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February 4, 2026

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **BSE Scrip Code: 500067**	**National Stock Exchange of India Ltd** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **NSE Symbol: BLUESTARCO**

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations') - Earnings Call Transcript for the Third Quarter and Nine Months ended on December 31, 2025

In furtherance to our letter dated January 30, 2026, whereby the Company had submitted the link to the audio recording of the Earnings Call held post announcement of the Financial Results for the Third Quarter and Nine Months ended on December 31, 2025 and pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, we are enclosing herewith the Earnings Call Transcript of the said Earnings Call, for your information and records.

This intimation is also being made available on the website of the Company at www.bluestarindia.com

Kindly take the same on record.

Thanking you,
Yours faithfully,
For **Blue Star Limited**

RAJESH DIGAMBAR PARTE
Digitally signed by RAJESH DIGAMBAR PARTE
Date: 2026.02.04 17:22:06 +05'30'

BLUE STAR LIMITED

Rajesh Parte
Company Secretary & Compliance Officer
Encl: a/a

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Blue Star Limited Q3 & 9M- FY-26 Earnings Conference Call”

January 30, 2026

MANAGEMENT: MR. B. THIAGARAJAN – MANAGING DIRECTOR,
MR. NIKHIL SOHONI – GROUP CHIEF FINANCIAL OFFICER,

Moderator: Ladies and gentlemen, good morning, and welcome to the Blue Star Limited Q3 & 9MFY26 Earning Conference Call.

We have with us today from the Management Mr. B. Thiagarajan – Managing Director and Mr. Nikhil Sohoni – Group Chief Financial Officer.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. B. Thiagarajan. Thank you, and over to you, sir.

B. Thiagarajan: Good morning, ladies and gentlemen. It is a pleasure and privilege to interact with you.

You might have seen the press release yesterday after the board meeting. I had been indicating from November onwards that this quarter is also going to be a subdued one and if at all one can expect some revival in the Room Air-Conditioner's growth with the energy label change that was scheduled on 1st January 2026. Therefore, you will see, the results are almost same as what I had indicated. It is a modest revenue growth, a flat or a slight modest increase in the operating profit, even the carried-forward order book indicated a modest growth.

The highlight, while Nikhil will deal with it, the silver lining is that the room air-conditioner business seems to be returning to the growth path and building up to the Q4 onset of summer season and the cost control measures that we had implemented that seem to be resulting in managing the margins well.

Otherwise, it is a quarter which one would like to forget and move forward, the Q3 and look at an excellent Q4 that is where we are. In other words, 2025 was a year, I think, after many, many years of quarter after quarter significant growth, we faced the challenges.

I believe that we are doing better than the industry peers, and we would have shown higher margins, gained market share modestly some decimal points and we would like to now focus on Q4 and FY27.

With that, I will hand it over to Nikhil for highlighting the details of Q3 & 9M-FY26 results. Over to you, Nikhil.

Nikhil Sohoni: Thank you, Mr. B. Thiagarajan. And good morning, ladies and gentlemen.

Let me take you through the financial highlights for the Q3 FY-26:

During Q3 FY-26, the company has recorded a modest revenue growth despite challenging market conditions. The good news is that for the first time in this fiscal, the Room Air-Conditioner business has witnessed modest growth owing to channels building up the inventory ahead of the energy label change deadline of January 1,2026.

Financial highlights for the quarter ended December 31, 2025 on a consolidated basis are summarized as follows:

- Revenue from operations for Q3FY26 grew by 4.2% to Rs. 2,925.31 cr, as compared to Rs. 2,807.36 cr in Q3FY25.
- EBITDA, excluding other income for the Q3FY26, improved to Rs. 220.72 cr, EBITDA margin of 7.5%, as compared to Rs. 209.38 cr, EBITDA margin of 7.5% also in Q3FY25.
- PBT, before share of profit and loss of JV and exceptional items, was marginally lower at Rs. 164.66 cr in Q3FY26, as compared to Rs. 167.20 cr in Q3FY25.
- Tax expense for the Q3FY26 was at Rs. 27.07 cr, as compared to Rs. 46.53 cr in Q3FY25.
- Pursuant to the notification of the Labour Codes and as required by ICAI Guidance Notes, the Company has recognized an incremental impact of Gratuity and Leave Encashment amounting to Rs. 56.35 cr on an estimated basis. This non-recurring item is shown as an Exceptional Item in consolidated Statement of Profit and Loss account for the quarter ended December 31, 2025.
- Consequently, the net profit was at Rs. 80.55 crore in Q3FY26, as compared to Rs. 132.46 crore in Q3FY25.
- Carried-forward order book as of December 31, 2025, grew by 1.3% to Rs. 6,898.74 cr, as compared to Rs. 6,810.00 cr as of December 31, 2024. Carried-forward order book as of March 31, 2025, stood at Rs. 6,263.36 cr.
- The capital employed as of December 31, 2025, increased to Rs. 3,550.51 cr, as compared to Rs. 2,763.44 cr as of December 31, 2024.
- Net Borrowings were at Rs. 352 cr as on December 31, 2025, as compared to a Net Cash Position of Rs. 102 cr as of December 31, 2024.

Coming to business highlights for the Q3FY26:

Segment-I: Electro-Mechanical Projects & Commercial Air Conditioning Systems.

Segment-I revenue grew by 8.6% to Rs. 1,696.21 cr in Q3FY26, as compared to RS. 1,562.41 cr in Q3FY25. Segment result was at Rs. 114.66 cr, that is 6.8% of revenue, in Q3FY26, as compared to Rs. 118.73 cr, which was 7.6% of revenue in Q3FY25.

Order inflow for the quarter was lower by 16.5% compared to previous quarter. The quarter order book was Rs. 1,459.57 cr in Q3FY26, as against Rs. 1,748.37 cr in Q3FY25.

Coming to Electro-Mechanical Projects business:

In the third quarter, enquiry momentum from Buildings, Data Centers, and Factories was encouraging, but few large order finalizations were deferred to next quarter. Hospitals and malls have witnessed strong growth potential, including in Tier-3 cities, supporting a favorable medium-term outlook.

Commercial office demand remains healthy in select pockets, while data center and factory segments continue to see stable and robust enquiry traction, supporting steady order momentum. We continue to remain selective about new order bookings as we focus on effective capital deployment.

Since the infrastructure project profitability is lower than commercials, buildings, factories, and data center verticals, as we approach closure of these projects, the segment margin gets impacted to an extent.

Carried-forward order book of Electro-Mechanical Projects business was at Rs. 4,777.34 cr as on December 31, 2025, as compared to Rs. 5,146.27 cr as on December 31, 2024, a negative growth of 7.2%.

Commercial Air-Conditioning systems:

The Commercial Air-Conditioning business saw healthy order bookings in this quarter, supported by strong demand. While the revenue during this quarter was subdued, as some product deliveries were shifted to next quarter, the strong order book gives confidence in the future prospects.

International Business:

Given that, the tariff-related uncertainties persist; the future prospects of the U.S. business are highly dependent upon the outcome of the India-U.S. trade deal. Despite this headwind, our foray into the U.S. and Europe is progressing well.

On account of the above change in the business mix, Segment-I margins were lower at 6.8% of revenue in Q3FY26, from 7.6% in Q3FY25.

Segment-II: Unitary Products:

The revenue was flat at Rs. 1,154.22 cr in the Q3FY26, as compared to Rs. 1,164.36 cr in the Q3FY25. Segment result was Rs. 97.65 cr, which was 8.5% of revenue in Q3FY26, as compared to Rs. 94.78 cr, 8.1% of revenue in Q3FY25.

Coming to Room Air-Conditioners:

As anticipated, the energy label change with effect from January 1, 2026, helped in reduction of inventory, and we witnessed revival of growth. The company would have gained market share slightly during this quarter. The cost reduction initiatives undertaken since Q1FY26 have contributed to the improved margins.

The production of new range of products as per the new energy label norms has begun, and the company is preparing for the summer season 2026. We have taken short-term and long-term measures to achieve supply chain resilience. The depreciation of INR and rising commodity prices will compel us to revise the prices upwards in Q4FY26. The dealer network expansion is progressing as per the plan.

As far as Commercial Refrigeration Business goes:

Contrary to the expectations that the commercial refrigeration business will rebound during the festival season onwards, the market remained muted. Consequently, all the product lines, other than the storage water coolers, de-grew. The anticipation is that the demand will revive only during the summer season.

Due to focus on cost optimization and overall cost management, the segment margins improved to 8.5% in Q3FY26, as compared to 8.1% in Q3FY25.

Coming to Segment-III, that is Professional Electronics and Industrial Systems:

The revenue de-grew by 7.1% to Rs. 74.88 cr in Q3FY26, as compared to Rs. 80.59 cr in Q3FY25. Segment result was Rs. 6.83 cr, which was 9.1% of revenue in Q3FY26, as compared to Rs. 6.20 cr, which was 7.7% of revenue in Q3FY25.

The uncertainties around the regulatory policy framework pertaining to the Med-Tech Solutions business are yet to be resolved. Consequently, the business has slowed down. However, Industrial Solutions continue to grow, driven by strong demand in the automotive and steel industries, and Data Security Solutions maintained steady performance.

Coming to business outlook:

While three quarters of this fiscal have been challenging, the signs of market revival are encouraging. The company expects Q4FY26 to be a strong quarter for Room Air-Conditioners, Commercial Air-Conditioning, and Refrigeration products.

In Electro-Mechanical Projects business, the demand from Factories and Data Center vertical continues to be healthy. In anticipation of a robust growth in FY2027, the Company is focused on expanding distribution reach and continues to invest in R&D, manufacturing, and digitalization, while persisting with cost optimization measures.

With that, ladies and gentlemen, I am done with the opening remarks. I would like to now pass it back to the moderator, who will open the floor to questions. We will try and answer as many questions as we can, and to the extent that we are unable to, we will get back to you via email. With that, we are open for questions.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Natasha Jain from Phillip Capital. Please go ahead.

Natasha Jain: Very quick 3 questions. First, your UCP top line is flattish, I imagine commercial business is muted, and yet you have posted margin improvement. So, can you call out the kind of cost rationalization that you have done this quarter?

B. Thiagarajan: Thank you, Natasha. The first thing is that, as you are aware, this question will keep coming. It is a blended revenue and results pertaining to Room Air-Conditioners and Commercial Refrigeration.

As far as revenue is concerned, commercial refrigeration, there seem to be a problem that is connected with, you know, we keep wondering why that is happening. It is basically because of the FMCG related demand that has not come back at all. So, the ice cream, QSR, and other segments will have to go into expansion mode. We thought with the substantial reduction in GST for food and processed food products, there should be huge demand growth, and at least we have not seen till now that part reviving.

So, the Room Air-Conditioners is the one which has helped us. You know, we have not only grown in revenue, which the breakup I won't be able to disclose. You all will get it once the GFK numbers get published. The margin improvement is basically our own decision of not to get into discounting in order to improve the numbers. First of all, you are aware that 1st of January was an energy label change.

Now, the inventory pressure was there in for all the brands and as I had indicated in the Q2 results, our inventory situation was much lesser. We stopped producing the products in order that we won't be saddled with inventory. If you are saddled with inventory, you will be heavily discounting in order to get rid of the stock before the deadline.

For the benefit of others, a 5-star would have become 4-star, 4-star would have become 3-star, so on and so forth and obviously, 3-star being the highest selling SKU, we would have got into trouble if we are going to produce inventory in anticipation of the market demand. We took that decision much earlier, not to slow down the production and move towards the new energy label products.

The second part is connected with the variable cost connected with the Room Air-Conditioner business. We had been moderating ever since May 2025, and those are resulting in improved margins.

Now, I will have to also deal with what will happen in Q4. I think in January, there would have been enough inventory which the brands would have pushed into the channel and I do not see January to be a great month, it should pick up in February. All depends on how the summer season is going to begin.

In the meanwhile, three things have happened. Number one, due to GST, there would have been a 10% reduction to the consumer. The energy label change would have pushed up the prices, depending on the SKU, depending on the brand, I am talking about Blue Star. It would have increased the prices at least 5% to 7%, this is what would have happened. Then you have got the commodity prices and the exchange rate.

All this put together, the price is going to be much higher. So, GST reduction is available, whereas the other three, energy label change, plus you have got the commodity prices, which are continuing to shoot up and the exchange rate. This will result in, my estimation is that somewhere around at least 10% of net increase to the consumers, whereas the consumer would have been believing that there is a 10% reduction than last year. They are going to get it because the GST reduction will translate into, which is not going to be the case.

Therefore, we will need much more discipline going forward in Q4 and in the summer season itself. We have to watch, one, how the demand will be dependent entirely on summer season, two, how the pricing will be in the marketplace from February onwards. January is anyway a period when old inventory would have moved out. From the second half of February onwards, we will see how things shape up.

The good news is that demand seemed to have revived, and there will be pent-up demand as well. Our intention is to maintain this kind of margin levels in Q4 as well, for the simple reason, again, I am disclosing the costs that are being borne by the industry. Number one is connected with the consumer finance itself that it is 40% of the sales, and it will continue to grow and the consumer finance cost burden is shared with the dealers.

The second part is connected with the e-waste liability. As we move every year, for Blue Star, the 2016 numbers multiplied by 70% of that, which will become a liability. In the industry, and in the marketplace, a five-year warranty seems to be a thing, and 5 to 10-year warranty cost, is the other part of it. And in-shop demonstrators are also an additional cost.

So, with all this, meaningfully, one should be running the business for delivering ROCE. And I think that 8.5% kind of a margin is bare minimum, one should look at it. If it is a great summer year, one should try to do 9.5% in the best interest of the category.

Natasha Jain: This is extremely helpful. Just one clarification. Sir, you mentioned that 10% will be the net increase to consumers, right? This is after incorporating the GST discount.

B. Thiagarajan: Approximately. This can vary in the sense that you are consuming old raw material and you keep buying the raw material. The volatility is very high in the marketplace of the commodity prices and the exchange rate, and you are building up to the summer season, your consumption of the raw material will also depend on these factors. I think it should be around 10%. I am not categorically saying in the region of around 10% increase is inevitable.

Natasha Jain: And one last question. So, the entire thesis is based on a good summer, right? So, let me just ask you a slightly reverse question. Just hypothetically speaking, if Calendar '26 is also bad in terms of summer, then how does Blue Star navigate the challenges? What are the other sharp growth levels which can keep us afloat despite RAC and commercial not working in case of a bad summer?

B. Thiagarajan: The very first thing is that history shows that you will not—yes, two consecutive summers have not happened like that, And with the pent-up demand, given that the category penetration is very low, it should be much better than last year. People are not going to keep postponing forever. Also, our market size is nowhere comparable to China, so that should be kept in mind.

Then I said that weatherproofing Blue Star is a program, which means you need to look at the B2B businesses as well, like the commercial refrigeration is not that season-dependent and therefore it is not that much impacted. There is some impact if the summer season gets washed out, but commercial air conditioning is another portfolio where we have a strong presence. And in Electro-Mechanical Projects, whether it is connected with the traditional segments—buildings—or factories and data centers, we should not have any worry. Infrastructure comes with its own risks.

So, the weatherproofing of Blue Star is connected with the portfolio and how you manage. The second part is connected with how much of the expenditure you can keep variable. For example, advertising. If, in anticipation of the summer, you will begin in the middle of March with the IPL matches beginning, you will end up spending and committing to that, hoping that April second half will be better. But last year, that is what happened—you spent the money, nothing happened, and you couldn't set it right. So, we do have variable expenses and how we can manage them.

The third part is that localization is happening in a significant manner, whether it is the finished goods or whether it is connected with the component ecosystem. Therefore, you will be in a position to manage inventory. See, the 2025 summer washout was managed far better than the 2023 summer washout. In 2023, the inventory lasted for a much longer period. That is why we have what we call internally the "weatherproofing Blue Star" program. But having said that, I am again saying, two summers cannot be the same. We have not seen it, but even if the summer is going to be bad, the demand will not be that bad.

First of all, remember this: when you compare next year, you will be comparing with a bad year. So, obviously, the result will show that, but internally, we will be looking at how we do versus FY25 rather than FY26. I am answering the initial questions elaborately so that these questions do not come up later.

Moderator: Our next question comes from the line of Rahul Agarwal from Ikigai Assets. Please go ahead.

Rahul Agarwal: Sir, firstly, just a clarification on Natasha's question. The 10% net hike, 8% to 10%, is basically after the GST cut, right? It is adjusted for the GST cut.

B. Thiagarajan: Yes. Look, the management has been very clear that any reduction will be passed on to the consumer, any increase will be passed on to the consumer if you have to maintain the margins. So, the GST reduction was completely passed on. Then you have got the energy label change pushing up the prices, then you have got the commodity prices, then you have got exchange rate so, it's all happening, and there's a plus-minus.

Rahul Agarwal: Basically, now getting to questions, just a couple of them. Firstly, on the growth outlook, so, on Segment-I and Segment-II, and Segment-I, essentially on the projects and CSE, typically, we discussed 12% to 15% CAGRs is what the growth rate should be. I think if I look at past three years, we have done way better than that, 20% kind of growth.

Just wanted to understand, in your sense, how should we model, like, a medium-term growth here, right? Because projects have been doing extremely well for you. Commercial, plus international, I think a mix of these segments is actually doing better. Some color on that will be helpful over a two to three-year time frame.

B. Thiagarajan: The problem, as I will straightaway answer, the thing was that, for varied reasons, FY26 has been muted. The order finalizations didn't happen, and we didn't see the liquidity in the market. You are aware that we are extremely cautious in getting into infrastructure projects, because infrastructure projects are low margin, long duration, and as these projects get to the closure stage, which is usually two, three years later, you start booking many costs. And therefore, we have been very, very cautious in chasing market share out there.

Commercial Air Conditioning is connected with multiple sectors—factories, shops, showrooms, boutiques, hospitals, so on and so forth. Unfortunately, the shop, showroom, boutique, retail segments, we have not witnessed any great growth in FY26. But in FY27, there are signs that it will come back in a good manner.

Keeping all this in mind, I think if you ask me at the moment, I will take it as CAGR of around 8% to 10%, and then revise it depending on how the first six months of the next fiscal goes.

Rahul Agarwal: The nine-month growth rate for Segment-I is almost 20%, right?

B. Thiagarajan: Correct. The pending order book was there. But the thing is that I will slow it down for six months, because you have seen order inflow has not been good, right.

Rahul Agarwal: And secondly, on the commercial ref, similar question, 9-month growth rate, if you could just comment on growth rates for 9 months for commercial refs, and how should we build the medium-term CAGR for this segment?

B. Thiagarajan: You don't really have the breakup of that for me to disclose, but the category is supposed to grow at a CAGR of anywhere between 12% to 15%, given the processed food penetration, dairy, pharma—anything you take. FY26 was again a bad year. but you can take 12% to 15% CAGR as a good modeling assumption and Room Air-Conditioner, despite the failed summer, I would still model it anywhere between 18% to 20%.

Moderator: Our next question comes from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: In the opening comments you indicated about, while nine months were muted for UCP, but there are demand drivers now. So, if you can elaborate a bit more on this, means, like, which regions you are seeing the growth, east, west, north, south, or rural versus urban? Are you seeing growth coming back in metros or in terms of the product profile, whether the growth is more in premium versus the value-for-money air conditioner? So, if you can share more details on these aspects.

B. Thiagarajan: So, all the regions have done well, it is not one region has done well like that and obviously, the Tier-3, 4, 5 are the ones which will continue to drive the growth. I think that is true for many categories, because the penetrations are relatively lower there. But it will actually depend on the agricultural income, and that is the driver of the rural economy in India.

I have been saying this that Tier-3, 4, 5 consumers and geographies will constitute close to 70%, which is reflected in the consumer finance schemes being availed, and that is also reflected in the question you asked. It is the entry-level products. And whether it is airline, whether it is car, whether it is two-wheeler, or whether it is mobile/Wi-Fi services, you will see this, that Indian market is driven by aspirational middle class. It is highly price sensitive, focused on entry-level value-for-money products, and you see that in number one, number two positions in many categories and that should be true for air conditioners as well.

Aniruddha Joshi: Just last question. Mr. Mohit Sud is appointed as the Executive Director of UCP segment for a period of 5 years. So, heartiest congratulations to Mr. Mohit. and what will be the 5-year KRAs in terms of for Mr. Mohit from the board, whether it will be driving market shares, driving profitability or entry in new products, etc. So, if you can elaborate on that?

B. Thiagarajan: No, the annual KRAs are set by the NRC and approved by the board. So, that will continue to happen; that is an internal process. The broad drivers of the company will translate into KRAs. Whatever is the company strategy, that determines the strategy of, that drives the KRAs of, let alone Mohit, whether it is Vir or me, or Mohit, or the entire top management. The company's strategic KRAs and operational KRAs, will determine ours.

Now, broadly, if you want to understand what we are looking at is that our track record has been growing faster than the market and gaining market share. We have not yet reached our first goal of reaching 15% market share. We are somewhere, we have crossed 14%, and even in a challenging year, I think we have gained marginally some market share. So, that we need to do.

The second important part is, that growth has to be a profitable growth, which means the margin guidelines that I mentioned, somewhere around 8.5%, EBIT margin is absolutely important and in ROCE, Blue Star is a benchmark, an outlier in the industry that we look at anywhere between 25% to 30% ROCE, that is an important KRA. There are other numerous KRAs for example, brand salience, that brand has to be made relevant to new consumers, and it should continue to become stronger in terms of salience.

The next is customer experience, which differentiates us. It is an important strategy of Blue Star to provide a world-class customer experience. So, broadly, the company's strategy is this, and that will translate into KRAs, including things such as that we will be ahead of the curve in terms of sustainability initiatives, like if it is an energy labeling, if it is connected with refrigerant, new refrigerant migration, carbon footprint, we have been ahead of the curve. That is what we would like to continue. So, this is what will determine all our top management KRAs.

Aniruddha Joshi: Just last thing, in this entire trade inventory summer, etc., the issue which is forgotten is the compressor. From 1st of July, again, the industry as well as Blue Star will have to manufacture compressors in India. So, how do you see the preparedness of Blue Star on this aspect?

B. Thiagarajan: The thing is that, first of all, it is not Blue Star as a manufacturer, whether there is enough component ecosystem that is available for us to source. I have stated this till at least 2028, and we need to reach a particular scale for considering manufacturing of compressors but supply chain resilience is an important program. And I think we are well secured with the domestic manufacturing capacities that are coming up from many players.

Aniruddha Joshi: Very helpful.

Moderator: Our next question comes from the line of Sonali S. from Jefferies, India. Please go ahead.

Sonali S.: Sir, my first question is, could you help quantify, maybe on an industry level or the company-specific level, whichever you are more comfortable with, the inventory situation for air cons now versus, say, start of October?

B. Thiagarajan: Sonali, thank you, but I don't think we deserve any congratulations. It is a very modest growth. It is not a great result, I would say. But we may have done better than the industry—that is our hope. On inventory levels, my estimate is that, for the industry, it may be around 8 to 10 weeks, and it may be lower for us. For us, I think it may be 5 to 6 weeks, that is my estimate. For the others, I am guessing the industry would be at that level.

And on the second part, I couldn't follow that. From October onwards, there has been a substantial reduction. Now, I would say, you see, inventory will not be zero in any case. Some 2 to 4 weeks inventory will always be there. In our case, I think there is at least some 2 to 3 weeks of more inventory, but it is always manageable. That is what it is.

The industry, again, first of all, production was done anticipating a great summer. Then during the GST transition, there was a bottleneck and a blackout period. Then you were left with a winter season coming in, and the energy label change, so, there was pressure. But I wouldn't consider inventory to be a major bottleneck for February or March. The one and the only event that we should be watching out for is the onset of summer. If the summer sets in, there is nothing to worry about.

Sonali S.: Sir, just a clarification over here, 5 to 6 weeks is company plus channel, right? And secondly, what is the normal inventory level? 4 weeks?

B. Thiagarajan: Yes, it will be around 4 weeks. Normally, from January onwards, we start building up inventory for the forthcoming season, because you won't be able to meet demand in the last week of March or in April and May. So, we would be even comfortable with, in our case, 8 weeks of inventory being there in January, 10 weeks of inventory being there in February, 12 weeks in the month of March, if the summer is going to be stronger.

But we will be very cautious having gone through the past, and also because the systems are changing now. You have got a local component ecosystem and your own manufacturing units. You are not dependent on some China imports or finished goods. And I would say that, in the build-up to the summer, even 8 weeks of inventory is okay.

Sonali S.: Sir, my second question is regarding the price hikes that you mentioned, that about 10% price hike. Sir, would it be able to bifurcate this price hike between, A, the hike because of energy efficiency, and secondly, because of the rising input cost? I believe energy efficiency has already entailed a 7% to 8% price hike. So, is it fair to assume that just 2%-3% have been passed on to the consumers because of the price hike?

B. Thiagarajan: No. First of all, this will vary. This is not a universal norm. Depending on the product design, it can vary from manufacturer to manufacturer, so don't take it as if I am talking for the industry. My estimate is that there are certain products in our portfolio where the new energy label would have cost only 5%. There are also models where energy label is pushing up the price between 7% and 8% in our portfolio.

The other part of it is entirely dependent on when you bought the inventory and what pipeline you have got, because it is changing week-to-week. So, it is very difficult to estimate. Broadly, I am saying around some 7% may be due to energy label change, and you may have around 8% to 10% arising out of commodities, offset by 10% reduction due to GST.

So, therefore, , I am saying the ballpark impact is around 10%, but it is very difficult to estimate at this point in time. Again, we are not a forex dealer determining daily rates. When you announce a price, it will be for at least 3 months period, or 2.5 months period. You can't be altering prices every day. So, you have to pass a judgment and increase the prices.

And the dealers won't be able to manage. They can't sell at one price, and then change it the day after tomorrow, because the customer who has bought will be fighting. So, therefore, I am saying we will be looking at a price increase soon when the inventories get liquidated.

Sonali S.: Sir, any quantification ballpark of as to how much price increase would you want to pass on the input cost pressures?

B. Thiagarajan: I am telling it may be in the order of 10%.

Sonali S.: 10% more?

B. Thiagarajan: That is right. We will determine it, and let us say if some U.S. deal is signed, the dollar may come down, and what is all going to happen, I don't know, because every day something is changing. But if you ask me to take a call today, it is important to increase the price by 10%.

Moderator: Next question comes from the line of Keyur Pandya from ICICI Prudential AMC. Please go ahead.

Keyur Pandya: Sir, first question on the margin that you mentioned, 8.5% kind of margin for UCP. I think in last con call you, looking at the slowdown, you guided for 7% around margin for the segment. So, now this is more of 8.5 aspiration, or do you think you can achieve that in Q4 and in FY27, despite all the inflationary challenges?

B. Thiagarajan: So, what I indicated, two parts. Number one is, what could be the margin for Q4? You have seen the Q3 margins and you have to look at the next year steady state, that is what it means. It is not full year is going to be changing to this. You can't make up for the summer,

Keyur Pandya: But FY27?

B. Thiagarajan: Q4FY26 and FY27, the margin outlook is 8.5%. Unless and until summer is going to be so very harsh summer, it can go up to 9%, and then I am not forecasting anything now. It can be looked at closer to March. My estimate is that if you do 8.5%, that is a reasonable margin, looking at it today, especially with the higher prices.

Keyur Pandya: So, just one clarification on this. The assumption is that the operating leverage of good summer and good volume growth would allow you to take the price hikes that you mentioned, and thereby 8.5% kind of margin?

B. Thiagarajan: Not at all. You have seen our margin. It is above 8% already in Q3and Q4, irrespective of the summer season, irrespective of the price increase, 8.5% is doable. FY27, 8.5% should be the target. If the summer season is extremely good, it can go up to 9%. We don't know now; that call has to be taken.

Price hike has to be taken in any case. It is not optional. In a category in which the margin is in the order of 8% to 8.5%, you can't absorb this kind of commodity price increase or the exchange rate issues. That is not your option. In my mind, it has to be done.

Remember one more thing. While the Wage Code-related cost is in the exceptional item, it is a permanent burden. So, conversion costs, service costs, warranty, service costs, all of these will have to be borne, and it has to be passed on. There is another element of cost that we can't ignore just because, in this quarter, it is under exceptional items. It is going to push up the cost of the product or the services.

What can happen is, and it is a level playing field; it is not that one brand can absorb it and another brand cannot. At the industry level, the timing may be different at different intervals, but everyone will have to act. What this means is that overall prices will go up.

Consequently, whether demand will be lower and whether, because of this, the 19% CAGR reduces to 17% or 16%, we will have to see, that can happen, but I don't think there is a choice. If it is a very high-margin industry, one can have the discretion. We are not passing on or absorbing costs, which is not the case here.

Keyur Pandya: And second question on the Segment-I, where considering the order book, you are saying for the full year FY27, the growth should be in single digit. It may be by choice because of the better quality of order book, but then it should see lower growth because of the lower order book, and will that have any impact on the guided margin range?

B. Thiagarajan: No, I don't think there is a reason to worry about margin there. In the Commercial Air Conditioning products, prices have to be increased. In Electro-Mechanical Projects, the price escalations have to be obtained for a higher labor cost because it is a people business there, and there is indeed a wage code-related burden that is existing.

The last point is on infrastructure projects. Roughly one-third of our revenue comes from infra projects, and quite a few of these projects will now come to closure, as few of these projects are metro railway projects or water, railway electrification, etc. So, when these projects are nearing to closure, usually the costs go up and it pulls down the overall margin, so, you would have seen already the margin is lower than last year in Q3. I think this will be a trend for next two, three quarters, because the infra projects are coming to a closure. Otherwise, I don't see a concern for huge correction in the margin.

Moderator: Our next question comes from the line of Renu Baid from IIFL Capital. Please go ahead.

Renu Baid: While other queries have been answered, if you can just help us understand a bit more in terms of updates with respect to how are we working on new product development or JV tie-ups for the data center market, chillers as well as the HVAC solutions?

B. Thiagarajan: You know we are a very large player in chillers. So, therefore, I don't think we need an external collaboration for developing a chiller for the data center market. So, those developments are going on.

The second part is connected with certain other solutions meant for data center segment, which is actually called the liquid cooling or the CDU (Cooling Distribution Unit). These, we are exploring multiple tie-ups across multiple geographies, which are classified in nature because we have signed non-disclosure agreements.

I think, this is the same as once in 3-4 years, something new happens, and you need to figure out at that point of time, clarity completely doesn't emerge, but our track record has been that we are able to catch up, like the VRF. At some point of time, what we will do for VRF was a question and it happened. Indeed, that is the market, but for one part of the data center market, we need time. So, we are discussing.

Renu Baid: And for our own in-house products, by when would we be commercially ready?

B. Thiagarajan: I think many models are in advanced stages, let us say, 12 months and in the MEP part of data center or the EPC part of it, we are the leader.

Even in the semiconductor-related space of air conditioning, which are sophisticated electromechanical projects, we are market leaders. We are building our leadership in that sector as well. And so, these two, combined with factories — factories is a regular one — and then data centers or semiconductor, we are building leadership in a significant manner in EPC part of it. Because of that, we believe that with these pillars again, we will be able to build the market share and be a leader there or be a preferred choice of the customer. But the products have to be tested thoroughly, and that is what is happening now.

Moderator: Our next question comes from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: My questions have been answered.

Moderator: Our next question comes from the line of Deepak from Unifi Capital. Please go ahead.

Deepak: So, we are fairly new to the business, but we have two questions, if you could please help us. The first is just on the EMP segment. We noted that you have given a single-digit growth guidance.

Could you give us some nuance as to what is generally the split of this business, and which pocket you are seeing some slowdown in? And why is it that these margins tend to come down close to the closure of these projects?

B. Thiagarajan: Number one is, it includes multiple things. It includes the Electro-Mechanical Projects and the Commercial Air Conditioning broadly. For obvious reasons, I can't tell you the breakup of that, but the entire thing is slow. In other words, the B2B business, order inflow has been muted for a very long time, and for various reasons There was some GST related disruption, then there have been liquidity issues as well, and other than some infra projects, order finalization has not been happening.

Having said that, January has begun very well, and many inquiries are coming up for finalization. So, that should be happening. But when your pending order book is lower, your growth in the subsequent months will be impacted, that is why I said that one should look at a single-digit growth or just a 10% growth.

The impact is, and I am repeating again, there is an infrastructure segment, there is a building segment, there is factory and data center segment, out of which infrastructure is the lowest profitable segment within that. Then, these infrastructure projects take many years, 3 to 5 years. As you are aware, we are part of the Mumbai Metro, for example, we are executing Bangalore Metro, there are some railway electrification projects, and there are certain water distribution projects.

All these projects, when it is moving towards closure, the cost overruns can happen. You are in a great hurry to close and hand over. Then, at that point of a time, the margin will further come down. That is where we are. So, that is the only reason. Otherwise, the other parts are all doing well.

Deepak: So, should I understand this, in summary, basis the current order book, you feel next year it is going to be single digit for the reasons you explained. And would you say this is the bottoming out for order inflows, and inflows could start improving from here? Or do you think inflows will also continue to stay at these levels?

B. Thiagarajan: See, looking at the customer's behavior and what has happened in January, I think it has bottomed out, and it is taking off. That is what is our sense. See, in any business, it cannot be down when the penetration levels are lower, forever it cannot be down. It has to revive at some point of time. that is what is happening. Like, I can tell you that, in January itself, we will have close to Rs. 400 cr worth of orders already, which is a record month again. So, I think it is taking off after a subdued period.

Deepak: That is very clear. Just my second question is, the margins in the Unitary Product segment are very strong, right? If you had to call out one or two primary drivers as to why you have been able to sustain these margins despite how these last few quarters have been, what would those be?

B. Thiagarajan: I don't think it is very strong; it is good. As I told you, our guideline has been that it should be 8.5%. And the reason being that, we were very clear that we would not force ourselves into any inventory pressure. So, we stopped our controlled production, and therefore we are not desperate to liquidate the stocks at a lower price. That is first part of it.

Second part of it is connected with the variable costs. Ever since April, when the summer was not happening, those measures were implemented meticulously. And the marketing spends or the employee sales incentives itself will be lower as well, because some part of the compensation is through the quantities sold.

The third part is systematically ensuring that input costs are controlled. That is why it happened and it is a continuous process. This challenge will continue, and we have to deliver.

Deepak: And lastly, any initial trends that you are getting from the channel, retail side on how these summer months are shaping up in Q4 and probably what they are thinking for Q1?

B. Thiagarajan: All that we know is that, compared to the previous months, it is better. So, it is not spectacular. And we have to see when the summer sets in. As of now, it is not setting in. The weather everywhere seems to be very pleasant, winter continues and let us see when it is going to set in.

Moderator: Our next question come from the line of Naushad C., from Aditya Birla Mutual Fund. Please go ahead.

Naushad C.: Just one clarification again on the project business, sir. If EMP is slowing and commercial AC is growing faster, should we expect a margin improvement in this business in FY27?

B. Thiagarajan: No, it is not. All that I mentioned, it is not becoming zero, you do have a significant amount of projects out there. We are talking about growth, whether it will be a significant growth. Again, I am saying that it will be a growth at a CAGR of 8% to 10%. So, it is not stopped. That is first part of it.

Second part is that there are factories, data centers and buildings. These are good-margin projects, and while margin may not improve dramatically, but they are not going to deteriorate. On the other hand, infrastructure projects will be at the peak of its execution, because we want to expedite closure and, in that process, it is a lower profitable segment. Commercial Air Conditioning order inflow was muted, but now it is picking up.

So, if you ask me broadly, on margins, whether FY27 should be better than FY26, that is what one can guess. But always you have seen that we have been exceeding the estimates, that the percents used to be this, right? So how come 8% margin you are delivering? Our guideline has been that we will be some 7.5% margin. 7% to 7.5% is supposed to be the margin. Sometimes it used to be 8%.

So, in the order of around 7% in FY27 modelling, you can assume that should happen. It is not going to become some 8.5% because some projects are slowing. It has not slowed down. Some parts, there is a slowdown. We are not changing our stance.

In other words, I am summarizing for the benefit of everyone. The outlook for Q4 is 6.5% to 7%, closer to 7%, maybe for Segment-I, and it should be 8.5% for Segment-II. That is the guideline.

Naushad C.: From a 3 to 4 years point of view, should we expect a higher CAGR growth from a commercial AC sub-segment versus EMP, or should both grow parallelly?

B. Thiagarajan: By all estimates, the commercial or any B2B part of the business, it is expected to grow only at 10% to 12% CAGR. Room Air-Conditioners is durable, and its penetration level is very low. So, it is projected at a CAGR of 19%. Or if it is a bad summer year, it will be worse. That is about all. So, this is not going to change. I don't see some significant 20% growth, nor we are into any inorganic growth at all.

See, if the market is going to be like this, for us to grow, it has to be inorganic growth and it is not that we were not present in some segment and now we are going to enter that segment. There is no such thing. We have been in all parts of the segment.

Naushad C.: Anything you want to talk about on the export side? We are tracking quite well. We have reached to not sizable, but at least RS. 200 cr of odd run rate we have reached on a quarterly basis. (Inaudible)

B. Thiagarajan: I will answer this, and then we will close. So, the thing is that, first of all, FTAs are getting signed, but it has not meaningfully translated into any significant business. Our interest has been Europe, where, anyway, the heat pump market is very slow. It has not taken off at all.

But on the other hand, the U.S. market, because of these trade barriers, is where it is. Now, it is suiting us, actually, because you can keep developing more products, and you have got domestic challenges as well.

So, the thing is, if the market would have opened up, there was a huge demand, and we had to go ahead and do all this, we would have. But as of now, we are very clear that we are not entering there with our own brand. We are investing on our own R&D and manufacturing in order to become globally competitive. And we have developed products which have been successfully tested abroad. The customers whom we acquired; they are all very happy.

But the conditions are, in Europe, market has not opened up. The European market consumers expect some subsidy from the government to switch over to heat pump or green products. In U.S., there is a trade barrier. So, therefore, it is fine. We are moving steadily, and we are building that foundation.

The direction is as follows: when China grew in exports, it was not that China was going and marketing anywhere. The people, they went to China to shop. Same way, we should build a capability where somebody should say, "Can you make for us?" That is a situation or a position we would like to build. That is where we are.

So, Rs. 200 crores, Rs. 300 crores, Rs. 400 crores and all doesn't matter at this point of time. We know very well we are poor in our export footprint. But I can tell you, in three-year time, I think 15% of our revenue should come from exports.

Moderator: Thank you. Ladies and gentlemen, due to the interest of the time, we will take the last question from Manoj Gori from Equirus Capital. Only one question. Mr. Manoj, please go ahead.

Manoj Gori: Sir, I just need one clarification. Most of the questions have been well answered. Just one clarification on the project business. So, 8% to 10% range that we are talking about is for the entire EMP business, right? And not only for the infra business.

B. Thiagarajan: No, Electro-Mechanical Projects business in totality.

Manoj Gori: Yes. That's all, sir.

B. Thiagarajan: And even Commercial Air Conditioning business.

Nikhil Sohoni: Thank you very much, ladies and gentlemen. With this, we conclude this quarter's earning call. Do feel free to revert to us in case any of your questions were not fully answered, and we will be happy to provide you additional details by email or in person. Thank you.

Moderator: Thank you so much, sir. On behalf of Blue Star Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.