

Blue Star Limited

Q2 FY07 Earnings Update

October 30, 2006

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 376.72 crores for the quarter ended Sep 30, 2006, representing 32% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 375.91 crores was up by 33% over Q2FY06.
- For the half year ended Sep 30, 2006, Total Income grew 34% to Rs 689.53 crores, compared to H1FY06. Net sales over the same period also grew 34% to Rs 688.24 crores.
- The central airconditioning business continued to contribute significantly to the overall growth of the Company. This division grew by 32% during Q2FY07. The profit before interest and tax (PBIT) of this business during the quarter grew 42% to Rs 27.90 crores.
- The cooling products business also performed well growing 20% during the quarter. PBIT in Q2FY07 grew 46% to Rs 3.04 crores.
- The professional electronics and industrial equipment business performed exceptionally well in the quarter. This business grew a significant 98% over Q2FY06, while PBIT grew 169% to Rs 8.18 crores.
- SBU-wise sales break-up:

(Rs crores)

	Q2FY07	Q2FY06	% Growth	% of Net Sales
Central airconditioning systems	274.71	208.53	31.7%	73.1%
Cooling products	69.70	58.31	19.5%	18.5%
Professional Electronics & Industrial equipment	31.50	15.88	98.4%	8.4%

- SBU-wise results break-up:

(Rs crores)

	Q1FY07	Q1FY06	% Growth	% of Total Segment Result
Central airconditioning systems	27.90	19.64	42.1%	71.3%
Cooling products	3.04	2.08	46.2%	7.8%
Professional Electronics & Industrial equipment	8.18	3.04	169.1%	20.9%

- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 32.8 crores was up by 67% as compared to PBDIT of Rs 19.6 crores earned in Q2FY06. Owing to prudent value engineering measures as well as better price realization, the operating margin increased significantly to 8.7% in Q2FY07 compared to 6.9% in Q2FY06.
- Other income for the quarter was Rs 81 lakhs (Rs 200 lakhs in Q2FY06).
- Net profit for the quarter was Rs 18.40 crores, up 59% over net profit of Rs 11.59 crores for Q2FY06.
- The earnings per share for the quarter was Rs 2.05 as against EPS of Rs 1.29 in Q2FY06.
- Carry Forward Order Book as on Sep 30, 2006 stood at a healthy Rs 788 crores compared to the order book of Rs. 549 crores as at Sep 30, 2005.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

IT/ITES and retail sectors continued to fuel the demand for central airconditioning during the quarter. Blue Star's strong reputation and credentials has enabled the Company to enjoy a preferred partner status in most of the new growth segments. Further, customers appreciate the fact that we offer solutions and partner with them across the entire life cycle of the system.

Blue Star had launched screw chillers manufactured at its ISO 9001 certified factory at Thane, around eighteen months back. During the quarter, Blue Star crossed the milestone of booking 300 such screw chillers since its launch. These chillers have performed extremely well compared to its foreign counterparts and are recognized as world-class products from India.

The Company bagged a slew of prestigious orders in the quarter:

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> * Hester Pharmaceuticals, Mehsana * Select City, New Delhi * DDU Hospital, New Delhi * DLF Cyber City, Bldg 8, Gurgaon * Satyam Computers, Bangalore * RMZ Ecospace 1A * Hewlett Packard, Bangalore 	<ul style="list-style-type: none"> * IBM K-Block , Bangalore * Inject Care, Vapi * Syngenta, Goa * DLF Infinity, Gurgaon 	<ul style="list-style-type: none"> * Delhi Institute of Liver & Biliary Sciences * Alps Hospital, Gurgaon * Nagpur Int'l Airport * Loreal, Pune * Glaxo Smithkline Beecham, Nasik * Zydus Cadila, Sikkim * Parshwanath Engg College, Thane * City Mall, Raipur * Saahil Resort, Alibagh

In the packaged/ducted airconditioning and small chillers segment, the Company continued to get significant business from customers having national presence. The indigenous digital scroll technology based Variable Refrigerant Flow (VRF) systems which were launched in the last quarter have witnessed good demand and are expected to strengthen Blue Star's competitive position in this segment.

The Company also made further inroads in the IT segment with its popular range of Precision Control Packaged Airconditioners, which have been specially designed for the IT segment. The Company increased its foothold in the telecom segment as well. During the quarter, it bagged a major order valued at Rs 25 crores from GTL, Mumbai for supply of packaged airconditioners for the telecom segment called "Telepacs" to be installed in telecom shelters of GTL across the country.

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 quality.

The Company offers a slew of value added services such as Duct Cleaning, UVC Emitters, Water Treatment Systems, Variable Frequency Drives, Heat Recovery Wheels, Energy Audits, apart from retrofitting, revamping, upgrades and enhancements.

Cooling Products

The cooling products business performed well recording a growth of 20% during the quarter. Q2 is traditionally a lean period for this business.

In the room airconditioners segment, Blue Star continued to focus on the corporate, commercial and light commercial segments. The quarter witnessed substantial volume growth over Q1FY06, with most of the growth coming from the split airconditioners segment.

The Company has formally tied up with ISA, Italy to provide refrigeration technologies and solutions to the emerging retailing and supermarket segments in India. This tie up provides Blue Star an access to world class solutions and is expected to make the Company a formidable player in the supermarket refrigeration segment. Many industrial houses with big plans have already evinced interest for Blue Star solutions, as a fall out of this tie up. In fact, in the quick food service segment, the Company has already received orders for ISA equipment from Café Coffee Day, Mama Mia and Daily Bread.

Professional Electronics SBU

For 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, Larox from Finland, and ITT, Aeroflex, Panametrics and NuAire from USA, to name a few.

During the quarter, the revenue of this business grew significantly by 98% over Q2FY07, with all individual SBUs performing well. The Company bagged several prestigious orders including a repeat order valued at Rs 12 crores from Tata Steel for re-routing of overhead yard utility pipe work.

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 central airconditioning products like chillers, air handling units, fan coil units 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.

BUSINESS OUTLOOK

Industry Outlook

The IT/ITES and retail segments continue to drive the demand for central airconditioning in the country. The cooling products industry is also witnessing substantial growth driven by increased demand of split airconditioners and commercial refrigeration products.

Company Outlook

The central airconditioning business continues to be the largest contributor to the Company's revenue and is expected to drive the overall growth of the Company in the coming quarters of the year as well. Blue Star's reputation, credentials and capabilities in this area will help it consolidate its leadership position.

With an impending boom in the cold chain infrastructure in the country, Blue Star is well positioned to leverage on the opportunities. Its partnership with ISA, Italy for supermarket and retail refrigeration solutions will enable the Company to offer the most comprehensive range of commercial refrigeration solutions in India.

The outlook for the Professional Electronics business continues to be promising with additional product lines and market segments being added.

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 SEPTEMBER 30, 2006

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	HALF YEAR ENDED		AUDITED
30.9.06	30.9.05		30.9.06	30.9.05	YEAR ENDED 31.3.2006
36948	27731	Sales, Work bills & Services (See note 2)	67798	50511	115595
643	541	Commission	1026	764	1861
81	200	Other Income	129	209	406
37672	28472	Total Income	68953	51484	117862
34309	26313	Total Expenditure	63957	48153	108788
394	(927)	(Increase) / Decrease in Stock in trade	(2,150)	(2,867)	(4,718)
28409	22949	Consumption of Raw Materials	55608	42707	95505
3296	2417	Staff Cost	5532	4135	8827
2210	1874	Other Expenditure	4967	4178	9174
241	111	Interest	443	205	572
458	391	Depreciation	887	740	1593
2664	1657	Profit Before Tax	3666	2386	6909
725	455	Provision for Taxation	950	650	1642
10	(2)	Deferred Tax (Asset) /Liability for the year	23	(12)	77
89	45	Fringe Benefit tax	124	85	300
1840	1159	Net Profit	2569	1663	4890
1799	1799	Paid-up Equity Share Capital of Rs.2each(See note 5)	1799	1799	1799
		Reserves			15472
2.05	1.29	Earnings Per Share Rs(not annualised)(See note 5)	2.86	1.85	5.44
53889850	53907350	Aggregate of public shareholding	53889850	53907350	53907350
59.92	59.94	-Number of shares(See note 5)	59.92	59.94	59.94
		- Percentage of Shareholding			

NOTES :

- The above results for the quarter ended September 30, 2006 which have been subjected to a " Limited Review" by the Auditors of the Company, were reviewed and recommended by the Audit Committee of the Board and subsequently approved by the Board of Directors at its meeting held on October 30, 2006 in terms of Clause 41 of the Listing Agreement.
- Sales / Income from operations have been split into Sales, Work bills, Services and Commission for ease of understanding. Previous years figures have been regrouped accordingly.
- In accordance with the Accounting Standard AS-15 (Revised 2005) on employee benefits issued by the ICAI, effective from April 1, 2006, the Company has re-assessed its liability towards employee benefits covered by the aforesaid Accounting Standard. The additional charge for the half year ending September 30, 2006 is Rs.162 lakhs which has been debited to Staff Cost. The impact of revised AS15 liability relating to the previous years is not material.
- Staff cost includes performance incentive of Rs.382 Lakhs (previous year Rs.Nil) and one time labour settlement to the workers of Rs.49 Lakhs (previous year Rs.142 Lakhs by way of an interim settlement).
- The shares of the Company have since been subdivided into equity shares of Rs.2 each pursuant to the approval of the Board of Directors and the shareholders' at the Annual General Meeting held on August 4, 2006. The EPS for the entire period has been calculated on post split basis. Accordingly, the number of equity shares held by the public for the period ending September 30, 2006 have been stated at 53889850.(Previous year's figures have been accordingly revised to read as 53907350 for comparison purposes).
- During the quarter ended September 30, 2006, the Company received and disposed of 40 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 30, 2006
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the half year ended September 30, 2006

(Rs. in lakhs)

Quarter ended		Description	HALF YEAR ENDED		AUDITED
					YEAR ENDED
30.9.2006	30.9.2005		30.9.2006	30.9.2005	31.3.2006
		I. SEGMENT REVENUE			
27471	20853	i. Central Air-conditioning Systems	46108	34512	82130
6970	5831	ii. Cooling Products	18146	13565	27120
3150	1588	iii. Professional Electronics and Industrial Equipment	4570	3198	8036
-	-	iv. Residual	-	-	170
37591	28272	TOTAL SEGMENT REVENUE	68824	51275	117456
-	-	Less: Inter Segment Revenue	-	-	-
37591	28272	SALES, WORK BILLS, SERVICES & COMMISSION	68824	51275	117456
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
2790	1964	i. Central Air-conditioning Systems	4297	2995	8003
304	208	ii. Cooling Products	1,085	745	1317
818	304	iii. Professional Electronics and Industrial Equipment	955	450	1527
	(7)	iv. Residual	-	(9)	(80)
3912	2469	TOTAL SEGMENT RESULT	6337	4181	10767
		Less:			
241	111	i.) Interest	443	205	572
1007	701	ii.) Other un-allocable Expenditure net of un-allocable Income	2,228	1,590	3,286
2664	1657	TOTAL PROFIT BEFORE TAX	3666	2386	6909
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
16193	11754	i. Central Air-conditioning Systems	16193	11754	13110
9483	8319	ii. Cooling Products	9483	8319	8686
2523	1834	iii. Professional Electronics and Industrial Equipment	2523	1834	2045
0	263	iv. Residual		263	0
28199	22170	TOTAL CAPITAL EMPLOYED IN SEGMENTS	28199	22170	23841
2371	2266	Add: Un-allocable Corporate Assets less Liabilities	2371	2266	1016
30570	24436	TOTAL CAPITAL EMPLOYED IN THE COMPANY	30570	24436	24857

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Mumbai 400 020
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Date : October 30, 2006

Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director