

JOINT PRESS RELEASE

Blue Star Group entity, Blue Star Infotech Limited, sells its IT business to Infogain; to merge with Blue Star Limited

Blue Star Group entity, Blue Star Infotech Limited (BSIL), earlier today, announced the sale of its IT business to Infogain Inc, a ChrysCapital portfolio company, for an aggregate consideration of Rs 180.80 crores. BSIL will retain a real estate business and other assets, the fair value of which is expected to be around Rs. 96.7 crores. Details of this sale transaction are available in a separate Press release (copy attached).

Consequently, Blue Star Limited (Blue Star) and BSIL have announced that the two entities will merge, subject to shareholder approval of the respective companies. In effect, by the way of the above merger, the residual operations of BSIL, namely a real estate business, together with other assets, will get integrated with Blue Star.

Proposed restructuring

Blue Star forayed into the Information Technology space in 1983. In 2000, the Blue Star Group executed a strategic shift to hive off its IT business into an independent company, Blue Star Infotech Limited, as this business necessitated specialised focus and was significantly different from its core business. In the new competitive landscape of the IT industry, despite doubling its revenue between 2011 and 2015 to approximately \$50 million, there is a compelling need to gain access to technology, global markets and growth capital, to pursue its next phase of growth.

The strategic vision of Blue Star calls for an enhanced focus on its core businesses of airconditioning, commercial refrigeration, MEP contracting and after-sales service. Apart from expanding its international footprint, Blue Star also intends to leverage its brand equity and distribution network to expand its product portfolio for participating in the emerging growth opportunities in the market. Recently, the Company has also embarked on a program to revamp its manufacturing footprint. These strategic initiatives require significant investments going forward.

With a constant endeavor to deliver value and in light of the above developments, the Group has done a strategic review of its businesses and their capital requirements and taken a decision to sharply focus on its core airconditioning and refrigeration business. The consequent proposed sale of the IT business of BSIL is explained in detail in the attached Press release.

Further, the proposed merger will enable the Group to efficiently access a substantial part of the required growth capital for its core businesses.

Merger Details

Subject to the completion of BSIL's IT business sale, it is proposed to merge BSIL with Blue Star with effect from April 1, 2015 under the provisions of section 391-394 of the Companies Act 1956 through a court approved scheme of amalgamation. Shareholders of BSIL on the Record Date for the Scheme will be issued equity shares in Blue Star as per the share swap ratio of 7 shares of face value of Rs 2 each in Blue Star Limited for 10 shares of face value of Rs 10 each held in BSIL.

The share swap ratio has been determined under the joint valuation report prepared by BSR & Co LLP and SSPA & Co, independent chartered accountants and confirmed as fair by ICICI Securities Limited and Axis Capital Limited, category- I merchant Bankers. KPMG acted as the transaction advisors and Khaitan & Co as the legal counsel.

Mr Ashok M Advani, Chairman, Blue Star Limited adds, "The proposed merger enables the utilisation of capital that flows in to fund growth of Blue Star's core businesses and improve returns thereby creating long term sustainable value for all shareholders. It will also strengthen the balance sheet and provide financial stability in a volatile market."

Mr Suneel M Advani, Chairman, Blue Star Infotech Limited adds, "The proposed sale of the IT business of BSIL and the merger of Blue Star and BSIL is a win-win for not only the respective shareholders but also other stakeholders including customers and employees. Further, BSIL shareholders have an opportunity to be a part of the growth story of Blue Star."

Place: Mumbai

Date: Sep 29, 2015.

For additional information, please contact: B Thiagarajan, Executive Director & President - AC&R Products Business, Blue Star Limited, Bandbox House, 254D, Dr Annie Besant Road, Worli, Mumbai – 400 030 email: bthiagarajan@bluestarindia.com Telephone: 09600034725.