

Blue Star Ltd.

Nifty 74.015
Sensex 22,479

Key Stock Data

CMP ₹1458.0/-
Target Price ₹1,690(+15.9%)
Market Cap (₹bn) ₹297.6
52W High/Low ₹1,512/₹693
Shares o/s (mn.) 205.6
NSE Code BLSTR:IN
BSE Code BLUESTARCO
Bloomberg 500067

Shareholding Pattern Mar'24 (%)

Promoters 36.5
DIs 24.7
FIs 15.9
Public & Others 22.9

Particulars	(₹ mn)		
	FY21	FY22	FY23
Revenues	42,636	60,456	79,773
EBITDA	2,398	3,465	4,928
EBITDA Margin(%)	5.6	5.7	6.2
Net Profit	1,004	1,677	4,005
EPS (₹)	4.9	8.2	19.5
DPS (₹)	14.0	10.0	12.0
RoE (%)	11.3	16.4	30.0
RoCE (%)	11.5	19.4	25.3
P/E (x)	298.6	178.7	74.9
EV/EBITDA (x)	125.7	87.3	61.7
P/BV (x)	33.8	29.4	22.5

Particulars	FY24P	FY25E	FY26E
Revenues	96,854	111,598	134,971
EBITDA	6,649	8,928	11,058
EBITDA Margin(%)	6.9	8.0	8.2
Net Profit	4,150	5,549	7,011
EPS (₹)	20.2	27.0	34.1
DPS (₹)	7.0	10.0	12.0
RoE (%)	15.9	20.4	22.3
RoCE (%)	22.4	27.1	29.9
P/E (x)	72.2	54.0	42.8
EV/EBITDA (x)	44.9	30.3	23.8
P/BV (x)	11.5	9.3	7.8

Source: Company, Way2Wealth

Relative Performance

RETURN(%)	1 YR	3YR	5 YR
BLSTR	104.4	259.8	332.6
Nifty 50	24.4	52.7	93.8
Sensex	21.2	51.2	91.7

Source: Company, Way2Wealth

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Summary

BLSTR's Q4FY24 revenue was at ₹33.3bn (+26.8% YoY; +48.5% QoQ). EMPS/UCP segment's revenue grew by 20.3%/34.8% YoY to ₹15.1bn/₹17.1bn as the company witnessed strong seasonal cooling products demand across industries enabling EBITDA margin expansion of 34bps QoQ and 44bps YoY to 7.3%. There was Order book growth of 12.3% YoY to ₹56.97 with EMPS having order book of ₹43.44bn a growth 11.6% YoY. Adjus. PAT came in at ₹1.61bn, growing 3x YoY. Declared final dividend of ₹7 per share (F.V. of ₹2 per share)

As per the management, in Q4FY24 the EMPS had order inflow de-growth of 7.8% to ₹12.27bn due to slowdown in commercial buildings and some infrastructure projects. Revenue came in at ₹15.1bn (+20.3% YoY & 27.4% QoQ) with focus more on Free cash flows and W.C management The company may see orders pick-up post elections. Currently, manufacturing and data centres are driving demand. The management estimates order inflows to revive in Q2FY25.

UCP segment grew 34.8% YoY with 117 bps QoQ expansion in EBIT margin to 8.3%. The company's market share increased to 13.75% from 13.5% last year. The management is targeting 15% Room Ac market share by FY25 as it estimates India's Room AC may double over the next three years. India can overtake China by 2045. The RAC segment is expected to see high growth over the next five years similar to what was witnessed in China in 2005. Mar'24 saw a surge in demand (primary sales would have grown by 40% YoY). In Apr'24, primary sales grew 65-70% YoY (secondary sales are estimated to have grown by 70-90% YoY). Early Apr'24 saw the peak compared to the general trend of the peak season between the last week of April to the first week of May. The company did not undertake any price increase during Q4FY24 and is likely in Q1FY25. Exports are expected to see ramp-up after at least 18 months with USA expected to pick up after the elections. For FY25, the management estimates 20% YoY revenue growth with 8-8.5% EBIT margins.

Professional Electronics and Industrial Systems (PEIS) segment revenues grew 8.3% YoY to ₹1,120.6mn with margin contraction of 705bps YoY (-258 bps QoQ) to 12.1% as the market for non-Destructive testing business has grown while the data security continues to face challenges due to cloud shifting.

The management targets over 20% YoY revenue growth in both EMPS and unitary product divisions with EBIT margins in the range of 7-7.5% and 8-8.5%, respectively, for FY25.

Q4FY24 Result Highlights

➤ **Strong growth in the UCP & EMPS segments –** Blue Star Q4FY24 revenue was at ₹33.3bn (+26.8% YoY; +48.5% QoQ). EMPS/UCP segment's revenue grew by 20.3%/34.8% YoY to ₹15.1bn/₹17.1bn as the company witnessed strong seasonal cooling products demand across industries enabling EBITDA margin expansion of 34bps QoQ and 44bps YoY to 7.3%. There was Order book growth of 12.3% YoY to ₹56.97 with EMPS having order book of ₹43.44bn a growth 11.6% YoY. Other income grew 86.2% YoY to ₹123.9mn. Adjus. PAT came in at ₹1.61bn, growing 3xYoY. As per the management, in Q4FY24 the EMPS had order inflow de-growth of 7.8% to ₹12.27bn due to slowdown in commercial buildings and some infrastructure projects. The company may see pick-up post elections. Currently, manufacturing and data centres are driving demand. The management estimates order inflows to revive in Q2FY25. The management targets over 20% YoY revenue growth in both EMPS and unitary product divisions with EBITDA margins in the range of 7-7.5% and 8-8.5%, respectively, for FY25. As it continues to invest in manufacturing capacities, R&D, sales and distribution, and digitisation. Declared final dividend of ₹7per share.

➤ **Company targeting Room AC market share of 15% by FY25 –** UCP segment grew 34.8% YoY with 117 bps QoQ expansion in EBIT margin to 8.3%. The company's market share increased to 13.75% from 13.5% last year with RAC volume of +1mn units. The management is targeting 15% Room AC market share by FY25 as it

estimates India's Room AC may double over the next three years. India can overtake China by 2045. The RAC segment is expected to see high growth over the next five years similar to what was witnessed in China in 2005. Mar'24 saw a surge in demand (primary sales would have grown by 40% YoY). In Apr'24, primary sales grew 65-70% YoY (secondary sales are estimated to have grown by 70-90% YoY). Early Apr'24 saw the peak compared to the general trend of the peak season between the last week of April to the first week of May. The company did not undertake any price increase during Q4FY24 and is likely in Q1FY25. Exports are expected to see ramp-up after at least 18 months with USA expected to pick up after the elections. For FY25, the management estimates 20% YoY revenue growth with 8-8.5% EBIT margins.

- Commercial refrigeration products saw significant traction as growing investments in the OEMs, Hospitals, Offices, Educations Institutions and perishable food sectors. Continues to maintain leadership position in deep freezers, modular cold room and storage water coolers.
- **EMPS segment revenue came in at ₹15.1bn (+20.3% YoY & 27.4% QoQ)** with focus more on Free cash flows and W.C management. Order inflows declined by 7.8% YoY to ₹12.27bn due to the slowdown in commercial buildings and delay in finalisation of orders in some infrastructure projects. The order book was +11.6% YoY to ₹43.33bn. Currently, manufacturing and data centres are driving demand. Lower order inflows during Q4FY24 attributed to slowdown in commercial buildings and some infrastructure projects. The company may orders see pick-up post elections. With revival in Q2FY25. For FY25, the management estimates this segment to grow 20% YoY in revenues with 7-7.5% EBIT margins.
- Continued to maintain good position in Centrifugal Chillers, Screw Chillers and the VRF segment.
- International business saw subdued demand due to geopolitics which still carries the uncertainties.
- **Professional Electronics and Industrial Systems (PEIS) segment revenues grew 8.3% YoY to ₹1,120.6mn with margin contraction of 705bps YoY (-258 bps QoQ) to 12.1%** as the market for non-Destructive testing business has grown while the data security continues to face challenges due to cloud shifting.

View

Blue Star Q4FY24 performance was strong enabled by the UCP segment due to early onset of harsh summer. The company has gained market share, is expanding its reach in the lucrative B2B segment, and building capacity to cater to the growing demand for cooling products as it is targeting 15% share by FY25. Its UCP division is skillfully balancing the margins by focusing more on projects which enable free cash flow and robust W.C management. It also plans to become a significant player in the overseas market like Europe and North America. The industry is expected to grow strongly, given rapid urbanisation, growth in pharmaceuticals and food and beverage industries, the opening of shops, malls and offices post the pandemic, and expected pick-up in construction activities post elections. Blue Star, a leading player with a wide reach and range of ACs and commercial refrigeration products, will be one of the key beneficiaries. Further, the company is well poised to leverage its experience in EMPS and commercial air-conditioning products, which are expected to witness healthy growth as incremental investments in sectors such as infrastructure, metro rail, power, retail, and healthcare is likely to continue. **Hence, we upgrade it to a BUY with target price of ₹1670-1690 trading at 42.8x P/E FY26E EPS ₹34.1.**

CONSOLIDATED FINANCIALS

									(₹ mn)
PARTICULARS	Q4FY24	Q4FY23	YOY[%]	Q3FY24	QOQ[%]	FY24	FY23	YOY[%]	
Revenue from Operations	33,277.7	26,238.3	26.8	22,411.9	48.5	96,853.6	79,773.2	21.4	
Raw Material Consumed	21,015.9	15,967.5	31.6	14,097.6	49.1	57,328.6	50,201.4	14.2	
Purchase of stock in trade	3,152.0	4,993.8	(36.9)	3,989.4	(21.0)	15,754.2	13,468.6	17.0	
Stock Adjustment	1,217.6	(834.7)	245.9	(1,092.5)	211.5	836.9	(1,853.3)	145.2	
RMC as a % of sales	76.3	76.7	(42)	75.8	46	76.3	77.5	(117)	
Employee Expenses	2,297.3	1,697.3	35.4	1,852.6	24.0	7,494.8	5,914.4	26.7	
Employee Exps as a % of sales	6.9	6.5	43	8.3	(136)	7.7	7.4	32	
Other Expenses	3,175.9	2,622.7	21.1	2,011.3	57.9	8,789.7	7,114.3	23.5	
Other Exps as a % of sales	9.5	10.0	(45)	9.0	57	9.1	8.9	16	
EBIDTA	2,419.0	1,791.7	35.0	1,553.5	55.7	6,649.4	4,927.8	34.9	
EBITDA Margins %	7.3	6.8	44	6.9	34	6.9	6.2	69	
Other Income	123.9	66.5	86.3	126.7	(2.2)	474.2	308.7	53.6	
Depreciation	283.2	227.2	24.6	234.9	20.6	976.1	847.8	15.1	
EBIT	2,259.7	1,631.0	38.5	1,445.3	56.3	6,147.5	4,388.7	40.1	
Interest	121.9	180.7	(32.5)	102.4	19.0	580.8	547.0	6.2	
Exceptional items	-	1,708.1	(100.0)	-	NA	-	1,708.1	(100.0)	
PBT	2,137.8	3,158.4	(32.3)	1,342.9	59.2	5,566.7	5,549.8	0.3	
Tax	544.2	918.2	(40.7)	339.3	60.4	1,428.5	1,546.8	(7.6)	
Profit/(Loss) from Associates & JVs	3.5	12.7	(72.4)	1.0	250.0	4.9	4.0	22.5	
Minority Interest	8.3	(0.4)	2,175.0	(0.7)	1,285.7	6.4	(2.3)	378.3	
Profit After Tax	1,605.4	2,252.5	(28.7)	1,003.9	59.9	4,149.5	4,004.7	3.6	
EPS	7.8	11.0		4.9		20.2	19.5		
Adjus. PAT	1,605.4	544.4	194.9	1,003.9	59.9	4,149.5	2,296.6	80.7	
Adjus. EPS	7.8	2.6		4.9		20.2	11.2		

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE

									(₹ mn)
Particulars	Q4FY24	Q4FY23	YOY[%]	Q3FY24	QOQ[%]	FY24	FY23	YOY[%]	
REVENUES									
Electro-Mech. Projects & Packaged AC Systems	15,068.3	12,526.2	20.3	11,823.0	27.4	47,154.6	40,156.3	17.4	
% of Total	45.3	47.7	(246)	52.8	(747)	48.7	50.3	(165)	
Unitary Cooling products	17,088.8	12,677.2	34.8	9,553.8	78.9	45,922.0	36,269.3	26.6	
% of Total	51.4	48.3	304	42.6	872	47.4	45.5	195	
Professional Electronics & Indus Sysys.	1,120.6	1,034.9	8.3	1,035.1	8.3	3,777.0	3,347.5	12.8	
% of Total	3.4	3.9	(58)	4.6	(125)	3.9	4.2	(30)	
Total Segment Revenue	33,277.7	26,238.3	26.8	22,411.9	48.5	96,853.6	79,773.1	21.4	
EBIT									
Electro-Mech. Projects & Packaged AC Systems	1,125.3	992.1	13.4	966.6	16.4	3,410.9	2,767.8	23.2	
Margin %	7.5	7.9	(45)	8.2	(71)	7.2	6.9	34	
Unitary Cooling products	1,414.3	1,069.5	32.2	679.3	108.2	3,603.1	2,823.1	27.6	
Margin %	8.3	8.4	(16)	7.1	117	7.8	7.8	6	
Professional Electronics & Indus Sysys.	135.7	198.3	(31.6)	152.1	(10.8)	515.0	505.0	2.0	
Margin %	12.1	19.2	(705)	14.7	(258)	13.6	15.1	(145)	
TOTAL	2,675.3	2,259.9	18.4	1,798.0	48.8	7,529.0	6,095.9	23.5	

Source: Company, Way2Wealth

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Disclosure of Interest Statement in Blue Star Ltd. as on 06 May 2024

Name of the Security	Blue Star Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	No
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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