

Our RAC coverage stocks (VOLT/BLSTR) have seen sharp correction in CY25 (~30%+ CY25 YTD), as nationwide unseasonal rains dented demand during the peak summer quarter (Q1), which typically contributes ~30-35% of annual UCP revenue. Contrary to street expectations of a significantly weak Q1 (~20-25% volume drop expected, per industry executives - [Link](#)) and thus a muted FY26E, we view this as an opportunity to 'Buy' AC stocks. Our past 15-year analysis suggests three similar periods of weak summers (CY12-13, CY15, and CY18), where UCP revenue growth was soft (down 3%/up only 7%), while stocks fell ~30-40%. Notably, each weak summer was followed by a sharp rebound, with UCP revenue rising ~15-20% amid structural tailwinds like premiumization, low penetration, and improving affordability driving stock rallies of ~40-160% over the next 12-18M. While FY26E is likely to be a muted year (we build in ~3% RAC volume decline), we believe that after the recent correction in stocks, the risk-reward is attractive, with current valuation of VOLT's implied 1YF UCP P/S (~3.2x) near its Covid lows (~2.9x) and BLSTR at 1YF ~46x PER below its +1SD (~50x).

Softer summers than usual lead to sharp slides historically

Over the last 15Y, weak or erratic summers have consistently disrupted RAC demand and triggered sharp stock corrections (~30-40%) for UCP players. In time-periods such as CY12-13, CY15, CY18, and CY25YTD, unseasonal rains and below-normal temperatures resulted in flat or negative UCP revenue growth. For instance, FY12 saw ~20% industry volume de-growth, with VOLT/BLSTR UCP revenue down 3.2%/up 6.6% YoY (refer to Case Study 1 ahead). In Q1FY16, erratic rains in the North pulled down VOLT's UCP by ~7% YoY, while slowing down growth for BLSTR to 17% (vs 28% in Q4FY15; Case Study 2). Q4FY18 saw muted ~15% industry growth (vs over 20% expectations), with UCP revenue declining ~2%/8.3% YoY for VOLT/BLSTR (Case Study 3). While H1CY24 brought one of the harshest summers, H1CY25 summers began on a softer note due to unseasonal rains during Apr/May '25, leading to sharp stock corrections (Case Study 4).

Structurally intact; rising heat often fuels sharp rebounds post weak summers

In the past, the RAC sector has rebounded sharply after a weak summer. In CY14, CY17, CY20, and CY24, pick-up in summer intensity led to strong double-digit volume growth (~15-20%) and even higher UCP revenue growth. For instance, H1CY14 marked a turnaround after 2 muted summers, driving ~11% industry volume growth and UCP revenue growth of ~12%/16% for VOLT/BLSTR in Q4FY14, triggering stock rallies of ~120%/157% by CY15 (Case Study 1). In Q4FY16, warmer conditions in the South lifted UCP growth to ~9%/19%YoY for VOLT/BLSTR, with the impetus extending into Q1FY17 (~29%/34%YoY; Case Study 2). H1CY19 saw more intense heat (Mar-19), leading to a Q1FY20 surge in UCP revenue (~47%/9% YoY) despite Q4FY19 softness due to elevated inventory (Case Study 3). Recently, harsh H1CY24 summer led to sharp demand uptick, with UCP growth of ~44%/35% YoY in Q4FY24 and ~51%/44% in Q1FY25 for VOLT/BLSTR, leading to stock rallies of ~86%/120% between Jan-24 and Oct-24 (Case Study 4).

Summer-induced volatility is cyclical not structural

Our analysis suggests that weather-related demand volatility is cyclical in nature and not a structural issue. While CY25 marks the fourth major weak summer over the past 15 years, the consistent pattern of sharp stock corrections has also been followed by stronger rebounds in both—volumes and stock prices, when summer intensity returns. Recent stock corrections in CY25 (~30%+ CY25 YTD) appear driven more by temporary weather disruptions than by deterioration in the long-term fundamental story.

Apt time to 'Buy' RAC stocks

Given the unseasonal weather outlook in CY25, we model ~3% RAC volume decline for the industry in FY26E and a recovery-led ~18% rebound in FY27E; we trim FY26E/27E EPS by ~7%/2% for VOLT and by 8%/10% for BLSTR. The risk-reward seems favorable hereon for Voltas, with valuations near the Covid lows; hence, we reiterate BUY on VOLT with unchanged TP of Rs1,450 (based on ~50x/15x/15x FY27E PER for UCP/EMPS/EPS, assigning Rs33 to Voltbek); we retain BUY on BLSTR with our TP cut by ~11% to Rs1,850 (based on 45x/60x/15x FY27E PER for EMP&CAC/UCP/PEIS).

Chirag Jain

chirag.jain@emkayglobal.com
+91-22-66242428

Jaimin Desai

jaimin.desai@emkayglobal.com
+91-22-66121334

Nandan Pradhan

nandan.pradhan@emkayglobal.com
+91-22-66121238

Omkar Rane

omkar.rane@emkayglobal.com
+91-22-66242414

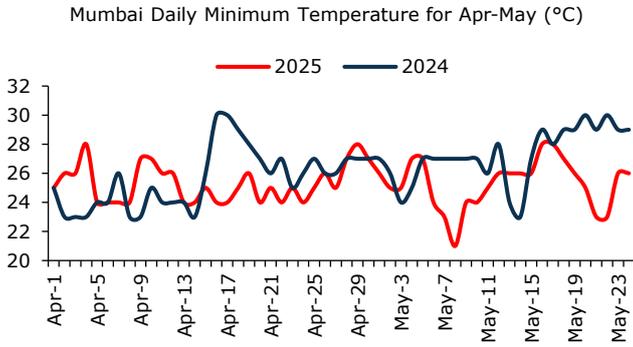
Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91-22-66121281

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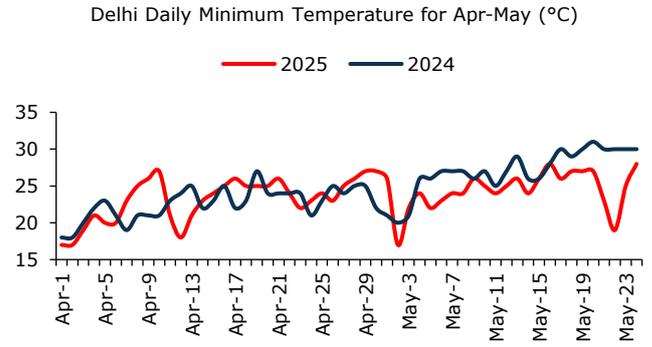
Story in Charts

Exhibit 1: Mumbai – Minimum temperature in Apr/May 2024 vs 2025; unseasonal rains led to drop in minimum temperatures in Mumbai



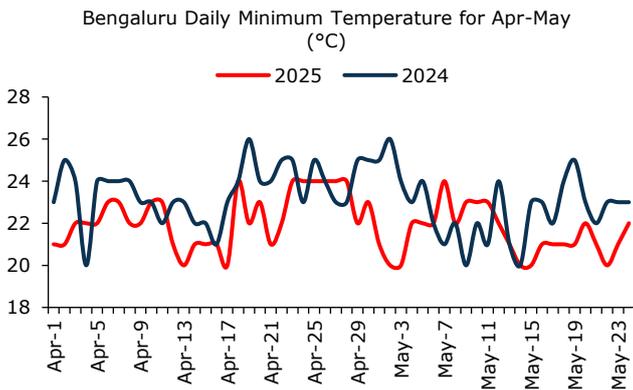
Source: AccuWeather, Emkay Research

Exhibit 2: Delhi – Minimum temperature in Apr/May 2024 vs 2025; Delhi’s minimum temperature showing signs of pick-up in the latter part of May



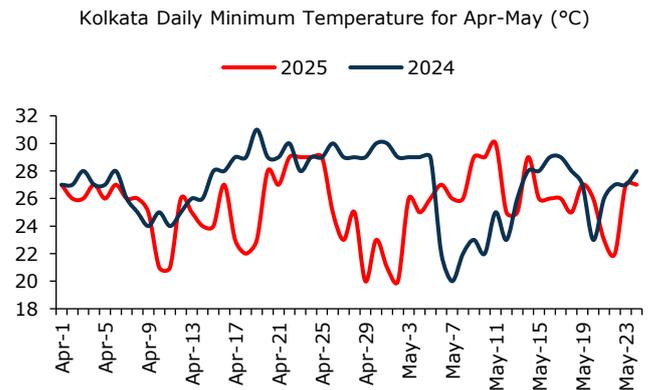
Source: AccuWeather, Emkay Research

Exhibit 3: Bengaluru – Minimum temperature in Apr/May 2024 vs 2025; heavy rains in the South have impacted temperatures of metros like Bengaluru



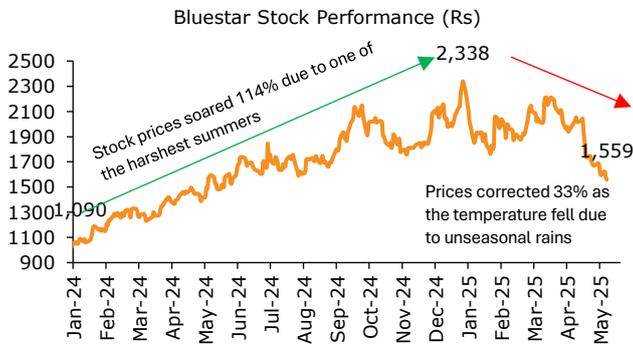
Source: AccuWeather, Emkay Research

Exhibit 4: Kolkata – Minimum temperatures in Apr/May 2024 vs 2025; the minimum temperature is also lower vs last year although the gap is not as pronounced as in other metros



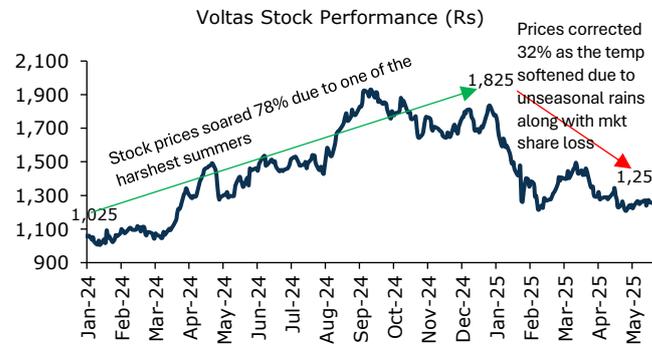
Source: AccuWeather, Emkay Research

Exhibit 5: Untimely nationwide rains dented summer RAC demand leading to BLSTR’s stock price declining by ~33%...



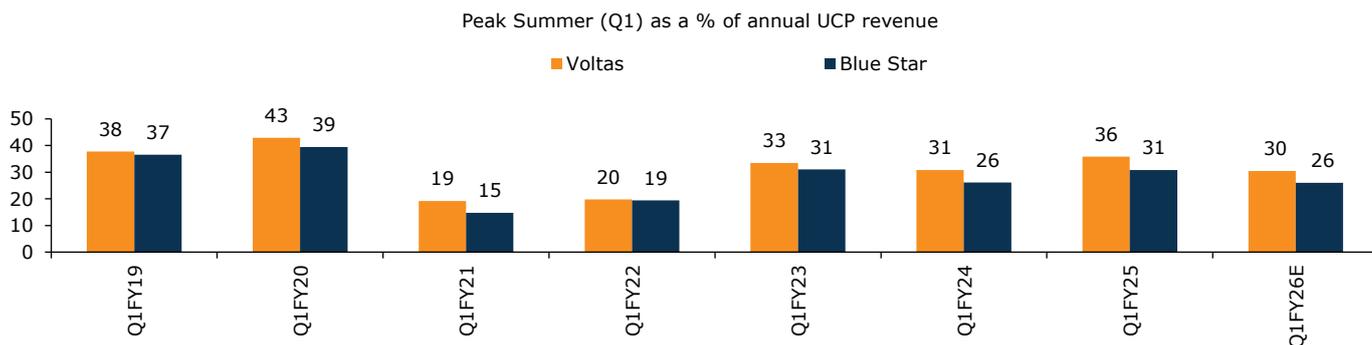
Source: Bloomberg, Emkay Research

Exhibit 6: ...while Voltas’s stock price saw a fall of ~31% in CY25YTD, coupled with RAC market share loss



Source: Company, Emkay Research

Exhibit 7: Peak summers (Q1) typically contribute ~30-35% of annual UCP revenue for both—BLSTR/VOLT (for Q1FY26E, we have built in weaker contribution due to unseasonal rains for both, BLSTR/VOLT)



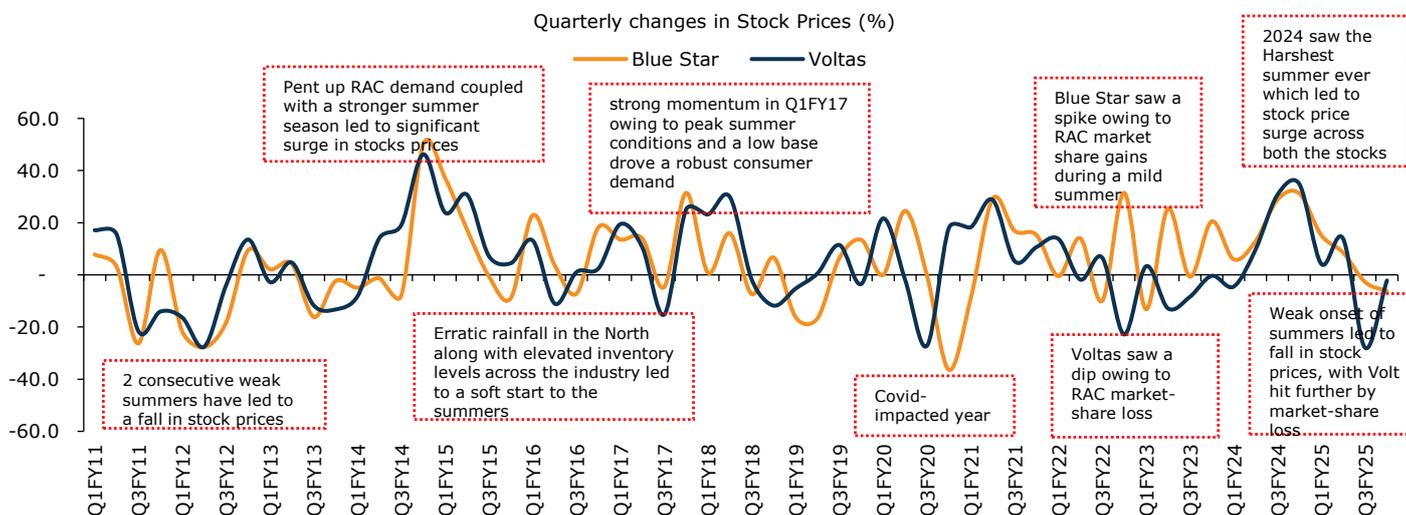
Source: Company, Emkay Research

Exhibit 8: In time-periods such as CY12-13, CY15, and CY18, unseasonal rains and below-normal temperatures resulted in flat or negative UCP revenue growth...

Summer season	Voltas		Blue Star	
	UCP Revenue (Rs mn)	Growth YoY (%)	UCP Revenue (Rs mn)	Growth YoY (%)
H1CY11	11,115		5,939	
H1CY12	12,859	15.7	6,169	3.9
H1CY13	13,723	6.7	7,035	14.0
H1CY14	16,557	20.7	8,298	18.0
H1CY15	17,085	3.2	10,082	21.5
H1CY16	20,460	19.8	12,826	27.2
H1CY17	22,977	12.3	15,063	17.4
H1CY18	22,556	-1.8	14,221	-5.6
H1CY19	27,464	21.8	16,105	13.2
H1CY20*	20,102	-26.8	8,711	-45.9
H1CY21*	26,178	30.2	12,872	47.8
H1CY22*	39,806	52.1	21,609	67.9
H1CY23	45,626	14.6	24,662	14.1
H1CY24	67,573	48.1	34,384	39.4
Q4FY25	34,584	17.0	19,602	14.7

Source: Company, Emkay Research; *Covid-impacted years

Exhibit 9: ...and notably, each weak summer was followed by a sharp rebound



Source: Bloomberg, Emkay Research

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Exhibit 10: Indian RAC industry in FY12 saw a 20% decline in volume...

UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE

30. The Indian room air conditioning industry remained under pressure during 2011-12. Sales were impacted by a short summer coupled with intermittent rains and by the generally negative market sentiments. Input cost pressure, partly passed on to customers, had an adverse impact on sales. Sales volumes declined by around 20% industry-wide, according to market estimates.

Source: Voltas AR FY12, Emkay Research

Exhibit 11: ...and saw another year of decline (of ~5%) in FY13...

UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE

32. The Indian room air conditioner industry underwent yet another year of decline, with an overall de-growth of 5% in volume (according to Gfk Nielsen). This can be attributed to : short summer caused by delayed onset; grid collapse in South India and uncertain power supply in several States; consumer resistance to rising price-tags resulting from higher input costs; sluggish festive season and the prevailing mood of economic caution and deferment of large spends.

Source: Voltas AR FY13, Emkay Research

Exhibit 12: ...following which, the RAC industry in FY14 saw reasonable growth driven by relatively stronger summers

AIRCONDITIONING

In 2013-14, the estimated total market size for airconditioning in India was around ₹13750 crores. Of this, the market for central airconditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹6250 crores, while the market for room airconditioners comprised the balance ₹7500 crores.

During the year, the macro economic environment continued to be challenging with negligible large investments in the commercial real estate segment. The pre-election impasse coupled with high inflation and interest rates, as well as volatility in forex rates adversely impacted demand. While there was an improvement in enquiry generation during the latter part of the year, the rate of order finalisation through the year was sluggish. In the room airconditioners business, which is largely driven by the residential segment, the market witnessed a modest growth, after two consecutive years of negative growth. This was mainly due to a relatively strong summer in most parts of the country. However, post summer of 2013, the price increase linked to the depreciation of the Rupee adversely affected the demand. Further, the implementation of Bureau of Energy Efficiency (BEE) Table 2.3 in January 2014 necessitated an upward revision in energy efficiency, resulting in an additional increase in prices for the same star-rating. However, the current penetration level of airconditioners in the country is a mere 3%, and this presents significant opportunities to the players in the room airconditioners business.

Source: BLSTR AR - FY14, Emkay Research

Exhibit 13: FY17 was another year when the RAC industry grew significantly on account of demand during a harsh summer

INDUSTRY STRUCTURE AND DEVELOPMENTS

AIR CONDITIONING

In FY17, the estimated total market size for air conditioning in India was around ₹18500 crores. Of this, the market for central air conditioning, including central plants, packaged/ducted systems, VRF systems and other ancillary equipment, was about ₹6500 crores, while the market for room air conditioners comprised the balance ₹12000 crores.

During the year, Government-funded infrastructure projects fuelled growth while private investments stayed subdued, resulting in a sluggish market, especially post demonetisation. Healthcare, education and metro segments benefitted from Government investments. In the buildings segment, offices, hospitals and ITeS gained some traction, but the factories segment remained tepid.

On the other hand, the room air conditioners market grew significantly on account of a harsh summer and increased demand during the festive season. The rise in disposable incomes of the growing middle-class consumers and enhanced demand from Tier 3/4/5 markets continued to drive growth. In spite of the effects of demonetisation and relatively sluggish demand in the last quarter of the review period, the industry registered a healthy growth of 20%, in terms of value. The industry also faced margin pressures in the second half of the year under review, on account of high inventory and increase in commodity prices.

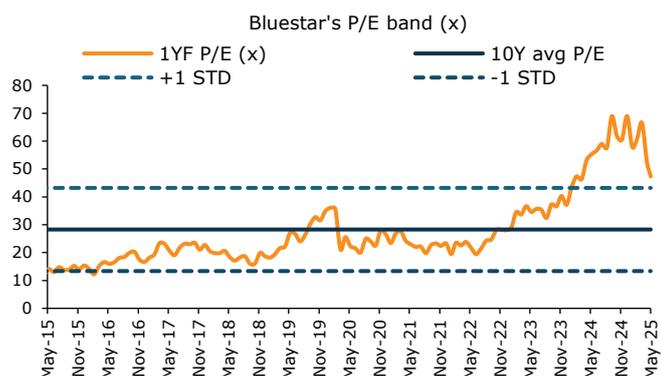
Source: BLSTR AR – FY17, Emkay Research

Exhibit 14: Key Assumptions – We have built 3% RAC volume decline in FY26E, followed by recovery-led rebound (~18% growth) in FY27E

Segment-wise growth assumptions (%)	Industry			Voltas			Blue star			FY25-27E CAGR		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	Industry	Voltas	Blue star
EMPS/EMP+CAC	na	na	na	12.9	-2.4	11.5	27.2	13.8	14.6	na	4.3	18.0
RAC	31.8	-3.0	18.0	30.4	-7.5	18.0	30.0	-2.2	23.2	7.0	4.5	9.1
C Ref	9.0	9.0	9.0	9.4	9.0	9.0	5.4	12.5	12.5	15.0	9.0	15.0
CAC	15.0	15.0	15.0	17.0	10.0	10.0	na	na	na	15.0	10.0	na

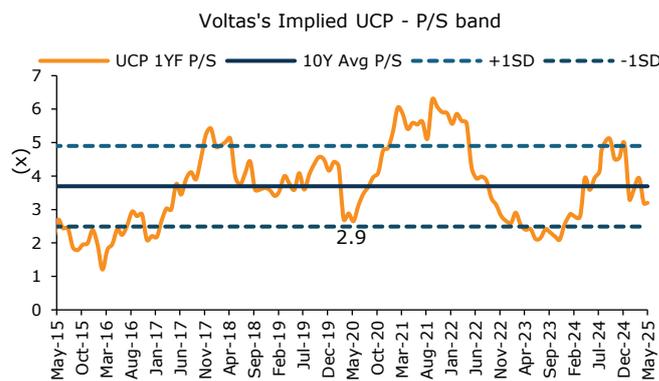
Source: Company, Emkay Research; Note: BLSTR's CAC division is a part of its EMP+CAC

Exhibit 15: BLSTR trades at 46x 1YF, below its +1SD (50x)



Source: Bloomberg, Emkay Research

Exhibit 16: VOLT trades at 3.2x 1YF P/S, close to its Covid lows



Source: Bloomberg, Emkay Research

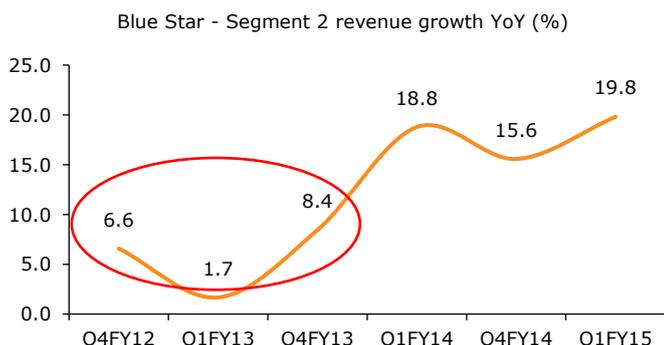
Case Study 1 - Weak summers (CY12-13)...

- In H1CY12, the RAC industry saw a sharp ~20% volume decline due to unseasonal rains in Q4FY12, elevated inventory, and energy labelling changes. UCP revenue fell -3.2%/up 6.6% for VOLT/BLSTR. A modest recovery followed in Q1FY13 (~5% industry growth), with VOLT rebounding ~34% YoY (driven by C Ref) and Blue Star up ~1.7% YoY.
- **H1CY13** was another weak summer that resulted in ~5% volume decline in Q4FY13. However, a late-season pickup in Mar-14 across the South/East helped VOLT and BLSTR post Q4FY13 UCP growth of ~10.2% and 8.4%, respectively. Q1FY14 saw VOLT grow ~4.3% and BLSTR grow ~18.8% YoY.

...followed by a strong heat-driven rebound (CY14)

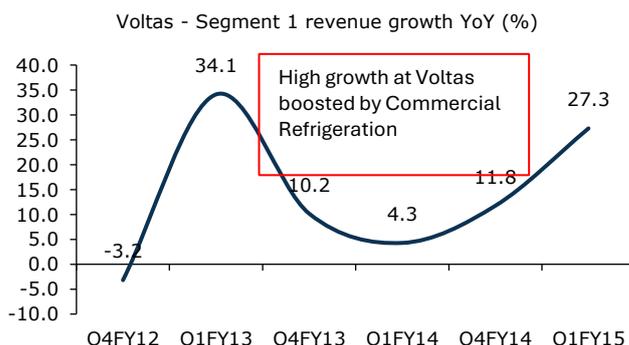
- **H1CY14** saw a strong summer after two weak years, reviving RAC demand (~11% YoY industry volume growth). UCP revenue in Q4FY14 rose ~12%/16% YoY for VOLT/BLSTR. Momentum extended into Q1FY15, with VOLT/BLSTR growing ~27.3%/11.8% YoY.
- **Impact on the stock:** During the weak summer phase in CY12, VOLT/BLSTR corrected ~30%/21% from their Jun-11 highs; however, in anticipation of stronger summers, the stocks rallied 27/38%, respectively. CY13 was a consecutive bad summer year where the stocks again took a dip (VOLT/BLSTR down 31%/14%) replicating a similar pattern whereby stocks rebounded 25%/12%, respectively. The H1CY14 summer recovery triggered a sharp rally, with VOLT/BLSTR surging ~120%/157% by CY15.

Exhibit 17: Weak summers led to flattish UCP revenue during Q1FY13 for BLSTR...



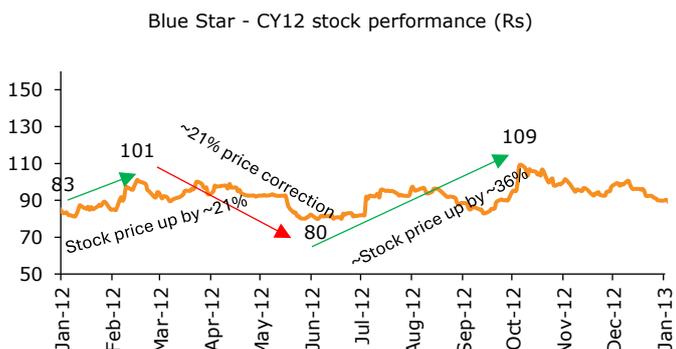
Source: Company, Emkay Research Note: UP – Unitary products - Segment 2 reported as per company (RAC+ Commercial Refrigeration)

Exhibit 18: ...while VOLT benefited in Q1FY13 owing to strong performance in Commercial Refrigeration



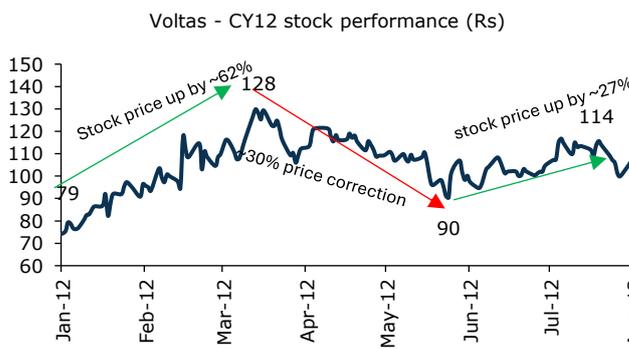
Source: Company, Emkay Research; Note: UCP – Unitary cooling products - Segment 1 reported by the company (RAC + Air coolers + Commercial Refrigeration + Commercial AC)

Exhibit 19: Weak summers in CY12 led to 21% stock corrections for BLSTR, followed by a rise (~38%) in anticipation of a hotter CY13...



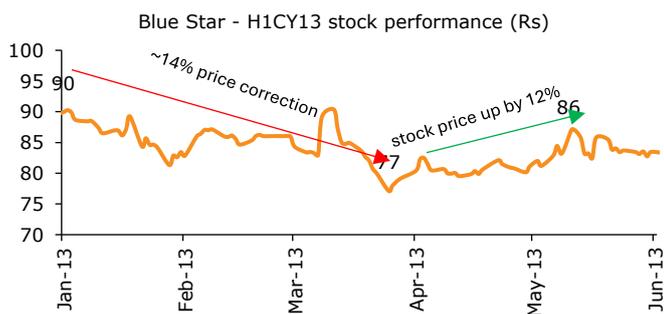
Source: Bloomberg, Emkay Research

Exhibit 20: ...and a similar trajectory was visible at Voltas with stocks falling ~30% and then rising 27% over the same period



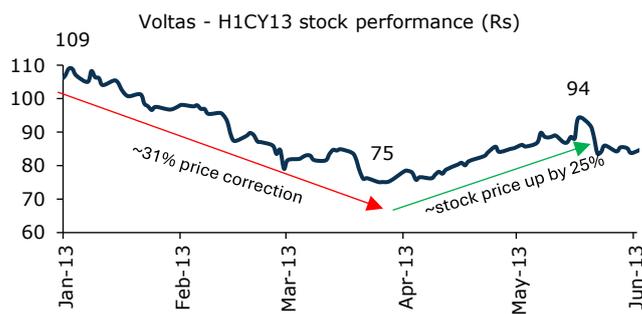
Source: Bloomberg, Emkay Research

Exhibit 21: In H1CY13, BLSTR fell ~14% due to a weaker summer; however, a late summer pick up in South/East led to stock price recovery (~12%)



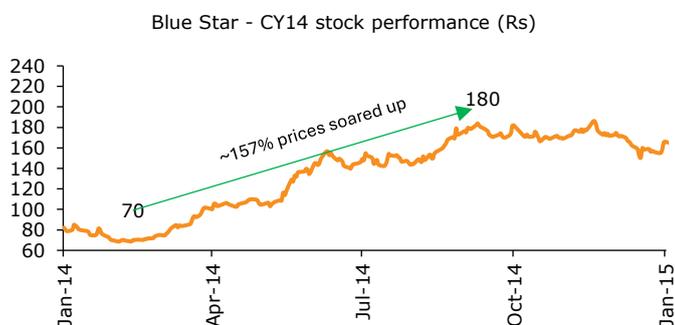
Source: Company, Emkay Research

Exhibit 22: Voltas also saw a sharp dip during the same period (~31%)



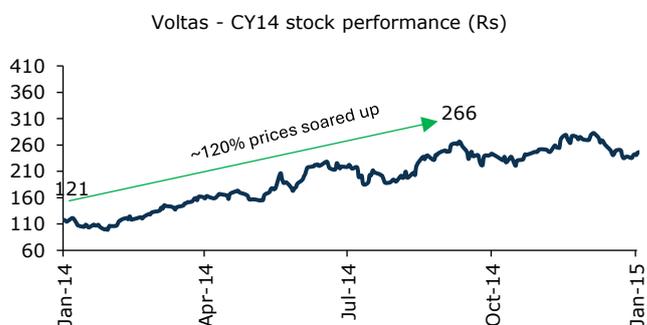
Source: Company, Emkay Research

Exhibit 23: H1CY14 summer recovery triggered a sharp rally for both, Blue Star (up ~157%)...



Source: Company, Emkay Research

Exhibit 24: ...and Voltas (up ~120%)



Source: Company, Emkay Research

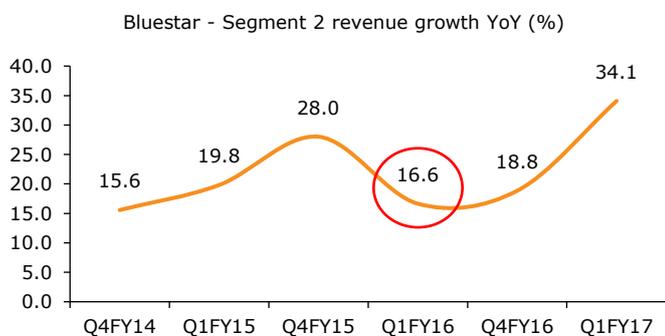
Case Study 2: H1CY15 (Weaker summer in the North) ...

- In FY15, the domestic RAC industry registered growth of >20% in sales volume, due to higher consumer confidence as well as an extended summer. During Q4FY15, UCP revenue at Voltas/BLSTR went up 12%/16% YoY; with the peak summer holding up well. UCP revenues grew ~27%/20% YoY at Voltas/BLSTR, respectively.
- However, during Q1FY16, erratic rainfall in the North along with elevated inventory levels across the industry led to a soft start to the year at Voltas, with UCP declining 7% YoY, while growth at BLSTR moderated to ~17% YoY.

...followed by H1CY16 (South saw a more intense summer at the start)

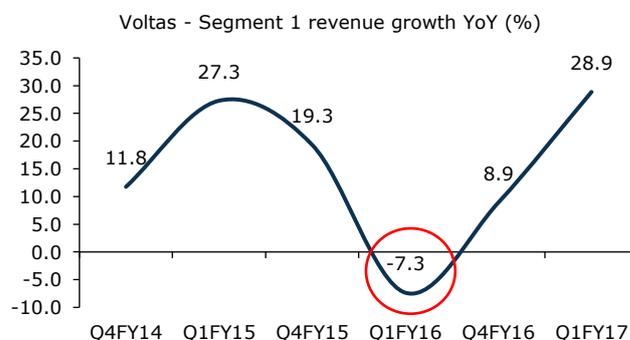
- In Q4FY16, warmer weather, particularly in southern India, supported a recovery in UCP revenues, with Voltas posting 9% YoY growth aided by timely market interventions. Bluestar, leveraging its strong presence in the region, delivered a stronger 19% YoY growth. This momentum continued into Q1FY17 as peak summer conditions and a low base drove robust consumer demand; UCP revenues grew 29%/34% YoY at Voltas/Bluestar, respectively.
- **Impact on the stock:** Owing to a weak summer outlook in Q3FY15, BLSTR saw a dip of 15% during Jan-Mar '15, while Volt saw strong momentum till Jun-15 –CY15YTD growth at 15%; however, Q1FY16 saw erratic rainfall in the North along with elevated inventory levels across the industry which led to a softer Q1FY16 at Voltas and resulted in stocks correcting ~30%. BLSTR, with higher exposure in the South, saw no negative stock reactions. Also, strong momentum in Q1FY17 owing to peak summer conditions and a low base drove robust consumer demand; with stock prices soaring up ~52%/42% YoY at VOLT/BLSTR.

Exhibit 25: Growth at BLSTR moderated to ~17% YoY...



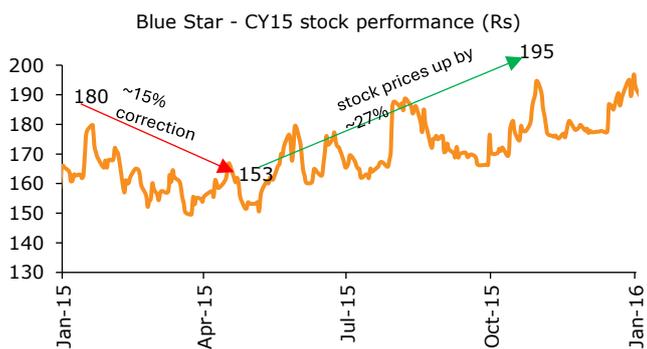
Source: Company, Emkay Research

Exhibit 26: ...led by erratic rainfall in the North, along with elevated inventory levels across the industry which also led to a soft start to the year at Voltas



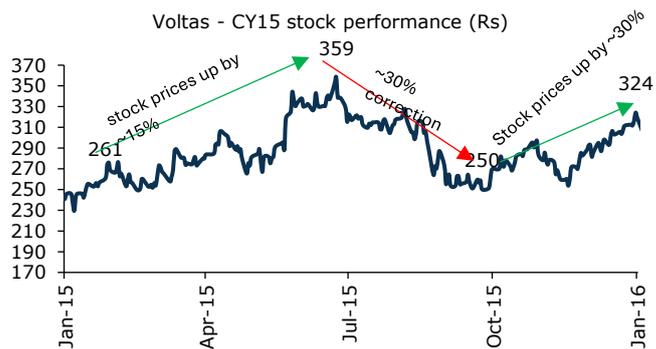
Source: Company, Emkay Research

Exhibit 27: Owing to the weak summer outlook in Q3FY15, BLSTR saw a dip of 15% during Jan-Mar '15...



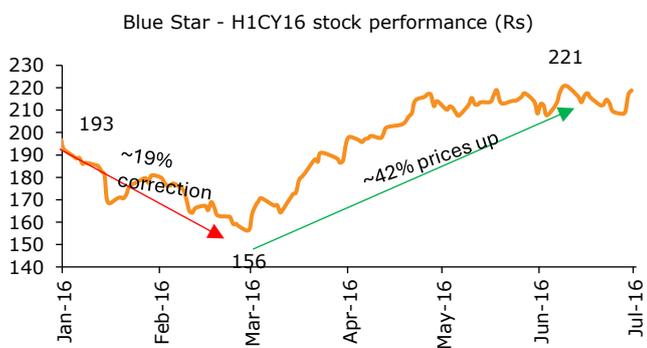
Source: Company, Emkay Research

Exhibit 28: ...while Volt saw strong momentum till Jun-15 – CY15YTD growth at 15%, which though later dipped due to heavy rainfall in the North



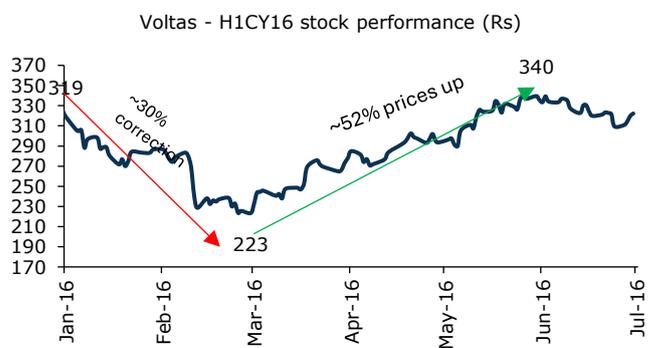
Source: Company, Emkay Research

Exhibit 29: Strong momentum in Q1FY17 as peak summer conditions and a low base drove a robust consumer demand, with stocks surging 42% for BLSTR...



Source: Company, Emkay Research

Exhibit 30: ...and 52% for Voltas



Source: Company, Emkay Research

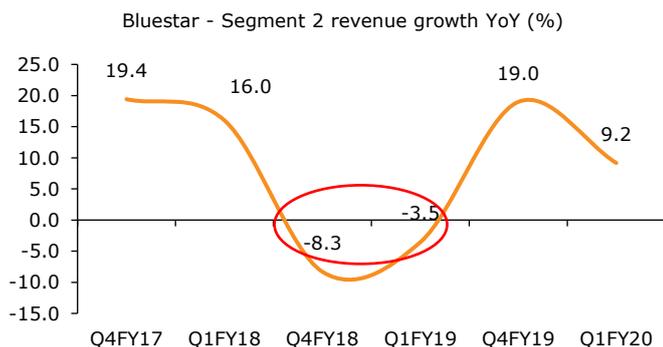
Case 3: H1CY18 (weak summer) ...

- H1CY18 witnessed another muted summer, with weak weather conditions in the South/West weighing on industry growth in Q4FY18. The RAC industry posted ~15.2% YoY growth, below the expected ~20%. UCP revenues declined ~2%/8.3% YoY for Voltas/BLSTR, respectively, during the quarter.
- Q1FY19 also remained subdued due to erratic weather patterns and unseasonal rains in southern India during the early peak season. As a result, UCP revenue growth declined 1.7%/3.5% YoY for Voltas/BLSTR.

...followed by H1CY19 (more intense summers)

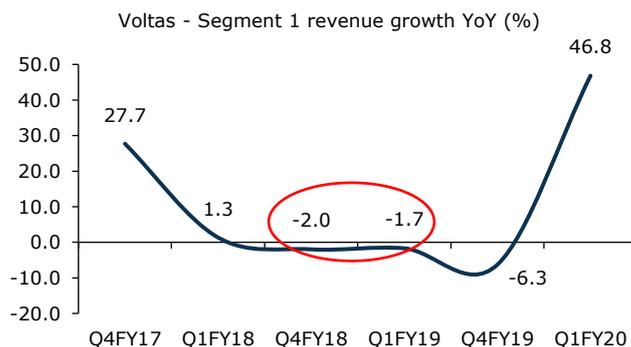
- In contrast, H1CY19 saw more intense summer conditions, especially across southern, central, and parts of northern India in March, driving a sharp demand uptick. However, elevated channel inventory in Jan-Feb impacted primary sales at Voltas in Q4FY19, with some sales spilled over into Q1FY20 due to late consumer offtake; this led to a 6.3% YoY decline in UCP revenues. BLSTR, however, reported 19% YoY growth. With strong summer momentum, Q1FY20 UCP revenues surged ~47% YoY for Voltas.
- **Impact on the stock:** Stock prices reflected the seasonal volatility as Voltas/BLSTR corrected ~26%/33% from Rs647/Rs409 in Jan-18 to Rs479/Rs276 by Oct-18, amid muted summers. With normalized weather in H1CY19, both stocks rebounded to near their Jan-18 levels by Jun-19.

Exhibit 31: H1CY18 witnessed another muted summer, with weak weather conditions in the South/West leading to 8.3%/3.5% UCP revenue fall in Q4FY18 and Q1FY19 for BLSTR...



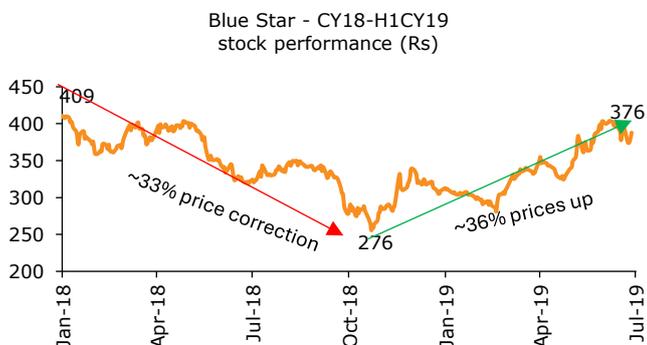
Source: Company, Emkay Research

Exhibit 32: ...and 2%/1.7% decline at Voltas



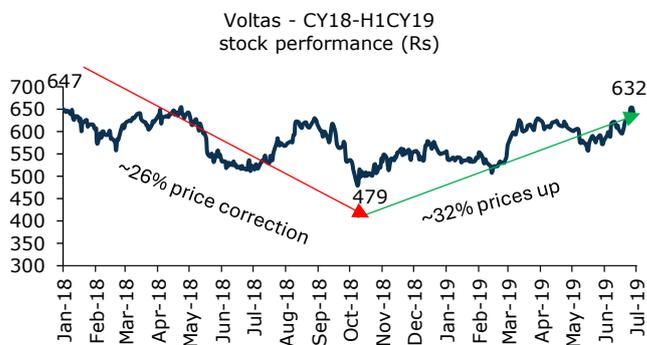
Source: Company, Emkay Research

Exhibit 33: This led to stock corrections of 33% at BLSTR...



Source: Company, Emkay Research

Exhibit 34: ...and of 26% at Voltas



Source: Company, Emkay Research

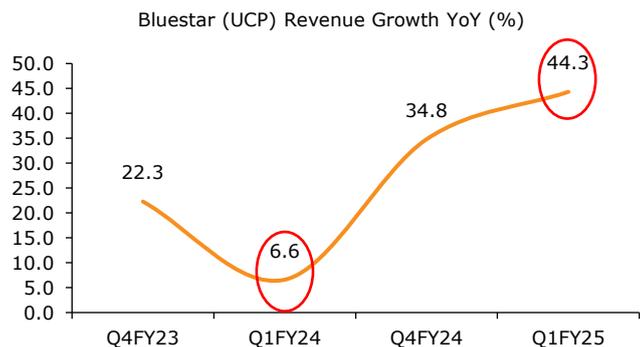
Case Study 4: H1CY23 (mild summer)...

- H1CY23 was marked by a relatively mild summer. UCP revenues grew modestly, at 12.7%/22.3% YoY in Q4FY23 for Voltas/BLSTR, on the onset of the summer season, with higher temperatures in the early part of March resulting in increased consumer demand.
- The unseasonal rain in the latter part of the month deferred the demand for the cooling product. In Q1FY24, Voltas/BLSTR's UCP revenues grew 6.6%/16.3% YoY, respectively.

...followed by H1CY24 (harshest summer in a decade)

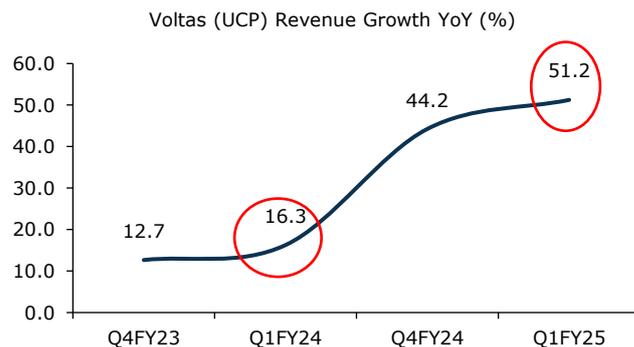
- H1CY24 brought one of the harshest and longest summers in a decade, sharply boosting AC demand.
- UCP revenues surged ~44%/35% YoY for Voltas/BLSTR, respectively, in Q4FY24. The momentum extended into Q1FY25 with continued robust demand, driving UCP revenue growth of ~51%/44% YoY for Voltas/BLSTR.
- **Impact on the stock:** In mild summer conditions, too, both BLSTR/VOLT were up 61%/25% (Blue Star on account of market share gains + strong margins across UP and EMP&CAC, while VOLT saw relatively subdued performance given EMPS losses eating into profitability). However, H1CY24 saw one of the harshest summers of the decade, hoisting share prices of both BLSTR/VOLT by 126%/86% within 10 months.

Exhibit 35: H1CY23 was marked by a relatively mild summer (UCP up ~7% YoY in Q1FY24) at BSSTR, but H1CY24 was one of the harshest summers in the last decade, leading to 44% YoY growth



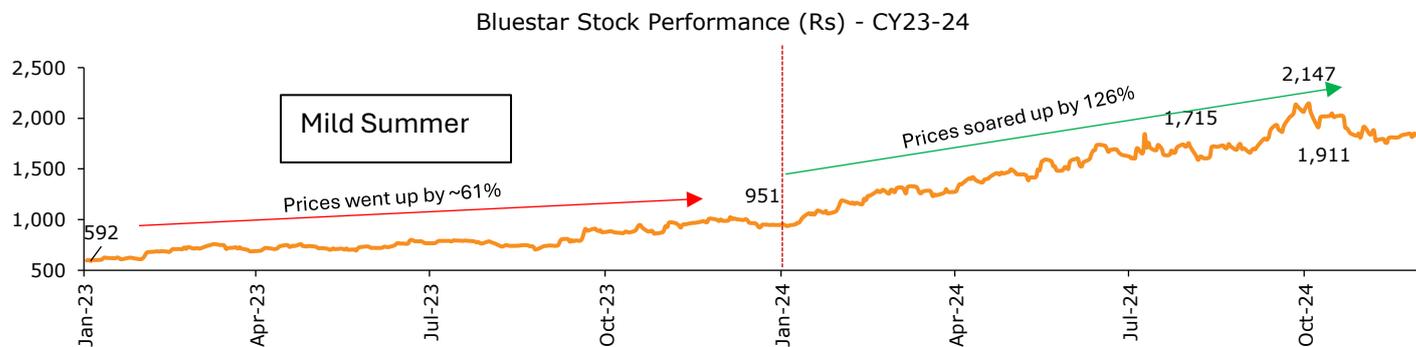
Source: Company, Emkay Research

Exhibit 36: VOLT during the period of a mild summer grew 16% YoY, while in the harsh summer phase, UCP revenue was up 51% YoY



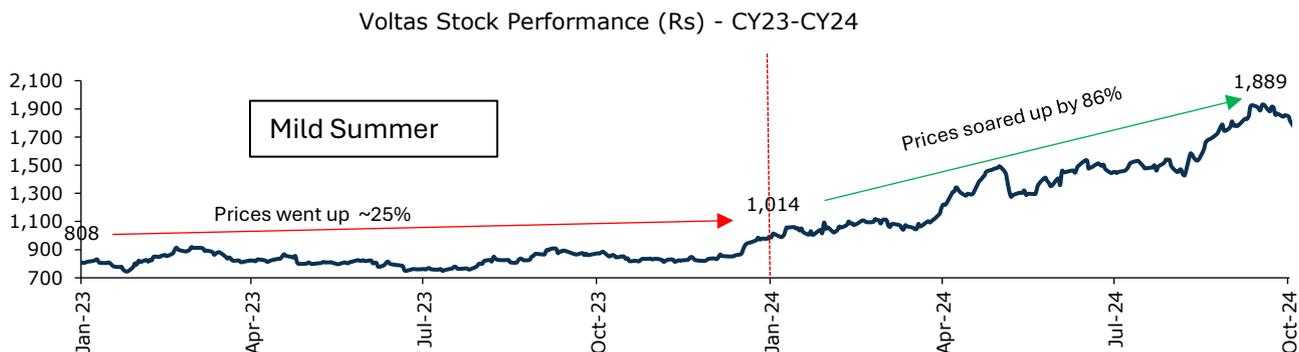
Source: Company, Emkay Research

Exhibit 37: Even in the mild summer, the stock rallied 61% in CY23, as BLSTR was gaining RAC market in a high-growth industry, whereas during CY24, the stock soared 126% in ~10M



Source: Company, Emkay Research

Exhibit 38: Voltas's CY23 performance was modest, dragged down by EMPS losses, while CY24 saw an 86% jump in ~10M

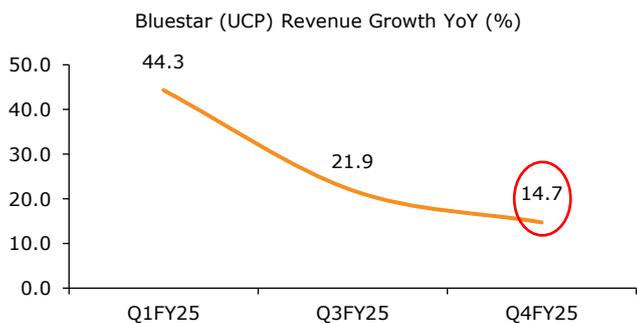


Source: Company, Emkay Research

Current scenario

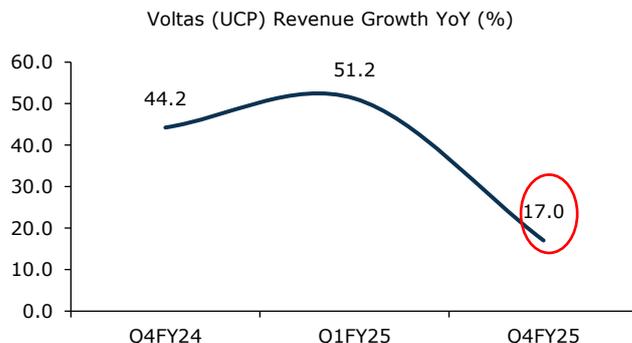
- Since H1CY24 witnessed the harshest summer in over a decade, leading brands started aggressive planning for H1CY25, targeting ~20–25% YoY growth driven by strong secondary sales in Q4FY25 with UCP revenues up ~17%/15% YoY at Voltas/BLSTR.
- However, the season turned out to be weaker than expected, as unseasonal rains and cooler-than-normal temperatures across key regions dampened demand, resulting in a mismatch between planned inventory and actual offtake.
- **Impact on the stock:** In anticipation of a strong summer, stock prices of Voltas/BLSTR went up ~78%/114% from Rs1,025/1,090 in Jan-24 to Rs1,825/2,338 in Jan-25. However, as minimum temperatures went down from last year, stock prices corrected ~32%/~31% between Jan-25 and May-25, with prices now at Rs1,254/Rs1,559, respectively.

Exhibit 39: The CY25 season turned out to be weaker than expected, given unseasonal rains and cooler-than-normal temperatures...



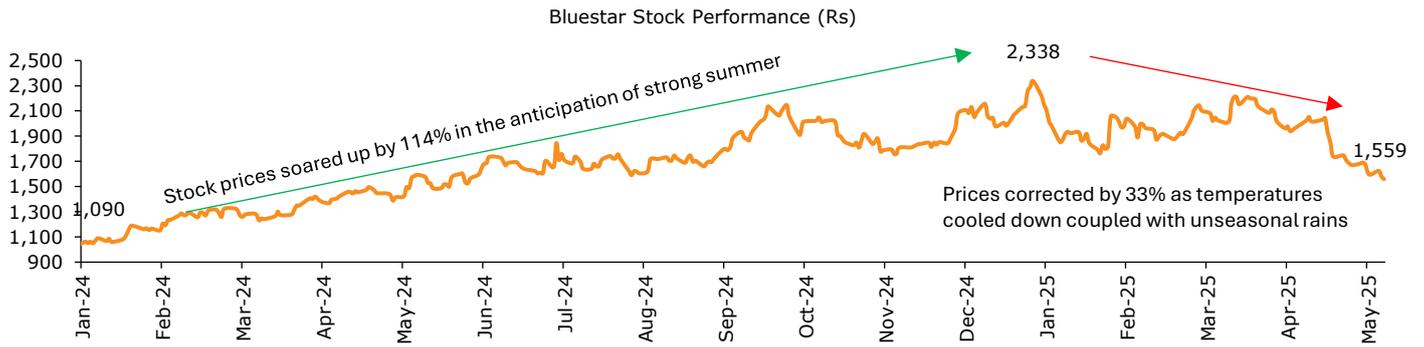
Source: Company, Emkay Research

Exhibit 40: ...with VOLT seeing UCP revenue growth of ~17%



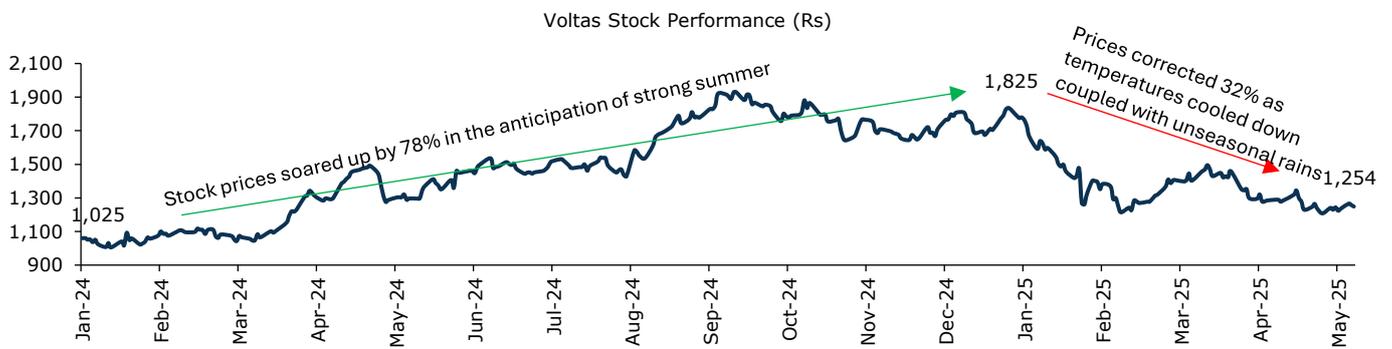
Source: Company, Emkay Research

Exhibit 41: Stock prices had soared 114% at BLSTR in anticipation of a strong summer, though unseasonal rains played spoilsport; stocks have now corrected ~33% CY25YTD



Source: Bloomberg, Emkay Research

Exhibit 42: A similar trajectory is seen at Voltas, with the stock now under pressure and having corrected ~31% YTD

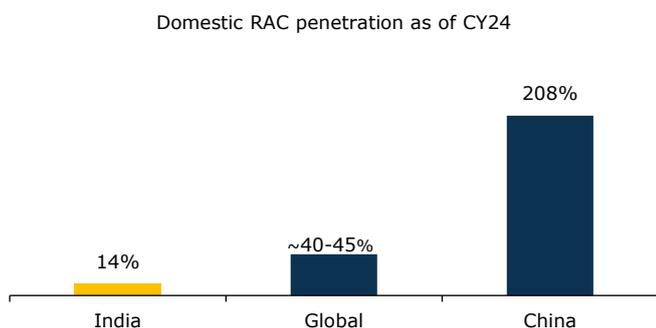


Source: Bloomberg, Emkay Research

Our View – Summer-induced volatility cyclical not structural; Apt time to BUY in

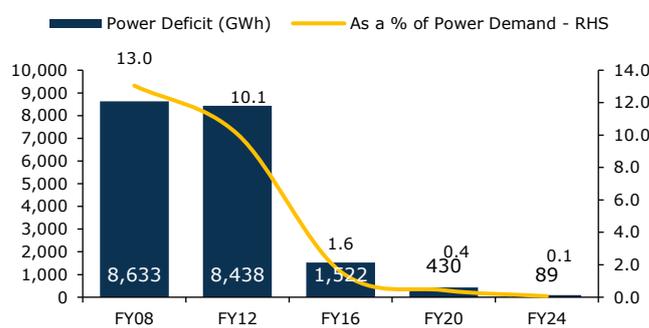
- Our analysis suggests that weather-related demand volatility is cyclical in nature rather than a structural issue. While CY25 marks the fourth major weak summer over the past 15 years, this consistent pattern of sharp stock corrections has also been followed by stronger rebounds in both volume (~15-20%) and stock price (~40-160%) when summer intensity returns.
- The recent stock correction in CY25 appears driven more by temporary weather disruptions vs deterioration in the long-term fundamental story.
- Given the unseasonal weather outlook in CY25, we model in flattish RAC volume growth for the industry in FY26E, and a recovery-led ~18% rebound in FY27E; we trim our estimates by ~7/2% for FY26E/27E for VOLT and by ~8/10% for FY26E/27E for BLSTR.
- With valuations now corrected, the risk-reward seems favorable hereon; hence, we reiterate BUY on both, BLSTR (with cut in our TP by ~11% to Rs1,850, based on 45x/60x/15x FY27E PER for EMP&CAC/UCP/PEIS) and on VOLT (with our TP unchanged at Rs1,450, based on ~50x/15x/15x FY27E PER for UCP/EMPS/EPS, assigning Rs33/share to Voltbek), thus implying an upside of ~19% and 15%, respectively.
- VOLT’s implied 1YF UCP P/S (~3.2x) is trading below its 5/10Y average (~4.0/3.7x) and close to its Covid lows (~2.9x), while BLSTR trades at 1YF ~46x PER below its +1SD (~50x).

Exhibit 43: RAC penetration story remains intact with India still many years behind China/Global averages...



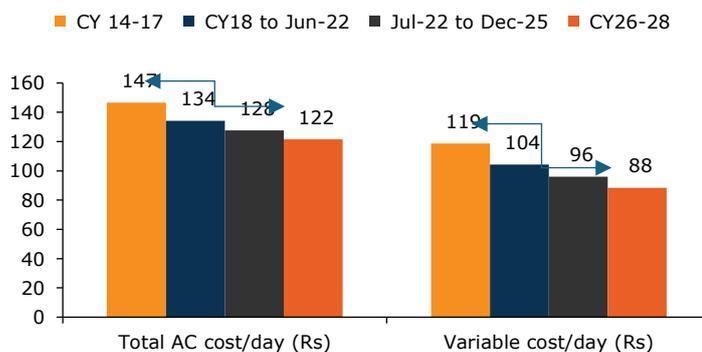
Source: Industry, Emkay Research

Exhibit 44: ...with power deficit now just 0.1% of total power demand vs 13% in FY08



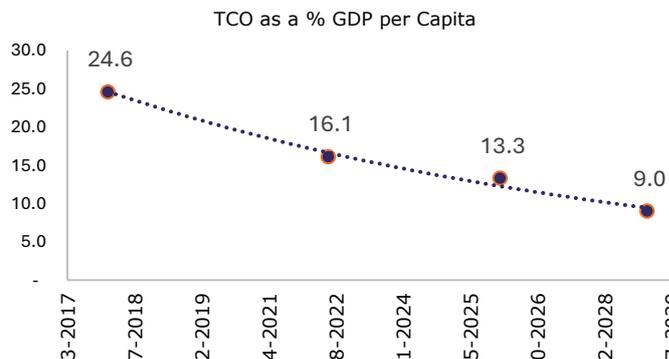
Source: CEA, Emkay Research

Exhibit 45: Total cost of ownership has fallen consistently across cycles, with ~4.7/8.1% TCO/carriable cost expected in CY26-28...



Source: Company, Emkay Research

Exhibit 46: ...thereby implying ~2.7x improvement in the AC affordability quotient



Source: Company, Emkay Research

Exhibit 47: Key Assumptions

Segment-wise growth Assumptions (%)	Industry			Voltas			Blue Star			FY25-27E CAGR		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	Industry	Voltas	Blue Star
EMPS/EMP+CAC	na	na	na	12.9	-2.4	11.5	27.2	13.8	14.6	na	4.3	18.0
RAC	31.8	-3.0	18.0	30.4	-7.5	18.0	30.0	-5.2	21.8	7.0	4.5	9.1
C Ref	9.0	9.0	9.0	9.4	9.4	9.0	5.4	12.5	12.5	15.0	9.0	15.0
CAC	15.0	15.0	15.0	17.0	10.0	10.0	na	na	na	15.0	10.0	na

Source: Company, Emkay Research; Note: BLSTR's CAC division is a part of its EMP+CAC

Exhibit 48: We build a weaker Q1 in BLSTR, to reflect the early arrival of monsoons and the subdued summer season, with gradual pick up

BLSTR - Segment Revenue (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26E	Q2FY26E	Q3FY26E	Q4FY26E
EMP and CAC	10,390	14,284	15,624	19,682	11,508	16,057	17,823	22,869
Growth YoY	9.5%	32.6%	32.2%	30.6%	10.8%	12.4%	14.1%	16.2%
Growth QoQ	-31.0%	37.5%	9.4%	26.0%	-41.5%	39.5%	11.0%	28.3%
Unitary Products	17,295	7,670	11,643	19,602	14,576	8,155	12,380	20,842
Growth YoY	44.3%	5.1%	21.9%	14.7%	-15.7%	6.3%	6.3%	6.3%
Growth QoQ	1.2%	-55.7%	51.8%	68.4%	-25.6%	-44.0%	51.8%	68.4%
PEIS	969	805	806	906	1,041	866	866	974
Growth YoY	23.5%	-3.8%	-22.1%	-19.2%	7.5%	7.5%	7.5%	7.5%
Growth QoQ	-13.6%	-16.8%	0.1%	12.4%	15.0%	-16.8%	0.1%	12.4%
Income from operations	28,654	22,760	28,073	40,190	27,124	25,078	31,069	44,684
Growth YoY	28.7%	20.4%	25.3%	20.8%	-5.3%	10.2%	10.7%	11.2%
BLSTR- Segment EBIT (incl Other Income)								
EMP and CAC	1030	1192	1187	1499	863	1204	1337	1886
EBIT Margin	9.9%	8.3%	7.6%	7.6%	7.5%	7.5%	7.5%	8.2%
Growth YoY	54.7%	82.6%	22.8%	33.2%	-16.2%	1.0%	12.6%	25.8%
Unitary Products	1580	539	948	1645	1312	612	1052	1892
EBIT Margin	9.1%	7.0%	8.1%	8.4%	9.0%	7.5%	8.5%	9.1%
Growth YoY	76.9%	-12.5%	39.5%	16.3%	-17.0%	13.4%	11.0%	15.0%
PEIS	96	52	62	88	104	87	87	97
EBIT Margin	9.9%	6.4%	7.7%	9.7%	10.0%	10.0%	10.0%	10.0%
Growth YoY	-8.5%	-57.7%	-59.2%	-35.5%	8.5%	67.5%	39.7%	11.3%
Total	2707	1783	2197	3232	2279	1902	2476	3875
Unallocable expense	371	404	366	552	353	326	404	728
EBIT (incl Other Income)	2,336	1,379	1,831	2,680	1,926	1,576	2,072	3,148
EBIT Margin	8.2%	6.1%	6.5%	6.7%	7.1%	6.3%	6.7%	7.0%
Interest Expense	76	65	159	188	130	130	130	130
Profit Before Tax	2,259	1,314	1,672	2,492	1,796	1,446	1,941	3,017
Other Exceptional Items			(125)					
Tax	573	350	465	548	449	362	485	754
Profit after Tax	1,687	964	1,082	1,944	1,347	1,085	1,456	2,263
Share of Profit/loss from Associate	1	(3)	(7)	(4)	(3)	(3)	(3)	(3)
Minority Interest in Profit/(loss)	(1)	(1)	(1)	4	0	0	0	0
PAT after MI and Associates/JV share	1,688	962	1,076	1,936	1,344	1,081	1,453	2,259

Source: Company, Emkay Research

Exhibit 49: BLSTR's revenue model – We build in 12%/13%/12% revenue/EBIT/EPS CAGR over FY25-27E

Bluestar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	42,636	60,456	79,773	96,854	119,677	127,955	1,49,474
Growth YoY (%)	-20.5	41.8	32.0	21.4	23.6	6.9	16.8
UCP (RAC + Commercial Ref)	18,683	26,122	36,269	45,922	56,211	55,953	67,144
Growth YoY (%)	-18.8	39.8	38.8	26.6	22.4	-0.5	20.0
EMP & CAC (Projects + Commercial AC)	22,187	32,045	40,156	47,155	59,980	68,256	78,208
Growth YoY (%)	-21.5	44.4	25.3	17.4	27.2	13.8	14.6
Professional Electronics and Industrial systems (PEIS)	1,766	2,474	3,348	3,777	3,486	3,747	4,122
Growth YoY (%)	-24.2	40.1	35.3	12.8	-7.7	7.5	10.0
Gross Profit	9,923	13,309	17,957	22,934	28,933	30,935	36,137
Gross Margin (%)	23.3	22.0	22.5	23.7	24.2	24.2	24.2
EBITDA	2,398	3,464	4,928	6,649	8,759	9,505	11,498
EBITDA margin (%)	5.6	5.7	6.2	6.9	7.3	7.4	7.7
Depreciation	923	860	848	976	1,284	1,596	1,895
EBIT	1,475	2,605	4,080	5,673	7,476	7,909	9,603
EBIT margin (%)	3.5	4.3	5.1	5.9	6.2	6.2	6.4
UCP (RAC + Commercial Ref)	1,088	1,559	2,823	3,603	4,713	4,868	5,909
EBIT margin (%)	5.8	6.0	7.8	7.8	8.4	8.7	8.8
Growth YoY (%)	-32.9	43.2	81.1	27.6	30.8	3.3	21.4
EMP & CAC (Projects + Commercial AC)	1,065	1,948	2,768	3,411	4,909	5,290	6,257
EBIT margin (%)	4.8	6.1	6.9	7.2	8.2	7.8	8.0
Growth YoY (%)	-11.5	82.9	42.1	23.2	43.9	7.8	18.3
Professional Electronics and Industrial systems (PEIS)	338	425	505	515	297	375	495
EBIT margin (%)	19.1	17.2	15.1	13.6	8.5	10.0	12.0
Growth YoY (%)	-37.8	25.7	18.9	2.0	-42.3	26.1	32.0
Other Income	624	357	309	474	750	813	943
Interest	647	464	547	581	488	522	610
PBT before Exceptional Item	1,452	2,498	3,842	5,567	7,738	8,200	9,936
Exceptional Item	-	-	1,708	-	125	-	-
PBT	1,452	2,498	5,550	5,567	7,863	8,200	9,936
Tax rate (%)	32.4	33.2	27.9	25.7	24.6	25.0	25.0
PAT before MI	981	1,669	4,003	4,138	5,926	6,150	7,452
Minority Interest	-3.1	-2.9	-2.3	6.4	-0.4	-0.4	-0.4
Share of profit/(loss) of joint ventures (net of tax)	26.0	10.9	4.0	4.9	-13.3	-13.3	-13.3
Adj. PAT	1,004	1,677	2,297	4,149	5,787	6,137	7,438
PAT margin (%)	2.4	2.8	2.9	4.3	4.8	4.8	5.0
Growth YoY (%)	-101.6	67.1	36.9	80.7	39.5	6.0	21.2
EPS (Rs.)	10.4	17.4	23.8	20.2	28.1	29.8	36.2

Source: Company, Emkay Research

Exhibit 50: Revision in estimates – Blue Star

Blue Star (Rs mn)	FY25		FY26E				FY27E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	119,677	23.6	135,353	127,955	(5.5)	6.9	156,792	149,487	(4.7)	16.8
EBIT	7,476	31.8	8,562	7,909	(7.6)	5.8	10,850	9,604	(11.5)	21.4
EBIT margin (%)	6.2	39 bps	6.3	6.2	(14) bps	(6) bps	6.9	6.4	(50) bps	24 bps
Adj PAT	5,787.3	39.5	6,667.5	6,136.6	(8.0)	6.0	8,225.7	7,438.1	(9.6)	21.2

Source: Company, Emkay Research

Exhibit 51: Basis our 15-year AC stock analysis of weaker summers, we build in softer revenue growth in FY26E for BLSTR vs consensus

Blue Star (Rs mn)	Emkay Estimates		Bloomberg estimates		Difference	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenue	1,27,955	1,49,487	1,37,951	1,61,861	-7%	-8%
EBIT	7,909	9,604	9,180	11,248	-14%	-15%
EBIT margin (%)	6.2	6.4	6.7	6.9		
Adj. PAT	6,137	7,439	6,991	8,599	-12%	-13%
PAT margin (%)	4.8	5.0	5.1	5.3		

Source: Bloomberg, Emkay Research

Exhibit 52: Based on FY27E PAT, we arrive at TP of Rs1,850, implying an upside of 19% and on FY28E basis (assumed better UCP revenue growth of 19.2%) – a TP of Rs2,200, implying an upside on an annualized basis of ~19%

PAT (Rs mn)	FY'27E PAT	PER (x)	Rs mn	Contribution % to SOTP	FY'28E PAT	PER (x)	Rs mn	Contribution % to SOTP
UP	3,472	60	2,08,333	55	4,173	60	2,50,390	56
EMP&CAC	3,676	45	1,65,419	44	4,293	45	1,93,167	43
PEIS	291	15	4,359	1	321	15	4,811	1
Total MCAP (Rs mn)	3,967		3,78,111	100	4,613		4,48,369	100
Number of shares (mn)			206				206	
Target Price (Rs)			1,850				2,200	
CMP			1,552				1,552	
Upside (%) / Annualized Upside (%)			19.2				19.1	

Source: Emkay Research

Exhibit 53: We build-in weaker Q1 in Voltas, to reflect early arrival of monsoons and a subdued summer season with gradual pick up

VOLT - Segment Revenue (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26E	Q2FY26E	Q3FY26E	Q4FY26E
EMPS	9,491	8,799	11,902	11,375	9,158	9,340	11,165	10,913
Growth YoY	39.8%	-4.8%	21.2%	3.6%	-3.5%	6.1%	-6.2%	-4.1%
Growth (%)	-14%	-7%	35%	-4%	-19%	2%	20%	-2%
EPS (Rs)	1,608	1,467	1,297	1,321	1,688	1,511	1,413	1,478
Growth YoY	13.0%	9.1%	-16.2%	-15.5%	5.0%	3.0%	9.0%	11.9%
Growth QoQ	3%	-9%	-12%	2%	28%	-10%	-6%	5%
UCP	38,022	15,822	17,711	34,584	31,644	16,799	18,805	36,720
Growth YoY	51.2%	30.9%	19.5%	17.0%	-16.8%	6.2%	6.2%	6.2%
Growth QoQ	29%	-58%	12%	95%	-9%	-47%	12%	95%
Total	49,121	26,088	30,910	47,280	42,489	27,650	31,383	49,112
Less: Inter Segment Revenue	82	77	37	0	48	48	48	48
Income from operations	49,039	26,012	30,874	47,280	42,441	27,602	31,335	49,064
VOLT - Segment EBIT (incl Other Income)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26E	Q2FY26E	Q3FY26E	Q4FY26E
EMPS	675	462	567	-17	321	355	447	501
EBIT Margin	7.1%	5.2%	4.8%	-0.2%	3.5%	3.8%	4.0%	4.6%
Growth YoY	-230%	-194%	-147%	-98%	-53%	-23%	-21%	-2996%
EPS (Rs)	448	396	368	341	485	411	414	396
EBIT Margin	27.9%	27.0%	28.4%	25.8%	28.7%	27.2%	29.3%	26.8%
Growth YoY	-17%	-27%	-26%	-29%	8%	4%	13%	16%
UCP	3,270	1,162	1,043	3,448	2,373	1,176	1,354	3,622
EBIT Margin	8.6%	7.3%	5.9%	10.0%	7.5%	7.0%	7.2%	9.9%
Growth YoY	58%	25%	-15%	27%	-27%	1%	30%	5%
Total	4,394	2,020	1,978	3,771	3,178	1,942	2,215	4,519
Unallocable Expenditure	(513)	(492)	(408)	(213)	(399)	(399)	(399)	(399)
As a % of Revenue	-1.0%	-1.9%	-1.3%	-0.5%	-0.9%	-1.4%	-1.3%	-0.8%
EBIT	4,906	2,513	2,386	3,984	3,577	2,341	2,614	4,918
EBIT Margin	10.0%	9.7%	7.7%	8.4%	8.4%	8.5%	8.3%	10.0%
Interest Expense	98	136	155	233	155	155	155	155
Profit Before Tax	4,809	2,377	2,231	3,751	3,423	2,186	2,459	4,763
Tax	1,165	726	599	1,075	863	551	620	2,830
Profit After Tax	3,644	1,651	1,632	2,677	2,560	1,635	1,839	1,933
Share of Profit/loss from Associate	(8)	12	14	53	18	18	18	18
Share of Profit/loss from JV	(294)	(323)	(324)	(320)	(214)	(214)	(214)	(214)
PAT after Associates/JV Share	3,342	1,340	1,321	2,410	2,364	1,439	1,643	1,737

Source: Company, Emkay Research

Exhibit 54: Voltas's revenue model – We build in ~6%/11%/16% revenue/EBIT/EPS CAGR over FY25-27E

Voltas (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	75,558	79,345	94,988	124,812	154,128	1,51,349	1,72,997
Growth YoY (%)	-1.3	5.0	19.7	31.4	23.5	-1.8	14.3
UCP (RAC, Com Ref/AC and Air Cooler)	42,185	48,819	64,745	81,605	106,139	1,03,967	1,20,437
Growth YoY (%)	3.6	15.7	32.6	26.0	30.1	-2.0	15.8
EMPS (Projects)	28,786	24,705	24,029	36,830	41,568	40,576	45,225
Growth YoY (%)	-11.3	-14.2	-2.7	53.3	12.9	-2.4	11.5
EPS (Products - Mining & Textile)	3,595	4,887	5,220	5,879	5,692	6,091	6,517
Growth YoY (%)	8.4	35.9	6.8	12.6	-3.2	7.0	7.0
Gross profit	19,773	20,378	21,206	26,672	34,524	33,902	38,751
Gross margin (%)	26.2	25.7	22.3	21.4	22.4	22.4	22.4
EBITDA	6,414	6,815	5,724	4,746	11,162	10,983	13,332
EBITDA margin (%)	8.5	8.6	6.0	3.8	7.2	7.3	7.7
Depreciation	338.9	372.6	396.2	475.9	617.8	838.4	1,055.9
EBIT	6,075	6,443	5,328	4,270	10,544	10,144	12,276
Growth YoY (%)	-7.2	6.1	-17.3	-19.8	146.9	-3.8	21.0
EBIT margin (%)	8.0	8.1	5.6	3.4	6.8	6.7	7.1
UCP (RAC, Com Ref/AC & Air Cooler)	5,837	5,134	5,378	6,935	8,923	8,525	10,062
EBIT margin (%)	13.8	10.5	8.3	8.5	8.4	8.2	8.4
Growth YoY (%)	14.0	-12.0	4.8	28.9	28.7	-4.5	18.0
EMPS (Projects)	270.1	1,257.7	-582.3	-3,284.9	1,686.4	1,623.0	2,283.4
EBIT margin (%)	0.9	5.1	-2.4	-8.9	4.1	4.0	5.0
Growth YoY (%)	-84.1	365.6	-146.3	464.1	-151.3	-3.8	40.7
EPS (Products - Mining & Textile)	1,143	1,579	2,007	2,057	1,553	1,705	1,825
EBIT margin (%)	31.8	32.3	38.5	35.0	27.3	28.0	28.0
Growth YoY (%)	15.2	38.1	27.1	2.5	-24.5	9.8	7.0
Other Income	1,889	1,892	1,685	2,533	3,245	3,306	3,720
Interest	262	259	296	559	621	619	697
PBT before Exceptional Item	7,702	8,076	6,716	6,244	13,168	12,832	15,299
Exceptional Item	-	-	(2,438)	-	-	-	-
PBT	7,702	8,076	4,278	6,244	13,168	12,832	15,299
Tax rate (%)	23.4	23.7	40.0	38.1	27.1	25.0	25.0
PAT before MI	5,898	6,163	2,569	3,867	9,603	9,624	11,474
Minority Interest	-36.5	-19.1	-12.1	38.9	70.9	0.0	0.0
Share of profit/(loss) of joint ventures (net of tax)	-610	-1,103	-1,207	-1,386	-1,260	-857	-512
Adj. PAT	5,251	5,041	3,789	2,520	8,414	8,767	10,962
PAT margin (%)	7.0	6.4	4.0	2.0	5.5	5.8	6.3
Growth YoY (%)	-7.6	-4.0	-24.8	-33.5	233.9	4.2	25.0
No of shares (mn)	330.8	330.8	330.8	330.8	330.8	330.8	330.8
EPS (Rs)	15.9	15.2	11.5	7.6	25.4	26.5	33.1

Source: Company, Emkay Research

Exhibit 55: Revision in estimates – Voltas

Voltas (Rs mn)	FY25		FY26E				FY27E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenue	154,128	23.5	164,731	151,349	(8.1)	(1.8)	184,475	172,997	(6.2)	14.3
EBIT	10,544	146.9	10,969	10,144	(7.5)	(3.8)	12,627	12,276	(2.8)	21.0
EBIT margin (%)	6.8	342 bps	6.7	6.7	4 bps	(14) bps	6.8	7.1	25 bps	39 bps
Adj PAT	8,413.7	233.9	9,405.6	8,767.2	(6.8)	4.2	11,200.0	10,962.2	(2.1)	25.0

Source: Company, Emkay Research

Exhibit 56: We factor in a marginal YoY revenue decline for Voltas vs consensus estimate ~13% growth, based on our 15-year analysis where weak summers often led to flattish or negative UCP growth

Voltas (Rs mn)	Emkay Estimates		Bloomberg estimates		Difference	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net revenue	1,51,349	1,72,997	1,73,269	1,99,089	-13%	-13%
EBIT	10,144	12,276	12,304	14,569	-18%	-16%
EBIT margin (%)	6.7	7.1	7.1	7.3		
PAT	8,767	10,962	9,909	12,038	-12%	-9%
PAT margin (%)	5.8	6.3	5.7	6.0		

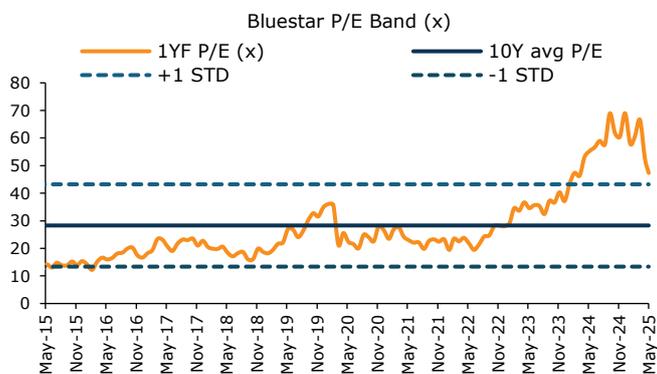
Source: Bloomberg, Emkay Research

Exhibit 57: Based on FY27E PAT, we arrive at TP of Rs1,450, implying an upside of 16% and on FY28E basis (assumed modest UCP revenue growth of 15%) – a TP of Rs1,600 implying an upside on an annualized basis of ~13%

Particulars	Mar-27E PAT	PER (x)	Rs mn	Contri % to SOTP	Mar-28E PAT	PER (x)	Rs mn	Contri % to SOTP
UCP	8,148	50	409,844	86.8	9,309	50	465,450	87.6
EMPS	1,849	15	28,641	6.1	2,031	15	30,465	5.7
EPS (Rs)	1,478	15	22,894	4.8	1,580	15	23,700	4.5
Total MCAP	11,475		461,380		12,920		519,615	
Number of shares			331				331	
Target Price (Rs)			1,395				1,571	
Value of VoltBek at P/S 0.75x (Rs)			33	2.3			36	2.3
Total Value (Rs)			1,450	100			1,600	100
CMP (Rs)			1,262				1,262	
Upside (%) / Annualized Upside (%)			14.9				12.6	

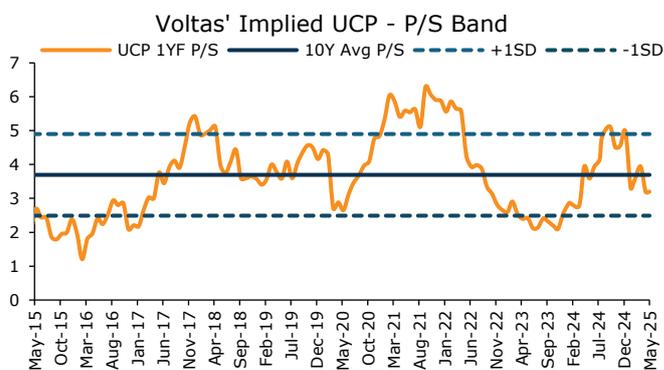
Source: Emkay Research

Exhibit 58: BLSTR trades at ~46x 1YF, below its +1SD (50x)



Source: Bloomberg, Emkay Research

Exhibit 59: VOLT trades at 3.2x 1YF P/S (x) trading close to its Covid lows



Source: Bloomberg, Emkay Research

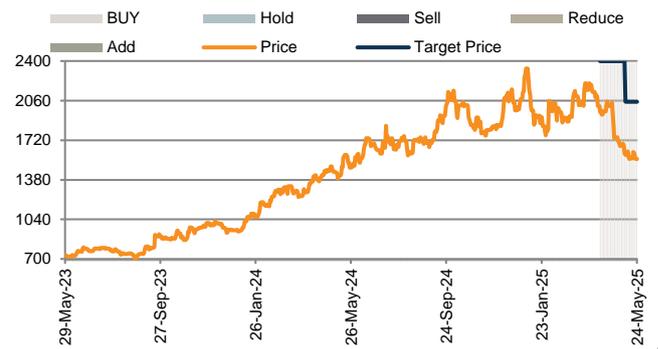
BLUE STAR

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-May-25	1,594	2,050	Buy	Chirag Jain
07-Apr-25	1,962	2,400	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

VOLTAS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-May-25	1,236	1,450	Buy	Chirag Jain
07-Apr-25	1,295	1,600	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Bloomberg, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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