

# Blue Star Ltd.



# Blue Star Ltd.

**A Soft Quarter**

|                       |                          |                                  |                                      |                              |   |
|-----------------------|--------------------------|----------------------------------|--------------------------------------|------------------------------|---|
| CMP<br><b>INR 670</b> | Target<br><b>INR 775</b> | Potential Upside<br><b>15.6%</b> | Market Cap (INR Mn)<br><b>65,358</b> | Recommendation<br><b>Buy</b> | Sector<br><b>Consumer Discretionary</b> |
|-----------------------|--------------------------|----------------------------------|--------------------------------------|------------------------------|---|

## Result highlights

Blue Star Ltd. reported Q4FY18 revenue of INR 14.7 Bn (+7.8% YoY) which was below our estimates. As against our estimates the performance of the Unitary Products segment was unsatisfactory on YoY basis with a mid-single digit growth. Electro-Mechanical Projects & Packaged AC segment grew by 6.7% YoY, while Unitary Products and Professional Electronics and Industrial segments grew by 7% and 2.7% respectively. For FY18, the revenue stood at INR 47.4 Bn (+8.1% YoY). EBITDA for Q4FY18 was INR 902.1 Mn (+25.6% YoY), with margins of 6.1% (+87 bps YoY). EBITDA for FY18 stood at INR 2.7 Bn (+24.2% YoY), with margins of 5.8% (76 bps YoY). Better execution of Electro-Mechanical Projects order book coupled with better realization resulted in expansion of margins. PAT for Q4FY18 was at INR 512.3 Mn (+37.8% YoY), with margins of 3.5% (+76 bps YoY). PAT during FY18 was INR 1.5 Bn (21.3% YoY), with NPM of 3.1% (+34 bps YoY). The lower interest cost and exceptional item have helped NPM expand.

## MARKET DATA

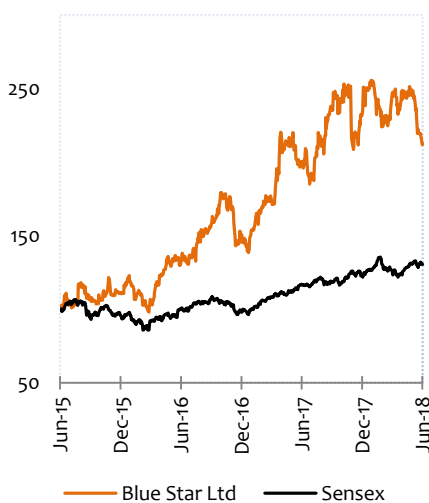
|                    |          |
|--------------------|----------|
| Shares outs (Mn)   | 96       |
| EquityCap (INR Mn) | 192      |
| Mkt Cap (INR Mn)   | 65358    |
| 52 Wk H/L (INR)    | 845/587  |
| Volume Avg (3m K)  | 116      |
| Face Value (INR)   | 2        |
| Bloomberg Code     | BLSTR IN |

## KEY FINANCIALS

| Particulars | FY15     | FY16     | FY17     | FY18     | FY19E    | FY20E    |
|-------------|----------|----------|----------|----------|----------|----------|
| Net Sales   | 31,819.4 | 37,979.6 | 43,852.4 | 47,408.1 | 51,375.8 | 56,322.9 |
| EBITDA      | 1,672.8  | 2,149.3  | 2,224.1  | 2,763.3  | 3,288.1  | 3,773.6  |
| PAT         | 541.8    | 1,047.8  | 1,230.5  | 1,492.5  | 1,961.2  | 2,277.4  |
| EPS         | 6.0      | 11.7     | 12.9     | 15.6     | 20.5     | 23.8     |
| OPM         | 5.3%     | 5.7%     | 5.1%     | 5.8%     | 6.4%     | 6.7%     |
| NPM         | 1.7%     | 2.8%     | 2.8%     | 3.1%     | 3.8%     | 4.0%     |
| PE (x)      | 51.1     | 32.9     | 53.8     | 48.3     | 32.6     | 28.1     |

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



**Sales below expectation:** In Q4FY18 Blue Star Ltd. reported net sales of INR 14.7 Bn (+7.8% YoY) mainly due to the recovery in demand of cooling products and improvement in order execution of Electro-Mechanical Projects / Professional Electronics. However, unseasonal rain and thunderstorm in the northern parts of India has hampered the top line growth. During the quarter the Unitary Products grew by 7.4% YoY, while its Electro-Mechanical and Professional Electronic segment grew by 6.7% and 2.7% YoY respectively. During Q4FY18, the unitary product segment's contribution to the overall sales was 46.9% (+22.2 bps YoY) due to increase in demand and better net realization; the contribution of Electro-Mechanical Projects & Packaged AC to overall sales was 49.1% (-6.3 bps YoY). During FY18, Blue Star reported its revenue of INR 47.4 Bn which grew by 8.1% YoY.

**Improved margins due to better realization:** In Q4FY18 Blue Star reported EBITDA of INR 902.1 Mn (+25.6% YoY), with OPM at 6.1% (+87 bps YoY); the margins improved mainly due to better realization and operational efficiency. In Q4FY18, the segment EBIT for Electro-Mechanical & Packaged AC was INR 404.3 Mn (+23.2% YoY) mainly due to increase in government's spending in infrastructure and better execution of projects; the segment EBIT for Unitary Products was INR 685.8 Mn (+0.5% YoY). PAT for Q4FY18 was at INR 512.3 Mn (+37.8% YoY), with NPM of 3.5% (+76 bps YoY). During FY18, EBITDA was INR 2.7 Bn (+24.2% YoY), OPM at 5.8% (+76 bps YoY). PAT during FY18 was INR 1.5 Bn (21.3% YoY), with NPM at 3.1% (+34 bps YoY).

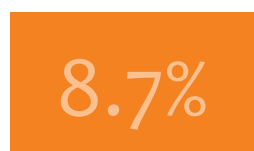
**Valuations & Views:** Blue Star's Unitary product segment has always outperformed the market growth, helping to grow both top line and bottom line. During this quarter the company has witnessed slow growth in the Electro Mechanical Projects and packaged Air - Conditioning segment due to GST and lower capex from the private sector. With a growing order book and new product launches the demand for consumer products is increasing despite of some macroeconomic hurdles like demonetization and GST, we anticipate top line and PAT to grow by around 8-10% and 20-22% YoY on a consolidated basis respectively. Currently, the stock is trading at P/E of 28.1x FY20E, we assign a P/E multiple of 32.5x and maintain a **"BUY"** rating on the stock with a target price of INR 775 representing an upside of 15.6%.

## MARKET INFO

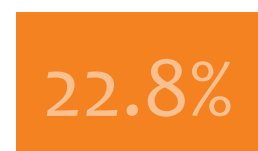
|        |       |
|--------|-------|
| SENSEX | 34903 |
| NIFTY  | 10593 |

## SHARE HOLDING PATTERN (%)

| Particulars | Mar 18 | Dec 17 | Sep 17 |
|-------------|--------|--------|--------|
| Promoters   | 38.89  | 38.93  | 38.96  |
| FIIIs       | 7.81   | 7.75   | 9.91   |
| DIIIs       | 22.76  | 22.47  | 19.87  |
| Others      | 30.55  | 30.86  | 31.28  |
| Total       | 100    | 100    | 100    |



Revenue CAGR between FY17 and FY20E



PAT CAGR between FY17 and FY20E

## ANALYST

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# Blue Star Ltd.

## Q4FY18 Result Snapshot

### Exhibit 1: Quarterly Income Statement (INR Mn)

| Particulars                               | Q4FY18  | Q3FY18 | Q4FY17  | Q-o-Q  | Y-o-Y  |
|---|---------|--------|---------|--------|--------|
| Net Sales & Other Operating Income        | 14758.8 | 9791.7 | 13693.0 | 50.7%  | 7.8%   |
| Total Expenditure                         | 13856.7 | 9278.4 | 12974.7 | 49.3%  | 6.8%   |
| Cost of Raw Materials                     | 7450.0  | 5020.3 | 7101.9  | 48.4%  | 4.9%   |
| Purchase of Finished Goods                | 5699.4  | 2026.7 | 3547.7  | 181.2% | 60.7%  |
| (Increase) / Decrease In Stocks           | -2898.0 | -647.1 | -864.2  | 347.8% | 235.3% |
| Employee Cost                             | 1078.1  | 1013.5 | 900.2   | 6.4%   | 19.8%  |
| Operating & Manufacturing Expenses        | 2527.2  | 1865.0 | 2289.1  | 35.5%  | 10.4%  |
| EBIDTA                                    | 902.1   | 513.3  | 718.3   | 75.7%  | 25.6%  |
| EBITDA Margins (%)                        | 6.1%    | 5.2%   | 5.2%    | 87bps  | 87bps  |
| Depreciation                              | 182.8   | 172.3  | 165.8   | 6.1%   | 10.3%  |
| EBIT                                      | 719.3   | 341.0  | 552.5   | 110.9% | -38.3% |
| Other Income                              | 38.2    | 35.6   | 74.8    | 7.3%   | -48.9% |
| Interest                                  | 107.1   | 73.5   | 113.5   | 45.7%  | -5.6%  |
| PBT                                       | 650.4   | 303.1  | 513.8   | 114.6% | 26.6%  |
| Exceptional Item                          | 52.7    | 0.0    | 0.0     |        |        |
| Tax                                       | 185.5   | 93.1   | 133.2   | 99.2%  | 39.3%  |
| PAT before Exceptional                    | 517.6   | 210.0  | 380.6   | 146.5% | 36.0%  |
| PAT Margin (%)                            | 3.5%    | 2.1%   | 2.8%    | 136bps | 73bps  |
| Share of Profit/(Loss) of JV & Assoc & MI | -5.3    | -22.2  | -8.9    | -      | -      |
| PAT after Exceptional                     | 512.3   | 187.8  | 371.7   | 172.8% | 37.8%  |
| PAT Margin (%)                            | 3.5%    | 1.9%   | 2.7%    | 155bps | 76bps  |
| EPS                                       | 5.4     | 2.0    | 3.9     | 172.8% | 37.8%  |

Source: Company, KRChoksey Research

### Exhibit 2: Segment – wise Revenue Break-up (INR Mn)

| Particulars                                   | Q4FY18          | Q3FY18         | Q4FY17          | Q-o-Q        | Y-o-Y       |
|---|-----------------|----------------|-----------------|--------------|-------------|
| Electro-Mechanical Projects & Packaged AC     | 7,250.6         | 5,752.6        | 6,793.8         | 26.0%        | 6.7%        |
| Unitary Products                              | 6,924.6         | 3,646.6        | 6,449.4         | 89.9%        | 7.4%        |
| Professional Electronics & Industrial Systems | 583.6           | 392.5          | 568.1           | 48.7%        | 2.7%        |
| <b>TOTAL</b>                                  | <b>14,758.8</b> | <b>9,791.7</b> | <b>13,811.3</b> | <b>50.7%</b> | <b>6.9%</b> |

Source: Company, KRChoksey Research

### Exhibit 3: Segment – wise EBIT Break-up (INR Mn)

| Particulars                                   | Q4FY18 | Q3FY18 | Q4FY17 | Q-o-Q   | Y-o-Y   |
|---|--------|--------|--------|---------|---------|
| Electro-Mechanical Projects & Packaged AC     | 404.3  | 383.0  | 270.3  | 5.6%    | 49.6%   |
| Unitary Products                              | 685.8  | 156.6  | 133.2  | 337.9%  | 414.9%  |
| Professional Electronics & Industrial Systems | 73.1   | 28.5   | 84.0   | 156.5%  | -13.0%  |
| Total   | 1163.2 | 568.1  | 487.5  | 104.8%  | 138.6%  |
| Less: Interest Exp                            | 107.1  | -58.7  | -84.5  | -282.5% | -226.7% |
| Add/Less: (other)                             | -353.0 | -221.6 | -264.0 | 59.3%   | 33.7%   |
| PBT   | 917.3  | 287.8  | 139.0  | 218.7%  | 559.9%  |

Source: Company, KRChoksey Research

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## Blue Star Ltd.

### Exhibit 4: Segment – wise EBIT Margins (INR Mn)

| Particulars                                   | Q4FY18 | Q3FY18 | Q4FY17 | Q-o-Q   | Y-o-Y   |
|---|--------|--------|--------|---------|---------|
| Electro-Mechanical Projects & Packaged AC     | 5.6%   | 6.7%   | 4.0%   | -108bps | 160bps  |
| Unitary Products                              | 9.9%   | 4.3%   | 2.1%   | 561bps  | 784bps  |
| Professional Electronics & Industrial Systems | 12.5%  | 7.3%   | 14.8%  | 526bps  | -226bps |

Source: Company, KRChoksey Research

### Exhibit 5: FY18 Income Statement (INR Mn)

| Particulars                               | FY18     | FY17     | Y-o-Y   |
|---|----------|----------|---------|
| Net Sales & Other Operating Income        | 47,408.1 | 43,852.4 | 8.1%    |
| Total Expenditure                         | 44,644.8 | 41,628.3 | 7.2%    |
| Cost of Raw Materials                     | 22,450.7 | 21,890.4 | 2.6%    |
| Purchase of Finished Goods                | 11,912.9 | 9,401.5  | 26.7%   |
| (Increase) / Decrease In Stocks           | -1,890.3 | -169.4   | 1015.9% |
| Employee Cost                             | 3,977.2  | 3,390.3  | 17.3%   |
| Operating & Manufacturing Expenses        | 8,194.3  | 7,115.5  | 15.2%   |
| EBIDTA                                    | 2,763.3  | 2,224.1  | 24.2%   |
| EBITDA Margins (%)                        | 5.8%     | 5.1%     | 76bps   |
| Depreciation                              | 638.1    | 605.8    | 5.3%    |
| EBIT                                      | 2,125.2  | 1,618.3  | 31.3%   |
| Other Income                              | 169.5    | 345.8    | -51.0%  |
| Interest                                  | 287.4    | 377.8    | -23.9%  |
| PBT                                       | 2,007.3  | 1,586.3  | 26.5%   |
| Exceptional Item                          | 52.7     | 0.0      | -       |
| Tax                                       | 545.6    | 366.7    | 48.8%   |
| PAT before Exceptional                    | 1,514.4  | 1,219.6  | 24.2%   |
| PAT Margin (%)                            | 10.3%    | 12.5%    | -219bps |
| Share of Profit/(Loss) of JV & Assoc & MI | -21.9    | 10.9     | -       |
| PAT after Exceptional                     | 1,492.5  | 1,230.5  | 21.3%   |
| PAT Margin (%)                            | 3.1%     | 2.8%     | 34bps   |
| EPS                                       | 15.6     | 12.9     | 21.3%   |

Source: Company, KRChoksey Research

### Concall Highlights:

- **Segment 1:** The Electro-Mechanical segment improved as compared to last quarter. Due to GST the capital expenditure from the private sector was very negligible, thus the new order inflow was muted. However, the major capital expenditure was made by the govt. during the quarter which resulted in better execution and billing of projects.
- The Central AC category also witnessed slow down due to the GST and the billing cycle was delayed during this quarter. However, despite overall slowdown in demand the VRF category continued to perform well as there was good momentum from the trade. The VRF market grew by 10-12%, while Blue Star's VRF category grew ahead of the market by 13-14% on YoY. Blue Star continued to maintain its leadership position in the segment.
- On International front Blue Star received healthy orders for water chillers and other products also there was improvement in export billing. During the quarter Blue Star participated in many international exhibitions, the number of participation in international exhibitions has increased substantially.
- The management expects the Electro-Mechanical segment to be driven by higher investments made by the government in the infrastructure sector and higher value projects; the order inflow is expected to grow by 20-25% and billing of orders to grow by 15% in FY18.
- **Segment 2:** Despite adverse market condition, Blue Star continued to maintain its market share of 11% in the Unitary Product category and aims to achieve market share of around 12% by end of FY18. The market share of Blue Star in the Unitary Product segment increased by 100-120 bps from 11% to 12% during the quarter. The room AC industry grew by 20%, whereas Blue Star Room AC segment was ahead of the market with 25% growth.
- Commercial Refrigerators also witnessed the gradual recovery in demand during Q4FY18. Also, there was a good traction from Dairy and Ice-cream category.
- Blue star launched water purifiers in Q3FY17 in 100 towns through 400 distribution channels. This industry requires intense service after sales; Blue star believes that with its years of experience & expertise in providing services to the AC products it will also provide services to water purifier products with the same expertise and it will set a new benchmark for the industry. The higher investment in water purifier will continue to impact margins by around 100-150 bps in FY18.
- The prices of Unitary products increased by 4-6% during the quarter which has resulted in better realization. Under new energy norms the 5 star AC will be considered as 3 star AC as this norms is going to be more stringent. The consumer is likely to pay higher price post changes in energy norms, the consumer will end up high price for 3 star AC which is actually 5 star AC.

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## Blue Star Ltd.

### Exhibit 6: Income Statement

| Particulars                                   | FY16            | FY17            | FY18            | FY19E           | FY20E           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Sales &amp; Other Operating Income</b> | <b>37,979.6</b> | <b>43,852.4</b> | <b>47,408.1</b> | <b>51,375.8</b> | <b>56,322.9</b> |
| <b>Total Expenditure</b>                      | <b>35,830.3</b> | <b>41,628.3</b> | <b>44,644.8</b> | <b>48,087.8</b> | <b>52,549.3</b> |
| Cost of Raw Materials                         | 19,117.0        | 21,890.4        | 22,450.7        | 24,557.6        | 26,809.7        |
| Purchase of Finished Goods                    | 7,073.1         | 9,401.5         | 11,912.9        | 11,302.7        | 12,503.7        |
| (Increase) / Decrease In Stocks               | -648.8          | -169.4          | -1,890.3        | -1,027.5        | -1,408.1        |
| Employee Cost                                 | 3,985.6         | 3,390.3         | 3,977.2         | 4,366.9         | 4,787.4         |
| Operating & Manufacturing Expenses            | 6,303.4         | 7,115.5         | 8,194.3         | 8,888.0         | 9,856.5         |
| <b>EBIDTA</b>                                 | <b>2,149.3</b>  | <b>2,224.1</b>  | <b>2,763.3</b>  | <b>3,288.1</b>  | <b>3,773.6</b>  |
| <b>EBITDA Margins (%)</b>                     | <b>5.7%</b>     | <b>5.1%</b>     | <b>5.8%</b>     | <b>6.4%</b>     | <b>6.7%</b>     |
| Depreciation                                  | 570.9           | 605.8           | 638.1           | 708.1           | 793.0           |
| <b>EBIT</b>                                   | <b>1,578.4</b>  | <b>1,618.3</b>  | <b>2,125.2</b>  | <b>2,580.0</b>  | <b>2,980.6</b>  |
| Other Income                                  | 296.7           | 345.8           | 169.5           | 411.0           | 450.6           |
| Interest                                      | 431.5           | 377.8           | 287.4           | 300.2           | 310.2           |
| <b>PBT before Exceptional</b>                 | <b>1,443.6</b>  | <b>1,586.3</b>  | <b>2,007.3</b>  | <b>2,690.8</b>  | <b>3,121.0</b>  |
| Exceptional Item                              | -118.9          | 0.0             | 52.7            | 0.0             | 0.0             |
| Tax   | 236.4           | 366.7           | 545.6           | 713.1           | 827.1           |
| <b>PAT after Exceptional</b>                  | <b>1,088.3</b>  | <b>1,219.6</b>  | <b>1,514.4</b>  | <b>1,977.7</b>  | <b>2,293.9</b>  |
| <b>PAT Margin (%)</b>                         | <b>2.9%</b>     | <b>2.8%</b>     | <b>3.2%</b>     | <b>3.8%</b>     | <b>4.1%</b>     |
| Share of Profit/(Loss) of JV & Assoc & MI     | -40.6           | 10.9            | -21.9           | -16.5           | -16.5           |
| <b>PAT after Exceptional</b>                  | <b>1,047.7</b>  | <b>1,230.5</b>  | <b>1,492.5</b>  | <b>1,961.2</b>  | <b>2,277.4</b>  |
| <b>PAT Margin (%)</b>                         | <b>2.8%</b>     | <b>2.8%</b>     | <b>3.1%</b>     | <b>3.8%</b>     | <b>4.0%</b>     |
| <b>EPS</b>                                    | <b>11.7</b>     | <b>12.9</b>     | <b>15.6</b>     | <b>20.5</b>     | <b>23.8</b>     |

Source: Company, KRChoksey Research

# Blue Star Ltd.

## Exhibit 7: Balance Sheet

| Particulars                               | FY16            | FY17            | FY18            | FY19E           | FY20E           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Equity and liabilities</b>             |                 |                 |                 |                 |                 |
| Share capital                             | 179.9           | 191.1           | 192.0           | 192.0           | 192.0           |
| Reserves and surplus                      | 6,124.3         | 7,380.2         | 8,120.8         | 9,041.8         | 10,279.0        |
| <b>Net Worth</b>                          | <b>6,304.2</b>  | <b>7,571.3</b>  | <b>8,312.8</b>  | <b>9,233.8</b>  | <b>10,471.0</b> |
| Pref. shares issued by Subsidiary company | 10.1            | 12.2            | 15.3            | 15.3            | 15.3            |
| <b>Non-current liabilities</b>            |                 |                 |                 |                 |                 |
| Long-term borrowings                      | 183.0           | 202.0           | 292.2           | 202.0           | 202.0           |
| Trade payables                            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Other long-term liabilities               | 41.3            | 40.8            | 37.0            | 37.0            | 37.0            |
| Long-term provisions                      | 105.1           | 111.7           | 125.4           | 131.0           | 143.6           |
| Deferred Tax Net                          | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
|   | <b>329.4</b>    | <b>354.5</b>    | <b>454.6</b>    | <b>370.0</b>    | <b>382.6</b>    |
| <b>Current liabilities</b>                |                 |                 |                 |                 |                 |
| Short-term borrowings                     | 3,446.2         | 1,959.2         | 3,447.8         | 2,800.0         | 2,900.0         |
| Trade payables                            | 10,833.4        | 11,755.6        | 15,473.7        | 13,599.1        | 15,058.3        |
| Other current liabilities                 | 3,986.1         | 4,450.5         | 3,725.2         | 4,297.6         | 4,561.9         |
| Short-term provisions                     | 337.7           | 398.5           | 401.9           | 524.0           | 574.5           |
|   | <b>18,603.4</b> | <b>18,563.8</b> | <b>23,048.6</b> | <b>21,220.7</b> | <b>23,094.6</b> |
| <b>Total</b>                              | <b>25,247.1</b> | <b>26,501.8</b> | <b>31,831.3</b> | <b>30,839.8</b> | <b>33,963.5</b> |
| <b>Assets</b>                             |                 |                 |                 |                 |                 |
| <b>Non-current assets</b>                 |                 |                 |                 |                 |                 |
| Net Block                                 | 2,208.9         | 2,877.7         | 3,301.3         | 3,417.7         | 3,688.9         |
| Capital work-in-progress                  | 62.7            | 215.1           | 183.8           | 215.1           | 215.1           |
| Intangible assets under development       | 100.9           | 120.9           | 69.7            | 120.9           | 120.9           |
| Non-current investments                   | 734.4           | 793.1           | 751.1           | 793.1           | 793.1           |
| Deferred Tax Net                          | 0.0             | 1,076.6         | 939.7           | 939.7           | 939.7           |
| Long-term loans and advances              | 1,902.5         | 512.4           | 468.4           | 513.8           | 563.2           |
| Trade receivables                         | 571.6           | 0.0             | 0.0             | 0.0             | 0.0             |
| Other non-current assets                  | 33.5            | 691.5           | 789.3           | 308.3           | 337.9           |
|   | <b>5,614.5</b>  | <b>6,287.3</b>  | <b>6,503.3</b>  | <b>6,308.5</b>  | <b>6,658.8</b>  |
| <b>Current assets</b>                     |                 |                 |                 |                 |                 |
| Current Investments                       | 1,624.0         | 0.0             | 0.0             | 0.0             | 0.0             |
| Inventories                               | 5,401.4         | 5,955.8         | 8,331.0         | 7,634.6         | 8,308.0         |
| Trade receivables                         | 8,312.9         | 9,389.8         | 11,003.5        | 10,978.9        | 12,036.1        |
| Cash and bank balances                    | 455.0           | 965.7           | 808.8           | 429.7           | 953.1           |
| Short-term loans and advances             | 1,119.8         | 40.1            | 93.6            | 93.6            | 93.6            |
| Other current assets                      | 2,719.4         | 3,863.1         | 5,091.1         | 5,394.5         | 5,913.9         |
|   | <b>19,632.6</b> | <b>20,214.5</b> | <b>25,328.0</b> | <b>24,531.3</b> | <b>27,304.7</b> |
| <b>Total</b>                              | <b>25,247.1</b> | <b>26,501.8</b> | <b>31,831.3</b> | <b>30,839.8</b> | <b>33,963.5</b> |

Source: Company, KRChoksey Research

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## Blue Star Ltd.

### Exhibit 8: Cash flow statement

| Particulars                                 | FY16      | FY17      | FY18    | FY19E     | FY20E     |
|---|-----------|-----------|---------|-----------|-----------|
| Profit before tax                           | 1,324.7   | 1,586.3   | 2,060.0 | 2,690.8   | 3,121.0   |
| Depreciation/amortization                   | 570.9     | 605.8     | 638.1   | 708.1     | 793.0     |
| Interest expense                            | 27.5      | 377.8     | 287.4   | 300.2     | 310.2     |
| CASH FLOWS FROM OPERATING ACTIVITIES (A)    | 2,567.4   | 3,462.1   | (115.8) | 2,234.6   | 2,384.7   |
| CASH FLOWS FROM INVESTING ACTIVITIES (B)    | (651.7)   | (3,315.3) | (892.2) | (631.0)   | (623.5)   |
| CASH FLOWS FROM FINANCING ACTIVITIES (C)    | (1,949.0) | (374.5)   | 1,214.9 | (1,982.6) | (1,237.8) |
| NET INCREASE/(DECREASE) IN CASH (A + B + C) | (33.3)    | (227.7)   | 206.9   | (379.1)   | 523.3     |
| Cash at the beginning of the year           | 15.5      | 455.0     | 965.7   | 808.8     | 429.7     |
| Cash at the end of the year                 | 455.0     | 965.7     | 808.8   | 429.7     | 953.1     |

Source: Company, KRChoksey Research

### Exhibit 9: Ratio Analysis

| Particulars           | FY16  | FY17  | FY18  | FY19E | FY20E |
|-----------------------|-------|-------|-------|-------|-------|
| EPS (Rs.)             | 11.7  | 12.9  | 15.6  | 20.5  | 23.8  |
| BV (Rs.)              | 70.1  | 79.2  | 87.0  | 96.7  | 109.6 |
| PE (x)                | 28.5  | 16.2  | 48.3  | 32.6  | 28.1  |
| P/BV (x)              | 5.5   | 8.7   | 8.7   | 6.9   | 6.1   |
| EV/EBITDA (x)         | 17.5  | 30.3  | 27.1  | 20.2  | 17.5  |
| EV/Sales (x)          | 1.0   | 1.5   | 1.6   | 1.3   | 1.2   |
| EBITDA Margin (%)     | 5.7%  | 5.1%  | 5.8%  | 6.4%  | 6.7%  |
| EBIT Margin (%)       | 4.9%  | 4.5%  | 4.8%  | 5.8%  | 6.1%  |
| Net Profit Margin (%) | 2.8%  | 2.8%  | 3.1%  | 3.8%  | 4.0%  |
| Net Debt/Equity       | 0.6   | 0.3   | 0.4   | 0.3   | 0.3   |
| RoE (%)               | 19.3% | 17.7% | 18.8% | 22.4% | 23.1% |
| RoCE (%)              | 20.3% | 20.0% | 21.1% | 24.6% | 26.6% |

Source: Company, KRChoksey Research

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# Blue Star Ltd.

| Blue Star Ltd. |           |          |                | Rating Legend |                |
|----------------|-----------|----------|----------------|---------------|----------------|
| Date           | CMP (INR) | TP (INR) | Recommendation | Our Rating    | Upside         |
| 06-Jun-18      | 670       | 775      | Buy            | Buy           | More than 15%  |
| 07-Feb-18      | 721       | 890      | Buy            | Accumulate    | 5% – 15%       |
| 01-Nov-17      | 763       | 897      | Buy            | Hold          | 0 – 5%         |
| 16-Aug-17      | 796       | 897      | Accumulate     | Reduce        | -5% – 0        |
| 11-May-17      | 676       | 750      | Accumulate     | Sell          | Less than – 5% |
| 12-Apr-17      | 670       | 750      | Accumulate     |               |                |

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