

HOLD**TP: Rs 1,950 | ▲ 7%****BLUE STAR**

| Consumer Durables

| 01 February 2026

Margin surprise on pricing discipline

- **EBITDA holds steady on cost control, even as revenue growth remains modest amid demand headwinds**
- **EMP sustains growth momentum (+9% YoY), offsetting marginal decline in UCP (-1% YoY)**
- **Revise estimates, roll forward to Dec'26 TP with 47x multiple to arrive at TP of Rs 1,950. Maintain HOLD**

Vineet Shanker
 Research Analyst
 Amey Tupe
 Research Associate
 research@bobcaps.in

Topline miss, yet margins steady on cost control: BLSTR reported a steady Q3FY26, with revenue at Rs 29.3bn (+4% YoY), led by healthy execution in electro-mechanical projects & packaged AC (EMP), which grew 9% YoY, offsetting the softness in Unitary Cooling Products (UCP). EBITDA rose 5% YoY to Rs 2.2bn, beating estimates by ~2%, aided by operating cost discipline, controlled production, and lower discretionary spends. EBITDA margin remained flat YoY at 7.5%. Adjusted PAT increased 14% YoY to Rs 1.37bn, aided by lower tax incidence, while reported PAT declined due to a one-off exceptional charge.

EMP execution intact, margins diluted; margin resilience in Professional Electronics: EMP revenue grew 9% YoY to Rs 16.9bn on execution in factories, data centres and commercial buildings. However, EBIT declined 3% YoY and margins contracted 80bps to 6.8% amid a higher infra mix and margin dilution as the projects near closure, alongside deferred order finalisations. Management indicated enquiry momentum improving in Jan'26, suggesting that order inflows may be bottoming out, though near-term growth will likely continue being in high-single-digit. Professional Electronics revenue was down 7% YoY, due to unresolved MedTech regulatory uncertainty; margins expanded 143bps YoY to 9.1% despite the softer topline.

UCP demand muted; recovery expected into Q4: UCP revenue declined 1% YoY to Rs 11.5bn, impacted by GST-transition disruptions and muted festive demand. Despite weak volumes, EBIT grew 3% YoY and margin expanded 30bps YoY to 8.5%, supported by tight inventory control, limited discounting and variable cost rationalisation. Management expects a gradual pickup in demand into Q4FY26, given the energy-label transition and summer seasonality, though pricing actions will be required to offset input-cost inflation.

Tweak estimates; maintain HOLD: We have marginally revised our FY26E EPS upwards by 6% and tweaked assumption in FY27-28. We roll forward to Dec'26 with a 47x multiple to arrive at TP of Rs 1,950 (earlier Sept'26TP of Rs 1,850); we maintain HOLD recommendation.

Key changes

	Target	Rating
	▲	◀ ▶

Ticker/Price	BLSTR IN/Rs 1,817
Market cap	US\$ 3.8bn
Free float	61%
3M ADV	US\$ 7.0mn
52wk high/low	Rs 2,270/Rs 1,521
Promoter/FPI/DII	39%/11%/25%

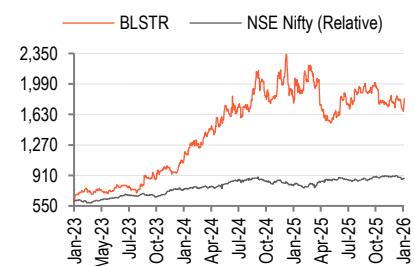
Source: NSE | Price as of 30 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,19,677	1,26,228	1,46,285
EBITDA (Rs mn)	8,759	9,240	10,525
Adj. net profit (Rs mn)	5,787	5,811	6,833
Adj. EPS (Rs)	30.0	30.2	35.5
Adj. ROAE (%)	20.4	17.8	18.3
Adj. P/E (x)	60.5	60.2	51.2
EV/EBITDA (x)	40.0	37.9	33.3
Adj. EPS growth (%)	39.5	0.4	17.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly & 9MFY26 performance

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	Q3FY26E	Var (%)
Revenue	29,253	28,074	4	24,224	21	83,299	79,487	5	30,431	(4)
EBITDA	2,207	2,094	5	1,834	20	6,041	5,965	1	2,174	2
EBITDA Margin (%)	7.5	7.5	9bps	7.6	(3)	7.3	7.5	(25bps)	7.1	40bps
Depreciation	459	350		434		1,306	930		370	24
Interest	221	159		169		491	301		135	64
Other Income	119	87	36	100		380	510	(26)	220	(46)
PBT	1,647	1,672	(2)	1,332	24	4,625	5,245	(12)	1,889	(13)
Tax	271	465		334		1,029	1,388		476	(43)
Adjusted PAT	1,369	1,200	14	988	39	3,565	3,847	(7)	1,413	(3)
Exceptional item	(564)	125								-
Reported PAT	805	1,325	(39)	988	(18)	3,001	3,972	(24)	1,413	(43)
Adj. PAT Margin (%)	4.7	4.3	41bps	4.1	60bps	4.3	4.8	(56bps)	4.6	4bps
EPS (Rs)	7.1	6.3	14	5.2	38	18.7	20.0	(7)	7.3	(3)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

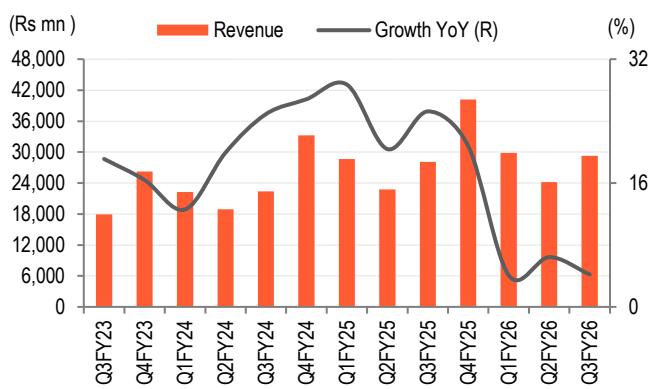
(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Packaged AC systems	16,962	15,624	9	16,642	2	47,729	40,298	18
Professional Electronics & Industrial Systems	749	806	(7)	644	16	2,097	2,580	(19)
Unitary Products	11,542	11,644	(1)	6938	66	33,474	36,609	(9)
EBIT								
Electro- Mechanical Projects and Packaged AC systems	1,147	1,187	(3)	1,471	(22)	3734	3410	10
EBIT margin (%)	6.8	7.6	(80bps)	8.8	(210bps)	7.8	8.5	(60bps)
Professional Electronics & Industrial Systems	68	62	10	62	11	206	210	(2)
EBIT margin (%)	9.1	7.7	143bps	10	(47bps)	9.8	8.1	171bps
Unitary Products	977	948	3	427	129	2278	3067	(26)
EBIT margin (%)	8.5	8.1	30bps	6	230bps	6.8	8.4	(160bps)

Source: Company, BOBCAPS Research

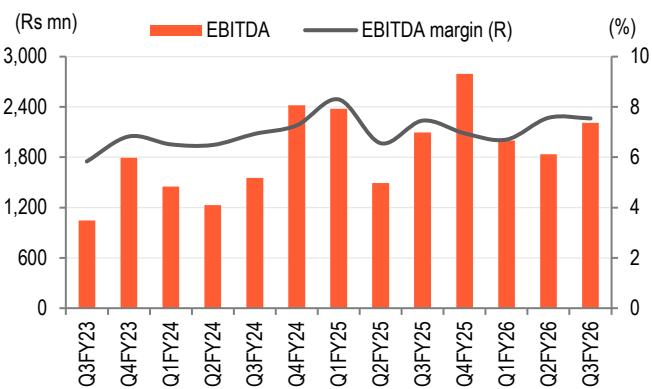
Earnings Call Highlights

- Management highlighted the early signs of recovery in Room Air Conditioner (RAC) business, aided by inventory correction ahead of the Jan'26 energy-label transition and sustained cost-control measures.
- Despite the challenging demand environment, Blue Star is believed to have outperformed the industry marginally and gained modest market share. Focus has now shifted decisively toward Q4FY26 and FY27.
- RAC demand showed initial revival during the quarter, supported by pre-buying ahead of the Jan'26 energy-label change and controlled production. Management indicated that inventory levels at Blue Star were structurally lower than peers, allowing the company to avoid aggressive discounting.
- While January demand is expected to remain muted due to channel inventory, management expects improvement from February onward, contingent on the onset of summer.

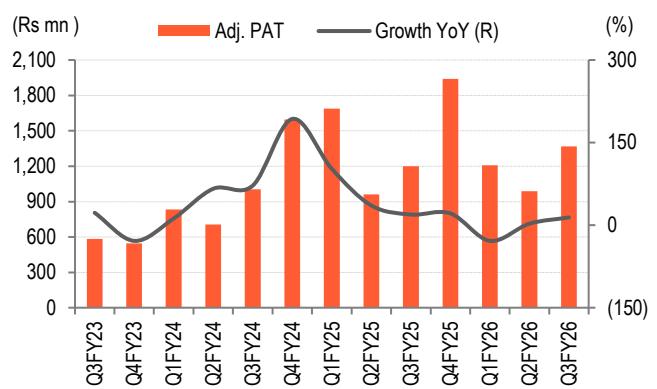
- Pricing environment for RACs remains tight with management indicating a likely ~10% net price hike to consumers, after accounting for GST pass-through, energy-label-related cost inflation (5-8%), commodity inflation and INR depreciation.
- Management reiterated that price hikes are unavoidable to protect margins, given structurally rising input costs, higher warranty obligations, e-waste liabilities and increasing consumer-financing expenses across the industry.
- Order inflows in Segment I (EMP) appear to have bottomed out, with January witnessing a sharp pickup (~Rs 4 bn orders), suggesting improving customer confidence.
- Management guided for high-single-digit growth (8-10% CAGR) in the medium term, reflecting a conscious shift towards quality orders, capital efficiency and cash-flow discipline vs volume-led market share expansion.
- Commercial AC demand remained healthy across factories, data centres, hospitals and malls (including Tier 3 cities), while retail/commercial office demand stayed selective. Commercial Refrigeration continued to lag expectations, with FMCG-linked demand yet to recover meaningfully. Management expects a revival only with broader consumption recovery and summer-led demand.
- Data-centre-related MEP execution remains a strong pillar, with Blue Star maintaining leadership in EPC for data centres, factories and semiconductor facilities. Proprietary liquid-cooling/CDU solutions are under development, with commercial readiness expected over the next ~12 months. Management indicated no material revenue contribution in FY26.
- Inventory levels across the industry stay elevated; management estimates industry inventory at ~8-10 weeks vs ~5-6 weeks for Blue Star, as against normalised ~4 weeks. While inventory is considered manageable, liquidation pace over Feb-Mar and the onset of summer remain the key variables. Excess inventory could lead to industry-wide pricing pressure, if demand recovery is delayed.
- Net borrowings were up ~Rs 3.5bn, driven by higher working capital (inventory) and ongoing capex. Management highlighted that the year-end leverage will depend on inventory liquidation and seasonal demand strength in Q4.
- Strategically, management reiterated focus on profitable growth, targeting ~15% RAC market share over the medium term, sustaining ROCE in the 25-30% range, and maintaining discipline in project-order intake. Continued investments in R&D, localisation, digitalisation and sustainability-led product transitions (energy labels, refrigerants) remain central to the long-term strategy.

Fig 3 – Revenue growth trend

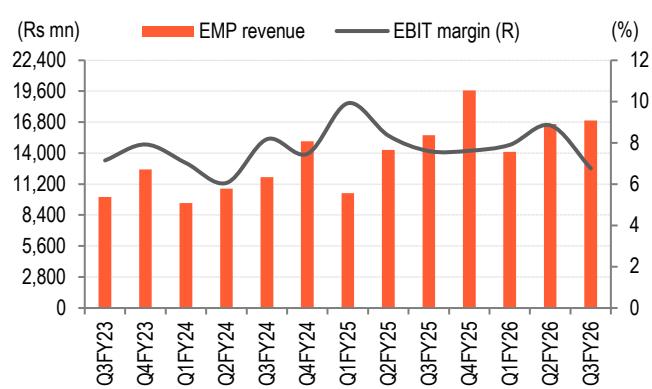
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

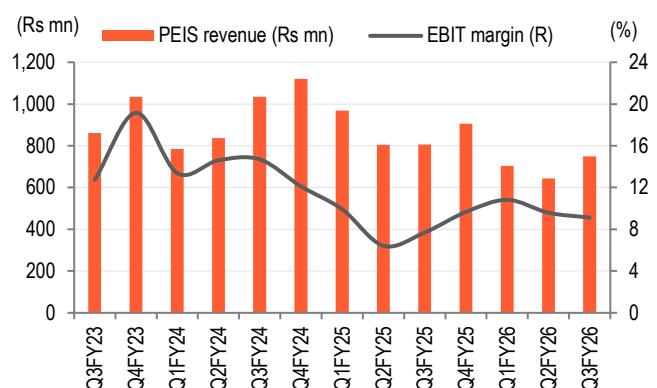
Source: Company, BOBCAPS Research

Fig 5 – Profit trend

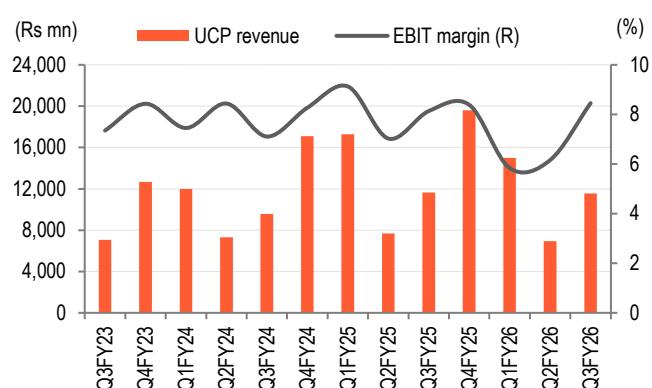
Source: Company, BOBCAPS Research

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 have marginally revised our FY26E EPS upwards by 6% and tweaked our assumption in FY27-28. We roll forward to Dec'26 with a 47x multiple to arrive at TP of Rs 1,950 (earlier Sept-26 TP of Rs 1,850); we maintain our HOLD recommendation.

Fig 9 – BLSTR 1YF P/E band chart



Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,26,228	1,46,285	1,68,544	1,25,750	1,45,675	1,67,808	0.4	0.4	0.4
EBITDA	9,240	10,525	12,612	8,555	10,271	12,475	8.0	2.5	1.1
EBITDA margin (%)	7.3	7.2	7.5	6.8	7.1	7.4	50bps	10bps	0bps
PAT	5,811	6,833	8,402	5,504	6,771	8,424	5.6	0.9	(0.3)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	96,854	1,19,677	1,26,228	1,46,285	1,68,544
EBITDA	6,649	8,759	9,240	10,525	12,612
Depreciation	976	1,284	1,728	1,836	1,929
EBIT	5,673	7,475	7,513	8,689	10,683
Net interest inc./exp.)	(581)	(488)	(607)	(546)	(591)
Other inc./exp.)	474	750	863	992	1,141
Exceptional items	0	0	0	0	0
EBT	5,567	7,737	7,768	9,135	11,232
Income taxes	1,429	1,937	1,958	2,302	2,831
Extraordinary items	0	(125)	0	0	0
Min. int./Inc. from assoc.	5	(13)	0	0	0
Reported net profit	4,150	5,912	5,811	6,833	8,402
Adjustments	0	(125)	0	0	0
Adjusted net profit	4,150	5,787	5,811	6,833	8,402

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	26,166	34,276	39,771	46,090	53,103
Other current liabilities	10,731	12,745	13,442	15,578	17,949
Provisions	0	0	0	0	0
Debt funds	2,429	3,810	5,056	5,462	5,913
Other liabilities	755	1,094	1,094	1,094	1,094
Equity capital	411	411	411	411	411
Reserves & surplus	25,690	30,239	34,316	39,416	46,084
Shareholders' fund	26,101	30,650	34,727	39,827	46,495
Total liab. and equities	66,183	82,575	94,090	1,08,051	1,24,553
Cash and cash eq.	3,774	4,319	11,829	13,737	17,414
Accounts receivables	19,526	19,594	25,246	28,856	33,247
Inventories	14,072	21,492	19,367	23,245	26,782
Other current assets	13,029	17,723	17,390	20,153	23,219
Investments	0	0	0	0	0
Net fixed assets	9,800	12,342	13,114	13,778	14,349
CWIP	1,081	734	774	897	1,033
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	4,902	6,372	6,372	7,384	8,508
Total assets	66,183	82,575	94,090	1,08,051	1,24,553

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	2,892	6,881	10,537	6,872	8,720
Capital expenditures	(4,333)	(3,469)	(2,500)	(2,500)	(2,500)
Change in investments	(1,012)	(1,303)	0	0	0
Other investing cash flows	98	133	(40)	(1,135)	(1,260)
Cash flow from investing	(5,246)	(4,640)	(2,540)	(3,635)	(3,760)
Equities issued/Others	10,000	0	0	0	0
Debt raised/repaid	(4,392)	151	1,246	406	451
Interest expenses	0	0	0	0	0
Dividends paid	(1,960)	(1,773)	(1,734)	(1,734)	(1,734)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	3,648	(1,622)	(488)	(1,328)	(1,283)
Chg in cash & cash eq.	1,294	619	7,509	1,909	3,677
Closing cash & cash eq.	3,774	4,319	11,829	13,737	17,414

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	21.5	30.7	30.2	35.5	43.6
Adjusted EPS	21.5	30.0	30.2	35.5	43.6
Dividend per share	7.0	9.0	9.0	9.0	9.0
Book value per share	135.5	159.1	180.3	206.8	241.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.6	2.9	2.8	2.4	2.1
EV/EBITDA	52.6	40.0	37.9	33.3	27.8
Adjusted P/E	84.3	60.5	60.2	51.2	41.7
P/BV	13.4	11.4	10.1	8.8	7.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.5	74.8	74.8	74.8	74.8
Interest burden (PBT/EBIT)	98.1	103.5	103.4	105.1	105.1
EBIT margin (EBIT/Revenue)	5.9	6.2	6.0	5.9	6.3
Asset turnover (Rev./Avg TA)	9.9	9.7	9.6	10.6	11.7
Leverage (Avg TA/Avg Equity)	0.5	0.4	0.4	0.4	0.3
Adjusted ROAE	21.1	20.4	17.8	18.3	19.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	21.4	23.6	5.5	15.9	15.2
EBITDA	34.9	31.7	5.5	13.9	19.8
Adjusted EPS	59.6	39.5	0.4	17.6	23.0
Profitability & Return ratios (%)					
EBITDA margin	6.9	7.3	7.3	7.2	7.5
EBIT margin	5.9	6.2	6.0	5.9	6.3
Adjusted profit margin	4.3	4.8	4.6	4.7	5.0
Adjusted ROAE	21.1	20.4	17.8	18.3	19.5
ROCE	18.9	19.5	16.9	17.0	18.1
Working capital days (days)					
Receivables	74	60	73	72	72
Inventory	53	66	56	58	58
Payables	99	105	115	115	115
Ratios (x)					
Gross asset turnover	6.5	6.7	6.0	6.2	6.5
Current ratio	1.3	1.3	1.3	1.3	1.4
Net interest coverage ratio	9.8	15.3	12.4	15.9	18.1
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

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

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Registered office Address: 1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051

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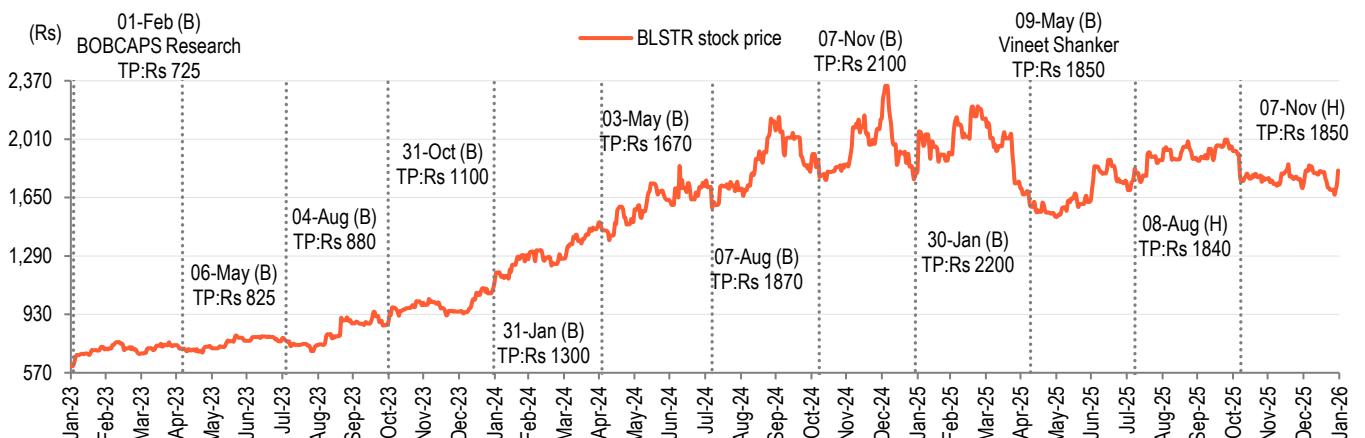
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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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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