

Blue Star Limited

Q2 FY10 Earnings Update

November 3, 2009

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 563.52 crore for the quarter ended September 30, 2009, representing 13% decline over the corresponding quarter in the previous year.
- For the quarter, Gross Margin increased from 22.9% to 25.1%, due to softening of the raw material prices.
- Operating profit (PBIDT excluding Other Income) for the quarter was Rs Rs 64.48 crore as compared to Rs 68.06 crore in Q2FY09. Operating Margin increased to 11.5% compared to 10.5% in Q2FY09 owing to tight control on operating costs and cost of sales.
- Net Profit at Rs 49.44 crore registered growth of 10% compared to 44.96 crore in Q2FY09.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 5.50 vis-à-vis Rs 5.00 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on September 30, 2009 increased to Rs 1815 crore compared to Rs 1555 crore as at September 30, 2008, representing a growth of 17%.
- Order Inflow during the quarter declined from Rs 798 crore in Q2FY09 to Rs 655 crore.

Segment-wise results

- The central airconditioning and electrical contracting business, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems, showed a 12% decline in the quarter, compared to the same period in the previous year. Segment results declined by 12% in the quarter compared to the corresponding quarter in the previous year.
- The Cooling Products segment declined by 14% in revenue. The segment results registered a modest increase of 8% during the quarter.
- Professional Electronics and Industrial Systems business registered a 19% 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 a marginal increase of 1% during the quarter.

- SBU-wise sales break-up:

(Rs crore)

	Q2FY10	Q2FY09	% Growth (Decline)	% of Net Sales
Electro mechanical projects and packaged airconditioning systems	417.77	475.09	(12%)	74%
Cooling products	111.55	129.00	(14%)	20%
Professional Electronics & Industrial systems	33.72	41.54	(19%)	6%

- SBU-wise results break-up:

(Rs crore)

	Q2FY10	Q2FY09	% Growth/ (Decline)	% of Total Segment Result
Electro mechanical projects and packaged airconditioning systems	47.34	53.87	(12%)	66%
Cooling products	14.92	13.86	8%	21%
Professional Electronics & Industrial systems	9.86	9.72	1%	13%

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 Q2FY10 was 11.3%, same as that in Q2FY09.

In the central airconditioning business during the quarter, the Company saw good prospects from the Government/PSU, infrastructure, healthcare, education and hospitality segments. The slowdown continued to adversely affect the IT/ITES and commercial segments.

In Q1FY10, the Company won a prestigious Rs 172 crore integrated MEP order for the proposed Delhi Airport Metro Express Line. This line is envisaged to be a 23 km long underground/at grade/elevated high speed rail corridor which will connect New Delhi International Airport to various stations namely New Delhi Station, Shivaji Stadium Station, Dhaula Kuan Station, NH8 Station, IGI Station and Dwarka Sector 21 Station. The rail corridor is being developed with state-of-the-art technology and will be comparable to the world's best airport link expresses such as the ones in Heathrow and Hong Kong. The line will have five underground stations and one elevated station apart from an at grade depot for stabling and maintenance of rolling stock and other equipment. Blue Star's scope covers design, supply, fabrication, erection, testing, inspection and commissioning of HVAC, Electrical, Fire Fighting, Plumbing, Station Management System, Access System and Track Side Auxiliary System for the entire project. The project is expected to be completed by July 2010, before the 2010 Commonwealth Games.

It may be recalled that last year, Blue Star booked a prestigious order valued at Rs 104 crore for the total airconditioning works including Environmental Control System and Building Management System for 7 metro stations and associated tunnel sections of Phase II of the Delhi MTRS Project. Blue Star had also successfully executed the airconditioning projects of 3 stations in Phase I. Blue Star's expertise and competence in project execution and on-time delivery coupled with the experience on similar previous projects, helped the Company win this landmark order.

During the quarter, the Company further strengthened its foothold in the healthcare segment with prestigious orders from ESI Hospital, Manesar; Narayan Hridalaya, Jaipur and Rukmani Devi Birla Hospital, Jaipur together valued at Rs.15 crore. The Company continued to aggressively pursue business from the Government of India and won prestigious orders from CPWD for Metcalf House, New Delhi. Blue Star also booked an integrated M&E order for the proposed HBN Commercial Centre at Bathinda, Punjab, apart from a Rs 15 crore integrated MEP order from Hotel Park Hyatt, Chennai. The Company performed well in the education sector and booked orders from IIIT in Idupulapaya in Kadapa District; Nuziveedu in Krishna District and Basra in Adilabad District. In addition, it booked a prestigious order for Alipore Management Institute promoted by CESC (Calcutta Electricity Supply Corporation) involving three Blue Star air cooled screw chillers. Blue Star also booked an order for airconditioning the prestigious Green Building IT park "Synthesis Business Park" in Kolkata promoted by the Bengali Shracchi Group.

In packaged/ducted airconditioning and small chillers, offices continued to be the major driver for growth. The Company introduced a new ducted split model of 17 TR to cater to the medium commercial segment. The Company also booked orders from power project companies such as Siemens and ABB for their airconditioning requirements. Blue Star's Precision Control Packaged

Airconditioners (PCPA), which have been specially designed for the IT segment performed exceptionally well registering a growth of 75%. 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 IBM, Hewlett-Packard, Essar Steel and Tech Mahindra during the quarter.

The Company continued to sustain its leadership position in the telecom segment with its customized array of telepac airconditioners especially designed for the telecom industry.

The newly formed electrical projects business performed well. 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 Q2FY10
Central Plants	<ul style="list-style-type: none"> * Metcalf House, New Delhi * ESI Hospital, Manesar * Narayan Hridayalaya, Jaipur * Rukmani Devi Birla Hospital, Jaipur * Alipore Management Insititute, CESC, Kolkata * HBN Commercial Centre, Bathinda * Pinnacle Resort, Gulmarg, Kashmir * Synthesis Business Park (Green Building), Kolkata * Infosys GEC, Mysore * National Centre for Biological Sciences (Research Lab) Hyderabad * PepsiCo - Fruits and Juices Factory, Pothureddi, Sanghi Reddy, Medak, Hyderabad * IIIT - Academic Block, Idupulapaya, Kadapa Distt. * IIIT- Academic Block, Basara, Adilabad Dist. * IIIT - Academic Block - Bldg A3, & A 4, Nuziveedu, Krishna Dist. * Indiabulls Real Estate Company Pvt. Ltd, Mumbai * Sheth Developers, Mumbai * Duet Hotels, Pune
VRF Systems	<ul style="list-style-type: none"> * Rohan Builders, Barmer * GE India Technology Centre, Bengaluru * Jain Buildtech, Panchkula

Packaged Airconditioning	<ul style="list-style-type: none"> * Zoom Developers, Navi Mumbai * Hindustan Zinc, Udaipur * Ajanta Pharma, Mumbai * The West Coast Paper Mills Ltd, Dhandeli-Karawar * JSW Steel Limited, Toranagallu- Bellary * Diesel Locomotive Works, Varanasi * Hindustan Aeronautics Ltd, Kanpur * Shri Ram Swaroop Memorial Engg College, Lucknow * Gian Sagar Educational Trust, Rajpura * Sify Technologies, Navi Mumbai * Essar Constructions, Jamnagar
Electrical Projects	<ul style="list-style-type: none"> * Ramky Towers, Secunderabad * Aparna Sarowar, Secunderabad * HIRCO, Chennai * Hotel Park Hyatt, Chennai * Brigade Sheraton Hotel, Bangalore * Maverick Mall, Mysore * Paradise Mall, Delhi * HBN Mall, Bhatinda * Apollo Hospital, Delhi * ESIC Hospital, Manesar

Service Business

The service business performed impressively 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 ESIC Office, Chennai; Seven Hill Hospital, Mumbai and V Hotel, Mumbai.

With the Swine Flu pandemic spreading in India, the hospital segment is looking for solutions that ensure a clean environment for patients. This has resulted in an increase in the Air Management business of the Company specifically with respect to 'Indoor Air Quality'. The Company won orders from Supreme Court, Delhi and Seven Hills Hospital, Mumbai in this regard during the quarter.

With continuing impetus on safety education, the Company is progressing towards providing a safe working environment for its staff as well as its

customers. The Company has initiated safety bulletins to propagate about safety hazards and the adoption of safe working practices.

Blue Star has been investing significantly over the last few years in the upgradation of the skills of their engineering staff. Apart from intensive training on new products, Service Engineers and Managers are given training in areas such as Energy Auditing, Indoor Air Quality, Testing, Adjusting & Balancing works associated with Heating, Ventilation & Airconditioning.

National Environmental Balancing Bureau (NEBB), USA has accredited Blue Star for Testing, Adjusting and Balancing of HVAC systems. NEBB is the premier international certification association for firms that deliver high performance building systems. Blue Star is the only company in the country to be accredited by NEBB. Building owners, engineers and contractors seeking ways to cut costs through the proper design, installation and optimal performance, benefit from working with NEBB certified professionals, who are required to complete extensive training and testing programs in order to attain certification status. NEBB's certification training and testing programs are the most rigorous in the industry. NEBB-certified firms and professionals have the skills necessary to measure the efficiency of building systems, but also the practical knowledge and communication skills to create practical solutions for business owners. With this certification, Blue Star intends to consolidate its position in the building services business.

Cooling Products

The cooling products business comprises room airconditioners and refrigeration products and systems. The Operating Margin increased to 13.4% in Q2FY10 compared to 10.7% in Q2FY09, due to differentiated products resulting in higher price realizations.

The room airconditioner business performed impressively in the quarter with enhanced business from the education segment. Nearly a third of the institutional sales during the quarter were from the education segment - mainly from colleges in Andhra Pradesh, Tamil Nadu and Karnataka. Sales from the residential segment were also impressive, due to the extended summer and poor monsoon.

The Company offers differentiated commercial split airconditioners which have been gaining popularity in the market place. The Company won an order from Eagalton Resorts, Karnataka for 85 units and from Mysore Airport for 60 units during the quarter. The National accounts team of the room airconditioner business formed last year has been performing well. The recent account added is TCBAIL (Tata Communication Banking Infrastructure Solutions Ltd). TCBAIL provides ATM infrastructure for Indian Overseas Bank and placed its first order valued at 75 lakhs. Raymonds, which is an existing account, opened around 35

outlets during the quarter with room airconditioners from Blue Star. Siemens also placed an order with Blue Star valued at Rs 40 lakhs.

The refrigeration products business continued to perform well with growth from the ice cream and dairy segments which contributed to over two-thirds of the chest freezer sales. The fishery departments in Karnataka and Tamil Nadu are exploring modern methods of display and sales and Karnataka Fishery placed an order for 10 ice flakers, opening up a new segment for the Company. The Company also supplied 30 supermarket display cabinets to a high end supermarket in Hyderabad called Ruchi & Itoni. The Company registered enhanced sales of water coolers from the education segment.

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 launched an innovative cooling solution for seeds called Precision Climate Seed Storage (PCSS) System. Seeds are a precious resource and if stored in ambient conditions deteriorate rapidly. The Indian seed industry is estimated to be a Rs. 5700 crore market with an expected annual growth rate of 15%, well higher than the global average. Since seed consumption is not always immediate, the excess seeds, when not stored in controlled conditions, get wasted. Thus, there is a constant and rising demand for safe storage of seeds in the interim. Recognizing this need of the hour, Blue Star has introduced a seed storage system which ensures the storage of the seeds at precise temperatures and humidity levels thereby preserving them over longer periods of time, reducing waste and increasing yield. Despite the fact that agriculture forms a significant part of India's GDP, seed storage facilities currently in the country are unreliable, and in most cases non-existent. Investments in Blue Star's PCSS will have an immediate and positive impact on the economic growth of the country.

The recently launched Ripening chambers (widely used for Banana) have been performing very well with several orders predominantly from the AP Banana belt. The modular cold room business also continued to grow during the quarter with enhanced demand from the dairy and ice cream, hospitality as well as the pharma segment. The Company also booked orders for perishable cargo centres at Mumbai and Indore Airports.

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. Given the

nature of the business, quarterly performance is not an accurate indicator and the prospects of this business continue to be solid.

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. During the quarter, the Company signed two MOUs - with Triangle Co, Syria and Alenaire Airconditioning Phil., Inc., Philippines as business partners. This appointment is expected to strengthen Blue Star's presence in West Asian and South East Asian regions.

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

While there are some early signs of an economic recovery in most of the market segments, it is expected to take some more time for the overall situation to improve. The infrastructure, healthcare, education and hospitality segments are pursuing expansion plans aggressively and are likely to contribute to growth in the next few quarters. Also, projects of the Govt and public sector undertakings continue to be less affected by the economic downturn with significant project expansion plans.

Company Outlook

Despite the challenging economic situation, the Company's focus on value engineering and stringent cost control measures has enabled it to enhance margins and profitability. Further, the carry forward order book continues to be reasonable. The Company remains 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

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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 SEPTEMBER 30, 2009

Rs. in lakhs

Particulars	QUARTER ENDED		HALF YEAR ENDED		AUDITED FOR THE YEAR ENDED
	30.9.2009	30.9.2008	30.9.2009	30.9.2008	31.3.2009
	1. (a) Net Sales/Income from Operations	56304	64563	110158	127544
(b) Other Operating Income	48	95	175	218	1680
Total Income from Operations 1(a+b)	56352	64658	110333	127762	256909
2. Expenditure					
a. (Increase)/decrease in stock in trade and work in progress	1434	(193)	(1241)	(1222)	6619
b. Consumption of raw materials- Cost of Sales	37948	48001	77070	95330	182186
c. Purchase of traded goods	2807	1997	5850	3509	6168
d. Employees cost	4741	4220	9383	9007	18226
e. Depreciation	867	613	1686	1179	2588
f. Other expenditure	2926	3733	6524	8518	16439
g. Total	50723	58371	99272	116322	232226
3. Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	5629	6287	11061	11440	24683
4. Other Income	331	112	372	262	494
5. Profit before Interest and Exceptional Items	5960	6399	11433	11702	25177
6. Interest	128	436	171	636	1355
7. Profit after Interest but before Exceptional Items (5-6)	5832	5963	11262	11066	23822
8. Exceptional items	524	-	524	-	-
9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)	6356	5963	11786	11066	23822
10. Tax expense	1412	1468	2725	2930	5793
11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	4944	4495	9061	8136	18029
12. Extraordinary items (net of tax expense)	-	-	-	-	-
13. Net Profit (+)/Loss (-) for the period (11-12)	4944	4495	9061	8136	18029
14. Paid-up equity share capital (Face Value per share Rs.2/-)	1799	1799	1799	1799	1799
15. Reserves excluding Revaluation Reserves as per balance sheet as on 31st March					34914
16. Earnings Per Share (EPS)					
a) Basic and diluted EPS before Extraordinary items	5.50	5.00	10.07	9.04	20.04
b) Basic and diluted EPS after Extraordinary items	5.50	5.00	10.07	9.04	20.04
17. Public shareholding					
- Number of shares	53833184	53905474	53833184	53905474	53833184
- Percentage of shareholding	59.86	59.93	59.86	59.93	59.86
18. Promoters and Promoters group shareholding					
a) Pledged / Encumbered					
- Number of shares	600000	nil	600000	nil	nil
- Percentage of shares(as % to total shareholding of promoter and promoter group)	1.66	nil	1.66	nil	nil
- Percentage of shares(as % to total share capital of the Company)	0.67	nil	0.67	nil	nil
b) Non Encumbered					
- Number of shares	36102921	36030631	36102921	36030631	36102921
- Percentage of shares(as % to total shareholding of promoter and promoter group)	98.34	100.00	98.34	100.00	100.00
- Percentage of shares(as % to total share capital of the Company)	39.47	40.07	39.47	40.07	40.14

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 October 26, 2009.
- Figures of the corresponding previous quarter and year have been re arranged/regrouped, wherever necessary, to conform to the figures of the current quarter.
- Exceptional Items represents profit on sale of shares held in Rolastar Pvt. Ltd.
- During the quarter ended September 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:

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Mumbai 400 020
www.bluestarindia.com

Date :October 26 , 2009

Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER ENDED SEPTEMBER 30, 2009

(Rs. in lakhs)

Description	Quarter ended		HALF YEAR ENDED		AUDITED FOR THE YEAR ENDED
	30.9.2009	30.9.2008	30.9.2009	30.9.2008	31.3.2009
	I. SEGMENT REVENUE				
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	41777	47509	74072	85443	177878
ii. Cooling Products	11155	12900	30245	34495	60143
iii. Professional Electronics and Industrial Systems	3372	4154	5841	7606	17208
TOTAL SEGMENT REVENUE	56304	64563	110158	127544	255229
Less: Inter Segment Revenue	-	-	-	-	-
NET SALES/ INCOME FROM OPERATIONS	56304	64563	110158	127544	255229
II. SEGMENT RESULT					
PROFIT/(LOSS) BEFORE INTEREST & TAX					
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	4734	5387	8131	9695	21311
ii. Cooling Products	1492	1386	4795	4159	7486
iii. Professional Electronics and Industrial Systems	986	972	1683	1505	3603
TOTAL SEGMENT RESULT	7212	7745	14609	15359	32400
Less:					
i.) Interest	128	436	171	636	1355
ii.) Other un-allocable Expenditure net of un-allocable Income	728	1346	2652	3657	7223
TOTAL PROFIT BEFORE TAX	6356	5963	11786	11066	23822
III. CAPITAL EMPLOYED:					
(Segment Assets- Segment Liabilities)					
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	41072	31618	41072	31618	31457
ii. Cooling Products	10546	15840	10546	15840	11641
iii. Professional Electronics and Industrial Systems	4317	3448	4317	3448	3052
iv. Residual					
TOTAL CAPITAL EMPLOYED IN SEGMENTS	55935	50906	55935	50906	46150
Add: Un-allocable Corporate Assets less Liabilities	1518	637	1518	637	(7015)
TOTAL CAPITAL EMPLOYED IN THE COMPANY	57453	51543	57453	51543	39135

Registered Office:

Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date :October 26 , 2009
Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar
Managing Director