Blue Star Ltd

Positive outlook amid headwinds

Reco/View: **BUY**	CMP: **Rs. 1,842**	Price Target: **Rs. 2,100**

Quick Snapshot

- Revenue growth was modest at 4% amid prevailing market and weather headwinds. This quarter saw a slight recovery in RAC volumes.
- Operating profits grew 5% and margins improved by 10 bps to 7.5%.
- Management highlighted that with the current rise in commodity prices and depreciating rupee, price hike up to 10% is non-negotiable and will be taken in the next quarter.
- Stock trades at 48x/40x its FY2027/FY2028 EPS, respectively. We retain a Buy rating and for a revised PT of Rs. 2,100.

Result overview

- **EMP Segment:** Segment recorded a growth of 9% to Rs 1,696 crore but order inflows has declined by 16.5% y-o-y. Growth was aided by execution of projects from several sectors such as data centers and manufacturing. Order inquiries were strong, led by continued demand from factories, data centers, and healthcare sectors but order finalizations were muted. The commercial air conditioning business saw healthy order bookings on strong demand. While the revenue during this quarter was subdued (as some product deliveries were shifted to next quarter), a strong order book gives confidence in the prospects. The company continues to maintain its market leadership in ducted systems and scroll chillers and ranks among top three in VRF and screw chillers.
- **UCP segment:** There were some signs of growth in the RAC segment aided by channel stocking due to changes in energy norms. Street was expecting a much steeper decline but revenues moderates at flattish growth. Management took a strategic decision to lower the manufacturing of old rating AC's leading them to lower discounts aiding the margins to sustain at 8.5%. The inventories level remained low at 5-6 weeks (An average of 4-5 weeks in the normal times) versus the industry level of 8-10 weeks. Management indicated that further hike of maximum of 10% is non negotiables given the cost increase due to change in energy norms and higher commodity prices and declining rupee. Management is highly confident about the RAC market to pick up but cautious that Feb-26 offtake will be critical for driving inventory liquidation and incremental production for summers. Management also highlighted that amid all headwinds, it has gained market share with a decimal points and targets 15% market share in the longer timeframe.

Our Call

Blue Star is well-placed to leverage on the opportunities in the domestic RAC and the commercial cooling and refrigeration industry. The company also plans to explore exports opportunities in countries like the US and Europe. We expect revenue/ adjusted PAT to post a CAGR of ~13%/~14% over FY2025-FY2028E. At CMP, the stock trades at ~48x/40x its FY2027/FY2028 EPS, respectively. We maintain a Buy rating and value the company on segment-wise SOTP basis on FY2026E EPS for a PT of Rs. 2,100.

Key Risks

Rise in input costs could affect margins. Intense competition across segments is a key concern.

Valuation Rs cr

	FY24	FY25	FY26E	FY27E	FY28E
Revenue	9,686	11,968	12,780	14,557	17,065
OPM (%)	6.9	7.3	7.4	7.6	7.8
Adjusted PAT	414	579	610	722	878
% y-o-y growth	48.5	43.0	10.1	18.4	21.6
Adjusted EPS (Rs.)	20.1	28.7	31.6	37.5	45.6
P/E (x)	89.2	62.4	56.7	48.7	40.1
P/B (x)	14.1	12.0	10.7	9.5	8.2
EV/EBITDA (x)	51.7	37.9	35.0	29.8	24.8
RoCE (%)	26.2	27.2	25.0	26.1	27.4
RoNW (%)	21.0	20.8	18.7	19.6	20.6

Source: Company; Mirae Asset Sharekhan estimates

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Capital Goods

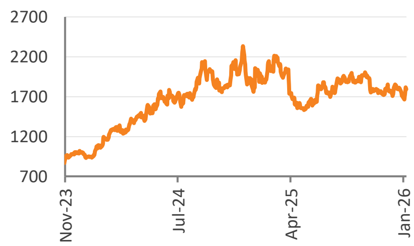
COMPANY DETAILS	
Market cap:	Rs. 37,294 cr
52-week high/low:	Rs. 2,266/1,521
NSE volume: (No of shares)	28.6 lakh
BSE code:	500067
NSE code:	BLUESTARCO
Free float: (No of shares)	12.96 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)	
Promoters	36.5
FII	14.7
DII	26.8
Others	22.1

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.1	-6.5	5.6	-12.9
Relative to Sensex	4.8	-3.2	5.5	-17.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Concall Highlights:

- **Q3 scorecard:** Revenues grew moderately by 4% aided by strong growth in electromechanical projects business (up 9% yo) which was compensated by a flat UCP business and decline in professional segment. Operating profit growth stabilized at 5% growth aided by lower employee cost and lower other manufacturing expenses. Margins improved 10 bps to 7.5%. Consolidated net profit declined 33% y-o-y to Rs. 81 crore as an impact of one off expenses due to new labor code.
- RAC inventory remains elevated at 4-5 weeks vs average of 3-4 weeks.
- RAC margins to stabilise 8.5% and peaks out in summer season to 9-9.5%. Company's structural policies like lower variables, low old energy AC productions, fewer discounts has aided them to raise margins.
- Commercial AC segment saw a good order bookings but revenues were subdued during the quarter.
- Management expects the demand for commercial refrigeration is stabilised now and will see a good tractions in coming quarters. We see that Bluestar holds a major market share of 30% in the industry.
- EMP segment saw a growth of 9% backtracked by execution in projects of Data centers and buildings where as infra remain muted. Also, order inflows have slowed down.

Results Rs cr

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net Sales	**2,925**	**2,807**	**4.2**	**2,422**	**20.8**
Operating profit	**221**	**209**	**5.4**	**183**	**20.5**
Other Income	12	9	36.1	10	18.7
Interest	22	16	38.9	17	30.6
Depreciation	46	35	31.1	43	5.8
PBT	**165**	**167**	**-1.5**	**133**	**23.9**
Tax	27	47	-41.8	33	-18.9
Reported PAT	**137**	**133**	**3.0**	**99**	**38.7**
Adjusted PAT	**81**	**121**	**-33.2**	**99**	**-18.1**
Adj. EPS (Rs.)	**3.9**	**5.9**	**-33.2**	**4.8**	**-18.1**
Margin			**BPS**		**BPS**
OPM (%)	7.5	7.5	8.7	7.6	(1.4)
NPM (%)	4.7	4.7	(5.6)	4.1	60.4
Tax rate (%)	16.4	27.8	(1,138.1)	25.1	(869.2)

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	4.48
2	Axis Asset Management Co Ltd/India	3.45
3	SBI Funds Management Ltd	3.35
4	Vanguard Group Inc/The	2.60
5	Nippon Life India Asset Management	2.51
6	ICICI Prudential Asset Management	2.18
7	JPMorgan Chase & Co	1.54
8	Norges Bank	1.43
9	FIL Ltd	1.36
10	Blackrock Inc	1.28

Source: Bloomberg

Key management personnel

Name	Designation
Vir Advani	Chairman & MD
B. Thiagarajan	MD
Nikhil Sohoni	CFO

Source: Company Website

SOMIL RAMESH MEHTA

Digitally signed by SOMIL RAMESH MEHTA
Date: 2026.02.02 19:16:54 +05'30'

DISCLAIMER

This research report ("Report") has been issued by Sharekhan Limited ("**Mirae Asset Sharekhan**"), and is intended for use only by the person or entity to which it is addressed to. This Report may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited unless specifically permitted by Mirae Asset Sharekhan. This Report is subject to change without prior notice.

Recommendation in reports is based on technical and derivatives analysis and based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/ documents focused on technical and derivatives research and shall not apply to reports/ documents/ information focused on fundamental research.

This Report does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same without discrimination, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers only by virtue of their receiving this Report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("**Affiliates**") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This Report is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this Report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this Report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this Report (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of, and/ or other individual analysts employed by Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this Report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Sharekhan may make investment or other decisions that are inconsistent with the opinions and views expressed in this Report. The views and opinions expressed in this Report may vary from or contradict with the report, views, estimates, rating, and target price if any provided/ issued by entity(ies) within or outside the group or other team(s) within Mirae Asset Sharekhan basis various factors including but not limited to rating criteria, valuation methodologies, assumptions, accounting methodologies, etc.

This Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this Report accurately reflect his or her personal views about the subject company or companies and its or their securities. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan or their associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the Report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan and their associates have not served as officers, directors or employees of the subject company. The analyst and Mirae Asset Sharekhan or its associates may have managed or co-managed the public offerings of the company. Mirae Asset Sharekhan, or its associates, or analysts may have received compensation for investment banking, merchant banking, brokerage services or received compensation for products or services other than investment banking, merchant banking or brokerage services from the subject company or from a third party in the past twelve months in connection with the Report, or received any other compensation or benefits from the subject company or other third party in connection with this Report. Mirae Asset Sharekhan or its associates have not been debarred/ suspended by the Securities and Exchange Board of India ("**SEBI**") or any other regulatory authority for accessing/ dealing in securities market. Mirae Asset Sharekhan or its associates or research analyst or his/her relatives may have financial interest or any other material conflict of interest in the subject company of this research report at the time of publication of the research report or at the time of public appearance. Further, please note that Mirae Asset Sharekhan or its research analysts or their associate(s) have not used artificial intelligence tools in providing research services.

Either Mirae Asset Sharekhan or its Affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities of the subject company or related securities referred to in this Report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Mirae Asset Sharekhan and its Affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/ investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market is subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asia money Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges on www.sharekhan.com

Most Important Terms and Conditions (MITC) for MASK research services can be viewed on Sharekhan website under

https://www.sharekhan.com/MediaGalary/Common/MITC_Sharekhan.pdf

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address: Gigaplex IT Park, Unit No 1001, 10th Floor, Building No. 9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200 / 022-61151111.