

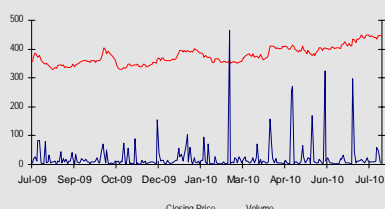
Consumers Durables

CMP **Rs 444**Target Price **Rs 495**

Key Data

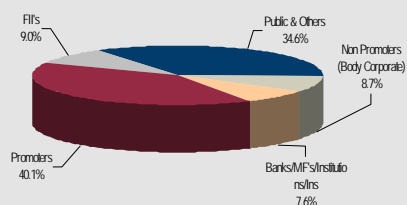
Face value	2
Market cap(Rs in mn)	39938
Total O/S shares (Rs in mn)	90.00
Free Float	59.87%
52 week High/Low	464/325
Avg. Monthly Volume (BSE)	24402
Avg Monthly volume (NSE)	56567
BSE Code	500067
NSE Code	BLUESTARCO
Bloomberg code	BLSTR IN
Beta	0.59
Date of Incorporation	1949
Last Dividend Declared	400%
Six month's return	18.46%
Indices	BSE500
FCCB's O/s	N.A.
WarrantsO/s	N.A.

One Year Price / Volume Chart



Source: Capitaline

Share Holding Pattern (as on 30 Jun'10)



Source: Company, KJMC Research

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Blue Star Ltd

Accumulate

Blue Star Ltd declared its Q1FY11 results. Net sales at Rs 6,598 mn was up by 25% and remained above our expectations. EBITDA for the quarter de- grew by 4.17% at Rs 608.8 mn with a decline of 280 bps in the EBITDA margins. However PAT remained below our estimates at Rs 371.5 mn down by 9.76% with a decline of 220 bps in the PAT margins.

Major Highlights of the Concall

- Q1FY11 Growth in Net sales driven by overall growth in all the segments:** Growth of 25% in the net revenues for Q1FY11 was driven by 33% growth in the cooling products division and 31% growth in Professional electronics and industrial systems. The growth in the project division was however lower at 19% as compared to the other two segments. However the project division remained the biggest contributor to the total revenues at 56% followed by cooling product division contributing 38.4%.
- Declining margins across all the segments:** A traction of 280 bps in the EBITDA margins at 9.2% was led by decline of 190 bps in the EBIT margins for the Electro mechanical projects and decline of 360 bps in the cooling products business. Professional Electronics & Industrial Systems registered the maximum fall of 1170 bps in the EBIT margins. Higher raw material cost and changing product mix have resulted in the decline of the margins. The decline in the margins for the professional electronics and the industrial systems was on account of delays and cancellation of orders.
- Change in accounting policy to account for bad debts further adds to declining margins:** The change in accounting policy of bad debts resulted in further contraction of margins. On the recommendation of auditors BSL have started accounting for bad debts on quarterly basis as against the earlier accounting on a yearly basis which remained at around Rs 2 crs for Q1FY11.
- Improving order book:** Order book as on 30th June '10 stood at Rs 1,976 crs implying a 15% growth on y-o-y basis. Order inflows too have grown slightly at Rs 925 crs as against Rs 903 crs during the corresponding quarter in the previous year. BSL is witnessing good order inflows from Hotels, healthcare, hospitals, educational institutions, small shops, etc. IT, retail, large malls & large commercial offices still remain subdued in terms of order enquiries and order inflows. The execution cycle for the current order book stood at 14 months.

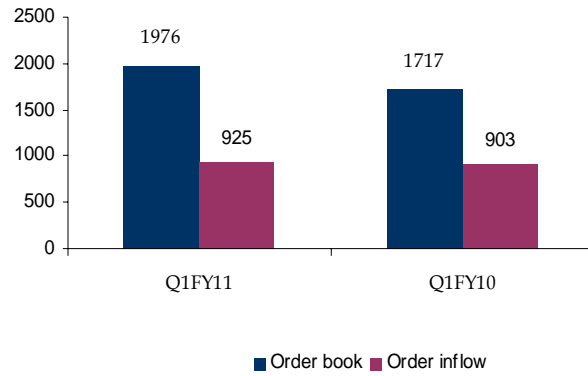
Financial Snapshot

Rs in mn

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	22215.8	25194.3	25494.3	28761.8	34087.9
growth(%)	39%	13%	1%	13%	19%
EBITDA	2230.0	2764.1	2991.6	3075.0	3408.5
EBITDA %	10.0%	11.0%	11.7%	10.7%	10.0%
PAT	1758.7	1803.5	2114.9	2045.4	2284.9
EPS	19.4	20.1	23.5	22.7	25.4
P/E(x)	22.9	22.1	18.9	19.5	17.5
EV/EBITDA	18.1	14.5	13.3	12.9	11.7
ROE%	73.8%	57.2%	49.2%	37.2%	33.9%

Source: KJMC Research

Order Book & Order Inflows



Source: Company, KJMC Research

Segment Revenue

in Rs mn

Particulars	Q1FY11	Q1FY10	% growth
SEGMENT REVENUE			
Electro Mechanical Projects and Packaged Air-conditioning Systems	3741.5	3147.0	19%
Cooling Products	2533.5	1903.3	33%
Professional Electronics and Industrial Systems	323.2	247.0	31%
TOTAL SEGMENT REVENUE	6598.2	5297.3	25%
SEGMENT RESULT			
PROFIT/(LOSS) BEFORE INTEREST & TAX			
Electro Mechanical Projects and Packaged Air-conditioning Systems	340.4	345.6	-2%
Cooling Products	352.4	332.2	6%
Professional Electronics and Industrial Systems	54.5	70.6	-23%
TOTAL SEGMENT RESULT	747.3	748.4	0%
EBIT margins %			
Electro Mechanical Projects and Packaged Air-conditioning Systems	9.1%	11.0%	- 190 bps
Cooling Products	13.9%	17.5%	- 360 bps
Professional Electronics and Industrial Systems	16.9%	28.6%	-1170 bps

Source: Company, KJMC Research

Q1FY11 Result Update

in Rs. mn

Particulars	Q1 FY11	Q1 FY10	% y-o-y
Net revenue	6598.2	5297.3	24.6%
Other operating income	50.1	12.7	294.5%
Total Income	6648.3	5310.0	25.2%
Raw material expenses	4463.8	3495.3	27.7%
Purchase of traded goods	579.0	304.2	90.3%
Employee expenses	473.3	464.3	1.9%
Other Expenses	523.4	410.9	27.4%
Total Expenditure	6039.5	4674.7	29.2%
EBITDA	608.8	635.3	-4.2%
EBITDA margins (%)	9.2%	12.0%	-280 bps
Depreciation	75.5	81.9	-7.8%
Other Income	3.8	4.1	-7.3%
PBIT	537.1	557.5	-3.7%
Interest	20.0	14.5	37.9%
Exceptional items	4.3	-	-
PBT	521.4	543.0	-4.0%
Tax	149.9	131.3	14.2%
PAT	371.5	411.7	-9.8%
PAT margins (%)	5.6%	7.8%	-220 bps
Equity Capital	179.9	179.9	-
FV	2.0	2.0	-
No. of shares	90.0	90.0	-
EPS	4.1	4.6	-9.8%

Source: Company, KJMC Research

Outlook & Valuation

Bluestar Ltd have recently acquired D. S. Gupta constructions Pvt Ltd which is actively into plumbing & fire fighting business at a consideration of Rs 80 crs. DS Gupta construction Pvt Ltd has a turnover of Rs 130 crs with a order book of Rs 300 crs and an employee strength of 300 employees.

With this acquisition BSL has expanded the area and scope of its operations and strengthen its position as an integrated player in the Mechanical, Electrical, Plumbing & Fire fighting segment to its existing as well as new clients. BSL also sees opportunity in the upcoming metro projects at Kolkatta, Bangalore & Chennai.

At the CMP of Rs 444 the stock is trading at 19.5x & 17.5x its FY11E & FY12E earnings of Rs 22.7 & 25.4 respectively. We upgrade our target price to Rs 495 with "Accumulate" recommendation. The target price translates into a potential upside of 11.5%.

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Accumulate	-	appreciate 10% to 20% over a 12- month period
Hold / Neutral	-	appreciate up to 10% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

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MCX-Commodity*	:	MCX/TM/CORP/1772
Mutual Fund's AMFI No.	:	ARN - 2386

* Under KJMC Commodities Market India Ltd

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