

Blue Star Limited
Investor Update
Q1FY21

Good morning ladies and gentlemen, this is Neeraj Basur. We also have on the call today, our Managing Director, Mr. B Thiagarajan. I will be providing you an overview of the results for Blue Star Limited for the quarter ended June 2020.

I. FINANCIAL HIGHLIGHTS FOR Q1FY21

The current financial year commenced in the backdrop of an unprecedented economic disruption. As a socially responsible organization, during the initial phase of the lockdown, apart from donating rations to the needy and personal protective equipment to the frontline social workers, we were at the forefront attending to the emergency equipment servicing needs of our customers such as Kasturba Hospital, Mumbai, Chitradurga District Hospital, Karnataka and Torrent Power, Sabarmati in their efforts to keep the essential services operational.

The financial performance for the quarter needs to be viewed in the context of it being a challenging period for the economy as a whole, and the HVAC&R industry in particular due to the on-going pandemic. Most part of the summer season was lost and project sites were shut. It was in the third week of May economic activities started opening up. Even as we speak, partial lockdowns are in place and various restrictions continue.

Therefore, the results for Q1FY21 are not comparable with that of Q1FY20.

Financial highlights for the quarter ended June 30, 2020 on a consolidated basis, are summarized below:

- Revenue from operations for Q1FY21 was Rs 626.02 cr as compared to Rs 1575.45 cr in Q1FY20, a de-growth of 60.3%.
- EBIDTA (excluding other income and finance income) for Q1FY21 was Rs 1.36 cr as compared to Rs 114.85 cr in Q1FY20.
- In Q1FY21, there was a loss of Rs 29.47 cr before Exceptional Items as compared to a profit of Rs 107.96 cr in Q1FY20.
- Net loss was Rs 19.66 cr in Q1FY21 compared to a net profit of Rs 76.84 cr in Q1FY20.
- Carried-forward order book increased marginally to Rs 2918.66 cr as on June 30, 2020 compared to Rs 2841.10 cr as on June 30, 2019.
- Capital Employed increased to Rs 1193.83 cr as on June 30, 2020 from Rs 949.20 cr as on June 30, 2019 due to higher inventory levels on account of revenue de-growth.
- We raised Rs 350 cr during the quarter through issuance of non-convertible debentures to fund working capital and to build sufficient liquidity on the Balance Sheet. Consequently, net borrowings increased to Rs 428.53 cr as on June 30, 2020 (Debt Equity ratio of 0.56) as compared to a net cash balance of Rs 0.74 cr as on June 30, 2019.

II. BUSINESS HIGHLIGHTS FOR Q1FY21

Segment I: Electro-Mechanical Projects & Commercial Air Conditioning Systems

Segment I revenue was Rs 312.44 cr in Q1FY21 as compared to Rs 623.94 cr in Q1FY20, a decline of 49.9%. Reduction in scale caused the margin to shrink significantly. In view of the financial and operational stress faced by a few customer segments, we have prudently made provisions for doubtful receivables and potential credit loss. These factors resulted in the segment reporting a negative margin of Rs 10.53 cr in Q1FY21 as against a margin of Rs 33.53 cr in Q1FY20.

Order inflow during the quarter was impacted due to lockdown and reduced to Rs 266.78 cr as compared to Rs 966.90 cr in Q1FY20, a de-growth of 72.4%.

1. Electro-Mechanical Projects business

The lockdown during the quarter severely impacted bookings and had a major impact on the revenue. Only around 10% of the project sites were operational during the quarter.

We prioritized and focused on jobs based on the customer credit profile and collections. Going forward, the same principles of cash management will be followed as far as this segment is concerned.

As economic recovery post COVID will be slow, the commercial buildings sector which contributes a major part of our revenue is expected to take longer to recover. Infrastructure and industrial sectors are expected to recover relatively faster.

Carried-forward order book of the Electro-Mechanical Projects business was Rs 2040 cr as on June 30, 2020 as compared to Rs 2013 cr as on June 30, 2019, an increase of 1.4%.

2. Commercial Air Conditioning Systems

With the segments such as light commercial, medium-sized offices, educational institutions, entertainment and banquet halls severely impacted, both new order booking and billing were lower during the quarter.

Consequently we registered a de-growth of 66% in billing.

However, order inflow from BFSI, Healthcare, Pharma and Government sectors are encouraging.

Major orders bagged in Q1FY21 were from Patna Medical College, ThyssenKrupp (Nagpur) and MMRCL COVID Hospital (Mumbai).

3. International Business

The international markets in which we operate were also impacted by the pandemic. However, easing of restrictions in some of the major markets enabled pick-up in revenue in June.

Revenue and profitability of the projects executed through our Joint ventures at Qatar & Malaysia were also impacted due to the pandemic, though the operations slowly started to normalize from June.

Our focus remained on the expansion of the Blue Star product range and building brand awareness in the different markets that we are present in. We have also increased our marketing across Digital Media platforms, to build awareness and brand visibility across key markets.

Segment II: Unitary Products

Segment II revenue was Rs 274.85 cr in Q1FY21 as compared to Rs 906.89 cr in Q1FY20, a decline of 69.7%. Inability to sell during a substantial part of the peak selling summer season combined with additional burden of demurrage and detention charges due to the lockdown resulted in erosion of margins. Consequently, the segment result was a loss of Rs 3.76 cr in Q1FY21 compared with a profit of Rs 98.91 cr in Q1FY20.

1. Room Air Conditioner business

In Room Air conditioner business, our estimate is that the market shrunk by almost 65% during the quarter with the conventional retail outlets and non-essential e-commerce sales shut till the third week of May. Our de-growth was also in line with the market. Even after the markets began opening up the footfalls were lower and the priority was to liquidate the inventory lying with the channels since March.

Sale through the e-commerce channel including our own web store gained traction and share of revenue through this channel improved to 12% this quarter.

2. Commercial Refrigeration business

Revenue of this business was impacted significantly due to loss of sales to the ice-cream manufacturing segment and complete shutdown of commercial establishments and educational institutions which contribute a major share of revenue from storage water coolers and bottled water dispensers. The loss of revenue from these segments was partially compensated by increased revenue from customers in the essential services segments such as processed foods, healthcare and pharma.

Major orders were bagged in Q1FY21 from Odisha State Medical Services Corporation, Royal Cold Chain (Azadpur Mandi), and Indian Immunologicals Limited.

Healthcare, pharma, food delivery and processed food segments will continue to offer attractive growth potential for this business in the new normal.

3. Water Purifier business

Impact of the pandemic on our water purifier business was relatively moderate. E-commerce channel continued to contribute to a major share of revenue for water purifiers.

We continue to stay focused on establishing our brand as a trusted one in the category, with well-engineered and the reliable products including the ones that offer alkaline water for boosting immunity, backed by superior service.

Given the growing concerns on health and immunity, the demand for water purifiers is set to grow and we have set ourselves a market share target of 2.5% in FY21. The business is poised to break even this year.

Segment III: Professional Electronics and Industrial Systems

Segment III revenue was Rs 38.73 cr in Q1FY21 as compared to Rs 44.62 cr in Q1FY20. Segment result grew to Rs 10.18 cr (26.3%) in Q1FY21 from Rs 4.42 cr (9.9%) in Q1FY20.

Data Security Systems business continued to do well on the back of digitization initiatives in the BFSI sector. Demand for Healthcare products picked up in the latter part of the quarter.

While corporate capex is likely to be selective, we expect the Indian digital payment sector and healthcare sector to grow further in the current scenario and continue to offer opportunities.

With the wide portfolio of products and solutions forming part of our offerings, the prospects for this business segment is positive.

III. BUSINESS OUTLOOK

We have taken swift actions to restore business operations with adequate focus on safety and well-being of our employees, channel partners, business associates and vendors. Manufacturing and supply chain operations are fully operational.

We have cut the operating costs in line with the potential revenue loss and infused capital though long-term debt to strengthen the resilience of our Balance Sheet. We will continue to prioritize project execution based on cash flow. The Room Air conditioners and Commercial Refrigeration businesses are expected to gain traction gradually and our expectation is that the market will get back to normal by Q4FY21. Healthcare, pharma and processed foods segments will continue to offer good opportunities for the Commercial Refrigeration business in the new normal. Increased awareness on building immunity will offer good prospects for the Water Purifiers business. Digitization and Healthcare initiatives offer good prospects for the Professional Electronics and Industrial Systems segment.

We will endeavor to overcome this challenging phase in a balanced and agile manner with focus on prudent management of working capital and operating costs, while ramping up revenue.

With that ladies and gentlemen, I am done with the opening remarks. I would like to now pass it back to moderator, who will open up floor to questions. Mr Thiagarajan and I will try and answer as many questions as we can. To the extent we are unable to, we will get back to you via e-mail.

With that, we are open for questions.

Ending remarks

Thank you very much, Ladies and Gentlemen. With this, we conclude this quarter's earning call. Do feel free to revert to us in case any of your questions were not fully answered and we will be happy to provide you additional details by email or in person.

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

Registered Office : Kasturi Buildings, Mohan T. Advani Chowk, Jamshedji Tata Road, Mumbai 400 020,

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

UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2020

₹ in Crores

SR. NO	PARTICULARS	QUARTER ENDED (UNAUDITED)	QUARTER ENDED (Refer Note 2)	QUARTER ENDED (UNAUDITED)	YEAR ENDED (AUDITED)
		30.6.20	31.3.20	30.6.19	31.3.20
	Revenue from operations	526.20	1,196.83	1,470.67	4,786.49
	Other Income	7.54	34.64	23.61	73.43
1	Total Income	533.74	1,231.47	1,494.28	4,859.92
2	Expenses				
	a) Cost of materials consumed (including direct project cost)	171.68	806.72	725.74	2,866.96
	b) Purchase of Stock in trade	120.86	287.69	206.63	738.98
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	114.45	(195.69)	174.35	0.53
	d) Employee Benefits Expense	58.98	105.71	97.94	414.95
	e) Depreciation and Amortisation Expense	19.89	22.29	19.66	84.34
	f) Finance Cost	19.17	7.91	8.68	32.37
	g) Other Expenses	72.94	160.64	156.44	550.09
	Total Expenses	577.97	1,195.27	1,389.44	4,688.22
3	Profit/(Loss) from Operations before Exceptional Items and Tax (1-2)	(44.23)	36.20	104.84	171.70
4	Exceptional Items (refer Note 3)	-	(0.75)	-	(4.03)
5	Profit/(Loss) before Tax (3+4)	(44.23)	35.45	104.84	167.67
6	Tax Expense				
	i) Current tax	(13.71)	0.81	31.67	25.04
	ii) Deferred tax	-	1.38	(1.06)	21.76
	Total Tax Expense	(13.71)	2.19	30.61	46.80
7	Net Profit/(Loss) after tax (5-6)	(30.52)	33.26	74.23	120.87
8	Other Comprehensive Income				
	Items that will not be reclassified to profit or loss (net of tax)	0.22	(0.41)	(0.12)	(1.73)
	Other Comprehensive Income, net of tax	0.22	(0.41)	(0.12)	(1.73)
9	Total Comprehensive Income for the period (7+8)	(30.30)	32.85	74.11	119.14
10	Paid Up Equity Share Capital (Face Value of the share ₹2/- each)	19.26	19.26	19.26	19.26
11	Other Equity				830.43
12	Earnings Per Share (EPS) (in ₹) (not annualised)				
	a) Basic	(3.17)	3.45	7.71	12.55
	b) Diluted	(3.17)	3.45	7.71	12.55

NOTES:

1 The Audit Committee has reviewed and the Board of Directors has approved standalone financial results at their respective meetings held on August 06, 2020.

2 Figures for the quarter ended March 31, 2020 is balancing figures between audited figures in respect of the full financial years and the unaudited figures upto the third quarter ended December 31, 2019 which were subjected to limited review.

3 Exceptional Items:

₹ in Crores

PARTICULARS	QUARTER ENDED (UNAUDITED)	QUARTER ENDED (Refer Note 2)	QUARTER ENDED (UNAUDITED)	YEAR ENDED (AUDITED)
	30.6.20	31.3.20	30.6.19	31.3.20
Platinum Jubilee Expenses *	-	(0.75)	-	(4.03)
Total	-	(0.75)	-	(4.03)

* The Company commenced its Platinum Jubilee year on September 27, 2018. To mark the momentous milestone the Company held, throughout the previous year, various events and programmes, ran special media campaigns and printed special publications. Owing to the singular frequency of costs related to the milestone, such costs were recognised as exceptional.

4 The results for the quarter are not comparable with those for the previous quarter, owing to the impact of the COVID-19 lockdown on the Company's operations. While the Company continues to monitor the economic effects of the pandemic, including recovery of assets, and take steps to improve operational and financial efficiencies, the ultimate impact may be different from that presently estimated and would be recognized in the financial results when material changes to economic conditions arise.

5 Previous period / year's figures have been regrouped / rearranged wherever necessary.

Date : August 06, 2020

Place : Mumbai

For BLUE STAR LIMITED

www.bluestarindia.com

Vir S. Advani
Vice Chairman and Managing Director
(DIN : 01571278)

BLUE STAR LIMITED

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UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2020

₹ in Crores

SR. NO	PARTICULARS	QUARTER ENDED (UNAUDITED)	QUARTER ENDED (Refer note 2)	QUARTER ENDED (UNAUDITED)	YEAR ENDED (AUDITED)
		30.6.20	31.3.20	30.6.19	31.3.20
	Revenue from operations	626.02	1,299.36	1,575.45	5,360.19
	Other Income	8.61	6.35	21.66	44.70
1	Total Income	634.63	1,305.71	1,597.11	5,404.89
2	Expenses				
	a) Cost of materials consumed (including direct project and service cost)	209.15	844.70	774.17	3,108.84
	b) Purchase of Stock-in-trade	153.37	326.43	236.23	917.22
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	116.55	(202.24)	174.08	(7.95)
	d) Employee Benefits Expense	69.88	124.32	114.65	484.51
	e) Depreciation and Amortisation Expense	20.90	23.70	20.32	87.99
	f) Finance Cost	18.54	6.90	8.23	29.47
	g) Other Expenses	75.71	168.82	161.47	574.79
	Total Expenses	664.10	1,292.63	1,489.15	5,194.87
3	Profit/(Loss) from Operations before Exceptional Items and Tax (1-2)	(29.47)	13.08	107.96	210.02
4	Exceptional Items (refer note 4)	-	(0.75)	-	(4.03)
5	Profit/(Loss) before Tax (3+4)	(29.47)	12.33	107.96	205.99
6	Tax Expense				
	i) Current tax	(11.40)	2.56	31.93	37.27
	ii) Deferred tax	1.88	1.39	0.59	28.05
	Total Tax Expense	(9.52)	3.95	32.52	65.32
7	Net Profit/(Loss) after Tax (5-6)	(19.95)	8.38	75.44	140.67
8a	Share in Profit/(Loss) of Joint Ventures	0.35	0.57	1.48	3.03
8b	Profits attributable to Non-controlling interest	(0.06)	(0.05)	(0.08)	(0.45)
9	Net Profit/(Loss) for the Period, (7+8)	(19.66)	8.90	76.84	143.25
	Other Comprehensive Income, net of tax				
	A (i) Items that will not be reclassified to profit or loss (net of tax)	0.14	(0.58)	(0.12)	(2.01)
	B (i) Items that will be reclassified to profit or loss	(0.09)	2.59	(0.27)	4.47
10	Other Comprehensive Income, net of tax	0.05	2.01	(0.39)	2.46
11	Total Comprehensive Income for the period (9+10)	(19.61)	10.91	76.45	145.71
12	Paid Up Equity Share Capital (Face Value of the share ₹ 2/-each)	19.26	19.26	19.26	19.26
13	Other equity				763.11
14	Earnings Per Share (EPS) (in ₹) (not annualised)				
	a) Basic	(2.04)	0.92	7.98	14.87
	b) Diluted	(2.04)	0.92	7.98	14.87

NOTES:

1 The Audit Committee has reviewed and the Board of Directors has approved consolidated financial results and segment results at their respective meetings held on August 06, 2020.

2 Figures for the quarter ended March 31, 2020 is balancing figures between audited figures in respect of the full financial years and the unaudited figures upto the third quarter ended December 31, 2019 which were subjected to limited review.

3 Financial Results of Blue Star Limited (Standalone Information) :

₹ in Crores

PARTICULARS	STANDALONE			
	QUARTER ENDED			YEAR ENDED
	30.6.20	31.3.20	30.6.19	31.3.20
Revenue from operations	526.20	1,196.83	1,470.67	4,786.49
Profit/(Loss) before tax (after exceptional item)	(44.23)	35.45	104.84	167.67
Profit/(Loss) after tax	(30.52)	33.26	74.23	120.87
Total Comprehensive Income	(30.30)	32.85	74.11	119.14

4 Exceptional Items:

₹ in Crores

PARTICULARS	QUARTER ENDED (UNAUDITED)	QUARTER ENDED (Refer note 2)	QUARTER ENDED (UNAUDITED)	YEAR ENDED (AUDITED)
	30.6.20	31.3.20	30.6.19	31.3.20
Platinum Jubilee Expenses*	-	(0.75)		(4.03)
Total	-	(0.75)	-	(4.03)

* The Group commenced its Platinum Jubilee year on September 27, 2018. To mark the momentous milestone the Parent held, throughout the previous year, various events and programmes, ran special media campaigns and printed special publications. Owing to the singular frequency of costs related to the milestone, such costs were recognised as exceptional.

5 The results for the quarter are not comparable with those for the previous quarter, owing to the impact of the COVID-19 lockdown on the Group's operations. While the Group continues to monitor the economic effects of the pandemic, including recovery of assets, and take steps to improve operational and financial efficiencies, the ultimate impact may be different from that presently estimated and would be recognized in the financial results when material changes to economic conditions arise.

6 Previous period / year's figures have been regrouped / rearranged wherever necessary.

Date : August 06, 2020

Place : Mumbai

For BLUE STAR LIMITED

www.bluestarindia.com

Vir S. Advani
Vice Chairman and Managing Director
(DIN : 01571278)

BLUE STAR LIMITED

UNAUDITED CONSOLIDATED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED JUNE 30, 2020

₹ in Crores

Sr. No.	Particulars	QUARTER ENDED (UNAUDITED)	QUARTER ENDED (refer note 2)	QUARTER ENDED (UNAUDITED)	YEAR ENDED (AUDITED)
		30.6.20	31.3.20	30.6.19	31.3.20
I	SEGMENT REVENUE				
	a. Electro- Mechanical Projects and Commercial Air Conditioning Systems	312.44	660.39	623.94	2,826.67
	b. Unitary Products	274.85	596.28	906.89	2,300.61
	c. Professional Electronics and Industrial Systems	38.73	42.69	44.62	232.91
	TOTAL SEGMENT REVENUE	626.02	1,299.36	1,575.45	5,360.19
II	SEGMENT RESULT				
	PROFIT/(LOSS) BEFORE INTEREST & TAX				
	a. Electro- Mechanical Projects and Commercial Air Conditioning Systems	(10.53)	3.17	33.53	120.26
	b. Unitary Products	(3.76)	43.75	98.91	162.27
	c. Professional Electronics and Industrial Systems	10.18	7.50	4.42	54.34
	TOTAL SEGMENT RESULT	(4.11)	54.42	136.86	336.87
	Less: i) Finance Cost	18.54	6.90	8.23	29.47
	ii) Un-allocable Expenditure	6.82	34.44	20.67	97.38
	TOTAL PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEM	(29.47)	13.08	107.96	210.02
	Exceptional items	-	(0.75)	-	(4.03)
	PROFIT/(LOSS) BEFORE TAXATION	(29.47)	12.33	107.96	205.99
III	SEGMENT ASSETS				
	a. Electro- Mechanical Projects and Commercial Air Conditioning Systems	1,571.20	1,737.05	1,655.92	1,737.05
	b. Unitary Products	868.49	1,001.45	818.13	1,001.45
	c. Professional Electronics and Industrial Systems	69.20	76.29	58.49	76.29
	d. Un-allocable Corporate Assets	837.89	624.47	440.96	624.47
	TOTAL SEGMENT ASSETS	3,346.78	3,439.26	2,973.50	3,439.26
IV	SEGMENT LIABILITIES				
	a. Electro- Mechanical Projects and Commercial Air Conditioning Systems	968.82	1,288.63	1,088.98	1,288.63
	b. Unitary Products	478.67	697.00	588.88	697.00
	c. Professional Electronics and Industrial Systems	82.36	83.52	82.89	83.52
	d. Un-allocable Corporate Liabilities	1,051.64	585.43	265.83	585.43
	TOTAL SEGMENT LIABILITIES	2,581.49	2,654.58	2,026.58	2,654.58
V	CAPITAL EMPLOYED				
	(Segment Assets - Segment Liabilities)				
	a. Electro- Mechanical Projects and Commercial Air Conditioning Systems	602.38	448.42	566.94	448.42
	b. Unitary Products	389.82	304.45	229.25	304.45
	c. Professional Electronics and Industrial Systems	(13.16)	(7.23)	(24.40)	(7.23)
	d. Un-allocable Corporate Assets less Liabilities	(213.75)	39.04	175.13	39.04
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	765.29	784.68	946.92	784.68

Notes :

A Based on the "management approach" as defined in Ind AS 108-Operating Segments, the Chief Operating Decision Maker evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments.

B Unitary product segment is seasonal in nature.

C Previous period / year's figures have been regrouped / rearranged wherever necessary.

For BLUE STAR LIMITED

Date : August 06, 2020
Place : Mumbai

Vir S. Advani
Vice Chairman and Managing Director
(DIN : 01571278)