Dated: 08 Oct 2025

Blue Star (BLSTR) - SELL

Initiating Coverage

Current Market Price (CMP)	Fair Value (FV)
Rs.1912	**Rs.1680**

Rationale:

- Blue Star, a leading player in India's AC and MEP-R industry, is known for its strong market standing, superior R&D/manufacturing, and consistent margin delivery.
- Blue Star's key categories enjoy good growth visibility, led by multiple tailwinds.
- RAC category in India, with a market size of Rs30,000 cr and mid-teen penetration, has a long growth runway (we expect double-digit volume CAGR in the coming decade).
- Blue Star's top management team is stable, seasoned, and credible, a key factor in its consistent success spanning over eight decades.
- We estimate ~16%/17%/17% revenue/EBITDA/PAT CAGRs over FY25-28E.
- Initiate with a SELL rating and a SoTP-based FV of Rs1,680. There is a lot to like, but for the price.

Positives:

- Blue Star is the #1 player in ducted ACs (50% market share) and scroll chillers (45% share), among the top-3 players in VRF (20% share) and screw chillers (20% share).
- Room AC business is on a strong footing, with consistent share gains.
- Room AC business has the potential to outperform market growth, led by market share gains in North.

Negatives:

- PEIS segment: performance has come under pressure of late.
- Key risks: Higher competition, seasonality, supply-chain disruptions, delayed order book execution, and slowdown in industry capex.

(MEP: Mechanical, Electrical, Plumbing; R&D: Research & Development; PEIS: Professional Electronics and Industrial Systems; RAC: Room Air Conditioner; CAGR: Compound Annual Growth Rate; EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; PAT: Profit After Tax; SoTP: Sum-of-the-Parts; VRF: Variable Refrigerant Flow)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	–	We advise investor to subscribe to the IPO.
RS	–	**Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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