

Blue Star Limited

Q1 FY06 Earnings Update

July 27, 2005

FINANCIAL HIGHLIGHTS

- Central airconditioning and commercial refrigeration major Blue Star Limited reported a Total Income of Rs 230.1 crores for the quarter ended June 30, 2005, representing 29% growth over corresponding quarter in the previous year. Net sales for the quarter at Rs 230 crores was up by 29% over Q1FY05
- The central airconditioning business continued to contribute significantly to the overall growth of the company. This division grew by 23% during Q1FY06. The central airconditioning business contributed 59.4% to the net sales during the quarter
- The Cooling products division, due to an excellent summer season, showed great buoyancy with 34% growth in sales

- SBU-wise sales break-up:

	Q1FY06	Q1FY05	% Growth	Rs crores % of Net Sales
Central airconditioning systems	136.6	110.7	23.5	59.4
Cooling products	77.3	57.7	34	33.6
Professional Electronics & Industrial equipment	16.1	10.2	58.2	7.0

- Operating profit (PBIDT excluding Other Income) for the quarter at Rs 11.6 crores is up by 53% as compared to PBDIT of Rs 7.6 crores earned in Q1FY05. Some improvement in raw material costs, as well as the continuous focus on improving efficiencies and productivity resulted in increased profitability.
- Other income for the quarter was Rs 9 lakhs (Rs 8 lakhs in Q1FY05)
- Net profit for the quarter was Rs 5 crores, up by 40% over net profit of Rs 3.6 crores for Q1FY05
- The earnings per share for the quarter was Rs 2.8 as against EPS of Rs 2 in Q1FY05

- Carry Forward Order Book as on June 30, 2005 stood at Rs 533 crores compared to the order book of Rs. 410.23 crores as at March 31, 2005. The order book at the end of Q1FY05 was Rs 447.2 crores
- The order inflow during the first three months of the current year at Rs 336 crores is up by 41% over corresponding three months of the previous year

BUSINESS HIGHLIGHTS

Central Airconditioning

Overview

The central airconditioning business continued to be a growth driver for Blue Star's revenue. IT/ITES, BPO, healthcare, hospitality, retail, entertainment, telecom and other service sectors fueled the demand for central airconditioning. At the lower end, there was an equally impressive growth in light commercial segments including restaurants, ice cream parlors, boutiques and coffee parlors, amongst others.

Blue Star enjoys a preferred partner status in most of the new growth segments, owing to its strong engineering prowess, track record of on-time delivery of projects as well as hassle free execution. This coupled with its commitment to maximize energy savings for customers through energy efficient products and designs have helped the Company sustain its leadership position in this business.

Reduction of excise duty from 24% to 16% for airconditioning equipment, led to overall decrease in unit prices. However, price realization net of excise as well as gross margins were stable with significant volume growth. The revenue growth and PBIT margin for Q1FY06 was impacted due to the lack of clarity over VAT and Service Tax. With this change implemented, the Company expects higher growth as well as better margins for the full year.

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

Key Projects in the Quarter

Under Execution	Commissioned	New Orders Won
<p><i>Domestic</i></p> <ul style="list-style-type: none"> * Infosys Progeon, Bangalore * LG Soft, Bangalore * NPC, Kota and Kaiga * Wipro, Kolkata * Cross River Mall, New Delhi * DLF Infinity, Gurgaon * Orchid Plaza, Gurgaon * Delhi High Court 	<ul style="list-style-type: none"> * Ranbaxy, Gurgaon * IGNOU, New Delhi * DLF Grand Mall, Gurgaon * Columbia Hospital, Bangalore 	<ul style="list-style-type: none"> * RMZ Infinity, Bangalore * Nicholas Piramal, Baddi * Inject Care, Silvassa * Merryl Lynch, Mumbai * Wipro, Gurgaon * E-City, Lucknow * Tech Park One, Pune * IIT, Chennai * Mastek, Mumbai & Pune * HP India, Mumbai & Bangalore * Amity University, Lucknow * Airtel, Bangalore * Star TV, Bangalore
<p><i>International</i></p>		<ul style="list-style-type: none"> * Marina Mansion, Dubai

New Product Launches

Highly energy efficient “Hiper Plus Packaged Airconditioners” introduced in the last quarter were formally launched with customer seminars in Mumbai, Delhi, Kolkata and Hyderabad in Q1FY06. These airconditioners have received tremendous response from customers in the IT/ITES, BPO and Telecom industries, and the Company is confident of further increasing its market share in these new growth segments.

The screw chillers launched by the Company last year have been well received in the market place. These chillers save power in spaces which have varying loads, making it ideal for applications such as multiplexes, malls, hospitals and hotels. Since these chillers are manufactured in Blue Star’s factory at Thane, customers do not need to import these products and have convenience of faster delivery times.

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 TR of installed airconditioning and refrigeration equipment, which

includes many prestigious corporate institutions, commercial establishments and industries.

The focus in airconditioning maintenance traditionally was break-down maintenance. However, recently the Company has been focusing on important issues such as Energy Management, Indoor Air Quality Management and Water Management. The Company 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.

During the quarter, the Company acquired several large maintenance contracts, and also orders for augmentation and replacement of old airconditioning plants with an objective to improve energy efficiency as well as capacity. The Company also expanded the market for new services such as duct cleaning.

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

Cooling Products

This division contributed 33.6% to the net sales during Q1FY06, compared to its contribution of 32.3% in Q1FY05. The division had managed a successful turnaround in the latter part of FY05 by focusing on volume growth and operational efficiency.

The revenue growth in this line of business was primarily driven by room airconditioner and deep freezer sales. Although the market for room airconditioners in the country grew 25% quarter over quarter, Blue Star's sales grew a significant 65%. Although, there was an overall decrease in prices due to the reduction in excise duties, margins were stable.

Blue Star had launched its own manufactured range of deep freezers in Q1FY05. The product has been well received in the market, and the sales of deep freezers grew significantly in Q1FY06.

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 division contributed 7% to the net sales with net sales growing by a healthy 58%. The Company bagged several prestigious orders during the quarter. The Company bagged an order from BPCL for an on-line viscosity measurement system. This is the Division's first order in on-line viscosity measurement for lube blending in refineries, and the Division is confident of several such orders, since there is a need for quality controls in the lube blending process instead of quality checks on batches, as being carried out now in most of the refineries.

There is a spurt in on-line density measurement business for interface detections in cross-country pipelines. The Division bagged another prestigious order from BPCL, with more orders expected during the year. The Division has also forayed into allied business lines such as on-line sulphur content measurement and colour measurement in petroleum products which eventually determines the criteria for EURO II or EURO III norms.

The Division had recently introduced high concentration slurry disposal (HCSD) pumps for disposal of fly ash in power plants over long distances through pipes. During Q1FY05, the Division bagged two orders for engineered pumps from MSEB and APGENO.

Blue Star has a tie-up with Techcomp Ltd, Hong Kong for pre-fabricated bio safety level in P3 containment labs to provide safe environment for research in HIV and TB virus. The market response has been very encouraging and the Company has already received an LOI from CCMB, Hyderabad. More orders are expected in next few months from other research labs.

Exports

Blue Star's exports are derived from two streams - International Projects and Product Exports. The Middle East is witnessing a construction boom especially in countries like UAE, Qatar and Bahrain. Blue Star is confident of its prospects - both in product exports and international projects, especially in the Middle East, considering the favourable economic environment. It is aggressively targeting these markets and is confident of significant growth in exports in FY06.

BUSINESS OUTLOOK

Industry Outlook

The reduction of excise duty from 24% to 16% has brought about overall reduction in prices making airconditioning equipment more affordable. However, margins have stabilized. The central airconditioning business continues to be on a growth phase mainly being fueled by the services sector.

In addition to the Indian market, the Middle East market is expected to witness exponential growth in HVAC requirements in the coming few 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, being the largest contributor to the revenue and witnessing sustained growth, will drive the overall growth of the company in the coming quarters of the year as well. Blue Star with its reputation and brand equity, backed by over six decades of experience, remains the market leader in this segment.

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.

Refrigeration & cooling products segment did quite well during the quarter which was the peak season for the segment. While the Company is optimistic about the prospects of this business in the current financial year, it is to be noted that the results of Q1FY05 were negatively impacted by a one time problem related to the Deep Freezer business. A quarterly comparison with Q1FY06 may therefore not be appropriate. Having said this, with a good start to FY06, the business is expected to contribute positively to the overall results for the year.

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.

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, 2005

(Rs In lakhs)

PARTICULARS	QUARTER ENDED		AUDITED
	30.6.2005	30.6.2004	YEAR ENDED 31.3.2005
Net Sales/Income from Operations	23003	17852	92077
Other Income	9	8	1015
Total Income	23012	17860	93092
Total Expenditure	21839	17093	86292
(Increase) / Decrease in Stock in trade	(1,941)	(2,068)	(2,592)
Consumption of Raw Materials	19758	16050	74295
Staff Cost	1718	1375	7237
Other Expenditure	2304	1736	7352
Interest	94	42	321
Depreciation	349	233	1235
Profit Before Tax	730	492	5244
Provision for Taxation	195	131	1371
Deferred Tax (Asset) /Liability for the year	(10)	-	(43)
Fringe Benefit tax	40	-	-
Net Profit	505	361	3916
Paid-up Equity Share Capital of Rs.10 each	1799	1799	1799
Reserves			13043
Earnings Per Share (Rs.)	2.80	2.01	21.77

NOTE :

- 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 27, 2005.
- Consequent to introduction of Value Added tax (VAT) effective 1.4.2005, the figure of net sales/ income from operations for the quarter ended June 30,2005 is net of VAT of Rs.377.19 lakhs. Previous year figures are inclusive of Works Contract Tax, the value of which is not ascertainable. Consequently, the figures are not strictly comparable.
- During the quarter ended June 30, 2005, the Company received and disposed of 15 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 27, 2005
Place : Mumbai

For BLUE STAR LIMITED

Ashok M Advani
Chairman & Managing Director

Segment wise Revenue, Results and Capital Employed for the year ended June 30, 2005

 (Rs. in
lakhs)

	Description	QUARTER ENDED		AUDITED
		YEAR ENDED		
		30.6.2005	30.6.2004	31.3.2005
I.	SEGMENT REVENUE			
	i. Central Air-conditioning Systems	13659	11065	65152
	ii. Cooling Products	7734	5769	20983
	iii. Professional Electronics and Industrial Equipment	1610	1018	5924
	iv. Residual	-	-	18
	TOTAL SEGMENT REVENUE	23003	17852	92077
	Less: Inter Segment Revenue	-	-	-
	NET SALES/ INCOME FROM OPERATION	23003	17852	92077
II.	SEGMENT RESULT			
	PROFIT/(LOSS) BEFORE INTEREST & TAX			
	i. Central Air-conditioning Systems	1031	908	6032
	ii. Cooling Products	538	(2)	431
	iii. Professional Electronics and Industrial Equipment	146	118	1201
	iv. Residual	(2)	(4)	(187)
	TOTAL SEGMENT RESULT	1713	1020	7477
	Less:			
	i.) Interest	94	42	321
	ii.) Other un-allocable Expenditure net of un-allocable Income	889	486	1,912
	TOTAL PROFIT BEFORE TAX	730	492	5244
III.	CAPITAL EMPLOYED:			
	(Segment Assets- Segment Liabilities)			
	i. Central Air-conditioning Systems	10531	9430	10112
	ii. Cooling Products	8031	6105	5555
	iii. Professional Electronics and Industrial Equipment	1168	441	1549
	iv. Residual	267	417	261
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	19997	16393	17477
	Add: Un-allocable Corporate Assets less Liabilities	2140	892	1093
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	22137	17285	18570

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Place : Mumbai
For BLUE STAR LIMITED
Ashok M Advani
Chairman & Managing Director