

Blue Star Limited

Q2 FY05 Earnings Update

October 29, 2004

FINANCIAL HIGHLIGHTS

For Q2 FY05 & Six months ended on September 30, 2004

- Central airconditioning and commercial refrigeration major Blue Star Limited reported Total Income of Rs 208.7 crores for the quarter ended September 30, 2004, representing 27.2% growth over the corresponding quarter in the previous year
- Net sales for the current quarter at Rs 206.0 crores was up by 28.9% over the corresponding quarter in the previous year. Net sales for the six months at Rs 384.5 crore is up by 27.5% over the corresponding six months of the previous year.
- The growth in net sales was fueled by buoyancy in the central airconditioning business, which grew by 47.7% for the first six months over the corresponding period of the previous year. This business contributed 68.4% to the net sales in the first six months as compared to its contribution of 59.0% in the corresponding six months of the previous year
- SBU-wise sales break-up:

	Q2FY05	Q2FY04	% Growth	H1 FY05	H1 FY04	% Growth
Central airconditioning systems	152.34	106.95	42.4%	262.98	178.02	47.7%
Cooling products	42.08	40.19	4.7%	99.77	100.18	(0.4%)
Professional Electronics & Industrial equipment	11.60	12.72	(8.8%)	21.78	23.40	(6.9%)

- The Cooling products business turned profitable during the current quarter with the company regaining market share.
- Operating profit (excluding Other Income) at Rs 12.3 crores is up by 110.1% over the corresponding quarter of the previous year. Operating profit (excluding Other Income) for the six months at Rs 19.9 crores is up by 76.0% over the corresponding six months of the previous year.

- Net profit at Rs 8.75 crores is up by 57.2% over the corresponding quarter of the previous year. Net profit for the six months at Rs 12.36 crore is up by 50.4% over the corresponding six months of the previous year.
- The earnings per share for the quarter stood at Rs 4.86 vis a vis Rs 3.09 in the last year.
- Carry Forward Order Book as on September 30, 2004 stood at Rs. 453 crores, representing a 21% increase over the Carry Forward Order Book on September 30, 2003.
- Order inflow for the first six months at Rs 465 crores is up by 17% over the corresponding six months of the previous year.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

The market for Central Airconditioning witnessed a substantial growth in the quarter ended Sep 04. While market growth in the Western and Eastern regions has been moderate, the market has grown substantially in the Northern and Southern Regions.

Blue Star's Central Airconditioning business is growing in the market segments of Information Technology, IT enabled services, Telecom, Pharmaceuticals, Multiplexes and Shopping Malls.

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> • Airports at Mumbai, Ahmedabad and Delhi • Punjab Health System Corp, Chandigarh • IGNOU • Infosys • Wipro • Mindspace, Hyderabad 	<ul style="list-style-type: none"> • Convergys • ICICI One source • International Hospital (Fortis), Noida • Ranbaxy • HSBC, Vizag • Chennai Trade Centre • Satyam, Hyderabad 	<ul style="list-style-type: none"> • Intelenet, Mumbai • National Stadium, Guwahati • St. Microelectronics, Noida • Microsoft, Hyderabad • Project Sea Bird, Bangalore • Cognizant Tecnology Systems, Bangalore • HCL Technologies, Chennai & Delhi • I-Flex, Mumbai

New Product Launches

A new range of highly energy efficient Packaged Airconditioners has been developed for IT/ITES customers who use a lot of AC tonnage.

Service Business

Blue Star maintains over 400,000 TR of airconditioning capacity. Further, the replacement and retrofit market is opening-up. In order to participate in the growth opportunities and in order to make customer service a marketing differentiator, the Company has developed and launched several innovative service products in the areas of Energy Management, Air Management and Water Management. Apart from these, the Company has launched a number of customized Annual Maintenance Contract variants for various business segments.

A number of developmental programmes have been launched in order to improve the service delivery processes. These include formation of a Service Specialist Group which will handle high end technical services, Service Quality Assurance team for monitoring field service quality, and establishment of Regional Parts Centres at all major locations.

Cooling Products

Overview

In Q1, 2004-05 the Company had reduced losses of this business, which were largely on account of costly inventory of imported deep freezers. In the current quarter, this business was successfully turned around with the Company switching from imported Deep Freezers to its own manufactured range. The full range of deep freezers is expected to be available in Q3, subsequent to which this product line should witness renewed growth and higher profitability.

Room airconditioner prices continue to fall driven by the stiff competition amongst large appliances brands. The Company managed to retain profit margins, as a result of its focus on institutional markets.

Exports

The Company continued to make progress penetrating the Middle East and European markets. The Company continues its strategy of identifying Contract Manufacturing opportunities, which dovetails well with the long-term strategy of launching the Blue Star brand in select international markets.

New Product Launches

The company introduced Mega Split AC's aimed at tapping the light commercial segment consisting of restaurants, shops and showrooms. This product line has been received very favourably in the market place.

Expansion of Production Capacity

The management is optimistic about the growth prospects, and accordingly has decided to expand its production capacity for cooling products.

Professional Electronics SBU

Overview

The Company continues to build on its 50-years of experience in the Electronics business. The business continues to undergo a transformation from a product-centric to a turn-key solutions model. The Company remains optimistic about maintaining its leadership in the niche areas it addresses through this division.

New Agencies

- **Techcomp (Holdings) Limited:** A manufacturer of a wide range of Analytical Instruments in China. The Company has signed Distributor Agreement for the entire range of products for Indian market.
- **J C Carter, UK:** A world-leader in Cryogenic Pumps, used in transportation of LNG from ships to LNG terminals. With rapidly growing demand for LNG in India, the Company expects greater demand for products in this application area.

BUSINESS OUTLOOK

Industry Outlook

The Refrigeration and Airconditioning industry has been lobbying with the Government for a reduction of CENVAT for locally manufactured equipment from the current level of 24% to 16%, in line with other capital goods and consumer durables. If the Government concedes this demand, the market for Packaged and Room Airconditioners will see a significant spurt in growth.

The Industry is also in favour of an overall reduction in Import Duties of raw materials, components and finished products. Incidentally, the proposed reduction in the customs tariffs and various FTA's signed and those under consideration, will not have a significant impact on Blue Star and other Indian

manufacturers as the reduction in these tariffs will entail a reduction in the input costs related to imported raw materials and components as well.

Company Outlook

While the refrigeration and cooling products division is expected to regain its market share and profitability by end of the current year, Central Airconditioning will continue to drive Blue Star's overall growth. We expect the Central Airconditioning market to grow at a healthy pace for the next few years. While the current growth is being fueled by the Services Sectors, we anticipate that with the expected revival in Industrial investment, airconditioning demand from this sector will also contribute to the overall market growth in the medium-term.

While the market growth will attract new entrants, Blue Star's value proposition of Energy Efficiency, System Design expertise and After-sales Service excellence, backed by over 60-years of HVAC experience, will ensure market leadership and profitable growth.

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 fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property 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, 2004

(Rs In lakhs)

QUARTER ENDED		PARTICULARS	HALF YEAR ENDED		AUDITED
30.9.2004	30.9.2003		30.9.2004	30.9.2003	YEAR ENDED 31.3.2004
20602	15986	Net Sales/Income from Operations	38453	30160	69746
268	417	Other Income	276	491	1860
20870	16403	Total Income	38729	30651	71606
19368	15399	Total Expenditure	36460	29028	65765
(260)	2	(Increase) / Decrease in Stock in trade	(2,328)	(2,016)	(1,081)
16133	12014	Consumption of Raw Materials	32182	24759	53801
1753	1653	Staff Cost	3128	2860	5960
1742	1730	Other Expenditure	3478	3425	7085
75	25	Interest	117	70	182
252	240	Depreciation	485	463	999
1175	739	Profit Before Tax	1667	1090	4659
319	187	Provision for Taxation	450	282	1188
(19)	(4)	Add: Deferred Tax Asset /(Liability)for the year	(19)	(14)	(215)
875	556	Net Profit	1236	822	3256
					-
1799	1799	Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799
		Reserves excluding revaluation reserves			11183
4.86	3.09	Earnings Per Share (Rs.)	6.87	4.57	18.10
10788004	10804539	Aggregate of non promoter shareholding			
59.98	60.07	-Number of shares	10788004	10804539	10788004
		- Percentage of Shareholding	59.98	60.07	59.98

NOTE :

- The above results were reviewed by the Audit Committee and approved at the meeting of the Board of Directors held on October 29, 2004.
- Other income includes an amount of Rs.267 lakhs (PY :Rs.327 lakhs) received by the Company by way of dividend on investment.
- Staff Cost includes an amount of Rs.135 lakhs payable to workmen pursuant to the interim award passed by the Industrial Court, Mumbai.
- During the quarter ended September 30, 2004, the Company received and disposed of 28 investor complaints. No complaints were pending as at the beginning and at the end of the quarter.
- The Statutory Auditors have carried out a limited review of the results for the quarter ended September 30, 2004.

Registered Office:

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

Date :October 29,2004

Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Chief Executive

Segment wise Revenue, Results and Capital Employed for the quarter ended September 30, 2004
(Rs. in lakhs)

Quarter ended		Description	HALF YEAR ENDED		YEAR ENDED
30.9.2004	30.9.2003		30.9.2004	30.9.2003	31.3.2004
		I. SEGMENT REVENUE			
15234	10695	i. Central Air-conditioning Systems	26298	17802	47865
4208	4019	ii. Cooling Products	9977	10018	16834
1160	1272	iii. Professional Electronics and Industrial Equipment	2178	2340	5013
0	0	iv. Residual	-	-	34
20602	15986	TOTAL SEGMENT REVENUE	38453	30160	69746
-	-	Less: Inter Segment Revenue	-	-	-
20602	15986	NET SALES/ INCOME FROM OPERATION	38453	30160	69746
		II. SEGMENT RESULT			
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
1370	967	i. Central Air-conditioning Systems	2278	1462	4629
133	(149)	ii. Cooling Products	131	62	(256)
233	239	iii. Professional Electronics and Industrial Equipment	351	450	1119
(4)	(3)	iv. Residual	(8)	(10)	11
1732	1054	TOTAL SEGMENT RESULT	2752	1964	5503
		Less:			
(75)	(25)	i.) Interest	(117)	(70)	(182)
(482)	(289)	ii.) Other un-allocable income net of un-allocable Expenditure	(968)	(803)	(662)
1175	739	TOTAL PROFIT BEFORE TAX	1667	1090	4659
		III. CAPITAL EMPLOYED:			
		(Segment Assets- Segment Liabilities)			
9425	6399	i. Central Air-conditioning Systems	9425	6399	7593
6303	5484	ii. Cooling Products	6303	5484	5014
679	856	iii. Professional Electronics and Industrial Equipment	679	856	1222
451	431	iv. Residual	451	431	403
16859	13171	TOTAL CAPITAL EMPLOYED IN SEGMENTS	16859	13171	14232
2949	2765	Add: Un-allocable Corporate Assets less Liabilities	2949	2765	954
19808	15936	TOTAL CAPITAL EMPLOYED IN THE COMPANY	19808	15936	15187

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Jamshedji Tata Road
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Date :October 29,2004
Place : Mumbai

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Ashok M Advani
Chairman & Chief Executive