RESULT REVIEW

HOLD

TP: Rs 1,790 | ⮝ 2%

BLUE STAR

| Consumer Durables | 07 May 2026

Muted growth; cost control aids margin

- **Revenue was ~flat YoY, broadly in line. EBITDA margins surprise positively (140bps above estimates)**
- **Unitary margin recovered, despite the flat sales on cost measures. EMP margin compressed on the mix**
- **Cut estimates; assign 47x Mar'28EPS to arrive at TP of Rs 1,790. Maintain HOLD**

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Modest growth; margin beat on cost control: Blue Star (BLSTR)'s Q4FY26 revenue was largely flat at Rs 40.7bn (+1% YoY), as the improving Room AC offtake was offset by the subdued demand in office, education and IT verticals. EBITDA grew 17% YoY to Rs 3.3bn, with margin expanding 106bps to 8.0%, led by cost discipline and stronger UCP profitability. Adj. PAT grew 8% YoY to Rs 2.1bn. For FY26, Revenue/EBITDA/Adj. PAT grew 4%/6%/-2% YoY.

UCP margin rebounds; demand recovery nascent: UCP revenue was flat YoY at Rs 19.9bn, but margin expanded 200bps (YoY/QoQ) to 10.4%, aided by cost rationalisation, deferred discretionary spends, channel stocking and new BEE-compliant RAC launches. While Q4 showed signs of recovery, FY26 UCP revenue still declined 5% YoY and EBIT margin compressed 20bps to 8.2%; reflecting a weak first half.

EMP steady; margin mix headwind: EMP & Commercial AC revenue grew 1% YoY to Rs 19.9bn in Q4, while FY26 revenue grew 13% to Rs 67.6bn; supported by buildings, data centres, factories and government/industrial demand. However, Q4 EBIT margin contracted 120bps YoY to 6.5%, with FY26 margin down 80bps to 7.4%, impacted as mix within this segment was less favourable. The carried-forward order book grew 10.5% YoY to Rs 69.2bn, providing near-term revenue visibility.

Significant margin expansion in PEIS: PEIS revenue grew 7% YoY to Rs 1.0bn in Q4, while EBIT margin expanded to 14.7% (+500bps YoY/560bps QoQ). FY26 revenue still declined 12%, as Med-Tech remained constrained by regulatory uncertainty, partly offset by Industrial Solutions growth and steady performance by Data Security. Despite margin improvement, PEIS remains small at ~2.5% of FY26 revenue.

Cut estimates; maintain HOLD: We reduce our FY27/FY28E PAT estimates by 9%/7% on elevated competitive intensity, near-term margin pressure from input costs/FX volatility and higher finance-cost assumptions. We retain our 47x multiple and value BLSTR on Mar-28E EPS to arrive at a revised TP of Rs 1,790 (HOLD).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,749
Market cap	US$ 3.6bn
Free float	61%
3M ADV	US$ 12.9mn
52wk high/low	Rs 2,040/Rs 1,450
Promoter/FPI/DII	39%/11%/25%

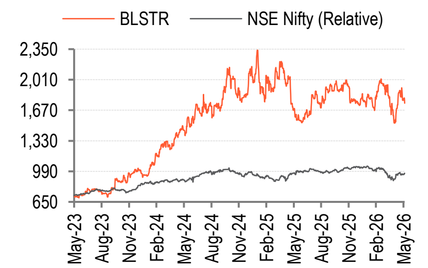
Source: NSE | Price as of 7 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,24,020	1,45,812	1,68,063
EBITDA (Rs mn)	9,304	10,197	12,218
Adj. net profit (Rs mn)	5,665	6,211	7,840
Adj. EPS (Rs)	27.6	30.2	38.1
Adj. ROAE (%)	17.4	17.0	18.7
Adj. P/E (x)	63.5	57.9	45.9
EV/EBITDA (x)	36.2	33.0	27.6
Adj. EPS growth (%)	(2.1)	9.6	26.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & FY26 financial snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)	Q4FY26E	Var (%)
Revenue	40,721	40,190	1	29,253	39	1,24,020	1,19,677	4	41,748	(2)
EBITDA	3,263	2,794	17	2,207	48	9,304	8,759	6	2,776	18
EBITDA Margin (%)	8.0	7.0	106bps	7.5	47	7.5	7.3	18bps	6.6	136bps
Depreciation	482	354		459		1,788	1,284		447	8
Interest	231	188		221		721	488		214	8
Other Income	240	240	(0)	119		619	750	(17)	220	9
PBT	2,789	2,492	12	1,647	69	7,414	7,738	(4)	2,336	19
Tax	729	548		271		1,758	1,937		586	24
Adjusted PAT	2,097	1,940	8	1,369	53	5,661	5,787	(2)	1,741	20
Exceptional item	175	-							-	
Reported PAT	2,272	1,940	17	805	182	5,273	5,912	(11)	1,741	31
Adj. PAT Margin (%)	5.1	4.8	32bps	4.7	50bps	4.6	4.8	(27bps)	4.2	98bps
EPS (Rs)	10.7	10.1	6	7.1	50	29.4	30.1	(3)	9.1	18

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Packaged AC systems	19,899	19,682	1	16,962	17	67,628	59,980	13
Professional Electronics & Industrial Systems	972	906	7	749	30	3,068	3,486	(12)
Unitary Products	19,850	19,602	1	11542	72	53,324	56,211	(5)
EBIT								
Electro- Mechanical Projects and Packaged AC systems	1,285	1,499	(14)	1,147	12	5019	4909	2
EBIT margin (%)	6.5	7.6	(120bps)	6.8	(30bps)	7.4	8.2	(80bps)
Professional Electronics & Industrial Systems	143	88	63.1	68	108.9	349	297	17.4
EBIT margin (%)	14.7	9.7	502bps	9	556bps	11.4	8.5	284bps
Unitary Products	2,070	1,645	26	977	112	4348	4713	(8)
EBIT margin (%)	10.4	8.4	200bps	8	200bps	8.2	8.4	(20bps)

Source: Company, BOBCAPS Research

Earnings Call Highlights

- Management said the FY26 headwinds have continued into the summer build-up, with trade-war disruption adding to availability of raw material, pricing and market-sentiment risk. The war-related impact is not limited to LPG pricing (described as minor); broader supply-chain disruptions and input cost volatility, are bigger concerns.
- While delayed, the summer demand began meaningfully from mid-April, following which the secondary sales in RAC picked up. Management said 2-3 weeks were needed to assess the strength of the season and a further 6-8 active summer weeks to absorb dealer inventory as well as the production build-up.
- RAC pricing has moved in stages: ~5% for the BEE energy-label change, followed by ~8% for raw-material inflation and FX; implying ~13% warranted. So far, ~8% has been realised, with the balance ~5% expected through the May-June billings.

- The full 13% price increase should cover the desired margin level but excludes any fresh post-war inflation. Petroleum-linked plastics (styrene/polystyrene) were flagged as likely to see further cost hikes; project contracts are largely covered by price-variation clauses with no material input-cost impact currently.
- Dealer inventory was described as reasonable at ~45-60 days, which could be exhausted within ~20 days, if summer remains active. Dealers had stocked in December ahead of the BEE transition, and again in Feb-Mar ahead of the price hikes. Therefore, the near-term issue is less of inventory risk and more of the timing of primary replenishment.
- Advertising discipline and cost rationalisation were key Q4 drivers**:** Ad spends were deliberately kept low in Q4FY26 vs the heavy commitments in Q4FY25. Cost-rationalisation measures from Q1FY26 continued through year-end. Structurally, brand/marketing spends stay at 1.5-2.0% of the products revenue, with tactical spends now being stepped up.
- Segment margin guardrails were reiterated: 7.0-7.5% for Segment 1 and 8.0-8.5% for Segment 2. In a good summer, UCP margins could be 8.5-9.0%, but management cautioned that industry margins will remain under pressure owing to the capacity additions, competition, copper and electronics costs.
- The RAC industry was sized at ~14.5-14.75mn units for FY26 and ~17.5mn units for FY27. BLSTR's RAC share was cited at ~11% in volume terms and ~14.25% in value terms; with a stated market-share goal of ~15%.
- Management avoided formal FY27 growth guidance but said a good Q1 for the industry would mean ~25-30% YoY growth over last year's weak base, split roughly 10% pricing-led and ~15% real growth. The outcome remains weather dependent.
- International business remains strategically important but not yet material, with approvals for multiple heat-pump products. The US HVAC market is stagnant and Europe slow, though energy-security regulations could support adoption. Expansion will remain CDM/OEM only - no own-brand entry, acquisitions, or JVs.
- Commercial AC and projects are expected to grow at 8-10%, driven by manufacturing and data centres. Systems /Chillers saw a good growth in Q4 and VRF is showing steady progress. Management contrasted Commercial AC (~Rs 55bn) with residential AC (>Rs 350bn), noting that EPC offers better margin and cash-flow protection.
- Data-centre MEP was sized at ~Rs 30-40bn, with the company doing ~Rs 10bn and carrying an order book of ~Rs 15bn. This could rise to ~Rs 30bn within three years (~15% of Blue Star revenue), but the MEP scope is largely electrical/mechanical, not cooling-equipment supply.
- Capacity and capital allocation remain measured. Himachal was said to be operating at ~100% utilisation with ~0.65mn units. CCT plant has a modular RAC capacity that can move from ~0.9mn to ~1.2mn units through another assembly line. Next expansion call is expected around October. Annual capex was guided at ~Rs 2.5–3.5bn, covering maintenance, R&D, product development, IT and digital investments.

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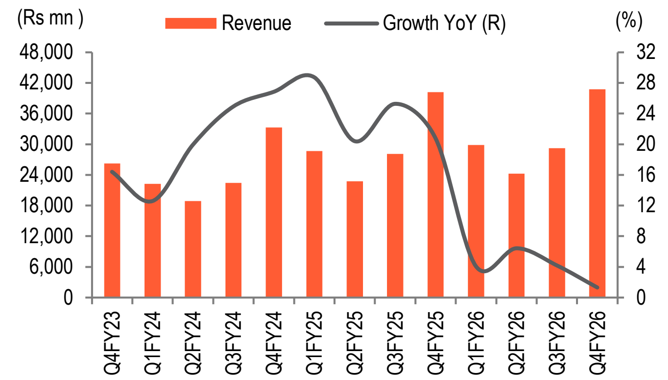
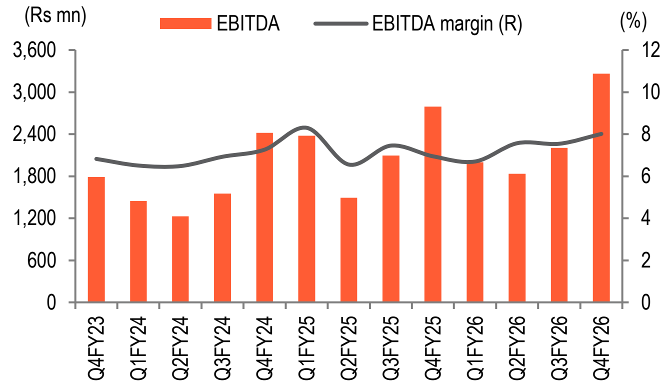
Fig 3 – Revenue growth trend



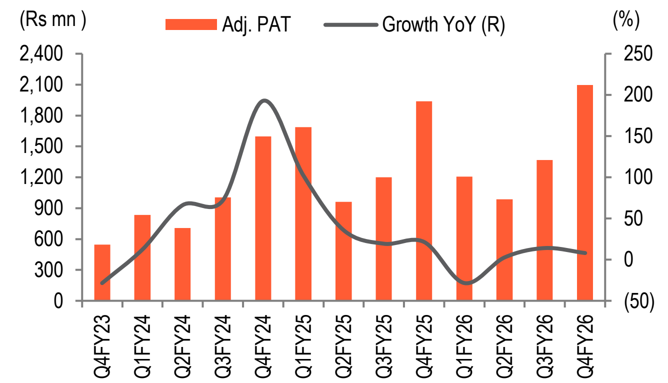
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



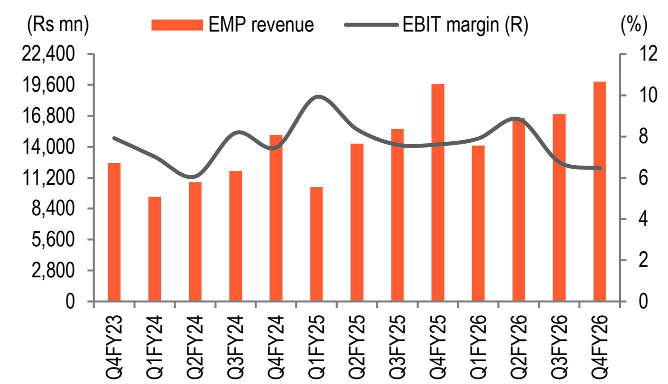
Source: Company, BOBCAPS Research

Fig 5 – Profit trend



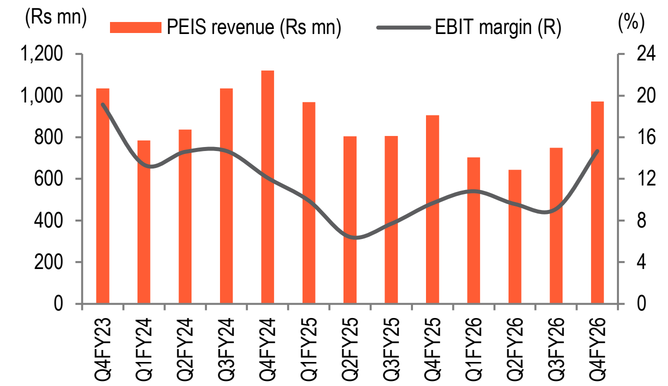
Source: Company, BOBCAPS Research

Fig 6 – EMP performance



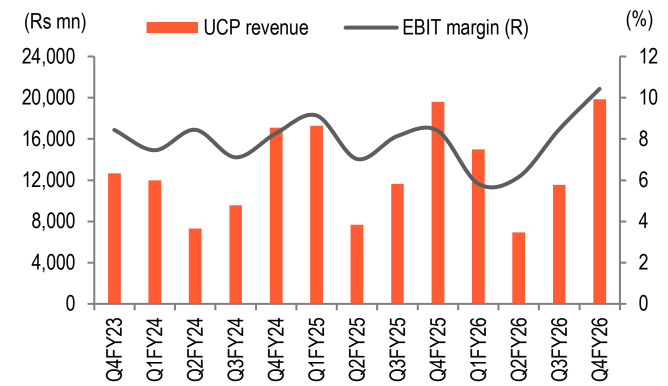
Source: Company, BOBCAPS Research

Fig 7 – PEIS performance



Source: Company, BOBCAPS Research

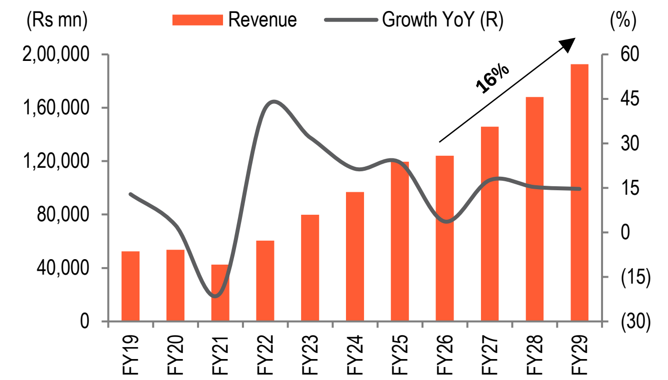
Fig 8 – UCP performance



Source: Company, BOBCAPS Research

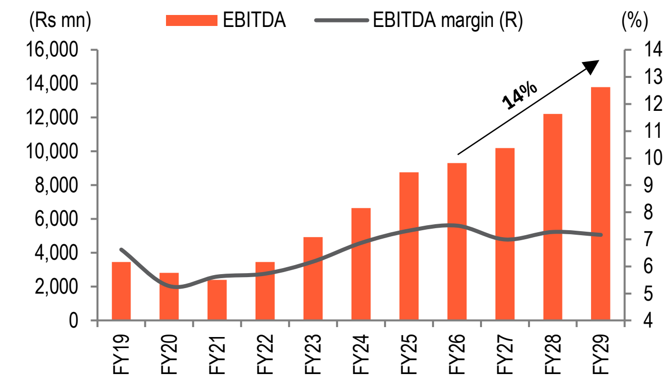
Annual Charts

Fig 9 – Revenue & YoY growth trend



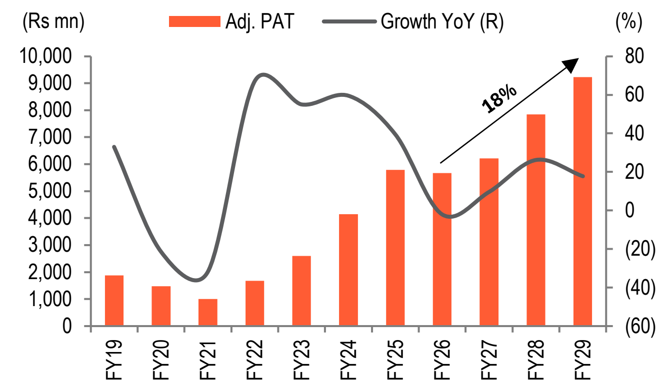
Source: Company, BOBCAPS Research

Fig 10 – EBITDA & margin trend



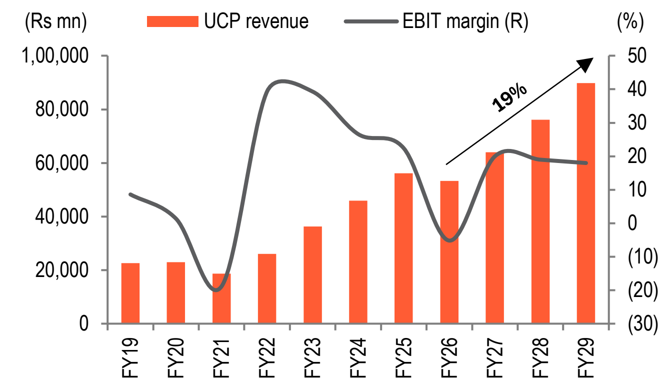
Source: Company, BOBCAPS Research

Fig 11 – Adjusted PAT & YoY growth trend



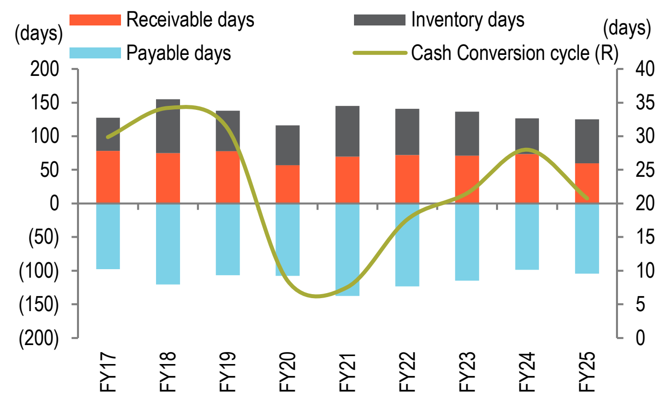
Source: Company

Fig 12 – UCP revenue & margin trend



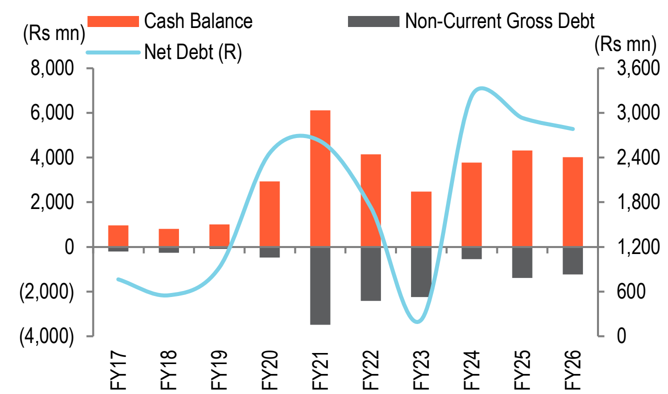
Source: Company

Fig 13 – Cash Conversion Cycle



Source: Company, BOBCAPS Research

Fig 14 – Cash & Debt Position

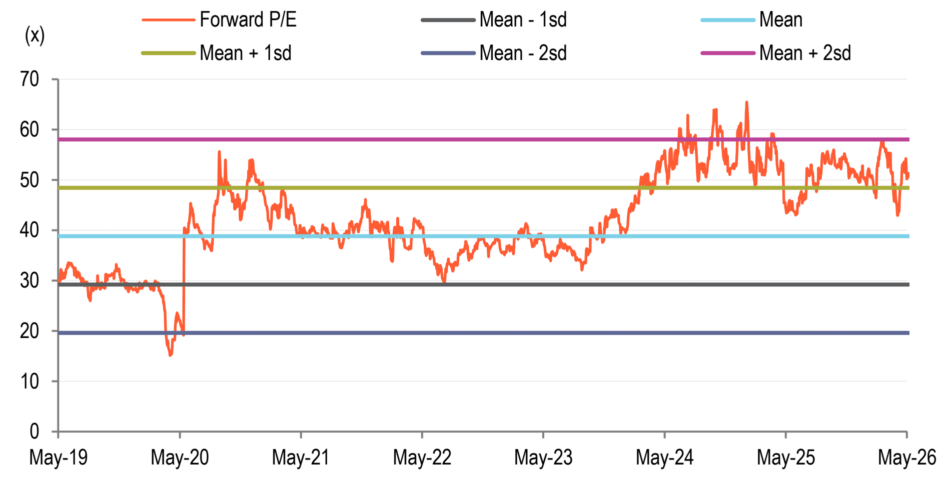


Source: Company, BOBCAPS Research

Valuation Methodology

We cut FY27/FY28E EPS by 9%/7%, with revenue remaining broadly unchanged, as input-cost inflation, FX volatility, pending UCP price pass-through and EMP mix pressure weigh on margin assumptions. We retain our 47x multiple and roll forward our valuation to arrive at a revised TP of Rs 1,790. Considering a limited upside to the stock, we maintain HOLD.

Fig 15 – BLSTR 1YF P/E band chart



Source: Company, BOBCAPS Research

Fig 16 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,45,812	1,68,063	1,92,652	1,46,285	1,68,544	NA	(0.3)	(0.3)	NA
EBITDA	10,197	12,218	13,799	10,525	12,612	NA	(3.1)	(3.1)	NA
EBITDA margin (%)	7.0	7.3	7.2	7.2	7.5	NA	(20bps)	(20bps)	NA
PAT	6,211	7,840	9,231	6,833	8,402	NA	(9.1)	(6.7)	NA

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**	**1,45,812**	**1,68,063**	**1,92,652**
EBITDA	8,759	9,304	10,197	12,218	13,799
Depreciation	1,284	1,788	1,933	2,013	2,082
EBIT	7,475	7,516	8,264	10,204	11,717
Net interest inc./(exp.)	(488)	(721)	(972)	(1,086)	(1,211)
Other inc./(exp.)	750	619	1,000	1,350	1,823
Exceptional items	0	0	0	0	0
EBT	7,737	7,414	8,291	10,469	12,329
Income taxes	1,937	1,758	2,089	2,638	3,107
Extraordinary items	(125)	388	0	0	0
Min. int./Inc. from assoc.	(13)	6	6	6	6
Reported net profit	**5,912**	**5,277**	**6,211**	**7,840**	**9,231**
Adjustments	(125)	388	0	0	0
Adjusted net profit	**5,787**	**5,665**	**6,211**	**7,840**	**9,231**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	34,276	29,429	35,954	41,440	47,503
Other current liabilities	12,745	12,372	14,545	16,765	19,218
Provisions	0	0	0	0	0
Debt funds	3,810	8,100	10,568	11,799	13,160
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	38,366	44,458	51,942
Shareholders' fund	30,650	34,314	38,778	44,870	52,353
Total liab. and equities	**82,575**	**85,760**	**1,01,390**	**1,16,420**	**1,33,780**
Cash and cash eq.	4,319	4,021	5,786	7,903	11,114
Accounts receivables	19,594	21,397	25,967	29,929	34,308
Inventories	21,492	21,662	25,967	29,929	34,308
Other current assets	17,723	16,803	19,775	22,792	26,127
Investments	0	0	0	0	0
Net fixed assets	12,342	13,612	14,179	14,665	15,083
CWIP	734	655	770	887	1,017
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	6,372	7,611	8,948	10,314	11,823
Total assets	**82,575**	**85,760**	**1,01,390**	**1,16,420**	**1,33,780**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,881**	**1,538**	**4,997**	**6,617**	**7,737**
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	(1,452)	(1,483)	(1,639)
Cash flow from investing	**(4,640)**	**(3,588)**	**(3,952)**	**(3,983)**	**(4,139)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	151	3,219	2,468	1,231	1,361
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**	**721**	**(516)**	**(387)**
Chg in cash & cash eq.	**619**	**(678)**	**1,765**	**2,117**	**3,211**
Closing cash & cash eq.	**4,319**	**4,021**	**5,786**	**7,903**	**11,114**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.8	25.7	30.2	38.1	44.9
Adjusted EPS	28.1	27.6	30.2	38.1	44.9
Dividend per share	9.0	8.5	8.5	8.5	8.5
Book value per share	149.1	166.9	188.6	218.2	254.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.8	2.7	2.3	2.0	1.7
EV/EBITDA	38.5	36.2	33.0	27.6	24.4
Adjusted P/E	62.1	63.5	57.9	45.9	38.9
P/BV	11.7	10.5	9.3	8.0	6.9

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	100.3	102.6	105.2
EBIT margin (EBIT/Revenue)	6.2	6.1	5.7	6.1	6.1
Asset turnover (Rev./Avg TA)	9.7	9.1	10.3	11.5	12.8
Leverage (Avg TA/Avg Equity)	0.4	0.4	0.4	0.4	0.3
Adjusted ROAE	20.4	17.4	17.0	18.7	19.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	23.6	3.6	17.6	15.3	14.6
EBITDA	31.7	6.2	9.6	19.8	12.9
Adjusted EPS	30.7	(2.1)	9.6	26.2	17.7
Profitability & Return ratios (%)					
EBITDA margin	7.3	7.5	7.0	7.3	7.2
EBIT margin	6.2	6.1	5.7	6.1	6.1
Adjusted profit margin	4.8	4.6	4.3	4.7	4.8
Adjusted ROAE	20.4	17.4	17.0	18.7	19.0
ROCE	19.5	16.2	15.1	16.3	16.6
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	6.1	6.3	6.6
Current ratio	1.3	1.3	1.3	1.3	1.4
Net interest coverage ratio	15.3	10.4	8.5	9.4	9.7
Adjusted debt/equity	0.1	0.2	0.3	0.3	0.3

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%

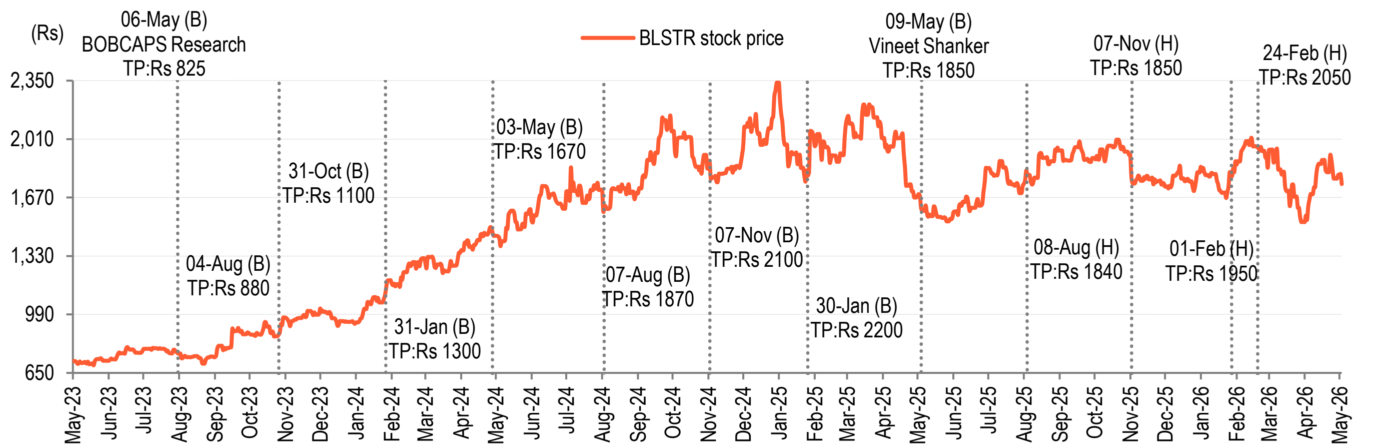
HOLD – Expected return from -6% to +15%

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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