

# Letter from the Chairman

## Dear Shareholder,

I am delighted to write to you as Chairman of your Company in this landmark year, our Platinum Jubilee. FY 2017-18 was a very good year for Blue Star financially, and we hope to do better in this new year, despite the global socio-political and economic uncertainties, a looming trade war and a weakening rupee. The letter from the Managing Director gives you a detailed analysis of the year gone by, as well as the prospects for 2018-19.

I will complete fifty years in the service of Blue Star in a few months' time. As I look back 50 years, I remember the 25 year old company I joined as a management trainee. Blue Star had already become an established, respected air conditioning company with the strategies, systems, structure and processes, which the founding team had gradually put together, in an era when there were no management consultants. There were few MBA graduates around, corporate "culture" and "values" were not recognised terms, and certainly not as components of a corporate "DNA" that needed to be defined, articulated and shaped. It was almost all "management by instinct." Fortunately, the founding teams' instincts were impeccable. Over their 40 years at the helm, they built a robust organisation that would endure for 75 years and more.

### Built on Trust

For the next 30 years after Mohan T Advani, B T Advani and Ram Malani left the scene, my brother, Ashok and I built on their strong foundations, before handing over charge to the third generation of leaders, Satish Jamdar, Vir S Advani and B Thiagarajan. Today, at 75, Blue Star is a preferred employer, the brand of choice for customers, and a stock that resonates with investors who give us high valuations, reflecting our performance, professional management team, trusted promoter group and handsome returns.

In sum, in our Platinum Jubilee year, Blue Star is in a very good place. Recent surveys of shareholders, customers and employees provide a gratifying image of Blue Star today: a business with a clearly articulated vision to cool, purify and preserve the three things life depends upon – air, food and water. A management driven by ambition, integrity, and values. Overall, an organisation you can trust, is what they say.

### Reinventing ourselves

No living, breathing organism endures successfully over 75 years without facing and overcoming trials and tribulations. Blue Star has certainly had to jump through hoops of fire many times: Partition in the '40s; classification of air conditioners as a luxury and its accompanying excise duty of 125% in the '50s; the India - Pakistan and India - China wars in the '60s; the license/Permit Raj; the Emergency in the '70s; liberalisation and the consequent on slaughter of MNCs in the '90s; the global economic meltdown in 2008; and the recent demonetisation.

Many Indian commercial entities succumbed to these massive disruptions and shut down. Others, including Blue Star, heard Tennyson's call, "to strive, to seek, to find, and not to yield." We developed the character and determination to reinvent ourselves again and again as each of these black swan events occurred. We survived, prospered and became leaders in our chosen fields of business.

It is with great pride that I tell you that today Blue Star is one of only 40 companies out of a total of around 6000 listed on the stock exchanges, which have completed 75 years in business, and have crossed ₹4000 crores in revenue.



**Suneel M Advani**, *Chairman of the Board*

### Looking Ahead

And what of the future? Driven by our success over the last 75 years, inspired by the entrepreneurial spirit of the founder and motivated by the trust reposed in us by our stakeholders, we have created our next rolling, challenging 3-year Strategic plan, Blue Star@77, which starts from this year and ends in FY21, when the Company turns 77. It defines a clear set of objectives that we intend to accomplish by FY21, with a strong emphasis on revenue growth, profitability improvement and productivity enhancement. It is founded on the principle that, while pursuing our credo, "I am Blue Star. I take pride in delivering a world-class customer experience," we shall:

- Grow faster than the market
- Improve profitability through backward integration
- Harness the power of digital technologies for greater customer intimacy and efficiency
- Differentiate ourselves through excellence programmes
- Continue to improve our return on capital employed
- Invest in human capital

We realise that, as India continues its rapid growth, more multinationals with deep pockets will enter the country and provide ever-greater competition. We welcome them, for they will help us grow our industry even faster. But we shall not fear them, for I am confident that the resilience and the fierce passion to succeed, that we have developed over long years of tumultuous change shall see us through. We shall continue to invest in R&D, digital, our people and our brand to stay ahead of the curve.

In closing, I must thank our collaborators, partners, vendors and service providers for their support over so many years. Our employees have helped us build a professionally managed and constantly learning organisation which is an imperative in these times of rapid, disruptive change. To them, I express my gratitude for always keeping the Company's interests ahead of their own. You, our shareholders, deserve our unstinted thanks for taking our Company to the top ranks with high valuations, and upgradation of the Blue Star stock to Group A from Group B.

Finally, I proudly introduce you to our special Platinum Jubilee logo.



This marathoner represents Blue Star men and women. They play for the long haul, reflecting maturity, reliability, continuity and strength. Their youthful exuberance creates a forward momentum as they always reach for the stars.

Yours sincerely,  
**Suneel M Advani**