

Blue Star Ltd.

Nifty 22,125
Sensex 73,198

Key Stock Data

LTP* ₹1,938.95
 Market Cap (₹ bn) ~₹414
 52W High/Low ₹2,417/₹1,222
 Shares o/s (crs.) 21
 NSE Code BLUESTARCO
 BSE Code 500067
 Bloomberg BLSTR:IN
 LTP* as on 28th Feb 2025

Shareholding Pattern (%)

	Jun'24	Sep'24	Dec'24
Promoters	36.52	36.46	36.46
DIs	23.56	22.84	22.19
FIs	17.04	18.06	18.48
Public & Others	22.88	22.64	22.87

(₹ crs)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenues	7,977	9,685	11,049	12,799	14,828
EBITDA	493	665	884	1,024	1,186
EBITDA Margin (%)	6%	7%	8%	8%	8%
Net Profit	401	414	579	672	784
EPS (₹)	19.5	20.1	28.2	32.7	38.1
RoE (%)	30%	16%	18%	17%	17%
RoCE (%)	27%	23%	24%	23%	23%
P/E (x)	100	96	69	59	51
EV/EBITDA (x)	81	59	44	38	33

Source: Company, Way2Wealth

Relative Performance

Returns (%)	1 Yr	3Yr	5 Yr
BLSTR	50.0	166.5	383.2
Nifty 50	1.3	32.4	98.6
Sensex	1.8	30.9	92.2

Source: Company, Way2Wealth

Rupali Singh

rupalisingh@way2wealth.com

91-22-4019 2907

Q3FY25 Result Highlights

The company reported a 25% YoY and 23% QoQ revenue growth, reaching ₹2,807crs, driven by strong performances across segments, high demand for RACs, and a robust festive season. Unitary Products segment reported a 22% YoY growth to ₹1,164crs, fueled by festive-led RAC demand, while EMPS sales reported a 32% YoY increase to ₹1,562crs. EBITDA improved by 35% YoY/ 40% QoQ to ₹209crs, with a 7.5% margin. Adjusted PAT increased to 19% YoY to ₹120crs, while the order book reached a record ₹6,802crs, marking a 12.8% growth.

Segment performance:

- **Electro-Mechanical Projects and Commercial Air Conditioning:** Revenue grew 32.2% YoY to ₹1,562crs in Q3FY25, with segment PBIT at ₹119crs (7.6% margin) compared to ₹97crs (8.2%) in Q3FY24. Order inflow rose to ₹1,748crs from ₹1,260crs last year.
 - The **Electro-Mechanical Projects** division saw strong order finalizations from factories and data centers, while demand from commercial real estate and infrastructure remained weak. The order book grew 10.7% YoY to ₹5,146crs.
 - **Commercial Air Conditioning** reported reasonable growth driven by manufacturing, education, retail, and auditoriums. The company maintained leadership in ducted systems and the secured second position in VRF and chillers, despite liquidity issues and cost fluctuations posed challenges.
 - In **International Business**, the company secured approvals from three OEMs in Europe and North America, with initial shipments underway, but faces risks from the European slowdown and U.S. trade policy uncertainties. Despite these challenges, the company remains committed to global expansion, with Segment margins at 7.6%, in line with long-term guidance.
- **Unitary Products segment** revenue grew 21.9% YoY to ₹1,164crs in Q3FY25, with segment PBIT up by 40% yoy/ 76% QoQ to ₹95crs (8.1% margin) from ₹68crs (7.1% margin) in Q3FY24. The Cooling and Purification Products segment saw strong Room AC growth, driven by festive demand, increasing market share to 14%, while strategic inventory investments addressed supply chain challenges. In Commercial Refrigeration, regulatory issues in Water Coolers and Deep Freezers have been resolved, positioning the business for strong summer demand. Quick commerce and food delivery sectors are boosting Modular Cold Rooms, while retailers are expanding investments in Visi coolers and Deep Freezers. Overall, segment margins improved by 100 bps, supported by Room AC growth and economies of scale.
- **Professional Electronics and Industrial Systems segment revenue** declined by 22.1% YoY to ₹81crs in Q3FY25, with segment result drop to ₹6crs (7.7% margin) from ₹15crs (14.7% margin) in Q3FY24. While the **Industrial Solutioning** business maintained growth momentum, the **Med-Tech and Data Security** segments remained sluggish due to a slow recovery in their operating cycles, impacting order inflow.
- **Concall highlights:**
 - **Unitary Product segment:**
 - Q3 growth was driven by strong RAC demand due to festive season sales, with dealers stocking up for the summer.
 - Blue Star's RAC market share improved to 14%, and the company aims to reach 15% in the coming years while maintaining an operating margin of 8.5%.
 - About 40% of RAC sales occur via consumer finance, but there are additional costs related to financing, extended warranties, e-waste regulations, and import tariffs could limit margin expansion.
 - The overall RAC industry is expected to reach 15 million units in volume in F25, with Blue Star contributing 1.5 million units.
 - There are currently no supply chain constraints for RAC electronics, and all materials and components for the summer season are secured.

- India is expected to become the world's largest RAC market by 2045-2050, driving government efforts to develop a local component ecosystem.
 - Domestic compressor capacities are being set up to meet rising demand, and Blue Star may enter compressor manufacturing once its RAC sales reach 2.5 million units annually.
 - For RAC, next energy label change is due from 1st Jan 2026. BLSTR has already developed necessary products as per new label change. Sufficient time is given by BEE to companies to develop products.
 - Under Phase 1 of the PLI scheme, the company is eligible for ₹78crs in incentives over four years.
 - In the Commercial Refrigeration segment, regulatory challenges related to water coolers and deep freezers have been resolved, positioning the company well for summer demand.
 - Modular cold rooms are seeing strong traction from quick commerce and food delivery sectors, while the Visi Cooler market is benefiting from store upgrades by retailers. Commercial refrigeration segment is expected to grow at a 20% CAGR.
- **The EMPS and Commercial AC business** witnessed strong order finalization, driven by demand from factories and data centers. The Commercial AC segment grew at a moderate pace due to liquidity challenges in certain sectors, though manufacturing, retail, and education sectors provided support. Blue Star maintained its leadership in the ducted systems segment and secured the second position in VRF and Chillers. The segment's margin stood at 7.6%, aligning with long-term guidance. Meanwhile, the WJT arbitration process is in progress, with a resolution expected in 12-15 months.
 - **Room AC Industry Poised for Growth with Increasing Penetration and Strong Demand:** The Room AC industry is witnessing strong growth, driven by low penetration (~8%) expected to rise to 30% in the coming years. Key factors fueling demand include rising disposable income, stable pricing due to increased localization, and higher adoption of consumer financing (35-40% of sales on EMI). Urbanization, poor home ventilation, and a growing preference for air-conditioned environments are further accelerating sales. With a projected industry CAGR of 19% over the next five years, manufacturers are expanding capacity and strengthening supply chains. While seasonal variations may impact short-term sales, long-term demand remains robust, supporting sustained market expansion.
 - The RAC industry is projected to grow at a 19% CAGR over the next five years, though growth may vary across years. The company is preparing itself for this level of expansion.
 - Trade inventory remains at a healthy level, with major stocking taking place in February to cater to demand from March onwards.
 - The margin outlook remains unchanged, with guidance at 7-7.5% for EMPS and 8-8.5% for Unitary Products.
 - In terms of capex, the company has earmarked ₹7.5-8bn over three years.
 - Blue Star's existing RAC manufacturing capacity stands at 0.6 million units in Himachal Pradesh and 0.6 million units in Sri City. The company has modular capacities, which allow it to scale up production to 1.8-2.4 million units as needed.

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 (7-7.5% for EMPS, 8-8.5% for Unitary Products). With ₹7.5-8bn capex, scalable production, and localization efforts, the company is well-positioned for market expansion. Revenue, EBITDA, and PAT are projected to grow at a CAGR of 15%, 21%, and 24%, respectively, from FY24 to FY27E, with EBITDA and PAT margins stable at 8% and 5%. At the current market price, the stock trades at 51x 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	Q3FY25	Q3FY24	YOY %	Q2FY25	QOQ %	9MFY25	9MFY24	YOY %
Revenue (net)	2807	2241	25%	2276	23%	7,949	6,358	25%
TOTAL INCOME	2,807	2,241	25%	2,276	23%	7,949	6,358	25%
Costs of Materials Consumed	2,122	1,699	25%	1,674	27%	5,985	4,853	23%
% of Revenue	76%	76%	0%	74%	3%	75%	76%	-1%
Gross Profit	685	542	26%	602	14%	1,964	1,504	31%
% Margin	24%	24%	1%	26%	-8%	25%	24%	4%
Employees exp	234	185	26%	220	6%	652	520	25%
% of Revenue	8%	8%	1%	10%	-14%	8%	8%	0%
other expenses	241	201	20%	233	4%	715	561	27%
TOTAL OPER EXPENDITURE	2,598	2,086	25%	2,127	22%	7,352	5,935	24%
% of Revenue	93%	93%	-1%	93%	-1%	92%	93%	-1%
EBITDA	209	155	35%	149	40%	597	423	41%
% Margin	7%	7%	8%	7%	14%	8%	7%	13%
Depreciation	35	23	49%	30	17%	93	69	34%
Operating Profit	174	132	32%	119	46%	504	354	42%
% Margin	6%	6%	6%	5%	18%	6%	6%	14%
Other Income	9	13	-31%	19	-53%	51	35	46%
EBIT	183	145	27%	138	33%	555	389	43%
Finance Cost	16	10	56%	6	146%	30	46	-35%
EBT	167	134	25%	131	27%	525	343	53%
EBT after exceptional	180	134	34%	131	37%	537	-	-
Total Tax Expense / (Credit)	47	34	37%	35	33%	139	88	57%
Add: Profit / (Loss) from JV/ Assoc.	(1)	0	-820%	(0)	148%	(1)	0	-764%
PAT (Reported)	132	100	32%	96	38%	397	255	56%
% Margin	5%	4%	5%	4%	12%	5%	4%	25%
PAT (Adjusted)	123	100	23%	96	28%	388	255	52%
% Margin	4%	4%	-2%	4%	4%	5%	4%	22%
EPS – Reported	6.4	4.9	32%	4.7	38%	19.3	12.4	56%
EPS – Adjusted	6.0	4.9	23%	4.7	28%	18.9	12.4	52%

Source: Company, Way2Wealth

Segment Performance

(₹ crs)

SEGMENT REVENUE	Q3FY25	Q3FY24	YOY %	Q2FY25	QOQ %	9MFY25	9MFY24	YOY %
(a) Electro - mechanical projects and commercial air conditioning systems	1,562	1,182	32%	1,428	9%	4030	3209	26%
(b) Unitary products	1,164	955	22%	767	52%	3661	2883	27%
(c) Professional electronics and industrial systems	81	104	-22%	81	0%	258	266	-3%
TOTAL SEGMENT REVENUE	2,807	2,241	25%	2,276	23%	7949	6358	25%
EBIT								
(a) Electro - mechanical projects and commercial air conditioning systems	119	97	23%	119	0%	341	229	49%
Margin %	8%	8%		8%		8%	7%	19%
(b) Unitary products	95	68	40%	54	76%	307	219	40%
Margin %	8%	7%		7%		8%	8%	10%
(c) Professional electronics and industrial systems	6	15	-59%	5	20%	21	38	-45%
Margin %	8%	15%		6%		8%	14%	-43%
PBIT	220	180	22%	178	23%	669	485	38%

Source: Company, Way2Wealth

Financials

(₹ Cr)

PARTICULARS	FY23	FY24	FY25E	FY26E	FY27E
Revenue (net)	7977	9685	11049	12799	14828
growth %	32%	21%	14%	16%	16%
TOTAL INCOME	7,977	9,685	11049	12799	14828
Costs of Materials Consumed	6,182	7,392	8287	9599	11121
% of Revenue	77%	76%	75%	75%	75%
Gross Profit	1,796	2,293	2762	3200	3707
% Margin	23%	24%	25%	25%	25%
Employees exp	592	749	884	1024	1186
% of Revenue	7%	8%	8%	8%	8%
other expenses	711	879	994	1152	1335
% of revenue	9%	9%	9%	9%	9%
TOTAL OPER EXPENDITURE	7,485	9,021	10165	11775	13642
% of Revenue	94%	93%	92%	92%	92%
EBITDA	493	665	884	1024	1186
% Margin	6%	7%	8%	8%	8%
Depreciation	85	98	128	145	165
Operating Profit	408	567	756	879	1021
% Margin	5%	6%	7%	7%	7%
Other Income	31	47	61	65	65
EBIT	439	615	817	944	1086
Finance Cost	55	58	45	36	27
EBT	384	557	772	908	1059
Exceptional (loss)/gain	171		13	0	0
EBT after exceptional	555	557	784	908	1059
Total Tax Expense / (Credit)	155	143	204	236	275
Add: Profit / (Loss) from JV/ Assoc.	0	0	-1	0	0
PAT (Reported)	401	414	579	672	784
% Margin	5%	4%	5%	5%	5%
PAT (Adjusted)	230	414	567	672	784
% Margin	3%	4%	5%	5%	5%
EPS - Reported	19.5	20.1	28	33	38
EPS - Adjusted	11.2	20.1	28	33	38

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Disclosure of Interest Statement in Blue Star Ltd. as on 3rd March 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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