

Blue Star Ltd.

Nifty	24,925
Sensex	82,430

Key Stock Data

Close*	₹1,624
Market Cap (₹ bn)	~₹326
52W High/Low	₹2,417/₹1,395
NSE Code	BLUESTARCO
BSE Code	500067
Bloomberg	BLSTR:IN

 Close* as on 12th May 2025

Shareholding

Pattern (%)	Jun'24	Sep'24	Dec'24	Mar'25
Promoters	36.52	36.46	36.46	36.48
DII's	23.56	22.84	22.19	16.94
FII's	17.04	18.06	18.48	23.15
Public & Others	22.88	22.64	22.87	23.44

(₹ crs)

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	60,456	7,977	9,685	11,968	12,799	14,828
EBITDA	3,465	493	665	876	1,024	1,186
EBITDA Margin(%)	5.7	6%	7%	7%	8%	8%
Net Profit	1,677	401	414	591	672	784
EPS (₹)	8.2	19.5	20.1	28.8	32.7	38.1
RoE (%)	16.6	30%	16%	19%	18%	17%
P/E (x)	219.6	83	81	57	50	43
EV/EBITDA (x)	107	68	50	38	32	28

Source: Company, Way2Wealth

Relative Performance

Returns (%)	1 Yr	3Yr	5 Yr
BLSTR	12%	175%	576%
Nifty 50	11%	56%	162%
Sensex	12%	54%	154%

Source: Company, Way2Wealth

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Q4FY25 Result Highlights

- Revenue grew by 21% YoY to ₹4,019crs, driven by robust performance in the EMP and Unitary Product segments. The EMP segment posted a strong 31% growth, supported by solid order execution in the Data Centre and manufacturing verticals. The Unitary Product segment grew 15% on the back of pre-season channel stocking ahead of summer. The Professional Electronics segment, however, saw a decline of 20% during the quarter. EBITDA up by 16% YoY to ₹279crs, though margins contracted marginally by 32 bps. Adjusted PAT increased by 21%, aided by strong topline performance and higher other income.
- During FY24, the company reported a 24% YoY growth in revenue to ₹11,968crs. EBITDA rose by 32% to ₹876crs, with EBITDA margins improving to 7%. Adjusted PAT increased by 40% to ₹579crs.

Segment performance:

- **Electro-Mechanical Projects (EMP):** Revenue grew by 31% YoY in Q4FY25, supported by strong execution in the data center and manufacturing sectors. EBIT margin improved by 12 bps YoY and 158 bps QoQ to 8% during the quarter. For FY25, revenue rose by 27% to ₹491 crs, with an EBIT margin of 8%. The EMP segment witnessed strong growth, driven by robust demand from data centers and manufacturing facilities. The commercial air conditioning business also continued to perform well, backed by healthy traction from the healthcare, hospitality, and education sectors. However, demand from commercial real estate and infrastructure projects remained subdued. There was a gradual recovery in government orders, although demand from the BFSI and industrial sectors was relatively muted.
- **Unitary Cooling Products (UCP):** The company reported a 15% YoY and 68% QoQ growth in revenue to ₹1,960 crs, led by strong demand in the RAC segment. EBIT margins expanded by 14 bps YoY and 356 bps QoQ. For FY24, the company posted a 22% revenue growth to ₹4,592crs with an EBIT margin of 8%. The RAC business witnessed strong YoY growth in Q4FY25, driven by channel partner up-stocking and harsh summer conditions. To capitalise on seasonal demand, the company launched a wide new range of room air conditioners, including premium offerings. However, demand was adversely impacted in April 2025 due to unseasonal rains, with a recovery expected in May–June 2025. Meanwhile, the commercial refrigeration segment delivered robust growth, supported by strong demand from the ice cream, HoReCa, quick commerce, and food retail sectors.
- **Professional Electronics and Industrial Systems:** The company reported a 20% YoY decline in revenue in Q4FY25 and a 42% decline in FY24, primarily due to subdued performance in the med-tech and data security verticals. EBIT margin stood at 10% in Q4FY25 and 9% for FY24.

Concall highlights:

- Looking ahead, unseasonal rains in April have impacted early summer sales, with April growth coming in at just 5%, indicating a muted start to Q1FY26.
- The company maintained a 14% market share in the Room Air Conditioner (RAC) segment as of March 2025. The Electro-Mechanical Projects (EMP) business continued to show robust growth, supported by strong demand from data centers and the manufacturing sector.
- **Order Book Position:** The carry-forward order book stood at ₹6,053crs, marking a 11% YoY increase. The Q4FY25 sales-to-order book ratio (non-annualised) improved to 32%, up from 25.0% in Q4FY24, indicating healthy execution and booking momentum.
- Growth is expected to be supported by a healthy EMP and commercial AC order pipeline, with continued demand from the manufacturing and data center sectors.

- The commercial refrigeration business rebounded from early regulatory challenges to deliver good growth, fuelled by enhanced demand from high-growth sectors like ice cream, QSRs, HoReCa, quick commerce, food retail, and healthcare.
- To meet growing RAC demand, Blue Star is expanding capacity at its Sri City plant at a capex of nearly ₹200crs, in line with demand growth in room air conditioners. The capacity can be expanded to 12 lakh units in a phased manner.
- **EMP Division:** The EMP segment continues to benefit from strong execution in the project business, especially in data centers and the manufacturing sector. The current order book stands at ₹4,755crs. The company has also completed testing for its decarbonisation and energy-efficient products in select international markets. Segment margins are being maintained in the 7.5–8.0% range.
- **Unitary Products (UCP):** The RAC business saw significant traction, with Blue Star maintaining a 14% market share. The commercial refrigeration segment holds a 30% share of its addressable market. The overall RAC market size is pegged at around ₹28,000crs, while the commercial refrigeration market is valued at ₹4,000crs.
- **Competitive Landscape:** The air conditioning market remains highly competitive. However, Blue Star believes it is well-positioned to gradually enhance its market share through product innovation and channel strength.
- **Capex Plans:** Blue Star intends to invest ₹250–350crs annually over the next few years to support capacity expansion and new product development. This includes expansion at its Sri City facility to meet growing RAC demand.

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 11%, 16%, and 16%, respectively, from FY25 to FY27E, with EBITDA and PAT margins stable at 8% and 5%. At the current market price, the stock trades at 43x 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	Q4FY25	Q4FY25	YOY %	Q3FY25	QOQ %	FY25	FY24	YOY %	
Revenue (net)	4019	3,328	21%	2807	43%	11968	9685	24%	
TOTAL INCOME	4,019	3,328	21%	2,807	43%	11,968	9,685	24%	
Costs of Materials Consumed	2,602	2,102	24%	2,083	25%	7944	6,146	29%	
Purchase of Base Depot / Spares	452	315	43%	274	65%	1412	1,162	22%	
Stock Adj. (Inc) / Dec.	35	122	-71%	(235)	-115%	-281	84	-436%	
Costs of Materials Consumed	3,090	2,539	22%	2,122	46%	9,074	7,392	23%	
% of Revenue	77%	76%		76%		76%	76%		
Gross Profit	929	789	18%	685	36%	2,893	2,293	26%	
% Margin	23%	24%		24%		24%	24%		
Employees exp	267	230	16%	234	14%	919	749	23%	
% of Revenue	7%	7%		8%		8%	8%		
other expenses	383	318	21%	241	59%	1099	879	25%	
TOTAL OPER EXPENDITURE	3,740	3,086	21%	2,598	44%	11,092	9,021	23%	
% of Revenue	93%	93%		93%		93%	93%		
EBITDA	279	242	15%	209	33%	876	665	32%	
% Margin	7%	7%		7%		7%	7%		
Depreciation	35	28	25%	35	1%	128	98	32%	
Operating Profit	244	214	14%	174	40%	747	567	32%	
% Margin	6%	6%		6%		6%	6%		
Other Income	24	13	85%	9	175%	75	47	58%	
EBIT	268	227	18%	183	46%	822	615	34%	
Finance Cost	19	12	56%	16	18%	49	58	-16%	
EBT	249	215	16%	167	49%	774	557	39%	
Exceptional (loss)/gain				13		13			
EBT after exceptional	249	215	16%	180	39%	786	557	41%	
Current Tax Exp / (Credit)	56	49	15%	43	31%	189	135	40%	
Deferred Tax Exp / (Credit)	(1)	6		4		5	8		
Total Tax Expense / (Credit)	55	54	1%	47	18%	194	143	36%	
Add: Profit / (Loss) from JV/ Assoc.	(0)	0		(1)		-1	0		
PAT (Reported)	194	160	21%	132	46%	591	414	43%	
% Margin	5%	5%		5%		5%	4%		
PAT (Adjusted)	194	160	21%	123	58%	579	414	40%	
% Margin	5%	5%		4%		5%	4%		
EPS - Reported	9.4	7.81	21%	6.4	46%	28.8	20.1	43%	

Source: Company, Way2Wealth

Segment Performance

									(₹ crs)
SEGMENT REVENUE	Q4FY25	Q4FY25	YOY %	Q3FY25	QOQ %	FY25	FY24	YOY %	
(a) Electro - mechanical projects and commercial air conditioning systems	1969	1,507	31%	1,562	26%	5998	4715	27%	
(b) Unitary products	1960	1,709	15%	1,164	68%	5621	4592	22%	
(c) Professional electronics and industrial svstems	90	112	-20%	81	11%	349	378	-8%	
TOTAL SEGMENT REVENUE	4,019	3,328	21%	2,807	43%	11,968	9,685	24%	
EBIT									
(a) Electro - mechanical projects and commercial air conditioning systems	150	113	33%	119	26%	491	341	44%	
margin %	8%	7%		6%		8%	7%		
(b) Unitary products	165	141	17%	95	74%	471	360	31%	
margin %	8%	8%		5%		8%	8%		
(c) Professional electronics and industrial svstems	9	14	-38%	6	41%	30	52	-42%	
margin %	10%	13%		7%		9%	14%		
PBIT	323	268	21%	220	47%	992	753	32%	

Source: Company, Way2Wealth

Financials

(₹ crs)

PARTICULARS	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue (net)	4264	6046	7977	9685	11968	12799	14828
growth %		42%	32%	21%	24%	7%	16%
TOTAL INCOME	4,264	6,046	7,977	9,685	11,968	12799	14828
Costs of Materials Consumed	3,271	4,715	6,182	7,392	9,074	9599	11121
% of Revenue	77%	78%	77%	76%	76%	75%	75%
Gross Profit	992	1,331	1,796	2,293	2,893	3200	3707
% Margin	23%	22%	23%	24%	24%	25%	25%
Employees exp	382	509	592	749	919	1024	1186
% of Revenue	9%	8%	7%	8%	8%	8%	8%
other expenses	371	476	711	879	1099	1152	1335
% of revenue	9%	8%	9%	9%	9%	9%	9%
TOTAL OPER EXPENDITURE	4,024	5,699	7,485	9,021	11,092	11775	13642
% of Revenue	94%	94%	94%	93%	93%	92%	92%
EBITDA	240	346	493	665	876	1024	1186
% Margin	6%	6%	6%	7%	7%	8%	8%
Depreciation	92	86	85	98	128	145	165
Operating Profit	147	260	408	567	747	879	1021
% Margin	3%	4%	5%	6%	6%	7%	7%
Other Income	62	36	31	47	75	65	65
EBIT	210	296	439	615	822	944	1086
Finance Cost	65	46	55	58	49	36	27
EBT	145	250	384	557	774	908	1059
Exceptional (loss)/gain			171		13	0	0
EBT after exceptional	145	250	555	557	786	908	1059
Total Tax Expense / (Credit)	47	83	155	143	194	236	275
Add: Profit / (Loss) from JV/ Assoc.	3		0	0	-1	0	0
PAT (Reported)	101	167	401	414	591	672	784
% Margin	2%	3%	5%	4%	5%	5%	5%
PAT (Adjusted)	101	167	230	414	579	672	784
% Margin	2%	3%	3%	4%	5%	5%	5%
EPS - Reported	4.9	8.1	19.5	20.1	28.8	33	38
EPS - Adjusted	4.9	8.1	11.2	20.1	28.1	33	38

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Disclosure of Interest Statement in Blue Star Ltd. as on 13th May 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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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