

BUY**TP: Rs 1,850 | ▲ 15%****BLUE STAR**

Consumer Durables

09 May 2025

Mixed bag; muted start to Q1

- Q4 revenue was 7% above estimates; 80bps margin miss drives 4% EBITDA miss.
- Revenue grew 21% YoY, led by 31% YoY growth in EMP and 15% YoY growth in Unitary products.
- Ascribe 47x to FY27EPS to arrive at Mar'26 TP of Rs 1,850; assume coverage with BUY

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Mixed performance; revenue beat, EBITDA miss: Blue Star reported a mixed Q4FY25 performance, with revenue beating estimates by 7% but EBITDA missed by 4%. Revenue rose 21% YoY to Rs 40bn, driven by strong 31% YoY growth in the electro-mechanical projects segment and 15% YoY growth in unitary products (Rs 19.6bn). Gross margin contracted 60bps YoY to 23.1%, partly cushioned by a 30bps decline in employee costs (as % of sales), limiting EBITDA margin contraction to 30bps YoY at 7.0%. Adjusted PAT at Rs 1.9bn (+21% YoY, +62% QoQ) came in 4% ahead of estimates, aided by higher other income. For FY25, revenue/EBITDA/PAT grew 24%/32%/39% YoY, led by strong Unitary Products performance (+22% YoY), supported by a robust summer demand.

Strong momentum in EMP & commercial AC continues: The segment reported revenue growth of 31% YoY (ahead of our estimates) as both projects as well as commercial Acs reported robust growth, on order finalisations from factories and data centre market segments. EBIT margin saw a slight improvement of 10bps YoY to 7.6%.

Unitary products growth disappoints; muted start to Q1: Unitary Products revenue grew 15% YoY in Q4, below our ~24% estimate, as flat commercial refrigeration offset strong RAC growth that was driven by channel stocking ahead of supply disruptions and a hot summer. EBIT margin rose 10bps YoY to 8.4%. Management noted that a normalised commercial segment could have added ~500bps to revenue growth and 50bps to margins. FY25 RAC volumes stood at 1.53mn units. In April, RAC sales grew 5% YoY for BLSTR, outperforming the 15% YoY industry decline on a high base.

Assume coverage with BUY: We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 15%/14%/13% over FY25–27E, driven by: a) market share gains in RAC through expanded distribution and brand strength b) recovery in commercial refrigeration and improved end-user demand c) sustained momentum in the EMP segment. We assign a 47x FY27E EPS multiple to arrive at a Mar'26 TP of Rs 1,850 and assume coverage with a BUY rating.

Key changes

Target	Rating
▼	◀ ▶

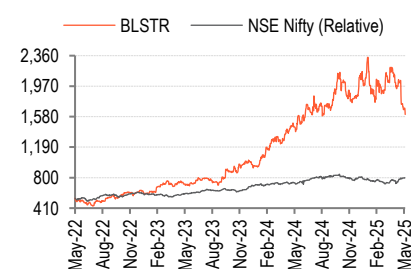
Ticker/Price	BLSTR IN/Rs 1,608
Market cap	US\$ 3.6bn
Free float	61%
3M ADV	US\$ 23.0mn
52wk high/low	Rs 2,417/Rs 1,376
Promoter/FPI/DII	39%/11%/25%

Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,19,677	1,35,379	1,57,053
EBITDA (Rs mn)	8,759	9,075	11,342
Adj. net profit (Rs mn)	5,787	5,933	7,602
Adj. EPS (Rs)	30.0	30.8	39.5
Consensus EPS (Rs)	30.0	37.0	46.0
Adj. ROAE (%)	20.4	18.1	20.1
Adj. P/E (x)	53.5	52.2	40.8
EV/EBITDA (x)	35.4	34.1	27.3
Adj. EPS growth (%)	39.5	2.5	28.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	Q4FY25E	Variance (%)
Revenue	40,190	33,278	21	28,074	43	1,19,677	96,854	24	37,492	7
EBITDA	2,794	2,419	16	2,094	33	8,759	6,649	32	2,918	(4)
EBITDA Margin (%)	7.0	7.3	(32)	7.5	(51)	7.3	6.9	45	7.8	(83bps)
Depreciation	354	283		350		1,284	976		345	3
Interest	188	122		159		488	581		177	6
Other Income	240	124	94	87		750	474		12	
PBT	2,492	2,138	17	1,672	49	7,737	5,567	39	2,408	4
Tax	548	544		465		1,937	1,429		563	(3)
Adjusted PAT	1,940	1,597	21	1,200	62	5,787	4,150	39	1,845	5
Exceptional item	-	-				125	-		-	
Reported PAT	1,940	1,597	21	1,325	46	5,912	4,150	42	1,845	5
Adj. PAT Margin (%)	4.8	4.8	0bps	4.3	60bps	4.8	4.3	60bps	4.9	(9bps)
EPS (Rs)	10.1	8.3	22	6.3	61	30.0	21.5	39	9.6	5

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Packaged AC systems	19,682	15,068	31	15,624	26	59,980	47,155	27
Professional Electronics & Industrial Systems	906	1,121	(19)	806	12	3,486	3,777	(8)
Unitary Products	19,602	17,089	15	11,644	68	56,211	45,922	22
EBIT								
Electro- Mechanical Projects and Packaged AC systems	1,499	1,125	33	1,187	26	4,909	3,411	44
EBIT margin (%)	7.6	7.5	10bps	7.6	0bps	8.2	7.2	95bps
Professional Electronics & Industrial Systems	88	136	(35.5)	62	41.1	297	515	(42)
EBIT margin (%)	9.7	12.1	(245bps)	8	197bps	8.5	13.6	(511bps)
Unitary Products	1,645	1,414	16	948	74	4,713	3,603	31
EBIT margin (%)	8.4	8.3	10bps	8	30bps	8.4	7.8	54bps

Source: Company, BOBCAPS Research

Earning call highlights

Electro-mechanical projects– segment 1

- Management expects strong momentum in the commercial AC segment, with applications across data centres, offices, hospitals, retail, and education. The segment is expected to grow at 12–13% CAGR, driven by infra and social capex. Blue Star continues to invest in R&D across centrifugal chillers, VRF systems, and energy-efficient tech, with 1.5–2% of revenue earmarked for innovation.
- Despite cost pressures from regulations (e.g., EPR compliance), expansion, and brand investments, Blue Star maintains margin guidance of 7.5% for Segment 1 (cooling products) and 8.5% for Segment 2 (projects) in FY26, with a stretch target of 9%.
- Blue Star remains selective in taking EMP projects, focusing on cashflow visibility and profitability. Manufacturing and data centre projects carry higher margins due to shorter timelines and equipment-heavy content.

Unitary products – Segment 2

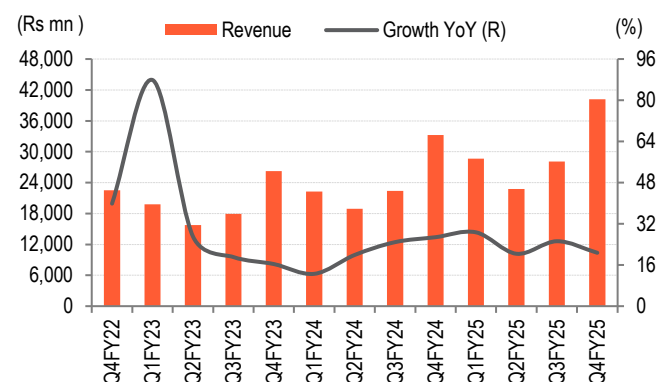
- Management highlighted that April sales came in at ~5% for BLSTR while for the industry, sales declined by 15%, which hints lower than the anticipated growth of 20-25% for the current summer season, this is due to unseasonal rains and delayed summer. Hence, the industry is witnessing excess channel inventory (~1.5–2mn surplus units). Industry growth, which was estimated to be around 20-25%, is now estimated at 15–20%.
- Price hikes of 3–4% in January and 4–5% in April were taken to offset input cost increases, though no broad-based price cuts are being planned unless demand weakens further.
- Notwithstanding near-term weakness, management highlighted that the long-term RAC market outlook remains robust, with the industry expected to grow at 19% CAGR till 2030.
- In FY25, market share reached ~14%, aided by new product launches, wider price coverage, and expanded distribution, especially in Tier 3–5 cities. Going ahead, Blue Star aims to ramp up market share to 15%, supported by deeper distribution and branding.
- Despite global supply challenges, Blue Star is fully secured on supply till the end of summer 2026 with focus on quality, continuity, and cost competitiveness.
- On the regulatory front, though there isn't any update with the energy labelling, the industry is preparing for a change in January 2026, with the next shift likely in 2028.
- Commercial refrigeration segment remained flat YoY in Q4FY25 due to regulatory changes (QCO), but management highlighted a strong recovery from April onwards. The company holds ~31% market share in deep freezers and ~32% in walk-in cold rooms, serving QSR, pharma, and kirana modernisation.
- Blue Star filed a petition against the steep EPR cost hike, and copper tube localisation is progressing well.

- Extended Producer Responsibility (EPR) recycling costs tripled from Rs 9/kg to Rs 23/kg.

Backward integration plan

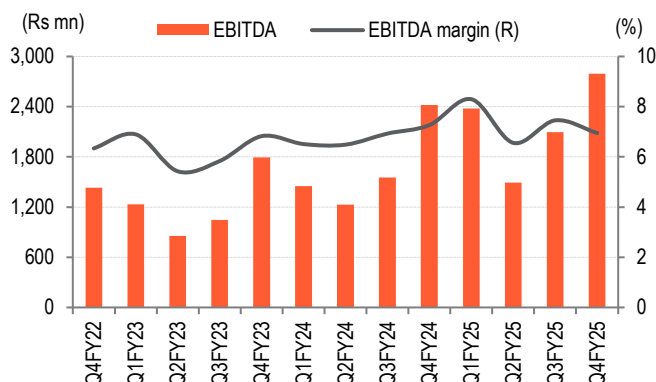
- Blue Star outlined backward integration strategy across key components—compressors, motors, copper tubes, electronics, and refrigerants. For refrigerants, the company is working with manufacturers to ensure adequate supply ahead of the 2028 phase-down.
- Copper tubes are now being localised with sourcing partnerships including Hindalco, Adani, and Midea, though costs are higher than ASEAN imports.
- For electronics, focus was on in-house R&D, but the company generally outsources PCB assembly to EMS partners, following an asset-light approach. Motors are fully localised, supported by a mature BLDC ecosystem in India.
- On compressors, management said they are keeping all sourcing options open—buying from existing suppliers, testing products from new India-based setups (e.g., GMCC, Highly), and evaluating CKD (completely knocked down) assembly models. They have also initiated internal R&D to eventually design their own compressors, though this remains in the early stages.

Fig 3 – Revenue growth trend



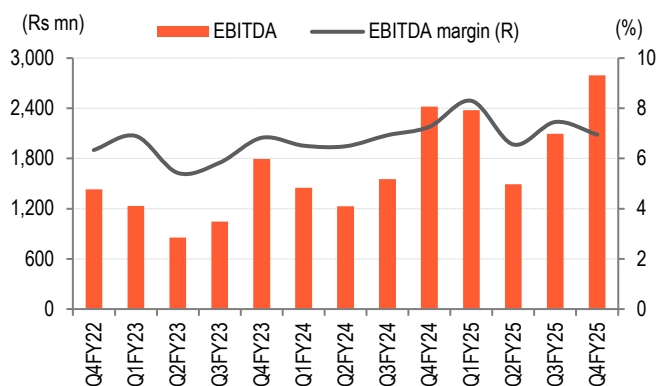
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



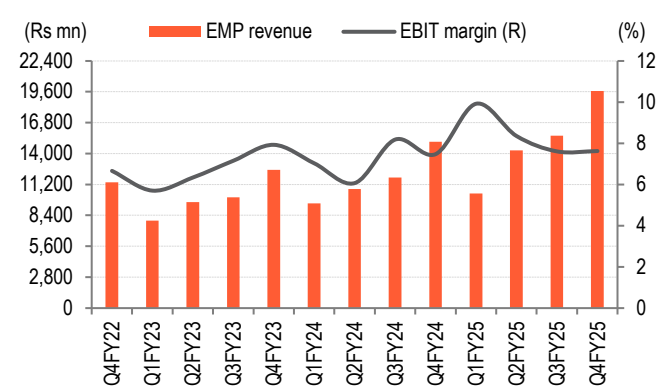
Source: Company, BOBCAPS Research

Fig 5 – Profit trend



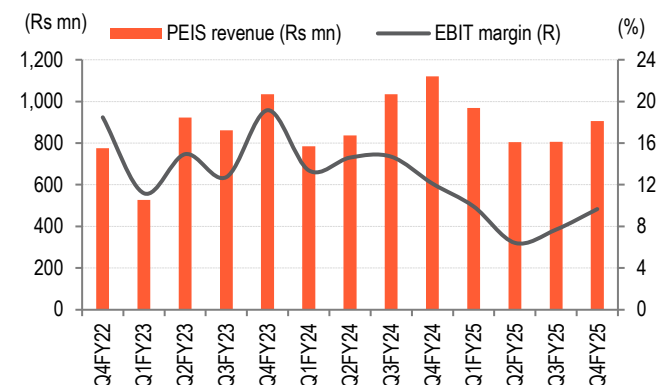
Source: Company, BOBCAPS Research

Fig 6 – EMP performance



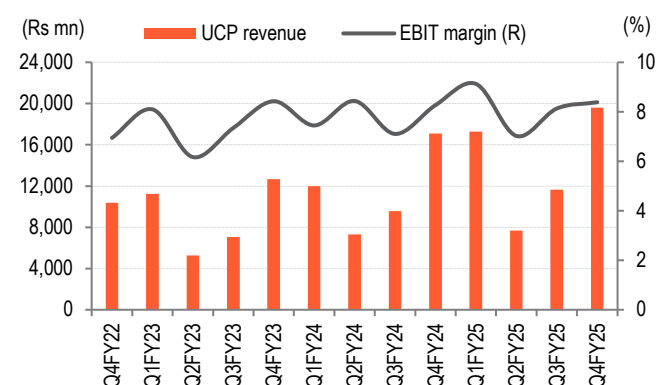
Source: Company, BOBCAPS Research

Fig 7 – PEIS performance



Source: Company, BOBCAPS Research

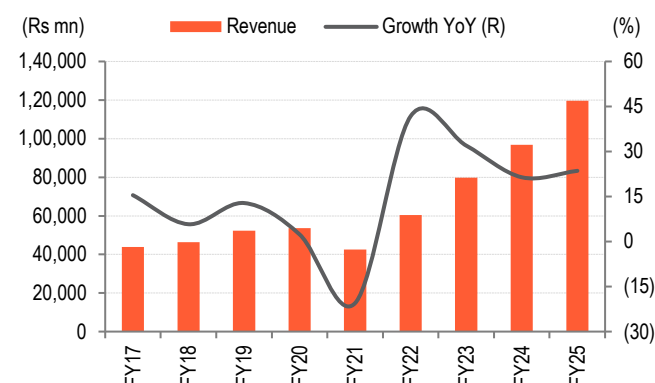
Fig 8 – UCP performance



Source: Company, BOBCAPS Research

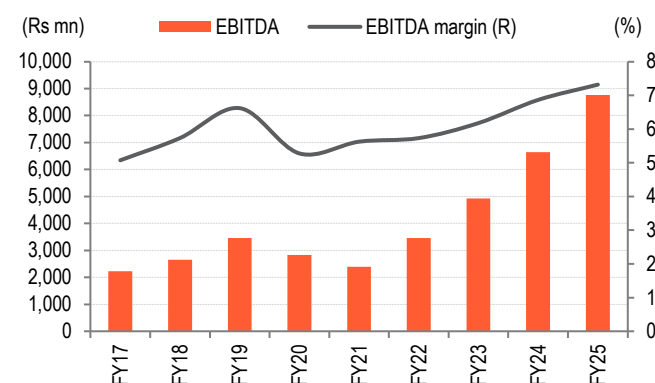
Annual Charts

Fig 9 – Revenue growth trend



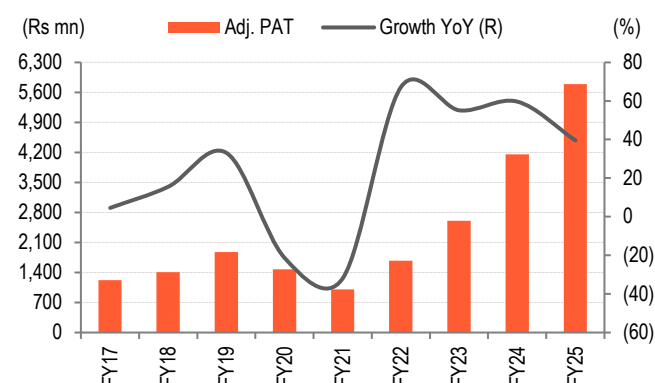
Source: Company, BOBCAPS Research

Fig 10 – EBITDA growth trend



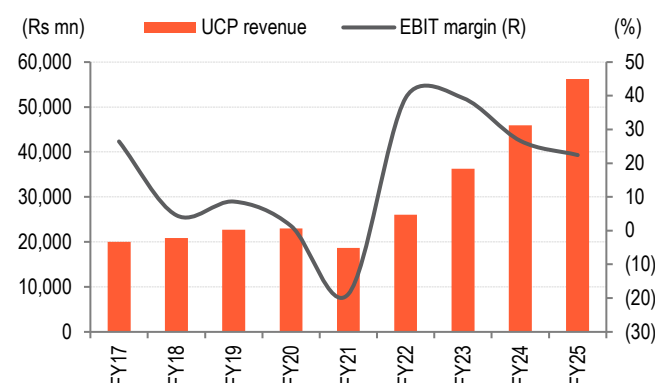
Source: Company, BOBCAPS Research

Fig 11 – Profit trend



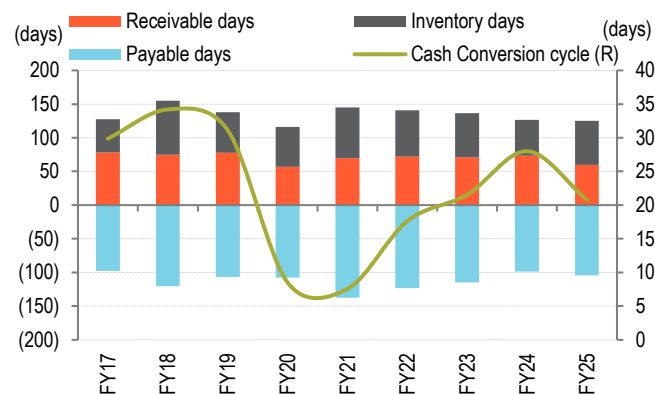
Source: Company, BOBCAPS Research

Fig 12 – UCP performance



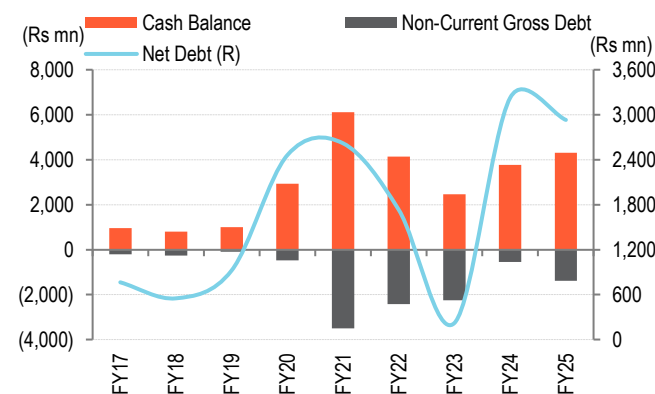
Source: Company, BOBCAPS Research

Fig 13 – Working capital cycle trend



Source: Company, BOBCAPS Research

Fig 14 – Net debt movement

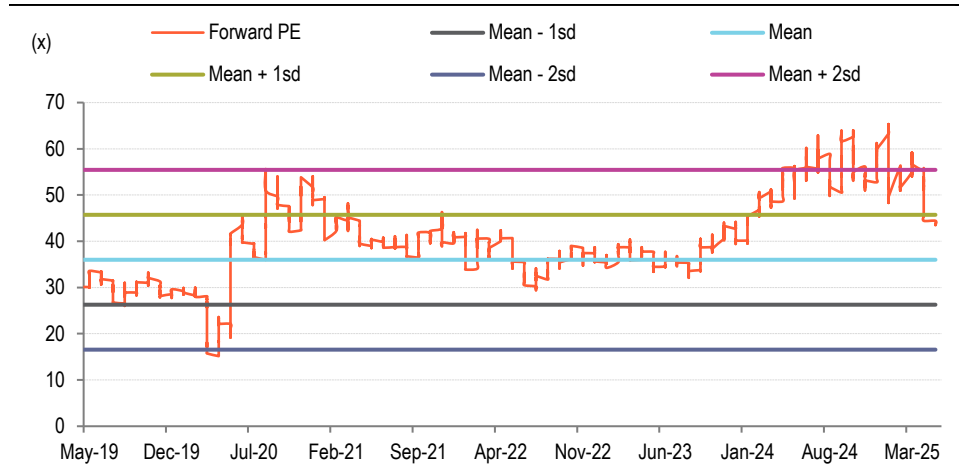


Source: Company, BOBCAPS Research

Valuation methodology

We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 15%/14%/13% over FY25–27E, driven by: a) market share gains in RAC through expanded distribution and brand strength b) recovery in commercial refrigeration and improved end-user demand c) sustained momentum in the EMP segment. We assign a 47x FY27E EPS multiple to arrive at a Mar'26 TP of Rs 1,850 and assume coverage with a BUY rating.

Fig 15 – BLSTR 1YF PE multiple band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	79,773	96,854	1,19,677	1,35,379	1,57,053
EBITDA	4,928	6,649	8,759	9,075	11,342
Depreciation	848	976	1,284	1,481	1,603
EBIT	4,080	5,673	7,475	7,594	9,739
Net interest inc./(exp.)	(547)	(581)	(488)	(524)	(568)
Other inc./(exp.)	309	474	750	863	992
Exceptional items	0	0	0	0	0
EBT	3,842	5,567	7,737	7,932	10,163
Income taxes	1,243	1,429	1,937	1,999	2,561
Extraordinary items	(1,400)	0	(125)	0	0
Min. int./Inc. from assoc.	4	5	(13)	0	0
Reported net profit	4,001	4,150	5,912	5,933	7,602
Adjustments	(1,400)	0	(125)	0	0
Adjusted net profit	2,601	4,150	5,787	5,933	7,602

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	25,112	26,166	34,276	42,654	49,482
Other current liabilities	8,358	10,731	12,745	14,417	16,725
Provisions	0	0	0	0	0
Debt funds	6,620	2,429	3,810	5,241	5,680
Other liabilities	595	755	1,094	1,094	1,094
Equity capital	193	411	411	411	411
Reserves & surplus	13,114	25,690	30,239	34,438	40,306
Shareholders' fund	13,307	26,101	30,650	34,850	40,718
Total liab. and equities	53,991	66,183	82,575	98,255	1,13,699
Cash and cash eq.	2,473	3,774	4,319	11,196	13,514
Accounts receivables	15,488	19,526	19,594	27,076	30,980
Inventories	14,334	14,072	21,492	20,770	24,956
Other current assets	10,211	13,029	17,723	18,650	21,636
Investments	0	0	0	0	0
Net fixed assets	8,813	9,800	12,342	13,361	14,257
CWIP	609	1,081	734	830	963
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	2,062	4,902	6,372	6,372	7,392
Total assets	53,991	66,183	82,575	98,255	1,13,699

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	2,474	2,892	6,881	9,776	7,266
Capital expenditures	(1,821)	(4,333)	(3,469)	(2,500)	(2,500)
Change in investments	342	(1,012)	(1,303)	0	0
Other investing cash flows	(337)	98	133	(96)	(1,153)
Cash flow from investing	(1,817)	(5,246)	(4,640)	(2,596)	(3,653)
Equities issued/Others	0	10,000	0	0	0
Debt raised/repaid	717	(4,392)	151	1,431	439
Interest expenses	0	0	0	0	0
Dividends paid	(1,627)	(1,960)	(1,773)	(1,734)	(1,734)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(911)	3,648	(1,622)	(303)	(1,295)
Chg in cash & cash eq.	(254)	1,294	619	6,877	2,318
Closing cash & cash eq.	2,473	3,774	4,319	11,196	13,514

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	20.8	21.5	30.7	30.8	39.5
Adjusted EPS	13.5	21.5	30.0	30.8	39.5
Dividend per share	6.0	7.0	9.0	9.0	9.0
Book value per share	69.1	135.5	159.1	180.9	211.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.9	3.2	2.6	2.3	2.0
EV/EBITDA	62.9	46.6	35.4	34.1	27.3
Adjusted P/E	119.1	74.7	53.5	52.2	40.8
P/BV	23.3	11.9	10.1	8.9	7.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	67.7	74.5	74.8	74.8	74.8
Interest burden (PBT/EBIT)	94.2	98.1	103.5	104.5	104.4
EBIT margin (EBIT/Revenue)	5.1	5.9	6.2	5.6	6.2
Asset turnover (Rev./Avg TA)	9.1	9.9	9.7	10.1	11.0
Leverage (Avg TA/Avg Equity)	0.8	0.5	0.4	0.4	0.4
Adjusted ROAE	22.1	21.1	20.4	18.1	20.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	32.0	21.4	23.6	13.1	16.0
EBITDA	42.2	34.9	31.7	3.6	25.0
Adjusted EPS	55.1	59.6	39.5	2.5	28.1

Profitability & Return ratios (%)

EBITDA margin	6.2	6.9	7.3	6.7	7.2
EBIT margin	5.1	5.9	6.2	5.6	6.2
Adjusted profit margin	3.3	4.3	4.8	4.4	4.8
Adjusted ROAE	22.1	21.1	20.4	18.1	20.1
ROCE	17.9	18.9	19.5	17.0	18.5

Working capital days (days)

Receivables	71	74	60	73	72
Inventory	66	53	66	56	58
Payables	115	99	105	115	115

Ratios (x)

Gross asset turnover	7.1	6.5	6.7	6.5	6.7
Current ratio	1.1	1.3	1.3	1.3	1.3
Net interest coverage ratio	7.5	9.8	15.3	14.5	17.1
Adjusted debt/equity	0.5	0.1	0.1	0.2	0.1

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

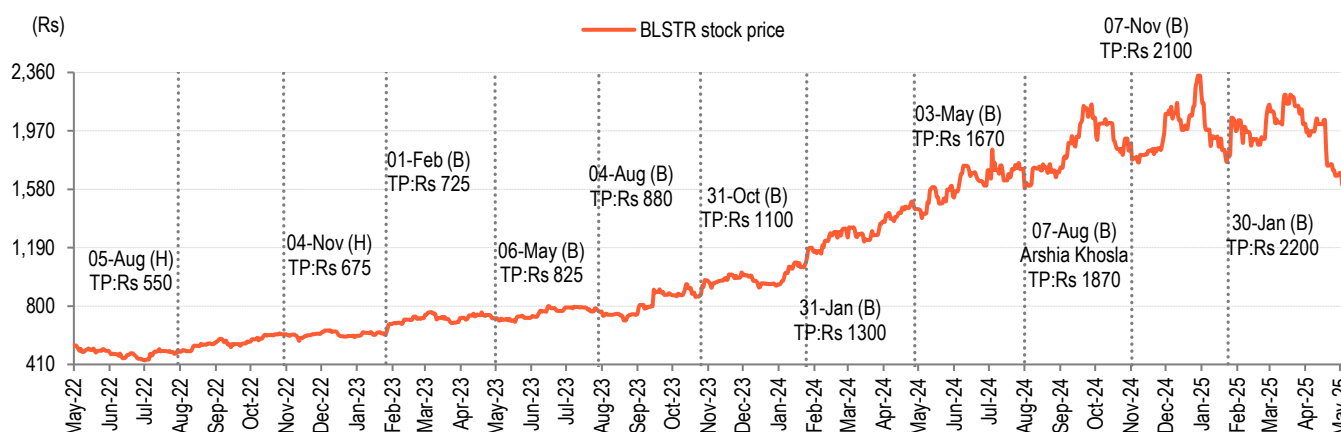
HOLD – Expected return from -6% to +15%

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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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