

In-line quarter, but a hazy outlook

Blue Star's consolidated revenue grew ~21% YoY, largely in line, led by robust growth in electro-mechanical projects (strong demand across factories and data centres) and unitary cooling products (channel filling in anticipation of a harsh summer). Professional electronics continued to disappoint with revenue declining in Data Security and Med-Tech businesses. An unfavourable revenue mix resulted in ~60bps/30bps YoY contraction in gross/EBITDA margin. The management highlighted a weak start to the summer with sales in April growing only 5% YoY vs. initial expectations of 20-25%. This coupled with high channel inventory at the distributor level is expected to result in lower primary sales in 1Q. Order book for the EMP business remains strong but global uncertainty remains a key risk. We cut our EPS by ~12% for FY26-27 as we see near-term margin pressure and uncertainty over RAC growth. We maintain BUY rating, with a revised target price of INR 1,900 (earlier 2,015).

- Overall performance resilient:** Revenue increased 20.8% YoY to INR 40.2bn (in line with JMFe), supported by strong growth in EMP and Residential AC business. EBITDA for the quarter was INR 27.9bn, up by 15.5% YoY. Gross margin was 23.1% vs. 23.7% while EBITDA margin was 7.0% vs. 7.3% YoY (JMFe EBITDAM at 7.6%); contraction in both GM and EBITDAM was primarily led by change in revenue mix. Reduction in employee cost as a percentage of sales (6.6% vs. 6.9%) supported EBITDA margin slightly. PAT increased by 22% YoY to INR 19.4bn.
- Strong demand in EMP and RAC business:** EMP and Commercial AC rev rose 31% YoY (7% above JMFe) to INR 19.7bn. EMP business delivered a strong performance driven by robust demand across factories and data centre although commercial real estate and infrastructure sector saw muted demand. CAC business also performed well, driven by steady demand from the healthcare, hospitality, and education sectors. Unitary products (UP) revenue grew by 14.7% to INR 19.6bn led by strong momentum in the RAC business as channel partners stocked up in anticipation of a harsh summer and uncertain supply chain risks. Commercial refrigeration business also rebounded from early regulatory challenges and delivered good growth. PEIS segment revenue stood at INR 0.9bn down 19% YoY as the Data Security and Med-Tech businesses are navigating through challenging environment, resulting in decline in both revenue and profitability.
- Outlook and Valuation:** We expect Blue Star's UP business/ EMP business/ PIEs business revenue to grow at a CAGR of 21%/14%/9% respectively over FY25-27. Overall, this will result in revenue/earnings CAGR of 23%/15%/31% over FY25-27. We now value BS on FY27 SOTP, UP PE of 50x due to market share gain, EMP and Commercial ACs' PE of 42x due to strong growth backed by private capex + data centre and PEIS PE of 25x. Our SOTP target is INR 1,900, up 19% from CMP; hence, we maintain BUY.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,900
Upside/(Downside)	18.1%
Previous Price Target	2,015
Change	-5.7%

Key Data – BLSTR IN

Current Market Price	INR1,608
Market cap (bn)	INR330.7/US\$3.9
Free Float	63%
Shares in issue (mn)	96.3
Diluted share (mn)	205.6
3-mon avg daily val (mn)	INR1,971.7/US\$23.0
52-week range	2,420/1,376
Sensex/Nifty	80,335/24,274
INR/US\$	85.7

Price Performance

%	1M	6M	12M
Absolute	-18.7	-10.0	12.1
Relative*	-25.2	-11.0	1.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,854	1,19,677	1,43,513	1,67,548	1,94,928
Sales Growth (%)	21.4	23.6	19.9	16.7	16.3
EBITDA	6,649	11,572	10,214	12,282	14,555
EBITDA Margin (%)	6.9	9.7	7.1	7.3	7.5
Adjusted Net Profit	4,145	8,629	6,887	8,550	10,339
Diluted EPS (INR)	20.2	42.0	33.5	41.6	50.3
Diluted EPS Growth (%)	-15.7	108.2	-20.2	24.1	20.9
ROIC (%)	21.6	32.5	21.7	23.5	25.8
ROE (%)	21.0	30.4	20.6	21.4	21.5
P/E (x)	79.8	38.3	48.0	38.7	32.0
P/B (x)	12.7	10.8	9.1	7.6	6.3
EV/EBITDA (x)	22.9	13.1	14.8	11.9	9.7
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of 08/May/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key highlights from the earnings call

Demand and Outlook:

- Highlighted that the base for the summer season was extremely good. Against the same backdrop, this summer the company was expecting 20-25% growth. However, the current season has not panned out as per expectations; April was hit given unfavourable weather across the country and early showers; Blue Star registered 5% growth in April vs. expectations of 25-30%. Hopeful of a revival in demand in May and June.
- Most brands have started manufacturing locally. Growth has also been a function of raw material sourcing; do not foresee this as a challenge

Electro-mechanical projects and commercial air conditioning:

- Have developed products for three ODMs globally, which should soon commence deliveries. However, global uncertainties have kept orders at bay; expect further clarity post 2H.
- Margins in projects like data centres are higher margin than other infrastructure projects..

Unitary products (RAC + Commercial refrigeration):

- The drop in UCP was owing to weak commercial refrigeration, while RAC has been strong. Commercial refrigeration business was impacted owing to regulatory changes. Now seeing good traction in Apr'25 and May'25. Further what added to the weakness was sluggish consumer demand.
- Had commercial refrigeration been usual, growth in this segment would have been 500bps higher and margins would have been higher than 50bps.
- Have gained 100bps market share in the RAC segment as per GFK data, and now stands at 14%. Introduced a premium line-up in the RAC segment. Also putting in efforts to expand distribution reach in Northern India.
- April situation: Opening inventory for the summer was anyway higher in anticipation of a compressor shortage.
- Pricing action: Generally, if there is an increase in input costs, all increases are passed onto customers with a 2-3 month lag. Hence, raised prices in Jan'25 (3-4%) along with new launches. Further, hiked prices again in April (4-5%). Now, when demand falls, the idea is to introduce schemes to make pricing attractive. Not started any discounts yet, in anticipation of a bounce-back in May and June.

Professional equipment and industrial solutions:

- Industrial solutions business continued to demonstrate steady momentum driven by growth in manufacturing sector and rising production quality standards.
- The Med-Tech and Data Security business continues to experience headwinds, with delay in order finalisations.

Others:

- Investment in R&D will continue at 1.5-2% of revenue.
- Backward integration:
 - Copper tubes being imported predominantly from Vietnam, but facing some regulatory issues, which can lead to elevated costs. Have signed an agreement with Hindalco for localisation of copper requirements
 - Will not be setting up a PCBA. Motors plant, will rely on external suppliers for this; have sufficient capacities in India with reasonable quality, and facing no issues.
 - Compressors - GMCC and Highly are manufacturing in India and also expanding their capacities here. Other EMS players are also looking to commence assembly units. As for Blue Star, keeping options open; in discussions with several players beyond the largest global players to expand the supplier base. Also open to setting up assembly units.

Exhibit 1. Consolidated quarterly performance

INR mn	Quarterly			Chg (%)		Q4FY25E		Reported		Chg (%)
	Q4FY24	Q3FY25	Q4FY25	YoY	QoQ	JM Est	Chg (%)	FY24	FY25	YoY
Net Operating Revenue	33,278	28,074	40,190	21%	43%	40,044	0%	96,854	1,19,677	24%
Material Cost	25,386	21,224	30,896	22%	46%	30,033	3%	73,920	90,743	23%
Gross Profit	7,892	6,850	9,293	18%	36%	10,011	-7%	22,934	28,933	26%
Employee Cost	2,297	2,342	2,669	16%	14%	3,484	-23%	7,495	9,189	23%
Other expenditure	3,176	2,415	3,830	21%	59%	3,493	10%	8,790	10,985	25%
EBITDA	2,419	2,094	2,794	16%	33%	3,034	-8%	6,649	8,759	32%
Interest	122	159	188	54%	18%	75	150%	581	488	-16%
Depreciation	283	350	354	25%	1%	375	-6%	975	1,284	32%
Other income	124	87	240	94%	175%	125	92%	474	750	58%
PBT	2,138	1,672	2,492	17%	49%	2,709	-8%	5,567	7,738	39%
Tax	544	465	548	1%	18%	669	-18%	1,428	1,937	36%
Recurring PAT	1,594	1,207	1,944	22%	61%	2,040	-5%	4,140	5,801	40%
Extraordinary items	0	125	0			0		0	125	
Minority Interest	0	0	0			0		0	0	
Share of Associate	4	-7	-4			0		5	-13	
Reported PAT	1,597	1,325	1,940	21%	46%	2,040	-5%	4,145	5,913	43%
Ratios (% of net sales)										
Gross Margin (%)	23.7%	24.4%	23.1%	-59 bps	-128 bps	25.0%	-188 bps	23.7%	24.2%	50 bps
EBITDA margin (%)	7.3%	7.5%	7.0%	-32 bps	-51 bps	7.6%	-62 bps	6.9%	7.3%	45 bps
Employee Cost	6.9%	8.3%	6.6%	-26 bps	-170 bps	8.7%	-206 bps	7.7%	7.7%	-6 bps
Other expenditure	9.5%	8.6%	9.5%	-1 bps	93 bps	8.7%	81 bps	9.1%	9.2%	10 bps
Tax rate (% of PBT)	25.5%	27.8%	22.0%	-346 bps	-583 bps	24.7%	-270 bps	25.6%	25.0%	-61 bps

Source: Company, JM Financial

Exhibit 2. Consolidated segmental performance

Net Revenues (INR Mn)	Quarterly			Chg (%)		Q4FY25E		Reported		Chg (%)
	Q4FY24	Q3FY25	Q4FY25	YoY	QoQ	JM Est	Chg (%)	FY24	FY25	YoY
EMP & Commercial AC	15,068	15,624	19,682	31%	26%	18,416	7%	47,155	59,980	27%
Unitary Products	17,089	11,644	19,602	15%	68%	20,507	-4%	45,922	56,211	22%
PEIS	1,121	806	906	-19%	12%	1,122	-19%	3,777	3,486	-8%
Total Segment Revenue	33,278	28,074	40,190	21%	43%	40,044	0.4%	96,854	1,19,677	24%
Segmental EBIT (INR Mn)										
EMP & Commercial AC	1,125	1,187	1,499	33%	26%	1,381	9%	3,411	4,909	44%
Unitary Products	1,414	948	1,645	16%	74%	1,706	-4%	3,603	4,713	31%
PEIS	136	62	88	-36%	41%	105	-17%	515	297	-42%
Total Segment EBIT	2,675	2,197	3,232	21%	47%	3,192	1%	7,529	9,919	32%
Segmental EBIT Margin (%)										
EMP & Commercial AC	7.5%	7.6%	7.6%	15 bps	2 bps	7.5%	12 bps	7.2%	8.2%	95 bps
Unitary Products	8.3%	8.1%	8.4%	12 bps	25 bps	8.3%	7 bps	7.8%	8.4%	54 bps
PEIS	12.1%	7.7%	9.7%	-245 bps	197 bps	9.4%	31 bps	13.6%	8.5%	-511 bps
Total Segment Margin	8.0%	7.8%	8.0%	0 bps	22 bps	8.0%	7 bps	7.8%	8.3%	51 bps

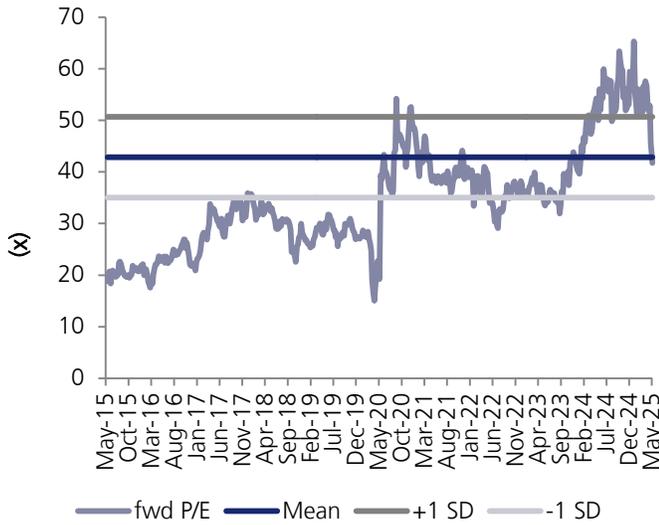
Source: Company, JM Financial

Exhibit 3. We cut our EPS estimate by ~12%/9% for FY26/27

Particulars (INR Mn)	FY26E			FY27E		
	Revised	Old	Chg (%)	Revised	Old	Chg (%)
Net revenue	1,43,513	1,40,477	2.2%	1,67,548	1,64,180	2.1%
EBITDA	10,214	10,950	-6.7%	12,282	12,819	-4.2%
Margin (%)	7.1%	7.8%		7.3%	7.8%	
PAT	6,887	7,798	-11.7%	8,550	9,344	-8.5%
EPS (INR/share)	33	38	-11.7%	42	45	-8.5%
Net revenue break-up						
EMP & Commercial AC	70,665	67,784	4.2%	81,249	78,582	3.4%
Unitary Products	69,015	68,622	0.6%	82,159	81,120	1.3%
PEIS	3,834	4,072	-5.8%	4,141	4,479	-7.5%

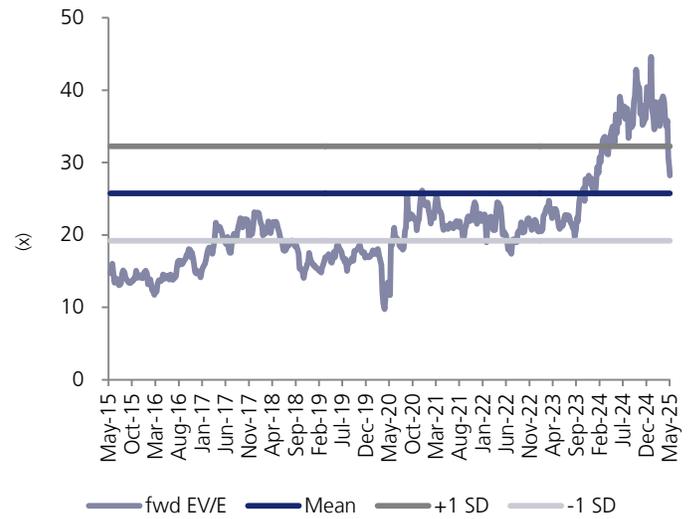
Source: Company, JM Financial

Exhibit 4. 1-year forward PE



Source: Company, JM Financial

Exhibit 5. 1-year forward EV/EBITDA



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	96,854	1,19,677	1,43,513	1,67,548	1,94,928	
Sales Growth	21.4%	23.6%	19.9%	16.7%	16.3%	
Other Operating Income	0	0	0	0	0	
Total Revenue	96,854	1,19,677	1,43,513	1,67,548	1,94,928	
Cost of Goods Sold/Op. Exp	73,920	90,743	1,09,070	1,28,175	1,48,925	
Personnel Cost	7,495	9,189	10,199	11,321	12,567	
Other Expenses	8,790	8,172	14,030	15,770	18,881	
EBITDA	6,649	11,572	10,214	12,282	14,555	
EBITDA Margin	6.9%	9.7%	7.1%	7.3%	7.5%	
EBITDA Growth	34.9%	74.0%	-11.7%	20.3%	18.5%	
Depn. & Amort.	975	1,284	1,458	1,601	1,737	
EBIT	5,674	10,288	8,755	10,681	12,818	
Other Income	474	750	785	1,000	1,200	
Finance Cost	581	488	395	319	271	
PBT before Excep. & Forex	5,567	10,550	9,146	11,363	13,747	
Excep. & Forex Inc./Loss(-)	0	125	0	0	0	
PBT	5,567	10,675	9,146	11,363	13,747	
Taxes	1,428	1,937	2,286	2,841	3,437	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	5	19	32	32	32	
Reported Net Profit	4,145	8,754	6,887	8,550	10,339	
Adjusted Net Profit	4,145	8,629	6,887	8,550	10,339	
Net Margin	4.3%	7.2%	4.8%	5.1%	5.3%	
Diluted Share Cap. (mn)	205.6	205.6	205.6	205.6	205.6	
Diluted EPS (INR)	20.2	42.0	33.5	41.6	50.3	
Diluted EPS Growth	-15.7%	108.2%	-20.2%	24.1%	20.9%	
Total Dividend + Tax	1,028	1,234	1,234	1,234	1,234	
Dividend Per Share (INR)	5.0	6.0	6.0	6.0	6.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	5,567	7,849	9,146	11,363	13,747	
Depn. & Amort.	976	1,284	1,458	1,601	1,737	
Net Interest Exp. / Inc. (-)	581	488	395	319	271	
Inc (-) / Dec in WCap.	-2,765	-516	-3,351	-1,750	-1,983	
Others	-103	-408	-785	-1,000	-1,200	
Taxes Paid	-1,363	-1,816	-2,286	-2,841	-3,437	
Operating Cash Flow	2,894	6,881	4,576	7,691	9,136	
Capex	-4,359	-3,686	-2,500	-3,000	-3,000	
Free Cash Flow	-1,465	3,194	2,076	4,691	6,136	
Inc (-) / Dec in Investments	-1,012	-1,303	0	0	0	
Others	124	350	785	1,000	1,200	
Investing Cash Flow	-5,246	-4,640	-1,715	-2,000	-1,800	
Inc / Dec (-) in Capital	10,000	0	0	0	0	
Dividend + Tax thereon	-1,158	-1,439	-1,234	-1,234	-1,234	
Inc / Dec (-) in Loans	-4,157	432	-400	0	0	
Others	-1,036	-615	-395	-319	-271	
Financing Cash Flow	3,648	-1,622	-2,028	-1,552	-1,505	
Inc / Dec (-) in Cash	1,296	619	833	4,139	5,831	
Opening Cash Balance	2,479	3,696	4,319	5,152	9,290	
Closing Cash Balance	3,775	4,315	5,152	9,290	15,122	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders' Fund	26,101	30,650	36,276	43,564	52,641	
Share Capital	411	411	411	411	411	
Reserves & Surplus	25,690	30,239	35,865	43,153	52,230	
Preference Share Capital	0	0	0	0	0	
Minority Interest	26	26	26	26	26	
Total Loans	1,666	1,994	1,594	1,594	1,594	
Def. Tax Liab. / Assets (-)	-3	46	46	46	46	
Total - Equity & Liab.	27,790	32,715	37,941	45,229	54,306	
Net Fixed Assets	12,819	16,518	17,560	18,959	20,222	
Gross Fixed Assets	17,332	22,354	25,586	28,586	31,586	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	5,784	7,068	8,526	10,127	11,864	
Capital WIP	1,271	1,232	500	500	500	
Investments	276	250	250	250	250	
Current Assets	53,015	65,718	73,394	85,507	1,00,434	
Inventories	14,072	21,492	19,625	22,859	26,555	
Sundry Debtors	19,526	19,594	28,304	33,044	38,444	
Cash & Bank Balances	3,774	4,319	5,152	9,290	15,122	
Loans & Advances	737	997	997	997	997	
Other Current Assets	14,907	19,316	19,316	19,316	19,316	
Current Liab. & Prov.	38,320	49,771	53,263	59,487	66,600	
Current Liabilities	26,166	34,276	37,768	43,992	51,105	
Provisions & Others	12,154	15,495	15,495	15,495	15,495	
Net Current Assets	14,695	15,947	20,131	26,020	33,834	
Total - Assets	27,790	32,715	37,941	45,229	54,306	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin	4.3%	7.2%	4.8%	5.1%	5.3%	
Asset Turnover (x)	4.1	4.0	4.1	4.0	3.9	
Leverage Factor (x)	1.2	1.1	1.1	1.0	1.0	
RoE	21.0%	30.4%	20.6%	21.4%	21.5%	

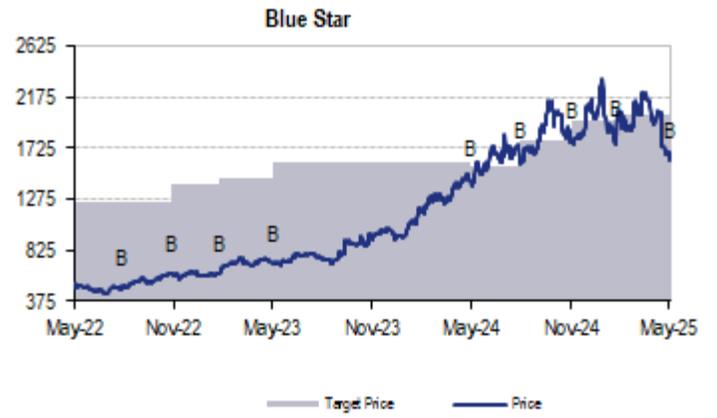
Key Ratios						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	126.9	149.1	176.4	211.9	256.0	
ROIC	21.6%	32.5%	21.7%	23.5%	25.8%	
ROE	21.0%	30.4%	20.6%	21.4%	21.5%	
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.2	-0.3	
P/E (x)	79.8	38.3	48.0	38.7	32.0	
P/B (x)	12.7	10.8	9.1	7.6	6.3	
EV/EBITDA (x)	22.9	13.1	14.8	11.9	9.7	
EV/Sales (x)	1.6	1.3	1.1	0.9	0.7	
Debtor days	74	60	72	72	72	
Inventory days	53	66	50	50	50	
Creditor days	106	116	103	103	103	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-May-20	Hold	415	
7-Aug-20	Hold	415	0.0
29-Oct-20	Hold	580	39.8
31-Jan-21	Buy	870	50.0
7-May-21	Buy	930	6.9
12-May-21	Buy	930	0.0
19-Jul-21	Buy	930	0.0
5-Aug-21	Buy	940	1.1
29-Oct-21	Buy	1,040	10.6
3-Feb-22	Buy	1,100	5.8
6-May-22	Buy	1,250	13.6
5-Aug-22	Buy	1,250	0.0
4-Nov-22	Buy	1,400	12.0
31-Jan-23	Buy	1,450	3.6
9-May-23	Buy	1,600	10.3
5-May-24	Buy	1,560	-2.5
8-Aug-24	Buy	1,790	14.7
8-Nov-24	Buy	1,971	10.1
30-Jan-25	Buy	2,015	2.2
8-May-25	Buy	1,900	-5.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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