



Blue Star Limited

Q1 FY15 Earnings Update

Aug 1, 2014

FINANCIAL HIGHLIGHTS

The following are the financial highlights of the Company for the *quarter (Q1FY15)*

- The Company reported Total Operating Income of Rs 845.48 crores for the quarter ended June 30, 2014, as compared to Rs 770.82 crores in Q1FY14, representing an increase of 10%.
- Operating Profit (PBIDT excluding Other Non Operating Income) for the quarter increased 37% to Rs 53.08 crores from Rs 38.62 crores in Q1FY14.
- During the quarter, Other Income declined 15% to Rs 3.54 crores as compared to Rs 4.18 crores during the same period last year.
- Financial Expenses for the quarter declined marginally by 6% to Rs 11.04 crores from Rs 11.70 crores in Q1FY14.
- Tax expense for the quarter was Rs 5.16 crores as compared to no expense in the same period last year.
- Consequently, Net Profit grew 36% from Rs 22.77 crores in Q1FY14 to Rs 31.01 crores during the quarter.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 3.45 vis-à-vis Rs 2.53 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on June 30, 2014 increased by 9% to Rs 1572 crores compared to Rs 1438 crores as at June 30, 2013.
- The total Capital Employed of the Company stood at Rs 901 crores on June 30, 2014 as compared to Rs 960 crores on March 31, 2014. The borrowings came down from 431 crores as on March 31, 2014 to Rs 343 crores on June 30, 2014.

Segment-wise results for Q1FY15

- The Electro Mechanical Projects and Packaged Airconditioning Systems business, accounting for 40% of the total revenues in the quarter, declined 4% while segment results registered a sharp decline of 70% to Rs 5.42 crores. The decrease in profitability was mainly due to slower execution of projects resulting in lower billings coupled with cost overruns in specific legacy projects.
- Cooling Products revenue comprised 57% of the total revenues of the Company during the quarter. The segment registered a growth of 22% driven by enhanced sales of room airconditioners and refrigeration products due to an extended summer and superior brand perception. Segment results grew significantly by 67% to Rs 70.59 crores over the same period mainly due to higher

manufacturing capacity utilisation due to indigenisation, stable foreign exchange and higher price realisation.

- The Professional Electronics and Industrial Systems business revenues increased by a marginal 2%, while segment results declined 24% to Rs 4.27 crores, owing to the unfavourable business climate.
- SBU-wise sales break-up:

(Rs crore)

	Q1FY15	Q1FY14	% Growth / (Decline)	% of Net Sales
Electro Mechanical Projects and Packaged Airconditioning Systems	335.43	348.85	(4%)	40%
Cooling Products	483.92	396.26	22%	57%
Professional Electronics & Industrial systems	26.13	25.71	2%	3%

- SBU-wise results break-up:

(Rs crore)

	Q1FY15	Q1FY14	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	5.42	17.94	(70%)
Cooling Products	70.59	42.31	67%
Professional Electronics & Industrial systems	4.27	5.59	(24%)

BUSINESS HIGHLIGHTS FOR Q1FY15

Segment I (Electro Mechanical Projects & Packaged Airconditioning Systems)

In view of the General Elections in May, most of the order finalizations were delayed. However, post the formation of a stable Government, there are signs of some revival in this business. Moreover, the recent budget has given impetus to the infrastructure segment which is likely to benefit the business in the long-term. Integrated commercial complexes, IT, Metro Rail and Healthcare are likely to drive growth and the Company has witnessed an increase in enquiry levels from these segments.

During the quarter, this segment registered a sharp drop in margins from 5.1% to 1.6% mainly due to lower than expected pace of billings on new projects due to the pre-Election impasse. In addition, considering the imminent improvement in the economic climate, the Company thought it prudent to close specific legacy jobs during the quarter,

in order to release its resources on these projects and focus and prepare for new opportunities. This had an adverse impact on margins. Even on the central airconditioning equipment front, the demand was sluggish further affecting the profitability. The Capital Employed in this segment increased from Rs 454 crores as on March 31, 2014 to Rs 494 crores as on June 30, 2014 mainly on account of lower collections due to the liquidity crunch.

The order inflow in Q1FY15 for this segment grew 14% from Rs 366 crores to Rs 418 crores. The airconditioning projects business as well as the electrical projects business contributed to the growth in the order inflow. The carry-forward order book stood at Rs 1491 crores as at June 30, 2014.

In the electro mechanical projects business, the Company continued to focus on improving the quality of new orders, in terms of margins as well as commercial terms. It intends to on enhance its portfolio of multi-service orders (mechanical, electrical, plumbing and fire-fighting). It also plans to selectively target high-rise residential towers being built by established developers and focus on light industrial projects for its multi-service business.

In the central plant equipment segment, even though Blue Star is a market leader in scroll chillers, the Company has been witnessing a slowdown in the segment. The Company continues to do well in screw chillers, while centrifugal chillers with magnetic bearings offer significant potential for growth.

While the ducted systems market continued to be muted during the quarter, VRF systems grew by about 15%. Blue Star offers both - the digital scroll and inverter-based systems in the VRF segment. The Company has recently introduced new products such as free match inverters and hot water generators and is likely to enhance its presence in segments such as commercial, residential, hotels and hospitals with these products.

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 Q1FY15
Electro Mechanical Projects	<ul style="list-style-type: none"> • Venkateshwara Hospital, Delhi • Dr. Oetker, Bhiwadi • Lodha Experia, Mumbai • L&W Constructions Pvt. Ltd., Bengaluru • Amazon, Gurgaon • Orissa Industrial Infrastructure Development Corporation (IDCO), Kolkata • Vikas Telecom (Embassy Group), Bengaluru

Central AC and Packaged Airconditioning products	<ul style="list-style-type: none">• Kiran Gems, Surat• Bihar Agricultural Institute, Ranchi• Baroda Sports Complex, Baroda• Aurobindo Pharma Ltd, Vizag
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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. All its services are ISO 9001-2008 certified.

During the quarter, both the annual maintenance contracts and the revamp business performed well with orders from HDFC Bank, Infosys, DLF, Yum, Dominos and BARC Mysore. The Company also launched a few value added services for energy savings such as Artic Master, Automatic Tube cleaning and Energy Monitoring.

Segment II (Cooling Products)

The room airconditioners industry performed well mainly due to an extended summer. While the summer lacked consistency, a late burst in June enabled healthy growth for the quarter. The industry recorded a growth of 10% in volume terms and 20% in value terms during the period with the 3-star, 5-star and Inverter Split AC models witnessing a significant increase in demand.

During the quarter, the Cooling Products segment registered a sharp increase in margins from 10.7% to 14.6% mainly due to enhanced capacity utilization and better price realization. The Cenvat benefit also helped in increasing the margins to some extent. The Capital Employed decreased from Rs 251 crores as on March 31, 2014 to Rs 186 crores as on June 30, 2014 mainly since the summer season had concluded and the inventory build-up which was required in March to cater to the summer demand was not required.

The room airconditioners business of the Company did remarkably well during the quarter registering a healthy growth of 15% in volumes and 28% in value over the same period in the previous year. The growth mainly came from the residential segment with the Western and Eastern regions driving growth. During the summer, consumers showed a clear preference for specialist AC players over general consumer durable brands. Blue Star's perception as an expert player in the AC category coupled with its enhanced distribution reach, effective advertising and comprehensive range of products were mainly responsible for it registering a growth higher than the industry. The Company also won a large order for 1100 split airconditioners from OPC Ltd, Bengaluru for usage in ATMs during the quarter.

As regards to the commercial refrigeration products business, the business did well with enhanced demand for deep freezers and coolers from the ice cream and dairy segments. While the stable foreign exchange helped in enhancing margins to some extent, margins will continue to be under pressure mainly due to the unorganised segment and several foreign players who plan to enter the business.

Segment III (Professional Electronics and Industrial Systems)

Though the economic environment is now showing signs of improvement, this business faced another sluggish quarter due to the General Elections. However, with the formation of a stable Government, most of the segments that this business targets are likely to make capital expansion investments, which will improve its performance in the medium-term.

During the quarter, the segment registered a decline in margins from 21.7% to 16.3% over the same period last year. Given its nature of businesses, quarterly performance is typically not a good indicator for this segment and the prospects for the whole year are positive. The Capital Employed declined from Rs 31 crores as at March 31, 2014 to Rs 27 crores as at June 30, 2014.

In the data communications business, digital signatures and authentication is likely to see a rise given the Government's initiatives in e-Governance. The upgradation of data networks of banks is also likely to boost the ATM/POS security business. The healthcare systems business has begun targeting the pharma segment which will enhance its prospects. Also, the test and measuring equipment business is expected to get benefited with the upgradation of infrastructure of defense, paramilitary forces, police and space sectors. The industrial systems business won notable orders from NTPC, Reliance and Adani during the quarter.

Exports

During the quarter, the Product Exports business registered good growth. The Company received significant inflow of orders for room airconditioners, water coolers, unitary products and refrigeration products from OEM accounts and various distributors in UAE, Oman, Qatar, Yemen and Kuwait. The Company participated in BuildExpo Nairobi 2014 held in May 2014 at Nairobi, Kenya. This expo holds the reputation of catering to the demand of the entire East African region and proved to be a great opportunity to meet potential distributors who expressed interest in associating with Blue Star for the East African market. Several distributors were also appointed in Nepal, Sri Lanka, Maldives, Bangladesh, Bhutan & Vietnam during the quarter.

BUSINESS OUTLOOK

Company Outlook

The economic environment is showing signs of improvement with the formation of a stable Government. While the electro mechanical projects business continues to be adversely impacted mainly due to significant correction in project estimates of specific legacy orders, the performance is likely to improve in the medium term with the revival of the commercial construction segment. The cooling products business driven by the residential segment has been performing better than the industry owing to superior brand equity, wider distribution reach and impressive product range. The Company intends to continue to focus on prudent cost control and fiscal management in order to sustain this performance 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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UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2014

(Rs. In lakhs.)

Sr. no.	PARTICULARS	STANDALONE			
		QUARTER ENDED (Unaudited)	QUARTER ENDED (AUDITED) (Refer Note 6)	QUARTER ENDED (Unaudited)	YEAR ENDED (AUDITED)
		30.6.14	31.3.14	30.6.13	31.3.14
1	Income from Operations				
	a) Net Sales/Income from Operations (Net of Excise Duty)	84,198	86,315	76,593	275,120
	b) Other Operating Income	350	553	489	1,918
	Total Income from Operations (Net)	84,548	86,868	77,082	277,038
2	Expenses				
	a) Cost of materials consumed (including direct project cost)	40,602	57,554	37,899	165,343
	b) Purchase of Stock in trade	9,551	12,066	11,439	38,345
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	8,783	(6,575)	5,752	(6,225)
	d) Employee Benefits Expense	6,091	6,226	5,821	23,403
	e) Depreciation and Amortisation Expense	941	947	833	3,469
	f) Other Expenses	14,213	14,618	12,309	45,600
	Total Expenses	80,181	84,836	74,053	269,935
3	Profit from Operations before Other Income, Finance Cost and Exceptional Items (1-2)	4,367	2,032	3,029	7,103
4	Other Income	354	3,501	418	5,451
5	Profit before Finance Cost and Exceptional Items (3+4)	4,721	5,533	3,447	12,554
6	Finance Costs	1,104	1,254	1,170	4,964
7	Profit after Finance cost but before Exceptional Items (5-6)	3,617	4,279	2,277	7,590
8	Exceptional Items	-	-	-	-
9	Profit before Tax (7+8)	3,617	4,279	2,277	7,590
10	Tax Expense	516	-	-	-
11	Net Profit after Tax (9-10)	3,101	4,279	2,277	7,590
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	-	-	-	51,160
14	Earnings Per Share (EPS) (in Rs.) (not annualised)				
	a) Basic	3.45	4.76	2.53	8.44
	b) Diluted	3.45	4.76	2.53	8.44

NOTES:

- 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, 2014 and has been subjected to Limited Review by the statutory auditors who have issued an unqualified report.
- During the Quarter, the Company has revised depreciation rate on certain fixed assets as per the useful life specified in the Schedule II of the Companies Act, 2013. Consequently depreciation expense for the quarter is higher by Rs.1.32 Crores.
- Consequent to reorganization of the Industrial Projects business, the segment figures pertaining to Professional Electronics and Industrial Systems and Electro Mechanical Projects and Packaged Air-conditioning Systems have been regrouped for the current and previous quarters.
- As reported in the previous quarter, the Board of Directors had approved the Amalgamation of the Company and its subsidiaries, Blue Star Design Engineering Ltd (BSEDL) and Blue Star Electro Mechanical Ltd (BSEML), through a scheme of amalgamation (the scheme) as per the provisions of Sec 391 to Sec 394 on May 30, 2014. In terms of the scheme, the appointed date is October 01, 2014. The share swap ratio will be 15 equity shares of the face value of Rs. 2 each fully paid-up of BSEML for every 4 equity shares of the face value of Rs.2 fully paid-up in Blue Star Limited and 1 fully paid up 10% Preference Share of BSEML for every 1 fully paid up 10% Cumulative Redeemable Preference Share of Rs 100 each in BSEDL. The Scheme is subject to necessary approval of shareholders, creditors, statutory authorities and the Hon'ble High Court of Bombay.
- Minimum Alternate Tax provisions are applicable to the Company and it has recognised MAT credit entitlement during the quarter ended June 30, 2014, since it believes that there would be sufficient taxable profit in future.
- The figures for the quarter ended March 31, 2014 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 31st December 2013, for the respective years which were subjected to limited review by the statutory auditors.
- Previous period / year's figures have been regrouped/ rearranged wherever necessary.

For **BLUE STAR LIMITED**

Satish Jamdar
Managing Director

Date : July 28 , 2014
Place : Mumbai
www.bluestarindia.com

BLUE STAR LIMITED

UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED JUNE 30, 2014

Sr. No.	Particulars	STANDALONE			
		QUARTER ENDED (Unaudited)	QUARTER ENDED (AUDITED) (Refer Note 6)	QUARTER ENDED (Unaudited)	YEAR ENDED (AUDITED)
		30.6.14	31.3.14	30.6.13	31.3.14
I	SEGMENT REVENUE				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	33,543	47,641	34,885	157,298
	b. Cooling Products	48,392	35,502	39,626	107,551
	c. Professional Electronics and Industrial Systems	2,613	3,725	2,571	12,189
	TOTAL SEGMENT REVENUE	84,548	86,868	77,082	277,038
	Less: Inter - Segment Revenue	-	-	-	-
	Total Income from Operations (Net)	84,548	86,868	77,082	277,038
II	SEGMENT RESULT PROFIT/(LOSS) BEFORE INTEREST & TAX				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	542	1,359	1,794	7,523
	b. Cooling Products	7,059	3,971	4,231	9,477
	c. Professional Electronics and Industrial Systems	427	483	559	2,175
	TOTAL SEGMENT RESULT	8,028	5,813	6,584	19,175
	Less: i) Interest and Other Financial Charges	1,104	1,254	1,170	4,964
	ii) Un-allocable Expenditure	3,307	280	3,137	6,621
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	3,617	4,279	2,277	7,590
	Exceptional item	-	-	-	-
	PROFIT BEFORE TAXATION	3,617	4,279	2,277	7,590
III	CAPITAL EMPLOYED (Segment Assets - Segment Liabilities)				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	49,408	45,407	50,754	45,407
	b. Cooling Products	18,648	25,126	12,970	25,126
	c. Professional Electronics and Industrial Systems	2,664	3,147	3,062	3,147
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	70,720	73,680	66,786	73,680
	Add: Un-allocable Corporate Assets less Liabilities	(14,953)	(20,721)	(15,072)	(20,721)
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	55,767	52,959	51,714	52,959

For **BLUE STAR LIMITED**

Date : July 28 , 2014
Place : Mumbai

Satish Jamdar
Managing Director

BLUE STAR LIMITED
SELECT INFORMATION FOR THE QUARTER ENDED JUNE 30 ,2014

Sr. No.	PARTICULARS	QUARTER ENDED (Unaudited) 30.06.14	QUARTER ENDED (AUDITED) (Refer Note 6) 31.3.14	QUARTER ENDED (Unaudited) 30.06.13	YEAR ENDED (AUDITED) 31.3.14
A PARTICULARS OF SHAREHOLDING					
1	Public Shareholding				
	-Number of Shares	54,379,108	54,267,434	53,902,234	54,267,434
	-Percentage of Shareholding	60.46	60.34	59.93	60.34
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	1.68	1.67	1.68
	-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	34,956,997	35,068,671	35,433,871	35,068,671
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	98.31	98.32	98.33	98.32
	-Percentage of Shares (as a % of total share Capital of the Company)	38.87	38.99	39.40	38.99

Particulars	Quarter ended 30.06.14
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	-
Received during the quarter	10
Disposed during the quarter	9
Remaining unresolved at the end of the quarter	1

For **BLUE STAR LIMITED**

Date : July 28 , 2014
Place : Mumbai

Satish Jamdar
Managing Director