

Blue Star Limited

Q2 FY11 Earnings Update

November 3, 2010

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported Total Operating Income of Rs 694.75 crore for the quarter ended September 30, 2010, as compared to Rs 554.98 crore in Q2FY10.
- For the quarter, Gross Margin declined from 26.3% to 22.2%, due to higher input costs and change in the business mix.
- Operating profit (PBIDT excluding Other Income) for the quarter increased by 2% to Rs 67.22 crore.
- Net Profit was lower by 22% at Rs 38.63 crore compared to Rs 49.45 crore in Q2FY10 mainly because of lower gross margin, and higher interest costs and taxes.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 4.29 vis-à-vis Rs 5.50 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on September 30, 2010 increased to Rs 1998 crore compared to Rs 1815 crore as at September 30, 2009, representing a growth of 10%.
- Order Inflow during the quarter increased from Rs 642 crore in Q2FY10 to Rs 715 crore, representing an increase of 11%.

Segment-wise results

- The Electro Mechanical Projects and Packaged Airconditioning business accounting for 69% of the total revenues in the quarter, grew 15% while segment results declined by 5%.
- Cooling Products revenue registered a healthy increase of 29% in the quarter, driven mainly by higher room airconditioner and deep freezer sales. Segment results, increased by 2%.
- The Professional Electronics and Industrial Systems business revenues grew significantly by 100%, while segment results registered an impressive increase of 63%.

- SBU-wise sales break-up:

(Rs crore)

	Q2FY11	Q2FY10	% Growth (Decline)	% of Net Sales
Electro Mechanical Projects and Packaged Airconditioning Systems	470.45	409.60	15%	69%
Cooling Products	143.90	111.18	29%	21%
Professional Electronics & Industrial systems	67.42	33.72	100%	10%

- SBU-wise results break-up:

(Rs crore)

	Q2FY11	Q2FY10	% Growth/ (Decline)	% of Total Segment Result
Electro Mechanical Projects and Packaged Airconditioning Systems	44.44	46.88	(5%)	58%
Cooling Products	16.48	16.13	2%	21%
Professional Electronics & Industrial systems	16.26	9.98	63%	21%

ACQUISITION OF D S GUPTA CONSTRUCTION PVT LTD

During the quarter, the Company vide its wholly owned subsidiary, Blue Star Electro Mechanical Ltd completed the acquisition of the plumbing and fire fighting businesses of D S Gupta Construction Private Limited, the largest independent plumbing and fire fighting contracting company in India, on a slump sale basis. The promoters of D S Gupta Construction will continue to manage the business for the foreseeable future. This move has fortified an important pillar in Blue Star's integrated Mechanical, Electrical, Plumbing & Fire fighting (MEP) contracting offering for its commercial and residential real estate customers.

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 Q2FY11 declined to 9.4% compared to 11.4% in Q2FY10, mainly due to increase in input costs.

In the Central Airconditioning business, the Company saw good prospects from the healthcare, education, hospitality, power, steel and transportation segments. The Company also witnessed some revival in the IT and real estate segments.

Blue Star has won orders worth Rs 130 crores for airconditioning and plumbing of the new integrated Terminal Building (Terminal 2) of the Chhatrapati Shivaji International Airport (CSIA), Mumbai. Mumbai International Airport Pvt. Ltd. (MIAL), a joint venture between the GVK led consortium (74%) and Airports Authority of India (26%), was awarded the mandate of modernizing and upgrading Mumbai's Chhatrapati Shivaji International Airport (CSIA). MIAL is currently implementing a master plan to build an integrated terminal with a vision and framework to modernize this airport as one of the best airports in the world. After modernization, the new integrated Terminal Building referred to as T2 will be able to accommodate 40 million passengers per annum.

The works of the new integrated Terminal Building is being split into two phases. While Blue Star was awarded the contract to aircondition the South West Pier valued at Rs 15 crores a few months ago, it won the contract to aircondition the T2 Processor valued at Rs 93 crores in Q1FY11. In addition, D S Gupta Construction Pvt Ltd, the company that Blue Star has recently acquired, has also been awarded the plumbing contracting works of this new integrated Terminal Building valued at Rs 22 crores.

Blue Star's scope of work involves supply, installation, testing, commissioning, handover, training, maintenance and warranty of all airconditioning and ventilation services. Blue Star will also be handling the project execution of the plumbing works. Blue Star's superior project management skills and impressive track-record of on-time completion helped it win this prestigious order. The other airport projects that Blue Star has executed include Aurangabad,

Ahmedabad, Trivandrum, Mangalore, Nagpur, Jaipur, Amritsar, Madurai, Dehradun, Raipur and Pune.

During Q2FY11, Blue Star won a prestigious airconditioning order for AIIMS Hospital coming up at Bhubaneswar. It also won another order in the power sector from Adani Power for their 2 x 600 MW super thermal power plant being set up in Tiroda (Units IV and V). It also won significant orders from L&T, DRDO, Hindustan Unilever, Indiabulls, ABB and JSW Steel.

The Electrical Projects business caters to both the commercial building market as well as the power sector. During the quarter, the Company received a significant electrical order in the power sector from Reliance Infrastructure valued at Rs 55 crore for power supply and distribution system on a turnkey basis for the Moher Amlohri Open Cast Mines for their 6 X 660 MW Sasan Ultra Mega Power Plant at Amlohri District, Madhya Pradesh. In addition, Reliance Infrastructure also awarded a 220 KV switchyard order for its 1 X 300 MW Butibori Captive Thermal Power Plant in Nagpur, Maharashtra. Further, the Company won orders from APTRANSCO, Hyderabad for several 132KV sub stations and from National Institute of Technology, Rourkela for a 33 KV power distribution and augmentation 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 ISVP, New Delhi; Jones Lang Lasalle Meghraj for Accenture, Bengaluru and Ramky Infrastructure, Hyderabad. The Company also won highway lighting orders for Lanco Toll Plaza, Hoskote.

In Packaged/Ducted Airconditioning and small chillers, there was a good inflow of orders from educational institutions as well as industrial segments. In the industrial segment, the Company won orders from BMM Ispat, Hospet; JSW Steel, Bellary, Vasavadatta Cements, Gulbarga and Suzlon, Mangalore; amongst others. Blue Star's Precision Control Packaged Airconditioners (PCPAs) performed well driven by the rapid expansion of data centres in the country. While the Company sustained its dominant position in the telecom segment, with its customised array of telepac airconditioners, the telecom infrastructure roll-out has been adversely affected and therefore the business from this sector has been impacted. The tower roll-outs are expected to gain momentum in Q1FY12 and hence the outlook for this business in FY11 is not positive.

Key Projects in the Quarter:

	New Orders Won in Q2FY11
Central Airconditioning	<ul style="list-style-type: none"> * AIIMS Hospital, Bhubaneswar * Adani Power - Tiroda Unit IV & V * Rajiv Gandhi Urja Bhavan ONGC, Delhi * L&T Mixed Used Development Project, Chandigarh * Treasure Island, Mohali

	<ul style="list-style-type: none"> * Surya World, Rajpura * Indian Institute of Chemical Biology, Kolkata * DRDO, Korwa, Lucknow * Rodeo Shopping Mall, Kundali, Haryana * Grand Plaza Mall, Guwahati * Hindustan Unilever Limited, Mumbai * MAS GMR Aerospace, Secunderabad * Indiabulls Real Estate, Mumbai * Tril Info Park, Chennai * Kohinoor Elite Hotels, Mumbai * Arihant Premises (Lodha Group), Thane, Mumbai * JSW Steel Energy, Mumbai * Ritu Varsha Estate, Koregaon * RMV Resorts & Hotels, Raipur * ABB, Vadodara * Kevin Metpack, Chattral * Vedanta Aluminium, Jhasugudah ,Orissa * Radisson Hotel, Kolkata * Danieli India Limited, Vizag *
Electrical Projects	<ul style="list-style-type: none"> * Reliance Infrastructure, Sassan/Butibori * ISVP, New Delhi * Saraf Infra Projects, Kolkata * NIT, Rourkela * Lanco Toll Plaza, Haskote * JLL Meghraj (A/c Accenture), Bengaluru * Ramky Infrastructures, Hyderabad * APTRANSCO, Tanakullu/ Kothapeta/ Narsannapeta/ Rachagunneri
Packaged Airconditioning/ VRF Systems/ Precision Airconditioning	<ul style="list-style-type: none"> * BMM Ispat, Hospet * JSW Steel, Bellary * Vasavadatta Cements, Gulbarga * Rajasree Cements, Gulbarga * Suzlon, Mangalore * West Coast Paper Mills, Belgaum * Christ College, Bengaluru * NITTE, Mangalore * Rajalakshmi Educational Trust, Mangalore * Hyderabad Karnataka Educational Trust, Gulbarga

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 Energy Management team bagged their first import order valued at US \$22,000 from The Office of Director General of Engineering Affairs, Ministry of Health, Sultanate of Oman for the detailed HVAC energy audit at Sur Hospital in South Sharqiya Region, Sultanate of Oman. The Company also won large AMC contracts from Reliance Retail, HCL Technologies and Pantaloon. In addition, a significant three year operation and maintenance order from National Aviation, Air India was booked.

Cooling Products

The Cooling Products business comprises Room Airconditioners and Refrigeration Products and Systems. The Operating Margin declined from 14.5% in Q2FY10 to 11.5% in Q2FY11, due to significant escalation in input costs compared to the same period last year.

In the Room Airconditioner business, growth was driven by sales from the commercial segment since demand from the residential segment is traditionally low due to the monsoons in most parts of the country during this period. Significant orders were booked from Ramaniyam Builders, Chennai; L&T, Mumbai; ABB, Chennai and Hotel Great Maratha, Pune to name a few. The Company also witnessed enhanced demand from the educational segment winning several orders including orders from Anna University, Trichy; Mahatma Gandhi College, Pondicherry; Punjab University, Chandigarh; Kongu Engineering College, Erode and Blue Bell School, Delhi.

The Refrigeration Products business continued to perform well with healthy growth in the deep freezer business driven by enhanced demand from the ice cream sector. A new range of specialty refrigeration products that include pastry display cabinets, serve-overs, reach-in freezers and coolers, under counters and visi coolers were launched during the quarter. Growth in the water cooler segment was driven by increase in demand from the educational segment. For the cold chain, Blue Star offers equipment right from the farm to the fork. This business continued to perform well in the quarter under review.

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.

During the quarter, the revenues nearly doubled driven by growth from the industrial projects business. In the Material Testing business (Non-Destructive), the Company won a significant order from Surya Global Steel Tubes against stiff competition from major international players. It also won strategic orders from India Seamless Tubes for online testing of seamless tubes and Indian Oil Corporation, Panipat for weld inspection in reactor vessels. The Medical business had launched the Blue Star Colour Doppler system a few months ago and two orders were booked from Diagnostic Centres in Tripura and Surat for the same. The Data Communication business won an order for video surveillance of several police stations in Chandigarh.

Exports

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

The complete revival of the economy in the Middle East is likely to some time, though there has been a modest recovery in some segments. During the quarter, the Company won notable orders for central airconditioning equipment for prestigious projects including Al Gharafa Mall, Qatar and U Bora Tower, Dubai. It also received orders for over a thousand window airconditioners for Dubai Municipality.

The Company participated in FrigAir Trade show held in September at Johannesburg, South Africa through its channel partner M/s Reutech Solutions and displayed air handling units, precision control packaged airconditioners and water coolers during the event. The air handling units evoked interest from the healthcare industry while water coolers received an encouraging response from the mining sector in South Africa.

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

The substantial demand-supply gap in the healthcare, education and hospitality segments is translating into aggressive expansion plans by several players in these segments. Infrastructure segments such as metro rail, airports, power and steel continue to expand at a rapid pace. Further, the real estate and IT/ITES segments are also reviving, albeit at a slower pace. Thus, the opportunities in the HVAC, electrical contracting, plumbing and fire fighting contracting and commercial refrigeration businesses look attractive.

Company Outlook

The trend of positive revenue growth registered in the first quarter was sustained in this quarter as well. However, margins and profits continue to be adversely impacted. The Management is taking steps to mitigate the rise in input material costs. Given a reasonable carry-forward order book, the Management is hopeful that better margins and continuing sales growth will result in better profitability in the second half of the year.

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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 STANDALONE FINANCIAL RESULTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

₹. in lakhs

Particulars	QUARTER ENDED		HALF YEAR ENDED		AUDITED FOR THE YEAR ENDED
	30.9.2010	30.9.2009	30.9.2010	30.9.2009	31.3.2010
1. (a) Net Sales/Income from Operations	68,177	55,450	134,159	108,422	252,497
(b) Other Operating Income	1,298	48	1,799	175	2,446
Total Income from Operations 1(a+b)	69,475	55,498	135,958	108,597	254,943
2. Expenditure					
a. (Increase)/decrease in stock in trade and work in progress	(1,820)	(746)	(4,612)	594	(2,484)
b. Consumption of raw materials- Cost of Sales	47,307	38,831	94,737	72,444	175,618
c. Purchase of traded goods	7,581	2,808	13,371	5,850	15,074
d. Employees cost	5,077	4,741	9,810	9,384	18,487
e. Depreciation	789	866	1,544	1,685	3,473
f. Other expenditure	4,608	3,272	9,842	7,381	18,332
g. Total	63,542	49,772	124,692	97,338	228,500
3. Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	5,933	5,726	11,266	11,259	26,443
4. Other Income	161	331	199	372	668
5. Profit before Interest and Exceptional Items	6,094	6,057	11,465	11,631	27,111
6. Financial expenses	487	224	687	369	845
7. Profit after Interest but before Exceptional Items (5-6)	5,607	5,833	10,778	11,262	26,266
8. Exceptional items	-	524	43	524	1,396
9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)	5,607	6,357	10,821	11,786	27,662
10. Tax expense	1,744	1,412	3,243	2,725	6,513
11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	3,863	4,945	7,578	9,061	21,149
12. Extraordinary items (net of tax expense)	-	-	-	-	-
13. Net Profit (+)/Loss (-) for the period (11-12)	3,863	4,945	7,578	9,061	21,149
14. Paid-up equity share capital (Face Value per share Rs.2/-)	1,799	1,799	1,799	1,799	1,799
15. Reserves excluding Revaluation Reserves as per balance sheet as on 31st March 2010					47,369
16. Earnings Per Share (EPS)					
a) Basic and diluted EPS before Extraordinary items	4.29	5.50	8.42	10.07	23.52
b) Basic and diluted EPS after Extraordinary items	4.29	5.50	8.42	10.07	23.52
17. Public shareholding					
- Number of shares	53845184	53833184	53845184	53833184	53845184
- Percentage of shareholding	59.87	59.86	59.87	59.86	59.87
18. Promoters and Promoters group shareholding					
a) Pledged/ Encumbered					
- Number of shares	600000	600000	600000	600000	600000
- Percentage of shares(as % to total shareholding of promoter and promoter group)	1.66	1.66	1.66	1.66	1.66
- Percentage of shares(as % to total share capital of the Company)	0.67	0.67	0.67	0.67	0.67
b) Non Encumbered					
- Number of shares	35490921	35502921	35490921	35502921	35490921
- Percentage of shares(as % to total shareholding of promoter and promoter group)	98.34	98.34	98.34	98.34	98.34
- Percentage of shares(as % to total share capital of the Company)	39.46	39.48	39.46	39.48	39.46

Notes:

- The above results have been reviewed by the Audit Committee and approved at the meeting of the Board of Directors held on October 29, 2010 and have been subjected to Limited Review by the Statutory Auditors.
- During the quarter ended September 30, 2010, the Company invested a further sum of Rs.97.60 crores in the share capital of its wholly owned subsidiary Blue Star Electro Mechanical Ltd (BSEML), for acquiring 16,00,000 equity shares of Rs. 10/- each at a premium of Rs. 600 per share and assigned to BSEML its rights and obligations under the Business Purchase Agreement entered into with D S Gupta Construction Pvt Ltd (DSGCL) for acquisition of their plumbing and fire fighting business. BSEML has completed the acquisition of the plumbing and fire fighting business of DSGCL on 1st September, 2010.
- Exceptional Items represents profit on sale of Investments.
- Figures for the corresponding previous quarter and year have been regrouped, wherever necessary, to conform to the figures of the current quarter.
- During the quarter ended September 30, 2010, the Company received and disposed of 32 investor complaints. No complaints were pending at the beginning and at the end of the quarter.
- The comparative amounts in the attached statement of assets and liabilities as on September 30, 2009 have not been audited or reviewed by the Statutory Auditors.

Registered Office:
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Mohan T. Advani Chowk
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Mumbai 400 020
www.bluestarindia.com
Date : October 29, 2010
Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director

UNAUDITED SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER ENDED SEPTEMBER 30, 2010

₹. in lakhs

Quarter Ended		Description	HALF YEAR ENDED		AUDITED FOR THE YEAR ENDED
30.9.2010	30.9.2009		30.9.2010	30.9.2009	31.3.2010
		I. SEGMENT REVENUE			
47,045	40,960	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	84,460	72,430	179,401
14,390	11,118	ii. Cooling Products	39,725	30,151	58,296
6,742	3,372	iii. Professional Electronics and Industrial Systems	9,974	5,841	14,800
68,177	55,450	TOTAL SEGMENT REVENUE	134,159	108,422	252,497
		Less: Inter Segment Revenue	-	-	-
68,177	55,450	NET SALES/ INCOME FROM OPERATIONS	134,159	108,422	252,497
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
4,444	4,688	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	7,801	7,929	21,175
1,648	1,613	ii. Cooling Products	5,219	5,150	8,433
1,626	998	iii. Professional Electronics and Industrial Systems	2,171	1,704	4,571
7,718	7,299	TOTAL SEGMENT RESULT	15,191	14,783	34,179
		Less:			
487	224	i.) Financial expenses	687	369	845
1,624	1,242	ii.) Other un-allocable Expenditure net of un-allocable Income	3,726	3,152	7,068
5,607	5,833	TOTAL PROFIT BEFORE TAX and Exceptional Item	10,778	11,262	26,266
-	524	Add: Exceptional Item	43	524	1,396
5,607	6,357	PROFIT/(LOSS) BEFORE TAX	10,821	11,786	27,662
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
55,419	41,072	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	55,419	41,072	40,382
12,752	10,546	ii. Cooling Products	12,752	10,546	10,337
4,967	4,317	iii. Professional Electronics and Industrial Systems	4,967	4,317	5,274
73,138	55,935	TOTAL CAPITAL EMPLOYED IN SEGMENTS	73,138	55,935	55,993
(16,392)	(10,465)	Add: Un-allocable Corporate Assets less Liabilities	(16,392)	(10,465)	(6,825)
56,746	45,470	TOTAL CAPITAL EMPLOYED IN THE COMPANY	56,746	45,470	49,168

STATEMENT OF ASSETS AND LIABILITIES AS ON SEPTEMBER 30, 2010

₹. in lakhs

	UNAUDITED		AUDITED
	30.9.2010	30.9.2009	31.3.2010
SHAREHOLDERS' FUNDS			
Share Capital	1,799	1,799	1,799
Reserves & Surplus	54,947	43,671	47,369
LOAN FUNDS	34,400	11,900	892
Deferred Tax Liabilities, Net	-	82	-
	91,146	57,452	50,060
FIXED ASSETS & CAPITAL WIP	19,781	20,258	19,923
INVESTMENTS	10,829	426	420
Deferred Tax Assets, Net	147		147
CURRENT ASSETS, LOANS & ADVANCES			
a). Inventories	29,722	21,971	25,801
b). Sundry Debtors	73,904	61,443	62,821
c). Cash & Bank Balances	5,250	1,214	1,322
d). Other Current Assets	37,256	21,881	36,092
e). Loans & Advances	19,084	18,823	13,244
TOTAL	165,216	125,332	139,280
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	101,530	85,142	98,107
Provisions	3,297	3,464	11,603
TOTAL	104,827	88,606	109,710
NET CURRENT ASSETS	60,389	36,726	29,570
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	-	42	-
	91,146	57,452	50,060

Registered Office:

Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date : October 29, 2010
Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director