



Blue Star Limited

Q1 FY16 Earnings Update

Aug 5, 2015

FINANCIAL HIGHLIGHTS

The following are the financial highlights of the Company for the quarter (Q1FY16) on a standalone basis.

- The Company reported Total Operating Income of Rs 908.58 crores for the quarter ended June 30, 2015, as compared to Rs 837.61 crores in Q1FY15, representing an increase of 8%.
- Operating Profit (PBIDT excluding Exceptional Items and Other Non Operating Income) for the quarter increased 9% to Rs 65.74 crores from Rs 60.16 crores in Q1FY15.
- During the quarter, Other Income was Rs 0.44 crores as compared to Rs 1.62 crores during the same period last year.
- Financial Expenses for the quarter declined by 25% to Rs 8.29 crores from Rs 11.04 crores in Q1FY15, mainly due to overall cost reduction owing to reduced borrowing levels.
- There was no exceptional gain/loss during the quarter as compared to an exceptional loss of Rs 5.16 crores during Q1FY15.
- Tax expense for the quarter was Rs 9.79 crores as compared to Rs 5.16 crores in Q1FY15 since the Company is now on normal tax rate as compared to MAT in the same period last year.
- Consequently, Net Profit grew 26% to Rs 39.04 crores from Rs 31.01 crores in Q1FY15.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 4.34 vis-à-vis Rs 3.45 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on June 30, 2015 increased by 8% to Rs 1493 crores compared to Rs 1388 crores as at March 31, 2015.
- The Total Capital Employed of the Company stood at Rs 972 crores on June 30, 2015 as compared to Rs 901 crores on June 30, 2014. The net borrowings came down from 333 crores as on June 30, 2014 to Rs 295 crores on June 30, 2015.

Segment-wise results for Q1FY16

- The revenues of the Electro Mechanical Projects and Packaged Airconditioning Systems business, declined marginally by 3%, while segment results registered a decline of 17% to Rs 8.76 crores. The decrease in profitability was mainly due to sluggish execution of projects.

- Cooling Products, comprising 61% of the total revenues of the Company during the quarter, registered a growth of 17%. Segment results grew 12% to Rs 79.01 crores. Despite the fact that the summer was not harsh with rains in several parts of the country in April and May, the business did much better than the industry mainly due to the Company's strong brand equity coupled with an enhanced product portfolio and distribution.
- The Professional Electronics and Industrial Systems (PE&IS) business has been carried out by Blue Star Engineering and Electronics Limited (BSEEL), a wholly owned subsidiary of the company effective from April 1, 2015. Consequently, results for the current quarter are not comparable with the previous periods. During the year, certain contracts of the PE&IS business were also executed by Blue Star Limited. Thus, the revenues and profit for this business during the quarter were split between the parent Company and its subsidiary. On a combined basis, the business recorded a revenue growth of 59%, while the results grew 72% to Rs 7.36 crores. These combined figures are based on management accounts, and have not been subjected to audit or a limited review by the auditors.
- SBU-wise sales break-up:

(Rs in crores)

	Q1FY16	Q1FY15	% Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	327.08	336.71	(3%)
Cooling Products	556.21	474.75	17%
Professional Electronics & Industrial Systems*	41.61	26.15	59%

(*Figures shown for the Professional Electronics & Industrial Systems business are combined based on management accounts, and have not been subjected to audit or a limited review by the auditors)

- SBU-wise results break-up:

(Rs in crores)

	Q1FY16	Q1FY15	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	8.76	10.58	(17%)
Cooling Products	79.01	70.59	12%
Professional Electronics & Industrial Systems*	7.36	4.27	72%

(*Figures shown for the Professional Electronics & Industrial Systems business are combined based on management accounts, and have not been subjected to audit or a limited review by the auditors)

BUSINESS HIGHLIGHTS FOR Q1FY16

Segment I (Electro Mechanical Projects & Packaged Airconditioning Systems)

During Q1FY16, this segment registered a marginal decline of revenue growth of 3% to Rs 327.08 crores. The segment registered a decline in profit of 17% to Rs 8.76 crores as compared to Rs 10.58 crores in Q1FY15. This resulted in a segment margin of 2.7% as compared to 3.1% during the same period last year. The execution of projects was much slower than anticipated, while operating costs were maintained at last year's levels, resulting in a drop in operating margins. The Capital Employed in this segment decreased from Rs 494 crores as on June 30, 2014 to Rs 463 crores as on June 30, 2015.

The order inflow in Q1FY16 for this segment grew 5% to Rs 437 crores as compared to Rs 416 crores during the same period last year. The carry-forward order book for this segment stood at Rs 1451 crores as at June 30, 2015 as compared to Rs 1340 crores as at March 31, 2015, an increase of 8%.

In the electro mechanical projects business, the market continued to remain muted except for a marginal improvement in fresh enquiry inflow from the West and North India. Segments such as industrial and healthcare witnessed enhanced demand, while commercial spaces linked to offices and retail remained adversely affected. The market witnessed some activity from the State and Central Governments, driven by investments in healthcare and in infrastructure projects such as metro rails. Corporates remained cautious on fresh investments, though a few multinationals have committed to new projects in states such as Telangana, Maharashtra & Gujarat. Most new projects are being taken up after due diligence and adequate clarity on fund flow/financial means. Vacant commercial space continues to impact the developers segment in most large metros.

In the central plant equipment segment, enquiry inflow was poor from infrastructure, IT/ITeS and the developer segments. However, there was some movement witnessed in marriage/banquet halls, educational institutions, showrooms and industrial segments.

During the quarter, while the growth of scroll chillers was stagnant, both screw and centrifugal chillers registered marginal growth. As mentioned in the previous update, the Company has forayed into the centrifugal chiller category in order to provide a comprehensive range of chillers for various applications and this initiative met with an encouraging response during the quarter. Since water cooled screw chillers with Variable Frequency Drives (VFDs) are gaining popularity, the Company introduced this product line during the quarter. In fact, several consultants are releasing tenders for this product category based on its high energy efficiency. With the enhancement of its range of chillers, the Company is looking at increasing its market share in this category.

As regards to packaged airconditioning, while the ducted systems market continued to be muted during the quarter, Variable Refrigerant Flow (VRF) systems grew by about

10%. The VRF product category is gaining popularity and is making deep inroads in segments which were using chillers or ducted systems. It is also increasingly being used in residential condominiums as well as high-rise residential towers.

During the quarter, the Company announced the launch of the next generation, 100% inverter VRF airconditioning system named Blue Star VRF IV Plus. Blue Star VRF IV Plus is the country's first 'Made in India' 100% inverter VRF system which is 'Made for India' since it's well suited for the varying climatic conditions as well as voltage fluctuations faced across the country. Blue Star's 4th generation VRF IV Plus has several unique advantages, over and above the requisite features including 100% inverter compressors which is the latest global technology, 100% cooling capacity delivered at even 43°C, non-stop cooling even at a peak ambient temperature of 54°C, highest energy efficiency i.e. an integrated part load value (IPLV) of 7.0 and designed to operate across a wide voltage range, overcoming erratic fluctuations. Manufactured at the Company's modern state-of-the-art Dadra plant, with this launch, Blue Star has proved that an Indian manufacturer can develop a product, equipped with the right technology and robust research and development capabilities, which is best-in-class and can challenge any product globally. The Company is confident that with this new offering, it will further strengthen its foothold in the fast-growing VRF market.

Some of the major orders won by Blue Star during the quarter in Segment 1 are:

Key Projects in the Quarter:

	New Orders Won in Q1FY16
Electro Mechanical Projects	<ul style="list-style-type: none"> • Pradhama Hospitals, Visakhapatnam • Mars International, Pune • IIT Indore (Simplex Infra), Indore • DLF Crest (L&T), Delhi • Tata Power, Delhi • Manipal Hospital, Bengaluru • Lakeshore Hospital, Kochi • Jindal Stainless Limited, Delhi • Lodha Developers, Mumbai • RBS Dev Centre, Bengaluru
Central AC and Packaged Airconditioning products	<ul style="list-style-type: none"> • HCL Technologies, Pune & Hyderabad • Amity University, Noida • Victory Project, Ghaziabad • Sutherland, Navi Mumbai • Power Grid Corporation, Bihar

Service Business

Blue Star continues to be the largest after-sales airconditioning and commercial refrigeration service provider in the country, and has sustained its reputed position in the market place as a superior value-added service provider.

During the quarter, the service business handled over 2 lakh service calls. As part of its constant endeavor to raise service levels, the Company deployed its first refrigerated van in Bengaluru for providing back up support to its cold storage customers. In the event of a major break down, it often takes time to restore the machine, causing significant perishable damage. This refrigerated van will store and preserve perishables of the customers, while the machine is being repaired and brought to normalcy, and will be introduced in several locations. This initiative has been very well appreciated by the Company's customers.

Segment II (Cooling Products)

During the quarter, the Cooling Products segment of the Company registered a 17% increase in revenues to Rs 556.21 crores. Segment result also registered a 12% growth from Rs 70.59 crores to Rs 79.01 crores. Segment margins reduced marginally from 14.9% to 14.2% over the same period in the previous year due to decline in demand. The Capital Employed as on June 30, 2015 was Rs 186 crores, about the same as on June 30, 2014.

The room airconditioners industry registered a meager growth of 3% in the quarter mainly due to an inconsistent summer disrupted by rains in several parts of the country. Further, crop damage in north west and central India resulted in decline in offtake. However, the Company's room airconditioner business performed well registering a healthy growth of 18% over the same period last year. Strong brand salience, enhanced product portfolio and deeper penetration helped the Company register higher growth than the industry, thereby increasing its market share to 9.5% from 8.5% in Q1FY15. Due to the market demand in Q1FY16 being much lower than anticipated, there is a significant build up in inventory levels of most room airconditioner players and this is likely to negatively impact prices and margins in the short-term. However, with the commodity prices going southwards, this adverse impact may get offset to some extent. The Inverter split AC category continues to grow at a fast pace. During the quarter, the Company won large room airconditioner orders from Narayana Group of Educational Institutions, Velammal Group of Institutions and CPWD, amongst others.

In the commercial refrigeration products business, the Company introduced new models in glass top as well as hard top models of deep freezers. The overall freezer market was sluggish with the hard top chest freezer market declining. However, glass top freezers continued to grow well. Bottled water dispensers also performed well. The water cooler business witnessed a reasonable growth during the quarter driven by educational institutions. The modular cold rooms business has been encouraging with the Company making deep inroads into the fast-growing Quick Service Restaurant

(QSR) segment. The demand from the pharmaceuticals, dairy and ice cream segment was also on the rise. During the quarter, a new first-of-its-kind set-up for cold room panel manufacturing with eco-friendly foaming process using cyclopentane commenced production at the Company's Wada Plant. Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. This will enable the Company to differentiate its cold room business on an eco-friendly platform.

Segment III (Professional Electronics and Industrial Systems)

As mentioned earlier, the revenues and profit for this business during the quarter were split between the parent Company and its subsidiary, Blue Star E&E Ltd. On a combined basis, the business recorded a revenue growth of 59% to Rs 41.61 crores, while the results grew 72% to Rs 7.36 crores. Segment margins increased from 16.3% to 17.7% during the quarter. These combined figures are based on management accounts, and have not been subjected to audit or a limited review by the auditors. Quarterly performance is typically not a good indicator for this business, and while the prospects of its business are positive, it is prudent to assess its performance over a longer period.

During the quarter, the 'Make in India' initiative resulted in enhanced demand for the testing machines business. The destructive testing business performed well mainly due to orders from the automotive segment and industrial testing. Orders were received from Du Pont, Hyderabad; Punjab Agricultural University, Ludhiana; KMTRC, Hubli and Anna University, Chennai. In the non-destructive testing business, power, refineries and aeronautics performed well. The business booked orders from L&T, Reliance and Ordinance Factory, Kanpur. The data communications business also performed impressively, doubling its revenues during the quarter as compared to the same period last year mainly due to enhanced demand from the BFSI segment buoyed by the 'Jan Dhan Yojna' and 'Digital India' initiatives. Significant orders were received from Euronet, Reliance, Electronic Corporation of India, Bank of India and FIS Payment Solutions, amongst others. The healthcare systems business received significant orders from Lupin Pharma for 25 Bone Mineral Densitometers, Syngene International, Bengaluru for Raman spectrometer and JLN Medical College, Bhagalpur for a 16-slice CT Scanner, apart from orders for 5 MRI Systems.

International Business

During the quarter, the Global Products business registered good growth with healthy inflow of orders for room airconditioners, water coolers, ducted systems and refrigeration products from OEM accounts and various distributors in UAE, Oman, Qatar and Kuwait. The Company participated in large trade shows in Johannesburg and in Qatar displaying its range of products which garnered good brand visibility in these markets. Blue Star will begin contract manufacturing for a reputed US-based multinational to cater to the Saudi Arabian market, complying with SASO regulations, for safety and performance, which is now mandatory. These products are with the eco-friendly 410A refrigerant and have been developed and tested in a third party lab in Thailand, which is approved under SASO regulation.

BUSINESS OUTLOOK

Company Outlook

Though the commercial construction cycle is yet to pick up, the Company is confident that its expertise and credentials will hold it in good stead when the growth opportunities revive. The Company is hoping for a normal monsoon, which will ensure that the demand for cooling products is sustained for the rest of the year.

For more information contact

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SAFE HARBOUR

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 fiscal policy, competition, inflationary pressures 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.

BLUE STAR LIMITED

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CIN No.: L28920MH1949PLC006870, Telephone No.+91 022 6665 4000 , Fax No. +91 22 6665 4152
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2015

(Rs. In lakhs.)

Sr. no.	PARTICULARS	STANDALONE			
		QUARTER ENDED (Unaudited)	QUARTER ENDED (Audited) (Refer Note 4)	QUARTER ENDED (Unaudited)	YEAR ENDED (Audited)
		30.6.15	31.3.15	30.6.14	31.3.15
1	Income from Operations				
	a) Net Sales/Income from Operations (Net of Excise Duty)	90,246	99,004	83,220	303,948
	b) Other Operating Income	612	1,533	541	4,131
	Total Income from Operations (Net)	90,858	100,537	83,761	308,079
2	Expenses				
	a) Cost of materials consumed (including direct project cost)	42,136	61,960	40,289	171,193
	b) Purchase of Stock in trade	16,428	17,740	9,551	42,996
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	5,358	(7,690)	8,579	(835)
	d) Employee Benefits Expense	6,075	6,862	6,091	25,684
	e) Depreciation and Amortisation Expense	906	1,046	941	3,934
	f) Other Expenses	14,287	14,750	13,235	51,682
	Total Expenses	85,190	94,668	78,686	294,654
3	Profit from Operations before Other Income, Finance Cost and Exceptional Items (1-2)	5,668	5,869	5,075	13,425
4	Other Income	44	360	162	1,014
5	Profit before Finance Cost and Exceptional Items (3+4)	5,712	6,229	5,237	14,439
6	Finance Costs	829	1,135	1,104	4,347
7	Profit after Finance cost but before Exceptional Items (5-6)	4,883	5,094	4,133	10,092
8	Exceptional Items (refer note 2)	-	3,824	(516)	4,190
9	Profit before Tax (7+8)	4,883	8,918	3,617	14,282
10	Tax Expense	979	(1,699)	516	(971)
11	Net Profit after Tax (9-10)	3,904	10,617	3,101	15,253
12	Paid Up Equity Share Capital (Face Value of the share - Rs. 2/- each)	1,799	1,799	1,799	1,799
13	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year	-	-	-	60,710
14	Earnings Per Share (EPS) (in Rs.) (not annualised)				
	a) Basic	4.34	11.80	3.45	16.96
	b) Diluted	4.33	11.78	3.45	16.92

NOTES:

1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on July 28, 2015 and has been subjected to Limited Review by the statutory auditors who have issued an unqualified report.

2 Exceptional items for respective quarters and year end are :

Exceptional Income/(Expenses)	Stand Alone			
	Quarter Ended		Year Ended	
	30-Jun-15 Unaudited	31-Mar-15 Audited	30-Jun-14 Unaudited	31-Mar-15 Audited
Surplus on Sale of Assets	-	-	-	2,248
Surplus on transfer of Professional Electronics & Industrial Systems business	-	8,334	-	8,334
Cost of Voluntary Retirement Scheme	-	(152)	-	(567)
Cost update on Major Contracts	-	(4,358)	(516)	(5,825)
Total	-	3,824	(516)	4,190

3 The Professional Electronics and Industrial Systems (PE&IS) business has been carried on by Blue Star Engineering and Electronics Limited (BSEEL), a wholly owned subsidiary of the company effective from April 1, 2015. Consequently, results for the current quarter are not comparable with the previous periods. During the year, certain contracts of the PE&IS business were also executed by Blue Star Limited

On a combined basis PE&IS business results are given in the table below for comparative purposes. This includes results of PE&IS business of BSEEL based on management accounts, which have not been subjected to audit or limited review by the auditors.

PE&IS business	Rs. in Lakhs	
	Quarter Ended	
	30-Jun-15 Unaudited	30-Jun-14 Unaudited
Segment Revenue	4,161	2,615
Segment Result	736	427

4 The figures for the quarter ended March 31, 2015 are the balancing figures between the audited figures in respect of the full financial years and the unaudited year to date figures up to the third quarter ended December 31, 2014.

5 Previous period / year's figures have been regrouped/ rearranged wherever necessary.

For **BLUE STAR LIMITED**

Date : July 28, 2015
Place : Mumbai
www.bluestarindia.com

Satish Jamdar
Managing Director
(DIN No.: 00036653)

BLUE STAR LIMITED

UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED JUNE 30, 2015

(Rs. In lakhs.)

Sr. No.	Particulars	STANDALONE			
		QUARTER ENDED (Unaudited)	QUARTER ENDED (AUDITED) (Refer Note 4)	QUARTER ENDED (Unaudited)	YEAR ENDED (AUDITED)
		30.6.15	31.3.15	30.6.14	31.3.15
I	SEGMENT REVENUE				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	32,708	50,510	33,671	160,241
	b. Cooling Products	55,621	45,447	47,475	133,172
	c. Professional Electronics and Industrial Systems (refer note 3)	2,529	4,580	2,615	14,666
	TOTAL SEGMENT REVENUE	90,858	100,537	83,761	308,079
	Less: Inter - Segment Revenue	-	-	-	-
	Total Income from Operations (Net)	90,858	100,537	83,761	308,079
II	SEGMENT RESULT				
	PROFIT/(LOSS) BEFORE INTEREST & TAX				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	876	2,198	1,058	6,471
	b. Cooling Products	7,901	5,198	7,059	14,683
	c. Professional Electronics and Industrial Systems (refer note 3)	491	1,117	427	3,120
	TOTAL SEGMENT RESULT	9,268	8,513	8,544	24,274
	Less: i) Interest and Other Financial Charges	829	1,135	1,104	4,347
	ii) Un-allocable Expenditure	3,556	2,284	3,307	9,835
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	4,883	5,094	4,133	10,092
	Exceptional item	-	3,824	(516)	4,190
	PROFIT BEFORE TAXATION	4,883	8,918	3,617	14,282
III	CAPITAL EMPLOYED				
	(Segment Assets - Segment Liabilities)				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	46,283	41,934	49,408	41,934
	b. Cooling Products	18,599	18,855	18,648	18,855
	c. Professional Electronics and Industrial Systems (refer note 3)	566	-	2,664	-
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	65,448	60,789	70,720	60,789
	Add: Un-allocable Corporate Assets less Liabilities	964	1,720	(14,953)	1,720
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	66,412	62,509	55,767	62,509

For **BLUE STAR LIMITED**

Date : July 28, 2015

Place : Mumbai

Satish Jamdar
Managing Director
(DIN No.: 00036653)

BLUE STAR LIMITED
SELECT INFORMATION FOR THE QUARTER ENDED JUNE 30 ,2015

Sr. No.	PARTICULARS	QUARTER ENDED (Unaudited)	QUARTER ENDED (Audited) (Refer Note 4)	QUARTER ENDED (Unaudited)	YEAR ENDED (Audited)
		30.6.15	31.3.15	30.6.14	31.3.15
A	PARTICULARS OF SHAREHOLDING				
1	Public Shareholding				
	-Number of Shares	54,444,608	54,444,608	54,379,108	54,444,608
	-Percentage of Shareholding	60.53	60.53	60.46	60.53
2	Promoters and Promoter Group Shareholding				
a)	Pledged / Encumbered				
	-Number of Shares	600,000	600,000	600,000	600,000
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	1.69	1.69	1.69	1.69
	-Percentage of Shares (as a % of total share Capital of the Company)	0.67	0.67	0.67	0.67
b)	Non-Encumbered				
	-Number of Shares	34,891,497	34,891,497	34,956,997	34,891,497
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	98.31	98.31	98.31	98.31
	-Percentage of Shares (as a % of total share Capital of the Company)	38.80	38.80	38.87	38.80

Particulars	Quarter ended 30.06.15
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	-
Received during the quarter	6
Disposed during the quarter	6
Remaining unresolved at the end of the quarter	-

For **BLUE STAR LIMITED**

Date : July 28, 2015
Place : Mumbai

Satish Jamdar
Managing Director
(DIN No.: 00036653)