

The Speech of the Chairman, Mr Shailesh Haribhakti at the 71st Annual General Meeting of Blue Star Limited

Blue Star and the three things life depends upon – Air, Food and Water –

Good afternoon, Ladies and Gentlemen.

It gives me great pleasure to welcome you all to the 71st Annual General Meeting of Blue Star Limited. I would like to thank you for sparing the time to be with us today, and for your continued faith in the Company.

I have been associated with Blue Star since 2005, when I was inducted onto the Company's Board and this is my first AGM as Chairman of the Company. It is indeed a privilege to succeed Mr Suneel Advani as Chairman of this 75-year-old illustrious organization. I am greatly honoured by the trust and confidence reposed in me by the Board, and by the Promoters, who invited me to become the Company's first Independent Chairman.

Ashok Advani & Suneel Advani

With the combined experience of around one century, both Mr Ashok Advani and Mr Suneel Advani, led the Company to greater heights reinventing it again and again with creativity, hard work and determination. As Chairmen Emeriti, Mr Ashok Advani and Mr Suneel Advani will be available to the Board in an advisory capacity, and we will certainly benefit from their insights as and when needed.

Platinum Jubilee

As most of you know, FY19 was a special year for Blue Star. In September 2018, your Company completed 75 years, a significant milestone, especially considering that there are only 27 companies listed on the Bombay Stock Exchange for 50 years or more with annual revenues of Rs 5000 crores and above, and Blue Star is one amongst them.

Blue Star celebrated its Platinum Jubilee befittingly with its customers, dealers, and other stakeholders to whom it owes its success, through a series of customer meets and get-togethers at various cities across the country.

Shareholders were also rewarded with a special dividend of Rs 1.50 per share in addition to the regular dividend of Rs 8.50 per share to commemorate the Platinum Jubilee.

We now look forward to the next quarter of a century that will take us to the next major milestone of 100 years in 2043.

Strong financial performance in FY19

Blue Star's financial performance during FY19 has been presented in comprehensive detail in the Annual Report that is already in your hands. What is heartening is the fact that this growth has come from across all our divisions and product lines.

The most important aspect that I want to highlight is the determination and commitment which the Executive Management and the Employees displayed throughout the year despite several headwinds including a poor summer season, see-sawing exchange rates and the liquidity crisis. This is the hallmark of the Blue Star Way, and as our Founder Mohan T Advani had said, the employees take pride in a job well done!

During the year, Blue Star further strengthened its branding with a new tagline, 'Built on Trust', which highlights the credential of the Company in terms of the trust it enjoys with its customers, employees, shareholders, channel partners, business associates and vendors alike. It is indeed 'Trust' that is the bedrock of all that we strive to do at Blue Star. And it is this trust that the Company has assiduously built over the decades with all its stakeholders that has made Blue Star what it is today.

Q1FY20 financial results

The Board of Directors in its meeting this morning approved the Unaudited Financial Results for Q1FY20. While the consolidated revenue grew by 4%, the Operating Profit de-grew by 3%. While the summer season was good and we maintained market share, investments in terms of advertising and field marketing peaked in April and May instead of March as a result of the delayed summer. Further, the demand for high-end products was muted. In any case, I do not think Q1 results are reflective of the full year performance as borne out by FY19 results and the results of many years in the past.

While the recently announced Union Budget has not been received well by the market, I hold the view that the stable government at the Centre with its strong mandate will do everything possible to put the Indian economy on the fast track. I am also confident that consumption growth will revive in H2. Moreover, our order book is healthy at Rs 2841 crores, and therefore, I am optimistic about the prospects for your Company.

Three things life depends upon: Air, Food and Water

As you know, Blue Star's core business centres around the three essentials that life depends upon: Air, Water and Food: air conditioning, air cooling, air purification, water purification, water cooling and the preservation of fresh and processed food.

It is a very privileged place to be in and at the same time a very responsible one. We have built expertise in these areas over many many years, and we do it in a sustainable manner.

Blue Star, with its rich pedigree and an integrated business model of Manufacturer, Engineering, Procurement and Construction solution provider, and after-sales service provider, is best placed to offer expert solutions in all these areas to its customers.

Blue Star offers highly efficient cooling and air purification solutions that deliver superior comfort at residences, workplaces, hospitals, hotels, restaurants, educational institutions, malls, cinema theatres, IT parks, metro rail stations, airports and every small, medium and large space you can think of.

Blue Star offers a complete range of water coolers and water purifiers that dispenses cleaner, healthy and pure drinking water at desired temperatures. We offer commercial water purification solutions as well.

As the leading and largest integrated solution provider in the areas of food preservation, life extension and storage, Blue Star offers end-to-end cold chain solutions including cold rooms, deep freezers and ripening chambers, and is an important stakeholder in the farm-to-fork initiatives pertaining to food products such as fresh fruits and vegetables, processed foods, meats, dairy products and so on.

As a responsible corporate entity, Blue Star takes its responsibility very seriously in helping to reduce global warming by designing and manufacturing products and solutions in an eco-friendly manner. Across the board, therefore, all Blue Star products and solutions are designed for high performance, yet low power consumption, thus helping our customers to reduce their power bills, and also improve the carbon footprint of large facilities and help them achieve green building certification.

Your Company commits itself to continue to innovate and create newer products and solutions and stay ahead of the curve, so as to take the benefits of technology to all sections of society in the years to come.

A bright future

The Indian economy continues to exude a high-level of optimism. Having already emerged as a bright spot on the globe, it has been steadily advancing on an accelerated growth path, aiming to become a USD 5 trillion economy by 2024. India is

expected to be the third largest consumer economy owing to its demographic structure, aspirational middle class, talented and productive youth.

In business terms, Blue Star sees tremendous growth prospects in all three spheres – Air, Food and Water – due to the continuous emphasis on these aspects by all stakeholders and heavy investments anticipated in many of these areas. This, combined with the aspirational needs of our burgeoning middle class that is expected to soar to over 40% of India's total population by 2025 as against 20% in 2015, is expected to result in increase in demand for your Company's products and services.

Allow me to share some industry data with you that indicates high growth potential for Blue Star in the years to come:

- The 'Housing for All by 2022' project envisioned by the Government of India should result in 43,000 houses being built every day on an average over the next 3 years, and hundreds of urban pockets developed.
- Household penetration of air conditioners is around 6% in India, and is expected to more than double within the next 5 years.
- Aided by the 'UDAN' project, India is set to become the 3rd largest aviation market by 2024. And the Airports Authority of India plans to spend over USD 3.2 billion over the next few years to build new terminals and expand older ones.
- The 'Make in India' program, which is set to receive a new impetus from the Indian Government, is expected to result in expansion of manufacturing infrastructure in India.
- Metro Rail projects worth over USD 7.7 billion are already underway across India and many more Tier 2 and 3 cities are expected to plan networks soon.
- The Indian healthcare market is expected to reach USD 372 billion by 2022 growing at a CAGR of 22 percent, but the current infrastructure is woefully inadequate to meet that demand. Over USD 200 billion is therefore expected to be spent on medical infrastructure by 2024.
- With rising tourism and increase in business related travel, the demand from the hospitality sector is also expected to witness an upsurge. The demand growth is expected to be even higher in business destinations and Tier 1 and 2 cities, resulting in more investment into hotel infrastructure.
- The current penetration of organised retail in India is around 8% which is expected to grow at a CAGR of 32%.
- The water and sanitation sector is likely to attract investment worth around Rs 6.3 lakh crore (USD 90 billion) in the next five years with the announcement of 'Nal se Jal' scheme, which in turn is expected to increase the demand for water related projects and systems in the long run.

- A seemingly minor sub-segment, the ice cream industry in India is one of the fastest growing markets and is poised for assured growth in the coming years. The per capita consumption of ice cream per annum in India was just 450ml in 2018 compared to 22,000ml in the US and 3,000ml in China. It is reported that ice cream sales volume in India is expected to nearly double from 335 million litres in 2016 to 658 million litres by 2021.
- India's large agriculture sector, with its enhanced focus on supply chain infrastructure and contract farming along with a rapid rise in the food processing industry, demands the development of adequate temperature-controlled cold chain infrastructure in the country. Currently, the penetration of temperature-controlled warehousing in India is less than 10%, translating into huge scope for its development.

Against this backdrop, the cold chain or temperature-controlled industry in India is expected to witness significant momentum.

This sample listing of the growth expected across industry segments in India in the years ahead, gives us a fair idea of how the demand for your Company's products and services – residential and commercial air conditioning, commercial refrigeration, air and water purification, MEP contracting, HVAC &EFM services and professional electronics & industrial systems – is set to grow. At the same time, on the international front, we are fast establishing ourselves as a significant player in multiple countries across the Middle East, Africa, SAARC and ASEAN regions.

Conclusion

The current economic environment would prompt us to look at the future with pessimism. Pessimism leads to more pessimism. While we need to navigate the headwinds in the near term with prudence and determination, I look at Blue Star with great optimism. Your Company's credentials, competencies and capabilities, agility, ability to reinvent itself, supported by its committed teams and exemplary leadership, place it in a unique position to reap the benefits of India's growth. And I am privileged to be leading the exciting journey ahead.

Thank you.