

Corporate Information

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, Chandio & 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)



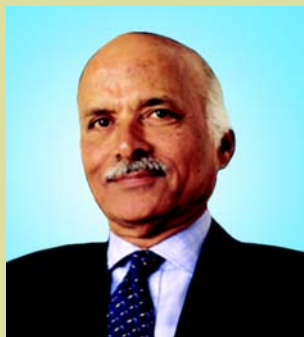
Dr. Prakash G Hebalkar, Director

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

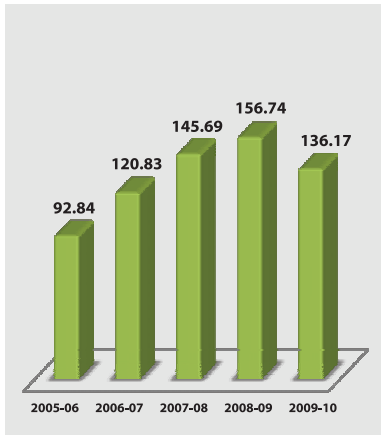
(Consolidated)

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

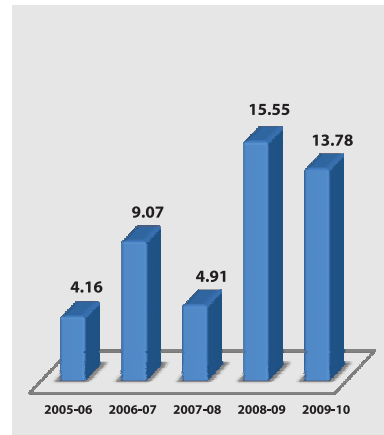
	2009-10	2008-09	2007-08	2006-07	2005-06
OPERATING RESULTS					
Total Income	136.17	156.74	145.69	120.83	92.84
Export Sales	105.61	130.40	113.03	96.57	73.65
Operating Profit (PBIDT)	17.35	19.12	7.57	13.41	8.44
Profit after Tax	13.78	15.55	4.91	9.07	4.16
Dividend (including tax)	5.85	5.85	2.93	4.62	2.28
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%



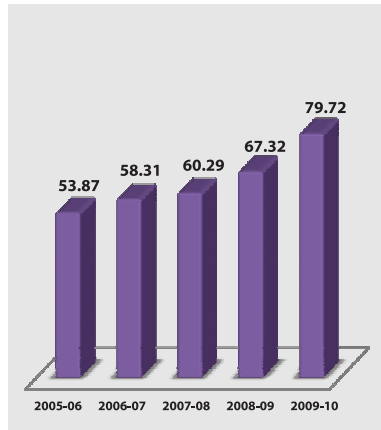
Total Income
(In Rs. Crores)



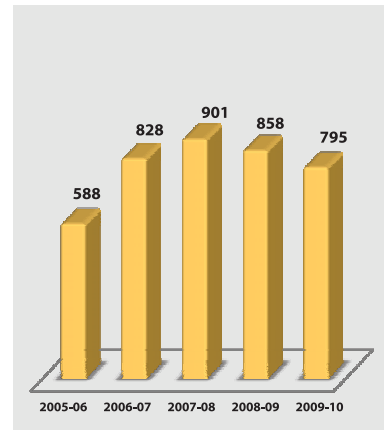
Profit After Tax
(In Rs. Crores)



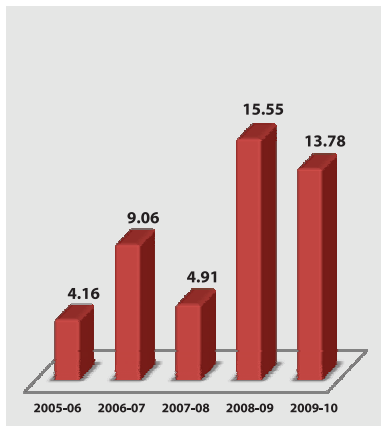
Shareholders' Funds
(In Rs. Crores)



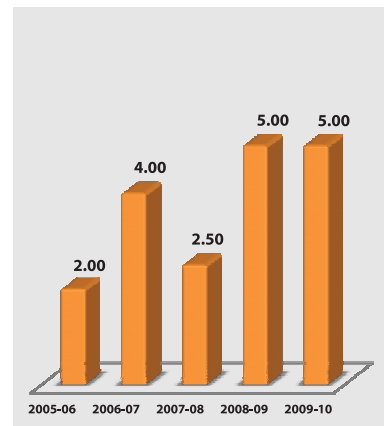
No. of Employees



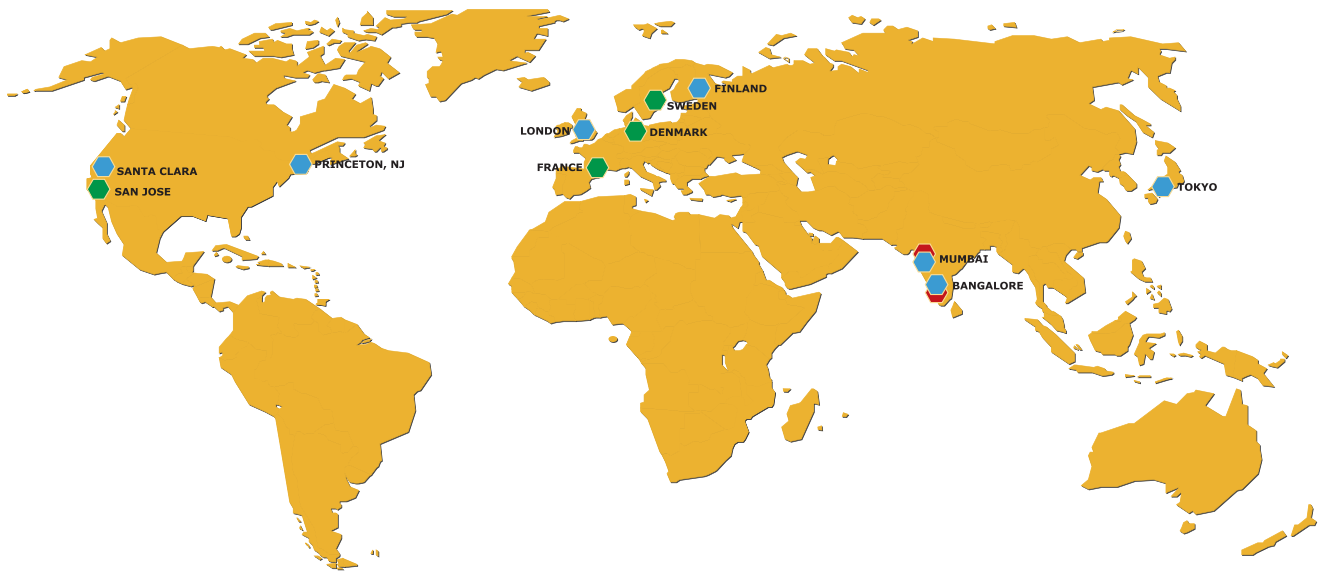
Earnings Per Share
(In Rs.)



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



Directors' Report

Dear Members,

Your Directors present herewith the 13th Annual Report on the Business and Operations of the Company together with the Audited Financial Statements for the year ended March 31, 2010.

1. FINANCIAL RESULTS

The Company's operating performance during the year ended March 31, 2010 as compared to the previous year is indicated in brief below:

	(Rs. in Lakhs)	
	2009-2010	2008-2009
Total Income	11,162	12,901
Profit before interest, depreciation and taxation	1,703	1,609
Depreciation	223	249
Profit before taxation	1,480	1,360
Provision for taxation	87	Nil
Fringe Benefit Tax	Nil	47
Profit after taxation	1,393	1,313
Balance brought forward	4,197	3,601
Profits available for appropriation	5,590	4,913
Less: Transfer to General Reserves	139	131
Final Dividend (Proposed)	500	500
Corporate Dividend Tax	85	85
Balance carried forward	4,866	4,197

2. DIVIDEND

Your Directors are pleased to recommend payment of a dividend of Rs. 5/- per equity share of Rs. 10/- each during the year subject to the approval of the shareholders. (Previous year Rs. 5/- per share of Rs. 10/- each).

3. OPERATING RESULTS AND BUSINESS

During the year under review, total income of the Company was Rs. 111.62 Crores as compared to Rs. 129.01 Crores last year, i.e.; a decline of 13%. On a consolidated basis, total income declined 13% to Rs. 136.16 Crores.

The global recession continued to dominate the economic scenario for IT companies as well as other industries for a large part of FY 09-10. Despite decrease in sales volumes, your Company was able to maintain its profitability. It was mainly the result of prudent hedging of foreign currency thereby virtually eliminating forex losses, tight control over costs and continued insistence on higher manpower productivity and other operational efficiencies. The net profit after tax on a consolidated basis for the year ended March 31, 2010 was Rs. 13.78 Crores as compared to Rs. 15.55 Crores for the last financial year.

Barring any unforeseen situation, your Directors expect the growth in operational profitability to continue in the current year as well.

4. INVESTMENTS

The Company invests its surplus funds in debt based mutual funds which are considered safe. As on March 31, 2010 about Rs. 27.51 Crores were invested in liquid debt mutual fund schemes.



5. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company at present has following two subsidiary companies:

a) Blue Star Infotech America, Inc. (Formerly, USIN International, Inc.)

The 100% wholly owned subsidiary of the Company, Blue Star Infotech America, Inc. posted a total income of US\$16,284,543 (equivalent of Rs. 77 Crores) for the financial year ending March 31, 2010. The Company reported net profit after tax of US\$ 4,789 (equivalent of about Rs. 3 Lakhs) this year compared to a net profit of US\$141,531 (equivalent of Rs. 72 Lakhs) for the previous year.

b) Blue Star Infotech (UK) Ltd.

The total income of this wholly owned subsidiary of the Company was £ 2,842,865 (equivalent of Rs. 22 Crores) for the financial year ending March 31, 2010. It registered a net profit of £ 24,932 (equivalent of Rs. 16 Lakhs) for the financial year ending March 31, 2010 compared to net profit of £ 60,146 (equivalent of Rs. 44 Lakhs) for the previous year.

In terms of approvals granted by the Central Government, Ministry of Company Affairs vide its letter no 47/147/2009-CL-III dated March 16, 2010 under Section 212(8) of the Companies Act, 1956, a copy of 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. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of its subsidiaries.

6. DIRECTORS

In accordance with the provisions of the Companies Act, 1956, two of the Directors, Dr. Prakash G Hebalkar and Mr. Naresh K Malhotra retire by rotation and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting (AGM). Brief profiles of these Directors are given in the notes to the notice of the ensuing AGM.

7. EMPLOYEES STOCK OPTION PLAN (ESOP)

Disclosures required to be made under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ESOP are given in note no. B (6) of Schedule J Significant Accounting Policies and Notes, forming part of the Accounts.

8. DIRECTORS' RESPONSIBILITY STATEMENTS

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2010 are in full conformity with the requirement of the Companies Act, 1956. The Directors hereby confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- b) For recognising exchange gain or loss on foreign exchange, the Institute of Chartered Accountants of India has announced and recommended new accounting standard AS30 to be adopted. Your Directors have thought it prudent and appropriate to Adopt this Standard with effect from April 1, 2008 although it is yet to become mandatory. In accordance with this standard, foreign exchange gains or losses not related to the operations for the period are transferred to an account called Hedging Reserve in the Balance Sheet.
- c) The accounting policies are consistently applied, and reasonable, prudent judgments and estimates are made 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 profits of the Company for that period.
- d) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company, and for providing and detecting frauds and other irregularities.
- e) The Directors have prepared the annual accounts on a going concern basis.

9. AUDITORS

The Statutory Auditors M/s Walker, Chandio & Co, Chartered Accountants, Mumbai, who retire at the conclusion of the ensuing AGM, being eligible offer themselves for re-appointment. A written certificate from the proposed Auditors have been obtained by the Company to the effect that the re-appointment, if made, would be in accordance with the limits specified under Section 224(1B) of the Companies Act, 1956.



10. CORPORATE GOVERNANCE

The Company has complied with all 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.

11. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report have been attached, and forms part of the Directors' Report.

12. PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this report. However, in pursuance of Section 219(1)(b) (iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company "excluding" the aforesaid information. The said particulars will be made available on request, and also made available for inspection at the Registered Office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to the conservation of energy, technology absorption, foreign exchange earnings and outgoings respectively, is annexed and forms part of this report.

14. ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation of the sincere efforts put in by employees of the Company, in helping it reach its current growth levels.

Your Directors place on record their appreciation for the support and assistance received from customers, investors, business associates, bankers, vendors, regulatory and governmental authorities.

For and on behalf of the Board of Directors
of **Blue Star Infotech Limited**

Suneel M Advani

Chairman and Managing Director

Mumbai, May 13, 2010



Annexure to Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

Conservation of Energy

The nature of the Company's operations entail a very low level of energy consumption. Adequate measures have, however, been taken to conserve energy.

Research and Development

The Company is predominantly a service provider, and therefore has not set up a formal Research and Development unit. However, the Company has developed software products within the existing delivery setup.

Technology Absorption

The Company did not import any technology during the year under review.

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 and Europe. These offices are staffed with the Company personnel, who sell the Company's Services to client.

We serve our global clientele through offices in Santa Clara (CA) and Princeton (NJ) in North America, London in Europe and Tokyo, Japan in Asia Pacific. We also have business associates in USA, Continental Europe and Australia.

b) Total foreign exchange earned and used

The details of Foreign Exchange Earnings and Outgo are disclosed in note (B)17 of Schedule J under Significant Accounting Policies and Notes forming part of the Accounts.

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 upto certain levels. This policy is expected to minimise risks arising from foreign exchange fluctuations in the coming year.



Corporate Governance

Corporate Governance relates to the internal and external relationships of the Company. It safeguards the interests of the stakeholders and provides evidence of ethical conduct of business.

Besides following the laid down standards which are statutorily prescribed, Corporate Governance is more about the values and beliefs of the organisation. It portrays the culture and policies followed by the Company. The basic objective of this report is to ensure accountability of the Directors and Management and maintain transparency in the functioning of the organisation. It is our constant endeavour to retain and enhance the trust of the stakeholders.

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Effective Corporate Governance is necessary to maintain public trust and to achieve business success. Blue Star Infotech Limited's formal governance policies describe management guidelines including requirements that a majority of our board members be independent, as well as outlining the various board committees, their responsibilities and membership requirements. We are committed to rigorously and diligently exercising our oversight responsibilities throughout the Company, managing our affairs in a manner consistent with the highest principles of business ethics and exceeding the Corporate Governance requirements. Good governance is about doing the right things in the right way for Blue Star Infotech Limited and its stakeholders. This has always been our priority.

II. BOARD OF DIRECTORS

a) Composition of the Board of Directors

The Board of Directors of the Company represents an optimum combination of Executive and Non-Executive Directors for its independent functioning. The Board comprises of six Directors, of which one is the Managing Director and five Non-Executive Directors. Since the Chairman of the Board is also the Managing Director, half of the Board is composed of Independent Directors as defined in Clause 49 of the Listing Agreement with the Stock Exchanges.

b) Board Meetings

During the financial year 2009-10, the Board met four times on May 12, 2009; July 30, 2009; October 28, 2009 and January 27, 2010. The details of Board of Directors and their attendance during the year and the last AGM along with number of other directorships are given below.

Details of Directors and other particulars are given below:

Name	Category	Designation
Suneel M Advani	Promoter - Executive Director	Chairman and Managing Director
Ashok M Advani	Promoter - Non Executive Director	Vice Chairman
Sanjay N Vaswani #	Promoter - Non Executive Director	Director
Suresh N Talwar	Independent Director	Director
Dr. Prakash G Hebalkar	Independent Director	Director
Naresh K Malhotra	Independent Director	Director

Mr. Sanjay N Vaswani resides in the United States of America.

Details of Directors' attendance and other particulars are given below:

Four Board meetings were held during the financial year 2009-10

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 M Advani	4	Yes	2	-	2*
Ashok M Advani	4	Yes	2	1*	2
Sanjay N Vaswani	-	No	-	-	-
Suresh N Talwar	4	Yes	15	3	6*
Dr. Prakash G Hebalkar	2	Yes	1	-	3*
Naresh K Malhotra	4	Yes	3	2*	2

* Includes committees of the Company in which he holds the position of a chairman and/or membership in committees of the Company.



- Leave of Absence was granted to the Directors who could not attend meetings.
- Alternate Directorships, Directorships in private companies, foreign companies, companies under section 25 of the Companies Act, 1956 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 15 Companies.
- None of the Directors is a member of more than 10 committees, or is Chairman of more than five committees across all companies in which he is acting as a Director. For the purpose of reckoning the aforesaid limit, Chairmanships/Memberships of the Audit Committee and the Shareholders' Grievance Committee alone are considered.

III. AUDIT COMMITTEE

The Company has a qualified and Independent Audit Committee consisting of three Non-Executive Independent Directors, having adequate financial and accounting knowledge. The 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 292A of the Companies Act, 1956.

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.
- 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 statement of significant related party transactions, management letter / letters of internal control weakness and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

The constitution, powers, duties and responsibilities of the Audit Committee are in line with Clause 49 of the Listing Agreement with the Stock Exchanges in India

Naresh K Malhotra	Chairman
Suresh N Talwar	Member
Dr. Prakash G Hebalkar	Member

Secretary

V Sudarshan	Company Secretary
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Meetings and Attendance during the year

During the financial year, Audit Committee Meetings were held on May 12, 2009; July 30, 2009; October 28, 2009 and January 27, 2010. The necessary quorum was present at the meetings.

Members	Meetings Held	Meetings Attended
Naresh K Malhotra	4	4
Suresh N Talwar	4	4
Dr. Prakash G Hebalkar	4	2



IV. REMUNERATION COMMITTEE

The Remuneration Committee is a non-mandatory requirement of Clause 49 of the Listing Agreement. The Company has constituted the same in keeping with its philosophy of voluntary transparency in operations.

Terms of Reference

The Committee shall have terms of reference as may be decided by the Board from time to time and shall look into aspects relating to remuneration of the Managing Director, Whole time and Executive Directors.

Composition

Only Independent Directors are a part of the Remuneration Committee.

Dr. Prakash G Hebalkar	Chairman
Suresh N Talwar	Member
Naresh K Malhotra	Member

Secretary

V Sudarshan	Company Secretary
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Meetings and Attendance during the year

The Remuneration Committee met on May 12, 2010. The necessary quorum was present for the meeting.

Members	Meetings Held	Meetings Attended
Dr. Prakash G Hebalkar	1	1
Suresh N Talwar	1	1
Naresh K Malhotra	1	1

V. REMUNERATION TO DIRECTORS

The remuneration of the Non-Executive Directors is recommended by the Board of Directors and approved by the shareholders. 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/Remuneration Committee meetings attended by them. They are paid sitting fees of Rs. 20,000 each, for each Board and Audit Committee meeting attended by them.

The Managing Director is also an Executive Director / Managing Director in Blue Star Limited. The Remuneration Committee recommended the Board, in its meeting held on October 30, 2008, modification in the terms of Managerial remuneration and the mode of making payment. The Board entered into an agreement with the Managing Director to pay him salary and perquisites with effect from November 1, 2008. This agreement was approved by the shareholders' at the AGM held on July 30, 2009.

Details of remuneration paid/payable to Directors for financial year 2009-10 are as follows:

Name of the Director	Salary and Perquisites (Net of recoveries, if any)	Commission (1% of profits)	Sitting fees	(Rs.in'000)
				Total
Suneel M Advani* (CMD)	4,440	-	-	4,440
Ashok M Advani	Nil	280	80	360
Sanjay N Vaswani	Nil	120	-	120
Suresh N Talwar	Nil	400	160	560
Dr. Prakash G Hebalkar	Nil	260	80	340
Naresh K Malhotra	Nil	400	160	560

*(a) The CMD is not paid sitting fees and commission. (b) Effective November 01, 2008 (Rs.'000) 220 per month is paid as salary to the CMD. The cost of the accommodation provided by the Company to the CMD amounts to (Rs.'000) 150 per month (net). This arrangement is approved by the shareholders at the AGM of the Company held on July 30, 2009.



Details of shareholding of Non-Executive Directors as at March 31, 2010

Sr. No.	Name of the Director	Shareholding (No. of Shares)
1	Ashok M Advani	488,799
2	Suresh N Talwar	15,075
3	Sanjay N Vaswani	14,750
4	Naresh K Malhotra	250
5	Dr. Prakash G Hebalkar	Nil

VI. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Committee facilitates effective redressal of Investor Complaints and monitors share transfers.

Composition

Ashok M Advani	Chairman
Suneel M Advani	Member
Dr. Prakash G Hebalkar	Member

Secretary

V Sudarshan	Company Secretary
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Meetings and Attendance during the year

Members	Meetings Held	Meetings Attended
Ashok M Advani	1	1
Suneel M Advani	1	1
Dr. Prakash G Hebalkar	1	1

The constitution, duties and responsibilities of the Shareholders' Grievance Committee are in line with Clause 49 of the Listing Agreement with the Stock Exchanges. The Committee met on May 12, 2010.

The total number of shareholders' complaints received and replied to by the Registrar to the satisfaction of shareholders during the year under review was 35. All complaints of shareholders were satisfactorily resolved. No requests were pending as at March 31, 2010.

Nature of Complaints	Financial Year Ended March 31			
	2010		2009	
	Received	Attended	Received	Attended
Non-receipt of Dividend	20	20	15	15
Issues with share certificates / Demat account / share transfers	14	14	16	16
Non-receipt of annual report	1	1	4	4
Total for the year	35	35	35	35



Quarter-wise Comparative Break-up of Investor Grievances:

Quarter Ending	Financial Year Ended March 31			
	2010		2009	
	Received	Attended	Received	Attended
June 30	10	10	4	4
September 30	8	8	13	13
December 31	6	6	13	13
March 31	11	11	5	5
Total for the year	35	35	35	35

VII. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGMs) and Extra-ordinary General Meeting (EGM) of the Company are given below:

Financial Year ended	Date and Time	Venue	Special resolution passed
March 31, 2007	August 14, 2007 at 2:30 p.m.	Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai 400 020.	None
March 31, 2008	July 31, 2008 at 2:30 p.m.	Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai 400 020.	None
March 31, 2009	July 30, 2009 at 2:30 p.m.	Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai 400 020.	Increase in commission to Non-Executive Directors upto 3% of Net Profit

There was no special resolution passed through postal ballot in the last three years and none is proposed to be passed through postal ballot this year.

Details of Extra-ordinary General Meetings held, if any, during the last three years:

Financial Year ended	Date and Time	Nature of meeting	Venue	Special resolution passed
March 31, 2008	March 4, 2008 at 4:00 p.m.	Bombay High Court convened meeting of Equity Shareholders	Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai 400 020.	Approval of Scheme of Amalgamation of Ashok Sunil and Company Private Limited with the Company
March 31, 2008	March 4, 2008 at 4:30 p.m.	Extra-ordinary General Meeting convened by the Company		

VIII. DISCLOSURES

- In respect of related party transactions, the Company does not have any transactions which may have potential conflict with the interest of the Company at large.
- 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.
- 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 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.



- D. 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 has adequate 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 in the Company.
- E. Your Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement, as applicable. Of the non-mandatory requirements of Clause 49, the Company has adopted the requirement of a Remuneration Committee (constituted on October 30, 2008) for reviewing and recommending Executive Directors' remuneration. Your Company is committed towards complying with Clause 49 as a whole and will take suitable measures as and when possible.
- F. Risks are an imminent part of business and the industry. Recognising this fact, your Company has in place a 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 reviewed at regular intervals by the Risk Management Committee comprising of senior management personnel of the Company.
- G. 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:
- Policy on insurance of assets
 - Policy on inter-company transactions
 - Policy on electronic communication and asset usage
 - Policy on prevention of sexual harassment
 - Policy on verification of fixed assets
- Every policy has a defined implementation mechanism.
- H. Business is done with a measure of social accountability and the concept of giving back in fair measure to the society. Your Company has always been conscious of the developments in its environment and is taking small but sure steps towards fulfilling its Corporate Social Responsibility (CSR) initiatives such as cutting down wasteful expenditure, promoting green IT initiatives, an environmentally friendly working environment and encouraging innovation in all areas of operation. During the Financial Year 2009-10, your Company also donated Rs. 131,164 to the Karnataka Natural Disaster Fund towards Karnataka Flood Relief measures.
- I. Your Company has consistently maintained a regime of unqualified financial statements.

IX. MEANS OF COMMUNICATION

The Company publishes its quarterly, half yearly and annual 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 Free Press Journal and Navshakti for the quarters ended June 30, 2009 (Q1); September 30, 2009 (Q2); December 31, 2009 (Q3) and March 31, 2010 (Q4) respectively. The financial results are also displayed on EDIFAR (Electronic Data Information Filing and Retrieval) in SEBI's web-site www.sebidifar.nic.in and also on the Company's web-site, www.bsil.com. Since SEBI has discontinued the EDIFAR system from April 1, 2010 and introduced the Corporate Filing and Dissemination System (CFDS), henceforth the results would be displayed on CFDS, www.corpfiling.co.in. The Company's web-site displays the official news releases. The financial results are also available on the websites of the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

As a transparency initiative, your Company has explained its business comprehensively in the Management Discussion and Analysis, which forms a part of this Annual Report.



X. SHAREHOLDER'S INFORMATION

Annual General Meeting

The Company held its Annual General Meeting on July 30, 2009 for the financial year 2008-09.

For the Financial Year 2009-10, the Annual General Meeting is scheduled as follows:

Date : July 30, 2010

Time : 2:30 p.m.

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

Financial Calendar for the year 2010-11

Declaration of results for the quarter ending on	Tentative date
June 30, 2010	Last week of July 2010
September 30, 2010	Last week of October 2010
December 31, 2010	Last week of January 2011
March 31, 2011	Third week of May 2011
14th Annual General Meeting	Second fortnight of August 2011

Dates of Book Closure : July 20, 2010 to July 30, 2010 (both days inclusive)

Recommended Dividend : Rs. 5/- per share of face value Rs. 10/- (Previous year Rs. 5/- per share of face value Rs. 10/-).

Dividend Payment Date : If declared, dividend shall be paid / credited on or after August 05, 2010.

Listing on Stock Exchanges

- The Bombay Stock Exchange Limited, Mumbai (BSE). Scrip Code : 532346
- The National Stock Exchange of India Limited (NSE). Stock Code: BLUESTINFO
- ISIN No. for NSDL/CDSL: INE 504B01011

Dividend Payment History

Financial Year	Dividend (Rs.) per share of face value Rs. 10	Dividend as a % of the face value of each equity share
2000-2001	3.00	30%
2001-2002	6.00	60%
2002-2003	7.50	75%
2003-2004	9.00	90%
2004-2005	5.00	50%
2005-2006	2.00	20%
2006-2007*	4.00	40%
2007-2008	2.50	25%
2008-2009	5.00	50%
2009-2010 (Proposed - subject to members approval)	5.00	50%

* Includes Interim and Final Dividend of Rs. 2 each per share



Unclaimed Dividend

Shareholders who have not yet encashed their dividend warrants or in cases where the amounts 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 2001-02 has been transferred to the Investors Education and Protection Fund (IEPF) on September 1, 2009 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 in respect of the year 2002-03 is due for transfer to the IEPF on August 26, 2010, after which no claims shall lie against the Company for the same. Shareholders who have not yet encashed their dividend warrants are requested to forward their claims to the Company or Share Transfer Agents.

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 109A of the Companies Act, 1956, may submit the necessary details to Link Intime India Pvt. Ltd. the prescribed Form 2B. A soft copy of the Form can be downloaded from the Company's website www.bsil.com. Shareholders with holdings in DEMAT accounts should contact their depository participants directly for this purpose.

Payment of Dividend by National Electronic Clearing Service (NECS)

Shareholders, who wish to avail of the facility of direct credit of dividend amounts to their bank accounts, are requested to submit the NECS mandate form available on the Company's website www.bsil.com as per the instructions mentioned on the form to the Company or its Share Transfer Agents, Link Intime India Pvt. Ltd.

Market Price Data (Annual High-Low Price History)

Fiscal Year	BSE		NSE	
	High (Rs./Share)	Low (Rs./Share)	High (Rs./Share)	Low (Rs./Share)
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

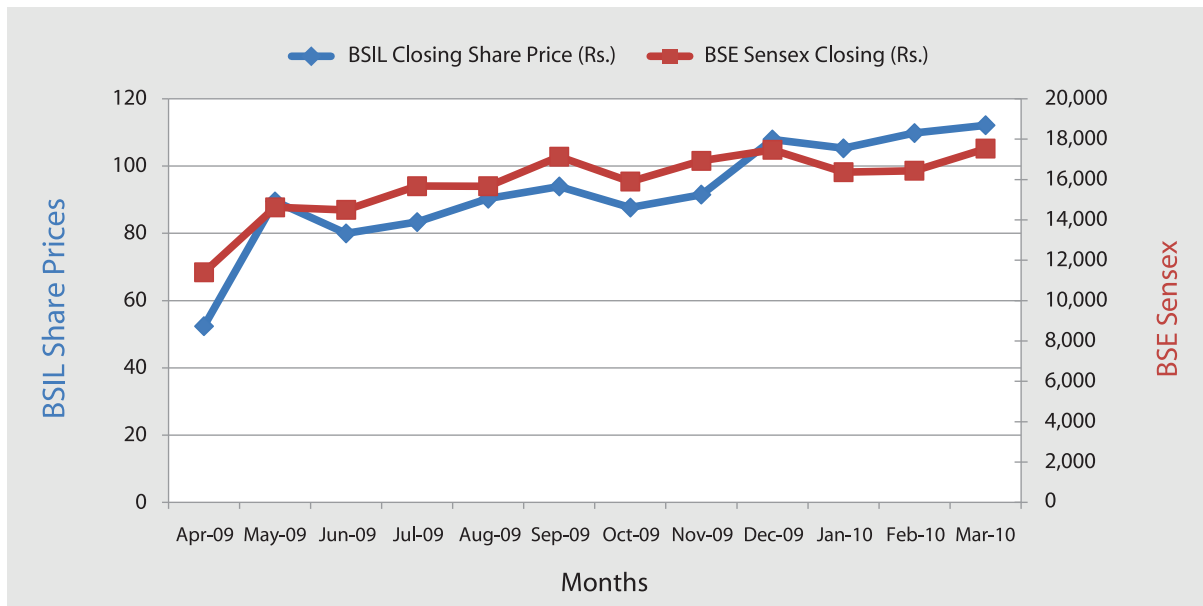
Market Price Data (Month-wise Price History)

Month	BSE		NSE	
	High (Rs./Share)	Low (Rs./Share)	High (Rs./Share)	Low (Rs./Share)
April 2009	63.00	47.10	64.00	47.15
May 2009	96.00	51.10	97.20	50.00
June 2009	94.95	77.00	93.00	76.50
July 2009	86.00	79.00	86.85	78.30
August 2009	98.70	77.50	98.90	78.00
September 2009	96.00	85.10	95.00	84.60
October 2009	98.35	86.05	98.95	88.00
November 2009	104.45	84.20	110.25	77.25
December 2009	119.85	90.60	120.40	89.95
January 2010	155.80	100.00	156.40	101.00
February 2010	126.00	100.50	124.90	100.20
March 2010	129.00	106.20	128.40	109.40



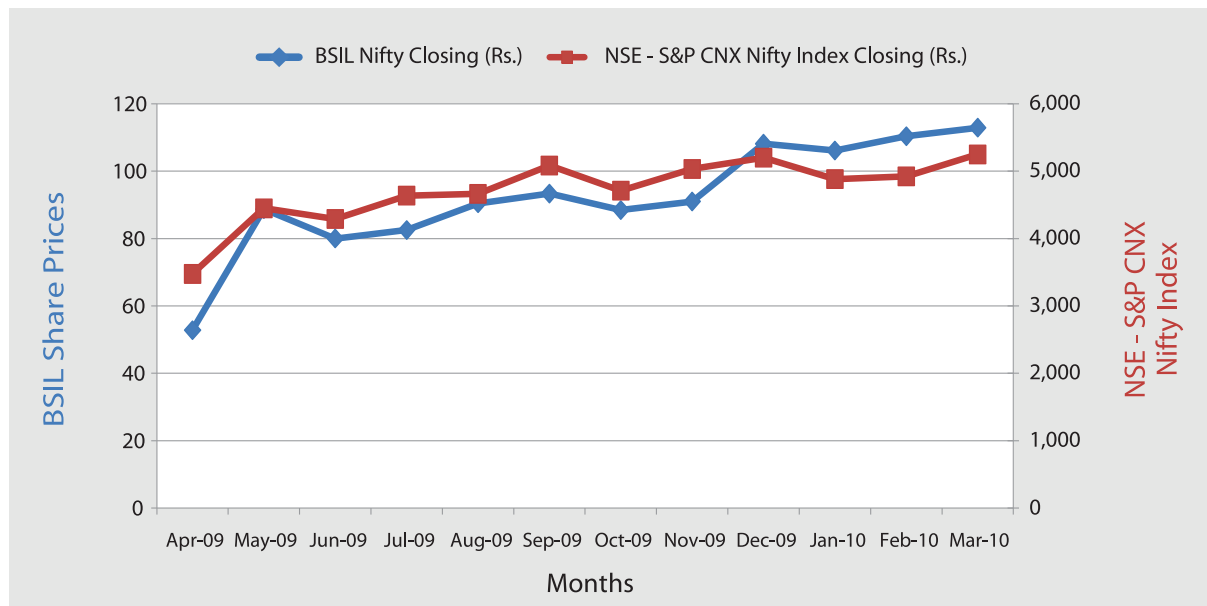
The performance comparison of Blue Star Infotech Limited's closing share prices in each month with BSE Sensex are presented as follows:

Performance Comparison with BSE Sensex



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

Performance Comparison with S&P CNX Nifty



Share Transfer System

The transfer of shares in physical form is processed and approved on a weekly basis and the certificates are returned to the shareholders within 30 days from the date of receipt (subject to the documents being valid and complete in all respects.)



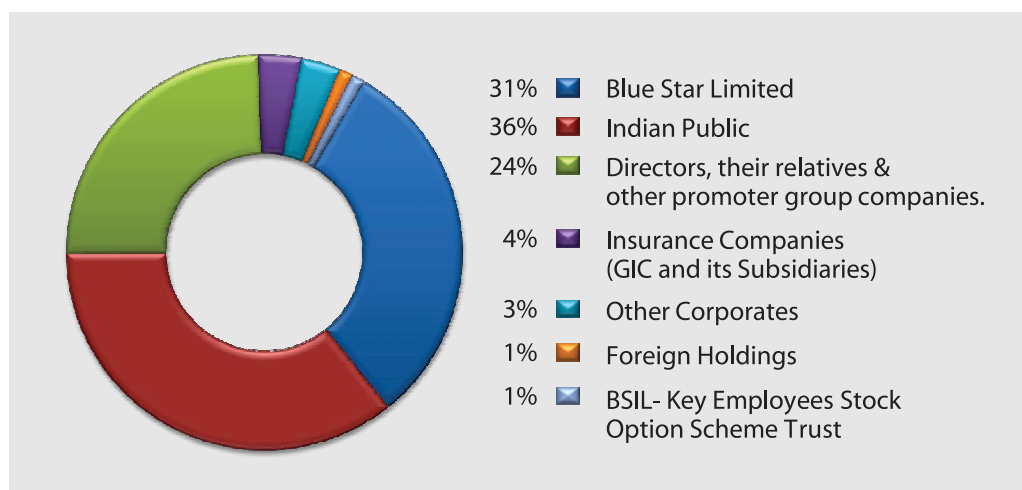
Distribution of Shareholding as at March 31, 2010

No. of Equity shares held	No. of shareholders	% of shareholders	Total No. of Shares held	% of shares held
1 -250	12,612	82.90	907,626	9.08
251 -500	1,448	9.52	553,611	5.54
501 -1,000	616	4.05	470,013	4.70
1,001 -2,000	241	1.58	347,441	3.47
2,001 -3,000	94	0.62	237,364	2.37
3,001 -4,000	39	0.26	134,454	1.34
4,001 -5,000	32	0.21	153,203	1.53
5,001 -10,000	67	0.44	463,324	4.63
10,001 and above	64	0.42	6,732,964	67.34
Total	15,213	100.00	10,000,000	100.00

Categories of Shareholders as at March 31, 2010

Particulars of Shareholding as at March 31, 2010	No. of Shares	%
Indian Public	3,565,168	35.65
Blue Star Limited (Promoter)	3,098,025	30.98
Directors, their relatives and other Promoter Group Companies	2,455,020	24.55
Insurance Companies (GIC and its Subsidiaries)	355,897	3.56
BSIL – Key Employees Stock Option Trust	97,563	0.98
Other Corporate	319,998	3.20
Foreign Holdings	108,329	1.08
Total	10,000,000	100.00

Shareholding Distribution



BLUE STAR INFOTECH SHAREHOLDERS

As at March 31, 2010, the Company had 15,213 registered shareholders. Approximately 35.65% of the Company's shares were held by the public. The promoters, including Blue Star Limited, hold 55.53% of shares; the ESOP Trust holds 0.98% and 7.84% of the shares are held by insurance companies and other corporate.

DEMATERIALISATION OF SHARES AND LIQUIDITY

62.90% of the Company's equity shares were dematerialised as at March 31, 2010. 35.65% of the equity shares are held by the public and the shares are traded daily on the BSE and NSE.

Office Locations

- **Registered Office:**

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

- **Development Centres:**

- SDF III/V/VI SEEPZ,
Andheri (East),
Mumbai 400 096.
- Alpha Building, 2nd Floor,
Hiranandani Gardens,
Powai, Mumbai 400 076.
- Delphi Building, 'B' Wing, 6th Floor,
Hiranandani Gardens,
Powai, Mumbai 400 076.
- #7, 18th Main Road,
7th Block Koramangala,
Bangalore 560 095.

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:

Registered Office

Blue Star Infotech Limited

Band Box House, 4th Floor,
Dr. Annie Besant Road,
Worli, Mumbai 400 030.
Tel : 91-22-24901870
Fax: 91-22-24901353

www.bsil.com

E-mail:

Share related: shares@bsil.com

Company Secretary: cosec@bsil.com

Registrar and Transfer Agents

Link Intime India Pvt. Ltd.

Unit: Blue Star Infotech Limited
C-13, Pannalal Silk Mills Compound,
L B S Marg, Bhandup (West),
Mumbai 400 078.

Tel : 91 22 2594 6970

Fax: 91 22 2594 6969

Email: rnt.helpdesk@linkintime.co.in

Share Transfer Documents will also be accepted at

Link Intime India Pvt. Ltd.

203 Davar House,
197/199 D N Road,
Mumbai 400 001.

Tel: 91-22-22694127



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.

Suneel M Advani

Chairman and Managing Director

Mumbai, May 13, 2010

AUDITORS' 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 for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement 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 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 Agreement.

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 and Co**

Chartered Accountants

Firm Registration No. 001076N

Khushroo B Panthaky

Partner

Membership No. F-42423

Mumbai, May 13, 2010



Management Discussion & Analysis

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of BSIL accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, 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.

Economic Overview

The world has entered into a period of economic complexity, with uncertainty about the pace of global recovery refusing to die down. Private spending (including IT spend) in advanced economies like the US, UK and EU are yet to come back to pre-September 2008 levels. Interestingly, emerging markets are leading the recovery despite many of them facing an inflation burden.

India's resilience during the crisis proved many good things about the economy and the financial sector. The economy is on the growth path with overall exports expanding since October 2009 and expected to grow further. While the Indian economy's robustness in the wake of the meltdown should be celebrated, it should by no means cause distraction from a focused objective of creating long-term economic stability and inclusive growth led by innovation.

The Indian IT Industry – On the Road to Recovery

The IT industry continued to be one of the growth engines for the USD 1.3 trillion (Rs. 59.80 lakh Crores) Indian economy which draws around Rs. 3.40 lakh Crores of its revenues from the sector. Although industry growth slowed to single digits in 2009 largely on account of the US-led meltdown, it set itself on the innovation path in both service delivery and in terms of business models to achieve greater efficiencies, flexibility and competitiveness. The industry has also started to diversify beyond traditional markets and offerings to add service capabilities at the higher end of the value chain for international as well as the booming domestic market. The year 2010 has shown positive signs of recovery led by the developing and emerging markets, which are increasingly adopting IT and outsourcing to drive efficiency and business growth.

The industry, which is expected to cross Rs. 3.40 lakh Crores in FY 2010, will contribute 6.1% to the nation's GDP. IT software and services account for approximately Rs. 3 lakh Crores. Total IT export revenues are estimated at approximately Rs. 2.8 lakh Crores (services exports are 55%) and will account for nearly 26% of all Indian exports in FY 2010 growing at 5.4%. The engineering design and products development segment constitute Rs. 46,000 Crores (20%) of the total exports growing at over 4% annually. Direct employment in the industry was expected to stand at 23 lakhs with a net addition of around 90,000 employees while the indirect employment was to cross the 8 lakh mark.

Increasing globalization and competition has induced domestic enterprises (especially the mid-market) to also rapidly adopt technology as an enabler of efficiency, cost rationalization and competitive growth. Domestic IT consumption is fuelled by large e-governance initiatives, healthcare, process and discrete manufacturing and telecom. The domestic IT-BPO market is expected to grow by close to 9% to reach a little over Rs. 1 lakh Crores in FY1010.

The Indian IT industry is rapidly transforming itself from an application development & maintenance hub to emerge as a full service player with domain capabilities in industry as well as technology. Within this, remote infrastructure management, high-end system integration, software testing, cloud computing, software as a service (SaaS) and service oriented architecture (SOA) led engagements are expected to take centre stage. IT services spend is expected to grow by 2.4% in 2010 and 4.1% in 2011 in the wake of revival in global demand. An IT solutions provider like BSIL can now start to look beyond the downturn and get prepared for an overall recovery in 2010.

Global Sourcing

- The global sourcing environment turned positive in the second half of FY 2010 (as it hit the bottom in the first half) with global risk management becoming one of the key drivers for nearshoring and offshoring and is rapidly moving from low-risk low-cost service models towards becoming a strategic component of the client's overall business strategy. Revenues started increasing in the latter part of FY 2010 mainly driven by remote infrastructure management and application management. Global sourcing grew by 3% in 2009 crossing Rs. 4.45 lakh Crores; it has been outpacing IT spends consistently.
- Achieving business transformation and organizational efficiencies were the key issues driving IT related spend. Even though the spending on new projects was curtailed in 2009, most companies continued with their investments in research & development gearing up for the post-recession era.
- Worldwide spend on technology products and services spend was estimated at around Rs. 68 lakh Crores in 2009. IT services spend was estimated at over Rs. 27 lakh Crores in 2009, with a strong demand for outsourcing as compared to discretionary spend. IT services spend grew in North America and Asia Pacific.
- The engineering services market stands at Rs. 36,000 Crores as of FY2010 with almost 25% of work offshored being of medium to high complexity. However, the strategic offshoring in core development across the software product lifecycle is steadily rising and is more than 15% presently.



- Global spend on software products grew by a marginal 1% in 2009 to cross Rs. 14 lakh Crores with application development and deployment growing by 2% over 2008 levels; it remained the largest segment, followed by system infrastructure and application development & deployment.
- Engineering, research & development spend, at around Rs. 45 lakh Crores, recorded a 7% growth over 2008 with the share of mature markets like the US falling while east (excluding Japan) slowly rising. More than half of the engineering spend occurs in the private segment. Asia alone constitutes 9% of the total engineering spend in 2009 and is expected to touch 11% by 2020. The key driver of engineering services is the demand for products with multiple functionalities especially in the mobile, medical, biotech and consumer electronics space.
- Companies worldwide are leveraging talent from countries like India and developing such products for the global market. Product development has undergone a huge fundamental shift from headquarter centric and driven research & development centres to geographically distributed and vertically structured activities. The overall context in which global enterprises operate has changed creating an increasingly interdependent network of business partners and stakeholders blurring all geographical boundaries.
- Developed economies constitute close to 80% of the overall IT services spend in 2009 with the US alone accounting for 43% with a growth of 3.5%. However, Latin America (anchored by Brazil) and the Asia Pacific regions are showing positive growth signals at 8% and 6% respectively. The impact of the economic setback has been higher in Europe compared to the Americas and the region is expected to emerge from recessionary trends probably after the US in late 2010.

IT Services

- The export driven Indian IT-BPO sector (70% exports) is estimated to grow by 5.4% in FY 2010. Software and services comprise almost 87% of the total industry revenues is expected to grow by a little over 6% over 2009.
- Customers now expect that their partners go beyond just the 'transactional' services and provide high-end services like professional consulting and integration to truly enable transformation and modernization of business processes to enable efficiencies. Focus is shifting from a mere cost arbitrage to a strategic model providing access to specialists, improving time-to-market, risk mitigation and improving overall efficiencies.
- Indian IT service providers constitute over 60% of the overall industry, with the remaining owned by multinationals operating mainly through captives or as third-party providers. The Indian captive landscape is rapidly expanding, currently over 900 captives exist in the country having a huge outsourcing potential for Indian players.
- Sectors like government, retail and healthcare have been the fastest growing sectors globally along with manufacturing. BFSI, as expected, suffered the most in 2009 with a decline of 2.4% in terms of spend.
- The government vertical, as a market, is one of the largest verticals worldwide with an estimated overall technology spends of over Rs. 8 lakh Crores. National security, disaster readiness, e-governance, social initiatives and civilian spending, etc are driving the demand for IT. Public sector organizations worldwide are increasingly showing their desire and readiness to adopt cutting edge IT enabled processes from legacy applications and manual processes. Healthcare has also emerged as one of the largest opportunities for IT in the last two years, especially considering the massive US national health program. Healthcare service providers are rapidly adopting technology services like electronic medical records, patient billing, inventory management, etc. The current opportunity is a mix of transaction and skill-based services. Revenue growth for these verticals has been more than double than that of mature segments.
- The Business Intelligence market, which is also rapidly growing in India, globally is expected to cross Rs. 60,000 Crores in the next three years. It is one of the key strategic initiatives across organizations worldwide as it provides senior management with analytical information for quick decision-making. Other services like infrastructure/application outsourcing and software testing are emerging as major thrust areas of growth.

Domestic IT Market

- The domestic IT-BPO sector has grown faster than the exports segment posting an 8.5% growth in FY 2010. Share of non-voice knowledge based services is likely to increase rapidly in segments like government, retail, healthcare and telecom.
- Rural BPOs are creating tremendous job opportunities for the youth in tier II and tier III cities
- Indian IT spending is expected to be the highest amongst all APAC countries. Comparatively, there was minimum impact on the domestic IT demand in 2009. In fact, all major IT players, domestic as well as international are now trying to tap the domestic market opportunity. Indian enterprises, in order to focus on their core business areas and improve operational efficiencies, have rapidly increased the outsourcing component of their overall IT spends.
- With massive economic reforms and e-governance initiatives underway, the Indian government's IT spend is expected to cross Rs. 23,000 Crores by FY 2011 in NeGP alone.
- Apart from the government, healthcare, manufacturing, retail and telecom are rapidly adopting IT to drive process efficiency and competitiveness.



- On the other hand, the IT services market in India is also rapidly evolving beyond regular application development and maintenance work to higher-end, strategic consulting related services. Increased consolidation, foreign companies setting up/expanding India operations and SMB IT adoption are driving this wave.
- Application software currently drives the growth in the domestic market followed by application development and deployment. Enterprise Resource Planning (ERP) is amongst the fastest growing areas in the domestic space especially in sectors like manufacturing and retail.

Technology Innovation

The changing global demand scenario forced Indian players to focus on improving operational efficiencies, increase flexibility and focus on deepening customer ties. Industry players also started to innovate to come up with better value propositions in the form of different engagement models like outcome based, risk-reward, etc. Most players are trying to augment their service delivery capabilities to provide additional services around disruptive next generation technologies like cloud computing, SOA, SaaS, Shared Services, etc. Each of these will potentially alter the method in which software has so far been developed.

- **Cloud computing**, which is also essentially a fast growing way of providing services over the Internet without any physical software and hardware (except end-user terminals) on-premise, is also rapidly being adopted across the globe for similar reasons. Cloud computing is in its early days in the domestic market as enterprises have just begun to understand and appreciate its benefits with respect to operational and cost efficiencies. The next computing era will largely be dominated by the cloud as it makes a viable commercial sense for all parties involved.
- **Shared Services:** This kind of computing is making smart business sense for enterprises as it reduces the overall cost and complexities. It enables enterprises to opt for a bare minimum of their initial requirements and scale up as they go along and increase their capacities. BSIL would continue to strengthen its service offerings in this space as this is a very strategic and viable business solution for enterprises.
- **Software as a Service (SaaS):** SaaS offerings, which basically are software services delivered over the Internet, will continue to leap forward, especially for mid-sized enterprises who find on-premise software costlier and difficult to manage. Industry estimates peg the Indian market to cross Rs. 1,500 Crores by 2012. Low maintenance, 'ease-of-use', flexibility and scalability have been the main reasons why SaaS adoption is expected to grow rapidly.

BSIL Services

BSIL enables global mid market enterprises derive measurable business outcomes through the efficient use of information technology. BSIL partners with its clients to understand their business pain points and arrives at appropriate information technology led interventions to deliver a relevant solution. Leveraging its deep understanding of the mid market segment, and drawing upon its long standing track record of creating IT solutions, BSIL is equipped to deliver affordable and flexible solutions through client-friendly and flexible engagement models.

BSIL's dual expertise in developing product-class IT solutions for enterprises and building software products for industry-leading independent software vendors provides BSIL's clients a unique advantage to cross-leverage experiences in creating enterprise solutions (both custom and products) across various domains and technology platforms. BSIL has long-standing client relationships across USA, UK, Europe, Japan and India. Its software development and excellence centers are compliant with international quality standards such as ISO and CMMi.

In India, through its end-to-end suite of IT services ranging from IT Consulting to Package Implementation to Application Development & Support, BSIL helps enterprises across sectors such as Discrete and Process Manufacturing, Pharmaceuticals, Construction, Telecom and Services to align their IT strategy with their business goals.

BSIL Enterprise Services

BSIL understands that an efficient and cost effective IT infrastructure that serves as a backbone for robust solutions is a business imperative. The company helps its clients align their business goals with the IT capabilities through technological expertise and business relevant Centers of Excellence (CoE). BSIL has a special focus on mid-market enterprises. It has a sound understanding of the business context, challenges and pain points and has solutions tailored to address those.

Enterprise service offerings span the following areas:

- Application Development and Maintenance
- Enterprise Testing Services
- Packaged Application Services
- Business Intelligence Services
- Enterprise Application Integration - Service Oriented Architecture (SOA)
- Collaboration and Enterprise Content Management

Services are fashioned to help enterprises enhance productivity, reduce costs and thereby improve the effectiveness of client's IT portfolio.



BSIL further strengthened its presence in the enterprise market by establishing key partnerships with vendors offering complementary services and solutions. This enables BSIL to provide best-of-breed solutions to its customers and also resulted in adding new clients in the enterprise space.

In the year 2009-10 BSIL made significant progress in the enterprise market space:

- Microsoft Dynamics Elixir – a pharma vertical specific enterprise resource planning (ERP) solution developed by BSIL found several customers not only in India but in Malaysia as well. This was after the first successful implementation of Elixir in India at Indoco Remedies, a leading pharma company. An upgraded version of the Elixir solution will be rolled out this year with more features and functionalities suitable for the formulations as well as bulk drug manufacturers. The organization has already received encouraging response for the solution from the mid-market segment in India.
- During the year, Microsoft released its latest version of its ERP solutions - Microsoft Dynamics 2009. This will require the existing customers to undergo a migration process before they can utilize this new release. To facilitate this, BSIL created a migration toolkit for this and successfully migrated a number of its existing customers onto this new version. Currently, BSIL has over 60 MS Dynamics customers and the customer base is growing rapidly.
- BSIL became the first partner to implement Oracle Process Manufacturing (OPM) based solution using Oracle Business Accelerate (OBA) Methodology. The team implemented the solution in less than three months at Dorf Ketal Chemicals, a Specialty Chemicals company. BSIL's Oracle consulting team has worked extensively on providing exhaustive solutions for managing the projects, operations & maintenance functions in the Telecom Infrastructure domain. The Oracle practice is aggressively leveraging the OBA tool for creating value rapidly for its customers in Manufacturing and Telecom domain.
- The organization's foray in the Government vertical was through the Maharashtra Economics & Statistics department a couple of years ago. With the launch of the Indian Statistical Strengthening Program, the company foresees a lot of opportunities in various states who have signed up for this program. BSIL's solution uses the SAS business intelligence platform which was implemented at the statistics department in Maharashtra. BSIL developed a robust management information system (MIS) for the planning department of the Government of Maharashtra enabling the department to access various insightful reports including district annual reports, state annual plan, etc. The second phase of this project is expected to start in 2010-11.
- BSIL successfully implemented a portal solution for a leading retailer headquartered in USA. While the successful implementation provides BSIL the requisite platform to provide more services to this company, it has also enabled BSIL to enter a new market segment.

BSIL – Product Engineering Services

Over the years, BSIL has built a product services practice focusing on providing consistent product lifecycle services to global product and technology customers. In recent years, market forces and changing business models have created new pressures on the product engineering teams of technology companies. Product teams need to continue product innovation, sustain current product lines, support existing customers, but with lower R&D budgets. Due to this product companies continue to look for partners who can provide them cost-effective services and solutions to sustain their competitive edge in the marketplace and at the same time continue innovation at reduced costs and lower risks.

The prevailing economic condition, as well as success of Indian service providers, has resulted in increased competition in the Outsourced Product Development sector in India as well as in other geographies. With its expertise in product development processes, partnership with leading technology platform providers like Microsoft, Oracle; strong engineering heritage, and outcome based engagement models, BSIL has positioned itself as a strategic partner for software product companies.

BSIL was ranked 12th amongst the top fifteen global R&D Service providers by Zinnov Management Consulting, in a first-of-its-kind ranking of the Top Global Outsourced Product Development service providers across geographies such as India, China and Eastern Europe.

This has enabled BSIL to win multiple product engineering engagements during the year in the face of challenging economic scenario and stiff competition.

- BSIL signed a significant deal with one of the largest healthcare IT product companies in the world to assist them in modernizing their product suite with improved usability.
- BSIL was chosen as a partner in revamping the user interface for a network securing product by a leading telecom solution provider.

SaaS adoption is at an inflection point and is ready for increased global adoption. Currently, SaaS is being adopted and leveraged by all the big ISVs. The current economic situation demands a focus on improving the computing resource utilization, reducing costs, and providing an easier and more flexible application deployment mechanism. BSIL has been in the forefront in the adoption of cloud computing. As an advisory board member of Microsoft's Cloud initiative, BSIL has built extensive expertise on Windows Azure – Microsoft's cloud platform.

- BSIL has partnered with Microsoft to enable a leading platform service provider in adopting Windows Azure.



- BSIL has also partnered with a US based cloud infrastructure provider Platform Lab for providing cloud based testing services to its customers.

During this year, BSIL has focused on building reusable components and frameworks to enable product companies build quality products faster and cheaper. As part of this initiative, BSIL has built an open source test automation framework called BugZapper. This framework helps customers to automate the regression testing in a fraction of the cost of using any licensed tool. This has helped BSIL to set up an independent testing team for a leading e-Learning Solution provider and lower their total cost of ownership.

Some of the new engagements initiated in Product Services include:

- Offshore Development Centre for a UK-based ISV providing collaboration solution for planning and managing business meetings
- Offshore QA Centre for a leading US-based E-learning solution provider
- Solution Centre for customization and implementation of Amdocs OSS Solutions for a leading system integrator in USA
- MS Office integration solutions for two fast growing, US-based stock photo portals
- Offshore development centre for a Nordic ISV providing content management solution on Microsoft platform
- Offshore Development Centre for a leading ISV to provide end of life support for one of their legacy platform

BSIL – Travel & Hospitality

Cuts in travel spending have softened overall travel demand and heightened consumer price sensitivity. Travel consumers are increasingly leveraging travel search engines and other search-enabled mechanisms to find travel bargains. In this context, operators are expected to push more travel business online to drive cost savings. This presents an opportunity for online channels to flourish, with complementary forces of demand and supply drawing consumers to the Internet marketplace. Travel companies across the globe need to leverage technology to reach out to their target customers in multiple ways to gain market share, competitive advantage and accelerate their time to market. In order to protect shrinking margins, suppliers are also focusing on reaching out to their customers directly and offer competitive rates through their own online distribution channels.

BSIL's focus on solving travel distribution and operational issues enables travel companies to leverage technology and industry best practices for enabling the creation of a 'never-say-no' experience for their customers. BSIL's clientele spans the entire travel ecosystem including, Tour Operators, Online and Offline Travel Agencies, Wholesalers, Accommodations / Hotels, Vehicles / Ground Transportation Suppliers, MICE and Technology Providers. BSIL's focus is primarily on the travel distribution space and its core capabilities within this segment have enabled it to win a number of new deals and mindshare.

BSIL's custom solution frameworks and methodologies allow its customers to create robust and future-proofed technology platforms that enable them to quickly respond to business demands and increase value and loyalty for their customers. BSIL's solutions and services, covering the travel distribution ecosystem, include:

- Mobility Solutions
- Next Generation Travel 2.0 Portals
- Booking Engines
- Direct Connects to GDS/Wholesalers/Suppliers/Switch and other 3rd party systems
- Dynamic Packaging
- Inventory Management Systems
- Yield management systems
- Legacy Application re-engineering
- Usability engineering
- Agents Desktops
- CRM integration
- Social Media integration
- Mid-office and Back-office Integration

BSIL's technology competencies on the mobile platform will be of particular significance within the Travel & Hospitality industry where there is a significant potential for growth for mobile applications that empower mobile travelers, improve travel efficiency and build ancillary revenue.

BSIL introduced frameworks for Smartphone application development (iPhone, Blackberry, etc) and mobile based website development. These applications enhance travel experience by enabling travel booking through mobile and access to important information required during travel. With the growth of Smartphone and broadband wireless subscriptions adoption, mobile applications will significantly enhance the travel experience. BSIL's mobility expertise, in combination with a strong online enablement capability, enables it to present a strong value proposition to its clients.



In spite of a tough economic environment and the impact on the travel industry, BSIL increased its market share in the travel market by winning deals in the ground transportation and hotel wholesaler segments.

Some of the key engagements initiated during the year include:

- Consulting services for a leading portal providing the best hotel bookings deals worldwide along with reviews, articles and insider knowledge from a network of professional travel writers
- Development and Testing services to a leading company that enables hotels to gain market exposure and increase revenues through daily yield management
- Development services for a leading supplier of rich visual content to travel websites globally. This supplier produces and supplies content such as 360°- virtual tours, streaming videos, eBooks to numerous travel sites that helps them in improving their website look-to-book ratios
- Product Development services to a leading provider of hospitality solutions worldwide

RISKS AND CONCERNS

Business risk is intrinsic in commercial operations, and the de-risking capabilities of the Company, which marks its success. In the event of a financial slowdown or recession in the US economy or market saturation it is observed that an over dependence on the USA can be risky. BSIL aims to grow its customer base in India which includes large and medium enterprises. There is an increased focus on the UK, European and Japan markets which enables it to de-risk its US operations. Likewise concentration in one business segment also can be risky. BSIL has diversified offerings in product engineering space, travel and hospitality, enterprise application business segments to address this concern. These strategies are helping the Company mitigate challenges emanating from the turbulent US markets post the global slowdown over the last two years.

The volatility of exchange rates in international currencies is a significant issue of concern for BSIL, due to its predominant volume of export services. In the current year the Company has effectively addressed this issue by hedging its foreign exchange exposures suitably from time to time and secondly, by having a diversified billing currency basket rather than dependence on a single currency like US dollar.

Increasing employee costs is a concern facing the Information Technology industry today. BSIL mitigates this risk by maintaining a high level of productivity coupled with an optimal mix of engineers on its projects and a recruitment plan that systematically inducts and grooms fresh engineers into its delivery organization.

Delayed or non-realisation of receivables is a risk inherent to any business. The Company has instituted well defined processes at various levels for continuous reviews and follow-ups to ensure constant monitoring of collections of outstanding dues.

Investment risk, involves risks of reduced returns on the money invested as also loss of capital. BSIL has implemented an investment policy for investing its surplus funds where safety of principal is the over-riding objective.

Inflationary pressures tend to put pressures on the cost increases which could threaten the profitable viability of business. The Company has instituted suitable cost control measures at various levels and costs are constantly monitored to ensure that they are contained and commensurate with the scale of business.

Political instability, withdrawal of government fiscal incentives and competitive pricing are other risks which could affect our business.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Adequacy of Internal controls is the key to any business enterprise, by clearly defining the Budgets for Strategic Business Units and empowering personnel appropriately based on their work specifications to make decisions, your Company remains steadfast in upholding internal control, efficiency of operations and security which matches global standards. The current systems and procedures provide reasonable assurance of 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 divisional and corporate level both internally and by a team of external auditors. The Audit Committee of Directors comprising Naresh K Malhotra (Chairman), Suresh N Talwar and Dr. Prakash G Hebalkar meet at least four times a year to review the internal control systems and financial disclosures by the Company.

DISCUSSION OF FINANCIAL PERFORMANCE (Consolidated)

1. Financial Condition

a) Share capital

The Company has authorised capital of Rs. 11 Crores made up of 1.1 Crore equity shares of Rs. 10 each. The issued, subscribed and paid up capital is Rs. 10 Crores. During the FY 2009-10, the Company did not make any fresh issue of equity shares.

b) Reserves and surplus

The reserves and surplus of the Company increased by Rs. 12.41 Crores to Rs. 69.72 Crores in the financial year 2009-10. Rs. 1.39 Crores was transferred from Profit and Loss Account to General Reserve.



c) Debt status

During the FY 2009-10, the Company continued to be debt-free.

d) Fixed assets

The gross block of fixed assets for the FY 2009-10 was Rs. 40.13 Crores and cumulative depreciation amounted to Rs. 21.37 Crores. Additions to fixed assets made during the year were of the order of Rs. 1.75 Crores mainly comprising of computers (Rs. 0.88 Crores), Computer Software (Rs. 0.45 Crores), Vehicles (Rs. 0.19 Crores), Furniture and Fixtures (Rs. 0.11 Crores), Office Equipment (Rs. 0.07 Crores) and Airconditioning equipment (Rs. 0.04 Crores).

e) Investments

Company invests its surplus funds in liquid fund schemes of reputed mutual fund institutions. Investments increased from Rs. 11.65 Crores to Rs. 27.51 Crores during the year mainly due to better collections thereby enhancing the financial position of the Company.

f) Sundry debtors

The debtors decreased from Rs. 33.62 Crores to Rs. 28.90 Crores. These debtors are considered good and realisable and provision has been made for all doubtful debts.

	(Rs. in Crores)	
	2009-10	2008-09
Total Debtors	28.90	33.62
Less: Unbilled Services (billed in subsequent periods)	1.63	2.51
Sundry Debtors (net of unbilled services)	27.27	31.11
Day sales outstanding	76	73

The age profile of outstanding receivables is as given below:

Days	2009-10		2008-09	
	Rs. in Crores	%	Rs. in Crores	%
0-30	19.95	73	21.94	71
31-60	0.31	1	1.49	5
61-90	0.03	-	0.33	1
More than 90	6.98	26	7.35	23
Total	27.27	100	31.11	100

g) Cash and bank balance

The cash and bank balances during the year have marginally decreased from Rs. 11.07 Crores to Rs. 10.13 Crores and the Company has been investing non-operational cash in liquid mutual funds as described under (e) Investments, above. Of the cash balances, Rs. 1.95 Crores is held in EEFC accounts in India. The bank balances in EEFC accounts are generally used for (i) Import of technology assets, (ii) Meeting the remittance requirements of subsidiaries/ branches, (iii) Strategic investments and (iv) Meeting operational expenses for overseas tours, etc.

The remaining cash and bank balances mainly represent bank balances in current accounts with banks in India and abroad i.e. in USA, UK, Japan and Finland.

h) Loans and Advances

Loans and Advances represent the amount paid by the Company in advance for value and services to be received in future. The Company had Rs. 1.59 Crores advances recoverable in cash, Rs. 0.53 Crores in prepaid expenses for services to be received in future, Rs. 4.11 Crores in deposits with Government authorities and others Rs. 14.88 Crores advance taxes paid net of provisions. The balance Rs. 4.01 Crores represents tax credits that will be available to the Company in future against minimum alternate tax (MAT) paid.

i) Other Current Assets

Hedging reserve on open forward contracts are potential assets on foreign exchange forward contracts which are primarily in the nature of cash flow hedges for future business, arising from contracted rate being higher than current spot rate. Deferred rent is income recognised on straight lining of rental income.

j) Current Liabilities

Sundry creditors represent amounts payable to vendors for supply of services and fixed assets purchases. There are no amounts due to small scale units. Unclaimed dividends represent dividends paid but not encashed by shareholders. 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 viz; fees received against annual maintenance contracts.

k) Provisions

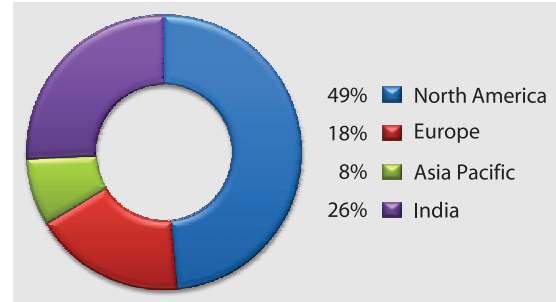
Outstanding provision for the leave encashment (compensated absences) was Rs. 2.36 Crores and that for gratuity was Rs 0.14 Crores at the end of the year. Both these provisions were determined on the basis of an actuarial valuation in accordance with the prescribed standards and guidelines. In view of taxes deducted at source by the customers, net provision for Income Tax liability is nil. The Company also made provision of Rs. 5.00 Crores and Rs. 0.85 Crores for Proposed Dividend and Corporate Dividend Tax respectively.

2. Results of Operations

a) Income

The total income of the Company comprises income from operations and other incomes. In FY 2009-10, Income from Operations (Sales and Services) was Rs. 130.25 Crores as compared to Rs. 155.03 Crores for the previous year. The income from other sources increased from Rs. 1.71 Crores to Rs. 5.92 Crores. Other income is mainly constituted by rentals received for leased office property Rs. 3.49 Crores, write-back of provisions Rs. 0.79 Crore and Gain on Exchange Translation Rs. 0.57 Crores.

Geography-wise Revenue



b) Operating expenses

The total operating and general expenses decreased from Rs. 52.71 Crores to Rs. 38.16 Crores in the year under review.

Particulars	(Rs. in Crores)		
	2009-10	2008-09	% increase / (decrease)
Legal and Professional charges	16.56	21.71	(24)
Travelling and conveyance	8.08	9.63	(16)
Rent	3.62	3.84	(6)
Forward Option Cost	1.60	0.38	321
Power	1.56	1.57	(1)
Communication	1.45	1.56	(7)
Repairs and maintenance	1.23	1.16	6
Provision/Bad and doubtful debts written off (net)	0.32	0.99	(68)
Recruitment charges	0.11	0.61	(82)
Rates and Taxes	0.37	0.14	164
Commission to Non Executive Directors	0.15	0.14	7
Insurance	0.14	0.12	17
Loss on Exchange Translation	-	8.26	(100)
Other expenses	2.97	2.60	14
Total	38.16	52.71	(28)

Human Resources

BSIL has always believed that employees are its most valued assets and even in a down year it invested heavily in grooming employees through various Management Development Programs. The HR function has always strived to maintain and retain the best possible talent in the organization to help it in the growth of the business and the organization.

2009-2010 has been a year of market uncertainties and a difficult time for recruitment and retention. In a downturn, hiring and retaining employees take on a different complexity. BSIL went through a quick review of all its processes, right from the organization structure to the career progression framework. Many elements of career progression underwent a change, primarily keeping in mind the demands of a changed global scenario. The focus was on identifying the skills set



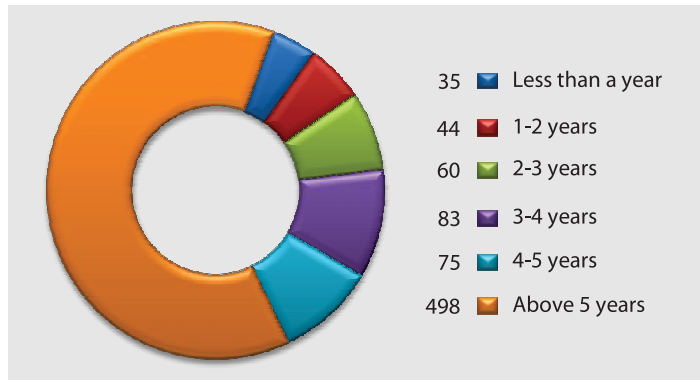
necessary for the success of the organization and the gaps between desired and existing skills to ensure that retention of the right talent was happening by design and not default.

The year 2009-10 saw major initiatives by the HR function in the areas of senior level restructuring, talent retention including innovative steps in compensation and benefits management, training initiatives & implementing appropriate policies in HR administration. Emphasis was on maximum utilization of resources and enhancing productivity. Employee motivation in an unstable and unpredictable environment took precedence. Finally, BSIL was one of the few companies to give increments in FY 2010.

These measures resulted in drop in the attrition rate from 23% to 17%, an improvement in utilization and a recruitment standard wherein 63% of the employees have industry experience of more than 5 years. In fact, the company's attrition levels at Project Manager and above was negligible. Currently the overall headcount stands around 795 with a utilization rate of 80% which is very healthy and gives the organization enough room to rapidly scale up.

Considering training as a core HR function – the organization invested highly on both technical and behavioral training programmes. These included 64 technical and 56 behavioral trainings. The behavioral trainings included Management Development Programs for first time managers, senior managers and the top management team. These were done keeping an eye on the projected aggressive growth and the likely hood of these employees taking larger responsibilities.

Experience-wise Employee details as on 31st March 2010



Note: The above total does not include contractors sourced through BSIL's Delivery Alliance partners and on billable assignments at BSIL's customer sites.

Due to the various steps initiated in the areas of Employee Care Services by the function, the company continued to enjoy a very harmonious employee relations despite the tough times faced by the industry overall.

The company continues to look for engineering graduates (preferably) with good academics to ensure that there is a good foundation in place. Technical proficiency is a critical aspect and is important as per the requirements of a project. Communication and other soft skills are equally important as the employees need to interact with the overseas clients on a regular basis. At a senior level, domain expertise and presentation skills are also evaluated. Stability is a key factor which is considered as it is highly important that the company hires professionals that are looking for a long-term career opportunity. However, one of the most important traits is a culture-fit. It is of utmost importance to BSIL to consider whether a potential candidate will fit within its corporate culture which is driven by building relationships and team-work.

Outlook

Economic growth globally is expected to be muted over the next 2 years. While the IT sector is showing some signs of revival, there are also new concerns arising due to economic issues related to the debt crisis in the second-largest overseas market i.e. Europe. Currency fluctuations are also an ongoing concern.

The US market appears to be showing positive signs with customers discussing new projects and initiatives. The domestic IT-BPO sector has grown faster than the exports segment posting an 8.5% growth in FY 2010. The Indian IT spend is expected to cross 14% in FY 2011. With a number of e-governance initiatives underway, the Indian government's IT spend is expected to cross Rs. 23,000 Crores by FY 2011. We therefore expect a faster recovery in our domestic IT services.

Overall, your Company is cautiously optimistic for the coming year.



To

The Members of Blue Star Infotech Limited

1. We have audited the attached Balance Sheet of Blue Star Infotech Limited, (the 'Company') as at March 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The financial statements dealt with by this report are in agreement with the books of account;
 - d) On the basis of written representations received from the directors, as at March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - e) In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and 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, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok and Co**

Chartered Accountants

Firm Registration No.: 001076N

per **Khushroo B Panthaky**

Partner

Membership No.: F-42423

Mumbai, May 13, 2010



Annexure to the Auditors' Report

Annexure to the Auditors' Report of even date to the members of Blue Star Infotech Limited on the financial statements for the year ended March 31, 2010.

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.
- c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) a) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- (iii) a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.
- e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. 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 fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.
- (v) a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- b) Owing to the unique and specialized nature of the items involved and in the absence of comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues, as applicable, have been regularly deposited with the appropriate authorities. No undisputed amounts payable in respect of above mentioned taxes were outstanding, at the year end for a period of more than six months from the date they became payable.
- b) The dues outstanding in respect of sales-tax, income-tax, customs duty, wealth-tax, excise duty and cess on account of any dispute, are as follows:



Name of the statute	Nature of dues	Amount (Rs.'000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty u/s 271 (1)(c) arising on disallowance of deduction u/s 80 HHE	2,000	Assessment Year 2003-04	Income Tax Appellate Tribunal
Karnataka Value Added Tax, 2003	Sales tax including interest and penalty	6,276	Financial Year 2005-06	Appeal yet to be filed

- (x) 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.
- (xi) The Company has no dues payable to a financial institution or a bank or debenture holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.
- (xii) In our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.
- (xvii) The Company did not have any borrowings outstanding during the year. Accordingly, the provisions of clause 4(xvii) of the Order are not applicable.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the year covered by our audit.

For **Walker, Chandiok and Co**
Chartered Accountants
Firm Registration No. 001076N

per **Khushroo B Panthaky**
Partner
Membership No. F-42423

Mumbai, May 13, 2010



Balance Sheet

As at March 31, 2010

Schedule	As at March 31, 2010 Rupees'000	As at March 31, 2009 Rupees'000
SOURCES OF FUNDS		
Shareholders' Funds		
Capital	100,000	100,000
Reserves and Surplus	691,744	566,120
Deferred tax liability (Net)	2,959	-
(Refer Note B 14 of Schedule J)		
Total	794,703	666,120
APPLICATION OF FUNDS		
Fixed Assets		
C		
Gross Block	396,013	389,834
Less : Accumulated Depreciation / Amortisation	209,391	196,117
Net Block	186,622	193,717
Investments	314,239	175,942
Current Assets, Loans and Advances	E	
Sundry Debtors	233,000	260,881
Cash and Bank Balances	63,651	43,105
Other Current Assets	20,139	-
Loans and Advances	247,106	237,703
	563,896	541,689
Less: Current Liabilities and Provisions	F	
Liabilities	191,112	166,619
Provisions	78,942	78,609
	270,054	245,228
Net Current Assets	293,842	296,461
Total	794,703	666,120
Significant Accounting Policies and Notes to the Financial Statements	J	

As per our report of even date attached

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director

Naresh K Malhotra
Director

Hemant Kamat
Vice President &
Chief Financial Officer

For and on behalf of the Board of Directors

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Company Secretary

Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Profit and Loss Account

For the year ended March 31, 2010

Schedule	Year ended March 31, 2010 Rupees'000	Year ended March 31, 2009 Rupees'000
INCOME		
Sales and software services		
Exports	808,872	1,027,008
Domestic	246,334	246,305
	1,055,206	1,273,313
Other income	61,021	16,765
Total	1,116,227	1,290,078
EXPENDITURE		
Purchase of traded software licenses	56,575	64,481
Purchase of traded hardware	631	-
Employee remuneration and benefits	576,830	579,946
Operating and general expenses	311,835	484,769
Depreciation / Amortisation	22,323	24,881
Total	968,194	1,154,077
Profit before taxation	148,033	136,001
Current tax		
- Indian Income Tax {Including Minimum Alternate Tax ('MAT')}	25,049	15,409
- Indian Fringe Benefit Tax	-	4,723
- Foreign Tax	-	21
- MAT Credit Entitlement	(19,349)	(15,409)
Deferred tax expense / (credit)	2,959	-
Total	8,659	4,744
Profit after taxation	139,374	131,257
Balance brought forward from earlier years	419,699	360,068
Profit available for appropriation	559,073	491,325
Appropriations		
Transfer to General Reserve	13,937	13,128
Interim dividend	-	-
Proposed final dividend	50,000	50,000
Corporate dividend tax	8,498	8,498
Total	72,435	71,626
Balance carried forward to Balance Sheet	486,638	419,699
Significant Accounting Policies and Notes to the Financial Statements		
	J	
Earnings Per Share (Basic and diluted) - (Rs.)	13.94	13.13
Face Value per Share - (Rs.)	10.00	10.00
Profit after tax available to Equity Shareholders	139,374	131,257
Number of shares used in computing Earnings Per Share (Basic and diluted)	10,000,000	10,000,000

As per our report of even date attached

For and on behalf of the Board of Directors

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director

Naresh K Malhotra
Director

Hemant Kamat
Vice President &
Chief Financial Officer

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar
Director

V Sudarshan
Company Secretary

Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Cash Flow Statement

For the year ended March 31, 2010

	Year Ended March 31, 2010 Rupees'000	Year Ended March 31, 2009 Rupees'000
[A] Cash Flows from Operating Activities		
Net profit before tax	148,033	136,001
Depreciation / Amortisation	22,323	24,881
Unrealised foreign exchange (gains) / losses (net)	1,361	1,085
(Profit)/Loss on sale of fixed assets (net)	(221)	(1)
Dividend income	(6,851)	(3,062)
Provision for bad and doubtful debts / (Excess provision written back)	(5,174)	126
Interest income	(548)	(344)
	10,890	22,685
Operating profit before working capital changes	158,923	158,686
Adjustment for:		
Trade and other receivables	42,350	12,883
Trade payables and other liabilities	52,748	(24,162)
	95,098	(11,279)
Cash generated from operations	254,021	147,407
Direct taxes paid	(27,712)	(44,967)
Net cash from operating activities	226,309	102,440
[B] Cash flows from investing activities		
Purchase of fixed assets (Including capital advances)	(16,017)	(17,679)
Sale of fixed assets	1,010	762
Purchase of investments	(1,022,095)	(425,006)
Sale of investments	890,649	311,619
Dividend income	6,851	3,062
Dividend reinvested in Mutual Funds	(6,851)	(3,062)
Interest income	548	344
Net cash (used in) investing activities	(145,905)	(129,960)
[C] Cash flows from financing activities		
Dividend and tax thereon paid	(58,498)	(29,249)
Net cash used in financing activities	(58,498)	(29,249)
Net increase/(decrease) in cash and cash equivalents	21,906	(56,769)
Cash and cash equivalents - opening balance	42,486	99,255
Cash and cash equivalents - closing balance	64,392	42,486
Cash and cash equivalents comprise of:		
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	53,501	30,183
- deposit accounts (including EEFC deposit accounts)	7,506	8,728
- unclaimed dividend accounts	2,538	2,380
Balance with non-scheduled bank in current account	106	1,814
Cash and Bank Balances as per books	63,651	43,105
Exchange difference on translation of foreign currency accounts/deposits	741	(619)
	64,392	42,486

Note: Cash and cash equivalents include (Rs.'000) 2,538 (Previous Year (Rs.'000) 7,800) which is not available for use by the Company.

As per our report of even date attached

For and on behalf of the Board of Directors

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director
Naresh K Malhotra
Director
Hemant Kamat
Vice President &
Chief Financial Officer

Ashok M Advani
Vice Chairman
Dr. Prakash G Hebalkar
Director
V Sudarshan
Company Secretary

Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Schedules annexed to and forming part of the Balance Sheet

As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
SCHEDULE A: CAPITAL		
Authorised		
11,000,000 Equity Shares of Rs 10 each	110,000	110,000
Issued, Subscribed and Paid up		
10,000,000 Equity Shares of Rs 10 each fully paid-up	100,000	100,000
	100,000	100,000
SCHEDULE B: RESERVES AND SURPLUS		
General Reserve		
Balance as per last Balance Sheet	174,343	160,090
Add : Reserve on amalgamation of Ashok Sunil & Company Private Limited with the Company (Refer Note B4 of Schedule J)	-	1,125
Add : Transfer from Profit and Loss Account	13,937	13,128
	188,280	174,343
Hedging Reserve on Open Forward Contracts	16,826	(27,922)
Profit and Loss Account	486,638	419,699
	691,744	566,120

SCHEDULE C: FIXED ASSETS

In Rs'000

Description of assets	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at April 1, 09	Additions / Transfers during April 09 -March 10	Deletions/ Transfers during April 09 -March 10	As at March 31, 10	As at April 1, 09	For the year April 09 -March 10	Withdrawals during April 09 - March 10	As at March 31, 10	As at March 31, 10	As at March 31, 09
Tangible Assets										
Building	135,546	-	-	135,546	9,847	2,259	-	12,106	123,440	125,699
Leasehold building improvements	16,539	-	-	16,539	10,985	1,841	-	12,826	3,713	5,554
Airconditioners	16,630	351	78	16,903	8,828	1,118	67	9,879	7,024	7,802
Computers	96,072	8,673	4,024	100,721	85,558	5,858	4,005	87,411	13,310	10,514
Furniture & fittings	78,421	191	-	78,612	48,307	5,477	-	53,784	24,828	30,114
Office equipment	13,564	312	-	13,876	8,493	731	-	9,224	4,652	5,071
Vehicles	12,386	1,978	1,588	12,776	5,837	1,932	829	6,940	5,836	6,549
Intangible Assets										
Computer Software	20,676	4,512	4,148	21,040	18,262	3,107	4,148	17,221	3,819	2,414
TOTAL - Fixed Assets	389,834	16,017	9,838	396,013	196,117	22,323	9,049	209,391	186,622	193,717
<i>Previous Year</i>	<i>374,806</i>	<i>17,679</i>	<i>2,651</i>	<i>389,834</i>	<i>173,126</i>	<i>24,881</i>	<i>1,890</i>	<i>196,117</i>	<i>193,717</i>	-



As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
SCHEDULE D: INVESTMENTS		
Long term investments, Trade, Unquoted (At Cost):		
Investment in subsidiary companies		
(Refer note B 5 of Schedule J)		
350,000 shares (common stock) of US\$ 1 each in Blue Star Infotech America, Inc. (formerly USIN International, Inc.), fully paid-up (Previous year 350,000 shares of US\$ 1 each fully paid-up)	18,307	18,307
300,000 equity shares of GBP 1 each in Blue Star Infotech (UK) Ltd., fully paid-up (Previous year 560,000 equity shares of GBP 1 each, fully paid-up)	20,829	41,186
Note: Aggregate book value of unquoted investments (Rs.'000) 39,136 {Previous year (Rs.'000) 59,493}		
(A)	39,136	59,493
Current investments, Non-trade, Quoted:		
Investment in units of Mutual Funds		
DWS Mutual Fund - Ultra Short Term Institutional - Daily Dividend Reinvestment 4,062,323 units (Previous year - Nil units)	40,696	-
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 2,992,469 units (Previous year - 2,854,359 units)	30,019	30,360
HDFC Cash Management Fund - Floating Rate Income Fund - Daily Dividend Reinvestment 1,995,564 units (Previous year - Nil units)	20,117	-
ICICI Prudential - Flexible Income Plan Premium - Daily Dividend 489,470 units (Previous year - 2,370,422 units)	51,754	25,064
IDFC Mutual Fund - Money Manager Fund Treasury - Daily Dividend Reinvestment 1,004,448 units (Previous year - Nil units)	10,115	-
Kotak Mutual Fund - Floater Long Term - Daily Dividend Reinvestment 2,011,714 units (Previous year Nil units)	20,278	-
Reliance Medium Term Fund - Daily Dividend Plan 587,296 units (Previous year - 1,189,014 units)	10,040	20,327
SBNPP Money Fund Institutional - Daily Dividend Reinvestment Nil units (Previous year - 2,004,178 units)	-	20,234
Tata Liquid Super High Investment Fund - Daily Dividend Nil units (Previous year - 18,362 units)	-	20,464
Tata Floater Fund - Daily Dividend 4,174,337 units (Previous year Nil units)	41,892	-
UTI Mutual Fund - Floating Rate Institutional Short Term - Daily Dividend Reinvestment 20,089 units (Previous year Nil units)	20,104	-
UTI Mutual Fund - Treasury Advantage Fund Institutional Short Term - Daily Dividend Reinvestment 30,081 units (Previous year Nil units)	30,088	-
Note: Aggregate book value of quoted investments (Rs.'000) 275,103 (Previous year (Rs.'000) 116,449)		
Aggregate market value of quoted investments (Rs.'000) 275,103 (Previous year (Rs.'000) 116,449)		
(B)	275,103	116,449
(A)+(B)	314,239	175,942



As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry Debtors (unsecured)		
Outstanding for a period exceeding six months		
- Considered good	2,345	2,229
- Considered doubtful	1,317	5,839
	3,662	8,068
Other debts		
- Considered good	219,652	238,896
- Considered doubtful	-	652
	223,314	247,616
Less: Provision for bad and doubtful debts	1,317	6,491
	221,997	241,125
Unbilled Services	11,003	19,756
	233,000	260,881
Note: Sundry Debtors include due from Subsidiaries (Rs.'000) 161,580 {Previous year (Rs.'000) 190,504}		
(b) Cash and Bank Balances		
Cash on hand	-	-
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	53,501	30,183
- deposit accounts (including EEFC deposit accounts)	7,506	8,728
- unclaimed dividend accounts	2,538	2,380
Balance with non-scheduled bank in current account Nordea Bank, Finland - Maximum balance outstanding during the year (Rs.'000) 1,814 {Previous Year (Rs.'000)1,814}	106	1,814
	63,651	43,105
(c) Other Current Assets		
Hedging Reserve on Open Forward Contracts	16,826	-
Deferred Rent	3,313	-
	20,139	-
(d) Loans and Advances		
Unsecured and considered good		
Advances Recoverable in cash or in kind or for value to be received	15,038	17,565
Prepaid expenses	4,575	15,408
Deposits with Government authorities and others	40,440	39,688
Advance Tax (Net of Provision)	147,000	144,337
MAT Credit Entitlement	40,053	20,705
	247,106	237,703
SCHEDULE F: CURRENT LIABILITIES AND PROVISIONS		
(a) Liabilities		
Sundry Creditors - For Services	23,277	9,936
Sundry Creditors - Others (Refer note B 10 of Schedule J)	140,839	94,575
Unearned Revenue	4,543	5,936
Unclaimed Dividends	2,538	2,380
(There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund)		
Hedging Reserve on Open Forward Contracts	-	27,922
Other Liabilities	19,915	25,870
	191,112	166,619
(b) Provisions		
For Compensated absences	19,024	17,846
For Gratuity	1,420	2,265
For Proposed Dividend	50,000	50,000
For Corporate Dividend Tax	8,498	8,498
	78,942	78,609



Schedules annexed to and forming part of the Profit & Loss Account

For the year ended March 31, 2010

	Year Ended March 31, 2010 Rupees'000	Year Ended March 31, 2009 Rupees'000
SCHEDULE G: OTHER INCOME		
Profit on sale of assets (Net)	221	1
Interest on bank deposits (tax deducted at source (Rs.'000) 40 {Previous Year (Rs.'000) 27}	548	344
Interest on tax refunds	2,569	-
Dividend income from current investments	6,851	3,062
Gain on Exchange Translation	10,398	-
License Fee for office property	34,830	13,042
Excess Provision for bad and doubtful debts written back	5,174	-
Miscellaneous Income	430	316
	61,021	16,765
SCHEDULE H: EMPLOYEE REMUNERATION AND BENEFITS		
Salaries and Wages	529,355	529,385
Contribution to provident and other funds	23,565	26,199
Staff welfare	23,910	24,362
	576,830	579,946
SCHEDULE I: OPERATING AND GENERAL EXPENSES		
Service charges paid to overseas subsidiaries	85,902	114,099
Travelling and conveyance	68,531	81,899
Rent	29,559	28,515
Rates and taxes	1,355	685
Power	15,586	15,631
Communication	11,363	12,357
Insurance	1,264	1,175
Repairs and maintenance		
Building / Leasehold premises	5,379	4,781
Computers and Airconditioners	4,219	4,693
Others	1,868	1,265
Payment to auditors		
Audit Services	1,090	1,000
Taxation matters	150	125
Certification Work	80	75
Out of Pocket Expenses	72	65
Directors' fees	480	680
Commission to Non Executive Directors	1,460	1,397
Reimbursement of Chairman & Managing Directors' Remuneration	-	326
Chairman & Managing Directors' Remuneration	2,640	1,100
Legal and Professional charges	47,042	87,933
Loss on Exchange Translation	-	102,339
Bad Debts Written off	285	-
Provision for bad and doubtful debts	-	126
Recruitment charges	1,055	6,092
Forward Option Cost	16,006	3,821
Miscellaneous expenses	16,449	14,590
	311,835	484,769



Schedules annexed to and forming part of the Financial Statements

For the year ended March 31, 2010

SCHEDULE J: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting and preparation of financial statements

The financial statements which have been prepared under the historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable.

b) 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, 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.

c) 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 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 at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, 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 earlier, on a straight line basis.
- iv) Capital Advances in respect of Capital Work in progress or assets acquired but not ready for use 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.

d) 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.

e) 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 provided for unless it is considered other than temporary. Current investments are valued at lower of cost and net realisable value.

f) 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 Profit and Loss Account in the year in which they arise.
- iv) Forward Cover - The Company uses foreign exchange forward contracts and forward option contracts to hedge its exposure to foreign currency fluctuations. The premium or discount arising at the inception of forward option contracts is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts is recognised as income or expense for the year. Forward contracts, which are outstanding as at the year end and which represent hedges against recoverable balances in foreign exchange as at the Balance Sheet date are marked to market and the gains / losses arising on the same are recognised in the Profit and Loss Account.
- 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 April 1, 2008. Consequently, outstanding forward contracts for which there are no underlying account balances 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.

g) 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 Profit and Loss Account. 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 Profit and Loss Account. 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 done at the year end and actuarial gains/losses are charged to the Profit and Loss Account. Gratuity liability is funded by payments to the trust established for the purpose.

h) 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 percentage of completion basis.
- 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 is 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.

i) 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.

j) 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. 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.

k) 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.

B. NOTES TO THE FINANCIAL STATEMENTS

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Nil {Previous year (Rs.'000) 312}.
- Contingent liability not provided for in respect of :
 - Income-tax demands against which the Company is in appeal:

	As at March 31, 2010 Rs.'000	As at March 31, 2009 Rs.'000
i) With Income-tax Appellate Tribunal	8,584	-
ii) Commissioner of Income-tax (Appeals)	35,082	15,256
Total	43,666	15,256

- Notice(s) demanding differential stamp duty of (Rs.'000) 4,699 and penalty of (Rs.'000) 3,398 was received during the year 2007-08, pursuant to disallowance of stamp duty concession availed by the Company in the year 2005. As per the Information Technology (IT) Policy issued by the Government of Maharashtra in the year 2003, 75% stamp duty concession was granted on purchase of property for establishing a new unit related to Information Technology in recognized private IT Parks. Accordingly, the Company has been legally advised that it is entitled to this duty concession. Consequently, the Company filed writ petitions before the Honourable High Court, Bombay. Pursuant to interim stay orders of the Honourable High Court, Bombay, the Company deposited a sum of (Rs.'000) 4,699 and provided bank guarantees for a sum of (Rs.'000) 3,020 to the Honourable High Court, Bombay, subject to further orders and outcome of appeal proceedings. No hearing has been scheduled in the matter by the Honourable High Court, Bombay as of date.
- The Company has received a notice of demand under Karnataka Value Added Tax, 2003 (KVAT) on 28 April 2010 for (Rs.'000) 6,276 (including Interest of (Rs.'000) 2,266 and penalty of (Rs.'000) 669) relating to the financial year 2005-06. Upon enquiry, the Company is informed that it is required to pay KVAT on certain services at 4%, wherein no tax has been paid earlier. Further, the authorities have contended that the sale of certain software licenses should be taxed at 12.5% instead of 4% charged by the Company. The Company does not agree with the contentions of the KVAT authorities and will appeal against this order within the prescribed time limit shortly.

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.

- Guarantees given on behalf of the Company by banks (Rs.'000) 6,084 (Previous Year (Rs.'000) 10,563) and by others (Rs.'000) 81,500 (Previous Year (Rs.'000) 81,500).
- The Honourable High Court, Bombay approved a scheme of Amalgamation between Ashok Sunil & Company Private Limited ('Ashok Sunil') with Blue Star Infotech Limited ('BSIL') by its order dated May 2, 2008. The Scheme



became effective from July 7, 2008, the date on which the certified copies of the order of the Honourable High Court, Bombay sanctioning the Scheme was filed with the Registrar of Companies, Mumbai, Maharashtra.

Consequent to the Scheme becoming effective, 717,918 fully paid-up equity shares (face value of Rs.10 each) of the Company previously held by Ashok Sunil were extinguished. A similar number of shares were issued and allotted to the shareholders of Ashok Sunil by the Company, on the scheme becoming effective. Post amalgamation, the share capital of BSIL remains unchanged. Further, there is no change in the Promoter and Public shareholding of the Company. In accordance with the Court order, the excess of net asset value of Ashok Sunil transferred to the Company over face value of shares issued by BSIL shall be credited to General Reserve Account of BSIL. Consequently, the free reserves of the Company increased by (Rs.'000) 1,125 during the year 2008-09. All the cost arising out of or incurred in carrying out and implementing the Scheme and matters incidental thereto, are borne by the Promoters.

5. a) Blue Star Infotech (UK) Ltd. (BSI-UK), the 100 % subsidiary of the Company has earned profits during the year ended March 31, 2010 and also has a positive net worth, as at the year-end. The Company reduced its investment in the subsidiary from GBP 560,000 to GBP 300,000 during the year as the BSI-UK did not require these funds considering its current and expected scale of operations. As a consequence, the paid-up Capital of the subsidiary was reduced from GBP 560,000 to GBP 300,000.
- b) Blue Star Infotech America Inc., the 100 % subsidiary of the Company has earned profits during the year ended March 31, 2010 and also has a positive net worth, as at the year-end.
6. 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 are purchased by the trust from the open market. Based on the details provided by the Trust, the position of the Key Employee Stock Option Plans of the Company as at March 31, 2010 is as under:

Sr. No.	Particulars	ESOP Scheme 2003
1	Details of approval	Compensation Committee resolutions dated October 25, 2005, June 20, 2006, September 26, 2006, December 27, 2006, April 03, 2007, August 23, 2007, November 12, 2007 and January 23, 2008
2	Implemented through	Trust
3	Total number of shares	600,000
4	Price per option	Closing market price prevailing on the previous day prior to issue of options
5	Granted	691,000
6	Vested	209,850
7	Exercised	152,850
8	Lapsed options	333,650
9	Vested and unexercised	57,000
10	Total number of options in force	204,500
11	Money realised	(Rs.'000) 11,005 (Previous Year Rs. Nil)

12	Vesting Schedule	
	Designation	
	Managerial Employees	1) Vesting begins 3 years after granting
	All options	2) Vesting on October 31, 2008 and thereafter viz. completion of 3 years from the date of grant

13	Senior Managerial Personnel	Options Granted	Options Vested	Options Lapsed	Options Exercised	Balance
		357,000	116,000	141,000	95,000	121,000
14	All options have an exercise period of 1 year after vesting period.					



Notes:

- a) The compensation committee at its meeting held on October 25, 2005 pursuant to ESOP Scheme 2003 decided to grant 382,000 equity shares to senior employees of the Company at the closing market price of Rs. 117 as at October 31, 2005 on the National Stock Exchange with 10,000 equity shares vesting on October 31, 2006 and rest of the equity shares vesting on October 31, 2008. The offer price was revised to Rs. 72 per share (the closing market price on June 19, 2006 on the National Stock Exchange) for 323,000 equity shares vide approval of the members at the AGM held on August 29, 2006.
- b) There is one employee who has been granted options equal to or exceeding 1% of the Issued Capital.
- c) The diluted Earnings Per Share and Earnings Per Share are the same, as the shares covered under vested options are already issued and allotted and are held by the Trust.
- d) 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.
- e) 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 recorded in the financial statements using the intrinsic value method.

The movement of stock options during the year ended March 31, 2010 are summarised below:

	Number of options
Outstanding at the beginning of the year	430,000
Granted during the year	Nil
Forfeited during the year	19,000
Exercised during the year	152,850
Expired during the year	53,650
Outstanding at the end of the year	204,500
Exercisable at the end of the year	204,500

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2010 is as follows:

Number of options	Exercise price	Expected remaining contractual life
5,000	72	3 months
54,500	72	6 months
5,000	92	12 months
11,000	96	16 months
100,000	82	20 months
29,000	71	22 months
204,500		

There were no options granted during the year

Proforma disclosures for amortisation of fair value of options granted during earlier years

Particulars	Year ended March 31, 2010 Rs.'000	Year ended March 31, 2009 Rs.'000
Profit after taxation as per Profit and Loss Account	139,374	131,257
Less: Amortised cost of fair value of options (net of tax)	(1,002)	(2,666)
Profit after taxation after amortisation of options cost	138,372	128,591
Earnings Per Share- Basic and Diluted	13.84	12.86



7. a) Remuneration to Managing Director included in the Profit and Loss Account is as follows:

	Year ended March 31, 2010 Rs.'000	Year ended March 31, 2009 Rs.'000
Reimbursement of CMD's Remuneration to Blue Star Limited (Previous year till October 31, 2008 – 7 months)	-	326
CMD's Remuneration (Current Year 12 months; Previous year from November 1, 2008 to March 31, 2009)	2,640	1,100
House Rent (net)	1,800	750
Total	4,440	2,176

As per terms of appointment, executive directors of the Company including the Chairman and Managing Director are not eligible to receive sitting fees.

- b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to the directors

	Year ended March 31, 2010 Rs.'000	Year ended March 31, 2009 Rs.'000
Profit before taxation as per Profit and Loss Account	148,033	136,001
Add : Managerial remuneration (including commission to non-whole time directors)	5,900	3,573
Provision for doubtful debts / advances / (excess provision written back)	(5,174)	126
	148,759	139,700
Less: Profit on sale of fixed assets	221	1
Net Profit for the purpose of Directors' Commission	148,538	139,699
Commission payable up to 1% of the above Net Profits to the Non-Executive Directors	1,485	1,397
Amount approved by the Board for payment to Non-Executive Directors	1,460	1,397

The members of the Company at the 12th AGM of the Company held on July 30, 2009 consented to increased commission up to 3% of the Net Profits, subject to approval of the Central Government. Approval from the Ministry of Corporate Affairs, Government of India is awaited. The Board has unanimously decided to pay commission at 1% of the Net Profits for the current year to the non executive directors.

8. Loans and Advances include amount due from a director – (Rs.'000) Nil {Previous Year – (Rs.'000) Nil}, Maximum balance outstanding from a director during the year – (Rs.000) 150 {Previous Year – (Rs.'000) 750}



9. Details of Investments purchased (including dividend re-invested) and sold during the year.

Mutual Funds		2009-10 No. of Units	2008-09 No. of Units
1	Birla Sun Life Cash Plus – Instalment – Daily Dividend – Reinvestment	-	932,392.09
2	DWS Insta Cash Plus Fund – Institutional Daily Dividend	3,979,950.35	-
3	HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment	24,991,634.04	25,529,815.94
4	HDFC Cash Management Fund- Treasury Adv - Daily Dividend Reinvestment	5,007,473.23	-
5	HDFC Floating Rate Income Fund - Short Term Plan - Daily Dividend Reinvestment	1,983,949.85	-
6	ICICI Prudential - Flexible Income Plan Premium – Daily Dividend	2,747,516.20	843,896.87
7	ICICI Prudential - Liquid Plan Institutional Plus – Daily Dividend	1,434,608.22	-
8	Kotak Floater Long term - Daily Dividend	2,976,249.53	-
9	Kotak Liquid (Institutional) - Daily Dividend	3,680,294.86	-
10	Reliance Liquid Fund - Daily Dividend Plan	654,198.71	-
11	Reliance Medium Term Fund - Daily Dividend Plan	1,782,719.98	-
12	Reliance Money Manager- Daily Dividend Plan	40,235.32	-
13	Reliance Treasury Institutional Option Plan - Daily Dividend	3,271,023.58	-
14	SBNPP Money Fund Institutional - Daily Dividend Reinvestment	50,458.52	-
15	Tata Liquid Super High Investment Fund - Daily Dividend	18,535.56	17,944.95
16	UTI Institutional Plan - Daily Dividend - Reinvestment	49,835.79	-

10. 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 March 31, 2010. 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.

11. Derivative Instruments

The Company has entered into the following derivative instruments:

- (a) Forward Exchange Contracts and Foreign Exchange 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 Forward Exchange Contracts and Foreign Exchange Options Contracts entered into by the Company as at March 31, 2010 of US Dollar \$ 12,467,724 and GBP £ 180,000, Cross Currency - Rupees (Previous year US Dollar \$19,900,000 and GBP £ 50,000)



(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	2009-2010 (Rs.'000)	2009-2010	2008-2009 (Rs.'000)	2008-2009
Exports in US \$	NIL	NIL	NIL	NIL
Exports in UK £	16,638	£244,569	6,479	£88,926
Exports in EUR €	NIL	NIL	NIL	NIL

12. 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.

(Rs'000)

Particulars	Subsidiaries	Associates	Key Management Personnel	Promoters	Company in which promoters have significant influence	Companies in which one or more directors are common	Total for the Year
Rendering of Services	741,083	80,058	-	-	-	-	821,141
	<i>811,683</i>	<i>68,309</i>	-	-	-	<i>(3,581)</i>	<i>876,411</i>
Receiving of Services	85,902	5,930	-	-	-	-	91,832
	<i>114,099</i>	<i>4,140</i>	-	-	-	-	<i>118,239</i>
Reimbursement of expenses	11,289	-	-	-	-	-	11,289
	<i>11,100</i>	-	-	-	-	-	<i>11,100</i>
Security deposit given	-	10,000	-	-	-	-	10,000
	-	<i>10,000</i>	-	-	-	-	<i>10,000</i>
Guarantees & Collaterals (Taken)/Given	-	(81,500)	-	-	-	-	(81,500)
	-	<i>(81,500)</i>	-	-	-	-	<i>(81,500)</i>
Director Sitting Fees	-	-	-	80	-	-	80
	-	-	-	<i>100</i>	-	-	<i>100</i>
Non-Executive Director commission	-	-	-	280	-	-	280
	-	-	-	<i>270</i>	-	-	<i>270</i>
Remuneration/Reimbursement of Remuneration	-	-	-	4,440	-	-	4,440
	-	-	-	<i>2,176</i>	-	-	<i>2,176</i>
Outstanding Balance							
Debit Balance	161,580	16,218	-	-	-	-	177,798
	<i>190,504</i>	<i>6,659</i>	-	-	-	-	<i>197,163</i>
Credit Balance	21,412	-	-	-	-	-	21,412
	<i>8,783</i>	-	-	-	-	-	<i>8,783</i>

Note: Figures in Italics are of the previous year.



Names of related parties and description of relationship

Subsidiaries	: (a) Blue Star Infotech America, Inc., USA (100% subsidiary) (b) Blue Star Infotech (UK) Limited, UK (100% subsidiary)
Associates	: Blue Star Limited (Holding 31% of the equity share capital of the Company)
Company in which promoters have significant influence	: Blue Star Design Engineering Limited
Company in which one or more directors are common	: Reva Electric Car Co. (Pvt.) Ltd.
Promoters	: Mr. Suneel M Advani, Chairman and Managing Director Mr. Ashok M Advani, Vice Chairman
Key Management Personnel	: Mr. Suneel M Advani, Chairman and Managing Director

13. Staff benefits cost in accordance with Accounting Standard 15 (Revised 2005)

- a) Defined Contribution Plans: The amount recognised as an expense during the year is (Rs'000) 21,578 (Previous Year (Rs'000) 21,152)
- b) Defined Benefit Plans:

Particulars	2009-10 Rs'000	2008-09 Rs'000
Change in Defined Benefit Obligation:		
Obligations as at the beginning of the year:	33,385	23,327
Service Cost	8,148	8,261
Interest Cost	2,238	1,670
Actuarial (gain) / loss	(3,983)	5,024
Benefits paid	(2,839)	(4,897)
Present value of defined benefit obligations as at year end (A)	36,949	33,385
Change in Plan Assets:		
Opening plan assets, at fair value	13,274	13,463
Expected return on plan assets	1,142	934
Actuarial gain / (loss)	(105)	(48)
Contributions	5,033	3,822
Benefits paid	(2,839)	(4,897)
Fair value of plan assets as at year end (B)	16,505	13,274
Cost for the year		
Service Cost	8,148	8,261
Interest Cost	2,238	1,670
Expected return on plan assets	(1,142)	(934)
Actuarial (gain) / loss	(3,878)	5,072
Total net cost recognised as employee remuneration	5,366	14,069
Reconciliation of Benefit Obligations & Plan Assets for the year:		
Present value of defined benefit obligations as at year end (A)	36,949	33,385
Fair value of plan assets as at year end (B)	16,505	13,274
Net (asset)/liability as at year end recognised in Balance Sheet (A)-(B)	20,444	20,111
Investment details of Plan assets:		
The plan assets are invested in trust managed funds:		
Assumptions:		
Discount Rate	7.50%	8.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%



14. Deferred Taxes

	(Rs.'000)
	As at March 31, 2010
	As at March 31, 2009
A. Deferred tax liability on:	
Depreciation	10,354
(A)	10,354
B. Deferred tax asset on:	
Unabsorbed Depreciation	7,395
(B)	7,395
Net Deferred tax liability	(A)-(B) 2,959
	NIL

15. Operating Lease

- a) The Company has taken office/residential premises and computers under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (Rs.'000) 29,559 (Previous year (Rs.'000) 28,515) is recognised as lease expenses in the Profit and Loss Account for the year ended March 31, 2010. The future guaranteed lease payments under non cancellable portion of cancellable leases are:
- less than one year - (Rs.'000) Nil (Previous year (Rs.'000) Nil)
 - later than one year but not later than 5 years - (Rs.'000) Nil (Previous year (Rs.'000) Nil)
- b) 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 (Rs.'000) 34,830 (Previous year (Rs.'000) 13,042) is recognised as lease income in the Profit and Loss Account for the year ended March 31, 2010. The future guaranteed lease payments under non cancellable leases are:
- less than one year (Rs.'000) 33,091 (Previous year (Rs.'000) Nil)
 - later than one year but not later than 5 years - (Rs.'000) 34,746 (Previous year (Rs.'000) Nil)

16. Earnings Per Share (EPS)

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax (and includes post tax effect of any extraordinary items). 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 March 31, 2010	Year Ended March 31, 2009
i) Net Profit / (Loss) after tax (Rs' 000)	139,374	131,257
ii) Basic (weighted average) Number of Equity Shares	10,000,000	10,000,000
iii) Diluted (weighted average) Number of Equity Shares	10,000,000	10,000,000
iv) Earnings per share (EPS) in Rs. - Basic	13.94	13.13
- Diluted	13.94	13.13



17. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956

- (i) The Company is engaged in the development of computer software. Considering the nature of business, certain details required under Part II of Schedule VI to the Companies Act, 1956 are not applicable.

	Year ended March 31, 2010 Rupees '000	Year ended March 31, 2009 Rupees '000
(ii) Value of imports on CIF basis (on accrual basis):		
Capital goods	6,741	1,861
(iii) Expenditure in foreign currency (on accrual basis):		
Travel expenses	42,919	53,451
Professional fees	-	390
Service charges to overseas subsidiaries	85,902	114,099
Foreign Tax	-	22
Conference Expenses	133	-
(iv) Earnings in foreign exchange (on accrual basis):		
Income from services	808,872	1,027,008
Interest on bank deposits	4	19

(v) Dividend remitted in foreign currency:

	Year ended March 31, 2010	Year ended March 31, 2009
Number of non resident shareholders	109	126
Number of shares held by them	105,908	118,084
Gross amount of Dividend remitted (Rs. 000's)	530	295
The financial year to which it relates	2008-09	2007-08

18. The Ministry of Corporate Affairs, Government of India vide its Order No. 47/234/2010-CL-III dated April 05, 2010 issued under section 212(8) of the Companies Act, 1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries under section 212(1) of the Companies Act, 1956.

19. The previous year's figures have been regrouped / rearranged wherever considered necessary.

Signatures to Schedules A to J

As per our report of even date attached

For and on behalf of the Board of Directors

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

Hemant Kamat
Vice President &
Chief Financial Officer

V Sudarshan
Company Secretary

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Balance Sheet Abstract

and Company's General Business Profile Information Pursuant to part IV of Schedule VI to the Companies Act, 1956

I. REGISTRATION DETAILS

Registration number	110459	State code	11			
Balance Sheet date	Date	31	Month	March	Year	2010

II. CAPITAL RAISED DURING THE YEAR (Amount in Rupees Thousands)

Public issue	NIL	Rights Issue	NIL
Bonus	NIL	Private placements	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rupees Thousands)

Total Liabilities	794,703	Total Assets	794,703
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Sources of funds

Paid -up capital	100,000
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Application money towards share warrants	NIL
--	-----

Reserves & Surplus	691,744
--------------------	---------

Secured loans	NIL
---------------	-----

Unsecured loans	NIL
-----------------	-----

Application of funds

Net fixed assets (including Capital Work in Progress)	186,622
--	---------

Investments	314,239
-------------	---------

Net current assets (including deferred tax)	293,842
--	---------

Miscellaneous expenditure	NIL
---------------------------	-----

Accumulated losses	NIL
--------------------	-----

IV. PERFORMANCE OF THE COMPANY (Amount in Rupees Thousands)

Turnover	1,116,227	Total expenditure	968,194
----------	-----------	-------------------	---------

Profit before tax	148,033	Profit after tax	139,374
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Earnings per share (Rs.) (weighted)	13.94	Dividend rate %	50%
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V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

Item code	8524-9904.10
Product description	Computer software development, services and software distribution

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

Hemant Kamat
Vice President & Chief Financial Officer

V Sudarshan
Company Secretary

Mumbai, May 13, 2010



To

**The Board of Directors,
Blue Star Infotech Limited**

1. We have audited the attached Consolidated Balance Sheet of Blue Star Infotech Limited and its subsidiaries (the 'Group') as at March 31, 2010 and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as the 'Consolidated Financial Statements'). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - ii) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Walker, Chandiok and Co**
Chartered Accountants
Firm Registration No. 001076N

per **Khushroo B Panthaky**
Partner
Membership No. F-42423

Mumbai, May 13, 2010



Consolidated Balance Sheet

As at March 31, 2010

Schedule	As at March 31, 2010 Rupees'000	As at March 31, 2009 Rupees'000
SOURCES OF FUNDS		
Shareholders' Funds		
Capital	100,000	100,000
Reserves and Surplus	697,203	573,187
Deferred tax liability	10,405	9,323
(Refer Note B9 of Schedule J)		
Total	807,608	682,510
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	401,297	395,821
Less : Accumulated Depreciation / Amortisation	213,683	201,227
Net Block	187,614	194,594
Investments	275,103	116,449
Deferred tax asset	13,073	16,427
(Refer Note B 9 of Schedule J)		
Current Assets, Loans and Advances		
Sundry Debtors	289,045	336,210
Cash and Bank Balances	101,336	110,716
Other Current Assets	20,139	-
Loans and Advances	251,987	241,122
	662,507	688,048
Less: Current Liabilities and Provisions		
Liabilities	247,208	249,389
Provisions	83,481	83,619
	330,689	333,008
Net Current Assets	331,818	355,040
Total	807,608	682,510
Significant Accounting Policies and Notes to the Financial Statements	J	

As per our report of even date attached
For **Walker, Chandio & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director
Naresh K Malhotra
Director
Hemant Kamat
Vice President &
Chief Financial Officer

Ashok M Advani
Vice Chairman
Dr. Prakash G Hebalkar
Director
V Sudarshan
Company Secretary

Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Consolidated Profit and Loss Account

For the year ended March 31, 2010

Schedule	Year ended March 31, 2010 Rupees'000	Year ended March 31, 2009 Rupees'000
INCOME		
Sales and software services		
Exports	1,056,124	1,304,030
Domestic	246,334	246,305
	1,302,458	1,550,335
Other income	59,199	17,075
Total	1,361,657	1,567,410
EXPENDITURE		
Purchase of traded software licenses	56,575	64,532
Purchase of traded hardware	631	-
Employee remuneration and benefits	749,321	784,520
Operating and general expenses	381,646	527,145
Depreciation / Amortisation	23,148	25,711
Total	1,211,321	1,401,908
Profit before taxation	150,336	165,502
Current tax		
- Indian Income Tax	25,049	15,409
{Including Minimum Alternate Tax ('MAT')}		
- Indian Fringe Benefit Tax	-	4,723
- Foreign Tax	2,997	1,499
- MAT Credit Entitlement	(19,349)	(15,409)
Deferred tax expense / (credit)	3,873	3,733
Total	12,570	9,955
Profit after taxation	137,766	155,547
Balance brought forward from earlier years	422,577	338,656
Profit available for appropriation	560,343	494,203
Appropriations		
Transfer to General Reserve	13,937	13,128
Proposed final dividend	50,000	50,000
Corporate dividend tax	8,498	8,498
Total	72,435	71,626
Balance carried forward to Balance Sheet	487,908	422,577
Significant Accounting Policies and Notes to the Financial Statements		
Earnings Per Share (Basic and diluted) - (Rs.)	13.78	15.55
Face Value per Share - (Rs.)	10.00	10.00
Profit after tax available to Equity Shareholders	137,766	155,547
Number of shares used in computing		
Earnings Per Share (Basic and diluted)	10,000,000	10,000,000

As per our report of even date attached
For **Walker, Chandniok & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director
Naresh K Malhotra
Director
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Vice President &
Chief Financial Officer

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Dr. Prakash G Hebalkar
Director
V Sudarshan
Company Secretary

Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Consolidated Cash Flow Statement

For the year ended March 31, 2010

	Year Ended March 31, 2010 Rupees'000	Year Ended March 31, 2009 Rupees'000
[A] Cash Flows from Operating Activities		
Net profit before tax	150,336	165,502
Depreciation / Amortisation	23,148	25,711
Unrealised foreign exchange (gains) / losses (net)	(5,628)	(3,546)
(Profit)/Loss on sale of fixed assets (net)	(221)	(1)
Dividend income	(6,851)	(3,062)
Provision for bad and doubtful debts (net of write back)	(7,916)	9,858
Bad and doubtful debts written off (net)	3,181	-
Interest income	(632)	(376)
	5,081	28,584
Operating profit before working capital changes	155,417	194,086
Adjustment for:		
Trade and other receivables	63,110	(20,860)
Trade payables and other liabilities	25,603	(23,724)
	88,713	(44,584)
Cash generated from operations	244,130	149,502
Direct taxes paid	(31,613)	(44,157)
Net cash from operating activities	212,517	105,345
[B] Cash flows from investing activities		
Purchase of fixed assets (Including capital advances)	(17,512)	(18,146)
Sale of fixed assets	1,565	781
Purchase of investments	(1,022,095)	(425,006)
Sale of investments	870,292	311,619
Dividend income	6,851	3,062
Dividend reinvested in Mutual Funds	(6,851)	(3,062)
Interest income	632	376
Net cash used in investing activities	(167,118)	(130,376)
[C] Cash flows from financing activities		
Dividend and tax thereon paid	(58,498)	(29,249)
Net cash used in financing activities	(58,498)	(29,249)
Net increase/(decrease) in cash and cash equivalents	(13,099)	(54,280)
Cash and cash equivalents - opening balance	113,567	167,847
Cash and cash equivalents - closing balance	100,468	113,567
Cash and cash equivalents comprise of:		
Cash on hand	12	113
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	53,501	30,183
- deposit accounts (including EEFC deposit accounts)	7,506	8,728
- unclaimed dividend accounts	2,538	2,380
Balance with non-scheduled bank in current account	37,779	69,312
Cash and Bank Balances as per books	101,336	110,716
Exchange difference on translation of foreign currency accounts/deposits	(868)	2,851
	100,468	113,567

Note: Cash and cash equivalents include (Rs.'000) 2,538 (Previous Year (Rs.'000) 7,800) which is not available for use by the Company.

As per our report of even date attached

For **Walker, Chandio & Co**
Chartered Accountants

Khushroo B Panthaky
Partner

Suneel M Advani
Chairman & Managing Director
Naresh K Malhotra
Director
Hemant Kamat
Vice President &
Chief Financial Officer

For and on behalf of the Board of Directors

Ashok M Advani
Vice Chairman
Dr. Prakash G Hebalkar
Director
V Sudarshan
Company Secretary
Suresh N Talwar
Director

Mumbai, May 13, 2010

Mumbai, May 13, 2010



Schedules annexed to and forming part of the Consolidated Balance Sheet

As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
SCHEDULE A: CAPITAL		
Authorised		
11,000,000 Equity Shares of Rs 10 each	110,000	110,000
Issued, Subscribed and Paid up		
10,000,000 Equity Shares of Rs 10 each fully paid-up	100,000	100,000
	100,000	100,000
SCHEDULE B: RESERVES AND SURPLUS		
Capital Reserve	4,189	4,189
General Reserve		
Balance as per last Balance Sheet	174,343	160,090
Add: Reserve on amalgamation of Ashok Sunil & Company Private Limited with the Company (Refer note B 4 of Schedule J)	-	1,125
Add: Transfer from Profit and Loss Account	13,937	13,128
	188,280	174,343
Hedging Reserve on Open Forward Contracts	16,826	(27,922)
Profit and Loss Account	487,908	422,577
	697,203	573,187

SCHEDULE C: FIXED ASSETS

In Rs'000

Description of assets	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
	As at April 1, 09	Additions / Transfers during April 09 - March 10	Deletions / Transfers during April 09 - March 10	As at March 31, 10	As at April 1, 09	For the year April 09 - March 10	Withdrawals during April 09 - March 10	As at March 31, 10	As at March 31, 10	As at March 31, 09
Tangible Assets										
Building	135,546	-	-	135,546	9,847	2,259	-	12,106	123,440	125,699
Leasehold building improvements	16,539	-	-	16,539	10,985	1,841	-	12,826	3,713	5,554
Airconditioners	16,630	351	78	16,903	8,828	1,119	67	9,880	7,023	7,802
Computers	100,139	8,792	4,897	104,034	89,531	6,341	4,323	91,549	12,485	10,608
Furniture & fittings	79,628	1,132	754	80,006	49,074	5,754	754	54,074	25,932	30,554
Office equipment	14,275	747	571	14,451	8,861	795	571	9,085	5,366	5,414
Vehicles	12,388	1,978	1,588	12,778	5,839	1,932	829	6,942	5,836	6,549
Intangible Assets										
Computer Software	20,676	4,512	4,148	21,040	18,262	3,107	4,148	17,221	3,819	2,414
TOTAL-Fixed Assets	395,821	17,512	12,036	401,297	201,227	23,148	10,692	213,683	187,614	194,594
<i>Previous Year</i>	<i>384,274</i>	<i>18,146</i>	<i>6,599</i>	<i>395,821</i>	<i>181,335</i>	<i>25,711</i>	<i>5,819</i>	<i>201,227</i>	<i>194,594</i>	-



As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
SCHEDULE D: INVESTMENTS		
Current investments, Non-trade, Quoted:		
Investment in units of Mutual Funds		
DWS Mutual Fund - Ultra Short Term Institutional - Daily Dividend Reinvestment 4,062,323 units (Previous year - Nil units)	40,696	-
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 2,992,469 units (Previous year - 2,854,359 units)	30,019	30,360
HDFC Cash Management Fund - Floating Rate Income Fund - Daily Dividend Reinvestment 1,995,564 units (Previous year - Nil units)	20,117	-
ICICI Prudential - Flexible Income Plan Premium - Daily Dividend 489,470 units (Previous year - 2,370,422 units)	51,754	25,064
IDFC Mutual Fund - Money Manager Fund Treasury - Daily Dividend Reinvestment 1,004,448 units (Previous year - Nil units)	10,115	-
Kotak Mutual Fund - Floater Long Term - Daily Dividend Reinvestment 2,011,714 units (Previous year Nil units)	20,278	-
Reliance Medium Term Fund - Daily Dividend Plan 587,296 units (Previous year - 1,189,014 units)	10,040	20,327
SBNPP Money Fund Institutional - Daily Dividend Reinvestment Nil units (Previous year - 2,004,178 units)	-	20,234
Tata Liquid Super High Investment Fund - Daily Dividend Nil units (Previous year - 18,362 units)	-	20,464
Tata Floater Fund - Daily Dividend 4,174,337 units (Previous year Nil units)	41,892	-
UTI Mutual Fund - Floating Rate Institutional Short Term - Daily Dividend Reinvestment 20,089 units (Previous year Nil units)	20,104	-
UTI Mutual Fund - Treasury Advantage Fund Institutional Short Term - Daily Dividend Reinvestment 30,081 units (Previous year Nil units)	30,088	-
Note : Aggregate book value of quoted investments (Rs. '000) 275,103 (Previous year (Rs. '000) 116,449)		
Aggregate market value of quoted investments (Rs. '000) 275,103 (Previous year (Rs. '000) 116,449)		
	275,103	116,449
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES		
a) Sundry Debtors (unsecured)		
Outstanding for a period exceeding six months		
- Considered good	18,506	41,417
- Considered doubtful	13,235	22,972
	31,741	64,389
Other debts		
- Considered good	254,168	269,600
- Considered doubtful	-	652
	285,909	334,641
Less: Provision for bad and doubtful debts	13,235	23,624
	272,674	311,017
Unbilled Services	16,371	25,193
	289,045	336,210



As at March 31, 2010

	As At March 31, 2010 Rupees'000	As At March 31, 2009 Rupees'000
b) Cash and Bank Balances		
Cash on hand	12	113
Balances with scheduled banks in:	-	-
- current accounts (including EEFC accounts)	53,501	30,183
- deposit accounts (including EEFC deposit accounts)	7,506	8,728
- unclaimed dividend accounts	2,538	2,380
Balance with non-scheduled bank in current account	37,779	69,312
	101,336	110,716
c) Other Current Assets		
Hedging Reserve on Open Forward Contracts	16,826	-
Deferred Rent	3,313	-
	20,139	-
d) Loans and Advances		
Unsecured and considered good		
Advances Recoverable in cash or in kind or for value to be received	15,889	18,041
Prepaid expenses	5,312	16,124
Deposits with Government authorities and others	41,970	41,056
Advance Tax (Net of Provision)	148,763	145,196
MAT Credit Entitlement	40,053	20,705
	251,987	241,122
SCHEDULE F: CURRENT LIABILITIES AND PROVISIONS		
a) Liabilities		
Sundry Creditors-For Services	42,801	55,543
Sundry Creditors-Others	159,979	116,326
Unearned Revenue	10,618	7,345
Unclaimed Dividends	2,538	2,380
(There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund)		
Hedging Reserve on Open Forward Contracts	-	27,922
Other Liabilities	31,272	39,873
	247,208	249,389
b) Provisions		
For Compensated absences	23,563	22,856
For Gratuity	1,420	2,265
For Proposed Dividend	50,000	50,000
For Corporate Dividend Tax	8,498	8,498
	83,481	83,619



Schedules annexed to and forming part of the Profit and Loss Account

For the year ended March 31, 2010

	Year Ended March 31, 2010 Rupees'000	Year Ended March 31, 2009 Rupees'000
SCHEDULE G: OTHER INCOME		
Profit on sale of assets (Net)	221	1
Interest on bank deposits (tax deducted at source (Rs.'000) 40 {Previous Year (Rs.'000) 27}	632	376
Interest on tax refunds	2,569	-
Dividend income from current investments	6,851	3,062
Gain on Exchange Translation	5,651	-
License fee for office property	34,865	13,042
Excess provision for doubtful debts written back	7,916	-
Miscellaneous Income	494	594
	59,199	17,075
SCHEDULE H: EMPLOYEE REMUNERATION AND BENEFITS		
Salaries and Wages	690,359	720,913
Contribution to provident and other funds	30,007	33,127
Staff welfare	28,955	30,480
	749,321	784,520
SCHEDULE I: OPERATING AND GENERAL EXPENSES		
Travelling and conveyance	80,839	96,287
Rent	36,155	38,388
Rates and taxes	3,765	1,418
Power	15,586	15,684
Communication	14,543	15,625
Insurance	1,445	1,219
Repairs and maintenance		
Building / Leasehold premises	6,087	5,485
Computers and Airconditioners	4,304	4,865
Others	1,870	1,265
Payment to auditors		
Audit Services	2,266	2,178
Taxation matters	681	645
Certification Work	80	75
Out of Pocket Expenses	99	69
Directors' fees	955	1,140
Commission to Non Executive Directors	1,460	1,397
Reimbursement of Chairman & Managing Directors' Remuneration	-	326
Chairman & Managing Directors' Remuneration	2,640	1,100
Legal and Professional charges	165,597	217,136
Loss on Exchange Translation	-	82,601
Bad and doubtful debts written off (net)	3,181	-
Provision for bad and doubtful debts (net)	-	9,858
Recruitment Charges	1,064	6,113
Forward Option Cost	16,006	3,821
Miscellaneous expenses	23,023	20,450
	381,646	527,145



Schedules annexed to and forming part of the Consolidated Financial Statements

For the year ended March 31, 2010

SCHEDULE J: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. 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 prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006.

ii) Principles of consolidation

The consolidated financial statements present the financial statements of 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. and Blue Star Infotech (UK) Limited 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.

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

b) Basis of accounting and preparation of financial statements

The financial statements which have been prepared under the historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable.

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 assets, unbilled revenue, income taxes, 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 on 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 at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, which also represent the useful life of fixed assets.
- iii) Leasehold building improvements are written off over the period of lease on their estimated useful life, whichever is earlier, on a straight-line basis.
- iv) Capital Advances in respect of Capital Work in progress or assets acquired but not ready for use 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) 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 provided for unless it is considered other than temporary. Current investments are valued at lower of cost and net realisable value.

g) 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 Profit and Loss Account in the year in which they arise.
- iv) Forward Cover - The Company uses foreign exchange forward contracts and forward option contracts to hedge its exposure to foreign currency fluctuations. The premium or discount arising at the inception of forward option contracts is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts is recognised as income or expense for the year. Forward contracts, which are outstanding as at the year end and which represent hedges against recoverable balances in foreign exchange as at the Balance Sheet date are marked to market and the gains / losses arising on the same are recognised in the Profit and loss Account.
- 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 April 1, 2008. Consequently, outstanding forward contracts for which there are no underlying account balances 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.
- vi) In respect of subsidiaries, which are consolidated as integral operations, monetary assets and liabilities are converted at the rate of exchange prevailing on the date of the Balance Sheet. Revenue items are converted at the average of the exchange rates prevailing during the period. Fixed Assets and Investments are converted at the exchange rate on the date of the transaction. The exchange difference arising on consolidation is recognised in the Profit and Loss Account.

(h) 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 Profit and Loss Account. 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 Profit and Loss Account. 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 done at the year end and actuarial gains/losses are charged to the Profit and Loss Account. Gratuity liability is funded by payments to the trust established for the purpose.
2. In respect of the subsidiaries in USA and UK, no separate retirement benefit funds are created by the Group. However, all statutory contributions as required are paid regularly.
- i) 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 percentage of completion basis.
- 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 is 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.
- j) 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 as the fixed assets of the Company. Lease income is recognised on straight line basis over the primary period of lease.
- k) 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. 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.
- l) 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.



B. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is (Rs.'000) Nil {Previous year (Rs.'000) 312}.
2. Contingent liability not provided for in respect of :
 - a) Income-tax demands against which the Company is in appeal:

	As at March 31, 2010 Rs.'000	As at March 31, 2009 Rs.'000
i. With Income-tax Appellate Tribunal (India)	8,584	-
ii. Commissioner of Income-tax (Appeals) (India)	35,082	15,256
Total	43,666	15,256

b) Notice(s) demanding differential stamp duty of (Rs.'000) 4,699 and penalty of (Rs.'000) 3,398 was received during the year 2007-08, pursuant to disallowance of stamp duty concession availed by the Company in the year 2005. As per the Information Technology (IT) Policy issued by the Government of Maharashtra in the year 2003, 75% stamp duty concession was granted on purchase of property for establishing a new unit related to Information Technology in recognised private IT Parks. Accordingly, the Company has been legally advised that it is entitled to this duty concession. Consequently, the Company filed writ petitions before the Honourable High Court, Bombay. Pursuant to interim stay orders of the Honourable High Court, Bombay, the Company deposited a sum of (Rs.'000) 4,699 and provided bank guarantees for a sum of (Rs.'000) 3,020 to the Honourable High Court, Bombay, subject to further orders and outcome of appeal proceedings. No hearing has been scheduled in the matter by the Honourable High Court, Bombay as of date.

c) The Company has received a notice of Demand under Karnataka Value Added Tax, 2003 (KVAT) on April 28, 2010 for (Rs.'000) 6276 (including Interest of (Rs.'000) 2266 and penalty of (Rs.'000) 669) relating to the financial year 2005-06. Upon enquiry, the Company is informed that it is required to pay KVAT on certain services at 4%, wherein no tax has been paid earlier. Further, the authorities have contended that the sale of certain software licences should be taxed at 12.5% instead of 4% charged by the Company. The Company does not agree with the contentions of the KVAT authorities and will appeal against this order within the permitted time limit shortly.

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.

3. Guarantees given on behalf of the Company by banks (Rs.'000) 6,084 (Previous Year (Rs.'000) 10,563) and by others (Rs.'000) 81,500 (Previous Year (Rs.'000) 81,500).
4. The Honourable High Court, Bombay approved a scheme of Amalgamation between Ashok Sunil & Company Private Limited ('Ashok Sunil') with Blue Star Infotech Limited ('BSIL') by its order dated May 2, 2008. The Scheme became effective from July 7, 2008, the date on which the certified copies of the order of the Honourable High Court, Bombay sanctioning the Scheme was filed with the Registrar of Companies, Mumbai, Maharashtra.

Consequent to the Scheme becoming effective, 717,918 fully paid-up equity shares (face value of Rs.10 each) of the Company previously held by Ashok Sunil were extinguished. A similar number of shares were issued and allotted to the shareholders of Ashok Sunil by the Company, on the scheme becoming effective. Post amalgamation, the share capital of BSIL remains unchanged. Further, there is no change in the Promoter and Public shareholding of the Company. In accordance with the Court order, the excess of net asset value of Ashok Sunil transferred to the Company over face value of shares issued by BSIL shall be credited to General Reserve Account of BSIL. Consequently, the free reserves of the Company increased by (Rs.'000) 1,125 during the year 2008-09. All the cost arising out of or incurred in carrying out and implementing the Scheme and matters incidental thereto, are borne by the Promoters.

5. Employee Benefit Plans

- a) Defined Contribution Plans: The amount recognised as an expense in respect of employee of Blue Star Infotech Limited during the year is (Rs'000) 21,578 (Previous Year (Rs'000) 21,152)



b) Defined Benefit Plans (As applicable to employees of Blue Star Infotech Limited)

Particulars	2009-10 Rs.'000	2008-09 Rs.'000
Change in Defined Benefit Obligation:		
Obligations as at the beginning of the year:	33,385	23,327
Service Cost	8,148	8,261
Interest Cost	2,238	1,670
Actuarial (gain) / loss	(3,983)	5,024
Benefits paid	(2,839)	(4,897)
Present value of defined benefit obligations as at year end (A)	36,949	33,385
Change in Plan Assets:		
Opening plan assets, at fair value	13,274	13,463
Expected return on plan assets	1,142	934
Actuarial gain / (loss)	(105)	(48)
Contributions	5,033	3,822
Benefits paid	(2,839)	(4,897)
Fair value of plan assets as at year end (B)	16,505	13,274
Cost for the year		
Service Cost	8,148	8,261
Interest Cost	2,238	1,670
Expected return on plan assets	(1,142)	(934)
Actuarial (gain) / loss	(3,878)	5,072
Total net cost recognised as employee remuneration	5,366	14,069
Reconciliation of Benefit Obligations & Plan Assets for the year:		
Present value of defined benefit obligations as at year end (A)	36,949	33,385
Fair value of plan assets as at year end (B)	16,505	13,274
Net (asset)/liability as at year end recognised in Balance Sheet (A)-(B)	20,444	20,111
Investment details of plan assets:		
The plan assets are invested in trust managed funds:		
Assumptions:		
Discount Rate	7.50%	8.00%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%

6. 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 are purchased by the trust from the open market. Based on the details provided by the Trust, the position of the Key Employee Stock Option Plans of the Company as at March 31, 2010 is as under:

Sr. No.	Particulars	ESOP Scheme 2003
1	Details of approval	Compensation Committee resolutions dated October 25, 2005, June 20, 2006, September 26, 2006, December 27, 2006, April 03, 2007, August 23, 2007, November 12, 2007 and January 23, 2008
2	Implemented through	Trust
3	Total number of shares	600,000
4	Price per option	Closing market price prevailing on the previous day prior to issue of options
5	Granted	691,000
6	Vested	209,850
7	Exercised	152,850
8	Lapsed options	333,650
9	Vested and unexercised	57,000
10	Total number of options in force	204,500
11	Money realised	(Rs'000) 11,005 (Previous Year Rs. Nil)



12	Vesting Schedule					
	Designation					
	Managerial Employees	1) Vesting begins 3 years after granting				
	All options	2) Vesting on October 31, 2008 and thereafter viz. completion of 3 years from the date of grant				
13	Senior Managerial Personnel	Options Granted	Options Vested	Options Lapsed	Options Exercised	Balance
		357,000	116,000	141,000	95,000	121,000
14	All options have an exercise period of 1 year after vesting period.					

Notes:

- a) The compensation committee at its meeting held on October 25, 2005 pursuant to ESOP Scheme 2003 decided to grant 382,000 equity shares to senior employees of the Company at the closing market price of Rs. 117 as at October 31, 2005 on the National Stock Exchange with 10,000 equity shares vesting on October 31, 2006 and rest of the equity shares vesting on October 31, 2008. The offer price was revised to Rs. 72 per share (the closing market price on June 19, 2006 on the National Stock Exchange) for 323,000 equity shares vide approval of the members at the AGM held on August 29, 2006.
- b) There is one employee who has been granted options equal to or exceeding 1% of the Issued Capital.
- c) The diluted Earnings Per Share and Earnings Per Share are the same, as the shares covered under vested options are already issued and allotted and are held by the Trust.
- d) 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.
- e) 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 recorded in the financial statements using the intrinsic value method.

The movement of stock options during the year ended March 31, 2010 are summarised below:

	Number of options
Outstanding at the beginning of the year	430,000
Granted during the year	Nil
Forfeited during the year	19,000
Exercised during the year	152,850
Expired during the year	53,650
Outstanding at the end of the year	204,500
Exercisable at the end of the year	204,500

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2010 is as follows:

Number of options	Exercise price	Expected remaining contractual life
5,000	72	3 months
54,500	72	6 months
5,000	92	12 months
11,000	96	16 months
100,000	82	20 months
29,000	71	22 months
204,500		

There were no options granted during the year

Proforma disclosures for amortisation of fair value of options granted during earlier years

Particulars	Year ended March 31, 2010 Rs.'000	Year ended March 31, 2009 Rs.'000
Profit after taxation as per Profit and Loss Account	137,766	155,547
Less: Amortised cost of fair value of options (net of tax)	(1,002)	(2,666)
Profit after taxation after amortisation of options cost	136,764	152,881
Earnings Per Share - Basic and Diluted	13.68	15.29



7. Derivative Instruments

The Company has entered into the following derivative instruments:

- a) Forward Exchange Contracts and Forward Exchange Options Contracts [being derivative instrument], 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 Forward Exchange Contracts and Foreign Exchange Options Contracts entered into by the Company as at March 31, 2010 of US Dollar \$ 12,467,724 and GBP £ 180,000, Cross Currency- Rupees (Previous year US Dollar \$19,900,000 and GBP £ 50,000)

- 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 (including due to/from subsidiaries) on account of the following:

Foreign Currency Exposure	2009-2010 (Rs.'000)	2009-2010	2008-2009 (Rs.'000)	2008-2009
Exports in US \$	NIL	NIL	NIL	NIL
Exports in UK £	39,891	£ 586,374	45,442	£ 623,696
Exports in EUR €	3,529	€ 58,266	3,654	€ 54,150
Exports in JPY ¥	35,632	¥ 73,558,024	42,599	¥ 82,125,693
Exports in AUD	2,259	AUD 54,608	736	AUD 20,640

8. Related Party Disclosure

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.

(Rs'000)

Particulars	Associates	Key Management Personnel	Promoters	Company in which promoters have significant influence	Companies in which one or more directors are common	Total for the Year
Rendering of Services	80,058	-	-	-	-	80,058
	<i>68,309</i>	-	-	-	<i>(3,581)</i>	<i>64,728</i>
Receiving of Services	6,230	-	-	16,020	-	22,250
	<i>4,140</i>	-	-	<i>52,921</i>	-	<i>57,061</i>
Reimbursement of expenses	-	-	-	465	-	465
	-	-	-	<i>8,041</i>	-	<i>8,041</i>
Security Deposit Given	10,000	-	-	-	-	10,000
	<i>10,000</i>	-	-	-	-	<i>10,000</i>
Purchase Of capital goods	-	-	-	-	-	-
Guarantees & Collaterals (Taken) / Given	(81,500)	-	-	-	-	(81,500)
	<i>(81,500)</i>	-	-	-	-	<i>(81,500)</i>
Director Sitting Fees	-	-	80	-	-	80
	-	-	<i>100</i>	-	-	<i>100</i>
Non- Executive Director commission	-	-	280	-	-	280
	-	-	<i>270</i>	-	-	<i>270</i>
Remuneration/Reimbursement of Remuneration	-	-	4,440	-	-	4,440
	-	-	<i>2,176</i>	-	-	<i>2,176</i>
Outstanding Balance						
Debit Balance	16,218	-	-	4,912	-	21,130
	<i>6,659</i>	-	-	<i>6,831</i>	-	<i>13,490</i>
Credit Balance	-	-	-	29,739	-	29,739
	-	-	-	<i>42,079</i>	-	<i>42,079</i>

Note: Figures in Italics are of the previous year.

Names of related parties and description of relationship

Associates	:	Blue Star Limited (Holding 31% of the equity share capital of the Company)
Company in which promoters have significant influence	:	Blue Star Design Engineering Limited.
Company in which one or more directors are common	:	Reva Electric Car Co. (Pvt.) Ltd.
Promoters	:	Mr. Suneel M Advani, Chairman and Managing Director Mr. Ashok M Advani, Vice-chairman
Key Management Personnel	:	Mr. Suneel M Advani, Chairman and Managing Director



9. Deferred taxes

	As at March 31, 2010 Rs'000	As at March 31, 2009 Rs'000
A. Deferred tax liability on:		
Depreciation	10,405	9,323
(A)	10,405	9,323
B. Deferred tax asset on:		
Unabsorbed Depreciation	9,901	9,208
Allowance for bad and doubtful debts	1,402	5,291
Vacation Accruals	1,770	1,917
Others	-	11
(B)	13,073	16,427
Net Deferred tax liability / (asset)	(A)-(B)	(7,104)
	(2,668)	(7,104)

10. Operating Lease

- a) The Company has taken office/residential premises and computers under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (Rs.'000) 36,155 (Previous year (Rs.'000) 38,388) is recognised as lease expenses in the Profit and Loss Account for the year ended March 31, 2010. The future guaranteed lease payments under non cancellable portion of cancellable leases are:
- less than one year – (Rs.'000) 4,770 (Previous year (Rs.'000) 3,374)
 - later than one year but not later than 5 years – (Rs.'000) 3,224 (Previous year (Rs.'000) 4,486)
- b) 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 (Rs.'000) 34,865 (Previous year (Rs.'000) 13,042) is recognised as lease income in the Profit and Loss Account for the year ended March 31, 2010. The future guaranteed lease payments under non cancellable leases are:
- less than one year (Rs.'000) 34,753 (Previous year (Rs.'000) Nil)
 - later than one year but not later than 5 years - (Rs.'000) 109,536 (Previous year (Rs.'000) Nil)

11. Earnings Per Share (EPS)

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax (and includes post tax effect of any extraordinary items). 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 March 31, 2010	Year Ended March 31, 2009
i) Net Profit / (Loss) after tax (Rs. 000)	137,766	155,547
ii) Basic (weighted average) Number of Equity Shares	10,000,000	10,000,000
iii) Diluted (weighted average) Number of Equity Shares	10,000,000	10,000,000
iv) Earnings per share (EPS) in Rs. - Basic	13.78	15.55
- Diluted	13.78	15.55

12. The previous year's figures have been regrouped / rearranged, wherever considered necessary.

Signatures to Schedules A to J

As per our report of even date attached

For **Walker, Chandio & Co** **Suneel M Advani**
Chartered Accountants Chairman & Managing Director

Khushroo B Panthaky **Naresh K Malhotra**
Partner Director

Hemant Kamat
Vice President &
Chief Financial Officer

Mumbai, May 13, 2010

For and on behalf of the Board of Directors

Ashok M Advani
Vice Chairman

Dr. Prakash G Hebalkar **Suresh N Talwar**
Director Director

V Sudarshan
Company Secretary

Mumbai, May 13, 2010



Statement Pursuant to Section 212 of the Companies Act, 1956

(Rupees in '000)

1	Name of the Subsidiary Company	Blue Star Infotech America, Inc.	Blue Star Infotech (UK) Limited
2	Financial Year of Subsidiary Company	March 31, 2010	March 31, 2010
3	a) Number of shares held in Subsidiary Company on the above date	3,50,000 shares (Common Stock) of US \$ 1 each	3,00,000 equity shares of GBP 1 each
	b) Extent of Holding	100%	100%
	c) Capital	18,307	20,829
	d) Reserves / (Accumulated Losses)	(8,387)	6,754
	e) Total assets	196,804	78,185
	f) Total Liabilities (other than shareholders' funds)	186,884	50,602
	g) Details of Investments	NIL	NIL
	h) Turnover	772,805	215,529
	i) Profit before Taxation	3,401	2,233
	j) Provision for Taxation / (Reversal)	3,126	636
	k) Profit after Taxation	275	1,597
	l) Proposed Dividend	NIL	NIL
4	The net aggregate of profits less losses of the Subsidiary Company as far as it concerns the members of the Holding Company.		
	i) Not dealt with in the Holding Company's Accounts :		
	a) For the Financial Year of the Subsidiary	275	1,597
	b) For the previous Financial Years, since it became Holding Company's Subsidiary	(8,662)	5,157
	ii) Dealt with in the Holding Company's Accounts :		
	a) For the Financial Year of the Subsidiary	NIL	NIL
	b) For the previous Financial Years, since it became Holding Company's Subsidiary	NIL	NIL
5	Exchange Rates as on March 31, 2010	45.14	68.03
		equivalent INR per USD	equivalent INR per GBP

Note :

- Capital, Fixed Assets and Long-term liabilities are stated at cost, while all other assets and liabilities are translated at Closing rates. Revenues and Expenses are translated at average rates during the year.
- The Ministry of Corporate Affairs, Government of India vide its Order No. 47/234/2010-CL-III dated April 05,2010 issued under section 212(8) of the Companies Act, 1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries under section 212(1) of the Companies Act, 1956. The above details are presented as per the requirement of the exemption order.

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Suresh N Talwar
Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Hemant Kamat
Vice President &
Chief Financial Officer

V Sudarshan
Company Secretary

Mumbai, May 13, 2010

