Blue Star Limited

Q2 FY13 Earnings Update

October 23, 2012

BLUE STAR

Financial Highlights

- The Company reported a total Operating Income stood at Rs 578.60 crores for the quarter ended September 30, 2012, as compared to Rs 599.19 crores in Q2FY12, representing a decrease of 3%.

- The Operating Profit (PBIDT excluding Other Income) for the quarter increased 152% to Rs 20.15 crores from Rs 8.02 crores in Q2FY12.

- Financial Expenses for the quarter decreased significantly to Rs 11.20 crores from Rs 30.56 crores in Q2FY12.

- Provision for taxation for the quarter is nil as compared to reversal of Rs 3.17 crores during the same period last year. Although the Company is required to make a provision for MAT, due to the set-off of the carried forward business loss of the previous year, there is no taxable income for the year and hence no provision is required for tax.

- Consequently, Net Profit grew to Rs. 7.27 crores in Q2FY13 from a loss of Rs 20.80 crores in Q2FY12.

- Earnings per share for the quarter (Face value of Rs 2.00) stood at Rs 0.81 vis-à-vis a negative of Rs 2.31 in the corresponding quarter of the previous year.

- The Carry Forward Order Book as on September 30, 2012 reduced to Rs 1679 crores compared to Rs 2162 crores as at September 30, 2011. This is primarily due to de-booking Rs 200 crores on account of dormant and non-moving projects. In addition, the order book has de-grown on account of the general slowdown in the market, coupled with the company's decision to focus on profitable and higher quality business.

Financial Performance for the half-year ended September 30, 2012 (H1FY13)

- For the half-year ended September 30, 2012, the Company reported a Total Operating Income of Rs 1310.02 crores, as compared to Rs 1303.22 crores over the same period in the previous year, a flat growth of 0.5%.

- Operating Profit (PBIDT excluding Other Income) increased by 50.37% from Rs. 35.70 crores to Rs 53.68 crores.

- There was a Net Profit of Rs 27.81 crores in the half-year period as compared to a Net Loss of Rs 11.02 crores in the corresponding period last year.

Segment-wise results

- SBU-wise sales break-up:

(Rs crore)

	Q2FY13	Q2FY12	% Growth / (Decline)	% of Net Sales
ElectroMechanicalProjects & Packaged Airconditioning Systems	375.87	382.24	(2%)	65%
Cooling Products	168.64	157.36	7%	29%
Professional Electronics & Industrial systems	34.09	59.41	(43%)	6%

- SBU-wise results break-up:

(Rs crore)

	Q2FY13	Q2FY12	%Growth/ (Decline)
Electro Mechanical Projects and Packaged Airconditioning Systems	26.42	(3.41)	875%
Cooling Products	7.91	8.48	(7%)
Professional Electronics & Industrial systems	2.63	17.32	(85%)

BUSINESS HIGHLIGHTS

Electro Mechanical Projects & Packaged Airconditioning Systems

Overview

The Electro Mechanical Projects and Packaged Airconditioning business accounting for 65% of the total revenues in the quarter, decreased by 2% to Rs 375.87 crores. Segment results grew to Rs 26.42 crores compared to a loss of Rs.3.41 crores in FY12. The Operating Margin of this business in Q2FY13 increased to 7.03% compared to -0.89% in Q2FY12.

The Segment Operating Margin of 7.03% is on account of a greater focus in executing better margin air-conditioning projects, higher volumes in our central airconditioning equipment business, higher realizations in our after sales service business and normal impact of mark-to-market changes in planned costs and revenues. However, the margin for the quarter is not indicative of year-end margins due to an ever deteriorating external environment causing delays in project execution and consequently margins.

The Capital Employed in the business as at end September 2012 was Rs 423 crores, significantly lower than the Rs 637 crores at end of September 2011 and marginally higher than Rs 406 crores at the end of June 2012. The increase over Q1FY13 is primarily on account of difficulty in billing jobs faster and thereby collecting cash quickly, selectively paying down vendors and business associates, and the tight liquidity in the market. With low advances and creditors needing to be paid out quickly, it is becoming increasingly challenging to improve the capital employed levels. Our endeavour however is to bring down the FY13 year end Capital employed to the March 2012 level of Rs. 350 crores.

Overall the economic environment continues to be sluggish with delays in project finalizations across all sectors. The Company has witnessed a shrinkage in order inflow by a significant percentage. This is primarily due to reduced finalizations as well as choosing to consciously stay away from low margin jobs in segments like Hotels and Residential projects.

There is however some positive movement in enquiry flow lately in segments like IT/ITeS, Industrial, Commercial complexes and Infrastructure which constitute around 70% of our H1FY13 order inflow. During the quarter, Blue Star won prestigious orders in the above segments namely, HCL Technologies Ltd - Chennai, Infosys Technologies Ltd. - Trivandrum & Hyderabad, Wipro Limited - Pune & Noida, TBEA Ltd - Karjan, Bokaro Mall - Bokaro, The Universal Mall - Yamunanagar, Jalsa Mall - Jaipur, Oberoi Commerz - Mumbai etc.

In Packaged/Ducted Air-conditioning and Chillers, there was good demand in this quarter from segments such as Industrial, Offices, Marriage/Banquet halls, Light commercial and Retail. The Company has witnessed steady flow of enquiries for both Ducted Systems and VRFs in these segments. Some of the important projects executed by Blue Star in Q2 FY13 were TBEA - Baroda, Adani Port Terminal - Gujarat, Ankit Metals - Bankura, Brand 6 - Hyderabad, SRM Hospitals - Chennai, Yes Bank - Mumbai.

The Company always had a market leadership position in the packaged air-conditioning and ducted systems markets. Our new VRF product introduction has improved its salience in the market and the Company is confident to deliver good growth in this segment despite stiff competition from multi-nationals.

The newly created Chiller Sales division has also shown good growth by expanding through an exclusive channel network. It witnessed good demand from the Industrial, Hospitality, Health, Educational , IT / ITeS and Retail sectors. Some of the prestigious orders won in the above segments are Jindal Steel Works - Bellary, Firmenich Auromatic - Mumbai, South India Shopping Mall - Hyderabad, Adlabs - Khapoli, Om Savitri Jindal Hospital - Hissar, IOCL - Mumbai, Ennore Tank Terminal - Ennore, Ivy Hospital - Hoshiarpur.

The Company is confident of building a leadership position by focusing on providing a good range of products and solutions and also by engaging consultants and customers.

Key Projects in the Quarter:

	New Orders Won in Q2FY13
Central Airconditioning	* HCL Technologies, Chennai * Infosys Technologies, Tiruvanthapuram * Infosys Technologiest, Hyderabad * Wipro Ltd., Noida * Wipro Ltd., Pune * Oberoi Realty, Mumbai * Jalsa Mall, Jaipur * Bokaro Mall, Bokaro * Universal Mall, Yamuna Nagar * TBEA, Karjan
PackagedAirconditioning/ VRF Systems	* TBEA , Vadodara * Yes Bank, Mumbai * SRM Hospitals, Chennai * Adani Port, Mundra * Ankit Metals, Bankura * Brand 6, Hyderabad
Chillers	* Jindal Steel Works, Bellary * Firmenich Auromatic, Mumbai * Om Savitri Jindal Hospital, Hissar * South India Shopping Mall, Hyderabad * Kanpur Edibles Pvt. Ltd., Kanpur * Ivy Hospital, Hoshiarpur * Adlabs, Pune * Watermark IT Park, Hyderabad * Ennore Tank Terminal, Ennore * Venkateswara Hatcheries, Nilakottai * Hewlett Packard, Bengaluru

Service Business

Blue Star offers its customers annual maintenance contracts, retrofits and upgrades as well as new service products such as energy management audits and solutions, air management consultancy and services, water management services for cooling systems, Green Building certification consultancy and associated services.

During the quarter , both the annual maintenance contracts and the Revamp business have grown and contributed a good share of the service business.

The company has received prestigious orders in this quarter like Institute of Plasma - Baroda, Indian Rayon - Mumbai, BEL Optronics - Vadodara, Ultratech Cements - Nagpur, Embassy Services - Bengaluru, AIIMS - New Delhi, Torrent Pharma - Vadodara, Perkins - Kochi, CISCO - Bengaluru, VSSC - Tiruvanthapuram

Cooling Products

In the Cooling Products segment, revenue registered a modest increase of 7% in the quarter, while segment results declined by 7% to Rs 7.91 crores. Operating Margin of 4.69% in this quarter, is lower than the 5.39% in Q2FY12. This is on account of the exchange rate impact on our imported commercial refrigeration products as well as losses in our installation accessories sales business.

As a part of the after sales service operations, we have been importing and selling installation accessories such as Copper. Due to the high exchange rate fluctuations and our inability to carry inventory beyond a certain period, we had to liquidate stocks resulting in a loss and thus impacting our margins. Going forward we wish to not focus on this segment as its not attractive any more due to volatile market conditions.

On the market side, the Room Airconditioner market grew marginally at 5% by value terms and de-grew by 5% in volume terms in Q2FY13 over Last year. The Company however had shown a growth of 15% in value in Q2FY13 over last year and was flat in volumes for the same period.

The demand in the commercial refrigeration business is robust with demand for Water Coolers coming from Educational Institutions, Industry and Government segments while Freezers witnessed a good demand from the Ice Cream and Dairy segments. In Cold storage products, we witnessed good demand in segments such as Banana ripening, Pharma and Fastfood. In this quarter, the Company booked prestigious orders from Cafe Coffee Day, DB Schenkar (Logistics), Syngene Pharma, Cipla, Mylan Pharma , CP Hatcheries etc.

The Capital Employed in this segment reduced from Rs 270 crores as on September 30, 2011 to Rs 238 crores as on September 30, 2012. However it was higher than Q1FY13 levels of Rs. 217 crores. This increase is due to the late delivery of imported finished goods and components on account of the milder summer. As a result, deliveries were delayed from Q1FY13 to Q2FY13.

The margins in the Segment 2 continue to be under pressure. The overall demand of Room Airconditioners is flat and with the input costs high and inflation and interest rates impacting the consumer spending, the outlook is not looking great for the industry. The Company however will maintain its focus on profitability, growth by selectively expanding the channel network in Tier 2/3/4 cities and in light commercial segments.

We believe that we have gained a good reputation in the market in this segment and will continue to invest in new product development, increasing distribution reach, productivity improvement, innovative marketing programs to grow the business further.

Professional Electronics and Industrial Systems

In the Professional Electronics and Industrial Systems segment, revenues dropped significantly by 43%, while segment results declined 85% to Rs2.63 crores.

As you are aware, Segment III consist mainly of an Agency business and an Industrial Projects business apart from other businesses.

The Agency business was impacted by the strengthening of the dollar. In the case of government purchases, earlier sanctioned budgets have had to go through a new approval process. On the private sector side, a slow down in industrial capex impacted the commission income for the business.

The Industrial Projects business witnessed a slowdown due to demand in the Steel and Power sectors shrinking and the existing projects facing inordinate delays. With the fixed costs remaining intact and inflation pushing up material costs, the margins have got severely affected in this segment. The outlook for the Industrial Projects business looks unpredictable as it is closely linked to project approvals and decision making at the central government level. The Company however would continue to focus on growth and profitability in other segments and try to make up for the dip due to Industrial Projects to the extent possible.

Exports

The Company's exports are derived from two streams – International Projects and Product Exports.

In Q2FY13, the billing in Product Exports registered a growth of 13.6% to Rs. 21.3 crores. The Operating margins showed noticeable improvement mainly due to US Dollar appreciation.

During the quarter, the Company received many orders for Unitary, Ducted and Refrigeration products from OEM accounts. It also received orders for Water Coolers from various distributors in UAE, Oman, Qatar, Yemen and Kuwait.

Some of the prestigious orders booked by the Company are Abu Dhabi Municipality (Musanada) and Petroleum Ministry, Oman.

The Company however estimates the booking will be under pressure due to intense competition from a growing number of multinational players including China and continuing increase in our input costs.

BUSINESS OUTLOOK

COMPANY OUTLOOK

Despite returning to profitability in the last two quarters, the Company continues to cautiously monitor the external environment, given the volatile market conditions, high inflation, slow demand in Infrastructure, and uncertainity of implementation of the recent policy announcements.

Given these challenges, the Company continues to make concerted effort to book better quality business, improve operational efficiency and bottomline through value engineering and cost control and bring down capital employed to desired levels.

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

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Rs. In Lakhs

Sr. no.	PARTICULARS	QUARTER ENDED (UNAUDITED)			HALF YEAR ENDED (UNAUDITED)		YEAR ENDED (AUDITED)
		30.9.12	30.6.12	30.9.11	30.9.12	30.9.11	31.3.12
1	**Income from Operations**						
	a) Net Sales/Income from Operations (Net of Excise Duty)	57,346	72,318	59,036	129,664	128,888	266,935
	b) Other Operating Income	514	824	883	1,338	1,434	3,147
	Total Income from Operations (Net)	**57,860**	**73,142**	**59,919**	**131,002**	**130,322**	**270,082**
2	**Expenses**						
	a) Cost of materials consumed (including direct project cost)	33,434	40,853	40,748	74,287	80,262	166,392
	b) Purchase of Stock in trade	9,511	10,805	3,130	20,316	15,516	36,938
	c) Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade	(1,437)	2,263	754	826	1,501	5,254
	d) Employee Benefits Expense	5,365	5,283	4,997	10,648	9,912	20,691
	e) Depreciation and Amortisation Expense	815	747	801	1,562	1,514	3,144
	f) Other Expenses	8,972	10,585	9,488	19,557	19,561	41,859
	Total Expenses	**56,660**	**70,536**	**59,918**	**127,196**	**128,266**	**274,278**
3	**Profit / (Loss) from Operations before Other Income, Finance Cost and Exceptional Items (1-2)**	**1,200**	**2,606**	**1**	**3,806**	**2,056**	**(4,196)**
4	Other Income	647	701	658	1,348	715	2,376
5	**Profit / (Loss) before Finance Cost and Exceptional Items (3+4)**	**1,847**	**3,307**	**659**	**5,154**	**2,771**	**(1,820)**
6	Finance Costs	1,120	1,253	3,056	2,373	3,873	7,025
7	**Profit / (Loss) after Finance cost but before Exceptional Items (5-6)**	**727**	**2,054**	**(2,397)**	**2,781**	**(1,102)**	**(8,845)**
8	Exceptional Items	-	-	-	-	-	-
9	**Profit / (Loss) before Tax (7+8)**	**727**	**2,054**	**(2,397)**	**2,781**	**(1,102)**	**(8,845)**
10	Tax Expense	-	-	(317)	-	-	70
11	**Net Profit / (Loss) after Tax (9-10)**	**727**	**2,054**	**(2,080)**	**2,781**	**(1,102)**	**(8,915)**
12	Extraordinary Items (net of tax expense)	-	-	-	-	-	-
13	**Net Profit / (Loss) for the Period (11-12)**	**727**	**2,054**	**(2,080)**	**2,781**	**(1,102)**	**(8,915)**
14	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
15	Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year						45,591
16	Earnings Per Share (EPS) (in Rs.)						
	a) Basic	0.81	2.28	(2.31)	3.09	(1.23)	(9.91)
	b) Diluted	0.81	2.28	(2.31)	3.09	(1.23)	(9.91)

NOTES:

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on October 19, 2012 and have been subjected to Limited Review by the Statutory Auditors.

2. Figures of the corresponding previous quarters and year have been regrouped, wherever necessary, to conform to the figures of the current quarter.

For **BLUE STAR LIMITED**

Date :October 19, 2012
Place : Mumbai
www.bluestarindia.com

Satish Jamdar
Managing Director

BLUE STAR LIMITED

UNAUDITED SEGMENT WISE REVENUE, RESULTS & CAPITAL EMPLOYED FOR THE QUARTER ENDED SEPTEMBER 30, 2012

(Rs. in Lakhs)

Sr. No.	Particulars	QUARTER ENDED (UNAUDITED)			HALF YEAR ENDED (UNAUDITED)		YEAR ENDED (AUDITED)
		30.9.12	30.6.12	30.9.11	30.9.12	30.9.11	31.3.12
I	**SEGMENT REVENUE**						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	37,587	36,705	38,242	74,292	72,516	155,607
	b. Cooling Products	16,864	33,361	15,736	50,225	48,531	93,264
	c. Professional Electronics and Industrial Systems	3,409	3,076	5,941	6,485	9,275	21,211
	TOTAL SEGMENT REVENUE	**57,860**	**73,142**	**59,919**	**131,002**	**130,322**	**270,082**
	Less: Inter - Segment Revenue	-	-	-			-
	TOTAL INCOME FROM OPERATIONS (NET)	**57,860**	**73,142**	**59,919**	**131,002**	**130,322**	**270,082**
II	**SEGMENT RESULT**						
	PROFIT/(LOSS) BEFORE INTEREST & TAX						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	2,642	1,237	(341)	3,879	(1,228)	(8,509)
	b. Cooling Products	791	3,755	848	4,546	5,262	8,745
	c. Professional Electronics and Industrial Systems	263	718	1,732	981	2,528	5,229
	TOTAL SEGMENT RESULT	**3,696**	**5,710**	**2,239**	**9,406**	**6,562**	**5,465**
	Less: i) Interest and Other Financial Charges	1,120	1,253	3,056	2,373	3,873	7,025
	ii) Un-allocable Expenditure	1,849	2,403	1,580	4,252	3,791	7,285
	TOTAL PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM	**727**	**2,054**	**(2,397)**	**2,781**	**(1,102)**	**(8,845)**
	Exceptional item	-	-	-			-
	PROFIT BEFORE TAXATION	**727**	**2,054**	**(2,397)**	**2,781**	**(1,102)**	**(8,845)**
III	**CAPITAL EMPLOYED (Segment Assets - Segment Liabilities)**						
	a. Electro Mechanical Projects and Packaged Airconditioning Systems	42,353	40,590	63,770	42,353	63,770	35,059
	b. Cooling Products	23,751	21,653	26,998	23,751	26,998	20,683
	c. Professional Electronics and Industrial Systems	6,716	7,159	7,548	6,716	7,548	7,096
	TOTAL CAPITAL EMPLOYED IN SEGMENTS	72,820	69,402	98,316	72,820	98,316	62,838
	Add: Un-allocable Corporate Assets less Liabilities	(22,619)	(19,959)	(42,068)	(22,619)	(42,068)	(15,448)
	TOTAL CAPITAL EMPLOYED IN THE COMPANY	**50,201**	**49,443**	**56,248**	**50,201**	**56,248**	**47,390**

For **BLUE STAR LIMITED**

Date :October 19, 2012
Place : Mumbai

Satish Jamdar
Managing Director