7 August 2026

1QFY27 Results Update | Sector: Consumer Durables

Blue Star

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BLSTR IN
Equity Shares (m)	206
M.Cap.(INRb)/(USDb)	311.3 / 3.3
52-Week Range (INR)	2050 / 1450
1, 6, 12 Rel. Per (%)	-6/-15/-17
12M Avg Val (INR M)	925
Free float (%)	63.5

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	124.0	140.9	161.8
EBITDA	9.3	9.7	12.5
Adj. PAT	5.6	5.8	7.8
EBITA Margin (%)	7.5	6.9	7.7
Cons. Adj. EPS (INR)	27.3	28.0	37.8
EPS Gr. (%)	-3.5	2.4	35.2
BV/Sh. (INR)	166.9	186.4	214.2
Ratios			
Net D:E	0.1	0.0	-0.0
RoE (%)	16.4	15.0	17.7
RoCE (%)	15.2	14.3	17.0
Payout (%)	31.1	35.7	31.7
Valuations			
P/E (x)	55.5	54.1	40.0
P/BV (x)	9.1	8.1	7.1
EV/EBITDA (x)	33.7	32.2	24.9
Div Yield (%)	0.6	0.7	0.8
FCF Yield (%)	-0.5	0.8	1.4

Shareholding pattern (%)

As of	Jun-26	Mar-26	Jun-25
Promoter	36.5	36.5	36.5
DII	28.3	27.8	23.4
FII	12.8	13.8	16.2
Others	22.5	21.9	23.9

FII includes depository receipts

CMP: INR1,514 TP: INR1,580 (+4%) Neutral

Weak performance; margin pressure weighs on earnings

Focusing on market share; margin recovery to be gradual

- Blue Star's (BLSTR) 1QFY27 performance was significantly below estimates, affected by lower-than-estimated revenue growth in UCP and margin pressure across UCP/EMPS segments. Revenue was up 13% YoY at INR33.8b (~4% below our estimates). EBITDA declined ~13% YoY to INR1.8b (~30% miss). OPM contracted 1.5pp YoY to 5.2% (1.9pp below our estimates). Adj PAT declined ~21% YoY to INR957m (~38% miss).
- Management indicated that it was unable to fully pass on ~13% input cost pressure due to intense competition and lower-cost inventory with peers, resulting in only ~5% price hikes. Further, it lost market share by ~50bp in Apr'26 but recovered some in May-Jun'26, with overall 1Q market share loss of ~30bp to ~14%. In the next 6-9 months, it will focus on improving RAC profitability through product portfolio optimization while maintaining market share. It guided UCP EBIT margin of ~6.5% in FY27, with long-term aspiration to achieve 7.0-7.5%. BLSTR remains confident that the B2B business will continue to perform well, backed by a healthy order book.
- We cut our EBITDA estimates by 17%/11% for FY27/FY28 as we estimate lower margins. This led to EPS cut by ~19%/13% for FY27/FY28. We reiterate our Neutral rating on the stock with a TP of INR1,580 (based on SoTP).

UCP revenue up ~13% YoY (~10% miss); margin at 2.9% (est. 7.0%)

- Consol. revenue/EBITDA/adj. PAT stood at INR33.8b/INR1.8b/INR957m (+13%/-13%/-21% YoY and -4%/-30%/-38% vs. our est.) in 1Q. Gross margin dipped 1.7pp YoY to 22%. OPM contracted 1.5pp YoY to 5.2%. Depreciation/ interest costs increased ~37%/34% YoY, while 'other income' rose ~40% YoY.
- Segmental highlights: **a) UCP:** Revenue was up ~13% YoY to INR16.9b, EBIT declined ~43% YoY to INR497m, and EBIT margin contracted 2.9pp YoY to 2.9%. **b) EMPS**: Revenue rose 15% YoY to INR16.3b, EBIT declined ~1% YoY to INR1.1b, and EBIT margins contracted 1.1pp YoY to 6.8%. **c) PES:** revenue declined ~10% YoY to INR636m, EBIT increased ~26% YoY to INR96m, and EBIT margins expanded 4.2pp YoY to 15.1%.
- Net cash balance stood at INR9.0b as of Jun'26 vs. INR1.75b as of Mar'26.

Key highlights from the management commentary

- RAC industry grew ~21% YoY in volume terms and ~25% YoY in value terms during 1QFY27, while the company delivered ~18% volume growth and ~21% revenue growth on a primary sales basis.
- In MEP, data center remains a key growth driver with ~INR15b order inflows in 1Q. It expects ~INR30b of order inflows and ~INR14b of revenue in FY27 from data-center MEP business.
- The company incurred INR600-700m of capex in 1QFY27 and reiterated its FY27 growth investment guidance of INR3.0-3.5b, including manufacturing capex, R&D/product development, and digital initiatives.

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Valuation and view

- BLSTR's 1QFY27 performance was below our/consensus estimates due to significant margin pressure in the UCP and EMPS segments. We believe near-term earnings recovery is likely to remain gradual as the RAC industry is entering a seasonally soft period, along with higher competitive intensity and an uncertain macro environment. Positively, the strong order book in the EMPS business and the rapidly expanding data-center MEP opportunity provide a healthy medium-term growth opportunity.
- We estimate a CAGR of ~14%/16%/18% in revenue/EBITDA/PAT over FY26-28E, albeit on a low base. We estimate overall OPM to remain range-bound at ~7% (in line with last four-year average). We estimate cumulative OCF of INR12.8b over FY27-28 vs. INR8.4b over FY25-26 (lower due to higher working capital). We estimate cumulative FCF of INR7.0b over FY27-28 vs. INR1.5b over FY25-26. We estimate net cash balance of INR893m in FY28 vs. net debt of INR2.2b in FY26.
- At CMP, BLSTR trades fairly at a PE of 54x/40x on FY27E/FY28E. We maintain our Neutral rating with SoTP-based TP of INR1,580 (valuing UCP at 45x , EMPS at 40x and PES at 25x FY28E EPS).

Quarterly performance (Consolidated) (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Sales	**29,823**	**24,224**	**29,253**	**40,721**	**33,779**	**27,090**	**33,018**	**47,030**	**1,24,020**	**1,40,917**	**35,336**	**-4**
Change (%)	4.1	6.4	4.2	1.3	13.3	11.8	12.9	15.5	3.6	13.6	18.5	
EBITDA	**2,000**	**1,834**	**2,207**	**3,263**	**1,750**	**1,718**	**2,350**	**3,909**	**9,304**	**9,727**	**2,508**	**-30**
Change (%)	-15.9	22.8	5.4	16.8	-12.5	-6.3	6.5	19.8	6.2	4.5	25.4	
As of % Sales	6.7	7.6	7.5	8.0	5.2	6.3	7.1	8.3	7.5	6.9	7.1	-192
Depreciation	414	434	459	482	566	500	490	429	1,788	1,985	490	**16**
Interest	101	169	221	231	135	180	170	240	721	725	200	**-33**
Other Income/JV share	147	90	112	276	206	185	87	196	625	676	239	**-14**
PBT	**1,632**	**1,322**	**1,640**	**2,826**	**1,254**	**1,223**	**1,777**	**3,437**	**7,419**	**7,694**	**2,056**	**-39**
Tax	424	334	271	729	321	321	420	894	1,758	1,925	514	**-38**
Effective Tax Rate (%)	26.0	25.3	16.5	25.8	25.6	26.2	23.6	26.0	23.7	25.0	25.0	
Extra-ordinary Items	0	0	-564	175	92	0	0	0	-388	0	0	
MI/Share of profit from JV	1	2	1	-1	0	1	1	-4	4	-2	1	
Reported PAT	**1,210**	**990**	**807**	**2,271**	**1,025**	**904**	**1,359**	**2,539**	**5,277**	**5,767**	**1,544**	**-34**
Change (%)	-28.4	2.9	-39.2	17.3	-15.3	-8.7	68.4	11.8	-10.8	9.3	27.6	
Adj PAT	**1,210**	**990**	**1,277**	**2,141**	**957**	**904**	**1,359**	**2,539**	**5,617**	**5,767**	**1,542**	**-38**
Change (%)	-28.4	2.9	3.7	10.5	-20.9	-8.7	6.4	18.6	-3.5	2.7	27.5	

Segment-wise details (INR M)

Description	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY26	FY27E	1QE	Var
EMP & Services	14,125	16,642	16,962	19,899	16,251	18,140	18,404	22,245	67,628	75,040	15,820	3
Engineering products and services	704	644	749	972	636	624	764	1,045	3,068	3,068	775	-18
Unitary cooling business	14,994	6,938	11,542	19,850	16,893	8,326	13,851	23,740	53,324	62,809	18,742	-10
Total	**29,823**	**24,224**	**29,253**	**40,721**	**33,779**	**27,090**	**33,018**	**47,030**	**1,24,020**	**1,40,917**	**35,336**	-4
PBIT												
EMP & Services	1,116	1,471	1,147	1,285	1,102	1,306	1,380	1,689	5,019	5,478	1,345	-18
Engineering products and services	76	62	68	143	96	75	99	160	349	430	93	3
Unitary cooling business	875	427	977	2,070	497	375	831	2,380	4,348	4,083	1,312	-62
Total PBIT	**2,067**	**1,960**	**2,191**	**3,497**	**1,695**	**1,756**	**2,311**	**4,229**	**9,716**	**9,990**	**2,750**	-38
Segment PBIT (%)												
EMP & Services (%)	7.9	8.8	6.8	6.5	6.8	7.2	7.5	7.6	7.4	7.3	8.5	-172
Engineering products and services (%)	10.8	9.6	9.1	14.7	15.1	12.0	13.0	15.3	11.4	14.0	12.0	306
Unitary cooling business (%)	5.8	6.2	8.5	10.4	2.9	4.5	6.0	10.0	8.2	6.5	7.0	-406
Total PBIT (%)	**6.9**	**8.1**	**7.5**	**8.6**	**5.0**	**6.5**	**7.0**	**9.0**	**7.8**	**7.1**	**7.8**	-276

CONFERENCE CALL

Highlights from the management commentary

Unitary cooling products (UCP)

- It estimated the RAC industry grew ~21% YoY in volume terms and ~25% YoY in value terms during 1QFY27, while the company delivered ~18% volume growth and ~21% revenue growth on a primary sales basis.
- It had planned to pass on ~13% cost inflation through price hikes at the start of the season but was able to implement only ~5%, as the delayed onset of summer weakened demand and intensified competitive pricing.
- Competitive pricing by peers, supported by lower-cost inventory, limited the industry's ability to raise prices despite higher commodity costs.
- It prioritized market share over margins, aligning prices with prevailing market levels and increasing consumer promotional spending. Consequently, its RAC market share declined 50bp in April, but recovered with gains of 10bp in May and 50bp in June, limiting the overall 1QFY27 market share loss to 30bp. It expects to close the period with a market share of ~14% (vs. 14.25% earlier).
- It prioritized protecting market share by increasing spending on consumer finance schemes, dealer incentives, advertising, and field marketing to accelerate secondary and tertiary sales.
- Although commodity costs remain elevated, it expects industry-wide price increases in the coming quarters, which should help restore margins as pricing gradually catches up with input cost inflation.
- It expects industry-wide price realization to improve as low-cost inventory across the industry gets exhausted, which should support a gradual recovery in operating margins.
- Channel inventory remains elevated but is not at alarming levels, as demand weakened sharply after mid-June following an earlier-than-expected end to the summer season. Inventory normalization is expected to begin ahead of the Onam festival in Kerala and accelerate during Ganesh Chaturthi.
- It noted that trade inventory of 45-50 days is considered normal, although overall inventory levels appear higher due to stocks held at both its warehouses and dealer channels. High inventory was largely driven by pre-season stocking in anticipation of a longer summer, which did not materialize.
- It is undertaking comprehensive product portfolio rationalization and cost-saving initiatives, including greater use of alternate components, outsourcing of select models and product redesign, with a focus on competitive entry-level products. It aims to position ~90% of its portfolio at competitive price points while retaining its premium brand positioning, supporting sequential margin improvement in 2Q and a stronger recovery in 2HFY27.
- It guided for UCP EBIT margin of ~6.5% in FY27. The near-term focus remains on balancing market share and profitability; the focus will gradually shift from defending market share to improving margins through portfolio optimization.
- The commercial refrigeration business declined during the current quarter as demand for deep freezers from ice cream OEMs was muted, while it maintained market share. It expects demand to pick up during the festive season.
- Over the next 6-9 months, BLSTR will focus on improving RAC profitability through product portfolio optimization while maintaining market share. Although the long-term aspiration is to achieve 7-7.5% UCP segment EBIT

margin, it believes a ~6.5% margin in FY27 is a more realistic target given the uncertainty around commodity prices, exchange rates, and the competitive environment.

Electro-mechanical projects and services

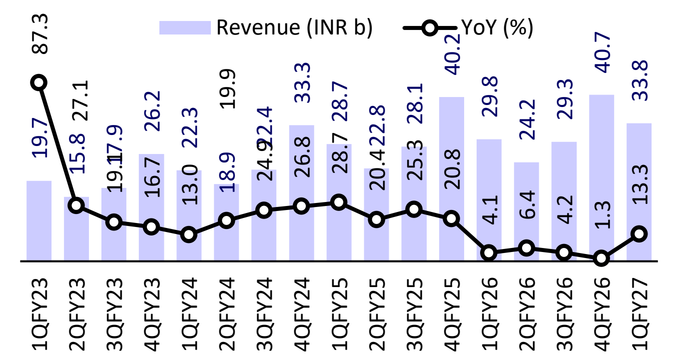
- Revenue grew 15.1% YoY, while EBIT margin contracted 112bp YoY, primarily due to high commodity prices and adverse currency movements. However, it guided for margin of 6.5-7.0%.
- The Data Center MEP business continues to be a key growth driver, with INR15b of order inflows in 1QFY27, taking the total order book to INR77b as of Jun'26. It expects FY27 order inflows of INR30b from Data Center MEP projects, translating into ~INR14b of revenue. It is targeting revenue contribution of INR40b (~20% of revenue) from the Data Center MEP business by FY29.
- All key product categories like ducted, VRF and chillers registered growth during the quarter from the inquiries and order inflow. Growth outlook for the rest of the year appears reasonably good. However, higher commodity prices and a depreciating currency will continue to put pressure on margins in this business.
- It remains confident that the B2B business will continue to perform well, backed by a healthy order book.

Outlook and other highlights

- It remains cautious on FY27 given West Asia-related uncertainties, volatile commodity prices and currency movements, but is confident about the medium-term HVAC industry outlook.
- BLSTR incurred INR600-700m of capex in 1QFY27 and reiterated its FY27 growth investment guidance of INR3.0-3.5b, including manufacturing capex, R&D/product development, and digital initiatives.

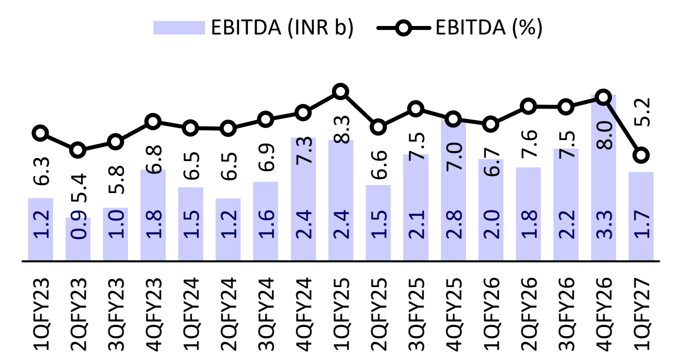
Story in charts

Exhibit 1: Total revenue increased 13% YoY



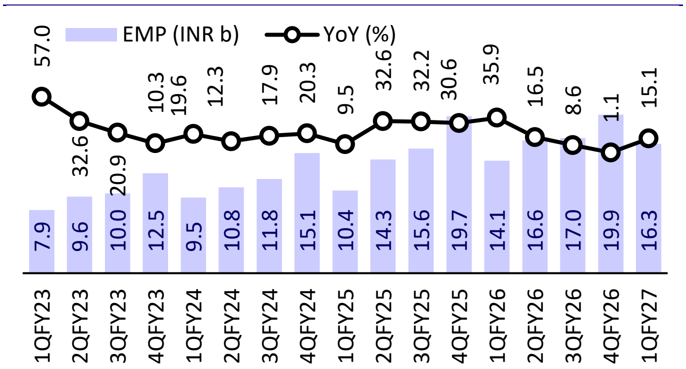
Source: MOFSL, Company

Exhibit 2: EBITDA declined 13% YoY



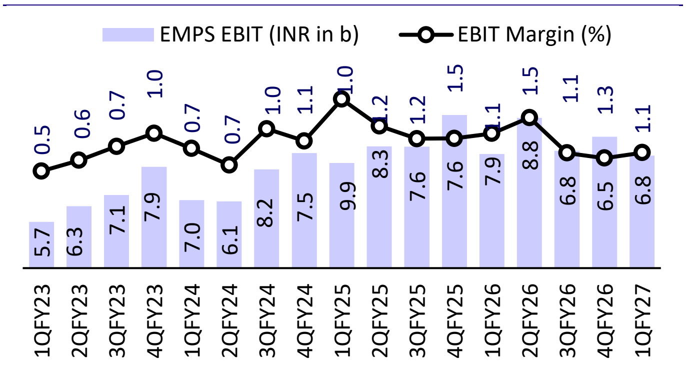
Source: MOFSL, Company

Exhibit 3: EMPS revenue increased 15% YoY



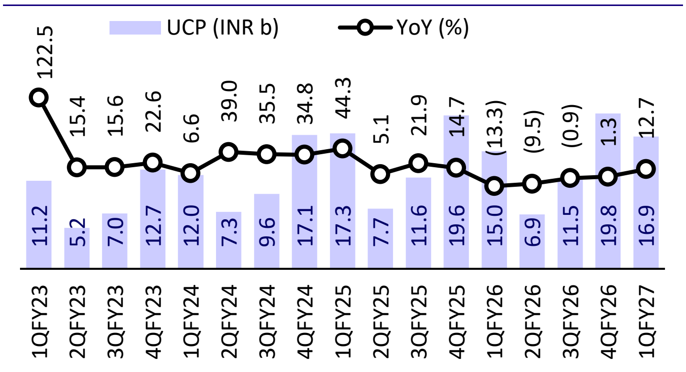
Source: MOFSL, Company

Exhibit 4: EMPS EBIT declined 1% YoY



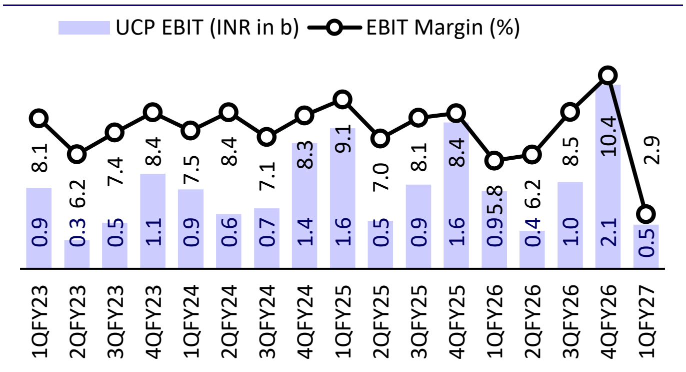
Source: MOFSL, Company

Exhibit 5: UCP revenue increased 13% YoY



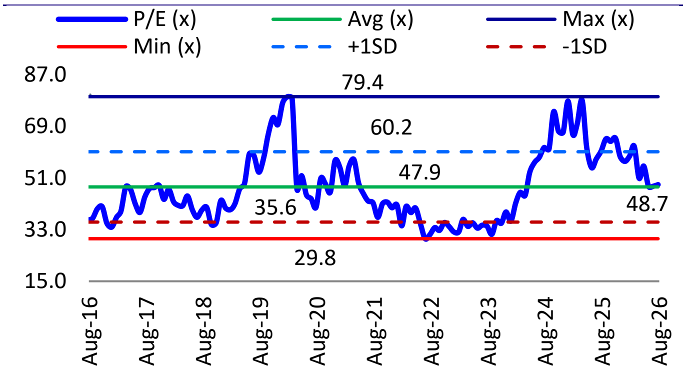
Source: MOFSL, Company; Note: market share YTD

Exhibit 6: UCP EBIT declined 43% YoY



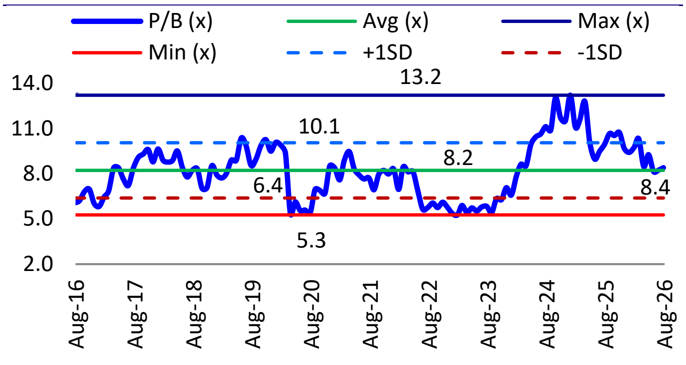
Source: MOFSL, Company

Exhibit 7: One-year forward P/E chart



Source: MOFSL, Company

Exhibit 8: One-year forward P/B chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Revenues	**42,636**	**60,641**	**79,773**	**96,854**	**1,19,677**	**1,24,020**	**1,40,917**	**1,61,795**
Change (%)	-20.5	42.2	31.6	21.4	23.6	3.6	13.6	14.8
Raw Materials	32,714	47,332	61,817	73,920	90,743	95,421	1,08,506	1,23,288
Staff Cost	3,818	5,086	5,922	7,495	9,189	9,181	10,283	11,620
Other Expenses	3,706	4,759	7,107	8,790	10,985	10,114	12,401	14,400
EBITDA	**2,398**	**3,465**	**4,928**	**6,649**	**8,759**	**9,304**	**9,727**	**12,488**
Change (%)	-15.2	44.5	42.2	34.9	31.7	6.2	4.5	28.4
% of Total Revenues	5.6	5.7	6.2	6.9	7.3	7.5	6.9	7.7
Other Income	624	357	309	474	750	619	676	809
Depreciation	923	860	848	976	1,284	1,788	1,985	2,129
Interest	647	464	547	581	488	721	725	776
PBT	**1,452**	**2,498**	**3,842**	**5,567**	**7,737**	**7,414**	**7,694**	**10,392**
Tax	471	829	1,547	1,429	1,937	1,758	1,925	2,600
Rate (%)	32.4	33.2	40.3	25.7	25.0	23.7	25.0	25.0
Extra-ordinary Income (net)	0	0	1,708	0	125	-388	0	0
Reported PAT	**1,004**	**1,677**	**4,005**	**4,150**	**5,912**	**5,277**	**5,754**	**7,780**
Change (%)	-30.0	67.1	138.8	3.6	42.5	-10.8	9.0	35.2
Adj. Consolidated PAT	**1,004**	**1,677**	**2,773**	**4,150**	**5,818**	**5,617**	**5,754**	**7,780**
Change (%)	-31.9	67.1	65.3	49.6	40.2	-3.5	2.4	35.2

Balance Sheet								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Share Capital	193	193	193	411	411	411	411	411
Reserves	8,659	9,983	13,114	25,690	30,239	33,903	37,909	43,633
Net Worth	**8,852**	**10,176**	**13,307**	**26,101**	**30,650**	**34,314**	**38,320**	**44,044**
Minority Interest	**27**	**30**	**32**	**26**	**26**	**25**	**27**	**29**
Loans	4,548	4,778	5,776	1,666	1,994	6,268	5,768	5,268
Deferred Tax Liability	-475	-276	-79	-3	46	223	223	223
Capital Employed	**12,952**	**14,708**	**19,035**	**27,790**	**32,715**	**40,830**	**44,338**	**49,564**
Gross Fixed Assets	7,665	9,017	14,126	18,159	23,154	26,554	29,354	32,354
Less: Depreciation	3,829	4,689	5,537	6,513	7,797	9,585	11,569	13,698
Net Fixed Assets	**3,836**	**4,328**	**8,589**	**11,645**	**15,357**	**16,970**	**17,785**	**18,656**
Capital WIP	715	1,523	833	1,271	1,232	1,369	1,369	1,369
Investments	2,950	1,623	1,481	2,668	4,321	4,572	4,559	4,549
Curr. Assets	**27,519**	**35,376**	**43,490**	**50,526**	**61,577**	**62,757**	**72,880**	**84,987**
Inventory	8,824	11,442	14,334	14,072	21,492	21,662	23,164	26,596
Debtors	8,110	11,897	15,488	19,526	19,594	21,397	25,095	28,813
Cash & Bank Balance	3,322	2,697	2,433	3,774	4,319	4,021	4,226	6,161
Loans & Advances	7,263	9,340	11,235	13,155	16,172	15,677	20,395	23,417
Current Liab. & Prov.	**22,068**	**28,143**	**35,358**	**38,320**	**49,771**	**44,837**	**52,255**	**59,996**
Creditors	16,049	20,417	25,112	26,166	34,276	29,429	34,747	39,895
Other Liabilities	6,019	7,726	10,246	12,154	15,495	15,409	17,508	20,102
Net Current Assets	**5,451**	**7,234**	**8,132**	**12,206**	**11,806**	**17,920**	**20,626**	**24,990**
Application of Funds	**12,952**	**14,708**	**19,035**	**27,790**	**32,715**	**40,830**	**44,338**	**49,564**

Financials and valuations (Consolidated)

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)								
Adj EPS	**4.9**	**8.2**	**13.5**	**20.2**	**28.3**	**27.3**	**28.0**	**37.8**
Cash EPS	9.4	12.3	17.6	24.9	34.5	36.0	37.6	48.2
Book Value	43.1	49.5	64.7	126.9	149.1	166.9	186.4	214.2
Adj. DPS	2.0	5.0	6.0	7.0	9.0	8.5	10.0	12.0
Payout (%)	41.0	61.3	44.5	34.7	31.8	31.1	35.7	31.7
Valuation (x)								
P/E	310.4	185.7	112.3	75.1	53.5	55.5	54.1	40.0
Cash P/E	161.7	122.8	86.0	60.8	43.9	42.1	40.3	31.4
EV/EBITDA	61.3	42.7	30.3	46.5	35.3	33.7	32.2	24.9
EV/Sales	3.5	2.4	1.9	3.2	2.6	2.5	2.2	1.9
Price/Book Value	35.2	30.6	23.4	11.9	10.2	9.1	8.1	7.1
Dividend Yield (%)	0.1	0.3	0.4	0.5	0.6	0.6	0.7	0.8
Profitability Ratios (%)								
RoE	11.3	16.5	20.8	15.9	19.0	16.4	15.0	17.7
RoCE	10.8	13.3	16.2	16.5	18.9	15.2	14.3	17.0
RoIC	14.9	16.8	16.1	19.8	23.3	17.8	16.3	20.0
Turnover Ratios								
Debtors (Days)	69	72	71	74	60	63	65	65
Inventory (Days)	76	69	66	53	66	64	60	60
Creditors. (Days)	137	123	115	99	105	87	90	90
Asset Turnover (x)	3.3	4.1	4.2	3.5	3.7	3.0	3.2	3.3
Leverage Ratio								
Net Debt/Equity (x)	0.1	0.2	0.3	-0.1	-0.1	0.1	0.0	0.0

Cash Flow Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
PBT before EO Items	**1,452**	**2,509**	**5,554**	**5,572**	**7,849**	**7,031**	**7,694**	**10,392**
Add : Depreciation	923	860	848	976	1,284	1,788	1,985	2,129
Interest + other income	175	261	(919)	472	80	16	49	(33)
Less : Direct Taxes Paid	(102)	(390)	(927)	(1,363)	(1,816)	(1,723)	(1,925)	(2,600)
(Inc)/Dec in WC	1,051	(2,366)	(2,124)	(2,765)	(516)	(5,574)	(2,501)	(2,430)
CF from Oper. Incl. EO Items	**3,498**	**874**	**2,432**	**2,892**	**6,881**	**1,538**	**5,301**	**7,458**
(Inc)/Dec in FA	174	(2,179)	(3,530)	(4,359)	(3,686)	(3,224)	(2,800)	(3,000)
Free Cash Flow	**3,672**	**(1,305)**	**(1,097)**	**(1,467)**	**3,194**	**(1,685)**	**2,501**	**4,458**
Investment in liquid assets	(2,569)	1,489	1,713	(887)	(954)	(364)	676	809
CF from Investments	**(2,396)**	**(690)**	**(1,817)**	**(5,246)**	**(4,640)**	**(3,588)**	**(2,124)**	**(2,191)**
(Inc)/Dec in Debt	(21)	217	1,132	(4,157)	432	4,242	(500)	(500)
(Inc)/Dec in Equity	-	-	-	9,834	(5)	-	-	-
Less : Interest Paid	(395)	(411)	(664)	(636)	(329)	(514)	(725)	(776)
Dividend Paid	(12)	(388)	(964)	(1,158)	(1,439)	(1,848)	(1,748)	(2,056)
Others	(291)	(243)	(264)	(235)	(281)	(509)	-	-
CF from Fin. Activity	**(720)**	**(824)**	**(759)**	**3,648**	**(1,622)**	**1,371**	**(2,973)**	**(3,332)**
Inc/Dec of Cash	**382**	**(640)**	**(144)**	**1,294**	**619**	**(678)**	**205**	**1,935**
Add: Beginning Balance	2,939	3,336	2,577	2,479	3,700	4,699	4,021	4,226
Closing Balance	**3,322**	**2,697**	**2,433**	**3,774**	**4,319**	**4,021**	**4,226**	**6,161**

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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