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November 5, 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 Second Quarter and Half Year ended on September 30, 2026

In furtherance to our letter dated October 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 Second Quarter and Half Year ended on September 30, 2026 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: 2026.11.05 16:35:00 +05'30'

BLUE STAR LIMITED

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

“Blue Star Limited
Q2 & H1 FY27 Earnings Conference Call”
October 30, 2026

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

Moderator: Ladies and gentlemen, good day, and welcome to Blue Star Limited Q2 and H1 FY27 Earnings Conference Call. We have with us today from the management, Mr. B. Thiagarajan, Managing Director, Blue Star Limited; and Mr. Nikhil Sohoni, Group Chief Financial Officer, Blue Star Limited.

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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone.

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: Thank you. Good morning, ladies and gentlemen. It's a pleasure interacting with you over this conference call. Thank you for joining. You may have already read the results. Blue Star's Q2 FY27 consolidated revenue growth was around 21% and the operating profit grew by around 10.5%. The big picture is the revenue growth was robust across the segment and the room air conditioner specifically did extremely well on the back of extended summer season and the festival season stocking beginning. The margins continue to be under pressure.

You may recall after the Q1 results, I had expressed my own disappointment over the profits that we delivered. And in fact, I had stated that it's not a typical Blue Star result at all, and we are ashamed of delivering that kind of numbers in Q1. As I speak to you, I feel much more confident for the simple reason, Q2 turned out to be a period of consolidation and a lot of initiatives undertaken in order to get back to the margin levels, specifically in the unitary cooling products.

We had indicated that we are confident of getting back to at least the 6.5%. A lot of work is happening and I feel much more confident now that we will end the financial year, of course, it is entirely now going to be two big windows, one is the real festival season from Diwali until the new year and the other one is the pre-summer sales, February and March, this is what will determine the margins. But we are in the right direction. That is what we can confirm to you.

In specifically the room air conditioners, I'm pre-empting so that in the questions, it should not be repeated. First request is because it is a selective disclosure, please do not ask the question about commercial refrigeration revenue value or the EBIT value. We have not been reporting that, one day, we may decide to report. But what I can tell you is that the room air conditioner growth for the industry as well as Blue Star has been good and in Q2 standalone, the industry growth would have been as high as 35% to 40%. We don't know the exact primary sales figures. Blue Star figure is around 42%, the primary growth. The industry growth for H1, we estimate to be around 30% in value terms and Blue Star growth is somewhere around 28%, 29% and in the process, we have held our market share. To recap,

we had lost the market share in the month of April in the tertiary sales. We tried to pass on the price increase in April aggressively, it didn't happen. We had to correct (prices) through the customer offers. In the process, we gained market share marginally from May onwards. So May, June, July, August, September, we have been gaining market share of what we lost in the critical month of April. But the margins had crashed, and it is beginning to pick up. As we move to Q3, the margin should improve further. In Q4, if the pre-summer sales are going to be robust, we believe that we will be able to get to that target we gave of this year, at least 6.5% we will attempt for the segment 2.

The whole year estimate of mine - FY25 to FY26 was a degrowth because it was a bad summer year. FY27 season has been good. Extended summer season is on. Festival season indication so far has been good. I think the revenue growth for room air conditioners could be as high as 25%.

The next information I want to disclose is the commercial refrigeration, which was doing badly, is showing signs of revival. I think it will begin to grow from this quarter onwards, that is from Q3 onwards, it should begin to grow. Now there are only two concerns that we have got, one is, the monsoon shortfall leading to lower demand in Tier 3, 4, 5 towns, one part of the problem. The second part of the problem which can impact the demand is the interest rates, which are going up in the process consumer finance, many other triggers can lead to demand beginning to slow down. These are two apprehensions that we have got. But so far, it (demand) has been good.

The demand is exceeding our expectations. Fortunately, it is not an energy label change year . We have decided to rejig our product portfolio. That is, if I were to list some 10-15 activities, which are top priority, the foremost one will be how to rejig the product portfolio in order to get back our margins in room air conditioners. The second important part is that while answering the questions, I will explain. The electromechanical projects business, the order booking has been excellent. The revenue growth should be picking up from Q3 onwards, primarily driven by the data center segment. The second segment, which is doing well is the factories. We are defocusing ourselves from the infrastructure segment. The buildings are yet to pick up in a big way. So this is the overall summary.

Now I hand it over to Mr. Nikhil Sohoni for his remarks.

Nikhil Sohoni: Thank you, Mr. Thiagarajan. Good morning, ladies and gentlemen. I'll give you a short overview of the results for the quarter ended September 26. Since many of you would have already gone through the results, I'll keep the briefing short. In Q1 FY27, the extended summer season resulted in robust demand for room ACs and it helped the company to post a strong revenue growth.

However, margins were under pressure across the businesses due to continued escalation in material costs and our inability to fully pass on the same. In the meanwhile, various cost optimization initiatives are beginning to show results.

Financial highlights for the quarter ended on a consolidated basis are already summarized and uploaded. I'll give you the two key figures, which don't get covered in the stock exchange releases or the results after that.

One is the carried forward order book as of September 30, 2026, which marginally grew to Rs. 7,229 cr as compared to Rs. 7,120 cr as of September 30, 2025. And the carried forward order book as of March 31, 26 stood at Rs. 6,923 cr. The quarter ended with net cash position of Rs. 289 cr as of September 30, 26 as compared to the net borrowings of Rs. 417 cr as of September 30, 2025. This improvement was on account of better management of working capital and lower working capital levels.

Coming to the business highlights. Segment 1, that is Electromechanical Projects and Commercial Air Conditioning Systems. The segment revenue grew 16.3% to Rs. 1,936 cr in the current quarter as compared to Rs. 1,664 cr in the quarter 2 of last year.

Electromechanical projects during the quarter, the order inflows were mainly from data centers, while the inquiry inflows are good from factories as well. We expect significant growth in order inflows in the coming months. The growth of billing during this quarter was sluggish as execution of few projects experienced delays.

Coming to Commercial Air Conditioning Systems. The commercial air conditioning business recorded strong revenue growth this quarter, driven by robust demand across health care, education and industrial segments. On the international business front, with growing acceptance of our heat pump solutions in the U.S. market, the supplies continued despite challenging supply chain and logistics environment.

We are pursuing development and testing of products and solutions for a few more OEMs in the U.S. and Europe. We expect this business to accelerate once tariff-related uncertainties are resolved. The segment result was Rs. 133 cr, which was 6.9% of revenue in Q2 FY27 as compared to Rs. 147 cr, which was 8.8% of revenue in Q2 FY26. The margins, as we mentioned, were impacted primarily due to material cost escalations.

Coming to Segment 2, which is Unitary Products. The revenue grew 29.4% to Rs. 898 cr in Q2 FY27 as compared to Rs. 694 cr in Q2 FY26. The Cooling and Purification Products business, delayed monsoon and extended summer supported the room AC business with strong demand. While we have been increasing the prices periodically, only a portion of material cost escalations could be passed on. In the process, the margins continue to be under pressure.

The company has embarked on a program to rejig the product portfolio with differentiated and cost optimized SKUs in order to improve the margins. Commercial refrigeration business, we are beginning to see a revival in demand for commercial refrigeration. Here again, the inability to pass on the entire material cost escalation has kept margins under pressure. Thus, the segment result was lower at Rs. 21 cr, which was 2.3% of revenue as compared to Rs. 43 cr, which was 6.2% of revenue in Q2 FY26.

Coming to last segment, which is Professional Electronics and Industrial Systems, the revenue grew by 51% to Rs. 97 cr in Q2 FY27 vs Rs. 64 cr in Q2 FY26. The segment result was Rs. 23 cr, which is 23.7% of revenue in Q2 FY27 as compared to Rs. 6.2 cr, which is 9.6% of revenue in Q2 FY26.

During this quarter, the company sold its MedTech business for total consideration of Rs. 35.6 cr. The transaction was completed on August 31, 2026. Since the company is no longer required to render warranty obligations for MedTech business, the provisions pertaining to same have been written back, which resulted in improved profitability. Industrial Solutions business continued its strong growth momentum and data security solutions continued with steady performance.

Coming to business outlook. We continue to witness robust demand for room ACs during the festival season and many more orders for data center MEP projects are expected to be finalized in the coming months. There is a revival of demand for commercial air conditioning and refrigeration products. The monsoon shortfall, consequent drop in farm income and interest rate hike can have a potential impact on demand.

On the other hand, the conclusion of U.S. trade deal and possible resolution of West Asia crisis can be the tailwinds. While we remain optimistic about the revenue growth momentum in H2 FY27, our thirst will be on improving the margins through price revisions and product cost optimizations.

With that, I open up for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Manoj Gori from Equirus Capital.

Manoj Gori: Sir, when we talk about 6.5% guidance, this translates around 8% plus Unitary products margin during the second half, based on the price hikes taken in October and product rejig, so at this juncture, at the current RM prices, are we confident that we should be able to deliver 8% plus margin in unitary products, which obviously would be aided by operating leverage also given RAC sales and commercial refrigeration picking up? That's my first question, sir.

B. Thiagarajan: Yes, it is subject to many things. First of all, I can see that it is a tough task, but then it is a task that has to be accomplished, right? First of all, it used to be a double-digit margin prior to COVID, then 9%, 8%, then suddenly, it crashes to, in our case , the industry average may be marginally higher. I'm not able to comment the whole industry what it will be in the coming year. So we decided based on the best of our ability that the right market share that we have to maintain and at the same time, deliver the margin, we concluded that it is 6.5% something task that we should undertake. That is where we are.

Now as you rightly pointed out, the price increase has to be passed on. Product portfolio has to be rejigged. It will mean value engineering. It will mean removing certain unwanted

features. It will mean alternate components. It will also mean certain entry-level products whether we should entirely outsource. These are the actions that we will be undertaking. Most importantly, the scale is important.

Therefore, the demand will have to hold. the significant amount of this revenue will come from Q4 and that too in the month of March. We are looking at the weather patterns, and this is how it is and it is doable. It is not going to be easy. That is the summary. Your next question?

Manoj Gori: Sure, sir. And secondly, sir, you rightly highlighted about the demand. So somewhere in the second half also, we are expecting around 20%, 25% kind of volume growth. Is that understanding correct?

B. Thiagarajan: Correct. See, we are comparing with again, last year, when you talk about the growth. Last year, we had a lot of hiccups, right? The very first one is a poor summer. Then you are having a blackout period for GST, August 15 till September 22. Practically nothing got sold. Even till September, it took another 1 week, 10 days for the GST systems to be updated within the companies for a real billing to take place. Then there was an energy label change and the price increase attempt by various players. This is about inventory, new inventory, all that went on. On the whole, it was a degrowth year compared with FY25. So, we are now comparing with the FY26. I have a feeling that the revenue growth of 25% for the full year will be definitely possible because at least 5% should come from the price increase. So far, we are all struggling for passing on the price increase. But eventually, it will get passed on at least 5%. So we are talking about a volume growth of 20%. Ideally, 25% to 30% also should be possible if the summer is going to be setting in faster.

Moderator: Next question is from the line of Natasha Jain from Phillip Capital.

Natasha Jain: My first question is again on the UCP segment. I apologize for repeating the margin point. Sir, seeing from an external point of view, usually, what I've seen is closer to the season, a lot of schemes need to be passed on to the trade, especially when they are filling up for the next summer season and this, coupled with the fact that there is already inflationary pressure, first of all, there could be a risk of down trading in terms of a cheaper brand. Then even on the commercial refrigerator side, you've mentioned that there could be a possible dent on the rural demand. So commercial refrigerator could be probably more impacted rather than AC. So having said both of this, despite this, you are maintaining a 6.5% guidance?

B. Thiagarajan: Yes. So don't worry about the scheme. It is much more complicated, right? What it means is what is your average price realization. Schemes are running nowadays almost throughout the year. It is only repackaged for a season or for a particular channel or a particular platform. That's about all. So the question is there are multiple costs that go on, advertising, in-shop promotion. You have the consumer finance scheme, free installation type, extended warranties and so on and so forth. Average price realization is the one which has to be looked at. Right now, the thing is there is a raw material price increase. It keeps going up. We are

not seeing anywhere the softening. And how much could be passed on. And again, you have to compete in the market. Different players have different pricing policy. So I'm not particularly worried about scheme to be passed on in summer season or festival season. That's not relevant here. The ability to pass on the price increase or ability to take out the cost from your own product and this is what needs to be managed.

The second part is that Q2 growth of some 35% to 40%, the caution that we are saying is that if it is already growing, why it should not grow continuously, why it is tapering off. I am saying it could get taper off that is where the caution is. We are working towards 6.5% margin for the full year which is a tough thing and lot of work needs to be done. Demand growth of at least 25% for the full year will have to be there and we are working towards that.

Natasha Jain: And sir, any discipline you are seeing in terms of incumbents not cutting prices because that was a challenge in 1Q. So any discipline on that front?

B. Thiagarajan: Which one? I couldn't follow your question.

Natasha Jain: Sir, what we understood was peer set, especially the market leaders, they kept discounting in the trade much more than probably a Blue Star or mid-tier or high-tier brands because of which everybody had to take a price cut. So any disciplined approach in terms of pricing from the peer set also?

B. Thiagarajan: We don't expect that at all because the fact of the matter is the production capacity in the country today, including the OEMs, all put together is much more than the demand. It will be 1.7 to 2x if they want to produce, this is what will be available.

Next is this is the fastest-growing market segment within consumer durables. And there will be competition, there will be aggression. And we don't anticipate there will be discipline or something. You have to assume there will be competition and you have to compete. There will be aggressive competition and everybody will be interested in improving their market share. Everybody equally will be interested in protecting their margins. I won't anticipate anything at all. We need to fight it out in the marketplace, which we have done in the past, and we will do so.

Moderator: Next question is from of Sameer Gupta from IIFL Capital Services.

Sameer Gupta: I have recently started to look at the company. So please forgive me if some of the questions are very naive. I see depreciation going up 57% on a Y-o-Y basis and even 40% versus what it was in Q4. And when I look at the capex reported in the cash flow statement, it's around Rs. 130 cr in first half and even if I were to look at the past 12 months, my estimate is around Rs. 330 cr. So don't understand why depreciation is going up so sharply. And I believe this is the major line item, which is also resulting in the margin contraction within cooling products because overall gross margin for the company, if I look at it, it's down just 100 basis points. So why is this depreciation going up?

Nikhil Sohoni: Yes. So one thing I don't think that is only related to cooling and in fact, it is not much related to cooling. We have multiple segments. As you know, we have segment 1 also and segment 2. The reasons why depreciation, it includes depreciation as well as amortization. So whatever product development expenses which are there, which gets capitalized and which have to be amortized, depending on the life of that asset, we have to get it done.

So we have done a lot of R&D expenses also, whether for international and for other businesses, which also will get amortized. At the same time, the company is also taking new space warehouses or there is a new office also which was taken. The lease cost also goes through depreciation and amortization because of the lease accounting standard, which is there.

So new offices, new warehouses costs also go through that line item. It is more a representation of other expenses, it comes in the depreciation line. So all of that contributes to it.

Sameer Gupta: Got it, sir. That's very helpful. Second question, if you could also give some color on the quantum of price hikes taken in the RAC segment. I think you said 42% is the primary growth for Q2. What would be the quantum of pricing in this 42%?

B. Thiagarajan: No. In Q2, nothing we announced actually in September. It will really take into effect only from October.

Sameer Gupta: But on a Y-o-Y basis, you would still be latching on to some price increases given the BEE rating changes and some price hikes already taken in March.

B. Thiagarajan: It depends on when we are starting the journey. If you are beginning from January, the total cost increase would have been 18%, okay? In other words, in order to manage the cost, you may have to go ahead and pass on something like 18% of price increase, okay?

But with this 5%, what we are announcing, if you have to be taking into account what was done prior to March, what was done during the season, all that put together, there is still a gap of around 5%. It is a 13% price increase would have happened average. But 18% is from January, I'm talking about. Still a 5% gap is there.

Sameer Gupta: Which you plan to bridge with the price increases?

B. Thiagarajan: No, no. Including October, it is not matched yet.

Sameer Gupta: Okay. And the cost is only going up further...

B. Thiagarajan: October price increase goes through, still there will be a 5% gap. The issue is the price costs are going up still. It has not softened.

Moderator: Next question is from the line of Rahul Agarwal from IKIGAI Asset Manager.

Rahul Agarwal: Sir, just two questions. Just wanted to revisit the entire construction contract business. My sense was that earlier, we had discussed certain data center orders and revenue numbers for FY27, FY28, FY29. And then we also discussed that we are defocusing on infrastructure, hence, that number would go down.

My sense is last year's annual report talks about Rs. 3,300 cr of construction contract segment revenue and order book at that point of time was Rs. 4,600 cr, which is now at Rs. 5,000 cr. Just could you help us understand Fy27, FY28 and FY29 whatever you can on how should we look at overall construction contract revenue, please?

B. Thiagarajan: So first is you understand there are broadly 4 distinct segments. We look at it as 3 in Blue Star. One is commercial buildings, malls or hospitals, these kinds of spaces. Then you have got the infrastructure projects, which are it could be railway electrification, it could be substations, it could be water projects. There's a whole lot of infrastructure projects. It includes metro railway as well.

The third one is data centers and the factories. Factories are solar or semiconductor or it is EV batteries like that. which requires some amount of air conditioning, a lot of electromechanical work. Over the years, the different segments have been offering opportunities. Different segments have thrown up different kind of problems as well. In different segments, we have also struggled. There are cost overruns and we are not able to deliver like that. So overall, we came to a conclusion, the electromechanical projects business, we are not chasing any market share. We will look at the margins and free cash flows, and that's all we will do, and it has to be profitable. The growth at different point of time is driven by different segments.

Now infra projects, as we had explained this last year itself and this year, we have been explaining that, look, there are cost overruns there or there are delays and therefore, the margin pressure continues there. Therefore, we will defocus on that infra segment. And we need resources for data center projects and the factories. Primarily, the growth is driven by the data center segment. That's how you will have to understand.

Now the data center segment growth is unprecedented. And we estimate that this year, perhaps around Rs.10,000 cr to Rs. 12,500 cr worth of orders may get finalized. We have indicated that we are already close to Rs. 2,000 cr worth of orders we have, and we will do another Rs. 2,000 cr, the order booking may be Rs. 4,000 cr. By 2030, we have indicated the order booking may be Rs. 8,000 cr going by the projects that are announced and that are likely to come up.

It translates into a revenue of Rs. 2,000 cr now going up to Rs. 4,000 cr in 3-year time. So in this whole thing, we have also stated that probably by FY30, the Blue Star FY-30, let us say, a conservative figure of Blue Star revenue is Rs. 20,000 cr, and we will be Rs. 4,000 cr coming from data center segment alone. Now if you are asking electromechanical projects, all put together in what could be the revenue figure by FY30, it could be something like Rs.

6,000 - 7,000 cr. That's the indication that I can give.

As we begin to execute data center projects, we will more and more defocus from infrastructure segment because it requires resources. And these are time-bound projects, and these are specialized skills are required. Therefore, we have no other goal (why I will go and take a railway electrification project somewhere) because we are not a full-fledged EPC contracting company. We do have interest in products, manufacturing service and EPC. This is the reason.

Rahul Agarwal: Got it, sir. So to get this right, Rs. 5,000 cr of order book currently, about Rs. 2,000 cr is DC and this Rs. 2,000 cr of top line fiscal '27 from DC will move to Rs. 4,000 cr in 3 years. Is that correct?

B. Thiagarajan: Correct.

Rahul Agarwal: Got it, sir. And lastly, on CSE and commercial ref, just the growth rates for first half and the full year outlook, whatever best estimate we have right now in terms of percentages that can give...

B. Thiagarajan: Right. The breakup within segment 2, we don't do...

Rahul Agarwal: So I don't mean the breakup, just the percentage growth. Expected growth.

B. Thiagarajan: The expected growth.

Rahul Agarwal: Yes, just on the percentage...

B. Thiagarajan: Commercial refrigeration is a amalgamation of multiple products. There is storage water coolers, there is bottled water dispensers, there are chest freezers, there are visi coolers and there is modular cold room. It is highly fragmented. Broadly, it was a degrowth, and it continues to be a degrowth. It is primarily driven by deep freezer and the cold chain equipment and the FMCG sector has not been doing well.

And therefore, there are expansions which are not happening. See, we benefit from ice cream brands or the frozen food or the fast food chains go ahead and keep on expanding and new dealers are appointed and new deep freezers will be bought by the OEM. That's the primary driver. The second driver year before, if you take FY25, the quick commerce came into place and suddenly these dark stores bought in huge numbers.

Compared with that, now FMCG, there is a slowdown. Quick commerce infrastructure had come in and that has slowed down. Another cycle has to happen. Therefore, it is yet to revive. I mentioned in my opening remarks, we are seeing signs of revival because we are getting inquiries from the OEMs for the festival season to summer season, they may end up buying. This year, commercial refrigeration, I will be very happy if it is doing some 10% in H2.

And the CAGR for this business should be much, much higher. Actually, India's penetration

is very, very low. And it has the potential. When a room air conditioner, is projected to grow over 18% CAGR, the commercial refrigeration actually should grow at 25%. For some reason, it is not happening. This is a puzzle or mystery why it is not happening. It is not that we are losing market share.

Now to top it all, I mentioned that the room air conditioner, the input cost material will call for a price increase of around 18%. Commercial refrigeration has much more steel and much more plastic. And the cold rooms also has a lot of metal content and the products which are based petroleum-based. There the price increase that is required is around 24% to 25%. And that also is the cause for demand not growing.

The other factor in commercial refrigeration also is that till 2022, you could import from China and that route is no longer available. India manufactured products are indeed expensive than what the customers could buy directly from China. So this is where we are, but the signs are good. This is the next big growth of Blue Star, apart from room air conditioner, in projects business, it is data center.

In products, it will be this commercial refrigeration offers huge potential in India, but it is looking like a never-ending story. That is a problem. But we are seeing signs of it, and we are holding on to our market share or market leadership. We expect only a single-digit growth this year from that business.

Moderator: Next question is from the line of Ravi Swaminathan from Avendus Spark.

Ravi Swaminathan: My question is with respect to the projects business. What is the contribution of infrastructure business for the projects business either in terms of revenue or order book? And how much drag it is having in terms of profitability? And secondly, in terms of the data center business in projects, is the profitability of that particular business way above the overall segment's profitability average? Or is it like closer to the mean?

B. Thiagarajan: So first of all, the segment one, as you are aware, the package air conditioners, like we are systems chillers and ducted systems and the EPC part of the business. Now the margin guideline for that segment continues to be 7% to 7.5%. Now if that business is only data center, nothing else is there, probably, we are getting into execution cycle in a big way because the order booking only has happened in the first half. The data center alone could be 10% to 12%. But it is not that right. You have got equipment business there. You have got other projects as well. So that is the indication. So therefore, segment one, our guideline as of now continues to be 7% to 7.5%. There are many analysts have asked this question that as the data center portion of that segment keeps growing, will your margin move beyond 7.5%? Yes, it can move to 8.5%. But right now, since the execution is beginning we are yet to fully experience what will happen. The good news is these are all 8 to 9 months duration projects, it comes with the good excellent payment terms, so cash flow is not an issue. The prices are for a few items are on a base rate. So there may be price escalation that will be available in case the input costs are going up.

On the other side, you need to put sophisticated workmen and supervisors. We will have to prefab quite a bit of it in the site. The fabrication will be limited. You need a workshop kind of a place and a number of other processes are stringent. So therefore, there are some costs and you are paid for those.

Net-net, the margin should be higher. We will be able to give you an indication only when the execution is at peak, which we believe in Q4, you will have some kind of an indication. Right now, we are maintaining 7% to 7.5%. Equally, there are questions, if there is so much of demand from data centers, whether segment 1 margin can be a double digit.

Again, there are packaged air conditioners in that particular segment. And that we are not seeing it to be a double-digit margin because it is like a room air conditioner, it belongs to the same kind of manufacturing processes or input material like a compressor or a coil and steel and copper, so on and so forth. So we have said that we are not able to see that yet. But if you are saying that I have only a data center segment, it may be 10% to 11% EBIT margin, which is not the case here.

Ravi Swaminathan: Understood. And with respect to the Infrastructure segment, what would be the contribution of that in the overall sustainment revenue. And if at all, there is any drag, how much of it and how long does it last?

B. Thiagarajan: No. It used to be that particular infrastructure segment has been in terms of our order book, different times different because you know a job that is booked will be Rs. 450 cr, Rs. 500 cr, Rs. 600 cr kind of an order. So it varies from year to year. My rough guess, I have to verify the figure. Today, we may have around 20% of our billing will be coming from that particular segment, which is shrinking because we are no longer booking any major orders from there.

Moderator: Next question is from the line of Akshay Gattani from UBS Group.

Akshay Gattani: My question is initially, you mentioned you're developing differentiated low-cost products in RAC using alternative components and will outsource some of the entry-level products. So how should we think about impact of these initiatives on the product quality? And does this mean like you can meaningfully reduce price points without compromising quality and the objective is also to narrow the price gap versus the brands which are low priced right now?

B. Thiagarajan: No. See, by cost takeout, it will not come at the cost of quality. That is not the principle at all. The terminology, VAVE or a value analysis/ value engineering is it has to deliver the performance in terms of cooling performance or the energy efficiency performance. And the Blue Star is known for if people are buying our product, it is because of certain quality standards and the durability.

The next part is, as you are aware, it is all 10-year warranty and in the consumer market, you can't afford to sell some poor-quality product. It will anyway impact you. So the challenge

is this, that how you will ensure you are delivering the quality and the cooling performance, the energy performance at a lower price. And that's why it is a difficult exercise. So cost takeout means an unwanted feature you may remove.

Second part is there are component ecosystem and there, again, the more capacity is available. Like at some point of a time, you were having not many vendors. Now there are many vendors. So it is your ability to partner with them and how much you can reduce the price.

So, auto industry is the right example, and they mastered it that over the years, it is an institutionalized practice for them how to keep reducing the cost, if everything falls into a framework called TCM, which used to be known as Total Cost Management. Now we call it Total Competitiveness Management. And that is what we are on. So you need not worry about the quality part of it.

Akshay Gattani: Got it, sir. And second question, sir, is on the unallocable expenses side. If we look at last 2 quarters, the ratio of sales is coming down and possibly also reflecting lower employee cost as a percentage of sales. So if you can help us to understand what's driving lower unallocable expenses or like it's a permanent lower ratio or it normalized? And also following on the earlier question on depreciation. So this quarter depreciation run rate is the normalized depreciation run rate. Is that understanding right?

Nikhil Sohoni: Yes. So you can say this quarter's run rate, you can take it as a normalized run rate, okay? So I don't see any additional properties or anything getting coming on board. So this should be a normalized run rate. If anything is there, we will call out that separately.

Having said that, on the unallocable expense front, it comprises both of expenses as well as income. So one small part of the expense coming down will also be the income going up, like you have seen that we have moved from borrowing position last year to cash position this year. So some part of income from surplus funds, if it is on the higher side, your unallocable expenses for that particular period does get netted off to that extent.

Having said that, the unallocable expenses are also showing a downward trend, more from the reasons of, of course, some amount of cost management and control and some amount of as find kind of allocation that we can do further, we keep doing it. And that's the reason why we bring unallocable to the low because we would not want unallocable to be on the higher side.

So that is something which is working in favor of that. So both the focus on unallocable to see that we control that as well as the income side getting better, both of it helps in bringing the levels below what it was earlier.

Moderator: Next question is from the line of Umang Mehta from Kotak Securities.

Umang Mehta: My first question was on MEP business. Last quarter, we raised our guidance from 8% to

10% to 12%. And today, you gave a number for 2030, if I heard correctly, was around Rs. 6,000 cr, which implies a materially higher CAGR versus what your guidance was. So are you actually raising the guidance for the MEP business in terms of growth?

B. Thiagarajan: No. Repeat, you are talking about the data center part of it?

Umang Mehta: MEP business. You mentioned a Rs. 6,000 cr number, right, for FY30. That implies a high-teen kind of revenue CAGR for the business. And your guidance last quarter was around 12%. So are we increasing the guidance?

B. Thiagarajan: I do not recollect 12% guidance. I'm repeating again. The segment 1 has got the products business of commercial air conditioning, and it has got the projects business. Within projects business, you have multiple verticals. And right now, our focus is on data center business and data center and factories are the segments which are driving the growth.

Within segment 1, the big growth is coming from there. And we have stated that there is an order book possibility of around Rs. 3,000 cr which will grow in 3-year time to Rs. 6,000 cr. Billing will be only Rs. 2,000 cr, which will grow to Rs. 4,000 cr. That is the figure 12%, I'm not able to connect.

Umang Mehta: Okay, sir. And the second question was for Nikhil, sir. In cash flow statement, there's a Rs. 77 cr of provision write-back. And I understand Rs. 12 cr – Rs. 13 cr, is pertaining to the third segment from this quarter. What does the remaining represent?

Nikhil Sohoni: See, the one item which I can recollect is that there will be certain amount of warranties, et cetera, which are written back even in the normal course of business. Then there are other items like incentive (provisions) also which get written back when they are not required. And most of these adjustments kind of come in quarter 2 for whatever are the incentives, warranties provided for in the earlier years because they get settled by the end of quarter 1.

B. Thiagarajan: Which will be every year.

Nikhil Sohoni: Which will be every year. So that is an item which could be the one which is standing out over there.

Moderator: Next question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: Sir, can you give this MedTech business, which is from Engineering and Electronics, how much is the quantum of revenue contribution from there in the past year?

B. Thiagarajan: It will be an exceptional item, right?

Nikhil Sohoni: It it is an exceptional item. The revenue from that business, I'll just tell you in a minute.

Moderator: Praveen, do you have any follow-up questions?

Praveen Sahay: Yes. So the next question is related to the capex. So full year, how much is the guidance for a full year capex?

Nikhil Sohoni: For full year, we are guiding for a capex of around Rs. 300 cr, you can say at the max. And this capex will include certain R&D expenditure, which will be there on the products and also a certain amount of digital expenditure, which we'll be doing.

Praveen Sahay: Okay. Okay. Fine. And on the revenue front of MedTech, sir...

Nikhil Sohoni: Yes, just one second. Just give me one minute. Meanwhile, you can take the next question

Moderator: Next question is from the line of Rabindra Nayak from Nirmal Bang.

Rabindra Nayak: Sir, one question regarding the U.S., we have a very limited presence and probably next year onwards, we will be supplying these heat pumps to the U.S. market. So currently, our data center opportunity that we are looking at in the domestic market, whether we are evaluating any opportunity in the Middle East and the U.S. market for data center or it is not in the line.

B. Thiagarajan: So first of all, to the U.S. market, we supply in a limited way, the heat pumps now. What we clarified is once we have approved products now, we have a couple of customers, and it has taken off well and if you recollect the Annual Report itself, we have said that it has the potential to bring in USD 100 million of additional revenue. So that part is intact.

Now come to the data center. In the data center, there is a MEP or EPC part of it, putting together the system. It is a contracting business procuring certain items. There is a second part, which are the chillers, conventional chillers modified for data center application.

There is a third one, which is advanced liquid cooling. These are the future technologies. We have clarified that the chiller we do have and there are many players again. As you will be aware, the chiller market is the largest in the U.S. There are U.S. multinationals who are present here with whom we compete.

In U.S., to go and sell a chiller is not possible. It is their turf and it is a place from where those technologies emerge. So therefore, we cannot. The liquid cooling, even for Indian market, as of now, we don't have the technology.

We are on the lookout for multiple discussions are taking place. At some point of a time, we will share with you as and when we have got an arrangement. Market size-wise, if you look at it, today, the EPC part of it, our estimate is it is around Rs. 12,000 cr.

The chiller part of it may be around Rs. 2,000 cr maximum. And you will have today around Rs. 500 cr worth of liquid cooling CDU is our estimate. So Indian market itself, we are the largest part of the market is the EPC, and we are doing well there.

Chiller, I have stated in the previous call also, normally, our market share will be 15% or so. And out of that Rs. 2,000 cr. CDU liquid cooling today, what is Rs. 500 cr can become Rs.

3,000 cr or more in 3-year time, we don't have it we are not a player in that at all.

So therefore, what I can go and sell in the U.S. is the EPC contracting, which you know is not a viable thing for us to do. We are not focused on international projects. And therefore, on the whole, the data center segment today, we are not addressing anything in the U.S. market .

Going forward, whether we will be able to manufacture for other important markets, including U.S. one day, the answer is yes. but we are (currently) not there. Chiller, definitely, you won't be able to make it. Let us say, I have got an arrangement for making CDUs, whether somebody will be giving me a technology or it is a joint venture for Indian market as well as the international market, that option is open, but we don't have anything to state today.

Nikhil Sohoni: For the previous question on the MedTech, the revenue is Rs. 41 cr in FY26.

Moderator: Next question is from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Just a quick clarification. With respect to the 5% price hike from 1st of October, what you mentioned, has that been absorbed by the channel or there is still pull and push as of now?

B. Thiagarajan: It is not yet absorbed. You have to see. Normally, the billings take place, but these orders of the dealers would have come in already, right, for this month. I don't have the data in the past 4-5 days whether it has been absorbed. The indications are generally, all brands have increased the prices, and they should be.

But on the other hand, it is very likely how the trade behaves is if the price increase is coming, they would have bought enough number in September. You can see the Q2 growth, what is there indicates that they have advanced the purchases. So real effect of the price increase, you will know perhaps in the last 3-4 days and in November. That's what you have to see. But the moment you are going to increase the prices, dealers will go ahead and buy ahead of time

Achal Lohade: Fair point, sir. Just a second clarification with respect to the 7.5% margin you mentioned for full year FY27 -- sorry, 6.5%. How about FY28, assuming steady state, whatever raw material prices are, are we maintaining 7.5% -- or there is a room for further upside to that?

B. Thiagarajan: No, we all pray that it is -- this question has been asked in different ways by different people, whether, commodity prices and your inability to pass on has resulted in margin crashing. Will it recover back once the commodity prices stabilize? One hopes, but I won't be able to give a guidance at all. The real indicator of that will be summer of 2027.

It will indicate. See, the factor is, how the market demand will hold, how the competition will play and how product innovations are taking place. See, compared with many other markets, 7.5% is not some great figure. It is, again, given that we are now not trading, we

are manufacturing a lot of capex has been pumped in. R&D work is happening here. The industry is entitled to that kind of margin. In fact, it should be aspiring for 10% margin, but you compete in an open market. I think it (upside) should be, but no guidance at the moment. Our immediate task is to get to 6.5%.

Achal Lohade: Got it. Just a follow-up. With respect to the entry-level products, what you said will be more outsourced, you're doing a product rejig. The margin guidance is factoring all that mix and what kind of mix one would imagine, let's say, in the next season from the entry-level product?

B. Thiagarajan: Yes, we are right now in the process of evaluating that we manufacture most of our products, only some 15% used to be outsourced. We are internally challenging if a particular SKU can be bought at a particular price from a vendor and whether our own manufacturing can match that cost. So actually, the internal challenges go on, right, manufacturing group is not interested in outsourcing the product.(they would say), I will make it. I will be able to meet the cost. Still you will make this kind of margin. Those discussions are ongoing. My rough indication is that, in fact, outsourced product quantum is going to go up. It can go up to even 30%. And from the current level of somewhere around 15%.

Moderator: Next question is from the line of Vinit Pasad from Investec India.

Vinit Pasad: Sir, just one question from my side. When you spoke about 18% RM inflation from starting January, does that include the recent inflation or the number is until Q2, and we could see further inflation given how crude has played over the last month or so?

B. Thiagarajan: I'm taking as on date, up to October.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to Mr. Nikhil Sohoni for closing comments.

Nikhil Sohoni: Yes. So thank you very much, ladies and gentlemen. With this, we conclude the earnings call. Do feel free to reach to us in case any of your questions were not fully answered, and we'll be happy to provide you the necessary details. Thank you.

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