

May 12, 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
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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 Fourth Quarter and Financial year ended on March 31, 2026

In furtherance to our letter dated May 7, 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 Fourth Quarter and Financial year ended on March 31, 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 Parte
Company Secretary & Compliance Officer
Encl: a/a



“Blue Star Limited
Q4 and FY '26 Earnings Conference Call”
May 07, 2026



**MANAGEMENT: MR. B. THIAGARAJAN – MANAGING DIRECTOR – BLUE
STAR LIMITED
MR. NIKHIL SOHONI – GROUP CHIEF FINANCIAL
OFFICER – BLUE STAR LIMITED**

Moderator: Ladies and gentlemen, good afternoon, and welcome to the Blue Star Limited Q4 and FY '26 Earnings Conference Call. We have with us today from the management, Mr. B. Thiagarajan, Managing Director of 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 the conference call, please signal an operator by pressing star then zero on your touchtone 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 afternoon, ladies and gentlemen. It's a pleasure interacting with you once again in connection with the financial results for Q4FY26 and FY '26. You all have seen the results approved by the Board yesterday and we are here to explain the results in detail.

As you would have seen, we have more or less delivered in line with expectation though some of you feel that we exceeded the expectations. FY '26 was a very challenging year with many headwinds one after the other. It started out with a weak summer season, then we had interruptions due to GST reduction announcement on 15th of August till 22nd of September, the secondary sale and therefore, the primary sale was impacted.

Post that, we had the energy label change and connected with that, you can see the trade stocking prior to that and the trade trying to liquidate that stock later on. In between, there were trade war-related hiccups all throughout the year, it still continues, which impacts us in terms of the supply chain itself on numerous raw materials that we get. One is about the availability and the second is about the prices.

As we were beginning to build up towards the summer season, you're aware of the war and the war-related impact. It's not much to do with the availability of LPG pricing alone. That's the minor one, how the supply chain overall will be impacted and the overall market sentiments that will play a role in the coming days.

We have been waiting for the summer season to take off in a big way, which indeed happened on 13th of April. As we speak, we are in a great summer season. One hopes that this summer lasts for another 8 weeks for managing the huge inventory in the trade and the inventory build-up that we may have, which we will deal with as a part of the questions and answers.

Before that, I will pass it on to Mr. Nikhil Sohoni for the opening remarks. Over to you.

Nikhil Sohoni: Thank you, Mr. Thiagarajan. Good afternoon, ladies and gentlemen. This is Nikhil Sohoni

and let me take you through the financial highlights for the quarter and year ended 31st March 2026. FY '26 has been a challenging year with multiple headwinds affecting revenue and profitability across businesses. However, demand for room air conditioners picked up towards the end of the year, helping the company to post highest ever quarterly revenue in Q4 FY '26.

Coming to quarter ended March 31, 2026, the financial year highlights are as follows. On a consolidated basis, revenue from operations for Q4 FY '26 grew 1.3% to RS.4,072 Crore as compared to RS.4,019 Crore in Q4 FY '25.

EBITDA, excluding other income for Q4 FY '26 improved to RS.326.3 Crore, EBITDA margin of 8% as compared to RS.279.4 Crore an EBITDA margin of 7% of the revenue in Q4 of last year. PBT before exceptional items was higher at RS.282.6 Crore in Q4 FY '26, as compared to RS.248.8 Crore in Q4 FY '25.

Pursuant to the notification of the Labor Codes as required by ICAI guidance note, the company has recognized the incremental impact of gratuity and leave encashment amounting to RS.56.4 Crore for the period ended 31st December 2025 on an estimated basis, and this was shown as an exceptional item.

In the current quarter, the liability was reassessed and finalized at RS.38.83 Crore and accordingly, the provision of RS.17.5 Crore has been reversed in Q4 of FY26. Tax expense for Q4 FY26 was RS.72.9 Crore as compared to RS.54.8 Crore in Q4 FY25. Net profit was at RS.227.2 Crore in Q4 FY26 as compared to RS.194 Crore in Q4 FY25.

For the year ended March 31, 2026, the financial highlights on a consolidated basis are summarized below. Revenue from operations for FY26 grew 3.6% to RS.12,402 Crore as compared to RS.11,967.6 in FY25. EBITDA, excluding other income for FY26 improved to RS.930.4 Crore, an EBITDA margin of 7.5% of revenue as compared to RS.875.9 Crore and EBITDA margin of 7.3% of revenue in FY25, recording a growth of 6.2% mainly owing to overall focus on cost management.

PBT before exceptional items de-grew 3.9% to RS.741.9 Crore in FY26 as compared to RS.772.4 Crore in FY25. Pursuant to the notification of the Labor Codes as required by ICI guidance now, the company has recognized the incremental gratuity and leave encashment amounting to RS.38.8 Crore.

This nonrecurring item is shown as an exceptional item in consolidated statement of profit and loss for the year ended March 31, 2026. Tax expense for FY26 was RS.175.8 Crore as compared to RS.193.6 Crore in FY25. The effective tax rate was 25% for FY26 as compared to 24.7% for FY25.

Net profit for FY26, de-grew to RS.527.3 Crore, 4.3% of revenue as compared to RS.591.3

Crore, which was 4.9% of revenue in FY25. The Board of Directors of the company have recommended a dividend of RS.8.5 per share. Last year, the dividend was RS.9 per share.

Carried forward order book of March 31, 2026, grew by 10.5% to RS.6,923 Crore as compared to RS.6,263 Crore as of March 31, 2025. The capital employed as of March 31, 2026, increased to RS.3,258 Crore as compared to RS.2,427 Crore as of March 31, 2025. Net cash position was at RS.175.5 Crore as of March 31, '26 as compared to a net cash position of RS.640.3 Crore as of March 31, 2025.

Coming to business highlights. For electromechanical projects and commercial air conditioning, that is Segment 1. The Segment 1 revenue grew 1.1% to RS.1,989.9 Crore in Q4 FY26 as compared to RS.1,968.2 Crore in Q4 FY25. Segment result was RS.128.5 Crore, which was 6.5% of revenue in Q4 of FY26 as compared to RS.149.9 Crore, which was 7.6% of revenue in Q4 FY25.

Segment revenue for the year grew 12.8% to RS.6,762.8 Crore as compared to RS.5,998 Crore in FY25. Segment results was RS.501.9 Crore, which was 7.4% of revenue in FY26 as compared to RS.499.9 Crore, which was 8.2% of revenue in FY25. Order inflow for the current quarter was higher by 35.7% compared to corresponding quarter of FY25, which was RS.1,954.39 Crore in current quarter versus RS.1,439.99 Crore in quarter 4 of last year.

Coming to Electromechanical Projects business. Q4 FY26 saw strong equity momentum for buildings, data centers and factories with bookings growing 35%. Order inflow for the year was lower by 10% compared to FY25 as the order inflow was sluggish in previous quarters. The carry forward order book of Electromechanical Projects business was at RS.4,664.5 Crore as of March 31, 2026, as compared to RS.4,755.2 Crore as of March 31, 2025.

Coming to commercial air conditioning systems. The commercial air conditioning business gained momentum during the quarter, supported by healthy demand from the government, industrial and retail segments, while the bookings from office, education and IT sectors remain subdued.

The revenue growth in ducted systems and chillers during this quarter has been good and VRF is showing steady progress. We remain confident in the medium-term prospects of the business with steady growth expected across key product categories.

International business, which also formed part of this segment, the geopolitical uncertainty, including tariff-related uncertainties persist. The future prospects of the U.S. business are highly dependent on the outcome of the India U.S. trade deal. However, despite this headwind, our foray into U.S. is progressing well.

Our supplies to Europe have also commenced, and we remain optimistic on the prospects for this business. On account of the change in the project mix, entire the business mix within

the Segment 1, the margins were lower at 6.5% of the revenue in Q4 FY26 as against 1.6% in Q4 FY25 and the margin for FY26 year ago was 7.4% as against 8.2% in FY25.

Coming to Segment 2, that is Unitary Products. The revenue grew 1.3% to RS.1,985 Crore in Q4 FY26 as compared to RS.1,960.2 Crore in Q4 FY25. Segment result was RS.206.9 Crore. That is 10.4% of revenue in Q4 FY26 as compared to RS.164.5 Crore, which was 8.4% of revenue in Q4 FY25.

Revenue for the year de-grew by 5.1% to RS.5,332.4 Crore in FY26 as compared to RS.5,621.1 Crore in FY25. Consequently, segment results declined to RS.434.8 Crore, which was 8.2% of revenue in FY26, as compared to RS.471.3 Crore, which was 8.4% of revenue in FY25.

Within Segment 2, the room air conditioner business witnessed reasonable growth with primary demand picking up in March and channels across all regions stocking up for the summer. The dealer network expansion continues to progress as planned.

Despite the multiple challenges, we gained market share marginally during the current quarter. Quite a few cost rationalization measures taken in Q1 FY26 owing to poor summer season continued till the end of the financial year, and it resulted in improved margins for the quarter.

Commercial refrigeration business due to muted demand from frozen food and QSR segment throughout the year, the market for deep freezers and cold rooms remain stagnant. However, storage water coolers witnessed double-digit growth driven by strong demand from government and corporate sectors. Due to delayed onset of summer season, advertising and field marketing campus had not commenced in March 2026.

This, combined with prudent pricing and other cost optimization measures undertaken since April 2025 resulted in improvement of segment margins to 10.4% in Q4 FY26 as compared to 8.4% in Q4 FY25.

Coming to Segment 3. The revenue grew 7.3% to RS.97.18 Crore in Q4 FY26 as compared to RS.90.56 Crore in Q4 FY25. Segment result was RS.14.3 Crore, that was 14.7% of revenue in Q4 FY26 as compared to RS.8.8 Crore, which is 9.7% of revenue in Q4 of FY25.

Segment revenue for the year de-grew by 12% to RS.306.8 Crore as compared to RS.348.6 Crore in FY25. Segment result was RS.34.9 Crore, which was 11.4% of revenue in FY26 as compared to RS.29.7 Crore, which was 8.5% of revenue in FY25.

The uncertainties around the regulatory policy framework pertaining to MedTech Solutions business are yet to be resolved. And consequently, the business has slowed down. However, the Industrial Solutions business continued to grow driven by strong demand in automotive

and steel industries and the Data Security Solutions business maintained steady performance.

Coming to business outlook. From the second week of April '26, summer had set in and secondary sales of room air conditioners have picked up momentum. Driven by encouraging demand from manufacturing and data center sectors, electromechanical projects and commercial air conditioning business segment is expected to maintain growth momentum.

With rising input costs and volatile exchange rates, there will be challenges in managing the margins. Further, the ongoing Middle East crisis can lead to a supply chain disruption and also dampen growth. We remain cautiously optimistic about the prospects for FY27.

With that, I would now like to pass it back to the Moderator, who will open the floor for questions. We'll try to answer as many questions as we can. And to the extent we are unable to, we'll get back to you via email. Thank you.

Moderator: Thank you very much. We'll take our first question from the line of Natasha Jain from Phillip Capital India. Please go ahead.

Natasha Jain: Thank you. Good afternoon, everyone. I have 3 questions. First, in terms of UCP, RAC being a hypercompetitive market requires constant ad and promotional spend. Could you throw some colour in terms of your strategy that are you now protecting margins or will we see elevated ad spend later in the year? And if you are protecting margins, will that impact our volumes?

Second question, in terms of April, what we observed with the first 15 days is pretty much flat because of rain. Second 15 days, only secondaries have picked up, it seems. Primary either the channel is pretty much stocked in south or people do not want to stock because of the rapid weather condition. So, with that background, could you tell us how are you reading near-term, given that season will probably end towards the end of June?

And lastly, given costs have increased so much, are you seeing a very sharp down trading happening because what we're seeing is lower tier brands are gaining market share at the cost of all higher ones. So, any colour on that will help. Thank you.

B. Thiagarajan: Thank you. The first question is connected with the advertising and marketing. If you know in March 2025, we were anticipating a great summer season, even the IMD forecasted so and the dealers, they were stocking anticipating the compressor shortage in a big way. In Q4 FY25, there was huge advertising that took place.

Subsequently, it is very difficult to correct. For example, on IPL you would have made a huge commitment, you would have bought a media. But when the summer failed, we suffered. Few things could be corrected. That's about all, but a significant amount of

marketing spends were happened.

In Nikhil's remarks what he meant was in Q4FY25, there was huge advertising spend. In Q4FY26, we were clear about it because summer had not set in, summer set in on 13th April only. Therefore, in Q4, in preparation, specifically end of February-March, the spends were very low. This includes also many in-shop promotions like in shop demonstrators, so on and so forth, which we are stepping up post the onset of summer season.

The other advertising happens in some measure for overall brand visibility. The real advertising for room air conditioners including tactical, is indeed a function of how the demand in the marketplace. Again, during the festival season last year, there was a GST announcement, and demand was not picking up, so Onam or subsequent period, we had to call it off. That's how it works.

There is no intent to stop our investments, which is in the order of around 1.5% into 2% of our products business revenue, that's what is advertising, brand building, field marketing expenses. That will continue depending on the demand.

If there is an extreme situation like that, we will do and it will not affect because if the summer itself has not set in and you go and keep advertising sale is not going to happen. But because you have not advertised despite that, it is not that your brand image is eroded. So that we are very conscious of that.

The second question is connected with the weather. I told you, 13th April, the summer season had set in, and, it has taken well from 13th April obviously, you have to wait for the dealer field inventory to get liquidated. They had bought inventory in December because there was an energy level change. Post that, they know the prices will keep going up and they stocked up. Indeed, in February and March, they would have bought it because they know the price increase has been announced and the new material that will go into the market will be at higher prices.

Whether the secondary/ tertiary movement, or whether it is primary pickup, it is now clearly the function of how severe the summer will be and how long it will last. The question here is, another 6 weeks, whether summer will be active. As we speak to the primary movement has commenced already in many markets and we have to wait and see. In one single sentence, we are happy that the summer season has set in, we are not celebrating like it was 2024 summer. We have still 2, 3 weeks to go to assess how it is going to pan out.

And your third question is part and parcel of that. The function of the increased cost to be passed on is again dependent on the demand in the market. Thank you.

Natasha Jain:

Thank you sir. All the best.

- Moderator:** Thank you. Next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.
- Ravi Swaminathan:** Hi sir, thanks a lot for taking my question.
- Moderator:** Sorry to interrupt Mr. Ravi Swaminathan can you use your handset mode please? Your audio is not clear.
- Ravi Swaminathan:** My first question with respect to the price increase in air conditioners. How much amount of price increase you would have taken since January 1st, including the BEE norm change? And how much more needs to be taken to compensate for the raw material price increase that has happened?
- B. Thiagarajan:** We have stated this in many media interviews of mine; it will be there roughly around 8 %from SKU to SKU. It is around 5% is the price increase on account of energy level change alone on an average. Subsequent to that, till the April beginning, it will be around 8% for the raw material price increase and the exchange rate, all put together.
- It should have been around 13% price increase that is warranted. We would have taken until now the, you know very well, again, I'm repeating, the inventory was enough. The primary sale is beginning to pick up. For whatever primary had happened, we would have realized up to 8% out of 13% price increase, 5 more percentage of increase will happen as the May, June billings are happening, that is the reality. It may vary from model to model. On the average, you can assume it to be so.
- Ravi Swaminathan:** And is it completely enough to cover the cost inflation, which is there and protect the EBIT level margins for the Cooling Products segment?
- B. Thiagarajan:** 13% will cover the desired margin levels. And here again, it does not take into account going forward what cost increases will be there, like what has happened in our post-war is the plastic petroleum-based input costs, like, for example, styrene polystyrene and all those costs will go up.
- Ravi Swaminathan:** Got it. With respect to the project business also in terms of raw material prices going up, and that some of the costs might be, some of the projects might be fixed base contract, how to think about any margin impact that can happen in the next 12 months because of the raw material price increase and currency depreciation that has happened?
- B. Thiagarajan:** I don't think we have any concern there. If any, it's all covered for the price variation. Having said that, if you have delayed or the delay is attributable to us, during the delayed period, price variation will not be applicable. I do not think we have any kind of an impact at the moment in terms of input material cost has gone up. See, how it was is that you always assume that price variation will provide for something and there is some contingency that is

available and so that is not the major concern there.

Ravi Swaminathan: Got it sir yes thanks a lot.

Moderator: Thank you. We'll take our next question from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal: Hi sir, very good afternoon thanks you for the opportunity. Sir, three questions. Firstly, on the international business. If you could just provide some colour on what's the 1-year outlook and a 3-year outlook in terms of new customer approvals and the growth you see the revenue potential there? Second question was qualitatively, if you could talk about the growth outlook for fiscal '27 on commercial AC, commercial refs and projects. And third was on the balance sheet. Just wanted to know what's changed for the payable number?

I'm assuming that there is a bit more inventory stocking and hence, the creditors actually look like maybe you paid in advance and hence they dropped down considerably. Just if you explain that in terms of what's the change there? That's all from my side. Thank you.

B. Thiagarajan: The international, it is a wrong time to be talking about long term. Honestly, many trade deals are, t on the verge of signing and huge uncertainties prevail . All that I can say is we have approval for quite a few products with quite a few of customer and these are connected with the air to water or air to air heat pumps. As far as United States is concerned, you might have read already, the US market is stagnant, or it is de-growing for our customers. The HVAC market there was not doing that great last year. Now with many other economic factors , it is likely to slow down. That is the information we have got.

We are new entrants. Even if we sell 100 units, it is a growth for us. It is an additional market, so the trial marketing or the validations and all that continue to go on. Today, that is not a very, very significant part of the business. We have approvals, acceptance and even customer preferences for quite a few products for quite a few OEMs in these markets. That's where it is.

Europe, it has been slow. It continues to be slow. Now with the new Energy Security, the countries are beginning to insist that the people should begin to use heat pumps rather than the boilers. That's where we are.

We have mentioned repeatedly that it is a very important and critical portfolio for Blue Star. It may not contribute significantly to the revenue, but in about 3 years, depending on how the global economy is going to pan out, we should be beginning to grow that business significantly. In all this, Blue Star is not entering with its own brand. Blue Star is not acquiring any brand from those markets. Blue Star is not setting up any joint ventures there. It is Blue Star making products for others as a CDM manufacturer. That is our strategy.

The second part, the commercial refrigeration business, again, to a very large extent, like quite a bit of cooling for frozen food. It is dominated by the ice cream segment. And the last FY26 was a bad year, FY27, we have to wait and watch. It all depends on how the ice-cream retail network is expanding and that significantly impacts this business. Pharma or other sectors are very, very minimum. We are not into fresh produce, like pack houses or vegetable fruit processing, we are not into that. Those are large EPC contracts.

In the modular cold room business, or modular refrigeration products it is somewhat muted market. In any case, for you all, the, we are talking about RS.35,000 Crore plus room air conditioner market versus RS.5,000 Crore of commercial refrigeration market, which is addressed by Blue Star. So, this is one particular segment, which has a huge growth potential, but it is yet to grow.

What was your third question?

Rahul Agarwal:

If you can comment on the commercial AC and the project segment outlook for growth outlook on revenue for fiscal '27?

B. Thiagarajan:

In commercial air conditioning again last year which was impacted by the multiple factors, including GST in some way. The outlook continues to be around 8% to 10% kind of growth, and the growth is today driven predominantly by manufacturing sector. In case of projects, it is driven by manufacturing as well as the data centre both of, in both these segments, we are market leaders, we continue to do well.

To give you a rough idea that the data centre, the MEP part, where we are leaders, we would estimate the market size to be somewhere around RS.3,500 Crore and we do a business of around RS.1,000 Crore there. This is likely to more than double within 3 years, going by the inquiries in hand and going by the order finalization speed that is there. So therefore, the MEP part of that RS.1,000 Crore has the potential to go to RS.3,000 Crore within 3 years.

Roughly 15% of Blue Star's revenue may be coming from data center, MEP business alone. So that is the outlook there. It is the sunrise sector. In manufacturing, it is connected with semiconductor EV battery, solar cells. These are the segments which require air conditioning and expert cooling solutions, and we continue to do well there. Quite a bit of orders is under execution, quite a bit of orders are in pipeline, and here again, this will be growing tremendously over next 3 to 5 years.

Both in commercial air conditioning and the electromechanical projects while buildings or infra projects like airports, metro, these are, these will continue to happen. Very attractive part of that segment is financing; there is no worry. Cash flow, there is no worry. These are very fast-tracking projects; 9 to 10 months you have to complete.

These kinds of projects are very attractive to us. This is where we will bet on. Blue Star is

not having the complete range of data centre cooling equipment. We are leaders in MEP part of it. We have a few chillers, but if you have to talk about the CDUs, which are cooling distribution units, pre-cooling that particular space, we are on the lookout for technology. We are discussing with the many partners but nothing material as of now. Thank you.

Rahul Agarwal: Okay thank you.

Moderator: We'll take our next question from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Thanks for the opportunity. Sir, if you can share any outlook for the air conditioner industry as well as Blue Star for FY27, considering , there is an extremely favourable base of FY26. Secondly, whether the excess trade schemes like free installation or higher discounts for the trade. So, whether all of them have been discontinued. So, and at the same time, commodity prices have increased. So, considering all these things, what will be the outlook for margins as well? Question number two.

And last question. In terms of now Blue Star has solid market share in air conditioners. And in a way, connected with dealer distributor manufacturing capability. So, is there any potential to enter, is there any plan to enter other products in a way either white goods or durables like washing machines, refrigerators or any other matter for that matter? Because if AC penetration reaches a very good level in FY30, so what will be the key driver beyond that. I guess, the feeding will have to be done now for the growth to be seen maybe after FY29, FY30? Yes, these are the questions.

B. Thiagarajan: So, your first question is about industrial air conditioning?

Aniruddha Joshi: No sir Air Conditioner industry itself. Overall, RAC industry.

B. Thiagarajan: So first of all, room air conditioning industry, given the penetration, it will be the fastest-growing market in the world. And I still maintain by 2030 it should more than double the CAGR at 18% to 20%, it should happen. There may be a year with lower growth, there may be year with very high growth and one more summer season may get washed out in the coming years.

All that apart, the outlook is very, very encouraging. And this is for the growth of the industry. And what is today around perhaps FY26 let us say it is going to be 17.5 million units. I will not be surprised many things happen and it ends up with 40 million to 50 million units by FY30. It has the potential, it can happen.

What I will not very sure is whether it is an industry which, given the number of players, the competition, the increasing competition and increasing investments in manufacturing capacity, whether it will provide that 8% to 9% of operating margin. So, the question will

be the margin will be under extreme pressure.

It is, again, a function of how rapidly the demand builds up and what is going to happen to the commodity prices, specifically copper and other electronic components. This is what is the thing that the industry players will have to look out for. It is just because the market is growing, it is not necessary that the margins will expand, it will continue to be under pressure. That is the outlook for the industry.

Commercially, air conditioning industry is steady though. It's a function of many infrastructures getting built. There, the penetration level is higher. It is urban-centric, but you see more and more tier 3, 4, 5, towns having air conditioned restaurant or air condition marriage halls or air-conditioned hotels, hospitals, so on and so forth, it will go inside with the construction cycle and the infrastructure development.

We are market leaders there. The competitive intensity is not that high like room air conditioner, but you do have the technology-related changes, the product innovation cycle or the time it takes to develop those products like VRF, and today, it is advancing very rapidly because energy efficiency requirements, reliability requirements, automation requirements are very high in that particular part.

Unlike United States, in India, the residential air conditioning market size is very big. It is more than RS.35,000 Crore. and the thing you are dealing with something like RS.5,500 Crore market in commercial air conditions, EPC part of the market will be huge.

It will continue to grow. Then the question is whether, you are able to protect your margins, whether you are able to protect your cash flows. That is what we are focused on. We are not chasing the market share we have repeatedly stated this.

And where the expertise is paid for, are you getting sufficient returns for the expertise that you have built in that particular domain. Today, it is manufacturing and data center and some other point of time, it may be something else.

It will continue to grow because these 2 sectors, India is reinventing itself, and it is attracting a lot of investment.

The margin outlook given the commodity prices, it is a wrong time to predict anything because when you are in adverse situation, you swing to the other extreme. But it is bad. You don't have any visibility at all, whether it is exchange rate or whether it is the commodities. there will be a huge shortage of electronics because of helium-related issues, so it is unfortunate that we are in this situation. That you have to deal with quarter-to-quarter.

And right now, we are focused on how to ensure that our prices or our price realization is in line with the cost increase that has already taken place. Once this quarter ends, there will be

additional input cost increase if the war is not ending. That's where we are.

Aniruddha Joshi: Okay. Sure, sir.

Aniruddha Joshi: The entry in possible other products like refrigerator washing machine?

B. Thiagarajan: We have as on date, the foreseeable future, we don't have any such plans at all. We will be focused on air conditioning and refrigeration. There will be geographical expansion, which we have begun.

India itself is a very high-growth market. We have no plans whatsoever to get into white goods.

Moderator: We'll take our next question from the line of Sonali Salgaonkar from Jefferies India.

Sonali Salgaonkar: Sir, I have the following questions. Firstly, what is the inventory level in RACs right now versus the start of this year, say, January '26. Secondly, the quantum of price hikes is definitely required to cover up the margins. But in your view, do you think it will lead to a demand destruction industry-wide, not only limited to Blue Star? Thirdly, your capex and FY '27 outlook in terms of revenue or margins, please?

B. Thiagarajan: The last part, Nikhil will deal with. The inventory level will be reasonable as of now. The question is that the dealers have to begin stocking. So already March, a huge billing took place.

13th April onwards, it is selling in the secondary tertiary very well. And my estimate as on date, it would have come to a reasonable level, which means around 45 to 60 days of inventory should be there.

If the summer is active, this 45 to 60 days of inventory should get exhausted even within 20 days of time. That is how it should happen. I do not think today the inventory of Blue Star is an issue at all because it is locally manufactured, you can regulate it in a particular manner.

The challenge is that to monitor how much is moving out and how much will be the primary billing and how I will moderate the production. That's where it is. As of now, that is not the concern. The concern is connected with how the pricing will be passed on to the consumers.

I cannot talk about other brands. In our case, it is very important for us to pass on the increase. It's not that we operate with huge margins. It is very important that the margins are in the order, I'm saying the segment 1, we want to continue to maintain that 7% to 7.5% outlook.

Segment 2, we want to maintain 8% to 8.5%, okay? That's where it is. Now at the same time, we have to march towards our market share goal of 15%, which is currently at around

14.25%. So, this is a function of how long the summer will be active, how much price realization can be improved.

This is a very critical period to judge that. Now the consumer demand will drop. If the summer is active, it's not going to be, as I have told you that, let us say, last year to this year, 13% price increase, but there is a 10% GST benefit. Actually, the consumer is going to pay around 3%. And that's where we are.

So, I am not very sure off take will be reduced because of this price increase. I am not seeing that the summer is going to be hot. The issue will be due to the war, let us say, tomorrow, the petroleum prices are increased, or diesel prices are increased and the inflation peaks during this period, the consumer sentiments may force the consumers not to spend. That can happen.

I am not able to comment on that, but I know for sure that the consumer sentiment will dramatically change if, for example, petrol prices are going up or diesel prices are going up. But this 3% net of GST increase may not pull down.

Probably a 5-Star buyer will end up buying a 3-Star or somebody in a high-end 5-Star may end up buying a normal 5-star and one may end up buying a brand which has priced it cheaper. That all that can happen. I don't think they will postpone the purchase for this particular aspect. Thank you. Sorry, Nikhil, about the balance sheet and capex.

Nikhil Sohoni: Yes, sure. So, can you hear me?

Moderator: Yes, sir.

Nikhil Sohoni: Yes, so with regards to capex, see, the annual capex can be anywhere in the region of around RS.250 Crore to RS.350 Crore. So that's the normal spend that we have. When I say this capex, it includes all type of capex that is the normal routine capex, maintenance capex, investments in R&D, product development as well as whatever IT investments that we'll be doing.

All of that will be in that region. As regards what growth we can expect for the next year FY'27, I think it is too early to comment. You already heard Mr. Thiagarajan that summer is just set in, and we would like to wait and watch because, it entirely depends on how the summer actually plays out to predict for the year.

Sonali Salgaonkar: And the margin outlook?

Nikhil Sohoni: The margin outlook, what we have said already, that given the cost pressures that we are having in terms of commodity pressures that are there and unlimited the kind of good way in which we price increases can take place, that is going to be margin pressure this year. The headwinds are going to be there.

- Moderator:** Next question is from the line of Aditya Bhartia from Investec.
- Aditya Bhartia:** Given that you pointed out of 13% kind of a price increase that was required, around 8% has been taken so far. Does that mean that in Q1, we are likely to have margin pressure and the margins hopefully then recover through the course of the year if commodity cost cool off. And if commodity costs stay where they are, then the impact of higher plastic pricing and other crude derivatives has yet to hit us, that starts hitting us from quarter 2 onwards?
- B. Thiagarajan:** Yes, I have stated very clearly, the additional price increase has come into effect in May itself. We have to pass it on, it is a function of the secondary demand, then the dealers will have to buy. That's where we are.
- We are also stating that there will be margin pressure throughout the year and unless and until something dramatically changes in Q2 or Q3, we do not know and we are still maintaining that 8% to 8.5% is the outlook for the market.
- Aditya Bhartia:** Sure, sir. So, we are still aiming for 8% to 8.5% kind of UCP margins in this year?
- B. Thiagarajan:** As we said today.
- Aditya Bhartia:** Understood. So, there are cost pressures, but we feel fairly confident that we should be able to pass those on. Is that understanding, correct?
- B. Thiagarajan:** That's right. In a good summer here, it should be 8.5% to 9% for your information. We are saying 8% to 8.5% should be the thing in my very opening remarks or to the first question, I have stated, the market will continue to grow.
- The margins will be continuing to be under pressure until 2030. I am not seeing that it is 8% to 8.5% continuing as the market expands further. Also, as far as this financial year is concerned, as we see today, we believe 8% to 8.5% is possible.
- Aditya Bhartia:** Understood, all the costs that have gone up since the war broke out, those costs are yet to get reflected in the 13% kind of price increase that we spoke about?
- B. Thiagarajan:** Yes.
- Aditya Bhartia:** Understood. So plastic pricing further goes up? Sure, sure. That's clear. Thank you so much.
- Moderator:** We'll take our next question from the line of Pulkit Patni from Goldman Sachs.
- Pulkit Patni:** Just 1 question. You spoke about RS.3,500 Crore cooling opportunity right now for data center out of it, you can do RS.1,000 Crore as an MEP contractor. Can you highlight of those RS.1,000 Crore, how much equipment can we source internally?
- B. Thiagarajan:** These are MEP contracting, if you're talking about cooling equipment, it will be negligible.

That market is completely separate.

Pulkit Patni: Sure. So basically, as a contractor, we are doing RS.1,000 Crore, which is the part of market?

B. Thiagarajan: That material will be something like bus duct or sheet metal, insulation, such things. It's not connected with cooling.

Moderator: Next question is from the line of Renu Baid from IIFL Capital.

Renu Baid: Two questions from my side. First, on the RAC business for the Unitary Cooling, can you help us with the volume numbers for FY '26 and at what utilization levels are you sitting at the factory?

Second is on the MEP portion of the business, where you've highlighted data center and manufacturing a key growth market. These are sectors where typically customers or one would presume the pricing environment is relatively favourable?

So just trying to understand in these segments, especially data center kind of market likely to double up in the next 2 to 3 years. Any reason why we are still expecting margins to be at 7%, 7.5% level only and not expecting the project margins to improve as quality of projects that we are executing on the core HVAC side or the MEP side are also improving?

B. Thiagarajan: The last part I'll answer it; our portfolio is not only manufacturing and data center e. We do have buildings we do have infra projects, so it's a blended margin we are talking about.

My estimate is that the market would have been growing any way, we don't know the final numbers of the market. It should be somewhere around 15.5 million or something like that. We have already said that in the volume terms, we will be somewhere around some 11% of the market . As far as the segment 2 margins are concerned, I'm saying that we are at a juncture where we have to necessarily pass on increase.

If it is not passed on now, it will be even more difficult later because this is the time the increase will look like only 3% over last year. The more you delay, it will look like that we are increasing morer. I suppose I've answered all question.

Renu Baid: Sure, my perspective was that its data center is growing at almost 40%, 50% CAGR for your market share in the project business would increase from current 15% levels to close to 20%, 25% 3 years out. So, should that not have a positive tail effect on the segment profitability when we look at the blended for the company?

B. Thiagarajan: Within the segment, it is at 33%, data centre. I mentioned Blue Star's revenue will be RS.20,000 Crore ,in that it (data center) will be RS.3,000 Crore. In that contest 15% of the company's revenue could be, so do not mix up that statement with this.

Within the projects business, there are data centres, there are factories, there are buildings, there are infra. Now in that particular business, we have been operating between 7% to 7.5%. I will not, at this juncture say that it's going to become some 8% to 8.5% or 8.9%.

Indeed, it is true that the data center market will grow and that part of the business will be significant within that segment. We are not making a statement that I'm not going to be in buildings or I'm not going to be in other verticals. As of now, that is all the guidance that we are giving.

Renu Baid: Got it. And the average utilization level for our RAC facility?

B. Thiagarajan: I want to remind that Sri City, Himachal is built in such a manner that it is operating at full capacity, whatever little we can improve, we keep improving. But otherwise, it is operating at 100% capacity, which is somewhere around 6.5 lakh units.

The balance out of our 1.6 million comes from Sri City factory, not exactly 1.6, it will be somewhere around 9 lakh unit because we also buy window air conditioner and few SKUs from outside.

Sri City is built in the module of 3 lakhs (Units). So, 3 lakh, became 6 lakhs, 6 lakhs became 9 lakhs. This 9 lakhs can become 12 lakhs. Therefore, this capacity is added in line with the market requirement. Today, if we are saying this year, the growth will be good, it will be operating close to 100% capacity.

Then we will be deciding by October to expand one more line and the factory is built in such a manner, the building is available. It is an assembly line that we need to invest. What we were to invest last year, we said that we will postpone and look at it in October.

So, in October, we will go ahead and take that call. Therefore, the answer is it is operating close to 100% capacity in room air conditioners or commercial refrigeration.

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

Achal Lohade: Good afternoon, sir. Thank you for the opportunity. Just wanted a clarification. With respect to the industry size, did you mention from a fiscal year FY26 perspective, the 14.5 million pieces for the industry, sir?

B. Thiagarajan: No. I didn't say, FY25 was be somewhere around 15 million only. I think it should be 17.5 million for FY27. I also mentioned FY26 final figure, it should be close to 14.75 million or 14.5 million to 14.75 million because it would have degrown only by around 5% in volume over the previous year.

Achal Lohade: And our market share is 11.25%, like what you said in volume terms and value terms,

14.25%. Have I understood right, sir?

B. Thiagarajan:

That is right.

Achal Lohade:

Got it. The second question I had was with respect to given where we are currently, you said the season actually started only on 13th of April properly? What kind of delay we have had seen? And do you think the weather it's progressing, we could have really an extended summer season, particularly for South?

B. Thiagarajan:

It has happened in the past like that. The question is weather patterns have completely changed and so it is just impossible. You have to keep your fingers crossed. Only the good news is that the forecast one week prior to that is becoming much more accurate. The delayed monsoon means it may begin in the first week of June and it is setting in by 15th June.

It's not that it is going to get delayed to July or something like that. If it is going to be a disastrous monsoon, it will have other consequences actually. It is again not worth praying for that as well. All that one should look forward to is rest of May and first half of June, if the summer is active, and perhaps in few pockets of North till June end, that is good enough.

Achal Lohade:

Understood. Understood. And just a clarification of the Q4 UCP margins, it is fair to say that there are elements of the provision reversal and the lower cost which has improved the margins?

B. Thiagarajan:

What provision reversal I am not able to follow.

Achal Lohade:

Labor Code provision, the final assessment and the reversal of that RS.17 Crore, RS.18 Crore?

B. Thiagarajan:

So that is in the exceptional item. Provision was made in the exceptional item, provision is taken back in exceptional item, so there are no provisions out there.

Achal Lohade:

Understood. Thanks for the clarification, sir. Thank you so much.

B. Thiagarajan:

And that does not go into business also.

Achal Lohade:

Got it, got it, sir. Noted. Thank you so much.

Moderator:

Thank you. We'll take the next question from the line of Karan Gupta from Acmiil. Please go ahead. Karan?

Karan Gupta:

Yes. Most of the questions on MEP side have been answered but I just want some clarification on that. Overall data center project as you said, we are providing the chillers and for the CDU side we are doing some partnership. So how much is the in-house product and how much is the outsourcing in the MEP side? So, chillers as you said we are the market

leader?

B. Thiagarajan: In MEP of data centers, we do not have any cooling equipment at all. It is all electrical or mechanical equipment. Cooling equipment is bought always separately by a data center provider. In that cooling equipment business, we do not have the complete range.

We have few chillers, we do not have CDUs, we do not have fan wall units, for example, we are in the process of developing or making partnerships. In the MEP part of it, it is broadly the electrical mechanical accessories, again main electrical equipment will be bought by them separately.

Karan Gupta: Okay, okay, what about the order book size in that segment, MEP side, for the data center?

B. Thiagarajan: I told you that we estimate the market to be anywhere between 3,000 to 4,000 and our order book will be somewhere around RS.1,500 Crore.

Karan Gupta: RS.1,500 Crore?

B. Thiagarajan: Yes, I'm saying at any given point of time. You're talking about order book, right?

Karan Gupta: Yes, yes.

B. Thiagarajan: Broadly translate in annual revenue of around 1,000, but the inquiry inflow is very huge, very big numbers.

Karan Gupta: Okay, sure. Thank you.

Moderator: Thank you. Next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.

Keyur: Thank you. One question is that because of the stocking that you mentioned in quarter 4, should we expect lag for at least in quarter 1 between the primary sales and secondary sales looking at the inventory situation?

B. Thiagarajan: Your statement may be true for April. Generally, April first week itself, it should start in and it began only in May first week.

Keyur: Understood, sir. Sir, thanks a lot. All the best.

Moderator: Thank you. Next question is from the line of Manish Raj from Canara HSBC. Please go ahead.

Manish Raj: Thank you. Thank you for the opportunity. Just one question. If the summer progresses as the way it is progressing right now, what is the kind of primary sales that we can expect on last year's basis, if you could give us a growth number?

B. Thiagarajan: I have always stated that the given there is price increase of I'm saying average you take at least 10% over last year, a good performance would mean anywhere between 25% to 30% over last year.

Manish Raj: And will that result?

B. Thiagarajan: I'm saying that over last year Q1 for the industry, if it is a 25% growth, that means it is a very good summer. That's what one will have to imagine and imagine last year summer was not a great summer.

Manish Raj: Correct.

B. Thiagarajan: And 25% because in that 15% is the real growth, some 10% is arising out of the price increase. That's what it is, and it looks like there is a probability that it will happen. Again, it's a function of summer.

Manish Raj: Sir, just adding to that part. If it pans out, as the way the expectation is, then at the end of Q1, are we going to be sitting on a lower inventory versus what we were sitting last year? Is that thought process, right?

B. Thiagarajan: Yes, yes. The inventory adjustment even last year was not that difficult. The problem last year was that it was compounded by one factor after the other factor. You're starting with an assumption there will be shortage of raw material and therefore you have to produce. Then the weather forecast says that weather is going to become hotter by 15th April. April 15th, it says May will become hotter and it will continue like that.

Then the next part of it, there is a festival season was completely dampened. Then you got into energy label change, what will happen to old inventory, new inventory. Those are all the issues there. I'm saying inventory management of the industry and Blue Star will be far better this year because if the moment summer has not set in, people have moderated production.

They know very well that we have to wait for a lag in the primary sale, it has already happened. Now they will be moderating what is the production and what is the sale that is happening and I don't think that will be the concern at all. The issue will be how to pass on the price increase fully now and how to pass on the price increase post the season. There will be war-related increase in cost, so this year will be about margins rather than inventory.

Manish Raj: Thank you, sir.

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

Nikhil Sohoni: Thank you. Thank you very much, ladies and gentlemen. With this, we conclude this

quarter's earnings call. Do feel free to revert to us in case of your questions are not fully answered, and we'll be happy to provide you additional details by e-mail or in person. Thank you.

Moderator:

Thank you, members of the management team. On behalf of Blue Star Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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