

**BLUE STAR LTD.**

9-Dec-16

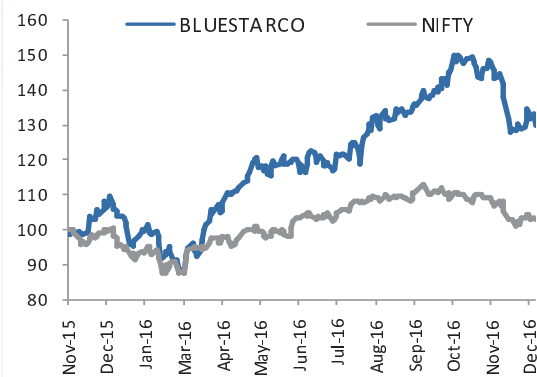
Result Update	
CMP	471
Target Price	535
Previous Target Price	
Upside	14%
Change from Previous	-

Market Data	
BSE Code	500067
NSE Symbol	BLUESTARCO
52wk Range H/L	581/306
Mkt Capital (Rs Cr)	4,497
Av. Volume	485
Nifty	8247

Stock Performance			
	1Month	3 Month	1Year
Absolute	-13.4	27.1	11.0
Rel.to Nifty	-9.5	20.9	11.3

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoter	39.12	39.04	39.46
Public	60.88	60.96	60.54
Others	--	--	--
Total	100	100	100

**Company Vs NIFTY**



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**Impact of Demonetization**

Demonetization may impact Q3FY17 sales of the company. Generally 3rd quarter is always a weak season for ACs and only 35% of total sales is done through cash in tier I and tier II markets so we do not see huge impact of demonetization. But in tier III, tier IV and tier V markets cash sales ratio is higher (60%) than tier I and tier II markets so here we can see some impact of it but it will for short term period. Overall there will be marginal impact of demonetization in the company and company is not seeing any behavioural change in demand from real sector yet.

**450 cr expansion on the cards**

Blue Star is planning to invest Rs 450 crore in the next three years. The air-conditioner maker is getting consumer's focus after entering the residential air conditioner and water purifier segment.

**Q2FY17\_Result Highlights**

The Company has reported a Total Operating Income of Rs 899 cr for the quarter ended Sep 30, 2016 on a consolidated basis as compared to Rs 777 cr in the same period last year representing a growth of 16%. EBITDA Rs 41 cr As compare to 35 cr in the same period last year. Financial Expenses for the quarter declined by 22% to Rs 8.75 crores from Rs 11.27 crores in Q2FY16, mainly due to reduced cost of borrowings.

**Outlook and Valuation**

Going forward Q3FY17 and Q4FY17 sales will be impacted due to scarcity of new currency. As per the management H2FY17 will have some challenges because Room-Air conditioners buyers are first time buyers. Company is not seeing any behavioral change in demand from real estate sector yet and expected things to normalized probably by March. On the positive side the order book is up by 15% over last year and this is good sign for the future growth. The Company intends to continue to make investments in manufacturing, marketing, brand building, product development as well as human resources in the next few quarters in order to capitalise on the imminent growth opportunities. We have change our Sales and PAT estimates due to demonetization but in a long term point of view we are optimistic about the stock hence we recommend "BUY" to the stock at a revised target price of Rs 535.

	Rs 'Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	2924	2934	3182	3770	3825
EBITDA	90	150	167	216	228
Net Profit	39	78	54	109	113
EBIDTA%	3.1%	5.1%	5.3%	5.7%	6.0%
P/E	0.01	0.03	0.02	0.03	0.03

(Source: Company/Eastwind)