



## (Investment Idea)

### Blue Star Limited (BSL)

Central air-conditioning and commercial refrigeration major, Blue Star has reported fabulous performance for quarter ending September 2007.

Net Sales jumped up by 46.1% to Rs. 547.79 crore (Rs. 375.91 crore) led by growth in all 3 segments. Central Air conditioning system sales soared up by 46% to Rs. 401 crore (Rs. 274.7 crore) led by continuing boom in construction, IT / ITeS, retail and supermarket. Cooling product turnover was up by 48.4% to Rs. 103.44 crore (Rs. 69.70 crore) driven by increased sales of split air conditioners as well as refrigeration products and cold chain equipments. Professional electronics sales grew @ 37.3% to Rs. 43.24 crore (Rs. 31.50 crore). OPM% improved substantially to 12.5% (10.1%) because of increased volumes giving economies of scale, cost reduction, etc. Consequently, PBT zoomed to Rs. 62.4 crore (Rs. 26.6 crore). PAT shot up by 149.8% to Rs. 46 crore (Rs. 18.4 crore). Company had pending order book position of Rs. 1031 crore (Rs. 788 crore) as on Sep. 30, 2007.

For H1 FY 2008, Net sales grew @ 46.8% to Rs. 1,010.02 crore (Rs. 688.24 crore). OPM% enhanced to 10.5% (7.8%). Consequently, PBT skyrocketed to 93.18 crore (Rs. 36.66 crore) and PAT to Rs. 68.29 crore (Rs. 25.69 crore).

Company has 3 business segments viz., Central & Packaged Air Conditioning Systems (CAC), Cooling Products and Professional Electronics & Industrial Systems. BSL is market leader in India in institutional and commercial users for Refrigeration and CAC solutions. CAC segment is expected to be the biggest growth driver for BSL over next few years. Key growth drivers for this segment would be growing presence of organised retail chains, branded eateries chain (such as McDonalds, Café Coffee Day, etc.) malls, multiplexes, IT and ITeS setups, telecom, power generation, and growing construction boom.

Cooling Product segment includes window / room and split air-conditioners apart from commercial refrigeration products. This segment is also expected to boost revenues and profitability on back of increasing sales of split air conditioners and refrigeration products & systems driven by Cold Chain business. It has entered into agreement with Aditya Birla group retail chain and Vishal Mega Mart. Moreover, low penetration of air conditioners, higher disposable income and tax incentives for manufacturing in tax havens will be other drivers. BSL is well positioned to leverage on booming demand in this business.

Company deals in wide range of sophisticated professional electronic equipment imported from world-renowned manufacturers and marketed in India catering to Healthcare, Manufacturing, R&D, Quality Control, Petrochemicals, Banking, etc. It is now expanding scope to offer solutions / application orientation around these basic products, with lots of indigenous content. It is very profitable and has lot of potential to offer complete systems.

BSL continues to grow aggressively in all its three lines of business. It has been able to significantly enhance its margins and is expected to sustain them in future. This coupled with healthy order book backlog and promising future outlook would boost company's performance significantly. Thus, BSL is poised to register robust growth going ahead

At CMP of Rs. 362, share (Rs. 2/- paid up) is trading 19.5 times FY 2008 expected EPS of Rs. 18.58 and 13.73 times FY 2009 expected EPS of Rs. 26.38. In view of excellent future prospects in all business segments, we recommend to “BUY” the share at CMP.

**Disclosures:**

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*October 25, 2007*