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Sub : Press Release

Dear Sir,

We enclose herewith copy of Press Release, for your information and records purpose, receipt of which may please be acknowledged.

Thanking you,

Yours Faithfully,

BLUE STAR LIMITED

VIJAY DEVADIGA
COMPANY SECRETARY

04 October 2016

PRESS RELEASE

Blue Star forays into the residential water purifiers business with a stylish and differentiated range; launches India's first RO+UV Hot & Cold water purifier

Blue Star Limited, India's leading air conditioning and commercial refrigeration company, has announced its entry into the residential water purifier business with the launch of a range of stylish, differentiated and premium products. The Company will initially offer residential water purifiers, and will gradually enhance its range to cover commercial water purification systems as well. This initiative is part of the Company's aggressive growth plans to expand its presence in related new product categories.

Blue Star, which has over seventy years of experience in providing expert cooling solutions, forayed into the residential room air conditioners segment in 2011 and has met with resounding success thereafter, year after year. The Company has been evaluating entering new product categories, especially in the residential segment. Blue Star has been in the water cooler business for nearly seven decades and is also amongst the largest suppliers of bottled water dispensers in the country. Given its long association of water, coupled with the fact that it is perceived as a premium and modern brand and has a distribution network in nearly 4000 retail points across the country for its room air conditioners, the Company believes that it will be able to make deep inroads into the water purifier business.

The market for pure drinking water has been on the rise mainly due to deterioration in the quality of water, resulting in a spurt in waterborne diseases. The residential water purifiers market in the country is pegged at about ₹4200 crores, increasing at a CAGR of 22%. About 3 million units sold every year are electric viz RO, UV, RO+UV and its variants. In terms of value, due to their higher price points, electric purifiers contribute to about 70% of the market whilst the balance comprises gravity-based purifiers.

Consumer Research

Prior to the formulation of the product strategy, the Company carried out an extensive survey with its creative agency, Ogilvy and reputed research agency, TNS. This research was conducted across 6 cities amongst over a thousand consumers who have recently bought a water purifier as well as those who intend to buy one. The objective of the research was to capture the consumer buying behaviour, usage and attitude. The findings of this research highlighted that consumers are largely unaware of the technology and most are confused. However, there is a tendency to prefer purifiers with RO+UV protection. Further, the purchase decision is generally a joint one taken by the couple, though men seem to be taking decisions on the brand, features and technology while the women focus more on the colour and aesthetics. As regards to Blue Star, most equate it with ACs and perceive it to be aspirational and trustworthy. Most consumers gave a thumbs-up if Blue Star were to enter the residential water purifier category and they expect us to launch premium, stylish, differentiated and expensive products, and will surely place us in the consideration set. Based on the findings, the Company has formulated its marketing mix.

New line-up of stylish and differentiated products

Blue Star has launched a range of 13 models, including colour variants, perhaps the largest by any new entrant in the category. It has chosen to stay away from the low cost gravity water purifier for now and will focus on electric purifiers initially. Out of the 13 models, 11 of them offer a double layered RO+UV protection to ensure that the water is absolutely safe and pure. The offering comprises four series called the Stella, Prisma, Edge and Majesto, with price points varying from ₹14,900 to ₹44,900.



Stella is India's first RO+UV purifier that dispenses hot, cold and room temperature water. It dispenses hot water (upto 85 degrees); so one can make soups, tea and coffee at the press of a button and gives cold water (as low as 5 degrees); so one can have chilled mocktails and cocktails. This also circumvents the need to keep cold water bottles in the refrigerator since the cold water tank is over 3 litres, with a large, overall tank capacity of 8.2 litres. In addition, it has double layered RO+UV protection; taste enhancer; child lock function; anti-stagnant ripple technology to prevent formation of slime and auto clean, amongst several others. It has electronic dispensing buttons in lieu of the normal manual tap as well as touch sensors which are convenient to operate. Priced at ₹44,900, it is targeted at the evolved premium buyer. While consumers spend significant amounts on

their kitchen aesthetics, there is no brand so far that has water purifiers matching their elegant décor. This series will play a significant role in redefining the premium landscape of water purifiers in the country.



Prisma is a compact RO+UV water purifier which is packed with features, considering its size. It has a 4.2 litres tank which not only occupies less space but is also ideal for a small family of 4-6 people. It has a 5-stage purification process; taste enhancer; anti-stagnant ripple technology and smart 1-litre touch sensor-based selection, apart from electronic dispensing. The Prisma is priced at ₹24,900 and again, will be targeted at the premium buyer who wants a visually appealing product for their modern kitchen.



The Edge series is innovatively designed so smart that it speaks for itself and changes the entire outlook of conventional water purifiers with three attractive colours. Apart from RO+UV double layered protection, the slim and elegant machine has a touch screen that not only allows one to control the functions of the purifier but also highlights important information about the purifier such as the tank level and filter status. It has a speech assist function that updates the user on useful information and incorporates a 6 litres compact tank. Aggressively priced at ₹21,900, this product will put Blue Star ahead on the technology curve in the industry.



The Majesto series is being offered in both RO as well as RO+UV. The Majesto RO+UV has a 6-stage purification process, a large 8-litres tank; Aqua Taste Booster (ATB) and copper-impregnated activated carbon which not only removes smell and odour but also has anti-bacterial properties. It is sleek and stylish, and available in a variety of colours. Priced aggressively at ₹14,900 for the RO range and ₹17,900 for the RO+UV range, the Majesto with its high-quality filters and membranes offers great value for money.

Distribution & Service

As regards to distribution, Blue Star water purifiers will be initially available in Mumbai, Delhi NCR, Bengaluru, Secunderabad, Chennai, Pune, Ahmedabad, Nagpur and Chandigarh. In a few weeks, the distribution will be ramped up in all states in the South, Maharashtra and Gujarat as well as a few Tier 2/3 markets in the North. Next year, they will be made available across the country. This phased approach is being implemented

since the water quality varies from market to market, and it is prudent to approach all of them systematically rather than all at one time.

The Company is in the process of partnering with distributors of consumer home appliances as well as electrical and small appliances, apart from modern kitchen stores. It is also targeting regional power retailers and modern format. In all, about 2500 outlets are being targeted in Phase 1 of the launch.

Star Water Consultants across major outlets for demo and lead generation have been appointed. In addition, Blue Star's Room AC customers would be leveraged for cross-selling and referrals. Visual merchandising at high footfall outlets, along with consumer financing options to be made available across major outlets, will help in generation of enquiries.

This business is very service-intensive with a regular need of replacement of consumables such as the sediment, carbon as well as RO membrane filters. Considering that Blue Star is India's largest AC&R service provider, it believes that it can offer differentiated service in this business too and create new benchmarks in the industry. It has appointed several service franchises who are being supported by a team of trained Company engineers to lead the installation and service requisites. A 24X7 multi-lingual call centre is already live.

Advertising and Brand Communication

In terms of advertising and brand communication, the Company has plans to invest about ₹25 crores in FY17 on water purifiers, with a TV commercial supported by hoardings and activations as well as digital, especially in social media. It has partnered with Ogilvy, India's leading creative agency for the formulation of its communication strategy. The value proposition for the segment has been identified as 'Choose Purity'.

Just like other businesses, Blue Star will be persistent with its strategy of Integrated Marketing Communication comprising mass media, field promotions, digital platform, Press, events and social media, apart from one-to-one marketing in water purifiers as well. The Company has also been recently recognised among the 'Best Corporate Brands' by the Economic Times.

Targeted Market Share

B Thiagarajan, Joint Managing Director, Blue Star adds, "While several players have tried to enter this business, most have treated it as a line extension. We believe that setting up a separate team is important for the success of this business as water is a difficult subject and necessitates a dedicated team. We have already set up a large team of about 90 people, most of whom have been part of the water purifier industry. The Company is committed to make significant investments and wants this business to set a benchmark in terms of the product offerings as well as after-sales service. Blue Star is not a general consumer durable player lending its brand across product categories but specialises in whichever business it enters. The water purifier industry is currently dominated by specialists, and we intend to be a specialist player in this category as well. The range of products launched augur well with our premium and aspirational brand personality. We aim to reach a market share of 15% in about 3 years."

Place: Mumbai

Date: October 4, 2016.

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