

Blue Star Limited

Q2 FY06 Earnings Update

October 31, 2005

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 284.72 crores for the quarter ended Sep 30, 2005, representing 36% growth over corresponding quarter in the previous year. Net sales for the quarter at Rs 282.72 crores was up by 37% over Q2FY05.
- For the half year ended Sep 30, 2005, Total Income grew 33% to Rs 514.84 crores, compared to H1FY05. Net sales over the same period also grew 33% to Rs 512.75 crores.
- The central airconditioning business continued to contribute significantly to the overall growth of the company. This division grew by 37% during Q2FY06. The central airconditioning business contributed 73.8% to the net sales during the quarter.
- The Cooling products division also showed great buoyancy with 39% growth in sales.
- SBU-wise sales break-up:

	Rs crores			
	Q2FY06	Q2FY05	% Growth	% of Net Sales
Central airconditioning systems	208.5	152.3	36.9%	73.8%
Cooling products	58.3	42.1	38.6%	20.6%
Professional Electronics & Industrial equipment	15.9	11.6	36.9%	5.6%

- Operating profit (PBIDT excluding Other Income) for the quarter at Rs 19.6 crores was up by 59% as compared to PBDIT of Rs 12.3 crores earned in Q2FY05. Some improvement in raw material costs, as well as the continuous focus on improving efficiencies and productivity resulted in increased profitability.
- Other income for the quarter was Rs 200 lakhs (Rs 268 lakhs in Q2FY05).
- Net profit for the quarter was Rs 11.59 crores, up 32% over net profit of Rs 8.75 crores for Q2FY05. Net profit for the half year ended Sep 30, 2005 stood at Rs 16.63 crores, registering an increase of 35% over the same period last year.

- The earnings per share for the quarter was Rs 6.44 as against EPS of Rs 4.86 in Q2FY05.
- Carry Forward Order Book as on Sep 30, 2005 stood at Rs 549.45 crores compared to the order book of Rs. 453.21 crores as at Sep 30, 2004.
- The order inflow during the first six months of the current year at Rs 636.28 crores grew by 38% over corresponding six months of the previous year.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

The central airconditioning business continued to be a growth driver for Blue Star's revenue. IT/ITES, BPO, healthcare, hospitality, retail, entertainment, telecom and other service sectors fueled the demand for central airconditioning.

Blue Star enjoys a preferred partner status in most of the new growth segments, owing to its strong engineering prowess, reputation of on-time delivery of projects as well as smooth co-ordination with all agencies involved, resulting in hassle free execution. This coupled with its commitment to maximize energy savings for customers through energy efficient products and designs have helped the Company sustain its leadership position in this business. The Company bagged a slew of prestigious orders in the quarter.

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<i>Domestic</i> <ul style="list-style-type: none"> * Technopolis, Salt Lake, Kolkata * DLF Infinity, Gurgaon * E-City, Lucknow * Nicholas Piramal, Baddi * Delhi High Court, Delhi * ADP, Hyderabad * HSBC, Secunderabad 	<ul style="list-style-type: none"> * LG Soft, Bangalore * RMZ 2A & 3B, Bangalore * Continuum Solutions, Mumbai * Columbia Hospital, Bangalore * Ranbaxy Corporate Office, Gurgaon 	<ul style="list-style-type: none"> * Shopin Park, Delhi * BHEL at HPCL, Vizag * DGNP, Secunderabad * National Sports Club of India (NSCI), Mumbai * Sigma Aldrich, Bangalore * MSEB, Paras and Parli * Bombay Dyeing Admn Office, Mumbai * Cognizant Technology Solutions, Chennai * HSBC, Pune

New Product Launches

Highly energy efficient “Hiper Plus Packaged Airconditioners” introduced in the last quarter of FY05 were formally launched with customer seminars in Mumbai, Delhi, Kolkata, Bangalore, Chennai and Hyderabad in June/July 2005. These airconditioners continue to receive tremendous response from customers in the IT/ITES, BPO and Telecom industries, and the Company is confident of further increasing its market share in these new growth segments.

The range of floor standing packaged airconditioners was enhanced with the addition of a 22TR packaged unit. This unit will be ideal for airconditioning large spaces and is expected to do well in the market place. The range of both air cooled and water cooled scroll chillers was also enhanced.

Service Business

The focus in airconditioning after-sales service has traditionally been on break-down maintenance. However, recently the Company has been focusing on important issues such as Energy Management, Indoor Air Quality Management and Water Management. The Company 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.

During the quarter, the Company acquired several large maintenance contracts, and also orders for upgrades and enhancements to old airconditioning plants. The Company also expanded the market for new services such as duct cleaning.

As part of its drive and initiative to constantly save power for its customers, the Company has recently formed an Energy Management Cell. This Cell employs personnel who are accredited energy auditors and provide a preliminary walk through energy audit not only for airconditioning but also lighting and other utilities. The customer can thereafter opt for a detailed audit after which recommendations are submitted with guaranteed power savings. Thus, Blue Star not only undertakes the energy audit but also the implementation with a back-up guarantee.

Cooling Products

This division contributed significantly to the overall growth and profitability of the Company during the quarter. Net sales grew 39% during the quarter over

Q2FY05. The division had managed a successful turnaround in the latter part of FY05 by focusing on volume growth and operational efficiency.

Blue Star's own manufactured range of deep freezers which was launched last year continued to perform well in the market place. The growth of this business was also driven by substantial increase in sales of room airconditioners, especially split airconditioners.

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.

With effect from March 2005, service tax of 10.2% has been imposed on all the commission received from principals abroad towards sale of equipment. This is not recoverable from the customer nor from the principal. Despite this additional burden, the Electronics Division performed impressively, registering a growth of 37% over 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 has recently enlarged its range of products for projects in the international market. It now offers 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 and have resulted in a significant rise in the Company's exports during the quarter.

The Middle East is witnessing a construction boom especially in countries like UAE, Qatar and Bahrain. Blue Star is confident of its prospects, especially in the Middle East, considering the favourable economic environment. It is aggressively targeting these markets and is confident of significant growth in exports in FY06.

BUSINESS OUTLOOK

Industry Outlook

The central airconditioning business continues to be on a growth phase mainly fueled by the services sector. The cooling products industry is also witnessing substantial growth driven by increased demand of deep freezers and room airconditioners.

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 with its leadership position and its value proposition of energy efficiency, system design expertise and after-sales service excellence, backed by over six decades of HVAC experience, continues to be the preferred choice for customers.

Refrigeration & cooling products segment performed impressively during the quarter with substantial increase in sales of deep freezers and room airconditioners. The business is expected to contribute positively to the overall results for the year.

Given the nature of Professional Electronics business, and its multiple lines of business, quarterly performance is typically not a good indicator of full year performance of the division. The outlook for the business continues to be promising with additional product lines and market segments being added.

For more information contact

Vir Advani
Blue Star Limited
Tel: 56544200
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, 2005

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	HALF YEAR ENDED		AUDITED
30.9.05	30.9.04		30.9.05	30.9.04	YEAR ENDED
					31.3.2005
28272	20602	Net Sales/Income from Operations	51275	38453	92077
200	268	Other Income	209	276	1015
28472	20870	Total Income	51484	38729	93092
26313	19368	Total Expenditure	48152	36460	86292
(927)	(260)	(Increase) / Decrease in Stock in trade	(2,868)	(2,328)	(2,592)
22949	16133	Consumption of Raw Materials	42707	32182	74295
2417	1753	Staff Cost	4135	3128	7237
1874	1742	Other Expenditure	4178	3478	7352
111	75	Interest	205	117	321
391	252	Depreciation	740	485	1235
1657	1175	Profit Before Tax	2386	1667	5244
455	319	Provision for Taxation	650	450	1371
(2)	(19)	Deferred Tax (Asset) /Liability for the year	(12)	(19)	(43)
45		Fringe Benefit tax	85	-	
1159	875	Net Profit	1663	1236	3916
1799	1799	Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799
		Reserves			13043
6.44	4.86	Earnings Per Share (Rs.)	9.25	6.87	21.77
10781470	10788004	Aggregate of non promoter shareholding			
59.94	59.98	-Number of shares	10781470	10788004	10788004
		- Percentage of Shareholding	59.94	59.98	59.98

NOTE :

- The above results have been subjected to Limited Review by the Statutory Auditors', before review by the Audit Committee and have been approved at the meeting of the Board of Directors held on October 31, 2005.
- Consequent to introduction of Value Added tax (VAT) effective 1.4.2005, the figure of net sales/ income from operations for the quarter ended September 30,2005 is net of VAT of Rs.689 lakhs. Previous year figures are inclusive of Works Contract Tax, the value of which is not ascertainable. Consequently, the figures are not strictly comparable.
- Pursuant to the interim award of the Industrial court and the subsequent negotiations now finalised, an amount of Rs.142lakhs (PY Rs.135 lakhs) has been considered payable under staff cost.
- During the quarter ended September 30, 2005, the Company received and disposed of 48 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 31, 2005
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, 2005

(Rs. in lakhs)

Quarter ended		Description	HALF YEAR ENDED		AUDITED
30.9.05	30.9.04		30.9.05	30.9.04	YEAR ENDED
					31.3.2005
		I. SEGMENT REVENUE			
20853	15234	i. Central Air-conditioning Systems	34512	26298	65152
5831	4208	ii. Cooling Products	13565	9977	20983
1588	1160	iii. Professional Electronics and Industrial Equipment	3198	2178	5924
-	-	iv. Residual	-	-	18
28272	20602	TOTAL SEGMENT REVENUE	51275	38453	92077
-	-	Less: Inter Segment Revenue	-	-	-
28272	20602	NET SALES/ INCOME FROM OPERATION	51275	38453	92077
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
1964	1370	i. Central Air-conditioning Systems	2995	2278	6032
208	133	ii. Cooling Products	745	131	431
304	233	iii. Professional Electronics and Industrial Equipment	450	351	1201
(7)	(4)	iv. Residual	(9)	(8)	(187)
2469	1732	TOTAL SEGMENT RESULT	4181	2752	7477
		Less:			
111	75	i.) Interest	205	117	321
701	482	ii.) Other un-allocable Expenditure net of un-allocable Inc	1,590	968	1,912
1657	1175	TOTAL PROFIT BEFORE TAX	2386	1667	5244
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
11754	9425	i. Central Air-conditioning Systems	11754	9425	10112
8319	6303	ii. Cooling Products	8319	6303	5555
1834	679	iii. Professional Electronics and Industrial Equipment	1834	679	1549
263	451	iv. Residual	263	451	261
22170	16859	TOTAL CAPITAL EMPLOYED IN SEGMENTS	22170	16859	17477
2266	2949	Add: Un-allocable Corporate Assets less Liabilities	2266	2949	1093
24436	19808	TOTAL CAPITAL EMPLOYED IN THE COMPANY	24436	19808	18570

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Date : October 31, 2005
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director