

**BLUE STAR****BLUE STAR LIMITED**

Regd. Office: Kasturi Buildings, Mohan T. Advani Chowk, Jamshedji Tata Road, Mumbai 400020

Dear Member(s),

Postal Ballot Notice pursuant to section 192A of the Companies Act, 1956

The Board of Directors of the Company vide a resolution passed on January 18, 2013 approved a proposal to introduce and implement an Employees Stock Option Scheme (ESOS) in the name and style of "Blue Star Employees' Stock Option Scheme - 2013" and authorised the Board to create, offer, issue and allot 17,98,722 equity shares and/or equity linked instruments including Options/Warrants/ Other instruments not exceeding 2% of the issued Equity Share Capital of the Company as on 31 December, 2012, for the benefit of such person(s) who is/are in the permanent employment of the Company, its subsidiary companies, whether working in India or out of India and Managing or Whole Time Directors of the Company, (not being Promoters) as more specifically described in the proposed Special Resolution appended to this Notice.

The above mentioned proposal requires the approval of the Members by way of Special Resolutions under sections 79A and 81 of the Companies Act, 1956 and the applicable provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. In terms of Clause 5 of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 ("The Rules"), passing of a Resolution through Postal Ballot for the said proposal is not mandatory. However, to facilitate wider participation in the approval process by Member(s) residing at different locations, the Company is seeking approval of the Member(s) through Postal Ballot instead of convening an Extraordinary General Meeting.

Accordingly, the draft of the proposed Special Resolutions together with the Explanatory Statement setting out the material facts and reasons for the Resolutions are being sent to you along with a Postal Ballot Form for your consideration.

The Company has appointed Mr. Haresh Jani, Practising Company Secretary, as a Scrutinizer, for conducting the Postal Ballot in a fair and transparent manner and in accordance with the provisions of the Companies Act, 1956 and Rules framed thereunder.

You are requested to carefully read the instructions printed in the Postal Ballot Form and return the Form duly completed in the attached self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours on March 2, 2013. Alternatively, you may cast your vote through voting by electronic mode by following the instructions mentioned in the Postal Ballot Form. The Scrutinizer will submit his Report to the Chairman after completion of the scrutiny of the Postal Ballots received. The Chairman or the Managing Director of the Company or the Company Secretary will announce the Results of the Postal Ballot on the 7th day of March, 2013 at 2 p.m. at the Company's Registered Office at Kasturi Buildings, Mohan T. Advani Chowk, Jamshedji Tata Road, Mumbai 400 020.

The Results will be displayed at the Registered Office, besides being communicated to the Stock Exchanges on which the Company's Equity Shares are listed. The Results will also be published in one English and one Marathi Newspaper for the information of the Member(s).

DRAFT SPECIAL RESOLUTIONS :

1. To consider and, if thought fit, to pass the following as a Special Resolution :

"RESOLVED that in accordance with the provisions of the Articles of Association of the Company, sections 79A, 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("The Act") including any statutory modification(s) or re-enactments of the Act for the time being in force and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto ("the Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be imposed or prescribed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include the Compensation Committee of the Board), consent of the Company be accorded to the Board to introduce and implement the "Blue Star Limited Employees' Stock Option Scheme - 2013" (hereinafter referred to as "the Scheme") the salient features of which are detailed in the Explanatory Statement to this Notice and to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in the permanent employment of the Company whether working in India or out of India and Managing or Wholtime Directors the Company (not being Promoters) (hereinafter referred to as "Employee" or "Employees") under the Scheme, such number of equity shares and/or equity linked instruments (including Options/Warrants/Other instruments("Options") which could give rise to the issue of equity shares (hereinafter referred to as "the Securities") not exceeding 2% of the issued Equity Share Capital of the Company as on 31 December, 2012 i.e. not exceeding 17,98,722 Equity Shares of Rs.2 each (or such other adjusted figure for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the company as may be applicable from time to time), in one or more tranches, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Scheme, the Guidelines and other provisions of the law as may be prevailing at that time.

FURTHER RESOLVED that the new equity shares to be issued and allotted in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company.

FURTHER RESOLVED that for the purpose of creating, offering, issuing, allotting and listing of the Securities and/or for the purpose of complying with any Guidelines or Regulations that may be issued from time to time by any appropriate authority the Board be authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time, provided such variations, modifications, alterations or revisions are in compliance with the Guidelines.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board be authorised to determine terms and conditions of issue of the Securities and do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring to secure any further consent or approval of the Shareholders of the Company.

2. To consider and, if thought fit, to pass the following as a Special Resolution:

"RESOLVED that in accordance with the provisions of the Articles of Association of the Company, sections 79A, 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modifications(s) or re-enactment of the Act, for the time being in force and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto ("the Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be imposed or prescribed while granting such approvals, consents, permission and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include the Compensation Committee), consent of the Company be accorded to the Board to extend the benefits of the Blue Star Employees' Stock Option Scheme - 2013 ("the Scheme") proposed in Resolution 1 in this Notice to the Employees whether working in India or out of India and Directors of the subsidiary Companies on such terms and conditions as may be decided by the Board.

FURTHER RESOLVED that for the purpose of creating, offering, issuing, allotting and listing of the Securities, the Board be authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time, provided such variations, modifications, alterations or revisions are in compliance with the Guidelines..

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board be authorised to determine terms and conditions of issue of the Securities and do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring to secure any further consent or approval of the Shareholders of the Company."

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956

Item Nos. 1 and 2

Stock Options represent a reward system based on performance. They help companies attract, retain and motivate the best available talent. Stock Options also provide a company with an opportunity to optimise its personnel costs. This also provides an opportunity to employees to participate in the growth of the company besides creating long term wealth in their hands. In line with this, the Company has formulated an employee stock option scheme called Blue Star Employees' Stock Option Scheme 2013 ("the Scheme").

As the global business environment is becoming increasingly competitive, it is important to attract and retain qualified talented and competent personnel in the Company. In view of this, it is necessary to implement a Scheme by authorising the Board or the Committee to grant equity shares of the Company to the Employees and Managing and Whole time Directors other than Directors belonging to the Promoter group on exercise of Options at a price to be decided by the Board.

Keeping in line with the above, the Scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") issued by SEBI and other applicable laws. The Scheme has been approved by the Compensation Committee of the Board and by the Board of Directors at their Meetings held on 31 July 2012 and 18 January 2013 respectively.

The Scheme will be operated and administered under the superintendence of the Compensation Committee, which is a Committee of the Board of Directors, the majority of whose Members are Independent Directors. The Compensation Committee will finalise the detailed terms and conditions of the Scheme including :

- Number of options to be granted to any Employee, and in the aggregate;
- Terms on which the options will vest;

- The conditions under which options vested in Employees may lapse in case of termination of Employees for misconduct;
- The exercise period within which an Employee should exercise the options, and lapsing of options on failure to exercise the options within the exercise period;
- The specified time period within which the Employees shall exercise the vested options in the event of termination or resignation or retirement due to superannuation or otherwise of the Employee;
- The right of an Employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
- The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues, stock splits and other corporate actions.
- Any other related or incidental matters;

The salient features of the Scheme are as under:

(a) The total number of options to be granted

The total number of options that may in the aggregate be issued would be such number of options which shall entitle the option holders to acquire in one or more tranches upto 17,98,722 equity shares of Rs.2 each which represent 2% of the issued equity share capital of the Company as on 31 December,2012 or such other adjusted figure for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company as may be applicable from time to time.

(b) Identification of classes of employees entitled to participate in the Scheme

Persons who are employees and Managing or Whole time Directors not being Promoters or belonging to the Promoter Group as defined in the guidelines for the time being in force and as may be decided by the Compensation Committee from time to time

The class of Employees eligible for participating in the Scheme shall be determined based on criteria such as the grade of Employees, length of service, performance record, merit of the Employee, future potential contribution by the Employee and/or by any such criteria that may be determined by the Compensation Committee in its sole discretion.

The options granted to an Employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

(c) Requirements of vesting and period of vesting

Vesting of options may commence after a period of not less than one year from the date of grant. The vesting may occur in one or more tranches, subject to the terms and conditions of vesting, as may be stipulated by the Compensation Committee in its sole discretion.

(d) Maximum period within which the options shall be vested

The maximum vesting period may extend upto five years from the date of grant of options, unless otherwise decided by the Compensation Committee.

(e) Exercise price or pricing formula

Exercise Price means the price at which the Employee is entitled to acquire the equity shares pursuant to the options granted and vested in him/her under the Scheme.

The Exercise Price per equity share shall be as may be decided by the Compensation Committee at the time of grant of options.

(f) Exercise period and process of exercise

The exercise period may commence from the date of vesting and will expire not later than five years from the date of vesting, or such other period as may be decided by the Compensation Committee from time to time.

The options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period. The options may also lapse under certain circumstances even before the expiry of the specified exercise period.

(g) Appraisal Process for determining the eligibility of Employees to the Scheme

The appraisal process for determining the eligibility of the Employee will be specified by the Compensation Committee and will be based on criteria such as the grade of Employees, length of service, performance record, merit of the Employee, future potential contribution by the Employee and/or by any such criteria that may be determined by the Compensation Committee in its sole discretion.

(h) Maximum number of options to be issued per Employee and in the aggregate

The maximum number of options to be granted per Employee will not exceed 2,00,000 shares of Rs.2/- each.

The aggregate of all such grants shall not exceed 2% of the issued and outstanding equity shares of the Company as on 31 December, 2012.

(i) Disclosure and accounting policies.

The Company shall conform to the accounting policies specified by Securities and Exchange Board of India as per the guidelines, as amended from time to time.

(j) Method of Valuation

The Company follows the intrinsic value method for computing the compensation cost, if any, for the options granted. The difference between the employee compensation cost so calculated and employee compensation cost that would have been recognised if the Company had used fair value method and its impact on the profits and earnings per share would be disclosed in the Directors' Report.

(k) Other terms

The Board shall have the absolute authority to vary, modify or alter the terms of the Scheme in accordance with the Regulations and Guidelines as prescribed by the Securities and Exchange Board of India or Regulations that may be issued by any appropriate authority, from time to time, provided such variation, modification or alteration is in compliance with the guidelines.

As the Scheme would entail further shares to be offered to persons other than existing Members of the Company, consent of the Members is sought pursuant to the provisions of section 81 and all other applicable provisions, if any of the Companies Act, 1956 and as per the requirement of Clause 6 of the guidelines.

As per the guidelines, a separate Resolution is required to be passed if the benefits of the Scheme are to be extended to Employees of the subsidiary companies. The Resolution under Item No.2 is being proposed accordingly to cover such employees.

The Managing or Wholetime Director(s) who would be eligible or would qualify to receive options under the Scheme may be deemed to be concerned or interested in the item of business to the extent of the options that may be offered to them under the Scheme.

The Board recommends the passing of the Resolutions set out in item Nos. 1 and 2 appended to this Notice as Special Resolutions.

Your approvals are sought by voting through Postal Ballot or through the electronic mode pursuant to the provisions of section 192A of the Act read together with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 for passing the Special Resolutions as set out in this Notice

By Order of the Board
For **BLUE STAR LIMITED**

SANGAMESHWAR IYER
COMPANY SECRETARY

Place : Mumbai
Date : January 18, 2013.

**BLUE STAR****BLUE STAR LIMITED**

Registered Office:- Kasturi Buildings, Mohan T. Advani Chowk, Jamshedji Tata Road,
Mumbai 400020.

POSTAL BALLOT FORM**Srno:**

1. Name and registered address :
of the sole / first named member
(in block letters)
2. Name(s) of the joint :
Member(s), if any
(in block letters)
3. Registered Folio number / DP :
ID No. / Client ID No.*
4. Number of shares held :

(* Applicable to investors holding shares in dematerialized form)

I / We hereby exercise my / our vote in respect of the Special Resolutions to be passed through Postal Ballot for the business stated in the Notice of the Company by conveying my / our assent or dissent to the said Resolutions by placing the tick mark (✓) at the appropriate box below:-

Item No.	Description	No. of Shares	(For)	(Against)
			I / we assent to the resolution	I / we dissent to the resolution
1.	Special Resolution under sections 79A & 81 of the Companies Act, 1956 seeking shareholders consent to introduce and implement Blue Star Employees Stock Option Scheme 2013 for the Employees / Managing and Whole time Directors of the Company			
2.	Special Resolution under sections 79A & 81 of the Companies Act, 1956 seeking shareholders consent for extending the benefits of Blue Star Employees Stock Option Scheme 2013 to the Employees / Directors of Subsidiary Companies			

Place:-

Date:-

(Signature of Member)

Note:- Please read the instructions printed overleaf carefully before exercising your vote.

ELECTRONIC VOTING PARTICULARS

EVEN (E Voting Event Number)	User ID	Password
100048		