



Blue Star Limited

Q2 FY15 Earnings Update

Oct 29, 2014

FINANCIAL HIGHLIGHTS

The following are the financial highlights of the Company for the *quarter (Q2FY15)*

- The Company reported Total Operating Income of Rs 637.97 crores for the quarter ended September 30, 2014, as compared to Rs 584.98 crores in Q2FY14, representing a growth of 9%.
- Operating Profit (PBIDT excluding Other Non Operating Income) for the quarter declined to Rs 20.61 crores from Rs 25.76 crores in the same period last year largely due to an increase in unallocable expenses including marketing, business development and other investments for growth as well as higher provisioning for doubtful debts. Consequently, the Operating Margin declined from 4.4% to 3.2%.
- Other Income for the quarter grew from Rs 2.91 crores to Rs 8.16 crores due to write-back of provisions related to operations.
- Financial Expenses for the quarter declined by 17% to Rs 10.57 crores from Rs 12.80 crores over the same period last year mainly due to a reduction in net borrowings from Rs 406 crores as on September 30, 2013 to Rs 370 crores as on September 30, 2014 coupled with lower borrowing costs.
- Consequently, Net Profit grew by 20% from Rs 7.52 crores in Q2FY14 to Rs 9.05 crores during the quarter.
- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 1.01 vis-à-vis Rs 0.84 in the corresponding quarter of the previous year.
- Order inflow witnessed a decline of 37% from Rs 889 crores to Rs 558 crores over the same period last year. The Company had won two large value orders in Q2FY14 totaling to about Rs 300 crores. However, during this quarter, there were no large value orders booked.
- Carry Forward Order Book as on September 30, 2014 declined by 14% to Rs 1492 crores compared to Rs 1744 crores as at September 30, 2013.
- The total Capital Employed of the Company stood at Rs 968 crores on September 30, 2014 as compared to Rs 942 crores on September 30, 2013.

Segment-wise results for Q2FY15

- The Electro Mechanical Projects and Packaged Airconditioning Systems business, accounting for 62% of the total revenues in the quarter, increased marginally by 3%, while segment results registered a decline of 5% to Rs 19.74 crores, mainly due to higher input costs.

- The revenue of Cooling Products during the quarter increased by 21%, while segment results grew an impressive 74% to Rs 14.17 crores over the same period. Though Q2 is typically a lean season for this line of business, an extended summer coupled with stable foreign exchange and commodity prices resulted in enhanced profitability.
- The Professional Electronics and Industrial Systems business revenues increased by 25%, while segment results registered a growth of 16% to Rs 8.76 crores due to enhanced demand.
- SBU-wise sales break-up:

(Rs crore)

	Q2FY15	Q2FY14	% Growth / (Decline)	% of Net Sales
Electro Mechanical Projects and Packaged Airconditioning Systems	396.13	386.55	3%	62%
Cooling Products	204.96	168.81	21%	32%
Professional Electronics & Industrial systems	36.88	29.62	25%	6%

- SBU-wise results break-up:

(Rs crore)

	Q2FY15	Q2FY14	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	19.74	20.76	(5)%
Cooling Products	14.17	8.15	74%
Professional Electronics & Industrial systems	8.76	7.56	16%

The following are the financial highlights of the Company for the *half year* ended September 30, 2014 (H1FY15)

- For the half-year ended September 30, 2014, the Company reported Total Operating Income of Rs 1483.45 crores, as compared to Rs 1355.80 crores over the same period in the previous year, a growth of 9%.
- Operating Profit (PBIDT excluding Other Non Operating Income) increased by 14% from Rs 64.38 crores to Rs 73.69 crores.
- Net Profit grew 32% from Rs 30.29 crores to Rs 40.06 crores in H1FY15.

BUSINESS HIGHLIGHTS FOR Q2FY15

Segment I (Electro Mechanical Projects & Packaged Airconditioning Systems)

During Q2FY15, the market was sluggish and most of the order finalizations were delayed. While there is a possibility of an imminent revival in the segment, the commercial construction segment still remains muted. Segments such as integrated commercial complexes, power and utility, hospital and healthcare and banks/offices witnessed some demand during the review period.

During the quarter, this segment registered a drop in margins from 5.4% in Q2FY14 to 5.0% in the current quarter on account of lower billings due to which margins continue to be under pressure. Segment margins are significantly higher than the 1.6% reported in Q1FY15 on account of delays in closure of specific legacy jobs. The negative impact related to these jobs will be accounted for in H2FY15 along with the closure of the jobs. The Capital Employed in this segment decreased significantly from Rs 532 crores as on September 30, 2013 to Rs 485 crores as on September 30, 2014.

The order inflow in Q2FY15 for this segment declined 54% from Rs 684 crores to Rs 316 crores compared to the same period last year. The Company had booked large value orders from Oasis Realty and Delhi Metro Rail Corporation in Q2FY14 totaling to about Rs 300 crores. However, no such large value orders were booked in Q2FY15. The carry-forward order book for this segment stood at Rs 1410 crores as at September 30, 2014.

In the electro mechanical projects business, hospitals, heavy industrial and banks/offices segments mainly contributed to the orders booked. The segment-wise funnel of enquiries is as follows:

Application Segment	Share (%)
Integrated Commercial Complexes (Office+Hotel+Mall+Multiplex)	15%
Power & Utility	13%
Hospitals & Healthcare	12%
Banks/Offices	10%
MRTS(Metro Rail)	10%
Commercial Malls& Multiplexes	10%
Hospitality	10%
Others	20%

On the central airconditioning equipment front, demand was sluggish, further affecting the segment profitability. While the ducted systems market continued to be muted during the quarter, VRF systems grew by about 15%. Blue Star offers both - the digital scroll and inverter-based systems in the VRF segment. The recently introduced new products such as free match inverters and hot water generators have met with an encouraging response in the market place specifically amongst hotels, hospitals and educational institutes.

Some of the major orders won by Blue Star during the quarter in Segment 1 are :

Key Projects in the Quarter:

	New Orders Won in Q2FY15
Electro Mechanical Projects	<ul style="list-style-type: none"> • MRF Ltd, Secunderabad • Kalpana Chawla Medical College & Hospital (JMC Projects), Karnal • AIIMS Surgical Block (Apex Constructions), New Delhi • Pioneer Urban, Gurgaon • Smart City Infrastructure, Kochi • L&W Construction, Chennai • Shri Vileparle Kelvani Mandal (Bhagubhai college) , Mumbai • Citadines OMR, Chennai
Central AC and Packaged Airconditioning products	<ul style="list-style-type: none"> • SAP Labs, Bengaluru • Abbott India, Mumbai • Godavari Ispat & Power, Raipur • Ajanta Pharma, Aurangabad

Service Business

Blue Star continues to be the largest after-sales airconditioning and commercial refrigeration service provider in the country, and has sustained its reputed position in the market place as a superior value added service provider. All its services are ISO 9001-2008 certified.

During the quarter, the Company won a large revamp order from the Supreme Court of India. It also launched a spare parts planning software called PlanIT which will help in making spares available at the right place at the right time and enhance customer satisfaction. With more than 20,000 spare parts being planned, Blue Star is the only airconditioning player to have this tool which is expected to be a differentiator.

Segment II (Cooling Products)

The room airconditioners industry performed well growing 25% during the quarter in value terms. The residential segment as well as the light commercial segments drove

growth. However, the demand from the institutional segment continued to be sluggish. Inconsistent monsoons helped the sales in some markets while adversely impacting a few other markets.

During the quarter, the Cooling Products segment registered a sharp increase in margins from 4.8% to 6.9% mainly due to stable foreign exchange and commodity prices. The Capital Employed increased from Rs 174 crores as on September 30, 2013 to Rs 192 crores as on September 30, 2014 mainly on account of higher inventory.

The room airconditioners business of the Company did remarkably well during the quarter registering a healthy growth of 35% in value over the same period in the previous year thereby increasing its market share. Enhanced distribution reach and superior brand perception contributed to growth. Consumers perceive Blue Star as an expert and specialist in airconditioning and this differentiator has enabled the Company to perform better than the industry over the last few years.

As regards to the commercial refrigeration products business, the water cooler segment grew marginally with enhanced demand from the educational and manufacturing segments. The Company won large orders from Shiv Nadar University and IT BHU during the quarter. The chest freezer business performed well due to an extended summer and inconsistent monsoons. Significant orders were received from Lazza Ice creams, Cream Bell, Dairy Day and Hatsun. The market in metros and Tier 2 cities is showing a preference for glass top freezers since impulse purchase in ice cream and frozen foods is on the rise. The modular cold room business also grew well, driven by the Quick Service Restaurants (QSR) segment. Several leading QSR players have aggressive expansion plans in Tier 3 and 4 markets and this product category is likely to witness enhanced demand in the near future.

Segment III (Professional Electronics and Industrial Systems)

Owing to the formation of a stable Government and the steady foreign exchange rate, capital investments in the automobiles, refineries, healthcare and banking segments have been on the rise. However, demand from Government-related sectors continues to be sluggish.

During the quarter, the segment registered a decline in margins from 25.5% to 23.8% over the same period last year due to change in business mix. Typically, quarterly performance is not a good indicator for this segment and its overall prospects continue to be good. The Capital Employed as at September 30, 2014 declined to Rs 26 crores as compared to Rs 33 crores as on September 30, 2013.

Some of the notable orders won during the quarter in the testing machines business included orders from RCB Regional Centre for Bio Technology for plant growth chambers; Federal Mogul for piston inspection X-ray system; Rico Auto for X-ray inspection systems; JSW for steel immersion tank system; Delkor for density analysers and Mahindra Sanyo for ultrasonic bar inspection system; amongst others. In the healthcare systems business, the refurbished CT scan business performed well. The

Company also received Type Approval (TA) for two models of CT scanners from Atomic Energy Regulatory Board (AERB). This will help the Company to enhance its footprint in the CT scanners segment as TAs are now mandatory requirements. The data communication business received orders from ICICI Bank, Tata Communications and Pine Labs for transaction security during the quarter. The test and measurement business witnessed a good inflow of orders from space and aviation segments.

Exports

Spurred by a number of megaprojects in the pipeline and the ramping up of social infrastructure spend, UAE's construction market is witnessing aggressive growth. Buildings comprise almost 60% of the total projects in the construction industry, followed by infrastructure, oil & gas and power. The region's construction business, to which the HVAC sector is irrevocably tied, is expected to see 9% average annual growth till 2016. As regards to the SAARC and ASEAN regions, countries such as Nepal, Bangladesh, Vietnam & Myanmar are expected to grow with enhanced FDI. While the hospitality segment is driving growth in Maldives, Nepal & Sri Lanka; manufacturing and power sectors are witnessing growth in Bangladesh; and seafood coupled with manufacturing is driving growth in Vietnam and Sri Lanka.

In Q2FY15, the Product Exports business of Blue Star has registered healthy growth. During the quarter, the Company received good inflow of orders in room airconditioners, water coolers, ducted systems and refrigeration products from OEM accounts and various distributors in UAE, Oman, Qatar, Yemen and Kuwait. It also received significant orders from Nepal and Sri Lanka.

BUSINESS OUTLOOK

Company Outlook

The electro mechanical projects business continues to be adversely affected as the closure of specific legacy orders in its last phase is taking longer than expected. Further, the commercial construction industry is yet to revive. However, considering the imminent improvement in the economic climate, this business is likely to improve in the long term. The cooling products business is expected to drive growth considering that Blue Star enjoys a strong brand perception in a low penetrated market thereby offering significant potential. The Company will continue its pursuit of prudent fiscal management in order to sustain this performance for the balance half of the year.



For more information contact

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SAFE HARBOUR

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

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CIN No.: L28920MH1949PLC006870, Telephone No+91 022 6665 4000 , Fax No. +91 22 6665 4152

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Rs. In Lakhs

Sr. no.	PARTICULARS	STANDALONE					
		QUARTER ENDED (Unaudited)			HALF YEAR ENDED (Unaudited)		YEAR ENDED (Audited)
		30.9.14	30.6.14	30.9.13	30.9.14	30.9.13	31.3.14
1	Income from Operations						
	a) Net Sales/Income from Operations (Net of Excise Duty)	63,334	84,198	58,102	147,532	134,695	275,120
	b) Other Operating Income	463	350	396	813	885	1,918
	Total Income from Operations (Net)	63,797	84,548	58,498	148,345	135,580	277,038
2	Expenses						
	a) Cost of materials consumed (including direct project cost)	34,690	40,602	34,952	75,292	72,851	165,343
	b) Purchase of Stock in trade	7,702	9,551	9,618	17,253	21,057	38,345
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	1,517	8,783	(3,405)	10,300	2,347	(6,225)
	d) Employee Benefits Expense	6,388	6,091	5,919	12,479	11,740	23,403
	e) Depreciation and Amortisation Expense	913	941	835	1,854	1,668	3,469
	f) Other Expenses	11,439	14,213	8,838	25,652	21,147	45,600
	Total Expenses	62,649	80,181	56,757	142,830	130,810	269,935
3	Profit from Operations before Other Income, Finance Cost and Exceptional Items (1-2)	1,148	4,367	1,741	5,515	4,770	7,103
4	Other Income	816	354	291	1,170	709	5,451
5	Profit before Finance Cost and Exceptional Items (3+4)	1,964	4,721	2,032	6,685	5,479	12,554
6	Finance Costs	1,057	1,104	1,280	2,161	2,450	4,964
7	Profit after Finance cost but before Exceptional Items (5-6)	907	3,617	752	4,524	3,029	7,590
8	Exceptional Items	-	-	-	-	-	-
9	Profit before Tax (7+8)	907	3,617	752	4,524	3,029	7,590
10	Tax Expense	2	516	-	518	-	-
11	Net Profit after Tax (9-10)	905	3,101	752	4,006	3,029	7,590
12	Paid Up Equity Share Capital (Face Value of the share - Rs. 2/- each)	1,799	1,799	1,799	1,799	1,799	1,799
13	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						51,160
14	Earnings Per Share (EPS) (in Rs.)(not annualised)						
	a) Basic	1.01	3.45	0.84	4.45	3.37	8.44
	b) Diluted	1.01	3.45	0.84	4.45	3.37	8.44

NOTES:

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on Oct 21, 2014 and has been subjected to Limited Review by the Statutory Auditors who have issued an unqualified report.
- As reported in the previous quarter, the Board of Directors had approved the Amalgamation of the Company and its subsidiaries, Blue Star Design Engineering Ltd (BSDEL) and Blue Star Electro Mechanical Ltd (BSEML), through a scheme of amalgamation (the scheme) as per the provisions of Sec 391 to Sec 394 of the Companies act on May 30,2014. Subsequently at a Board meeting held on Oct 9 ,2014 the Board reviewed the scheme in light of recent changes in the tax laws and decided not to proceed with the scheme.
- Minimum Alternate Tax provisions are applicable to the Company and it has recognised MAT credit entitlement during the quarter ended Sept. 30,2014,since it believes that there would be sufficient taxable profit in future.
- Previous period / year's figures have been regrouped/ rearranged wherever necessary.

For **BLUE STAR LIMITED**

Date :October 21, 2014
Place : Mumbai

Satish Jamdar
Managing Director

www.bluestarindia.com

BLUE STAR LIMITED

UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Sr. No.	Particulars	(Rs. In lakhs)					
		QUARTER ENDED (Unaudited)			HALF YEAR ENDED (Unaudited)		YEAR ENDED (Audited)
		30.9.14	30.6.14	30.9.13	30.9.14	30.9.13	31.3.14
I	SEGMENT REVENUE :						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	39,613	33,543	38,655	73,156	73,540	157,298
	b. Cooling Products	20,496	48,392	16,881	68,888	56,507	107,551
	c. Professional Electronics and Industrial Systems	3,688	2,613	2,962	6,301	5,533	12,189
	TOTAL SEGMENT REVENUE	63,797	84,548	58,498	148,345	135,580	277,038
	Less: Inter - Segment Revenue	-	-	-	-	-	-
	Total Income from Operations (Net)	63,797	84,548	58,498	148,345	135,580	277,038
II	SEGMENT RESULT :						
	PROFIT BEFORE INTEREST & TAX						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	1,974	542	2,076	2,516	3,870	7,523
	b. Cooling Products	1,417	7,059	815	8,476	5,046	9,477
	c. Professional Electronics and Industrial Systems	876	427	756	1,303	1,315	2,175
	TOTAL SEGMENT RESULT	4,267	8,028	3,647	12,295	10,231	19,175
	Less: i) Interest and Other Financial Charges	1,057	1,104	1,280	2,161	2,450	4,964
	ii) Un-allocable Expenditure	2,303	3,307	1,615	5,610	4,752	6,621
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	907	3,617	752	4,524	3,029	7,590
	Exceptional item						
	PROFIT BEFORE TAXATION	907	3,617	752	4,524	3,029	7,590
III	CAPITAL EMPLOYED :						
	(Segment Assets - Segment Liabilities)						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	48,504	49,408	53,219	48,504	53,219	45,407
	b. Cooling Products	19,199	18,648	17,378	19,199	17,378	25,126
	c. Professional Electronics and Industrial Systems	2,622	2,664	3,264	2,622	3,264	3,147
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	70,325	70,720	73,861	70,325	73,861	73,680
	Add: Un-allocable Corporate Assets less Liabilities	(13,651)	(14,953)	(21,395)	(13,651)	(21,395)	(20,721)
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	56,674	55,767	52,466	56,674	52,466	52,959

For BLUE STAR LIMITED

Date :October 21, 2014

Place : Mumbai

Satish Jamdar
Managing Director

BLUE STAR LIMITED
STATEMENT OF ASSETS AND LIABILITIES AS ON SEPTEMBER 30, 2014

*

Sr. No.	PARTICULARS		
		HALF YEAR ENDED (Unaudited)	YEAR ENDED (AUDITED)
		30.09.14	31.3.14
A	EQUITY AND LIABILITIES		
	1. Shareholders Funds		
	(a) Share Capital	1,799	1,799
	(b) Reserves and Surplus	54,875	51,160
	Sub-total - Shareholders' funds	56,674	52,959
	2. Non-Current Liabilities		
	(a) Long-term Provisions	312	281
	Sub-total - Non-current liabilities	312	281
	3. Current Liabilities		
	(a) Short-term Borrowings	40,076	43,088
	(b) Trade Payables	56,880	78,930
	(c) Other Current Liabilities	40,608	41,599
	(d) Short-term Provisions	2,755	6,654
	Sub-total - Current liabilities	140,319	170,271
	TOTAL - EQUITY AND LIABILITIES	197,305	223,511
B	ASSETS		
	1. Non-Current Assets		
	(a) Fixed Assets	22,772	23,080
	(b) Non-Current Investments	12,136	12,136
	(c) Deferred Tax Assets (Net)	236	-
	(d) Long-Term Loans and Advances	12,101	11,435
	(e) Trade Receivables	5,892	5,275
	(f) Other Non-Current Assets	97	84
	Sub-total - Non-current assets	53,234	52,010
	2. Current Assets		
	(a) Inventories	44,529	58,140
	(b) Trade Receivables	55,312	68,011
	(c) Cash and Cash Equivalents	3,077	4,726
	(d) Short-term Loans and Advances	12,897	13,063
	(e) Other Current Assets	28,256	27,561
	Sub-total - Current assets	144,071	171,501
	TOTAL - ASSETS	197,305	223,511

Date :October 21, 2014

Place : Mumbai

Satish Jamdar
Managing Director

BLUE STAR LIMITED
SELECT INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2014

*

Sr. No.	PARTICULARS	QUARTER ENDED- (Unaudited)			HALF YEAR ENDED- (Unaudited)		Year ended (Audited)
		30.09.14	30.06.14	30.09.13	30.09.14	30.09.13	
A	PARTICULARS OF SHAREHOLDING						
1	Public Shareholding						
	-Number of Shares	54,437,108	54,379,108	53,902,234	54,437,108	53,902,234	54,267,434
	-Percentage of Shareholding	60.53	60.46	59.93	60.53	59.93	60.34
2	Promoters and Promoter Group Shareholding						
a)	Pledged / Encumbered						
	-Number of Shares	600,000	600,000	600,000	600,000	600,000	600,000
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	1.69	1.69	1.67	1.69	1.67	1.68
	-Percentage of Shares (as a % of total share Capital of the Company)	0.67	0.67	0.67	0.67	0.67	0.67
b)	Non-Encumbered						
	-Number of Shares	34,898,997	34,956,997	35,433,871	34,898,997	35,433,871	35,068,671
	-Percentage of Shares (as a % of total shareholding of promoter and promoter group)	98.31	98.31	98.33	98.31	98.33	98.32
	-Percentage of Shares (as a % of total share Capital of the Company)	38.80	38.87	39.40	38.80	39.40	38.99

B	Particulars	Quarter ended
		30.09.14
	INVESTOR COMPLAINTS	
	Pending at the beginning of the quarter	1
	Received during the quarter	23
	Disposed during the quarter	24
	Remaining unresolved at the end of the quarter	-

For BLUE STAR LIMITED

Date :October 21, 2014
Place : Mumbai

Satish Jamdar
Managing Director