

# Blue Star Limited

Q3 FY10 Earnings Update

January 28, 2010

## FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income from operations of Rs 595.62 crore for the quarter ended December 31, 2009, representing 5% growth over the corresponding quarter in the previous year.
- For the quarter, Gross Margin increased marginally from 22.4% in Q3FY09 to 22.9% in Q3FY10.
- Operating profit (PBIDT excluding Other Operating Income) for the quarter was Rs 53.84 crore as compared to Rs 51.27 crore in Q3FY09. Operating Margin was maintained at 9.1% during the quarter owing to tight control on operating costs.
- The Profit before Tax (PBT) excluding exceptional items grew 18% to Rs 47.03 crore for the quarter. PBT including exceptional items recorded an increase of 39% over Q3FY09.
- Net Profit at Rs 42.33 crore registered growth of 32% compared to Rs 32.19 crore in Q3FY09.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 4.71 vis-à-vis Rs 3.58 in the corresponding quarter of the previous year.
- Carry Forward Order Book as on December 31, 2009 increased to Rs 1890 crore compared to Rs 1626 crore as at December 31, 2008, representing a growth of 16%.
- Order Inflow during the quarter increased from Rs 628 crore in Q3FY09 to Rs 663 crore.

### *Segment-wise results*

- The central airconditioning and electrical contracting business, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems, registered a 10% increase in the quarter, compared to the same period in the previous year. Segment results increased by 14% in the quarter compared to the corresponding quarter in the previous year. This segment which mainly includes the contracting businesses of the Company comprised 78% of the overall revenues.

- The revenue of the Cooling Products segment was maintained in this quarter compared to the same period last year. The segment results registered a decline of 13% 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 recorded a decline of 29% during the quarter.

- SBU-wise sales break-up:

(Rs crore)

	Q3FY10	Q3FY09	% Growth (Decline)	% of Net Sales
Electro mechanical projects and packaged airconditioning systems	462.78	422.07	10%	78%
Cooling products	95.39	95.04	0%	16%
Professional Electronics & Industrial systems	34.90	48.71	(28%)	6%

- SBU-wise results break-up:

(Rs crore)

	Q3FY10	Q3FY09	% Growth/ (Decline)	% of Total Segment Result
Electro mechanical projects and packaged airconditioning systems	47.65	41.67	14%	73%
Cooling products	8.99	10.30	(13%)	14%
Professional Electronics & Industrial systems	8.65	12.26	(29%)	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 increased marginally to 10.3% from 9.9% in Q3FY09.

In the central airconditioning business during the quarter, the Company saw good prospects from the healthcare, power, airports and hospitality segments. There were also modest signs of recovery in the IT/ITES and retail segments.

During the quarter, the Company strengthened its foothold in the healthcare segment with a prestigious order from ESIC Hospital, Parel, Mumbai for the combined mechanical and electrical works valued at Rs. 33 crore. Blue Star also booked a large integrated Mechanical, Electrical and Plumbing (MEP) order valued at Rs. 32 crore from Market City Group for their proposed 38-storey hotel, Shangri-La coming up at Lower Parel, Mumbai. In addition, the Company won a significant order from Mumbai International Airport for airconditioning the south-west pier of the airport. The Company also performed exceedingly well in the power sector booking two orders from NTPC and Reliance.

In packaged/ducted airconditioning and small chillers, growth came from the traditional segments viz industrial, educational and Government/PPP segments. While the drop in business from the IT/ITES segment continued to adversely impact the revenues of the business, the Company witnessed signs of a recovery from stand-alone retail customers in the light commercial segment. There was also a marked increase in business inflow from Tier 2/3 towns, taking the ratio of contribution from non-metro cities/towns to a higher level in the overall pie.

Blue Star's Precision Control Packaged Airconditioners (PCPAs) continued to perform 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 Financial Software Services Ltd, Chennai; Ness Technologies, Bengaluru and CDAC, Chennai, 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 electrical projects business also 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 including orders from Grasim Industries, Secunderabad; Marriot Hotel, Bengaluru; Vikas Telecom, Bengaluru and Lanco Township, Delhi.

### Key Projects in the Quarter:

	New Orders Won in Q3FY10
Central Plants	<ul style="list-style-type: none"> <li>* Mumbai International Airport</li> <li>* ESIC Hospital, Mumbai</li> <li>* Hotel Shangri-La, Mumbai</li> <li>* Vrindavan Techvillage Ph-II, Bengaluru</li> <li>* Scope Minar, Delhi</li> <li>* Boomerang IT Campus, Mumbai</li> <li>* C DAC Innovation Park, Pune</li> <li>* Rourkela Steel Plant</li> <li>* Sirifort Training Centre, Delhi</li> <li>* TCS Think Campus, Bengaluru</li> <li>* ASV Constructions, Chennai</li> <li>* IGIB, Delhi</li> <li>* IBM - Airtel Data Centre, Bhubaneswar</li> <li>* Mind Tree, Bengaluru</li> <li>* Nirlon Knowledge Park, Mumbai</li> <li>* Reliance -DVC, Raghunathpur</li> <li>* NTPC, Rihand &amp; Vindhyaachal</li> <li>* Ceat Tyres, Halol</li> <li>* Berger Paints, Anand</li> <li>* Jubilant Organosys, Bengaluru</li> <li>* Nagarjuna Constructions, Hyderabad</li> <li>* IBM, Bengaluru</li> <li>* Wipro, Noida</li> <li>* Kohinoor City, Mumbai</li> <li>* BNY Mellon Bank, Pune</li> <li>* DLF Magnolias, Gurgaon</li> </ul>
Packaged Airconditioning/ VRF Systems/ Precision Airconditioning	<ul style="list-style-type: none"> <li>* Vizag Steel Plan, Vizag</li> <li>* KCP Cements, Vijayawada</li> <li>* Navin Developers Pvt Ltd, Chennai</li> <li>* Cybage Software Pvt Ltd, Pune</li> <li>* D Y Patil Educational Trust, Mumbai</li> <li>* Technovate Solutions, Delhi</li> <li>* Financial Software Services Ltd, Chennai</li> <li>* Ness Technologies, Bengaluru</li> <li>* C DAC, Chennai</li> <li>* Ranbaxy Laboratories Ltd, Delhi</li> <li>* Mphasis, Pune</li> </ul>
Electrical Projects	<ul style="list-style-type: none"> <li>* Grasim Industries, Secunderabad</li> <li>* Aparna Sarowar- Secunderabad</li> <li>* Marriot Hotel, Bengaluru</li> <li>* Vikas Telecom, Bengaluru</li> <li>* Lanco Township, Delhi</li> <li>* Gulmarg Hotel, Srinagar</li> <li>* Wipro Data Centre, Delhi</li> </ul>

	<ul style="list-style-type: none"><li>* IBM, Bhubaneswar</li><li>* Cuttack High Court</li><li>* Kurla Bazaar Mall, Mumbai</li></ul>
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## 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 performed well. During the period under review, the Company booked several orders including orders from Bharat Electronics, Bengaluru; Tidel Park, Chennai; MCGM, Mumbai and Hill Top Refrigeration, Delhi.

A series of dealer education programs were conducted to improve the service delivery levels and also the importance of responding to customer calls within the prescribed levels. They were also educated the SAP process being followed by Blue Star.

With key focus on safety, additional investments have been made on safety equipment and were distributed to the dealers/business associates/technicians. The effectiveness of safe working practices is regularly audited by the Service Quality Assurance team.

The Service business has been developing the required competence in Energy Management as well as Green Buildings. The concept of Energy Service Companies (ESCOs) and the maintenance of "Green buildings as green" offers tremendous opportunities to grow this business. During the quarter, Blue Star provided LEED Green Building consultancy services to Cognizant Technologies Ltd., Coimbatore for Gold Rating LEED certification and HSBC, Baroda, for Platinum rating certification.

## *Cooling Products*

The cooling products business comprises room airconditioners and refrigeration products and systems. The Operating Margin declined to 9.4% in Q3FY10 compared to 10.8% in Q3FY09, mainly due to a change in the product/project mix. Q3 is a lean season for unitary cooling products such as room airconditioners and water coolers, and there was a considerable contribution from the cold storage projects business during the quarter, thereby impacting

the overall margins. However, as the economy opens up, unitary cooling products are likely to form a significant portion of the segment, which will have a positive impact on the margins.

In the room airconditioner business, the Company offers differentiated commercial split airconditioners which have been gaining popularity in the market place. During the quarter, significant large orders were booked from Tata Communications - Infra Banking Solutions for the ATMs of Indian Overseas Bank; Bata India; Federal Bank for its branches and ATMs; Muthoot Finance; Systema Shyam Teleservices for its MTS outlets; Religare; Kotak Mahindra; Universal Somp; Reliance Capital and Carnation Auto.

The refrigeration products business was driven by enhanced sales of chest coolers and chest freezers. The Company executed large orders from the ice cream and dairy segments including orders from Havmor, Sheetal, Dinshaw's, Dairy Classic, Hatsun Agro and Pragati Milk Products. The Company also booked major water cooler orders from Bharti Airtel and Dominos.

For the cold chain, Blue Star offers equipment right from pack houses at the farm end to refrigeration equipment for retail outlets. During the quarter, the Company witnessed improved demand from third party refrigerated logistics players. This segment has been growing and offers significant opportunities. The Company booked noteworthy orders from S K Logistics and Transmart during the quarter.

The recently launched Banana Ripening chambers also contributed substantially to the business, with large orders predominantly from the Western Region. The business also witnessed renewed activity from the fast food retail segments booking orders from McDonalds, Dominos and KFC.

The Company booked a prestigious order in the quarter valued at Rs 8.5 crore from the Ministry of Health and Family Welfare for vaccine storage across the country. This project is funded by World Bank.

### ***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 Industrial Projects business performed reasonably well with important orders for pressure reducing stations and utility piping from Rastriya Ispat Nigam (Vizag Steel Plant) and Tin Plate Company of India,

Jamshedpur. 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 won notable orders for central airconditioning equipment for prestigious projects like U Bora Tower in Dubai, Parcel 15 A&B in Pearl Qatar and Kouterngy factory in Damascus, Syria. It also received orders worth around one million USD for unitary products from the Iran market. Blue Star has now positioned a service expert in UAE to extend technical support to international customers and distributors.

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.

### *Sale of stake in Ravistar India Pvt Ltd*

During the quarter, the Company divested 80% of its equity stake in Ravistar India Pvt Ltd to Systemair AB, Sweden for a consideration of Rs 8.88 crores.

Ravistar India, founded in 1997, is a market leader in manufacturing air distribution products such as grilles and diffusers. Blue Star had invested in Ravistar as a strategic partner to source diffusers, grilles and other air distribution products which are part of central airconditioning projects. Initially, Blue Star was the captive customer for Ravistar India Pvt Ltd. However, in order to expand and leverage on the opportunities available in the market place, Ravistar began selling its products to other airconditioning contractors as well, thereby achieving a leadership position.

This divestment is part of Blue Star's strategy of exiting non-core businesses and allocating resources to its core businesses. Systemair AB, headquartered in Sweden is a leading ventilation company. The Systemair Group comprises 60 companies in 38 countries with 13 manufacturing plants.



## BUSINESS OUTLOOK

### Industry Outlook

While there are definite signs of an economic recovery in most of the market segments, it is likely to take some more time for the industry to get back on its pre-recession growth track. Also, the rising costs of raw materials continue to be a concern area. While traditionally, the IT/ITES and Retail segments were the major contributors to the growth of the industry, the decline in revenues from these segments has been offset by enhanced demand from the infrastructure, healthcare, education, telecom and hospitality segments. With the segment-mix portfolio dynamically changing, the industry has the benefit of spreading its risk over a large base of segments enabling it to not be vulnerable to the declining fortunes of specific segments.

### Company Outlook

Blue Star has shown positive top line growth in Q3 after 2 quarters of decline. Profit maintains its upward trend due to tight control of costs and lower interest charges. The Company's future growth is largely dependent on general economic revival which seems to be picking up. With an established track record, the Company remains confident that it is well positioned to exploit new opportunities as they arise.

### 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 DECEMBER 31, 2009**

Rs. in lakhs

Particulars	QUARTER ENDED		NINE MONTHS ENDED		AUDITED FOR THE YEAR ENDED
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.3.2009
1. (a) Net Sales/Income from Operations	59307	56582	169465	184126	255229
(b) Other Operating Income	255	89	430	307	1680
Total Income from Operations 1(a+b)	59562	56671	169895	184433	256909
2. Expenditure					
a. (Increase)/decrease in stock in trade and work in progress	(1369)	4193	(2610)	2971	6619
b. Consumption of raw materials- Cost of Sales	46281	38476	122147	132322	179317
c. Purchase of traded goods	831	1264	6681	4773	6168
d. Employees cost	4296	4407	13680	13415	18226
e. Depreciation	875	700	2561	1,879	2588
f. Other expenditure	3885	3114	11612	13117	19308
g. Total	54799	52154	154071	168477	232226
<b>3. Profit from Operations before Other Income, Interest &amp; Exceptional Items (1-2)</b>	<b>4763</b>	<b>4517</b>	<b>15824</b>	<b>15956</b>	<b>24683</b>
4. Other Income	30	10	402	273	494
<b>5. Profit before Interest and Exceptional Items</b>	<b>4793</b>	<b>4527</b>	<b>16226</b>	<b>16229</b>	<b>25177</b>
6. Interest	90	525	261	1161	1355
<b>7. Profit after Interest but before Exceptional Items (5-6)</b>	<b>4703</b>	<b>4002</b>	<b>15965</b>	<b>15068</b>	<b>23822</b>
8. Exceptional items	872	-	1,396	-	-
<b>9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)</b>	<b>5575</b>	<b>4002</b>	<b>17361</b>	<b>15068</b>	<b>23822</b>
10. Tax expense	1342	783	4067	3713	5793
<b>11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)</b>	<b>4233</b>	<b>3219</b>	<b>13294</b>	<b>11355</b>	<b>18029</b>
12. Extraordinary items (net of tax expense)	-	-	-	-	-
<b>13. Net Profit (+)/Loss (-) for the period (11-12)</b>	<b>4233</b>	<b>3219</b>	<b>13294</b>	<b>11355</b>	<b>18029</b>
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	4.71	3.58	14.78	12.62	20.04
b) Basic and diluted EPS after Extraordinary items	4.71	3.58	14.78	12.62	20.04
17. Public shareholding					
- Number of shares	53839184	53864276	53839184	53864276	53833184
- Percentage of shareholding	59.86	59.89	59.86	59.89	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	35496921	36071829	35496921	36071829	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	40.11	39.47	40.11	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 January 25, 2010.
- Figures of the corresponding previous quarter and year have been regrouped, wherever necessary, to conform to the figures of the current quarter.
- Exceptional Items represents profit on sale of investments.
- During the quarter ended December 31, 2009, the Company received and disposed of 15 investor complaints. No complaints were pending at the beginning and at the end of the quarter.

**Registered Office:**

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Mohan T. Advani Chowk  
Jamshedji Tata Road  
Mumbai 400 020  
www.bluestarindia.com  
Date : January 25 , 2010  
Place : Mumbai

For BLUE STAR LIMITED

Satish Jamdar  
Managing Director

**SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER ENDED DECEMBER 31, 2009**

(Rs. in lakhs)

Description	Quarter ended		NINE MONTHS ENDED		AUDITED FOR THE YEAR ENDED
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.3.2009
	<b>I. SEGMENT REVENUE</b>				
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	46278	42207	120350	127650	177878
ii. Cooling Products	9539	9504	39784	43999	60143
iii. Professional Electronics and Industrial Systems	3490	4871	9331	12476	17208
<b>TOTAL SEGMENT REVENUE</b>	<b>59307</b>	<b>56582</b>	<b>169465</b>	<b>184126</b>	<b>255229</b>
Less: Inter Segment Revenue	-	-	-	-	-
<b>NET SALES/ INCOME FROM OPERATIONS</b>	<b>59307</b>	<b>56582</b>	<b>169465</b>	<b>184126</b>	<b>255229</b>
<b>II. SEGMENT RESULT</b>					
<b>PROFIT/(LOSS) BEFORE INTEREST &amp; TAX</b>					
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	4765	4167	13164	13862	21311
ii. Cooling Products	899	1030	5423	5189	7486
iii. Professional Electronics and Industrial Systems	865	1226	2555	2731	3603
<b>TOTAL SEGMENT RESULT</b>	<b>6529</b>	<b>6423</b>	<b>21142</b>	<b>21782</b>	<b>32400</b>
<b>Less:</b>					
i.) Interest	90	525	261	1161	1355
ii.) Other un-allocable Expenditure net of un-allocable Income	864	1896	3520	5553	7223
<b>TOTAL PROFIT BEFORE TAX</b>	<b>5575</b>	<b>4002</b>	<b>17361</b>	<b>15068</b>	<b>23822</b>
<b>III. CAPITAL EMPLOYED:</b>					
<b>(Segment Assets- Segment Liabilities)</b>					
i. Electro Mechanical Projects and Packaged Air-conditioning Systems	42230	27308	42230	27308	31457
ii. Cooling Products	9374	12180	9374	12180	11641
iii. Professional Electronics and Industrial Systems	4386	4333	4386	4333	3052
<b>TOTAL CAPITAL EMPLOYED IN SEGMENTS</b>	<b>55990</b>	<b>43821</b>	<b>55990</b>	<b>43821</b>	<b>46150</b>
Add: Un-allocable Corporate Assets less Liabilities	2843	1513	2843	1513	(7015)
<b>TOTAL CAPITAL EMPLOYED IN THE COMPANY</b>	<b>58833</b>	<b>45334</b>	<b>58833</b>	<b>45334</b>	<b>39135</b>

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www.bluestarindia.com  
Date :January 25 , 2010  
Place : Mumbai

**For BLUE STAR LIMITED**

**Satish Jamdar**  
**Managing Director**