

Blue Star (India) (BLSTR)

Consumer Durables | NBIE Conference Update

ACCUMULATE

CMP: Rs1,532 | Target Price (TP): Rs1,505 | Downside: 2%

June 05, 2024

Disciplined pricing to ensure margin protection

Key Points

- We hosted Mr. Nikhil Sohoni – CFO and Ms. Swati M Rane – Head of IR, Treasury & FP&A for the NBIE investor conference. Their commentary was quite bullish on the RAC space.
- While RAC volume grew strongly in both April'24 & May'24, both CAC and MEP businesses saw moderate growth mainly on account of slowdown in private capex amid general elections. Order book looks strong for 2QFY25 and 3QFY25.
- The management expects the RAC market to consolidate in the medium term, with top 5-6 players contributing ~80% to the total market share.
- We draw high comfort from its business model due to its strategy of chasing profitability and FCF, presence in high growth Commercial Refrigeration and high-quality order booking from EMPS. We remain structurally positive on its long-term business prospects. We believe it is a long-term compounder and therefore it should be accumulated at every dip. Currently, due to sharp run-up in the stock price, we have maintained ACCUMULATE with SOTP-based TP of Rs1,505 (44x blended PE on FY26E EPS).

Est Change	No Change
TP Change	Upward
Rating Change	No Change

Company Data and Valuation Summary

Reuters	BLUS.BO
Bloomberg	BLSTR IN Equity
Market Cap (Rsbn / US\$bn)	315.4 / 3.8
52 Wk H / L (Rs)	1,690 / 702
ADTV-3M (mn) (Rs / US\$)	689.6 / 8.3
Stock performance (%) 1M/6M/1yr	5.9 / 49.7 / 112.8
Nifty 50 performance (%) 1M/6M/1yr	0.6 / 1.0 / 21.6

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	36.5	36.5	36.5
DILs	25.2	24.8	24.7
FII	14.9	15.4	15.9
Others	23.4	23.3	22.9
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	79,773	96,854	1,19,235	1,42,898
Growth YoY (%)	31.6	21.4	23.1	19.8
Gross Margin (%)	22.5	23.7	24.5	25.0
EBITDA	4,928	6,649	8,590	10,649
EBITDA Margin (%)	6.2	6.9	7.2	7.5
Adj. PAT	2,862	4,150	5,520	6,965
Adj. PAT Margin (%)	3.6	4.3	4.6	4.9
Adj. PAT YoY Growth (%)	70.7	45.0	33.0	26.2
Adj. EPS (Rs)	13.9	20.2	26.8	33.9
ROCE (%)	23.9	24.2	25.4	28.4
ROCE (Post-Tax) (%)	17.3	18.0	19.0	21.3
ROE (%)	34.1	21.1	20.8	24.1
P/E	110.2	76.0	57.1	45.3
EV/EBITDA	64.7	47.1	36.7	29.4
P/B	23.7	12.1	11.7	10.2

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links – [4QFY24Results](#); [4QFY24PressRelease](#)

Please refer to the disclaimer towards the end of the document.

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Research Analyst

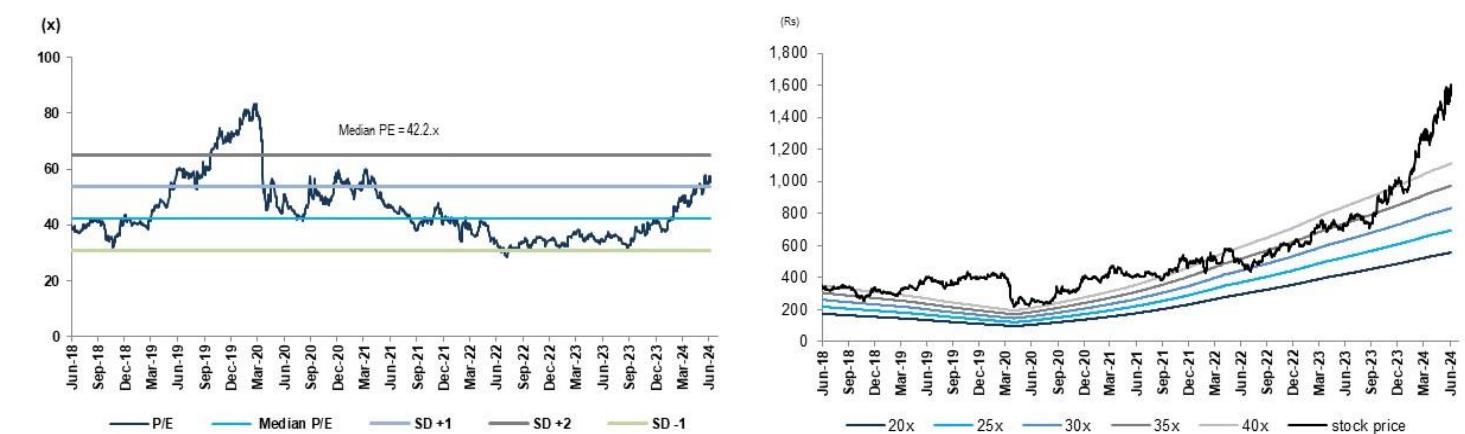
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Exhibit 1: Change In Our Estimates

Description (Rsmn)	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Net Sales	1,19,235	1,19,235	0.0	1,42,898	1,42,898	0.0
EBITDA	8,590	8,590	0.0	10,649	10,649	0.0
EBITDA Margin (%)	7.2	7.2	0 bps	7.5	7.5	0 bps
Adj. PAT	5,520	5,520	0.0	6,965	6,965	0.0
Adj. EPS	26.8	26.8	0.0	33.9	33.9	0.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: One-year Rolling Forward P/E Chart


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 3: Income Statement

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	60,641	79,773	96,854	1,19,235	1,42,898
% Growth	42.2	31.6	21.4	23.1	19.8
Rm Costs	47,332	61,817	73,920	90,022	1,07,173
Gross Profit	13,309	17,957	22,934	29,213	35,724
Gross Margin (%)	21.9	22.5	23.7	24.5	25.0
Staff Cost	5,086	5,922	7,495	9,539	11,432
Other Expenses	4,759	7,107	8,790	11,083	13,644
EBITDA	3,465	4,928	6,649	8,590	10,649
% Growth	44.5	42.2	34.9	29.2	24.0
EBITDA Margin (%)	5.7	6.2	6.9	7.2	7.5
Other Income	357	309	474	350	350
Interest	464	547	581	425	400
Depreciation	860	848	976	1,143	1,295
Profit Before Tax	2,498	5,550	5,567	7,373	9,304
Tax	829	1,547	1,429	1,856	2,342
Reported Net Profit	1,677	4,005	4,150	5,520	6,965
Adj. Net Profit	1,677	2,862	4,150	5,520	6,965
Adj. Pat Margin	2.8	3.6	4.3	4.6	4.9
Adj. Eps (Rs)	8.2	13.9	20.2	26.8	33.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Balance Sheet

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	193	193	411	411	411
Reserves	9,983	13,114	25,690	26,507	30,388
Net worth	10,176	13,307	26,101	26,919	30,799
Minority Interest	30	32	26	26	26
Total Loans	4,778	5,776	1,666	4,000	4,000
Liabilities	14,984	19,115	27,793	30,944	34,825
Net Block	3,911	7,999	10,713	15,573	17,278
Capital WIP & Intangible assets	1,940	1,423	2,203	500	500
Investments	1,623	1,481	2,668	2,668	2,668
Inventories	11,442	14,334	14,072	16,843	19,449
Debtors	11,897	15,488	19,526	21,017	23,700
Cash & bank	2,697	2,433	3,774	4,058	6,851
Other Current assets	9,340	11,235	13,155	13,506	16,383
Total Current assets	35,376	43,490	50,526	55,423	66,383
Creditors	20,417	25,112	26,166	30,318	36,468
Other current liabilities & provisions	7,726	10,246	12,154	12,906	15,540
Total current liabilities	28,143	35,358	38,320	43,224	52,008
Net current assets	7,234	8,132	12,206	12,200	14,376
Deferred Tax Asset (net)	276	79	3	3	3
Total Assets	14,984	19,115	27,793	30,944	34,825

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Cash Flow

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT	6,443	5,327	4,270	9,157	12,320
(Inc)/Dec in Working Capital	1,131	(4,203)	3,302	(268)	(2,734)
Cash Flow from Operations	7,574	1,124	7,572	8,888	9,587
Other Income	1,892	1,685	2,533	2,000	2,000
Depreciation	373	396	476	595	701
Tax Paid (-)	(1,913)	(1,709)	(2,377)	(2,671)	(3,473)
Net Cash from Operations	6,803	277	6,857	8,089	8,444
Capital Expenditure (-)	(870)	(2,245)	(3,450)	(2,900)	(2,300)
Net Cash after Capex	5,934	(1,968)	3,407	5,189	6,144
Interest Paid (-)	(259)	(296)	(559)	(543)	(521)
Dividends Paid (-)	(1,819)	(2,646)	(1,819)	(2,150)	(2,316)
Inc./Dec. in Total Borrowings	826	2,728	973	(680)	(500)
(Inc./Dec. in Investments	(5,667)	5,107	(3,951)	(2,200)	(2,200)
Cash from Financial Activities	(6,900)	4,928	(5,436)	(5,574)	(5,537)
Others	2,082	(1,603)	3,462	(5,646)	0
Opening Cash	4,588	5,717	7,084	8,523	2,493
Closing Cash	5,717	7,084	8,523	2,493	3,100
Change in Cash	1,129	1,367	1,439	(6,030)	607

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key Ratios

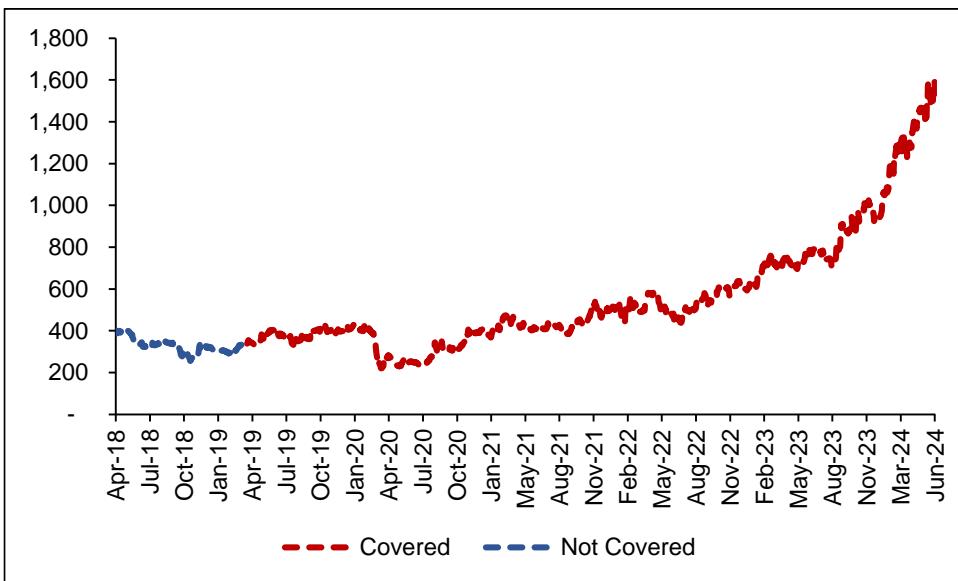
Y/E March	FY22	FY23	FY24	FY25E	FY26E
Per share (Rs)					
Adjusted EPS	8.2	13.9	20.2	26.8	33.9
Book value	49.5	64.7	126.9	130.9	149.8
Valuation (x)					
P/E	188.1	110.2	76.0	57.1	45.3
P/BV	31.0	23.7	12.1	11.7	10.2
EV/EBITDA	91.6	64.7	47.1	36.7	29.4
EV/Sales	5.2	4.0	3.2	2.6	2.2
Return ratio (%)					
RoCE	18.4	23.9	24.2	25.4	28.4
RoCE (Post-Tax)	12.3	17.3	18.0	19.0	21.3
RoE	17.6	34.1	21.1	20.8	24.1
RoIC	29.3	31.5	31.0	32.7	37.8
Profitability ratio (%)					
EBITDA margin	5.7	6.2	6.9	7.2	7.5
EBIT margin	4.3	5.1	5.9	6.2	6.5
PAT margin	2.8	3.6	4.3	4.6	4.9
Turnover ratio					
Total asset turnover ratio (x)	4.3	4.7	4.1	4.1	4.3
Debtor days	60	63	66	71	66
Inventory days	78	76	70	75	72
Creditors days	141	134	127	135	135
Solvency ratio (x)					
Net Debt Equity	0.2	0.3	(0.1)	(0.0)	(0.1)
Debt-equity	0.5	0.4	0.1	0.1	0.1

Source: Company, Nirmal Bang Institutional Equities Research

Rating Track

Date	Rating	Market price (Rs)	Target price (Rs)
29 March 2019	Buy	335	408
9 April 2019	Buy	343	408
6 May 2019	Buy	349	418
9 July 2019	Buy	367	418
14 August 2019	Buy	354	418
23 September 2019	Buy	398	483
7 October 2019	Buy	403	483
15 November 2019	Buy	406	485
9 January 2020	Buy	413	485
31 January 2020	Buy	416	485
26 March 2020	Buy	258	428
9 April 2020	Buy	252	428
13 May 2020	Buy	235	273
9 July 2020	Buy	245	273
8 August 2020	Buy	249	288
23 September 2020	Accumulate	324	335
9 October 2020	Accumulate	316	335
29 October 2020	Accumulate	314	330
7 January 2021	Accumulate	401	420
31 January 2021	Buy	368	438
9 April 2021	Buy	456	438
10 May 2021	Accumulate	422	425
05 August 2021	Accumulate	429	410
26 September 2021	Accumulate	449	445
30 October 2021	Accumulate	480	475
03 February 2022	Accumulate	498	488
21 February 2022	Accumulate	525	523
08 May 2022	Accumulate	536	600
07 August 2022	Buy	496	600
19 September 2022	Buy	568	670
06 November 2022	Buy	612	705
1 February 2023	Buy	615	708
22 March 2023	Accumulate	724	755
6 May 2023	Accumulate	717	770
05 August 2023	Accumulate	762	745
31 October 2023	Buy	874	1,015
30 December 2023	Buy	945	1,100
31 January 2024	Accumulate	1,099	1,215
03 May 2024	Accumulate	1,448	1,435
05 June 2024	Accumulate	1,532	1,505

Coverage was transferred to Natasha Jain with effect from 1st July 2023

Rating Track Graph

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ACCUMULATE -5% to 15%

SELL < -5%

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