

Blue Star Limited

Q4 and FY06 Earnings Update

May 16, 2006

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported Total Income of Rs 1178.62 crores for the year ended March 31, 2006, representing 27% growth over previous year. Net sales for the year at Rs 1174.56 crores was up by 28% over FY05.
- Total income for the quarter ended March 31, 2006 at Rs 399.97 crores, grew by 25% over the corresponding quarter in the previous year. Net sales for the quarter at Rs 398.16 crores, was up by 27% over the corresponding quarter of the previous year.
- The central airconditioning business continued to contribute significantly to the overall growth of the company. This division grew by 26% during FY06. The central airconditioning business contributed 70% to the net sales in FY06.
- SBU-wise sales break-up:

(Rs crores)

	Q4FY06	Q4FY05	% Growth	FY06	FY05	% Growth
Central airconditioning systems	279.52	218.54	28%	821.30	651.52	26%
Cooling products	89.50	67.82	32%	271.20	209.83	29%
Professional Electronics & Industrial equipment	27.44	25.88	6%	80.36	59.24	36%

- Operating profit (PBDIT excluding Other Income) for the year at Rs 86.68 crores was up by 50% as compared to PBDIT of Rs 57.85 crores earned in FY05. The operating margin saw an improvement at 7.4% in FY06 as against operating margin of 6.3% achieved in FY05.
- Product Exports grew by a healthy 34% to Rs. 63.11 crores in FY06. Although still relatively small, this represents a growing acceptance of Blue Star cooling products in the international market.

- Other income for the quarter stood at Rs 1.81 crores (Rs 7.07 crores in Q4FY05) while other income for the year at Rs 4.06 crores (Rs 10.15 crores in FY05) was down by 60%
- Net profit for Q4FY06 was Rs 25.36 crores. Net profit for FY06 at Rs 48.90 crores is up by 25% over FY04
- The earnings per share for FY06 stood at Rs 27.18 vis-à-vis Rs 21.77 in the previous year.
- The board of directors recommended dividend of Rs 12 per equity share of Rs 10 each for FY06. The company paid Rs 10 per share as dividend for FY05.
- Carry Forward Order Book as on March 31, 2006 stood at Rs 565 crores compared to the order book of Rs. 410 crores as at March 31, 2005. The carry forward order book of the central airconditioning segment is Rs 472 crores, whilst that of cooling products is Rs 44 crores.
- In order to improve liquidity, the Board has recommended a stock split with each Rs 10 share being divided into 5 shares of face value Rs 2 each.

FINANCIAL RATIOS

	2005-06	2004-05
Gross Margin	22.5%	21.8%
Operating Margin (excl. Other Income)	7.4%	6.3%
Return on Capital Employed	30.1%	30.0%
Return on Shareholders' Funds	28.3%	26.4%
Earnings Per Share (Rs)	27.18	21.77
Dividend Per Share (Rs)	12.00	10.00
Capital Turnover	4.74	5.01
Debt/Equity	0.44	0.25

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

The IT/ITES and Retail segments fueled the demand for central airconditioning during the quarter. The Company continues to enjoy a preferred partnership status in most of the new growth segments, due to its energy-efficient superior products, exemplary project management skills, and track record of on-time delivery.

Based on the management information systems of the Company, the industry-wise revenue break-up for the central airconditioning business during the year is estimated as follows:

Segment	% of revenue
IT/ITES	44%
Retail (including malls and multiplexes)	22%
Offices	15%
Industrial	6%
Others	13%

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

Key Projects in the Quarter:

Under Execution	Commissioned	New Orders Won
* RDB 2000+, Kolkata	* Microsoft Phase II, Secunderabad	* Globsyn Crystals, Kolkata (Rs 7.0 Crs)
* Infosys SDB5, Secunderabad	* DLF IT Park, Kolkata	* Wakefield IT Park, Pune(Rs 5.24 Crs)
* CPWD, Income Tax Bldg, Secunderabad	* Noida City Centre, Noida	* Sahara Hospital, Lucknow (Rs 20.20 Crs)
* Wipro, Gurgaon	* Safderjung Hospital, New Delhi	* DLF Aamex, Gurgaon (Rs 5.68 Crs)
* Today Home, New Delhi	* Mico, Bangalore	* DRDO Panagarh, West Bengal (Rs 4.27 Crs)
* Sun City World School, Gurgaon	* RMZ Infinity A, Bangalore	* Satyam Ph II, Secunderabad (Rs 4.10 Crs)
* IBM, Bangalore	* Accenture 3C, Bangalore	* Big Bazaar, Hyderabad (Rs 3.45 Crs)
* HLL, Bangalore		* RMZ Infinity Tower B&C, Bangalore (Rs 4.48 Crs)

Apart from the above, the Company continued to get business from All India chain customers such as Café Coffee Day, Vishal Mega Mart and Kotak Mahindra. Strong organizational capabilities of Blue Star have led to repeat business from many corporate customers at local as well as national levels.

New Product Launches

During the quarter, the Company made a strong entry into the high technology Variable Refrigerant Flow airconditioning systems business. Blue Star is the first airconditioning company in India to manufacture these sophisticated systems indigenously. The Company also commercially launched the sophisticated Precision Control Packaged Airconditioners to IT/BPO segments.

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 air quality.

The Company maintains over 600,000 TR of installed airconditioning and refrigeration equipment, which includes many prestigious corporate institutions, commercial establishments and industries.

The Company made significant progress towards emerging as the industry benchmark with initiatives such as formation of a Service Specialists' Group, launching of Service Quality Assurance initiatives and ISO 9001 certification.

Cooling Products

Room Airconditioners

In the room airconditioners segment, Blue Star's sales volumes grew by 50% as against an estimated market growth of 25%, both quarter-on-quarter and year-on-year. There was a slight improvement in the billing value per airconditioner, due to a strong shift of sales from window airconditioners to split airconditioners.

Blue Star continues to focus on the corporate, commercial and light commercial markets, offering a choice of models and capacities relevant to commercial spaces.

During the quarter, the Company assisted 15 dealers in setting up highly visible Product Display Areas in locations such as Vijayawada, Vizag, Mangalore,

Cuddalore, Trivandrum, Baroda, Kolkata. The visibility of Blue Star at the ground level is expected to improve on account of this programme.

Refrigeration Products

The Company improved its market share for the storage water coolers as well as chest freezers. Quarter-on-quarter, volumes grew 70%. For a year as a whole, volumes grew 40%.

Cold Storages

During the quarter, volumes improved by around 40% owing to enhanced supplies from the new manufacturing unit at Bharuch, as compared to Q4 FY05. However, during the year there was only a marginal growth in this business since manufacturing was adversely affected for four months while shifting the manufacturing line from Thane to Bharuch.

A lot of preparatory work was done in this quarter to get equipped with refrigeration technologies for the emerging supermarket business. The Company is in the process of concluding technology as well as sourcing arrangements, which should come to fruition in Q2 FY07. Blue Star intends on being a strong player in the supermarket refrigeration segment.

Professional Electronics SBU

The Electronics Division performed impressively during the year, registering a growth of 36% during FY 06.

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.

In the Analytical Instruments business, the Company in partnership with Techcomp, Hong Kong sold the country's first prefabricated Bio-Safety Level -3 (P3) containment lab to CCMB, Hyderabad for conducting a research on HIV Virus. With the onset of Bird Flu, the Ministry of Health & Family Welfare has also placed an order for the P3 lab for surveillance and research on the H5N1 virus. The Company expects many more orders from the Govt of India in the near future.

A major order for specialized valves and piping worth Rs 23.65 crores was booked in Q4 from TISCO. This has resulted in a healthy carry forward order position into FY07.

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 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 year. During the year, the Company participated in the Big 5 exhibition in Dubai showcasing a comprehensive range of products. It also hosted several customer events in the Middle East. The response to the products has been overwhelming and the Company is confident of its prospects in the Middle East.

The airconditioning project of the Bank of Mauritius in Mauritius, valued at Rs 12 crores, is in the advanced stage of completion. Since the domestic market is booming, the Company is selective in international projects. It is in the process of bidding for a few prestigious projects in the Middle East and Mauritius.

Himachal Plant

The Himachal plant is the fourth manufacturing facility of the Company, situated at Kala Amb, around 60 km from Chandigarh. It is set up on a site area of 8 acres with an outlay of Rs 30 crores over FY06 and FY 07.

The Plant will initially cater to manufacturing of room airconditioners, with a thrust on areas such as automation, manufacturing costs, vertical integration and quality.

The construction activity of 10,000 sq m was completed in May 2005 and another 4,000 sq m is in progress. The Plant already began operations last year producing around 30,000 units. The plant expansion under way will be completed by August 2006 and is expected to have an annual production capacity of 150,000 window and split airconditioners on single shift basis.

BUSINESS OUTLOOK

Industry Outlook

The central airconditioning business continues to be on a growth path mainly fueled by IT/ITES and Retail sectors. The cooling products segment is also witnessing substantial growth driven by increased demand of room airconditioners and 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 strengths in system design, project management and after-sales service coupled with energy efficient world-class products will help the Company in sustaining market leadership.

With the manufacture of room airconditioners commencing at Kala Amb and the new cold room plant at Bharuch, the Company expects the cooling products business to contribute substantially to the overall growth. The cooling products business performed impressively in FY06 and the Company expects this trend to continue in FY07 as well.

The outlook for the Professional Electronics business continues to be promising. Its growth pattern in the last few years has been steady. The Division has forayed into several new high growth niche segments with additional product lines, and is optimistic about its prospects in this business.

In FY07, the average growth rates of all the markets that Blue Star currently addresses is estimated to be in the range of 20% and the Company is optimistic about exceeding these market growth rates in FY07.

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
AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2006

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	9 MONTHS ENDED	AUDITED	
31.3.2006	31.3.2005		31.12.2005	YEAR ENDED	
				31.3.2006	31.3.2005
39816	31242	Net Sales/Income from Operations	77640	117456	92077
181	706	Other Income	225	406	1015
39997	31949	Total Income	77865	117862	93092
35834	28660	Total Expenditure	72954	108788	86292
854	1,703	(Increase) / Decrease in Stock in trade	(5,572)	(4,718)	(2,592)
29635	22474	Consumption of Raw Materials	65870	95505	74295
2363	2006	Staff Cost	6464	8827	7237
2982	2477	Other Expenditure	6192	9174	7352
190	113	Interest	382	572	321
447	393	Depreciation	1146	1593	1235
3526	2783	Profit Before Tax	3383	6909	5244
716	698	Provision for Taxation	926	1642	1371
109	(3)	Deferred Tax (Asset) /Liability for the year	(32)	77	(43)
165	-	Fringe Benefit tax	135	300	-
2536	2088	Net Profit	2354	4890	3916
1799	1799	Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799
		Reserves		15,472	13,043
14.10	11.61	Earnings Per Share (Rs.)	13.09	27.18	21.77
10781470	10788004	Aggregate of non promoter shareholding			
59.94	59.98	-Number of shares	10781470	10781470	10788004
		- Percentage of Shareholding	59.94	59.94	59.98

NOTE :

- The above results were reviewed by the Audit Committee and have been approved at the meeting of the Board of Directors held on May 12, 2006.
- Consequent to introduction of Value Added tax (VAT) effective 1.4.2005, the figure of net sales/ income from operations for the year ended March 31,2006 is net of VAT of Rs.2714 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 finalised during the year, an amount of Rs.142lakhs (PY Rs.135 lakhs) was paid and included under staff cost.
- During the quarter ended March 31, 2006, the Company received and disposed of 26 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.12.00 per equity share (Previous year Rs.10.00 per equity share).
- The Directors have recommended sub-division of equity share of Rs.10 each into 5 equity shares of Rs.2 each subject to obtaining requisite approvals.

Registered Office:

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Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date : May 12, 2006
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, 2006

 (Rs. in
lakhs)

Quarter ended		Description	NINE MONTHS ENDED		
31.3.2006	31.3.2005		31.12.2005	AUDITED YEAR ENDED	
				31.3.2006	31.3.2005
		I. SEGMENT REVENUE			
27952	21854	i. Central Air-conditioning Systems	54178	82130	65152
8950	6782	ii. Cooling Products	18171	27120	20983
2744	2588	iii. Professional Electronics and Industrial Equipment	5291	8036	5924
170	18	iv. Residual	-	170	18
39816	31242	TOTAL SEGMENT REVENUE	77640	117456	92077
-	0	Less: Inter Segment Revenue	-	-	-
39816	31242	NET SALES/ INCOME FROM OPERATION	77640	117456	92077
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX		4.9%	2.1%
3393	2280	i. Central Air-conditioning Systems	4609	8003	6032
796	431	ii. Cooling Products	521	1317	431
647	553	iii. Professional Electronics and Industrial Equipment	881	1528	1201
(64)	(187)	iv. Residual	(15)	(80)	(187)
4772	3077	TOTAL SEGMENT RESULT	5996	10767	7477
		Less:			
190	113	i.) Interest	382	572	321
1055	181	ii.) Other un-allocable Expenditure net of un-allocable Income	2,231	3,286	1,912
3526	2783	TOTAL PROFIT BEFORE TAX	3383	6909	5244
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
13110	10112	i. Central Air-conditioning Systems	13194	13110	10112
8686	5555	ii. Cooling Products	9222	8686	5555
2045	1549	iii. Professional Electronics and Industrial Equipment	1925	2045	1549
0	261	iv. Residual	264	-	261
23841	17477	TOTAL CAPITAL EMPLOYED IN SEGMENTS	24605	23841	17477
1016	1093	Add: Un-allocable Corporate Assets less Liabilities	3062	1016	1093
24857	18570	TOTAL CAPITAL EMPLOYED IN THE COMPANY	27667	24857	18570

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 Jamshedji Tata Road
 Mumbai 400 020
 www.bluestarindia.com
Date : May 12, 2006
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
 Chairman & Managing Director