

Blue Star Limited

Q3 FY09 Earnings Update

January 30, 2009

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 566.72 crore for the quarter ended December 31, 2008, representing 10% growth over the corresponding quarter in the previous year. Net sales for the quarter were also Rs 566.72 crore.
- For the quarter, Gross Margin declined from 25.7% to 21.5%, since we continued with the consumption of raw materials procured at higher cost for most part of the quarter and also due to the sharp depreciation of the rupee.
- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 52.17 crore declined as compared to the Operating Profit of Rs 55.72 crore earned in Q3FY08. The Operating Margin decreased from 10.8% in Q3FY08 to 9.2% in Q3FY09, mainly due to the sharp increase in cost of sales.
- Net profit for the quarter was Rs 32.19 crore, declining by 9% over Net Profit of Rs 35.44 crore earned in Q3FY08.
- The Earnings per Share (face value of Rs 2.00) for the quarter was Rs 3.58 as against EPS of Rs 3.94 in Q3FY08.
- Carry Forward Order Book as on December 31, 2008 increased to Rs 1626 crore compared to Rs. 1072 crore as at December 31, 2007, representing an increase of 52%.
- Order Inflow during the quarter grew from Rs 556 crore in Q3FY08 to Rs 625 crore, an increase of 12%.

Segment-wise results

- The central airconditioning and electrical contracting business, collectively called Electro Mechanical Projects and Packaged Airconditioning Systems grew by 12% during the quarter. Segment results declined by 14% in the quarter compared to the corresponding quarter in the previous year.
- The Cooling Products segment registered a decline of 5% in revenue. Segment results declined 23% during the quarter.
- Professional Electronics and Industrial Systems business registered a 31% growth 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 growth of 19% during the quarter.

- SBU-wise sales break-up:

(Rs crore)

	Q3FY09	Q3FY08	% Growth (Decline)	% of Net Sales
Electro mechanical projects and packaged airconditioning systems	422.32	376.80	12%	74%
Cooling products	94.93	100.34	(5%)	17%
Professional Electronics & Industrial systems	49.47	37.74	31%	9%

- SBU-wise results break-up:

(Rs crore)

	Q3FY09	Q3FY08	% Growth/ (Decline)	% of Total Segment Result
Electro mechanical projects and packaged airconditioning systems	38.63	44.80	(14%)	65%
Cooling products	9.88	12.91	(23%)	17%
Professional Electronics & Industrial systems	10.30	8.64	19%	18%

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 Q3FY09 was 9.1% compared to 11.9% in Q3FY08, mainly due to sharp appreciation of the dollar resulting in an increase in imported raw material inputs.

In the central airconditioning business, while the liquidity crunch in the market place coupled with declining demand adversely affected certain segments such

as retail and builders, the Company saw good prospects from the hospitality, healthcare and education segments. In addition, infrastructure segments such as airports, power plants and metro rail are unaffected by the economic downturn and project expansion plans are on track. The Company has noticed a delay in project expansion plans in the IT/ITES segment, perhaps due to the uncertainty on the impact that the US recession will have on the prospects of this segment.

During the quarter, the Company booked a prestigious order from Fortis Hospital Group for their upcoming flagship hospital in Gurgaon. The project, valued at Rs.37 crore includes both HVAC and electrical works and is the largest combined M&E order booked by the Company after its foray into electrical contracting last year. With this order, Blue Star has a strong foothold in the healthcare segment having executed orders for two other large hospitals recently - Medicity, Gurgaon and Kokilaben Dhirubhai Ambani Hospital (earlier known as Dr Mandke Hospital), Mumbai.

Considering the liquidity crunch prevailing in the market, the Company has chosen to aggressively pursue business from the Govt of India which has been completely unaffected by the slowdown. This focus resulted in several orders from Govt agencies for the airconditioning of various stadiums coming up in New Delhi for the Commonwealth Games scheduled in 2010. In addition, it also booked prestigious Govt orders for HVAC works of Jawaharlal Nehru Bhawan, New Delhi and Central Drug Research Institute, Lucknow.

Based on past performance and strong relationships that Blue Star has built over the years, the Company received several repeat orders from customers like Moser Baer, DLF, Apollo Hospital Group, Cognizant Technologies and Hindustan Unilever Limited, to name a few. 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. Blue Star is committed to Green Building Designs and has submitted bids for number of such projects, which are expected to be finalised in the coming months.

In packaged/ducted airconditioning and small chillers, while the IT/ITES and organized retail segments have slowed down due to the economic downturn, the business witnessed continued demand from offices and hotels.

The Company's eco-friendly range of VRF Systems launched in Q1FY09 continued to make deep inroads during the quarter. Blue Star is India's first and only manufacturer of VRF systems and has significant advantages over its foreign counterparts including its ability to handle high ambient temperatures and faster delivery. Blue Star is steadily increasing its market share in this market which was a Japanese-equipment stronghold, and is now the No 2 player, with a market share of over 20%. During the quarter, several major

orders were booked from the hospitality segment from the north western part of the country. The sales have spurred in this belt due to the expected tourist travel during the Commonwealth Games in 2010.

Blue Star's Precision Control Packaged Airconditioners (PCPA), which have been specially designed for the IT segment also continued to do 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 Sify, Mumbai and HCL Technologies, New Delhi during the quarter.

Blue Star continued to sustain its leadership position in the telecom airconditioning business with its range of packaged airconditioners for unmanned telecom shelters and continues to receive a steady inflow of orders from several customers such as Vodafone, Bharti, Idea, WTTIL, Essar etc.

The newly formed electrical projects business performed very well by cross-selling its services to existing HVAC customers and rolling out operations in other regions of the country. It booked a prestigious Rs 26 crore order from HCL Technologies, Chennai and a combined M&E order from Fortis Hospital, Gurgaon, where the electrical works is valued at Rs 17 crore.

Key Projects in the Quarter:

	New Orders Won in Q3FY09
Central Plants	<ul style="list-style-type: none"> * Fortis Hospital, Gurgaon * Agilent Technologies, Manesar * Central Drug Research Institute, Lucknow * Siri Fort Stadium, New Delhi * Talkatora Stadium, New Delhi * Chhatrasal Stadium, New Delhi * Moser Baer, Greater Noida * Jawahar Lal Nehru Bhawan, New Delhi * DLF Phase - V Club, Gurgaon * Siemens, Bokaro * Apollo Hospital, Bhubaneswar * Cognizant Technologies, Bangalore * Nokia Siemens - Embassy, Bangalore * Novartis Health Care Ltd, Hyderabad * Hindustan Unilever, Mumbai * Bank of Baroda, Mumbai * Ashwini RPS Consortium (BMC), Mumbai * UHDE India, Mumbai * Danieli India, Hyderabad * Gandour India Food Processing, Hyderabad * Vivo Bio Tech, Hyderabad * Kalyani Platinum, Bangalore * Golden Heights, Bangalore * Shantitech Park, Bangalore * BHEL, Santaldh, West Bengal

	<ul style="list-style-type: none"> * North East Dev. Finance Institute, Guwahati * BHEL , Bellary, Karnataka * Apollo Hospital, Chennai * Infosys, Kochi * National Aviation Company, Kochi
VRF Systems	<ul style="list-style-type: none"> * Delhi Metro, New Delhi * Hotel Samfort, Jaisalmer * Hotel Park Plaza, Jodhpur * Expotel, Hyderabad * Great Lakes Institute of Management, Chennai * Grasim Cement, Kotputli (Rajasthan) * Hinduja Hospital, Mumbai * Hotel Garh Rajwada, Jaisalmer * Chowki Dhani, Jaipur
Packaged Airconditioning	<ul style="list-style-type: none"> * Salem Steel Plant, Chennai * Vishranti Builders, Chennai * Shriram Motels & Resorts, New Delhi * ABB, Lucknow * Hindustan Zinc, Udaipur * Berggruen Hotels, Ludhiana * Goldman Sachs, Bangalore * Times of India, New Delhi
Electrical Projects	<ul style="list-style-type: none"> * HCL Technologies, Chennai * Fortis Hospital, Gurgaon * Vikas Telecom, Bangalore * Wipro, Mysore * Gandour India Food Processing, Hyderabad * Express Infrastructure, Chennai * Max Hypermarket, Bangalore * RMZ, Kolkata * Emami, Haldia * AMRI, Kolkata

Service Business

The service business performed well during the quarter, with growth driven by annual maintenance contracts business, 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. The total installed base is over 3 million TR and this business services over half of this capacity either under well defined AMCs or part of warranty obligation.

During the quarter, the service business booked a prestigious revamp order valued at over Rs 8 crore from IFCI, Delhi. It also booked a significant energy solution order comprising variable frequency drives from Mumbai International Airport Limited.

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 supplied around 100 bulk milk coolers of various capacities to Supreme Agro, Karnataka Milk Federation, Glaxo Smithkline, Haryali Kisan Bazar and Dinshaw. In addition, 15 process chillers were supplied for various process applications during the quarter.

Cooling Products

The cooling products business comprises room airconditioners and refrigeration products and systems. The Operating Margin decreased from 12.9% in Q3FY08 to 10.4% in Q3FY09, due to the appreciation of the dollar coupled with decline in demand due to the economic slowdown.

The Company has a comprehensive range of room airconditioners targeted at the corporate and commercial segment. These include star-rated split airconditioners which provide enormous power savings, aesthetically appealing cassette airconditioners, mega split airconditioners with a powerful airthrow for commercial spaces and vertical floor-standing split airconditioners for spaces where there is no false ceiling. Owing to its differentiated offering, the room airconditioners business has been outperforming market growth over the past few quarters. Further, price realizations and margins are higher, since customers are willing to pay a premium for products that are more suited for commercial applications.

In Q2FY09, the Company had set up a new National Accounts Management Cell for the room airconditioners and refrigeration products business in order to provide a single point contact and enhance business amongst large nation-wide players. This move has paid rich dividends, with several national account customers placing significant orders. During the quarter, the Company booked room airconditioner orders from Titan, Max New York Life and Future Axion.

The refrigeration products business continued to witness orders for the premium refrigerated display cabinets from ISA. Major orders were booked from New Zealand Natural, New Delhi; Barista, New Delhi and Bangalore;

Nestle, Bangalore; Hindustan Unilever, Mumbai; SRL Ranbaxy, Mumbai and Tamil Nadu Fisheries, Chennai.

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 several cold storage orders from Domino's Central Kitchen, Bangalore and Surat Mandi Modernization, Surat.

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 division performed well. While the segment revenue registered an increase of 31%, there was a healthy increase of 19% in segment profit of Q3FY09 compared to Q3FY08.

The non-destructive testing (NDT) business continued to perform extremely well. During the quarter, a large value order was booked from L&T for three online ultrasonic systems to be installed at the new rail-wheel plant in Chappra, Bihar. This is a breakthrough order in a new market segment and an innovative application marking the division's first entry into Railways as a system integrator.

The industrial products business is currently pursuing several turnkey project orders at steel plants. During the quarter, an order was booked for utility pipes infrastructure from Tata Blue Scope, Jamshedpur valued at Rs 14 crore. The division also booked a prestigious order for supply of 14 environmental simulated chambers from National Institute of Plant Genome Research, Delhi.

Exports

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

The product export business saw an increase in profitability as result of dollar rate appreciation and decrease in the raw material input cost. The focus on targeting specific market segments helped in creating niches and higher price realizations. However, the liquidity crunch and the subsequent fall in oil prices in the Middle East have adversely affected business prospects and the outlook over the next couple of quarters is grim.

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 liquidity crunch in the market place coupled with declining demand has adversely affected certain segments such as retail and builders. Also, there are delays in project expansion plans in the IT/ITES segment, perhaps due to the uncertainty on the impact that the US recession will have on the prospects of this segment. However, infrastructure segments such as airports, telecom, power plants and metro rail as well as other projects of the Govt and public sector undertakings are largely unaffected by the economic downturn and project expansion plans in these segments are on track.

Company Outlook

Though the carry forward order book is extremely healthy, the liquidity crunch and economic downturn has led to delays in project execution adversely affecting the Company's topline. The Company has been selectively pursuing segments which offer profitable growth opportunities, keeping in mind the volatility of the market place. The Company also continues to focus on value engineering, managing working capital efficiently and controlling operating costs. Though the economic outlook appears to be uncertain over the next few quarters, we are confident that our tight controls and operational improvements will see us through this difficult period and improve our competitiveness 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 DECEMBER 31, 2008

Rs. in lakhs

Particulars	QUARTER ENDED		NINE MONTHS ENDED		AUDITED FOR THE YEAR ENDED
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.3.2008
1. (a) Net Sales/Income from Operations	56672	51488	184415	152490	223304
(b) Other Operating Income	0	4	18	6	7
Total Income from Operations 1(a+b)	56672	51492	184433	152495	223311
2. Expenditure					
a. (Increase)/decrease in stock in trade and work in progress	4193	(374)	2971	(2519)	(8541)
b. Consumption of raw materials- Cost of Sales	39015	37466	134345	114913	172560
c. Purchase of traded goods	1264	1155	4773	3256	5074
d. Employees cost	4407	4128	13415	11152	15440
e. Depreciation	700	554	1879	1576	2197
f. Other expenditure	2576	3540	11094	9483	15321
g. Total	52155	46469	168477	137861	202051
3. Profit from Operations before Other Income, Interest & Exce	4517	5023	15956	14635	21260
4. Other Income	10	7	273	94	166
5. Profit before Interest and Exceptional Items	4527	5030	16229	14729	21426
6. Interest	525	157	1161	538	756
7. Profit after Interest but before Exceptional Items (5-6)	4002	4873	15068	14191	20670
8. Exceptional items	-	-	-	-	3532
9. Profit (+)/Loss (-) from Ordinary Activities before tax (7+8)	4002	4873	15068	14191	24202
10. Tax expense	783	1329	3713	3818	6793
11. Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	3219	3544	11355	10373	17409
12. Extraordinary items (net of tax expense)					
13. Net Profit (+)/Loss (-) for the period (11-12)	3219	3544	11355	10373	17409
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					24556
16. Earnings Per Share (EPS)					
a) Basic and diluted EPS before Extraordinary items	3.58	3.94	12.62	11.53	19.36
b) Basic and diluted EPS after Extraordinary items	3.58	3.94	12.62	11.53	19.36
17. Public shareholding					
- Number of shares	53864276	53824538	53864276	53824538	53824538
- Percentage of shareholding	59.89	59.84	59.89	59.84	59.84

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 27, 2009.
- The results of the quarter ended December 31, 2008 include the results of the Electrical Contracting business acquired from Naseer Electricals Pvt. Ltd. on January 24, 2008 and to that extent are not comparable with the results for the quarter ended December 31, 2007.
- During the quarter ended December 31, 2008, the Company received and disposed of 10 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 27, 2009
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the quarter ended December 31, 2008

(Rs. in lakhs)

Quarter ended		Description	NINE MONTHS ENDED		AUDITED FOR
31.12.2008	31.12.2007		31.12.2008	31.12.2007	THE YEAR ENDED
					31.3.2008
		I. SEGMENT REVENUE			
42232	37680	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	127768	105493	155629
9493	10034	ii. Cooling Products	44047	36206	53242
4947	3774	iii. Professional Electronics and Industrial Systems	12600	10791	14433
56672	51488	TOTAL SEGMENT REVENUE	184415	152490	223304
-	-	Less: Inter Segment Revenue			
56672	51488	NET SALES/ INCOME FROM OPERATIONS	184415	152490	223304
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
3863	4480	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	13650	12999	18970
988	1291	ii. Cooling Products	5206	4014	5806
1030	864	iii. Professional Electronics and Industrial Systems	2583	2167	2892
5881	6635	TOTAL SEGMENT RESULT	21439	19180	27668
525	157	Less:			
1354	1605	i.) Interest	1161	538	756
		ii.) Other un-allocable Expenditure net of un-allocable Income	5210	4451	2710
4002	4873	TOTAL PROFIT BEFORE TAX	15068	14191	24202
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
27845	21518	i. Electro Mechanical Projects and Packaged Air-conditioning Systems	27845	21518	20309
12423	11288	ii. Cooling Products	12423	11288	14721
4446	2949	iii. Professional Electronics and Industrial Systems	4446	2949	3244
44714	35755	TOTAL CAPITAL EMPLOYED IN SEGMENTS	44714	35755	38274
621	4211	Add: Un-allocable Corporate Assets less Liabilities	621	4211	-7907
45335	39966	TOTAL CAPITAL EMPLOYED IN THE COMPANY	45335	39966	30367

Registered Office:
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Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date : January 27 , 2009
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director