

About Company:

Blue Star Limited is one of India's most trusted companies in air conditioning and commercial refrigeration, with additional strengths in MEP services and professional electronics. It operates across three core areas: Projects, Unitary Products and Professional Electronics, supported by advanced manufacturing facilities and a nationwide service network that spans over 900 towns. It is among the top players in the Indian residential and commercial AC market, with a market share of around 15% in premium categories, and also ranks as a leading provider of commercial refrigeration solutions. Beyond India, it has expanded its presence across the Middle East, Africa, Europe and North America, steadily growing its global footprint.

Industry Overview:

The air conditioning market in India was valued at around USD 5.85 billion in 2025 and is expected to grow rapidly at a CAGR of ~ 15.6% to reach nearly USD 19.6 billion by 2033, driven by rising temperatures, urbanization, increasing middle-class purchasing power, and demand for energy-efficient and smart ACs. The residential sector dominates the market, with split ACs preferred for their energy efficiency and convenience, while commercial demand is also expanding. The refrigeration market is growing in parallel, fueled by rising incomes, rapid urbanization, and expanding cold chain infrastructure, particularly in food processing and pharmaceuticals, with a focus on energy-efficient and environmentally friendly technologies.

Management Key Takeaways (Q1 FY26)

Financial Performance Highlights

- Revenue from operations in Q1 FY26 grew 4.1% YoY to ~INR 2,982 crore, compared with ~INR 2,865 crore in Q1 FY25.
- EBITDA (excluding other income) came in at ~INR 200 crore (6.7% margin), versus INR 238 crore (8.3% margin) in previous year.
- Net profit declined to ~INR 121 crore, down from ~INR 169 crore in Q1 FY25.
- The order book expanded 12.5% YoY, reaching ~INR 6,843 crore versus ~INR 6,085 crore in the previous year.
- Capital employed rose sharply to ~INR 2,821 crore from ~INR 1,738 crore, reflecting ongoing commitments to manufacturing, R&D, and digitalization.
- The company maintained a healthy net cash position at ~INR 371 crore, although lower than ~INR 1,043 crore in Q1 FY25.

Segment-wise Business Highlights

Segment I: Electro-Mechanical Projects & Commercial Air Conditioning Systems

- Revenue increased 35.9% YoY to ~INR 1,413 crore, while segment profit stood at ~INR 112 crore, reflecting a 7.9% margin compared to 9.9% last year.
- Order inflow climbed to ~INR 1,963 crore, up from ~INR 1,466 crore.
- Growth was led by strong demand from factories, data centers, and healthcare facilities, though railway and metro projects remained muted.
- Commercial AC saw healthy traction in ducted systems, VRF, and chillers, with demand primarily from manufacturing and education sectors, while government and retail orders were slower.
- International operations are advancing cautiously in the U.S. and Europe amid geopolitical and tariff uncertainties, even as the company strengthens its footprint in the Middle East and Africa.
- Margins reflected variations in project and product mix.

Segment II: Unitary Products (Cooling & Purification, Commercial Refrigeration)

- Revenue declined 13.3% YoY to ~INR 1,500 crore, weighed down by a weaker Room AC season due to early monsoon rains.
- Segment profit dropped to ~INR 88 crore, with margins compressing to 5.8% from 9.1%.
- Despite the softer season, Blue Star slightly outperformed the market, with its estimated share inching up to about 14.2%.

Company:	Blue Star Ltd.
Closing Price:	INR 1948.3
Outlook:	Overweight (18.31%)
Target:	INR 2305

52 Week H/L:	INR 2337.55 / 1532.3
MCap(crs):	INR 40060 crs.
Free Float(crs):	INR 25443 crs.

*based on closing Price of 01-Sep-25

Valuation Matrix		
	Current	3-Year
PE Ratio	73.73	54.74
PB Ratio	12.58	11.21
EV/EBITDA	43.99	35.47
Mcap/Sales	3.31	2.71

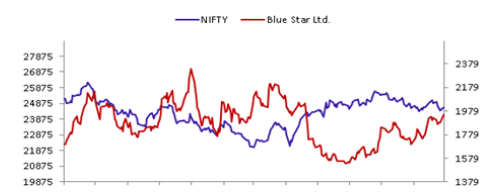
CAGR Growth		
Particulars	3Y-CAGR	5Y-CAGR
Net Revenue	14.57%	22.72%
EBITDA	21.14%	29.57%
PAT	13.85%	42.49%

Financial Performance			
Quarterly Result			
Particulars	Jun-24	Mar-25	Jun-25
Net Revenue	2865	4019	2982
Total Revenue	2889	4043	2998
EBITDA	238	279	200
EBITDA %	8.30%	6.95%	6.71%
PAT	169	194	121
PAT %	5.84%	4.80%	4.03%

Annual Result			
Particulars	Mar-23	Mar-24	Mar-25
Net Revenue	7977	9685	11968
Total Revenue	8008	9733	12043
EBITDA	493	665	876
EBITDA %	6.18%	6.87%	7.32%
PAT	401	414	591
PAT %	5.00%	4.26%	4.91%

Promoters Holding			
Particulars	Dec-24	Mar-25	Jun-25
Promoters	36.5%	36.5%	36.5%
FII	18.4%	16.9%	16.2%
DII	22.3%	23.2%	23.4%
Others	22.9%	23.5%	23.9%
Total	100.0%	100.0%	100.0%

Risk Metrics	
RPT	Low Impact
Dues	Moderate Impact
Rating	No Impact
Auditor's Remark	No Impact
Contingent Liabilities	Low Impact
Promotor's Pledge	No Impact



Data Source: AceEquity Currency: INR crore

- Commercial Refrigeration delivered a strong rebound, supported by demand from processed food and pharmaceuticals after regulatory hurdles eased.
- Margin pressure was mainly due to lower Room AC volumes, which reduced operating leverage.

Segment III: Professional Electronics & Industrial Systems

- Revenue fell 27.3% YoY to ~INR 70 crore in Q1 FY26.
- Segment profit stood at ~INR 8 crore, with margins improving to 10.8% from 9.9% last year, aided by a more favourable product and service mix.
- The Med Tech business was affected by regulatory uncertainty over refurbished device imports, while industrial solutions registered steady growth.

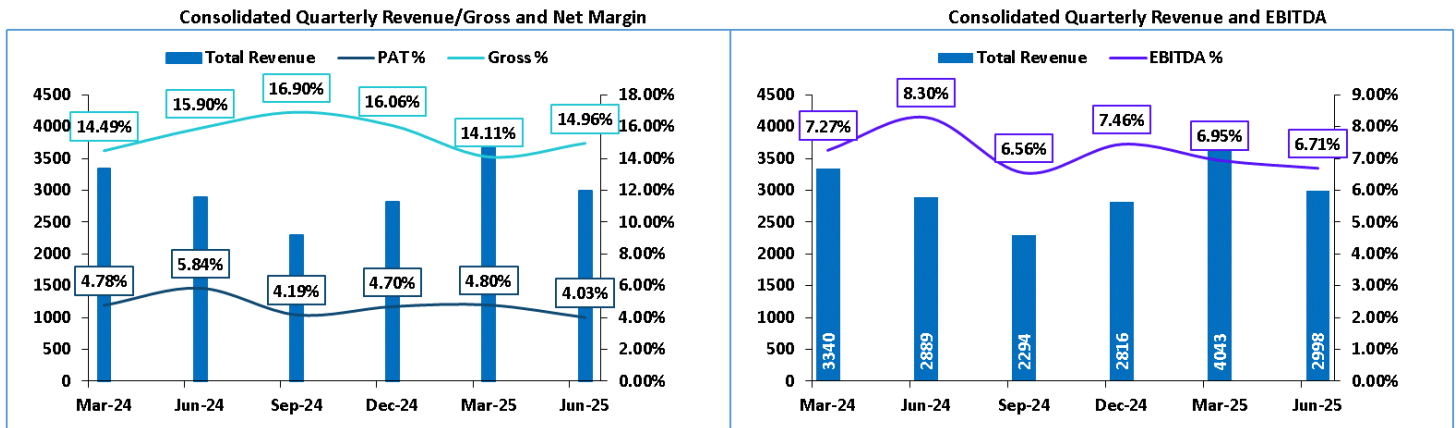
Capital Expenditure and Investments

- The significant increase in capital employed reflects ongoing investments in capacity expansion, R&D (about 1.5% of revenues), digitalization, and product development.
- These investments align with the company’s long-term strategy of enhancing competitiveness and innovation across both B2B and B2C markets.

Growth Outlook and Strategic Priorities

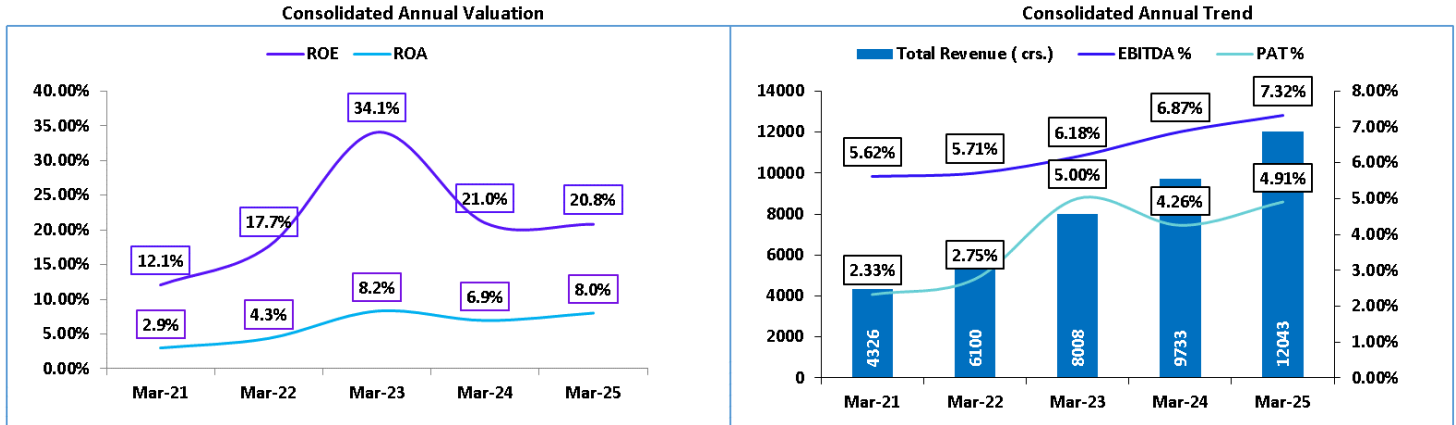
- For FY26, the company is targeting 10–15% growth in the Room AC segment, around 15% growth in Electro-Mechanical Projects with margins of 7–7.5%, and 10–15% growth in Unitary Products with margins of 7–8.5%, while factoring in seasonal challenges.
- Over the medium term, the Room AC business is expected to grow at 19% CAGR over the next five years.
- The upcoming energy efficiency and labelling norms (effective January 1, 2026) are already built into production plans, with a potential demand spike expected in Q3 ahead of the transition.
- The company continues to focus on tight inventory management, sales network expansion (especially in Tier-3 to Tier-5 cities), and differentiated product offerings across price points.
- Pricing discipline will be maintained, with no aggressive discounting planned; promotional schemes will stay aligned with market norms to safeguard margins.

Exhibit-1:



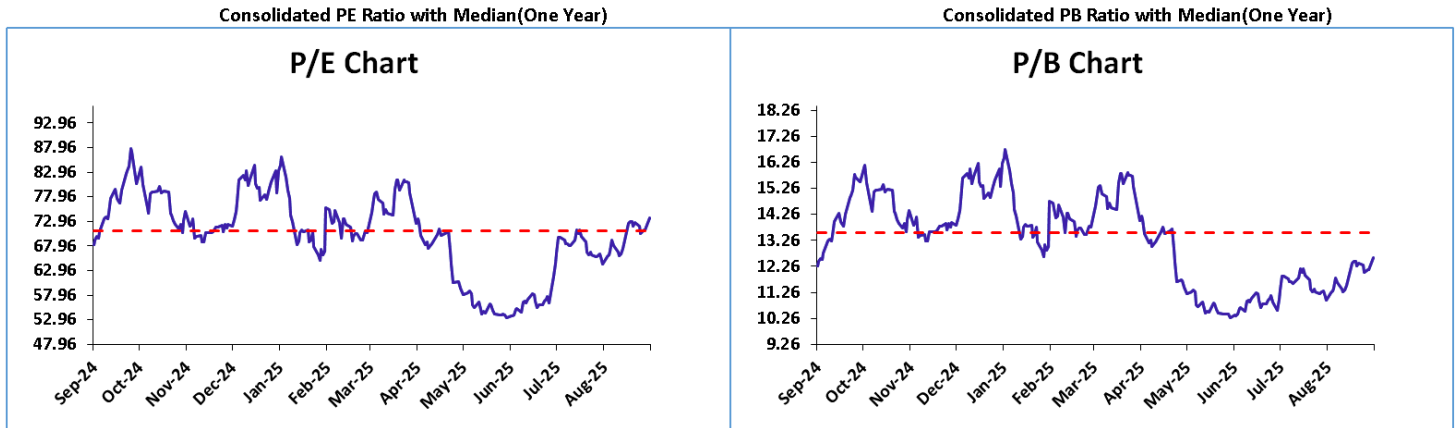
(Source: AceEquity)

Exhibit-2



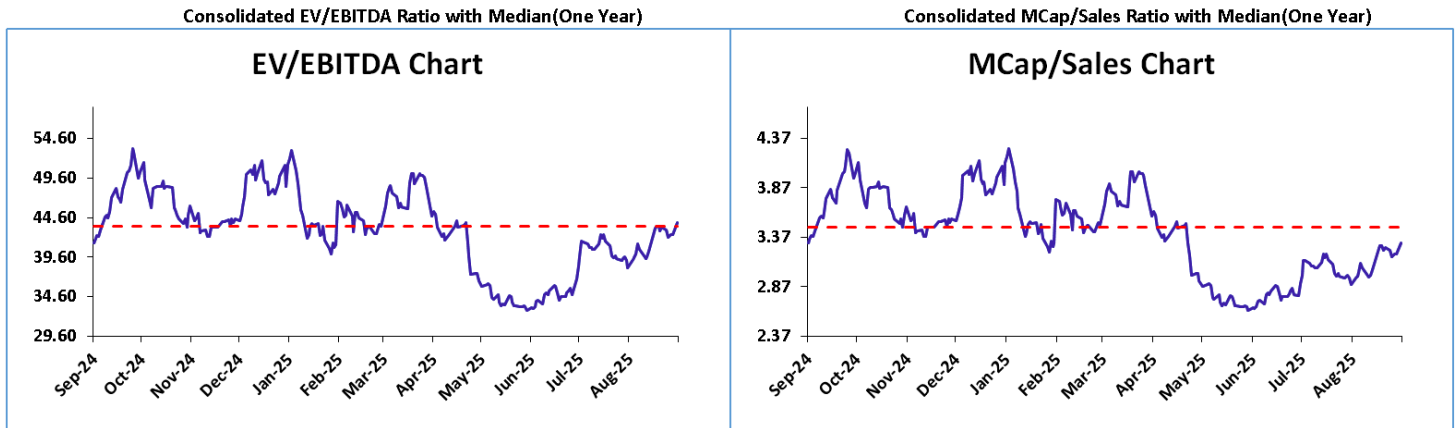
(Source: AceEquity)

Exhibit-3



(Source: AceEquity)

Exhibit-4



(Source: AceEquity)

Exhibit-5

Consolidated Profit and Loss						Consolidated Balance Sheet					
Particulars	Mar-24(A)	Mar-25(A)	Mar-26(E)	Mar-27(E)	Mar-28(E)	Particulars	Mar-24(A)	Mar-25(A)	Mar-26(E)	Mar-27(E)	Mar-28(E)
Net Revenue	9685	11968	13569	15717	18027	Equity Capital	41	41	41	41	41
Total Revenue	9733	12043	13635	15801	18126	Reserve & Surplus	2569	3020	3439	3959	4560
Manufacturing	8187	10454	12013	13657	15808	MI	3	3	3	3	3
Manufacturing %	84.53%	87.35%	88.54%	86.90%	87.69%	LT Borrowing	0	0	0	0	0
Gross Margin %	15.02%	15.53%	14.93%	15.17%	15.21%	Other LT Liabilities	120	240	219	456	1272
EBITDA	665	876	951	1147	1326	Current Liabilities	3878	4944	5629	6100	6703
EBITDA %	6.87%	7.32%	7.01%	7.30%	7.35%	ST Borrowing	167	199	206	238	274
Other Expenses	833	638	645	966	960	Total Liabilities	6611	8249	9331	10558	12579
Interest	58	49	71	80	87	Net Block	1155	1529	1932	2319	2743
Depreciation	98	128	152	168	197	CWIP	108	73	83	96	111
Total Expenditure	9176	11269	12881	14872	17052	Intangible	19	50	56	65	75
PBT with Adjust.	557	774	754	929	1074	Non Current Investment	18	18	27	27	27
Exceptional Items	0	13	0	0	0	Long Term Loan/Adv.	236	244	277	321	368
Share of JV/Associates	0	-1	-1	-1	-1	Other Non Current Asset	35	22	29	29	29
PBT	557	785	752	928	1073	Total Non Current Assets	1571	1936	2405	2858	3354
Tax	143	194	194	235	271	Current Assets	5040	6313	6926	7700	9226
PAT	414	591	558	693	802	Total Asset	6611	8249	9331	10558	12579

(Source: AceEquity)

Exhibit-6

Consolidated Cash Flow						Consolidated Margin					
Particulars	Mar-24(A)	Mar-25(A)	Mar-26(E)	Mar-27(E)	Mar-28(E)	Particulars	Mar-24(A)	Mar-25(A)	Mar-26(E)	Mar-27(E)	Mar-28(E)
PBT	557	785	754	929	1074	Net Revenue (YoY %)	21.41%	23.56%	13.38%	15.83%	14.70%
Other Adjustment	-11	-41	-35	-28	-19	Manufacturing %	84.53%	87.35%	88.54%	86.90%	87.69%
Changes In working Capital	-276	-52	492	654	374	EBITDA (YoY%)	34.94%	31.73%	8.62%	20.56%	15.59%
D&A	98	128	152	168	197	EBITDA	664.94	876	951	1147	1326
Interest	58	49	71	80	87	EBITDA %	6.87%	7.32%	7.01%	7.30%	7.35%
Tax Paid	-136	-182	-194	-235	-271	PAT	414	591	558	693	802
Cash Flow from Operation	289	688	1239	1569	1441	PAT %	4.26%	4.91%	4.09%	4.38%	4.42%
Purchase of Fixed Assets	-441	-372	-611	-629	-721	Consolidated Valuation					
Sale of Fixed Assets	5	22	19	24	40	P/BV	10.03	14.35	11.65	10.12	8.78
Other Investment Activities	-89	-114	-108	-99	-84	P/E	54.60	78.70	71.79	57.84	49.96
Cash Flow from Investment	-525	-464	-700	-704	-765	EV/EBITDA	41.19	48.48	41.89	34.72	30.01
Proceed from LT Borrowing	150	0	0	0	0	MCap/Sales	2.92	3.90	2.94	2.54	2.21
Repayment of LT Borrowing	-519	0	0	0	0	FCF Yield	2.81%	2.46%	4.67%	5.54%	5.50%
Short Term Loan	330	475	-301	-793	-1094	Current Ratio	1.30	1.28	1.23	1.26	1.38
Equity Dividend Paid	-116	-144	-139	-173	-200	ROA	6.88%	7.96%	6.35%	6.96%	6.93%
Interest Paid	-64	-33	-71	-80	-87	ROE	21.35%	21.16%	17.28%	18.72%	18.83%
Other Financial Activities	583	-461	275	786	1087	Key Assumptions					
Cash Flow from Finance	365	-162	-236	1569	-294	Particulars	Mar-24(A)	Mar-25(A)	Mar-26(E)	Mar-27(E)	Mar-28(E)
Net Cash Inflow / Outflow	129	62	304	605	381	Revenue Growth	21.41%	23.56%	13.38%	15.83%	14.70%
Opening Cash & Equivalents	227	357	420	724	1329	Debt to Equity	0.06	0.07	0.06	0.06	0.06
Foreign Exchange & Other Adj.	1	1	0	-237	96	EBITDA %	6.87%	7.32%	7.01%	7.30%	7.35%
Closing Cash & Equivalent	357	420	724	1092	1806	Dividend %	27.95%	24.34%	25.00%	25.00%	25.00%

(Source: AceEquity)

Valuation and View:

In Q1 FY26, Blue Star Limited reported a mixed performance, as lower Room AC demand was partially offset by growth in the commercial refrigeration segment. Net revenue rose 4.08% YoY to INR 2,982 crore but fell 25.80% QoQ from INR 4,019 crore in Q4 FY25. Gross margins expanded sequentially to 14.96% (vs. 14.11% QoQ) but remained below 15.9% YoY, while EBITDA declined 15.91% YoY to INR 200 crore and 28.42% QoQ, with margins compressing to 6.71% (vs. 8.30% YoY and 6.95% QoQ) due to weak operating leverage from unseasonal rains, subdued market conditions, and higher manufacturing and employee costs. PAT dropped 28.41% YoY to INR 121 crore and 37.72% QoQ from INR 194 crore, with margins narrowing to 4.03% from 5.84% YoY. Looking ahead, we believe the company will grow at a ~15% CAGR through FY28, outperforming the industry, supported by rising private consumption and the GST rate cut, while sustaining EBITDA margins above 7%. Accordingly, we maintain an **"Overweight"** rating with a target price of **INR 2,305 (+18.31%)**, based on a 3x Mcap/Sales multiple for FY27E.

Analyst Remark:

Our stock-specific reports provide a holistic perspective, developed through an in-depth analysis of company financials, management earnings calls, and future outlooks. For industry-level insights, we examine a broad range of factors, including recent developments such as macro trends, government policies, and other critical variables that may impact future earnings. Additionally, we acknowledge the influence of macroeconomic conditions and potential headwinds, which can significantly affect the earnings of both individual stocks and industries.

Target Time Frame:

Result Update- Up to 6 months

Initiating Coverage- Upto one & half year

Investment Idea - Upto 3 year

Recommendation Convention:

Overweight	Buy	Hold	Neutral	Reduce	Sell	Underweight	Accumulate
(+)10% and Above	(+)5% to (+)10%	(+)2% to (+)5%	(+)2% to (-)2%	(-)2% to (-)5%	(-)5% to (-)10%	(-)10% and below	Add in dips

Abbreviation and Details:

Related Party Transaction (RPT): An RPT above 40% of revenue is considered extreme, indicating significant dependency on related parties, which could raise concerns about independence and fairness.

Contingent Liabilities: These are potential future liabilities that may occur due to some events. For low-debt companies, those above 50% are a red flag, while for high-debt companies, the threshold is 25%. These levels indicate a high risk of additional financial burdens.

Dues: Significant disputed dues can lead to dangerous cash outflows, potentially jeopardizing the company's financial health and liquidity.

Auditors: Auditors' remarks highlighting financial fraud, manipulation, or misleading information are serious indicators of issues within the company's financial reporting and governance.

Rating: A rating above B++ is considered good, indicating a stable financial position. An upgrade above this rating signals positive development and improvement in the company's financial standing.

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