



# Sharpening Focus

BLUE STAR INFOTECH LIMITED

ANNUAL REPORT 2014-15

## Forward - Looking Statement

In our report we have disclosed forward-looking information so that investors can comprehend the Company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the Management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with any discussion of future operating or financial performance. We do not guarantee that any forward-looking statement will be realized, although we believe we have been diligent and prudent in our plan and assumptions. The achievement of future results is subject to risk, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Note: Blue Star Infotech Ltd. is referred to as "Blue Star Infotech" or "BSIL" in this report.

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# Sharpening Focus

The advent of new age technologies has brought a networks paradigm shift in the way organizations and individuals interact and consume technology. Social and mobility have integrated large segments of the global population which hitherto were tough to reach. Analytics help organizations develop actionable insights from raw data, equipping them to get more from every dollar that they spend. The cloud helps organizations replace part of their fixed cost investment by an operating cost model, considerably reducing their immediate cash outflows.

The shift in the technology environment alongside a weak macroeconomic environment has left most organizations in an awkward quandary. Realizing the fact that early adopters stand to benefit disproportionately while laggards can sink into oblivion, global organizations are increasingly seeking capable technology partners who can help them transform without unduly burdening their balance sheet.

It is against this backdrop that we at Blue Star Infotech Limited (BSIL) made a conscious decision three years ago not to spread ourselves too thin, but to invest heavily in areas of our strengths and those that made good business sense to us. As a result, we have fast evolved from a generic IT company into a focused IT solutions company today.

An increasing share of our revenues is getting invested in building new age solutions that can deliver higher levels of business value to our clients. A solution brings to the fore the deep domain understanding we have learned from our multiple client engagements, amalgamating it with new age technologies to make it a compelling sales proposition for the client.

We identified our key focus verticals, horizontals, geographies and even prioritized accounts, by spreading them across four key buckets based on their current and potential revenue impact. An increasing share of our investments and resources, including management bandwidth and attention is directed towards these areas. A focused approach positions us strongly in the Digital Transformation space and strengthens our partner relationships. Significant changes have been incorporated to enhance the level of employee engagement and work-related satisfaction level.

A few early indicators give us confidence that our strategy is on the right track. Our revenues during the last three year period have more than doubled and profits have more than quadrupled and are at an all-time high. One of our solutions has helped us win a multi-million dollar deal from a leading Switzerland-based high-end travel company against incumbents, most of which were top notch global tier1 companies. Our \$4 million + clients and \$1 million+ clients are on the rise and so is the profitability per client.

We remain upbeat about our future prospects and continue to stay focused on developing innovative solutions that can readily show our clients what they need to do and help them stay ahead. We shall persistently sharpen our focus towards upgrading our current service offerings and tune it to client's expectations continuously.

# LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR



## Dear Shareholders,

Fiscal 2015 was a year in which we further consolidated our long term strategy of enhancing focus on the selected growth of our addressed markets. We successfully reinforced the foundations towards becoming a solution-led, niche service provider and building innovative solutions. We devoted our energy to winning business from our existing strategic accounts that we believe can provide us with sufficient growth and profitability in the years ahead. While revenue growth was flat, we witnessed a satisfying upswing in profitability.

## PERFORMANCE HIGHLIGHTS DURING THE YEAR

- ★ Our net profits grew 22%
- ★ We made significant inroads into existing large accounts, our \$1 million+ accounts grew to 4 and \$2 million+ grew to 5, including a \$5 million+ account
- ★ Zinnov, the respected management consulting firm recognized us as a leader in the Outsourced Software Development segment
- ★ We won our first IP based order for Mobile Vacation Planner (MVP) from one of the world's largest travel companies
- ★ We strengthened our relationship with one of our oldest customers, Hewlett-Packard (HP), by helping them launch a cloud-based mobile security and mobile device management application worldwide in record time.



**Sunil Bhatia**  
Chief Executive Officer  
& Managing Director

**Suneel Advani**  
Chairman  
& Managing Director

## EMPHASIZING OUR LEADERSHIP IN OUTSOURCED PRODUCT DEVELOPMENT AND TRAVEL & HOSPITALITY

In last year's Annual Report we reported that we had consolidated our Application Development and Product Engineering practices as OPD+ to help us cross-leverage our experience for enterprise and technology customers. We are happy to report that OPD+ has achieved its highest-ever revenue, contributing 50% of the revenue and adding the highest number of total new customers, at 8. In addition, 6 of its accounts crossed the million dollar mark.

Travel and Hospitality (T&H) continued to show strong growth and became the largest contributor to the overall revenues amongst our verticals. Our solutions in the T&H space have enabled us to deliver real value to our clients. Impressed by our capabilities in this area, one of the world's largest travel services providers chose to partner with us ahead of some leading global technology brands.

To further strengthen the company's position, we are investing in new-age solutions. We have set up an Indoor Tracking Technology Lab in the US. We are also launching a new practice for the Travel & Hospitality technology segment.

## FAST EVOLVING GLOBAL DIGITAL LANDSCAPE

Despite a challenging macro-economic environment, we continue to witness strong demand for technology led solutions, especially digital technology. In this fast changing global landscape, organizations today seek technology partners who can help them stay relevant. Our strategy to become a solution focused player through investing in new age technologies and building solutions is helping us in our growth path. Our in-house developed solutions, such as Mobile Vacation Planner and Smart Retreat, gained considerable traction in the market.

The US continues to be our key market contributing 45% of the revenue, with Europe at 10%. Our revenues from Rest of the World (RoW) continued to see strong growth, more than twice the industry average. RoW contributed 45% of the revenue for FY2013-14.

## INTEGRATED GROWTH WITH CUSTOMER CENTRIC APPROACH

During the year we continued to invest heavily in our people, processes and technology. We added fresh talent, re-skilled existing talent through a mix of training and co-curricular activities and reinforced our client engagement process. At an organizational level we further aligned our sales, delivery and operations to improve efficiency, and speed.

In line with our principle of providing high touch service to our clients, our project teams are now backed by a management committee consisting of seven senior leaders. The members periodically engage in a high level interaction with the business users and senior technology team members at the client organization to enhance customer satisfaction with project progress and quality. Our strategic decision to create an OOO (Onsite, onshore, offshore) offering continued to appeal our clients. In line with our expectation, we saw a few of our accounts doubling and tripling during the fiscal.

To differentiate ourselves in an increasingly competitive marketplace and to bring more value to our clients, we added a critical position, Solution Architect, in each of our strategic accounts. A Solution Architect brings with him multifaceted expertise that enables us to understand a client's IT infrastructure holistically. He helps our client identify and implement appropriate transformational technologies to significantly enhance their competitive advantage and organizational productivity. A Solution Architect also creates opportunities for the company through account mining for existing clients, and by actively participating in presales activities in order to convert prospective clients.



## CORPORATE SOCIAL RESPONSIBILITY

This year we took a small step towards building a better environment. We teamed up with an NGO and planted more than 2000 trees at the periphery of Kumbhalgarh Sanctuary near Udaipur, Rajasthan. The trees were planted in honor of our clients, partners and well-wishers. This gesture was well appreciated by our clients and we received a huge positive response.

## CONCLUSION

We foresee traction in demand particularly in digital technologies, and are of the firm view that, going forward, the overall outsourcing sentiment will remain positive, particularly in areas which are our primary focus, namely Travel and Hospitality, Manufacturing, Healthcare and the Hi-tech segment. According to NASSCOM, the future of the global technology industry will increasingly be shaped by digital forces. Your company is strongly positioned to partner with clients in their digital transformation journey and enable their success in this digital era.

We would like to thank all of our employees whose dedication and focused approach has facilitated us in moving closer to our strategic objectives. We would also like to thank all our clients who have supported us, shown confidence in our capabilities and trusted us over and above other large service providers in the industry. Lastly, we thank our shareholders for having confidence in the management's ability.

We have strengthened our base during the current fiscal year and will be growing towards becoming a leading service provider.

Sincerely,

**Suneel Advani**  
Chairman and Managing Director

**Sunil Bhatia**  
Chief Executive Officer and Managing Director

Place: Mumbai  
Date: 06 June 2015



# GLOBAL PRESENCE



## SALES OFFICES

- Santa Clara, CA, USA
- Princeton, NJ, USA
- Milwaukee, WI, USA
- Mumbai, India
- Bengaluru, India
- London, UK
- Malaysia
- Singapore

## SOFTWARE DEVELOPMENT CENTERS

- Milwaukee, WI, USA
- Mumbai, India
- Bengaluru, India
- Singapore
- Malaysia



# TEN YEARS FINANCIAL (CONSOLIDATED)



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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>OPERATING RESULTS</b>										
Total Income	270.64	276.57	195.16	134.43	129.12	136.17	156.74	145.69	120.83	93.35
Export Sales	235.44	231.95	150.40	89.93	90.55	105.61	130.40	113.03	96.57	73.65
Operating Profit (PBIDT)	29.87	26.69	10.26	9.81	15.35	17.35	19.12	7.57	13.41	8.44
Profits after Tax	18.16	14.87	4.99	3.57	8.40	13.78	15.55	4.91	9.07	4.16
Dividend (incl. tax)	5.22	4.86	2.43	2.41	3.49	5.85	5.85	2.93	4.62	2.28
Retained Profit	12.94	10.01	2.56	1.16	4.91	7.93	9.70	1.98	4.45	1.88
<b>FINANCIAL POSITION</b>										
Paid-Up Capital	10.80	10.39	10.39	10.39	10.00	10.00	10.00	10.00	10.00	10.00
Reserves	104.63	90.25	78.85	71.87	74.45	69.72	57.32	50.29	48.31	43.87
Shareholders' Funds	115.43	100.64	89.24	82.26	84.45	79.72	67.32	60.29	58.31	53.87
Short-term Investments (Liquid)	-	-	1.13	5.55	17.22	27.51	11.64	-	-	2.51
Cash and Cash Equivalents	34.40	21.01	28.67	22.81	10.65	10.13	11.07	16.40	7.36	4.80
Market Capitalisation	215.46	121.82	58.73	74.98	100.85	112.90	47.95	60.65	93.65	107.00
<b>OTHER INFORMATION</b>										
Number of Shareholders	12,345	13,121	13,439	14,153	14,470	15,213	15,281	15,557	16,379	17,655
Number of Employees (Global)	1,036	1,036	900	818	821	795	858	901	828	583
Office Space (Sq. Ft.)	64,000	64,000	64,000	55,000	55,000	65,000	65,000	65,000	65,000	65,000
<b>PERFORMANCE INDICATORS</b>										
Earnings per share (in ₹) (Basic)	17.18	14.32	4.80	3.49	8.40	13.78	15.55	4.91	9.06	4.16
Dividend per share (in ₹)	4.00	4.00	2.00	2.00	3.00	5.00	5.00	2.50	4.00	2.00
Book Value per share	106.88	96.91	85.93	79.21	84.45	79.72	67.32	60.29	58.31	53.87
Return on Shareholders' Funds	15.73%	14.78%	5.59%	4.34%	9.94%	17.29%	23.11%	8.14%	15.55%	7.73%
Return on Average Capital Employed	16.81%	15.66%	5.82%	4.28%	10.23%	18.74%	24.39%	8.28%	16.17%	7.87%

# FINANCIAL HIGHLIGHTS



## Total Income (₹ Crores)



## No. of Employees



## Operating Profit (₹ Crores)



## Earnings Per Share (in ₹)



## No. of Clients



## Dividend Per Share (in ₹)



■ No. of Clients (>1 Million) ■ No. of Clients (>5 Million)

# 2014-2015 AT A GLANCE



## DELIVERY EXCELLENCE

- ★ A Fortune Global 500 company (an existing client), chose your company to globally launch a cloud based mobile security and mobile device management application. This was achieved in record time and your company also facilitated the client to bring down software testing time from two weeks to two days through automation.
- ★ Sold an IP based solution (Mobile Vacation Planner - MVP), an innovative next-gen tablet computer based application, to one of the world's largest travel providers. The highly interactive application helps travelers plan their itinerary for a trip or vacation using photos, videos, maps and detailed descriptions of hotels, activities and sightseeing options.

## STRATEGIC WINS

- ★ Deepening its engagement with one of its largest customers, a leading US based technology corporation, Blue Star Infotech assisted in a major divestiture. This also led to doubling of its existing team engaged with the client.
- ★ Blue Star Infotech entered into a million dollar contract with an existing client, a leading payroll service provider in the US. The service areas include Business Intelligence/Analytics, Product Development and Testing
- ★ An existing client, a US based leading global clinical trial management solutions provider, selected Blue Star Infotech to provide Business Intelligence and Data Warehousing services. This engagement was an outcome of an earlier BI strategy roadmap created by BSIL
- ★ Partnered with a multi-billion Fortune 500 company, an existing client, by providing travel domain consulting services. Blue Star Infotech is also deploying projects across 24 of the client's global locations and we have opened up 13 new service lines for them.

## AWARDS & RECOGNITION

- ★ Blue Star Infotech is ranked among APAC's fastest growing companies in Deloitte's 2014 Technology Fast 500 annual list.
- ★ The Company was recognized as the Leader in Outsourced Software Development Segment by Zinnov Management Consulting. The Company has been positioned in the Leadership Zone in the Consumer Software segment and in Execution Zone in the Enterprise Software segment.

## PARTNERSHIP

- ★ Blue Star Infotech is recognised as a preferred SAS partner in Singapore
- ★ Strengthening its expertise in the area of Mobility, Blue Star Infotech entered into a partnership with SAP India, a subsidiary of SAP AG as their official Mobility partner. This alliance will help Blue Star Infotech explore untapped opportunities by offering advanced solutions to its existing and prospective customers



## BLUE STAR INFOTECH IN THE NEWS

### 1 BLUE STAR INFOTECH IS A GOOD INVESTMENT

Blue Star Infotech Ltd was a small cap IT Company a few years back with a market capitalisation of only Rs 107 crore. The turnaround started in 2011 when Sunil Bhatia took over as the MD and CEO of the Company, taking the market capitalisation to nearly Rs 200 crore at present. With a series of acquisitions in the country and in US, Blue Star Infotech is focusing on emerging technologies like SMAC (social, mobility, analytics and cloud). For the financial year 2013-14, the Company posted a total income of Rs 276 crore, registering 100% growth over the last three years and a PBT of Rs 22 crore. On a small equity base of only Rs 10 crore, the EPS is grossly discounted to fair value. While the new government has announced its plans to build future cities and empower small and medium enterprises, Blue Star Infotech is moving fast to offer solutions by building up a base in the domestic markets. The stock is currently quoting at an attractive price of Rs 170 and can give handsome return for investors looking for bargains over the next one year with a price target of Rs 245.

### 3 BUILDING OUR CAPABILITIES IN DIGITAL TRANSFORMATION SPACE

In an interview with YashVed of IIFL, Sunil Bhatia, CEO & MD, Blue Star Infotech says "We will continue to invest in building our capabilities in digital transformation space. The focus would be on strengthening our internal teams in the related technology space, spending on R&D and IP based solutions".

The Company has seen a good growth in our bottom line, though the topline has remained flat. This is primarily due to our conscious decision to slowly move from all unremunerative businesses, which were adding only to the top line, however eroding the profitability. The Company deal pipeline is good. As emphasized earlier, in addition to new wins, we would like to focus on key existing customers. Bringing in innovation and creating value for our diverse set of clients would be on our top most agenda for the year.

### 5 TECHNOLOGY NOW A NECESSITY FOR T&H INDUSTRY

With advent of niche players in the Indian Travel market, the ecosystem of Travel and Hospitality Industry in India will witness a huge change in terms of emergence of new business models. Travel and Hospitality is one of the biggest revenue generators of e-commerce arena in India. The existing players face enormous challenges in terms of changing behavior of existing consumers, demands and expectations of millennial, advent of new business models.

Travel and Hospitality players have undergone Digital transformation in terms of the strategy, structure and culture. The important enabler of Digital Transformation is technology that

### 2 MR. ALOKE GHOSH'S INTERACTION



### 4 TRANSFORMATION TIME - UNDER SUNIL BHATIA'S LEADERSHIP, BLUE STAR INFOTECH IS MOVING AHEAD

Started as a division of Blue Star Group, Blue Star Infotech (Market Cap: Rs. 182 crore) has had a sedate track record over the last three decades. However changes are happening in the software company, triggered by a new team under the leadership of Sunil Bhatia, who took over as MD & CEO, in mid- April 2011. The Company now figures in the Global Services 100's list of IT outsourcing providers, for two years in succession.

A veteran of the IT industry, with extensive stints with global names like Accenture and IBM, Sunil Bhatia took over as MD and CEO of Blue Star Infotech in mid-August 2011, after buying a strategic stake in the Company. "I approached the Advanis and they were happy to let me have a chance to run the Company", Bhatia said about his appointment.

### 6 BLUE STAR INFOTECH LTD POSTS 86 PERCENT JUMP IN NET PROFIT IN Q2

MUMBAI: Global software services and solutions provider Blue Star Infotech Ltd today registered 86 per cent jump in net profit at Rs.5.69 crore in the second quarter ended September against Rs 3.06 crore in the year-ago period.

The significant rise in PAT is due to improvement in quality of accounts and revenue mix, a company statement said.

### 7 GOT RECOGNIZED AS LEADER IN THE CONSUMER SOFTWARE SEGMENT

Blue Star Infotech Ltd has informed BSE that Zinnov Management Consulting, a leading Globalization and Market Expansion Advisory firm has recognized Blue Star Infotech Limited as a leader in the Consumer Software segment.

★ The Sunday Guardian , Tuesday June 02, 2014

★ Business India, August 04, 2014

★ The Hindu Business Line, October 13, 2014

★ CNBC Awaaz, September 11, 2014

★ Asian Business, January 20, 2015

★ India Infoline, February 05, 2015

★ The Economic Times, October 17, 2014

## CASE STUDIES

### Blue Star Infotech helped the client to reduce cost of application support and increases revenues with cross browser compatible Share Point solution

**About the Client:**

The client is a global provider of technology enhanced clinical trial solutions supporting more than 3300 clinical trials over the last 29 years.

**Challenges:**

The client encountered cost escalation in supporting the existing customer facing application and its own internal applications. The client's existing product was based on SharePoint platform and needed to be compatible with multiple browsers. Client's internal team lacked the skill to make it cross-browser compatible. The client also faced challenges in scaling up data capture and analysis process in Clinical Trial System.

**Outcome:**

Blue Star Infotech's infrastructure and application support facilitated cost cutting in supporting its customer facing and internal applications. SharePoint site deployment time was brought down from 2-3 days to a few minutes and the client was able to enhance its revenue due to wider reach obtained through cross browser compatibility. In addition, Blue Star Infotech's scalable model for testing application resulted in curtailing cost further by 30%.

### Blue Star Infotech helped the client, a leading multinational information technology company to reduce testing cost by 30% via automated testing

**About the Client:**

The client is a leading multinational information technology company based in the US, providing hardware and software services to customers, Small and Medium Businesses (SMBs) and large enterprises including customers in the government, healthcare and education sectors.

**Challenges:**

The client wanted to enhance its cloud based application that enables its customers to control and manage a broad range of devices running on iOS, Android and Windows across different brands in a simple & secure way. The cloud based app addresses the issue of central monitoring and security challenges particularly for small and medium business segments with limited IT resources functioning across different devices, brands and operating systems. The client wanted to conduct rigorous testing of the app before launching it in the global market.

**Outcome:**

Blue Star Infotech designed a comprehensive testing strategy catering to the client's unique needs that kept error rate to a bare minimum level in the app. The process involved a combination of manual, performance, automation and security testing techniques that covered a wide spectrum of OS/device configurations. Blue Star Infotech helped the client to reduce test cycle time from 2 weeks to 2 days. Blue Star Infotech also set up a full-fledged offshore mobile testing lab that helps the client to save cost.

## Blue Star Infotech's domain expertise in Travel Services enables the client to deploy a stable, defect free Travel & Lifestyle Service Applications

### About the Client

The client is an American multinational financial services corporation. The company is best known for its credit card and traveler's cheque businesses.

### Challenges:

The client wanted to migrate Travel & Lifestyle services product from old legacy platform to new web based application. This will enable the client's travel agents to provide better customer services and bring in more efficiency by cutting down the servicing time from 45 minutes to 15 minutes per customer. In addition, the client intended mobile testing of travel websites that were made available to its customer on phone and also wanted automation solution to test major business workflows in every release.

### Outcome:

The client chose Blue Star Infotech because of its extensive experience in travel business. Blue Star Infotech evaluated various industry recognized tools and suggested the client the right-fit automation tool to automate critical business functions. Blue Star Infotech helped client to achieve scalability in testing functions – 40% of the critical business functions were automated in first phase. The client was able to save 30% of its efforts which would have gone in regression testing in moving the services to new application. Critical business functions tested thoroughly in UAT phase minimized the risk of system failure for the company.



## Blue Star Infotech helped one of the world's leading independent commodity trading and logistic company to streamline business operations leveraging Microsoft Dynamics NAV

### About the Client:

The client is one of the world's leading independent commodity trading and logistics company. The company directly employs over 5,000 people through a network of 65 offices in 36 countries. The company is managed through a global network of group companies with central hubs and regional offices.

### Challenges:

With a heterogeneous setup of applications spread across the globe, the client was experiencing business processes turning more complex and rendering inefficiencies in day to day business transactions. The client was not able to keep pace with growth, both organic and inorganic. The client wanted to transform the setup with its installed base of Microsoft Dynamics NAV and was looking for an expert partner to help them overcome varied challenges -

- ★ With standardization of business processes at global level, it became difficult for the client to meet target efficiencies while facilitating local variations
- ★ To accommodate frequent acquisitions with complex change management processes.
- ★ In providing solutions accelerators for NAV ERP roll outs; in order to be responsive to business needs & timelines.
- ★ In providing exhaustive integration framework to connect peripheral systems with NAV and Centralized document repository for Redesigned Processes / NAV component documents.

### Outcome:

- ★ Blue Star Infotech redesigned processes with underlying IT components that were able to support business expectations, leading to planned efficiencies.
- ★ Designed Global Process set with regional variations that enabled quick implementation of global NAV templates and reduced implementation schedules and cost.
- ★ On-going Support was enabled by the BPM Process framework to maintain global and regional variants and scale upto new changes in a responsive manner while ensuring standardization was maintained at a global level.

# ABOUT THE COMPANY

Blue Star Infotech Ltd. is a technology consulting and services company. The Company's offerings include Outsourced Product Development (OPD+), Digital Transformation, Package Implementation, Application Development, Maintenance and Testing.

Part of the well-known Blue Star Group, Blue Star Infotech Ltd. is a stock market listed company with its global headquarters in Mumbai, India, and with operations in USA, UK, Europe, Singapore, Malaysia, and India. The Company leverages its strong industry understanding and digital transformation capabilities to develop solutions that can help its clients gain and endure their competitive advantage. Teams comprising of domain experts, designers and consultants combines the best of engineering, creativity and technology to deliver a best-in-class solutions.

The Company through its state of the art delivery global centers caters to the technology focused services, solutions and R&D needs of enterprises globally. The Company also leverages its strong Digital Transformation focus including Analytics, Mobility and Cloud to enhance the intelligence, reach, responsiveness and efficiency of client's IT infrastructure.

## BLUE STAR INFOTECH LTD.

- ★ Has more than 1300 professionals developing solutions and managing the IT assets for companies ranging from Fortune 100 organisations to start-ups
- ★ Has a Global Delivery Network spanning India, US and Singapore
- ★ Was ranked by Zinnov, a leading management consulting firm, as the leader in Outsourced Software Development segment in 2014
- ★ Ranked among APAC's fastest growing companies in Deloitte's 2014 Technology Fast 500

Blue Star Infotech has successfully completed over 800 major IT projects on a wide range of hardware and software platforms. The Company has delivered over 1850 product releases for its technology customers worldwide. Its technology labs for Mobility, Cloud Computing, Analytics and Usability Engineering incubate and propagate new methodologies, standards, tools and solutions. This along with the Company's SEI CMMi Level 5 and ISO 9001:2008 assessed Quality Assurance processes, assures world-class standards across all its deliverables.

## FOCUSED APPROACH

The Company focuses on a few chosen segments to deliver business-impacting solutions and develop a competitive edge. Over the last three decades, it has gained extensive experience in delivering cutting edge solutions to customers in select verticals such as Travel and Hospitality, Hi-tech, Manufacturing, Media and Entertainment and Healthcare.

Additionally, the Company has been actively using the inorganic route to expand reach, skills and scale. In early 2012, it formed a joint venture with Trisept Technologies LLC and opened a delivery centre in Milwaukee, WI by the name Blue7 Solutions LLC. In mid-2012, it acquired Infostack Solutions Pte Ltd., a Singapore-based IT professional services company. In 2013, it made a strategic investment in Activecubes Solutions India Pvt. Ltd. a company specializing in the Decision Management space. Last year, the Company has acquired the minority stake in Blue7 Solutions LLC which now is wholly owned subsidiary of Blue Star Infotech (America) Inc.

## SOLUTION-CENTRIC DELIVERY

At Blue Star Infotech, project delivery teams are backed by a strong repository of solutions, accelerators, frameworks and reusable code bases that the Company has developed over the years. These are further complemented by the solution offerings of its various partners. This enables the Company to adopt a solution-led approach for solving business issues of its clients. Such an approach results in faster implementation, adoption of best practices and quicker realisation of business benefits.

## STRONG R&D CAPABILITIES

To gain insights and establish thought leadership in its focus areas, the Company has established labs and Communities of Practice in areas such as Mobility, Cloud Computing, Analytics and Testing. These help the Company to keep track of both present-day technologies and disruptive advancements, and examine the application of these to various business scenarios. The Company has also set up a dedicated Advanced Technology Group for the creation of new software solutions and products.

## CUSTOMER-FOCUSED ORGANISATION

Client comfort and satisfaction is one of the key strategic objectives at Blue Star Infotech. The Company positions its seasoned industry and technology leaders closer to clients. Complete access to the senior most management is provided for any escalation. The Company has created new positions like Solutions Architect to efficiently address clients need. A solutions architect has deep domain knowledge and industry insights and actively engages with the client to understand their current/potential challenges and future business needs.

## STRONG PARTNERSHIPS WITH LEADING TECHNOLOGY AND PRODUCT COMPANIES

The Company has developed strategic partnership with industry leaders, which allows it to expand its service offerings, enhance distribution reach or gain deeper insights in its focus areas. The partnerships also help the Company to expose its consultants to the global best practices, ensure that its employee remain abreast of contemporary tools and technologies, and undergo the requisite certification processes in order to ensure top-quality services to its customers.

## GLOBAL DELIVERY MODEL

Blue Star Infotech backed by its state of art and seamlessly integrated delivery centres located in India, USA and Singapore, provides high flexibility to its customers. The Company allow its clients to conceptualize a sourcing strategy in accordance with their business requirement, ensure high quality standards and also accrue significant cost benefits. Through an optimal mix of Onsite, Onshore and Offshore (OOO) model the Company curtails the turnaround time and also provide scalability options based on the clients business needs.

## STRATEGIC PARTNERS

Microsoft, Oracle, SAS, SAP, QlikTech, Hewlett-Packard, Amazon Web Services, Cisco, Verifaya, HP Vertica



# BOARD OF DIRECTORS



## **SUNEEL ADVANI**

Chairman and Managing Director  
(Promoter and Executive Director -DIN 00001709)

Suneel Advani is a double graduate in Electrical Engineering and Economics from the Massachusetts Institute of Technology, USA. He also holds a degree in Law from Mumbai University. Mr. Advani joined Blue Star Limited in March 1969 as a Management Trainee. He held various responsible positions in Blue Star Limited before joining its Board in 1983 as an Executive Director. He was then elevated to the position of President and Vice Chairman of Blue Star Limited in 1984 and was re-designated as Vice Chairman and Managing Director in 2005. He was the Executive Vice Chairman from April 2012 to March 2014 whereupon he is the Non-executive Vice Chairman of Blue Star Limited.

Mr. Advani set up the International Software Exports Division in Blue Star Limited in 1983 and oversaw its operations from inception. This Division was later spun off and incorporated as Blue Star Infotech Limited where he was appointed as the Chairman of the Company in 1998 and appointed as the Executive Chairman and Managing Director in June 2005. He was re-appointed for a five year term in June 2012.

(Member of Stakeholders' Grievance Committee and Chairman of Compensation Committee and Corporate Social Responsibility Committee)



## **ASHOK ADVANI**

Vice Chairman  
(Promoter and Non Independent Director - DIN 00001372)

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

He has been a member of the Local Advisory Board of The Chase Manhattan Bank and a past President of the Bombay Chamber of Commerce and Industry.

Mr. Advani is the Vice Chairman of Blue Star Infotech Limited since 1998.

(Chairman of Stakeholders' Grievance Committee)



## **SUNIL BHATIA**

Chief Executive Officer and Managing Director  
(Chief Executive Officer and Managing Director - DIN 03424622)

Sunil Bhatia has over 26 years' experience in the Information Technology industry across the globe. He has held leadership positions at global giants such as IBM, Accenture and Satyam, in the US and Asia, where he has managed large businesses and led global teams. Prior to Blue Star Infotech, he served as a Partner with Accenture in USA, and earlier in Accenture Consulting Practice in India, where he has advised several large Indian corporations on globalization, expansion and strategic reviews. At IBM Singapore, he has spent over seven years building the business and strategic relationships in the Financial Services and worked across 10 Asian countries. At Satyam, he led and managed global strategic accounts in the US.

He holds an MBA from Mumbai University. His professional qualifications include executive programs at Wharton and INSEAD. He is a charter member of TiE at Silicon Valley.

Mr. Bhatia was appointed on the Board in April 2011.

(Member of Corporate Social Responsibility Committee)



### **SANJAY VASWANI**

Director  
(Promoter and Non Independent Director - DIN 00369909)

Sanjay Vaswani holds an MBA from the Wharton School of Business at the University of Pennsylvania and a BBA summa cum laude from the University of Texas in Austin. He has worked for Intel Corporation and as an associate in McKinsey and Company, Inc. in Los Angeles. Mr. Vaswani is highly knowledgeable about the IT industry and has set up his own consulting firm in 1990. The firm provides consultancy and advisory services to hi-tech companies in the USA. He is also on the board of Brocade Communications Systems, Inc., USA.

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



### **DR. PRAKASH HEBALKAR**

Director  
(Independent Director - DIN 00370499)

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

Dr. Hebalkar joined the Board of Blue Star Infotech Limited in the year 2000. He was re-appointed as an Independent Director of the Company for a term of five years effective 23 July 2014.

(Member of Stakeholders' Grievance Committee, Compensation Committee, Audit Committee, and Chairman of Nomination and Remuneration Committee)



### **SURESH TALWAR**

Director  
(Independent Director - DIN 00001456)

Suresh Talwar is a Commerce and Law graduate and specializes in areas of corporate law and related fields. He is a legal counsel to various Indian and multinational corporations and banks. He is the co-founder and former partner of the law firm M/s. Talwar, Thakore and Associates. Prior to this, he was associated with M/s. Crawford Bayley and Company as a Senior Partner.

Mr. Talwar has a rich experience of serving as an Independent Director on the Board of various listed / private companies such as Larsen & Toubro Ltd., Greaves Cotton and Co Ltd., Blue Star Ltd., etc. He is currently on the board of several leading companies such as Merck, Sandvik Asia, Philip Finance and Investment Services and Biocon amongst others.

Mr. Talwar is a Board member of Blue Star Infotech Limited since the year 2000. He was re-appointed as an Independent Director of the Company for a term of five years effective 23 July 2014.

(Member of Audit Committee, Corporate Social Responsibility Committee, Compensation Committee and Nomination and Remuneration Committee)





### **NARESH MALHOTRA**

Director  
(Independent Director -DIN 00200322)

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

Mr. Malhotra was the President and a member of the Supervisory Board of the U B Group during 1986 –1992. In 1993 Mr. Malhotra joined KPMG as one of their Founding Partners and was the Managing Director, Corporate Finance and practice leader of the Real Estate, Hospitality and Retail businesses. He was also an advisor to GIV Management Inc., a Washington based Venture Capital Company and was an Operating Partner with Sequoia Capital India.

Mr. Malhotra is currently on the board of Onmobile Global Limited, Modern Family Doctor Private Limited, DERIVIT Solutions Pte. Ltd. and several other companies.

Mr. Malhotra joined the Board of Blue Star Infotech Limited in the year 2003. He was re-appointed as an Independent Director of the Company for a term of five years effective 23 July 2014.

(Chairman of Audit Committee and member of Nomination and Remuneration Committee)



### **K P T KUTTY**

Director  
(Independent Director - DIN 00494661)

K P T Kutty is a Company Secretary by profession and has over three decades of experience in the profession. He held various responsible positions in Blue Star Ltd.'s Legal & Secretarial Department since 1980 before taking over as the Company Secretary in 1994. Mr. Kutty has also worked with Forbes Forbes Campbell & Co. Limited and Reserve Bank of India prior to joining Blue Star Limited.

He was a Director of Blue Star Infotech Limited from May 1998 to January 2000 and then from April 2011. Mr. Kutty was re-appointed as an Independent Director of the Company for a term of five years effective 23 July 2014.

(Member of Corporate Social Responsibility Committee)



### **KALPANA TRIVEDI**

Additional Director  
(Non-executive / Non-Promoter / Woman Director - DIN 07150502)

Kalpana Trivedi holds an MBA from Sydenham Institute of Management Studies and Research, and a Master degree in Economics from University of Mumbai. She has more than 23 years' of experience in several segments including sales, marketing, advertising and research. Starting her career in 1992 with global advertising firms such as Lintas and Chaitra Leo Burnett, she managed prominent accounts like Balsara, TCL, and Hindustan Lever. She was also engaged with a production house and hosted popular women's issue-based talk shows on Star Plus. Ms. Trivedi has a strong penchant for entrepreneurship and social activities and has launched several new lines of businesses. Currently, she is a Director in Social Services Enterprise since November 2012. Her role involves consulting, facilitating and promoting the services of a variety of NGOs in different areas.

She was appointed as an Additional Director on the Board of the Company on 27 March 2015.

She has offered her candidature as an Independent Director for the approval of the members at the ensuing Annual General Meeting.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Suneel Advani**  
Chairman and Managing Director

**Ashok Advani**  
Vice Chairman

**Sunil Bhatia**  
Chief Executive Officer and Managing Director

**Sanjay Vaswani**  
Director

**Dr. Prakash Hebalkar**  
Independent Director

**Suresh Talwar**  
Independent Director

**Naresh Malhotra**  
Independent Director

**KPT Kutty**  
Independent Director

**Kalpana Trivedi\***  
Independent Director  
(\*appointed - 27 March 2015)

## MANAGEMENT TEAM

**Suneel Advani**  
Chairman and Managing Director

**Sunil Bhatia**  
Chief Executive Officer and Managing Director

**Nishith Mathur**  
Chief Operating Officer

**Aloke Ghosh**  
Chief Financial Officer and Company Secretary

**Ramesh Subramanian**  
Global Delivery Head

**Keyuri Singh**  
Vice President - Human Resources

**Rajesh Varrier**  
Head - Business Intelligence Practice

## BANKERS

- ★ Bank of America Merrill Lynch
- ★ DBS Bank Ltd
- ★ Corporation Bank
- ★ ICICI Bank Ltd
- ★ Kotak Mahindra Bank Ltd.
- ★ Silicon Valley Bank
- ★ The Hong Kong and Shanghai Banking Corporation Ltd.
- ★ The Royal Bank of Scotland N.V.

## AUDITORS

Walker, Chandio & Co LLP, Chartered Accountants,  
Statutory Auditors (A Grant Thornton member firm)

Sharp & Tannan Associates, Chartered Accountants,  
Internal Auditors

## REGISTERED OFFICE AND CORPORATE HEADQUARTERS

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

## OFFICES

### INDIA

- ★ Mumbai  
SEEPZ - SEZ  
MIDC, SEEPZ-SEZ,  
Andheri (East),  
Mumbai 400 096, India  
- Unit 74, SDF III  
- Unit 150, SDF V  
- Unit 181, SDF VI  
- Unit 188, SDF VI
- ★ The Great Oasis,  
3rd and 8th Floor, Plot  
No. D-13,  
MIDC, Andheri (East),  
Mumbai-400 093, India

### Bengaluru

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

### UK

Marble Arch Tower  
55 Bryanston Street  
London W1H 7AA,  
United Kingdom

### SINGAPORE

Afro-Asia Building, 63  
Robinson Road, 07-11,  
Singapore 068894

### MALAYSIA

Level 16, 1 Sentral 5, KL  
Sentral,  
50470 Kuala Lumpur,  
Malaysia.

### USA

2350, Mission College Blvd,  
Suite # 480,  
Santa Clara CA 95054  
5, Independence Way, Suite #  
300  
Princeton, NJ 08540

5800 N Bayshore Dr. Suite  
B230, Glendale, WI 53217

## REGISTRAR AND SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W), Mumbai 400 078, India.  
Tel: 91-22-25946970  
Fax: 91-22-25946969

# DIRECTORS' REPORT

## DEAR MEMBERS,

Your Directors present herewith the Eighteenth Annual Report on the business and operations of the Company together with the Audited Financial Statements for the year ended 31 March 2015.

### 1. FINANCIAL RESULTS:

The Company's operating performance during the year ended 31 March 2015 as compared to the previous year is indicated in brief below: (₹ in Lacs)

	Consolidated		Standalone	
	2014-15	2013-14	2014-15	2013-14
<b>Total income</b>	27,064	27,657	14,415	13,234
Profit before interest, depreciation and tax	2,987	2,669	1,959	1,844
Depreciation and Amortisation	438	380	349	339
<b>Profit before tax</b>	<b>2,474</b>	<b>2,184</b>	<b>1,559</b>	<b>1,458</b>
Provision for tax	627	592	390	420
<b>Profit brought forward from previous year</b>	<b>1,817</b>	<b>1,487</b>	<b>1,169</b>	<b>1,038</b>
Balance brought forward from previous year	6,449	5,552	6,207	5,759
Profits available for appropriation	8,266	7,038	7,376	6,797
<b>Less: Transfer to General Reserve</b>	117	104	117	104
Translation Adjustment (Net)	63	-	68	-
Dividend (Proposed)	432	415	432	415
Tax on Proposed Dividend	90	71	90	71
<b>Balance carried forward to Balance Sheet</b>	<b>7,564</b>	<b>6,449</b>	<b>6,669</b>	<b>6,207</b>

#### Publication of results of subsidiary companies

Section 129 (3) of the Companies Act, 2013, requires the company to attach along with the financial statement, a separate statement containing the salient features of the financial statement of its subsidiaries. The performance and financial position of the subsidiaries and associate of the Company, included in the consolidated financial statement, forms part of the Annual Report and is an integral part of the Directors' Report.

The Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary Companies have not been attached with the Balance Sheet of the Company. If any member so desires, the Company will make available these documents / details upon specific request by the member of the Company.

### 2. DIVIDEND

Your Directors are pleased to recommend payment of a dividend of ₹ 4/- per equity share of ₹ 10/- each during the year subject to the approval of the shareholders. (Previous year ₹ 4 per share of ₹ 10/- each).

### 3. OPERATING RESULTS AND BUSINESS

During the year under review, total income of the Company was ₹ 144 Crores as compared to ₹ 132 Crores in the previous financial year, i.e. an increase of 9%. On a consolidated basis, total income decreased from ₹ 276 Crores to ₹ 271 Crores, a decline of around 2%.

The net profit after tax on a standalone basis for the year ended 31 March 2015 was ₹ 11.69 Crores as against ₹ 10.38 Crores in the previous year, an increase of around 13%. On a consolidated basis, the net profit after tax for the year ended 31 March 2015 was ₹ 18.17 Crores as compared to ₹ 14.87 Crores for the previous financial year marking an increase of 22% on a year to year basis.

#### 4. DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors had, on the recommendation of the Nomination and Remuneration Committee appointed Ms. Kalpana Trivedi as an Additional Director of the Company with effect from 30 March 2015. Her appointment as an Independent Director for a period of 5 years will be subject to the members' approval at the Annual General Meeting.

The erstwhile Chief Financial Officer and Company Secretary Mr. V Sudarshan resigned from the services of the Company effective 31 May 2014. Mr. Alope Ghosh was appointed the Chief Financial Officer and Company Secretary of the Company effective 2 June 2014.

#### 5. A STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS

A statement on declaration of Independence required to be made under section 149 of the Companies Act, 2013 has been obtained from each of the Independent Directors confirming their independence.

#### 6. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of the directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and other committees. The criteria on the basis of which the evaluation has been carried out has been explained in the Corporate Governance Report.

#### 7. POLICY ON NOMINATION AND REMUNERATION

The Board on the recommendation of the Nomination and Remuneration Committee has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The highlights of the policy on Nomination and Remuneration is provided as a part of the Directors' Report. The detailed policy is available on the website of the company.

#### 8. MEETINGS OF THE BOARD

The Board of Directors met four (4) times on 14 May 2014, 23 July 2014, 17 October 2014 and 19 January 2015 during the financial year 2014-15.

#### 9. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company at present has the following subsidiary companies:

##### a) **Blue Star Infotech America, Inc. (BSIA)**

The wholly owned subsidiary of the Company, Blue Star Infotech America, Inc. achieved a total income of US\$ 196,35,989 (equivalent of ₹ 120.07 Crores) for the financial year ending 31 March 2015 as compared to US\$ 2,21,38,707 (equivalent of ₹ 134.19 Crores) for the previous year. Despite a lower turnover, essentially due to reduction in low and negative margin business, a concerted effort to keep costs under check, the Company reported a net profit of US\$ 2,74,867 (equivalent of ₹ 1.68 Crores) this year compared to a net loss of US\$ 2,49,867 (equivalent of ₹ 1.50 Crores) for the previous year marking a turnaround in profits after four consecutive years. The performance of the subsidiary is satisfactory and expected to progress in the ensuing year as well.

Your Company made an additional investment of US\$ 5,00,000 (equivalent of ₹ 3.04 Crores) at par in the equity of the subsidiary in order to further the growth, operations and business of the Company. With this investment, the paid-up capital of the subsidiary as at year end is US\$ 23,50,000 (18,50,000 in the previous year). The investment is in shares of US\$ 1 each.

**b) Blue Star Infotech (UK) Ltd.**

The total income of this wholly owned subsidiary, Blue Star Infotech (UK) Limited was £ 23,92,092 (equivalent of ₹ 23.59 Crores) for the financial year ended 31 March 2015 as compared to £ 23,04,183 (equivalent of ₹ 23 Crores) for the previous year. The company registered a net profit of £ 207,016 (equivalent of ₹ 2.04 Crores) for the financial year ending on 31 March 2015 compared to net profit of £ 2,15,409 (equivalent of ₹ 2.15 Crores) for the previous year. The shrinkage in profits is due to addition of manpower in the sales team. The business is stable.

**c) Blue Star Infotech (Singapore) Pte. Limited**

The total income of the wholly owned subsidiary, Blue Star Infotech (Singapore) Pte. Limited was SGD 30,75,977 (equivalent of ₹ 14.62 Crores) for the financial year ended 31 March 2015 as compared to SGD 21,67,203 (equivalent of ₹ 10.45 Crores) for the previous year. The subsidiary registered a net profit of SGD 476,804 (equivalent of ₹ 2.27 Crores) for the financial year ending on 31 March 2015 compared to a net profit of SGD 3,46,802 (equivalent of ₹ 1.92 Crores) for the previous year.

Blue Star Infotech Singapore Pte. Ltd. has two wholly owned subsidiaries, one each, in Singapore and Malaysia viz. Blue Star Infostack Solutions Pte. Ltd. and Blue Star Infostack (Malaysia) Sdn. Bhd. which caters to the Banking and Insurance sector. The performance of the subsidiary is satisfactory. Blue Star Infotech Singapore Pte. Ltd. has made an additional investment of RM 500,000 in the equity of Blue Star Infostack (Malaysia) Sdn. Bhd. in order to further the growth, operations and business of the Company. With this investment, the paid-up capital of the subsidiary as at year end is RM 1,000,000.

**10. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors would like to inform the members that the Audited Accounts for the financial year ended 31 March 2015 are in full conformity with the requirement of the Companies Act, 2013. The Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had 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 at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;

**11. RESERVATIONS AND/OR QUALIFICATIONS IN THE STATUTORY AUDITORS' REPORT**

The Directors would like to inform that there were no qualifications, reservations or adverse remarks made by the Auditors of the Company in their Audit Report.

**12. RESERVATIONS AND/OR QUALIFICATIONS IN THE SECRETARIAL AUDITORS' REPORT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Jayshree Dagli & Associates, Practising Company

Secretaries to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report provided in the Annual Report forms part of the Directors' Report. The Directors would like to inform that there were no qualifications, reservations or adverse remarks made by the Secretarial Auditors of the Company in their Audit Report.

### **13. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS**

There were no orders passed by any regulators or courts or tribunals which can impact the going concern status and the Company's operations in future. Hence, the company has no information to furnish in this regard.

### **14. LOANS AND GUARANTEES UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

Particulars of Loans and Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 forms part of the Directors' Report and is provided in the Annual Report.

### **15. PARTICULARS OF CONTRACTS AND ARRANGEMENTS UNDER SECTION 188 OF THE COMPANIES ACT, 2013**

The Particulars of the Contracts and arrangements, provided in form AOC 2, forms part of the Annual report and is an integral part of the Directors' Report.

### **16. PARTICULARS OF EMPLOYEES**

Information as per provisions of section 197(12) of the Companies Act 2013, read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and the names of every employee employed throughout the financial year and in receipt of ₹ 60 Lakhs or more, or employed for part of the year and in receipt of ₹ 5 Lakhs or more a month, under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is a part of the Board's Report. However, this information is not being provided as part of the Annual Report but will be available to the shareholders on request to the Company Secretary.

It may be noted that particulars of employees posted and working in a country outside India, not being directors or their relatives, drawing more than ₹ 60 Lakhs per financial year or ₹ 5 Lakhs per month, are not circulated to the members in the Board's report, but such particulars shall be filed with the Registrar of Companies while filing the financial statement and Board Reports:

Particulars shall be made available to any shareholder on a specific request made by them in writing before the date of such Annual General Meeting wherein financial statements for the relevant financial year are proposed to be adopted by shareholders and such particulars shall be made available by the company within three days from the date of receipt of such request from shareholders and in case of request received even after the date of completion of Annual General Meeting, such particulars shall be made available to the shareholders within seven days from the date of receipt of such request.

### **17. MATERIAL CHANGES AND COMMITMENTS**

There are no material changes and commitments other than what is already stated in the financials which will affect the financial position of the company during the period 31 March 2015 till the date of the report.

### **18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information as per Section 134(3)(m) of the Companies Act 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, relating to the conservation of energy, technology, absorption, foreign exchange earnings and outgoings respectively, is annexed to and forms part of this report.

### **19. RISK MANAGEMENT**

The company has adopted a risk management policy which is elaborated in the Management Discussion and Analysis Report which is part of the Annual Report and forms part of the Directors' Report.

## 20. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company was required to spend ₹ 24.83 Lakhs by 31 March 2015 towards charitable and social causes, as part of its commitment to Corporate Social Responsibility. The Board decided to expend these funds in support of the HRD Minister's nationwide campaign of "Swachh Bharat/ Swachh Vidyalaya" to build toilets in schools. Since the process of identifying NGOs specialised in this field has taken more time than anticipated, these funds could not be expended in the financial year 2014-15.

The Report on CSR activities is provided in the Annual Report and forms part of the Directors' Report.

## 21. INVESTMENTS

The Company invests its surplus funds in debt based broad-based mutual funds or with reputed scheduled banks in liquid funds or short-term deposits, respectively, which are considered safe.

## 22. DIRECTORS

Mr. Sanjay Vaswani, Non-Executive-Promoter Director of the Company is liable to retire by rotation.

In accordance with the provisions of sections 152 of the Companies Act, 2013, Mr. Sanjay Vaswani, Director retires by rotation and, being eligible, offers himself for reappointment at the ensuing Annual General Meeting. The profile of the Director is stated in the explanatory statement to the notice of the Annual General Meeting.

## 23. EMPLOYEES STOCK OPTION PLAN (ESOP)

Disclosures required to be made under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ESOP and Companies Act, 2013 are given in note 2.1 of the Notes to the Financial Statements, forming part of the Accounts. The diluted EPS on considering unvested ESOPs is ₹ 9.24 per share as on 31 March 2015.

A brief summary of ESOPs is provided below:

Sr. No.	Particulars	ESOP Scheme 2003 (Amended 2015)
1	Options granted	15,18,000 (Including ESOP's issued against lapsed options). Outstanding ESOP's at no point of time have exceeded 14,71,000 grants as against 15,00,000 grants approved by shareholders.
2	Options vested	4,74,375
3	Options exercised	4,15,075
4	Vested and unexercised	49,400
5	Options lapsed	1,17,525
6	The exercise price	₹ 60 – grants made on 31 August 2012 ₹ 57 – grants made on 29 March 2013 ₹ 52 – grants made on 29 May 2013 ₹ 83 – grants made on 18 December 2013 ₹ 188 – grants made on 18 December 2014
7	Variation of terms of options	Nil
8	Money realised by exercise of options	₹ 2,53,74,025
9	Total number of options in force	9,85,400

Sr. No.	Particulars	ESOP Scheme 2003 (Amended 2015)
10	Employee wise details of options granted to a. key managerial personnel;  b. any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year.  c. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Sunil Bhatia-Chief Executive Officer and Managing Director (982,000)  Alope Ghosh-Chief Financial Officer and Company Secretary (20,000)  NIL  Sunil Bhatia-Chief Executive Officer and Managing Director (982,000)  Nishith Mathur-Chief Operating Officer (226,000)

#### 24. AUDITORS

M/s Walker, Chandiook & Co. LLP, (formerly Walker, Chandiook & Co) Chartered Accountants, (Firm Registration No.: 001076N) Mumbai, have been appointed as the Statutory Auditors of the Company in the Annual General Meeting held on 23 July 2014. The Company has placed the matter relating to their appointment, for ratification of members in the ensuing Annual General Meeting, for the residual portion of their term. A written certificate from the Auditors has been obtained by the Company to the effect that the re-appointment, if made, would be in accordance with the limits specified under section 139 of the Companies Act, 2013 read with section 142 of the Companies Act, 2013.

#### 25. AUDIT COMMITTEE

The Composition of the Audit Committee is covered in the Corporate Governance Report forming part of the Board's Report. The Board has accepted all the recommendations made by the Audit Committee to the Board.

#### 26. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is pre-defined. The internal auditor function is entrusted to an independent firm of Chartered Accountants of repute. To maintain its objectivity and independence, the Internal Auditors report to the Chairman of the Audit Committee of the Board.

The Internal Auditors monitor and evaluate the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

#### 27. WHISTLE BLOWER POLICY

The Company has a vigil mechanism named the Whistle Blower Policy to deal with instances of fraud and mismanagement, if any.

This Policy of the Company allows for disclosure by employees, customers and/or third-party intermediaries of such matters internally, without fear of reprisal, discrimination or adverse employment consequences, and also permits the Company to address such disclosures or complaints by taking appropriate action, including but not limited to, disciplining or terminating the employment and/or services of those responsible.

The Whistle Blower Policy is available on the website of the Company.

During the year, no instances of fraud on the Company or by the Company were reported.

## **28. CORPORATE GOVERNANCE**

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

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

## **29. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report has been attached to the annual report and forms part of the Directors' Report.

## **30. EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return is annexed to and forms part of the Directors' Report.

## **31. GREEN INITIATIVE IN CORPORATE GOVERNANCE**

Pursuant to the "Green Initiative in Corporate Governance" by the Ministry of Corporate Affairs in allowing paperless compliances, the Company has implemented the policy of sending the Notice with Balance Sheet, Profit and Loss Account, Auditor's Report, Director's Report and Explanatory Statement etc. through email to those shareholders whose email addresses are registered with the Company's Registrar. Out of 12,345 shareholders, 4,424 shareholders (around 36%) have opted for receiving documents in electronic mode as of 31 March 2015.

## **32. ACKNOWLEDGEMENT**

The Board places on record their sincere acknowledgement of the support from all the stakeholders of the Company viz. Clients, Vendors, Bankers, Employees and other Business Associates etc. for the support received from them during the year.

**For and on behalf of the Board of Directors**

**Mumbai**  
**14 May 2015**

**Suneel Advani**  
**Chairman and Managing Director**  
**Blue Star Infotech Limited**

Date: 14 May 2015.

To,

**The Members,  
BLUE STAR INFOTECH LIMITED  
Mumbai.**

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

1. Maintenance of secretarial records 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 secretarial records. We believe that the processes and practices we followed, provide 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 provisions of corporate and other applicable laws, rules, regulation, standards is the responsibility of 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 of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **JAYSHREE DAGLI & ASSOCIATES**  
Company Secretaries

**JAYSHREE S. JOSHI**  
**F.C.S.1451 C.P.487**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

To,

**The Members,**

**BLUE STAR INFOTECH LIMITED, Mumbai.**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **BLUE STAR INFOTECH 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, minutes 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, Where by report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March 2015 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:

(A) We have examined the books, papers, minutes books, forms and returns filed and other records maintained by **BLUE STAR INFOTECH LIMITED** ("the Company") for the financial year ended on 31 March 2015 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder and The Companies Act, 1956 to the extent applicable;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment;
5. 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
6. Information Technology Act, 2000.

- (B) We have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

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

During the period under review provisions of the following regulations (as enumerated in the prescribed format of Form MR-3) were not applicable to the Company:

- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (ii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (iv) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (v) Secretarial Standards issued by the Institute of Company Secretaries of India approved by the Central Govt. to be effective from 1 July 2015, hence not to be considered / not required to be certified.

**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. However, to comply with the Provisions of Section 149 of the Companies Act, 2013, in respect of Appointment of a Woman Director, Ms. Kalpana Trivedi, was appointed as an Additional Director through the Board's Circular Resolution passed on 27 March 2015. Pending the approval of the members of the Company for appointing her as an Independent Director, in our opinion, the balancing of Constitution of the Board as per Clause 49 of the Listing Agreement is disturbed. We are informed by the Company's Management that she has declared herself to be eligible for being appointed as an Independent Director by the Company and that a resolution to appoint her as an Independent Director is proposed to be placed for Members' approval at the ensuing Annual General Meeting. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the relevant Act.

Adequate notice had been given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and that 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.

Unanimous decisions were carried through as there were no cases of dissent of any Director in respect of any decision and was accordingly captured and recorded as part of the minutes.

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

**We further report that** during the audit period the Company has issued and allotted 4,15,000 Equity Shares of ₹ 10/- each at premium to BSIL-Key Employee Stock Option Scheme Trust.

**For JAYSHREE DAGLI & ASSOCIATES**  
Company Secretaries

Place: Mumbai  
Date: 14 May 2015

**JAYSHREE S. JOSHI**  
**F.C.S.1451 C.P.487**

## DETAILS OF LOANS AND GUARANTEES UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Particulars of Loans and Guarantees are given below:-

Sr. No.	Name of the Guarantor	Guarantee Availed by	Nature of facility	Remarks
1	Blue Star Infotech Ltd	Trisept Technologies LLC.	Deferred payment guarantee of US\$ 1 Mn (approx. ₹ 6 Cr) for a period up to 24 months commencing 1 April 2014 to 31 March 2016	This is a security for deferred payment consideration by Blue Star Infotech America Inc. (100% subsidiary of the company) to buy-out the interest in Blue7 Solutions LLC from Trisept Technologies LLC, USA. Current obligation as on 31 March 2015 is US\$ 576,620. (Around ₹ 3.57 Cr)
2	Blue Star Infotech Ltd	Blue Star Infotech America Inc.	Standby Letter of Credit in favour of an overseas bank for an amount not exceeding \$3 million (approx. ₹ 18 Cr) for a period of one year, subject to renewal.	This guarantee is provided in order to fund the working capital needs of Blue Star Infotech America Inc. Current obligation as on 31 March 2015 is US\$ 3 million. (Around ₹ 18 Cr)

### Particulars pursuant to Companies (Accounts) Rules, 2014

#### (A) Conservation of energy-

The nature of the Company's operations entails a very low level of energy consumption. The Company has therefore not initiated utilising any alternate source of energy. Adequate measures have, however, been taken to conserve energy by using energy efficient computing devices, regulating the air conditioning and by use of energy saving lighting systems.

#### (B) Technology absorption-

The Company has an Advanced Technologies Group which is working on several products in the Travel and Hospitality domain. Research and Development activities are in progress to develop applications such as iRoadGenie, iMapGenie, Mobile Vacation Planner, SmartTravel etc. These software products are being developed by teams from our existing delivery setup. The company believes that it will be benefitted from developing unique product offerings. Your company has submitted an application to the Patent Office, Government of India, for grant of patent under the Title Method and System for planning a vacation based on user preferences titled "Mobile Vacation Planner".

Mobile Vacation Planner is an experiential travel planning solution that helps consumers plan a vacation using a combination of geographical, weather, location, attraction, and social information. Mobile Vacation Planner focuses on providing the ultimate travel experience to the consumer unlike the traditional model that focus on the reservation process. Mobile Vacation Planner's innovative features include deployment on iPad using a dynamic and visually compelling graphical user interface, use of travel experience video and a variety of media to educate, enlighten, and excite travellers about the potential experiences at various destinations and interests available at those destinations. The company has allocated a sum of approximately ₹2.28 crores on development costs for its research and development activities.

We are in the process of developing an invention code named "SmartRetreat", a Self-Service Personalized Mobile Concierge Solution which is a revolutionary Tablet based Mobile App that acts as a "Self Service" Mobile Concierge Solution for Hotel Guests. SmartRetreat improves guest experience by delivering personalized services at the swipe

of the tablet and allows guests to explore the hotel property and local attractions, no matter where the guest is located within the hotel. The filing of the application with the patent authorities is under process.

(C) **Foreign exchange earnings and Outgo-**

a. **Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans**

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

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

b. **Total foreign exchange earned and used**

The details of Foreign Exchange Earnings and Outgo are disclosed in note number 2.24 of the Notes to the Financial Statements.

c. **Forex management Policy.**

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

## PARTICULARS OF CONTRACTS/ ARRANGEMENTS MADE WITH RELATED PARTIES

“This form pertains to the disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto “

### Details of contracts or arrangements or transactions not at arm’s length basis

There were no contracts or arrangements or transactions entered into during the year ended 31 March 2015 which were not in arm’s length.

### Details of material contracts or arrangement or transactions at arm’s length basis

The details of material contracts or arrangement or transactions at arm’s length basis for the year ended 31 March 2015 are as follows:

₹ in Lakhs

Sr. No.	Name(s) of the related party	Nature of relationship	Date of Approval by Board / Audit Committee	Duration of the contracts	Salient terms	Amount in ₹ Lakhs
<b>Nature of contracts/arrangements/transactions</b>						
1	<b>Investment in Equity in Subsidiary Company</b>					
1.1	Blue Star Infotech America Inc.	Subsidiary Company	17 October 2013	Not Applicable	At face value	303.55
2	Rendering of Services					
2.1	Blue Star Infostack Solutions Pte. Ltd.	Second Level Subsidiary Company	14 May 2014	1 April 2012 onwards	As per transfer pricing guidelines	1.92
2.2	Blue Star Infotech (UK) Limited	Subsidiary Company	14 May 2014	1 April 2012 onwards		1,433.00
2.3	Blue Star Infotech America Inc.	Subsidiary Company	14 May 2014	1 April 2012 onwards		4,853.33
2.4	Blue Star Infotech Business Intelligence and Analytics Pvt. Ltd.	Associate Company	23 July 2014	1 October 2014 onwards		300.00
			19 January 2015	30 March 2015 onwards		20.36
			19 January 2015	30 March 2015 onwards		3.37
			19 January 2015	30 March 2015 onwards		22.29
			19 January 2015	30 March 2015 onwards		15.45
			19 January 2015	30 March 2015 onwards		14.83
			19 January 2015	30 March 2015 onwards		10.79
			19 January 2015	30 March 2015 onwards		39.33
			19 January 2015	30 March 2015 onwards		13.48
19 January 2015	30 March 2015 onwards	12.36				
19 January 2015	31 March 2015 onwards	6.20				
2.5	Blue Star Infotech Singapore Pte. Limited.	Subsidiary Company	14 May 2014	1 April 2012 onwards	1,101.65	
2.6	Blue Star Limited	Common - Promoters / Directors / Management / Major shareholder	14 May 2014	22 July 2014 onwards	33.71	
			14 May 2014	25 July 2014 onwards	3.70	
			14 May 2014	23 June 2014 onwards	7.30	
			14 May 2014	26 June 2014 onwards	61.08	
			14 May 2014	27 June 2014 onwards	5.90	
			23 July 2014	29 September 2014 onwards	14.05	
			23 July 2014	1 October 2014 onwards	19.10	

₹ in Lakhs

Sr. No.	Name(s) of the related party	Nature of relationship	Date of Approval by Board / Audit Committee	Duration of the contracts	Salient terms	Amount in ₹ Lakhs
			23 July 2014	14 October 2014 onwards		39.89
			17 October 2014	4 November 2014 onwards		45.06
			17 October 2014	7 November 2014 onwards		6.74
			17 October 2014	21 November 2014 onwards		39.12
			17 October 2014	25 November 2014 onwards		16.18
			17 October 2014	30 December 2014 onwards		22.74
			17 October 2014	30 December 2014 onwards		28.09
			17 October 2014	30 December 2014 onwards		37.08
			17 October 2014	30 December 2014 onwards		13.48
			19 January 2015	26 February 2015 onwards		8.49
			19 January 2015	26 February 2015 onwards		3.93
<b>3</b>	<b>Annual Maintenance Charges for Air-conditioning systems</b>					
3.1	Blue Star Limited	Common - Promoters / Directors / Management / Major shareholder	14 May 2014	1 June 2014 onwards	As per transfer pricing guidelines	1.67
<b>4</b>	<b>Receiving of Services</b>					
4.1	Modern Family Doctor Pvt. Ltd.	Common Director	18 July 2013	13 June 2013 onwards	As per transfer pricing guidelines	1.74
<b>5</b>	<b>Reimbursement of Expenditure / Cross-charge of Salary Costs</b>					
5.1	Blue Star Infostack Solutions Pte. Limited	Second Level Subsidiary Company	14 May 2014	1 April 2012 onwards	As per transfer pricing guidelines	3.94
5.2	Blue Star Infotech (Malaysia) Sdn. Bhd.	Second Level Subsidiary Company	23 July 2014	1 August 2014 onwards		1.90
5.3	Blue Star Infotech America Inc.	Subsidiary Company	14 May 2014	1 April 2012 onwards		40.20
5.4	Blue Star Infotech Singapore Pte. Limited.	Subsidiary Company	14 May 2014	1 April 2012 onwards		15.96
5.5	Blue Star Limited	Common - Promoters / Directors / Management / Major shareholder	23 July 2014	5 August 2014 onwards		0.12
<b>6</b>	<b>Leave and License of Premises</b>					
6.1	Vir Advani	Relative of Director / Promoter	17 October 2014	31 October 2014 onwards	As per transfer pricing guidelines	12.25

**Note:** Contracts with related parties in existence prior to 1 April 2014 have been ratified on 14 May 2014 under provisions of the Companies Act, 2013

**DISCLOSURE PERTAINING TO REMUNERATION AS PER COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

**a. Remuneration Paid to Directors during the year**

Sr. No.	Directors	Designation	Amount Paid (₹ Lakhs)
1	Mr. Suneel Advani	Chairman and Managing Director	43.55
2	Mr. Sunil Bhatia	Chief Executive Officer and Managing Director	320.29
3	Mr. Ashok Advani	Vice Chairman	6.70
4	Mr. Suresh Talwar	Independent Director	10.90
5	Dr. Prakash Hebalkar	Independent Director	10.40
6	Mr. Sanjay Vaswani	Director	5.50
7	Mr. Naresh Malhotra	Independent Director	9.90
8	Mr. K P T Kutty	Independent Director	7.70
9	Ms Kalpana Trivedi	Additional Director	-

**b. Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year is as follows:**

Sr. No.	Directors	Designation	Ratio for FY 14-15
1	Mr. Suneel Advani	Chairman and Managing Director	6.60
2	Mr. Sunil Bhatia	Chief Executive Officer and Managing Director	48.53
3	Mr. Ashok Advani	Vice Chairman	1.02
4	Mr. Suresh Talwar	Independent Director	1.65
5	Dr. Prakash Hebalkar	Independent Director	1.58
6	Mr. Sanjay Vaswani	Director	0.83
7	Mr. Naresh Malhotra	Independent Director	1.50
8	Mr. K P T Kutty	Independent Director	1.17
9	Ms Kalpana Trivedi	Additional Director	-

The medium remuneration of the employees in India has been considered as the base i.e. 1. The ratio is an indicator of the multiple of the compensation paid to the Directors.

**c. Percentage increase in remuneration of each director, CEO, CFO and CS in the financial year is provided herewith:**

Sr. No.	Directors	Increase %
1	Mr. Suneel Advani	-
2	Mr. Sunil Bhatia #	-
3	Mr. Ashok Advani	14
4	Mr. Suresh Talwar	55
5	Dr. Prakash Hebalkar	14
6	Mr. Sanjay Vaswani	29
7	Mr. Naresh Malhotra	1
8	Mr. K P T Kutty	62
9	Ms Kalpana Trivedi	Not Applicable

- Note:**
1. Mr. Sunil Bhatia is also the CEO of the company
  2. Ms Kalpana Trivedi was appointed on 30 March 2015 and there are no comparable figures.

Sr. No.	Chief Financial Officer and Company Secretary	Increase %
1	Mr. Alope Ghosh	Not Applicable

**d. Percentage increase in the median remuneration of employees in the financial year:**

The median salary for the current year is ₹ 6.60 Lakhs as against ₹ 6.35 Lakhs in the previous year. The percentage increase in the median is thus 3.94%. The expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lower value to highest value and picking the middle one; and if there is an even number of observations, the median shall be average of the middle values.

**e. Number of permanent employees on the rolls of company:**

As of 31 March 2015, the company had 801 permanent employees on its rolls. This number is only in relation the company in India and employees of the subsidiary companies and Associate companies are not included in this figure.

**f. Explanation on the relationship between average increase in remuneration and company performance:**

The increase in remuneration is guided by the following factors:

- i) Company performance in terms of profitability
- ii) Individual performance – Achievement of targets / goals
- iii) Industry trends / pay-scales based on survey data
- iv) Salary rationalization and fitment based on role and relevance
- v) Cost of living / Location of work

The compensation is expected to ensure availability and sustainability of suitable manpower. It is also expected to ensure retention and continued value which enables the company to perform better. The company performance in terms of revenue and profits assumes a larger significance at the Key functional levels and lesser at operating levels. The scope and responsibility of the function will determine the weightage to each of these components. The compensation is intended to ensure global competitiveness. The intent of the management is to use a combination of stock options to align senior employee compensation with shareholder value.

**g. Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;**

Sr. No.	Directors	Designation	Amount Paid (₹ Lakhs)	No. of Stock Options granted in the year	Ratio of Remuneration to Revenues	Ratio of Remuneration to Net Profit
1	Mr. Sunil Bhatia	Chief Executive Officer and Managing Director	320.29	-	2.32%	27.40%
2	Mr. Alope Ghosh	Chief Financial Officer and Company Secretary	36.50	20,000	0.26%	3.12%

- h. Variations in the market capitalization of the company, price earning ratio as at the closing date of the current financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies.**

Year ended	Market Capitalisation (In ₹ Crores)	Earnings per share (Diluted) (₹)	P/E Ratio	Closing Market Price on NSE (₹)	Last public offer price (On formation of the company) on 18 May 2000 (₹)	% increase in market price over last public offer (18 May 2000)	% increase in YoY Market price
31 March 2015	215.46	10.47	19.05	199.50	10	1895%	70.08%
31 March 2014	121.82	9.62	12.19	117.30	10	1073%	102.24%

- i. 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**

The average increase in salaries is 7% for non-managerial personnel.

There is no increase in the percentile computation for executive directors. In case of non-executive directors the average increase is 24.94%. This is chiefly due to increase in the sitting fee for meetings during the year and also the increase in the number of meetings of the Non-executive Board members during the year.

All board members taken together, the increase in managerial remuneration is 1.41% which is significantly lower than the increase in salaries for non-managerial persons.

- j. The key parameters for any variable component of remuneration availed by the directors;**

During the year under review, the executive director's compensation did not witness any material change. The compensation for executive directors are term based. The Chief Executive Officer and Managing Director's compensation has an incentive plan based on achievement of target revenues and profits by the company.

In case of the other directors, the compensation comprises (i) Sitting Fee for meetings attended and (ii) Commission based on the net profits of the company. The increases in the current year are due to upward revision of the sitting fee from ₹ 20,000 to ₹ 50,000 per meeting from June 2014. The commission for the year is around 1.7% of profits as against 2% in the prior year. In absolute terms while the commission payment is lower for the year, due to increase in the sitting fee and the number of meetings held, the overall increases in respect of the other directors is higher than the prior year.

- k. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.**

The company has no employee who is not a director and receives remuneration in excess of the highest paid director during the year. Hence, there is no statistical information to be provided in this regard by the company.

**I. Affirmation that the remuneration is as per the remuneration policy of the company.**

The company has a policy on the appointment and remuneration of directors and key managerial personnel which is addressed by the Nomination and Remuneration Committee of the company. The Human Resource Management generally aligns the recruitment plans for the strategic growth of the company. The nomination and remuneration policy is provided pursuant to Section 178(4) of the Companies Act and Clause 49(IV)(B)(4) of the Listing Agreement with the Stock Exchange on the Website of the company.

The company is committed to maintaining consistency with the remuneration policy framed by the company. The policy is reviewed at least once annually. In case of any conflict between the statute and the company policy due to any enactment, amendment to the law, the more liberal of the statute or the company policy shall prevail.

## ANNUAL REPORT ON CSR ACTIVITIES

- The Blue Star group is a socially responsible business and has been running various programmes in the realm of education and assistance / welfare through a charitable trust. This includes combining business interests with the social challenges with a view towards making a meaningful difference out of socially responsible actions.

The aim of the company is to actively contribute to the social and economic development of various communities in the country to address the needs to a sustainable way of life for the less privileged sections of society and help in raising the country's human development parameters.

The Company has a Corporate Social Responsibility Policy in place, which is available on the website of the Company, [www.bsil.com](http://www.bsil.com).

- The Board constituted a Corporate Social Responsibility Committee amongst the board members on 23 July 2014, with the first members being:

- Mr. Suneel M. Advani (Chairman and Managing Director), Chairman of the CSR committee
- Mr. Sunil Bhatia (Chief Executive Officer and Managing Director)
- Mr. Suresh Talwar (Independent Director)
- Mr. K. P. T. Kutty (Independent Director)

- Average Net Profit of the company for last 3 financial years (Amount in ₹ Lakhs):

Particulars	FY 12-13	FY 13-14	FY 14-15
Net Profit before Tax as per the Profit and Loss Account	706.41	1,458.50	1,559.03
Add: Loss of Capital nature (Sale of Fixed Assets)	-	-	-
Total Net Profit before Tax as per the Profit and Loss Account	706.41	1,458.50	1,559.03
Average Net Profit of the Company for the last 3 (Three) financial years			1,241.32

- Prescribed CSR expenditure (2% of this amount as in item 3 above): ₹ 24.83 Lakhs

- Details of CSR spent for the financial year:

- total amount to be spent for the financial year : ₹ 24.83 Lakhs
- Amount unspent, if any: ₹ 24.83 Lakhs
- Manner in which the amount spent during the financial year is detailed below: Not Applicable

- In case the company has failed to spend the 2% of the Average Net Profit (INR) of the last 3 financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board's Report.

As mentioned in the Directors' Report, the Company was required to spend ₹ 24.83 Lakhs by 31 March 2015 towards charitable and social causes, as part of its commitment to Corporate Social Responsibility. The Board decided to expend these funds in support of the HRD Minister's nationwide campaign of "Swachh Bharat/ Swachh Vidyalaya" to build toilets in schools. Since the process of identifying NGO's specialised in this field has taken more time than anticipated, no expenditure was possible during the year.

- We hereby affirm that the CSR Policy as approved by the Board, has been implemented and the CSR Committee monitors the implementation of the CSR activities in compliance with our CSR objectives.

**Suneel Advani**  
Chairman of CSR Committee

**Sunil Bhatia**  
Chief Executive Officer and Managing Director

Place: Mumbai  
Date: 14 May 2015

## FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31 March 2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

### I. REGISTRATION & OTHER DETAILS:

Sr. No.	Directors	Designation
1	CIN	L72200MH1997PLC110459
2	Registration Date	4 September 1997
3	Name of the Company	Blue Star Infotech Limited
4	Category/Sub-category of the Company	Company Limited by Shares
5	Address of the Registered office & contact details	8th Floor, The Great Oasis, Plot No D-13, MIDC, Andheri (East), Mumbai- 400093
6	Whether listed company	Yes
7	Name, Address and contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd. Unit: Blue Star Infotech Limited C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai, Maharashtra, Pin - 400078. Tel.: +91-22-25946970, Fax: +91- 22-25946969 Contact person: Mrs. Maheshwari Patil E-mail: rnt.helpdesk@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 shall be stated)

Sr. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Computer programming, consultancy and related activities	Division 62 Group 620	100

### III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name of the Company	Country	CIN / GLN	Holding / Subsidiary / Associate	% holding as on 31 March 2015	Applicable Section of the Companies Act, 2013
1	Blue Star Infotech America Inc.	USA	-	Subsidiary	100%	Section 2(87)
2	Blue Star Infotech (UK) Ltd	UK	-	Subsidiary	100%	Section 2(87)
3	Blue Star Infotech (Singapore) Pte. Ltd.	Singapore	-	Subsidiary	100%	Section 2(87)

Sr. No.	Name of the Company	Country	CIN / GLN	Holding / Subsidiary / Associate	% holding as on 31 March 2015	Applicable Section of the Companies Act, 2013
4	Blue Star Infotech Business Intelligence and Analytics Pvt. Ltd. (Formerly Activecubes Solutions India Pvt. Ltd.)	India	U72200KA2006PTC041312	Associate	48.97%	Section 2(6)

- Note:** 1. There are no holding companies.  
2. Only the names of the first level subsidiaries and associate companies are stated here

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31 March 2014]				No. of Shares held at the end of the year [As on 31 March 2015]				Difference	% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>A. Promoter s</b>										
(1) Indian										
a) Individual/ HUF	16,62,742	-	16,62,742	16.01	16,62,742	-	16,62,742	15.40	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	31,48,213	-	31,48,213	30.32	31,48,213	-	31,48,213	29.15	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-	-
f) Any other	7,78,519	-	7,78,519	7.50	7,78,519	-	7,78,519	7.21	-	-
<b>Total shareholding of Promoter (A)</b>	<b>55,89,474</b>	<b>-</b>	<b>55,89,474</b>	<b>53.82</b>	<b>55,89,474</b>	<b>-</b>	<b>55,89,474</b>	<b>51.75</b>	<b>-</b>	<b>-</b>
<b>B. Public Shareholding</b>										
1. Institutions										
a) Mutual Funds	25	137	162	-	25	137	162	-	-	-
b) Banks / FI	1,217	587	1,804	0.02	2,957	587	3,544	0.03	1,740	0.02
c) Central Govt	-	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
f) Insurance Companies	3,09,432	-	3,09,432	2.98	2,36,079	-	2,36,079	2.19	(73,353)	(0.68)
g) FIs	-	150	150	-	-	-	-	-	(150)	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	<b>3,10,674</b>	<b>874</b>	<b>3,11,548</b>	<b>3.00</b>	<b>2,39,061</b>	<b>724</b>	<b>2,39,785</b>	<b>2.22</b>	<b>(71,763)</b>	<b>(0.66)</b>
2. Non-Institutions										
a) Bodies Corp.	2,72,033	3,962	2,75,995	2.66	4,08,870	3,962	4,12,832	3.82	1,36,837	1.27
i) Indian										
ii) Overseas										
b) Individuals										
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	23,70,824	2,62,493	26,33,317	25.36	23,57,670	2,43,059	26,00,729	24.08	(32,588)	(0.30)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	13,66,115	-	13,66,115	13.15	13,72,676	-	13,72,676	12.71	6,561	0.06
c) Others (specify)										
Non Resident Indians (Repat)	1,21,017	12,401	1,33,418	1.28	4,21,856	12,771	4,34,627	4.02	3,01,209	2.79
Non Resident Indians (Non Repat)	24,638	-	24,638	0.24	62,523	-	62,523	0.58	37,885	0.35
Foreign Companies	-		25	-	-	25	25	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31 March 2014]				No. of Shares held at the end of the year [As on 31 March 2015]				Diffe- rence	% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
Foreign Individuals	2,950	-	2,950	0.03	2,950	-	2,950	0.03	-	-
Market Makers	-	-	-	-	79	-	79	-	79	-
Clearing Members	47,520	-	47,520	0.46	84,300	-	84,300	0.78	36,780	0.34
<b>Sub-total (B)(2):-</b>	<b>42,05,097</b>	<b>2,78,881</b>	<b>44,83,978</b>	<b>43.18</b>	<b>47,10,924</b>	<b>2,59,817</b>	<b>49,70,741</b>	<b>46.03</b>	<b>4,86,763</b>	<b>4.51</b>
Total Public Shareholding (B)=(B) (1)+ (B)(2)	45,15,771	2,79,755	47,95,526	46.18	49,49,985	2,60,541	52,10,526	48.25	4,15,000	3.84
C. Shares held by Custodian for GD ₹ & ADRs	-	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>1,01,05,245</b>	<b>2,79,755</b>	<b>1,03,85,000</b>	<b>100.00</b>	<b>1,05,39,459</b>	<b>2,60,541</b>	<b>1,08,00,000</b>	<b>100.00</b>	<b>4,15,000</b>	<b>3.84</b>

### B) Shareholding of Promoters

Sr. No.	Shareholder's Name	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	31 March 2014		31 March 2015		% change in shareholding during the year
					No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	
1	Blue Star Ltd	30,98,025	29.83	-	30,98,025	28.69	-	-	
2	Suneel Mohan Advani (held in individual and beneficial capacity)	8,91,165	8.58	-	8,91,165	8.25	-	-	
3	Ashok Mohan Advani (held in individual and beneficial capacity)	7,58,621	7.30	-	7,58,621	7.02	-	-	
4	Suneeta Nanik Vaswani	1,72,448	1.66	-	1,72,448	1.60	-	-	
5	Nargis Suneel Advani	1,66,059	1.60	-	1,66,059	1.54	-	-	
6	Anissa Rohina Trust (Ashok Advani Trustee)	1,38,446	1.33	-	1,38,446	1.28	-	-	
7	Suneeta Padmi Trust (Ashok Advani Trustee)	82,245	0.79	-	82,245	0.76	-	-	
8	Rohina Lulla	73,871	0.71	-	73,871	0.68	-	-	
9	Anissa Khanna	71,654	0.69	-	71,654	0.66	-	-	
10	J.T. Advani Finance Private Limited	50,188	0.48	-	50,188	0.46	-	-	
11	Vir S Advani	35,179	0.34	-	35,179	0.33	-	-	
12	Sunaina S Advani	32,179	0.31	-	32,179	0.30	-	-	
13	Sanjay N Vaswani	14,750	0.14	-	14,750	0.14	-	-	
14	Nanik Ramchand Vaswani	7,581	0.07	-	7,581	0.07	-	-	
15	Dinesh Nanik Vaswani	13	0.00	-	13	0.00	-	-	
	<b>Total</b>	<b>55,92,424</b>	<b>53.85</b>	<b>-</b>	<b>55,92,424</b>	<b>51.78</b>	<b>-</b>	<b>-</b>	

### C) Change in Promoters' Shareholding (please specify, if there is no change)

There is no change in the holding of the Promoters during the year.

**D) Shareholding Pattern of top ten Shareholders:**

**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	For each Top 10 Shareholders	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	<b>SMB Family Trust ( beneficiaries Sunil Bhatia and family)</b>				
	At the beginning of the year	4,71,248	4.54	4,71,248	4.54
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market – 21 October 2014 to 8 December 2014	(137,065)	(1.46)	3,34,183	3.09
	Purchase from Secondary Market - 8 December 2014	3,626	0.03	3,37,809	3.12
	<b>Closing Balance as on 31 March 2015</b>			<b>3,37,809</b>	<b>3.13</b>
2	<b>BSIL – Key Employees Stock option Trust</b>				
	At the beginning of the year	1,09,563	1.06	1,09,563	1.06
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Vesting of ESOPs – 21 July 2014	(1,00,000)	(0.97)	9,563	0.09
	Allotment of shares by the company – Fresh issue of Equity - 17 October 2014	4,15,000	3.84	4,24,563	3.93
	Vesting of ESOPs - 23 December 2014	(217,000)	(1.01)	2,07,563	1.92
	Vesting of ESOPs - 13 January 2015	(1,500)	(0.01)	2,06,063	1.91
	Vesting of ESOPs - 21 January 2015	(15,000)	(0.14)	1,91,063	1.77
	Vesting of ESOPs - 22 January 2015	(6,875)	(0.06)	1,84,188	1.71
	Vesting of ESOPs - 18 February 2015	(6,600)	(0.07)	1,77,588	1.64
	Vesting of ESOPs - 12 March 2015	(2,100)	(0.02)	1,75,488	1.62
	Vesting of ESOPs - 14 March 2015	(1,000)	-	1,74,488	1.62
	<b>Closing Balance as on 31 March 2015</b>			<b>1,74,488</b>	<b>1.62</b>
3	<b>Atul G Shetiya</b>				
	At the beginning of the year	69,976	0.67	69,976	0.67
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market - 22 August 2014 to 31 March 2015	(12,135)	(0.13)	57,841	0.54
	<b>Closing Balance as on 31 March 2015</b>			<b>57,841</b>	<b>0.54</b>
4	<b>Ashok Kumar Jain</b>				
	At the beginning of the year	58,921	0.57	58,921	0.57
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				

Sr. No.	For each Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
	Purchased from Secondary Market - 20 June 2014	1,350	0.01	60,271	0.58
	Sale in Secondary Market - 4 July 2014 to 13 March 2015	(20,160)	(0.21)	40,111	0.37
	<b>Closing Balance as on 31 March 2015</b>			<b>40,111</b>	<b>0.37</b>
5	<b>Blue Star – Sahayata Foundation Trust</b>				
	<b>At the beginning of the year</b>	50,000	0.48	50,000	0.48
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	<b>Closing Balance as on 31 March 2015</b>			<b>50,000</b>	<b>0.46</b>
6	<b>Shobha Jagtiani</b>				
	At the beginning of the year	49,699	0.48	49,699	0.48
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	<b>Closing Balance as on 31 March 2015</b>			<b>49,699</b>	<b>0.46</b>
7	<b>Kamlesh Navinchandra Shah</b>				
	At the beginning of the year	48,450	0.47	48,450	0.47
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market - 23 May 2014 to 13 June 2014	(8,887)	(0.09)	39,563	0.38
	<b>Closing Balance as on 31 March 2015</b>			<b>39,563</b>	<b>0.37</b>
8	<b>Rekha Hareh Duhlani</b>				
	At the beginning of the year	31,767	0.31	31,767	0.31
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market - 20 February 2015	(31,767)	(0.31)		
	<b>Closing Balance as on 31 March 2015</b>			-	-
9	<b>Sheila Shamsher Singh</b>				
	At the beginning of the year	26,258	0.25	26,258	0.25
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	<b>Closing Balance as on 31 March 2015</b>			<b>26,258</b>	<b>0.24</b>
10	<b>Kamal Tuljaram Jagtiani</b>				
	At the beginning of the year	24,000	0.23	24,000	0.23
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	<b>Closing Balance as on 31 March 2015</b>			<b>24,000</b>	<b>0.22</b>

Sr. No.	For each Top 10 Shareholders	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
11	<b>Suresh Bhatia</b>				
	At the beginning of the year	21,008	0.19	21,008	0.19
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Purchase from Secondary Market - 30 May 2014 to 19 December 2014	70,868	0.69	91,876	0.88
	<b>Closing Balance as on 31 March 2015</b>			<b>91,876</b>	<b>0.88</b>
12	<b>Nisarg Ajaykumar Vakharia Ajaykumar Ramanlal Vakharia</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	Purchased from Secondary Market - 27 March 2015	33,945	0.31	33,945	0.31
	<b>Closing Balance as on 31 March 2015</b>			<b>33,945</b>	<b>0.31</b>
13	<b>Amit Haresh Duhlani</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	Purchased from Secondary Market - 27 March 2015	31,767	0.29	31,767	0.29
	<b>Closing Balance as on 31 March 2015</b>			<b>31,767</b>	<b>0.29</b>

#### E) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	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	<b>Ashok Mohan Advani (Promoter Non-executive Director)</b>				
	At the beginning of the year	795,165	7.66	795,165	7.66
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	<b>Closing Balance as on 31 March 2015</b>			<b>795,165</b>	<b>7.36</b>
2	<b>Suneel Mohan Advani (Promoter Executive Director)</b>				
	At the beginning of the year	429,828	4.14	429,828	4.14
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	<b>Closing Balance as on 31 March 2015</b>			<b>429,828</b>	<b>4.14</b>

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
<b>3</b>	<b>Suresh Talwar (Independent Director)</b>				
	At the beginning of the year	15,075	0.15	15,075	0.15
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	<b>Closing Balance as on 31 March 2015</b>			<b>15,075</b>	<b>0.15</b>
<b>4</b>	<b>Naresh Malhotra (Independent Director)</b>				
	At the beginning of the year	7,175	0.07	7,175	0.07
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market – 22 January 2015 to 26 February 2015	(3,442)		3,733	
	<b>Closing Balance as on 31 March 2015</b>			<b>3,733</b>	<b>0.03</b>
<b>5</b>	<b>K. P. T. Kutty (Independent Director)</b>				
	At the beginning of the year	2,650	0.03	2,650	0.03
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	<b>Closing Balance as on 31 March 2015</b>			<b>2,650</b>	<b>0.03</b>
<b>6</b>	<b>Sanjay Vaswani (Promoter Non-Executive Director)</b>				
	At the beginning of the year	14,750	0.14	14,750	0.14
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease	-	-		
	<b>Closing Balance as on 31 March 2015</b>			<b>14,750</b>	<b>0.14</b>
<b>7</b>	<b>Sunil Bhatia (Executive Director ) through SMB Family Trust where he and his family are beneficiaries</b>				
	At the beginning of the year	471,248	4.54	471,248	4.54
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Sale in Secondary Market - 21 October 2014 to 8 December 2014	(137,065)		3,34,183	
	Purchase from Secondary Market - 8th December 2014	3,626		3,37,809	
	<b>Closing Balance as on 31 March 2015</b>			<b>3,37,809</b>	<b>3.13</b>
<b>8</b>	<b>Sunil Bhatia (Executive Director ) with Rita Bhatia (spouse)</b>				
	At the beginning of the year	69,740	0.67	69,740	0.67
	Date wise Increase / (Decrease) in Shareholding during the year specifying the reasons for increase /decrease				
	Through exercise of ESOPs – 22 July 2014	100,000		169,740	

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
	Through exercise of ESOPs – 23 December 2014	217,000		386,740	
	<b>Closing Balance as on 31 March 2015</b>			<b>386,740</b>	<b>3.58</b>

**Note:** Directors and Key Management personnel with no shareholding at the beginning, during and at the end of the year are excluded.

**V) INDEBTEDNESS** - Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(₹ In Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
* Addition	300.00	-	-	300.00
* Reduction	(300.00)	-	-	(300.00)
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-

**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
		Suneel Advani Chairman and Managing Director	Sunil Bhatia Chief Executive Officer and Managing Director	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	26.40	178.89*	346.69*
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	17.15	-	17.15
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option *	-	*	*
3	Sweat Equity	-	-	-
4	Commission			
5	Others, please specify – Variable pay		141.40*	141.40*
	<b>Total (A)</b>	<b>43.55</b>	<b>320.29*</b>	<b>363.84*</b>
	Ceiling as per the Act			91.18

**Note:** \* Sunil Bhatia is paid his salary from an overseas subsidiary of the company. Hence, the compensation paid to him is to be excluded for the purposes of the amount(s) worked out with reference to the ceiling on Managerial remuneration under the Act. There is no value of perquisite on the ESOPs granted / exercised by Mr. Bhatia since he is not paid salary in India.

**B. Remuneration to other directors**

(₹ In Lakhs)

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Suresh Talwar	Dr. Prakash Hebalkar	Naresh Malhotra	K. P. T. Kutty	
1	<b>Independent Directors</b>					
	Fee for attending board committee meetings	5.90	5.40	4.90	2.70	<b>18.90</b>
	Commission	5.00	5.00	5.00	5.00	<b>20.00</b>
	Others, please specify	-	-	-	-	
	<b>Total (1)</b>	<b>10.90</b>	<b>10.40</b>	<b>9.90</b>	<b>7.70</b>	<b>38.90</b>
2	<b>Other Non-Executive Directors</b>					
	Fee for attending board committee meetings	1.70	0.50			<b>2.20</b>
	Commission	5.00	5.00			<b>10.00</b>

(₹ In Lakhs)

Sr. No.	Particulars of Remuneration	Name of Directors				Total Amount
	Others, please specify	-	-			
	<b>Total (2)</b>	<b>6.70</b>	<b>5.50</b>			<b>12.20</b>
	<b>Total (B)=(1+2)</b>					<b>51.10</b>
	Total Managerial Remuneration **					<b>94.65</b>
	Overall Ceiling as per the Act					<b>200.60</b>

\*\* - Excludes salary paid to COO and MD through an overseas subsidiary company

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

(₹ In Lakhs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer and Company Secretary		
		Particulars	V Sudarshan (till 31 May 2014)	Aloke Ghosh (Effective 2 June 2014)
1	Gross salary	4.64	36.17	40.81
	(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	0.05	0.33	0.38
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-		
2	Stock Option			
3	Sweat Equity			
4	Commission			
5	Others, please specify: Statutory payments, Terminal benefits, Variable pay and Leave encashment	7.37	-	7.37
	<b>Total</b>	<b>12.06</b>	<b>36.50</b>	<b>48.56</b>

### VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There are no instances of imposition of penalties, punishment or compounding of offences on the company / it's Directors or its KMP. Hence, there is no information to be disclosed / furnished in this regard.

## Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

### STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ASSOCIATE COMPANIES/JOINT VENTURES

#### PART "A": SUBSIDIARIES

(Information in respect of each subsidiary to be presented with amounts in ₹ Lakhs)

1.	Name of the subsidiary	Blue Star Infotech America, Inc.	Blue Star Infotech (UK) Limited	Blue Star Infotech (Singapore) Pte. Ltd.	Blue Star Infostack Solutions Pte. Ltd.	Blue Star Infostack (Malaysia) Sdn. Bhd.	Blue7 Solutions LLC
2.	Level of Subsidiary	First level	First level	First level	Second level	Second level	Second level
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	2014-15	2014-15	2014-15	2014-15	2014-15	2014-15
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Average rate INR per US\$ – 61.15 Closing rate INR per US\$ – 62.59	Average rate INR per GBP – 98.62 Closing rate INR per GBP – 92.46	Average rate INR per SGD – 47.52 Closing rate INR per SGD – 45.63	Average rate INR per SGD – 47.52 Closing rate INR per SGD – 45.63	Average rate INR per MYR – 18.29 Closing rate INR per MYR – 16.90	Average rate INR per US\$ – 61.15 Closing rate INR per US\$ – 62.59
5.	Share capital	1,470.87	277.38	684.45	27.38	169.00	312.95
6.	Reserves & surplus	(810.93)	702.45	482.16	18.01	14.74	425.20
7.	Total assets	4,970.61	1,247.68	1,675.44	1,091.47	266.93	1,361.14
8.	Total Liabilities	4,310.67	267.70	508.82	1,046.08	83.19	622.99
9.	Investments (at cost)	1,521.98	-	477.47	-	-	-
10.	Turnover	12,007.41	2,359.08	1,461.70	3,528.59	563.47	3,259.86
11.	Profit before taxation	181.53	262.80	250.72	69.25	58.86	68.72
12.	Provision for taxation	13.45	58.64	24.14	-	23.70	32.83
13.	Profit after taxation	168.08	204.16	226.58	69.25	35.16	35.89
14.	Proposed Dividend	-	-	-	-	-	-
15.	% of shareholding	100% (Subsidiary of Blue Star Infotech Ltd.)	100% (Subsidiary of Blue Star Infotech Ltd.)	100% (Subsidiary of Blue Star Infotech Ltd.)	100% (Subsidiary of Blue Star Infotech (Singapore) Pte. Ltd.)	100% (Subsidiary of Blue Star Infotech (Singapore) Pte. Ltd.)	100% (Subsidiary of Blue Star Infotech America, Inc.)

**PART "B": ASSOCIATES AND JOINT VENTURES**

(Information in respect of each subsidiary to be presented with amounts in ₹)

Sr. No.	Name of the Associate	Blue Star Infotech Business Intelligence & Analytics Private Limited (formerly Activecubes Solutions India Pvt. Ltd.)
1	Latest audited Balance Sheet Date	31 March 2015
2	Shares of Associate held by the company on the year end No.	24,84,909 equity shares of ₹ 10 each
3	Amount of Investment in the Associate	701.86
	Extend of Holding%	48.97%
4	Description of how there is significant influence	a) Management is common b) Two of the Board members out of three directors are common.
5	Reason why the associate is not consolidated	Not Applicable
6	Net worth attributable to shareholding as per latest audited Balance Sheet	472.68
7	Profit/ (Loss) for the year	61.27
	i Considered in Consolidation	Yes. 100%
	ii Not Considered in Consolidation	Not Applicable

# MANAGEMENT DISCUSSION & ANALYSIS

## INDUSTRY SCENARIO

As per NASSCOM, during the current fiscal, overall global sourcing grew by 9-10% over 2013; nearly twice the global technologies spend growth. Worldwide IT-BPM spends in 2014 was US\$ 2.3 trillion, 4.6% higher than 2013, of which IT services accounted for US\$ 657 billion and grew by 3.5%, while software products grew the fastest by 6.3% to US\$ 420 billion. Worldwide BPM accounted for US\$ 177 billion and grew by 6.0%. Region wise APAC recorded highest growth of 5.1%, driven by faster growth in BPM services.

India is witnessing a gradual revival in the business confidence with a firm government at the center and technology enabled economic growth campaigns such as Digital India and Make in India.

Global sourcing services grew by 10%. India maintained its leadership position in the sourcing arena with a share of 55%. Indian IT Industry export is estimated to grow at 12.3% to reach US\$ 98 billion. Geography wise USA at 62% absorbed the bulk of our exports, followed by UK at 17%, Continental Europe at 11%, APAC at 8% and Rest of the World (RoW) at 2%. Industry wise, BFSI is estimated to contribute 41%, HI-Tech/ Telecom 18%, Manufacturing 16%, Retail 10% and Healthcare 5% in 2013.

At Blue Star Infotech, we continue to see strong traction in US demand and a greater increase in outsourcing demand. Technology teams now have a bigger say in business decisions. While technology led revolutionary changes have happened earlier as well, it has taken a considerable time for them to be adopted and create any widespread impact on businesses and economy. Today, helped by high penetration and reach of technology enabled devices, conventional business models are getting rescinded in a matter of years, what earlier used to be a generational shift.

The great shift is simultaneously creating challenges and opportunities for existing businesses in general and technology companies in particular. On one hand, the pace of innovation in technology has made its adoption a key differentiator of organizational success, while on the other the cycle time from innovation to commoditization has also considerably reduced.

We embarked upon a series of transformational changes four years back and realigned our business model. These steps have noticeably raised the quality, level and intensity of our engagement with our clients and prospects. We further reinforced our strategies particularly in the following key areas –

- Being customer centric - focusing on key account and customer
- Focusing on key sectors, implementing domain focused strategy
- Investing in building own solutions
- Strengthening our offerings in new age digital technologies
- Enhancing the level of business operations

## CUSTOMER- CENTRIC STRATEGY

Two years ago, we made a conscious decision to withdraw ourselves from all non-focus areas and instead concentrate on areas we plan to be engaged in. Today we are focused on select verticals, technologies and geographies. While we have four key focus verticals – T&H, Hi-tech, Healthcare and Manufacturing, we have sharpened our focus on select micro-verticals, such as Online Travel Agencies (OTAs), hotels and casinos within it.

From a client engagement perspective too, we have prioritized our accounts across four segments based on their current and potential impact.

Geographically, we are concentrating primarily in US, UK, Singapore, Malaysia and India. Over the last three years we have positioned most of our senior leaders closer to the client that has significantly enhanced the quality and level of engagement, developed flexible models, added domain experts and Solution Architects.

At a horizontal level, the focus is on Outsourced Product Engineering which constitutes 55-60% of our business; and on Strategic Accounts which forms 24% of our business.

### **Sustaining Profit Propelled Growth**

The last few years we witnessed significant volatility in our profit margins, despite stable or improving revenue numbers. We have comprehensively analyzed various factors that have impacted our margins and have developed a long-term strategic plan to increase the resiliency of our margins to external factors such as business and currency volatility.

Instead of chasing a large volume of clients, we have now developed an action plan to focus on quality customers and quality accounts. As a part of the plan, we are gradually weaning ourselves away from the long tail of less profitable clients. Instead, our new mantra is to optimally utilize our energy, resources and management bandwidth into few selected prospects, do them very well and then grow from there. This helped us to significantly expand our engagement level with our high potential clients. The strategy displayed positive response since our clients preferred us over other leading global IT players and entrusted us with their strategic work.

### **Managing Value Accounts**

At BSIL, despite our relatively smaller size, we have been maintaining a large list of clients. Many of these accounts, while they do not contribute much to our revenues, take a considerable amount of management and administrative bandwidth. During the fiscal, after undertaking a detailed study, we have classified our accounts in four buckets, in order of their priority.

Now, our high priority accounts enjoy a greater share of management bandwidth and take precedence on company resources. Going ahead, we plan to gradually reduce our client base by another 30-40%, with an aim to significantly enhance our service quality to the remaining ones. During the fiscal, in line with our expectations, we did see a considerable expansion in some of our strategic accounts.

### **Introducing Solution Architects**

Over the last three decades, BSIL has actively absorbed a substantial amount of industry understanding and knowledge. To channelize this knowledge into our key accounts, each of our strategic accounts in addition to an account manager and delivery manager, will also have a Solution Architect. The Solution Architect not only brings deep domain and technology insights but also actively engages with clients to understand their current /potential challenges and future business needs. With these learnings, the Solution Architect plays a very active role in cross-selling and in presales activities.

### **Enhancing Management Focus**

Over the last three years we have positioned most of our senior leaders closer to the client that has significantly enhanced the quality and level of engagement, developed flexible models, added domain experts/architects. A Management Committee, consisting of the 7 senior members, has been established to meet up with each of the strategic accounts at least once a quarter with a formal notice and once a quarter impromptu. This will help us to get direct insights from the clients on the progress of the engagement.

## **BUILDING OWN SOLUTIONS**

Over the last three years, our motto has been to imbibe the spirit of innovation and development across the organization to help BSIL move towards being a more solution oriented company. An increasing share of our revenues

is getting invested in building new age solutions that can deliver higher levels of business value to our clients. Over this period, we have developed a number of solutions such as Mobile Vacation Planner, Smart Retreat and Smart Travel in our focus areas.

Solutions brings to fore the deep domain understanding we have learned from our multiple client engagements and coalesce it with new age befitting technologies. Coupled with accelerators, these solutions help clients to not only get more for the same amount of dollar that they spend, but also start the project at a considerable advanced stage and hence make a compelling unique selling proposition to the client. These solutions favorably position us and help us capture contemporary opportunities.

Having said that during this fiscal, we acquired a prominent multi-million project from a leading Swiss-based hi-end travel company. The travel company, highly impressed by one of our T&H solutions, awarded us the project against incumbencies which were all top notch tier I companies.

Additionally, the Advanced Technologies Group and Innovations and Technology Labs help us centralize and fast track our organization's- wide learning, impact of new technologies and innovative solutions.

## **DIGITAL TECHNOLOGIES**

The Internet usage has brought in digital marketing to the forefront. The emergence and adoption of digital technologies have rapidly transformed not just the way businesses and industries function around the globe but also how people interact and the way work gets done. Organizations today adopt digital technologies to create new channels of interaction with their existing and prospective clients and to boost their visibility and revenues. Aided by a mix of intelligence, comfort, cost competitiveness and networking, these technologies have in a short time span transformed user experience and engagement level.

Our decision to invest early in building capabilities and tools in the digital technological domain not only differentiates us but also adds non-linearity to our erstwhile linear business model.

### **Mobility**

Mobile technologies have been especially impactful, as they have enabled companies to not only streamline their operations but also engage more effectively with customers. BSIL delivers mobility solutions for enterprises globally. It possesses strong capabilities on leading mobile platforms, such as iOS and Android, Windows and RIM, and has extensive experience on Enterprise middleware and server technologies. BSIL has a strong partner ecosystem and partner-led solutions approach. This when combined with frameworks, such as WebApp.net, jwebkit, jQuery, iUI, PhoneGap and J2ME Polish enables them to rapidly build and deploy mobility solutions that deliver business value and competitive edge to its clients.

### **Leaving a Footprint Wherever you go (Analytics and Business Intelligence)**

Technology led innovation has dramatically increased connectivity across every walk of life, creating new sources of data that has led to an exponential increase in data available. Organization that can accurately capture this quagmire of data, successfully develop meaningful insights by processing it.

Our Analytics solutions help our clients develop insights from raw data that facilitate and enhance the accuracy of their decision making. It enables our clients to stay ahead by helping them differentiate in increasingly competitive marketplace and helps them to deliver greater value to even their clients. BSIL today provides end-to-end BI/Analytics solutions to customers starting from business consulting, blueprint and roadmap for solution development, solution implementation and support post deployment. BSIL has partnered with globally

recognized BI platform, namely SAS and Qlikview and other platforms, namely SAP BO, OBIEE and SFDC. BSIL solutions allow customer data source to connect with SAS Data seamlessly, update data automatically and customize view as per requirement.

## **ENHANCED BUSINESS OPERATIONS**

Over the last three years at organizational level, we have taken several initiatives to streamline our internal operations, optimize operating costs and structurally enhance revenue structure.

### **Re-structuring Pyramid**

Historically, our hierarchy structure had a higher share of the middle management, with average employee experience being higher than the industry average. Higher experienced personnel did bring competitive advantage for the organization; however it was at a cost that impacted our bottom-line. Now, with some of our accounts growing larger, we systematically plan to increase the share of resources with less experience, including fresh graduates in our projects. This in turn will aid in enhancing our operating margins. In order to support growth, we have scaled up our recruitment strategy as well. From just in time hiring for all skills to planned recruitment for standard skills and talent recruitment in advance, we are planning meticulously thereby balancing the talent pool in a planned manner.

### **Technology Driven**

To internalize and spread key learnings across the organization, the management has been driving the employees to use our enterprise-wide collaborative platform, Ozone. This platform helps to share key happenings, blogs, views and updates. Ozone also brings along other organization-wide collaborative features such as Communication Dashboard, Departmental Workspaces, Leave Management, Performance Appraisal Management, Skills Repository, IT Incident Management and more.

### **Strategizing Sales**

While our sales team has always been assiduous while bidding for new projects, during the year we further implemented steps to strengthen our price control, right price our bids and help our legacy sales team to relearn the new pricing methodology. Many new tools, that guide us to right price through extensive pricing and margin calculation, have also been put into practice.

The sales team has broadly been classified on the basis of two broad market segments – North America (NA) and the Rest of the World (RoW). In the NA market, we made considerable inroads in some of our strategic accounts, which helped us to increase our revenues from the region. Also, by leveraging our goodwill with clients and partners, we acquired many new logos during the year. Our RoW market continued to witness a strong growth and new client wins, especially in the Asia Pacific region. Our revenues from Europe were impacted in dollar terms due to the sharp surge in US\$.

At BSIL, Selling, General and Administration (SG&A) has been one of the prominent cost components. To maintain sharper focus, during the year, we segregated our new logo and account management teams. Several steps were taken to increase transparency, accountability and conversions for the organization as a whole and the US market in particular. Initiatives were taken to enhance collaboration between various sales teams including periodic conference call, offsite meetings and workshops. Prominent amongst them is strengthening a matrix driven performance model. We rolled out CRM software for managing our own sales pipeline and back ending this with a robust Sales & Operations Planning process.

Given our strong history, BSIL enjoys a strong brand strength and recall in our focus markets. Several initiatives have been undertaken over the last few years to further strengthen our brand.

## HUMAN RESOURCE DEVELOPMENT

In the technology industry, talent is primarily involved in engineering IT structure, writing software, designing solutions, or designing products in a virtual environment. In this scenario, the quality of output is directly proportional to the innovative solutions for the market.

As a result, product development and the innovation associated with finding out new solutions for existing and future markets happen only when talent is stable and engaged. From the people perspective, our objective is to build a high performance organization emphasizing on better two way communication advocating transparency. We have executed several performance based procedures by introducing the matrix model. Our intention is to have a collaborative environment, where several teams under the guidance of experienced professionals shall be working as a unit on projects towards providing quality deliverables.

### Enhancing Employee Engagement Levels

With the addition of many senior leaders having significant and proven industry track record; our top management team today is completely reinvigorated and full of energy. With, highly skilled and experienced COO, CFO, Head of Sales, Head of Global Delivery Systems and Human Resource Head, we now are far better equipped to cater to changing client demands.

Our middle management has traditionally been delivering commendable work. To further hone their skills and to groom them further and shape them to take larger responsibilities, we organized new leadership development programs, focusing on improving their general management skills. This was done through a combination of classroom training in areas like Strategy, Finance, Marketing, etc. by industry experts, combined with coaching and company strategy related action learning projects.

During the year, we conceptualized and initiated a four-year employee development road map with an aim to optimize the skills of precious human capital. Several steps were taken to enhance employee engagement level, productivity, interpersonal skills and overall cohesiveness at both project and organization levels. A couple of such initiatives included bringing transparency, facilitating two-way communications through greater management interaction, online and offline discussion forums and through creating collaborative environment.

### Unifying Motto: One Company One Team

Our senior members, during their visit to client offices meet-up with all the onsite employees, actively interact with them to update them with all recent developments and to understand their concerns. Also, to familiarize our onsite employees with the strength of the back-end team supporting them, we carry out their initial induction and training program in India.

## OUTLOOK

We are optimistic about our future growth and confident that we will continue with the growth momentum that started four years back. The market looks quite promising where both the US and Europe markets are reviving. We foresee good business opportunities from these markets and are positive about our growth in the domestic market as well.

The current fiscal year was important for us since we gathered big deals during the year. We will continue to invest 2-4% of our annual revenue in research and development towards making new solutions and build our own Intellectual Property.

A major trend that we have observed is that enterprises equipped with new age technology are growing much faster than the traditional IT service companies. This provides a tremendous opportunity for BSIL to scale its growth trajectory going forward.

## DISCUSSION ON FINANCIAL PERFORMANCE (CONSOLIDATED)

The financial statements are prepared in compliance with the requirements of the Companies Act, 2013 and Generally Accepted Accounting Principles (GAAP) in India. The management of the company assumes responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used in preparing the financials. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in accordance with conventions and practices prevailing in the industry, in order that the financial statements reflect, in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs and profits for the year.

### 1. Financial Condition

#### a. Share Capital

The Company has an authorised capital of 2 Crore equity shares of ₹ 10 each (previous year 2 Crore equity shares). As of year-end, the issued, subscribed and paid up capital of the Company is ₹ 10.80 Crore (previous year 10.385 Crores). During the year the Company has issued 415,000 fresh equity shares to the "BSIL-Key Employees Stock Option Scheme Trust". These shares are to be subsequently issued by the Trust to eligible employees under the company's Employee Stock Option Scheme. The Company has received a total consideration of ₹ 2.54 Crore (including share premium of ₹ 2.12 Crores) from issue of such shares.

The build – up of equity share capital since inception till date is as follows:

Sr. No.	Particulars	Allotment Date	No. of Shares
1	De – merger of International Software Division of Blue Star Limited into Blue Star Infotech Limited	18 May 2000	1,00,00,000
2	Fresh issue of shares on a preferential basis	25 August 2011	3,85,000
3	Fresh issue of shares to the "BSIL – Key Employees Stock Option Scheme Trust"	17 October 2014	4,15,000
	<b>Issued and paid-up Equity Capital</b>	<b>31 March 2015</b>	<b>1,08,00,000</b>

The company has unutilised listing approval from stock exchanges (NSE and BSE) for 185,000 equity shares and intends to apply for listing approval for a further 900,000 equity shares. These equity shares are intended to be utilised entirely for meeting the requirement of the Employee Stock Options Scheme over the next three years. With the issue of these equity shares, there is potential expansion in the equity capital up to ₹ 118.85 Cr over the next three years.

#### b. Reserves and Surplus

The reserves and surplus of the Company increased from ₹ 90.25 Crores to ₹ 104.63 Crore in the financial year 2014-15. The addition of ₹ 14.39 Crore to the reserves is constituted by ₹ 11.14 Crore mainly by transfer from Profit and Loss Account to the General Reserve, which includes profits after tax (pre adjusted) for the year amounting to ₹ 18.17 Crores. During the year the company entered into forward contracts covering receivables of US\$5.15 million outstanding (equivalent of around ₹ 32 Crores) expiring within one year. The Company follows Accounting Standard 30, Financial Instruments: Recognition and Measurement, prescribed by the Institute of Chartered Accountants of India. The net loss arising on 'mark to market' of such open forward contracts transferred to Hedging Reserve Account during the year amounts to ₹ 0.05 Crore.

#### c. Debt Status

At the year ended 31 March 2015, the Company's US subsidiary had an outstanding secured debt with a bank in the US equivalent to ₹ 4.69 Crore (previous year ₹ 4.52 Crore). This amount is generally used for meeting the

temporary working capital needs of the business. The facility is secured by the parent company in India vide a Standby letter of credit issued by the bankers in India. The company also has an Overdraft facility for the parent company in India with drawing power of ₹ 5 crore. The drawn down against this limit as at 31 March 2015 is Nil. The facilities total to ₹ 25 crore and are interchangeable between fund and non-fund based credit facilities at any point in time. The bank facilities of the company have been rated by CARE. The rating assigned to the Long / Short Term Bank Facilities is CARE A-/CARE A2+ (Single A Minus / A Two Plus) which is an indicator of low-risk and high credit safety.

**d. Fixed Assets**

The Gross block of fixed assets at financial year end 31 March 2015 was ₹ 48.92 Crore and the cumulative depreciation amounted to ₹ 28.59 Crore. During the year, the company realigned its depreciation policy to meet with the requirements of the Companies Act, 2013. Details are provided in this regard in the notes to the financial statement.

Additions to fixed assets made during the year were of the order of ₹ 3.75 Crore mainly comprising of computers (₹ 2.07 Crore), Furniture and Fixtures (₹ 0.22 Crore), Office equipment (₹ 0.05 Crore), Computer Software (₹ 0.33 Crore) and Plant and Equipment (₹ 0.05 crore). During the year company has capitalised two of its Intellectual Property Rights under development (IPR) amounting to ₹ 1.03 Crore where the development was completed during the year. On the capex front, the expenditure was chiefly in relation to the company's old unit in SEEPZ-SEZ, Mumbai which is being completely refurbished. The company also invested in technology enhancement of existing infrastructure and replacement of obsolete assets primarily Computers as part of its normal asset / technology upgradation process.

**e. Sundry Debtors**

The financial year-end, witnessed an increase in year-end debtors from ₹ 61.02 Crore to ₹ 66.13 Crore. The increase is essentially on account of a higher revenue volume during the latter part of the year. The debtors are considered good and realisable and due provision has been made for all the doubtful debts. A synopsis of the ageing is provided below

Days	2014-15		2013-14	
	₹ Crore	%	₹ Crore	%
0-30	36.27	55	46.33	76
31-60	18.16	28	3.37	6
61-90	4.54	7	0.99	2
More than 90	7.16	10	10.33	16
<b>Total</b>	<b>66.13</b>	<b>100</b>	<b>61.02</b>	<b>100</b>

The company offers a credit period of 30 to 45 days post issue of invoice. Typically the average credit period turns out to be around 65 days from delivery to the completion of the invoicing and credit cycle as almost the entire billing is towards month-end. The day's sales outstanding (DSO) is currently around 89 days of sale (previous year 83 days). Considering the size of the company, the growth and billing pattern, the DSO is considered comparable to similarly sized companies in industry.

**f. Cash and Bank Balance**

The cash and bank balances at the year-end have increased to ₹ 34.40 Crore from ₹ 21.01 Crore in the previous year. Cash balances are either held in Rupee fixed deposits, current accounts or Export Earners Foreign Currency (EEFC) current accounts in India. The bank balances in EEFC accounts are generally used for (i) Meeting operational expenses, (ii) Meeting the remittance requirements of subsidiaries, (iii) Strategic investments and (iv) Import of technology assets.

The balances include balances in unclaimed dividend accounts which are ₹ 0.21 Crore in the current year (previous year ₹ 0.20 Crore). These amount are maintained and accounted separately in trust for the shareholders.

The remaining cash and bank balances mainly represent bank balances in current accounts with banks in India and overseas i.e. in USA, UK, Singapore and Malaysia.

**g. Loans and Advances**

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

Long-term ₹ 26.13 Crore (previous year ₹ 25.28 Crore): The major items being ₹ 3.78 Crore in deposits for Rent and to utility companies, ₹ 2.47 Crore as MAT Credit entitlement and ₹ 19.62 Crore as Advance Tax net of Provisions.

Short-term ₹ 3.63 Crore (previous year ₹ 2.46 crore) : These chiefly comprise of prepaid expenses ₹ 1.51 Crore, ₹ 0.57 Crore as advances recoverable in cash and ₹ 1.55 Crore advance given to the ESOP Trust

**h. Other Assets**

Non-Current: The Company has ₹ 0.08 Crore (previous year ₹ 0.06 Crore) in Deposits with maturity exceeding twelve months.

Current: The Company has ₹ 2.37 Crore Unbilled services which are related to services provided to customers where provision for revenue is made in the books. However, such amounts have not been invoiced to the customer pending achievement of billing milestones or client confirmation. A further sum of 0.11 Crore is the Interest accrued on bank deposits but not due / received by the company.

**i. Current Liabilities**

Sundry creditors represent amounts payable to vendors for supply of goods and services (including fixed asset purchases). There are no amounts due to small scale units. Unclaimed dividends represent dividends paid but not realised by shareholders (This is contra-indicated in the bank balances by a similar amount). Other liabilities include accrued liabilities and benefits payable to the staff (including leave encashment) and amounts accrued for various operational expenses. Unearned revenue represents payments received in advance from customers for services to be provided in future such as fees received against annual maintenance contracts. Hedging reserve on open forward contracts are potential liabilities (derived on methodology consistent with Accounting Standard 30 issued by ICAI / ASCII) on foreign exchange forward contracts which are primarily in the nature of cash flow hedges for future business, arising from contracted rates being lower than the current spot rate.

**j. Provisions**

Long-term Provision for leave encashment based on actuarial valuation (compensated absences) was ₹ 1.84 Crore at the end of the year whereas short-term provision for leave encashment also based on actuarial valuation (compensated absences) was ₹ 0.87 Crore. Provision for Gratuity at the end of the year based on actuarial valuation is ₹ 0.35 Crore. In the absence of an actuarial valuation, estimates are made in accordance with prescribed accounting standards.

During the tear the company made a tax provision of ₹ 4.77 Crore. Additionally a provision for deferred tax liability on account of timing difference in depreciation has resulted in a provision of ₹ 0.98 Crore for the year. The company made a tax provision for ₹ 0.51 Crore in respect of earlier years based on re-computation of tax benefits available for the SEZ unit of the company. Based on the recommendation

of the Board, the Company made provisions for ₹ 4.32 Crore and ₹ 0.90 Crore respectively, for Proposed Dividend and Corporate Dividend Tax.

**k. Goodwill on Consolidation**

The goodwill in the books has arisen based on the difference in the book value of the investment vis-à-vis the consideration paid for the following:

- i) In June 2012 – Acquisition of the entire company Blue Star Infostack Solutions Pte. Ltd., Singapore (formerly Infostack Solutions Pte. Ltd.) by Blue Star Infotech (Singapore) Pte. Ltd., the wholly owned Singapore subsidiary of the company.
- ii) In July 2013 – Investment by Blue Star Infotech Ltd. (India) 48.97% of the share capital of Blue Star Business Intelligence and Analytics Pvt. Ltd. (formerly Activecubes Solutions India Pvt. Ltd.) at a premium.
- iii) In March 2014 - Acquiring the 40% minority interest from its JV partner Trisept Technologies LLC In Blue7 Solutions LLC by the US subsidiary of the company, Blue Star Infotech America Inc. , the wholly owned US subsidiary of the company.

The total amount of goodwill is ₹ 17.91 Crore as of the Balance Sheet date. The Management has performed a valuation of the intrinsic value of the business of these entities in February 2015. It is observed that the intrinsic worth of the companies is higher than the consideration paid for these entities. Accordingly, no impairment of the goodwill is considered necessary at this stage in the books of accounts.

**l. Intangibles and Intangible Assets under development**

For its conduct of business the company acquires software products and licences from the open market. The value as of end March 2015 is ₹ 1.33 Crore. The company amortises the cost of such software products and licences over its life or three years, whichever is earlier.

The company has setup a Research and Development team (Advanced Technologies Group) which has been since the year 2012, identifying emerging and new technologies and related frameworks.

Effective end 2012, the company has started working on developing software frameworks which are code named as “Mobile Vacation planner”, “iRoadGenie”, “iMapGenie”, “SmartRetreat”, etc.

The company has also access to two products from Activecubes Solutions India Pvt. Ltd. (now Blue Star Business Intelligence and Analytics Pvt. Ltd.) named “ShopCircle” and “Authenticity” which has been completed and subsequently capitalised during the year amounting to ₹ 1.04 Crore. The products are intended to be showcased as solution frameworks to clients in due course.

The total development / acquisition cost till date in financial terms is to the order of ₹ 2.32 Crore.

**2. Results of Operations**

**a. Income**

The total income of the Company comprises income from operations and other income. In the financial year 2014-15, Income from Operations (Sales and Software Services) was ₹ 264.88 Crore as compared to ₹ 270.21 Crore for the previous year. The decrease in revenue is primarily on account of significant reduction in non-recurring license sales made last year for ₹ 13.77 Crores. The decrease is largely compensated by addition of significant services business which are quality accounts with healthy margins.

The income from other sources decreased from ₹ 6.35 Crore last year to ₹ 5.76 Crore. Other income was primarily from license fee received for leased office property, dividend and interest income from investments. While the license fee income stayed unchanged at ₹ 4.89 Crore compared to last year, the remaining income

decreased from ₹ 1.46 Crore last year to ₹ 0.87 Crore this year. The reduction was chiefly due to the last year's gain on Exchange translation of ₹ 0.8 Crore whereas there was none this year. Further, the dividend income on investments declined due to change in the investment timing during the year.

**b. Employee / Cost of Technical Manpower**

During the year Employee benefits expense declined from ₹ 155.33 Crore to ₹ 149.02 Crores.

The company also engages outside personnel for projects and, the cost of such Technical manpower has increased from ₹ 35.85 Crores to ₹ 42.38 Crores during the year. This helped the company optimise the utilisation metrics during the year.

**c. Other Expenses**

In absolute terms the total other operating and general expenses increased from ₹ 75.00 Crore to ₹ 84.22 Crore in the year under review (including cost of Technical Manpower referred to in point b. above). The net increase after adjusting for the increase in the Cost of Technical Manpower i.e. ₹ 6.53 Crores for the year, Loss on exchange translation ₹ 0.87 Crore incurred in the current year, Bad debt write off ₹ 1 Crore and certain one-time costs amounting to ₹ 1.27 crores results in a like for like net expenditure of ₹ 74.54 Crores for the year.

₹ in Cr.

Operating and General Expenses	FY 2014-15	FY 2013-14
Cost of Technical and Other Manpower (Contract) # / Professional Charges	49.23	44.57
Travelling and conveyance	9.35	7.66
Loss on Exchange Translation	0.87	-
Rent, rates and taxes	6.57	7.27
Communication Expenses	3.70	3.18
Power	2.43	2.46
Repairs and maintenance	1.66	1.79
Payment to auditors	0.79	0.78
Recruitment charges	0.74	0.96
Bad Debt written off / Provision for bad and doubtful debts	1.34	0.56
Cost of Software License and Tools	1.96	1.62
Security Charges	0.44	0.42
Various other expenses	5.14	3.73
<b>Total</b>	<b>84.22</b>	<b>75.00</b>

# - Also see note on Employee / Cost of Technical Manpower

- i) Cost of Travel increased by 22% over the previous year due to increase in overseas travel for the purposes of business.
- ii) Cost of Rent, rates and taxes decreased on account of change in the overseas offices in the US, UK and Singapore to more economic locations.
- iii) Bad debts written off of ₹ 1 crore during the year constitutes amounts not likely to be collected and provided for in the books of accounts over the last 3 years.

- iv) Provision for doubtful debts of ₹ 0.34 Crores was made on a prudent basis as per company policy during the year.
- v) Various other non-recurring expenses during the year include Fees for attending events and membership costs, recruitment costs and advertisement ₹ 0.58 Crores.

## KEY RISKS AND CONCERNS

Blue Star Infotech has identified its business risks and constantly evaluates its risk mitigation process and strategy across the geographies and entities that it operates.

### Preventable risks:

These are internal risks, arising from within the organization, that are controllable and ought to be eliminated or avoided. This risk category is best managed through active prevention: monitoring operational processes and guiding people's behaviours and decisions toward desired norms.

### Strategy risks:

In its business, the company voluntarily accepts some risk in order to generate superior returns from its strategy. Strategy risks cannot be managed through a rules-based control model. The company needs a risk-management system designed to reduce the probability that the assumed risks actually materialize and to improve the company's ability to manage or contain the risk events should they occur. Such a system is not supposed to prevent companies from undertaking risky ventures; to the contrary, it would enable companies to take on higher-risk, higher-reward ventures than competition with less effective risk management.

### External risks:

Risks arise from events outside the company and are beyond its sphere of influence or control. Sources of these risks include natural and political disasters and major macroeconomic shifts. Because companies cannot prevent such events from occurring, the management would focus on identification and mitigation of their impact.

The company has identified the following key business risks and constantly evaluates its risk mitigation process and strategy.

Sr. No.	Risk Summary	Type of Risk
1	Political, Business and Economic Environment	External
2	Pricing Pressures	External
3	Concentration of Revenues	External
4	Inflation and Cost Structure	External
5	Immigration Regulations	External
6	Technology Obsolescence	Financial
7	Exchange Rate Fluctuations	Financial
8	Liquidity and Leverage	Financial
9	Interest Rate Risk	Financial/Operational
10	Credit Risk	Financial
11	Ability to fund growth	Financial
12	Investment Risk (Non-Trade)	Operational
13	Contractual Compliance	Operational

Sr. No.	Risk Summary	Type of Risk
14	Project Related Risk	Operational
15	Compliance with local laws	Operational/External
16	Security and Business Continuity	Operational
17	Business Partner Risk	Operational
18	HR Management	Operational/External
19	Loss/damage to physical assets	Information/Operational
20	Data Protection	Operational/External

Sr. No.	Risk Description
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### 1. POLITICAL, BUSINESS AND ECONOMIC ENVIRONMENT

**Severity:** Medium      **Probability:** Medium

Over half of our revenue is derived from USA. While there has been some posturing in terms of jobs being taken away to India, the competitiveness of the off shoring Model has not changed materially. Some US States have enacted legislation restricting government agencies from outsourcing work to entities outside USA; however, we do not have any significant work with any federal or state entities. Restrictions on US companies outsourcing work to India have increased in line with the current government stand.

Closer home, there is more stability at present. Global Economic turmoil and recession, which might result in loss of revenue and business. Impact greater when read with point 2 (below).

Political instability, project execution risks, country policy risks, withdrawal of incentives, consistency in managing change, capability and consistency in top management to take timely remedial measures, change in tax rates, inconsistent or retrograde government action, terror risks, cybercrimes, data piracy and theft, loss of fiscal / tax incentives and reduced margins due to competitive pricing are some of the other risks which affect our business.

### 2. PRICING PRESSURES

**Severity:** High      **Probability:** High

### 3. CONCENTRATION OF REVENUES

**Severity:** Medium      **Probability:** Medium

Geographic Concentration: US (+45%), UK (+10%), Singapore and Malaysia (+19%), India (+26%)

Industry Concentration: Travel sector and Product Services Practice

Client Concentration: Reliance on a few large customers, which might hurt in the event of mid-way project cancellations or the client getting an upper hand in negotiating lower billing rates.

Business segment concentration brings with it inherent risk potentials. The Company has continuously tried to diversify its offerings in product engineering services, travel and hospitality, business intelligence and analytics, enterprise application business segments to mitigate significant erosion concerns.

Sr. No.	Risk Description
4.	<p><b>INFLATION AND COST STRUCTURE</b></p> <p><b>Severity:</b> Low                      <b>Probability:</b> Low</p> <p>Inflation and competitive pressures, including pressures from global players entering the Indian market result in ever increasing wage costs.</p> <p>Significant and continued inflationary pressures in India lead to constant cost increases predominantly in employee cost and fixed overheads, which acts as a serious impediment to growth and poses uncertainty to the entire Indian industry. The Company tries to address this risk by optimising the use of its infrastructure and to sustain a high level of productivity. Maintaining an optimal mix of resources on its projects and a robust recruitment plan that systematically inducts and grooms fresh engineers into its delivery organisation is also meant to address part of the risk. The company is continuously evaluating cost optimisation and control measures to ensure that expenditure is need based and commensurate with growth and profitability.</p>
5.	<p><b>IMMIGRATION REGULATIONS</b></p> <p><b>Severity:</b> Medium                      <b>Probability:</b> High</p> <p>Availability of visas and work permits for onsite work</p>
6.	<p><b>TECHNOLOGY OBSOLESCENCE</b></p> <p><b>Severity:</b> Medium                      <b>Probability:</b> Low</p>
7.	<p><b>EXCHANGE RATE FLUCTUATIONS</b></p> <p><b>Severity:</b> Medium                      <b>Probability:</b> Medium</p> <p>Our functional currency (Capital and Operating Expenses) is the Indian Rupee although a major portion of the business is done in US\$.</p> <p>Volatility in currency exchange rates resulting from steep upward or downward variation of exchange rates in international currencies is a major challenge for the company, predominantly due to its exports and billing in foreign currency and the various geographies that it operates. The Company addresses this issue by hedging part of its foreign exchange exposures suitably from time to time, reducing the cycle time for international exposures and also by having a diversified billing currency basket.</p>
8.	<p><b>LIQUIDITY AND LEVERAGE</b></p> <p><b>Severity:</b> Low                              <b>Probability:</b> Medium to High</p>
9.	<p><b>INTEREST RATE RISK</b></p> <p><b>Severity:</b> Low                              <b>Probability:</b> Low</p>
10.	<p><b>CREDIT RISK</b></p> <p><b>Severity:</b> Medium                      <b>Probability:</b> High</p> <p>Customer defaults in payment, Delays in Collection, Client concentration</p>

Sr. No.	Risk Description
	<p>Accounts receivable that are overdue or all posing collection difficulties are risks that have to be avoided by any business. The Company has addressed this by having a process of establishing credit limits, periodic review of the account and of the receivables, coupled with direct customer connect to ensure that collections are not jeopardised or pose a collection risk resulting in a financial loss.</p>
<p>11. <b>ABILITY TO RAISE RESOURCES TO FUND GROWTH, ESPECIALLY INORGANIC GROWTH (ACQUISITIONS, etc.)</b> <b>Severity:</b> Medium      <b>Probability:</b> Low</p>	
<p>12. <b>INVESTMENT RISK (NON-TRADE)</b> <b>Severity:</b> Low      <b>Probability:</b> Low</p>	<p>Investment risk, involves the risk of sub-optimal returns on the money invested as also loss of capital. The company has implemented a balanced investment policy for investing its surplus cash funds where safety of principal is supreme and competitive returns being the principal objective. For strategic business investments, a committee comprising of distinguished members of the Board and industry specialists conduct reviews before determining an investment opportunity.</p>
<p>13. <b>CONTRACTUAL COMPLIANCE</b> <b>Severity:</b> High      <b>Probability:</b> High</p>	<p>Inadequacy in contract terms will heighten the risk of the Customer defaulting and can compromise the recovery means.</p>
<p>14. <b>PROJECT RELATED RISK</b> <b>Severity:</b> High      <b>Probability:</b> High</p>	<p>Risk of cost escalation is mainly in Fixed Price contracts and Time and Material contracts with a cap; and where deliverables are implemented in phases resulting in extended warranty and error correction service periods. The technical risk lies in the complexity of projects and the consequent degree of skill and sophistication required; and demanding response times in Service Level Agreements (SLAs).</p>
<p>15. <b>COMPLIANCE WITH LOCAL LAWS</b> <b>Severity:</b> Medium      <b>Probability:</b> Medium</p>	<p>We mainly do overseas business in USA, UK, Singapore and Malaysia. We are required to conform to all statutory requirements. There could be alleged non-conformity with rules due to misinterpretation of provisions.</p>
<p>16. <b>SECURITY AND BUSINESS CONTINUITY</b> <b>Severity:</b> High      <b>Probability:</b> Medium</p>	<p>Natural calamities like floods are not uncommon any longer, nor are man-made calamities like terrorist strikes.</p>

Sr. No.	Risk Description
17.	<p><b>BUSINESS PARTNER RISK</b></p> <p><b>Severity:</b> Low                      <b>Probability:</b> Low</p>
18.	<p><b>HUMAN RESOURCE MANAGEMENT / EMPLOYEE ATTRITION</b></p> <p><b>Severity:</b> Low                      <b>Probability:</b> Low</p> <p>Ability of the company to attract and retain high quality talent in a highly competitive market. Retention of existing talent, scouting for talent meeting set standards.</p>
19.	<p><b>LOSS/DAMAGE TO PHYSICAL ASSETS</b></p> <p><b>Severity:</b> Low                      <b>Probability:</b> Low</p>
20.	<p><b>DATA PROTECTION</b></p> <p><b>Severity:</b> High                      <b>Probability:</b> High</p> <p>There is imminent risk of data loss or data theft in the virtual scenario.</p>

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are extremely significant to the company's business. The company has well defined operational and other Budgets for its Business Units and empowered personnel appropriately based on their scope of work and job specifications to take decisions.

With the introduction of Internal Financial Controls (IFC) in the Companies Act, 2013, the company needs to ensure that the policies and procedures adopted by the company ensure orderly and efficient conduct of its business, including adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

The notable introduction in the Companies Act, 2013 now require:

- i. Under Section 134 which is applicable to a listed company such as Blue Star Infotech Ltd, the Directors' Responsibility states that directors, have laid down IFC to be followed by the company and that such controls are adequate and operating effectively.
- ii. Under Section 177 the Audit committee may call for comments of auditors about internal control systems before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company. The Audit committee should act in accordance with the terms of reference specified in writing by the board, which should, inter alia, include evaluation of IFC and risk management systems
- iii. Further, under Section 143 the auditor's report should also state whether the company has adequate IFC system in place and the operating effectiveness of such controls.
- iv. According to Schedule IV of the Act, the independent directors should satisfy themselves on the integrity of financial information and ensure that financial controls and systems of risk management are robust and defensible.

The Audit committee of Independent Directors comprising Mr. Naresh Malhotra (Chairman), Mr. Suresh Talwar and Dr. Prakash Hebalkar meet several times during the year and engage with senior management and auditors at least four times or more, as required, in a year to review the internal control systems, policies and financial disclosures by the

company. The Audit committee suggests industry best practices and methods for enhancing the level of internal control systems in the company.

The senior management continuously reviews the controls, procedures and systems within the organisation for consistency. Periodic changes or improvements are pro-actively carried out. The management makes assurances and also evaluates areas for risk mitigation with a plan thereof to the audit committee on an ongoing basis.

The company is constantly testing and improving its internal controls, efficiency of operations and security which meets or exceeds industry standards. The current systems and procedures provide reasonable assurance in the maintenance of appropriate accounting records, reliability of financial information, protection of resources and safeguarding of assets against unauthorised use. Compliance with well-established systems, policies and procedures are regularly monitored by your company's internal audit process both at the unit as well as the corporate level, both internally and by a team of external auditors.

# REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the system of well-established rules, practices and processes by which a company is managed and business is conducted. Corporate Governance fundamentally involves balancing the interests of numerous stakeholders in a company which includes the shareholders, management, clients, suppliers and the community at large. Corporate governance practices are subject to alignment with the interests of stakeholders which results in carrying the business as per the stakeholder's desires. Corporate Governance is the application of best management practices, compliance with law in both letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of the stakeholders. Corporate governance guidelines and best practices are progressive in nature and tend to improve and evolve with efflux of time. It also relates to how the organization is managed, including its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Timely, accurate, adequate and appropriate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of corporate governance. Effective corporate governance maintains investor's confidence, as a result of which, company can raise capital efficiently and effectively. Good Corporate Governance practices are valued and appreciated by all stakeholders and enhances the reputation of the company.

Our Company's philosophy on Corporate Governance principles has always been value driven and aimed at setting the right example by our conduct in business and therefore it is more than a mere set of binding obligations and more of a framework to be followed in spirit by everyone associated with the organisation.

## I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company believes that its philosophy on Corporate Governance is to remain a trusted corporate citizen in the local and international society through open and fair business practices that honour the spirit of the law of every nation. In order to put that philosophy into practice, the Company builds favourable relationships and emphasises the need for full transparency and accountability in all its transactions, in order to protect the interest of all of its stakeholders, including shareholders, customers, local communities, business associates and employees.

The Company is committed to provide various services that completely cater to client needs which is important in accomplishing stable, long-term growth. The Company is working to enhance corporate governance through a variety of measures designed to further increase its competitiveness as a global company. The Company believes in adopting the 'best practices' that are followed in the area of corporate governance across various geographies.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has set itself a goal for attaining the highest standard of good governance, to meticulously pursue it and thereby maximize value for its stakeholders, clients, employees and public at large. In this course, the Company is dedicated to ensuring that the Board of Directors of the company is constituted as per the prescribed norms, members meet regularly as per the prescribed frequency, provide effective leadership, exercise control over the management, review and monitor executive performance and ensure appropriate disclosure.

The Company is in compliance with the requirements of Corporate Governance as laid down under Clause 49 of the Listing Agreement entered with the Stock Exchanges.

## II. BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### a) The Board

The Board critically evaluates strategic direction of the Company, management policies and their effectiveness. The day-to-day management of the Company is entrusted to its key personnel led by Mr. Sunil Bhatia, the Chief Executive Officer and Managing Director, who operates under the superintendence, direction and control of the Board. The Board members possess requisite skills, experience and expertise required to take decisions, which are in the best interest of the Company. While appointing the directors, the Board considers the members educational qualifications, skills, diversity and freedom in thought and action, experience and

commitment, in the context of the requirements of the Board at that point in time.

➤ **Board Training and Induction**

While appointing a Director, a formal letter of appointment is issued which also includes description on role, function, duties and responsibilities assigned to the Director of the Company. The Director is also explained in appropriate details the compliances required under the Companies Act, 2013, Clause 49 of the Listing Agreement and other relevant regulations. The affirmation on above matter is also obtained from Directors.

➤ **Directors' Profile**

A brief resume of Directors, nature of their expertise in specific functional areas is provided in the annual report. Number of Companies in which they hold Directorship, and their shareholding in the Company are provided in this report.

**b) Composition of the Board of Directors**

The Board has an appropriate mix of Executive and Independent Directors to maintain the independence of the Board. As at 31 March 2015, the Board consists of Nine Directors with an Executive Chairman and Managing Director, a Non-Executive Vice Chairman and a Chief Executive Officer and Managing Director. Of the Nine directors, seven are Non-Executive Directors. Since the Chairman of the Board is also an Executive Director, five out of nine directors are independent directors. There is one woman director on the Board.

Three of the Directors are Promoters of the Company.

As per the Companies Act, 2013 every company shall have at least one director who has stayed in India for a total period of 182 days in the previous calendar year. The Company has met with this requirement.

As per the revised Clause 49 of the listing agreement and as per section 149(2) of the Companies Act, 2013 every listed company was required to appoint a woman director. The Board of Directors on recommendation of Nomination and Remuneration Committee appointed Ms. Kalpana Trivedi as an additional director of the Company with effect from 30 March 2015 till the ensuing Annual General Meeting. Ms. Trivedi has indicated her independence and intends to be appointed as an Independent Director for a period of 5 years, subject to the approval of the members at the ensuing Annual General Meeting.

As per the Companies Act, 2013 every listed company is required to have at least one-third of the total number of directors as independent directors. Of the Nine Directors the Company has a total of five Independent directors on the Board. A statement on declaration of Independence required to be made under section 149 of the Companies Act, 2013 has been obtained from each of the Independent Directors confirming their independence. The composition is in conformity with the Board composition requirements of Clause 49 of the Listing agreement entered between the Company and the Stock Exchanges.

**c) Key Managerial Personnel**

During the year under review the erstwhile Chief Financial Officer and Company Secretary of the Company, Mr. V. Sudarshan resigned from his position effective 31 May 2014. The casual vacancy was filled-up by Mr. Aloke Ghosh who was appointed as the Chief Financial Officer and Company Secretary of the Company effective 2 June 2014.

**d) Board Meetings**

During the financial year 2014-15, the Board met four times on 14 May 2014, 23 July 2014, 17 October 2014 and 19 January 2015. The gap between two meetings did not exceed one hundred and twenty days. The necessary quorum was present for all the meetings. During the year 2014-15, information as mentioned in Annexure 1A

to Clause 49 of the Listing Agreement has been placed before the Board for consideration.

The details of Board of Directors and their attendance in Board Meetings during the year and the last AGM along with number of other directorships is given below:

**Details of Directors and other particulars:**

Name	Category	Designation
Suneel Advani (DIN: 00001709)	Promoter - Executive Director	Chairman and Managing Director ("CMD")
Sunil Bhatia# (DIN: 03424622)	Executive Director	Chief Executive Officer("CEO") and Managing Director
Ashok Advani (DIN: 00001372)	Promoter – Non Executive Director	Vice Chairman
Sanjay Vaswani## (DIN: 00369909)	Promoter – Non Executive Director	Director
Suresh Talwar (DIN: 00001456)	Independent Director	Director
Dr. Prakash Hebalkar (DIN: 00370499)	Independent Director	Director
Naresh Malhotra (DIN: 00200322)	Independent Director	Director
K.P.T Kutty (DIN: 00494661)	Independent Director	Director
Kalpana Trivedi (DIN: 07150502)	Additional Director/ Independent Director/ Woman Director	Director

# Mr. Sunil Bhatia, a Singapore national, spends considerable time between Singapore, United States of America and India in the course of his official duties to the Company and group entities.

## Mr. Sanjay Vaswani resides in and is a Citizen of the United States of America.

**Details of Directors' attendance and other particulars:**

Four Board meetings were held during the financial year 2014-15:

Director	Number of Board Meetings attended	Last AGM Attendance (Yes/No)	Number of Directorships on the Board of other Public Companies	Number of committee positions in all Public Companies	
				Chairman	Member
Suneel Advani	4	Yes	2	-	2
Sunil Bhatia	4	Yes	-	-	-
Ashok Advani	4	Yes	1	-	2
Sanjay Vaswani	1	No	-	-	-
Suresh Talwar	4	Yes	7	3	4
Dr. Prakash Hebalkar	4	Yes	1	-	3
Naresh Malhotra	4	Yes	1	2	1
K.P.T. Kutty	4	Yes	-	-	-
Kalpana Trivedi	-	-	-	-	-

- Leave of Absence sought prior to the meeting was approved / granted to all the Directors who could not attend meetings.
- Alternate Directorships, Directorships in private companies, foreign companies, companies under section 8 of the Companies Act, 2013 and Memberships in governing councils, chambers and other bodies are excluded. Memberships in public companies, listed and unlisted, alone have been considered.
- None of the Directors hold directorships in more than 20 companies.
- None of the Directors is a member of more than 10 committees, or is Chairman of more than 5 committees across all companies in which he/she is a Director. For the purpose of reckoning the aforesaid limit, Chairmanships/Memberships of the Audit Committee and the Stakeholders' Grievances Committee alone are considered.

### **Scheduling of Board Meetings and selection of agenda items**

The meetings are generally held at C/o Blue Star Ltd, 4<sup>th</sup> Floor, Band Box House, Dr. Annie Besant Road, Worli, Mumbai – 400030 or at 4th Floor, Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai - 400 020

The items/matters required to be placed before the Board, inter alia include:

- Annual operating plans of businesses and budgets including capital budgets and any updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Company's Financial Results, Annual Financial Statements, Auditors' Report and Board's Report.
- Minutes of meetings of the Audit Committee and other Committees of the Board.
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures, and steps taken by management to limit risks of adverse exchange rate movement, if material.
- Non - compliance of any regulatory, statutory or listing requirements, and shareholders' service, such as dividend non-payment, share transfer delay (if any), among others.
- Appointment, remuneration and resignation of Directors.
- Formation/reconstitution of Board Committees.
- Terms of reference of Board Committees.
- Declaration of Independent Directors at the time of appointment/annually.
- Disclosure of Directors' interest and their shareholding.
- Appointment or removal of the Key Managerial Personnel.
- Appointment of Internal Auditors and Secretarial Auditors.
- Quarterly / Annual Secretarial Audit reports submitted by Secretarial Auditors.
- Declaration of Dividend.

- Quarterly summary of all long-term borrowings made, bank guarantees issued and loans and investments made.
- Significant changes in accounting policies and internal controls.
- Takeover of a company or acquisition of a controlling or substantial stake in another company.
- Recommending appointment of and fixing of remuneration of the Statutory Auditors as recommended by the Audit Committee.
- Internal Audit findings and External Audit Reports (through the Audit Committee).
- Status of business risk exposures, its management and related action plans.
- Investment of surplus funds.
- Diversification of the business of the Company.
- Brief on statutory developments, changes in government policies, among others with impact thereof, Directors' responsibilities arising out of any such developments.
- Certificate of compliance with all laws as applicable to the Company.
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.
- Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.

The Chairman of the Board and Company Secretary, in consultation with other concerned members of the senior management, finalise the agenda for Board meetings.

#### **Board material distributed in advance**

The agenda and notes on agenda are circulated to Directors in advance, and in the defined agenda format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, it is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary items on the agenda are permitted.

#### **Recording minutes of proceedings at Board and Committee meetings**

The Company Secretary records minutes of proceedings of each Board and Committee meeting. Draft minutes are circulated to Board/ Board Committee members for their comments.

#### **Post meeting follow-up mechanism**

The Board and Board Committee performs post meeting follow-up, review and reporting process for decisions taken by the Board and other Board Committees. Important decisions taken at Board/Board Committee meetings are communicated promptly to the concerned departments/divisions. Action-taken report on decisions and minutes of the previous meetings are placed at the succeeding meeting of the Board and other Board Committee.

## **Compliance**

The Company Secretary, while preparing the agenda, notes on agenda and minutes of the meetings, is responsible for and is required to ensure adherence to all applicable laws and regulations and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

### **III. AUDIT COMMITTEE**

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with Section 177 of the Companies Act, 2013 ("Act").

The Company has a qualified and Independent Audit Committee comprising three Non-Executive Independent Directors, having ample financial and accounting knowledge.

The Audit Committee always invites representatives of the statutory auditors and representatives of the internal auditors to be present at its meetings.

The Company Secretary acts as the Secretary to the Audit Committee.

The previous Annual General Meeting of the Company was held on 23 July 2014 and was attended by Mr. Naresh Malhotra, Chairman of the Audit Committee.

The Audit Committee specifically reviews and recommends the un-audited quarterly financial results before they are submitted to the Board for approval. Minutes of each Audit Committee meeting are placed before the Board for information.

The detailed scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreements with the Stock Exchanges in India read with Section 177 of the Companies Act, 2013.

#### **Terms of Reference**

The Audit Committee has inter-alia the following mandate:

- Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Review and monitor the auditor's independence and performance and effectiveness of audit process.
- Reviewing with management, the annual financial statements before submission to the Board.
- Reviewing the Company's financial and risk management policies.
- Reviewing with the management, external and internal auditors the adequacy of internal control systems.
- Reviewing management discussion and analysis of financial condition, statement of significant related party transactions, management letter / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.
- Approval of any subsequent modification to terms of transactions of the Company with related parties.
- Valuation of undertaking or assets of the Company, wherever it is necessary.

- Reviewing the internal audit reports relating to internal control weakness.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee

#### Composition

The composition of the Audit Committee is given below:

**Naresh Malhotra** : *Chairman*

**Suresh Talwar** : *Member*

**Dr. Prakash Hebalkar** : *Member*

#### Secretary

**Aloke Ghosh** : *Chief Financial Officer and Company Secretary*

#### Meetings and Attendance during the year

During the financial year 2014-15, four Audit Committee Meetings were held – on 14 May 2014, 22 July 2014, 17 October 2014 and 19 January 2015. The necessary quorum was present at the meetings.

Members	Meetings Attended
Naresh Malhotra	4
Suresh Talwar	4
Dr. Prakash Hebalkar	4

The representatives of statutory and internal auditors are permanent invitees to the Audit Committee Meetings. They have attended all the Audit Committee meetings held during the year.

#### IV. NOMINATION AND REMUNERATION COMMITTEE

The scope of the committee has been defined by the Board of Directors in accordance with Clause 49 of the Listing Agreement, which among others, includes key issues referred by the Board, aspects relating to the remuneration of Directors; bonuses, promotions, benefits and performance targets of top management executives.

The Company's remuneration policy is driven by the success and performance of the senior management and the Company. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

#### Terms of Reference

The Nomination and Remuneration Committee is responsible to identify potential candidates who are qualified to serve as directors and also who may be appointed as senior management personnel in accordance with the laid down and approved criteria.

The Nomination and Remuneration Committee is also responsible to recommend the composition of the Board members from time to time. The Committee is also required to carry out evaluation of each and every director's performance.

The Nomination and Remuneration Committee is responsible to review and discuss all matters pertaining to candidates and will evaluate the candidates in accordance with a process that it sees fit and thereafter pass on the recommendations to the Board. The Committee co-ordinates and oversees the annual evaluation of the Board and of Individual Directors. It also reviews the performance of all the executive directors on a yearly basis or on such intervals as may be necessary. It is also responsible to formulate the criteria for evaluation of Independent Directors

and the Board and also to devise a policy on board diversity. The Committee regularly appraises the parameters on which the individual is evaluated and makes necessary amendments periodically.

The Nomination and Remuneration Committee is also responsible to formulate detailed terms and conditions of the Employees' Stock Option Scheme for directors and employees of the company;

- the quantum of options to be granted under Employees' Stock Option Scheme per employee and in aggregate;
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- the exercise period within which the employee should exercise the option;
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions, such as rights issues, bonus issues, merger, sale of division and others;
- to carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable;
- to perform such other functions as may be necessary or appropriate for the performance of its duties.

The Nomination and Remuneration Committee has formulated a policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees. The Committee shall annually review and approve for the Chief Executive Officer and Managing Director, the Executive Directors and Officers: a) the annual base salary; b) the annual incentive bonus; c) employee stock options; d) employment agreements and e) any other benefits, compensation or arrangements.

The nomination and remuneration committee policy, the Board Diversity and terms and conditions of appointment of directors are displayed on the company website [www.bsil.com](http://www.bsil.com).

### Composition

Only independent directors are a part of the Nomination and Remuneration Committee.

**Dr. Prakash Hebalkar** : *Chairman*

**Suresh Talwar** : *Member*

**Naresh Malhotra** : *Member*

### Secretary

**Aloke Ghosh** : *Chief Financial Officer and Company Secretary*

### Meetings and Attendance during the year

During the financial year 2014 - 15, the Committee meetings were held on 28 April 2014, 16 December 2014 and 26 March 2015. All the members were present at each and every meeting. There was adequate quorum for the meeting.

Members	Meetings Attended
Dr. Prakash Hebalkar	3
Suresh Talwar	3
Naresh Malhotra	3

In the April 2014 meeting, the Committee reviewed the terms of appointment of Mr. Nishith Mathur, The Chief Operating Officer of the Company.

In the December 2014 meeting, the committee reviewed the terms of the leave and license agreement for the residential premises taken on lease by the Company for its Chairman and Managing Director. There is no change in the cost to the company. However, the ownership of the said premises had changed resulting in a fresh leave and licence agreement requiring the committee's consideration.

In their meeting held in March 2015, the Nomination and Remuneration committee recommended the appointment of Ms. Kalpana Trivedi to the Board.

The important terms and conditions of appointment of Ms. Kalpana Trivedi as determined by the committee are:

1. She shall hold office as an Additional Director until the ensuing General Meeting of the Company. Her subsequent confirmation as a Director and further appointment as an Independent Director shall be considered by the shareholders for approval at the said General Meeting, as per the provisions of the Companies Act, 2013.
2. It is noted that Ms. Trivedi qualifies as a person independent of the Company, its Board of Directors and other Key Managerial persons.
3. In consideration of Ms. Trivedi agreeing to act as an Additional Director of the Company as defined in the Companies Act, 2013 (the "Act"), she will be entitled to remuneration as stated below :-
  - (i) A sitting fee of ₹ 50,000 per meeting of the Board and Committees of the Board attended by her.
  - (ii) Non- Executive Director's commission of an amount that will be determined by the Nomination and Remuneration Committee and duly approved by the Board at the time of adoption of audited financial statements of the Company for each financial year.
  - (iii) Ms. Trivedi shall be entitled to reimbursement of expenses incurred by her in connection with her attendance at Board and Committee meetings.
  - (iv) The Company shall cover Ms. Trivedi under the terms of the Directors and Officers Liability Insurance policy at all times.

Ms. Trivedi shall comply with the relevant provisions of the Code for Independent Directors as set out in Schedule IV of the Companies Act 2013, and any modifications/ revisions from time to time.

The appointment letter is placed on the website of the Company.

## V. COMPENSATION COMMITTEE

The Compensation Committee considers and recommends the compensation of selected senior management employees of the Company as also the allotment/devolution of Employee Stock Options (ESOP's) under approved ESOP Scheme 2003 (Revised 2015).

During the financial year 2014 - 15, the meeting of this committee was held on 16 December 2014 and 18 December 2014 (reconvening of adjourned meeting) for the purpose of further grant of ESOP to the employees of the Company and its subsidiaries. Due to paucity of time there was an adjournment of the meeting held on 16 December 2014 which was subsequently concluded on 18 December 2014.

### Composition

<b>Suneel Advani</b>	: <i>Chairman</i>
<b>Suresh Talwar</b>	: <i>Member</i>
<b>Dr. Prakash Hebalkar</b>	: <i>Member</i>

**Secretary**

**Aloke Ghosh** : *Chief Financial Officer and Company Secretary*

**Meetings and Attendance during the year**

<b>Members</b>	<b>Meetings Attended*</b>
Suneel Advani	1
Suresh Talwar	1
Dr. Prakash Hebalkar	1

\* inclusive of an adjourned meeting

There was adequate quorum for the meeting.

**VI. STAKEHOLDERS' GRIEVANCE COMMITTEE**

The Company had a Shareholder's Grievance Committee till 31 March 2014 which looked into the interests of shareholders of the Company. The scope of this committee has been enhanced to cover all stakeholder considerations. Thereby the Committee is re-christened as the "Stakeholders Grievance Committee"

The Stakeholders' Grievance Committee of Directors looks into the effective redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend / notices / annual reports, etc.

The committee meets once a year or more if required to review all investor grievances and to ensure that these are redressed by the Compliance Officer and / or the Registrar and Transfer Agents of the Company, within a period of 7-10 days from the date of receipt of complaint, except those that are constrained by legal impediments/procedural issues.

**Terms of reference**

- Oversee and review all matters connected with the transfer of the Company's securities.
- Approve issue of the Company's duplicate share /debenture certificates.
- Consider, resolve and monitor redressal of investors'/ shareholders' / security holders' grievances related to transfer of securities, non-receipt of Annual Report, non-receipt of declared dividend etc.
- Oversee the performance of the Company's Registrars and Transfer Agents.
- Recommend methods to upgrade the standard of services to investors.
- Monitor implementation and compliance with the Company's Code of Conduct for Prohibition of Insider Trading.
- Carry out any other function as is referred by the Board from time to time and / or enforced by any statutory notification / amendment or modification as may be applicable.
- Perform such other functions as may be necessary or appropriate for the performance of its duties.

The Company Secretary is the secretary for this committee. The composition of the Stakeholders' Grievance Committee is given below:

**Composition**

**Ashok Advani** : *Chairman*

**Suneel Advani** : *Member*

**Dr. Prakash Hebalkar** : *Member*

### Secretary

Aloke Ghosh : Chief Financial Officer and Company Secretary

### Meetings and Attendance during the year

During the financial year 2014-15, the Committee met on 19 January 2015.

Members	Meetings Attended
Ashok Advani	1
Suneel Advani	1
Dr. Prakash Hebalkar	1

The constitution, duties and responsibilities of the Stakeholder's Grievance Committee are in line with Clause 49 of the Listing Agreement with the stock exchanges.

The total number of shareholders' complaints received and responded to by the Registrar to the satisfaction of shareholders during the year under review was 32. All complaints of shareholders were satisfactorily resolved. No requests were pending as at 31 March 2015.

### Financial Year ended 31 March

Nature of Complaints	2015		2014	
	Received	Attended	Received	Attended
Non-receipt of Dividend	20	20	10	10
Issues with share certificates / Demat account / share transfers	4	4	6	6
Non-receipt of annual report	7	7	3	3
Others	1	1	0	0
<b>Total for the year</b>	<b>32</b>	<b>32</b>	<b>19</b>	<b>19</b>

### Quarter-wise Comparative Break-up of Investor Grievances:

#### Financial Year ended 31 March

Quarter ending	2015		2014	
	Received	Attended	Received	Attended
30 June	2	2	3	3
30 September	20	20	7	7
31 December	3	3	4	4
31 March	7	7	5	5
<b>Total for the year</b>	<b>32</b>	<b>32</b>	<b>19</b>	<b>19</b>

### Investor Awareness

The Company has provided a synopsis of some of the rights and responsibilities as a shareholder on our website [www.bsil.com](http://www.bsil.com) in the investors section. The shareholders are requested to visit our website and read the document. It is the Company's earnest effort to provide guidance to the shareholders and answer questions regarding their rights and responsibilities.

## VII. CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) committee will determine based on its priorities from time to time the actions envisaged under its CSR objectives. Prior to the commencement of any CSR activity, a formal baseline study of the proposed actions will be performed.

The objective of the committee is to focus on nutrition and poverty alleviation, education and skill development, women welfare and empowerment, health, sanitation and child welfare, environmental protection and contribution to various government sponsored relief and development programs.

#### Terms of Reference

As per the provisions of the Companies Act, 2013 and the Rules made there under, the responsibilities of the CSR committee includes.

- Formulating and recommending to the Board of Directors of the Company the CSR policy and the activities to be undertaken
- Recommending the amount to be spent for CSR activities
- Monitoring CSR activities from time to time / on a regular basis
- To determine the locations for CSR activity

#### Composition

**Suneel Advani** : *Chairman*  
**Sunil Bhatia** : *Member*  
**Suresh Talwar** : *Member*  
**K. P. T. Kutty** : *Member*

#### Meetings and Attendance during the year

During the financial year 2014 -15, the Committee met on 19 January 2015. The necessary quorum was present for the meeting.

Members	Meetings Attended
Suneel Advani	1
Sunil Bhatia	1
Suresh Talwar	1
K. P. T. Kutty	1

### VIII. BUSINESS OPERATIONS APPROVAL COMMITTEE

In order to reduce the time taken for processing of various bank related transactions, which become subject to the Board approval, it was considered necessary to constitute the committee.

#### Terms of reference

- Approve all matters relating to opening and closure of bank account of the Company
- To issue letter of authority or power of attorney on behalf of the Company
- To include or revoke authorised signatories to bank accounts for various operational matters from time to time and define such limits of operation as may be considered necessary.

#### Composition

**Suneel Advani** : *Chairman*  
**Sunil Bhatia** : *Member*

#### Meetings and Attendance during the year

During the financial year 2014-15, the Committee met on 14 May 2014, 19 May 2014, 25 September 2014, 30

October 2014 and 16 December 2014. The necessary quorum was present for the meeting.

Members	Meetings Attended
Suneel Advani	5
Sunil Bhatia	5

## IX. INDEPENDENT DIRECTORS

### A. INDEPENDENT DIRECTORS MEETINGS

#### Terms of Reference

During the financial year 2014-15, the Independent Directors met on 16 December 2014, inter alia to discuss and carry out certain actions:

- Evaluation of the performance of Non Independent Directors and the Board of Directors as a whole.
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors.
- Assess the 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 their duties.

#### Composition

**Naresh Malhotra** : *Chairman*

**Suresh Talwar** : *Member*

**Dr. Prakash Hebalkar** : *Member*

**K. P. T. Kutty** : *Member*

#### Meetings and Attendance during the year

During the financial year 2014-15, the Committee meeting was held on 16 December 2014. The necessary quorum was present for the meeting.

Members	Meetings Attended
Naresh Malhotra	1
Suresh Talwar	1
Dr. Prakash Hebalkar	1
K. P. T. Kutty	1

### B. PROCEDURE AT COMMITTEE MEETINGS

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as practicable. Each Committee has the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its function. Minutes of proceedings of Committee meetings are circulated to the Directors and placed before Board meetings.

### C. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

In terms of Clause 49(II)(B)(7) of the Listing Agreement, the Company is expected to conduct Familiarisation Programs for Independent Directors about their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company etc. through various initiatives.

The Board members are provided with necessary documents, reports and internal policies to enable them to familiarise with the Company's procedures and practices. Periodic presentations are made at the Board

and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risk involved.

The details of the familiarisation programme are disclosed from time to time on the Company's website and can be accessed at [www.bsil.com/policies/ID](http://www.bsil.com/policies/ID).

#### X. REMUNERATION TO DIRECTORS

Non-executive Directors are paid commission, based on the net profit of the Company, partly by way of fixed amount and partly based on the number of Board and Audit Committee meetings attended by them. The Non – Executive Directors were paid sitting fees of ₹ 20,000 each per meeting till 31 May 2014. Effective 1 June 2014, the sitting fee for various meetings of the Board and its committees is revised to ₹ 50,000 per meeting. Details of remuneration paid/payable to Directors for financial year 2014-15 is as follows:

(₹ in Lakhs)

Name of the Director	Salary, Incentives and Perquisites (Net of recoveries, if any)	Reimbursement of CEO and MD's Remuneration	Commission	Sitting fees	Total
Suneel Advani	43.55 <i>(44.40)</i>				43.55 <i>(44.40)</i>
Sunil Bhatia	141.40 <i>(137.51)</i>	178.89 <i>(186.37)</i>			320.29 <i>(323.88)</i>
Ashok Advani			5.00 <i>(5.10)</i>	1.70 <i>(0.80)</i>	6.70 <i>(5.90)</i>
Sanjay Vaswani			5.00 <i>(4.05)</i>	0.50 <i>(0.20)</i>	5.50 <i>(4.25)</i>
Suresh Talwar			5.00 <i>(5.85)</i>	5.90 <i>(1.20)</i>	10.90 <i>(7.05)</i>
Dr. Prakash Hebalkar			5.00 <i>(7.50)</i>	5.40 <i>(1.60)</i>	10.40 <i>(9.10)</i>
Naresh Malhotra			5.00 <i>(8.25)</i>	4.90 <i>(1.60)</i>	9.90 <i>(9.85)</i>
K.P.T. Kutty			5.00 <i>(4.35)</i>	2.70 <i>(0.40)</i>	7.70 <i>(4.75)</i>
<b>Total</b>	<b>184.95</b> <b><i>(181.91)</i></b>	<b>178.89</b> <b><i>(186.37)</i></b>	<b>30.00</b> <b><i>(35.10)</i></b>	<b>21.10</b> <b><i>(5.80)</i></b>	<b>414.94</b> <b><i>(409.18)</i></b>

- Previous year's figures are indicated in brackets in italics.
- Commission to the non-executive directors is proposed at 1.65% of the profits for the year 2014-15. This amount would be held in trust by the non-executive directors and is subject to the approval by the members at the ensuing Annual General Meeting. In the previous year, commission was paid at 2% of the profits computed for the purpose of managerial remuneration.
- The executive directors, namely the CMD and the CEO and MD are not paid sitting fees and commission.
- Effective 1 November 2008 (₹ Lakhs) 2.20 per month is paid as salary to the CMD. The cost of the accommodation provided by the Company to the CMD amounts to (₹ Lakhs) 1.50 per month (net) till 30 October 2014. From

1 November 2014 the cost has reduced to (₹ In Lakhs) 1.35 per month (net). He was re-appointed as the CMD w.e.f. 7 June 2011 as per the same terms for a further period of five years at the AGM of the Company held on 22 July 2011.

- (e) The CEO and MD is paid salary by the Singapore subsidiary of the Company viz., Blue Star Infotech Singapore Pte. Ltd. A sum of (₹ Lakhs) 178.89 is reimbursed to the subsidiary company towards value of the services rendered by the Chief Executive Officer and Managing Director to the Company.
- (f) The CEO and MD has exercised 3, 17,000 stock options at ₹ 60 per share during the year.

## XI. DETAILS OF SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Sr. No.	Name of the Director	Shareholding as at 31 March 2015 (No. of Shares)	Shareholding as at 31 March 2014 (No. of Shares)
1	Ashok Advani	7,95,165	7,95,165
2	Suresh Talwar	15,075	15,075
3	Sanjay Vaswani	14,750	14,750
4	Naresh Malhotra	3,733	7,175
5	K.P.T. Kutty	2,650	2,650
6	Dr. Prakash Hebalkar	NIL	NIL
7	Kalpana Trivedi	NIL	NIL

## XII. PERFORMANCE EVALUATION OF DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation for the following:

- The Directors individually
- The Audit Committee
- The Nomination and Remuneration Committee

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, operational results etc.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its majority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman, the Non Independent Directors and Board as a whole was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

## XIII. RELATED PARTY TRANSACTIONS

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in ordinary course of business and on an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company. There have been no materially significant related party transactions or relationships between the Company and

directors, the Management, subsidiaries or relatives, except for those disclosed in the Board's Report. Suitable disclosure as required by the Accounting Standard -18 "Related Party Disclosures" has been made in the notes to the Financial Statements. A statement of related party transactions is separately provided as an annexure to the Directors report.

The Company policy for related party transactions is available on the Company's website at <http://www.bsil.com/about-us>.

#### **XIV. SECRETARIAL AUDIT REPORT**

As per section 204 of the Companies Act, 2013 and rules framed thereunder, every listed company is required to get its records verified under Secretarial audit. The Board of Directors of the Company appointed M/s. Jayshree Dagli and Associates, Practising Company Secretaries, to conduct Secretarial Audit of records and documents of the Company. The Secretarial Audit Report confirms that the Company has complied with the laws and provisions applicable to the Company.

The Secretarial Audit Report forms a part of the Directors' Report. There are no qualifications in the said report.

#### **XV. DISCLOSURES**

- A. No penalties/strictures were imposed on the Company by the stock exchanges or SEBI or any statutory authority in any matters related to the capital markets during the last three years.
- B. The Company remains committed to the cause of maintaining fair dealing in all its transactions. In furtherance of this philosophy, the Company has constantly ensured that any immoral or unethical activity could be reported by any of its employees directly to the members of the senior management or to the Audit Committee, with adequate safeguards against victimising the whistle-blower. The Company affirms that no employee has been denied direct access to the Audit Committee.
- C. Your Company recognises the role of prompt reporting of crimes – technological or otherwise – for moving towards transparent governance. Any suspicion of criminal activity should be reported promptly no matter how remote or minimal the damage. Towards this end, the Company declares that it is constantly upgrading its technological fraud detection safeguards imbibed within its system, which are a combination of process controls and technological controls. The Company also declares that there have not been any known instances of technological frauds detected within the Company or on the Company during the year.
- D. Risks are an imminent part of business and the industry in which the Company operates. The Company operates in multiple geographies and in the technology industry and is constantly prone to new kinds of technological risks. Your Company has in place a dynamic Risk Management Policy to deal with the uncertainties of the times, where risks have been categorised based on the following criteria:
  - ✓ Nature of Risk: External, Operational and Financial
  - ✓ Severity of Risk: Low, Medium and High
  - ✓ Probability of Risk: Low, Medium and High

The Policy describes each risk in detail and analyses the risk mitigation strategy to counter every risk. The Policy is periodically reviewed by the Risk Management Committee comprising of senior management personnel of the Company.

To cover risks and to compensate for the losses which can occur due to the risks involved in the business, the Company acquires appropriate insurance policies, some of the major ones are described below:

- ✓ Directors and Officers Policy

- ✓ Commercial Crime Policy
  - ✓ Professional Indemnity Policy
  - ✓ Commercial General Liability Policy
  - ✓ Employment Practices Liability Insurance Policy
- E. The Company has a Policy of prohibition of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre – clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees, while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading window is closed. Your Company also has several other policies in place, the scope and content of which is reviewed by the Board and Audit Committee at regular intervals. The key policies are indicated below:
- ✓ Employees Code of Conduct
  - ✓ Policy on electronic communication and asset usage
  - ✓ Policy on prevention of sexual harassment
  - ✓ Whistle Blower's policy
  - ✓ Policy on verification of fixed assets
  - ✓ Related Party Transactions Policy
  - ✓ Corporate Social Responsibility Policy
  - ✓ Risk Management Policy
- Every policy has a defined implementation mechanism.
- F. Your Company has consistently maintained a regime of unqualified financial statements since inception.
- G. The Audit Committee reviews the consolidated financial statements of your Company and the investments made by its unlisted subsidiary companies. The minutes of the board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.
- H. The Chief Executive Officer and Managing Director and the Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required by Clause 49 of the Listing Agreement. The Certificate is contained in this Annual Report.
- I. Reconciliation of Share Capital Audit: A qualified practicing Company Secretary carried out a Share Capital Audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

## **XVI. CODE OF CONDUCT**

The Company has in place a comprehensive Code of Conduct (the Code) applicable to all the employees and Non-executive Directors including Independent Directors. The extent of applicability of code to Non – Executive Directors and Independent Directors depends on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of law. The Code reflects the values of the Company

viz. Customer Value, Ownership Mind-set, Respect, Integrity, One Team and Excellence.

A copy of the Code has been put on the Company's website ([www.bsil.com](http://www.bsil.com)). The Code has been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually.

A declaration signed by the Company's Chairman and Managing Director is published in this Report.

## XVII. MEANS OF COMMUNICATION

**Quarterly results:** The Company publishes its quarterly results in the prescribed form, within the prescribed time. The results are sent to the stock exchanges where the Company's shares are listed and the same was published in Economic Times and Maharashtra Times for the quarters ending 30 June 2014 (Q1), 30 September 2014 (Q2), 31 December 2014 (Q3) and 31 March 2015 (Q4). The financial results are also displayed on Corporate Filing and Dissemination System (CFDS) on SEBI's website [www.corpfiling.co.in](http://www.corpfiling.co.in) and also on the Company's website, [www.bsil.com](http://www.bsil.com). The financial results are available on the websites of the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE).

**Annual Report:** The Annual Report containing, inter alia, Audited Standalone and Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report and is also displayed on the Company's website ([www.bsil.com](http://www.bsil.com)).

**Chairman's Communiqué:** The printed copy of the Chairman's speech is distributed to shareholders at Annual General Meetings. The document is also placed on the Company's website ([www.bsil.com](http://www.bsil.com)) and sent to Stock Exchanges.

**SEBI Complaints Redress System (SCORES):** The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of complaint status and its disposal.

## XVIII. GREEN INITIATIVES IN CORPORATE GOVERNANCE

The Ministry of Corporate affairs has permitted companies to send electronic copies of Annual Report, notices, quarterly results, intimation about dividend etc., to the e-mail IDs of shareholders. Your Company had accordingly arranged to send **E-COMMUNICATION REGISTRATION FORM** which can be filled in by you and submitted to the Registrars M/s Link Intime India Pvt. Ltd to subscribe to receive soft copies of these documents on your e-mail ids.

As at 31 March 2015, 35.84% of shareholders (Previous Year 29.79%) have opted for electronic mode of communication for receiving of permitted documents.

## XIX. COMPANY INFORMATION

### General Information about the Company:

Sr. No.	Particulars	Information
1	Corporate identity number (CIN) of the Company:	L72200MH1997PLC110459
2	Registered address:	8th Floor, The Great Oasis, Plot No D-13, MIDC, Andheri (East), Mumbai- 400093
3	Website:	<a href="http://www.bsil.com">www.bsil.com</a>
4	E-mail id for contact:	<a href="mailto:IR@bsil.com">IR@bsil.com</a>

Sr. No.	Particulars	Information
5	Financial Year reported	1 April 2014 to 31 March 2015.
6	Income Tax Permanent Account Number	AAACB6385J
7	Sectors that the Company is engaged in (industrial activity code-wise):	Computer software development services and software distribution ITC Code: 99831311 – IT Consulting Services
8	Key services provided by the Company	a) Software development, b) ERP implementation / Consulting, c) Testing
9	Total number of locations where business activity is undertaken by the Company:	National (India): 7 (Seven) - Mumbai (6) / Bangalore (1) International: 6 (Six) - USA-3, UK-1, Singapore -1, Malaysia -1
10	Markets served by the Company:	India, United States of America, Western Europe, Singapore and Malaysia

## XX. GENERAL BODY MEETINGS

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

Financial Year ended	Date and Time	Venue	Special resolution passed
31 March 2014	23 July 2014 at 3.00 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai –400 020.	<ol style="list-style-type: none"> <li>1. Appointment of Dr. Prakash Hebalkar (holding DIN : 00370499), as an Independent Director of the Company for a period of five consecutive years from 23 July 2014 to 22 July 2019</li> <li>2. Appointment of Mr. Naresh Malhotra (holding DIN : 00200322), as an Independent Director of the Company for a period of five consecutive years from 23 July 2014 to 22 July 2019</li> <li>3. Appointment of Mr. Suresh Talwar (holding DIN : 00001456), as an Independent Director of the Company for a period of five consecutive years from 23 July 2014 to 22 July 2019</li> <li>4. Appointment of Mr. K. P. T. Kutty (holding DIN : 00494661), as an Independent Director of the Company for a period of five consecutive years from 23 July 2014 to 22 July 2019</li> </ol>
31 March 2013	18 July 2013 at 2.30 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai - 400 020.	<ol style="list-style-type: none"> <li>1. Extension of the term of office of Mr. Sunil Bhatia, the chief executive officer and managing director of the Company and revision of his compensation</li> <li>2. Amendment to the Blue Star Infotech Employees Stock Option Scheme, 2003 (amended 2011) of the Company with SEBI notifications/ guidelines.</li> </ol>

Financial Year ended	Date and Time	Venue	Special resolution passed
31 March 2012	19 July 2012 at 2.30 p.m.	Jai Hind College Hall, 23-24, Back bay Reclamation, 'A' Road, Churchgate, Mumbai - 400 020.	None

- b) No Extraordinary General Meeting of the Members was held during the year 2014-15.

## XXI. OTHER INFORMATION FOR SHAREHOLDERS

### a) Annual General Meeting

The 17<sup>th</sup> Annual General Meeting for FY 2013-14 was held on 23 July 2014.

For the Financial Year 2014-15, the Annual General Meeting is scheduled as follows:

Date : 21 July 2015

Time : 03.00 p.m.

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

As required under Clause 49(IV) (G) (i) of the Listing Agreements entered into with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming AGM are given in the Annexure to the Notice of the AGM to be held on 21 July 2015.

### b) Financial Calendar for the year 2015–16

Declaration of results for the quarter ending on	Tentative date
30 June 2015	Fourth week of July 2015
30 September 2015	Fourth week of October 2015
31 December 2015	Fourth week of January 2016
31 March 2016	Second week of May 2016
19 <sup>th</sup> Annual General Meeting	Third week of July 2016

- c) **Dates of Book Closure:** Wednesday, 1 July 2015 to Tuesday, 7 July 2015 (both days inclusive)
- d) **Proposed Dividend:** ₹ 4/- per share of face value, ₹10/- each (Previous year ₹ 4/- per share of face value ₹10/- each).
- e) **Dividend Payment Date:** If approved, dividend shall be paid / credited on or after 24 July 2015.
- f) **Listing on Stock Exchanges**
- BSE Limited (BSE)  
25th Floor, P. J. Towers, Dalal Street  
Mumbai 400 001, Mumbai.
  - The National Stock Exchange of India Limited (NSE).  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex  
Bandra (East), Mumbai 400 051

**g) Stock Code/Symbol:**

- **BSE:** 532346
- **NSE:** BLUESTINFO

Listing Fees as applicable have been paid.

ISIN No. for NSDL/CDSL: INE 504B01011

**h) Dividend Payment History**

Financial Year	Dividend (₹) per share of face value ₹ 10	Dividend as a % of the face value of each equity share
2001-02	6.00	60%
2002-03	7.50	75%
2003-04	9.00	90%
2004-05	5.00	50%
2005-06	2.00	20%
2006-07*	4.00	40%
2007-08	2.50	25%
2008-09	5.00	50%
2009-10	5.00	50%
2010-11	3.00	30%
2011-12	2.00	20%
2012-13	2.00	20%
2013-14	4.00	40%
2014-15 (Proposed – subject to members approval)	4.00	40%

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

**i) Unclaimed Dividend**

Shareholders who have not yet encashed their dividend warrants or in cases where the accounts could not be credited have been individually informed about the money due to them and the procedure to claim the same from the Company.

- Unclaimed/Unpaid dividend till the financial year 2006-07 has been transferred to the Investors Education and Protection Fund (IEPF) on 4 October 2014 on the completion of the mandatory 7 (seven) year period. Shareholders are advised that no claims will lie against the Company or the IEPF in respect of the unclaimed amounts so transferred.
- The unclaimed/unpaid dividend declared in the financial year 2007-08 is due for transfer to the Investors Education and Protection Fund (IEPF) 30 days after the due date i.e. 29 September 2015 on the completion of the mandatory 7 (seven) year period. Shareholders are advised that no claims will lie against the Company after 30 August 2015 in respect of the unclaimed amounts proposed to be transferred. Shareholders who have not yet encashed their dividend warrants are requested to forward their claims to the Company or Share Transfer Agents.

**j) Nomination Facility**

Shareholders who hold shares in the physical form and wish to make/change a nomination in respect of their

shares in the Company, as permitted under Section 72 of the Companies Act, 2013, may submit the necessary forms/details to the Company's Registrar and Transfer Agents, Link Intime India Pvt. Ltd., in the prescribed Form SH-13. A soft copy of the Form can be downloaded from the Company's website [www.bsil.com](http://www.bsil.com) under the investors section. Shareholders with holdings in DEMAT accounts should contact their respective depository participants directly for this purpose.

**k) Payment of Dividend by National Electronic Clearing Service (NECS)**

In order to facilitate the shareholders, who wish to avail of the facility of direct credit of dividend amounts to their bank accounts, your Company, through its registrars Link Intime India Pvt. Ltd has sent out NECS mandate letters which can be filled in and submitted to the Registrars or you can also avail the NECS mandate form from the Company's website [www.bsil.com](http://www.bsil.com) under the investors section and follow the instructions mentioned in the form.

**l) E-voting facility:**

Under the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing shareholders the facility to exercise their right to vote at the 18<sup>th</sup> Annual General Meeting (AGM) by electronic means on the resolutions which can be transacted through e-Voting facility provided by National Securities Depository Limited (NSDL).

Further, in respect of the amendments made in clause 35B of the Listing Agreement by SEBI, the Company is sending in advance of the Annual General Meeting, assent / dissent forms to the members to enable those who do not have access to e-Voting facility to cast their vote on the shareholders resolution(s) to be passed at the ensuing Annual General Meeting, by sending their assent or dissent in writing.

**m) Right to Dividend:**

Any person becoming the shareholder of the Company on or after the record date i.e. 1 July 2015 will not be eligible to receive dividends for the financial year 2014-15.

**n) Annual High-Low price History**

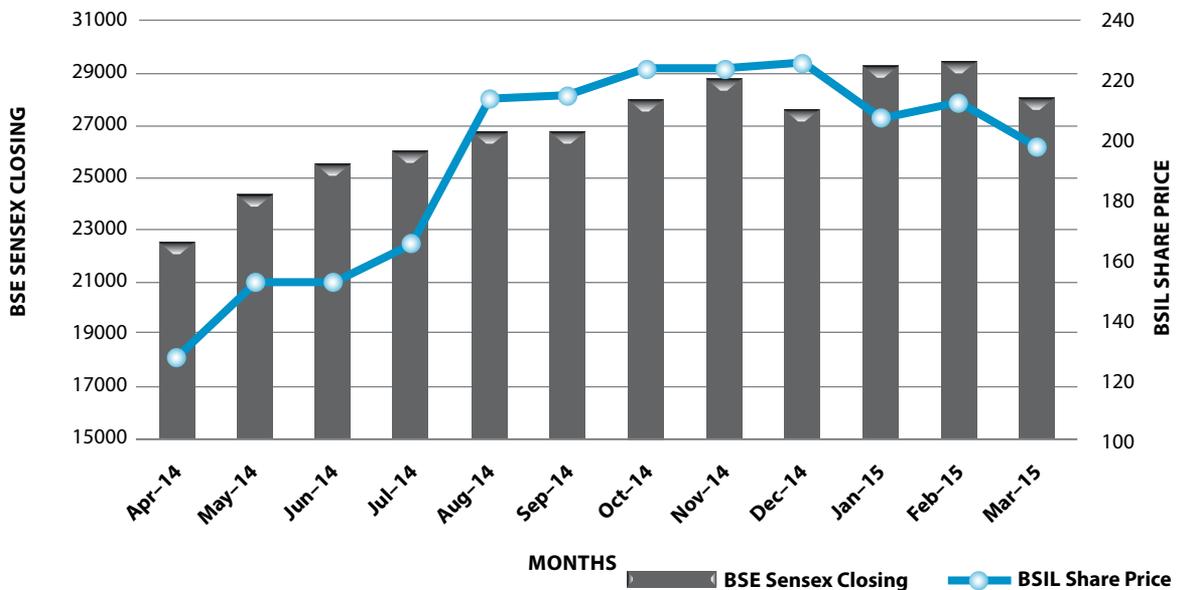
**Market Price Data**

Financial Year	BSE		NSE	
	High (₹/share)	Low (₹/share)	High (₹/share)	Low (₹/share)
2001-02	151.00	29.00	154.65	28.15
2002-03	220.00	102.10	220.00	103.00
2003-04	254.80	103.20	257.00	100.50
2004-05	209.00	128.00	220.90	123.00
2005-06	188.80	98.60	189.40	98.10
2006-07	144.50	59.00	145.00	57.00
2007-08	128.20	54.00	136.10	50.60
2008-09	86.60	32.60	88.60	31.95
2009-10	155.80	47.10	156.40	47.15
2010-11	139.90	90.15	139.00	92.60
2011-12	111.40	53.50	116.75	57.40
2012-13	78.90	55.00	74.70	54.55
2013-14	144.00	48.15	144.60	48.10
2014-15	252.00	116.05	251.00	115.75

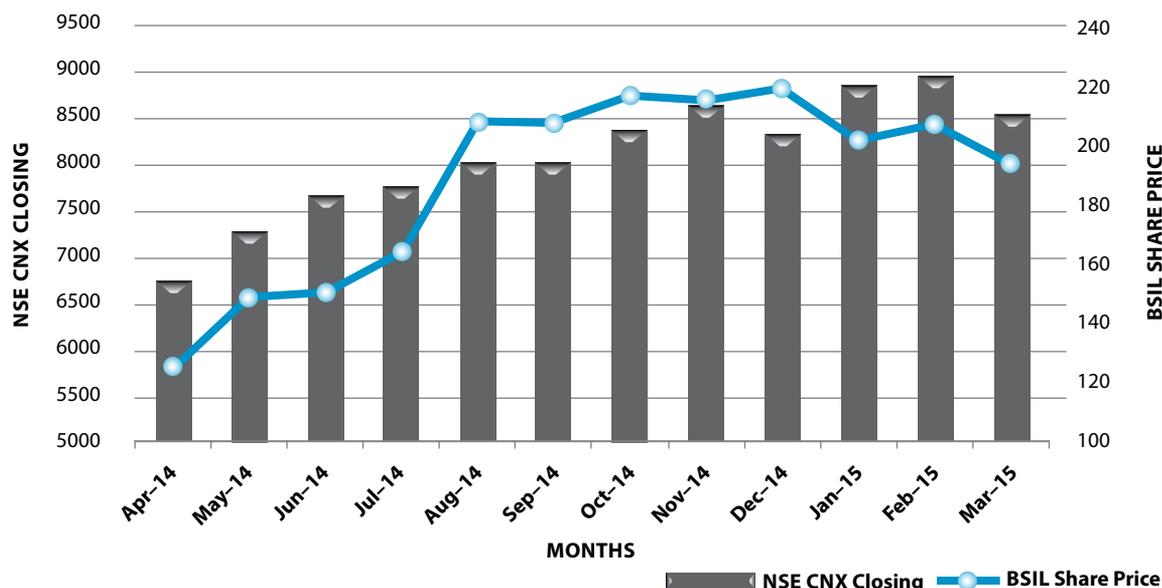
o) **Month-wise price History during Financial year 2014-2015****Market Price Data**

Month	BSE		NSE	
	High (₹/share)	Low (₹/share)	High (₹/share)	Low (₹/share)
April 2014	143.00	116.50	143.95	116.65
May 2014	161.95	116.05	162.00	115.75
June 2014	171.90	144.00	171.00	129.00
July 2014	193.00	151.55	192.00	152.20
August 2014	229.55	167.50	229.90	165.00
September 2014	252.00	211.00	251.00	211.10
October 2014	245.00	205.15	244.00	206.75
November 2014	242.00	209.00	242.00	188.00
December 2014	234.00	181.00	235.00	181.00
January 2015	245.00	200.10	244.00	201.10
February 2015	225.00	194.00	224.00	193.05
March 2015	227.00	185.00	227.50	183.00

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



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



**p) Share Transfer System**

97.59% of the equity shares of the Company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with Link Intime India Private Limited, the registrar and share transfer agents of the Company.

The transfer of shares in physical form is processed and approved on a weekly basis and the certificates are returned to the shareholders within 15 days from the date of receipt (subject to the documents being valid and complete in all respects).

**q) Distribution of Shareholding as at 31 March 2015**

No. of Equity shares held	No. of shareholders	% of shareholders	Total No. of Shares held	Total % of shares held
1 - 250	10,126 (10,841)	82.03 (82.62)	6,84,237 (7,56,902)	6.34 (7.29)
251 - 500	1,134 (1,232)	9.19 (9.39)	4,34,643 (4,68,822)	4.03 (4.51)
501 - 1,000	525 (553)	4.25 (4.22)	4,02,241 (4,18,953)	3.72 (4.03)
1,001 - 2,000	262 (222)	2.12 (1.69)	3,80,079 (3,22,275)	3.52 (3.10)
2,001 - 3,000	84 (70)	0.68 (0.53)	2,11,880 (1,79,528)	1.96 (1.73)
3,001 - 4,000	40 (38)	0.32 (0.29)	1,40,365 (1,31,570)	1.30 (1.27)
4,001 - 5,000	37 (40)	0.30 (0.30)	1,75,302 (1,90,805)	1.62 (1.84)

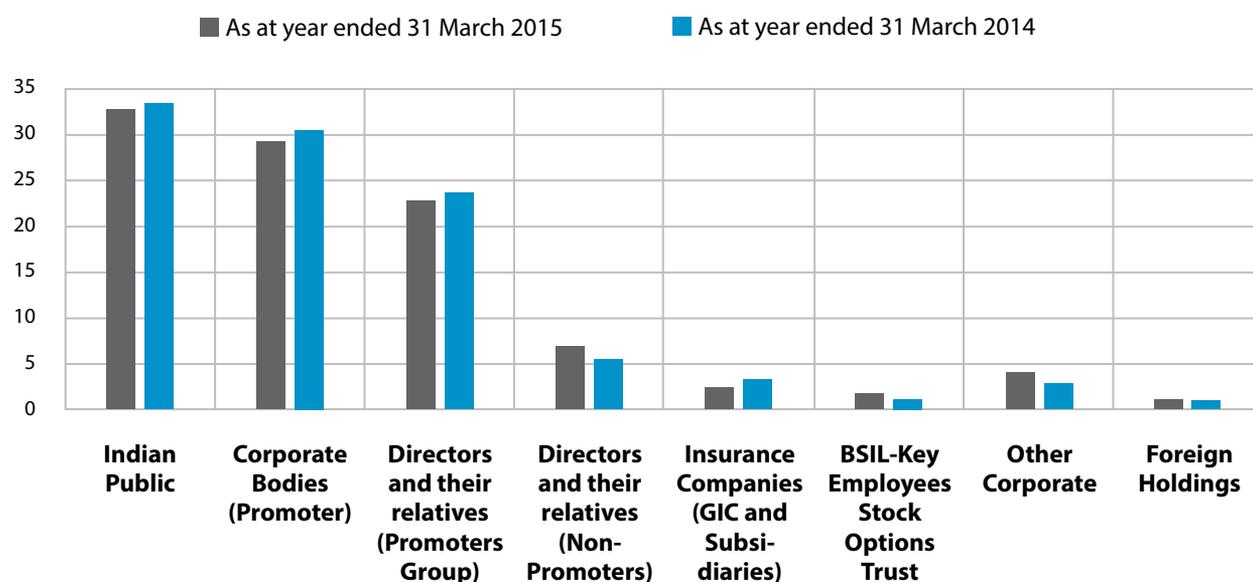
No. of Equity shares held	No. of shareholders	% of shareholders	Total No. of Shares held	Total % of shares held
5,001 - 10,000	61 <i>(60)</i>	0.49 <i>(0.46)</i>	4,35,657 <i>(4,42,901)</i>	4.03 <i>(4.26)</i>
10,001 and above	76 <i>(65)</i>	0.62 <i>(0.50)</i>	79,35,596 <i>(74,73,244)</i>	73.48 <i>(71.97)</i>
<b>Total</b>	<b>12,345</b> <i>(13,121)</i>	<b>100.00</b> <i>(100.00)</i>	<b>1,08,00,000</b> <i>(1,03,85,000)</i>	<b>100.00</b> <i>(100.00)</i>

Previous year's figures are indicated in brackets in italics.

**r) Categories of Shareholders**

Particulars of Shareholding	As at 31 March 2015		As at 31 March 2014	
	No. of Shares	%	No. of Shares	%
Indian Public	35,27,735	32.66	34,42,987	33.15
Corporate Bodies (Promoter)	31,48,213	29.15	31,48,213	30.31
Directors and their relatives (Promoters)	24,44,211	22.63	24,44,211	23.54
Directors and their relatives (Non- Promoters)	7,46,007	6.91	5,65,888	5.45
Insurance Companies (GIC and Subsidiaries)	2,36,079	2.19	3,09,432	2.98
BSIL – Key Employees Stock Options Trust	1,74,488	1.62	1,09,563	1.06
Other Corporate	4,12,832	3.82	2,75,995	2.66
Foreign Holdings	1,10,435	1.02	88,711	0.85
<b>Total</b>	<b>1,08,00,000</b>	<b>100</b>	<b>1,03,85,000</b>	<b>100</b>

**Shareholding pattern**



## XXII. SHAREHOLDER STRENGTH

As at 31 March 2015, the Company had 12,345 (previous year 13,121) registered shareholders. 32.66% (previous year 33.15%) of the Company's shares were held by the public. The promoters, including Blue Star Limited, hold 51.78% (previous year 53.85%) of shares; the ESOP Trust holds 1.62% (previous year 1.06%) and 2.19% (previous year 2.98%), 3.82% (previous year 2.66%) and 1.02% (previous year 0.85%) are held by insurance companies, other corporate and foreign parties respectively.

## XXIII. DEMATERIALISATION OF SHARES AND LIQUIDITY

97.59 % (previous year 97.31 %) of the Company's equity shares were dematerialised as at 31 March 2015. 32.66% (previous year 33.15%) of the equity shares are held by the public and the shares are traded daily on the BSE and NSE.

## XXIV. OFFICE LOCATIONS

### Registered Office:

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

### Development Centres (In India):

- The Great Oasis,  
3<sup>rd</sup> and 8<sup>th</sup> Floor, Plot No. D -13,  
MIDC, Andheri (East),  
Mumbai 400 093.
- MIDC, SEEPZ, Andheri (East), Mumbai 400 096
  - i. Unit 74 at SDF III
  - ii. Unit 150 at SDF V
  - iii. Unit 181 at SDF VI
  - iv. Unit 188 at SDF VI
- #7, 18<sup>th</sup> Main Road,  
7<sup>th</sup> Block Koramangala,  
Bengaluru 560 095.

## XXV. SHAREHOLDER INQUIRIES

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

### Blue Star Infotech Limited

(Attn: The Investor Relations Department)

8<sup>th</sup> floor, The Great Oasis,  
Plot No.D-13, MIDC, Andheri (East),  
Mumbai 400 093.

Tel: +91-22-66956969

Fax: +91-22-66973866

[www.bsil.com](http://www.bsil.com)

**E-mail:**

Investor Relations: IR@bsil.com

Company Secretary: cs@bsil.com

**Registrar and Transfer Agents****Link Intime India Pvt. Ltd.****Unit: Blue Star Infotech Limited**

C-13 Pannalal Silk Mills Compound,  
LBS Marg, Bhandup West,  
Mumbai 400078.

Tel.: +91-22-25946970

Fax: +91- 22-25946969

E-mail: rnt.helpdesk@linkintime.co.in

# **CODE OF CONDUCT DECLARATION**

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

**To**

**The Members of Blue Star Infotech Limited**

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with the Code of Conduct from all the Board members and Senior Management personnel of the Company for the financial year ended 31 March 2015.

**Suneel Advani**

Chairman and Managing Director

Place : Mumbai

Date : 14 May 2015

## Auditor's Certificate on Compliance of Conditions of Corporate Governance

To

**The Members of Blue Star Infotech Limited**

We have examined the compliance of the conditions of Corporate Governance by Blue Star Infotech Limited (the 'Company') for the year ended 31 March 2015, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

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

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

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Amyr Jassani**

Partner

Membership No.: 46447

Place: Mumbai

Date: 14 May 2015

## Certificate of Chief Executive Officer and Chief Financial Officer on Corporate Governance

To,

### The Board of Directors

#### Blue Star Infotech Limited

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

Dear Sirs,

#### Sub: CEO / CFO CERTIFICATE

We, Sunil Bhatia, Chief Executive Officer and Managing Director and Alope Ghosh, Chief Financial Officer and Company Secretary hereby certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - 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, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violates 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 the internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) There have been no significant changes in the internal control over financial reporting or the accounting policies. There were no instances of significant fraud on/by the Company of which we have become aware.

This Certificate is given by the undersigned with full knowledge that, on its faith and strength, reliance is placed by the Board of Directors of the Company.

#### Sunil Bhatia

Chief Executive Officer  
and Managing Director

#### Alope Ghosh

Chief Financial Officer  
and Company Secretary

Place: Mumbai

Date: 14 May 2015

# INDEPENDENT AUDITORS' REPORT

## To the Members of Blue Star Infotech Limited

### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Blue Star Infotech Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

2. 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 financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and 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.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. We conducted our audit in accordance with the Standards on Auditing 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 31 March 2015, and its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 standalone financial statements dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. on the basis of the written representations received from the directors as on 31 March 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act;
  - f. 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. as detailed in Note 2.23 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its financial position;
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants  
Firm Registration No.: 001076N/N500013

per **Amyr Jassani**  
Partner  
Membership No.: 46447

Place: Mumbai  
Date : 14 May 2015

## Annexure to the Independent Auditors' Report of even date to the members of Blue Star Infotech Limited, on the financial statements for the year ended 31 March 2015

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (ii) The Company does not have any tangible inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (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) To the best of our knowledge and belief, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

- (b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in Lakhs)	Amount Paid Under Protest (₹ in Lakhs)	Period to which the amount relates (Financial year)	Forum where dispute is pending
Income Tax Act, 1961	Tax Deducted at Source in foreign country	53.48	53.48	2006-07	Income Tax Appellate Tribunal
	Penalty u/s 271(1)(c)	50.77	-	2006-07	Commissioner of Income Tax (Appeals)
	Tax Deducted at Source in foreign country	193.32	193.32	2005-06	Income Tax Appellate Tribunal
	Income tax demand	327.47	-	2005-06	Commissioner of Income Tax (Appeals)
	Penalty u/s 271(1)(c)	63.61	-	2005-06	Commissioner of Income Tax (Appeals)
	Income tax demand	276.83	-	2004-05	Deputy Commissioner of Income Tax

- (c) The Company has transferred the amount required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder within the specified time.

- (viii) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (ix) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (x) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

(xi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(xi) of the Order are not applicable.

(xii) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co LLP**

(Formerly Walker, Chandiok & Co)

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Amyl Jassani**

Partner

Membership No.: 46447

Place: Mumbai

Date: 14 May 2015

# BALANCE SHEET

As at 31 March 2015

₹ in Lakhs

	Notes	As at 31 March 2015	As at 31 March 2014
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2.1	1,080.00	1,038.50
Reserves and surplus	2.2	9,526.52	8,740.79
		<b>10,606.52</b>	<b>9,779.29</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	2.3	155.49	178.64
Other long-term liabilities	2.4	-	331.58
Long-term provisions	2.5	184.42	170.23
		<b>339.91</b>	<b>680.45</b>
<b>Current liabilities</b>			
Trade payables	2.6	355.16	445.15
Other current liabilities	2.7	1,861.00	1,411.59
Short-term provisions	2.8	554.29	489.01
		<b>2,770.45</b>	<b>2,345.75</b>
<b>Total</b>		<b>13,716.88</b>	<b>12,805.49</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	2.9	1,804.86	1,965.69
Intangible assets	2.9	132.32	196.38
Intangible assets under development		231.76	114.50
Non-current investments	2.11	2,865.37	2,561.82
Long-term loans and advances	2.12	2,459.70	2,336.78
Other non-current assets	2.13	8.34	6.37
		<b>7,502.35</b>	<b>7,181.54</b>
<b>Current assets</b>			
Trade receivables	2.14	4,532.43	4,492.14
Cash and bank balances	2.15	1,362.86	926.86
Short-term loans and advances	2.16	275.90	117.00
Other current assets	2.17	43.34	87.95
		<b>6,214.53</b>	<b>5,623.95</b>
<b>Total</b>		<b>13,716.88</b>	<b>12,805.49</b>
<b>Significant Accounting Policies and Notes to the Financial Statements</b> 1 to 2.34			

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, ChandioK & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

per **AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# STATEMENT OF PROFIT AND LOSS

For the year ended 31 March 2015

₹ in Lakhs

	Notes	Year ended 31 March 2015	Year ended 31 March 2014
<b>Revenue</b>			
Sales and software services	2.18		
Exports		10,956.75	8,859.52
Domestic		2,863.85	3,811.63
		<b>13,820.60</b>	<b>12,671.15</b>
Other income	2.19	594.66	562.47
<b>Total</b>		<b>14,415.26</b>	<b>13,233.62</b>
<b>Expenses</b>			
Purchase of traded software licenses		271.03	439.67
Purchase of traded hardware		234.80	73.09
Employee benefits expenses	2.20	7,264.06	6,534.44
Finance costs	2.21	50.83	46.68
Depreciation and amortisation expense	2.9	348.66	338.98
Other expenses	2.22	4,686.85	4,342.28
<b>Total expenses</b>		<b>12,856.23</b>	<b>11,775.14</b>
<b>Profit before tax</b>		<b>1,559.03</b>	<b>1,458.48</b>
Tax Expense			
– Current Tax		357.94	397.90
– Deferred tax		11.89	22.40
– MAT Credit Entitlement		(31.03)	-
– Tax pertaining to earlier years		51.20	-
		390.00	420.30
<b>Net Profit</b>		<b>1,169.03</b>	<b>1,038.18</b>
Earning per equity share (Basic) - (₹)	2.31	11.06	10.00
Earning per equity share (Diluted) - (₹)	2.31	10.47	9.62
Face value per share - (₹)		10.00	10.00
<b>Significant Accounting Policies and Notes to the Financial Statements</b> 1 to 2.34			

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

per **AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# CASH FLOW STATEMENT

For the year ended 31 March 2015

₹ in Lakhs

	Year Ended 31 March 2015		Year Ended 31 March 2014	
<b>[A] Cash flows from operating activities</b>				
Profit before tax	1,559.03		1,458.48	
Depreciation and amortisation expense	348.66		338.98	
Unrealised foreign exchange loss (net)	(67.50)		134.03	
Loss / (gain) on sale of fixed assets (net)	(3.49)		(2.51)	
Bad debt written off	30.54		-	
Excess provision for doubtful debts written back	-		(6.11)	
Dividend income	(0.58)		(6.36)	
Provision for bad and doubtful debts	15.56		13.13	
Finance Costs	50.83		46.68	
Interest income	(14.34)		(16.17)	
	<b>359.68</b>		<b>501.67</b>	
Operating profit before working capital changes	1,918.71		1,960.15	
Adjustment for:				
Trade and other receivables	(156.39)		(516.96)	
Trade payables and other liabilities	65.66		543.50	
	<b>(90.73)</b>		<b>26.54</b>	
Cash generated from operations	1,827.98		1,986.69	
Direct taxes (paid)/ refund received	(704.13)		(685.29)	
<b>Net cash from operating activities</b>		<b>1,123.85</b>		<b>1,301.40</b>
<b>[B] Cash flows from investing activities</b>				
Purchase of fixed assets (Including capital advances)	(138.76)		(595.07)	
Sale of fixed assets	5.13		8.43	
Purchase of investments	(100.00)		(1,790.00)	
Sale of investments	100.58		1909.30	
Investment in subsidiary company	(303.55)		(1,006.61)	
Dividend received	0.58		6.36	
Dividend reinvested in mutual funds	(0.58)		(6.36)	
Interest received	14.02		38.38	
Fixed deposit encashed from bank	9.51		552.24	
<b>Net cash (used in) investing activities</b>		<b>(413.07)</b>		<b>(883.33)</b>

₹ in Lakhs

	Year Ended 31 March 2015		Year Ended 31 March 2014	
<b>[C] Cash flows from financing activities</b>				
Interest and processing fees paid	(50.83)		(46.68)	
Issue of share capital	253.91		-	
Dividend and tax thereon paid	(486.00)		(243.00)	
<b>Net cash (used in) financing activities</b>		<b>(282.92)</b>		<b>(289.68)</b>
Net increase/(decrease) in cash and cash equivalents		427.86		128.39
Cash and cash equivalents - opening balance		859.81		731.42
<b>Cash and cash equivalents - closing balance</b>		<b>1,287.67</b>		<b>859.81</b>
Cash and cash equivalents comprise of:				
Balances with banks in:				
– current accounts (including EEFC accounts)		1,030.40		783.68
– deposit accounts		262.97		62.61
Cash and cash equivalents as per books		1,293.37		846.29
Exchange difference on translation of foreign currency accounts		(5.70)		13.52
		<b>1,287.67</b>		<b>859.81</b>

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

per **AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### COMPANY OVERVIEW

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

As of 31 March 2015, Blue Star Limited and other promoters owned 51.78% of the Company's equity share capital and have the ability to control its operating and financial policies. The Company's registered office is in Mumbai and it has three subsidiaries, one company under common management and control and three step-down subsidiaries across the globe.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the 'Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). These financial statements have been prepared under the historical cost convention on accrual basis of accounting. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as stated in Note 1(b) below.

#### (b) Change in accounting policy

Effective 1 April 2014, the Company has retrospectively changed its method of providing depreciation on furniture & fixtures from the 'Written Down Value' method to the 'Straight Line' method, at the rates prescribed in Schedule II to the Companies Act, 2013. Management believes that this change will result in more appropriate presentation of the financial statements of the Company. Accordingly, the Company has recorded reversal of accumulated depreciation charge of ₹ 70.70 Lakhs in current year.

#### (c) Use of estimates

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

#### (d) Fixed assets, Capital work-in-progress and Depreciation

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- (ii) Depreciation is provided on Building, Plant and Equipment, Furniture & Fixtures and Office Equipment under the Straight-Line Method and on other fixed assets, other than Leasehold Building improvements, under the Written Down Value Method. Depreciation is provided on a pro-rata basis using the useful lives and in the manner prescribed under Schedule II of the Companies Act, 2013, which also represent the useful life of fixed assets.
- (iii) Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is lower, on a straight-line basis.
- (iv) Assets acquired but not ready for use or assets under construction are classified under Capital Work in Progress.

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

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

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

**(e) Intangible assets**

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

**(f) Intangible assets under development**

The Company recognizes the cost of developing intellectual property rights as an intangible asset, which in its opinion would result in commercial benefits over several financial years.

The initial investment towards development or the cost of creation of the intellectual property rights is treated as capital expenditure. The same would be amortized over the commercial life of intellectual property rights so created.

**(g) Borrowing Cost**

Borrowing cost attributable to the acquisition or setting-up of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

**(h) Investments**

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

**(i) Foreign currency transactions**

- (i) Initial Recognition - Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction.
- (ii) Conversion - Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet.
- (iii) Exchange Differences - All exchange differences arising on settlement/conversion of foreign currency transactions are included in the Statement of Profit and Loss in the year in which they arise.
- (iv) Forward Cover - The Company uses foreign exchange forward contracts and option contracts to hedge its exposure on foreign currency fluctuations. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts/ option contracts is recognised as income or expense for the year.
- (v) Pursuant to the Announcement 'Accounting for Derivatives' by the Institute of Chartered Accountants of India, the Company has adopted Accounting Standard 30, Financial Instruments: Recognition and Measurement, prescribed by the Institute of Chartered Accountants of India, with effect from 1 April 2008.

Consequently, outstanding forward contracts have been treated as highly probable forecast transactions based on historic trends. Accordingly, gains / losses arising on 'mark to market' of such open forward contracts have been accumulated in 'Hedging Reserve Account'. The Company uses forward contracts as economic hedges and not for trading or speculative purposes.

**(j) Staff benefits**

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

**(k) Revenue recognition**

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

**(l) Lease rentals**

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

**(m) Taxes on Income**

The provision for current taxation is computed in accordance with the relevant tax regulations. Deferred tax is recognised on timing differences between the accounting and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets in respect of unabsorbed depreciation and carry forward losses under tax laws are recognised and carried forward to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable

income will be available against which such deferred tax assets can be realised in future. Where there is no unabsorbed depreciation and/or carry forward losses, other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess realisation.

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

**(n) Provisions and contingent liabilities**

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

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

**2. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

All amounts in the financial statements are presented in Indian Rupees Lakhs (₹ in Lakhs) and two decimal places thereafter, except for per share data or as otherwise stated.

**2.1 Share capital**

(₹ in Lakhs)

	As at 31 March 2015	As at 31 March 2014
<b>Authorised</b> 2,00,00,000 (31 March 2014: 2,00,00,000) Equity Shares of ₹ 10 each	2,000.00	2,000.00
<b>Issued, subscribed and paid up</b> 1,08,00,000 (31 March 2014: 1,03,85,000) Equity Shares of ₹ 10 each fully paid-up	1,080.00	1,038.50
	<b>1,080.00</b>	<b>1,038.50</b>

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

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

During the year ended 31 March 2015, the amount of dividend recognized as distributable to equity shareholders was ₹ 4/- per share. The total dividend appropriation for the year ended 31 March 2015 amounted to (₹ in Lakhs) 522.40 (Previous year (₹ in Lakhs) 486) including corporate dividend tax of (₹ in Lakhs) 90.40 (Previous year (₹ in Lakhs) 70.60).

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

The reconciliation of the number of shares outstanding and the amount of share capital as at 31 March 2015 and 31 March 2014 is set out below:

	As at 31 March 2015		As at 31 March 2014	
	Number	Amount (₹ In Lakhs)	Number	Amount (₹ In Lakhs)
Balance at the beginning of the year	1,03,85,000	1,038.50	1,03,85,000	1,038.50
Add: Issued during the year	4,15,000	41.50	-	-
Balance at the end of the year	1,08,00,000	1,080.00	1,03,85,000	1,038.50

### Shareholders holding more than 5% Shares

As at 31 March 2015, Blue Star Limited holds 28.69% (30,98,025 shares) of the Company's shares (29.83% (30,98,025 shares) as of 31 March 2014) and Mr. Ashok Mohan Advani holds 7.36% (795,165 shares) of the Company's shares (7.66% (7,95,165 shares) as of 31 March 2014).

### Stock Option Plan

- The Company has implemented Employee Stock Option Plans for the key employees of the Company and its subsidiaries through the Blue Star Infotech Limited – Key Employee Stock Option Trust (the 'Trust') formed for the purpose. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the Blue Star Infotech Limited – Key Employee Stock Option Scheme (the 'ESOP scheme') were purchased by the trust from the open market and acquired through fresh issue of shares by the Company.

Post 16 February 2013, as per SEBI mandate, the Company is required to issue fresh shares to the Trust for a consideration to meet its obligations under the ESOP scheme. Pursuant to the ESOP scheme, the Board at its meeting held on 23 July 2014 approved issue of 4,15,000 shares to the Trust for subsequent issue to eligible employees under the ESOP scheme.

The position of the Key Employee Stock Option Plans of the Company as at 31 March 2015 is as under:

Sr. No.	Particulars	ESOP Scheme 2003 (Revised 2015)
1	Details of approval	Compensation Committee resolution dated 22 July 2011, 31 August 2012, 29 March 2013, 29 May 2013, 18 December 2013 and 18 December 2014
2	Implemented through	Trust
3	Total number of shares	15,00,000
4	Price per option	Closing market price prevailing on the previous day prior to issue of options
5	Granted	15,18,000 (Including ESOP's issued against lapsed options)
6	Vested	4,74,375
7	Exercised	4,15,075
8	Lapsed/cancelled options	1,17,525
9	Vested and unexercised	49,400
10	Total number of options in force	9,85,400
11	Money realised	₹ 2,53,74,025
12	<b>Vesting Schedule</b>	
	<b>Designation</b>	
	Managerial Employees	1) Vesting is upto a period of 4 years from date of grant. 2) All options were granted to managerial employees, of which 474,375 options are vested.

13 Senior Managerial Personnel	Options Granted	Options Vested	Options Cancelled / lapsed	Options Exercised	Balance
	1,518,000	4,74,375	1,17,525	4,15,075	9,85,400

14. All options have an exercise period of 1 to 4 years after vesting period.

**Notes:**

- a) The shareholders, in the Annual General Meeting held on 22 July 2011 had approved the grant of 10,00,000 employee stock options in accordance with the ESOP Scheme, equivalent to 10% of the issued and paid up share capital of the Company as at 31 March 2011.
- b) By virtue of a postal ballot, the shareholders accorded their approval, the result of which was declared on 12 December 2013 for the additional grant of 5,00,000 employee stock options in accordance with the ESOP Scheme, equivalent to 4.81% of the issued and paid up share capital of the Company as at 31 March 2013.
- c) The compensation committee granted 5,15,000 options on 31 August 2012 at ₹ 60 per share, 170,000 options on 29 March 2013 at ₹ 57 per share, 4,67,000 options on 29 May 2013 at ₹ 52 per share, 95,000 options on 18 December 2013 at ₹ 83 per share and 2,71,000 options on 18<sup>th</sup> December 2014 at ₹ 188 per share to key managerial employees of the Company and its subsidiaries (including an executive director of the Company). The grant price is based on the closing market price prevailing on the date prior to the date of grant, on the stock exchange recording highest volume.
- d) There is one employee (Mr. Sunil Bhatia – Chief Executive Officer and Managing Director) in the Group who has been granted options (9,82,000) which exceeds 5% of the Issued Capital.
- e) There is a potential dilution by 8,10,912 options/shares in future, which is representative of shares required by the trust to meet the obligation towards options to be exercised in future. The options/shares to the extent not held by the trust and to be exercised in future will be allotted by the Company to the Trust at the option grant price.
- f) In the event of any further rights or bonus issue of equity shares after vesting but prior to exercise of the options, the Company/ Trust shall consider the grant of an appropriate number of additional options, at such price as may be determined by the Compensation Committee.
- g) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method. The intrinsic value of the stock options issued by the Company to its employees for services rendered by them is measured as the amount by which the quoted market price of the Company's share as on the date of grant exceeds the exercise price of the stock option. Considering that the stock options have been issued with an exercise price that equals the quoted share price on the previous day, there is no compensation cost recognised in the financial statements using the intrinsic value method.
- h) The date of grant of options, exercise price per share and the estimated fair value per outstanding option as at 31 March 2015 is as follows:

Sr. No.	Number of shares	Date of grant	Exercise price per share (₹)	Estimated fair value per option (₹)
1	133,000	31 August 2012	60	144.90
2	23,100	29 March 2013	57	145.97
3	24,800	29 March 2013	57	146.81
4	26,500	29 March 2013	57	151.55

Sr. No.	Number of shares	Date of grant	Exercise price per share (₹)	Estimated fair value per option (₹)
5	117,000	29 May 2013	52	152.06
6	250,000	29 May 2013	52	156.27
7	100,000	29 May 2013	52	160.45
8	1,500	18 December 2013	83	121.44
9	18,700	18 December 2013	83	129.74
10	19,800	18 December 2013	83	137.62
11	70,100	18 December 2014	188	70.28
12	71,100	18 December 2014	188	87.44
13	72,800	18 December 2014	188	101.13
14	57,000	18 December 2014	188	112.52

i) The movement of stock options during the year ended 31 March 2015 are summarized below:

	Number of options
Outstanding at the beginning of the year	11,52,000
Granted during the year	2,71,000
Forfeited during the year	Nil
Exercised during the year	3,50,075
Expired during the year	87,525
Outstanding at the end of the year	9,85,400
Exercisable at the end of the year	49,400

j) The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at 31 March 2015 is as follows:

Number of options	Exercise price per share (₹)	Expected remaining contractual life
1,500	83	9 months
23,100	57	10 months
24,800	57	12 months
133,000	60	14 months
117,000	52	14 months
18,700	83	21 months
70,100	188	21 months
26,500	57	24 months
250,000	52	26 months
19,800	83	33 months
71,100	188	27 months
100,000	52	38 months
72,800	188	39 months
57,000	188	51 months

- k) For purposes of the proforma disclosures, the fair value of each option grant was estimated as at 31 March 2015 using the Black Scholes Option Valuation model with the following assumptions:
- dividend yield of 2.01%;
  - risk free interest rate of 7.61 to 7.65%;
  - expected volatility of 54.97% based on historical volatility; and
  - expected option life of 2.00 years.
- l) **Proforma disclosures using fair value of options granted**

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Profit after taxation as per Statement of Profit and Loss	1,169.03	1038.18
Less: Amortised cost of fair value of options (net of tax)	137.16	171.05
Profit after taxation after amortisation of options cost	1,031.87	867.13
Earnings Per Share- (EPS) in ₹ – Basic	9.76	8.35
Earnings Per Share- (EPS) in ₹ – Diluted	9.24	8.04

## 2.2 Reserves and surplus

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Securities premium account</b>		
Balance at the beginning of the year	<b>355.12</b>	<b>355.12</b>
Add : Receipts on issue of equity shares to Trust	212.41	-
<b>Balance at the end of the year</b>	<b>567.53</b>	<b>355.12</b>
<b>General reserve</b>		
Balance at the beginning of the year	2178.27	2074.45
Add: Transfer from Statement of Profit and Loss	116.90	103.82
<b>Balance at the end of the year</b>	<b>2,295.17</b>	<b>2,178.27</b>
<b>Hedging reserve on forward contracts</b>		
Balance at the beginning of the year	-	(138.37)
Less : Movement during the year	5.25	138.37
<b>Balance at the end of the year</b>	<b>(5.25)</b>	<b>-</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	6,207.40	5,759.04
Add: Transferred from Statement of Profit and Loss	1,169.03	1,038.18
Less : Transitional adjustment on account of Schedule II to Companies Act, 2013*	68.06	-
Less : Proposed final dividend	432.00	415.40
Less : Corporate dividend tax	90.40	70.60
Less : Amount transferred to General reserve	116.90	103.82
<b>Net surplus in the Statement of Profit and Loss</b>	<b>6,669.07</b>	<b>6,207.40</b>
<b>Total Reserves and surplus</b>	<b>9,526.52</b>	<b>8,740.79</b>

\* Represents the written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014. These balances (net of deferred tax benefit of ₹ 35.04 Lakhs) have been adjusted against the opening balance of Retained Earnings.

### 2.3 Deferred tax liabilities (net)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deferred tax liability on:		
Depreciation *	161.65	178.64
Deferred tax assets on:		
Allowance for doubtful debts	6.16	-
	<b>155.49</b>	<b>178.64</b>

\* Net of deferred tax benefit of ₹ 35.04 Lakhs on write off of written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014.

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

### 2.4 Other long-term liabilities

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deposits against leasehold premises	-	331.58
	-	<b>331.58</b>

### 2.5 Long-term provisions

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Provision for employee benefits (Also refer note 2.30)</b>		
Compensated absences	184.42	170.23
	<b>184.42</b>	<b>170.23</b>

## 2.6 Trade payables

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Sundry creditors-for services (Also refer note 2.28)	355.16	445.15
	<b>355.16</b>	<b>445.15</b>

## 2.7 Other current liabilities

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	1,344.98	1,243.79
Deposits against leasehold premises	331.58	-
Unearned revenue	41.43	57.07
Unclaimed dividends*	20.61	20.20
Hedging reserve on open forward contracts	5.25	-
Advance from customer	11.16	11.16
Statutory liabilities	105.99	79.37
	<b>1,861.00</b>	<b>1,411.59</b>

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

## 2.8 Short-term provisions

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>For employee benefits (Also refer note 2.30)</b>		
Compensated absences	3.16	2.87
Gratuity	28.73	-
<b>For others</b>		
Proposed dividend	432.00	415.40
Corporate dividend tax	90.40	70.60
Wealth tax	-	0.14
	<b>554.29</b>	<b>489.01</b>

## 2.9 Fixed assets

(₹ in Lakhs)

Description of assets	Gross Block (at cost)				Depreciation/Amortisation				Net Block		
	As at 1 April 2014	Additions /Transfers during April 14-March 15	Deletions /Transfers during April 14-March 15	As at 31 March 2015	As at 1 April 2014	For the year, April 14-March 15	With-drawals during April 14-March 15	Adjust-ments*	As at 31 March 2015	As at 31 March 2015	As at 31 March 2014
<b>Tangible assets</b>											
Building (given on lease)	1,402.65	-	-	<b>1,402.65</b>	214.11	23.37	-	-	<b>237.48</b>	<b>1,165.17</b>	<b>1,188.54</b>
Leasehold building improvements	624.58	-	-	<b>624.58</b>	300.26	58.93	-	-	<b>359.19</b>	<b>265.39</b>	<b>324.32</b>
Plant and equipment	137.33	4.72	-	<b>142.05</b>	112.11	2.79	-	-	<b>114.90</b>	<b>27.15</b>	<b>25.22</b>
Computers	922.87	188.00	70.47	<b>1,040.40</b>	676.31	215.32	70.13	32.76	<b>854.26</b>	<b>186.14</b>	<b>246.56</b>
Furniture and fixtures	574.55	-	-	<b>574.55</b>	461.25	(70.70) #	-	70.34	<b>460.89</b>	<b>113.66</b>	<b>113.30</b>
Office equipment	108.59	2.64	-	<b>111.23</b>	85.14	6.58	-	-	<b>91.72</b>	<b>19.51</b>	<b>23.45</b>
Vehicles	96.49	-	9.02	<b>87.47</b>	52.19	15.17	7.73	-	<b>59.63</b>	<b>27.84</b>	<b>44.30</b>
<b>Total – A</b>	<b>3,867.06</b>	<b>195.36</b>	<b>79.49</b>	<b>3,982.93</b>	<b>1,901.37</b>	<b>251.46</b>	<b>77.86</b>	<b>103.10</b>	<b>2,178.07</b>	<b>1,804.86</b>	<b>1,965.69</b>
<b>Intangible assets</b>											
Computer software	580.61	33.14	-	<b>613.75</b>	384.23	97.20	-	-	<b>481.43</b>	<b>132.32</b>	<b>196.38</b>
<b>Total – B</b>	<b>580.61</b>	<b>33.14</b>	<b>-</b>	<b>613.75</b>	<b>384.23</b>	<b>97.20</b>	<b>-</b>	<b>-</b>	<b>481.43</b>	<b>132.32</b>	<b>196.38</b>
<b>TOTAL – (A + B)</b>	<b>4,447.67</b>	<b>228.50</b>	<b>79.49</b>	<b>4,596.68</b>	<b>2,285.60</b>	<b>348.66</b>	<b>77.86</b>	<b>103.10</b>	<b>2,659.50</b>	<b>1,937.18</b>	<b>2,162.07</b>
<i>Previous year</i>	<b>4,178.97</b>	<b>340.19</b>	<b>71.49</b>	<b>4,447.67</b>	<b>2,012.19</b>	<b>338.98</b>	<b>65.57</b>	<b>-</b>	<b>2,285.60</b>	<b>2,162.07</b>	<b>-</b>

\* Represents the written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014. These balances (net of deferred tax benefit of ₹ 35.04 Lakhs) have been adjusted against the opening balance of Retained Earnings.

# Refer note 1b

## 2.10 Operating lease obligations

- The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 426.06 (Previous year (₹ in Lakhs) 429.57) is recognised as lease expenses in the Statement of profit and loss for the year ended 31 March 2015. The future guaranteed lease payments under non-cancellable portion of cancellable leases are:
  - less than one year – (₹ in Lakhs) 12.25 (Previous year (₹ in Lakhs) Nil)
  - later than one year but not later than 5 years – (₹ in Lakhs) NIL (Previous year (₹ in Lakhs) NIL)
- The Company has leased out office premises and furniture under non-cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 488.77 (Previous year (₹ in Lakhs) 488.76) is recognised as lease income in the Statement of profit and loss for the year ended 31 March 2015. The future guaranteed lease payments under non-cancellable leases are:
  - less than one year - (₹ in Lakhs) Nil (Previous year (₹ in Lakhs) 539.04)
  - later than one year but not later than 5 years - (₹ in Lakhs) Nil (Previous year (₹ in Lakhs) Nil).

## 2.11 Non-current investments

### Trade, unquoted (Valued at cost unless stated otherwise)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Investment in subsidiary companies</b>		
2,350,000 shares (common stock) of US\$ 1 each in Blue Star Infotech America, Inc., fully paid-up (Previous year 1,850,000 shares of US\$ 1 each fully paid-up)	1,292.57	989.02
300,000 equity shares of GBP 1 each in Blue Star Infotech (UK) Limited, fully paid-up (Previous year 300,000 equity shares of GBP 1 each, fully paid-up)	208.29	208.29
150,000 equity shares of SGD 10 each in Blue Star Infotech (Singapore) Pte. Limited, fully paid-up (Previous year 150,000 equity shares of SGD 10 each, fully paid-up)	662.65	662.65
24,84,909 equity shares of ₹ 10 each in Blue Star Infotech Business Intelligence and Analytics Private Limited (Formerly known as Activecubes Solutions India Private Limited), fully paid-up (Previous year 24,84,909 equity shares of ₹ 10 each, fully paid-up)	701.86	701.86
Note : Aggregate book value of unquoted investments (₹ in Lakhs) 2,865.37 (Previous year (₹ in Lakhs) 2,561.82)		
	<b>2,865.37</b>	<b>2,561.82</b>

## 2.12 Long-term loans and advances (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Capital advances	24.75	231.74
Deposit for Rent, Electricity and Water	357.38	353.50
Corpus to Provident Fund Trust	0.25	0.25
Corpus to ESOP Trust	0.05	0.05
MAT credit entitlement	184.08	153.05
Advance tax (net of provision)	1,893.19	1,598.19
	<b>2,459.70</b>	<b>2,336.78</b>

## 2.13 Other non-current assets (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deposits with maturity exceeding twelve months	8.34	6.37
	<b>8.34</b>	<b>6.37</b>

## 2.14 Trade receivables (Unsecured)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
– Considered good	170.58	203.35
– Considered doubtful	17.81	50.49
	<b>188.39</b>	<b>253.84</b>
<b>Other debts</b>		
– Considered good	4,361.85	4,288.79
– Considered doubtful	-	-
	<b>4,550.24</b>	<b>4,542.63</b>
Less: Provision for bad and doubtful debts	17.81	50.49
	<b>4,532.43</b>	<b>4,492.14</b>

Note: Trade receivables include due from Subsidiaries and Associates (₹ in Lakhs) 2,709.64 {Previous year (₹ in Lakhs) 2,796.22}

## 2.15 Cash and bank balances

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Cash and cash equivalents</b>		
Cash on hand	-	-
Balances with banks in:		
– current accounts (including EEFC accounts)	1,030.40	783.68
– deposit accounts (with maturity up to 3 months)	262.97	62.61
	<b>1,293.37</b>	<b>846.29</b>
<b>Other bank balances*</b>		
Unclaimed dividend accounts **	20.61	20.20
Deposits with maturity of more than 3 months but less than 12 months	48.88	60.37
Bank deposits with maturity of more than 12 months	8.34	6.37
	<b>77.83</b>	<b>86.94</b>
Less: Amounts disclosed as other non-current assets (also refer note 2.13)	(8.34)	(6.37)
	<b>1,362.86</b>	<b>926.86</b>

\* Includes margin money with bank against bank guarantees (₹ in Lakhs) 46.51 (Previous year (₹ in Lakhs) 66.74).

\*\* Not available for use by the Company.

## 2.16 Short-term loans and advances (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Advance payment to Gratuity trust (Also refer note 2.30)	-	26.01
Prepaid expenses	90.70	62.02
Other deposits	2.40	2.40
Advances recoverable in cash or in kind or for value to be received	27.80	23.57
Loans and advances to related party*	-	3.00
Advance to ESOP trust	155.00	-
	<b>275.90</b>	<b>117.00</b>

\* Includes amount due from a director – (₹ in Lakhs) Nil (Previous year – (₹ in Lakhs) 3.00).

## 2.17 Other current assets (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deferred rent	-	50.27
Unbilled services	31.85	26.51
Interest accrued on bank deposits	11.49	11.17
	<b>43.34</b>	<b>87.95</b>

## 2.18 Sales and software services

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Income from software services	13,213.91	11,962.22
Income from sale of software licences / hardware	603.88	612.97
Reimbursement income	2.81	95.96
	<b>13,820.60</b>	<b>12,671.15</b>

## 2.19 Other income

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Profit on sale of assets (net)	3.49	2.51
Interest on bank deposits	14.34	16.17
Excess provision for doubtful debts written back	-	6.11
Dividend income from current investments	0.58	6.36
Gain on exchange translation	74.05	42.11
License fee for office property	488.77	488.76
Miscellaneous income	13.43	0.45
	<b>594.66</b>	<b>562.47</b>

## 2.20 Employee benefits expenses

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Salaries and wages	6,320.97	5,706.16
Contribution to provident and other funds	255.67	181.75
Staff welfare	342.33	296.81
Overseas employee costs	345.09	349.72
	<b>7,264.06</b>	<b>6,534.44</b>

## 2.21 Finance costs

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Interest expense	10.18	5.56
Other borrowing costs	40.65	41.12
	<b>50.83</b>	<b>46.68</b>

## 2.22 Other expenses

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Travelling and conveyance	538.44	371.44
Rent	426.06	429.57
Rates and taxes	17.82	14.50
Power	242.69	245.01
Communication expenses	289.40	243.78
Insurance	47.33	43.16
Repairs and maintenance		
– Building / Leasehold premises	86.59	88.96
– Computers and Air conditioners	47.41	26.50
– Others	19.83	24.86
Payment to auditors		
– Audit services	10.25	10.35
– Limited review	8.00	8.00
– Tax audit	2.75	2.00
– Certification work	1.20	2.40
– Out of pocket expenses	0.93	0.69
Directors' fees	21.10	5.80
Commission to non-executive Directors*	30.00	35.10
Cost of technical and other manpower	1,988.85	1,918.37
Professional charges	384.20	451.63
Bad debts written off	30.54	-
Provision for bad and doubtful debts (net)	15.56	13.13

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Recruitment charges	37.56	89.95
Security charges	44.17	42.42
Cost of software license and tools	174.08	126.60
Miscellaneous expenses	222.09	148.06
	<b>4,686.85</b>	<b>4,342.28</b>

\* This amount would be held in trust by the non-executive directors and is subject to the approval by the members at the ensuing Annual General Meeting.

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

- i) Contingent liability not provided in respect of:
- Demand(s) raised by the Income Tax authorities for prior financial year(s) aggregating (₹ in Lakhs) 441.85 (Previous year (₹ in Lakhs) 441.85) against which the Company has filed appeal(s) with the Commissioner of Income Tax (Appeals).
  - Appeal(s) filed with the Income Tax Appellate Tribunal towards income-tax demands amounting to (₹ in Lakhs) 246.80 (Previous year (₹ in Lakhs) 702.85).
  - Application(s) filed with the Deputy Commissioner of Income Tax towards income-tax demands amounting to (₹ in Lakhs) 276.83 (Previous year (₹ in Lakhs) 276.83).
- The Company is advised that it would get a favourable verdict and no demand would be eventually sustained in any of the above matters. Accordingly, no provision is made in the books in respect of these contingent liabilities.
- ii) Guarantees given on behalf of the Company by banks
- Towards contract performance obligations (₹ in Lakhs) 46.51 (Previous year (₹ in Lakhs) 66.84).
  - Towards Letter of Credit facilities on behalf of its subsidiary, Blue Star Infotech America, Inc. (₹ in Lakhs) 938.85 (Previous year (₹ in Lakhs) 898.58).
- iii) Guarantee given by Company on behalf of its subsidiary, Blue Star Infotech America, Inc. (₹ In Lakhs) 360.91 (Previous year (₹ in Lakhs) 601.00).

### 2.24 Additional information pursuant to the provisions of Schedule III to the Companies Act, 2013

The Company is engaged in the development of computer software. Considering the nature of business, certain details required under Schedule III to the Companies Act, 2013 are not applicable.

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
<b>Expenditure in foreign currency (on accrual basis):</b>		
Travel expenses	181.80	72.23
Overseas employee costs	345.09	349.72
Purchase of traded software licences	3.45	-
Purchase of software for own use	11.03	28.32
Reimbursement of Managing Director's Remuneration	320.29	186.37
Reimbursement of economic benefits to employees	101.89	282.28
	<b>963.55</b>	<b>918.92</b>
<b>Earnings in foreign exchange (on accrual basis):</b>		
Income from services	10,956.75	9,478.96

## 2.25 Dividend remitted in foreign currency:

There are no dividends remitted in foreign currency during the current and previous year.

## 2.26 Related party transactions

- i) Blue Star Infotech (UK) Limited (BSIUK), the 100 % subsidiary of the Company has earned profits during the year ended 31 March 2015 and also has a positive net worth, as at the year-end.
- ii) Blue Star Infotech America, Inc. (BSIA), the 100 % subsidiary of the Company has earned profits during the year ended 31 March 2015 and also has a positive net worth as at the year-end.
- iii) Blue Star Infotech (Singapore) Pte Limited (BSISGPL), the 100 % subsidiary of the Company has earned profits during the year ended 31 March 2015 and also has a positive net worth, as at the year-end.
- iv) Blue Star Infotech Business Intelligence and Analytics Private Limited (BSIBIA) (Formerly known as Activecubes Solutions India Private Limited), in which the Company exercises complete managerial and administrative control and of which 48.97% of the equity is held by the Company, is acquired on 1 August 2013 has earned profits during the year ended 31 March 2015 and also has a positive net worth.

### Related party disclosures:

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

### Names of related parties and description of relationship

Subsidiaries and related interests	(a) Blue Star Infotech America, Inc., USA (100% subsidiary) (b) Blue Star Infotech (UK) Limited, UK (100% subsidiary) (c) Blue Star Infotech (Singapore) Pte. Limited, Singapore (100% subsidiary) (d) Blue Star Infostack Solutions Pte. Limited (100% subsidiary of Blue Star Infotech (Singapore) Pte. Limited) (e) Blue Star Infostack (Malaysia) Sdn. Bhd. (100% subsidiary of Blue Star Infotech (Singapore) Pte. Limited) (f) Blue7 Solutions LLC, USA (100% subsidiary of Blue Star Infotech America, Inc., USA) (g) Blue Star Infotech Business Intelligence and Analytics Private Limited (Formerly known as Activecubes Solutions India Private Limited) (48.97% of shareholding) (with effect from 1 August 2013) - with complete managerial and administrative control.
Associate	Blue Star Limited (Holding 28.69% of the equity share capital of the Company)
Promoters	Mr. Suneel M. Advani, Chairman and Managing Director Mr. Ashok M. Advani, Vice-chairman
Entities in which one or more directors are common	(a) Talwar Thakore and Associates (b) Modern Family Doctor Pvt. Ltd.
Key Managerial Personnel & Relatives	Mr. Sunil Bhatia, Chief Executive Officer and Managing Director Mr. Vir Advani, Relative of Promoters Mr. Alope Ghosh, Chief Financial Officer and Company Secretary (Effective 2 June 2014) Mr. V. Sudarshan, Chief Financial Officer and Company Secretary (till 31 May 2014)

### Transactions with related parties and related balances

(₹ in Lakhs)

Particulars	Subsidiaries	Associate	Promoters	Entities in which one or more directors are common	Key Managerial Personnel & Relatives	Total for the year
<b>Rendering of Services</b>						
– Blue Star Infotech America, Inc.	4,853.33	-	-	-	-	4,853.33
– Blue Star Infotech (UK) Limited	1,433.00	-	-	-	-	1,433.00
– Blue Star Infotech (Singapore) Pte. Limited	1,101.65	-	-	-	-	1,101.65
– Blue Star Infostack Solutions Pte. Limited	1.92	-	-	-	-	1.92
– Blue Star Infotech Business Intelligence and Analytics Private Limited	147.94	-	-	-	-	147.94
– Blue Star Limited	-	1,118.15	-	-	-	1,118.15
	<b>5,805.95</b>	<b>952.68</b>	-	-	-	<b>6,758.63</b>
<b>Receiving of Services</b>						
– Blue Star Infotech America, Inc.	418.73	-	-	-	-	418.73
– Blue Star Infotech (Singapore) Pte. Limited	15.38	-	-	-	-	15.38
– Blue Star Infostack Solutions Pte. Limited	66.43	-	-	-	-	66.43
– Blue Star Infostack (Malaysia) Sdn. Bhd.	7.22	-	-	-	-	7.22
– Blue Star Infotech Business Intelligence and Analytics Private Limited	476.25	-	-	-	-	476.25
– Blue Star Limited	-	39.96	-	-	-	39.96
– Vir Advani	-	-	-	-	12.25	12.25
– Talwar Thakore and Associates	-	-	-	-	-	-
– Modern Family Doctor Pvt. Ltd.	-	-	-	1.74	-	1.74
	<b>696.04</b>	<b>39.19</b>	-	<b>31.83</b>	-	<b>767.06</b>
<b>Reimbursement of expenses</b>						
– Blue Star Infotech America, Inc.	40.20	-	-	-	-	40.20
– Blue Star Infotech (UK) Limited	29.93	-	-	-	-	29.93
– Blue Star Infotech (Singapore) Pte. Limited	15.96	-	-	-	-	15.96
– Blue Star Infostack Solutions Pte. Limited	3.94	-	-	-	-	3.94
– Blue Star Infostack (Malaysia) Sdn. Bhd.	1.75	-	-	-	-	1.75

(₹ in Lakhs)

Particulars	Subsidiaries	Associate	Promoters	Entities in which one or more directors are common	Key Managerial Personnel & Relatives	Total for the year
- Blue Star Infotech Business Intelligence and Analytics Private Limited	33.82	-	-	-	-	33.82
	<i>140.28</i>	-	-	-	-	<i>140.28</i>
<b>Purchase of capital goods</b>						
- Blue Star Limited	-	1.04	-	-	-	1.04
	-	-	-	-	-	-
<b>Director Sitting Fees</b>						
- Mr. Ashok M. Advani	-	-	1.70	-	-	1.70
	-	-	<i>0.80</i>	-	-	<i>0.80</i>
<b>Non - Executive Director commission#</b>						
- Mr. Ashok M. Advani	-	-	5.00	-	-	5.00
	-	-	<i>5.10</i>	-	-	<i>5.10</i>
<b>Remuneration (including re-imbursements)</b>						
- Mr. Suneel M. Advani	-	-	43.55	-	-	43.55
- Mr. Sunil Bhatia	-	-	-	-	320.29	320.29
- Mr. Alope Ghosh	-	-	-	-	36.50	36.50
- Mr. V. Sudarshan	-	-	-	-	12.06*	12.06*
	-	-	<i>44.40</i>	-	<i>356.47</i>	<i>400.87</i>
<b>Outstanding Balance</b>						
Debit Balance	2,524.80	184.84	-	-	-	2709.64
	<i>2062.16</i>	<i>734.06</i>	<i>3.00</i>	-	-	<i>2799.22</i>
Credit Balance	273.54	27.48	-	-	141.40	442.42
	<i>384.95</i>	<i>27.48</i>	-	-	<i>137.51</i>	<i>549.94</i>
Rent Deposit	-	-	-	-	100.00	100.00
	-	<i>100.00</i>	-	-	-	<i>100.00</i>

\* Includes leave encashment and other settlements

# This amount would be held in trust by the non-executive directors and is subject to the approval by the members at the ensuing Annual General Meeting.

Note: Figures in italics are of the previous year

## 2.27 Remuneration to Managing Director included in the Statement of profit and loss is as follows :

(₹ in Lakhs)

	Year ended 31 March 2015	Year ended 31 March 2014
Chairman and Managing Director's (CMD) remuneration	26.40	26.40
House rent (net) for CMD	17.15	18.00
Chief Executive Officer and Managing Director's remuneration	320.29	323.88
<b>Total</b>	<b>363.84</b>	<b>368.28</b>

## 2.28 Micro, Small and Medium Enterprises

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31 March 2015. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the statutory auditors of the Company.

## 2.29 Derivative instruments:

The Company has entered into the following derivative contracts:

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

There are outstanding Foreign Exchange Forward Contracts and Foreign Exchange Options Contracts entered into by the Company as at 31 March 2015 of US \$ 5,150,000 (Previous year US \$ Nil).

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

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

Foreign Currency Exposure	2014-15 (₹ in Lakhs)	2014-15 (₹ in Lakhs)	2013-14 (₹ in Lakhs)	2013-14
Exports in US \$	19.73	\$ 31,524	2,454.80	\$ 4,084,525
Exports in UK £	103.83	£ 112,302	150.11	£ 150,338
Exports in SGD \$	298.77	\$ 654,777	194.69	\$ 408,934

## 2.30 Staff benefits cost in accordance with Accounting Standard 15 - Employee Benefits (Revised 2005)

- a) Defined contribution plans: The amount recognised as an expense during the year is (₹ in Lakhs) 255.67 (Previous year (₹ in Lakhs) 181.75).
- b) Defined benefit plans:

Particulars	₹ in Lakhs	
	2014-15	2013-14
<b>Change in defined benefit obligation:</b>		
Obligation as at the beginning of the year:	309.71	251.90
Service cost	81.14	79.24
Interest cost	24.92	17.69
Actuarial (gain) / loss	32.45	22.47
Benefits paid	(65.57)	(61.59)
Present value of defined benefit obligation as at year end (A)	382.65	309.71
<b>Change in plan assets:</b>		
Opening plan assets, at fair value	162.62	172.19
Expected return on plan assets	12.13	13.09
Actuarial gain / (loss)	13.73	(5.39)
Contributions	43.43	44.32
Benefits paid	(65.57)	(61.59)
Fair value of plan assets as at year end (B)	166.34	162.62

₹ in Lakhs

Particulars	2014-15	2013-14
<b>Cost for the year</b>		
Service cost	81.14	79.24
Interest cost	24.92	17.69
Expected return on plan assets	(12.13)	(13.09)
Actuarial (gain) / loss	18.72	27.86
Total net cost recognised as employee remuneration	112.65	111.70
<b>Investment details of plan assets:</b>		
The plan assets are invested in trust managed funds.		
<b>Assumptions:</b>		
Discount rate	8.00%	9.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%
Mortality rate	LIC (1994-96)	LIC (1994-96)

**Reconciliation of benefit obligations and plan assets for the year:**

	2014-15	2013-14	2012-13	2011-12	2010-11
Present value of defined benefit obligations as at year end (A)	382.65	309.71	251.90	232.40	345.31
Fair value of plan assets as at year end (B)	166.34	162.62	172.19	142.59	153.90
Net (asset) / liability as at year end recognised in Balance Sheet (A) – (B)	216.31	147.09	79.71	89.81	191.41
Experience adjustments :					
On plan liabilities:- (gain) / loss	32.45	22.47	(22.97)	(101.93)	(72.13)
On plan assets:- gain / (loss)	13.73	(5.39)	(4.29)	(1.44)	(12.45)

**2.31 Earning per share (EPS)**

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares which could have been issued on conversion of all dilutive potential shares.

	Year ended 31 March 2015	Year ended 31 March 2014
i. Net Profit after tax (₹ in Lakhs)	1,169.03	1,038.18
ii. Basic (weighted average) number of Equity Shares	1,05,72,603	1,03,85,000
iii. Diluted (weighted average) number of Equity Shares	1,11,68,067	1,07,91,287
iv. Earnings per share (EPS) in ₹ – Basic	11.06	10.00
v. Earnings per share (EPS) in ₹ – Diluted	10.47	9.62

**2.32 Segment information**

The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with Accounting Standard 17, Segment Reporting, the Company has disclosed the segment information in the consolidated financial statements.

**2.33** During the year 2013-14, the Company had availed an Overdraft facility of ₹ 500 Lakhs for working capital purposes from a scheduled bank. The drawdown amount against this limit as at 31 March 2015 is Nil (Previous year (₹ in Lakhs) Nil).

The working capital borrowings are secured by exclusive hypothecation of all existing and future current assets and movable fixed assets of the Company. Currently, the rate of interest is 12.25% p.a.

**2.34** The previous year's figures have been recast / regrouped / rearranged, wherever considered necessary.

As per our report of even date attached

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

**per AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

Place: Mumbai  
Date : 14 May 2015

# INDEPENDENT AUDITORS' REPORT

## To the Members of Blue Star Infotech Limited

### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Blue Star Infotech Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control 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. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiary which is incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. 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 auditor's report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing 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 consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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.

7. 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 sub-paragraph 9(a) of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

8. 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 reports of the other auditors on the financial statements of the subsidiaries as noted below, the aforesaid consolidated 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, as at 31 March 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

### **Other Matter**

9. (a) We did not audit the financial statements of four subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs.2,463.52 lakhs as at 31 March 2015, total revenues (after eliminating intra-group transactions) of Rs.5,927.34 lakhs and net cash flows amounting to Rs.422.58 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

### **Report on Other Legal and Regulatory Requirements**

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, and based on the comments in the auditor's reports of the subsidiary companies, incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, as applicable to such companies.
11. As required by Section 143(3) of the Act, and based on the auditor's reports of the subsidiaries, we report, to the extent applicable, that:
- 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 of the aforesaid consolidated financial statements;
  - In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
  - The consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014(as amended);
  - On the basis of the written representations received from the directors of the Holding Company as on 31 March 2015 taken on record by the Board of Directors of the Holding Company and the report of the other statutory auditors of its subsidiary company, incorporated in India, none of the directors of the Group companies,

incorporated in India are disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) as detailed in Note 2.23, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;
  - (ii) The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - (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 company, incorporated in India.

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

per **Amya Jassani**  
Partner  
Membership No.: 46447  
Place: Mumbai  
Date: 14 May 2015

## Annexure to the Independent Auditors' Report of even date to the members of Blue Star Infotech Limited, on the Consolidated Financial Statements for the year ended 31 March 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the consolidated financial statements of the Holding Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit and based on the comments in the auditor's report of the subsidiary company, incorporated in India, we report that:

- (i) (a) The Holding Company and its subsidiary incorporated in India are maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
  - (b) The fixed assets have been physically verified during the year, by the management of the Holding Company and its subsidiary company, incorporated in India, and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Holding Company and its subsidiary company, incorporated in India, and the nature of its assets.
- (ii) The Holding Company and the subsidiary company, incorporated in India, do not have any tangible inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Holding Company and its subsidiary company, incorporated in India, have not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Holding Company and its subsidiary company, incorporated in India, and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) The Holding Company and its subsidiary company, incorporated in India, have 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) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of the products/ services of Holding Company and its subsidiary company, incorporated in India. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) The Holding Company and its subsidiary company, incorporated in India, are regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
  - (b) There are no dues of the subsidiary incorporated in India, in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute. The dues of the Holding Company outstanding in respect

of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in lacs)	Amount Paid Under Protest (₹ in lacs)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income Tax Act, 1961	Tax deducted at source in foreign country	53.48	53.48	2006-07	Income Tax Appellate Tribunal
	Penalty u/s 271(1)(c)	50.77	-	2006-07	Commissioner of Income Tax (Appeals)
	Tax deducted at source in foreign country	193.32	193.32	2005-06	Income Tax Appellate Tribunal
	Income tax demand	327.47	-	2005-06	Commissioner of Income Tax (Appeals)
	Penalty u/s 271(1)(c)	63.61	-	2005-06	Commissioner of Income Tax (Appeals)
	Income tax demand	276.83	-	2004-05	Deputy Commissioner of Income Tax

(c) The amount required to be transferred to Investor Education and Protection. Fund by the Holding Company and its subsidiary incorporated in India have been transferred within the stipulated time in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

(viii) In our opinion, the accumulated losses of the subsidiary incorporated in India, at the end of the financial year are less than fifty percent of its net worth. The subsidiary has incurred cash losses in the immediately preceding financial year; however, in the current financial year, it has not incurred cash losses. The Holding Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

(ix) The Holding Company and its subsidiary incorporated in India have not defaulted in repayment of dues to any bank or financial institution during the year. The Holding Company and its subsidiary incorporated in India did not have any outstanding debentures during the year.

(x) In our opinion, the terms and conditions on which the Holding Company and its subsidiary incorporated in India have given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Holding Company or its subsidiary.

(xi) The Holding Company and its subsidiary incorporated in India, did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(xi) of the Order are not applicable.

(xii) No fraud on or by the Holding Company and its subsidiary incorporated in India has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co LLP**

(Formerly Walker, Chandiok & Co)

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Amyn Jassani**

Partner

Membership No.: 46447

Place: Mumbai

Date: 14 May 2015

# CONSOLIDATED BALANCE SHEET

As at 31 March 2015

₹ in Lakhs

	Notes	As at 31 March 2015	As at 31 March 2014
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2.1	1,080.00	1,038.50
Reserves and surplus	2.2	10,463.19	9,024.75
		<b>11,543.19</b>	<b>10,063.25</b>
<b>Minority interest</b>			
		<b>241.42</b>	<b>210.52</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	2.3 (a)	164.31	186.16
Other long-term liabilities	2.4	-	632.08
Long-term provisions	2.5	184.42	170.23
		<b>348.73</b>	<b>988.47</b>
<b>Current liabilities</b>			
Short-term borrowings	2.6	469.68	452.85
Trade payables	2.7	214.84	108.35
Other current liabilities	2.8	3,697.02	2,953.99
Short-term provisions	2.9	828.58	721.98
		<b>5,210.12</b>	<b>4,237.17</b>
<b>Total</b>		<b>17,343.46</b>	<b>15,499.41</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	2.10	1,848.38	2,011.04
Intangible assets	2.10	184.51	197.33
Intangible assets under development		231.76	218.28
Goodwill on consolidation		1,791.41	1,791.41
Deferred tax assets	2.3 (b)	-	86.24
Long-term loans and advances	2.12	2,613.34	2,528.71
Other non-current assets	2.13	8.34	56.63
		<b>6,677.74</b>	<b>6,889.64</b>
<b>Current assets</b>			
Trade receivables	2.14	6,613.20	6,102.45
Cash and bank balances	2.15	3,440.41	2,101.19
Short-term loans and advances	2.16	363.41	245.49
Other current assets	2.17	248.70	160.64
		<b>10,665.72</b>	<b>8,609.77</b>
<b>Total</b>		<b>17,343.46</b>	<b>15,499.41</b>
<b>Significant Accounting Policies and Notes to the Consolidated Financial Statements</b>	1 to 2.29		

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, ChandioK & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

per **AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 March 2015

₹ in Lakhs

	Notes	Year ended 31 March 2015	Year ended 31 March 2014
<b>Revenue</b>			
Sales and software services	2.18		
Exports		23,544.77	23,195.31
Domestic		2,943.69	3,826.58
		26,488.46	27,021.89
Other income	2.19	575.96	635.33
<b>Total</b>		<b>27,064.42</b>	<b>27,657.22</b>
<b>Expenses</b>			
Purchase of traded software licenses		519.56	1,881.78
Purchase of traded hardware		234.52	73.11
Employee benefits expense	2.20	14,901.81	15,533.14
Finance costs	2.21	74.79	104.71
Depreciation and amortisation expense	2.10	437.54	380.15
Other expenses	2.22	8,421.77	7,500.04
<b>Total expenses</b>		<b>24,589.99</b>	<b>25,472.93</b>
<b>Profit before tax</b>		<b>2,474.43</b>	<b>2,184.29</b>
Current tax			
– Indian income tax		388.86	397.90
– Foreign tax		150.80	177.49
– MAT Credit Entitlement		(61.95)	-
– Deferred tax expense		98.13	17.02
– Tax pertaining to earlier years		51.20	-
<b>Total</b>		<b>627.04</b>	<b>592.41</b>
<b>Profit before minority interest</b>		<b>1,847.39</b>	<b>1,591.88</b>
Minority interest		30.90	104.71
<b>Net Profit</b>		<b>1,816.49</b>	<b>1,487.17</b>
Earning per equity share (Basic) - (₹)	2.27	17.18	14.32
Earning per equity share (Diluted) - (₹)	2.27	16.27	13.78
Face Value per Share - (₹)		10.00	10.00
Significant Accounting Policies and Notes to the Consolidated Financial Statements	1 to 2.29		

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

**per AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

₹ in Lakhs

	Year ended 31 March 2015		Year ended 31 March 2014	
<b>[A] Cash flows from operating activities</b>				
Profit before tax	2,474.43		2,184.29	
Depreciation and amortisation expense	437.54		380.15	
Unrealised foreign exchange loss (net)	88.46		33.76	
(Gain)/Loss on sale of fixed assets (net)	(11.37)		(2.40)	
Provision for bad and doubtful debts	34.24		56.13	
Dividend income	(0.58)		(6.36)	
Bad and doubtful debts written off / (Sundry balances written back) (net)	99.98		(6.11)	
Finance costs	74.79		104.71	
Interest income	(15.38)		(18.77)	
	<b>707.68</b>		<b>541.11</b>	
Operating profit before working capital changes	3,182.11		2,725.40	
Adjustment for:				
Trade and other receivables	(903.99)		(678.24)	
Trade payables and other liabilities	523.88		(978.85)	
	<b>(380.11)</b>		<b>(1,657.09)</b>	
Cash generated from operations	2,802.00		1,068.31	
Direct taxes paid/ (refund received)	(792.45)		(942.56)	
<b>Net cash from operating activities</b>		<b>2,009.55</b>		<b>125.75</b>
<b>[B] Cash flows from investing activities</b>				
Purchase of fixed assets (Including capital advances)	(181.61)		(622.60)	
Consideration paid towards acquisition of stake in subsidiaries	(235.34)		(697.45)	
Additional consideration paid towards investment in subsidiary	-		(51.90)	
Sale of fixed assets	21.33		7.80	
Purchase of investments	(100.00)		(1,790.00)	
Sale of investments	100.58		1909.30	
Dividend received	0.58		6.36	
Dividend reinvested in Mutual Funds	(0.58)		(6.36)	
Interest received	15.06		40.98	
Fixed deposit encashed from bank	9.51		552.23	
<b>Net cash (used in) investing activities</b>		<b>(370.47)</b>		<b>(651.64)</b>

₹ in Lakhs

	Year ended 31 March 2015		Year ended 31 March 2014	
<b>[C] Cash flows from financing activities</b>				
Receipt/(Repayment) of short term borrowings (net)	16.83		440.92	
Finance costs	(74.79)		(104.71)	
Issue of share capital	253.91			
Dividend and tax thereon paid	(486.00)		(243.00)	
<b>Net cash from/(used in) financing activities</b>		<b>(290.05)</b>		<b>93.21</b>
Net increase/(decrease) in cash and cash equivalents		1,349.03		(432.68)
Cash and cash equivalents - opening balance		2,022.82		2,243.70
Cash and cash equivalents - on acquisition of subsidiaries		-		211.80
<b>Cash and cash equivalents - closing balance</b>		<b>3,371.85</b>		<b>2,022.82</b>
Cash and cash equivalents comprise of:				
Cash on Hand		2.37		0.03
Balances with banks in:				
– current accounts (including EEFC accounts)		3,004.94		1,957.98
– deposit accounts		363.61		62.61
– margin money deposits against guarantees				
Cash and cash equivalents as per books		3,370.92		2,020.62
Exchange difference on translation of foreign currency accounts		0.93		2.20
		<b>3,371.85</b>		<b>2,022.82</b>

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

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

**per AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

Place: Mumbai  
Date : 14 May 2015

# NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

##### (i) Basis of preparation

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements, specified under Section 133 of the Companies Act, 2013 (the 'Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

##### (ii) Principles of consolidation

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

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 on Consolidated Financial Statements. The financial statements of the parent company, Blue Star Infotech Limited, its subsidiaries, Blue Star Infotech America, Inc., Blue Star Infotech (UK) Limited, Blue Star Infotech (Singapore) Pte. Ltd. and Blue Star Infotech Business Intelligence and Analytics Private Limited (Formerly known as Activecubes Solutions India Private Limited) (based on complete managerial and administrative control) and sub subsidiaries, Blue7 Solutions LLC, USA (subsidiary of Blue Star Infotech America, Inc.), Blue Star Infostack Solutions Pte. Ltd (subsidiary of Blue Star Infotech (Singapore) Pte. Ltd) and Blue Star Infostack (Malaysia) Sdn. Bhd. (subsidiary of Blue Star Infotech (Singapore) Pte. Ltd) (collectively the 'Group') have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

Minority interest represents the portion of net profits and net assets of subsidiaries that do not belong to the Group.

##### (iii) Companies included in consolidation

Name of the Company	Country of incorporation	Proportion of ownership interest
Blue Star Infotech America, Inc.	United States of America (USA)	100% owned subsidiary
Blue Star Infotech (UK) Limited	United Kingdom (UK)	100% owned subsidiary
Blue Star Infotech (Singapore) Pte. Ltd.	Singapore	100% owned subsidiary
Blue Star Infostack Solutions Pte. Ltd.	Singapore	100% owned subsidiary of Blue Star Infotech (Singapore) Pte. Ltd.
Blue Star Infostack (Malaysia) Sdn. Bhd.	Malaysia	100% owned subsidiary of Blue Star Infotech (Singapore) Pte. Ltd.
Blue7 Solutions LLC	United States of America (USA)	100% owned subsidiary of Blue Star Infotech America, Inc.
Blue Star Infotech Business Intelligence and Analytics Private Limited (Formerly known as Activecubes Solutions India Private Limited)	India	48.97%

**(b) Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the 'Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). These financial statements have been prepared under the historical cost convention on accrual basis of accounting. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as stated in Note 1(c) below.

**(c) Change in accounting policy**

Effective 1 April 2014, the Company has retrospectively changed its method of providing depreciation on furniture & fixtures from the 'Written Down Value' method to the 'Straight Line' method, at the rates prescribed in Schedule II to the Companies Act, 2013. Management believes that this change will result in more appropriate presentation of the financial statements of the Company. Accordingly, the Company has recorded reversal of accumulated depreciation charge of ₹ 70.70 Lakhs in current year.

**(d) Use of estimates**

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

**(e) Fixed assets, Capital work-in-progress and Depreciation**

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- (ii) Depreciation is provided on Building, Plant and Equipment, Furniture & Fixtures and Office Equipment under the Straight-Line Method and on other fixed assets, other than Leasehold Building improvements, under the Written Down Value Method. Depreciation is provided on a pro-rata basis using the useful lives and in the manner prescribed under Schedule II of the Companies Act, 2013, which also represent the useful life of fixed assets.
- (iii) Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is lower, on a straight-line basis.
- (iv) Assets acquired but not ready for use or assets under construction are classified under Capital work in progress.
- (v) Management evaluates at regular intervals, using external and internal sources, the need for impairment of any asset. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its net realisable value on its eventual disposal. Any loss on account of impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined.

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

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

**(f) Intangible assets**

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

**(g) Goodwill on acquisition**

The difference between the cost of investments in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as goodwill. The goodwill arising on acquisition of a business enterprise is not amortised but is tested for impairment, if indicators of impairment exist.

**(h) Intangible assets under development**

The Company recognizes the cost of developing intellectual property rights as an intangible asset, which in its opinion would result in commercial benefits over several financial years.

The initial investment towards development or the cost of creation of the intellectual property rights is treated as capital expenditure. The same would be amortised over the commercial life of intellectual property rights so created.

**(i) Borrowing cost**

Borrowing cost attributable to the acquisition or setting-up of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

**(j) Investments**

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

**(k) Foreign currency transactions**

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

**(l) Staff benefits****1. In respect of India: -**

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

**(m) Revenue recognition**

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

**(n) Lease rentals**

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

**(o) Taxes on Income**

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

is no unabsorbed depreciation and/or carry forward losses, other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess realisation.

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

**(p) Provisions and contingent liabilities**

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

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

**2. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

All amounts in the financial statements are presented in Indian Rupees Lakhs (₹ in Lakhs) and two decimal places thereafter, except for per share data or as otherwise stated.

**2.1 Share capital**

(₹ in Lakhs)

Particulars	As at 31 March 2015	As at 31 March 2014
<b>Authorised</b> 2,00,00,000 (31 March 2014: 2,00,00,000) Equity Shares of ₹ 10 each	2,000.00	2,000.00
<b>Issued, subscribed and paid up</b> 1,08,00,000 (31 March 2014: 1,03,85,000) Equity Shares of ₹ 10 each fully paid-up	1,080.00	1,038.50
	<b>1,080.00</b>	<b>1,038.50</b>

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

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

During the year ended 31 March 2015, the amount of dividend recognized as distributable to equity shareholders was ₹ 4/- per share. The total dividend appropriation for the year ended 31 March 2015 amounted to (₹ in Lakhs) 522.40 (Previous year (₹ in Lakhs) 486.00) including corporate dividend tax of (₹ in Lakhs) 90.40 (Previous year (₹ in Lakhs) 70.60).

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

The reconciliation of the number of shares outstanding and the amount of share capital as at 31 March 2015 and 31 March 2014 is set out below:

	As at 31 March 2015		As at 31 March 2014	
	Number	Amount (₹ in Lakhs)	Number	Amount (₹ in Lakhs)
Balance at the beginning of the year	1,03,85,000	1,038.50	1,03,85,000	1,038.50
Add: Issued during the year	415,000	41.50	-	-
Balance at the end of the year	1,08,00,000	1,080.00	1,03,85,000	1,038.50

### Shareholders holding more than 5% Shares

As at 31 March 2015, Blue Star Limited holds 28.69% (30,98,025 shares) of the Company's shares (29.83% (30,98,025 shares) as of 31 March 2014) and Mr. Ashok Mohan Advani holds 7.36% (795,165 shares) of the Company's shares (7.66% (7,95,165 shares) as of 31 March 2014).

### Stock Option Plan

- The Company has implemented Employee Stock Option Plans for the key employees of the Company and its subsidiaries through the Blue Star Infotech Limited – Key Employee Stock Option Trust (the 'Trust') formed for the purpose. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the Blue Star Infotech Limited – Key Employee Stock Option Scheme (the 'ESOP scheme') were purchased by the trust from the open market and acquired through fresh issue of shares by the Company.

Post 16 February 2013, as per SEBI mandate, the Company is required to issue fresh shares to the Trust for a consideration to meet its obligations under the ESOP scheme. Pursuant to the ESOP scheme, the Board at its meeting held on 23 July 2014 approved issue of 4,15,000 shares to the Trust for subsequent issue to eligible employees under the ESOP scheme.

The position of the Key Employee Stock Option Plans of the Company as at 31 March 2015 is as under:

Sr. No.	Particulars	ESOP Scheme 2003 (Revised 2015)
1	Details of approval	Compensation Committee resolution dated 22 July 2011, 31 August 2012, 29 March 2013, 29 May 2013, 18 December 2013 and 18 December 2014
2	Implemented through	Trust
3	Total number of shares	15,00,000
4	Price per option	Closing market price prevailing on the previous day prior to issue of options
5	Granted	15,18,000 (Including ESOP's issued against lapsed options)
6	Vested	4,74,375
7	Exercised	4,15,075
8	Lapsed/cancelled options	1,17,525
9	Vested and unexercised	49,400
10	Total number of options in force	9,85,400
11	Money realised	₹ 2,53,74,025
12	<b>Vesting Schedule</b>	
	<b>Designation</b>	
	Managerial Employees	1) Vesting is upto a period of 4 years from date of grant. 2) All options were granted to managerial employees of which 474,375 options are vested.

13	Senior Managerial Personnel	Options Granted	Options Vested	Options Cancelled / lapsed	Options Exercised	Balance
		1,518,000	4,74,375	1,17,525	4,15,075	9,85,400

14. All options have an exercise period of 1 to 4 years after vesting period.

**Notes:**

- a) The shareholders, in the Annual General Meeting held on 22 July 2011 had approved the grant of 10,00,000 employee stock options in accordance with ESOP Scheme, equivalent to 10% of the issued and paid up share capital of the Company as at 31 March 2011.
- b) By virtue of a postal ballot, the shareholders accorded their approval, the result of which was declared on 12 December 2013 for the additional grant of 5,00,000 employee stock options in accordance with the ESOP Scheme, equivalent to 4.81% of the issued and paid up share capital of the Company as at 31 March 2013.
- c) The compensation committee granted 5,15,000 options on 31 August 2012 at ₹ 60 per share, 170,000 options on 29 March 2013 at ₹ 57 per share, 4,67,000 options on 29 May 2013 at ₹ 52 per share, 95,000 options on 18 December 2013 at ₹ 83 per share and 2,71,000 options on 18<sup>th</sup> December 2014 at ₹ 188 per share to key managerial employees of the Company and its subsidiaries (including an executive director of the Company). The grant price is based on the closing market price prevailing on the date prior to the date of grant, on the stock exchange recording highest volume.
- d) There is one employee (Mr. Sunil Bhatia – Chief Executive Officer and Managing Director) in the Group who has been granted options (9,82,000) which exceeds 5% of the Issued Capital.
- e) There is a potential dilution by 8,10,912 options/shares in future, which is representative of shares required by the trust to meet the obligation towards options to be exercised in future. The options/shares to the extent not held by the trust and to be exercised in future will be allotted by the Company to the Trust at the option grant price.
- f) In the event of any further rights or bonus issue of equity shares after vesting but prior to exercise of the options, the Company/ Trust shall consider the grant of an appropriate number of additional options, at such price as may be determined by the Compensation Committee.
- g) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method. The intrinsic value of the stock options issued by the Company to its employees for services rendered by them is measured as the amount by which the quoted market price of the Company's share as on the date of grant exceeds the exercise price of the stock option. Considering that the stock options have been issued with an exercise price that equals the quoted share price on the previous day, there is no compensation cost recognised in the financial statements using the intrinsic value method.

- h) The date of grant of options, exercise price per share and the estimated fair value per outstanding option as at 31 March 2015 is as follows:

Sr. No.	Number of shares	Date of grant	Exercise price per share (₹)	Estimated fair value per option (₹)
1	133,000	31 August 2012	60	144.90
2	23,100	29 March 2013	57	145.97
3	24,800	29 March 2013	57	146.81
4	26,500	29 March 2013	57	151.55
5	117,000	29 May 2013	52	152.06
6	250,000	29 May 2013	52	156.27
7	100,000	29 May 2013	52	160.45
8	1,500	18 December 2013	83	121.44
9	18,700	18 December 2013	83	129.74
10	19,800	18 December 2013	83	137.62
11	70,100	18 December 2014	188	70.28
12	71,100	18 December 2014	188	87.44
13	72,800	18 December 2014	188	101.13
14	57,000	18 December 2014	188	112.52

- i) The movement of stock options during the year ended 31 March 2015 are summarized below:

	Number of options
Outstanding at the beginning of the year	11,52,000
Granted during the year	2,71,000
Forfeited during the year	Nil
Exercised during the year	3,50,075
Expired during the year	87,525
Outstanding at the end of the year	9,85,400
Exercisable at the end of the year	49,400

- j) The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at 31 March 2015 is as follows:

Number of options	Exercise price	Expected remaining contractual life
1,500	83	9 months
23,100	57	10 months
24,800	57	12 months
133,000	60	14 months
117,000	52	14 months
18,700	83	21 months
70,100	188	21 months
26,500	57	24 months
250,000	52	26 months
19,800	83	33 months

Number of options	Exercise price	Expected remaining contractual life
71,100	188	27 months
100,000	52	38 months
72,800	188	39 months
57,000	188	51 months

- k) For purposes of the proforma disclosures, the fair value of each option grant was estimated as at 31 March 2015 using the Black Scholes Option Valuation model with the following assumptions:
- dividend yield of 2.01%;
  - risk free interest rate of 7.61 to 7.65%;
  - expected volatility of 54.97% based on historical volatility; and
  - expected option life of 2.00 years.

l) **Proforma disclosures using fair value of options granted**

	₹ in Lakhs	
	Year ended 31 March 2015	Year ended 31 March 2014
Profit after taxation as per Statement of Profit and Loss	1,816.49	1,487.17
Less: Amortised cost of fair value of options (net of tax)	137.16	171.05
Profit after taxation after amortisation of options cost	1,679.33	1,316.12
Earnings Per Share- Basic	15.88	12.67
Earnings Per Share- Diluted	15.04	12.20

## 2.2 Reserves and surplus

	₹ in Lakhs	
	As at 31 March 2015	As at 31 March 2014
<b>Capital reserve</b>	<b>41.89</b>	<b>41.89</b>
<b>Securities premium account</b>		
Balance at the beginning of the year	355.12	355.12
Add : Receipts on issue of equity shares to Trust	212.41	-
<b>Balance at the end of the year</b>	<b>567.53</b>	<b>355.12</b>
<b>General reserve</b>		
Balance at the beginning of the year	2,178.27	2,074.45
Add: Transfer from Statement of profit and loss	116.90	103.82
<b>Balance at the end of the year</b>	<b>2,295.17</b>	<b>2,178.27</b>
<b>Hedging reserve on forward contracts</b>		
Balance at the beginning of the year	-	(138.38)
Add : Movement during the year	5.25	138.38
<b>Balance at the end of the year</b>	<b>(5.25)</b>	<b>-</b>

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	6,449.47	5,552.12
Add: Transferred from Statement of Profit and Loss	1,816.49	1,487.17
Less: Transitional adjustment on account of Schedule II to Companies Act, 2013*	68.06	-
Add: Adjustments pertaining to earlier year	5.25	-
Less: Proposed final dividend	432.00	415.40
Less: Corporate dividend tax	90.40	70.60
Less: Amount transferred to General reserve	116.90	103.82
<b>Net surplus in the Statement of profit and loss</b>	<b>7,563.85</b>	<b>6,449.47</b>
<b>Total Reserves and surplus</b>	<b>10,463.19</b>	<b>9,024.75</b>

\* Represents the written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014. These balances (net of deferred tax benefit of ₹ 35.04 Lakhs) have been adjusted against the opening balance of Retained Earning.

### 2.3 Deferred tax balances

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>(a) Deferred tax liabilities</b>		
Blue Star Infotech Limited		
Depreciation and amortization*	161.65	
<b>Less: Deferred tax asset on allowances for Doubtful debts</b>	<b>6.16</b>	<b>178.64</b>
Other group entities		
Depreciation and amortization	8.82	7.52
	<b>164.31</b>	<b>186.16</b>
<b>(b) Deferred tax assets</b>		
Carry forward business loss	-	83.02
Employee benefits	-	3.22
	-	<b>86.24</b>

\* Net of deferred tax benefit of ₹ 35.04 Lakhs on write off of written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014.

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

## 2.4 Other long term liabilities

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deposits against leasehold premises	-	331.58
Consideration payable towards acquisition of balance stake in subsidiary	-	300.50
	-	<b>632.08</b>

## 2.5 Long term provisions

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Provision for employee benefits (Also refer note 2.26)</b>		
Compensated absences	184.42	170.23
	<b>184.42</b>	<b>170.23</b>

## 2.6 Short-term borrowings

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Secured</b>		
Working capital loan from bank	469.68	450.99
<b>Unsecured</b>		
Term loan from bank	-	1.86
	<b>469.68</b>	<b>452.85</b>

Working capital loan from bank is secured by all the assets of a subsidiary company. Interest is charged on the above facility at Wall Street Journal's prime rate which is currently 3.25% per annum.

Repayment of Term Loan is scheduled in 36 monthly instalments of ₹ 92,533 each (SGD 1944) plus interest which has commenced from June 2011. The average interest rate is 8.88% per annum. The loan is guaranteed by directors and relatives of directors of Blue Star Infostack Solutions Pte. Ltd.

During the year 2013-14, the Company has availed an Overdraft facility of ₹ 500 Lakhs for working capital purposes from a scheduled bank. The drawdown amount against this limit as at 31 March 2015 is Nil (Previous year (₹ In Lakhs) Nil).

The working capital borrowings are secured by exclusive hypothecation of all existing and future current assets and movable fixed assets of the Company. Currently, the rate of interest is 12.25% p.a.

## 2.7 Trade payables

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Sundry creditors-for services	214.84	108.35
	<b>214.84</b>	<b>108.35</b>

## 2.8 Other current liabilities

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	2,425.98	2,046.45
Deposits against leasehold premises	331.58	-
Consideration payable towards acquisition of balance stake in subsidiary	449.21	384.05
Unearned revenue	94.38	200.30
Unclaimed dividends*	20.61	20.20
Hedging reserve on open forward contracts	5.25	-
Dividend payable	-	5.25
Advance from customer	11.16	11.16
Statutory liabilities	358.85	286.58
	<b>3,697.02</b>	<b>2,953.99</b>

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

## 2.9 Short-term provisions

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>For employee benefits (Also refer note 2.26)</b>		
Compensated absences	87.13	64.74
Gratuity	34.65	-
<b>For others</b>		
Proposed dividend	432.00	415.40
Corporate dividend tax	90.40	70.60
Wealth tax	-	0.14
Provision for tax	184.40	171.10
	<b>828.58</b>	<b>721.98</b>

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## 2.10 Fixed assets

₹ in Lakhs

Description of assets	Gross Block (at cost)				As at 31 March 2015	Depreciation/Amortisation					Net Block		
	As at 1 April 2014	Acquisition through business combination	Additions/Transfers during April 14-March 15	Deletions /Transfers during April 14-March 15		As at 1 April 2014	Acquisition through business combination	For the year April 14-March 15	With-drawals during April 14-March 15	Adjust-ments*	As at 31 March 2015	As at 31 March 2015	As at March 31 2014
<b>Tangible assets</b>													
Building (given on lease)	1,402.65	-	-	-	1,402.65	214.11	-	23.38	-	-	237.49	1,165.16	1,188.54
Leasehold building improvements	624.58	-	-	-	624.58	300.26	-	58.93	-	-	359.19	265.39	324.32
Plant and equipment	137.33	-	4.72	-	142.05	112.13	-	2.79	-	-	114.92	27.13	25.20
Computers	1,027.96	-	207.08	70.47	1,164.57	763.06	-	237.21	70.13	32.76	962.90	201.67	264.90
Furniture and fixtures	620.91	-	21.71	28.20	614.42	498.31	-	(60.78)#	27.46	70.34	480.41	134.01	122.60
Office equipment	136.70	-	4.69	11.07	130.32	95.52	-	11.10	3.48	-	103.14	27.18	41.18
Vehicles	96.51	-	-	9.02	87.49	52.21	-	15.17	7.73	-	59.65	27.84	44.30
<b>Total - A</b>	<b>4,046.64</b>	<b>-</b>	<b>238.20</b>	<b>118.76</b>	<b>4,166.08</b>	<b>2,035.60</b>	<b>-</b>	<b>287.80</b>	<b>108.80</b>	<b>103.10</b>	<b>2,317.70</b>	<b>1,848.38</b>	<b>2,011.04</b>
<b>Intangible assets</b>													
Computer software	589.17	-	33.14	-	622.31	391.84	-	97.74	-	-	489.58	132.73	197.33
Intellectual property rights	-	-	103.78	-	103.78	-	-	52.00	-	-	52.00	51.78	-
<b>Total - B</b>	<b>589.17</b>	<b>-</b>	<b>136.92</b>	<b>-</b>	<b>726.09</b>	<b>391.84</b>	<b>-</b>	<b>149.74</b>	<b>-</b>	<b>-</b>	<b>541.58</b>	<b>184.51</b>	<b>197.33</b>
<b>TOTAL - (A + B)</b>	<b>4,635.81</b>	<b>-</b>	<b>375.12</b>	<b>118.76</b>	<b>4,892.17</b>	<b>2,427.44</b>	<b>-</b>	<b>437.54</b>	<b>108.80</b>	<b>103.10</b>	<b>2,859.28</b>	<b>2,032.89</b>	<b>2,208.37</b>
Previous year	4,264.74	75.38	367.72	72.03	4,635.81	2,077.21	36.70	380.15	66.62	-	2,427.44	2,208.37	-

\* Represents the written down value of fixed assets (net of residual value), which have no balance useful life in accordance with Schedule II to Companies Act, 2013 as at 1 April 2014. These balances (net of deferred tax benefit of ₹ 35.04 Lakhs) have been adjusted against the opening balance of Retained Earnings.

# Refer note 1b.

## 2.11 Operating lease obligations

- The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 628.74 (Previous year (₹ in Lakhs) 690.85) is recognised as lease expenses in the Statement of profit and loss for the year ended 31 March 2015. The future guaranteed lease payments under non-cancellable portion of cancellable leases are:
  - less than one year – (₹ in Lakhs) 73.43 (Previous year (₹ in Lakhs) 34.11)
  - later than one year but not later than 5 years – (₹ in Lakhs) 87.59 (Previous year (₹ in Lakhs) 3.00).
- The Company has leased out office premises and furniture under non-cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ in Lakhs) 488.77 (Previous year (₹ in Lakhs) 488.76) is recognised as lease income in the Statement of profit and loss for the year ended 31 March 2015. The future guaranteed lease payments under non-cancellable leases are:
  - less than one year - (₹ in Lakhs) Nil (Previous year (₹ in Lakhs) 539.04)
  - later than one year but not later than 5 years - (₹ in Lakhs) Nil (Previous year (₹ in Lakhs) Nil).

## 2.12 Long-term loans and advances (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Capital advances	24.75	231.74
Deposit for Rent, Electricity and Water	378.98	364.20
Corpus to ESOP Trust	0.05	0.05
Corpus to Provident Fund Trust	0.25	0.25
MAT credit entitlement	247.21	185.26
Advance tax (net of provision)	1,962.10	1,747.21
	<b>2,613.34</b>	<b>2,528.71</b>

## 2.13 Other non-current assets (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Deferred rent	-	50.26
Deposits with maturity exceeding twelve months	8.34	6.37
	<b>8.34</b>	<b>56.63</b>

## 2.14 Trade receivables (Unsecured)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
- Considered good	258.03	221.75
- Considered doubtful	52.22	140.08
	<b>310.25</b>	<b>361.83</b>
<b>Other debts</b>		
- Considered good	6,355.17	5,880.70
- Considered doubtful	10.34	-
	<b>6,675.76</b>	<b>6,242.53</b>
Less: Provision for bad and doubtful debts	62.56	140.08
	<b>6,613.20</b>	<b>6,102.45</b>

## 2.15 Cash and bank balances

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
<b>Cash and cash equivalents</b>		
Cash on hand	2.37	0.03
Balances with banks in:		
– current accounts (including EEFC accounts)	3,004.94	1,957.98
– deposit accounts (with maturity upto 3 months)	363.61	62.61
	<b>3,370.92</b>	<b>2,020.62</b>
<b>Other bank balances*</b>		
Unclaimed dividend accounts**	20.61	20.20
Deposits with maturity more than 3 months but less than 12 months	48.88	60.37
Bank deposits with maturity of more than 12 months	8.34	6.37
	<b>77.83</b>	<b>86.94</b>
Less : Amounts disclosed as other non-current assets (also refer note 2.13)	(8.34)	(6.37)
<b>Total</b>	<b>3,440.41</b>	<b>2,101.19</b>

\* Includes margin money with bank against bank guarantees (₹ in Lakhs) 46.51 (Previous year (₹ in Lakhs) 66.74).

\*\* Not available for use by the Company.

## 2.16 Short-term loans and advances (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Advance payment to Gratuity trust (Also refer note 2.26)	-	26.01
Prepaid expenses	151.14	125.41
Other deposits	5.01	18.41
Advances recoverable in cash or in kind or for value to be received	52.26	72.66
Loans and advances to related parties	-	3.00
Advance to ESOP trust	155.00	-
	<b>363.41</b>	<b>245.49</b>

Loans and advances include amount due from directors – (₹ in Lakhs) Nil (Previous year – (₹ in Lakhs) 3.00).

## 2.17 Other current assets (Unsecured, considered good)

₹ in Lakhs

	As at 31 March 2015	As at 31 March 2014
Unbilled services	237.21	149.47
Interest accrued on bank deposits	11.49	11.17
	<b>248.70</b>	<b>160.64</b>

## 2.18 Sales and software services

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Income from software services	25,365.65	24,602.27
Income from sale of software licences / hardware	917.67	2,160.96
Reimbursement income	205.14	258.66
	<b>26,488.46</b>	<b>27,021.89</b>

## 2.19 Other income

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Profit on sale of assets (net)	11.37	2.40
Interest on bank deposits	15.05	18.77
Interest on income tax refunds	0.33	-
Dividend income from current investments	0.58	6.36
Gain on exchange translation	-	80.04
License fee for office property	488.77	488.76
Interest on loans granted	-	1.87
Excess provision for doubtful debts written back	-	6.11
Miscellaneous income	59.86	31.02
	<b>575.96</b>	<b>635.33</b>

## 2.20 Employee benefits expense

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Salaries and wages	13,551.41	14,003.16
Contribution to provident and other funds	676.25	765.05
Staff welfare	674.15	764.93
	<b>14,901.81</b>	<b>15,533.14</b>

## 2.21 Finance costs

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Interest expense	34.14	41.62
Other borrowing costs	40.65	63.09
	<b>74.79</b>	<b>104.71</b>

## 2.22 Other expenses

₹ in Lakhs

	Year ended 31 March 2015	Year ended 31 March 2014
Travelling and conveyance	934.74	765.79
Rent	628.74	690.85
Rates and taxes	28.44	36.48
Power	243.15	245.82
Communication expenses	370.29	318.42
Insurance	54.41	51.38
Repairs and maintenance		
– Building / Leasehold premises	92.12	121.05
– Computers and Air conditioners	52.66	31.02
– Others	21.14	26.64
Payment to auditors		
– Audit services	63.77	62.24
– Taxation matters	13.17	12.37
– Certification work	1.20	2.40
– Out of pocket expenses	0.93	0.81
Directors' fees	27.22	11.85
Commission to non-executive directors*	30.00	35.10
Cost of technical and other manpower	4,238.48	3,584.90
Professional charges	684.19	872.76
Loss on exchange translation	87.36	-
Bad debts written off	99.98	-
Provision for bad and doubtful debts	34.24	56.13
Recruitment charges	74.29	95.92
Security charges	44.17	42.42
Cost of software license and tools	195.59	161.98
Miscellaneous expenses	401.49	273.71
	<b>8,421.77</b>	<b>7,500.04</b>

\* This amount would be held in trust by the non-executive directors and is subject to the approval by the members at the ensuing Annual General Meeting.

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

i) Contingent liability not provided in respect of:

- Demand(s) raised by the Income Tax authorities for prior financial year(s) aggregating (₹ in Lakhs) 441.85 (Previous year (₹ in Lakhs) 441.85) against which the Company has filed appeal(s) with the Commissioner of Income Tax (Appeals).
- Appeal(s) filed with the Income Tax Appellate Tribunal towards Income-tax demands amounting to (₹ in Lakhs) 246.80 (Previous year (₹ in Lakhs) 702.85).
- Application(s) filed with the Deputy Commissioner of Income-tax towards Income-tax demands amounting to (₹ in Lakhs) 276.83 (Previous year (₹ in Lakhs) 276.83).

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

- ii) Guarantees given on behalf of the Holding Company by banks
  - Towards contract performance obligations (₹ in Lakhs) 46.51 (Previous year (₹ in Lakhs) 66.84).
- iii) During the year, Blue Star Infotech America (BSIA) has received demand for unpaid wages, commission and interest thereon for (₹ In Lakhs) 110.90 from Department of Industrial Relations towards compensation for termination of services of one of its employees. BSIA has preferred an appeal against the said demand and expects favourable verdict in its favour.

## 2.24 Related party disclosures

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

### Names of related parties and description of relationship

Associate	Blue Star Limited (Holding 28.69% of the equity share capital of the Company)
Promoters	Mr. Suneel M. Advani, Chairman and Managing Director Mr. Ashok M. Advani, Vice-chairman
Company in which promoters have significant influence	Blue Star Design & Engineering Limited
Entities in which one or more directors are common	(a) Talwar Thakore and Associates (b) Modern Family Doctor Pvt. Ltd.
Key Managerial Personnel	Mr. Sunil Bhatia, Chief Executive Officer and Managing Director Mr. Vir Advani, Relative of Promoters Mr. Alope Ghosh, Chief Financial Officer and Company Secretary (Effective 2 June 2014) Mr. V. Sudarshan, Chief Financial Officer and Company Secretary (till 31 May 2014)

### Transactions with related parties and related balances

₹ in Lakhs

Particulars	Associate	Promoters	Company in which promoters have significant influence	Entities in which one or more directors are common	Key Managerial Personnel	Total for the year
<b>Rendering of services</b>						
– Blue Star Limited	1,210.70	-	-	-	-	1,210.70
	952.68	-	-	-	-	952.68
<b>Receiving of services</b>						
– Blue Star Limited	39.96	-	-	-	-	39.96
– Vir Advani	-	-	-	-	12.25	12.25
– Talwar Thakore and Associates	-	-	-	-	-	-
– Modern Family Doctor Pvt. Ltd.	-	-	-	1.74	-	1.74
	39.19	-	-	31.83	-	71.02

₹ in Lakhs

Particulars	Associate	Promoters	Company in which promoters have significant influence	Entities in which one or more directors are common	Key Managerial Personnel	Total for the year
<b>Purchase of capital goods</b>						
– Blue Star Limited	1.04	-	-	-	-	1.04
	-	-	-	-	-	-
<b>Director sitting fees</b>						
– Mr. Ashok M. Advani	-	1.70	-	-	-	1.70
	-	0.80	-	-	-	0.80
<b>NON - EXECUTIVE DIRECTOR COMMISSION #</b>						
– Mr. Ashok M. Advani	-	5.00	-	-	-	5.00
	-	5.10	-	-	-	5.10
<b>Remuneration</b>						
– Mr. Suneel M. Advani	-	43.55	-	-	-	43.55
– Mr. Sunil Bhatia	-	-	-	-	320.29	320.29
– Mr. Aloke Ghosh	-	-	-	-	36.50	36.50
– Mr. V. Sudarshan	-	-	-	-	12.06*	12.06
		44.40			356.47	400.87
<b>Interest on loans granted</b>						
– Mr. Sunil Bhatia	-	-	-	-	-	-
	-	-	-	-	1.87	1.87
<b>Outstanding Balance</b>						
Debit Balance	284.31	-	-	-	-	284.31
	734.06	3.00	5.38	-	-	742.44
Credit Balance	27.48	-	-	-	141.40	168.88
	27.48	-	-	-	152.85	180.33
Rent Deposit	-	-	-	-	100.00	100.00
	100.00	-	-	-	-	100.00

\* Includes leave encashment and other settlements

# This amount would be held in trust by the non-executive directors and is subject to the approval by the members at the ensuing Annual General Meeting.

Note: Figures in italics are of the previous year

## 2.25 Derivative instruments:

The Company has entered into the following derivative contracts:

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

There are outstanding Foreign Exchange Forward Contracts and Foreign Exchange Options Contracts entered into by the Company as at 31 March 2015 of US \$ 5,150,000 (Previous year US Dollar \$ Nil)

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

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

Foreign Currency Exposure	2014-2015 (₹ in Lakhs)	2014-2015	2013-2014 (₹ in Lakhs)	2013-2014
Exports in US \$	-	-	1,250.73	\$ 2,081,076
Exports in EUR €	95.82	€ 141,141	352.85	€ 427,280
Exports in CA\$	23.99	C\$ 48,384	-	-

### 2.26 Staff benefits cost in accordance with Accounting Standard 15:- Employee Benefits (Revised 2005)

- a) Defined Contribution Plans: The amount recognised as an expense during the year is (₹ in Lakhs) 676.25 (Previous year (₹ in Lakhs) 765.05).
- b) Defined Benefit Plans (as applicable to employees of Blue Star Infotech Limited) :

Particulars	2014-15 ₹ in Lakhs	2013-14 ₹ in Lakhs
<b>Change in defined benefit obligation:</b>		
Obligation as at the beginning of the year:	309.71	251.90
Service cost	81.14	79.24
Interest cost	24.92	17.69
Actuarial (gain) / loss	32.45	22.47
Benefits paid	(65.57)	(61.59)
Present value of defined benefit obligation as at year end (A)	382.65	309.71
<b>Change in plan assets:</b>		
Opening plan assets, at fair value	162.62	172.19
Expected return on plan assets	12.13	13.09
Actuarial gain / (loss)	13.73	(5.39)
Contributions	43.43	44.32
Benefits paid	(65.57)	(61.59)
Fair value of plan assets as at year end (B)	166.34	162.62
<b>Cost for the year</b>		
Service cost	81.14	79.24
Interest cost	24.92	17.69
Expected return on plan assets	(12.13)	(13.09)
Actuarial (gain) / loss	18.72	27.86
Total net cost recognised as employee remuneration	112.65	111.70
<b>Investment details of plan assets:</b>		
The plan assets are invested in trust managed funds.		
<b>Assumptions:</b>		
Discount rate	8.00%	9.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%
Mortality rate	LIC (1994-96)	LIC (1994-96)

**Reconciliation of benefit obligations and plan assets for the year:**

	2014-15	2013-14	2012-13	2011-12	2010-11
Present value of defined benefit obligations as at year end (A)	382.65	309.71	251.90	232.40	345.31
Fair value of plan assets as at year end (B)	166.34	162.62	172.19	142.59	153.90
Net (asset) / liability as at year end recognised in Balance Sheet (A) – (B)	216.31	147.09	79.71	89.81	191.41
Experience adjustments :					
On plan liabilities:- (gain) / loss	32.45	22.47	(22.97)	(101.93)	(72.13)
On plan assets:- gain / (loss)	13.73	(5.39)	(4.29)	(1.44)	(12.45)

**2.27 Earning per share (EPS)**

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

	Year ended 31 March 2015	Year ended 31 March 2014
i. Net Profit after tax (₹ in Lakhs)	1,816.49	1,487.17
ii. Basic (weighted average) number of Equity Shares	1,05,72,603	1,03,85,000
iii. Diluted (weighted average) number of Equity Shares	1,11,68,067	1,07,91,287
iv. Earning per share (EPS) in ₹ – Basic	17.18	14.32
v. Earning per share (EPS) in ₹ – Diluted	16.27	13.78

**2.28 Segment reporting**

The Company is engaged in providing technology, consultancy and outsourcing services. For the purpose of disclosure of segment information, the Company considers these services as a single business segment.

The Company has identified geographical segments as its primary segment and business segments as its secondary segment. However, no additional reportable business segments have been identified based on the quantitative criteria specified in Accounting Standard (AS)-17 'Segment reporting'.

Disclosures as required by Accounting Standard (AS)-17 'Segment Reporting'

Particulars	Year Ended 31 March 2015	Year Ended 31 March 2014
<b>Segment revenue</b>		
Domestic	14,409.76	13,377.01
Overseas	19,642.81	19,703.39
<b>Total</b>	<b>34,052.57</b>	<b>33,080.40</b>
Less: Inter segment revenue	7,564.11	6,058.51
<b>Total operating income</b>	<b>26,488.46</b>	<b>27,021.89</b>

Particulars	Year Ended 31 March 2015	Year Ended 31 March 2014
<b>Segment results</b>		
(Profit before tax, Interest and Finance costs)		
Domestic	4,508.17	4,183.41
Overseas	9,573.68	8,083.77
<b>Total</b>	<b>14,081.85</b>	<b>12,267.18</b>
Less: Inter segment cost	7,564.11	6,058.51
Less: Un-allocable expenditure		
(i) Finance costs	74.79	104.71
(ii) Other expenditure (Net of other income)	3,968.52	3,919.67
<b>Profit before tax</b>	<b>2,474.43</b>	<b>2,184.29</b>
<b>Capital Employed</b>		
(Segment assets – Segment liabilities)		
Domestic	1,040.65	2,010.24
Overseas	3,240.20	2,525.04
Add: Un-allocable assets (net) *	7,503.76	5,738.49
<b>Total</b>	<b>11,784.61</b>	<b>10,273.77</b>
* (Based on estimates in terms of available data)		
<b>Capital Expenditure</b>		
Domestic	332.28	340.19
Overseas	42.84	27.53
<b>Total</b>	<b>375.12</b>	<b>367.72</b>
<b>Depreciation and amortization</b>		
Domestic	403.99	340.41
Overseas	33.55	39.74
<b>Total</b>	<b>437.54</b>	<b>380.15</b>
<b>Non-cash expenses other than depreciation and amortization</b>		
Domestic	46.10	13.13
Overseas	88.12	43.00
<b>Total</b>	<b>134.22</b>	<b>56.13</b>

**2.29** The previous year's figures have been recast / regrouped / rearranged, wherever considered necessary.

As per our report of even date attached

For **WALKER CHANDIOK & CO LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

For **BLUE STAR INFOTECH LIMITED**

**per AMYN JASSANI**  
Partner

**SUNEEL ADVANI**  
Chairman &  
Managing Director

**SUNIL BHATIA**  
Chief Executive Officer &  
Managing Director

**ALOKE GHOSH**  
Chief Financial Officer &  
Company Secretary

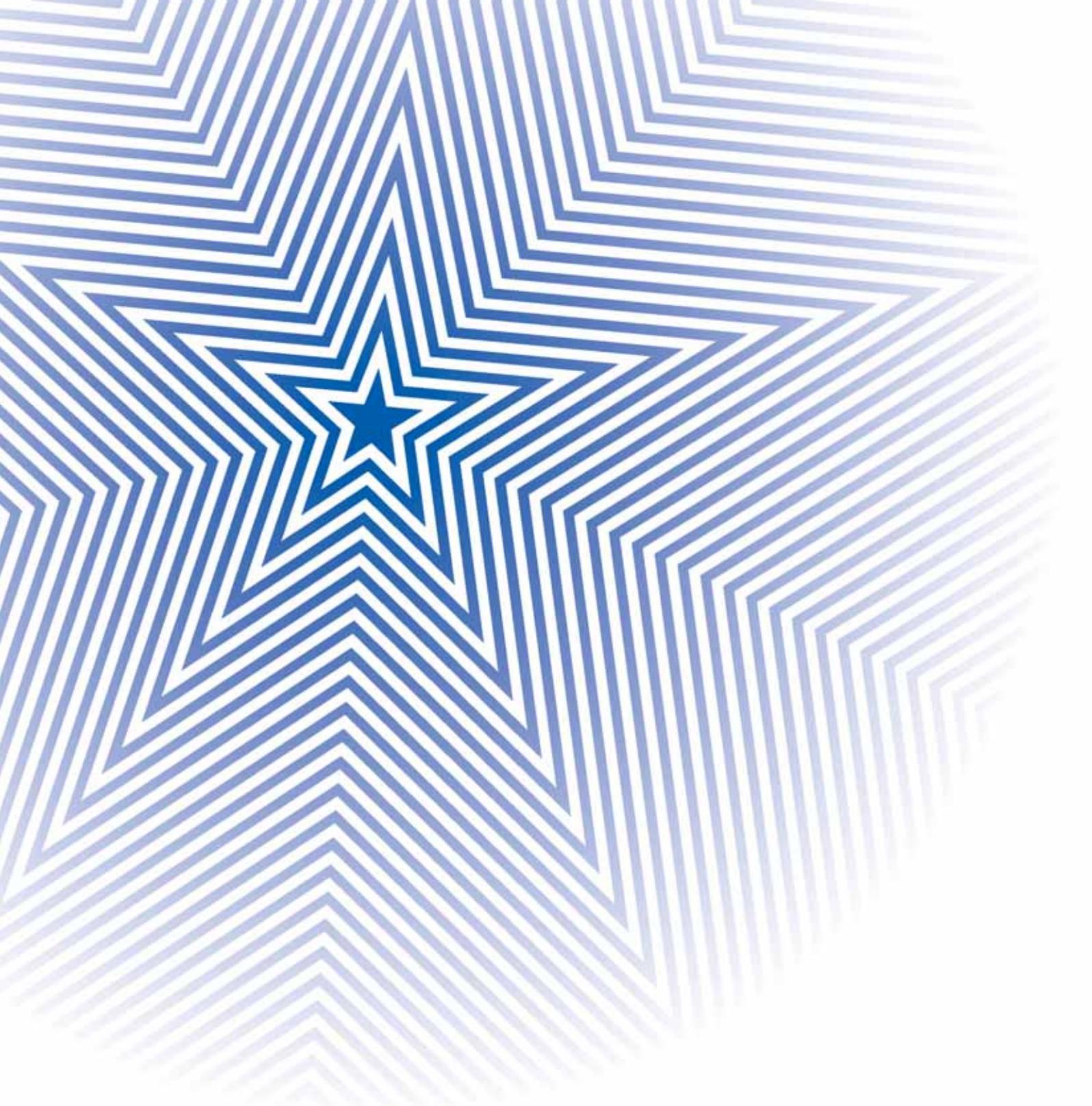
Place: Mumbai  
Date : 14 May 2015











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## **NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 18<sup>th</sup> Annual General Meeting (AGM) of the Members of the Company will be held on **Tuesday, 21 July 2015, at 3.00 p.m. IST** at Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai - 400 020, Maharashtra, India, to transact the following business:

### **Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2015, the Statement of Profit and Loss for the financial year ended as at that date and the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sanjay Vaswani (DIN: 00369909), who retires by rotation and being eligible, seeks re-appointment.
4. To ratify the appointment of M/s Walker, Chandiook & Co. LLP Chartered Accountants (ICAI Firm Registration No.: 001076N), Statutory Auditors of the Company to continue to hold office for the residual period of 2 years i.e. from the conclusion of 18<sup>th</sup> Annual General Meeting until the conclusion of the 20<sup>th</sup> Annual General Meeting.

### **Special Business:**

5. **To approve the commission plan for Non – executive directors of the company and to consider, and if thought fit, pass with or without modification, the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to Article 122 of the Articles of Association of the Company and Section 197, 198 and other applicable provisions, if any, of the Companies Act, 2013, approval of the members be and is hereby accorded to the payment of commission to the Directors (other than the Managing / Whole-time Directors) up to 3% (three percent) per annum of the net profits of the Company for each financial year, calculated in accordance with Section 198 and other applicable provisions of the said Act, such commission being divisible amongst the aforesaid Directors, in such proportion and in such manner as may be decided by the Board of Directors of the Company, for a period of five financial years commencing from the financial year beginning 1 April 2014 and further such commission payable is in addition to the sitting fee payable to such Directors for each meeting of the Board and/or Committee(s) of the Board attended by them.

**RESOLVED FURTHER THAT** any Director of the Company or the Company Secretary be and is hereby authorised to take such steps as may be necessary for obtaining necessary approvals in relation to the above and to settle all matters arising out of and incidental thereto and sign and execute all applications, documents and writings that may be required, for and on behalf of the Company and generally to do all such acts, deeds and things as may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

6. i) **Appointment of Ms. Kalpana Trivedi (DIN: 07150502) as a Director of the company and to consider, and if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 149, 152, and other applicable provisions (including any modification or re-enactment thereof), if any, of the Companies Act, 2013, Ms. Kalpana Trivedi (DIN: 07150502) who was appointed as an Additional Director of the company with effect from 30 March 2015, be and is hereby appointed as a Director on the Board of Directors of the Company.

**RESOLVED FURTHER THAT** any Director of the Company or Company Secretary of the Company be and is hereby authorized to do all such acts, deeds, matters and things and file the necessary forms with the Registrar of Companies, as may be necessary to give effect to the above resolution."

**ii) Appointment of Ms. Kalpana Trivedi (DIN: 07150502) as an Independent Director**

A proposal has been received from a member of the company along with a deposit of ₹ 1 Lakh seeking nomination of Ms. Kalpana Trivedi (DIN: 07150502) as an Independent Director. Ms. Kalpana Trivedi (DIN: 07150502) has confirmed that she meets the criteria for independence.

**“RESOLVED THAT** pursuant to Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013, if any, and the rules made thereunder (including statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Ms. Kalpana Trivedi (holding DIN : 07150502), Director of the Company has submitted a declaration of meeting the criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, and in respect of whom the Company has received a notice in writing from a member along with a deposit of ₹ 1 Lakh proposing that her term as an Independent Director be for a period of five consecutive years from 21 July 2015 to 20 July 2020 be and is hereby appointed as an Independent Director of the Company.

**7. To ratify the approval of compensation to Mr. Sunil Bhatia (DIN: 03424622), Chief Executive Officer and Managing Director and to consider and if thought fit, to pass the following Resolution as a Special Resolution:**

**“RESOLVED THAT** in terms of regulations of the Articles of Association of the Company and pursuant to provisions of Sections 197 read with Schedule V (including any statutory modification or re-enactment thereof for the time being in force), and all other applicable provisions, if any, of the Companies Act, 2013 and such sanctions as may be necessary, approval of the members of the Company be and is hereby accorded to ratify the approval of compensation of Mr. Sunil Bhatia (DIN: 03424622), Chief Executive Officer and Managing Director, with effect from 1 April 2014, for the remaining tenure of his present term as a Chief Executive Officer and Managing Director, on the remuneration and variable incentive as mentioned in the explanatory statement annexed to the notice which is hereby specifically approved with authority to the Board of Directors (which term shall include the Remuneration Committee constituted by the Board of Directors).

**RESOLVED FURTHER THAT** any Director of the Company or the Company Secretary of the Company be and is hereby authorised to take such steps as may be necessary for obtaining necessary approvals in relation to the above and to settle all matters arising out of and incidental thereto and sign and execute all applications, documents and writings that may be required, for and on behalf of the Company and generally to do all such acts, deeds and things as may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution.”

**NOTES:**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members/ proxies should bring the duly filled Attendance Slips sent herewith to attend the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 1 July 2015 to 7 July 2015 (both days inclusive). The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 24 July 2015 only to those Members whose names appear on the Company’s Register of Members as on 1 July 2015.
4. The shares of the Company are listed on the BSE Ltd., Mumbai and The National Stock Exchange of India Ltd. The annual listing fee for the year 2015-2016 has been paid intime to both exchanges.
5. Members are requested to note that all correspondence relating to share transfers, nomination forms and other related issues should be addressed directly to the Registrar and Transfer Agents, M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078. Members are also requested to quote their Registered Folio No. and/or DP and Client Identity Numbers in all their correspondence.

6. Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, NECS mandate, nomination, power of attorney, address, name, etc., to their depository participant (DP). These changes will be automatically reflected in 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 Share Transfer Agents of the Company.
7. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Investor Relations Department / Office of the Company Secretary at the Registered Office address of the Company. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 124 and 125 of the Companies Act, 2013, be transferred to Investor Education and Protection Fund.

Unclaimed Dividend on equity shares for the financial year 2007-2008 will fall due for transfer to the said Fund on 4 October 2015. It may be kindly noted that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie against the Company in respect thereof. Any person claiming to be entitled to such dividend after the transfer may apply to the authority administering the fund for payment.

8. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declaration for their appointment/re-appointment.

#### **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 Clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 18<sup>th</sup> Annual General Meeting (AGM) 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 (AGM) ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through ballot paper shall be made available at the AGM 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 through ballot paper.  
**Please note:** The Facility for Voting shall be decided by the company i.e. "remote e-voting" or "Ballot Paper" or "Polling Paper"
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 16 July 2015 (9:00 am) and ends on 20 July 2015 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 14 July 2015, 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:
  - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)] :
    - (i) Open email and open PDF file viz; "BSIL e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select "EVEN" (Electronic Voting Event Number) of "Blue Star Infotech Limited".
- (viii) Now you are ready for remote e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) 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. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [votes@bsil.com](mailto:votes@bsil.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

<b>EVEN (E Voting Event Number)</b>	<b>USER ID</b>	<b>PASSWORD/PIN</b>

- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 14 July 2015.
- X. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 14 July 2015, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.

- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. 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 AGM through ballot paper.
- XIII. Mrs. Jayshree S. Joshi, of Jayshree Dagli & Associates, Practising Company Secretaries, Mumbai has been appointed for as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "remote e-voting" or "Ballot Paper" or "Polling Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the 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 three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The results declared along with the report of the Scrutinizer shall be placed on the Company's website [www.bsil.com](http://www.bsil.com) and on the website of NSDL immediately after the result is declared by the Chairman of the meeting. The results shall also be immediately forwarded to the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") where the shares of the Company are listed.

**By Order of the Board of Directors**

Place: Mumbai,  
Date: 14 May 2015

**Aloke Ghosh**  
Chief Financial Officer and Company Secretary

**A. Explanatory Statement**

(Pursuant to section 102 (1) of the Companies Act, 2013)

**I. Item no. 3 of the notice**

**Mr. Sanjay Vaswani (DIN: 00369909)**

Mr. Sanjay Vaswani (DIN: 00369909) holds an MBA from the Wharton School of Business and a BBA summa cum laude from the University of Texas at Austin. He has worked for Intel Corporation and as an associate in McKinsey & Company, Inc. in Los Angeles. In 1990, he set up his own consulting firm, which is a consultant and advisor to hi-tech companies in the USA. He is also on the Board of Brocade Communications Systems Inc., USA.

Mr. Vaswani (DIN: 00369909) works and resides in the heart of Silicon Valley and is highly knowledgeable about the IT industry. He joined the Board of Blue Star Infotech Limited in 2000.

As on 31 March 2015 Mr. Sanjay Vaswani (DIN: 00369909) holds beneficial interest in 14,750 shares of the Company.

Mr. Sanjay Vaswani (DIN: 00369909), Mr. Suneel Advani (DIN: 00001709) (relative) and Mr. Ashok Advani (DIN: 00001372) (relative) are concerned or interested in this agenda. Save and except the above, none of the other Director(s), Manager(s), Key Managerial Personnel(s) and their relatives are in any way concerned or interested in the subject matter of the resolution.

## **II. Item no. 4 of the notice**

In terms of Section 139 of the Companies Act, 2013, the Company had re appointed the Statutory Auditors M/s. Walker, Chandiook & Co., LLP, Chartered Accountants, (ICAI Firm Registration No.: 001076N), for the residual period of their second term of three years i.e. from the conclusion of the 17<sup>th</sup> Annual General Meeting till the conclusion of the 20<sup>th</sup> Annual General Meeting. The Company has received confirmation from the Auditors of their willingness to continue as the Statutory Auditors of the Company from the ensuing Annual General Meeting till the completion of the residual term. Pursuant to section 139 (1) of the Companies Act 2013, the members of the Company have to ratify the appointment of the Statutory Auditors at the Annual General Meeting.

## **III. Item no. 5 of the notice**

Article 122 of the Articles of Association of the Company inter alia provides for payment of commission to a Director who is neither in the whole time employment of the Company nor a Managing Director of the Company. Section 197 of the Companies Act, 2013, provides, inter alia, that a Director who is neither in the whole-time employment of the Company nor a Managing Director of the Company (the "Non-Executive Director") may be paid remuneration by way of commission at a rate not exceeding 3% (three percent) of the net profits of the Company, provided such payment is authorised by a Special Resolution passed in that behalf by the Members of the Company at a General Meeting.

Having regard to the time and attention devoted by the Non-Executive Directors to the affairs of the Company, and the contribution they make to the business and operations of the Company such a proposal is recommended. It is proposed to seek the approval of the Members for a period of five years commencing from the financial year beginning 1 April 2014, as set out in the Special Resolution under Item no. 4 of this Notice.

### **i. Item no. 6 (i) and (ii) of the notice**

Pursuant to the provisions of Section 149, 161, and other applicable provisions (including any modification or re-enactment thereof), if any, of the Companies Act, 2013 the Board of Directors of the Company had appointed Ms. Kalpana Trivedi (DIN: 07150502) as an Additional Director of the Company w.e.f. 30 March 2015 who shall hold office up to the date of the ensuing Annual General Meeting.

The Company has received a proposal from a member along with a deposit of ₹ 1 Lakh recommending the appointment of Ms. Kalpana Trivedi (DIN: 07150502) as an Independent Director from 21 July 2015 for five consecutive years ending 20 July 2020. Ms. Kalpana Trivedi (DIN: 07150502), has given a declaration to the Board that she meets the criteria of Independence as provided under section 149(6) of the Companies Act, 2013. In the opinion of the Board, Ms. Kalpana Trivedi (DIN: 07150502) fulfils the conditions specified in the Act and Rules framed thereunder for appointment as an Independent Director and is independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Ms. Kalpana Trivedi (DIN: 07150502) as an Independent Director is now being placed before the Members for their approval. The terms and conditions of appointment of the above Director shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday and Sunday.

### **About Ms. Kalpana Trivedi (DIN: 07150502):**

Kalpana Trivedi (DIN: 07150502) holds an MBA from Sydenham Institute of Management Studies and Research, and a Master degree in Economics from University of Mumbai. She has more than 23 years of experience in several

segments including sales, marketing, advertising and research. She started her career in 1992 with global advertising firms such as Lintas and Chaitra Leo Burnett, and managed prominent accounts like Balsara, TCL, Hindustan Lever etc. She has been engaged with production houses and hosted a popular women's issue-based talk show on Star Plus TV Channel. Ms. Trivedi (DIN: 07150502) has a strong penchant for entrepreneurship and social activities and has also launched several new lines of business.

Currently she is a Director in a NGO "Social Services Enterprise" since November 2012. Her role involves consulting, facilitating and promoting the services of the NGO in different areas

## **ii. Item no. 7 of the notice**

An application was made to the Ministry of Corporate Affairs, Government of India for their approval for the compensation for Mr. Sunil Bhatia (DIN: 03424622). Pursuant to the approval of members at the Annual General Meeting held on 18 July 2013.

The Ministry of Corporate Affairs, Government of India vide its letter SRN No. C36025401/2014 – CL-VII dated 28 April 2015 and as per the General Circular No. 32/2014 dated 23 July 2014 has informed the Company that with the promulgation of Companies Act, 2013 a fresh approval from the shareholders is required prior to making any application to the Central Government under the provisions of Companies Act, 2013.

The payment by way of remuneration to Mr. Sunil Bhatia (DIN: 03424622) for the Financial Year ended 31 March 2015 are permitted pursuant to the circular no. 07/2015 dated 10 April 2015. The present approval from shareholders is intended to cover the period beginning from 1 April 2014 till the conclusion of the current tenure. The compensation terms as approved by the shareholders at the 16<sup>th</sup> Annual General Meeting vide item no. 6 is reproduced below for information in compliance with Companies Act, 2013.

### **Item no. 6 of the notice of the 16<sup>th</sup> Annual General Meeting:**

Mr. Sunil Bhatia (DIN: 03424622) was appointed as the Chief Executive Officer and Managing Director ("CEO and MD") for a period of three years on and from 15 April 2011 on such remuneration as recommended by the Remuneration Committee, with the approval of the members and the Central Government.

The Board of Directors of the Company ("Board") at its meeting held on 9 May 2013 had, subject to the approval of the Members and the Central Government, decided to extend the term of office of Mr. Sunil Bhatia (DIN: 03424622) and revise his compensation with effect from 1 April 2013. The Board, in congruence with the Remuneration Committee has agreed to revise his compensation and seek the shareholders' approval for the same.

As required under section 302 of the Companies Act, 1956 and now covered under section 190 of the Companies Act, 2013, the abstract of the main terms and conditions of the appointment of Mr. Bhatia (DIN: 03424622) as the CEO and MD together with the memorandum of concern or interest is as set out below:

- 1. Tenure of re-appointment:** 15 April 2011 to 31 March 2014 extended to 31 March 2016 ("Term")
- 2. Revision in the terms of remuneration (for the period):** 1 April 2013 to 31 March 2016
- 3. Nature of Duties:** The CEO and MD shall be responsible for the substantial management and administration of the company comprising primarily of contributing in high levels business development, networking, business guidance, business visibility, administration, finance, policy and decision making, in accordance with the directions of the Board. The CEO and MD shall also accept and discharge those duties which may be assigned to him by the Board from time to time and which can be reasonably expected of him in consideration of his position as the CEO and MD. The discharge of duties by Mr. Bhatia (DIN: 03424622) shall be subject to the superintendence, control and direction of the Board.

#### **4. Remuneration:**

- (a) Fixed Compensation:
  - i) 1 April 2013 – 31 March 2014 – US \$ 4,00,000
  - ii) 1 April 2014 – 31 March 2015 - US \$ 4,00,000
  - iii) 1 April 2015 – 31 March 2016 – US \$ 4,50,000
- (b) Variable incentives, which would be a % of the fixed compensation, based upon achievement of targets in relation to each of Revenue and Profit after tax on the criteria to be laid down by the Board.
- (c) Reimbursement of expenses: All authorised expenses incurred on the Company's business shall be reimbursed as per the Company's policy.
- (d) Health insurance: As per the Scheme in force in the Company/ subsidiary where he is located.
- (e) Transportation expenses. Company will bear all the official expenses on travel and transportation.
- (f) Employee Stock Options (ESOP): Hitherto, Mr. Bhatia (DIN: 03424622) was entitled to 515,000 equity shares in the company by way of ESOP's. The company proposes to issue an additional 467,000 equity shares in the company by way of ESOP's during the extended tenure of service. This issue is subject to the approval of the Reserve Bank of India (RBI) and other statutory authorities. Mr. Bhatia (DIN: 03424622) will be entitled to these additional Stock options under the Company's ESOP Scheme which will vest based on the achievement of Revenue and Profit after Tax (PAT) targets for the financial years 2014 through 2016. In the absence of RBI or statutory approvals for the additional 4,67,000 stock options, an alternative mode will be determined and shareholder's approval sought at the appropriate juncture.
- (g) Minimum Remuneration: Notwithstanding anything to the contrary herein contained where in any financial year the Company has no profits or its profits are inadequate during the currency of the tenure of the CEO and MD, the Company will continue to pay the CEO and MD, remuneration by way of the fixed compensation and variable incentives, subject to the satisfaction of the Key performance indicators and as may be decided by the Board/Committee thereof from time to time.
- (h) Mode of Payment - The Chief Executive Officer and Managing Director will be paid compensation, either directly by the company or by one of the company's overseas subsidiaries or partly by a combination of both. The cost to be accounted by each entity shall be based on the time or efforts relating to a particular geography by the Chief Executive Officer and Managing Director. At a notional exchange rate of Rs.60/- per US \$, the cash compensation cost is expected to be in the vicinity of a minimum sum of Rs.2.40 Crores and up to a maximum sum of Rs.5.40 Crores per annum.

#### **5. Other terms of appointment:**

- During the Term, the CEO and MD:
  - is required to devote sufficient time and attention to the affairs and business of the Company and will have no other engagement or employment in any enterprise or business in any capacity for remuneration or otherwise which would cause him to divert substantial time and attention from this Company to such other enterprise, without the prior written consent of the Board or except to the extent with any subsidiary/affiliate of the Company or involvement in any non-profit activities or speaking engagements;
- The terms of appointment also include appropriate clauses for:
  - Adherence with the Code of conduct and maintenance of confidentiality.
- During the Term, either Party may terminate the appointment at any time by giving 30 days' notice or compensation of salary for the notice period in lieu thereof. on the following terms:

- In the event of any board meeting in which the agenda is to decide upon the termination of the Agreement, Mr. Sunil Bhatia (DIN: 03424622) shall not have the right to vote in such resolution in the capacity of a Director of the Company.
- Notwithstanding anything mentioned above, the Company will have the right, after due inquiry and opportunity to the CEO and MD of being heard, to terminate the employment with immediate effect in the event it is proved that the CEO and MD is guilty of (a) misappropriation of funds,(b) serious violation of applicable laws, the Company's Articles of Association which result in significant loss to the Company;(c) serious violation of any of his duties which result in significant loss or damage to the Company; (d) repeated or continuing breach or non-observance by the CEO and MD of the Boards directives which result in significant loss or damage to the Company; (e) abuse of confidential information for his own purposes; and (f) undisclosed serious violation of the non-compete covenant. In such event, the Company would not be required to pay the CEO and MD any remuneration from the date of termination.
- The Agreement dated 3 September 2013 shall supersede the original Agreement dated 25 April 2011 entered prior to this; and all rights, obligations and liabilities of the parties under the previous agreement are terminated and will cease with effect from the date of the new Agreement.
- Mr. Bhatia (DIN: 03424622) is appointed as a Director by virtue of his employment in the Company and his appointment shall be subject to the provisions of section 283(1) (l) and other applicable provisions of the Act. The terms of his termination are elucidated in the CEO and MD Agreement.
- Mr. Bhatia (DIN: 03424622) is a citizen of Singapore and a person of Indian origin. He holds 7,24,549 equity shares in the Company in his personal and beneficial capacity as on 31 March 2015.
- As on 31 March 2015, Mr. Bhatia (DIN: 03424622) is a Director of Blue Star Infotech Ltd and Blue Star Infotech Business Intelligence And Analytics Private Limited.
- No other Director except Mr. Bhatia (DIN: 03424622) is concerned or interested in this item

#### **FOR THE ATTENTION OF SHAREHOLDERS**

1. Shareholders are requested to forward their queries on Accounts for the financial year ended 31 March 2015 to the office of the Company Secretary at the Registered Office of the Company in advance so as to reach the Company at least 7 days prior to the date of the Annual General Meeting, to enable the company to keep the information ready at the Meeting.
2. The Annual Reports and Attendance Slips will not be distributed at the Annual General Meeting. Shareholders attending the Meeting are requested to bring the same along with them.
3. A copy of the Annual Report along with the notice to the Annual General Meeting is available in soft copy format on the Company's website [www.bsil.com](http://www.bsil.com)
4. Shareholders having shareholding in physical form are requested to dematerialise their holdings and also provide their e-mail IDs to the depository participant to avail speedier investor services.
5. The registered office of the company is open on all working days (Monday – Friday) between 9 a.m. and 5:45 p.m.
6. Shareholder Inquiries - Questions concerning folio, share certificates, dividend, address changes, consolidation of certificates and related matters should be addressed to Blue Star Infotech Limited, at its Registered office or to its share transfer agents at the below mentioned addresses:

**Blue Star Infotech Limited**

Attn: The Investor Relations Department / The Company Secretary  
8<sup>th</sup> Floor, The Great Oasis,  
Plot No.D-13, MIDC, Andheri (East)  
Mumbai, Maharashtra, Pin – 400 093 India  
Tel: +91-22-66956969  
Fax: +91-22-66973866  
www.bsil.com

**E-mail:**

Investor Relations : Investor.Relations@bsil.com or IR@bsil.com  
Company Secretary : cosec@bsil.com or CS@bsil.com

**Registrar and Transfer Agents****Link Intime India Pvt. Ltd.**

Unit: Blue Star Infotech Limited  
C-13 Pannalal Silk Mills Compound,  
LBS Marg,  
Bhandup West,  
Mumbai 400078  
Tel.:91-22-25946970  
Fax: 91- 22-25946969  
E-mail: rnt.helpdesk@linkintime.co.in



# BLUE STAR INFOTECH LIMITED

**Registered Office:**

8th Floor, The Great Oasis, Plot No D-13, MIDC, Andheri (East), Mumbai - 400 093  
CIN: L72200MH1997PLC110459

## PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s): .....

Registered Address: .....

E-mail ID: .....

Folio No. / Client ID : ..... DP ID: .....

I/We, being the member(s) holding ..... equity shares of the above named company, hereby appoint

1. Name: .....

Address: .....

E-mail Id: .....

Signature: .....or failing him / her

2. Name: .....

Address: .....

E-mail Id: .....

Signature: .....or failing him / her

3. Name: .....

Address: .....

E-mail Id: .....

Signature: .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 18<sup>th</sup> Annual General Meeting of the Company, to be held on Tuesday, 21 July 2015, at 3:00 p.m. IST at Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai - 400 020 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote (Optional see Note 2) (Please mention no. of shares)		
		For	Against	Abstain
<b>Ordinary Business:</b>				
1.	To receive, consider and adopt the Audited Balance Sheet as at March 31, 2015, the Statement of Profit and Loss for the financial year ended as at that date and the Directors' Report and the Auditors' Report thereon.			
2.	To declare a dividend.			
3.	To appoint a Director in place of Mr. Sanjay Vaswani (DIN 00369909), who retires by rotation and being eligible, seeks re-appointment.			
4.	To ratify the appointment of M/s Walker, Chandio & Co. LLP Chartered Accountants (ICAI Firm Registration No.: 001076N), Statutory Auditors of the Company to continue to hold office for the residual period of 2 years i.e. from the conclusion of 18th Annual General Meeting until the conclusion of the 20th Annual General Meeting.			
<b>Special Business:</b>				
5.	To approve the commission plan for Non – executive directors of the company.			
6.	i) Appointment of Ms. Kalpana Trivedi (DIN: 07150502) as a Director of the company.			
	ii) Appointment of Ms. Kalpana Trivedi (DIN: 07150502) as an Independent Director.			
7.	To ratify the approval of compensation to Mr. Sunil Bhatia (DIN: 03424622), Chief Executive Officer and Managing Director.			

Signed this ..... day of ..... 2015

Affix  
revenue  
stamp

Signature of Shareholder(s)

Signature of Proxyholder(s)

**Notes:**

1. This Form, in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.
3. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten percent (10%) of the total share capital of the Company. A member holding more than ten percent (10%) of the total share capital of the Company carrying voting rights may appoint a single person as proxy, however, such person shall not act as proxy for any other person or Shareholder.



**BLUE STAR INFOTECH LIMITED**

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Andheri (East), Mumbai 400 093, India.

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CIN: L72200MH1997PLC110459

2<sup>nd</sup> July 2015

**FORM A**

1	Name of the Company:	Blue Star Infotech Limited
2	Annual Financial Statements for the year ended:	31 <sup>st</sup> March 2015
3	Type of Audit observation:	Unqualified Report
4	Frequency of observation:	N.A

For Blue Star Infotech Limited

**Sunil Bhatia**  
Chief Executive Officer and Managing Director

**Alope Ghosh**  
Chief Financial Officer and Company Secretary

**Naresh Malhotra**  
Director and Chairman of Audit Committee

**Bharat Shetty**  
Partner, Walker Chandiook & Co LLP  
Statutory Auditor

