

Investor Update

Blue Star Infotech

October 31, 2006

Blue Star Infotech Limited (BSIL) has recorded consolidated revenue of Rs. 298.65 million and consolidated net profit of Rs. 17.47 million for the quarter ended September 30, 2006 as compared to sales of Rs. 209.10 million and net profit of Rs. 2.19 million for the corresponding quarter of the previous year. For the first half year ended September 30, 2006 sales have grown by 38% at Rs. 578.39 million as compared to Rs. 417.54 million for the corresponding six months of the previous year while the net profit is up at Rs. 41.84 million as compared to Rs. 6.10 million for the corresponding period last year.

As on September 30, 2006 the Company had liquid funds to the tune of Rs. 30 million . As a prudent financial measure, the company normally hedges its forex earnings against major currency fluctuations.

Operational Highlights for the Quarter ended June 30, 2006

- During the quarter ended September 30, 2006, the Company achieved a 7% sequential growth in revenue as compared to the immediately preceding quarter.
- Company continues its focus on two key areas for growth in our chosen international markets: the Technology Sector and the Travel Sector.
- In addition to these initiatives, the Company has continued its thrust on realizing profitable growth in consulting services in the domestic market.
- 9 new customers added during the quarter and the total number of billed customers during the quarter was 82.
- Top 5 customers accounted for 37% of revenue.
- Offshore-related projects accounted for 88% of revenue.
- Global strength was 826 as of end September 2006.

Commenting on the performance, Mr. Suneel Advani, Chairman and Managing Director, said, “Each of our Practices continues to show significant growth in revenues and profitability. A concerted thrust towards customer satisfaction resulted in significant repeat business from our key accounts. Our strategy of focusing on niche segments has enabled us to exceed our half-yearly targets, create strong differentiators and brand positioning in the markets we serve. The coming quarters look extremely positive and I am confident about the business outlook”

Business Outlook

The Company has been successful in reversing a downward trend in revenue and profitability and is back on a growth track. It is expected that revenue and profitability will continue to improve in the coming quarters.

About Blue Star Infotech

Blue Star Infotech Limited is a global software services provider of software engineering, design and development services. Headquartered in Mumbai, India, BSI's software development centers in Mumbai and Bangalore have been assessed at SEI-CMMI Level 5/ ISO 9001:2000.

BSI serves its global clientele through offices in Santa Clara (CA), Detroit (MI) and Jersey City (NJ) in North America, and London & Helsinki in Europe. The company also has business associates in USA, Continental Europe and Japan.

With state-of-the-art development centers and infrastructure, about 600 professionals and a growing list of Fortune 500 and medium-sized enterprise clients since the past twenty years, BSI is poised to play a major role in the global software industry. The company has four main lines of business: Global Research & Development, Business Applications Practice, Consulting Services Practice and Systems Integration Practice.

The company is listed on the National Stock Exchange and the Bombay Stock Exchange in India.

The Group has business relationships and technology tie-ups with world renowned companies including Hewlett Packard, U.S.A.; Hitachi, Japan and York International (now a part of Johnson Controls), USA to name a few.

Preferred Relationships

BSI has a track record of building long-term partnerships with Fortune 500 and medium-sized companies. Some of these include:

- Applications development partner of a US Fortune 50 technology company for over **twenty years**.
- Product development support to the European R&D Group of a \$15 billion US Fortune 500 multi-product company for over **ten years**.
- Embedded software development team for a Japanese Fortune 25 manufacturer of hi-technology medical equipment for over **five years**.
- Dedicated offshore development center for a California-based developer of business planning software for over **five years**.
- Development partner of a leading US-based networking company for over **five years**.

In addition to these well-established partnerships, BSI continues to add premier customers to its growing number of large engagements.

Investor Relations

Blue Star Infotech Ltd is committed to create long-term sustainable shareholder value through successful implementation of its growth plans. The company's investor relations mission is to maintain an ongoing awareness of its performance among shareholders and financial community.

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Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.