

Blue Star Limited

Q1 FY11 Earnings Update

July 29, 2010

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Operating Income of Rs 664.83 crore for the quarter ended June 30, 2010, representing a 25% increase over the corresponding quarter in the previous year.
- For the quarter, Gross Margin declined from 28.3% to 23.6%, due to three primary reasons - higher input costs, change in business mix and a change in accounting policy related to provisions for bad debts.
- Operating profit (PBIDT excluding Other Income) for the quarter declined 10% to Rs 55.87 crore. Operating Margin decreased to 8.5% compared to 11.8% in Q1FY10.
- Net Profit at Rs 37.15 crore registered decline of 10% compared to 41.17 crore in Q1FY10.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 4.13 vis-à-vis Rs 4.58 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on June 30, 2010 increased to Rs 1976 crore compared to Rs 1717 crore as at June 30, 2009, representing a growth of 15%.
- Order Inflow during the quarter increased from Rs 903 crore in Q1FY10 to Rs 925 crore.

Segment-wise results

- The Electro Mechanical Projects and Packaged Airconditioning business accounting for 57% of the total revenues in the quarter, grew 19% while segment results remained flat.
- Cooling Products revenue registered a healthy increase of 33% in the quarter, driven by room airconditioner sales. Segment results, increased marginally by 6%.
- The Professional Electronics and Industrial Systems business revenues grew significantly by 31%. Segment results registered a decline of 23% due to the product mix.

- SBU-wise sales break-up:

(Rs crore)

	Q1FY11	Q1FY10	% Growth (Decline)	% of Net Sales
Electro mechanical projects and packaged airconditioning systems	374.15	314.70	19%	57%
Cooling products	253.35	190.33	33%	38%
Professional Electronics & Industrial systems	32.32	24.70	31%	5%

- SBU-wise results break-up:

(Rs crore)

	Q1FY11	Q1FY10	% Growth/ (Decline)	% of Total Segment Result
Electro mechanical projects and packaged airconditioning systems	34.04	34.56	(1%)	46%
Cooling products	35.24	33.22	6%	47%
Professional Electronics & Industrial systems	5.45	7.06	(23%)	7%

ACQUISITION OF D S GUPTA CONSTRUCTION PVT LTD

The Company has entered into an agreement to acquire the plumbing and fire fighting business of D S Gupta Construction Private Limited, the largest independent plumbing and fire fighting contracting company in India, on a slump sale basis for a consideration of Rs. 80 crore. The Company proposes to assign its rights and obligations under the said agreement to its wholly owned subsidiary Blue Star Electro Mechanical Ltd (BSEML), which would acquire and operate the said business upon completion of the acquisition. The promoters of D S Gupta Construction will continue to manage the business for the foreseeable future. The transaction is subject to customary closing conditions being met.

This move will fortify an important pillar in Blue Star's integrated Mechanical, Electrical, Plumbing & Fire fighting (MEP) contracting offering for its commercial and residential real estate customers.

D S Gupta Construction Pvt Ltd is headquartered in Mumbai with a turnover of Rs 130 crore in FY10. Established over two decades ago, it has pan India

operations and is reputed for its quality of work and timely execution. It has a large pool of skilled manpower coupled with long standing relationships and impressive credentials in segments such as hotels, hospitals, educational institutions, commercial buildings, IT/ITES parks and residential complexes. It has also executed projects for several green buildings. Some of the notable projects executed by D S Gupta Construction include Rajiv Gandhi International Airport, Hyderabad; Kokilaben Dhirubhai Ambani Hospital, Mumbai; Wipro, Gurgaon; The Leela, Mumbai, Gurgaon & Udaipur; NSE, Mumbai; ISB, Hyderabad and UB City, Bengaluru amongst others. The Company has a carry forward order book of around Rs 300 crore.

A few years ago, Blue Star recognized the trend of customers preferring an integrated MEP contractor rather than several independent vendors. In order to add electrical contracting capabilities, Blue Star acquired Naseer Electricals in early 2008 and began offering integrated MEP services after a successful integration and roll out of operations across the country. Thereafter, the Company has executed several integrated MEP orders.

The plumbing and fire fighting contracting skills were being developed in-house, and the Company has been executing quite a few plumbing and fire fighting contracting projects. However, the Company thought it prudent to acquire these capabilities inorganically through a strategic acquisition, in order to leverage the growth opportunities available. With this acquisition, not only will the Company be in a position to aggressively pursue integrated MEP business, but will also bid for stand alone plumbing and fire fighting contracting projects by cross-selling its services to its existing airconditioning and electrical contracting customers.

BUSINESS HIGHLIGHTS

Electro Mechanical Projects & Packaged Airconditioning Systems

Overview

This line of business comprises Central Airconditioning, Electrical Contracting, Plumbing & Fire Fighting Contracting and Packaged Airconditioning, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems. The Operating Margin of this business in Q1FY11 was 9.1% compared to 11.0% in Q1FY10, mainly due to increase in input costs.

In the Central Airconditioning business, the Company saw good prospects from the healthcare, education, hospitality, power and steel segments. The Company also witnessed a modest recovery in the retail and real estate segments.

During the quarter, Blue Star won three prestigious HVAC orders in the power

sector. These included an order from Lanco for their 2 x 660 MW super thermal power plant coming up in Amarkantak; an order from BGR Energy Systems for 2 x 600 MW power plants in Kalsindh, Rajasthan and a ventilation order for Nabinagar power plant from NTPC. The Company also received prestigious orders from Rockland, Shivam and GMR Care Hospitals; Gautam Budh and Sharda Universities and Taj Hotels.

The Electrical Projects business caters to both the commercial building market as well as the power sector. During the quarter, the Company received impressive stand-alone electrical orders in the power sector. These included Madhya Pradesh Electricity Board, Indore for fifteen 33/11 kV substations and augmentations; Central Electricity Supply Utility, Orissa for a 33/11 kV substation and Reliance Infrastructure for a 220kV erection package. In commercial buildings, the Company continued to win and execute several prestigious electrical jobs in a stand-alone, M&E and MEP model including orders from HCL for Shiv Nadar University; Kerala Technopark, Trivandrum; Rockland Hospital, Manesar; GMR - Delhi International Airport; Gateway Hotel, Kolkata and West Bank Hospital, Kolkata.

In Packaged/Ducted Airconditioning and small chillers, there was a good inflow of orders from the light commercial segment such as showrooms as well as educational institutions. In addition, banks also contributed to growth. During the quarter, the Company signed rate contracts with Aegon Religare, Mahindra Finance, Dhanalakshmi Bank, Timex Infra and Liliput Kidswear for their airconditioning requirements incorporating ducted splits. Blue Star's Precision Control Packaged Airconditioners (PCPAs) performed well driven by the rapid expansion of data centres in the country. The quarter witnessed the Company booking the largest PCPA order in its history of 1200 TR from Nokia Siemens, Bengaluru. The Company also booked a large VRF order from Chennai Public School. The Company also sustained its dominant position in the telecom segment with its customised array of telepac airconditioners, especially designed for the telecom industry.

Key Projects in the Quarter:

	New Orders Won in Q1FY11
Central Airconditioning	<ul style="list-style-type: none"> * Taj Gateway Hotel, Kolkata * Lanco, Amarkantak * HB Estate-Taj Hotel, Gurgaon * Jubilant Organosys, Bengaluru * NTPC, Nabinagar * GMR Care Hospital, Rajam * Pure Earth Infrastructure, New Delhi * Jai Hind College, Mumbai * Sharda University, Greater Noida



	<ul style="list-style-type: none">* BGR Energy Systems, Kalisindh, Rajasthan* SoFotel -II, Pune* Accenture. Bengaluru* Sterlite Infrastructure, Aurangabad* Rockland Hospital, Manesar* Gautam Budh University, Greater Noida* West Bank Hospital, Kolkata* Avani Riverside. Kolkata* Shivam Hospital, Hoshiarpur* National Remote Sensing Centre, Hyderabad* General Pool Office Accommodation, Secunderabad* Kalyani Tech Park, Bengaluru* El DuPont, Hyderabad* Nokia Siemens Ph-II, Bengaluru* Viva City Mall, Thane* IBM, Pune* IDMC, Anand* Adhunik Steel. Jamshedpur* Goldighi Mall, Silchar, Assam
Electrical Projects	<ul style="list-style-type: none">* Rockland Hospital, Manesar* West Bank Hospital, Kolkata* GMR, Delhi International Airport* HCL - Shiv Nadar University* CESU, Orissa* Max Hypermarket, Delhi* MPEB, Indore* Market City , Pune* Taj Gateway Hotel, Kolkata* Kerala Technopark, Thiruvananthapuram* L&T 3M, Bengaluru* Divyasree Technopark, Bengaluru* Prajay Princeton Academy, Secunderabad* NSL Arena, Secunderabad* Reliance Infrastructure, Butibori
Packaged Airconditioning/ VRF Systems/ Precision Airconditioning	<ul style="list-style-type: none">* Nokia Siemens, Bengaluru* Chennai Public School, Chennai* Kumaraguru College, Coimbatore* Prajit Foundation, Chennai* Citibank, Pune* Cross Domain, Bengaluru* GSW Steel, Belary* Kalyan Sarees, Thiruvananthapuram* Seemas Showroom, Alleppy* Maruti Udyog, Gurgaon* Rajasthan Fort (Hotel), Jaisalmer

Service Business

The service business performed well during the quarter. Apart from annual maintenance contracts, the Company offers 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, the AMC business as well as the revamp and retrofit business posted a modest growth. The Company booked several orders including orders from Regional Cancer Center, Trivandrum; Sanjay Gandhi Post Graduate Institute, Lucknow; Jaslok Hospital, Mumbai; Indian Registrar of Shipping, Mumbai; Volkswagen, Pune; IOCL, Haldia; West Bengal Power Development Corporation and the DLF Group; amongst several others.

Cooling Products

The Cooling Products business comprises room airconditioners and refrigeration products and systems. The Operating Margin declined from 17.5% in Q1FY10 to 13.9% in Q1FY11, due to significant increase in input costs compared to the same period last year when raw material prices were at its lowest.

The Room Airconditioner business performed impressively in the quarter recording a robust 34% growth. Sales from the residential segment were also significant, given the harsh summer season. The Company also doubled its room airconditioner sales from National Accounts during the quarter and signed three new accounts namely FIS, Diabold and FSS.

The Refrigeration Products business continued to perform well with healthy growth in the water cooler business mainly from the manufacturing and educational institutions. The Company also witnessed considerable growth in the chest coolers and freezers business driven by the ice cream and dairy segments. Further, bottled water dispensers continued to do well due to enhanced demand from the residential segment, small offices and commercial establishments. For the cold chain, Blue Star offers equipment right from the farm to the fork. During the quarter, the Company booked significant orders from Hotel Shangri-La; Bestech Hospitalities; Triton; Jaypee; Maharashtra Meat Products and Grandeur Agrotech.

Professional Electronics and Industrial Systems

Over the years, the Company has changed its business model from merely being a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain. The Company

executes several turnkey engineered projects in the areas of manufacturing, telecom, healthcare, defence, pharmaceuticals, banking and R&D.

Although revenue growth was healthy in the quarter, the segment results performed well below expectations on account of two reasons. Firstly, commission income on imports was far below budget on account of delayed orders and secondly, Industrial Projects billings fell short due to project delays.

On a positive note, the Material Testing business which was adversely impacted due to the slowdown in the automobiles, construction and steel segments last year, grew impressively due to the economic revival as well as change in the product mix offering. Significant orders were won from Surya Global Steel Tubes, Delhi Metro, BHEL, Trichy, Shell India, PPN Power and KSB Pumps, during the quarter. The Medical Equipment business also performed impressively with a large order comprising a package of MRI, CT and Colour Flow Monitor from Suraksha Diagnostic, Kolkata. And finally, although billings fell short of expectations, the Industrial Projects team booked orders worth Rs 33 crore from Tata Steel for a gas boosting and mixing station and a pressure reducing station.

Exports

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

While there are signs of an economic recovery, it is likely to take some more time, before the complete revival of the economy in the Middle East. During the quarter, the Company shifted its UAE office to SAIF zone with sales and service support functions, to extend technical support to international customers and distributors. The Company also participated as a gold sponsor during 'Climatech Exhibition' held at Syria and conducted technical seminars with consultants and customers during the show, which has enhanced interest in the Company's products. The Company won notable orders for central airconditioning equipment for prestigious projects including City Center Phase III A & B, Qatar and Rasheed University at Syria. It also received orders worth USD 3 million for unitary products from OEM accounts in the Middle East, during the quarter.

As far as international projects go, the Company has a JV in Qatar focusing on MEP projects in the region. The Company continues to be selective in pursuing projects with healthy margins.

BUSINESS OUTLOOK

Industry Outlook

Infrastructure segments such as metro rail, airports, power and steel are expanding at a rapid pace. Healthcare, education and hospitality segments owing to the substantial demand-supply gap, continue to pursue with expansion plans aggressively. Further, the real estate, retail and IT/ITES segments are also showing signs of a revival. Thus, the opportunities in the HVAC, electrical contracting, plumbing and fire fighting contracting and commercial refrigeration businesses look attractive.

Company Outlook

While Q1 financial results show strong revenue growth, higher input costs, change in business mix and a change in accounting policy related to provisions for bad debts adversely affected margins and profits. The Company is taking steps to address the impact of raw material and input costs. On the whole, the reasonable carry forward order position and the growing Indian economy make the Management confident that the Company's results will improve in the coming quarters.

For more information contact

Vir S Advani
Blue Star Limited
Tel: 66544000
vir@bluestarindia.com

Sudhir Shetty
Adfactors PR Pvt. Limited
Tel: 22813565
sudhir.shetty@adfactorspr.com

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, 2010

Rs. in lakhs

Particulars	QUARTER ENDED		AUDITED FOR THE YEAR ENDED
	30.6.2010	30.6.2009	31.3.2010
1. (a) Net Sales/Income from Operations	65982	52973	252497
(b) Other Operating Income	501	127	2446
Total Income from Operations 1(a+b)	66483	53100	254943
2. Expenditure			
a. (Increase)/decrease in stock in trade and work in progress	(2792)	1340	(2484)
b. Consumption of raw materials- Cost of Sales	47430	33613	175618
c. Purchase of traded goods	5790	3042	15074
d. Employees cost	4733	4643	18487
e. Depreciation	755	819	3473
f. Other expenditure	5234	4109	18332
g. Total	61150	47566	228500
3. Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	5333	5534	26443
4. Other Income	38	41	668
5. Profit before Interest and Exceptional Items(3+4)	5371	5575	27111
6. Financial expenses	200	145	845
7. Profit after Interest but before Exceptional Items (5-6)	5171	5430	26266
8. Exceptional items	43	-	1,396
9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)	5214	5430	27662
10. Tax expense	1499	1313	6513
11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	3715	4117	21149
12. Extraordinary items (net of tax expense)			
13. Net Profit (+)/Loss (-) for the period (11-12)	3715	4117	21149
14. Paid-up equity share capital (Face Value per share Rs.2/-)	1799	1799	1799
15. Reserves excluding Revaluation Reserves as per balance sheet as on 31st March 2010			47369
16. Earnings Per Share (EPS)			
a) Basic and diluted EPS before Extraordinary items	4.13	4.58	23.52
b) Basic and diluted EPS after Extraordinary items	4.13	4.58	23.52
17. Public shareholding			
- Number of shares	53845184	53833184	53845184
- Percentage of shareholding	59.87	59.86	59.87
18. Promoters and Promoters group shareholding			
a) Pledged/ Encumbered			
- Number of shares	600000	-	600000
- Percentage of shares(as % to total shareholding of promoter and promoter group)	1.66	-	1.66
- Percentage of shares(as % to total share capital of the Company)	0.67	nil	0.67
b) Non Encumbered			
- Number of shares	35490921	36102921	35490921
- Percentage of shares(as % to total shareholding of promoter and promoter group)	98.34	100.00	98.34
- Percentage of shares(as % to total share capital of the Company)	39.46	40.14	39.46

Notes:

- The above results have been subjected to Limited Review by the statutory auditors, reviewed by the Audit Committee and approved at the meeting of the Board of Directors held on July 26, 2010.
- The Company has entered into an agreement to acquire the plumbing & fire fighting business of D S Gupta Constructions Private Limited (DSG) on a slump sale basis for a consideration of Rs.80 Cr. The Company proposes to assign its rights and obligations under the said agreement to its wholly owned subsidiary Blue Star Electro Mechanical Ltd(BSEML), which would acquire and operate the said business upon completion of the acquisition.
- Exceptional Items represents profit on sale of Investments.
- Figures of the corresponding previous quarter and year have been regrouped, wherever necessary, to conform to the figures of the current quarter.
- During the quarter ended June 30, 2010, the Company received and disposed of 28 investor complaints. No complaints were pending at the beginning and at the end of the quarter.

Registered Office:

Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date : July 26, 2010
Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director

UNAUDITED SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER EN

(Rs. in lakhs)

Description	Quarter Ended		AUDITED FOR THE YEAR
	30.6.2010	30.6.2009	31.3.2010
	I. SEGMENT REVENUE		
i. Electro Mechanical Projects and Packaged Air-conditioning	37415	31470	179401
ii. Cooling Products	25335	19033	58296
iii. Professional Electronics and Industrial Systems	3232	2470	14800
TOTAL SEGMENT REVENUE	65982	52973	252497
Less: Inter Segment Revenue			-
NET SALES/ INCOME FROM OPERATIONS	65982	52973	252497
II. SEGMENT RESULT			
PROFIT/(LOSS) BEFORE INTEREST & TAX			
i. Electro Mechanical Projects and Packaged Air-conditioning	3404	3456	21260
ii. Cooling Products	3524	3322	8348
iii. Professional Electronics and Industrial Systems	545	706	4571
TOTAL SEGMENT RESULT	7473	7484	34179
Less:			
i.) Financial expenses	200	145	845
ii.) Other un-allocable Expenditure net of un-allocable Income	2102	1909	7068
TOTAL PROFIT BEFORE TAX and Exceptional Item	5171	5430	26266
Add: Exceptional Item	43	-	1396
PROFIT/(LOSS) BEFORE TAX	5214	5430	27662
III. CAPITAL EMPLOYED:			
(Segment Assets- Segment Liabilities)			
i. Electro Mechanical Projects and Packaged Air-conditioning	49709	37907	40382
ii. Cooling Products	10052	10328	10337
iii. Professional Electronics and Industrial Systems	5338	3425	5274
TOTAL CAPITAL EMPLOYED IN SEGMENTS	65099	51660	55993
Add: Un-allocable Corporate Assets less Liabilities	(3941)	(4915)	(5933)
TOTAL CAPITAL EMPLOYED IN THE COMPANY	61158	46745	50060

Registered Office:

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Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com

Date : July 26, 2010

Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director