

Blue Star Ltd.

Nifty 24,585
Sensex 80,604

Key Stock Data

Close* ₹1,761
 Market Cap (₹ bn) ₹362
 52W High/Low ₹2,417/₹1,521
 Shares o/s (crs.) 21
 NSE Code BLUESTARCO
 BSE Code 500067
 Bloomberg BLSTR:IN
 Close* as on 11th August 2025

Shareholding Pattern (%)

	Dec'24	Mar'25	Jun'25
Promoters	36.46	36.48	36.48
DIs	22.20	23.14	23.37
FIs	18.49	16.94	16.21
Public	22.85	23.44	23.92

	(₹ crs)					
Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	60,456	7,977	9,685	11,968	12,523	14,330
EBITDA	3,465	493	665	876	1,002	1,146
EBITDA Margin(%)	5.7	6%	7%	7%	8%	8%
Net Profit	1,677	401	414	591	642	739
EPS (₹)	8.2	19.5	20.1	28.8	31.2	36.0
RoE (%)	16.6	30%	16%	19%	17%	17%
P/E (x)	219.6	90	87	61	56	49
EV/EBITDA (x)	107	74	54	41	36	31

Source: Company, Way2Wealth

Relative Performance

Returns (%)	1 Yr	3Yr	5 Yr
BLSTR	7.89	250.0	544.9
Nifty 50	0.74	38.59	116.9
Sensex	0.9	35.16	109.46

Source: Company, Way2Wealth

Q1FY26 Result Highlights

The company delivered a mixed performance in Q1FY26, with revenue rising 4% YoY to ₹2,982crs, driven by strong 36% growth in the Electro-Mechanical Projects & Services (EMPS) segment to ₹1,412crs. However, the Unitary Products segment declined 13% YoY to ₹1,499crs as unseasonal rains dampened demand for Room Air Conditioners (RAC). Gross margin contracted by 20 bps YoY to 23.4%, while higher employee (+17% YoY) and other expenses (+10% YoY) led to a 16% drop in EBITDA to ₹200crs, with margins narrowing to 7% from 8% last year. PAT fell 29% YoY to ₹121crs, bringing net margins down to 4% from 6%. Sequentially, revenue and PAT were down 26% and 38%, respectively, reflecting seasonal weakness and margin pressure.

Management said the year started slowly due to unseasonal rains and a mild summer hurting Room Air Conditioner demand. However, good growth in B2B businesses led to modest overall growth, and the company enters the next quarters with a strong order book.

Segment performance:

- In Q1FY26, revenue from Electro-Mechanical Projects, Commercial Air Conditioning Systems, Service, and International Business grew 35.9% YoY to ₹1,412.46crs, driven by strong order inflows from factories, data centres, and healthcare sectors, indicating a healthy pipeline ahead. Segment result stood at ₹111.62crs (7.9% margin) versus ₹103.03crs (9.9%) last year. The Commercial Air Conditioning business delivered robust growth, with key categories includes ducted systems, VRF, and chillers has registered strong demand from manufacturing and education sectors. However, railway electrification and metro project enquiries remained subdued, with a continued selective approach to infrastructure orders.
 - Order inflows in Q1FY26 rose to ₹19.6bn from ₹14.7bn YoY, reflecting strong project wins. Order book stood at ₹50.8bn vs ₹45.6bn YoY, providing healthy revenue visibility.
 - Growth was supported by strong demand from factories, data centres, and healthcare sectors. Railway electrification and metro rail saw muted inflows and enquiry levels. Commercial AC business recorded robust growth, led by ducted systems, VRF, and chillers.
 - Manufacturing and education emerged as the key demand drivers for commercial AC. Government and public sector capex activity remained subdued; commercial retail demand was also modest.
 - Active negotiations are underway with customers in the USA and Europe.
 - The company is expanding its presence in the Middle East and Africa to tap new markets.
 - Orders are carefully selected based on cash flow strength and profitability.
 - The order book is evenly distributed across buildings, factories, and infrastructure segments.
 - The company targets ~15% revenue growth for the EMPS and Commercial AC segment in FY26, with an EBIT margin of 7–7.5%.
- The Unitary Products Segment (Room Air Conditioners and Commercial Refrigeration) reported a 13.3% YoY revenue decline to ₹1,499.37crs, with segment margins dropping to 5.8% from 9.1% Q1FY25. Room Air Conditioner sales were impacted by the early monsoon and mild summer, though the company gained market share through a strong product portfolio and expanded distribution. Demand is expected to revive during the festive season. On the other hand, Commercial Refrigeration posted robust growth, driven by rising demand from the processed food and pharmaceutical sectors, benefiting from the resolution of last year's regulatory challenges.

Rupali Singh

rupalisingh@way2wealth.com

91-22-4019 2907

- **FY26 Outlook:** Management expects growth to pick up in the festive season.
 - **RAC Market Share:** Slightly improved to 14.2%, ahead of the industry. Target is 14.5% by FY26-end, supported by a full product range, wider distribution, and focus on underpenetrated markets.
 - **Industry Trends:** RAC industry likely fell ~30% in Q1FY26; Jan–Jun'25 saw single-digit decline. Company's RAC drop was uniform across regions, with the South performing in line with others.
 - **Margins:** Hit by lower RAC volumes, causing operating leverage impact.
 - **Distribution:** Continuing nationwide expansion.
 - **Inventory:** Industry inventory at normal 30–45 days; company holds ~30 extra days, manageable and not a concern.
 - **Festive Season Impact:** Expected to drive demand. BEE norms change from Jan 1, 2026 poses no disruption risk.
 - **Advertising & Discounts:** Ad spend cut due to weak RAC sales; no aggressive discounting needed.
 - **Growth Plans:** RAC sales expected to grow 10–15% in FY26, in line with historical post-truncated summer growth. RAC market is ~6x larger than Commercial Refrigeration.
 - **Commercial Refrigeration:** Strong growth from processed food and pharma demand.
 - **Exports:** ~2% of revenue; USA is ~1%. Three customers in USA and Europe. Cautious approach due to tariff uncertainties.
- Professional Electronics and Industrial Systems Segment revenue fell 27.3% YoY to ₹70.42crs, while margins improved to 10.8% from 9.9% last year. The decline was driven by weakness in the Med Tech and Data Security businesses, with Med Tech impacted by pending regulatory clarity on importing pre-owned medical devices. However, the Industrial Solutions business showed steady growth, supported by demand from the manufacturing and testing sectors.

Management outlook:

- **Room Air Conditioners (RAC):** Expected to grow at a 19% CAGR over the next five years.
- **Capex & capability building:** Continued investments planned in manufacturing capacity, R&D, and digitalization.
- **Unitary Products:** Usual EBIT margin range is 8–8.5%, but in a summer-impacted year like FY26, margins could be in the 7–8% range.
- **EMPS segment:** Growth aspiration of 15% with an EBIT margin of 7–7.5%.
- **R&D investment:** Currently at 1.5% of sales, with continued commitment to sustain this level of spending.

View

Blue Star is poised for strong growth, driven by rising RAC demand, robust EMPS order inflows, and international expansion. The RAC industry is expected to grow at a 19% CAGR over five years, with increasing penetration and stable margins. Revenue, EBITDA, and PAT are projected to grow at a CAGR of 9%, 14%, and 13%, respectively, from FY25 to FY27E, with EBITDA and PAT margins stable at 8% and 5%. At the current market price, the stock trades at 49x FY27E PE. Despite the broader market correction, the company's strong fundamentals and sustainable stock performance provide support; therefore, **we recommend a Hold rating on the stock.**

CONSOLIDATED FINANCIALS

(₹. crs)

Particulars	Q1FY26	Q1FY25	YOY %	Q4FY25	QOQ %
Revenue (net)	2982	2865	4%	4019	-26%
TOTAL INCOME	2,982	2,865	4%	4,019	-26%
Costs of Materials Consumed	2,284	2,189	4%	3,090	-26%
% of Revenue	77%	76%		77%	
Gross Profit	698	676	3%	929	-25%
% Margin	23%	24%		23%	
Employees exp	232	198	17%	267	-13%
% of Revenue	8%	7%		7%	
other expenses	266	241	10%	383	-31%
TOTAL OPER EXPENDITURE	2,782	2,628	6%	3,740	-26%
% of Revenue	93%	92%		93%	
EBITDA	200	237	-16%	279	-28%
% Margin	7%	8%		7%	
Depreciation	41	28	48%	35	17%
Operating Profit	159	209	-24%	244	-35%
% Margin	5%	7%		6%	
Other Income	16	24	-33%	24	-33%
EBIT	175	233	-25%	268	-35%
Finance Cost	10	8	32%	19	-46%
EBT	165	226	-27%	249	-34%
EBT after exceptional	165	226	-27%	249	-34%
Total Tax Expense / (Credit)	42	57	-26%	55	-23%
PAT (Adjusted)	121	169	-29%	194	-38%
% Margin	4%	6%		5%	
EPS - Reported	5.9	8.2	-29%	9.4	-38%

Source: Company, Way2Wealth

Segment Performance

(₹. crs)

SEGMENT REVENUE	Q1FY26	Q1FY25	YOY %	Q4FY25	QOQ %
(a) Electro - mechanical projects and commercial air conditioning systems	1412	1,039	36%	1969	-28%
(b) Unitary products	1499	1,730	-13%	1960	-24%
(c) Professional electronics and industrial svstems	70	97	-27%	90	-22%
TOTAL SEGMENT REVENUE	2982	2,866	4%	4,019	-26%
EBIT					
(a) Electro - mechanical projects and commercial air conditioning systems	112	103	8%	150	-26%
margin %	8%	10%		8%	
(b) Unitary products	87	158	-45%	165	-47%
margin %	6%	9%		8%	
(c) Professional electronics and industrial svstems	8	10	-21%	9	-13%
margin %	11%	10%		10%	
PBIT	206	271	-24%	323	-36%

Source: Company, Way2Wealth

Financials

(₹ crs)

Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue (net)	4264	6046	7977	9685	11968	12523	14330
growth %		42%	32%	21%	24%	5%	14%
TOTAL INCOME	4,264	6,046	7,977	9,685	11,968	12523	14330
Costs of Materials Consumed	3,271	4,715	6,182	7,392	9,074	9392	10748
% of Revenue	77%	78%	77%	76%	76%	75%	75%
Gross Profit	992	1,331	1,796	2,293	2,893	3131	3583
% Margin	23%	22%	23%	24%	24%	25%	25%
Employees exp	382	509	592	749	919	1002	1146
% of Revenue	9%	8%	7%	8%	8%	8%	8%
other expenses	371	476	711	879	1099	1127	1290
% of revenue	9%	8%	9%	9%	9%	9%	9%
TOTAL OPER EXPENDITURE	4,024	5,699	7,485	9,021	11,092	11521	13184
% of Revenue	94%	94%	94%	93%	93%	92%	92%
EBITDA	240	346	493	665	876	1002	1146
% Margin	6%	6%	6%	7%	7%	8%	8%
Depreciation	92	86	85	98	128	163	185
Operating Profit	147	260	408	567	747	839	961
% Margin	3%	4%	5%	6%	6%	7%	7%
Other Income	62	36	31	47	75	65	65
EBIT	210	296	439	615	822	904	1026
Finance Cost	65	46	55	58	49	36	27
EBT	145	250	384	557	774	868	999
EBT after exceptional	145	250	555	557	786	868	999
Total Tax Expense / (Credit)	47	83	155	143	194	226	260
PAT (Adjusted)	101	167	230	414	579	642	739
% Margin	2%	3%	3%	4%	5%	5%	5%
EPS - Adjusted	4.9	8.1	11.2	20.1	28.1	31.2	36.0

Source: Company, Way2Wealth

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Disclosure of Interest Statement in Blue Star Ltd. as on 12th August 2025

Name of the Security	Blue Star Ltd.
Name of the analyst	Rupali Singh
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
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