**HOLD**
**TP: Rs 1,830 | ▲ 12%**

# BLUE STAR

| Consumer Durables | 02 November 2026

## Volumes deliver, pass-through still lags

- **Revenue grew 21% YoY led by 29% growth in UCP while EBITDA was 18% above our estimate, but margin fell 66bps YoY to 6.9%**
- **Material inflation cut UCP and EMP margins by 390bps and 190bps YoY, while a MedTech write-back lifted PEIS margin to 23.7%**
- **Tweak estimates; assign 45x to Sep'28E EPS for a Sep'27 TP of Rs 1,830. Maintain HOLD**

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**Costs absorb revenue growth:** Revenue grew 21% YoY to Rs 29.3bn, 7% above our estimate. EBITDA rose 10% to Rs 2.0bn, 18% above our estimate, but margin fell 66bps YoY to 6.9%. Gross margin fell 119bps, which management attributed to material costs it could not pass on. Adj. PAT rose 2% to Rs 1.0bn. Reported PAT of Rs 1.2bn included a Rs 230mn gain on the MedTech sale.

**RAC share held, margin not:** UCP revenue grew 29% YoY to Rs 9.0bn on a delayed monsoon and extended summer. Industry RAC growth was about 35–40% in Q2 and about 30% in H1. UCP margin fell 390bps YoY to 2.3%, as periodic price increases covered only part of material inflation. Margin was also down 60bps QoQ, as off-season revenue fell 47% from Q1. Commercial refrigeration margins were under the same pressure.

**Data-centre inflow, but billing delayed:** EMP & Commercial AC revenue grew 16% YoY to Rs 19.4bn, as execution delays slowed project billing. Commercial AC grew on demand from healthcare, education and industrial customers. Margin fell 190bps to 6.9% on material cost escalation. Order inflow came mainly from data centres, and the EMP order book rose 6% YoY to Rs 51.4bn.

**MedTech exit; net cash balance sheet:** PEIS revenue grew 51% YoY to Rs 973mn, with Industrial Solutions growing on manufacturing and testing demand. Margin rose to 23.7% from 9.6% on a write-back of MedTech warranty provisions, after BLSTR sold the business on 31 Aug 2026 for Rs 357mn. Net cash was Rs 2.9bn at end-Sep, against net debt of Rs 4.2bn a year earlier. H1 operating cash flow was Rs 4.1bn, against an outflow of Rs 7.3bn in H1FY26.

**Tweak estimates, maintain HOLD:** We raise FY27E-FY29E revenue by about 1% a year on higher RAC volumes. We cut FY27E EBITDA by 3% and PAT by 8%, as UCP pass-through lags input costs and EMP billing has slipped. We raise FY28E/FY29E PAT by 3%/3% on cost take-out and data-centre execution. Rolling forward to Sep'28E at an unchanged 45x gives a Sep'27 TP of Rs 1,830 (from Rs 1,700), 12% upside. Maintain HOLD.

### Key changes

| Target | Rating |
|---|---|
| ▲ | ◀ ▶ |

| | |
|---|---|
| Ticker/Price | BLSTR IN/Rs 1,628 |
| Market cap | US$ 3.3bn |
| Free float | 61% |
| 3M ADV | US$ 9.5mn |
| 52wk high/low | Rs 2,030/Rs 1,432 |
| Promoter/FPI/DII | 39%/11%/25% |

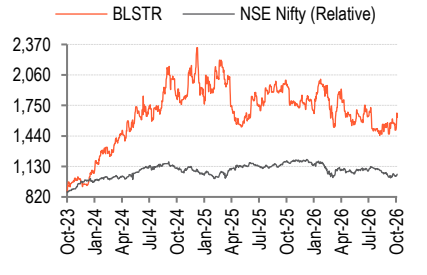
Source: NSE | Price as of 30 Oct 2026

### Key financials

| Y/E 31 Mar | FY26A | FY27E | FY28E |
|---|---|---|---|
| Total revenue (Rs mn) | 1,24,020 | 1,41,221 | 1,61,857 |
| EBITDA (Rs mn) | 9,304 | 8,926 | 12,253 |
| Adj. net profit (Rs mn) | 5,665 | 5,036 | 7,577 |
| Adj. EPS (Rs) | 27.6 | 24.5 | 36.9 |
| Adj. ROAE (%) | 17.4 | 14.0 | 18.7 |
| Adj. P/E (x) | 59.1 | 66.5 | 44.2 |
| EV/EBITDA (x) | 33.7 | 35.1 | 25.6 |
| Adj. EPS growth (%) | (2.1) | (11.1) | 50.4 |

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance




Source: NSE

### Fig 1 – Quarterly & H1FY27 financial snapshot

| Particulars (Rs mn) | Q2FY27 | Q2FY26 | YoY (%) | Q1FY27 | QoQ (%) | H1FY27 | H1FY26 | YoY (%) | Q2FY27E | Var (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 29,310 | 24,224 | 21 | 33,779 | (13) | 63,089 | 54,046 | 17 | 27,446 | 7 |
| EBITDA | 2,026 | 1,834 | 10 | 1,750 | 16 | 3,775 | 3,834 | (2) | 1,711 | 18 |
| EBITDA Margin (%) | 6.9 | 7.6 | (66bps) | 5.2 | 173 | 6.0 | 7.1 | (111bps) | 6.2 | 68bps |
| Depreciation | 679 | 434 | | 566 | | 1,245 | 847 | | 570 | |
| Interest | 169 | 169 | | 135 | | 303 | 270 | | 150 | |
| Other Income | 158 | 100 | 58 | 208 | | 366 | 261 | 40 | 210 | |
| PBT | 1,336 | 1,332 | 0 | 1,256 | 6 | 2,592 | 2,978 | (13) | 1,201 | 11 |
| Tax | 334 | 334 | | 321 | | 655 | 758 | | 306 | |
| Adjusted PAT | 1,009 | 988 | 2 | 933 | 8 | 1,942 | 2,196 | (12) | 895 | 13 |
| Exceptional item | 230 | - | | 92 | | 322 | - | | - | |
| Reported PAT | 1,239 | 988 | 25 | 1,025 | 21 | 2,264 | 2,196 | 3 | 895 | 38 |
| Adj. PAT Margin (%) | 3.4 | 4.1 | (63bps) | 2.8 | 70bps | 3.1 | 4.1 | (98bps) | 3.3 | 18bps |
| EPS (Rs) | 5.2 | 5.2 | 0 | 4.9 | 7 | 10.1 | 11.5 | (13) | 4.6 | 12 |

Source: Company, BOBCAPS Research

### Fig 2 – Segmental performance

| Particulars (Rs mn) | Q2FY27 | Q2FY26 | YoY (%) | Q1FY27 | QoQ (%) | H1FY27 | H1FY26 | YoY (%) |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | | | |
| Electro- Mechanical Projects and Packaged AC systems | 19,360 | 16,642 | 16 | 16,251 | 19 | 35,610 | 30,767 | 16 |
| Professional Electronics & Industrial Systems | 973 | 644 | 51 | 636 | 53 | 1,609 | 1,348 | 19 |
| Unitary Products | 8,977 | 6,938 | 29 | 16893 | (47) | 25,870 | 21,932 | 18 |
| **EBIT** | | | | | | | | |
| Electro- Mechanical Projects and Packaged AC systems | 1,332 | 1,471 | (10) | 1,102 | 21 | 2434 | 2588 | (6) |
| *EBIT margin (%)* | *6.9* | *8.8* | *(200bps)* | *6.8* | *10bps* | *6.8* | *8.4* | *(160bps)* |
| Professional Electronics & Industrial Systems | 231 | 62 | 274.4 | 96 | 141.4 | 327 | 138 | 136.9 |
| *EBIT margin (%)* | *23.7* | *9.6* | *1415bps* | *15* | *868bps* | *20.3* | *10.2* | *1008bps* |
| Unitary Products | 207 | 427 | (51) | 497 | (58) | 704 | 1302 | (46) |
| *EBIT margin (%)* | *2.3* | *6.2* | *(380bps)* | *3* | *(60bps)* | *2.7* | *5.9* | *(320bps)* |

Source: Company, BOBCAPS Research

## Earnings Call Highlights

**RAC price gap remains about 5%:** Management stated that input-cost inflation from January to October warrants an RAC price increase of about 18%, against about 13% taken so far. A price increase of about 5%, announced in September, applies only from October, and management said dealers bought ahead of it in September.

**UCP 6.5% target rests on Q4:** Management reiterated a FY27 UCP margin target of at least 6.5%, which it called a tough task, and gave no FY28 guidance. It said delivery depends on Q4, particularly March, and on FY27 RAC revenue growth of about 25%, of which about 20% comes from volume.

**Outsourced share could double to 30%:** Management stated that about 15% of products are outsourced today, and this could rise to as much as 30% as SKUs are benchmarked against vendor costs. It said cost take-out covers value engineering, feature removal and alternate components, without lowering cooling or energy performance.

**RAC capacity at 1.7–2.0x demand:** Management stated that domestic RAC capacity, including OEMs, is 1.7–2.0x demand. It does not expect pricing discipline from peers and expects aggressive competition for share.

**Segment 1 guideline held at 7.0–7.5%:** Management stated that the EMP & Commercial AC margin guideline continues at 7.0–7.5%, against 6.5–7.0% recorded in our Q1 report. It said the margin could reach 8.5% as the data-centre share rises, and it expects to give an indication in Q4.

**Data-centre billing guided to double:** Management confirmed that about Rs 20bn of the EMP order book relates to data centres, with execution cycles of eight to nine months. It confirmed FY27 data-centre revenue of about Rs 20bn, rising to about Rs 40bn in three years, against about Rs 13.5bn for FY27 cited in Q1.

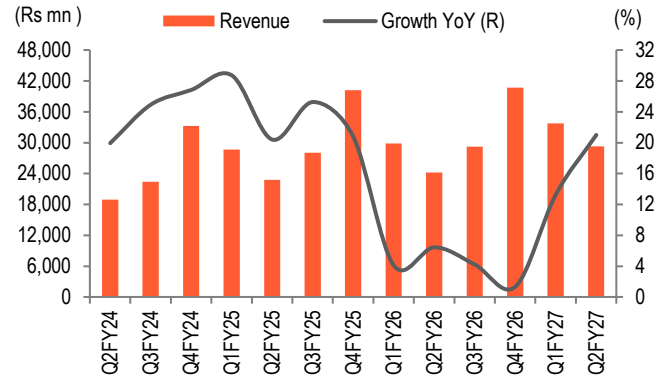
**Q2 provision write-backs recur annually:** Management stated that warranty and incentive provisions from earlier years are settled by end-Q1 and written back in Q2 every year. It said unallocable expenses are trending lower on cost control and on treasury income netted against them.

**Commercial refrigeration still declining in H1:** Management stated that commercial refrigeration declined in H1 as FMCG and quick-commerce expansion slowed, and it expects single-digit growth in FY27 from Q3 onwards. It said input costs warrant a 24–25% price increase in this business.

**FY27 capex capped at Rs 3bn:** Management guided FY27 capex at a maximum of about Rs 3.0bn, including R&D and digital spend, against Rs 3.0–3.5bn of growth spend cited in Q1. It said Q2 depreciation is a normalised run-rate, and attributed the rise to amortisation of capitalised R&D and new office and warehouse leases.

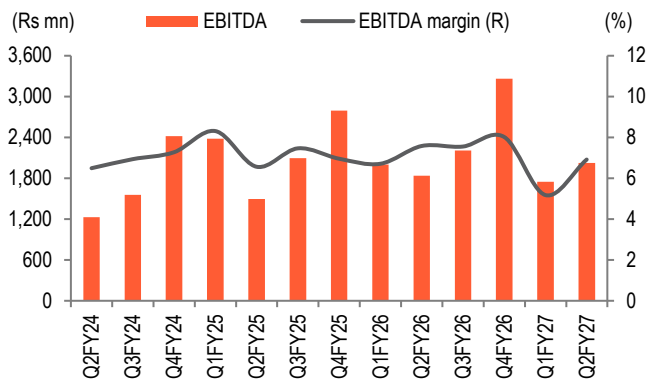
**US heat-pump potential kept at US$100mn:** Management stated that US heat-pump supplies now reach a couple of approved customers, and the potential for US$100mn of additional revenue is intact. It gave no timeline, against FY28 cited in Q1, and said BLSTR is not pursuing US data-centre projects.

### Fig 3 – Revenue growth trend



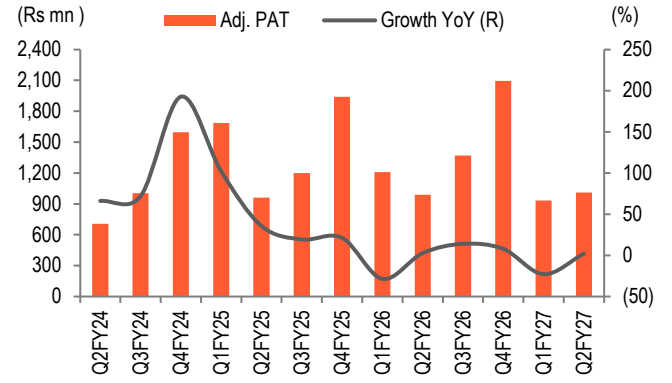

Source: Company, BOBCAPS Research

### Fig 4 – EBITDA growth trend



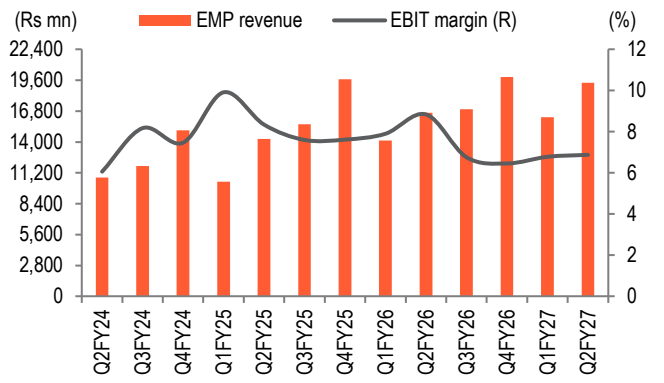

Source: Company, BOBCAPS Research

### Fig 5 – Profit trend



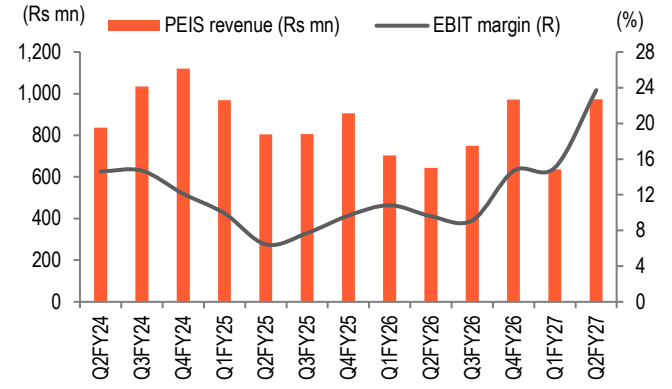

Source: Company, BOBCAPS Research

### Fig 6 – EMP performance



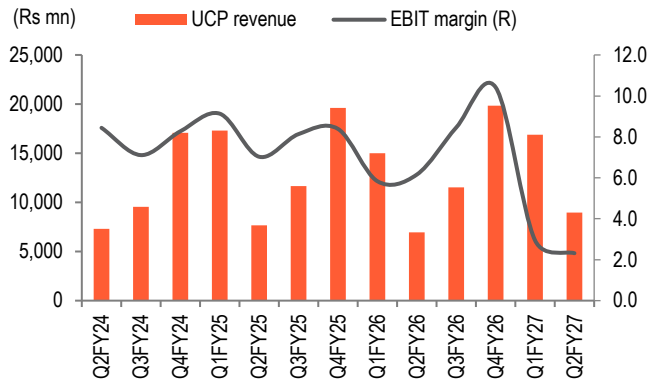

Source: Company, BOBCAPS Research

### Fig 7 – PEIS performance




Source: Company, BOBCAPS Research

### Fig 8 – UCP performance

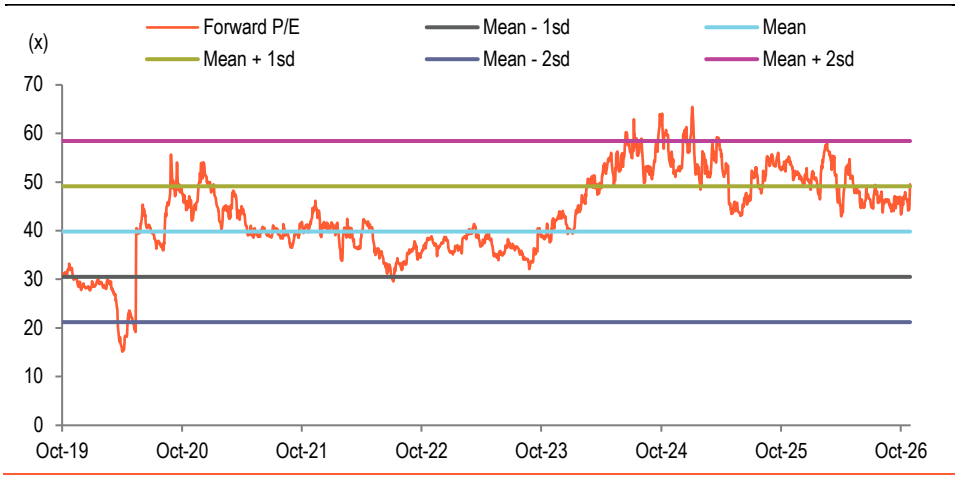



Source: Company, BOBCAPS Research

## Valuation methodology

We cut FY27E EBITDA/PAT by 3%/8% to reflect slower UCP pass-through and EMP billing delays. We raise FY28E/FY29E PAT by 3%/3% on cost take-out and data-centre execution. We roll forward to Sep'28E EPS of Rs 40.7 and retain 45x which gives a Sep'27 TP of Rs 1,830 (from Rs 1,700). Maintain HOLD.

**Fig 9 – BLSTR 1YF P/E band chart**




Source: Company, BOBCAPS Research

**Fig 10 – Revised estimates**

| Particulars (Rs mn) | New | | | Old | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY27E | FY28E | FY29E | FY27E | FY28E | FY29E | FY27E | FY28E | FY29E |
| Revenue | 1,41,221 | 1,61,857 | 1,84,044 | 1,39,539 | 1,60,434 | 1,82,324 | 1.2 | 0.9 | 0.9 |
| EBITDA | 8,926 | 12,253 | 13,979 | 9,206 | 11,740 | 13,456 | (3.0) | 4.4 | 3.9 |
| EBITDA Margin (%) | 6.3 | 7.6 | 7.6 | 6.6 | 7.3 | 7.4 | (30 bps) | 30 bps | 20 bps |
| PAT | 5,036 | 7,577 | 9,158 | 5,474 | 7,361 | 8,907 | (8.0) | 2.9 | 2.8 |

Source: BOBCAPS Research

# Financials

### Income Statement

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Total revenue** | **1,19,677** | **1,24,020** | **1,41,221** | **1,61,857** | **1,84,044** |
| EBITDA | 8,759 | 9,304 | 8,926 | 12,253 | 13,979 |
| Depreciation | 1,284 | 1,788 | 2,586 | 2,570 | 2,557 |
| EBIT | 7,475 | 7,516 | 6,340 | 9,684 | 11,423 |
| Net interest inc./(exp.) | (488) | (721) | (619) | (916) | (1,015) |
| Other inc./(exp.) | 750 | 619 | 1,000 | 1,350 | 1,823 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 7,737 | 7,414 | 6,721 | 10,117 | 12,231 |
| Income taxes | 1,937 | 1,758 | 1,694 | 2,550 | 3,082 |
| Extraordinary items | (125) | 388 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | (13) | 6 | 6 | 6 | 6 |
| **Reported net profit** | **5,912** | **5,277** | **5,036** | **7,577** | **9,158** |
| Adjustments | (125) | 388 | 0 | 0 | 0 |
| **Adjusted net profit** | **5,787** | **5,665** | **5,036** | **7,577** | **9,158** |

### Balance Sheet

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Accounts payables | 34,276 | 29,429 | 34,822 | 39,910 | 45,381 |
| Other current liabilities | 12,745 | 12,372 | 14,087 | 16,146 | 18,359 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Debt funds | 3,810 | 8,100 | 10,314 | 11,456 | 12,684 |
| Other liabilities | 1,094 | 1,546 | 1,546 | 1,546 | 1,546 |
| Equity capital | 411 | 411 | 411 | 411 | 411 |
| Reserves & surplus | 30,239 | 33,903 | 37,192 | 43,021 | 50,431 |
| Shareholders' fund | 30,650 | 34,314 | 37,603 | 43,432 | 50,842 |
| **Total liab. and equities** | **82,575** | **85,760** | **98,372** | **1,12,489** | **1,28,811** |
| Cash and cash eq. | 4,319 | 4,021 | 5,984 | 8,648 | 12,637 |
| Accounts receivables | 19,594 | 21,397 | 25,149 | 28,824 | 32,775 |
| Inventories | 21,492 | 21,662 | 25,149 | 28,824 | 32,775 |
| Other current assets | 17,723 | 16,803 | 19,152 | 21,951 | 24,960 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 12,342 | 13,612 | 13,525 | 13,456 | 13,399 |
| CWIP | 734 | 655 | 746 | 854 | 972 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 6,372 | 7,611 | 8,667 | 9,933 | 11,294 |
| **Total assets** | **82,575** | **85,760** | **98,372** | **1,12,489** | **1,28,811** |

### Cash Flows

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **6,881** | **1,538** | **5,143** | **7,145** | **8,487** |
| Capital expenditures | (3,469) | (3,208) | (2,500) | (2,500) | (2,500) |
| Change in investments | (1,303) | (476) | 0 | 0 | 0 |
| Other investing cash flows | 133 | 96 | (1,146) | (1,375) | (1,479) |
| **Cash flow from investing** | **(4,640)** | **(3,588)** | **(3,646)** | **(3,875)** | **(3,979)** |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 151 | 3,219 | 2,214 | 1,142 | 1,228 |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (1,773) | (1,848) | (1,748) | (1,748) | (1,748) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| **Cash flow from financing** | **(1,622)** | **1,371** | **467** | **(606)** | **(520)** |
| **Chg in cash & cash eq.** | **619** | **(678)** | **1,964** | **2,664** | **3,988** |
| **Closing cash & cash eq.** | **4,319** | **4,021** | **5,984** | **8,648** | **12,637** |

### Per Share

| Y/E 31 Mar (Rs) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Reported EPS | 28.8 | 25.7 | 24.5 | 36.9 | 44.5 |
| Adjusted EPS | 28.1 | 27.6 | 24.5 | 36.9 | 44.5 |
| Dividend per share | 9.0 | 8.5 | 8.5 | 8.5 | 8.5 |
| Book value per share | 149.1 | 166.9 | 182.9 | 211.2 | 247.3 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| EV/Sales | 2.6 | 2.5 | 2.2 | 1.9 | 1.7 |
| EV/EBITDA | 35.8 | 33.7 | 35.1 | 25.6 | 22.4 |
| Adjusted P/E | 57.8 | 59.1 | 66.5 | 44.2 | 36.5 |
| P/BV | 10.9 | 9.8 | 8.9 | 7.7 | 6.6 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Tax burden (Net profit/PBT) | 74.8 | 76.4 | 74.9 | 74.9 | 74.9 |
| Interest burden (PBT/EBIT) | 103.5 | 98.6 | 106.0 | 104.5 | 107.1 |
| EBIT margin (EBIT/Revenue) | 6.2 | 6.1 | 4.5 | 6.0 | 6.2 |
| Asset turnover (Rev./Avg TA) | 9.7 | 9.1 | 10.4 | 12.0 | 13.7 |
| Leverage (Avg TA/Avg Equity) | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| Adjusted ROAE | 20.4 | 17.4 | 14.0 | 18.7 | 19.4 |

### Ratio Analysis

| Y/E 31 Mar | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Revenue | 23.6 | 3.6 | 13.9 | 14.6 | 13.7 |
| EBITDA | 31.7 | 6.2 | (4.1) | 37.3 | 14.1 |
| Adjusted EPS | 30.7 | (2.1) | (11.1) | 50.4 | 20.9 |
| **Profitability & Return ratios (%)** | | | | | |
| EBITDA margin | 7.3 | 7.5 | 6.3 | 7.6 | 7.6 |
| EBIT margin | 6.2 | 6.1 | 4.5 | 6.0 | 6.2 |
| Adjusted profit margin | 4.8 | 4.6 | 3.6 | 4.7 | 5.0 |
| Adjusted ROAE | 20.4 | 17.4 | 14.0 | 18.7 | 19.4 |
| ROCE | 19.5 | 16.2 | 12.2 | 16.1 | 16.7 |
| **Working capital days (days)** | | | | | |
| Receivables | 60 | 63 | 65 | 65 | 65 |
| Inventory | 66 | 64 | 65 | 65 | 65 |
| Payables | 105 | 87 | 90 | 90 | 90 |
| **Ratios (x)** | | | | | |
| Gross asset turnover | 6.7 | 5.8 | 5.9 | 6.1 | 6.3 |
| Current ratio | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 |
| Net interest coverage ratio | 15.3 | 10.4 | 10.2 | 10.6 | 11.3 |
| Adjusted debt/equity | 0.1 | 0.2 | 0.3 | 0.3 | 0.2 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Brand Name: **BOBCAPS**
Website: **https://www.bobcaps.in/**
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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

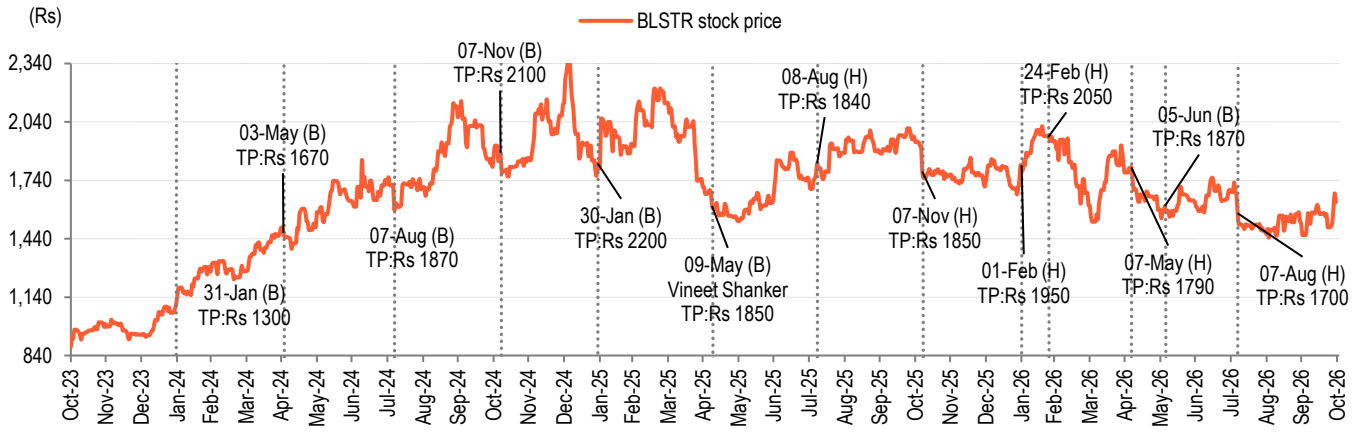
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): BLUE STAR (BLSTR IN)**




B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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