



India Equities
Airconditioning

Initiating Coverage

Blue Star Limited

BUY

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CMP **Rs 350**
Target Price **Rs 423**

Investment horizon 12 months
Sensex 16,264
Nifty 4,830

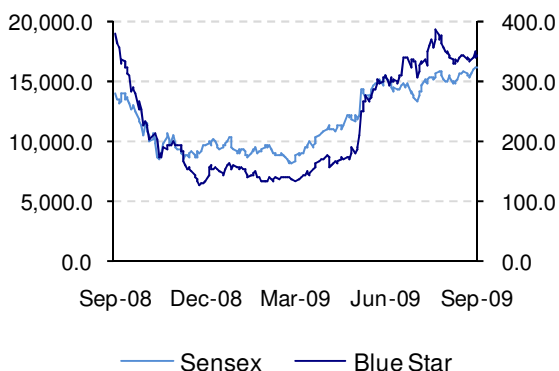
Stock Details

BSE Code 500067
NSE Code BLUESTARCO
Reuters Code BLUS.BO
Bloomberg Code BLSTR IN
Market Cap (Rs cr) 3,146.5
Beta 0.58
52 W High / Low (Rs) 407.9 / 122.0
Avg Daily Volume 18,481
Face Value (Rs) 2.00

Shareholding Pattern (%)

Promoters 40.15
MF/Banks/Indian FIs 7.29
FII / NRIs / OCBs 17.00
Indian Public 35.56

Price Chart



Investment Rationale

Growth in order book with focus on emerging sectors: The economic scenario is showing signs of improvement and sectors like power, infrastructure, healthcare, hospitality, telecom etc. are attracting investments, both, from the private sector as well as the government. Blue Star's focus on these emerging sectors is helping the company in reviving its order book growth, which is mainly dependent on sectoral investments. The company is increasingly diversifying its order book portfolio and concentrating on adding more government funded projects or projects under the public-private partnership model. This is because in the current slowdown many of the companies are putting their expansion projects on hold. Thus, focus on public funded projects involving lower risk would increase the revenues, going forward. Also with its wide presence across India and focus on emerging sectors, we expect the company to increase its revenues and sustain its profit margins.

Focus and specialization in Indian market to pay off: Blue Star has always maintained its focus on expanding its reach and improving its market share in the domestic market. It is one of the few players that continued to concentrate on the Indian market even when the infrastructure sector was booming in regions like the Middle East. This strategy, though cautious and conservative, is paying off in the current slowdown. While other regions are still seeing slow recovery, the Indian markets continue to remain promising. In fact, many companies are turning their focus back to the Indian market due to its potential for growth in sectors like airports, power, telecom etc. on account of government measures towards infrastructure development.

Valuation: We have used Relative Valuation based on average of EV/EBIDTA and Price/Earnings (P/E) ratios. The stock is currently trading at EV/EBIDTA of 11.7x FY2010E earnings and P/E of 16.3x FY2010E earnings. Considering the growth potential across the industry and the company's focus on expanding its share in the Indian market, **we recommend a Buy on the stock with a Target Price of Rs 423.**

Exhibit 1: Financial Summary

Particulars	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Net Sales (Rs cr)	2,221.6	2,552.3	2,652.5	2,965.7	3,496.8
Total Income (Rs cr)	2,270.1	2,574.0	2,682.4	3,002.5	3,544.1
PAT (Rs cr)	174.1	180.3	193.2	222.6	266.3
PAT Margin (%)	7.8	7.1	7.3	7.5	7.6
EBIDTA Margin (%)	10.0	10.0	10.1	10.1	10.0
EPS (Rs)	19.4	20.1	21.5	24.8	29.6
P/E (x)	21.5	7.7	16.3	14.1	11.8
P/BV (x)	12.4	3.6	6.4	5.1	4.0
RoE (%)	66.1	49.1	39.8	35.8	33.9
RoCE (%)	82.6	64.4	54.7	48.8	46.0
EV/EBIDTA (x)	16.9	5.5	11.8	10.5	9.0
EV/Sales (x)	1.7	0.6	1.2	1.1	0.9

Source: Company data, Parsoli Research



Blue Star's order book has revived on the back of company's focus on infrastructure-related projects

The company has adopted the strategy of focusing on government and PPP projects which entail lower risk and are attracting investments even during the slowdown

The company has bagged a number of projects related to Commonwealth Games 2010 for airports, hotels and convention centres

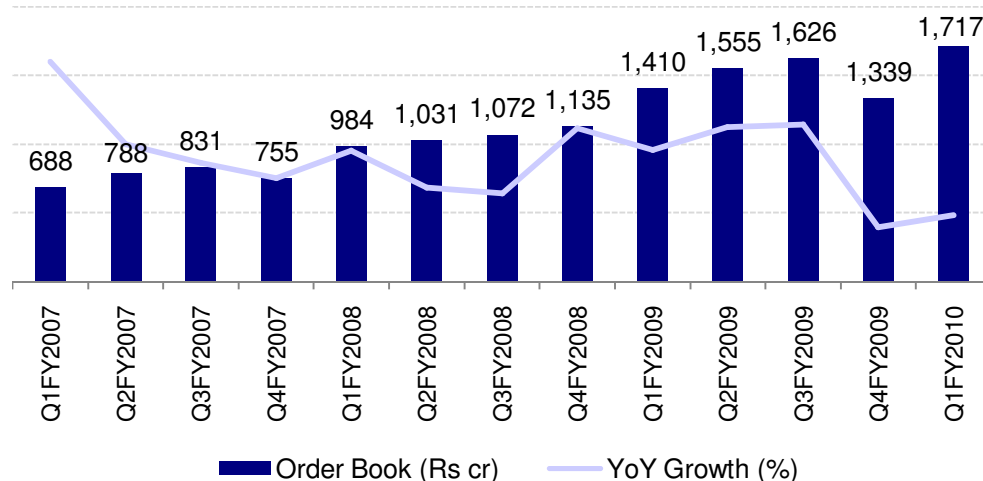
Investment drivers

Growth in order book despite slowdown

Since FY2007, the company had consistent growth in its order book size with at least a minimum rate of around 30.0%. However, with the economic slowdown setting in, the company saw a fall in Q4FY2009 when the order book declined for the first time since Q4FY2007. This was primarily attributed to the fact that most of the companies faced liquidity crunch rendering delay in major investments, thus, affecting Blue Star's project execution. Though the company has not seen any major project cancellations, it is feeling the adverse impact of project delays. However, with the growth in order book of 21.8% yoy for Q1FY2010, the company's order book has slightly picked up and it has many infrastructure-related projects to be executed over the next few quarters. We expect Blue Star to show at least 15-18.0% yoy growth in its order book for the next three quarters in the current financial year. Since the company's growth primarily depends on the investments in the sector, we expect to see full revival in the order book growth by FY2011.

Exhibit 2: Order Book Growth

Rs cr



Source: Company data, Parsoli Research

Focus on government & PPP projects

Companies in the airconditioning sector have now turned their focus towards targeting government contracts with the weakening of private sector investments due to slowdown in major sectors like IT/ITeS, retail, realty etc. which were booming before the onset of slowdown. With the private players delaying investments in projects, Blue Star has been focusing on projects from government and under the PPP (Public Private Partnership) model. This is because government funded projects entail lower risk. In addition, there has been no slowdown in the government and PPP projects because of government's increased focus towards infrastructure development and the hosting of Commonwealth Games in 2010 in Delhi.

If we see the company's order book composition as of March 31st, 2009, the company had 26.0% of its projects under government contracts. These include projects in sectors like power, airports, agriculture, metro etc. The company is working on various projects which are related to Commonwealth Games 2010 like those in the airport sector where Blue Star has already bagged 13 airport orders which include Aurangabad, Ahmedabad, Trivandrum, Mangalore, Nagpur, Jaipur, Amritsar, Khajuraho, Varanasi, Madurai, Dehradun, Pune and Raipur, together valued at more than Rs 90cr. According to the management, Blue Star expects

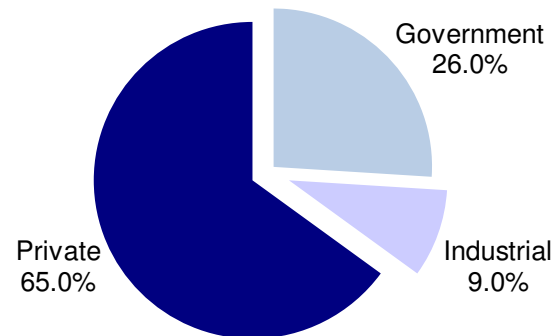
The company's order book draws a major share of its revenues from the private sector followed by government and industrial sectors

Blue Star's order book composition for the private sector is largely dominated by IT and Banks & Insurance sector

revenues of about Rs 450.0cr from all the projects related to Commonwealth Games including airports, hotels and convention centres. Of this, the company has already booked orders worth Rs 330.0cr and expects another Rs 120.0cr worth of contracts in the current financial year. However, a major contribution to the order book still comes from the private sector with 65.0% share from sectors like IT/ITeS, telecom, education, healthcare, hotels, retail etc. The remaining 9.0% is from sectors like engineering, electronics hardware and pharma.

Exhibit 3: Order book Composition

%



Source: Company data, Parsoli Research

Exhibit 4: Order book Segmentation

%

Sector	Share in Order book
PSUs	9.0
Metro	7.0
Power	5.0
Agriculture	3.0
Airport	2.0
Government	26.0
Engineering	6.0
Electronics Hardware	2.0
Pharma	1.0
Industrial	9.0
IT/ITeS	15.0
Offices- Banks & Insurance	14.0
Small offices, shops, boutiques, restaurants and residential	10.0
Malls & Retail	7.0
Telecom	5.0
Hotel	5.0
Healthcare	5.0
Education	2.0
FMCG	2.0
Private	65.0

Source: Company data, Parsoli Research



Blue Star

BUY

Blue Star is exploring new opportunities in sectors like telecom, power, healthcare, hotel, education, metro and airports

The acquisition of Naseer Electricals has made Blue Star an integrated service provider of MEP and HVAC services

The company is the Indian market leader in Central airconditioning, Packaged airconditioning and Cold storage segments

Blue Star has diversified its operations and the company sees opportunity in sectors like telecom, power, healthcare, hotel, education, metro and airports. The sectors which are currently not performing well include IT/ITeS, retail and real estate. Though these sectors still contribute a large portion of the order book, the company is experiencing sluggish activity in these sectors and expects this to continue for another one year before signs of recovery can be seen.

Integrated MEP service provider with acquisition of Naseer Electricals

Blue Star's acquisition of Naseer Electricals, a leading electrical contracting company in South India, led the company to venture into electrical contracting business. With the acquisition, Blue Star extended its scope of services to include mechanical, electrical & plumbing (MEP) projects for commercial building and infrastructure segments. The company had recorded a turnover of Rs 107.0cr in FY2007 and the business has been growing at over 40.0%. According to the management, this business, which is now part of the company's Electro mechanical projects & packaged airconditioning systems, is expected to continue to record a growth rate of 30.0% per annum for the next 3-4 years. This acquisition has helped Blue Star in cross-selling its services to existing Heating, ventilating and air conditioning (HVAC) customers and rolling out these operations across India.

Competitive advantage owing to market leadership

Blue Star has maintained a concentrated and steady pace in expanding the business. The company, due to its sheer focus on product innovation and market presence, has become a market leader across most of its business segments.

Exhibit 5: Blue Star Market Share

Segment	Market Share	Position	Nearest competitor
Central Airconditioning	28-30%	Market leader	Voltas
Packaged Airconditioning	28-30%	Market leader	Carrier
Cold Storage	20%	Market leader	-
Room Airconditioning	7-8%	-	-

Source: Company data, Parsoli Research

In the central airconditioning and packaged airconditioning segments, the company is a market leader with share of about 28-30% with the nearest competitors as Voltas and Carrier, respectively. Blue Star has maintained its market leadership in this segment due to its focus on targeting majorly the domestic market and not diversifying by targeting the Middle East region, which till some time back, was booming with real estate activity. This strategy, though conservative, is paying off the company in these tough times wherein the company is not dependent on the foreign markets for its revenues, specially the Middle East where the real estate sector has been heavily hit owing to the economic slowdown in the region. In the domestic market, due to its expertise and experience, Blue Star continues to maintain its market leadership.



Blue Star has a network of 29 offices, 5 manufacturing facilities, 700 dealers and 2,600 employees across India

Company Overview

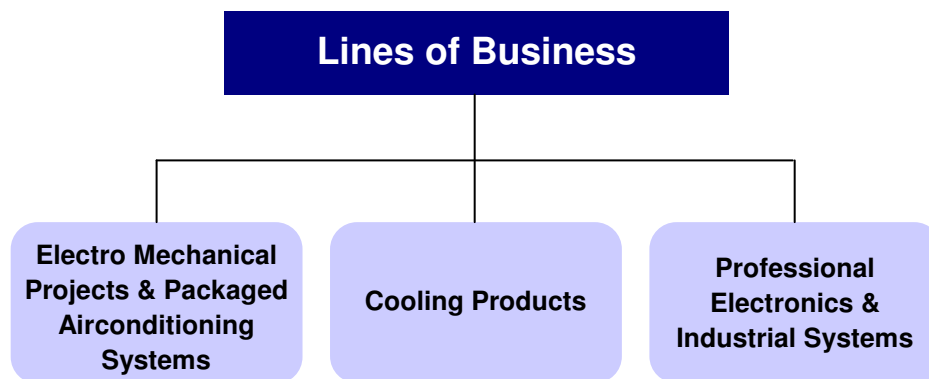
Founded in 1943 by Mohan T Advani, the company has transformed from a three member team engaged in reconditioning of airconditioners and refrigerators to being India's leading central airconditioning and commercial refrigeration company. Blue Star is an end-to-end solutions provider in the airconditioning and the commercial refrigeration segment, offering services as a manufacturer, contractor as well as an after-sales service provider. The company has a network of 29 offices, 5 modern manufacturing facilities, 700 dealers and 2,600 employees. The company offers specialized solutions to segments including infrastructure, healthcare, hotels, education, banks, builders, cinema and multiplexes, dairy, educational institutions, hospitals, hotels, industrial applications, IT/ITeS, malls, offices, pharma, government, restaurants, retail and telecom.

The company has five modern, state-of-the-art manufacturing facilities at Dadra, Thane, Bharuch, Himachal and Wada. The Dadra plant is the company's flagship plant manufacturing floor standing packaged airconditioners, ducted split airconditioners, VRF systems, precision control packaged airconditioners and telepacs for the telecom sector. The Thane plant is the company's oldest manufacturing facility that manufactures screw and scroll chillers; air handling units for central airconditioning applications and process chillers. The Bharuch plant manufactures refrigeration products including storage water coolers, deep freezers, cold storages, cooling and freezing units, PU sandwich panels, mortuary chambers and bulk milk coolers. The Himachal plant mainly manufactures window and split airconditioners for the domestic as well as international markets and the Wada plant, which is the most recent plant set up by the company, manufactures telepacs, air handling units and fan coil units.

Business Structure

The company's business structure comprises of three major segments

Exhibit 6: Business Structure



Source: Company data, Parsoli Research

Electro Mechanical Projects and Packaged Airconditioning Systems

The electro mechanical projects and packaged airconditioning systems segment offers a wide range of central & packaged airconditioners and cooling products for commercial usage

This segment comprises of the central airconditioning, packaged airconditioning, electrical contracting and plumbing & fire-fighting projects. The central and packaged airconditioning business involves designing, engineering, manufacturing, installation, commissioning and support of large central airconditioning plants, packaged airconditioners and ducted split airconditioners. The company offers products including screw chillers, scroll chillers, double skin air handling units, fan coil units and a variety of packaged airconditioners



With the acquisition of Naseer Electricals, the company has the opportunity to cross-sell electrical services to its existing customers

The cooling products segment offers window and split airconditioners and a wide range of refrigeration products

Under the professional electronics and industrial systems segment, the company has executed turnkey projects in telecom, healthcare, defence, pharmaceuticals, etc.

In addition, Blue Star has strengthened its brand presence in the central airconditioning segment by becoming India's first manufacturer of eco-friendly VRF (Variable Refrigerant Flow) Systems. VRF systems are now a preferred way of airconditioning premium installations around the world. These next generation intelligent and energy-efficient airconditioners have found increasing acceptance in evolved airconditioning markets such as Japan and Europe. Blue Star has been steadily gaining market share in this segment which was earlier dominated by imported Japanese brands. The company is the second largest player for the VRF systems in India and holds over 20.0% market share.

Under this segment, the company also provides after-sales service support to its customers under its Service Business. In addition to the regular services, the company also offers a variety of service products such as energy management audits and solutions, air management consultancy and services, water management services for cooling systems, product upgrades and retrofits, green building certification consultancy and associated services.

In 2008, Blue Star forayed into the electrical contracting business through the acquisition of the businesses of Naseer Electricals Private Limited which has provided it with an opportunity to cross-sell electrical services to the company's existing HVAC customers. The company executes building electrification contracting projects and offers expertise in the areas of electrical design and engineering, supply and installation of power systems along with liaisoning, approvals, commissioning and asset management. Blue Star has also extended its mechanical contracting offering to include plumbing and fire fighting projects. With this, the company has developed capabilities for executing integrated MEP (Mechanical, Electrical and Plumbing) projects. The acquisition of Naseer Electricals has helped the company in becoming a one-stop service provider as customers seek to employ a single service provider for their HVAC as well as MEP contracts

Cooling Products

Blue Star offers a wide range of contemporary window and split airconditioners, specifically targeted at corporate and commercial establishments. In the room airconditioner segment, the company focuses on the corporate, commercial and light commercial segments. There has been a market shift in preference for split airconditioners vis-à-vis window airconditioners as split airconditioners consume less power, have lower noise levels, are easy to maintain and the growing need for superior products has provided a tremendous boost for the business. The company also manufactures and markets a comprehensive range of commercial refrigeration products and services that cater to the industrial, commercial and hospitality sectors. These include water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers, ice cube machines, customized cold storages, bulk cold storages and supermarket refrigeration equipment.

Professional Electronics & Industrial Systems

Under this segment, the company has been the exclusive distributor in India for internationally renowned manufacturers of hi-tech professional electronic equipment and services, as well as industrial products and systems. Blue Star offers a range of products including analytical instruments, medical electronics, data communication products, material testing, and test and measuring instruments. Over the years, the company has changed its business model from being a distributor of leading global manufacturers to that of a system integrator and value added reseller, thereby moving up the value chain. The company executes several turnkey engineered projects in the areas of manufacturing, telecom, healthcare, defence, pharmaceuticals, banking and R&D.



The company's export revenues come from two streams, namely international projects and product exports

MEP involves the mechanical, electrical and plumbing design and HVAC involves ventilation and airconditioning facilities for buildings

The market for MEP and HVAC is expected to grow at a CAGR of 16.5% during FY2008-14 to reach Rs 12,500cr

Exports

Blue Star earns export revenues from two streams, namely, international projects and product exports. The company has a dedicated export team in Dubai to support the company's distributors in technical matters and to generate increased business for new products. The international projects require the company to undertake on-site installations under MEP and HVAC projects. Blue Star undertakes these international projects under a joint venture (JV) with Al Malki Group. Blue Star also exports a variety of its products to the Middle East including countries like Bahrain, Kuwait, Oman, Qatar and UAE. The range of products exported includes chillers, air handling and fan coil units, ductable packaged and ductable split airconditioners. The company also offers unitary products like window and split airconditioners, deep freezers, cold rooms, water coolers and specialised airconditioners for precision control applications, VRF systems with digital scroll technology and process chillers with frequency modulation.

Industry Overview

MEP and HVAC Market in India

With the rapid commercialization of available land in India by sectors such as retail, hospitality, healthcare, IT, etc., Mechanical, Electrical & Plumbing (MEP) contracts are emerging as attractive business opportunities. MEP involves mechanical, electrical and plumbing design for commercial establishments like hotels, hospitals, malls and other high rise buildings. Mechanical design requires design, manufacturing, installation, operation and maintenance of mechanical systems; electrical services include design of lighting system, power system, power distribution system and fire protection system and plumbing design services involves implementation of plumbing fixtures for the building.

Along with MEP, HVAC market has also seen expansion over the past few years due to rapid expansion in setting up of specialized commercial buildings and spaces. The sector got a demand push from real estate, retail and IT, pharma, healthcare and hospitality sectors as they boosted the demand for commercial spaces with proper ventilation so as to remove pollutants, stale odours and provide a healthy and comfortable living.

The market for MEP and HVAC are increasingly becoming interconnected and HVAC services are being bundled along with MEP contracts as customers now prefer to employ a single service provider for their HVAC as well as MEP contracts. The market size of this industry was valued at Rs 5,000cr in FY2008 and according to revised estimates by the company management, this market is expected to touch a size of Rs 12,500cr by FY2014, growing at a CAGR of 16.5%. In FY2008, around 10.0% of the total market comprised of HVAC orders which were bundled as MEP. Going forward, the market for HVAC orders bundled as MEP is expected to contribute 30.0% of the total market.



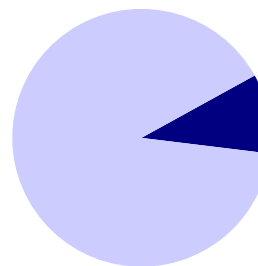
By FY2014, the market for HVAC orders bundled as MEP is expected to contribute 30.0% of the total market

Exhibit 7: MEP and HVAC - Market Size

FY2008

Total Market Size = Rs 5,000cr

Standalone HVAC orders
90.0%

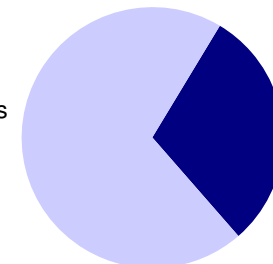


HVAC orders bundled as MEP
10.0%

FY2014E

Total Market Size = Rs 12,500cr

Standalone HVAC orders
70.0%



HVAC orders bundled as MEP
30.0%

Source: Company data, Parsoli Research

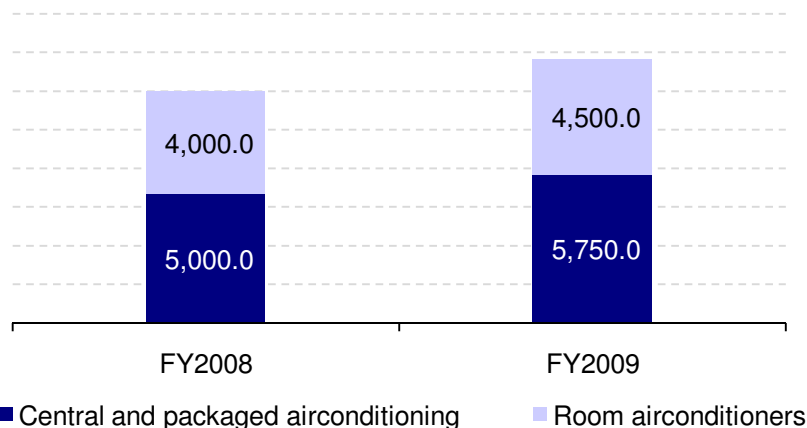
Airconditioning

The airconditioning market grew from Rs 9,000cr in FY2008 to Rs 10,250cr in FY2009, at a growth rate of 14% yoy

The total market size for airconditioning has grown from Rs 9,000.0cr in FY2008 to Rs 10,250.0cr in FY2009, showing a yoy growth of around 14.0%. Of the current market size, central and packaged airconditioning systems, which primarily caters to the commercial establishments, contributes 56.0% and the rest is contributed by room airconditioners which include window as well as split airconditioners.

Exhibit 8: Airconditioning Market - Growth

Rs cr



Source: Company data, Parsoli Research

Commercial Refrigeration

Commercial refrigeration segment is growing with rapid urbanization and the need to preserve perishable products for food processing

Commercial refrigeration is essential in today's society, to preserve and protect food. A variety of systems are currently being put to use in supermarkets, restaurants, fast food chains and cold storage shops. These include central refrigeration systems connected to food display cases, self-contained display cases and walk-in refrigerators and freezers.



The Ministry of Food Processing Industries targets to treble the size of food processing industry to Rs 13,50,000cr by FY2015

The market for commercial refrigeration equipment grew from Rs 1,800cr in FY2008 to Rs 2,000cr in FY2009, at a growth rate of 11.1% yoy

The commercial refrigeration equipment range includes freezers, ice-making machines, coolers, refrigerated display cabinets and cold storage facilities

India remains an agricultural economy with agriculture providing employment to 52.0% of the workforce and contributing to 18.0% of the country's GDP. According to Department of Agriculture, India is the second largest producer of fruits and vegetables in the world. It contributes to 10.0% of world's fruits production ranking next only to Brazil and 14.0% of world's vegetables production next only to China. The country produces about 50.0mn tonnes of fruits and 85.0mn tonnes of vegetables per year. But according to Central Institute of Post Harvest Engineering and Technology (CIPHET), around 25-40% of the total production of fruits goes waste due to lack of adequate storage capacity during post-harvest stages. It is, therefore, necessary to make them available for consumption throughout the year in processed or preserved form and to save the sizeable amount of losses. Accordingly, to keep pace with the need for storage of perishable produce so that there is no wastage and at the same time raw material supply to food processing industries is not adversely hit in the off-season, enhanced cold storage capacity is essential.

With surplus in food production, rapid urbanization, increased literacy, changing lifestyles coupled with growing middle class population and changing eating habits, there are apparent changes in demand patterns which are leading to an increase in demand for processed foods. The Ministry of Food Processing Industries aims at double the market size of the food processing industry to Rs 8,20,000cr by FY2010 and further treble it to Rs 13,50,000cr by FY2015. This again can be expected to give a major boost to the commercial refrigeration segment in India.

According to the company, the market for commercial refrigeration equipment and systems has grown from Rs 1,800cr in FY2008 to nearly Rs 2,000cr in FY2009 showing a growth of 11.1% yoy. The commercial refrigeration segment includes a wide range of products such as supermarket refrigeration equipment, water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers, ice cubers and cold storages.

Commercial Refrigeration Equipments

Commercial freezers

Changing lifestyles have resulted in the widespread use of frozen foods, which have in turn led to growth in demand for freezers. Growth in organized retail chains and supermarkets along with changing preference in dining, have together resulted in the increased consumption of frozen food products. This has resulted in a greater demand for freezers from the organized retail segment. These include:

Deep/Chest Freezers: These are the ones that are opened from the top. They can be used to keep food frozen for many months. These freezers are called deep freezers, when used for non-commercial purposes in home. For commercial use, they are known as Chest freezers and are used in food service businesses.

Upright Freezers: These freezers have sliding glass tops which gives the customer a view of what is inside. These are used in stores that have a large quantity of food on display, but not much variety. These are mostly used in modern retail outlets to store and display products for sale.

Other commercial refrigeration equipments include ice-making machines, coolers (include water and bottle coolers) and refrigerated display cabinets.



Cold storage facilities which are widely used in agriculture sector help in stabilizing market prices, especially for perishable commodities

The 11th five-year plan plans to increase total investment in infrastructure sector to 9.3% of GDP by FY2012

The boom in the urban public transport system through Metro rail provides an opportunity to Blue Star to offer its services in this segment

Cold Storage

Cold Storage is a special kind of room where temperature is kept very low with the help of machines and precision instruments. These are widely used in the agriculture sector (including horticulture and floriculture units), food processing units, pharmaceutical industries, seafood, dairy and hospitality sectors. They are used to preserve food and other perishable items such as flowers so as to retain their original color, taste and flavor for a long time. The cold storage facilities are the prime infrastructural component for such perishable commodities. These facilities help in stabilizing market prices as the consumers get the supply of perishable commodities with lower fluctuation of prices. Cold storage facilities are available in the form of cold rooms which are preservation chambers built according to specific dimensions and cooling specifications and are used across industries including dairy, pharma, seafood, hospitality, medicare, etc.

Growth opportunity across sectors

According to Planning Commission, the total investment in Infrastructure sector, which includes power, roads, railways, ports, airports, telecommunications, irrigation, drinking water, sanitation, storage, and warehousing, was around 5.4% of GDP in FY2007 and the 11th five-year plan (2007-2012) aims at increasing this to about 9.3% of GDP by FY2012. There is an estimated requirement of around US\$ 500bn for financing infrastructure projects during the 11th plan which is around 2.5 times more than the 10th Plan. Currently, infrastructure is on the key area list of the Indian government and is being planned to be developed in a big way over the next couple of years.

Metro Rail

The face of urban public transport system changed completely with the formation of Delhi Metro Rail Corporation with a mandate to build a metro system in the national capital. The construction for the same began in 1998 and under the Phase I of the plan, the system spreads across a network length of nearly 75.0km in April 2009. By October 2010 the metro plans to cover another 106.1km in view of the Commonwealth Games 2010.

Exhibit 9: Metro Rail Expansion Plan till 2010

Line	Length (km)	Number of Stations	Expected Completion
Indraprastha - Noida	15.1	11	October 2009
Yamuna Bank - Anand Vihar	6.2	5	December 2009
Inderlok - Mundka	18.5	16	March 2010
Central Secretariat - Gurgaon	27.0	19	June 2010
New Delhi - Airport	19.2	4	October 2010
Central Secretariat - Badarpur	20.2	15	September 2010
Total	106.1		

Source: DMRC, Parsoli Research



Blue Star has bagged 13 airport projects and there is further opportunity in this sector with the AAI's target for modernization of Indian airports

The 11th five-year plan aims to upgrade and modernize the 4 metro and 35 non-metro airports

Blue Star has already bagged 13 airport orders together valued at more than Rs 90.0cr

The large scale expansion planned on account of the Commonwealth Games 2010 poses a huge opportunity for the players in the airconditioning sector. The fact that Blue Star has already executed projects for Delhi Metro Rail Corporation (DMRC) puts the company in an advantageous position to win more projects in future along with the reason that only few players in the market hold the requisite experience to execute such projects.

Airports

The growth in the Indian airport infrastructure market is taking place on the back of industry drivers including India's emergence as a global business center, Commonwealth Games 2010 and the need to boost tourism. According to the Economic Survey 2009, the volume of air traffic increased sharply during 2004-07, with a near doubling of the number of domestic and international air passengers (combined). However, during 2008, this sector showed signs of slowdown due to steep rise in the cost of air turbine fuel (ATF) and the global economic slowdown. There was a 5.0% decline in the number of domestic passengers during 2008 as compared to 2007. However, the domestic cargo showed a growth of 14.6%. But going forward, according to Frost & Sullivan, a business research & consulting firm, the investment in Indian airport infrastructure market, especially in the Greenfield projects, is expected to almost increase two fold in the next five years with the planned investment in airport infrastructure estimated to be around US\$ 9bn by 2013.

Exhibit 10: Airport Development

Airport	Expected Completion
New Delhi & Mumbai	Phase I to be completed by March 2010
Kolkata & Chennai	FY2011

Modernization of 35 non-metro airports with priority on projects in the North-Eastern region

Source: Economic Survey 2009, Parsoli Research

The 11th five year plan aims to accelerate the programme launched in the last two years of the 10th plan to upgrade airports and related facilities. Under the 11th five year plan, New Delhi and Mumbai airports have been restructured and modernization and upgradation works are being carried out. The construction of first phase development works in Delhi is expected to be completed by March 2010 and the construction works for Mumbai airport which started in January 2007 are expected to be completed by March 2010. The modernization and upgradation of Kolkata and Chennai airports by the Airports Authority of India (AAI) is in progress and is expected to be completed by FY2011. The AAI is also upgrading and modernizing 35 non-metro airports with a priority on projects in the North-Eastern region.

The opportunity for Blue Star in this sector lies in the modernization of these 35 non-metro airports. The company has already bagged 13 airport orders which include Aurangabad, Ahmedabad, Trivandrum, Mangalore, Nagpur, Jaipur, Amritsar, Khajuraho, Varanasi, Madurai, Dehradun, Pune and Raipur, together valued at more than Rs 90.0cr.



The Indian airconditioning and refrigeration market is dominated by players like Blue Star, Thermax, Voltas, Carrier, LG, etc.

Blue Star is one of the key players in the Indian MEP/HVAC segment having grown revenues at a CAGR of 30.0% during FY2004-2009

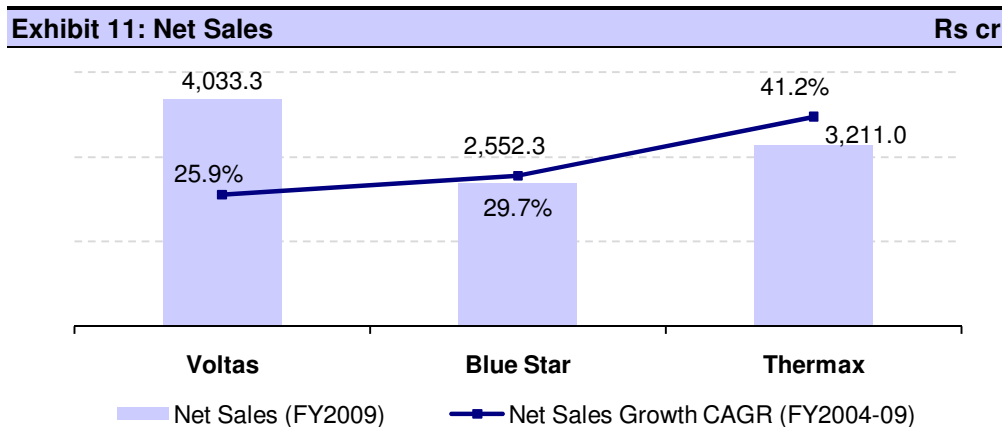
Blue Star has been able to cut down its operational expenditure, thus improving its profit margins

Peer Comparison

The Indian airconditioning and refrigeration sector has an immense growth potential as it stands largely under-penetrated. There exists high potential in the Indian market, both, in terms of consumer demand as well as industrial demand for airconditioning and refrigeration products and services. Companies are now focusing more on the Indian market which has been able to withstand the slowdown. According to Centre for Monitoring Indian Economy (CMIE), despite the slowdown, the economy is expected to register a GDP growth of around 6.0% in FY2010. Also, many sectors like metro, power, healthcare, hotel, pharma, education, telecom, etc. are still looking good in terms of investment and growth potential and many companies are undergoing expansion in these sectors.

The airconditioning and refrigeration market has been largely dominated by few players which include Blue Star, Thermax, Voltas, Carrier, LG, etc. Players such as Blue Star, Voltas and Carrier cater to both the retail customers as well as commercial establishments like buildings and offices for their airconditioning and refrigeration needs. LG is the only player that caters only to the consumer durables segment with products like airconditioners, refrigerators, washing machines, etc.

Sales



Source: Company data, Parsoli Research

With its focus on a conservative expansion strategy and concentration to expand operations primarily in the Indian market, Blue Star is one of the key players in this sector. The company has grown its revenues at a CAGR of around 30.0% during FY2004-2009. In addition, in terms of PAT margins, Blue Star has grown at a CAGR of 40.8%; one of the highest in the sector.

Cost and Profit Margins

Exhibit 12: Cost and Profit Margin Comparison, FY2009 %

	Voltas	Blue Star	Thermax
Operational Expenditure (% of Sales)	93.4	90.0	88.8
EBITDA Margin (%)	6.6	10.0	11.2
EBIT Margin (%)	8.4	9.9	13.1
PAT Margin (%)	6.3	7.1	8.95

Source: Company data, Parsoli Research



Despite slowdown, the company has been able to uphold its profit margins benefited through focus on emerging sectors and fall in commodity prices

Going forward, we expect Blue Star's net sales to increase to Rs 3,496.8cr by FY2012, growing at a CAGR of 11.1%

In FY2010, we expect the company to sustain its EBIDTA margin at around 10.1% and PAT margin at 7.0%

Blue Star has been able to cut down its operational expenditure from the level of 93.1% of sales in FY2007 to 90.0% in FY2009. The total expenditure as percentage of sales for its competitors stands at 93.4% for Voltas and 88.8% for Thermax.

In terms of profit margins, Blue Star has EBIDTA margin of 10.1% and PAT margin of 7.1%. In comparison, Thermax has the highest profit margins in the sector with EBIDTA margin at 11.2% and PAT margin at 8.9%. Voltas has the lowest profit margins among all the peers.

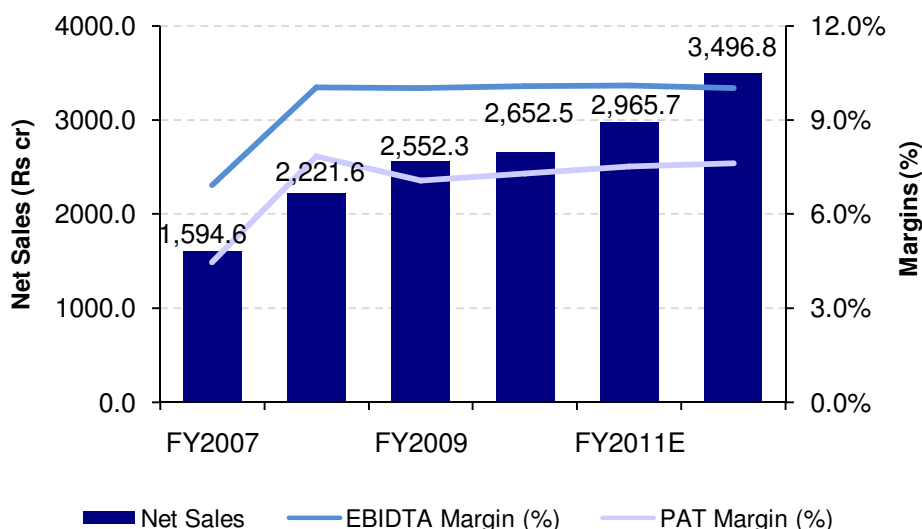
Blue Star has the highest returns in terms of ROCE (Return on Capital Employed) and ROE (Return on Equity) at 64.4% and 49.1%, respectively. The high ROCE is due to the company's efficiency to generate comparable profits even with a lower asset base. The high ROE is on account of the company's ability to generate higher profits from every unit of shareholders' equity.

Financial Performance

Margins expected to uphold with support from government projects

We expect Blue Star's net sales to increase from Rs 2,552.3cr in FY2009 to Rs 3,496.8cr in FY2012, increasing at a CAGR of 11.1% during the period. The EBIDTA margins are expected to sustain at around 10.1%. This is due to the fact that the company's revenues are getting impacted given the lack of investment activity in sectors like IT/ITeS, retail and realty. Though, in order to arrest the fall in revenues, the company is focusing on other sectors, still the situation is expected to improve only when the economic scenario improves. In addition, with the fall in commodity prices, which peaked in 2008, the company has benefited in terms of margins which is compensating for slower sales. The PAT margin is expected improve to 7.3% for FY2010 as compared to 7.1% in FY2009. Since the company plans to reduce its debt level, its interest payouts would also come down and further help in expanding the PAT margins.

Exhibit 13: Net Sales and Margin Expectations, FY2007-2012E



Source: Company data, Parsoli Research

**Blue Star****BUY**

The company is targeting to bring down its debt levels to zero

In Q1FY2010, the company saw 14.5% yoy decline in overall net sales

The decline in topline during Q1FY2010 was due to sluggish activity in sectors like IT/ITeS, retail, realty, etc.

Blue Star has been largely funding its expansion primarily through internal accruals. The company has reduced its debt from Rs 89.0cr in FY2007 to Rs 23.5cr in FY2009. The company's debt-equity ratio stood at .06 in FY2009. This has been beneficial during the current scenario when many of the companies are struggling with their interest payouts. Going forward, the management feels that the company has enough internal funds to support its expansion and plans to bring down the debt levels to zero.

Recent Quarter Update

Exhibit 14: Quarterly Analysis					Rs cr
Particulars	Q1FY2010	Q1FY2009	Q4FY2009	YoY (%)	QoQ (%)
Revenue	538.5	629.8	724.7	(14.5)	(25.7)
Other Income	1.7	2.7	2.3	(38.5)	(26.0)
Total Income	540.2	632.5	727.0	(14.6)	(25.7)
Total Expenditure	477.3	573.9	630.4	(16.8)	(24.3)
EBIDTA	61.2	56.0	94.3	9.4	(35.1)
<i>EBIDTA Margin (%)</i>	11.4	8.9	13.0	28.0	(12.6)
Depreciation	8.2	5.7	7.1	44.7	15.5
EBIT	54.7	53.0	89.5	3.2	(38.8)
Interest	0.4	2.0	1.9	(79.0)	(78.4)
Profit before Tax	54.3	51.0	87.5	6.4	(38.0)
Tax	13.1	14.6	20.8	(10.2)	(36.9)
Net Profit	41.2	36.4	66.7	13.1	(38.3)
<i>PAT Margin (%)</i>	7.6	5.8	9.2	-	-
EPS	4.6	4.1	7.4	-	-

Source: Company data, Parsoli Research

Company's topline impacted due to slowdown

Blue Star's Q1FY2010 revenues have been majorly impacted due to decline across all the company segments. The company saw 14.5% yoy decline in overall net sales at Rs 538.5cr in Q1FY2010 as compared to Rs 629.8cr in Q1FY2009. Across the business segments, Electro Mechanical Projects and Packaged Air-conditioning Systems recorded revenues of Rs 322.9cr, showing a yoy decline of 14.9%. The Cooling Products segment showed revenues of Rs 190.9cr in Q1FY2010 compared to Rs 215.9cr in Q1FY2009, with an 11.6% yoy decline. In Professional Electronics and Industrial Systems segment, company saw a 28.5% yoy decline in net sales at Rs 24.7cr in Q1FY2010. The decline in topline of the company was due to the continued impact of slowdown which has affected demand across all the sectors including IT/ITeS, retail, realty, etc. leading to delays in project execution.

Growth in net profit despite decline in sales

Despite the decline in revenues, due to a strong control on costs, the company was able to post positive EBIDTA growth in two of its segments. The Electro Mechanical Projects and Packaged Air-conditioning Systems segment recorded EBIDTA of Rs 34.0cr with a 21.1% yoy decline in profit. However, Cooling Products segment showed a 19.1% yoy increase in EBIDTA to Rs 33.0cr and the EBIDTA margin at 17.3%. The Professional Electronics and Industrial Systems segment also showed a positive growth of 30.7% yoy in EBIDTA to Rs 7.0cr with the EBIDTA margin at 28.2%.



Blue Star

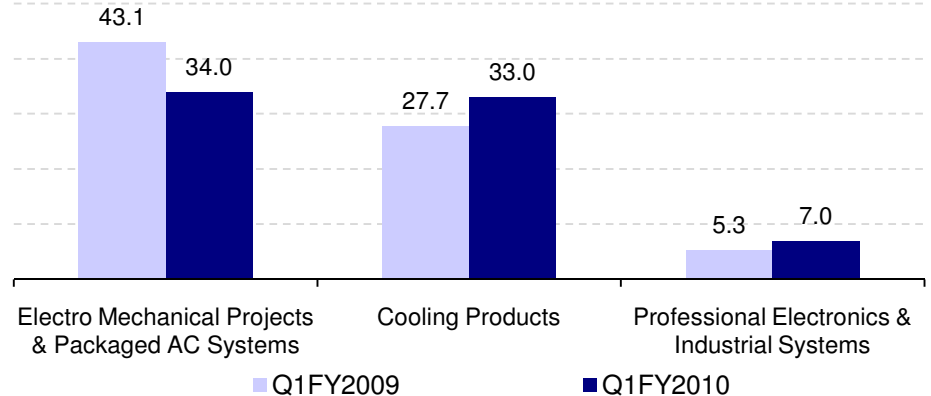
BUY

During Q1FY2010, Blue Star's net profit increased in two of its business segments primarily due to strong cost control measures

Despite the fall in revenues in Q1FY2010, Blue Star grew its net profit by 13% yoy at Rs 41cr

Q1FY2010 saw a 21.8% yoy growth in company's carry forward order book which stood at Rs 1,717.0cr at the end of the quarter

Exhibit 15: EBIDTA Growth during Q1FY2010 Rs cr



Source: Company data, Parsoli Research

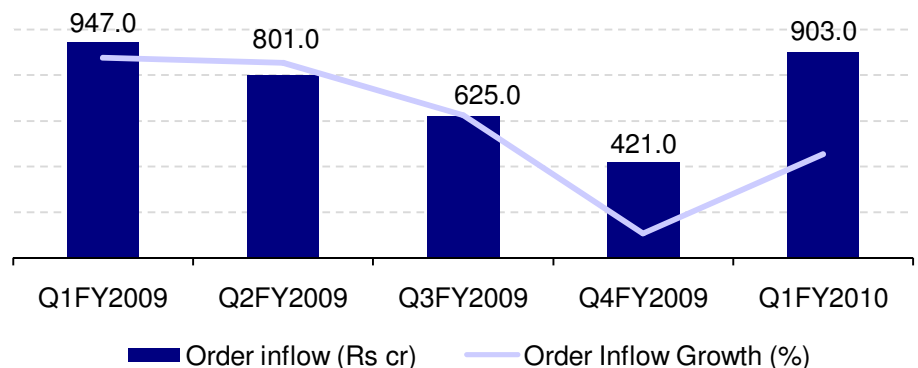
The company's overall net profit grew by 13% yoy to touch Rs 41.2cr in Q1FY2010 as against Rs 36.4cr in Q1FY2009. The PAT margin improved by 180bps yoy to touch 7.6% in Q1FY2010 as against 5.8% in Q1FY2009 mainly due to softening of commodity prices like copper and steel and reduction in tax rate with the abolition of fringe benefit tax (FBT) in Budget 2009. The Cost of Goods Sold (COGS) declined 260bps yoy to 73.3% of sales and manufacturing and other expenses by 90bps yoy to 6.7% of sales. The employee cost, however, increased by 100bps yoy to 8.6% of sales

Order book growth

During Q1FY2010, the company recorded 21.8% yoy and 28.2% qoq growth in order book. The company's carry forward order book at the end of Q1FY2010 increased to Rs 1,717.0cr as compared to Rs 1,410.0cr at the end of Q1FY2009 and Rs 1,339.0cr at the end of Q4FY2009. This growth was majorly on account of the company's efforts of focusing on government related infrastructure projects which are expected to be executed in the next few quarters.

During the quarter, the company saw a revival in its order inflow which is a positive sign in the current economic scenario. During the last few quarters, the company's order inflow growth rate had been declining and touched a negative growth of around 39.6% yoy in Q4FY2009. However, in Q1FY2010, the order inflow revived as the company bagged a number of infrastructure projects including airports, hotels and hospitals.

Exhibit 16: Order inflow growth



Source: Company data, Parsoli Research



The electro mechanical projects and packaged airconditioning systems segment, contributing 65-70% of revenues, bagged a number of orders during Q1FY2010

During Q1FY2010, the company won majority of projects from the private sector

Electro Mechanical Projects & Packaged Airconditioning Systems

This segment contributes 65-70% of the company's revenues. During the quarter, the company kept its focus on the infrastructure sector, given the project delays and lack of investment being noticed in sectors like IT and retail. Going forward, the company sees good prospects in infrastructure, education, hotel, healthcare and telecom.

Exhibit 17: New Orders, Q1FY2010

New orders won during Q1FY2010

Central Plants

- DAMEPL, Delhi
- CPWD - ITPO, Pragati Maidan, New Delhi
- Tamil Nadu State Legislative Assembly Complex, Chennai
- Grand Venezia (Bhasin Infrastructures), Greater Noida
- Bokaro Steel Plant
- Jaypee Greens Hotels & Resort, Greater Noida
- ESIC Hospital, Rajajinagar
- Hatsoff Project, HAL, Bangalore
- MSX Commercial Centre (Nitishree Developers), Greater Noida
- Emergency Management Research Institute, Ahmedabad
- IISCO, Burnpur
- BHEL, Kodarma and Durgapur
- Bangalore Medical College
- Wipro Data Centre, Greater Noida
- Hewlett Packard, Mumbai
- Narayana Hrudayalaya, Hyderabad
- NeST Group, Kochi
- CA India Technologies, Hyderabad

VRF Systems

- ABN Amro, Chennai
- Gitam University, Vizag
- Oakridge International School, Hyderabad

Packaged Airconditioning

- Koochar Properties, Chennai
- IMTA, Bangalore
- Pantaloons, Chennai
- Adlabs Films, Mumbai
- Vihar Cinema, Baroda
- Tata Motors, Anand
- Deutsche Bank, Mumbai
- Sify Technologies, Mumbai
- Datacom, Chennai
- IBM Net4India, Chennai

Electrical Projects

- Vijay Electricals Ltd, West Bengal
- Daaj Hotels & Resorts, Hyderabad
- DAMEPL, Delhi
- Tamil Nadu State Legislative Assembly Complex, Chennai
- My Home Jewels, Secunderabad
- Kohinoor Hospitals, Mumbai
- Wipro, Delhi

Source: Company data, Parsoli Research



The cooling products segment won a number of orders from the education sector and performed well due to higher sales of airconditioners

Blue Star, like its peers, faces the risk of further projects delays and lack of enough sectoral investments due to slowdown

We have used Relative valuation based on EV/EBIDTA and P/E methods

Cooling Products

During the quarter, the company has won several orders in the education segment including orders from Sri Chaitanya Institute, Hyderabad; Rama Medical Institute, Kanpur; Banaras Hindu University, Varanasi; Vaishnav College of Engineering, Vizag; Sri Vishnu Education Society, Hyderabad; Karnataka University; Excel Business Academy, Bangalore and Nehru College of Engineering, Kochi.

The company's room airconditioner business performed quite well in the quarter with impressive sales, specially from the residential segment, due to the harsh summer season. The refrigeration products segment also performed well the company booking orders from CavinKare Pvt. Ltd, Karnataka State Road Transport Corp., KLE Group of Institutions, MES and Jindal Steel. The company also won a cold storage order for perishable cargo centre at the Indore Airport.

Professional Electronics and Industrial Systems

During the quarter, the company bagged a Rs 42cr turnkey project from Indian Iron & Steel Company which is the largest order ever won by the industrial systems segment. Blue Star also booked a Rs 4cr from Rourkela Steel Plant, a Rs 3.5cr repeat order from Tata Steel and two orders, valued at Rs 6.7cr from Jindal Steel.

Major Concerns

Economic slowdown to affect company growth

All the companies, irrespective of the sector, are struggling during the current slowdown in order to maintain, if not increase, the topline and bottomline. Blue Star is also feeling the heat due to this and the company has been witnessing a slowdown in its order book. Though the company has not seen major cancellations in its projects, but according to the management, there have been instances where projects are being put on hold. This is because most of the companies are cutting down on their major expansion and capital expenditure plans in order to conserve cash and fight the liquidity crunch. Since the business of Blue Star is highly dependent on economic revival and the sector needs investment, the airconditioning and refrigeration sector is still not seeing much revival in demand.

Slowdown in IT, retail and realty to impact order inflow

Sectors such as IT, retail and realty, which were earlier contributing a major portion the company's order book, have been severely impacted in the current economic scenario. The Indian IT sector has been impacted due to a decline in demand for software exports from the U.S., the retail sector is reeling under pressure due to lack of consumer demand and the infrastructure activity has been majorly hit due to liquidity concerns. Thus, the order book of Blue Star is seeing a slowing down of order inflow from these sectors.

Valuation

For valuing the company, we have used Relative Valuation based on EV/EBIDTA and Price/Earnings (P/E) multiple methodologies considering FY2010 estimates. A comparative valuation using EV/EBIDTA methodology helps us in comparing the company's performance with its peers irrespective of their depreciation and finance expenditures. The P/E multiple methodology helps in comparing peer group performance with the company with respect to earnings potential. We have considered an investment horizon of 12 months.



Using the EV/EBITDA method, we arrive at a target price of Rs 417 per share

P/E method gives a target price of Rs 430 per share

Blue Star, when valued by taking the average from EV/EBITDA and P/E methodologies gives a target price of Rs 423 per share

Comparative Valuation

Blue Star trades at an EV/EBIDTA multiple of 11.7x for FY2010E and 10.5x FY2011E. When considering the current EV/EBIDTA multiple, the stock trades at a discount of 20.2% to the peer group average of 14.8x. Going forward, we believe that the company will be able to come through the slowdown and sustain its EBIDTA margins at around 10.1% during FY2010. We have discounted the industry average and assigned a multiple of 14.0 to value the stock. Using this target multiple on our FY2010 EBIDTA estimates of Rs 267.5cr, we arrive at a target price of Rs 416.9 per share.

When considering the P/E multiple, we see that the stock is currently trading at 16.3x FY10E earnings. The current industry average multiple for peer group stands at 19.6. The company is targeting sectors like airport, telecom, education, hospitality, healthcare which are seeing growth and attracting investments despite the slowdown. In addition, the company's expertise and presence across India will help it in increasing the revenues. Going forward, we expect the company's EPS to grow at a CAGR of 13.9% between FY2009-12E. We are assigning a multiple of 20 to value the stock. Employing this target multiple on our FY2010 EPS estimates of Rs 21.5, we arrive at a target price of Rs 429.8.

By taking the weighted average of the price estimated through EV/EBIDTA and P/E methodologies, which is Rs 416.9 and Rs 429.8 respectively, we arrive at a target price of Rs 423.4 representing an upside of 21.1%.

Exhibit 18: Valuation

Pricing Methodologies	Weight Assigned	Target Price
Target price using EV/EBIDTA approach	50.0%	416.9
Target price using P/E approach	50.0%	429.8
Weighted average target price (Rs)		423.4
Current Market Price (CMP)		349.6
Upside from current levels (%)		21.1

Source: Company data, Parsoli Research



We expect the company to reach a turnover of Rs 3,496.8cr by FY2012 on the back of economic revival and investment across sectors

The stock is expected to perform well over 12 months horizon and we recommend a buy on the stock with a target price of Rs 423

Future Outlook and Conclusion

We expect the revenues to increase at a CAGR of 11.1% during FY2009 and FY2012 to reach a turnover of Rs 3,496.8cr by FY2012. This growth would be supported by the company's order book which stood at Rs 1,717cr at the end of Q1FY2010. Going forward, we believe that the order book will see revival as the economy moves out of the slowdown. Since Blue Star's operations are highly dependent on the investment across the sectors, we expect to register better growth in FY2011 and FY2012. The company has started seeing the first signs of revival with the new project enquiries coming from sectors like retail. Going forward, we expect the profit margins to improve with EBIDTA margin at around 10.1% and the PAT margin at 7.3%.

The HVAC/MEP market is going through a rough patch with a number of projects being delayed or revised in order to bring down the investment size. However, the airconditioning market is expected to grow from Rs 5,000cr in FY2008 to a market size of Rs 12,500cr by FY2014, with HVAC-MEP bundled orders contributing 30.0% of the total size. This growth is expected to come from sectors like telecom, healthcare, education, airport, etc. which have seen large investments being made by both government and private parties. Also, the market for airconditioning and refrigeration products is expected to grow with growing urbanization giving rise to the need for airconditioners, freezers, water dispensers and other cooling products. Blue Star has a strong hold on the Indian market with its conservative, but focused business strategy of expanding and concentrating on the Indian market. This strategy has insulated the company from experiencing sluggish demand from markets like Middle East, giving it a competitive advantage over competitors. We expect the stock to perform well for 12 months horizon. **We recommend a BUY on the stock with a Target Price of Rs 423.**



Financial Statements

Exhibit 19: Profit & Loss Statement					Rs cr
	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	2,221.6	2,552.3	2,652.5	2,965.7	3,496.8
<i>% chg</i>	39.3	14.9	3.9	11.8	17.9
Total Expenditure	1,998.5	2,296.4	2,385.0	2,666.1	3,146.5
<i>% chg</i>	34.6	14.9	3.9	11.8	18.0
EBIDTA	223.1	255.9	267.5	299.6	350.3
<i>Margin (%)</i>	10.0	10.0	10.1	10.1	10.0
Other Income	48.5	21.8	30.0	36.8	47.3
Depreciation & Amortisation	22.0	25.9	28.6	32.3	36.0
Interest	7.6	13.6	0.6	0.0	0.0
PBT	242.0	238.2	268.3	304.1	361.6
<i>Margin (%)</i>	10.9	9.3	10.1	10.3	10.3
Total Tax	67.9	57.9	75.1	81.5	95.4
<i>(% of PBT)</i>	28.1	24.3	28.0	26.8	26.4
PAT	174.1	180.3	193.2	222.6	266.3
<i>% chg</i>	144.6	3.6	7.2	15.2	19.6
<i>Margin (%)</i>	7.8	7.1	7.3	7.5	7.6

Source: Company data, Parsoli Research

Exhibit 20: Balance Sheet					Rs cr
	FY2008	FY2009	FY2010E	FY2011E	FY2012E
SOURCES OF FUNDS					
Equity Share Capital	18.0	18.0	18.0	18.0	18.0
Reserves & Surplus	245.6	349.2	467.8	604.4	767.9
Net Worth	263.6	367.1	485.7	622.4	785.9
Total Loans	36.5	23.6	5.0	0.0	0.0
Deferred Tax Liability	3.6	0.6	0.6	0.6	0.6
Capital Employed	303.7	391.3	491.4	623.0	786.5
APPLICATION OF FUNDS					
Gross Block (incl. Capital WIP)	272.6	332.5	357.9	394.7	438.3
Less: Acc. Depreciation	134.8	144.9	173.5	205.8	241.8
Net Block	137.7	187.6	184.4	188.9	196.5
Capital Work-in-Progress	18.1	24.8	39.4	48.6	53.2
Investments	4.6	4.4	4.4	4.4	4.4
Current Assets	1017.4	1148.7	1216.3	1372.7	1636.0
Current Liabilities	875.5	974.7	953.1	991.5	1103.6
Net Current Assets	141.9	174.0	263.2	381.2	532.4
Miscellaneous Expenditure	1.4	0.6	0.0	0.0	0.0
Capital Deployed	303.7	391.3	491.4	623.0	786.5

Source: Company data, Parsoli Research



Exhibit 21: Key Ratios

Per Share Data (Rs)	FY2008	FY2009	FY2010E	FY2011E	FY2012E
EPS	19.4	20.1	21.5	24.8	29.6
DPS	7.0	7.0	7.1	8.2	9.8
Book Value	302.3	390.7	491.4	623.0	786.5
Returns (%)					
ROE	66.1	49.1	39.8	35.8	33.9
ROCE	82.6	64.4	54.7	48.8	46.0
Dividend Payout	36.2	34.9	33.0	33.0	33.0
Valuation Ratios (x)					
P/E	21.5	7.7	16.3	14.1	11.8
P/Cash EPS	19.1	6.8	14.2	12.3	10.4
P/BV	12.4	3.6	6.4	5.1	4.0
EV/EBIDTA (x)	16.9	5.5	11.8	10.5	9.0
EV/Sales (x)	1.7	0.6	1.2	1.1	0.9

Source: Company data, Parsoli Research

Exhibit 22: Cash Flow Statement

Particulars	FY2008	FY2009	FY2010E	FY2011E	FY2012E
PBT	242.0	238.2	268.3	304.1	361.6
Depreciation & Amortisation	22.0	25.9	28.6	32.3	36.0
Interest	7.6	13.6	0.6	0.0	0.0
Change in Working Capital	40.7	(29.1)	(87.2)	(122.6)	(148.6)
Direct taxes paid	(65.0)	(55.0)	(75.1)	(81.5)	(95.4)
Cash Flow from Operations	247.2	193.6	135.1	132.4	153.7
(Inc.)/Dec. in Fixed Assets	(41.8)	(59.9)	(25.4)	(36.8)	(43.7)
(Inc.)/Dec. in Cap WIP	(15.7)	(6.7)	(14.6)	(9.1)	(4.6)
Free Cash Flow	189.8	126.9	95.1	86.5	105.4
Inc./(Dec.) in Investments	0.7	0.2	0.0	0.0	0.0
Inc./(Dec.) in Capital	0.0	0.0	0.0	0.0	0.0
Inc./(Dec.) in Loans	(52.5)	(12.9)	(18.6)	(5.0)	0.0
Dividend paid (incl. tax)	(73.7)	(73.7)	(74.6)	(86.0)	(102.8)
Interest paid (Net)	(7.6)	(13.6)	(0.6)	0.0	0.0
Miscellaneous	(58.7)	(24.0)	0.6	0.0	0.0
Cash Flow from Financing	(191.7)	(123.9)	(93.2)	(91.0)	(102.8)
Inc./(Dec.) in Cash	(1.9)	3.0	1.9	(4.5)	2.6
Opening Cash balances	4.6	2.7	5.7	7.6	3.1
Closing Cash balances	2.7	5.7	7.6	3.1	5.7

Source: Company data, Parsoli Research

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