

The Speech of the Chairman, Mr Suneel M Advani at the 70th Annual General Meeting of Blue Star Limited

Good morning Ladies and Gentlemen,

I warmly welcome you all to the 70th Annual General Meeting of Blue Star Limited. Your Company completes 75 years on September 27, 2018, and I am honoured to have served this Company for almost 50 years now, and to be leading it in its Platinum Jubilee year.

The financial performance of your Company in the year 2017-18 has been dealt with comprehensively, in the Annual Report which is with you. May I take that as read and answer your questions in due course? With your permission I shall now speak to you on a more historical and philosophical note, recalling our past and sharing my hopes and dreams for the future of Blue Star.

To begin with, I would like to say a few words in remembrance of my father and our founder, Mohan T Advani. A long-term thinker with great self-confidence, he once said, "A man's lifework must make a contribution that reaches for the stars – beyond himself and far into the future." His indomitable spirit and quest to build an institution for the future created a legacy which we are immensely proud of and continue to build on. He was, and will always remain, our inspiration.

75 years in pursuit of Excellence

What started with little more than a dream in a war-torn world 75 years ago, is an organisation that today stands strong with great ballast and resilience, unfazed by the constant winds of change, the market leader in the air conditioning and commercial refrigeration industry in India. Our integrated business model of manufacturer, contractor and after-sales service provider, offers comprehensive solutions for the residential, commercial and infrastructure segments, which has proved to be a significant differentiator in the market place. With a turnover of over Rs 4600 crores, we have a network of 32 offices, five modern manufacturing facilities, over 2800 employees, and a robust channel management system comprising 3000 channel partners and 1000 retailers as well as 800 service associates reaching out to customers in over 800 towns. We export to 19 countries across the Middle East, Africa, SAARC and ASEAN regions, where our products stand the test of time in some of the most difficult and extreme climatic conditions in the world. It is with great pride that I tell you that Blue Star is one of only 40 companies out of a total of over 6000 listed on the stock exchanges, which have completed 75 years in business, and have crossed Rs 4000 crores in revenue.

What paved the way for this pre-eminent position? Our courage of conviction, our talented people, our professional approach, a strong value system, a sense of integrity, and a willingness to work hard. But what has truly set us apart and given us an edge over the decades of our progression, was our endeavour to not only

survive, but excel across all facets and functions of Blue Star, while always upholding our core values and beliefs. Guided by our Credo, "I am Blue Star. I take pride in delivering a world-class customer experience," which is deeply imbued in every Blue Starite, we have always aspired to create superior value for our customers - be it in engineering, design, construction, manufacturing or after-sales service. In this pursuit of excellence, we have honed our capabilities, and concentrated on developing our people into leaders. We have invested in innovation and adopted cutting-edge technologies. We have embarked on excellence programmes in manufacturing, project execution and service delivery, while transforming into a digital enterprise. We have done all this to reinvent ourselves over and over again, so that we may continue to be relevant to our customers.

On the occasion of your Company's 23rd AGM held on June 28, 1972, in his speech as Chairman, Mohan T Advani said, "As far as I am aware, your Company is the first in the air conditioning and refrigeration field in India to have been approached for supply of manufacturing know-how. This is a measure of the confidence and reputation Blue Star products enjoy in 23 countries around the world." Today, walking down memory lane, I am proud to share many more interesting firsts in our recent past.

- We were the first Company to introduce energy-efficient scroll compressors in India
- We are the first Indian manufacturer of Inverter VRF Systems and Inverter Drives for Room ACs
- We were the first to introduce the super-efficient Turbocor chillers in India
- We were the first Indian company to have secured certifications from the National Environmental Balancing Bureau (NEBB), USA for testing & balancing of chilled water systems, and from National Air Duct Cleaners Association (NADCA), USA for duct cleaning
- We were the first in the industry to offer refrigerated trucks to transfer perishables in the event of failure of a cold storage
- We were the first to introduce Remote Monitoring of Chillers
- We were the first to roll out a Wi-Fi enabled mobile App controller for Room ACs for on-off, temperature setting, sleep curve optimisation, and monthly budget control
- We were the first Indian company to implement ERP Systems across Manufacturing, Marketing, Contracting and Service in 2009

Our goal now is to launch at least one product every year which sets a global benchmark. In FY17 we pioneered Precision Inverter ACs with 'Precision Cooling Technology' where the temperature can be set in decimal points. Likewise, we launched India's first hot and cold RO+UV water purifier, and more recently, we unveiled water purifiers with a unique 'Immuno Boost Technology' which enhances the alkaline balance and provides anti-oxidants in the purified water.

Built on Trust

Your Company has always been committed to the maximisation of three fundamental goals: employee pride, customer satisfaction and shareholder value. While excelling at this trinity of interrelated goals, we have endeavoured to encourage transparency, care and reliability in our conduct and commitments,

thereby fostering high-trust based relationships with all our stakeholders. 'Trust' has been the building block of our robust foundation and growth, enabling us to sustain our leadership position, and giving us a place in the league of the most reliable corporate entities; almost one-third of corporate and commercial India has a Blue Star product installed in its premises. As markets mature and products get commoditised, it is this trust that will continue to play a significant role in ensuring our future success.

Shareholder Wealth Creation

We have sustained steady growth and profitability, resulting in the runup of our share price to levels above Rs 800, taking our market capitalisation over the \$ 1 Billion mark, a figure that we are all very proud of.

We generate adequate profits to pay generous dividends and invest the surplus in the business. This has been our philosophy from the time we were listed on the Bombay Stock Exchange in 1969. We have ensured dividend pay-outs every single year since then. I know you will all be pleased with our proposal to increase the basic dividend this year from Rs 7.50 to Rs 8.50 per share, and to add a special Platinum Jubilee Rs 1.50 dividend, to give you a record Rs 10 for each Rs 2 share.

To give you perspective, if you invested Rs 100 in Blue Star shares in 1969, and if you did not participate in any Rights Issues, the current market value (at a share price of Rs 650) would be Rs 6.11 lakhs, giving you a CAGR of 19% over 49 years. If you did participate in the Rights Issues, your average investment of Rs 1041 would be worth Rs 11.39 lakhs, giving you a CAGR of 15%.

Built to Last

In a volatile, uncertain world, it is necessary to have risk mitigation plans, and our efforts in this direction, to reduce over-dependence on the air conditioning and refrigeration products business are yielding good results. You may recall that we transferred the operations of the Professional Electronics and Industrial Systems Division into our subsidiary company Blue Star Engineering & Electronics Limited to provide this business the resources and the focus in FY16. Over the last six decades, this business has evolved from being a distributor to a system integrator and value added re-seller offering a range of high technology customised solutions. After a couple of difficult years, we are seeing momentum building in this business. Two large orders, one for 28 CT systems from the UP Government and another for upgradation of 16 specialised Plant Growth Chambers will provide the additional fillip to move this business along on the growth path.

Other than Blue Star Engineering & Electronics, we have initiated related diversifications into Engineering Facility Management, water and air purification products and systems, as well as are expanding our global footprint in West Asia, East Asia and South Asia. Accelerating growth in the Electro-Mechanical business is one more vital area we are focusing on now that the revival in commercial real estate is imminent. After-sales service being one of the critical success factors for the air conditioning and commercial refrigeration lines of business, we continue to

raise the bar for ourselves in this business, so as to accomplish our self-set goal to deliver service which defines a Gold Standard in this important arena.

Giving back to Society

As a good corporate citizen, we recognise that our success is not possible without the benign support of the communities we serve. We remain committed to improving the living standards of communities in the vicinity of the manufacturing and office facilities that we operate in. We are working towards generating employability through vocational training in areas of Air Conditioning & Refrigeration and MEP. Sustained efforts are being made to improve the sanitation facilities for school children and to make safe drinking water available for them. In FY18, over 550 students benefitted from our vocational training programmes, and close to 6000 children across 40 government schools availed improved sanitation and safe drinking water. We also support 20 villages in Cuddalore District of Tamil Nadu to improve English speaking and writing capabilities, benefitting over 1500 children. Through our 'Let's READ' programme, we are committed to encouraging the reading habit in children. We also believe in affirmative action, and are actively involved in the development of Dalit entrepreneurs.

Striding into the Future

As we take our first steps from our Platinum Jubilee toward our centenary, we have ambitious growth plans. I am confident that our business philosophy and business model, which are as strong and solid as the products we manufacture, combined with the vigour and agility of our fresh leadership, will lead our way into the future.

What is my vision for Blue Star as it enters in its next quarter century on its journey toward its centennial in 2043? Here's my wish list:

I would like Blue Star to be admired as an ethical, professional institution; leaders in meaningful businesses that enhance the quality of life and protect the environment; a major contributor to food preservation, air and water purification, and human productivity; a globally recognised brand known for superior manufacturing and innovative engineering; an exporter of AC&R technology and know-how; the Gold Standard for customer satisfaction; and the employer of choice for young people.

It will now be up to Vir and his young management team, who hopefully will still be at the helm of Blue Star as the Company nears and reaches its centennial, to decide whether these dreams and goals of mine can be realised, and if so, to steer the Company towards them.

In Conclusion

I would like to thank our customers, business associates and channel partners (our extended arm) for reposing their faith in us over the years.

To our large army of loyal and committed employees who rise to the occasion every time Blue Star is faced with challenges, I offer my special gratitude for their

extraordinary commitment and loyalty. I believe that this is the consequence of our founder's statement that we have made our cornerstone: "The guiding philosophy of the Company is our belief that people perform better when they are led, not pushed."

I sincerely and gratefully acknowledge the unstinted support and wise counsel provided by my colleagues on the Board.

And last, but not the least, I would like to express my gratitude to you, our loyal shareholders and customers for your continued support and for reposing your trust in us over all these 75 years. This Company that all of you have helped us build and nurture, looks forward to serving you for many more years.

Thank you for your presence here today.

Suneel M Advani

August 8, 2018
Mumbai