

Blue Star Limited

Q1 FY13 Earnings Update

August 03, 2012

Financial Highlights

- The company reported a Total Operating Income of Rs 731.42 crores for the quarter ended June 30, 2012, as compared to Rs 704.03 crores in Q1FY12, representing a growth of 4% over same period last year.
- The Gross Margin for the quarter was 25.4%, marginally higher than 24.6% in Q1FY12 due to lower mark to market changes in margins
- Operating Profit (PBIDT excluding Other Income) for the quarter increased 22% to Rs 33.53 crores from Rs 27.53 crores in Q1FY12.
- During the quarter, Other Income grew to Rs 7.01 crores viz a viz. Rs 0.73 crores during the same period last year mainly on account of interest on income tax refunds, provision write backs and foreign exchange gains.
- Financial Expenses for the quarter increased to Rs 12.53 crores from Rs 8.17 crores in Q1FY12, primarily due to cost of hedging and foreign exchange losses. Interest costs for the quarter were marginally lower than Q1FY12 on account of lower borrowings
- Provision for taxation for the quarter was nil compared to Rs 3.17 crores during the same period last year. Although the Company is required to make a provision for MAT, due to the set-off of the carried forward business loss of the previous year, there is no taxable income for the year and hence no provision was required for tax.
- Consequently, Net Profit grew 110% from Rs 9.79 crores in Q1FY12 to Rs 20.54 crores during the quarter.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 2.28 vis-à-vis Rs 1.09 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on June 30, 2012 stands lower at Rs 1848 crores compared to Rs 2019 crores as at June 30, 2011, due to continued sluggishness in the market and our focus on improving quality of order inflow.

Segment-wise results

- SBU-wise sales break-up:

(Rs crore)

	Q1FY13	Q1FY12	% Growth (Decline)	% of Net Sales
Electro Mechanical Projects and Packaged Airconditioning Systems	367.05	342.74	7%	50%
Cooling Products	333.61	327.95	2%	46%
Professional Electronics & Industrial systems	30.76	33.34	(8%)	4%

- SBU-wise results break-up:

(Rs crore)

	Q1FY13	Q1FY12	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	12.37	(8.87)	172%
Cooling Products	37.55	44.14	(18%)
Professional Electronics & Industrial systems	7.18	7.97	(11%)

BUSINESS HIGHLIGHTS

Electro Mechanical Projects & Packaged Airconditioning Systems

Overview

The Electro Mechanical Projects and Packaged Airconditioning business accounting for 50% of the total revenues in the quarter, grew by 7.1%. Segment results grew by 240% to Rs. 12.4 cr. The Operating Margin of this business in Q1FY13 increased to 3.4% compared to -2.6% in Q1FY12. The improvement in Operating Margin is on account of a relatively higher proportion of better margin air-conditioning projects being billed out in this quarter, higher volumes in our central airconditioning equipment businesses and normal impact of mark-to-market changes in planned costs and revenues.

The Capital Employed in the business as at the end of June 2012 was about Rs 406 crores significantly lower than the Rs 606 crores at the end of June 2011 and marginally higher than the levels of Rs 351 crores at the end of March 2012. The increase over Q4FY12 is primarily on account of selectively paying down vendors and business associates despite slower collections, a function of the tight liquidity in the

market. We are focused on controlling the capital employed in the business and are carefully managing material delivery and billing in-line with project progress and payment.

Overall, the economic environment continues to be challenging with delays in project finalizations across all sectors. Despite the overall sluggishness, the company in this quarter witnessed demand from sectors such as Power, Hospitality, IT/ITeS, Retail and Offices. During the Quarter, Blue Star won prestigious orders in the above segments namely, OP Jindal Thermal Power Plant - Raigarh, Chandrapur Thermal Power Project - Chandrapur, Singhitarai Thermal Power Project - Chhatisgarh, PIU - Trauma Hospital - Ahmedabad, Kohinoor Commercial - Mumbai, Oberoi Grand - Mumbai, Lodha Boulevard - Thane, Tishman Speyer India Wave Rock IT Park - Hyderabad, UL Cyber Park - Calicut, Mind Tree Consulting - Bengaluru, Apollo Reach Hospitals - Nellore, Sheraton hotel - Greater Noida, and Welspun Solar AP Ltd - Jodhpur

In Packaged/Ducted Air-conditioning and small chillers, there was good demand in this quarter from segments such as Educational institutions, Retail, Offices, Hotels & Restaurants, and Industrial. The company has witnessed good demand for VRFs in particular for segments like hotels, and hospitals. Some of the important projects executed by Blue Star in Q1 FY13 were Salgaokar College - Goa, Gotri Medical College - Baroda, Shiv Nadar University - Delhi, Virata Retail - Hyderabad, Haveli Restaurant - Amritsar, Kalyan Silks - Thiruvallur, JC Brothers Retail - Hyderabad, Mayfair Spaces - Baroda, Premier Inn Hotel - Pune, Godavari Power & Ispat - Nagpur, Jaimata Infra - Mumbai, Sumeet Snyfab India - Raipur, Volkswagen India - Pune, IOCL - Mumbai, Kences Constructions - Chennai, Adlabs - Mumbai, Jeumont - Baroda, Wipro - Secunderabad

We retained our market leadership position in the packaged air-conditioning and ducted systems markets and our re-entry into the VRF segment is making good progress despite stiff competition from MNCs. We have created a new division focused on the marketing and sales of Chillers and are confident of building a leadership position on the back of our competitive products, ability to offer a range of solutions and deep customer and consultant relationships.

Key Projects in the Quarter:

	New Orders Won in Q1FY13
Central Airconditioning	<ul style="list-style-type: none"> * OP Jindal Thermal Power Plant, Raipur * Chandrapur Thermal Power Project, Chandrapur * Singhitarai Thermal Power Project, Singhitarai * Trauma Hospital, Ahmedabad * Kohinoor Commercial II, III and IV, Mumbai * Oberoi Grande, Mumbai * Lodha Boulevard, Thane * Tishman Speyer IT Park, Hyderabad * UL Cyber Park, Calicut * MindTree Consulting, Bengaluru * Apollo Reach Hospitals, Nellore * Sheraton hotel, Delhi-NCR

Electrical Projects	* Welspun Solar AP Ltd, Jodhpur
Packaged Airconditioning/ VRF Systems/ Precision Airconditioning	<ul style="list-style-type: none"> * IOCL, Mumbai * Premier Inn Hotel, Pune * Mayfair Spaces, Vadodara * Godavari Ower & Ispat, Nagpur * Jaimata Infra, Mumbai * Salgaonkar College, Goa * Virat Retail, Hyderabad * J.C brothers Retail, Hyderabad * Haveli Restaurant, Amritsar, * Gotri Medical College, Vadodara * Kalyan Silks, Thiruvallur * Adlabs, Mumbai * Volkswagen, Pune * Wipro, Secunderabad * Lucky silks, Thanjore * Shiv Nadar University, Delhi * Volvo, Bengaluru * State Bank of Hyderabad, Secunderabad

Service Business

Blue Star offers its customers annual maintenance contracts, retrofits and upgrades as well as new service products such as energy management audits and solutions, air management consultancy and services, water management services for cooling systems, Green Building certification consultancy and associated services.

During the quarter , annual maintenance contracts have grown steadily and contributed a major share of the service business. Revamp business on the other hand has shown a bit of degrowth.

The company has received prestigious orders like DLF- Asset, Delhi, NASC PUSA, Delhi, Indian Rayon, Mumbai, Michelin Tyres, Chennai, and Cognizant, Chennai.

Cooling Products

In the Cooling Products segment, revenue registered a marginal increase of 2% in the quarter, while segment results declined by 15% to Rs 37.55 crores. Operating Margins of 11.26% in this quarter, though lower than the 13.46% in Q1FY12, are a noticeable improvement from the margins of 9.7% % in Q4 of FY12, respectively.

The Room Airconditioner market continues to grow, despite a delayed summer, and our efforts at new product introductions, increase in distribution reach and a good mix of residential and light commercial customers has helped us to show marginal growth. Demand in the commercial refrigeration business is robust with demand for Water Coolers coming from Educational Institutions, Industry and Government segments while Freezers witnessed a good demand from the Ice Cream and Dairy segments. In Cold storage products, we witnessed good demand in segments such as Pharma, Fast Foods, Banana ripening & Healthcare. We have won prestigious orders from Dominos, YUM, Mc Donalds, Biocon, Dr.Reddy's, Gland Pharma, Sun Pharma etc.

Margins are under pressure due to intense competition from a growing number of multinational players and continuing increases in input costs. We have raised prices to compensate for increases in input costs and are closely reviewing the market situation. Our attempt will be to manage the margins while maintaining our competitive position in the market place.

The Capital Employed in this segment reduced from Rs 279 crores as at June 30, 2011 to Rs 216 crores as at June 30, 2012, primarily due to good inventory planning.

We believe we have a good and sustainable competitive position in this segment and continue to invest in new product development, increasing distribution reach in tier-3/4 and 5 markets, innovations in marketing, sales force training and overall productivity improvement.

Professional Electronics and Industrial Systems

In the Professional Electronics and Industrial Systems segment, revenues dropped by 8%, while segment results declined 10% to Rs7.18 crores. As you are aware, demand in this segment is closely linked to the industrial capex cycle which continues to be uncertain due to procedural delays and the need for re-evaluating project budgets to reflect the current and expected forex and commodity prices.

The quarter, however, saw some demand from medical electronics, industrial products and material testing segments. Some of the prestigious orders won by the company in this quarter were Bhilai Steel Plant - Bhilai, Abhi Diagnostic Centre - Mumbai, & Reliance - Mumbai.

Margins in this segment are largely stable except for changes in the business mix.

Exports

Blue Star's exports are derived from two streams - International Projects and

Product Exports. During the quarter, there was a good inflow of orders. The Company received total orders worth Rs. 20.0 Cr. inclusive of Rs. 11.0 Cr. for Unitary and Refrigeration product for OEM accounts. It also received orders for 1500 # Water Coolers worth Rs. 3.5 Cr from various distributors in UAE, Oman, Qatar, Yemen and Kuwait.

Company registered the Window and Hi-wall split air conditioners with ESMA (Emirates Authority For Standardization & Metrology) on Energy labeling program and received the orders for 1000 units worth 1.5 Cr.

In order to improve visibility, Blue Star participated in the 'Project Qatar -2012' exhibition held at Doha, Qatar from 30th April to 3rd May'12 through its distributor, M/s Central Air Conditioning & Trading - Doha wherein the products namely, Air Handling Unit, Fan Coil Units and Split Air conditioners were displayed.

Company also invited key customer "Construction Development Company LLC" and consultants "ASTAD" from Doha, Qatar to exhibit the manufacturing facilities at Wada and Chiller test facility at Thane factory.

BUSINESS OUTLOOK

COMPANY OUTLOOK

As indicated in our last call, the company has focused to put the aberration in performance of FY12 behind it and returning back to profits. We have achieved this despite facing a challenging external environment through improvement in quality of new orders won and a concerted effort to improve profit margins through value engineering and cost control. The company has also worked hard on bringing down capital employed and continues to strike a balance between profitable growth & productivity. Our endeavour will be to maintain this focus through the year in what continues to be a very challenging macro-economic economic environment.

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 JUNE 30, 2012

		Rs. In Lakhs			
Sr No	PARTICULARS	Quarter ended	Quarter ended	Quarter ended	Year ended
		30.6.12	31.3.12	30.6.11	31.3.12
			(Audited) (Refer note 3)		(Audited)
1	Income from Operations				
	a) Net Sales/Income from Operations (Net of Excise Duty)	72,318	80,438	69,852	266,935
	b) Other Operating Income	824	922	551	3,147
	Total Income from Operations (Net)	73,142	81,360	70,403	270,082
2	Expenses				
	a) Cost of materials consumed (including direct project cost)	40,853	48,436	39,514	166,392
	b) Purchase of Stock in trade	10,805	12,076	12,386	36,938
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	2,263	5,926	747	5,254
	d) Employee Benefits Expense	5,283	5,528	4,915	20,691
	e) Depreciation and Amortisation Expense	747	822	713	3,144
	f) Other Expenses	10,585	13,134	10,088	41,859
	Total Expenses	70,536	85,922	68,363	274,278
3	Profit / (Loss) from Operations before Other Income, Finance Cost and Exceptional Items (1-2)	2,606	(4,562)	2,040	(4,196)
4	Other Income	701	1,038	73	2,376
5	Profit / (Loss) before Finance Cost and Exceptional Items (3+4)	3,307	(3,524)	2,113	(1,820)
6	Finance Costs	1,253	943	817	7,025
7	Profit / (Loss) after Finance cost but before Exceptional Items (5-6)	2,054	(4,467)	1,296	(8,845)
8	Exceptional Items	-	-	-	-
9	Profit / (Loss) before Tax (7+8)	2,054	(4,467)	1,296	(8,845)
10	Tax Expense	-	70	317	70
11	Net Profit / (Loss) after Tax (9-10)	2,054	(4,537)	979	(8,915)
12	Extraordinary Items (net of tax expense)	-	-	-	-
13	Net Profit / (Loss) for the Period (11-12)	2,054	(4,537)	979	(8,915)
14	Paid Up Equity Share Capital (Face Value of the share - Rs. 2/- each)	1,799	1,799	1,799	1,799
15	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year				45,591
16	Earnings Per Share (EPS) (in Rs.)				
	a) Basic	2.28	(5.04)	1.09	(9.91)
	b) Diluted	2.28	(5.04)	1.09	(9.91)

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 31, 2012 and have been subjected to Limited Review by the Statutory Auditors.
- Figures of the corresponding previous quarters and year have been regrouped, wherever necessary, to conform to the figures of the current quarter.
- Figures for the quarter ended March 31, 2012 are the balancing figures between the audited figures in respect of the full financial year 2011-12 and the year to date figures up to the third quarter ending December 31, 2011 which were subjected to only Limited Review by the Auditors.

Date : July 31, 2012
Place : Mumbai
www.bluestarindia.com

For **BLUE STAR LIMITED**
Satish Jamdar
Managing Director

BLUE STAR LIMITED

UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED JUNE 30, 2012

(Rs. in Lakhs)

Sr. No.	Particulars	Quarter ended 30.6.12	Quarter ended 31.3.12 (Audited) (Refer note 3)	Quarter ended 30.6.11	Year ended 31.3.12 (Audited)
I	SEGMENT REVENUE				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	36,705	46,292	34,274	155,607
	b. Cooling Products	33,361	28,329	32,795	93,264
	c. Professional Electronics and Industrial Systems	3,076	6,739	3,334	21,211
	TOTAL SEGMENT REVENUE	73,142	81,360	70,403	270,082
	Less: Inter - Segment Revenue	-	-	-	-
	Net Sales from Operations	73,142	81,360	70,403	270,082
II	SEGMENT RESULT				
	PROFIT/(LOSS) BEFORE INTEREST & TAX				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	1,237	(5,762)	(887)	(8,509)
	b. Cooling Products	3,755	2,768	4,414	8,745
	c. Professional Electronics and Industrial Systems	718	1,532	797	5,229
	TOTAL SEGMENT RESULT	5,710	(1,462)	4,324	5,465
	Less: i) Interest and Other Financial Charges	1,253	943	817	7,025
	ii) Un-allocable Expenditure	2,403	2,062	2,211	7,285
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	2,054	(4,467)	1,296	(8,845)
	Exceptional item	-	-	-	-
	PROFIT BEFORE TAXATION	2,054	(4,467)	1,296	(8,845)
III	CAPITAL EMPLOYED				
	(Segment Assets - Segment Liabilities)				
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	40,590	35,059	60,622	35,059
	b. Cooling Products	21,653	20,683	27,993	20,683
	c. Professional Electronics and Industrial Systems	7,159	7,096	6,935	7,096
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	69,402	62,838	95,550	62,838
	Add: Un-allocable Corporate Assets less Liabilities	(19,959)	(15,448)	(37,221)	(15,448)
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	49,443	47,390	58,329	47,390

For BLUE STAR LIMITED

Date : July 31, 2012

Place : Mumbai

Satish Jamdar
Managing Director