

Consumer Durable | Management Meet Note

CMP: Rs.1,585 | TP: Rs 1,882 | Upside 19%

Early monsoons dampen RAC sales

We attended BLSTR's analyst meet with their MD, Mr. B. Thiagarajan, wherein the company highlighted that despite initial expectation of demand revival in May-June'25 (following a subdued start to Q1FY26), the summer demand for RAC's continued to slump due to early monsoon. This led to elevated channel inventories. The company expects to recover the lost ground in Q3FY26 during the festive season, and ahead of BEE star label change in Jan'26. Due to near term moderation in RAC demand, we have reduced our FY26E/27E EPS estimates by 2/2% to Rs 34/42 resp. However, the medium to long term outlook of the AC industry is promising. We value the stock at 44x FY27E EPS and maintain 'BUY' rating with a revised TP of Rs 1,882 (earlier Rs 1,929).

Confident of 10-15% RAC sales in FY26E

Due to unseasonal rains, the RAC industry declined sharply by 15-20% in Apr'25, however, BLSTR managed to grow by 5%. But in May/June, on account of early onset of monsoon, the mgmt. indicated a 20/20%YoY decline in RAC volumes, in line with the industry trend. Currently, channel inventory stands at an elevated level (2.5mn excess). Overall, the company expects RAC sales to decline 25-30% YoY in Q1FY26 on an unfavorable base. However, for FY26E, BLSTR remains optimistic about achieving a 10–15% YoY revenue growth in its RAC business (~1.65mn units), driven by the festive season and channel pre-filing ahead of the BEE star label change in Jan'26.

Expect Commercial refrigeration to grow on low base

The Commercial Refrigeration segment is expected to rebound in FY26, after a tough FY25 marked by regulatory disruptions. Apart from ice-creams, the CR category caters to many other end-user industries that do not see much seasonality, like hospitality, pharma, QSR, Qcom etc. BLSTR expects the segment to grow 25–30% YoY on a low base, driven by cold storage facilities, chest freezers, etc. Currently, it enjoys a market share of ~30% in the Rs 45bn market and is optimistic of strong revenue potential in the category.

On the margins front

BLSTR implemented cumulative price hike of 7% in Jan & Apr'25, to offset input cost pressures. However, due to higher inventory levels, discounting is likely anticipated from July'25 onwards. In the Cooling product segment, margins are expected to sustain at 8-8.5% in FY26, supported by cost control measures. The EMP&CAC segment margin is projected at ~7.5%. Expansion into Tier 3–5 towns, higher regulatory compliance costs, increased costs relating to in-shop demonstrators, consumer financing costs (now ~40% of sales), and higher competition are driving a high investment phase for the growing RAC segment, which may limit short-term margin expansion.

Key Data

Nifty	24,751
Equity / FV	Rs 411mn / Rs 2
Market Cap	Rs 326bn
	USD 3.8bn
52-Week High/Low	Rs 2,417/ 1,520
Avg. Volume (no)	906,127
Bloom Code	BLSTR IN

Stock Performance (%)

Particulars	1M	3M	12M
Absolute (%)	(6)	(26)	4
Rel to NIFTY (%)	(8)	(36)	(5)

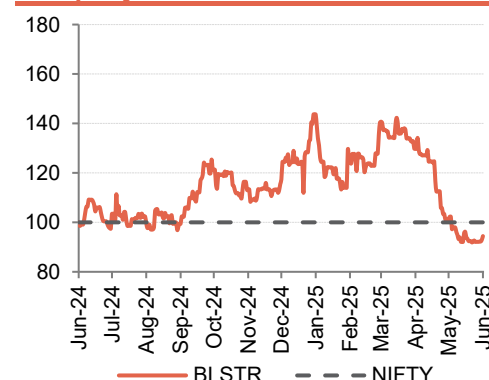
Shareholding Pattern

Particulars	Sep'24	Dec'24	Mar'25
Promoters	36.5	36.5	36.5
MF/Banks/FIs	22.8	22.2	23.1
FIIIs	18.1	18.5	16.9
Public / Others	22.6	22.9	23.4

Financials (Rs bn)

Particulars	FY24A	FY25A	FY26E	FY27E
Revenue	97	120	137	160
Growth (%)	21.4	23.6	14.2	17.4
EBITDA	7	9	10	13
OPM (%)	6.9	7.3	7.6	7.9
PAT	4	6	7	9
Growth (%)	58.9	39.5	21.4	23.9
EPS (Rs.)	20.2	28.1	34.2	42.3
Growth (%)	58.9	39.5	21.4	23.9
PER (x)	78.5	56.3	46.4	37.4
ROANW (%)	21.1	20.8	21.1	22.2
ROACE (%)	20.2	20.8	21.2	21.9

Company relative to NIFTY



AVP Research: Nikhat Koor

+91 22 40969764

nikhatk@dolatcapital.com

Associate: Saarang Shetty

+91 22 40969775

saarangas@dolatcapital.com

Other Key takeaways

- RAC industry volumes increased from 10mn in FY24 to 15mn in FY25, reflecting robust growth, with a projected 19% CAGR from FY25 to FY30 despite weather related variations.
- Industry initially expected 25-30% growth in summer'25, driven by high nighttime temperatures (+35 deg) and at least 10 days of continuous, intense heat spells.
- Of the total RAC sales, 25% are institutional sales, which cater to offices, restaurants, etc. These are not impacted by seasonality.
- BLSTR remains open to establishing a compressor manufacturing unit, potentially in collaboration with a strategic partner.
- For EU & US markets (white labelling), the company has 3 customers in the business, with whom product development has been successful. However, Blue Star is taking a cautious approach towards customer additions, given the substantial R&D and manufacturing investments required to scale this business.
- The CAC business, supported by demand from manufacturing units, data centers, retail stores, and boutiques, is expected to grow 15–20% YoY in FY26. It is not impacted by a weak summer.
- Installed RAC base in India is 60mn units of which ~50% are not energy efficient (30mn), which is placing a higher load on the grid and eventually does not wind up being recycled. Govt, in an attempt to encourage old AC replacement as a part of climate change initiatives, may announce schemes and discounting. If implemented, the companies would incur Rs 4-4K per unit for recycling under EPR route.
- Energy label change from 1 Jan 2026. Whenever energy label change happens, preceding quarter sales is high (Q3FY26) due to expected cost increases. Energy label changes typically raise efficiency by 10% and prices by ~7%.

Change in estimates

Exhibit 1: Change in Estimates

Particulars (Rs mn)	FY26E			FY27E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Sales	1,36,654	1,38,659	(1.4)	1,60,422	1,63,197	(1.7)
EBITDA	10,432	10,662	(2.2)	12,606	12,882	(2.1)
EBITDA Margin %	7.6	7.7	(10 bps)	7.9	7.9	0 bps
PAT	7,025	7,198	(2.4)	8,705	8,914	(2.3)
EPS (Rs)	34.2	35.0	(2.4)	42.3	43.4	(2.3)

Source: Company, Dolat Capital

We have built-in Revenue/PAT CAGR of 16/21% resp. over FY25-27E. Given the persistent weak RAC demand in May and June 2025 on account of early monsoon, we have lowered our revenue estimates for FY26 and FY27E. We expect the RAC segment to grow by ~11% in FY26 vs 13% earlier. We have slightly lowered our margin estimate for FY26E and accordingly lowered our PAT estimates too. We value the stock at 44x FY27E earnings (vs 45x earlier).

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Revenue	96,854	119,677	136,654	160,422
Total Expense	90,204	110,917	126,222	147,815
COGS	73,920	90,743	103,537	120,816
Employees Cost	7,495	9,189	10,727	12,834
Other expenses	8,790	10,985	11,957	14,165
EBIDTA	6,649	8,759	10,432	12,606
Depreciation	976	1,284	1,329	1,448
EBIT	5,673	7,476	9,104	11,158
Interest	581	488	497	412
Other Income	474	750	847	963
Exc. / E.O. items	0	125	0	0
EBT	5,567	7,863	9,453	11,709
Tax	1,429	1,937	2,411	2,986
Minority Interest	(11)	14	18	18
Profit/Loss share of associates	0	0	0	0
RPAT	4,150	5,912	7,025	8,705
Adjustments	0	(125)	0	0
APAT	4,150	5,787	7,025	8,705

Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Sources of Funds				
Equity Capital	411	411	411	411
Minority Interest	26	26	26	26
Reserves & Surplus	25,690	30,239	35,431	42,304
Net Worth	26,101	30,650	35,843	42,716
Total Debt	1,666	1,994	2,626	2,011
Net Deferred Tax Liability	(3)	46	46	46
Total Capital Employed	27,790	32,715	38,540	44,798

Applications of Funds

Net Block	11,738	15,784	17,272	19,224
CWIP	1,081	734	734	734
Investments	2,765	4,392	4,806	5,489
Current Assets, Loans & Advances	49,892	60,840	62,217	69,361
Current Investments	2,489	4,141	4,555	5,239
Inventories	14,072	21,492	18,674	20,249
Receivables	19,526	19,594	22,464	25,492
Cash and Bank Balances	3,774	4,319	4,637	4,461
Loans and Advances	485	683	759	896
Other Current Assets	12,036	14,753	15,684	18,263
Less: Current Liabilities & Provisions	37,687	49,035	46,489	50,010
Payables	26,166	34,276	33,695	35,161
Other Current Liabilities	11,521	14,758	12,793	14,849
<i>sub total</i>				
Net Current Assets	12,206	11,806	15,729	19,351
Total Assets	27,790	32,715	38,540	44,798

E – Estimates

Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	23.7	24.2	24.2	24.7
EBIDTA Margin	6.9	7.3	7.6	7.9
EBIT Margin	5.9	6.2	6.7	7.0
Tax rate	25.7	24.6	25.5	25.5
Net Profit Margin	4.3	4.9	5.1	5.4
(B) As Percentage of Net Sales (%)				
COGS	76.3	75.8	75.8	75.3
Employee	7.7	7.7	7.9	8.0
Other	9.1	9.2	8.8	8.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.0
Interest Coverage	9.8	15.3	18.3	27.1
Inventory days	53	66	50	46
Debtors days	74	60	60	58
Average Cost of Debt	15.6	26.7	21.5	17.8
Payable days	99	105	90	80
Working Capital days	46	36	42	44
FA T/O	8.3	7.6	7.9	8.3
(D) Measures of Investment				
AEPS (Rs)	20.2	28.1	34.2	42.3
CEPS (Rs)	24.9	34.4	40.6	49.4
DPS (Rs)	5.6	7.0	9.0	9.0
Dividend Payout (%)	27.9	24.9	26.3	21.3
BVPS (Rs)	126.9	149.1	174.3	207.8
RoANW (%)	21.1	20.8	21.1	22.2
RoACE (%)	20.2	20.8	21.2	21.9
RoAIC (%)	27.9	28.5	29.2	30.1
(E) Valuation Ratios				
CMP (Rs)	1585	1585	1585	1585
Mcap (Rs Mn)	325,876	325,876	325,876	325,876
EV	321,279	319,409	319,310	318,187
MCap/ Sales	3.4	2.7	2.4	2.0
EV/Sales	3.3	2.7	2.3	2.0
P/E	78.5	56.3	46.4	37.4
EV/EBITDA	48.3	36.5	30.6	25.2
P/BV	12.5	10.6	9.1	7.6
Dividend Yield (%)	0.4	0.4	0.6	0.6
(F) Growth Rate (%)				
Revenue	21.4	23.6	14.2	17.4
EBITDA	34.9	31.7	19.1	20.8
EBIT	39.1	31.8	21.8	22.6
PBT	0.3	41.2	20.2	23.9
APAT	58.9	39.5	21.4	23.9
EPS	58.9	39.5	21.4	23.9

E – Estimates

Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
Profit before tax	5,672	7,475	9,103	11,157
Depreciation & w.o.	976	1,284	1,329	1,448
Net Interest Exp	474	750	847	963
Direct taxes paid	(1,363)	(1,816)	(2,411)	(2,986)
Change in Working Capital	(2,765)	(516)	(3,605)	(3,798)
Non Cash	(102)	(317)	1	1
(A) CF from Operating Activities	2,892	6,859	5,264	6,785
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(4,476)	(3,469)	(2,817)	(3,400)
Free Cash Flow	(1,584)	3,390	2,447	3,385
(Inc.)/ Dec. in Investments	(1,181)	(1,223)	(414)	(683)
Other	0	0	0	0
(B) CF from Investing Activities	(5,657)	(4,692)	(3,231)	(4,083)
Issue of Equity/ Preference	9,834	(5)	0	0
Inc./(Dec.) in Debt	(4,110)	151	633	(616)
Interest exp net	(460)	(328)	(497)	(412)
Dividend Paid (Incl. Tax)	(1,158)	(1,439)	(1,850)	(1,850)
Other	0	0	0	0
(C) CF from Financing	4,106	(1,622)	(1,715)	(2,878)
Net Change in Cash	1,341	546	318	(176)
Opening Cash balances	2,433	3,774	4,319	4,637
Closing Cash balances	3,774	4,319	4,637	4,461

E – Estimates

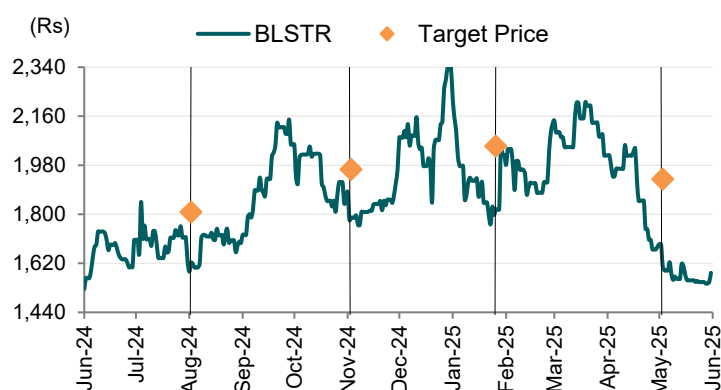
Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-24	Accumulate	1,808	1,622
Nov-24	Accumulate	1,965	1,788
Jan-25	Accumulate	2,050	1,818
May-25	BUY	1,929	1,608

*Price as on recommendation date

Dolat Team

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
--------------------------	-------------------------	------------------------------	------------------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Nikhil Thacker	Director - Equity Sales	nikhilt@dolatcapital.com	+9122 4096 9700
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	Designation	E-mail	Direct Lines
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Nishit Sariya	VP - Derivatives Sales Trading	nishits@dolatcapital.com	+9122 4096 9765
Monali Jobanputra	VP - Derivatives Sales Trading	monalij@dolatcapital.com	+9122 6176 4841
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited, to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited, and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited, and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited, and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited, may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited, does not warrant its accuracy or completeness. Dolat Capital Market Private Limited, may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited, reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited, and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited, and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com