

Blue Star Limited

Q4 and FY05 Earnings Update

May 11, 2005

FINANCIAL HIGHLIGHTS

For Q4 FY05 & the year ended March 31, 2005

- Central airconditioning and commercial refrigeration major Blue Star Limited reported Total Income of Rs 930.92 crores for the year ended March 31, 2005, representing 30% growth over previous year. Net sales for the year at Rs 920.77 crores was up by 32% over FY04
- The growth in net sales was fueled by buoyancy in the central airconditioning business, which grew by 36.1% during FY05. This business contributed 70.76% to the net sales in FY05 compared to its contribution of 68.63% in FY04
- Total income for the quarter ended March 31, 2005 at Rs 319.49 crores, grew by 21.7% over the corresponding quarter in the previous year. Net sales for the quarter at Rs 312.42 crores, was up by 24.6% over the corresponding quarter of the previous year.
- SBU-wise sales break-up:

	Rs crores					
	Q4FY05	Q4FY04	% Growth	FY05	FY04	% Growth
Central airconditioning systems	218.54	187.64	16.5	651.52	478.65	36.1
Cooling products	67.82	44.77	52.5	209.83	168.34	24.7
Professional Electronics & Industrial equipment	25.88	18.22	42	59.24	50.13	18.2

- Operating profit (PBIDT excluding Other Income) for the year at Rs 57.85 crores is up by 45.4% as compared to PBDIT of Rs 39.79 crores earned in FY04. The operating margin saw marginal improvement at 6.3% in FY05 as against operating margin of 5.7% achieved in FY04. Despite higher raw material input costs, this has been achieved by improved realization in some of the segments as well as a continuous focus on improving operating efficiencies.
- Exports grew by a healthy 61.7% to Rs. 61.19 crores in FY05. Although still a small base, this represents a growing acceptance of Blue Star products and project expertise in the international market.

- Other income for the quarter at Rs 7.07 crores (Rs 11.81 crores in Q4FY04) was down by 40.1% while other income for the year at Rs 10.15 crores (Rs 18.6 crores in FY04) is down by 45.5%
- Net profit for Q4FY05 was Rs 20.88 crores. Net profit for FY05 at Rs 39.16 crores is up by 20.3% over FY04
- The earnings per share for FY05 stood at Rs 21.77 vis a vis Rs 18.1 in the previous year.
- The board of directors recommended dividend of Rs 10 per equity share of Rs 10 each for FY05. The company paid Rs 9 per share as dividend for FY04
- Carry Forward Order Book as on March 31, 2005 stood at Rs. 410.23 crores.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

The central airconditioning business saw substantial growth during the year and has been the key growth driver for Blue Star's revenue. The ongoing boom in retail, services and IT/ITES sectors has been fueling the demand for central airconditioning. Blue Star with its formidable track record and strong brand equity in this segment successfully leveraged this opportunity.

Blue Star's value propositions such as its proven engineering and designing prowess, focus on providing energy efficient cooling solutions and strong after sales service capability and commitment have made Blue Star a preferred partner for educated customers across the industries.

Raw material prices (especially steel) continue to be a concern for this business. The company has however offset these cost increases to a large extent with a prudent mix of price increases and operating efficiency improvement on the contracting side of the business.

The Company's track record of successful execution of fast paced and technically challenging HVAC projects ensured that it received continued patronage from existing customers. The Company bagged several repeat orders from customers like Infosys, Wipro, Satyam, Moser Baer, DLF, HSBC, Convergys, Intelenet, Vanenburg, Raheja Group, RMZ and Divyashree to name a few.

Key Projects in the Quarter

Domestic

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> * PIIMS, Jalandhar * SBI, Guwahati * Y. Uma Rani Comm. Complex, Chennai * Smithkline Beecham, Nabha * DLF IT Park, Chandigarh * RMZ Ecospace, Bangalore * Bosh, Bangalore 	<ul style="list-style-type: none"> * Convergys, Mumbai & Pune * ICICI One Source, Mumbai * Hindu, Secunderabad * Satyam Computers, Hyderabad * CTS, Bangalore * I2 Technologies, Bangalore 	<ul style="list-style-type: none"> * Bank of America, Mumbai * Atos Origin, Mumbai * Patni Computers, Navi Mumbai * Oberoi Mall, Mumbai * Ranbaxy, Mohali * Temple Step, Chennai * HSBC, Secunderabad * Polaris Software, Secunderabad * Cross River Mall, Delhi * Wipro, Kolkata * DLF Rajerhat, Kolkata

New Product Launches

Highly energy efficient “Hiper Plus Packaged Airconditioners” were introduced in the last quarter of the year in limited quantities. Having received tremendous response from customers in the IT/ITES industry, the Company plans to market these energy efficient packaged airconditioners aggressively in 2005-06.

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 tonnes of airconditioning and refrigeration capacity, which includes many prestigious corporate institutions, commercial establishments and industries.

In line with global trends, customer needs in the sub-continent are changing. Apart from cooling, they expect solutions like energy savings, balanced air distribution, high indoor air quality, chilled water balancing, treatment of cooling water, product upgrades and enhancements. Having understood these needs of the customers, the Company acquired and developed capabilities in the areas of Energy Management, Air Management, Water Management, Product Upgrades and Enhancements. In addition, the Company signed up with

Danfoss, Denmark as their Energy Solution Partner for distribution of Variable Frequency Drives and Ecospec for distribution of Water Treatment Systems.

Further, based on the domain knowledge existing within the Company, the service offerings are redesigned in line with the respective segment needs, and the customers can now choose from a basket of customized options available from Blue Star.

Cooling Products

This division contributed 22.79% to the net sales during FY05, compared to its contribution of 24.14% in FY04. The revenue from this division was Rs 209.83 crores in FY05, showing a growth of 24.7% over FY04. The division managed a successful turnaround in FY05 by focusing on operational efficiency. From a negative PBIT of Rs 2.56 crores in FY04, the division posted PBIT of Rs 4.31 crores in FY05.

The revenue growth in this Line of Business was primarily driven by Room air conditioner sales, while the return to profitability can be attributed to the successful turn-around of the Commercial Refrigeration segment.

Rising raw material prices continue to remain a concern in this segment. While price increases in more competitive areas like Room air conditioners is unlikely, other segments like water coolers in which the company is a market leader, price increases have been successful to a certain degree. Overall, the company is focused on bringing economies of scale in all its product lines.

Professional Electronics SBU

During FY05, this division with revenue of Rs 59.24 crores (Rs 50.13 crores in FY04), contributed 6.43% to the net sales. During Q4, the division contributed 7.19% to the net sales.

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

Among various verticals that Blue Star operates in within this division, Industrial Products; Material Testing and Analytical Instruments verticals did particularly well during FY05. Blue Star continues to dominate the market for

destructive testing products including universal testing machines and hardness testing. The growth in this segment was fuelled by increased demand from the automobile and defense sectors. Over the last few years, the Division has built expertise in design and execution of complex material handling systems to automate online non-destructive testing.

During FY05, Blue Star partnered with Techcomp Ltd, Hong Kong to provide professional consultation for design, build and maintenance of prefabricated Bio Safety Level-3 (P3) containment labs on a turnkey basis.

The Company has also forayed into online density measurement of fuel at retail outlets to check the purity of petrol and diesel on a real-time basis. The Company has in fact done pilot projects for major oil companies such as IOCL, HPCL and BPCL to automate their retail outlets and their response is encouraging.

In the future, the Division anticipates new opportunities in engineering projects and services as well as in system integration as a value added reseller.

Expansion of Production Capacity

Blue Star is in the process of building a fourth plant at Kala Amb in Himachal Pradesh. The Plant will go into production in the next few months and will manufacture room airconditioners. By setting up this new manufacturing facility, the Company intends to benefit from both the economies of scale of the new plant, as well as the tax and duty incentives in the region. This will level the playing field vis-à-vis the growing competition, most of who are already benefiting from these incentives.

Exports

In FY05, the total exports for the Company was Rs. 61.19 crores, representing a 61% growth over last year. Blue Star's exports are derived from two streams - International Projects and Product Exports. The majority of the growth in FY05 was derived from Product Exports as the company focused its projects business in the domestic market to meet the growing demand. On the Product Export front, the Company continued to make good progress especially in the Middle East and Continental Europe.

BUSINESS OUTLOOK

Industry Outlook

In the recently announced Union Budget, the Govt reduced Cenvat from 24% to 16%. This is likely to result in net benefit of 4% on all domestically manufactured equipment. This reduction is expected to benefit the price-sensitive Room-air conditioner market the most.

While the current growth in central airconditioning is mainly being fueled by the services sector, the Company anticipates 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.

In addition to the Indian market, the Middle East market, and in particular, Dubai, is expected to witness exponential growth in HVAC requirements in the coming 2-4 years. Given the similarity of applications, proximity and similar work methods, this market holds tremendous opportunity for Indian HVAC firms.

Company Outlook

Central airconditioning business is expected to be the key growth driver for Blue Star in coming 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 60-years of HVAC experience, is expected to be the first choice for customer seeking best cooling experience.

With the refrigeration & cooling products segment back in the black, Blue Star will focus on expanding the market and the market share of its products. While intense competition may not allow the Company to pass on higher material costs to customers in the near future, economies of scale, improved efficiency and benefits derived from the new facility in Himachal Pradesh, the segment, in the long run, is expected contribute significantly to the growth and profitability of the Company.

The Company is actively looking at the Middle East as a key market for future growth and is actively evaluating various options to have a meaningful presence in that market. Therefore international business is expected to contribute significantly to the Company's growth in the next two-three years.

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.

**AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2005**

(Rs in lakhs)

QUARTER ENDED		PARTICULARS	9 MONTHS ENDED	AUDITED		
31.03.2005	31.03.2004			31.12.2004	YEAR ENDED	
					31.3.2005	31.3.2004
31242	25067	Net Sales/Income from Operations	60835	92077	69746	
707	1181	Other Income	308	1015	1860	
31949	26248	Total Income	61143	93092	71606	
28660	22857	Total Expenditure	57632	86292	65766	
1703	1,720	(Increase) / Decrease in Stock in trade	(4,295)	(2,592)	(1,081)	
22474	17756	Consumption of Raw Materials	51821	74295	53801	
2006	1322	Staff Cost	5231	7237	5961	
2477	2059	Other Expenditure	4875	7352	7085	
113	57	Interest	208	321	182	
393	273	Depreciation	842	1235	999	
2783	3061	Profit Before Tax	2461	5244	4659	
698	779	Provision for Taxation	673	1371	1188	
(3)	230	Less: Deferred Tax (Asset) /Liability for the year	(40)	(43)	215	
2088	2052	Net Profit	1828	3916	3255	
1799	1799	Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799	
		Reserves		13043	11182	
11.61	11.41	Earnings Per Share (Rs.)	10.16	21.77	18.10	
10788004	10788004	Aggregate of non promoter shareholding				
		-Number of shares	10788004	10788004	10788004	
59.98	59.98	- Percentage of Shareholding	59.98	59.98	59.98	

NOTE :

- The above results were reviewed by the Audit Committee and approved at the meeting of the Board of Directors held on May 11, 2005.
- During the quarter ended March 31, 2005, the Company received and disposed of 38 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.10.00 per equity share (Previous year Rs.9.00 per equity share).

Registered Office:
Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date :May 11,2005
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Chief Executive

Segment wise Revenue, Results and Capital Employed for the year ended March 31, 2005

(Rs. in lakhs)

Quarter ended		Description	9 MONTHS	AUDITED	
31.3.2005	31.3.2004		ENDED	YEAR ENDED	
			31.12.2004	31.3.2005	31.3.2004
		I.	SEGMENT REVENUE		
21854	18764	i. Central Air-conditioning Systems	43298	65152	47865
6782	4447	ii. Cooling Products	14201	20983	16834
2588	1822	iii. Professional Electronics and Industrial Equipment	3336	5924	5013
18	34	iv. Residual	-	18	34
31242	25067	TOTAL SEGMENT REVENUE	60835	92077	69746
-	-	Less: Inter Segment Revenue	-	-	-
707	1,181	Add: Other Unallocable income	308	1015	1860
31949	26248	NET SALES/ INCOME FROM OPERATION	61143	93092	71606
		II.	SEGMENT RESULT		
		PROFIT/(LOSS) BEFORE INTEREST & TAX			
2280	1907	i. Central Air-conditioning Systems	3752	6032	4629
431	(302)	ii. Cooling Products	0	431	(256)
553	520	iii. Professional Electronics and Industrial Equipment	648	1201	1119
(187)	28	iv. Residual	-	(187)	11
3077	2153	TOTAL SEGMENT RESULT	4400	7477	5503
		Less:			
113	57	i.) Interest	208	321	182
181	(965)	ii.) Other un-allocable Expenditure net of un-allocable Income	1,731	1,912	662
2783	3061	TOTAL PROFIT BEFORE TAX	2461	5244	4659
		III.	CAPITAL EMPLOYED:		
		SEGMENT ASSET			
28588	19899	i. Central Air-conditioning Systems	27012	28588	19899
10269	8495	ii. Cooling Products	9534	10269	8495
2633	2156	iii. Professional Electronics and Industrial Equipment	2219	2633	2156
273	347	iv. Residual	504	273	347
41763	30897	TOTAL SEGMENT ASSETS	39269	41763	30897
4564	3378	Add: Un-allocable Corporate Assets	4623	4564	3378
46327	34275	TOTAL ASSETS	43892	46327	34275
		SEGMENT LIABILITIES			
18475	12306	i. Central Air-conditioning Systems	16642	18475	12306
4715	3480	ii. Cooling Products	4419	4715	3480
1084	934	iii. Professional Electronics and Industrial Equipment	942	1084	934
12	52	iv. Residual	7	12	52
24286	16772	TOTAL SEGMENT LIABILITIES	22010	24286	16772
2643	2317	Add: Un-allocable Corporate Liabilities	857	2643	2317
26929	19089	TOTAL LIABILITIES	22867	26929	19089

Registered Office:
Kasturi Buildings
Mohan T. Advani Chowk
Jamshedji Tata Road

For BLUE STAR LIMITED