

Blue Star Limited

Q3 FY14 Earnings Update

January 27, 2014

## Financial Highlights

The following are the financial highlights of the Company for the *quarter (Q3FY14)*

- Airconditioning and commercial refrigeration major, Blue Star Limited reported Total Operating Income of Rs 545.90 crores for the quarter ended December 31, 2013, as compared to Rs 598.80 crores in Q3FY13.
- Operating Profit (PBIDT excluding Other Non Operating Income) for the quarter reduced to Rs 14.89 crores from Rs 25.43 crores in the same period last year.
- Financial Expenses for the quarter decreased to Rs 12.60 crores from Rs 13.72 crores in Q3FY13.
- Consequently, Net Profit declined to Rs 2.81 crores during the quarter from Rs 5.37 crores in Q3FY13.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 0.31 vis-à-vis Rs 0.60 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on December 31, 2013 increased to Rs 1737 crores compared to Rs 1628 crores as at December 31, 2012.

## Segment-wise results

- The Electro Mechanical Projects and Packaged Airconditioning Systems business, accounting for 64% of the total revenues in the quarter, declined by 12%, while segment results registered a decline of 21% to Rs 18.11 crores, mainly due to slower execution of projects as well as correction in the estimates of project revenues and costs based on revised quantity estimates.
- The revenue of Cooling Products in the quarter was same as Q3FY13, while segment results grew 21% to Rs 4.58 crores over the same period. Better market penetration, proactive revision in selling prices as well as a higher mix of in-house manufactured products resulted in the increase in profitability.
- The Professional Electronics and Industrial Systems business revenues declined by 11%, while segment results registered a decrease of 10% to Rs 8.61 crores due to the unfavorable business climate.

- SBU-wise sales break-up:

(Rs crore)

	Q3FY14	Q3FY13	% Growth (Decline)	% of Net Sales
Electro Mechanical Projects and Packaged Airconditioning Systems	348.77	396.02	(11.93)	64
Cooling Products	155.42	155.71	(0.19)	28
Professional Electronics & Industrial systems	41.71	47.07	(11.39)	8

- SBU-wise results break-up:

(Rs crore)

	Q3FY14	Q3FY13	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	18.11	22.94	(21.05)
Cooling Products	4.58	3.78	21.05
Professional Electronics & Industrial systems	8.61	9.56	(9.91)

## BUSINESS HIGHLIGHTS FOR Q3FY14

### Segment I

The macro environment continues to be challenging with no big investments being declared in the commercial real estate market. The pre-election impasse coupled with high inflation and high interest rates is affecting demand. While the market has seen improvement in new inquiry generation, order finalization continues to be inordinately delayed. There has been some improvement in demand from the Hotel, Hospital, Commercial complexes and Industrial Segments.

At an aggregate level, the Central plant and Ducted market continues to be stagnant in line with the general slowdown in demand.

### Segment II

The quarter Q3FY14 saw flat sales for the room air-conditioner industry. One important reason for this is the new Energy Label changeover that came into effect from January 1, 2014. Owing to more stringent table requirements, the new product line is priced higher than existing one leading to contraction in the demand. In addition there has been lower consumer spending owing to high inflation and the onset of winter season.

The demand in the Commercial Refrigeration business is stable. The major segments contributing to the business were ice cream, dairy, and frozen food.

In Cold storage products, the segments of Pharma, Fast Food & Restaurants and Ice cream continue to fetch good business opportunities. In addition, there has been a good demand in the food processing segment as well.

### **Segment III**

The demand for hi-technology imported equipment continues to be impacted by the appreciation of the dollar. The quarter Q3FY14 saw some inquiry generation in the Steel, Avionics and Healthcare segments. In Industrial Projects we are seeing demand in revamp and retro-fits rather than brown field or green field expansion. We hope to see some positive movement in demand in the coming quarters.

### **Our Performance for Q3FY14:**

#### **Segment I**

The Electro Mechanical Projects and Packaged Airconditioning Systems business, accounting for 64% of the total revenues in the quarter, declined substantially by 12%, while segment results registered a decline of 21% to Rs 18.11 crores. This drop was mainly due to lower billing volume. The company continued its philosophy of just-in-time material delivery to project sites that are moving slow. Unfortunately, even recently booked projects are facing inordinate delays, leading to an overall billing drop in the segment.

The margin of 5.2% in Segment 1 for Q3FY14, is marginally lower than the operating margin in Q2FY14. However it still continues to be higher than what we expect for the full year FY14 on account of unexpected delays in closing some older low-margin projects in the quarter.

The Capital Employed in the business stood at Rs. 473 crores as of December 31, 2013 which was marginally less than Rs 477 crores as at December 31, 2012. The capital employed continued to be higher than our expectation due to drop in collections in the projects business as liquidity is getting tighter.

After a healthy growth in Q2FY14, order inflow in Q3FY14 is at the same level as Q3FY13. While order finalization in general continues to be muted, we booked several orders specifically in the hospitality and commercial complex segments.

As stated last quarter, the closure and settlement of a few large legacy jobs is expected to happen by Q4FY14. As indicated earlier, the segment results in H2FY14 depend largely on the outcome of these legacy projects. We however wish to start FY15 with a healthy carry-forward order book.

Needless to say here, our strategy of being selective in booking orders while adhering to more stringent margin and commercial term guidelines continues.

The Central AC products business was stagnant in Q3FY14 in line with the general slowdown in the construction activity and competitive intensity. We witnessed some demand from the Hospitals, Hotels, and Offices sectors in this quarter.

Our Packaged AC business continues to be stable. We are growing by 5% in our Ducted business and significantly higher percentage in the VRF segment owing to a smaller base. In addition, we have been able to carry out good business with our newly acquired National Account Customers. The top performing segments for the quarter were Industrial, Retail and Hospitals.

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

Electro-mechanical Projects: Apollo Super Speciality Hospital-Navi Mumbai, Oberoi Commerz II - Mumbai, Gift City - Gandhinagar, JCB India - Jaipur, IISER- Mohali, Tech Mahindra - Hyderabad, RMZ Galleria - Bengaluru

Packaged AC Systems: Police Headquarters - Delhi, Income Tax Office - Mysore, Euro Star - Mumbai, etc.

Central AC Products: Codissia Complex - Coimbatore, Nem Care Hospital - Kolkata, Project Bhawan - Kolkata, Maharaja Regency hotel - Chandigarh, Venkateswara Medical College & Hospital - Pondicherry

**Key Projects in the Quarter:**

	<b>New Orders Won in Q3FY14</b>
<b>Central Airconditioning</b>	<ul style="list-style-type: none"> <li>* Apollo Super Speciality Hospital-Navi Mumbai</li> <li>* Oberoi Commerz II - Mumbai</li> <li>* Gift City - Gandhinagar</li> <li>* JCB India Ltd. - Jaipur</li> <li>* IISER - Mohali</li> <li>* Tech Mahindra - Hyderabad</li> <li>* Deloitte - Bengaluru</li> <li>* RMZ Galleria- Bengaluru</li> </ul>

	<ul style="list-style-type: none"> <li>* Mughal Mall - Kochi</li> </ul>
<b>Packaged Airconditioning / VRF Systems</b>	<ul style="list-style-type: none"> <li>* Police Headquarters - Delhi</li> <li>* Income Tax Office - Mysore</li> <li>* Euro Star - Mumbai</li> </ul>
<b>Chillers</b>	<ul style="list-style-type: none"> <li>* Codissia Complex - Coimbatore</li> <li>* Nem Care Hospital - Kolkata,</li> <li>* Project Bhawan - Kolkata,</li> <li>* Maharaja Regency hotel - Chandigarh,</li> <li>* Venkateswara Medical College &amp; Hospital - Pondicherry</li> </ul>

### **Service Business**

During the quarter , Blue Star Service business which includes revamp and retrofits, has achieved a good growth.

Some of the prestigious orders received by the company in Q3FY14 are Indian Oil Corporation- Mumbai , RBI - Bhopal, Doordarshan Kendra – Patna, Altisource – Mumbai , and South Block- New Delhi

In this quarter Blue Star as part of its “Energy management services” offerings has helped Vodafone’s building at New Delhi to achieve a Platinum certification by Indian Green building congress.

### **Cooling Products**

In the Cooling Products segment, revenue was flat in the quarter while segment results grew by 21% to Rs 4.58 crores over the same period last year. The segment contributed to 28% of the overall share of revenues in this quarter.

You may be aware that Q3 is usually lean for the Room airconditioners and Refrigeration business.

Room air-conditioner sales by volume were flat over last year. The main reason for this was the new Energy Label changeover that was implemented in the industry on December 31, 2013. We had explained in the earlier quarter that as we had exhausted our old stocks in the summer, we were changing over with 100% compliance with a new, higher efficiency product line in December. Given the more stringent table requirements, the new product line is priced higher than the existing one, which in turn impacted our sales. This will be regularized in Q4FY14 as all brands complete the changeover and old stocks are exhausted in the market.

In Refrigeration products and systems, we grew moderately in this quarter. We witnessed demand from Quick Service Restaurants, Dairy and Frozen Food segments. The margins for this business continue to be under pressure owing to increasing competition, price challenges and the increasing share of low margin National Accounts business.

Going forward, the company will continue its efforts to consolidate its market share in both the Room AC and the commercial refrigeration business. We will also keep our focus on initiatives like channel expansion, increasing share in the light commercial segment. As we said earlier, we are targeting the Operating margins of around 8% - 8.5% at the end of Q4FY14.

The Capital Employed in Segment 2 decreased from Rs 216 crores as on December 31, 2012 to Rs 204 crores as on December 31, 2013. This is primarily due to a decrease in inventory levels and a decrease in receivables.

### **Professional Electronics and Industrial Systems**

In the Professional Electronics and Industrial Systems business, revenues decreased by 11%, while segment results registered a decline of 10% to Rs 8.61 crores.

This quarter the agency business witnessed a sharp decline owing to clients postponing their purchase cycle in line with the dollar exchange rates.

While the System Integration business showed improvement in the inquiry inflow, the orders were not getting finalized as expected and therefore revenues were flat.

The Industrial Projects business also showed good inquiry levels. We however expect order finalization only after the election impasse is over.

Going forward we expect the business in this segment to improve.

As always, we recommend that Segment 3 should not be analyzed on quarterly basis. Our Q3FY14 results are encouraging compared to the previous year and we are on a path of recovery in this

business.

## **Exports**

In Q3FY14, the Product Exports business of Blue Star has registered a good growth over Q3FY13. During this quarter, the company received a good inflow of orders in Room AC, Water Coolers and Refrigeration products from OEM accounts and various distributors in UAE, Oman, Qatar, Yemen and Kuwait.

Blue Star participated in “Big 5” which is Middle-East’s largest international building and construction show held from November 25-28, 2013. This year’s event proved to be the biggest till date, fueled by the massive growth in the Middle-East construction sector. Blue Star showcased its Star-rated Split Air conditioners, Digital VRF systems, Water coolers and overhead tank Chillers. The show was attended by well-known consultants and contractors and offered an excellent opportunity to enhance the brand awareness.

## **BUSINESS OUTLOOK**

### **COMPANY OUTLOOK**

The dull external business environment continues to dampen capital investment decisions as well as commercial construction, resulting in adverse impact on the profitability of the Company. However, over the 9-month period of the current financial year, the Company has managed to maintain its overall performance due to prudent financial management, cost control measures and enhanced distribution reach, and will work towards sustaining this performance in the last quarter of the financial 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**  
**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED DECEMBER 31 , 2013**

Rs. In Lakhs

Sr. no.	PARTICULARS	QUARTER ENDED (Unaudited)			NINE MONTHS ENDED (Unaudited)		YEAR ENDED (Audited)
		31.12.13	30.9.13	31.12.12	31.12.13	31.12.12	31.3.13
1	<b>Income from Operations</b>						
	a) Net Sales/Income from Operations (Net of Excise Duty)	54,110	58,102	59,302	188,805	188,966	274,055
	b) Other Operating Income	480	396	578	1,365	1,916	2,651
	<b>Total Income from Operations (Net)</b>	<b>54,590</b>	<b>58,498</b>	<b>59,880</b>	<b>190,170</b>	<b>190,882</b>	<b>276,706</b>
2	<b>Expenses</b>						
	a) Cost of materials consumed (including direct project cost)	34,940	34,952	36,923	107,790	111,210	159,726
	b) Purchase of Stock in trade	5,222	9,618	10,313	26,279	30,629	46,945
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	(1,997)	(3,405)	(4,554)	350	(3,728)	(2,886)
	d) Employee Benefits Expense	5,437	5,919	5,119	17,177	15,767	21,550
	e) Depreciation and Amortisation Expense	853	835	840	2,522	2,402	3,290
	f) Other Expenses	9,499	9,154	9,536	30,982	29,093	41,467
	<b>Total Expenses</b>	<b>53,954</b>	<b>57,073</b>	<b>58,177</b>	<b>185,100</b>	<b>185,373</b>	<b>270,092</b>
3	<b>Profit / (Loss) from Operations before Other Income, Finance Cost and Exceptional Items (1-2)</b>	<b>636</b>	<b>1,425</b>	<b>1,703</b>	<b>5,070</b>	<b>5,509</b>	<b>6,614</b>
4	Other Income	905	607	206	1,950	1,555	3,631
5	<b>Profit / (Loss) before Finance Cost and Exceptional Items (3+4)</b>	<b>1,541</b>	<b>2,032</b>	<b>1,909</b>	<b>7,020</b>	<b>7,064</b>	<b>10,245</b>
6	Finance Costs	1,260	1,280	1,372	3,710	3,746	4,986
7	<b>Profit / (Loss) after Finance cost but before Exceptional Items (5-6)</b>	<b>281</b>	<b>752</b>	<b>537</b>	<b>3,310</b>	<b>3,318</b>	<b>5,259</b>
8	Exceptional Items	-	-	-	-	-	-
9	<b>Profit / (Loss) before Tax (7+8)</b>	<b>281</b>	<b>752</b>	<b>537</b>	<b>3,310</b>	<b>3,318</b>	<b>5,259</b>
10	Tax Expense	-	-	-	-	-	86
11	<b>Net Profit / (Loss) after Tax (9-10)</b>	<b>281</b>	<b>752</b>	<b>537</b>	<b>3,310</b>	<b>3,318</b>	<b>5,173</b>
12	Paid Up Equity Share Capital (Face Value of the share - Rs. 2/- each)	1,799	1,799	1,799	1,799	1,799	1,799
13	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						47,638
14	Earnings Per Share (EPS) (in Rs.)(not annualised)						
	a) Basic	0.31	0.84	0.60	3.68	3.69	5.75
	b) Diluted	0.31	0.84	0.60	3.68	3.69	5.75

**NOTES:**

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on January 23, 2014 and have been subjected to Limited Review by the Statutory Auditors.
- The Company has recognized MAT credit entitlement during the quarter, as the Company believes there would be sufficient taxable profit in future.
- Previous period/ years' figures have been regrouped/ rearranged wherever necessary.

For **BLUE STAR LIMITED**

Date : January 23, 2014  
Place : Mumbai

Satish Jamdar  
Managing Director

www.bluestarindia.com

BLUE STAR LIMITED							
UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED DECEMBER 31, 2013							
				(Rs. In lakhs)			
Sr. No.	Particulars	QUARTER ENDED (Unaudited)			NINE MONTHS ENDED (Unaudited)		YEAR ENDED (Audited)
		31.12.13	30.9.13	31.12.12	31.12.13	31.12.12	31.3.13
<b>I</b>	<b>SEGMENT REVENUE</b>						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	34,877	37,365	39,602	106,491	113,894	161,961
	b. Cooling Products	15,542	16,881	15,571	72,049	65,796	96,516
	c. Professional Electronics and Industrial Systems	4,171	4,252	4,707	11,630	11,192	18,229
	<b>TOTAL SEGMENT REVENUE</b>	<b>54,590</b>	<b>58,498</b>	<b>59,880</b>	<b>190,170</b>	<b>190,882</b>	<b>276,706</b>
	Less: Inter - Segment Revenue	-	-	-	-	-	-
	<b>Total Income from Operations (Net)</b>	<b>54,590</b>	<b>58,498</b>	<b>59,880</b>	<b>190,170</b>	<b>190,882</b>	<b>276,706</b>
<b>II</b>	<b>SEGMENT RESULT</b>						
	<b>PROFIT/(LOSS) BEFORE INTEREST &amp; TAX</b>						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	1,811	2,000	2,294	5,826	6,173	7,233
	b. Cooling Products	458	815	378	5,505	4,924	8,035
	c. Professional Electronics and Industrial Systems	861	832	956	2,030	1,937	2,984
	<b>TOTAL SEGMENT RESULT</b>	<b>3,130</b>	<b>3,647</b>	<b>3,628</b>	<b>13,361</b>	<b>13,034</b>	<b>18,252</b>
	Less: i) Interest and Other Financial Charges	1,260	1,280	1,372	3,710	3,746	4,986
	ii) Un-allocable Expenditure	1,589	1,615	1,719	6,341	5,970	8,007
	<b>TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM</b>	<b>281</b>	<b>752</b>	<b>537</b>	<b>3,310</b>	<b>3,318</b>	<b>5,259</b>
	Exceptional item	-	-	-	-	-	-
	<b>PROFIT BEFORE TAXATION</b>	<b>281</b>	<b>752</b>	<b>537</b>	<b>3,310</b>	<b>3,318</b>	<b>5,259</b>
<b>III</b>	<b>CAPITAL EMPLOYED</b>						
	<b>(Segment Assets - Segment Liabilities)</b>						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	47,355	48,711	47,772	47,355	47,772	40,089
	b. Cooling Products	20,452	17,378	21,680	20,452	21,680	21,951
	c. Professional Electronics and Industrial Systems	8,208	7,772	6,831	8,208	6,831	6,301
	<b>TOTAL CAPITAL EMPLOYED IN SEGMENTS</b>	<b>76,015</b>	<b>73,861</b>	<b>76,283</b>	<b>76,015</b>	<b>76,283</b>	<b>68,341</b>
	Add: Un-allocable Corporate Assets less Liabilities	(23,268)	(21,395)	(25,544)	(23,268)	(25,544)	(18,904)
	<b>TOTAL CAPITAL EMPLOYED IN THE COMPANY</b>	<b>52747</b>	<b>52466</b>	<b>50739</b>	<b>52747</b>	<b>50739</b>	<b>49437</b>
For BLUE STAR LIMITED							
Date : January 23, 2014				Satish Jamdar			
Place : Mumbai				Managing Director			

**BLUE STAR LIMITED**  
**SELECT INFORMATION FOR THE QUARTER ENDED DECEMBER 31, 2013**

Sr. No.	PARTICULARS	QUARTER ENDED (Unaudited)			NINE MONTHS ENDED (Unaudited)		YEAR ENDED (Audited)
		31.12.13	30.09.13	31.12.12	31.12.13	31.12.12	31.3.13
<b>A</b>	<b>PARTICULARS OF SHAREHOLDING</b>						
1	<b>Public Shareholding</b>						
	-Number of Shares	53,902,234	53,902,234	53,902,234	53,902,234	53,902,234	53,902,234
	-Percentage of Shareholding	59.93	59.93	59.93	59.93	59.93	59.93
2	<b>Promoters and Promoter Group Shareholding</b>						
	a) Pledged / Encumbered						
	-Number of Shares	600,000	600,000	600,000	600,000	600,000	600,000
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	1.67	1.67	1.67	1.67	1.67	1.67
	-Percentage of Shares (as a % of total share Capital of the Company)	0.67	0.67	0.67	0.67	0.67	0.67
	b) Non-Encumbered						
	-Number of Shares	35,433,871	35,433,871	35,433,871	35,433,871	35,433,871	35,433,871
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	98.33	98.33	98.33	98.33	98.33	98.33
	-Percentage of Shares (as a % of total share Capital of the Company)	39.40	39.40	39.40	39.40	39.40	39.40

	Particulars	Quarter ended 31.12.13
<b>B</b>	<b>INVESTOR COMPLAINTS</b>	
	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 : January 23, 2014  
Place : Mumbai

Satish Jamdar  
Managing Director