

Blue Star Limited

Q1 FY08 Earnings Update

August 3, 2007

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 462.32 crore for the quarter ended June 30, 2007, representing 48% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 462.25 crore were also up by 48% over Q1FY07.
- The central and packaged airconditioning business continued to contribute significantly to the overall growth of the Company. This business grew by 49% during Q1FY07. Segment profit during the quarter grew 60% to Rs 28.12 crore.
- The cooling products business also performed exceptionally well growing 42% during the quarter, and contributing to more than a third of the Company's Net Sales. Further, segment profit grew 75% to Rs 16.49 crore.
- The revenue of the professional electronics and industrial systems business grew 90%, while segment profit spurted by 386% to Rs 4.91 crore compared to Q1FY07.

- SBU-wise sales break-up:

(Rs crores)

	Q1FY08	Q1FY07	% Growth	% of Net Sales
Central & Packaged airconditioning systems	277.04	186.37	48.7	59.9
Cooling products	158.28	111.76	41.6	34.2
Professional Electronics & Industrial systems	26.93	14.19	89.8	5.9

- SBU-wise results break-up:

(Rs crores)

	Q1FY08	Q1FY07	% Growth	% of Total Segment Result
Central & Packaged airconditioning systems	28.12	17.57	60.0	56.8
Cooling products	16.49	9.41	75.2	33.3
Professional Electronics & Industrial systems	4.91	1.01	386.1	9.9

- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 37.9 crore was up by 140% as compared to PBDIT of Rs 15.8 crore earned in Q1FY07. The operating margin improved substantially during the quarter to 8.2% as against 5.1% in the same period last year.
- Other income for the quarter was Rs 7 lakh (Rs 49 lakh in Q1FY07).
- Net profit for the quarter was Rs 22.32 crore, up 206% over net profit of Rs 7.30 crore for Q1FY07.
- The earnings per share for the quarter was Rs 2.48 as against EPS of Rs 0.81 in Q1FY07 (Face value of Rs 2.00 per share).
- Carry Forward Order Book as on June 30, 2007 stood at a healthy Rs 984 crore compared to the order book of Rs. 688 crore as at June 30, 2006.

BUSINESS HIGHLIGHTS

Central and Packaged Airconditioning Systems

Overview

In this quarter too, like previous quarters, IT/ITES and retail sectors fuelled the demand for central airconditioning. Blue Star's strengths in contracting coupled with superior energy-efficient products and expertise in the science of cooling, helped it sustain its leadership position. The Company enjoys a preferred partner status in most of the new growth segments, and a significant portion of the revenues in this business comes from repeat customers.

The Company booked several prestigious orders in the quarter:

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
* Kokilaben Dhirubhai Ambani Hospital, Mumbai	* Acropolis Mall, Ahmedabad	* Medicity, Gurgaon
* Moser Baer, Greater Noida	* Ascendas - Mahindra World City Ph I, Chennai	* DLF, Gurgaon
* Nagpur Airport, Nagpur	* Hewlett Packard, Bangalore	* Infosys, All India
* Galaxy Mercantiles, New Delhi	* Philips, Bangalore	* Reliance Communications, All India
* Reliance Retail, All India	* Infosys, Chennai	* Empress City Mall, Nagpur
* Hexaware, Chennai	* Alps Hospital, Gurgaon	* Cosmos Mall, Siliguri
	* Select Infrastructure, New Delhi	* Microsoft, Secunderabad
		* SunCity, Jaipur
		* Capgemini, Mumbai
		* HDFC Chubb, Mumbai
		* Vishal Retail, All India
		* Aditya Birla Retail, All India

During the quarter, the Company received an extremely favourable response from a host of customers for the newly launched screw chillers incorporating eco-friendly refrigerant R134a. Orders totaling to around 10,000 TR were booked from prestigious customers for these products including i-Flex Solutions, Reliance Industries, Atos Origin, IBM, Cognizant Technologies, Baghmane Developers and BARC, amongst others.

In the packaged/ducted airconditioning and small chillers segment, the Company continued to get significant business from customers having national presence. The recently launched 22TR ducted and packaged airconditioners have made deep inroads in the developers/builders segment. The Company booked significant orders from Ashapura Developers, Mumbai; Sushin Builders, Chennai and Chermas Exquisite, Hyderabad.

The indigenous digital scroll technology based Variable Refrigerant Flow (VRF) systems launched last year continues to perform impressively. The Company in association with Emerson, who supply the digital scroll compressor to Blue Star, conducted six technical seminars during the quarter. This has helped in increasing awareness about the inherent advantages of Blue Star VRFs over their imported counterparts such as shorter lead times, handling of high ambient temperatures and voltage fluctuation resistant systems. The Company booked several VRF orders during the quarter including Vimokas, Gurgaon; Shree Cements, Bhiwadi (Rajasthan); Agarwal Eye Hospital, Chennai; BYD Electronics, Chennai and ETL, Madurai.

The Company also made further inroads in the IT segment with its popular range of Precision Control Packaged Airconditioners (PCPA), which have been specially designed for precision cooling applications such as server rooms. During the quarter, the Company booked prestigious orders for PCPAs from Oracle, Cognizant Technology Solutions, Mphasis BFL and Hewitt Technologies reinforcing the fact that IT majors are entrusting Blue Star for their precision cooling needs.

Blue Star continues to be the dominant player in the telecom airconditioning business with its range of packaged airconditioners for unmanned telecom shelters. During the quarter, the volume growth of these airconditioners was over 350%, compared to the corresponding quarter in the previous year. The Company is well recognized amongst telecom players as the leading solution provider of telecom shelter airconditioning and Blue Star enjoys patronage from most of the telecom service providers including Hutch, Reliance, Airtel, BSNL, TTSL, IDEA, Spice Telecom and Essar apart from passive infrastructure providers such as GTL, Quipo and TVS.

Service Business

Apart from the traditional break-down maintenance, the Company has been focusing on important issues such as Energy Management, Indoor Air Quality Management and Water Management and has migrated to higher levels in customer-centric cooling solutions by offering a bundle of benefits, which include uptime guarantee, savings in power bills and improved indoor air quality.

As a fall-out of Blue Star's Energy Audit recommendations, many customers are opting for revamp or retrofit solutions and upgrading their system to a more energy efficient one. Consequently, the Company has secured several orders for revamp replacement and retrofit solutions including orders from American School, Mumbai; Southern Railway, Chennai; HSBC, Kolkata; LIC, Mumbai; Bharat Diamond Bourse, Mumbai and Wipro, Hyderabad.

Cooling Products

The cooling products business performed extremely well recording a growth of 42% during the quarter. The primary growth drivers of this business continued to be split airconditioners, as well as refrigeration products and cold chain equipment.

In the room airconditioners segment, Blue Star outperformed the market growth. The focus continues to be on the corporate, commercial and light commercial segments. The volumes of split airconditioners launched for the commercial market - mega split, cassette and hiper split - grew 75% during the quarter. The volume growth in the standard split AC segment was 54%. The Company also participated in the voluntary energy programme of Bureau of Energy Efficiency (BEE) and received a star rating for the 0.75 TR, 1.0 TR and 1.50 TR range of hiper splits. With the shift in market preference from window to split airconditioners, Blue Star's prospects in the split airconditioners segment continue to look good.

The Company's tie-up with ISA, Italy to provide refrigeration technologies and solutions to the emerging retailing and supermarket segments in India made good progress during the quarter. The Company booked a significant order from Britannia valued at Rs 1 crore for gelato showcases. It also bagged several other ISA orders. The other refrigeration products also performed well, with the volumes of bottle water dispensers and chest coolers doubling and ice cube machines recording a volume growth of 50%, compared to the corresponding quarter, last year.

The demand for cold chain equipment continues to be on the rise and Blue Star is in a strong position to capitalise on the impending boom in this segment. The Company offers equipment right from pack houses at the farm end to supermarket refrigeration equipment for retail outlets. With its expertise in back-end cold storages and its tie-up with ISA, Italy for aesthetically appealing supermarket display equipment, the Company is confident of being a leading player in the sunrise supermarket segment. During the quarter, the Company booked refrigerated display cabinet orders from two new supermarket chains - Aditya Birla and Vishal Megamart.

With the Government's increased focus on healthcare, many hospitals are upgrading their overall infrastructure, including mortuary chambers. As a result of this initiative, the Company's sales of mortuary chambers spurted, reaching half of the sales of last year in the first quarter itself.

Professional Electronics and Industrial Systems

For over five decades, the Electronics Division of Blue Star has been consistently providing its customers with a wide range of products, systems and value-added services in the field of professional electronics and industrial equipment. The Division represents in India, leading global manufacturers including Hitachi and JEOL from Japan, Thales e-security from UK, Yxlon from Germany, Mindray from China, Techcomp from Hong Kong, Olympus NDT from Canada and Aeroflex, Panametrics and Molecular Devices from USA, to name a few.

The Division performed well during the quarter recording a revenue growth of 90%. The Industrial Projects Dept won orders worth Rs 14 crore from Tata Steel. Non Destructive Testing Dept booked orders for automated testing systems including Jindal Saw, Mudra for real time X-Ray inspection system; Sahuvala, Vizag for UT Testing of CNG cylinders and Billforge, Bangalore for Toyota cam shaft testing. The Data Communication business secured an order for Host Security Modules (HSM) for a new application of wireless transactions, which would enable on-line shopping including purchasing of airline and movie tickets through a mobile phone.

Exports

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

Products are primarily exported to the Middle East and Europe. Blue Star offers products such as chillers, air handling units, fan coil units, ducted systems and roof top units apart from traditional cooling products like water coolers and room airconditioners. These products, which compete with global brands, have been very well received in the market place.

During the quarter, the Company launched Overhead Tank Chillers for the Middle East market. The Overhead Tank Chillers are used for cooling stored water in overhead tanks, in peak summer. The initial response to this product category is encouraging.

The Company has recently entered into a JV in Doha to handle the requirements of both international projects as well as products from the region.

BUSINESS OUTLOOK

Industry Outlook

The Central airconditioning market continues to be on a growth path mainly fueled by IT/ITES and Retail sectors. Cooling products are also witnessing substantial growth driven by increased demand of split airconditioners and cold chain equipment.

Company Outlook

The central airconditioning business is expected to be the biggest growth driver of the Company in the coming quarters of the year as well. Blue Star's expertise coupled with strong credentials and a substantial pool of talented engineers will help the Company in sustaining market leadership.

The Company also expects the cooling products business to contribute significantly to the revenue as well as profitability. Blue Star has become a major player in the split airconditioner segment owing to a differentiated range of products targeted at the corporate and commercial segment. The Company is also well positioned to leverage on the impending boom in cold chain infrastructure.

The outlook for the Professional Electronics and Industrial Systems business continues to be attractive. Its growth pattern in the last few years has been solid and its strong reputation as a value added reseller and system integrator will help it to further enhance market share.

For more information contact

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SAFE HARBOR

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, 2007

(Rs In lakhs)

PARTICULARS	QUARTER ENDED		AUDITED
	30.6.2007	30.6.2006	YEAR ENDED
			31.3.2007
Sales, Work bills & Services	45861	30850	157833
Commission	364	382	2295
Other Income	7	49	613
Total Income	46232	31281	160741
Total Expenditure	42433	29648	148436
(Increase) / Decrease in Stock in trade	(2,524)	(2,544)	(3,824)
Consumption of Raw Materials	38423	27172	128093
Staff Cost	3324	2236	12286
Other Expenditure	3210	2784	11881
Interest	224	202	955
Depreciation	498	429	2090
Profit Before Tax	3077	1002	9260
Provision for Taxation	800	224	2140
Deferred Tax (Asset) /Liability for the year	10	13	(254)
Fringe Benefit tax	35	35	255
Net Profit	2232	730	7119
Paid-up Equity Share Capital of Rs.2 each	1799	1799	1799
Reserves			19498
Earnings Per Share (Rs.)	2.48	0.81	7.91

NOTE :

1. The above results have been subject to 'Limited Review' by the statutory auditors, reviewed by the Audit Committee and approved at the meeting of the Board of Directors held on July 25, 2007.
2. In accordance with AS 15 (Revised 2005) requirements on Employee Benefits issued by the Institute of Chartered Accountants of India, effective April 1, 2006, the Company has made a provision amounting to Rs.375 lacs (PY : Nil) for the quarter ended 30.6.2007, towards payment of performance incentives, to be made within the next one year.
3. The Company has, effective April 1, 2007, taken the following decisions in respect of allocation of certain expenses to the segments :
 - a) Apportion Advertisement expenses incurred exclusively for Corporate Brand Building purposes to the Corporate office and include them under "Other Unallocable Expenditure" as against the earlier practice of apportioning them to the individual segments.
 - b) Apportion expenses provided on account of Leave encashment, Superannuation and Gratuity to the respective segments as against the earlier practice of apportioning them under Corporate expenses as "Other Unallocable Expenditure" .
Consequently, this has necessitated making the following adjustments :
 - i) An amount of Rs.565 lacs incurred on account of Corporate Brand Building for the quarter ended 30.6.2007 has been grouped under "Other Unallocable Expenditure" . Similarly, amounts relating to the corresponding period 30.6.2006 and 31.3.2007 respectively of Rs.638 lacs and Rs.1047 lacs are regrouped suitably for facilitating comparison.
 - ii) An amount of Rs.402 lacs representing Leave encashment, Superannuation and Gratuity expenses has been apportioned to the segments (Rs.264 lacs and Rs.971 lacs for the periods ended 30.6.2006 and 31.3.2007 respectively).
4. During the quarter ended June 30, 2007, the Company received and disposed of 26 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 25, 2007
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the quarter ended June 30, 2007

(Rs. in lakhs)

	Description	QUARTER ENDED		AUDITED
				YEAR ENDED
		30.06.07	30.06.06	31.3.2007
I.	SEGMENT REVENUE			
	i. Central and Packaged Air-conditioning Systems	27704	18637	112427
	ii. Cooling Products	15828	11176	37278
	iii. Professional Electronics and Industrial Systems	2693	1419	10423
	iv. Residual	-	-	-
	TOTAL SEGMENT REVENUE	46225	31232	160128
	Less: Inter Segment Revenue	-	-	-
	NET SALES/ INCOME FROM OPERATION	46225	31232	160128
II.	SEGMENT RESULT			
	PROFIT/(LOSS) BEFORE INTEREST & TAX			
	i. Central and Packaged Air-conditioning Systems	2812	1757	10286
	ii. Cooling Products	1,649	941	2544
	iii. Professional Electronics and Industrial Systems	491	101	1923
	iv. Residual	-	-	-
	TOTAL SEGMENT RESULT	4952	2799	14753
	Less:			
i.) Interest	224	202	955	
ii.) Other un-allocable Expenditure net of un-allocable Income	1,651	1,595	4,538	
	TOTAL PROFIT BEFORE TAX	3077	1002	9260
III.	CAPITAL EMPLOYED:			
	(Segment Assets- Segment Liabilities)			
	i. Central and Packaged Air-conditioning Systems	17322	16550	15391
	ii. Cooling Products	10418	10763	11383
	iii. Professional Electronics and Industrial Systems	3516	1966	3006
	iv. Residual			
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	31256	29279	29780
Add: Un-allocable Corporate Assets less Liabilities	192	1891	1073	
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	31448	31170	30853

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Date : July 25, 2007

Place : Mumbai

Ashok M Advani
Chairman & Managing Director