



Engineering Business Outcomes

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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.

BOARD OF DIRECTORS

Suneel M Advani

Chairman and Managing Director

Ashok M Advani

Vice Chairman

Sunil Bhatia

Chief Executive Officer and Managing Director

Dr. Prakash G Hebalkar

Director

K P T Kutty

Director

Naresh K Malhotra

Director

Suresh N Talwar

Director

Sanjay N Vaswani

Director

EXECUTIVE COMMITTEE

Suneel M Advani

Chairman and Managing Director

Sunil Bhatia

Chief Executive Officer and Managing Director

Ramkumar Akella

President and Chief Operating Officer

Suresh Iyer

Executive Vice President - Marketing

Douglas Gray

Chief Solutions Officer

V. Sudarshan

Chief Financial Officer and Company Secretary

Sanjeev Sethi

President - Blue Star Infotech America, Inc.

Satish Gaonkar

Vice President - Consulting Services

Keyuri Singh

Vice President - Human Resources

COMPANY SECRETARY

V Sudarshan

BANKERS

Bank of America Merrill Lynch

Barclays Bank PLC

Corporation Bank

HDFC Bank Ltd.

ICICI 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

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

DEVELOPMENT CENTRES

Unit 74, SDF III
Unit 150, SDF V
Unit 188, SDF VI
Seepz, Andheri (East),
Mumbai 400 096, India.

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

The Great Oasis,
3rd and 8th Floor, Plot No. D -13
MIDC, Andheri (East)
Mumbai 400 093, India.

777 W Glencoe Place,
Bayside, WI 53217, USA.

Letter from the Chairman & Managing Director

Dear Shareholder,

As we look back, fiscal 2012 was a mixed year for Indian IT Services. While the overall global economy was sluggish and the benchmark BSE Sensex dropped 8%, the Indian IT-BPO industry grew by 14% to cross the USD 100 billion mark. NASSCOM, the trade association of the Indian IT and BPO industry, estimates that exports grew 16% in 2011 while domestic IT services grew 10%. Across the industry, capacity utilization stood at 78%.

Against this industry performance, your Company recorded a 37% jump in consolidated Income of ₹ 43.03 Crore for the quarter ended March 31, 2012 compared to ₹ 31.38 Crore for the same quarter of 2011. Consolidated Net Profit for the quarter stood at ₹ 1.56 Crore compared to a loss of ₹ 0.07 Crore for the same quarter of last year. Employee utilization increased to 79% for the fourth quarter of fiscal 2012 compared to 72% for the same quarter of fiscal 2011.

For the full year ended March 31, 2012, consolidated sales revenue stood at ₹ 126 Crore, an increase of 5% over ₹ 120 Crore registered for the year ending March 31, 2011, of which domestic income for the full year rose by 23% to ₹ 36.5 Crore, compared to ₹ 29.7 Crore in the previous year. However, consolidated Net Profit for the year fell to ₹ 3.6 Crore, from ₹ 8.4 Crore in fiscal 2011.

Business Environment

The year 2011-12 witnessed many global uncertainties and significant volatility in the IT industry. Many negative factors emerged which dampened the outlook for technology investments. Customers looked beyond cost savings, and expected vendors and partners to help them increase competitiveness and revenue, reduce time-to-market and fuel innovation. The role of technology and that of Technology service providers is thus becoming more and more transformative compared to merely supporting the business, and needs constant realignment to help customers address their evolving expectations.

We have responded by laying out a roadmap for our future which concentrates on the actions we are taking to strengthen our foundation and provide a platform for future growth and value creation. These actions aim to redesign our business model to achieve higher growth in a difficult environment, strengthen the sales and management teams, cater to changing customer demands, create differentiated offerings, and attain greater operational excellence.

Business Model Realignment and Growth

Our multi-pronged approach to increase revenue and profitability primarily revolves around increasing our focus on the U.S. market and increasing our onsite revenue ratio; continued focus on the Product Engineering and Travel & Hospitality sectors; incorporating a partner-led approach to expand our sales reach and solution offerings; focusing on mining our large global accounts; and identifying inorganic opportunities.

We have signed a global services agreement with SAS, the world leader in Business Analytics software, expanding our successful India-centric relationship with them. This, in addition to our global partnership with QlikView, a leader in user-driven Business Intelligence solutions, enables us to provide a comprehensive range of BI/Analytics solutions to our customers worldwide.



Sunil Bhatia
CEO and Managing Director

Suneel M Advani
Chairman and Managing Director

We entered into a strategic business relationship with a Travel & Hospitality industry veteran in the US for strengthening our sales in this key vertical. We have also tied up with a US-based consulting firm specialising in pricing optimisation and revenue management for the travel industry, for jointly offering analytics solutions and services to this sector.

Our inorganic focus, wherein we explored a number of acquisition and partnership opportunities, has resulted in the formation of a joint venture, Blue7 Solutions LLC, in partnership with one of our long-standing Travel & Hospitality product customers, Trisept Technologies LLC. The JV will deliver a committed business of \$12 million over a period of 3 years. In addition, the JV will also receive a number of benefits and subsidies from the State of Wisconsin.

On the delivery front, we have added a near-shore center in Milwaukee in the USA. This strengthens our capabilities on both Product Engineering as well as Travel & Hospitality, increases our ability to service US customers, and also allows us to provide an Integrated Global Delivery model incorporating an onsite/nearshore/offshore mix.

Infusing Leadership and Talent

Through the year, we inducted highly talented individuals in senior leadership positions. Ramkumar A, with prior experience at Accenture and Infosys, was appointed COO of our Company. Douglas G, our Chief Solutions Officer, has worked as CTO/Engineering Head at leading companies such as Sabre Airline Solutions and BMC Software, and will be leading our overall customer solutions strategy.

Our US sales organization was strengthened with the infusion of senior industry experts for Product Engineering and for Business Intelligence & Analytics.

We also inducted Keyuri S to take charge of our employee practices, and ensure that we have an environment that maximises employee productivity and engagement. She comes with rich experience in creating similar environments at several multinational companies.

Differentiated Offerings

From a pure service-centric model, we are thus transforming into a solution-led company incorporating a product-service mix and providing a range of delivery options that enables us to better differentiate ourselves.

During the year, we launched a number of solutions and accelerators. These include Business Intelligence solutions and tools built on SAS and QlikView for the Pharma, Manufacturing, Travel & Hospitality, and Utilities industries; online booking engine and supplier connectivity frameworks for Travel & Hospitality; ERP for HR-intensive organisations on the Microsoft Dynamics AX product; mobility solutions for the Apple iOS and Google Android platforms; and barcoding solutions for inventory and warehouse management.

We also launched an Independent Testing practice under the leadership of an experienced industry expert, who earlier had set up Testing and Validation Centres of Excellence for Infosys and Cognizant, and has a number of patents filed for model-based testing solutions.

Operational Excellence

Our goal here has been to reduce our operational overheads and generate further efficiencies. We have made significant progress on this front by rationalising the delivery team pyramid, optimising the support and mid-management layers, and increasing our working hours per month from 168 hours to 189 hours. Our utilisation went up by 7% and overall headcount reduced by 1% from previous year. Revenue per employee increased by 5%.

Our pyramid structure was made flatter with an increased thrust on the induction of fresh engineers and shrinkage of middle levels. Our efforts in increasing billability, creating solutions assets, and improving our bench profile also enabled us to make optimal use of our bench staff through the year.

In Conclusion

Our fourth quarter results indicate a positive trend. We remain cautiously optimistic for this new year. However, we do recognise that the business environment in 2012-13 will continue to pose challenges. Pricing pressures and higher taxes will create new pressures on our margins. This is corroborated by muted projections by industry experts - NASSCOM has reduced its projection to around 11-14% sector growth for FY13. Gartner estimates only 3.1% growth in IT services for 2012. Our operational efficiency measures coupled with our solutioning-driven services will help provide a buffer.

It will be our endeavor to grow the revenue and beat the sector forecast while protecting the interests of our stakeholders - customers, shareholders and employees at all times.

We thank you for your continued support.

Sincerely,

Suneel M Advani

Chairman & Managing Director

Sunil Bhatia

CEO & Managing Director

Place : Mumbai

Date : 3 May 2012

Board of Directors



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 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 is currently the Executive Vice Chairman from April 2012.

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 where he was appointed as the Chairman of the Company in 1998 and re-appointed as its Chairman and Managing Director in June 2005.

[\(Member of Shareholders' Grievance Committee\)](#)



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 the Chairman and Managing Director in 2005, then the Executive Chairman in 2009 and is currently the Chairman from April 2012.

Mr. Advani was appointed as Vice Chairman of Blue Star Infotech Limited in 1998.

[\(Chairman of Shareholders' Grievance Committee\)](#)



Sunil Bhatia,
Chief Executive Officer &
Managing Director

Sunil has over 23 years' experience in the Information Technology industry across the globe. Sunil 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 US.

He has wide exposure across multiple industries such as Financial Services, Communication, High-Tech, Industrial and Public sector. He is known for his expertise in developing strong client and partner relationships, passion for building outstanding teams that are global and diverse in nature, and his disciplined focus on execution.

Sunil 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. He was appointed on the Board in April 2011.



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.

[\(Member of Shareholders' Grievance Committee and Audit Committee\)](#)

K P T Kutty, currently a practising Company Secretary, has over three decades experience in the profession. He joined Blue Star Limited in 1980 holding various positions in the Legal & Secretarial Department 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 has earlier been a Director of Blue Star Infotech Limited from 8th May 1998 to 21st January 2000. He was re-appointed on the Board in April 2011.



K P T Kutty,
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 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 joined the Board of Blue Star Infotech Limited in 2003.

(Chairman of Audit Committee)



Naresh K Malhotra,
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 and 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, 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)



Suresh N Talwar,
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.



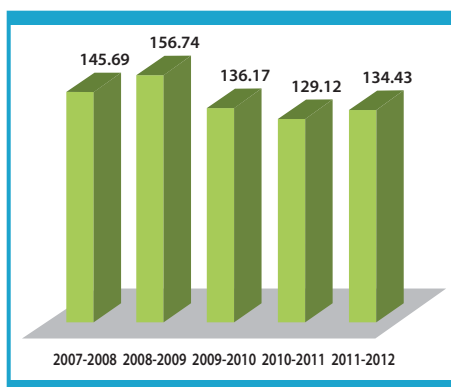
Sanjay N Vaswani,
Director

Ten Year Financials (Consolidated)

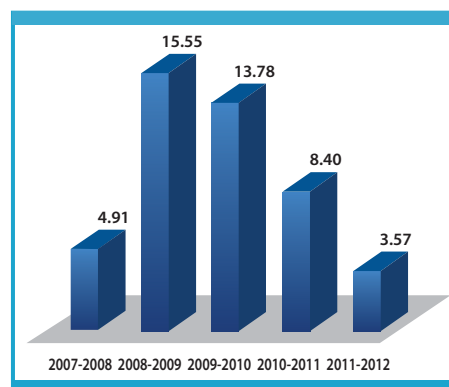
(All figures in ₹ Crores except figures under Other Information and Performance Indicators)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING RESULTS										
Total Income	134.43	129.12	136.17	156.74	145.69	120.83	93.35	106.97	109.71	79.63
Export Sales	89.52	90.55	105.61	130.40	113.03	96.57	73.65	91.37	89.47	61.32
Operating profit (PBIDT)	9.81	15.35	17.35	19.12	7.57	13.41	8.44	15.20	25.76	20.32
Profit after Tax	3.57	8.40	13.78	15.55	4.91	9.07	4.16	9.46	19.90	16.06
Dividend (Including Tax)	2.41	3.49	5.85	5.85	2.93	4.62	2.28	5.70	10.15	8.44
Retained Profit	1.16	4.91	7.93	9.70	1.98	4.45	1.88	3.76	9.75	7.62
FINANCIAL POSITION										
Paid-up Capital	10.38	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Reserves	71.87	74.45	69.72	57.32	50.29	48.31	43.87	41.98	38.23	28.64
Shareholders' Funds	82.26	84.45	79.72	67.32	60.29	58.31	53.87	51.98	48.23	38.64
Short-term Investments (Liquid)	5.55	17.22	27.51	11.64	-	-	2.51	10.75	20.14	16.92
Cash & Cash Equivalents	22.81	10.65	10.13	11.07	16.40	7.36	4.80	5.00	7.64	4.53
Market Capitalisation	74.98	100.85	112.90	47.95	60.65	93.65	107.00	132.83	168.75	129.45
OTHER INFORMATION										
Number of Shareholders	14,153	14,470	15,213	15,281	15,557	16,379	17,655	18,025	18,377	21,030
Number of Employees	818	821	795	858	901	828	583	589	797	591
Office Space (Sq. Ft.)	55,000	55,000	65,000	65,000	65,000	65,000	65,000	95,000	62,000	55,000
PERFORMANCE INDICATORS										
Earnings Per Share ₹	3.49	8.40	13.78	15.55	4.91	9.06	4.16	9.46	19.90	16.05
Dividend Per Share ₹	2.00	3.00	5.00	5.00	2.50	4.00	2.00	5.00	9.00	7.50
Book Value per equity Share ₹	82.26	84.45	79.72	67.32	60.29	58.31	53.87	51.98	48.23	38.64
Return On Shareholders' Funds	4.34%	9.94%	17.29%	23.11%	8.14%	15.55%	7.73%	18.19%	41.26%	41.55%
Return On Average Capital Employed	4.28%	10.23%	18.74%	24.39%	8.28%	16.17%	7.87%	18.88%	45.81%	46.09%

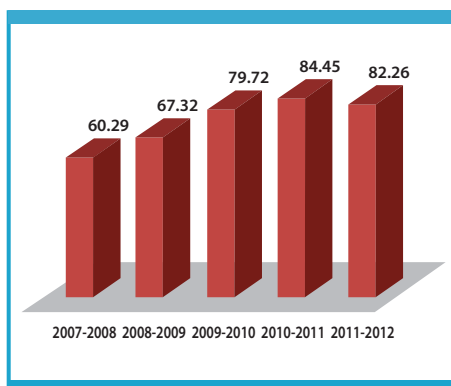
Total Income
(In ₹ Crores)



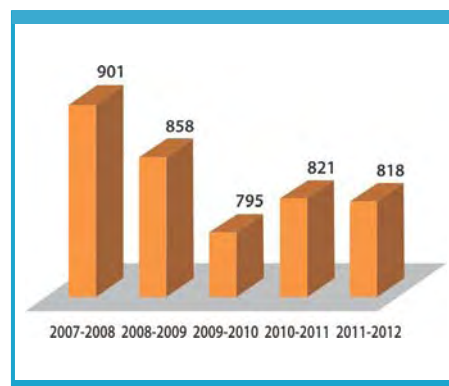
Profit After Tax
(In ₹ Crores)



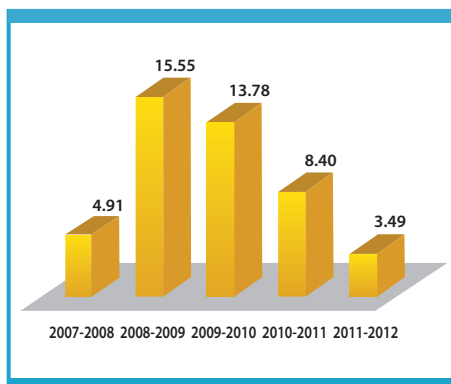
Shareholders' Funds
(In ₹ Crores)



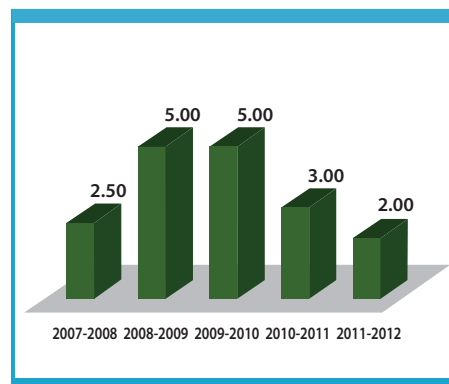
No. of Employees



Earnings Per Share
(In ₹)



Dividend Per Share
(In ₹)



Geographic Presence



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

★ SALES OFFICES

Santa Clara, CA, USA
Princeton, NJ, USA
Austin, TX, USA
Milwaukee, WI, USA
London, UK
Delhi, India
Chennai, India
Mumbai, India
Bengaluru, India
Singapore
Tokyo, Japan

★ SOFTWARE DEVELOPMENT CENTRES

Mumbai, India
Bengaluru, India
Milwaukee, WI, USA

★ BUSINESS PARTNERS

San Jose, CA, USA
Belmont, CA, USA
South Africa
Germany