

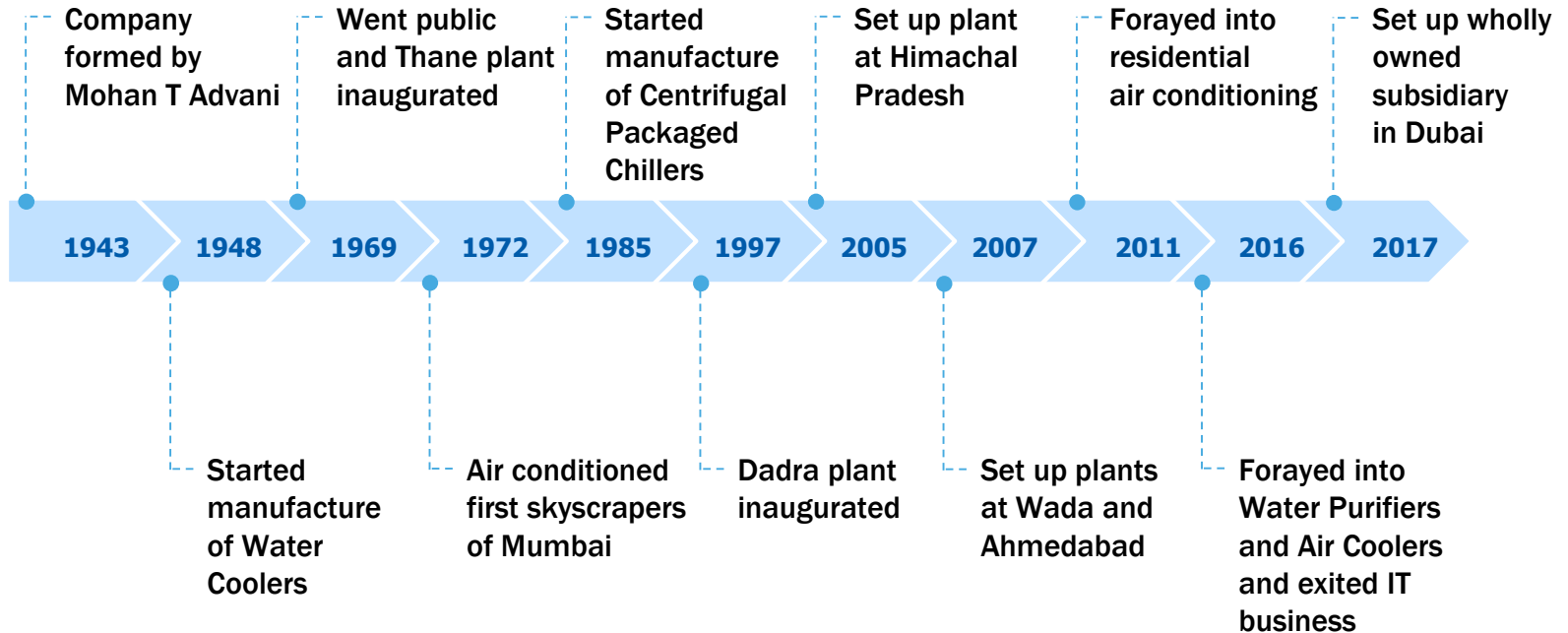
# Blue Star - Platinum Jubilee

## Investors & Analyst Meet

Mumbai

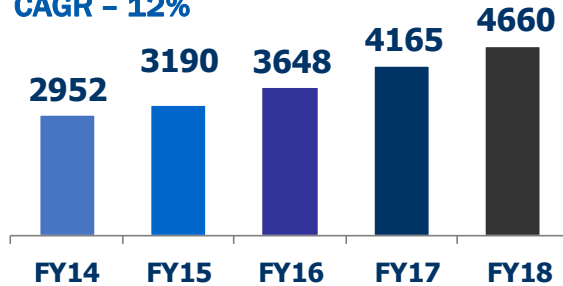
November 27, 2018

# The Blue Star Journey



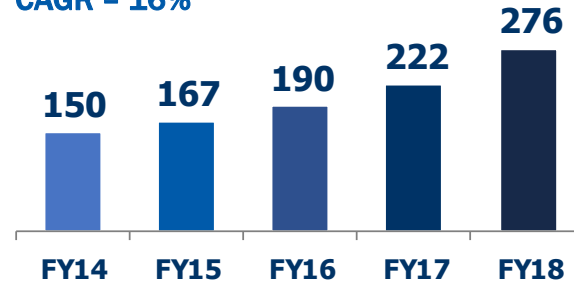
## Total Income (Rs in Cr)

CAGR – 12%



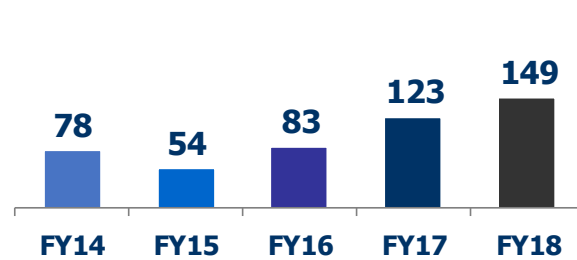
## EBITDA (Rs in Cr)

CAGR – 16%

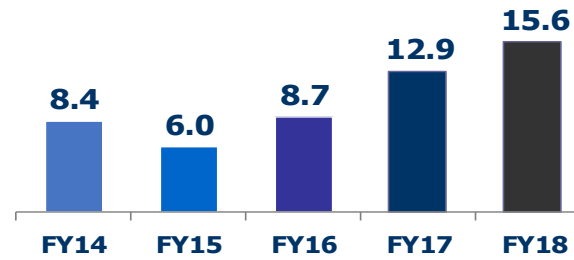


## PAT (Rs in Cr)

CAGR – 18%

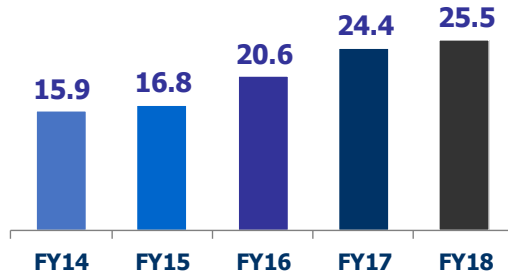


## Earnings Per Share (Rs per share)

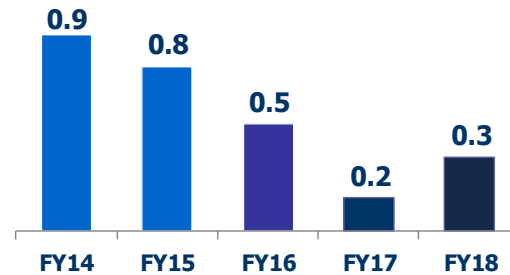




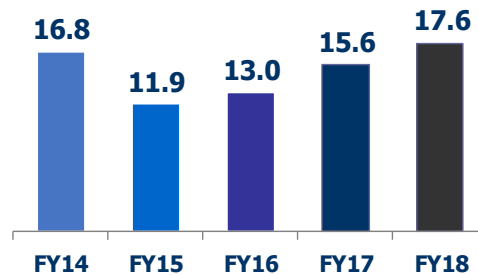
### Return on Capital Employed (%)

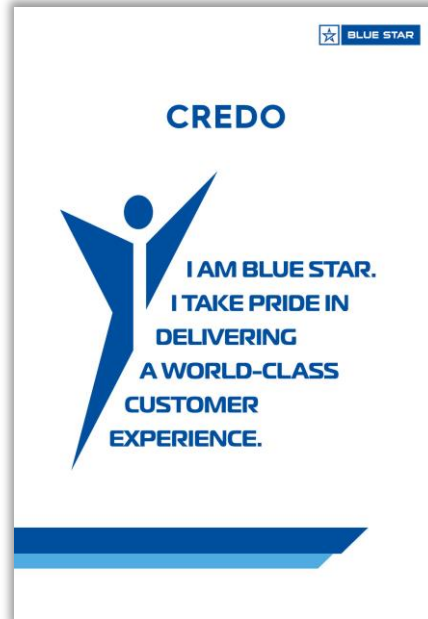
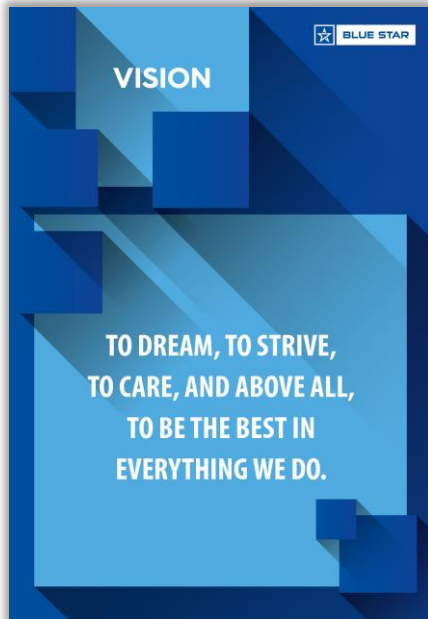


### Debt / Equity (times)



### Return on Equity (%)





## The Blue Star Way

**11** core values and beliefs that guide all Blue Starites in the discharge of their roles and responsibilities

## Committees of the Board

- **Audit Committee**
- **Nomination and Remuneration Committee**
- **Investor Grievance cum Stakeholder Relationship Committee**
- **Corporate Social Responsibility (CSR) Committee**
- **Risk Management Committee**
- **Executive Management Committee**
- **Share Transfer Committee**

## Governance Policy Framework

- **Code of Conduct - Principles and practices for ethical conduct**
- **Whistle Blower Policy - Report unethical and improper practices**
- **Fraud Risk Management Policy - Guidance for detection and prevention of fraud and fraud risk assessment**
- **Code of Conduct for Prevention of Insider Trading - Prohibits and regulates dealings in shares of the company by designated employees and other connected persons**
- **Regulation of Related Party Transactions – Prior/Omnibus approvals taken for all related party transactions**

**Commitment to integrity and ethical values**

- Middle-class consumer spending is expected to increase at a rapid pace; rising disposable incomes and easy access to credit will drive growth in consumer durables
- Growth is anticipated from Tier 3, 4, 5 markets, and MSME sector
- Intensified trade barriers call for appropriate mitigation strategies
- Competitive landscape to change with direct entry of Chinese brands
- Post elections, Government and Infra spend expected to pick up momentum; pick up in construction sector
- Oil and Dollar expected to stabilise in near term; softening of commodities is unlikely in the medium term
- NPAs in the Indian banking system and the NBFC liquidity crunch may impact the real estate and infra sectors



**Despite the macro-economic uncertainties and challenges, we expect adequate growth opportunities for our businesses**

**Our businesses have weathered several macro-economic challenges in the past**

- The shared Vision, Credo and Blue Star Way continue to guide us
- Profitable growth is the key priority; need to grow faster than the market
- Deliver differentiated world-class products, services and solutions; ahead of the curve
- Significantly increase our commitment to manufacturing as a means of increasing value addition as well as de-risking the company from expected non-tariff barriers on imports
- Attract and retain best-in-class talent





- **Productivity (Capital and Manpower) improvement is central to our growth plan**
- **Generate sufficient profits, invest adequately in the business for growth and pay good dividends consistently**
- **Grow Net Worth and strengthen the Balance Sheet**



- Drive strong focus on **Revenue Growth, Profitability Improvement and Productivity Enhancement**
- Retain and **grow our leadership in core Domestic Businesses**  
(HVAC&R products, MEP projects, and AC&R service)
  - Grow Room Air Conditioners, Commercial Air Conditioning and Commercial Refrigeration businesses faster than the market
  - Strong focus on Northern region to grow our market share across all businesses
  - Pursue profitable HVAC and MEP business opportunities from Government and Public Sector including Railways
  - Enhance Customer Experience by using technology and process improvements
- **Aggressively grow the adjacencies** (Air Coolers, Air Purifiers, Professional Kitchen Refrigeration, Medical Refrigeration, Engineering Facility Management, Factory E&M Projects) by investing adequately



- **Incubate new lines of business** in Blue Star Engineering & Electronics portfolio to revive growth
- Invest in the **International and Water Purifiers businesses** to scale-up and turn profitable by FY21
- Drive **higher value-addition** through backward integration, procurement, supply chain efficiency and margin improvement initiatives
- Implement a **new manufacturing footprint** with a judicious mix of capital investments in our own plants as well as Company Managed Contract Manufacturing through Indian entities
- **Enhance productivity** through automation of processes and digital technologies



- **Implement a TQM programme** with an objective to apply for the Deming award by FY21 for at least two lines of business
- **Improving Brand salience** through sustained investments with a specific focus on Tier 3, 4, 5 markets, North India and the GCC countries
- **Building Human Capital** to drive future growth by driving the people transformation agenda for higher Employee Engagement, **Leadership Development and Succession Planning**



## MEP Projects

- Retain our market leadership in Buildings MEP through Business Development, Key Account Acquisition and Key Account Management initiatives
- Consolidate our position in Infrastructure MEP in Airports, Metros, Railway Redevelopment and Power Transmission
- Evaluate entry into select adjacencies with higher margin opportunities within Factory E&M, Industrial EPC and Infrastructure MEP
- Be the Contractor of Choice through implementation of “Superior Project Delivery”

## Service Business

- Enhance customer engagement and grow revenue from service by way of annual maintenance contracts, energy, air and water management solutions
- Continue to expand remote monitoring and intelligent diagnostics
- Scale-up Engineering Facility Management services

## Central AC Products

- **Maintain leadership in ducted air conditioning segment**
- **Aggressively grow our share in VRF market by strengthening product mix and channel expansion**
- **Grow chiller business through optimal system selection and enhanced productivity**
- **Invest in technology and R&D to grow the business and profitability**
- **Having mastered inverter technology, continue to keep ahead of the curve in inverter room air conditioners and VRF**
- **Adopt inverter technology for Chillers and Cold Rooms**

## Product Exports

- **Grow International Business by focussing on key markets (UAE, Oman, Qatar, Nigeria, Egypt, Saudi Arabia, Bangladesh, Sri Lanka, Vietnam) to deliver 80% of business**
- **Add new markets after consolidating our position**

- **Grow Room AC business to a value market share of 15% by way of**
  - Increased focus on North India market
  - Structured distribution expansion
  - Enhanced customer experience at the store level
  - Sustained and strengthened premium imagery
  - Backward integration for higher value addition
- **Maintain our leadership position in Commercial Refrigeration business in the addressed categories**
- **Aggressively grow business from adjacencies; Air Cooler, Air Purifiers, Professional Kitchen Refrigeration, Healthcare Refrigeration and Retail Refrigeration**
- **Scale-up water purifier business by way of refreshed product line-up, asset light model, deeper market penetration, strong brand imagery and differentiated service network; aspire to achieve a market share of 10% by FY21**

- **Strengthen R&D capabilities**

- Bring out at least two break-through products every year
- Adopt new low-GWP refrigerants and new regulatory energy labelling norms
- Invest in emerging technologies such as solar, air purification and digital enablement

- **Strengthen Blue Star Brand**

- “Built On Trust” as the umbrella value proposition
- Increase spend on Advertising from 2.7% of Products Revenue to ~ 3%
- Maintain and further grow our image as a premium player
- Increase digital media presence to capture the mind space of younger customers

- **Manufacturing expertise**

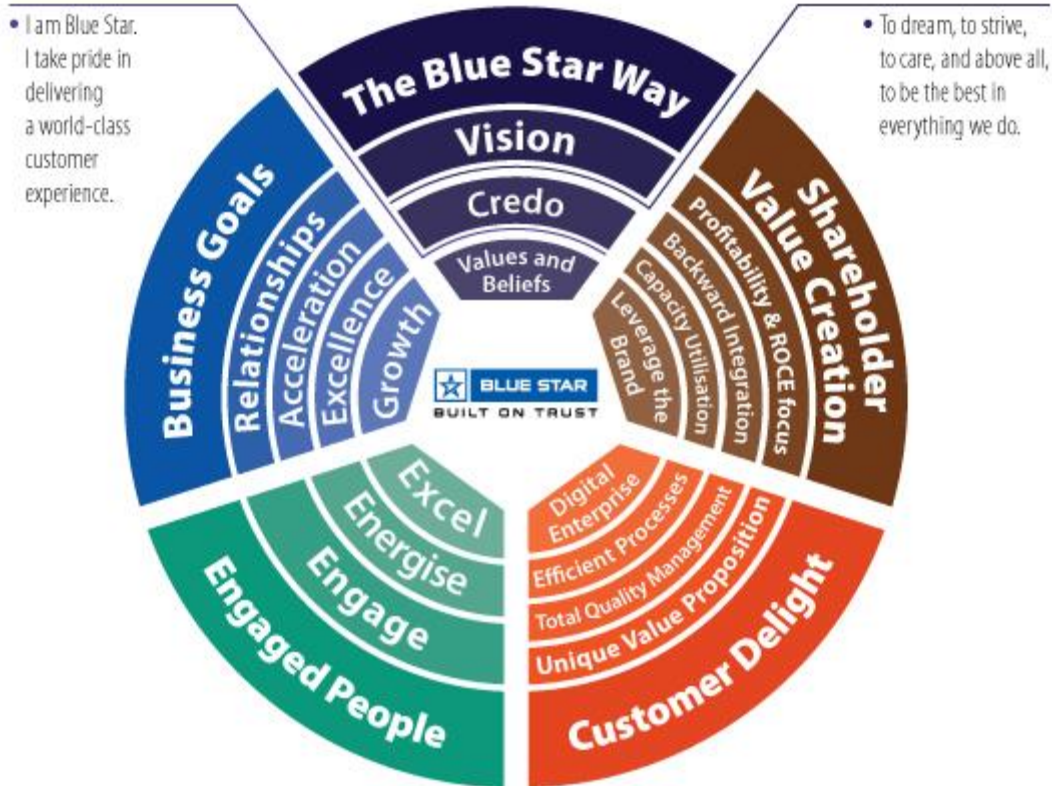
- Leverage in-house manufacturing and deploy latest technologies for enhancing productivity
- Significant capacity expansion in line with new manufacturing footprint strategy
- De-risk China dependency through a judicious mix of insourcing and local outsourcing

- **Service as a differentiator**

- Be the best-in class Gold Standard service provider in the next three years
- Use technology tools like Apps, Chatbots, Data Analytics to enhance customer experience



- **Expand the addressable markets through addition of adjacent products in Healthcare, Data Security, and Non-Destructive Testing Systems and Products**
- **Evaluate new opportunities stemming from high growth areas of Industrial Robotics, 3D Printing, Non-radiology Medical Devices, Railway Safety Testing etc**
- **Deliver on our Value Proposition of “Superior Technology Solutions”**
  - **Continue to explore wider opportunities as a solution provider for higher value addition**
  - **Skilling and improving effectiveness in sales, product management, project execution and service functions**
- **Explore Joint Ventures/co-ownership models to augment capabilities, enhance value addition and improve business model durability**



- **Aspire to grow revenue ~ 20% CAGR, profitability ~ 25% CAGR and ROCE ~ 30% over the next 5 years**
  - **Larger in value but fewer in number MEP projects, more evenly balanced across Buildings, Infra and Industrial segments**
  - **No 3 player in Room ACs with a market share of at least 15%**
  - **No 2 player in VRF and Chillers with a market share of at least 20%**
  - **Retaining our No 1 position in Ducted Systems and Commercial Refrigeration**
  - **Service will continue to be a winning differentiator and a growth enabler**
  - **Fully backward integrated, world-class manufacturing**
  - **Deming Prize winner**
  - **Largest exporter of products in our industry with a strong presence in the MENA, Gulf and SAARC regions**
  - **Evaluating and exploring new emerging opportunities**

**Thank You**