

LG Electronics India | BUY

3Q a blip; several positives in store for FY27E

LG Electronics India Limited's (LGEIL) 3Q performance missed our/Street estimates driven by a weak operating performance, the resulting negative operating leverage and high finance costs. Management guided for a strong 4Q (double-digit revenue growth/lower double-digit margin), and a stronger FY27E (double-digit revenue growth/EBITDA margin at FY25 levels), supported by (1) growth in exports (6-7% of revenue; target to 2x exports in FY27E, given lower US tariffs and EU-India FTA), (2) new launches in premium/Essential series, (3) growth in B2B products, and (4) incremental localization and price hikes. We factor in a weak 3Q through a 5% cut in FY26E EPS estimates, while we raise our FY27/28E EPS estimates by 1-3%. That said, we bake in a slightly conservative estimate vs. guidance; prefer not to rule out potential risks emanating from competitive intensity and rising input costs. We value LGEIL at 45x Dec'27E EPS, and arrive at a target price of INR 1,700. Maintain BUY.

- **Weak 3Q operational performance:** 3Q revenue at INR 41.1bn, -6% YoY, was 2%/5% behind our/ consensus estimate; result of a 10% YoY decline in the home appliances & air solutions vertical and a modest 2% growth in the home entertainment segment. EBITDA at INR 2bn, declined 48% YoY, 15%/39% lower than our/consensus estimate on account of higher operational expenses. EBITDA margin at 4.8% contracted 300bps YoY on account of operating deleverage, elevated input costs, forex headwinds, higher e-waste compliance costs and the new labour code impact; margin was 70bps/270bps lower than our/consensus estimate. Both the home appliances & air solutions and home entertainment divisions reported a weaker YoY EBIT margin at 4% (vs. 7.1% YoY) and 9.6% (vs. 13.5% YoY) respectively. Adj. PAT at INR 1.1bn, -54% YoY, was 17%/47% below our/consensus estimate, driven by weak operating performance and higher finance costs.
- **Market share gains continue:** Despite declines/modest growth in key categories, the Company maintained/expanded its market share across verticals. Within washing machines and refrigerators, LG retained pole position at a market share of ~33% and ~30% respectively. RAC market share stood at ~17%. In the premium segment, LG's share in the OLED TV and side-by-side refrigerator category stood at ~62% and ~43% respectively.
- **Several factors drive healthy FY27E guidance:** Management remains confident of a strong 4Q, historically a crucial quarter. For 4Q, management guided for double-digit revenue growth with lower double-digit EBITDA margin. For FY27E, management indicated double-digit revenue growth with margin at par with FY25 (12.8%), expected to be driven by (1) doubling of exports (6-7% of revenue currently, to 54 countries) aided by US tariff rationalization from 50% to 18% (LG has developed capabilities for premium products including side-by-side refrigerators and large-capacity top freezer refrigerators (650 ltr+) in its Pune facility and has passed US quality standards), and the India-EU FTA, (2) new product launches under the premium and Essential category, (3) higher localization, (4) expansion of B2B verticals (HVAC and information displays), and (5) scaling of the AMC business.
- **Sri City facility progressing well; commencement likely by 4QCY26:** In the upcoming Sri City facility, construction is progressing smoothly, with the first line of RAC production expected to commence in 4QCY26, followed by compressor production in the next phase. This facility will enhance production capacity, improve logistics efficiency, and support the localization roadmap, serving both domestic and export markets.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,700
Upside/(Downside)	15.7%
Previous Price Target	1,630
Change	4.3%

Key Data – LGEL IN

Current Market Price	INR1,469
Market cap (bn)	INR997.1/US\$11.0
Free Float	15%
Shares in issue (mn)	113.1
Diluted share (mn)	678.8
3-mon avg daily val (mn)	INR1,590.2/US\$17.6
52-week range	1,749/1,300
Sensex/Nifty	83,675/25,807
INR/US\$	90.6

Price Performance

%	1M	6M	12M
Absolute	5.7	0.0	0.0
Relative*	6.0	0.0	0.0

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,13,520	2,43,666	2,45,844	2,77,048	3,08,745
Sales Growth (%)	7.5	14.1	0.9	12.7	11.4
EBITDA	22,249	31,101	25,113	33,994	39,112
EBITDA Margin (%)	10.4	12.8	10.2	12.3	12.7
Adjusted Net Profit	15,111	22,033	17,747	23,287	25,846
Diluted EPS (INR)	22.3	32.5	26.1	34.3	38.1
Diluted EPS Growth (%)	12.1	45.8	-19.5	31.2	11.0
ROIC (%)	87.8	107.4	53.6	50.1	44.4
ROE (%)	37.2	45.2	26.7	28.2	25.4
P/E (x)	66.0	45.3	56.2	42.8	38.6
P/B (x)	26.4	16.7	13.6	10.9	8.9
EV/EBITDA (x)	6.5	4.1	5.1	3.6	2.8
Dividend Yield (%)	12.6	0.4	0.4	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026

Key takeaways from concall

Q3FY26 performance

■ Segment-wise Performance:

- **Home Appliances & Air Solutions:** The segment witnessed strong festive demand initially, but post-Diwali softness moderated momentum, particularly in compressor-led products (refrigerators and air conditioners). Cooler-than-expected weather conditions in the first half of the year, coupled with cautious consumer sentiment, weighed on volumes. Margin decline was driven by lower revenue and the resulting negative operating leverage, increased raw material prices (copper and aluminium), and forex volatility. However, the Company maintained clear market leadership and launched premium products including French door refrigerators and AI-enabled washing machines.
- **Home Entertainment:** The segment saw strong traction at the start of the quarter, driven by festive and wedding season demand, as well as the GST rate cut on televisions. However, demand softened post-festivals, moderating overall momentum. Margins were impacted by post-festive demand slowdown and input cost pressures, though premium TVs and B2B opportunities (information displays) provided resilience.
- **Market share gains:** Company maintained and expanded market share across key categories despite a challenging demand environment – (1) washing machines: 33% market share (maintained leadership); (2) refrigerators: 30% market share; (3) RAC: 17.3% market share. In the premium segment: (1) OLED TV: 62.4% market share; (2) side-by-side refrigerators: 43.3% market share.
- **Working Capital:** Working capital stood at INR 11.3bn vs. INR 8.1bn YoY. The increase was primarily due to incremental inventory in compressor-led products (ACs and refrigerators) as the Company prepares for the upcoming summer season with new BEE norms, and temporary support extended to trade partners through additional payment days, offering greater flexibility.

Outlook & FY27 guidance

■ Q4FY26 Guidance:

- Management confident about a strong Q4; the largest quarter for the Company (~28% of the revenue historically). 4Q has begun on a strong note with growth across products led by recovery in the home appliance segment.
- New BEE norms are boosting consumer interest in upgraded appliances, supporting demand recovery across categories. Management guided for double-digit revenue growth and lower double digit margin for 4Q. For full-year FY26E, management guided for early single-digit revenue growth with EBITDA margin in double-digits for FY26.

■ FY27 Guidance:

- For FY27, management guidance suggested double digit revenue growth and sustained EBITDA margin in early teen-digits, in line with FY25 margin levels (12.8%).
- This will be driven by premium product launches, diversified portfolio expansion (including LG Essential series for value segment), strong brand equity, improving localization, expansion of B2B business (HVAC and information displays), AMC business ramp-up, and export acceleration.

Exports

- LG India currently exports around 6-7% of total revenue to 54 countries. Company is aiming to double its exports in FY27, driven by two major structural tailwinds: (1) US tariff rationalization from 50% to 18%, and (2) conclusion of the India-EU Free Trade Agreement.
- The Company has developed production capabilities for premium products including side-by-side refrigerators and large-capacity top freezer refrigerators (650 ltr+) in its Pune facility. These products have already passed US quality standards.
- These exports will not only drive revenue growth but also elevate premium production in India and improve margins

Sri City facility progressing well

- Construction is progressing smoothly, with the first line of RAC production expected to commence in 4QCY26, followed by compressor production in the next phase. This facility will enhance production capacity, improve logistics efficiency, and support the localization roadmap, serving both domestic and export markets.

Price hikes across categories

- **Air Conditioners (new BEE-rated products):** Cost increase of 7-8% on 3-star ACs and 9-10% on 5-star ACs. This will offset the impact of the recent GST cut. That said, for LG, the price hike required will be lesser than that its peers will require, making ACs available at approximately last year's prices. Management indicated that the price hike requirement is less largely due to the Company's global procurement scale, long-term raw material contracts, and strong backward integration, which helps mitigate input cost volatility to a certain extent.
- **Washing Machines and Refrigerators:** 2-3% price increase taken in Nov'25.

Others

- **Advance pricing agreement with CBDT:** Company has successfully entered into a 9-year Advanced Pricing Agreement (APA) with the CBDT, covering FY14 to FY23. This agreement eliminates contingent liabilities of ~INR 5bn related to direct taxes and royalty payments to the parent company. While there was a modest one-time tax outgo in 3QFY26, management suggested that the settlement significantly de-risks the tax profile, enhances transparency, and improves earnings visibility.
- **AMC business:** The Company initiated a strong drive for its AMC business, where incentives paid to partners and promoters have been accounted upfront, while revenue recognition will occur post-expiry of standard product warranty (~1yr), creating a temporary timing mismatch.
- **New product launches:** LG was the first brand to launch India's 2026 BEE-compliant ACs. 4Q launches include: 2-ton 5-star AC, sub-1-ton (0.9 ton) inverter ACs under Essential series, fixed-speed 3-star ACs, new range of French door refrigerators, expanded BEE-rated refrigerator portfolio, chest freezers (new category entry), AI-enabled washing machines, and 10 kg top-load washing machines under the Essential series.

Maharashtra Government Incentive of INR 7bn: Government of Maharashtra issued an eligibility certificate for INR 7bn under the Electronics Policy 2016, recognizing investments made between Nov'17 and Oct'24. The incentive entitlement is valid for 15 years (May'25 to Apr'40) with an annual disbursement cap of INR 470mn, in the form of SGST refunds, electricity duty and stamp duty exemptions, EPF refunds, power tariff subsidies, and property tax exemptions.

Overall Brand Strategy for India

- LG's India strategy centers on premium leadership while expanding into value segments without diluting brand equity. The company continues to dominate premium categories such as OLED TVs, side-by-side refrigerators, and 5-star ACs, while introducing the "LG Essential" series to penetrate Tier 2/3 markets and first-time buyers. The plan is to balance premiumisation, localization, B2B expansion (HVAC, information displays), and recurring AMC services, positioning LG as both a premium aspirational brand and a broader household solutions provider under its "Make for India" vision.

Exhibit 1. 3QFY26 result review

(INR mn)	Q2FY25	Q3FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q3FY26E
Net Sales	61,139	43,955	243,666	62,629	61,740	41,144	41,772
% growth	nm	nm	14%	nm	1%	-6%	-5%
Cost of sales	(41,721)	(29,432)	(165,801)	(42,831)	(43,561)	(27,739)	(28,613)
% of sales	68.2%	67.0%	68.0%	68.4%	70.6%	67.4%	68.5%
Gross Profit	19,418	14,524	77,866	19,798	18,179	13,405	13,158
% gross margin	31.8%	33.0%	32.0%	31.6%	29.4%	32.6%	31.5%
Staff cost	(2,345)	(2,371)	(9,628)	(2,536)	(2,480)	(2,606)	(2,350)
% of sales	3.8%	5.4%	4.0%	4.0%	4.0%	6.3%	5.6%
% growth	nm	nm	8.6%	nm	5.8%	9.9%	-0.9%
Other expenses	(9,503)	(8,749)	(37,136)	(10,099)	(10,224)	(8,838)	(8,500)
% of sales	15.5%	19.9%	15.2%	16.1%	16.6%	21.5%	20.3%
% growth	nm	nm	0.3%	nm	7.6%	1.0%	-2.8%
EBITDA	7,570	3,404	31,101	7,163	5,476	1,961	2,308
EBITDA Margin %	12.4%	7.7%	12.8%	11.4%	8.9%	4.8%	5.5%
% growth	nm	nm	39.8%	nm	-28%	-42%	-32%
Depreciation	(973)	(898)	(3,804)	(902)	(935)	(1,107)	(1,025)
EBIT	6,597	2,506	27,298	6,260	4,541	854	1,283
EBIT Margin %	10.8%	5.7%	11.2%	10.0%	7.4%	2.1%	3.1%
Interest	(65)	(85)	(306)	(85)	(90)	(93)	(95)
Other Income	668	786	2,640	744	798	757	600
PBT	7,199	3,206	29,631	6,920	5,249	1,517	1,788
% growth	nm	nm	45.5%	nm	-27.1%	-52.7%	-44.2%
Tax	(1,842)	(873)	(7,598)	(1,787)	(1,354)	(447)	(497)
% tax	25.6%	27.2%	25.6%	25.8%	25.8%	29.5%	25.0%
Recurring PAT	5,357	2,333	22,033	5,133	3,894	1,070	1,291
PAT Margin %	8.8%	5.3%	9.0%	8.2%	6.3%	2.6%	3.1%
Exceptional	-	-	-	-	-	(173)	-
Reported PAT	5,358	2,335	22,033	5,133	3,894	897	1,291

Source: Company, JM Financial

Exhibit 2. Segmental performance

(INR mn)	Q2FY25	Q3FY25	Q1FY26	Q2FY26	Q3FY26
Revenue					
Home Appliances and Air Solution Division					
Segmental Revenue	39,533	30,909	49,082	39,479	27,881
YoY	nm	nm	nm	0%	-10%
% of Total	65%	70%	78%	64%	68%
Home Entertainment Division					
Segmental Revenue	21,606	13,046	13,547	22,262	13,263
YoY	nm	nm	nm	3%	2%
% of Total	35%	30%	22%	36%	32%
PBIT					
Home Appliances and Air Solution Division					
Segmental EBIT	4,807	2,179	5,643	3,245	1,108
Segmental EBIT Margin %	12.2%	7.1%	11.5%	8.2%	4.0%
Home Entertainment Division					
Segmental EBIT	3,121	1,760	2,125	2,810	1,273
Segmental EBIT Margin %	14.4%	13.5%	15.7%	12.6%	9.6%

Source: Company, JM Financial

Exhibit 3. EPS revisions

Particulars (INR mn)	FY26E	FY27E	FY28E
Revenue			
New	245,844	277,048	308,745
Old	246,691	276,464	307,101
Change	-0.3%	0.2%	0.5%
EBITDA			
New	25,113	33,994	39,112
Old	26,504	34,235	39,048
Change	-5.2%	-0.7%	0.2%
EBITDA Margin %			
New	10.2%	12.3%	12.7%
Old	10.7%	12.4%	12.7%
Change	(52.9)	(11.3)	(4.7)
PAT			
New	17,747	23,287	25,846
Old	18,653	23,016	25,167
Change	-4.9%	1.2%	2.7%
EPS			
New	26.1	34.3	38.1
Old	27.5	33.9	37.1
Change	-4.9%	1.2%	2.7%

Source: Company, JM Financial

Exhibit 4. 1Y forward P/E band

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,13,520	2,43,666	2,45,844	2,77,048	3,08,745
Sales Growth	7.5%	14.1%	0.9%	12.7%	11.4%
Other Operating Income	0	0	0	0	0
Total Revenue	2,13,520	2,43,666	2,45,844	2,77,048	3,08,745
Cost of Goods Sold/Op. Exp	1,49,302	1,65,801	1,69,387	1,88,115	2,09,638
Personnel Cost	8,868	9,628	10,494	11,229	12,352
Other Expenses	33,101	37,136	40,850	43,709	47,643
EBITDA	22,249	31,101	25,113	33,994	39,112
EBITDA Margin	10.4%	12.8%	10.2%	12.3%	12.7%
EBITDA Growth	17.1%	39.8%	-19.3%	35.4%	15.1%
Depn. & Amort.	3,644	3,804	4,099	5,836	8,137
EBIT	18,605	27,298	21,014	28,158	30,975
Other Income	2,051	2,640	3,053	3,269	3,908
Finance Cost	285	306	372	399	445
PBT before Excep. & Forex	20,371	29,631	23,694	31,029	34,438
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	20,371	29,631	23,694	31,029	34,438
Taxes	5,260	7,598	5,947	7,742	8,592
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	15,111	22,033	17,747	23,287	25,846
Adjusted Net Profit	15,111	22,033	17,747	23,287	25,846
Net Margin	7.1%	9.0%	7.2%	8.4%	8.4%
Diluted Share Cap. (mn)	678.8	678.8	678.8	678.8	678.8
Diluted EPS (INR)	22.3	32.5	26.1	34.3	38.1
Diluted EPS Growth	12.1%	45.8%	-19.5%	31.2%	11.0%
Total Dividend + Tax	1,25,573	4,073	4,073	5,091	5,430
Dividend Per Share (INR)	185.0	6.0	6.0	7.5	8.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	20,371	29,631	23,694	31,029	34,438
Depn. & Amort.	3,644	3,804	4,099	5,836	8,137
Net Interest Exp. / Inc. (-)	285	306	372	399	445
Inc (-) / Dec in WCap.	-638	-6,638	-2,865	-5,148	-5,193
Others	-5,546	-7,904	-6,320	-8,140	-9,038
Taxes Paid	-355	-320	0	0	0
Operating Cash Flow	17,761	18,879	18,981	23,975	28,790
Capex	-3,403	-4,417	-17,533	-12,980	-12,487
Free Cash Flow	14,358	14,461	1,448	10,995	16,302
Inc (-) / Dec in Investments	0	0	0	0	0
Others	678	203	1,566	120	122
Investing Cash Flow	-2,725	-4,215	-15,967	-12,859	-12,365
Inc / Dec (-) in Capital	0	5,656	0	0	0
Dividend + Tax thereon	-1,25,573	-4,073	-4,073	-5,091	-5,430
Inc / Dec (-) in Loans	515	579	593	618	628
Others	1,04,622	-1,638	0	0	0
Financing Cash Flow	-20,436	524	-3,480	-4,473	-4,802
Inc / Dec (-) in Cash	-5,400	15,189	-466	6,643	11,622
Opening Cash Balance	27,619	22,220	37,408	36,943	43,586
Closing Cash Balance	22,220	37,408	36,943	43,586	55,208

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	37,722	59,702	73,376	91,572	1,11,988
Share Capital	1,131	6,788	6,788	6,788	6,788
Reserves & Surplus	36,591	52,914	66,588	84,785	1,05,200
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-1,720	-2,040	-2,040	-2,040	-2,040
Total - Equity & Liab.	36,003	57,662	71,336	89,532	1,09,948
Net Fixed Assets	10,162	10,298	23,699	30,363	34,226
Gross Fixed Assets	28,182	30,386	30,386	60,386	72,386
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	18,262	20,841	24,941	30,776	38,913
Capital WIP	242	753	18,253	753	753
Investments	0	0	0	0	0
Current Assets	73,103	1,02,833	1,02,824	1,18,569	1,39,259
Inventories	23,974	30,315	31,503	36,567	41,158
Sundry Debtors	17,970	23,612	24,537	27,928	31,746
Cash & Bank Balances	22,226	37,415	36,949	43,592	55,214
Loans & Advances	18	31	31	31	31
Other Current Assets	8,914	11,461	9,804	10,452	11,110
Current Liab. & Prov.	47,125	55,325	55,187	59,401	63,538
Current Liabilities	34,413	39,433	39,189	43,147	47,024
Provisions & Others	12,712	15,892	15,998	16,254	16,514
Net Current Assets	25,978	47,508	47,637	59,169	75,721
Total - Assets	36,140	57,807	71,336	89,532	1,09,948

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.1%	9.0%	7.2%	8.4%	8.4%
Asset Turnover (x)	4.7	4.5	3.4	3.1	2.8
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	37.2%	45.2%	26.7%	28.2%	25.4%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	55.6	88.0	108.1	134.9	165.0
ROIC	87.8%	107.4%	53.6%	50.1%	44.4%
ROE	37.2%	45.2%	26.7%	28.2%	25.4%
Net Debt/Equity (x)	-0.6	-0.6	-0.5	-0.5	-0.5
P/E (x)	66.0	45.3	56.2	42.8	38.6
P/B (x)	26.4	16.7	13.6	10.9	8.9
EV/EBITDA (x)	6.5	4.1	5.1	3.6	2.8
EV/Sales (x)	0.7	0.5	0.5	0.4	0.4
Debtor days	31	35	36	37	38
Inventory days	41	45	47	48	49
Creditor days	57	58	55	55	54

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-Jan-26	Buy	1,630	

Recommendation History

Note: This chart gets populated only 1 year after listing – stock was listed recently.



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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