





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

- Mohan T Advani.



BIRTH ANNIVERSARY OF A VISIONARY
—— MOHAN T ADVANI ——
November 11, 2012



On his birth centenary, a grateful Blue Star Limited
does hereby express its great appreciation of the visionary leadership
of the Founder Chairman, Mr Mohan T Advani,
and rededicates itself to his values.



Resolution of the Board of Directors on October 19, 2012



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BOARD OF DIRECTORS

Ashok M Advani
Chairman

Suneel M Advani
Executive Vice Chairman

Satish Jamdar
Managing Director

Vir S Advani
*Executive Director &
President - Electro Mechanical Projects Business*

B Thiagarajan
*Executive Director &
President - AC&R Products Business
(w.e.f. May 13, 2013)*

Shailesh Haribhakti
Pradeep Mallick
M K Sharma (w.e.f. May 13, 2013)
Gurdeep Singh
Suresh N Talwar

COMPANY SECRETARY

Sangameshwar Iyer

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd
State Bank of India
Oriental Bank of Commerce
The Royal Bank of Scotland
BNP Paribas

AUDITORS

S R Batliboi & Associates LLP

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt Ltd
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CORPORATE MANAGEMENT

Suneel M Advani
Executive Vice Chairman

Satish Jamdar
Managing Director

Vir S Advani
Executive Director & President - Electro Mechanical Projects Business

B Thiagarajan
Executive Director & President - AC&R Products Business (w.e.f. May 13, 2013)

J M Bhambure
Executive Vice President - R&D and Technology

Tojo Jose
Executive Vice President - Human Resources

Manek Kalyaniwala
Executive Vice President - Finance

Arun Khorana
*Executive Vice President - Professional Electronics & Industrial Systems
Division*

P Venkat Rao
Executive Vice President - Central and Packaged Airconditioning Products

G Anandkumar
Vice President - Plumbing Projects Division

R Aravindan
Vice President - Airconditioning Projects, Southern & Eastern Regions

Sujan Chatterjee
Vice President - Corporate Financial Services

R G Devnani
Vice President - Thane, Wada, Dadra, Bharuch & Ahmedabad Plants

V V Lanka
Vice President - Electrical Projects Division

C P Mukundan Menon
*Vice President - Room Airconditioners and Refrigeration Products &
Systems*

D H Roy
Vice President - Himachal Plants

K P Sukumar
Vice President - Corporate Programmes

Rajendra Verma
Vice President - Airconditioning Projects, Northern & Western Regions

Letter from the Chairman

Dear Shareholder,



Ashok M Advani, Chairman

A year ago in my annual letter to shareholders, I assessed the sharp deterioration in Blue Star's financial performance in 2011-12 that resulted in a loss for the year. I also summarised the decisive corrective measures that we had taken. In conclusion, I indicated that while the Company's profits would be back in positive territory in 2012-13, the general economic slowdown and uncertain business environment were challenges that would stretch our recovery process.

The audited results for 2012-13 before you are more or less in line with what I wrote last year. Total Operating Income rose marginally by 2% to ₹2767 crores and Net Profit returned to ₹52 crores from a loss of ₹89 crores the year before.

The stagnation in revenues was anticipated because of some important management decisions taken in 2011-12. The first was to only book new project orders at profitable prices. Last year, we continued to enforce these sensible guidelines for electro-mechanical projects. As expected, new order inflow dropped, but the profitability of business in hand improved significantly.

Another decision was to avoid unprofitable segments. Small value central airconditioning jobs were being aggressively targeted by a multitude of small, local contractors at very low prices. Being labour-intensive, they tied up disproportionate manpower and capital with low value added that resulted in losses. But we did not give up on the small projects segment;

instead, we are addressing it differently by leveraging our strengths selling chillers, air handlers and VRF systems while letting the small contractors handle the rest.

Big value airconditioning and MEP projects are very different and present several challenges. They require engineering capability, project management expertise and deep pockets which only big, established contractors can provide. Due to the prolonged slump in infrastructure investments, ongoing projects have slowed down. There are few new projects available and tough competition has driven prices and cash flow to unviable levels. Given this difficult situation, we have prudently limited our financial exposure to only a few projects which offer better cash flow and reasonable margins. These should see us through the slowdown. We expect that as the economy picks up and investment levels revive, this sector should get back to a healthy growth path.

A more reassuring development has been the comparatively strong performance of Cooling Products, Packaged Airconditioning Systems and After Sales Service. While growth in sales and profit may not have been exciting in these segments last year, they remain basically healthy, and have produced sufficient profit to enable the Company to absorb large one-time cost over-runs and losses in the projects business and still show an overall profit.

Over the years, Blue Star has expanded its airconditioning and refrigeration product offerings by investing in new product development, manufacturing, marketing, brand building and distribution reach. We manufacture and market a wide range of airconditioning products from room airconditioners to large chillers. Our refrigeration products include water coolers, commercial deep freezers and cold rooms. As our research and development capability has grown, we have successfully launched many high-technology products including digital and inverter VRF airconditioning systems and Turbocor chillers.

In short, our product range is best in class and we enjoy market leadership in several product categories. On the distribution front, we are expanding beyond the larger cities into fast-growing Tier-III and IV markets. Thus our products business has become a significant contributor to the Company's profitable growth.

One of Blue Star's basic business principles is to fully support whatever we sell. Blue Star is, perhaps, the largest Indian service provider in the industry and our team maintains over 1 million tons of airconditioning and refrigeration equipment. The ability to provide service throughout the country is reassuring to our customers and a great competitive strength.

Economic Growth and Blue Star's Performance

The global economic environment has undergone radical change in the last ten years. The boom years of 2003-2007 were accompanied by financial excesses that inevitably led to a financial crisis and prolonged economic slowdown which still persists to this day.

Blue Star's growth and financial performance in the last 10 years have mirrored the national and global trends. These 10 years can be split into 2 distinct 5-year periods: the boom from 2002-03 to 2007-08 followed by the slump from 2007-08 to 2012-13.

The Company's Total Income grew rapidly from ₹601 crores in 2002-03 to ₹2270 crores in 2007-08. Over the 5-year span, this amounted to a compound annual growth rate (CAGR) of 40%, an impressive performance by any standard. Meanwhile, in the same 5 years, Net Profit grew almost six-fold from a modest ₹31 crores to ₹174 crores, a CAGR of 55% which is even more impressive.

It is in the most recent 5 years from 2007-08 to 2012-13 that the tables turned on us. Global stagnation and the slowing Indian economy affected the revenue growth of the Company which dropped to a disappointing CAGR of 5%. The biggest concern is the collapse of net profit which is sharply down to ₹52 crores. While profit should continue to grow as the Company re-invents itself, a full revival to the peak levels of 4 or 5 years ago will be difficult until macro-economic growth picks up sufficiently.

The experience of the last 10 years has taught us some important lessons. First, there is a strong correlation between the Company's financial performance and the growth rate of the Indian economy. Secondly, the duration and impact of the current economic downturn is uncertain and difficult to forecast. Thirdly, uncertainty about the future has become a fact of life and has greatly increased business risks.

Building a New Blue Star

Clearly, the old ways of working will not be acceptable in the new environment; we must change ourselves to build a new Blue Star. To start with, we have a new mindset and have identified the Corporate priorities. From these have emerged the key objectives and action plans for the Company. Briefly, they include:

- Avoiding unviable business activities
- Accelerated new product development and adoption of new technology
- Strengthening of project planning and execution capability
- Revamping the supply chain including procurement
- Enhancing after-sales service for greater customer satisfaction
- Outsourcing non-core support activities to reduce fixed overheads
- Focusing on cash flow and efficient use of capital

These plans require commitment and hard work in a difficult environment. Blue Starites understand that the Company faces new challenges. What is encouraging is that we have never shirked challenges, and hard work is an intrinsic part of our culture.

2013 is a historic year for Blue Star when we celebrate the 70th anniversary of the founding of the Company by Mr Mohan T Advani. Although Blue Star has changed dramatically since our modest beginnings seven decades ago, what remain timeless are his basic values such as never compromising on doing a good job, being open, transparent and fair, and integrity in business. Today, we continue to draw inspiration from our Founder Chairman as we focus on re-inventing Blue Star to compete effectively and grow profitably in the evolving Indian market.

Mumbai: June 7, 2013

Ashok M Advani
Chairman

Board of Directors



Ashok M Advani, Chairman

Ashok M Advani is an MBA from the Harvard Graduate School of Business Administration, an Electrical Engineer from MIT, USA and a BSc (Honours) from Mumbai University.

He joined Blue Star in 1969 and held a variety of senior positions in manufacturing and finance in the Company before he took over the Company's affairs as Chairman & Chief Executive in 1984. He was redesignated as Chairman & Managing Director in 2005 and Executive Chairman in 2009. He relinquished his position as the Executive Chairman w.e.f. April 1, 2012, and continues as the Chairman of the Company.

Ashok is also the Vice Chairman of Blue Star Infotech Ltd. 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.



Suneel M Advani, Executive Vice Chairman

Suneel M Advani is a double graduate in Electrical Engineering and Economics from MIT, USA. He also holds a degree in Law from Mumbai University.

He joined Blue Star in 1969 as a Management Trainee and moved up steadily by holding responsible positions before he was elevated to the position of President and Vice Chairman in 1984. He was redesignated as Vice Chairman & Managing Director in 2005. He relinquished his position of Managing Director w.e.f. April 1, 2012 and is presently the Executive Vice Chairman of the Company.

Suneel is also the Chairman & Managing Director of Blue Star Infotech Ltd; Chairman of Blue Star Infotech (UK) Ltd and Blue Star Infotech America, Inc as well as a Director of Blue Star Electro-Mechanical Ltd. Suneel is a Member of the CII National Council, the apex governing body of CII. Besides, he is also associated with other trade associations and is a past President of the Refrigeration and Airconditioning Manufacturers' Association (RAMA).



Satish Jamdar, Managing Director

Satish Jamdar is a Mechanical Engineering graduate from IIT Bombay with additional qualifications in Systems Management from NIIT, and Management Studies from UK and USA. He has over four decades of experience in manufacturing, supply chain, general management and IT projects, having worked for Siemens Ltd, BPL-Sanyo Ltd and Alstom Ltd, before joining Blue Star in 1996.

Satish has spearheaded the establishment of Blue Star's modern manufacturing facilities in Dadra, Himachal, Wada and Ahmedabad. He was also responsible for the Service business, International Operations, Corporate Finance and Human Resources. Satish was promoted as Executive Director in 2003, and as Deputy Managing Director in 2007, before taking over as the Managing Director of the Company in 2009. He oversees all the operations and support services of the Company.

Satish is also a Director of Blue Star Electro-Mechanical Ltd. He is a past Chairman of the CII Maharashtra State Council, and is currently Chairman of the CII-Western Region Affirmative Action Committee, as well as a member of the CII National Manufacturing Council.



Vir S Advani, Executive Director & President - Electro Mechanical Projects Business

Vir S Advani holds a BS degree in Systems Engineering and a BA degree in Economics from the University of Pennsylvania. He has also completed a comprehensive Executive Management Programme on Leadership Development at Harvard Business School.

Vir, after a 2-year working stint in New York, joined Blue Star Infotech Ltd in 2000 and then founded Blue Star Design & Engineering Ltd in 2003, designated as its Chief Executive Officer. In 2007, he moved to Blue Star as Vice President - Corporate Affairs, where he made valuable contributions in a profit improvement programme as well as in electro mechanical projects. He was promoted as Executive Vice President in 2008; President - Corporate Affairs & Special Projects in 2009 and Executive Director in 2010. Vir currently oversees the Electro Mechanical Projects business, Professional Electronics & Industrial Systems business, Corporate Planning and Investor Relations.

Vir is also a Director of Blue Star Design & Engineering Ltd, Blue Star Electro-Mechanical Ltd and J T Advani Finance Pvt Ltd.



B Thiagarajan, Executive Director & President - AC&R Products Business (w.e.f. May 13, 2013)

B Thiagarajan is a Bachelor of Engineering in Electrical and Electronics from Madurai University. He has also completed the Senior Executive Program of London Business School. He has over three decades of experience having worked for Larsen & Toubro Ltd, BPL Ltd and Voltas Ltd, prior to joining Blue Star in 1998.

Thiagarajan has handled various assignments in the Service business, Corporate Communications & Marketing and Corporate Affairs & Planning before he was promoted as President - AC&R Products Group in 2009. Under his leadership, the AC&R products business of the Company grew significantly. With effect from May 2013, Thiagarajan has been elevated as Executive Director & President - AC&R Products Business and will oversee AC&R Products, Manufacturing, Supply Chain, Service, Corporate Communications & Marketing and Public Relations.

Thiagarajan plays an active role in various industry forums and is the President of the Refrigeration and Airconditioning Manufacturers' Association (RAMA). He is also a Member of the CII National Council of Agriculture, Chairman of the CII National Task Force on Cold Chain Development and Executive Committee Member of Indian Green Building Council.



Shailesh Haribhakti, Director

Shailesh Haribhakti is a Chartered and Cost Accountant, and a Certified Internal Auditor, Financial Planner & Fraud Examiner. During a career span of four decades, he has successfully established and led many innovative services including outsourcing of knowledge processes, engaged investing, as well as efficiency and effectiveness enhancement in society, commercial and governmental organisations.

Shailesh joined the Board of Blue Star in 2005. In addition, he is also on the Boards of several leading companies such as Ambuja Cements Ltd, ACC Ltd and Pantaloon Retail India Ltd, amongst others. He has been associated with several institutions and trade associations such as Indian Merchants' Chamber, Institute of Internal Auditors, Bombay Management Association, ASSOCHAM, Western India Regional Council of ICAI and NMIMS. In addition, he is empanelled as an Arbitrator by the Indian Council of Arbitration.



Pradeep Mallick, Director

Pradeep Mallick is a B Tech from IIT Madras and Diploma holder in Business Management from UK. He is also a Chartered Engineer and Fellow of the Institution of Engineering & Technology, London. Pradeep was the Managing Director of Wartsila India Ltd from 1988 to 2003, prior to which he worked with several leading companies in the field of electrical power transmission and distribution. He joined the Board of Blue Star in 2003.

Pradeep is also on the Boards of several other leading companies including Automotive Stampings & Assemblies Ltd, ESAB India Ltd, Foseco India Ltd, Gujarat Pipavav Port Ltd and Tube Investments of India Ltd. In addition, he is associated with Industry Associations such as CII, Bombay Chamber of Commerce and Industry, and social organisations like Population First.



M K Sharma, Director (w.e.f. May 13, 2013)

M K Sharma holds Bachelors Degrees in Arts and Law, and Post Graduate Diplomas in Personnel Management and Labour Laws. He has also attended the Advanced Management Programme at Harvard Business School.

M K Sharma joined Hindustan Lever Ltd in 1974 and retired as its Vice Chairman in 2007, including serving 12 years on its Board. He has rich experience in mergers and acquisitions, corporate restructuring and law. He has also served as a member of Corporate Law Committee formed by the Ministry of Corporate Affairs and Naresh Chandra Committee on Corporate Governance.

M K Sharma joined the Board of Blue Star in May 2013. He is on the Boards of several companies including Wipro Ltd, Asian Paints Ltd, ICICI Lombard General Insurance Company Ltd and KEC International Ltd, amongst others. He is also actively involved in several industry associations and respected academic institutions.



Gurdeep Singh, Director

Gurdeep Singh is a Chemical Engineering Graduate from IIT Delhi. After his graduation, he joined Hindustan Lever Ltd as a Management Trainee. He held various responsible positions in the Company before he was expatriated to Brazil as Technical Director of the Unilever Detergents business.

Gurdeep returned to Hindustan Lever Ltd in 1998 as Director - Human Resources, Corporate Affairs and Technology, and retired from the Company in October 2003. He joined the Board of Blue Star in 2003. He is also on the Boards of several leading companies including Halonix Ltd, Gabriel India Ltd, Everest Kanto Cylinder Ltd, Technova India Ltd and Gateway Rail Freight Ltd.



Suresh N Talwar, Director

Suresh Talwar is a Commerce and Law graduate, and a qualified Solicitor and Advocate. He is the Co-Founder and Partner of the law firm, Talwar, Thakore & Associates. Prior to this, he was associated with M/s Crawford Bayley & Company as a Senior Partner. He acts as legal counsel to numerous Indian companies, multinational corporations, and Indian and foreign banks. His professional specialisation includes corporate law; corporate tax; foreign exchange and restrictive trade practices laws; and international issue of securities by Indian companies.

He joined the Board of Blue Star in 1986. He is also on the Boards of several eminent public and private limited companies including Merck Ltd, Larsen & Toubro Ltd, Greaves Cotton Ltd, Sandvik Asia Pvt Ltd, ESAB India Ltd, Johnson & Johnson Ltd and Uhde India Pvt Ltd, amongst others.

Directors' Committee



Vir S Advani

*Executive Director &
President - Electro
Mechanical Projects
Business*

Suneel M Advani

*Executive Vice
Chairman*

Ashok M Advani

Chairman

Satish Jamdar

Managing Director

B Thiagarajan

*Executive Director &
President - AC&R
Products Business*