

Blue Star Limited

FY08 and Q4 Earnings Update

May 21, 2008

FINANCIAL HIGHLIGHTS

FY08 Performance

- Central airconditioning and commercial refrigeration major Blue Star Limited reported Total Income of Rs 2,270.09 crore for the year ended March 31, 2008, representing 41% growth over previous year. Net sales for the year at Rs 2,233.04 crore were up by 39% over FY07.
- Gross margin for the year increased from 22.4% to 24.3%.
- Operating profit (PBIDT excluding Other Income) for the year at Rs 234.49 crore doubled as compared to PBDIT of Rs 116.92 crore earned in FY07. Operating Margin increased significantly to 10.5% in FY08 from 7.3% in FY07. Scale, higher price realization, well controlled expenses and lower cost of sales contributed to rise in margins.
- Other income for the year was Rs 37.05 crore (Rs 6.13 crore in FY07). The increase in other income was mainly on account of profit of sale of shares held in Rolastar Pvt Ltd.
- Due to prudent financial management, interest costs for the year were significantly lower by 21% compared to FY07.
- The tax expense grew substantially from Rs 21.42 crore to Rs 67.92 crore in the year mainly on account of non availability of tax holiday on Dadra Plant from FY08 onwards as well as capital gains tax on profit of sale of shares in Rolastar Pvt Ltd.
- Net profit for FY08 at Rs 174.09 crore surged by 145% over FY07.
- The earnings per share for FY08 (Face value of Rs 2.00) stood at Rs 19.36 vis-à-vis Rs 7.91 in the previous year.
- The Company has acquired the electrical contracting business of Naseer Electricals Private Ltd (NEPL) under a business purchase agreement on a slump sale basis for a purchase consideration of Rs.4809.77 lakh (including Rs.500 lakh held in Escrow account till the conditions stipulated in the said agreement are fulfilled) with effect from 24th January, 2008. Accordingly, the results for the quarter ended March 31, 2008, includes the results of the acquired business.

- Carry Forward Order Book as on March 31, 2008 stood at Rs. 1,135 crore representing a 50% increase compared to the order book of Rs. 755 crore as at March 31, 2007. The carry forward order book includes Rs 93 crore order book of the newly formed Electrical Projects Division. Thus on a like-to-like basis, the increase in carry forward order book compared to last year is 38%.
- The Board of Directors have recommended a 350% dividend of Rs. 7.00 per share (Face value of Rs 2.00) inclusive of a Re 1.00 special dividend compared to Rs 3.00 per share declared last year. The dividend payout will work out to 42% compared to 43% last year.

FINANCIAL RATIOS

	2007-08	2006-07
Gross Margin (excl non-operating income)	24.3%	22.4%
Operating Margin (excl. non-operating Income)	10.5%	7.3%
Return on Capital Employed	81.4%	32.1%
Return on Shareholders' Funds	66.1%	33.4%
Earnings Per Share (Rs) (Face Value of Rs 2)	19.36	7.91
Dividend Per Share (Rs)(Face Value of Rs 2)	7.00	3.00
Capital Turnover	7.48	5.21
Debt/Equity	0.14	0.42

Segment-wise results for FY08

- All three business segments showed good growth in revenues and results.
- The large central airconditioning and packaged airconditioners business accounting for 70% of total revenues continued to show healthy growth of 38% during FY08. Segment profit surged by 84% in the year compared to the previous year. Apart from infrastructure construction led central airconditioning projects, telecom shelter airconditioning products and newly introduced Blue Star Variable Refrigerant Flow systems also contributed to growth.
- The cooling products business also registered impressive growth, increasing 43% in the year. The growth was driven by increased sales of commercial split airconditioners as well as refrigeration products. Segment profit was up by 128% in the year.

- The professional electronics and industrial systems business continued to contribute significantly to the profitability of the Company. The business grew by a solid 38% during FY08, with segment profit registering a growth of 50%.

- Segment-wise revenue break-up:

(Rs crore)

	Q4FY08	Q4FY07	% Growth	FY08	FY07	% Growth
Central airconditioning systems	501.36	387.03	30%	1556.29	1124.27	38%
Cooling products	170.36	122.02	40%	532.42	372.78	43%
Professional Electronics & Industrial Systems	36.42	33.86	8%	144.33	104.23	38%

- Segment-wise result break-up:

(Rs crore)

	Q4FY08	Q4FY07	% Growth	FY08	FY07	% Growth
Central airconditioning systems	59.71	38.23	56%	189.70	102.86	84%
Cooling products	17.92	9.14	96%	58.07	25.44	128%
Professional Electronics & Industrial Systems	7.25	5.63	29%	28.92	19.23	50%

Q4FY08 Performance

- Total income for the quarter ended March 31, 2008 at Rs 744.19 crore, grew by 36% over the corresponding quarter in the previous year. Net sales for the quarter at Rs 708.14 crore, was up by 30% over the corresponding quarter of the previous year.
- For the quarter, Gross margin grew from 23.6% to 24.5%.
- Operating profit for the quarter at Rs 72.45 crore increased by 63% compared to PBDIT of Rs 44.46 crore earned in Q4FY07. Operating Margin increased to 10.2% in Q4FY08 from 8.2% in Q4FY07.

- Other income for the quarter stood at Rs 36.05 crore (Rs 4.42 crore in Q4FY07). The increase in other income was mainly on account of profit of sale of shares held in Rolastar Pvt Ltd.
- Net profit for Q4FY08 stood at Rs 70.36 crore registering an increase of 107%.
- The earnings per share for Q4FY08 (Face value of Rs 2.00) stood at Rs 7.82 vis-à-vis Rs 3.78 in Q4FY07.
- Order inflow for Q4FY08 was Rs 694 crore representing a 49% increase over the order inflow of Rs 467 crore in Q4FY07.

BUSINESS HIGHLIGHTS FOR Q4FY08

Central and Packaged Airconditioning Systems

Overview

In the central airconditioning business, the Company is witnessing increased demand from new emerging segments such as infrastructure, power, healthcare, telecom and hospitality. In addition, the Company continued to enjoy its market share in the IT/ITES and the Retail segments.

The order inflow of Blue Star's manufactured products such as chillers, air handling units and fan coil units has been on the rise. The recently launched eco-friendly screw chiller range has been performing exceedingly well in the market place competing with global MNC brands. Encouraged by the market response to these chillers, the Company intends to aggressively market these products in FY09.

The Company booked several prestigious orders in the quarter:

Key Projects in the Quarter:

	New Orders Won in Q4FY08
Central Plants	<ul style="list-style-type: none"> * Hindustan Unilever, Mumbai * Weikfield, Pune * India Bulls, Mumbai * Reliance Communication, Hyderabad * Franklin Templeton, Hyderabad * DuPont, Hyderabad * Nuclear Power Corporation, Chennai * Trivandrum Airport * Madurai Airport * Major Dhyan Chand Stadium, New Delhi * Infosys, Jaipur * DLF, Kolkata * NTPC, Barh
VRF Systems	<ul style="list-style-type: none"> * Central Secretariat Building, South Block, New Delhi * Emerson Export, Pune * Cognizant Technology, Mumbai
Packaged Airconditioning	<ul style="list-style-type: none"> * HDFC Chubb * Café Coffee Day * Adlabs Films * Ambuja Cement * Spencer Retail * Vishal Retail * Barbeque Nation * Rentworks India * Reliance Retail

Blue Star is India's first and only manufacturer of VRF Systems and the Company has been steadily gaining market share in a segment where traditionally only imported brands existed. The quarter saw the Company clinching the country's largest order of VRF systems with digital scroll technology for Central Secretariat Building, South Block, New Delhi for 2400 HP. Blue Star has recently launched an eco-friendly range of VRF systems incorporating R410A refrigerant and the Company is confident of increasing its market share significantly in this product category.

In the packaged/ducted airconditioning and small chillers segment, the Company witnessed increased demand from organized retail, while small and medium IT/ITES establishments seem to be in a slowdown mode, with delay in execution of expansion plans. The construction boom in Tier 2 cities has resulted in a huge demand for airconditioning especially in the hospitality, entertainment and retail segments.

Blue Star's Precision Control Packaged Airconditioners also have been performing extremely well with enhanced demand from data centres, banking and telecom segments.

In the central and packaged airconditioning business, the Company has several national/major account customers from IT, retail, banking, telecom, developers and healthcare segments which contribute to over a third of the revenues. These include Apollo Hospitals, DLF, Future Group, HDFC Bank, ICICI Bank, Infosys, Microsoft, Moser Baer, RMZ, Reliance and Vodafone.

The Company continued to sustain its leadership position in the telecom segment with its customized range of packaged airconditioners especially designed for the telecom industry. Blue Star offers a complete range of telecom airconditioning solutions including the twin circuit telepacs, filter-free telepacs and EFC Telepacs. The Company has already supplied its equipment to major telecom service providers such as Hutch, Airtel, Reliance Telecom, BSNL, TTSL, Spice Telecom and Essar as well as to other passive infrastructure providers like GTL, Quipo, TVS and Tower Vision. Blue Star's deep understanding of the dynamics and intricacies of the telecom segment and the subsequent demands on airconditioning has helped the Company enjoy a preferred partner status in the fast growing telecom sector.

Service Business

The Company's Service Division provides after-sales service support to its customers. Highly trained teams maintain more than 1.5 million TR of equipment.

Apart from the customary warranty and annual maintenance services, the Company offers a variety of service products such as energy management audits and solutions, air management consultancy and services, water management services for cooling systems, product upgrades and retrofits, Green Building certification consultancy and associated services.

As a natural outcome of Blue Star's Energy Audits, carried out by a strong 30-member team of BEE accredited Energy Auditors and Managers, many customers are opting for revamp or retrofits and upgrading to more energy efficient systems. Green Building consultancy services are offered for both new and existing buildings. The team comprises 3 US Green Building Council (USGBC) certified Leadership in Energy and Environmental Design (LEED) Accredited Professionals.

Other customers are augmenting their capacities as a part of their expansion plans. Consequently, the Company's revamp, replacement and retrofit solutions businesses have witnessed a huge inflow of orders.

In line with its plans to deploy advanced technology in the maintenance of equipment, the Company has introduced predictive maintenance techniques through remote monitoring of chillers installed at customer sites.

Cooling Products

The cooling products business performed extremely well with high growth driven by split airconditioners, refrigeration products and cold chain equipment. Benefits of scale, higher price realizations due to differentiated products and tax benefits contributed to a substantial increase in margins despite raw material input cost pressure.

In the room airconditioner segment, focus continued on the corporate, commercial and light commercial segments, where Blue Star's market share climbed into double digits. The market shift in preference for split airconditioners vis-à-vis window airconditioners provided a tremendous boost for this business.

The quarter witnessed a 100% switch over of all split airconditioners to star-rated energy efficient machines. Under a new Central Government legislation expected to become operational from October 2008, it will become mandatory to energy label window and split airconditioners upto and including 3 ton capacity. Under this law, airconditioners need to be compulsorily tested in authorized laboratories and their energy efficiency certified through clearly visible energy labels, to be fixed on all ACs. 5-star would represent the highest efficiency rating and 1-star the lowest rating. Since Blue Star has been promoting the concept of energy efficiency for several years, it was decided to sell only star labelled split airconditioners from this summer onwards on a voluntary basis even though the law has not come into force. Blue Star air conditioners are available with 2, 3 & 4 Star ratings.

The refrigeration products business saw the launch of an improved range of aesthetically appealing deep freezers upto 300 litres capacity. A new range of stylish and good looking bottled water dispensers was also launched, which is expected to do well in the residential segment. In addition, a premium 3-tap bottled water dispenser serving hot, cold and plain water was introduced during the quarter. The premium refrigerated display cabinets from ISA, Italy continued to do well with major orders booked from Taj Hotel, Trivandrum and Illy coffee outlet at the Bangalore Airport during Q4FY08.

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 won a prestigious order from AP Agros, co-funded by APEDA for setting up mango pack houses at Tirupathi and Nuziwid (the mango

belts of Andhra Pradesh). This facility is the first of its kind in AP and will facilitate export of mangoes to Japan. In addition, the Company booked a repeat order from Heritage Foods for their Hyderabad facility. A rate contract was signed with Dominos Pizza for the supply of 80 modular rooms.

Professional Electronics and Industrial Systems

Over the years, the Company has changed its business model from 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, all the individual SBUs performed well. Although, there was only a modest increase in revenue of 7% in Q4 FY08 compared to Q4 FY07, given the nature of the business, quarterly performance is not a true indicator of the overall performance of the business. This can be seen in the full year FY08 segment revenue growth of 38% over FY07 and the segment profit increase of 50% for the year.

Both the destructive and non-destructive testing segments performed well during the quarter, especially in the pipe testing business. The industrial products business received a significant order valued at Rs 11 crore from Vizag Steel Plant for Pressure Reducing Stations. It also received significant orders from Essar and Brahmani for long distance transfer pumps. The quarter also saw the medical electronics business receiving its first order for multi slice CT scanner from Sushrut Hospital, Solapur. The data communication business witnessed developing of special wireless applications such as remote video surveillance and remote monitoring of pollution. It booked wireless links orders from Warren Tea and NHPC.

Exports

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

While the depreciating dollar had adversely affected product export margins, enhanced price realizations saw the trend getting back to normal in Q4FY08. The Company appointed distributors in Oman and Kuwait, besides initiating business in South Africa.

Regarding international projects, given the substantial growth in the Indian market, the Company continues to be selective in pursuing international 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 also continue to offer substantial growth driven by increased demand from split air conditioners, refrigeration products and cold chain equipment, especially in the agricultural segment.

Company Outlook

The central airconditioning business is witnessing high growth in new emerging segments such as infrastructure, telecom, healthcare, power and hospitality. Blue Star's end-to-end solutions offering as manufacturer, contractor and after-sales service provider has helped it enjoy a preferred partner status. The Company's recent foray into the electrical contracting business also provides it with a great opportunity to cross-sell electrical services to its existing HVAC customers.

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

In FY09, the average growth rates of the markets that Blue Star currently addresses is estimated to be in the range of 25%-30% and the Company is optimistic about exceeding these growth rates in FY09.

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
AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2008

(Rs.in lakhs)

Particulars	QUARTER ENDED		NINE MONTHS ENDED 12/31/2007	AUDITED FOR THE YEAR ENDED	
	3/31/2008	3/31/2007		3/31/2008	3/31/2007
1. Net Sales/Income from Operations	70814	54291	152490	223304	160128
2. Other Income (See note 2)	3605	442	100	3705	613
3. Total Income (1+2)	74419	54733	152590	227009	160741
4. Expenditure					
a. Increase/decrease in stock in trade and work in progress	(6022)	1020	(2519)	(8541)	(3824)
b. Consumption of raw materials	59465	40434	118169	177634	128093
c. Purchase of traded goods (See note 3)	-	-	-	-	-
d. Employees cost	4288	4043	11152	15440	12286
e. Depreciation	621	623	1576	2197	2090
f. Other expenditure	5838	4348	9483	15321	11881
g. Total	64190	50468	137861	202051	150526
5. Interest	218	296	538	756	955
6. Exceptional items	-	-	-	-	-
7. Profit (+)/Loss (-) from Ordinary Activities before tax (3) - (4+5+6)	10011	3969	14191	24202	9260
8. Tax expense	2974	570	3818	6792	2142
9. Net Profit (+)/Loss (-) from Ordinary Activities after tax (7-8)	7036	3399	10373	17409	7118
10. Extraordinary items (net of tax expense)					
11. Net Profit (+)/Loss (-) for the period (9-10)	7036	3399	10373	17409	7118
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				24556	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)	7.82	3.78	11.53	19.36	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)	7.82	3.78	11.53	19.36	7.91
15. Public shareholding					
- Number of shares	53824538	53824538	53824538	53824538	53824538
- Percentage of shareholding	59.85	59.85	59.85	59.85	59.85

Notes:

- The above results have been reviewed by the Audit Committee and subsequently approved at the meeting of the Board of Directors at its meeting held on May 12, 2008.
- Other Income for the quarter ended March 31, 2008, includes profit of Rs.3532.17 lakhs on sale of shares held in Rolastar Pvt Ltd.
- Details of purchase of traded goods is difficult to segregate due to the interwoven nature of business of the Company.
- The Employee cost for the quarter end and year ended March 31, 2008, includes provision amounting to Rs.416 lakhs as against Rs.1165 lakhs provided in the quarter ended March 31,2007 for the entire year.Hence, the cost for the quarter is not comparable.
- Tax expense includes Provision for tax , Deferred Tax liability and Fringe benefit tax liability for current year. In addition, it includes short provision of tax for earlier years Rs.189 lakhs and also long term capital gains tax of Rs.800 lakhs on sale of investment.
- The Company has acquired the electrical contracting business of Naseer Electricals Private Ltd (NEPL) under a business purchase agreement on a slump sale basis for a purchase consideration of Rs.4809.77 Lakhs (including Rs.500 lakhs held in Escrow account till the conditions stipulated in the said agreement are fulfilled) with effect from 24th January, 2008. Accordingly, the results for the quarter ended March 31,2008 includes the results of the acquired business.
- In accordance with the Scheme of Arrangement approved by the shareholders and sanctioned by the Hon'ble High Court of Bombay, goodwill and intangible assets of Rs. 4950.94 lakhs(including incidental expenses) arising out of the acquisition of the electrical contracting business of NEPL and loss of Rs.35.10 lakhs on sale of shares held in Blue Star Design and Engineering Ltd. have been adjusted against the General Reserve of the Company.
- During the quarter ended March 31, 2008, the Company received and disposed of 24 investor complaints. No complaints were pending as at the beginning and at the end of the quarter.
- The Directors have recommended a dividend of Rs. 7.00 per equity share of Rs.2 each inclusive of Re.1/- as a special dividend (Previous year Rs.3.00 per equity share).

Registered Office:

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Mumbai 400 020
www.bluestarindia.com

Date : May 12, 2008

Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the year ended March 31, 2008

(Rs. in lakhs)

QUARTER ENDED		Description	NINE MONTHS ENDED	AUDITED FOR THE YEAR ENDED	
31.3.2008	31.3.2007			31.12.2007	31.3.2008
		I. SEGMENT REVENUE			
50136	38703	i. Central and Packaged Air-conditioning Systems	105493	155629	112427
17036	12202	ii. Cooling Products	36206	53242	37278
3642	3386	iii. Professional Electronics and Industrial Systems	10791	14433	10423
70814	54291	TOTAL SEGMENT REVENUE	152490	223304	160128
-	-	Less: Inter Segment Revenue			-
70814	54291	NET SALES/ INCOME FROM OPERATIONS	152490	223304	160128
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
5971	3823	i. Central and Packaged Air-conditioning Systems	12999	18970	10286
1792	914	ii. Cooling Products	4014	5806	2544
725	563	iii. Professional Electronics and Industrial Systems	2167	2892	1923
-	-			-	
8489	5300	TOTAL SEGMENT RESULT	19180	27668	14753
		Less:			
218	296	i.) Interest	538	756	955
(1740)	1035	ii.) Other un-allocable Expenditure net of un-allocable Income	4451	2710	4538
10011	3969	TOTAL PROFIT BEFORE TAX	14191	24202	9260
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
20309	15391	i. Central and Packaged Air-conditioning Systems	21518	20309	15391
14721	11383	ii. Cooling Products	11288	14721	11383
3244	3006	iii. Professional Electronics and Industrial Systems	2949	3244	3006
38274	29780	TOTAL CAPITAL EMPLOYED IN SEGMENTS	35755	38274	29780
(7,907)	1073	Add: Un-allocable Corporate Assets less Liabilities	4211	(7907)	1073
30367	30853	TOTAL CAPITAL EMPLOYED IN THE COMPANY	39966	30367	30853

Registered Office:

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Mohan T. Advani Chowk
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Mumbai 400 020
www.bluestarindia.com
Date : May 12 , 2008
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director