

Blue Star Limited

Q3 FY07 Earnings Update

January 29, 2007

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 370.55 crores for the quarter ended Dec 31, 2006, representing 40% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 370.13 crores was also up by 40% over Q3FY06.
- The central airconditioning business continued to contribute significantly to the overall growth of the Company. This division grew by 40% during Q3FY07. The profit before interest and tax (PBIT) of this business during the quarter grew 39% to Rs 22.47 crores.
- The cooling products business performed exceptionally well growing 50% during the quarter. PBIT in Q3FY07 increased substantially to Rs 4.49 crores from a loss of Rs 2.24 crores last quarter, representing an upward swing of 300%.
- The professional electronics and industrial equipment business performed well in the quarter. This business grew 18% to Rs 24.67 crores over Q3FY06, while PBIT grew 20% to Rs 5.16 crores.

- SBU-wise sales break-up:

(Rs crores)

	Q3FY07	Q3FY06	% Growth	% of Net Sales
Central airconditioning systems	276.16	196.66	40.4%	74.6%
Cooling products	69.30	46.06	50.5%	18.7%
Professional Electronics & Industrial equipment	24.67	20.93	17.9%	6.7%

- SBU-wise results break-up:

(Rs crores)

	Q3FY07	Q3FY06	% Growth	% of Total Segment Result
Central airconditioning systems	22.47	16.14	39.2%	70.0%
Cooling products	4.49	-2.24	Swing of +300%	14.0%
Professional Electronics & Industrial equipment	5.16	4.31	19.8%	16.0%

- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 23.8 crores was up by 53% as compared to PBDIT of Rs 15.6 crores earned in Q3FY06. The operating margin increased to 6.4% in Q3FY07 compared to 5.9% in Q3FY06.
- Other income for the quarter was Rs 42 lakhs (Rs 17 lakhs in Q3FY06).
- Net profit for the quarter was Rs 11.50 crores, up 66% over net profit of Rs 6.91 crores for Q3FY06.
- The earnings per share for the quarter was Rs 1.28 as against EPS of Rs 0.77 in Q3FY06. (Face value per share = Rs 2.00)
- Carry Forward Order Book as on Dec 31, 2006 stood at a healthy Rs 831 crores compared to the order book of Rs. 597 crores as at Dec 31, 2005.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

During the quarter, the IT/ITES and retail sectors continued to fuel the demand for central airconditioning. Blue Star's strong reputation of hassle-free execution, project management skills, superior products and on-time delivery has enabled the Company to enjoy a preferred partner status in most of the new growth segments. Customers also appreciate the fact that Blue Star is not only involved with initial execution of the project but also partners with them across the entire life cycle of the system.

The Company bagged several prestigious orders in the quarter:

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> * SBI Bhawan, Mumbai * Loreal, Pune * Franklin Templeton, Secunderabad * Income Tax building, Secunderabad * Ascendas Tech Park Ph II, Chennai * MPL IT Park, Chennai * Marg Construction, Chennai * Philips, Bangalore * HP ISO, Bangalore * RMZ-1A, Bangalore 	<ul style="list-style-type: none"> * City Mall, Mumbai * Syngenta, Goa * Ridge View, New Delhi * Suncity Projects, New Delhi * DLF Infinity, Gurgaon * Big Bazaar, Coimbatore * IBM, Bangalore 	<ul style="list-style-type: none"> * Kokilaben Dhirubhai Ambani Hospital, Mumbai * Accenture, Mumbai * Acropolis Mall, Ahmedabad * BHEL, Amarkantak * DLF IT Park, Secunderabad * NTPC, Barh * Lifestyle Mall, New Delhi * CISCO, Bangalore * Infosys, Mysore * Microsoft Ph III, Secunderabad

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 early part of this financial year continued to witness good demand. The Company booked major VRF orders from Airtel, TCS and JGT Constructions.

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 also received a major order from Reliance Retail to aircondition over 100 Reliance Fresh Stores. During the quarter, the Company added 6 more central airconditioning dealers in non-metros to leverage on the construction boom in these cities.

Service Business

In the service business segment, the Company continues to focus on new and customised service solutions keeping in mind current and existing customer needs. Recent initiatives include Indoor Air Quality Audits, Design and System Validation, and Training on Advanced Maintenance.

Besides new service offerings, the Company has put in a lot of efforts to evaluate and improve service delivery. The areas focused on are effective and result oriented preventive maintenance schedules, improvement in response and turnaround time, and analysis of repeat complaints by Specialists to reduce the mean time between breakdowns. Call Management has been further enhanced through on-line complaint registration through the Company website and integration of upcountry call desks to central locations to facilitate close monitoring of pending calls.

Cooling Products

The cooling products business performed well recording a growth of 51% during the quarter. Q3 is traditionally a lean period especially for the room airconditioners business. Despite that, the quarter witnessed substantial volume growth over Q3FY06, with most of the growth coming from the split airconditioners segment.

The Company has a comprehensive range of split airconditioners such as hiper split, verticool, mega split and cassette apart from the traditional hi-wall split, to meet every conceivable requirement of the customer. This wide range catering to different needs has enabled the Company to become a formidable player in the corporate and commercial segment. During the quarter, the Company launched flexible ducted split airconditioners, which offers the ease of installation of a non-ducted system with the power of a ducted system.

The Company has a tie-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 major 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. During the quarter, the Company also bagged prestigious orders from Mumbai International Airport and Food World.

The cold storages segment also performed impressively. The Company bagged major orders from Reliance Retail for their distribution centers across the country.

Professional Electronics SBU

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

During the quarter, the revenue of this business grew by 18% over Q3FY07, with all individual SBUs performing well. Considering the nature of products and services offered, quarterly performance is typically not a true indicator of the performance of the business. For the nine month period, the business grew by 33% over the same period last year.

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.

During the quarter, the Company participated in the Big 5 show in Dubai showcasing its new range of products. The response to the Company's products has been very encouraging. Plans are also on the anvil to open an office in Doha to cater to the HVAC project and product requirements in the region.

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 and track record in this area will help it sustain its leadership position.

The Company offers the most comprehensive range of commercial refrigeration solutions in the country. With an impending boom in the supermarket and retail

refrigeration solution segment, Blue Star is well positioned to leverage on the opportunities.

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

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 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, 2006

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	NINE MONTHS ENDED		AUDITED
31.12.2006	31.12.2005		31.12.2006	31.12.2005	YEAR ENDED 31.3.2006
36572	25913	Sales, Work bills & Services	104370	76424	115595
441	452	Commission	1467	1216	1861
42	17	Other Income	171	225	406
37055	26382	Total Income	106008	77865	117862
34634	24802	Total Expenditure	98591	72954	108788
(2,695)	(2,704)	(Increase) / Decrease in Stock in trade	(4,845)	(5,572)	(4,718)
32052	23163	Consumption of Raw Materials	87660	65870	95505
2712	2329	Staff Cost	8244	6464	8827
2565	2014	Other Expenditure	7532	6192	9174
216	177	Interest	659	382	572
580	406	Depreciation	1467	1146	1593
1625	997	Profit Before Tax	5291	3383	6909
414	276	Provision for Taxation	1364	926	1642
10	(20)	Deferred Tax (Asset) /Liability for the year	33	(32)	77
51	50	Fringe Benefit tax	175	135	300
1150	691	Net Profit	3719	2354	4890
1799	1799	Paid-up Equity Share Capital of Rs.2each(See note 3)	1799	1799	1799
		Reserves			15472
1.28	0.77	Earnings Per Share Rs(not annualised)(See note 3)	4.13	2.62	5.44

NOTES :

- The above results have been subjected to " Limited Review" by the Auditors of the Company, reviewed and recommended by the Audit Committee and subsequently approved by the Board of Directors at its meeting held on January 29, 2007.
- 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 nine months ending December 31, 2006 is Rs.244 lakhs which has been debited to Staff Cost.
- 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.
- During the quarter ended December 31, 2006, the Company received and disposed of 50 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 : January 29, 2007
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, 2006

(Rs. in lakhs)

Quarter ended		Description	NINE MONTHS ENDED		AUDITED
31.12.2006	31.12.2005		31.12.2006	31.12.2005	YEAR ENDED 31.3.2006
		I. SEGMENT REVENUE			
27616	19666	i. Central Air-conditioning Systems	73724	54178	82130
6930	4606	ii. Cooling Products	25076	18171	27120
2467	2093	iii. Professional Electronics and Industrial Equipment	7037	5291	8036
-	-	iv. Residual	-	-	170
37013	26365	TOTAL SEGMENT REVENUE	105837	77640	117456
-	-	Less: Inter Segment Revenue	-	-	-
37013	26365	SALES, WORK BILLS, SERVICES & COMMISSION	105837	77640	117456
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
2247	1614	i. Central Air-conditioning Systems	6544	4609	8003
449	(224)	ii. Cooling Products	1,534	521	1317
516	431	iii. Professional Electronics and Industrial Equipment	1471	881	1527
-	(6)	iv. Residual	-	(15)	(80)
3212	1815	TOTAL SEGMENT RESULT	9549	5996	10767
		Less:			
216	177	i.) Interest	659	382	572
1371	641	ii.) Other un-allocable Expenditure net of un-allocable Income	3,599	2,231	3,286
1625	997	TOTAL PROFIT BEFORE TAX	5291	3383	6909
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
16474	13194	i. Central Air-conditioning Systems	16474	13194	13110
9883	9222	ii. Cooling Products	9883	9222	8686
2087	1925	iii. Professional Electronics and Industrial Equipment	2087	1925	2045
-	264	iv. Residual	-	264	-
28444	24605	TOTAL CAPITAL EMPLOYED IN SEGMENTS	28444	24605	23841
1754	3062	Add: Un-allocable Corporate Assets less Liabilities	1754	3062	1016
30198	27667	TOTAL CAPITAL EMPLOYED IN THE COMPANY	30198	27667	24857

Registered Office:

Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com

Date : January 29, 2007

Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director