PL Capital
PRABHUDAS LILLADHER
INSTITUTIONAL EQUITIES

INITIATING COVERAGE
July 2026

Blue Star (BLSTR IN)

Capturing India's Massive Cooling Opportunity

Rating: BUY | CMP: INR 1,606 | TP: INR 1,873

Shivam Patel
shivampatel@plindia.com
+91-22-66322274

Praveen Sahay
praveensahay@plindia.com
+91-22-66322369

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Quick Pointers

- Targeting 15% RAC market share by FY27E
- Data center contribution guided at 15% of total revenue by FY29E

We initiate coverage on Blue Star (BLSTR) with 'BUY' rating and SoTP-based TP of INR1,873, implying 44x FY28E P/E, given its strong earnings visibility, improving profitability and leadership across the heating, ventilation and air conditioning (HVAC) industry. BLSTR is one of India's leading air conditioning and commercial refrigeration companies, with a diversified presence across room air conditioners (RAC), commercial air conditioners (CAC), electro-mechanical projects (EMP), commercial refrigeration and industrial solutions. The company is well positioned to capitalize on India's structural cooling demand, supported by 1) rising RAC penetration and market share gains; 2) leadership in CAC and EMP; 3) timely expansion of manufacturing capacity through the Sri City facility; and 4) emerging opportunities from data center expansion and infrastructure development. We expect revenue/EBITDA/PAT to grow at 18.9%/22.9%/24.9% CAGR over FY26-28E, driven by sustained demand across both the Unitary Cooling Products (UCP) and EMP businesses, higher capacity utilization and operating leverage. Initiate with 'BUY'.

Positioned to capture India's RAC penetration story: India's RAC penetration remains low at ~13%, providing a long runway for growth. BLSTR has steadily increased its RAC market share from ~7% in FY14 to ~14.3% in FY26 through strong brand positioning, an expanding product portfolio and a growing distribution network. With continued investments in manufacturing, product innovation and channel expansion, the company is well placed to benefit from the structural growth in residential AC demand.

Capitalizing on India's data center expansion: India's data center market is witnessing a multi-year investment cycle driven by cloud adoption, AI workloads and digital transformation. As the market leader in mechanical, electrical & plumbing (MEP) solutions for data centers, BLSTR is estimated to have generated ~INR10bn revenue from this segment in FY26. The management expects this opportunity to scale significantly over the medium term, supported by a robust project pipeline and increasing investments in hyperscale and colocation facilities.

Sri City facility expands RAC capabilities: BLSTR has strengthened its manufacturing footprint through phased investments in its Sri City facility, which has expanded RAC manufacturing capacity to 1.2mn units annually. Combined with higher localization, backward integration and manufacturing automation, the facility enhances supply-chain resilience, supports new product launches and provides sufficient headroom to capture future demand while driving operating leverage and margin improvement.

Key Data	BLUS.BO | BLSTR IN
BSE Code	500067
NSE Code	BLUESTARCO
52-W High / Low	INR 2,049 / INR 1,450
Face Value	2
Sensex / Nifty	76,923 / 24,006
Market Cap	INR 330 bn / $ 3,468 mn
Shares Outstanding	205.61 mn
3M Avg. Daily Value	INR 1,173.45 mn

Shareholding Pattern (%)	
Promoters	36.48
FIIs	14.66
Mutual Funds	22.27
Domestic Institutions	4.51
Public & Others	22.08
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4.0	3.2	(9.4)	(5.8)
Relative	0.4	(1.9)	0.4	2.5

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	119,677	124,020	149,536	175,444
EBITDA (INR mn)	8,759	9,304	11,380	14,054
Margin (%)	*7.3*	*7.5*	*7.6*	*8.0*
PAT (INR mn)	5,787	5,665	6,891	8,841
EV (INR mn)	323,859	328,195	324,129	320,891
Total Debt (INR mn)	1,994	6,268	6,729	7,018
C&C Eq. (INR mn)	4,256	3,670	7,017	9,585
EPS (INR)	28.1	27.6	33.5	43.0
Gr. (%)	*39.5*	*(2.1)*	*21.6*	*28.3*
DPS (INR)	9.0	9.0	9.0	9.0
Yield (%)	*0.6*	*0.5*	*0.5*	*0.5*
RoE (%)	*20.4*	*17.4*	*17.7*	*18.7*
RoCE (%)	*27.2*	*22.2*	*22.2*	*23.4*
EV/Sales (x)	2.7	2.6	2.2	1.8
EV/EBITDA (x)	37.0	35.3	28.5	22.8
PE (x)	57.1	58.3	47.9	37.4
P/BV (x)	10.8	9.6	7.6	6.5

Shivam Patel
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Company Overview

BLSTR: Complete cooling solutions provider

Blue Star Ltd (BLSTR) is one of India's leading air conditioning and commercial refrigeration companies with diversified presence across RAC, CAC, EMP, commercial refrigeration and industrial solutions. The company has built a strong market position through its integrated business model spanning manufacturing, project execution, distribution and after-sales services. With a growing manufacturing footprint, extensive dealer network and leadership in several HVAC categories, BLSTR is well positioned to benefit from rising penetration of cooling products, urbanization, infrastructure development, and demand for energy-efficient solutions. The company continues to focus on product innovation, distribution expansion and backward integration to strengthen its competitive position across residential, commercial and industrial cooling markets.

- BLSTR's market share in the RAC segment has been rising consistently, from ~7% in FY14 to ~14.3% currently. It targets to reach 15% market share by FY27 through product expansion and deeper distribution penetration.

RAC market share increased from 7.0% in FY14 to 14.3% in FY26

- The company maintains leadership positions across multiple CAC categories, including ducted systems and scroll chillers, while continuing to strengthen its presence in VRF and screw chiller segments.
- BLSTR operates 7 manufacturing facilities across India. Its highly automated Sri City plant with annual RAC manufacturing capacity of 1.2mn units, supports growing demand and higher backward integration.
- The company has built a strong nationwide distribution network comprising more than 4,000 channel partners and over 10,200 sales outlets, enabling deep market penetration.
- The company reported a robust carried-forward order book of INR69.2bn at FY26 end, up 10.5% YoY, supported by healthy demand from factories, data centers and infrastructure projects.

FY26 order book grew 10.5% YoY to INR69.2bn, supported by factories, data centres and infrastructure

- BLSTR exports HVAC&R products and solutions to 20+ countries across the Middle East, Africa, SAARC and ASEAN regions, leveraging its expertise in serving diverse climatic conditions.
- BLSTR is expanding its global footprint through wholly owned subsidiaries in the US, Europe and Japan, along with strategic JVs in Qatar and Malaysia, supporting export growth and geographic diversification.
- The company has expanded its manufacturing footprint over the years through investments in modern production facilities, supporting localization and capacity enhancement across key product categories.

We believe BLSTR is well positioned to deliver sustainable growth, supported by a) increasing RAC penetration and market share gains, b) leadership in CAC and EMP businesses, c) manufacturing expansion and backward integration initiatives, and d) strong demand visibility from data centers, manufacturing facilities and infrastructure projects.

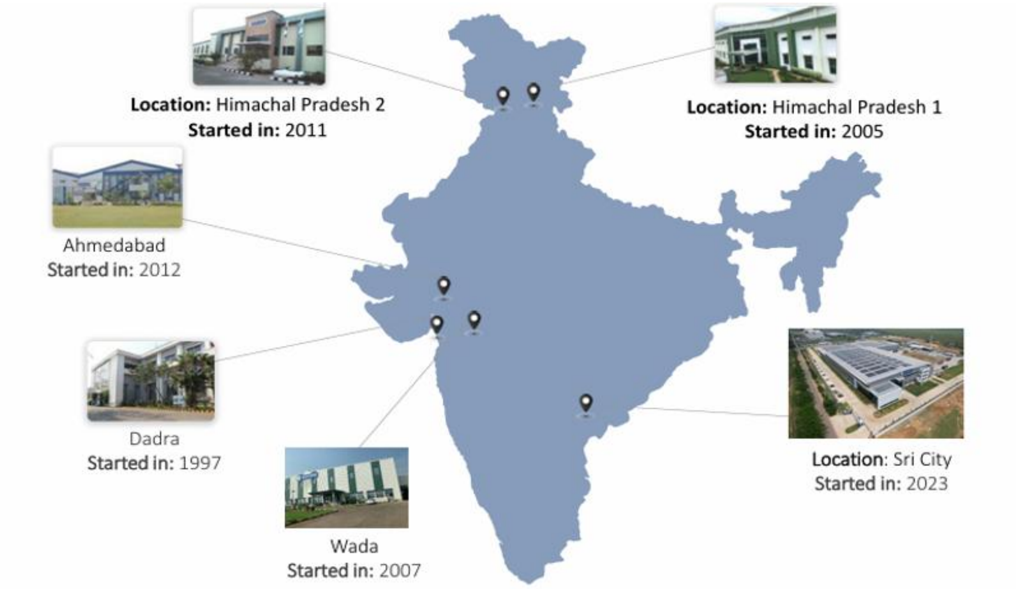
Over FY21-26, revenue/EBITDA/PAT recorded 23.8%/31.1%/42.0% CAGR, driven by segment mix improvement, operating leverage, better execution across the EMP and UCP businesses, and margin expansion, with order inflow and secondary sales supporting the growth trajectory.

Strengthening manufacturing base through capacity expansion

BLSTR has built a pan-India manufacturing footprint with 7 state-of-the-art facilities (Ahmedabad, Dadra, Wada (2 facilities), Himachal Pradesh (2 facilities) and Sri City), enabling greater localization, operational flexibility and supply-chain resilience across its HVAC&R product portfolio.

The company has significantly strengthened its manufacturing base through the commissioning of the Wada deep-freezer facility and the Sri City RAC plant in FY23. BLSTR has so far invested ~INR5.5bn in the Sri City project in a phased manner. The facility commenced commercial production in Jan'23 with initial annual RAC capacity of 0.35mn units and has since scaled up to 1.2mn units, strengthening BLSTR's in-house manufacturing capabilities and supporting its growing RAC market presence.

Exhibit 1: Diversified manufacturing footprint across 5 strategic geographies



Source: Company, PL

Exhibit 2: Diversified cooling solutions portfolio

Source: Company, PL

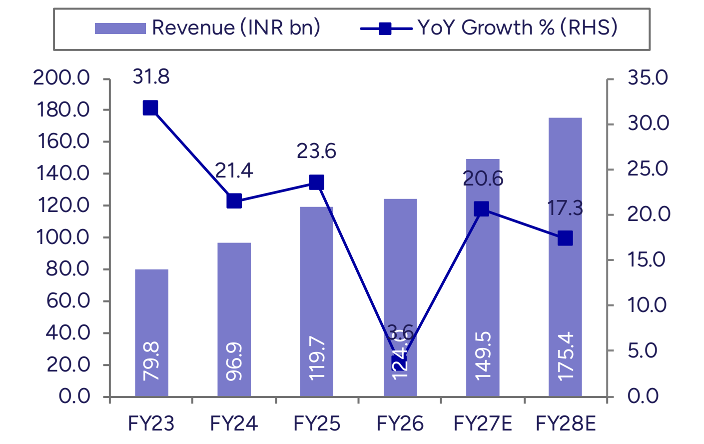
Exhibit 3: Major events in BLSTR's history

Year	Milestone
1943	Mohan T Advani started Blue Star at the peak of World War II
1947	Started central air conditioning system design and execution
1969	Listed on Bombay Stock Exchange
1977	Forayed into Middle East markets
1993	Entered South-East Asia with Arab Malaysian JV
1997	Set up world-class Dadra factory
2005-07	Set up factories in Himachal Pradesh & Wada
2011	Entered residential segment with a range of RACs
2012	Set up plant in Ahmedabad
2017	Received its first patent in R&D
2019	Engaged Virat Kohli as brand ambassador
2022	Set up wholly owned subsidiaries in North America and Europe
2023	Started commercial production at Sri City factory
2024	Enhanced chiller portfolio by launching data center, brine & centrifugal chillers

Source: Company, PL

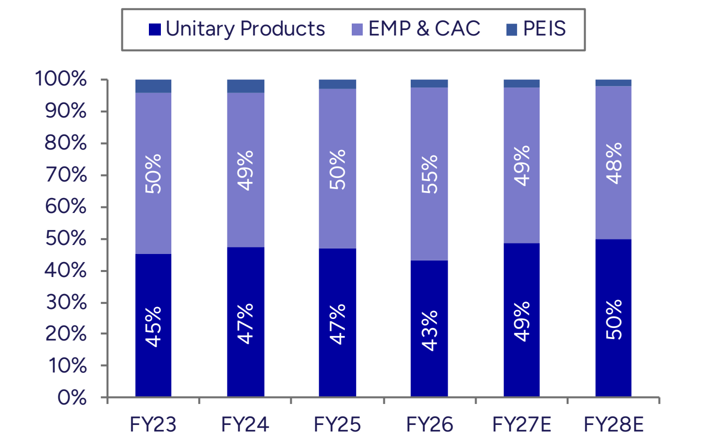
Story in Charts

Exhibit 4: Revenue CAGR of 18.9% estimated over FY26-28E



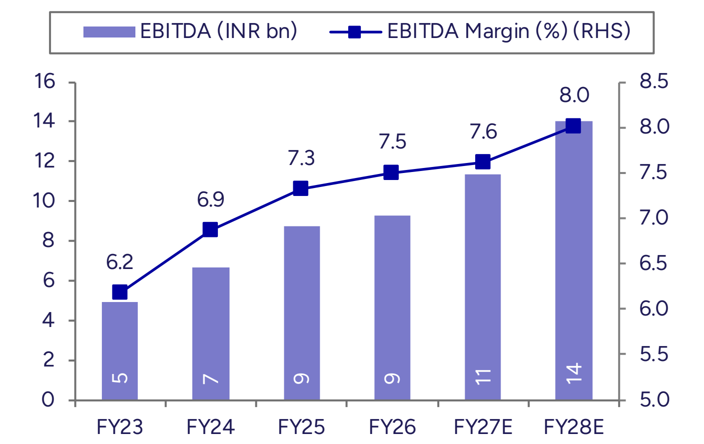
Source: Company, PL

Exhibit 5: EMP & CAC lead with revenue share of 55% in FY26



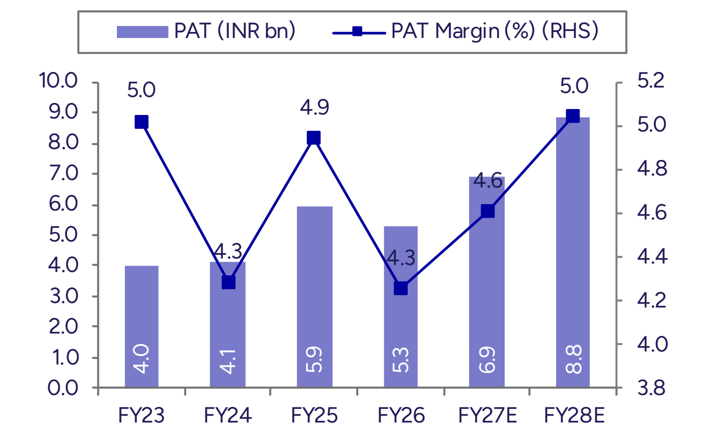
Source: Company, PL

Exhibit 6: EBITDA margin to reach 8.0% by FY28E



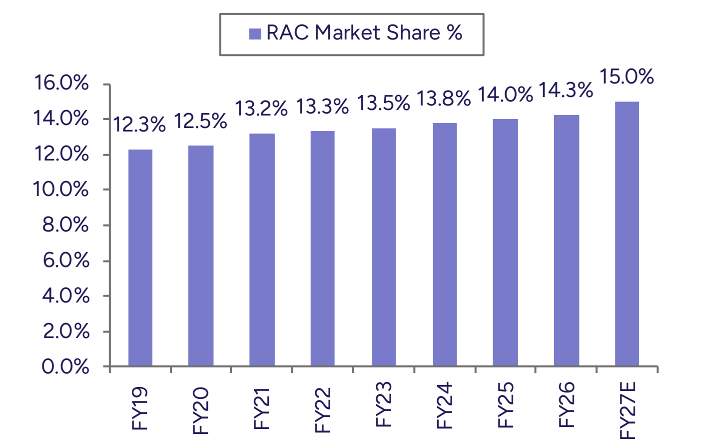
Source: Company, PL

Exhibit 7: PAT to clock 24.9% CAGR over FY26-28E



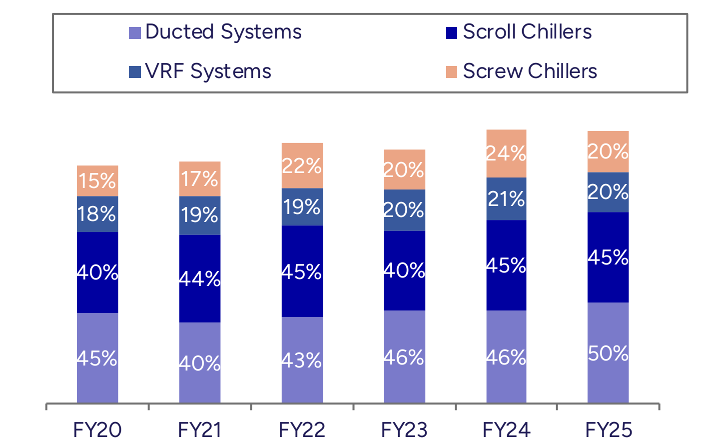
Source: Company, PL

Exhibit 8: Aiming for 15% RAC market share by FY27



Source: Company, PL

Exhibit 9: Market share across CAC sub-segments



Source: Company, PL

Investment Arguments

Positioned to capture India's RAC penetration story

India's RAC industry remains one of the fastest-growing consumer durable categories. The industry has expanded from ~INR155bn in CY19 to ~INR320bn in CY24 and is expected to reach ~INR710bn by CY29, implying CAGR of ~17% over CY24-29.

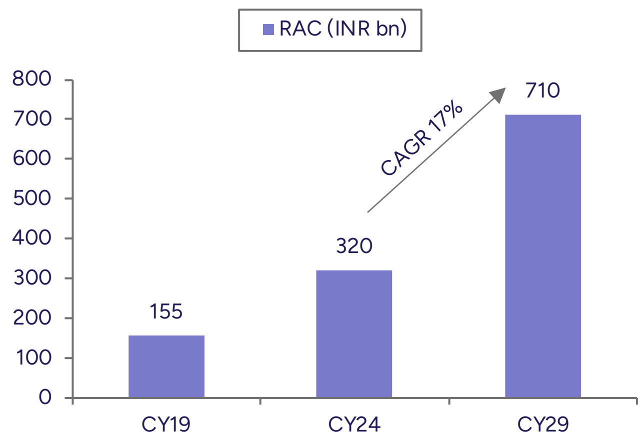
Despite strong growth in recent years, RAC penetration in India at ~13%, is significantly below global standards, providing substantial headroom for long-term expansion. Industry estimates indicate penetration could increase to ~19% by CY29, driven by rising disposable incomes, growing middle-class households, rapid urbanization, improving electricity access, increasing affordability and availability of consumer financing.

Aims to achieve 15% RAC market share by FY27

BLSTR is well-positioned to capitalize on the growth opportunity in the RAC industry, supported by its strong brand recall, expanding manufacturing footprint and growing distribution network. The company has steadily increased its RAC market share from ~7% in FY14 to ~14.3% in FY26 through its mass-premium positioning, wider product portfolio and deeper penetration across Tier 2 and 3 markets. The company aims to increase its RAC market share to 15% by FY27, supported by continued capacity expansion, new product launches and deeper distribution reach. The UCP segment, comprising RAC and commercial refrigeration, contributed to 43% of revenue in FY26 and delivered a CAGR of 23.3% over FY21-26.

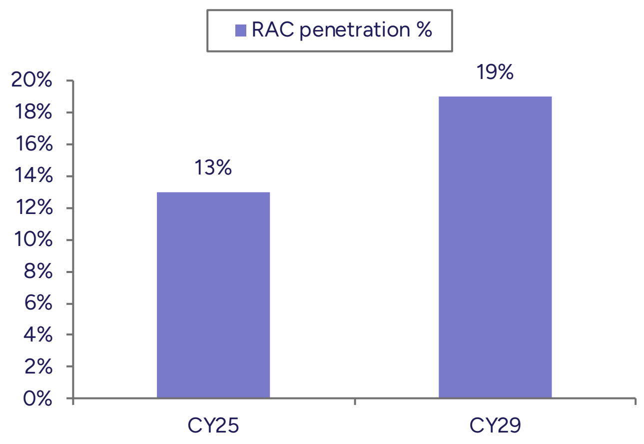
Commercial refrigeration is a sizable ~INR50bn addressable market in India, where BLSTR enjoys leadership positions with ~31% market share in deep freezers and water coolers and ~32% market share in modular cold rooms (FY25). The industry is supported by rising urbanization, growing cold-chain infrastructure requirements, increasing adoption of quick commerce and QSR formats, and expanding demand from food & beverage and pharmaceutical sectors. Further, the shift toward energy-efficient and sustainable refrigeration solutions is expected to drive long-term industry growth.

Exhibit 10: India RAC market to reach INR710bn by CY29



Source: LGEL, RHP

Exhibit 11: India RAC penetration to reach 19% by CY29



Source: LGEL, RHP

Capitalizing on India's data center expansion

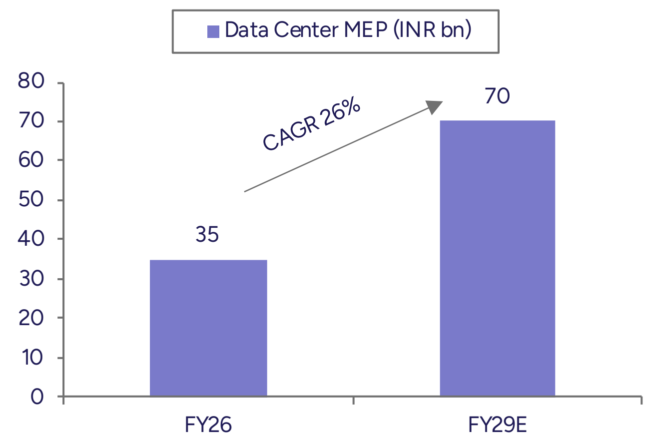
India's data center infrastructure market is entering a structural growth phase, driven by rising cloud adoption, AI-led computing demand and accelerating digital transformation. Installed data center capacity in the country is expected to increase from 1.3GW in FY25 to 4.5GW by FY30E and further to 7.0GW by FY35E, supported by strong investments from hyperscalers, colocation operators and enterprise customers. This expansion is expected to drive sustained demand for high-end cooling, electrical and MEP infrastructure.

Capacity additions continue to be concentrated in key metropolitan markets. Mumbai is expected to remain the largest data center hub, with capacity increasing from 592MW in FY25 to 1,993MW by FY30E, followed by Chennai (243MW to 818MW). Other major markets such as Delhi (144MW to 485MW), Hyderabad (135MW to 454MW), Pune (112MW to 377MW) and Bengaluru (79MW to 266MW) are also expected to witness significant expansion, providing a robust opportunity pipeline for HVAC and MEP contractors.

India's data centre MEP market is expected to more than double over the next 3 years

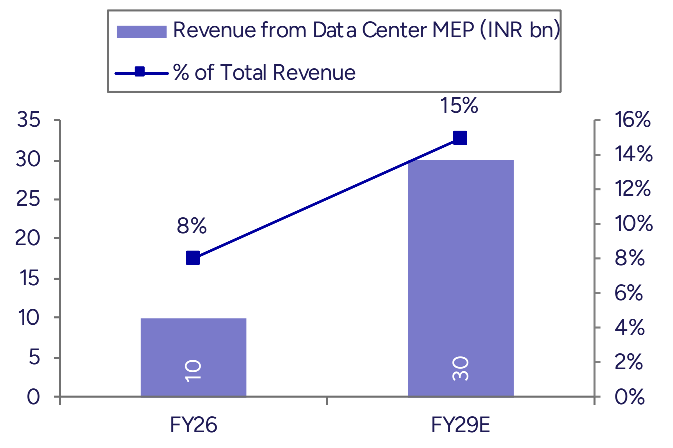
BLSTR is well positioned to capitalize on this opportunity as the market leader in the MEP segment for data centers. The company generated an estimated ~INR10bn of revenue from data center MEP projects in FY26, while the domestic MEP market is estimated at ~INR35bn and is expected to more than double over the next 3 years. The management expects BLSTR's data center MEP revenue to scale to ~INR30bn over the medium term, potentially contributing to ~15% of total revenue, supported by a strong order pipeline, leadership in MEP execution and increasing investments across hyperscale and colocation facilities.

Exhibit 12: Data center MEP market to double by FY29E



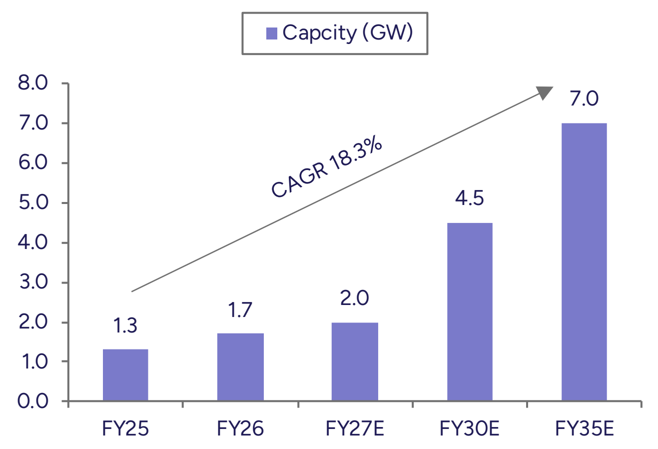
Source: Company, PL

Exhibit 13: Data center MEP revenue to log ~44.2% CAGR in FY26-29E



Source: Company, PL

Exhibit 14: Data center capacity outlook for India



Source: Company, PL

Exhibit 15: Data center cost structure

Component	% of total cost
Land and building infrastructure	15–20%
Electrical systems	40–45%
Cooling systems	15–20%
IT and network infrastructure	10–20%
Building management systems	5–10%
Security systems	2–5%
Compliance and certification	1–3%

Source: Company, PL

Expanding channel network enhancing market penetration

BLSTR continues to strengthen its distribution network as a key competitive advantage, supporting sustained market share gains in the RAC segment. The company has consistently expanded its retail footprint by increasing dealer touchpoints, deepening penetration across Tier 2 and 3 cities and strengthening its presence in high-growth markets. As of FY25, BLSTR had over 4,000 channel partners and 10,200 retail outlets across India, providing the company with extensive reach across both urban and emerging markets.

BLSTR's channel strategy focuses not only on network expansion but also on improving channel productivity through digital initiatives and dealer engagement programs. Platforms such as Star Connect enable seamless dealer ordering, financing, product training and after-sales support, while Star Kart helps dealers establish an online presence and improve consumer engagement. These initiatives have strengthened dealer relationships, improved execution and enhanced secondary sales visibility across the distribution network.

Revenue per outlet increased to INR5.5mn in FY25 from INR2.7mn in FY21

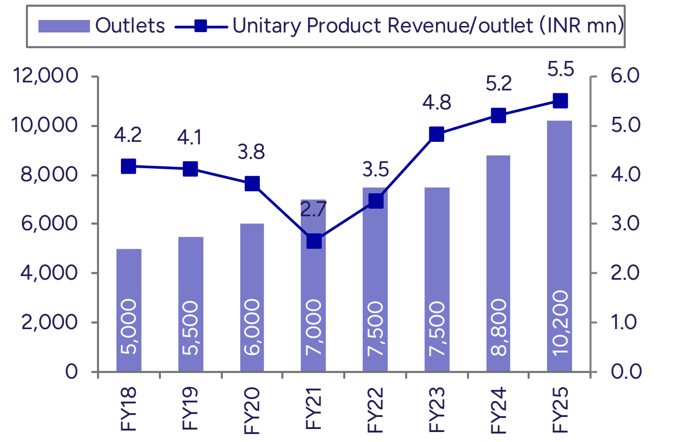
BLSTR has consistently expanded its retail footprint from 5,000 outlets in FY18 to over 10,200 outlets in FY25, strengthening its reach across key markets. A wider distribution network has improved revenue productivity, with revenue per outlet increasing to INR5.5mn in FY25 from INR2.7mn in FY21. Expanding retail presence positions the company well to capture rising RAC demand and sustain market share gains.

Exhibit 16: BLSTR's strong distribution footprint driving market expansion

Player	Distribution channel	
BLSTR	Outlets	10,200+
	Channel partners	4,000+
VOLT	Touch points	30,000+
	EBOs	400+
HAVL	Dealer network	20,700
	Retailers	2,72,000

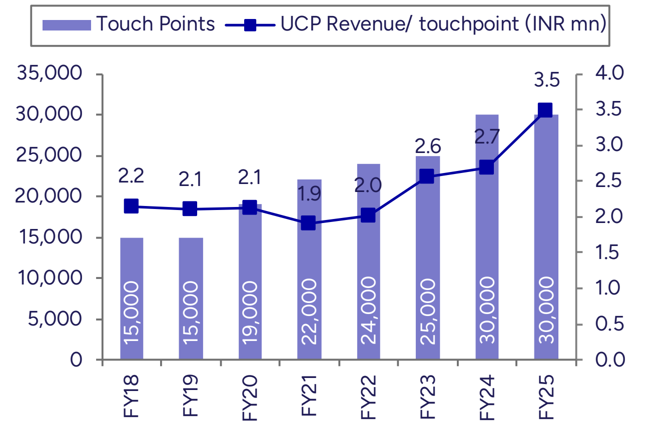
Source: Company, PL

Exhibit 17: BLSTR's expanding retail reach driving RAC growth



Source: Company, PL

Exhibit 18: VOLT scaling touchpoints for UCP growth



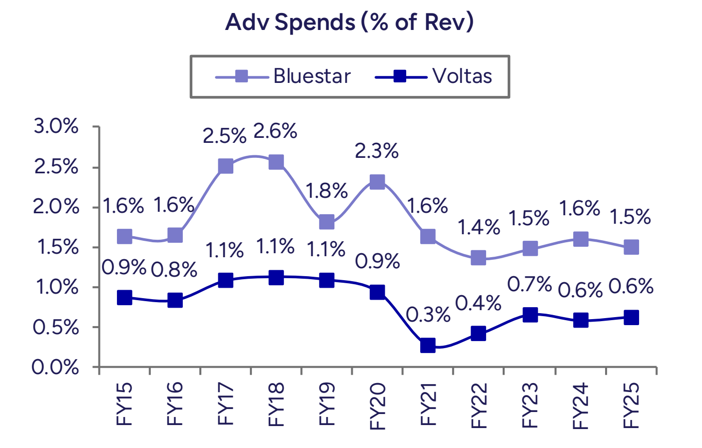
Source: Company, PL

Consistent brand building driving higher outlet productivity

BLSTR continues to demonstrate disciplined brand building while improving the efficiency of its distribution network. The company has consistently invested in advertising to strengthen brand recall, with advertising expenditure remaining materially higher than peers over the last decade. After peaking at 2.6% of revenue in FY18, BLSTR maintained ad spends at 1.4–1.6% during FY22–25, compared with peers at 0.6–0.7%, reflecting its sustained focus on long-term brand equity, rather than short-term demand generation. This consistent investment has supported the company's premium positioning and expanding retail presence.

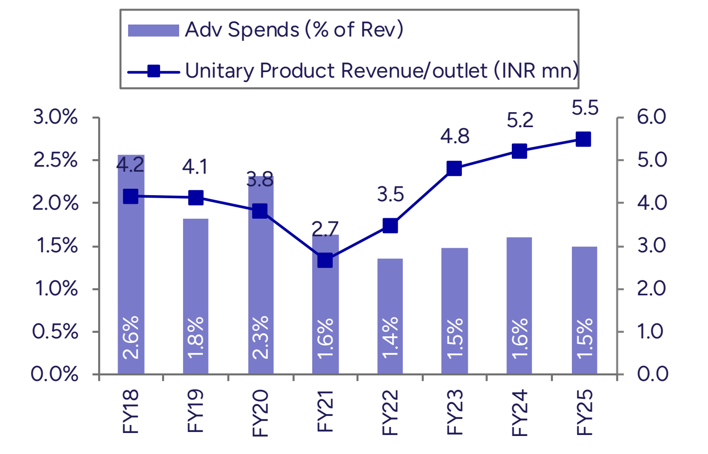
More importantly, BLSTR has been able to generate higher productivity from its distribution network, despite moderating advertising intensity. While advertising spend declined from 2.6% in FY18 to 1.5% in FY25, UCP revenue per outlet increased from INR4.2mn to INR5.5mn. After a temporary decline during FY21–22, outlet productivity recovered sharply to INR4.8mn in FY23, INR5.2mn in FY24, and INR5.5mn in FY25, indicating stronger throughput per retail outlet. The trend suggests that BLSTR's investments in brand building and channel expansion are translating into better sales productivity, allowing the company to drive growth with a relatively lower advertising intensity. This combination of sustained brand investment and improving outlet economics reinforces the scalability of BLSTR's consumer business and supports its ability to deliver profitable long-term growth.

Exhibit 19: BLSTR's ad spend consistently higher



Source: Company, PL

Exhibit 20: Outlet productivity improves despite lower ad spend



Source: Company, PL

Sri City facility expands RAC capabilities

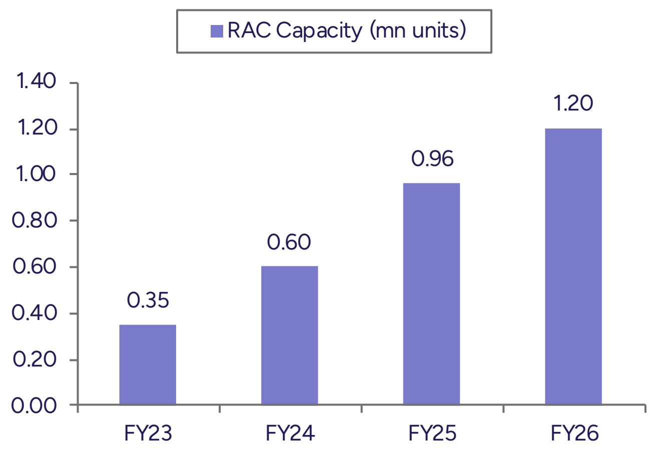
BLSTR has been consistently increasing investments in R&D and manufacturing infrastructure to strengthen its competitive position across RAC, commercial refrigeration and EMP. The company focuses on product innovation, localization, energy-efficient technologies and capacity expansion, while simultaneously enhancing manufacturing automation and backward integration. These investments are expected to support higher domestic value addition, faster product launches and sustained margin improvement.

BLSTR has strategically prioritized capex toward expanding RAC manufacturing capacity and increasing localization across key components. Investments are focused on scaling production infrastructure, enhancing automation, expanding testing and R&D capabilities, and improving manufacturing efficiencies. This strategy is expected to increase domestic value addition, strengthen supply chain resilience, support new product launches and improve margins, enabling the company to capture the growing demand in the Indian RAC market

Sri City RAC plant scaled to 1.2mn units annual capacity in FY26

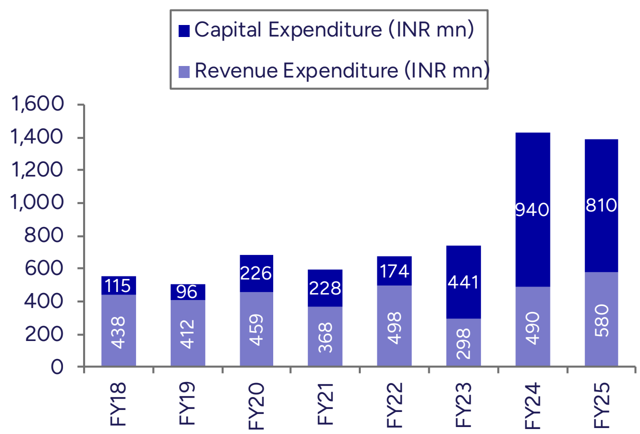
BLSTR has consistently allocated capital toward expanding its manufacturing footprint, increasing localization and strengthening backward integration to support the long-term growth opportunity in the RAC industry. A key focus has been the development of the state-of-the-art Sri City manufacturing facility through its wholly owned subsidiary, Blue Star Climatech Ltd. The company has invested ~INR5.5bn in this facility in a phased manner. The plant commenced commercial production in Jan'23 with initial capacity of 0.3mn units, which was subsequently expanded to 0.35mn units in FY23 and 0.6mn units in FY24. Its annual capacity reached 1.2mn units in FY26, making it the company's largest RAC manufacturing facility. The management indicated that the company's manufacturing plants, including the Sri City facility, are currently operating at 75-80% capacity utilization, providing adequate headroom to cater to future demand while supporting operating leverage and margin expansion.

Exhibit 21: Sri City facility capacity reaches 1.2mn units as of Mar'26



Source: Company, PL

Exhibit 22: Consistent R&D investments driving product innovation



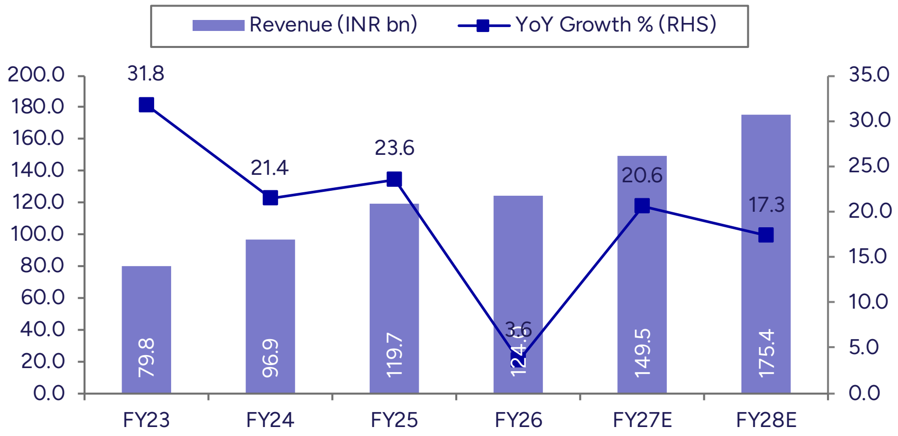
Source: Company, PL

Financial, Outlook and Valuations

Revenue growth driven by diversified portfolio

We expect BLSTR to deliver revenue CAGR of 18.9% over FY26-28E, driven by sustained growth across both the UCP and EMP businesses. Rising RAC market share, increasing manufacturing capacity, robust order book of INR69.2bn, and rising opportunities in data center cooling are expected to support healthy topline growth. Expanding distribution reach and healthy demand across RAC, commercial cooling and EMP businesses are expected to support sustained revenue growth.

Exhibit 23: Revenue to clock 18.9% CAGR over FY26-28E

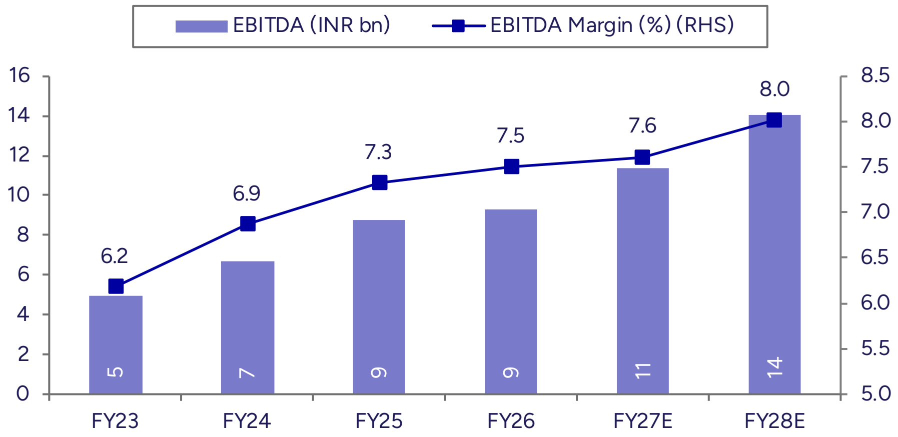


Source: Company, PL

EBITDA margin to expand by 50bps by FY28E

We expect BLSTR's EBITDA margin to remain broadly stable at 7.5-8.0% over FY26–28E, supported by operating leverage, improving product mix and ongoing localization initiatives. Higher capacity utilization and manufacturing efficiencies are likely to offset competitive pricing pressures and input cost volatility. Overall, we expect the company to sustain healthy profitability while maintaining its growth trajectory.

Exhibit 24: EBITDA margin to gradually expand to 8.0% by FY28

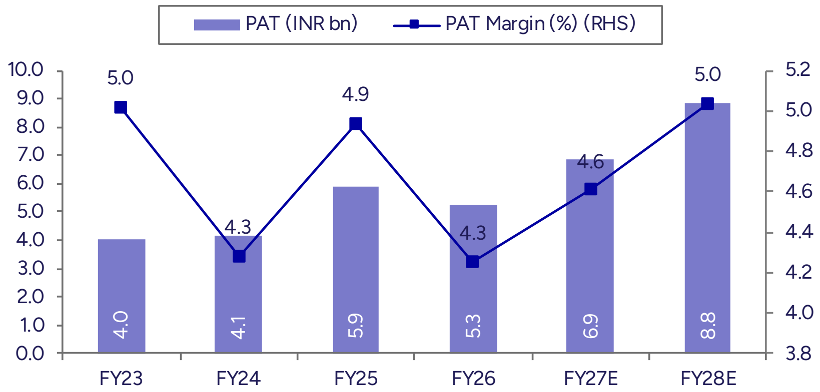


Source: Company, PL

Adj PAT to grow at 24.9% CAGR over FY26-28E

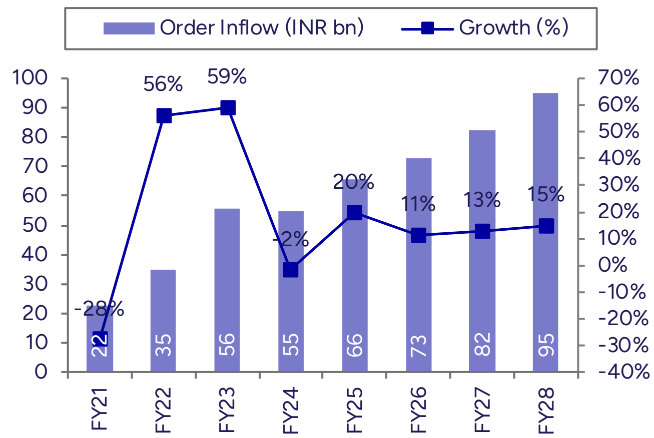
We expect BLSTR's PAT to grow at 24.9% CAGR over FY26–28E, driven by steady revenue growth, stable EBITDA margin and improving operating leverage. Lower fixed-cost absorption from higher capacity utilization and improving business mix are expected to support earnings growth. Healthy execution across the UCP and EMP businesses, coupled with sustained demand in the RAC and data center segments, should further strengthen profitability.

Exhibit 25: PAT margin to reach 5.0% in FY28



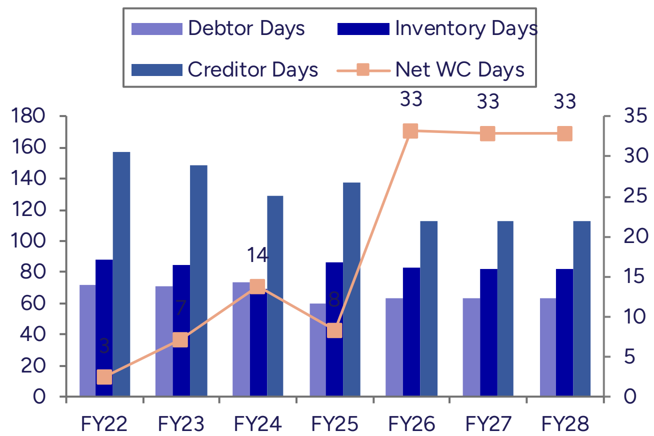
Source: Company, PL

Exhibit 26: Growing order inflow enhances revenue visibility



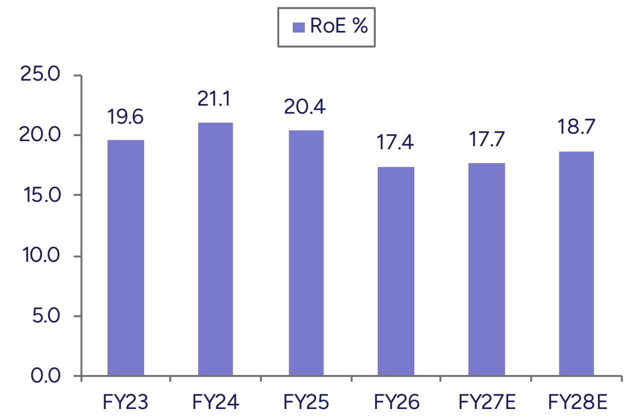
Source: Company, PL

Exhibit 27: Working capital days stabilizing



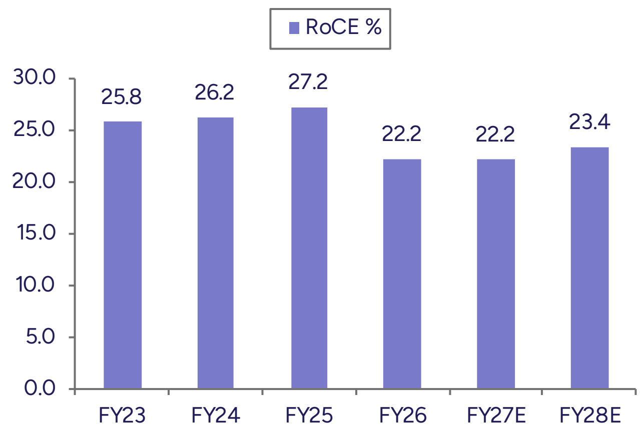
Source: Company, PL

Exhibit 28: **RoE to improve to 18.7% by FY28E**



Source: Company, PL

Exhibit 29: **RoCE to improve to 23.4% by FY28E**



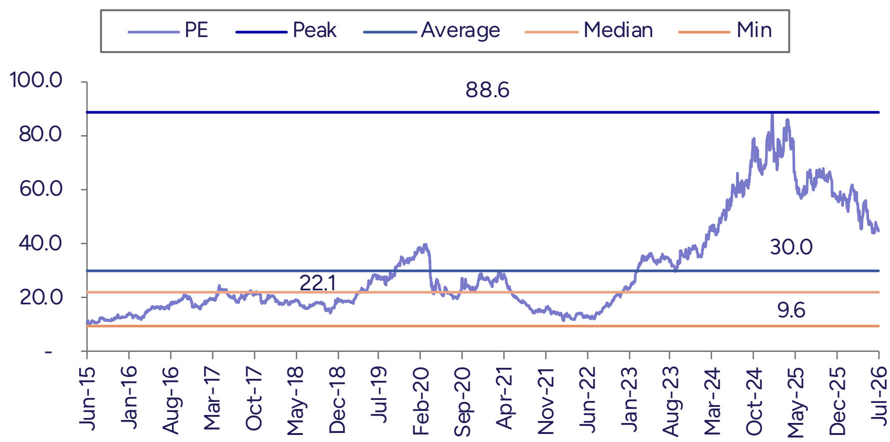
Source: Company, PL

Outlook and Valuation

BLSTR is well positioned to benefit from India's long-term cooling demand, supported by rising RAC penetration, increasing urbanization, expanding commercial infrastructure and growing opportunity in data center cooling. The company's strong brand positioning, diversified business model, expanding manufacturing footprint, robust order pipeline and improving distribution network provide healthy earnings visibility. We expect revenue/EBITDA/PAT to grow at 18.9%/22.9%/24.9% CAGR over FY26-28E, supported by steady execution across both the UCP and EMP businesses.

We initiate coverage on BLSTR with 'BUY' rating and TP of INR1,873, with implied P/E of 44x FY28E EPS while trading at 37x FY28E EPS, reflecting strong growth prospects, improving profitability and leadership in the HVAC industry. Peers in the UCP segment, HAVL and VOLT are trading at 36x and 41x on FY28E earnings, respectively, considering 19% and 60% earnings CAGR over FY26-28E.

Exhibit 30: **1-year forward P/E band chart, trading at 37x FY28E EPS**



Source: Company, PL

Exhibit 31: **Segment-wise SoTP valuation**

Particulars	EPS (INR)	Target P/E multiple (x)	Fair value (INR)
EMP & CAC	21	30	615
UCP	21	55	1,134
Professional Electronics and Industrial Systems	1.5	25	38
Share of associates/JVs			6
Cash & investments			80
Total value/share			**1,873**

Source: Company, PL

Exhibit 32: **Valuation matrix**

Company	CMP (INR)	TP (INR)	Mcap (INR bn)	EPS				PE (x)				RoE (%)				RoCE (%)			
				FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
BLSTR	1,606	1,873	330	29	26	34	43	56	63	48	37	20.4	17.4	17.7	18.7	27.2	22.2	22.2	23.4
VOLT	1,278	1,308	424	25	12	23	31	50	105	56	41	13.6	6.2	11.0	13.3	19.8	10.9	15.1	17.1
HAVL	1,189	1,505	745	23	27	28	33	51	44	42	36	18.7	16.7	17.8	18.6	25.8	22.6	24.1	25.1

Source: Company, PL

Exhibit 33: **Revenue to grow at ~19% CAGR over FY26-28E**

Particulars (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	*CAGR % FY21-26*	*CAGR % FY26-28*
Revenue										
Blue Star	42,636	60,541	79,773	96,854	119,677	124,020	149,536	175,444	*24%*	*19%*
Voltas	75,558	79,345	94,988	124,812	154,129	142,445	182,750	202,513	*14%*	*19%*
Havells	104,573	139,385	169,107	185,900	217,781	225,278	256,046	290,914	*17%*	*14%*
EBITDA										
Blue Star	2,398	3,364	4,928	6,649	8,759	9,304	11,380	14,054	*31%*	*23%*
Voltas	6,414	6,816	5,724	4,746	11,163	6,469	10,401	13,551	*0.2%*	*45%*
Havells	15,717	17,604	15,925	18,426	21,309	22,015	25,700	29,896	*7%*	*17%*
EBITDA margin										
Blue Star	5.6%	5.6%	6.2%	6.9%	7.3%	7.5%	7.6%	8.0%		
Voltas	8.5%	8.6%	6.0%	3.8%	7.2%	4.5%	5.7%	6.7%		
Havells	15.0%	12.6%	9.4%	9.9%	9.8%	9.8%	10.0%	10.3%		
PAT										
Blue Star	981	1,558	2,297	4,149	5,787	5,665	6,891	8,841	*42%*	*25%*
Voltas	5,251	5,041	3,788	2,520	8,415	4,024	7,491	10,299	*-5%*	*60%*
Havells	10,443	11,965	10,651	12,708	14,723	14,826	17,716	20,839	*7%*	*19%*
PAT margin										
Blue Star	2.3%	2.6%	2.9%	4.3%	4.8%	4.6%	4.6%	5.0%		
Voltas	7.0%	6.4%	4.0%	2.0%	5.5%	2.8%	4.1%	5.1%		
Havells	10.0%	8.6%	6.3%	6.8%	6.8%	6.6%	6.9%	7.2%		

Particulars (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	*CAGR % FY21-26*	*CAGR % FY26-28*
UCP Revenue										
Blue Star	18,683	26,122	36,269	45,922	56,211	53,324	72,951	87,266	*23%*	*28%*
Voltas	42,185	48,819	64,745	81,605	106,139	95,006	131,990	147,587	*18%*	*25%*
Havells (Lloyds)	16,888	22,732	33,949	38,103	51,341	39,744	45,864	51,989	*19%*	*14%*
UCP EBIT										
Blue Star	5.8%	6.0%	7.8%	7.8%	8.4%	8.1%	7.5%	8.0%		
Voltas	13.8%	10.5%	8.3%	8.5%	8.4%	3.2%	5.5%	7.0%		
Havells (Lloyds)	4.4%	-3.2%	-6.6%	-4.4%	2.3%	-5.4%	1.7%	2.0%		
RoE										
Blue Star	11.8%	16.4%	19.6%	21.1%	20.4%	17.4%	17.6%	18.6%		
Voltas	11.3%	9.6%	6.9%	4.5%	13.6%	6.2%	11.0%	13.3%		
Havells	22.0%	21.4%	16.9%	18.1%	18.7%	16.7%	17.8%	18.6%		
RoCE										
Blue Star	16.3%	20.2%	25.8%	26.2%	27.2%	22.2%	22.4%	23.6%		
Voltas	16.4%	15.0%	11.8%	10.8%	19.8%	10.9%	15.1%	17.1%		
Havells	30.3%	27.5%	22.6%	24.9%	25.8%	22.6%	24.1%	25.1%		

Source: Company, PL

Key Risks

Seasonality risk: The UCP segment is subject to seasonal demand fluctuations. Unfavorable weather conditions such as extended winters, milder summers, lower-than-expected temperatures, irregular monsoons, or disruptions during the peak summer season may adversely impact demand for UCP.

Sourcing risk: BLSTR relies on imports of critical components, including compressors, copper tubes, electronic parts, and inverter drives, primarily from China and other countries. Any disruption arising from geopolitical developments, non-tariff barriers, changes in BEE regulations, or global events affecting imports, could impact procurement, production, and sales operations.

Competition risk: Increasing capacity additions by domestic and global AC manufacturers in India may intensify competition. This could result in pricing pressure, margin compression, and profitability challenges. Additionally, growing penetration of e-commerce channels may alter consumer buying behavior and further reshape the competitive environment.

Regulatory & compliance risk: The company operates in a highly regulated environment and must continuously adapt to evolving regulatory requirements. Compliance with norms related to eco-friendly refrigerants, e-waste management, BEE ratings, QCO standards, and competition regulations may require ongoing investments and operational adjustments.

Annexure

Board of Directors and KMP

Exhibit 34: Board of Directors

Name	Position
Mr Vir S Advani	Chairman & MD
Mr B Thiagarajan	MD
Mr Rajiv R Lulla	Non-Executive Director
Ms Sunaina Murthy	Non-Executive Director
Mr Dinesh N Vaswani	Non-Executive Director
Mr Sam Balsara	Independent Director
Mr Anil Harish	Independent Director
Mr G Murlidhar	Independent Director
Mrs Anita Ramachandran	Independent Director
Mr Arvind K Singhal	Independent Director
Mr Arvind Sondhi	Independent Director

Source: Company, PL

Exhibit 35: Management team

Name	Designation
Mr Nikhil Sohoni	Group CFO
Mr Wilson Jebaraj	EVP, EMP & Customer Service
Mr Deepak Baid	VP, R&D, UCP
Mr Ravi Hegde	VP, Commercial & Procurement, EMP & AC Solution Group
Mr Suresh Iyer	CIO
Mr Mohit Sud	Group President, UCP
Mr Prem Kalliath	CEO, Blue Star Engineering & Electronics Ltd
Mr Devidas Kasbekar	CEO, Blue Star Climatech Ltd
Mr Mohamed Abbas Miraj	COO, Blue Star International FZCO
Mr Thomas F Overs	CEO, Blue Star North America Inc
Mr Jason Tinsley	VP, Sales, Blue Star Europe BV

Source: Company, PL

Exhibit 36: Auditors

Name	Designation
M/s Deloitte Haskins & Sells LLP	Statutory auditors
M/s Grant Thornton Bharat LLP	Internal auditors
M/s Narasimha Murthy & Co	Cost auditors
M/s N L Bhatia & Associates	Secretarial auditors

Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	**119,677**	**124,020**	**149,536**	**175,444**
YoY gr. (%)	*23.6*	*3.6*	*20.6*	*17.3*
Cost of Goods Sold	90,743	95,421	113,497	132,636
Gross Profit	28,933	28,599	36,038	42,808
Margin (%)	*24.2*	*23.1*	*25.0*	*25.0*
Employee Cost	9,189	9,181	11,514	13,509
Other Expenses	7,127	6,517	8,807	10,157
EBITDA	**8,759**	**9,304**	**11,380**	**14,054**
YoY gr. (%)	*31.7*	*6.2*	*22.3*	*23.5*
Margin (%)	*7.3*	*7.5*	*7.6*	*8.0*
Depreciation and Amortization	1,284	1,788	2,052	2,292
EBIT	**7,476**	**7,516**	**9,329**	**11,762**
Margin (%)	*6.2*	*6.1*	*6.2*	*6.7*
Net Interest	488	721	1,034	1,091
Other Income	750	619	758	882
Profit Before Tax	**7,738**	**7,414**	**9,053**	**11,553**
Margin (%)	*6.5*	*6.0*	*6.1*	*6.6*
Total Tax	1,937	1,758	2,171	2,721
Effective Tax Rate (%)	*25.0*	*23.7*	*24.0*	*23.6*
Profit After Tax	**5,801**	**5,656**	**6,882**	**8,832**
Minority Interest	-	(4)	(4)	(4)
Share Profit from Associate	(13)	6	6	6
Adjusted PAT	**5,787**	**5,665**	**6,891**	**8,841**
YoY gr. (%)	*39.5*	*(2.1)*	*21.6*	*28.3*
Margin (%)	*4.8*	*4.6*	*4.6*	*5.0*
Extra Ord. Income / (Exp)	125	(388)	-	-
Reported PAT	**5,912**	**5,277**	**6,891**	**8,841**
YoY gr. (%)	*42.5*	*(10.8)*	*30.6*	*28.3*
Margin (%)	*4.9*	*4.3*	*4.6*	*5.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,912	5,277	6,891	8,841
Equity Shares O/s (mn)	**206**	**206**	**206**	**206**
EPS (INR)	**28.1**	**27.6**	**33.5**	**43.0**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	**21,664**	**25,064**	**28,214**	**30,791**
Tangibles	19,132	21,854	24,704	26,981
Intangibles	2,532	3,210	3,510	3,810
Acc: Dep / Amortization	**6,307**	**8,094**	**10,146**	**12,438**
Tangibles	4,908	6,440	8,192	10,157
Intangibles	1,398	1,655	1,954	2,281
Net Fixed Assets	**15,357**	**16,970**	**18,067**	**18,353**
Tangibles	14,224	15,414	16,512	16,824
Intangibles	1,133	1,556	1,556	1,529
Capital Work In Progress	1,232	1,369	1,469	1,569
Goodwill	-	-	-	-
Non-Current Investments	694	1,440	2,028	2,388
Net Deferred Tax Assets	(46)	(223)	(193)	(163)
Other Non-Current Assets	2,075	2,007	2,138	2,307
Current Assets				
Investments	4,141	4,353	5,533	6,491
Inventories	21,492	21,662	25,664	29,992
Trade Receivables	19,594	21,397	25,799	30,269
Cash & Bank Balance	4,319	4,021	7,367	9,936
Other Current Assets	13,100	11,779	13,757	16,141
Total Assets	**82,575**	**85,760**	**102,863**	**118,641**
Equity				
Equity Share Capital	411	411	411	411
Other Equity	30,239	33,903	43,232	50,325
Total Networth	**30,650**	**34,314**	**43,643**	**50,737**
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	253	528	598	702
Other Non Current Liabilities	680	677	825	944
Current Liabilities				
ST Debt / Current of LT Debt	1,994	6,268	6,729	7,018
Trade Payables	34,276	29,429	35,004	40,906
Other Current Liabilities	13,174	12,966	14,408	16,475
Total Equity & Liabilities	**82,575**	**85,760**	**102,863**	**118,641**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	7,849	7,031	9,059	11,559
Add. Depreciation	1,284	1,788	2,052	2,292
Add. Interest	488	721	1,034	1,091
Less Financial Other Income	750	619	758	882
Add. Other	(408)	(706)	(1,280)	(1,207)
Op. Profit before WC Changes	9,213	8,835	10,864	13,734
Net Changes-WC	(516)	(5,574)	(3,646)	(3,470)
Direct Tax	(1,816)	(1,723)	(2,171)	(2,721)
Net Cash from Op. Activities	**6,881**	**1,538**	**5,047**	**7,543**
Capital Expenditures	(3,720)	(3,290)	(3,250)	(2,677)
Interest / Dividend Income	133	91	758	882
Others	(1,052)	(388)	(990)	(769)
Net Cash from Invt. Activities	**(4,640)**	**(3,588)**	**(3,482)**	**(2,564)**
Issue of Share Cap. / Premium	-	-	-	-
Debt Changes	151	3,733	(776)	(152)
Dividend Paid	(1,439)	(1,848)	(1,748)	(1,748)
Interest Paid	(329)	(514)	(1,034)	(1,091)
Others	4	50	200	200
Net Cash from Fin. Activities	**(1,612)**	**1,421**	**(3,358)**	**(2,790)**
Net Change in Cash	**628**	**(628)**	**(1,792)**	**2,188**
Free Cash Flow	3,160	(1,752)	1,798	4,865

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	28.1	27.6	33.5	43.0
CEPS	34.4	36.3	43.5	54.1
BVPS	149.1	166.9	212.3	246.8
FCF	15.4	(8.5)	8.7	23.7
DPS	9.0	9.0	9.0	9.0
Return Ratio (%)				
RoCE	27.2	22.2	22.2	23.4
ROIC	25.8	20.3	21.8	23.9
RoE	20.4	17.4	17.7	18.7
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	8	33	33	33
Valuation (x)				
PER	57.0	58.3	47.9	37.3
P/B	10.7	9.6	7.5	6.5
P/CEPS	46.7	44.3	36.9	29.6
EV/EBITDA	36.9	35.2	28.4	22.8
EV/Sales	2.7	2.6	2.1	1.8
Dividend Yield (%)	0.5	0.5	0.5	0.5
FCFF Yield (%)	0.9	-	0.5	1.4
PEG Ratio	1.4	(27.8)	2.2	1.3

Source: Company, PL

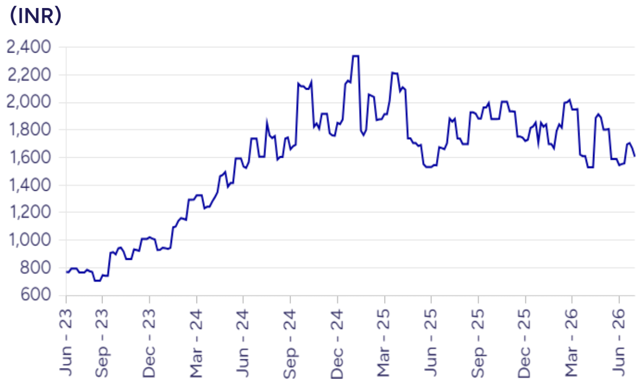
Quarterly Financials (INR mn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Net Revenues	**29,823**	**24,224**	**29,253**	**40,721**
YoY gr. (%)	*4.1*	*6.4*	*4.2*	*1.3*
Raw Material Expenses	22,842	18,030	22,574	31,975
Gross Profit	6,981	6,194	6,679	8,746
Margin (%)	*23.4*	*25.6*	*22.8*	*21.5*
EBITDA	**2,000**	**1,834**	**2,207**	**3,263**
YoY gr. (%)	*(15.9)*	*22.8*	*5.4*	*16.8*
Margin (%)	*6.7*	*7.6*	*7.5*	*8.0*
Depreciation / Depletion	414	434	459	482
EBIT	**1,586**	**1,401**	**1,749**	**2,780**
Margin (%)	*5.3*	*5.8*	*6.0*	*6.8*
Net Interest	101	169	221	231
Other Income	161	100	119	240
Profit before Tax	**1,646**	**1,332**	**1,647**	**2,789**
Margin (%)	*5.5*	*5.5*	*5.6*	*6.8*
Total Tax	424	334	271	729
Effective Tax Rate (%)	*25.8*	*25.1*	*16.4*	*26.1*
Profit After Tax	**1,222**	**998**	**1,376**	**2,060**
Minority Interest	(1)	(2)	(1)	1
Share Profit from Associate	(14)	(10)	(7)	37
Adjusted PAT	**1,210**	**990**	**1,370**	**2,095**
YoY gr. (%)	*(28.4)*	*2.9*	*14.1*	*8.2*
Margin (%)	*4.1*	*4.1*	*4.7*	*5.1*
Extra Ord. Income / (Exp)	-	-	(564)	175
Reported PAT	**1,210**	**990**	**807**	**2,271**
YoY gr. (%)	*(28.4)*	*2.9*	*(39.2)*	*17.3*
Margin (%)	*4.1*	*4.1*	*2.8*	*5.6*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**-**	**-**	**-**	**-**
Avg. Shares O/s (mn)	206	206	206	206
EPS (INR)	**5.9**	**4.8**	**6.7**	**10.2**

Source: Company, PL

Notes

Price Chart



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BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

Corporate Office: 6th Floor, Tower 2B South Annex, One World Centre, 841, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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