

Blue Star Limited

Q2 FY08 Earnings Update

October 26, 2007

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 548.59 crore for the quarter ended September 30, 2007, representing 46% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 547.77 crore were also up by 46% over Q2FY07.
- For the half year ended September 30, 2007, Total Income grew 47% to Rs 1010.91 crore, compared to H1FY07. Net sales over the same period also grew 47% to Rs 1010.02 crore.
- The central and packaged airconditioning business continued to contribute significantly to the overall growth of the Company. This business grew by 46% during Q2FY08. Segment profit during the quarter spurted 115% to Rs 57.07 crore.
- The cooling products business performed extremely well growing 48% during the quarter. The segment profit grew four-fold, a substantial 300% to Rs 10.74 crore.
- The professional electronics and industrial systems business performed well in the quarter, growing 37% to Rs 43.24 crore. Segment profit grew marginally to Rs 8.12 crore. Given the nature of this business, quarterly performance is typically not a good indicator of the outlook of this business. In fact, it may be recalled that in Q1FY08, segment profit of this business had zoomed by 386%, and for the half year ended September 30, 2007, the business has registered a solid segment profit growth of 46%, as compared to H1FY07.
- SBU-wise sales break-up:

(Rs crore)

	Q2FY08	Q2FY07	% Growth	% of Net Sales
Central and packaged airconditioning systems	401.09	274.71	46%	73%
Cooling products	103.44	69.70	48%	19%
Professional Electronics & Industrial systems	43.24	31.50	37%	8%

- SBU-wise results break-up:

	(Rs crore)			
	Q2FY08	Q2FY07	% Growth	% of Total Segment Result
Central and packaged airconditioning systems	57.07	26.59	115%	75%
Cooling products	10.74	2.68	300%	14%
Professional Electronics & Industrial systems	8.12	7.90	3%	11%

- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 68.4 crore was up by 108% as compared to the Operating Profit of Rs 32.8 crore earned in Q2FY06. The Operating Margin increased significantly to 12.5% in Q2FY08 compared to 8.7% in Q2FY07.
- Other income for the quarter was Rs 82 lakh (Rs 81 lakh in Q2FY07).
- Net profit for the quarter was Rs 45.97 crore, up 150% over net profit of Rs 18.40 crore for Q2FY07.
- The earnings per share for the quarter was Rs 5.11 as against EPS of Rs 2.05 in Q2FY07.
- Carry Forward Order Book as on September 30, 2007 stood at a healthy Rs 1031 crore compared to the order book of Rs. 788 crore as at September 30, 2006.

BUSINESS HIGHLIGHTS

Central and Packaged Airconditioning Systems

Overview

The construction boom continued to drive the demand for central and packaged airconditioning systems. During the quarter, Blue Star booked two significant orders for airconditioning the Thiruvananthapuram and Ahmedabad airports. Blue Star's strong reputation and credentials enable it to maintain a leadership position in the central airconditioning business.

During Q1FY08, the Company had booked several orders for the newly launched eco-friendly screw chillers incorporating the R134A refrigerant. The quarter under review witnessed the successful commissioning of these chillers in several locations including Atos Origin, Mumbai; Cognizant Technologies, Bangalore and i-flex, Mumbai. These chillers have been very well received in the market place and with this new range, the Company is confident of increasing its market share in screw chillers.

The Company booked several prestigious orders in the quarter:

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> * Ascendas, Chennai * Foxcon, Chennai * Standard Chartered Bank, Mumbai * Titanium, Mumbai * SBI, Mumbai * Kokilaben Dhirubhai Ambani Hospital, Mumbai * HPCL, Hyderabad 	<ul style="list-style-type: none"> * Globsyn, Kolkata * Mitsui, Sikkim * DLF, Hyderabad * Sports Authority (Nagarjuna Constructions), Hyderabad * Atos Origin, Mumbai * I-flex, Mumbai * Infosys, Pune * Select Mall, Gurgaon * DLF Building 9, Gurgaon 	<ul style="list-style-type: none"> * Z Square Mall, Kanpur * Ahmedabad Airport * Thiruvananthapuram Airport * Panatloon, Indore * Cognizant Technologies (Cee Dee Yes Builders), Coimbatore * Bengal Greenfield, Kolkata * RBI, Guwahati * Zensar Technologies, Pune * DuPont, Secunderabad * Bengal Peerless, Kolkata * Moser Baer, Noida

In the packaged/ducted airconditioning and small chillers segment, the Company continued to get significant business from customers having national presence. Several significant orders were booked during the quarter including orders from HCL Technologies, Gurgaon; Triveni Media Ltd, Gurgaon; Sriram Properties, Chennai; Pantaloon Retail, Bangalore and Nirlon Ltd, Mumbai.

This quarter witnessed a significant milestone for the indigenous digital scroll technology based Variable Refrigerant Flow (VRF) systems - crossing of the 10,000 HP mark. Blue Star's Precision Control Packaged Airconditioners, which have been specially designed for the IT segment continued to do well with significant orders from Infosys BPO, Mphasis-BFL and Mobily India.

Blue Star continues to be the dominant player in the telecom airconditioning business with its range of packaged airconditioners for unmanned telecom shelters. 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

Vodafone, Reliance, Airtel, BSNL, TTSL, IDEA, Spice Telecom and Essar apart from passive infrastructure providers such as GTL, Quipo and TVS.

Service Business

The Company offers a variety of service products such as Annual Maintenance Contracts, Energy Management, Air Management, Water Management, and Product Upgrades and Retrofits.

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. Further, many customers are augmenting additional capacity as a part of their expansion plans. Consequently, the Company has secured several orders for revamp, replacement and retrofit solutions from quite a few customers including HSBC, Lakeshore Hospital & Research Centre, Syscom, Dynamic Continental, MS Ramiah College and Vodafone.

Cooling Products

The cooling products business performed extremely well with growth driven by split airconditioners, as well as refrigeration products and cold chain equipment.

In the room airconditioners segment, Blue Star continued to outperform the market growth. The focus remains on the corporate, commercial and light commercial segments. The volumes of split airconditioners launched for the commercial market grew significantly during the quarter. The range of cassette and verticool airconditioners registered a growth of over 75%. With the shift in market preference from window to split airconditioners, Blue Star's prospects in the split airconditioners segment look favourable. Blue Star also won a significant order for around 500 window airconditioners from Aircel, Chennai during the quarter.

For the cold chain, Blue Star offers equipment right from pack houses at the farm end to supermarket refrigeration equipment for retail outlets. Blue Star's focus on the agricultural segment helped it win a significant order valued at Rs 16 crore from Haryana State Agri Marketing Board (HSAMB) for supply of cold chain equipment comprising cold storages, pre-cooling chambers and ripening chambers across nine locations in Haryana.

While large corporate players like Reliance Retail and Heritage are setting up pack houses, small players at the village and town level are investing in ripening chambers, mainly banana and mango. Blue Star has booked several ripening chambers orders from upcountry locations in Tamil Nadu, Punjab and Gujarat.

Concor with financial support from Agricultural & Processed Food Products Export Development Authority (APEDA) is setting up perishable cargos at small airports primarily for agricultural exports. Blue Star has booked an order for the same for the facility at Nasik Airport.

Professional Electronics and Industrial Systems

The business 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.

During the quarter, all the individual SBUs performed well. The non destructive testing business has been extremely successful in the pipes industry. During the quarter, it bagged orders for Ultrasonic Systems, Radiography (X-Ray Machines) and Real Time Radioscopy Systems from Essar for their new project of pipe manufacturing for the oil and gas industry. It also booked orders from Jindal Saw and Mukund Industries. The data communication booked orders for host security modules from Canara Bank, Standard Chartered Bank, Federal Bank and Punjab & Maharashtra Bank. Due to the high growth in life science research activities, the sales of centrifugal equipment witnessed steep demand. The analytical instruments business also did well in gas chromatograph based special analysers which are used in the petroleum industry, with the Company receiving major orders from HPCL, Mumbai.

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 customized and differentiated 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. However, with the strengthening of the Indian Rupee, the priority is on arresting the margins by focusing on better price realization.

As far as international projects are concerned, given the substantial boom in the domestic market, the Company continues to be selective in pursuing projects with healthy margins.

BUSINESS OUTLOOK

Industry Outlook

The central airconditioning market continues to be on a growth path mainly fueled by the construction boom. Cooling products are also witnessing substantial growth driven by increased demand of split airconditioners and cold chain equipment, especially in the agricultural segment.

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 strengths in manufacturing, contracting and value-added after-sales service will enable strengthening its leadership position.

The Company also expects the cooling products business to contribute significantly in the growth. Blue Star has become a significant player in split airconditioners in the commercial segment, owing to its range of aesthetically appealing and energy-efficient products. 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

Vir Advani
Blue Star Limited
Tel: 66544200
vir@bluestarindia.com

Mehul Mehta
Adfactors PR Pvt. Limited
Tel: 22813565
mehul@adfactorspr.com

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 SEPTEMBER 30, 2007

(Rs.in lakhs)

Particulars	3 months ended		Year to Date for half year ended		Previous accounting year ended (31/03/2007)
	(30/09/2007)	(30/09/2006)	(30/09/2007)	(30/09/2006)	Audited
1. Net Sales/Income from Operations	54777	37591	101002	68824	160128
2. Other Income	82	81	89	129	613
3. Total Income (1+2)	54859	37672	101091	68953	160741
4. Expenditure					
a. Increase/decrease in stock in trade and work in progress					
b. Consumption of raw materials	379	394	(2145)	(2150)	(3824)
c. Purchase of traded goods (See note 2)	41125	28409	79548	55608	128093
d. Employees cost	-	-	-	-	-
e. Depreciation	3700	3296	7024	5532	12286
f. Other expenditure	524	458	1022	887	2090
g. Total	2733	2210	5943	4967	11881
g. Total	48461	34767	91392	64844	150526
5. Interest	157	241	381	443	955
6. Exceptional items	-	-	-	-	-
7. Profit (+)/Loss (-) from Ordinary Activities before tax (3) - (4+5+6)	6241	2664	9318	3666	9260
8. Tax expense	1644	824	2489	1097	2141
9. Net Profit (+)/Loss (-) from Ordinary Activities after tax (7-8)	4597	1840	6829	2569	7119
10. Extraordinary items (net of tax expense)	-	-	-	-	-
11. Net Profit (+)/Loss (-) for the period (9-10)	4597	1840	6829	2569	7119
12. Paid-up equity share capital (Face Value per share Rs.2/-)	1799	1799	1799	1799	1799
13. Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year					19498
14. Earnings Per Share (EPS)					
a) Basic and diluted EPS before Extraordinary items for the period, for the year to date and for the previous year (not to be annualised)	5.11	2.05	7.59	2.86	7.91
b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (not to be annualised)	5.11	2.05	7.59	2.86	7.91
15. Public shareholding					
- Number of shares	53824538	53889850	53824538	53889850	53824538
- Percentage of shareholding	59.85	59.92	59.85	59.92	59.85

Notes:

- 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 October 24, 2007.
- Details of purchase of traded goods is difficult to segregate due to the intervoven nature of business of the Company.
- In accordance with AS 15 (Revised 2005) requirements on Employee Benefits issued by the Institute of Chartered Accountants of India, the Company has made provision amounting to Rs.523 lakhs (PY : Nil) for the quarter ended September 30, 2007, towards payment of performance incentives to be made within the next one year.
- Tax expense includes Provision for tax, Deferred Tax liability and Fringe benefit tax liability.
- During the quarter ended September 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 : October 24, 2007
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

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

(Rs. in lakhs)

Quarter ended		Description	HALF YEAR ENDED		AUDITED
30.9.2007	30.9.2006		30.9.2007	30.9.2006	YEAR ENDED
30.9.2007	30.9.2006		30.9.2007	30.9.2006	31.3.2007
		I. SEGMENT REVENUE			
40109	27471	i. Central and Packaged Air-conditioning Systems	67813	46108	112427
10344	6970	ii. Cooling Products	26172	18146	37278
4324	3150	iii. Professional Electronics and Industrial Systems	7017	4570	10423
-	-	iv. Residual	-	-	-
54777	37591	TOTAL SEGMENT REVENUE	101002	68824	160128
-	-	Less: Inter Segment Revenue	-	-	-
54777	37591	NET SALES/ INCOME FROM OPERATION	101002	68824	160128
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
5707	2659	i. Central and Packaged Air-conditioning Systems	8519	4416	10286
1074	268	ii. Cooling Products	2723	1209	2544
812	790	iii. Professional Electronics and Industrial Systems	1303	891	1923
-	-	iv. Residual	-	-	-
7593	3717	TOTAL SEGMENT RESULT	12545	6516	14753
		Less:			
157	241	i.) Interest	381	443	955
1195	812	ii.) Other un-allocable Expenditure net of un-allocable Income	2846	2407	4538
6241	2664	TOTAL PROFIT BEFORE TAX	9318	3666	9260
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
19901	16193	i. Central and Packaged Air-conditioning Systems	19901	16193	15391
11332	9483	ii. Cooling Products	11332	9483	11383
3070	2523	iii. Professional Electronics and Industrial Systems	3070	2523	3006
-	-	iv. Residual	-	-	-
34303	28199	TOTAL CAPITAL EMPLOYED IN SEGMENTS	34303	28199	29780
753	3299	Add: Un-allocable Corporate Assets less Liabilities	753	3299	1,073
35056	31498	TOTAL CAPITAL EMPLOYED IN THE COMPANY	35056	31498	30853

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