

- FINANCIAL CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL
- RELATIONSHIP CAPITAL
- SOCIAL AND NATURAL CAPITAL

Integrated --- Report ---



ENHANCED VALUE CREATION

SOCIAL AND NATURAL CAPITAL

~ **44,000** lives benefitted across CSR outreach programmes
Achieved overall **16%** reduction in water consumption across plants



HUMAN CAPITAL

People strength **2,812**
9.5% female employees across levels and roles in the management cadre



RELATIONSHIP CAPITAL

3,600 Channel Partners
~ **800** Service Associates
~ **5,000** Supplier Base



MANUFACTURED CAPITAL

5 state-of-the-art manufacturing facilities spread across Wada, Dadra, Himachal Pradesh and Ahmedabad

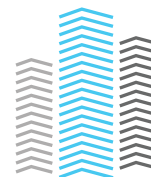
FINANCIAL CAPITAL

Total Income **₹5,260** crores
PAT **₹190** crores
ROCE **29.8%**



INTELLECTUAL CAPITAL

R&D spend **₹51** crores
The Company's chiller test labs are **AHRI certified**, along with an accreditation from **NABL** for room air conditioners and ducted systems



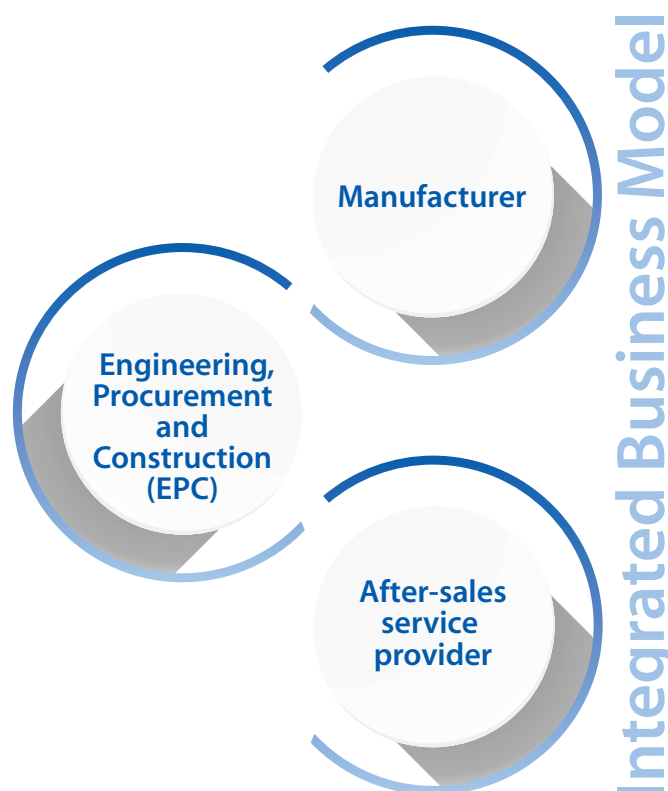
Blue Star is India's leading air conditioning and commercial refrigeration company. The Company is known for its value driven differentiated and customer-centric products and solutions, and enjoys a preferred partnership status with most of corporate and commercial India, almost one-third of which has a Blue Star product installed in its premises. During the year, Blue Star achieved yet another milestone – the Company celebrated its 75th anniversary in September 2018. Backed by consistent growth, systematic diversification and driven by exemplary leadership, Blue Star has grown multi-fold over the last 75 years with many landmark achievements to its credit.



As the Company embarked on its Platinum Jubilee celebrations, it unveiled its new logo with the tagline 'Built on Trust.' The new brand identity apart from providing Blue Star with a refreshing, modern personality that projects continuity, reliability, solidity, stability and strength also highlights 'Trust' as the building block of the Company's robust foundation and growth, that has enabled it to sustain its leadership position, and given it a place in the league of the most reliable corporate entities.

The Company's integrated business model of a Manufacturer; Engineering, Procurement and Construction (EPC) services provider; and an after-sales service provider enables it to offer end-to-end solutions to its customers across building, industrial and infrastructure segments. Its potent blend of technical know-how, talented workforce, design expertise, exceptional project execution capabilities and global footprint makes it the preferred choice for Mechanical, Electrical and Plumbing (MEP) projects.

As an expert in cooling, Blue Star offers a plethora of cooling solutions right from products to services, and has also forayed into water and air purification, engineering facilities management, commercial kitchen and healthcare refrigeration. It entered the residential air conditioners segment in 2011, and has since then, made deep inroads into this category, with a market share of 12.3%. Known for its reliability, Blue Star is also the country's largest after-sales air conditioning and commercial refrigeration service provider with a spectrum of world-class customer service solutions and other value-added services. It has an extensive network of exclusive, multi-brand and modern retail format channel partners as well as service partners across the country.



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Blue Star's manufacturing prowess, its ability to leverage on innovation and technology, along with its strategic endeavours across business segments, all steered towards customer-centricity at its core, have given the Company an edge over its competitors. Digital interventions have efficiently sharpened its business processes, and the organisation has judiciously invested in state-of-the-art technologies for enhanced productivity and consistency.

Blue Star, through its joint ventures in Qatar and Malaysia, undertakes MEP projects for residential, commercial and infrastructure purposes. The Company exports to select countries across the Middle East, Africa, SAARC and ASEAN regions, where its products stand the test of time in some of the most difficult and extreme climatic conditions in the world. Traversing boundaries, Blue Star continues to garner global acclaim, thereby enhancing the Company's brand beyond India, while providing significant growth opportunities for its businesses on the international platform.

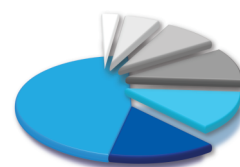
Blue Star's other businesses include marketing and maintenance of imported professional electronic equipment and services, as well as industrial products and systems, which are handled by Blue Star Engineering & Electronics Limited, a wholly owned subsidiary of the Company. It holds the reputation of providing advanced technology products as well as turnkey engineering solutions that cater to several industries across the country.



While the Company has grown by leaps and bounds, Blue Star's value system – the Blue Star Way, which has been formally re-affirmed in recent times, has always laid the foundation for how the Company functions.

Today, at 75, Blue Star with a clearly articulated vision, and a management driven by ambition, integrity, and values, is a preferred employer, the brand of choice for customers, and a stock that resonates with investors.

Business Segments



In accordance with the nature of products and markets addressed, business drivers, and competitive positioning, the lines of business of Blue Star are categorised into three segments.

ELECTRO-MECHANICAL PROJECTS AND PACKAGED AIR CONDITIONING SYSTEMS

This business segment covers the design, manufacturing, installation, commissioning and maintenance of central air conditioning plants, packaged/ducted systems and variable refrigerant flow (VRF) systems, as well as contracting services in electrification, plumbing and fire-fighting. It also comprises after-sales services such as revamp, retrofit and upgrades as well as Engineering Facilities Management (EFM), which is the Company's recent introduction and covers a wide repertoire of operation and maintenance services for efficient functioning of electro-mechanical utilities.

UNITARY PRODUCTS

Blue Star offers a wide variety of stylish, contemporary and highly energy-efficient room air conditioners for both residential as well as commercial applications. It also manufactures and markets a comprehensive range of commercial refrigeration products and cold chain equipment. The Company also has water purifiers, air purifiers and air coolers in its product portfolio.

PROFESSIONAL ELECTRONICS AND INDUSTRIAL SYSTEMS

For over six decades, Blue Star has been the exclusive distributor in India for many internationally renowned manufacturers of professional electronic equipment and services, as well as industrial products and systems. This business is managed by the Company's wholly owned subsidiary, Blue Star Engineering & Electronics Limited.



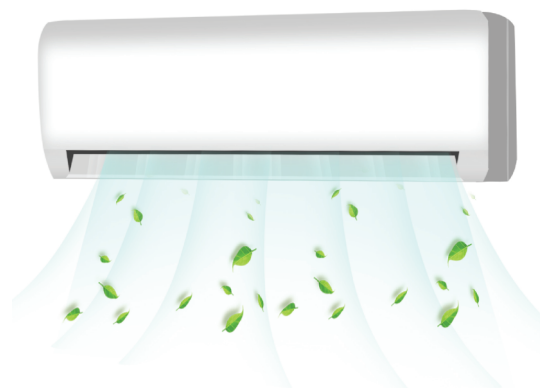
Industry Structure and Developments

AIR CONDITIONING PRODUCTS

In FY19, the overall market size for air conditioning products in India was estimated at around ₹17,500 crores. Of this, the market for central air conditioning, including central plants, packaged and ducted systems, and VRF systems was around ₹3,350 crores and the market for other ancillary equipment was estimated at around ₹3,150 crores, while the market for room air conditioners comprised the balance ₹11,000 crores.

During the year, in central air conditioning, growth was mainly driven by government, industrial, infrastructure, hospitality, retail, and healthcare segments.

The room air conditioners market was impacted during the year by multiple macro-economic headwinds leading to a de-growth both in volume and value terms. On the positive side, there was enhanced demand from Tier 3, 4 and 5 markets fuelled by the rise in disposable incomes of the growing middle-class.



COMMERCIAL REFRIGERATION

The Commercial Refrigeration segment consists of a wide spectrum of products including deep freezers, water coolers, visi coolers, visi freezers, bottled water dispensers, bottle coolers, ice machines and cold rooms. Kitchen refrigeration products such as reach-in as well as undercounter chillers and freezers, blast freezers, back bar chillers and saladettes as well as medical refrigeration products such as ultra-low temperature freezers, medical freezers, blood bank refrigerators and pharmacy refrigerators were in focus for this segment. The market witnessed a surge in demand driven by the fast-growing segments such as food, dairy, Quick Service Restaurants (QSRs) as well as pharmaceutical and healthcare industries.

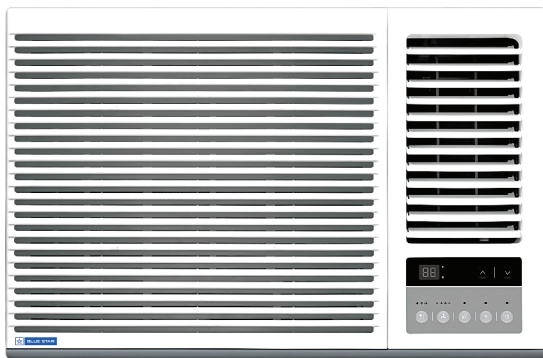
Growing middle class consumption along with their preference for modern retail outlets are expected to drive growth and Blue Star being the largest player, is well positioned to tap the opportunities.



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Inverter Split AC with Decimal Display



Window AC



Portable AC



Air Purifier



Air Cooler

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Bottled Water Dispenser



Platinum Series Water Cooler



Glass Top Freezer



Water Purifiers

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Medical Freezer



Refrigerated Pastry Showcase



Reach-in Chiller and Freezer



Visi Cooler

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SOME PRESTIGIOUS INSTALLATIONS



HVAC and plumbing works for Al Bayt Stadium, Energy Centre Project at Al Khor, Qatar, for the 2022 FIFA World Cup



HVAC services for Omkar Realtors & Developers, Mumbai



Installation of centrifugal and air cooled screw chillers, along with VRF V Plus system for Meenakshi Infrastructure, Hyderabad

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SOME PRESTIGIOUS INSTALLATIONS

Integrated MEP (Mechanical, Electrical & Plumbing) services for Venkateshwar Hospital, New Delhi



VRF V Plus system installed for Xavier University, Bhubaneswar



Cold Room installation for Domino's, Kolkata

Expanding Global Presence



Under the ambit of Blue Star's growth plan for its International Business Group, the Company continues to steadily advance on the global front. The growing hospitality sector along with the rise in construction activities coupled with extreme and ambient weather conditions across countries in the Middle East, Africa, SAARC and ASEAN regions, provide enormous growth opportunities to the Company. Further, with the upcoming Dubai Expo in 2020 and the FIFA World Cup in Qatar in 2022, the Company foresees good prospects in these regions in the coming years.



Blue Star International FZCO, a 100% subsidiary of Blue Star, headquartered in Dubai Airport Freezone, manages the Company's International business including its Global Products Sales Division and Global Projects Division as well as its joint ventures which focus on HVAC&R as well as MEP projects for residential, commercial and industrial segments.

The Global Products Sales Division takes care of the exports of air conditioning and commercial refrigeration products and systems such as unitary products, DX commercial, refrigeration and applied systems products of Blue Star, and its Original Equipment Manufacturing (OEM)/Original Design Manufacturing (ODM) businesses. Unitary products include window air conditioners, split air conditioners, inverter split air conditioners, cassette air conditioners and floor standing units. DX commercial products include packaged and ducted systems, VRF systems and multi split inverters. Refrigeration products comprise water coolers, deep freezers, visi coolers, bottled water dispensers, modular cold rooms with positive and negative temperature refrigeration units. The applied systems products offered by the Company include HVAC chillers, water tank chillers, air handling units and fan coil units.

During the year under review, Blue Star actively participated in International Exhibitions across the world and organised several seminars/technical sessions as well as embarked on advertising campaigns across its target markets with the objective to enhance awareness of the Blue Star brand in these regions. Besides, customer visits to the Company's manufacturing facilities were also organised. In order to make further inroads into global markets, new dealers were appointed to enhance the distribution outreach. Going forward, the Company intends to further strengthen its channel distribution and OEM/ODM businesses across countries as well as focus on expanding its consumer base and consolidating its presence in the existing regions.

During the year, the Company bagged some prestigious MEP projects including Qatar University, Al Bayt Stadium Energy Centre and Kahramaa New Tower through its joint venture Blue Star Qatar WLL, and Bukit Jalil Mall, Cyberjaya Hospital & Prolific Properties Hotel projects through its joint venture Blue Star M & E Engineering, Malaysia.

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A subsidiary Blue Star Systems and Solutions LLC was incorporated in mainland UAE to support and expand the air conditioning and service businesses in the country.

Further, in April 2019, a state-of-the-art exclusive showroom was inaugurated in Dubai. This showroom has on display a complete range of the Company's latest energy efficient products for the Middle East. This move is expected to enable the Company to steadily advance in the Middle Eastern market.



Blue Star's state-of-the-art showroom in Dubai

ENHANCED VALUE CREATION

MANUFACTURED CAPITAL

- Adopted new technologies
- Upgraded existing technologies
- Invested in low cost automation
- Invested in Culture Building
- Invested in Total Quality Management

HUMAN CAPITAL

- Enhanced engagement initiatives with a development-focused agenda aimed at empowering employees
- Enhanced investments in Training & Development
- Undertook women empowerment initiatives
- Adopted employee friendly policies
- Focused on Talent Management

SOCIAL AND NATURAL CAPITAL

- Implemented CSR initiatives aimed at empowering the society
- Concerted efforts towards sustainable growth; continued with efforts to protect the environment reaping in significant savings in energy consumption and water consumption, amongst others

FINANCIAL CAPITAL

- Efficient usage of Capital
- Increase in Total Income
- Increase in PAT
- Reduction in Debt Equity Ratio
- Higher returns to the shareholders

INTELLECTUAL CAPITAL

- Accelerated R&D performance
- Rolled out new products
- Rolled out more new variants/models across product categories

RELATIONSHIP CAPITAL

- Nurtured and fostered robust relationships 'Built on Trust' with all its stakeholders

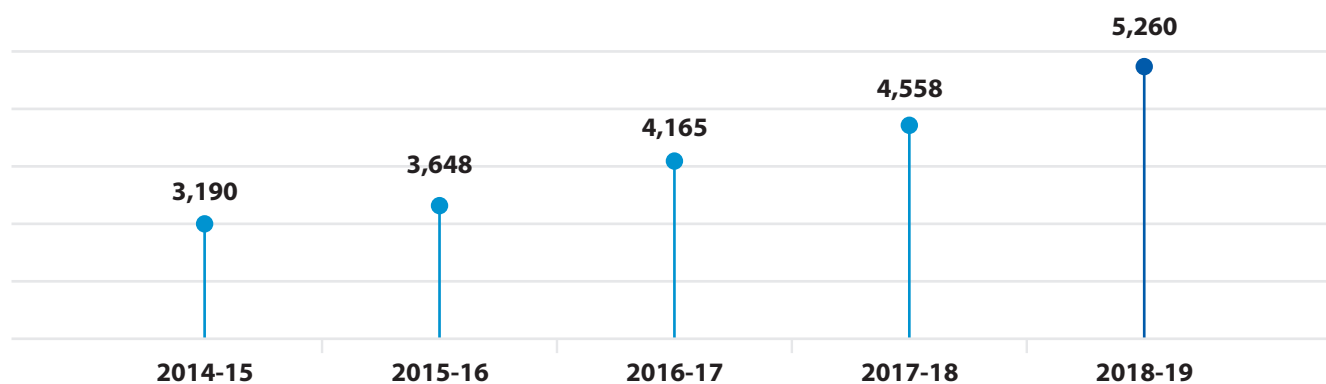
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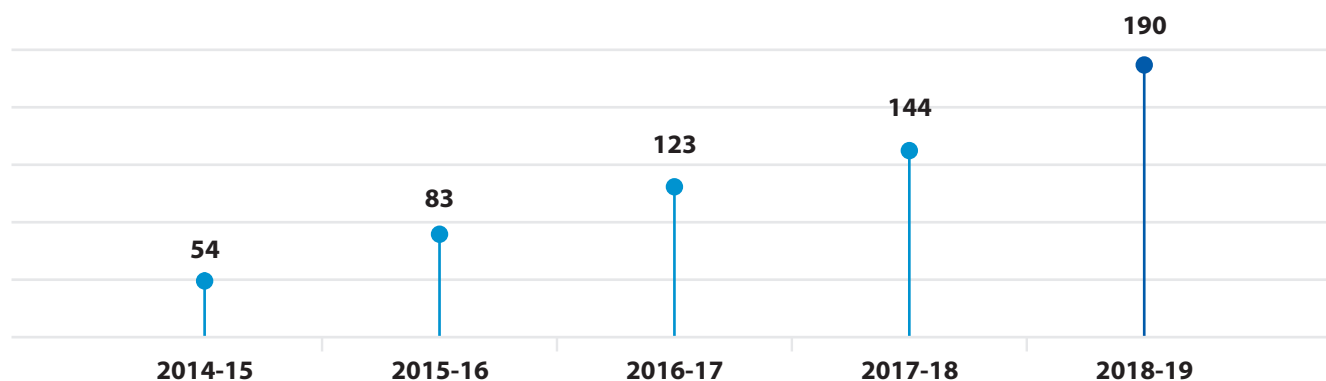
Financial Capital

The Company continues to consistently deliver good financial performance supported by its lines of businesses and operational efficiencies.

Total Income* (₹ crores)



PAT* (₹ crores)

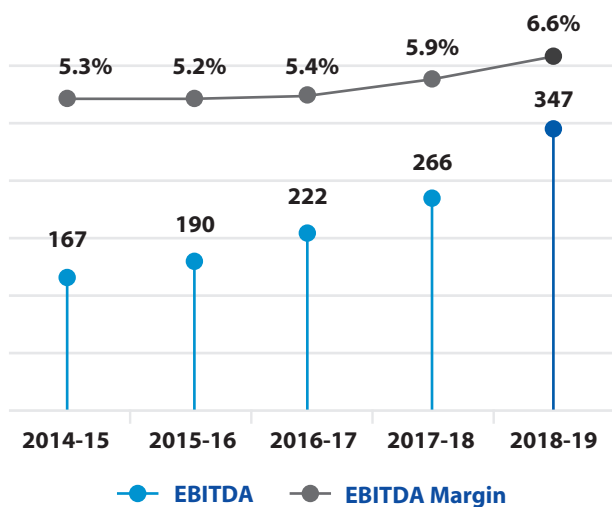


Note: 1) The financial information is on a consolidated basis
2) *Revenue and PAT of 2017-18 have been restated for the impact of INDAS 115

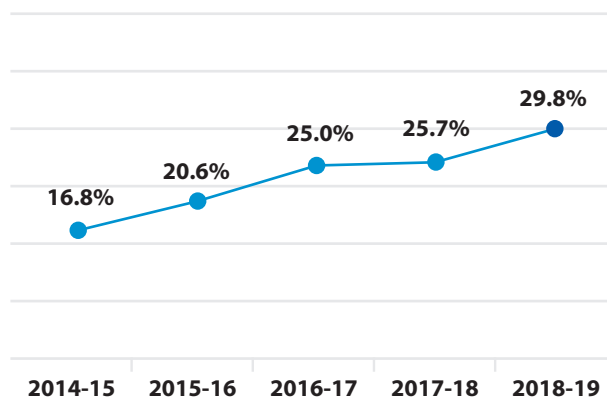
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Operating Margin (EBITDA)

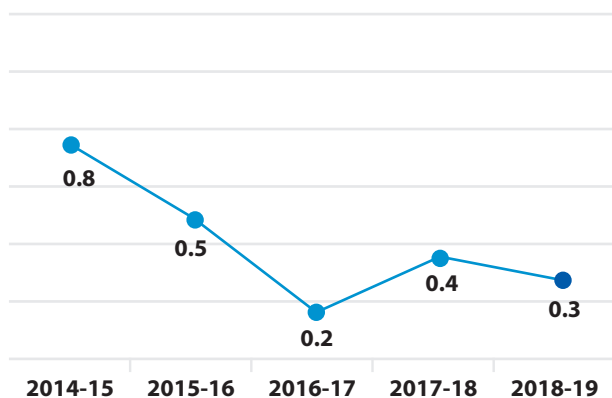
(%) (₹ crores)



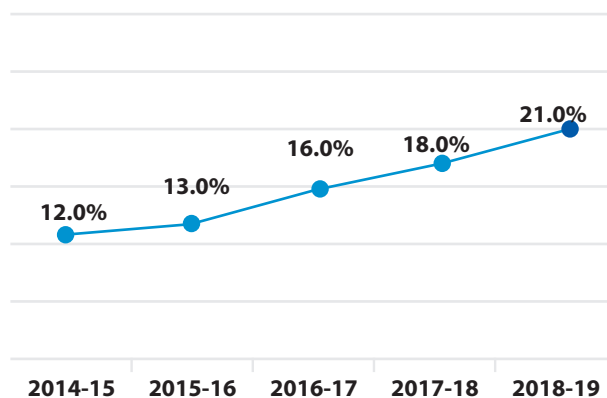
Return on Capital Employed (%)



Debt Equity Ratio



Return on Shareholders' Funds (%)



The Company's Return on Capital Employed (ROCE) for FY19 was 29.8% which is an increase of 4.1% compared to FY18 indicating efficient usage of capital.



Blue Star's debt to equity ratio improved to 0.3 as on March 31, 2019 as compared to 0.4 as on March 31, 2018, reflecting improvement in cash conversion cycle and overall cash flow discipline.

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Manufactured Capital

Blue Star's manufacturing footprint spans five state-of-the-art manufacturing facilities across Wada, Dadra, Himachal Pradesh and Ahmedabad. The Company is highly acclaimed the world over for its manufacturing prowess, and regularly embarks on initiatives to augment its existing strengths and keep pace with dynamic market conditions.

In line with the Company's plan to enhance its production capacity under the manufacturing footprint redesign programme that was initiated in FY17, the Company is in the process of setting up an additional facility at its existing manufacturing plant in Wada which is expected to be operational by the end of FY20.



Blue Star, under the aegis of the 'Manufacturing Excellence Programme' initiated in 2016 that lays strong emphasis on lean manufacturing, technology upgradation, quality improvement and culture building, has significantly strengthened its manufacturing expertise. The Company has been able to enhance its operational efficiency while producing robust, differentiated and acclaimed products.



Shareholders visit Blue Star's manufacturing facility in Dadra

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Blue Star's manufacturing facility in Dadra

The Company continues to imbibe new and emerging technologies such as Internet of Things fuelled by the Industry 4.0 revolution. Besides, Six Sigma, a tool to drive process improvement in cost and quality, is being effectively used across all the plants and a majority of the manpower is also trained in Six Sigma practices.

During the year, Blue Star implemented a revised process and system for Occupational Health and Safety (OH&S) as per the ISO 45001:2018 standard. With this, four of the Company's manufacturing facilities comprising Dadra, Wada, and two plants in Himachal Pradesh were awarded the ISO 45001:2018 certificate by TUV Nord.

The Dadra Plant, which boasts of a state-of-the-art testing facility, enjoys the repute of being one of the top manufacturing facilities in India for high quality air conditioning products. The facility manufactures packaged/ducted split air conditioners and VRF systems, and performed extremely well during the review period, resulting in a record billing for the plant. During FY19, the Company also upgraded key equipment at Dadra which resulted in improved productivity levels as well as efficient space utilisation.

The two plants in Himachal Pradesh which continue to cater efficiently to the fast growing markets of room air conditioners and refrigeration products had an impressive performance during the review period. With the in-house manufacturing of inverter machines and indoor units as well as other products and components such as headers and strainers, the Company continued to unlock enhanced value through vertical integration which it had embarked upon in FY18. The Plant has added a new auto brazing machine to keep pace with emerging trends in technology and quality upgradation.

The Wada Plant, which is the largest manufacturing facility of the Company in terms of built-up area, produces a wide range of products such as scroll chillers, screw chillers, cold room panels, condensers and evaporators for the cold room business as well as condensing units for an overseas OEM. In order to align itself to Industry 4.0, an Automated Guided Vehicle (AGV), enabling automated movement of materials, was installed at the plant. Auto Storage and Retrieval System (ASRS) was also implemented.

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During the period under review, this plant rolled out new products such as Platinum Series water coolers with UV & RO, configured air cooled flooded series chillers, configured oil free turbocor chillers, and inverter air cooled scroll chillers with R410a, to name a few.

The Ahmedabad plant continues to invest in initiatives aimed at enhancing operational efficiency. It introduced new green freezers which use Cyclopentane as blowing agent. A sophisticated performance testing laboratory was commissioned to strengthen the quality. To augment production capacity, an additional foaming mould and lid making machine was installed. Under Industry 4.0, the plant implemented digital interventions leading to digitization of reports and dashboards.

Intelligent application of LEAN/MOST practices led to efficiencies in production such as improvement in cycle time of split air conditioner outdoor units on the assembly line at the Company's HP plant, enhancement in foaming process of deep freezers at the Ahmedabad Plant, and ducted split air conditioners at the Dadra Plant, as well as in manufacturing of cold room panels at the Wada Plant. Besides, it also resulted in process cycle efficiency in the manufacturing of the storage water cooler kit and heat exchanger as well as helped in reducing inventory for heat exchanger stock.

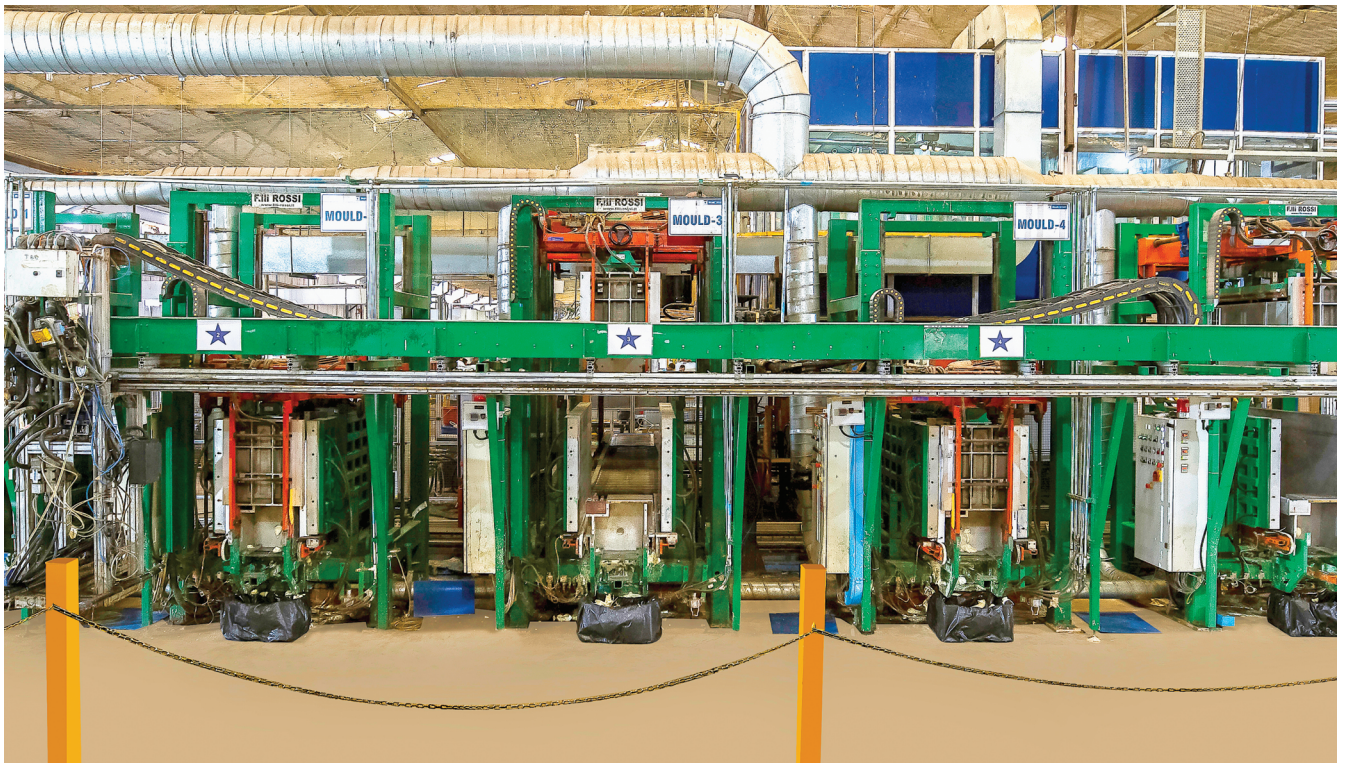


Blue Star's manufacturing facility in Himachal Pradesh

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Automated Guided Vehicle (AGV) at Blue Star's manufacturing facility in Wada



The foaming set-up at the Blue Star's manufacturing facility in Ahmedabad

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Intellectual Capital

The Company continues to have a strong focus on innovation, and remains committed in its efforts towards dedicated R&D underpinned by a systematic and structured approach. Blue Star has always been a front runner in areas related to energy-efficiency, sustainability and climate change.

The Company's mainstay of product development and R&D has been customer-centric designs and applied innovation coupled with eco-friendly and sustainable products. The Company continues to make planned investments in upgrading its infrastructure and design capabilities as well as imbibing cutting-edge technologies across its comprehensive range of products.

With the adoption of the latest technology and best-in-class test facilities, Blue Star's R&D capabilities are well aligned to meet the market and regulatory requirements related to room air conditioners, commercial refrigeration products and systems in the domestic as well as the international arena.



On account of the enhanced thrust in this direction, the Company has been accelerating its R&D performance across its businesses and continues to roll out new products as well as an increasing number of new variants and models across product categories.

During the year, Air-Conditioning, Heating and Refrigeration Institute (AHRI) certified configured series of water cooled screw and turbocor chillers with multiple efficiencies, were introduced which has significantly enhanced the Company's market share in this arena. VFD air cooled scroll chillers with higher efficiency HFC refrigerant (zero ODP) were also introduced. Besides, condensing units for fresh air application and improvised tank chillers were developed for the Middle-East market.

A complete range of 3 & 5 star room air conditioners with specific focus on the cost competitive Inverter model series was launched. The Company developed its own designs for indoor units and started manufacturing them, thereby successfully venturing into vertical integration and reducing dependency on vendors. Further, inverter units with the Company's own drive were developed, and are currently undergoing field trials.

Higher capacity VRF outdoor unit series upto 28 HP was rolled out to ensure cost competitiveness. This has resulted in the Company enhancing its market share in the VRF segment.



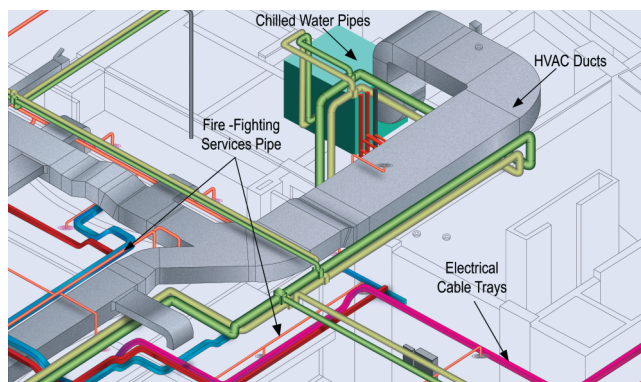
38
Patents Filed



30
Designs Filed



₹ 51 Crores
R & D Spend (FY19)



3D Revit software depicting MEP services coordination above false ceiling

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The Deep Freezers segment, the Company introduced a complete new range with low GWP refrigerant with substantial cost reduction, which gives Blue Star an edge over its competitors.

For the first time, the Company has applied for an International Patent.

The Company's performance laboratories for air conditioning and refrigeration products have received accreditation from the National Accreditation Board for Testing and Calibration Laboratories (NABL). Blue Star continued to invest in building new test facilities for electronics reliability and product safety as well as towards competency development in inverter drives, smart controllers, industrial design and reliability. Besides, the Product Lifecycle Management (PLM) system was also implemented for digital transformation of the New Product Development (NPD) process.

Today, with over 130 employees, backed by new-age infrastructure including performance test labs, reliability testing facilities, electronics lab, design studio, and high end workstations for CAD and analysis, amongst others, the Company prides itself on having one of the best R&D centres in the Indian HVAC industry.

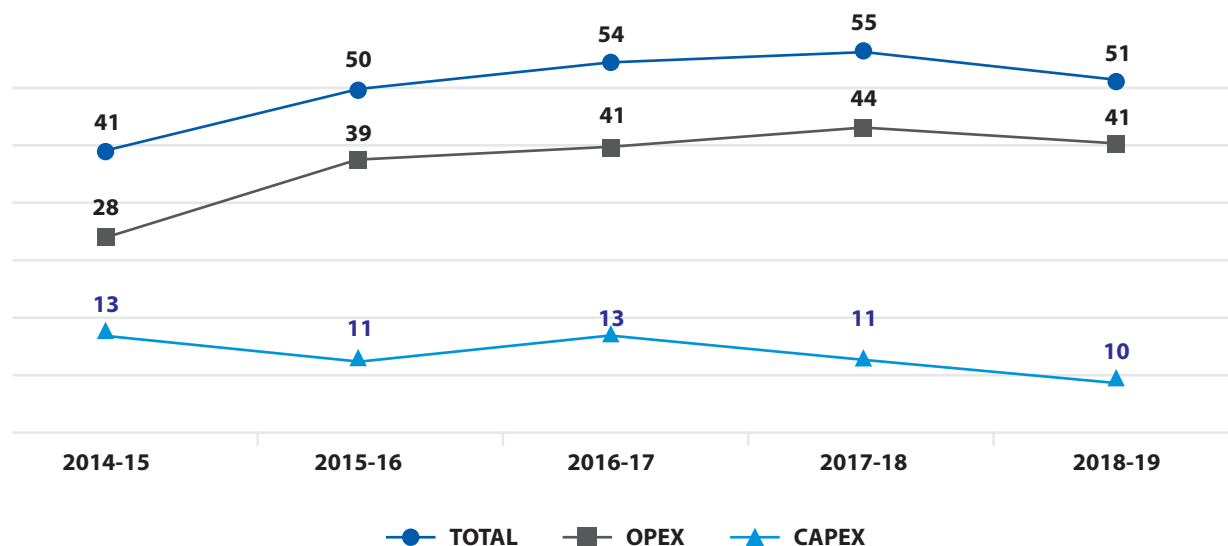


Compressor Lab comprising of two Compressor Test Rigs and Cut Sections of Tested Compressors at Blue Star's R&D facility in Thane



Glow Wire Tester (left) and Needle Flame Tester (right) used for Flammability Tests at Blue Star's R&D facility in Thane

Investment in R&D (₹ crores)



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Human Capital

Blue Star believes in continuously empowering its people by way of numerous employee driven engagements as well as by embracing people-friendly HR practices and initiatives.

Over 110 campus recruits from reputed professional colleges were centrally appointed during the year and allocated to respective functions based on the business needs.

The Company witnessed significant enhancement in employee engagement driven by a clearly articulated development-focused agenda under which the Company embarked on several strategic initiatives in FY18 and which it further streamlined during the year under review. The centralised recruitment process under the ambit of the 'Talent Acquisition Cell' that was introduced in FY18 is showing good results in enabling speedy recruitment as well as ensuring the quality of new hires. Steadily progressing on digitisation in HR, the Company has built on and augmented automation in all its HR related processes and Management Information Systems through its contemporary online platform, called 'MyWorld' to provide a better level of service to its employees with efficient self-service and synchronised options and controls. Improvements to the Performance Management Systems process continue to make it more objective and transparent year-on-year. Project ODEON that was launched in FY18 to conceptualise, design and implement an Organisation Design framework to ensure all people-related decisions (fitment, mobility, promotion and pay) are made based on modern principles of Organisation Design and by paying due attention to the role, the grade band and the person's capabilities, is progressing very well. The Company continues to encourage job rotation and significantly enhance its employee engagement initiatives, which have been instrumental in reducing attrition levels during the year. The Company remains committed in its efforts towards having a diverse and inclusive workforce at Blue Star. The gender ratio has improved to 9.5% in FY19.

Manpower Strength



Top Management interacting with the employees at the HP facility on the occasion of Women's Day



Blue Star Marathoners at Mumbai Marathon 2019

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With a strong focus on learning, quality, teamwork, and reengineering, the Company is making significant progress in the development of its employees through its revised and redefined Learning and Development framework that was rolled out last year. The framework promotes holistic learning in terms of technical and functional skills as well as behavioural, managerial and leadership development. The learning is a blend of e-learning, self-learning, guided learning and experiential learning.

SAFETY

Safety training, safety audits and implementation of corrective actions as well as review of current actions were undertaken.



During the year, Environment, Health & Safety (EHS) activities continued with great fervour and enthusiasm with intent to inculcate a 'safety first' culture within the organisation.

The Company believes in promoting and encouraging the holistic well-being of its employees. On the health front, it has been issuing a monthly bulletin titled 'Health Watch' aimed at creating awareness amongst employees to stay fit as well as providing an update on the latest happenings in the health sector.

During the year, behavioural-based safety programmes were conducted aimed at developing ownership towards safety. A safety induction AV covering 32 critical work processes was also released.

Evacuation safety drills were staged across all office establishments and factories for all-time safety readiness. Employees were sensitised on adhering to safety standards and procedures using various mediums like print, AV films, class room interactions as well as imparting subject-specific trainings. Overall, more than 2,900 safety audits were conducted across the Company's project sites, service sites and manufacturing facilities.

Training programmes on safety management were conducted covering 43,800 training mandays during the year.

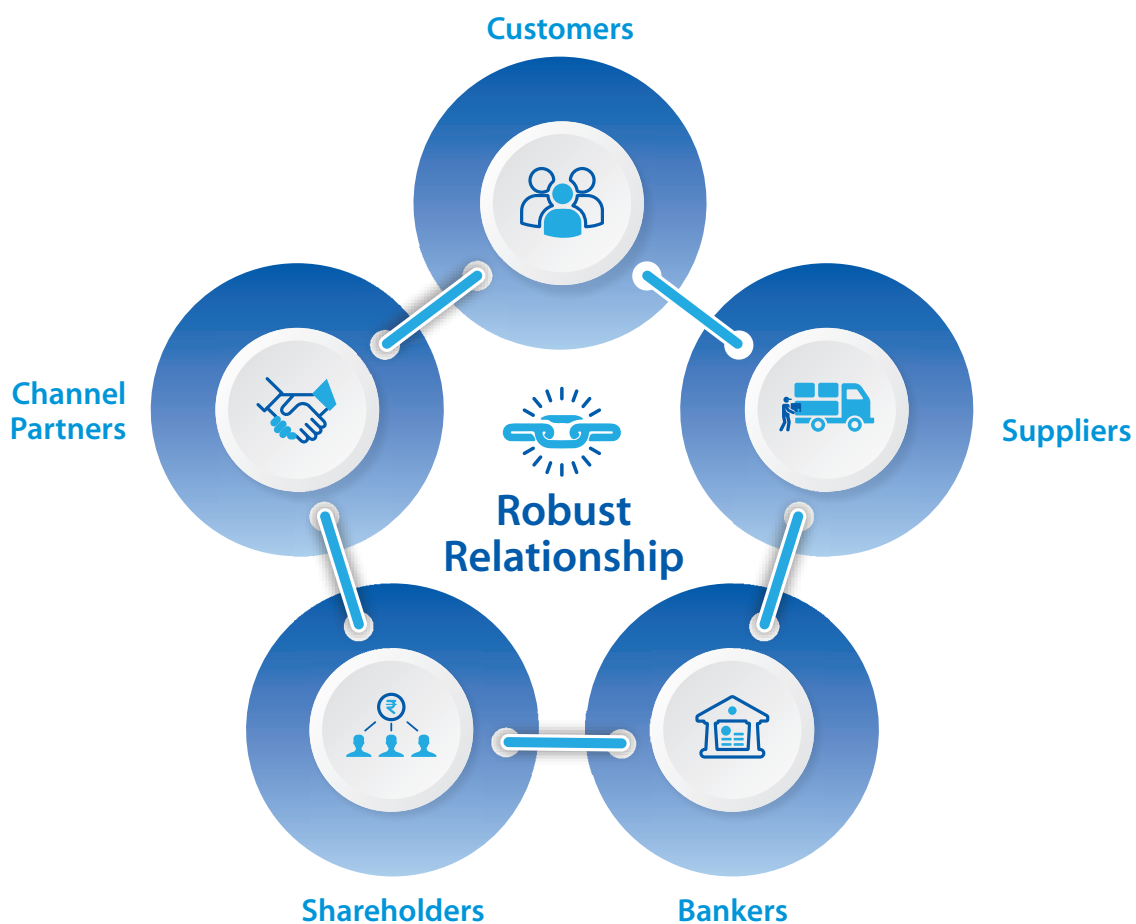


Safety practices being adhered to at a project site

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Relationship Capital



Blue Star consciously nurtures and ensures the fostering of strong relationships with all its external stakeholders such as Customers, Suppliers, Channel Partners, Shareholders and Bankers.

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CUSTOMER FOCUS

As an organisation, Blue Star is completely oriented towards serving its customers' needs, with a strong focus on providing a world-class customer experience.



The Company through its differentiated products and services not only endeavours to satisfy its customers but also aspires to delight its customers whereby it has been able to significantly improve its customer satisfaction index as well as ensure brand loyalty across categories.

The Company gives due importance to safety and environment while designing and developing all its products and services.

VALUE CREATION THROUGH SERVICES - AIR CONDITIONING AND REFRIGERATION SERVICE (CSG)

Recognising the fact that after-sales service is one of the critical success factors for the air conditioning and commercial refrigeration lines of businesses, Blue Star strives towards providing a seamless customer experience with elements of assured response time and highest quality embedded in it. As a testimony to this, the Company continues to be the largest air conditioning and commercial refrigeration after-sales service provider in the country. Under the framework of its service excellence programme, the service reach has improved significantly to 3946 Taluks/Tehsils with a new assured service response time of 3 hours and turnaround time of 18 hours. The Company assures same-day installation for all its retail customers. Blue Star has set up a 24x7 call desk with an interactive voice response system wherein the customer can log a call within 12 seconds without talking to any personnel. An add-on, there is a customer service app with a one-touch facility for logging a service requirement. A host of other digital initiatives include a technician application and remote monitoring of chillers among others that give the Company a competitive edge. The facility to generate electronic field service reports by technicians using mobile apps is another added advantage which ensures transparency, real-time data sharing and saves paper. More than 30 service centres were set up across the country and the Company has more than 250 service vans to reach out to its customers speedily. For its quick service restaurant customers, refrigerated vans have been deployed for cold storage across seven major cities. 24x7 service is provided for a select segment of its cold room customers. A fully equipped VRF commissioning van was also launched in major metros to ensure smooth commissioning of the Company's wide range of VRF units.



Backed by its strong value proposition to provide 'Gold Standard Customer Service,' the Company's Customer Service Group (CSG) is known for its credibility and reliability. Blue Star's air conditioning and refrigeration service is ISO 9001:2015 certified which ensures consistent performance across product lines and geographies. CSG is one amongst the few service organizations to go for ISO 45001:2018 certification that ensures a safe working environment for its field force.



VRF Commissioning Van

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Blue Star's Engineering Facilities Management (EFM) service which covers a wide range of operations and maintenance services to ensure efficient working of electro-mechanical utilities has received a good response from customers across various segments. The Company has secured several EFM orders from prestigious clients including seven manufacturing units of Cipla Limited across India, Suzuki Motors Limited, ISRO, Airports Authority of India, UIDAI (Aadhar), Hindustan Aeronautics Limited, Bengaluru International Airport, and Chennai and Kochi Metro, amongst others.

As a pioneer in the AC&R service industry, the Company has several benchmarks to its credit and continues to advance rapidly on the services front.

SUPPLIER FOCUS

SUPPLY CHAIN MANAGEMENT

Over the last couple of years, the Company's efforts towards reorienting its 'Supply Chain function' to include a separate vertical 'Sourcing and Vendor Development' to systematically focus on vendor development, early engagement with the R&D team for new product development, and driving various cost reduction initiatives as well as risk mitigation projects, are bringing in good results.



Refrigerated service van



'Service On Wheels' van



Remote Monitoring Services centre

Integrated Report



During the year under review, the Company introduced and institutionalised many new initiatives such as benchmarking, standardisation, vendor managed inventory, and localisation, to name a few which resulted in cost reduction of 5 to 6% (on an annualised basis) in the Company's product businesses. This significantly improved the price competitiveness of Blue Star's products in the market.

Leveraging digital technology, the Company launched a vendor portal 'Star Sampark' through which it brought on-board more than 4000 vendors. This portal facilitates the vendors with an automated and transparent facility for the complete process right from procurement to payment, which will bring in more efficiency and reduce transactional costs. Besides, the supply chain function has also implemented various IT enabled system controls to ensure transparency and adherence to compliance across levels.

A new initiative under the Supplier Excellence Programme was launched whereby 25 suppliers deployed the Company's best practices in order to upgrade the overall quality of products/components.

The localisation of Indoor Units, Inverter ACs and drives immensely contributed towards de-risking the supply chain function by reducing dependency on vendors.

Numerous initiatives towards controlling Capital employed, such as driving the S&OP process, vendor managed inventory, and the enhancement of credit terms, were also embarked upon during FY19.

DEALER FOCUS

CHANNEL MANAGEMENT

The Channel Management Centre, which is the overall custodian of Blue Star's channel partners and a single point contact for all channel administration, development and conflict resolution initiatives, added around 710 channel partners and service associates during the year under review. The Company also expanded its retail distribution reach for room air conditioners and added about 1047 retailers and distributors across the country, thereby increasing its presence in Tier 2 and 3 markets by 10% over last year.



Currently, Blue Star has 3600 channel partners with over 5500 stores for room air conditioners, packaged air conditioners, chillers, cold rooms, refrigeration products and systems, as well as 783 service associates reaching out to customers in over 850 towns.

Blue Star's channel partners form the extended arm of the Company, and many of these dealers have been associated with the organisation for over a decade. Several dealers are ex-employees of the Company and therefore, well aligned to its value proposition. Dealer satisfaction surveys are conducted periodically, and their issues are addressed across various platforms.

During FY19, the online platform wherein the channel partners were on-boarded during FY18, was further strengthened and extended to bring on-board the Water Purifiers Service Associate channel appointments as well. Aspiring and established dealers who intend to do business with different divisions in Blue Star can apply online through the 'Dealer Registration' page on Blue Star's website. The dealer not only signs up, but also uploads the necessary documentation (after a filtering process) to be eventually appointed or rejected based on whether the dealer fulfils the selection criteria or not. So far, over 2500 dealers have evinced interest by applying online. Internationally, too, prospective channel partners from the Middle East, SAARC region, Africa, ASEAN and Europe have applied via the online route.

'Star Connect' launched last year to facilitate the channel partners with the ease of doing business has garnered wide acceptance and appreciation. Besides, based on extensive feedback sought from channel partners, a mobility app was also developed and rolled out. Extensive 'Star Connect' training programs were organised across all branches for dealers and their staff members and video tutorials and manuals in local languages were created to facilitate the trainings. Channel finance benefits are being extended to the channel partners by way of tie-ups with reputed bankers. The dealers can place their purchase orders through 'Star Connect' as well as make payments on this single platform. The objective is to support the dealers by eliminating time-consuming activities and doing away with redundant processes, thereby enhancing efficiency. Currently, dealers can place purchase orders for room air conditioners, commercial refrigeration, water purifiers and central air conditioning products through this platform.

Integrated Report

At present, 90% of the Company's transactional interface with its dealers is digitised as a consequence of deployment of 'Star Connect', and this has contributed in enhanced dealer satisfaction and overall efficiency improvement.

Numerous programmes aimed at enhancing dealer engagement, development and motivation, including foreign incentive trips and felicitation of star performers at product launches were undertaken during the year. An attractive performance linked rewards and incentives scheme called 'PRIDE' was introduced for incentivising channel partners towards further excelling in their service performance.

E-COMMERCE

With the advancement and penetration of digital technology, the entire marketing paradigm is changing rapidly. Not only is buying behaviour changing, but so are media consumption trends too. E-commerce, as a distribution channel, is witnessing phenomenal growth. Within e-commerce, quite a few new business models are emerging. Further, digital marketing has emerged as an important tool for securing share of mind of consumers. Integral to this development is digital content creation and management. Moreover, for targeted marketing, customer data analytics is critical. In managing and growing brand equity and market share, omni-channel marketing as a concept is gaining momentum. In other words, Marketing 4.0 is a reality, and it is certain that it is the future.

Keeping in mind the above developments, the Company began to invest in digital marketing, and in the past couple of years, has made good progress. The Company's website is ranked high; Blue Star did well in terms of search engine optimisation; its social media presence is reasonably strong with around 1,50,000 followers and its advertisements have been doing well on YouTube.

SHAREHOLDER ENGAGEMENT

Blue Star continues to enhance value for its shareholders through improved return on equity and dividend payouts. Blue Star regularly engages with its shareholders, both individual and institutional, through investor relations programme and apprises them on its performance on an on-going basis. Quarterly earnings concalls are organised regularly to apprise the investor community about the Company's performance for the quarter gone by and the short and medium term outlook.

Besides these, the Company's management has been conducting several interactions with fund houses and research firms through the year. A special Investor and Analyst Meet was also organised on the occasion of the Company's Platinum Jubilee to update them on the Company's strategic direction and growth aspirations over the medium term.

BANKERS AND CREDIT RATING AGENCIES

Over the years, Blue Star has built relationships with a group of banks, who have supported its growth. Blue Star regularly interacts with its bankers to update them about its financial performance and support required for growth. Blue Star has been prompt in servicing all its obligations and its covenants around lines of credit and borrowings. Blue Star's Commercial Paper has been rated 'A1+' by CARE and CRISIL.



Blue Star remains committed in its endeavours on the social front. The Company believes in empowering the society through its contributions and dedicatedly works towards this cause while also generating economic value for its stakeholders.

Education



Affirmative Action

Livelihood Generation and Capacity Building

Vocational Training

Water and Sanitation

Blue Star's department for Corporate Social Responsibility (CSR), established over a decade ago, consists of professionals with the requisite domain knowledge for planning, implementation and monitoring of the scheduled activities with due diligence.

Blue Star spent a total of ₹3.12 crores during the year on CSR, of which ₹75 lakhs was attributed to Blue Star Foundation. The major CSR initiatives are vocational training in the area of Air Conditioning & Refrigeration and MEP, pursuant to the Government's 'Skill India' mission; installation of water purification systems and building of toilets in Zilla Parishad schools as part of the Government's 'Swachh Bharat, Swachh Vidyalaya' initiative; along with support for other health and education causes.

As an important stakeholder for holistic vocational training initiatives in the AC&R and MEP fields for school drop-outs, Blue Star has undertaken numerous initiatives through meaningful partnerships in industry-specific programmes with NGOs, industry bodies and other like-minded corporate bodies across the country. The Company is an important stakeholder for holistic vocational training initiatives in Air Conditioning and Refrigeration Service (AC&R) and Mechanical, Electrical and Plumbing (MEP) fields, in partnership with like-minded institutions, professional bodies and corporates. Blue Star's training personnel contribute to setting up customised classrooms and practical labs, curriculum development, training of trainers, monitoring the quality of teaching sessions and imparting regular lectures at these centres. As in the last two years, this year too Blue Star supported existing institutes like Indo German Institute of Technology, Visakhapatnam; Bala Mandir Kamraj Trust, Chennai; Gyaan Prakash Foundation, Pune; and Apollo Total Health, Chittoor, with faculty fee and student expenditure reimbursement support through the year. The Company has also undertaken the renovation and upgradation of their labs with new technology such as that of inverter ACs, water purifier and others, as required, to ensure that the training imparted in these institutes is up-to-date with the market requirements. Apart from these, Blue Star is working with Sanskriti Samvardhan Mandal, Sagroli, a reputed NGO working in holistic rural development and skill enhancement in the areas around Nanded in Maharashtra, towards the development of a plumbing lab, on the lines of the IGIAT model. Donation of air conditioning and refrigeration equipment towards training and demonstration

Integrated Report

CSR Spend



for students of Government Industrial Training Institutes (ITIs) and Ramakrishna Mission Shilpamandir, Kolkata, were also made in this year. The Company constantly encourages its employees to dedicate their time and energy on a pro bono basis to impart employable skills at these centres, drawing from their extensive work experience. This initiative contributes towards building a fresh young talent pool for the building engineering industry. During the review period, over 750 students were trained at these facilities.

The Dadra, Wada and Ahmedabad factories as well as the R&D facility at Thane hired over 300 apprentices under National Employability Through Apprenticeship Program (NETAP) - a Public Private Partnership of TeamLease Skills University; CII; All India Council for Technical Education; and National Skills Development Corporation under the HRD Ministry. This initiative lends the much needed thrust for on-the-job training, and boosts job creation by aligning skills of the workforce to the industry's needs. Similarly, implementation of the NETAP apprentice programme for women in Water Purifiers business has aided in their exposure to the sales and product promotions at retail showrooms. Accordingly, around 20 women apprentices were hired across the country to front-end displays for water purifiers across showrooms/sales outlets. The NETAP apprentices were exposed to the real time work environment at Blue Star's manufacturing facilities, and female apprentices were trained on the job in product promotions and sales at retail showrooms. The apprenticeship initiative, while providing academic credit for on-the-job training, also assures of a recognised experience certificate, post minimum service tenure of 3 months. All trainees are paid stipends commensurate with the unskilled minimum wage for each state, which is significantly higher than the stipends paid under the Apprenticeship Act.



Inauguration of the AC&R lab for Apollo Total Health project

Integrated Report

Blue Star is committed to the cause of enhancing awareness on the use of the cold chain infrastructure in food preservation by increasing the application knowledge as well as augmenting the skill sets of various stakeholders involved in the cold chain industry through a series of initiatives. In collaboration with CII, two Gramin Haats in Assam, namely Durangiri and Golaghat were adopted and upgraded with the requisite infrastructure and assured market linkage for the produce. This was aimed at augmented price realisation for farmers through appropriate handling, sorting, grading and storage facilities for their produce.



Hand-wash station in a Government school at Wada

Blue Star continued its efforts to improve the availability of safe drinking water, especially for children. School children are a vulnerable population for whom provision of safe drinking water can be provided in liaison with school authorities. Continuing the efforts of FY18, Blue Star embarked on a holistic intervention for safe and purified drinking water stations as well as refurbishment and renovation of the existing toilet blocks and group hand-washing stations in over 35 new Zilla Parishad schools across Wada and Vikramgarh block of Palghar district, Maharashtra. Also, awareness sessions on safe sanitation and hygiene practices for various stakeholders, including students, teachers and school management committees were conducted in these schools. Similarly, Blue Star also undertook setting up of clean drinking water stations in 6 Government schools in the Jodhpur district of Rajasthan. The need for drinking water is vital in these schools which often face severe water shortage. Consequently, more than 100 schools have been brought under this programme over the last 3 years.

A book donation drive in partnership with The Hindu Group of Publications was organised, during which over 4000 novels, text-books and other relevant material, like notebooks and stationery were collected from employees and other agencies, and donated to school students through reputed NGOs like Pratham Pune Foundation, Savali Foundation and SOS Children's Village, who do not have access to such for their educational needs. The books now find place in libraries of schools, colleges and reading rooms of the NGOs.

Like FY18, this year also, the Company sponsored two special 'In School' issues of The Hindu, with the supplement record of all important national/international events of 2018, and the other of Independence Day, for ₹2.4 lakhs, which were distributed across 40 Government-aided schools in Mumbai to encourage reading and augment one's general knowledge. The teachers supported the students in assimilating the newspaper content through classroom readings and quizzes. Kalinga Institute of Social Sciences, Bhubaneswar, amongst India's largest institutes for underprivileged tribal students, was supported towards quality education for needy students.

Blue Star aims to support projects that promote art and culture, as well as projects that preserve the country's heritage. This year, Blue Star supported the 'International Foundation for Fine Arts', supporting needy/aged musicians and towards raising awareness amongst the youth to keep Indian classical music alive.

The Company was quick to respond to the Kerala floods. It partnered with CII Foundation and contributed ₹44 lakhs towards immediate relief provisions, and for the long-term restoration and redevelopment of public property in the sphere of health and education. Over ₹20 lakhs from this contribution were employee contribution, which was matched by an equal contribution from the Company's CSR budget.

Apart from these special projects, Blue Star Foundation has disbursed ₹50 lakhs in FY19 towards the causes of education, health and poverty alleviation. The Foundation's charter covers education of less privileged children, health/medical support to marginalised communities and poverty alleviation. The organisations supported during the year include Jyot Bahu-Uddeshiy

Integrated Report

Samajik Sanstha, Thane, towards vocational training opportunities for girls and adolescent health education; The Anchorage, Mumbai, offering opportunities for education and vocational training for the mentally challenged; Ashray Akruiti, Hyderabad, towards a special school for children with varying degrees of hearing impairment; Aishwarya Trust, Chennai, for corrective surgery for congenital heart defects in children; Mumbai Mobile Creches towards education and health initiatives for children of construction labourers; Indian Association of Blood Cancer & Allied Diseases, Kolkata, for medical relief of cancer-affected children, among others. 50 academically deserving, less privileged students across three engineering colleges and three architectural institutes are presently being supported with Mohan T Advani Centennial Scholarships. The scholarships are inclusive of a mentorship by Blue Star personnel as well as an annual internship at the Company's facilities.

Complementing the CSR initiatives driven centrally, the Company's manufacturing facilities have also been engaging in community development around the plants, as well as have been encouraging its employees to volunteer their time for the same. Some major events organised during FY19 by the manufacturing facilities comprised blood donation camps, industrial training and factory visits for students, donation camps and drives for schools, orphanages and old age homes, amongst others.

The Company's manufacturing facilities also independently adopt local Government schools. An example would be the Government Primary School in Kala Amb adopted by Blue Star's HP facility where they deployed the learnings of the 5S programme with the principles of Sort, Set in order, Shine, Standardise and Sustain for the students and teachers. As a result, the school has seen an impressive transformation in cleanliness, organisation and maintenance. Similarly, Dadra and Wada factories have also adopted local schools around their vicinity where they work in close coordination with the head-masters and teachers for improving the school infrastructure as well as conducting health camps, and distribution of study material.

On the occasion of the Platinum Jubilee of the Company, ₹75 lakhs was awarded to Blue Star Foundation towards larger social impact through specific and targeted programmes across the spheres of education, vocational training and women empowerment, in liaison with reputed NGO partners.

1

Kherwadi Social Welfare Association for vocational training of young women in the fields of tailoring, beautician and fashion designing; towards building of 50 individual household toilets; and farming using modern techniques

2

Muktangan for the training of in-service community teachers in the subjects of Science, Math and Language at Sayani School, Worli

3

Magic Bus India Foundation to build life and employability skills in over 700 first-generation adolescent learners in Bhiwandi from less privileged households, utilising sports for development and mentoring so that they complete their formal education

4

CII – National Agro Foundation for training a group of women across 20 villages in Cuddalore district of Tamil Nadu in the fields of crop handling, financing, sustainable and modern agricultural practices; finally leading them to the formation, strengthening and capacity building of a Farmer Producer Organisation (FPO) which directly markets its produce

5

Habitat for Humanity India, towards the distribution of 110 waterwheels to villages in Wada to reduce the drudgery of carrying water from far-off distances. These waterwheels are designed keeping in mind the ease of carrying water. They can be rolled around and carry 45 litres of water each at one instance

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Blue Star is committed to directly conducting or supporting initiatives to ensure an equal footing for socially and economically disadvantaged sections in the country at large, especially the Scheduled Caste and Scheduled Tribe communities. As part of its CSR initiatives therefore, Blue Star actively participates in the Affirmative Action Agenda of CII and has contributed towards Development of Dalit Entrepreneurs by promoting supplier diversity, imparting management techniques and mentoring. The Company is also an active member of the CII Sub Committees on CSR and Affirmative Action, and contributes regularly to industry initiatives in this regard.

The Company also encourages its employees to adopt a fit and healthy lifestyle, and to augment this, encourages its employees to participate in marathons. Blue Star supports the four city marathons of Mumbai, Delhi, Chennai and Kolkata, as a corporate charity team, and the donations from the same are then used by Blue Star Foundation to sponsor the scholarship support for the Mohan T Advani Centennial Scholarships.



Vocational training being imparted for AC&R service

Integrated Report



Natural
Capital

Blue Star proactively works towards protecting the environment by consciously embarking on various initiatives such as usage of eco-friendly refrigerants, planting trees at its premises and reduction of consumption of water.



Through rigorous initiatives, the Company achieved an overall 16% reduction in water consumption across plants.

SOME OF THE PROACTIVE STEPS TAKEN INCLUDE:

- ◆ The Company engages in regular tree plantation drives which help to combat many environmental issues such as deforestation, erosion of soil, desertification in semi-arid areas, and global warming, and thereby enhances the beauty and balance of the environment.
- ◆ The Company's Dadra plant carried out a comprehensive rain water harvesting project, to meet the daily needs of the plant (80 kl). Total seven recharge pits were made in the plant. During the monsoon season, this will recharge 137 kl of water on a daily basis. This will raise the water table of the surrounding areas.
- ◆ The Company has begun to use the environment-friendly Zero ODP refrigerant gas R290 as well as Zero ODP & very low GWP blowing agent Cyclopentane.

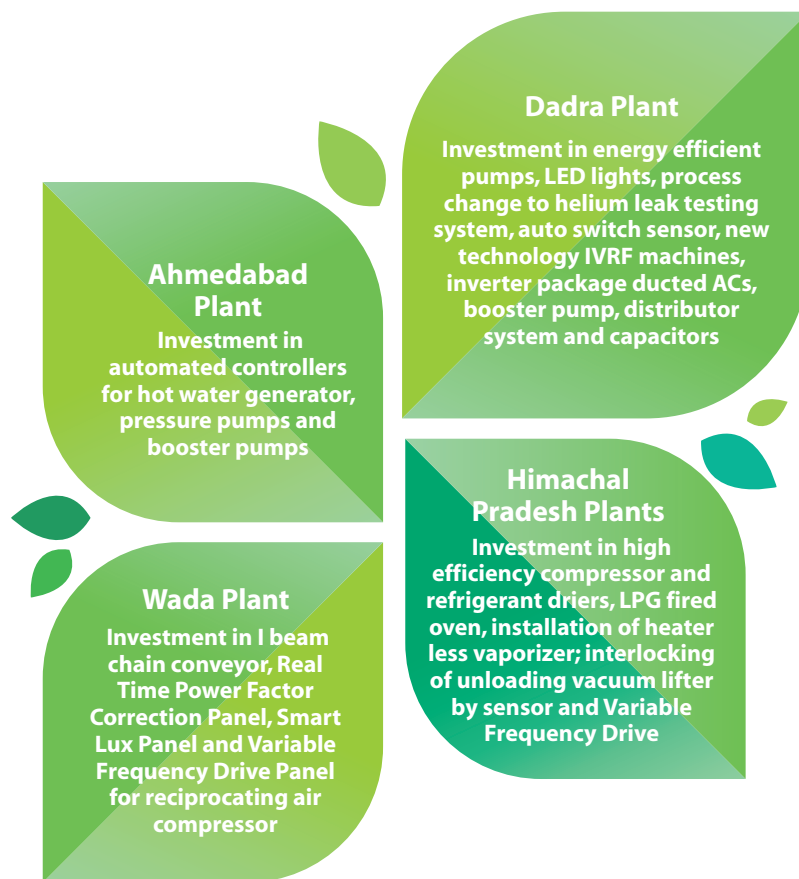


Renewable Energy initiatives undertaken at Blue Star's manufacturing facility

Integrated Report

- ◆ Conscious efforts are being undertaken to eliminate the usage of wood in packaging.
- ◆ The Company has switched over from R407C to environment friendly R410 refrigerant for scroll chillers.
- ◆ The Company has also been deploying solar power at select locations for office and street lighting.
- ◆ No effluents were discharged outside Blue Star manufacturing facilities in FY19. Efficient operation of effluent treatment plants and sewage treatment plants ensured zero discharge. Treated water is used for flushing and local irrigation.

The Company invested in energy conversation equipment across plants:



(Refer Annexure 1 to Board's Reports on page no. 80)

Integrated Report



Strategy Planning and Development

Organisations, globally and locally, face several challenges arising out of macro-economic scenarios, geo-political situations, and the global trade environment, necessitating companies to periodically review their growth strategies and draw up short-term and long-term plans. Customer profiles and expectations are fast changing, adding a complex dimension to decision making. Indian market is becoming a hotbed of competition in many spheres of business with several multi-nationals looking at India now. Hence, it becomes imperative to constantly review organisational strategies and underlying assumptions.

The Company had rolled out its strategic plan, Blue Star@75, which defined the roadmap for Blue Star for three years up till FY19. As the Company entered its 75th year, the next rolling 3-year strategic plan, Blue Star@77, ending in FY21, was formulated. This plan lays down key milestones to be achieved each year at the Company level as well as at individual businesses and functional levels. The strategic plan emphasises clear focus on strengthening the Company's core capabilities, responding to competitive forces, acquiring new capabilities, building new processes, and acquiring new technologies as well as enumerates details on intended investments to support the growth plans.

To execute strategic plans, a framework called Strategic Implementation Framework (SIF) is in place for each business and function. The SIF essentially draws upon Balanced Score Card concepts of strategy execution and it maintains well-articulated focus on financials, processes and systems, people and innovation. The Company's strategic plan is thoroughly cascaded to all levels of the organisation by way of town hall meetings, KRA cascade sessions, talk over tea sessions and various appropriate internal forums to align the organisation to the Company goals.

The strategic framework provides for periodic reviews in a structured way to take stock towards the progress of key milestones. This internal process helps in periodically discussing and reviewing the underlying assumptions related to the business landscape as well as understand the Company's competitive positioning and make due corrections as needed. The Company has undertaken several internal measures based on the strategic plan.



The Company periodically reviews its strategic plans in line with market dynamics and macro environment and takes tactical level course corrections as required from time to time.

Blue Star has a robust Strategic Planning process in place to formulate a 3-year roadmap for the Company and its businesses

STRATEGY REVIEW



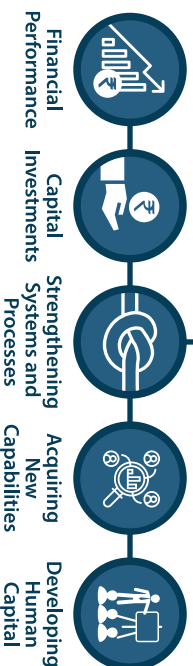
Review of existing systems, processes, infrastructure and capabilities vis-à-vis emerging business landscape

Strategy Development

We follow a bottom-up approach with deeper engagement and participation by all businesses and functions, reflective of a strong collaborative culture to drive successful execution

Building a 3-year Strategic Plan

Key milestones FY19 - FY21
Strategic Plan

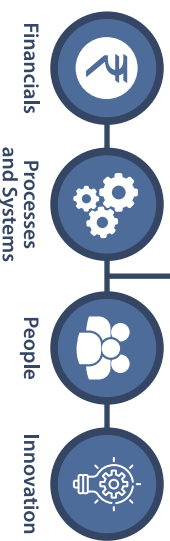


Cross-Functional Deliberations

Strategy Deployment

Strategic Implementation Framework (SIF)

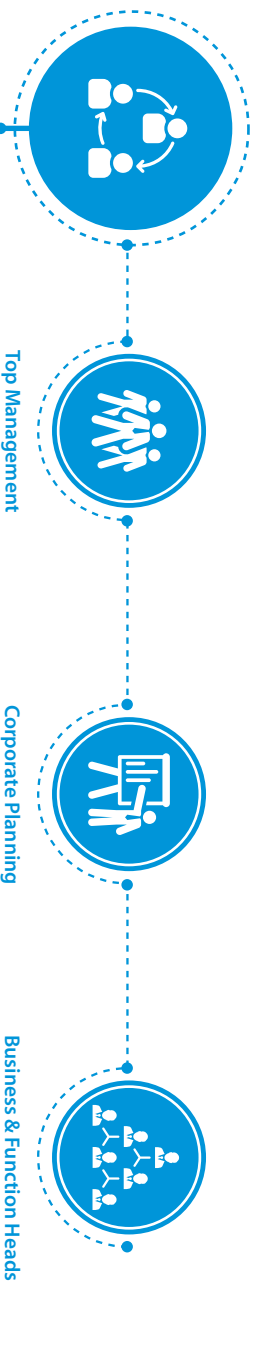
SIF for each business and function with a well articulated focus on



Our strategic plan is thoroughly cascaded to all levels of the Organisation by way of

- Town Hall Meetings
- Talk over Tea Sessions
- KRA & Cascade Sessions
- Periodic Reviews

STAKEHOLDER PARTICIPATION



Integrated Report



Risks and Mitigation Strategies

Dynamic Macro-economic Environment:

The Company's core businesses are cyclical in nature and are exposed to the macro-economic environment. Besides, the international operations are also exposed to geo-political risks associated with these regions such as change in tax regime, political unrest amongst others.

Mitigation:

The Company continues to closely monitor the macro-economic environment on a regular basis. It undertakes efforts to tap the untapped segments in case of projects business and engages in development of new products with focus on profitability and scalability, all of which assist in de-risking its business operations. Enhanced thrust is placed on expanding Blue Star's global footprint as well as diversifying into related product segments. Besides, the Company invests in continuous in-house capability building and awareness creation with regards to new tax laws and related compliances.

Seasonality:

The Company's product businesses are seasonal in nature. Unforeseen weather patterns may impact forecasting, leading to either stock-out and resultant loss of opportunity or excess inventory.

Mitigation:

The Company has in place a well-defined process to review and re-align, wherever necessary, the procurement plan, on a dynamic basis. It also has a continuous process improvement plan to reduce lead time for procurement.

Business Model Risk for projects:

There has been a gradual shift in the business model for large projects where the full contracts are assigned to civil contractors who in turn sub-contract the components of the project. Some of the Mechanical, Electrical and Plumbing jobs undertaken by the Company are through such sub-contracted route. This could impact the returns and increase the credit risk based on the credit profile of the main contractor.

Mitigation:

The Company carries out independent due diligence before entering into a sub-contracting arrangement with the main contractor. The Company also enters into selective and project specific tie-ups with reputed and financially sound civil contractors.

Integrated Report

Financial:

Financial risks comprise volatility in global financial markets as well as fluctuations in the exchange rates. Credit default by customers is also a concern for the Company.



Mitigation:

The Company has a robust policy in place for managing currency exposures. The Company has a due diligence mechanism to reduce the risk associated with credit default.

Operational:

The Company in the normal course of its business is exposed to operational risks such as volatility in commodity prices; over dependency on suppliers and vendors; health and safety related concerns; higher input cost in case of fixed price contracts for Projects business; failure of Information Technology systems; and risk of epidemic technical failure.



Mitigation:

The Company hedges a majority of the commodities that it uses in manufacturing. Alternate vendors are developed with similar facility on product category basis. Regular safety audits are conducted across sites. There is a robust delegation of authority matrix in place. Order booking guidelines are strictly implemented to book quality orders. Business Continuity Plan is developed in IT systems by setting up the ERP DR and the same is periodically monitored. Quality check teams are present to test all pre-launched products as well as for field tests in the market.

Compliance:

Regulatory compliance often impacts the business operations if the Company is not proactive enough to diligently identify and adhere to such compliances. Some of the regulatory compliances comprise compliance with Competition Commission of India for norms pertaining to dedicated dealership; compliance with BEE rating norms; compliance with QCO norms; compliance with statutory requirements pertaining to Labour Laws, Environmental Laws, Factory Laws, Competition Laws, PF Laws, insider trading and listing requirement; amongst others.



Mitigation:

The Company is very agile and ensures complete adherence to the regulatory compliances. It has built a strong compliance management system and has automated the compliance management process. It has adopted the automated legal metrology label printing, in order to prevent non-compliance and prosecution. Besides, the Company has entered into a comprehensive agreement with its dealers. The Company follows a structured approach towards any changes in the BEE ratings and ECBC 2017 norms by conducting meetings on a regular basis to identify and implement these changes across its product range. It also ensures compliance confirmation by its JVs and foreign subsidiaries.

Cyber Crime:

Risk from absence of Information Security Mechanisms may leave the IT infrastructure vulnerable to hacking attacks.



Mitigation:

The Company has a robust Vulnerability Assessment and Penetration Testing framework. It also has a set of policies and procedures to ensure compliance to rules and guidelines related to information security.

Integrated Report

Competitive Risks:

The Company faces competition from local and overseas players. There are chances of experiencing a shift in the buying behaviour of consumers due to the growth of e-commerce platforms. The Company could encounter low demand for some of its products in certain regions.



Mitigation:

The Company is well diversified across related and new product categories. It has tie-ups with key e-commerce companies and has rolled out dedicated models meant to be sold only through online platforms. There is enhanced thrust on increasing penetration in Tier 3/4/5 cities. The Company focuses on developing more exclusive dealers. Periodic performance reviews are undertaken for the dealers.

Technology:

The Company faces the risk of losing business to competitors if it is unable to create new products or upgrade its existing products within the evolving technology landscape.



Mitigation:

The Company has partnered with consultants to evolve on the technology front for select product categories. It also has tie-ups with institutions for initiating technology development projects. It regularly reviews its product portfolio and has a structured medium term new product development plan.

People:

Risk of inadequate success planning at the top and middle management positions may impact business continuity and business performance in the short term.



Mitigation:

The Company has in place a systematic framework for management and development of its talent through structured leadership development programs. Talent councils are formed to review the succession plan on a periodic basis.

Fraud:

Not being able to proactively identify and address potential frauds.

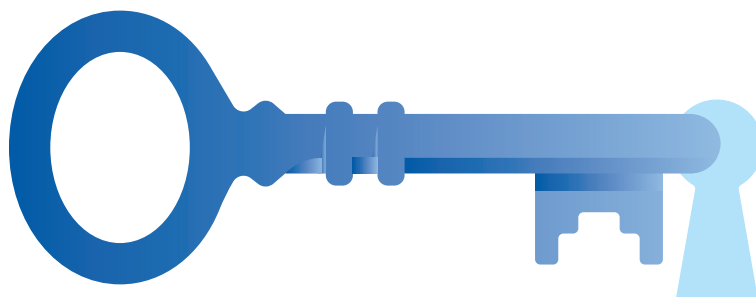


Mitigation:

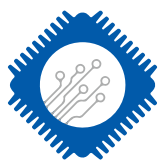
The Company has a robust governance mechanism consisting of three lines of defence as required under the COSO 2013 framework. It extensively uses data analytics and rigorous monitoring to strengthen its fraud management framework.



- ◆ HVAC&R market in India is forecast to reach USD 5.9 billion by 2024.
- ◆ Government propelled infrastructure investments are expected to drive growth in the medium term.
- ◆ Sectors such as metro rail, healthcare, education, airports, light industrial projects and commercial offices are expected to witness significant capital expenditure; the Company has the capability to offer engineering solutions to underground and overground metro rail projects.
- ◆ Infrastructure investments in Tier – 2/3/4 cities, like shopping malls, retail complexes, and airports are further expected to push growth.
- ◆ Low penetrated market and growing middle class purchasing power offer immense opportunity for growth of room air conditioners business; the Company continuously focuses on developing newer products to tap this segment.
- ◆ Growth in the processed food sector and ice cream and dairy industries, offers tremendous opportunities for growth of the Company's commercial refrigeration business; the Company has forayed into product adjacencies to address the requirements of the processed foods sector and the modern retail segment.
- ◆ Increased investments, both public and private, in the healthcare sector, and growth potential of the Indian digital payment sector along with rising focus by enterprises on data security, offer growth opportunities for the Company's Professional Electronics and Industrial Systems segment; the Company has added niche products to widen the reach in the segment.



Integrated Report



Information Technology

The Company continued to march ahead on this front by imbibing the latest digital technologies across its operations and businesses. Using a bimodal approach, it strengthened its digital core while digitalising various parts of its business operations.

The Company upgraded its core ERP, SAP ECC, to SAP HANA S/4. This major upgrade will enable Blue Star to improve its speed of execution and cater to various operational needs that were not possible earlier due to inherent system limitations. In today's fast paced and digital economy, SAP HANA's ability to do real-time processing for transactions and generate analytics for all of the Company's data will equip the businesses with real-time indicators and data, thereby improving decision making.

On the Dealers front, the Company's Dealer Management System, launched in the previous year, was fully deployed with its entire dealer base across product lines transacting with the Company through the platform. The dealers can now avail of attractive dealer financing schemes through the portal and also make digital payments to the Company through an online payment gateway integrated with the portal.



With regards to manufacturing, the Company deployed its 'Intelligent Factory' solution at its Dadra manufacturing facility as was earlier implemented at the Wada facility. With this Industry 4.0 adaptation, the Company is in a position to enhance its operational effectiveness and increase output through better equipment maintenance and capacity utilisation across these two factories. The Company has leveraged the Augmented Reality technology in its factories by creating interactive visual aids that can guide its shopfloor employees in processes which may be complicated and error-prone, and thereby improves quality.

On the HR front, a Learning & Development portal was launched to enhance the proficiency and capabilities of its employees and associated partner employees. The portal provides technical and behavioural e-learning modules for employees to enhance their skills through a participative approach and enable them to deliver world-class services.

Taking cognizance of the increased information security threats, the Company further strengthened its information security policies by establishing a threat monitoring and assessment centre, and educating its employees on various security related aspects.

The Company continues to drive a number of initiatives using technologies such as Predictive Analytics, Machine Learning and Artificial Intelligence. Blue Star's first Bot, StarBot, which earlier provided only stock information to its sales executives, now provides a number of key insights, and serves as their virtual personal assistant helping them improve their productivity and effectiveness.



On the occasion of the Company's Platinum Jubilee, the Company enhanced its spends with regards to advertising and brand communication. A corporate campaign emphasising on the Company's Platinum Jubilee as well as its new corporate value proposition 'Built on Trust' was rolled out through print and digital ads. A television commercial was also launched as a part of this corporate campaign. While showcasing the Company's various businesses with the intent to promote Blue Star as a multi-product and service brand, the commercial also conveys the trust and dependability that customers across the world have reposed in Blue Star for 75 years, which is depicted by people leaning on an invisible support, which is Blue Star. The advertisement aptly establishes Blue Star's tagline 'Built on Trust' in the minds of the consumers.

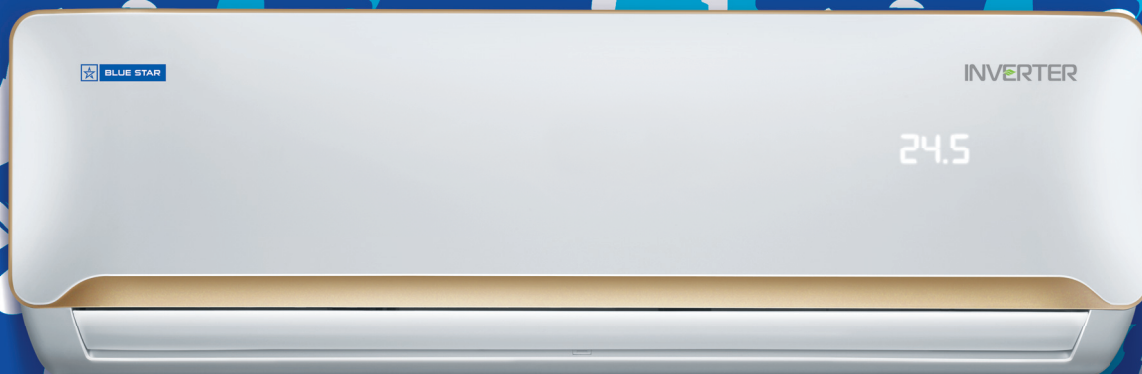
The Company launched its advertising campaign for Summer 2018 for its Room ACs given its continued thrust on the residential segment. The new range of inverter air conditioners launched in FY19 has taken Blue Star's differentiated value proposition of 'Nobody Cools Better' for the residential audience to the next level, by offering a unique and an exceptional aspect of '30% more cooling when you need it,' highlighting that the Blue Star Inverter AC performs efficiently even under extra load conditions by providing 30% more cooling when there are more people in the room. With this, the brand continues to leverage on its deep understanding of the science of cooling due to its pedigree in the business.

A 360-degree mass media campaign was launched for the summer which included television, print, outdoor and digital. For the television commercial, the Company strategically promoted the concept of '30% more cooling when you need it' through its Chimps television commercial ad. This was supported by print advertisements in mainline dailies as well as hoardings with the incorporation of several innovations. The Company has augmented its digital marketing efforts in social media as well as the internet. In this medium, Blue Star has invested in text, display and video formats, along with several other innovative properties, with a strong focus on brand awareness and recall.

Blue Star ran a campaign for its new range of Air Coolers. The value proposition for this product category is 'Summer will now feel like winter', which is attributed to its unique cross-drift technology, a design advancement that retains water in the meshes for a longer time, resulting in 20% more cooling than other air coolers, thus giving a winter-like feeling in summers. Likewise, the Company also launched a campaign for its new range of innovative air purifiers with SensAir Technology, and advanced 7-stage filtration.

Significant investments were made in brand building of water purifiers during the year. The Company aired its new TV commercial showcasing warrior babies on the theme of 'Get armed with Immunity' owing to its Immuno Boost technology that is available in select models which provides alkaline and antioxidant water that helps one stay healthy. The TVC was aired on leading television channels and was supported by print, digital and outdoor media including branding of over 1000 Uber cabs in all the metros for nearly three months during the festive season. Concerted digital campaigns on e-commerce platforms continued to enhance brand saliency as well as boost online sales.

The Company also conducted press conferences across major markets to highlight Blue Star's offerings in the room air conditioning, air coolers, air purifiers and water purifiers category.



Too many in the room?
Get 30% more cooling.*

The Blue Star inverter AC actually gives you 30% more cooling.* So whether there are more people at home or the temperature outside is too high, you will enjoy cool comfort at all times. That's not all. Its Precision Cooling Technology and Dual Rotor Compressor* give you comfort that's superior in every way.



BLUE STAR

NOBODY COOLS BETTER™

*Terms & Conditions Apply.

Integrated Report

Awards & Recognition



Blue Star was felicitated with the 'Best Brands 2019' award at 'The Economic Times Best Brands Festival'



Blue Star won the 'MEP Contractor of the Year' award at the 8th edition of Construction Week India 2018 Awards for the third time



Blue Star, for the third time in a row, won the 'Water Digest Award 2019' at the 13th edition of these awards



Blue Star won 'Gold Plus' award at the CII-EXIM Bank Awards in recognition of its Business Process Excellence in Customer Service

Integrated Report



Blue Star's Dadra Plant won prizes in two categories, Technology and Quality, at the 5th edition of 'Manufacturing Today Reinventing the Future'



Blue Star's HP Plant won two Gold awards at Kaizen Conclave organised by Quality Circle Forum of India, Delhi Chapter



Blue Star was appreciated at the 'ISHRAE Thane 2018-19 New CWC Installation Ceremony' for supporting ISHRAE's endeavors



Blue Star, in recognition for its five year long association and contribution towards vocational training in HVAC&R services, was felicitated by ICICI Foundation



Blue Star was recognised for its remote monitoring project 'rView', at the 'YES Bank Best CFO & Digital Transformation Awards 2018' under the category 'Best Customer Excellence'



Blue Star's HP Plant won 'K K Pillar Best Kaizen' award at the 11th National TPM Circle competition organised by CII



VISION

**TO DREAM, TO STRIVE,
TO CARE, AND ABOVE ALL,
TO BE THE BEST IN
EVERYTHING WE DO.**



CREDO



**I AM BLUE STAR.
I TAKE PRIDE IN
DELIVERING
A WORLD-CLASS
CUSTOMER
EXPERIENCE.**

THE BLUE STAR WAY

- Be a company that is a pleasure to do business with.
- Win our people's hearts and minds.
- Continuously improve shareholder value.
- Give primacy to meritocracy and professional management.
- Place the Company's interest above one's own.
- Conduct business with personal integrity and ethics.
- Treat business partners as respected members of our organisation.
- Encourage learning, experimentation and innovation in what we do.
- Ensure high standards of corporate governance.
- Work in a boundary-less manner between various functions to provide the best solutions to customers.
- Be a good corporate citizen.



BLUE STAR

BUILT ON TRUST™