

Blue Star Limited

Q1 FY10 Earnings Update

July 30, 2009

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 539.81 crore for the quarter ended June 30, 2009, representing 14% decline over the corresponding quarter in the previous year.
- For the quarter, Gross Margin increased from 24.1% to 26.7%, due to softening of the raw material prices.
- Operating profit (PBIDT excluding Other Income) for the quarter grew 9% to Rs 61.23 crore. Operating Margin increased significantly to 11.4% compared to 8.9% in Q1FY09 owing to tight control on operating costs and cost of sales.
- Net Profit at Rs 41.17 crore registered growth of 13% compared to 36.41 crore in Q1FY09.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 4.58 vis-à-vis Rs 4.05 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on June 30, 2009 increased to Rs 1717 crore compared to Rs 1410 crore as at June 30, 2008, representing a growth of 21%.
- Order Inflow during the quarter declined from Rs 947 crore in Q1FY09 to Rs 903 crore.

Segment-wise results

- The central airconditioning and electrical contracting business, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems, showed a 15% decline in the quarter, compared to the same period in the previous year. Segment results declined by 21% in the quarter compared to the corresponding quarter in the previous year.
- The Cooling Products segment declined by 12% in revenue. However, segment results registered a healthy increase of 19% during the quarter.
- Professional Electronics and Industrial Systems business registered a 28% decline in revenues. The topline of this business is predominantly commission income and domestic value addition since most of the

equipment is sold to customers on a high-sea basis by its Principals. Segment results registered an increase of 31% during the quarter.

- SBU-wise sales break-up:

(Rs crore)

	Q1FY10	Q1FY09	% Growth (Decline)	% of Net Sales
Electro mechanical projects and packaged airconditioning systems	322.95	379.34	(15%)	60%
Cooling products	190.89	215.95	(12%)	35%
Professional Electronics & Industrial systems	24.70	34.52	(28%)	5%

- SBU-wise results break-up:

(Rs crore)

	Q1FY10	Q1FY09	% Growth/ (Decline)	% of Total Segment Result
Electro mechanical projects and packaged airconditioning systems	33.98	43.08	(21%)	46%
Cooling products	33.03	27.73	19%	45%
Professional Electronics & Industrial systems	6.96	5.32	31%	9%

BUSINESS HIGHLIGHTS

Electro Mechanical Projects & Packaged Airconditioning Systems

Overview

This line of business comprises the central airconditioning, packaged airconditioning and electrical contracting business, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems. The Operating Margin of this business in Q1FY10 was 10.5% compared to 11.4% in Q1FY09, mainly due to slower billings in segments adversely affected by the economic recession.

In the central airconditioning business, the Company saw good prospects from the infrastructure, healthcare, hospitality and education segments. Despite the slowdown in the core IT segment, the Company witnessed growing business

opportunities in third party data storage which houses and maintains high-end electronic servers to provide support to many leading business houses to park their data in electronic format.

During the quarter, the Company strengthened its foothold in the healthcare segment with prestigious orders from Bangalore Medical College and ESIC hospitals at Jaipur and Bangalore, together valued at Rs 27 crore. The Company continued to aggressively pursue business from the Government of India and won prestigious orders from CPWD for Hall No 18 at Pragati Maidan and for the Hatsoff project by HAL, Bangalore. Blue Star also booked an integrated M&E order for the proposed state-of-the-art Tamil Nadu State Legislative Assembly Complex. The Company will be responsible for providing turnkey airconditioning and electrical services for Circle 1 & 2, which houses the Chief Minister's office. The building coming up in the State Government estate complex in the heart of Chennai is expected to be ready for inauguration by May 2010.

Blue Star also continued to promote its manufactured products including the latest technology screw chillers, screwless design double skin air handling units and variable refrigeration volume systems. The sales of screw chillers and air handling units registered a healthy growth during the quarter. The Company booked orders for water-cooled screw chillers and air handling units for steel plants at IISCO and Bokaro through contactors such as Siemens, ABB and Nagarjuna constructions, during the quarter.

In packaged/ducted airconditioning and small chillers, offices continued to be the major driver for growth. While the IT/ITES segments continued to be adversely affected due to the slowdown, the retail segment showed some signs of revival. The business also witnessed enhanced demand for industrial applications. The Company's eco-friendly range of VRF Systems launched last year performed well. Blue Star's Precision Control Packaged Airconditioners (PCPA), which have been specially designed for the IT segment performed exceptionally well. The rapid expansion of data centres in the country has resulted in significant demand for precision cooling airconditioning. The Company booked prestigious PCPA orders from Datacom, Hewlett-Packard, Sify Technologies, Deutsche Bank and IBM Net4India.

The Company sustained its leadership position in the telecom segment with its customized array of telepac airconditioners especially designed for the telecom industry. Blue Star offers a complete range of telecom airconditioning solutions including the twin circuit telepacs, emergency free cooling telepacs and battery coolers. Blue Star has supplied equipment to all major telecom service providers such as Vodafone, Airtel, Idea, Reliance Telecom, BSNL and Aircel. The Company is also the leading supplier to passive infrastructure and tower companies like Indus, WTTIL, Bharti Infratel, Tower Vision and GTL.

The newly formed electrical projects business performed impressively. Apart from cross-selling its services to existing HVAC customers and booking integrated M&E/MEP orders, the Company booked several stand-alone electrical contracting orders.

Key Projects in the Quarter:

	New Orders Won in Q1FY10
Central Plants	<ul style="list-style-type: none"> * DAMEPL, Delhi * CPWD - ITPO -Pragati Maidan - Hall No 18, New Delhi * Tamil Nadu State Legislative Assembly Complex, Chennai * Grand Venezia (Bhasin Infrastructures), Greater Noida * Bokaro Steel Plant * Jaypee Greens Hotels & Resort, Greater Noida * ESIC Hospital, Rajajinagar * HAL, Bangalore * MSX Commercial Centre (Nitishree Developers), Greater Noida * Emergency Management Research Institute, Ahmedabad * IISCO, Burnpur * BHEL, Kodarma and Durgapur * Bangalore Medical College * Wipro Data Centre, Greater Noida * Hewlett Packard, Mumbai * Narayana Hrudayalaya, Hyderabad * NeST Group, Kochi * CA India Technologies, Hyderabad
VRF Systems	<ul style="list-style-type: none"> * ABN Amro, Chennai * Gitam University, Vizag * Oakridge International School, Hyderabad
Packaged Airconditioning	<ul style="list-style-type: none"> * Koochar Properties, Chennai * IMTA, Bangalore * Pantaloons, Chennai * Adlabs Films, Mumbai * Vihar Cinema, Baroda * Tata Motors, Anand * Deutsche Bank, Mumbai * Sify Technologies, Mumbai * Datacom, Chennai * IBM Net4India, Chennai

Electrical Projects	<ul style="list-style-type: none">* Vijay Electricals Ltd, West Bengal* Daaj Hotels & Resorts, Hyderabad* DAMEPL, Delhi* Tamil Nadu State Legislative Assembly Complex, Chennai* My Home Jewels, Secunderabad* Kohinoor Hospitals, Mumbai* Wipro, Delhi
----------------------------	---

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, in the revamp and retrofit business, the Company booked several orders including MCGM, Mumbai; Punj Lloyd, Kolkata; Reliance Ltd, UP and Adlabs (Pan India).

Customised OEM Business

The OEM business offers process chillers for special process applications in the medical, food and plastic industries. It also offers OEM branded water coolers and specialized MIL graded airconditioners for defense, and bulk milk coolers for the dairy industry with a tie-up with Packo, Belgium.

During the quarter, the Company airconditioned the Northern Railways New Terminal Building at Anand Vihar Railway Station apart from supply of 10 bulk water chillers. The Company also supplied over 15 process chillers to various customers during the quarter.

Cooling Products

The cooling products business comprises room airconditioners and refrigeration products and systems. The Operating Margin increased significantly from 12.8% in Q1FY09 to 17.3% in Q1FY10, due to differentiated products resulting in higher price realizations and softening of raw material prices.

The room airconditioner business performed impressively in the quarter with enhanced business from the education and banking segments. Sales from the residential segment were also impressive, given the harsh summer season. The Company won several large orders in the education segment including orders from Sri Chaitanya Institute, Hyderabad; Rama Medical Institute, Kanpur;

Banaras Hindu University, Varanasi; Vaishnav College of Engg, Vizag; Sri Vishnu Education Society, Hyderabad; Karnataka University; Excel Business Academy, Bangalore and Nehru College of Engg, Kochi.

The refrigeration products business continued to perform well with growth from the ice cream and dairy segments. It won deep freezer orders from Havmor Ice Cream, Preeti Ice Cream, Dairy Classic Ice Creams, Seetha Ice Creams, GRB Dairy, Lazza Frozen Foods, Sonata Ice Creams and Amul during the review period. Other orders for refrigeration products and water coolers booked during the quarter were from CavinKare Pvt. Ltd, Karnataka State Road Transport Corp, KLE Group of Institutions, MES and Jindal Steel.

For the cold chain, Blue Star offers equipment right from pack houses at the farm end to supermarket refrigeration equipment for retail outlets. During the quarter, the Company booked a cold storage order for the perishable cargo centre at Indore Airport. It also won a prestigious order for precision climate seed storages from Viba Agrotech, Hyderabad.

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 Company won a prestigious turnkey project order from Indian Iron & Steel Company, Burnpur, valued at Rs 42 crore. This is the largest order ever won by the Industrial Projects business and is the first order for a centralized compressed air station. Besides this, the business also booked a pressure reducing station order worth Rs 4 crore from Rourkela Steel Plant and a Rs 3.5 crore repeat order from Tata Steel for utility pipeline. The non-destructive testing business saw enhanced demand from the steel, pipes and auto ancilliary businesses. Two orders, valued at Rs 6.7 crores were received from Jindal Steel, during the quarter.

The environmental chambers business continued to perform well with some significant orders from Central Rice Research Institute, Cuttack; Centre of Genetic Manipulation of Crop Plants, Delhi and Department of Genetics, Delhi University. Investments in agricultural and biotech research are on the rise and the Company is well-positioned to capitalize on the growth opportunities in this segment. Most of the research activities are in the field of medicinal plants, rice, maize, cotton and plant genetics.

For the first time, the Company won a series of orders for footwear testing equipment from Intertek, Delhi, which is a test laboratory. The order comprises

universal testing machines, customized footwear testing equipment apart from hot and cold chambers.

Exports

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

The product export business targets specific market segments and focuses on creating niches with higher price realizations. The economic recession in the Middle East has adversely affected business prospects and the outlook over the next couple of quarters is grim. The Company is also focusing on contract manufacturing and developing new markets such as Abu Dhabi, Philippines and Syria, which are expected to offer opportunities in the future.

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

Segments such as airports, power plants and metro rail as well as other projects of the Govt and public sector undertakings continue to be less affected by the economic downturn with significant project expansion plans. The telecom, healthcare and education segments are also pursuing investments with expansion plans aggressively. While, the slowdown continues to adversely affect segments such as IT/ITES and real estate, there seem to be some signs of a modest recovery. However, the economic environment is extremely fluid and the outlook appears uncertain.

Company Outlook

The dull economic situation has affected demand in several segments, leading to delays in project execution and decline in topline growth. However, the Company's focus on value engineering and stringent cost control measures has enabled it to significantly enhance margins and profitability. Further, the carry forward order book continues to be reasonable with several large infrastructure-related jobs which are expected to get executed over the next few quarters. Though the overall economic scenario is not very clear, the Company is confident that its diverse experience, leadership position and strong credentials will see it through these current conditions and enhance its prospects for the future.

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, 2009

(Rs.in lakhs)

Particulars	QUARTER ENDED		ADDED FOR
	30.6.2009	30.6.2008	THE YEAR ENDED 31.3.2009
1. (a) Net Sales/Income from Operations	53854	62981	255229
(b) Other Operating Income	127	123	1680
Total Income from Operations 1(a+b)	53981	63104	256909
2. Expenditure			
a. (Increase)/decrease in stock in trade and work in progress	(2675)	(1029)	6619
b. Consumption of raw materials- Cost of Sales	39123	47329	182186
c. Purchase of traded goods	3043	1512	6168
d. Employees cost	4642	4788	18226
e. Depreciation	819	566	2588
f. Other expenditure	3598	4785	16439
g. Total	48550	57951	232226
3. Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	5431	5153	24683
4. Other Income	41	150	494
5. Profit before Interest and Exceptional Items	5472	5303	25177
6. Interest	42	200	1355
7. Profit after Interest but before Exceptional Items (5-6)	5430	5103	23822
8. Exceptional items	-	-	-
9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)	5430	5103	23822
10. Tax expense	1313	1462	5793
11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	4117	3641	18029
12. Extraordinary items (net of tax expense)	-	-	-
13. Net Profit (+)/Loss (-) for the period (11-12)	4117	3641	18029
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 2009			34914
16. Earnings Per Share (EPS)			
a) Basic and diluted EPS before Extraordinary items	4.58	4.05	20.04
b) Basic and diluted EPS after Extraordinary items	4.58	4.05	20.04
17. Public shareholding			
- Number of shares	53833184	53822188	53833184
- Percentage of shareholding	59.86	59.85	59.86
18. Promoters and Promoters group shareholding			
a) Pledged / Encumbered	nil	nil	nil
b) Non Encumbered			
- Number of shares	36102921	36113917	36102921
- Percentage of shares(as % to total shareholding of promoter and promoter group)	100.00	100.00	100.00
- Percentage of shares(as % to total share capital of the Company)	40.14	40.15	40.14

Notes:

- 1 The above results have been reviewed by the Audit Committee and subsequently approved at the meeting of the Board of Directors held on July 27, 2009 and will be subjected to Limited Review by the Statutory Auditors.
- 2 Figures of the corresponding previous quarter and year have been re arranged/regrouped, wherever necessary, to conform to the figures of the current
- 3 No provision has been made for Fringe Benefit Tax which is proposed to be abolished by the Finance Bill 2009
- 4 During the quarter ended June 30, 2009, the Company received and disposed of 6 investor complaints. No complaints were pending as 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 27, 2009

Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director

Segment wise Revenue, Results and Capital Employed for the quarter ended June 30, 2009

(Rs. in lakhs)

Description	Quarter ended		AUDITED FOR THE YEAR ENDED
	30.6.2009	30.6.2008	31.3.2009
I. SEGMENT REVENUE			
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	32295	37934	177878
ii. Cooling Products	19089	21595	60143
iii. Professional Electronics and Industrial Systems	2470	3452	17208
TOTAL SEGMENT REVENUE	53854	62981	255229
Less: Inter Segment Revenue			
NET SALES/ INCOME FROM OPERATIONS	53854	62981	255229
II. SEGMENT RESULT			
PROFIT/(LOSS) BEFORE INTEREST & TAX			
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	3398	4308	21311
ii. Cooling Products	3303	2773	7486
iii. Professional Electronics and Industrial Systems	696	532	3603
TOTAL SEGMENT RESULT	7397	7613	32400
Less:			
i.) Interest	42	200	1355
ii.) Other un-allocable Expenditure net of un-allocable Income	1925	2310	7223
TOTAL PROFIT BEFORE TAX	5430	5103	23822
III CAPITAL EMPLOYED:			
(Segment Assets- Segment Liabilities)			
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	37937	26633	31457
ii. Cooling Products	10305	15644	11641
iii. Professional Electronics and Industrial Systems	3423	3068	3052
TOTAL CAPITAL EMPLOYED IN SEGMENTS	51665	45345	46150
Add: Un-allocable Corporate Assets less Liabilities	(4973)	(3920)	(7015)
TOTAL CAPITAL EMPLOYED IN THE COMPANY	46692	41425	39135

Registered Office:

Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com

Date : July 27, 2009

Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director