63	132.47
Income tax	36.31	26.22	36.67	27.70
Profit for the Year	**111.97**	**126.90**	**123.05**	**104.78**

OPERATING PERFORMANCE

Your Company posted another year of splendid performance. On a standalone basis, the Total Revenue of the Company increased by over 17% to ₹4183.47 crores during the year under review as compared to ₹3585.77 crores in the previous year. Further, the Net Profit after Tax of your Company was ₹111.97 crores as compared to ₹126.90 crores for the financial year ended March 31, 2016.

On a consolidated basis, your Company clocked a revenue of ₹4459.30 crores, a growth of 16% over the previous year. Further, the Net Proft after Tax of your Company was ₹123.05 crores, registering a growth of over 17%.

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

(a) Electro-Mechanical Projects and Packaged Air Conditioning Systems

The revenue of the Electro-Mechanical Projects and Packaged Air Conditioning Systems business increased by 18% to ₹2122.54 crores from ₹1797.48 crores. This segment witnessed adverse impact due to slowdown of the real estate sector post demonetisation. However, the market witnessed modest growth propelled by Government-funded infrastructure projects.

Segment Results registered an increase of 26% from ₹75.79 crores in the previous year to ₹95.26 crores in the year under review. The increase is mainly owing to higher billings of projects with healthy margins and improved control on costs.

(b) Unitary Products

Unitary Products' revenue in the year grew by 27% to ₹2003.92 crores as against previous year's revenue of ₹1582.82 crores due to an early onset of summer in 2017. The performance of the room air conditioner business was impressively driven by the wide range of star-rated inverter split air conditioners. With a rise in preference for inverter ACs, the Company continued to perform better in the category of energy-efficient products. Further, commercial refrigeration products such as water coolers, bottled water dispensers and glass top freezers witnessed significant demand. Enhanced product penetration amongst the existing channels, coupled with a comprehensive range of products and aggressive promotional activities contributed to the growth and profitability in this segment. The market continued to witness an increased demand for display freezers. Sales of bottled water dispensers grew well as the Company engaged with more retailers while storage water cooler sales also increased with enhanced demand from the educational, Government and manufacturing segments.

The Company extended its product range by introducing water purifiers, air purifiers and air coolers.

The results of this segment grew by 26% from ₹165.13 crores in the previous year to ₹208.09 crores in the year under review.

(c) Professional Electronics and Industrial Systems

The Company had earlier transferred the business of Professional Electronics and Industrial Systems to its subsidiary, Blue Star Engineering & Electronics Limited. However, due to customer and contractual requirements, certain contracts of this business needed to be executed by the Company. The revenue generated by these contracts during the year under review was ₹22.63 crores.

DIVIDEND

The Board, at its meeting held on May 9, 2017, recommended a dividend of ₹7.50 per equity share of ₹2 each for the financial year ended March 31, 2017. This proposal is subject to the approval of members at the ensuing Annual General Meeting.

DIVIDEND DISTRIBUTION POLICY

In accordance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'Listing Regulations'), the Board has adopted the Dividend Distribution Policy for the Company. The Policy inter-alia specifies the parameters and internal/external factors to be considered for declaration of dividend. The policy can be viewed online at https://www.bluestarindia.com/media/104569/dividend-distribution-policy.pdf.

TRANSFER TO RESERVES

The Company proposes to transfer an amount of ₹10.80 crores to the General Reserve for the financial year ended March 31, 2017.

FINANCING

Borrowing cost for the year was ₹30.61 crores which was lower as compared to ₹36.13 crores in the previous year, due to reduced borrowing levels led by effective working capital management, and ability to source the funds at a lower cost. In addition, disciplined and systematic hedging decisions based on accurate information of forex exposure resulted in net gain of ₹1.91 crores, as compared to loss of ₹0.79 crore in the previous year.

DEPOSITS

The Company has not accepted any deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 (hereinafter referred to as the 'Act'), and the Companies (Acceptance of Deposits) Rules, 2014.

CHANGES IN SHARE CAPITAL

During the year, the Company allotted 2,27,900 equity shares of ₹2 each, fully paid up to the option grantees pursuant to the exercise of stock options by the eligible employees under the Blue Star Limited Employee Stock Option Scheme.

Further, during the year under review, the Company allotted 53,91,383, fully paid up equity shares of ₹2 each, to the shareholders of Blue Star Infotech Limited, pursuant to the Composite Scheme of Amalgamation of Blue Star Infotech Limited and Blue Star Infotech Business Intelligence & Analytics Private Limited with the Company.

Consequent to the above, the issued, subscribed and paid up share capital of your Company as on March 31, 2017 stood at ₹19,11,40,776 comprising 9,55,70,388 equity shares of ₹2 each.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with Regulation 34 of the Listing Regulations and Section 129(3) of the Act, the Consolidated Financial Statement has been prepared by the Company, as per the Indian Accounting Standards (Ind AS), and forms a part of this Annual Report.

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

SUBSIDIARIES AND JOINT VENTURE COMPANIES

Subsidiary Companies:

a) Blue Star Engineering & Electronics Limited

Blue Star Engineering & Electronics Limited is a wholly owned subsidiary of Blue Star Limited. It offers advanced technology products, surveillance solutions as well as electronic systems and product testing solutions.

Total revenue of Blue Star Engineering & Electronics Limited for the year ended March 31, 2017 was ₹181.49 crores, as against its previous year's revenue of ₹133.35 crores. The subsidiary achieved a net profit of ₹4.92 crores for the year under review, as against last year's net profit of ₹5.25 crores.

b) Blue Star Qatar WLL

Blue Star Qatar WLL is led by Blue Star Limited and Al Malki Trading and Contracting WLL, wherein Blue Star Limited holds 49% of the share capital and voting rights, and the balance is held by Al Malki Trading and Contracting WLL.

This company is a subsidiary of Blue Star Limited by virtue of Section 2(87)(i) of the Companies Act 2013, as Blue Star controls the composition of the company's Board. The company is principally engaged in the business of designing, engineering, installation, maintenance, mechanical, electrical and plumbing contracts, and all works relating to heating, ventilation and air conditioning systems in the Middle East for residential, commercial and industrial purposes.

Total income of this company for the year ended March 31, 2017 was ₹110.77 crores as compared to ₹71.36 crores in the previous financial year. Net profit after tax for the year ended March 31, 2017 was ₹3.63 crores as compared to ₹1.34 crores in the previous year.

c) Blue Star International FZCO

Subsequent to the financial year, the Company has set up a wholly owned subsidiary, Blue Star International FZCO, in Dubai Airport Freezone, a free trade zone in UAE to consolidate its international business ownership. The Company made an initial investment of ₹5 crores in the share capital of this subsidiary, which will carry on the products business outside India.

Joint Venture Companies:

a) Blue Star M & E Engineering Sdn Bhd

A joint venture between Arab-Malaysian Development Bhd and Blue Star Limited, Blue Star M & E Engineering Sdn Bhd carries on the business of mechanical, electrical and plumbing contracting, which includes operation and maintenance of heating, ventilation and air conditioning systems. There have been no significant changes in the nature of its activities during the financial year.

This company's total income for the year ended March 31, 2017 was ₹108.44 crores as compared to ₹102.97 crores in the previous financial year. Net profit after tax for the year ended March 31, 2017 was ₹5.14 crores as compared to ₹4.97 crores in the previous year.

b) Blue Star Oman Electro-Mechanical Company LLC

A joint venture between W J Towell & Co LLC and Blue Star Limited, Blue Star Oman Electro-Mechanical Company LLC is engaged in mechanical, electrical and plumbing contracting services in Oman. Its income for the year ended March 31, 2017 was ₹112.28 crores as compared to ₹17.90 crores in the previous year. Net profit after tax of this venture for the year ended March 31, 2017 was ₹0.70 crores as compared to ₹0.47 crores in the previous year.

In accordance with Section 136 of the Act, the audited annual accounts, including the consolidated financial statement of the Company and audited accounts of the subsidiary companies, are available on the corporate website at www.bluestarindia.com. A copy of these documents will be available to the members, on their request in writing. The annual accounts will also be available for inspection by any member during business hours at the registered office of the Company.

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

SIGNIFICANT DEVELOPMENTS

(a) International Business

The International Business Group comprises Global Projects and Global Product Sales. International business footprint expansion continues to remain a high focus area for the Company. During the year, Blue Star added its presence in 5 countries: Kenya, Sudan, Vietnam, Iran and Tanzania.

The Company continued its focus on expansion of its products export business. It participated in multiple major trade shows such as Climate Abu Dhabi Expo, UAE and Big 5 Exhibition in Dubai, UAE with the largest-ever display stall. It participated in Hotel Asia Exhibition 2016, which was one of the largest trade exhibitions of its kind in Maldives.

The Company introduced room air conditioners with the eco-friendly refrigerant R410A and anti-corrosive green fin technology for the Maldives market.

(b) Expansion

The Company has embarked upon an ambitious growth plan, and in this context, Blue Star acquired land in Jammu and Sri City for setting up manufacturing plants in these locations, in due course. The Company also expanded its product portfolio by entering into product adjacencies and product extensions such as water purifiers, air purifiers and air coolers.

NEW INITIATIVES

Implementation of Goods and Service Tax

While presenting the Union Budget 2017-18, the Central Government of India reaffirmed the Goods and Service Tax (GST) roll-out. To ensure seamless migration into the GST regime, a core team has been entrusted with earmarked work streams to drive and accomplish implementation within defined timelines. The Company is registered on the GST portal.

AWARDS AND RECOGNITIONS

In 2016-2017, the Company was conferred multiple awards and recognitions, both international and national, few of which are listed as follows:

- Blue Star was recognised as the 'MEP Company of the Year' at the Annual Metro Rail India Summit 2017.
- Blue Star Oman Electro-Mechanical Company LLC has won the 'Most Promising MEP Contractor' at the Dossier Construction's Infrastructure Awards & Summit 2016.
- Blue Star received the Brand Excellence Award in FMCG sector (Consumer Durables) in 2016.
- Blue Star chillers were certified by the Air Conditioning, Heating, and Refrigeration Institute (AHRI) for achieving a 100% success rate in the performance testing of the air cooled as well as water cooled chillers in 2016.
- The Company won the Water Digest Awards 2017 for the 'Best Domestic RO+UV Purifier' in the country.

DIRECTORS

During the year under review, Ashok M Advani retired as the Chairman of the Company, with effect from November 30, 2016. The Board took on record the exemplary contribution towards the growth of the Company made by the Chairman during his 47 years of service and association with Blue Star. Ashok M Advani was appointed as the Chairman Emeritus of the Company, with effect from December 1, 2016. Suneel M Advani was appointed as the Chairman of the Board effective December 1, 2016. Further, M K Sharma, Independent Director, resigned with effect from June 12, 2017. The Board appreciated his valuable guidance and contribution during his tenure.

Vir S Advani, retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Further, based on the recommendation of the Nomination and Remuneration Committee, the Board had appointed Rajiv R Lulla (DIN: 06384402) and Dinesh N Vaswani (DIN: 00306990) as the additional Non-Executive Directors of the Company, with effect from December 1, 2016. In compliance with the Act and Listing Regulations, Sam Balsara (DIN: 00076942) has been appointed as an additional Independent Director with effect from June 20, 2017 for a period of 5 years.

As per the provisions of the Act, they hold office up to the date of the ensuing Annual General Meeting of the Company.

Your Company has received notices under Section 160 of the Act, together with requisite deposit from the members proposing appointment of Rajiv R Lulla, Dinesh N Vaswani and Sam Balsara as Director(s) on the Board of your Company. Accordingly, the necessary resolution(s) seeking approval of the members for appointment of Rajiv R Lulla, Dinesh N Vaswani and Sam Balsara have been incorporated in the Notice of the ensuing Annual General Meeting.

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

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

Declaration by Independent Directors

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

KEY MANAGERIAL PERSONNEL

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

Name	Designation
Vir S Advani	Managing Director
B Thiagarajan	Joint Managing Director
Neeraj Basur	Chief Financial Officer
Vijay Devadiga	Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017, and of the profit of the Company for that period;

- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts for the year ended March 31, 2017, on a going concern basis;
- the Directors have laid down internal financial controls to be followed by the Company, and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems are adequate and operating effectively.

MEETINGS OF BOARD OF DIRECTORS

During the year under review, 5 (five) meetings of the Board of Directors were held on May 30, 2016; August 1, 2016; November 10, 2016; January 25, 2017; and March 6, 2017. The intervening gap between these meetings was within the period prescribed under the Act and Listing Regulations. The details of the meetings and attendance of the Directors are provided in the Corporate Governance Report.

BOARD COMMITTEES

Your Company has in place, all the Committee(s) as mandated under the provisions of the Act and Listing Regulations. Currently, there are seven Committees of the Board, namely:

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises Shailesh Haribhakti, Pradeep Mallick and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Committee. B Thiagarajan was appointed as a member of the Audit Committee with effect from November 10, 2016. M K Sharma ceased to be member of the Committee with effect from June 12, 2017.

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

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR Committee comprises Suneel M Advani, B Thiagarajan and Shobana Kamineni. Suneel M Advani is the Chairman of this Committee.

During the year under review, the Company was required to spend an amount of ₹167.64 lakhs towards activities as stipulated under Schedule VII of the Act. The Company has spent an amount of ₹172.55 lakhs towards various CSR initiatives. The brief outline of the CSR Policy and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure 2** of this Report in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy is also available on the website of the Company.

BOARD EVALUATION & FAMILIARISATION PROGRAMME

Pursuant to the provisions of the Act and Regulation 17 of the Listing Regulations, the Board of Directors has carried out an annual evaluation of the performance of the Board as a whole, the Directors individually and the working of the committees of the Board. In a separate meeting of the Independent Directors held on April 11, 2017, the performance of the Non-Independent Directors, the Board as well as that of the Chairman were evaluated, taking into account the views of the Executive and Non-Executive Directors.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of Corporate Governance and continues to be compliant with the requirements of the Corporate Governance as enshrined in the Listing Regulations. The Report on Corporate Governance, as stipulated under Regulation 27 of the Listing Regulations, forms part of the Annual Report. The certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance, as stipulated under Regulation 27 of the Listing Regulations, has been annexed with the said report.

VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES

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

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

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

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

INTERNAL CONTROL SYSTEMS

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

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

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

During the year, the internal controls were tested and found effective, as a part of the Management's control testing initiative. Accordingly, the Board, with the concurrence of the Audit Committee and the Auditors is of the opinion that the Company's Internal Financial Controls were adequate and operating effectively for the financial year ended March 31, 2017.

LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act, as may be applicable, are given in the standalone financial statement as per Note 6.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

There are no material transactions with any related party as defined under Section 188 of the Act, read with the Companies (Meetings of Board and its Powers) Rules, 2014. The details of transactions with the related parties are provided in the standalone financial statement as per Note 37.

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

RISK MANAGEMENT

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

The Risk Management Committee comprises Suneel M Advani, Vir S Advani, B Thiagarajan and Neeraj Basur. Vir S Advani is the Chairman of this Committee.

During the year, the Committee reviewed the Company's risk management processes on a quarterly basis to mitigate various risk categories, including technological obsolescence, repudiation of claims by the customers, cost overrun in projects, accidents, safety/health hazards, dependence on channel partners, domestic and international competition, regulatory shifts, customer/supplier/geographical concentration, and others.

The Committee has adopted a formal Risk Management Policy. The Committee identifies, evaluates and assesses the risks, understands the exposure of risks and accordingly prepares the risk mitigation plan. It has identified the Risk Management Units which are constantly monitored, and the severity of risk is tracked, based on risk rating methodology. The Company maintains risk registers to ensure that the effectiveness of the mitigation action plan gets assessed independently. This register was reviewed by the Risk Management Committee, the Audit Committee and the Board.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Gurdeep Singh, Suneel M Advani, Pradeep Mallick and Dinesh N Vaswani. Gurdeep Singh is the Chairman of this Committee. Dinesh N Vaswani joined as a member of this Committee, with effect from January 25, 2017.

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

MANAGERIAL REMUNERATION

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

<table>
<tr><td rowspan="2">i.</td><td rowspan="2">The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year</td><td>Vir S Advani*</td><td colspan="2">78x</td></tr>
<tr><td>B Thiagarajan</td><td colspan="2">50x</td></tr>
<tr><td rowspan="4">ii.</td><td rowspan="4">The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year</td><td>Vir S Advani*</td><td colspan="2">149.15%</td></tr>
<tr><td>B Thiagarajan</td><td colspan="2">52.21%</td></tr>
<tr><td>Neeraj Basur</td><td colspan="2">12.50%</td></tr>
<tr><td>Vijay Devadiga</td><td colspan="2">10.00%</td></tr>
<tr><td>iii.</td><td>The percentage increase in the median remuneration of employees in the financial year</td><td colspan="3">0.18%</td></tr>
<tr><td>iv.</td><td>The number of permanent employees on the rolls of Company</td><td colspan="3">2498</td></tr>
<tr><td>v.</td><td>The explanation on the relationship between average increase in remuneration and Company performance</td><td colspan="3">Increments are based on the individual employee performance, market benchmarking of salary, and net profit of the Company.</td></tr>
<tr><td>vi.</td><td>Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company</td><td colspan="3">Total remuneration paid to the Key Managerial Personnel constituted 9.94% of the net profit of the Company for FY 2016-17.</td></tr>
<tr><td rowspan="4">vii.</td><td rowspan="4">Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company, in comparison to the rate at which the Company came out with the last public offer</td><td></td><td>2016-17</td><td>2015-16</td></tr>
<tr><td>Market Capitalisation (₹ in crores)</td><td>6617.29</td><td>3510.79</td></tr>
<tr><td>PE ratio</td><td>59.03</td><td>30.30</td></tr>
<tr><td colspan="3">In the recent past, the Company has not made any public offer.</td></tr>
<tr><td rowspan="3">viii.</td><td rowspan="3">Average percentile increase already made in the salaries of employees, other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof, and point out if there are any exceptional circumstances for increase in the managerial remuneration</td><td>Average increase to employees other than Managerial Personnel and justification thereof</td><td colspan="2">12.49%
To remain competitive in the market, to attract and retain talent.</td></tr>
<tr><td>Average increase to Managerial Personnel</td><td colspan="2">Please refer to (ii) of this table.</td></tr>
<tr><td>Exceptional circumstances for increase to managerial remuneration*</td><td colspan="2">The average increase given in FY 2016-17 was based on the outcome of compensation and benefits benchmarking survey to align remuneration of Wholetime Directors to market median.</td></tr>
<tr><td rowspan="4">ix.</td><td rowspan="4">Comparison of the remuneration of each Key Managerial Personnel against the performance of the Company</td><td>Vir S Advani*</td><td colspan="2">4.76%</td></tr>
<tr><td>B Thiagarajan</td><td colspan="2">3.02%</td></tr>
<tr><td>Neeraj Basur</td><td colspan="2">1.68%</td></tr>
<tr><td>Vijay Devadiga</td><td colspan="2">0.48%</td></tr>
<tr><td>x.</td><td>The key parameters for any variable component of remuneration availed by the Directors</td><td colspan="3">The Nomination and Remuneration Committee evaluates the performance of the Directors against the key result areas determined by it and recommends payment of commission to the Directors.</td></tr>
</table>

xi.	The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year	NA
xii.	Affirmation that the remuneration is as per the Remuneration Policy of the Company	Affirmed

** Remuneration of Vir S Advani includes additional performance linked incentives (PLI) of ₹199.09 lakhs for the financial year 2016-17 pursuant to the approval of the shareholders at the previous Annual General Meeting held on August 1, 2016. As the PLI has been paid to Vir S Advani effective financial year 2016-17, his remuneration for financial year 2016-17 is not comparable with that of the previous financial year.*

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

HUMAN RESOURCES

The Human Resources philosophy of your Company is to attract and retain the best talent in the industry. Your Company considers its employees as partners in success. Your Company constantly endeavours in adopting the best policies to keep its employees motivated, engaged and aligned to the interests of the Company. Your Company undertakes various employee engagement programmes and also fosters a culture of continuous learning and development and creating future leaders. Your Company constantly explores various possibilities to make Blue Star a better place to work.

EMPLOYEE STOCK OPTIONS

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme of the Company, in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. Details of the shares issued under Employee Stock Option Scheme (ESOS), as also the disclosures, in compliance with Section 62 of the Act, and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014, and SEBI (Share Based Employee Benefits) Regulations, 2014 is available on our website at www.bluestarindia.com.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are required to be annexed to the Board's Report. In accordance with the provisions of Section 136 of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company incurred a total expenditure of ₹53.67 crores on research and development for the year as against ₹49.81 crores in the previous year.

During the year, the Company recorded foreign exchange earnings from export of its products, commission and other income, aggregating to ₹256.63 crores as against ₹349.09 crores in the previous year. The previous year's earnings included ₹104.39 crores pertaining to earnings made by erstwhile Blue Star Infotech Limited, that merged with the Company with effect from the Appointed Date of April 1, 2015.

There was a corresponding increase in foreign exchange outflow, which stood at ₹1037.85 crores as compared to ₹925.46 crores in the previous year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis for the year under review, as stipulated under the Regulation 34 of Listing Regulations, is annexed to this report.

BUSINESS RESPONSIBILITY REPORT

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

STATUTORY AUDITORS

M/s S R B C & CO LLP, Chartered Accountants (Regn No. 324982E/E300003) were appointed as the Statutory Auditors of the Company at the Annual General Meeting held on July 28, 2014 to hold office for a term of five years, i.e. till the conclusion of the Annual General Meeting to be held for the financial year 2018-19, subject to ratification of their appointment at every Annual General Meeting during the said term. The Board of Directors of the Company, at its meeting held on May 9, 2017, has recommended ratification of appointment of M/s S R B C & CO LLP as the Statutory Auditors of the Company for financial year 2017-18 by the members at the ensuing Annual General Meeting.

The Company has received a letter from M/s S R B C & CO LLP, Chartered Accountants, to the effect that ratification of their appointment, if made, would be in accordance with the relevant provisions of Section 139 and 141 of the Act, read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

AUDITORS' REPORT

The Board has duly reviewed the Statutory Auditors' Report on the Financial Statements. There are no qualification, reservation, adverse remark given by the Auditors in their Report.

COST AUDITORS

In terms of the provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, as the Cost Auditors, to conduct cost audit for the financial year ended March 31, 2017.

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

SECRETARIAL AUDITOR

In terms of the provisions of Section 204 of the Act, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board had appointed M/s N L Bhatia & Associates, practicing Company Secretaries, as the Secretarial Auditor of the Company for conducting the secretarial audit of your Company for the financial year ended March 31, 2017.

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

EXTRACT OF THE ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in Form MGT-9 has been provided as per **Annexure 4** to this Report.

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

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

The Company has set up Internal Complaints Committees to redress complaints received regarding sexual harassment. The Company organises workshops and awareness programmes at regular intervals for sensitising the employees with the provisions of the Act. During the year under review, 2 complaints with allegations of sexual harassment were filed with the Company, and the same were investigated and resolved as per the provisions of the aforesaid Act.

OTHER DISCLOSURES

- There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year under review and the date of this report.
- There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of your Company and its operations in the future.
- Your Company has not issued any shares with differential voting.
- Your Company has not issued any sweat equity shares.
- There was no revision in the financial statements.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Suneel M Advani
Chairman

Mumbai: June 20, 2017

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

CONSERVATION OF ENERGY

Energy conservation measures taken:

The Company believes that energy provides the means for economic growth as well as social and economic development. Hence, it is important to conserve and use energy judiciously. Even though energy does not constitute a major cost element in the Company's manufacturing facilities, several initiatives were undertaken to optimise energy consumption, during the year under review. The Company has a certified energy conservation audit team which also helps in identifying and addressing their appropriate conservation plans.

Himachal Plants (HP1 and HP2)

- Two Six Sigma Green Belt projects on energy conversation (one in each of the Plants) were completed during the year. This resulted in low maximum demand indicator and helped to reduce energy consumption by 13% in the production of Storage Water Coolers, Mini Split Air Conditioners and Commercial Split Air Conditioners, and 18% in Micro Channel Heat Exchangers (MCHX) production in the HP2 Plant. This project enabled savings of approximately ₹13.24 lakhs and 10% energy in the HP1 Plant.
- The speed of circulation and exhaust fans of Controlled Atmospheric Brazing furnace was reduced by 20% by installing variable frequency drives on induction motors. This resulted in savings of 54,000 kWh per year.
- In the HP2 Plant, conventional lighting was replaced with LEDs at shop floor, offices, canteen and street lights, which saved approximately 11,680 kWh power consumption per year. In HP1 Plant, halogen street lights were replaced with LED lights which also improves lux levels, saving energy cost of ₹3.14 lakhs per year.
- Automation initiatives were undertaken to save water generated by way of raw, reverse osmosis, de-mineralised, sewage treatment plant; tap testing; and sprinkler water supply system for R-32 storage area which helped save approximately 6,848 kWh power consumption as well as 43.40 million litres of water consumption per year.
- Automation initiatives undertaken with respect of Helium leak detection machine lab ambient control system helped generate savings of approximately 14,500 kWh per year.
- Utility power factor was improved by installing capacitors with Automatic Power Factor Controller Relay at main low transmission panel and power distribution board panels at the shop floors. This helped to generate savings of approximately ₹3.12 lakhs per year.
- The set point for unloading all air compressors was decreased by 0.5 kg/cm^2 resulting in energy savings by around 4%. Air leakages in the low pressure distribution system were arrested. These initiatives have resulted in energy savings and reduction of carbon footprint, saving around ₹1.50 lakhs per year.
- Upgradation of the screw element of the existing LP compressor was undertaken, which reduced power consumption by 14 kW/hour. This also improved LP pneumatic air generation, which saved energy cost by around ₹3.93 lakhs per year.

Ahmedabad Plant

- Automatic Power Factor Controller panel was installed, which maintains the power factor close to unity, helping save energy cost by ₹1 lakh per year.
- Plant lighting apparatus was replaced from CFL to LED. This helped in reducing energy consumption of plant via lighting load by 58%.
- Turbo air ventilators were installed on roof top, which improved lux level in the Plant, thereby reducing energy consumption for lighting during day time.
- Instead of 22 kW LP air compressors, compressors of 7.5 kW and 22 kW with improved load pattern and optimum utilisation were deployed during the year. This enabled in saving the electricity consumption of utilities.

Wada Plant

- Power factor was maintained near unity and savings in the form of a rebate of ₹9.5 lakhs per year was achieved.
- Replacement of conventional high pressure sodium vapour street lights by solar lights resulted in saving ₹1 lakh per year.
- Solar panels and 2.5 kVA smart inverters were installed, and office lighting load was connected to solar panels, resulting in savings of ₹0.40 lakh per year.
- Due to cyclic operation of the foaming machine, chemical pump motors contributes to major energy losses during unloading operation. Considering the move towards Industry 4.0 and IoT initiatives, smart tabs have been installed to operate the foaming machine from the ground level. This helped achieve energy savings of ₹4 lakhs per year.
- In the coil shop, all the machines now run on programming logic control and encoder system. A 10 kVA uninterruptible power supply (UPS) was installed for vertical expander and hair pin bender. This has resulted into energy saving of ₹1 lakh per year.
- Balance of electrical load was maintained on the transformers, avoiding running of DG sets during additional load. This enabled savings in the diesel cost as well in DG electricity duty charges by ₹34 lakhs per year.

Dadra Plant

- Installed i-controlled technology paint booth, which helped in achieving reduction in powder and power consumption, thereby saving ₹4.85 lakhs for the period between November 2016 to March 2017.
- Power factor was controlled to a level near unity, resulting in savings of ₹3.71 lakhs during the year.
- Inverter variable refrigerant flow ACs were installed in the office, resulting in reduction of 1,000 units per month.

TECHNOLOGY ABSORPTION

a) Efforts made towards Technology Absorption:

During the year, continuous efforts were made to strengthen the R&D facility in the areas of adoption of alternatives to lower global warming potential (GWP) refrigerants wherever feasible, certification of labs, formation of core cells for embedded technology and understanding of emerging regulatory standards, which are mandatory for domestic and global sales.

The Company continued to invest in research infrastructure and added an electronics lab for development and reliability testing of electronic components and controllers. Competencies were developed in embedded software, which is a part of an overall competency development programme for controllers. The Company also added one lab for refrigeration, which is NABL accredited. In addition, various initiatives were undertaken during the year to improve productivity of R&D projects.

b) Outcome and benefits:

During the year, a complete new range of Room ACs was introduced with low GWP refrigerants. The Company also introduced a complete new range of Ducted Inverter Systems and a configured series of Water Cooled Chillers, which will meet the upcoming Energy Conservation Building Code (ECBC) norms.

The Company's special focus during the year was to develop products that can meet applicable norms of global sales. In line with this objective, existing VRF and VRF Sprint systems were modified to comply with ESMA Standards, which will help the Company in exporting its products to the relevant overseas markets.

In addition, wall-mounted units were also introduced during the year to meet enhanced quality regulations in the Middle-East, in terms of performance and safety. A cost-effective series of Water Coolers and high-efficiency Ducted Systems with ultra-low noise, was also introduced to boost export prospects.

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

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

d) Expenditure incurred in R&D:

(₹ in crores)

	2016-17	2015-16
(a) Capital	12.37	10.60
(b) Recurring	41.30	39.22
Total	53.67	49.81
Total R&D expenditure as a percentage of total turnover	1.28%	1.39%

FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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

b) Total foreign exchange earnings and outgo:

(₹ in crores)

	2016-17	2015-16
Total foreign exchange outgo	1037.85	925.46
Total foreign exchange earned	256.63	349.09*

** includes ₹104.39 crores pertaining to earnings made by erstwhile Blue Star Infotech Limited, that merged with the Company with effect from the Appointed Date of April 1, 2015.*

REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2016-17

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

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

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

Weblink to the CSR policy: https://www.bluestarindia.com/media/78800/csr-policy.pdf

Composition of the CSR Committee

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

Average net profit of the Company for last three financial years: ₹8382 lakhs

Prescribed CSR expenditure (two per cent of the average net profit computed above): ₹167.64 lakhs

Details of CSR spent during financial year 2016-17:

a) Total amount required to be spent for the financial year: ₹167.64 lakhs

b) Amount unspent, if any: Not Applicable

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

Sr No	CSR project or activity identified	Sector in which the Project is covered	Projects or Programmes: (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise (₹ in lakhs)	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead (₹ in lakhs)	Cumulative expenditure up to to the reporting period (₹ in lakhs)	Amount spent: Direct or through implementing agency (₹ in lakhs)
1	Vocational Training-AC&R/MEP	Education	Chennai Visakhapatnam Mumbai Pune Haryana Himachal Pradesh Dadra Wada	100	103.20 Direct	103.20	103.20 89.20 - Direct Himalayan Group of Professional Institutions, Kala Amb, Himachal Pradesh; and Karnal, Haryana. National Employability Through Apprenticeship Program (NETAP). 14 - Bala Mandir Kamaraj Trust, Chennai. Indo-German Institute of Advanced Technology, Visakhapatnam. Gyan Prakash Foundation, Pune.
2	Water Purification	Health	Wada Jawahar Dadra	36	29.80 Direct	29.80	29.80 25.80 - Direct at Wada and Dadra. 4 - Aroehan, Jawahar.
3	School Toilets	Health	Jawahar Dadra	7	7.55 Direct	7.55	7.55 3.55 - Direct 4 - Aroehan, Jawahar.
4	Other causes	Education Health	Bengaluru Tamil Nadu Mumbai	16.24	23.60 Direct	23.60	23.60 VYASA, Bengaluru. Anbagam Rehabilitation Centre, Tamil Nadu. CII-FAEA, Mumbai. United Way of Mumbai. The Hindu, Mumbai.
5	CSR Administrative Expenses	Administration	Mumbai	8.40	8.40 Overhead	8.40	8.40 Direct
	Total			**167.64**	**172.55**	**172.55**	

In addition, the Company donated over ₹11 lakhs of equipment to deserving, non-profit institutions.

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

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

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

B Thiagarajan
Joint Managing Director

Suneel M Advani
Chairman
Corporate Social Responsibility Committee

Place: Mumbai
Date: May 9, 2017

Annexure 3 to Board's Report

To,

The Members

BLUE STAR LIMITED

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

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

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

Bharat R Upadhyay
Partner
FCS: 5436
CP No. 4457

Place: Mumbai
Date: May 9, 2017

SECRETARIAL AUDIT REPORT
FORM NO. MR-3
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

BLUE STAR LIMITED

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017 has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017 according to the provisions of:

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

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

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

CSR expenditure as per the calculation provided by section 135 is ₹167.64 lakhs, and ₹172.55 lakhs has been spent by the Company during the financial year.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors as per the requirement of the Companies Act, 2013 and SEBI (Listing obligations and Disclosure Requirements) Regulation 2015.

In its meeting held on November 10, 2016, the Board, pursuant to receipt of recommendation from the Meetings of the Nomination and Remuneration Committee and the Independent Directors, adopted the following:

1. Retirement of Ashok M Advani as Director and Chairman of the Board on November 30, 2016. The Board unanimously decided to appoint Ashok M Advani as Chairman Emeritus of the Company after his retirement as Chairman, with effect from December 01, 2016.
2. Appointment of Suneel M Advani as the Chairman of the Board with effect from December 01, 2016.
3. Appointment of Rajiv R Lulla and Dinesh N Vaswani as Additional Non-Executive Directors with effect from December 01, 2016; to hold office up to the date of the forthcoming Annual General Meeting.

   After the above mentioned changes, the new constitution of the Board of Directors is as under:

Name	Designation
Vir S Advani	Managing Director
B Thiagarajan	Joint Managing Director
Suneel M Advani	Non-Executive, Chairman, Non-Independent Director
Pradeep Mallick	Independent Director
Gurdeep Singh	Independent Director
Shailesh Haribhakti	Independent Director
M K Sharma	Independent Director
Shobana Kamineni	Independent Director
Rajiv R Lulla	Non-Executive, Additional Director
Dinesh N Vaswani	Non-Executive, Additional Director

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

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

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

We further report that during the period under review,

1. Separate meeting of the Independent Directors was held on April 11, 2017 to review the performance of the Board, committees, Chairman and Non-Independent Directors.
2. No winding up petition has been filed against the Company impacting the going concern status of the Company.
3. Two new complaints were received and subsequently disposed off under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
4. The Company has complied with the applicable provisions of law with regard to payment of dividend to the equity shareholders of the Company.
5. During the period under review, the Audit Committee was re-constituted to induct B Thiagarajan as a member. The current constitution is: Shailesh Haribhakti, Chairman, and Pradeep Mallick, M K Sharma and B Thiagarajan, members. The Nomination and Remuneration Committee was re-constituted to induct Dinesh N Vaswani as a member. The current constitution is: Gurdeep Singh, Chairman, and Suneel M Advani, Pradeep Mallick, and Dinesh N Vaswani, members. The Investor Grievance cum Stakeholders' Relationship was re-constituted to induct Rajiv R Lulla. The current constitution is: Gurdeep Singh, Chairman, and Suneel M Advani, Rajiv R Lulla and B Thiagarajan, members.
6. During the period under review the Board, in its meeting held on November 10, 2016, accorded its consent for incorporation of a wholly owned subsidiary, Blue Star International FZCO which has its office at Dubai Airport Freezone. The Company has made an initial investment of ₹5 crore in the equity share capital. Blue Star International FZCO would carry on the products' business in GCC, SAARC, African and ASEAN countries.

   During the financial year, the Company has granted financial assistance to its subsidiary companies by way of corporate guarantees.

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

Bharat R Upadhyay
Partner
FCS: 5436
CP No. 4457

Place: Mumbai
Date: May 9, 2017

ANNEXURE A

LIST OF OTHER APPLICABLE LAWS FORMING PART OF THE SECRETARIAL AUDIT REPORT OF BLUE STAR LIMITED FOR FINANCIAL YEAR 2016-17:

1. Bombay Shop and Establishment Act, 1948, rules thereunder and other State Acts and rules thereunder
2. Contract Labour (Regulation and Abolition) Act, 1970 and Contract Labour (Regulation and Abolition) Central Rules, 1971 and applicable State Rules
3. Industrial Employment (Standing Orders) Act, 1946 and Industrial Employment (Standing Orders) Central Rules, 1946 and applicable State Rules
4. Factories Act, 1948 and applicable State Rules
5. Factories and Establishments (National, Festival and other Holidays) Act (Andhra Pradesh, Himachal Pradesh and Tamil Nadu)
6. Foreign Exchange Management Act, 1999 read with Notifications and directions, Notifications and Circulars issued by RBI
7. Foreign Trade (Development And Regulation) Act, 1992
8. Petroleum Act, 1934
9. Securities and Exchange Board of India Act, 1992
10. The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Central Rules, 1998, The Building and Other Construction Workers' Welfare Cess Act, 1996 and Cess Rules, 1998 and applicable State Rules
11. Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957 and applicable State Rules
12. Apprentices Act, 1961 And Apprentices Rules, 1992
13. Employee Compensation Act, 1923 and Workmen Compensation Rules, 1924 and applicable State Rules
14. Employees' State Insurance Act, 1948 and Employees' State Insurance (Central) Rules, 1950 and Employees' State Insurance (General) Regulations, 1950
15. Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Employees' Provident Fund Scheme, 1952 and Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976
16. Equal Remuneration Act, 1976 & Equal Remuneration Rules, 1976
17. Maternity Benefit Act, 1961 and applicable State Rules
18. Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975
19. Payment of Wages Act, 1936 and Payment of Wages (Nomination) Rules, 2009 and applicable State Rules
20. Minimum Wages Act, 1948 and Minimum Wages Rules, 1950 and applicable State Rules
21. Payment of Gratuity Act, 1972 and applicable State Rules
22. Bombay Labour Welfare Fund Act, 1953 rules thereunder and other State Acts and rules thereunder
23. Food Safety and Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011
24. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013
25. Information Technology Act, 2000 and Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules, 2011
26. Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers

27. Bureau of Indian Standards Act, 1986 and Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers
28. Fire Prevention and Life Safety Measures Act, Rules and Applicable States Acts and Rules as applicable
29. Legal Metrology Act, 2009 and Legal Metrology (Enforcement) Rules, 2011 and applicable State Rules
30. Explosives Act, 1884 and Gas Cylinder Rule, 2004
31. Petroleum Act, 1934 and Petroleum Rules, 2002
32. Electricity Act, 2003 and Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulations, 2010
33. Energy Conservation Act, 2001
34. Income Tax Act, 1961; Finance Act, 1994 (as amended from time to time) and Service Tax Rules, 1994; Central Sales Tax Act,1956; Central Excise Act, 1944 and rules thereunder; Maharashtra Value Added Tax Act, 2002; Chattisgarh Vritti Kar Adhiniyam, 1995; and other State Acts governing VAT, Profession Tax, Entry Tax, Tax on Trades, Callings and Employments Act and rules thereunder
35. Environment (Protection) Act, 1986 and Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008; Noise Pollution (Regulation and Control) Rules, 2000; Environment (Protection) Rules, 1986; E-waste (Management & Handling) Rules, 2011; Ozone Depletion Substances (Regulation) Rules, 2000; Bio Medical Waste (Management & Handling) Rule, 1998; Batteries (Management and Handling) Rules, 2001
36. Air (Prevention and Control of Pollution) Act, 1981; and Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983; and applicable State Rules
37. Water (Prevention and Control of Pollution) Act, 1974; and Water (Prevention and Control of Pollution) Rules, 1975; and applicable State Rules
38. Water (Prevention and Control of Pollution) Cess Act, 1977; and Water (Prevention and Control of Pollution) Cess Rules, 1983; and applicable State Rules
39. Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003
40. Bombay Provincial Municipal Corporation Act, 1949
41. Any other Central and State Acts and rules made thereunder, as may be applicable

Annexure 4 to Board's Report

Form No. MGT-9

Extract of Annual Return as on the financial year ended on March 31, 2017
[Pursuant to section 92(3) of the Companies Act 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i.	CIN	**L28920MH1949PLC006870**
ii.	Registration Date	Incorporated on January 20, 1949
iii.	Name of the Company	Blue Star Limited
iv.	Category/Sub-Category of the Company	Public Company
v.	Address of the Registered office and contact details	Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400 020 Tel: +91 22 6665 4000; Fax: +91 22 6665 4151
vi.	Whether listed company (Yes/No)	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Pvt Ltd. C-101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083 Tel.: +91 22 4918 6270, Fax: +91 22 4918 6060 Website: www.linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Electro-Mechanical Projects and Packaged Air Conditioning Systems	43219/43229	51.16
2	Unitary Products	28191/28192	48.30

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Blue Star Engineering & Electronics Ltd Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai - 400 020	U70200MH2010PLC204612	Subsidiary	100%	Section 2(87) of Companies Act, 2013
2	Blue Star Qatar WLL P.O. Box 47242, Doha, State of Qatar	NA	Subsidiary	49%*	Section 2(87) of Companies Act, 2013
3	Blue Star M&E Engineering Sdn Bhd 2.01, PJ Tower, AMCORP Trade Center, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.	NA	Joint Venture	49%	Section 2(6) of Companies Act, 2013
4	Blue Star Oman Electro-Mechanical Co LLC P.O. Box 1010, Postal Code 112, Sultanate of Oman	NA	Joint Venture	51%**	Section 2(6) of Companies Act, 2013
5	Blue Star International FZCO Unit No. 3E 520, Building No. 3E (East Side), Dubai Airport Freezone, Dubai, United Arab Emirates	NA	Subsidiary	100%	Section 2(87) of Companies Act, 2013

*The Company controls composition of Board.

**Representing 50% of voting rights.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters & Promoter Group									
(1) Indian									
Individual/HUF	21468354	-	21468354	23.87	22728933	-	22728933	23.78	-0.08
Central Govt.	-	-	-	-	-	-	-	-	-
State Govt.(s)	-	-	-	-	-	-	-	-	-
Bodies Corp.	23331	-	23331	0.02	59522	-	59522	0.06	0.04
Banks/FI	-	-	-	-	-	-	-	-	-
Any Other	13458337	-	13458337	14.96	14003298	-	14003298	14.65	-0.31
Sub-total (A)(1)	34950022	-	34950022	38.85	36791753	-	36791753	38.50	-0.36
(2) Foreign									
a) NRIs - Individuals	543075	-	543075	0.60	546890	-	546890	0.57	-0.03
b) Other - Individuals	-	-	-	-	-	-	-	-	-
Bodies Corp.	-	-	-	-	-	-	-	-	-
Banks/FI	-	-	-	-	-	-	-	-	-
Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	543075	-	543075	0.60	546890	-	546890	0.57	-0.03
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	35493097	-	35493097	39.46	37338643	-	37338643	39.07	-0.39
B. Public Shareholding									
(1) Institutions									
a) MutualFunds/UTI	16605953	1875	16607828	18.46	18957008	1961	18958969	19.84	1.38
b) Banks/FI	14708	7905	22613	0.02	18755	8289	27044	0.03	0.00
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	576211	-	576211	0.64	219403	-	219403	0.23	-0.41
g) FIIs	8325122	2250	8327372	9.26	9427788	2355	9430143	9.87	0.61

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others - Qualified Foreign Investor (Foreign Mutual Funds)	477256	-	477256	0.53	501539	-	501539	0.52	-0.01
Sub-total (B)(1)	25999250	12030	26011280	28.92	29124493	12605	29137098	30.49	1.57
(2) Non-Institutions									
a) Indian Bodies Corp.	3009121	55905	3065026	3.41	2627069	58658	2685727	2.81	-0.60
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹1 lakh	13363919	2660838	16024757	17.82	14269353	2692582	16961935	17.75	-0.07
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	7900552	206145	8106697	9.01	7135858	211285	7347143	7.69	-1.32
c) Others (specify)									
Clearing Members	151420	-	151420	0.17	217022	-	217022	0.23	0.06
Foreign Companies	-	375	375	-	-	392	392	-	-
Foreign Portfolio Investor (Individual)	-	-	-	-	-	-	-	-	-
Non Resident Indians (REPAT)	220783	1500	222283	0.25	223331	8905	232236	0.24	-
Non Resident Indians (NON REPAT)	488591	-	488591	0.54	1196012	-	1196012	1.25	0.71
Market Maker	732	-	732	-	291	-	291	-	-
Hindu Undivided Family	304222	-	304222	0.34	313031	245	313276	0.33	0.01
Trust	82625	-	82625	0.09	138580	-	138580	0.14	0.05
Sub-total (B)(2)	25521965	2924763	28446728	31.62	26122426	2972221	29094647	30.44	-1.18

Category of shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
Total Public Shareholding (B) = (B)(1)+(B)(2)	51521215	2936793	54458008	60.54	55246919	2984826	58231745	60.93	0.38
C. Shares held by Custodian for GDRs & ADRs									
	-	-	-	-	-	-	-	-	-
Grand Total									
(A+B+C)	**87014312**	**2936793**	**89951105**	**100.00**	**92585562**	**2984826**	**95570388**	**100.00**	**-**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	Ashok M Advani	10315107	11.47	-	10871721	11.37	-	-0.10
2	IL And FS Trust Company Limited	7458354	8.29	-	7719930	8.08	-	-0.21
3	Suneel M Advani	5325948	5.92	-	5626827	5.89	-	-0.03
4	IL And FS Trust Company Limited	3554722	3.95	-	3683624	3.85	-	-0.10
5	Nargis Suneel Advani	2720695	3.02	-	2836936	2.97	-	-0.06
6	Suneeta Nanik Vaswani	2141770	2.38	-	2251682	2.36	-	-0.03
7	Rohina Lulla	1116885	1.24	-	1168594	1.22	-	-0.02
8	Anissa Khanna	1076630	1.20	-	1126787	1.18	-	-0.02
9	Nanik Ramchand Vaswani	945095	1.05	-	939601	0.98	-	-0.07
10	Suneel M Advani HUF	478310	0.53	-	539669	0.56	-	0.03
11	Sanjay N Vaswani	89450	0.10	-	103375	0.11	-	0.01
12	Vir S Advani	50000	0.06	-	74625	0.08	-	0.03
13	Armaan Sandeep Murthy	50000	0.06	-	50000	0.05	-	0.01
14	Sumer Sandeep Murthy	50000	0.06	-	50000	0.05	-	0.01
15	Sunaina S Advani	50000	0.06	-	72525	0.08	-	0.02

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
16	Uday Vir Advani	50000	0.06	-	50000	0.05	-	0.01
17	Anita Ashok Advani	30000	0.03	-	30000	0.03	-	0.00
18	J T Advani Finance Private Limited	23331	0.03	-	59522	0.06	-	0.03
19	Dev Khanna	18750	0.02	-	19625	0.02	-	0.00
20	Iman Rajiv Lulla	18750	0.02	-	19625	0.02	-	0.00
21	Rana Rajiv Lulla	18750	0.02	-	19625	0.02	-	0.00
	TOTAL	**35493097**	**39.46**	**-**	**37338643**	**39.07**	**-**	**0.39**

(iii) Change in Promoters' Shareholding

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**Ashok M Advani**				
	At the beginning of the year	**10315107**	**11.47**	**10315107**	**11.47**
	15 July 2016 - allotment of shares against BSIL shares	556614	0.10	10871721	11.37
	At the end of the year	**10871721**	**11.37**	**10871721**	**11.37**
2.	**IL And FS Trust Company Limited**				
	At the beginning of the year	**7458354**	**8.29**	**7458354**	**8.29**
	15 July 2016 - allotment of shares against BSIL shares	261576	0.21	7719930	8.08
	At the end of the year	**7719930**	**8.08**	**7719930**	**8.08**
3.	**Suneel M Advani**				
	At the beginning of the year	**5325948**	**5.92**	**5325948**	**5.92**
	15 July 2016 - allotment of shares against BSIL shares	300879	0.03	5626827	5.89
	At the end of the year	**5626827**	**5.89**	**5626827**	**5.89**

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
4.	**IL And FS Trust Company Limited**				
	At the beginning of the year	**3554722**	**3.95**	**3554722**	**3.95**
	15 July 2016 - allotment of shares against BSIL shares	128902	0.10	3683624	3.8544
	At the end of the year	**3683624**	**3.85**	**3683624**	**3.85**
5.	**Nargis Suneel Advani**				
	At the beginning of the year	**2720695**	**3.02**	**2720695**	**3.02**
	15 July 2016 - allotment of shares against BSIL shares	116241	0.05	2836936	2.9684
	At the end of the year	**2836936**	**2.97**	**2836936**	**2.97**
6.	**Suneeta Nanik Vaswani**				
	At the beginning of the year	**2141770**	**2.38**	**2141770**	**2.38**
	15 July 2016 - allotment of shares against BSIL shares	120712	0.01	2262482	2.37
	23 Sept 2016 (Transfer)	-10800	0.01	2251682	2.36
	At the end of the year	**2251682**	**2.36**	**2251682**	**2.36**
7.	**Rohina Lulla**				
	At the beginning of the year	**1116885**	**1.24**	**1116885**	**1.24**
	15 July 2016 - allotment of shares against BSIL shares	51709	0.02	1168594	1.22
	At the end of the year	**1168594**	**1.22**	**1168594**	**1.22**
8.	**Anissa Khanna**				
	At the beginning of the year	**1076630**	**1.20**	**1076630**	**1.20**
	15 July 2016 - allotment of shares against BSIL shares	50157	0.02	1126787	1.18
	At the end of the year	**1126787**	**1.18**	**1126787**	**1.18**
9.	**Nanik Ramchand Vaswani**				
	At the beginning of the year	**945095**	**1.05**	**945095**	**1.05**
	15 July 2016 - allotment of shares against BSIL shares	5306	0.01	950401	1.04
	23 Sept 2016 (Transfer)	-10800	-0.08	939601	0.98
	At the end of the year	**939601**	**0.98**	**939601**	**0.98**

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
10.	**Suneel M Advani HUF**				
	At the beginning of the year	**478310**	**0.53**	**478310**	**0.53**
	15 July 2016 - allotment of shares against BSIL shares	61359	0.03	539669	0.56
	At the end of the year	**539669**	**0.56**	**539669**	**0.56**
11.	**Sanjay N Vaswani**				
	At the beginning of the year	**89450**	**0.10**	**89450**	**0.10**
	15 July 2016 - allotment of shares against BSIL shares	10325	0.01	99775	0.11
	23 Sept 2016 (Transfer)	3600	0.00	103375	0.11
	At the end of the year	**103375**	**0.11**	**103375**	**0.11**
12.	**Vir S Advani**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	15 July 2016 - allotment of shares against BSIL shares	24625	0.03	74625	0.08
	At the end of the year	**74625**	**0.08**	**74625**	**0.08**
13.	**Armaan Sandeep Murthy**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	No change				
	At the end of the year	**50000**	**0.05**	**50000**	**0.05**
14.	**Sumer Sandeep Murthy**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	No change				
	At the end of the year	**50000**	**0.05**	**50000**	**0.05**
15.	**Sunaina S Advani**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	15 July 2016 - allotment of shares against BSIL shares	22525	0.02	72525	0.08
	At the end of the year	**72525**	**0.08**	**72525**	**0.08**

Sl. No.	Particulars of name and date-wise increase/(decrease) in Promoters' Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
16.	**Uday Vir Advani**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	No change				
	At the end of the year	**50000**	**0.05**	**50000**	**0.05**
17.	**Anita Ashok Advani**				
	At the beginning of the year	**30000**	**0.03**	**30000**	**0.03**
	No change				
	At the end of the year	**30000**	**0.03**	**30000**	**0.03**
18.	**J T Advani Finance Private Limited**				
	At the beginning of the year	**23331**	**0.03**	**23331**	**0.03**
	15 July 2016 - allotment of shares against BSIL shares	35131	0.02	58462	0.05
	02 Dec 2016 (Transfer)	1060	0.01	59522	0.06
	At the end of the year	**59522**	**0.06**	**59522**	**0.06**
19.	**Dev Khanna**				
	At the beginning of the year	**18750**	**0.02**	**18750**	**0.02**
	15 July 2016 - allotment of shares against BSIL shares	875	0.00	19625	0.02
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**
20.	**Iman Rajiv Lulla**				
	At the beginning of the year	**18750**	**0.02**	**18750**	**0.02**
	15 July 2016 - allotment of shares against BSIL shares	875	0.00	19625	0.02
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**
21.	**Rana Rajiv Lulla**				
	At the beginning of the year	**18750**	**0.02**	**18750**	**0.02**
	15 July 2016 - allotment of shares against BSIL shares	875	0.00	19625	0.02
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**

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

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**HDFC Trustee Company Ltd - A/C HDFC MID - Capopportunities Fund**				
	At the beginning of the year	**7319974**	**8.14**	**7319974**	**8.14**
	19 Aug, 2016 (Transfer)	-150000	-0.62	7169974	7.52
	30 Sep, 2016 (Transfer)	-339200	-0.36	6830774	7.16
	20 Jan, 2017 (Transfer)	-8800	-0.02	6821974	7.14
	10 Mar, 2017 (Transfer)	-600	0.00	6821374	7.14
	24 Mar, 2017 (Transfer)	-2000	0.00	6819374	7.14
	At the end of the year	**6819374**	**7.14**	**6819374**	**7.14**
2.	**Saif Advisors Mauritius Limited a/c Saif India IV FII Holdings Limited**				
	At the beginning of the year	**4731983**	**5.26**	**4731983**	**5.26**
	No Change				
	At the end of the year	**4731983**	**4.95**	**4731983**	**4.95**
3.	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Equity Fund**				
	At the beginning of the year	**1946636**	**2.16**	**1946636**	**2.16**
	08 Apr 2016 (Transfer)	117000	0.13	2063636	2.29
	22 Apr 2016 (Transfer)	7200	0.01	2070836	2.30
	19 Aug 2016 (Transfer)	150000	0.03	2220836	2.33
	02 Sep 2016 (Transfer)	8300	0.01	2229136	2.34
	09 Sep 2016 (Transfer)	26579	0.02	2255715	2.36
	28 Oct 2016 (Transfer)	9100	0.01	2264815	2.37
	09 Dec 2016 (Transfer)	73000	0.08	2337815	2.45
	30 Dec 2016 (Transfer)	-100250	-0.11	2237565	2.34
	03 Feb 2017 (Transfer)	13000	0.02	2250565	2.36
	10 Feb 2017 (Transfer)	60100	0.06	2310665	2.42
	17 Feb 2017 (Transfer)	17500	0.02	2328165	2.44

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	03 Mar 2017 (Transfer)	208817	0.21	2536982	2.65
	10 Mar 2017 (Transfer)	50000	0.06	2586982	2.71
	24 Mar 2017 (Transfer)	-6000	-0.01	2580982	2.70
	At the end of the year	**2580982**	**2.70**	**2580982**	**2.70**
4.	**ICICI Prudential Value Discovery Fund**				
	At the beginning of the year	**2400021**	**2.67**	**2400021**	**2.67**
	08 Apr 2016 (Transfer)	-57385	-0.07	2342636	2.60
	15 Apr 2016 (Transfer)	-50495	-0.05	2292141	2.55
	29 Apr 2016 (Transfer)	-113696	-0.13	2178445	2.42
	20 May 2016 (Transfer)	-38712	-0.04	2139733	2.38
	03 Jun 2016 (Transfer)	-931	0.00	2138802	2.38
	21 Oct 2016 (Transfer)	-18198	-0.16	2120604	2.22
	28 Oct 2016 (Transfer)	-30146	-0.03	2090458	2.19
	04 Nov 2016 (Transfer)	-123000	-0.13	1967458	2.06
	11 Nov 2016 (Transfer)	-30000	-0.03	1937458	2.03
	10 Feb 2017 (Transfer)	5020	0.00	1942478	2.03
	17 Feb 2017 (Transfer)	247029	0.26	2189507	2.29
	24 Feb 2017 (Transfer)	41472	0.04	2230979	2.33
	17 Mar 2017 (Transfer)	2697	0.01	2233676	2.34
	At the end of the year	**2233676**	**2.34**	**2233676**	**2.34**
5.	**First State Indian Subcontinent Fund**				
	At the beginning of the year	**1038785**	**1.15**	**1038785**	**1.15**
	29 Apr 2016 (Transfer)	108719	0.19	1147504	1.34
	15 Jul 2016 - Allotment	134990	0.01	1282494	1.35
	22 Jul 2016 (Transfer)	2203	0.01	1284697	1.36
	12 Aug 2016 (Transfer)	15520	0.07	1300217	1.43
	19 Aug 2016 (Transfer)	69204	0.16	1369421	1.59

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	07 Oct 2016 (Transfer)	153743	0.03	1523164	1.62
	11 Nov 2016 (Transfer)	19822	0.05	1542986	1.67
	18 Nov 2016 (Transfer)	54558	0.01	1597544	1.68
	25 Nov 2016 (Transfer)	8142	0.00	1605686	1.68
	02 Dec 2016 (Transfer)	1869	0.00	1607555	1.68
	09 Dec 2016 (Transfer)	162	0.01	1607717	1.69
	16 Dec 2016 (Transfer)	7178	0.02	1614895	1.71
	23 Dec 2016 (Transfer)	21116	0.01	1636011	1.72
	06 Jan 2017 (Transfer)	4042	0.01	1640053	1.56
	31 Mar 2017 (Transfer)	-149141	-0.16	1490912	1.34
	At the end of the year	**1490912**	**-1.56**	**1490912**	**1.56**
6.	**Sundaram Mutual Fund A/C Sundaram Infrastructure Advantage Fund**				
	At the beginning of the year	**881442**	**0.98**	**881442**	**0.98**
	20 May 2016 (Transfer)	10026	0.01	891468	0.99
	27 May 2016 (Transfer)	6208	0.01	897676	1.00
	10 Jun 2016 (Transfer)	12694	-0.05	910370	0.95
	17 Jun 2016 (Transfer)	10484	0.01	920854	0.96
	30 Jun 2016 (Transfer)	304699	0.32	1225553	1.28
	01 Jul 2016 (Transfer)	-292485	-0.31	933068	0.98
	15 Jul 2016 - Allotment	292485	0.31	1225553	1.28
	22 Jul 2016 (Transfer)	25000	0.03	1250553	1.31
	02 Sep 2016 (Transfer)	6110	0.01	1256663	1.32
	09 Sep 2016 (Transfer)	2941	0.00	1259604	1.32
	02 Dec 2016 (Transfer)	-25082	-0.03	1234522	1.29
	09 Dec 2016 (Transfer)	-22899	-0.02	1211623	1.27
	16 Dec 2016 (Transfer)	1352	0.00	1212975	1.27
	23 Dec 2016 (Transfer)	59942	0.06	1272917	1.33

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	30 Dec 2016 (Transfer)	-1064	0.00	1271853	1.33
	27 Jan 2017 (Transfer)	29407	0.03	1301260	1.36
	03 Mar 2017 (Transfer)	15000	0.02	1316260	1.38
	17 Mar 2017 (Transfer)	5272	0.00	1321532	1.38
	24 Mar 2017 (Transfer)	47909	0.05	1369441	1.43
	31 Mar 2017 (Transfer)	57116	0.06	1426557	1.49
	At the end of the year	**1426557**	**1.49**	**1426557**	**1.49**
7.	**Franklin India Smaller Companies Fund**				
	At the beginning of the year	**739877**	**0.82**	**739877**	**0.82**
	08 Apr 2016 (Transfer)	-25000	-0.03	714877	0.79
	22 Apr 2016 (Transfer)	-40000	-0.04	674877	0.75
	09 Sep 2016 (Transfer)	-20000	-0.06	654877	0.69
	18 Nov 2016 (Transfer)	61162	0.06	716039	0.75
	25 Nov 2016 (Transfer)	50000	0.05	766039	0.80
	02 Dec 2016 (Transfer)	32550	0.04	798589	0.84
	23 Dec 2016 (Transfer)	19803	0.02	818392	0.86
	30 Dec 2016 (Transfer)	57254	0.06	875646	0.92
	06 Jan 2017 (Transfer)	100000	0.10	975646	1.02
	24 Mar 2017 (Transfer)	400000	0.42	1375646	1.44
	31 Mar 2017 (Transfer)	-10000	-0.01	1365646	1.43
	At the end of the year	**1365646**	**1.43**	**1365646**	**1.43**
8	**UTI - Infrastructure Fund**				
	At the beginning of the year	**1335000**	**1.48**	**1335000**	**1.48**
	22 Apr 2016 (Transfer)	5000	0.01	1340000	1.49
	06 May 2016 (Transfer)	10000	0.01	1350000	1.50
	03 Jun 2016 (Transfer)	5000	0.01	1355000	1.51
	30 Jun 2016 (Transfer)	-2500	-0.09	1357500	1.42
	08 Jul 2016 (Transfer)	2500	0.00	1360000	1.42
	At the end of the year	**1360000**	**1.42**	**1360000**	**1.42**

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
9	**Tata Balanced Fund**				
	At the beginning of the year	**1250000**	**1.39**	**1250000**	**1.39**
	15 Apr 2016 (Transfer)	75000	0.08	1325000	1.47
	22 Apr 2016 (Transfer)	25000	0.03	1350000	1.50
	27 Jan 2017 (Transfer)	-50000	-0.14	1300000	1.36
	03 Feb 2017 (Transfer)	-100000	-0.11	1200000	1.25
	17 Feb 2017 (Transfer)	-200000	-0.21	1000000	1.05
	At the end of the year	**1000000**	**1.05**	**1000000**	**1.05**
10	**HDFC Standard Life Insurance Company Limited**				
	At the beginning of the year	**1134286**	**1.26**	**1134286**	**1.26**
	08 Apr 2016 (Transfer)	49602	0.06	1183888	1.32
	15 Apr 2016 (Transfer)	-73493	-0.09	1110395	1.23
	13 May 2016 (Transfer)	-34000	-0.03	1076395	1.20
	20 May 2016 (Transfer)	770	0.00	1077165	1.20
	27 May 2016 (Transfer)	2694	0.00	1079859	1.20
	29 Jul 2016 (Transfer)	-100000	-0.17	979859	1.03
	02 Sep 2016 (Transfer)	2693	0.00	982552	1.03
	16 Sep 2016 (Transfer)	-2820	0.00	979732	1.03
	23 Sep 2016 (Transfer)	2820	0.00	982552	1.03
	11 Nov 2016 (Transfer)	9408	0.01	991960	1.04
	18 Nov 2016 (Transfer)	14172	0.01	1006132	1.05
	25 Nov 2016 (Transfer)	5000	0.01	1011132	1.06
	02 Dec 2016 (Transfer)	5000	0.01	1016132	1.06
	09 Dec 2016 (Transfer)	4752	0.00	1020884	1.07
	16 Dec 2016 (Transfer)	-547	0.00	1020337	1.07
	23 Dec 2016 (Transfer)	133	0.00	1020470	1.07
	30 Dec 2016 (Transfer)	1511	0.00	1021981	1.07
	06 Jan 2017 (Transfer)	13748	0.01	1035729	1.08

Sl. No.	Particulars of name and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	20 Jan 2017 (Transfer)	2073	0.01	1037802	1.09
	27 Jan 2017 (Transfer)	8662	0.01	1046464	1.09
	03 Feb 2017 (Transfer)	8222	0.01	1054686	1.10
	24 Feb 2017 (Transfer)	678	0.00	1055364	1.10
	03 Mar 2017 (Transfer)	-175000	-0.18	880364	0.92
	10 Mar 2017 (Transfer)	36	0.00	880400	0.92
	17 Mar 2017 (Transfer)	11671	0.01	892071	0.93
	24 Mar 2017 (Transfer)	-398000	-0.41	494071	0.52
	31 Mar 2017 (Transfer)	-1019	-0.01	493052	0.51
	At the end of the year	**493052**	**0.51**	**493052**	**0.51**

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**Ashok M Advani - Chairman** *(Up to November 30, 2016)*				
	At the beginning of the year	**10315107**	**11.47**	**10315107**	**11.47**
	15 July 2016 - allotment of shares against BSIL shares	556614	0.10	10871721	11.37
	At the end of the year	**10871721**	**11.37**	**10871721**	**11.37**
2.	**Suneel M Advani - Chairman** *(From December 1, 2016)*				
	At the beginning of the year	**5325948**	**5.92**	**5325948**	**5.92**
	15 July 2016 - allotment of shares against BSIL shares	300879	0.03	5626827	
	At the end of the year	**5626827**	**5.89**	**5626827**	**5.89**
3.	**Vir S Advani - Managing Director**				
	At the beginning of the year	**50000**	**0.06**	**50000**	**0.06**
	15 July 2016 - allotment of shares against BSIL shares	24625	0.02	74625	0.08
	At the end of the year	**74625**	**0.08**	**74625**	**0.08**
4.	**B Thiagarajan - Joint Managing Director**				
	At the beginning of the year	**1700**	**0.00**	**1700**	**0.00**
	No change				
	At the end of the year	**1700**	**0.00**	**1700**	**0.00**
5.	**Gurdeep Singh - Independent Director**				
	At the beginning of the year	**1200**	**0.00**	**1200**	**0.00**
	No change				
	At the end of the year	**1200**	**0.00**	**1200**	**0.00**

Sl. No.	Particulars of name, designation and date-wise increase/(decrease) in Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/transfer/bonus/ sweat equity etc.)	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
6.	**M K Sharma -** **Independent Director** ***(up to June 12, 2017)***				
	At the beginning of the year	**-**	**-**	**-**	**-**
	12 Aug 2016 (Transfer)	10000	0.00	10000	0.00
	At the end of the year	**10000**	**0.00**	**10000**	**0.00**
7.	**Neeraj Basur -** **Chief Financial Officer**				
	At the beginning of the year	**-**	**-**	**-**	**-**
	Allotment under ESOP	10000	0.01	10000	0.01
	At the end of the year	**10000**	**0.01**	**10000**	**0.01**

V. INDEBTEDNESS

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

(₹ In lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	11586.31	16980.51	-	28566.82
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	17.41	20.13	-	37.54
Total (i+ii+iii)	**11603.72**	**17000.64**	**-**	**28604.36**
Change in Indebtedness during the financial year				
Addition	25212.06	130632.76	-	155844.82
Reduction	26874.92	142613.27	-	169488.19
Net Change	-1662.86	-11980.51	-	-13643.37
Indebtedness at the end of the financial year				
i) Principal Amount	9923.45	5000.00	-	14923.45
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1.25	-	-	1.25
Total (i+ii+iii)	**9924.70**	**5000.00**	**-**	**14924.70**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in lakhs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Vir S Advani - Managing Director	B Thiagarajan - Joint Managing Director	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	181.27	181.27	362.54
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	7.56	7.56	15.12
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option*	-	65.62	65.62
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others (performance linked incentives)	 134.01 199.09	 138.21 -	 272.22 199.09
5.	Others, please specify Retirals (tax exempted)	11.17	11.17	22.34
	Total (A)	533.10	403.83	936.93
	Ceiling as per the Act	₹1665.50 Lakhs (being 10% of net profits of the Company calculated as per Section 198 of the Companies Act, 2013).		

* amortised value of stock options for FY17

B. REMUNERATION TO OTHER DIRECTORS:

(₹ in lakhs)

Sr. No	Particulars of Remuneration	Name of Director									Total Amount
1.	**Other Non-Executive Directors**	**Ashok M Advani (up to November 30, 2016)**	**Suneel M Advani**	**Gurdeep Singh**	**Pradeep Mallick**	**Shailesh Haribhakti**	**M K Sharma**	**Shobana Kamineni**	**Rajiv Lulla (from December 1, 2016)**	**Dinesh Vaswani (from December 1, 2016)**	
	Fee for attending board/ committee meetings (₹)	4.25	13.75	-	-	-	-	-	-	-	18.00
	Commission (₹)	17.60	26.40	-	-	-	-	-	-	-	44.00
	Others, please specify (₹)	-	-	-	-	-	-	-	-	-	-
	Total (1) (₹)	**21.85**	**40.15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62.00**
2.	**Independent Directors**										
	Fee for attending board/ committee meetings (₹)	-	-	8.25	11.50	8.50	7.00	3.75	2.00	1.50	42.50
	Commission (₹)	-	-	13.20	13.20	13.20	13.20	13.20	4.40	4.40	74.80
	Others, please specify (₹)	-	-	-	-	-	-	-	-	-	-
	Total (2) (₹)	**-**	**-**	**21.45**	**24.70**	**21.70**	**20.20**	**16.95**	**6.40**	**5.90**	**117.30**
	Total (B)=(1+2) (₹)	**21.85**	**40.15**	**21.45**	**24.70**	**21.70**	**20.20**	**16.95**	**6.40**	**5.90**	**179.30**
	Total Managerial Remuneration (A+B) (₹)										**1116.23**
	Overall Ceiling as per the Act	₹1832.05 Lakhs (being 11% of net profits of the Company calculated as per Section 198 of the Companies Act, 2013).									

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD :

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Chief Financial Officer (Neeraj Basur)	Company Secretary (Vijay Devadiga)	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	171.03 0.61	44.91 1.14	215.94 1.75
2.	Stock Option*	21.82	4.67	26.49
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total	**193.46**	**50.72**	**244.18**

* amortised value of stock options for FY17

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES :

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

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance basically involves ethical conduct, integrity and accountability across all business transactions, and aims at maximising value for all stakeholders sustainably.

We at Blue Star continuously strive to adopt and implement the best governance practices. Corporate governance has always been intrinsic to the management of the business and affairs of your Company. The Company's governance philosophy is deeply ingrained in its value system, and is a reflection of principles entrenched in our values and policies. Over the years, we have strengthened our governance practices, and it is our endeavour to achieve the best governance practices globally.

VISION, CREDO, VALUES AND BELIEFS

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

It is Blue Star's commitment to do business with integrity, honesty and fairness. With a view to achieve this, Blue Star has defined its following Vision, Credo, Values and Beliefs:

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

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

The Company's core Values & Beliefs are:

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

Your Company confirms compliance to the Corporate governance practices as enshrined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as the 'Listing Regulations'], details whereof for the financial year ended March 31, 2017 are as set out hereunder:

BOARD OF DIRECTORS

The Board of Directors is the primary stakeholder influencing corporate governance. The Board oversees how the management safeguards interests of all the stakeholders. An enlightened Board creates a leadership culture to provide a long-term vision and policy approach which improves the quality of governance. The Board's actions and decisions are aligned to the Company's interest, it helping to provide a strategic direction to the Company, ensuring that business is conducted in the best interests of the stakeholders.

COMPOSITION OF THE BOARD:

The Company's Board comprises eminent professionals from diverse areas of finance, technology, general management and industry. The Company has a balanced and diverse Board which conforms to the provisions of Companies Act, 2013 and Listing Regulations. The Company has an optimum composition of Executive and Non-Executive Directors, including independent professionals.

The composition of the Board of Directors and the number of directorships and committee positions held by them as on March 31, 2017 are as under:

Name of Director	Category	Particulars of Directorships, Committee Memberships/Chairmanships (other than Blue Star Limited as on March 31, 2017)		
		Directorships[1]	Committee Memberships[2]	Committee Chairmanships[2]
Ashok M Advani[3]	Non-Executive Chairman	-	-	-
Suneel M Advani[3]	Non-Executive Chairman	2	-	-
Rajiv R Lulla[4]	Non-Executive Director	2	-	-
Dinesh N Vaswani[4]	Non-Executive Director	1	-	-
Vir S Advani	Managing Director	2	1	-
B Thiagarajan	Joint Managing Director	1	-	-
Pradeep Mallick	Independent Non-Executive Director	4	5	2
Gurdeep Singh	Independent Non-Executive Director	3	-	-
Shailesh Haribhakti	Independent Non-Executive Director	18	9	3
M K Sharma	Independent Non-Executive Director	10	4	2
Shobana Kamineni	Independent Non-Executive Director	17	-	-

1 *Directorships held by the Directors as mentioned above, consist of Directorships held in public limited companies and private limited companies.*

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

3 *Ashok M Advani retired as the Chairman of the Board and as a Director w.e.f. November 30, 2016, and Suneel M Advani was appointed as Chairman w.e.f. December 1, 2016. Further, Ashok M Advani has been appointed as the Chairman Emeritus w.e.f. December 1, 2016.*

4 *Rajiv R Lulla and Dinesh N Vaswani were appointed as additional Non-Executive Directors w.e.f December 1, 2016.*

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

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

BOARD MEETINGS

Minimum four Board meetings are held each year to review the quarterly financial results and operations of the Company. Apart from this, additional Board meetings are convened to address specific needs of the Company. In case of the business exigencies, resolutions are also passed by circulation, as permitted by law, which are confirmed in subsequent Board meetings. The agenda and agenda notes are circulated to all the Directors well in advance, usually a week before the meeting. All the agenda items are backed by agenda notes and relevant supporting papers to ensure adequate flow of information from the management, and to enable Directors to have focused discussions at the meeting and take informed decisions. All relevant information as mentioned in Part A of Schedule II of the Listing Regulations are tabled before the Board.

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

NUMBER OF MEETINGS HELD BY THE BOARD:

There were five Meetings of the Board during the financial year; i.e. on May 30, 2016; August 1, 2016; November 10, 2016; January 25, 2017; and March 6, 2017. The Company had convened its last Annual General Meeting (AGM) on August 1, 2016. The gap between two Board meetings do not exceed 120 days.

Attendance of the Directors at the Board meeting and at the last Annual General Meeting are as under:

Name of Director	Category	Attendance	
		Board Meeting	Last AGM (Y/N)
Ashok M Advani *(Up to November 30, 2016)*	Non-Executive Chairman	3	Y
Suneel M Advani *(From December 1, 2016)*	Non-Executive Chairman	5	Y
Rajiv R Lulla *(From December 1, 2016)*	Non-Executive Director	2	NA
Dinesh N Vaswani *(From December 1, 2016)*	Non-Executive Director	1	NA
Vir S Advani	Managing Director	5	Y
B Thiagarajan	Joint Managing Director	5	Y
Pradeep Mallick	Independent Non-Executive Director	5	Y
Gurdeep Singh	Independent Non-Executive Director	5	N
Shailesh Haribhakti	Independent Non-Executive Director	5	Y
M K Sharma	Independent Non-Executive Director	4	Y
Shobana Kamineni	Independent Non-Executive Director	3	Y

FAMILIARISATION OF INDEPENDENT DIRECTORS

At the time of appointing a Director, a formal letter of appointment is given to him/her, which inter alia explains the role, functions, duties and responsibilities expected of him/her as a Director of the Company. The Company's management makes business presentations periodically at Board meetings to familiarise Independent Directors with the strategy, operations and functions of the Company. Such presentations help them understand Blue Star's strategy, competitive landscape, business model, operations, service and product offerings, markets, organisation structure, finance, human resources, technology, quality, facilities and risk management, and such other areas as may be relevant for their familiarisation from time to time. These interactions provide them with a holistic perspective of the Company's business and regulatory framework. A structured induction programme for new Directors is also organised where they get to meet and interact with all senior leaders of business divisions and functions to obtain an in-depth understanding of the Company's business.

Weblink: https://www.bluestarindia.com/media/56472/familiarization-programme-for-independent-directors.pdf

PERFORMANCE EVALUATION

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

A separate exercise was carried out to evaluate the performance of individual Directors, including Chairman of the Board, who was evaluated on parameters such as level of engagement and contribution, ability to encourage frank and free discussions among Board members, relationships with Board members, etc.

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

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

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

CODE OF CONDUCT

While Blue Star participates in a competitive and demanding market, the Company 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 its employees and business partners with the Blue Star Way.

CORPORATE SAFETY POLICY

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

COMMITTEES OF THE BOARD

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

The role, composition and other details of the aforesaid committees are given below.

A. AUDIT COMMITTEE

The Audit Committee of the Company oversees the financial reporting process of the Company. The powers and role of the Audit Committee are in accordance with the Listing Regulations and Companies Act, 2013. The Audit Committee is governed by the charter which is line with the regulatory requirements of Companies Act, 2013 and the Listing Regulations.

As on March 31, 2017, the Audit Committee of the Company comprised Shailesh Haribhakti, Pradeep Mallick, M K Sharma and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Audit Committee. B Thiagarajan was appointed as a member of the Audit Committee w.e.f. November 10, 2016. The composition of the Audit Committee is in line with the requirements of Section 177 of the Companies Act, 2013 and the Listing Regulations.

NUMBER OF MEETINGS HELD BY THE COMMITTEE

The Committee met on May 30, 2016; August 1, 2016; November 10, 2016; January 25, 2017; and March 7, 2017.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Shailesh Haribhakti, Chairman	5
Pradeep Mallick	5
M K Sharma	4
Vir S Advani *(up to May 30, 2016)*	1
B Thiagarajan *(from November 10, 2016)*	2

The gap between two meetings did not exceed four months.

The Chairman of the Audit Committee was present at the last Annual General Meeting. There were no recommendation of the Audit Committee, which was not accepted by the Board.

TERMS OF REFERENCE

A. Financial Reporting and Financial Reporting Processes, Internal Controls:

1. Oversight of the Company's financial reporting process, its overall internal controls and the disclosure of its financial information submitted to stock exchanges, regulatory authorities or the public, to ensure that the financial statements are correct, sufficient and credible.
2. Oversee the Company's internal control framework, its adequacy and appropriateness across business processes.
3. Review with Management, annual financial statements and Auditors' Report thereon, before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Directors' Responsibility statement to be made part of the Board's report in terms of clause (c) of Sub-section 3 Section 134 of the Act.
   b. Changes, if any, in the accounting policies and reasons for the same.
   c. Major accounting entries based on the exercise of the judgment by the Management.
   d. Significant adjustments made in the financial statements arising out of audit findings.
   e. Compliance with listing and other legal requirements concerning financial statements.
   f. Disclosures in financial statements, including related party transactions.
   g. Modified opinion(s) in the draft Audit Report.
4. Review any accounting adjustments that were noted or proposed by the statutory auditors but were not passed (as immaterial or otherwise).
5. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the Management, the statement of use/application of funds raised through an issue (public, rights, preferential issue, etc) the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the agency monitoring the utilisation of proceeds of a public issue or rights issue, and making appropriate recommendations to the Board to take steps in the matter whenever such fund raising happens.
7. Review and monitor the auditors' independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the Company with related parties.
9. Scrutiny of inter-corporate loans and investments.

10. Valuation of undertakings or assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
14. Discussion with internal auditors on any significant findings and follow up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors in matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, stakeholders (in case of non-payment of declared dividends) and creditors.
18. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc of the candidate.

B. Review of Information:

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

C. Statutory Audit:

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

D. Internal Audit:

1. Review the Internal Audit plan and recommend changes, for the approval of the Board.
2. To approve appointment, removal and terms of remuneration of the Chief Internal Auditor or a professional firm selected to manage internal audit deliverables.
3. Consider and approve, in consultation with the Statutory Auditors and the Internal Auditor, the annual scope and plan of the Company's Internal Audit and any significant changes thereto.
4. Review with the Internal Auditor and the Statutory Auditors, the co-ordination of audit efforts to assure adequacy of coverage, reduction of redundant efforts, and the effective use of audit resources.
5. Review any significant findings and recommendations of Internal Audit, together with the Management's responses thereto.
6. Review the findings of any internal investigations by the Internal Auditor in matters where there is suspected fraud or irregularity or a failure of an internal control system of a material nature, and report the matters to the Board.
7. Review with the Internal Auditors, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
8. Meet at least once in a year separately with the Internal Auditor, to discuss any matters that the Committee or the Chief Internal Auditor believes should be discussed separately.

B. NOMINATION AND REMUNERATION COMMITTEE

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

The Nomination and Remuneration Committee comprised two Independent Directors; namely, Gurdeep Singh and Pradeep Mallick, and two Non-Executive Non-Independent Directors; namely, Ashok M Advani and Suneel M Advani.

After his retirement, Ashok M Advani ceased to be the member of the Committee w.e.f. November 30, 2016. Dinesh N Vaswani was appointed as member in this Committee w.e.f. January 25, 2017.

Gurdeep Singh is the Chairman of the Committee.

The Chairman of the Nomination and Remuneration Committee was not present at the last Annual General Meeting due to ill health.

MEETINGS HELD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee met on April 29, 2016; November 10, 2016; January 25, 2017; and March 6, 2017. The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Gurdeep Singh, Chairman	4
Ashok M Advani@	2
Suneel M Advani	4
Pradeep Mallick	4
Dinesh N Vaswani*	1

@ Up to November 30, 2016

** From January 25, 2017*

TERMS OF REFERENCE

1. To inter alia recommend nominations for Board Membership, develop and recommend policies with respect to composition of the Board, commensurate with the size, nature of the business and operations of the Company.

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

REMUNERATION OF DIRECTORS

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

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

The Company has an Employee Stock Option Scheme 2013 in place. Details on the Employee Stock Option Scheme 2013 may be referred to on the website of the Company at www.bluestarindia.com.

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

(₹ in lakhs)

Name	Salary	Retirals	Perquisites	Commission	Perfomance-linked incentive/ Stock Options	Sitting Fees	Total
Ashok M Advani@	-	-	-	17.60	-	4.25	21.85
Suneel M Advani	-	-	-	26.40	-	13.75	40.15
Vir S Advani	60.42	18.73	120.85	134.01	199.09	-	533.10
B Thiagarajan	60.42	18.73	120.85	138.21	65.62#	-	403.83
Rajiv R Lulla*	-	-	-	4.40	-	2.00	6.40
Dinesh N Vaswani*	-	-	-	4.40	-	1.50	5.90
Pradeep Mallick	-	-	-	13.20	-	11.50	24.70
Gurdeep Singh	-	-	-	13.20	-	8.25	21.45
Shailesh Haribhakti	-	-	-	13.20	-	8.50	21.70
M K Sharma	-	-	-	13.20	-	7.00	20.20
Shobana Kamineni	-	-	-	13.20	-	3.75	16.95

@ Up to November 30, 2016
** From December 1, 2016*
#Amortised value of stock options for financial year 2016-17

Ashok M Advani holds 82,71,977 shares, Suneel M Advani holds 56,26,827 shares, M K Sharma holds 10,000 shares, Gurdeep Singh holds 1,200 shares and Dinesh N Vaswani holds 24,350 shares in the Company. Pradeep Mallick, Shailesh Haribhakti, Rajiv R Lulla and Shobana Kamineni do not hold any shares in the Company.

C. INVESTOR GRIEVANCE CUM STAKEHOLDERS' RELATIONSHIP COMMITTEE

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

Investor Grievance cum Stakeholders' Relationship Committee comprised four Directors; namely, Gurdeep Singh, Ashok M Advani, Suneel M Advani and B Thiagarajan. Ashok M Advani ceased to be the member of the Committee w.e.f. November 30, 2016. Rajiv R Lulla was appointed as member in this Committee. Gurdeep Singh, who is an Independent Director, is the Chairman of this Committee.

INVESTORS' COMPLAINTS

During the year, the complaints received from the investors were mainly pertaining to non receipt of dividend, non receipt of annual report etc. Further during the year under review, the Company received 34 complaints, and all complaints were resolved to the satisfaction of the shareholders. There were no complaints outstanding as on March 31, 2017.

COMPLIANCE OFFICER

Vijay Devadiga

Company Secretary & Compliance Officer

Tel: 022 6665 4000, Fax: 022 6665 4151

Email: investorcomplaints@bluestarindia.com

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

The CSR Committee has been constituted in accordance with the requirements of the Companies Act, 2013. The Committee recommends the CSR projects to be undertaken by the Company and also monitors its implementation status.

The CSR Committee comprises Suneel M Advani, B Thiagarajan and Shobana Kamineni. Suneel M Advani is the Chairman of this Committee. During the year, the Committee met twice on May 11, 2016 and March 27, 2017, and the same were attended by all the members.

TERMS OF REFERENCE

1. To formulate and recommend to the Board, a CSR Policy, which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
2. To recommend the amount of expenditure to be incurred on the CSR activities.
3. To monitor the CSR Policy of the Company from time to time.

A detailed CSR Report, which forms a part of **Annexure 2** of the Board's Report, may be referred to, for further information on CSR.

E. RISK MANAGEMENT COMMITTEE

The Company has a robust risk management framework to identify, monitor and mitigate risks. The Company has a comprehensive risk management policy which is periodically reviewed by the Risk Management Committee. The Members of the Risk Management Committee are Vir S Advani, Suneel M Advani, B Thiagarajan and Neeraj Basur. Vir S Advani is the Chairman of this Committee.

During the year, the meetings of the Committee were held on April 21, 2016; August 2, 2016; November 8, 2016; and March 20, 2017.

Details of Attendance of the Members of the Committee at the above mentioned meetings are as under:

Name of Member	No. of Meetings attended
Suneel M Advani	4
Vir S Advani	4
B Thiagarajan	3
Neeraj Basur	4

TERMS OF REFERENCE

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

F. EXECUTIVE MANAGEMENT COMMITTEE

The Company has constituted an Executive Management Committee to approve matters relating to availing of financial facilities pertaining to borrowings and investments, and also to look after other operational and administrative matters of the Company. The Committee comprises Suneel M Advani, Vir S Advani and B Thiagarajan.

During the year, the Committee meetings were held on August 2, 2016; November 17, 2016; March 17, 2017; and March 23, 2017.

Name of Director	No. of Meetings attended
Suneel M Advani	2
Vir S Advani	4
B Thiagarajan	4

G. SHARE TRANSFER COMMITTEE

The Share Transfer Committee is empowered to make allotment of all kind of shares that may be issued by the Company from time to time. The Committee comprises Suneel M Advani, Vir S Advani and B Thiagarajan.

During the year, Committee meetings were held on May 25, 2016; June 10, 2016; August 19, 2016; September 30, 2016; and November 18, 2016. These meetings were attended by all the members.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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

Weblink: https://www.bluestarindia.com/media/6010/code-of-conduct.pdf

SUBSIDIARY COMPANIES

As on March 31, 2017, Blue Star Engineering & Electronics Limited and Blue Star Qatar WLL are the two subsidiaries of the Company. In accordance with the Listing Regulations, the Company has formulated a policy on determining material subsidiaries, and the same has been disclosed on the website of the Company at:
https://www.bluestarindia.com/media/6017/policy-for-determining-material-subsidiaries.pdf

RELATED PARTY TRANSACTIONS

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

COMMODITY PRICE RISK/FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

Commodity risk is mitigated by entering into annual rate contracts with major suppliers which is factored in pricing decisions. This approach provides sufficient mitigation against volatility in commodity rates.

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

OTHER DISCLOSURES

1. The details of transactions with related parties are given in Note no. 37 to the financial statement for the year ended March 31, 2017. There were no materially significant related party transactions, which are likely to have potential conflict with the interests of the Company at large.
2. The Company has complied with the requirements of regulatory authorities on capital markets, and no penalties/strictures have been imposed on/against it.
3. The Company has complied with all the requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) of Listing Regulations. The Company has also complied with discretionary requirements such as maintaining a separate office for the Non-Executive Chairman at the Company's expense, ensuring financial statements with unmodified audit opinion, separation of the post of Chairman and Managing Director, and reporting of internal auditor directly to the Audit Committee.
4. The Company has followed all relevant Indian Accounting Standards while preparing the Financial Statements.
5. Pursuant to the formulation of a Whistle Blower Policy by the Company, a mechanism has been provided to all the employees of the Company to enable them to report on any frauds/irregularities by way of complaints. The Whistle Blower Policy provides access for personnel to the Audit Committee and the same has not been denied.

ANNUAL GENERAL MEETINGS

The last three Annual General Meetings were held as under:

Financial Year	Date	Venue	Time	Details of Special Resolutions
2013-14	July 28, 2014	Jai Hind College Hall, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai - 400020	3.00 pm	Payment of Commission to Non-Executive Directors including Independent Directors for 5 years
2014-15	July 28, 2015	-do-	3.00 pm	None
2015-16	August 1, 2016	-do-	3.00 pm	None

POSTAL BALLOT

During the financial year 2016-17, no Postal Ballot was conducted by the Company. As of the date of this report, the Company does not propose to pass any Special Resolution through Postal Ballot.

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

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

Particulars	No. of Shares
Aggregate outstanding shares lying in the suspense account at the beginning of the year i.e. as on April 1, 2016	220
Number of shareholders who approached to the Issuer/Registrar for transfer of shares from suspense account during the Financial Year 2016-17	Nil
Number of shareholders to whom shares were transferred from suspense account during the Financial Year 2016-17	Nil
Addition on account of merger of Blue Star Infotech Limited with the Company	49
Aggregate outstanding shares lying in the suspense account at the end of the year i.e. as on March 31, 2017	269

The voting rights on the shares in the suspense account as on March 31, 2017 shall remain frozen till the rightful owners of such shares claim the shares.

MEANS OF COMMUNICATION

The Company published its quarterly and half yearly results in the prescribed form within the prescribed time. The results were forthwith sent to the Stock Exchanges, where shares are listed and the same were published in Economic Times and Mumbai Lakshadeep. The financial results are also displayed on the website of the Company www.bluestarindia.com. Official press releases also features on the corporate website. The Company frequently holds meets with institutional investors and analysts after declaration of the results as mentioned on the website. In addition, investor interactions by way of quarterly earnings concalls are also organised throughout the year.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING:

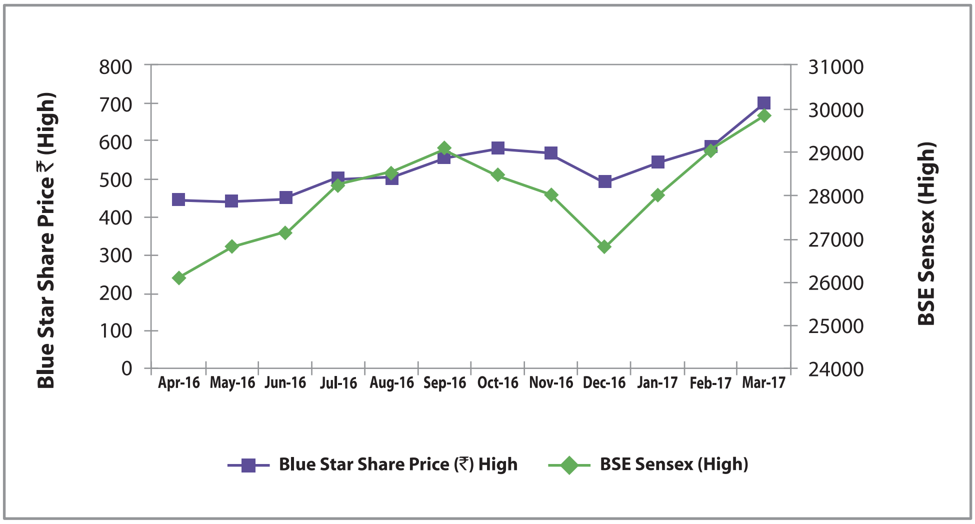
Date	: August 11, 2017
Time	: 4 pm
Venue	: Jai Hind College Hall, 23-24, Sitaram Deora Marg, ('A' Road), Churchgate, Mumbai - 400 020
FINANCIAL CALENDAR (PROVISIONAL):	
Unaudited results for the quarter ending June 30, 2017	: August 11, 2017
Unaudited results for the quarter ending Sept 30, 2017	: October 31, 2017
Unaudited results for the quarter ending Dec 31, 2017	: January 25, 2018
Audited results for the year ending March 2018	: May 30, 2018
Date of Book Closure	: Friday, July 28, 2017 to Friday, August 4, 2017
LISTING ON STOCK EXCHANGES	: BSE Ltd National Stock Exchange of India Ltd
Listing fees as applicable have been paid	
STOCK CODE	: BSE Ltd - 500067 : National Stock Exchange of India Ltd - BLUESTARCO
NSDL/CDSL - ISIN	: INE 472A01039

MARKET PRICE DATA

(₹ per share)

	BSE Ltd		National Stock Exchange of India Ltd	
	High	**Low**	**High**	**Low**
2016				
April	444.00	389.00	445.60	388.00
May	441.60	409.35	442.25	401.50
June	449.00	407.65	443.95	403.20
July	501.90	417.50	503.40	415.05
August	506.00	460.00	549.90	460.00
September	556.95	490.45	556.00	487.50
October	581.00	535.00	583.90	533.00
November	568.85	435.00	570.00	436.00
December	490.00	439.95	496.50	441.10
2017				
January	544.65	474.90	547.50	476.15
February	583.95	522.25	588.70	520.00
March	698.00	541.25	699.00	540.95

PERFORMANCE - COMPARISON WITH BSE SENSEX



REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt Ltd
C 101, 247 Park
L.B.S.Marg, Vikhroli (West)
Mumbai - 400083.
Tel: +91 22 4918 6270, Fax: +91 22 4918 6060
Email: rnt.helpdesk@linkintime.co.in

SHARE TRANSFER SYSTEM

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

UNCLAIMED DIVIDENDS

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

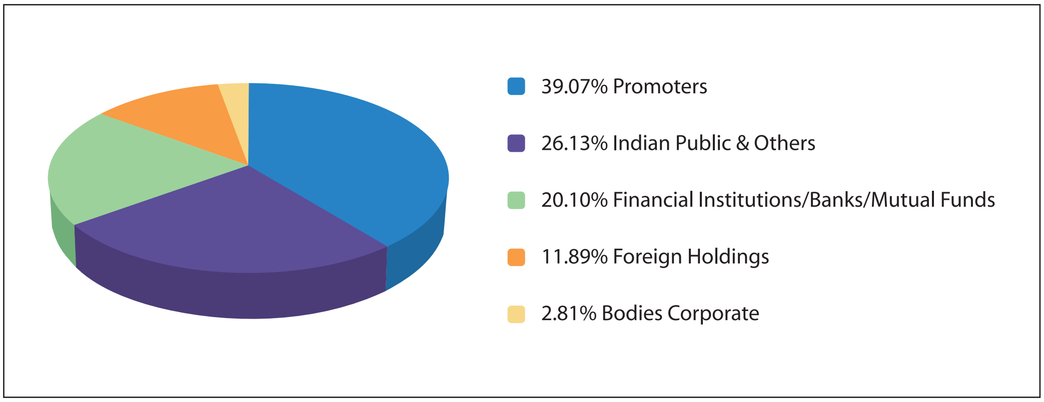
TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, the Company has credited ₹40.13 lakhs as unpaid final dividend, for the financial year 2008-2009, lying in the unclaimed/unpaid dividend account to the Investor Education & Protection Fund (EPF). Further the unpaid dividend of ₹4.50 lakhs for the year 2008-09, lying in unclaimed/unpaid dividend account of erstwhile Blue Star Infotech Limited was also credited to the IEPF account during the year under review.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2017

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders	Total No. of Shares held	Percentage of Shares held
1 - 5000	24584	96.20	10320348	10.80
5001 - 10000	542	2.12	3782382	3.96
10001 - 20000	198	0.78	2768567	2.90
20001 - 30000	54	0.21	1320656	1.38
30001 - 40000	30	0.12	1049810	1.10
40001 - 50000	19	0.07	867770	0.91
50001 - 100000	37	0.14	2920737	3.05
100001 - and above	91	0.36	72540118	75.90
TOTAL	**25555**	**100.00**	**95570388**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2017



DEMATERIALISATION OF SHARES & LIQUIDITY

About 96.88% of the equity shares are in dematerialised form as on March 31, 2017. The Company's shares can be traded only in dematerialised form as per SEBI notification. The Company has entered into agreements with NSDL and CDSL whereby shareholders have the option to dematerialise their shares with either of the Depositories. The shares are actively traded in BSE and NSE.

PLANT LOCATIONS

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

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

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

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

Blue Star Limited
501/3, 503/2
Tejpur Road
Sarkhej Baula Highway
Changodar
Ahmedabad 382 213.

MANAGEMENT DISCUSSION AND ANALYSIS

Detailed Management Discussion and Analysis is annexed to the Board's Report forming part of this Annual Report.

MD/CFO CERTIFICATION

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

AUDITORS' CERTIFICATION

As required under Regulation 34 of the Listing Regulations, the certificate from the Company Auditors, M/s S R B C & Co (LLP), Chartered Accounts, affirming compliance with the conditions of Corporate Governance as stipulated in the aforesaid Regulations is appended as and Annexure to this Report.

OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS

There are no outstanding convertible warrants/instruments.

COMPLIANCE OFFICER

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

ADDRESS FOR CORRESPONDENCE

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

Declaration

As provided under Regulation 26(3) of the Listing Regulations, the Directors and the senior management personnel have confirmed compliance with the Code of Conduct during the financial year ended March 31, 2017.

For **BLUE STAR LIMITED**

Place: Mumbai
Date: May 9, 2017

Vir S Advani
Managing Director

Corporate Governance Certification

MD/CFO Certificate

To,

The Board of Directors
Blue Star Limited
Mumbai

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

a) We have reviewed the financial statements of the Company for the year ended March 31, 2017 and:

   i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, Applicable Laws and Regulations.

b) There are no transactions entered into by the Company during the financial year 2016-17 which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and steps that have been taken to rectify these deficiencies.

d) We have indicated to the Auditors and the Audit Committee, wherever applicable:

   i) Significant changes in the internal control over financial reporting during the year;

   ii) Significant changes in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and

   iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Vir S Advani
Managing Director

Neeraj Basur
Chief Financial Officer

Place : Mumbai
Date : May 9, 2017

Auditors' Certificate

To

The Members of Blue Star Limited

We have examined the compliance of conditions of corporate governance by Blue Star Limited, for the year ended on March 31, 2017, as stipulated in chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with stock exchanges.

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

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

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

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Ravi Bansal
Partner
Membership No. 49365

Place: Mumbai
Date: May 9, 2017

Management Discussion and Analysis

INTRODUCTION

Blue Star is India's leading air conditioning and commercial refrigeration company with over seven decades of experience in providing expert cooling solutions. Its credentials and unmatched expertise help it to enjoy a preferred partnership status with most of corporate and commercial India. Blue Star's central air conditioning systems are part of landmark buildings and mega structures such as airports, malls, hospitals and industrial establishments. In fact, every third commercial building in the country has a Blue Star product installed. The Company's integrated business model of a Manufacturer; Engineering, Procurement and Construction (EPC) services provider; and After-sales service provider enables it to offer end-to-end solutions to its customers across building, industrial and infrastructure segments. Its potent blend of technical know-how, talented workforce, design expertise, exceptional project execution capabilities and global footprint makes it the most preferred choice for mechanical, electrical and plumbing projects.

Blue Star offers India's widest range of air conditioning and commercial refrigeration products, as well as a comprehensive range of water purifiers, air purifiers and air coolers. It entered the residential air conditioners segment a few years ago, and has made deep inroads, with a market share of 11.5%. Blue Star is also the country's largest after-sales air conditioning and commercial refrigeration service provider with a spectrum of world-class customer service solutions as well as value-added services. It has an extensive network of exclusive, multi-brand and modern retail format channel partners as well as service partners across the country. Blue Star's modern manufacturing facilities along with a proficient research and development team have given the Company an edge over its competitors. The business processes have been IT-enabled and the organisation has judiciously invested in state-of-the-art technologies with the objective of productivity and consistency across its deliverables.

Blue Star has joint ventures in Qatar, Malaysia and Oman which undertake MEP (mechanical, electrical and plumbing) projects for residential, commercial and infrastructure purposes. The Company exports to 17 countries in the Middle East, Africa, SAARC and ASEAN regions, where its products stand the test of time in some of the most difficult climatic conditions in the world. This has helped enhance the Blue Star brand beyond India, while providing significant growth opportunities for its business, going a long way in establishing Blue Star as a true global player.

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

BUSINESS SEGMENTS

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

ELECTRO-MECHANICAL PROJECTS AND PACKAGED AIR CONDITIONING SYSTEMS

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

UNITARY PRODUCTS

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

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

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

INDUSTRY STRUCTURE AND DEVELOPMENTS

AIR CONDITIONING

In FY17, the estimated total market size for air conditioning in India was around ₹18500 crores. Of this, the market for central air conditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹6500 crores, while the market for room air conditioners comprised the balance ₹12000 crores.

During the year, Government-funded infrastructure projects fuelled growth while private investments stayed subdued, resulting in a sluggish market, especially post demonetisation. Healthcare, education and metro segments benefitted from Government investments. In the buildings segment, offices, hospitals and ITeS gained some traction, but the factories segment remained tepid.

On the other hand, the room air conditioners market grew significantly on account of a harsh summer and increased demand during the festive season. The rise in disposable incomes of the growing middle-class consumers and enhanced demand from Tier 3/4/5 markets continued to drive growth. In spite of the effects of demonetisation and relatively sluggish demand in the last quarter of the review period, the industry registered a healthy growth of 20%, in terms of value. The industry also faced margin pressures in the second half of the year under review, on account of high inventory and increase in commodity prices.

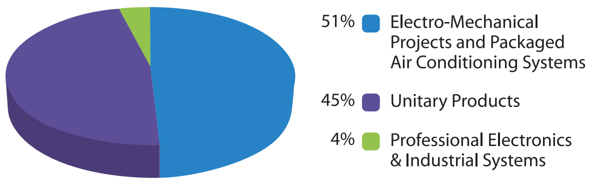
COMMERCIAL REFRIGERATION

The commercial refrigeration segment includes a wide range of products such as deep freezers, water coolers, bottled water dispensers, visi coolers, reach-in as well as under-counter chillers and freezers, ultra-low temperature freezers, cold rooms, bottle coolers and ice machines. Rapid changes in consumption patterns across customer segments, coupled with enhanced consumer awareness, and the fast-growing segments such as food, dairy and pharmaceutical industries contributed to the growth in this segment.

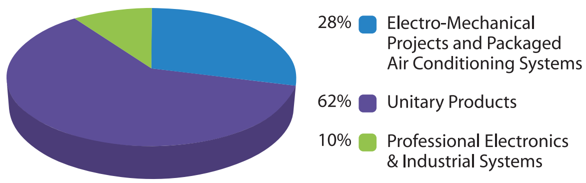
SEGMENT-WISE ANALYSIS

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

Segment-wise Revenue Break-up



Segment-wise Results Break-up



ELECTRO-MECHANICAL PROJECTS AND PACKAGED AIR CONDITIONING SYSTEMS

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

In the electro-mechanical projects business, while the market witnessed modest growth propelled by Government-funded

SOME PRESTIGIOUS INSTALLATIONS

Air Conditioning and Plumbing Services for Terminal 2, Mumbai International Airport

Electrical Substation for Gujarat International Finance Tec-City (GIFT)

Refrigeration System for Hatsun Agro Products, Chennai

Mechanical, Electrical and Plumbing Services for Namma Metro, Bengaluru

Central Air Conditioning for Ashoka University, Haryana

Mechanical, Electrical and Plumbing Services for Dr Oetker, Rajasthan infrastructure projects, profitability of this segment grew mainly due to execution of higher order book in select sub-segments, and an increase in billing from new projects. Large value projects were limited to the metro rail segment, and scarcity of capital flow dampened growth in the heavy industrial space. While Tier 2 and 3 cities showed signs of improvement, cash flow continued to be a concern with pressure on margins.

Blue Star's value proposition of 'Superior Project Delivery' helped the electro-mechanical projects business differentiate itself from competition and connect well with decision makers. The order inflow crossed ₹1000 crores in this domain during the review period. There was a concerted effort to improve the quality of new orders, with respect to margins as well as commercial terms. During the year under review, the Company focused on enhancing multi-service orders (mechanical, electrical, plumbing and fire-fighting), which resulted in 48% of new orders coming from multi-service projects. Many of these orders were awarded by select developers and key accounts across the country. The business also gained inroads into favourable segments such as factories and educational institutions. Blue Star won the 'Best MEP Contractor 2016' runner-up award from Construction Week India for the Bengaluru Metro project.

Some significant orders received by the electro-mechanical projects business during the year included Sands Infinit IT Park, Kochi; Apollo Proton Therapy and Cancer Care Hospital, Chennai; Amazon IT Services, Hyderabad; '1973' by Omkar, Mumbai; Ireo, Delhi; Piramal Agastya Corporate Park, Mumbai; Embassy Tech Village, Bengaluru; HCL Technologies, Lucknow; Wipro Technologies, Bengaluru; Lodha New Cuffe Parade, Mumbai; Tata Steel, Jamshedpur; Thapar University, Chandigarh; Lulu Convention Centre, Thrissur; Sea Valley Resorts, Vijayawada; Alstom Transport, Saharanpur; ITC factory, Guwahati; and Embassy One, Bengaluru, amongst several others.

In the central plant equipment segment, the Company recorded impressive growth across all product categories including ducted systems, VRF systems and chillers, gaining considerable market share in each. During the review period, Blue Star consolidated its position in the VRF segment with the VRF IV Plus which was introduced last year. The Company continued its drive to offer energy-efficient products, based on market requirements. Significant introductions during the review period included Inverter Ducted Systems which help maintain precise internal conditions and offer power savings up to 20%, and the VRF Sprint with simplified pre-piping which offers ease of installation and service, making it an ideal choice in small towns. A configured series of screw chillers was introduced to meet customised requisites, with respect to capacity efficiency and other technical parameters. Blue Star launched strategic initiatives to enhance the equity of central air conditioning products as well as to manage and motivate channel partners. Specific programmes targeting architects, interior designers and consultants were pursued during the year under review. Some of the notable orders won during the year were from the Prime Minister's Office, Delhi; Meenakshi Infrastructure, Hyderabad; Vibrant Academy, Kota; Amity International School, Delhi; HDFC Bank, Mumbai; Grasim Industries, Nagpur; JSW Steel, Bellary; L&T Construction, Odisha; Hubli High Court; NTPC, Madhya Pradesh; Indian Oil Corporation, Odisha; and Nakoda Parshvanath Trust, Barmer.

UNITARY PRODUCTS

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

During the year, the room air conditioners business of the Company continued to grow faster than the market, thereby increasing its market share to 11.5% in terms of value. It launched a new range of contemporary and stylish room air conditioners for the residential segment, which comprises the largest range of inverter split air conditioners. Blue Star enjoys the consumer perception of being a premium brand, and with the current range of room air conditioners, it sets several benchmarks in terms of the largest range matching all requirements including colour options, precise comfort settings, energy efficiency as well as Wi-Fi enabled models.

In the fast-growing inverter split air conditioners category, Blue Star has launched precision inverter air conditioners which enable setting the temperature in steps of 0.5°C and 0.1°C with the display in decimals, which is a first in the country. The 5-star inverter split air conditioner models offer a remarkable 65% energy saving over 1-star fixed speed air conditioners. Over half of the 5-star inverter split models are equipped with a smart Wi-Fi feature that enables the customer to operate the

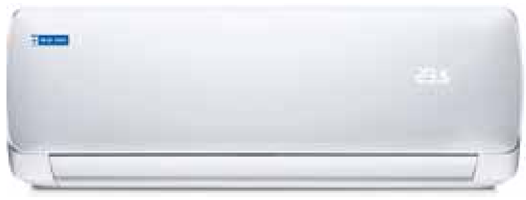
SOME OF OUR PRODUCTS

Water Cooled Screw Chiller - Configured Series

VRF Sprint

Undercounter Freezer

Inverter Ducted System



Inverter Split AC with Decimal Display

VRF IV Plus System

Curved Glass Top Freezer

Centrifugal Chiller

Bottled Water Dispenser

Water Purifiers

Air Purifiers

Air Cooler

Medical Freezer

machines from any place. 19 variants in the 5-star inverter split air conditioners category is another benchmark set by the Company. Blue Star's share in the inverter and 5-star air conditioners range is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. Several models in the range are equipped with eco-friendly refrigerants. The entire series of star-rated inverter split air conditioners function smoothly within a voltage range of 160V-270V, without the aid of an external voltage stabiliser. For markets which face harsh winters, there is also a complete line-up of inverter split air conditioners which cool in summers and heat in winters. Blue Star air conditioners are available in a large number of retail channels across the country, including several Tier 3, 4 and 5 towns. A strong installation and service franchise network has been established to support retailers.

During the year, Blue Star also added several new customers in its national accounts business. Continued efforts in corporate and light commercial segments yielded results by way of large orders received from reputed institutions. Improved operational efficiency across all functions as well as enhanced manufacturing and supply chain management resulted in healthy margins in the room air conditioners business.

In the commercial refrigeration products business, the Company introduced new models of deep freezers in the curved glass-top category, along with a new range of visi coolers. Sales of deep freezers and bottle coolers grew well, with enhanced demand from the ice cream, dairy and frozen food segments. Significant orders were booked from co-operative players such as Amul, Patna Diary and The Orissa State Cooperative Milk Producers' Federation (Omfed) as well as from private customers like Havmor, Creambell, Hatsun, McCain, Dinshaw's, Lazza and Hangyo during the year. The market continued to witness enhanced demand for display freezers across businesses due to the expansion of frozen products and ice cream businesses, thereby driving growth for glass-top freezers.

During the year under review, the commercial refrigeration business entered two new segments; namely, the professional kitchen equipment space by introducing reach-in chillers and freezers as well as under-counter chillers and freezers; and the healthcare refrigeration market with the launch of blood bank refrigerators, pharmacy-use refrigerators, low temperature deep freezers and ultra-low temperature deep freezers. Sales of bottled water dispensers grew well as the Company enhanced engagement with retailers. Storage water coolers also performed well with a surge in demand from the education and manufacturing segments. Blue Star storage water coolers with in-built water purifiers met with good resonance from the market.

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

During the year under review, the Company expanded its product line in the adjacent category of cooling with the launch of air coolers in limited quantities. Post an encouraging response, Blue Star is furthering the product reach with 9 models across all geographical locations. The range also caters to price conscious customers in non-humid areas of North and Central India for spaces ranging from 100 sq ft to 300 sq ft. The current market size for air coolers is about ₹3000 crores, with the organised segment at about ₹1400 crores, and this market is set to nearly double over the next 5 years.

Blue Star also launched 5 models of air purifiers during the festive season with high-end premium variants. This range is currently being expanded to cover all price points. These machines have a HEPA filter which is equipped with ioniser technology and plasma technology, for spaces varying from 200 sq ft to 400 sq ft. The market for air purifiers was about ₹180 crores in FY17, but given the rising concern of air quality in the country, this category is expected to grow three-fold over the next 5 years. The Company intends to ride on its existing channel network for distributing these products.

During the year under review, Blue Star entered the residential water purifier business with the launch of a range of stylish, differentiated and premium products. The market for pure drinking water has been on the rise mainly due to deterioration in the quality of water resulting in a spurt in waterborne diseases. The residential water purifiers market in the country is pegged at about ₹4200 crores, increasing at a CAGR of 22%. About 3 million units sold every year are electric, namely RO, UV, RO+UV and its variants. In terms of value, due to their higher price points, electric purifiers contribute to about 80% of the market whilst the balance comprises gravity-based purifiers.

Blue Star has launched a range of 13 models, including colour variants, perhaps the largest by any new entrant in the category. These purifiers are highly differentiated and offer attractive features such as hot and cold water, touch sensors, electronic dispensing and filter change alerts. Out of the 13 models, 11 of them offer double layered RO+UV protection to ensure that the water is absolutely safe and pure. As regards to distribution, Blue Star water purifiers are available in 80 towns with over 135 channel distributors including ecommerce channels and modern trade. The products have met with a very encouraging response in the market, and the Company plans to make deep inroads in this segment.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

For over six decades, the Professional Electronics and Industrial Systems business has been the exclusive distributor in India for many internationally renowned manufacturers of hi-tech professional electronic equipment and services, as well as for industrial products and systems. Over the years, the Company has moved up the value chain significantly by changing its business model from being merely a distributor to that of a system integrator and value-added re-seller. This business is handled by Blue Star Engineering & Electronics Ltd, which is a wholly owned subsidiary of the Company. The business operates in two broad segments - Professional Electronics (Data Communication Products & Services, Testing and Measuring Instruments, and Healthcare Systems) and Industrial Systems (Industrial Products and Material Testing Equipment and Systems), and has carved out profitable niches for itself in most of the specialised markets it operates in.

During the review period, bookings and margins of the businesses in the Industrial Systems segment were under pressure due to the general slowdown in the steel, automobile, oil and gas markets. The Non-Destructive Testing business received good demand from steel bar manufacturers for supply of imported electronics integrated with locally designed and manufactured mechanics. This business also exported ultrasonic systems with locally designed and manufactured mechanics to Canada. The Testing Machines business had success with customised plant growth chambers supplied to agricultural universities. The businesses in the Professional Electronics segment performed better than the previous year. The Data Communication business gained traction with significant sales of video surveillance equipment to the Armed Forces, for infrastructure such as court buildings as well as city surveillance. The sales of data and transaction security products for banks and financial institutions grew significantly during the year. The Test and Measuring Instruments business, which mainly deals with radio frequency, microwave as well as avionics test and measuring equipment, booked significant orders from the defence, space and aerospace sectors. Oscillographic recorders and phase noise measuring systems witnessed enhanced demand from the defence and space segments. The Healthcare Systems business registered good growth, with notable orders booked for CT scanners, patient monitors and colour doppler ultrasound systems.

MANUFACTURING FACILITIES

Blue Star has five modern, state-of-the-art manufacturing facilities at Wada, Dadra, Himachal Pradesh and Ahmedabad. In line with the production enhancement plan which is part of the manufacturing footprint re-design programme embarked on last year, the Company completed the requisite land acquisition at the two strategic locations of Samba in Jammu and Sri City in Andhra Pradesh.

Besides incorporating the latest technology which is a top priority for the Company, a manufacturing excellence programme with a focus on driving world-class quality and production practices, as well as building people skills and a robust culture is being driven across the factories.

The Dadra Plant, equipped with a state-of-the-art testing facility, enjoys the repute of featuring amongst the top manufacturing facilities in the country for high-quality air conditioning products. The factory manufactures packaged/ducted split air conditioners and VRF systems. Both these product lines performed well during the review period, resulting in record billing for the Plant. The Plant has also added the latest cutting-edge technology of the fibre laser machine to replace the conventional turret punch press for processing of sheet metal components. The existing powder coating plant was upgraded with modern powder coating technology to enhance process quality and productivity. The testing facilities of the assembly lines were also advanced, with the new inspection testing standards in purview.

The Wada Plant, which is the largest manufacturing facility of the Company, produces a wide range of products such as scroll chillers, screw chillers, cold room panels, condensers and evaporators for the cold room business as well as condensing units for an overseas original equipment manufacturer (OEM). During the year, a new range of energy-efficient, configured or mix-and-match chillers was introduced, which was received well by the market. This factory also recorded a new milestone in production and billing across all product lines. The Wada Plant has invested considerably in technology upgradation, which is essential for de-skilling in functions such as gas cutting and welding, resulting in quality and productivity enhancement.

The two Himachal Pradesh Plants cater to the fast growing markets of room air conditioners and refrigeration products. The offtake of mini split air conditioners and storage water coolers exceeded the planned quantities during the review period. The highlight of the year under review was focus on productivity improvement and reduction in conversion costs per unit through several in-house, value addition projects. Blue Star products are renowned for meeting the stringent BEE norms year-on-year. In line with the shift in market demand towards R32 refrigerant-based products, both the facilities were certified by Petroleum and Explosives Safety Organisation (PESO). Significant emphasis was laid on health and safety-related Kaizen initiatives. Several training programmes by CII were organised during the year, along with benchmarking visits.

The Ahmedabad Plant recorded the highest-ever dispatch of chest freezers and chest coolers during the review period, optimising the factory's capacity utilisation. Numerous manufacturing excellence initiatives such as six sigma and lean manufacturing were pursued during the year. From the last three years, this facility has implemented several value analysis and value engineering projects to overcome pricing pressures of the industry, and to remain competitive. These initiatives have significantly contributed to Blue Star's leadership position in the chest freezers category.

During the review period, the manufacturing teams won prestigious awards in various competitions for quality, productivity, housekeeping and safety across industry fora such as CII, Manufacturing Today and South Gujarat Chamber of Commerce, besides others.

RESEARCH & DEVELOPMENT

Blue Star, being a leader in the air conditioning and commercial refrigeration industry, is conscious about the fact that it has to be a trendsetter in areas related to sustainability and climate change. Therefore, Blue Star has been consistently augmenting its R&D investments year-after-year. The Company's mainstay of product development and R&D has been energy efficiency, coupled with eco-friendly and sustainable products. With adoption of the latest technology, Blue Star's R&D capabilities are well-aligned to meet market and regulatory requirements related to room air conditioners, commercial refrigeration products and systems as well as that of international business. A newly-configured, AHRI-certified series of cost-competitive, water cooled screw chillers with multiple efficiencies has been developed to compete with the best-in-class, globally acclaimed products. Backed by selection software for project application, these machines aim to enhance the prospects of the chiller business. A complete range of 3-star room air conditioners with R32 refrigerant, which has low global warming potential, resulting in 1.5%-2% cost reduction has been launched. The certification of the VRF series was undertaken to meet the regulatory requirements of the Middle East. A series of ducted inverter machines ranging between 5 TR to 20 TR in capacity has also been introduced during the year. Blue Star wall-mounted air conditioners and VRF units with larger capacity are in the final stages of development.

Other achievements during the review period include a latest series of overhead tank chillers with integrated hydraulic system and an eco-friendly refrigerant; cost-competitive water coolers for the Middle East; as well as an entire range of highly-efficient ducted system series certified by Emirates Authority for Standardization and Metrology Standard (ESMA), the standardisation body responsible for formulating and issuing national UAE standards. The introduction of the VRF Sprint, a mini-VRF system is yet another R&D accomplishment. Blue Star has invested in an electronics lab set up for product development and reliability testing purposes. All four performance labs of the Company have received accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL). Blue Star continues to invest towards competency development in electronics, industrial design and reliability. A project to augment the efficacy of new product development and R&D functions by around 10% has been initiated during the review period.

INTERNATIONAL BUSINESS

The International Business Group was formed in line with the corporate objective of building a larger international footprint for Blue Star. The business comprises Global Projects and Global Product Sales. With a presence in over 17 countries, the International Business Group has shown great promise in its expansion plans, and intends to expand to five new geographical locations in FY18.

The Global Projects business manages the joint ventures of the Company in Qatar Blue Star Qatar WLL, Malaysia (Blue Star M & E Engineering Sdn Bhd) and Oman (Blue Star Oman Electro-Mechanical Co LLC). These three joint ventures undertake MEP projects and render Operations & Maintenance (O&M) services for residential, commercial and infrastructure buildings in their respective markets. The Global Projects business also handles all international project enquiries received from other geographies by Blue Star.

The Global Product Sales business deals in the export of air conditioning and commercial refrigeration products and systems. The portfolio of products includes Unitary Products (window air conditioners, split air conditioners, inverter split air conditioners, cassette air conditioners and vertical split units), Refrigeration Products (water coolers, deep freezers and bottled water dispensers) and Applied Systems (tank chillers, water tank chillers, air handling units, fan coil units, inverter VRF systems, ducted air conditioners, modular cold rooms and refrigeration units). During the year under review, the Global Product Sales business received good order inflow for a range of unitary products from various distributors as well as OEM customers. The VRF IV Plus, which recently received the ESMA certification for the UAE market, met with an encouraging response. Blue Star's tank chiller has also received this certification. The Company also booked orders from the re-export market through its Singapore distributor.

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

During the year, Blue Star participated in international exhibitions across the globe such as Hotel Asia Exhibition in Maldives, Climate Abu Dhabi Expo in Abu Dhabi, Iran HVACR Exhibition in Iran, Big 5 in Dubai, HVACR Southeast Asia in Indonesia as well as Saudi HVACR Expo in Saudi Arabia, to showcase its wide range of cooling and refrigeration products, and provide a platform for its stakeholders to interact with consumers. The Company was also part of networking events in Sri Lanka, Maldives and Oman, apart from organising events in Qatar and Oman with its partners. Further, Blue Star also published print advertisements in leading newspapers and key trade magazines in the Middle East during the review period. In FY18, the Company intends to augment its marketing budgets for increased brand engagement through international exhibitions, press conferences, consultants and dealer meets, and brand visibility through print ads, outdoor and radio branding.

Going forward, the Company intends to strengthen its distribution channel across the Middle East and make deep inroads into the African continent. In FY18, Blue Star plans to enter Saudi Arabia and Jordan in the Middle East; and Ghana, Egypt and Ethopia in the African continent. The Company also plans to step its presence in its existing key markets of UAE, Qatar, Iran, Oman, Bangladesh, Sri Lanka, Nigeria and Vietnam.

AIR CONDITIONING AND REFRIGERATION SERVICE

Blue Star continues to be the largest after-sales air conditioning and commercial refrigeration service provider in the country, and has sustained its reputed position in the market place as a superior value-added service provider. The service reach expanded from 650 locations to 800 locations during the review period. All services have received the new ISO 9001:2015 certification. Apart from 24X7 services, the enhanced call centre facility is equipped with a state-of-the-art interactive voice response system which enables the customer to log a call in 12 seconds. Electronic field service reports are being generated by technicians using mobile apps. Refrigerated vans have been deployed for cold storage customers across Mumbai, Chennai, Delhi and Bengaluru. Over 125 Blue Star service vans ply across the country. The remote monitoring centre, which was commissioned last year, monitors more than 500 chillers and 100 VRF systems. The response time and turnaround time have improved substantially, registering a higher customer satisfaction index, which is perhaps the best amongst all HVAC companies in the country. During the year under review, Blue Star entered into engineering facility management which covers a wide range of operation and maintenance services to ensure efficient functioning of electro-mechanical utilities.

SUPPLY CHAIN MANAGEMENT

The Company focused on a robust cost reduction programme with local and foreign vendors through re-negotiations in the first half of the review period, resulting in substantial cost reduction. In the latter half of the year, major global commodities including copper, aluminium, steel and plastics showed marked price increases whilst capacity utilisation of the Chinese air conditioning industry grew significantly due to liquidation of old stocks. These factors resulted in higher prices for raw materials and procured proprietary parts, the impact of which was delayed till the end of the review period. The Company benefitted from China's lowest freight rate for most of the year. Alternate sourcing was developed for risk mitigation. The Ariba tool was used extensively for reverse auction of ocean freight as well as domestic freight and for disposal of e-waste. Barcode scanning and processing have been adopted during the year under review. A vendor portal was launched on the SAP-Ariba platform to improve supplier collaboration and procurement productivity.

CHANNEL DEVELOPMENT

The Channel Management Centre, which is the overall custodian of Blue Star channel partners and a single point contact for all channel administration, development and conflict resolution initiatives, added around 550 channel partners and service associates during the year under review. Currently, Blue Star has 2700 channel partners for room air conditioners, packaged air conditioning, chillers, cold rooms and refrigeration products and systems as well as 650 service associates reaching out to customers in over 700 towns. The Company has also expanded the retail distribution reach of room air conditioners to about 730 retailers and distributors across the country. Blue Star has strengthened its presence in Tier 2 and 3 markets by 20% over last year.

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

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

FINANCIAL PERFORMANCE ANALYSIS

Since the corporate restructuring exercise involving the merger of Blue Star Infotech Limited (BSIL) with Blue Star Limited was implemented last year, FY17 performance is not directly comparable with the previous year's numbers.

The analysis of the financial year performance for the year ended March 31, 2017, in comparison to the previous year (excluding BSIL's performance which was included in last year's reported numbers) is given in the below consolidated figures:

1. **INCOME**

   Total Income for the year ended March 31, 2017 was ₹4459.30 crores as compared to ₹3648.35 crores in the previous year (excluding BSIL's Income of ₹211.07 crores), an increase of 22%.

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

   The cost of sales, work bills and services during the year was ₹3149.54 crores as compared to ₹2583.98 crores in the previous year (excluding BSIL's cost of sales of ₹1.94 crores). This cost was 71.2% of the Operating Income as compared to 71.3% in the previous year.

3. **EMPLOYEE REMUNERATION AND BENEFITS**

   Employee cost for the year at ₹339.03 crores increased by 20% as compared to ₹282.33 crores in the previous year (excluding BSIL's employee cost of ₹116.23 crores). The employee cost was 7.6% of the Total Income as compared to 7.7% in the previous year.

4. **OPERATING AND GENERAL EXPENSES**

   Operating and general expenses increased to ₹713.75 crores from ₹568.60 crores in the previous year (excluding BSIL's operating and general expenses of ₹61.74 crores). As a percentage of Total Income, the Operating and General expenses for the year were at 16% as compared to 15.6% in the previous year.

5. **FINANCIAL EXPENSES**

   Financial cost for the year was lower at ₹37.78 crores as compared to ₹42.88 crores in the previous year (excluding BSIL's financial expenses of ₹0.27 crore). The financial cost for the year reduced to 0.8% of the Total Income as compared to 1.2% in the previous year.

6. **DEPRECIATION**

   Depreciation charge for the year increased to ₹60.58 crores as compared to ₹52.01 crores in the previous year (excluding BSIL's depreciation cost of ₹5.08 crores).

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

   Profit before tax and exceptional items for FY17 increased by 34% to ₹158.63 crores as compared to ₹118.55 crores in FY16 (excluding BSIL's profit before tax and exceptional items of ₹25.81 crores). Profit before tax was 3.6% of the Total Income as compared to 3.2% in the previous year.

8. **EXCEPTIONAL ITEMS**

   There were no exceptional items for the year as compared to net exceptional expenses of ₹11.89 crores in the previous year.

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

   Profit before tax and after exceptional items for FY17 increased by 49% to ₹158.63 crores as compared to ₹106.66 crores in FY16 (excluding BSIL's profit before tax and after exceptional items of ₹25.81 crores). Profit before tax and after exceptional items was 3.6% of the Total Income as compared to 2.9% in the previous year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

RISKS AND CONCERNS

RISKS

The primary operating risks which could impact the Company, relate to volatile exchange rates, interest rates, credit risks, procurement concentration risk, volatile commodity prices risks, changes in tax and other legislations as well as risks arising out of higher input costs, especially in the case of fixed price contracts, health and site safety, and changes in technology which impact the Company's product offerings. In addition, a general slowdown in the global and local economy tends to aggravate risks faced by the Company. Blue Star lays great emphasis on risk management, and has put in place a robust system for risk identification, assessment and mitigation with strong internal-controls, at both business groups and corporate level. Significant risks across the entity are reviewed periodically by the Risk Committee. Further, the mitigation action plans are integrated with the internal audit plans and embedded in the strategic business plan of each business group.

CONCERNS

On a macro-economic level, while there is an increase in investments in Government-related projects of the centre as well as the states, private sector investments remained subdued. The complete revival of the commercial real estate segment is likely to take some more time but the macro-economic indicators appear to be positive to fuel growth. The transitionary impact of GST roll out may result in changes in the business and operating model, the impact of which is likely to crystalise over the first year following the implementation of GST.

HUMAN RESOURCES

During the review period, the Company enhanced its total permanent head count marginally to 2711 as on March 31, 2017, as compared to 2567 as on March 31, 2016 (The head count is consolidated for Blue Star and Blue Star Engineering & Electronics). Over 170 campus recruits from reputed professional colleges were centrally appointed, and allocated to respective functions based on business needs. People development continued to be the focus, with nearly 53000 man days of training delivered during the year, which included technical, functional and behavioural training. To create future leaders, a talent management programme covering senior employees was initiated.

A people transformation agenda named the E3 programme - Engage, Energise and Excel, was embarked on. 91% of employees actively participated in a detailed employee engagement survey, which was executed through an external agency during the year under review. Based on the feedback, areas for improvement have been finalised with clearly defined paths for execution. External consultants were brought on board to benchmark industry practices and work on enriching existing processes such as improvement in the performance management system; learning and development; and enhancing gender diversity. Work on migration towards an integrated, employee-friendly HR management system was also initiated.

During the year, Environment, Health & Safety (EHS) activities pursued a focused approach on augmenting safety training measures. Over 28000 man days of safety training were conducted, covering the entire spectrum of Blue Star's business activities. Fire safety and first aid training were key activities undertaken during the review period. With the engagement of subject experts, first aid and fire-fighting training was imparted at all office establishments and factories. Evacuation and emergency-response mock drills were conducted across major office establishments. 2100 safety audits were conducted across project sites to ensure that jobs are executed without harm and injury or property loss of any kind. Health education lectures by experts were organised, benefitting over 600 employees. A wellness mapping exercise was carried out, which included inspection of food and hygiene of food handlers, quality of drinking water, as well as illumination and indoor air quality of Blue Star facilities.

INFORMATION TECHNOLOGY

Blue Star's digital transformation programme, which was initiated in FY16, gained significant momentum during the year under review. This programme endeavours to enable the Company to become a true digital enterprise with physical products at the core, which are augmented by digital interface and data-based, innovative services. This will enable value addition for customers by providing product knowledge and an overall enhanced customer experience, with considerable ease.

The Company's digital framework has incorporated the latest technologies such as cloud computing, mobile devices, IoT (Internet of Things) platforms, location detection technologies, intrusion detection, big data analytics, omni-channel customer experiences and augmented reality. Blue Star is implementing a Product Lifecycle Management (PLM) solution for the development and management of its new products. An online vendor network platform has been deployed to automate the factory procurement processes and vendor management through a single system. Several customised solutions were developed for ease of frontline sales functions. These include mobile apps for tracking sales activities and customer visits; ecommerce through multiple channels such as Snapdeal, Amazon, Tata Cliq and Flipkart; equipment selection software for the VRF system; heat load calculation for cold rooms, and online analytics to track Blue Star's presence across all ecommerce channels.

On the customer service front, service technicians have been equipped with mobile apps to schedule, track and execute installation, preventive maintenance service and breakdown service calls. A customer care app was also launched which equips customers to log in service complaints.

BRAND EQUITY

In terms of advertising and brand communication, the Company enhanced its advertising spends, given its continued thrust on the residential segment. Blue Star persisted with its differentiated value proposition of 'Nobody Cools Better' for the residential audience which highlights the unmatched superior expertise, experience and deep understanding of the science of cooling that Blue Star offers to its customers. A first in India, Blue Star's Inverter AC with advanced precision cooling that lets one set the temperature in decimals, was widely publicised with a quirky television commercial, supported by advertisements in mainline dailies as well as hoardings with the incorporation of several innovations. The Company has augmented its digital marketing efforts in social media as well as the internet, considering that most Blue Star buyers belong to the highest socio-economic category (SEC A), and are active on the internet.

For the water purifiers business, the Company launched a new television commercial featuring babies and how Blue Star's RO+UV purified water is best suited for them since they are the most vulnerable to waterborne diseases. This was supported by print in mainline dailies, hoardings and activations as well as digital, especially in social media. The value proposition for this category has been identified as 'Choose Purity'.

Apart from mass media, the Company also made affordable investments in field marketing. These include participation in trade exhibitions, sponsorships of CII and other important events, IDEAC (Interior Designers, Architects and Consultants) relationship management, customer events and public relations through the Press. Several press conferences announcing the launch of the new room air conditioners range were held in Tier 1, 2 and 3 cities, which garnered huge publicity across media. Blue Star's persistence with its strategy of integrated marketing communication comprising mass media, field promotions, digital platform, Press, events and social media, apart from one-to-one marketing, has helped the Company fortify its brand equity amongst customers and consumers.

CORPORATE SOCIAL RESPONSIBILITY

The Company has established a department for Corporate Social Responsibility (CSR) close to a decade ago, which is headed by a professionally-qualified senior manager with the requisite domain knowledge for planning, implementation and monitoring of the scheduled activities with due diligence.

Blue Star was required to spend a sum of ₹167.64 lakhs by March 31, 2017 towards activities, as stipulated under Schedule VII of the Companies Act, 2013. The Company has spent a total of ₹172.55 lakhs towards its CSR initiatives during the year, which includes vocational training in the area of Air Conditioning & Refrigeration (AC&R) and MEP, pursuant to the Government's 'Skill India' mission; installation of water purification systems and building of toilets in Zilla Parishad schools as part of the Government's 'Swachh Bharat, Swachh Vidyalaya' initiative; support for other health and education causes as well as CSR staffing expenses.

As an important stakeholder for holistic vocational training initiatives in AC&R and MEP fields for school drop-outs, Blue Star has pursued vocational training initiatives through meaningful partnerships in industry-specific programmes with NGOs, industry bodies and other like-minded corporate bodies across the country. Indo-German Institute of Advanced Technology, Visakhapatnam; Bala Mandir Kamaraj Trust, Chennai; Gyan Prakash Foundation, Pune; and Himalayan Group of Professional Institutions in Kala Amb, Himachal Pradesh and Karnal, Haryana are some of the partners for these projects. Blue Star's training personnel contribute to the set-up of customised classrooms and practical labs, curriculum development, training of trainers, monitoring the quality of sessions and imparting lectures on a regular basis at these centres. The Company constantly encourages its employees to dedicate their time and energy on a pro bono basis to impart employable skills at these centres, drawing from their extensive work experience. This initiative contributes to build a fresh young talent pool for the building engineering industry.

The Dadra, Wada and Ahmedabad factories as well as the R&D facility at Thane hired apprentices under National Employability Through Apprenticeship Program (NETAP) - a Public Private Partnership of TeamLease Skills University; CII; All India Council for Technical Education; and National Skills Development Corporation under the HRD Ministry. This initiative lends the much needed thrust for on-the-job training, and boosts job creation by aligning skills of the workforce to the industry's needs.


Plumbing and fire-fighting labs set up by Blue Star

Blue Star installed water purification systems in Government schools around its manufacturing facilities at Dadra and Wada as well as at Jawahar situated at a distance of 60 km from Wada. This project has resulted in safe drinking water for around 6000 children across 8 day schools as well as 4 residential schools in Dadra, Wada and Jawahar. The residential schools cater to children from deprived tribal communities. Blue Star is also responsible for the maintenance of these machines, which is usually a matter of huge concern in rural India. The involvement of the management staff at Wada and Dadra Plants ensured detailed planning, smooth execution and ongoing monitoring of the projects, to ensure sustainability of the initiative.

In co-ordination with grassroot NGOs like Aroehan which works towards sustainable change in tribal communities, the Company will also conduct behaviour change communication sessions with the students, in order to drive home aspects of safe water, adequate sanitation and proper hygiene (WaSH) for sustained behaviour change.

Two residential tribal schools in Jawahar with a capacity of about 800 children each, had dilapidated bathing facility/toilets and clogged outlets, which have led to open bathing and shortage of toilets for the students. Blue Star has built toilet blocks to alleviate this huge concern, and will also be maintaining them.

Around 60 apprentices under NETAP were trained for showrooms/sales outlets. Many of them are women belonging to lesser privileged backgrounds who get an opportunity to become earning members of their families. The on-the-job training module provides them with an excellent exposure to the modern format trade and retail landscape, and to imbibe related skill sets.

Blue Star also contributed to other education causes such as the 'Let's READ' programme, in collaboration with United Way of Mumbai, which was rolled out in three Government schools around Blue Star's Wada factory. The initiative aims to help nurture a love for reading among children from disadvantaged backgrounds who cannot afford to own books or have easy access to them. Portable mini libraries have been set up in classrooms for grades I to VII, along with a set of books for each child. These are culturally-relevant, beautifully illustrated books in the local language, which are curated as per the age, language proficiency and reading levels of the children. Book reading sessions were conducted for the children by professional story tellers to make the reading activity fun and meaningful. The students are thus gradually encouraged to cultivate a reading habit, which will help build on their imagination, language and confidence levels.

Children read story books distributed in Wada ZP schools

In addition, Blue Star also made donations totalling ₹17 lakhs to Blue Star Foundation and Multiple Sclerosis Society of India. The Company is committed to directly conducting or supporting initiatives to ensure an equal footing for socially and economically disadvantaged sections in the country at large, especially the Scheduled Caste and Scheduled Tribe communities. Blue Star actively participates in the Affirmative Action Agenda of CII and contributed for Development of Dalit Entrepreneurs by promoting supplier diversity, imparting management techniques and mentoring. The Company is also an active member of the CII-WR Sub Committee on CSR and Affirmative Action, and contributes regularly to industry initiatives in this regard.

Blue Star Foundation (BSF), a public charitable trust established by Blue Star Limited, has been actively supporting philanthropic causes for over three decades now. BSF's charter covers education of less privileged children, health/medical support to marginalised communities and poverty alleviation. The organisations supported during the year include Jyot Bahu-Uddeshiy Samajik Sanstha, Thane towards vocational training opportunities for girls and adolescent health education; The Anchorage, Mumbai offering opportunities for education and vocational training for the mentally challenged; Ashray Akruti, Hyderabad towards a special school for children with varying degrees of hearing impairment; Aishwarya Trust, Chennai for corrective surgery for congenital heart defects in children; Mumbai Mobile Creches towards education and health initiatives for children of construction labourers; Indian Association of Blood Cancer & Allied Diseases, Kolkata for medical relief of cancer-affected patients; and several others.

The Mohan T Advani Centennial Scholarships by Blue Star Foundation rendered financial assistance to 30 undergraduate engineering and architectural students studying in Government recognised colleges during the year. The initiative aims at holistic support for these students, inclusive of mentorships and internships to prepare them for future work life.

CORPORATE OUTLOOK

The electro-mechanical projects business was adversely impacted due to the slowdown in the real estate sector post demonetisation. However, Government-funded infrastructure projects continued to witness growth, driving some demand in this business. The unitary products business has been performing impressively, driven by the Company's strong brand equity and enhanced distribution footprint. Given the early onset of summer and the forecast of a normal monsoon coupled with addition of new product lines such as water purifiers and air purifiers, the prospects of the unitary products business look promising. GST implementation from July 2017 will have implications for the products business. Blue Star is geared up to consolidate its position in the central air conditioning market with the extensive array of products. Overall, the Company is confident of sustaining its growth momentum in FY18.

The Dynamics of Blue Star's Growth

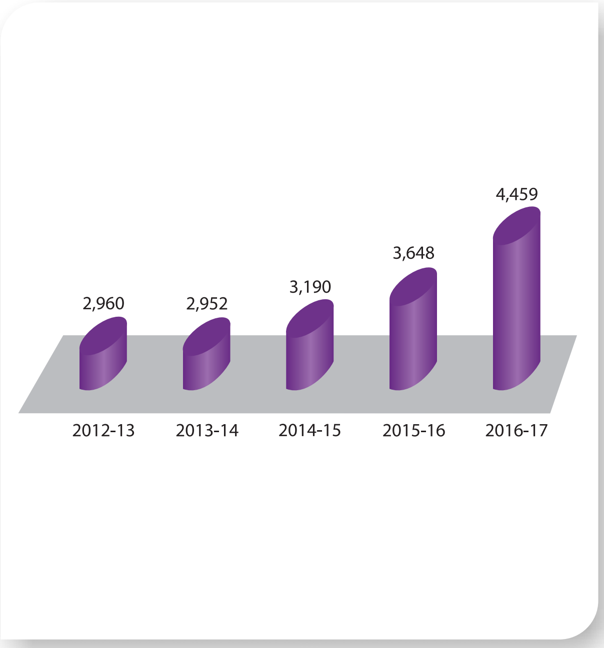
5 YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

		2016-17	2015-16	2014-15	2013-14	2012-13
OPERATING RESULTS:						
Total Income	₹Crores	4459.30	3648.35	3190.43	2952.13	2960.46
EBITDA (before exceptional items)	"	256.99	213.44	175.77	168.34	126.85
Profit for the year after tax	"	123.05	83.02	54.18	77.54	39.07
Dividend (Including corporate dividend tax)	"	86.27	74.59	54.12	42.09	31.57
FINANCIAL POSITION:						
Share Capital	₹Crores	19.11	17.99	17.99	17.99	17.99
Shareholders' Funds	"	758.36	631.43	455.57	460.52	400.67
Borrowings (Net)	"	119.55	317.41	352.38	425.95	405.08
Capital Employed	"	877.91	948.84	807.95	886.48	805.76
PERFORMANCE INDICATORS:						
Revenue Growth	%	22.2	14.4	8.1	(0.3)	4.1
Gross Margin	%	28.8	28.7	30.4	28.9	25.3
EBITDA (before exceptional items) Growth	%	20.4	21.4	4.4	32.7	185.2
EBITDA (before exceptional items) Margin	%	5.8	5.9	5.5	5.7	4.3
Earnings per Share	₹	12.89	8.71	6.02	8.39	4.34
Dividend per Share	₹	7.50	6.50	5.00	4.00	3.00
Book Value per Equity Share	₹	79.35	66.23	50.65	51.21	44.55
Debt Equity Ratio	Ratio	0.16	0.50	0.77	0.92	1.01
Capital Turnover Ratio	Ratio	4.88	4.09	3.77	3.49	3.70
Return on Shareholders' Funds	%	17.1	14.7	11.8	18.0	9.8
Return on Capital Employed	%	28.1	23.9	20.7	19.9	15.9
OTHER INFORMATION:						
Number of Shareholders	Nos.	25553	19221	20686	22490	24623
Number of Employees	"	2711	2567	2599	2667	2881

Note: Financial Year 2015-16 excludes BSIL's operating performance for a like-to-like comparison

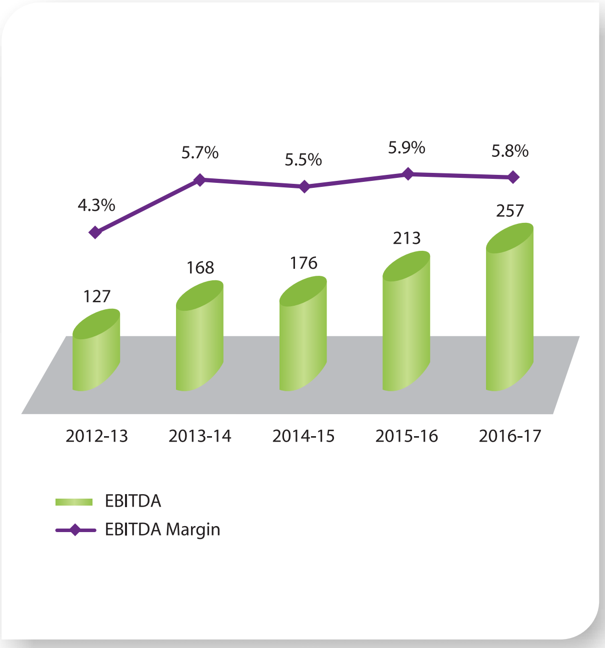
TOTAL INCOME

(₹ in crores)

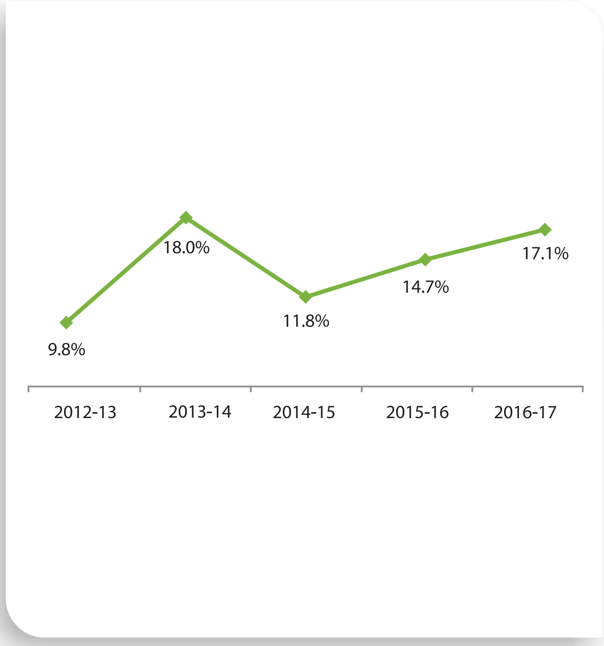


OPERATING MARGIN (EBITDA)

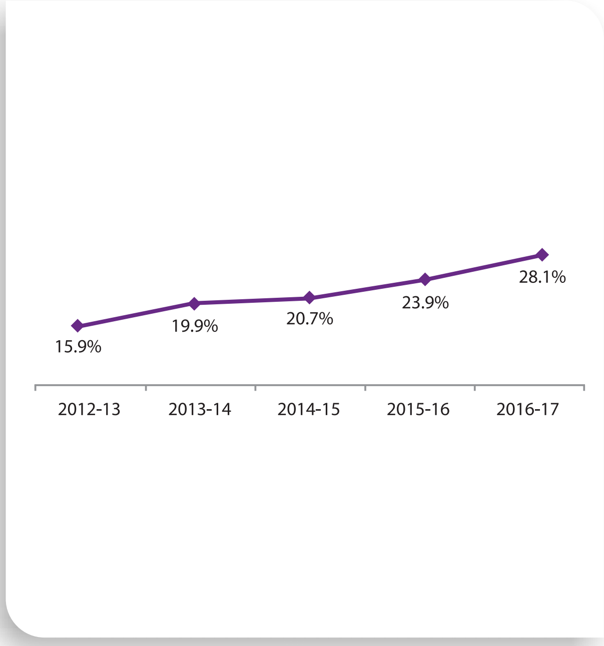
(₹ in crores)



RETURN ON SHAREHOLDERS' FUNDS



RETURN ON CAPITAL EMPLOYED



Business Responsibility Report

With a legacy of close to 75 years, Blue Star endeavours to establish a leadership position in sustainable business practices across all its operations. Committed to conducting its business in a socially responsible manner, the management focuses on effective utilisation of available resources, incorporating the latest technology and productivity processes, consistent with modern management practices. Blue Star recognises the importance of stakeholder engagement in achieving this objective, and seeks increasingly higher stakeholder alignment to generate sustained value creation. All products and services of the Company are designed and developed, keeping in view customer satisfaction and safety, holistic community development as well as environment protection. Blue Star also seeks involvement of employees across all levels to raise awareness, create engagement and ensure commitment towards the cause of sustainability.

About this Report

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

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company: L28920MH1949PLC006870
2. Name of the Company: Blue Star Limited
3. Registered address: Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400020
4. Website: www.bluestarindia.com
5. E-mail id: vijaydevadiga@bluestarindia.com
6. Financial Year reported: April 1, 2016 to March 31, 2017
7. Sector(s) that the Company is engaged in (industrial activity code-wise):

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

8. List three key products/services that the Company manufactures/provides (as in balance sheet):
   i. Electro-Mechanical Projects and Packaged Air Conditioning Systems
   ii. Unitary Products (room air conditioners, commercial refrigeration products and systems, water purifiers, air purifiers and air coolers)
   iii. Professional Electronics and Industrial Systems
9. Total number of locations where business activity is undertaken by the Company:
   (a) Number of International Locations (Provide details of major 5):
      i. Blue Star M & E Engineering Sdn Bhd: Malaysia
      ii. Blue Star Oman Electro-Mechanical Company LLC: Oman
      iii. Blue Star Qatar WLL: Qatar
      iv. Blue Star International FZCO: UAE (with effect from April 18, 2017)
   (b) Number of National Locations: 35 offices and 5 manufacturing facilities across the country.
10. Markets served by the Company:

    The Company caters to the Indian and international markets as mentioned above.

Section B: Financial Details of the Company

1. Paid up Capital (₹): 19.11 crores comprising 9,55,70,388 equity shares of ₹2 each
2. Total Turnover (₹): 4,14,909 lakhs
3. Total profit after taxes (₹): 11,197 lakhs
4. Total Spending on Corporate Social Responsibility (CSR): ₹172.55 lakhs.
5. List of activities in which expenditure in 4 above has been incurred:
   (a) Vocational Training in the areas of Air Conditioning & Refrigeration/Mechanical, Electrical and Plumbing Services
   (b) Installation of Water Purification Systems in schools
   (c) Construction of Sanitation Facilities in schools
   (d) Initiatives in Education and Health

Section C: Other Details

1. Does the Company have any Subsidiary Company/Companies?

Yes. The Company has three subsidiary companies, details with respect to two subsidiary companies, namely Blue Star Engineering & Electronics Limited and Blue Star Qatar WLL are provided under note no. 48 to the Consolidated Financial Statement. Blue Star International FZCO has been formed at Dubai Airport Freezone, UAE, subsequent to the financial year on April 18, 2017, as a wholly owned subsidiary of the Company.

2. Do the Subsidiary Company/Companies participate in the Business Responsibility (BR) Initiatives of the parent company?

No.

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

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

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

Section D: BR Information

1. Details of Director/Directors responsible for BR

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

Name	Vir S Advani	B Thiagarajan
Designation	Managing Director	Joint Managing Director
DIN	01571278	01790498
Contact No	6654 4000	6654 4000
Email Id	vsa@bluestarindia.com	btn@bluestarindia.com

2. Principle-wise BR Policy/policies

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

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

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

Principle 3 : Businesses should promote the wellbeing of all employees.

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

Principle 5 : Businesses should respect and promote human rights.

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

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

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

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

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

Sr No	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well-Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		P1	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
1	Do you have a policy/policies in these areas	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Yes, the policies conform to the nine Principles of the NVGs for Business Responsibilities, further described under Section E below.								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/ CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y

Sr No	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well-Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		P1	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
5	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8	Does the Company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y Note 2	Y	-	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Blue Star has a robust internal review mechanism for its key policies. Efforts have been made to enhance management systems and performance so that they conform to the Company's sustainability framework. On a regular basis, employees are also trained to understand and apply new techniques to ensure higher standards of socially responsible performance.								

Note 1: All the relevant policies are uploaded on the intranet site for information as well as implementation by internal stakeholders. Further, policies on the Code of Conduct, CSR Policy, Whistle Blower Policy, Prevention of Sexual Harassment, Dividend Distribution Policy, and E-Waste Management Policy are also available on the website of the Company.

Note 2: The Company has adopted the Whistle Blower Policy to report concerns of unethical behaviour, violation of law or regulations, or suspected fraud.

If answer to the question at serial number 1 against any principle is 'No', please explain why:

Principle	Response
Principle 7: Policy Advocacy	Blue Star is a member of various industrial and trade bodies, and plays a key role in advocating issues of the sector through them. It actively participates in industry forums, and is also involved in advocating formulation of relevant policies. Even though the organisation does not have a stated policy on advocacy currently, it continues to follow and monitor the business and regulatory environment.

3. Governance related to BR

(a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:**

The CSR Committee annually reviews the BR initiatives of the Company.

(b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company has published a Business Responsibility Report, and the same is available on the website of the Company at https://www.bluestarindia.com/investors/business-responsibility-report. Being a socially responsible organisation, Blue Star has been undertaking sustainability initiatives over the years. Pursuant to the applicability of Regulation 34 of the Listing Regulations to the Company from FY16-17, this is the first Business Responsibility Report formally published for the financial year ended March 31, 2017.

Section E: Principle-wise Performance

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

The Company's Values and Beliefs have become the way of life in the organisation, with the onus resting on every Blue Starite, irrespective of his/her designation or profile. Every new employee, whether a campus or lateral recruit, is introduced to the Blue Star Way through a detailed classroom module in the HR training schedule. Clearly outlined policies available on the employee portal as well as the corporate website publicly affirm the organisation's commitment, govern actions and provide clarity of direction.

Blue Star's positive reputation is an intangible but very real asset that has been built up diligently over the years. There is no marketing or management technique which has been used to create this value, but it has, in fact, evolved from the way the Company conducts its business. Blue Star's timeless basic values, which have helped hold the Company in good stead over uncertain times as well as the ever-changing external business environment, are to never compromise on doing a good job; being open, transparent and fair; and integrity in business. Since several Blue Star dealers have been associated with the Company over a long period, they have imbibed its values and beliefs in their dealings. The organisation believes that growth should be achieved in a prudent and sustainable manner that benefits all stakeholders - shareholders, employees, business partners and society. Blue Star has taken Corporate Governance to the next level by implementing Enterprise Risk Management, Internal Audit and Whistle Blower Policy frameworks, as integral elements of a larger vigilance mechanism and a robust controller function. All the policies and guidelines of the Company extend to its subsidiaries, joint ventures, vendors, contractors, channel partners and associates.

Blue Star has put in place a robust Code of Conduct policy (https://www.bluestarindia.com/media/6010/code-of-conduct.pdf) applicable to its directors, employees and other business partners. The code focuses on strict adherence to the Corporate Values while delivering a world-class customer experience. Integrity in personal conduct, conflict of interests and related aspects of dealing with external stakeholders are all covered under this code. It covers issues related to ethics, bribery and corruption, and serves as a roadmap for its employees as well as those of its subsidiary and joint ventures. The Company's core values and beliefs which are embedded in the Code of Conduct serve as a guiding force for all business activities and stakeholder interaction at Blue Star. The organisation is committed to follow the highest standard of professionalism and business ethics. Integrity is the basis for its dealing with customers, employees, suppliers, business partners, shareholders, related communities and the Government. The Board Members and senior management affirm their compliance to the Code of Conduct by way of an annual declaration.

The Whistle Blower Policy has been clearly communicated to the employees and other business partners, encouraging them to report any instance of wrong doing directly to the Company Secretary, who acts as the Ethics Officer, or the Chairman of the Audit Committee, who is an Independent Director of the Company. As a responsible corporate body, Blue Star is particular about its financial and other disclosures on an ongoing basis in a transparent and truthful manner.

During 2016-17, the Ethics Committee of Blue Star investigated into the complaints received from the Whistle Blowers within and outside the Company, and initiated disciplinary action and recovered the losses suffered by the Company. Blue Star has established mechanism to receive and deal with the Whistle Blower complaints from various stakeholders.

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

Blue Star, as a leader in the air conditioning and refrigeration industry, is conscious about the fact that it has to be a trendsetter in areas related to sustainability and climate change. All Blue Star products rate high in energy efficiency standards. The Company's adoption of eco-friendly refrigerants is ahead of the industry curve. The product management and R&D teams regularly review and adopt the latest technology in products across businesses, keeping in mind that these are resource efficient and sustainable. There is a special, in-house focus on embedding inverter technology across three key products of the Company, namely chillers, VRFs and wall-mounted air conditioners since it is energy efficient, and refrigerants with low global warming potential help mitigate environmental impact and energy-efficiency concerns. Sustainability-related aspects, risks and opportunities are integrated into the engineering and design of the Company's projects, products and services. Resources used for the production of the entire product portfolio are tracked and monitored diligently. Due to continuous product innovations with a focus on energy efficiency and low global warming potential, power utilisation during product use at consumer's end is systematically reduced, with lower environmental impact. The businesses strive to raise consumers' awareness of their rights through education, product labelling and details of the product composition, appropriate marketing communication, and promotion of safe usage as well as disposal of the products. The Company has been working towards higher sustainability in sourcing, with respect to packaging to minimise waste, a common supplier basket for multiple businesses, regular supplier meetings and discussions on the recommended practices, as well as optimising logistics to reduce fuel consumption and carbon footprint. The sourcing team provides suppliers with managerial and technical assistance for improvements in productivity, quality, cost, delivery and safety. The organisation works diligently on limiting waste in its production processes across factories. There is an ongoing focus on energy management, enhancing safety practices and total productive maintenance across the Company.

Blue Star officials are part of several national and international forums which are involved in the study of the technological feasibility and performance of new eco-friendly refrigerants with low global warming potential; related safety issues, environmental impact assessments and intellectual property rights; commercial viability; as well as energy efficiency in high ambient temperature conditions. Over 90% of procurement for projects and close to 50% for products is from local producers, which includes small vendors. The organisation evaluates various options for cost-effective and sustainable transportation of products and services as well as for reduced carbon emission from material transportation. It also conducts capacity-building programmes for vendors, sub-contractors and dealers, and provides training and technical expertise to improve operational efficiency.

Under the E-waste Management And Handling Rules, the Company has obtained authorisation as a producer, to dispose all e-waste generated during business operations on a pan India basis through an arrangement with a certified e-waste dismantler and recycler.

Principle 3: Businesses should promote the wellbeing of all employees.

Blue Star employees come from various walks of life, and this mix provides for a rich diversity in geography, ethnicity, language, gender, religion, caste and creed. Value systems, ethics, honesty, sincerity of purpose and team work, among many others, form the core of the thinking of the people. The welfare of employees is considered as one of the most important cornerstones for success at Blue Star. Business, for the Company, is not just about the bottom line, but also about developing and nurturing each employee to grow.

The total employee count in the Company is 4024, inclusive of 1526 employees hired on a temporary or contractual basis. There are no permanent employees with permanent disabilities in the organisation. 224 employees, forming 8.97% of the permanent staff, are members of employee associations recognised by the Company.

Every Blue Starite is provided with numerous and constant opportunities for individual growth, betterment and empowerment, vide training and development initiatives. The Company encourages job rotation which helps employees take new responsibilities, and gives them a well-rounded exposure to the business activities, which is crucial to career growth. Close attention is paid to each employee's career graph, in relation to his/her potential. An accelerated career growth programme is being put in place for young managers so that they are empowered to take on higher responsibilities in the future. Training programmes for all-round development of workmen are conducted at the factories. The senior management promotes a healthy work-life balance with initiatives such as flexible work timings and work-from-home that keep the employees positive and energised. An open-door policy has always been promoted and practised at Blue Star, providing a conducive environment in which an employee can approach any senior management member to discuss ideas, suggestions or concerns. Some areas of strength identified by a comprehensive employee engagement survey reveal pride in being associated with Blue Star; strong belief in the Management's vision, competence and ethics; appreciation of Management's regular communication; and satisfaction with the friendly, family-like work environment; besides several others. It is a matter of pride for the organisation that several employees across offices and production units have been with Blue Star for long tenures, and there are numerous instances of employees joining back, after they have left the organisation for other opportunities.

There are 197 permanent women employees in the organisation. The Company is committed to augment the strength of female employees to 15% across levels and roles by FY19, and intends to achieve this systematically through conscious and planned hiring in this direction. Blue Star also endorses equal gender representation in management and leadership positions as they are significant for a participative atmosphere in decision making and operations across levels. The organisation conducts programmes with women-centric initiatives, honing aspiring female contenders for senior management positions. The HR team is committed to create a woman-friendly ecosystem across offices, factories and work sites which encourages gender equality at all times.

Compensation & Benefits form an integral part of being an employer of choice and the Company has taken up the goal of paying higher than the industry average, which it aims to achieve over a three-year period. A new, fair and transparent performance appraisal system has also been put in place to ensure higher employee satisfaction, leading to increased motivation and productivity. The current HR practices are being strengthened with the intent to attract and retain the best-in-class talent which will help take the Company into the league of top 10 employers in the engineering industry. A strong employee engagement programme has been put in place to build energised teams across Blue Star. Largely, these encourage a culture of entrepreneurship and innovation in the Company. A full-fledged leadership development and succession planning programme has been put in place to develop the next set of leaders for Blue Star.

Safety is a thrust area for the Company. Regular safety training, tool-box familiarisation, mock drills and specific safety interventions help build a safe work culture across Blue Star's offices, manufacturing facilities and channel partners. Safety capability of new sub-contractors is evaluated before assigning contracts, and compliance to the policy is ensured through regular training, site visits and audits. All new employees, dealer technicians and contract workmen receive safety training before commencing work, and regular refresher sessions are conducted in the course of work. The safety performance of various divisions of the Company is reviewed during business meetings and management review meetings. In addition, key safety performance numbers are reviewed by the Board on a quarterly basis. In the period under review, 2141 permanent employees comprising 164 women and 1928 temporary/contractual staff underwent safety and skill upgradation training.

The Company promotes the principle of 'equal pay for equal work', and has a no-tolerance policy towards child labour, forced labour, sexual harassment and discriminatory employment or biases in growth opportunities for its staff members. Well-defined policies on safety at work, prevention of sexual harassment at workplace, employee welfare programmes, managerial remuneration and benefits, performance recognition, maternity benefits, medical insurance, support for education of employees' children, service awards, health and wellness, celebrations, get-togethers and sports competitions, amongst others, have been made available on the employee portal for easy access and reference.

There were no complaints related to child labour, forced or involuntary labour filed during 2016-17. Two complaints related to sexual harassment were reported during the review period, which were investigated and resolved as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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

The Company believes that an effective stakeholder engagement process is integral to inclusive growth. Blue Star is sensitive to the changing needs of customers, employees, dealers, channel associates, business partners and shareholders. Customer meets, including those for Interior Designers, Architects and Consultants are held regularly at major locations across the country, detailing the Company's vision as well as its product and service portfolio.

The organisation has mapped its internal and external stakeholders which include employees, customers, business associates, suppliers and distributors, shareholders, regulatory authorities and industry associations, besides others. Blue Star's dealer network is a major strength in its channel businesses since dealers, as extended arms of the Company, are responsible for quick and efficient response to customer needs all over the country. Product launch programmes and training sessions for dealers, besides performance recognition, ensure an ongoing interaction with channel associates. Blue Star has an active investor relations programme which covers both individual and institutional investors as it is keen to maintain an ongoing awareness of Blue Star's performance among its shareholders and the financial community. The Company holds regular meets with institutional investors and analysts after declaration of its financial results. The corporate website contains information on all its products and services, policies, press releases, financial results, annual reports, investor updates and concall transcripts, besides others.

Blue Star's CSR programmes focus primarily on those sections of the local communities which are disadvantaged, vulnerable and marginalised. The Company is conscious of the impact of its operations on the communities around its facilities, and is committed to contribute actively towards enhancing their living standards through interventions in water and sanitation, health, education and skill development. Blue Star also believes in affirmative action, and has been actively involved in the development of Dalit entrepreneurs by providing them with opportunities as vendors and channel partners, as well as mentoring them on various aspects of business and communication. For the initiatives undertaken by the Company towards the betterment of the disadvantaged, vulnerable and marginalised stakeholders, please refer to the CSR activities enumerated in **Annexure 2** to the Board's Report as well as the section on CSR in the **Management Discussion and Analysis** section of this report.

Principle 5: Businesses should respect and promote human rights.

Blue Star maintains engaging and transparent relations with its internal as well as external stakeholders at all times. The Company has in place, a Code of Conduct policy to safeguard the rights of its employees, vendors and service providers across its businesses, which abides by the laws of the country. It promotes a secure and conducive work environment for its employees, contractors and channel partners. The organisation has well-enumerated guidelines, policies and practices to address grievances of any stakeholder. These include formal mechanisms administered through committees which have been set up for review of grievances. The complainants are assured of complete anonymity and confidentiality.

The employees have been made aware of the policy related to safety of women and protection against sexual harassment at workplace, along with its objectives, applicability, structure of committees and the process undertaken to redress complaints. Awareness sessions by the committee members for both male and female employees on this aspect are held at offices and factories across the country. Blue Star is committed to ensuring a safe environment and practices at its construction sites, and continues to engage with construction suppliers through training, safety audits and checks. It respects the human rights within and beyond the workplace, including that of communities, consumers as well as vulnerable and marginalised groups. There is a mechanism in place for all employees to voice their concerns to the Managing Director or Joint Managing Director in person or through a dedicated email address, which is treated with confidentiality.

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

As an organisation, Blue Star believes in the responsible and balanced use of natural and man-made resources for the benefit of the future generations. The Company's mainstay of product development and R&D has been energy efficiency, coupled with eco-friendly and sustainable products. There are periodic enhancements carried out with respect to the environmental impact of its products. Further, Blue Star has been constantly adding auxiliaries and energy-saving gadgets in its factories. The Company's products are validated and certified by several international bodies, signifying that they comply with the stringent norms and safety standards laid down by these entities. The Environment, Health and Safety department in Blue Star focuses on safety parameters, health and wellness of employees as well as environmental aspects. The Environment, Health and Safety Policy of the Company extends to its subsidiaries as well as to its business associates.

Blue Star plays a critical role in initiatives to reduce power consumption and incorporate non-ozone depleting refrigerants with low global warming potential. The Company's room AC range has always been in line with the updated energy standards prescribed by the Bureau of Energy Efficiency (BEE), and Blue Star was amongst the first companies to comply with BEE's voluntary labelling programme for inverter split air conditioners. The manufacturing facilities are equipped with testing machines that use new technology to aid in quality improvement as well as energy and water savings. A first-of-its-kind set-up for cold room panel manufacturing at the Wada Plant incorporates an eco-friendly foaming process using cyclopentane, which is supported by the Ozone Cell, Ministry of Environment and Forests. This is in line with Blue Star's commitment to phase out CFC/HFC substances. Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. Blue Star's Wada factory is certified as a Gold-Rated Green Building by the Indian Green Building Council, Hyderabad.

Blue Star's senior management is part of numerous domestic and international initiatives, including participation in round table discussions and workshops that focus on certification and compliance processes, as well as standards and labelling programmes. These fora centre around the use of refrigerants and technologies used in HVAC products; the economic impact of the new generation of refrigerants that come at a higher price; new kinds of patents; development of alternate and natural refrigerants; safety standards; and financial viability.

Blue Starites are also committed to the Company's environmental sustainability efforts. All the manufacturing facilities have consented to operate on a zero discharge basis since all the wastes generated due to industrial processes are treated onsite. The Company has been filing returns with the Central Pollution Control Board under E-waste (Management) Rules, annually.

The organisation works at optimising its water consumption through adoption of new technologies and behaviour change initiatives. The employees of Blue Star showcase their support to the cause of renewable energy at various public forums. Key business partners and associates are persuaded, supported and educated to adopt the organisation's environmental-friendly practices across the value chain. The Company has received numerous commendations from its clients for its energy-efficient products and services, projects as well as installations.

The management of Blue Star identifies and assesses potential environmental risks from time-to-time. The Company has always been sensitive to the environmental impact of its operations, and has proactively adopted environmentally-sustainable business practices wherever possible. Regular checks are conducted by internal and independent auditors/assessors to ensure compliance with relevant environmental regulations and policies. Steps taken towards energy conservation by Blue Star are elaborated in **Annexure 1** to the Board's Report.

The emissions and waste generated by the Company are within the permissible limits given by Central Pollution Control Board as well as the State Pollution Control Board for the review period, and there were no show cause/legal notices from these bodies pending as on March 31, 2017. Blue Star's initiatives on clean technology, energy efficiency and renewable energy are given in **Annexure 1** to the Board's Report.

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

Blue Star actively participates in apex industrial institutions and professional bodies that are engaged in policy advocacy such as the Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Refrigeration and Air-conditioning Manufacturers Association (RAMA), Bombay Chamber of Commerce & Industry (BCCI), Indian Green Building Council (IGBC), The Energy and Resource Institute (TERI), National Safety Council and various other collective platforms or forums, to put forth the larger interests of the industry. The senior leadership of the Company offers its expertise and insights during formulation of public policies. Blue Star participates in public-private partnerships with the local Government bodies for social development projects.

Blue Star is an active player of industrial and trade bodies related to governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, and others. The Company actively participates in discussions pertaining to policy matters that impact the interests of its stakeholders, and also advocates policies that spurt socio-economic growth. It collaborates with government and industry associations on matters related to sector growth, serving as a think tank for the decision makers in the industry.

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

The Company endeavours to help less privileged, rural and urban communities in the country as well as those in close proximity to its production units in semi-rural locations. Blue Star's CSR initiatives are strategically aligned to its domain knowledge and skill sets of its employees, who are given the opportunity to volunteer in these programmes. In the long term, the Company is committed to preservation of the quality of air, water and food through its products, services and social initiatives. Blue Star's CSR programmes focus on vocational training of school dropouts in air conditioning as well as mechanical, electrical and plumbing services; building water purification systems and sanitation facilities in Government schools; and holistic development initiatives around its manufacturing facilities. The projects are fully adopted or supported by the Company as per the need and available budgets, on a case-to-case basis. The CSR Committee presently comprises the Chairman and the Joint Managing Director of Blue Star as well as an Independent Director. The role of the CSR Committee is to review, monitor and provide strategic direction to Blue Star's CSR practices, which is well aligned to its competencies and core people skills. This Committee formulates and monitors the CSR Policy and recommends the annual CSR Plan of the Company to the Board, in line with Companies Act, 2013. Periodic impact assessments help monitor the benefits received by the community, and lead to augmenting the projects.

In addition to its CSR efforts, the Company has been supporting various philanthropic causes through its charitable trust, Blue Star Foundation which sponsors activities in the areas of education and healthcare, apart from relief measures in national calamities. Besides these, the local teams across its major offices and factories also support local initiatives to improve health, education, environment, hygiene and infrastructure for public utility. Details of the CSR activities of the Company and their impact are given in **Annexure 2** to the Board's Report as well as in the Management Discussion & Analysis section of this report.

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

Blue Star accords paramount significance to the well-being of its customers and the society at large while conducting its business. Every product and service of the Company aims at generating the highest value for the consumer. Blue Star's world-class products are the result of extensive research and development processes, and incorporate state-of-the-art technology with stringent quality checks. With 'Superior Project Delivery' as its value proposition, the electro-mechanical projects business offers turnkey design and build solutions to its customers, which has proved to be a significant differentiator in the market place. The Company offers Gold Standard Service which has stringent response and turnaround time adhered to by the teams for resolution of consumer complaints and breakdown calls. Consumer insights are sought systematically across businesses through customer interactions and focused group discussions, and incorporated in product development processes. Adoption of latest digital technologies across businesses gives the added fillip for smooth customer interface across products and services as well as ease of doing business.

The products, services and facilities of the Company have been validated by several certification bodies for adherence to set standards and guidelines. Blue Star's room air conditioners have cleared stringent Bureau of Energy Efficiency (BEE) norms with each passing year. The Company's Air Conditioning & Refrigeration Services are ISO 9001:2015 certified. The manufacturing facilities have received several certifications with respect to health and safety compliance as well as quality adherence. The Company has also received multiple certifications for its products and services for international markets.

Blue Star believes in honest and sincere communication of its products and services across media. The senior management communicates regularly on public platforms with respect to the Company's performance, market trends, and impact of change in industry policies or Government regulations, besides others. Blue Star adheres to all norms, standards as well as voluntary codes and guidelines related to marketing communication. The brand management guidelines have been institutionalised by Blue Star's Corporate Communications and Corporate Marketing Services departments which help customers identify and distinguish Blue Star's products and services. The television commercials focus on intelligent, humour-based communication, educating customers in a unique manner about the function and benefits of its products and services. The social media pages of the brand deliver value-based communication to customers. The pages, based on the theme of 'Cool My World', propagate content meant for stress-relief and relaxation. All marketing collaterals of the Company disseminate information truthfully and factually, so that the customers can exercise their freedom to consume its products and services in a responsible manner. All products are accompanied by Operation & Maintenance manuals, in line with relevant codes and specifications. The sale of products is followed by responsible and seamless integration of its related services to enhance customer experience.

Blue Star engages with its customers on an ongoing basis, and conducts periodical surveys to ascertain consumer satisfaction with respect to its products and services. Conducted by external market research firms, these surveys aid the Company in understanding customer requirements as well as satisfaction levels and consumer behaviour. There are several modes by which a customer can connect with the brand for getting their enquiries, feedback or concerns addressed. A multi-platform grievance mechanism ensures that the Company officials can be contacted vide phone, e-mail, website, feedback forms and letters, as deemed fit.

Out of the total calls received by the Company from the customers, approximately 0.01% was related to complaints, all of which were resolved satisfactorily as on March 31, 2017. The dissatisfied customers of the Company generally file their cases before the consumer forums, which the Company defends appropriately. Out of the total consumer cases filed, 9 cases were resolved during 2016-17, and as on March 31, 2017, 39 cases were pending before various consumer fora. No case was filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising or anti-competitive behaviour during the last five years. The organisation is compliant with all legal requirements pertaining to product information and labelling. In addition to the mandatory requisites, it also provides service and safety manuals to the customers as deemed appropriate.

Further details with respect to the businesses and support functions of the Company have been enumerated in the **Management Discussion and Analysis** section of this report.

Independent Auditors' Report

To the Members of Blue Star Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Blue Star Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 Companies (Indian Accounting Standards) Rules, 2015, as amended;
   (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report; and
   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 36 (a) to the standalone Ind AS financial statements;
      ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. Further, the Company does not have any long term derivative contracts. Refer Note 18 to the standalone Ind AS financial statements;
      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
      iv. The Company has provided requisite disclosures in Note 47 to these standalone Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Ravi Bansal
Partner
Membership Number: 49365

Place of signature: Mumbai
Date: May 09, 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF BLUE STAR LIMITED

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

Re: Blue Star Limited ('the Company")

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

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

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.

ii. The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on physical verification.

iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order 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, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.

v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture or service of air conditioning and refrigeration products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

vii. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

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

(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, excise duty, value added tax on account of any dispute, are as follows:

Name of Statute	Nature of dues	Amount ₹ Lacs *	Period to which the amount relates	Forum where dispute is pending
Income Act, 1961	Disallowance for deduction Tax u/s 80IA/80IB/80IC/80HHC	955	AY 1998-99, AY 2000-01 to AY 2007-08	CIT (A)/ITAT/High Court
	Disallowance of software expenses as revenue expenses	128	AY 2007-08	ITAT
	Disallowance on advertisement on brand building considered as revenue expense	127	AY 2006-07	ITAT
	Disallowance u/s 14A	1	AY 2007-08	ITAT
	Reduction of claim u/s 10A	368	AY 2005-06 and AY 2006-07	ITAT
	Short deduction of Tax at Source on payment to subcontractors	166	AY 2008-09 and AY 2009-10	CIT (A)
	Other disallowances	8	AY 2007-08	ITAT
Local Sales Tax, VAT Act and Central Sales Tax Act	Demand due to difference in AMC tax computation	144	FY 2011-12	Asst. Comm./Jt. Comm.
	Demand due to excess tax payable as computed by assessing officer against that paid by the Company	6,809	FY 1990-91, FY 1995-96 to FY 2010-11 and FY 2013-14 to FY 2014-15	Asst. Comm./Jt. Comm. / CESTAT/High Court
	Denial of ITC and disallowance due to non submission of forms	4,228	FY 1992-93, FY 2000-01, FY 2001-02 to FY 2006-07 to FY 2013-14	Asst. Comm./Jt. Comm./ CESTAT/High Court
	Disallowance made for stock transfer	121	FY 2004-05 and FY 2011-12	Dy. Comm./Asst. Comm.
Service Tax under Finance Act, 1994	Demand due short payment of service tax as alleged by the assessing officer	20,963	FY 2003-04 to FY 2013 -14	CEC (Appeals)/CESTAT
	Demand due to excess tax payable as computed by assessing officer against that paid by the Company	8	FY 2003-04	High Court
	Demand of service tax on commission received from abroad	837	FY 2005-06 to FY 2009-10	CEC (Appeals)/ CESTAT/High Court
	Denial of CENVAT credit availed on some services	78	FY 2005-06 to FY 2012-13	CEC (Appeals)/CESTAT
	Denial of exemption on services provided	9	FY 2007-08 to FY 2008-09	CEC (Appeals)
	Reversal of CENVAT credit on trading activity	911	FY 2004-05 to FY 2011-12	CEC (Appeals)/CESTAT
Customs Act, 1962 and Central Excise Act, 1944	Demand due to excess tax payable as computed by assessing officer against that paid by the Company	248	FY 1996-97 to FY 1990-91	CEC (Appeals)/High Court/ Supreme Court
	Demand for excise duty payable as alleged by assessing officer	144	FY 1998-99 to FY 2003-04 and FY 2008-09	CESTAT
	Denial of CENVAT credit on some services	237	FY 1994-95 to FY 1995-96 and FY 2006-07 to FY 2014-15	CEC (Appeals)/CESTAT
	Denial of exemption available	24	FY 2009-10	CESTAT
	Rejection of Refund/CENVAT Credit claimed by the Company	48	FY 2011-12 and FY 2012-13	CEC (Appeals)
	Rejection of Refund of Duty claimed by the Company	7	FY 2009-10	CESTAT
	Other miscellaneous issues	28	FY 2008-09 and FY 2015-16	CESTAT

** net of advances*

viii. In our opinion and according to the information and based on explanations provided to us the Company has not defaulted in repayment of dues to a financial institution, bank, or debenture holders. The Company has not taken any loan or borrowing from the government.

ix. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

x. We have been informed by the management of the Company that it detected through its whistle blower mechanism, certain instances of fraud for which investigations have been completed, involving certain employees of the Company colluding with vendors to receive undue benefits, resulting in a loss to the Company of ₹2.70 Crores which was subsequently recovered.

xi. According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

xii. In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3 (xii) of the order are not applicable to the Company and hence not commented upon.

xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3 (xiv) are not applicable to the Company and, not commented upon.

xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.

xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Ravi Bansal
Partner
Membership Number: 49365

Place of signature: Mumbai
Date: May 09, 2017

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS STANDALONE FINANCIAL STATEMENTS OF BLUE STAR LIMITED

Annexure referred to in paragraph 2(f) under the heading "Report on other Legal and Regulatory Requirements" of our report of even date-

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

We have audited the internal financial controls over financial reporting of Blue Star Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Ravi Bansal
Partner
Membership Number: 49365
Place of signature: Mumbai
Date: May 09, 2017

Balance Sheet as at March 31, 2017

(₹ in lakhs)

	Notes	As at March 31 2017	As at March 31 2016	As at April 1 2015
A ASSETS				
1. Non-Current Assets				
Property, Plant & Equipment	3	21,610.09	19,231.57	19,385.17
Capital Work in Progress		2,151.96	626.94	247.43
Investment Property	4	5,948.93	6,280.06	-
Intangible Assets	5	4,370.57	3,853.06	2,168.24
Intangible Assets under development		1,208.77	1,007.40	1,993.51
Financial Assets				
- Investments	6	21,507.93	21,430.92	21,294.99
- Trade Receivable	8	2,985.30	4,136.42	4,099.02
- Loans	6	1,943.07	2,143.89	1,905.42
- Other Financial Assets	6	361.29	334.99	108.49
Income Tax Assets (Net)		3,764.80	7,492.95	3,753.31
Deferred Tax Assets (Net)	20	10,453.39	10,539.58	9,792.44
Other non-current assets	10	2,835.62	2,171.35	1,568.00
Total Non Current Assets		**79,141.72**	**79,249.13**	**66,316.02**
2. Current assets				
Inventories	7	58,044.96	51,547.69	46,282.87
Financial Assets				
- Investments	6	-	15,806.82	-
- Loans	6	541.25	369.61	753.79
- Trade Receivables	8	81,276.34	68,952.26	63,210.96
- Cash & Cash Equivalents	9	7,799.92	4,253.84	3,633.49
- Other Financial Assets	6	22,366.24	20,177.91	19,232.23
Other Current Assets	10	12,639.65	12,720.78	14,702.33
Asset held for sale	3	176.46	197.38	532.07
Total Current Assets		**182,844.82**	**174,026.29**	**148,347.74**
TOTAL ASSETS		**261,986.54**	**253,275.42**	**214,663.76**
B EQUITY AND LIABILITIES				
1. Equity				
Equity Share Capital	11	1,911.41	1,799.02	1,798.72
Other Equity		89,864.30	78,260.87	60,950.18
Total Equity		**91,775.71**	**80,059.89**	**62,748.90**
2. Non-Current Liabilities				
Financial Liabilities				
- Other Financial Liabilities	16	56.20	94.17	162.54
Long term Provisions	18	1,076.99	839.58	448.98
Government Grants	19	348.57	413.56	281.28
Total Non-current liabilities		**1,481.76**	**1,347.31**	**892.80**
3. Current Liabilities				
Financial Liabilities				
- Borrowings	14	14,923.45	28,567.00	33,191.81
- Trade Payables	15.A	110,691.23	103,465.92	84,083.11
- Other Payables	15.B	167.37	353.19	43.40
- Other Financial Liabilities	16	1,327.24	2,216.07	651.50
Government grants	19	64.99	78.81	54.29
Provisions	18	3,478.52	3,062.22	2,487.83
Other Current Liabilities	17	38,076.27	34,125.01	30,510.12
Total Current liabilities		**168,729.07**	**171,868.22**	**151,022.06**
TOTAL EQUITY AND LIABILITIES		**261,986.54**	**253,275.42**	**214,663.76**
Summary of significant accounting policies	1 & 2			

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Statement of Profit & Loss Account for the year ended March 31, 2017

(₹ in lakhs)

	Notes	Year ended March 31 2017	Year ended March 31 2016
Revenue from operations	21	414,908.99	356,197.20
Other Income	22	1,313.36	1,010.90
Finance Income	23	2,124.98	1,369.06
Total revenue (I)		**418,347.33**	**358,577.16**
Expenses			
Cost of raw material and components consumed and Project related cost	24	206,903.11	183,789.66
Purchase of traded goods	24	85,992.43	65,085.63
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	24	(2,109.42)	(6,129.21)
Excise Duty on sale of goods		3,699.41	3,179.41
Employee benefits expense	25	30,978.41	32,503.82
Depreciation and amortization expense	26	5,497.17	5,500.84
Finance costs	28	3,061.12	3,613.45
Other expenses	27	69,496.84	58,729.19
Total Expenses (II)		**403,519.07**	**346,272.79**
Profit before exceptional items and tax (I) – (II)		**14,828.26**	**12,304.37**
Exceptional items (net)	29	-	3,007.72
Profit after Exceptional items before Tax		**14,828.26**	**15,312.09**
Profit from continuing operations before taxation :		**14,428.09**	**12,610.23**
Tax Expense			
i) Current tax	20	4,225.91	3,481.76
Less: Tax expense of discontinuing operation	20	138.49	773.44
Current tax for continuing operation		4,087.42	2,708.32
ii) Deferred tax	20	(594.56)	(859.74)
Income tax expense		**3,492.86**	**1,848.58**
Profit for the year from continuing operations [A]		**10,935.23**	**10,761.65**
Discontinuing Operations			
Profit/(loss) before tax for the year from discontinuing operations		400.17	2,701.86
Tax expense for discontinuing operation		138.49	773.44
Profit after tax from discontinuing operation [B]		**261.68**	**1,928.42**
Profit for the year [A+B]		**11,196.91**	**12,690.07**
Balance carried forward		**11,196.91**	**12,690.07**

Statement of Profit & Loss Account for the year ended March 31, 2017

(₹ in lakhs)

	Notes	Year ended March 31 2017	Year ended March 31 2016
Balance brought forward		**11,196.91**	**12,690.07**
Other comprehensive income not to be reclassified to profit or loss in Subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans		(600.37)	(292.00)
Income tax effect		207.77	101.05
Other comprehensive income for the year, net of tax		**(392.60)**	**(190.95)**
Total comprehensive income for the year, net of tax		**10,804.31**	**12,499.12**
Earnings per share from continuing operations	30		
Basic, computed on the basis of profit from continuing operations attributable to equity holders		11.46	11.29
Diluted, computed on the basis of profit from continuing operations attributable to equity holders		11.41	11.26
Earnings per share for discontinuing operations	30		
Basic, computed on the basis of profit from discontinuing operations attributable to equity holders		0.27	2.02
Diluted, computed on the basis of profit from discontinuing operations attributable to equity holders		0.27	2.02
Earnings per share for continuing and discontinuing operations	30		
Basic, computed on the basis of profit for the year attributable to equity holders		11.73	13.31
Diluted, computed on the basis of profit for the year attributable to equity holders		11.68	13.28
Summary of significant accounting policies	1 & 2		

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Statement of Changes in Equity for the year ended March 31, 2017

(A) Equity Share Capital

For the year ended March 31, 2017 *(₹ in lakhs)*

Balance as at April 1, 2016	Changes in Equity Share Capital during the year (refer note 11)	Balance as at March 31, 2017
1,799.02	112.39	1,911.41

For the year ended March 31, 2016 *(₹ in lakhs)*

Balance as at April 1, 2015	Changes in Equity Share Capital during the year (refer note 11)	Balance as at March 31, 2016
1,798.72	0.30	1,799.02

(B) Other Equity

For the year ended March 31, 2017 *(₹ in lakhs)*

Particulars	Share Premium (refer note 12)	Share Capital Suspense (refer note 33)	Share based Payment Reserve (refer note 12)	Capital Redemption Reserve (refer note 12)	Capital Subsidy from Government (refer note 12)	General Reserve (refer note 12)	Retained Earnings	Other Comprehensive Income	Total Equity
As at April 1, 2016	53.62	17,257.28	706.44	233.56	60.00	31,389.07	28,751.85	(190.95)	78,260.87
Profit for the period	-	-	-	-	-	-	11,196.91	-	11,196.91
Other Comprehensive Income	-	-	-	-	-	-		(392.60)	(392.60)
Total Comprehensive Income	**53.62**	**17,257.28**	**706.44**	**233.56**	**60.00**	**31,389.07**	**39,948.76**	**(583.55)**	**89,065.18**
Issue of Share Capital	17,149.46	(17,257.28)	-	-	-	-	-	-	(107.82)
Exercise of Share Options	842.58	-	(178.16)	-	-	-	-	-	664.42
Transfer to General Reserve	-	-	-	-	-	1,080.43	(1,080.43)	-	
Share Based Payment	-	-	242.52	-	-	-	-	-	242.52
Reversal of Employee Compensation Expenses	-	-	(103.69)	-	-	103.69	-	-	-
As at March 31, 2017	**18,045.66**	**-**	**667.11**	**233.56**	**60.00**	**32,573.19**	**38,868.33**	**(583.55)**	**89,864.30**

For the year ended March 31, 2016 *(₹ in lakhs)*

Particulars	Share Premium (refer note 12)	Share Capital Suspense (refer note 33)	Share based Payment Reserve (refer note 12)	Capital Redemption Reserve (refer note 12)	Capital Subsidy from Government (refer note 12)	General Reserve (refer note 12)	Retained Earnings	Other Comprehensive Income	Total Equity
As at April 1, 2015	-	-	349.89	233.56	60.00	30,146.09	30,160.64	-	60,950.18
Profit for the period	-	-	-	-	-	-	12,690.07	-	12,690.07
Other Comprehensive Income	-	-	-	-	-	-	-	(190.95)	(190.95)
Total Comprehensive Income	**-**	**-**	**349.89**	**233.56**	**60.00**	**30,146.09**	**42,850.71**	**(190.95)**	**73,449.30**
Shares to be issued on amalgamation	-	17,257.28	-	-	-	-	-	-	17,257.28
Exercise of Share Options	53.62	-	(10.41)	-	-	-	-	-	43.21
Reversal of Employee Compensation Expenses	-	-	(15.28)	-	-	15.28	-	-	-
Transfer to General Reserve	-	-	-	-	-	1,227.70	(1,227.70)	-	-
Share Based Payment	-	-	382.24	-	-	-	-	-	382.24
Interim Equity Dividend for the year 2015-16	-	-	-	-	-	-	(5,846.82)	-	(5,846.82)
Dividend payable on shares arising from amalgamation for the year 2015-16	-	-	-	-	-	-	(350.44)	-	(350.44)
Dividend Distribution Tax for the year 2015-16	-	-	-	-	-	-	(1,261.62)	-	(1,261.62)
Proposed Dividend for the year 2014-15	-	-	-	-	-	-	(4,496.82)	-	(4,496.82)
Dividend Distribution Tax for the year 2014-15	-	-	-	-	-	-	(915.46)	-	(915.46)
As at March 31, 2016	**53.62**	**17,257.28**	**706.44**	**233.56**	**60.00**	**31,389.07**	**28,751.85**	**(190.95)**	**78,260.87**

Summary of significant accounting policies 1 & 2

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Cash Flow Statement for the year ended March 31, 2017

(₹ in lakhs)

	Year ended March 31	
	2017	**2016**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	**14,428.09**	**12,610.23**
Profit before tax from discontinuing operations	**400.17**	**2,701.86**
Exceptional Items:		
Expenses for Projects (refer note 29)	-	2,723.78
	14,828.26	**18,035.87**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation/amortization	5,497.17	5,500.84
Profit on sale of the Information Technology Business	-	(8,032.21)
Profit on sale of investments	(111.61)	-
Amortisation of Government Grant	(78.80)	(72.69)
Amortisation of Financial guarantee obligation	(91.53)	(53.84)
Share Based Payment	242.52	382.24
Contingencies towards indemnities provided on sale of IT business	-	286.25
Loss/(profit) on sale of fixed assets	65.80	(53.27)
Bad debts/advances written off	175.92	230.80
Allowances for doubtful debts and advances	1,367.07	1,020.55
Unrealized foreign exchange loss/(gain)	273.85	(371.41)
Fair value (gain)/loss on financial instruments	(424.65)	(374.08)
Liabilities written back	(3,567.49)	(2,657.02)
Interest expense	3,806.68	4,070.00
Interest (income)	(1,732.69)	(966.11)
Dividend (income)	(189.15)	(207.48)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**20,061.35**	**16,738.44**
Movements in working capital :		
Increase/(decrease) in trade payables	10,272.08	23,562.90
Increase/(decrease) in long-term/short-term provisions	53.35	(94.58)
Increase/(decrease) in other current liabilities	3,283.40	2,953.41
Decrease/(increase) in trade receivables	(11,989.08)	(6,889.10)
Decrease/(increase) in inventories	(6,497.27)	(5,264.82)
Decrease/(increase) in long-term/short-term loans and advances	(2,145.96)	724.26
Decrease/(increase) in other current/non-current assets	(548.06)	(1,697.94)
Cash generated from/(used in) operations	**12,489.81**	**30,032.57**
Direct taxes paid (net of refunds)	406.44	(2,955.25)
Net cash flow from/(used in) operating activities (A)	**12,896.25**	**27,077.32**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(10,276.27)	(5,764.70)
Proceeds from sale of fixed assets	122.32	373.91
Proceeds on sale of the Information Technology Business	-	17,268.28
Transaction/Merger related One Time Cost	-	(995.00)
Tax on sale of the Information Technology Business	-	(2,116.51)
Balance carried forward	**2742.30**	**35843.30**

(₹ in lakhs)

	Year ended March 31	
	2017	**2016**
Balance brought forward	**2742.30**	**35843.30**
Purchase of current investments	-	(15,806.82)
Purchase of investments in Joint Venture/Subsidiary	-	(701.15)
Proceeds from sale/maturity of current investments	15,918.43	-
Interest received	1,324.68	277.11
Dividends received	189.15	207.48
Net cash flow from/(used in) investing activities (B)	**7,278.31**	**(7,257.40)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from Short Term Borrowings, net	(18,558.14)	(3,145.46)
Interest paid	(3,471.28)	(3,545.30)
Proceeds from fresh issue of Equity Capital (including premium)	668.99	43.51
Dividend paid on equity shares	(182.62)	(10,472.27)
Tax on equity dividend paid	-	(2,267.46)
Net cash flow from/(used in) in financing activities (C)	**(21,543.05)**	**(19,386.98)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**(1,368.49)**	**432.94**
Effect of exchange differences on cash & cash equivalents held in foreign currency	-	2.33
Cash and cash equivalents at the beginning of the year	4,201.53	2,101.66
Add- Cash and Cash Equivalents acquired from subsidiaries on account of merger	-	1,664.60
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,833.04**	**4,201.53**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
– On current accounts**	7,490.48	2,727.86
– Deposits with original maturity of less than 3 months	-	684.67
– On unpaid dividend account*	264.06	796.82
Cash on hand	45.38	44.49
Less : Bank Overdraft (refer note 14)	(4,966.88)	(52.31)
TOTAL CASH AND CASH EQUIVALENTS (NOTE 9)	**2,833.04**	**4,201.53**

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

** Out of the above bank balances, the company can utilize balance of ₹135.52 lakhs (March 31, 2016 : ₹46.51 lakhs and April 1, 2015 : ₹ Nil lakhs) only for one of the projects with prior approval of the customer.

Summary of significant accounting policies 1 & 2

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

1 Corporate Information

Blue Star Limited ("The Company") is into the business of central air conditioning, commercial refrigeration and water purifiers.The Company is also into distribution and maintenance of imported professional electronics and industrial systems.The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Kasturi Buildings, M T Advani Chowk, Jamshedji Tata Road, Churchgate, Mumbai - 400020, Maharashtra.

During the previous year, Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) were amalgamated with the Company w.e.f April 1, 2015. BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The Company has subsequently sold its IT Business as explained in note 33 to the financial statements w.e.f January 1, 2016.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on May 9, 2017.

2 Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2017 are the first such statements the Company has prepared in accordance with Ind AS.

Refer to note 44 for information on first time adoption of Ind AS.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount :

- Derivative financial instruments,

- Certain other financial assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in INR and all values are rounded to the nearest Lakhs (₹00,000), except when otherwise indicated.

2.2 Summary of significant accounting policies

a. Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying the economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 - Income Tax and Ind AS 19 - Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 - Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, goodwill associated with the disposed operation is included in the carrying amount of the operation when determining gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition.

Common control transactions

Common control business combinations include transactions, such as transfer of subsidiaries or business, between entities within the Company.

Business combinations involving entities or business under common control are accounted for using the pooling of interests method. Under pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts, the only adjustments that are made are to harmonise accounting policies.

Financial information in the financial statements in respect of prior periods are restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information is restated only from that date.

The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves with disclosure of its nature and purpose in the notes.

b. Investment in associates, joint ventures and subsidiaries

The Company accounts for its investment in subsidiaries, joint ventures and associates at cost in accordance with Ind AS 27 - 'Separate Financial Statements'.

c. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is treated as current when :

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

d Foreign currencies

The Company's financial statements is presented in INR, which is also its functional currency.

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

e Fair Value Measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

f Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the clarifications on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax/value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from construction contracts

Revenue from construction contracts is recognised by applying percentage of completion method after providing for foreseeable losses, if any. Percentage of completion is determined as a proportion of the cost incurred up to the reporting date to the total estimated cost to complete. Foreseeable losses, if any, on the contracts is recognised as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of cost and related incidental income not included in contract revenue is taken into consideration. Contract is reflected at cost that are expected to be recoverable till such time the outcome of the contract cannot be ascertained reliably and at realisable value thereafter. Claims are accounted as income in the year of acceptance by customer.

Revenue earned in excess of billing has been reflected under "Other Financial Assets" and billing in excess of contract revenue is reflected under "Other Current Liabilities" in the balance sheet. Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably and has been reflected under "Other Current Assets".

Revenue from sale of goods

Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, which is generally on dispatch of goods.It also includes excise duty and price variations based on the contractual agreements and excludes value added tax/sales tax. It is measured at fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company provides normal warranty provisions on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold.

Rendering of services

Revenue from software development/sale of services with respect to time and material contracts get recognized as related costs are incurred and services are performed in accordance with the terms of specific contracts.

Revenue from fixed price contracts relating to software development get recognized based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the basis of proportionate completion method. Provisions for estimated losses on incomplete contracts have been recorded in the period in which such losses become probable based on the current estimates.

Revenue from annual maintenance contracts are recognized pro-rata over the period of the contract.

Commission income is recognized as and when terms of the contracts get fulfilled.

Other items of revenue

Interest income - For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Export incentives - Export incentive receivable is accrued when the right to receive credit is established and there is no significant uncertainty regarding the ultimate collection.

Dividend income - Dividend income is accounted when the right to receive the same is established, which is generally when shareholders approve the dividend.

Rental income - Rental income arising from operating leases on investment properties is accounted on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

g Government Grant

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

h Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss are recognised as a part of these items (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

  Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except;

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss are recognised as a part of these items (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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 taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

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

Sales/value added taxes paid on acquisition of assets or on incurring expenses. Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

i Non-current assets held for sale/distribution to owners and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/distribution rather than through continuing use. Actions required to complete the sale/distribution should indicate that it is unlikely that significant changes to the sale/distribution will be made or that the decision to sell/distribute will be withdrawn. Management must be committed to the sale/distribution expected within one year from the date of classification.

For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has a commercial substance. The criteria for held for sale/distribution classification is regarded met only when the assets or disposal group is available for immediate sale/distribution in its present condition, subject only to terms that are usual and customary for sales/distribution of such assets (or disposal groups), its sale/distribution is highly probable; and it will genuinely be sold and not abandoned. The Company treats sale/distribution of the asset or disposal group to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset (or disposal group),
- An active programme to locate a buyer and complete the plan has been initiated (if applicable),
- The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/distribute. Assets and liabilities classified as held for sale/distribution are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortised.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed off, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.

j Property, plant and equipment

Capital work in progress, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold land is depreciated on a straight line basis. All other assets are depreciated to the residual values on the written-down value basis over the estimated useful lives. Freehold land is not depreciated. Estimated useful lives of the assets are as follows:

Nature of tangible asset	Useful life (years)
Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is less

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in Schedule II to the Companies Act, 2013.

The Company, based on technical assessment made by technical expert and management estimate, depreciates certain items of property, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

k Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

The Company depreciates building component of investment property over 60 years on written down value basis from the date of original purchase which is as prescribed under the schedule II to the Companies Act, 2013.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

l Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

Other intangible assets

The useful lives of other intangible assets are as mentioned below:

Nature of intangible asset	**Method of amortisation**
Software	Written down value of assets over a period of 6 years
Technical knowhow	Straight line basis over a period of 6 years

m Borrowing Cost

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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

n Leases

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

o Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but exclude borrowing costs. Cost is determined on weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

p Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Company of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

q Provisions and contingencies

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Other Litigation claims

Provision for litigation related obligation represents liabilities that are expected to materialise in respect of matters in appeal.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower expected costs of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, the Company recognises impairment on the assets with the contract.

Contingencies

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

r. Retirement and other employee benefits

All employee benefits payable wholly within twelve months are classified as short term employee benefits. Benefits such as salaries, wages, short-term compensated absences, performance incentives etc. and the expected cost of bonus, ex-gratia are recognised during the period in which the employee renders related service.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contribution.

The Company makes contribution towards provident fund which is administered by the trustees. The Rules of the Company's Provident Fund administered by a trust, require that if the Board of the Trustees are unable to pay interest at the rate declared by the Government under Para 60 of the Employees Provident Fund Scheme, 1972 for the reason that the return on investment is less for any other reason, then the deficiency shall be made good by the

Company making interest shortfall a defined benefit plan. Accordingly, the company obtains an actuarial valuation to establish that there is no deficiency as at the balance sheet date. Hence, the liability is restricted to monthly contributions only.

The Company operates a defined benefit gratuity plan in India.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

Voluntary Retirement Scheme (VRS):

VRS payouts are recognised as an expense in the period in which they are incurred.

s. Share-based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised as an employee benefits expense.

Service and non-market performance conditions are not taken into account while determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

t. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Debt instruments at amortised cost
- Debt instruments, derivatives and equity instruments at 'fair value through profit or loss' (FVTPL)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Profit or Loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company

has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies 'expected credit loss' (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

b) Trade receivables or any contractual right to receive cash (including revenue earned in excess of billing) or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables (including Revenue earned in excess of billing).

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on twelve month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve month ECL is a portion of the lifetime ECL which results from default events that are possible within twelve months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., net of all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

- For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

The company enters into derivative contracts to hedge foreign currency/price risk on unexecuted firm commitments and highly probable forecast transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

u. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

v. Cash dividend and non-cash distribution to equity holders

The Company recognises a liability to make cash or non-cash distributions to its equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

Dividends paid/payable are recognised in the year in which the related dividends are approved by the Shareholders or Board of Directors as appropriate.

w. Exceptional items

Exceptional items refer to items of income or expense within the income statement from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company.

x. Earnings per share

The Company's Earnings per Share ('EPS') is determined based on the net profit attributable to the shareholders' of the Company.

Basic earnings per share is calculated by dividing the profit from continuing operations and total profit, both attributable to equity shareholders of the company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is computed using the weighted average number of common and dilutive shares outstanding during the year including share based payments, except where the result would be anti-dilutive.

y. Segment reporting

The chief operational decision maker monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The Operating segments have been identified on the basis of the nature of products/services.

1. Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.
2. Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the company as a whole and not allocable to segments are included under unallocable expenditure.
3. Income which relates to the company as a whole and not allocable to segments is included in unallocable income.
4. Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit before tax of the company.
5. Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

Inter-Segment transfer pricing:

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

3 PROPERTY PLANT & EQUIPMENT

(₹ in lakhs)

Particulars	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improve-ments	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Cost										
At April 1, 2015	5.26	889.39	6,167.82	10,817.96	162.11	332.23	161.29	408.27	440.84	**19,385.17**
Acquisition through business combination	-	-	-	-	264.82	113.66	47.07	27.84	187.40	**640.79**
Additions	-	-	133.25	1,609.57	62.77	122.98	103.64	610.54	704.29	**3,347.04**
Adjustment/Reclassification	-	-	(11.83)	(38.95)	(69.10)	119.27	0.61	-	-	**-**
Disposals	-	-	(10.49)	(932.73)	(265.40)	(115.31)	(65.52)	(142.33)	(231.64)	**(1,763.42)**
At March 31, 2016	**5.26**	**889.39**	**6,278.75**	**11,455.85**	**155.20**	**572.83**	**247.09**	**904.32**	**1,100.89**	**21,609.58**
At April 1, 2016	5.26	889.39	6,278.75	11,455.85	155.20	572.83	247.09	904.32	1,100.89	**21,609.58**
Additions	1,394.80	-	237.42	2,771.52	301.60	404.57	186.92	434.12	524.87	**6,255.82**
Disposals	-	-	(9.76)	(1,165.72)	-	(137.13)	(104.37)	(343.58)	(260.77)	**(2,021.33)**
At March 31, 2017	**1,400.06**	**889.39**	**6,506.41**	**13,061.65**	**456.80**	**840.27**	**329.64**	**994.86**	**1,364.99**	**25,844.07**
Depreciation and impairment										
At April 1, 2015	-	-	-	-	-	-	-	-	-	**-**
Adjustment/Reclassification	-	-	(2.24)	(10.00)	12.13	0.11	-	-	-	**-**
Disposals	-	-	(10.84)	(990.52)	(44.13)	(95.09)	(31.93)	(94.26)	(107.70)	**(1,374.47)**
Provided during the year	-	-	574.31	2,035.90	59.56	191.44	124.93	245.61	520.73	**3,752.48**
At March 31, 2016	**-**	**-**	**561.23**	**1,035.38**	**27.56**	**96.46**	**93.00**	**151.35**	**413.03**	**2,378.01**
At April 1, 2016	-	-	561.23	1,035.38	27.56	96.46	93.00	151.35	413.03	**2,378.01**
Disposals	-	-	(5.92)	(1,116.93)	-	(124.40)	(99.08)	(243.92)	(261.16)	**(1,851.41)**
Provided during the year	-	-	527.45	2,039.61	54.70	160.31	84.69	256.53	584.09	**3,707.38**
At March 31, 2017	**-**	**-**	**1,082.76**	**1,958.06**	**82.26**	**132.37**	**78.61**	**163.96**	**735.96**	**4,233.98**
Net Book Value										
At March 31, 2017	1,400.06	889.39	5,423.65	11,103.59	374.54	707.90	251.03	830.90	629.03	**21,610.09**
At March 31, 2016	5.26	889.39	5,717.52	10,420.47	127.64	476.37	154.09	752.97	687.86	**19,231.57**
At April 1, 2015	5.26	889.39	6,167.82	10,817.96	162.11	332.23	161.29	408.27	440.84	**19,385.17**

In Financial Year 2015-16, the Company had discontinued manufacturing operations at Bharuch and Thane units in accordance with its manufacturing strategy. Plant and Machinery of these manufacturing units (Net Book Value : ₹176.46 lakhs (March 31, 2016 : ₹197.38 lakhs and April 1, 2015 : ₹532.07 lakhs)) that are held for disposal have been disclosed separately as "Assets held for sale". The Company has classified the assets held for sale at their carrying costs and considers the carrying amount will be recovered on sale.

For Property Plant & Equipment existing as on 1 April 2015 i.e. the date of transition to Ind AS, the company has used Indian GAAP carrying value as deemed cost.

4. INVESTMENT PROPERTY

(₹ in lakhs)

Cost	
At April 1, 2015	-
Additions	6,646.97
At March 31, 2016	6,646.97
Additions	30.83
At March 31, 2017	6,677.80
Depreciation	
At April 1, 2015	-
Additions	366.91
At March 31, 2016	366.91
Additions	361.96
At March 31, 2017	728.87
Net Book Value	
At March 31, 2017	5,948.93
At March 31, 2016	6,280.06
At April 1, 2015	-

Information regarding Income & Expenditure of Investment property

(₹ in lakhs)

	As at March 31	
	2017	2016
Rental income derived from investment property	594.29	565.99
Direct operating expenses (including repairs and maintenance) associated with rental income	(13.00)	(12.00)
Profit arising from investment property before depreciation and indirect expenses	581.29	553.99
Less - Depreciation	361.96	366.91
Profit arising from investment property before indirect expenses	**219.33**	**187.08**

As at 31 March 2017 and 31 March 2016, the fair value of the property is ₹6,696.59 lakhs and ₹6,304.37 lakhs respectively. The valuation is based on fair value assessment done by accredited independent valuers. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The Company has no restrictions on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop investment properties or has any plans for major repairs, maintenance and enhancements.

Fair Value Hierarchy disclosures for investment properties have been provided in Note 40.

Description of valuation techniques used and key inputs to valuation on investment properties

Delphi building is a commercial property located at Powai, Mumbai. As per International Valuation Standards (IVS) and guidelines of Royal Institute of Chartered Surveyors (RICS) Guidance note for secured lending in India, in respect of income yielding properties the valuation is to be undertaken using either market approach or income approach out of these prescribed approaches. Since, comparable market transactions are scarce, not transparent and subjective, market approach may not be effective and as such income (investment) approach is used. Though there are comparable instances of rents in the subject commercial project, market instances of sale are scarce. Under income approach, the rental income is capitalised over the balance economic life using the Discounted Cash Flow (DCF) technique which is a universally accepted method. The other approach, viz, cost approach does not produce a figure that relates to the sales price achievable in the event of a default by the borrower. Thus, the income approach which uses the DCF technique has been used to calculate the Fair Value.

While arriving at the fair market rent, weightages are given for factors such as availability of car parks, terrace area, terms of lease, area occupied, reputation of the company (lessee), amenities, ease of collection, sustenance of services, whole life costs and infrastructure maintenance such as DC power, Lift, Fire fighting systems, landscape lighting & maintenance, security, sewage treatment plants, water treatment plants, rain water harvesting etc. The yield and hence the year purchase (YP) is based on these factors considering the balance economic life of the structures.

While estimating the market value by income approach, the capitalization rate of interest and YP are arrived taking into consideration the type of use and the yield received. Further, the reversionary value of the proportionate land area is also taken into consideration. The net present value of the property is arrived using remunerative interest at 8.25% p.a. for office space. The accumulative rate is estimated at 3.00% for office space for the purpose of recoupment of capital. Total economic life of office space is estimated as 60 years. The YP is estimated using dual interest i.e., remunerative rate of interest and accumulative rate of interest in order to account for both remuneration as well the recouping of the capital. The building is about 12 years old and the balance economic life of office use is considered to be 48 years.

5. INTANGIBLE ASSETS

(₹ in lakhs)

	Technical Knowhow	Software	Intellectual Property Rights	Goodwill	Total
Cost					
At April 1, 2015	1,091.36	1,076.88	-	-	**2,168.24**
Acquisition through business combination	-	132.61	51.78	1,036.72	**1,221.11**
Additions	1,556.81	1,237.68	-	-	**2,794.49**
Disposals	-	(623.41)	(51.78)	(1,036.72)	**(1,711.91)**
At March 31, 2016	**2,648.17**	**1,823.76**	**-**	**-**	**4,471.93**
At April 1, 2016	2,648.17	1,823.76	-	-	**4,471.93**
Additions	1,027.98	917.72	-	-	**1,945.70**
Disposals	-	(24.49)	-	-	**(24.49)**
At March 31, 2017	**3,676.15**	**2,716.99**	**-**	**-**	**6,393.14**
Amortisation and impairment					
At April 1, 2015	-	-	-	-	**-**
Disposals	-	(555.29)	(51.78)	(155.51)	**(762.58)**
Provided during the year	498.51	675.65	51.78	155.51	**1,381.45**
At March 31, 2016	**498.51**	**120.36**	**-**	**-**	**618.87**
At April 1, 2016	498.51	120.36	-	-	**618.87**
Disposals	-	(24.13)	-	-	**(24.13)**
Provided during the year	665.04	762.79	-	-	**1,427.83**
At March 31, 2017	**1,163.55**	**859.02**	**-**	**-**	**2,022.57**
Net Book Value					
At March 31, 2017	2,512.60	1,857.97	-	-	**4,370.57**
At March 31, 2016	2,149.66	1,703.40	-	-	**3,853.06**
At April 1, 2015	1,091.36	1,076.88	-	-	**2,168.24**

The Company launched inverter-based variable refrigerant flow (VRF) systems, chillers and wall-mounted units during Financial Year 2015- 2016. The technology cost for development of these products was is initially booked under the head "Intangible Assets under development" and have been capitalised under the head "Intangible Assets" when the recognition criteria was met as per Ind AS 38. The capitalised cost of VRF will get amortised in 6 years in line with market assessment of the use of this technology.

The Company during the current year has commenced a new project to develop higher capacity inverter VRF outdoor Units having cooling capacity of 24HP and above. The Cost related to such project is appearing in intangibles assets under development.

6. FINANCIAL ASSETS
INVESTMENTS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
I. Non Current Investments			
Investments at Cost			
Investment in Equity Instruments			
Unquoted equity instruments			
Investment in Subsidiaries			
5,29,25,052 (31 March 2016 : 5,29,25,052 Fully Paid Equity Shares of ₹2 each, 01 April 2015 : 5,29,25,052 Fully Paid Equity Shares of ₹2 each) Fully Paid Equity Shares of ₹2 each in Blue Star Engineering & Electronics Ltd.**	21,011.70	20,934.69	20,934.69
49 (31 March 2016 : 49, 01 April 2015 : 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar WLL	12.12	12.12	12.12
Investment in Joint Ventures			
367,500 (31 March 2016 : 367,500, 01 April 2015 : 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering Sdn Bhd	49.97	49.97	49.97
255,000 (31 March 2016 : 255,000, 01 April 2015 : Nil) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co. LLC	434.14	434.14	-
Quoted equity instruments			
Investment in Associates			
NIL (31 March 2016 : NIL, 01 April 2015 : 3,098,025) Fully Paid Equity shares of ₹10 each in Blue Star Infotech Ltd. (refer note 33)	-	-	298.21
Total Non Current Investments	21,507.93	21,430.92	21,294.99
II. Current Investments			
Investments at fair value through profit and loss			
Investment in units of Mutual Funds			
Liquid Funds			
Units Nil (31 March 2016 : 98,717.962 units, 01 April 2015 : NIL) of ₹100 each fully paid up in ICICI Money Market Fund	-	218.89	-
Units Nil (31 March 2016 : 46.385 units, 01 April 2015 : NIL) of ₹1,000 each fully paid up in HDFC Liquid Fund - Daily Dividend	-	0.47	-
Growth Schemes	-	-	-
Units Nil (31 March 2016 : 31,09,247.29 units, 01 April 2015 : NIL) of ₹10 each fully paid up in HDFC Mutual Fund	-	800.00	-
Units Nil (31 March 2016 : 3,00,538.246 units, 01 April 2015 : NIL) of ₹100 each fully paid up in ICICI Prudential Mutual Fund	-	850.00	-
Units Nil (31 March 2016 : 43,823.267 units, 01 April 2015 : NIL) of ₹1,000 each fully paid up in Kotak Mutual Fund	-	800.00	-
Units Nil (31 March 2016 : 39,06,784.13 units, 01 April 2015 : NIL) of ₹10 each fully paid up in DHFL Mutual Fund	-	800.00	-

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Investments at amortised cost			
Commercial Paper			
Tata Motors Finance Ltd 364 Days, Maturity 10 August 2016- 500 Units	-	2,421.04	-
Godrej Industries Ltd, Maturity 10 August 2016, Face value ₹5 lakhs- 500 Units	-	2,425.41	-
Housing Development Finance Corporation Ltd. 12 Months 9.3% NCD, Maturity 01 August 2016, Face value ₹10 lakhs- 250 Units	-	2,651.75	-
Dewan Housing Finance Ltd, Maturity 09 August 2016, Face value ₹5 lakhs- 500 Units	-	2,418.58	-
Kotak Mahindra Investments Ltd, Maturity 09 August 2016, Face value ₹5 lakhs- 500 Units	-	2,420.68	-
Total Current Investments	**-**	**15,806.82**	**-**
Aggregate book value of quoted investments	-	3,469.36	298.21
Aggregate market value of quoted investments (refer note 40)	-	3,469.36	6,109.31
Aggregate Value of unquoted investments	21,507.93	33,768.38	20,996.78

** During the year ended March 31, 2017, the Company's investment in Blue Star Engineering & Electronics Ltd. (BSEEL) has increased by ₹77.01 lakhs as the Company has recognised financial guarantee obligation at fair value ₹77.01 lakhs with corresponding recognition of financial guarantee receivable in investment in BSEEL.

Loans (Secured considered good unless otherwise stated)

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Loans and advances to related parties	-	-	-	161.80	334.88	636.41
Loan to Others						
Security Deposit	1,454.53	1,562.54	1,520.84	187.00	-	-
Loans to employees	488.54	581.35	384.58	192.45	34.73	117.38
Total Loans	**1,943.07**	**2,143.89**	**1,905.42**	**541.25**	**369.61**	**753.79**

Loans and Advances to related parties include:

<u>Blue Star Engineering & Electronics Ltd.</u>			
Maximum amount outstanding during the year ₹ Nil lakhs (March 31, 2016 : ₹300.00 lakhs)	-	-	300.00
Working capital loan given to subsidiary . There is no repayment schedule in respect of this loan. It is repayable on demand.			
<u>Blue Star Qatar - WLL</u>			
Maximum amount outstanding during the year ₹375.92 lakhs (March 31, 2016 : ₹336.41 lakhs) represents charges towards corporate guarantee commission recoverable from Blue Star Qatar WLL	161.80	334.88	336.41

Other Financial Assets

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Non-current bank balances**	361.29	334.99	108.49	-	-	-
Unbilled Revenue:						
Project Revenue	-	-	-	22,711.11	20,484.27	19,793.83
Less: Impairment Allowance	-	-	-	1,430.67	1,391.76	1,391.76
Net Project Revenue	-	-	-	21,280.44	19,092.51	18,402.07
AMC	-	-	-	721.35	514.43	457.48
Advance recoverable in cash	-	-	-	364.45	570.97	372.68
Total Other Financial Assets	**361.29**	**334.99**	**108.49**	**22,366.24**	**20,177.91**	**19,232.23**

**Margin money deposits with a carrying amount of ₹361.29 lakhs (31st March, 2016 : ₹334.99 lakhs, 1st April, 2015 : ₹108.49 lakhs) are subject to a first charge as security deposit with customers.

Breakup of total financial assets carried at amortized cost:

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Investment (refer note 6)	-	12,337.46	-
Trade receivables (refer note 8)	84,261.63	73,088.68	67,309.98
Cash & bank balances (refer note 9)	7,799.92	4,253.84	3,633.49
Loans (refer note 6)	2,484.31	2,513.49	2,659.21
Other financial assets (refer note 6)	22,727.53	20,512.89	19,340.72
Total financial assets carried at amortized cost	**117,273.39**	**112,706.36**	**92,943.40**

7. INVENTORIES

(₹ in lakhs)

(Valued at lower of cost and net realisable value)	As at March 31		As at April 1
	2017	2016	2015
Raw materials & components (includes in transit: ₹3,340.08 lakhs (March 31, 2016: ₹2,894.56 lakhs, April 1, 2015: ₹3,024.63 lakhs))	14,806.04	10,800.49	11,894.12
Work-in-progress	3,855.40	3,384.14	3,585.26
Finished goods	11,664.92	10,663.71	13,516.64
Traded goods (includes in transit: ₹873.83 lakhs (March 31, 2016: ₹4,786.76 lakhs, April 1, 2015: ₹2,541.93 lakhs))	23,868.66	23,231.72	14,048.46
Spares	3,849.94	3,467.63	3,238.39
	58,044.96	**51,547.69**	**46,282.87**

The above inventory values are net of provisions made of ₹245.37 lakhs (March 31, 2016 : ₹1,555.93 lakhs and April 1, 2015 : ₹1,248.44 lakhs) for slow moving, obsolete and defective inventory.

8. TRADE RECEIVABLE

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Trade receivables	2,985.30	4,136.42	4,099.02	80,180.80	68,319.11	62,452.54
Receivables from related parties (Note 37)	-	-	-	1,095.54	633.15	758.42
Total Trade receivables	**2,985.30**	**4,136.42**	**4,099.02**	**81,276.34**	**68,952.26**	**63,210.96**
Break up of security details :						
Unsecured, considered good	2,985.30	4,136.42	4,099.02	81,276.34	68,952.26	63,210.96
Doubtful	585.14	5,457.64	1,791.06	13,086.95	6,940.95	9,596.68
	3,570.44	9,594.06	5,890.08	94,363.29	75,893.21	72,807.64
Impairment Allowance (allowance for bad and doubtful debts)						
Doubtful	585.14	5,457.64	1,791.06	13,086.95	6,940.95	9,596.68
Total Trade receivables	**2,985.30**	**4,136.42**	**4,099.02**	**81,276.34**	**68,952.26**	**63,210.96**
Due from Company in which the Company's Non executive Director is a Director						
Atria Convergence technologies Pvt Ltd.				2.39	0.82	10.70
Apollo Hospital Enterprises Limited				456.33	236.33	-

For Terms and Conditions relating to related party receivables, refer note 37

9. CASH AND CASH EQUIVALENT

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Cash and cash equivalents			
Balances with banks:			
– On current accounts***	7,490.48	2,727.86	2,614.80
– Deposits with original maturity of less than 3 months	-	684.67	246.58
– On unpaid dividend account**	264.06	796.82	737.86
Cash on hand	45.38	44.49	34.25
	7,799.92	**4,253.84**	**3,633.49**

** The Company can utilize these balances only towards settlement of the respective dividend payments.

*** Out of the above bank balances, the company can utilize balance of ₹135.52 lakhs (March 31, 2016 : ₹46.51 lakhs and April 1, 2015 : ₹ Nil lakhs) only for one of the projects with prior approval of the customer.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Balances with banks:			
– On current accounts	7,490.48	2,727.86	2,614.80
– Deposits with original maturity of less than three months	-	684.67	246.58
On unpaid dividend account	264.06	796.82	737.86
Cash on hand	45.38	44.49	34.25
	7,799.92	**4,253.84**	**3,633.49**
Less – Bank overdraft (note 14)	4,966.88	52.31	1,531.83
	2,833.04	**4,201.53**	**2,101.66**

10 OTHER ASSETS

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Capital Advances	904.44	869.36	339.76	-	-	-
Balance with Statutory Authorities	1,931.18	1,299.24	1,224.20	4,808.31	5,054.56	5,632.70
Vendor Advances	-	-	-	4,141.49	2,255.75	2,191.95
Prepaid Expenses	-	2.75	4.04	1,822.78	1,872.16	1,384.84
Contract Work in Progress	-	-	-	1,867.07	3,538.31	5,492.84
	2,835.62	**2,171.35**	**1,568.00**	**12,639.65**	**12,720.78**	**14,702.33**

11 SHARE CAPITAL

(₹ in lakhs)

Authorised Share Capital	7.8% Cumulative Convertible Preference Shares of ₹100 each		Equity Shares of ₹2 each		Unclassified Shares of ₹100 each		Cumulative Compulsorily Convertible Preference Shares of ₹10 each	
	No.	Lakhs	No.	Lakhs	No.	Lakhs	No.	Lakhs
At April 1, 2015	**10,000**	10.00	**148,700,000**	**2,974.00**	**16,000**	**16.00**	**-**	**-**
Increase/(Decrease) during the year	-	-	134,900,000	2,698.00	-	-	520,000	52.00
At March 31, 2016	**10,000**	10.00	**283,600,000**	**5,672.00**	**16,000**	**16.00**	**520,000**	**52.00**
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
At March 31, 2017	**10,000**	10.00	**283,600,000**	**5,672.00**	**16,000**	**16.00**	**520,000**	**52.00**

During the year ended March 31, 2016, the authorized share capital was increased by ₹2,750.00 lakhs i.e., 13,49,00,000 Equity shares of ₹2 each, 5,20,000 Cummulative compulsorily convertible preference shares of ₹10 each. During the year, the increase in authorized share capital was pursuant to the merger of Blue Star Infotech Ltd (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Infotech Ltd (BSIL)

Terms/Rights attached to Equity Shares

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

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

Terms/Rights attached to 7.8% Cumulative Convertible Preference Shares

Each convertible preference share has a par value of ₹100 and is convertible at the option of the shareholders into Equity shares on the basis of one equity share for every three preference shares held.

Preference shares confer on the holders thereof the right to receive a fixed cumulative preferential dividend at the rate of 7.8% per annum. The preference shares shall rank for the dividend in priority to the shares of the company in the event of increase in share capital or winding up of the Company up to amount of dividend or any arrears of dividend. Preference share holders will not have any further right to participate in the profits or assets of the company.

Terms/Rights attached to Cumulative Compulsorily Convertible preference shares

Each Cumulative Compulsorily Convertible Preference Share has a par value of ₹10. These shares may be issued as per the terms approved by the Board of Directors subject to the applicable provisions of the Companies Act, 2013.

Issued Share Capital

Equity Shares of ₹2 each issued, subscribed & fully paid up	No.	₹ Lakhs
At April 1, 2015	**89,936,105**	**1,798.72**
Issue of Share Capital - Employee Share Options Exercised	15,000	0.30
At March 31, 2016	**89,951,105**	**1,799.02**
Issue of Share Capital - Employee Share Options Exercised	227,900	4.56
Shares issued pursuant to the merger of Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA), with the Company	5,391,383	107.83
At March 31, 2017	**95,570,388**	**1,911.41**

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

Name of the shareholder	As at March 31, 2017		As at March 31, 2016	
	Numbers	% holding in the class	Numbers	% holding in the class
EQUITY AND LIABILITIES				
IL & FS Trust Company Ltd	11,403,554	11.93%	11,013,076	12.24%
Ashok Mohan Advani	10,871,721	11.38%	10,315,107	11.47%
HDFC Trustee Company Limited	4,737,617	4.96%	6,869,953	7.64%
Suneel Mohan Advani	5,626,827	5.89%	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	4.95%	4,731,983	5.26%

Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

(₹ in lakhs)

	As at March 31	
	2017	2016
53,91,383 equity shares of ₹2 each of the company issued to the shareholders of Blue Star Infotech Ltd (BSIL) as per the approved Scheme of merger of BSIL and BSIBIA with the Company, vide High Court Order dated April 16, 2016	107.83	-

Shares reserved for issue under options

For details of shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Company (refer note 35).

12 OTHER EQUITY

Securities Premium Reserve – Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium Reserve". The Company may issue fully paid-up bonus shares to its members out of the securities premium reserve and the Company can use this reserve for buy-back of shares.

Share Based Payment Reserve - The Company has an employee share option scheme under which options to subscribe for the Company's shares have been granted to the key employees and directors. The share-based payment reserve is used to recognize the value of equity-settled share-based payments provided to the key employees and directors as part of their remuneration. Refer to Note 35 for further details of the scheme.

Capital Redemption Reserve - Capital Redemption Reserve was created for buy-back of shares.

Capital Subsidy Received from Government - Subsidy is an assistance given by the government for investment in the form of capital asset. The subsidy is recognized when the requirements established for receiving them are met. The subsidy was received against the factory setup in the state of Himachal Pradesh during the year ended March 31, 2009 and March 31, 2013.

General Reserve - General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the statement of profit and loss. The Company can use this reserve for payment of dividend and issue of fully paid-up and not paid-up bonus shares.

13 DIVIDEND DISTRIBUTION MADE AND PROPOSED

(₹ in lakhs)

	As at March 31	
	2017	2016
Cash dividends on equity shares declared and paid :		
Final dividend for the year ended on March 31, 2016 : ₹ Nil per share (March 31, 2015: ₹5.00 per share)	-	4,496.82
Dividend Distribution tax on final Dividend	-	915.46
Interim dividend for the year ended on March 31, 2017: ₹ Nil per share (March 31, 2016: ₹6.5 per share)	-	6,197.26
Dividend Distribution tax on Interim Dividend	-	1,261.62
	-	**12,871.16**
Proposed Dividend on Equity Share:		
Final Cash Dividend for year the ended on March 31, 2017 ₹7.50 per share (March 31, 2016: Nil per share)	7,167.78	-
Dividend Distribution tax on Proposed Dividend	1,459.19	-
	8,626.97	**-**

Proposed Dividend on Equity Shares are subject to approval at the Annual General Meeting and are not recognised as a liability (including DDT thereon) as at March 31, 2017.

14 BORROWINGS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Current Borrowings			
Packing credit loan account from banks (secured) (Note a & b)	4,000.00	5,500.00	-
Cash Credit/Bank overdrafts (secured) (Note a & b)	4,966.88	52.31	1,531.83
Buyers' credit from banks (secured) (Note b & c)	956.57	6,034.17	1,891.35
Buyers' credit from banks (unsecured) (Note c)	-	6,980.52	9,768.63
Commercial papers from banks (unsecured) (Note d)	-	10,000.00	10,000.00
Commercial papers from others (unsecured) (Note d)	5,000.00	-	10,000.00
Total current borrowings	**14,923.45**	**28,567.00**	**33,191.81**
Aggregate secured loans	9,923.45	11,586.48	3,423.17
Aggregate Unsecured loans	5,000.00	16,980.52	29,768.64
Total current borrowings	**14,923.45**	**28,567.00**	**33,191.81**

a. Outstanding loans carry an average interest rate of 4.80% - 9.70% p.a. (March 31, 2016 : 6.10% - 9.63% p.a., April 1, 2015: 7% to 10.26% p.a).

b. Outstanding loans is secured by hypothecation of stock-in-trade and trade receivables.

c. Buyers' credit are availed against imports dues and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.68% (March 31, 2016 : Libor plus 0.68%, April 1, 2015 : Libor plus 0.95%).

d. Commercial papers carry average interest rate @ 6.68% p.a. for the current year (March 31, 2016 : 7.78% p.a., April 1, 2015: 8.75% p.a.). These are repayable within 60 days to 91 days from the date of drawdown.

15 TRADE PAYABLES

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
A Trade Payables			
Trade payables **	110,691.23	103,465.92	84,083.11
B Other Payables			
Creditors - capital expenditure	167.37	353.19	43.40
Total Payable	**110,858.60**	**103,819.11**	**84,126.51**
Due to Company in which the Company's Non executive Director is a Director			
Pragati Leadership Institute Private Limited	12.43	-	-

** Disclosure as required under Section 22 of Micro, Small & Medium Enterprises Development Act, 2006 ("the Act")

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
(a) (i) Principal amount remaining unpaid to any supplier at the end of accounting year	3,187.88	2,173.12	2,264.04
(ii) Interest due on above	21.39	7.00	25.94
(b) Amount of interest paid by the buyer in terms of section 16 of the Act	-	-	-
(c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year but without adding the interest specified under this Act).	-	-	-
(d) Amount of interest accrued and remaining unpaid at the end of each accounting year	149.12	127.73	120.73
(e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act, 2006	149.12	127.73	120.73

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

16 OTHER FINANCIAL LIABILITIES

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Financial liabilities at fair value through profit or loss						
Derivatives not designated as hedges						
Foreign exchange forward contracts	-	-	-	314.29	739.45	102.66
Total other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**314.29**	**739.45**	**102.66**
Financial liabilities at amortized cost						
Other deposits	-	-	-	650.60	573.62	227.14
Total other financial liabilities at amortized cost	**-**	**-**	**-**	**650.60**	**573.62**	**227.14**
Interest accrued but not due on borrowings	-	-	-	1.25	37.54	11.95
Unpaid Dividend	-	-	-	264.04	446.66	246.57
Investor Education and Protection Fund will be credited by the amount (as and when due)						
Dividend payable on shares arising from amalgamation (refer note 33)				-	350.44	-
Financial guarantee contracts	56.20	94.17	162.54	97.06	68.36	63.18
Total other financial liabilities	**56.20**	**94.17**	**162.54**	**1,327.24**	**2,216.07**	**651.50**

Foreign exchange forward contracts

The Company enters into foreign exchange forward contracts with the intention of reducing the foreign exchange risk of buyers credit and trade payables. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Break up of financial liabilities carried at amortised cost

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Borrowings (refer note 14)	14,923.45	28,567.00	33,191.81
Trade Payables (refer note 15. A)	110,691.23	103,465.92	84,083.11
Other deposits (refer note 16)	650.60	573.62	227.14
Other Payables (refer note 15. B)	167.37	353.19	43.40
Financial Guarantee Contracts (refer note 16)	153.26	162.53	225.72
Total financial liabilities carried at amortized cost	**126,585.91**	**133,122.26**	**117,771.18**

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60 day terms.

Other payables are non-interest bearing and have an average term of 3 months.

Interest payable is normally settled quarterly throughout the financial year.

For terms and conditions with related parties, refer Note 37.

For explanations on the Company's credit risk management processes, refer Note 41.

17 OTHER LIABILITIES

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Amount due to customers	2,652.64	3,732.98	3,473.46
Unearned revenue on AMC services	5,029.52	4,615.40	4,482.25
Advances from customers	23,210.49	20,259.39	18,182.08
Dues to Statutory bodies	6,814.52	5,343.15	4,234.63
Others	369.10	174.09	137.70
Total Other Liabilities	**38,076.27**	**34,125.01**	**30,510.12**

18 PROVISIONS

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Provision for employee benefits						
Provision for Gratuity (refer note 34)	-	-	-	-	2.20	5.32
Provision for Leave benefits				1,536.04	1,239.45	1,116.00
Provision for Additional Gratuity (refer note 34)	23.59	56.18	52.48	-	4.36	-
	23.59	**56.18**	**52.48**	**1,536.04**	**1,246.01**	**1,121.32**
Other provisions						
Contingencies towards indemnities provided on Sale of IT business (refer note 29)	-	-	-	201.06	286.25	-
Provision for warranties	1,053.40	783.40	396.50	1,342.45	1,061.37	831.45
Loss order	-	-	-	398.97	468.59	535.06
	1,053.40	783.40	396.50	1,942.48	1,816.21	1,366.51
Total	**1,076.99**	**839.58**	**448.98**	**3,478.52**	**3,062.22**	**2,487.83**

Contingencies towards indemnities provided on Sale of IT business

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

(₹ in lakhs)

	As at March 31	
	2017	2016
At the beginning of the year	286.25	-
Arising during the year	-	286.25
Utilized during the year	85.19	-
Unused amounts reversed during the year	-	-
At the end of the year	**201.06**	**286.25**

Provision for warranties

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

(₹ in lakhs)

	As at March 31	
	2017	2016
At the beginning of the year	1,844.77	1,227.95
Arising during the year	1,912.75	1,289.42
Utilized during the year	1,361.67	672.60
At the end of the year	**2,395.85**	**1,844.77**
Current portion	1,342.45	1,061.37
Non-current portion	1,053.40	783.40

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.

19 GOVERNMENT GRANTS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
At 1st April	492.37	335.57	-
Received during the year	-	229.49	340.10
Recognised to the statement of P&L	(78.81)	(72.69)	(4.53)
At 31st March	**413.56**	**492.37**	**335.57**
Current	64.99	78.81	54.29
Non-Current	348.57	413.56	281.28

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

20. INCOME TAX

(₹ in lakhs)

The major components of income tax expense for the years ended March 31, 2017 and March 31, 2016 are:	Year Ended March 31	
	2017	2016
Profit or loss		
Current Income Tax:		
Current income tax charge (continuing operations)	4,087.42	2,708.32
Current income tax charge (discontinuing operations)	138.49	773.44
Total Current income tax charge	**4,225.91**	**3,481.76**
Deferred tax:		
Income tax expense reported in the statement of profit or loss	(594.56)	(859.74)
Total Income Tax before OCI	**3,631.35**	**2,622.02**
OCI		
Deferred tax related to items recognised in OCI during in the year		
Net loss/(gain) on remeasurements of defined benefit plans	207.77	101.05
Income tax charged to OCI	**207.77**	**101.05**
Total Tax Expense (including tax impact on OCI)	**3,423.58**	**2,520.97**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31st March, 2016 and 31st March, 2017 :

	Year Ended March 31	
	2017	2016
Accounting profit before tax from continuing operations	14,428.09	12,610.23
Profit/(loss) before tax from a discontinuing operation	400.17	2,701.86
Other Comprehensive Income before tax	(600.37)	(292.00)
Total	**14,227.89**	**15,020.09**
At India's statutory income tax rate of 34.608% (31st March, 2016: 34.608%)	4,923.99	5,198.15
Expenses not allowed for tax purpose	250.97	282.56
Additional allowances for tax purpose	(1,475.87)	(2,139.42)
Additional allowance for Capital Gain & tax paid at lower rate	-	(493.65)
Expenses allowed for tax purpose	(275.51)	(326.67)
At the effective income tax rate of 24.06% (31st March, 2016: 16.78%)	**3,423.58**	**2,520.97**
Income tax expense reported in the statement of profit and loss (continuing operations)	3,492.86	1,848.58
Income tax attributable to a discontinuing operation	138.49	773.44
Income tax effect on OCI	(207.77)	(101.05)
	3,423.58	**2,520.97**

Deferred tax

Deferred tax relates to the following

(₹ in lakhs)

	Balance Sheet			Profit or loss	
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16
Provision for loss allowance	5,272.91	4,797.10	4,368.48	475.81	428.62
Provisions made disallowed and allowed only on payment basis	821.21	550.21	410.95	271.00	139.26
Accelerated Depreciation for tax purposes	(2,265.80)	(2,216.65)	(1,905.77)	(49.15)	(310.88)
Fair Valuation of financial instruments	111.34	124.85	328.57	(13.51)	(203.72)
Others	656.32	745.91	171.85	(89.59)	574.06
Total (excluding MAT credit entitlement)	**4,595.98**	**4,001.42**	**3,374.08**	**594.56**	**627.34**
MAT Credit Entitlement	5,857.41	6,538.16	6,418.36	-	77.00
Deferred Tax of Blue Star Infotech Limited ('BSIL')	-	-	-	-	155.40
Total	**10,453.39**	**10,539.58**	**9,792.44**	**594.56**	**859.74**

Reflected in the balance sheet as follows

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Deferred tax assets (continuing operations)	12,719.19	12,756.23	11,698.21
Deferred tax liabilities:			
Continuing operations	2,265.80	2,216.65	1,905.77
Deferred tax assets, net	**10,453.39**	**10,539.58**	**9,792.44**

Reconciliation of deferred tax assets (net):

(₹ in lakhs)

	As at March 31	
	2017	2016
Opening balance as of April 1	10,539.58	9,792.44
Tax income/(expense) during the period recognised in Profit or Loss	594.56	859.74
Tax income/(expense) during the period recognised in OCI	-	-
Utilization of MAT Credit	(680.75)	-
Deferred taxes acquired in business combinations	-	(112.60)
Closing balance as at March 31	**10,453.39**	**10,539.58**

21. REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Revenue from operations		
Sale of products (including excise duty)		
Finished goods	173,054.28	165,585.88
Traded goods	118,654.39	75,439.75
Total Sale of products	**291,708.67**	**241,025.63**
Services rendered	36,374.35	45,278.20
Revenue from construction contracts [refer note 43 (a)]	81,479.27	66,224.74
Other operating revenue		
Commission income	25.83	22.01
Provisions and liabilities no longer required	3,567.49	2,657.02
Shared service recovery	899.38	658.84
Others	854.00	330.76
Total revenue from operations	**414,908.99**	**356,197.20**

22. OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	191.72	-
Other non operating income	448.54	318.95
Government Grants	78.81	72.69
Income from lease rentals (refer note 4)	594.29	565.99
Profit on sale of assets	-	53.27
Total	**1,313.36**	**1,010.90**

23. FINANCE INCOME

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Interest income on		
Bank deposits	27.39	75.56
Others	1,705.30	1,032.19
Dividend income on		
Current investments	29.64	25.78
Long-term investments	159.51	181.70
Profit on redemption of Mutual Fund Investment	111.61	-
Commission on Corporate Guarantee issued	91.53	53.83
Total	**2,124.98**	**1,369.06**

24. COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Cost of material consumed	132,631.11	123,113.14
Project cost (including bought outs)	74,272.00	60,676.52
Total Cost of Raw Material and Components Consumed and Project related cost	**206,903.11**	**183,789.66**
Purchase of traded Goods	**85,992.43**	**65,085.63**
Inventories at the end of the year		
Traded goods	23,868.67	23,231.72
Work-in-progress	3,855.40	3,384.14
Finished goods	11,664.92	10,663.71
	39,388.99	**37,279.57**
Inventories at the beginning of the year		
Traded goods	23,231.72	14,048.46
Work-in-progress	3,384.14	3,585.26
Finished goods	10,663.71	13,516.64
	37,279.57	**31,150.36**
(Increase)/Decrease in inventories	**(2,109.42)**	**(6,129.21)**

25. EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Salaries, wages and bonus	27,034.82	27,798.00
Share based Payment (refer note 35)	242.52	382.24
Contribution to provident and other funds	1,095.59	1,243.51
Gratuity expense (refer note 34)	245.41	248.83
Other employment benefits	230.72	491.65
Staff welfare expenses	2,129.35	2,339.59
	30,978.41	**32,503.82**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Depreciation on Tangible Assets (refer note 3)	3,707.38	3,752.48
Amortization expenses on Intangible Assets (refer note 5)	1,427.83	1,381.45
Depreciation on Investment Properties (refer note 4)	361.96	366.91
	5,497.17	**5,500.84**

27. OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Stores and spares consumed	1,397.45	1,211.55
AMC subcontracting cost	20,275.90	18,534.53
Rent	5,419.44	4,493.07
Rates and taxes	65.29	78.51
Power and fuel	1,661.78	1,699.51
Insurance	206.27	221.98
Repairs and maintenance		
Buildings	764.63	909.16
Plant and machinery	403.96	431.65
Others	802.46	598.40
Advertising and sales promotion	11,034.66	6,283.05
Conference Expenses	393.06	249.73
Communication Expenses	793.17	886.33
Commission and Sales Incentives	7,539.65	5,001.13
Freight and forwarding charges	5,662.66	4,136.22
Travelling and conveyance	3,652.34	3,538.56
Printing and stationery	375.30	339.84
Legal and professional fees	4,911.31	6,594.69
Directors' sitting fees	60.80	60.38
Payment to auditors (Refer details A below)	136.37	116.81
Corporate social responsibility expenses (Refer details B below)	172.55	118.56
Donations	34.23	90.50
Loss on sale of fixed assets (net)	65.80	-
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	-	78.58
Bad debts/advances written off	175.92	230.80
Allowances for doubtful debts and advances	1,367.07	1,020.55
Miscellaneous expenses	2,124.77	1,805.10
	69,496.84	**58,729.19**
A. Payment to auditors		
As auditor:		
Audit fee	85.93	82.45
Limited review	25.50	18.00
In other capacity		
Other services	21.07	12.15
Reimbursement of expenses	3.87	4.21
	136.37	**116.81**

Excludes payment to auditors of ₹62.08 lakhs payable to Statutory Auditors of BSIL and BSIBIA which was amalgamated with the Company w.e.f. April 1, 2015 (refer note 33). Such fees is included in legal and professional fees.

(₹ in lakhs)

B. Corporate social responsibility expenses

	Year Ended March 31	
	2017	**2016**
(i) Gross amount required to be spent by the Company during the year	167.64	134.88
(ii) Amount spent during the year	172.55	118.56

28. FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Interest	2,420.21	2,562.72
Bank charges	482.08	413.45
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	158.83	637.28
	3,061.12	**3,613.45**

29 EXCEPTIONAL ITEMS

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
A. Exceptional Income		
Profit on sale of IT business (refer note 33)	-	8,032.21
	-	**8,032.21**
Less :		
B. Exceptional expenses		
Contingencies towards indemnities provided on sale of IT business (refer note 33)***	-	(286.25)
Cost of Voluntary Retirement Scheme & other expenses on closure of plant*	-	(1,868.72)
Bonus expenses for earlier years pursuant to retrospective amendment in statute	-	(145.74)
Cost update on major contracts **	-	(2,723.78)
	-	**(5,024.49)**
Exceptional Items (Net)	-	**3,007.72**

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

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

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

30 EARNING PER SHARES (EPS)

(₹ in lakhs)

The following reflects the income and share data used in the basic and diluted EPS computations :

	Year Ended March 31	
	2017	2016
Profit attributable to equity holders of the company :		
Continuing operations	10,935.23	10,761.65
Discontinuing operation	261.68	1,928.42
Profit attributable to equity holders of the company for basic earnings	**11,196.91**	**12,690.07**
Weighted average number of Equity shares for basic EPS (a)	953.57	899.51
ESOP issued during the year (b)	1.07	-
Number of equity shares in share capital suspense account (refer note 33) (c)	-	53.91
Total number of Shares (a+b+c)	**954.64**	**953.42**
Effect of dilutions		
Shares Options	3.73	2.09
Weighted average number of Equity shares adjusted for the effect of dilution *	**958.37**	**955.51**

* The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year. There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.

31 DISCONTINUING OPERATIONS

(a) During the previous year, the Company has sold BSIL and BSIBIA which were mainly engaged in the Information technology and software services business (IT business) w.e.f January 1, 2016 (refer note 33).

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

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Revenue	-	11,710.55
Other income	-	450.67
Expenses	-	10,230.25
Profit from operating activities	**-**	**1,930.97**
Finance cost	-	18.01
Depreciation	-	493.35
Profit before exceptional item and tax	**-**	**1,419.61**
Exceptional items	-	-
Profit after exceptional item before tax	**-**	**1,419.61**
Income tax expenses	-	329.68
Profit after tax	**-**	**1,089.93**

The carrying amount of total assets and liabilities transferred on January 1, 2016 are as follows :

(₹ in lakhs)

	As at Jan 1, 2016
Total assets	7,357.29
Total liabilities	2,305.54
Net Assets	**5,051.75**

The net cash flows attributable to are as below :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Operating activities	-	1,991.83
Investing activities	-	(2,655.68)
Financing activities	-	(540.41)
Net cash inflows/(outflows)	**-**	**(1,204.26)**

Comparable financial performance of Company for Financial Year 2016-17, excluding the impact of BSIL and BSIBIA merger in Financial Year 2015-16 is given below :

	Year Ended March 31	
	2017	2016
Revenue from Operations	414,908.99	344,486.65
Total revenue	418,347.33	346,415.93
Total Expenses	403,519.07	335,531.18
Profit before exceptional items and tax	14,828.26	10,884.75
Exceptional Items	-	(4,738.24)
Profit after exceptional items before tax	**14,828.26**	**6,146.51**

(b) In the earlier year, the Board of Directors and shareholders had approved the transfer of the Company's Professional Electronics and Industrial Systems business to Blue Star Engineering & Electronics Ltd. (BSEEL), a wholly owned subsidiary of the Company. Accordingly, the Company entered into a business purchase agreement for sale of the said business with effect from March 31, 2015. However, due to customer and contractual requirements, certain contracts of PE&IS business were also executed by Blue Star Limited and hence the same is being shown as discontinuing operations.

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

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Revenue	2,262.65	6,457.23
Other income	-	-
Expenses	1,862.48	5,174.98
Profit from operating activities	**400.17**	**1,282.25**
Finance cost	-	-
Depreciation	-	-
Profit before tax	**400.17**	**1,282.25**
Income tax expenses	138.49	443.76
Profit after tax	**261.68**	**838.49**

The carrying amount of total assets and liabilities of discontinuing operations on March 31, 2017 and March 31, 2016 are as follows.

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Total assets	1,128.17	924.20
Total liabilities	540.83	813.21
Net Assets	**587.34**	**110.99**

The net cash flows attributable to are as below :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Operating activities	248.60	1,229.45
Investing activities	-	-
Financing activities	-	-
Net cash inflows/(outflows)	**248.60**	**1,229.45**

32 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported values of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

Estimates and assumptions

The key assumptions concerning future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Project revenue and costs

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. The Company re-assesses these estimates on periodic basis and makes appropriate revisions accordingly.

Share-based payments

The Company initially measures the cost of equity-settled transactions with employees using an appropriate valuation model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

Taxes

Significant management judgement is required to determine the amount of deferred tax assets (including MAT credit) that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Employee benefit plans

The cost of defined benefit gratuity plan and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Further details about gratuity obligations are given in Note 34.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Intangible asset under development

The Company capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Impairment of financial assets

The impairment provision for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Allowance for uncollectible trade receivables

Trade receivables do not carry interest and are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the aging of the receivable balances and historical experiences. Individual trade receivables are written off when management deems them not be collectible.

Warranties

Provision for warranties involves a significant amount of estimation. The provision is based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate is determined based on the Company's past experience of warranty claims (normally over four years) and future expectations. These estimates are revised periodically.

Rebates and discounts

The Company provides rebates and discounts to its dealers and channel partners based on an expectation of volumes achieved and other parameters such as quality of showroom etc. This involves a certain degree of estimation of whether all the parameters to provide discounts have been achieved. Provision for discount and rebates is based on the Company's past experience of volumes achieved vis-à-vis targets etc.

33 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Amalgamation and sale of business of Blue Star Infotech Ltd (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Limited (the Company) in financial year 2015-16.

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

The Company acquired BSIL and BSIBIA to consolidate and simplify asset and business investment ownership. BSIL and BSIBIA were mainly engaged in the information technology and software services business till December 31, 2015. BSIL operations also include leasing of immovable property which continues.

Accordingly, the accounting treatment has been given as under:

1 The assets and liabilities of BSIL and BSIBIA as at April 1, 2015 have been recognised at their fair values in the Financial Statements of the Company.

2 BSIL's 1,08,00,000 equity shares of ₹10 each fully paid up stands cancelled.

3 The Company has discharged the purchase consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Company. The fair value of the shares is calculated with reference to the quoted price of the shares of the date of acquisition which was ₹320.09 each. The fair value of consideration is therefore ₹17,257.28 lakhs Pending issue and allotment of the equity shares, the face value and premium on such shares of ₹17,257.28 lakhs was shown under the heading "Share Suspense Account" as at March 31, 2016.

4 **Assets acquired and liabilities assumed:**

The fair values of the identifiable assets and liabilities of BSIL and BSIBIA as at the date of acquisition were:

(₹ in lakhs)

	Fair Value recognised on acquisition
Assets	
Property, plant and equipment	1,863
Investment Property	6,304
Cash and cash equivalents	1,644
Trade receivables	4,468
Income Tax Assets	1,907
Investment in subsidiaries	9,910
Total Assets	**26,096**
Liabilities	
Trade payables	355
Provisions	831
Other Liabilities	1,726
Total Liabilities	**2,912**
Total identifiable net assets at fair value (A)	**23,184**
i. Extinguishment of shares held in BSIL	6,963
ii. Purchase Consideration transferred	17,257
Total consideration (B)	**24,220**
Goodwill arising on acquisition (B - A)	**1,036**

The fair value of trade receivables amounts to ₹4,468 lakhs. However, none of the trade receivables is credit impaired and it is expected that the full contractual amounts can be collected.

5 The excess of the fair value of purchase consideration over the fair value of net assets of BSIL and BSIBIA amounting to ₹1,036 lakhs has been treated as goodwill. The Goodwill of ₹1,036 lakhs comprises the value of expected synergies arising from acquisition and the gain on remeasurement of its previously held equity interest in the acquiree at its acquisition-date fair value Goodwill arising above has been amortised/charged off during the year. None of the goodwill is expected to be deductible for income tax purposes.

6 As per the Scheme, pending allotment of shares, dividend @ ₹6.5 per share relating to 53,91,383 equity shares and amounting to ₹350.44 lakhs was shown under other financial liabilities as dividend payable as of March 31, 2016.

7 Pursuant to a Business Transfer Agreement executed on September 29, 2015 which was approved by the Board of Directors of BSIL on that date and subsequently by the shareholders of BSIL on November 18, 2015, BSIL sold its Information

Technology business on a Slump Sale basis to Infogain India Pvt. Ltd. effective January 1, 2016 to monetise and generate substantial value for its shareholders. The business transfer involves transfer of the business, employees and all business assets and liabilities for an agreed cash consideration of ₹7,358 lakhs.

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

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

8 The Company held 30,98,025 fully paid equity shares of ₹10 each in BSIL amounting to ₹298 lakhs prior to acquisition. The acquisition-date fair value of the equity interest immediately before the acquisition date was ₹6,963 lakhs. Thus the amount of gain of ₹6,664.70 lakh was recognised, which is disclosed as exceptional item in note 29. Further, on sale of IT Business and overseas subsidiaries, the Company has recorded a gain of ₹1,367 lakhs which has been disclosed as an exceptional item in note 29. Thus, the total gain on amalgamation of BSIL and BSIBIA and sale of IT business and overseas subsidiaries amounted to ₹7,746 lakhs, net of contingencies towards indemnities provided on sale of IT business ₹286 lakhs.

From the date of acquisition, BSIL and BSIBIA contributed ₹11,710.54 lakhs of revenue and ₹1,985.60 lakhs of profit before tax from continuing operations of the Company during financial year 2015-16.

9 Figures for the previous year include figures of BSIL and BSIBIA which has been amalgamated with the Company with effect from April 1, 2015 and subsequently sold on January 1, 2016, and are therefore to that extent not comparable with those of the current year.

34 EMPLOYEE BENEFITS DISCLOSURE

I. Defined Contribution Plans

Amount of ₹564.87 (31 March 2016 : ₹758.59 lakhs) is recognized as an expense and included in “Employee Benefits expense” (refer note 25) in the statement of Profit and Loss.

II. Defined Benefit Plans

a. Gratuity

The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded final salary defined benefit plan for the qualifying employees.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member’s length of service and salary at separation age. The fund formed by the Company manages the investments of the Gratuity fund. Market volatility, changes in inflation and interest rates, rising longevity, plan administration expense and regulatory changes are just some of the factors that create financial risk in defined benefit plans. If not managed, defined benefit plan risk will impact credit ratings, access to capital, share prices and plans for growth, as well as divert attention and valuable resources from core business strategy. As the plan assets include investments mainly in the public sector undertakings, state government securities and investments with the approved insurance company, the company’s exposure to equity market risk is minimal.

Expected rate of return on investments is determined based on 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 ₹560 lakhs to gratuity fund in 2017-18 (March 31, 2016: ₹600 lakhs).

Change in present value of defined benefit obligation

(₹ in lakhs)

Particulars	Gratuity		Additional Gratuity	
	31-Mar-17	31-Mar-16	**31-Mar-17**	31-Mar-16
Defined benefit obligation at the beginning of the year	2,472.88	2,459.07	60.54	57.80
Current service cost	238.71	250.97	2.09	10.09
Interest cost	166.02	167.18	4.42	
Benefit payments	(567.73)	(703.70)	(5.30)	(7.35)
Remeasurements				
a. Due to change in financial assumptions	75.01	1.31	0.81	
b. Due to experience adjustments	67.52	298.05	(38.97)	-
Defined benefit obligation at the end of the year	**2,452.41**	**2,472.88**	**23.59**	**60.54**
Change in fair value of plan assets				
Fair value of plan assets at the beginning of the year	2,470.68	2,473.37	-	-
Expected return on Plan assets	166.86	188.87	-	-
Contribution by employer	527.13	522.54	-	-
Actual benefits paid	(567.73)	(703.70)	-	-
Remeasurements			-	-
Return on Assets	(72.12)	(10.40)	-	-
Fair value of plan assets at the end of the year	**2,524.82**	**2,470.68**	**-**	**-**
Components of defined benefit cost				
Current service cost	238.71	250.97	2.09	10.09
Interest Cost	166.02	167.18	4.42	-
Expected return on plan assets	(166.86)	(188.87)	-	-
Defined benefit cost included in P&L	**237.87**	**229.28**	**6.51**	**10.09**
Remeasurements (recognized in other comprehensive income (OCI)				
a. Due to change in financial assumptions	75.01	1.31	0.81	-
b. Due to change in experience adjustments	67.52	298.05	(38.97)	-
c. (Return) on plan assets (excl. interest income)	72.12	10.40	-	-
Total remeasurements in OCI	**214.65**	**309.76**	**(38.16)**	**-**
Total defined benefit cost recognized in P&L and OCI	**452.52**	**539.04**	**(31.65)**	**10.09**

Net Assets/(Liability) recognised in the Balance Sheet

(₹ in lakhs)

Particulars	Gratuity		Additional Gratuity	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Present Value of Defined benefit obligation	2,452.41	2,472.88	23.59	60.54
Fair value of plan assets	2,524.82	2,470.68	-	-
Funded status [Surplus/(Deficit)]	72.41	(2.20)	(23.59)	(60.54)
Net assets (liability)	**72.41**	**(2.20)**	**(23.59)**	**(60.54)**
Net defined benefit liability (asset) reconciliation				
Net defined benefit liability (asset) at the beginning of the year	2.20	(14.30)	60.54	57.80
Defined benefit cost included in P&L	237.87	229.28	6.51	10.09
Total remeasurements included in OCI	214.65	309.76	(38.16)	-
Contribution by employer	(527.13)	(522.54)	(5.30)	(7.35)
Net defined benefit liability (asset) as at the end of the year	**(72.41)**	**2.20**	**23.59**	**60.54**

The major categories of plan assets are as follows: *(₹ in lakhs)*

Particulars	As at March 31		As at April 1
	2017	2016	2015
Cash and cash equivalents	49.99	-	30.18
Insurance company products	925.09	647.57	-
Others	1,549.74	1,823.11	2,423.86
Total	**2,524.82**	**2,470.68**	**2,454.04**

The principal assumptions used in determining gratuity for the company's plan are as shown below:

(₹ in lakhs)

Actuarial Assumptions	Gratuity			Additional Gratuity		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Discount Rate	7.30%	7.57%	8.00%	7.30%	7.57%	8.00%
Rate of return on plan assets	7.30%	8.00%	8.00%	7.30%	8.00%	8.00%
Mortality Rate	IALM-2006-08	IALM-2008	LIC (1994-96)	IALM-2006-08	IALM-2008	LIC (1994-96)
Salary escalation rate (Directors-Management-staff)	10%,6%,2%	10%,6%,2%	10%,6%,2%	-	-	-
Attrition Rate	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout

A quantitative sensitivity analysis for significant assumptions as at March 31, 2017 is shown as below:

	Gratuity	Additional Gratuity
Assumptions	**31-Mar-17**	**31-Mar-16**
Discount Rate		
Discount Rate - 50 Basis Points	2,601.50	25.20
Assumption	6.80%	6.80%
Discount Rate + 50 Basis Points	2,316.31	22.13
Assumption	7.80%	7.80%
Future Salary Increase		
Salary Rate - 50 Basis Points	2,319.50	23.59
Assumption	Vary by employee type	Vary by employee type
Salary Rate + 50 Basis Points	2,596.70	23.59
Assumption	Vary by employee type	Vary by employee type

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year 2016-17.

The average duration of the defined benefit plan obligation at the end of the reporting year 2016-17 is 12 years.

b. Provident Fund

In accordance to IND AS 19 that provident fund set up by employers which require interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2017. The Company's contribution to the Employee's Provident fund aggregates to ₹530.72 lakhs (31 March 2016 : ₹484.92 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

35 SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended 31 March 2017, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On 18th January 2013, the Board of Directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to key employees and directors of the company. The Scheme was also approved by the Shareholders of the Company by a special resolution passed by postal ballot dated 7th March, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 1 to 5 years.

The exercise price of the share options under the current grants is equal to the market price of the underlying shares on the date of grant. The fair value of the share options is estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

a) Employee Stock Option Scheme

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
No of Options (Refer Note b)	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Method of Accounting	Fair Value						
Vesting period (in years)	3	2	2	2	1	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life (in years)	5	5	5	5	5	5	5
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
No of Options (Refer Note b)	1,144,500	42,000	28,000	56,000	54,000	6,000
Method of Accounting	Fair Value					
Vesting period (in years)	3	2	2	2	1	1
Exercise period (in years) (from date of vesting)	5	5	5	2	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016
Expected life (in years)	5	5	5	5	5	5
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35
Market price	290.05	320.70	345.65	369.55	355.10	341.35
Vesting conditions	Based on the performance ratings					
Method of Settlement	Equity					

b) Movement of Options

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
Options outstanding at the beginning of the period	1,144,500	42,000	28,000	56,000	54,000	6,000	-
Options granted during the period	-	-	-	-	-	-	46,000
Options lapsed during the period	257,400	3,600	2,400	-	-	-	-
Options exercised during the period	217,900	-	-	10,000	-	-	-
Options outstanding at the end of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options exercisable as on March 31	327,200	14,400	9,600	14,000	-	-	

The weighted average share price at the date of exercise for stock options exercised was ₹499.35.

The weighted average contractual life for the share options outstanding as at March 31, 2017 was 1 year and 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
Options outstanding at the beginning of the period	1,365,000	42,000	-	-	-	-
Options granted - during the period	-	28,000	56,000	54,000	6,000	
Options lapsed during the period	205,500	-	-	-	-	-
Options exercised during the period	15,000	-	-	-	-	-
Options outstanding at the end of the period	1,144,500	42,000	28,000	56,000	54,000	6,000
Options exercisable as on March 31	332,850	-	-	-	-	-

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

The weighted average contractual life for the share options outstanding as at March 31, 2016 was 2 years and 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹369.55.

c) Fair Valuation

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
Model used	Black-Scholes						
Expected volatility	38.0%	35.0%	30.0%	31.0%	32.0%	32.0%	36.0%
Risk-free interest rate	8.5%	7.7%	7.8%	7.8%	7.8%	7.6%	7.7%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
Model used	Black-Scholes					
Expected volatility	38.0%	35.0%	30.0%	31.0%	32.0%	32.0%
Risk-free interest rate	8.5%	7.7%	7.8%	7.8%	7.8%	7.6%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

d) The expense recognised for employee services received during the year is shown in the following table:

(₹ in lakhs)

	As at March 31	
	2017	**2016**
Expense arising from equity-settled share-based payment transactions	242.52	382.24
Total expense arising from share-based payment transactions	**242.52**	**382.24**

36. COMMITMENTS AND CONTINGENCIES

a. Contingent liabilities

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

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

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Claims against the Company not acknowledged as debts	24.65	72.18	72.18
Sales Tax matters	4,429.76	9,070.00	12,048.84
Excise Duty matters	645.68	341.29	127.57
Service Tax matters	15,142.53	15,207.29	1,814.79
Income Tax matters	6,169.92	5,115.98	4,740.21

b Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2017, Company had commitments of ₹2,662.37 lakhs (March 31, 2016: ₹1,773.35 lakhs, April 1, 2015: ₹513.81 lakhs)

c Financial Guarantees provided

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Corporate Guarantee given on behalf of Subsidiary and others	18,584.91	12,568.83	12,378.00

37 DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES

Related Party Disclosure	Country of Incorporations	% of equity interest		
		31-Mar-17	31-Mar-16	1-Apr-15
Name of the Related parties where control exists irrespective of whether transactions have occurred or not.				
Subsidiary :				
Blue Star Engineering & Electronics Limited	India	100%	100%	100%
Blue Star Qatar WLL**	Qatar	49%	49%	49%
Blue Star Infotech (UK) Limited (BSIUK) (April 1, 2015 to December 31, 2015 - refer note 33)	UK			100%
Blue Star Infotech America, Inc. (BSIA) (April 1, 2015 to December 31, 2015 - refer note 33)	USA			100%
Blue Star Infotech (Singapore) Pte Limited (BSISG) (April 1, 2015 to December 31, 2015 - refer note 33)	Singapore			100%
Blue Star Infostack Solutions Pte. Limited (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 33)	Singapore			100%
Blue7 Solutions LLC, USA (subsidiary of BSIA) (April 1, 2015 to December 31, 2015 - refer note 33)	USA			100%
Blue Star Infostack (Malaysia) Sdn Bhd (subsidiary of BSISG) (April 1, 2015 to December 31, 2015 - refer note 33)	Malaysia			100%

** The Company holds 49% of the share capital in Blue Star Qatar WLL (BSQ). Upon assessment of control over BSQ, the Company has concluded that the said company is a subsidiary of the company under Ind AS 110.

Names of other related parties as per Ind AS 24 with whom transactions have taken place during the year:

Joint Ventures	Country of Incorporations	% of equity interest		
		31-Mar-17	31-Mar-16	1-Apr-15
Blue Star M & E Engineering Sdn Bhd	Malaysia	49%	49%	49%
Blue Star Oman Electro-Mechanical Co. LLC	Oman	51%	51%	-

Associate

Blue Star Infotech Limited (up to March 31, 2015) (refer note 33)

Key Management Personnel

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

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

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

Sangameshwar Iyer, Company Secretary (up to May 31, 2015)

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

Neeraj Basur, Chief Financial Officer

Non Executive and Independent Directors

Ashok M Advani

Suneel M Advani

Pradeep Mallick

Gurdeep Singh

M K Sharma

Shailesh Haribhakti

Shobana Kamineni

Rajiv R Lulla

Dinesh N Vaswani

Relatives of Key Management Personnel

Nargis Advani

Suneel M Advani

Enterprises in which a Director is a member/director

KEIMED Private Limited

Apollo Munich Health Insurance Company Limited

Apollo Hospital Enterprises Limited

Pragati Leadership Institute Private Limited

Transactions during the period with Related Parties are as under:

	2016-17		2015-16		April 1, 2015
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)	Balance O/S DR/(CR)
Blue Star M & E Engineering Sdn Bhd		**27.76**		**51.37**	**80.92**
Consultancy services rendered	137.04		123.26		
Dividend received (Gross)	159.51		181.70		
Blue Star Infotech Limited (refer note 33)					**(143.94)**
Blue Star Qatar WLL		**84.73**		**317.63**	**248.16**
Sales & Services	22.49		56.14		
Corporate guarantee given on behalf of the Company (Outstanding balance of loans as on March 31, 2017 is ₹12,210 lakhs (March 31, 2016: ₹6,516 lakhs and April 1, 2015: ₹7,625 lakhs))	4,875.53	26,325.73	5,226.30	21,450.20	15,331.00
Guarantee commission	77.68		13.32		
Loan & Commission repaid	261.48		-		
Blue Star Oman Electro-Mechanical Co. LLC					
Investment in Equity Shares	-		434.14		
Blue Star Engineering & Electronics Ltd.		**524.33**		**27.00**	**498.25**
Investment in Shares	-		58.50		
Corporate guarantee given	3,155.80	10,455.80	-	7,300.00	8,000.00
Outstanding balance of loans as on March 31, 2017: ₹6,375 lakhs (March 31, 2016: ₹6,053 lakhs and April 1, 2015: ₹4,611 lakhs)					
Interest on Loan Received	-		8.14		
Advances/Loan repaid	-		300.00		
Reimbursement of expenses charged	31.01		71.14		
Reimbursement of employee cost	434.59		788.38		
Purchase	79.33		325.64		
Sales	14.73		105.71		
Shared service recovery	899.38		658.84		
Rent paid (BSDEL)	244.00		261.13		
Blue Star Infotech America Inc.		**-**		**-**	**-**
Rendering of Services	-		4,168.14		
Receiving of Services	-		195.36		

Name of Related party	2016-17		2015-16		April 1, 2015
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)	Balance O/S DR/(CR)
Reimbursement of expenses	-		31.07		
Blue Star Infotech (UK) Limited		-		-	-
Rendering of Services	-		882.20		
Receiving of Services	-		130.50		
Reimbursement of expenses	-		21.80		
Blue Star Infotech (Singapore) Pte. Limited		-		-	-
Rendering of Services	-		1,045.70		
Receiving of Services	-		9.84		
Reimbursement of expenses	-		12.49		
Blue Star Infostack Solutions Pte. Limited		-		-	-
Rendering of Services	-		13.89		
Receiving of Services	-		18.46		-
Blue Star Infostack (Malaysia) Sdn Bhd		-		-	-
Receiving of Services	-		1.77		
Services Received					
Vir S Advani	-		29.11		
Enterprises in which Director is a member/director					
Sale of Goods and Services					
Apollo Hospital Enterprises Ltd	349.25	-	197.24		
Atria Convergence Technologies Pvt Ltd	7.62	2.39	-	0.82	10.70
KEIMED Pvt Ltd	5.56	-	3.68	-	-
Apollo Munich Health Insurance Co Ltd	0.47	-	-	-	-
Project Revenue					
Apollo Hospital Enterprises Ltd	344.92	456.33	345.50	236.33	(79.61)
Insurance Premium					
Apollo Munich Health Insurance Co Ltd	-	-	199.04	-	15.66
Services Received					
Pragati Leadership Institute Pvt Ltd	12.66	(12.42)	-	-	-

Name of Related party	2016-17		2015-16		April 1, 2015
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)	Balance O/S DR/(CR)
Relative of Key Management Personnel		-		170.00	70.00
Rent paid	-		1.20		-
Remuneration	-		42.60		-
Compensation of key managerial personnel		(590.10)		(409.39)	(280.14)
Short term employee benefits	1,051.46	-	934.79	-	
Sitting fees to Non Executive and Independent Directors	60.80	-	60.38	-	
Commission to Non Executive and Independent Directors	118.80	-	99.00	-	
Retirement benefits	37.46	-	24.98	-	
Share-based payment transactions	92.11	-	193.59	-	
Total compensation paid to key management personnel	**1,360.63**		**1,312.74**		
ESOP exercised during the year					
Satish Jamdar (15,000 equity shares of ₹2 each)	-		43.51		
Neeraj Basur (10,000 equity shares of ₹2 each)	36.96		-		

* The amounts are classified as trade receivables and trade payables, respectively.

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

Terms & Conditions of Transactions with Related Party

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended 31 March 2017, the company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2016: ₹Nil, 1 April 2015: Nil).

Loans & Corporate Guarantees to Related Parties

The company has given loans and corporate guarantees to subsidiaries and relevant joint ventures in the ordinary course of business to meet the working capital requirements of subsidiaries and joint ventures.

Transactions with key managerial personnel

Other Directors' interests

During the year ending March 31, 2016 , the company had received services from one of the directors. The company had also paid rent to one of the relatives of directors during previous year. The company had sold goods & services to two enterprises and received services from an enterprise where the director is member/director. All the above transactions were entered in on an arm's length basis.

Directors' interests in the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme")

Share options held by executive director of the Board of Directors under the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme") to purchase Equity shares have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise Price	31-Mar-17 Number outstanding	31-Mar-16 Number outstanding	1-Apr-15 Number outstanding
06-Jun-2014	06-Jun-2019	290.05	195,200	470,900	500,000
01-Apr-2016	01-Apr-2021	390.30	40,000	-	-

38. SEGMENT INFORMATION:

A. Primary Segment Reporting (by Business Segment)

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

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

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

c. Professional Electronics and Industrial Systems includes trading and services for testing machines, medical, analytical, test & measuring, data communications, industrial products and systems (divested as on March 31, 2015. Refer note 31b)

d. Others constitute BSIL and BSIBIA which are mainly engaged in information technology and software services business. This business was sold to Infogain India Pvt. Ltd on December 31, 2015 (Refer note 33 and note 31b).

Segment Revenues, Results and other Information:

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
I. SEGMENT REVENUE		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	212,254.42	179,747.76
ii. Unitary Products	200,391.92	158,281.78
iii. Professional Electronics and Industrial Systems (refer note 31)	2,262.65	6,457.00
iv. Others (refer Note 31)	-	12,417.41
Less : Intersegment revenue	-	706.75
TOTAL SEGMENT REVENUE	**414,908.99**	**356,197.20**
Add: Other Income	1,313.36	1,010.90
Add: Finance Income	2,124.98	1,369.06
TOTAL INCOME	**418,347.33**	**358,577.16**
II. SEGMENT RESULT		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	9,526.09	7,578.85
ii. Unitary Products	20,809.23	16,513.30
iii. Professional Electronics and Industrial Systems (refer note 31)	400.17	1,282.25
iv. Others (refer Note 31)	-	1,420.00
TOTAL SEGMENT RESULT	**30,735.49**	**26,794.40**
Less: i) Finance Cost	3,061.12	3,613.45
ii) Other un-allocable Expenditure Net of un-allocable Income	12,846.11	10,876.58
TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM	**14,828.26**	**12,304.37**
Exceptional Items	-	3,007.72
PROFIT/(LOSS) BEFORE TAXATION	**14,828.26**	**15,312.09**
Provision For Taxes	3,631.35	2,622.02
NET PROFIT/(LOSS) AFTER TAX	**11,196.91**	**12,690.07**

(₹ in lakhs)

	As at March 31		As at April 1
	2017	**2016**	**2015**
III OTHER INFORMATION:			
A. SEGMENT ASSETS			
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	124,859.91	113,899.99	110,103.26
ii. Unitary Products	81,583.63	67,421.52	60,866.51
iii. Professional Electronics and Industrial Systems (refer note 31)	1,128.17	948.72	-
TOTAL SEGMENT ASSETS	**207,571.71**	**182,270.23**	**170,969.77**
Add: Un-allocable Corporate Assets	54,414.83	71,005.19	43,693.99
TOTAL ASSETS	**261,986.54**	**253,275.42**	**214,663.76**
B. SEGMENT LIABILITIES			
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	89,141.42	82,735.28	72,687.99
ii. Unitary Products	58,608.92	53,774.00	42,380.68
iii. Professional Electronics and Industrial Systems (refer note 31)	540.83	837.73	-
TOTAL SEGMENT LIABILITIES	**148,291.17**	**137,347.01**	**115,068.67**
Add: Un-allocable Corporate Liabilities	21,919.66	35,868.52	36,846.19
TOTAL LIABILITIES	**170,210.83**	**173,215.53**	**151,914.86**

C. CAPITAL EXPENDITURE (including Capital WIP)

	Year Ended March 31	
	2017	**2016**
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	5,629.49	4,165.00
ii. Unitary Products	3,162.35	818.00
iii. Professional Electronics and Industrial Systems (refer note 31)	26.56	17.00
iv. Others (refer Note 31)	-	36.00
v. Other Un-allocable	1,139.65	531.00
TOTAL	**9,958.05**	**5,567.00**
D. DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	2,207.54	2,137.00
ii. Unitary Products	1,425.26	1,363.00
iii. Professional Electronics and Industrial Systems (refer note 31)	0.25	-
iv. Others (refer Note 31)	-	314.46
v. Other Un-allocable	1,864.12	1,686.38
TOTAL	**5,497.17**	**5,500.84**
E. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	1,492.73	890.82
ii. Unitary Products	347.27	281.91
iii. Professional Electronics and Industrial Systems (refer note 31)	61.42	18.29
iv. Others (refer Note 31)	-	286.25
v. Other Un-allocable	268.39	397.32
TOTAL	**2,169.81**	**1,874.59**

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)

Particulars	As at March 31		As at April 1
	2017	2016	2015
a Revenue (Sales, Services & Commission) by Geographical Market			
India	389,248.62	321,586.20	
Outside India	25,660.37	34,611.00	
Total	**414,908.99**	**356,197.20**	
b Carrying amount of Segment Assets & Intangible Assets			
India	255,922.92	243,925.53	210,676.29
Outside India	6,063.62	9,349.89	3,987.47
Total	**261,986.54**	**253,275.42**	**214,663.76**
c Capital Expenditure including Capital Work in Progress			
India	9,958.05	5,567.00	
Outside India	-	-	
Total	**9,958.05**	**5,567.00**	

39 DERIVATIVE INSTRUMENTS AND ATTACHED FOREIGN CURRENCY EXPOSURE

The Company has a well-defined forex risk management policy which ensures proactive and regular monitoring and managing of foreign exchange exposures. Financial risks relating to changes in exchange rates are hedged by forward and options contracts. The hedging strategy is used towards managing currency fluctuation risk and the Company does not use foreign exchange forward and options contract for trading or speculative purposes.

Forward and options contract are fair valued at each reporting date. The resultant gain or loss of forward and option contract is recognised in the Statement of Profit and Loss.

Commodity risk is mitigated by entering into annual rate contracts with major suppliers which is factored in pricing decisions. This approach provides sufficient mitigation against volatility in commodity rates.

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

Particulars	31-Mar-17		31-Mar-16		1-Apr-15	
Foreign Currency	Amount in Foreign Currency	Lakhs	Amount in Foreign Currency	Lakhs	Amount in Foreign Currency	Lakhs
Particulars of Derivatives						
Forward cover to Purchase USD & CNY:						
Hedge of underlying payables - USD	19,544,116.61	12,674.30	48,760,271.08	32,289.05	34,068,741.73	21,269.12
- Buyers' Credit	1,475,125.75	956.56	19,289,583.42	12,773.56	18,696,660.56	11,672.33
- Other Payables	18,068,990.86	11,717.74	29,470,687.66	19,515.49	15,372,081.17	9,596.79
Hedge of underlying payables - CNY						
- Other Payables	-	-	503,880.00	51.40	-	-

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

Particulars	31-Mar-17		31-Mar-16		1-Apr-15	
Foreign Currency	Amount in Foreign Currency	Lakhs	Amount in Foreign Currency	Lakhs	Amount in Foreign Currency	Lakhs
Bank Balances						
AED	-	-	-	-	195,630.92	33.17
EUR	5,125.82	3.55	427,903.67	322.38	348,779.23	232.97
RMB	72,353.21	7.26	20,711.32	2.11	11,201.12	1.17
USD	2,792,972.20	1,811.22	1,568,670.27	1,038.77	1,288,518.57	804.42
Receivables						
AED	-	-	-	-	126,805.40	21.50
CAD	18,972.27	9.22	59,482.27	30.28	-	-
EUR	168,018.95	116.36	191,822.32	144.52	31,219.55	20.85
MYR	1,095,442.30	160.51	976,604.79	164.90	1,147,717.00	192.24
QAR	-	-	561,358.72	102.00	531,715.21	90.76
RMB	-	-	-	-	1,312.63	0.14
USD	7,554,049.73	4,898.78	8,730,707.38	5,781.47	4,797,412.87	2,995.02
ZAR	-	-	-	-	84,132.00	4.49
Payables						
AED	1,116.67	0.20	12,830.55	2.31	14,275.20	2.42
AUD	689.92	0.34	3,499.54	1.77	64,057.80	30.29
CAD	12,646.53	6.15	48,705.98	24.79	-	-
CHF	444.12	0.29	412.62	0.28	412.62	0.26
EUR	436,918.67	302.80	712,909.55	537.11	683,508.37	456.55

Particulars	31-Mar-17		31-Mar-16		1-Apr-15	
Foreign Currency	**Amount in Foreign Currency**	**Lakhs**	**Amount in Foreign Currency**	**Lakhs**	**Amount in Foreign Currency**	**Lakhs**
GBP	123.07	0.10	10,390.68	9.88	2,028.13	1.87
JPY	641,688.00	3.72	22,573,216.00	132.74	16,047,213.00	83.12
RMB	40,983,201.81	4,113.48	14,374,004.23	1,466.53	-	-
SEK	-	-	2,313.05	0.19	26,860.35	1.94
SGD	-	-	-	-	898.53	0.41
USD	10,768,492.11	6,983.38	14,918,988.25	9,879.35	20,442,296.07	12,762.13
Buyers' Credit						
USD	-	-	365,277.52	241.89	-	-

40 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy as at March 31, 2017 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2017	6,696.59	-	6,696.59	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2017	314.29	-	314.29	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy as at March 31, 2016 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment in units of mutual funds (refer note 6)					
- Liquid Funds	March 31, 2016	219.36	219.36	-	-
- Growth Schemes	March 31, 2016	3,250.00	3,250.00	-	-
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2016	6,304.37	-	6,304.37	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2016	739.45	-	739.45	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy as at April 1, 2015 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2015	102.66	-	102.66	-

41 FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Company's principal financial liabilities comprise of short tenured borrowings, trade and other payables and financial guarantee contracts. Most of these liabilities relate to financing Company's working capital cycle. The Company has trade and other receivables, loans and advances that arise directly from its operations. The Company also enters into hedging transactions to cover foreign exchange exposure risk.

The Company is accordingly exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees management of these risks. The senior professionals working to manage the financial risks and the appropriate financial risk governance framework for the Company are accountable to the Board of Directors, Risk Committee and the Audit Committee. This process provides assurance that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and overall risk appetite. All foreign currency hedging activities for risk management purposes are carried out by a specialist treasury team that have the appropriate skills, experience and supervision. In addition, independent views from bankers and currency market experts are obtained periodically to validate risk mitigation decisions. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Risk Committee and the Audit Committee review and agree policies for managing each of these risks which are summarised below:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, advances and derivative financial instruments.

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rate movement.

The Company uses derivative financial instruments such as foreign exchange forward contracts and options to manage its exposures to foreign exchange fluctuations.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company transacts business in local currency and in foreign currency, primarily US Dollars. The Company has foreign currency trade payables and receivables and is therefore, exposed to foreign exchange risk. The Company may use forward contracts or foreign exchange options towards hedging risk resulting from changes and fluctuations in foreign currency exchange rate. These foreign exchange contracts, carried at fair value, may have varying maturities varying depending upon the primary host contract requirement and risk management strategy of the company.

The Company manages its foreign currency risk by hedging appropriate percentage of its foreign currency exposure, as per its established risk management policy.

Foreign Currency Sensitivity

The following table demonstrates the sensitivity in the USD, Euro and other currencies to the functional currency of the Company, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives.

Particulars	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		For the Year Ended March 31, 2017	For the Year Ended March 31, 2016	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
US Dollars	+5%	(600)	(165)	(392)	(108)
	-5%	600	165	392	108
RMB	+5%	(205)	(73)	(134)	(48)
	-5%	205	73	134	48
EUR	+5%	(9)	(4)	(6)	(2)
	-5%	9	4	6	2
MYR	+5%	8	8	5	5
	-5%	(8)	(8)	(5)	(5)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt interest obligations. Further, the Company engages in financing activities at market linked rates and therefore, any changes in the domestic or global interest rates environment may impact future rates of borrowing. To manage this risk, the management maintains a robust portfolio mix of multiple borrowing products. Buyers credit is used as a financing mechanism provided the fully hedged cost of financing through this product results in cost lower than the INR cost based borrowing. In addition, the benefit of interest rate subvention under packing credit financing schemes provided by banks is also availed as appropriate. Dynamic switching between various financing products coupled with a short maturity profile of the borrowing helps mitigate the interest rate risk adequately.

Interest Rate Sensitivity of Borrowings

With all other variables held constant, the following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment

Interest Rate Sensitivity	Increase/Decrease in basis Point	Effect on profit before tax	Effect on equity
For the year ended March 31, 2017			
INR - Borrowings	+100	(49.67)	(32.48)
	-100	49.67	32.48
For the year ended March 31, 2016			
INR - Borrowings	+100	(0.52)	(0.34)
	-100	0.52	0.34

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

1. **Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on credit term in line with respective industry norms. Outstanding customer receivables are regularly monitored. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

The ageing analysis of trade receivables as of the reporting date is as follows:

Particulars	Neither past due nor impaired	Past due but not impaired		Total
		Less than 1 year	More than 1 year	
Trade Receivables as of March 31, 2017	26,507.00	48,983.45	8,771.19	84,261.64
Trade Receivables as of March 31, 2016	24,045.00	42,622.05	6,421.63	73,088.68

The requirement for impairment is analysed at each reporting date. Refer Note 8 for details on the impairment of trade receivables.

2. Financial instruments and cash deposits

Credit risk from balances with banks is managed by Company's treasury in accordance with the Board approved policy. Investments of surplus funds, temporarily, are made only with approved counterparties, mainly mutual funds, who meet the minimum threshold requirements under the counterparty risk assessment process. The Company's maximum exposure for financial guarantees is given in Note 36.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Company's objective is to, at all times maintain optimum levels of liquidity to meet it cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including loans, debt, and overdraft from both domestic and international banks at an optimised cost. It also enjoys strong access to domestic and international capital markets across various debt and hybrid instruments

The table below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	As at March 31, 2017		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	14,923.45	-	14,923.45
Trade Payables	110,691.23	-	110,691.23
Other Payables	167.37	-	167.37
Other financial liabilities	1,327.24	56.20	1,383.44
Total	**127,109.29**	**56.20**	**127,165.49**

Particulars	As at March 31, 2016		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	28,567.00	-	28,567.00
Trade Payables	103,465.92	-	103,465.92
Other Payables	353.19	-	353.19
Other financial liabilities	2,216.07	94.17	2,310.24
Total	**134,602.18**	**94.17**	**134,696.35**

42 CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company and net debt.

Primary objective of Company's capital management is to ensure that it maintains an optimum financing structure and healthy returns in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments, in light of the changes in economic conditions or business requirements.

The Company monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

Gearing Ratio:

Particulars	As at March 31		As at April 1
	2017	2016	2015
Borrowings	14,923.45	28,567.00	33,191.81
Less: Cash and cash equivalents	(7,799.92)	(4,253.84)	(3,633.49)
Net Debt	**7,122.53**	**24,313.16**	**29,559.32**
Equity	91,775.71	80,059.89	62,748.90
Total Capital	**91,775.71**	**80,059.89**	**62,748.90**
Capital and Net Debt	**98,898.24**	**104,373.05**	**92,308.22**
Gearing Ratio	**7.20%**	**23.29%**	**32.02%**

43 (A) DISCLOSURE IN TERMS OF INDIAN ACCOUNTING STANDARD 11 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹ in lakhs)

	As at March 31	
	2017	2016
I. Contract revenue recognised for the year*	81,479.27	66,110.19
II. For Contracts that are in progress as on 31st March		
A. Contract costs incurred and recognized profits (Less Recognised losses)	322,973.88	314,111.73
B. Advances received	14,635.61	13,151.29
C. Gross amount due from customers for Contract work**	24,474.47	23,889.46
D. Gross amount due to customers for Contract work***	2,779.96	3,845.38
E. Retention amount	982.34	1,043.33

* Include revenue reversal of ₹ Nil (for the year ended 31st March, 2016: ₹115.00 lakhs) disclosed as an exceptional item

** Includes reduction of Imminent loss of ₹103.71 lakhs (31st March, 2016: ₹133.12 lakhs)

*** Includes Imminent loss impact (increase) of ₹127.32 lakhs (31st March, 2016: ₹112.40 lakhs)

43 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS:

(₹ in lakhs)

Nature of expenses	Note 24	Note 27	Note 28	Total
Subcontracting cost	18,761.55	-	-	18,761.55
	(17,489.17)	-	-	(17,489.17)
Rent	61.29	5,419.44	-	5,480.73
	(65.24)	(4,493.07)	-	(4,558.31)
Power & fuel	116.56	1,661.78	-	1,778.34
	(104.30)	(1,699.51)	-	(1,803.81)
Insurance	528.31	206.27	-	734.58
	(499.58)	(221.98)	-	(721.56)
Travelling & Conveyance	432.64	3,652.34	-	4,084.98
	(541.03)	(3,538.56)	-	(4,079.59)
Printing & Stationery	46.13	375.30	-	421.43
	(39.27)	(339.84)	-	(379.11)
Communication Expenses	10.83	793.17	-	804.00
	(9.20)	(886.33)	-	(895.53)
Freight and Forwarding Charges	149.93	5,662.66	-	5,812.59
	(74.22)	(4,136.22)	-	(4,210.44)

43 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS: (CONTINUED)

(₹ in lakhs)

Nature of expenses	Note 24	Note 27	Note 28	Total
Legal & Professional fees	1,095.15	4,911.31	-	6,006.46
	(903.88)	(6,594.69)	-	(7,498.57)
Bank charges	204.43	-	482.08	686.51
	(208.15)	-	(413.45)	(621.60)

Figures in brackets are for previous year

44 FIRST TIME ADOPTION OF IND-AS

Exceptions and exemptions availed

These financial statements, for the year ended March 31, 2017, are the first, the Company has prepared in accordance with Ind AS. For the periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with Paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared its financial statements to comply with Ind AS for the year ended March 31, 2017, together with comparative date as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

1 Ind AS 103 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under Ind AS that occurred before April 1, 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Company recognises all assets acquired and liabilities assumed in a past business combination, except (i) certain financial assets and liabilities that were derecognised and that fall under the derecognition exception, and (ii) assets (including goodwill) and liabilities that were not recognised in the acquirer's balance sheet under its previous GAAP and that would not qualify for recognition under Ind AS in the individual balance sheet of the acquiree. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Company did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

2 Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognised in its Indian GAAP financial at deemed cost on the transition date.

3 The Company has opted that the previous GAAP carrying amount, of its investments in subsidiary, joint ventures or associate to be the deemed cost on the date of transition as at April 1, 2015 except in case of investment in one of its subsidiary i.e, Investment in Blue Star Engineering & Electronics Limited (BSEEL), in which the Company has opted that fair value at the Company's date of transition to be the deemed cost.

Estimates

The estimates at April 1, 2015 and at March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item where application of Indian GAAP did not require estimation:

- Impairment of financial assets based on expected credit loss model.

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at the transition date i.e., April 1, 2015 and as of March 31, 2016.

Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS) *(₹ in lakhs)*

Particulars	Notes	Previous Indian GAAP	Adjustment	Ind As
1. Non Current assets				
Property, Plant & Equipment	G, H	19,581.70	(196.53)	19,385.17
Capital Work in Progress		247.43	-	247.43
Intangible Assets		2,168.24	-	2,168.24
Intangible Assets under development		1,993.51	-	1,993.51
Financial Assets				
- Investments	B, I	23,185.72	(1,890.73)	21,294.99
- Trade Receivable	C, D	5,337.30	(1,238.28)	4,099.02
- Loans	J	1,866.41	39.01	1,905.42
- Other Financial Assets		108.49	-	108.49
Income Tax Assets		3,753.31	-	3,753.31
Deferred Tax Assets (Net)	K	8,064.45	1,727.99	9,792.44
Other non-current assets		1,568.00	-	1,568.00
Total Non Current Assets		**67,874.56**	**(1,558.54)**	**66,316.02**
2. Current assets				
Inventories		46,282.87	-	46,282.87
Financial Assets				
- Loans	B	665.54	88.25	753.79
- Trade Receivables	D	65,473.78	(2,262.82)	63,210.96
- Cash & cash Equivalents		3,633.49	-	3,633.49
- Other Financial Assets	D	20,623.99	(1,391.76)	19,232.23
Other Current Assets		14,702.33	-	14,702.33
Assets held for sale	H	-	532.07	532.07
Total Current Assets		**151,382.00**	**(3,034.26)**	**148,347.74**
TOTAL ASSETS		**219,256.56**	**(4,592.80)**	**214,663.76**
Equity and liabilities				
1. Equity				
Equity Share Capital		1,798.72	-	1,798.72
Other Equity	B-E, I-L	60,709.74	240.44	60,950.18
Total Equity		**62,508.46**	**240.44**	**62,748.90**
2. Non-Current Liabilities				
Financial Liabilities				
- Other Financial Liabilities	B	-	162.54	162.54
Long term Provisions		448.98	-	448.98
Government Grants	G	-	281.28	281.28
Total - Non-current liabilities		**448.98**	**443.82**	**892.80**
3. Current Liabilities				
Financial Liabilities				
- Borrowings		33,191.81	-	33,191.81
- Trade Payables		84,083.11	-	84,083.11
- Other Payables		43.40	-	43.40
- Other current financial liabilities	L, B	570.53	80.97	651.50
Government grants	G	-	54.29	54.29
Provisions	E	7,900.15	(5,412.32)	2,487.83
Other Current Liabilities		30,510.12	-	30,510.12
Total - Current liabilities		**156,299.12**	**(5,277.06)**	**151,022.06**
TOTAL - EQUITY AND LIABILITIES		**219,256.56**	**(4,592.80)**	**214,663.76**

Reconciliation of equity as at March 31, 2016 (date of transition to Ind AS)

(₹ in lakhs)

Particulars	Notes	Previous Indian GAAP	Adjustment	Ind As
1. Non Current assets				
Property, Plant & Equipment	G, H	18,937.36	294.21	19,231.57
Capital Work in Progress		626.94	-	626.94
Investment Property	A	-	6,280.06	6,280.06
Intangible Assets		3,853.06	-	3,853.06
Intangible Assets under development		1,007.40	-	1,007.40
Financial Assets				
- Investments	A, B, I	29,601.80	(8,170.88)	21,430.92
- Trade Receivable	C, D	4,835.03	(698.61)	4,136.42
- Loans	J	2,092.35	51.54	2,143.89
- Other Financial Assets		334.99	-	334.99
Income Tax Assets (Net)		7,492.95	-	7,492.95
Deferred Tax Assets (Net)	K	8,741.84	1,797.74	10,539.58
Other non-current assets		2,171.35	-	2,171.35
Total Non Current Assets		**79,695.07**	**(445.94)**	**79,249.13**
2. Current assets				
Inventories		51,547.69	-	51,547.69
Financial Assets				
- Investments		15,806.82		15,806.82
- Loans	B	290.72	78.89	369.61
- Trade Receivables	D	71,273.87	(2,321.61)	68,952.26
- Cash & cash Equivalents		4,253.84	-	4,253.84
- Other Financial Assets	D	21,568.91	(1,391.00)	20,177.91
Other Current Assets		12,720.78	-	12,720.78
Assets held for sale	H	-	197.38	197.38
Total Current Assets		**177,462.63**	**(3,436.34)**	**174,026.29**
TOTAL ASSETS		**257,157.70**	**(3,882.28)**	**253,275.42**
Equity and liabilities				
1. Equity				
Equity Share Capital		1,799.02	-	1,799.02
Other Equity	B-E, I-L	82,828.32	(4,567.45)	78,260.87
Total Equity		**84,627.34**	**(4,567.45)**	**80,059.89**
2. Non-Current Liabilities				
Financial Liabilities				
- Other Financial Liabilities	B	-	94.17	94.17
Long term Provisions		839.58	-	839.58
Government Grants	G	-	413.56	413.56
Total - Non-current liabilities		**839.58**	**507.73**	**1,347.31**
3. Current Liabilities				
(a) Financial Liabilities				
- Borrowings		28,567.00	-	28,567.00
- Trade Payables		103,465.92	-	103,465.92
- Other Payables		353.19	-	353.19
- Other current financial liabilities	L, B	2,117.44	98.63	2,216.07
Government grants	G	-	78.81	78.81
Provisions		3,062.22	-	3,062.22
Other Current Liabilities		34,125.01	-	34,125.01
Total - Current liabilities		**171,690.78**	**177.44**	**171,868.22**
TOTAL - EQUITY AND LIABILITIES		**257,157.70**	**(3,882.28)**	**253,275.42**

Reconciliation of profit or loss for the year ended March 31, 2016

(₹ in lakhs)

Particulars	Notes	Previous Indian GAAP	Adjustment	Ind As
Income				
Revenue from operations	M	353,150.37	3,046.83	356,197.20
Other Income	G	937.61	73.29	1,010.90
Finance Income	B, C, L	649.34	719.72	1,369.06
Total revenue		**354,737.32**	**3,839.84**	**358,577.16**
Expenses				
Cost of raw material and components consumed and Project related cost		183,789.66	-	183,789.66
Purchase of traded goods		65,085.63	-	65,085.63
(Increase)/decrease in inventories of Finished goods,work-in-progress and traded goods		(6,129.21)	-	(6,129.21)
Excise Duty on sale of goods	M	-	3,179.41	3,179.41
Employee benefits expense	F, J, N	32,403.68	100.14	32,503.82
Depreciation and amortization expense	G	5,428.15	72.69	5,500.84
Finance costs	J, L	3,570.89	42.56	3,613.45
Other expenses	C, J, L, M	58,738.20	(9.01)	58,729.19
Total (II)		**342,887.00**	**3,385.79**	**346,272.79**
Profit/(Loss) before exceptional items and tax		**11,850.32**	**454.05**	**12,304.37**
Exceptional items (net)		3,007.72	-	3,007.72
Profit after Exceptional items before Tax		**14,858.04**	**454.05**	**15,312.09**
Income tax expense	F, K	2,581.01	41.01	2,622.02
Profit for the year		**12,277.03**	**413.04**	**12,690.07**
Other Comprehensive Income	F	-	(190.95)	(190.95)
Total Comprehensive Income		**12,277.03**	**222.09**	**12,499.12**

A Investment Property

Investment properties are reclassified from Non Current Investments as shown in previous Indian GAAP and presented separately amounting to ₹6,646.97 lakhs. The depreciation of ₹366.91 lakhs has been provided for the year ended March 31, 2016. Thus, the carrying amount as on March 31, 2016 is ₹6,280.06 lakhs.

B Financial Guarantee

The Company has issued the financial guarantee on behalf of its subsidiaries for the borrowings taken by them. As on date of transition to Ind AS, the Company has recognised financial guarantee obligation at fair value amounting to ₹225.72 lakhs (March 31, 2016: ₹162.53 lakhs) with corresponding recognition of financial guarantee receivable of ₹403.69 lakhs (March 31, 2016 : ₹403.69 lakhs) in Investments and ₹88.25 lakhs (March 31, 2016 : ₹78.89 lakhs) has been recognised in Loans.

There is an increase in the guarantee fee income on account of amortisation of financial guarantee obligation recognised in Ind-AS. Thus, a total of ₹53.83 lakhs is recognised as finance income.

C Trade Receivables

The Company identifies receivables which shall be recovered beyond a period of twelve months as of the reporting date and has discounted the same to its present value over the estimated tenure of the retention period. The impact of discounting aggregating ₹844.18 lakhs (March 31, 2016: ₹304.66 lakhs) has been adjusted to the retained earnings on transition date and ₹539.52 lakhs has been recognised as finance income in the statement of profit and loss for the year ended March 31, 2016 on account of unwinding.

D Expected Credit Loss

Under Indian GAAP, the Company created provision for impairment of trade receivables on specific identification basis. Under Ind AS, impairment allowance has been determined based on expected credit loss model (ECL) as per Ind AS 109. This has resulted in incremental impairment provision of ₹4,048.68 lakhs as on the transition date which has been adjusted against the retained earnings. The impact of ₹52.07 lakhs for the year ended March 31, 2016 has been recognised in the statement of profit and loss.

E Proposed dividend

Under previous Indian GAAP, proposed dividend including dividend distribution tax, are recognised as liability in the period to which they relate, irrespective of when they are recommended by the Board of Directors. Under Ind AS, proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting, or paid.

Therefore, the proposed dividend including dividend distribution tax amounting to ₹5,412.27 lakhs has been derecognised and adjusted against the retained earnings as on the date of transition.

F Defined benefit obligation

Under previous Indian GAAP, the entire cost, including actuarial gains and losses on post-employment defined benefit plan is charged to the statement of profit or loss. Under Ind-AS, remeasurements comprising of actuarial gains and losses are recognised through Other Comprehensive Income. Thus, employee benefits expense is reduced by ₹292 lakhs (₹190.95 lakhs net of taxes) and is recognised in Other Comprehensive Income during the year ended March 31, 2016.

G Government Grants

The Company recorded the Government Grant received for its plant and equipment by reducing the grant amount from the cost of the asset according to Indian GAAP. The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financials as deemed cost at the transition date. Ind AS 20 requires the Company to account for such a grant by setting up the grant as deferred income. As a consequence the Company has adjusted ₹335.57 lakhs grant received to recognise the amount of unamortised deferred income as at the date of the transition in accordance with paragraph 10 of Ind AS 101, the corresponding adjustment should be made to the carrying amount of property, plant and equipment (net of cumulative depreciation impact) and retained earnings, respectively, as the grant is directly linked to the plant and equipment. In the year 2015-16, the Company received further grant of ₹229.48 lakhs which has been added back to the carrying amount of plant and equipment as compared to netting it off under previous Indian GAAP. During the financial year ending March 31, 2016, the Company has recognised ₹73.29 lakhs in the statement of profit and loss as amortisation of government grant and depreciation on plant and equipment respectively.

H Assets held for sale

The Company had discontinued the manufacturing operations of Bharuch and Thane units in accordance with the manufacturing strategy in earlier years. The Plant and Machinery of these manufacturing units and other plant and machinery of factories of the company which the management assess are to be disposed off (Net Book Value : ₹532.07 lakhs as on April 1, 2015 and ₹197.39 lakhs as on March 31, 2016) have been disclosed separately as "Assets held for sale" in accordance with Ind AS 105 on the face of the Balance Sheet.

I Investments

The Company has elected to measure one of its investment in subsidiaries i.e., Investment in BSEEL at fair value at the date of transition to Ind AS. Hence at the date of transition to Ind AS, a decrease of ₹2,294.50 lakhs was recognised in Investments. This amount has been recognised against retained earnings.

J Loans

The Company has fair valued its security deposits and employee loans as at the transition date. An amount of ₹39 lakhs (March 31, 2016: 51.54) has been recognised against corresponding adjustment to Retained Earnings. Also, ₹128.45 lakhs has been recognised as finance income on security deposits and employee loans, ₹11 lakhs has been recognised as employee cost in employee benefit expenses, ₹48.95 lakhs has been recognised as rent expenses in other expenses and ₹31.91 lakhs has been recognised as interest expenses in finance cost for the year ended March 31, 2016.

K Deferred Tax

The various transitional adjustments lead to temporary differences, which the Company has to account for. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. On the date of transition, the net impact on deferred tax assets aggregating ₹1,727.99 lakhs (March 31, 2016: ₹1,797.74 lakhs) has been adjusted to retained earnings. ₹60 lakhs has been recognised in the statement of profit and loss for the year ended March 31, 2016.

L Derivative Instruments

There is a difference in the fair value of forward foreign exchange contracts recognised under previous Indian GAAP and Ind AS. An amount of ₹17.70 lakhs (March 31, 2016: ₹36.87 lakhs) has been recognised with corresponding adjustment in retained earnings. Also, an amount of ₹10.66 lakhs has been recognised as an expense in 'Finance Cost' and ₹19.51 lakhs has been recognised as an expense in 'Other Expenses' for the year ended March 31, 2016 .

M Revenue from Operations

Under the previous Indian GAAP, sale of goods was presented net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise Duty on sale of goods is presented separately on the face of statement of profit and loss. Thus, revenue from operations under Ind AS has increased by ₹3,179.41 lakhs with excise duty on sales shown separately.

Under the previous Indian GAAP, growth bonus paid by the Company to dealers and retailers was classified under 'Other Expenses'. Ind AS requires such a bonus to be netted of from revenue. Thus, an amount of ₹132.58 lakhs has been netted of from revenue from operations with corresponding impact in 'Other Expenses'.

N Share-based payments

Under previous Indian GAAP, the Company was using intrinsic value method for ESOP scheme for recognising expense. As the Company granted shares at intrinsic value to the grantees, there was no expense recognised in the statement of profit and loss. Ind AS requires the fair value of share options to be determined using an appropriate pricing model recognised over the vesting period. As on the date of transition, an amount of ₹349.89 lakhs was adjusted within 'Other Equity'. Thus, an expense of ₹382.24 lakhs has been recognised in the statement of profit and loss for the year ended March 31, 2016.

45 LEASES:

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. There are no exceptional/restrictive covenants in the lease agreements, except in case of four premises. Lease rental expense debited to statement of Profit and Loss is ₹5,480.73 lakhs (March 31, 2016 : ₹4,558.31 lakhs).

(₹ in lakhs)

	As at March 31	
	2017	2016
Minimum lease payments for operating leases with exceptional/restrictive covenants as at 31st March		
(a) Not later than one year	519.36	224.96
(b) Later than one year but not later than five years	1,060.31	553.29
(c) Later than five years	39.85	-

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

An amount of ₹594.29 lakhs (Previous year: ₹565.99 lakhs) is recognised as lease income in the statement of profit & Loss for the year ended March 31, 2017.

46 a Details of revenue expenditure directly related to Research & Development :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Employee benefits expense	1,545.97	1,319.16
Cost of raw material and components consumed	697.37	1,008.28
Legal & Professional fees	256.51	208.39
Depreciation and amortisation	919.33	719.30
Others	710.83	666.48
Total	**4,130.01**	**3,921.61**

b Details of Capital expenditure directly related to Research & Development :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Tangible Assets		
Building sheds and road	35.39	-
Plant & machinery	287.36	446.30
Furniture & fixtures	1.64	-
Office equipments	17.77	3.82
Electrical Equipment	2.10	-
Intangible Assets (including under development)		
Technical knowhow	878.07	585.24
Software	14.57	24.49
Total	**1,236.90**	**1,059.85**

47 DISCLOSURE RELATED TO SPECIFIED BANK NOTES (SBN)

(₹ in lakhs)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8th November, 2016	8.80	4.07	12.87
(+) Permitted receipts	-	20.29	20.29
(-) Permitted payments	(0.01)	(14.03)	(14.04)
(-) Amount deposited in Banks	(8.79)	-	(8.79)
Closing cash in hand as on 30th December, 2016	**-**	**10.33**	**10.33**

The above balances do not include Cash imprest balance of ₹60. 49 lakhs as on November 08, 2016 and closing balance of ₹59.58 lakhs as on December 30, 2016. This amount represents imprest extended to employees. The company has not accepted any receipts during the said period out of the imprest money given to employees.

48 PREVIOUS YEAR COMPARATIVES

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Independent Auditors' Report on Consolidated Financial Statements

To the Members of Blue Star Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Blue Star Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint ventures, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its Joint Ventures in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and joint ventures and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary and joint ventures, the aforesaid consolidated Ind AS financial statements give the information required by the Actin the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and joint ventures as at March 31, 2017, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of a subsidiary and joint ventures as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required bylaw relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act and of its subsidiary company, incorporated in India, none of the directors of the Holding company and subsidiary company, is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary company, incorporated in India, refer to our separate report in "Annexure 1" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint ventures, as noted in the 'Other matter' paragraph.

    i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and – Refer Note 36 to the consolidated Ind AS financial statements;

    ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. Further, the Group does not have any long term derivative contracts. Refer Note 18 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group

    iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary, incorporated in India during the year ended March 31, 2017.

    iv. The Holding Company and its subsidiary incorporated in India, have provided requisite disclosures in Note 49 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding

Company and its subsidiary company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Holding company and its subsidiary company incorporated in India and as produced to us by the Management of the Holding Company and its subsidiary company incorporated in India.

Other Matter

We did not audit the financial statement and other financial information, in respect of one subsidiary, whose financial statements include total assets of ₹10,230 lacs and net assets of ₹2,294 lacs as at March 31, 2017, and total revenues of ₹11,081 lacs and net cash inflows of ₹1,169 lacs for the year ended on that date. The financial statement and other financial information have been audited by other auditor, whose financial statement, other financial information and auditor's reports have been furnished to us by the Management. The consolidated financial statements also include the Group's share of net profit of ₹127 lacs for the year ended March 31, 2017, as considered in the consolidated financial statements, in respect of two joint ventures, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and joint ventures, is based solely on the reports of such other auditors.

Certain of these subsidiary and joint ventures are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiary and joint ventures located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiary and joint ventures located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Ravi Bansal
Partner
Membership Number: 49365

Place of Signature: Mumbai
Date: May 09, 2017

Annexure 1 to the Auditors' Report

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

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

In conjunction with our audit of the consolidated financial statements of Blue Star Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Blue Star Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, which is a company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding Company, its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company, which is a company incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Ravi Bansal
Partner
Membership Number: 49365

Place of Signature: Mumbai
Date: May 09, 2017

Consolidated Balance Sheet as at March 31, 2017

(₹ in lakhs)

	Notes	As at March 31 2017	As at March 31 2016	As at April 1 2015
A ASSETS				
1. Non-Current Assets				
Property, Plant & Equipment	3	24,403.55	22,088.91	22,504.61
Capital Work in Progress		2,152.00	626.25	248.36
Investment Property	4	6,834.25	7,343.58	902.63
Intangible Assets	5	4,372.59	3,856.29	2,168.24
Intangible Assets under development		1,208.77	1,008.74	1,994.85
Investment in associate and joint ventures	6	1,097.00	1,007.00	3,872.48
Financial Assets				
- Trade Receivable	8	3,031.57	4,352.93	4,645.75
- Loans	6	1,730.81	1,917.31	1,672.67
- Other Financial Assets	6	361.29	334.99	108.49
Income Tax Assets (Net)		3,881.65	7,809.52	4,031.93
Deferred Tax Assets (Net)	20	10,765.62	10,788.40	10,075.24
Other non-current assets	10	2,974.78	2,496.43	1,818.44
Total Non Current Assets		**62,813.88**	**63,630.35**	**54,043.69**
2. Current assets				
Inventories	7	59,558.20	53,476.40	47,853.73
Financial Assets				
- Investments	6	-	15,806.82	-
- Loans	6	401.42	-	665.87
- Trade Receivables	8	93,898.32	79,072.39	72,024.20
- Cash & cash Equivalents	9	9,657.03	4,550.38	4,248.45
- Other Financial Assets	6	24,705.49	22,140.32	20,189.25
Other Current Assets	10	13,747.95	13,597.45	16,508.14
Asset held for sale	3	176.48	197.21	532.11
Total Current Assets		**202,144.89**	**188,840.97**	**162,021.75**
TOTAL ASSETS		**264,958.77**	**252,471.32**	**216,065.44**
B EQUITY AND LIABILITIES				
1. Equity				
Equity Share Capital	11	1,911.41	1,799.02	1,798.72
Other Equity	12	73,802.33	61,243.22	46,097.02
Equity attributable to equity holders of the company		**75,713.74**	**63,042.24**	**47,895.74**
Non Controlling Interest		122.07	101.03	88.33
Total Equity		**75,835.81**	**63,143.27**	**47,984.07**
2. Non-Current Liabilities				
Financial Liabilities				
- Borrowings	14	2,020.01	1,829.60	2,530.00
- Other Financial Liabilities	16	-	-	45.22
Long term Provisions	18	1,116.36	1,050.84	657.64
Government Grants	19	348.57	413.56	281.28
Total - Non-current liabilities		**3,484.94**	**3,294.00**	**3,514.14**
3. Current Liabilities				
Financial Liabilities				
- Borrowings	14	19,592.10	34,461.88	37,293.38
- Trade Payables	15.A	117,555.64	108,334.35	89,665.55
- Other Payables	15.B	167.37	702.07	43.40
- Other Financial Liabilities	16	1,767.85	2,369.58	588.32
Government grants	19	64.99	78.81	54.29
Provisions	18	3,985.10	3,376.93	2,796.92
Other Current Liabilities	17	42,504.97	36,710.43	34,125.37
Total - Current liabilities		**185,638.02**	**186,034.05**	**164,567.23**
TOTAL - EQUITY AND LIABILITIES		**264,958.77**	**252,471.32**	**216,065.44**
Summary of significant accounting policies	1 & 2			

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Statement of Consolidated Profit & Loss Account for the year ended March 31, 2017

(₹ in lakhs)

	Notes	Year ended March 31 2017	2016
Revenue from operations	21	442,471.68	382,975.46
Other Income	22	1,306.93	1,587.14
Finance Income	23	2,151.14	1,379.86
Total revenue (I)		**445,929.75**	**385,942.46**
Expenses			
Cost of raw material and components consumed and Project related cost	24	218,932.81	191,170.00
Purchase of traded goods	24	94,015.32	70,731.00
(Increase)/decrease in inventories of Finished goods,work-in-progress and traded goods	24	(1,693.95)	(6,488.29)
Excise Duty on sale of goods		3,699.41	3,179.41
Employee benefits expense	25	33,902.89	39,856.00
Depreciation and amortization expense	26	6,057.91	5,709.00
Finance costs	28	3,777.97	4,315.00
Other expenses	27	71,374.75	63,034.01
Total Expenses (II)		**430,067.11**	**371,506.13**
Profit before exceptional items and tax (I) – (II)		**15,862.64**	**14,436.33**
Exceptional items (net)	29	-	(1,189.00)
Profit after Exceptional items before Tax		**15,862.64**	**13,247.33**
Profit from continuing operations before taxation :		**15,862.64**	**10,666.33**
Tax Expense			
i) Current tax	20	4,432.95	3,629.74
Less: Tax expense of discontinuing operation	20	-	405.68
Current tax for continuing operation		4,432.95	3,224.06
ii) Deferred tax	20	(766.23)	(859.74)
Income tax expense		**3,666.72**	**2,364.32**
Profit for the year from continuing operations [A]		**12,195.92**	**8,302.01**
Discontinuing operations			
Profit/(loss) before tax for the year from discontinuing operations		-	2,581.00
Tax expense for discontinuing operation		-	405.68
Profit after tax from discontinuing operation [B]		**-**	**2,175.32**
Profit for the year before share in joint ventures and minority interest [A+B]		**12,195.92**	**10,477.33**
Share of profit/(loss) of joint ventures		**127.09**	**85.30**
Minority interest		**(18.16)**	**(85.00)**
Profit for the year		**12,304.85**	**10,477.63**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans		(621.64)	(298.80)
Income tax effect		216.72	110.79
		(404.92)	(188.01)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign Currency Translation Reserve		(56.58)	114.69
Income tax effect		19.58	(39.69)
		(37.00)	75.00
Other Comprehensive Income for the year, net of tax		**(441.92)**	**(113.01)**
Total comprehensive income for the year, net of tax		**11,862.93**	**10,364.62**
Balance carried forward		**11,862.93**	**10,364.62**

Statement of Consolidated Profit & Loss Account for the year ended March 31, 2017

(₹ in lakhs)

	Notes	Year ended March 31 2017	Year ended March 31 2016
Balance brought forward		**11,862.93**	**10,364.62**
Profit for the year		12,304.85	10,477.63
attributable to:			
Equity holders of the Company		12,286.69	10,392.63
Non-controlling interests		18.16	85.00
Total comprehensive income for the year		11,862.93	10,364.62
Attributable to :			
Equity holders of the Company		11,844.77	10,279.62
Non-controlling interests		18.16	85.00
Earnings per share from continuing operations	30		
Basic, computed on the basis of profit from continuing operations attributable to equity holders of the Company		12.89	8.71
Diluted, computed on the basis of profit from continuing operations attributable to equity holders of the Company		12.84	8.69
Earnings per share for discontinuing operations	30		
Basic, computed on the basis of profit from discontinuing operations attributable to equity holders of the Company		-	2.28
Diluted, computed on the basis of profit from discontinuing operations attributable to equity holders of the Company		-	2.28
Earnings per share for continuing and discontinuing operations			
Basic, computed on the basis of profit for the year attributable to equity holders of the Company		12.89	10.99
Diluted, computed on the basis of profit for the year attributable to equity holders of the Company		12.84	10.97

Summary of significant accounting policies 1 & 2

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Consolidated Statement of Changes in Equity for the year ended March 31, 2017

(A) Equity Share Capital *(₹ in lakhs)*

For the year ended March 31, 2017

Balance as at April 1, 2016	Changes in Equity Share Capital during the year	Balance as at March 31, 2017
1,799.02	112.39	1,911.41

For the year ended March 31, 2016 *(₹ in lakhs)*

Balance as at April 1, 2015	Changes in Equity Share Capital during the year	Balance s at March 31, 2016
1,798.72	0.30	1,799.02

(B) Other Equity

For the year ended March 31, 2017 *(₹ in lakhs)*

Particulars	Share Premium (refer note 12)	Share Capital Suspense (refer note 33)	Share based Payment Reserve (refer note 12)	Capital Redemption Reserve (refer note 12)	Capital Subsidy from Government (refer note 12)	Capital Reserve	General Reserve (refer note 12)	Retained Earning	Other Comprehensive Income		Capital Reserve on Acquistion of Joint Venture	Total Equity
									Foreign Currency Translation Reserve	Employee Benefit		
As at April 1, 2016	53.62	17,257.28	706.44	233.56	60.00	4,432.30	14,005.43	24,561.60	75.00	(188.01)	46.00	61,243.22
Profit for the period	-	-	-	-	-	-	-	12,304.85	-	-	-	12,304.85
Other Comprehensive Income	-	-	-	-	-	-	-	-	(37.00)	(404.92)	-	(441.92)
Total Comprehensive Income	**53.62**	**17,257.28**	**706.44**	**233.56**	**60.00**	**4,432.30**	**14,005.43**	**36,866.45**	**38.00**	**(592.93)**	**46.00**	**73,106.15**
Issue of Share Capital	17,149.45	(17,257.28)	-	-	-	-	-	-	-	-	-	(107.83)
Excercise of Share Options	842.58	-	(178.16)	-	-	-	-	-	-	-	-	664.42
Transfer to General Reserve	-	-	-	-	-	-	1,080.43	(1,080.43)	-	-	-	-
Share Based Payment	-	-	242.52	-	-	-	-	-	-	-	-	242.52
Reversal of Employee Compensation Expenses	-	-	(103.69)	-	-	-	103.69	-	-	-	-	-
Deferred tax liability on Undistributed Profit	-	-	-	-	-	-	-	(102.94)	-	-	-	(102.94)
As at March 31, 2017	**18,045.66**	**-**	**667.11**	**233.56**	**60.00**	**4,432.30**	**15,189.55**	**35,683.08**	**38.00**	**(592.93)**	**46.00**	**73,802.33**

For the year ended March 31, 2016 *(₹ in lakhs)*

Particulars	Share Premium (refer note 12)	Share Capital Suspense (refer note 33)	Share based Payment Reserve (refer note 12)	Capital Redemption Reserve (refer note 12)	Capital Subsidy from Government (refer note 12)	Capital Reserve	General Reserve (refer note 12)	Retained Earning	Other Comprehensive Income		Capital Reserve on Acquistion of Joint Venture	Total Equity
									Foreign Currency Translation Reserve	Employee Benefit		
As at April 1, 2015	-	-	349.89	233.56	60.00	4,432.30	12,762.45	28,258.82	-	-	-	46,097.02
Profit for the period	-	-	-	-	-	-	-	10,477.63	-	-	-	10,477.63
Other Comprehensive Income	-	-	-	-	-	-	-	-	75.00	(188.01)	-	(113.01)
Total Comprehensive Income	**-**	**-**	**349.89**	**233.56**	**60.00**	**4,432.30**	**12,762.45**	**38,736.45**	**75.00**	**(188.01)**	**-**	**56,461.64**
Shares to be issued on amalgamation	-	17,257.28	-	-	-	-	-	-	-	-	-	17,257.28
Excercise of Share Options	53.62	-	(10.41)	-	-	-	-	-	-	-	-	43.21
Reversal of Employee Compensation Expenses	-	-	(15.28)	-	-	-	15.28	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	1,227.70	(1,227.70)	-	-	-	-
Share Based Payment	-	-	382.24	-	-	-	-	-	-	-	-	382.24
Interim Equity Dividend	-	-	-	-	-	-	-	(5,846.82)	-	-	-	(5,846.82)
Dividend payable on shares arising from amalgamation for the year 2015-16	-	-	-	-	-	-	-	(350.44)	-	-	-	(350.44)
Dividend Distribution Tax for the year 2015-16	-	-	-	-	-	-	-	(1,261.62)	-	-	-	(1,261.62)
Proposed Dividend for the year 2014-15	-	-	-	-	-	-	-	(4,496.81)	-	-	-	(4,496.81)
Dividend Distribution Tax for the year 2014-15	-	-	-	-	-	-	-	(915.46)	-	-	-	(915.46)
Capital Reserve on Acquisition of Joint Venture	-	-	-	-	-	-	-	-	-	-	46.00	46.00
Deferred tax liability on Undistributed Profit	-	-	-	-	-	-	-	(76.00)	-	-	-	(76.00)
As at March 31, 2016	**53.62**	**17,257.28**	**706.44**	**233.56**	**60.00**	**4,432.30**	**14,005.43**	**24,561.60**	**75.00**	**(188.01)**	**46.00**	**61,243.22**

Summary of significant accounting policies 1 & 2

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Consolidated Cash Flow Statement for the year ended March 31, 2017

(₹ in lakhs)

	Year ended March 31	
	2017	**2016**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	**15,862.64**	**10,666.33**
Profit before tax from discontinuing operations	**-**	**2,581.00**
Exceptional Item		
Expenses for Projects (refer note 29)	-	2,724.00
	15,862.64	**15,971.33**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation/amortization	6,057.91	5,709.00
Profit on Sale of the Information Technology Business	-	(4,300.25)
Contingencies towards indemnities provided on sale of IT business	-	286.25
Profit on sale of Investments	(111.61)	-
Amortisation of Government Grants	(78.81)	(72.69)
Fair Value (Gain)/loss on financial instruments	(425.16)	636.80
Share based payment	242.52	382.24
Loss/(profit) on sale of fixed assets	70.69	(52.06)
Bad debts/advances written off	187.20	274.80
Allowances for doubtful debts and advances	1,744.37	1,046.80
Unrealized foreign exchange loss/(gain)	(323.16)	(451.81)
Liabilities written back	(3,748.53)	(3,151.02)
Interest expense	3,777.97	4,315.00
Interest (income)	(1,850.37)	(1,139.10)
Dividend (income)	(189.15)	(240.76)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**21,216.51**	**19,214.53**
Movements in working capital :		
Increase/(decrease) in trade payables	12,719.52	24,607.07
Increase/(decrease) in long-term/short-term provisions	65.75	845.40
Increase/(decrease) in other current liabilities	5,549.84	1,974.82
Decrease/(increase) in trade receivables	(14,643.88)	(10,550.43)
Decrease/(increase) in inventories	(6,081.80)	(5,622.67)
Decrease/(increase) in long-term/short-term loans and advances	(2,479.29)	927.69
Decrease/(increase) in other current/non-current assets	(735.14)	(2,537.17)
Cash generated from/(used in) operations	15,611.51	28,859.24
Direct taxes paid (net of refunds)	241.07	(3,185.26)
Net cash flow from/(used in) operating activities (A)	**15,852.58**	**25,673.98**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(10,745.48)	(5,289.05)
Proceeds from sale of fixed assets	141.25	427.19
Proceeds on sale of the Information Technology Business	-	17,268.28
Transaction/Merger related One Time Cost	-	(995.00)
Tax on sale of the Information Technology Business		(2,116.51)
Purchase of current investments	-	(16,038.80)
Purchase of investments	-	(267.64)
Balance carried forward	**5,248.36**	**18,662.44**

(₹ in lakhs)

	Year ended March 31	
	2017	2016
Balance brought forward	**5,248.36**	**18,662.44**
Proceeds from sale/maturity of current investments	15,918.82	-
Interest received	1,439.29	287.10
Dividends received	189.15	207.48
Net cash flow from/(used in) investing activities (B)	**6,943.03**	**(6,516.95)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from Short term Borrowings, net	(17,485.47)	(1,799.39)
Proceeds from Long Term Borrowings, gross	613.44	-
Repayment of Long Term Borrowings, gross	(104.71)	(518.72)
Interest paid	(3,814.26)	(4,289.40)
Proceeds from fresh issue of Equity Capital including Premium	668.99	43.51
Dividend paid on equity shares	(182.64)	(10,658.43)
Tax on equity dividend paid	-	(2,267.48)
Net cash flow from/(used in) in financing activities (C)	**(20,304.65)**	**(19,489.91)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**2,490.96**	**(332.88)**
Effect of exchange differences on cash & cash equivalents held in foreign currency	-	2.33
Cash and cash equivalents at the beginning of the year	1,489.05	155.02
Add- Cash and Cash Equivalents acquired from subsidiaries on account of merger	-	1,664.58
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,980.01**	**1,489.05**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
– On current accounts**	8,856.46	3,012.67
– Deposits with original maturity of less than 3 months	476.24	684.67
– On unpaid dividend account*	264.07	796.82
Cash on hand	60.26	56.22
Less : Bank Overdraft	(5,677.02)	(3,061.33)
TOTAL CASH AND CASH EQUIVALENTS (NOTE 14)	**3,980.01**	**1,489.05**

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

** Out of the above bank balances, the company can utilize balance of ₹135.52 lakhs (March 31, 2016 : ₹46.51 lakhs and April 1, 2015 : ₹ Nil lakhs) only for one of the project with prior approval of the customer.

Summary of significant accounting policies 1 & 2

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

1 Corporate Information

Blue Star Limited ("The Company") is into the business of central air conditioning, commercial refrigeration and water purifiers. The Company is also into distribution and maintenance of imported professional electronics and industrial systems. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of The Company is located at Kasturi Buildings, M T Advani Chowk, Jamshedji Tata Road, Churchgate, Mumbai - 400020, Maharashtra.

During the previous year, Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) were amalgamated with the Company w.e.f April 1, 2015. BSIL and BSIBIA were mainly engaged in the Information technology and software services business. The Company has subsequently sold its IT Business as explained in note 33 to the financial statements w.e.f January 1, 2016.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on May 9, 2017.

2 Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Group prepared its consolidated financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These consolidated financial statements for the year ended March 31, 2017 are the first such statements the Group has prepared in accordance with Ind AS.

Refer to note 45 on first time adoption to Ind AS.

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount :

- Derivative financial instruments,
- Certain other financial assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

The consolidated financial statements are presented in INR and all values are rounded to the nearest lakhs (₹00,000), except when otherwise indicated.

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group, its subsidiaries and joint ventures as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has :

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- Size of the Group's holding of voting rights relative to the Size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. if a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31.

Consolidation procedure:

(a) Items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of its subsidiaries on a line basis. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the financial statements at the acquisition date.

(b) The Carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

(c) Intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full (profits or losses resulting from intraGroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). IntraGroup losses may indicate an impairment that requires recognition in the financial statements. Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intracompany transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

a. Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below :

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 - Income Tax and Ind AS 19 - Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 - Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed off, goodwill associated with the disposed operation is included in the carrying amount of the operation when determining gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition.

Common control transactions

Common control business combinations include transactions, such as transfer of subsidiaries or business, between entities within the Group.

Business combinations involving entities or business under common control are accounted for using the pooling of interests method. Under pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts, the only adjustments that are made are to harmonise accounting policies.

Financial information in the financial statements in respect of prior periods are restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information is restated only from that date.

The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and presented separately from other capital reserves with disclosure of its nature and purpose in the notes.

b. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit and loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c. Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is treated as current when :

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

d Foreign currencies

The Group's consolidated financial statements are presented in INR, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassifed to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the balance sheet date. Statement of profit or loss have been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

e Fair Value Measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

f Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the clarifications on Ind AS 18 issued by the ICAI, the Group has assumed that recovery of excise duty flows to the Group on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Group on its own account, revenue includes excise duty.

However, sales tax/value added tax (VAT) is not received by the Group on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from construction contracts

Revenue from construction contracts is recognised by applying percentage of completion method after providing for foreseeable losses, if any. Percentage of completion is determined as a proportion of the cost incurred up to the reporting date to the total estimated cost to complete. Foreseeable losses, if any, on the contracts is recognised as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of cost and related incidental income not included in contract revenue is taken into consideration. Contract is reflected at cost that are expected to be recoverable till such time the outcome of the contract cannot be ascertained reliably and at realisable value thereafter. Claims are accounted as income in the year of acceptance by customer.

Revenue earned in excess of billing has been reflected under "Other Financial Assets" and billing in excess of contract revenue is reflected under "Other Current Liabilities" in the balance sheet. Contract Work-in-Progress is stated at cost till such time as the outcome of the project cannot be ascertained reliably and has been reflected under "Other Current Assets".

Revenue from sale of goods

Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, as per terms of the contracts and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods. It also includes excise duty and price variations based on the contractual agreements and excludes value added tax/sales tax. It is measured at fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold.

Rendering of services

Revenue from software development/sale of services with respect to time and material contracts get recognized as related costs are incurred and services are performed in accordance with the terms of specific contracts.

Revenue from fixed price contracts relating to software development get recognized based on the milestones achieved as specified in the contracts and for interim stages, until the next milestone is achieved, on the basis of proportionate completion method. Provisions for estimated losses on incomplete contracts have been recorded in the period in which such losses become probable based on the current estimates.

Revenue from annual maintenance contracts are recognized pro-rata over the period of the contract.

Commission income is recognized as and when terms of the contracts get fulfilled.

Other items of revenue

Interest income - For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Export incentives - Export incentive receivable is accrued when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.

Dividend income - Dividend income is accounted when the right to receive the same is established, which is generally when shareholders approve the dividend.

Rental income - Rental income arising from operating leases on investment properties is accounted on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

g Government Grant

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

h Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss are recognised as a part of these items (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the forseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss are recognised as a part of these items (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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 taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

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

Sales/value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/value added taxes paid, except :

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

i Non-current assets held for sale/distribution to owners and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/distribution rather than through continuing use. Actions required to complete the sale/distribution should indicate that it is unlikely that significant changes to the sale/distribution will be made or that the decision to sell/distribute will be withdrawn. Management must be committed to the sale/distribution expected within one year from the date of classification.

For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has a commercial substance. The criteria for held for sale/distribution classification is regarded met only when the assets or disposal group is available for immediate sale/distribution in its present condition, subject only to terms that are usual and customary for sales/distribution of such assets (or disposal groups), its sale/distribution is highly probable; and it will genuinely be sold and not abandoned. The Group treats sale/distribution of the asset or disposal group to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset (or disposal group),
- An active programme to locate a buyer and complete the plan has been initiated (if applicable),
- The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/distribute. Assets and liabilities classified as held for sale/distribution are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortised.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed off, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.

j Property, plant and equipment

Capital work in progress, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold land is depreciated on a straight line basis. All other assets are depreciated to the residual values on the written-down value basis over the estimated useful lives. Freehold land is not depreciated. Estimated useful lives of the assets are as follows:

Nature of tangible asset	Useful life (years)
Factory buildings	30
Other buildings	60
Roads	5
Temporary structure	3
Plant & Machinery	20
Furniture and fixtures	10
Office equipment	5
Vehicles	8
Computer - Desktop, Laptops	3
Computer - Servers and Networks	6
Leasehold Improvements	6 or the life based on lease period, whichever is less

The useful life of plant and machinery has been estimated as 20 years. These lives are higher than those indicated in Schedule II to the Companies Act, 2013.

The Group, based on technical assessment made by technical expert and management estimate, depreciates certain items of property, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

k Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

The Group depreciates building component of investment property over 60 years on written down value basis from the date of original purchase which is as prescribed under the schedule II to the Companies Act, 2013.

Though the Group measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

l Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is, as follows:

Other Intangible assets

The useful lives of other intangible assets are as mentioned below:

Nature of intangible asset	Method of amortisation
Software	Written down value of assets over a period of 6 years
Technical knowhow	Straight line basis over a period of 6 years

m Borrowing Cost

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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

n Leases

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

o Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows :

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but exclude borrowing costs. Cost is determined on weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

p Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

q Provisions and contingencies

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Other Litigation claims

Provision for litigation related obligation represents liabilities that are expected to materialise in respect of matters in appeal.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower expected costs of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, the Group recognises impairment on the assets with the contract.

Contingencies

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

r. Retirement and other employee benefits

All employee benefits payable wholly within twelve months are classified as short term employee benefits. Benefits such as salaries, wages, short-term compensated absences, performance incentives etc. and the expected cost of bonus, ex-gratia are recognised during the period in which the employee renders related service.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contribution.

The Company makes contribution towards provident fund which is administered by the trustees. The Rules of the Company's Provident Fund administered by a trust, require that if the Board of the Trustees are unable to pay interest at the rate declared by the Government under Para 60 of the Employees Provident Fund Scheme,1972 for the reason that the return on investment is less for any other reason, then the deficiency shall be made good by the Company making interest shortfall a defined benefit plan. Accordingly, the company obtains an actuarial valuation to establish that there is no deficiency as at the balance sheet date. Hence, the liability is restricted to monthly contributions only.

The Company operates a defined benefit gratuity plan in India.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of :

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

Voluntary Retirement Scheme (VRS):

VRS payouts are recognised as an expense in the period in which they are incurred.

s. Share-based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised as an employee benefits expense.

Service and non-market performance conditions are not taken into account while determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

t. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Debt instruments at amortised cost
- Debt instruments, derivatives and equity instruments at 'fair value through profit or loss' (FVTPL)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Group applies 'expected credit loss' (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

b) Trade receivables or any contractual right to receive cash (including revenue earned in excess of billing) or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables (including Revenue earned in excess of billing).

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on twelve-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve-month ECL is a portion of the lifetime ECL which results from default events that are possible within twelve months after the reporting date.

ECL is the difference between net of all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.
- For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, **as financial liabilities at fair value through profit or loss**, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

The company enters into derivative contracts to hedge foreign currency/price risk on unexecuted firm commitments and highly probable forecast transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

u. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

v. Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

Dividends paid/payable are recognised in the year in which the related dividends are approved by the Shareholders or Board of Directors as appropriate.

w. Exceptional items

Exceptional items refer to items of income or expense within the income statement from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Group.

x. Earnings per share

The Group's Earnings per Share ('EPS') is determined based on the net profit attributable to the shareholders' of the Group.

Basic earnings per share is calculated by dividing the profit from continuing operations and total profit, both attributable to equity shareholders of the parent by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is computed using the weighted average number of common and dilutive shares outstanding during the year including share based payments, except where the result would be anti-dilutive.

y. Segment reporting

The chief operational decision maker monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The operating segments have been identified on the basis of the nature of products/services.

1. Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.
2. Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the Group as a whole and not allocable to segments are included under unallocable expenditure.
3. Income which relates to the Group as a whole and not allocable to segments is included in unallocable income
4. Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit before tax of the Group.
5. Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

Inter-Segment transfer pricing:

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

3 PROPERTY PLANT & EQUIPMENT

(₹ in lakhs)

Particulars	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improve-ments	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Cost										
At April 1, 2015	5.26	889.39	8,887.32	10,998.69	162.11	360.14	191.78	567.90	442.02	**22,504.61**
Acquisition through business combination	-	-	-	-	264.81	113.66	47.07	27.84	187.40	**640.78**
Additions	-	-	133.25	1,621.34	62.77	137.16	125.27	705.76	703.80	**3,489.35**
Adjustment/Reclassification	-	-	(11.83)	(31.35)	(69.10)	122.98	5.00	14.28	-	**29.98**
Disposals	-	-	(410.86)	(932.74)	(265.39)	(116.59)	(66.90)	(142.33)	(231.63)	**(2,166.44)**
At March 31, 2016	**5.26**	**889.39**	**8,597.88**	**11,655.94**	**155.20**	**617.35**	**302.22**	**1,173.45**	**1,101.59**	**24,498.28**
At April 1, 2016	5.26	889.39	8,597.88	11,655.94	155.20	617.35	302.22	1,173.45	1,101.59	**24,498.28**
Additions	1,394.80	-	420.47	2,812.04	301.60	406.93	201.72	534.28	523.04	**6,594.88**
Disposals	-	-	(9.91)	(1,184.63)	-	(135.25)	(102.05)	(342.74)	(260.76)	**(2,035.34)**
At March 31, 2017	**1,400.06**	**889.39**	**9,008.44**	**13,283.35**	**456.80**	**889.03**	**401.89**	**1,364.99**	**1,363.87**	**29,057.82**
Depreciation and impairment										
At April 1, 2015	-	-	-	-	-	-	-	-	-	**-**
Adjustment/Reclassification	-	-	(2.24)	(6.53)	12.14	1.97	3.67	7.39	-	**16.40**
Disposals	-	-	(10.84)	(993.45)	(44.13)	(96.32)	(33.27)	(94.26)	(107.72)	**(1,379.99)**
Provided during the year	-	-	460.50	2,073.91	59.56	202.44	144.88	310.21	521.46	**3,772.96**
At March 31, 2016	**-**	**-**	**447.42**	**1,073.93**	**27.57**	**108.09**	**115.28**	**223.34**	**413.74**	**2,409.37**
At April 1, 2016	-	-	447.42	1,073.93	27.57	108.09	115.28	223.34	413.74	**2,409.37**
Disposals	-	-	(5.53)	(1,136.72)	-	(123.25)	(97.25)	(245.79)	(261.15)	**(1,869.69)**
Provided during the year	-	-	790.68	2,078.67	54.70	171.55	102.42	332.22	584.35	**4,114.59**
At March 31, 2017	**-**	**-**	**1,232.57**	**2,015.88**	**82.27**	**156.39**	**120.45**	**309.77**	**736.94**	**4,654.27**
Net Book Value										
At March 31, 2017	1,400.06	889.39	7,775.87	11,267.47	374.53	732.64	281.44	1,055.22	626.93	**24,403.55**
At March 31, 2016	5.26	889.39	8,150.46	10,582.01	127.63	509.26	186.94	950.11	687.85	**22,088.91**
At April 1, 2015	5.26	889.39	8,887.32	10,998.69	162.11	360.14	191.78	567.90	442.02	**22,504.61**

In Financial Year 2015-16, the Company had discontinued manufacturing operations of Bharuch and Thane units in accordance with its manufacturing strategy. Plant and Machinery of these manufacturing units (Net Book Value : March 31, 2017 ₹176.48 lakhs, March 31, 2016 ₹197.21 lakhs and April 1, 2015 ₹532.11 lakhs) that are held for disposal have been disclosed separately as "Assets held for sale". The Company has classified the assets held for sale at their carrying costs and considers the carrying amount will be recovered on sale.

For Property Plant & Equipment existing as on April 1, 2015 i.e. the date of transition to Ind AS, the company has used Indian GAAP carrying value as deemed cost.

4. INVESTMENT PROPERTY

Cost	*(₹ in lakhs)*
At April 1, 2015	902.63
Additions	6,995.54
At March 31, 2016	7,898.17
Additions	5.05
At March 31, 2017	**7,903.22**
Depreciation	
At April 1, 2015	-
Additions	554.59
At March 31, 2016	554.59
Additions	514.38
At March 31, 2017	**1,068.97**
Net Book Value	
At March 31, 2017	6,834.25
At March 31, 2016	7,343.58
At April 1, 2015	902.63

Information regarding Income & Expenditure of Investment property *(₹ in lakhs)*

	As at March 31	
	2017	**2016**
Rental income derived from investment property	626.29	847.27
Direct operating expenses (including repairs and maintenance) associated with rental income	(13.00)	(12.00)
Profit arising from investment property before depreciation and indirect expenses	613.29	835.27
Less - Depreciation	514.38	554.59
Profit arising from investment property before indirect expenses	**98.91**	**280.68**

As at March 31, 2017, March 31, 2016 and April 1, 2015 the fair value of the property is ₹8,426.26 lakhs, ₹7,916.37 lakhs and ₹1,560 lakhs respectively. The valuation is based on fair value assessment done by an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The Company has no restrictions on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop investment properties or has any plans for major repairs, maintenance and enhancements.

Fair Value Hierarchy disclosures for investment properties have been provided in Note 41.

Description of valuation techniques used and key inputs to valuation on investment properties

Delphi building is a commercial property located at Powai, Mumbai. As per International Valuation Standards (IVS) and guidelines of Royal Institute of Chartered Surveyors (RICS) Guidance note for secured lending in India, in respect of income yielding properties the valuation is to be undertaken using either market approach or income approach out of the three presribed approaches. Since, comparable market transactions are scarce, not transparent and subjective, market approach may not be effective and as such income (investment) approach is used. Though there are comparable instances of rents in the subject commercial project, market instances of sale are scarce. Under income approach, the rental income is capitalised over the balance economic life using the Discounted Cash Flow (DCF) technique which is a universally accepted method. The other approach, viz, cost approach does not produce a figure that relates to the sales price achievable in the event of a default by the borrower. Thus, the income approach which uses the DCF technique has been used to calculate the Fair Value.

While arriving at the fair market rent, weightages are given for factors such as availability of car parks, terrace area, terms of lease, area occupied, reputation of the company (lessee), amenities, ease of collection, sustenance of services, whole life costs and infrastructure maintenance such as DC power, Lift, Fire fighting systems, landscape lighting & maintenance, security, sewage treatment plants, water treatment plants, rain water harvesting etc. The yield and hence the year purchase (YP) is based on these factors considering the balance economic life of the structures.

While estimating the market value by income approach, the capitalization rate of interest and YP are arrived taking into consideration the type of use and the yield received. Further, the reversionary value of the proportionate land area is also taken into consideration. The net present value of the property is arrived using remunerative interest at 8.25% p.a. for office space. The accumulative rate is estimated at 3.00% for office space for the purpose of recoupment of capital. Total economic life of office space is estimated as 60 years. The YP is estimated using dual interest i.e., remunerative rate of interest and accumulative rate of interest in order to account for both remuneration as well the recouping of the capital. The building is about 12 years old and the balance economic life of office use is considered to be 48 years.

5. INTANGIBLE ASSETS

(₹ in lakhs)

	Technical Knowhow	Software	Intellectual Property Rights	Goodwill	Total
Cost					
At April 1, 2015	1,091.36	1,076.88	-	-	**2,168.24**
Acquisition through business combination	-	620.75	51.78	1,036.72	**1,709.25**
Additions	1,556.81	1,240.53	-	-	**2,797.34**
Disposals	-	(622.67)	(51.78)	(1,036.72)	**(1,711.17)**
At March 31, 2016	**2,648.17**	**2,315.49**	**-**	**-**	**4,963.66**
At April 1, 2016	2,648.17	2,315.49	-	-	**4,963.66**
Additions	1,027.99	917.42	-	-	**1,945.41**
Disposals	-	(24.08)	-	-	**(24.08)**
At March 31, 2017	**3,676.16**	**3,208.83**	**-**	**-**	**6,884.99**
Amortisation and impairment					
At April 1, 2015	-	-	-	-	**-**
Acquisition through business combination	-	488.13	-	-	**488.13**
Disposals	-	(554.92)	(51.78)	(155.51)	**(762.21)**
Provided during the year	498.51	675.65	51.78	155.51	**1,381.45**
At March 31, 2016	**498.51**	**608.86**	**-**	**-**	**1,107.37**
At April 1, 2016	498.51	608.86	-	-	**1,107.37**
Disposals	-	(23.91)	-	-	**(23.91)**
Provided during the year	665.04	763.90	-	-	**1,428.94**
At March 31, 2017	**1,163.55**	**1,348.85**	**-**	**-**	**2,512.40**
Net Book Value					
At March 31, 2017	2,512.61	1,859.98	-	-	**4,372.59**
At March 31, 2016	2,149.66	1,706.63	-	-	**3,856.29**
At April 1, 2015	1,091.36	1,076.88	-	-	**2,168.24**

The Company launched inverter-based variable refrigerant flow (VRF) systems, chillers and wall-mounted units during Financial Year 2015- 2016. The technology cost for development of these products was intially booked under the head "Intangible Assets under development" and have been capitalised under the head "Intangible Assets" when the recognition criteria was met as per Ind AS 38. The capitalised cost of VRF will get amortised in 6 years in line with market assessment of the use of this technology.

The Company during the current year has commenced a new project to develop higher capacity inverter VRF outdoor Units having cooling capacity of 24HP and above. The Cost related to such project is appearing in Intangible assets under development.

6. FINANCIAL ASSETS
INVESTMENTS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
I. Non Current Investments			
Investment in Equity Instruments			
Unquoted equity instruments			
Investment in Joint Ventures			
367,500 (March 31, 2016 : 367,500, April 1, 2015 : 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering Sdn Bhd	542.50	507.00	436.79
255,000 (March 31, 2016 : 255,000, April 1, 2015 : Nil) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co. LLC	554.50	500.00	-
Quoted equity instruments			
Investment in Associates			
Nil (March 31, 2016: Nil, April 1, 2015: 30,98,025) Fully paid Equity Shares of ₹10 each in Blue Star Infotech Ltd	-	-	3,435.69
Total Non Current Investments	**1,097.00**	**1,007.00**	**3,872.48**
II. Current Investments			
Investment in units of Mutual Funds			
Liquid Funds			
Units Nil (March 31, 2016 : 98,717.962 units, April 1, 2015 : NIL) of ₹100 each fully paid up in ICICI Money Market Fund	-	218.89	-
Units (March 31, 2016 : 46.385 units, April 1, 2015 : NIL) of ₹1,000 each fully paid up in HDFC Liquid Fund - Daily Dividend	-	0.47	-
Growth Schemes			
Units Nil (March 31, 2016 : 31,09,247.29 units, April 1, 2015 : NIL) of ₹10 each fully paid up in HDFC Mutual Fund	-	800.00	-
Units Nil (March 31, 2016 : 3,00,538.246 units, April 1, 2015 : NIL) of ₹100 each fully paid up in ICICI Prudential Mutual Fund	-	850.00	-
Units Nil (March 31, 2016 : 43,823.267 units, April 1, 2015 : NIL) of ₹1,000 each fully paid up in Kotak Mutual Fund	-	800.00	-
Units Nil (March 31, 2016 : 39,06,784.13 units, April 1, 2015 : NIL) of ₹10 each fully paid up in DHFL Mutual Fund	-	800.00	-
Commercial Paper			
Tata Motors Finance Ltd 364 Days, Maturity 10 August 2016- 500 Units, Market value ₹2,428.10 Lakhs	-	2,421.04	-
Godrej Industries Ltd, Maturity 10 August 2016, Face value ₹5 Lakhs- 500 Units, Market value ₹2,436.26 Lakhs	-	2,425.41	-
Housing Development Finance Corporation Ltd. 12 Months 9.3% NCD, Maturity 01 August 2016, Face value ₹10 Lakhs- 250 Units, Market value ₹2,654.46 Lakhs	-	2,651.75	-
Dewan Housing Finance Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs- 500 Units, Market value ₹2,429.56 Lakhs	-	2,418.58	-

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Kotak Mahindra Investments Ltd, Maturity 09 August 2016, Face value ₹5 Lakhs- 500 Units, Market value ₹2,429.56 Lakhs	-	2,420.68	-
Total Current Investments	**-**	**15,806.82**	**-**
Aggregate book value of quoted investments	-	3,469.36	3,435.69
Aggregate market value of quoted investments (refer note 40)	-	3,469.36	6,109.31
Aggregate Value of unquoted investments	1,097.00	16,813.82	-
Aggregate amount of impairment in value of investments	-	-	-

Loans (Unsecured considered good unless otherwise stated)

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Loan to Others						
Security Deposit	1,221.28	1,314.20	1,269.50	187.00	-	0.38
Loans to employees	509.53	603.11	403.17	206.93	-	128.01
Others	-	-	-	7.49	-	537.48
Total Loans	**1,730.81**	**1,917.31**	**1,672.67**	**401.42**	**-**	**665.87**

Other Financial Assets

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Non-current bank balances**	361.29	334.99	108.49	-	-	-
Unbilled Revenue:						
Project Revenue	-	-	-	25,020.44	22,382.16	20,782.77
Less: Impairment Allowance	-	-	-	1,558.57	1,505.21	1,504.72
Net Project Revenue	-	-	-	23,461.87	20,876.95	19,278.05
AMC	-	-	-	762.75	539.15	457.48
Advance recoverable in cash	-	-	-	480.86	724.22	453.72
Total Other Financial Assets	**361.29**	**334.99**	**108.49**	**24,705.49**	**22,140.32**	**20,189.25**

**Margin money deposits with a carrying amount of ₹361.29 Lakhs (31st March, 2016 : 334.99 Lakhs, 1st April, 2015 : 108.49 Lakhs) are subject to a first charge as security deposit with customers.

Breakup of total financial assets carried at amortized cost:

(₹ in lakhs)

Particulars	As at March 31		As at April 1
	2017	2016	2015
Investment (refer note 6)	-	12,337.46	-
Trade receivables (refer note 8)	96,929.89	83,425.32	76,669.96
Cash & bank balances (refer note 9)	9,657.03	4,550.38	4,248.45
Loans (refer note 6)	2,132.23	1,917.31	2,338.55
Other financial assets (refer note 6)	25,066.78	22,475.31	20,297.74
Total financial assets carried at ammortized cost	**133,785.93**	**124,705.78**	**103,554.70**

7. INVENTORIES

(₹ in lakhs)

(Valued at lower of cost and net realisable value)	As at March 31		As at April 1
	2017	2016	2015
Raw materials & components (includes in transit: ₹3,340.08 lakhs (March 31, 2016: ₹2,894.56 lakhs, April 1, 2015: ₹3,024.63 lakhs))	14,806.03	10,800.49	11,894.12
Work-in-progress	3,855.40	3,384.14	3,585.26
Finished goods	11,664.92	10,663.71	13,516.64
Traded goods (includes in transit: ₹873.83 lakhs (March 31, 2016: ₹4,786.76 lakhs, April 1, 2015: ₹2,541.93 lakhs))	25,381.91	25,160.43	15,618.09
Spares	3,849.94	3,467.63	3,239.62
	59,558.20	**53,476.40**	**47,853.73**

The above inventory values are inclusive of provisions made for slow moving, obsolete and defective inventory ₹443.18 (March 31, 2016 ₹1,554.70 and April 1, 2015 ₹1,248.44)

8. TRADE RECEIVABLE

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Trade receivables	**3,031.57**	**4,352.93**	**4,645.75**	**93,411.84**	**78,783.87**	**71,916.92**
Receivables from related parties (Note 37)	-	-	-	486.48	288.52	107.28
Total Trade receivables	**3,031.57**	**4,352.93**	**4,645.75**	**93,898.32**	**79,072.39**	**72,024.20**
Break up of security details :						
Unsecured, considered good	3,031.57	4,352.93	4,645.75	93,898.32	79,072.39	72,024.20
Doubtful	585.14	5,457.64	1,791.06	15,594.63	9,161.57	11,583.86
	3,616.71	9,810.57	6,436.81	109,492.95	88,233.96	83,608.06
Impairment Allowance (allowance for bad and doubtful debts)						
Doubtful	585.14	5,457.64	1,791.06	15,594.63	9,161.57	11,583.86
Total Trade receivables	**3,031.57**	**4,352.93**	**4,645.75**	**93,898.32**	**79,072.39**	**72,024.20**
Due from Company in which the Company's Non executive Director is a Director						
Atria Convergence technologies Pvt Ltd.				2.39	0.82	10.70
Apollo Hospital Enterprises Limited				456.33	236.33	-

For Terms and Conditions relating to related party receivables, (refer note 37)

9. CASH AND CASH EQUIVALENT

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Cash and cash equivalents			
Balances with banks:			
- On current accounts***	8,856.46	3,012.67	2,710.73
- Deposits with original maturity of less than 3 months	476.24	684.67	758.68
- On unpaid dividend account**	264.07	796.82	737.86
Cash on hand	60.26	56.22	41.18
	9,657.03	**4,550.38**	**4,248.45**

** The Company can utilize these balances only towards settlement of the respective dividend payments.

*** Out of the above bank balances, the company can utilize balance of ₹135.52 lakhs (March 31, 2016 : ₹46.51 lakhs and April 1, 2015 : ₹ Nil) only for one of the project with prior approval of the customer

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Balances with banks:			
- On current accounts	8,856.46	3,012.67	2,710.73
- Deposits with original maturity of less than three months	476.24	684.67	758.68
On unpaid dividend account	264.07	796.82	737.86
Cash on hand	60.26	56.22	41.18
	9,657.03	**4,550.38**	**4,248.45**
Less – Bank overdraft (note 14)	5,677.02	3,061.33	4,093.43
	3,980.01	**1,489.05**	**155.02**

10 OTHER ASSETS

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Capital Advances	904.45	1,010.73	339.77	-	-	-
Balance with Statutory Authorities	2,070.33	1,482.95	1,407.81	4,921.96	5,177.52	5,904.09
Vendor Advances	-	-	66.83	4,903.07	2,925.55	3,555.18
Prepaid Expenses	-	2.75	4.03	1,946.16	1,880.85	1,421.46
Contract Work-in-progress	-	-	-	1,976.76	3,613.53	5,627.41
	2,974.78	**2,496.43**	**1,818.44**	**13,747.95**	**13,597.45**	**16,508.14**

11 SHARE CAPITAL

(₹ in lakhs)

Authorised Share Capital	7.8% Cumulative Convertible Preference Shares of ₹100 each		Equity Shares of ₹2 each		Unclassified Shares of ₹100 each		Cumulative Compulsorily Convertible Preference Shares of ₹10 each	
	No.	Lakhs	No.	Lakhs	No.	Lakhs	No.	Lakhs
At April 1, 2015	**10,000**	10.00	**148,700,000**	2,974.00	**16,000**	16.00	**-**	-
Increase/(Decrease) during the year	**-**	-	134,900,000	2,698.00	-	-	520,000	52.00
At March 31, 2016	**10,000**	10.00	**283,600,000**	5,672.00	**16,000**	16.00	**520,000**	52.00
Increase/(Decrease) during the year	**-**	-	-	-	-	-	-	-
At March 31, 2017	**10,000**	10.00	**283,600,000**	5,672.00	**16,000**	16.00	**520,000**	52.00

During the year ended March 31, 2016, the authorized share capital was increased by ₹2,750.00 lakhs i.e. 13,49,00,000 Equity shares of ₹2 each and 5,20,000 Cummulative compulsorily convertible preference shares of ₹10 each. During the year, the increase in authorized share capital was pursuant to the merger of Blue Star Infotech Ltd (BSIL), Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Limited (BSL)

Terms/Rights attached to Equity Shares

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

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

Terms/Rights attached to 7.8% Cumulative Convertible Preference Shares

"Each convertible preference share has a par value of ₹100 and is convertible at the option of the shareholders into Equity shares on the basis of one equity share for every three preference shares held.“

“Preference shares confer on the holders thereof the right to receive a fixed cumulative preferential dividend at the rate of 7.8% per annum. The preference shares shall rank for the dividend in priority to the shares of the company in the event of increase in share capital or winding up of the Company up to amount of dividend or any arrears of dividend. Preference share holders will not have any further right to participate in the profits or assets of the company."

Terms/Rights attached to Cumulative Compulsorily Convertible preference shares

Each Cumulative Compulsorily Convertible Preference Share has a par value of ₹10. These shares may be issued as per the terms approved by the Board of Directors subject to the applicable provisions of the Companies Act, 2013.

Issued Share Capital

Equity Shares of ₹2 each issued, subscribed & fully paid up	No.	₹ Lakhs
At April 1, 2015	**89,936,105**	**1,798.72**
Issue of Share Capital - Employee Stock Options Exercised	15,000	0.30
At March 31, 2016	**89,951,105**	**1,799.02**
Issue of Share Capital - Employee Stock Options Exercised	227,900	4.56
Shares issued pursuant to the merger of Blue Star Infotech Limited (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA), with Blue Star Limited (BSL)	5,391,383	107.83
At March 31, 2017	**95,570,388**	**1,911.41**

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

Name of the shareholder	As at March 31, 2017		As at March 31, 2016	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of ₹2 each fully paid				
IL & FS Trust Company Ltd	11,403,554	11.93%	11,013,076	12.24%
Ashok Mohan Advani	10,871,721	11.38%	10,315,107	11.47%
HDFC Trustee Company Limited	4,737,617	4.96%	6,869,953	7.64%
Suneel Mohan Advani	5,626,827	5.89%	5,325,948	5.92%
Saif Advisor Mauritius Ltd. A/C Saif India IV FII holdings Ltd.	4,731,983	4.95%	4,731,983	5.26%

Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

(₹ in lakhs)

	As at March 31	
	2017	2016
53,91,383 equity shares of ₹2 each of the company issued to the shareholders of Blue Star Infotech Ltd (BSIL) as per the approved Scheme of merger of BSIL and BSIBIA with the Company, vide High Court Order dated April 16, 2016	107.83	-

Shares reserved for issue under options

For details of shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Company (refer note 35).

12 OTHER EQUITY

Securities Premium Reserve - Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium Reserve". The Company may issue fully paid-up bonus shares to its members out of the securities premium reserve and Company can use this reserve for buy-back of shares.

Share Based Payment Reserve - The Company has an employee share option scheme under which options to subscribe for the Company's shares have been granted to the key employees and directors. The share-based payment reserve is used to recognize the value of equity-settled share-based payments provided to the key employees and directors as part of their remuneration. Refer to Note 35 for further details of the scheme.

Capital Redemption Reserve - Capital Redemption Reserve was created for buy-back of shares.

Capital Subsidy Received from Government – Subsidy is an assistance given by the government for investment in the form of capital asset. The subsidy is recognized when the requirements established for receiving them are met. The subsidy was received against the factory setup in the state of Himachal Pradesh for the year ended March 31, 2009 and year ended 2013.

General Reserve - General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the statement of profit and loss. The Company can use this reserve for payment of dividend and issue of fully paid-up and not paid-up bonus shares.

13 DIVIDEND DISTRIBUTION MADE AND PROPOSED

(₹ in lakhs)

	As at March 31	
	2017	2016
Cash dividends on equity shares declared and paid :		
Final dividend for the year ended on March 31, 2016 : ₹ Nil per share (March 31, 2015: ₹5.00 per share)	-	4,496.81
Dividend Distribution tax on final Dividend	-	915.46
Interim dividend for the year ended on March 31, 2017: ₹ Nil per share (March 31, 2016: ₹6.5 per share)	-	6,197.26
Dividend Distribution tax on Interim Dividend	-	1,261.62
	-	**12,871.15**
Proposed Dividend on Equity Share:		
Final Cash Dividend for year the ended on March 31, 2017 ₹7.50 per share (March 31, 2016: ₹ Nil per share)	7,167.78	-
Dividend Distribution tax on Proposed Dividend	1,459.19	-
	8,626.97	**-**

Proposed Dividend on Equity Shares are subject to approval at the Annual General Meeting and are not recognised as a liability (including DDT thereon) as at March 31, 2017

14 BORROWINGS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Non-current Borrowings			
Term Loan from Bank (unsecured) (Note a)	2,020.01	1,829.60	2,530.00
Total non-current Borrowings	**2,020.01**	**1,829.60**	**2,530.00**
Current Borrowings			
Packing credit loan account from banks (secured) (Note b & c)	4,000.00	5,500.00	-
Cash Credit/Bank overdrafts (secured) (Note b & c)	5,677.02	3,061.33	4,093.43
Buyers' credit from banks (secured) (Note c & d)	1,933.15	7,019.95	1,891.36
Buyers' credit from banks (unsecured) (Note d)	481.93	8,880.60	11,308.59
Commercial papers from banks (unsecured) (Note e)	1,000.00	10,000.00	10,000.00
Commercial papers from others (unsecured) (Note e)	6,500.00	-	10,000.00
Total current borrowings	**19,592.10**	**34,461.88**	**37,293.38**
Aggregate secured loans	11,610.17	15,581.28	5,984.79
Aggregate Unsecured loans	10,001.94	20,710.21	33,838.59
Total	**21,612.11**	**36,291.48**	**39,823.38**

a. Term Loan is repayable in 36 equated monthly installments @ 9.25% 6M MCLR +0.05% secured against irrecoverable corporate guarantee of the Company.

b. Outstanding loans carry an average interest rate of 4.80% - 9.70% p.a.(March 31, 2016 : 6.10% - 9.63% p.a., April 1, 2015: 7% to 10.26% p.a).

c. Outstanding loans is secured by hypothecation of stock-in-trade and trade receivables.

d. Buyers' credit are availed against imports dues and are repayable within maximum tenure of 360 days from the date of shipment and carried an average interest @ Libor plus 0.68% (March 31, 2016 : Libor plus 0.68%, April 1, 2015 : Libor plus 0.95%).

e. Commercial papers carry average interest rate @ 6.68% p.a. for the current year (March 31, 2016 : 7.78% p.a., April 1, 2015 : 8.75% p.a.). These are repayable within 60 days to 91 days from the date of drawdown.

15 TRADE PAYABLES

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
A Trade Payables			
Trade payables	117,555.64	108,334.35	89,665.55
B Other Payables			
Creditors - capital expenditure	167.37	702.07	43.40
Total Payable	**117,723.01**	**109,036.42**	**89,708.95**
Payable to companies in which the Company's Non-Executive director is a director.			
Pragati Leadership Institute Private Limited	12.42	-	-

16 OTHER FINANCIAL LIABILITIES

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Financial liabilities at fair value through profit or loss						
Derivatives not designated as hedges						
Foreign exchange forward contracts	-	-	-	314.29	739.45	102.66
Total other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**314.29**	**739.45**	**102.66**
Financial liabilities at amortized cost						
Other deposits		-	45.22	650.60	613.80	227.14
Total financial liabilities at amortized cost	**-**	**-**	**45.22**	**650.60**	**613.80**	**227.14**
Interest accrued but not due on borrowings	-	-	-	1.25	37.54	11.95
Unpaid Dividend : Investor Education and Protection Fund will be credited by the amount (as and when due)	-	-	-	264.03	446.67	246.57
Dividend payable on shares arising from amalgamation (refer note 33)	-	-	-	-	350.44	-
Lease Rental Deposits	-	-	-	37.68	-	-
Current Maturities of Long term borrowings	-	-	-	500.00	181.68	-
Total other financial liabilities	**-**	**-**	**45.22**	**1,767.85**	**2,369.58**	**588.32**

Foreign exchange forward contracts

The Company enters into foreign exchange forward contracts with the intention of reducing the foreign exchange risk of buyers credit and trade payables. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Break up of financial liabilities carried at amortised cost

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Borrowings (refer note 14)	22,112.11	36,473.16	39,823.38
Trade Payables (refer note 15. A)	117,555.64	108,334.35	89,665.55
Other deposits (refer note 16)	650.60	613.80	272.36
Other Payables (refer note 15. B)	167.37	702.07	43.40
Total financial liabilities carried at ammortized cost	**140,485.72**	**146,123.38**	**129,804.69**

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60 day terms.

Other payables are non-interest bearing and have an average term of 3 months.

Interest payable is normally settled quarterly throughout the financial year.

For terms and conditions with related parties, refer Note 37.

For explanations on the Company's credit risk management processes, refer Note 42.

17 OTHER CURRENT LIABILITIES

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Amount due to customers	3,143.00	4,083.12	3,875.71
Unearned revenue on AMC services	5,030.23	4,615.88	4,482.25
Advances from customers	26,553.64	22,304.40	20,945.04
Dues to Statutory bodies	6,932.98	5,496.95	4,352.23
Others	845.12	210.08	470.14
Total Other Current Liabilities	**42,504.97**	**36,710.43**	**34,125.37**

18 PROVISIONS

(₹ in lakhs)

	Non-current			Current		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Provision for employee benefits						
Provision for gratuity (refer note 34)	36.99	41.23	45.80	-	3.40	6.51
Provision for leave benefits	-	226.21	210.66	1,805.86	1,298.87	1,388.06
Provision for other employment benefits	-	-	-	211.83	170.03	-
Provision for additional gratuity (refer note 34)	25.97	-	4.68	0.03	63.52	-
	62.96	**267.44**	**261.14**	**2,017.72**	**1,535.82**	**1,394.57**
Other provisions						
Contingencies towards indemnities provided on Sale of IT business (refer note 33)	-	-	-	201.06	286.25	-
Provision for warranties	1,053.40	783.40	396.50	1,364.26	1,083.17	864.20
Loss order	-	-	-	402.06	471.69	538.15
	1,053.40	783.40	396.50	1,967.38	1,841.11	1,402.35
Total	**1,116.36**	**1,050.84**	**657.64**	**3,985.10**	**3,376.93**	**2,796.92**

Contingencies towards indemnities provided on Sale of IT business

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

(₹ in lakhs)

	As at March 31	
	2017	2016
At the beginning of the year	286.25	-
Arising during the year	-	286.25
Utilized during the year	85.19	-
Unused amounts reversed during the year	-	-
At the end of the year	**201.06**	**286.25**

Provision for warranties

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

(₹ in lakhs)

	As at March 31	
	2017	2016
At the beginning of the year	1,866.57	1,260.70
Arising during the year	1,912.75	1,311.21
Utilized during the year	1,361.65	705.34
At the end of the year	**2,417.66**	**1,866.57**
Current portion	1,364.26	1,083.17
Non-current portion	1,053.40	783.40

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	
	2017	2016
At the beginning of the year	471.69	538.15
Arising during the year	2,148.71	5,502.53
Utilized during the year	2,218.34	5,568.99
At the end of the year	**402.06**	**471.69**

19 GOVERNMENT GRANTS

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
At 1st April	**492.37**	**335.57**	**0.00**
Received during the year	-	229.49	340.10
Recognised in the Statement of Profit and Loss account	(78.81)	(72.69)	(4.53)
At 31st March	**413.56**	**492.37**	**335.57**
Current	64.99	78.81	54.29
Non-Current	348.57	413.56	281.28

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

20. INCOME TAX

(₹ in lakhs)

The major components of income tax expense for the years ended March 31, 2017 and March 31, 2016 are:	Year Ended March 31	
	2017	2016
Profit or loss:		
Current Income Tax:		
Current income tax charge (continuing operations)	4,432.95	3,224.06
Current income tax charge (discontinuing operations)		405.68
Total Current income tax charge	4,432.95	3,629.74
Deferred tax:		
Income tax expense reported in the statement of profit or loss	(766.23)	(859.74)
Total Income Tax before OCI	**3,666.72**	**2,770.00**
OCI:		
Deferred tax related to items recognised in OCI during in the year		
Re-measurement gains/(losses) on defined benefit plans	216.72	110.79
Foriegn Currency Translation Reserve	19.58	(39.69)
Income tax charged to OCI	**236.30**	**71.10**
Total Tax Expense (including tax impact on OCI)	**3,430.42**	**2,698.90**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2016 :

	Year Ended March 31	
	2017	2016
Accounting profit before tax from continuing operations	**15,862.64**	**10,666.33**
Profit/(loss) before tax from a discontinued operation	-	2,581.00
Other Comprehensive Income before tax	(678.22)	(184.11)
At India's statutory income tax rate of 34.608% (March 31, 2016: 34.608%)	**15,184.42**	**13,063.22**
At India's statutory income tax rate	5,255.03	4,520.92
Adjustments in respect of current income tax of PY	-	-
Expenses not allowed for tax purpose	408.81	1,313.25
Additional allowances for tax purpose	(1,475.87)	(2,181.68)
Additional allowance for CG & tax paid at lower rate	-	(493.65)
Expenses allowed for tax purpose	(380.46)	(383.90)
Savings due to tax paid at lower rate in case of Blue Star Qatar WLL	(99.83)	-
Effect of lower tax rate due to application of section 115JB of the Income Tax Act, 1961 provision as compared to Normal Tax provision in case of Blue Star Engineering & Electronics Limited	(106.52)	(26.12)
MAT Credit Entitlement of Blue Star Engineering & Electronics Limited	(157.62)	(49.92)
At the effective income tax rate of 22.68% (March 31, 2016: 20.66%)	**3,443.54**	**2,698.90**
Income tax expense reported in the statement of profit and loss (continuing operations)	3,666.72	2,364.32
Income tax attributable to a discontinued operation	-	405.68
Income tax effect on OCI	(236.30)	(71.10)
	3,430.42	**2,698.90**

Deferred tax

Deferred tax relates to the following

(₹ in lakhs)

	Balance Sheet			Profit or loss	
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16
Provision for loss allowance	5,272.81	4,797.17	4,368.48	475.64	428.69
Provisions made disallowed and allowed only on payment basis	821.21	550.21	410.95	271.07	139.27
Accelerated Depreciation for tax purposes	(2,265.80)	(2,216.66)	(1,905.76)	(49.15)	(310.89)
Fair Valuation of financial instruments	111.34	125.38	328.57	(14.04)	(203.26)
Others	656.31	746.44	171.84	(90.13)	574.60
Total (excluding MAT credit entitlement)	**4,595.87**	**4,002.54**	**3,374.08**	**593.39**	**628.41**
MAT Credit Entitlement	6,348.75	6,861.86	6,701.16	171.78	77.00
Deferred Tax of Blue Star Infotech Limited ('BSIL')	-	-	-	-	155.40
Total	**10,944.62**	**10,864.40**	**10,075.24**	**765.17**	**860.81**
Total deferred tax liability recognised directly in Other Comprehensive Income	**(179.00)**	**(76.00)**	**-**	**(103.00)**	**(76.00)**
Total deferred tax as shown in Balance Sheet	**10,765.62**	**10,788.40**	**10,075.24**	**662.17**	**784.81**

Reflected in the balance sheet as follows

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Deferred tax assets (continuing operations)	13,210.42	13,081.06	11,980.99
Deferred tax liabilities:			
Continuing operations	2,444.80	2,292.66	1,905.75
Deferred tax liabilities, net	**10,765.62**	**10,788.40**	**10,075.24**

Reconciliation of deferred tax assets (net):

(₹ in lakhs)

	As at March 31	
	2017	2016
Opening balance as of April 1	10,788.40	10,075.24
Tax income/(expense) during the period recognised in profit or loss	765.17	860.81
Tax income/(expense) during the period recognised in OCI	(103.00)	(76.00)
MAT Credit Entilement of Blue Star Engineering & Electronics Limited	-	42.00
Utilization of MAT Credit	(684.95)	-
Deferred taxes acquired in business combinations	-	(113.65)
Closing balance as at March 31	**10,765.62**	**10,788.40**

21. REVENUE FROM OPERATIONS

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Revenue from operations		
Sale of products (including excise duty)		
Finished goods	173,056.79	165,598.78
Traded goods	130,035.68	82,976.82
Total Sale of products	**303,092.47**	**248,575.60**
Services rendered	38,737.38	55,437.49
Revenue from construction contracts [refer note 44 (a)]	95,148.41	74,646.03
Other operating revenue		
Commission income	890.82	778.52
Provisions and liabilities no longer required	3,748.53	3,151.02
Others	854.07	386.80
Total revenue from operations	**442,471.68**	**382,975.46**

22. OTHER INCOME

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	149.66	234.52
Other non operating income	374.14	545.74
Government Grants	78.81	72.69
Income from lease rentals (refer note 4)	704.18	680.92
Profit on sale of assets	0.14	53.27
	1,306.93	**1,587.14**

23. FINANCE INCOME

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
Interest income on		
Bank deposits	29.95	76.98
Others	1,820.43	1,062.12
Dividend income on		
Current investments	29.64	59.06
Long-term investments	159.51	181.70
Profit on redemption of Mutual Fund Investment	111.61	-
Total	**2,151.14**	**1,379.86**

24. COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Cost of material consumed	132,604.82	123,110.74
Project cost (including bought outs)	86,327.99	68,059.26
Total Cost of Raw Material and Components Consumed and Project Related Costs	**218,932.81**	**191,170.00**
Purchase of traded Goods	**94,015.32**	**70,731.00**
Inventories at the end of the year		
Traded goods	25,381.91	25,160.43
Work-in-progress	3,855.40	3,384.14
Finished goods	11,664.92	10,663.71
	40,902.23	**39,208.28**
Inventories at the beginning of the year		
Inventories at the beginning of the year		
Traded goods	25,160.43	15,618.09
Work-in-progress	3,384.14	3,585.26
Finished goods	10,663.71	13,516.64
	39,208.28	**32,719.99**
(Increase)/Decrease in inventories	**(1,693.95)**	**(6,488.29)**

25. EMPLOYEE BENEFITS EXPENSE

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Salaries, wages and bonus	29,645.73	34,838.78
Share based Payment (refer note 35)	242.52	382.24
Contribution to provident and other funds	1,213.40	1,362.99
Gratuity expense (refer note 34)	274.23	281.30
Other employment benefits	311.53	574.04
Staff welfare expenses	2,215.48	2,416.65
	33,902.89	**39,856.00**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Depreciation on Tangible Assets (refer note 3)	4,114.59	3,772.96
Amortization expenses on Intangible Assets (refer note 5)	1,428.94	1,381.45
Depreciation on Investment Properties (refer note 4)	514.38	554.59
	6,057.91	**5,709.00**

27. OTHER EXPENSES

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Stores and spares consumed	1,397.72	1,212.48
AMC subcontracting cost	20,917.95	21,853.69
Rent	5,278.05	4,324.48
Rates and taxes	198.16	94.06
Power and fuel	1,664.42	1,701.75
Insurance	232.06	242.12
Repairs and maintenance		
Buildings	779.35	1,000.40
Plant and machinery	403.96	433.55
Others	816.65	605.06
Advertising and sales promotion	11,068.73	6,313.72
Conference expenses	393.60	265.22
Communication expenses	851.16	954.33
Commission, discounts and incentives on Sales	7,548.47	5,004.33
Freight and forwarding charges	5,707.32	4,147.11
Travelling and conveyance	4,103.17	3,917.90
Printing and stationery	388.49	355.13
Legal and professional fees	5,013.42	6,802.15
Directors' sitting fees	60.80	60.58
Payment to auditors (Refer details A below)	152.88	129.49
Corporate social responsibility expenses (Refer details B below)	172.55	118.56
Donations	34.23	91.90
Loss on sale of fixed assets (net)	70.83	1.21
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	-	261.88
Bad debts/advances written off	187.20	274.80
Allowances for doubtful debts and advances	1,744.37	1,046.80
Miscellaneous expenses	2,189.21	1,821.31
	71,374.75	**63,034.01**
A. Payment to auditors		
As auditor:		
Audit fee	102.43	95.13
Limited review	25.50	18.00
In other capacity	-	-
Other services	21.08	12.15
Reimbursement of expenses	3.87	4.21
	152.88	**129.49**

Excludes payment to auditors of ₹62.08 Lakhs payable to Statutory Auditors of BSIL and BSIBIA which was amalgamated with the Company w.e.f. April 1, 2015 (refer note 33). Such fees is included in legal and professional fees.

(₹ in lakhs)

B. Corporate social responsibility expenses

	Year Ended March 31	
	2017	2016
(i) Gross amount required to be spent by the Company during the year	167.64	134.88
(ii) Amount spent during the year	172.55	118.56

28. FINANCE COSTS

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Interest	3,038.02	3,249.04
Bank charges	555.69	428.68
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	184.26	637.28
	3,777.97	**4,315.00**

29 EXCEPTIONAL ITEMS

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
A. Exceptional Income		
Profit on sale of IT business (refer note 33)	-	4,300.25
	-	**4,300.25**
Less :		
B. Exceptional expenses		
Impairment of goodwill on consolidation of BSIBIA	-	(464.00)
Cost of Voluntary Retirement Scheme & other expenses on closure of plant*	-	(1,869.00)
Bonus expenses for earlier years pursuant to retrospective amendment in statute	-	(146.00)
Cost update on major contracts**	-	(2,724.00)
Contingencies towards indemnities provided on sale of IT business (refer note 33)***		(286.25)
	-	(5,489.25)
Exceptional Items (Net)	**-**	**(1,189.00)**

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

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

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

30 EARNING PER SHARES (EPS)

(₹ in lakhs)

The following reflects the income and share data used in the basic and diluted EPS computations :

	Year Ended March 31	
	2017	2016
Profit attributable to equity holders of the company :		
Continuing operations	12,304.85	8,302.31
Discontinued operation	-	2,175.32
Profit attributable to equity holders of the company for basic earnings	**12,304.85**	**10,477.63**
Weighted average number of Equity shares for basic EPS (a)	953.57	899.51
ESOP issued during the year (b)	1.07	-
Number of equity shares in share capital suspense account (refer note 33) (c)	-	53.91
Total number of Shares (a+b+c)	**954.64**	**953.42**
Effect of dilutions		
Shares Options	3.73	2.09
Weighted average number of Equity shares adjusted for the effect of dilution *	**958.37**	**955.52**

* The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year. There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.

31 DISCONTINUING OPERATIONS

(a) During the previous year, the Company had sold BSIL, BSIBIA and 3 foreign subsidiaries of BSIL, which were mainly engaged in the Information technology and software services business (IT business) w.e.f January 1, 2016 (refer note 33).

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

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Revenue	-	20,509.00
Other income	-	598.00
Expenses	-	17,991.00
Profit from operating activities	**-**	**3,116.00**
Finance cost	-	27.00
Depreciation	-	508.00
Profit before exceptional item and tax	**-**	**2,581.00**
Exceptional items	-	-
Profit after exceptional item before tax	**-**	**2,581.00**
Income tax expenses	-	405.68
Profit after tax	**-**	**2,175.32**

The carrying amount of total assets and liabilities transferred on January 1, 2016 are as follows :

(₹ in lakhs)

	As at Jan 1, 2016
Total assets	8,556.90
Total liabilities	2,305.54
Net Assets	**6,251.36**

The net cash flows attributable to are as below :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Operating activities	-	1,991.83
Investing activities	-	(2,655.68)
Financing activities	-	(540.41)
Net cash inflows/(outflows)	**-**	**(1,204.26)**

Comparable financial performance of Company for Financial Year 2016-17 excluding the impact of BSIL, BSIBIA and 3 foreign subsidiaries of BSIL, merger in Financial Year 2015-16 is given below:

	Year Ended March 31	
	2017	2016
Revenue from Operations	442,471.68	362,466.46
Total Revenue	445,929.75	364,835.46
Total Expenses	430,067.11	352,980.13
Profit before exceptional items and tax	15,862.64	11,855.33
Exceptional Items	-	(4,739.00)
Profit after exceptional items before tax	**15,862.64**	**7,116.33**

32 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported values of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Project revenue and costs

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. The Group re-assesses these estimates on periodic basis and makes appropriate revisions accordingly.

Share-based payments

The Group initially measures the cost of equity-settled transactions with employees using an appropriate valuation model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

Taxes

Significant management judgement is required to determine the amount of deferred tax assets (including MAT credit) that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Employee benefit plans

The cost of defined benefit gratuity plan and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Further details about gratuity obligations are given in Note 34.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Intangible asset under development

The Group capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Impairment of financial assets

The impairment provision for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existingmarket conditions as well as forward looking estimates at the end of each reporting period.

Allowance for uncollectible trade receivables

Trade receivables do not carry interest and are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the aging of the receivable balances and historical experiences. Individual trade receivables are written off when management deems them not be collectible.

Warranties

Provision for warranties involves a significant amount of estimation. The provision is based on the best estimate of the expenditure required to settle the present obligation at the end of thereporting period. The best estimate is determined based on the Group's past experience of warranty claims (normally over four years) and future expectations. These estimates are revised periodically.

Rebates and discounts

The Group provides as rebates and discounts to its dealers and channel partners based on an expectation of volumes achieved and other parameters such quality of showroom etc. This involves a certain degree of estimation of whether,all the parameters to provide discounts have been achieved. Provision for discount and rebates is based on the Group's past experience of volumes achieved vis-à-vis targets etc.

33 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Amalgamation and sale of business of Blue Star Infotech Ltd (BSIL) and Blue Star Infotech Business Intelligence & Analytics Private Limited (BSIBIA) with Blue Star Limited (the Company) in financial year 2015-16.

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

The Company acquired BSIL and BSIBIA to consolidate and simplify asset and business investment ownership. BSIL and BSIBIA were mainly engaged in the information technology and software services business till December 31, 2015. BSIL operations also include leasing of immovable property which continues.

Accordingly, the accounting treatment has been given as under:

1 The assets and liabilities of BSIL and BSIBIA as at April 1, 2015 have been recognised at their fair values in the Financial Statements of the Company.

2 BSIL's 1,08,00,000 equity shares of ₹10 each fully paid up stands cancelled.

3 The Company has discharged the purchase consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Group. The fair value of the shares is calculated with reference to the quoted price of the shares of the date of acquisition whcih was ₹320.09 each. The fair value of consideration is therefore ₹17,257.28 Lakhs Pending issue and allotment of the equity shares, the face value and premium on such shares of ₹17,257.28 lakhs was shown under the heading "Share Suspense Account" as at March 31, 2016.

4 **Assets acquired and liabilities assumed:**

The fair values of the identifiable assets and liabilities of BSIL and BSIBIA as at the date of acquisition were:

(₹ in lakhs)

	Fair Value recognised on acquisition
Assets	
Property, plant and equipment	1,863
Investment Property	6,304
Cash and cash equivalents	1,644
Trade receivables	4,468
Income Tax Assets	1,907
Investment in subsidiaries	9,910
Total Assets	**26,096**
Liabilities	
Trade payables	355
Provisions	831
Other Liabilities	1,726
Total Liabilities	**2,912**
Total identifiable net assets at fair value (A)	**23,184**
i. Extinguishment of shares held in BSIL	6,963
ii. Purchase Consideration transferred	17,257
Total consideration (B)	**24,220**
Goodwill arising on acquisition (B - A)	**1,036**

The fair value of trade receivables amounts to ₹4,468 Lakhs. However, none of the trade receivables is credit impaired and it is expected that the full contractual amounts can be collected.

5 The excess of the fair value of purchase consideration over the fair value of net assets of BSIL and BSIBIA amounting to ₹1,036 Lakhs has been treated as goodwill. The Goodwill of ₹1,036 Lakhs comprises the value of expected synergies arising from acquisition and the gain on remeasurement of its previously held equity interest in the acquiree at its acquisition-date fair value. Goodwill arising above has been amortised/charged off during the year. None of the goodwill is expected to be deductible for income tax purposes.

6 As per the Scheme, pending allotment of shares, dividend @ ₹6.5 per share relating to 53,91,383 equity shares and amounting to ₹350.44 Lakhs was shown under other financial liabilities as dividend payable as of March 31, 2016.

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

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

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

8 The Group held 30,98,025 fully paid equity share of ₹10 each in BSIL amounting to ₹3,435.69 lakhs prior to acquisition. The acquisition-date fair value of the equity interest immediately before the acquisition date was ₹6,963 lakhs. Thus the amount of gain of ₹3,527 lakhs was recognised , which is disclosed as exceptional item in note 29. Further, on sale of IT Business and overseas subsidiaries, the Group has recorded a gain of ₹487 lakhs which has been disclosed as an exceptional item in note 29. Thus, the total gain on amalgamation of BSIL and BSIBIA and sale of IT business and overseas subsidiaries amounted to ₹4,014 lakhs, net of contingencies towards indemnities provided on sale of IT business ₹286 Lakhs.

From the date of acquisition, BSIL and BSIBIA contributed ₹20,509 lakhs of revenue and ₹2,581 lakhs of profit before tax from continuing operations of the Company during financial year 2015-16.

9 Figures for the current year include figures of BSIL and BSIBIA which has been amalgamated with the Company with effect from April 1, 2015, and are therefore to that extent not comparable with those of the previous year.

34 EMPLOYEE BENEFITS DISCLOSURE

I. Defined Contribution Plans

Amount of ₹682.68 (March 31, 2016 : ₹834.91 lakhs) is recognized as an expense and included in “Employee Benefits expense” (refer note 25) in the statement of Profit and Loss.

II. Defined Benefit Plans

a. Gratuity

The Company makes annual contribution to Blue Star Employees Gratuity Fund, which is a funded defined benefit plan for the qualifying employees.The gratutity plan is governed by the Payment of Gratuity Act, 1972. Under the act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member’s length of service and salary at separation age.

The fund formed by the Company manages the investments of the Gratuity fund. Market volatility, changes in inflation and interest rates, rising longetivity, plan administration expense and regulatory changes are just some of the factors that create financial risk in defined benefit plans. If not managed, defined benefit plan risk will impact credit ratings, access to capital, share prices and plans for growth, as well as divert attention and valauble resources from core business strategy.

As the plan assets include investments mainly in the public sector undertakings, state government securities and investments with the approved insurance company, the company's exposure to equity market risk is minimal.

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 ₹634.4 lakhs to gratuity fund in 2017-18 (March 31, 2016: ₹654 lakhs).

Change in present value of defined benefit obligation

(₹ in lakhs)

Particulars	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-17	31-Mar-16	**31-Mar-17**	31-Mar-16	**31-Mar-17**	31-Mar-16
Defined benefit obligation at the beginning of the year	2,845.95	2,772.69	42.43	46.98	65.85	62.49
Current service cost	261.32	274.98	4.19	16.15	2.25	10.61
Interest cost	191.59	191.70	2.66	3.39	4.80	-
Benefit Payments from Plan Assets	(642.13)	(717.85)	-	-	-	-
Benefit Payments from employer	-	-	(14.58)	(9.22)	(6.35)	(7.45)
Remeasurements						
a. Due to change in financial assumptions	82.51	1.62	0.43	0.41	0.88	-
b. Due to experience adjustments	37.57	322.81	2.87	(15.28)	(41.42)	0.20
Defined benefit obligation at the end of the year	**2,776.81**	**2,845.95**	**38.00**	**42.43**	**26.01**	**65.85**

Change in fair value of plan assets

(₹ in lakhs)

Particulars	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-17	31-Mar-16	**31-Mar-17**	31-Mar-16	**31-Mar-17**	31-Mar-16
Fair value of plan assets at the beginning of the year	2,845.71	2,790.00	-	-	-	-
Expected return on Plan assets	192.58	215.53	-	-	-	-
Contribution by employer	527.13	572.06	-	-	-	-
Actual benefits paid	(642.13)	(717.85)	-	-	-	-
Remeasurements						
Return on Assets	(73.75)	(14.03)	-	-	-	-
Fair value of plan assets at the end of the year	**2,849.54**	**2,845.71**	**-**	**-**	**-**	**-**

Components of defined benefit cost *(₹ in lakhs)*

Particulars	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Current service cost	261.32	274.98	4.19	16.15	2.25	10.61
Interest Cost	191.59	191.70	2.66	3.39	4.80	-
Expected return on plan assets	(192.58)	(215.53)	-	-	-	-
Defined benefit cost included in P&L	**260.33**	**251.15**	**6.85**	**19.54**	**7.05**	**10.61**
Remeasurements (recognized in other comprehensive income (OCI)						
a. Due to change in financial assumptions	82.51	1.62	0.43	0.42	0.88	-
b. Due to change in experience adjustments	37.57	322.81	2.87	(15.29)	(41.43)	0.20
c. (Return) on plan assets (excl. interest income)	73.75	14.03	-	-	-	-
Total remeasurements in OCI	**193.83**	**338.46**	**3.30**	**(14.87)**	**(40.55)**	**0.20**
Total defined benefit cost recognized in P&L and OCI	**454.16**	**589.61**	**10.15**	**4.67**	**(33.52)**	**10.81**

Net Assets/Liability recognized in the Balance Sheet *(₹ in lakhs)*

Particulars	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Defined benefit obligation	2,776.80	2,845.95	38.00	42.43	26.01	65.85
Fair value of plan assets	2,849.54	2,845.71	-	-	-	-
Funded status [Surplus/(Deficit)]	72.74	(0.24)	(38.00)	(42.43)	(26.01)	(65.85)
Net defined benefit (liability)/asset	72.74	(0.24)	(38.00)	(42.43)	(26.01)	(65.85)

Net defined benefit liability/(asset) reconciliation *(₹ in lakhs)*

Particulars	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Net defined benefit liability/(asset) at the beginning of the year	0.24	(17.31)	42.44	46.98	65.85	62.49
Defined benefit cost included in P&L	260.33	251.15	6.85	19.54	7.05	10.61
Total remeasurements included in OCI	193.82	338.46	3.30	(14.87)	(40.56)	0.20
Contribution by employer	(527.13)	(572.06)	(14.58)	(9.21)	(6.34)	(7.45)
Net defined benefit liability/ (asset) at the end of the year	**(72.74)**	**0.24**	**38.01**	**42.44**	**26.00**	**65.85**

The major categories of plan assets of the fair value of the total plan assets are as follows:

(₹ in lakhs)

Particulars	As at March 31		As at April 1
	2017	2016	2015
Cash and cash equivalents	60.48	-	34.07
Insurance company products	1,044.07	745.86	-
Others	1,744.99	2,099.85	2,736.60
Total	**2,849.54**	**2,845.71**	**2,770.67**

The principal assumptions used in determining gratuity for the company's plan are as shown below:

(₹ in lakhs)

Particulars	Gratuity (Funded)			Gratuity (Un-Funded)			Additional Gratuity		
	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15	31-Mar-17	31-Mar-16	1-Apr-15
Discount Rate	7.30%	7.57%	8.00%	7.30%	7.57%	8.00%	7.30%	7.57%	8.00%
Rate of return on plan assets	7.30%	8.00%	8.00%	-	-	-	-	-	-
Mortality Rate	IALM-2006-08	IALM-2008	LIC (1994-96)	IALM-2006-08	IALM-2008	LIC (1994-96)	IALM-2006-08	IALM-2008	LIC (1994-96)
Salary escalation rate (Management-Staff-Directors)	6%,2%, 10%	6%,2%, 10%	6%,2%, 10%	7%	6%,2%	7%	-	-	-
Attrition Rate	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout	1% throughout

A quantitative sensitivity analysis for significant assumptions as at March 31, 2017 is shown as below:

Assumptions	Gratuity (Funded) 31st March, 2017	Additional Gratuity 31st March, 2016
Impact on defined benefit obligation		
Discount Rate - 50 Basis Points	2,940.64	27.76
Assumption	6.80%	6.80%
Discount Rate + 50 Basis Points	2,627.06	24.41
Assumption	7.80%	7.80%
Future Salary increase Rate - 50 Basis Points	2630.75	26.01
Assumption	Vary by employee type	Vary by employee type
Salary Rate + 50 Basis Points	2935.15	26.01
Assumption	Vary by employee type	Vary by employee type

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occuring at the end of the reporting period.

The average duration of the defined benefit plan obligation at the end of the reporting year 2016-17 is 12 years.

b. Provident Fund

In accordance to Ind AS 19, that provident Fund set up by employers which requires interest shortfall to be met by the employer, should be treated as a defined benefit plan. The actuary has provided a valuation and according thereto, there is no shortfall as at March 31, 2017. The Company's contribution to the Employee's Provident Fund aggregates to ₹530. 72 lakhs (March 31, 2016: ₹528.09 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 continous service for five years.

2. **Additional Gratuity**

   Additonal 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.

35 SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended March 31, 2017, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below:

On January 18, 2013, the Board of Directors approved the Equity Settled ESOP Scheme 2013 (ESOS 2013) for issue of stock options to key employees and directors of the company. The Scheme was also approved by the Shareholders of the Company by a special resolution passed by postal ballot dated 7th March, 2013. According to the Scheme 2013, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 1 to 5 years.

The exercise price of the share options under the Current Grants is equal to the market price of the underlying shares on the date of grant. The fair value of the share options is estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

a) Employee Stock Option Scheme

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
No of Options (Refer Note b)	669,200	42,000	25,600	46,000	54,000	6,000	46000
Method of Accounting	Fair Value						
Vesting period	3	2	2	2	1	1	1
Exercise period (from date of vesting)	5	5	5	2	1	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016	01 April 2016
Expected life	5	5	5	5	5	5	5
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Vesting conditions	Based on the performance ratings						
Method of Settlement	Equity						

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
No of Options (Refer Note b)	1,144,500	42,000	28,000	56,000	54,000	6,000
Method of Accounting	Fair Value					
Vesting period	3	2	2	2	1	1
Exercise period (from date of vesting)	5	5	5	2	1	1
Grant Date	06 June 2014	13 Feb 2015	29 May 2015	07 August 2015	28 January 2016	07 March 2016
Expected life	5	5	5	5	5	5
Exercise price	290.05	320.70	345.65	369.55	355.10	341.35
Market price	290.05	320.70	345.65	369.55	355.10	341.35
Vesting conditions	Based on the performance ratings					
Method of Settlement	Equity					

b) Movement of Options

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
Options outstanding at the beginning of the period	1,144,500	42,000	28,000	56,000	54,000	6,000	-
Options granted during the period	-	-	-	-	-	-	46,000
Options lapsed during the period	257,400	3,600	2,400	-	-	-	-
Options exercised during the period	217,900	-	-	10,000	-	-	-
Options outstanding at the end of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options exercisable as on March 31	327,200	14,400	9,600	14,000	-	-	-

The weighted average share price at the date of exercise for stock options exercised was ₹499.35

The weighted average contractual life for the share options outstanding as at March 31, 2017 was 1 year and 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
Options outstanding at the beginning of the period	1,365,000	42,000	-	-	-	-
Options granted during the period	-	-	28,000	56,000	54,000	6,000
Options lapsed during the period	205,500	-	-	-	-	-
Options exercised during the period	15,000	-	-	-	-	-
Options outstanding at the end of the period	1,144,500	42,000	28,000	56,000	54,000	6,000
Options exercisable as on March 31	332,850	-	-	-	-	-

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

The weighted average contractual life for the share options outstanding as at March 31, 2016 was 2 years and 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹369.55.

c) Fair Valuation

	2016 -17						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
Model used	Black-Scholes						
Expected volatility	38%	35%	30%	31%	32%	32%	36%
Risk-free interest rate	8.51%	7.70%	7.81%	7.80%	7.78%	7.64%	7.74%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

	2015 -16					
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**
Model used	Black-Scholes					
Expected volatility	38%	35%	30%	31%	32%	32%
Risk-free interest rate	8.51%	7.70%	7.81%	7.80%	7.78%	7.64%
Weighted average Fair Value (₹)	94.17	85.66	83.62	91.13	87.96	84.09

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

d) The expense recognised for employee services received during the year is shown in the following table:

(₹ in lakhs)

	As at March 31	
	2017	**2016**
Expense arising from equity-settled share-based payment transactions	242.52	382.24
Total expense arising from share-based payment transactions	**242.52**	**382.24**

36. COMMITMENTS AND CONTINGENCIES

a. Contingent liabilities

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

The Company's pending litigations comprise of claims against the Company primarily by the customers and proceedings pending with tax authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed contingent liabilities where applicable, in its financial statements.

The Company does not expect the outcome of these proceedings to have a material adverse effect on the financial statements.

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
Claims against the Company not acknowledged as debts	24.65	72.18	72.18
Sales Tax matters	4,429.76	9,070.00	12,048.84
Excise Duty matters	645.68	341.29	127.57
Service Tax matters	15,142.53	15,207.29	1,814.79
Income Tax matters	6,169.92	5,115.98	4,740.21

b Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2017, Company had commitments of ₹2,662.37 Lakhs (March 31, 2016: ₹1,809.99 Lakhs, April 1, 2015: ₹551.08 Lakhs)

37 DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES

Names of other related parties as per Ind AS 24 with whom transactions have taken place during the year:

Joint Ventures	Country of Incorporations	% of equity interest		
		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Blue Star M & E Engineering Sdn Bhd	Malaysia	49%	49%	49%
Blue Star Oman Electro-Mechanical Co. LLC	Oman	51%	51%	-

Associate

Blue Star Infotech Limited (up to March 31, 2015) (refer note 33)

Key Management Personnel

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

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

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

Sangameshwar Iyer, Company Secretary (up to May 31, 2015)

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

Neeraj Basur, Chief Financial Officer

Non Executive and Independent Directors

Ashok M Advani

Suneel M Advani

Pradeep Mallick

Gurdeep Singh

M K Sharma

Shailesh Haribhakti

Shobana Kamineni

Rajiv R Lulla

Dinesh N Vaswani

Relatives of Key Management Personnel

Nargis Advani

Suneel M Advani

Enterprises in which a Director is a member/director

KEIMED Private Limited

Apollo Munich Health Insurance Company Limited

Apollo Hospital Enterprises Limited

Pragati Leadership Institute Private Limited

Transactions during the period with Related Parties are as under:

	2016-17		2015-16		April 1, 2015
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)	Balance O/S DR/(CR)
Blue Star M & E Engineering Sdn Bhd	**-**	**27.76**	**-**	**51.37**	**80.92**
Consultancy services rendered	137.04		123.26		
Dividend received (Gross)	159.51		181.70		
Blue Star Infotech Limited (refer note 33)					**(143.94)**
Blue Star Oman Electro-Mechanical Co. LLC					
Investment in Equity Shares	-		434.14		
Services Received		-		-	-
Vir S Advani	-		29.11		

	2016-17		2015-16		April 1, 2015
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)	Balance O/S DR/(CR)
Enterprises in which Director is a member/director					
Sale of Goods and Services					
Apollo Hospital Enterprises Ltd	349.25	-	197.24	-	
Atria Convergence Technologies Pvt Ltd	7.62	2.39	-	0.82	10.70
KEIMED Pvt Ltd	5.56	-	3.68	-	-
Apollo Munich Health Insurance Co Ltd	0.47	-	-	-	-
Project Revenue					
Apollo Hospital Enterprises Ltd	344.92	456.33	345.50	236.33	(79.61)
Insurance Premium					
Apollo Munich Health Insurance Co Ltd	-	-	199.04	-	15.66
Services Received					
Pragati Leadership Institute Pvt Ltd	12.66	(12.42)	-	-	-
Relative of Key Management Personnel		-		170.00	70.00
Rent paid	-		1.20		
Remuneration	-		42.60		
Compensation of key managerial personnel		(590.10)		(409.39)	(280.14)
Short term employee benefits	1,051.46		934.79		
Sitting fees to Non Executive and Independent Directors	60.80		60.38		
Commission to Non Executive and Independent Directors	118.80		99.00		
Retirement benefits	37.46		24.98		
Share-based payment transactions	92.11		193.59		
Total compensation paid to key management personnel	**1,360.63**		**1,312.74**		
ESOP exercised during the year					
Satish Jamdar (15,000 equity shares of ₹2 each)	-		43.51		
Neeraj Basur (10,000 equity shares of ₹2 each)	36.96		-		

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

Terms & Conditions of Transactions with Related Party

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended 31 March 2017, the company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2016: ₹ Nil, April 1, 2015: Nil).

Transactions with key managerial personnel

Other Directors' interests

During the year ending March 31, 2016 , the company had received services from one of the directors. The company had also paid rent to one of the relatives of directors during previous year. The company had sold goods & services to two enterprises and received services from an enterprise where the director is member/director. All the above transactions were entered in on an arm's length basis.

Directors' interests in the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme")

Share options held by executive director of the Board of Directors under the Blue Star Limited Employees' Stock Option Scheme, 2013 ("Scheme") to purchase Equity shares have the following expiry dates and exercise prices:

Grant date	Expiry date	Excercise Price	31-Mar-17 Number outstanding	31-Mar-16 Number outstanding	1-Apr-15 Number outstanding
06-Jun-2014	06-Jun-2019	290.05	195,200	470,900	500,000
01-Apr-2016	01-Apr-2021	390.30	40,000	-	-

38. SEGMENT INFORMATION:

A. Primary Segment Reporting (by Business Segment)

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

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

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

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

d. Others constitute BSIL, BSIBIA and 3 foreign subsidiaries of BSIL which are mainly engaged in information technology and software services business. This business was sold to Infogain India Pvt. Ltd on December 31, 2015. (Refer note 33)

Segment Revenues, Results and other Information:

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
I. SEGMENT REVENUE		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	223,368.00	187,600.46
ii. Unitary Products	199,956.23	157,968.00
iii. Professional Electronics and Industrial Systems	19,147.45	16,897.00
iv. Others (refer Note 33)	-	21,217.00
Less : Intersegment revenue	-	(707.00)
TOTAL SEGMENT REVENUE	**442,471.68**	**382,975.46**
Add: Other Income	1,306.93	1,587.14
Add: Finance Income	2,151.14	1,379.86
TOTAL INCOME	**445,929.75**	**385,942.46**

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
II. SEGMENT RESULT		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	9,377.02	7,812.49
ii. Unitary Products	20,373.49	16,207.35
iii. Professional Electronics and Industrial Systems	3,247.64	3,034.04
iv. Others (refer Note 33)	-	2,608.00
TOTAL SEGMENT RESULT	**32,998.15**	**29,661.88**
Less: i) Finance Cost	3,777.97	4,315.00
ii) Other un-allocable Expenditure Net of un-allocable Income	13,357.54	10,910.55
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**15,862.64**	**14,436.33**
Exceptional Items	-	(1,189.00)
PROFIT BEFORE TAXATION	**15,862.64**	**13,247.33**
Tax expense	3,666.72	2,770.00
NET PROFIT AFTER TAX	**12,195.92**	**10,477.33**
Share of profit/(loss) of a joint venture	127.09	85.30
Minority interest	(18.16)	(85.00)
PROFIT FOR THE YEAR	**12,304.85**	**10,477.63**

(₹ in lakhs)

	As at March 31		As at April 1
	2017	2016	2015
III OTHER INFORMATION:			
A. SEGMENT ASSETS			
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	136,294.04	123,412.00	125,050.63
ii. Unitary Products	81,583.10	67,422.00	60,866.51
iii. Professional Electronics and Industrial Systems	9,419.31	7,127.00	5,184.21
TOTAL SEGMENT ASSETS	**227,296.45**	**197,961.00**	**191,101.35**
Add: Un-allocable Corporate Assets	37,662.32	54,510.32	24,964.09
TOTAL ASSETS	**264,958.77**	**252,471.32**	**216,065.44**
B. SEGMENT LIABILITIES			
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	98,024.41	89,418.00	84,810.31
ii. Unitary Products	58,608.38	53,774.00	42,380.68
iii. Professional Electronics and Industrial Systems	5,471.70	3,989.00	2,572.59
TOTAL SEGMENT LIABILITIES	**162,104.49**	**147,181.00**	**129,763.58**
Add: Un-allocable Corporate Liabilities	27,018.48	42,147.05	38,317.79
TOTAL LIABILITIES	**189,122.97**	**189,328.05**	**168,081.37**

(₹ in lakhs)

	Year Ended March 31	
	2017	**2016**
C. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	5,751.09	4,203.37
ii. Unitary Products	3,162.35	818.00
iii. Professional Electronics and Industrial Systems	61.49	118.41
iv. Others (refer Note 33)	-	36.00
v. Other Un-allocable	1,325.52	882.72
TOTAL	**10,300.45**	**6,058.50**
D. DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	2,293.73	2,212.00
ii. Unitary Products	1,425.26	1,363.00
iii. Professional Electronics and Industrial Systems	60.98	57.03
iv. Others (refer Note 33)	-	314.46
iv Other Un-allocable	2,277.94	1,762.51
TOTAL	**6,057.91**	**5,709.00**
E. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	1,595.00	992.15
ii. Unitary Products	347.00	281.91
iii. Professional Electronics and Industrial Systems	294.64	136.77
iv. Others (refer note 33)	-	286.25
iv. Other Un-allocable	274.00	397.32
TOTAL	**2,510.64**	**2,094.40**

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)

Particulars	As at March 31		As at April 1
	2017	**2016**	**2015**
Revenue (Sales, Services & Commission) by Geographical Market			
India	403,263.41	341,256.20	
Outside India	39,208.27	41,719.26	
Total	**442,471.68**	**382,975.46**	
Carrying amount of Segment Assets & Intangibles Assets			
India	247,031.29	235,225.06	205,086.14
Outside India	17,927.48	17,246.26	10,979.30
Total	**264,958.77**	**252,471.32**	**216,065.44**
Capital Expenditure including Capital Work in Progress			
India	10,180.53	6,020.14	
Outside India	119.92	38.36	
Total	**10,300.45**	**6,058.50**	

39. INTEREST IN JOINT VENTURE AND ASSOCIATES

a. The Blue Star Group comprises of the following entities

	Country of Incorporation	% Shareholding 2016-17	2015-16	2014-15
Foreign Joint Ventures- Jointly Controlled Entities				
Blue Star M & E Engineering Sdn Bhd	Malaysia	49%	49%	49%
Carrying amount of Investment		542.50	507.00	436.79
Blue Star Oman Electro-Mechanical Company LLC	Oman	51%	51%	
Carrying amount of Investment		554.50	500.00	
Blue Star Infotech Limited	India			28.69%
Carrying amount of Investment				3,435.69

The Company has 50% profit sharing in Blue Star Oman Electromechanical Contracting Co. LLC in which Company has 51% share holding.

Summarized Balance Sheet as at March 31, 2017:

(₹ in lakhs)

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC	Blue Star M & E Engineering Sdn Bhd	Blue Star Infotech
Current assets, including cash and cash equivalents	2,916.12	3,940.03	2,506.35	1,275.54	1,233.25	3,114.68
Cash and Cash Equivalents	185.79	-	143.13	-	496.57	987.05
Non-Current Assets	917.99	42.08	873.71	30.02	601.54	1,915.84
Current Liabilities, including tax payable	3,009.82	3,391.86	2,664.19	801.93	1,253.42	1,494.78
Tax payable	0.49	-	206.91	-	-	-
Non-current Liabilities, including deferred tax liabilities	281.79	35.75	208.87	3.63	144.58	100.05
Deferred Tax Liabilities	5.06	-	4.84	-	4.80	47.14
EQUITY	**542.50**	**554.50**	**507.00**	**500.00**	**436.79**	**3,435.69**

(₹ in lakhs)

Particulars	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC	Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Company LLC
Revenue	5,313.68	5,614.28	5,045.73	894.77
Cost of raw material and components consumed	4,582.58	5,237.14	4,370.53	819.76
Depreciation and amortization	16.49	0.84	13.80	0.04
Finance cost	19.25	14.43	9.94	-
Employee Benefit	298.17	123.90	263.90	20.47
Other Expenses	77.76	195.90	66.94	31.17
Profit before Tax	**319.43**	**42.07**	**320.62**	**23.33**
Income Tax Expense	(67.83)	7.08	76.95	-
Profit for the year (continuing operations)	**251.60**	**35.00**	**243.67**	**23.33**
Less: Dividend Received during the year	**(159.51)**	**-**	**(181.70)**	**-**
Group's share of profit for the year	**92.09**	**35.00**	**61.97**	**23.33**

The group had no contingent liabilities or capital commitments relating to its interest in Blue Star M & E Engineering Sdn Bhd and Blue Star Oman Electro-Mechanical Company LLC as at March 31 2017 and 2016 and April 1, 2015.

40 DERIVATIVE INSTRUMENTS AND ATTACHED FOREIGN CURRENCY EXPOSURE

The Company has a well-defined forex risk management policy which ensures proactive and regular monitoring and managing of foreign exchange exposures. Financial risks relating to changes in exchange rates are hedged by forward and options contracts. The hedging strategy is used towards managing currency fluctuation risk and the Company does not use foreign exchange forward and options contract for trading or speculative purposes.

Forward and options contract are fair valued at each reporting date. The resultant gain or loss of forward and option contract is recognised in the Statement of Profit and Loss.

Commodity risk is mitigated by entering into annual rate contracts with major suppliers which is factored in pricing decisions. This approach provides sufficient mitigation against volatility in commodity rates.

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

Particulars	2016-17		2015-16	
Foreign Currency	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Particulars of Derivatives				
Forward cover to Purchase USD & CNY:				
Hedge of underlying payables - USD	**20,348,834.00**	**13,203.25**	**48,760,271.08**	**32,289.05**
- Buyers' Credit	2,207,431.00	1,438.55	19,289,583.42	12,773.56
- Other Payables	18,141,403.00	11,764.70	29,470,687.66	19,515.49
Hedge of underlying payables - CNY				
- Other Payables	-	-	503,880.00	51.40

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

Foreign Currency	2016-17		2015-16	
	Amount in Foreign Currency	₹ lakhs	Amount in Foreign Currency	₹ lakhs
Bank Balances				
AED	43,106.51	7.61	-	-
EUR	5,125.82	3.55	427,903.67	322.38
RMB	72,353.21	7.26	20,711.32	2.11
USD	2,792,972.20	1,811.22	1,568,670.27	1,038.77
Receivables				
AED	825,272.00	145.70	830,271.62	144.02
CAD	167,660.27	81.47	63,552.47	32.29
EUR	549,819.95	380.92	325,658.11	239.45
GBP	16,371.00	13.24	34,416.44	32.66
JPY	2,400,702.00	13.92	4,490,192.00	23.45
MYR	1,095,442.30	160.51	976,604.79	164.90
QAR	-	-	561,358.72	102.00
USD	8,928,326.73	5,790.00	10,037,394.04	6,598.08
Payables				
AED	848,873.67	149.87	832,587.95	144.49
AUD	689.92	0.34	3,499.54	1.77
CAD	13,962.53	6.79	49,188.90	25.03
CHF	444.12	0.29	412.62	0.28
EUR	744,564.67	515.98	1,076,612.78	813.49
GBP	123.07	0.10	10,390.68	9.88
JPY	2,405,868.00	13.95	22,573,816.00	132.75
RMB	40,983,201.81	4,113.48	14,374,004.23	1,466.53
SEK	-	-	2,313.05	0.19
USD	11,909,764.11	7,723.49	16,330,818.08	10,815.46
Buyers' Credit				
USD	-	-	365,277.52	241.89

41 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy as at March 31, 2017 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2017	8,426.26	-	8,426.26	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2017	314.29	-	314.29	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy as at March 31, 2016 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
Investment in units of mutual funds (refer note 6)					
- Liquid Funds	March 31, 2016	219.36	219.36	-	-
- Growth Schemes	March 31, 2016	3,250.00	3,250.00	-	-
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2016	7,916.37	-	7,916.37	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2016	739.45	-	739.45	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy as at April 01, 2015 : *(₹ in lakhs)*

Particulars	Date of Valuation	Total	Quoted prices in active markets (Level1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2015	1,560.00	-	1,560.00	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2015	102.66	-	102.66	-

42 FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Group's principal financial liabilities comprise of short tenured borrowings, trade and other payables and financial guarantee contracts. Most of these liabilities relate to financing Group's working capital cycle. The Group has trade and other receivables, loans and advances that arise directly from its operations. The Group also enters into hedging transactions to cover foreign exchange exposure risk.

The Group is accordingly exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees management of these risks. The senior professionals working to manage the financial risks and the appropriate financial risk governance framework for the Group are accountable to the Board of Directors, Risk Committee and the Audit Committee. This process provides assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and overall risk appetite. All foreign currency hedging activities for risk management purposes are carried out by a specialist treasury team that have the appropriate skills, experience and supervision. In addition, independent views from bankers and currency market experts are obtained periodically to validate risk mitigation decisions. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Risk Committee and the Audit Committee review and agree policies for managing each of these risks which are summarised below:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency rate risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, advances and derivative financial instruments.

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rate movement.

The Group uses derivative financial instruments such as foreign exchange forward contracts and options to manage its exposures to foreign exchange fluctuations.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group transacts business in local currency and in foreign currency, primarily US Dollars. The Group has foreign currency trade payables and receivables and is therefore, exposed to foreign exchange risk. The Group may use forward contracts or foreign exchange options towards hedging risk resulting from changes and fluctuations in foreign currency exchange rate. These foreign exchange contracts, carried at fair value, may have varying maturities varying depending upon the primary host contract requirement and risk management strategy of the Group.

The Group manages its foreign currency risk by hedging appropriate percentage of its foreign currency exposure, as per its established risk management policy.

Foreign Currency Sensitivity

The following table demonstrates the sensitivity in the USD, Euro and other currencies to the functional currency of the Group, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives.

Particulars	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		For the Year Ended March 31, 2017	For the Year Ended March 31, 2016	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
US Dollars	+5%	(600)	(165)	(392)	(108)
	-5%	600	165	392	108
RMB	+5%	(205)	(73)	(134)	(48)
	-5%	205	73	134	48
EUR	+5%	(9)	(4)	(6)	(2)
	-5%	9	4	6	2
MYR	+5%	8	8	5	5
	-5%	(8)	(8)	(5)	(5)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt interest obligations. Further, the Group engages in financing activities at market linked rates and therefore, any changes in the domestic or global interest rates environment may impact future rates of borrowing. To manage this risk, the management maintains a robust portfolio mix of multiple borrowing products. Buyers credit is used as a financing mechanism provided the fully hedged cost of financing through this product results in cost lower than the INR cost based borrowing. In addition, the benefit of interest rate subvention under packing credit financing schemes provided by banks is also availed as appropriate. Dynamic switching between various financing products coupled with a short maturity profile of the borrowing helps mitigate the interest rate risk adequately.

Interest Rate Sensitivity of Borrowings

With all other variables held constant, the following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Interest Rate Sensitivity	Increase/Decrease in basis Point	Effect on profit before tax	Effect on equity
For the year ended March 31, 2017			
INR - Borrowings	+100	(104.05)	(68.04)
	-100	104.05	68.04
For the year ended March 31, 2016			
INR - Borrowings	+100	(61.40)	(40.15)
	-100	61.40	40.15

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

1. Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on credit term in line with respective industry norms. Outstanding customer receivables are regularly monitored. The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

Particulars	Not Due including Unbilled Revenue	Past due but not impaired		Total
		Less than 1 year	More than 1 year	
Trade Receivables as on March 31, 2017	28,236.97	59,203.40	9,489.53	96,929.89
Trade Receivables as on March 31, 2016	24,612.02	48,321.36	7,698.66	80,632.05

The requirement for impairment is analysed at each reporting date. Refer Note 8 for details on the impairment of trade receivables.

2. Financial instruments and cash deposits

Credit risk from balances with banks is managed by Group's treasury in accordance with the Board approved policy. Investments of surplus funds, temporarily, are made only with approved counterparties, mainly mutual funds, who meet the minimum threshold requirements under the counterparty risk assessment process. The Group's maximum exposure for financial guarantees is given in Note 36.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times maintain optimum levels of liquidity to meet it cash and collateral requirements. The Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including loans, debt, and overdraft from both domestic and international banks at an optimised cost. It also enjoys strong access to domestic and international capital markets across various debt and hybrid instruments.

The table below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Particulars	As of March 31, 2017		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	19,592.10	2,020.01	21,612.11
Trade Payables	117,555.64	-	117,555.64
Other Payables	167.37	-	167.37
Other financial liabilities	1,767.85	-	1,767.85
Total	**139,082.96**	**2,020.01**	**141,102.97**

Particulars	**As of March 31, 2016**		
	Less than 1 year	**More than 1 year**	**Total**
Interest bearing borrowings	34,461.88	1,829.60	36,291.48
Trade Payables	108,334.35	-	108,334.35
Other Payables	702.07	-	702.07
Other financial liabilities	2,369.58	-	2,369.58
Total	**145,867.88**	**1,829.60**	**147,697.48**

43 CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company and net debt.

Primary objective of Company's capital management is to ensure that it maintains an optimum financing structure and healthy returns in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments, in light of the changes in economic conditions or business requirements.

The Company monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

Gearing Ratio:

Particulars	**31-Mar-17**	**31-Mar-16**	**1-Apr-15**
Borrowings	22,112	36,473	39,823
Less: Cash and cash equivalents	9,657	4,550	4,248
Net Debt	**12,455**	**31,923**	**35,575**
Equity	75,836	63,143	47,984
Total Capital	**75,836**	**63,143**	**47,984**
Capital and Net Debt	**88,291**	**95,066**	**83,559**
Gearing Ratio	**14%**	**34%**	**43%**

44 (A) DISCLOSURE IN TERMS OF INDIAN ACCOUNTING STANDARD 11 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹ in lakhs)

	As at March 31	
	2017	**2016**
I. Contract revenue recognised for the year*	95,148.41	74,531.00
II. For Contracts that are in progress as on 31st March		
A. Contract costs incurred and recognized profits (Less Recognised losses)	343,994.00	328,798.00
B. Advances received	17,113.00	14,665.00
C. Gross amount due from customers for Contract work**	26,893.51	25,859.00
D. Gross amount due to customers for Contract work***	2,889.00	3,882.00
E. Retention amount	4,618.00	3,891.00

* Include revenue reversal of ₹0.00 Lakhs (for the year ended March 31, 2016: ₹115.00 Lakhs)

** Includes reduction of Imminent loss of ₹103.71 Lakhs (March 31, 2016: ₹133.12 Lakhs)

*** Includes Imminent loss impact (increase) of ₹127.32 Lakhs (March 31, 2016: ₹112.40 Lakhs)

44 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS:

(₹ in lakhs)

Nature of expenses	Note 24	Note 27	Note 28	Total
Subcontracting cost	18,761.55	-	-	18,761.55
	(17,489.17)	-	-	(17,489.17)
Rent	61.29	5,278.05	-	5,339.34
	(65.82)	(4,324.48)	-	(4,390.30)
Power & fuel	116.56	1,664.42	-	1,780.98
	(104.47)	(1,701.75)	-	(1,806.22)
Insurance	530.16	232.06	-	762.22
	(514.10)	(242.12)	-	(756.22)
Travelling & Conveyance	437.97	4,103.17	-	4,541.14
	(544.48)	(3,917.90)	-	(4,462.38)
Printing & Stationery	46.86	388.49	-	435.35
	(46.19)	(355.13)	-	(401.32)
Freight and Forwarding Charges	151.00	5,707.32	-	5,858.32
	(77.94)	(4,147.11)	-	(4,225.05)
Maintenance, Installation and Service Charges	103.01	642.06	-	745.07
	-	(379.64)	-	(379.64)
Legal & Professional fees	1,134.77	5,013.42	-	6,148.19
	(983.18)	(6,802.15)	-	(7,785.33)
Bank charges	204.81	17.90	555.69	778.40
	(210.55)	(3.86)	(428.68)	(643.09)

Figures in brackets are for previous year

45 FIRST TIME ADOPTION OF IND-AS

Exceptions and exemptions availed

These consolidated financial statements, for the year ended March 31, 2017, are the first, the Group has prepared in accordance with Ind AS. For the periods up to and including the year ended March 31, 2016, the Group prepared its consolidated financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with Paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared its consolidated financial statements to comply with Ind AS for the year ended March 31, 2017, together with comparative date as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these consolidated financial statements, the Group's opening balance sheet was prepared as at April 1, 2015, the Group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions

1 Ind AS 103 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under Ind AS that occurred before April 1, 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Group recognises all assets acquired and liabilities assumed in a past business combination, except (i) certain financial assets and liabilities that were derecognised and that fall under the derecognition exception, and (ii) assets (including goodwill) and liabilities that were not recognised in the acquirer's consolidated balance sheet under its previous GAAP and that would not qualify for

recognition under Ind AS in the individual balance sheet of the acquiree. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Group did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

2 Since there is no change in the functional currency, the Group has elected to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognised in its Indian GAAP financials as deemed cost at the transition date.

3 Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015.

Estimates

The estimates at April 1, 2015 and at March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item where application of Indian GAAP did not require estimation:

- Impairment of financial assets based on expected credit loss model

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions as at the transition date i.e. April 1, 2015 and as of March 31, 2016

Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS) *(₹ in lakhs)*

Particulars	Notes	IGAAP	Adjustment	Ind As
1. Non Current assets				
Property, Plant & Equipment	A, C, H, I	23,537.83	(1,033.22)	22,504.61
Capital Work in Progress		248.36	-	248.36
Investment Property	A	-	902.63	902.63
Intangible Assets		2,201.39	(33.15)	2,168.24
Intangible Assets under development		1,994.85	-	1,994.85
Investment in associate and joint venture	C	3,634.86	237.62	3,872.48
Financial Assets				
- Trade Receivable	C, D, E	6,290.93	(1,645.18)	4,645.75
- Loans	J	1,636.09	36.58	1,672.67
- Other Financial Assets		108.49	-	108.49
Income Tax Assets (Net)		4,061.16	(29.23)	4,031.93
Deferred Tax Assets (Net)	K	8,342.45	1,732.79	10,075.24
Other non-current assets		1,818.44	-	1,818.44
Total Non Current Assets		**53,874.85**	**168.84**	**54,043.69**
2. Current assets				
Inventories		47,853.73	-	47,853.73
Financial Assets				
- Loans		665.87	-	665.87
- Trade Receivables	C, E	72,678.43	(654.23)	72,024.20
- Cash & cash Equivalents	C	4,431.92	(183.47)	4,248.45
- Other Financial Assets	C, E	22,010.23	(1,820.98)	20,189.25
Other Current Assets	B	15,988.50	519.64	16,508.14
Asset held for sale	I	-	532.11	532.11
Total Current Assets		**163,628.68**	**(1,606.93)**	**162,021.75**
Total Assets		**217,503.53**	**(1,438.09)**	**216,065.44**

(₹ in lakhs)

Particulars	Notes	IGAAP	Adjustment	Ind As
Equity and liabilities				
1. Equity				
Equity Share Capital		1,798.72	-	1,798.72
Other Equity	B, D-F, J-M,P	43,758.17	2,338.85	46,097.02
Equity attributable to equity holders of the company		**45,556.89**	**2,338.85**	**47,895.74**
Non Controlling Interest	B	-	88.33	88.33
Total Equity		**45,556.89**	**2,427.18**	**47,984.07**
2. Non-Current Liabilities				
Financial Liabilities				
- Borrowings	C	2,509.59	20.41	2,530.00
- Other Financial Liabilities		45.22	-	45.22
- Trade Payables	C	139.77	(139.77)	-
Long term Provisions	B	591.65	65.99	657.64
Government Grants	H	-	281.28	281.28
Total - Non-current liabilities		**3,286.23**	**227.91**	**3,514.14**
3. Current Liabilities				
Financial Liabilities				
- Borrowings	B	37,282.91	10.47	37,293.38
- Trade Payables	B, C	88,487.26	1,178.29	89,665.55
- Other Payables		43.40	-	43.40
- Other financial liabilities	L	570.61	17.71	588.32
Government grants	H	-	54.29	54.29
Provisions	F	8,178.12	(5,381.20)	2,796.92
Other Current Liabilities	B, C	34,098.11	27.26	34,125.37
Total - Current liabilities		**168,660.41**	**(4,093.18)**	**164,567.23**
TOTAL - EQUITY AND LIABILITIES		**217,503.53**	**(1,438.09)**	**216,065.44**

Reconciliation of equity as at March 31, 2016

(₹ in lakhs)

Particulars	Notes	IGAAP	Adjustment	Ind As
1. Non Current assets				
Property, Plant & Equipment	A, C, H, I	22,926.57	(837.66)	22,088.91
Capital Work in Progress		626.25	-	626.25
Investment Property	A	-	7,343.58	7,343.58
Intangible Assets		3,889.44	(33.15)	3,856.29
Intangible Assets under development		1,008.74	-	1,008.74
Investment in associate and joint venture	C	-	1,007.00	1,007.00
Financial Assets				
- Investments	C	6,480.85	(6,480.85)	-
- Trade Receivable	C, D, E	5,708.56	(1,355.63)	4,352.93
- Loans	J	1,844.64	72.67	1,917.31
- Derivative Instrument		-	-	-
- Other Financial Assets		334.99	-	334.99
Income Tax Assets (Net)		7,812.92	(3.40)	7,809.52
Deferred Tax Assets (Net)	K	9,074.35	1,714.05	10,788.40
Other non-current assets		2,496.43	-	2,496.43
Total Non Current Assets		**62,203.74**	**1,426.61**	**63,630.35**
2. Current assets				
Inventories	C	54,013.87	(537.47)	53,476.40
Financial Assets				
- Investments		15,806.82	-	15,806.82
- Loans		-	-	-
- Trade Receivables	C, E	83,073.20	(4,000.81)	79,072.39
- Cash & cash Equivalents	C	5,391.55	(841.17)	4,550.38
- Other Financial Assets	C, E	24,557.96	(2,417.64)	22,140.32
Other Current Assets	E	13,796.32	(198.87)	13,597.45
Asset held for sale	I	-	197.21	197.21
Total Current Assets		**196,639.72**	**(7,798.75)**	**188,840.97**
Total Assets		**258,843.46**	**(6,372.14)**	**252,471.32**
Equity and liabilities				
1. Equity				
Equity Share Capital		1,799.02	-	1,799.02
Other Equity	B, D-F, J-M	64,467.57	(3,224.35)	61,243.22
Equity attributable to equity holders of the company		**66,266.59**	**(3,224.35)**	**63,042.24**
Non Controlling Interest	B	102.97	(1.94)	101.03
Total Equity		**66,369.56**	**(3,226.29)**	**63,143.27**
2. Non-Current Liabilities				
Financial Liabilities				
- Borrowings		1,829.60	-	1,829.60
- Trade Payable	C	208.86	(208.86)	-
Long term Provisions	C	1,054.47	(3.63)	1,050.84
Government Grants	H	-	413.56	413.56
Total - Non-current liabilities		**3,092.93**	**201.07**	**3,294.00**
3. Current Liabilities				
Financial Liabilities				
- Borrowings	C	34,470.52	(8.64)	34,461.88
- Trade Payables	C	109,601.96	(1,267.61)	108,334.35
- Other Payables		702.07	-	702.07
- Other financial liabilities	C, L	2,332.71	36.87	2,369.58
Goverment grants	H	-	78.81	78.81
Provisions		3,376.93	-	3,376.93
Other Current Liabilities	C	38,896.78	(2,186.35)	36,710.43
Total - Current liabilities		**189,380.97**	**(3,346.92)**	**186,034.05**
TOTAL - EQUITY AND LIABILITIES		**258,843.46**	**(6,372.14)**	**252,471.32**

Reconciliation of profit or loss for the year ended 31 March 2016

(₹ in lakhs)

Particulars	Notes	IGAAP	Adjustment	Ind As
Revenue from operations	C, N, O	377,010.61	5,964.85	382,975.46
Other Income	H, L, N	1,025.79	561.35	1,587.14
Finance Income	D, J	659.08	720.78	1,379.86
Total revenue (I)		**378,695.48**	**7,246.98**	**385,942.46**
Expenses				
Cost of raw material and components consumed and Project related cost	C	196,302.30	(5,132.30)	191,170.00
Purchase of traded goods	N	70,925.14	(194.14)	70,731.00
(Increase)/decrease in inventories of Finished goods,work-in-progress and traded goods		(6,488.29)	-	(6,488.29)
Excise Duty on sale of goods	O	-	3,179.41	3,179.41
Employee benefits expense	C, N, G, P	34,625.97	5,230.03	39,856.00
Depreciation and amortization expense		6,047.71	(338.71)	5,709.00
Finance costs	C, J, L, N	4,274.43	40.57	4,315.00
Other expenses	C, L, N	60,029.95	3,004.06	63,034.01
Total (II)		**3,65,717.21**	**5,788.92**	**371,506.13**
Profit before exceptional items and tax (I) – (II)		**12,978.27**	**1,458.06**	**14,436.33**
Exceptional items (net)	N	(130.03)	(1,058.97)	(1,189.00)
Prior period item	B	692.09	(692.09)	-
Profit after Exceptional items before Tax		**13,540.33**	**(293.00)**	**13,247.33**
Income tax expense	N	2,693.54	76.46	2,770.00
Profit for the year before share in joint ventures and minority interest		**10,846.79**	**(369.46)**	**10,477.33**
Share of profit/(loss) of joint ventures	C	-	85.30	85.30
Minority interest	B	(9.21)	(75.79)	(85.00)
Profit for the year		**10,837.58**	**(359.95)**	**10,477.63**
Other Comprehensive Income for the year, net of tax	G, M	-	(113.01)	(113.01)
Total comprehensive income for the year, net of tax		**10,837.58**	**(472.96)**	**10,364.62**

Key notes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and total comprehensive income for the year ended March 31, 2016

A Investment property

Investment properties are reclassified from Non Current Investments and Property Plant & Equipment and presented separately amounting to ₹903 lakhs (March 31, 2016 - ₹7,898 lakhs) as on date of transition to Ind AS. The depreciation of ₹555 lakhs has been provided for the year ended March 31, 2016.

B Reassessment of effective control in Blue Star Qatar- WLL

The Group carried out reassessment of effective control and interest in its joint venture in Qatar during the year ended March 31, 2016. Under Ind-AS, the same has been given effect to retrospectively as on the transition date to Ind AS. Accordingly, the opening retained earnings has been adjusted for an amount of ₹692 lacs with corresponding impact to respective assets and liabilities.

C Accounting of Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture

The Group holds 50% interest in Blue Star Oman Electro-Mechanical Co. LLC and 49% in Blue Star M & E Engineering Sdn Bhd (collectively referred to as JVs) and exercises joint control over the entity. Under Indian-GAAP, the Group had proportionately consolidated its interest in the JVs in the Consolidated Financial Statement. On transition to Ind AS the Group has assessed and determined that the JVs are JVs under Ind AS 111 "Joint Arrangements". Therefore, they need to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of Ind AS amount of assets and liabilities that the Group had previously proportionately consolidated including any goodwill arising on acquisition. On application of equity method the investment stands increased by ₹437 lacs on April 1, 2015 and by ₹85 lacs on March 31, 2016. Derecognition of proportionately consolidated the JVs has resulted in change in balance sheet, statement of profit and loss and cash flow statement. For its impact on the financial statement refer note 39.

D Trade Receivables

The Group identifies receivables which shall be recovered beyond a period of twelve months as of the reporting date and has discounted the same to its present value over the estimated tenure of the retention period. The impact of discounting aggregating ₹894.18 Lacs (March 31, 2016: ₹354.66 lacs) has been adjusted to the retained earnings on transition date and ₹539.52 lacs has been recognised as finance income in the statement of profit and loss for the year ended March 31, 2016 on account of unwinding.

E Expected Credit Loss

Under Indian GAAP, the Group created provision for impairment of trade receivables on specific identification basis. Under Ind AS, impairment allowance has been determined based on expected credit loss model (ECL) as per Ind AS 109. This has resulted in incremental impairment provision of ₹4,556 Lakhs as on the transition date which has been adjusted against the retained earnings. The impact of ₹60 Lakhs for the year ended March 31, 2016 has been recognised in the statement of profit and loss.

F Proposed dividend

Under previous Indian GAAP, proposed dividend including dividend distribution tax, are recognised as liability in the period to which they relate, irrespective of when they are recommended by the Board of Directors. Under Ind AS, proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting, or paid.

Therefore, the dividend liability (proposed dividend) including DDT liability amounting to ₹5,412 Lacs has been derecognised and adjusted against the retained earnings as on the date of transition.

G Defined benefit obligation

Under previous Indian GAAP, the entire cost, including actuarial gains and losses on post-employment defined benefit plan is charged to the statement of profit or loss. Under Ind-AS, remeasurements comprising of actuarial gains and losses are recognised through Other Comprehensive Income. Thus, employee benefits expense is reduced by ₹322 Lacs and is recognised in OCI during the year ended March 31, 2016.

H Government grants

The Group recorded the Government Grant received for its plant and equipment by reducing the grant amount from the cost of the asset according to Indian GAAP. The Group has elected to continue with the carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financials as deemed cost at the transition date. Ind AS 20 requires the Company to account for such a grant by setting up the grant as deferred income. As a consequence the Group has adjusted ₹335.57 Lakhs grant received to recognise the amount of unamortised deferred income as at the date of the transition in accordance with paragraph 10 of Ind AS 101, the corresponding adjustment should be made to the carrying amount of property, plant and equipment (net of cumulative depreciation impact) and retained earnings, respectively, as the grant is directly linked to the plant and equipment. In the year 2015-16, the Company received further grant of ₹229.48 Lakhs which has been added back to the carrying amount of plant and equipment as compared to netting it off under previous Indian GAAP. During the financial year ending March 31, 2016, the Company has recognised ₹73.29 Lakhs in the statement of profit and loss as amortisation of government grant and depreciation on plant and equipment respectively.

I Assets held for sale

The Group had discontinued the manufacturing operations of Bharuch and Thane units in accordance with the manufacturing strategy in earlier years. The Plant and Machinery of these manufacturing units and other plant and machinery of factories of the Group which the management assess are to be disposed off (Net Book Value : ₹532.11 lacs as on April 1, 2015 and ₹197.21 lacs as on March 31, 2016) have been disclosed separately as "Assets held for sale" in accordance with Ind AS 105 on the face of the Balance Sheet.

J Loans

The Group has fair valued its security deposits and employee loans as at the transition date. An amount of ₹39 lakhs (March 31, 2016: ₹51.54 lakhs) has been recognised against corresponding adjustment to Retained Earnings. Also, ₹128.45 lakhs has been recognised as finance income on security deposits and employee loans, ₹11 lacs has been recognised as employee cost in employee benefit expenses, ₹48.95 lacs has been recognised as rent expenses in other expenses and ₹31.91 lacs has been recognised as interest expenses in finance cost for the year ended March 31, 2016.

K Deferred Tax

The various transitional adjustments lead to temporary differences, which the Group has to account for. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. On the date of transition, the net impact on deferred tax assets aggregating ₹1,732.79 lacs (March 31, 2016: ₹1,714.04 lacs) has been adjusted to retained earnings. ₹18.75 lacs has been recognised in the statement of profit and loss for the year ended March 31, 2016.

L Derivative Instruments

There is a difference in the fair value of forward foreign exchange contracts recognised under previous Indian GAAP and Ind AS. An amount of ₹17.70 lacs (March 31, 2016: ₹36.87 lacs) has been recognised with corresponding adjustment in retained earnings. Also, an amount of ₹637 lacs has been recognised as an expense in 'Finance Cost' and ₹235 lacs has been recognised as an Income in 'Other Income' for the year ended March 31, 2016.

M Cumulative Currency Translation Reserves

Under Indian GAAP, the Group recognised translation differences on foreign operations in a separate component of equity. Under Ind AS, Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015. The resulting adjustment of ₹154 lacs was recognised against retained earnings on the transition date.

N Three Foreign Subsidiaries

The Group through its acquired entity BSIL has three overseas subsidiaries. The same had not been consolidated under Indian GAAP since the same was held on temporary basis. However, under Ind AS 110 there is no such exemption provided. Accordingly, these overseas subsidiaries have now been consolidated and included under discontinued operations. A summary of their results included in the year ended March 31, 2016 results are as follows:

Particulars	Amount (₹ in lakhs)
Revenue from operation	8,798
Other income	147
Total Revenue	**8,945**
Expenses	8,275
Profit before taxes	**670**
Tax expense	(76)
Profit after tax	**594**

O Revenue from Operations

Under the previous Indian GAAP, sale of goods was presented net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise Duty on sale of goods is presented separately on the face of statement of profit and loss. Thus, revenue from operations under Ind AS has increased by ₹3,179.41 lacs with excise duty on sales shown separately.

Under the previous Indian GAAP, growth bonus paid by the Group to dealers and retailers was classified under 'Other Expenses'. Ind AS requires such a bonus to be netted off from revenue. Thus, an amount of ₹132.58 lacs has been netted of from revenue from operations with corresponding impact in 'Other Expenses'.

P Share-based payments

Under previous Indian GAAP, the Group was using intrinsic value method for ESOP scheme for recognising expense. As the Group granted shares at intrinsic value to the grantees, there was no expense recognised in the statement of profit and loss. Ind AS requires the fair value of share options to be determined using an appropriate pricing model recognised over the vesting period. As on the date of transition, an amount of ₹349.89 lacs was adjusted within 'Other Equity'. Thus, an expense of ₹382.24 lacs has been recognised in the statement of profit and loss for the year ended March 31, 2016.

46 LEASES:

The Company has entered into operating lease agreements for its office premises, storage locations and residential premises for its employees. There are no exceptional/restrictive covenants in the lease agreements, except in case of four premises. Lease rental expense debited to statement of Profit and Loss is ₹5,339.34 lakhs (March 31, 2016 : ₹4,390.30 lakhs).

Minimum lease payments for non-cancellable operating lease as at 31st March

(₹ in lakhs)

	As at March 31	
	2017	**2016**
(a) Not later than one year	519.36	224.96
(b) Later than one year but not later than five years	1,060.31	553.29
(c) Later than five years	39.85	-

Operating Lease : Company as a Lessor

The Company has entered into operating lease agreements. An amount of ₹704.18 lakhs (March 31, 2016: ₹680.92 lakhs) is recognised as lease income in the statement of profit & loss account for the year ended 31 March 2016. All lease are cancellable except one property, which has a lock in period of 3 years. The future lease rental receipts are determined on the basis of monthly lease receipt terms as per the agreements. Future minimum rentals receivable under non-cancellable operating leases are as follows :

Minimum lease payments for non-cancellable operating lease as at 31st March

(₹ in lakhs)

	As at March 31	
	2017	2016
(a) Not later than one year	77.40	99.51
(b) Later than one year but not later than five years	-	77.40
(c) Later than five years	-	-

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

47 a Details of revenue expenditure directly related to Research & Development :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Employee benefits expense	1,545.97	1,319.06
Cost of raw material and components consumed	697.37	1,008.28
Legal & Professional fees	256.52	208.39
Depreciation and amortization	919.33	719.30
Others	710.83	666.50
Total	**4,130.02**	**3,921.53**

b Details of Capital expenditure directly related to Research & Development :

(₹ in lakhs)

	Year Ended March 31	
	2017	2016
Tangible Assets		
Building sheds and road	35.39	-
Plant & machinery	287.37	446.30
Furniture & fixtures	1.64	-
Office equipments	17.77	3.82
Electrical Equipment	2.10	-
Intangible Assets (including under development)		
Technical knowhow	878.07	585.24
Software	14.57	24.49
Total	**1,236.91**	**1,059.85**

48. STATUTORY GROUP INFORMATION

	Net Assets i.e. total assets minus total liabilities		Share in profit or loss		Share in Other comprehensive Income		Share in Total comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive Income	Amount	As % of consolidated Total comprehensive Income	Amount
Parent - Blue Star Limited (Standalone)								
Balance at March 31, 2017	121%	91,662.49	90%	11,111.22	89%	(392.60)	91%	10,718.62
Balance at March 31, 2016	127%	80,085.29	91%	9,515.85	169%	(190.95)	91%	9,324.90
Subsidiaries								
Indian								
1. Blue Star Engineering & Electronics Limited								
Balance at March 31, 2017	-24%	(18,544.00)	6%	703.65	3%	(11.28)	6%	692.37
Balance at March 31, 2016	-30%	(19,150.00)	7%	743.78	-3%	2.93	7%	746.71
Foreign								
1. Blue Star Qatar - WLL - Qatar								
Balance at March 31, 2017	3%	2,103.99	3%	363.00	3%	(15.24)	3%	347.76
Balance at March 31, 2016	3%	1,687.00	1%	133.00	-58%	65.86	1%	198.86
Joint Ventures								
(As per proportionate consolidation/investment as per the equity method)								
1. Blue Star M & E Engineering Sdn Bhd - Malaysia								
Balance at March 31, 2017	1%	492.50	1%	92.00	7%	(31.30)	0%	60.70
Balance at March 31, 2016	1%	455.00	1%	62.00	-8%	9.15	0%	71.15
2. Blue Star Oman								
Balance at March 31, 2017	0%	120.50	0%	35.00	-2%	8.50	0%	43.50
Balance at March 31, 2016	0%	66.00	0%	23.00	0%	-	0%	23.00
Total								
Balance at March 31, 2017	100%	75,835.81	100%	12,304.85	100%	(441.92)	100%	11,862.93
Balance at March 31, 2016	100%	63,143.27	100%	10,477.63	100%	(113.01)	100%	10,364.62

49. DISCLOSURE RELATED TO SPECIFIED BANK NOTE (SBN)

	SBNs	Other denomination notes	Total
Closing cash in hand as on 8th November, 2016	8.79	4.07	12.86
(+) Permitted receipts	-	20.29	20.29
(-) Permitted payments	(0.01)	(14.03)	(14.04)
(-) Amount deposited in Banks	(8.78)	-	(8.78)
Closing cash in hand as on 30th December, 2016	**-**	**10.33**	**10.33**

The above balances do not include Cash imprest balance of ₹65.53 lakhs as on November 08, 2016 and closing balance of ₹64.87 lakhs as on December 30, 2016. This is because this amount represents imprest extended to employees. The Group has not accepted any receipts during the said period out of the imprest money given to employees.

50. PREVIOUS YEAR COMPARATIVES

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

As per our report of even date

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

per Ravi Bansal
Partner
Membership No. 49365

Mumbai: May 9, 2017

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

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

Mumbai: May 9, 2017

Form AOC - I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/ joint ventures

Part A: Subsidiaries

(₹ in lakhs)

Sr. No.	Particulars	Name of Subsidiary	
		Blue Star Engineering & Electronics Limited	Blue Star Qatar - WLL
1	Date since when subsidiary was acquired	June 22, 2010	January 17, 2007
2	Reporting period	April - March	April - March
3	Reporting Currency	INR	QAR
4	Equity Share Capital	52925052 Shares of ₹2/- each fully paid up	100 shares of QR 2000 each
5	Other Equity	4307.72	2143.77
6	Total Assets	17191.26	10229.91
7	Total Liabilities	11825.04	7936.03
8	Investments other than investments in Subsidiary	-	-
9	Turnover (Total Revenue)	18149.25	11076.76
10	Profit/(Loss) Before Taxation	491.72	456.52
11	Provision for Taxation	-	58.17
12	Profit/(Loss) After Taxation	491.72	398.34
13	Other Comprehensive Income/(Loss)	(21.28)	-
14	Total Comprehensive Income/(Loss)	470.44	398.34
15	Proposed Dividend	-	-
16	% Shareholding	100%	49%

Form AOC - I

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Part "B" : Associates and Joint Ventures

Sr. No.	Particulars	Name of Joint Ventures	
		Blue Star M & E Engineering Sdn Bhd	Blue Star Oman Electro-Mechanical Co LLC
1	Last Audited Balance Sheet Date	March 31, 2017	March 31, 2017
2	Date on which the Associate or Joint Venture was associated or acquired	November 30, 1993	October 29, 2015
	Number of Shares held by the Company as on March 31, 2017	750000 shares of MR 1 each	500000 shares of OMR 1 each
	Amount of Investment in Joint Venture/Associate (₹ in Lakhs)	49.97	434.14
	Extent of holding %	49%	51%
3	Description of how there is a significant influence	There is significant influence due to percentage(%) of Share Capital	There is significant influence due to percentage(%) of Share Capital
4	Reasons why the Joint Venture is not consolidated	NA	NA
5	Net worth attributable to Shareholding as per latest audited Balance Sheet (₹ In Lakhs)	542.50	554.50
6	Profit/(Loss) for the year		
	i. Considered in Consolidation (₹ In Lakhs)	92.09	35.00
	ii. Not Considered in Consolidation	-	-
7	Other Comprehensive Income/(Loss) for the year		
	i. Considered in Consolidation	-	-
	ii. Not Considered in Consolidation	-	-
8	Total comprehensive Income/(Loss) for the year		
	i. Considered in Consolidation (₹ In Lakhs)	92.09	35.00
	ii. Not Considered in Consolidation	-	-

Investor and Shareholder Information

SHAREHOLDER INQUIRIES

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

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

Company Secretary & Compliance Officer
Vijay Devadiga
Email: vijaydevadiga@bluestarindia.com

Link Intime India Pvt Ltd
C-101, 247 Park,
L B S Marg,
Vikhroli (West),
Mumbai 400 083.
Tel: +91 22 2918 6270
Fax: +91 22 4918 6060
Website: www.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, 2017, the Company has 25555 registered shareholders. Approximately 26% of the Company's shares are held by individual investors. The Promoters hold approximately 39% of the shares while Foreign Investors, Institutions and Bodies Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

BSE (Bombay Stock Exchange) Ltd
National Stock Exchange of India Ltd

Blue Star Establishments

BLUE STAR