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January 7, 2015

1. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
2. The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051.

Dear Sir,

Sub: Press Release

We forward herewith a copy of the Press Release which is proposed to be issued by us. Before we issue the release to the press, we submit a copy of the same to you for your information and record.

Thanking you,

Very truly yours,
For **BLUE STAR LIMITED**

**SANGAMESHWAR IYER
COMPANY SECRETARY**

Encl: As above.

PRESS RELEASE

Buoyed by growth from the residential segment, Blue Star targets double-digit market share in Room ACs in FY16

Airconditioning and commercial refrigeration major, Blue Star Limited, has announced the launch of a new range of contemporary, energy-efficient and eco-friendly room airconditioners for the residential segment. These airconditioners, apart from sophisticated features, array of colours and state-of-the-art technology, offer considerable power savings.

Blue Star, which has a legacy of over seven decades in providing expert cooling solutions, has always been a strong contender in the corporate and commercial segment and did not cater specifically to the residential segment. However, four years ago, the Company thought it prudent to enter the residential segment realising that consumers now prefer specialist airconditioning players rather than general consumer durable brands. Further, the Company had significant potential to make deep inroads in this segment, given the strong brand equity that Blue Star enjoys amongst home buyers due to its rich pedigree.

This initiative met with resounding success and Blue Star's room airconditioner sales has grown considerably, outperforming the market year-on-year. In fact, the residential segment now contributes to 70% of its overall room airconditioner sales signifying the overwhelming response that the Company has received from the home segment. The Company plans to continue its thrust in this segment with its new line-up for 2015 and is

targeting a market share of double-digits in FY16 as compared to the current 8.5%, in terms of value.

New line-up of energy-efficient products

Blue Star's new line-up of room airconditioners comprises over 80 models. Apart from being energy efficient, the range of split airconditioners for 2015 has a stylish look with multi-colour options in the 3-star and 5-star models such as pearl white, champagne gold and wine red to appeal to home consumers. In addition, the new range boasts of several features including i-feel for comfort where one sits, seven filters for ultra-pure air, turbo operation, hidden display, long distance piping, auto mode, dry mode, sleep mode, blow/self clean function, elegant remote control, rust-resistant construction, self diagnosis, scroll compressor and acoustic insulation on compressor, amongst others.

The Company will also continue to aggressively promote its inverter range of residential split airconditioners for the benefit of upwardly mobile customers who are energy conscious. The inverter compressor in these units varies its speed depending on the ambient load, resulting in perfect cooling, apart from considerable energy savings. Inverters save up to 30% power over the 5-star rated split airconditioners. Considering the technological advantages that inverters offer and the fact that the price difference between the 5-star rated split airconditioners and inverter-based airconditioners has reduced significantly, inverters are anticipated to grow exponentially over the next few years. Though inverters comprise over half the market in countries such as China, inverters are only about 8% of the Indian market and this share is likely to triple over the next couple of years.

The Company also plans to enhance investments on new product development and research and design initiatives in order to continue to develop modern and sophisticated products competing with the best in the world.

Distribution

As regards to distribution, in 2015, Blue Star's room airconditioners will be available in 3500 outlets in over 500 locations spread across the length and breadth of the country, vide exclusive and multi-brand sales and service airconditioning dealers, retail showrooms and modern trade. The Company has also built up a strong installation and service franchise network to support the retailers. The expansion of the Company's presence in Tier 3, 4 and 5 markets has contributed immensely to its growth. Nearly half of the Company's sales are from smaller towns since consumers in these markets are aspirational and prefer premium brands.

Advertising and Brand Communication

In terms of advertising and brand communication, the Company has plans to invest about Rs 35 crores in the forthcoming summer season. The differentiated value proposition to the residential audience over the last few years has been 'Get office-like cooling at home' which leveraged Blue Star's expertise in cooling offices and communicated that one can get the very same expertise at home. Given the fact that Blue Star is now well entrenched in the residential segment, the Company has identified a new value proposition of 'Nobody Cools Better' which highlights the unmatched expertise, experience and deep understanding of the science of cooling that Blue Star offers to its customers. This new value proposition of 'Nobody Cools Better' will be widely publicised with a set of TV commercials supported by ads in mainline dailies, cinema and hoardings. It also intends to continue to invest in 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.

Blue Star has also been recognised as a 'Consumer and Industrial Superbrand' by Superbrands, a global agency which selects strong and powerful brands from across the world. It acknowledges that the brands to win this laurel are those with high product integrity and brand development, thus succeeding to win consumer trust. Blue Star is

one of the very few brands to be accorded the Superbrands status in both, the business as well as the consumer segments.

Targeted Growth for FY16

Speaking to the Press at a conference held at Bengaluru, B Thiagarajan, Executive Director & President – AC&R Products Business, Blue Star Limited said, “The room airconditioners market in India has grown by about 20% in terms of value during this fiscal so far, while Blue Star has outperformed the market growing 30%, thereby increasing its market share. Blue Star is a strong contender in the consideration set of the discerning consumer, and several home consumers have instilled their faith in us. We find that consumers are becoming more conscious about power savings as well as longevity of the airconditioners and are willing to pay a premium for these benefits. Blue Star has been focusing on these parameters in order to maximise value. The change in our value proposition to ‘Nobody Cools Better’ is an endeavour to highlight that we have the expertise to surpass consumer expectations in all aspects. While the market for room airconditioners is expected to grow by around 15% in FY16, considering our track record of outperforming the market, we hope to achieve growth of 25% and achieve a 10% market share.”

Place : Bengaluru

Date : January 7, 2015.

For additional information, please contact: B Thiagarajan, Executive Director & President - AC&R Products Business, Blue Star Limited, Bandbox House, 254D, Dr Annie Besant Road, Worli, Mumbai – 400 030 email: bthiagarajan@bluestarindia.com Telephone: 09600034725.