

**The Speech of Mr Vir S Advani, Chairman & Managing Director, Blue
Star Limited at the 76th Annual General Meeting held on
August 6, 2024**



Ladies and Gentlemen,

Good afternoon!

On behalf of the Board of Directors of Blue Star Limited and on my personal behalf, I extend a warm welcome to you to the 76th Annual General Meeting of Blue Star Limited, which is being conducted virtually.

It is indeed an honour and privilege to address you for the first time as the Chairman & Managing Director of your Company. At the outset, I would like to sincerely express my deepest gratitude to Mr Shailesh Haribhakti, who retired as Independent Director and Chairman of the Board on March 31, 2024, for leading the Company for 5 years and enabling it to achieve several new milestones. He was associated with the Company as an Independent Director for over 17 years and significantly contributed to numerous areas, specifically Corporate Governance, Taxation, Risk, ESG and Digitalisation. He has been and continues to be a remarkable guide and mentor, and I have learnt a lot from him during his tenure. I also take this opportunity to thank the Chairpersons of the past –the Founder, Mr Mohan T Advani, Mr B T Advani, Mr Ram D Malani, Mr Ashok M Advani and Mr Suneel M Advani, who have devoted their lifetimes to Blue Star, painstakingly building the Company and taking it to where it proudly stands today.

Q1FY25 Financial Results

Earlier today, the Board met and approved the results for Q1FY25. Financial highlights for Q1FY25, on a consolidated basis, are as follows:

Revenue from operations for Q1FY25 grew to Rs 2,865.37 crores, compared to Rs 2,226.00 crores in Q1FY24. EBITDA (excluding other income and finance income) for Q1FY25 was Rs 237.83 crores (EBITDA margin 8.3% of revenue), compared to Rs 145.00 crores (EBITDA margin 6.5% of revenue) in Q1FY24. Net profit for Q1FY25 was Rs 168.76 crores, compared to a net profit of Rs 83.37 crores in Q1FY24. Net cash position as on June 30, 2024, stood at Rs 1,042.87 crores, compared with the net borrowings of Rs 283.46 crores as of June 30, 2023. The carried forward order book as of June 30, 2024, was at a record Rs 6,084.69 crores in comparison with Rs 5359.05 crores as of June 30, 2023.

Landmark 80th year

As you may have read in my letter to the shareholders in the Annual Report, FY24 was a milestone year for the Company as it marked the completion of our 80 years of existence on September 27, 2023. We are gratified about the fact that coinciding with the 80th anniversary celebrations, the fiscal year 2023-24 was an exceptional one with all businesses contributing significantly to the Company's growth.

The new fiscal year has begun on a high note, aided by a strong summer season, resulting in a record growth in our room air conditioners business this quarter. Additionally, we are experiencing strong demand from the manufacturing, data centre and infrastructure segments for our electro-mechanical projects business. Our central air conditioning business is witnessing increased demand from the industrial, healthcare, hospitality, retail, and educational sectors. The commercial refrigeration business also gained significant traction, driven by higher demand from ice cream OEMs, QSR chains, the HoReCa segment, food retail and healthcare. On the international front, we commenced commercial production of heat pumps for the North America market.

Our market capitalisation has grown five-fold in five years, from ₹6,700 crores on April 1, 2019, to over ₹30,000 crores today, reflecting the strong trust our investors have placed in us. I am deeply grateful for your continued confidence in Blue Star.

Blue Star Then. Blue Star Now. Blue Star in the Future.

While many of our loyal shareholders will know the Blue Star history, the number of shareholders has grown by close to 80% in the last five years. I therefore thought it important to share our story once again for their benefit.

Blue Star was founded in 1943 during World War II, by Mr Mohan T Advani whom we fondly call MTA, a courageous start-up entrepreneur, with exemplary leadership qualities, passion, and drive. World-Class Customer Experience, Delivering Excellence, Innovation and Creativity, Business Ethics, Transparency, Professional Management & Meritocracy, Placing the interest of the enterprise above one's own were some of the values that drove him and not the valuation of the enterprise. Even today, the Board and the employees of Blue Star are inspired by, and follow, the very same values.

MTA was initially engaged in the repair and reconditioning of air conditioners and refrigeration equipment, on a shoestring budget of just Rs 2000 and a mere 3-member team. Blue Star began manufacturing ice candy machines and bottle coolers and initiated central air conditioning system design and execution in 1947. The journey of the electronics and instrumentation business of the Company began with acquiring the distributorship for all Honeywell products in India in 1954.

Blue Star was listed on the stock markets in 1969 which gave us the necessary capital to expand our core. In the early 70s, we gained a first-mover advantage by air conditioning the first 3 skyscrapers of Mumbai – Air India Headquarters, Express Towers and Oberoi Hotel.

In 1983, long before the IT Boom began, a software export unit was established at SEEPZ in Mumbai. In 1988, we became India's largest central air conditioning company, and both in commercial air conditioning and commercial refrigeration we continue to be one of India's largest even now. Thereafter, we established three major JVs – with HP, Yokogawa and Motorola which added value to Blue Star's global image and credibility. In 1997, we set up the most advanced world-class factory in the HVAC&R industry in Dadra, two decades before the 'Make-in-India' initiative.

In the new millennium, we initiated the sales of products in the Middle East – both in our brand name as well as an ODM partner. Recognising the opportunities that India was likely to offer, we expanded our manufacturing footprint in Himachal Pradesh and Wada for production of AC&R equipment, as well as fortified our position as an MEP player in the electro-mechanical projects business. In 2011, we forayed into the residential Room AC business, which has now emerged as one of the largest businesses of the Company.

The last decade has been the most eventful – expansion into more product categories including product adjacencies; setting up of Blue Star International FZCO in Dubai to make deeper inroads in global markets; engagement with Virat Kohli as the Company's first brand ambassador for the Room AC business; setting up of subsidiaries in

North America & Europe for offering custom design and manufacture solutions; and commencement of commercial production of the Sri City Plant for Room ACs as well as a new plant at Wada for deep freezers. We have built a legacy that has endured the test of time starting from partition to wars, to recessions and most recently, the pandemic and stands strong with great resilience.

Today, Blue Star has firmly established itself as a market leader across all our chosen business sectors. We are a ₹10,000 crore enterprise, known as a preferred employer, the brand of choice for customers, and a stock favoured by investors. Our 5,000 delivery partners serve over 900 towns in India and more than 20 countries, from North America to East Asia, supporting 40,000 livelihoods daily. We lead in sustainability, adhering to strict regulations in energy labelling, ozone depletion, global warming, and e-waste management. Our investments in R&D have increased significantly over the years to 1.5% of total revenue in FY24. We have 4 state-of-the-art R&D centres including the Ashok M Advani Innovation Centre in Bhiwandi propelled by the grant of Rs 100 crores by Mr Ashok M Advani. We have over 46 patent applications and 46 design registrations and are working hard to nurture an innovation culture.

Our seven state-of-the-art manufacturing plants spread across the country focus on excellence and quality enhancements using the latest machinery as well as adopting Industry 4.0 practices. The

Company employs Total Cost Management techniques to reduce costs while maintaining high quality. In terms of our human resources, over 70% are engineers or possess technical diplomas/certification. Our investments in leadership development and functional training include building a pipeline of young leaders. The Company's brand and its value proposition, 'Built on Trust,' remain compelling to both consumers and business customers. Having Virat Kohli as the face of our room air conditioners has significantly increased our visibility in Hindi-speaking markets and Tier 3, 4, and 5 towns, particularly among younger consumers.

As we march towards our centennial milestone, it is crucial to focus on strategic areas that will make Blue Star a future-ready enterprise. India's economic growth continues to shine in the global arena and is expected to do much better in the years ahead. India is currently the world's fifth largest economy and according to IMF projections, in about 5 years, it will emerge as the third largest economy only after USA and China, recording the highest growth rate in GDP as compared to any other nation.

With this backdrop, the Indian HVAC&R industry is poised for exponential growth, driven by low penetration of Room ACs and the burgeoning middle-class consumers with high disposable incomes, especially from Tier 3, 4 and 5 markets. The urban population is expected to rise by about 100 million people by 2030 which will

further propel demand for all our products and solutions. The overall AC industry (both residential and commercial), currently valued at around ₹ 27,500 crores, is likely to double in the next four years.

We believe that Blue Star now stands at the cusp of exponential growth and is very well placed to leverage the opportunities that India and specifically, the Indian HVAC&R industry have to offer. Our multi-channel strategy will encompass Modern Retail, Regional Power Retailers, Distributors, Single-outlet formats, E-commerce, ONDC, and Direct-to-Consumer (D2C) channels, all of which we will actively pursue.

India is at the forefront of cooling industry advancements, being the first country to announce a comprehensive action plan, the 'India Cooling Action Plan' (I-CAP). The future of cooling will lie in energy efficiency, regulatory compliance, and geographical presence for any player. We intend to play a leading role and will focus on not only creating innovative products that are energy efficient but also sustainable. We aim to accelerate our efforts in the Green Building Movement as well as Net Zero Mission. Aligned with the UN Global Cooling Pledge, we aim to contribute to the cause of achieving the emission targets. We will continue with evaluating further investments in manufacturing and wherever feasible, also develop the local vendor ecosystem with an intent to reduce our dependence on imports.

India's exports were 1.8% of global trade in FY24 and we believe this will grow rapidly in the coming years. We intend to significantly scale up exports and play a larger role in the decarbonisation of heating and cooling markets globally. We are in the investment phase in this business and expect to emerge as a globally relevant HVAC&R company in the coming decade.

There is likely to be a huge talent shortage given the increase in opportunities and your Company will continue to invest heavily on training and development of not only its employees but also its channel partners and vendor eco-system in its endeavour to create a pool of talented resources and build a strong technical organisation.

As a leader, we will continue to invest in enhancing brand equity amongst both B2B and B2C consumers especially the new decision makers comprising millennials and Gen Z buyers. Our deep consumer insights into the domestic market, coupled with our cooling expertise, expansive network of channel partners, robust brand equity, extensive domain knowledge and innovative technologies positions us perfectly to seize the opportunities this growth will bring.

As with R&D, your Company has significantly increased its investments in digitalisation initiatives, including Data Analytics,

Machine Learning, and Artificial Intelligence, with the objectives of driving revenue growth, enhancing competitiveness and transforming customer experience. AI presents a tremendous opportunity to transform the way we do business as well as the way our products will interact with the user, and we are excited with the journey ahead.

Over the years, we have learnt and demonstrated the ability to dynamically adapt to the changing market conditions and emerge successful. This, I believe, is our core DNA which will hold us in good stead for the future as well.

In conclusion,

I place on record my gratitude to our customers, channel partners, business associates and vendors for their support and contribution to the success of Blue Star.

I extend my heartfelt appreciation to the executive management and employees of Blue Star, not just for their outstanding performance for the year, but also for their passion and commitment to the Company. The Company is Built to Last because each and every Bluestarite lives and breathes our credo every day.

I also express my deep gratitude to my colleagues on the Board, as well as to Mr Ashok M Advani and Mr Suneel M Advani, Emeriti

Chairpersons, for their guidance, invaluable counsel, and support that they provide to Mr Thiagarajan and me.

Thank you, shareholders, for your continued trust as we navigate this exciting journey.

I am confident that Blue Star will continue to rise to every occasion and achieve remarkable success.

Warmest wishes to you all!