



Blue Star Limited
Kasturi Buildings,
Moham T Advani Chowk,
Jamshedji Tata Road,
Mumbai 400 020, India.
T : +91 22 6665 4000
F : +91 22 6665 4152
www.bluestarindia.com

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The Secretary
The Bombay Stock Exchange Ltd.
Floor 25, P.J. Towers
Dalal Street
Mumbai 400 001.
Fax No. 22723121
Ref Co Code : 500067

National Stock Exchange of India Ltd.
Exchange Plaza
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051
Ref Co Code : BLUESTARCO

Sub: Press Release –
Industry benchmark with latest range of split and inverter air conditioners

Dear Sir,

Enclosed is a copy of the Press Release on captioned subject.

Kindly acknowledge and take the same on records.

Thanking you,

For BLUE STAR LIMITED

Vijay Devadiga
Company Secretary
Encl: A/a

PRESS RELEASE

Blue Star sets a new industry benchmark with its latest range of split and inverter air conditioners

Air conditioning and commercial refrigeration major, Blue Star Limited, has announced the launch of an extensive range of stylish, contemporary and energy-efficient air conditioners. With this launch, the Company has set a new benchmark in the air conditioner industry, by offering the highest number of models, providing the right match for every air conditioning requirement across residential, commercial and institutional segments. The products are equipped with modern features and state-of-the-art technology. They are available in a wide choice of colours, and offer significant power savings.

Blue Star, which has over seven decades of experience in providing expert cooling solutions, forayed into the residential segment in 2011 and has grown from strength to strength, year-after-year in market share. Blue Star continues to grow around 30% in the current financial year which is faster than the industry growth, and currently assumes a market share of 11.5%. The Company intends to continue its aggressive thrust in the room air conditioners market, aiming to gain a market share of 12.5% in FY18.

New line-up of highly energy-efficient and eco-friendly products

Blue Star has set a new standard through the latest line-up of room air conditioners, which consists of over 135 models, with 40 of these models on the new technology inverter platform. The stellar array ranges in tonnage from 0.7 TR to 4.5 TR across 2-star, 3-star and 5-star models, as well as 3-star and 5-star inverter models. For markets which face harsh winters, there is also a complete line-up of inverter split air conditioners which cool in summers and heat in winters. 8 of the 19 models of 5-star inverter split air conditioners are equipped with a 'smart' Wi-Fi feature which enables the user to operate the machine from any place.

An important benchmark set with this range of air conditioners pertains to the new 5-star inverter split AC models which not only gives a whopping 65% energy saving over 1-star fixed speed ACs, but also provides the customer with a high level of comfort since the air conditioner is designed to set temperatures in steps of half a degree (0.5°C). This is a first-of-its-kind product in the Indian market.

19 variants in the 5-star inverter split ACs category is another benchmark being set by the Company. Blue Star's share in the inverter and 5-star air conditioners range is higher than that of the industry, signifying that the Company enjoys a preference amongst discerning consumers who purchase premium products. Several models in this range are equipped with eco-friendly refrigerants. The entire series of star-rated inverter split air conditioners is equipped to function smoothly within a voltage range of 160V - 270V, without the aid of an external voltage stabiliser.

Manufacturing

Blue Star's room air conditioners are currently manufactured at its two factories in Himachal Pradesh. During the year, Blue Star procured land in Samba in Jammu and Sri City in Andhra Pradesh. The ground-breaking ceremony for the Jammu facility was held in August 2016, and the Company has commenced construction of the factory. This significant enhancement in Blue Star's manufacturing capacity will help cater to the burgeoning market demand.

Research & Development

Blue Star actively participates in several national and international forums as well as regulatory bodies which are involved in the study of energy efficiency of products in high ambient temperature conditions; and the technological feasibility and performance of new eco-friendly refrigerants with low global warming potential as well as related safety issues. Blue Star is well equipped to meet the regulatory compliance norms and related deadlines as in the past.

Blue Star has a world-class, AHRI-certified R&D facility which develops products of international standards that are best-in-class in the industry. Two psychometric labs for air conditioners have received accreditation from National Accreditation Board for Testing and Calibration Laboratories (NABL). With enhanced capability in reliability and electronics, it has a strong foundation for digital and smart products. Blue Star has developed in-house capabilities to test and certify safety compliance of its products. The R&D function continues to have an approved status from Department of Scientific and Industrial Research (DSIR). The robust engineering knowledge of the Blue Star teams facilitates the Company to have a deep understanding of varying Indian climatic conditions and unique requirements of the Indian consumer.

The Company intends to increase its investment to Rs 33 crores in FY18 as against Rs 30 crores in FY17 on new product development as well as its research and design initiatives. Blue Star is committed to develop customised, modern and sophisticated products which can compete with the best in the world.

Distribution

As regards to distribution, in 2017, Blue Star's room air conditioners will be available at 4000 outlets in 500 locations spread across the length and breadth of the country, vide exclusive as well as multi-brand sales outlets, service dealers, retail showrooms and modern trade. The Company has a strong installation and service franchise network to support the retailers. Presently, Blue Star has 85 exclusive product stores in the country, and plans to increase it to 100 stores by the end of FY17. Around 52% of Blue Star's room air conditioner sales are from smaller towns since consumers in these markets are aspirational and prefer premium brands.

The brand offers 0% finance with attractive EMI options vide tie-ups with leading banks and finance firms. Over 25% sales are through such easy finance options.

Service

Blue Star continues to be the largest after-sales air conditioning service provider in the country. All its services are ISO 9001-2008 certified. Currently, there are 400 expert service associates, which will be increased to 500 associates across locations in FY18. As part of its Gold Standard Service Programme, it offers superior after-sales service with the use of several customised smart applications, modernisation of tools and tackles as well as remote monitoring, besides others.

Advertising and Brand Communication

The consumers in the room air conditioners segment are quite brand-conscious, preferring specialist air conditioning players. This has worked to the advantage of Blue Star since it enjoys the reputation of being a premium and aspirational brand, and its rich pedigree and high quality product array has been in conjunction with this image.

In terms of advertising and brand communication, the Company has plans to invest about Rs 45 crores in the forthcoming summer season as against Rs 40 crores in FY17, with a set of TV commercials supported by ads in mainline dailies, cinema and hoardings. It also intends to enhance its digital marketing efforts in social media as well as the internet, considering that most Blue Star buyers belong to the highest socio-economic category (SEC A), who are active on the internet. The differentiated value proposition 'Nobody cools better' has resonated well with the residential audience, and will continue to leverage Blue Star's superior expertise in cooling.

Blue Star has been persistent with its strategy of Integrated Marketing Communication comprising mass media, field promotions, digital platforms, Press, events and social media, apart from one-to-one marketing which has helped fortify its brand equity amongst customers and consumers.

Air Coolers and Air Purifiers

Last year, Blue Star expanded its product line in the adjacent category of cooling with the launch of air coolers in limited quantities. Post an encouraging response, the Company is furthering the product reach across all geographical locations with 9 models. Blue Star air purifiers were launched during the festive season with high-end premium models made available to customers, and the range is being expanded to cover all price points during FY18.

Targeted Growth for FY18

Speaking to the Press at a conference held at Chennai, B Thiagarajan, Joint Managing Director, Blue Star Limited said, "The room air conditioners market in India grew by 20% in the period between April to December 2016, while Blue Star outperformed the market with a growth in excess of 30%. There are strong indications of a severe summer in 2017 and demands in Tier 3, 4 and 5 towns continue to be good. Many customers are first-time buyers and are availing easy finance options in a big way. Post demonetisation, the market is getting used to new methods of electronic payment systems. Blue Star enjoys the consumer perception of being a premium brand, and with the current range of room air conditioners, it sets several benchmarks in terms of the largest range matching every requirement, colour options, precise comfort settings, energy efficiency as well Wi-Fi enabled models. In line with its year-on-year track record, Blue Star expects to grow again outperforming the market and reach a market share of 12.5% in FY18."

Place: Chennai

Date: January 18, 2017.

For additional information, please contact Girish Hingorani, Head - Corporate Communications, Blue Star Limited. Email: girishhingorani@bluestarindia.com Telephone: +91 22 6668 4000.