

Blue Star Limited

Q1 FY07 Earnings Update

July 27, 2006

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 312.81 crores for the quarter ended June 30, 2006, representing 36% growth over the corresponding quarter in the previous year. Net sales for the quarter at Rs 312.32 crores was also up by 36% over Q1FY06.
- The central airconditioning business continued to contribute significantly to the overall growth of the Company. This division grew by 36% during Q1FY07. The profit before interest and tax (PBIT) of this business during the quarter grew 46% to Rs 15.07 crores.
- The cooling products business also performed exceptionally well growing 45% during the quarter, and contributing to more than a third of the Company's Net Sales. Further, PBIT grew 45% to Rs 7.82 crores.
- The revenue of the professional electronics business declined by 12% and PBIT declined by 7% to Rs 1.36 crores over Q1FY06. However, given the nature and the multiple lines of this business, quarterly performance is typically not a good indicator of full year performance, and the future continues to look promising.
- SBU-wise sales break-up:

(Rs crores)

	Q1FY07	Q1FY06	% Growth/ (Decline)	% of Net Sales
Central airconditioning systems	186.37	136.59	36.4%	59.7%
Cooling products	111.76	77.34	44.5%	35.8%
Professional Electronics & Industrial equipment	14.19	16.10	(11.9%)	4.5%

- SBU-wise results break-up:

(Rs crores)

	Q1FY07	Q1FY06	% Growth/ (Decline)	% of Total Segment Result
Central airconditioning systems	15.07	10.31	46.2%	62.1%
Cooling products	7.82	5.38	45.3%	32.2%
Professional Electronics & Industrial equipment	1.36	1.46	(6.8%)	5.6%

- Operating profit (PBDIT excluding Other Income) for the quarter at Rs 15.8 crores was up by 36% as compared to PBDIT of Rs 11.6 crores earned in Q1FY06. Despite substantial increase in input costs such as steel and copper, the operating margin remained unchanged at 5.1% in Q1FY07 compared to Q1FY06. The rise in input costs was offset by a marginal increase in selling prices coupled with focus on value engineering. The Company has also adopted certain de-risking strategies to hedge raw material price increases. However, the drastic increase in metal prices, especially copper remains a challenge.
- Other income for the quarter was Rs 49 lakhs (Rs 9 lakhs in Q1FY06).
- Net profit for the quarter was Rs 7.30 crores, up 45% over net profit of Rs 5.05 crores for Q1FY06.
- The earnings per share for the quarter was Rs 4.06 as against EPS of Rs 2.80 in Q1FY06.
- Carry Forward Order Book as on June 30, 2006 stood at a healthy Rs 688 crores compared to the order book of Rs. 400 crores as at June 30, 2005.

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

IT/ITES and retail 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.

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

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<ul style="list-style-type: none"> * West Gate Mall, Delhi * AIIMS Cardio Neuro Centre, Delhi * E-City, Lucknow * Sun City World School, Gurgaon * Sahara Hospital, Lucknow * Hi-Life Mall, Mumbai * DRDO, Panagarh * IBM K Block, Bangalore * Hewlett Packard, Bangalore * RMZ Ecospace 1B, Bangalore 	<ul style="list-style-type: none"> * Wipro, Gurgaon * Cognizant SDB III, Chennai * IIT, Guwahati * SBI LHO, Guwahati * IBM-Daksh, Bangalore 	<ul style="list-style-type: none"> * Megapolis Mall, Thane * Hester Pharmaceuticals, Mehsana * Satyam Ph V, Bangalore * Franklin Templeton, Secunderabad * Ascendas Intl Tech Park, Chennai * AB Motions, Ludhiana * DLF Cyber, Gurgaon * Infinity Benchmark, Kolkata

In the packaged/ducted airconditioning and small chillers segment, the Company continued to get significant business from customers having national presence like Pantaloon, Vishal Mega Mart, ICICI Bank, ING Vysya, Centurion Bank, Kotak Mahindra and ACC. Quite a few new customers with pan India presence were signed on during the quarter such as Reliance Retail, Levi's Strauss, Gitanjali Jewellers and Glaxo Smithkline.

The indigenous digital scroll technology based Variable Refrigerant Flow (VRF) systems was launched during the quarter. This product range witnessed good demand and is expected to strengthen Blue Star's competitive position and substantially improve its market share in this segment. The Company also emerged as the preferred vendor in the telecom segment, with specially designed packaged airconditioners for telecom applications called 'Telepacs'

The packaged/ducted airconditioning business is completely dealerized and considering that these dealers are a key asset and a critical success factor, initiatives for developing these dealers continued with full vigor during the quarter. Two management development programmes were conducted at Indian Institute of Management, Bangalore, during this quarter wherein 60 dealer owners participated. The programme aimed at providing structured inputs to the dealers to effectively build a professional organization and drive excellence.

Service Business

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

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.

The Company offers a slew of value added services such as Duct Cleaning, UVC Emitters, Water Treatment Systems, Variable Frequency Drives, Heat Recovery Wheels, Energy Audits, apart from retrofitting, revamping, upgrades and enhancements.

Cooling Products

The cooling products business performed exceptionally well recording a growth of 45% during the quarter. The primary growth drivers of this business continued to be room airconditioners, as well as deep freezers and cold storages.

In the room airconditioners segment, Blue Star outperformed the market growth. The focus continues to be on the corporate, commercial and light commercial segments. The quarter witnessed the launch of the new “Hiper split airconditioners”, a more energy efficient solution from Blue Star. The product was formally launched all over India, and has been well received. With the market shifting from window to split airconditioners, the Company is confident of its outlook in this business.

The Company has recently tied up with ISA, Italy to provide refrigeration technologies and solutions to the emerging retailing and supermarket segments in India. This tie up would provide Blue Star an access to world class solutions and make the Company a formidable player in the supermarket refrigeration segment. The solutions would be available across the country from Q2 FY07. Many industrial houses with big plans have already evinced interest for Blue Star solutions, as a fall out of this tie up.

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.

During the quarter, the revenue of the business declined 12% from 16.10 crores to Rs 14.19 crores compared to Q1FY06. However, given the nature of Professional Electronics business, and its multiple lines of business, quarterly performance is typically not a good indicator of full year performance of the division. The outlook for the business continues to be promising with additional product lines and market segments being added.

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.

The Company held customer events in Doha and Dubai during the quarter, showcasing its wide range of products. The response is encouraging and the Company expects to increase export revenues during the year.

BUSINESS OUTLOOK

Industry Outlook

The central airconditioning business continues to be on a growth phase mainly fueled by the IT/ITES and retail segments. The cooling products industry is also witnessing substantial growth driven by increased demand of room airconditioners and commercial 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 value proposition of energy efficiency, system design expertise and after-sales

service excellence, backed by over six decades of HVAC experience, will help it sustain its leadership position.

With the manufacturing of room airconditioners commencing at Himachal, the Company expects the cooling products business to contribute significantly to the overall results for the year. Blue Star deals with a wide range of cold chain equipment and with an impending boom in this segment, Blue Star is well positioned to leverage on the upcoming opportunities.

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

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 JUNE 30, 2006

(Rs In lakhs)

PARTICULARS	QUARTER ENDED		AUDITED
	30.6.2006	30.6.2005	YEAR ENDED 31.3.2006
Net Sales/Income from Operations	31232	23003	117456
Other Income	49	9	406
Total Income	31281	23012	117862
Total Expenditure	29648	21839	108788
(Increase) / Decrease in Stock in trade	(2,544)	(1,941)	(4,718)
Consumption of Raw Materials	27199	19758	95505
Staff Cost	2236	1718	8827
Other Expenditure	2757	2304	9174
Interest	202	94	572
Depreciation	429	349	1593
Profit Before Tax	1002	730	6909
Provision for Taxation	224	195	1642
Deferred Tax (Asset) /Liability for the year	13	(10)	77
Fringe Benefit tax	35	40	300
Net Profit	730	505	4890
Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799
Reserves			15472
Earnings Per Share (Rs.)	4.06	2.80	27.18

NOTE :

1. 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 July 25, 2006.
2. During the quarter ended June 30, 2006, the Company received and disposed of 33 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
Jamshedji Tata Road
Mumbai 400 020
www.bluestarindia.com
Date : July 25, 2006
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the quarter ended June 30, 2006

 (Rs. in
lakhs)

	Description	QUARTER ENDED		AUDITED
				YEAR ENDED
		30.06.06	30.6.2005	31.3.2006
I.	SEGMENT REVENUE			
	i. Central Air-conditioning Systems	18637	13659	82130
	ii. Cooling Products	11176	7734	27120
	iii. Professional Electronics and Industrial Equipment	1419	1610	8036
	iv. Residual	-	-	170
	TOTAL SEGMENT REVENUE	31232	23003	117456
	Less: Inter Segment Revenue	-	-	-
	NET SALES/ INCOME FROM OPERATION	31232	23003	117456
II.	SEGMENT RESULT			
	PROFIT/(LOSS) BEFORE INTEREST & TAX			
	i. Central Air-conditioning Systems	1507	1031	8003
	ii. Cooling Products	782	538	1317
	iii. Professional Electronics and Industrial Equipment	136	146	1527
	iv. Residual	-	(2)	(80)
	TOTAL SEGMENT RESULT	2425	1713	10767
	Less:			
	i.) Interest	202	94	572
	ii.) Other un-allocable Expenditure net of un-allocable Income	1,221	889	3,286
	TOTAL PROFIT BEFORE TAX	1002	730	6909
III.	CAPITAL EMPLOYED:			
	(Segment Assets- Segment Liabilities)			
	i. Central Air-conditioning Systems	16550	10531	13110
	ii. Cooling Products	10763	8031	8686
	iii. Professional Electronics and Industrial Equipment	1966	1168	2045
	iv. Residual		267	0
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	29279	19997	23841
	Add: Un-allocable Corporate Assets less Liabilities	972	2140	1016
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	30251	22137	24857

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 www.bluestarindia.com
 Date :July 25,2006

For BLUE STAR LIMITED

 Ashok M Advani
 Chairman & Managing Director