

Blue Star Ltd.

Nifty 25,574
Sensex 83,535

Key Stock Data

Close* ₹1,775
 Market Cap (₹ bn) ₹364.92
 52W High/Low ₹2,417/₹1,521
 Shares o/s (crs.) 21
 NSE Code BLUESTARCO
 BSE Code 500067
 Bloomberg BLSTR:IN
 Close* as on 10th November 2025

Shareholding Pattern (%)

	Mar'25	Jun'25	Sep'25
Promoters	36.5%	36.5%	36.5%
FII's	16.9%	16.2%	16.1%
DII's	23.1%	23.4%	25.3%
Public & Others	23.4%	24.0%	22.1%

Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	42,636	60,456	7,977	9,685	11,968	11,698	12,592
EBITDA	2,398	3,465	493	665	876	866	944
EBITDA Margin (%)	5.6	5.7	6%	7%	7%	7%	7%
Net Profit	1,004	1,677	401	414	591	513	560
EPS (₹)	4.9	8.2	19.5	20.1	28.8	24.9	27.2
RoE (%)	11.7	16.6	30%	16%	19%	14%	14%
P/E (x)	366.6	219.6	90	87	61	70	64
EV/EBITDA (x)	154.1	107	74	54	41	42	38

Source: Company, Way2Wealth

Relative Performance

RETURNS (%)	1 YR	3YR	5 YR
BLSTR	-1.27	188	434
Nifty 50	5.34	40	107.87
Sensex	4.62	36.01	98.64

Source: Company, Way2Wealth

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Q2FY26 Result Highlights

During Q2FY26, the company reported modest revenue growth of 6% YoY but a decline of 19% QoQ to ₹2,422crs, as multiple headwinds weighed on performance. The Room Air Conditioner (RAC) segment remained under pressure, as extended monsoon conditions, lower temperatures led to weak secondary sales and delayed channel offtake. Additionally, demand for both Room ACs and Commercial Air Conditioning was temporarily deferred following the announcement of a GST rate reduction, which came into effect from September 22, 2025.

On the other hand, the company's Electromechanical Projects business performed well, supported by steady execution in factory and data centre projects, which helped offset the softness in the consumer segment. Gross profit increased by 3% YoY to ₹619crs with stable margins, while EBITDA grew 23% YoY to ₹183crs, driven by cost control and an improved mix. However, EBITDA declined 8% QoQ due to lower sales volumes. The EBITDA margin improved YoY from 6.6% to 7.6%. PAT stood at ₹99crs, up 3% YoY but down 18% QoQ, maintaining a 4% margin.

Segmental Performance

- **Electro-Mechanical Projects, Commercial Air Conditioning Systems, Service, and International Business (Segment 1):** This segment delivered a strong performance, with revenue increased by 16.5% YoY to ₹1,664crs (vs. ₹1,428crs in Q2FY25). Segment results grew 23% to ₹147crs, with margins improving to 8.8% from 8.3% Q2FY25. Growth was driven by steady execution of factory and data centre projects, backed by a healthy order book. Enquiry inflows from buildings, factories, and data centres remained robust, though order finalisations were muted. Within Commercial Air Conditioning, growth was in line with market trends, though billing momentum slowed from mid-August to late September due to the GST rate changes. Blue Star continued its market leadership in ducted systems and scroll chillers and remained among the top three players in VRF and screw chillers. In the international business, supplies to the U.S. scaled up in H1FY26, though tariff-related uncertainties persisted.
- **Unitary Products Segment:** This segment, which includes Room Air Conditioners and Commercial Refrigeration, reported a 9.5% YoY revenue decline to ₹694crs (vs. ₹767crs in Q2FY25), affected by unfavourable weather conditions and the mid-quarter GST rate rationalisation. Segment EBIT fell 21% YoY to ₹43crs, with margins contracting to 6.2% from 7.0%. The Commercial Refrigeration business also had a modest quarter amid muted seasonal demand and the extended monsoon. Despite these challenges, the company continued to expand its portfolio of energy-efficient and IoT-enabled products and deepen penetration in Tier-2 and Tier-3 markets through strengthened distribution and service support.
- **Professional Electronics and Industrial Systems Segment:** Revenue for this segment declined 20% YoY to ₹64crs (vs. ₹81crs in Q2FY25), as the MedTech Solutions business was affected by regulatory uncertainties related to refurbished diagnostic equipment. However, the Industrial Solutions business continued to post healthy growth, supported by strong demand from the manufacturing and testing sectors. The Data Security Solutions business maintained steady performance, driven by BFSI and enterprise clients. Despite the topline decline, Segment EBIT increased 19% YoY to ₹6crs, improving the margin to 9.6% from 6.4%, aided by effective cost control and a favourable business mix.

Concall Highlights:

Segment 1: Electro-Mechanical Projects, Commercial Air Conditioning Systems, Service, and International Business

- On the international front, Blue Star successfully completed product trials in the US and European markets, and supplies scaled up during Q1 and Q2FY26. However, tariff-related uncertainties continued to impact short-term momentum. Management expects a

pick-up post the India–U.S. trade deal, which should unlock stronger export growth to the U.S. and Europe.

- The carried-forward order book stood at ₹4,840crs as of September 30, 2025, reflecting a 3.2% YoY decline, though the execution pipeline remains stable.
- The segment margin is expected to remain in the 7.0–7.5% range for FY26, with quarterly margins likely to fluctuate between 7–8%, depending on the project mix.
- Long-term industry growth (CAGR) is projected at around 12%, and Blue Star aims to outperform industry growth rates through its diversified portfolio, expanding project base, and increasing international opportunities.
- Management reiterated that the project business will continue to grow steadily at a 10–12% CAGR over the medium term, supported by strong demand from data centres, manufacturing units, and commercial buildings, while maintaining strict margin discipline.

Segment 2: Unitary Products (Room Air Conditioners and Commercial Refrigeration)

- The full-year Unitary Products margin guidance has been revised downward to 7–7.5% (from 8–9% earlier) due to margin pressure arising from inventory liquidation and higher discounting.
- The FY26 revenue guidance has been lowered to flat to –15% YoY (from the earlier expectation of +5%), depending on summer demand in Q4 and the pace of inventory clearance.
- The long-term Room AC (RAC) industry growth is expected to sustain at around 19% CAGR, and Blue Star targets a 15% market share by FY27.
- Weather patterns remain a key risk factor; however, despite short-term softness, the structural growth outlook remains intact, driven by rising AC penetration and increasing consumer affordability.

Segment 3: Professional Electronics and Industrial Systems

- The MedTech business is expected to remain muted until regulatory clarity emerges, which is anticipated by Q4FY26.
- The Industrial Solutions business is projected to maintain a 10–12% CAGR, supported by India's manufacturing expansion and steady demand from testing and automation segments.

View

Management highlighted that while the company remains fundamentally strong with leadership in commercial air conditioning, data center projects, and international markets, near-term demand challenges persist. Factors such as an extended monsoon, muted infra project finalisations, and high channel inventory in the room AC segment have impacted momentum. The focus remains on cash flow discipline, margin protection, and cost optimization through localization and digital efficiency to sustain profitability.

Over FY25–FY27E, revenues are expected to grow at a modest 3% CAGR, reflecting softer demand conditions across consumer and project businesses. EBITDA is projected to grow at 4% CAGR, with margins stable around 7%, supported by operating efficiencies and a better mix of data center and B2B orders. However, net profit is expected to decline at –3% CAGR, as higher finance costs and subdued topline growth weigh on profitability.

The stock has delivered a remarkable 361% return since initiation on [July 4, 2019](#), at ₹761, post adjustment for the 1:1 bonus issue (June 2023) translating into a 6.4x gain over the holding period (from 52week high). Despite short-term fluctuations, it continues to trade significantly above its adjusted cost, underscoring strong fundamentals and consistent long-term value creation. The 52-week high of ₹2,419.95 (January 6, 2025) further reflects sustained investor confidence in the company's growth trajectory.

However, while the long-term outlook remains positive, near-term visibility is weak owing to sluggish demand recovery and delayed project inflows. Given the muted earnings momentum and soft growth environment, we recommend investors to **book profits at current levels**, though the stock will remain on our radar for potential re-entry once demand and margin visibility improve.

CONSOLIDATED FINANCIALS

(₹ crs)

PARTICULARS	Q2FY26	Q2FY25	YOY %	Q1FY26	QOQ %	1HFY26	1HFY25	YOY %
Revenue (net)	2,422	2,276	6%	2,982	-19%	5,405	5,141	5%
TOTAL INCOME	2,422	2,276	6%	2,982	-19%	5,405	5,141	5%
Costs of Materials Consumed	1,735	1,633	6%	2,078	-16%	3,813	3,258	17%
Purchase of Base Depot / Spares	164	231	-29%	352	-54%	516	685	-25%
Stock Adj. (Inc) / Dec.	(96)	(190)	-50%	(146)	-34%	(242)	(81)	198%
Costs of Materials Consumed	1,803	1,674	8%	2,284	-21%	4,087	3,862	6%
% of Revenue	74%	74%		77%		76%	75%	1%
Gross Profit	619	602	3%	698	-11%	1,317	1,279	3%
% Margin	26%	26%		23%		24%	25%	-2%
Employees exp	227	220	3%	232	-2%	460	418	10%
% of Revenue	9%	10%		8%		9%	8%	5%
other expenses	209	233	-10%	266	-21%	474	474	0%
TOTAL OPER EXPENDITURE	2,239	2,127	5%	2,782	-20%	5,021	4,754	6%
% of Revenue	92%	93%		93%		93%	92%	0%
EBITDA	183	149	23%	200	-8%	383	387	-1%
% Margin	8%	7%		7%		7%	8%	-6%
Depreciation	43	30	45%	41	5%	85	58	46%
Operating Profit	140	119	17%	159	-12%	299	329	-9%
% Margin	6%	5%		5%		6%	6%	-14%
Other Income	10	19	-46%	16	-38%	26	43	-39%
EBIT	150	138	9%	175	-14%	325	371	-13%
Finance Cost	17	6	161%	10	68%	27	14	91%
EBT	133	131	1%	165	-19%	298	357	-17%
EBT after exceptional	133	131	1%	165	-19%	298	357	-17%
Current Tax Exp / (Credit)	33	36	-8%	45	-26%	79	90	-13%
Deferred Tax Exp / (Credit)	(0)	(1)		(3)		(3)	2	-222%
Total Tax Expense / (Credit)	33	35	-5%	42	-21%	76	92	-18%
Add: Profit / (Loss) from JV/ Assoc.	(1)	(0)		(1)		(2)	(0)	1043%
PAT (Reported)	99	96	3%	121	-18%	219	265	-17%
% Margin	4%	4%		4%		4%	5%	-21%
PAT (Adjusted)	99	96	3%	121	-18%	219	265	-17%
% Margin	4%	4%		4%		4%	5%	-21%
EPS - Reported	4.8	4.7	3%	5.9	-18%	11	13	-17%

Source: Company, Way2Wealth

Segment Performance

(₹ crs)

SEGMENT REVENUE	Q2FY26	Q2FY25	YOY %	Q1FY26	QOQ %	1HFY26	1HFY25	YOY %
(a) Electro - mechanical projects and commercial air conditioning systems	1664	1428	17%	1412	18%	3077	2467	25%
(b) Unitary products	694	767	-10%	1499	-54%	2193	2497	-12%
(c) Professional electronics and industrial systems	64	81	-21%	70	-9%	135	178	-24%
TOTAL SEGMENT REVENUE	2422	2276	6%	2982	-19%	5405	5142	5%
EBIT								
(a) Electro - mechanical projects and commercial air conditioning systems	147	119	23%	112	32%	259	222	16%
margin %	9%	8%		8%		8%	9%	
(b) Unitary products	43	54	-21%	87	-51%	130	212	-39%
margin %	6%	7%		6%		6%	8%	
(c) Professional electronics and industrial systems	6	5	19%	8	-19%	14	15	-7%
margin %	10%	6%		11%		10%	8%	
PBIT	196	178	10%	206	-5%	402	449	-10%

Source: Company, Way2Wealth

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Disclosure of Interest Statement in Blue Star Ltd. as on 11th November 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
Way2Wealth ownership of any stock related to the information contained	NIL
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