

Date – 11 April 2025

Rec Price: 1963

Finkhoz Rating: 7.6/10

Guidance : Accumulate

Company Overview:

Blue Star Limited is a leading Indian player in air conditioning and commercial refrigeration, commanding a 12.5% market share in the Room Air Conditioner (RAC) segment, with a strong footprint across both residential and commercial markets. The company derives 53% of its revenue from electro-mechanical projects and commercial AC systems, and 43% from unitary products. With 96% of its revenue coming from India, Blue Star is also the largest after-sales service provider in the air conditioning and commercial refrigeration sector.

Company Guidance:

Segment-II: Unitary Products-

Management expects a strong upcoming quarter in Commercial Refrigeration as regulatory issues are resolved and demand remains robust. They target a **15% market share** in the Room AC segment over the next few years, with a projected 5-year CAGR of 19%. The management believes they can maintain the **operating margin of 8.5%** in the Unitary Products segment despite costs related to consumer finance, warranty, e-waste regulations, and import tariffs.

Segment-I: Electro-Mechanical Proj. & Commercial AC-

Focus remains on profitability and free cash flow generation rather than market share. Margin guidance is maintained at **7–7.5% for FY25**.

Segment-III: Profess. Electronics & Industrial Systems-

Revival expected in FY26, though near-term weakness in Med-Tech and Data Security sub-segments is likely to persist for the next 2–3 quarters.

Capex & Capacity Expansion:

Planned capex of ₹750–800 Cr over three years, focused on manufacturing, product development, and digitalization. Capacity expansion at the Sri City plant will continue, potentially reaching 1.8 million to 2.4 million units as demand scales up

Expert View:

Blue Star Ltd is strategically positioned for robust growth, driven by its aggressive market share expansion and investments in energy-efficient innovations tailored for global OEMs. With ₹750 Cr earmarked for capacity building and R&D, coupled with supportive government policies and rural demand tailwinds, the company is aligning well for long-term value creation.

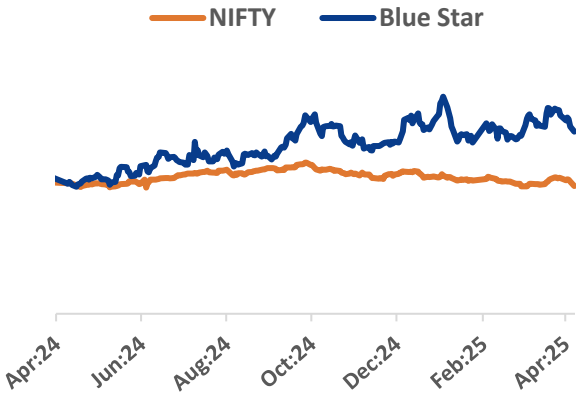
Company Data

Market cap (INR crs)	: 40,456 (₹)
Segment	: Air-condi & Compre.
52 Weeks H/L	: 2420 / 1346 (₹)
Institutional Change(%)	: -0.23%
Inst. Holding (till Dec-24)	: 40.69%
Annual Upside	: 27%

Debt Metrics

Debt to Equity	: 0.13x
Interest Coverage	: 18.5x

Absolute Returns	Blue Star	Nifty
1 Year	39.29%	-2.23%
3 Year	239.94%	29.16%
5 Year	600.82%	145.82%



Financial Performance

Sales 5 Yr CAGR (%)	: 29.97%
PAT 5 Yr CAGR (%)	: 91.78%
Latest Qty Sales Growth YoY	: 13.28%
Latest Qty Profit Growth YoY	: 32.05%
Operating Margin	: 8.1%

Valuation Metrics

Stock PE	: 78.02x
Historic PE	: 50.36x
Segment PE	: 66.29x
EPS (INR)	27.1

Consensus Estimates

IN INR Cr	FY24	FY25E	FY26E
Revenue	9,733	11,887	14,183
YOY Growth %	22%	22%	19%
PAT	414.0	602	765
YOY Growth %	3%	45%	27%
EPS (IN INR)	21.00	29.7	136.9

Exhibit 1: Finkhoz’s Evaluation out of 10

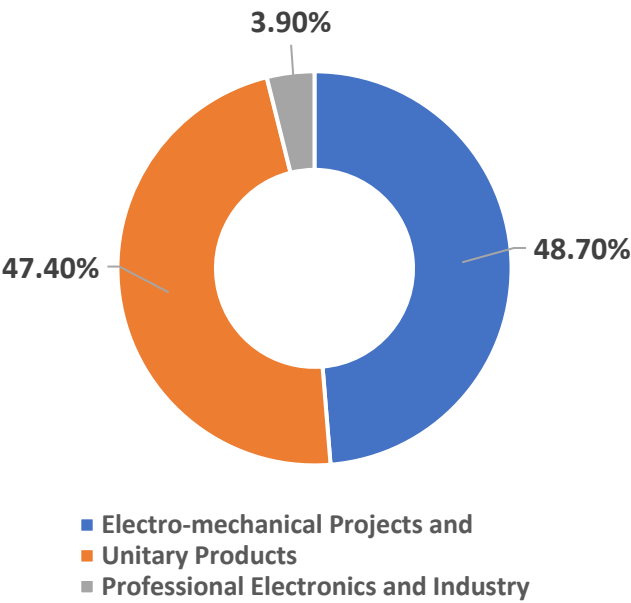


Analysis

Track record	Healthy
Valuation	Moderate
Outlook	Strong
Reliability	Medium
Technical	Strong

As per the Finkhoz Rating, Blue Star holds a solid score of 7.6, suggesting it is a fundamentally strong stock worth accumulating. Although current valuation metrics indicate a slightly moderate range, the company remains robust both fundamentally and technically.

Exhibit 2: Product-wise Revenue distribution



Q3 FY25 Result Update:

Q3 FY25 Result Analysis- The company has reported robust sales growth in its latest quarter which has increased by 25.26% over same quarter last year. However, it has registered strong EPS growth of 22.72%, which is in-line with analyst estimates.

Sales driven by strong performance in Unitary Products (Inverter ACs) and Professional Electronics (industrial/medical/data center chillers). Meanwhile, contributions from the EMP segment (traditional commercial coolers) declined, indicating a clear shift in market demand — and Blue Star’s ability to adapt to this trend.

Exhibit 3: Sales Growth Trend

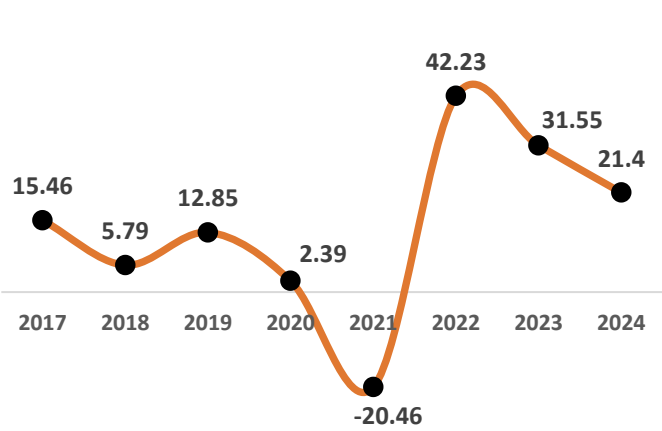


Exhibit 4: Net Profit growth Trend

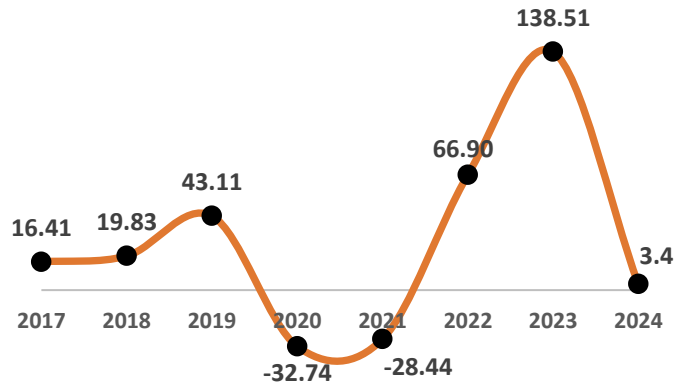


Exhibit 5: Debt to Equity Trend

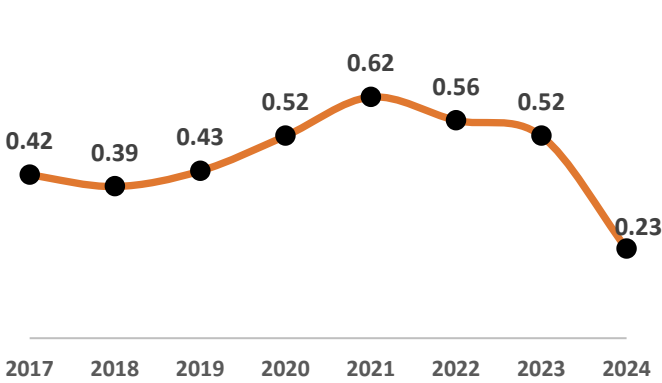


Exhibit 6: Price to earning trend

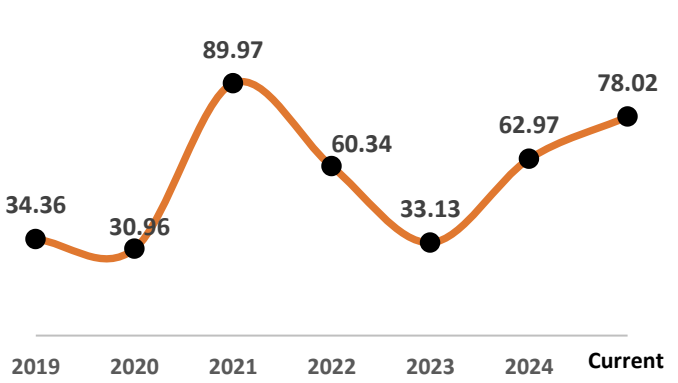


Exhibit 7: Dividend Yield Trend

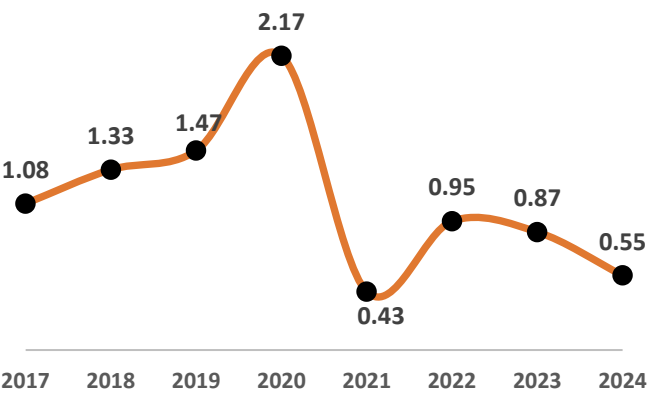


Exhibit 8: ROE Trend

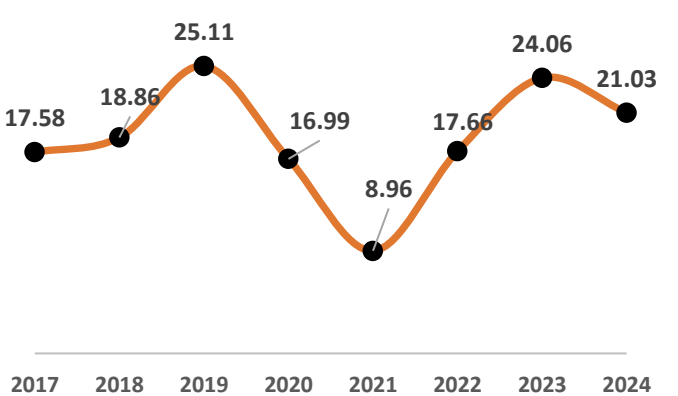
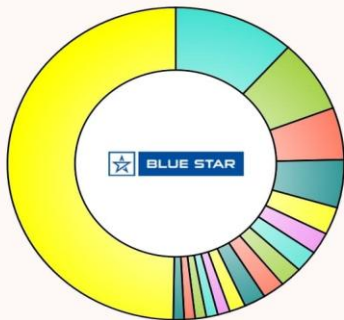


Exhibit 9: Shareholding Pattern

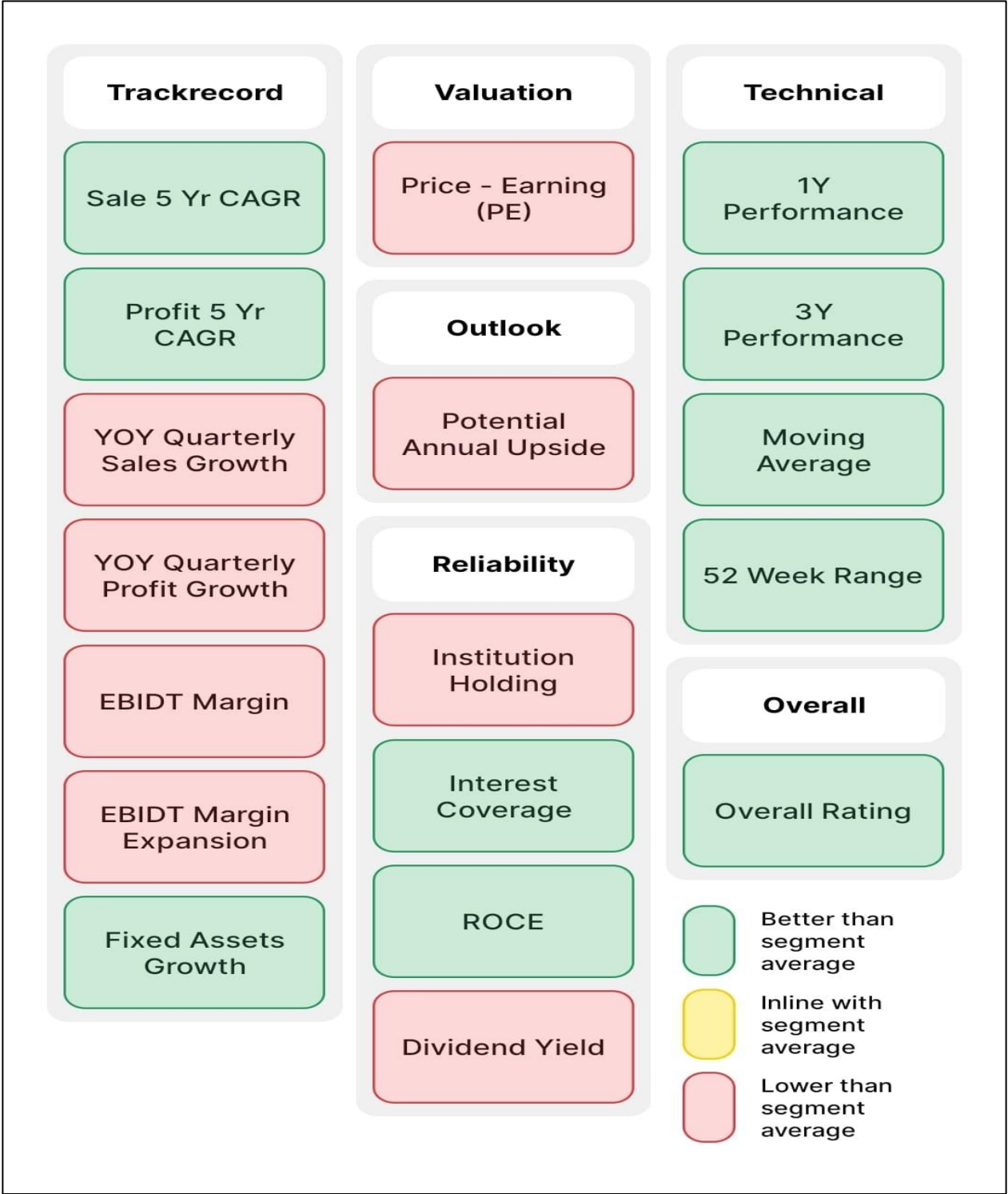


Share Holding Pattern as on Dec 2024
Institutional holding decreased by -0.23% over previous quarter

Exhibit 10: Share-holders with > 1%

MORE THAN 1%		% STAKE HOLDING
	Vistra Itcl (india) Limited As A Trustee Of Ashok M Advani Family Private Trust	11.63%
	Vistra Itcl (india) Limited As A Trustee Of Sma Family Private Trust	7.57%
	Sbi Small Cap Fund	5.40%
	Kotak Emerging Equity Scheme	4.97%
	Axis Mutual Fund Trustee Limited A/c Axis Mutual Fund A/c Axis Small Cap Fund	2.86%

Exhibit 11: Performance compared to peers in the segment



Peer Comparison

Sl. No	Name	Market Cap (Rs Cr.)	P/E	EV/EBITDA	ROCE	ROE	ROIC	Operating Margin (TTM)	Net Profit Margin (TTM)
1	Blue Star	42,515	73.85	45.03	25.51	21.17	20.32	7.00%	4.70%
2	Voltas	40,448	60.01	37.44	8.51	4.40	11.03	6.00%	4.78%
3	Amber Enterprise	22,087	99.40	31.73	10.18	6.74	7.33	7.00%	2.57%
4	Johncon. Hitachi	4,723	89.30	30.92	-7.35	-7.81	-9.80	5.00%	2.00%
Median			81.58	34.59	9.35	5.57	9.18	6.50%	3.64%

Blue Star balances scale and strong margins, making it the most efficient operator.

Disclaimer : This research report is purely for learning and educational insights.

This information / document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is obtained from Finkhoz.com or publicly available data or other sources believed to be reliable and the author has not independently verified the accuracy and completeness of said data and hence it should not be relied upon as such.

The Author is a SEBI Registered Investment Analyst. Investment in the securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendary. It is requested you that please consult with SEBI registered analyst before making any investment decision based on this report and the author of this report shall not be responsible for any gain or losses arising from investment in the company based on this report.

This report has been prepared by the research team led by -

- Arpit Goel, Research Head Finkhoz Robo Advisory
- Subir Saha (Senior Research Analyst)
- Ashish Kumar Singh (Research Analyst)
- Tanishque Pathak (Research Trainee)

Arpit Goel,
INA100014055,
Sebi Reg. Investment Advisor

