

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
OPERATING RESULTS										
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
FINANCIAL POSITION										
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
OTHER INFORMATION										
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
PERFORMANCE INDICATORS										
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



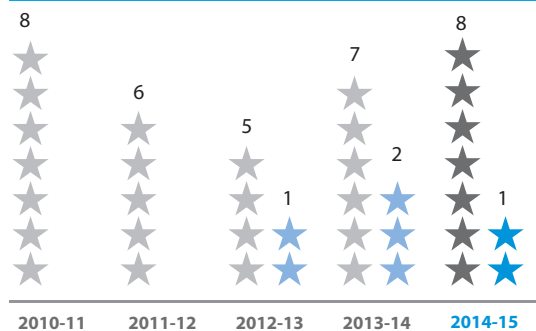
Operating Profit (₹ Crores)



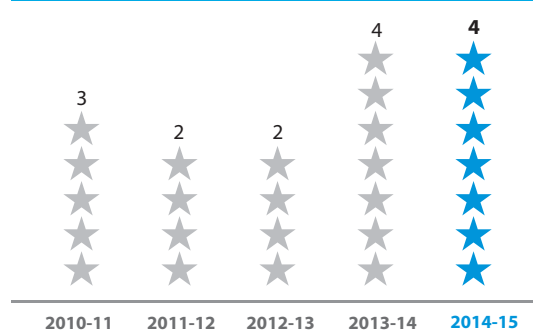
Earnings Per Share (in ₹)



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

