

# Blue Star Limited

Q3 FY06 Earnings Update

February 02, 2006

## FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 263.82 crores for the quarter ended Dec 31, 2005, representing 18% growth over corresponding quarter in the previous year. Net sales for the quarter at Rs 263.65 crores was up by 18% over Q3FY05.
- For the 9-months ended Dec 31, 2005, Total Income grew 27% to Rs 778.65 crores, compared to the 9-months last year. Net sales over the same period also grew 28% to Rs 776.40 crores.
- The central airconditioning business continued to contribute significantly to the overall growth of the company. This division grew by 16% during Q3FY06. The central airconditioning business contributed 74.6% to the net sales during the quarter.
- SBU-wise sales break-up:

	Q3FY06	Q3FY05	% Growth	Rs crores % of Net Sales
Central airconditioning systems	196.66	170.00	15.7%	74.6%
Cooling products	46.06	42.24	9.0%	17.4%
Professional Electronics & Industrial equipment	20.93	11.59	80.5%	8.0%

- Operating profit (PBIDT excluding Other Income) for the quarter at Rs 15.6 crores was up by 29% as compared to PBDIT of Rs 12.1 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 17 lakhs (Rs 32 lakhs in Q2FY05).
- Net profit for the quarter was Rs 6.91 crores, up 17% over net profit of Rs 5.93 crores for Q3FY05. Net profit for the 9-months ended Dec 31, 2005 stood at Rs 23.54 crores, registering an increase of 29% over the same period last year.
- The earnings per share for the quarter was Rs 3.84 as against EPS of Rs 3.30 in Q3FY05.

- Carry Forward Order Book as on Dec 31, 2005 stood at Rs 597 crores compared to the order book of Rs. 473 crores as at Dec 31, 2004.
- The order inflow during the nine months of the current year at Rs 949 crores grew by 35% over corresponding nine months of the previous year.

## BUSINESS HIGHLIGHTS

### Central Airconditioning

#### Overview

IT/ITES, BPO, healthcare, hospitality, retail, entertainment, telecom and other service sectors fueled the demand for central airconditioning during the quarter. Blue Star's 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. 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
* Nicholas Piramal, Baddi	* AMRI, Kolkata	* State Bank of India, Mumbai
* IEML Phase II, New Delhi	* Infosys, Bhubaneswar	* Hi Life Mall, Mumbai
* Infosys SDB4, Bangalore	* Samtel Color, Ghaziabad	* Syngenta, Goa
* Pragya Products, New Delhi	* DLF Cyber City, Gurgaon	* Deen Dayal Upadhyay Hospital, New Delhi
* Aditya Infracon, New Delhi	* Orchid Plaza, Gurgaon	* Today Home, New Delhi
* Unitech A/C AIIMS, New Delhi	* DLF Infocity, Chandigarh	* RDB 2000+, Kolkata
* Technopolis, Kolkata	* Temple Step, Chennai	* Select City Mall, New Delhi
* Teesta Hydroelectric Project, Sikkim		* Millennia Realtors Ecospace 1B & 1C, Bangalore
		* Accenture, Bangalore

## **New Product Launches**

During the quarter, the Company enhanced its range of air cooled scroll chillers introducing new models in capacities of 48 TR and 75 TR. With the addition of these models, Blue Star now has the widest range of energy efficient scroll chillers, suitable for medium to large spaces.

The Company also launched special fan coil units for district cooling applications in international markets.

## **Service Business**

Over the years, Blue Star has developed all around competence in providing value added after-sales services to its customers, and today it maintains over 500,000 TR of installed airconditioning and refrigeration equipment, which includes many prestigious corporate institutions, commercial establishments and industries.

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.

Through structured service marketing initiatives and service delivery improvement programmes, the Company made significant progress towards emerging as the industry benchmark.

## **Cooling Products**

The cooling products business recorded a modest growth of 9% during the quarter. The primary growth drivers of this business continued to be window and split airconditioners, as well as deep freezers. This quarter is traditionally a lean quarter for this business because of the winter months.

The manufacturing of room airconditioners in the new plant of the Company at Himachal Pradesh has commenced. The Company is in the process of developing local vendors in Himachal to drive down input costs. Changes in the product mix and enhancing capacity in three factories was completed and the production has now stabilized.

## **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.

The Electronics Division performed impressively during the quarter, registering a growth of 81% over the corresponding quarter 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.

In November 2005, the Company participated in the Big 5 show in Dubai showcasing some of its contemporary products. It received an overwhelming response from the visitors, and the Company is confident of its prospects in the Middle East.

## **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.

With the manufacturing of room airconditioners commencing at Himachal, the Company expects the cooling products business to contribute positively to the overall results for the year.

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

**Blue Star's new order inflow continues at a very healthy rate with no sign of slowing down. The moderation in billings growth in Q3 was partly due to normal seasonal factors and partly because of phasing in of enhanced capacity and changes in product mix at three of the manufacturing plants. These changes have now been completed and billings growth should once again accelerate in Q4.**

#### **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 DECEMBER 31, 2005**

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	NINE MONTH ENDED		AUDITED
31.12.05	31.12.04		31.12.05	31.12.04	YEAR ENDED
					31.3.2005
26365	22382	Net Sales/Income from Operations	77640	60835	92077
17	32	Other Income	225	308	1015
<b>26382</b>	<b>22414</b>	<b>Total Income</b>	<b>77865</b>	<b>61143</b>	<b>93092</b>
<b>24802</b>	<b>21171</b>	<b>Total Expenditure</b>	<b>72954</b>	<b>57631</b>	<b>86292</b>
(2704)	(1967)	(Increase) / Decrease in Stock in trade	(5572)	(4295)	(2592)
23163	19639	Consumption of Raw Materials	65870	51821	74295
2329	2103	Staff Cost	6464	5231	7237
2014	1396	Other Expenditure	6192	4874	7352
177	91	Interest	382	208	321
406	357	Depreciation	1146	843	1235
<b>997</b>	<b>795</b>	<b>Profit Before Tax</b>	<b>3383</b>	<b>2461</b>	<b>5244</b>
276	223	Provision for Taxation	926	673	1371
(20)	(21)	Deferred Tax (Asset) /Liability for the year	(32)	(40)	(43)
50	-	Fringe Benefit tax	135	-	-
<b>691</b>	<b>593</b>	<b>Net Profit</b>	<b>2354</b>	<b>1828</b>	<b>3916</b>
<b>1799</b>	<b>1799</b>	<b>Paid-up Equity Share Capital of Rs.10 each</b>	<b>1799</b>	<b>1799</b>	<b>1799</b>
		<b>Reserves</b>			<b>13043</b>
<b>3.84</b>	<b>3.30</b>	<b>Earnings Per Share (Rs.)</b>	<b>13.09</b>	<b>10.16</b>	<b>21.77</b>

**NOTES :**

- 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 January 27, 2006.
- Consequent to introduction of Value Added tax (VAT) effective 1.4.2005, the figure of net sales/ income from operations for the quarter ended December 31,2005 is net of VAT of Rs.617 lakhs. Previous year figures are inclusive of Works Contract Tax, the value of which is not ascertainable. Consequently, the figures are not strictly comparable.
- During the quarter ended December 31, 2005, the Company received and disposed off 35 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  
Jamsheedji Tata Road  
Mumbai 400 020  
www.bluestarindia.com

**Date : January 27, 2006**

**Place : Mumbai**

**For BLUE STAR LIMITED**

**Ashok M Advani**  
**Chairman & Managing Director**

**BLUE STAR LIMITED**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED DECEMBER 31, 2005**

Segment wise Revenue, Results and Capital Employed for the quarter ended December 31, 2005

Quarter ended		Description	(Rs. in lakhs)		
31.12.05	31.12.04		NINE MONTH ENDED		AUDITED
			31.12.05	31.12.04	YEAR ENDED 31.3.2005
		<b>I. SEGMENT REVENUE</b>			
19666	17000	i. Central Air-conditioning Systems	54178	43298	65152
4606	4224	ii. Cooling Products	18171	14201	20983
2093	1159	iii. Professional Electronics and Industrial Equipment	5291	3336	5924
-	-	iv. Residual	-	-	18
<b>26365</b>	<b>22382</b>	<b>TOTAL SEGMENT REVENUE</b>	<b>77640</b>	<b>60835</b>	<b>92077</b>
-	-	Less: Inter Segment Revenue	-	-	-
<b>26365</b>	<b>22382</b>	<b>NET SALES/ INCOME FROM OPERATION</b>	<b>77640</b>	<b>60835</b>	<b>92077</b>
		<b>II. SEGMENT RESULT</b>			
		<b>PROFIT/(LOSS) BEFORE INTEREST &amp; TAX</b>			
1614	1474	i. Central Air-conditioning Systems	4609	3752	6032
(224)	(130)	ii. Cooling Products	521	-	431
431	297	iii. Professional Electronics and Industrial Equipment	881	648	1201
(6)	-	iv. Residual	(15)	-	(187)
<b>1815</b>	<b>1641</b>	<b>TOTAL SEGMENT RESULT</b>	<b>5996</b>	<b>4400</b>	<b>7477</b>
		<b>Less:</b>			
177	91	i.) Interest	382	208	321
641	755	ii.) Other un-allocable Expenditure net of un-allocable Income	2231	1731	1912
<b>997</b>	<b>795</b>	<b>TOTAL PROFIT BEFORE TAX</b>	<b>3383</b>	<b>2461</b>	<b>5244</b>
		<b>III. CAPITAL EMPLOYED:</b>			
		<b>(Segment Assets- Segment Liabilities)</b>			
13194	10370	i. Central Air-conditioning Systems	13194	10370	10112
9222	5115	ii. Cooling Products	9222	5115	5555
1925	1277	iii. Professional Electronics and Industrial Equipment	1925	1277	1549
264	497	iv. Residual	264	497	261
<b>24605</b>	<b>17259</b>	<b>TOTAL CAPITAL EMPLOYED IN SEGMENTS</b>	<b>24605</b>	<b>17259</b>	<b>17477</b>
3062	2935	Add: Un-allocable Corporate Assets less Liabilities	3062	2935	1093
<b>27667</b>	<b>20194</b>	<b>TOTAL CAPITAL EMPLOYED IN THE COMPANY</b>	<b>27667</b>	<b>20194</b>	<b>18570</b>

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**Date : January 27, 2006**  
**Place : Mumbai**

For BLUE STAR LIMITED

**Ashok M Advani**  
Chairman & Managing Director