

BOARD OF DIRECTORS

Suneel M Advani

Chairman & Managing Director

Ashok M Advani

Vice Chairman

Dr. Prakash G Hebalkar

Director

Suresh N Talwar

Director

Sanjay N Vaswani

Director

Naresh K Malhotra

Director

EXECUTIVE COMMITTEE

Suneel M Advani

Chairman & Managing Director

A T Vijayakumar

President & Chief Operating Officer

Hemant Kamat

Vice President & Chief Financial Officer

Satish Gaonkar

Vice President - Consulting Services

Deepak Rao

Vice President - Delivery

Suresh Iyer

Vice President - Marketing

Gerard D'Mello

Vice President - Human Resources

Sanjeev Sethi

President - Blue Star Infotech America, Inc.

COMPANY SECRETARY

V Sudarshan

BANKERS

Axis Bank Ltd.

BNP Paribas

Central Bank of India

Citibank N.A

Corporation Bank

HDFC Bank Ltd.

The Hong Kong and Shanghai
Banking Corporation Ltd.

The Royal Bank of Scotland N.V.

AUDITORS

Walker, Chandiok & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (W),

Mumbai 400 078, India.

Tel : 91-22-25946970

Fax : 91-22-25946969

REGISTERED OFFICE & CORPORATE HEADQUARTERS

Band Box House, 4th floor,

Dr. Annie Besant Road,

Worli, Mumbai 400 030, India.

Tel : 91-22-2490 1870

Fax : 91-22-2490 1353

DEVELOPMENT CENTRES

Unit 74, SDF III

Unit 150, SDF V

Unit 188, SDF VI

Seepz, Andheri (East),

Mumbai 400 096, India.

Alpha Building, 2nd floor,

Hiranandani Gardens,

Powai, Mumbai 400 076, India.

Delphi Building,

'B' Wing, 6th floor,

Hiranandani Gardens,

Powai, Mumbai 400 076, India.

#7, 18th Main Road,

Koramangala Industrial Layout,

Bangalore 560 095, India.



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Forward-looking Statement

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

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





Suneel M Advani
Chairman & Managing Director

Letter from the Chairman & Managing Director

Dear Shareholder,

The year 2009 saw an emergence of a 'new normal' for the global economy and brought a fundamental shift in the way businesses operate. However, while the world around us melted, we witnessed the resilience and fundamental strengths of the Indian economy. While governments around the world bailed out their banks, Indian banks continued to fund various government and public initiatives.

Indian IT industry, though, was seriously affected by the global recession.

Sustaining Profitability

IT Companies, domestic and international, small and large, were hit, and continue to be affected by the global situation - fluctuating global currencies, market volatility, plummeting demand and an uncertain economic climate.

The economic crisis forced businesses to defer IT investments (global product and services spend contracted by 3% in 2009). Across the IT industry, all four quarters showed the effects, desperate competition, deferred decisions, project cancellations, and delayed payments. Companies had to resort to innovative ways to control costs and thereby provide funding for increasing customer acquisition sales and marketing efforts. Lower growth for the overall IT industry naturally resulted in declining revenues for us and companies similar to us.

Faced with a slower pace of new customer acquisition, we focused on protecting and growing our existing accounts, keeping tight controls on receivables, streamlining our business processes to provide higher efficiency, closely monitoring our foreign exchange management policies, leveraging the depth of our client relationships, and further cutting costs. We also pursued a conscious strategy to control project execution costs through various measures such as ensuring the right pyramid structure, usage of communication technologies, and improving utilization of technical resources.

This turmoil resulted in our overall revenue dropping by 16% to Rs. 130 Crores compared to Rs. 155 Crores during the previous year. PAT was Rs. 13.7 Crores compared to Rs. 15.6 Crores in the previous year. While revenue declined by 16%, PAT decreased by 12%.

Nevertheless, we added 37 new clients and these include premier companies such as NSE, Dorf Ketal, BSE, Snowman, EMC, Loop Mobile and Meru. All of these customers have significant IT potential, and we expect sustained growth from them in the coming years.

Changing Business Environment

Cross-currency movements in the March quarter showed the dollar, the dominant currency for the IT sector, strengthening against other currencies, including the pound and the euro, which declined by 8-9% against the dollar. The rupee strengthened sequentially by 1.5% on an average vis-à-vis the dollar. The STPI tax exemption benefit is due to expire on March 31, 2011. Salaries are expected to increase in the new year within the IT sector. All of these create further operational complexities and challenges.

In the midst of contracting global demand, margin pressures and the need to become more competitive, industry players constantly innovated and further diversified to add various service lines and capabilities like Remote Infrastructure Management, Virtualization, Green IT and Cloud Computing. This also gave rise to different engagement and delivery models, such as shared services, risk-reward and outcome-based pricing – all of which are becoming de facto business standards to compete in a changing global environment.

The Indian IT industry, which has been largely export focused, finally took note of the growing domestic IT opportunity. Mid-market IT adoption and large e-governance initiatives like SWAN, UID, etc across the country have made the domestic market attractive for Indian and international IT players alike. Your Company had taken early cognizance of this and has been establishing itself in this market over the course of the last 5 years.

Fortunately, the manufacturing sector (worst hit during the downturn), has now started showing positive signs – both in India and overseas. IT services exports, led by application and infrastructure outsourcing, was expected to cross USD 27 billion growing close to 6% in FY 2010. R&D spending is increasingly shifting towards the Asian region, and is expected to constitute nearly 11% of the global engineering and R&D spends by 2020. Even at a 51% share in the global offshoring market, India has tremendous scope for growth in the future.

The ongoing global events have resulted in a major transformation within the industry - companies have to concentrate harder on positioning, core offerings, value propositions, and project risk mitigation.



During the year, we launched a major business strategy evaluation program with the help of industry experts. This provides us with a blueprint for sustaining growth and profitability over the next 3 years, and also guides us in our new go-to-market and operational strategies. The key pillars of this plan include focusing on areas such as strategic account management, acquisition-led capability expansion, aggressive acquisition of new business in select verticals, creation of a shared-services and solution-centric delivery framework, and an outcome-based execution model.

Significant opportunities are still present in the global ISV and enterprise IT market, especially as the mid-market companies begin to look offshore for strategic advantages. Again on the domestic front, the Government and public sectors have become a major thrust area for IT growth. Other sectors like healthcare, media and utilities, etc. are expected to fuel the IT adoption wave. These currently contribute less than 20% (approx) of India's current IT revenues, but have IT budgets of over USD 587 billion, signifying a vast untapped market opportunity.

We await a resurgence in the IT sector in key markets such as USA, UK and India, and are putting into place key elements which will enable us to ride the expected growth wave in the coming years. We will be focusing on helping global mid-market enterprises within the above sectors derive measurable business outcomes through the efficient use of IT. Our dual expertise in building software products for industry-leading Independent Software Vendors (ISVs) and providing IT solutions for enterprises across Travel & Hospitality, Manufacturing, Government, Health Sciences, and Media & Entertainment verticals creates a unique advantage of cross-leveraging our extensive experience across domains and technology platforms, and enables us to provide high-impact business solutions to our clients in US, UK and India. Our verticalized approach for the domestic market, which was devised last year with the help of external management consultants, has put us on a strong footing in the domestic arena, and the same approach is now being adopted in our international markets.

During FY 2009-10, we expanded our sales footprint in our primary market, USA, by adding experience sales people and home-based sales offices in Seattle - Washington, Austin - Texas and Orlando - Florida. These are the locations where our premier, long-standing clients are headquartered, and this will enable us to create and tap into more opportunities within these companies and cities. We have also increased our sales and marketing efforts in all key markets, directly as well as through partnerships.

We believe that this strategic repositioning and focused approach to our primary markets will enable us to capitalize on the expected upswing in the industry and also enable us to counter recessionary forces better, thus creating a strong and resilient business model.

In Conclusion

The last year and a half witnessed unmatched economic turmoil at a global level. Indian IT players stood by and witnessed their traditional core markets deeply suffer the brunt of the slowdown. The industry now has to rebalance itself and needs to de-risk its business models by not only adding new service lines but also by exploring newer markets which have high R&D spends, which require quality services and which have large potential, especially in the mid-sized segment.

With the global economy showing signs of recovery, and reports that IT service spends will grow consistently in the coming years, enterprises will leverage IT to scale up and build competitive differentiators in a highly challenging post-recession era. This will give organizations like ours, who took the crisis as an opportunity to become more robust and agile, a competitive advantage to deliver more relevant, affordable and scalable IT solutions to its target customers in the 'new normal'.

Thank you for your continued support.

Sincerely,

Suneel M Advani

Chairman & Managing Director

Mumbai, May 20, 2010





Suneel M Advani, Chairman & Managing Director

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

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

(Member of Shareholders' Grievance Committee)



Ashok M Advani, Vice Chairman

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

Mr. Advani was appointed as Vice Chairman of Blue Star Infotech Limited in 1998. He is also on the Board of Alfa Laval (India) Limited.

(Chairman of Shareholders' Grievance Committee)



Dr. Prakash G Hebalkar, Director

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

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

(Member of Shareholders' Grievance Committee and Audit Committee)




Suresh N Talwar, Director

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

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

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

(Member of Audit Committee)


Sanjay N Vaswani, Director

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

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


Naresh K Malhotra, Director

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

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

Mr. Malhotra joined the Board of Blue Star Infotech Limited in 2003.

(Chairman of Audit Committee)

Five Year Financials

(Consolidated)

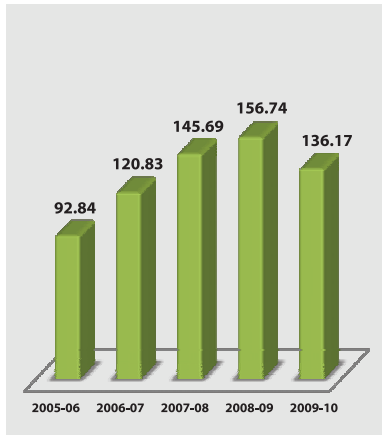
(All figures in Rs. Crores except figures under Other Information and Performance Indicators)

	2009-10	2008-09	2007-08	2006-07	2005-06
OPERATING RESULTS					
Total Income	136.17	156.74	145.69	120.83	92.84
Export Sales	105.61	130.40	113.03	96.57	73.65
Operating Profit (PBIDT)	17.35	19.12	7.57	13.41	8.44
Profit after Tax	13.78	15.55	4.91	9.07	4.16
Dividend (including tax)	5.85	5.85	2.93	4.62	2.28
Retained Profit	7.93	9.70	1.98	4.45	1.88
FINANCIAL POSITION					
Paid-up Capital	10.00	10.00	10.00	10.00	10.00
Reserves	69.72	57.32	50.29	48.31	43.87
Shareholders' Funds	79.72	67.32	60.29	58.31	53.87
Cash & Cash Equivalents	10.13	11.07	16.40	7.36	7.31
Market Capitalisation	112.90	47.95	60.65	93.65	107.00
OTHER INFORMATION					
Number of Shareholders	15,213	15,281	15,557	16,379	17,655
Number of Employees	795	858	901	828	588
Office Space (sq. ft.)	65,000	65,000	65,000	65,000	65,000
PERFORMANCE INDICATORS					
Earnings per Share (Rs.)	13.78	15.55	4.91	9.06	4.16
Dividend per Share (Rs.)	5.00	5.00	2.50	4.00	2.00
Book Value per Equity Share (Rs.)	79.72	67.32	60.29	58.31	53.87
Return on Shareholders' Funds	17.29%	23.11%	8.14%	15.55%	7.73%
Return on Average Capital Employed	18.74%	24.39%	8.28%	16.17%	7.87%



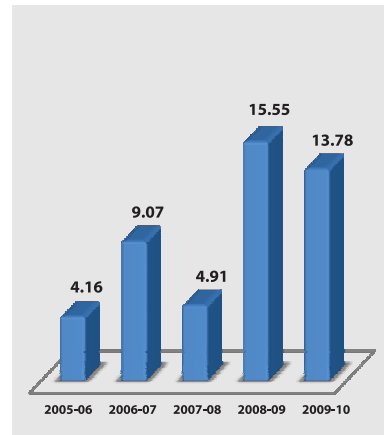
Total Income

(In Rs. Crores)



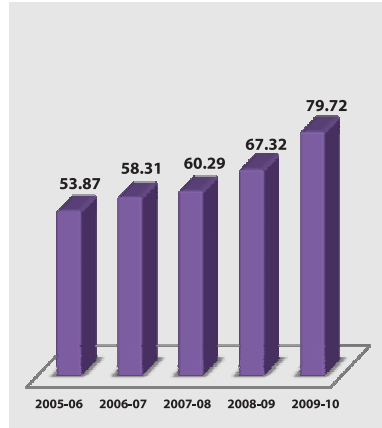
Profit After Tax

(In Rs. Crores)

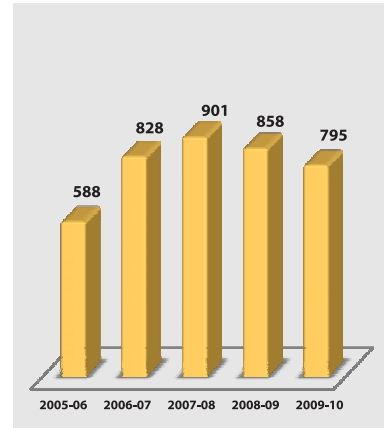


Shareholders' Funds

(In Rs. Crores)

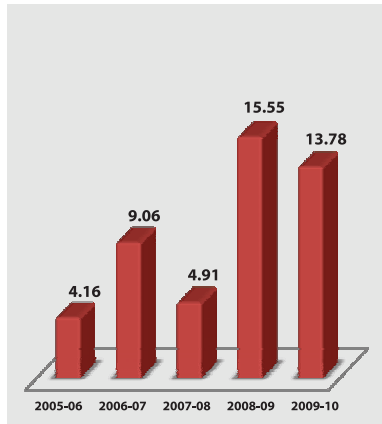


No. of Employees



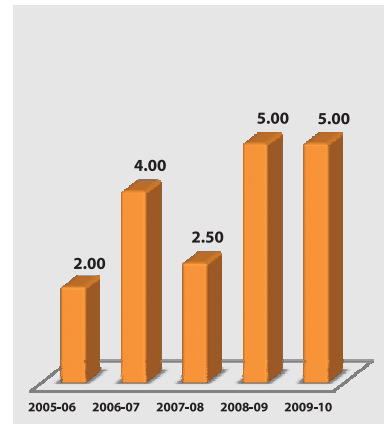
Earnings Per Share

(In Rs.)

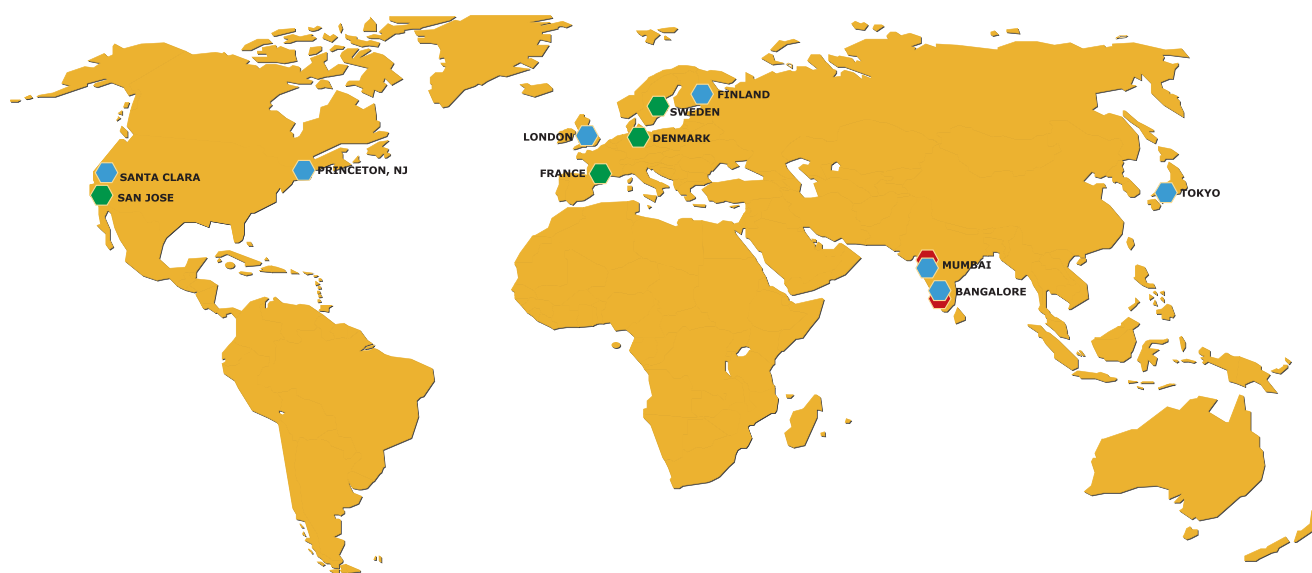


Dividend Per Share

(In Rs.)



Geographic Presence



HEADQUARTERS

Band Box House, 4th Floor, Dr. Annie Besant Road, Worli, Mumbai 400 030, India.

Tel: 91-22-2490 1870; Fax: 91-22-2490 1353

SALES OFFICES

Santa Clara, CA
Princeton, NJ
London, UK
Helsinki, Finland
Mumbai, India
Bangalore, India
Tokyo, Japan

SOFTWARE DEVELOPMENT CENTRES

Mumbai, India
Bangalore, India

BUSINESS PARTNERS

San Jose, CA
Stockholm, Sweden
France
Denmark

