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February 4, 2025

| **BSE Limited**<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai - 400 001<br><br>**BSE Scrip Code: 500067** | **National Stock Exchange of India Ltd**<br>Exchange Plaza, C-1, Block G,<br>Bandra Kurla Complex, Bandra (East),<br>Mumbai - 400 051<br><br>**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 Third Quarter and Nine Months ended December 31, 2024**

In furtherance to our letter dated January 30, 2025, whereby the Company had submitted the link to the audio recording of the Earnings Call held post announcement of Financial Results for the Third Quarter and Nine Months ended December 31, 2024 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: 2025.02.04 18:47:36 +05'30'

BLUE STAR LIMITED

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

Z:\(01) Blue Star Limited\2024-25\Stock Exchange Compliances\Reg 30 - Information and Update\16. Earnings Call Transcript\Q3FY25

“Blue Star Limited
Q3 & 9M FY25 Earnings Conference Call”

**January 30, 2025**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Blue Star Limited Q3 & 9M FY25 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 participants' lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone 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 addressing you today. I have with me Mr. Nikhil Sohoni – our Group Chief Financial officer.

I am happy that we could close the quarter ending December 2024 on a high note once again and you may remember it is almost 12 consecutive quarters, I believe we have delivered good results. We have even outperformed the market, I think in Q3 FY25, with the revenue growth of 25% and an operating profit growth of around 35%, we would have done better than the market and our peers. Specifically in the Unitary Products segment which you all closely track, you have seen revenue growth of close to around 22% and even margin expansion by around 100 basis points.

The market continues to be good for this particular category. Quite a few other categories within consumer durables or FMCG are yet to witness the revival. We continue to see off-take from the market. The dealers are stocking up for the forthcoming summer season and we are ready with the new products that are to be launched for the forthcoming season.

Equally is the fact that there are quite a few headwinds which we are preparing for. Number one is connected with the supply chain restrictions that continue to happen, which is getting intensified post the US elections, escalation in the cost of raw materials and some liquidity crisis in the market. There is also the Union Budget around the corner, what it will have in store for us we do not know at the moment.

Most of the market segments are doing well, apart from residential segments. For example, manufacturing investments continue, data center investments are continuing and Tier-3, 4, 5 towns, smaller shops, showrooms, boutiques are doing well.

We had a setback in the Commercial Refrigeration business, which forms part of Segment -II, which we had explained to you, arising out of certain regulatory changes. Consequently, water cooler business not going the way we would have liked in the first two quarters, 3rd Quarter it has stabilized and we are fully ready now for the fourth quarter.

The Professional Electronics and Industrial Systems business, which is Segment-III, there are headwinds, both in terms of supply chain restrictions impacting that and the domestic demand yet to pick up because of the CAPEX cycle.

Overall, we have been not only managing the costs and the growing scale, but we have also been focusing on preparing Blue Star for the future. The investments in research and development, digitalization and manufacturing are continuing as planned. We are keeping a tight control over operating costs, and the profit margin improvement is attributed to this. The scale benefit, combined with tight control on costs, has contributed to the improvement.

Capital allocation is closely monitored by the Board, and we are happy to report that the collections have been good. If there is a working capital increase in certain segments, it is due to certain types of projects that are being executed, or it is connected with the scale, which requires working capital. We are confident that we will manage the balance sheet also well.

On the whole, so far, we have done well, and we are on track. We are confident that we will close the forthcoming quarter also on a high note, which means for the third year in succession, we will deliver good results for the whole financial year.

With that, I thank you for your support and quite often, the interaction with you also adds value to us. Now I will hand it over to Mr. Nikhil Sohoni for his "Opening Remarks".

**Nikhil Sohoni:** Yes. Thank you, Mr. Thiagarajan. Good morning, ladies and gentlemen. This is Nikhil Sohoni, and I will provide you an overview of the results of Blue Star Limited for the quarter ended December 2024.

**Financial Highlights:**

On the back of unprecedented growth experienced in the earlier quarters of this financial year, in the current quarter as well Room AC business continued on its exceptional growth trajectory. Benefiting from the strong festive season demand, the Room AC industry stood as an outlier amongst all consumer durables. Other key businesses also delivered robust growth, supported by demand from some key sectors. The growth in revenue and profit is achieved due to our continued focus on expanding distribution footprint, investments in innovation, R&D and digitalization, and strategizing supply chain.

**Financial highlights for the quarter ended December 31, 2024, on a consolidated basis are summarized as follows.**

- The revenue from operations for Q3 FY25 grew by 25.3% to Rs. 2,807.36 cr as compared to Rs. 2,241.19 cr in Q3 of last year.
- EBITDA, excluding other income, for Q3 FY25 improved to Rs. 209.38 cr, EBITDA margin of 7.5% of revenue, as compared to Rs. 155.35 cr, EBITDA margin of 6.9% of revenue in Q3 FY24.
- PBT before exceptional items grew 24.5% to Rs. 167.20 cr in Q3 FY25 as compared to Rs. 134.29 cr in Q3 FY24.
- Tax expense for Q3 FY25 was Rs. 46.53 cr as compared to Rs. 333.93 cr in Q3 FY24.
- Net profit for the current Q3 grew 31.8% to Rs. 132.46 cr as compared to Rs. 100.46 cr in the corresponding quarter of last year.

- EPS for Q3 FY25 stood at Rs. 6.44 as compared to Rs. 4.89 for Q3 FY24.
- Carried forward order book as of December 31, 2024, is at a record high of Rs. 6,801.99 cr as compared to Rs. 6,038.53 cr as on December 31, 2023. This was a growth of 12.8%.
- The capital employed as on December 31, 2024, stood at Rs. 2,763.4 cr as compared to Rs. 2,298.9 cr as of December 31, 2023.
- Net cash position as on December 31, 2024, was Rs. 102 cr as compared to a net cash position of Rs. 157 cr as of December 31, 2023.

**II) BUSINESS HIGHLIGHTS FOR Q3FY25**

**Segment – I Electro-Mechanical Projects and Commercial Air Conditioning:**

Revenue grew 32.2% to Rs. 1,562.41 cr in Q3 FY25, as compared to Rs. 1,182.30 cr in Q3 FY24. The segment result was Rs. 118.7 cr which was 7.6% of revenue in the current quarter, as compared to Rs. 96.7 cr which was 8.2% of revenue in Q3 of last year.

Order inflow for the quarter was Rs. 1,748.3 cr in Q3 FY25, as compared to Rs. 1,260.8 cr in Q3 FY24.

**1. Electro-Mechanical projects:**

In this quarter there has been a good progress in order finalizations from the factories and data center market segments. On the other hand, we saw muted demand from commercial real estate and infrastructure segment. The company remains committed to faster execution of projects while maintaining a strong focus on healthy cash flow. The carried- forward order book for this business was at Rs. 5,146 cr as of December 31, 2024, as compared to Rs. 4,648 cr as of December 31, 2023, this was a growth of 10.7%.

**2. Commercial Air Conditioning:**

During this quarter, the Commercial Air Conditioning business delivered reasonable growth compared to the same period last year, reflecting strong demand. Significant contributions from manufacturing, educational, retail and auditorium sectors fueled this improved performance.

We further strengthened our market position, maintaining leadership in Ducted systems, while maintaining the number two position in VRF and chiller product categories. The market potential for Commercial Air Conditioning continues to be good. We are also witnessing liquidity issues in certain markets segments and in the process, order finalizations are getting delayed. The profitability of the business may also experience volatility due to the impact of adverse exchange rate and material cost movements. Amidst this mixed scenario, we remain committed to providing innovative and customized solutions by addressing the evolving needs of our customers.

3. **International Business:**

We are focused on positioning ourselves as manufacturer of innovative and reliable products for European and North American markets. We have been successful in developing and getting a few products approved by three OEMs, and the initial shipments have commenced. However, slowdown in European market and uncertainty around U.S. trade policies is likely to have some impact on the potential scaling up of these businesses.

We are committed towards our international strategy, and as the external factors settle down in future, we are optimistic that our global ambitions will bear fruits.

Segment-I margins at 7.6% were in line with the long-term guidance that we have provided for this segment. This segment comprises both projects as well as products, each business having a very different margin profile which influences the quarterly returns.

**Segment-II: Unitary Products:**

Segment-II revenue grew 21.9% to Rs. 1,164.4 cr in Q3 FY25, as compared to Rs. 955.4 cr in Q3 FY24. The Segment result was Rs. 94.8 cr which was 8.1% of revenue in Q3 FY25, as compared to Rs. 67.9 cr, which was 7.1% of revenue in Q3 FY24.

1. **Cooling and Purification Products**

Buoyed by a successful festive season and sustained strong demand, our Room AC business continued on its unprecedented growth trajectory, achieved remarkable growth during this quarter. The strong demand for our products helped us improve our market share for the quarter to 14%. We are proactively addressing the supply chain challenges arising from regulations and non-tariff barriers and are confident that our planned investment in strategic inventory will enable flawless servicing of demand that the forthcoming season will provide.

2. **Commercial Refrigeration:**

The regulatory issues faced in Water Coolers and Deep Freezers in the previous quarters are behind us and now we are focused on preparing for the forthcoming summer season. We are expecting the upcoming quarter to be promising one as market demand is likely to be strong.

The quick commerce and food delivery market segments are driving growth for Modular Cold Rooms. Apart from Deep Freezers, the market for Visi coolers is growing, with many retailers across the country investing in upgrading their stores.

Overall margins in this segment registered a strong 100 bps improvement in the current quarter, which, as you have seen, was 8.1% in the current quarter as compared to 7.1% in the last corresponding quarter. This was fueled by strong revenue growth in Room AC business, which has led to the benefits from economies of scale.

**Segment-III: Professional Electronics and Industrial Systems:**

Segment-III revenue de-grew by 22.1% to Rs. 80.6 cr in Q3 FY25, as compared to Rs. 103.5 cr in Q3 FY24. The Segment result was Rs. 6.2 cr that is 7.7% of revenue in Q3 FY25, as compared to Rs. 15.2 cr which is 14.7% of revenue in Q3 FY24.

In this quarter, while the Industrial Solutioning business continued to show momentum and growth, both the Med-Tech and Data Security business have been muted. The operating cycle in these businesses are yet to revive which is impacting order inflow. The challenges in this segment continues to impact revenue growth and profitability, and we expect to revive in FY26. Therefore, we are focused on controlling cost and managing working capital.

**III. Business Outlook:**

As we closed this quarter on a positive note, we remain optimistic about the growth prospects and favorably look forward to opportunities that the forthcoming quarter will provide. The coming quarters should benefit from three drivers like onset of summer season, potential revival in government spending, and accelerated CAPEX spending by private sector.

However, there are headwinds owing to depreciation of Indian rupee, escalations in commodity prices, and possible supply chain disruptions due to huge demand. We have strong mitigation action in place to tackle these challenges and continue to deliver value to our stakeholders.

With that, ladies and gentlemen, I am done with my Opening Remarks. I would like to pass it back to the moderator who will open the floor to questions. We will try to answer as many questions as we can. To the extent we are unable to, we will get back to you via e-mail.

With that, we are open for questions.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Natasha Jain from Phillip Capital. Please go ahead.

**Natasha Jain:** Thank you for the opportunity and congratulations, sir, on a great set of numbers. I have two questions, both on the UCP side. The first question is, 3rd Quarter is usually an unseasonal quarter, but we have seen good growth on RAC mainly on account of prolonged summers. Now, having said that, do you think the channel is a little cautious in terms of stocking to Q4 because there could be a chance of a prolonged winter? And any which ways you are sitting on very high bases, so how does that look to you?

**B. Thiagarajan:** The first part is, it is not due to prolonged summer, the summer had ended by July. It is demand that has been good during the festival season, commencing from Dussehra, Diwali, New Year, it continued. Now, many people keep asking this question whether it's the financial press or investors, fund managers, analysts, FMCG is not doing well or other consumer durables are not doing well, why Room Air Conditioners alone should be? First of all, I wish this continues so I would not like the demand to slow down. My understanding is as follows, first, this is a category in which the penetration levels are low. Obviously, it will go beyond 8%, it should move towards 30% or something like that over the next few years. So, the CAGR projected by various studies are at 19% over the next five years in order to reach a penetration level that India should have. So, 19% CAGR is the guidance. Also, in one particular year the growth can be 30, and another year it can be 10, it depends on various events, like whether how harsh is the summer, or how the economy is doing, how the disposable income is. Our forward planning or many other government programs, whether it is connected with refrigerant or PLI, supply chain, all are based on this 19% CAGR for Room Air Conditioners.

The second part is connected with prices, which have remained stable, thanks to the competition and localization that is happening. The manufacturing capacity is almost doubling from what it was a couple of years ago, and therefore prices are stable, and one will not like 8%, 8.5% kind of operating margin but the industry is heading towards.

Now the third point is connected with consumer finance options that are available and people's attitude to avail that. There are more and more customers who are ready to go ahead and buy today, and pay over 12 months. 35%, 40% of the sale in a year is through consumer finance. The next reason is, unlike earlier years where I can buy an AC, but power bill who will bear, thanks to the energy labeling program, the power bills are affordable. If someone is using for 6 hours, 7 hours, that too on hot days, it is not unaffordable.

Next is the urban heat effect or even in entire Tier-3, 4, 5 towns how the homes are constructed, hardly there is cross ventilation. Humidity levels are going up and one is used to air-conditioned environment wherever they go, whether it is a restaurant or whether it is metro railway or whether it is car, whether it is office they experience air conditioning, in non-air-conditioned environment they are not. So, people are beginning to buy.

The last reason, this is my pet subject, the disposable income is substantially taken away by smartphones and mobile phones, which are more than two at a home. There used to be a time when people used to keep buying mobile phones once in six months, once in a year. But people are now using smartphones for a longer period, and I understand the smartphone sale growth has moderated, which means the disposable income is being prioritized for buying something what they do not have or what they essentially need to have. So, the air conditioning industry is benefiting. In all categories I have seen, whether it's refrigerators or televisions or washing machines, there is a particular period when it will grow. I think we are in the step of a change in penetration as far as Room Air Conditioning is concerned. That's how the industry is also planning and moving forward, and the demand has held through Q3. Usually, before Q4, the dealers end up stocking. There is no inventory I am seeing. The secondary movements continue to be good, and you may have seen the GFK Report as well. The key question is: how is the summer season going to be? You mentioned about winter and North India people are disappointed that the winter has gone, and they are feeling that it should have lasted for some more time. Usually, we pray that March first week onwards there is summer, and February onwards again stocking takes place.

So, the bottom line is, it is for various reasons this category is doing well and much depends on how severe the summer season will be. But irrespective of what is happening in one season, one quarter, 19% CAGR is a widely accepted figure by multiple agencies. Thank you. I have taken more time because this question need not be repeated later.

**Natasha Jain:** Thank you so much, sir, for that detailed answer, that helps. And my last question is on the EBIT margin side. Now if I look at both your Segment-I and Segment-II margins, you are already at peak as per your own guidance, specifically outperformance in your Segment-I. So, from here on how does the margin growth trajectory look like, given the fact that Commercial Refrigeration is yet to pick up? So, what kind of expansion can we expect? Thank you. And all the best, sir.

**B. Thiagarajan:** I might want to clarify. Commercial Refrigeration, the issues are all over, and we will pick up, there is nothing to worry about. It's again a segment which is expected to grow at 20% CAGR. The margin guideline was 7% to 7.5% in Segment-I, 8% to 8.5% Segment-II. Unless and until something dramatically changes, let us say commodity prices crash, the margin can go up. If there is supply chain disruptions and there is going to be escalation in commodity, it can significantly go down, or Forex. As of now, I think 7% to 7.5%, 8% to 8.5% holds good.

**Natasha Jain:** Got it. Thank you, sir.

**Moderator:** Thank you. We will take the next question from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Hi sir. Thank you for taking my question. Just on the market share part, I know the kind of improvement what we have seen over the past two, three years, and now standing at 14%. How do you think this penetration, especially in the north market in the affordable category which you did, how has been the response of the consumer? If you can talk about that and you think that can further help you inching more or you want to calibrate your moves that this 13%, 14% is good enough and let me focus on the profitability given there are some supply chain disruptions which are coming, I hope that's for the near term. So, just wanted your take, how you think about your market share from here.

**B. Thiagarajan:** I understand. So, it is a category which is growing, and which will continue to grow, therefore the competition will be intense. All the players have set up manufacturing capacity and obviously they will be interested in gaining market share. Unfortunately, only 100% market share is possible. Now, our goal was to achieve a market share of 15% by FY24, which did not happen and FY25 we said that we will achieve a market share of 15%. But as you can see, if we reach 14%, we should be happy. And 15% is what we will attempt. Our sense is that anywhere between 12.5% to 15%, you are a significant player, you will be able to leverage many things and continue to grow.

Now, our immediate goal is 15% market share. Our goal is to keep that operating margin intact of 8.5%. For this itself you have to keep in mind, there are many other costs which other categories may not have. So, the first thing I explained in the earlier question is the consumer finance part of it. 40% of the sale is happening through consumer finance, you have to reckon that. Whatever be the reason, the industry offers warranty of five years, so therefore there is some warranty cost.

There will be cost arising out of e-waste regulation compliance, which is the extended producer responsibility.

Now, the import tariffs will continue to happen, and one cannot help it, because it's completely beyond control what can be imported, what cannot be imported, what you have to consume locally, how to find alternate material. So, there will be cost arising out of that as well.

Now, keeping all that in mind, our goal is to reach a 15% market share within a couple of years, and then keep delivering that 8.5%. That is what is our goal. If we do beyond that, that we will see, but we will be very happy if we are able to reach this. Thank you.

**Nitin Arora:** Thank you, sir. Thank you for a detailed answer. Second, I think Nikhil said in the starting comments, and you also articulated that the scale is coming in which is helping the profitability as well. We understand there are challenges, supply chain challenges ahead of the industry, whether it's respect to compressors and all. But let's say if the season goes well, that's everyone's hope, do you think there are further levers because of the scale where you can improve your profitability going forward?

**B. Thiagarajan:** Multiple things are there; the scale has only begun. As it continues to grow, it stays, isn't it? So, there is a scale advantage, it will be perpetual, it will continue to be there. First part. The second one is connected with the affluent customers moving up the value chain. So, we are very clearly seeing year-after-year heavy duty air conditioner or Wi-Fi enabled air conditioner, these going up. So therefore, you will be able to improve your margins in certain SKUs. The third one is connected with the ability to innovate and continue to enhance reliability, at the same time in the product in terms of input cost, including alternate materials that may be possible like aluminum microchannel in place of copper, for example. I am saying that these are the levers that will continue to be available. If you are able to translate into margin, it may change from 8.5%, to 10%. Perhaps in some quarters it could be better, but it is not our guidance because we are keeping in mind multiple factors, including competition, and keep maintaining growth.

**Nitin Arora:** Got it, sir. Thank you very much and all the best, sir.

**Moderator:** Thank you. I would request all the participants to limit their questions to two per participant. Should you have a follow-up question, please rejoin the queue. We will take the next question from Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:** Yes. Thanks for the opportunity. Sir, two questions. One, there was a case with W J Towell, our partner in Oman, and that was around Rs. 462 cr. So, any update on that and any likely impact, considering almost six months are over post that now? The second question is in terms of Professional Electronics. So, we have seen some significant margin deceleration in this business almost for back-to-back 3rd Quarter in a row now. This used to be the highest profit margin segment for us. So, where do we see the margin outlook for this segment and in general, in revenue recovery also in this segment any color that you can share, maybe on FY26 or H2 FY26, any update on that? Yes, that's it from my side. Thanks.

**Nikhil Sohoni:** I will take the question on WJT. So, that arbitration, as you are aware, is in progress. There is a certain timeline to which the arbitration is working. As per that timeline, we were required to file a statement of defense which we have done. There are certain things on which the submissions have been done. And of course, we are confident, as we had told earlier also, that this company in which we were joint venture partners and which we had kind of exited almost seven years back, we have a very strong case, and the same thing holds today, too. So, I do not think there is any risk on that count. Of course, we will wait for the arbitration to play out. But the necessary timelines are being adhered to, and we are doing the filings as per the timelines.

**Aniruddha Joshi:** Okay. Sir, in terms of timeline means is there any particular end date there?

**Nikhil Sohoni:** As per the timeline, it will go for another around 12 to 15 months.

**Aniruddha Joshi:** Okay. Sure, sir. That's helpful.

**Nikhil Sohoni:** Yes. The on PE&IS, that is the third segment, as we have mentioned, see, earlier the segment used to return the profits when the data security business, etc. were kind of doing quite well. Today, as we have mentioned that there are certain headwinds in both data security as well as Med-Tech, while Industrial Solutions is doing good. So, the margin profile for each segment is different, and accordingly the margins get influenced. So, that is the reason why you see the margins kind of moving in a particular manner. The current drop in the margins is because out of the three segment lines that are there within that segment, two are not doing well and one is doing well. So, as we said, we expect the revival to happen slowly over next year, and by that time probably the segment margins could improve a little.

**Aniruddha Joshi:** Okay. So, sir, in the near term, maybe next two, three quarters we believe the status quo or the similar weakness in the two subsegments may continue and one segment may continue to do well, is that right?

**B. Thiagarajan:** As for the Segment-I is concerned, enough order book is there, momentum should maintain. Segment-II, much depends on the summer season, depending on the summer there are years in which the growth is only 10%, there are years in which more than 50% growth we have seen. Segment-III, in certain segments the CAPEX cycle will have to revive. This can begin with the Union Budget the announcement, how the sentiments change. That's how we will look at it.

**Aniruddha Joshi:** Okay. Sure, Sir. Thank you. Very helpful.

**Moderator:** Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

**Bhoomika Nair:** Yes. Good afternoon, sir. Sir, one, I just wanted to check if I missed out the volume number growth for both 3Q and nine months and second in terms of continuation on the UCPL, the base is very high for last year, both for us as also the industry. So, while the outlook is strong, do you think we can continue to, as an industry, to grow at 15%, 20% plus, particularly in view not so much in terms of demand, but also in terms of the supply chain issues where compressor availability is a bit of a challenge is what our channel checks tell us. So, if you can, just throw some light on this aspect.

**B. Thiagarajan:** First question on the volumes - we do not disclose any volumes, but you do have the data from GFK indicating all that we know. See, first of all, GFK is only one part of our business, we do have very large institutional share being a company which is much focused on that as well. Now, all that we know is that the months of October, November, and December we seem to have performed exceedingly well, much, much better than the industry. So, volumes we do not disclose at all. All that we know is that it is very likely the industry closes above 15 million, and we will close much higher than 1.5 million this year. And that we are aware and more or less this guidance can be given.

Now coming to whether the growth will be, yes, I am saying the growth, if the summer season is good even if 25% growth has to be achieved, we have enough raw materials. Right now, not only Blue Star, all players should have secured their components for the summer season because it's planned much in advance. I want to clarify on the issue of supply chain in general. What is the direction of the Government of India and the DPIT has been, create the component ecosystem, that's why PLI was brought in. Almost all components have been indigenized. For important items, like inner grooved copper tubes also, the factories are coming up. Imports are restricted basically because one will have to create a high-quality component, not because it is cheap, some poor quality comes into the country. Second is that, look, under Make in India, people will have to make it here. Now, if there are restrictions that are there through what is known as the BIS license or the Quality Control Order, it is kept in mind, whether it is available, not available, whether the quality standpoint is reasonable in imports, depending on that, the government keeps extending those licenses. So, there has been no problem, but it is a headache to be watching this. You cannot take for granted it is going to be available. But at the same time, there is no shortage so far, it's not the issue. But the government will keep telling you that, look! how long I should be allowing this, why it is not happening within the country.

Electronics, enough manufacturers are available, which is next important item which imports are being coming in. Now in electronics, unless and until there is a global shortage of microprocessors, which will be an event of a different nature altogether, but otherwise air conditioner-related electronics, there is no supply chain constraint at the moment. For Compressors, the domestic capacities are coming up. It will take some time for it to meet the country's demand as a whole. There are imports and there are enough sources that are available. The question here is whether for the industry, any other technology support, or investment support for the future is the ask from the government-rightly so-and the industry has been working with the government. What kind of other measures we should take so that we are completely self-reliant. This is coming from the fact that we are the fastest growing market for air conditioners, we are expected to be the world's largest market, by 2045 to 2050 we should be the largest in the world. Therefore, the government is insisting create this ecosystem. As far as Blue Star is concerned, our stand has been very clear. For us to make a compressor, we have to reach somewhere around 2.5 million and the investment that you make will have to pay back. The investment that you make should be able to deliver compressors, which are meant for the future. Because the energy labeling norms will keep becoming stringent, compressor design are very important, keeping in mind. If you are investing, that investment should take into account new refrigerants that will have to come in future, keeping in mind the Kigali Paris Agreements. We have to keep in mind that country will continue to consume products that are affordable, therefore the technology should be something that is not very expensive as well. Lastly, Indian consumer would like the product to be highly reliable, so therefore we should be.

Now keeping all these parameters in mind, we don't see that at the moment but at the right time we will take a decision to get into that also. Many of you have been interacting with us for more than a decade, we were afraid if VRF technology came what Blue Star will do and where is this technology going to come from? We are leaders here, in fact in VRF we are number two. And if inverter came what Blue Star will do, we have mastered inverter. So, the focus is actually to grow profitably, and the focus is to also keep ahead of the curve. So, there is no constraint.

But, with the tariff restrictions that are happening across the globe, it is a very unpredictable situation who will stop supplying what to whom, and the whole world is undergoing this tension, especially since January. We will have to go through this, there no other go. Summer season, the material is secured, there is nothing to worry. Thank you. I hope this will clarify for many of the other participants as well.

**Bhoomika Nair:** Yes, sir. Sir, the second question is on our capacity addition where we are doing the second phase of expansion at Sri City. So, one is obviously the CAPEX and the timeline, but secondly also wanted to understand how has the first phase kind of helped us in terms of margin expansion as also go-to-market from meeting the demand in a much timelier manner, production, etc., if you can throw some lights and what we can expect as we ramp up, this will benefit us.

**B. Thiagarajan:** The second part I will answer, first part Nikhil will answer. There has been no go-to-market kind of delay, constraints or anything like that at all. But whether it is energy labelling, our own decision to compete on all price points including affordable, affordable premium, and premium products, or heavy-duty machines, Wi-Fi enabled systems, commercial refrigeration with lower capacities for import substitution, sophisticated cold rooms, or chillers (including centrifugal chillers and certain chillers meant for data center applications), our investments are the largest in the country in R&D and we continue to deliver. There is absolutely no doubt about it.

If at all the question will be, which product line first we introduce and how we go ahead and expand the product line, always that will be the case. So, we may introduce to move to glass-top to a curved glass-top in phases, that may be the thing that we will be doing. But otherwise, it is a well-oiled machine in that respect. It is for this reason we are not promising or committing into some unrelated lines we want to get into. Often the question is, will we get into consumer durables as a whole or all categories? We are not. In air conditioning and refrigeration, we are deepening and deepening, becoming stronger and stronger. So, there has been no problem. As far as CAPEX is concerned, Nikhil will clarify.

**Nikhil Sohoni:** Yes. So, coming to CAPEX, we have told earlier also, our investments are modular in nature so capacity is not a constraint. As and when we see demand coming up, we are ready to invest. So, the capacity at HP plant was already in the region of around 600,000, and at Sri City we were investing, we started with 300,000, we will now reach up to 600,000 and as and when we want, we can scale it up. So, in the current year also the capital investments have happened and this will keep happening as we see the demand. We can go up to around 1.8 million to 2.4 million as the demand scales up.

**Bhoomika Nair:** Sir, CAPEX amount for FY25 and likely in '26, that's it. Thank you.

**Nikhil Sohoni:** The CAPEX amount over a period of around three years will be in the region of around Rs. 750 cr to Rs. 800 cr, and that will be moving towards both manufacturing as well as product development, and certain amount of digitalization. So, all of these three will be end use of this CAPEX.

**Bhoomika Nair:** Thank you, sir, and all the best.

**Moderator:** Thank you. We will take the next question from the line of Naushad Choudhari from Birla Mutual Fund. Please go ahead.

**Naushad Choudhari:** Yes, hi. Thanks for the opportunity and congrats on a decent set of numbers, sir. Again, a clarification on the margin side. So, two things, the AC energy rating changes due in next one year, plus step-up capacity coming in this time in the AC industry, and it is slightly different versus what historically it has been, this time the OEM's bringing the capacity in the market. Along with these two points, what gives us confidence that we should be able to maintain 8.5%? Do you also fear or have some risk on the margin side because of these two things?

**B. Thiagarajan:** No, there is no fear and how fear will help? it will not. It is about what all can happen. First of all, the energy label change is due on 1st of January 2026. The product meant for that is already developed, so there is nothing to worry about it because in the energy labeling sufficient time is given for people to develop. It is always a discussion with the industry by consensus when what table change has to take place. It is an ongoing discussion, going forward it can become even more stringent because the installed population is going up, and it is in the interest of the regulators and the industry. We do want industry to grow. But if there is a power cut in summer, how is it going to help us? It used to be the story when I used to be young. Summer season means there will be a power cut, AC sale will be impacted. We do not want that. So, energy label change will be a continuous program. When we plan our strategy, we keep in mind that we have to continuously invest in technologies which will improve the energy efficiency, at the same time, remain competitive.

Margin management is connected with first to the scale. The market will have to grow, and we have to ensure that the growth is maintained. So, the entire industry will have to also play a role in that.

The second part is connected with your ability to manage the total cost, how you are designing the product, what value engineering has happened, where are the procurement sources, how you are driving down the cost which we have demonstrated over the years. Also, since we are a focused air conditioner and refrigeration player, we believe that we understand the subject, we continue to learn what all can be done.

The third one is that, in the value chain there are other costs, and customer expectation also changes that, a. You should be able to buy through consumer finance; b. The need to delivery on the same day - the quick commerce will force them to think differently about how quickly they will get the product, how quickly it will be installed plays an important role. And the reliability will have to essentially improve so that you reduce, even though it may be a five-year warranty, how the warranty can be kept in check. So, multiple factors result in margin management.

Now the question has been the other way around, the scale is happening, industry is growing, local manufacturing, backward integration is happening, and you had a factory in north earlier, you also have a factory in south, now there should be logistic saving, why this 8.5% should not become 10%. We are saying it is because of the competition because many other things have to be done. We are not guiding today. If it happens 9%, 9.5%, one will see. Thank you.

**Naushad Choudhari:** Sir, two follow-ups on this. You are indicating about the scale, but we have seen at scale we are also not able to enjoy such kind of margin. Can you be a little more specific which specific cost or line item should help you once you scale up? And that should help you in the margin.

**B. Thiagarajan:** No, I am saying that, let us say for example in Room Air Conditioner, full year let us say we are growing over 35%, it is not necessary advertising expenses go up by 35%, or the head count goes up by 35%. So, the scale benefit comes through that. Now, when your scale is high you will drive down the input cost also because you have got the purchasing power. Logistics cost of incoming material comes down because of that scale, so the scale is an important lever, so this scale should obviously improve the margin, but I am saying that we are not telling you this 8.5% will become 10% or something like that, it is basically because there are certain new costs that are coming like e-waste, consumer finance, these are new costs, and there is competition. So, the prices will be under check because of the competition.

**Naushad Choudhari:** And this time, if I am not wrong, especially on the OEM side, capacities would be PLI-linked, so they would be having more incentive in terms of pushing the revenue, they would be having timeline to achieve that, shouldn't that logically create --

**B. Thiagarajan:** This is an old story, right? Because we are also in PLI, all players are in PLI, finished goods player as well as a component manufacturer. The question is that all will have to grow their revenue in order to earn the PLI. The market is growing, so there is no problem. It was known for earning the PLI you have to show incremental sales over FY21 figure, and all will be headed there. It is not a deterrent in my view, it is good.

**Moderator:** Mr. Choudhari, I would request you to rejoin the queue for follow-up questions. Thank you. Ladies and gentlemen, due to time constraints we will be taking only one question per participant now so that everybody gets a chance to ask questions. Thank you.

**Moderator:** The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

**Rahul Gajare:** Yes, hi. Sir, with respect to the UCP business, I want to know, given that the energy efficiency norms are changing from January, what is the price hike that you would have to pay, given that the growth momentum is strong and it is easier to pass the higher prices? And connected with this, I want to know if the 3rd Quarter had any pre-buying because of the change of energy label, were you able to identify that? Thank you.

**B. Thiagarajan:** No, the energy label change is from 1st January 2026, and 1st January, 2025, no change has happened. What can happen potentially is somewhere in festival season it can be pre-launched that the future-ready or like that, that can happen. So, right now there is no energy label change.

**Rahul Gajare:** Okay. Sir, and the PLI, how much was the PLI that was booked in the 3rd Quarter and nine months? And whether this is the reason also that can be attributed to the higher operating profit of the UCP business? That's the question.

**B. Thiagarajan:** So, the question is that, look, we are already in, say, we have indicated earlier that we are eligible for somewhere close to over a four-year period Rs. 78 cr of PLI benefits for eligible investment of somewhere around Rs. 155 cr or something, I do not remember the exact figure, but it is in the order of around between Rs. 75 cr to Rs. 80 cr, and we are on track on that. We will be fully receiving, and these applications are made on a yearly basis, at the year-end we will see. Then what PLI benefits we received for a particular year; we can disclose in the May call. Right now, it is of no relevance whatsoever. But I am committing to you that for our scale and our investments we will fully avail what we are eligible for in Phase-1. You might have read that in Phase-3 of the PLI also we are an applicant. We have to begin the investments on that.

**Rahul Gajare:** Sure, sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

**Shrinidhi Karlekar:** Yes, hi. Thank you for the opportunity. And congratulations on the amazing set of results. Sir, you briefly commented on the outlook for some of the key end markets in your projects business, may I request you to please elaborate that a bit more for some of the end markets?

**B. Thiagarajan:** In the Projects Business you are asking?

**Shrinidhi Karlekar:** Yes, like manufacturing, data center, commercial building, can you please elaborate a bit?

**B. Thiagarajan:** Yes. So, our portfolio there, if you are looking at Segment-I, first clarification, it comprises the Electro-Mechanical projects, it comprises the Commercial Air Conditioning products like packaged air conditioning systems, ducted air condition systems, VRF systems, chillers, data center chillers and process chillers and all and the third thing is the aftermarket revenue. All these are B2B in nature and we are leaders, we are number one in quite a few, we are number two in quite a few. In Electro-Mechanical projects, we do the electrical part of it, we do the air conditioning, we do firefighting, we do plumbing. These projects are executed for office complex, it can be an IT park, an airport, a hotel, a hospital, or a metro railway system. Now, the direction for this business is to focus not on market share, but focus on profitability, and focus on free cash flows. In that, the emerging segments in the past couple of years have been also manufacturing and the data center in addition to what all I told you. So, it is broadly categorized into four verticals, one is the infra projects which are metro railway, or water distribution project, or airports, etc. The second big one is commercial buildings, these are mall, offices, IT, ITES, which are generally done through developers. The third one is manufacturing units or factories. The fourth one is data centers.

Now, what we indicated is that depending on the vertical, your margin profile or the time taken can change. In the infra project it is four years, five years kind of a project generally. It can be even a three-year, but three to five years is a lot. In the case of a commercial building, the entry barriers are low, it is a huge competition, and your margin profile may not be good. And you may be relegated to number three or four level because there may be a builder or a developer who gives it to a general contractor, who is doing everything, and you are just one part of it. Manufacturing is a sweet spot because these are time bound, the owners decide, and data center is another segment where there are stringent quality norms and specialization is required. This is the segmentation. Over the past couple of years, we have been putting our energy behind these manufacturing and data center and the infra projects which are time bound where we have got some unique value to add, therefore our profitability is high and cash flow can be good, depending on the customer profile. That's where we are.

**Moderator:** Thank you. The next question is from the line of Naushad Choudhari from Birla Mutual Fund. Please go ahead.

**Naushad Choudhari:** Yes, hi, Sir, just a follow-up on my previous question. So, as most capacities are PLI-led, people would focus on them, having some target to be eligible for the PLI. If at all the industry doesn't - if cycle goes down or doesn't go in our favor - do you think this time the margin pressure could be worse than what we have experienced in the past, because this would be OEM-led capacities?

**B. Thiagarajan:** Obviously, right. If the demand is not there, whether PLI is there or not, people would have planned, they would have already begun manufacturing, they would have ordered the components. We have seen it once in three years-four years where summer won't be good, there will be a growth issue, there will be an inventory issue. It is part and parcel of the game.

**Naushad Choudhari:** All right, sir. Thank you. And all the best for the future.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Nikhil Sohoni for closing comments. Over to you, sir.

**Nikhil Sohoni:** Yes. So, thank you very much, ladies and gentlemen. With this, we conclude the earnings call. Do feel free to revert to us in case we have not fully answered your questions, and we will provide additional details either by e-mail or in person. Thank you.

**Moderator:** Thank you members of the Management. on behalf of Blue Star Limited. That concludes this conference. We thank you for joining us. And you may now disconnect your lines. Thank you.