RESULT REVIEW

HOLD

TP: Rs 1,700 | ⮝ 12%

BLUE STAR | Consumer Durables | 07 August 2026

Margin ceded to defend share; recovery guided ahead

- **Revenue grew 13% YoY, led by EMP, though primary RAC billings lagged healthy tertiary offtake through the quarter**
- **UCP EBIT margin fell 290bps YoY on unrecovered input costs and channel support; EMP down 110bps on mix, PEIS up 424bps**
- **Cut estimates; assign 45x Jun'28E EPS to arrive at TP of Rs 1,700. Downgrade to HOLD**

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Growth intact, margin compresses sharply: Q1FY27 revenue grew 13% YoY to Rs 33.8bn, 9% below our estimate as delayed summer onset and a trade inventory overhang restricted primary Room AC billings. EBITDA declined 13% YoY to Rs 1.8bn, with margin contracting 153bps to 5.2%, 189bps below our estimate; the entire shortfall sat in Unitary Products. Adj. PAT fell 23% YoY to Rs 0.9bn, with Adj. PAT margin down 129bps to 2.8%.

Exit market share improved during the quarter: UCP revenue grew 13% YoY to Rs 16.9bn, but EBIT fell 43% to Rs 0.5bn as margin compressed 290bps YoY to 2.9%, a 750bps sequential reversal. Management chose market share over realisations: commodity and FX escalation could not be passed into market operating prices, while consumer finance, trade schemes and advertising were stepped up through May-June to help dealers liquidate. RAC revenue grew 21% YoY (+18% volume growth). Commercial refrigeration degrowth (-15% YoY), on muted deep-freezer offtake by OEMs, added to the drag.

EMP growth datacentre led; other verticals lag: EMP & Commercial AC revenue grew 15% YoY to Rs 16.3bn, though EBIT margin contracted 110bps YoY to 6.8% on an adverse project/product mix and input-cost escalation. Order inflow rose 24% YoY to Rs 24.4bn, driven by data centers, with commercial offices, factories and infrastructure sluggish as cost escalation deferred finalisation. The order book grew 13.5% YoY to Rs 77.6bn.

PEIS margin expands; scale still immaterial: PEIS revenue declined 10% YoY to Rs 0.6bn, with MedTech constrained by an unresolved regulatory framework. EBIT rose 26% YoY to Rs 96mn and margin expanded 424bps YoY to 15.1% on a richer product-and-service mix, aided by steady industrial solutions growth.

Cut estimates; downgrade to HOLD: We reduce FY27E/FY28E Adj. PAT by 11%/5% on a weaker UCP margin trajectory, unrecovered input-cost and FX pass-through, and higher selling-and-distribution intensity; revenue estimates are broadly unchanged. We assign 45x multiple to Jun-28E for a Jun-27 TP of Rs 1,700. HOLD.

Key changes

Target	Rating
▼	▼

Ticker/Price	BLSTR IN/Rs 1,514
Market cap	US$ 3.1bn
Free float	61%
3M ADV	US$ 8.2mn
52wk high/low	Rs 2,040/Rs 1,450
Promoter/FPI/DII	39%/11%/25%

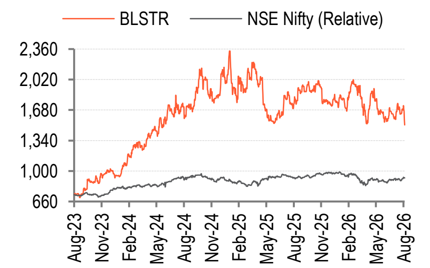
Source: NSE | Price as of 7 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,24,020	1,39,539	1,60,434
EBITDA (Rs mn)	9,304	9,206	11,740
Adj. net profit (Rs mn)	5,665	5,474	7,361
Adj. EPS (Rs)	27.6	26.6	35.8
Adj. ROAE (%)	17.4	15.1	18.0
Adj. P/E (x)	54.9	56.9	42.3
EV/EBITDA (x)	31.3	31.7	24.8
Adj. EPS growth (%)	(2.1)	(3.4)	34.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Q1FY27 Financial Snapshot

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Var (%)
Revenue	33,779	29,823	13	40,721	(17)	36,949	(9)
EBITDA	1,750	2,000	(13)	3,263	(46)	2,614	(33)
EBITDA Margin (%)	5.2	6.7	(153bps)	8.0	(283)	7.1	(189bps)
Depreciation	566	414		482		480	18
Interest	135	101		231		230	(41)
Other Income	208	161	29	240		150	38
PBT	1,256	1,646	(24)	2,789	(55)	2,054	(39)
Tax	321	424		729		518	(38)
Adjusted PAT	933	1,208	(23)	2,097	(55)	1,536	(39)
Exceptional item	92	-				-	
Reported PAT	1,025	1,208	(15)	2,272	(55)	1,536	(33)
Adj. PAT Margin (%)	2.8	4.1	(129bps)	5.1	(240bps)	4.2	(139bps)
EPS (Rs)	4.9	6.3	(23)	10.7	(55)	8.0	(39)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Segment revenue					
Electro- Mechanical Projects and Packaged AC systems	16,251	14,125	15	19,899	(18)
Professional Electronics & Industrial Systems	636	704	(10)	972	(35)
Unitary Products	16,893	14,994	13	19850	(15)
EBIT					
Electro- Mechanical Projects and Packaged AC systems	1,102	1,116	(1)	1,285	(14)
EBIT margin (%)	6.8	7.9	(110bps)	6.5	30bps
Professional Electronics & Industrial Systems	96	76	25.6	143	(32.9)
EBIT margin (%)	15.1	10.8	424bps	15	37bps
Unitary Products	497	875	(43)	2,070	(76)
EBIT margin (%)	2.9	5.8	(290bps)	10	(750bps)

Source: Company, BOBCAPS Research

Earnings Call Highlights

RAC pricing and pass-through

- Management indicated only ~5% of the warranted price increase was realised against competitor pricing on older-cost inventory; the balance ~8% required to restore gross margin is unlikely to be accepted, with focus moving to cost take-out.

Market share versus margin

- Management estimates the Q1 RAC primary market grew ~21% in volume and ~25% in value, against BLSTR at ~18% and ~21% respectively. FY26 exit share was ~14.25%; FY27 is guided marginally below 14%.

Channel inventory

- Management reiterated that inventory is not at alarming levels but has not normalised, as the post-10 June demand collapse left channels carrying stock.

Normal levels were framed as ~45 days at the trade and ~60 days including brand-held field stock.

UCP margin outlook and portfolio reset

- Management guided to a full-year FY27 UCP margin of over 6.5% against an aspiration of 7.0-7.5% (Jan-Jun normalised margin ~7.0%), to be delivered through alternate component sourcing, selective outsourcing and redesign, with ~90% of the range repositioned at entry-level price points.

EMP & Commercial AC outlook

- Management retained segment margin guidance at 6.5-7.0%, with variance driven by project and product mix, and indicated ~10% Commercial AC growth is comfortably achievable on manufacturing, healthcare, education and a reviving retail vertical; ducted, VRF and chillers all registered growth.

Data-centre MEP

- Management guided data-centre MEP inflow to ~Rs 30bn in FY27 (~Rs 13.5bn revenue) and ~Rs 45bn in FY28 (~Rs 21bn revenue), reaching ~Rs 40bn or ~20% of company revenue by FY29; Q1 inflow from the vertical alone was ~Rs 15bn.
- Management framed the vertical as margin- and cash-accretive on short commissioning cycles, favourable payment terms and price-escalation provisions; share is ~30% in data-centre MEP but only ~10-12% in data-centre chillers, where BLSTR competes with multinationals.
- MEP CAGR guidance of 8-10% may rise to ~12% for a couple of years, though management flagged manpower diversion from infra and building verticals and cautioned that the data-centre cycle is not a steady state.

Industry structure and competitive intensity

- Industry operating margin has migrated from ~12% historically to 9.5-10%, then 8-8.5%, and management now expects 7.5-8%; a settling at ~6.5% would be a poor outcome but is considered unlikely given an ~18% five-year category CAGR.
- Installed manufacturing capacity is close to double market size following PLI-driven entry, and the ~Rs 40bn PLI pool incremental-sales linked and near its peak is increasingly being competed away into pricing.

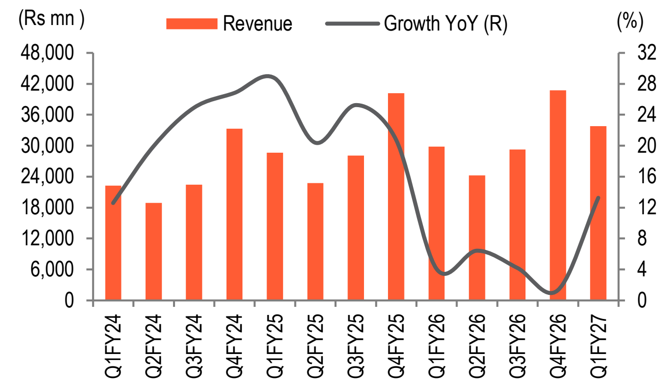
International business

- Management sized FY26 exports at ~US$ 80-85mn (~40% growth) and targeted an incremental ~US$ 100mn by FY28, taking the base towards ~US$ 180-190mn; strategy stays CDM/OEM-only, with US heat-pump shipments on the verge of scaling but gated by tariff resolution, Europe subsidy-dependent and Middle East Africa muted.

Capital allocation

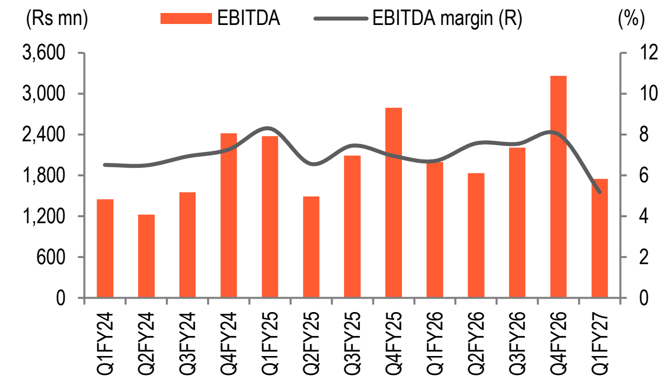
- Q1 capex was Rs 600-700mn, with full-year growth-related spend guided at Rs 3.0-3.5bn, covering capex, R&D, product development and digital.

Fig 3 – Revenue growth trend



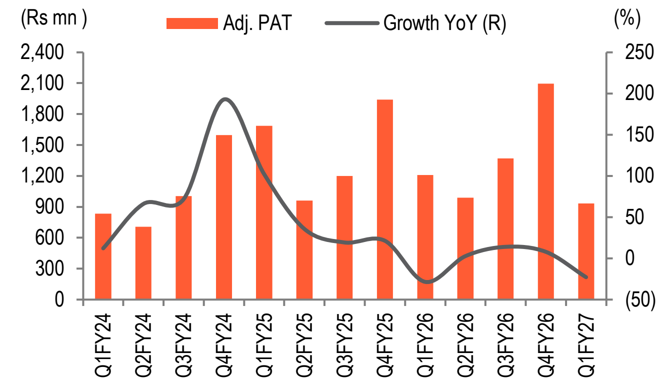
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



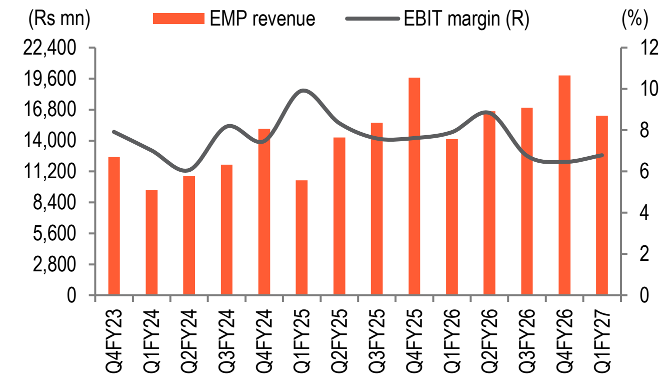
Source: Company, BOBCAPS Research

Fig 5 – Profit trend



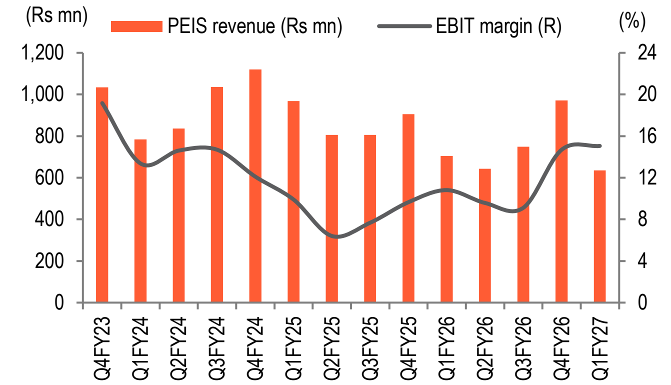
Source: Company, BOBCAPS Research

Fig 6 – EMP performance



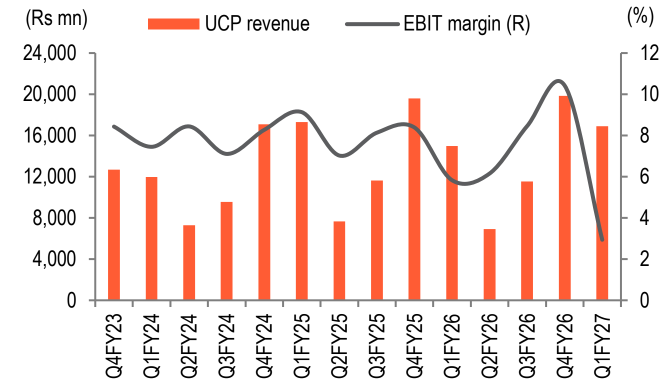
Source: Company, BOBCAPS Research

Fig 7 – PEIS performance



Source: Company, BOBCAPS Research

Fig 8 – UCP performance

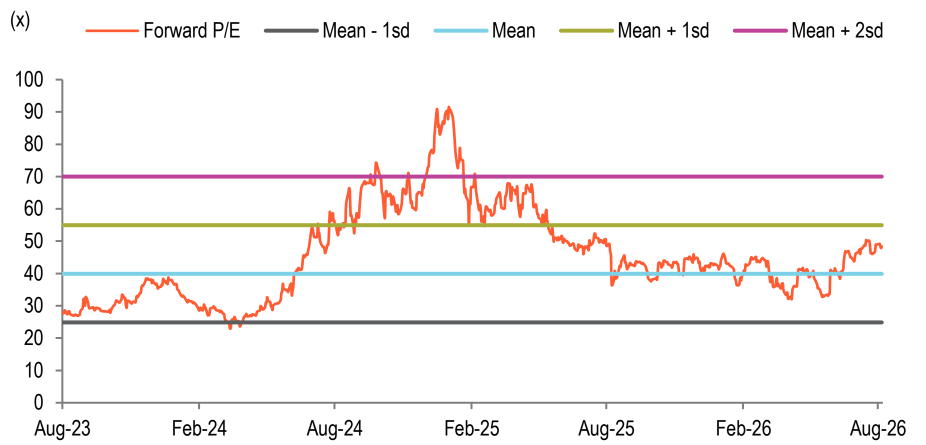


Source: Company, BOBCAPS Research

Valuation methodology

We reduce FY27E/FY28E PAT by 11%/5% and trim revenue 3% across FY27E/FY28E, as unrecovered input costs, FX volatility and higher selling-and-distribution intensity weigh on near-term margin assumptions. Our estimates still build a FY26-29E revenue/EBITDA/PAT CAGR of 14%/13%/19%. We assign 45x on lower near-term earnings visibility and value BLSTR on Jun-28E EPS to arrive at a Jun-27 TP of Rs 1,700. Downgrade to HOLD.

Fig 9 – BLSTR 1YF P/E band chart



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,39,539	1,60,434	1,82,324	1,43,107	1,65,019	1,89,244	(2.5)	(2.8)	(3.7)
EBITDA	9,206	11,740	13,456	10,053	12,044	13,605	(8.4)	(2.5)	(1.1)
EBITDA Margin (%)	6.6	7.3	7.4	7.0	7.3	7.2	(40bps)	0bps	20bps
PAT	5,474	7,361	8,907	6,114	7,721	9,099	(10.5)	(4.7)	(2.1)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,19,677**	**1,24,020**	**1,39,539**	**1,60,434**	**1,82,324**
EBITDA	8,759	9,304	9,206	11,740	13,456
Depreciation	1,284	1,788	2,287	2,350	2,376
EBIT	7,475	7,516	6,920	9,389	11,080
Net interest inc./(exp.)	(488)	(721)	(613)	(910)	(1,007)
Other inc./(exp.)	750	619	1,000	1,350	1,823
Exceptional items	0	0	0	0	0
EBT	7,737	7,414	7,306	9,829	11,895
Income taxes	1,937	1,758	1,841	2,477	2,998
Extraordinary items	(125)	388	0	0	0
Min. int./Inc. from assoc.	(13)	6	6	6	6
Reported net profit	**5,912**	**5,277**	**5,474**	**7,361**	**8,907**
Adjustments	(125)	388	0	0	0
Adjusted net profit	**5,787**	**5,665**	**5,474**	**7,361**	**8,907**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	34,276	29,429	34,407	39,559	44,957
Other current liabilities	12,745	12,372	13,920	16,004	18,188
Provisions	0	0	0	0	0
Debt funds	3,810	8,100	10,221	11,377	12,589
Other liabilities	1,094	1,546	1,546	1,546	1,546
Equity capital	411	411	411	411	411
Reserves & surplus	30,239	33,903	37,630	43,243	50,403
Shareholders' fund	30,650	34,314	38,041	43,654	50,814
Total liab. and equities	**82,575**	**85,760**	**98,134**	**1,12,141**	**1,28,092**
Cash and cash eq.	4,319	4,021	6,386	8,575	12,178
Accounts receivables	19,594	21,397	24,849	28,570	32,469
Inventories	21,492	21,662	24,849	28,570	32,469
Other current assets	17,723	16,803	18,924	21,758	24,727
Investments	0	0	0	0	0
Net fixed assets	12,342	13,612	13,825	13,975	14,099
CWIP	734	655	737	847	962
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	6,372	7,611	8,563	9,846	11,189
Total assets	**82,575**	**85,760**	**98,134**	**1,12,141**	**1,28,092**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,881**	**1,538**	**5,526**	**6,672**	**8,098**
Capital expenditures	(3,469)	(3,208)	(2,500)	(2,500)	(2,500)
Change in investments	(1,303)	(476)	0	0	0
Other investing cash flows	133	96	(1,034)	(1,393)	(1,459)
Cash flow from investing	**(4,640)**	**(3,588)**	**(3,534)**	**(3,893)**	**(3,959)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	151	3,219	2,121	1,156	1,211
Interest expenses	0	0	0	0	0
Dividends paid	(1,773)	(1,848)	(1,748)	(1,748)	(1,748)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(1,622)**	**1,371**	**374**	**(591)**	**(536)**
Chg in cash & cash eq.	**619**	**(678)**	**2,366**	**2,188**	**3,603**
Closing cash & cash eq.	**4,319**	**4,021**	**6,386**	**8,575**	**12,178**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.8	25.7	26.6	35.8	43.3
Adjusted EPS	28.1	27.6	26.6	35.8	43.3
Dividend per share	9.0	8.5	8.5	8.5	8.5
Book value per share	149.1	166.9	185.0	212.3	247.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.4	2.4	2.1	1.8	1.6
EV/EBITDA	33.3	31.3	31.7	24.8	21.7
Adjusted P/E	53.8	54.9	56.9	42.3	34.9
P/BV	10.2	9.1	8.2	7.1	6.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.8	76.4	74.9	74.9	74.9
Interest burden (PBT/EBIT)	103.5	98.6	105.6	104.7	107.4
EBIT margin (EBIT/Revenue)	6.2	6.1	5.0	5.9	6.1
Asset turnover (Rev./Avg TA)	9.7	9.1	10.1	11.5	12.9
Leverage (Avg TA/Avg Equity)	0.4	0.4	0.4	0.3	0.3
Adjusted ROAE	20.4	17.4	15.1	18.0	18.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	23.6	3.6	12.5	15.0	13.6
EBITDA	31.7	6.2	(1.0)	27.5	14.6
Adjusted EPS	30.7	(2.1)	(3.4)	34.5	21.0
Profitability & Return ratios (%)					
EBITDA margin	7.3	7.5	6.6	7.3	7.4
EBIT margin	6.2	6.1	5.0	5.9	6.1
Adjusted profit margin	4.8	4.6	3.9	4.6	4.9
Adjusted ROAE	20.4	17.4	15.1	18.0	18.9
ROCE	19.5	16.2	13.1	15.6	16.3
Working capital days (days)					
Receivables	60	63	65	65	65
Inventory	66	64	65	65	65
Payables	105	87	90	90	90
Ratios (x)					
Gross asset turnover	6.7	5.8	5.8	6.1	6.3
Current ratio	1.3	1.3	1.3	1.4	1.4
Net interest coverage ratio	15.3	10.4	11.3	10.3	11.0
Adjusted debt/equity	0.1	0.2	0.3	0.3	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

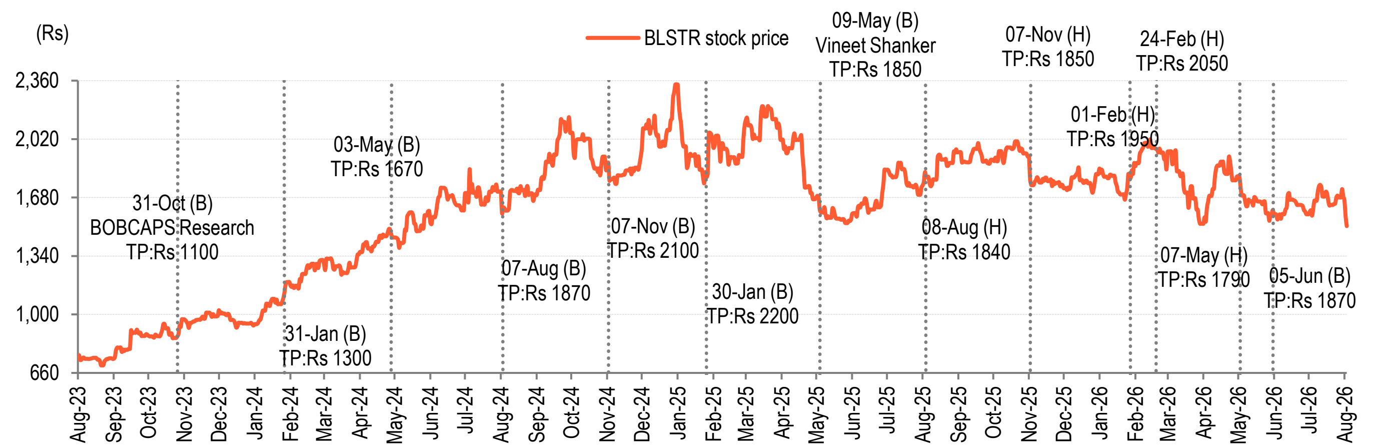
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): BLUE STAR (BLSTR IN)



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