17 April 2026

Company Update | Sector: Consumer Durables

Blue Star

BSE SENSEX	S&P CNX
78,494	24,354

Stock Info

Bloomberg	BLSTR IN
Equity Shares (m)	206
M.Cap.(INRb)/(USDb)	383.7 / 4.1
52-Week Range (INR)	2105 / 1450
1, 6, 12 Rel. Per (%)	0/0/-10
12M Avg Val (INR M)	1110
Free float (%)	63.5

Financials & Valuations (INR b)

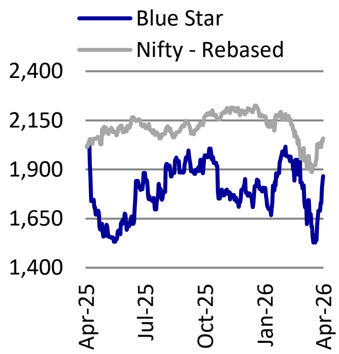
Y/E MARCH	FY26E	FY27E	FY28E
Sales	127.1	150.3	175.1
EBITDA	9.0	11.5	13.9
Adj PAT	5.2	7.1	9.0
EBITDA Margin (%)	7.1	7.6	7.9
EPS (INR)	25.1	34.8	43.9
EPS Gr. (%)	-11.2	38.3	26.3
BV/Sh (INR)	162.9	188.7	221.6
Ratios			
Net D/E	0.1	-0.0	-0.1
RoE (%)	15.4	18.4	19.8
RoCE (%)	14.8	17.7	19.1
Payout (%)	35.8	31.6	28.5
Valuations			
P/E (x)	74.2	53.7	42.6
P/BV (x)	11.5	9.9	8.4
EV/EBITDA (x)	43.0	33.4	27.3
Div Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-1.2	1.9	1.4

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	36.5	36.5	36.5
DII	27.8	26.8	23.1
FII	13.8	14.7	16.9
Others	21.9	22.1	23.5

FII includes depository receipts

Stock Performance (1-year)



CMP: INR1,866 TP: INR1,950 (+4%) Neutral

Swift reset and growth optimism largely priced in

Demand tailwinds and margin expansion to drive earnings growth

- **Blue Star (BLSTR)'s stock rallied over 25% in the last two weeks from its recent low due to an improving demand outlook with rising temperatures across regions, following unseasonal rains at the end of Mar'26. A return to typical seasonal conditions, accompanied by the onset of heat in southern and western regions from mid-Apr'26, is likely to drive a sharp recovery in room air conditioner (RAC) demand. The company is operationally well-prepared for this trend change, with available channel inventory, an expanded portfolio of 125 BEE-compliant models, and calibrated price hikes to protect margin.**
- **From a medium-to-long-term perspective, the company is entering into a favorable phase marked by improving competitive positioning, benefits from backward integration, and a robust, diversified order book across infrastructure, commercial real estate, and data centers. It has strategically focused on high-margin verticals like factories, data centers, hospitals, and organized retail, driving faster execution and better client quality. Management's consistent focus on execution discipline and capital allocation further reinforces earnings visibility and return ratios.**
- **We raise our EBITDA estimates by ~5% each for FY27 and FY28. We forecast a CAGR of ~17%/24%/32% in revenue/EBITDA/PAT over FY26-28, fueled by healthy growth across UCP and MEP & CAC businesses. We estimate OPM to expand ~50bp/30bp in FY27E/FY28E, led by positive operating leverage and cost-saving initiatives.**
- **At CMP, BLSTR trades fairly at a P/E of 54x/43x on FY27/FY28E. Our SoTP-based TP stands at INR1,950 (valuing UCP/EMPS at 45x each and PES at 25x FY28E EPS). Reiterate Neutral.**

Backward integration driving margin expansion

- BLSTR's margin expansion strategy is anchored in backward integration and accelerating the indigenization of key RAC components. The Sri City facility has been rapidly scaled up and is expected to further expand capacity by FY27E, supported by high automation and digitized processes that enhance cost control and supply chain reliability. The company is also localizing critical functions to improve cost efficiencies and reduce import dependence.
- The company maintains strong leadership in commercial refrigeration with dominant market shares across deep freezers and modular cold rooms. Key structural drivers are the formalization of India's food supply chain through the expansion of cold chain infrastructure under government-led post-harvest initiatives and the steady rise of organized food retail.
- Overall, a richer product mix, a higher share of inverter ACs, disciplined pricing, and backward integration have enabled BLSTR to consistently outperform its peers in terms of margins, while steadily gaining market share in the RAC segment.

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RAC: Weathering short-term headwinds; structural growth story strong

- The Indian RAC industry is facing near-term headwinds from erratic weather, GST-led demand deferment, regulatory changes (BEE revisions), and inflation-driven price hikes, impacting affordability and sales conversion. These factors have led to uneven primary-to-secondary offtake and rising channel inventory, with demand remaining highly weather-sensitive.
- However, the long-term outlook remains structurally strong, supported by low penetration (~12–14% vs. ~42% globally), improving affordability, and rising income levels. As electrification deepens, the addressable market is expanding, with ~150m households expected to become AC-affordable over time.
- Industry volumes are projected to grow from ~13m units in FY26 to ~23m units by FY30 (~15-16% CAGR). In value terms, the market is estimated to clock ~18-19% CAGR over FY26-30 to reach INR540b. Urbanization, premiumization, and strong demand from Tier 3-5 markets will fuel growth, alongside increasing replacement demand as the installed base matures.
- It has launched an expanded RAC portfolio for summer 2026 with 125 models. The range spans premium offerings such as Iconia, heavy-duty, hot & cold, and anti-virus ACs, targeting diverse consumer segments and use cases. The premium push is further supported by tightening BEE efficiency norms, which are reducing entry-level differentiation and shifting value creation toward advanced features and brand positioning, where BLSTR is well placed, given its strong HVAC engineering capabilities.

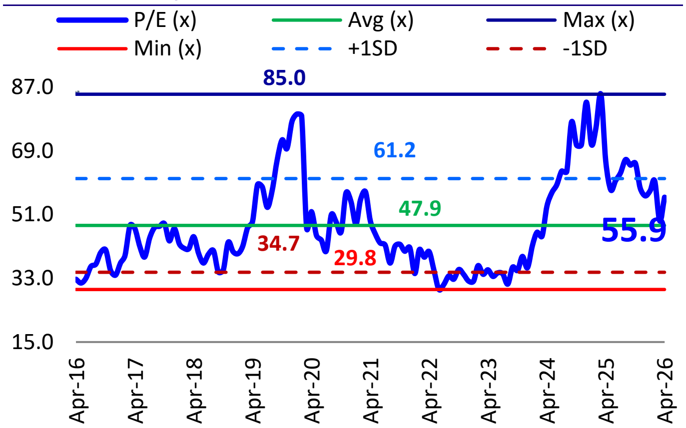
EMPS & CAC: Growing data center exposure and disciplined execution

- The EMPS and CAC segment is well-positioned to benefit from India's ongoing capex upcycle, backed by a strong and diversified order book across commercial real estate, infrastructure, data centers, and industrial projects, ensuring healthy medium-term revenue visibility. As execution scales up, operating leverage is expected to drive margin expansion through better absorption of fixed costs. It has strategically focused on high-quality verticals such as factories, data centers, hospitals, and organized retail, which offer superior margins, faster execution, and stronger counterparties. It also maintains a leadership position across key HVAC categories, strengthening its competitive positioning.
- Data centers are emerging as a key structural growth driver, with India's capacity expected to expand sharply by 2030, driven by data localization, cloud adoption, and AI-led investments. This presents a multi-year opportunity, supported by significant capex commitments from global and domestic players. The segment offers high-margin, engineering-intensive opportunities in precision cooling and MEP systems, where the company has strong capabilities, creating entry barriers and enabling better pricing discipline.
- India's data center capacity is expected to scale sharply from ~1.5 GW currently to ~5.0 GW by 2030. Data center construction cost is estimated at USD5.6-8.6m/MW. Out of this, MEP spending (including cooling, fire suppression, and life safety systems) is estimated at ~USD2.2–3.4m/MW (~40% of data center cost). The projected capacity addition by FY30E implies a USD7.8-12.0b addressable MEP market over the next four years. BLSTR, leveraging its established presence in commercial HVAC and proven MEP execution capabilities, is well-positioned to participate meaningfully in the HVAC and electromechanical opportunities arising from this data center build-out.

Valuation and view

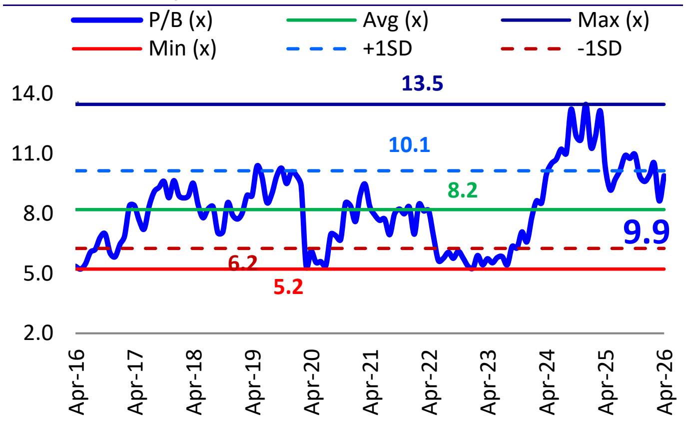
- We estimate a CAGR of ~17%/24%/32% in revenue/EBITDA/PAT over FY26-28, fueled by healthy growth across UCP and MEP & CAC businesses. We estimate OPM to expand ~50bp/30bp YoY in FY27E/FY28E, led by positive operating leverage and cost-saving initiatives. We estimate the cumulative OCF of INR18.9b over FY27-28 vs. INR5.3b over FY25-26. Estimate cumulative FCF of INR12.9b over FY27-28 vs. cash outflow of INR1.4b over FY25-26. Estimate net cash balance of INR4.5b in FY28 vs. net debt estimate of INR4.4b in FY26E.
- We estimate a normal summer season in FY27. We estimate a UCP revenue growth of ~24% YoY, driven by ~15% volume growth. We estimate the UCP segment margin at 8.2% in FY27. We raise our EBITDA estimates by ~5% for FY27/FY28 (each). Key catalysts to monitor: 1) the onset and intensity of summer in FY27 and RAC volume offtake; 2) liquidation of inventory; 3) order wins in data center and EMP; and 4) margin trajectory.
- At CMP, BLSTR trades fairly at a P/E of 54x/43x on FY27/FY28E. Our SoTP-based TP stands at INR1,950 (valuing UCP/EMPS at 45x each and PES at 25x FY28E EPS). **Reiterate Neutral.**

Exhibit 1: One-year forward P/E chart



Source: MOFSL, Company

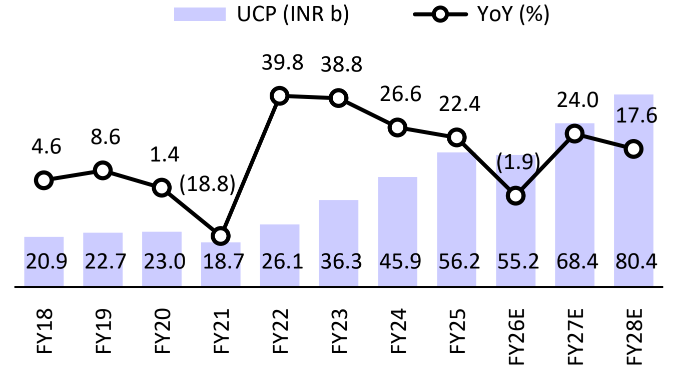
Exhibit 2: One-year forward P/B chart



Source: MOFSL, Company

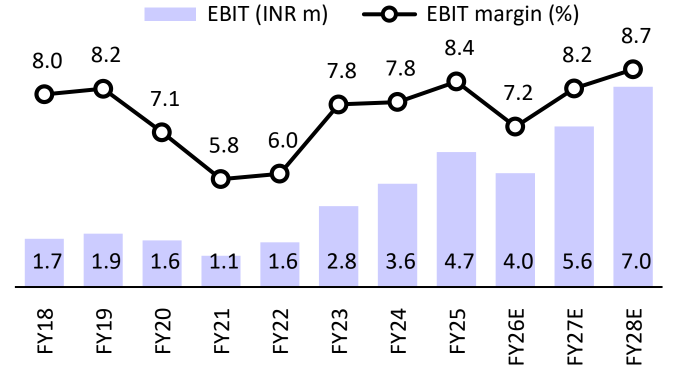
Story in charts

Exhibit 3: Estimate UCP revenue CAGR at ~21% over FY26-28



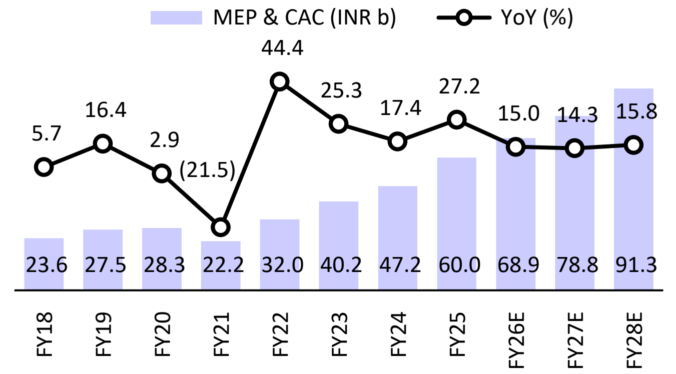
Source: MOFSL, Company

Exhibit 4: Estimate UCP segment's margin in high single digits



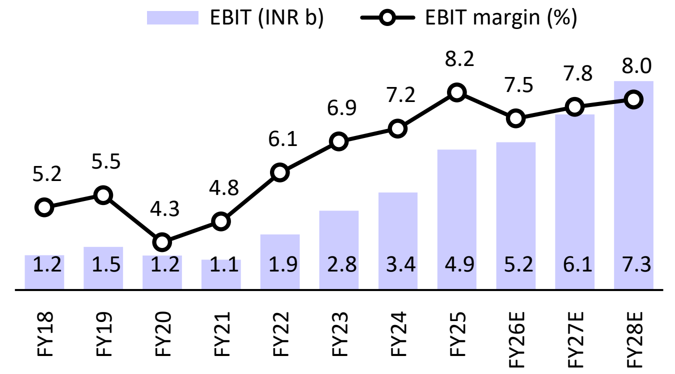
Source: MOFSL, Company

Exhibit 5: Estimate MEP & CAC revenue CAGR at ~15% over FY26-28



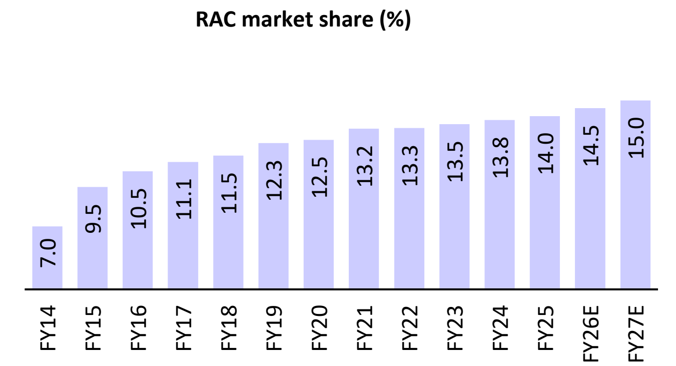
Source: MOFSL, Company

Exhibit 6: MEP & CAC segments' margin expanded over the years; we estimate the margin to remain in high single digits



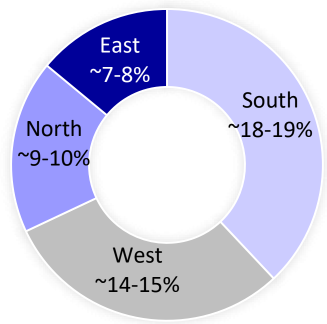
Source: MOFSL, Company

Exhibit 7: BLSTR's market share rose in the RAC segment



Source: MOFSL, Industry, Company

Exhibit 8: BLSTR's regional market share in the RAC industry



Source: MOFSL, Industry, Company

Backward integration driving margin expansion

- BLSTR's margin expansion strategy is driven by backward integration and dedicated indigenization, with the building of in-house manufacturing capabilities across critical RAC components. The Sri City plant in Andhra Pradesh, commissioned in Jan’23 with an initial capacity of 0.3m units, has been scaled up to ~1.2m units and is targeted to reach ~1.8m units by FY27E. The facility is designed with high levels of automation and fully digitized assembly lines, enabling greater control over quality, costs, and supply chain reliability while significantly reducing dependence on imports. Beyond RAC assembly, it is systematically localizing key components that were historically outsourced or imported. At its Himachal Pradesh plants, six fin lines for heat exchanger manufacturing support in-house production of a high-value component, improving cost efficiencies and supply security. Similarly, at the Wada facility, full indigenization of deep freezers (60–200 liter range) eliminates import dependence in its core commercial refrigeration segment. Across its manufacturing footprint, Blue Star is progressing toward its target of ~70–75% indigenization by FY28E. This not only structurally lowers input costs and mitigates currency volatility risks but also enhances operating margins through better absorption, scale efficiencies, and reduced reliance on external vendors. It positions the company competitively in an environment of rising localization and PLI-driven manufacturing incentives. BLSTR has steadily gained share in RAC, rising from ~7% in FY14 to ~14% in FY25, with a target of ~15% by FY27E.
- BLSTR continues to maintain its strong leadership in India’s commercial refrigeration market, with a ~31% share in the deep freezer segment (which includes hard-top and glass-top models), negative temperature storage units, and water coolers. In modular cold rooms, or walk-in coolers, the company commands ~32% market share, catering extensively to sectors such as restaurants, pharmaceuticals, logistics, and warehousing. Key structural drivers are the formalization of India’s food supply chain through the expansion of cold chain infrastructure under government-led post-harvest initiatives and the steady rise of organized food retail. Additionally, recent GST reductions on food products have provided a direct demand tailwind for commercial refrigeration equipment. This segment offers relatively superior margin profiles led by institutional sales and lower channel support costs as compared to consumer-oriented distribution.
- BLSTR has reported better margins than its peers, driven by a richer product mix, increased share of inverter ACs, improved pricing discipline, and efficient backward integration.

Exhibit 9: Peer comparison (UCP revenue and margin)

Revenue (INR m)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
BLSTR	22,690	23,006	18,683	26,122	36,269	45,922	56,211	55,150
Growth (%)	8.6	1.4	(18.8)	39.8	38.8	26.6	22.4	(1.9)
VOLT	31,555	40,737	42,185	48,819	64,745	81,605	1,06,139	96,922
Growth (%)	(2.2)	29.1	3.6	15.7	32.6	26.0	30.1	(8.7)
HAVL (Lloyd)	18,556	15,903	16,888	22,606	33,949	38,103	51,341	44,666
Growth (%)	31.2	(14.3)	6.2	33.9	50.2	12.2	34.7	(13.0)
Segment Margin (%)								
BLSTR	8.2	7.1	5.8	6.0	7.8	7.8	8.4	7.2
VOLT	10.3	12.6	13.8	10.5	8.3	8.5	8.4	3.8
HAVL (Lloyd)	17.1	(2.5)	4.4	(3.1)	(6.6)	(4.4)	2.3	(5.5)

Source: MOFSL, Company

RAC: Weathering short-term volatility; structural growth story strong

- The Indian RAC industry's near-term momentum is disrupted by a confluence of external factors, including erratic weather patterns (unseasonal rains and a shorter peak summer window in key North Indian markets), demand deferment linked to GST-related pricing adjustments, and regulatory transitions (the BEE star-rating revisions and now price hikes in ACs driven by inflation that are impacting affordability). These disruptions are leading to uneven primary-to-secondary sales conversion and resulting in a steady build-up of channel inventory. The industry continues to remain highly sensitive to weather conditions, with summer intensity and duration being critical determinants of demand recovery.
- In the past few days, most of the regions (North, West, and South) have been witnessing a sharp temperature rise. The Indian Meteorological Department also issued a heatwave warning across multiple states. This is likely to drive pick-up in sales of cooling products, following some disruption at the end of Mar'26. The average temperatures in Apr'26 (MTD) have remained largely in line with Apr'25 levels; however, prolonged unseasonal rainfalls and lower heat intensity in May'25 had materially disrupted demand for cooling products, leading to weak offtake during peak season. So far, the broader seasonal outlook indicated a more supportive demand environment for ACs, as heat wave conditions are expected to intensify in the coming weeks.

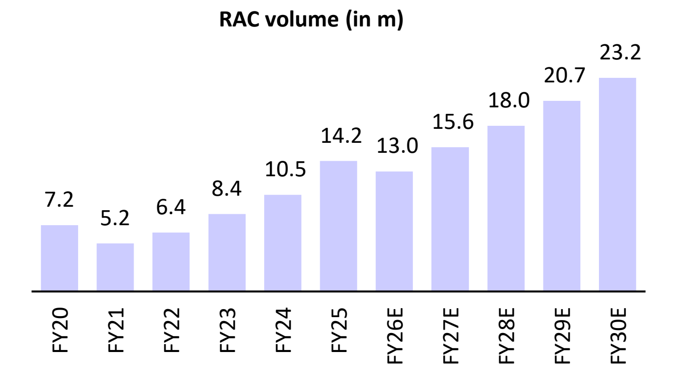
Exhibit 10: Weather pattern (temperature)

City	Avg Max Temp (°C) – Apr'25	Avg Max Temp (°C) – Apr'26 (MTD)	Avg Max Temp (°C) – Mar'26	Change (°C) Apr'26 (MTD) vs. Mar'26
North				
New Delhi	39	36	32	4
Jaipur	38	37	33	4
Lucknow	37	36	32	4
Average	**38**	**36**	**32**	**4**
South				
Chennai	35	34	34	0
Bengaluru	35	34	32	2
Hyderabad	37	37	34	3
Kochi	33	34	33	1
Average	**35**	**35**	**33**	**1**
East				
Kolkata	35	36	33	3
Bhubaneswar	37	36	34	2
Guwahati	32	31	30	1
Average	**35**	**34**	**32**	**2**
Western				
Mumbai	34	33	33	0
Ahmedabad	40	39	35	4
Pune	36	36	34	2
Average	**37**	**36**	**34**	**2**
Central				
Bhopal	39	38	34	4
Nagpur	42	41	36	5
Raipur	41	40	36	4
Average	**41**	**40**	**35**	**4**

Source: MOFSL, IMD

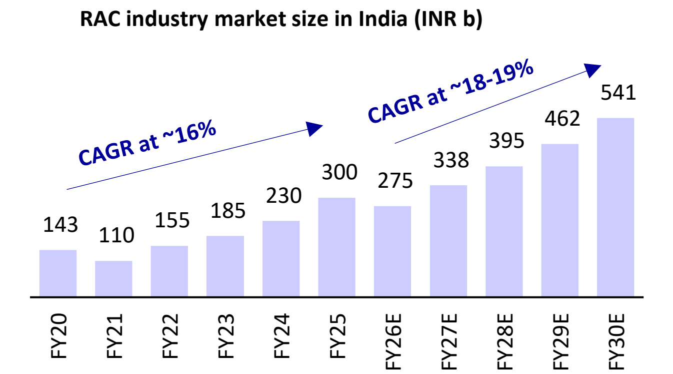
- Our recent interaction with channel partners suggests that demand for ACs has seen a pick-up in the last week with rising temperatures. They are expecting strong double-digit growth in cooling products. The industry players have increased prices by ~6-10%, given the cost inflation and BEE rating upgrade costs. Further, a high penetration of financing was observed, with ~60-75% of the purchases being made through EMIs and credit cards. First-time buyers remain highly cost-conscious, with a preference for lower-rated (3-star) products over premium 5-star offerings.
- India's RAC industry benefits from a long-term structural growth story driven by low penetration, affordability, and increasing climate intensity. Household AC penetration in India remains notably low at ~12-14% compared to the global average at ~42%. This gap is largely a function of historical constraints around affordability, power access, and infrastructure — all of which are steadily improving. As income levels rise and electrification deepens, the addressable market is expanding meaningfully. Industry estimates suggest ~150m households becoming AC affordable over the medium to long term, underscoring a significant demand runway and reinforcing a structurally bullish outlook for the sector.
- The RAC industry is expected to scale from ~13m units in FY26E to ~23m units by FY30E, implying a robust ~15-16% CAGR over FY26-30. In value terms, the market is estimated to grow at ~18-19% CAGR over FY26-30 to ~INR540b. This growth is anchored in structural drivers such as urbanization, rising disposable incomes, and premiumization (a shift toward inverter and higher star-rated models). A key driver of incremental growth is the acceleration in demand from Tier-3, 4, and 5 cities, where AC adoption is still at a nascent stage. These markets are witnessing strong traction led by first-time buyers, improving distribution reach, and increasing digital penetration. The expansion of omni-channel distribution (including e-commerce) alongside deeper retail networks is enabling companies to tap these geographies more effectively, supporting sustained volume growth beyond metro and Tier-1 markets. Additionally, the replacement cycle is emerging as a meaningful secondary growth lever. With inverter AC penetration rising sharply over the past decade, a sizable installed base is gradually entering the replacement/upgrade phase, driven by higher energy efficiency standards and evolving consumer preferences.

Exhibit 11: RAC volume to reach ~23m by FY30E



Source: MOFSL, Industry, Company

Exhibit 12: RAC market to post ~18-19% CAGR over FY26-30



Source: MOFSL, Industry, Company

Premium, energy-efficient RAC portfolio positioning for margin-led growth

- BLSTR recently launched a new range of RAC for summer 2026, comprising 125 models that reflect a calibrated push up the value chain, anchored in premiumization and technology-led differentiation. The new line-up is structured across high-end segments and super energy-efficient ACs powered by dynamic drive technology (achieving an ISEER of up to 6.25, ~45% more efficient than a 3-star inverter AC).
- The flagship Iconia range in a midnight silver finish is aimed at design-conscious and affluent consumers. The Heavy-Duty ACs are engineered to operate in extreme conditions up to 56°C; the Hot & Cold ACs have heating capability down to -15°C, catering to northern and Himalayan markets; and the Anti-Virus ACs have integrated air purification targeting health-aware households.
- Notably, ~50 models are Smart Wi-Fi enabled, offering AI-driven adaptive cooling, voice control, and energy optimization features. This widening of the premium portfolio is structurally positive for realizations, as a richer mix of feature-led offerings supports higher average selling prices and improved gross margins.
- The premiumization shift is also reinforced by regulatory tailwinds. With successive revisions in Bureau of Energy Efficiency (BEE) star-rating norms (next upgrade expected by 2028), the efficiency threshold at the entry level continues to rise, compressing differentiation at the mass end. Consequently, value creation is heavily migrating toward advanced features, durability, and brand positioning.
- BLSTR's legacy strengths in commercial HVAC engineering and product reliability position it well to consolidate share in the premium RAC segment as the market undergoes a structural upgrade cycle.

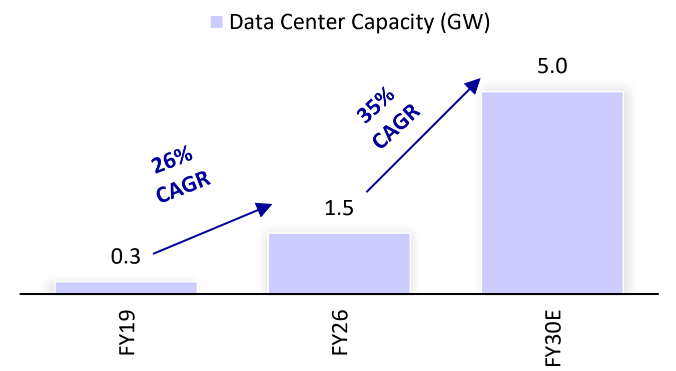
EMPS & CAC strength BLSTR’s long-term growth

- The EMPS and CAC segment is poised to benefit from the capex upcycle in India. The company has built a strong order book across sectors such as commercial real estate, infrastructure, data centers, and industrial projects, providing robust revenue visibility over the medium term. As the project execution accelerates and fixed costs are absorbed over a larger revenue base, margins are expected to improve. Over the past few years, the company has strategically prioritized project verticals such as factories, data centers, hospitals, and organized retail, which offer better margins, a shorter turnaround period, creditworthy counterparties, and healthier cash flows. The company holds a strong market share of ~50% in ducted air conditioning, ~45% in scroll chillers, and ~20% in the VRF system and screw chillers segment.
- Additionally, the data center opportunity represents a structurally large growth lever for BLSTR’s EMPS segment in the medium to long term. India’s data center capacity is expected to scale sharply from ~1.5 GW currently to ~5.0 GW by 2030. This growth is being driven by a combination of data localization requirements, accelerating investments in AI and cloud infrastructure by global hyperscalers, and strong domestic digital consumption. Large global and domestic players are committing multi-billion-dollar capex pipelines, translating into a sustained, multi-year project opportunity.
- Data centers offer a high-quality, high-margin opportunity relative to conventional EMP projects. The segment is characterized by engineering-intensive requirements in precision cooling, HVAC, and power systems areas, where BLSTR has established technical depth and execution capabilities. This creates a natural competitive moat, limiting participation to a small set of

qualified players and enabling better pricing discipline. Additionally, the presence of global clients with strong balance sheets significantly reduces counterparty risk and improves working capital cycles. This addresses a key structural pain point seen in traditional infrastructure projects.

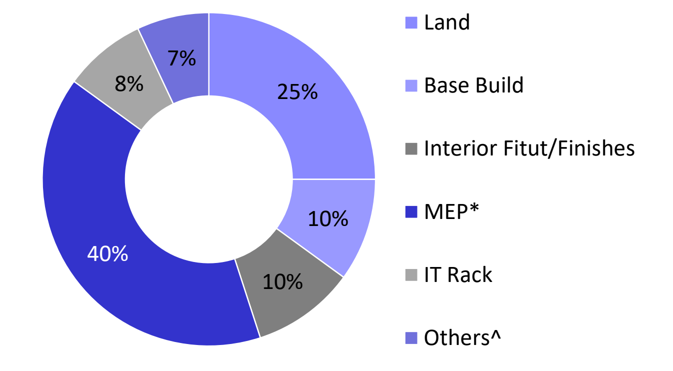
- Importantly, the data center buildout model is inherently scalable and annuity-like. Projects are typically executed in phases, creating strong visibility for repeat orders, lifecycle upgrades, and maintenance contracts. This enhances revenue predictability and supports margin stability over time. Blue Star's existing track record—evidenced by order wins from leading global operators—positions it well to deepen client relationships and participate across multiple phases of capacity expansion.
- In data center construction, the cost is estimated at USD5.6-8.6m/ MW. Out of which MEP spend (including cooling, fire suppression, and life safety systems) is estimated at ~USD2.2–3.4m/MW (~40% of data center cost). The projected capacity addition by FY30E implies a USD7.8-12.0b addressable MEP market over the next four years. BLSTR, leveraging its established presence in commercial HVAC and proven MEP execution capabilities, is well-positioned to participate meaningfully in the HVAC and electromechanical opportunities arising from this data center build-out.

Exhibit 13: India – data center capacity (in GW)



Source: MOFSL, Industry, Company

Exhibit 14: Data center construction cost key break-up

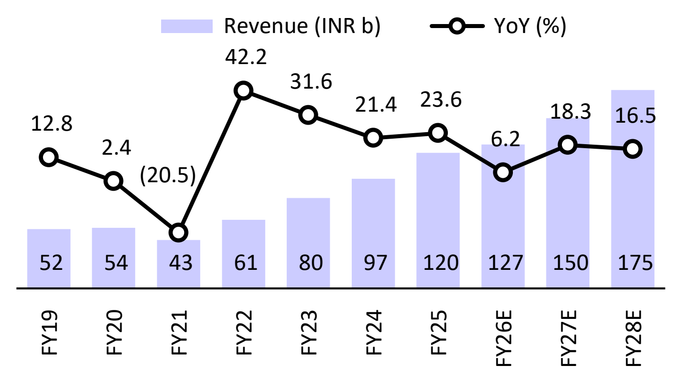


Source: MOFSL, Industry, Company; Note: *MEP includes Electrical, Mechanical, cooling, fire suppression, and life safety systems; ^Other includes Professional fees, furniture & fixtures, and security

Financial highlights – Improving growth and profitability

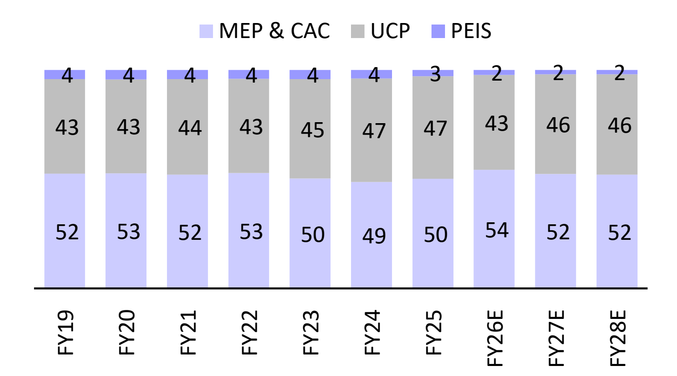
BLSTR's consolidated revenue clocked ~14% CAGR over FY19-26, led by strong growth in the UCP and MEP segments (~14% CAGR each). We expect the company to report ~17% revenue CAGR over FY26-28. Segment-wise, revenue CAGR is estimated as follows: UCP (21%), EMPS (15%), and PES (7%). UCP revenue share is estimated to rise to ~46% (FY28) vs. ~43% (FY26E). However, the EMPS revenue share is likely to dip to ~52% (FY28) from ~54% (FY26E).

Exhibit 15: Revenue CAGR estimated at ~17% over FY26-28



Source: MOFSL, Industry, Company

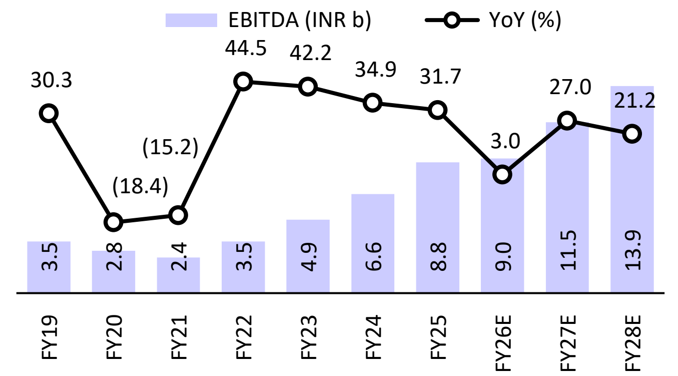
Exhibit 16: Segment-wise revenue break-up (%)



Source: MOFSL, Industry, Company

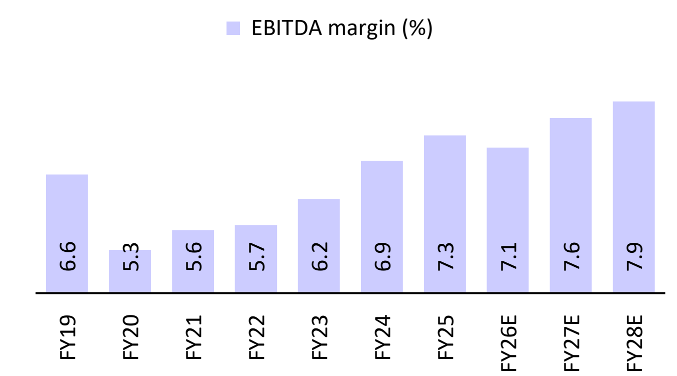
BLSTR clocked ~15% EBITDA CAGR over FY19-26, led by strong revenue growth and margin expansion in the MEP segment. We estimate BLSTR to post ~24% EBITDA CAGR over FY26-28. EBITDA margin is projected to improve by 50bp/40bp YoY in FY27/FY28 to 7.6%/7.9%. Despite a significantly weak summer in FY26, the company contained OPM contraction to 20bp YoY to 7.1%. We estimate the UCP segment margin to improve, as compared to FY26E, by 1.0pp/0.5pp in FY27/FY28 to 8.2%/8.7%. In the EMPS segment, margin is estimated to improve by 30bp/20bp in FY27/FY28 to 7.8%/8.0%.

Exhibit 17: EBITDA CAGR estimated at ~24% over FY26-28



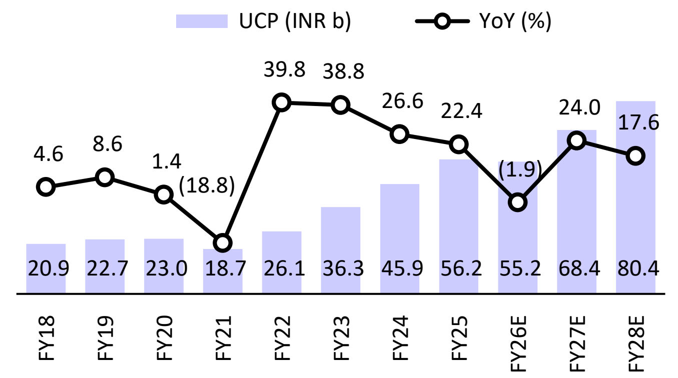
Source: MOFSL, Industry, Company

Exhibit 18: EBITDA margin to expand in FY27/28E vs. FY26E



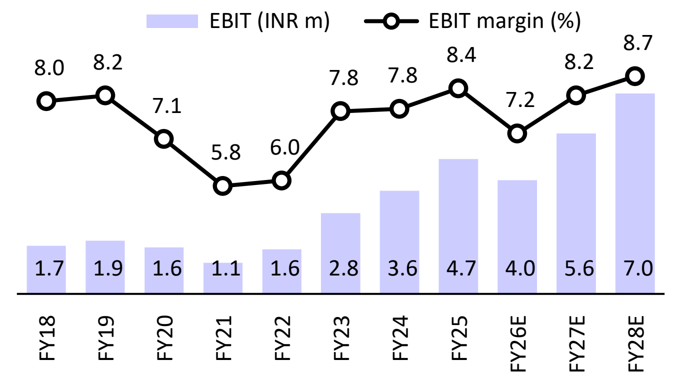
Source: MOFSL, Industry, Company

Exhibit 19: UCP revenue to clock ~21% CAGR over FY26-28E



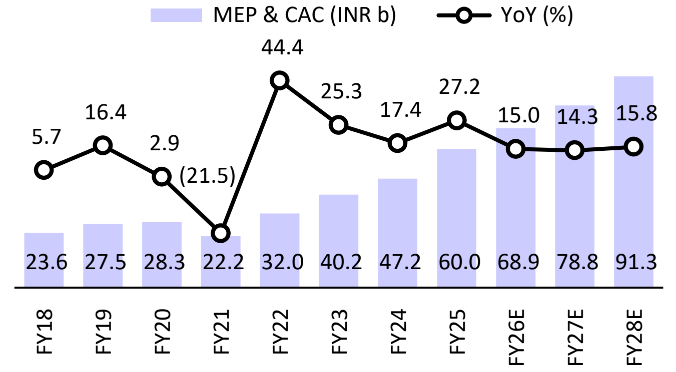
Source: MOFSL, Industry, Company

Exhibit 20: UCP segment's EBIT and margin



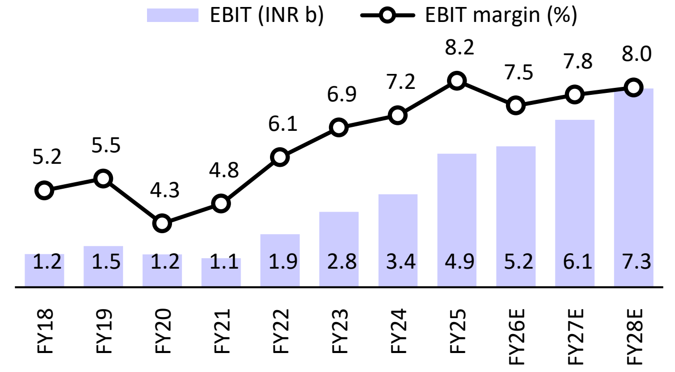
Source: MOFSL, Industry, Company

Exhibit 21: EMPS revenue and growth



Source: MOFSL, Industry, Company

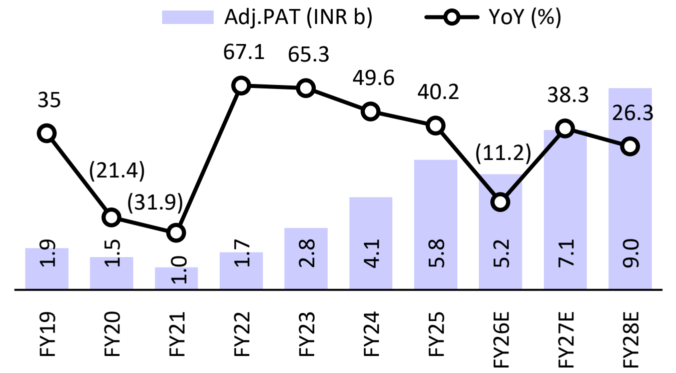
Exhibit 22: EMPS segment's EBIT and margin



Source: MOFSL, Industry, Company

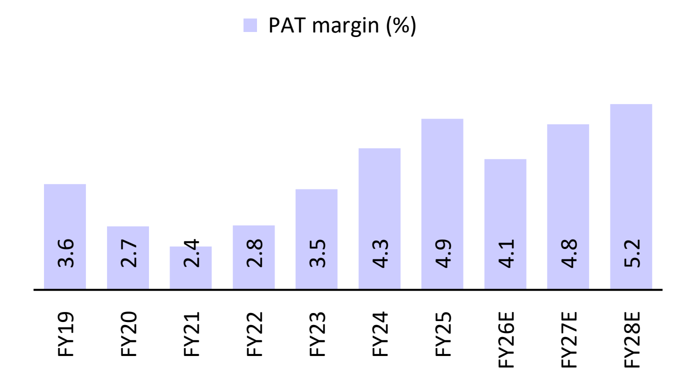
We estimate the other income CAGR at ~25% over FY26-28, while the interest cost is expected to decline at ~9% annually. We estimate ~8% depreciation CAGR. We expect BLSTR to clock ~32% EPS CAGR over FY26-28, partly on a low base. We estimate PAT margin at 4.8%/5.2% in FY27/28 vs. 4.1% in FY26 (average 3.9% in FY22-26).

Exhibit 23: Adj. PAT and growth



Source: MOFSL, Industry, Company

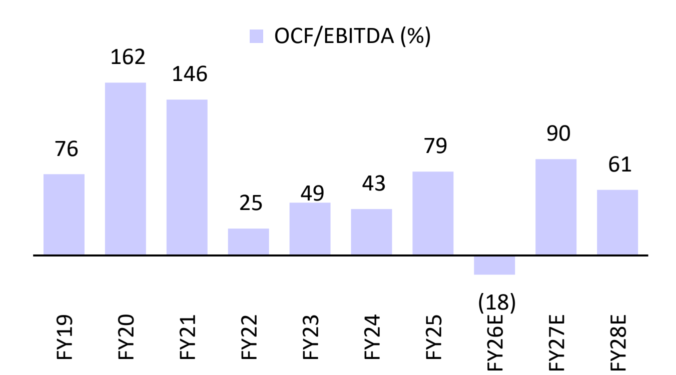
Exhibit 24: PAT margin



Source: MOFSL, Industry, Company

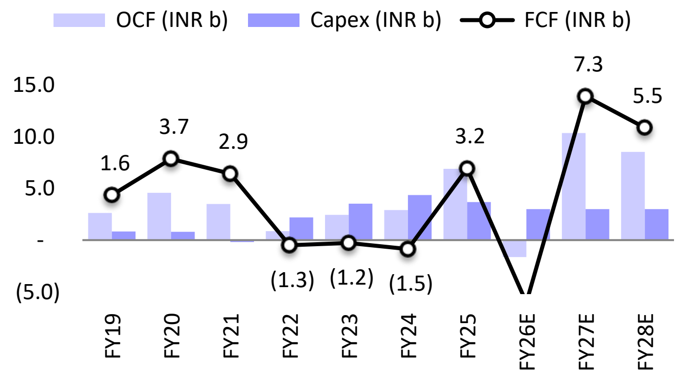
We estimate a cumulative OCF of INR18.9b over FY27-28 vs. INR5.3b over FY25-26. Estimate cumulative FCF of INR12.9b over FY27-28 vs. cash outflow of INR1.4b over FY25-26. We estimate a net cash balance of INR4.5b in FY28 vs. a net debt estimate of INR4.4b in FY26E.

Exhibit 25: OCF/EBITDA conversion at 90%/61% in FY27-28



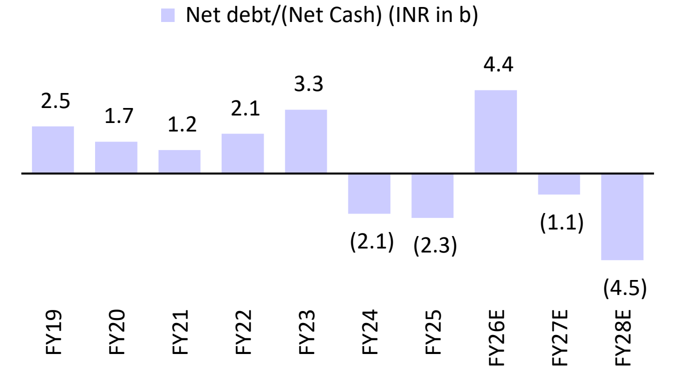
Source: MOFSL, Industry, Company

Exhibit 26: FCF to increase over FY27-28E with strong OCF



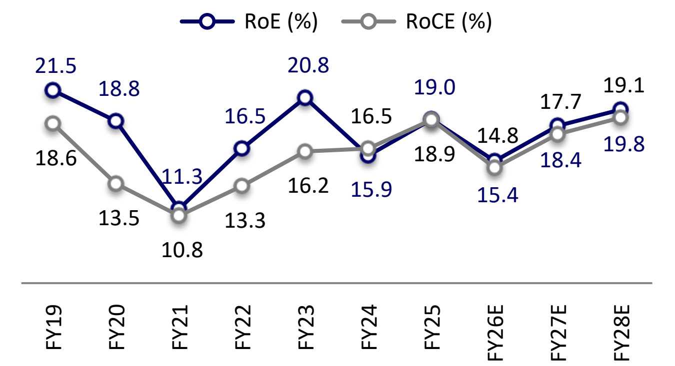
Source: MOFSL, Industry, Company

Exhibit 27: Net cash balance to improve in FY27-28



Source: MOFSL, Industry, Company

Exhibit 28: Return ratios to improve in FY27-28E vs. FY26

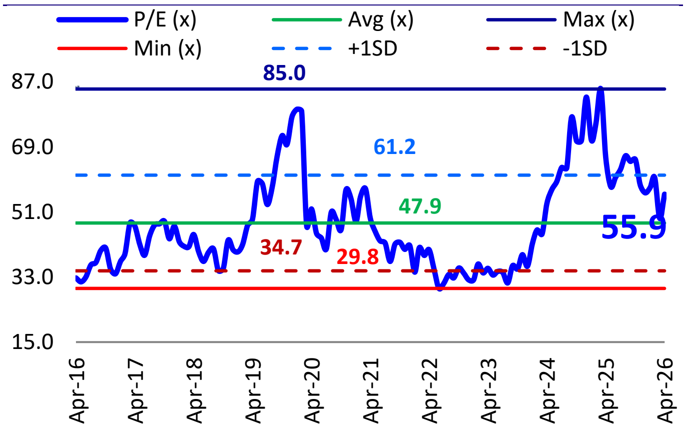


Source: MOFSL, Industry, Company

Valuation and view

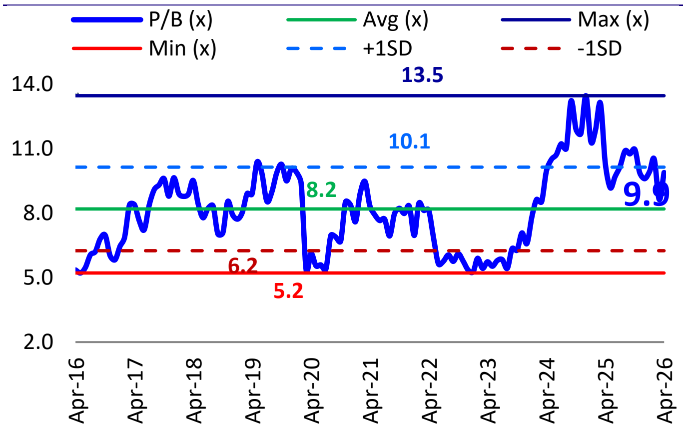
- We estimate a CAGR of ~17%/24%/32% in revenue/EBITDA/PAT over FY26-28, fueled by healthy growth across UCP and MEP & CAC businesses. We estimate OPM to expand ~50bp/30bp YoY in FY27E/FY28E, led by positive operating leverage and cost-saving initiatives. We estimate the cumulative OCF of INR18.9b over FY27-28 vs. INR5.3b over FY25-26. Estimate cumulative FCF of INR12.9b over FY27-28 vs. cash outflow of INR1.4b over FY25-26. Estimate net cash balance of INR4.5b in FY28 vs. net debt estimate of INR4.4b in FY26E.
- We estimate a normal summer season in FY27. We estimate UCP revenue growth of ~24% YoY, driven by ~15% volume growth. We estimate the UCP segment margin at 8.2% in FY27. We raise our EBITDA estimates by ~5% for FY27/FY28 (each). Key catalysts to monitor: 1) the onset and intensity of summer in FY27 and RAC volume offtake; 2) liquidation of inventory; 3) order wins in data center and EMP; and 4) margin trajectory.
- At CMP, BLSTR trades fairly at a P/E of 54x/43x on FY27/FY28E. Our SoTP-based TP stands at INR1,950 (valuing UCP/EMPS at 45x each and PES at 25x FY28E EPS). **Reiterate Neutral.**

Exhibit 29: One-year forward P/E chart



Source: MOFSL, Company

Exhibit 30: One-year forward P/B chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Revenues	**42,636**	**60,641**	**79,773**	**96,854**	**1,19,677**	**1,27,061**	**1,50,300**	**1,75,136**
Change (%)	-20.5	42.2	31.6	21.4	23.6	6.2	18.3	16.5
Raw Materials	32,714	47,332	61,817	73,920	90,743	96,312	1,13,326	1,31,702
Staff Cost	3,818	5,086	5,922	7,495	9,189	10,291	11,835	13,610
Other Expenses	3,706	4,759	7,107	8,790	10,985	11,436	13,677	15,937
EBITDA	**2,398**	**3,465**	**4,928**	**6,649**	**8,759**	**9,022**	**11,462**	**13,886**
Change (%)	-15.2	44.5	42.2	34.9	31.7	3.0	27.0	21.2
% of Total Revenues	5.6	5.7	6.2	6.9	7.3	7.1	7.6	7.9
Other Income	624	357	309	474	750	508	676	788
Depreciation	923	860	848	976	1,284	1,775	1,936	2,084
Interest	647	464	547	581	488	725	700	600
PBT	**1,452**	**2,498**	**3,842**	**5,567**	**7,737**	**7,030**	**9,502**	**11,990**
Tax	471	829	1,547	1,429	1,937	1,731	2,340	2,953
Rate (%)	32.4	33.2	40.3	25.7	25.0	24.6	24.6	24.6
Extra-ordinary item (net)	0	0	1,708	0	125	-564	0	0
Reported PAT	**1,004**	**1,677**	**4,005**	**4,150**	**5,912**	**4,698**	**7,146**	**9,025**
Change (%)	-30.0	67.1	138.8	3.6	42.5	-20.5	52.1	26.3
Adj. Consolidated PAT	**1,004**	**1,677**	**2,773**	**4,150**	**5,818**	**5,169**	**7,146**	**9,025**
Change (%)	-31.9	67.1	65.3	49.6	40.2	-11.2	38.3	26.3

Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	193	193	193	411	411	411	411	411
Reserves	8,659	9,983	13,114	25,690	30,239	33,087	38,383	45,146
Net Worth	**8,852**	**10,176**	**13,307**	**26,101**	**30,650**	**33,498**	**38,794**	**45,557**
Minority Interest	**27**	**30**	**32**	**26**	**26**	**28**	**30**	**32**
Loans	4,548	4,778	5,776	1,666	1,994	4,994	4,494	3,994
Deferred Tax Liability	-475	-276	-79	-3	46	46	46	46
Capital Employed	**12,952**	**14,708**	**19,035**	**27,790**	**32,715**	**38,565**	**43,363**	**49,628**
Gross Fixed Assets	7,665	9,017	14,126	18,159	23,154	26,154	29,154	32,154
Less: Depreciation	3,829	4,689	5,537	6,513	7,797	9,572	11,508	13,592
Net Fixed Assets	**3,836**	**4,328**	**8,589**	**11,645**	**15,357**	**16,582**	**17,646**	**18,562**
Capital WIP	715	1,523	833	1,271	1,232	1,232	1,232	1,232
Investments	2,950	1,623	1,481	2,668	4,321	4,286	4,272	4,262
Curr. Assets	**27,519**	**35,376**	**43,490**	**50,526**	**61,577**	**67,728**	**80,850**	**96,230**
Inventory	8,824	11,442	14,334	14,072	21,492	26,108	24,707	28,790
Debtors	8,110	11,897	15,488	19,526	19,594	22,627	28,825	33,588
Cash & Bank Balance	3,322	2,697	2,433	3,774	4,319	628	5,597	8,541
Loans & Advances	7,263	9,340	11,235	13,155	16,172	18,364	21,722	25,312
Current Liab. & Prov.	**22,068**	**28,143**	**35,358**	**38,320**	**49,771**	**51,262**	**60,638**	**70,657**
Creditors	16,049	20,417	25,112	26,166	34,276	34,811	41,178	47,983
Other Liabilities	6,019	7,726	10,246	12,154	15,495	16,451	19,459	22,675
Net Current Assets	**5,451**	**7,234**	**8,132**	**12,206**	**11,806**	**16,466**	**20,213**	**25,573**
Application of Funds	**12,952**	**14,708**	**19,035**	**27,790**	**32,715**	**38,565**	**43,363**	**49,628**

Financials and valuations (Consolidated)

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
Adj EPS	**4.9**	**8.2**	**13.5**	**20.2**	**28.3**	**25.1**	**34.8**	**43.9**
Cash EPS	9.4	12.3	17.6	24.9	34.5	33.8	44.2	54.0
Book Value	43.1	49.5	64.7	126.9	149.1	162.9	188.7	221.6
Adj. DPS	2.0	5.0	6.0	7.0	9.0	9.0	11.0	12.5
Payout (%)	41.0	61.3	44.5	34.7	31.8	35.8	31.6	28.5
Valuation (x)								
P/E	382.3	228.7	138.3	92.4	65.9	74.2	53.7	42.5
Cash P/E	199.1	151.2	105.9	74.8	54.0	55.2	42.2	34.5
EV/EBITDA	75.4	52.5	37.1	57.4	43.5	43.0	33.4	27.3
EV/Sales	4.2	3.0	2.3	3.9	3.2	3.1	2.5	2.2
Price/Book Value	43.3	37.7	28.8	14.7	12.5	11.5	9.9	8.4
Dividend Yield (%)	0.1	0.3	0.3	0.4	0.5	0.5	0.6	0.7
Profitability Ratios (%)								
RoE	11.3	16.5	20.8	15.9	19.0	15.4	18.4	19.8
RoCE	10.8	13.3	16.2	16.5	18.9	14.8	17.7	19.1
RoIC	14.9	16.8	16.1	19.8	23.3	16.2	21.4	24.2
Turnover Ratios								
Debtors (Days)	69	72	71	74	60	65	70	70
Inventory (Days)	76	69	66	53	66	75	60	60
Creditors. (Days)	137	123	115	99	105	100	100	100
Asset Turnover (x)	3.3	4.1	4.2	3.5	3.7	3.3	3.5	3.5
Leverage Ratio								
Net Debt/Equity (x)	0.1	0.2	0.3	-0.1	-0.1	0.1	0.0	-0.1

Cash Flow Statement **(INR m)**

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT before EO Items	**1,452**	**2,509**	**5,554**	**5,572**	**7,849**	**7,030**	**9,502**	**11,990**
Add : Depreciation	923	860	848	976	1,284	1,775	1,936	2,084
Interest + other income	175	261	(919)	472	80	(347)	24	(188)
Less : Direct Taxes Paid	(102)	(390)	(927)	(1,363)	(1,816)	(1,731)	(2,340)	(2,953)
(Inc)/Dec in WC	1,051	(2,366)	(2,124)	(2,765)	(516)	(8,351)	1,221	(2,415)
CF from Oper. Incl. EO Items	**3,498**	**874**	**2,432**	**2,892**	**6,881**	**-1,624**	**10,342**	**8,518**
(Inc)/Dec in FA	174	(2,179)	(3,530)	(4,359)	(3,686)	(3,000)	(3,000)	(3,000)
Free Cash Flow	**3,672**	**(1,305)**	**(1,097)**	**(1,467)**	**3,194**	**(4,624)**	**7,342**	**5,518**
Investment in liquid assets	(2,569)	1,489	1,713	(887)	(954)	508	676	788
CF from Investments	**(2,396)**	**(690)**	**(1,817)**	**(5,246)**	**(4,640)**	**(2,492)**	**(2,324)**	**(2,212)**
(Inc)/Dec in Debt	(21)	217	1,132	(4,157)	432	3,000	(500)	(500)
(Inc)/Dec in Equity	-	-	-	9,834	(5)	-	-	-
Less : Interest Paid	(395)	(411)	(664)	(636)	(329)	(725)	(700)	(600)
Dividend Paid	(12)	(388)	(964)	(1,158)	(1,439)	(1,850)	(1,850)	(2,262)
Others	(291)	(243)	(264)	9,834	(281)	-	-	-
CF from Fin. Activity	**(720)**	**(824)**	**(759)**	**13,716**	**(1,622)**	**425**	**(3,050)**	**(3,362)**
Inc/Dec of Cash	**382**	**(640)**	**(144)**	**11,362**	**619**	**(3,691)**	**4,968**	**2,944**
Add: Beginning Balance	2,939	3,319	2,386	2,275	3,574	4,319	628	5,597
Closing Balance	**3,322**	**2,680**	**2,243**	**13,637**	**4,193**	**628**	**5,597**	**8,541**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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