October 8, 2025

Blue Star Climatech Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit/ WCDL	75.00	75.00	[ICRA]AA+ (Stable); reaffirmed
Long-term/ Short-term – Non-fund based – LC/ BG	375.00	525.00	[ICRA]AA+ (Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount
Long-term/ Short-term – Interchangeable	0.0	(150.0)	[ICRA]AA+ (Stable)/[ICRA]A1+; assigned
Total	**450.00**	**600.00**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Blue Star Climatech Limited (BSCL) along with its parent, Blue Star Limited (BSL), given that BSCL is an exclusive contract manufacturer for BSL (group) with strong business and financial linkages between them. BSCL benefits from BSL being its principal customer, which is expected to augment its capacity as per BSL's needs and, hence, will remain a strategic entity for BSL's consolidated profile. BSCL was incorporated as a separate entity majorly to avail concessional income tax benefits.

The ratings reaffirmation favourably factors in the expectation that BSL's credit profile (it owns 100% in BSCL) will remain stable and supported by its strong business risk profile. The ratings favourably factor in BSL's diversified presence across its consumer and project businesses, its strong market position in the unitary cooling products and refrigeration business, strong execution track record in the projects business, and financial profile marked by stable revenue growth, and strong return and debt protection metrics. The long-term revenue growth is expected to be supported by the favourable demand outlook for the air conditioning industry in India due to the increasing penetration of air conditioners (ACs) per household, rising urbanisation, disposable income and climate change. The ratings also factor in the company's adequate order book position in electro-mechanical projects and commercial air conditioning systems, which ensures revenue visibility in the near term.

The ratings, however, are constrained by the vulnerability of BSL's profitability to any adverse movements in input costs as its ability to pass on large price increases in a competitive market remains limited. Moreover, changes in regulations and energy efficiency standards can impact the company's cost structure. The domestic business also remains exposed to vagaries of project management risks in terms of site hand-over and fresh order inflow, which typically follows the capex cycle of end-user industries. The company's ratio of total outside liabilities (TOL) to tangible net worth (TNW) is high (albeit reduced from previous years) at 1.7 times in FY2025, due to continued dependence on creditor funding as well as customer advances to manage its working capital, which generally remains high, especially during the fiscal end. The debtor cycle in the project business is also exposed to long approval cycles and work in progress (WIP) inventory in case of site hand-over issues. However, it is mitigated to an extent by customer advances against projects. The ratings are also constrained by seasonality and reliance of the room air conditioning (RAC) business on weather conditions, primarily the intensity of summers along with competition from several other established players. Further, the company remains vulnerable to supply chain challenges due to its continued high reliance on imports. While the company is currently insulated from the immediate impact of the Quality Control Order (QCO) norms for compressors due to secured vendor arrangements, it remains exposed to business continuity risks in the RAC segment, in the absence of any backward integration or its own compressor manufacturing unit, necessitating reliance on domestic manufacturing sources in the long term.

The Stable outlook on the rating reflects BSL's adequate order book position in its project division, strong brand positioning in the heating, ventilation and air conditioning (HVAC) domain in the domestic market and its growing presence in the RAC market in India. Coupled with a strong liquidity position and limited dependence on debt for its capex requirements, this will continue to support its robust credit profile in the medium to long term.

Key rating drivers and their description

Credit strengths

Diversified revenue streams spread across electro-mechanical projects, commercial AC systems and unitary products segments – BSL is present in the mechanical, electrical and plumbing (MEP) as well as the HVAC segments, mainly in the domestic market, in addition to the commercial AC, RAC and commercial refrigeration businesses in the domestic market. The electro-mechanical projects, commercial AC systems and unitary segment accounted for almost 97% of BSL's revenues in FY2025. However, its revenues are diversified in each of these segments in terms of products/services. The rest is generated by small, but margin accretive segments, namely professional electronics and industrial systems. Further, BSL enjoys a notable market position in RACs across the country, with presence in both window and split ACs, in addition to commercial refrigeration and commercial air conditioning. This has aided the unitary division and increased its market share (pegged at around 14% in RACs in terms of value, as of March 2025; source: company annual report FY2025) over the years.

Adequate order book position; favourable outlook for the Indian AC industry supports long-term growth prospects – BSL has an adequate order book position in the electro-mechanical projects and commercial AC systems businesses with an order book of Rs. 6,022 crore as on March 31, 2025 (Rs. 5,435 crore as on March 31, 2024), which ensures revenue visibility in the near-to-medium term. The fresh order inflow for this segment has also been satisfactory over the last two fiscals, especially with the Government's infrastructure push. Moreover, the company is likely to leverage its brand positioning and sound execution capacities in the near-to-medium term for order booking and sales performance. Moreover, increasing urbanisation, climate change and improving standards of living are expected to provide a huge opportunity for AC original equipment manufacturers (OEMs) in the domestic market. In addition, favourable regulatory developments in the recent past, i.e., the production linked incentive (PLI) scheme for the AC component sector, provide strong growth prospects for the industry over the medium-to-long-term.

Healthy financial risk profile – The financial risk profile of BSL, at a consolidated level, continues to remain healthy, characterised by comfortable debt metrics with Total Debt vis-à-vis operating profits before interest tax depreciation and amortisation of 0.4 times as on March 31, 2025 (0.4 times in as on March 31, 2024) and interest coverage of 18.4 times (11.7 times in FY2024) in FY2025. ICRA expects the debt indicators to remain healthy, given its strong liquidity position to fund its capex plans in the near-to-medium term, with limited reliance on debt.

Credit challenges

Project business exposed to stiff competition as well as time and cost overruns, leading to pressure on margins during economic downturns – The company's project business remains exposed to time and cost overruns with a longer gestation period for most of its orders in the project business, leading to pressure on segment margins during economic downturns. Further, the company continues to face competition from established players in the project business. The business also remains exposed to vagaries of project management risks in terms of site hand-over and fresh order inflow, which typically follows the capex cycle of end-user industries.

High reliance on creditor funding in the projects business – The projects business is working capital intensive given the elongated debtor cycle, driven by long bill approval cycles and WIP inventory in case of site hand-over issues. The company manages its working capital through reliance on creditor funding as well as advances from customers. With purchases for the AC division being typically high during the season in March, the creditor levels also remain high, which generally tapers down from June. The same has led to high total outside liabilities/ tangible net worth (TOL/TNW) as reflected by 1.7 times as on

March 31, 2025 (1.4 times as on March 31, 2024). However, the TOL/TNW has improved significantly from 3.1 times as on March 31, 2023, owing to equity infusion through qualified institutional placement (QIP) of around Rs. 1,000 crore in FY2024, resulting in healthy tangible net worth.

Exposed to inherent seasonality, competition in AC business and adverse movements in input costs as well as forex risks – A dominant share of BSL's revenues comes from the unitary segment (about 47%) wherein demand is seasonal and remains susceptible to changes in weather conditions as witnessed in Q1 FY2026, when the company's revenues from the segment declined by 13% YoY, after a healthy YoY revenue growth of 22% in FY2025. Further, the company's profit margins are exposed to adverse movements in input costs as the ability to pass on large price increases in an intensely competitive market remains limited. Although the share of imported raw material for RACs has currently declined to around 50% over the earlier 65-70%, it remains exposed to forex fluctuations, price volatility and supply-side shocks, given the high import dependence. However, the company hedges its forex exposure, which mitigates the risk to an extent. BSCL also takes periodical pricing actions depending on the demand-supply situation.

Environmental and social risks

Environmental considerations: AC manufacturers are increasingly required to address the risks posed by greenhouse gas (GHG) emissions, which impact the environment and contribute to ozone layer depletion. A vital component of sustainable operations is the transition to eco-friendly refrigerants with lower global warming potential and minimal effect on the ozone layer. Moreover, strict compliance with continually evolving national and international environmental regulations is necessary to maintain operations and protect corporate reputation. Collectively, these environmental requirements, along with adherence to regulatory standards, will inevitably lead to higher operational costs for companies, who must allocate significant resources towards new technologies, process improvements, employee training, and ongoing compliance measures to meet these heightened expectations.

Social considerations: Manufacturers in the air conditioning industry must address a range of social risks, including compliance with rigorous health and safety standards and adaptation to evolving consumer lifestyles and expectations. To meet these requirements, companies are expected to invest in regular health and safety training, conduct frequent safety audits, and establish clear safety protocols.

Liquidity position: Strong

The company's liquidity position is strong, driven by healthy cash flows. Further, the company has comfortable buffer in its working capital limits as reflected by moderate utilisation of around 9% of its sanctioned working capital limits for the last 12 months ending in March 2025, and available cash and liquid investments of Rs. 839 crore (parked in fixed deposit, mutual funds and current account). The company has nil repayment obligations in FY2026, which further supports the liquidity profile. It has planned annual capex of Rs. 300-400 crore in FY2026 and FY2027, on a consolidated basis, which will be sufficiently met by expected retained cash flows, cash and liquid balance, and additional term loans, if required.

Rating sensitivities

Positive factors: ICRA could upgrade the ratings if the group's revenues scale up materially while strengthening the supply chain, along with improvement in profitability, leading to healthy cash accruals and sustained liquidity buffers as well as credit metrics.

Negative factors: Negative pressure on the rating could arise if the company experiences a decline in business volumes and/or a significant weakening in its market position. A sustained increase in working capital intensity, any large unanticipated debt-funded capex or decline in profitability, resulting in material weakening of liquidity and credit metrics would also be negative rating triggers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of BSCL along with its parent, BSL (details enlisted in Annexure-II), given that BSCL is an exclusive contract manufacturer for BSL with strong business and financial linkages between them. Moreover, BSCL functions as an extended arm of BSL.

About the company

BSCL was incorporated on May 17, 2021, as a wholly-owned subsidiary of BSL to carry on the business as the manufacturer and dealer of all kinds of air conditioners, commercial refrigeration equipment, cooling appliances and other related products. The company plays the role of an OEM of residential and commercial air conditioners for BSL. Currently, BSCL has a manufacturing capacity of 7.7 lakh units per annum. The company's manufacturing plant is at Sri City in Chittoor district of Andhra Pradesh. The plant is also eligible for the Government of India's PLI scheme.

Established in 1943, BSL is India's leading HVAC and commercial refrigeration company with manufacturing facilities at Dadra and Nagar Haveli and Daman and Diu, Himachal Pradesh, (Wada) Maharashtra, (Ahmedabad) Gujarat, and (Sri City) Andhra Pradesh. The three major segments of the company are—i) electro-mechanical projects and commercial AC systems; ii) unitary products; and iii) professional electronics and industrial systems. The first two segments drove around 97% of BSL's revenues in FY2025. However, its revenues are diversified in each of these segments in terms of products/services. The rest is generated by the high margin professional electronics and industrial systems business.

Key financial indicators (audited)

Consolidated	FY2024	FY2025	Q1 FY2026
Operating income	9,690.7	11,970.4	2,982.3
PAT	413.8	592.6	122.2
OPBDIT/OI	413.8	592.6	6.7%
PAT/OI	5.8%	7.4%	4.1%
Total outside liabilities/Tangible net worth (times)	1.5	1.7	-
Total debt/OPBDIT (times)	0.4	0.4	-
Interest coverage (times)	11.7	18.4	19.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2026	FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based – Cash credit/ WCDL	Long-Term	75.00	Oct 8, 2025	[ICRA]AA+ (Stable)	Jul 25, 2024	[ICRA]AA+ (Stable)	Jun 23, 2023	[ICRA]AA+ (Stable)	-	-
Non-Fund Based – LC/ BG	Long-Term/ Short-Term	525.00	Oct 8, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Jul 25, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Jun 23, 2023	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-
Interchangeable	Long-Term/ Short-Term	(150.0)	Oct 8, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based – Cash credit/ WCDL	Simple
Long term/ Short Term – Non-Fund Based – LC/ BG	Very Simple
Long term/ Short Term – interchangeable	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long Term – Fund Based – Cash credit/ WCDL**	NA	NA	NA	75.00	[ICRA]AA+(Stable)
NA	**Long term/ Short Term – Non-Fund Based – LC/ BG**	NA	NA	NA	525.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	**Long term/ Short Term – interchangeable**	NA	NA	NA	(150.0)	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	BSL ownership	Consolidation approach
Blue Star Limited	100.00%	Full Consolidation
Blue Star Climatech Limited	100.00% (Rated Entity)	Full Consolidation
Blue Star Engineering and Electronics Limited	100.00%	Full Consolidation
Blue Star Qatar – WLL*	49.00%	Full Consolidation
Blue Star MEA Airconditioning LLC	100.00%	Full Consolidation
Blue Star International FZCO	100.00%	Full Consolidation
Blue Systems & Solutions LLC	100.00%	Full Consolidation
BSL AC&R (SINGAPORE) PTE. LTD.	100.00%	Full Consolidation
Blue Star North America INC	100.00%	Full Consolidation
Blue Star Europe BV	100.00%	Full Consolidation
Blue Star Innovation Japan LLC	100.00%	Full Consolidation
Blue Star Air Conditioning & Refrigerator (U) Limited	100.00%	Full Consolidation
Blue Star M & E Engineering (Sdn) Bhd ^	49.00%	Proportionate consolidation
Blue Star Oman Electro-Mechanical Co. LLC^	51.00%	Proportionate consolidation

*Source: Company; *control is with BSL, hence, it is considered as a subsidiary; ^Joint ventures; Note: ICRA has taken a consolidated view of the parent (BSL), its subsidiaries and joint ventures while assigning the ratings*

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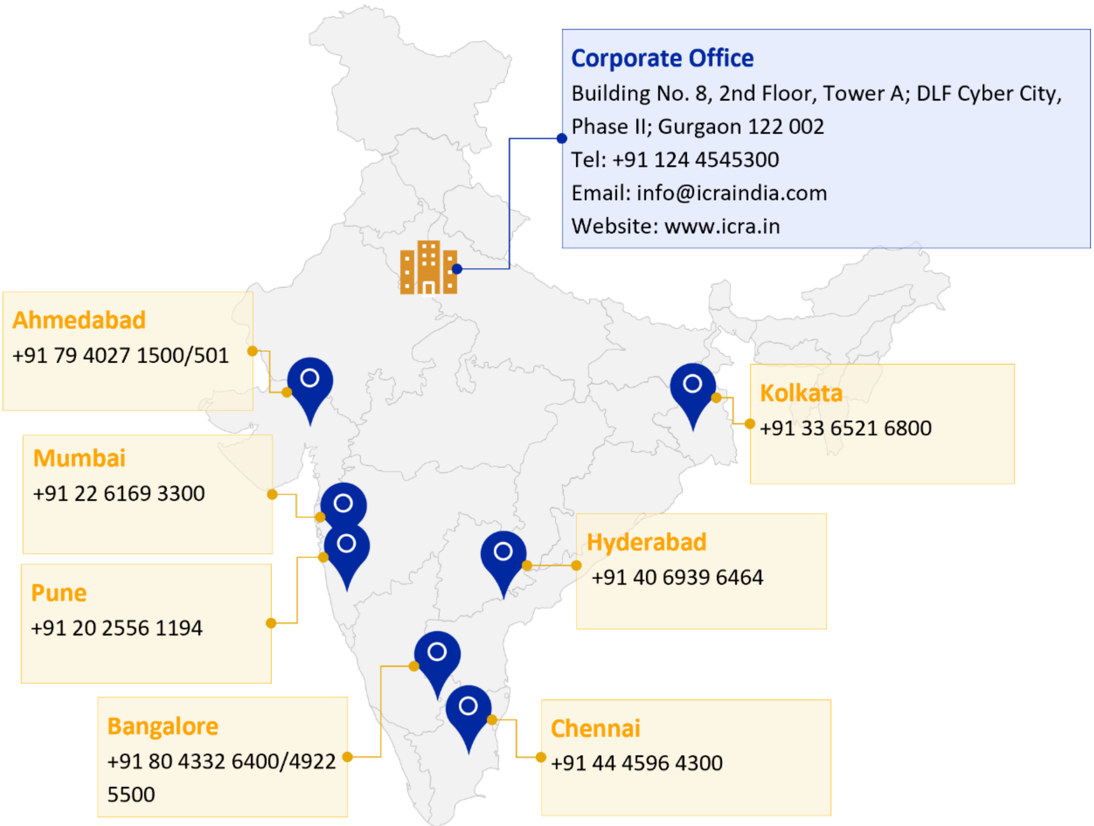

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