

Letter from the Vice Chairman & Managing Director



Vir S Advani

Vice Chairman & Managing Director

Dear Shareholder,

Blue Star completed 75 years in business on September 27, 2018, and it is heartening that we ended FY19 on an impressive note with growth in terms of new order inflow, revenue, and profitability. We navigated through a challenging market environment with determination and enhanced our market share across all product categories.

2018-19 Consolidated Financial Performance

We reported a Total Income of ₹5259.53 crores, representing a growth of 12.7% over the previous year on a like-to-like basis, whilst Operating Profit grew by 30.6% to ₹248.46 crores. Net Profit increased by 32% to ₹190.06 crores. Strong operating performance, coupled with improving working capital efficiencies, contributed to an increase in the Return on Capital Employed to 29.8%, which is an increase of 4.1% compared to FY18.

Business Segments

The Electro-Mechanical Projects business achieved notable growth amidst an intensely competitive market. Our integrated Mechanical, Electrical and Plumbing (MEP) offering gained more acceptance and we established ourselves as leaders in this space. We booked major orders from segments such as offices, malls, hospitals, factories and infrastructure.

In the Commercial Air Conditioning business, we outpaced the market, gaining market share in both VRF systems and screw chillers. Key segments that contributed to our growth included Government, buildings, retail, hospitality, industrial and education.

In the Room Air Conditioners business, we improved our market share to 12.3% in FY19 from 11.5% in FY18. Several innovative products were introduced along with a strategic expansion of our distribution reach in the North. We continued to invest in developing state-of-the-art products backed by a responsive after-sales service organisation. The notable achievement of the year was our mastering the Inverter Technology and the indigenisation of plastic components in order to substantially reduce our imports.

Letter from the Vice Chairman & Managing Director

In the Water Purifiers business, which we forayed into over 2 years ago, we introduced products at various price points and expanded our dealer network. With nearly 70,000 installations across the country, we are now one of the key players in this product category.

Driven by strong demand for Deep Freezers and Cold Rooms, our Commercial Refrigeration business scaled up during the financial year. Medical Refrigeration gained traction with some major breakthroughs in the year, while Retail Refrigeration surged ahead with major retail customers placing multi-store orders.

The Professional Electronics and Industrial Systems segment witnessed impressive growth in revenue and profitability driven by Medical Electronics, Data Security and Non-Destructive Testing Products & Systems. One of the key highlights of the year was the successful execution of the major order from the Government of Uttar Pradesh for supply and installation of 28 CT Scanners.

On the International Business front, we set up a new subsidiary under Blue Star International FZCO, to handle the Company's operations in the UAE market. Blue Star also inaugurated a world-class showroom and experience centre in Dubai, establishing a one-stop-shop for our entire range of cooling and purification products.

Blue Star's Customer Service operations have always been a marketing differentiator and with the Company's Gold Standard Service programme, we have further improved our customer satisfaction scores. Our Customer Service operations stayed ahead of the curve by harnessing digital technologies to enhance customer experience. As an example, our state-of-the-art Remote Monitoring Centre reviews the health of chillers and VRF systems in multiple countries and enables us to offer predictive maintenance services.

Our manufacturing set-up is robust and modern, and continues to secure several recognitions. We are driving higher value-addition through backward integration, procurement and supply chain efficiencies. We made good progress during the year in our Manufacturing Excellence programme and TQM mission.

We unlocked process-driven efficiencies by strengthening the existing Enterprise Resource Management (ERP) platform, enhanced internal financial control mechanisms and broadened the risk management framework. Besides, we continued to build on our capabilities and invest in Human Resources, innovation and R&D, as well as channel expansion and management.

We continued to invest in brand building initiatives to address both existing and new generation customers. We significantly expanded our presence in the digital marketing and social media space. We also ran a Corporate campaign and launched a new tagline, 'Built on Trust'.

FY20 and Beyond

FY19 was a good year for Blue Star, and we remain committed to profitable growth under the framework 'GEAR'- Growth, Excellence, Acceleration and Relationship. Though the global and Indian economies are facing challenges, we will continue to "expand the core" by adding products, services and solutions that are adjacent to and related to our current offerings. We will also invest in and stay focused on business fundamentals, such as differentiated products and services, superior customer experience, digital technologies, continuous process improvement, sustainability and shareholder value creation.

With a strong Government in place that has a specific agenda to revive economic growth, undertake focused agriculture and infrastructure development, as well as provide a boost to job creation, I am optimistic about the new opportunities expected to unfold across our business segments. As a good corporate citizen, we will work in collaboration with industry bodies as well as the Government towards the achievement of the larger goals of the nation.

Blue Star's success has been built on the everlasting relationships that we have with all our stakeholders and the trust you repose on us. My colleague B Thiagarajan, our leadership team, the entire extended Blue Star organisation and I will continue to rely on all of you, our shareholders, to propel us forward, and I am confident, that together, we will grow this Company even further, as we embark on our marathon journey towards Blue Star's centennial.

Yours sincerely,
Vir S Advani