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November 12, 2025

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **BSE Scrip Code: 500067**	**National Stock Exchange of India Ltd** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **NSE Symbol: BLUESTARCO**

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations') - Earnings Call Transcript for the Second Quarter and Half Year ended September 30, 2025

In furtherance to our letter dated November 6, 2025, whereby the Company had submitted the link to the audio recording of the Earnings Call held post announcement of Financial Results for the Second Quarter and Half Year ended September 30, 2025 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: 2025.11.12 16:32:59 +05'30'

BLUE STAR LIMITED

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

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"Blue Star Limited
Q2 & H1 FY26 Earnings Conference Call"

November 06, 2025

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

Moderator: Ladies and gentlemen, good morning, and welcome to the Blue Star Limited Q2 & H1 FY26 Earnings Conference Call.

We have with us today from the management Mr. B. Thiagarajan – Managing Director and Mr. Nikhil Sohoni – Group Chief Financial Officer.

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 "*", then "0" on your touch tone telephone. 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.

You might have gone through the Results of Q2 FY26. So, it was a tough quarter. You are aware of the impacted summer season that continued through July. Post that, on August 15th, we had the GST announcement. So, practically from 15th of August till September 22nd, not only the Room Air-Conditioner business and also some part or some segments of Commercial Air-Conditioning business were also impacted. As we are a company having interest in B2B as well as B2C segment, we could deliver modest growth. On the whole, it was a tough quarter. The fundamentals are strong. The growth story for the industry is strong. Even if you look at the CAGR from FY20 or you ignore the COVID years you take from FY22, the industry has grown, and Blue Star has grown in double digits. So, there is no doubt about the long-term prospects of this business. It is just that this particular financial year is tough.

We had mentioned that it is probable that the second half of the financial year should be better than first half, we still believe so. But having said that, whether it will make up for the shortfall in H1FY26, I doubt at this moment. Going by what is happening in the market, considering the inventory levels of Room Air-Conditioners that are in the market, one would think that if we close the year with industry being flat, we being flat, we should be very happy. I do not think we will be able to grow over the previous year , given that it was a huge growth year.

It is also probable that the industry ends up with (-15%) over last year and Blue Star does better than that, because we are dependent on just two windows now. In December, prior to the energy label change for a couple of weeks, and then you have wait for summer season to set in the last few days of February and the month of March. That's all the window that is available as far as Room Air-Conditioner business is concerned.

Commercial Refrigeration business is smaller in terms of market size which is growing , but it cannot make up for the shortfall in Room Air-Conditioner business. Commercial Air-Conditioning continues to do well. While the order inflow was lower due to the reasons I mentioned because GST impact is also affecting certain segments like for example government or educational institutions, so on and so forth. We think that business will revive.

In Electro-Mechanical projects business, other than the infra-projects, all other segments are doing well, whether it is buildings or data center or manufacturing, the matter of concern in the slow execution of infra-projects and speed is not picking up there. So overall, it is a rain-interrupted match. As I keep telling, it is all Duckworth-Lewis method. We do not know how many overs are left or what is the asking rate, so rain keeps interrupting on one side.

The other way to look at it, first half of the movie was not that interesting, post-intermission, one hopes that the movie will be good. But on the whole, one will close the year with a great feeling. I do not think so because the momentum was somewhat disrupted. But I keep repeating that the CAGR you estimate for any period over the past five years, four years, three years, it is more than 15% for the industry. So in this whole thing, we seem to have done well, better than the industry, gaining market share. But fine, internally, I keep telling that everyone failed in that I failed with better marks is not the consolation. But we have done better than the industry.

One more question that will come is inventory in the pipeline. So, while post-summer we thought the inventory will get liquidated during the festival season, but due to this GST interruption, it did not. For the period September 22nd till Diwali day, we witnessed, as far as Blue Star is concerned, more than 35% sale, but post that there is a lull period. Our inventory level, based on the latest estimate, as on date is around 65 days of sale. Ideally it should be only 45 days of sale. I do not know the industry inventory levels, but I know that the industry inventory days are much higher than 65 days. So, which means it is going to be a period where all these inventories have to find way to the market. So the channel as well as manufacturers inventory liquidation will be top priority. From 1st January, the manufacturers have to produce new products or re-label the existing products, depending on the energy efficiency level.

The signal that we want to give is, indeed second half of the movie will be better, there is no doubt about it. We will continue to maintain our fundamental principles, that is grow faster than the market, control the expenses, both operating as well as capex, find ways and means to maintain the margins, or contain the deterioration of the margins and close the year hoping that summer sets in early.

That is where we are. So, I hand it over to Mr. Nikhil Sohoni for his remarks.

Nikhil Sohoni: 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 quarter ended September 2025.

Coming to financial highlights:

In Q2 FY26, the company reported modest growth amidst multiple challenges. The Room Air-Conditioner segment continued to witness demand slowdown after a subdued monsoon-led Q1 FY26 as prolonged rains and lower temperatures impacted secondary sales and delayed channel offtake. Also, the Room AC and Commercial AC demand was deferred due to GST rate reduction announcement on 15th of August, 2025, which subsequently came into effect only on September 22, 2025. In Project business, execution of factories and data center projects remained steady, though the pace of new order inflows was subdued.

Financial highlights for the quarter ended September 30, 2025, on a consolidated basis are summarized as follows:

- Revenue from operations for Q2 FY26 grew 6.4% to Rs. 2,422 cr as compared to Rs. 2,276 cr in Q2 FY25.
- EBITDA excluding other income for Q2 FY26 improved to Rs. 183.4 cr and EBITDA margin of 7.6%, as compared to Rs. 149.3 cr and EBITDA margin of 6.6% in Q2 FY25.
- PBT grew 1.3% to Rs. 133 cr in Q2 FY26 as compared to Rs. 131 cr in Q2 FY25.
- Tax expense for the current quarter was Rs. 33.4 cr as compared to Rs. 35 cr in Q2 FY25.
- Net profit grew 2.8% to Rs. 99 cr in Q2 FY26 as compared to Rs. 96 crores in Q2 FY25.
- Carried-forward order book as of September 30, 2025, grew by 7.9% to Rs. 7,120 cr as compared to Rs. 6,598 crores as of September 30, 2024.
- Carried-forward order book as of March 31, 2025, stood at Rs. 6,263 cr.
- The capital employed as of September 30, 2025, increased to Rs. 3,531 cr as compared to Rs. 2,550 cr as of September 30, 2024.
- Net borrowings of Rs. 417 cr as of September 30, 2025, as compared to net cash positions of Rs. 185 cr as of September 30, 2024.

II. BUSINESS HIGHLIGHTS FOR Q2 FY2026.

Segment-I: Electro-Mechanical Projects and Commercial Air Conditioning Systems.

The Segment revenue grew 16.5% to Rs. 1,664 cr in Q2 FY26 as compared to Rs. 1,428 cr in Q2 FY25. Segment result was Rs. 147 cr which was 8.8% of revenue in the current quarter, as compared to Rs. 119 cr which was 8.3% of revenue in Q2 FY25. Order inflow for the quarter was flat at Rs. 1,922 cr in Q2 FY26; in the previous year it was Rs. 1,900 cr.

Individual business within this segment:

1. Electro-Mechanical Projects:

While the enquiry inflows from buildings, data centers and factories were good, order finalizations during Q2 FY26 were muted. As far as Infrastructure Projects are concerned, the company continues to be selective. Owing to the strong order book and faster project execution billing growth during the quarter was strong.

Carried-forward order book of Electro-Mechanical Projects business was at Rs. 4,840 cr as of September 30, 2025, as compared to Rs. 5,037 cr as of September 30, 2024. It was a negative growth of 3.9%.

2. Commercial Air-Conditioning:

The business grew in line with the market trends. However, billing pace moderated post-GST reforms from mid-August until late-September. The company continues to maintain its market leadership in ducted systems and scroll chillers, and ranks among the top three in VRF and screw/ chillers.

3. **International Business:**

With the approval process and trial marketing having been completed for a few products in the US market, the supply scaled in Q1 FY26 and Q2 FY26. The tariff-related uncertainties persist and the business should accelerate further once the India-US trade deal is concluded. With the successful development of products for both the US and Europe, the company continues to be optimistic about the prospects for international business.

Overall, the Segment-I margin saw an improvement in Q2 FY26, rising to 8.8% of revenue compared to 8.3% of revenue in Q2 FY25. The improvement in margins is a result of the changing mix of business within the segment.

Segment-II: Unitary Products:

The revenue de-grew 9.5% to Rs. 694 crores in Q2 FY26 as compared to Rs. 767 crores in Q2 FY25. The segment result was Rs. 43 cr i.e., 6.2% of revenue in Q2 FY26 as compared to Rs. 54 cr, which was 7% of revenue, in Q2 FY25.

Individual business within this segment:

1. **Cooling and Purification Products business:**

Unfortunately, the Q2 FY26 was also impacted and the only silver lining was the good secondary sales with effects from September 22, 2025. With the energy label change scheduled for implementation on January 1, 2026, it is likely that the Christmas and New Year sales would be good. Preparations are underway for the launch of new products for pre-summer summer season 2026.

2. **Commercial Refrigeration Business:**

The business experienced a modest quarter. With the GST rate reduction on various food products, we expect significant demand growth in H2 FY26. We are expanding our energy efficient and IoT enabled product range to meet evolving customer needs, while deepening penetration in Tier 2 and Tier 3 markets through localized distribution and service support. The Segment margins were lower as compared to previous corresponding quarter. In last year Q2, the margins reported were 7%, whereas in current year the margins are 6.2%.

Segment-III: Professional Electronics and Industrial Systems:

The revenue de-grew 20.1% to Rs. 64 cr in Q2 FY26 as compared to Rs. 81 cr in Q2 FY25. Segment result was Rs. 6 cr, which was 9.6% of revenue in Q2 FY26, as compared to Rs. 5 cr which was 6.4% of revenue in Q2 FY25. The de-growth is primarily due to uncertainties surrounding the current business model of MedTech solutions business pending the finalization of regulatory policy framework.

Industrial Solutions continued its strong growth momentum on the back of manufacturing and testing demand. Data Security solutions continued with steady performance driven by robust demand from BFSI and large enterprises. As the business navigates through challenging times, efforts on expense rationalization helped to improve the margins.

III. BUSINESS OUTLOOK:

We are optimistic about the prospects of Room AC business as the benefits of GST rate rationalization will spur the demand in Q3 FY26. However, unseasonal rains in several parts of the country continue to be a matter of concern. While the order inflow in Electro-Mechanical Projects business continues to slow, we expect demand revival in Commercial Air-Conditioning and Commercial Refrigeration businesses. Several initiatives have been undertaken for reducing both operating cost as well as working capital in order to substantially improve the H2 FY26 performance.

With that, ladies, and gentlemen, I am done with the opening remarks. I would like to now pass it back to the moderator who will open the floor for questions. We will try and answer as many questions as we can. To the extent we are unable to, we will get back to you via email. With that, we are open for questions.

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

Natasha Jain: Thank you for the opportunity. And good morning, gentlemen. First of all, congrats on a resilient set of numbers. My first question is on Segment-I. So Commercial AC, which is a higher margin business, witnessed loss of sales as per your opening commentary. Overall also execution has been slow on account of range, your top line growth was moderated to 16.5% versus 30% run rate before. Now, this segment saw margin expansion and it's also above our broader guidance of 7% to 7.5% range. So can you explain how margin expansion happened? And sequentially also it's been a sharp improvement, so were there any favorable terms with our vendors here? That's my first question.

B. Thiagarajan: So, thank you for asking this question, this will benefit others as well. So, you are right, this segment comprises Electro-Mechanical Projects as well as the Commercial Air-Conditioning and also the Service business, all the three are there. Now, the margin in a particular quarter will depend on which are the segments that have done well, broadly here. So the weightage of Commercial Air-Conditioning or the weightage of Electro-Mechanical Projects, will impact also Second part is connected with what kind of jobs and projects got closed Broadly for your guidance, the margins are good in manufacturing, data center segments. Margins are not that good in Infrastructure Project segments. Again, in Commercial Air-Conditioning Projects, we have ducted or packaged air conditioning which are conventional, we have got chillers, we also have got VRF systems. Again, each one of them have different set of profit margins. So, in the quarter, whether it is 7%, 7.5%, sometime 8%, you should not actually worry at all.

What is the outlook? The potential for this business is just 7% to 7.5%. It can be 7% in some quarter, 7.5% in some quarter. Our guidance for the rest of the year is also the same, 7% to 7.5%. That's how it will be. This segment is not going to dramatically improve the margins in the coming quarters at all, because there are quite a bit of investments that are being made to enhance the reliability of the product.

So therefore, we are putting money into the product and normally one will say that we are re-engineering the product and we are going to be improving the margins by value engineering. That is not the case because the product is becoming very digital with the electronics content being very high as the sophistication is being built, and quite a bit of the products are being or components are being sourced from India and many manufacturers are there for the first time. So the guidance as far as Segment-I is concerned, it is 7% to 7.5%. That's what you should go ahead with.

Natasha Jain: Understood, sir. My second question is on Segment-II. So our top line has de-grown by 10%, and both Commercial Refrigeration and Room AC has declined. Again, your UCP margin has shown resilience and what is surprising is Q-on-Q it has actually improved. And in conjunction, if I check your creditors, you have also made very steep payment to your creditors. So my question here is, did we avail some good cash discount from our creditors which actually protected our UCP margins?

B. Thiagarajan: A number of things. The very first thing is, in Q1FY26 if you look at it, we were all investing for the summer season. And when April it was not happening, second half of April will happen. Then we said May it is going to happen. Weather forecast was also like that. So we did not get into any cost saving measures at all. Plus advertising expenses, it was heavy. Like we were in IPL, that commitment was made, we had to continue with that.

Now, subsequently, when summer has not happened, you do many things. The very first thing is connected with advertising, which is easy to do, in-shop demonstrators, for example. And you go ahead and focus on manufacturing cost reduction. And you will be also seeking discounts wherever it is possible. But the significant part is connected with the cost reduction, that's what had happened.

Now, the going forward, again you should ask this question, what margin we are likely to end the year with, for your benefit, for the rest of the analysts, fund managers who are all joining this call. First of all, the history is as follows that 9% to 9.5% margin outlook was there, then we toned it down to 8.5% to 9%. When the summer failed, we said that still 8% is possible. And as I see it now, as I keep in mind what is likely to happen in the coming months with the huge inventory in the marketplace, I think we should be very happy if we end the year anywhere between 7% to 7.5%. We will work towards 7.5%, it can well be 7%. It all depends now on that February second half, March and the inventory have to move out before the energy label change. That's the outlook for that.

Natasha Jain: Got it. Sir, one last question if I may ask. You lowered your guidance from positive 5% earlier to now flattish. You would also recently address the media sometime around the festive period saying that our sales have been good and we maintain our guidance. So, just wanted to understand what really changed in the interim that there's a cut in our guidance in just a couple of days. That's it. Thank you.

B. Thiagarajan: It is good that you asked that question. So the question was that, I repeat what I had been maintaining, that whenever summer fails, I said the second half does well, festival season as well the subsequent summer season build up in Q4. Therefore, there is always a possibility that you can make up and grow even by 10%, that's sort of the beginning statement. When the GST cut came in, fine. We have to wait and watch how fast this GST implementation will happen and post that, we will see. And 10% growth, we had said earlier, 15% potential was there. That was the thinking.

The secondary sale movement between September 22nd and October 18th, 19th was 35% in our case, actual sale to the consumers from the channel. Post that, it is dull, the movement is not taking place. And the window that will happen will be only before the energy label change. And the rain continues all across the country. So the festival season has not gone well despite the GST reduction, it has not helped to reduce the inventory.

But what I could make out is that all the players are carrying inventory. In our case, I told you, we would have preferred it to be 30 to 45 days. Last year, it was 34 days as of now. But unfortunately, 65 days of inventory is there if you add up what is in the channel and what is with us. So this will lead to the sale happening to the channel and the channel carrying the inventory even till February. So, therefore, even though I may be erring on a wrong side, it is probable that February-March is so very great like last year, everybody is stocking up because there will be shortage of material in summer. I do not think that will be the situation. So therefore, one should be happy if we match last year's number. Even with that, the CAGR, if you look at it, will be some 18% for the industry, and slightly better for Blue Star.

I am also cautioning that it is now dependent on that six weeks in Q4. So it can well be a growth which is minus 15%, it could be. So the range could be minus 15% to 0. But as of now, I am still hoping that one can attempt to deliver flat growth, if there is going to be a good summer outlook. That's the change. The festival season has not gone as one would have expected.

And I also would think that, there is a comparison that is being made with auto sector. And obviously, that industry was not growing. And in this case, you are comparing with a huge previous year. And in terms of hierarchy, people may be putting that money in their hands into auto ahead of air conditioners, they will wait for the summer season, it is probable.

I do not see any problem in the long term growth outlook at all. It is just that this is a rain affected year. Thank you.

Natasha Jain: Thank you, sir.

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

Bhoomika Nair: Thank you, sir. The question is on the Commercial Refrigeration part of it. Last year, we have seen some challenges out there and there was a muted growth or even a decline in that segment. Could you kind of speak about how the growth has panned out in YTD on that segment, just to understand either qualitatively or with some numbers, whichever manner that you can speak about?

Secondly, in terms of the RAC segment, it is said that there is a lot of inventories, etc. As we get into the year end, before the BE rating changes, do you think there could be some pressure on margins as the industry tries to liquidate the inventory prior to the BE rating change by December? Could that be a bit of a challenge?

Lastly, if I may also squeeze in, our working capital has seen quite a bit of an increase on our net cash levels going to net debt level. As this inventory is wound down by the year end, do we see us coming back to the net cash level?

B. Thiagarajan: On the cash part, Nikhil will explain. The cash is not connected with working capital alone, there is a capex that has to be incurred for long term. So, the first perspective is, when we talk about growth, we have to keep in mind we are talking about growth over an unprecedented year, that is what is probably giving a wrong picture. I again repeat that you calculate the CAGR, the industry has been growing, Blue Star has been growing even in Room Air-Conditioner.

So, first I will answer the Room Air-Conditioner margin. If the inventory levels are higher in the market and demand will be there basically because the energy label change is there, and once the energy label change is implemented, the prices will be higher for the new energy label products, so the demand will be there. So, it is a question of the demand versus what is available and one's aspiration for the market share. All players would like to reduce their inventory levels and there will be pressure on the margins.

As far as Blue Star is concerned, we want to grow faster than the market. We have been disciplined about the margins and we have the track record of maintaining the price discipline. So, we will attempt to hold on to this margin level. But at the same time, we have indicated to you, we would like to close the year between 7% to 7.5%. So, the sum n substance, there will be pressure on margins, but we have to deliver this. We will stay disciplined and find ways and means to achieve that profit level. But if the inventory levels are so very high, one should anticipate pressure on the margins. So, this is the second part of the question.

The very first question you asked is Commercial Refrigeration. Last year, yes, there were regulatory changes in terms of Bureau of Indian Standards in water coolers and as well as deep freezer that had happened prior to March itself, but it impacted in the rest of the period. Those are all over. But the growth again, these two products are also impacted due to monsoon or rain, intermittent rains. But still it has grown, it has grown in the order of around 7% to 8%. But the market size being smaller, it cannot make up for the shortfall in the Room Air-Conditioners.

Outlook for that product, it will still grow, that's what we feel. And given that that industry has gained significantly in the GST, the food products or food retail, our customers are all investing in huge expansion. So, that should translate into business. And one can say that it will be somewhere around 7.5% to 8% growth at least should be possible for this business in this financial year as a whole.

Nikhil Sohoni: So, coming to cash flow, as Mr. Thiagarajan also remarked, it's not just working capital, it is also capex that one has to look at in totality. And in this case, particularly, you will have to see over a period of time. You are right in saying that it was a net cash position last year and before that, and now we have moved to a net borrowing position. It has to be seen in light of the last two years. If you see in 2023, we had a QIP, so there was a cash position which was available in 2023 and 2024 and 2025 was an exceptional year in terms of sales, so you had very good cash accruals at the same time, you had working capital levels which were at a minimum. So, all of that aids in cash generation. And you are seeing and comparing it with a year in which there is an inventory buildup, as we all know. So the working capital levels have gone up. At the same time, you have to continue with your capex. So, given that, I think this kind of borrowing position that we are having is given.

Looking at the projections, by year end whether we will be back to the net cash position, I think a lot hinges, as Mr. Thiagarajan again said, on the last six weeks, on how February and March turns out to be, and how in December the inventory levels can be brought down. If the year goes well and estimated kind of volumes do come back, there is no reason why we should at least not be, borrowing levels should not come down. But at the same time, if the last six weeks and December inventory levels do not come down, then we could see the continuing borrowing in the company's balance sheet. That's how it will be.

Bhoomika Nair: Sure. Thank you all the best.

Moderator: Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Hi. Thank you for the opportunity. Sir, just wanted to check on your Commercial AC, particularly for data centers, data center chillers. So, from what we understand, you had some start in the air-cooled data centers, and you are developing something on liquid side. Possible to share any update and any outlook on that particular business? That's the first question.

B. Thiagarajan: First of all, in data centers, MEP part of it, we are leading. So, that does not involve any equipment manufactured by us. We continue to be a preferred vendor in that segment. Second part is connected with which are the equipment that we can deliver. So, we do have some chillers, and some chillers are being developed. On the liquid cooling part of it, we are exploring some partnerships, and we are continuing to explore. I do not think that these products will be launched before the end of this financial year at all. These are high-tech products, and one will have to look at the proper field trials and commercializing that product category. So, it is not going to be making any kind of significant contribution in this financial year.

Umang Mehta: Got it, sir. And the second question was on your slight caution in terms of order inflows in MEP. Anything particular that is kind of dragging the inflow? Because overall, we are seeing quite a lot of tailwinds, right, on data centers and even private sector capex.

B. Thiagarajan: No, it is not a slight caution, it is a serious caution. In the sense, look, for me, the enquiry inflow will indicate order finalization trend. Now, enquiry inflows are lower, and order finalizations are taking time in quite a few segments. And then, existing infra-projects, are taking much more time than what one would have estimated. Therefore, we will be cautious. You know our principle there, we are not chasing market share there. We are interested in good margins or reasonable margins and good cash flow.

The issue will be this, right, that the hypothesis could be you have a bad summer, therefore, Room Air-Conditioner business or Commercial Refrigeration business is impacted. That should not lead to suddenly changing our approach to Projects business. Our enterprise risk mechanism is very clear that we will be cautious. That is the truth. Just because there is a problem in Room Air-Conditioner business, it is not that we will go ahead and book any order and try to keep the revenue up. That is not the principle or the philosophy of Blue Star.

Umang Mehta: Got it, sir. Makes sense. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sandeep Tulsiyan from Sundaram Alternates. Please go ahead.

Sandeep Tulsiyan: Good afternoon, sir. First question is pertaining to we doing better than industry, definitely points to some market share gains that we had in the quarter. If you could speak more on the regional color, how your strategy of gaining market share north is panning out. Market share gains in first half of this year were more pronounced in north, south or any other specific regions?

B. Thiagarajan: The first caution is that the results of many companies are not announced. I will not say that we are doing better than the industry. But I know in terms of the volumes, based on our estimates, I think in Q2 the industry would have shrunk by around 17%. And our estimate is in Room Air-Conditioner, we have shrunk only by 12%. In H1, our estimate is the industry would have shrunk by 15% and we have shrunk only by 10%. To that extent, we may have done better. Again, it is all our estimates. So that disclaimer I want to place on record.

The second part is that we have indeed analyzed the growth or the extent of de-growth is same across all regions, because it is not making a significant difference at all. The northern region has been doing better than the previous year because of our own penetration had been lower there. But you cannot figure out a single market which is doing extremely well, definitely not, all are impacted in some manner.

Sandeep Tulsiyan: The second question is regarding this average selling price increase due to BE norms. When you guide for let's say 5% growth this year, you are guiding more in terms of volumes, is it? Or you are building in this price increase and the volumes will be down by let's say 5% to 10% and with ASP you might be 5% higher for the year?

B. Thiagarajan: No, I am not. In my case, the volume, or the revenue, I am keeping the same, whatever change has taken place. If you are asking, suppose the energy label change, but what I am comparing with, I am comparing with the previous year, correct? And there would not be any significant difference. So one can say that for the period January to March, because the energy label change has taken place, volume to price or the average price realization may be higher compared with the Q4 to Q4, one can argue. Indeed, it will be so. But right now, I am not getting into that at all. I am keeping the average price realization of last year and this year same. On that basis, I am saying the growth. For this guidance, I am not changing anything.

Sandeep Tulsiyan: Okay, it will be better in case whatever that price increase comes in. Last question is, sir, on the payables, I think there was a very sharp increase of Rs. 1,000 cr. I mean, we paid much faster in the balance sheet. Just checking on that, any specific reasons why it's showing a Rs. 956 cr increase?

B. Thiagarajan: Honestly, I keep having this particular quarrel with the finance professionals. It is all on that particular last day. And how it will make a difference, I do not know, that too in the middle of the year. So the question is that somebody can pay on 30th of September or 7th of October. So, according to me, that is not the measure. That's what I feel. Nikhil can explain.

Nikhil Sohoni: Yeah, I think you have covered it. See, basically, you are looking at over March, one has to see over a longer period of time. I do not think at the month end, it's the right reflection, because whatever gets built up in March gets paid out in April. And that's how one has to see. So, if you just look at March to September, it is more or less going to be the story every time.

Sandeep Tulsiyan: Understood. Thank you so much.

Nikhil Sohoni: And one has to realize that it is a seasonal nature. So in March, technically, you will have more buildup also happening, so that's the other reason.

Sandeep Tulsiyan: No, but I am looking year-on-year. Last year, there was, let's say, Rs. 350 cr; Rs. 1,000 cr suddenly seems very high. So that's the reason I thought I would check.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi, good afternoon, sir. My first question is on the inventory levels that you spoke about. Just wanted this clarification, the 60 to 65 days of inventory is the combined inventory that brand and channel is carrying, is that so?

B. Thiagarajan: That's right.

Aditya Bhartia: Understood. And within this, according to you, inventory is higher at both the levels, even channel is already carrying much higher inventory and to that extent, there may be some difficulty in selling inventory before December, before the new energy efficiency norms come in. Is that the reason why you are anticipating some bit of pricing pressure?

B. Thiagarajan: Two things you have to keep in mind. First of all, you cannot stop a factory, correct? One. Second fact is that, always for summer season you start manufacturing and building the inventory, from December onwards you end up building the inventory. Now you have got inventory with the dealer, so you are regulating the production in such a manner that whatever you have produced, you will be able to sell, the dealers will be able to sell.

Now, the question is what dealers buy, they should liquidate it before summer. You have to pass a judgment that what will be the summer season demand and you cannot wait for commencing the production in February or January for the February and March. And the new label products production also will have to commence. So it is a complex situation at the moment.

Now, fact of the matter is that the festival season have not gone on well. And GST interruption, post that that was good. Now you have got rains and disruptions and it has to pick up at some point of time about around the 15th of December, that is why the caution is. And I suppose all manufacturers are intelligent, they are not going to be blindly producing, correct. All of them will regulate. It has happened in the past as well, that is what you do. But the only thing here is a cut off. If you want to sell this product beyond 31st of December, you have to re-label that as per the new energy label norms.

Aditya Bhartia: So in that case, isn't it so happening that the new manufacturing we start doing as per the new efficiency norms, because if we curtail production by beyond a certain level, then unabsorbed overheads may also start hitting us?

B. Thiagarajan: All that in life it carries on there. The manufacturing planning is different. There are platforms, there are common components and how it has to be done. We know how to do it. Exactly what numbers will be produced between now and 31st of December, that has to be closely monitored and done.

Aditya Bhartia: Understood sir. And just the last bit on Segment-III, which has been kind of struggling for some time, how should we think about this segment from a slightly longer term perspective?

B. Thiagarajan: I do not think it carries a significant weightage to Blue Star's performance. It's a business we have been in for a long period of time. There are a set of customers who are looking forward to Blue Star contributing in that particular segment. And it's not consuming any capital. And there are principals who have a very long relationship. So Industrial Systems business, it will continue to grow. Directly there is a correlation with the manufacturing investments on the GDP growth. So one can say that at a CAGR of 10% to 12%, it will grow.

The MedTech business, which is connected with diagnostic machines like MRI, CT scanner, right at the moment there are regulatory uncertainties. They are yet to announce the regulations pertaining to the refurbished medical diagnostic equipment. That policy is in the making. Now, we are not sure at all that how this policy will pan out. There is one make in India requirement, refurbished machines that obviously will have to be regulated. In what form it will be regulated, we do not know. So to that extent, there is uncertainty out there.

So the outlook is that till such time that policy is announced, which could be Q4 of this year, it is going to be muted. Industrial systems with the growth in manufacturing, all these products are consumed by even many laboratories, educational institutions that continue to do well.

Aditya Bhartia: Understood, sir. That is very helpful. Thank you.

B. Thiagarajan: Thank you.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Company Limited. Please go ahead.

Keyur Pandya: Thank you. Just one question that is on Electro-Mechanical segments, so Segment-I. Considering the slowdown in order intakes and order book, how should we think of growth for, say, the next three or four quarters? And any qualitative color on anything is changing or anything is decelerating as far as growth is concerned? And in that backdrop, how should we think of profitability as well? Not for this year, but say probably next four or five quarters. Thank you.

B. Thiagarajan: For the Segment-I you are asking?

Keyur Pandya: Yes, Segment-I.

B. Thiagarajan: Segment-I here are two parts, one is the Commercial Air-Conditioning. I would say that that segment has huge potential to grow again, because it's a very large segment where you have shops, showrooms, boutiques, manufacturing, small hospitals, small healthcare, and Tier 3, 4, 5, many such establishments getting air conditioned. My guidance will be, it will be having a CAGR of 12% over the next five years. So that is the industry and we should do better than the industry, that is the attempt there.

As far as Projects business is concerned, there will be plenty of opportunities to grow as infrastructure is growing and as manufacturing is growing, as data center investments and data center growth also will begin, because we are now having a huge amount of enquiries. Growing by 10% to 15% is very easy, but the question is that good cash flows, good margin, if that is the case, I would say that 10% growth is the guidance.

Keyur Pandya: There is no deceleration. I mean, looking at the order book and order inflow, should we assume a couple of quarters or three, four quarters, the growth rate may be lower?

B. Thiagarajan: No, it is not. I do not see a deceleration. Definitely not. Right now, the order inflow was muted, but it should come back. That's not a problem. There is a reason, that business capex is cyclical in nature. So I will not look at a deceleration at all.

Keyur Pandya: Understood. Note that, sir. Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Capital. Please go ahead.

Manoj Gori: Yeah. Thanks for the opportunity, sir. Overall, when I look at the commentary throughout the call, somewhere definitely there has been caution. I just want to understand whether this is the near-term caution that we are seeing, because you also talked about the demand momentum getting disrupted. Or probably you believe that actually your outlook for FY27 also probably has been impacted, and probably now your view has changed a bit. If you can throw broad color on the overall, because if you look at today on the commentary, we have sounded more cautious on Commercial ACs as well as on Room Air-Conditioners. So just want to have a broad understanding about how we look at the things from near-term, that is, H2, and from FY27 point of view.

B. Thiagarajan: Yeah. So the Commercial Air-Conditioning, there is no caution at all, 12% to 15% kind of growth has been the story there. It is not suddenly going to become 25%, 30% and all that. Never that industry has grown like that at all. And there is no caution there whatsoever. It is just that there were disruptions this year, and it is not summer dependent again. So there is absolutely no caution whatsoever in Commercial Air-Conditioning.

Projects business, we have been always cautious. Ever since 2011, we are very clear that we not chase market share. It has to be based on the free cash flows and margins. That's how it is. And that business is fully dependent on the order book that you have, order inflow that you are seeing. Now, order book you have seen, there is not a significant expansion in the carried forward order book. And the order inflow is dependent on also the enquiry inflow. Going by that, we are telling you we are cautious. Added to that, we do have, let's say, we have explained this earlier. There are infra projects which are electrification, railways, metro railway, airports, water like that. The data center and factories is another segment. There are buildings as another segment, buildings will include even hospitals, hotels. Now within these three buckets, it's a de-risking factor, what kind of orders I should have. And in that particular part, while the buildings or factories, data center, they are all getting executed as per the timeframe, infra projects are taking time. Therefore, I am not able to release some headroom for taking another order. That's about all. So therefore, we are cautious. I am summarizing.

Room Air-Conditioner is the largest part of the business. It is a summer impacted year and the rain keeps interrupting, there was a GST disruption. And even if you account for it, CAGR is 18%. And CAGR outlook for that business is 19%, there will be a year in which it will grow by 25%, another year it will be minus 5%, it does not matter. And the outlook is positive. And we have gained market share. We will move towards 15% market share. And by FY27, we should get to 15% market share. That is a goal there.

The Commercial Air-Conditioning, by nature, it will be only 12% CAGR growth. And there, we will grow ahead of the market. So there is absolutely no problem. Electro-Mechanical projects, we will maintain it only at around 10%. The cash flow and the profits are important. So the caution is, you may be getting that feeling because I am changing the outlook. I said Room Air-Conditioner, for example, can make up for the summer and still grow 10%, that has been the history so far, that is looking very unlikely. And if February-March does well, one can look at matching last year's market size and quite probably, it may be even lower at this juncture. That's all I can say.

Manoj Gori: So sir, in this case on Room Air-Conditioners, so keeping aside FY26, obviously this is a year with a lot of uncertainty. But if I look at a two-year CAGR, let's say from FY25 to FY27, when we have been talking about 15% CAGR growth. This indicates in FY27 we should grow by close to around 30%, 35% for that 15%, 17% CAGR growth?

B. Thiagarajan: CAGR, you cannot be doing two-year excluding one-year. That's not the way to do it. According to me, if you look at the FY20 to FY26, it is 16%. FY21 to FY26, it will be 24%. FY22 to FY26, 21%. FY23 to FY26, it will be 15%. By many estimates, FY25 to FY30, it will be 19%. So, do not worry about it.

Manoj Gori: Okay, sir. Thank you, sir. And wish you all the best.

B. Thiagarajan: Thank you.

Moderator: Thank you. The next question is from the line of Nirransh Jain from BNP Paribas. Please go ahead.

Nirransh Jain: Hi, sir. Thank you for the opportunity and I apologize if this question is already covered. Firstly, I want to better understand how we are expecting the secondary demand to pick up during the weak winter season on the account of energy rating change. Given that the demand is already weak and post festive despite at least a 7%, 10% cut in the retail prices. So do we mean a pickup in the primary sales by brands as they liquidate their old inventory or the higher discounts to drive the secondary demand during this Christmas and New Year period?

B. Thiagarajan: So first part, the growth we are talking about is over the previous year. Previous year also winter, this year also winter. Previous year there was no energy label change and now there is energy label change. What is the significance of energy label change? So you are buying a 5-Star air conditioner. The 5-Star air conditioner which is before 31st December, and post 31st December there may be a 7% to 10% price increase. Of course, the new 5-Star will be higher energy efficient, but the consumer will think that I am buying a 5-Star air conditioner, which is a 5-Star air conditioner of 2025. So therefore, it comes as one added thing.

Second is that the GST has brought down the price and there was lull post Diwali. So what has gone wrong? Nothing has gone wrong, right? The penetration levels are lower and people want to buy air conditioner. Because last year was a huge year, we are feeling the pain. Otherwise, I do not think there is something fundamentally has changed or some other product has replaced this product. So therefore, in Q3 weather compared with the previous year, 10% growth should be looked at. By all means, you should look at it and it can happen. The caution is only, there is already enough inventory there in the field, that has to get liquidated and the dealers' working capital level should permit them to stock other products for me to post revenue. That's where we are.

Nirransh Jain: Sure, sir. Very helpful. Secondly, I just want a clarification that when we say 65 days of sales approximately at the channel and branch, so is it possible to quantify this in terms of approximate volumes? I am asking this because when I say two months of sales, whether it is the two months during summer season or the average monthly sales for the entire year, so how do we look at it?

B. Thiagarajan: No, no. When I say this, it is estimating the sale during this winter season only. It is not summer. In summer, this will mean that 15 days of summer inventory. We do not do that at all. When I say as on date and looking at the winter season sales and how much more is there. And I said that normally one would have been happy with 45, it is at 65.

Nirransh Jain: Sure, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Bhagyashree from Kotak Securities. Please go ahead.

Bhagyashree A: Good afternoon, sir. Thank you for the opportunity. So, I assume the Unitary Product segment includes the cassette ACs and the tower ACs which are used in projects. So, just one confirmation whether this is a part of the UCP business? And can you help us with the growth numbers particularly for Room ACs for Q2 FY26? And what is the year-end outlook for the same? Thank you.

B. Thiagarajan: So, cassette ACs will be used by many parts, even the Commercial Air-Conditioning will use it. So the factories produce and in a Commercial Air-Conditioning product even a Room Air-Conditioner may be there, so that's fine. So, you cannot say cassette air conditioner is reported only under Commercial Air-Conditioning. It is reported, if it is part of that application, it will be. If it is part of Room Air-Conditioner, it will be. So, that is the first part of it.

Now, I have stated this a number of times that Unitary Cooling products comprises Room Air-Conditioners as well as Commercial Refrigeration products, and it is difficult for us (to provide bifurcation), it will become a selective disclosure. But if I am to look at the industry volumes based on my estimate, I think the industry volumes, more or less the revenue, de-grew by 17% and Blue Star volumes would have de-grown by 12% in Q2.

Bhagyashree A: Alright. Thank you so much.

Moderator: Thank you. The next question is from the line of Sucrit Patil from Eyesight Finetrade Pvt. Ltd. Please go ahead.

Sucrit D Patil: Good afternoon to the team. I have a forward-looking question on Blue Star's long-term direction. As more players are entering or may enter the cooling and refrigeration space, what is Blue Star doing to build a strong edge, not just through product range or distribution, but something deeper like a way of working or thinking that grows over time and makes the company stand out amongst the peers? Thank you.

B. Thiagarajan: This question will be applicable for all companies, all products. So the very first thing is that whether you are in a growth segment and whether you have got leadership there. And we have been a long-term player there and we have a good reputation for being there. If it is so, when the industry is growing, I should be growing if I keep doing the good things. That is the first part of it in general.

The second part of it is that how you continue to grow or expand your market share. So you said that other than the product range, but product is very important. Products are innovative, products are reliable, products are available at all price points and it is able to compete and overall competitiveness, therefore, that you have to continue to invest and build, because in a fast-growing segment there will be many competitors. All of them reputed, all of them trying to grow their own market share.

The third part is that the intangibles, how you will excel. The important part is the customer experience, whether it is in delivering a product, in installing a product and in the lifetime, how you look after the consumer. Next is that how you improve your operating efficiency through digitalization and, therefore, you are able to improve your profitability. Lot of things together have to be orchestrated in order to maintain your leadership position and grow. And this will be the same for all leaders in all categories. You have to stay ahead of the curve in anything. That if innovation is going to take place, whether you are ahead of that. Whether energy label change is going to take place, are you ahead of the curve. Whether refrigerant change is happening, whether you are ahead of it. When there is a digitalization, whether you are ahead of it. AI, whether you are ahead of it. So that's how you play.

Sucrit D Patil: Okay. My last final question, again a forward-looking one on margins and cost planning. As GST changes and weather disruptions keep on affecting the demand, how are you planning to protect the margins? And are there any smart internal methods that you are going to be putting into place that helps you keep the delivery quality high without putting any pressure on the profits? Thank you.

B. Thiagarajan: So, broadly how you will weather-proof your business, because the weather can spoil the game so there is no doubt about it. And each time this happens, you will try to become smarter. I am not claiming we have become smarter. The question is, whether there are other portfolios which will protect you, which means the equal attention to B2B products as well as B2C products.

The second is, within Room Air-Conditioner there is a significant amount of consumers who are B2B. How you will enhance your share from those customers. The next part is connected with how you will have the inventory production management in such a manner you are able to manage the disruptions without being saddled with the huge inventory. That is beginning to happen, because earlier the industry was dependent on importa, Blue Star was dependent on imports, in which case the material would have arrived. Because we are now manufacturing in a big way, we can at least curtail the production. Component ecosystem is evolving so you are able to curtail and manage the component ecosystem.

Second, whether you have mastered that, I would not say so. Because it is that three month window is very significant. Any business that is seasonal, there will be some pain if the season is not happening. But we continue to work on various initiatives. Like for example, you might have ended up advertising in IPL anticipating that there is going to be a summer season, in summer sales you will be. But next time I will be very clear and I may not go ahead and incur the expenditure in advance and suffer. I will have to change my marketing expenses mix substantially in order to weather-proof ourselves..

Sucrit D Patil: Thank you for the guidance. And I wish the entire team best of luck for Q3.

B. Thiagarajan: Thank you.

Moderator: Thank you. Thank you very much. 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: 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 any of your questions were not fully answered. And we will be happy to provide you additional details by email or in person. Thank you.

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