

**The Speech of Mr Shailesh Haribhakti,
Chairman, Blue Star Limited at the 75th Annual
General Meeting on
August 3, 2023**



Future-ready Blue Star

Ladies and Gentlemen,

Good afternoon!

Welcome to the 75th Annual General Meeting of Blue Star Limited, being conducted virtually!

It is indeed an honour and privilege to address you for the fifth time as the Chairman of the Board.

80th Anniversary

Blue Star was founded on September 27, 1943, and this year marks its 80th year of operations, making fiscal year 2023-24 yet another landmark in the illustrious history of the Company. The founder of Blue Star, Mohan T Advani held these values dear to him- courage, hard work, honesty, and pride in a job well done. As I reflect on Blue Star's performance over the past eight decades, it gives me great satisfaction that the enterprise he painstakingly built brick by brick has lived up to

his vision and continues to build on the legacy left by him. “Be a company that is a pleasure to do business with” and “Place the Company’s interest above one’s own” are important guiding values he enunciated and practiced, and the entire organisation stays committed to these.

Since the Platinum Jubilee year, the last five years have been challenging as well as an exciting period of consolidation after the turbulent periods in 2020 and 2021. We not only weathered the storm of the COVID-19 pandemic, but also reimagined and reinvented ourselves, concentrating on acquiring new capabilities, building R&D, strengthening the Blue Star brand, expanding the distribution footprint, and accelerating growth. You will be happy to note that Return on Capital Employed improved to 33.9% in FY23 in comparison with 25.7% in FY18. As you are aware, the Company has invested in manufacturing capacity expansion, and this improvement in Return on Capital Employed is on an enhanced capital base.

The market capitalisation of Blue Star as on April 3, 2023, was Rs 13,355 crores as compared to Rs 7,481 crores on April 2, 2018, when it was in its Platinum Jubilee year. This represents a significant growth of 78.5%, marginally higher than the growth of BSE Sensex, which also grew 77.7% during the same period.

Out of over 5200 companies listed on the Bombay Stock Exchange as on June 30, 2023, only 250 companies have revenue of Rs 8000 crores or more. Out of these 250 entities, only 36 have been in existence for over 80 years. You will be delighted to know that your company is part of this elite group.

Q1FY24 Financial Results

Earlier today, the Board met and approved the results for Q1FY24.

Room air conditioners sales during the summer season were impacted due to unseasonal rains and unfavourable weather conditions, but all other businesses rose to the occasion and helped the Company post modest growth in the quarter ended June 30, 2023.

Financial highlights for Q1FY24, on a consolidated basis, are as follows:

Revenue from operations for Q1FY24 grew to Rs 2226.00 crores, compared to Rs 1977.03 crores in Q1FY23.

EBIDTA (excluding other income and finance income) for Q1FY24 was Rs 145.00 crores (EBITDA margin 6.5% of revenue), compared to Rs 123.31 crores (EBITDA margin 6.2% of revenue) in Q1FY23.

Net profit for Q1FY24 was Rs 83.37 crores, compared to a net profit of Rs 74.35 crores in Q1FY23.

Owing to the investments in manufacturing capacity expansion, net borrowing as on June 30, 2023, stood higher at Rs 283.46 crores, compared with the net cash position of Rs 81.03 crores as of June 30, 2022.

The carried forward order book as on June 30, 2023, was at a record Rs 5359.05 crores in comparison with Rs 3901.48 crores as on June 30, 2022.

Despite lower-than-expected sales during the summer season, the market outlook for Blue Star's products and services continues to be good, and I remain optimistic about its prospects for the fiscal year FY24.

Future-ready Blue Star

The term "Future-ready" implies that the conditions in the future will be distinctly different from what they are now. We know that human evolution for over thousands of years has always entailed in some form or other, the desire to prepare for the future, through prophecies, understanding astrology, studying nature, and predicting based on the

past. Planning for life after retirement or preparing for the future education of our children or their weddings have been an integral part of our lives. Business enterprises, in addition to annual business planning, have been undertaking forward planning for many decades.

Over the years, given the volatile nature of the market environment and uncertainties associated with it, strategic planning has become a complex exercise, and Boards are expected to play a role in helping the executive management identify opportunities and threats, making available the financial and human resources, and assessing the risks as well as risk mitigation measures.

Being Future-ready goes beyond strategic planning, and it also involves preparing the organisation for the emerging business paradigm considering potential changes in consumer behavior, technological disruptions, new business models, unpredictable shifts in the competitive landscape, regulations arising out of global issues such as climate change and geopolitical risks, with an objective to secure the ability of the enterprise to continue to create value for the shareholders. The pace of change has accelerated, and it demands a high degree of agility to navigate the challenges arising out of the paradigm shifts. It is a much larger pursuit than digitalisation. Because of the complexities and uncertainties surrounding the market environment, it is critically important to build scenarios and make the enterprise agile and resilient

and prepare contingent course correction measures as a part of the strategy.

Being Future-ready is a continuous endeavor in Blue Star and let me briefly share how we propose to accomplish it:

- 1. Customers:** We are looking at our current customers and their rapidly changing needs and expectations. We are also assessing new customer segments which we would like to serve and the value that we can extract and deliver. Given the fact that growth in the domestic Indian market will be driven by the aspirational middle-class and first-time buyers, one of the key strategies is to make our products affordable, but at the same time ensure that these products are reliable, durable, and differentiated, thus delivering the Blue Star value proposition “Built on Trust”.
- 2. Products & Technologies:** Driven by energy efficiency improvement and decarbonisation imperatives arising out of climate-change mitigation measures, the Company has been making significant investments in R&D and Innovation. To further augment the efforts of the Company, as you are aware, Mr Ashok M Advani, Chairman Emeritus and Promoter rightly chose this area for his grant of Rs 100 crores spread over five years.

3. **Geographies served:** While continuing its stronghold in South India, the Company has now strengthened its presence in North India and is steadily gaining market share. Apart from deepening our market penetration in the Middle East, Africa and South Asia regions, the Company is executing a plan to enter North America and Europe with high-end sustainable heating and cooling products.
4. **Manufacturing:** Built on the principles of value addition through backward integration, flexibility, lean manufacturing processes, TQM, TPM, building scale, smart technologies and sustainability, Blue Star is making major investments in manufacturing capacities for the future. As you are aware, a modern deep freezer manufacturing facility at Wada in Maharashtra and a state-of-the-art room air conditioner plant of Blue Star Climatech at Sri City, Andhra Pradesh commenced commercial production in FY23. The Company has acquired land for setting up one more new plant in Sri City for manufacturing commercial air conditioning products for domestic and export markets.
5. **Supply Chain Excellence:** In the post-pandemic era, global supply chains got disrupted, and a totally unexpected war and other geopolitical conflicts now call for quickly building resilience in supply chains. Logistics and warehousing costs are significant

in India. As a part of its mission to achieve global competitiveness, the Company has formulated a robust supply chain strategy and has invested in a competent team and systems to execute it.

6. **Distribution channels:** In the fast-growing Indian market, several types of distribution channels including traditional single-store retail outlets, exclusive dealers, regional retail chains, modern retail formats and E-commerce co-exist and continue to evolve. Open Network for Digital Commerce (ONDC) is a potential game changer and is another evolving framework. Blue Star continues to make major investments in expanding its distribution reach. It is pertinent to note that one of the important Values and Beliefs of the Company, practiced as the “Blue Star Way” is “Treat business partners as respected members of our organisation.”
7. **Blue Star brand:** Philip Kotler said, “Markets always change faster than marketing.” Blue Star is a valuable brand and through concerted efforts and strategic interventions, it has become a desired and aspirational name for eight decades. We will continue to invest in brand building, to make it a trusted and relevant brand to new generations of customers and new markets which we plan to enter and grow.
8. **Digitalisation:** Blue Star has implemented Industry 4.0 using IoT

in its manufacturing facilities. The Company is a pioneer in deploying remote monitoring of air conditioning products such as chillers for maximising uptime and energy efficiency improvement in its customer service operations. The Company has deployed Robotic Process Automation in critical processes as a part of the programme to tighten internal financial controls. Blue Star runs a major programme to leverage Data Analytics. It is planning to make substantial investments in next-generation digital tools for enhancing customer experience. With “Cloud First” as its strategy, it will further strengthen its information security. Blue Star’s digital strategy for the future envisages the implementation of new converging technologies including Ubiquitous Internet, Platform Commerce and Web 3.0. As you are aware, ChatGPT attracted hundreds of millions of customers within a few months, and the power of generative AI and its potential impact cannot be ignored. Blue Star has begun using Artificial Intelligence/Machine Learning techniques for predicting and preventing certain breakdown conditions in its products.

- 9. Financial capital & Balance sheet:** As you are aware, Blue Star’s track record in maintaining a lean Balance Sheet and delivering good returns on capital is admirable. It is necessary to expand the capital base of the Company to fund the future growth and in its meeting held today, the Board has given its approval to

raise funds up to Rs 1000 crores through the Qualified Institutional Placement (QIP) route.

10. **People:** Professional management and meritocracy are the cornerstones of the People Policy of Blue Star. It continues to be one of the best employers in the industry with an impressive Employee Engagement Trust Index. Keeping in mind the growth planned for the coming years, the Company is investing in building the talent base for the future.

11. **Commitment to the environment:** As I had detailed in my letter to you forming part of the Annual Report, Blue Star will continue to remain ahead of the curve in its environmental commitment and preparing for its Net Zero Mission. The Company is committed to and is integrally involved in formulating and participating in industry programmes and initiatives such as India Cooling Action Plan, Energy Labelling, E-waste, Circular Economy, Green Buildings, Decarbonisation and LiFE (Lifestyle for Environment).

12. **Social responsibility:** Under the social initiative entitled ‘Sitare’, Blue Star provides digital education to school children, vocational education and skill-building for enhancing employability, and scholarships for deserving and needy students

for higher education. Blue Star as well as its charitable Trust, Blue Star Foundation are engaged in and committed to this long-term initiative.

13. **Corporate governance:** Blue Star is committed to excellence in governance, with the Board, the Executive Management and the Promoters aligned to long-term shareholder value creation, ethical business practices and transparency. You can rest assured that the Company will continue to remain a well-governed enterprise.

In conclusion....

I would like to compliment the executive management and the employees of Blue Star for delivering exceptional results for the year ended March 31, 2023.

I would like to place on record my deep sense of gratitude to my colleagues on the Board as well as Mr Ashok M Advani and Mr Suneel M Advani, Emeriti Chairpersons, for their valuable counsel.

Israeli public intellectual, Yuval Noah Harari wrote, “Philosophers are very patient people, but engineers are less patient, and investors are the least patient of all.” Most employees of Blue Star are engineers as

are the promoters, and they have an aspirational vision for the Company to excel in all that the Company does. I appreciate and thank you, dear shareholders, for your continued faith in the Company as it embarks on the exciting next phase of its journey toward its centennial, and I am confident that Blue Star will continue to rise to every occasion and deliver!

My best wishes to you all!
