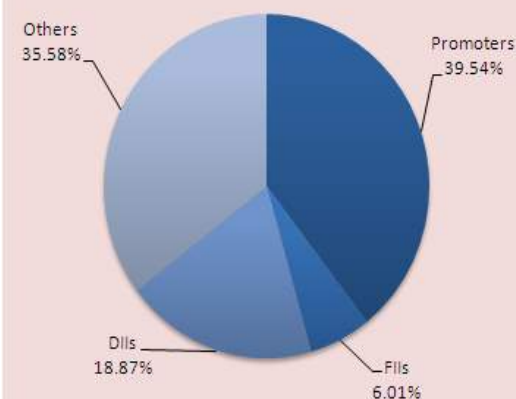


STRONG BUY

Valuation Data

Current Market Price (CMP)	348
Target Price	432
Upside Potential	24%
52 Week High Low	387/ 134.50
Market Cap (INR in Crores)	3128



Stock Scan

Scrip ID	Blue Star Ltd
Scrip Code (NSE)	BLUESTARCO
Scrip Code (BSE)	500067
Bloomberg Ticker	BLSTR IN
Reuters Ticker	BLUS.BO
Industry	Consumer Durables
Face Value (INR)	2.00
Equity Share Capital (INR Cr)	17.99
Avg 5 years P/E	19.20
Avg daily volume (Last 1 Year)	25,509
Beta Vs Sensex	1.02
Dividend Yield	1.15%



Analyst: Anik Das
Email id: adas4@microsec.in

Blue Star Ltd- Long run visibility intact.

Sector – Consumer Durables

We continue recommending Blue star Ltd a **"STRONG BUY"**. Blue Star is India's largest central air conditioning company with an annual turnover of INR 2914 crores, a network of 32 offices, 7 modern manufacturing facilities, over 2000 dealers and around 2700 employees. It fulfills the air-conditioning needs of a large number of corporate, commercial and residential customers and has also established leadership in the field of commercial refrigeration. Hence, with higher margin orders in execution, uptick in investment cycle to start in FY16e as the economy revives, healthy contribution by cooling products to continue, Blue star is set to outperform in future. Also, the management's effort to control cost; focus on improving the quality of new orders and going for more value engineering is likely to drive margins.

Investment Rationale

Uptick in EMP cycle to start in FY16e with stable government leading to revival in economy-

The EMP & PAC division of Blue Star contributed ~55% of total revenues in FY2014. The company witnessed renewed demand from metro rail, hospitality, residential, healthcare and mixed-use development projects during H1 FY15. The order enquiry in H1 FY15 for the division was healthy witnessing ~25% yoy increase. We believe that after a witnessing a down-cycle in FY08-13, EMP market is expected to commence a new up – cycle FY16e onwards, where according to the management the estimated EMP market is seen 2.5x larger. We think Blue star whose ~70% of the order book comes from commercial market, which is primarily office buildings followed by hospitals and IT, and rest from Infrastructure and residential is well placed to benefit from the revival in economy.

Cooling product segment to drive revenue in the near term-

The cooling product division of Blue Star contributed ~37% of total revenues in FY2014. Cooling product vertical is likely to post an improving number on the back of the high growth potential of the RAC segment which is growing faster than the overall RAC market and incremental demand in the commercial refrigeration products business. We expect segment revenue to grow at CAGR of ~14.95% over FY14-FY17e.

EBITDA Margin to expand going forward-

The EBITDA margin improved from -0.8% in FY12 to 3.6% in FY14 due to higher contribution from almost all the segments. EMP & PAC segment which posted negative margins due to huge portion of its order book consisting no/low margin orders started improving by taking new high margin orders and closing the old orders gradually. Now, with just INR 125 crore old orders left and rest having high margin, we believe the margins to improve.

Key Financials Highlights

(Figure in INR CR)

Particulars	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	2976.1	2788.9	2897.0	2895.3	3197.3	3660.0	4110.0
Growth	17.9%	-6.3%	3.9%	-0.1%	10.4%	14.5%	12.3%
EBITDA	286.6	-22.2	90.4	105.3	170.0	227.6	282.2
EBITDA Margin	9.5%	-0.8%	3.1%	3.6%	5.3%	6.2%	6.8%
Net Profit excl Exceptional Items	160.5	-105.1	39.1	77.5	106.2	151.1	186.7
Net Profit Margin (excl Exceptional Items)	5.3%	-3.7%	1.3%	2.7%	3.3%	4.1%	4.5%
Net Profit Growth	-18.7%	-165.5%	-137.2%	98.5%	36.9%	42.3%	23.6%
Basic EPS	17.9	-11.7	4.3	8.2	11.8	16.8	20.8
Adjusted EPS excl Exceptional Items	17.8	-11.7	4.3	8.6	11.8	16.8	20.8
P/E(x)	20.8	-16.1	36.3	23.4	29.5	20.7	16.8
Adjusted P/E(x) excl Exceptional Items	20.8	-16.1	36.3	23.4	29.5	20.7	16.8
P/BV(x)	6.5	4.3	3.5	3.9	6.0	5.1	4.2
ROE	31.4%	-26.6%	9.8%	16.8%	20.3%	24.4%	25.1%
EV/EBITDA(x)	13.0	-90.6	20.2	21.3	20.7	15.2	12.2

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

Quarterly Result Update

Quarterly Snapshot						Half-Yearly		
Particulars	Q2FY15A	Q2FY14A	Q1FY14A	YoY	QoQ	FY2015A	FY2014A	% Change
Net Sales	633.3	581.0	842.0	9.0%	-24.8%	1475.3	1347.0	9.5%
Other Operating Income	4.6	4.0	3.5			8.1	8.9	
Total Operating Income	638.0	585.0	845.5	9.1%	-24.5%	1483.5	1355.8	9.4%
Total Expenditure	617.4	562.4	792.4			1409.8	1294.8	
EBITDA	20.6	22.6	53.1	-8.8%	-61.2%	73.7	61.0	20.8%
<i>EBITDA Margin (%)</i>	<i>3.23%</i>	<i>3.86%</i>	<i>6.28%</i>	<i>(63)Bps</i>	<i>(305)Bps</i>	<i>4.97%</i>	<i>4.50%</i>	<i>47 Bps</i>
Other Income	8.2	6.1	3.5	34.4%	130.5%	11.7	10.5	12.0%
Operating Profit	28.8	28.7	56.6	0.3%	-49.2%	85.4	71.5	19.5%
Depreciation	9.1	8.4	9.4			18.5	16.7	
PBIT	19.6	20.3	47.2	-3.3%	-58.4%	66.9	54.8	22.0%
Interest	10.6	12.8	11.0			21.6	24.5	
Exceptional Items	0.0	0.0	0.0					
Shares of associates	0.0	0.0	0.0					
Minority Interest	0.0	0.0	0.0					
Consolidated PAT	9.1	7.5	31.0	20.3%	-70.8%	40.1	30.3	32.3%
<i>PAT Margin (%)</i>	<i>1.42%</i>	<i>1.29%</i>	<i>3.67%</i>	<i>13 Bps</i>	<i>(225)Bps</i>	<i>2.70%</i>	<i>2.23%</i>	<i>47 Bps</i>
PAT excl exceptional items	9.1	7.5	31.0	20.3%	-70.8%	40.1	30.3	32.3%
<i>PAT Margin excl exceptional items (%)</i>	<i>1.42%</i>	<i>1.29%</i>	<i>3.67%</i>	<i>13 Bps</i>	<i>(225)Bps</i>	<i>2.70%</i>	<i>2.23%</i>	<i>47 Bps</i>
EPS	1.0	0.8	3.4	20.3%	-70.8%	4.5	3.4	32.3%
Adjusted EPS	1.0	0.8	3.4	20.3%	-70.8%	4.5	3.4	32.3%

Source: Company Data, Microsec Research. All data in INR crores unless specified.

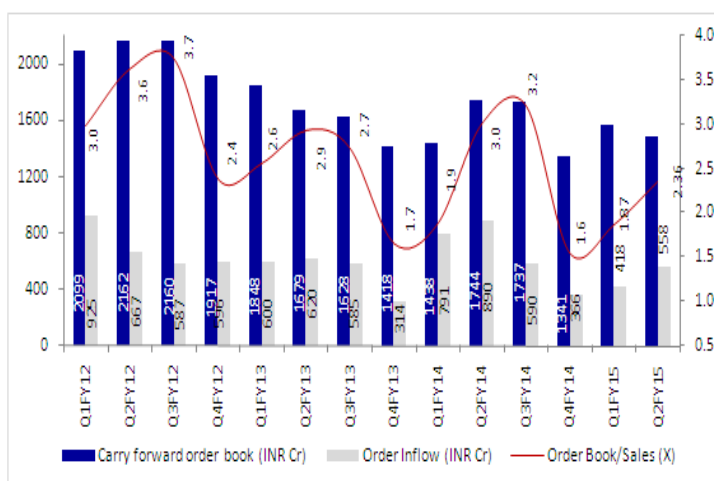
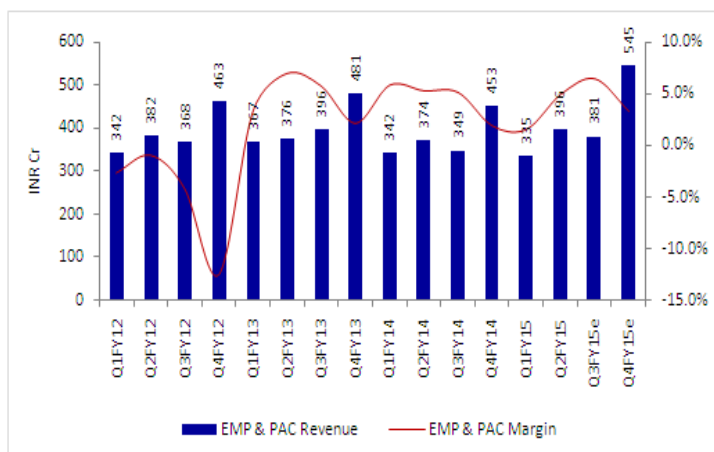
Segmental Result Snapshot						Half-Yearly		
Particulars	Q2FY15A	Q2FY14A	Q1FY14A	YoY	QoQ	FY2015A	FY2014A	% Change
Segmental Revenue								
EMP & PAC	396.1	386.6	335.4	2.5%	18.1%	731.6	735.4	-0.5%
<i>as a % of total sales</i>	<i>62.1%</i>	<i>66.1%</i>	<i>39.7%</i>			<i>49.3%</i>	<i>54.2%</i>	
Cooling Products	205.0	168.8	483.9	21.4%	-57.6%	688.9	565.1	21.9%
<i>as a % of total sales</i>	<i>32.1%</i>	<i>28.9%</i>	<i>57.2%</i>			<i>46.4%</i>	<i>41.7%</i>	
PE & IS	36.9	29.6	26.1	24.5%	41.1%	63.0	55.3	13.9%
<i>as a % of total sales</i>	<i>5.8%</i>	<i>5.1%</i>	<i>3.1%</i>			<i>4.2%</i>	<i>4.1%</i>	
Total Revenue	638.0	585.0	845.5	9.1%	-24.5%	1483.5	1355.8	9.4%
Segmental Margins (PBIT)								
EMP & PAC	5.0%	5.4%	1.6%	(39)Bps	337 Bps	3.4%	5.3%	(182)Bps
Cooling Products	6.9%	4.8%	14.6%	209 Bps	(767)Bps	12.3%	8.9%	337 Bps
PE & IS	23.8%	25.5%	16.3%	(177)Bps	741 Bps	20.7%	23.8%	(309)Bps

Source: Company Data, Microsec Research. All data in INR crores unless specified.

Sedate quarterly numbers- EMP & PAC segment continues underperforming YoY due to the lower billing volume of new orders and delayed closing of legacy orders-

Electro-mechanical projects and packaged air-conditioning systems (EMP & PAC) segment, which contributed 62% to the total revenue in Q2FY15, increased by 2.5% on YoY basis, with the segment results (PBIT) falling by 4.9% on lower billing volume. The company has reported a 39 Bps decline of EBIT margin to 5% Vs 5.4% margin in the year ago quarter. Management expects that the closure of legacy order would take at least two more quarters to complete, therefore over the next two quarters we could see a margin of 4-5% for the EMP vertical.

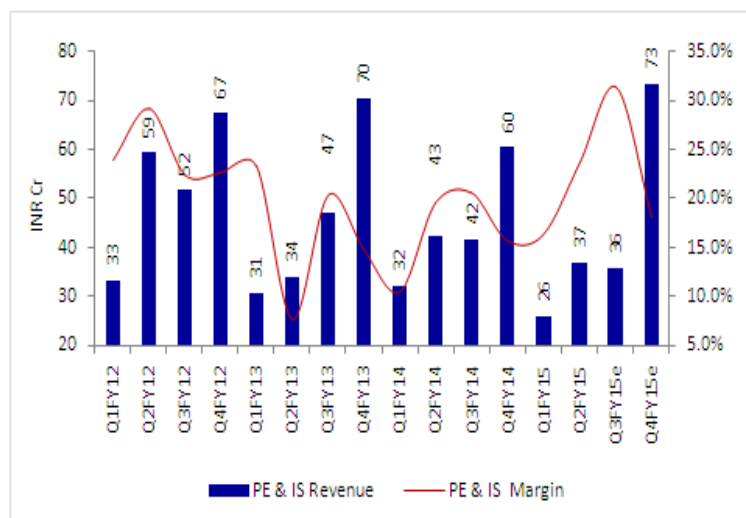
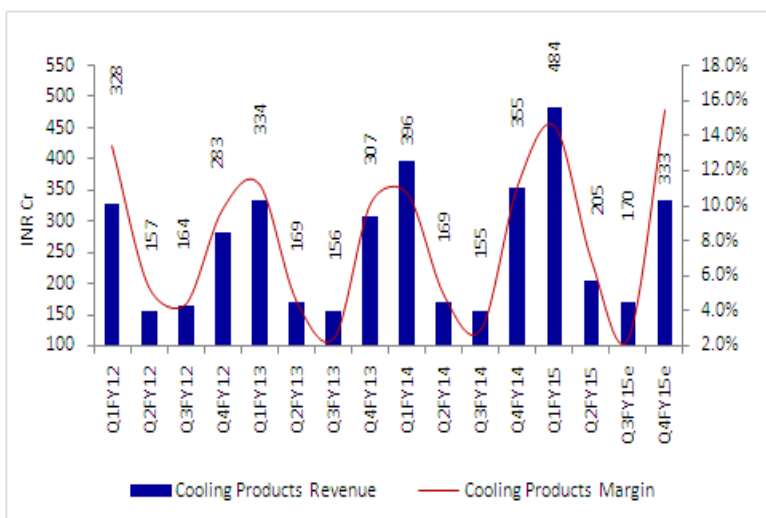
The total carry forward order book (CFOB) was INR1572 crore, out of which INR1410 crore was the order book of EMP & PAC segment (90% of the total carry forward order book). While builder-led offices and commercial market accounted for ~57% of the total CFOB worth INR896 crore, infrastructure and industrial contributed ~23% and ~20% was hotels and hospital projects. The total order inflow (no. of orders taken by the company) for Q2 FY15 in EMP & PAC segment was INR316 crore as compared to INR684 crore in FY13, contracted by ~54% YoY primarily due to delayed finalization of certain large orders in H1FY15. The order inflow in Q2FY14 was INR558 crore, down by ~37.3% YoY and up by ~33.5% QoQ. Out of the INR1492 crore CFOB, INR125 crore order book is of no/low margin orders and the remaining is at double digit site level margin of 11-12% and operating margin of 6 - 6.5%. Management has indicated that, the company continues to be selective in terms of order booking and they are not chasing orders in certain verticals till its weed out prevailing jobs.



Cooling products- The segment's top-line grew by 21.4% YoY to INR 205cr, fueled by an extended summer coupled with stable foreign exchange and commodity prices resulted in enhanced profitability-

Cooling product segment, which contributed 32% to the total revenue in Q2FY15, increased by 21.4% on YoY basis on the enhanced sales of room air conditioners and refrigeration products, with the segment results (PBIT) increased by 73.9% on an extended summer coupled with stable foreign exchange and commodity prices. The company has reported a ~209 Bps improvement of EBIT margin to 6.9% Vs 4.8% margin in the year ago quarter. We believe that the strong run rate of the segment to continue in the near future and sustainable margin of this segment would be 9.5-10%. Key growth drivers for the segments are (a) Residential segment as well as the light commercial segments (b) room air conditioners business of the Company – The segment did remarkably well during the quarter registering a healthy growth of 35% in value over the same period in the previous year thereby increasing its market share 8% (c) The chest freezer business performed well due to an extended summer and inconsistent monsoons.

PE & IS Segment- The segment's top-line grew by 24.5% YoY to INR 37cr and segment PBIT increased by 15.95 to INR 8.8 Cr- PE & IS segment, which contributed 6% to the total revenue in Q2FY15, increased by 24.5% on YoY basis, with the segment results (PBIT) increased by 15.9%. The company has reported a 177 Bps decline of EBIT margin to 23.8% Vs 25.5% margin in the year ago quarter.



Uptick in EMP cycle to start in FY16e with stable government leading to revival in economy-

As mentioned in the annual report 2012-13, Blue Star's growth and financial performance in the last 10 years has mirrored the national and global trends. These 10 years can be split into 2 distinct 5-year periods: the boom from 2002-03 to 2007-08 followed by the slump from 2007-08 to 2012-13. This trend was also seen in its EMP segment, which recently got converted from a HVAC player in FY2008 after it acquired "D S Gupta firm" for plumbing and electrical capabilities. We believe that after a witnessing a down-cycle in FY08-13, EMP market is expected to commence a new up – cycle FY16e onwards, where according to the management the estimated EMP market is seen 2.5x larger. We think Blue star whose ~70% of the order book comes from commercial market, which is primarily office buildings followed by hospitals and IT, and rest from Infrastructure and residential is well placed to benefit from the revival in economy.

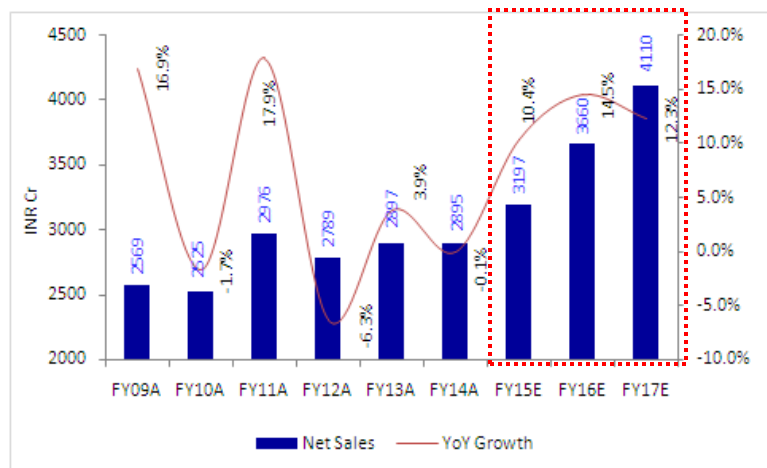
IT/ITes sector to continue driving demand for EMP & PAC segment in future: Rupee depreciation – Still "A boon in disguise" for Indian realtors as foreign companies hunt for land/property in India-

IT/ITes sector has always been a healthy contributor in EMP & PAC segment. With 60% revenue coming from commercial market, we believe IT/ITes has much scope to increase its share in the 60% pie. IT MNCs are looking for property across India as they expand their offices and going for bulk hiring. This has been witnessed in cities like Hyderabad, Bangalore with a demand of over 200000-700000sqft by leading MNCs like Amazon, Oracle, CISCO, etc. We think that this is a big opportunity for companies like Blue star, who is major player in MEP with other players like Voltas, Sterling & Wilson who dominate this segment with ~80% market share. Also, we believe that rupee depreciation still remains "A boon in disguise" for Indian realtors as foreign companies hunt for land/property in India. Rupee depreciation makes sense for them to set up manufacturing units or rather procure land/property in India. Thus, this is expected to help Blue star in a big way.

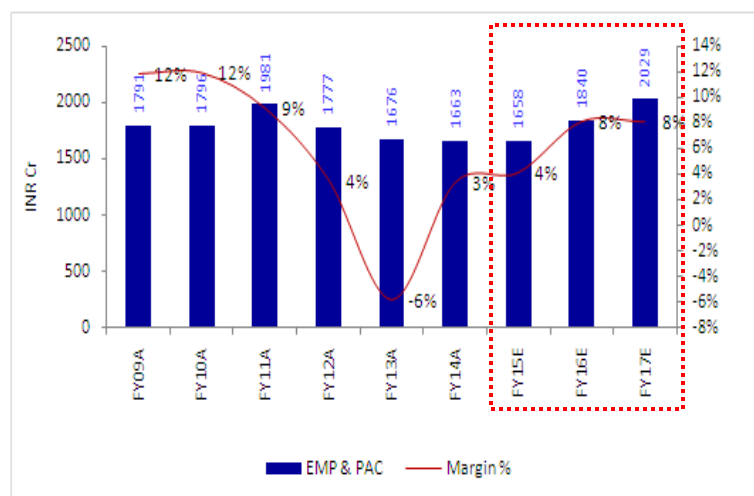
Focus on product Exports mainly in Middle East, North Africa and SAARC markets-

The Company has been making efforts on enhancing its product exports. Currently, the main focus of product exports is on the Middle East, North Africa and SAARC markets. The reason is the revival in commercial construction, return of private investment, growing consumer awareness on energy efficiencies in the Middle East. The company is also making steady progress in developing the market in North Africa and is in discussion with possible distributors mainly from South Sudan, Tanzania, Nigeria, Kenya and Ghana. In addition, the company is making inroads in SAARC countries and tied up with distributors in Sri Lanka, Bangladesh, Nepal, Vietnam, Maldives and Bhutan.

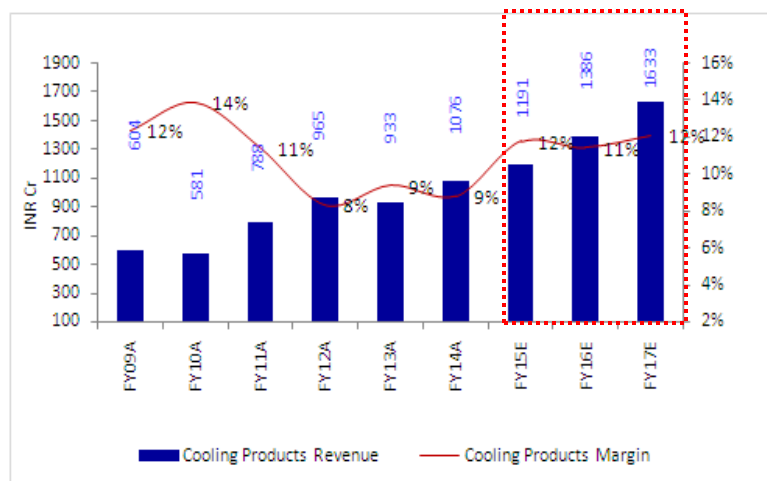
Key Financials



Growth in revenue to improve over FY14-FY17e-The growth in revenue in last 5 years has been quite disappointing. It has been growing at a CAGR of 2.4% in last 5 years and at a CAGR of -0.9% in last 3 years. Hence, with higher growth expected across the major segments like EMP & PAC and cooling products, we expect top-line to grow at CAGR of 12.4% over FY14-FY17e. With gradual recovery in investment climate and improved liquidity in the industry, the company is poised to receive higher orders and execute the CFOB faster. Also, with its new product launches and spreading its presence in tier2 and 3 cities to improve the cooling products top-line growth.

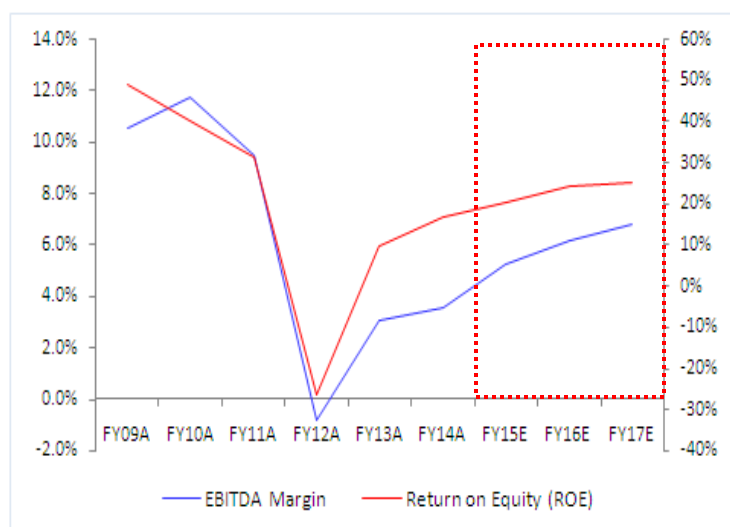
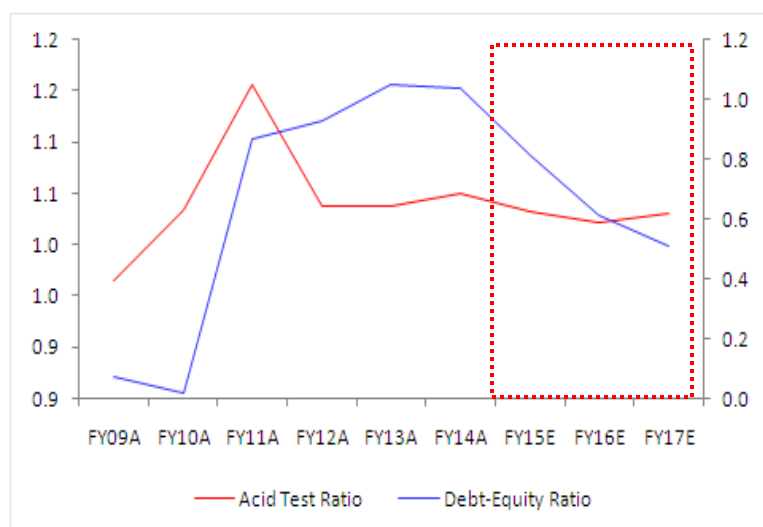
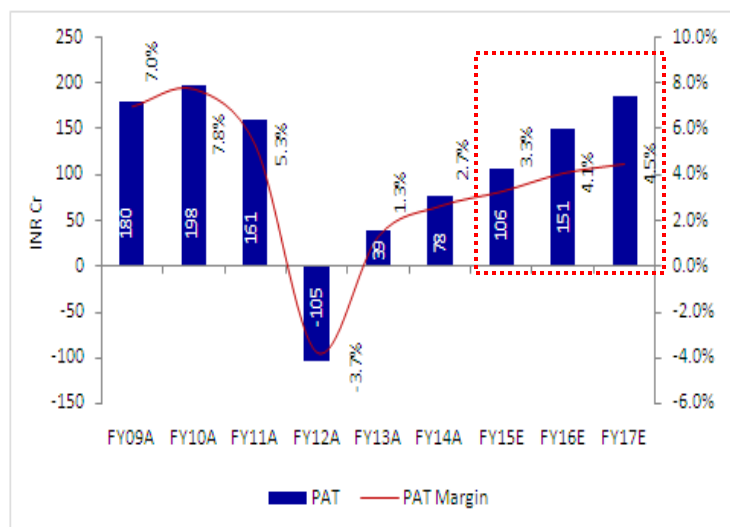
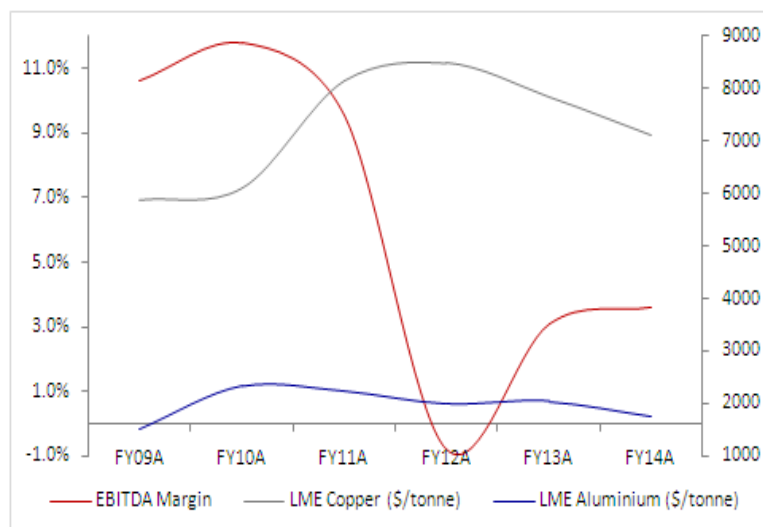
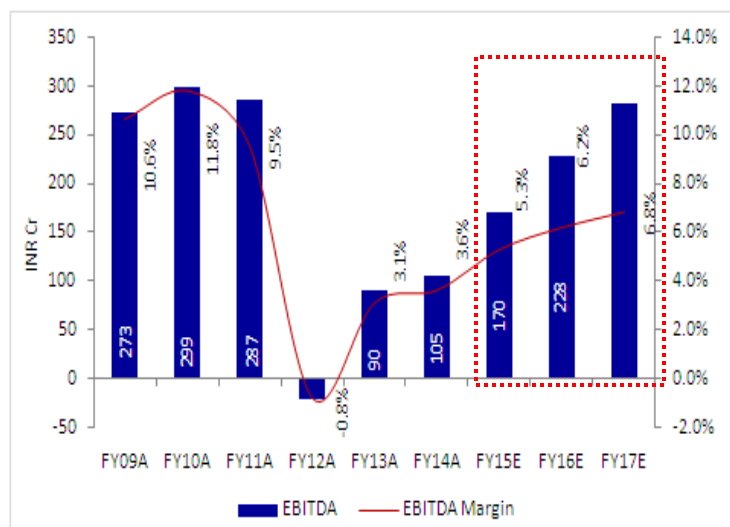
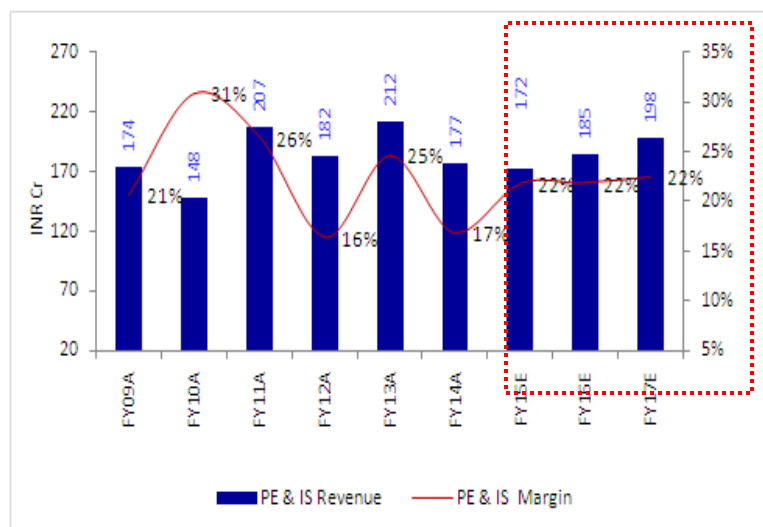


Reversal of macro headwinds to support growth for EMP & PAC segment-The EMP & PAC division of Blue Star contributed ~55% of total revenues in FY2014. The company witnessed renewed demand from metro rail, hospitality, residential, healthcare and mixed-use development projects during H1 FY15. The order enquiry in H1 FY15 for the division was healthy witnessing ~25% yoy increase. We believe that after a witnessing a down-cycle in FY08-13, EMP market is expected to commence a new up – cycle FY16e onwards, where according to the management the estimated EMP market is seen 2.5x larger. We think Blue star whose ~70% of the order book comes from commercial market, which is primarily office buildings followed by hospitals and IT, and rest from Infrastructure and residential is well placed to benefit from the revival in economy.



Cooling product segment to drive revenue in the near term-The cooling product division of Blue Star contributed ~37% of total revenues in FY2014. Cooling product vertical is likely to post an improving numbers on the back of the high growth potential of the RAC segment which is growing faster than the overall RAC market and incremental demand in the commercial refrigeration products business. We expect segment revenue to grow at CAGR of 14.95% over FY14-FY17e.

EBITDA Margin to expand going forward-The EBITDA margin improved from -0.8% in FY12 to ~3.6% in FY14 due to higher contribution from almost all the segments. EMP & PAC segment which posted negative margins due to huge portion of its order book consisting no/low margin orders started improving by taking new high margin orders and closing the old orders gradually. Now, with just INR 125 crore old orders left and rest having high margin, we believe the margins to improve.



Peer Comparison

Particulars	CMP	Mcap	TTM EBITDA Margin	TTM PAT Margin	TTM EPS	TTM M P/E	FY 15E P/E	FY 16E P/E	TTM EV/EBITDA	FY 15E EV/EBITDA	FY 16E EV/EBITDA	Latest P/BV	FY 15E P/BV	FY 16E P/BV	Latest ROE	FY 15E ROE	FY 16E ROE
Voltas Ltd	273	9028	7.3%	6.1%	9.8	27.9	29.4	22.5	23.1	21.4	15.9	4.6	4.4	3.9	16.3%	15.6%	17.9%
Whirlpool Of India Ltd.	621	7884	9.6%	6.0%	14.2	43.7	36.7	27.2	25.7	21.7	15.9	9.5	8.3	6.4	25.5%	26.5%	25.4%
Blue Star Ltd.	348	3128	4.1%	3.0%	9.5	36.5	29.5	20.7	26.2	20.7	15.2	5.5	6.0	5.1	20.3%	24.4%	25.1%
Hitachi Home & Life Solutions	803	2184	7.9%	4.1%	19.5	41.2	26.8	21.6	21.0	13.2	15.3	7.5	7.0	5.4	18.2%	29.5%	28.0%

Source: Company data, Microsec Research. (All figures in INR Crores except % and per share data)

Valuation

At the CMP of INR 348 per share, WIL is quoting at 29.5x and 20.7x its FY15E and FY16E price earnings (P/E), respectively. Management expect a higher growth across the major segments like EMP & PAC and cooling products, we expect top-line to grow at CAGR of 12.4% over FY14-FY17e, with an EBITDA margin improving 167bps, 89bps, 64bps in FY15E, FY16E, FY17E, respectively, which will guide a PAT CAGR of 34.02%. With gradual recovery in investment climate and improved liquidity in the industry, the company is poised to receive higher orders and execute the CFOB faster. Also, with its new product launches and spreading its presence in tier2 and 3 cities to improve the cooling products topline growth. Also, ROE of 17% in FY14 is expected to improve to 25% in FY16E on higher earnings. **This accompanied with the above mentioned rationales has compelled us to assign a P/E multiple of 25.7x for FY16E and arrive at a target price of INR 432 per share; an upside of 24% from the CMP of INR 348 per share.**

Risks & Concerns

- The volatility in commodity prices which affects the consumption of raw materials in a big way, thus pulling down the margins.
- The slowdown in the sectors like Infrastructure, real estate, power, etc which leads to projects deferrals in the business, in return affecting the business volume.
- Other Financial risks relating to exchange rates, credit risks, interest rates and operating risks like change of technology, customer preferences, high input costs. To address these risks, the company has in place an effective risk management system which ensures that risks are periodically identified and acted upon by the designed risk owners.
- The uncertainty in the global scenario and its impact on the Indian markets is also an addition to the company's risk.

Note: Please find the recommendation history of the stock below the analyst sheet.

Income Statement
Figures in INR Cr

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	2976.1	2788.9	2897.0	2895.3	3197.3	3660.0	4110.0
<i>Growth (%) -YoY</i>	<i>17.9%</i>	<i>-6.3%</i>	<i>3.9%</i>	<i>-0.1%</i>	<i>10.4%</i>	<i>14.5%</i>	<i>12.3%</i>
Other Operating Income	32.14	31.55	27.05	19.55	22.63	26.6	30.0
Total Income	3008.2	2820.4	2924.0	2914.9	3220.0	3686.6	4140.0
<i>Growth (%) -YoY</i>	<i>18.6%</i>	<i>-6.2%</i>	<i>3.7%</i>	<i>-0.3%</i>	<i>10.5%</i>	<i>14.5%</i>	<i>12.3%</i>
TOTAL EXPENDITURE	2721.7	2842.6	2833.6	2809.6	3049.9	3459.0	3857.8
<i>as % of sales</i>	<i>90.5%</i>	<i>100.8%</i>	<i>96.9%</i>	<i>96.4%</i>	<i>94.7%</i>	<i>93.8%</i>	<i>93.2%</i>
EBITDA	286.6	-22.2	90.4	105.3	170.0	227.6	282.2
<i>EBITDA Margin (%)</i>	<i>9.53%</i>	<i>-0.79%</i>	<i>3.09%</i>	<i>3.61%</i>	<i>5.28%</i>	<i>6.17%</i>	<i>6.82%</i>
Other Income	1.6	22.6	36.5	63.0	46.7	50.7	51.7
Operating Profit	288.2	0.5	126.9	168.2	216.7	278.3	333.9
Depreciation	31.9	31.8	33.4	37.8	39.8	37.1	37.4
EBIT	256.3	-31.3	93.5	130.4	176.9	241.2	296.5
<i>EBIT Margin (%)</i>	<i>8.5%</i>	<i>-1.1%</i>	<i>3.2%</i>	<i>4.5%</i>	<i>5.5%</i>	<i>6.5%</i>	<i>7.2%</i>
Interest	25.6	72.1	52.8	54.2	50.4	52.6	55.5
PBT	230.7	-103.4	40.7	76.2	126.5	188.6	241.0
Exceptional items	0.4	0.0	0.0	0.0	0.0	0.0	0.0
PBT after exceptional items	231.1	-103.4	40.7	76.2	126.5	188.6	241.0
<i>PBT Margin (%)</i>	<i>7.7%</i>	<i>-3.7%</i>	<i>1.4%</i>	<i>2.6%</i>	<i>3.9%</i>	<i>5.1%</i>	<i>5.8%</i>
Tax	72.8	1.2	2.6	2.2	25.3	44.6	61.4
<i>Tax (%)</i>	<i>31.6%</i>	<i>-1.1%</i>	<i>6.3%</i>	<i>2.9%</i>	<i>20.0%</i>	<i>23.6%</i>	<i>25.5%</i>
PAT	158.3	-104.6	38.1	73.9	101.2	144.1	179.7
Share in profit of associates	2.66	-0.52	0.94	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated PAT	161.0	-105.1	39.1	73.9	106.2	151.1	186.7
<i>PAT Margin (%)</i>	<i>5.4%</i>	<i>-3.7%</i>	<i>1.3%</i>	<i>2.5%</i>	<i>3.3%</i>	<i>4.1%</i>	<i>4.5%</i>
Exceptional Items	0.4	0.0	0.0	-3.6	0	0	0
PAT (excl EI)	160.5	-105.1	39.1	77.5	106.2	151.1	186.7
<i>PAT Margin (%) (excl EI)</i>	<i>5.3%</i>	<i>-3.7%</i>	<i>1.3%</i>	<i>2.7%</i>	<i>3.3%</i>	<i>4.1%</i>	<i>4.5%</i>
<i>PAT Growth (%) - YoY</i>	<i>-18.7%</i>	<i>165.5%</i>	<i>137.2%</i>	<i>98.5%</i>	<i>36.9%</i>	<i>42.3%</i>	<i>23.6%</i>
Basic EPS	17.9	-11.7	4.3	8.2	11.8	16.8	20.8
Adjusted EPS excl exceptional items	17.8	-11.7	4.3	8.6	11.8	16.8	20.8

Source: Company data, Microsec Research, (All figures in INR Crores except % and per share data)

Segmental Revenue				Figures in INR Cr			
Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Segment Revenue							
EMP & PAC	1980.9	1776.6	1675.7	1662.7	1658.1	1839.5	2028.5
<i>as a % of total sales</i>	<i>66.6%</i>	<i>60.8%</i>	<i>59.4%</i>	<i>57.0%</i>	<i>54.9%</i>	<i>53.9%</i>	<i>52.6%</i>
<i>Growth</i>	<i>10.3%</i>	<i>-10.3%</i>	<i>-5.7%</i>	<i>-0.8%</i>	<i>-0.3%</i>	<i>10.9%</i>	<i>10.3%</i>
Cooling Products	788.4	965.2	932.6	1075.5	1190.9	1385.9	1633.4
<i>as a % of total sales</i>	<i>26.5%</i>	<i>33.0%</i>	<i>33.1%</i>	<i>36.9%</i>	<i>39.4%</i>	<i>40.6%</i>	<i>42.3%</i>
<i>Growth</i>	<i>35.7%</i>	<i>22.4%</i>	<i>-3.4%</i>	<i>15.3%</i>	<i>10.7%</i>	<i>16.4%</i>	<i>17.9%</i>
PE & IE	206.8	182.3	212.1	176.7	171.9	184.6	198.1
<i>as a % of total sales</i>	<i>6.9%</i>	<i>6.2%</i>	<i>7.5%</i>	<i>6.1%</i>	<i>5.7%</i>	<i>5.4%</i>	<i>5.1%</i>
<i>Growth</i>	<i>39.7%</i>	<i>-11.8%</i>	<i>16.4%</i>	<i>-16.7%</i>	<i>-2.7%</i>	<i>7.4%</i>	<i>7.3%</i>
Total segment revenue	2976.1	2924.0	2820.4	2914.9	3021.0	3410.0	3860.0
Segment Margin							
EMP & PAC	9.2%	3.6%	-5.9%	3.3%	4.1%	8.1%	8.1%
Cooling Products	11.4%	8.3%	9.4%	8.8%	11.8%	11.4%	12.1%
PE & IE	26.4%	16.4%	24.7%	16.9%	21.8%	21.9%	22.5%

Balance Sheet				Figures in INR Cr			
Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
SOURCES OF FUNDS							
Share Capital	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Reserves & Surplus	493.3	377.4	382.7	442.5	503.7	600.8	724.5
Shareholder's Funds	511.3	395.3	400.7	460.5	521.7	618.8	742.5
Total Debt	444.5	367.0	421.6	478.7	425.0	380.0	380.0
Total	955.8	762.4	822.3	957.2	946.7	998.8	1122.5
APPLICATION OF FUNDS							
Gross Block	376.5	417.6	469.2	500.0	530.0	562.0	594.0
(-) Accumulated Depreciation	182.5	210.6	241.9	227.1	266.9	304.0	341.5
Net block	194.0	207.0	227.4	272.9	263.1	258.0	252.5
Capital Working Progress	25.3	31.5	7.7	0.0	10.0	12.0	12.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	27.2	27.5	27.2	31.3	31.8	33.7	35.6
Net Deferred Taxation	0.7	0.2	0.4	1.4	-11.6	-4.6	-4.6
Fixed Assets & Investments	247.3	266.3	262.7	305.6	293.3	299.1	295.6
Inventories	498.2	446.7	509.8	583.3	609.0	665.5	768.2
Sundry Debtors	820.6	769.9	835.1	833.2	841.4	950.6	1081.6
Other Current assets	536.4	372.4	325.5	296.2	296.2	296.2	296.2
Cash & Bank balance	52.4	53.7	16.5	52.8	40.5	55.9	76.1
Loans & Advances	153.0	175.8	210.1	249.6	265.4	303.8	351.4
Total Current Assets, Loans & Advances	2060.7	1818.5	1897.1	2015.0	2052.4	2272.0	2573.4
Less: Total Current Liabilities & Provisions	1352.3	1322.4	1337.4	1363.4	1399.0	1572.3	1753.5
Net Current Assets	708.5	496.1	559.6	651.6	653.4	699.7	819.9
TOTAL	955.8	762.4	822.3	957.2	946.7	998.8	1122.5

Cash Flow Statement		INR Cr				
Particulars (INR in Crores)	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
A. Cash Flow From Operating Activities						
Net Profit Before Tax	-103.4	40.7	76.2	126.5	188.6	241.0
Depreciation	31.8	33.4	37.8	39.8	37.1	37.4
Provision for Doubtful debts	0.0	0.0	33.1	0.0	0.0	0.0
Bad debts written off	23.9	12.9	-25.5	0.0	0.0	0.0
Interest Expenses	72.1	52.8	54.2	50.4	52.6	55.5
Operating Profit before WC changes	36.7	137.8	154.2	216.7	278.3	333.9
(Increase)/Decrease in Inventories	51.5	-63.1	-73.5	-25.7	-56.4	102.8
(Increase)/Decrease in Sundry Debtors	10.1	-85.2	-26.4	-8.2	109.2	130.9
(Increase)/ Decrease in loans and advances	9.3	-3.2	-23.8	-15.8	-38.4	-47.6
(Increase)/ Decrease in Other Current assets	164.1	46.9	30.3	0.0	0.0	0.0
Increase/ (Decrease) in Current & Liabilities	12.8	23.0	24.6	35.6	173.2	181.3
Cash generated from operations	277.8	56.1	85.4	202.7	247.5	233.9
Direct taxes paid	33.7	29.9	18.8	25.3	44.6	61.4
Net Cash from Operating Activities	244.1	26.2	66.6	177.4	202.9	172.5
B. Cash Flow From Investing Activities						
Purchase of Fixed Assets	-53.6	-27.6	-39.9	-40.0	-34.0	-32.0
Interest Received	0.5	1.8	2.9	-0.5	-1.9	-1.9
Net Cash used in Investing Activities	-50.9	-19.7	11.2	-40.5	-35.9	-33.9
C. Cash Flow From Financing Activities						
Proceeds from long-term borrowings	30.4	-30.4	43.5	-53.7	-45.0	0.0
Proceeds / (Repayment) from short-Borrowings, net	-77.5	52.3	0.0	0.0	0.0	0.0
Interest Paid	-71.7	-53.7	-53.6	-50.4	-52.6	-55.5
Dividend Paid	-62.7	-10.6	-26.9	-45.0	-54.0	-63.0
Tax on dividend distribution	-10.2	-1.5	-4.6	0.0	0.0	0.0
Net Cash from/(Used) in financing activities	-191.7	-43.8	-41.6	149.1	151.5	118.5
Net (Increase)/Decrease in cash & cash equivalents	1.5	-37.2	36.2	-12.3	15.4	20.1
Cash & Cash Equivalents at beginning	52.2	53.8	16.5	52.8	40.5	55.9
Cash & Cash Equivalents at End	53.7	16.5	52.7	40.5	55.9	76.1

Source: Company data, Microsec Research, (All figures in INR Crores except % and per share data)

Financial Ratios

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Profitability Ratios							
Return on Assets (ROA)	7.8%	-5.8%	2.1%	3.8%	5.2%	6.6%	7.3%
Return on Capital Employed (ROCE)	16.8%	-13.8%	4.8%	7.7%	11.2%	15.1%	16.7%
Return on Equity (ROE)	31.4%	-26.6%	9.8%	16.8%	20.3%	24.4%	25.1%
Per Share							
Basic EPS	17.9	-11.7	4.3	8.2	11.8	16.8	20.8
Adjusted EPS excl Exceptional Items	17.8	-11.7	4.3	8.6	11.8	16.8	20.8
Dividend Per share	7.0	1.0	3.0	4.0	5.0	6.0	7.0
Cash Earnings Per Share	21.4	-8.2	8.1	12.8	16.2	20.9	24.9
BVPS	56.8	44.0	44.5	51.2	58.0	68.8	82.5
Valuation Parameters							
P/E (x)	20.8	-16.1	36.3	23.4	29.5	20.7	16.8
Adjusted P/E(x) excl Exceptional Items	20.8	-16.1	36.3	23.4	29.5	20.7	16.8
P/CEPS(x)	17.4	-23.1	19.6	15.7	21.4	16.6	14.0
P/BV(x)	6.5	4.3	3.5	3.9	6.0	5.1	4.2
Market Cap/Sales(x)	1.1	0.6	0.5	0.6	1.0	0.9	0.8
EV/EBITDA(x)	13.0	-90.6	20.2	21.3	20.7	15.2	12.2
Liquidity Ratios							
Current Ratio	1.5	1.4	1.4	1.5	1.5	1.4	1.5
Acid Test Ratio	1.2	1.0	1.0	1.1	1.0	1.0	1.0
Debt-Equity Ratio	0.9	0.9	1.1	1.0	0.8	0.6	0.5
Efficiency Ratios (%)							
Asset turnover Ratio	0.1	-0.1	0.0	0.0	0.0	0.1	0.1
Working Capital Turnover Ratio	0.2	-0.2	0.1	0.1	0.2	0.2	0.2
Inventory Turnover Ratio	0.3	-0.2	0.1	0.1	0.2	0.2	0.2
Margin Ratios (%)							
EBITDA Margin	9.5%	-0.8%	3.1%	3.6%	5.3%	6.2%	6.8%
EBIT Margin	8.5%	-1.1%	3.2%	4.5%	5.5%	6.5%	7.2%
PBT Margin	7.7%	-3.7%	1.4%	2.6%	3.9%	5.1%	5.8%
Net Profit Margin	5.3%	-3.7%	1.3%	2.7%	3.3%	4.1%	4.5%

Source: Company data, Microsec Research, (All figures in INR Crores except % and per share data)

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Recommendation History

Report Type	Recommended date	CMP	Target Price	Total return generated	Report Links
ICR	9th Feb'12	183	230	26%	http://www.microsec.in/Static/Pdf/BSL148.pdf
Q2FY14 Result Update	9th Dec'13	165	220	33%	http://www.microsec.in/Static/Pdf/Blue%20star%20update
Q3FY14 Result Update	30th jan'14	142	220	57%	http://www.microsec.in/Static/Pdf/Blue%20Star%20%20Q3FY14%2
Q4FY14 & FY14 Result Update	12th june'14	306	410	34%	http://www.microsec.in/Static/Pdf/Blue%20star%20Ltd%20Q4FY14%20&%20FY14%20Ana

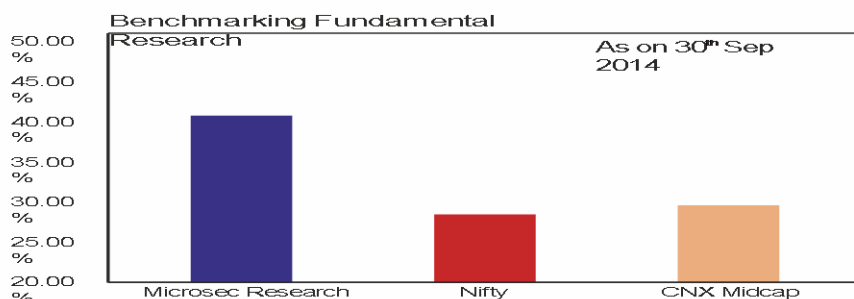
Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

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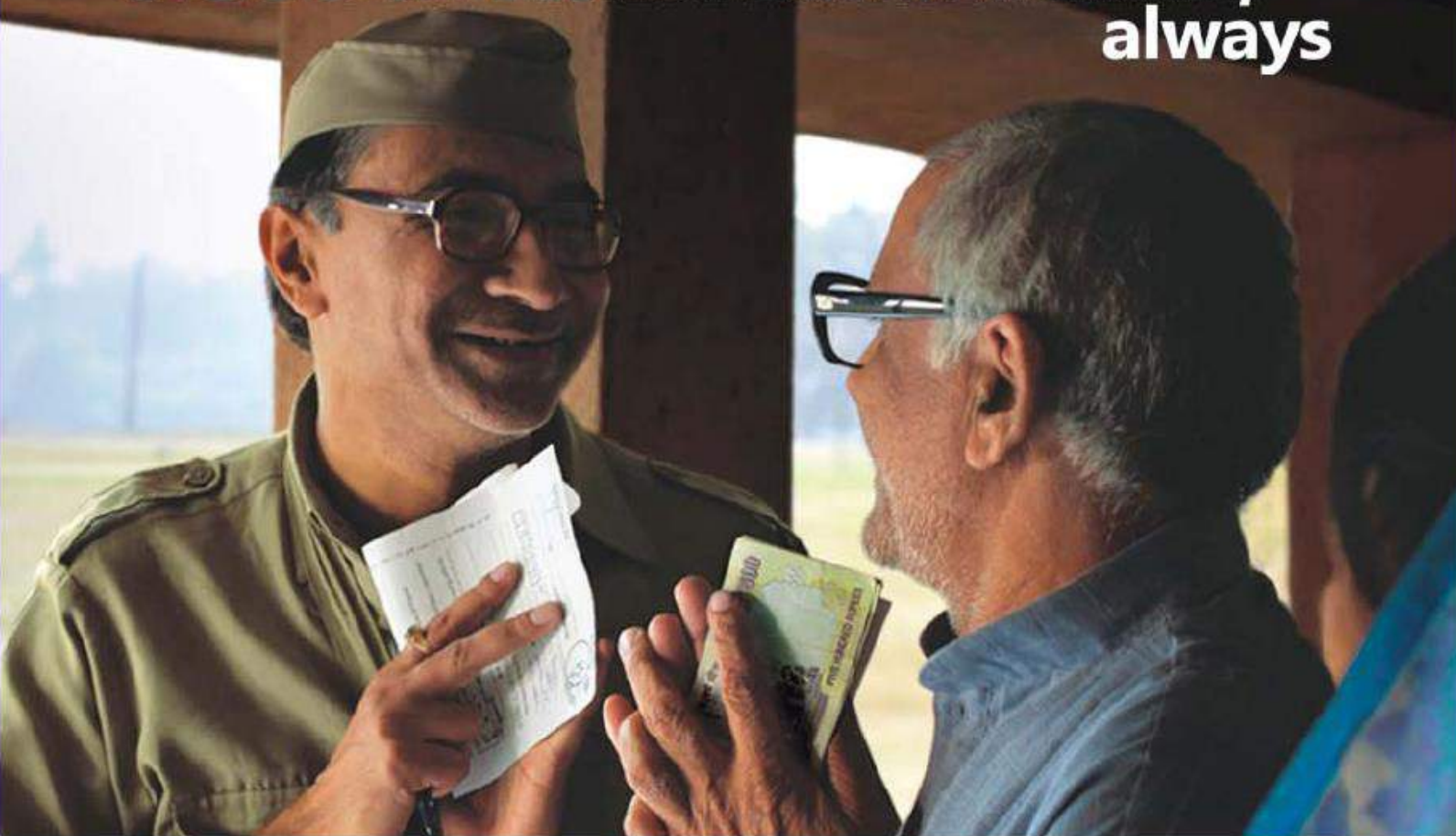
An amount of ₹ 1,00,000 invested individually in all 306 stocks i.e., ₹ 3,06,00,000 investment as on 30th Sep 2014 and when recommended has appreciated to ₹ 4,11,84,135 giving a return of 34.6 percent. On the same basis Nifty has given a return of 13.4 percent and CNXMID CAP has given a return of 15.4 percent.

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