BLUE STAR

Blue Star Limited
2nd Pokhran Road, Majiwada,
Thane (West) 400 610, India.
T : +91 22 6715 4500
F : +91 22 6715 4501
www.bluestarindia.com

July 13, 2018

BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001
Scrip Code: 500067

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051
Scrip Code: BLUESTARCO

Dear Sir,

Sub : Notice of Annual General Meeting and Annual Report 2017-18

We wish to inform you that the 70th Annual General Meeting (AGM) of the members of the Company will be held on Wednesday, August 8, 2018 at 10 a.m. at P. L. Deshpande Maharashtra Kala Acadamy, (Ravindra Natya Mandir), Sayani Road, Next to ICICI Bank, Prabhadevi, Mumbai - 400 025. Copy of the notice is enclosed herewith for your information.

Further, copy of the Annual Report for the financial year 2017-18 is also enclosed herewith for your information.

Please take the same on records.

Thanking You,

For **Blue Star Limited**

Vijay Devadiga
Company Secretary

BLUE STAR LIMITED
CIN: L28920MH1949PLC006870
Registered Office: Kasturi Buildings,
Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400 020.
Tel: +91 22 6665 4000, Fax: +91 22 6665 4151/52, www.bluestarindia.com

Notice of the Annual General Meeting

NOTICE is hereby given that the 70th Annual General Meeting of the Members of Blue Star Limited ('the Company') will be held on Wednesday, August 8, 2018 at10.00 am at P. L. Deshpande Maharashtra Kala Academy, (Ravindra Natya Mandir), Sayani Road, Next to ICICI Bank, Prabhadevi, Mumbai - 400 025, to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt:
   a) the Audited Financial Statement of the Company for the financial year ended March 31, 2018, together with the Reports of the Board of Directors and Auditors thereon; and
   b) the Audited Consolidated Financial Statement of the Company for the financial year ended March 31, 2018, together with the reports of the Auditors thereon.
2. To declare dividend on the equity shares of the Company for the year ended March 31, 2018.
3. To appoint a Director in place of Mr Suneel M Advani (DIN: 00001709), who retires by rotation, and being eligible, offers himself for reappointment.
4. Appointment of M/s Deloitte Haskins & Sells LLP, Chartered Accountants as the Statutory Auditors of the Company.

   To consider and if thought fit, to pass, the following Resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable provisions, if any, (including any statutory modification(s), clarifications, exemption or re-enactments thereof for the time being in force), M/s Deloitte Haskins & Sells LLP be and are hereby appointed as the Statutory Auditors of the Company in place of M/s S R B C & Co LLP, Chartered Accountants, (Firm Registration No. 324982E/E300003), existing statutory auditors of the Company, for a period of 5 years, to hold office from conclusion of the 70th Annual General Meeting until the conclusion of the 75th Annual General Meeting of the Company to be held for the financial year 2022-23, at such remuneration as may be determined by the Board of Directors."

B. SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, the remuneration amounting to ₹12,00,000 (Rupees Twelve Lakhs only) plus applicable taxes and reimbursement of the out of pocket expenses; payable to M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, (Firm Registration No. 000042), who were appointed by the Board of Directors as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2018, be and is hereby ratified and confirmed.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."
6. To consider and if thought fit, to pass, the following Resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 149, 152, 161 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules, 2014, and pursuant to Regulation 17(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, Mr Anil Harish (DIN: 00001685), who was appointed as an Additional Independent Director by the Board of Directors, with effect from November 22, 2017, and who holds office up to the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member, proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years, with effect from November 22, 2017, not liable to retire by rotation."

BLUE STAR LIMITED
Kasturi Buildings
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020

Date : May 14, 2018
Place : Mumbai

By Order of the Board of Directors

Vijay Devadiga
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.

   A PERSON CAN ACT AS PROXY ON BEHALF OF NOT EXCEEDING FIFTY (50) MEMBERS HOLDING IN AGGREGATE NOT MORE THAN TEN PERCENT (10%) OF THE TOTAL SHARE CAPITAL OF THE COMPANY. PROXIES SUBMITTED ON BEHALF OF CORPORATE MEMBERS MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE.
2. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ('the Act') in respect of Special Business specified under Item no(s). 5 and 6 is annexed to this Notice.
3. Disclosure pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings (SS-II), with respect to Directors seeking appointment/ reappointment at the Annual General Meeting, is annexed to this Notice.
4. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the board resolution to the Company, authorising their representative to attend and vote on their behalf at the meeting.
5. The dividend, as recommended by the Board, if approved at the Meeting, will be paid to those Members whose names appear:
   (a) As Beneficial Owners as at the end of business hours on July 27, 2018 as per lists to be furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL), in respect of the shares held in electronic form.
   (b) As Member in the Register of Members of the Company after giving effect to all valid share transfers in physical form which are lodged with the Company or its Registrar and Share Transfer Agent (RTA) on or before July 27, 2018.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, July 28, 2018 to Wednesday, August 8, 2018 (both days inclusive).
7. Pursuant to the provisions of Section 124 of the Act, the Unpaid/Unclaimed Dividend for the financial year 2009-10 has been transferred by the Company to the Investor Education and Protection Fund ('IEPF') established by the Central Government.
8. Pursuant to the provisions of Section 124(5) of the Act, dividend for the financial year 2010-11 and the dividends for the subsequent years, which remain unpaid or unclaimed for a period of 7 years will be transferred to IEPF. Shareholders who have so far not encashed the dividend warrant(s) for the financial year 2010-11 are requested to make their claim to the Secretarial Department at the Registered Office of the Company or the office of the Registrar and Share Transfer Agents of the Company, failing which the unpaid/unclaimed amount will be transferred to the IEPF in the month of September 2018.

   In terms of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), in addition to the unpaid or unclaimed dividend which is required to be transferred by the Company to IEPF, equity shares relating to such unpaid/unclaimed dividend are also required to be transferred to an account, namely the IEPF Suspense Account. Members are requested to take note of the aforesaid newly notified sections of the Act, and claim their unclaimed dividends immediately to avoid transfer of the underlying shares to the IEPF Suspense Account.

   Details of unpaid/unclaimed dividend are uploaded on the website of the Company before transferring to IEPF. The Company provides an opportunity to the shareholders to claim the unpaid/unclaimed dividend due to them, failing which shares (held either in physical or electronic mode) shall be transferred by the Company to IEPF Suspense Account.

   Shareholders can however, claim both, the unclaimed dividend amount and the equity shares transferred to IEPF Suspense Account from the IEPF Authority, by making an application in the manner specified under the IEPF Rules.

   Pursuant to the provisions of Section 124 and 125 of the Act, and the IEPF Rules, as amended, all shares on which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to an IEPF Suspense Account after complying with the procedure laid down under the IEPF Rules.

9. Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, ECS mandate, nomination, power of attorney, change of address, change in name, etc, to their Depository Participant (DP). These changes will be automatically reflected in the Company's records, which will help the Company to provide efficient and better service to the Members. Members holding shares in physical form are requested to intimate the changes to the Registrar & Share Transfer Agents of the Company.
10. Members are advised to avail of the facility for receipt of dividends through Electronic Clearing Service (ECS).

    The Reserve Bank of India has launched a facility for receipt of dividends through National Electronic Clearing Service, a centralised ECS operation to provide a wider network, which requires updating of new bank account details with the DP. You are therefore advised to update your bank details with your DP (in case of those who are holding shares in dematerialised mode) or the Company (in case of those who are holding the shares in physical mode) at an early date in order to avail the facility in future.
11. Members wishing to avail of dispatch of various notices, communications and documents including Annual Reports by the Company in electronic mode are requested to register their email IDs with the Company by intimating the same to the Registrar & Share Transfer Agents of the Company.
12. An electronic copy of the Annual Report for 2018 is being sent to all the Members whose email IDs are registered with the Company/DP(s) for communication purposes unless any Member has requested only for a hard copy of the same. For Members who have not registered their email address, physical copies of the Annual Report for 2018 are being sent in the permitted mode.
13. An electronic copy of the Notice of the 70th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the Members whose email IDs are registered with the Company/DP(s) for communication purposes unless any Member has requested for only a hard copy of the same. For Members who have not registered their email address, physical copies of the Notice of the 70th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip, Proxy Form are being sent to the Members in the permitted mode.
14. Members may note that the Notice of the 70th Annual General Meeting and the Annual Report for 2018 is available on the Company's website www.bluestarindia.com. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Mumbai for inspection during normal business hours on working days. Even after registering for e-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the email id: rnt.helpdesk@linkintime.co.in.
15. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days up to and including the date of the Annual General Meeting of the Company.
16. **VOTING THROUGH ELECTRONIC MEANS**
    I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-II) issued by the Institute of Company Secretaries of India, the Company is pleased to provide Members facility to exercise their right to vote on resolutions proposed to be considered at the ensuing Annual General Meeting by electronic means and the business may be transacted through e-voting Services. The facility of casting the votes by the Members using an electronic voting system from a place other than venue of the Annual General Meeting (remote e-voting) will be provided by NSDL.
    II. The facility for voting through electronic voting system or poll shall be made available at the venue of the Annual General Meeting and the Members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting.
    III. The Members who have cast their vote by remote e-voting prior to the Annual General Meeting may attend the Annual General Meeting but shall not be entitled to cast their vote again.

IV. The remote e-voting period commences on August 5, 2018 (9.00 am IST) and ends on August 7, 2018 (5.00 pm IST). During this period, Members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date of August 1, 2018 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

V. The process and manner for remote e-voting are as under:

Step 1 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

Step 2 : Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:
   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c) How to retrieve your 'initial password'?
      i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      ii. If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:
   a) Click on "**Forgot User Details/Password?**" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b) Physical "**User Reset Password?**" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

   Details on Step 2 is given below:

   How to cast your vote electronically on NSDL e-Voting system?
   1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
   2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
   3. Select "EVEN" of company for which you wish to cast your vote.
   4. Now you are ready for e-Voting as the Voting page opens.
   5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
   6. Upon confirmation, the message "Vote cast successfully" will be displayed.
   7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
   8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

   General Guidelines for shareholders
   1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to navnitb@nlba.in with a copy marked to evoting@nsdl.co.in.
   2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
   3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Assistant Manager, National Securities Depository Ltd., Trade World, 'A' wing, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, at the designated email address: pallavid@nsdl.co.in/evoting@nsdl.co.in or at telephone no. +91 22 2499 4545 who will address the grievances connected with the voting by electronic means.

VI. Other Instructions:

i. You can also update your mobile number and email ID in the user profile details of the folio which may be used for sending future communication(s).

ii. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date of August 1, 2018.

iii. Any person, who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in.

iv. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories, as on the cut-off date, only shall be entitled to avail the facility of remote e-voting as well as voting at the Annual General Meeting through poll.

v. Bharat Upadhyay of M/s N L Bhatia & Associates, Practicing Company Secretaries (Membership No. 5436 CP No. 4457) has been appointed as the Scrutiniser for providing facility to the Members of the Company to scrutinise the remote e-voting process and voting at Annual General Meeting in a fair and transparent manner.

vi. The Chairman shall, at the Annual General Meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutiniser, to all those Members who are present at the Annual General Meeting but have not cast their votes by availing the remote e-voting facility.

vii. The Scrutiniser, after the conclusion of voting at the Annual General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 3 days from the conclusion of the Annual General Meeting, a consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same and declare the result of the voting forthwith.

viii. The results declared alongwith the report of the Scrutiniser shall be placed on the website of the Company www.bluestarindia.com and on the website of NSDL www.evoting.nsdl.com, immediately after the declaration of result by the Chairman or a person authorised by him in writing. The results shall also be immediately forwarded to the stock exchanges where the shares of the Company are listed. The results shall also be available for inspection at the Registered Office of the Company.

ix. Subject to receipt of requisite number of votes, the Resolutions proposed in the Notice shall be deemed to be passed on the date of the Annual General Meeting, i.e. Wednesday, August 8, 2018.

EXPLANATORY STATEMENT U/S 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s Narasimha Murthy & Co, Hyderabad, Cost Accountants, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2018. In terms of the provisions of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought to ratify the remuneration payable to the Cost Auditors.

The Board of Directors recommends the ordinary resolution as set out at item no. 5 of the Notice for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives is in any way, concerned or interested, financially or otherwise, in the said resolution.

ITEM NO. 6

In compliance with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors has appointed Mr Anil Harish as an additional Independent Director of the Company for a period of 5 consecutive years with effect from November 22, 2017. As an Additional Director, Mr Anil Harish holds office till the date of this Annual General Meeting.

Mr Anil Harish is a Partner at M/s D. M. Harish & Co, a reputed law firm catering to diverse areas of law including, Property, Exchange Control, Foreign Investments, Trusts, Wills and Indian and International Taxation. Mr. Anil Harish has been ranked by the prestigious legal directory of Chambers & Partners as a leading tax lawyer having a solid clientele of both domestic and overseas organizations. He has been on the Managing Committee of the Indian Merchants Chamber, Chamber of Tax Consultants and ITAT Bar Association, and an office bearer of several institutions in the legal field such as the Society of Indian Law Firms, of which he was the Executive Vice President. Mr Anil is on the Advisory Board of the magazine, "Property Scape" as well as of the Accommodation Times Institute of Real Estate Management and of Real Estate Management Institute. He is also involved with several educational and charitable trusts and serves as director on the boards of reputed companies. He is a key speaker in various prestigious events in India and abroad, and has addressed on the complex legal and taxation issues.

The Company has received a declaration under section 149 from Mr Anil Harish confirming that he meets the criteria of independence as prescribed under the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has received a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr Anil Harish for the office of Director of the Company.

A copy of the draft letter of his appointment setting out the terms and conditions of his appointment as an Independent Director is available for inspection at the registered office of the Company on all working days during normal business hours.

The Board of Directors recommends the ordinary resolution as set out at item no. 6 of the Notice for appointment of Mr Anil Harish as an Independent Director of the Company for a period of 5 consecutive years, with effect from November 22, 2017 for approval of the Members.

Except Mr Anil Harish as it concerns himself, none of the other Directors and Key Managerial Personnel of the Company and their respective relatives, is financially or otherwise, concerned or interested in the said resolution.

BLUE STAR LIMITED
Kasturi Buildings
Mohan T Advani Chowk
Jamshedji Tata Road
Mumbai 400 020

By Order of the Board of Directors

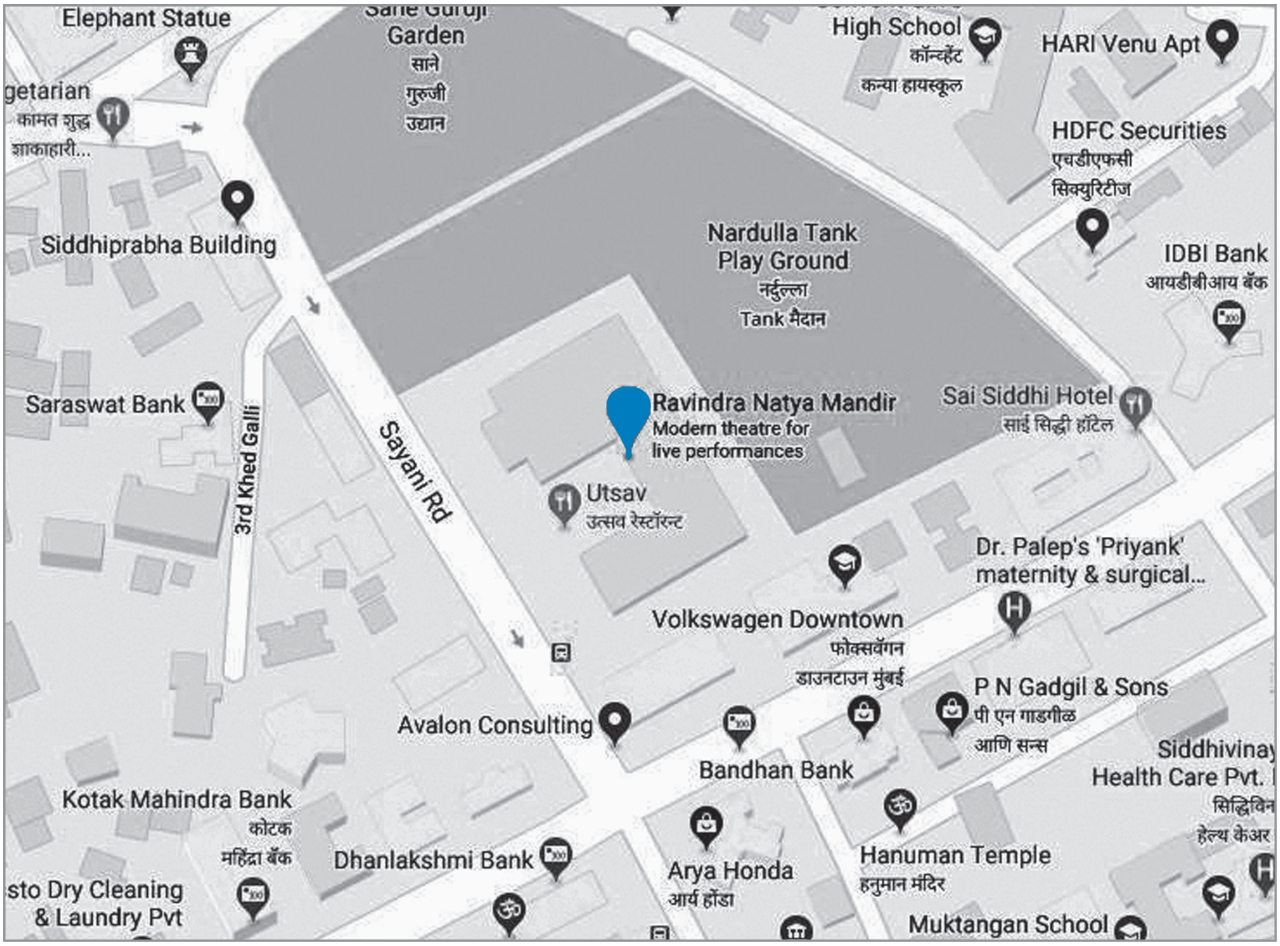
Vijay Devadiga
Company Secretary

Date : May 14, 2018
Place : Mumbai

Profile of Directors seeking appointment/re-appointment at the 70th Annual General Meeting pursuant to Secretarial Standards on General Meeting (SS - II) and Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Particulars	Suneel M Advani	Anil Harish
Date of Birth/Age	23.02.1944/74yrs	19.03.1954/64yrs
Director Identification Number (DIN)	00001709	00001685
Date of first Appointment	03.03.1983	22.11.2017
Expertise in specific General Functional area	Entrepreneur	Legal and Taxation Consultant
Qualification	• Double graduate in Electrical Engineering and Economics from MIT, USA. • LLB degree from Mumbai University.	• B.A., L.L.B. (University of Mumbai) • L.L.M. (University of Miami)
Shareholding in the Company	56,26,827 Equity Shares	Nil
Relationship with Other Director/KMPs	Mr Suneel M Advani is father of Mr Vir S Advani, Managing Director of the Company	Not Applicable
No. of Board meetings held during the tenure and attended by the Director during FY 17-18	5/5	2/5
List of outside Directorships held (Public Limited Companies)	Nil	Hinduja Global Solutions Limited Hinduja Ventures Limited Future Enterprises Limited Oberoi Realty Limited Essel Finance Home Loans Limited
Chairman/Member of the Committee of the Board of Directors of the Company	**Chairman:** Corporate Social Responsibility Committee **Member:** Nomination and Remuneration Committee Investor Grievance cum Stakeholders Relationship Committee Risk Management Committee Share Transfer Committee Executive Management Committee	**Member:** Audit Committee
Chairman/Member of the Committee of Directors of other Public Limited Companies in which he/she is a Director (a) Audit Committee	Nil	**Chairman:** Hinduja Global Solutions Limited Hinduja Ventures Limited **Members:** Oberoi Realty Limited
(b) Investor Grievance cum Stakeholders Relationship Committee	Nil	Nil

ROUTE MAP TO THE VENUE OF THE ANNUAL GENERAL MEETING



BLUE STAR

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BLUE STAR LIMITED ANNUAL REPORT 2017-2018

Contents

BOARD OF DIRECTORS

Suneel M Advani
Chairman

Vir S Advani
Managing Director

B Thiagarajan
Joint Managing Director

Rajiv R Lulla
Non-Executive Director

Dinesh N Vaswani
Non-Executive Director

Independent Directors

Sam Balsara

Shailesh Haribhakti

Anil Harish *(w.e.f. November 22, 2017)*

Shobana Kamineni

Pradeep Mallick *(up to November 30, 2017)*

Gurdeep Singh

COMPANY SECRETARY

Vijay Devadiga

BANKERS

The Hongkong and Shanghai Banking Corporation Ltd
BNP Paribas
Kotak Mahindra Bank Ltd
State Bank of India
Oriental Bank of Commerce
IDBI Bank Ltd
ICICI Bank Ltd
DBS Bank Ltd
IDFC Bank Ltd
Standard Chartered Bank
Citibank N.A.

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 6000; 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 4151/52
Website: 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

R G Devnani
Executive Vice President - Manufacturing

P Venkat Rao
Chief Human Resources Officer

D H Roy
Executive Vice President - R & D and Supply Chain

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

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,

I am delighted to write to you as Chairman of your Company in this landmark year, our Platinum Jubilee. FY 2017-18 was a very good year for Blue Star financially, and we hope to do better in this new year, despite the global socio-political and economic uncertainties, a looming trade war and a weakening rupee. The letter from the Managing Director gives you a detailed analysis of the year gone by, as well as the prospects for 2018-19.

Suneel M Advani, *Chairman of the Board*

I will complete fifty years in the service of Blue Star in a few months' time. As I look back 50 years, I remember the 25 year old company I joined as a management trainee. Blue Star had already become an established, respected air conditioning company with the strategies, systems, structure and processes, which the founding team had gradually put together, in an era when there were no management consultants. There were few MBA graduates around, corporate "culture" and "values" were not recognised terms, and certainly not as components of a corporate "DNA" that needed to be defined, articulated and shaped. It was almost all "management by instinct." Fortunately, the founding teams' instincts were impeccable. Over their 40 years at the helm, they built a robust organisation that would endure for 75 years and more.

Built on Trust

For the next 30 years after Mohan T Advani, B T Advani and Ram Malani left the scene, my brother, Ashok and I built on their strong foundations, before handing over charge to the third generation of leaders, Satish Jamdar, Vir S Advani and B Thiagarajan. Today, at 75, Blue Star is a preferred employer, the brand of choice for customers, and a stock that resonates with investors who give us high valuations, reflecting our performance, professional management team, trusted promoter group and handsome returns.

In sum, in our Platinum Jubilee year, Blue Star is in a very good place. Recent surveys of shareholders, customers and employees provide a gratifying image of Blue Star today: a business with a clearly articulated vision to cool, purify and preserve the three things life depends upon – air, food and water. A management driven by ambition, integrity, and values. Overall, an organisation you can trust, is what they say.

Reinventing ourselves

No living, breathing organism endures successfully over 75 years without facing and overcoming trials and tribulations. Blue Star has certainly had to jump through hoops of fire many times: Partition in the '40s; classification of air conditioners as a luxury and its accompanying excise duty of 125% in the '50s; the India - Pakistan and India - China wars in the '60s; the license/Permit Raj; the Emergency in the '70s; liberalisation and the consequent on slaught of MNCs in the '90s; the global economic meltdown in 2008; and the recent demonetisation.

Many Indian commercial entities succumbed to these massive disruptions and shut down. Others, including Blue Star, heard Tennyson's call, "to strive, to seek, to find, and not to yield." We developed the character and determination to reinvent ourselves again and again as each of these black swan events occurred. We survived, prospered and became leaders in our chosen fields of business.

It is with great pride that I tell you that today Blue Star is one of only 40 companies out of a total of around 6000 listed on the stock exchanges, which have completed 75 years in business, and have crossed ₹4000 crores in revenue.

Looking Ahead

And what of the future? Driven by our success over the last 75 years, inspired by the entrepreneurial spirit of the founder and motivated by the trust reposed in us by our stakeholders, we have created our next rolling, challenging 3-year Strategic plan, Blue Star@77, which starts from this year and ends in FY21, when the Company turns 77. It defines a clear set of objectives that we intend to accomplish by FY21, with a strong emphasis on revenue growth, profitability improvement and productivity enhancement. It is founded on the principle that, while pursuing our credo, "I am Blue Star. I take pride in delivering a world-class customer experience," we shall:

- Grow faster than the market
- Improve profitability through backward integration
- Harness the power of digital technologies for greater customer intimacy and efficiency
- Differentiate ourselves through excellence programmes
- Continue to improve our return on capital employed
- Invest in human capital

We realise that, as India continues its rapid growth, more multinationals with deep pockets will enter the country and provide ever-greater competition. We welcome them, for they will help us grow our industry even faster. But we shall not fear them, for I am confident that the resilience and the fierce passion to succeed, that we have developed over long years of tumultuous change shall see us through. We shall continue to invest in R&D, digital, our people and our brand to stay ahead of the curve.

In closing, I must thank our collaborators, partners, vendors and service providers for their support over so many years. Our employees have helped us build a professionally managed and constantly learning organisation which is an imperative in these times of rapid, disruptive change. To them, I express my gratitude for always keeping the Company's interests ahead of their own. You, our shareholders, deserve our unstinted thanks for taking our Company to the top ranks with high valuations, and upgradation of the Blue Star stock to Group A from Group B.

Finally, I proudly introduce you to our special Platinum Jubilee logo.

BLUE STAR
PLATINUM
JUBILEE

This marathoner represents Blue Star men and women. They play for the long haul, reflecting maturity, reliability, continuity and strength. Their youthful exuberance creates a forward momentum as they always reach for the stars.

Yours sincerely,
Suneel M Advani

Letter from the Managing Director

Dear Shareholder,

Vir S Advani, *Managing Director*

It is my pleasure to write to you at a time when Blue Star has entered into its 75th year. As you would be aware, B Thiagarajan and I had prepared a Strategic Plan called Blue Star@75, which defined the roadmap for the three years leading up to the Company's Platinum Jubilee this year. Looking back, I am happy that the last two years have been exciting and rewarding for Blue Star on many fronts. We outperformed the competition in most of the segments that we operate in, while significantly improving our return on capital employed. At the same time, we pursued excellence programmes in manufacturing, project execution and service delivery, and made significant progress on the people transformation programme and transitioning to a digital enterprise. We believe that all of these initiatives will create long-term value for the Company.

2017-18 Consolidated Financial Performance

Reflecting on FY18, we performed rather well despite major headwinds such as global political unrest, volatility in commodity prices and the introduction of GST. Blue Star reported a Total Income of ₹4660.21 crores, representing growth of 12% over the previous year on a like-to-like basis, whilst Operating Profit grew by 24% to ₹276.33 crores. Net Profit for the year increased by 21% to ₹149.25 crores compared to ₹123.05 crores in the previous year. Strong operating performance, coupled with improving working capital efficiencies contributed to an increase in the Return on Capital Employed to 25.5%, up from 24.4% in the previous year.

Business Segments

As regards to segmental performance, though the Electro-Mechanical Projects business continued to be impacted due to muted private sector investments, this business witnessed modest traction on the back of enhanced investments in the infrastructure space largely driven by the Government. Our strategy to focus selectively on profitable and healthier cash flow projects continued to drive profitability. We continued to invest in capability building, automation and technology in line with our value proposition of 'superior project delivery through intelligent engineering, modern execution practices, and committed teams'.

The Packaged Air Conditioning Systems business had an excellent year as new product variants gained traction and we expanded our market reach. We also continued to be the largest air conditioning and commercial refrigeration after-sales service provider in the country assisted by our value proposition to provide a 'Gold Standard Customer Service' that calls for year-on-year sustained improvements in customer satisfaction.

In the Unitary Products segment, the Air Conditioning and Refrigeration products business continued on a steady growth path backed by a comprehensive product portfolio, enhanced distribution reach and strong brand equity. Particularly, the room air conditioners business grew faster than the industry growth rate, thereby increasing our market share to 11.5% in value terms. Further, since our entry into the residential water purifier business, Blue Star has made good progress in this business with a wide range of offerings across various price points.

The Professional Electronics and Industrial Systems segment witnessed a drop in revenue, and consequently in profit. While market conditions were difficult on account of low investments in the heavy industrial sector in FY18, the fundamentals of the business remain strong and the prospects are expected to improve in the near term.

Exports is a promising growth driver for the Company's future, and we consolidated our presence in the international arena by setting up a 100% subsidiary, Blue Star International FZCO, in Dubai during the year. We currently export our products to 19 countries across the Middle East, Africa, SAARC and ASEAN and we are making significant investments in R&D, sales and marketing to establish ourselves as a credible player in these markets.

Today, Blue Star is on a strong footing, backed by robust and deep rooted fundamentals, a comprehensive portfolio of highly differentiated products and services, improved process driven efficiencies, steady adoption of latest technologies, a world-class management team and capable employees, and committed business partners. I am glad that we could invest and focus on superior value creation for all our stakeholders.

FY19 and Beyond

While we have made good progress, we are also aware of the fact that we live in a very volatile, uncertain and competitive world, which mandates that we be resilient and future ready. This, in my view can be achieved by primarily focusing on profitable growth, for which, we need to have a clear sense of purpose, build scale, become self-reliant in terms of technology and backward integration, differentiate our offerings and strengthen our brand across geographies.

Going forward, our efforts will be on fortifying and growing our leadership in our core businesses while also advancing into adjacencies such as air coolers, air purifiers, Engineering Facility Management, to name a few. We will also continue to make sustained investments in building the water purifiers and the international businesses. We foresee huge potential in the adjacent and new lines of businesses that we have ventured into and expect these to be growth drivers in the future.

We have reinvented ourselves time and again to meet the dynamic challenges of the market place by being agile and responsive; and will continue to do so in the future. I believe that we deserve to have a place in the global arena as leaders and are determined to put Blue Star on a strong foundation as we commence our journey for the next phase of growth from the Platinum Jubilee to the Centenary.

Integral to our success is the trust and confidence that you, along with our customers, business partners and other stakeholders, have placed on us. I would like to express my deepest gratitude for the same, and look forward to your continued support.

Yours sincerely,
Vir S Advani

Board of Directors

(L-R sitting) **Vir S Advani, Suneel M Advani, B Thiagarajan**

(L-R standing) **Sam Balsara, Shailesh Haribhakti, Anil Harish, Gurdeep Singh, Rajiv R Lulla, Dinesh N Vaswani, Shobana Kamineni**

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 Vice Chairman of the Board. He was elevated to 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 Indian entities in the air conditioning ancillaries 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*

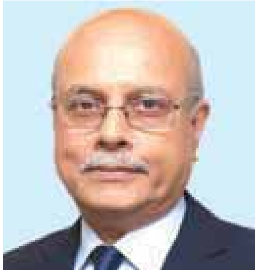
Vir S Advani holds Bachelors Degrees in Systems Engineering and in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Program in Leadership Development at Harvard Business School. Vir, after a 2-year working stint in private equity in New York, joined Blue Star Infotech Ltd in 2000 and then founded Blue Star Design and 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 an elected member of the CII National Council and member of various National Committees including International, Future Businesses, Artificial Intelligence and India@75.

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 around four decades of experience, having worked for reputed companies such as Larsen and 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. He was elevated to the Board in 2013. 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 Refrigeration and Air Conditioning Manufacturers Association (RAMA). He is a nominated member of the CII National Council, Co-chairperson of the CII National Agriculture Council, and 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 of Madison World, which is amongst India's largest media 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, with stints thereafter at Cadbury India Ltd, Contract Advertising Company (WPP) and Mudra Communications, before founding Madison 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; IAA Leadership Award for Media Agency Professional of the Year, 2013; 'Lifetime Achievement Award' in 2009 from Advertising Agencies Association of India; and has been a 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 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. 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 Non-Executive Chairman of L&T Finance Holdings Ltd, L&T Mutual Fund Trustee Ltd and Future Lifestyle Fashions Ltd; along with being Past Chairman & Trustee of the National Pension Scheme Trust, as well as Past member of Pension Advisory Committee of Pension Fund Regulatory & Development Authority. He serves on several Boards of multinational as well as Indian companies, and is also a member of many Advisory Boards. Shailesh is an Associate with IIM-Ahmedabad and a number of other management institutions as well as industry and professional forums. He has led Bombay Management Association; Institute of Internal Auditors, Mumbai; Institute of Chartered Accountants of India; Indian Merchants Chambers; Financial Planning and Standards Board, India; and Rotary Club of Bombay over the last many decades. He has served on the Standards Advisory Council of the IASB in London for two years.

Anil Harish, *Independent Director*
Anil Harish is a Partner at the law firm, D M Harish & Co, and his practice includes many diverse areas of law including Property, Exchange Control, Foreign Investments, Trusts, Wills, and Indian as well as International Taxation. He has been on the Managing Committee of Indian Merchants Chamber, Chamber of Tax Consultants and ITAT Bar Association. He has also been an office bearer of several institutions in the legal field, such as the Society of Indian Law Firms, of which he was the Executive Vice President. As a specialist in real estate, Anil is on the Advisory Board of the magazine 'Property Scape', as well as of the Accommodation Times Institute of Real Estate Management and of Real Estate Management Institute. He has authored several articles which have been published in leading newspapers and professional journals. Anil joined the Blue Star Board in November 2017. He is a Director of reputed companies including Hinduja Global Solutions Ltd, Hinduja Ventures Ltd, Future Enterprises Ltd, Oberoi Realty Ltd, and Essel Finance Home Loans Ltd. He is also involved with a number of educational and charitable trusts, and is President of the Hyderabad (Sind) National Collegiate Board.

Shobana Kamineni, *Independent Director*

Shobana Kamineni is Executive Vice Chairperson of Apollo Hospitals Enterprise Ltd, and a member of its founding family. She heads Apollo Pharmacies Ltd, India's largest pharmacy; and is the Founder and a Wholetime Director on the Board of Apollo Munich Health Insurance Company Ltd. She 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; and is on the Board of Foundation for Innovative New Diagnostics. As an active member of CII, Shobana's appointment as its President in 2017-18 created history, as she was the first ever woman to hold the position since its inception. In 2018, she was also invited by the Indian Ministry of Corporate Affairs to be member of the National Foundation for Corporate Governance Trust. She has been a recipient of prestigious national awards for Entrepreneurship and Leadership. She received the 'Businesswomen of the Decade' award from The Women Economic Forum for her work in healthcare and women empowerment. She also has an Honorary Doctorate Degree of Science from the Bryant University, USA, for her work in healthcare and pharmaceuticals, and her contribution towards business expansion in India.

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 over 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.

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 Pvt Ltd, Gateway Rail Freight Ltd, and Creative Polypack Ltd.

Dinesh N Vaswani, *Non-Executive Director*

Dinesh N Vaswani is the Founder and Managing Director of Acuitas Capital Advisors Pvt Ltd, 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 and 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 Advisors India Pvt Ltd, 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.

BLUE STAR

PLATINUM JUBILEE

"When I decided to go into business on my own in 1943, and cast about for a name for my proposed venture – a name which could be branded into public consciousness, a name capable of being translated in recognisable form and distinctive colour, a name that could be blazoned against the sky as from a neon sign, a name which would be unusual and short and memorable – I arrived by a process of elimination at BLUE STAR"

Mohan T Advani

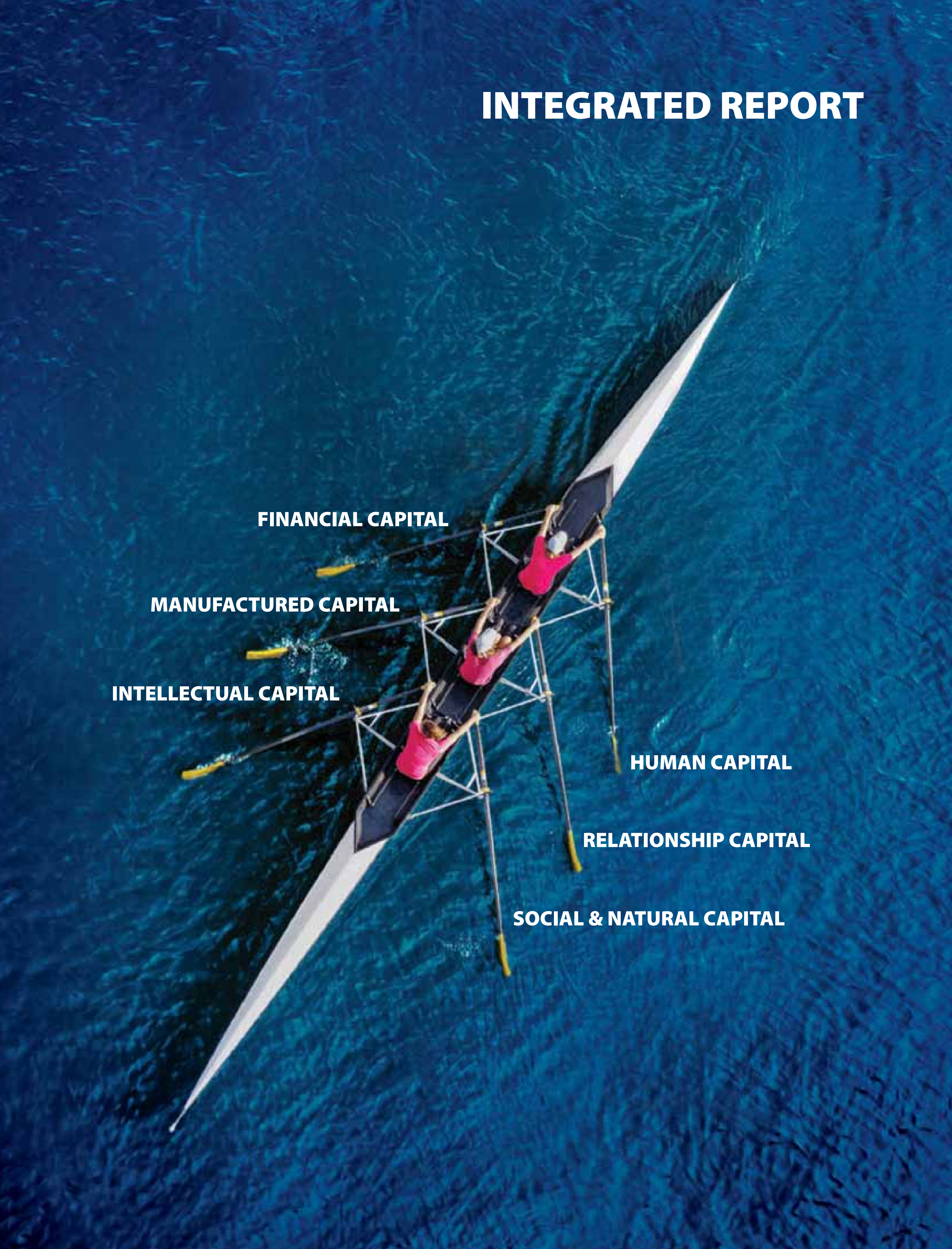
BLUE STAR

PLATINUM JUBILEE

"A man's lifework must take a contribution that reaches for the stars – beyond himself and far into the future."

Mohan T Advani

INTEGRATED REPORT



ENHANCED VALUE CREATION

Financial Capital

Total Income

₹ 4660 crores

Intellectual Capital

R&D Spend

₹ 56 crores

Social and Natural Capital

CSR Outreach **~42000** lives benefitted across programmes

Achieved **24%** reduction in water consumption at Himachal Pradesh Plant

Manufactured Capital

5 state-of-the-art manufacturing facilities spread across Wada, Dadra, Himachal Pradesh and Ahmedabad

Human Capital

People Strength

2800+ employees

Relationship Capital

2900
Channel Partners

COMPANY OVERVIEW

Blue Star is India's leading air conditioning and commercial refrigeration Company. It celebrates its Platinum Jubilee this year which marks 75 years of consistent growth and systematic diversification. It prides upon the fact that every third commercial building in the country has a Blue Star product installed. Its potent blend of technical know-how, talented workforce, design expertise, exceptional project execution capabilities and global footprint makes it the preferred choice for Mechanical, Electrical and Plumbing (MEP) projects.

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.

The Company, having consistently delivered differentiated and customer-centric products and solutions, enjoys a preferred partnership status with most of corporate and commercial India.

As an expert in cooling, Blue Star covers a plethora of cooling solutions right from products to services, and has also forayed into water and air purification, engineering facility management, kitchen and healthcare refrigeration and related business segments. It entered the residential air conditioners segment in 2011, and has since then, made deep inroads into this category, with a market share of 11.5%. Known for its reliability, 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 and other 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 manufacturing prowess, its ability to leverage on innovation and technology, along with its strategic endeavours across business segments, all steered towards customer-centricity at its core, have given the Company an edge over its competitors. Digital interventions have efficiently sharpened its business processes, and the organisation has judiciously invested in state-of-the-art technologies for enhanced productivity and consistency.

Blue Star has joint ventures in Qatar, Malaysia and Oman which undertake MEP projects for residential, commercial and infrastructure purposes. The Company exports to 19 countries across the Middle East, Africa, SAARC and ASEAN regions, where its products stand the test of time in some of the most difficult and extreme climatic conditions in the world. Traversing boundaries, Blue Star continues to garner global acclaim, thereby enhancing the Company's brand beyond India, while providing significant growth opportunities for its businesses on the international platform.

Blue Star's other businesses include marketing and maintenance of imported professional electronic equipment and services, as well as industrial products and systems, which are handled by Blue Star Engineering & Electronics Limited, 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.

While the Company has grown by leaps and bounds, its ethos based on certain enduring values and a robust culture continue to remain intact, and has led Blue Star 'to be a Company that is a pleasure to do business with'.

VALUES & BELIEFS

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

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 categorised into three segments.

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. It also comprises after-sales services such as revamp, retrofit and upgrades as well as Engineering Facility Management (EFM), which is the Company's recent introduction that covers a wide repertoire of operation and maintenance services for efficient functioning of electro-mechanical utilities.

UNITARY PRODUCTS

Blue Star offers a wide variety of stylish, contemporary and highly 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 also recently added water purifiers, air purifiers and air coolers to its product portfolio.

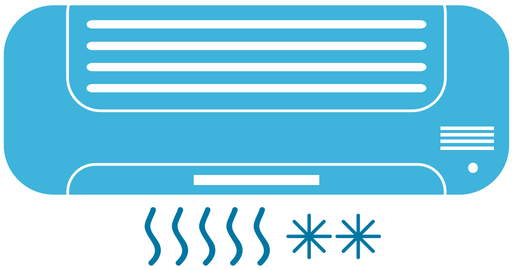
PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

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 FY18, the overall market size for air conditioning in India was estimated at around ₹18,500 crores. Of this, the market for central air conditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹6,500 crores, while the market for room air conditioners comprised the balance ₹12,000 crores.



During the year, in central air conditioning, growth was mainly driven by Government-led projects in the healthcare, education and metro segments, while private investments were almost muted. In the buildings segment, while offices, hospitals and ITeS gained some traction, movement in the factories segment was slow and the segment remained tepid.

On the other hand, the room air conditioners market was engulfed by myriad challenges including those related to implementation of GST and the new Bureau of Energy Efficiency (BEE) labelling programme as well as the rise in commodity prices, amongst others. Due to these challenges, the industry growth was subdued at 10% in value terms. On the positive side, the rise in disposable incomes of the growing middle-class consumers and enhanced demand from Tier 3, 4 and 5 markets continued to fuel growth.

COMMERCIAL REFRIGERATION

The Commercial Refrigeration segment consists of a wide spectrum of products including deep freezers, water coolers, visi coolers, visi freezers, bottled water dispensers, bottle coolers, ice machines and cold rooms. Kitchen refrigeration products such as reach-in as well as undercounter chillers and freezers, blast freezers, back bar chillers and saladettes as well as medical refrigeration products such as ultra-low temperature freezers, medical freezers, blood bank refrigerators and pharmacy refrigerators were in focus for this segment. Though the overall market faced setbacks with demonetisation and GST, the recovery was quite speedy, driven by a surge in demand from fast-growing segments such as food, dairy, quick service restaurants as well as pharmaceutical and healthcare industries.

SOME OF OUR PRODUCTS

Inverter Split AC with Decimal Display

Scroll Chiller

VRF V Plus System

Air Cooler

Water Purifiers

Process Chiller

Platinum Series Water Cooler

Air Purifier

Medical Freezer

Undercounter Chiller

Multi-desk Chiller for Retail Refrigeration

Deep Freezer

SOME PRESTIGIOUS INSTALLATIONS

VRF, Packaged and Ducted system installations for Gitam University, Visakhapatnam

HT Electrical Systems for Tata Power Substations, New Delhi

Mechanical, Electrical and Plumbing Systems for Dr Oetker, Rajasthan

HVAC Systems for Mars International, Pune

Mechanical, Electrical and Plumbing Systems for VR Mall, Chennai

Refrigeration System for Hatson Agro Products, Chennai

GLOBAL PRESENCE

In line with Blue Star's growth plan for its International Business Group, the Company has further improved its footprint and expanded presence to 19 countries across the Middle East, Africa, SAARC and ASEAN regions.

Blue Star International FZCO, a wholly-owned subsidiary of Blue Star Limited, headquartered in Dubai, UAE, now manages the Global Products Sales Division and Global Projects Division including the Joint Ventures for the Company. The three Joint Ventures in Qatar, Malaysia and Oman also fall under the ambit of Blue Star International FZCO. These Joint Ventures continue to undertake prestigious MEP projects for residential, commercial and infrastructure segments in their respective markets. The Global Products Sales Division specifically takes care of the exports of air conditioning and commercial refrigeration products and systems such as unitary products, DX commercial, refrigeration and applied systems products of Blue Star and its Original Equipment Manufacturing (OEM)/Original Design Manufacturing (ODM) businesses. Unitary products include window air conditioners, split air conditioners, inverter split air conditioners, cassette air conditioners and floor standing units. DX commercial products include ducted, VRF systems and multi split inverters. Refrigeration products comprise water coolers, deep freezers, visi coolers, bottled water dispensers, modular cold rooms as well as positive and negative temperature refrigeration units. The range of applied systems products offered by the Company include HVAC chillers, water tank chillers, air handling units and fan coil units.

During the year under review, Blue Star actively participated in International Exhibitions across countries and obtained several approval certifications for its products from various Government and Private Authorities. In order to further make inroads into different global markets, new dealers have been appointed, to enhance the distribution outreach which is expected to give a boost to the Company's International Business.

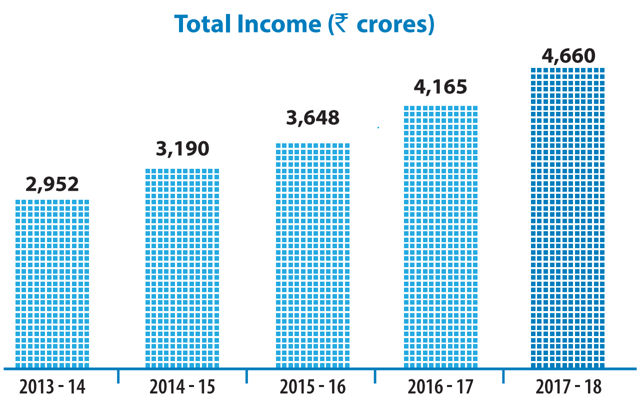
Going forward, the Company intends to further strengthen its channel distribution and OEM/ODM businesses across counties as well as focus on larger consumer base and consolidate its presence in the existing regions.

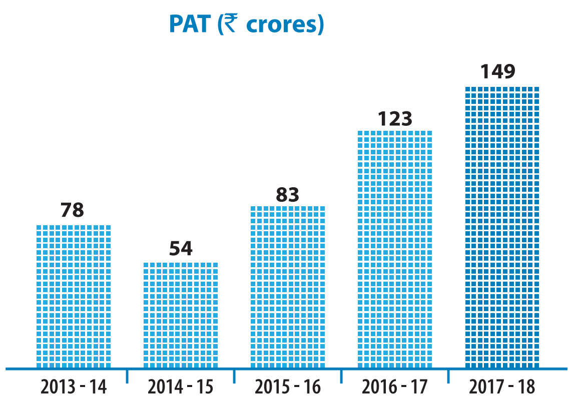
Disclaimer: The images of the maps of India and the world in the Annual Report are for illustrative purposes only and do not imply the expression of any opinion on the part of Blue Star concerning the legal status of any country or territory or concerning the delimitation of its frontiers or boundaries.


INPUT
Financial Capital
Capital Employed
Capital Expenditure
Operating Expenditure
Manufactured Capital
Manufacturing Facilities
Total number of Establishments
Investments for Achieving Process Driven Efficiencies
Intellectual Capital
R&D Spend
Patents Filed
Human Capital
Number of Employees
Training Cost
Training Man-days
Investments in Ensuring Health and Safety of Employees
Relationship Capital
Customer Service Teams and Members
Dealer Base
Supplier Base
Social & Natural Capital
CSR Spend
CSR Outreach
Water Consumption
Tree Plantation Drive
ENHANCED VALUE CREATION ACROSS CAPITALS
Vision
Credo
Values and Beliefs
Business and Processes
Strategic Plans
Risks and Opportunities
Stakeholder Engagement
Information Technology
Financial Capital
Revenue
EBITDA
Net Profit
Dividend
ROCE
ROE
Manufactured Capital
Finished Products
Enhanced Production Efficiencies
Intellectual Capital
Patents Granted
Revenue from New Products
Human Capital
Retention and Engagement
Enhanced Employee Well-being and Safety
Relationship Capital
Customer Satisfaction
Revenue from Repeat Business
Enhanced Creditworthiness
Social & Natural Capital
CSR Outreach
Reduction in Water Consumption
Trees Planted
OUTPUT

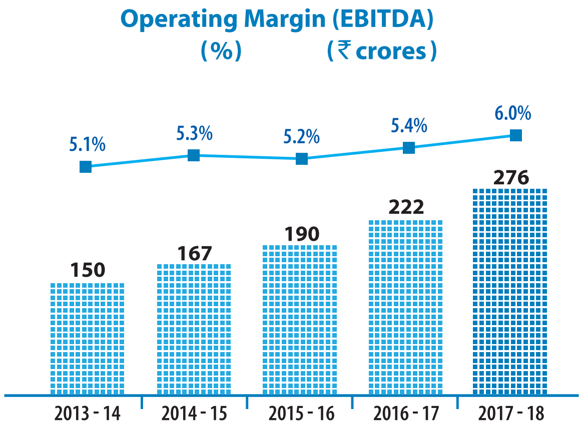
FINANCIAL CAPTIAL

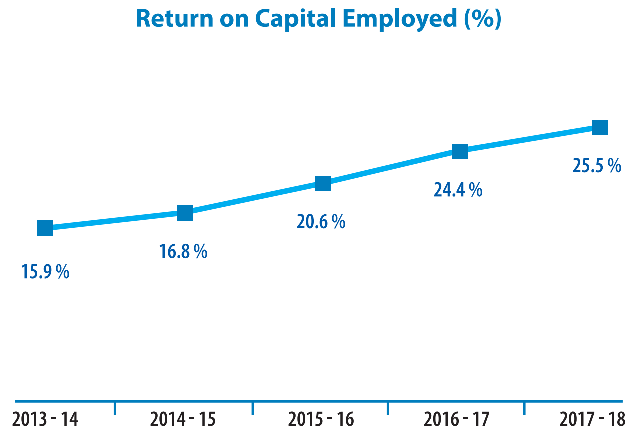
The Company continues to consistently deliver good financial performance supported by its lines of businesses and operational efficiencies.

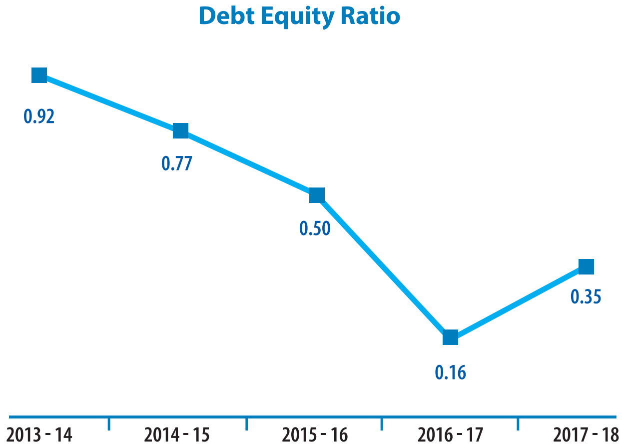


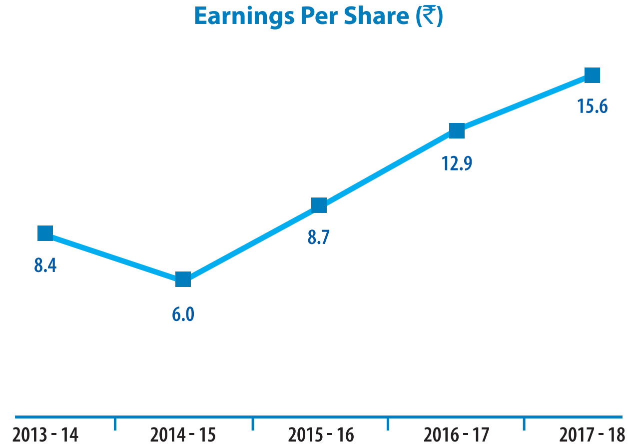


Note: Revenue from Operations in this statement for FY17 and FY18 has been restated to make them comparable since the reported Revenue for FY17 includes Excise Duty and that of FY18 includes Excise Duty in Q1.









MANUFACTURED CAPITAL

With a manufacturing footprint spanning five state-of-the-art manufacturing facilities across Wada, Dadra, Himachal Pradesh and Ahmedabad, Blue Star's manufacturing capabilities are superior and highly acclaimed world over.

In line with the Company's plan to augment its production capacity under the manufacturing footprint redesign programme that was initiated in the earlier year, the Company has decided to set up an additional facility at its existing manufacturing plant in Wada and in the medium term, set up a new factory in Sri City, Andhra Pradesh.

The Company continuously engages in enhancing and building its manufacturing strength. It had embarked on a manufacturing excellence programme in FY16 with emphasis on lean manufacturing, technology upgradation, quality improvement and culture building as the key pillars for building its manufacturing capabilities. This has reaped in significant benefits and the Company has been able to enhance the capacity of its existing plants while producing robust, differentiated and acclaimed products. Modern technologies are being incorporated into the Company's manufacturing processes to assist in the deskilling of key operations, enabling the Company to keep itself abreast with Industry 4.0, the latest in manufacturing. Six Sigma, a tool to drive process improvement in cost and quality, is being effectively used across all the plants and a majority of the manpower is also trained in Six Sigma practices.

The Dadra Plant, which completed 20 glorious years of its existence in September 2017, boasts of a state-of-the-art testing facility and enjoys the repute of being one of the top manufacturing facilities in India for high quality air conditioning products. The facility manufactures packaged/ducted split air conditioners and VRF systems. Both these product lines performed extremely well during the review period, resulting in a record billing for the plant. The factory has also developed an E-cell to keep pace with the technology used in the machines. In line with the changing dynamics in the manufacturing arena, the plant has started updating its operations by adopting Artificial Intelligence in some areas of its shop floor to eliminate human errors. With the objective to enhance its quality standards and testing procedures, Auto Test Equipment (ATE) has also been installed across assembly lines.

The Wada Plant, which is the largest manufacturing facility of the Company in terms of built-up area, 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

Blue Star's manufacturing facility at Dadra

Assembly line at Blue Star's manufacturing facility at Dadra

Blue Star's manufacturing facility at Wada

Collaborative Robot (COBOT) installed at Wada facility

condensing units for an overseas OEM. During the year under review, a new range of energy-efficient, configured chillers was introduced, which has garnered good acceptance in the market. In order to align itself to Industry 4.0, a 3D printer has been installed at the plant for rapid prototypes and fixtures for Pokayoke. Additionally, a Collaborative Robot (COBOT) has been installed for in-tube expansion of pressure vessels.

The two plants in Himachal Pradesh which continue to cater efficiently to the fast growing markets of room air conditioners and refrigeration products, had an impressive performance during the review period. To enhance value creation and reduce dependency on vendors, the Company has also started manufacturing inverter machines and indoor units. Other in-house projects include manufacturing of components such as headers and strainers.

The Ahmedabad Plant, achieved optimum capacity utilisation this year too, and recorded the highest ever dispatch of chest freezers and chest coolers during the review period. The plant continues to invest in initiatives aimed at enhancing efficiency and reducing bottlenecks in its key operations.

During the period under review, the manufacturing teams participated in and were recognised at numerous inter-industry competitions for quality, productivity, safety and Kaizen methods organised by CII, Manufacturing Today and other related industry bodies.

Blue Star's manufacturing facility at Himachal Pradesh

Blue Star's manufacturing facility at Ahmedabad

INTELLECTUAL CAPITAL

The Company is highly oriented towards innovation, and has been a front-runner in imbibing cutting-edge technologies across its comprehensive range of products.

Blue Star remains committed to a focused, productive approach towards its R&D endeavours, making systematic investments in upgrading its infrastructure and design capabilities. It endeavours to set a benchmark in areas related to energy-efficiency, sustainability and climate change. The Company's mainstay of product development and R&D has been customer-centric designs and applied innovation coupled with eco-friendly and sustainable products.

With dedicated and sustained efforts in this direction, the Company has accelerated its R&D performance across its businesses. With the adoption of the latest technology and best-in-class test facilities, 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 in the domestic as well as the international arena. Air-Conditioning, Heating and Refrigeration Institute (AHRI) certified configured series of air cooled screw and water cooled Turbocor chillers with multiple efficiencies have been developed to compete with the best-in-class, globally acclaimed products. Backed by a selection software for project application, the new series of chillers have contributed to the growth of Blue Star's chiller business. A complete range of 3-star and 5-star room air conditioners have been launched, which meet the higher energy-efficiency 2018 BEE energy labelling norms, providing the right match for cooling requirements across residential, commercial and institutional segments. Higher capacity VRF outdoor units of up to 28 HP have also been introduced to ensure cost competitiveness. Further, a new VRF selection software has been introduced to enable the sales team to select the optimum combination of VRF indoor and outdoor units.

Taking its R&D capabilities to the next level, during the review period, Blue Star received its first ever patent for a unique vacuum breaker assembly for deep freezers, which ensures that the pressure inside and outside the deep freezer are equalised. The Company has applied for over 30 patents for innovation in various product categories, and is optimistic of being granted several more patents in the near future.

Other achievements during the review period include the introduction of Blue Star's own designed wall-mounted indoor units and a platinum series of water coolers with enhanced purification options. The introduction of environment-friendly deep freezers using hydrocarbon refrigerant R290 is yet another outcome of the Company's dedicated R&D efforts.

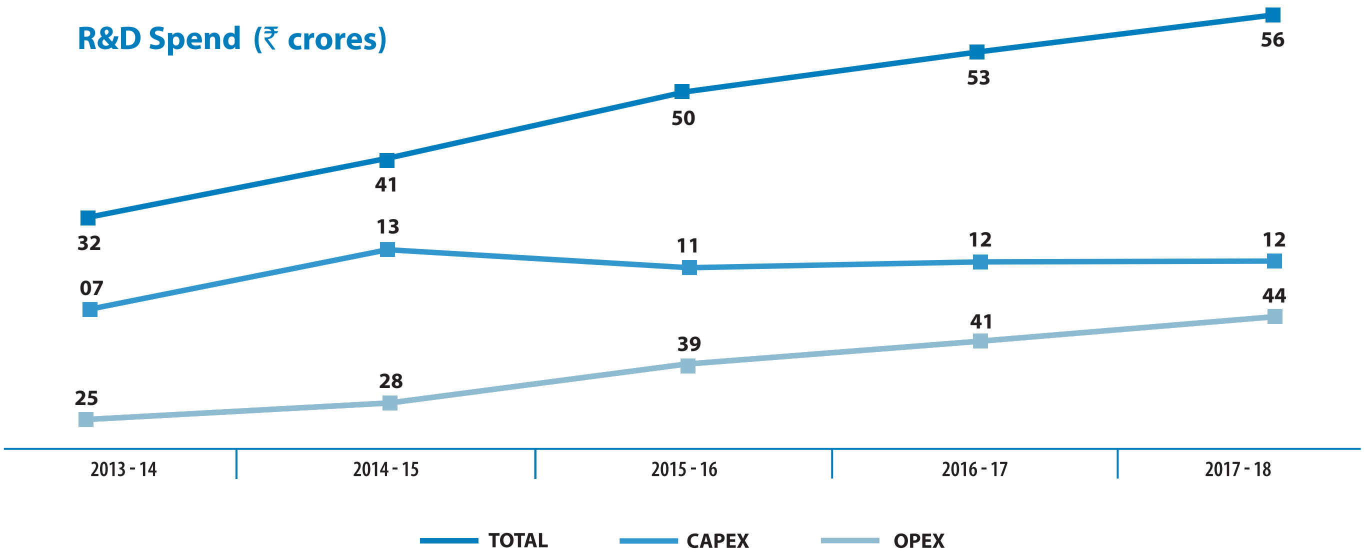
Blue Star has made significant investments in building new test facilities for electronics reliability and product safety. Blue Star continues to invest towards competency development in inverter drives, smart controllers, industrial design and reliability. Besides, the Product Lifecycle Management (PLM) system has also been implemented for digital transformation of the New Product Development (NPD) process.

37
Patents Filed

23
Designs filed

1
Patent Granted

₹ 56 crores
R&D Spend (FY18)



The Company's performance laboratories for air conditioning and refrigeration products have received accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL).

Blue Star's new testing facility at its R&D centre in Thane

Robotic welding at the manufacturing facility at Wada

HUMAN CAPITAL

Blue Star believes in continuously empowering its people by way of numerous employee driven engagements as well as by embracing people-friendly HR practices and initiatives.

During the review period, the Company enhanced its total permanent head count to 2,819 as on March 31, 2018, as compared to 2,711 as on March 31, 2017 (the head count is consolidated for Blue Star and Blue Star Engineering & Electronics). Over 130 campus recruits from reputed professional colleges were centrally appointed during the year, and allocated to respective functions based on business needs.

With a focused development-driven agenda, the Company embarked on several strategic initiatives on the people front in FY18. In order to improve the speed of recruitment and quality of new hires, it has centralised the recruitment process by introducing a Talent Acquisition Cell. It strengthened statutory compliance at project sites by introducing inter-region audits. The Company continues to steadily progress on digitisation in HR, and has automated its HR processes and Management Information Systems by implementing a contemporary online platform, called 'MyWorld'. It has also successfully revamped its entire Performance Management Systems process to make it more objective and transparent by introducing changes in KRA setting process, mid-year review and normalisation processes, among others. Further, Project ODEON was launched to conceptualise, design and implement an Organisation Design framework that will ensure that all people-related decisions (fitment, mobility, promotion and pay) are made based on modern principles of Organisation Design and by paying due attention to the role, the grade band and the person's capabilities. The Company continues to encourage job rotation and significantly enhances its employee engagement initiatives, which have been instrumental in reducing attrition levels during the year as well as has led to an improvement in Internal Customer Satisfaction Survey Score to 5.70 from 5.32 in FY17 on a maximum score of 7. The Company remains committed in its efforts towards having a diverse and inclusive workforce at Blue Star.

The Company has redefined its learning and development framework with the intention to promote holistic learning in terms of technical and functional skills as well as behavioural, managerial and leadership development.

Manpower Strength

2015-16
2567
Employees

2016-17
2711
Employees

2017-18
2819
Employees

Blue Star conceptualised the new Learning and Development process wherein two academies were set up during the review period; Academy for Technical & Functional Excellence and Academy for Leadership Development. The Academies use blended learning methodology that comprises self-learning, guided learning, classroom learning and e-learning resources.

SAFETY

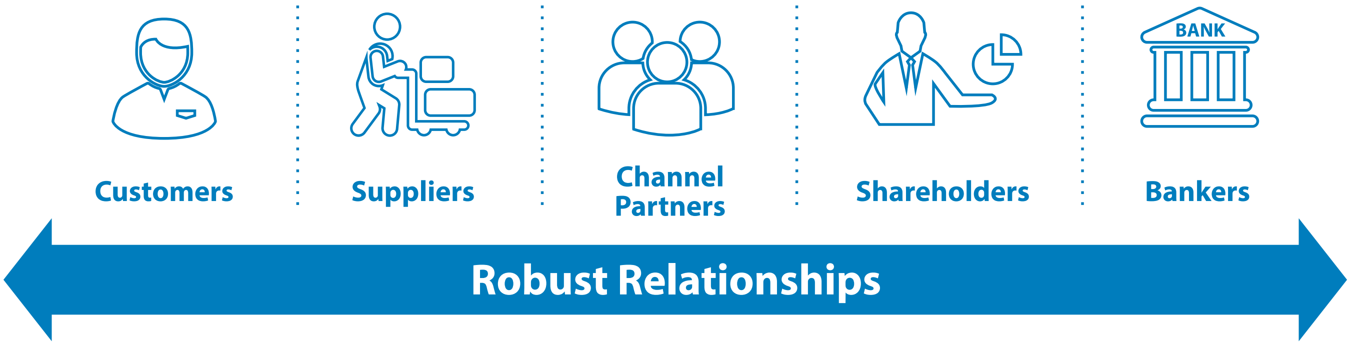
During the year, Environment, Health & Safety (EHS) activities continued with renewed focus on accident prevention. Safety training, safety audits and implementation of corrective actions as well as review of current actions were undertaken. The Company believes in promoting and encouraging holistic well-being of its employees. On the health front, it has been issuing a monthly bulletin titled, 'Health Watch' aimed at creating awareness amongst the employees to stay fit as well as provides an update on the latest happenings in the health sector. Evacuation safety drills were staged across all office establishments and factories for all-time safety readiness. Sensitisation on adhering to safety standards and procedures was improvised by using various mediums like print, AV films, class room interactions as well as imparting subject-specific trainings. Overall, more than 2,400 safety audits were conducted across the Company's project sites, service sites and manufacturing facilities.

Safety Training Sessions at Plants

Training programmes on safety management were conducted covering 43,000 safety training man-days during the year.

RELATIONSHIP CAPITAL

Blue Star consciously engages in building and nurturing strong relationships with its Customers, Suppliers, Channel Partners, Shareholders and Bankers.



CUSTOMER FOCUS

As a customer-centric organisation, Blue Star continues to focus on providing a world-class customer experience through its differentiated products and services, which are designed to satisfy and delight its customers. The Company gives due importance to safety and environment while designing and developing all its products and services.

VALUE CREATION THROUGH SERVICES

AIR CONDITIONING AND REFRIGERATION SERVICE

Blue Star has always been cognisant of the fact that after-sales service is one of the critical success factors for the air conditioning and commercial refrigeration lines of business. As a testimony to this, the Company continues to be the largest air conditioning and commercial refrigeration after-sales service provider in the country. Under its service excellence programme, the service reach to Tier 3, 4 and 5 cities has improved significantly with a new assured service response time of 3 hours and turnaround time of 18 hours. The Company assures same-day installation for all its retail customers. Blue Star has set up a 24x7 call desk with an interactive voice response system wherein the customer can log a call within 12 seconds without talking to any personnel. Alternatively, there is a customer application with a one-touch facility for logging a service requirement. A host of other digital initiatives include a technician application and remote monitoring of chillers among others that gives the Company a competitive

The Company's Air Conditioning and Refrigeration Service (AC&R) is known for its credibility and reliability assisted by its strong value proposition to provide 'Gold Standard Customer Service'. Blue Star's AC&R service is ISO 9001: 2015 certified which ensures consistent performance across product lines and geographies.

edge. The facility to generate electronic field service reports by technicians using mobile applications is another added advantage which ensures transparency, real-time data sharing and saves paper. Several model service centres have been set up across the country and the Company has more than 150 service vans to reach out to its customers speedily. For its quick service restaurant customers, refrigerated vans have been deployed for cold storage across major metros.

During the review period, Blue Star's AC&R service forayed into Engineering Facility Management (EFM) which covers a wide range of operations and maintenance services to ensure efficient working of electro mechanical utilities. The Company has won several EFM orders from prestigious clients including ISRO, Airports Authority of India, UIDAI (Aadhar), Hindustan Aeronautics Limited, Bengaluru International Airport, and Chennai Metro, amongst others.

SUPPLIER FOCUS

SUPPLY CHAIN MANAGEMENT

Over the years, the Company has effectively capitalised on its expertise to reduce costs and optimise operations. While the year under review witnessed a significant increase in prices of major global commodities including copper, aluminium, steel and plastics, the Company ensured that cost increases were minimised through some optimisation measures. Blue Star continued to focus on a robust cost reduction programme comprising new initiatives aimed at reducing costs such as long-term pricing settlement negotiation with suppliers in time for the peak season, volume-based discounting with select suppliers, alternate sourcing and value engineering projects as well as new standardised costing formats and identification of hidden cost benefits including GST; besides others.

A supplier excellence initiative, launched as a pilot for five north-based suppliers to improve their manufacturing processes, was received with good enthusiasm and will be pursued further to cover a larger supplier base.

Further development of new product lines such as water purifiers, air purifiers and air coolers were in focus during the year. Blue Star adopted Company Managed Contract Manufacturing as a pilot for water purifiers. Greater thrust was placed on capacity enhancement projects with suppliers including development of alternate tooling to meet increased demand. Aggressive localisation of products ensured lower dependence on imports. As part of the initiative to reduce dependency on suppliers, new ones were explored systematically and developed in Asian countries to reap in benefits of Free Trade Agreements. Though GST implementation posed many challenges, the Company seamlessly migrated to a GST compliant platform. Blue Star works with around 5000 vendors and business associates to create value for its customers.

DEALER FOCUS

CHANNEL MANAGEMENT

The Channel Management Centre, which is the overall custodian of Blue Star's channel partners and a single point contact for all channel administration, development and conflict resolution initiatives, added around 400 channel partners and service associates during the year under review. The Company has also expanded the retail distribution reach of room air conditioners to about 850 retailers and distributors across the country and strengthened its presence in Tier 2 and 3 markets by 10% 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. Dealer satisfaction surveys are conducted periodically, and their issues are addressed across various platforms.

To further enable the ease of channel appointments, the onboarding processes have gone digital and paperless. Aspiring and established dealers who intend to do business with different divisions in Blue Star can apply online through the 'Dealer

Currently, Blue Star has 2900 channel partners with around 5000 stores for room air conditioners, packaged air conditioning, chillers, cold rooms and refrigeration products and systems as well as 765 service associates reaching out to customers in over 800 towns.

Registration' page on Blue Star's website. The dealer not only signs up, but also uploads the necessary documentation (after a filtering process) to be eventually appointed (or rejected based on whether the dealer fulfils the selection criteria). Since its launch, over 1800 dealers have evinced interest by applying online. Internationally, too, prospective channel partners from the Middle East, SAARC region, Africa, ASEAN and Europe have applied via the online route.

Another much-awaited and long-conceived channel management platform called 'Star Connect' was launched for the dealers to facilitate the ease of doing business. The portal is integrated with SAP ERP and acts as a single interface through which the Company can communicate vital information in real-time with its channel partners and vice versa. All activities from placing sales orders, tracking deliveries, monitoring their outstanding statements and invoices can be done over a few clicks. More crucially, the entire sales lifecycle including payments is captured on a single platform. The objective, among other things, is to eliminate time-consuming activities by doing away with redundant processes, thereby enhancing efficiency.

Numerous programmes for enhancing dealer engagement, development and motivation, including foreign incentive trips and felicitation of star performers at annual awards, were undertaken during the year. An attractive Performance linked Rewards and Incentives scheme called PRIDE was introduced for incentivising the channel partners for their efforts in excelling in sales and service performances. The Star League comprises a premium club of Blue Star's top performing, dedicated sales and service dealers who are honoured with gold and silver memberships with the Company, based on their business performance. Grand annual award events are organised at striking, getaway destinations for star league dealers to recognise their achievements and valuable contributions to the Company.

SHAREHOLDER ENGAGEMENT

Blue Star actively engages with its shareholders, both individual and institutional, through investor relations programme and updates them on its performance on an ongoing basis. Blue Star continues to enhance value for its shareholders through improved return on equity and dividend payouts.

BANKERS

Over the years, Blue Star has built relationships with a group of banks, who have supported its growth. Blue Star regularly engages with its bankers to update them about its financial performance and support required for growth. Blue Star has been prompt in servicing all its obligations and its covenants around lines of credit and borrowings. Blue Star's Commercial Paper has been rated 'A1+' by CARE and CRISIL.

SOCIAL CAPITAL

Blue Star established a department for Corporate Social Responsibility (CSR) over a decade ago consisting of professionals 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 ₹2.11 crores by March 31, 2018 towards its CSR activities, as stipulated under Schedule VII of the Companies Act, 2013. The Company has spent a total of ₹2.20 crores during the year on CSR.

The major CSR initiatives are vocational training in the area of Air Conditioning & Refrigeration 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; along with support for other health and education causes.

As an important stakeholder for holistic vocational training initiatives in the AC&R and MEP fields for school drop-outs, Blue Star has undertaken numerous initiatives through meaningful partnerships in industry-specific programmes with NGOs, industry bodies and other like-minded corporate bodies across the country. Total Health, a CSR initiative of Apollo Hospitals Enterprise Limited (AHEL), 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 amongst 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 towards building a fresh young talent pool for the building engineering industry. During the review period, over 550 students were trained at these facilities.

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.

Blue Star continued its efforts to improve the availability of safe drinking water, especially for children. School children are a vulnerable population for whom provision of safe drinking water can be provided in liaison with school authorities. The Company embarked on a holistic intervention in over 40 schools across Wada, Jawahar and Vikramgarh block of Palghar district of Maharashtra to improve the access of sanitation and drinking water facilities in Government schools through the retrofitting and maintenance of the existing toilets, construction of hand wash stations, and provision of drinking water facilities. This project was executed in partnership with reputed grassroot NGOs, namely Society for Action in Creative Education and Development (SACRED), AROEHAN and Impact

AC&R Training session at Gyan Prakash Foundation, Pune

Drinking water station installed at a school in Wada

Storytelling sessions held in schools for the Let's Read project

India Foundation (IIF). Similarly, Blue Star also undertook setting up of clean drinking water stations across 6 Government schools in Jodhpur district of Rajasthan. The need for drinking water is vital in these schools, which often face severe water shortage. During FY18, over 6000 children benefitted from this initiative. The implementation of the NETAP apprentice programme for women in Water Purifiers business has aided in their exposure to the sales and product promotions at retail showrooms. Accordingly, around 20 women apprentices were hired across the country to front-end displays for water purifiers across showrooms/sales outlets. The on-the-job training module gives them exposure to the modern format trade and retail landscape, and inculcates in them related skill sets.

Blue Star partnered with CII and Aid India to support 20 villages in Cuddalore district of Tamil Nadu for the Eureka Walk 'n' Talk English Programme, which is an after-school programme implemented in the villages to improve verbal communication skills and writing capabilities in English language for children and helps enhance their confidence. The project has benefitted over 1500 children in the age group of 6 to 14 years. Kalinga Institute of Social Sciences, Bhubaneswar, amongst India's largest institutes for underprivileged tribal students, was supported towards quality education for needy students.

The 'Let's READ' programme of United Way of Mumbai, embarked on in FY17 to encourage the reading habit in children at three schools around Blue Star's Wada factory was completed in this year. The initiative augmented the love for books and reading among children through mini libraries with culturally relevant, illustrated books in English and local languages. During the year, the Company enhanced the project through regular, focused learning and storytelling sessions by professional story tellers for the children. These sessions helped the children experience the joy of reading, and through various group learning activities helped them to learn new words, thereby honing their public speaking capabilities. The objective of this programme is to gradually encourage children to cultivate a reading habit, which will help build on their imagination, language and confidence levels.

Similar to last year, Blue Star also sponsored the distribution of around 35,000 copies of 'In School' issues of The Hindu across 40 Government aided schools in Mumbai to encourage reading and comprehension of news.

Apart from the CSR initiatives driven centrally, the Company's manufacturing facilities also engage in community development around the plant, as well as encourage employees to volunteer their time for the same. Some major events held across the year under review by the manufacturing facilities comprised blood donation camps, industrial training and factory visits for students, donation camps and drives for schools, orphanages and old age homes, amongst others.

In addition, Blue Star also made donations 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. Under the 'Stand Up India' initiative, Blue Star is exploring to partner with Dalit Indian Chamber of Commerce & Industry (DICCI) to identify women from disadvantaged SC/ST communities, who will be trained by the Company to become dealers for its unitary products. This offers them a viable opportunity of entrepreneurship. DICCI will guide them to avail of the benefits of the national scheme.

The Company actively participates in the CII's Affirmative Action Programme and contributes towards the development of Dalit Entrepreneurs by promoting supplier diversity through Buyer-Seller Meets, imparting management techniques and mentoring.

Blue Star Foundation (BSF), a public charitable trust established by Blue Star Limited, has been actively supporting philanthropic causes for over three decades now. BSF's charter covers education of less privileged children, health/medical support to marginalised communities and poverty alleviation. 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 children, among others. The Mohan T Advani Centennial Scholarships by Blue Star Foundation rendered financial assistance to around 40 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 by Blue Star personnel to prepare them for future work life.

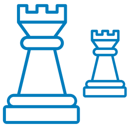
NATURAL CAPITAL

Blue Star proactively works towards protecting the environment by consciously embarking on various initiatives such as usage of eco-friendly refrigerants, planting trees at its premises and reduction of consumption of water. Some actions taken include:

- Blue Star's Wada manufacturing facility refurbished its powder coating facility and installed a new conveyor, which has started reaping in benefits through energy savings.
- The Himachal Pradesh plants have begun to use R134 refrigerant in fast-moving models of storage water coolers.
- The Ahmedabad facility has started using the environment-friendly R290 refrigerant, and equipment with this refrigerant has been sent for field trials. Going forward, the factory intends to shift entirely to R290 refrigerant for its deep freezers.
- For improving Power Factor to unity, Power lux panels are being used to conserve lighting power and Variable Frequency Drive (VFD) panels are also being used.
- Solar power is being used for some activities.
- In regards to water consumption, efficient effluent treatment plants and sewage treatment plants are being used to ensure zero discharge. The treated water is then used for reflushing and gardening.

(Refer Annexure 1 to Board's Reports on page no.66)

STRATEGY PLANNING AND DEVELOPMENT



Blue Star has a well-defined strategic framework in place that formulates the Company's strategy which is very well aligned to its Vision, Credo, and Values and Beliefs.

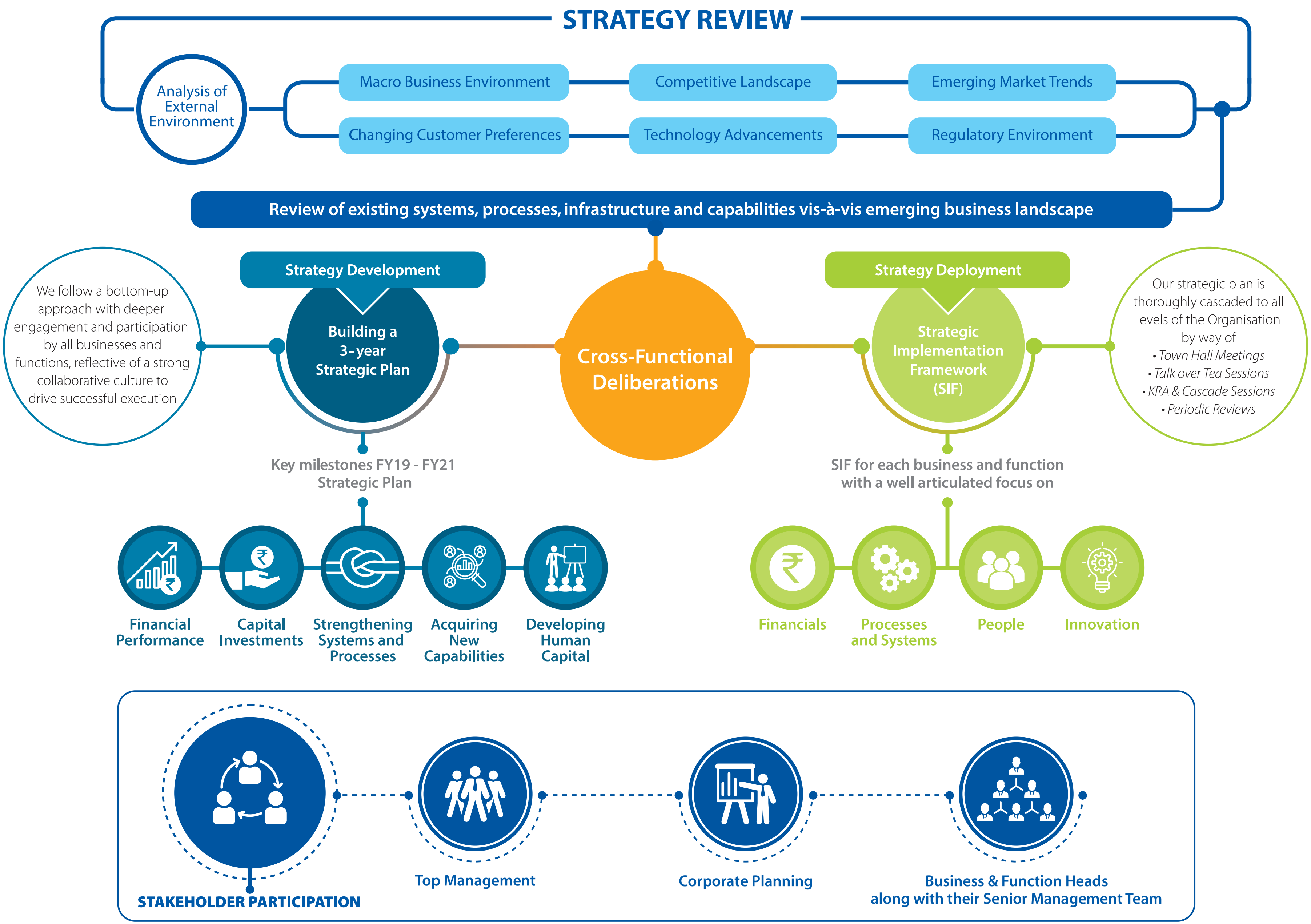
In FY17, the Company had rolled out its strategic plan, Blue Star@75 which defined the roadmap for Blue Star for three years up till FY19. As the Company enters its 75^{th} year, the next rolling 3-year strategic plan has been created, which starts from this year and ends in FY21. This plan lays down the key milestones to be achieved each year at the Company level as well as at individual businesses and functional levels. It also has a clear focus on strengthening the Company's core capabilities, acquiring new capabilities, building new processes, acquiring new technologies as well as enumerates details on intended investments to support the growth plans.

A good planning can result in desired results only if it is executed well. In order to take the plan from the drawing board into execution mode, a detailed Strategic Implementation Framework (SIF) is drawn up for each business and function. The SIF essentially draws upon Balanced Score Card concepts of strategy execution and it maintains well-articulated focus on financials, processes and systems, people and innovation. It is important to cascade strategic plan to all levels in the organisation. The Company's strategic plan is thoroughly cascaded to all levels of the organisation by way of town hall meetings, KRA cascade sessions,talk over tea sessions and various appropriate internal forums as they help build a growth mind set.

The macro-economic scenario, at national and global level, impacts organisations regardless of their size and scale, necessitating Companies to periodically take stock of their strategies for growth and draw up short-term and long-term plans. Also, India is an economy which is predominantly domestic consumption led. The customer profiles and expectations are fast changing, adding a complex dimension to decision making. Hence, it becomes imperative to constantly review one's strategies and underlying assumptions.

The strategic framework provides for periodic reviews in a structured way to take stock of progress of key milestones. This internal process helps in periodically discussing and reviewing the underlying assumptions related to business landscape as well as understand the Company's competitive positioning and make due corrections as needed.

Blue Star has a robust Strategic Planning process in place to formulate a 3-year roadmap for the company and its businesses.



RISKS AND MITIGATION STRATEGIES

Dynamic Macro-economic Environment:

The Company's core businesses are cyclical and seasonal in nature and are exposed to the macro-economic environment and weather patterns. Besides, the international operations are also exposed to geo-political risks associated with these regions such as change in tax regime, political unrest, amongst others.

Mitigation:

The Company continues to closely monitor the macroeconomic environment on a regular basis. It undertakes efforts to tap the untapped segments in case of projects business and engages in development of new products with focus on profitability and scalability, all of which assist in de-risking its business operations. Enhanced thrust is placed on expanding Blue Star's global footprint as well as diversifying into related product segments. Besides, the Company invests in continuous in-house capability building and awareness creation with regards to new tax laws and related compliances.

Financial:

Financial risks comprise volatility in global financial markets as well as fluctuations in the exchange rates. Credit default by customers is also a concern for the Company.

Mitigation:

The Company has a robust policy in place for managing currency exposures. The Company has a due diligence mechanism to reduce the risk associated with credit default.

Compliance:

Regulatory compliance often impacts the business operations if the Company is not proactive enough to diligently identify and adhere to such compliances. Some of the regulatory compliances comprise compliance with Competition Commission of India for norms pertaining to dedicated dealership; compliance with BEE rating norms; compliance with statutory requirements pertaining to Labour Laws, Environmental Laws, Factory Laws, Competition Laws, PF Laws, insider trading and listing requirement; amongst others.

Mitigation:

The Company is very agile and ensures complete adherence with the regulatory compliances. It has built a strong compliance management system and has automated the compliance management process. It has adopted the automated legal metrology label printing, in order to prevent non-compliance and prosecution. Besides, the Company has entered into a comprehensive agreement with its dealers. The Company follows a structured approach towards any changes in the BEE ratings and ECBC 2017 norms by conducting meetings on a regular basis to identify and implement these changes across its product range. It also ensures compliance confirmation by its JVs and foreign subsidiaries.

Operational:

The Company in the normal course of its business is exposed to operational risks such as volatility in commodity prices; over dependency on suppliers and vendors; health and safety related concerns; higher input cost in case of fixed price contracts for Projects business; failure of Information Technology systems; and risk of epidemic technical failure.

Mitigation:

The Company hedges a majority of the commodities that it uses in manufacturing. Alternate vendors are developed with similar facility on product category basis. Regular safety audits are conducted across sites. There is a robust delegation of authority matrix in place. Order booking guidelines are strictly implemented to book quality orders. Business Continuity Plan is developed in IT systems by setting up the ERP DR and the same is periodically monitored. Quality check teams are present to test all pre-launched products as well as for field tests in the market.

Competitive Risks:

The Company faces competition from local and overseas players. There are chances of experiencing a shift in the buying behavior of the consumers due to the growth of e-commerce platforms. The Company could encounter low demand for some of its products in certain regions.

Mitigation:

The Company is well diversified across related and new product categories. It has tie-ups with key e-commerce companies and has rolled out dedicated models meant to be sold only through online platforms. There is enhanced thrust on increasing penetration in Tier 3/ 4/ 5 cities. The Company focuses on developing more number of exclusive dealers. Periodic performance reviews are undertaken for the dealers.

Technology:

The Company faces the risk of losing business to competitors if it is unable to create new products or upgrade its existing products within the evolving technology landscape.

Mitigation:

The Company has partnered with consultants to evolve on the technology front for select product categories. It also has tie-ups with institutions for initiating technology development projects. It regularly reviews its product portfolio and has a structured medium term new product development plan.

People:

Risk of inadequate success planning at the top and middle management positions may impact business continuity and business performance in the short term.

Mitigation:

The Company has in place a systematic framework for management and development of its talent through structured leadership development programs. Talent councils are formed to review the succession plan on a periodic basis.

OPPORTUNITIES

- Enormous opportunities continue to unfold on the domestic as well as international arena backed by growth in the Indian and global economies combined with increasing trend of urbanisation, industrialisation and rise in disposable incomes.
- Blue Star's capability to cater to a wide range of market segments such as infrastructure, industrial, large commercial buildings, light commercial and residential gives it opportunities to grow even when growth in a specific segment may remain muted.
- In the projects business, development of social infrastructure such as airports, metro rail projects, hospitals and educational institutions undertaken by the Government are opening up opportunities.
- Low penetration of air conditioners as compared to developed countries and faster pace of development of Tier 3,4 and 5 cities are expected to offer tremendous opportunities for growth.
- Blue Star is also pursuing opportunities for backward integration in its manufacturing processes which would lead to increased indigenisation of its products.
- Opportunities in new categories that are adjacencies to the existing product lines also offer potential for growth.

INFORMATION TECHNOLOGY

Keeping pace with the changing trends in the digital arena, Blue Star steadily advanced on its digital transformation agenda, by continuously investing in numerous initiatives, redefining many of its operations and processes as well as rolling out numerous digital solutions across its lines of business.

During the review period, the Company seamlessly transitioned its systems and processes to become GST compliant. It conducted an extensive business process re-engineering and digitalisation exercise with an aim to improve the ease of doing business. To enhance its interface with dealers, the Company deployed an online dealer management system that enables its dealers to transact with Blue Star electronically. On the procurement front, the Company optimised its vendor related processes, and is implementing a portal to digitally enable vendor collaboration. The Company has also implemented a cutting-edge HRMIS solution that is expected to harness employee engagement to maximise performance.

With the intent of smartening up its manufacturing operations, the Company has invested in the ThingWorxIoT platform that will enable real-time monitoring of its production performance parameters within and across factories. This will assist Blue Star to leverage the latest Industry 4.0 technologies and significantly improve its productivity and operational efficiencies across its manufacturing footprint. During the review period, this platform was implemented at the Company's Wada facility, with plans to bring the other plants under its ambit in FY19. The Company has also put in place an advanced planning and scheduling solution to enable its factories to efficiently manage production schedules and overcome constraints.

The Company has rolled out numerous pilot projects in the arena of predictive analytics to explore the viability of new technologies including Bots, Augmented Reality, Machine Learning and Artificial Intelligence. The first Bot, called StarBot, was rolled out for its sales people, enabling them to determine the SKU-levels at warehouses.

BRAND EQUITY

As Blue Star embarked on its Platinum Jubilee celebrations in early 2018, there was a need to reflect the Company's futuristic and contemporary outlook in its visual identity. In line with this thinking, Blue Star unveiled its new logo during the review period. This new brand identity provides Blue Star with a refreshing, modern personality that projects continuity, reliability, and strength, while providing solidity and stability. The arrowhead within the logo stands for the Company's forward, upward thinking, and its desire to dream big. The logo reflects an organisation that is firmly rooted to the ground, while aiming to reach for the stars.

In terms of advertising and brand communication, the Company enhanced its advertising spends, given its continued thrust on the residential segment. The new range of inverter air conditioners launched in FY18 has taken Blue Star's differentiated value proposition of 'Nobody Cools Better' for the residential audience to the next level, by offering a unique and exceptional aspect of '30% more cooling when you need it'. With this, the brand continues to leverage on its deep understanding of the science of cooling due to its pedigree in the business.

A 360-degree mass media campaign was launched for the summer which included television, print, outdoor and digital. Blue Star strategically created two television commercials, conveying the message in two different ways for better understanding, supported by print 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. In this medium, Blue Star has invested in properties spanning text, display and video, along with several innovative formats, with a strong focus on brand awareness and recall.

For the water purifiers business, the Company continued with television commercials 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. The value proposition for this category has been identified as 'Choose Purity'. Its ads in the Champions Trophy garnered excellent visibility for this newly-launched business. The television campaign was supported by ads in mainline dailies well as digital, especially in e-commerce platforms.

PRINT AND OUTDOOR ADVERTISEMENT CREATIVE

AWARDS AND RECOGNITION

Blue Star won the 'Water Digest Award 2018' for 'Best Domestic RO+UV Purifier' for the second time in a row at the 12th Edition of Water Digest Awards

Blue Star E&E won the 'Security Project Design of the year' Award at the SECONA Shield Awards 2017 for its CCTV-based Perimeter Intrusion Detection System implemented in a defence base

Blue Star's Inverter Ducted System won 'Best Air Conditioning Innovation/Product of the Year' at the Cold Chain Industry Awards

Blue Star won the 'MEP Contractor of the Year' at the 7th Edition of the annual Construction WeeK India awards

Blue Star won the 'Copper Excellence Award for Technology Adoption' from the International Copper Association

Blue Star lauded with a commendation certificate for 'Strong Commitment to Excel' at the CII - EXIM Bank Awards for Business Excellence 2017

Blue Star's VRF V Plus adjudged as the 'Product of the year' 2017 at the Indywood 'Built in India Excellence Awards 2017'

The HP Plants won the Silver Award for outstanding performance in CSR for skill development initiatives for the under privileged students, at the 'INNOV & EMIMENT Awards 2017'

Blue Star received the 'CII Design Excellence Award 2017' for 'Wireless Centralised AC Control System for VRF' at the India Design Summit

Blue Star acknowledged for continued contribution towards the development of the HVAC&R fraternity at 'RACON 2017', one of the biggest HVAC&R events in Eastern India

“We grew because we didn’t sit back and wait for plums to fall into our laps, when we saw our opportunities; we reached out boldly and seized them.”

Mohan T Advani

"In the pursuit of an absorbing endeavour the years tend to pass with disconcerting speed. All of us at Blue Star have participated, with a great deal of feeling and not a little wonder, in the creation of something far larger than ourselves. The sense of comradeship, taken spark in a bamboo shed, has grown and strengthened with time. Our people tend to remain with us. In a meritocracy of equals, each man is given the responsibility and authority he deserves - no less."

Mohan T Advani, on the occasion of Blue Star's 30th anniversary

Board's Report

To The Members

The Directors are pleased to present the 70th Annual Report, together with the audited financial statements for the financial year ended March 31, 2018.

COMPANY OVERVIEW

Your Company offers one of India's widest range of air conditioning and commercial refrigeration products, as well as a comprehensive range of air purifiers, water purifiers, air coolers and other specialty products. It fulfills cooling and refrigeration requirements of a large number of corporate, commercial as well as residential customers.

Leveraging on its project execution capabilities, the Company offers turnkey solutions in MEP (Mechanical, Electrical, Plumbing and Fire-fighting) contracting for buildings, factories, infrastructure and heavy industry 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.

FINANCIAL RESULTS

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014. The standalone and consolidated financial highlights of the Company for the financial year ended March 31, 2018 are summarized as follows:

(₹ in crores)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	4425.15	4146.60	4749.99	4422.23
Total Revenue	4441.29	4180.98	4766.94	4456.81
Total Expenses	4263.39	4032.70	4566.21	4298.18
Profit before exceptional items and tax	177.90	148.28	200.73	158.63
Profit after exceptional items and before tax	195.75	148.28	206.00	158.63
Income tax	53.82	36.31	54.56	36.67
Profit for the Year	**141.93**	**111.97**	**149.25**	**123.05**

Prior to GST becoming effective on July 1, 2017, revenue for previous periods included excise duty. For comparability, revenue from operations for the prior period is also stated net of excise in the subsequent paragraph. There is no impact on Profit before Tax or Profit after Tax.

Comparable revenue from operations is as follows:

(₹ in crores)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	4318.42	3855.14	4643.26	4130.77

COMPARABLE OPERATING RESULTS

On a standalone basis, revenue from operations of the Company was ₹4318.42 crores as compared to ₹3855.14 crores (excluding excise component) in the previous year, registering a growth of over 12.01%. The Company registered Net Profit after Tax of ₹141.93 crores as compared to ₹111.97 crores for the financial year ended March 31, 2017.

On a consolidated basis, the revenue from operations of the Company was ₹4643.26 crores as compared to ₹4130.77 crores (excluding excise component) in the previous year, registering a growth of over 12.41%. The Company registered Net Profit after Tax of ₹149.25 crores as compared to ₹123.05 crores for the financial year ended March 31, 2017.

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. 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

Your Company continued to maintain its leadership position in the electro-mechanical space in India. Market growth continued to remain muted and Corporates continued to stay cautious on fresh investments. Investments in infrastructure project were largely driven by Government in various infrastructure projects like metro and healthcare.

Your Company continues to invest in engineering capabilities, modern construction practices and technology in line with its value proposition of superior project delivery.

On a consolidated basis, comparable revenue of this segment grew by 9.67% to ₹2350.68 crores from ₹2143.35 crores (excluding excise component). Segment results registered an increase of 51.56% from ₹90.67 crores in the previous year on a comparable basis to ₹137.42 crores in the year under review.

(b) Unitary Products

The performance of the room air conditioning segment was driven by improved product penetration among the existing dealers/retailers, a better product range, attractive sales promotions and strengthening distribution. Your Company continued to perform better in the high energy-efficient products such as 5 star and inverter ACs.

On the Commercial Refrigeration business front, growth was seen across categories of deep freezers, storage water coolers, bottled water dispensers and modular cold rooms. Our new lines of business, kitchen refrigeration and medical refrigeration, witnessed reasonable growth in the market with increase in secondary sales.

On a consolidated basis, Unitary Products comparable revenue in the year grew by 17.21% to ₹2105.36 crores as against previous year's revenue of ₹1796.25 crores (excluding excise component). Segment results have risen by 15.04% from ₹167.88 crores in the previous year to ₹193.13 crores in the year under review.

(c) Professional Electronics and Industrial Systems (PE&IS)

The PE&IS segment is operated by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. At a consolidated level, the comparable revenue generated by this business segment during the year under review was ₹187.22 crores as compared to ₹191.48 crores of the previous year (excluding excise component). The results stood at ₹19.58 crores as compared to ₹32.48 crores in the previous year.

Revenue of this segment was impacted due to continued softness in industrial capital expenditure and slow pace of execution across various projects. The sluggish demand for the products under this segment has impacted the profitability of the Company.

DIVIDEND

The Board, at its meeting held on May 14, 2018, recommended a dividend of ₹8.50 per equity share of ₹2 each for the financial year ended March 31, 2018. In addition, to commemorate the Company's Platinum Jubilee in 2018, the Board recommended a special dividend of ₹1.50 per equity share of ₹2 each. Accordingly, an aggregate dividend of ₹10 per equity share of ₹2 each has been proposed. This dividend is payable to those shareholders whose names appear in the Register of Members as on the Book Closure Date. This proposal is subject to the approval of members at the ensuing Annual General Meeting. The Board has adopted the Dividend Distribution Policy for the Company which can be viewed on the website of the Company under the link: https://www.bluestarindia.com/media/104569/dividend-distribution-policy.pdf.

FINANCING

On a consolidated basis, borrowing cost for the year was ₹28.74 crores which was lower as compared to ₹37.78 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 ₹0.73 crores, as compared to a net gain of ₹1.50 crores in the previous year.

The Company secured short term rating of A1+ (highest safety) from CRISIL, top credit rating agency, for its commercial papers. The Company already enjoys A1+ rating from CARE.

DEPOSITS

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

CHANGES IN SHARE CAPITAL

During the year under review, the Company allotted 4,29,400 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, 2013.

Consequent to the above, the issued, subscribed and paid up share capital of your Company as on March 31, 2018 stood at ₹19,19,99,576 comprising 9,59,99,788 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 comparable revenue of Blue Star Engineering & Electronics Limited for the year ended March 31, 2018 was ₹191.90 crores, as against its previous year's revenue of ₹181.49 crores. The subsidiary achieved a net profit of ₹19.66 crores for the year under review, as against last year's net profit of ₹4.92 crores.

b) Blue Star Qatar WLL

Blue Star Qatar WLL is a joint venture between Blue Star Limited and Al Malki Trading and Contracting Company 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 Company WLL. The company is principally engaged in the business of MEP contracting and maintenance in Qatar.

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.

Total income of this company for the year ended March 31, 2018 was ₹111.64 crores as compared to ₹110.77 crores in the previous financial year. Net profit after tax for the year ended March 31, 2018 was ₹5.43 crores as compared to ₹3.63 crores in the previous year.

c) **Blue Star International FZCO**

Blue Star International FZCO, incorporated on April 18, 2017, is a wholly owned subsidiary of Blue Star Limited, operating in the Dubai Airport Freezone, a free trade zone in the UAE.

Being the maiden year, the company clocked a total income of ₹53.45 crores and reported a net loss of ₹6.28 crores for the period ended March 31, 2018.

Joint Venture/Associate Companies:

a) **Blue Star M & E Engineering Sdn Bhd**

Blue Star M & E Engineering Sdn Bhd, a joint venture with Amcorp Properties Bhd, Malaysia, is principally engaged in the business of HVAC & MEP contracting and maintenance in Malaysia.

During the year, as a part of the restructuring of the international business, entire shares held by the Company in Blue Star M & E Engineering Sdn Bhd were transferred to Blue Star International FZCO on December 22, 2017. This company continues to be associate of your Company. In order to develop further business opportunities in the region strategically, Blue Star International FZCO subscribed to 49 redeemable convertible preference shares of RM 40,000 each in Blue Star M & E Engineering Sdn Bhd on March 29, 2018, amounting to ₹3.48 crores.

This company's total income for the year ended March 31, 2018 was ₹94.56 crores as compared to ₹108.44 crores in the previous financial year. Net profit after tax for the year ended March 31, 2018 was ₹7.17 crores as compared to ₹5.14 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 principally engaged in the business of MEP contracting and maintenance in Oman. Its income for the year ended March 31, 2018 was ₹97.46 crores as compared to ₹112.28 crores in the previous year. For the year ended March 31, 2018, the venture had a net loss of ₹10.86 crores as compared to a profit of ₹0.70 crores in the previous year.

In accordance with Section 136 of the Act, the audited financial statement of the Company, including the consolidated financial statement, and audited financial statements of the subsidiary companies, are available on the corporate website: www.bluestarindia.com.

A copy of these documents will be available to the members, on their request in writing. It 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, associates 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) In 2016, your Company had acquired land from J&K State Industrial Development Corporation, for setting up a manufacturing facility at Samba in Jammu. Due to non-availability of certain fiscal incentives envisaged earlier as a consequence of the introduction of GST, this proposed manufacturing facility project in Jammu became economically non-viable and therefore, the Company decided not to go ahead with this project.

b) The Board approved the proposal to incorporate a step down subsidiary in mainland UAE, under Blue Star International FZCO, with an initial investment of AED 300,000. This will enable our UAE operations to improve their competitive position in the central air conditioning, mid-sized HVAC projects and service business, through a direct presence in mainland UAE.

c) In January 2018, BSE shifted Blue Star shares to Group A from Group B comprising top 200 companies based on several factors like market capitalization, trading volumes and numbers, track records, profits, dividends, shareholding patterns, and qualitative aspects including governance.

NEW INITIATIVES

The Company successfully completed seamless transition to GST during the year. The Company has embarked upon several initiatives in the areas of technology led digitalisation of some key business processes, employee engagement and internet enabled automation across its products and services.

AWARDS AND RECOGNITIONS

During the year under review, the Company was felicitated with many prestigious awards for excellence in its areas of business, and an illustrative list is given below:

- Blue Star was recognised as the MEP Contractor of the Year at the 'Construction Week India Awards 2017'.
- Blue Star received a commendation, 'Strong Commitment to Excel' at 'CII-EXIM Bank Awards for Business Excellence, 2017'.
- Blue Star won the IDC Insight Awards for Operational Excellence 2017 for its mobile-based Preventive Maintenance Service app.
- Blue Star won an award for its mobile field service app at the '12th Annual CIO 100 Symposium and Awards ceremony 2017' and at the 'Manufacturing IT Summit 2017'.

DIRECTORS

In accordance with provisions of the Companies Act, 2013, Suneel M Advani retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment. Pradeep Mallick retired as an Independent Director of the Company on attaining the age of 75 years as per the Company's retirement policy, with effect from November 30, 2017. Board placed on record its sincere appreciation for the valuable contribution made by Pradeep Mallick during his tenure as a Director.

Further, based on the recommendation of the Nomination and Remuneration Committee, the Board had appointed Anil Harish (DIN: 00001685) as the additional Independent Director of the Company, with effect from November 22, 2017 for a period of 5 years.

As per the provisions of the Act, Anil Harish holds office up to the date of the ensuing Annual General Meeting of the Company.

Your Company has received notice under Section 160 of the Act, from a member proposing appointment of Anil Harish as an Independent Director on the Board of your Company. Accordingly, the necessary resolution seeking approval of the members for appointment of Anil Harish has been incorporated in the Notice of the ensuing Annual General Meeting.

Brief profiles of the Directors proposed to be appointed/re-appointed at the ensuing Annual General Meeting 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 of the Independent Directors 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, 2018, 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, 2018, 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, 2018, 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 9, 2017; August 11, 2017; October 31, 2017; February 6, 2018; and March 7, 2018. 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 cum 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, Gurdeep Singh, Anil Harish and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Committee. Gurdeep Singh and Anil Harish were appointed as the members of the Audit Committee with effect from August 11, 2017 and November 22, 2017, respectively.

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.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Gurdeep Singh, Suneel M Advani, Sam Balsara and Dinesh N Vaswani. Gurdeep Singh is the Chairman of this Committee. Sam Balsara was inducted as a member of this Committee, with effect from August 11, 2017. Pradeep Mallick ceased to be the member of the Committee with effect from November 30, 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.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee has been formed to assist the Board in fulfilling its responsibilities relating to evaluation and mitigation of various risks exposures that potentially impact the Company. An Enterprise Risk Management (ERM) framework prescribed under the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework 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.

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.

During the year, the Committee reviewed the Company's risk management processes on a quarterly basis to oversee mitigation effectiveness of various risk categories across all Risk Management Units.

The Company maintains risk registers to ensure that the effectiveness of the mitigation action plan gets assessed independently. These registers were presented to and reviewed by the Risk Management Committee and Audit Committee.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

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 ₹211 lakhs towards activities as stipulated under Schedule VII of the Act. The Company has spent an amount of ₹220 lakhs towards various CSR initiatives.

A 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 as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy is also available on the website of the Company.

Details of the other committees of the Board are provided in the Corporate Governance Report.

EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND OF DIRECTORS

The Nomination and Remuneration Committee at its meeting held on February 5, 2018 approved the process in which the evaluation of Chairman, Directors, Board and its committees were to be conducted. Accordingly, the questionnaires were circulated seeking inputs of the Directors to evaluate governance standards based on various parameters including structure and composition of Board and committees, quality of Board processes, Board culture and dynamics, effectiveness vis-à-vis stakeholders' expectations in terms of strategic direction and guidance to leadership team.

The inputs received from the Directors were deliberated and reviewed by the Independent Directors at a separate meeting held on March 14, 2018. At this meeting, they evaluated the performance of the Non-Independent Directors, the Board as well as that of the Chairman, taking into account the views of the Executive and Non-Executive Directors. The Board of Directors carried out an annual evaluation of the performance of the Board as a whole, the Directors individually, and the working of the committees of the Board. The outcome of the evaluation was noted by the Nomination and Remuneration Committee at its meeting held on April 26, 2018, and by the Board of Directors at its meeting held on May 14, 2018. While the Directors have expressed their satisfaction with the evaluation process and the outcome, the Board also noted the key action points emerged from the process for implementation.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy of the Company was adopted by the Board based on the recommendation of the Nomination and Remuneration Committee. The Policy provides broad guidelines on appointment, removal, retirement, qualifications, attributes, structure of remuneration and independence of the Directors, KMPs and Senior Management. It is designed to foster a high-performance culture enabling the Company to attract, retain and motivate employees to achieve results. The performance of the Managing Director and Joint Managing Director were evaluated and reviewed by the Nomination and Remuneration Committee at its meeting held on April 26, 2018. The Nomination and Remuneration Policy is uploaded on the Company's website under the weblink: https://www.bluestarindia.com/media/137066/blue-star-nomination-and-remuneration-policy.pdf

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.

i.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Vir S Advani	103x
		B Thiagarajan	66x
ii.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Vir S Advani	45.15%
		B Thiagarajan	22.63%
		Neeraj Basur	11.31%
		Vijay Devadiga	12.42%
iii.	The percentage increase in the median remuneration of employees in the financial year	10.58%	
iv.	The number of permanent employees on the rolls of Company	2602	

v.	Average percentile increase already made in the salaries of employees, other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof, and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase to employees other than Managerial Personnel and justification thereof	13.91% To remain competitive in the market, to attract and retain talent.
		Average increase to Managerial Personnel	Please refer to (ii) of this table.
		Exceptional circumstances for increase to managerial remuneration	The average increase given in FY 2017-18 was based on the outcome of compensation and benefits benchmarking to align remuneration of Whole-time Directors to market median.
vi.	Affirmation that the remuneration is as per the remuneration policy of the Company	It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy of the Company.	

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 in Non-Executive Directors' remuneration are therefore not considered for the purposes above. The details of remuneration of Non-Executive Directors are provided in the Corporate Governance Report.

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

Your Company is committed to conduct its business with highest standards of ethical standards, integrity and transparency across its operations, in compliance with the applicable laws and regulations. In line with a strong commitment to governance and compliance, the Company has instituted a robust vigil mechanism framework encompassing various elements and components in an integrated manner.

Vigil Mechanism structure at Blue Star is based on Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework governing risk, compliance and controls. Embedded in the Vigil Mechanism structure are three lines of defence principles. The first line of defence comprises of key management controls, financial controls, governance policies and internal control measures. The second line of defence is addressed by assurance from risk management and compliance procedures. The third line of defence is provided through the work done by internal and external auditors.

Governance policies, internal controls, stakeholders' engagement, enterprise risk management, compliance, internal and statutory audit are key components of Blue Star's Vigil Mechanism. They are interwoven in the vigil mechanism system to enable constant interplays to drive home the assurance of best practices and creation of value for all the stakeholders of the Company.

As a part of its governance policies, the Company has laid down a whistle blower policy to enable the Directors and employees of the Company to report concerns of any unethical behaviour, unacceptable and improper practices or suspected fraud. The policy 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:
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: 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, 2018.

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 36.

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

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 the Companies (Share Capital and Debentures) Rules, 2014, and the SEBI (Share Based Employee Benefits) Regulations, 2014 is available on our website: 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.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND 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 said Act. During the year under review, one complaint with allegations of sexual harassment was filed with the Company, and the same was investigated and resolved as per the provisions of the aforesaid Act.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company incurred a total expenditure of ₹55.36 crores on research and development for the year as against ₹53.67 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 ₹263.68 crores as against ₹256.63 crores in the previous year.

There was a corresponding increase in foreign exchange outflow, which stood at ₹1252.13 crores as compared to ₹1037.85 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 Regulation 34 of the 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.

INTEGRATED REPORTING

In line with SEBI circular dated February 6, 2017, your Company has adopted Integrated Reporting describing initiatives undertaken by the Company for enhancing stakeholders value in the long term. The Integrated Report is provided in a separate section forming part of this Annual Report.

STATUTORY AUDITORS

The Company's existing Statutory Auditors, M/s S R B C & Co LLP, Chartered Accountants, were appointed at the 66th Annual General Meeting of the Company, for a period of 5 years, to hold office until the conclusion of the 71st Annual General Meeting to be held for FY 2018-19, subject to ratification of their appointment at every Annual General Meeting.

Your Company and M/s S R B C & Co LLP, mutually agreed to advance their rotation as the Statutory Auditors at the ensuing Annual General Meeting to enable smooth transition for the incoming statutory auditors. Accordingly, M/s S R B C & Co LLP, Chartered Accountants, the existing statutory auditors have resigned effective from the conclusion of the ensuing Annual General Meeting on August 8, 2018. It is proposed to appoint M/s Deloitte Haskins & Sells LLP, Chartered Accountants as the new Statutory Auditors in their place. As per the recommendation of the Board, M/s Deloitte Haskins & Sells LLP would be appointed for a term of 5 consecutive years, to hold office from conclusion of the ensuing Annual General Meeting upto the conclusion of 75th Annual General Meeting to be held for FY 2022-23, subject to approval by the shareholders at the ensuing Annual General Meeting. Necessary resolution seeking approval of members of the Company for appointment of M/s Deloitte Haskins & Sells LLP, Chartered Accountants, as the Statutory Auditors in place of M/s S R B C & Co LLP, existing Statutory Auditors has been incorporated in the Notice of Annual General Meeting.

The Company has received a letter from M/s Deloitte Haskins & Sells LLP, Chartered Accountants to the effect that their appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

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, 2018.

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, 2018.

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.

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.
- No fraud has been reported by the Auditors to the Audit Committee or the Board.

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 the Company play a pivotal role in enabling the Company to scale 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

Date : May 14, 2018
Place : Mumbai

Suneel M Advani
Chairman

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

(A) CONSERVATION OF ENERGY

I. Steps taken or impact on conservation of energy

Himachal Plants (HP1 and HP2)

- Maintained unity power factor by installing additional capacitor in LT substation helping save energy cost by ₹0.04 crore per annum in both HP plants.
- The speed of ISO, POLY & hydraulic pumps of the foaming machine was reduced by 80% by installing distance sensor to judge idle running of induction motors after pouring process. This resulted in saving of ₹0.01 crore per annum.
- In the HP2 plant, conventional lighting was replaced with LEDs at engineers' cabin, store, dispatch loading/unloading stations and street lights.
- Automation initiatives were undertaken in HP2 plant to switch off the equipment i.e. vacuum lifters, vacuum pumps of HLD machine during lunch and tea time.
- Modification was done for the design of performance cabin of water cooler and split air conditioner assembly lines in HP2 plant by decreasing the size of the cabin and providing puff panel to reduce energy loss.
- Balance of electrical load was maintained on the transformers, avoiding running of DG sets during additional load in both HP Plants. This enabled saving in the diesel consumption of 47 kl in HP1 and 24 kl in HP2 plant. This resulted in approximate saving of ₹0.4 crore per annum.

Dadra Plant

- Installed high bay LED lights in the shop floor in place of traditional metal halide lamps.
- Power factor was maintained nearer to unity, helping achieve saving of ₹0.04 crore in FY18.
- Installed energy-efficient ACs in newly renovated offices with eco-friendly refrigerant to achieve 25% energy saving of ₹0.01 crore per annum.
- Installed LED lights instead of traditional tube lights in newly renovated offices in plant and shop floor area, resulting in saving of ₹0.02 crore per annum.

Wada Plant

- In the powder coating plant, all pre-treatment pumps were earlier operating on conventional star delta method at 50 Hz frequency. These pumps were switched over from star delta to variable frequency drive. In this process, the total pump electrical connected load was reduced from 72 kW to 45 kW, resulting into energy saving of 200 kWh per shift of ₹0.04 crore savings in a year.
- During periods of no load on the transformers, the power factor achieved was very low. In order to overcome this issue, a 25 kvar capacitor bank was connected across transformers and power factor was maintained near unity. Savings in the form of a rebate of ₹0.14 crore per year was achieved henceforth.
- Pneumatic valve interlocking system with conveyor start/stop process has enabled air flow to be cut off once the conveyor is stopped. This has resulted in energy saving of ₹0.02 crore in a year.
- High Pressure air compressor loading/unloading pattern was conventionally used with mechanical un-loader assembly where motor was running continuously even in unloading condition. Electro mechanical pressure switch was installed, which turns off the motor during unloading condition. This has resulted in energy saving of ₹0.01 crore in a year.

Ahmedabad Plant

- Maintaining the power factor near to unity resulted in saving of ₹0.01 crore in the form of rebate from electricity board.
- Upgradation of performance testing conveyor helped to reduce the electrical energy consumption by 25%.
- Integrated timer based panel installed in performance testing line for switching off the machines automatically during the night, which resulted in power saving of 36000 kWh per year with an approximate saving of ₹0.03 crore.

- Installation of 5 star inverter based air conditioners helped to substantially reduce the consumption of electrical energy.
- Insulated the preheating oven of cabinet foaming plant which prevents the heat loss, helped in reduction of electrical consumption of heaters, which resulted in minor savings.

II. Steps taken by the Company for utilising alternate sources of energy

- In the Dadra plant, the Company availed electrical power from DNHPDCL (Dadra & Nagar Haveli Power Distribution Company Limited) for Research & Development (R&D). This has drastically reduced the diesel consumption of R&D unit. The average consumption of diesel per month has been reduced from 22672 litres to 1723 litres. This has generated saving of ₹0.95 crore since August 2017.

III. Capital investment on energy conservation equipment

(₹ in crores)

Particulars	Amount
Himachal Pradesh (HP1 and HP2)	
Investment in automation for foaming machine with distance sensor, schedule timer for switching off idle equipment, puff power installation and pull down testing modification for Assembly lines 2A and 2B respectively, LED lighting, utilisation of HPSEB power by improving uptime, initiatives taken in Six Sigma Green Belt, and timer for blower at sewage treatment plant	0.08
Dadra	
Investment in LED lights in offices and shop floor, energy efficient ACs with eco-friendly refrigerant, installation of online micro-filter system for water leak testing tank at coil shop, filtration of rain water to avoid usage of bore well, and availing electrical power from DNHPDCL	0.88
Wada	
Investment in variable frequency drives panel, real time power factor panel, super-efficient lightherm vaporiser, LED lights in offices, solar panel with inverter for lighting in office, and street lights working on solar energy	0.41
Ahmedabad	
Upgradation of performance testing conveyor, timer based panel installed for auto switching, 5 star inverter based ACs, insulation of preheating oven of cabinet foaming plan	0.04
Total Investment	**1.41**

(B) TECHNOLOGY ABSORPTION

a) Efforts made towards Technology Absorption:

Variable speed inverter technology is becoming prominent due to higher emphasis on energy efficiency in all product categories. Competency development in inverter drive design is the most important strategic initiative in R&D. During the year, a special cell was formed in R&D for in-house design and development of inverter drive for room air conditioners. Experts from a Japanese university conducted theory and practical training on inverter drives. Technical partnership was formed with key component suppliers from Japan.

Development of 1.5 TR wall mounted indoor unit designed by Blue Star was completed with technical assistance from a design house in China. A smart controller for the indoor unit was developed in technology partnership with multiple companies in the field of sensors, microcontrollers and IoT. New test facilities were added to ensure reliability of electronic controllers.

Energy Conservation Building Code (ECBC), launched by Bureau of Energy Efficiency in June 2017, is one of the most stringent standards in the world for energy-efficiency of chillers. A new range of high efficiency screw compressors developed by Hanbell, Taiwan were used in flooded cooler configuration to achieve highest part load efficiency of air cooled chillers.

Competency development in industrial design was initiated in cooperation with IDC, IIT-Mumbai. A design studio was established for rapid prototyping of new design concepts.

b) Outcome and benefits:

During the year, in-house development of inverter drive for room air conditioners was initiated. Complete range of inverter room air conditioners will be introduced with our own design drives by 2019. Share of inverter technology is expected to increase significantly due to higher energy efficiency standards. In-house drive design capability will reduce dependence on completely built imported units.

During FY18, the in-house 1.5 TR wall mount indoor unit was developed with a smart controller. The smart controller comes with a unique design mobile app and integration with Amazon Alexa for voice enabled operation. Similar development for 1 TR and 2 TR indoor units is under progress.

A new series of configured air cooled screw chillers were introduced in the last year. Energy-efficiency of the new series is improved by 10% by incorporating flooded cooler technology in combination with high efficiency screw compressors from Hanbell. The new series offers multiple steps of capacity as well as efficiency.

Development of designer series Water Cooler project was completed. The new design water coolers have hot, cold and normal temperature water outlets, along with UV and RO purification options.

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)

Particulars	2017-18	2016-17
(a) Capital	11.54	12.37
(b) Recurring	43.82	41.30
Total	55.36	53.67
Total R&D expenditure as a percentage of total turnover	1.25%	1.28%

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in crores)

Particulars	2017-18	2016-17
Total foreign exchange outgo	1252.13	1037.85
Total foreign exchange earned	263.68	256.63

REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2017-18

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 long term and sustainable impact in the areas that it works in.

Some points outlined in the Company's CSR policy are as follows:

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 improve sanitation and hygiene facilities for the less privileged communities, especially school children.
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
Shobana Kamineni	-	Member
B Thiagarajan	-	Member

Average net profit of the Company for last three financial years: ₹105.39 crores

Prescribed CSR expenditure (two per cent of the average net profit computed above): ₹2.11 crores

Details of CSR spent during financial year 2017-18:

a) Total amount required to be spent for the financial year: ₹2.11 crores

b) Amount unspent, if any: Not Applicable

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

(₹ in crores)

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	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to to the reporting period	Amount spent: Direct or through implementing agency
1	Vocational Training-AC&R/MEP	Education	Aragonda Chennai Visakhapatnam Mumbai Pune Haryana Himachal Pradesh Dadra Wada	1.10	1.02 Direct	1.02	0.96 - Direct AC&R lab setup at Apollo Total Health Project, Chittoor; and Indo-German Institute of Advanced Technology (IGIAT), Visakhapatnam for equipment upgradation; National Employability Through Apprenticeship Program (NETAP). 0.06 -Bala Mandir Kamaraj Trust, Chennai. IGIAT, Visakhapatnam.
2	School Toilets	Health	Wada	0.05	0.10 Direct	0.10	0.03 - Direct Government aided schools 0.07 - AROEHAN and SACRED
3	Water Purification	Health	Wada Vikramgarh Jawahar Jodhpur	0.30	0.37 Direct	0.37	0.37 - Direct Government aided schools
4	Scholarships	Education	Mumbai New Delhi	0.05	0.04 Direct	0.04	0.04 - Direct Mohan T Advani Centennial Scholarships by Blue Star Foundation.
5	Community Development around factories	Health	Wada	0.20	0.22 Direct	0.22	0.22 - SACRED, Wada.
6	Other Causes	Education Health	Tamil Nadu Mumbai Bhubaneswar Palghar	0.20	0.34 Direct	0.34	0.34 - Hecar Foundation, Mumbai. Aid India, Tamil Nadu. Kalinga Institute of Social Sciences, Bhubaneswar. Impact India Foundation, Palghar. CII-FAEA, Mumbai. United Way of Mumbai.

(₹ in crores)

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	Amount spent on the projects or programmes Subheads: (1) Direct expenditure on projects or programmes (2) Overhead	Cumulative expenditure up to to the reporting period	Amount spent: Direct or through implementing agency
7	CSR Administrative Expenses	Administration	Mumbai	0.10	0.11 Overhead	0.11	0.11 - Direct
8	Additional allocation in order to meet the statutory target			0.11	-	-	-
	Total			**2.11**	**2.20**	**2.20**	

In addition, the Company donated ₹0.01 crores of air conditioners and water coolers 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

Date : May 14, 2018
Place : Mumbai

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 M/s N L Bhatia & Associates
Practicing Company Secretaries
UIN: P1996MH055800

N L Bhatia
Managing Partner
FCS: 1176
CP No. 422

Date : May 4, 2018
Place : Mumbai

SECRETARIAL AUDIT REPORT
FORM NO. MR-3
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 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 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 authorized 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, 2018, 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, 2018 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made thereunder;
2. The Companies (Amendment) Act, 2017 and the Rules made thereunder (to the extent notified);
3. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
4. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent applicable;
5. KYC & PML Policy on securities formulated in terms of the Prevention of Money Laundering Act, 2005, Rules made there under and Guidelines issued by RBI;
6. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
7. 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 (the Listing Regulations);
   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, 2014;
   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;**
8. 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.

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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and the Listing Regulations.

1. The Board, pursuant to the recommendations of the Nomination and Remuneration Committee, approved the following by way of resolution by circulation:
   a. Resignation of M K Sharma as Independent Director of the Board with effect from June 12, 2017.
   b. Appointment of Sam Balsara as Additional Independent Director with effect from June 20, 2017.
   c. Appointment of Anil Harish as Additional Independent Director with effect from November 22, 2017.
2. In its meeting held on October 31, 2017, the Board noted the retirement of Pradeep Mallick, Independent Director with effect from November 30, 2017.
3. In the 69th Annual General Meeting held on August 11, 2017, the members approved the following:
   a. Appointment of Rajiv R Lulla and Dinesh N Vaswani as Non-Executive Directors.
   b. Appointment of Sam Balsara as Independent Director.

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

Sr. No.	Name	Designation
1.	Suneel M Advani	Non-Executive Chairman
2.	Vir S Advani	Managing Director
3.	B Thiagarajan	Joint Managing Director
4.	Rajiv R Lulla	Non-Executive Director
5.	Dinesh N Vaswani	Non-Executive Director
6.	Sam Balsara	Independent Director
7.	Shailesh Haribhakti	Independent Director
8.	Anil Harish	Additional Independent Director
9.	Shobana Kamineni	Independent Director
10.	Gurdeep Singh	Independent Director

Adequate notice is given to all the 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 taken in 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. The Company has spent ₹2.20 crores towards CSR expenditure during the financial year, as against ₹2.11 crores, which was required to be spent as per Section 135 of the Act.
2. No winding up petition has been filed against the Company, impacting the going concern status.
3. One complaint was 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 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 pursuant to the resignation of M K Sharma and retirement of Pradeep Mallick and induction of Gurdeep Singh and Anil Harish as members. The current composition is: Shailesh Haribhakti (Chairman), Gurdeep Singh, Anil Harish and B Thiagarajan, members.

   The Nomination and Remuneration Committee was re-constituted pursuant to the retirement of Pradeep Mallick and induction of Sam Balsara as a member. The current composition is: Gurdeep Singh (Chairman), Suneel M Advani, Sam Balsara and Dinesh N Vaswani, members.

   The Investor Grievance cum Stakeholders' Relationship Committee comprised Gurdeep Singh (Chairman), Suneel M Advani, Rajiv R Lulla and B Thiagarajan, members.
6. During the financial year, the Company has granted financial assistance to its subsidiary companies/joint ventures by way of corporate guarantees.

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

N L Bhatia
Managing Partner
FCS: 1176
CP No. 422

Date : May 4, 2018
Place : Mumbai

ANNEXURE A

LIST OF OTHER APPLICABLE LAWS *(including statutory amendments made thereto or amendments thereof for the time being in force)*:

1. Maharashtra Shops and Establishments (Regulation of employment and conditions of service) Act, 2017, Rules thereunder and other State Acts and Rules thereunder, including statutory amendments made thereto.
2. Contract Labour (Regulation and Abolition) Act, 1970, Contract Labour (Regulation and Abolition) Central Rules, 1971 and applicable State Rules.
3. Industrial Employment (Standing Orders) Act, 1946, 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 the Building and other Construction Workers' Welfare Cess Rules, 1998 and applicable State Rules.
11. Industrial Disputes Act, 1947, Industrial Disputes (Central) Rules, 1957 and applicable State Rules.
12. Apprentices Act, 1961 and Apprentices Rules, 1992.
13. Employee Compensation Act, 1923, Workmen Compensation Rules, 1924 and applicable State Rules.
14. Employees' State Insurance Act, 1948, Employees' State Insurance (Central) Rules, 1950 and Employees' State Insurance (General) Regulations, 1950.
15. Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976.
16. Equal Remuneration Act, 1976 and 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, Payment of Wages (Nomination) Rules, 2009 and applicable State Rules.
20. Minimum Wages Act, 1948, 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. Bureau of Indian Standards Act, 1986 and Indian Standard Code of Practice for Selection, Installation and Maintenance of Portable First Aid Fire Extinguishers.
27. Maharashtra Fire Prevention and Life Safety Measures Act, 2006, Maharashtra Five Prevention and Life Safety Measures Rules, 2009 and other State Acts and Rules.
28. Legal Metrology Act, 2009 and Legal Metrology (Enforcement) Rules, 2011 and applicable State Rules.
29. Explosives Act, 1884 and Gas Cylinder Rules, 2016.
30. Petroleum Act, 1934 and Petroleum Rules, 2002.
31. Electricity Act, 2003 and Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations, 2010.
32. Energy Conservation Act, 2001.
33. Income Tax Act, 1961, Central Goods and Services Tax Act, 2017, 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.
34. Environment (Protection) Act, 1986 and Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, Noise Pollution (Regulation and Control) Rules 2000, Environment (Protection) Rules, 1986, E-waste (Management) Rules, 2016, Ozone Depletion Substances (Regulation and Control) Rules, 2000, Bio-Medical Waste Management Rules, 2016 and Batteries (Management and Handling) Rules, 2001.
35. Air (Prevention and Control of Pollution) Act, 1981 and Air (Prevention and Control of Pollution) (Union Territories) Rules, 1983 and applicable State Rules.
36. Water (Prevention and Control of Pollution) Act, 1974 and Water (Prevention and Control of Pollution) Rules, 1975 and applicable State Rules.
37. Water (Prevention and Control of Pollution) Cess Act, 1977 and Water (Prevention and Control of Pollution) Cess Rules, 1983 and applicable State Rules.
38. Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003.
39. Bombay Provincial Municipal Corporation Act, 1949.
40. 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 for the financial year ended on March 31, 2018
[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 4151/52
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 6000, 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	50.45
2	Unitary Products	28191/28192	49.49

III. PARTICULARS OF HOLDING, SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Joint venture/ 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 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
4	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/ Associate	49%#	Section 2(6) of Companies Act, 2013
5	Blue Star Oman Electro-Mechanical Co LLC P.O. Box 1040, Ruwi, Postal Code 112, Sultanate of Oman	NA	Joint Venture	51%**	Section 2(6) of Companies Act, 2013

*The Company controls composition of Board.

**Representing 50% of voting rights.

#The entire shareholding of the Company in this Joint Venture was transferred to Blue Star International FZCO on December 22, 2017, as a result this Company is considered as an associate of the Company.

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	22728942	-	22728942	23.78	14447365	-	14447365	15.05	-8.74
Central Govt.	-	-	-	-	-	-	-	-	-
State Govt.(s)	-	-	-	-	-	-	-	-	-
Bodies Corp.	59522	-	59522	0.06	60122	-	60122	0.06	0.00
Banks/FI	-	-	-	-	-	-	-	-	-
Any Other	14003298	-	14003298	14.65	22275275	-	22275275	23.20	8.55
Sub-total (A)(1)	36791762	-	36791762	38.50	36782762	-	36782762	38.32	-0.18
(2) Foreign									
a) NRIs - Individuals	546890	-	546890	0.57	546890	-	546890	0.57	-0.00
b) Other - Individuals	-	-	-	-	-	-	-	-	-
Bodies Corp.	-	-	-	-	-	-	-	-	-
Banks/FI	-	-	-	-	-	-	-	-	-
Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	546890	-	546890	0.57	546890	-	546890	0.57	-0.00
Total shareholding of Promoter (A) = (A) = (A)(1)+(A)(2)	37338652	-	37338652	39.07	37329652	-	37329652	38.89	-0.19
B. Public Shareholding									
(1) Institutions									
a) MutualFunds/UTI	18957008	1961	18958969	19.83	20023680	651	20024331	20.86	1.03
b) Banks/FI	18755	8289	27044	0.02	22199	4659	26858	0.03	-0.00
c) Central Govt.	-	-	-	-	249615	-	249615	0.26	0.26
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	219403	-	219403	0.22	71205	-	71205	0.07	-0.15
g) FIIs	9427788	2355	9430143	9.86	7500694	105	7500799	7.81	-2.05

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- Foreign Mutual Fund	501539	-	501539	0.52	478199	-	478199	0.50	-0.03
Alternate Investment Fund	-	-	-	-	1252840	-	1252840	1.31	-
Sub-total (B)(1)	29124493	12605	29137098	30.48	29598432	5415	29603847	30.84	0.23
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	2625369	58658	2684027	2.81	1711671	54913	1766584	1.85	-0.96
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakh	14269344	2692582	16961926	17.74	15563854	2237391	17801245	18.54	0.80
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	7135858	211285	7347143	7.68	7322676	141355	7464031	7.77	0.09
c) Others (specify)									
Clearing Members	217022	-	217022	0.22	66206	-	66206	0.07	-0.16
Foreign Companies	-	392	392	0.00	-	17	17	0.00	-0.00
Foreign Portfolio Investor (Individual)	679	154	833	0.00	679	154	833	0.00	0.00
Non Resident Indians (REPAT)	223331	8905	232236	0.24	310873	8155	319028	0.33	-0.09
Non Resident Indians (NON REPAT)	1196012	-	1196012	1.25	1201409	-	1201409	1.25	0.00
Market Maker	291	-	291	0.00	328	-	328	0.00	0.00
Hindu Undivided Family	313031	245	313276	0.32	324243	245	324488	0.34	0.01
Trust	138580	-	138580	0.14	93558	-	93558	0.10	-0.04
Directors	2900	-	2900	0.00	28562	-	28562	0.02	0.02
Sub-total (B)(2)	26122417	2972221	29094638	30.44	26624059	2442230	29066289	30.27	0.17

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)	55246910	2984826	58231736	60.92	56222491	2447645	58670136	61.11	0.19
C. Shares held by Custodian for GDRs & ADRs									
	-	-	-	-	-	-	-	-	-
Grand Total									
(A+B+C)	**92585562**	**2984826**	**95570388**	**100.00**	**93552143**	**2447645**	**95999788**	**100.00**	**0.45**

(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	10871721	11.38	-	2599744	2.71	-	-8.67
2	IL & FS Trust Company Limited	7719930	8.08	-	7719930	8.04	-	-0.04
3	Suneel M Advani	5626827	5.89	-	5626827	5.86	-	-0.03
4	Vistra ITCL (India) Limited (Formerly known as IL&FS Trust Company Limited)	3683624	3.85	-	11955601	12.45	-	8.60
5	Nargis Suneel Advani	2836936	2.97	-	2836936	2.95	-	-0.01
6	Suneeta Nanik Vaswani	2251682	2.36	-	2244482	2.34	-	-0.02
7	Rohina Lulla	1168594	1.22	-	1168594	1.22	-	-0.01
8	Anissa Khanna	1126787	1.18	-	1126787	1.17	-	-0.01
9	Nanik Ramchand Vaswani	939601	0.98	-	932401	0.97	-	-0.01
10	Suneel M Advani HUF	539669	0.56	-	539669	0.56	-	0.00
11	Sanjay N Vaswani	103375	0.11	-	105775	0.11	-	0.00
12	Vir S Advani	74625	0.08	-	74625	0.08	-	0.00
13	Armaan Sandeep Murthy	50000	0.05	-	50000	0.05	-	0.00
14	Sumer Sandeep Murthy	50000	0.05	-	50000	0.05	-	0.00
15	Sunaina S Advani	72525	0.08	-	72525	0.08	-	0.00

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	0.05	-	50000	0.05	-	0.00
17	Anita Ashok Advani	30000	0.03	-	30000	0.03	-	0.00
18	J T Advani Finance Private Limited	59522	0.06	-	60122	0.06	-	0.00
19	Dev Khanna	19625	0.02	-	19625	0.02	-	0.00
20	Iman Rajiv Lulla	19625	0.02	-	19625	0.02	-	0.00
21	Rana Rajiv Lulla	19625	0.02	-	19625	0.02	-	0.00
22	Dinesh Nanik Vaswani	24359	0.02	-	26759	0.03	-	0.01
	TOTAL	**37338652**	**39.07**	**-**	**37329652**	**38.89**	**-**	**-0.18**

(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	**10871721**	**11.38**	**10871721**	**11.37**
	12 May 2017 (transfer)	-8271977	8.67	2599744	2.71
	At the end of the year	**2599744**	**2.71**	**2599744**	**2.71**
2.	**IL & FS Trust Company Limited**				
	At the beginning of the year	**7719930**	**8.08**	**7719930**	**8.08**
	No change				
	At the end of the year	**7719930**	**8.04**	**7719930**	**8.04**
3.	**Suneel M Advani**				
	At the beginning of the year	**5626827**	**5.89**	**5626827**	**5.89**
	No change				
	At the end of the year	**5626827**	**5.86**	**5626827**	**5.86**
4.	**VISTRA ITCL (India) Limited (Formerly IL & FS Trust Co Ltd) Company Limited)**				
	At the beginning of the year	**3683624**	**3.85**	**3683624**	**3.85**
	12 May 2017 (transfer)	8271977	8.60	11955601	12.45
	At the end of the year	**11955601**	**12.45**	**11955601**	**12.45**

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
5.	**Nargis Suneel Advani**				
	At the beginning of the year	**2836946**	**2.97**	**2836946**	**2.97**
	No change				
	At the end of the year	**2836946**	**2.96**	**2836946**	**2.96**
6.	**Suneeta Nanik Vaswani**				
	At the beginning of the year	**2251682**	**2.36**	**2251682**	**2.36**
	25 Aug 2017 (transfer)	-7200	-0.01	2244482	2.34
	At the end of the year	**2244482**	**2.34**	**2244482**	**2.34**
7.	**Rohina Lulla**				
	At the beginning of the year	**1168594**	**1.22**	**1168594**	**1.22**
	No change				
	At the end of the year	**1168594**	**1.22**	**1168594**	**1.22**
8.	**Anissa Khanna**				
	At the beginning of the year	**1126787**	**1.18**	**1126787**	**1.18**
	No change				
	At the end of the year	**1126787**	**1.17**	**1126787**	**1.17**
9.	**Nanik Ramchand Vaswani**				
	At the beginning of the year	**939601**	**0.98**	**939601**	**0.98**
	25 Aug 2017 (transfer)	-7200	-0.01	932401	0.97
	At the end of the year	**932401**	**0.97**	**932401**	**0.97**
10.	**Suneel M Advani HUF**				
	At the beginning of the year	**539669**	**0.56**	**539669**	**0.56**
	No change				
	At the end of the year	**539669**	**0.56**	**539669**	**0.56**
11.	**Sanjay N Vaswani**				
	At the beginning of the year	**103375**	**0.11**	**103375**	**0.11**
	25 Aug 2017 (transfer)	2400	0.00	105775	0.11
	At the end of the year	**105775**	**0.11**	**105775**	**0.11**
12.	**Vir S Advani**				
	At the beginning of the year	**74625**	**0.08**	**74625**	**0.08**
	No change				
	At the end of the year	**74625**	**0.08**	**74625**	**0.08**
13.	**Armaan Sandeep Murthy**				
	At the beginning of the year	**50000**	**0.05**	**50000**	**0.05**
	No change				
	At the end of the year	**50000**	**0.05**	**50000**	**0.05**

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
14.	**Sumer Sandeep Murthy**				
	At the beginning of the year	**50000**	**0.05**	**50000**	**0.05**
	No change				
	At the end of the year	**50000**	**0.05**	**50000**	**0.05**
15.	**Sunaina S Advani**				
	At the beginning of the year	**72525**	**0.08**	**72525**	**0.08**
	No change				
	At the end of the year	**72525**	**0.08**	**72525**	**0.08**
16.	**Uday Vir Advani**				
	At the beginning of the year	**50000**	**0.05**	**50000**	**0.05**
	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	**59522**	**0.06**	**59522**	**0.06**
	09 Nov 2017 (Purchase)	600	0.00	60122	0.06
	At the end of the year	**60122**	**0.06**	**60122**	**0.06**
19.	**Dev Khanna**				
	At the beginning of the year	**19625**	**0.02**	**19625**	**0.02**
	No change				
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**
20.	**Iman Rajiv Lulla**				
	At the beginning of the year	**19625**	**0.02**	**19625**	**0.02**
	No change				
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**
21.	**Rana Rajiv Lulla**				
	At the beginning of the year	**19625**	**0.02**	**19625**	**0.02**
	No change				
	At the end of the year	**19625**	**0.02**	**19625**	**0.02**
22.	**Dinesh N Vaswani**				
	At the beginning of the year	**24359**	**0.03**	**24359**	**0.03**
	25 Aug 2017 (transfer)	2400	0.00	26750	0.03
	At the end of the year	**26759**	**0.03**	**26759**	**0.03**

(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	**6819374**	**7.14**	**6819374**	**7.14**
	07 Apr 2017 (Sale)	-6500	0.00	6812874	7.13
	14 Apr 2017 (Sale)	-6500	0.00	6806374	7.12
	12 May 2017 (Sale)	- 200000	0.21	6606374	6.91
	19 May 2017 (Sale)	-400000	0.42	6206374	6.49
	26 May 2017 (Sale)	-429911	-0.45	5776463	6.04
	23 Jun 2017 (Sale)	-299785	0.31	5476678	5.73
	02 Feb 2018 (Sale)	-200000	0.21	5276678	5.50
	At the end of the year	**5276678**	**5.49**	**5276678**	**5.50**
2.	**Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Equity Fund**				
	At the beginning of the year	**2580982**	**2.70**	**2580982**	**2.70**
	21 Apr 2017 (Purchase)	96500	0.10	2677482	2.80
	05 May 2017 (Purchase)	81500	0.09	2758982	2.89
	19 May 2017 (Purchase)	500000	0.52	3258982	3.41
	26 May 2017 (Purchase)	135000	0.14	3393982	3.55
	16 Jun 2017 (Purchase)	581300	0.61	3975282	4.16
	23 Jun 2017 (Purchase)	129300	0.14	4104582	4.29
	29 Sep 2017 (Sale)	-13100	-0.01	4091482	4.27
	01 Dec 2017 (Purchase)	30600	0.03	4122082	4.30
	08 Dec 2017 (Purchase)	53300	0.06	4175382	4.35
	15 Dec 2017 (Purchase)	807500	0.84	4982882	5.20
	19 Jan 2018 (Sale)	-6500	-0.00	4976382	5.19
	25 Jan 2018 (Purchase)	25000	0.03	5001382	5.21
	02 Feb 2018 (Sale)	-19100	-0.02	4982282	5.19
	09 Feb 2018 (Sale)	-93715	-0.10	4888567	5.10
	09 Mar 2018 (Purchase)	16000	0.02	4904567	5.11
	16 Mar 2018 (Purchase)	124200	0.13	5028767	5.24
	23 Mar 2018 (Purchase)	47726	0.05	5076493	5.29
	At the end of the year	**5076493**	**5.29**	**5076493**	**5.29**

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
3.	**Sundaram Mutual Fund A/C Sundaram Select Midcap**				
	At the beginning of the year	**1426557**	**1.49**	**1426557**	**1.49**
	07 Apr 2017 (Purchase)	60179	0.06	1486736	1.56
	14 Apr 2017 (Sale)	-81471	-0.09	1405265	1.47
	21 Apr 2017 (Sale)	-44756	-0.05	1360509	1.42
	12 May 2017 (Purchase)	10000	0.01	1370509	1.43
	19 May 2017 (Sale)	-13181	-0.01	1357328	1.42
	02 Jun 2017 (Purchase)	15	0.00	1357343	1.42
	09 Jun 2017 (Sale)	-123620	-0.13	1233723	1.29
	16 Jun 2017 (Sale)	-212	-0.00	1233511	1.29
	23 Jun 2017 (Sale)	-3596	-0.00	1229915	1.29
	07 Jul 2017 (Sale)	-10000	-0.01	1219915	1.27
	14 Jul 2017 (Sale)	-41994	-0.04	1177921	1.23
	01 Sep 2017 (Purchase)	10000	0.01	1187921	1.24
	29 Sep 2017 (Sale)	-8000	-0.00	1179921	1.23
	06 Oct 2017 (Purchase)	10000	0.01	1189921	1.24
	15 Dec 2017 (Purchase)	1140000	1.19	2329921	2.43
	25 Jan 2018 (Sale)	-41	0.00	2329880	2.43
	09 Feb 2018 (Purchase)	5384	0.00	2335264	2.43
	16 Feb 2018 (Purchase)	212	0.00	2335476	2.43
	16 Mar 2018 (Sale)	-52891	0.06	2282585	2.38
	23 Mar 2018 (Sale)	-2111	0.00	2280474	2.38
	At the end of the year	**2280474**	**2.38**	**2280474**	**2.38**
4.	**ICICI Prudential Value Discovery Fund**				
	At the beginning of the year	**2233676**	**2.34**	**2233676**	**2.34**
	23 Jun 2017 (Sale)	-48877	-0.05	2184799	2.28
	30 Jun 2017 (Sale)	-67066	-0.07	2117733	2.21
	07 Jul 2017 (Sale)	-72257	-0.08	2045476	2.14
	14 Jul 2017 (Sale)	-156855	-0.16	1888621	1.97
	21 Jul 2017 (Sale)	-40	-0.00	1888581	1.97

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
	01 Dec 2017 (Purchase)	3574	0.00	1892155	1.97
	08 Dec 2017 (Purchase)	6857	0.00	1899012	1.98
	02 Feb 2018 (Purchase)	7492	0.00	1906504	1.99
	09 Feb 2018 (Purchase)	10248	0.01	1916752	2.00
	09 Mar 2018 (Sale)	-10465	-0.01	1906287	1.99
	16 Mar 2018 (Sale)	-53011	-0.06	1853276	1.93
	At the end of the year	**1853276**	**1.93**	**1853276**	**1.93**
5.	**Franklin India Smaller Company Fund**				
	At the beginning of the year	**1365646**	**1.43**	**1365646**	**1.43**
	07 Apr 2017 (Sale)	-10000	0.01	1355646	1.42
	19 May 2017 (Purchase)	100000	0.10	1455646	1.52
	26 May 2017 (Purchase)	526700	0.55	1982346	2.07
	09 Jun 2017 (Purchase)	98300	0.10	2080646	2.18
	16 Jun 2017 (Purchase)	100000	0.10	2180646	2.28
	14 Jul 2017 (Purchase)	56158	0.06	2236804	2.34
	21 Jul 2017 (Purchase)	43842	0.05	2280646	2.38
	25 Aug 2017 (Sale)	-6350	-0.00	2274296	2.37
	01 Sep 2017 (Sale)	-373650	-0.39	1900646	1.98
	08 Sep 2017 (Sale)	-120000	-0.12	1780646	1.86
	15 Sep 2017 (Sale)	-6759	-0.00	1773887	1.85
	22 Sep 2017 (Sale)	-18241	-0.02	1755646	1.83
	13 Oct 2017 (Sale)	-50000	-0.05	1705646	1.78
	10 Nov 2017 (Purchase)	50000	0.05	1755646	1.83
	31 Mar 2018 (Purchase)	20039	0.02	1775685	1.85
	At the end of the year	**1775685**	**1.85**	**1775685**	**1.85**
6.	**First State Indian Subcontinent Fund**				
	At the beginning of the year	**1490912**	**1.56**	**1490912**	**1.56**
	07 Apr 2017 (Sale)	-19151	-0.02	1471761	1.54
	21 Apr 2017 (Sale)	-41069	-0.04	1430692	1.50
	12 May 2017 (Sale)	-22418	-0.02	1408274	1.47
	09 Jun 2017 (Sale)	-182	-0.00	1408092	1.47

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
	16 Jun 2017 (Sale)	-12051	-0.01	1396041	1.46
	29 Sep 2017 (Purchase)	45258	0.05	1441299	1.50
	09 Mar 2018 (Purchase)	20800	0.02	1462099	1.52
	16 Mar 2018 (Purchase)	38106	0.04	1500205	1.56
	At the end of the year	**1500205**	**1.56**	**1500205**	**1.56**
7.	**UTI - Master Share Unit Scheme**				
	At the beginning of the year	**1360000**	**1.42**	**1360000**	**1.42**
	16 Jun 2017 (Purchase)	19731	0.02	1379731	1.44
	23 Jun 2017 (Purchase)	16269	0.02	1396000	1.46
	30 Jun 2017 (Purchase)	4087	0.00	1400087	1.46
	07 Jul 2017 (Purchase)	4913	0.00	1405000	1.47
	18 Aug 2017 (Purchase)	29566	0.03	1434566	1.50
	27 Oct 2017 (Sale)	-2566	-0.00	1432000	1.50
	08 Dec 2017 (Sale)	-39345	-0.04	1392655	1.45
	15 Dec 2017 (Sale)	-5655	-0.00	1387000	1.45
	At the end of the year	**1387000**	**1.44**	**1387000**	**1.44**
8.	**The Scottish Oriental Smaller Companies Trust PLC**				
	At the beginning of the year	**1202080**	**1.26**	**1202080**	**1.26**
	07 Apr 2017 (Sale)	-20241	-0.02	1181839	1.24
	21 Apr 2017 (Sale)	-29192	-0.03	1152647	1.21
	12 May 2017 (Sale)	-23125	-0.03	1129522	1.18
	09 Jun 2017 (Sale)	-693	-0.00	1128829	1.18
	16 Jun 2017 (Sale)	-45723	-0.05	1083106	1.13
	09 Mar 2018 (Purchase)	3531	0.00	1086637	1.13
	16 Mar 2018 (Purchase)	11392	0.01	1098029	1.14
	At the end of the year	**1098029**	**1.14**	**1098029**	**1.14**
9	**Government Pension Fund Global**				
	At the beginning of the year	**-**	**-**	**-**	**-**
	15 Dec 2017 (Purchase)	877500	0.92	877500	0.92
	At the end of the year	**877500**	**0.91**	**877500**	**0.91**

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
10.	**Vikram Kamal Jagtiani**				
	At the beginning of the year	**734409**	**0.77**	**734409**	**0.77**
	07 Apr 2017 (Purchase)	4550	0.00	738959	0.77
	15 Sep 2017 (Sale)	-2500	0.00	736459	0.77
	06 Oct 2017 (Sale)	-2000	0.00	734459	0.77
	13 Oct 2017 (Sale)	-2000	0.00	732459	0.76
	20 Oct 2017 (Sale)	-1429	0.00	731030	0.76
	10 Nov 2017 (Purchase)	2000	0.00	733030	0.76
	01 Dec 2017 (Sale)	-2000	0.00	731030	0.76
	08 Dec 2017 (Sale)	-1513	0.00	729517	0.76
	29 Dec 2017 (Sale)	-2000	0.00	727517	0.76
	19 Jan 2018 (Purchase)	1000	0.00	728517	0.76
	At the end of the year	**728517**	**0.76**	**728517**	**0.76**

(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.	**Suneel M Advani - Chairman**				
	At the beginning of the year	**5626827**	**5.86**	**5626827**	**5.86**
	No change				
	At the end of the year	**5626827**	**5.86**	**5626827**	**5.86**
2.	**Vir S Advani - Managing Director**				
	At the beginning of the year	**74625**	**0.08**	**74625**	**0.08**
	No change				
	At the end of the year	**74625**	**0.08**	**74625**	**0.08**
3.	**B Thiagarajan - Joint Managing Director**				
	At the beginning of the year	**1700**	**0.00**	**1700**	**0.00**
	05 Jul 2017 (Exercise of ESOP)	100000	0.10	101700	0.10
	18 Jul 2017 (Sale)	-70000	0.07	31700	0.03
	26 Sep 2017 (Sale)	-4200	0.00	27500	0.02
	26 Sep 2017 (Sale)	-800	0.00	26700	0.02
	13 Dec 2017 (Sale)	-2167	0.00	24533	0.02
	14 Dec 2017 (Sale)	-2833	0.00	21700	0.02
	At the end of the year	**21700**	**0.02**	**21700**	**0.02**
4.	**Dinesh N Vaswani - Non-Executive Director**				
	At the beginning of the year	**24359**	**0.03**	**24359**	**0.03**
	25 Aug 2017 (off market transfer)	2400	0.00	26759	0.03
	At the end of the year	**26759**	**0.03**	**26759**	**0.03**
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	**10000**	**0.00**	**10000**	**0.00**
	13 Oct 2017 (Transfer)	-10000	0.00	-	-
	At the end of the year	**-**	**-**	**-**	**-**
7.	**Sam Balsara - Independent Director**				
	At the beginning of the year	**-**	**-**	**-**	**-**
	21 Jul 2017 (Purchase)	4150	0.00	4150	0.00
	28 Jul 2017 (Purchase)	1512	0.00	5662	0.00
	At the end of the year	**5662**	**0.00**	**5662**	**0.00**
8.	**Neeraj Basur - Chief Financial Officer**				
	At the beginning of the year	**10000**	**0.01**	**10000**	**0.01**
	16 May 2017 (Exercise of ESOP)	14000	0.01	24000	0.02
	27 Sep 2017 (Exercise of ESOP)	14600	0.01	38600	0.04
	15 Nov 2017 (Exercise of ESOP)	11000	0.01	49600	0.05
	At the end of the year	**49600**	**0.05**	**49600**	**0.05**
7.	**Vijay Devadiga Company Secretary**				
	At the beginning of the year	**-**	**-**	**-**	**-**
	12 Sep 2017 (Exercise of ESOP)	4800	0.00	4800	0.00
	25 Sep 2017 (Sale)	-4800	0.00	-	-
	At the end of the year	**-**	**-**	**-**	**-**

V. INDEBTEDNESS

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

(₹ In crores)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	99.23	50.00	-	149.23
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.01	-	-	0.01
Total (i+ii+iii)	**99.24**	**50.00**	**-**	**149.24**
Change in Indebtedness during the financial year				
Addition	180.31	1151.53	-	1331.84
Reduction	144.44	1016.62	-	1161.06
Net Change	35.87	134.91	-	170.78
Indebtedness at the end of the financial year				
i) Principal Amount	135.11	184.91	-	320.02
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	22.97	5.55	-	28.52
Total (i+ii+iii)	**158.08**	**190.46**	**-**	**348.54**

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	226.59	226.59	453.18
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	9.83	9.83	19.66
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option*	-	13.82	13.82
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others (performance linked incentives)	 132.30 391.47	 136.80 94.58	 269.10 486.05
5.	Others, please specify Retirals (tax exempted)	13.58	13.58	27.16
	Total (A)	**773.77**	**495.20**	**1268.97**
	Ceiling as per the Act	₹1721 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 FY18

B. REMUNERATION TO OTHER DIRECTORS:

(₹ in lakhs)

Sr. No	Particulars of Remuneration	Name of Director										Total Amount
1.	**Other Non-Executive Directors**	**Suneel M Advani**	**Gurdeep Singh**	**Pradeep Mallick (upto November 30, 2017)**	**Shailesh Haribhakti**	**M K Sharma (up to June 12, 2017)**	**Shobana Kamineni**	**Sam Balsara (from June 20,2017)**	**Anil Harish (from November 22, 2017)**	**Rajiv R Lulla**	**Dinesh N Vaswani**	
	Fee for attending board/committee meetings	10.25	-	-	-	-	-	-	-	3.75	5.25	19.25
	Commission	33.00	-	-	-	-	-	-	-	18.00	18.00	69.00
	Others, please specify	-	-	-	-	-	-	-	-	-	-	-
	Total (1)	**43.25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21.75**	**23.25**	**88.25**
2.	**Independent Directors**											
	Fee for attending board/committee meetings	-	8.00	5.25	8.00	1.50	1.25	4.25	3.50	-	-	31.75
	Commission	-	18.00	10.00	18.00	3.75	18.00	15.00	7.50	-	-	90.25
	Others, please specify	-	-	-	-	-	-	-	-	-	-	-
	Total (2)	**-**	**26.00**	**15.25**	**26.00**	**5.25**	**19.25**	**19.25**	**11.00**	**-**	**-**	**122.00**
	Total (B)=(1+2)	**43.25**	**26.00**	**15.25**	**26.00**	**5.25**	**19.25**	**19.25**	**11.00**	**21.75**	**23.25**	**210.25**
	Total Managerial Remuneration (A+B)											**1482.22**
	Overall Ceiling as per the Act	₹1893 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	193.86 0.51	51.48 1.28	245.35 1.79
2.	Stock Option*	4.44	0.32	4.76
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total	**198.81**	**53.08**	**251.89**

* amortised value of stock options for FY18

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 refers to the manner in which a corporation is governed, directed and managed. Corporate governance essentially involves balancing interests of all the stakeholders, such as shareholders, Board of Directors, management team, employees, customers, suppliers, bankers, government and the community. Sound corporate governance practices rests on three basic tenants viz. transparency, accountability, and security. Corporate governance facilitates effective, entrepreneurial and prudent management which can deliver sustainable business results over a long term. Good corporate governance creates a mechanism of checks and balances to ensure that the decision-making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

We, at Blue Star, continuously strive to adopt and implement the best in class governance practices. Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. The Company's governance framework enjoins the highest standards of ethical and responsible conduct of business to create value for all stakeholders. We firmly believe, that for our continued success, we will need to adhere to the highest standards of corporate behaviour towards every stakeholder and the society at large. Over the years, we have strengthened our governance practices, and it is our endeavour to achieve the best in class governance standards, benchmarked globally.

VISION, CREDO, VALUES AND BELIEFS

We have consistently followed the principles of good corporate governance through transparency, accountability, fair dealings and promoting mutual trust. Our Values and Beliefs have become a way of life in the Company, and each employee is responsible for adherence to our Values.

It is our commitment to do business with integrity, honesty and fairness. With a view to achieve this, we have defined our 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.*"

Our 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.
- Be a good corporate citizen.

The 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, 2018 are as set out hereunder:

BOARD OF DIRECTORS

The Board of Directors is the primary stakeholder influencing corporate governance. An active, well informed and independent board safeguards and maintains sound corporate governance across all the functions. The Board oversees how the management safeguards interests of all the stakeholders. The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with requisite powers, authorities and duties. The Board of Directors provide a long-term vision and policy approach which improves the quality of governance.

COMPOSITION OF THE BOARD

The Company has a balanced and diverse Board, which conforms to provisions of the Companies Act, 2013 and Listing Regulations. The Company's Board has an optimum mix of Executive and Non-Executive Directors, including independent professionals. The Executive Directors assume overall responsibility for strategic management of business and corporate functions including oversight of governance processes and ensuring Top Management effectiveness.

The Non-Executive Directors/Independent Directors play a critical role in providing balance to the Board processes with their independent judgment on issues involving strategy, performance, resources, and overall governance, besides providing the Board with valuable inputs based on their professional expertise.

The Company's Board comprises eminent professionals having sound knowledge and relevant expertise in the areas of finance, technology, human resources and general business management. The Company has established systems and procedures to ensure that the Board of Directors are well informed and well equipped to fulfil their overall responsibilities and to provide management with strategic direction needed to create long term shareholder value.

The composition of the Board of Directors and the number of directorships and committee positions held by them as on March 31, 2018 are as under:

Name of Director	Category	Particulars of Directorships, Committee Memberships/Chairmanships (other than Blue Star Limited as on March 31, 2018)		
		Directorships[1]	Committee Memberships[2]	Committee Chairmanships[2]
Suneel M Advani	Non-Executive Chairman	1	-	-
Vir S Advani	Managing Director	2	1	-
B Thiagarajan	Joint Managing Director	1	-	-
Rajiv R Lulla	Non-Executive Director	2	-	-
Dinesh N Vaswani	Non-Executive Director	1	-	-
Sam Balsara[3]	Independent Non-Executive Director	17	-	-
Shailesh Haribhakti	Independent Non-Executive Director	18	9	4
Anil Harish[3]	Independent Non-Executive Director	8	3	2
Shobana Kamineni	Independent Non-Executive Director	13	-	-
Pradeep Mallick[4]	Independent Non-Executive Director	5	5	2
M K Sharma[4]	Independent Non-Executive Director	10	4	2
Gurdeep Singh	Independent Non-Executive Director	3	-	-

1 *Directorships held by the Directors as mentioned above, consist of Directorships held in public limited companies and private limited companies but excludes directorships held in foreign companies and companies registered under section 8 of the Companies Act, 2013.*

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 *Sam Balsara and Anil Harish were appointed as Independent Non-Executive Directors w.e.f. June 20, 2017 and November 22, 2017 respectively.*

4 *M K Sharma ceased to be Director of the Company w.e.f. June 12, 2017, and Pradeep Mallick retired as an Independent Director w.e.f. November 30, 2017.*

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 Suneel M Advani and Vir S Advani, who are related, none of the other Directors is a relative of the other, as defined under the Companies Act, 2013.

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 after incorporating comments so received, from the Directors, minutes are recorded and entered in the minute book within 30 days from the date of conclusion of the meeting.

NUMBER OF MEETINGS HELD BY THE BOARD

There were five meetings of the Board during the financial year 2017-18, held on May 9, 2017; August 11, 2017; October 31, 2017; February 6, 2018; and March 7, 2018. The Company had convened its last Annual General Meeting on August 11, 2017. The gap between two consecutive Board meetings did not exceed 120 days. Video conferencing facility was provided to facilitate Directors to participate in the meetings, whenever so requested.

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

Name of Director	Category	Attendance	
		Board Meeting	Last AGM (Y/N)
Suneel M Advani	Non-Executive Chairman	5	Y
Vir S Advani	Managing Director	5	Y
B Thiagarajan	Joint Managing Director	5	Y
Rajiv R Lulla	Non-Executive Director	5	Y
Dinesh N Vaswani	Non-Executive Director	5	Y
Sam Balsara *(from June 20, 2017)*	Independent Non-Executive Director	4	Y
Shailesh Haribhakti	Independent Non-Executive Director	5	Y
Anil Harish *(from November 22, 2017)*	Independent Non-Executive Director	2	NA
Shobana Kamineni	Independent Non-Executive Director	1	N
Pradeep Mallick *(up to November 30, 2017)*	Independent Non-Executive Director	3	Y
M K Sharma *(up to June 12, 2017)*	Independent Non-Executive Director	1	NA
Gurdeep Singh	Independent Non-Executive Director	5	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 functioning of the Company.

Such presentations help them to 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 carried out an annual performance evaluation comprising of review of the performance of the Directors individually as well as the evaluation of the working of the entire Board and its Committees. 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 the stakeholders.

The performance of the Chairman of the Board 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 and guidance in case of complex issues.

In accordance with provisions of the Act and the Listing Regulations, a meeting of the Independent Directors of the Company was also held on March 14, 2018, 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.

The Board also deliberated and agreed measures to ensure effective implementation of the findings and recommendations of the evaluation.

CODE OF CONDUCT

While we operate in a competitive and demanding market, the Company has published a comprehensive Code of Conduct for its employees and business partners that requires strict adherence to our 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 of conduct.

The Company's Code of Conduct is available on the Company's website under the weblink:
https://www.bluestarindia.com/media/6010/code-of-conduct.pdf

CORPORATE SAFETY POLICY

Our management team firmly believes that the safety of our 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 the Company's work activities. We believe 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. Accordingly, health and safety awareness programs and safety audits are conducted regularly. Safety protocols have been documented and get shared across the organisation regularly.

COMMITTEES OF THE BOARD

The Committees of the Board include Audit Committee, Nomination and Remuneration Committee, Investor Grievance cum Stakeholders' Relationship Committee, Risk Management Committee, Corporate Social Responsibility Committee, Share Transfer Committee and Executive Management Committee. These committees assist the Board in discharging its specific functions in 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 the Companies Act, 2013. The Audit Committee is governed by the charter which is in line with the regulatory requirements of the Companies Act, 2013 and the Listing Regulations.

As on March 31, 2018, the Audit Committee of the Company comprised Shailesh Haribhakti, Gurdeep Singh, Anil Harish and B Thiagarajan. Shailesh Haribhakti is the Chairman of the Audit Committee. M K Sharma ceased to be member of the Committee w.e.f. June 12, 2017. Pradeep Mallick ceased to be a member of the Committee w.e.f. November 30, 2017, due to his retirement as a Director of the Company on attaining the age of 75 years as per retirement policy for the Directors. Gurdeep Singh and Anil Harish were appointed as the members of the Audit Committee w.e.f. August 11, 2017 and November 22, 2017, respectively. 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 9, 2017; August 11, 2017; October 31, 2017; February 5, 2018; and March 8, 2018.

The attendance of the Committee members is given below:

Name of the Member	No. of meetings attended
Shailesh Haribhakti, Chairman	5
Pradeep Mallick *(up to November 30, 2017)*	3
M K Sharma *(up to June 12, 2017)*	1
Gurdeep Singh *(from August 11, 2017)*	3
B Thiagarajan	5
Anil Harish *(from November 22, 2017)*	2

The gap between two consecutive meetings did not exceed 120 days.

The Chairman of the Audit Committee was present at the last Annual General Meeting. All the recommendations made by the Audit Committee during the year were 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 the stock exchanges, regulatory authorities or the public, and, 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 the 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 of Section 134 of the Act.
   b. Changes, if any, in the accounting policies and reasons for the same.

c. Major accounting entries based on exercise of 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, if any.

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, quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, statement of use/application of funds raised through an issue (public, rights, preferential issue, etc), 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 processes.
8. Approval or any subsequent modification of transactions of the Company with the 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 the 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 the 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 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 Auditors, the annual scope and plan of the Company's internal audit and any significant changes thereto.
4. Review with the Internal Auditors 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 Auditors 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 Auditors, 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 composition of the Committee meets the requirements of Section 178 of the Companies Act, 2013 and the requirement of the Listing Regulations. As on March 31, 2018, the Nomination and Remuneration Committee comprised two Independent Directors; namely, Gurdeep Singh and Sam Balsara, and two Non-Executive Non-Independent Directors; namely, Suneel M Advani and Dinesh N Vaswani. Gurdeep Singh is the Chairman of the Committee.

Sam Balsara was appointed as a member of the Committee w.e.f. August 11, 2017. Pradeep Mallick ceased to be member of the Committee w.e.f. November 30, 2017, due to his retirement as a Director of the Company on attaining the age of 75 years as per retirement policy for the Directors.

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

MEETINGS HELD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee met on May 8, 2017 and February 5, 2018. The attendance of the Committee members is given below:

Name of the Member	No. of meetings
Gurdeep Singh, Chairman	2
Suneel M Advani	2
Dinesh N Vaswani	2
Sam Balsara *(from August 11, 2017)*	1
Pradeep Mallick *(up to November 30, 2017)*	1

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 the 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, performance 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. The NRC recommends to the Board, the remuneration 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 their performance and the performance of the Company. Services of the executive directors may be terminated by either party, giving the other party six months' notice. There is no separate provision for payment of any severance fees.

The Non-Executive Directors are, in addition to sitting fees, paid a commission based on the net profits of the Company, in accordance with Nomination and Remuneration Policy of the Company. The remuneration structure and criteria for determining performance based compensation are provided in the Nomination and Remuneration Policy.

The Policy is available on the website of the Company under the weblink:
https://www.bluestarindia.com/media/137066/blue-star-nomination-and-remuneration-policy.pdf

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 towards Directors' remuneration are as follows:

(₹ in lakhs)

Name	Salary	Retirals	Perquisites	Commission	Perfomance-linked incentive/ Stock Options	Sitting Fees	Total
Suneel M Advani	-	-	-	33.00	-	10.25	43.25
Vir S Advani	75.53	23.41	151.06	132.30	391.47	-	773.77
B Thiagarajan	75.53	23.41	151.06	136.80	108.40#	-	495.20
Rajiv R Lulla	-	-	-	18.00	-	3.75	21.75
Dinesh N Vaswani	-	-	-	18.00	-	5.25	23.25
Sam Balsara[1]	-	-	-	15.00	-	4.25	19.25
Shailesh Haribhakti	-	-	-	18.00	-	8.00	26.00
Anil Harish[2]	-	-	-	7.50	-	3.50	11.00
Shobana Kamineni	-	-	-	18.00	-	1.25	19.25
Pradeep Mallick[3]	-	-	-	10.00	-	5.25	15.25
M K Sharma[4]	-	-	-	3.75	-	1.50	5.25
Gurdeep Singh	-	-	-	18.00	-	8.00	26.00

1 Appointed as Director with effect from June 20, 2017
2 Appointed as Director with effect from November 22, 2017
3 Retired as Director with effect from November 30, 2017
4 Ceased to be Director with effect from June 12, 2017
 # Includes amortised value of stock options for financial year 2017-18

DIRECTOR SHAREHOLDING

AS ON MARCH 31, 2018

Name of Director	No. of Shares held	Percentage (%)
Suneel M Advani	5626827	5.86
Vir S Advani	74625	0.08
B Thiagarajan	21700	0.02
Rajiv R Lulla	0	0.00
Dinesh N Vaswani	26944	0.03
Sam Balsara	5662	0.00
Shailesh Haribhakti	0	0.00
Anil Harish	0	0.00
Shobana Kamineni	0	0.00
Gurdeep Singh	1200	0.00
Total Shareholding	**5756958**	**5.99**

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, Suneel M Advani, Rajiv R Lulla and B Thiagarajan. 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, etc. Further during the year under review, the Company received 30 complaints, and all complaints were resolved to the satisfaction of the shareholders. There were no complaints outstanding as on March 31, 2018.

COMPLIANCE OFFICER

Vijay Devadiga

Company Secretary & Compliance Officer
Tel: +91 22 6654 4000, Fax: +91 22 6654 4001
Email: investorcomplaints@bluestarindia.com

D. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

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.

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 applicable 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 September 15, 2017; January 11, 2018; February 28, 2018; and March 26, 2018.

Details of attendance of the members of the Committee at the above mentioned meetings are as under:

Name of the Member	No. of Meetings
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 Executive Management Committee meetings were held on May 9, 2017; June 12, 2017; August 11, 2017; November 15, 2017; and February 28, 2018. These meetings were attended by all the members.

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 meeting was held on November 15, 2017. The meeting was 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 under the weblink: https://www.bluestarindia.com/media/6013/code-of-conduct-insider-trading.pdf

SUBSIDIARY COMPANIES

As on March 31, 2018, Blue Star Engineering & Electronics Limited, Blue Star International FZCO and Blue Star Qatar WLL are the three 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 under the weblink: https://www.bluestarindia.com/media/78799/policy-for-transaction-with-related-parties.pdf

COMMODITY PRICE RISK/FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company mitigates commodity price risk by entering into appropriate rate contracts with major suppliers which factors in price commitments for a time period by the suppliers. This approach provides sufficient mitigation against volatility in commodity rates.

The Company has also laid out 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 exposures. 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 36 to the standalone financial statement for the year ended March 31, 2018. 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 the 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 Chairman of 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
2014-15	July 28, 2015	Jai Hind College Hall, Sitaram Deora Marg, ("A" Road), Churchgate, Mumbai – 400 020	3.00 pm	None
2015-16	August 1, 2016	-do-	3.00 pm	None
2016-17	August 11, 2017	-do-	4.00 pm	None

POSTAL BALLOT

During the financial year 2017-18, 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, 2017	269
Number of shareholders who approached to the Issuer/Registrar for transfer of shares from suspense account during the financial year 2017-18	Nil
Number of shareholders to whom shares were transferred from suspense account during the financial year 2017-18	Nil
Aggregate outstanding shares lying in the suspense account at the end of the year i.e. as on March 31, 2018	269

The voting rights on the shares in the suspense account as on March 31, 2018 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 meetings 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 and participation in various investor conferences are also organised throughout the year.

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING:

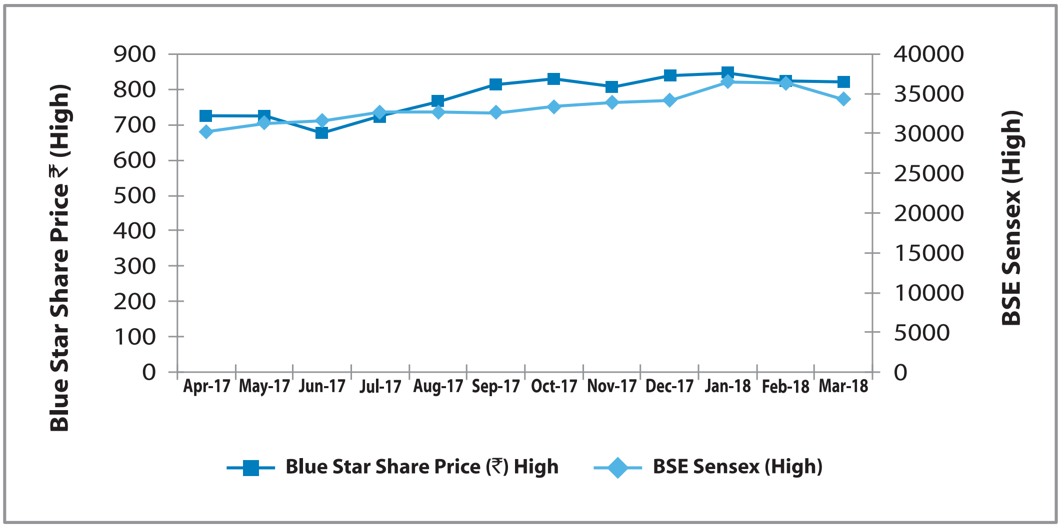
Date	: August 8, 2018
Time	: 10.00 am
Venue	: P. L. Deshpande Maharashtra Kala Academy, (Ravindra Natya Mandir), Sayani Road, Next to ICICI Bank, Prabhadevi, Mumbai - 400 025
Financial Year	: April 1 - March 31
FINANCIAL CALENDAR (PROVISIONAL):	
Unaudited results for the quarter ending June 30, 2018	: August 8, 2018
Unaudited results for the quarter ending September 30, 2018	: October 30, 2018
Unaudited results for the quarter ending December 31, 2018	: February 5, 2019
Audited results for the year ending March 31, 2019	: May 21, 2019
Date of Book Closure	: Saturday, July 28, 2018 to Wednesday, August 8, 2018 (both days inclusive)
LISTING ON STOCK EXCHANGES	: BSE Ltd Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 National Stock Exchange of India Ltd Exchange Plaza, Block G, C-1, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 Listing fees as applicable have been paid
STOCK CODE	: BSE Ltd - 500067 National Stock Exchange of India Ltd - BLUESTARCO
NSDL/CDSL - ISIN	: INE472A01039
Dividend payment date (if approved by members)	: on or after August 8, 2018

MARKET PRICE DATA

(₹ per share)

	BSE Ltd		National Stock Exchange of India Ltd	
	High	Low	High	Low
2017				
April	723.95	657.35	725.00	655.00
May	722.60	623.00	722.00	625.00
June	676.45	587.20	680.00	580.00
July	722.80	590.00	712.45	587.05
August	764.90	611.00	766.85	620.00
September	812.70	715.00	814.90	712.00
October	828.00	765.00	826.20	761.30
November	806.00	668.00	799.50	656.80
December	838.05	728.00	838.00	726.80
2018				
January	845.00	722.10	830.00	724.10
February	823.00	681.00	764.00	677.10
March	818.00	736.40	819.80	737.00

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 6000, 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 reminded 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.

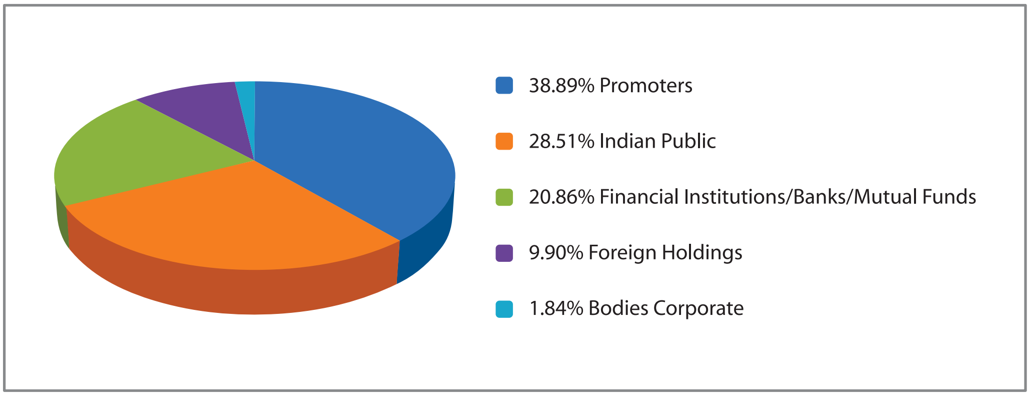
TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year under review, the Company has credited ₹44.42 lakhs as unpaid final dividend, for the financial year 2009-10, lying in the unclaimed/unpaid dividend account to the Investor Education & Protection Fund (IEPF). Further the unpaid dividend of ₹3.66 lakhs for the year 2009-10, 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, 2018

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders (%)	Total No. of Shares held	Percentage of Shares held (%)
1 - 5000	40018	97.74	12021959	12.52
5001 - 10000	500	1.22	3480912	3.63
10001 - 20000	195	0.48	2731173	2.85
20001 - 30000	49	0.12	1191847	1.24
30001 - 40000	23	0.06	797818	0.83
40001 - 50000	15	0.04	703314	0.73
50001 - 100000	43	0.11	3163450	3.30
100001 and above	102	0.23	71909315	74.90
TOTAL	**40945**	**100.00**	**95999788**	**100.00**

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2018



DEMATERIALISATION OF SHARES & LIQUIDITY

About 97.45% of the equity shares are in dematerialised form as on March 31, 2018. 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 an 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 6654 4000, Fax: +91 22 6654 4001
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, 2018.

For **BLUE STAR LIMITED**

Date : May 14, 2018
Place : Mumbai

Vir S Advani
Managing Director

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, 2018 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 2017-18 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	**Neeraj Basur**
Managing Director	Chief Financial Officer

Date : May 14, 2018
Place : Mumbai

Auditors' Certificate

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To Members of Blue Star Limited

1. The Corporate Governance Report prepared by Blue Star Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2018. This report is required by the Company for annual submission to the Stock Exchange and to be sent to the Shareholders of the Company.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:
   i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;
   ii. Obtained and verified that the composition of the Board of Directors w.r.t Executive and Non-Executive Directors has been met throughout the reporting period;
   iii. Obtained and read the Directors Register as on March 31, 2018 and verified that atleast one women director was on the Board during the year;
   iv. Obtained and read the minutes held during the year of the Board of Directors, and following committee meetings:
      (a) Audit Committee;
      (b) Nomination and Remuneration Committee;
      (c) Stakeholders' Relationship Committee;
      (d) Risk Management Committee, and also minutes of Annual General Meeting;
   v. Obtained necessary representations and declarations from Directors of the Company including the Independent Directors; and
   vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31, 2018, referred to in paragraph 1 above.

Other matters and Restriction on Use

9. This report 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.
10. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

per Ravi Bansal
Partner
Membership No. 49365

Date : May 14, 2018
Place : Mumbai

Management Discussion and Analysis

In the context of Blue Star's business operations and strategic positioning that are more fully described in the Board's Report and Integrated Report, a detailed analysis of the operating, business as well as financial performance is enumerated in the ensuing sections of this report.

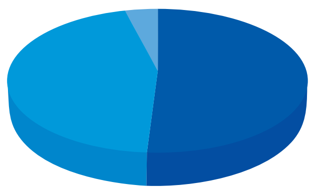
INDUSTRY STRUCTURE AND DEVELOPMENTS

Blue Star is a leading player in the air conditioning and refrigeration industry in India. An overview of the industry and the current market dynamics are more fully described in the Integrated Report. (refer Industry Structure and Developments on page no. 19)

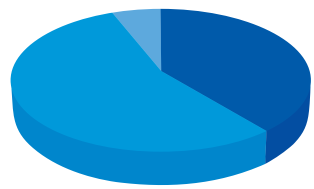
SEGMENT-WISE ANALYSIS

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 Revenue from Operations.

In the Electro-Mechanical Projects business, though the market stayed stagnant with Government-funded infrastructure projects driving consumption, profitability grew mainly on account of the better margin profile of certain key jobs. The order inflow in this business witnessed a modest improvement over previous year despite investments being muted in the private sector. There was a concerted effort towards untapped multi-service orders, resulting in 56% of new orders received from this end. Multi-service orders provide the customers with seamless coordination between various services through a single point of contact facilitating integrated build-up of the facilities. They also enable the Company to optimally manage project costs through efficient utilisation of resources. The business continued to expand into customer segments such as factories and educational institutions. For the third time in a row, Blue Star won the 'MEP Contractor of the Year 2017' award from Construction Week India for the Delhi Metro project wherein Blue Star successfully executed the electrical and fire-fighting job for five underground stations and the interconnecting 20 km tunnels of the Delhi Mass Rapid Transit System Project Phase III.

Some significant orders received by the Electro-Mechanical Projects business during the year were from My Divija IT Towers, Hyderabad; Ritz Carlton by Oberoi, Mumbai; DLF Cyberpark, Gurugram; MPMMM Cancer Hospital by Tata Trusts, Varanasi; CAPFIMs Hospital, Delhi; ISRO PFTF, Ahmedabad; Bhartiya City, Bengaluru; Wipro Technologies, Pune; Sintex, Ahmedabad; Ford IT SEZ, Chennai; Medanta Hospital, Lucknow; IIT, Jodhpur; NEIGRIHMS, Shillong; Microsoft, Hyderabad; Amara Hospital, Tirupati; Organic India factory, Lucknow; Meenakshi IT Park, Hyderabad; ITC factory, Guwahati; Embassy Splendid Tech Zone, Chennai; Government Medical College, Kozhikode; SJS Factory, Bengaluru; Government TD Medical College, Alappuzha; MRF Factory, Medak; Asian Paints, Visakhapatnam and Mysuru; among several others.

In the Central Plant Equipment segment, the Company recorded healthy growth across all product categories including ducted systems, VRF systems and chillers, gaining substantial market share in each. The Company continued with its drive to offer energy-efficient products, based on the dynamic market requirements. During the year under review, Blue Star further strengthened its position in the VRF segment with the launch of the latest 5th generation VRF, which has a large capacity outdoor unit ranging between 24 HP - 28 HP. The Company's VRF product offerings are highly efficient even in extreme ambient conditions as they have been designed to deliver full capacity at 43^{0}C and are capable of handling a wide range of fluctuations. In order to cater to the growing Tier 3 and 4 markets, Blue Star had introduced an easy-to-install pre-piped VRF system in FY17 which further enabled system integrators to offer the VRF technology in smaller towns. In addition, the inverter ducted systems aid in maintaining precise internal conditions and offer power savings up to 20%. The Company also introduced a new range of air-cooled configured screw chillers that offer significant benefits. Blue Star achieved a higher growth rate as compared to the market for both ducted systems and VRF systems, with a market share of over 40% and 16% respectively.

Blue Star also launched numerous initiatives to enhance the equity of central air conditioning products as well as to manage and motivate channel partners. Product launches were organised across Mumbai, Delhi, Chennai and Bengaluru, in addition to get-togethers in smaller towns. The Company expanded its dealer network by adding over 50 dealers during the year, predominantly in Tier 2 and 3 towns.

Some of the notable orders received during the year were from JSW Steel, Global Tech Park, WalMart, Asian Paints, Ashok Leyland, Larsen and Toubro, Saint Gobain, ITC, PSG College, Hannon Systems, JSW Cement, NTPC Khargone, Jindal India, and Greenply Industries, amongst others.

UNITARY PRODUCTS

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

During the year, the Room Air Conditioners business outperformed the market, thereby increasing the Company's market share to 11.5% in value terms. Blue Star launched 100 new AC models including 40 highly energy-efficient inverter split ACs. This stellar array ranges from 0.75 to 4.5 tons across 2-star and 3-star split ACs and as well as 3-star and 5-star inverter split ACs. For cities with extreme climatic conditions, there is a complete range of inverter split ACs that cool in summer and heat during winters. Some models also have a smart Wi-Fi feature for remote operation. The new range promises up to 30% extra cooling when needed, faster temperature pull-down and extra energy savings; extra comfort with precise temperature setting in steps of 0.1°C and 0.5°C; extra quiet performance with a 'soundproof' acoustic compressor jacket; and extra purification for healthier air.

Blue Star's share in the inverter and 5-star air conditioners segment is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. The entire range of inverter models is equipped with eco-friendly refrigerants while the series of 3-star and 5-star inverter split air conditioners are designed to operate smoothly within a voltage range of 160V-270V, without the aid of an external voltage stabiliser.

Besides, the Company also launched a new smart customer-centric mobile application which ensures enhanced comfort and offers personalisation at its best, in addition to its capability to remotely monitor and control the machine. This facility allows consumers to personalise their AC profile, group the ACs for better control, optimise settings as well as integrate this mobile application with home automation systems.

Blue Star also added several new customers in its national accounts business during the period under review. The year saw healthy order booking traction amongst customers in healthcare, educational institutions, retail, quick service restraunts and small finance banking segments. 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.

The Commercial Refrigeration products business witnessed good growth during the year as compared to the overall market growth. Deep freezers witnessed enhanced sales, propelled by a rise in demand from dairy, ice cream and food processing segments such as Havmor, Creambell, Amul and Hatsun, amongst others. The new models of varied capacities of glass-top and curved glass-top deep freezers introduced during FY17 gained traction among the frozen products and ice cream segments. The professional kitchen equipment and healthcare refrigeration markets, which the Company ventured into last year are gaining momentum and garnering good response. Kitchen refrigeration products grew well with increase in channel strength and gained sizeable orders from the hospitality segment. The medical refrigeration products also saw an uptake of orders from science and research institutions. Ultra-low temperature freezers were supplied to IIT, Mumbai and Kharagpur, Vedanta Cancer Institute, Anthem Bioscience, Lambda Research, and Institute of Liver & Biliary Sciences. Storage water coolers performed well, backed by demand from industrial canteens and educational institutions. The sale of bottled water dispensers witnessed good progression with augmented penetration into the retail market.

The cold room business witnessed demand from traditional segments such as dairy, ice cream and pharma. Several leading players continue to invest in cold rooms for warehousing and distribution needs across the country. Quick service restaurants also contributed significantly to this business due to their aggressive expansion plans. The Company continues to be a partner of choice for major food chains such as Yum!, Domino's, Devyani International, Burger King, and Lite Bite, to name a few. The Company was successful in securing orders for large cold rooms, thereby making headway into the large cold storage business arena.

In order to enhance its offerings in the adjacent categories, the Company launched air coolers across the country during the year under review. 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 contributing about ₹1700 crores; and this market is set to nearly double over the next 5 years.

In air purifiers, Blue Star launched two additional models during the festive season with high-end premium variants, taking the overall count to 10 models. The range is being expanded to cover all price points. These new machines have a High Efficiency Particulate Air (HEPA) filter which is equipped with ioniser and plasma technologies, for spaces varying from 200 sq ft to 650 sq ft. The market for air purifiers was about ₹200 crores in FY18, but given the rising concern and awareness of air quality in the country, this category is expected to grow multi-fold over the next 5 years. The Company intends to ride on its existing channel network for distributing these products.

During the year, Blue Star made significant progress in the residential water purifier business with a range of stylish and differentiated products across price points ranging from ₹7900 to ₹44,900. 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 15-20%. 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 85% of the market, whilst the balance comprises gravity-based purifiers. Blue Star has a comprehensive range of 35 models in the RO, UV, RO+UV and RO+UV+UF segments, including colour variants catering to all price points. These purifiers are highly differentiated and offer attractive features such as hot and cold water, touch sensors, electronic dispensing and filter change alerts. The Company has also launched a range of commercial water purifiers to cater to offices, restaurants, clinics, and other commercial establishments.

Blue Star's water purifiers are available in over 100 towns across 2000 outlets. The business is focused on enhancing the productivity of the channels and has engaged over 400 star water consultants (in store demonstrators) who are available at retail outlets to highlight the superior features of Blue Star's water purifier range. These personnel also carry out activations and other field marketing activities for brand awareness and lead generation. During the year, Blue Star water purifiers were awarded as the 'Best Domestic RO+UV water purifiers' in the country at the Water Digest Awards 2018. This is the second time in a row that it has won this award. Introduced in 2006, these prestigious awards are supported by UNESCO and the Ministry of Water Resources in India.

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 significantly scaled up operations in this business and has moved up the value chain 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 Limited, a wholly owned subsidiary of the Company. The business operates in two broad segments; Professional Electronics that comprises Healthcare Systems, Data Security Solutions, Infra Security Solutions and Communication Systems; and Industrial Systems that encompasses Testing Machines, Non Destructive Testing (NDT) Systems and Industrial Automation, NDT Products and Industrial Products. The business has been successful in capturing the pulse of the market and has carved out profitable niches for itself in most of the specialised markets that it operates in.

During the review period, Industrial Systems was impacted by lower demand coupled with lower realisation due to sluggish market conditions while Professional Electronics grew on increased orders in the Data Security Systems and Healthcare businesses. The Healthcare Systems business registered good growth against the backdrop of a significant large order of CT scanners from the Government, Medical and Health Services sector, which was bagged in the latter part of the year. This order secured from the Government of Uttar Pradesh was the largest order ever secured in this arena. The Data Security business performed well aided by digitisation initiatives with orders from major banks, certificate authorities, telecom and payment technology companies. The Infra Security business, which mainly revolves around video surveillance, was majorly engaged in project execution. The Communication Systems business that largely deals with radio frequency, microwave as well as avionics test and measuring equipment, booked significant orders from the defence, space and aerospace sectors.

The Testing Machines business has successfully supplied a wide range of inspection equipment including universal testing machines and customised plant growth chambers to research centres and agricultural universities. The Non-Destructive Testing Systems and Industrial Automation business widened its automation offerings of bagging solutions and thrived in the industrial CT systems space. This business installed its first eddy-current inspection system and booked significant orders from automotive and space segments. The Non-Destructive Testing Products business, with a highly diversified portfolio including technologies such as ultrasound, RVI, X-ray, industrial CT, radioscopy, portable radiography, eddy-current, and metrology with advanced specifications and applications, secured orders from the automotive, aerospace and inspection sectors. The Industrial Products business, which mainly transacts in industrial valves and pumps, despite a slowdown, was able to sustain by securing orders from the paper industry.

Recognising opportunities which are expected to unfold further, the business embarked on various strategic initiatives such as reorientation of internal organisation structure with the intent to improve focus on the chosen customer segments and launched a web and mobile-based sales force automation tool named 'Saksham' for sales engineers and managers. There is a greater emphasis on business development, service management and project execution functions for this business.

FINANCIAL PERFORMANCE ANALYSIS

Prior to GST going live on July 1, 2017, revenue for previous periods included excise duty and other applicable input taxes. For this financial performance analysis, Total Income for FY17 and FY18 has been computed by deducting excise duty and other applicable input taxes. There is no impact of this on the Profit before Tax and Profit after Tax figures.

Following are the financials highlights of the company for the year ended March 31, 2018 on a comparable consolidated basis.

1. INCOME

Total Income for the year ended March 31, 2018 was ₹4660.21 crores as compared to ₹4165.35 crores in the previous year, an increase of 11.9%.

2. COST OF SALES, WORK BILLS AND SERVICES

The cost of sales, work bills and services during the year was ₹3247.33 crores as compared to ₹3112.25 crores in the previous year. This cost was 69.9% of the Revenue from operations as compared to 75.3% in the previous year.

3. EMPLOYEE REMUNERATION AND BENEFITS

Employee cost for the year at ₹397.72 crores increased by 17.3% as compared to ₹339.03 crores in the previous year. The employee cost was 8.5% of the Total Income as compared to 8.1% in the previous year.

4. OPERATING AND GENERAL EXPENSES

Operating and general expenses increased to ₹819.43 crores from ₹711.55 crores in the previous year. As a percentage of Total Income, the Operating and general expenses for the year were at 17.6% as compared to 17.1% in the previous year.

5. FINANCIAL EXPENSES

Financial cost for the year was lower at ₹28.74 crores as compared to ₹37.78 crores in the previous year. The financial cost for the year reduced to 0.6% of the Total Income as compared to 0.9% in the previous year.

6. DEPRECIATION

Depreciation charge for the year increased to ₹63.81 crores as compared to ₹60.58 crores in the previous year.

7. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS

Profit before tax and exceptional items for FY18 increased by 26.5% to ₹200.73 crores as compared to ₹158.63 crores in FY17. Profit before tax and exceptional items was 4.3% of the Total Income as compared to 3.8% in the previous year.

8. EXCEPTIONAL ITEMS

There was an exceptional income of ₹5.27 crores during the year on account of profit on sale of an office property.

9. PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS

Profit before tax and after exceptional items for FY18 increased by 29.9% to ₹206 crores as compared to ₹158.63 crores in FY17. Profit before tax and after exceptional items was 4.4% of the Total Income as compared to 3.8% 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. (refer Risks and Mitigation Strategies on page no. 43)

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 continue to remain subdued. The complete revival of the commercial real estate segment is likely to take some more time but the proposed investments in development of airports, expressways, high speed and metro rail projects could revive sentiments and fuel growth.

OPPORTUNITIES

The Company's presence in multiple segments across the industry, increasing urbanisation and investments driven by the Government in the infrastructure space, provide the Company with opportunities to grow. These opportunities have been elaborated in the Integrated Report. (refer Opportunities on page no. 45)

HUMAN RESOURCES

Caring for its people has always been the way of life in the Company as its people are always treated as Blue Star's most valuable assets. The Company has been successful in fostering a people-centric cohesive culture within the organisation that has been instrumental in creating its diverse pool of intellectual capital. The Company is focused and committed towards empowering its employees and continues to embark upon several initiatives on this front. (refer Human Capital on page no. 32)

CORPORATE OUTLOOK

The Electro-Mechanical Projects business has been witnessing modest traction on the back of enhanced investments in the infrastructure segment largely driven by the Government. The unitary products business continues to show significant potential, and with the GST transition completed, is on a growth path. As Blue Star embarked on its Platinum Jubilee year of completing 75 years of operations, the Company is confident of capitalising on future growth opportunities driven by its strong capabilities and credentials, and intends to continue investing in marketing, brand building and new product development, as well as nurturing new businesses such as water purifiers, air purifiers and air coolers. It remains optimistic of sustaining this growth momentum in this landmark Platinum Jubilee year as well.

The Dynamics of Blue Star's Growth

5 YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

		2017-18	2016-17	2015-16	2014-15	2013-14
OPERATING RESULTS:						
Total Income*	₹Crores	4660.21	4165.35	3648.35	3190.42	2952.12
EBITDA (before exceptional items and excluding other income & finance income)	"	276.33	222.41	189.75	167.29	150.49
Profit for the year after tax	"	149.25	123.05	83.02	54.18	77.54
Dividend (Including corporate dividend tax)	"	115.54	86.46	74.59	54.12	42.09
FINANCIAL POSITION:						
Share Capital	₹Crores	19.20	19.11	17.99	17.99	17.99
Shareholders' Funds	"	832.81	758.36	631.43	455.57	460.52
Borrowings (Net)	"	289.80	119.55	317.41	352.38	425.95
Net Capital Employed	"	1028.64	770.25	840.96	724.49	851.69
PERFORMANCE INDICATORS:						
Revenue Growth	%	11.9	14.2	14.4	8.1	-0.3
Gross Margin	%	30.1	24.7	28.7	30.4	28.9
EBITDA Growth (before exceptional items & excluding other income and finance income)	%	24.2	17.2	13.4	11.2	66.5
EBITDA Margin (before exceptional items & excluding other income and finance income)	%	6.0	5.4	5.2	5.3	5.1
Earnings per Share	₹	15.6	12.9	8.7	6.0	8.4
Dividend per Share	₹	10.0	7.5	6.5	5.0	4.0
Book Value per Equity Share	₹	86.8	79.4	66.2	50.7	51.2
Debt Equity Ratio	Ratio	0.35	0.16	0.50	0.77	0.92
Capital Turnover Ratio	Ratio	5.2	5.1	4.6	4.0	3.6
Return on Shareholders' Funds	%	17.6	15.6	13.0	11.9	16.8
Return on Capital Employed	%	25.5	24.4	20.6	16.8	15.9
OTHER INFORMATION:						
Number of Shareholders	Nos.	39692	25553	19221	20686	22490
Number of Employees	"	2819	2711	2567	2599	2667

Note: Financial Year 2015-16 excludes operating performance of the erstwhile subsidiary, Blue Star Infotech Limited for a like-to-like comparison

** Revenue from Operations in this statement for FY17 and FY18 have been restated to make them comparable since the reported Revenue for FY17 includes Excise Duty and that of FY18 includes Excise Duty in Q1 .*

Business Responsibility Report

As a responsible corporate citizen, Blue Star remains committed to conducting its business in a socially responsible manner by imbibing sustainable business practices across all its areas of operations. In today's changing market dynamics, the Company understands that long term business growth and social value creation go hand-in-hand. With a sharp focus on the long term viability of its businesses, the Company has integrated sustainable business practices into its core business strategy and aligned it with the societal and environmental interests. The Company ensures effective utilisation of its resources by adopting the latest technology, and productivity processes which are consistent with modern management practices. Recognising the importance of stakeholder engagement towards this objective, Blue Star seeks increasingly higher stakeholder alignment to generate sustainable value creation. All products and services of the Company are designed and developed, keeping in view customer experience and safety, holistic community development as well as environment protection. Blue Star also seeks involvement of employees across all levels to raise awareness, enhance 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, 2017 to March 31, 2018
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	NA

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 (shareholding transferred to Company's wholly owned subsidiary, Blue Star International FZCO, with effect from December 22, 2017)
      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: 32 offices and 5 manufacturing facilities across the country.
10. Markets served by the Company:

    The Company caters to the Indian and international markets in 19 countries in Middle East, Africa, SAARC and ASEAN regions.

Section B: Financial Details of the Company

1. Paid up Capital (₹): 19.20 crores comprising 9,59,99,788 equity shares of ₹2 each
2. Total Turnover (₹): 4425.15 crores
3. Total profit after taxes (₹): 141.93 crores
4. Total spending on Corporate Social Responsibility (CSR) as a percentage of average net profit of the Company for last three financial years: 2.09% (₹2.20 crores)
5. List of activities in which expenditure in 4 above has been incurred:
   (a) Vocational Training in the areas of air conditioning and refrigeration as well as mechanical, electrical and plumbing services
   (b) Installation of water purification systems in schools
   (c) Construction of sanitation and hygiene 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, Blue Star Engineering & Electronics Limited, Blue Star Qatar WLL and Blue Star International FZCO. Details of these companies are provided under Note 45 to the Consolidated Financial Statement.

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 the concerned internal and external stakeholders. At present, over 60% of Blue Star's business associates participate in its BR initiatives. From the start of its association with suppliers and distributors, the Company urges them to adhere to the various aspects of sustainable business. Further, Blue Star's Whistle Blower Policy applies across its network of business associates, providing them with a robust 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	+91 22 6654 4000	+91 22 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 well-being 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 been 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 been 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 P1	Products Lifecycle Sustainability P2	Employees' Well-Being P3	Stakeholder Engagement P4	Human Rights Promotion P5	Environmental Protection P6	Policy Advocacy P7	Inclusive Growth P8	Customer Value 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 for assimilation and application of 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 fora, and is also involved in advocating formulation of relevant policies. Though the organisation does not have a stated policy on advocacy currently, it continues to follow and monitor the business and regulatory environment closely.

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 numerous sustainability initiatives over the years.

Section E: Principle-wise Performance

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

The Company's conduct is governed by its core values and beliefs with strict adherence to fair and transparent business practices including greater emphasis on personal integrity and ethics. These values and beliefs, a way of life in the organisation, have been seamlessly integrated into its culture, with the onus resting on every Blue Starite, irrespective of his/her designation or profile. Each 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. Well enumerated policies easily accessible 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 fair and transparent business conduct has always resonated well with the internal and external stakeholders, who hold Blue Star in the league of the most trusted and reliable entities, and consider it a pleasure to deal with the organisation. Blue Star's timeless basic values are to never compromise on doing a good job; being open, transparent and fair; and integrity in business. The Company has long and sustained relationships with several dealers who have been associated with Blue Star over a long period, and they have also incorporated its values and beliefs in their dealings. Blue Star believes in achieving growth in a prudent and sustainable manner benefitting all the stakeholders, employees, business partners and the society. The Company has a robust vigilance and control framework in place; and has implemented Enterprise Risk Management, Internal Audit and Whistle Blower Policy. 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 (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 are 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 through an annual declaration.

The Whistle Blower Policy has been 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 2017-18, the Ethics Committee of Blue Star investigated into complaints received from the Whistle Blowers within and outside the Company, and initiated disciplinary action and recovered the losses, if any, suffered by the Company. Blue Star has an 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 has been 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 the energy-efficient inverter technology across three key products of the Company, namely chillers, VRFs and wall-mounted split air conditioners. Refrigerants with low global warming potential help mitigate environmental impact and energy-efficiency concerns. Sustainability related aspects, risks as well as 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 of the Company are tracked and monitored diligently and systematically. Due to continuous product innovations with a focus on energy-efficiency and low global warming potential, power utilisation during product use at the 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 through a common supplier basket for multiple businesses, with respect to packaging to minimise waste, 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 makes concerted efforts on limiting waste in its production processes across factories. There is a continuing focus on energy management, enhancement of safety practices and total productive maintenance across the Company.

Blue Star officials are part of several national and international fora 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 88% of procurement for projects and close to 56% 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, 2016 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 certified e-waste dismantlers and recyclers. The Company has been discharging its extended producer responsibilities under the e-waste rules by achieving the set target of channelising the e-waste and implementing other initiatives.

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

Blue Star has always been a people-centered organisation. People, its core strength, are the basis of its robust foundation that is built over years of its existence. Blue Star has adopted an approach of shared growth, whereby it gives equal importance to empowering and nurturing its employees to achieve greater heights along with the Company's growth. The passion and fervor showcased by its employees, several of whom have been associated with the organisation since decades, and the pride they take in their association with Blue Star, is the highest testimony of the trust and confidence placed by Blue Starites in the Company. Welfare of its employees is paramount for Blue Star. The Company has a robust HR framework in place which it revisits regularly in order to bring in a more modern and contemporary approach towards its people systems and processes. All this is aimed to augment the employee friendly ecosystem.

Blue Star has a rich and diversified workforce with employees coming in from different backgrounds, geography, ethnicity, language, gender, religion, caste and creed. The core thinking of its people is imbibed with strong value systems, ethics, honesty, sincerity of purpose and team work, among many others. The total employee count of the Company was 4073 as on March 31, 2018 inclusive of 1471 employees hired on a temporary or contractual basis. There are no permanent employees with permanent disabilities in the organisation. 220 employees, forming 8.46% of the permanent staff, are members of employee associations recognised by the Company.

With a focus on holistic development of its people, Blue Star encourages and conducts numerous training programmes and workshops for its people as well as provides them with a well-rounded exposure to business activities, which empowers them and helps in building their career within the organisation. Close attention is paid to each employee's career graph, in relation to his/her potential and numerous and constant opportunities for individual growth are provided. The Company encourages job rotation which helps employees take new responsibilities. 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 also conducted at the factories.

In its endeavour towards promoting a healthy work life balance, the Company has rolled out numerous initiatives such as flexible timing and work-from-home that keep the employees positive and energised. The management has always been open and transparent in their dealings with the employees where an open-door-policy is promoted and practised as an employee can approach any Senior Management member to discuss ideas, suggestions or concerns. The findings of a recent employee engagement survey reveal that a majority of the employees feel Blue Star is a great place to work. Employees take pride in being associated with Blue Star and have a strong belief in the management's Vision, Competence and Ethics. They appreciate the management maintaining a strong and regular communication with them as well as appreciate the friendly and family-like work environment.

There are 226 permanent women employees in the organisation. The Company has augmented the strength of its female employees approximately to 8.2% across levels and roles during FY18 and further intends to increase the same to 13.5% by FY21 through a meticulously planned approach of consciously hiring in this direction. Endorsing equal gender representation across management and leadership positions, Blue Star regularly conducts programmes around 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.

With Compensation & Benefits forming an integral part of being an employer of choice, Blue Star has a well-designed Compensation & Benefits system in place, which boosts the recruitment and retention efforts of the Company. Blue Star is making efforts towards its objective to pay higher than the industry average, which it aims to achieve over a three-year period ending by FY21. The Company's performance appraisal system is fair and transparent, and ensures higher employee satisfaction, leading to increased motivation and productivity. Besides, Blue Star's HR practices are also 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 another aspect which the Company believes should not be compromised with at any cost. Blue Star remains committed in its endeavour to ensure and adhere to highest standards of safety for which regular safety training, tool-box familiarisation, mock drills and specific safety interventions are held across Blue Star's offices, manufacturing facilities and channel partners. This fosters a 'Safety First' culture within the organisation. The Company also engages in numerous safety training programmes to improve safety as well as to inculcate a culture of safety amongst its employees. The capability of new sub-contractors with respect to safety requisites 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 systematic 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, 2310 permanent employees including 196 women and 832 temporary/contractual staff underwent safety and skill upgradation training.

The Company lives by 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 2017-18. In line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company organises workshops and awareness programmes at regular intervals to sensitise employees across its offices and manufacturing facilities. During the year under review, one complaint with an allegation of sexual harassment was filed with the Company, and the case was investigated thoroughly and resolved as per provisions of the Act.

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, which detail the Company's vision as well as its product and service portfolio are held regularly at major locations across the country.

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 the 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 Integrated Report section of this report.

Principle 5: Businesses should respect and promote human rights.

Protection of human rights and prevention of violations are fundamental under all circumstances, and Blue Star remains committed in its efforts in this direction. The Company maintains cordial and transparent relations with all its stakeholders across the entire value chain including its employees. It advocates as well as practices fair and transparent business conduct which is clearly embodied in its systems and policies.

Blue Star has formulated and adopted its Code of Conduct for vendors, service providers and employees to address and redress grievances of any nature including those that may lead to conduct breaches and sexual harassment. These comprise formal mechanisms which are administered through committees that review any grievance and are responsible to ensure anonymity and confidentiality of the complainants. Through regular communication and workshops, the employees have been made aware of the policy related to sexual harassment at workplace, along with the objectives, applicability, structure of committees and the process undertaken to redress complaints. The complainants are assured of complete anonymity and confidentiality. In its commitment towards safety and security of its employees, Blue Star ensures that safety practices are adhered to at its construction sites, and continues to engage with construction suppliers through training, safety audits and checks.

There is a discreet and formal mechanism in place for all the employees to voice their concerns, if any, to the Managing Director or Joint Managing Director in person with the open-door-policy in place or through a dedicated email address, which is handled and managed by only the Managing Director or Joint Managing Director.

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 air conditioner 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. Effective January 1, 2018, the Government issued a notification, revising the star rating plan applicable to unitary and split air conditioners. This evolved rating methodology factors in variance in higher temperature in the country and rates air conditioners accordingly. Consumers can now purchase air conditioners with higher efficiency leading to lower electricity bills. The Bureau has been increasing these standards such that the highest star rated air conditioner in 2010 has become the least rated air conditioner in 2018. The Company has complied with this revised star rating plan for all its room air conditioners to which the said notification is applicable.

Blue Star closely monitors in reducing the use of hazardous substances in manufacturing of its products. It consistently ensures that the products do not, at any given time, contain lead, mercury, cadmium or any such hazardous substances over the permissible concentration value permitted by the environmental laws in India.

The manufacturing facilities are equipped with testing machines that use the latest 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 fora. 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.

There were no show cause/legal notices from these bodies pending as on March 31, 2018. 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 strives to drive a positive change in the industry through public advocacy by actively participating and collaborating with apex industrial institutions and professional bodies that are engaged in influencing sections of legislation or industrial policies.

Blue Star's senior leadership offers its expertise and insights during the formulation of public policies through strategic partnerships with industrial bodies and consortiums at the local, national and international levels namely, 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), Water Quality Association (WQA), National Safety Council and various other collective platforms or fora, to put forth the larger interests of the industry.

The Company, through various industry associations, participates in advocating matters advancement of the industry and public good and also 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, seeking to create a transformational change.

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 and Analysis section of this report.

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

With customer-centricity forming an integral part of its core, ensuring the well-being of its customers and the society at large has always been of paramount significance to Blue Star. The Company aims to generate highest value for the consumer with every product or service that it offers. All its efforts are directed towards meeting and surpassing customer expectations, and creating customer delight through enhanced value creation and generating utmost level of satisfaction for the customer. Blue Star's world-class products are the result of extensive research and development processes, and incorporate cutting edge technology with stringent quality checks. The Electro-Mechanical Projects business, with 'Superior Project Delivery' as its value proposition, 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 that has stringent response and turnaround time adhered to by the teams for resolution of consumer complaints and breakdown calls. Blue Star has a defined mechanism in place whereby consumer insights are sought systematically across businesses through customer interactions and focused group discussions, and incorporated in product development processes. All this equips and empowers the Company to respond to the changing dynamics in the markets that it operates in, giving it an edge. Blue Star is also advancing well on the digital front by imbibing latest digital technologies across its lines of businesses including applications designed for smooth and enhanced customer interface across products and services as well as ease of doing business.

Blue Star's products and services have garnered wide acceptance and stood the test of time across geographies. The Company's products, services and facilities have been validated and endorsed 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 via phone, e-mail, website, feedback forms and letters, as deemed fit.

Out of the total calls received by the Company from the customers, approximately 85% was related to the complaints, of which 1.04% complaints were pending resolution as on March 31, 2018. All the other complaints were closed satisfactorily with the customers. The dissatisfied customers of the Company generally file their cases before the consumer fora, which the Company defends appropriately. Out of the total consumer cases filed, 24 cases were resolved during 2017-18, and as on March 31, 2018, 42 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 and Integrated Report section of this report.

"The interest of the organisation override the interests of individuals who own or manage it."

Mohan T Advani

BLUE STAR PLATINUM JUBILEE

"I feel that what will help us the most is our sense of belonging, we have pulled together through good times and bad. We shall do so in the future."

Mohan T Advani

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, 2018, 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 Standalone Ind AS 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 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, 2018, 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 Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 35 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.

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

per Ravi Bansal
Partner
Membership Number : 49365

Date : May 14, 2018
Place of Signature : Mumbai

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, duty of custom, duty of excise, value added tax, goods and service 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, goods and service 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, duty of custom, duty of excise and value added tax on account of any dispute, are as follows:

Name of Statute	Nature of dues	Amount (₹ in Crores)*	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance for deduction u/s 80IA/80IB/80IC/80HHC	7.58	AY 1998-99, AY 2000-01, AY 2002-03 to A Y 2004-05, AY 2006-07, AY 2007-08	CIT (A)/ITAT/High Court
	Disallowance of software expenses as revenue expenses	1.28	AY 2007-08	ITAT
	Disallowance on advertisement on brand building considered as revenue expense	1.27	AY 2006-07	ITAT
	Reduction of claim u/s 10A	3.68	AY 2005-06 and AY 2006-07	ITAT
	Short deduction of Tax at Source on payment to subcontractors	1.67	AY 2008-09 and AY 2009-10	CIT (A)
	Other disallowances	0.08	AY 2007-08	ITAT
Local Sales Tax, VAT Act and Central Sales Tax Act	Input credit denied due to failure of dealer to file return	0.03	FY 2011-12	Dy. Comm. of Commercial Taxes (Audit)
	Demand due to excess tax payable as computed by assessing officer against that paid by the Company	48.99	FY 1990-91, FY 2001-02, FY 2001-02 to FY 2008-09, FY 2010-11 to FY 2014-15	Asst. Comm./ Dy. Comm./Jt. Comm. Of Sales Tax, CESTAT, High Court and Supreme Court
	Demand imposed on account of AMC margin difference	1.44	FY 2011-12	Jt. Comm./Asst. Comm. CT-III-Enforcement
	Demand for Entry Tax payable	8.30	FY 2001-02, FY 2002-03, FY 2008, FY 2014-15 FY 2015-16	CTO, Addl. Comm., Asst. Comm.
	Denial of Input Tax Credit and disallowance due to non-submission of forms	96.29	FY 1992-93, FY 2000-01 to 2004-05, FY 2006-07 to FY 2014-15	Asst. Comm./Dy. Comm./ Jt. Comm. Of Sales Tax, CESTAT, High Court and Supreme Court
	Disallowance made for stock transfer	0.30	FY 2011-12	Appellate Authority
	Inter-state sale wrongly assessed as local sale	1.26	FY 2002-03 to FY 2003-04	Rajasthan Tax Board
Service Tax under Finance Act, 1994	Demand due short payment of service tax as alleged by the assessing officer	209.63	FY 2003-04 to FY 2007-08, FY 2010-11 to FY 2013-14	CESTAT, Commissioner (Appeals)
	Demand due to excess tax payable as computed by assessing officer against that paid by the Company	0.08	FY 2003-04	CESTAT
	Demand of service tax on commission received from abroad	8.37	FY 2006 -07 to FY 2009-10, FY 2011-12 to FY 2012-13	Asst. Comm./Dy. Comm./Jt. Comm. Of Sales Tax, CESTAT, High Court and Supreme Court
	Denial of CENVAT credit availed on some services	13.74	FY 2005-06 to FY 2013-14	Comm (Appeals), CCE(A), Tribunal, CESTAT, Superintendent, Commissioner of Service Tax
	Denial of exemption on services provided	0.04	FY 2007-08 to 2008-09	Commissioner (Appeals)
	Reversal of CENVAT credit on trading activity	9.17	FY 2005-06 to FY 2013-14	CCE (A), 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	2.48	FY 1986-87 to FY 1990-91, FY 2008-09	CEC, Supreme Court, High Court, AC
	Demand for excise duty payable as alleged by assessing officer	1.13	FY 2008-09	CESTAT
	Denial of CENVAT credit	5.85	FY 1990-1991 to FY 1995-96, FY 2006-07 to FY 2015-16	CESTAT, Commissioner Appeals, Asst Commissioner, Commissionerate, Superintendent
	Denial of exemption available	0.07	FY 2009-10	CESTAT
	Rejection of Refund/CENVAT Credit claimed by the Company	0.82	FY 2011-12, FY 2012-13	Comm (Appeals) Chennai Customs, 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. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

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

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

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

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

xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

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

Date : May 14, 2018
Place of Signature : Mumbai

ANNEXURE 2 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 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, 2018 in conjunction with our audit of the standalone Ind AS 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, 2018, 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

Date : May 14, 2018
Place of Signature : Mumbai

Balance Sheet as at March 31, 2018

(₹in crores)

	Notes	As at March 31 2018	As at March 31 2017
A ASSETS			
1. Non-Current Assets			
Property, Plant & Equipment	3	234.80	216.09
Capital Work in Progress		18.38	21.52
Investment Property	4	56.07	59.49
Intangible Assets	5	56.12	43.71
Intangible Assets under development		6.93	12.09
Financial Assets			
- Investments	6	220.26	215.08
- Trade Receivable	8	23.10	29.85
- Loans	6	19.98	19.43
- Other Financial Assets	6	3.96	3.61
Income Tax Assets (Net)		45.59	37.65
Deferred Tax Assets (Net)	20	87.81	104.53
Other non-current assets	10	31.80	28.36
Total Non Current Assets		**804.80**	**791.41**
2. Current assets			
Inventories	7	822.40	580.45
Financial Assets			
- Loans	6	8.52	3.79
- Trade Receivables	8	954.81	812.76
- Cash & cash Equivalents	9	65.07	78.00
- Other Financial Assets	6	277.40	225.28
Other Current Assets	10	206.01	126.40
Asset held for sale	3	5.22	1.77
Total Current Assets		**2,339.43**	**1,828.45**
TOTAL ASSETS		**3,144.23**	**2,619.86**
B EQUITY AND LIABILITIES			
1. Equity			
Equity Share Capital	11	19.20	19.11
Other Equity		966.10	898.65
Total Equity		**985.30**	**917.76**
2. Non-Current Liabilities			
Financial Liabilities			
- Other Financial Liabilities	16	4.20	0.56
Long term Provisions	18	12.20	10.77
Government Grants	19	2.95	3.49
Total - Non-current liabilities		**19.35**	**14.82**
3. Current Liabilities			
Financial Liabilities			
- Borrowings	14	320.02	149.23
- Trade Payables	15.A	1,446.88	1,106.91
- Other Payables	15.B	1.27	1.67
- Other financial liabilities	16	7.26	13.27
Government grants	19	0.54	0.65
Provisions	18	33.35	34.79
Other Current Liabilities	17	330.26	380.76
Total - Current liabilities		**2,139.58**	**1,687.28**
TOTAL - EQUITY AND LIABILITIES		**3,144.23**	**2,619.86**
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 14, 2018

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 14, 2018

Statement of Profit & Loss Account for the year ended March 31, 2018

(₹ in crores)

	Notes	Year ended March 31 2018	2017
Revenue from operations	21	4,425.15	4,146.60
Other Income	22	7.95	13.13
Finance Income	23	8.19	21.25
Total revenue (I)		**4,441.29**	**4,180.98**
Expenses			
Cost of raw material and components consumed and Project related cost	24	2,141.79	2,068.74
Purchase of traded goods	24	1,060.59	859.92
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	24	(193.46)	(21.09)
Excise Duty on sale of goods		9.18	37.00
Employee benefits expense	25	358.77	309.78
Depreciation and amortization expense	26	60.57	54.97
Finance costs	28	22.88	30.61
Other expenses	27	803.07	692.77
Total Expenses (II)		**4,263.39**	**4,032.70**
Profit before exceptional items and tax (I) – (II)		**177.90**	**148.28**
Exceptional items	29	17.85	-
Profit after Exceptional items before Tax		**195.75**	**148.28**
Profit from continuing operations before taxation :		**195.75**	**144.28**
Tax Expense			
i) Current tax	20	40.15	42.26
Less: Tax expense of discontinuing operation	20	-	1.38
Current tax for continuing operation		**40.15**	**40.88**
ii) Deferred tax	20	13.67	(5.95)
Income tax expense		**53.82**	**34.93**
Profit for the year from continuing operations [A]		**141.93**	**109.35**
Discontinuing Operations			
Profit/(loss) before tax for the year from discontinuing operations		-	4.00
Tax expense for discontinuing operation		-	1.38
Profit after tax from discontinuing operation [B]		**-**	**2.62**
Profit for the year [A+B]		**141.93**	**111.97**
Balance carried forward		**141.93**	**111.97**

(₹in crores)

	Notes	Year ended March 31 2018	Year ended March 31 2017
Balance brought forward		**141.93**	**111.97**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans		(2.43)	(6.00)
Income tax effect	20	0.84	2.07
Other comprehensive income for the year, net of tax		**(1.59)**	**(3.93)**
Total comprehensive income for the year, net of tax		**140.34**	**108.04**
Earnings per share for continuing operations	30		
Basic, computed on the basis of profit from continuing operations attributable to equity holders		14.82	11.46
Diluted, computed on the basis of profit from continuing operations attributable to equity holders		14.76	11.41
Earnings per share for discontinuing operations	30		
Basic, computed on the basis of profit from discontinuing operations attributable to equity holders		-	0.27
Diluted, computed on the basis of profit from discontinuing operations attributable to equity holders		-	0.27
Earnings per share for continuing and discontinuing operations	30		
Basic, computed on the basis of profit for the year attributable to equity holders		14.82	11.73
Diluted, computed on the basis of profit for the year attributable to equity holders		14.76	11.68

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 14, 2018

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 14, 2018

Statement of Changes in Equity for the year ended March 31, 2018

(A) Equity Share Capital

For the year ended March 31, 2018 *(₹ in crores)*

Balance as at April 1, 2017	Changes in Equity Share Capital during the year (refer note 11)	Balance as at March 31, 2018
19.11	0.09	19.20

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

Balance as at April 1, 2016	Changes in Equity Share Capital during the year (refer note 11)	Balance as at March 31, 2017
17.99	1.12	19.11

(B) Other Equity

For the year ended March 31, 2018 *(₹ in crores)*

Particulars	Share Premium (refer note 12)	Share Capital Suspense (refer note 12)	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, 2017	180.46	-	6.67	2.34	0.60	325.73	388.69	(5.84)	898.65
Profit for the period	-	-	-	-	-	-	141.93	-	141.93
Other Comprehensive Income	-	-	-	-	-	-	-	(1.59)	(1.59)
Total Comprehensive Income	**180.46**	**-**	**6.67**	**2.34**	**0.60**	**325.73**	**530.62**	**(7.43)**	**1,038.99**
Exercise of Share Options	16.80	-	(3.98)	-	-	-	-	-	12.82
Share Based Payment	-	-	0.76	-	-	-	-	-	0.76
Cash Dividends	-	-	-	-	-	-	(71.82)	-	(71.82)
Dividend Distribution Tax	-	-	-	-	-	-	(14.65)	-	(14.65)
Reversal of Employee Compensation Expenses	-	-	(0.32)	-	-	0.32	-	-	-
As at March 31, 2018	**197.26**	**-**	**3.13**	**2.34**	**0.60**	**326.05**	**444.15**	**(7.43)**	**966.10**

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

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	0.54	172.57	7.06	2.34	0.60	313.89	287.52	(1.91)	782.61
Profit for the period	-	-	-	-	-	-	111.97	-	111.97
Other Comprehensive Income	-	-	-	-	-	-	-	(3.93)	(3.93)
Total Comprehensive Income	**0.54**	**172.57**	**7.06**	**2.34**	**0.60**	**313.89**	**399.49**	**(5.84)**	**890.65**
Issue of Share Capital	171.49	(172.57)	-	-	-	-	-	-	(1.08)
Exercise of Share Options	8.43	-	(1.78)	-	-	-	-	-	6.65
Transfer to general reserve	-	-	-	-	-	10.80	(10.80)	-	-
Share Based Payment	-	-	2.43	-	-	-	-	-	2.43
Reversal of Employee Compensation Expenses	-	-	(1.04)	-	-	1.04	-	-	-
As at March 31, 2017	**180.46**	**-**	**6.67**	**2.34**	**0.60**	**325.73**	**388.69**	**(5.84)**	**898.65**

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 14, 2018

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 14, 2018

Cash Flow Statement for the year ended March 31, 2018

(₹ in crores)

	Year ended March 31	
	2018	**2017**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	**195.75**	**144.28**
Profit before tax from discontinuing operations	**-**	**4.00**
Exceptional Items:		
Profit on sale of stake in Blue Star M&E Engineering (Sdn) Bhd (Joint Venture) to Blue Star International FZCO (Refer Note 29)	(12.58)	-
Profit on sale of office property (Refer Note 29)	(5.27)	-
	177.90	**148.28**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation/amortization	60.57	54.97
Profit on sale of investments	-	(1.12)
Amortisation of Government Grant	(0.65)	(0.79)
Amortisation of Financial gurantee obligation	(0.83)	(0.92)
Share based payment expense	0.76	2.43
Loss/(profit) on sale of Property, Plant and Equipment	0.59	0.66
Bad debts/advances written off, Net	1.93	1.76
Allowances for doubtful debts and advances	20.25	13.67
Unrealized foreign exchange loss/(gain)	8.33	2.74
Fair value (gain)/loss on financial instruments	(4.39)	(4.25)
Liabilities written back	(41.72)	(33.19)
Interest expense and Bank charges	22.88	38.07
Interest (income)	(6.43)	(17.32)
Dividend (income)	(0.52)	(1.89)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**238.67**	**203.10**
Movements in working capital :		
Increase/(decrease) in trade payables	371.72	100.23
Increase/(decrease) in long-term/short-term provisions	(2.44)	0.54
Increase/(decrease) in other current liabilities	(57.44)	32.83
Decrease/(increase) in trade receivables	(153.69)	(119.89)
Decrease/(increase) in inventories	(241.94)	(64.97)
Decrease/(increase) in long-term/short-term loans and advances	(5.28)	(21.46)
Decrease/(increase) in other current/non-current assets	(125.57)	(5.48)
Cash generated from/(used in) operations	**24.03**	**124.90**
Direct taxes paid (net of refunds)	(44.20)	4.07
Net cash flow from/(used in) operating activities (A)	**(20.17)**	**128.97**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(86.92)	(102.76)
Proceeds from sale of office property	5.92	1.22
Balance carried forward	**(101.17)**	**27.43**

(₹in crores)

	Year ended March 31	
	2018	**2017**
Balance brought forward	**(101.17)**	**27.43**
Proceeds from sale of stake in Joint Venture Blue Star M&E Engineering (Sdn) Bhd. to Blue Star International FZCO	13.08	-
Proceeds from sale of fixed assets (other than office property)	1.01	-
Purchase of investments in Blue Star International FZCO (Wholly Owned Subsidiary)	(4.91)	-
Proceeds from sale/maturity of current investments	-	159.18
Interest received	4.15	13.25
Dividends received	0.52	1.89
Net cash flow from/(used in) investing activities (B)	**(67.15)**	**72.78**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from Short Term Borrowings, net	163.97	(185.58)
Interest and Bank charges paid	(21.76)	(34.71)
Proceeds from fresh issue of Equity Capital (including Premium)	12.91	6.69
Dividend paid on equity shares (including Dividend Distribution Tax)	(86.42)	(1.83)
Net cash flow from/(used in) in financing activities (C)	**68.70**	**(215.43)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**(18.62)**	**(13.68)**
Cash and cash equivalents at the beginning of the year	28.34	42.02
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**9.72**	**28.34**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
– On current accounts***	57.94	74.91
– Deposits with original maturity of less than 3 months	3.88	-
– On unpaid dividend account*	2.69	2.64
Cash on hand	0.56	0.45
Less : Bank Overdraft (refer note 14)	(55.35)	(49.66)
TOTAL CASH AND CASH EQUIVALENTS (NOTE 9)	**9.72**	**28.34**

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

*** Out of the above bank balances, the company can utilize balance of ₹6.38 Crores (March 31, 2017: ₹1.36 Crores) for three of the projects with prior approval of the customers.

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 14, 2018

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 14, 2018

1 Corporate Information

Blue Star Limited ("The Company") is into the business of air conditioning, commercial refrigeration and water purifiers, air purifiers and air coolers. 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.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on May 14, 2018.

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 as amended from time to time.

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 Crores (INR 00,00,000), except when otherwise indicated.

2.2 Summary of significant accounting policies

a Investment in subsidiaries, associates and joint ventures

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

b 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.

c Foreign currencies

The Company's financial statements is presented in INR Crores, 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).

d 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.

e 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, till June 30, 2017 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 till June 30, 2017. Goods and Services Tax ("GST") was implemented with effect from July 1, 2017, which replaced excise duty and other input taxes. As per Ind AS 18, revenue from operations post GST is reported net of GST.

However, sales tax/value added tax (VAT)/Goods & Services Tax(GST) 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 upto 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/Goods and Services 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 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 term of specific contracts.

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.

f 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.

g 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 it is probable that the concerned 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 it is not probable that it will pay normal tax during the specified period. MAT is considered as a deferred tax item.

Goods and Service Tax/Sales/value added taxes paid on acquisition of assets or on incurring expenses. Expenses and assets are recognised net of the amount of Goods and Service tax/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.

h 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.

i 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 statement of Profit and Loss 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.

j 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 properties 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 derecognized either when they have been disposed off 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 recognized in Statement of Profit and Loss in the period of decognition.

k 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.

<u>Research and development costs</u>

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.

<u>Other intangible assets</u>

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

l 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.

m 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.

n 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.

o 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.

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.

p 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 provisionis 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.

q 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 Statement of profit and 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 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.

r 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.

s 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:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- 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 P&L.

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 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:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- 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 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 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.

t 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.

u 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.

v 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.

w 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.

x 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.

- Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.
- 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.
- Income which relates to the Company as a whole and not allocable to segments is included in unallocable income
- Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit before tax of the Company.
- 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 crores)

Particulars	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improve-ments	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Cost										
At April 1, 2016	0.05	8.89	62.79	114.56	1.55	5.73	2.47	9.05	11.01	**216.10**
Additions	13.95	-	2.35	27.72	3.02	4.05	1.86	4.35	5.25	**62.55**
Disposals	-	-	(0.10)	(11.66)	-	(1.37)	(1.04)	(3.44)	(2.61)	**(20.22)**
At March 31, 2017	**14.00**	**8.89**	**65.04**	**130.62**	**4.57**	**8.41**	**3.29**	**9.96**	**13.65**	**258.43**
At April 1, 2017	14.00	8.89	65.04	130.62	4.57	8.41	3.29	9.96	13.65	**258.43**
Additions	-	6.26	2.33	39.41	1.21	2.42	2.54	6.08	3.22	**63.47**
Disposals	(0.06)	-	(5.41)	(3.27)	-	(0.92)	(2.05)	(2.56)	(0.34)	**(14.61)**
At March 31, 2018	**13.94**	**15.15**	**61.96**	**166.76**	**5.78**	**9.91**	**3.78**	**13.48**	**16.53**	**307.29**
Depreciation										
At April 1, 2016	-	-	5.61	10.35	0.28	0.96	0.93	1.52	4.13	**23.78**
Disposals	-	-	(0.06)	(11.17)	-	(1.24)	(0.99)	(2.44)	(2.61)	**(18.51)**
Provided during the year	-	-	5.27	20.40	0.55	1.60	0.85	2.57	5.83	**37.07**
At March 31, 2017	**-**	**-**	**10.82**	**19.58**	**0.83**	**1.32**	**0.79**	**1.65**	**7.35**	**42.34**
At April 1, 2017	-	-	10.82	19.58	0.83	1.32	0.79	1.65	7.35	**42.34**
Disposals	-	-	(1.30)	(2.48)	-	(0.87)	(1.90)	(2.00)	(0.34)	**(8.89)**
Provided during the year	0.30	-	4.89	20.92	0.70	2.14	1.68	3.59	4.82	**39.04**
At March 31, 2018	**0.30**	**-**	**14.41**	**38.02**	**1.53**	**2.59**	**0.57**	**3.24**	**11.83**	**72.49**
Net Book Value										
At March 31, 2018	13.64	15.15	47.55	128.74	4.25	7.32	3.21	10.24	4.70	**234.80**
At March 31, 2017	14.00	8.89	54.22	111.04	3.74	7.09	2.50	8.31	6.30	**216.09**

In Financial Year 2015-16, the Company had discontinued manufacturing operations at Bharuch unit in accordance with its manufacturing strategy. During the year the Company has identified potential buyer for disposal of Bharuch unit and accordingly the assets have been disclosed as "Asset held for sale" (Net Book Value ₹3.72 crores). Further, old plant and equipment of Wada unit is disclosed as "Asset held for sale" (Net Book Value : ₹1.50 Crores (March 31, 2017 : ₹1.77 Crores)). The Company has classified the assets held for sale at their carrying costs and considers the carrying amount will be recovered on sale.

The Company has made an application on April 10, 2018 to the J&K Industrial Development Corporation to voluntarily surrender the leased land of ₹10.25 crores.

4. INVESTMENT PROPERTY

(₹in crores)

Cost	
At April 1, 2016	66.47
Additions	0.31
At March 31, 2017	66.78
Additions	-
At March 31, 2018	66.78
Depreciation	
At April 1, 2016	3.67
Additions	3.62
At March 31, 2017	7.29
Additions	3.42
At March 31, 2018	10.71
Net Book Value	
At March 31, 2018	56.07
At March 31, 2017	59.49

(₹in crores)

Information regarding Income & Expenditure of Investment property	As at March 31	
	2018	2017
Rental income derived from investment property	5.36	5.94
Direct operating expenses (including repairs and maintenance) associated with rental income	(0.91)	(0.13)
Profit arising from investment property before depreciation and indirect expenses	4.45	5.81
Less – Depreciation	3.42	3.62
Profit arising from investment property before indirect expenses	1.03	2.19

As at 31 March 2018 and 31 March 2017, the fair value of the property is ₹67.41 crores and ₹66.97 crores 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 39.

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 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 7.50% p.a. for office space. The accumulative rate is estimated at 3.50% 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 13 years old and the balance economic life of office use is considered to be 47 years.

5. INTANGIBLE ASSETS

(₹ in crores)

	Technical Knowhow	Software	Total
Cost			
At April 1, 2016	26.48	18.24	**44.72**
Additions	10.28	9.19	**19.47**
Disposals	-	(0.25)	**(0.25)**
At March 31, 2017	**36.76**	**27.18**	**63.94**
At April 1, 2017	36.76	27.18	**63.94**
Additions	13.73	16.79	**30.52**
Disposals	-	(0.01)	**(0.01)**
At March 31, 2018	**50.49**	**43.96**	**94.45**
Amortisation			
At April 1, 2016	4.99	1.20	**6.19**
Disposals	-	(0.24)	**(0.24)**
Provided during the year	6.65	7.63	**14.28**
At March 31, 2017	**11.64**	**8.59**	**20.23**
At April 1, 2017	11.64	8.59	**20.23**
Disposals	-	(0.01)	**(0.01)**
Provided during the year	7.31	10.80	**18.11**
At March 31, 2018	**18.95**	**19.38**	**38.33**
Net Book Value			
At March 31, 2018	31.54	24.58	**56.12**
At March 31, 2017	25.12	18.59	**43.71**

During the previous year, the Company commenced a project to develop higher capacity inverter VRF outdoor Units having cooling capacity of 24HP and above. The Cost related to such project was initially booked under the head "Intangible assets under development" during previous year. The Company has capitalised the technology cost for development of these products under the head "Intangible Assets" during current year. The capitalized cost of VRF will get amortized in 6 years in line with market assessment of the use of this technology.

6. FINANCIAL ASSETS
INVESTMENTS

(₹ in crores)

	As at March 31	
	2018	2017
I. Non Current Investments		
Investments at Cost		
Investment in Equity Instruments		
Unquoted equity instruments		
Investment in Subsidiaries		
5,29,25,052 (31 March, 2017 : 5,29,25,052) Fully Paid Equity Shares of ₹2 each in Blue Star Engineering and Electronics Ltd. (erstwhile Blue Star Electro Mechanical Ltd).*	210.89	210.12
49 (31 March, 2017 : 49) Fully Paid Equity shares of QR 2000 each in Blue Star Qatar (WLL)	0.12	0.12
2,800 (31 March, 2017: NIL) shares of AED 1000 each in Blue Star International FZCO **	4.91	-
Investment in Joint Ventures		
NIL (31 March, 2017 : 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd ***	-	0.50
255,000 (31 March 2017 : 255,000) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co. LLC	4.34	4.34
Total Non Current Investments	**220.26**	**215.08**
Aggregate Value of unquoted investments	220.26	215.08

* During the year ended March 31, 2018, the Company's investment in Blue Star Engineering and Electronics Ltd. (BSEEL) has increased by ₹ 0.77 crores (March 31, 2017: ₹ 0.77 crores) as the Company has recognised financial guarantee obligation at fair value ₹ 0.77 crores (March 31,2017: ₹ 0.77 crores) with corresponding recognition of financial guarantee receivable in investment in BSEEL.

** During the year ended March 31, 2018, the Company formed a wholly owned subsidiary, Blue Star International FZCO in Dubai. The subsidiary was formed with initial share capital of 28,00,000 AED (₹ 4.91 crores) comprising 2,800 fully paid equity shares of 1,000 AED each.

*** The Company sold its stake in joint venture, Blue Star M&E Engineering (Sdn) Bhd. to its wholly owned subsidiary, Blue Star International FZCO at a profit of ₹ 12.58 crores which has been disclosed under exceptional items.

Loans (Secured considered good unless otherwise stated)

(₹ in crores)

	Non-current		Current	
	31-March-18	31-March-17	31-March-18	31-March-17
Security Deposit	14.91	14.54	6.07	1.87
Loans to employees	5.07	4.89	2.45	1.92
Total Loans	**19.98**	**19.43**	**8.52**	**3.79**

Other Financial Assets

(₹ in crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-18
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange forward contracts (Refer Note 39)	-	-	1.28	-
Non-current bank balances**	3.96	3.61	-	-
Unbilled Revenue:				
Project Revenue	-	-	274.92	227.12
Less : Impairment Allowance	-	-	15.05	14.31
Net Project Revenue	**-**	**-**	**259.87**	**212.81**
AMC	-	-	10.81	7.21
Advance recoverable in cash	-	-	3.92	3.64
Financial Guarantee Commission Receivable from Related Parties	-	-	1.52	1.62
Total Other Financial Assets	**3.96**	**3.61**	**277.40**	**225.28**

**Margin money deposits with a carrying amount of ₹3.96 Crores (March 31, 2017 : ₹3.61 Crores are subject to a first charge as security deposit with customers.

Financial Guarantee Commission Receivable from Related Parties:				
Blue Star Qatar - WLL				
Maximum amount outstanding during the year ₹1.62 crores (March 31, 2017 : ₹3.76 crores) represents charges towards corporate guarantee commission recoverable from Blue Star Qatar WLL	-	-	1.30	1.62
Blue Star International FZCO				
Maximum amount outstanding during the year ₹0.19 crores (March 31, 2017 : NIL) represents charges towards corporate guarantee commission recoverable from Blue Star International FZCO	-	-	0.19	-
Blue Star Oman Electro-Mechanical Co. LLC				
Maximum amount outstanding during the year ₹0.03 crores (March 31, 2017 : NIL) represents charges towards corporate guarantee commission recoverable from Blue Star Oman Electro-Mechanical Co. LLC	-	-	0.03	-

Breakup of total financial assets carried at amortized cost:

(₹ in crores)

	As at March 31	
	2018	2017
Trade receivables (refer note 8)	977.91	842.62
Cash & bank balances (refer note 9)	65.07	78.00
Loans (refer note 6)	28.50	23.22
Other financial assets (refer note 6)	281.36	228.89
Total financial assets carried at amortized cost	**1,352.84**	**1,172.73**

7. INVENTORIES

(₹ in crores)

(Valued at lower of cost and net realisable value)	As at March 31	
	2018	**2017**
Raw materials & components (includes in transit: ₹70.55 crores (March 31, 2017: ₹33.40 crores))	179.25	148.06
Work-in-progress	43.19	38.55
Finished goods	126.29	116.65
Traded goods (includes in transit: ₹70.40 crores (March 31, 2017: ₹8.74 crores))	417.87	238.69
Spares	55.80	38.50
	822.40	**580.45**

The above inventory values are net of provisions made of ₹3.66 crores (March 31, 2017 : ₹2.45 crores) for slow moving, obsolete and defective inventory.

8. TRADE RECEIVABLE

(₹ in crores)

	Non-current		Current	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
Trade receivables	23.10	29.85	937.43	801.81
Receivables from related parties (Note 36)	-	-	17.38	10.95
Total Trade receivables	**23.10**	**29.85**	**954.81**	**812.76**
Break up of security details :				
Unsecured, considered good	23.10	29.85	954.81	812.76
Doubtful	6.98	5.85	107.79	130.87
	30.08	35.70	1,062.60	943.63
Impairment Allowance (allowance for bad and doubtful debts)				
Doubtful	6.98	5.85	107.79	130.87
Total Trade receivables	**23.10**	**29.85**	**954.81**	**812.76**
Due from Company in which the Company's Non executive Director is a Director				
Atria Convergence technologies Pvt Ltd.			-	0.02
Apollo Hospital Enterprises Limited			1.69	4.56
Lifetime Wellness RX International Ltd			0.01	-

For Terms and Conditions relating to related party receivables, refer note 36

9. CASH AND CASH EQUIVALENT

(₹ in crores)

	As at March 31	
	2018	2017
Cash and cash equivalent		
Balances with banks:		
– On current accounts***	57.94	74.91
– Deposits with original maturity of less than 3 months	3.88	-
– On unpaid dividend account**	2.69	2.64
Cash on hand	0.56	0.45
	65.07	**78.00**

** 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 ₹6.38 crores (March 31, 2017 : ₹1.36 crores) for three of the projects with prior approval of the customers.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following: *(₹ in crores)*

	As at March 31	
	2018	2017
Balances with banks:		
– On current accounts	57.94	74.91
– Deposits with original maturity of less than three months	3.88	-
On unpaid dividend account	2.69	2.64
Cash on hand	0.56	0.45
	65.07	**78.00**
Less – Bank overdraft (note 14)	55.35	49.66
	9.72	**28.34**

Changes in liabilities arising from financing activities: *(₹ in crores)*

	As at April 1, 2017	Cash Flows	Effect of changes in foreign exchange rates	As at March 31, 2018
Current Liabilities				
Financial Liabilities				
- Borrowings	149.23	169.67	1.12	320.02

	As at April 1, 2016	Cash Flows	Effect of changes in foreign exchange rates	As at March 31, 2017
Current Liabilities				
Financial Liabilities				
- Borrowings	285.67	(139.13)	2.69	149.23

10. OTHER ASSETS

(₹ in crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Capital Advances	10.27	9.04	-	-
Balance with Statutory Authorities	21.00	19.32	89.87	48.09
Gratuity paid in advance (Refer Note 33)	-	-	2.85	0.73
Vendor Advances	-	-	78.63	40.68
Prepaid Expenses	0.53	-	22.48	18.23
Contract Work in Progress	-	-	12.18	18.67
	31.80	**28.36**	**206.01**	**126.40**

11. SHARE CAPITAL

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.	₹ Crores	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores
At April 1, 2016	**10,000**	0.10	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
At March 31, 2017	**10,000**	0.10	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
At March 31, 2018	**10,000**	0.10	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**

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 INR 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 INR 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.	₹ Crores
At April 1, 2016	**89,951,105**	**17.99**
Issue of Share Capital - Employee Share Options Exercised	227,900	0.04
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	1.08
At March 31, 2017	**95,570,388**	**19.11**
Issue of Share Capital - Employee Share Options Excercised	429,400	0.09
At March 31, 2018	**95,999,788**	**19.20**

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

Name of Shareholder	As at March 31, 2018		As at March 31, 2017	
	Numbers	% holding in the class	Numbers	% holding in the class
Vistra ITCL (India) Limited	11,955,601	12.45%	-	-
IL & FS Trust Company Limited	7,719,930	8.04%	11,403,554	11.93%
Suneel Mohan Advani	5,626,827	5.86%	5,626,827	5.89%
Ashok Mohan Advani	2,599,744	2.71%	10,871,721	11.38%
Aditya Birla Sunlife Trustee Pvt. Limited	5,076,493	5.29%	-	-
HDFC Trustee Company Limited	5,276,678	5.50%	4,737,617	4.96%

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 crores)

	As at March 31	
	2018	2017
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	1.08	1.08

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 34).

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 34 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.

Share Capital Suspense - Pursuant to the composite Scheme of Amalgamation ("The Scheme") of Blue Star Infotech Limited (BSIL) and Blue Star Infotech Busines Intelligence and Analytics Private Limited (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 Company has discharged the purchased consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Company. Pending issue and allotment of equity shares, the face value and premium on such shares of ₹172.57 crores was shown under the heading "Share Capital Suspense Account" as at April 1, 2016.

13 DIVIDEND DISTRIBUTION MADE AND PROPOSED

(₹in crores)

	As at March 31	
	2018	2017
Cash dividends on equity shares declared and paid:		
Final dividend for the year ended on March 31, 2017 : ₹7.5 per share (March 31, 2016: NIL per share)	71.82	-
Dividend Distribution tax on final Dividend	14.65	-
	86.47	**-**
Proposed Dividend on Equity Share:		
Final Cash Dividend for the year ended on March 31, 2018 ₹10 per share* (March 31, 2017: ₹7.50 per share)	96.00	71.68
Dividend Distribution tax on Proposed Dividend	19.73	14.59
	115.73	**86.27**

* The Directors have recommended a year-end dividend of ₹8.50 per equity share of ₹2 each. In addition, to commemorate the Company's platinum jubilee in 2018, the Directors have recommended a special dividend of ₹1.50 per equity share of ₹2 each. Accordingly, an aggregate dividend of ₹10 per equity share of ₹2 each has been proposed, subject to approval at the Annual General Meeting and are not recognised as a liability (including DDT thereon) as at March 31, 2018.

14. BORROWINGS

(₹in crores)

	As at March 31	
	2018	2017
Current Borrowings		
Packing credit loan account from banks (secured) (Note a & b)	38.00	40.00
Working Capital Demand Loan from banks (Unsecured) (Note a)	50.00	-
Cash Credit/Bank overdrafts (secured) (Note a & b)	55.35	49.66
Buyers' credit from banks (secured) (Note b & c)	41.76	9.57
Buyers' credit from banks (unsecured) (Note c)	9.91	-
Commercial papers from banks (unsecured) (Note d)	50.00	-
Commercial papers from others (unsecured) (Note d)	75.00	50.00
Total current borrowings	**320.02**	**149.23**
Aggregate secured loans	135.11	99.23
Aggregate Unsecured loans	184.91	50.00
Total current borrowings	**320.02**	**149.23**

a. Outstanding loans carry an average interest rate of 4.80% - 8.90% p.a. (March 31, 2017 : 4.80% - 9.70% 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 0.55% (March 31, 2017 : Libor plus 0.68%).

d. Commercial papers carry average interest rate 6.58% @ p.a. for the current year (March 31, 2017 : 6.68% p.a.). These are repayable within 60 days to 91 days from the date of drawdown.

15 TRADE PAYABLES

(₹ in crores)

	As at March 31	
	2018	2017
A Trade Payables		
Trade payables **	1,446.88	1,106.91
B Other Payables		
Creditors - capital expenditure	1.27	1.67
Total Payable	**1,448.15**	**1,108.58**
Due to Company in which the Company's Non executive Director is a Director		
Pragati Leadership Institute Private Limited	0.08	0.12
Entrust Communications Pvt Ltd	0.33	-
Moms Outdoor Media Solutions Pvt Ltd	5.51	-
Madison Communications Pvt Ltd	8.04	-

** Disclosure as required under Section 22 of Micro, Small & Medium Enterprises Development Act, 2006 ("the Act")

(₹ in crores)

	As at March 31	
	2018	2017
(a) (i) Principal amount remaining unpaid to any supplier at the end of accounting year	32.81	31.88
(ii) Interest due on above	0.32	0.21
(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	1.81	1.49
(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	1.81	1.49

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 crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange forward contracts	-	-	-	3.14
Total other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**3.14**
Financial liabilities at amortized cost				
Other deposits	3.32	-	3.34	6.51
Financial guarantee contracts	0.88	0.56	0.94	0.97
Interest accrued but not due on borrowings	-	-	0.29	0.01
Total other financial liabilities at amortized cost	**4.20**	**0.56**	**4.57**	**7.49**
Unpaid Dividend	-	-	2.69	2.64
Investor Education and Protection Fund will be credited by the amount (as and when due)				
Total other financial liabilities	**4.20**	**0.56**	**7.26**	**13.27**

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. The Company has also entered into commodity hedging contract with the intention of reducing the price fluctuation risk. 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 crores)

	As at March 31	
	2018	2017
Borrowings (refer note 14)	320.02	149.23
Trade Payables (refer note 15. A)	1,446.88	1,106.91
Other deposits (refer note 16)	6.66	6.51
Other Payables (refer note 15. B)	1.27	1.67
Financial Guarantee Contracts (refer note 16)	1.82	1.53
Interest accrued but not due on borrowings (refer note 16)	0.29	0.01
Total financial liabilities carried at amortized cost	**1,776.94**	**1,265.86**

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 36.

For explanations on the Company's credit risk management processes, refer Note 40.

17 OTHER LIABILITIES

(₹ in crores)

	As at March 31	
	2018	2017
Amount due to customers	28.93	26.52
Unearned revenue on AMC services	48.20	50.30
Advances from customers	186.69	232.10
Dues to Statutory bodies	37.13	68.15
Others	29.31	3.69
Total Other Liabilities	**330.26**	**380.76**

18 PROVISIONS

(₹ in crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Provision for employee benefits				
Provision for Leave benefits	-	-	17.71	15.37
Provision for Additional Gratuity (refer note 33)	0.28	0.24	-	-
	0.28	**0.24**	**17.71**	**15.37**
Other provisions				
Contingencies towards indemnities provided on Sale of IT business	-	-	1.74	2.01
Provision for warranties	11.92	10.53	11.12	13.42
Loss order	-	-	2.78	3.99
	11.92	**10.53**	**15.64**	**19.42**
Total	**12.20**	**10.77**	**33.35**	**34.79**

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 crores)

	As at March 31	
	2018	2017
At the beginning of the year	2.01	2.86
Arising during the year	-	-
Utilized during the year	0.27	0.85
Unused amounts reversed during the year	-	-
At the end of the year	**1.74**	**2.01**

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 crores)

	As at March 31	
	2018	2017
At the beginning of the year	23.95	18.45
Arising during the year	18.43	19.13
Utilized during the year	19.34	13.63
At the end of the year	**23.04**	**23.95**
Current portion	11.12	13.42
Non-current portion	11.92	10.53

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 crores)

	As at March 31	
	2018	2017
At April 1	4.14	4.93
Received during the year	-	-
Released to the statement of P&L	(0.65)	(0.79)
At March 31	**3.49**	**4.14**
Current	0.54	0.65
Non-Current	2.95	3.49

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

The major components of income tax expense for the years ended March 31, 2018 and March 31, 2017 are:

(₹in crores)

	Year Ended March 31	
	2018	2017
Profit or loss		
Current Income Tax:		
Current income tax charge (continuing operations)	40.15	40.88
Current income tax charge (discontinuing operations)	-	1.38
Total Current income tax charge	**40.15**	**42.26**
Deferred tax:		
Income tax expense reported in the statement of profit or loss	13.67	(5.95)
Total Income Tax before OCI	**53.82**	**36.31**
OCI		
Deferred tax related to items recognised in OCI during in the year		
Net loss/(gain) on remeasurements of defined benefit plans	0.84	2.07
Income tax charged to OCI	**0.84**	**2.07**
Total Tax Expense (including tax impact on OCI)	**52.98**	**34.24**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2017 and March 31, 2018 :

(₹ in crores)

	Year Ended March 31	
	2018	2017
Accounting profit before tax from continuing operations	195.75	144.28
Profit/(loss) before tax from a discontinued operation	-	4.00
Other Comprehensive Income before tax	(2.43)	(6.00)
Total	**193.32**	**142.28**
At India's statutory income tax rate of 34.608% (March 31, 2017: 34.608%)	66.90	49.24
Expenses not allowed for tax purpose	2.19	2.52
Additional allowances for tax purpose	(14.44)	(14.76)
Additional allowance for Capital Gain & tax paid at lower rate	(2.44)	-
Expenses allowed for tax purpose	0.77	(2.76)
At the effective income tax rate of 27.41% (March 31, 2017: 24.06%)	**52.98**	**34.24**
Income tax expense reported in the statement of profit and loss (continuing operations)	53.82	34.93
Income tax attributable to a discontinued operation	-	1.38
Income tax effect on OCI	(0.84)	(2.07)
	52.98	**34.24**

Deferred tax

Deferred tax relates to the following

(₹ in crores)

	Balance Sheet		Profit or loss	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Provision for loss allowance	45.40	52.73	(7.33)	4.76
Provisions made disallowed and allowed only on payment basis	8.49	8.21	0.28	2.71
Accelerated Depreciation for tax purposes	(24.47)	(22.66)	(1.81)	(0.49)
Fair Valuation of financial instruments	0.19	1.11	(0.92)	(0.14)
Others	2.66	6.55	(3.89)	(0.90)
Total (excluding MAT credit entitlement)	**32.27**	**45.94**	**(13.67)**	**5.95**
MAT Credit Entitlement	55.54	58.59	-	-
Total	**87.81**	**104.53**	**(13.67)**	**5.95**

Reflected in the balance sheet as follows:

(₹ in crores)

	As at March 31	
	2018	2017
Deferred tax assets (continuing operations)	112.28	127.19
Deferred tax liabilities:		
Continuing operations	24.47	22.66
Deferred tax Assets, net	**87.81**	**104.53**

Reconciliation of deferred tax liabilities (net):

(₹in crores)

	As at March 31	
	2018	2017
Opening balance as of 1 April	104.53	105.40
Tax income/(expense) during the period recognised in Profit or Loss	(13.67)	5.95
Utilization of MAT Credit	(3.05)	(6.82)
Closing balance as at 31 March	**87.81**	**104.53**

21. REVENUE FROM OPERATIONS

(₹in crores)

	Year Ended March 31	
	2018	2017
Revenue from operations		
Sale of products (including excise duty) (refer note a & b)		
Finished goods	1,859.91	1,730.54
Traded good	1,219.73	1,186.55
Total Sale of products	**3,079.64**	**2,917.09**
Services rendered	406.57	363.74
Revenue from construction contracts [refer note 42(a)]	889.39	814.79
Other operating revenue		
Commission income	0.26	0.26
Provisions and liabilities no longer required	41.72	33.19
Shared service recovery	1.34	8.99
Others	6.23	8.54
Total revenue from operations	**4,425.15**	**4,146.60**

a) Revenue from operations was reported inclusive of excise duty and other input taxes till June 30, 2017. Goods and Services Tax ("GST") was implemented with effect from July 1, 2017, which replaced excise duty and other input taxes. As per Ind AS 18, revenue from operations is reported net of GST for the period July 1, 2017 to March 31, 2018. Therefore, revenue from operations for the year ended March 31, 2018 is not comparable with the revenue from operations for the year ended March 31, 2017. Comparable revenue from operations (refer note 21b) has been computed by adjusting excise duty & other input taxes.

b) Comparable revenue from operations (refer note 21a) for the reported periods :

(₹in crores)

	Year Ended March 31	
	2018	2017
Comparable revenue from operations	4,318.42	3,855.14

22. OTHER INCOME

(₹in crores)

	Year Ended March 31	
	2018	2017
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.38	1.92
Other non operating income	1.35	4.48
Government Grants	0.65	0.79
Income from lease rentals (refer note 4)	5.57	5.94
Total	**7.95**	**13.13**

23. FINANCE INCOME

(₹in crores)

	Year Ended March 31	
	2018	2017
Interest income on		
Bank deposit	0.26	0.27
Others	6.17	17.05
Dividend income on		
Current investments	0.52	0.30
Long-term investments	-	1.59
Commission on Corporate Guarantee issued	1.24	0.92
Profit on redemption of Mutual Fund Investment	-	1.12
Total	**8.19**	**21.25**

24. COST OF RAW MATERIAL AND COMPONENTS CONSUMED AND PROJECT RELATED COST

(₹in crores)

	Year Ended March 31	
	2018	2017
Cost of material consumed	1,364.27	1,326.31
Project cost (including bought outs)	777.52	742.43
Total Cost of Raw Material and Components Consumed and Project related cost	**2,141.79**	**2,068.74**
Purchase of traded Goods	**1,060.59**	**859.92**
Inventories at the end of the year		
Traded goods	417.87	238.69
Work-in-progress	43.19	38.55
Finished goods	126.29	116.65
	587.35	**393.89**
Inventories at the beginning of the year		
Traded goods	238.69	232.32
Work-in-progress	38.55	33.84
Finished goods	116.65	106.64
	393.89	**372.80**
(Increase)/Decrease in inventories	**(193.46)**	**(21.09)**

25. EMPLOYEE BENEFITS EXPENSE

(₹in crores)

	Year Ended March 31	
	2018	2017
Salaries, wages and bonus	312.99	270.35
Share based Payment (refer note 34)	0.76	2.43
Contribution to provident and other funds	11.76	10.96
Gratuity expense (refer note 33)	2.57	2.44
Other employment benefits	4.65	2.31
Staff welfare expenses	26.04	21.29
	358.77	**309.78**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(₹in crores)

	Year Ended March 31	
	2018	2017
Depreciation on Tangible Assets (refer note 3)	39.04	37.07
Amortization expenses on Intangible Assets (refer note 5)	18.11	14.28
Depreciation on Investment Property (refer note 4)	3.42	3.62
	60.57	**54.97**

27. OTHER EXPENSES

(₹in crores)

		Year Ended March 31	
		2018	2017
Stores and spares consumed		15.90	13.97
AMC subcontracting cost		235.04	202.76
Rent		61.99	54.20
Rates and taxes		0.98	0.65
Power and fuel		17.20	16.62
Insurance		1.87	2.06
Repairs and maintenance			
Buildings		8.93	7.65
Plant and machinery		3.40	4.04
Others		11.82	9.95
Advertising and sales promotion		122.65	110.35
Conference Expenses		3.56	3.93
Communication Expenses		7.87	7.93
Commission and Sales Incentives		96.90	73.20
Freight and forwarding charges		72.70	56.63
Travelling and conveyance		40.63	36.52
Printing and stationery		3.81	3.75
Legal and professional fees		41.66	47.18
Directors' sitting fees		0.51	0.61
Payment to auditors (Refer details A below)		1.39	1.36
Corporate social responsibility expenses (Refer details B below)		2.20	1.73
Donations		0.39	0.34
Loss on sale of fixed assets (net)		0.59	0.66
Bad debts/advances written off	43.39		1.76
Less:- Allowance for doubtful debts written back	(41.46)	1.93	
Allowances for doubtful debts and advances		20.25	13.67
Miscellaneous expenses		28.90	21.25
		803.07	**692.77**

A. Payment to auditors

(₹in crores)

	Year Ended March 31	
	2018	2017
As auditor:		
Audit fee	0.90	0.86
Limited review	0.26	0.25
In other capacity		
Other service	0.19	0.21
Reimbursement of expenses	0.04	0.04
	1.39	**1.36**

B. Corporate social responsibility expenses

(₹in crores)

	Year Ended March 31	
	2018	2017
(i) Gross amount required to be spent by the Company during the year	2.11	1.68
(ii) Amount spent during the year	2.20	1.73

28. FINANCE COSTS

(₹in crores)

	Year Ended March 31	
	2018	2017
Interest	18.05	24.20
Bank charges	4.15	4.82
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.68	1.59
	22.88	**30.61**

29 EXCEPTIONAL ITEMS

(₹in crores)

	Year Ended March 31	
	2018	2017
Profit on sale of stake in Blue Star M&E Engineering (Sdn) Bhd Project related Project related to Blue Star International FZCO*	12.58	-
Profit on sale of office property**	5.27	-
Exceptional Items (Net)	**17.85**	**-**

* As a part of group restructuring, during the year ended March 31, 2018, the Company sold its stake in joint venture, Blue Star M&E Engineering (Sdn) Bhd. to its wholly owned subsidiary, Blue Star International FZCO at a profit of ₹12.58 crores.

** Profit on sale of office building at Bazulla Road, Chennai is accounted for as exceptional item.

30. EARNING PER SHARES (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations :

(₹in crores)

	Year Ended March 31	
	2018	2017
Profit attributable to equity holders of the Company :		
Continuing operations	141.93	109.35
Discontinued operation	-	2.62
Profit attributable to equity holders of the company for basic earnings	**141.93**	**111.97**
Weighted average number of Equity shares for basic EPS (a)	9.56	9.54
ESOP issued during the year (b)	0.02	0.01
Total number of Shares (a+b)	**9.58**	**9.55**
Effect of dilutions		
Shares Options	0.03	0.04
Weighted average number of Equity shares adjusted for the effect of dilution *	**9.61**	**9.59**

* The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year.

31. DISCONTINUING OPERATIONS

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 and Electronics Ltd. (BSEEL) (erstwhile Blue Star Electro-Mechanical Ltd.), a wholly owned subsidiary of the Company. Accordingly, the Company entered into a business purchase agreement for sale of the said business with effect from March 31, 2015. However, due to customer and regulatory requirements, certain contracts of PE&IS business were also executed by Blue Star Limited and hence the same was being shown as discontinuing operations.

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

(₹in crores)

	Year Ended March 31	
	2018	2017
Revenue	-	22.63
Other income	-	-
Expenses	-	18.63
Profit from operating activities	**-**	**4.00**
Finance cost	-	-
Depreciation	-	-
Profit before tax	**-**	**4.00**
Income tax expenses	-	1.38
Profit after tax	**-**	**2.62**

The carrying amount of total assets and liabilities of discontinuing operations on March 31, 2018 and March 31, 2017 are as follows.

(₹in crores)

	As at March 31	
	2018	2017
Total assets	-	11.28
Total liabilities	-	5.41
Net Assets	**-**	**5.87**

The net cash flows attributable to are as below:

(₹in crores)

	Year Ended March 31	
	2018	2017
Operating activities	-	2.48
Investing activities	-	-
Financing activities	-	-
Net cash inflows/(outflows)	**-**	**2.48**

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 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 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 34.

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 33.

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 EMPLOYEE BENEFITS DISCLOSURE

I. 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 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 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 ₹6 crores to gratuity fund in 2018-19 (FY 2017-18 : ₹5.60 crores)

Change in present value of defined benefit obligation

(₹in crores)

	Gratuity		Additional Gratuity	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Defined benefit obligation at the beginning of the year	24.52	24.73	0.24	0.61
Current service cost	2.68	2.39	0.02	0.02
Interest cost	1.77	1.66	0.02	0.04
Benefit payments from Plan Assets	(3.17)	(5.68)	-	-
Benefit payments from Employers	(0.25)	-	(0.02)	(0.05)
Remeasurements				-
a. Due to change in Demographic assumptions	3.14	-	0.04	-
b. Due to change in financial assumptions	(0.40)	0.75	-	0.01
c. Due to experience adjustments	0.68	0.67	(0.01)	(0.39)
Defined benefit obligation at the end of the year	**28.97**	**24.52**	**0.28**	**0.24**
Change in fair value of plan assets				
Fair value of plan assets at the beginning of the year	25.25	24.71	-	-
Expected return on Plan assets	1.92	1.67	-	-
Contribution by employer	6.80	5.27	-	-
Direct Benefit contribution by employer	0.25	-	-	-
Actual benefits paid	(3.17)	(5.68)	-	-
Benefit Payment from employer	(0.25)	-	-	-
Remeasurements				
Return on Assets	1.02	(0.72)	-	-
Fair value of plan assets at the end of the year	**31.82**	**25.25**	**-**	**-**
Components of defined benefit cost				
Current service cost	2.68	2.39	0.02	0.02
Interest Cost	1.77	1.66	0.02	0.04
Expected return on plan assets	(1.92)	(1.67)	-	-
Defined benefit cost included in P&L	**2.53**	**2.38**	**0.04**	**0.06**
Remeasurements (recognized in other comprehensive income (OCI)				
a. Due to change in demographic assumptions	3.14	-	0.04	-
b. Due to change in financial assumptions	(0.40)	0.75	(0.00)	0.01
c. Due to change in experience adjustments	0.68	0.68	(0.01)	(0.39)
d. (Return) on plan assets (excl. interest income)	(1.02)	0.72	-	-
Total remeasurements in OCI	**2.40**	**2.15**	**0.03**	**(0.38)**
Total defined benefit cost recognized in P&L and OCI	**4.93**	**4.53**	**0.07**	**(0.32)**

Net Liability/(Assets) recognised in the Balance Sheet

(₹ in crores)

	Gratuity		Additional Gratuity	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Present Value of Defined benefit obligation	28.97	24.52	0.28	0.24
Fair value of plan assets	31.82	25.25	-	-
Funded status [(Surplus)/Deficit]	(2.85)	(0.73)	0.28	0.24
Net Liability/(Assets)	**(2.85)**	**(0.73)**	**0.28**	**0.24**
Net defined benefit liability (asset) reconciliation				
Net defined benefit liability (asset) at the beginning of the year	0.73	0.02	(0.24)	0.61
Defined benefit cost included in P&L	2.53	2.38	0.04	0.07
Total remeasurements included in OCI	2.40	2.15	0.03	(0.38)
Contribution by employer	(6.80)	(5.28)	(0.02)	(0.04)
Direct Benefit paid by employer	(0.26)	-	-	-
Net defined benefit liability (asset) as at the end of the year	**(1.40)**	**(0.73)**	**(0.19)**	**0.24**

The major categories of plan assets are as follows:

(₹ in crores)

	As at March 31	
	2018	2017
Cash and cash equivalents	0.63	0.50
Insurance company products	11.66	9.25
Others	19.53	15.50
Total	**31.82**	**25.25**

The principal assumptions used in determining gratuity for the company's plan are as shown below:

Actuarial Assumptions	Gratuity		Additional Gratuity	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Discount Rate	7.60%	7.30%	7.60%	7.30%
Rate of return on plan assets	7.60%	7.30%	-	-
Mortality Rate	IALM-2006-08	IALM-2006-08	IALM-2006-08	IALM-2006-08
Salary escalation rate (Directors-Management-staff)	10%,7%,3%	10%,6%,2%	-	-
Attrition Rate	14% throughout	1% throughout	14% throughout	1% throughout

A quantitative sensitivity analysis for significant assumptions as at March 31, 2018 is shown as below:

Assumptions	**Gratuity**	**Additional Gratuity**
	31-Mar-2018	**31-Mar-2018**
Discount Rate		
Discount Rate - 50 Basis Points (₹ Crores)	29.66	0.29
Assumption	7.10%	7.10%
Discount Rate + 50 Basis Points (₹ Crores)	28.34	0.27
Assumption	8.10%	8.10%
Future Salary		
Salary Increase Rate - 50 Basis Points (₹ Crores)	28.63	0.28
Assumption	Vary by employee type	Vary by employee type
Salary Increase Rate + 50 Basis Points (₹ Crores)	30.24	0.28
Assumption	Vary by employee type	Vary by employee type
Demographic Assumptions		
Withdrawal Rate		
Withdrawal Rate - 100 Basis Points (₹ Crores)	28.87	
Withdrawal Rate + 100 Basis Points (₹ Crores)	29.09	

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 2017-18.

The average duration of the defined benefit plan obligation at the end of the reporting year 2017-18 is 5 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, 2018. The Company's contribution to the Employee's Provident fund aggregates to ₹5.84 crores (31 March 2017 : ₹5.31 crores).

II. 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.

34 SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended 31 March 2018, 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

	2017 -18						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
No of Options (Refer Note b)	205,650	23,300	24,000	-	26,350	-	34,800
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						

	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						

b) Movement of Options

	2017 -18						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
Options outstanding at the beginning of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	98,800	3,900	1,600	6,400	21,600	3,000	6,400
Options exercised during the period	364,750	11,200	-	39,600	6,050	3,000	4,800
Options outstanding at the end of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options exercisable as on March 31	205,650	23,300	24,000	-	26,350	-	34,800

The weighted average share price at the date of exercise for stock options exercised was ₹695.14

The weighted average contractual life for the share options outstanding as at March 31, 2018 was 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

	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 ₹369.55.

c) Fair Valuation

Particulars	2017 -18						
	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

Particulars	2016 -17						
	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

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 crores)

	Year Ended March 31	
	2018	2017
Expense arising from equity-settled share-based payment transactions	0.76	2.43
Total expense arising from share-based payment transactions	**0.76**	**2.43**

35. 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 crores)

	As at March 31	
	2018	2017
Claims against the Company not acknowledged as debts	0.25	0.25
Sales Tax matters	104.18	44.30
Excise Duty matters	8.99	6.46
Service Tax matters	163.05	151.43
Income Tax matters	58.82	61.70

b Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2018, Company had commitments of ₹31.84 crores (March 31, 2017: ₹26.62 crores)

c Financial Guarantees provided

(₹ in crores)

	As at March 31	
	2018	2017
Corporate Guarantee given on behalf of Subsidiary and others	199.10	185.85

d Ministry of Environment, Forest and Climate Change (MoEF & CC) Government of India, has issued E-Waste (Management) Rules, 2016 ('these Rules'). Accordingly as per these rules, the Company is mandated to comply with the Extended Producer Responsibility (EPR) targets through channelization of e-waste to an authorised dismantler/recycler. The Company has an obligation for collection of electrical and electric equipment based on e-waste collection targets as specified in schedule III of these rules, for the quantities placed in the market during previous 10 years. The Company has fulfilled its commitment for the financial year 2017-18 and in respect of balance years it can reliably do so upon receipt of appropriate clarifications.

36. DISCLOSURE FOR RELATED PARTY AND INTEREST IN JOINT VENTURES

Related Party Disclosure	Country of Incorporations	% of equity interest	
		31-Mar-18	31-Mar-17
Name of the Related parties where control exists irrespective of whether transactions have occurred or not.			
Subsidiaries :			
Blue Star Engineering and Electronics Limited (erstwhile Blue Star Electro Mechanical Limited).	India	100%	100%
Blue Star Qatar- WLL*	Qatar	49%	49%
Blue Star International FZCO (w.e.f. April 18, 2017)	UAE	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-18	31-Mar-17
Blue Star M & E Engineering (Sdn) Bhd (till December 22, 2017)**	Malaysia	49%	49%
Blue Star Oman Electro-Mechanical Co. LLC***	Oman	51%	51%

** As a part of Group restructuring, the Company sold its stake in joint venture, Blue Star M & E Engineering (Sdn) Bhd, to its wholly owned subsidiary, Blue Star International FZCO, on December 22, 2017. However, the Company continues to have 49% stake in Blue Star M & E Engineering (Sdn) Bhd even after December 22, 2017, indirectly through its wholly owned subsidiary Blue Star International FZCO.

***The Company holds 51% of the share capital of Blue Star Oman Electro-Mechanical Co. LLC, however the profit sharing is on 50-50 basis and it is treated as joint venture under Ind AS 110.

Key Management Personnel

Mr Vir S Advani, Managing Director

Mr B Thiagarajan, Joint Managing Director

Mr Vijay Devadiga, Company Secretary

Mr Neeraj Basur, Chief Financial Officer

Non Executive and Independent Directors

Mr Suneel M Advani

Mr Rajiv R Lulla

Mr Dinesh N Vaswani

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

Mr Shailesh Haribhakti

Mr Anil Harish (w.e.f. November 22,2017)

Ms Shobana Kamineni

Mr Pradeep Mallick (till November 30, 2017)

Mr M K Sharma (till June 12, 2017)

Mr Gurdeep Singh

Relative of Director

Mr Ashok M Advani

Enterprises in which a Director is/was a member/director during the year

KEIMED Private Limited

Apollo Munich Health Insurance Company Limited

Apollo Hospital Enterprises Limited

Pragati Leadership Institute Private Limited

Atria Convergence Technologies Pvt Ltd

Lifetime Wellness RX International Ltd

Entrust Communications Pvt Ltd

Moms Outdoor Media Solutions Pvt Ltd

Madison Communications Pvt Ltd

Transactions during the period with Related Parties are as under:

(₹ in crores)

Name of the Related Party	March 31, 2018		March 31, 2017	
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)
Blue Star M & E Engineering (Sdn) Bhd		**0.29**		**0.27**
Consultancy services rendered	1.21		1.37	
Dividend received (Gross)	-		1.60	
Blue Star Qatar WLL		**0.50**		**0.85**
Sales & Services	0.37		0.22	
Corporate guarantee given on behalf of the Company (Outstanding balance of loans as on March 31, 2018 ₹ 97.85 crores (March 31, 2017 is ₹ 122.10 crores))	27.79	291.05	48.76	263.26
Guarantee commission	0.55		0.78	
Loan & Commission repaid	0.78		2.61	
Blue Star Engineering and Electronics Ltd.		**(2.68)**		**5.24**
Corporate guarantee given Outstanding balance of loans as on March 31, 2018: ₹ 43.97 crores (March 31, 2017: ₹ 63.75)	-	104.56	31.56	104.56
Reimbursement of expenses charged	0.03		0.31	
Reimbursement of employee cost	3.65		4.35	
Purchase	0.63		0.79	
Sales	0.15		0.15	
Collateral Guarantee Charges	0.01		-	
Shared service recovery	1.34		8.99	
Rent paid	2.48		2.44	
Blue Star International FZCO		**16.59**		**-**
Investment	4.91		-	
Sale of Goods	25.51			
Sale of Shares in Joint Venture	13.08			
Corporate Guarantee Given Outstanding balance of loans as on March 31, 2018: ₹39.50 crores (March 31, 2017: ₹ NIL)	66.23	66.23		
Guarantee commission	0.04			
Blue Star Oman Electromechanical Co. LLC		**0.03**		**-**
Corporate Guarantee Given Outstanding balance of loans as on March 31, 2018: ₹17.78 crores (March 31, 2017: ₹ NIL)	21.63	21.63	-	-
Guarantee commission	0.03		-	

(₹ in crores)

Name of Related party	March 31, 2018		March 31, 2017	
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)
Enterprises in which Director is a member/director				
Sale of Goods and Services				
Apollo Hospital Enterprises Ltd.	3.52	-	3.49	-
Atria Convergence Technologies Pvt. Ltd.	0.03	-	0.08	0.02
KEIMED Private Ltd.	0.01	-	0.06	-
Apollo Munich Health Insurance Co. Ltd.	0.15	-	-	-
Lifetime Wellness RX International Ltd.	0.05	0.01	-	-
Madison Communications Pvt. Ltd.	0.05	-	-	-
Moms Outdoor Media Soluitions Pvt. Ltd.	0.01	-	-	-
Project Revenue				
Apollo Hospital Enterprises Ltd.	3.44	1.69	3.45	4.56
Services Received				
Pragati Leadership Institute Pvt. Ltd.	0.12	(0.08)	0.13	(0.12)
Entrust Communications Pvt. Ltd.	2.14	(0.33)	-	-
Moms Outdoor Media Solutions Pvt. Ltd.	8.47	(5.51)	-	-
Madison Communications Pvt. Ltd.	34.23	(8.04)	-	-
Apollo Hospital Enterprise Ltd.	0.03	-	-	-
Relative of Director				
Fees for Professional Services	0.18	(0.05)	-	-
Compensation of key managerial personnel		(9.14)		(5.90)
Short term employee benefits	14.55		10.51	-
Sitting fees to Non Executive and Independent Directors	0.51	-	0.61	-
Commission to Non Executive and Independent Directors	1.59	-	1.19	-
Retirement benefits	0.47	-	0.37	-
Share-based payment transactions	0.19	-	0.92	-
Total compensation paid to key management personnel	**17.31**		**13.61**	
ESOP exercised during the year				
B Thiagarajan 100000 (March 31, 2017: NIL) equity shares of ₹2 each	2.90	-	-	-
Neeraj Basur 39600 (March 31, 2017: 10,000) equity shares of ₹2 each	1.46	-	0.37	-
Vijay Devadiga 4800 (March 31, 2017: NIL) equity shares of ₹2 each	0.18	-	-	-

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 2018, the company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2017: ₹ Nil).

Corporate Guarantees to Related Parties

The company has given 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 ended March 31, 2018, the Company has received services from one of the relative of the director. The transactions entered into with Blue Star M & E Engineering (Sdn) Bhd, Blue Star Qatar WLL, Blue Star Oman Electro-Mechanical Co. LLP and enterprises in which director is a member/director are on 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 (₹)	As at 31-Mar-18 Number outstanding	As at 31-Mar-17 Number outstanding
06-Jun-2014	31-Jul-2018	290.05	84,800	195,200
01-Apr-2016	31-Jul-2018	390.30	34,800	40,000

37. 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 31)

Segment Revenues, Results and other Information:

(₹ in crores)

	Year Ended March 31 2018	Year Ended March 31 2017
I. SEGMENT REVENUE		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	2,232.58	2,122.25
ii. Unitary Products	2,190.04	2,001.72
iii. Professional Electronics and Industrial Systems (refer note 31)*	2.53	22.63
TOTAL SEGMENT REVENUE	**4,425.15**	**4,146.60**
Add: Other Income	7.95	13.13
Add: Finance Income	8.19	21.25
TOTAL INCOME	**4,441.29**	**4,180.98**

(₹in crores)

	Year Ended March 31	
	2018	2017
II. SEGMENT RESULT		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	128.29	92.16
ii. Unitary Products	193.79	172.25
iii. Professional Electronics and Industrial Systems (refer note 31)*	(1.27)	4.00
TOTAL SEGMENT RESULT	**320.81**	**268.41**
Less: i) Finance Cost	22.88	30.61
ii) Other un-allocable Expenditure Net of un-allocable Income	120.03	89.52
TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**177.90**	**148.28**
Exceptional Items	17.85	-
PROFIT BEFORE TAXATION	**195.75**	**148.28**
Provision For Taxes	53.82	36.31
NET PROFIT AFTER TAX	**141.93**	**111.97**

(₹in crores)

	As at March 31	
	2018	2017
III. OTHER INFORMATION:		
A. SEGMENT ASSETS		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,382.07	1,248.60
ii. Unitary Products	1,212.98	815.83
iii. Professional Electronics and Industrial Systems (refer note 31)*	3.01	11.28
TOTAL SEGMENT ASSETS	**2,598.06**	**2,075.71**
Add: Un-allocable Corporate Assets	546.17	544.15
TOTAL ASSETS	**3,144.23**	**2,619.86**
B. SEGMENT LIABILITIES		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	946.38	891.41
ii. Unitary Products	784.97	586.08
iii. Professional Electronics and Industrial Systems (refer note 31)*	0.78	5.41
TOTAL SEGMENT LIABILITIES	**1,732.13**	**1,482.90**
Add: Un-allocable Corporate Liabilities	426.80	219.20
TOTAL LIABILITIES	**2,158.93**	**1,702.10**

(₹in crores)

	Year Ended March 31	
	2018	2017
C. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	49.89	56.29
ii. Unitary Products	33.30	31.62
iii. Professional Electronics and Industrial Systems (refer note 31)*	0.01	0.27
iv. Un-allocable	2.36	11.40
TOTAL	**85.56**	**99.58**

(₹ in crores)

	Year Ended March 31	
	2018	2017
D. DEPRECIATION/AMORTISATION		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	22.66	22.08
ii. Unitary Products	16.25	14.25
iii. Professional Electronics and Industrial Systems (refer note 31)*	-	-
iv. Un-allocable	21.66	18.64
TOTAL	**60.57**	**54.97**
E. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	21.13	14.93
ii. Unitary Products	1.85	3.47
iii. Professional Electronics and Industrial Systems (refer note 31)*	0.35	0.62
iv. Un-allocable	1.50	2.68
TOTAL	**24.83**	**21.70**

* These pertain to old Professional Electronics and Industrial Systems contracts taken before demerger of the said division to Blue Star Engineering & Electronics Limited

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 crores)

		As at March 31	
		2018	2017
a	**Revenue (Sales, Services & Commission) by Geographical Market**		
	India	4,158.49	3,890.00
	Outside India	266.66	256.60
	Total	**4,425.15**	**4,146.60**
b	**Carrying amount of Segment Assets & Intangible Assets**		
	India	3,066.88	2,559.22
	Outside India	77.35	60.64
	Total	**3,144.23**	**2,619.86**
c	**Capital Expenditure including Capital Work in Progress**		
	India	85.56	99.58
	Outside India	-	-
	Total	**85.56**	**99.58**

38 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

Foreign Currency	31-Mar-18		31-Mar-17	
	Amount in Foreign Currency	₹ Crores	Amount in Foreign Currency	₹ Crores
Particulars of Derivatives				
Forward cover to Purchase USD & CNY:				
Hedge of underlying payables - USD	**31,506,843.89**	**205.35**	**19,544,116.61**	**126.74**
- Buyers' Credit	7,928,368.94	51.67	1,475,125.75	9.57
- Other Payables	23,578,474.95	153.67	18,068,990.86	117.18
Hedge of underlying payables - CNY				
- Other Payables	113,243,096.47	117.57	-	-

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

Foreign Currency	31-Mar-18		31-Mar-17	
	Amount in Foreign Currency	₹ Crores	Amount in Foreign Currency	₹ Crores
Bank Balances				
EUR	308,722.06	2.50	5,125.82	0.04
CNY	25,792.42	0.03	72,353.21	0.07
USD	968,602.23	6.31	2,792,972.20	18.11
Receivables				
CAD	34,980.00	0.18	18,972.27	0.09
EUR	460,623.39	3.72	168,018.95	1.16
MYR	1,184,327.84	2.00	1,095,442.30	1.61
USD	8,937,706.65	58.25	7,554,049.73	48.99
Payables				
AED	1,957.24	0.00	1,116.67	0.00
AUD	-	-	689.92	0.00
CAD	1,079.71	0.01	12,646.53	0.06
CHF	-	-	444.12	0.00
EUR	1,138,953.79	9.20	436,918.67	3.03
GBP	-	-	123.07	0.00
JPY	7,081,345.00	0.44	641,688.00	0.04
OMR	3,756.70	0.06	-	-
CNY	33,769,236.43	35.06	40,983,201.81	41.13
USD	13,981,513.77	91.12	10,768,492.11	69.83

39 FAIR VALUE HIERARCHY

The following table provides the fair value measurement heirarchy of the Company's assets and liabilities:

Quantitative disclosures fair value measurement heirarchy as at March 31, 2018 : *(₹ in crores)*

	Total Valuation	Quoted	Significant prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2018	67.41	-	67.41	-
Derivatives not designated as hedges (refer note 6)					
- Foreign exchange forward contracts	March 31, 2018	1.28	-	1.28	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement heirarchy as at March 31, 2017 : *(₹ in crores)*

	Total Valuation	Quoted	Significant prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
Assets for which fair values are disclosed:					
Investment Property (refer note 4)	March 31, 2017	66.97	-	66.97	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2017	3.14	-	3.14	-

There have been no transfers between Level 1 and Level 2 during the period.

40 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, trade and other payables, deposits, trade receivables, 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 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.

(₹ in crores)

	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2017
US Dollars	+5%	(1.04)	(0.14)	(0.68)	(0.09)
	-5%	1.04	0.14	0.68	0.09
RMB	+5%	(1.75)	(2.05)	(1.14)	(1.34)
	-5%	1.75	2.05	1.14	1.34
EUR	+5%	(0.13)	(0.09)	(0.09)	(0.06)
	-5%	0.13	0.09	0.09	0.06
MYR	+5%	0.10	0.08	0.06	0.05
	-5%	(0.10)	(0.08)	(0.06)	(0.05)

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.

(₹ in crores)

Interest Rate Sensitivity	Increase/Decrease in basis Point	Effect on profit before tax	Effect on equity
For the year ended March 31, 2018			
INR - Borrowings	+100	(1.05)	(0.69)
	-100	1.05	0.69
For the year ended March 31, 2017			
INR - Borrowings	+100	(0.50)	(0.32)
	-100	0.50	0.32

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:

(₹ in crores)

	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, 2018	282.23	531.04	164.64	977.91
Trade Receivables as of March 31, 2017	265.07	489.83	87.71	842.61

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 35.

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:

(₹ in crores)

	As at March 31, 2018		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	320.02	-	320.02
Trade Payables	1,446.88	-	1,446.88
Other Payables	1.27	-	1.27
Other financial liabilities	7.26	4.20	11.46
Total	**1,775.43**	**4.20**	**1,779.63**

(₹ in crores)

	As at March 31, 2017		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	149.23	-	149.23
Trade Payables	1,106.91	-	1,106.91
Other Payables	1.67	-	1.67
Other financial liabilities	13.27	0.56	13.83
Total	**1,271.08**	**0.56**	**1,271.64**

41 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:

(₹in crores)

	As at March 31	
	2018	**2017**
Borrowings	320.02	149.23
Less: Cash and cash equivalents	(65.07)	(78.00)
Net Debt	**254.95**	**71.23**
Equity	985.30	917.76
Total Capital	**985.30**	**917.76**
Capital and Net Debt	**1,240.25**	**988.99**
Gearing Ratio	**20.56%**	**7.20%**

42 (A) DISCLOSURE IN TERMS OF INDIAN ACCOUNTING STANDARD 11 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹in crores)

		As at March 31	
		2018	**2017**
I.	Contract revenue recognised for the year (Refer Note 21)	889.39	814.79
II.	For Contracts that are in progress as on 31st March		
	A. Contract costs incurred and recognized profits (Less Recognised losses)	2,978.62	3,229.74
	B. Advances received	112.20	146.36
	C. Gross amount due from customers for Contract work*	285.89	244.74
	D. Gross amount due to customers for Contract work**	29.12	27.80
	E. Retention amount	9.87	9.82

* Includes reduction of Imminent loss of ₹1.20 Crores (March 31, 2017: ₹1.04 Crores)

** Includes Imminent loss impact (increase) of ₹0.20 Crores (March 31, 2017: ₹1.27 Crores)

42 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 25, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS:

(₹ in crores)

Nature of expenses	Note 24	Note 25	Note 27	Note 28	Total
Subcontracting cost	224.30	-	-	-	224.30
	(187.62)	-	-	-	(187.62)
Salary and Wages	10.96	312.99	-	-	323.95
	(3.41)	(270.35)	-	-	(273.76)
Rent	0.71	-	61.99	-	62.70
	(0.61)	-	(54.20)	-	(54.81)
Power and fuel	1.74	-	17.20	-	18.94
	(1.17)	-	(16.62)	-	(17.79)
Insurance	4.31	-	1.87	-	6.18
	(5.28)	-	(2.06)	-	(7.34)
Travelling and Conveyance	3.32	-	40.63	-	43.95
	(4.33)	-	(36.52)	-	(40.85)
Printing and Stationery	0.82	-	3.81	-	4.63
	(0.46)	-	(3.75)	-	(4.21)
Communication Expenses	0.11	-	7.87	-	7.98
	(0.11)	-	(7.93)	-	(8.04)

42 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 25, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS: (CONTINUED)

(₹ in crores)

Nature of expenses	Note 24	Note 25	Note 27	Note 28	Total
Freight and Forwarding	2.28	-	72.70	-	74.98
Charges	(1.50)	-	(56.63)	-	(58.13)
Legal and Professional fees	14.86	-	41.66	-	56.52
	(10.95)	-	(47.18)	-	(58.13)
Bank charges	1.44	-	-	4.15	5.59
	(2.04)	-	-	(4.82)	(6.86)

Figures in brackets are for previous year

43 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 six premises. Lease rental expense debited to statement of Profit and Loss is ₹62.70 Crores (March 31, 2017 : ₹54.81 Crores).

(₹in crores)

	As at March 31	
	2018	2017
Minimum lease payments for operating leases with exceptional/restrictive covenants as at 31st March		
(a) Not later than one year	5.59	5.19
(b) Later than one year but not later than five years	7.60	10.60
(c) Later than five years	-	0.40

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 ₹5.57 crores (Previous year: ₹5.94 crores) is recognised as lease income in the statement of profit & Loss for the year ended March 31, 2018.

44 (a) Details of revenue expenditure directly related to Research & Development :

(₹in crores)

	Year Ended March 31	
	2018	2017
Employee benefits expense	18.34	15.46
Cost of raw material and components consumed	5.89	6.97
Legal & Professional fees	2.90	2.57
Depreciation	10.19	9.19
Others	6.50	7.11
Total	**43.82**	**41.30**

(b) Details of Capital expenditure directly related to Research & Development :

(₹in crores)

	Year Ended March 31	
	2018	**2017**
Tangible Assets		
Building sheds and road	0.18	0.35
Plant & equipement	2.21	2.87
Furniture & fixtures	0.26	0.02
Office equipments	0.98	0.18
Electrical Equipment	-	0.02
Intangible Assets (including under development)		
Technical knowhow	7.71	8.78
Software	0.20	0.15
Total	**11.54**	**12.37**

45 IMPLEMENTATION OF IND AS 115 FROM APRIL 1, 2018:

On March 28, 2018, the Ministry of Corporate Affairs (MCA) notified the new revenue recognition standard, viz., Ind AS 115 Revenue from Contracts with Customers. Ind AS 115 is applicable to the Company for the financial years beginning on or after April 1, 2018 for all the companies who have migrated to Ind AS. The new standard establishes a five step model related to revenue recognition from contracts with customers. It permits either 'full retrospective' adoption in which the standard is applied to all of the periods presented or a 'modified retrospective' adoption.

The Company is evaluating its various contractual arrangement and the available transition methods. The Company has established a team for evaluation of the contracts with customers to implement Ind-AS 115. Reliable estimates of the quantitative impact of Ind-AS 115 on the financial statements will be possible after a detailed evaluation.

46 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 14, 2018

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 14, 2018

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, 2018, 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 Ind AS 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 the Companies (Indian Accounting Standard) Rules, 201S, as amended. The respective Board of Directors of the companies included in the Group and of its 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 of its 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 subsidiaries and joint ventures , the aforesaid consolidated 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 consolidated state of affairs of the Group and its joint ventures as at March 31, 2018, 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 subsidiaries 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 by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss 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 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, 2018 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, of its subsidiary company incorporated in India, none of the directors of the Holding Company and its subsidiary company incorporated in India is disqualified as on March 31, 2018 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 - Refer Note 34 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, 2018.

Other Matter

We did not audit the financial statements and other financial information, in respect of one subsidiary, whose financial statements include total assets of ₹88.90 crores and net assets of ₹27.52 crores as at March 31, 2018, and total revenues of ₹111.58 crores and net cash outflows of ₹5.78 crores for the year ended on that date. The financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's report have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net loss of ₹1.92 crores for the year ended March 31, 2018, 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 Ind AS 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

Date : May 14, 2018
Place of Signature : Mumbai

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

Annexure referred to in paragraph 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")

In conjunction with our audit of the consolidated financial statements of Blue Star Limited as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Blue Star Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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

Date: May 14, 2018
Place of Signature: Mumbai

Consolidated Balance Sheet as at March 31, 2018

(₹in crores)

	Notes	As at March 31 2018	As at March 31 2017
A ASSETS			
1. Non-Current Assets			
Property, Plant & Equipment	3	274.00	244.04
Capital Work in Progress		18.38	21.51
Investment Property	4	61.87	68.34
Intangible Assets	5	56.13	43.73
Intangible Assets under development		6.97	12.09
Investment in Associate and Joint Venture	37	13.24	10.97
Financial Assets			
- Trade Receivable	8	24.71	30.32
- Loans	6	18.17	17.31
- Other Financial Assets	6	3.96	3.61
Income Tax Assets (Net)		45.61	39.41
Deferred Tax Assets (Net)	20	93.97	107.66
Other Non-Current assets	10	33.32	29.74
Total Non Current Assets		**650.33**	**628.73**
2. Current assets			
Inventories	7	833.10	595.58
Financial Assets			
- Loans	6	9.36	4.01
- Trade Receivables	8	1,100.35	938.98
- Cash & cash Equivalents	9	80.88	96.57
- Other Financial Assets	6	283.56	247.06
Other Current Assets	10	220.33	137.48
Asset held for sale	3	5.22	1.77
Total Current Assets		**2,532.80**	**2,021.45**
TOTAL ASSETS		**3,183.13**	**2,650.18**
B EQUITY AND LIABILITIES			
1. Equity			
Equity Share Capital	11	19.20	19.11
Other Equity		812.08	738.02
Total Equity		**831.28**	**757.13**
Non Controlling Interest		1.53	1.22
Total Equity		**832.81**	**758.35**
2. Non-Current Liabilities			
Financial Liabilities			
- Borrowings	14	25.90	20.20
- Other Financial Liabilities	16	3.32	-
Long term Provisions	18	12.54	11.17
Government Grants	19	2.95	3.49
Income Tax Liabilities (Net)		0.75	0.59
Total - Non-current liabilities		**45.46**	**35.45**
3. Current Liabilities			
Financial Liabilities			
- Borrowings	14	344.78	195.92
- Trade Payables	15.A	1,547.37	1,175.56
- Other Payables	15.B	1.31	1.67
- Other Financial Liabilities	16	12.48	17.68
Goverment Grants	19	0.54	0.65
Provisions	18	40.19	39.85
Other Current Liabilities	17	358.19	425.05
Total - Current liabilities		**2,304.86**	**1,856.38**
TOTAL - EQUITY AND LIABILITIES		**3,183.13**	**2,650.18**

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 14, 2018

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 14, 2018

Consolidated Statement of Profit & Loss Account for the year ended March 31, 2018

(₹ in crores)

	Notes	Year ended March 31 2018	Year ended March 31 2017
Revenue from operations	21	4,749.99	4,422.23
Other Income	22	9.42	13.07
Finance Income	23	7.53	21.51
Total revenue (I)		**4,766.94**	**4,456.81**
Expenses			
Cost of raw material and components consumed and Project related cost	24	2,245.07	2,189.04
Purchase of traded goods	24	1,191.29	940.15
(Increase)/decrease in inventories of Finished goods, work-in-progress and traded goods	24	(189.03)	(16.94)
Excise Duty on sale of goods		9.18	36.99
Employee benefits expense	25	397.72	339.03
Depreciation and amortization expense	26	63.81	60.58
Finance costs	28	28.74	37.78
Other expenses	27	819.43	711.55
Total Expenses (II)		**4,566.21**	**4,298.18**
Profit before exceptional items and tax (I) – (II)		**200.73**	**158.63**
Exceptional items	29	5.27	-
Profit after Exceptional items before Tax		**206.00**	**158.63**
Tax Expense			
i) Current tax	20	42.60	44.33
ii) Deferred tax	20	11.96	(7.66)
Income tax expense		**54.56**	**36.67**
Profit for the year before Share in Associate and Minority Interest		**151.44**	**121.96**
Share of profit/(loss) of an associate and a joint venture		**(1.92)**	**1.27**
Non-controlling interests		**(0.27)**	**(0.18)**
Profit for the year		**149.25**	**123.05**
Other comprehensive income			
Other comprehensive income not to be reclassfied to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans		(3.11)	(6.22)
Income tax effect	20	0.84	2.17
		(2.27)	(4.05)
Other comprehensive income to be reclassfied to profit or loss in subsequent periods:			
Foreign Currency Translation Reserve		(0.18)	(0.57)
Income tax effect	20	0.06	0.20
		(0.12)	(0.37)
Other Comprehensive Income for the year, net of tax		**(2.39)**	**(4.42)**
Total comprehensive income for the year, net of tax		**146.86**	**118.63**
Balance carried forward		**146.86**	**118.63**

Consolidated Statement of Profit & Loss Account for the year ended March 31, 2018

(₹ in crores)

	Notes	Year ended March 31 2018	Year ended March 31 2017
Balance brought forward		**146.86**	**118.63**
Profit for the year		149.25	123.05
attributable to:			
Equity holders of the parent		148.98	122.87
Non-controlling interests		0.27	0.18
Total comprehensive income for the year		146.86	118.63
Attributable to :			
Equity holders of the parent		146.59	118.45
Non-controlling interests		0.27	0.18
Earnings per share for continuing operations	30		
Basic, computed on the basis of profit attributable to equity holders of the parent		15.58	12.89
Diluted, computed on the basis of profit attributable to equity holders of the parent		15.53	12.84
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 14, 2018

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 14, 2018

Consolidated Statement of Changes in Equity for the year ended March 31, 2018

(A) Equity Share Capital

For the year ended March 31, 2018 *(₹ in crores)*

Balance as at April 1, 2017	Changes in Equity Share Capital during the year	Balance as at March 31, 2018
19.11	0.09	19.20

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

Balance as at April 1, 2016	Changes in Equity Share Capital during the year	Balance as at March 31, 2017
17.99	1.12	19.11

(B) Other Equity

For the year ended March 31, 2018 *(₹ in crores)*

	Securities Premium (refer note 12)	Share Capital Suspense (refer note 12)	Share based Payment Reserve (refer note 12)	Capital Redem-ption Reserve (refer note 12)	Capital Subsidy from Govern-ment (refer note 12)	Capital Reserve	General Reserve (refer note 12)	Retained Earning	Other Comprehensive Income		Capital Reserve on Acquistion of Joint Venture	Total Other Equity
									Foreign Currency Translation Reserve	Employee Benefit		
As at April 1, 2017	180.46	-	6.67	2.34	0.60	44.32	151.89	356.83	0.38	(5.93)	0.46	738.02
Profit for the period	-	-	-	-	-	-	-	149.25	-	-	-	149.25
Other Comprehensive Income	-	-	-	-	-	-	-	-	(0.12)	(2.27)	-	(2.39)
Total Comprehensive Income	**180.46**	**-**	**6.67**	**2.34**	**0.60**	**44.32**	**151.89**	**506.08**	**0.26**	**(8.20)**	**0.46**	**884.88**
Excercise of Share Options	16.80	-	(3.98)	-	-	-	-	-	-	-	-	12.82
Share Based Payment	-	-	0.76	-	-	-	-	-	-	-	-	0.76
Proposed Dividend	-	-	-	-	-	-	-	(71.82)	-	-	-	(71.82)
Dividend Distribution Tax on proposed dividend	-	-	-	-	-	-	-	(14.65)	-	-	-	(14.65)
Fair valuation impact of asset within the Group	-	-	-	-	-	(0.89)	-	-	-	-	-	(0.89)
Reversal of Employee Compensation Expenses	-	-	(0.32)	-	-	-	0.32	-	-	-	-	-
Deferred tax liability on Undistributed Profit	-	-	-	-	-	-	-	1.10	(0.12)	-	-	0.98
As at March 31, 2018	**197.26**	**-**	**3.13**	**2.34**	**0.60**	**43.43**	**152.21**	**420.71**	**0.14**	**(8.20)**	**0.46**	**812.08**

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

	Securities Premium (refer note 12)	Share Capital Suspense (refer note 12)	Share based Payment Reserve (refer note 12)	Capital Redem-ption Reserve (refer note 12)	Capital Subsidy from Govern-ment (refer note 12)	Capital Reserve	General Reserve (refer note 12)	Retained Earning	Other Comprehensive Income		Capital Reserve on Acquistion of Joint Venture	Total Other Equity
									Foreign Currency Translation Reserve	Employee Benefit		
As at April 1, 2016	0.53	172.57	7.06	2.34	0.60	44.32	140.05	245.62	0.75	(1.88)	0.46	612.42
Profit for the period	-	-	-	-	-	-	-	123.05	-	-	-	123.05
Other Comprehensive Income	-	-	-	-	-	-	-	-	(0.37)	(4.05)	-	(4.42)
Total Comprehensive Income	**0.53**	**172.57**	**7.06**	**2.34**	**0.60**	**44.32**	**140.05**	**368.67**	**0.38**	**(5.93)**	**0.46**	**731.05**
Issue of Share Capital	171.50	(172.57)	-	-	-	-	-	-	-	-	-	(1.07)
Excercise of Share Options	8.43	-	(1.78)	-	-	-	-	-	-	-	-	6.65
Reversal of Employee Compensation Expenses	-	-	(1.04)	-	-	-	1.04	-	-	-	-	-
Deferred tax liability on Undistributed Profit	-	-	-	-	-	-	-	(1.04)	-	-	-	(1.04)
Transfer to general reserve	-	-	-	-	-	-	10.80	(10.80)	-	-	-	-
Share Based Payment	-	-	2.43	-	-	-	-	-	-	-	-	2.43
As at March 31, 2017	**180.46**	**-**	**6.67**	**2.34**	**0.60**	**44.32**	**151.89**	**356.83**	**0.38**	**(5.93)**	**0.46**	**738.02**

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 14, 2018

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 14, 2018

Consolidated Cash Flow Statement for the year ended March 31, 2018

(₹ in crores)

	Year ended March 31	
	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after Exceptional items before Tax	**206.00**	**158.63**
Exceptional Item	**(5.27)**	**-**
	200.73	**158.63**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation/amortization	63.81	60.58
Profit on sale of Investments	(0.01)	(1.12)
Amortisation of Government Grant	(0.65)	(0.79)
Fair Value (Gain)/loss on financial instruments	(4.39)	(4.25)
Share Based Payment	0.76	2.43
Loss/(profit) on sale of fixed assets	0.60	0.71
Bad debts/advances written off	1.94	1.87
Allowances for doubtful debts and advances	14.33	17.44
Unrealized foreign exchange loss/(gain)	8.33	(3.23)
Liabilities written back	(43.46)	(35.00)
Interest expense and bank charges	28.74	37.78
Interest (income)	(7.00)	(18.49)
Dividend (income)	(0.52)	(1.90)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**263.21**	**214.66**
Movements in working capital:		
Increase/(decrease) in trade payables	405.60	124.69
Increase/(decrease) in long-term/short-term provisions	(1.40)	0.65
Increase/(decrease) in other current liabilities	(65.97)	55.50
Decrease/(increase) in trade receivables	(168.23)	(146.44)
Decrease/(increase) in inventories	(237.52)	(60.82)
Decrease/(increase) in long-term/short-term loans and advances	(6.21)	(24.79)
Decrease/(increase) in other current/non-current assets	(120.74)	(7.34)
Cash generated from /(used in) operations	68.74	156.11
Direct taxes paid (net of refunds)	(44.89)	2.41
Net cash flow from/(used in) operating activities (A)	**23.85**	**158.52**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(99.32)	(107.45)
Investment in Associate and Joint Venture	(5.40)	-
Sale proceeds of office property	5.92	-
Proceeds from sale of Property, Plant and Equipment	1.06	1.41
Proceeds from sale/maturity of current investments	0.01	159.18
Interest received	4.72	14.40
Dividends received	0.52	1.90
Net cash flow from/(used in) investing activities (B)	**(92.49)**	**69.44**
Balance carried forward	**(68.64)**	**227.96**

Consolidated Cash Flow Statement for the year ended March 31, 2018

(₹in crores)

	Year ended March 31	
	2018	**2017**
Balance brought forward	**(68.64)**	**227.96**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from Short Term Borrowings, net	143.56	(174.85)
Proceeds from Long Term Borrowings, gross	11.42	6.13
Repayment of Long Term Borrowings, gross	(5.03)	(1.05)
Interest and bank charges paid	(27.61)	(38.14)
Proceeds from fresh issue of Equity Capital (Including Premium)	12.91	6.69
Dividend paid on equity shares (including DDT)	(86.47)	(1.83)
Net cash flow from/(used in) in financing activities (C)	**48.78**	**(203.05)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**(19.86)**	**24.91**
Cash and cash equivalents at the beginning of the year	39.80	14.89
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**19.94**	**39.80**
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Balances with banks:		
– On current accounts*	70.40	88.57
– Deposits with original maturity of less than 3 months	7.08	4.76
– On unpaid dividend account**	2.69	2.64
Cash on hand	0.71	0.60
Less: Bank Overdraft	(60.94)	(56.77)
TOTAL CASH AND CASH EQUIVALENTS (NOTE 9)	**19.94**	**39.80**

* Out of the above bank balances, the company can utilize balance of ₹6.38 Crores (March 31, 2017 : ₹ 1.36 Crores) for three of the project with prior approval of the customers.

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

Summary of significant accounting policies 1 & 2

The acccompanying 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 14, 2018

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 14, 2018

1 Corporate Information

The consolidated Financial statements comprise of Financial statements of Blue Star Ltd. ("The Company"), its subsidiaries and joint venture (collectively, the group) for the year ended March 31,2018. Blue Star Limited ("The Company") along with its Subsidiaries & Joint Ventures is into the business of air conditioning, commercial refrigeration and water purifiers, air purifiers and air coolers. The Group 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.

The financial statements of the Group were authorised for issue in accordance with a resolution of the Directors on May 14, 2018.

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 and as amended from time to time.

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 Crores (INR 00,00,000), except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint ventures as at March 31, 2018. 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, 2018.

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) Intercompany 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 Intercompany 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 date.

Common control transactions

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

Business combinations involving entities or businesses 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 Crores, 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, till June 30, 2017 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 till June 30, 2017. Goods and Services Tax ("GST") was implemented with effect from July 1, 2017, which replaced excise duty and other input taxes. As per Ind AS 18, revenue from operations post GST is reported net of GST.

However, sales tax/value added tax (VAT)/Goods and Services Tax (GST) 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 upto 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/Goods and Services 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 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 it is probable 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 it is not probable that the Group 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.

I 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 goods 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:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- 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:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- 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.

- Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.
- 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.
- Income which relates to the Group as a whole and not allocable to segments is included in unallocable income.
- Segment result includes margins on inter-segment and sales which are reduced in arriving at the profit before tax of the Group.
- 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 crores)

	Land - Leasehold	Land - Freehold	Buildings	Plant and Equipment	Leasehold Improve-ments	Furniture & Fixtures	Office Equipment	Vehicles	Computers	Total
Cost										
At April 1, 2016	0.05	8.89	85.98	116.56	1.55	6.17	3.02	11.72	11.02	**244.96**
Additions	13.95	-	4.21	28.12	3.02	4.07	2.02	5.34	5.23	**65.96**
Disposals	-	-	(0.10)	(11.85)	-	(1.35)	(1.02)	(3.43)	(2.61)	**(20.36)**
At March 31, 2017	**14.00**	**8.89**	**90.09**	**132.83**	**4.57**	**8.89**	**4.02**	**13.63**	**13.64**	**290.56**
At April 1, 2017	14.00	8.89	90.09	132.83	4.57	8.89	4.02	13.63	13.64	**290.56**
Additions	-	6.26	11.97	39.86	1.21	3.03	3.05	7.13	3.33	**75.84**
Disposals	(0.06)	-	(5.41)	(3.32)	-	(0.94)	(2.15)	(2.67)	(0.34)	**(14.89)**
Adjustment/Reclassification	-	-	3.07	-	-	-	-	-	-	**3.07**
At March 31, 2018	**13.94**	**15.15**	**99.72**	**169.37**	**5.78**	**10.98**	**4.92**	**18.09**	**16.63**	**354.58**
Depreciation										
At April 1, 2016	-	-	4.47	10.74	0.28	1.08	1.15	2.23	4.14	**24.09**
Disposals	-	-	(0.06)	(11.39)	-	(1.23)	(0.97)	(2.46)	(2.61)	**(18.72)**
Provided during the year	-	-	7.91	20.79	0.55	1.72	1.02	3.32	5.84	**41.15**
At March 31, 2017	**-**	**-**	**12.32**	**20.14**	**0.83**	**1.57**	**1.20**	**3.09**	**7.37**	**46.52**
At April 1, 2017	-	-	12.32	20.14	0.83	1.57	1.20	3.09	7.37	**46.52**
Disposals	-	-	(1.30)	(2.50)	-	(0.89)	(1.99)	(2.10)	(0.34)	**(9.12)**
Provided during the year	0.30	-	7.46	21.27	0.70	2.32	1.91	4.35	4.87	**43.18**
At March 31, 2018	**0.30**	**-**	**18.48**	**38.91**	**1.53**	**3.00**	**1.12**	**5.34**	**11.90**	**80.58**
Net Book Value										
At March 31, 2018	13.64	15.15	81.24	130.46	4.25	7.98	3.80	12.75	4.73	**274.00**
At March 31, 2017	14.00	8.89	77.77	112.69	3.74	7.32	2.82	10.54	6.27	**244.04**

In Financial Year 2015-16, the Company had discontinued manufacturing operations at Bharuch unit in accordance with its manufacturing strategy. During the year the Company has identified potential buyer for disposal of Bharuch unit and accordingly the assets have been disclosed as "Asset held for sale" (Net Book Value ₹3.72 crores). Further, old plant and equipment of Wada unit is disclosed as "Asset held for sale" (Net Book Value : ₹1.50 Crores (March 31, 2017 : ₹1.77 Crores)). The Company has classified the assets held for sale at their carrying costs and considers the carrying amount will be recovered on sale.

The Company has made an application on April 10, 2018 to the J&K Industrial Development Corporation to voluntarily surrender the leased land of ₹10.25 crores.

4. INVESTMENT PROPERTY

(₹in crores)

Cost	
At April 1, 2016	78.98
Additions	0.05
At March 31, 2017	**79.03**
Disposal	0.00
Adjustment/Reclassification	(3.96)
At March 31, 2018	**75.07**
Depreciation	
At April 1, 2016	5.55
Additions	5.14
At March 31, 2017	**10.69**
Additions	4.16
Adjustment / Reclassification	(1.65)
At March 31, 2018	**13.20**
Net Book Value	
At March 31, 2018	**61.87**
At March 31, 2017	**68.34**

(₹in crores)

Information regarding Income & Expenditure of Investment property	As at March 31	
	2018	2017
Rental income derived from investment property	6.53	6.26
Direct operating expenses (including repairs and maintenance) associated with rental income	(0.92)	(0.13)
Profit arising from investment property before depreciation and indirect expenses	5.61	6.13
Less - Depreciation	4.16	5.14
Less - Adjustment/Reclassification	(1.65)	0.00
Profit arising from investment property before indirect expenses	**3.11**	**0.99**

As at March 31, 2018 and March 31, 2017 the fair value of the property is ₹85.40 Crores and ₹84.26 Crores 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 39.

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 7.50% p.a. for office space. The accumulative rate is estimated at 3.50% 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 13 years old and the balance economic life of office use is considered to be 47 years.

5. INTANGIBLE ASSETS

(₹ in crores)

	Technical Knowhow	Software	Total
Cost			
At April 1, 2016	26.48	23.15	**49.63**
Additions	10.28	9.17	**19.45**
Disposals	-	(0.23)	**(0.23)**
At March 31, 2017	**36.76**	**32.09**	**68.85**
At April 1, 2017	36.76	32.09	**68.85**
Additions	13.74	16.78	**30.52**
Disposals	-	(0.01)	**(0.01)**
At March 31, 2018	**50.50**	**48.86**	**99.36**
Amortisation			
At April 1, 2016	4.98	6.09	**11.07**
Disposals	-	(0.24)	**(0.24)**
Provided during the year	6.65	7.64	**14.29**
At March 31, 2017	**11.63**	**13.49**	**25.12**
At April 1, 2017	11.63	13.49	**25.12**
Disposals	-	(0.01)	**(0.01)**
Provided during the year	7.32	10.80	**18.12**
At March 31, 2018	**18.95**	**24.28**	**43.23**
Net Book Value			
At March 31, 2018	31.55	24.58	**56.13**
At March 31, 2017	25.13	18.60	**43.73**

During the previous year the Company commenced a project to develop higher capacity inverter VRF outdoor Units having cooling capacity of 24HP and above. The Cost related to such project was initially booked under the head "Intangible assets under development" during previous year. The Company has capitalised the technology cost for development of these products under the head "Intangible Assets" during current year. The capitalized cost of VRF will get amortized in 6 years in line with market assessment of the use of this technology.

6. FINANCIAL ASSETS

(₹ in crores)

	As at March 31	
	2018	**2017**
I. Non Current Investments		
Investment in Equity Instruments		
Unquoted equity instruments		
Investment in Joint Ventures		
367,500 (March 31, 2017 : 367,500) Fully paid Equity Shares of MR 1 each in Blue Star M & E Engineering (Sdn) Bhd	9.76	5.43
255,000 (March 31, 2017 : 255,000) Fully paid Equity shares of OMR 1 each in Blue Star Oman Electro-Mechanical Co. LLC	-	5.54
Investment in 49 Redemable Convertible Preference Shares of MR 40,000 each in Blue Star M & E Engineering (Sdn) Bhd	3.48	-
Total Non Current Investments	**13.24**	**10.97**
Aggregate Value of unquoted investments	13.24	10.97

Loans (Unsecured considered good unless otherwise stated)

(₹ in crores)

	Non-current		Current	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
Security Deposit	12.69	12.21	6.07	1.87
Loans to employees	5.48	5.10	3.03	2.06
Others	-	-	0.26	0.08
Total Loans	**18.17**	**17.31**	**9.36**	**4.01**

Other Financial Assets

(₹ in crores)

	Non-current		Current	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
Non-current bank balances*	3.96	3.61	-	-
Unbilled Revenue:				
Project Revenue	-	-	281.09	250.21
Less: Impairment Allowance	-	-	15.83	15.59
Net Project Revenue	**-**	**-**	**265.26**	**234.62**
AMC	-	-	12.13	7.63
Advance recoverable in cash	-	-	4.87	4.81
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange forward contracts (refer note 39)	-	-	1.30	-
Total Other Financial Assets	**3.96**	**3.61**	**283.56**	**247.06**

*Margin money deposits with a carrying amount of ₹3.96 Crores (March 31, 2017 : ₹3.61 Crores) are subject to a first charge as security deposit with customers.

Breakup of total financial assets carried at amortized cost

(₹ in crores)

	As at March 31	
	2018	2017
Trade receivables (refer note 8)	1,125.06	969.30
Cash & bank balances (refer note 9)	80.88	96.57
Loans (refer note 6)	27.53	21.32
Other financial assets (refer note 6)	287.52	250.67
Total financial assets carried at amortized cost	**1,520.99**	**1,337.86**

7. INVENTORIES

(₹ in crores)

(Valued at lower of cost and net realisable value)	As at March 31	
	2018	2017
Raw materials & components (includes in transit: ₹70.55 Crores (March 31, 2017 : ₹33.40 Crores))	179.25	148.06
Work-in-progress	43.19	38.55
Finished goods	126.28	116.65
Traded goods (includes in transit: ₹70.46 Crores (March 31, 2017: ₹8.74 Crores))	428.58	253.82
Spares	55.80	38.50
	833.10	**595.58**

The above inventory values are net of provisions made of ₹10.12 Crores (March 31, 2017 ₹4.43 Crores) for slow moving, obsolete and defective inventory.

8. TRADE RECEIVABLE

(₹ in crores)

	Non-current		Current	
	31-March-18	31-March-17	31-March-18	31-March-17
Trade receivables	24.71	30.32	1,100.06	934.12
Receivables from related parties (Note 35)	-	-	0.29	4.86
Total Trade receivables	**24.71**	**30.32**	**1,100.35**	**938.98**
Break up of security details :				
Unsecured, considered good	24.71	30.32	1,100.35	938.98
Doubtful	5.85	5.85	122.72	155.95
	30.56	36.17	1,223.07	1,094.93
Impairment Allowance (allowance for bad and doubtful debts)				
Doubtful	5.85	5.85	122.72	155.95
Total Trade receivables	**24.71**	**30.32**	**1,100.35**	**938.98**

Due from Company in which the Company's Non executive Director is a Director		
Atria Convergence Technologies Pvt Ltd.	-	0.02
Apollo Hospital Enterprises Limited	1.69	4.56
Lifetime Wellness RX International Ltd	0.01	-

For Terms and Conditions relating to related party receivables, refer note 35

9. CASH AND CASH EQUIVALENT

(₹ in crores)

	As at March 31	
	2018	2017
Cash and cash equivalents		
Balances with banks:		
- On current accounts***	70.40	88.57
- Deposits with original maturity of less than 3 months	7.08	4.76
- On unpaid dividend account**	2.69	2.64
Cash on hand	0.71	0.60
	80.88	**96.57**

** 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 ₹6.38 Crores (March 31, 2017 : ₹1.36 Crores) for three of the projects with prior approval of the customers.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

(₹ in crores)

	As at March 31	
	2018	2017
Balances with banks:		
- On current accounts	70.40	88.57
- Deposits with original maturity of less than three months	7.08	4.76
On unpaid dividend account	2.69	2.64
Cash on hand	0.71	0.60
	80.88	**96.57**
Less - Bank overdraft (note 14)	60.94	56.77
	19.94	**39.80**

Changes in liabilities arising from financing activities:

(₹ in crores)

	As at April 1, 2017	Cash Flows	Effect of changes in foreign exchange rates	As at March 31, 2018
Current Liabilities				
Financial Liabilities				
- Borrowings	216.12	153.34	1.21	370.67

(₹ in crores)

	As at April 1, 2016	Cash Flows	Effect of changes in foreign exchange rates	As at March 31, 2017
Current Liabilities				
Financial Liabilities				
- Borrowings	362.92	(149.43)	2.63	216.12

10. OTHER ASSETS

(₹ in crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Capital Advances	10.27	9.04	-	-
Balance with Statutory Authorities	22.52	20.70	90.36	49.22
Gratuity paid in advance	-	-	2.85	0.72
Vendor Advances	-	-	90.50	48.31
Prepaid Expenses	0.53	-	24.35	19.46
Contract Work in Progress	-	-	12.27	19.77
	33.32	**29.74**	**220.33**	**137.48**

11. SHARE CAPITAL

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.	₹ Crores	No.	₹ Crores	No.	₹ Crores	No.	₹ Crores
At April 1, 2016	**10,000**	**0.10**	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
At March 31, 2017	**10,000**	**0.10**	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**
Increase/(Decrease) during the year	-	-	-	-	-	-	-	-
At March 31, 2018	**10,000**	**0.10**	**283,600,000**	**56.72**	**16,000**	**0.16**	**520,000**	**0.52**

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 INR 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 INR 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.	₹ Crores
At April 1, 2016	**89,951,105**	**17.99**
Issue of Share Capital - Employee Stock Options Exercised	227,900	0.05
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	1.07
At March 31, 2017	**95,570,388**	**19.11**
Issue of Share Capital - Employee Stock Options Exercised	429,400	0.09
At March 31, 2018	**95,999,788**	**19.20**

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

	As at March 31, 2018		As at March 31, 2017	
	Numbers	% holding in the class	Numbers	% holding in the class
Vistra ITCL (India) Limited	11,955,601	12.45%	-	-
IL & FS Trust Company Ltd	7,719,930	8.04%	11,403,554	11.93%
Ashok Mohan Advani	2,599,744	2.71%	10,871,721	11.38%
HDFC Trustee Company Limited	5,276,678	5.50%	4,737,617	4.96%
Suneel Mohan Advani	5,626,827	5.86%	5,626,827	5.89%
Aditya Birla Sunlife Trustee Pvt Ltd	5,076,493	5.29%	-	-

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 crores)

	As at March 31	
	2018	2017
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	1.08	1.08

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.

Share Capital Suspense - Pursuant to the composite Scheme of Amalgamation ("The Scheme") of Blue Star Infotech Limtied (BSIL) and Blue Star Infotech Busines Intelligence and Analytics Private Limited (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 Company has discharged the purchased consideration through issue of 53,91,383 equity shares at fair value and extinguishment of 30,98,205 shares held in BSIL by the Company. Pending issue and allotment of equity shares, the face value and premium on such shares of ₹172.57 crores was shown under the heading "Share Capital Suspense Account" as at April 1, 2016.

13. DISTRIBUTION MADE AND PROPOSED

(₹in crores)

	As at March 31	
	2018	**2017**
Cash dividends on equity shares declared and paid:		
Final dividend for the year ended on March 31, 2017 : ₹ 7.50 per share (March 31, 2016: ₹ NIL per share)	71.82	-
Dividend Distribution tax on final Dividend	14.65	-
	86.47	**-**
Proposed Dividend on Equity Share:		
Final Cash Dividend for the year ended on March 31, 2018 ₹ 10 per share* (March 31, 2017: ₹ 7.5 per share)	96.00	71.68
Dividend Distribution tax on Proposed Dividend	19.73	14.59
	115.73	**86.27**

* The Directors have recommended a year-end dividend of ₹8.50 per equity share of ₹2 each. In addition, to commemorate the Company's platinum jubilee in 2018, the Directors have recommended a special dividend of ₹1.50 per equity share of ₹2 each. Accordingly, an aggregate dividend of ₹10 per equity share of ₹2 each has been proposed, subject to approval at the Annual General Meeting and are not recognised as a liability (including DDT thereon) as at March 31, 2018.

14. BORROWINGS

(₹in crores)

	As at March 31	
	2018	**2017**
Non-current Borrowings		
Term Loan from Bank (Unsecured) (Note a)	25.90	20.20
Total non-current Borrowings	**25.90**	**20.20**
Current Borrowings		
Packing credit loan account from banks (secured) (Note b & c)	38.00	40.00
Working Capital Demand Loan (Unsecured) (Note b)	50.00	-
Cash Credit / Bank overdrafts (secured) (Note b & c)	60.94	56.77
Buyers' credit from banks (secured) (Note c & d)	49.53	19.33
Buyers' credit from banks (unsecured) (Note d)	11.31	4.82
Commercial papers from banks (unsecured) (Note e)	50.00	10.00
Commercial papers from others (unsecured) (Note e)	85.00	65.00
Total current borrowings	**344.78**	**195.92**
Aggregate Secured loans	148.47	116.10
Aggregate Unsecured loans	222.21	100.02
Total	**370.68**	**216.12**

a. One of the term Loan is repayable in six equated half yearly installments @ 8.35% 6M MCLR plus 0.05% secured against irrecoverable corporate guarantee of the Company. Another term loan is repayable in sixteen equated quarterly installments @ 3M Libor plus 1.60% p.a. secured against irrecoverable corporate guarantee of the Company.
b. Outstanding loans carry an average interest rate of 4.80% - 8.90% p.a. (March 31, 2017 : 4.80% - 9.70% 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 0.55% (March 31, 2017 : Libor plus 0.68%).
e. Commercial papers carry average interest rate @ 6.58% p.a. for the current year (March 31, 2017 : 6.68% p.a.). These are repayable within 60 days to 91 days from the date of drawdown.

15. TRADE PAYABLES

(₹ in crores)

		As at March 31	
		2018	**2017**
A	**Trade Payables**		
	Trade payables	1,547.37	1,175.56
B	**Other Payables**		
	Creditors - capital expenditure	1.31	1.67
	Total Payable	**1,548.68**	**1,177.23**
	Due to Company in which the Company's Non executive Director is a Director		
	Pragati Leadership Institute Private Limited	0.08	0.13
	Entrust Communications Pvt Ltd	0.33	-
	MOMS Outdoor Media Solutions Pvt Ltd	5.51	-
	Madison Communications Pvt Ltd	8.04	-

16. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	Non-current		Current	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange forward contracts (refer note 39)	-	-	-	3.14
Total other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**3.14**
Financial liabilities at amortized cost				
Other deposits	3.32	-	3.80	6.51
Interest accrued but not due on borrowings	-	-	0.29	0.01
Lease rental deposits	-	-	-	0.38
Total other financial liabilities at amortized cost	**3.32**	**-**	**4.09**	**6.90**
Unpaid Dividend	-	-	2.69	2.64
Investor Education and Protection Fund will be credited by the amount (as and when due)				
Current Maturities of Long term borrowings	-	-	5.70	5.00
Total other financial liabilities	**3.32**	**-**	**12.48**	**17.68**

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.The Company has also entered into commodity hedging contract with the intention of reducing the price fluctuation risk. 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 crores)

	As at March 31	
	2018	**2017**
Borrowings (refer note 14 & 16)	376.38	221.12
Trade Payables (refer note 15. A)	1,547.37	1,175.56
Other deposits (refer note 16)	3.80	6.51
Other Payables (refer note 15. B)	1.31	1.67
Interest accrued but not due on borrowings (refer note 16)	0.29	0.01
Lease rental deposits (refer note 16)	-	0.38
Total financial liabilities carried at ammortized cost	**1,929.15**	**1,405.25**

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 35.

For explanations on the Company's credit risk management processes, refer Note 40.

17. OTHER CURRENT LIABILITIES

(₹in crores)

	As at March 31	
	2018	**2017**
Amount due to customers	33.52	31.43
Unearned revenue on AMC services	52.00	50.30
Advances from customers	208.40	265.54
Dues to Statutory bodies	39.18	69.33
Others	25.09	8.45
Total Other Liabilities	**358.19**	**425.05**

18. PROVISIONS

(₹ in crores)

	Non-current		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Provision for employee benefits				
Provision for Gratuity (refer note 32)	0.32	0.37	-	-
Provision for Leave benefits	-	-	20.52	18.06
Provision for other employment benefits	-	-	2.48	2.12
Provision for Additional Gratuity (refer note 32)	0.31	0.26	-	-
	0.63	**0.63**	**22.99**	**20.18**
Other provisions				
Contingencies towards indemnities provided on Sale of IT business	-	-	1.74	2.01
Provision for warranties	11.91	10.54	12.68	13.64
Loss order	-	-	2.78	4.02
	11.91	10.54	17.20	19.67
Total	**12.54**	**11.17**	**40.19**	**39.85**

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 crores)

	As at March 31	
	2018	2017
At the beginning of the year	2.01	2.86
Arising during the year	-	-
Utilized during the year	0.27	0.85
Unused amounts reversed during the year	-	-
At the end of the year	**1.74**	**2.01**

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 crores)

	As at March 31	
	2018	2017
At the beginning of the year	24.18	18.66
Arising during the year	19.74	19.13
Utilized during the year	19.33	13.59
At the end of the year	**24.59**	**24.18**
Current portion	12.68	13.64
Non-current portion	11.91	10.54

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 crores)

	As at March 31	
	2018	2017
At 1st April	**4.14**	**4.92**
Received during the year	-	-
Recognised in the Statement of Profit and Loss	(0.65)	(0.78)
At 31st March	**3.49**	**4.14**
Current	0.54	0.65
Non-Current	2.95	3.49

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

The major components of income tax expense for the years ended March 31, 2018 and March 31, 2017 are:

(₹in crores)

	Year Ended March 31	
	2018	2017
Profit or loss		
Current Income Tax:		
Current income tax charge	42.60	44.33
Total Current income tax charge	42.60	44.33
Deferred tax:		
Income tax expense reported in the statement of profit or loss	11.96	(7.66)
Income tax expense reported in the statement of profit or loss	**54.56**	**36.67**
OCI:		
Deferred tax related to items recognised in OCI during in the year		
Net loss/(gain) on remeasurements of defined benefit plans	0.84	2.17
Foriegn Currency Translation Reserve	0.06	0.20
Income tax charged to OCI	**0.90**	**2.37**
Total Tax Expense (including tax impact on OCI)	**53.66**	**34.30**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017:

(₹ in crores)

	Year Ended March 31	
	2018	**2017**
Accounting profit before tax	206.00	158.63
Other Comprehensive Income before tax	(3.29)	(6.79)
At India's statutory income tax rate of 34.608% (March 31, 2017: 34.608%)	**202.71**	**151.84**
At India's statutory income tax rate	70.15	52.55
Expenses not allowed for tax pupose	3.31	4.09
Additional allowances for tax purpose	(15.58)	(14.76)
Incomes not considered for tax purpose	(4.86)	
Capital Gains tax payable on transfer of share in Blue Star M & E Engineering Sdn. Bhd.*	1.92	-
Expenses allowed for tax purpose	0.77	(3.80)
Ind AS Transitional adjustments impact	0.06	-
Savings due to tax paid at lower rate in case of Blue Star Qatar WLL	(1.39)	(1.00)
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 and Electronics Limited	(1.19)	(1.07)
MAT Credit Entitlement of Blue Star Engineering and Electronics Limited	(1.70)	(1.58)
Tax saving on loss of Blue Star International FZCO	2.17	-
At the effective income tax rate of 26.48% (March 31, 2017: 22.68%)	**53.66**	**34.43**
Income tax expense reported in the statement of profit and loss	54.56	36.67
Income tax effect on OCI	(0.90)	(2.37)
	53.66	**34.30**

* During the year ended March 31, 2018, the Company sold its stake in joint venture, Blue Star M&E Engineering (Sdn) Bhd. to its wholly owned subsidiary, Blue Star International FZCO at a profit of ₹12.58 crores which has been disclosed under exceptional items. This being a transaction within the Group, no profit has been recognised in the consolidated financial statements for the year ended March 31, 2018. However, since the Group will be required to discharge its liability towards the capital gains tax payable on the transfer of stake, the related capital gains tax is included in the Income Tax Expense for the year ended March 31, 2018. Hence, this is forming a part of reconciliation of tax rate between the statutory tax rate and the effective tax rate.

Deferred tax

Deferred tax relates to the following

(₹ in crores)

	Balance Sheet		Profit or loss	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
Provision for loss allowance	45.40	52.73	(7.33)	4.75
Provisions made disallowed and allowed only on payment basis	8.49	8.21	0.28	2.71
Accelerated Depreciation for tax purposes	(24.45)	(22.66)	(1.79)	(0.49)
Fair Valuation of financial instruments	0.19	1.11	(0.92)	(0.14)
Others	2.69	6.57	(3.88)	(0.89)
Total (excluding MAT credit entitlement)	**32.32**	**45.96**	**(13.64)**	**5.94**
MAT Credit Entitlement	62.33	63.49	1.68	1.72
Total	**94.65**	**109.45**	**(11.96)**	**7.66**
Total deferred tax liability recognised directly in Retained Earnings	**(0.68)**	**(1.79)**	**1.10**	**(1.04)**
Total deferred tax as shown in Balance Sheet	**93.97**	**107.66**	**(10.86)**	**6.62**

Reflected in the balance sheet as follows:

(₹in crores)

	As at March 31	
	2018	2017
Deferred tax assets	119.10	132.11
Deferred tax liabilities:	25.13	24.45
Deferred tax Asset, net	**93.97**	**107.66**

Reconciliation of deferred tax liabilities (net):

(₹in crores)

	As at March 31	
	2018	2017
Opening balance as of April 1	107.66	107.88
Tax income/(expense) during the period recognised in profit or loss	(11.96)	7.66
Tax income/(expense) during the period recognised in Retained Earnings	1.10	(1.04)
Utilization of MAT Credit	(2.83)	(6.84)
Closing balance as at March 31	**93.97**	**107.66**

21. REVENUE FROM OPERATIONS

(₹in crores)

	Year Ended March 31	
	2018	2017
Revenue from operations		
Sale of products (including excise duty) - (refer Note a & b)		
Finished goods	1,858.31	1,730.57
Traded good	1,399.04	1,300.36
Total Sale of products	**3,257.35**	**3,030.93**
Services rendered	432.78	387.37
Revenue from construction contracts [refer note 44 (a)]	1,004.98	951.48
Other operating revenue		
Commission income	5.16	8.91
Provisions and liabilities no longer required	43.46	35.00
Others	6.26	8.54
Total revenue from operations	**4,749.99**	**4,422.23**

a) Revenue from operations was reported inclusive of excise duty and other input taxes for the year ended March 31, 2017 & till June 30, 2017. Goods and Services Tax ("GST") was implemented with effect from July 1, 2017, which replaced excise duty and other input taxes. As per Ind AS 18, revenue from operations is reported net of GST for the period July 1, 2017 to March 31, 2018. Therefore, revenue from operations for the year ended March 31, 2018 is not comparable with revenue from operations for the year ended March 31, 2017. Comparable revenue from operations (refer note 21b) has been computed by adjusting excise duty & other input taxes.

b) Comparable revenue from operations (refer note 21a) for the reported periods :

(₹in crores)

	Year Ended March 31	
	2018	2017
Comparable revenue from operations	4,643.26	4,130.77

22. OTHER INCOME

(₹ in crores)

	Year Ended March 31	
	2018	2017
Foreign Exchange differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.73	1.50
Other non operating income	1.36	3.74
Government Grants	0.65	0.79
Income from lease rentals (refer note 4)	6.68	7.04
	9.42	**13.07**

23. FINANCE INCOME

(₹ in crores)

	Year Ended March 31	
	2018	2017
Interest income on		
Bank deposits	0.35	0.30
Others	6.65	18.19
Dividend income on		
Current investments	0.52	0.30
Long-term investments	-	1.60
Profit on redemption of Mutual Fund Investment	0.01	1.12
Total	**7.53**	**21.51**

24. COST OF RAW MATERIAL AND COMPONENTS CONSUMED

(₹ in crores)

	Year Ended March 31	
	2018	2017
Cost of material consumed	1,464.75	1,326.05
Project cost (including bought outs)	780.32	862.99
Total Cost of Raw Material and Components Consumed and Project related cost	**2,245.07**	**2,189.04**
Purchase of traded Goods	**1,191.29**	**940.15**
Inventories at the end of the year		
Traded goods	428.58	253.82
Work-in-progress	43.19	38.55
Finished goods	126.28	116.65
	598.05	**409.02**
Inventories at the beginning of the year		
Traded goods	253.82	251.60
Work-in-progress	38.55	33.84
Finished goods	116.65	106.64
	409.02	**392.08**
(Increase)/Decrease in inventories	**(189.03)**	**(16.94)**

25. EMPLOYEE BENEFITS EXPENSE

(₹ in crores)

	Year Ended March 31	
	2018	2017
Salaries, wages and bonus	349.10	296.45
Share based Payment (refer note 33)	0.76	2.43
Contribution to provident and other funds	12.93	12.13
Gratuity expense (refer note 32)	2.91	2.74
Other employment benefits	4.76	3.12
Staff welfare expenses	27.26	22.16
	397.72	**339.03**

26. DEPRECIATION AND AMORTIZATION EXPENSES

(₹ in crores)

	Year Ended March 31	
	2018	2017
Depreciation on Tangible Assets (refer note 3)	43.18	41.15
Amortization expenses on Intangible Assets (refer note 5)	18.12	14.29
Depreciation on Investment Properties (refer note 4)	2.51	5.14
	63.81	**60.58**

27. OTHER EXPENSES

(₹ in crores)

	Year Ended March 31	
	2018	2017
Stores and spares consumed	15.91	13.98
AMC subcontracting cost	245.27	209.18
Rent	60.51	52.78
Rates and taxes	1.13	1.98
Power and fuel	17.23	16.64
Insurance	2.69	2.32
Repairs and maintenance		
Buildings	9.23	7.79
Plant and machinery	3.40	4.04
Others	11.94	10.10
Advertising and sales promotion	124.29	110.69
Conference Expenses	3.64	3.94
Communication Expenses	8.42	8.51
Commission, discounts and incentives on Sales	97.16	73.29
Freight and forwarding charges	73.63	57.07
Travelling and conveyance	46.07	41.03
Printing and stationery	4.10	3.89
Legal and professional fees	42.97	48.20
Directors' sitting fees	0.52	0.60

27. OTHER EXPENSES (CONTINUED)

(₹in crores)

		Year Ended March 31	
		2018	2017
Payment to auditors (Refer details A below)		1.55	1.53
Corporate social responsibility expenses (Refer details B below)		2.20	1.73
Donations		0.39	0.34
Loss on sale of fixed assets (net)		0.60	0.71
Bad debts/advances written off	49.17		1.87
Less:- Provision for bad debts written back	(47.23)	1.94	-
Allowances for doubtful debts and advances		14.33	17.44
Miscellaneous expenses		30.31	21.90
		819.43	**711.55**
A. Payment to auditors			
As auditor:			
Audit fee		1.04	1.02
Limited review		0.27	0.26
In other capacity			
Other services		0.19	0.21
Reimbursement of expenses		0.05	0.04
		1.55	**1.53**

B. Corporate social responsibility expenses

(₹in crores)

	Year Ended March 31	
	2018	2017
(i) Gross amount required to be spent by the Company during the year	2.11	1.68
(ii) Amount spent during the year	2.20	1.73

28. FINANCE COSTS

(₹in crores)

	Year Ended March 31	
	2018	2017
Interest	22.13	30.38
Bank charges	5.64	5.56
Foreign Exchange Differences (Net) (including fair value impact on financial instruments at fair value through profit or loss)	0.97	1.84
	28.74	**37.78**

29. EXCEPTIONAL ITEMS

(₹in crores)

	Year Ended March 31	
	2018	2017
Profit on sale of office property*	5.27	-
Exceptional Items	**5.27**	**-**

*Profit on sale of office building at Bazulla Road Chennai is accounted for as exceptional item.

30. EARNING PER SHARES (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations : *(₹ in crores)*

	Year Ended March 31	
	2018	2017
Profit attributable to equity holders of the Company :		
Continuing operations	149.25	123.05
Profit attributable to equity holders of the company for basic earnings	**149.25**	**123.05**
Weighted average number of Equity shares for basic EPS (a)	9.56	9.54
ESOP issued during the year (b)	0.02	0.01
Total number of Shares (a+b)	9.58	9.55
Effect of dilutions		
Shares Options	0.03	0.04
Weighted average number of Equity shares adjusted for the effect of dilution *	**9.61**	**9.59**

* The weighted average number of shares takes into account the weighted average effect of changes in equity share transactions during the year.

31. 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 33.

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 32.

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, 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 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.

32. EMPLOYEE BENEFITS DISCLOSURE

I. Defined Contribution Plans

Amount of ₹1.16 crores (31 March 2017 : ₹1.18 crores) is recognized as an expense and included in "Employee Benefit expense" (Refer Note 25) in the statement of Profit & 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 ₹6.00 Crores to gratuity fund in 2018-19 (FY 2017-18 : ₹6.34 Crores).

Change in present value of defined benefit obligation

(₹in crores)

	Gratuity (Funded)		Gratuity (Un-Funded)		Additional Gratuity	
	Year Ended March 31		Year Ended March 31		Year Ended March 31	
	2018	2017	2018	2017	2018	2017
Defined benefit obligation at the beginning of the year	27.77	28.46	0.38	0.42	0.26	0.66
Current service cost	2.93	2.61	0.06	0.04	0.03	0.02
Interest cost	2.01	1.92	0.03	0.03	0.02	0.05
Benefit Payments from Plan Assets	(3.45)	(6.42)		-	(0.02)	-
Benefit Payments from employer	(0.25)	-	(0.02)	(0.15)	-	(0.06)
Remeasurements	-	-	-	-	-	-
a. Due to change in demographic assumptions	3.33	-	-	-	0.04	-
b. Due to change in financial assumptions	(0.45)	0.83	-	-	-	0.01
c. Due to experience adjustments	0.82	0.38	(0.01)	0.03	(0.02)	(0.41)
Defined benefit obligation at the end of the year	**32.72**	**27.77**	**0.44**	**0.38**	**0.31**	**0.26**

Change in fair value of plan assets

(₹ in crores)

	Gratuity (Funded) As at March 31		Gratuity (Un-Funded) As at March 31		Additional Gratuity As at March 31	
	2018	2017	2018	2017	2018	2017
Fair value of plan assets at the beginning of the year	28.50	28.46	-	-	-	-
Expected return on Plan assets	2.17	1.93	-	-	-	-
Contribution by employer	7.84	5.27	-	-	-	-
Actual benefits paid	(3.45)	(6.42)	-	-	-	-
Remeasurements		-	-	-	-	-
Return on Assets	0.60	(0.74)	-	-	-	-
Fair value of plan assets at the end of the year	**35.65**	**28.50**	**-**	**-**	**-**	**-**

Components of defined benefit cost

(₹ in crores)

	Gratuity (Funded) Year Ended March 31		Gratuity (Un-Funded) Year Ended March 31		Additional Gratuity Year Ended March 31	
	2018	2017	2018	2017	2018	2017
Current service cost	2.93	2.61	0.06	0.04	0.03	0.02
Interest Cost	2.01	1.92	0.03	0.03	0.02	0.05
Expected return on plan assets	(2.17)	(1.93)	-	-	-	-
Defined benefit cost included in P&L	**2.77**	**2.60**	**0.09**	**0.07**	**0.05**	**0.07**
Remeasurements (recognized in other comprehensive income (OCI))						
a. Due to change in demographic assumptions	3.33	-	-	-	0.04	-
b. Due to change in financial assumptions	(0.45)	0.83	-	-	-	0.01
c. Due to change in experience adjustments	0.82	0.38	(0.01)	0.03	(0.02)	(0.41)
d. (Return) on plan assets (excl. interest income)	(0.60)	0.74	-	-	-	-
Total remeasurements in OCI	**3.10**	**1.94**	**(0.01)**	**0.03**	**0.02**	**(0.41)**
Total defined benefit cost recognized in P&L and OCI	**5.88**	**4.54**	**0.08**	**0.10**	**0.07**	**(0.33)**

Net Assets/Liability recognized in the statement of financial position

(₹ in crores)

	Gratuity (Funded) As at March 31		Gratuity (Un-Funded) As at March 31		Additional Gratuity As at March 31	
	2018	2017	2018	2017	2018	2017
Defined benefit obligation	32.72	27.77	0.44	0.38	0.31	0.26
Fair value of plan assets	35.65	28.50	-	-	-	-
Funded status [(Surplus)/Deficit]	(2.94)	(0.73)	0.44	0.38	0.31	0.26
Net defined benefit liability/(asset)	**(2.94)**	**(0.73)**	**0.44**	**0.38**	**0.31**	**0.26**

Net defined benefit liability/(asset) reconciliation

(₹in crores)

	Gratuity (Funded) As at March 31		Gratuity (Un-Funded) As at March 31		Additional Gratuity As at March 31	
	2018	2017	2018	2017	2018	2017
Net defined benefit liability/(asset) at the beginning of the year	(0.73)	-	0.38	0.42	0.26	0.66
Defined benefit cost included in P&L	2.77	2.60	0.09	0.07	0.05	0.07
Total remeasurements included in OCI	3.10	1.94	(0.01)	0.03	0.02	(0.41)
Employer contributions	(7.84)	(5.27)	-	-	-	-
Employer direct benefit payments	(0.25)	-	(0.02)	(0.15)	(0.02)	(0.06)
Net defined benefit liability/(asset) at the end of the year	**(2.94)**	**(0.73)**	**0.45**	**0.38**	**0.31**	**0.26**

The major categories of plan assets are as follows:

(₹in crores)

	As at March 31	
	2018	2017
Cash and cash equivalents	0.71	0.60
Insurance company products	13.06	10.44
Others	21.88	17.45
Total	**35.65**	**28.50**

The principal assumptions used in determining gratuity for the company's plan are as shown below:

	Gratuity (Funded) As at March 31		Gratuity (Un-Funded) As at March 31		Additional Gratuity As at March 31	
	2018	2017	2018	2017	2018	2017
Discount Rate	7.60%	7.30%	7.88%	7.30%	7.60%	7.30%
Rate of return on plan assets	7.60%	7.30%	-	-	-	-
Mortality Rate	IALM-2006-08	IALM-2006-08	IALM-2008	IALM-2008	IALM-2006-08	IALM-2006-08
Salary escalation rate (Management-Staff-Directors)	7%,3%, 10%	6%,2%, 10%	7%	7%	-	-
Attrition Rate	14% throughout	1% throughout	3%2% 1%	3% 2% 1%	14% throughout	1% throughout

A quantitative sensitivity analysis for significant assumptions as at March 31, 2018 is shown as below:

Assumptions	Gratuity (Funded)	Additional Gratuity
	31-Mar-18	31-Mar-18
Impact on defined benefit obligation		
Discount Rate - 50 Basis Points (₹Crores)	33.48	0.32
Assumption	7.10%	7.10%
Discount Rate + 50 Basis Points (₹Crores)	31.99	0.30
Assumption	8.10%	8.10%
Future Salary		
Salary increase Rate - 50 Basis Points (₹Crores)	32.37	0.31
Assumption	Vary by employee type	Vary by employee type
Salary Increase Rate + 50 Basis Points (₹Crores)	33.97	0.31
Assumption	Vary by employee type	Vary by employee type
Demographic Assumptions		
Withdrawal Rate		
Withdrawal Rate - 100 Basis Points (₹Crores)	28.87	-
Withdrawal Rate + 100 Basis Points (₹Crores)	29.09	-

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 2017-18 is 5 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, 2018. The Company's contribution to the Employee's Provident Fund aggregates to ₹5.84 Crores (31 March, 2017: ₹5.31 Crores).

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.

33. SHARE BASED PAYMENTS

The Company provides share-based payment benefit to its employees. During the year ended 31 March 2018, 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

	2017 -18						
Particulars	**Grant I**	**Grant II**	**Grant III**	**Grant IV**	**Grant V**	**Grant VI**	**Grant VII**
No of Options (Refer Note b)	205,650	23,300	24,000	-	26,350	-	34,800
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						

	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	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 (in ₹)	290.05	320.70	345.65	369.55	355.10	341.35	390.30
Market price (in ₹)	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						

b) Movement of Options

	2017 -18						
	Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII
Options outstanding at the beginning of the period	669,200	38,400	25,600	46,000	54,000	6,000	46,000
Options granted during the period	-	-	-	-	-	-	-
Options lapsed during the period	98,800	3,900	1,600	6,400	21,600	3,000	6,400
Options exercised during the period	364,750	11,200	-	39,600	6,050	3,000	4,800
Options outstanding at the end of the period	205,650	23,300	24,000	-	26,350	-	34,800
Options exercisable as on March 31	205,650	23,300	24,000	-	26,350	-	34,800

The weighted average share price at the date of exercise for stock options exercised was ₹695.14

The weighted average contractual life for the share options outstanding as at March 31, 2018 was 4 months.

The range of exercise prices for options outstanding at the end of the year was ₹290.05 to ₹390.30.

	2016 -17						
	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 ₹369.55.

c) Fair Valuation

	2017 -18						
	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 (in ₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

	2016 -17						
	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 (in ₹)	94.17	85.66	83.62	91.13	87.96	84.09	104.03

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 crores)

	Year Ended March 31	
	2018	2017
Expense arising from equity-settled share-based payment transactions	0.76	2.43
Total expense arising from share-based payment transactions	**0.76**	**2.43**

34. 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 crores)

	As at March 31	
	2018	2017
Claims against the Company not acknowledged as debts	0.25	0.25
Sales Tax matters	104.18	44.30
Excise Duty matters	8.99	6.46
Service Tax matters	163.05	151.43
Income Tax matters	58.82	61.70

b Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided:-

At March 31, 2018, Company had commitments of ₹31.84 crores (March 31, 2017: ₹26.62 crores)

c Financial Guarantees provided

(₹ in crores)

	As at March 31	
	2018	2017
Corporate Guarantee given on behalf of Joint Venture	17.78	-
Letters of guarantee, letters of credit and performance bonds	64.46	77.59

d Ministry of Environment, Forest and Climate Change (MoEF & CC) Government of India, has issued E-Waste (Management) Rules, 2016 ('these Rules'). Accordingly as per these rules, the Company is mandated to comply with the Extended Producer Responsibility (EPR) targets through channelization of e-waste to an authorised dismantler/recycler. The Company has an obligation for collection of electrical and electric equipment based on e-waste collection targets as specified in schedule III of these Rules, for the quantities placed in the market during previous 10 years. The Company has fulfilled its commitment for the financial year 2017-18 and in respect of balance years it can reliably do so upon receipt of appropriate clarifications.

35. 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	
		31-March-18	31-March-17
Blue Star M & E Engineering (Sdn) Bhd	Malaysia	49.00*	49.00
Blue Star Oman Electro-Mechanical Co. LLC	Oman	51.00	51.00

*Refer Note 37

Key Management Personnel

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

Non Executive and Independent Directors

Mr Suneel M Advani
Mr Rajiv R Lulla
Mr Dinesh N Vaswani
Mr Sam Balsara (w.e.f. June 20, 2017)
Mr Shailesh Haribhakti
Mr Anil Harish (w.e.f. November 22, 2017)
Ms Shobana Kamineni
Mr Pradeep Mallick (till November 30, 2017)
Mr M K Sharma (till June 12, 2017)
Mr Gurdeep Singh

Relative of Director

Mr Ashok M Advani

Enterprises in which a Director is/was a member/director during the year

KEIMED Private Limited
Apollo Munich Health Insurance Company Limited
Apollo Hospital Enterprises Limited
Pragati Leadership Institute Private Limited
Atria Convergence Technologies Pvt Ltd
Lifetime Wellness RX International Ltd
Entrust Communications Pvt Ltd
Moms Outdoor Media Solutions Pvt Ltd
Madison Communications Pvt Ltd

Transactions during the period with Related Parties are as under:

(₹ in crores)

Name of the Related Party	31-March-18		31-March-17	
	Volume	Balance O/S DR/(CR)	Volume	Balance O/S DR/(CR)
Blue Star M & E Engineering (Sdn) Bhd		**0.29**		**0.27**
Consultancy services rendered	1.21	-	1.37	-
Dividend received (Gross)	-	-	1.60	-
Blue Star Oman Electro-Mechanical Co. LLC		**0.03**		**-**
Corporate Guarantee Given Outstanding balance of loans as on March 31, 2018: ₹17.78 crores (March 31, 2017: NIL)	21.63	21.63	-	-
Guarantee commission	0.03		-	
Enterprises in which Director is a member/director				
Sale of Goods and Services				
Apollo Hospital Enterprises Ltd	3.52	-	3.49	-
Atria Convergence Technologies Pvt Ltd	0.03	-	0.08	0.02
KEIMED Pvt Ltd	0.01	-	0.06	-
Apollo Munich Health Insurance Co Ltd	0.15	-	-	-
Lifetime Wellness RX International Ltd	0.05	0.01	-	-
Madison Communications Pvt Ltd	0.05	-	-	-
Entrust Communications Pvt Ltd	0.01	-	-	-
Project Revenue				
Apollo Hospital Enterprises Ltd	3.44	1.69	3.45	4.56
Services Received				
Pragati Leadership Institute Pvt Ltd	0.12	(0.08)	0.13	(0.12)
Entrust Communications Pvt Ltd	2.14	(0.33)	-	-
Moms Outdoor Media Solutions Pvt Ltd	8.47	(5.51)	-	-
Madison Communications Pvt Ltd	34.23	(8.04)	-	-
Apollo Hospital Enterprise Ltd	0.03	-	-	-
Relative of Director				
Fees for Professional Services	0.18	(0.05)	-	-
Compensation of key managerial personnel		(9.14)		(5.90)
Short term employee benefits	14.55		10.51	
Sitting fees to Non Executive and Independent Directors	0.51		0.61	
Commission to Non Executive and Independent Directors	1.59		1.19	
Retirement benefits	0.47		0.37	
Share-based payment transactions	0.19		0.92	
Total compensation paid to key management personnel	**17.31**		**13.61**	
ESOP exercised during the year				
B Thiagarajan 1,00,000 (March 31, 2017 NIL) equity shares of ₹2 each	2.90		-	
Neeraj Basur 39,600 (March 31, 2017 10,000) equity shares of ₹2 each	1.46		0.37	
Vijay Devadiga 4,800 (March 31, 2017: NIL) equity shares of ₹2 each	0.18		-	

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 March 31, 2018, the company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2017: INR Nil).

Corporate Guarantees to Related Parties

The Group has given corporate guarantee to its joint venture, Blue Star Oman Electro-Mechanical Co. LLC in the ordinary course of business to meet the working capital requirements of joint venture.

Transactions with key managerial personnel/directors

Other Directors' interests

During the year ended March 31, 2018, the Group has received services from one of the relative of the director. The transactions entered into with Blue Star M & E Engineering (Sdn) Bhd, Blue Star Oman Electro-Mechanical Co. LLP and enterprises in which director is a member / director are on 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 (₹)	As at March 31, 2018 Number outstanding	As at March 31, 2017 Number outstanding
06-Jun-2014	31-Jul-2018	290.05	84,800	195,200
01-Apr-2016	31-Jul-2018	390.30	34,800	40,000

36. 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.

Segment Revenues, Results and other Information:

(₹ in crores)

	Year Ended March 31	
	2018	2017
I. SEGMENT REVENUE		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	2,373.54	2,233.39
ii. Unitary Products	2,189.23	1,997.36
iii. Professional Electronics and Industrial Systems	187.22	191.48
TOTAL SEGMENT REVENUE	**4,749.99**	**4,422.23**
Add: Other Income	9.42	13.07
Add: Finance Income	7.53	21.51
TOTAL INCOME	**4,766.94**	**4,456.81**

(₹in crores)

	Year Ended March 31	
	2018	2017
II. SEGMENT RESULT		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	137.42	90.67
ii. Unitary Products	193.13	167.88
iii. Professional Electronics and Industrial Systems	19.58	32.48
TOTAL SEGMENT RESULT	**350.13**	**291.03**
Less: i) Finance Cost	28.74	37.78
ii) Other un-allocable Expenditure Net of un-allocable Income	120.66	94.62
TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL	**200.73**	**158.63**
Exceptional Items	5.27	-
PROFIT BEFORE TAXATION	**206.00**	**158.63**
Provision for Taxes	54.56	36.67
NET PROFIT/(LOSS) AFTER TAX	**151.44**	**121.96**
Share of profit/(loss) of an associate and a joint venture	(1.92)	1.27
Minority interest	(0.27)	(0.18)
PROFIT FOR THE YEAR	**149.25**	**123.05**

(₹in crores)

	As at March 31	
	2018	2017
III. OTHER INFORMATION:		
A. SEGMENT ASSETS		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,506.85	1,362.94
ii. Unitary Products	1,212.98	815.83
iii. Professional Electronics and Industrial Systems	88.64	94.19
TOTAL SEGMENT ASSETS	**2,808.47**	**2,272.96**
Add: Un-allocable Corporate Assets	374.66	377.22
TOTAL ASSETS	**3,183.13**	**2,650.18**
B. SEGMENT LIABILITIES		
i. Electro -Mechanical Projects and Packaged Air Conditioning Systems	1,042.05	980.24
ii. Unitary Products	784.99	586.08
iii. Professional Electronics and Industrial Systems	64.06	54.72
TOTAL SEGMENT LIABILITIES	**1,891.10**	**1,621.04**
Add: Un-allocable Corporate Liabilities	459.22	270.79
TOTAL LIABILITIES	**2,350.32**	**1,891.83**

(₹ in crores)

	Year Ended March 31	
	2018	2017
C. CAPITAL EXPENDITURE (including Capital WIP)		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	51.76	57.51
ii. Unitary Products	33.30	31.62
iii. Professional Electronics and Industrial Systems	0.72	0.61
v. Other Un-allocable	12.03	13.26
TOTAL	**97.81**	**103.00**
D. DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	23.67	22.94
ii. Unitary Products	16.25	14.25
iii. Professional Electronics and Industrial Systems	0.56	0.61
iv Other Un-allocable	23.33	22.78
TOTAL	**63.81**	**60.58**
E. NON CASH EXPENSES OTHER THAN DEPRECIATION		
i. Electro-Mechanical Projects and Packaged Air Conditioning Systems	27.26	15.95
ii. Unitary Products	1.85	3.47
iii. Professional Electronics and Industrial Systems	2.59	2.95
iv. Other Un-allocable	2.17	2.74
TOTAL	**33.87**	**25.11**

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 crores)

	As at March 31	
	2018	2017
Revenue (Sales, Services & Commission) by Geographical Market		
India	4,298.12	4,030.15
Outside India	451.87	392.08
Total	**4,749.99**	**4,422.23**
Carrying amount of Segment Assets & Intangibles Assets		
India	2,974.24	2,470.91
Outside India	208.89	179.27
Total	**3,183.13**	**2,650.18**
Capital Expenditure including Capital Work in Progress		
India	95.94	101.81
Outside India	1.87	1.20
Total	**97.81**	**103.00**

37. INTEREST IN JOINT VENTURE

The Blue Star Group comprises of the following entities

	Country of Incorporation	% Shareholding March 31, 2018	% Shareholding March 31, 2017
Foreign Joint Ventures-Jointly Controlled Entities			
Blue Star M & E Engineering (Sdn) Bhd*	Malaysia	49%	49%
Carrying amount of Investment (₹Crores)		13.24	5.43
Blue Star Oman Electro-Mechanical Company LLC	Oman	51%	51%
Carrying amount of Investment (₹Crores)		-	5.54

The Company has 51% share holding in Blue Star Oman Electro-Mechanical Co. LLC however the profit sharing is on 50-50 basis and is accounted as joint venture.

*During the year ended March 31, 2018, the parent company Blue Star Limited, sold its stake in joint venture, Blue Star M&E Engineering (Sdn) Bhd. to its wholly owned subsidiary, Blue Star International FZCO. This being a transaction within the Group, no profit has been recognised in audited consolidated financial statements for the year ended March 31, 2018.

Summarized Balance Sheet as at March 31, 2018:

(₹in crores)

	As at March 31, 2018		As at March 31, 2017	
	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
Current assets, including cash and cash equivalents	**39.32**	**47.34**	**29.17**	**39.41**
Cash and Cash Equivalents	3.98	0.05	1.86	-
Non-Current Assets	**10.34**	**0.54**	**9.18**	**0.42**
Current Liabilities, including tax payable	**32.73**	**47.19**	**30.10**	**33.93**
Tax payable	-	-	-	-
Non-current Liabilities, including deferred tax liabilities	**3.69**	**0.02**	**2.82**	**0.36**
Deferred Tax Liabilities	0.33	0.02	0.05	-
Borrowing	3.36			
Others	**-**	**0.67**	**-**	**-**
EQUITY	**13.24**	**-**	**5.43**	**5.54**

	Year Ended March 31, 2018		Year Ended March 31, 2017	
	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 CompanyLLC
Revenue	45.83	48.72	53.14	56.14
Cost of raw material and components consumed	35.27	34.46	45.83	52.37
Depreciation and amortization	0.10	0.10	0.16	0.01
Finance cost	0.06	1.03	0.19	0.14
Employee Benefit	3.12	18.02	2.98	1.24
Other Expenses	1.79	0.54	0.78	1.96
Profit before Tax	**5.48**	**(5.43)**	**3.19**	**0.42**
Income Tax Expense	1.97		(0.68)	0.07
Profit for the year (continuing operations)	**3.51**	**(5.43)**	**2.52**	**0.35**
Less: Dividend Received during the year	**-**	**-**	**(1.60)**	**-**
Group's share of profit for the year	**3.51**	**(5.43)**	**0.92**	**0.35**

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, 2018 and March 31, 2017.

38. 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

Foreign Currency	31-March-18		31-March-17	
	Amount in Foreign Currency	₹ Crores	Amount in Foreign Currency	₹ Crores
Particulars of Derivatives				
Forward cover to Purchase USD & CNY:				
Hedge of underlying payables - USD	**31,687,043.89**	**206.52**	**20,348,834.00**	**132.03**
- Buyers' Credit	8,108,568.94	52.85	2,207,431.00	14.39
- Other Payables	23,578,474.95	153.67	18,141,403.00	117.65
Hedge of underlying payables - CNY				
- Other Payables	113,243,096.47	117.57	-	-

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

Foreign Currency	31-March-18		31-March-17	
	Amount in Foreign Currency	₹ Crores	Amount in Foreign Currency	₹ Crores
Bank Balances				
AED	53,584.26	0.10	43,106.51	0.08
EUR	625,968.26	5.06	5,125.82	0.04
CNY	25,792.42	0.03	72,353.21	0.07
USD	1,734,476.00	11.30	2,792,972.20	18.11
CAD	33.35	0.00		-
Receivables				
AED	831,543.61	1.48	825,272.00	1.46
CAD	119,893.14	0.61	167,660.27	0.81
EUR	1,595,452.59	12.90	549,819.95	3.81
GBP	14,041.01	0.13	16,371.00	0.13
JPY	2,275,102.00	0.14	2,400,702.00	0.14
MYR	1,184,327.84	2.00	1,095,442.30	1.61
USD	10,752,703.00	70.08	8,928,326.73	57.90

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

Foreign Currency	31-March-18		31-March-17	
	Amount in Foreign Currency	₹ Crores	Amount in Foreign Currency	₹ Crores
Payables				
AED	854,714.24	1.51	848,873.67	1.50
AUD	-	-	689.92	-
CAD	25,079.71	0.13	13,962.53	0.07
CHF	-	-	444.12	-
EUR	2,620,538.55	21.18	744,564.67	5.16
GBP	-	-	123.07	-
JPY	7,081,345.00	0.43	2,405,868.00	0.14
OMR	3,756.70	0.06	-	-
CNY	33,769,236.43	35.06	40,983,201.81	41.13
USD	16,419,188.28	107.01	11,909,764.11	77.23
Buyers' Credit				
USD	35,000.00	0.23	-	-

39. FAIR VALUE HIERARCHY

The following table provides the fair value measurement heirarchy of the Company's assets and liabilities:

Quantitative disclosures fair value measurement heirarchy as at March 31, 2018 : *(₹in crores)*

	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, 2018	85.40	-	85.40	-
Assets measured at fair value:					
Derivatives not designated as hedges (refer note 6)					
- Foreign exchange forward contracts	March 31, 2018	1.30	-	1.30	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement heirarchy as at March 31, 2017 : *(₹in crores)*

	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	84.26	-	84.26	-
Liabilities measured at fair value:					
Derivatives not designated as hedges (refer note 16)					
- Foreign exchange forward contracts	March 31, 2017	3.14	-	3.14	-

There have been no transfers between Level 1 and Level 2 during the period.

40. 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, trade and other payables, deposits, trade receivables, 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 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.

(₹ in crores)

	Change in currency exchange rate	Effect on profit before tax		Effect on equity	
		Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2017
US Dollars	+5%	(0.71)	(0.06)	(0.46)	(0.04)
	-5%	0.71	0.06	0.46	0.04
RMB	+5%	(1.77)	(2.05)	(1.16)	(1.34)
	-5%	1.77	2.05	1.16	1.34
EUR	+5%	(0.10)	(0.07)	(0.07)	(0.04)
	-5%	0.10	0.07	0.07	0.04
MYR	+5%	0.10	0.08	0.06	0.05
	-5%	(0.10)	(0.08)	(0.06)	(0.05)

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.

	Increase/Decrease in basis Point	Effect on profit before tax (₹ Crores)	Effect on equity (₹ Crores)
For the year ended March 31, 2018			
INR - Borrowings	+100	(1.37)	(0.90)
	-100	1.37	0.90
For the year ended March 31, 2017			
INR - Borrowings	+100	(0.75)	(0.49)
	-100	0.75	0.49

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.

(₹ in crores)

	Neither past due nor impaired	Past due but not impaired		Total
		Less than 1 year	More than 1 year	
Trade Receivables as on March 31, 2018	301.94	651.79	171.33	1,125.06
Trade Receivables as on March 31, 2017	282.37	592.03	94.90	969.30

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:

(₹ in crores)

	As at March 31, 2018		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	344.78	25.90	370.68
Trade Payables	1,547.37	-	1,547.37
Other Payables	1.31	-	1.31
Other financial liabilities	12.48	-	12.48
Total	**1,905.94**	**25.90**	**1,931.84**

(₹ in crores)

	As at March 31, 2017		
	Less than 1 year	More than 1 year	Total
Interest bearing borrowings	195.92	20.20	216.12
Trade Payables	1,175.56	-	1,175.56
Other Payables	1.67	-	1.67
Other financial liabilities	17.68	-	17.68
Total	**1,390.83**	**20.20**	**1,411.03**

41. 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:

(₹in crores)

	As at March 31	
	2018	2017
Borrowings	376	222
Less: Cash and cash equivalents	81	97
Net Debt	**295**	**125**
Equity	833	758
Total Capital	**833**	**758**
Capital and Net Debt	1,128	883
Gearing Ratio	26%	14%

42 (A) DISCLOSURE IN TERMS OF INDIAN ACCOUNTING STANDARD 11 ON THE ACCOUNTING OF CONSTRUCTION CONTRACTS IS AS UNDER:

(₹in crores)

	As at March 31	
	2018	2017
I. Contract revenue recognised for the year	1,004.98	951.48
II. For Contracts that are in progress as on March 31		
A. Contract costs incurred and recognized profits (Less Recognised losses)	3,135.45	3,439.94
B. Advances received	123.77	171.13
C. Gross amount due from customers for Contract work**	292.15	268.94
D. Gross amount due to customers for Contract work***	31.77	28.89
E. Retention amount	50.73	46.18

** Includes reduction of Imminent loss of ₹1.20 Crores (March 31, 2017: ₹1.04 Crores)

*** Includes Imminent loss impact (increase) of ₹0.20 Crores (March 31, 2017: ₹1.27 Crores)

42 (B) AGGREGATION OF EXPENSES DISCLOSED IN PROJECT COST, OTHER EXPENSES AND FINANCE COST VIDE NOTE 24, 25, 27 AND 28 IN RESPECT OF SPECIFIC ITEMS IS AS FOLLOWS:

(₹ in crores)

Nature of expenses	Note 24	Note 25	Note 27	Note 28	Total
Subcontracting cost	224.30	-	-	-	224.30
	(187.62)	-	-	-	(187.62)
Salary & wages	10.96	349.12	-	-	360.08
	(3.41)	(295.40)	-	-	(298.81)
Rent	0.72	-	60.51	-	61.23
	(0.61)	-	(52.78)	-	(53.39)
Power & fuel	2.01	-	17.23	-	19.24
	(1.17)	-	(16.64)	-	(17.81)
Insurance	4.31	-	2.69	-	7.00
	(5.30)	-	(2.32)	-	(7.62)
Travelling & Conveyance	3.50	-	46.07	-	49.57
	(4.38)	-	(41.03)	-	(45.41)
Printing & Stationery	0.82	-	4.10	-	4.92
	(0.47)	-	(3.89)	-	(4.35)
Communication Expenses	0.11	-	8.40	-	8.51
	(0.12)	-	(8.51)	-	(8.63)
Freight and Forwarding Charges	2.28	-	73.63	-	75.91
	(1.51)	-	(57.07)	-	(58.58)
Maintenance, Installation and Service Charges	1.62	-	10.23	-	11.85
	(1.03)	-	(6.42)	-	(7.45)
Legal & Professional fees	14.90	-	42.97	-	57.87
	(11.35)	-	(48.20)	-	(59.55)
Bank charges	1.44	-	0.00	5.64	7.08
	(2.05)	-	(0.18)	(5.56)	(7.78)

Figures in brackets are for previous year

43. LEASES:

The Group 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 six premises. Lease rental expense debited to statement of Profit and Loss is ₹61.23 Crores (March 31, 2017 : ₹53.39 Crores).

Minimum lease payments for non-cancellable operating lease as at March 31

(₹in crores)

	As at March 31	
	2018	2017
(a) Not later than one year	5.59	5.19
(b) Later than one year but not later than five years	7.60	10.60
(c) Later than five years	-	0.40

Operating Lease : Group as a Lessor

The Group has entered into operating lease agreements. An amount of ₹6.68 Crores (March 31, 2017: ₹7.04 Crores) is recognised as lease income in the statement of profit & loss account for the year ended 31 March 2018. 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 March 31

(₹in crores)

	2018	2017
Not later than one year	-	0.77

The Group 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.

44.(a) Details of revenue expenditure directly related to Research & Development:

(₹in crores)

	Year Ended March 31	
	2018	2017
Employee benefits expense	18.34	15.46
Cost of raw material and components consumed	5.89	6.97
Legal & Professional fees	2.90	2.57
Depreciation	10.19	9.19
Others	6.50	7.11
Total	**43.82**	**41.30**

(b) Details of Capital expenditure directly related to Research & Development:

(₹in crores)

	Year Ended March 31	
	2018	2017
Tangible Assets		
Building sheds and road	0.18	0.35
Plant & Equipment	2.21	2.87
Furniture & fixtures	0.26	0.02
Office equipments	0.98	0.18
Electrical Equipment	-	0.02
Intangible Assets (including under development)		
Technical knowhow	7.71	8.78
Software	0.20	0.15
Total	**11.54**	**12.37**

45. STATUTORY GROUP INFORMATION

(₹ in crores)

	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, 2018	117%	973.53	86%	128.20	67%	(1.59)	87%	128.15
Balance at March 31, 2017	121%	916.62	90%	111.11	89%	(3.93)	91%	107.19
Subsidiaries								
Indian								
1. Blue Star Engineering and Electronics Limited								
Balance at March 31, 2018	-20%	(163.71)	16%	24.08	29%	(0.69)	16%	23.38
Balance at March 31, 2017	-24%	(185.44)	6%	7.04	3%	(0.11)	6%	6.92
Foreign								
1. Blue Star Qatar - WLL								
Balance at March 31, 2018	3%	25.67	3%	5.16	20%	(0.47)	3%	4.69
Balance at March 31, 2017	3%	21.04	3%	3.63	3%	(0.15)	3%	3.48
2. Blue Star International FZCO								
Balance at March 31, 2018	-1%	(6.31)	-4%	(6.28)	1%	(0.01)	-4%	(6.29)
Balance at March 31, 2017	-	-	-	-	-	-	-	-
Joint Ventures								
(As per proportionate consolidation/ investment as per the equity method)								
1. Blue Star M & E Engineering (Sdn) Bhd								
Balance at March 31, 2018	1%	8.98	2%	3.51	-23%	0.54	3%	4.05
Balance at March 31, 2017	1%	4.93	1%	0.92	7%	(0.31)	0%	0.61
2. Blue Star Oman Electro-Mechanical Co. LLC								
Balance at March 31, 2018	-1%	(4.67)	-4%	(5.43)	7%	(0.18)	-4%	(5.61)
Balance at March 31, 2017	0%	1.21	0%	0.35	-2%	0.09	0%	0.44
Total								
Balance at March 31, 2018	**100%**	**832.81**	**100%**	**149.25**	**100%**	**(2.39)**	**100%**	**146.86**
Balance at March 31, 2017	**100%**	**758.35**	**100%**	**123.05**	**100%**	**(4.42)**	**100%**	**118.63**

46. IMPLEMENTATION OF IND AS 115 FROM APRIL 1, 2018

On March 28 2018, the Ministry of Corporate Affairs (MCA) notified the new revenue recognition standard, viz., Ind AS 115 Revenue from Contracts with Customers. Ind AS 115 is applicable to the Company for the financial years beginning on or after April 1, 2018 for all companies who have migrated to IND AS. The new standard establishes a five step model related to revenue recognition from contracts with customers. It permits either 'full retrospective' adoption in which the standard is applied to all of the periods presented or a 'modified retrospective' adoption.

The Company is evaluating its various contractual arrangement and the available transition methods. The Company has established a team for evaluation of the contracts with customers to implement Ind-AS 115. Reliable estimates of the quantitative impact of Ind-AS 115 on the financial statements will be possible after detailed evaluation.

47. 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 14, 2018

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 14, 2018

Form AOC - I

(Pursuant to first provision to Section 129 (3) of the Companies Act, 2013 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 crores)

Sr. No.	Particulars	Name of the Subsidiaries		
		Blue Star Engineering & Electronics Limited	Blue Star Qatar - WLL	Blue Star International FZCO
1	Date since when subsidiary was acquired	June 22, 2010	February 12, 2007	April 18, 2017
2	Reporting Period	April - March	April - March	April - March
3	Reporting Currency	INR	QAR	AED
4	Exchange Rate as on the last date of the relevant financial year*	NA	17.75	17.90
5	Share Capital	52925052 equity shares of ₹ 2 each fully paid up	100 shares of QR 2000 each	2800 shares of AED 1000 each
6	Reserves & Surplus (Other Equity)	62.06	27.10	(6.28)
7	Total Assets	183.30	88.90	44.04
8	Total Liabilities	110.66	61.38	45.43
9	Investments other than investments in Subsidiary	-	-	-
10	Turnover (Total Revenue)	191.50	111.64	53.45
11	Profit/(Loss) before Taxation	19.67	6.17	(6.28)
12	Provision for Taxation	-	0.75	-
13	Profit/(Loss) after Taxation	19.67	5.43	(6.28)
14	Other Comprehensive Income/(Loss)	(0.69)	-	-
15	Total Comprehensive Income/(Loss)	18.98	5.43	(6.28)
16	Proposed Dividend	-	-	-
17	% of Shareholding	100%	49%	100%

* closing exchange rate as on March 31, 2018 has been considered

Form AOC - I

(Pursuant to first provision to Section 129 (3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014)

Part 'B' : Associates and Joint Ventures

(₹in crores)

Sr. No.	Particulars	Name of the Joint Ventures	
		Blue Star Oman Electro-Mechanical Company LLC	**Blue Star M & E Engineering Sdn Bhd***
1	Last Audited Balance Sheet Date	December 31, 2017**	March 31, 2018
2	Date on which the Associate or Joint Venture was associated or acquired	October 29, 2015	November 30, 1993
	Number of shares held by the Company as on March 31, 2018	255000 shares of OMR 1 each	367500 shares of RM 1 each
		-	49 redeemable convertible preference shares of RM 40000 each
	Amount of Investment in Joint Venture/Associate	4.34	3.98
	Extent of holding %	51%	49%
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	-	13.24
6	Profit/(Loss) for the year		
	i. Considered in consolidation	(5.43)	3.51
	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	(5.43)	3.51
	ii. Not considered in consolidation	-	-

*Blue Star M & E Engineering Sdn Bhd was a joint venture of the Company upto December 22, 2017. On and from this date, entire 49% shareholding held by the Company was transferred to its wholly owned subsidiary, Blue Star International FZCO.

**Local GAAP audited financial statement is as on December 31, 2017. The figures above are as on March 31, 2018.

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.

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Vikhroli (West),
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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.

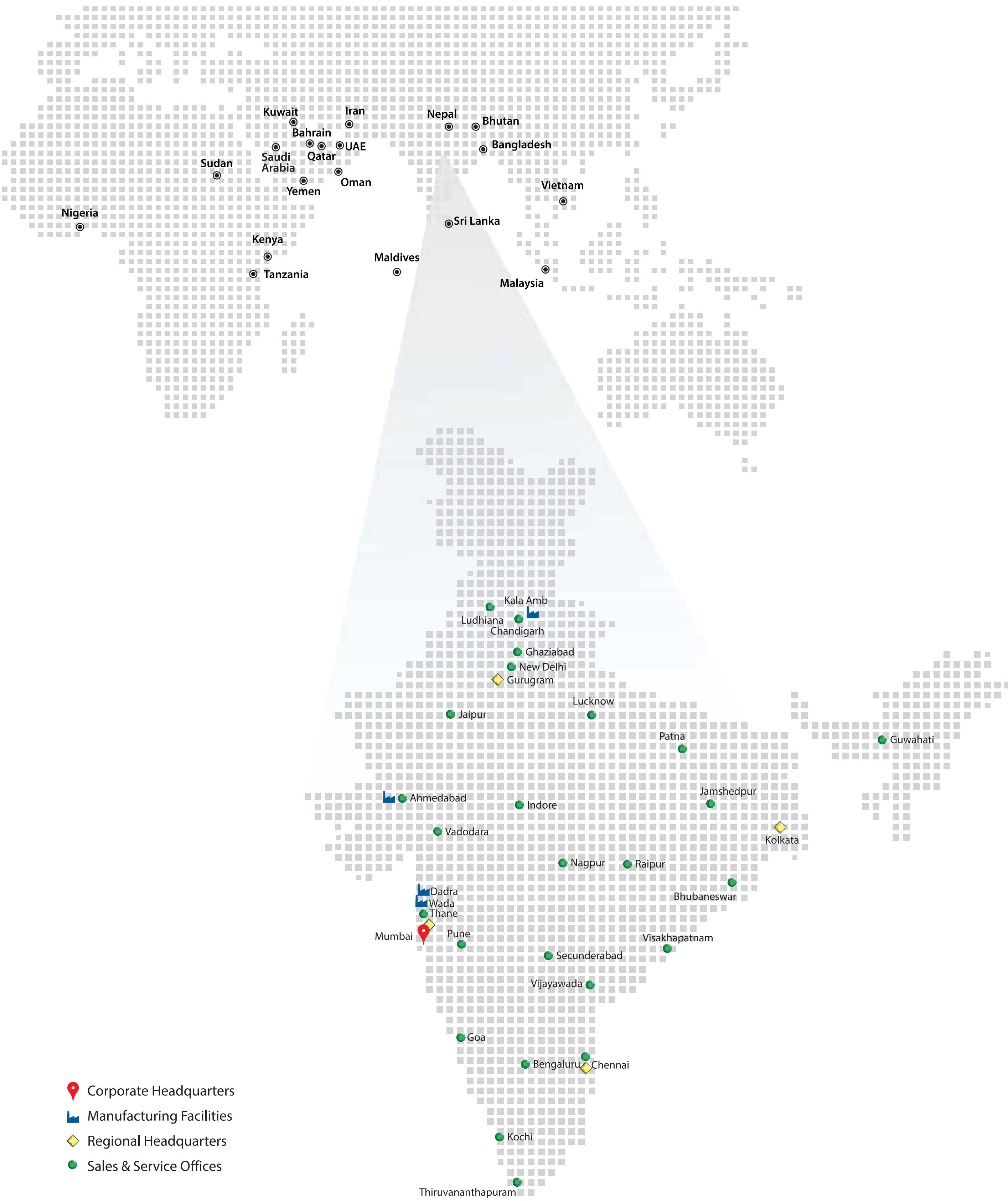
BLUE STAR SHAREHOLDERS

As of March 31, 2018, the Company has 39692 registered shareholders. Approximately 28.51% of the Company's shares are held by individual investors and others. The Promoters hold approximately 39% of the shares while Foreign Investors, Institutions and Bodies Corporate hold the balance shares.

STOCK EXCHANGE LISTINGS

BSE Ltd
National Stock Exchange of India Ltd

Blue Star - Geographical Outreach



BLUE STAR

BUILT ON TRUST