BLUE STAR INFOTECH LIMITED

ANNUAL REPORT 2010-2011

Engineering Business Outcomes

The cover graphic illustrates Blue Star Infotech's endeavor to find the appropriate technological solution to address the client's business problem. It emphasizes on the company's focus which is Engineering Business Outcomes. This single minded proposition will allow Blue Star Infotech to delight its clientele and help them realize their business goals.

Contents

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.

Corporate Information

BOARD OF DIRECTORS

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia[#]
Chief Executive Officer & Managing Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

Sanjay N Vaswani
Director

Naresh K Malhotra
Director

K P T Kutty[#]
Director

EXECUTIVE COMMITTEE

Suneel M Advani
Chairman & Managing Director

Ashok Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

A T Vijayakumar
President & Chief Operating Officer

Suresh Iyer
Executive Vice President - Global Delivery & Marketing

Sanjeev Sethi
President - Blue Star Infotech America, Inc.

Satish Gaonkar
Vice President - Consulting Services

Gerard D'Mello
Vice President - Human Resources

[#]Appointed on 15th April, 2011 as Additional Director

COMPANY SECRETARY

V Sudarshan

BANKERS

Axis Bank Ltd.

BNP Paribas

Citibank N.A.

Corporation Bank

ICICI Bank Ltd.

The Hong Kong and Shanghai Banking Corporation Ltd.

The Royal Bank of Scotland N.V.

AUDITORS

Walker, Chandiok & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400 078, India.
Tel : 91-22-25946970
Fax : 91-22-25946969

REGISTERED OFFICE & CORPORATE HEADQUARTERS

The Great Oasis,
8th Floor, Plot No. D -13
MIDC, Marol, Andheri (East)
Mumbai 400 093
Tel : 91-22-6695 6969
Fax : 91-22-6697 3866

DEVELOPMENT CENTRES

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

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

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

Letter from the Chairman & Managing Director

Suneel M Advani
Chairman & Managing Director

Dear Shareholder,

The fundamental shift in the way businesses operate that came about in 2008-09, has taken more solid shape in 2010-11. The business environment has become more complex and uncertain, forcing organizations around the world to become more nimble, outcome-focused, and to do more with less. The business need to collaborate better within the ecosystem and respond faster in the marketplace is increasing demand for transformational IT solutions. On the other hand, IT services companies need to align their operating protocols and offerings in line with this scenario, and offer services that enable their customers to achieve their business goals. Your Company has focused on doing exactly this, and is investing in the required resources, and developing solutions that cater to select verticals such as manufacturing, media & entertainment, health sciences, travel & hospitality, and technology.

Our objective in the year 2010-11 was to understand certain domain-specific business challenges in-depth and define our service offerings accordingly. We are also fine-tuning some of our existing service offerings in-line with this objective and are enhancing our value proposition for existing as well as new customers. Understanding our customer's business challenges is a core focus for us.

Dynamic Business Environment

The export demand for IT, and particularly for product engineering services, is slowly returning to normalcy after nearly two years of sluggishness, even though protectionism-led problems are still very strong in western markets. Furthermore, margin related pressures continue to exist and are expected to grow further, primarily due to commoditization of traditional service lines, increase in wages and the sunset of the STPI scheme. To counter this, we are adopting new engagement models that are based on business outcomes and are also developing solutions that can be rapidly customized and deployed for customers. Such services have the potential to become one of our key differentiators. This will also be a testimony to the fact that we understand the domains we operate in.

To become more competitive, your Company continues to invest in capabilities that will help us deliver business transformation solutions in service-lines such as enterprise collaboration, cloud computing, software as a service, social business and mobility. These services will enable us to offer next generation solutions to clients in India and our core markets i.e. USA and the UK. We have also entered into strategic partnerships with other technology companies such as IBM and QlikTech to expand the breadth of our solution offerings in niche areas.

Business Overview

The aftereffects of the recession considerably elongated the customer acquisition cycle, especially in our core markets. This resulted in our overall revenue dropping by 5% to ₹ 129.16 Crores compared to ₹ 136.17 Crores during the previous year. We reported a lower profit after tax & exceptional item of ₹ 8.39 Crores last year as compared to ₹ 13.78 Crores in 2009-10. While our export business has been slow to pick up, our India business has been consistent over the years. Domestic revenue grew by 21% from ₹ 24.63 Crores in FY10 to ₹ 29.71 Crores in FY11. During the year, we also earned the distinction of crossing 200 customers in India. We have achieved this milestone within the first five years of entering the Indian market. It is a significant achievement, which showcases the trust Indian enterprises are placing in your Company.

On the project execution front, we are taking several steps to control costs and ensure optimum resource utilization. We continue to train our employees on technical and non-technical fronts, including next-generation technologies to ensure that we meet the highest delivery expectations of our global and Indian customers and improve productivity constantly. We recognize that the next phase of growth will demand subtle, yet critical, modifications to our front-end operations. We are working on adding a consulting layer to our customer-facing processes for increasing the depth of our existing relationships as well as to accelerate new client acquisition.

A major development is that we appointed Sunil Bhatia as CEO & Managing Director of Blue Star Infotech Ltd. on April 15th, 2011. Sunil will also be a Member of the Board of Directors of the Company. Sunil has over 22 years of experience in building and growing businesses with revenues exceeding USD 200 million, and has worked for leading companies such as Accenture, IBM, Satyam, and in multiple countries across Asia and in the US. He has deep exposure across industries such as Communications, High-Tech, Financial Services, Industrial, Retail and the Public sector.

His rich experience, combined with a proven track record with customers and a consultative approach, creates strong synergies with our strategic goals and current focus areas, and makes me believe that he will successfully lead the company through its next growth phase and the era of globalization we are now in.

In Conclusion

Although the global economy is recovering and discretionary IT and R&D spends are expected to grow in the near-term, we believe that the business environment in FY12 will be far more challenging for mid-sized IT service companies. However, we are confident that our verticalized approach to enable global enterprises derive measurable business outcomes will pay back rich dividends. We continue to put into place key elements which will enable us to capitalize when demand from our core markets returns during FY12. The expected demand uptake, coupled with our strategy to de-risk our business through effective foreign exchange management, better resource utilization and cost rationalization, makes us confident that your Company will be able to meet expectations of its customers, employees and shareholders.

We thank you for your continued support.

Sincerely,

Suneel M Advani

Chairman & Managing Director

Mumbai, June 20, 2011

Board of Directors

Suneel M Advani,
Chairman & Managing Director

Suneel M Advani is a double graduate in Electrical Engineering and Economics from the Massachusetts Institute of Technology, USA. He also holds a degree in Law from Mumbai University. Mr. Advani joined Blue Star Limited in March 1969 as a Management Trainee. He held various responsible positions in Blue Star Limited before joining its Board in 1983 as 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)

Sunil Bhatia,
Chief Executive Officer & Managing Director

Sunil was appointed CEO and Managing Director of the Company in April, 2011. He has over 22 years of experience in building and growing businesses with revenues exceeding $200m and leading large global teams. He has worked in leadership roles at leading companies such as IBM, Accenture and Satyam, and in multiple countries across Asia and in the US. He has deep exposure across industries such as Communication, High-Tech, Financial Services, Industrial, Retail and Public sector.

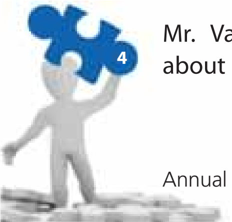
He served as a Partner at Accenture, California, USA, where he worked in the Communication and High Tech businesses. Prior to this, he was with IBM, Singapore for 7 years and responsible for building strategic and high-value relationships in Finance Sector and Services business. At Satyam, he led global strategic accounts and grew the business aggressively. Sunil also worked in India with Accenture Consulting in Strategic Services Practice where he advised numerous large Indian corporations on globalization, expansion and strategic reviews.

Sunil Bhatia is an MBA from Mumbai University. His professional qualifications include executive programs at Wharton & INSEAD. He is a charter member of TiE at Silicon Valley, USA.

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.

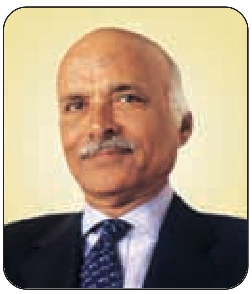


Dr. Prakash G Hebalkar,
Director

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)

K P T Kutty,
Director

K P T Kutty, currently a practising Company Secretary, has over three decades experience in the profession. He joined Blue Star Limited in 1980 holding various positions in the Legal & Secretarial Department before taking over as the Company Secretary in 1994. Mr. Kutty has also worked with Forbes Forbes Campbell & Co. Limited and Reserve Bank of India prior to joining Blue Star Limited. He has earlier been a Director of Blue Star Infotech Limited from 8th May 1998 to 21st January 2000.

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.

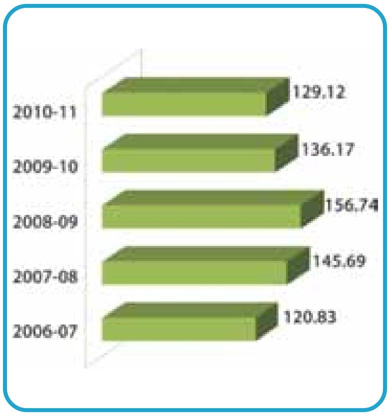
(Chairman of Audit Committee)

Five Year Financials (Consolidated)

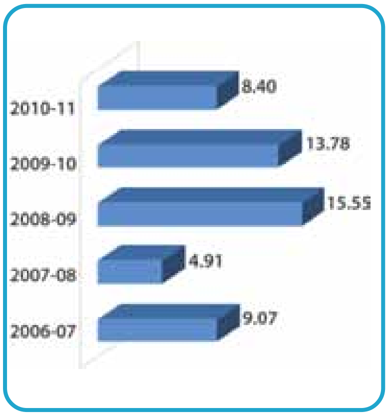
(All figures in ₹ Crores except figures under Other Information and Performance Indicators)

	2010-11	2009-10	2008-09	2007-08	2006-07
OPERATING RESULTS					
Total Income	**129.12**	136.17	156.74	145.69	120.83
Exports Sales	**90.55**	105.61	130.40	113.03	96.57
Operating Profit (PBIDT)	**15.35**	17.35	19.12	7.57	13.41
Profit after Tax and Exceptional Item	**8.40**	13.78	15.55	4.91	9.07
Dividend (incuding tax)	**3.49**	5.85	5.85	2.93	4.62
Retained Profit	**5.29**	7.93	9.70	1.98	4.45
FINANCIAL POSITION					
Paid up Capital	**10.00**	10.00	10.00	10.00	10.00
Reserves	**74.45**	69.72	57.32	50.29	48.31
Shareholders' Funds	**84.45**	79.72	67.32	60.29	58.31
Cash & Cash Equivalents	**10.65**	10.13	11.07	16.40	7.36
Market Capitalisation	**100.85**	112.90	47.95	60.65	93.65
OTHER INFORMATION					
Number of Shareholders	**14,470**	15,213	15,281	15,557	16,379
Number of Employees	**821**	795	858	901	828
Office Space (sq. ft.)	**55,000**	65,000	65,000	65,000	65,000
PERFORMANCE INDICATORS					
Earnings Per Share ₹	**8.40**	13.78	15.55	4.91	9.06
Dividend Per Share ₹	**3.00**	5.00	5.00	2.50	4.00
Book Value per equity Share ₹	**84.45**	79.72	67.32	60.29	58.31
Return On Shareholders' Funds	**9.94%**	17.29%	23.11%	8.14%	15.55%
Return On Average Capital Employed	**10.23%**	18.74%	24.39%	8.28%	16.17%

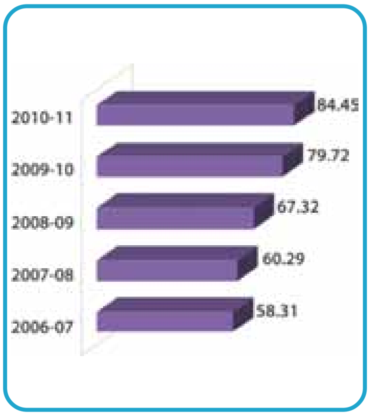
Total Income
(In ₹ Crores)



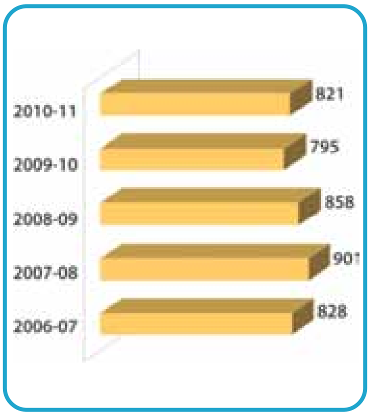
Profit After Tax
(In ₹ Crores)



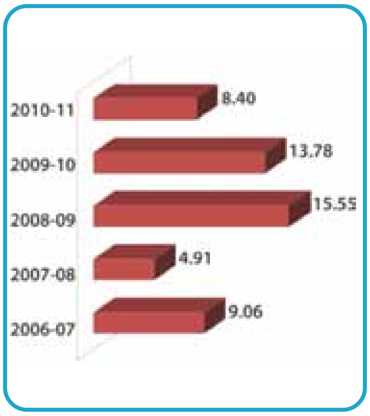
Shareholders' Funds
(In ₹ Crores)



No. of Employees



Earnings Per Share
(In ₹)



Dividend Per Share
(In ₹)

Geographic Presence

HEADQUARTERS

The Great Oasis, 8th Floor, Plot No. D -13, MIDC, Marol, Andheri (East), Mumbai 400 093.
Tel : 91-22-6695 6969; Fax : 91-22-6697 3866

SALES OFFICES	SOFTWARE DEVELOPMENT CENTRES	BUSINESS PARTNERS
Santa Clara, CA	Mumbai, India	San Jose, CA
Princeton, NJ	Bangalore, India	Denmark
London, UK		
Helsinki, Finland		
Delhi, India		
Mumbai, India		
Bangalore, India		
Tokyo, Japan		

Dear Members,

Your Directors present herewith the Fourteenth Annual Report on the Business and Operations of the Company together with the Audited Financial Statements for the year ended March 31, 2011.

1. FINANCIAL RESULTS

The Company's operating performance during the year ended March 31, 2011 as compared to the previous year is indicated in brief below:

(₹ in Lakhs)

	2010-2011	2009-2010
Total Income	**11,004**	**11,162**
Profit before interest, depreciation and taxation	1,496	1,704
Depreciation	228	223
Profit before taxation	**1,268**	**1,481**
Provision for taxation	377	87
Exceptional Item	64	Nil
Profit after taxation and Exceptional Item	**827**	**1,394**
Balance brought forward	4,866	4,197
Profits available for appropriation	5,694	5,591
Less: Transfer to General Reserves	83	139
Dividend (Proposed)	300	500
Corporate Dividend Tax	49	85
Balance carried forward	**5,262**	**4,867**

2. DIVIDEND

Your Directors are pleased to recommend payment of a dividend of ₹ 3/- per equity share of ₹ 10/- each during the year subject to the approval of the shareholders. (Previous year ₹ 5.00/- per share of ₹ 10/- each).

3. OPERATING RESULTS AND BUSINESS

During the year under review, total income of the Company was ₹ 110 Crore from ₹ 112 Crore, i.e.; a decline of 2%. On a consolidated basis, total income declined 5% to ₹ 129 Crore.

The global recession continued to dominate the economic scenario for IT companies as well as other industries for a large part of FY10-11. 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, 2011 was ₹ 8.39 Crore as compared to ₹ 13.78 Crore for the last financial year.

4. INVESTMENTS

The Company invests its surplus funds in debt based mutual funds which are considered safe. As on March 31, 2011 about ₹ 17 Crore 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.)

A 100% wholly owned subsidiary of the Company, Blue Star Infotech (America), Inc. posted a total income of US$ 13,617,635 (equivalent of ₹ 6,206 Lakhs) for the financial year ending March 31, 2011 [Previous year

US$ 16,284,543 (equivalent of ₹ 7,728 Lakhs)]. The Company reported net loss of US$ 168,575 (equivalent of about ₹ 75 Lakhs) this year compared to a net profit of US$ 24,932 (equivalent of about ₹ 3 Lakhs) last year.

As at the year end, there was an erosion in the net worth of Blue Star Infotech America Inc. which is reflected as negative net worth of the subsidiary. The management is of the view that this business loss is a temporary phenomenon arising in recessionary market conditions. As economic growth in the U.S. resumes, it is expected that the new year will see the company post better financial results. Hence, no impairment of the investment in the subsidiary is deemed necessary at this time.

b) Blue Star Infotech (UK) Ltd.

The total income of this wholly owned subsidiary of the Company was £ 3,298,601 (equivalent of ₹ 2,335 Lakhs) [Previous Year of £ 28,42,865 (equivalent of ₹ 16 Lakhs)]for the financial year ending March 31, 2011. It registered a net profit of £ 97,082 (equivalent of ₹ 69 Lakhs) for the financial year ending on March 31, 2011 compared to net profit of £ 24,932 (equivalent of ₹ 16 Lakhs) for the previous year.

Section 212(8) of the Companies Act, 1956 exempts the holding company from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries, subject to the approval of the Central Government. Accordingly, the Board in their meeting held on 25th January 2011, had resolved to make an application to the Central Government to waive the requirement of attaching the Balance Sheet and profit and loss account of the company's subsidiaries in the Annual Report. The ministry vide its circular No. 2/2011 dated 8th February, 2011 granted subject to certain terms and conditions, permission on a general basis, to the Board of Directors of the holding company to allow for publication of the Annual Report without the subsidiary company's financials. Accordingly, 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, Mr. Sanjay N Vaswani and Mr. Suresh N Talwar retire by rotation and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting. Brief profiles of these Directors are given in the notes to the notice of the ensuing AGM.

Further, the Board of Directors unanimously decided at their meeting held on 15th to appoint Mr. Sunil Bhatia as the Company's Managing Director & CEO and Mr. K. P. T. Kutty as an independent Director of the company with effect from 15th April 2011, subject to the approval of the shareholders in the ensuing AGM. Brief profiles of these new 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 (5) of Schedule J Significant Accounting Policies and Notes, forming part of the Accounts.

Further, amendment in the 'Blue Star Infotech Employees Stock Option Scheme, 2003 is proposed for member's approval at the ensuing Annual General Meeting. Details of the modification proposed are contained in the notes to the notice of the ensuing AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENTS

The Directors would like to inform the members that the Audited Accounts for the financial year ended March 31, 2011 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 gains 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, Chandiok & Co, Chartered Accountants, Mumbai, who retire at the conclusion of the ensuing Annual General Meeting, 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. GREEN INTIATIVE IN THE CORPORATE GOVERNANCE

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies after considering Sections 2,4,5 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

In this regard, the Company intends to implement this green initiative of sending the Notice with Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report and Explanatory Statement etc. through email after obtaining consent of the shareholders who are willing to receive the aforementioned document through electronic mode.

The company has printed 15,000 copies of the Annual report this year as compared to 16,500 copies last year**.**

15. 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 19, 2011

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 entails a very low level of energy consumption. Adequate measures have, however, been taken to conserve energy.

Research & Development

The Company is predominantly a service provider, and therefore has not set up a formal Research & 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 Company personnel, who sell the Company's Services to clients.

We serve our global clientele through offices in Santa Clara (CA) and New Jersey (NJ) in North America, London and Tokyo. 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) 11 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 designed to minimise risks arising from foreign exchange fluctuations in the coming year.

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, it is more about the values and beliefs of the organisation. It defines the decision-making systems and structure through which stakeholders directly or indirectly control a company. It portrays the culture and policies followed by the Company.

Good corporate governance is the basis for building a robust corporate culture. It will further promote sustainable business practices which in turn generates shareholder value. 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

The Company adheres to good corporate practices and is constantly striving to better them and adopt emerging best practices. It is believed that adherence to business ethics and commitment to corporate social responsibility would help the Company achieve its goal of maximising value for all its stakeholders.

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) The Board

The Board assumes responsibility for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles and has established relevant board committees to assist in discharging this responsibility.

The role and responsibilities of the Board broadly cover reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate measures and control systems to manage these risks; and reviewing and approving important matters such as financial results, investments and divestments and other material transactions.

The Board has delegated the day-to-day management and operation of the Group's businesses to the management of the Company and its subsidiaries.

b) 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.

c) Board Meetings

During the financial year 2010-2011, the Board met four times on May 13, 2010; July 30, 2010; October 27, 2010 and January 25, 2011. 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 2010-11:

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	3	-	2
Ashok M Advani	4	Yes	2	1	2
Sanjay N Vaswani	1	No	-	-	-
Suresh N Talwar	4	Yes	13	2	5
Dr. Prakash G Hebalkar	4	Yes	1	-	3
Naresh K Malhotra	3	Yes	3	3	2

- 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 holds 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' Grievances Committee alone are considered.

III. AUDIT COMMITTEE

The Company has a qualified and Independent Audit Committee comprising 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 is 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 Agreements with the Stock Exchanges in India.

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

Secretary

V Sudarshan	Company Secretary

Meetings and Attendance during the year

During the financial year, Audit Committee Meetings were held on May 13, 2010, July 30, 2010, October 27, 2010 and January 25, 2011.The necessary quorum was present at the meetings.

Members	Meetings Held	Meetings Attended
Naresh K Malhotra	4	3
Suresh N Talwar	4	4
Dr. Prakash G Hebalkar	4	4

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

Meetings and Attendance during the year

During the financial year, the Remuneration Committee met on January 25, 2011. 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 Committee meetings attended by them. They are paid sitting fees of ₹ 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.

Details of remuneration paid/payable to Directors for financial year 2010-11 are as follows:

(₹ in '000)

Name of the Director	Salary and Perquisites (Net of recoveries, if any)	Commission (1% of profits)	Sitting fees {(₹ '000) 20 per meeting}	Total
Suneel M Advani* (CMD)	4,440	-	-	**4,440**
Ashok M Advani	Nil	262	80	**342**
Sanjay N Vaswani	Nil	181	20	**201**
Suresh N Talwar	Nil	314	160	**474**
Dr. Prakash G Hebalkar	Nil	314	160	**474**
Naresh K Malhotra	Nil	274	120	**394**

*(a) The CMD is not paid sitting fees and commission. (b) Effective November 01, 2008 (₹ '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 (₹ '000) 150 per month (net). This arrangement is approved by the shareholders at the Annual General Meeting of the Company on July 30, 2009.

Details of Shareholdings of Non-Executive Directors as at March 31, 2011

Sr. No.	Name of the Director	Shareholding (No. of Shares)
1	Ashok M Advani	4,88,924
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 Company has constituted a Shareholders/Investors Grievance Committee of Directors to look into the effective redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend / notices / annual reports, etc. The Company Secretary is the Compliance Officer for the Company.

Composition

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

Secretary

V Sudarshan	Company Secretary

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. During the financial year, Committee met on January 25, 2011.

The total number of shareholders' complaints received and replied to by the Registrar to the satisfaction of shareholders during the year under review was 72. All complaints of shareholders were satisfactorily resolved. No requests were pending as at March 31, 2011.

Nature of Complaints	Financial Year Ended March 31			
	2011		2010	
	Received	Attended	Received	Attended
Non-receipt of Dividend	42	42	20	20
Issues with share certificates / Demat account / share transfers	16	16	14	14
Non-receipt of annual report	14	14	1	1
Total for the year	**72**	**72**	**35**	**35**

Quarter-wise Comparative Break-up of Investor Grievances:

Quarter Ending	Financial Year Ended March 31			
	2011		2010	
	Received	Attended	Received	Attended
June 30	21	21	10	10
September 30	25	25	8	8
December 31	14	14	6	6
March 31	12	12	11	11
Total for the year	**72**	**72**	**35**	**35**

VII. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGMs) of the Company are given below:

Financial Year ended	Date and Time	Venue	Special resolution passed
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
March 31, 2010	July 30, 2010 at 2:30 p.m.	Jai Hind College Hall, 23-24, Backbay Reclamation, 'A' Road, Churchgate, Mumbai 400 020.	None

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.

VIII. DISCLOSURES

A. 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.

B. 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.

C. 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 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.

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 ending June 30, 2010 (Q1), September 30, 2010(Q2), December 31, 2010 (Q3) and March 31, 2011 (Q4) respectively. The financial results are also displayed on Corporate Filing and Dissemination System (CFDS) in SEBI's web-site **www.corpfiling.co.in** and also on the Company's web-site, **www.bsil.com.** 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, 2010 for the financial year 2009-10.

For the Financial Year 2010-11, the Annual General Meeting is scheduled as follows:

Date : July 22, 2011

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 2011-12

Declaration of results for the quarter ending on	Tentative date
June 30, 2011	Last week of July 2011
September 30, 2011	Last week of October 2011
December 31, 2011	Last week of January 2012
March 31, 2012	Third week of May 2012
15th Annual General Meeting	Second fortnight of August 2012

Dates of Book Closure : July 12, 2011 to July 22, 2011 (both days inclusive)

Recommended Dividend : ₹ 3/- per share of face value ₹ 10/- (Previous year ₹ 5/- per share of face value ₹ 10/-)

Dividend Payment Date : If declared, dividend shall be paid / credited on or after August 05, 2011

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 (₹) per share of face value ₹ 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	5.00	50%
2010-2011 (Proposed - subject to members approval)	3.00	30%

* Includes Interim and Final Dividend of ₹ 2 each per share

Unclaimed Dividend

Shareholders who have not yet encashed their dividend warrants or in cases where the accounts 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 2002-03 has been transferred to the Investors Education and Protection Fund (IEPF) on August 26, 2010 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 2003-04 is due for transfer to the IEPF on August 23, 2011, 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 and submit it to the Company or its Share Transfer Agents, Link Intime India Pvt. Ltd.

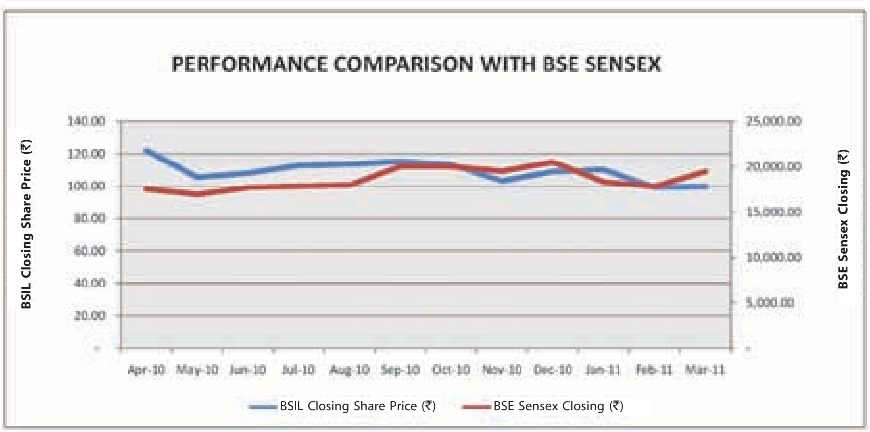
Market Price Data (Annual High-Low price History)

Fiscal Year	BSE		NSE	
	High (₹/Share)	Low (₹/Share)	High (₹/Share)	Low (₹/Share)
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
20010-11	139.90	90.15	139.00	92.60

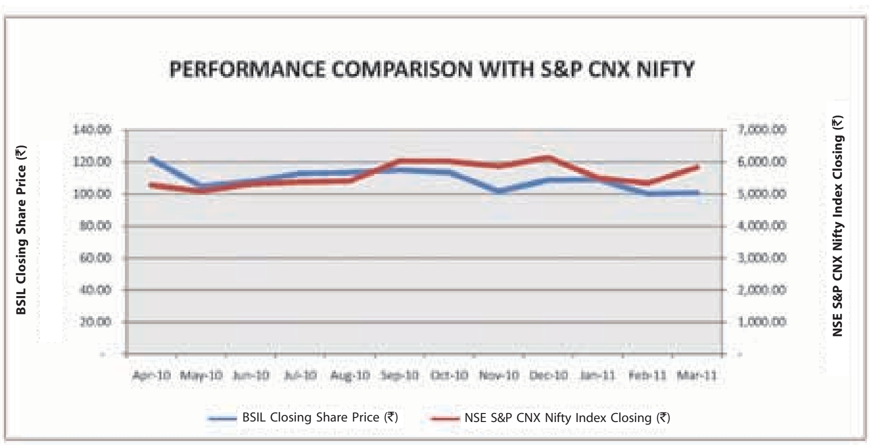
Market Price Data (Month–wise price History)

Month	BSE		NSE	
	High (₹/Share)	Low (₹/Share)	High (₹/Share)	Low (₹/Share)
April 2010	127.00	112.10	127.50	112.55
May 2010	124.00	101.05	122.00	100.00
June 2010	111.00	101.15	111.00	101.70
July 2010	126.55	107.00	126.00	107.40
August 2010	128.90	112.15	128.40	109.00
September 2010	127.60	111.50	122.40	111.40
October 2010	133.00	112.35	127.00	112.20
November 2010	116.90	97.45	117.50	97.00
December 2010	111.00	98.00	110.90	97.15
January 2011	139.90	103.55	139.00	104.00
February 2011	121.40	99.10	122.50	99.75
March 2011	109.40	90.15	111.00	92.60

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



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:



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.)

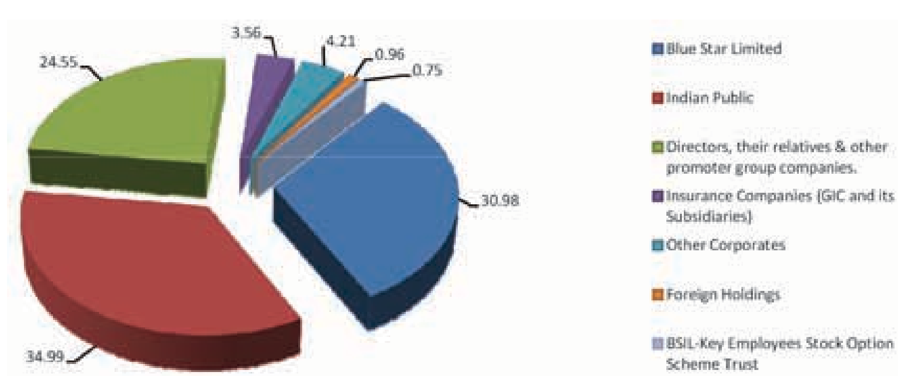
Distribution of Shareholding as at March 31, 2011

No. of Equity shares held	No. of shareholders	% of shareholders	Total No. of Shares held	% of shares held
1 -250	11,926	82.42	851,643	8.52
251-500	1,374	9.50	524,062	5.24
501-1,000	620	4.28	478,783	4.79
1,001-2,000	257	1.78	378,953	3.79
2,001-3,000	90	0.62	231,287	2.31
3,001-4,000	34	0.23	115,671	1.16
4,001-5,000	37	0.25	174,302	1.74
5,001-10,000	63	0.44	467,964	4.68
10,001 and above	69	0.48	6,777,335	67.77
Total	**14,470**	**100.00**	**10,000,000**	**100.00**

Categories of Shareholders as at March 31, 2011

Particulars of Shareholding as at March 31, 2011	No. of Shares	%
Indian Public	3,498,873	34.99
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 Scheme Trust	74,563	0.75
Other Corporate	421,380	4.21
Foreign Holdings	96,242	0.96
Total	**10,000,000**	**100.00**

Shareholding Distribution



BLUE STAR INFOTECH SHAREHOLDERS

As at March 31, 2011, the Company had 14,470 registered shareholders 34.99% 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 0.75% and 8.73 % is held by insurance companies, other corporate and foreign holdings.

DEMATERIALISATION OF SHARES AND LIQUIDITY

96.51% of the Company's equity shares were dematerialised as at March 31, 2011. 34.99% of the equity shares are held by the public and the shares are traded daily on the BSE and NSE.

Office Locations

- **Registered Office:**

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

- **Development Centres (In India):**
  - The Great Oasis,
    3rd and 8th Floor, Plot No. D -13
    MIDC, Marol, Andheri (East)
    Mumbai, Pin - 400 093
  - SDF III, SDF V and SDF VI,
    MIDC, SEEPZ, Andheri (East),
    Mumbai, Pin – 400 096
  - #7, 18th Main Road, 7th Block
    Koramangala
    Bengaluru, Pin – 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
(Attn: The Investor Relations Department)
The Great Oasis, 8th Floor
Plot No.D-13, MIDC, Marol,
Andheri (East), Mumbai – 400 093
Tel: +91-22-66956969
Fax: +91-22-66973866
www.bsil.com

E-mail:
Investor relations: investor.relations@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 19, 2011

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, 2011, as stipulated in clause 49 of the Listing Agreements 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 Agreements.

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 19, 2011

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.

A. Global Scenario

The word economy now is in a far better position than it was two years ago. However, this is not to say that the challenges today are any less than what they were post September 2008. In fact, the world economy has entered into a perpetual period of economic uncertainty and complexity. However, worldwide GDP, which had declined in 2009, grew 5% in 2010 and is expected to stabilize at about 4% in 2011. A broad range of deal restructuring and demand contraction was experienced as IT buyers worldwide came to terms with their existing budgetary constraints. However, the previous year showed signs of recovery in developing and emerging markets, who are increasingly adopting IT to drive business efficiency to facilitate global growth.

Rapid technology innovation is creating an increasingly competitive marketplace that is driving enterprises to transform their businesses in order to respond better to market dynamics. End-consumers are increasingly demanding lower prices, enhanced service levels and accelerated delivery times enticing enterprises to focus even more on improving their core competencies. At the same time, they are skeptical to expand internal IT organizations and increase costs. To address these business challenges, there will be an increase in demand for IT services. Custom application development, enterprise mobility, cloud computing and managed services are expected to drive opportunities for IT service providers.

An altered demand landscape that has shaped up over the past two years, which has enticed the Indian IT industry to transform itself by innovating beyond plain vanilla offerings into developing verticalized solution offerings, new business and pricing models, focusing on penetrating deeper across niche segments and adding new delivery capabilities.

B. The Indian IT Industry – Capability building and demand-led growth

The IT industry continues to be one of the most significant catalysts of growth for the Indian service economy, especially now, when it is playing its part to facilitate inclusive growth, primarily by providing solutions that empower rural India. The IT industry's estimated aggregate revenues were pegged at ₹ 39 Lakh Crores. While the direct employment is expected to cross 25 Lakh, with a net addition of 2.4 Lakh professionals, indirect job creation was estimated at 83 Lakh employees. Export of IT services constitutes nearly ₹ 15 Lakh Crores and the segment is growing by 20-22% annually. Overall, the sector's revenues are expected to contribute about 7% to the nation's GDP in FY 2011. Its share of total Indian exports will stand at 26%.

The overall focus for the Indian IT service industry, from an export perspective, has clearly shifted from the elementary cost and talent arbitrage, to innovation and business transformation as value propositions. This has resulted in emergence of full service players providing consulting, system integration, testing, product engineering and enterprise IT services. Offshoring is now being positioned as a strategic competitive edge for global enterprises with a focus on outcomes which impact business. Wider acceptance of the global/onsite-offshore service delivery model is expected to expand further providing ample room for growth in the long term.

C. Global Sourcing

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 innovate while they continue to sustain current product lines, support existing customers, but at lower R&D budgets and reduced risk levels. Due to this, product companies will continue to look for partners who can provide cost-effective services and solutions to help them gain and sustain a competitive edge in the marketplace.

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.

- Worldwide technology products and services spend was estimated to be over ₹ 68 Lakh Crores in 2010 where as IT services spend was estimated to be over ₹ 27 Lakh Crores.
- Revenue from package software was estimated to reach ₹ 13.50 Lakh Crores as enterprises were expected to invest in business transformation initiatives to compete and respond better to markets globally.

D. Blue Star Infotech Ltd (BSIL)

BSIL enables global 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 relevant solutions. Leveraging its deep understanding of the 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.

E. BSIL Enterprise IT Services

BSIL understands that an efficient and cost effective IT infrastructure that serves as a backbone for an enterprise has become a business imperative. The company helps clients align their business goals with IT by leveraging domain and technology expertise and business relevant Centers of Excellence (CoE). It has a sound understanding of the business context, challenges or pain-points and develops solutions tailored to address these challenges. BSIL focuses on Manufacturing & Logistics, Travel & Hospitality, Technology, Media & Entertainment and Government verticals.

The organization's tightly integrated offerings are tailored for each customer's requirements. Portfolio of services and offerings span across the following areas:

- IT Consulting
- Application Development and Maintenance
- Testing Services
- Package Application Services
- Enterprise Information Management & Business Intelligence
- Mobility
- Collaboration and Content Management
- Enterprise Application Integration

In the year 2010-11 BSIL made significant progress in the enterprise market space:

E.I Microsoft Services

BSIL has a long-standing partnership with Microsoft, which spans across package implementation, application development, post-implementation services and support for Microsoft Dynamics NAV, Microsoft Dynamics AX and Microsoft Dynamics CRM. BSIL also has developed extensive Business Intelligence capabilities around Microsoft technologies. It has over 800 man-years of experience across verticals in implementing Microsoft solutions.

Key developments during FY 10-11:

- BSIL Excelsior: BSIL developed and rolled out its ERP implementation methodology, which is based on Microsoft Dynamics implementation methodology. It aims at minimizing costs and risks for clients and also reduces implementation time by nearly 40%.
- NAV ++: BSIL developed a service pack that offers enterprise customers Microsoft Dynamics NAV plus additional domain-specific and localized features. This additional functionality is offered as a standard feature set, which not only reduces the overall cost of ERP but also the timelines related to implementation.
- NAV Elixir: BSIL's solution for pharmaceutical company built on the Microsoft Dynamics NAV platform was Certified for Microsoft Dynamics.
- Microsoft Dynamics Navision: BSIL bagged clients such as PVR Cinemas, which is the second major win in the media & entertainment space after CINEMAX. BSIL further consolidated its Media experience by bagging the prestigious Madison World account. BSIL maintained its lead in the process space by bagging Nippo Batteries and Meridian Pharmaceuticals. Our consulting services practice has also made headway in Microsoft Dynamics AX, bagging customers such as Christ Nishotech and Sai Infosystems. BSIL also made a foray into the Middle East market by acquiring ERP customers for Microsoft Dynamics NAV.
- Packaging Specification Management Solution (PSMS): BSIL launched PSMS for the pharmaceutical industry. It is a web based solution that can be accessed by end-users through the Internet. For enterprises that manufacture and sell formulations, product packaging is a reflection of the brand image and underlying processes depict quality and reliability of the products on offer. BSIL's PSMS is a single instance solution that helps in reusing brand artifacts, ensures efficient tracking, data integrity and process automation.

E.II Oracle Services

BSIL is a Gold Certified Oracle Partner. BSIL's Oracle services span the full spectrum of an ERP implementation lifecycle, especially for manufacturing (process and discrete), chemical and project industries. With a pool of over 500 man-years of experience across these domains, BSIL consults and implements Oracle Applications to enable clients to:

- Transform business processes to achieve operational efficiency
- Achieve business goals by making decisions based on accurate and timely information
- Mitigate operational risks by automating processes

Some key developments during the year include:

- Oracle Business Accelerator: BSIL became qualified to implement Oracle Applications using Oracle Business Accelerators for the Indian market. By leveraging Oracle Business Accelerator set of tools for the Oracle E-Business Suite, coupled with its domain knowledge of the chemical industry, BSIL helped clients such as Ascend Infrastructure go-live in less than three months. Another key win for the Oracle Practice was Gannon Dunkerley & Co.

E.III Enterprise Information Management

Success of enterprises is measured by revenue, profitability and the number of satisfied customers, which requires an ability to get insights and take informed business decisions. BSIL's Enterprise Information Management (EIM) and Business Intelligence (BI) solutions help enterprises to understand and contextualize information with respect to individual business users, align corporate goals and metrics and anticipate business impact and proactively mitigate risks or capitalize on opportunities.

BSIL's EIM & BI Services include:

- BI Consulting & Implementation:
- Consulting
  - Data Management (quality, integration, standardization, consolidation)
  - Information visualization (unified view, KPIs, dashboards, scorecards, reports)
  - Information delivery (portals, data access controls)
  - Analytics
- Managed Professional Services:
  - 24x7 customer support
  - Professional Staffing
- SAS BI Solutions: BSIL has been a Tier 1 SAS partner since 2006. BSIL works as an extended team of SAS India as a preferred resource provider for 24x7 customer service support and consulting groups. BSIL has also been working with SAS UK with the customer service group since 2008 providing L1/L2 support to end customers with Unitary Support framework. During the year we won a large engagement in the domestic market with one of the leading general insurance companies.

Some key developments for BSIL's EIM services include:

- QlikTech: During the year, BSIL partnered with QlikTech International, a provider of user driven BI software. BSIL will deliver solutions based on QlikTech's business discovery platform QlikView. In a short span, a management decision support system was implemented at Indoco using QlikView.

E.IV Enterprise Collaboration Services

BSIL's collaboration and content management solutions provide enterprises with services in design, development and implementation in combination with industry best practices across a multitude of sectors. BSIL leverages partnerships with leading content management solution providers such as IBM, Microsoft Share Point, Sitecore and Kentico to realize ROI for IT investment through better collaboration and higher business process efficiencies.

BSIL's services include:

- Collaboration and Knowledge Management
- Enterprise Portal or Web Content Management solutions
- Portals
- Migration Services
- Maintenance & Support
- Functional & Non-functional testing

Developments during the financial year were as follows:

- Enterprise Social Computing (ESC): BSIL announced its ESC platform that acts as a catalyst to empower enterprises to effectively engage, collaborate and co-ideate within the organization and achieve accelerated business growth. BSIL's social platform, Ozone, will sow the seeds for knowledge management, innovation, and community building within a corporate Intranet environment and also activate various other collaborative capabilities.
- IBM Partnership: BSIL is now an IBM business partner delivering Enterprise Collaboration solutions leveraging the IBM WebSphere platform. This system integration (SI) partnership will enable BSIL to leverage IBM technologies to design, develop and deploy scalable solutions, which help enterprises to allow their partners, employees and customers choose their user experiences in a highly collaborative and social work environment.

F. Product Engineering Services

In today's volatile and competitive business environment, constant innovation and accelerated time-to-market are imperatives for Independent Software Vendors (ISVs.) With more than a decade's experience in Outsourced Product Development, BSIL has been partnering with global ISVs enabling them take innovative software products to the target market. By adopting Agile product development methodologies, incubating Centers of Excellence (Microsoft/Java, Cloud Computing, Mobility, BI, etc.) and backing them up with an ongoing focus on building reusable components and frameworks, has helped BSIL to engage with new customers and retain ongoing customers.

Some of the new engagements during the year include:

- iPhone and iPad solutions for a US-based teleconferencing solution provider
- Offshore Development Centre (ODC) for a leading US-based dynamic electronic data collection and management solutions company in emergency medical services space for a development of tablet PC application
- Provided 510(K) submission assistance for a US-based market leader in SPECT category
- Validation of imaging product for the US based clinical research company
- Development of incident categorization software for Scandinavian healthcare ISV company, involved in medical coding and pre-hospital services
- Product development for a leading ISV that provides XML-based authoring tools and topic-based content management solutions
- Software development, enhancement and support service in the area of Online Digital Coupon for a global leader in shopper-driven marketing solutions

F.I Mobility

For enterprises worldwide, mobile enablement is now one of the key focus areas for enhancing overall productivity and revenue. It has also become an alternate revenue channel by way of extending product and services on to the mobile platform for ISVs. BSIL's Mobility Center of Excellence is equipped to cater to a wide range of smart mobile devices. The company has multi-domain expertise in Travel & Hospitality, Health Sciences, Enterprise, etc.

Services span the gamut of mobility requirements including:

- Mobility strategy definition and implementation
- Mobility solution approach identification
    - Native application development
    - Mobile web applications
    - Mobile Hybrid application
- Mobility application design and development
- Backend system design and integration

iRoadGenie iPhone App: BSIL launched its first Travel utility mobile software app titled "iRoadGenie" for the Apple App Store. This application helps users search for 'Points of interest' based on current location or areas that they would like to visit. Such points of interest could be nearby sightseeing locations, leisure/amusement parks, golf courses, cinemas, restaurants, pubs, shopping malls, gas stations, ATMs, hospitals, pharmacies, hotels, etc. The app also provides navigation to the place of visit, address and location pictures. The app is highly customizable, scalable and can be white labeled for specific purposes.

Furthermore, solution accelerators for web to mobile enablement have enabled BSIL to win multiple new engagements during this year. Some of them were:

- Mobile web enablement of leading Product Portfolio Management product on iPhone, Blackberry and Android Smartphones

- Mobile web enablement for leading-edge technology and services provider to global leisure travel industry
- BSIL's technology competencies on the mobile platform are of particular significance within the Travel & Hospitality industry where there is a significant potential for growth for mobile applications that empower travelers, improve travel efficiency and build ancillary revenues. During the year, BSIL introduced several new frameworks for smartphone application development (iPhone, Blackberry, etc.) and mobile based website development.

F.II Cloud Computing & SaaS Enablement

BSIL's Cloud or Software as a Service (SaaS) enablement services meet the requirements of both enterprises as well as ISVs. BSIL has a strong partner ecosystem and works with customers throughout their SaaS enablement journey, providing guidance through every step with technology expertise and proven methodologies. BSIL has partnered with industry leading organizations to provide Business Consulting and Infrastructure Delivery services to complement its Technology Transition services. BSIL SaaS Enablement Services include:

- Feasibility and architectural consulting
- Usability Engineering
- Development using distributed agile methodologies
- Integration with Office & SOA
- Testing

BSIL took the following strategic initiatives during the year:

- Microsoft Cloud Program: BSIL earned acceptance into Microsoft Cloud Accelerate Partner Program. Through this, BSIL and Microsoft will jointly deliver Microsoft Azure based Cloud solutions to enterprise customers in India.
- Virtual Ark: BSIL also announced its partnership with Virtual Ark, an application managed service company that delivers Software as a Service (SaaS) solutions for ISVs. Through this partnership, BSIL will transform on-premise software to SaaS for ISVs and Virtual Ark will provide the cloud infrastructure and end-to-end services.

G. Travel & Hospitality Services

BSIL's focuses on solving travel distribution and operational issues for travel companies and helps them leverage upcoming technologies and industry best practices to enhance their end-customer experiences. BSIL's clientele spans the entire travel ecosystem including, tour operators, travel agencies, wholesalers, accommodations / hotels, ground transportation suppliers, MICE and Technology Providers, etc.

BSIL's solutions and services, covering the travel distribution ecosystem, include:

- Mobility Solutions
- Next Generation Travel 2.0 Portals
- Booking Engines
- Integration (GDS, CRM, mid-office/back-office, social media, etc.)
- Dynamic Packaging
- Inventory, Yield Management Systems
- Legacy Application re-engineering
- Usability Engineering
- Agent Desktops

Some of the key engagements initiated during the year include:

- One of the leading players in the vacation rentals space in the US
- An entertainment and hospitality company in the US
- A leading maritime travel company in the UK

H. RISKS AND CONCERNS

Risk is intrinsic in commercial operations, and the de-risking capabilities of the organization mark its success. In the event of a financial slowdown or recession in a particular economy or market saturation it is observed that an over dependence on that economy can pose risk. BSIL's aims to de-risk its business by growing its customer base in India and outside. An increased focus on the UK, European and Japan markets also enables it to de-risk its US operations. Concentration in a particular business segment can also be risky. BSIL has continuously tried to diversify its offerings in product engineering services, travel and hospitality, enterprise application business segments to address this concern. These strategies have helped the Company mitigate challenges emanating from the turbulent overseas markets post the global slowdown.

Currency exchange risks arising from volatility of exchange rates in international currencies is a significant issue of concern for the company, due to it's substantially large 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 also having a diversified billing currency basket which reduced dependence on a single currency such as the US dollar.

Inflationary pressures in India lead to cost increases predominantly in employee costs and fixed overheads which poses a concern to the entire Information Technology industry today. The Company has tried to mitigate this risk by consolidating its infrastructure and also 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. The company has also 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.

Overdue receivables or non-collectible receivables are a risk that has to be avoided by any business. The Company has addressed this by having a well-defined process to review the receivables, besides continuous follow-ups to ensure that collections are not unduly delayed or pose a collection risk.

Investment risk, involves risks of reduced returns on the money invested as also loss of capital. The company has an implemented a balanced investment policy for investing its surplus funds where safety of principal with competitive returns is the principal objective.

Political instability, withdrawal of government fiscal / tax incentives and competitive pricing are other risks which affect this business.

I. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Adequacy of Internal controls is extremely important to any business enterprise. The company has defined operational and other Budgets for Strategic Business Units and empowered personnel appropriately based on their work specifications to make decisions. The company remains steadfast in upholding internal control, efficiency of operations and security which meets industry 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 unauthorized 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 Mr. Naresh Malhotra (Chairman), Mr. Suresh Talwar and Dr. Prakash Hebalkar meet at least four times a year to review the internal control systems and financial disclosures by the company.

J. DISCUSSION OF FINANCIAL PERFORMANCE (Consolidated)

1. Financial Condition

a) Share capital

The Company has an authorized capital of 1.1 Crore equity shares of ₹ 10 each. The issued, subscribed and paid up capital is ₹ 10 Crores. The Company did not make any fresh issues of equity shares during FY 2010-11.

b) Reserves and surplus

The reserves and surplus of the Company increased by ₹ 4.73 Crores to ₹ 74.45 Crores in the financial year 2010-11. ₹ 0.83 Crore was transferred from Profit and Loss Account to General reserve.

c) Debt status

During the FY 2010-11, the Company continued to be debt-free.

d) Fixed assets

The Gross block of fixed assets for the FY 2010-11 was ₹ 39.45 Crores and cumulative depreciation amounted to ₹ 17.56 Crores. Additions to fixed assets made during the year were of the order of ₹ 5.80 Crores mainly comprising of leasehold building improvements (₹ 3.49 Crores), computers (₹ 0.75 Crores), air conditioning equipment (₹ 0.03 Crores), Office equipment (₹ 0.06 Crores), Vehicles (₹ 0.14 Crores) and Computer Software (₹ 0.82 Crores).

e) Investments

Company invests its surplus funds in liquid fund schemes of reputed mutual fund institutions. Investments decreased from ₹ 27.51 Crores to ₹ 17.22 Crores during the year. The decline is predominantly on account of capital investments in leasehold building improvements and purchase of new computer software / hardware. There has also been some draw down of resources towards working capital.

f) Sundry debtors

During the year, debtors decreased from ₹ 28.90 Crores ₹ 28.09 Crores. These debtors are considered good and realizable and adequate provision has been made for all doubtful debts.

Days	2010-11		2009-10	
	₹ In Crores	%	₹ In Crores	%
0-30	22.89	86	19.95	73
31-60	0.93	4	0.31	1
61-90	0.17	1	0.03	-
More than 90	2.23	9	6.98	26
Total	**26.22**	**100**	**27.27**	**100**

g) Cash and bank balance

The cash and bank balances during the year have gone up marginally from ₹ 10.13 Crores to ₹ 10.65 Crores. The surplus non-operational cash of the company is invested in liquid mutual funds as described under e) Investments, above. Of the cash balances, ₹ 6.85 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.

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 Advance represent the amount paid by the Company in advance for value and services to be received in future. The Company had ₹ 3.88 Crores advances recoverable in cash, ₹ 0.61 Crores in prepaid expenses for services to be received in future, ₹ 4.19 Crores in deposits with Government and other authorities and ₹ 17.42 Crores advance taxes paid net of provisions. The balance ₹ 4.01 Crores represents tax credits that will be available to the Company in future against minimum alternate tax (MAT) paid.

i) 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. Hedging reserve on open forward contracts are potential liabilities on foreign exchange forward contracts which are primarily in the nature of cash flow hedges for future business, arising from contracted rate being lower than current spot rate.

j) Provisions

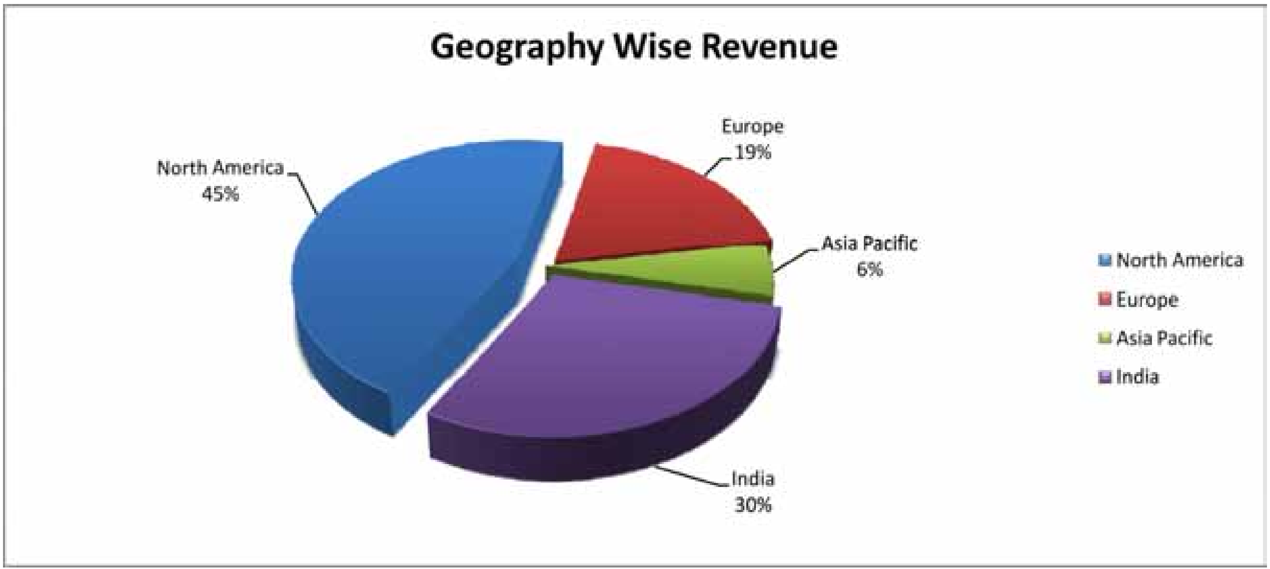
Provision for the leave encashment (compensated absences) was ₹ 2.33 Crores and that for gratuity was ₹ 0.04 Crores at the end of the year. Both these provisions were calculated on the basis of an actuarial valuation in accordance with the prescribed accounting standards. During the year, a substantial portion of the export incomes of the company have become taxable in view of the end of the tax holiday period. Consequently, the company has made a tax provision of ₹ 3.02 Crores during the year. There is also an increase in deferred tax liability on account of timing difference in depreciation for which a provision of ₹ 0.97 Crores is made during the year. The Company also made provision of ₹ 3 Crores and ₹ 0.49 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 F.Y. 2010-11, Income from Operations (Sales and Services) was ₹ 120.26 Crores as compared to ₹ 130.25 Crores for the previous year. The income from other sources increased from ₹ 5.92 Crores to ₹ 8.85 Crores. Other income was primarily from rentals received for leased office property, gains on foreign exchange and dividend from investments.

Geography-wise Revenue



b) Operating expenses

The total operating and general expenses decreased from ₹ 38.16 Crores to ₹ 33.87 Crores in the year under review.

(₹ In Crores)

Particulars	2010-11	2009-10	% increase (decrease)
Legal and Professional charges	12.80	16.56	(23)
Travelling and conveyance	7.47	8.08	(8)
Rent	4.21	3.62	16
Forward Contract Option Cost	0.41	1.60	(74)
Power	1.60	1.56	3
Communication	1.65	1.45	13
Repairs and maintenance	1.22	1.23	(1)
Provision for bad and doubtful debts (net)	-	0.32	(100)
Recruitment charges	0.39	0.11	255
Rates and Taxes	0.30	0.37	(19)
Commission to Non-Executive Directors	0.13	0.15	(11)
Insurance	0.18	0.14	25
Other expenses	3.51	2.97	18

K. Talent Management & Human Resources

Blue Star Infotech Ltd has always believed that employees are its most valued assets and hence has been investing heavily in grooming employees through various Management Development Programs & other technical as well as soft skills 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.

2010-2011 has been a year of market uncertainties and a difficult time for recruitment and retention. In an upcoming market, hiring and retaining employees takes 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 changing 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.

Overview of 2010-11:

The year 2010-11 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. Like in the previous year where BSIL was one of the few companies to give increments, this year too our increments were comparable to the industry standards.

The company's attrition levels at Project Manager and above was negligible. Currently the overall headcount stands around 821 with a utilization rate of 76% which is healthy and gives the organization enough room to rapidly scale up.

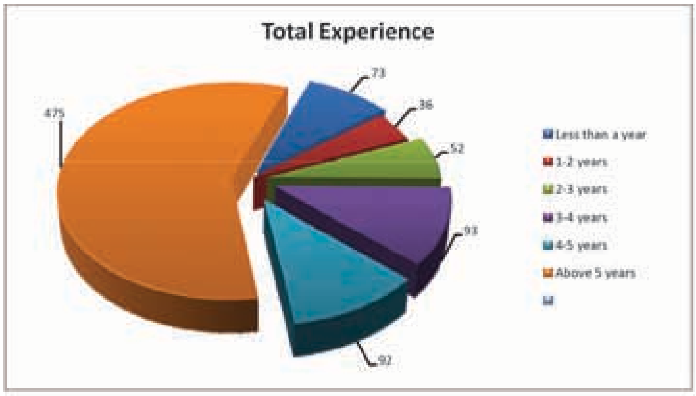
The organization continues to invest highly on both technical and behavioral training programmes. These included 107 technical and 86 behavioral trainings. The behavioral trainings included Management Development Programs for new managers, senior managers and the also the top management team. These were 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 2011:

Sr. No.	Total Experience	Nos.
1	Less than 1 year	73
2	1-2 years	36
3	2-3 years	52
4	3-4 years	93
5	4-5 years	92
6	Above 5 years	475
	Total	**821**

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 continues to be a culture-fit. It is of utmost importance to BSIL to evaluate whether a potential candidate will fit within the organization's corporate culture which is driven by building relationships and teamwork.

L. Outlook

It can be said that the underlying theme of 2010 has been the steady recovery from recession.

According to industry reports, India is poised to reach ₹ 5.85 Lakh Crores in IT-BPO revenues by FY2015 at a CAGR of 14%. FY12 is expected to see further adoption of business transformation services, private and public clouds, and mobile computing. However, it can be believed that the business environment in will remain complex, uncertain and challenging. A targeted approach to enable global enterprises within a chosen set of verticals will deliver measurable outcomes and payback rich dividends in the near-term for IT companies.

As an organization, BSIL has several strengths such as a marquee customer list, a strong balance sheet and cash position, strategic alliances with partners and employees. Areas requiring attention are sales growth, cost rationalization and profitability. Going forward, revitalizing our sales engine, building a global partner ecosystem and growing the existing customer relationships will be a key focus. BSIL will also extend the domestic enterprise IT expertise to overseas markets. While we focus on profitable growth, we will continue to make investments in improving human capital, delivery excellence, IP creation, and accountability and reward systems.

Auditors' Report

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 31 March 2011, 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 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 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 31 March 2011;
      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 & Co**

Chartered Accountants

Firm Registration No: 001076N

per **Khushroo B Panthaky**

Partner

Membership No. F-42423

Mumbai, May 19, 2011

Annexure to the Auditors' Report of even date to members of Blue Star Infotech Limited on the financial statements for the year ended 31 March 2011.

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.

b) 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 (₹ '000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disputed demand arising on disallowances of payments to related parties, exemption claim u/s 10A and u/s 80HHE, sales tax paid and consequent interest u/s 234 B, C & D.	137,009	Assessment Year 2004-05	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Disputed demand arising on disallowances of payments to related parties, exemption claim u/s 10A and u/s 80HHE, sales tax paid and consequent interest u/s 234 B, C & D.	99,241	Assessment Year 2006-07	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Disputed demand arising on disallowances of exemption claim u/s 10A, software development expenses, notional expenses u/s 14A and consequent interest u/s 234 B & D, etc.	50,243	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)

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 & Co**
Chartered Accountants
Firm Registration No. 001076N

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

Mumbai, May 19, 2011

Balance Sheet

As at March 31, 2011

	Schedule	As at March 31, 2011 ₹ '000	As at March 31, 2010 ₹ '000
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	100,000	100,000
Reserves and Surplus	B	737,804	691,744
Deferred tax liability (Net)		12,621	2,959
(Refer Note B 14 of Schedule J)			
Total		**850,425**	**794,703**
APPLICATION OF FUNDS			
Fixed Assets	C		
Gross Block		388,587	396,013
Less : Accumulated Depreciation / Amortisation		170,856	209,391
Net Block		**217,731**	**186,622**
Capital Work in progress (including Capital Advances)		13,911	-
		231,642	**186,622**
Investments	D	**211,346**	**314,239**
Current Assets, Loans and Advances	E		
Sundry Debtors		253,229	233,000
Cash and Bank Balances		71,060	63,651
Other Current Assets		20,264	20,139
Loans and Advances		297,680	247,106
		642,233	**563,896**
Less: Current Liabilities and Provisions	F		
Liabilities		180,595	191,112
Provisions		54,201	78,942
		234,796	**270,054**
Net Current Assets		407,437	293,842
Total		**850,425**	**794,703**
Significant Accounting Policies and Notes to the Financial Statements	J		

As per our report of even date attached

For Walker, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

Profit and Loss Account

For the year ended March 31, 2011

	Schedule	Year ended March 31, 2011 ₹ '000	Year ended March 31, 2010 ₹ '000
INCOME			
Sales and software services			
Exports		722,881	808,872
Domestic		297,137	246,334
		1,020,018	**1,055,206**
Other income	G	80,333	61,021
Total		**1,100,351**	**1,116,227**
EXPENDITURE			
Purchase of traded software licenses		65,458	56,575
Purchase of traded hardware		300	631
Employee remuneration and benefits	H	538,679	576,830
Operating and general expenses	I	346,290	311,835
Depreciation / Amortisation		22,784	22,323
Total		**973,511**	**968,194**
Profit before taxation		**126,840**	**148,033**
Current tax			
- Indian Income Tax		28,012	25,049
{Including Minimum Alternate Tax ('MAT')}			
- MAT Credit Entitlement		-	(19,349)
Deferred tax expense		9,662	2,959
Total		**37,674**	**8,659**
Profit after taxation		89,166	139,374
Exceptional item (Net of tax)		6,418	-
(Refer Note B 10 of Schedule J)			
Profit after taxation and exceptional item		82,748	139,374
Balance brought forward from earlier years		486,638	419,699
Profit available for appropriation		**569,386**	**559,073**
Appropriations			
Transfer to General Reserve		8,275	13,937
Proposed final dividend		30,000	50,000
Corporate dividend tax		4,867	8,498
Total		**43,142**	**72,435**
Balance carried forward to Balance Sheet		**526,244**	**486,638**
Significant Accounting Policies and Notes to the Financial Statements	J		
Earnings Per Share (Basic and diluted) - (₹)		8.27	13.94
Face Value per Share - (₹)		10.00	10.00
Profit after tax available to Equity Shareholders		82,748	139,374
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, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

Cash Flow Statement

For the year ended March 31, 2011

	Year Ended March 31, 2011 ₹ '000		Year Ended March 31, 2010 ₹ '000	
[A] Cash Flows from Operating Activities				
Net profit before tax and exceptional item	**126,840**		**148,033**	
Exceptional item	(6,418)		-	
Net profit before tax	**120,422**		**148,033**	
Depreciation / Amortisation	22,784		22,323	
Unrealised foreign exchange (gains) / losses (net)	(217)		1,361	
(Profit) / Loss on sale of fixed assets (net)	1,035		(221)	
Bad debt written off	34		-	
Dividend income	(12,412)		(6,851)	
Provision for bad and doubtful debts / (Excess provision written back)	1,165		(5,174)	
Interest income	(568)		(548)	
	11,821		**10,890**	
Operating profit before working capital changes	132,243		158,923	
Adjustment for:				
Trade and other receivables	(46,581)		42,350	
Trade payables and other liabilities	(11,820)		52,748	
	(58,401)		**95,098**	
Cash generated from operations	73,842		254,021	
Direct taxes paid	(55,379)		(27,712)	
Net cash from operating activities		**18,463**		**226,309**
[B] Cash flows from investing activities				
Purchase of fixed assets (Including capital advances)	(71,289)		(16,017)	
Sale of fixed assets	2,450		1,010	
Purchase of investments	(1,024,027)		(1,022,095)	
Sale of investments	1,139,332		890,649	
Dividend Received	12,412		6,851	
Dividend reinvested in Mutual Funds	(12,412)		(6,851)	
Interest Received	568		548	
Net cash from / (used in) investing activities		**47,034**		**(145,905)**
[C] Cash flows from financing activities				
Dividend and tax thereon paid	(58,305)		(58,498)	
Net cash used in financing activities		**(58,305)**		**(58,498)**
Net increase in cash and cash equivalents		7,192		21,906
Cash and cash equivalents - opening balance		64,392		42,486
Cash and cash equivalents - closing balance		**71,584**		**64,392**
Cash and cash equivalents comprise of:				
Balances with scheduled banks in:				
- current accounts (including EEFC accounts)		56,009		53,501
- deposit accounts (including EEFC deposit accounts)		12,524		7,506
- unclaimed dividend accounts		2,420		2,538
Balance with non-scheduled bank in current account		107		106
Cash and Bank Balances as per books		71,060		63,651
Exchange difference on translation of foreign currency accounts/deposits		524		741
		71,584		**64,392**

Note: Cash and cash equivalents include (₹ '000) 2,420 (Previous Year (₹ '000) 2,538) which is not available for use by the Company.

As per our report of even date attached

For Walker, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

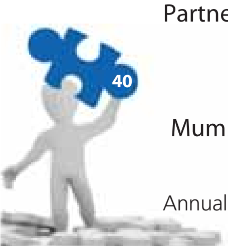
Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011



	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE A: CAPITAL		
Authorised		
11,000,000 Equity Shares of ₹ 10 each	110,000	110,000
Issued, Subscribed and Paid up		
10,000,000 Equity Shares of ₹ 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	188,280	174,343
Add: Transfer from Profit and Loss Account	8,275	13,937
	196,555	**188,280**
Hedging Reserve on Open Forward Contracts	15,005	16,826
Profit and Loss Account	526,244	486,638
	737,804	**691,744**

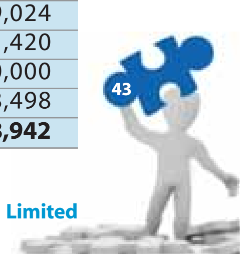
SCHEDULE C: FIXED ASSETS

In ₹ '000

	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
Description of assets	As at April 1, 2010	Additions / Transfers during April 2010 -March 2011	Deletions / Transfers during April 2010 -March 2011	As at March 31, 2011	As at April 1, 2010	For the year April 2010 -March 2011	Withdrawals during April 2010 -March 2011	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible Assets										
Building	135,546	4,719	-	**140,265**	12,106	2,293	-	**14,399**	**125,866**	123,440
Leasehold building improvements	16,539	34,901	-	**51,440**	12,826	2,170	-	**14,996**	**36,444**	3,713
Airconditioners	16,903	319	1,482	**15,740**	9,879	998	1,133	**9,744**	**5,996**	7,024
Computers	100,721	6,938	45,325	**62,334**	87,411	6,754	44,850	**49,315**	**13,019**	13,310
Furniture and fittings	78,612	296	9,655	**69,253**	53,784	4,459	8,169	**50,074**	**19,179**	24,828
Office equipment	13,876	622	3,594	**10,904**	9,224	682	2,765	**7,141**	**3,763**	4,652
Vehicles	12,776	1,401	2,079	**12,098**	6,940	1,649	1,733	**6,856**	**5,242**	5,836
Intangible Assets										
Computer Software	21,040	8,182	2,669	**26,553**	17,221	3,779	2,669	**18,331**	**8,222**	3,819
TOTAL-Fixed Assets	**396,013**	**57,378**	**64,804**	**388,587**	**209,391**	**22,784**	**61,319**	**170,856**	**217,731**	**186,622**
Previous Year	*389,834*	*16,017*	*9,838*	*396,013*	*196,117*	*22,323*	*9,049*	*209,391*	*186,622*	-

	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE D: INVESTMENTS		
Long term investments, Trade, Unquoted (At Cost):		
Investment in subsidiary companies		
(Refer note B 4 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 300,000 equity shares of GBP 1 each, fully paid-up)	20,829	20,829
Note: Aggregate book value of unquoted investments (₹ '000) 39,136 {Previous year (₹ '000) 39,136}		
(A)	**39,136**	**39,136**
Current investments, Non-trade, Unquoted:		
Investment in units of Mutual Funds		
DWS Mutual Fund - Ultra Short Term Institutional - Daily Dividend Reinvestment Nil units (Previous year - 4,062,323 units)	-	40,696
DWS Mutual Fund - Fixed Term Fund - Series 73 - Growth Plan 2,000,000 units (Previous year - Nil units)	20,855	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment 1,993,720 units (Previous year - Nil units)	20,000	-
HDFC Cash Management Fund - Floating Rate Income Fund - Daily Dividend Reinvestment Nil units (Previous year - 1,995,564 units)	-	20,117
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 2,414,497 units (Previous year - 2,992,469 units)	25,682	30,019
ICICI Prudential - Flexible Income Plan Premium - Daily Dividend Nil units (Previous year - 489,470 units)	-	51,754
ICICI Prudential - Liquid Super Institutional Plan - Daily Dividend 150,775 units (Previous year - Nil units)	15,081	-
IDFC Mutual Fund - Money Manager Fund Treasury - Daily Dividend Reinvestment Nil units (Previous year - 1,004,448 units)	-	10,115
Kotak Mutual Fund - Floater Long Term - Daily Dividend Reinvestment Nil Units (Previous year 2,011,714 units)	-	20,278
Kotak Mutual Fund - Flexi Debt Scheme Institutional - Daily Dividend Reinvestment 1,009,919 Units (Previous year Nil units)	10,147	-
Reliance Medium Term Fund - Daily Dividend Plan Nil units (Previous year - 587,296 units)	-	10,040
Reliance Liquid Fund - Cash Plan - Daily Dividend Option 916,685 units (Previous year - Nil units)	10,213	-
Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan 2,346,482 units (Previous year - Nil units)	31,433	-
Tata Floater Fund - Daily Dividend Nil units (Previous year 4,174,337 units)	-	41,892
Tata Liquid Super High - Investment Fund - Daily Dividend 34,812 units (Previous year Nil units)	38,799	-
UTI Mutual Fund - Floating Rate Institutional Short Term - Daily Dividend Reinvestment Nil units (Previous year 20,089 units)	-	20,104
UTI Mutual Fund - Treasury Advantage Fund Institutional Short Term - Daily Dividend Reinvestment Nil units (Previous year 30,081 units)	-	30,088
Note: Aggregate book value of unquoted investments (₹ '000) 172,210 (Previous year (₹ '000) 275,103)		
(B)	**172,210**	**275,103**
(A) + (B)	**211,346**	**314,239**

	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry Debtors (unsecured)		
Outstanding for a period exceeding six months		
- Considered good	1,799	2,345
- Considered doubtful	2,482	1,317
	4,281	**3,662**
Other debts		
- Considered good	244,371	219,652
- Considered doubtful	-	-
	248,652	**223,314**
Less: Provision for bad and doubtful debts	2,482	1,317
	246,170	**221,997**
Unbilled Services	7,059	11,003
	253,229	**233,000**
Note: Sundry Debtors include due from Subsidiaries (₹ '000) 165,817 {Previous year (₹ '000) 161,580}		
(b) Cash and Bank Balances		
Cash on hand	-	-
Balances with scheduled banks in:		
- current accounts (including EEFC accounts)	56,009	53,501
- deposit accounts (including EEFC deposit accounts)	12,524	7,506
- unclaimed dividend accounts	2,420	2,538
Balance with non-scheduled bank in current account		
Nordea Bank, Finland - Maximum balance outstanding during the year (₹ '000) 107 {Previous Year (₹ '000) 1,814}	107	106
	71,060	**63,651**
(c) Other Current Assets		
Hedging Reserve on Open Forward Contracts	15,005	16,826
Deferred Rent	5,259	3,313
	20,264	**20,139**
(d) Loans and Advances		
Unsecured and considered good		
Advances recoverable in cash or in kind or for value to be received	38,362	15,038
Prepaid expenses	4,313	4,575
Deposits with Government authorities and others	40,585	40,440
Advance Tax (Net of Provision)	174,367	147,000
MAT Credit Entitlement	40,053	40,053
	297,680	**247,106**
SCHEDULE F: CURRENT LIABILITIES AND PROVISIONS		
(a) Liabilities		
Sundry Creditors-For Services	18,383	23,277
Sundry Creditors-Others (Refer note B 9 of Schedule J)	115,021	140,839
Unearned Revenue	23,033	4,543
Unclaimed Dividends	2,420	2,538
(There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund)		
Other Liabilities	21,738	19,915
	180,595	**191,112**
(b) Provisions		
For Compensated absences	18,756	19,024
For Gratuity	385	1,420
For Proposed Dividend	30,000	50,000
For Corporate Dividend Tax	5,060	8,498
	54,201	**78,942**



For the year ended March 31, 2011

	Year Ended March 31, 2011 ₹ '000	Year Ended March 31, 2010 ₹ '000
SCHEDULE G: OTHER INCOME		
Profit on sale of assets (Net)	-	221
Interest on bank deposits (tax deducted at source (₹ '000) 42 {Previous Year (₹ '000) 40}	568	548
Interest on tax refunds	-	2,569
Dividend income from current investments	12,412	6,851
Gain on Exchange Translation	21,940	10,398
License Fee for office property	43,775	34,830
Excess provision for bad and doubtful debts written back	-	5,174
Miscellaneous Income	1,638	430
	80,333	**61,021**
SCHEDULE H: EMPLOYEE REMUNERATION AND BENEFITS		
Salaries and Wages	489,792	529,355
Contribution to provident and other funds	23,248	23,565
Staff welfare	25,639	23,910
	538,679	**576,830**
SCHEDULE I: OPERATING AND GENERAL EXPENSES		
Service charges paid to overseas subsidiaries	105,145	85,902
Travelling and conveyance	62,924	68,531
Rent	34,959	29,559
Rates and taxes	1,152	1,355
Power	15,991	15,586
Communication	13,375	11,363
Insurance	1,544	1,264
Repairs and maintenance		
Building / Leasehold premises	6,725	5,379
Computers and Airconditioners	3,140	4,219
Others	1,574	1,868
Payment to auditors		
Audit Services	1,390	1,090
Taxation matters	170	150
Certification Work	90	80
Out of Pocket Expenses	68	72
Directors' fees	540	480
Commission to Non Executive Directors	1,345	1,460
Chairman & Managing Directors' Remuneration	2,640	2,640
Legal and Professional charges	64,530	47,042
Loss on Disposal of Fixed Assets	1,035	-
Bad Debts Written off	34	285
Provision for bad and doubtful debts	1,165	-
Recruitment charges	2,833	1,055
Forward Option Cost	4,058	16,006
Miscellaneous expenses	19,863	16,449
	346,290	**311,835**

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 DownValue 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 lives 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 and foreign exchange forward 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.

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 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 are 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

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is (₹ '000)2,948 {Previous year (₹ '000)Nil}.

2. Contingent Liability not provided in respect of:

   Demand(s) raised by the Income Tax authorities for prior financial year(s) during the year aggregating (₹ '000) 319,641 {Previous year (₹ '000) 35,082/-} against which the Company has filed appeal(s) with the Commissioner of Income-tax (Appeals). The appeal(s) filed with the Appellate Tribunal (India) towards income tax demands amounting to (₹ '000) 6,584/- {Previous year (₹ '000) 8,584/-}.

   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 (₹ '000) 6,799 (Previous Year (₹ '000) 6,084) and by others (₹ '000) Nil (Previous Year (₹ '000) 81,500).

4. a) Blue Star Infotech (UK) Ltd. (BSIUK), the 100 % subsidiary of the Company has earned profits during the year ended March 31, 2011 and also has a positive net worth, as at the year-end.

   b) Blue Star Infotech America Inc., the 100 % subsidiary of the Company has incurred a loss during the year ended March 31, 2011 and has a negative net worth, as at the year-end.The management believes that the business loss and negative net worth to be a temporary phenomenon arising mainly due to a temporary reduction in turnover consequent to transient adverse market conditions. Hence, no impairment of the investment in the subsidiary is deemed necessary in the books of accounts.

5. 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, 2011 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	198,000
7	Exercised	175,850
8	Lapsed / Cancelled options	383,650
9	Vested and unexercised	22,150
10	Total number of options in force	131,500
11	Money realised	(₹ '000) 1,653 {Previous Year (₹ '000) 11,005}
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	117,000	145,000	112,000	100,000
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 ₹ 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 ₹ 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 Annual General Meeting 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, 2011 are summarized below:

	Number of options
Outstanding at the beginning of the year	204,500
Granted during the year	Nil
Forfeited during the year	Nil
Exercised during the year	23,000
Expired during the year	50,000
Outstanding at the end of the year	131,500
Exercisable at the end of the year	131,500

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2011 is as follows:

Number of options	Exercise price	Expected remaining contractual life
5,000	92	3 days
6,000	96	4 months
100,000	82	8 months
20,500	71	10 months
131,500		

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, 2011 ₹ '000**	**Year ended March 31, 2010 ₹ '000**
Profit after taxation as per Profit and Loss Account	82,748	139,374
Less: Amortised cost of fair value of options (net of tax)	(348)	(1,002)
Profit after taxation after amortisation of options cost	82,400	138,372
Earnings Per Share- Basic and Diluted	8.24	13.84

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

	Year ended March 31, 2011 ₹ '000	**Year ended March 31, 2010 ₹ '000**
CMD's Remuneration	2,640	2,640
House Rent (net)	1,800	1,800
Total	**4,440**	**4,440**

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, 2011 ₹ '000	Year ended March 31, 2010 ₹ '000
Profit before taxation but after exceptional item as per Profit and Loss Account	**120,422**	**148,033**
Add : Managerial remuneration (including commission to non-whole time directors)	5,785	5,900
Provision for doubtful debts / advances / (excess provision written back)	1,165	(5,174)
	127,372	**148,759**
Less: Profit / (Loss) on sale of fixed assets	(1,035)	221
Net Profit for the purpose of Directors' Commission	128,407	148,538
Commission payable up to 3% of the above Net Profits to the Non-Executive Directors	**3,852**	**4,456**
Amount approved by the Board for payment to Non-Executive Directors	**1,345**	**1,460**

The members of the Company at the 12th AGM of the Company held on July 30, 2009 consented to increase commission up to 3% of the Net Profits, subject to approval of the Central Government. Central Government has vide its letter date July 15, 2010 approved payment of commission up to 3% of net profits in accordance with section 198 of the Companies Act, 1956 for a period of 5 (five) financial years starting from 2009-2010.

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

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

	Mutual Funds	2010-11 No. of Units	2009-10 No. of Units
1	DSP Black Rock - FMP 3M Series 19 – Growth	2,000,000.00	-
2	DWS Insta Cash Plus Fund – Institutional Daily Dividend	4,126,106.01	3,979,950.35
3	DWS Ultra Short Term Fund - Institutional Daily Dividend	58,304.23	-
4	HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment	13,203,632.91	24,991,634.04
5	HDFC Cash Management Fund- Treasury Adv - Daily Dividend Reinvestment	4,005,020.82	5,007,473.23
6	HDFC Floating Rate Income Fund - Short Term Plan - Daily Dividend Reinvestment	28,250.81	1,983,949.85
7	HDFC FMP 35D Series XIV	1,029,464.47	-
8	HDFC Liquid Fund - Dividend - Daily Reinvestment	2,943,506.86	-
9	ICICI Prudential – Flexible Income Plan Premium – Daily Dividend	77,886.20	2,747,516.20
10	ICICI Prudential - Liquid Plan Institutional Plus – Daily Dividend	1,310,884.89	1,434,608.22
11	IDFC Money Manager Fund - Treasury – Growth	1,348,117.69	-
12	IDFC Money Manager Fund - Treasury Plan	16,636.82	-
13	Kotak Flexi Debt Scheme - Daily Dividend	2,006,837.62	-
14	Kotak Floater Long term - Daily Dividend	19,975.86	2,976,249.53
15	Kotak Floater Short term - Daily Dividend	2,004,849.86	-
16	Kotak Liquid (Institutional) - Daily Dividend	4,960,026.43	3,680,294.86
17	Reliance Liquid Fund - Daily Dividend Plan	-	654,198.71
18	Reliance Medium Term Fund - Daily Dividend Plan	1,180,730.76	1,782,719.98
19	Reliance Money Manager- Daily Dividend Plan	-	40,235.32
20	Reliance Monthly Interval Fund-Institutional Dividend Plan	3,034,556.01	-
21	Reliance Treasury Institutional Option Plan – Daily Dividend	1,308,400.32	3,271,023.58
22	SBNPP Money Fund Institutional - Daily Dividend Reinvestment	-	50,458.52

23	Tata Fixed Income Portfolio Fund A3 Institutional	4,245,103.20	-
24	Tata Floater Fund - Daily Dividend	32,485.09	-
25	Tata Liquid Super High Investment Fund - Daily Dividend	47,249.65	18,535.56
26	UTI Fixed Income Fund Series –I	1,025,444.94	-
27	UTI Fixed Income Fund Series –II	2,065,136.56	-
28	UTI Fixed Income Interval Fund - Monthly Interval Plan - Re-investment	5,079,985.03	-
29	UTI Floating Rate Fund - Short Term Plan	158.71	-
30	UTI Liquid Cash Institutional Plan	39,535.31	-
31	UTI Treasury Advantage Fund - Institutional Plan	51,086.60	-
32	UTI Institutional Plan - Daily Dividend - Re-investment	230.95	49,835.79

9. 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, 2011. 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.

10. Exceptional Item (Stamp duty Liability)

Notice(s) demanding differential stamp duty of (₹ '000) 4,699 and penalty of (₹ '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 was 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 (₹ '000) 4,699 and provided bank guarantees for a sum of (₹ '000) 3,020 to the Honourable High Court, Bombay, subject to further orders and outcome of appeal proceedings. No hearing was scheduled in the matter by the Honourable High Court, Bombay for over three years. As a matter of commercial prudence, the Board of Directors decided to withdraw the petition(s) from the Honourable High Court, Bombay and pay the differential stamp duty and penalty without getting into the merits of the matter. Accordingly, a total sum of (₹ '000) 11,137 was paid including (₹ '000) 6,418 as penalty which has been disclosed as an exceptional item in the Profit and Loss Account.

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, 2011 of US Dollar $ 11,150,000 and GBP £ 80,000 Cross Currency- Rupees (Previous year US Dollar $ 12,467,724 and GBP £ 180,000)

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	2010-2011 (₹ '000)	2010-2011	2009-2010 (₹ '000)	2009-2010
Exports in US $	NIL	NIL	NIL	NIL
Exports in UK £	29,138	£405,094	16,638	£244,569
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.

For the year ended March 31, 2011

Particulars	Subsidiaries	Associates	Promoters	Total for the Year
Rendering of Services	671,523	92,686	-	**764,209**
	741,083	*80,058*	-	*821,141*
Receiving of Services	108,251	5,454	-	**110,599**
	85,902	*5,930*	-	*91,832*
Reimbursement of expenses	4,106	-	-	**4,106**
	11,289	-	-	*11,289*
Purchases of Capital Goods	-	7,240	-	**7,240**
	-	351	-	351
Security deposit given	-	10,000	-	**10,000**
	-	*10,000*	-	*10,000*
Guarantees & Collaterals (Taken) / Given	-	-	-	-
	-	*(81,500)*	-	*(81,500)*
Director Sitting Fees	-	-	80	**80**
	-	-	*80*	*80*
Non - Executive Director commission	-	-	262	**262**
	-	-	*280*	*280*
Remuneration / Reimbursement of Remuneration	-	-	4,440	**4,440**
	-	-	*4,440*	*4,440*
Outstanding Balance				
Debit Balance	165,817	27,422		**193,239**
	161,580	*16,218*		*177,798*
Credit Balance	7,740	1,418	-	**9,158**
	21,412	-	-	*21,412*

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)
Promoters	:	Mr. Suneel M Advani, Chairman and Managing Director Mr. Ashok M Advani, Vice Chairman

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 (₹ '000) 22,316 (Previous Year (₹ '000) 21,578)

b) Defined Benefit Plans:

Particulars		**2010-11 ₹ '000**	**2009-10 ₹ '000**
Change in Defined Benefit Obligation:			
Obligations as at the beginning of the year:		36,949	33,385
Service Cost		8,224	8,148
Interest Cost		2,547	2,238
Actuarial (gain) / loss		(7,213)	(3,983)
Benefits paid		(5,976)	(2,839)
Present value of defined benefit obligations as at year end	**(A)**	34,531	36,949
Change in Plan Assets:			
Opening plan assets, at fair value		16,505	13,274
Expected return on plan assets		1,275	1,142
Actuarial gain / (loss)		(1,245)	(105)
Contributions		4,831	5,033
Benefits paid		(5,976)	(2,839)
Fair value of plan assets as at year end	**(B)**	15,390	16,505
Cost for the year			
Service Cost		8,224	8,148
Interest Cost		2,547	2,238
Expected return on plan assets		(1,275)	(1,142)
Actuarial (gain) / loss		(5,968)	(3,878)
Total net cost recognised as employee remuneration		3,528	5,366
Reconciliation of Benefit Obligations & Plan Assets for the year:			
Present value of defined benefit obligations as at year end	**(A)**	34,531	36,949
Fair value of plan assets as at year end	**(B)**	15,390	16,505
Net (asset) / liability as at year end recognised in Balance Sheet	**(A)–(B)**	19,141	20,444
Investment details of Plan assets:			
The plan assets are invested in trust managed funds:			
Assumptions:			
Discount Rate		8.00%	7.50%
Salary escalation rate		5.00%	5.00%
Estimated rate of return on plan assets		8.00%	8.00%

c) During the year the company has reversed provisions made towards incentive and sales commission relating to employees amounting to (₹ '000) 23,500 {Previous year (₹ '000) Nil}.

14. Deferred Taxes

		As at March 31, 2011 ₹ '000	**As at March 31, 2010 ₹ '000**
A. Deferred tax liability on:			
Depreciation		12,621	10,354
	(A)	**12,621**	**10,354**
B. Deferred tax asset on:			
Unabsorbed Depreciation		-	7,395
	(B)	**-**	**7,395**
Net Deferred tax liability	**(A)-(B)**	**12,621**	**2,959**

15. Operating Lease

a) The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ '000) 34,959 (Previous year (₹ '000) 29,559) is recognised as lease expenses in the Profit and Loss Account for the year ended March 31, 2011. The future guaranteed lease payments under non-cancellable portion of cancellable leases are:

i) less than one year – (₹ '000) 15,574 (Previous year (₹ '000) Nil)

ii) later than one year but not later than 5 years – (₹ '000) 980 Nil (Previous year (₹ '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 (₹ '000) 43,775 (Previous year (₹ '000) 34,830) is recognised as lease income in the Profit and Loss Account for the year ended March 31, 2011. The future guaranteed lease payments under non-cancellable leases are:

i) less than one year (₹ '000) 39,240 (Previous year (₹ '000) 39,240)

ii) later than one year but not later than 5 years - (₹ '000) 187 (Previous year (₹ '000) 34,746)

16. Earnings Per Share (EPS)

The amount considered in ascertaining the Company's earnings per share constitute the net profit after tax and exceptional item (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, 2011	**Year Ended March 31, 2010**
i)	Net Profit after tax (₹ ' 000)	82,748	139,374
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 ₹ - Basic	8.27	13.94
	- Diluted	8.27	13.94

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, 2011 ₹ '000	**Year ended March 31, 2010 ₹ '000**
ii)	**Value of imports on CIF basis (on accrual basis):**		
	Capital goods	8,468	6,741
iii)	**Expenditure in foreign currency (on accrual basis):**		
	Travel expenses	36,382	42,919
	Professional fees	111	-
	Service charges to overseas subsidiaries	105,145	85,902
	Purchase of Traded Software Licences	603	-
	Conference Expenses	-	133
iv)	**Earnings in foreign exchange (on accrual basis):**		
	Income from services	722,881	808,872
	Interest on bank deposits	-	4

v) **Dividend remitted in foreign currency:**

	Year ended March 31, 2011	Year ended March 31, 2010
Number of non resident shareholders	123	109
Number of shares held by them	107,398	105,908
Gross amount of Dividend remitted (₹ 000's)	537	530
The financial year to which it relates	2009-10	2008-09

18. The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 No. 51/12/2007-CL-III dated February 08, 2011 read with General Circular No. 3/2011 dated February 21, 2011 issued under section 212(8) of the Companies Act, 1956 has granted general exemption to companies from attaching the Balance Sheet and Profit and Loss Account of their subsidiaries under section 212(1) of the Companies Act, 1956 and clarified that this exemption is applicable for accounts prepared on or after March 31, 2011.

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 Walker, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

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 2011

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	850,425	Total Assets	850,425
Sources of funds		**Application of funds**	
Paid-up capital	100,000	Net fixed assets (including Capital Work in Progress)	231,642
Application money towards share warrants	Nil	Investments	211,346
Reserves & Surplus	737,804	Net current assets (including deferred tax)	407,437
Secured loans	Nil	Miscellaneous expenditure	Nil
Unsecured loans	Nil	Accumulated losses	Nil

IV PERFORMANCE OF THE COMPANY (Amount in Rupees Thousands)

Turnover	1,100,351	Total expenditure	973,511
Profit before tax	126,840	Profit after tax	82,748
Earnings per share (₹) (weighted)	8.27	Dividend rate %	30%

V GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

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

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Sunil Bhatia
Chief Executive Officer and Managing Director

Dr. Prakash G Hebalkar
Director

K P T Kutty
Director

Mumbai, May 19, 2011

Ashok M Advani
Vice Chairman

Naresh K Malhotra
Director

Suresh N Talwar
Director

V Sudarshan
General Manager (F&A) and Company Secretary

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 31 March 2011 and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred 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 31 March 2011;
   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 & Co**
Chartered Accountants
Firm Registration No: 001076N

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

Mumbai, May 19, 2011

Consolidated Balance Sheet

As at March 31, 2011

	Schedule	As at March 31, 2011 ₹ '000	As at March 31, 2010 ₹ '000
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	100,000	100,000
Reserves and Surplus	B	744,500	697,203
Deferred tax liability		12,652	10,405
(Refer Note B 9 of Schedule J)			
Total		**857,152**	**807,608**
APPLICATION OF FUNDS			
Fixed Assets	C		
Gross Block		394,499	401,297
Less : Accumulated Depreciation / Amortisation		175,638	213,683
Net Block		**218,861**	**187,614**
Capital Work In Progress		13,911	
		232,772	**187,614**
Investments	D	**172,210**	**275,103**
Deferred tax asset		5,619	13,073
(Refer Note B 9 of Schedule J)			
Current Assets, Loans and Advances	E		
Sundry Debtors		280,932	289,045
Cash and Bank Balances		106,547	101,336
Other Current Assets		20,264	20,139
Loans and Advances		301,119	251,987
		708,862	**662,507**
Less: Current Liabilities and Provisions	F		
Liabilities		203,586	247,208
Provisions		58,725	83,481
		262,311	**330,689**
Net Current Assets		446,551	331,818
Total		**857,152**	**807,608**
Significant Accounting Policies and Notes to the Financial Statements	J		

As per our report of even date attached

For Walker, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

Consolidated Profit and Loss Account

For the year ended March 31, 2011

	Schedule	Year ended March 31, 2011 ₹ '000	Year ended March 31, 2010 ₹ '000
INCOME			
Sales and software services			
Exports		905,501	1,056,124
Domestic		297,137	246,334
		1,202,638	**1,302,458**
Other income	G	88,545	59,199
Total		**1,291,183**	**1,361,657**
EXPENDITURE			
Purchase of traded software licenses		65,458	56,575
Purchase of traded hardware		300	631
Employee remuneration and benefits	H	733,157	749,321
Operating and general expenses	I	338,710	381,646
Depreciation / Amortisation		23,287	23,148
Total		**1,160,912**	**1,211,321**
Profit before taxation		**130,271**	**150,336**
Current tax			
- Indian Income Tax		28,012	25,049
{Including Minimum Alternate Tax ('MAT')}			
- Foreign Tax		2,194	2,997
- MAT Credit Entitlement		-	(19,349)
Deferred tax expense / (credit)		9,662	3,873
Total		**39,868**	**12,570**
Profit after taxation		90,403	137,766
Exceptional item (Net of tax) (Refer Note B 4 of Schedule J)		6,418	-
Profit after taxation and exceptional item		83,985	137,766
Balance brought forward from earlier years		487,908	422,577
Profit available for appropriation		**571,893**	**560,343**
Appropriations			
Transfer to General Reserve		8,275	13,937
Proposed final dividend		30,000	50,000
Corporate dividend tax		4,867	8,498
Total		**43,142**	**72,435**
Balance carried forward to Balance Sheet		**528,751**	**487,908**
Significant Accounting Policies and Notes to the Financial Statements	J		
Earnings Per Share (Basic and diluted) - (₹)		8.40	13.78
Face Value Per Share - (₹)		10.00	10.00
Profit after tax available to Equity Shareholders		83,985	137,766
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, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

Consolidated Cash Flow Statement

For the year ended March 31, 2011

	Year Ended March 31, 2011 ₹ '000		Year Ended March 31, 2010 ₹ '000	
[A] Cash Flows from Operating Activities				
Net profit before tax & exceptional item	130,271		150,336	
Exceptional Item	(6,418)		-	
Net profit before tax	**123,853**		**150,336**	
Depreciation / Amortisation	23,287		23,148	
Unrealised foreign exchange (gains) / losses (net)	(3,826)		(5,628)	
(Profit) / Loss on sale of fixed assets (net)	1,035		(221)	
Dividend income	(12,412)		(6,851)	
Provision for bad and doubtful debts (net of write back)	(2,701)		(7,916)	
Sundry balances written back	(21)		3,181	
Interest income	(607)		(632)	
	4,755		**5,081**	
Operating profit before working capital changes	128,608		155,417	
Adjustment for:				
Trade and other receivables	(13,010)		63,110	
Trade payables and other liabilities	(44,940)		25,603	
	(57,950)		**88,713**	
Cash generated from operations	70,658		244,130	
Direct taxes paid	(55,633)		(31,613)	
Net cash from operating activities		**15,025**		**212,517**
[B] Cash flows from investing activities				
Purchase of fixed assets (Including capital advances)	(71,933)		(17,512)	
Sale of fixed assets	2,453		1,565	
Purchase of investments	(1,024,027)		(1,022,095)	
Sale of investments	1,139,332		870,292	
Dividend received	12,412		6,851	
Dividend reinvested in Mutual Funds	(12,412)		(6,851)	
Interest received	607		632	
Net cash used in investing activities		**46,432**		**(167,118)**
[C] Cash flows from financing activities				
Dividend and tax thereon paid	(58,498)		(58,498)	
Net cash used in financing activities		**(58,498)**		**(58,498)**
Net increase/(decrease) in cash and cash equivalents		2,959		(13,099)
Cash and cash equivalents - opening balance		100,468		113,567
Cash and cash equivalents - closing balance		**103,427**		**100,468**
Cash and cash equivalents comprise of:				
Cash on hand		2		12
Balances with scheduled banks in:				
- current accounts (including EEFC accounts)		56,009		53,501
- deposit accounts (including EEFC deposit accounts)		12,523		7,506
- unclaimed dividend accounts		2,420		2,538
Balance with non-scheduled bank in current account		35,593		37,779
Cash and Bank Balances as per books		106,547		101,336
Exchange difference on translation of foreign currency accounts/deposits		(3,120)		(868)
		103,427		**100,468**

Note: Cash and cash equivalents include (₹ '000) 2,420 (Previous Year (₹ '000) 2,538) which is not available for use by the Company.

As per our report of even date attached

For Walker, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

As at March 31, 2011

	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE A: CAPITAL		
Authorised		
11,000,000 Equity Shares of ₹ 10 each	110,000	110,000
Issued, Subscribed and Paid up		
10,000,000 Equity Shares of ₹ 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	188,280	174,343
Add: Transfer from Profit and Loss Account	8,275	13,937
	196,555	**188,280**
Hedging Reserve on Open Forward Contracts	15,005	16,826
Profit and Loss Account	528,751	487,908
	744,500	**697,203**

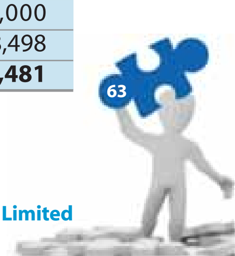
SCHEDULE C: FIXED ASSETS

In ₹ '000

	Gross Block (at cost)				Depreciation/Amortisation				Net Block	
Description of assets	As at April 1, 2010	Additions / Transfers during April 2010 -March 2011	Deletions / Transfers during April 10 -March 2011	As at March 31, 2011	As at April 1, 2010	For the year April 2010 -March 2011	Withdrawals during April 2010 -March 2011	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible Assets										
Building	135,546	4,719	-	**140,265**	12,106	2,293	-	**14,399**	**125,866**	123,440
Leasehold building improvements	16,539	34,901	-	**51,440**	12,826	2,170	-	**14,996**	**36,444**	3,713
Airconditioners	16,903	319	1,482	**15,740**	9,880	999	1,133	**9,746**	**5,994**	7,023
Computers	104,034	7,482	45,325	**66,191**	91,549	7,068	46,216	**52,401**	**13,790**	12,485
Furniture and fittings	80,006	379	9,655	**70,730**	54,074	4,618	7,410	**51,282**	**19,448**	25,932
Office equipment	14,451	639	3,610	**11,480**	9,085	711	2,171	**7,625**	**3,855**	5,366
Vehicles	12,778	1,401	2,079	**12,100**	6,942	1,649	1,733	**6,858**	**5,242**	5,836
Intangible Assets										
Computer Software	21,040	8,182	2,669	**26,553**	17,221	3,779	2,669	**18,331**	**8,222**	3,819
TOTAL-Fixed Assets	**401,297**	**58,022**	**64,820**	**394,499**	**213,683**	**23,287**	**61,332**	**175,638**	**218,861**	**187,614**
Previous Year	*395,821*	*17,512*	*12,036*	*401,297*	*201,227*	*23,148*	*10,692*	*213,683*	*187,614*	-

	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE D: INVESTMENTS		
Current investments, Non-trade, Unquoted:		
Investment in units of Mutual Funds		
DWS Mutual Fund - Ultra Short Term Institutional - Daily Dividend Reinvestment Nil units (Previous year - 4,062,323 units)	-	40,696
DWS Mutual Fund - Fixed Term Fund - Series 73 - Growth Plan 2,000,000 units (Previous year - Nil units)	20,855	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment 1,993,720 units (Previous year - Nil units)	20,000	-
HDFC Cash Management Fund - Floating Rate Income Fund - Daily Dividend Reinvestment Nil units (Previous year - 1,995,564 units)	-	20,117
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 2,414,497 units (Previous year - 2,992,469 units)	25,682	30,019
ICICI Prudential - Flexible Income Plan Premium - Daily Dividend Nil units (Previous year - 489,470 units)	-	51,754
ICICI Prudential - Liquid Super Institutional Plan - Daily Dividend 150,775 units (Previous year - Nil units)	15,081	-
IDFC Mutual Fund - Money Manager Fund Treasury - Daily Dividend Reinvestment Nil units (Previous year - 1,004,448 units)	-	10,115
Kotak Mutual Fund - Floater Long Term - Daily Dividend Reinvestment Nil Units (Previous year 2,011,714 units)	-	20,278
Kotak Mutual Fund - Flexi Debt Scheme Institutional - Daily Dividend Reinvestment 1,009,919 Units (Previous year Nil units)	10,147	-
Reliance Medium Term Fund - Daily Dividend Plan Nil units (Previous year - 587,296 units)	-	10,040
Reliance Liquid Fund - Cash Plan - Daily Dividend Option 916,685 units (Previous year - Nil units)	10,213	-
Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan 2,346,482 units (Previous year - Nil units)	31,433	-
Tata Floater Fund - Daily Dividend Nil units (Previous year 4,174,337 units)	-	41,892
Tata Liquid Super High - Investment Fund - Daily Dividend 34,812 units (Previous year Nil units)	38,799	-
UTI Mutual Fund - Floating Rate Institutional Short Term - Daily Dividend Reinvestment Nil units (Previous year 20,089 units)	-	20,104
UTI Mutual Fund - Treasury Advantage Fund Institutional Short Term - Daily Dividend Reinvestment Nil units (Previous year 30,081 units)	-	30,088
Note: Aggregate book value of unquoted investments (₹ '000) 172,210 (Previous year (₹ '000) 275,103)	**172,210**	**275,103**

	As At March 31, 2011 ₹ '000	As At March 31, 2010 ₹ '000
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES		
(a) Sundry Debtors (unsecured)		
Outstanding for a period exceeding six months		
- Considered good	4,467	18,506
- Considered doubtful	8,730	13,235
	13,197	**31,741**
Other debts		
- Considered good	257,746	254,168
- Considered doubtful	-	-
	270,943	285,909
Less: Provision for bad and doubtful debts	8,730	13,235
	262,213	**272,674**
Unbilled Services	18,719	16,371
	280,932	**289,045**
(b) Cash and Bank Balances		
Cash on hand	2	12
Balances with scheduled banks in:		
- Current accounts (including EEFC accounts)	56,009	53,501
- Deposit accounts (including EEFC deposit accounts)	12,523	7,506
- Unclaimed dividend accounts	2,420	2,538
Balance with non-scheduled bank in current account	35,593	37,779
	106,547	**101,336**
(c) Other Current Assets		
Hedging Reserve on Open Forward Contracts	15,005	16,826
Deferred Rent	5,259	3,313
	20,264	**20,139**
(d) Loans and Advances		
(Unsecured and considered good)		
Advances Recoverable in cash or in kind or for value to be received	38,836	15,889
Prepaid expenses	6,067	5,312
Deposits with Government authorities and others	41,971	41,970
Advance Tax (Net of Provision)	174,192	148,763
MAT Credit Entitlement	40,053	40,053
	301,119	**251,987**
SCHEDULE F: CURRENT LIABILITIES AND PROVISIONS		
(a) Liabilities		
Sundry Creditors-For Services	14,603	42,801
Sundry Creditors-Others	129,160	159,979
Unearned Revenue	27,076	10,618
Unclaimed Dividends	2,420	2,538
(There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund)		
Other Liabilities	30,327	31,272
	203,586	**247,208**
(b) Provisions		
For Compensated absences	23,280	23,563
For Gratuity	385	1,420
For Proposed Dividend	30,000	50,000
For Corporate Dividend Tax	5,060	8,498
	58,725	**83,481**



For the year ended March 31, 2011

	Year Ended March 31, 2011 ₹ '000	Year Ended March 31, 2010 ₹ '000
SCHEDULE G: OTHER INCOME		
Profit on sale of assets (Net)	-	221
Interest on bank deposits (tax deducted at source (₹ '000) 42 {Previous Year (₹ '000) 40}	607	632
Interest on tax refunds	-	2,569
Dividend income from current investments	12,412	6,851
Gain on Exchange Translation	24,799	5,651
License fee for office property	45,007	34,865
Sundry balances written back	21	-
Excess provision for doubtful debts written back	2,701	7,916
Miscellaneous Income	2,998	494
	88,545	**59,199**
SCHEDULE H: EMPLOYEE REMUNERATION AND BENEFITS		
Salaries and Wages	671,713	690,359
Contribution to provident and other funds	31,148	30,007
Staff welfare	30,296	28,955
	733,157	**749,321**
SCHEDULE I: OPERATING AND GENERAL EXPENSES		
Travelling and conveyance	74,722	80,839
Rent	42,098	36,155
Rates and taxes	3,043	3,765
Power	15,991	15,586
Communication	16,511	14,543
Insurance	1,824	1,445
Repairs and maintenance		
Building / Leasehold premises	7,370	6,087
Computers and Airconditioners	3,273	4,304
Others	1,575	1,870
Payment to auditors		
Audit services	2,616	2,266
Taxation matters	607	681
Certification Work	90	80
Out of Pocket Expenses	87	99
Directors' fees	996	955
Commission to Non Executive Directors	1,345	1,460
Chairman & Managing Directors' Remuneration	2,640	2,640
Legal and Professional charges	127,994	165,597
Loss on Sale of Fixed Assets	1,035	-
Bad and doubtful debts written off (net)	-	3,181
Recruitment Charges	3,872	1,064
Forward Option Cost	4,058	16,006
Miscellaneous expenses	26,963	23,023
	338,710	**381,646**

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.

ii) 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 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.

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 lives 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 and foreign exchange forward 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.

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 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 are 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 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.

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 assetscan 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 (₹ '000) 2,948 {Previous year (₹ '000) Nil}.

2. Contingent liability not provided in respect of:

Demand(s) raised by the Income Tax authorities for prior financial year(s) during the year aggregating (₹ '000) 319,641 {Previous year (₹ '000) 35,082/-} against which the Company has filed appeal(s) with the Commissioner of Income-tax (Appeals) The appeal(s) filed with the Appellate Tribunal (India) towards income tax demands amounting to (₹ '000) 6,584/- {Previous year (₹ '000) 8,584/-}.

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 (₹ '000) 6,799 (Previous Year (₹ '000) 6,084) and by others (₹ '000) Nil (Previous Year (₹ '000) 81,500).

4. **Exceptional Item** (Stamp duty Liability)

   Notice(s) demanding differential stamp duty of (₹ '000) 4,699 and penalty of (₹ '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 was 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 (₹ '000) 4,699 and provided bank guarantees for a sum of (₹ '000) 3,020 to the Honourable High Court, Bombay, subject to further orders and outcome of appeal proceedings. No hearing was scheduled in the matter by the Honourable High Court, Bombay for over three years. As a matter of commercial prudence, the Board of Directors decided to withdraw the petition(s) from the Honourable High Court, Bombay and pay the differential stamp duty and penalty without getting into the merits of the matter. Accordingly, a total sum of (₹ '000) 11,137 was paid including (₹ '000) 6,418 as penalty which has been disclosed as an exceptional item in the Profit and Loss Account.

5. **Employee Benefit Plans**

   a) Defined Contribution Plans: The amount recognised as an expense in respect of employees of Blue Star Infotech Limited during the year is (₹ '000) 22,316 (Previous Year (₹ '000) 21,578)

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

Particulars		**2010-11 ₹ '000**	**2009-10 ₹ '000**
Change in Defined Benefit Obligation:			
Obligations as at the beginning of the year:		36,949	33,385
Service Cost		8,224	8,148
Interest Cost		2,547	2,238
Actuarial (gain) / loss		(7,213)	(3,983)
Benefits paid		(5,976)	(2,839)
Present value of defined benefit obligations as at year end	**(A)**	34,531	36,949
Change in Plan Assets:			
Opening plan assets, at fair value		16,505	13,274
Expected return on plan assets		1,275	1,142
Actuarial gain / (loss)		(1,245)	(105)
Contributions		4,831	5,033
Benefits paid		(5,976)	(2,839)
Fair value of plan assets as at year end	**(B)**	15,390	16,505
Cost for the year			
Service Cost		8,224	8,148
Interest Cost		2,547	2,238
Expected return on plan assets		(1,275)	(1,142)
Actuarial (gain) / loss		(5,968)	(3,878)
Total net cost recognised as employee remuneration		3,528	5,366
Reconciliation of Benefit Obligations & Plan Assets for the year:			
Present value of defined benefit obligations as at year end	**(A)**	34,531	36,949

For the year ended March 31, 2011

Fair value of plan assets as at year end	**(B)**	15,390	16,505
Net (asset) / liability as at year end recognised in Balance Sheet	**(A) – (B)**	19,141	20,444
Investment details of plan assets:			
The plan assets are invested in trust managed funds:			
Assumptions:			
Discount Rate		8.00%	7.50%
Salary escalation rate		5.00%	5.00%
Estimated rate of return on plan assets		8.00%	8.00%

c) During the year the company has reversed provisions made towards incentive and sales commission relating to employees amounting to (₹ ‘000) 23,500 {Previous year (₹ ‘000) Nil}.

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, 2011 is as under:

S. 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 prior to issue of options		Closing market price prevailing on the previous day			
5	Granted		691,000			
6	Vested		198,000			
7	Exercised		175,850			
8	Lapsed / Cancelled options		383,650			
9	Vested and unexercised		22,150			
10	Total number of options in force		131,500			
11	Money realised		(₹ ‘000) 1,653 {Previous Year (₹ ‘000) 11,005}			
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	117,000	145,000	112,000	100,000
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 ₹ 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 ₹ 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 Annual General Meeting 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, 2011 are summarized below:

	Number of options
Outstanding at the beginning of the year	204,500
Granted during the year	Nil
Forfeited during the year	Nil
Exercised during the year	23,000
Expired during the year	50,000
Outstanding at the end of the year	131,500
Exercisable at the end of the year	131,500

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2011 is as follows:

Number of options	Exercise price	Expected remaining contractual life
5,000	92	3 months
6,000	96	4 months
100,000	82	8 months
20,500	71	10 months
131,500		

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, 2011 ₹ '000	Year ended March 31, 2010 ₹ '000
Profit after taxation as per Profit and Loss Account	83,985	137,766
Less: Amortised cost of fair value of options (net of tax)	(348)	(1,002)
Profit after taxation after amortisation of options cost	83,637	136,764
Earnings Per Share - Basic and Diluted	8.36	13.68

7. **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, 2011 of US Dollar $ 11,150,000 and GBP £ 80,000 Cross Currency-Rupees (Previous year US Dollar $12,467,724 and GBP £ 180,000)

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	**2010-2011 (₹ '000)**	**2010-2011**	**2009-2010 (₹ '000)**	**2009-2010**
Exports in US $	NIL	NIL	NIL	NIL
Exports in UK £	57,373	£ 797,617	39,891	£ 586,374
Exports in EUR •	3,169	• 50,117	3,529	• 58,266
Exports in JPY ¥	10,059	¥ 18,620,541	35,632	¥ 73,558,024
Exports in AUD	NIL	NIL	2,259	AUD 54,608

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.

(₹ '000)

Particulars	**Associates**	**Promoters**	**Company in which promoters have significant influence**	**Total for the Year**
Rendering of Services	92,686	-	-	**92,686**
	80,058	-	-	*80,058*
Receiving of Services	5,454	-	15,423	**20,877**
	6,230	-	*16,020*	*22,250*
Reimbursement of expenses	-	-	191	**191**
	-	-	*465*	*465*
Security Deposit Given	10,000	-	-	**10,000**
	10,000	-	-	*10,000*
Purchase Of capital goods	7,240	-	-	**7,240**
	351	-	-	*351*
Guarantees & Collaterals (Taken)/ Given	-	-	-	-
	(81,500)	-	-	*(81,500)*
Director Sitting Fees	-	80	-	**80**
	-	*80*	-	*80*
Non- Executive Director commission	-	262	-	262
	-	*280*	-	*280*

Remuneration / Reimbursement of Remuneration	-	4,440	-	4,440
	-	*4,440*	-	*4,440*
Outstanding Balance	-	-	-	-
Debit Balance	27,422	-	1,053	**28,475**
	16,218	-	*4,912*	*21,130*
Credit Balance	-	-	2,075	**2,075**
	-	-	*(29,739)*	*(29,739)*

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.
Promoters	:	Mr. Suneel M. Advani, Chairman and Managing Director
		Mr. Ashok M. Advani, Vice-chairman

9. Deferred taxes

		As at March 31, 2011 (₹ '000)	As at March 31, 2010 (₹ '000)
A Deferred tax liability on:			
Depreciation		12,650	10,405
	(A)	**12,650**	**10,405**
B Deferred tax asset on:			
Unabsorbed Depreciation		3,742	9,901
Allowance for bad and doubtful debts		72	1,402
Vacation Accruals		1,804	1,770
Other Accruals			-
	(B)	**5,618**	**13,073**
Net Deferred tax liability / (asset)	**(A)-(B)**	**7,032**	**(2,668)**

10. Operating Lease

a) The Company has taken office/residential premises under cancellable operating lease agreements that are renewable at the option of both the lessor and lessee. An amount of (₹ '000) 42,098 (Previous year (₹ '000) 36,155) is recognised as lease expenses in the Profit and Loss Account for the year ended March 31, 2011. The future guaranteed lease payments under non cancellable portion of cancellable leases are:

i) less than one year – (₹ '000) 15,574 (Previous year (₹ '000) 4,770)

ii) later than one year but not later than 5 years – (₹ '000) 980 (Previous year (₹ '000) 3,224)

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 (₹ '000) 45,007 (Previous year (₹ '000) 34,865) is recognised as lease income in the Profit and Loss Account for the year ended March 31, 2011. The future guaranteed lease payments under non cancellable leases are:

i) less than one year (₹ '000) 39,240(Previous year (₹ '000) 34,753)

ii) later than one year but not later than 5 years - (₹ '000) 187(Previous year (₹ '000) 109,536)

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 numbers 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, 2011	Year Ended March 31, 2010
i)	Net Profit after tax (₹ '000)	83,985	137,766
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 ₹ - Basic	8.40	13.78
	- Diluted	8.40	13.78

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, Chandiok & Co
Chartered Accountants

Khushroo B Panthaky
Partner

Mumbai, May 19, 2011

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

Dr. Prakash G Hebalkar
Director

Suresh N Talwar
Director

K P T Kutty
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011

Statement Pursuant to Section 212 of the Companies Act, 1956

₹ in '000

		Blue Star Infotech America, Inc.	Blue Star Infotech (UK) Limited
1	**Name of the Subsidiary Company**	**Blue Star Infotech America, Inc.**	**Blue Star Infotech (UK) Limited**
2	Financial Year of Subsidiary Company	**March 31, 2011**	**March 31, 2011**
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	22,064
	d) Reserves / (Accumulated Losses)	(20,494)	10,836
	e) Total assets	156,667	84,096
	f) Total Liabilities (other than shareholders' funds)	158,854	51,196
	g) Details of Investments	NIL	NIL
	h) Turnover	620,648	233,496
	i) Profit / (Loss) before Taxation	(7,041)	9,131
	j) Provision for Taxation / (Reversal)	490	2,147
	k) Profit after Taxation	(7,531)	6,983
	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	(7,531)	6,983
	b) For the previous Financial Years, since it became Holding Company's Subsidiary	(8,387)	6,754
	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, 2011	44.65	71.93
		equivalent INR per USD	equivalent INR per GBP

Note :

a) 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.

b) The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 No. 51/12/2007-CL-III dated February 08, 2011read with General Circular No. 3/2011 dated February 21, 2011 issued under section 212(8) of the Companies Act, 1956 has granted general exemption to Companies from attaching the Balance Sheet and Profit and Loss Account of its Subsidiaries under section 212(1) of the Companies Act, 1956 and clarified that this exemption is applicable for accounts prepared on or after March 31, 2011.

For and on behalf of the Board of Directors

Suneel M Advani
Chairman & Managing Director

Ashok M Advani
Vice Chairman

Suresh N Talwar
Director

Sunil Bhatia
Chief Executive Officer & Managing Director

Naresh K Malhotra
Director

K P T Kutty
Director

Dr. Prakash G Hebalkar
Director

V Sudarshan
General Manager (F&A) and Company Secretary

Mumbai, May 19, 2011