

LG Electronics India

Estimate change	↓
TP change	↔
Rating change	↔

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EXTEL POLL
2025



Bloomberg	LGEL IN
Equity Shares (m)	679
M.Cap.(INRb)/(USDb)	1098.1 / 12.4
52-Week Range (INR)	1749 / 1580
1, 6, 12 Rel. Per (%)	-7/-/-
12M Avg Val (INR M)	10628
Free float (%)	15.0

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	251.6	278.9	310.2
EBITDA	27.4	34.1	39.3
Adj. PAT	19.6	24.7	28.5
EBITDA Margin (%)	10.9	12.2	12.7
Cons. Adj. EPS (INR)	28.9	36.4	42.0
EPS Gr. (%)	(11.1)	26.0	15.6
BV/Sh. (INR)	106.7	130.4	157.7

Ratios

Net D:E	(0.7)	(0.6)	(0.5)
RoE (%)	29.6	30.7	29.2
RoCE (%)	31.0	31.8	30.1
Payout (%)	35.0	35.0	35.0

Valuations

P/E (x)	56.1	44.5	38.5
P/BV (x)	15.2	12.4	10.3
EV/EBITDA (x)	38.3	30.7	26.5
Div Yield (%)	0.6	0.8	0.9
FCF Yield (%)	1.2	0.8	1.2

CMP: INR1,618 **TP: INR1,890 (+17%)** **Buy**

Margin under pressure amid external headwinds

Margin recovery will be led by localization and premium mix

- LG Electronics India's (LGEIL) 2QFY26 revenue inched up ~1% YoY to INR61.7b. However, EBITDA declined ~28% YoY to INR5.5b. OPM contracted 3.5pp YoY to 8.9% due to external factors (under absorption of fixed cost, rising commodity prices, and higher recycling costs). PAT declined ~27% YoY to INR3.9b.
- Management highlighted that it is entering its next phase of growth, with a clear strategy anchored in its Make for India, Make in India, Make India Global vision. 1HFY26 was impacted by a cool summer, early monsoons, currency volatility, US tariffs, and the GST rate cut, which temporarily delayed purchases; however, sales recovered quickly once GST changes took effect, supported by the festive and wedding season demand. Looking ahead, it expects growth to be driven by premiumization, deeper penetration through the newly launched LG essential series, expansion of premium appliances and TVs, and a stronger push in B2B segments, such as HVAC, and in information displays.
- We cut our EPS estimates ~13% for FY26E to factor in margin pressure in 2Q and ~7% for FY26-FY27E (each). The stock is trading at 45x/39x FY27/FY28E EPS. We value LGEIL at 45x FY28E EPS to arrive at our TP of INR1,890. **Reiterate Buy.**

Revenue up ~1% YoY; OPM contracts 3.5pp to ~9%

- LGEIL's consol. revenue/EBITDA/Adj PAT stood at INR61.7b/INR5.5b/INR3.9b (+1%/-28%/-27% YoY) and OPM contracted 3.5pp YoY to ~9% in 2QFY26.
- Segmental highlights: **a) Home appliances & air solutions (H&A) segment** – Revenue was flat YoY at INR39.5b, and EBIT declined ~32% YoY to INR3.2b. EBIT margin contracted 3.9pp YoY at 8.2%; **b) Home entertainment (HE)** – revenue rose ~3% YoY to INR22.3b, while EBIT declined 10% YoY to INR2.8b. EBIT margin contracted 1.8pp YoY to 12.6%.
- In 1HFY26, Revenue/EBITDA/ PAT stood at INR124.4b/INR12.6b/INR9.0b, which was -1%/-26%/-26% YoY. OPM contracted 3.5pp YoY to ~10%. OCF stood at INR10.3b vs INR14.2b in 1HFY25. Capex stood at INR5.9b vs INR1.5b. FCF stood at INR4.4b vs INR12.7b in 1HFY25.

Key highlights from the management commentary

- LGEIL expects margin expansion to be driven by higher localization, enhanced operational efficiencies, and a higher premium products mix. The new product categories will boost volumes, enabling fixed-cost absorption.
- The washing machine market share stood at 33.4%, and the refrigerator share rose to 29.9%, up 1% YoY. In the RAC category, share improved by 0.5% to 17.4% vs. YTD Sep'24.

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- The market share in TVs rose to ~28%, supported by premiumization and strong traction in large-screen formats. OLED market share reached ~62%, confirming LG's leadership in premium televisions.

Valuation and view

- LGEIL's 2QFY26 earnings were below our estimates due to margin pressure amid external factors. Management expects margins to improve going forward, with multiple initiatives taken by the company. Additionally, the company is pursuing a two-track strategy of continuing LG Essential while launching a new premium range to target niche demand and unlock growth in underpenetrated markets. This will also widen the price spectrum and help improve the asset turnover of the upcoming Sri City plan.
- We estimate LGEIL's revenue/EBITDA/PAT CAGR at 8%/8%/9% over FY25-28. We estimate the H&A segment's margin to be at ~13% (each) in FY27/FY28 vs. ~11% in FY26, while the HE segment's margin is projected at ~15%/16% in FY27/FY28 vs. ~14% in FY26. We anticipate a recovery in operating profit margin in FY27/28, driven by increased domestic sourcing of components, a focus on B2B and export markets, and growth in AMC revenue. The stock is trading reasonably at 45x/39x FY27/FY28E EPS. We value LGEIL at 45x FY28E EPS to arrive at our TP of INR1,890. **Reiterate BUY.**

Quarterly Performance (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Sales	64,088	61,139	43,970	74,465	62,629	61,740	46,608	80,630	2,43,666	2,51,613	1%	-1%
Change (%)	-	-			-2.3	1.0	6.0	8.3	-	3.3		
Adj EBITDA	9,581	7,570	3,517	10,434	7,163	5,476	4,326	10,466	31,101	27,430	-28%	-24%
Change (%)	-	-			-25.2	-27.7	23.0	0.3	-	-11.8		
Adj EBITDA margin (%)	14.9	12.4	8.0	14.0	11.4	8.9	9.3	13.0	12.8	10.9	(351)	(257)
Depreciation	967	973	920	943	902	935	954	1,150	3,804	3,941	-4%	4%
Interest	69	65	80	91	85	90	88	95	306	359	37%	6%
Other Income	580	668	698	695	744	798	810	859	2,640	3,211	19%	7%
Extra-ordinary items	-	-	-	-	-	-	-	-	-	-		
PBT	9,124	7,199	3,214	10,094	6,920	5,249	4,094	10,080	29,631	26,342	-27%	-24%
Tax	2,328	1,842	823	2,606	1,787	1,354	1,044	2,569	7,598	6,754		
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.8	25.8	25.5	25.5	25.6	25.6		
Reported PAT	6,796	5,357	2,391	7,488	5,133	3,894	3,050	7,511	22,033	19,588	-27%	-24%
Change (%)	-	-			(24.5)	(27.3)	27.5	0.3	-	-11.1		
Adj PAT	6,796	5,357	2,391	7,488	5,133	3,894	3,050	7,511	22,033	19,588	-27%	-24%
Change (%)	-	-			(24.5)	(27.3)	27.5	0.3	-	-11.1		

Segmental Performance (INR m)

Y/E March	FY25				FY26E				FY25	FY26E	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Sales												
Home Appliance and Air Solution division	50,609	39,537	30,920	61,612	49,086	39,481	32,775	66,117	1,82,679	1,87,459	0%	-20%
Home entertainment division	13,479	21,607	13,050	12,853	13,547	22,262	13,833	14,512	60,988	64,155	3%	64%
EBIT												
Home Appliance and Air Solution division	7,571	4,807	2,190	8,867	5,643	3,245	3,114	8,619	23,434	20,620	-32%	-42%
Home entertainment division	2,337	3,121	1,760	2,091	2,125	2,810	1,798	2,249	9,309	8,982	-10%	32%
EBIT Margin (%)												
Home Appliance and Air Solution division	15.0	12.2	7.1	14.4	11.5	8.2	9.5	13.0	12.8	11.0	(394)	(328)
Home entertainment division	17.3	14.4	13.5	16.3	15.7	12.6	13.0	15.5	15.3	14.0	(182)	(306)



Key highlights from the management commentary

Demand environment and localization efforts

- The first half of FY26 was shaped by a challenging external environment, with demand impacted by an unexpectedly cool summer, early monsoons, currency volatility, US tariff changes, and geopolitical tensions, especially in the Indo-Pak region. The GST rate cut further disrupted market momentum, as both consumers and channel partners postponed purchases in anticipation of lower prices. Despite these pressures, LGEIL regained traction quickly after the revised GST rates came into effect, recovering nearly three months of sales in just six weeks as festive and wedding season demand accelerated.
- Amid these external pressures, the company continued to strengthen its cost structure through accelerated localization. Localization reached ~56% in 2QFY26, with a target of ~70% over the next 3-4 years. Progress has come from increased local sourcing of key components, the shift to in-house RAC compressor production, and the local manufacturing of premium OLED TVs and side-by-side refrigerators. These efforts are expected to deliver margin benefits through lower duties, reduced logistics costs, and lower FX exposure. Management indicated that localization and FX savings together could support ~3-4% annual efficiency gains depending on the product category.

LG Essential series

- LG Essential series is based on insights gathered from 1,200 Indian households, exploring their daily needs and expectations from its products. The survey highlighted that, beyond affordability, consumers increasingly seek energy-efficient solutions, washing machines that perform well under low water pressure, and refrigerators that eliminate the need for defrosting.
- Accordingly, it launched select SKUs last month during Diwali, including an 8kg top-loader and a 225-liter refrigerator, with two additional models planned for release later this year. It will also soon introduce a 0.9-ton RAC and a microwave with an air-fryer kit. These launches are well-received across the dealer network.
- The company has priced these products aggressively to offer entry-level customers a strong incentive to upgrade their first purchase, ensuring to exceed their expectations and become their preferred choice for future premium upgrades. The washing machine is priced in the INR16,000–18,000 range, while the refrigerator is around INR20,000. These products are already available in the market and are receiving an encouraging customer response.

Home Appliances and Air Solutions segment

- This segment continued to reinforce LG's category leadership, with market share remaining strong across core categories: ~33% in washing machines, ~30% in refrigerators, and ~17% in RACs, all showing sequential increase in market share. In premium categories, the company extended its leadership with a ~63% share in side-by-side refrigerators, reflecting strong traction for higher-value products.
- Margin was impacted by commodity inflation, recycling cost increases, and higher go-to-market spends during the festive period.
- LGEIL continued advancing its dual-track portfolio strategy. The Essential Series targets aspirational first-time buyers by offering affordable yet energy-efficient

appliances. Simultaneously, it widened its premium portfolio with new French door refrigerators and AI-enabled front-load washers.

- Demand is expected to strengthen in 2HFY26 due to GST-led price benefits, festive and wedding-related purchases, and the transition to new BEE star-rating norms from Jan'26. Promotional intensity has already moderated post Diwali, and the company expects steady momentum across both premium and value segments.

Home Entertainment segment

- The market share in TVs rose to ~28%, supported by premiumization and strong traction in large-screen formats. OLED market share increased sharply to ~63%, confirming LG's leadership in premium televisions.
- While the TV industry faced certain external headwinds due to tariffs and geopolitical issues, LGEIL expects demand to remain strong through H2HY26 as GST cuts and festive sentiment drive sales. Larger screen sizes continue to be the key upgrade driver, benefiting the company's premium TV mix.
- In the B2B segment, which contributes ~6% of revenue, performance was temporarily impacted by global IT budget realignments following US tariff changes. However, LGEIL maintains a strong pipeline and expects recovery as macro conditions stabilize. India-made display panels and leadership in inverter-based HVAC systems continue to offer advantages for the company.

Capex and exports updates

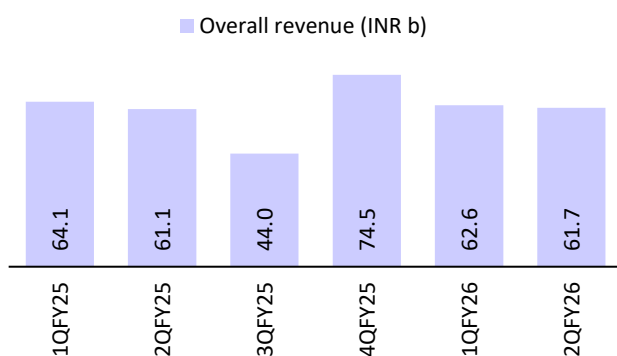
- A major part of the company's strategy is the upcoming INR50b Sri City manufacturing facility, which will significantly expand capacity, improve supply chain efficiency, and create a dedicated base for premium exports under LG's Global South initiative. The plant will begin operations with RAC production in Oct'26, followed by compressors, refrigerators, and washing machines in subsequent phases. The facility is being developed with a ~100% capital subsidy over 20 years and will be fully funded through internal accruals.
- This expansion complements LG's broader export strategy, where shipments to 54 countries contribute ~5–6% of revenue and are expected to rise as premium product lines expand.

Future outlook

- LGEIL is entering its next phase of growth with a clear strategy built around its Make for India, Make in India, Make India Global vision. The strong IPO response reinforced its position as an India-rooted company with high domestic trust. The long-term plan focuses on adapting global technology for Indian needs, scaling local manufacturing, and building India as a meaningful export hub.
- Looking ahead, it aims to sustain its growth trajectory through premiumization, deeper penetration with the Essential Series, expansion of its premium appliance and TV range, and a stronger push in B2B segments such as HVAC and information displays. Growing AMC and recurring service revenue are expected to further support margins. Management remains confident of returning to double-digit growth and strong profitability as market conditions stabilize.

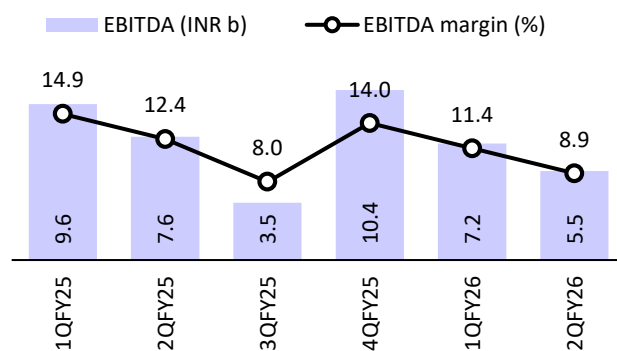
Story in charts

Exhibit 1: Overall revenue increased 1% YoY



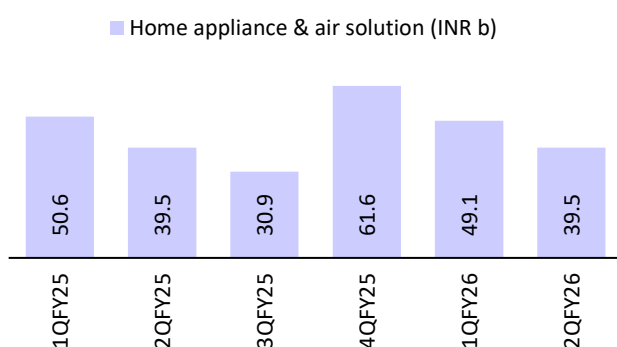
Source: MOFSL, Company

Exhibit 2: EBITDA margin contracted 3.5pp YoY



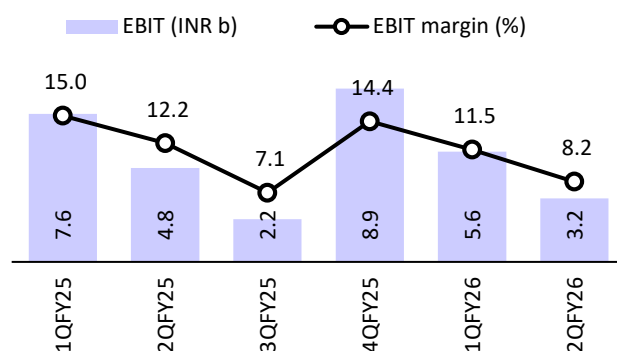
Source: MOFSL, Company

Exhibit 3: H&A segment's revenue remained flat YoY



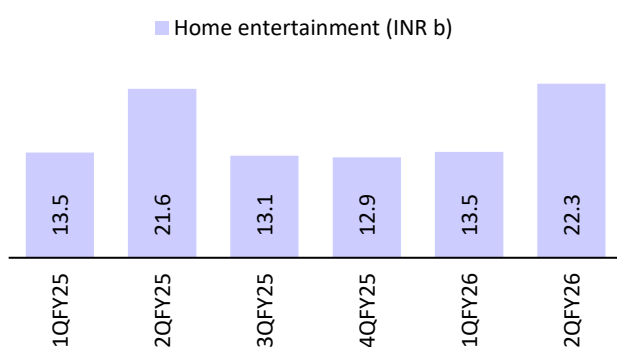
Source: MOFSL, Company

Exhibit 4: H&A segment's margin contracted 3.9pp YoY



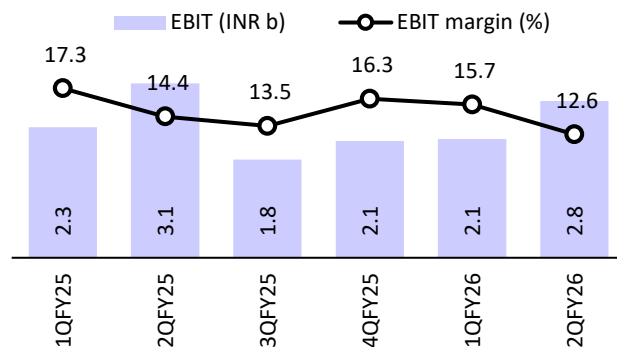
Source: MOFSL, Company

Exhibit 5: HE segment's revenue increased 3% YoY



Source: MOFSL, Company

Exhibit 6: HE segment's margin contracted 1.8pp YoY



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement								(INR M)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	1,50,866	1,68,342	1,98,646	2,13,520	2,43,666	2,51,613	2,78,919	3,10,187
Change (%)	-4.0	11.6	18.0	7.5	14.1	3.3	10.9	11.2
Raw Materials	97,679	1,18,005	1,40,281	1,49,302	1,65,801	1,74,117	1,89,944	2,10,307
Gross margin (%)	35.3	29.9	29.4	30.1	32.0	30.8	31.9	32.2
Staff Cost	6,610	7,255	7,992	8,868	9,628	10,398	11,438	12,582
Other Expenses	23,068	25,995	31,380	33,101	37,136	39,669	43,416	47,973
EBITDA	23,509	17,087	18,993	22,249	31,101	27,430	34,121	39,326
% of Net Sales	15.6	10.2	9.6	10.4	12.8	10.9	12.2	12.7
Depreciation	2,439	2,584	3,004	3,644	3,804	3,941	4,264	4,913
Interest	156	225	226	285	306	359	384	403
Other Income	1,702	2,038	2,440	2,051	2,640	3,211	3,729	4,362
PBT	22,616	16,316	18,203	20,371	29,631	26,342	33,203	38,371
Tax	5,951	4,260	4,723	5,260	7,598	6,754	8,513	9,839
Rate (%)	26.3	26.1	25.9	25.8	25.6	25.6	25.6	25.6
Extra-ordinary Inc.(net)	0	0	0	0	0	0	0	0
Reported PAT	16,665	12,056	13,480	15,111	22,033	19,588	24,689	28,533
Change (%)	-10.1	-27.7	11.8	12.1	45.8	-11.1	26.0	15.6
Adjusted PAT	16,665	12,056	13,480	15,111	22,033	19,588	24,689	28,533
Change (%)	-10.1	-27.7	11.8	12.1	45.8	-11.1	26.0	15.6

Balance Sheet (Consolidated)								(INR M)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	1,131	1,131	1,131	1,131	6,788	6,788	6,788	6,788
Reserves	64,734	53,876	42,431	36,591	52,914	65,646	81,694	1,00,240
Net Worth	65,865	55,007	43,562	37,722	59,702	72,434	88,482	1,07,028
Loans	0	0	0	0	0	0	0	0
Deffered Tax Liability	-1,432	-1,278	-1,365	-1,720	-2,040	-2,040	-2,040	-2,040
Capital Employed	64,433	53,729	42,197	36,002	57,662	70,394	86,442	1,04,988
Gross Fixed Assets	22,781	24,840	30,146	32,839	35,801	38,554	45,054	70,554
Less: Depreciation	12,292	14,365	16,719	19,651	22,510	26,451	30,715	35,628
Net Fixed Assets	10,489	10,475	13,427	13,188	13,291	12,103	14,339	34,926
Capital WIP	338	1,030	246	244	753	6,000	15,000	5,000
Investments	0	0	0	0	0	0	0	0
Curr. Assets	98,331	81,409	74,883	69,832	99,087	1,09,478	1,20,193	1,34,913
Inventory	26,418	24,094	26,410	23,974	30,315	31,021	34,387	38,242
Debtors	10,595	13,811	14,995	17,970	23,612	24,382	27,028	30,058
Cash & Bank Balance	55,108	37,094	27,626	22,226	37,415	47,092	51,037	58,004
Other Current Assets	6,161	6,331	5,783	5,589	7,659	6,894	7,642	8,498
Current Liab. & Prov.	44,725	39,185	46,359	47,262	55,470	57,188	63,091	69,851
Creditors	33,397	25,984	31,192	30,351	34,049	35,160	38,975	43,345
Other Liabilities	9,154	11,433	13,108	14,504	18,629	19,237	21,324	23,715
Provisions	2,174	1,768	2,059	2,407	2,791	2,791	2,791	2,791
Net Current Assets	53,606	42,224	28,524	22,570	43,617	52,290	57,102	65,062
Application of Funds	64,433	53,729	42,197	36,002	57,662	70,394	86,442	1,04,988

Financials and valuations (Consolidated)

Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)								
Adjusted EPS	24.6	17.8	19.9	22.3	32.5	28.9	36.4	42.0
Growth (%)	-10.1	-27.7	11.8	12.1	45.8	-11.1	26.0	15.6
Cash EPS	28.1	21.6	24.3	27.6	38.1	34.7	42.7	49.3
Book Value	97.0	81.0	64.2	55.6	88.0	106.7	130.4	157.7
DPS	11.8	20.0	22.0	18.5	0.0	10.1	12.7	14.7
Payout (incl. Div. Tax.)	80.0	187.7	184.6	138.5	0.0	35.0	35.0	35.0
Valuation (x)								
P/Sales	12.1	10.9	9.2	8.6	4.5	4.4	3.9	3.5
P/E (standalone)	65.9	91.1	81.5	72.7	49.9	56.1	44.5	38.5
Cash P/E	57.5	75.0	66.7	58.6	42.5	46.7	37.9	32.9
EV/EBITDA	44.4	62.1	56.4	48.4	34.1	38.3	30.7	26.5
EV/Sales	6.9	6.3	5.4	5.0	4.4	4.2	3.8	3.4
Price/Book Value	16.7	20.0	25.2	29.1	18.4	15.2	12.4	10.3
Dividend Yield (%)	0.7	1.2	1.4	1.1	0.0	0.6	0.8	0.9
Profitability Ratios (%)								
RoE	25.7	19.9	27.4	37.2	45.2	29.6	30.7	29.2
RoCE	26.4	20.7	28.5	39.2	47.5	31.0	31.8	30.1
RoIC	129.7	82.6	75.9	97.4	119.3	80.2	75.6	62.1
Turnover Ratios								
Debtors (Days)	26	30	28	31	35	35	35	35
Inventory (Days)	64	52	49	41	45	45	45	45
Creditors. (Days)	81	56	57	52	51	51	51	51
Asset Turnover (x)	2.3	3.1	4.7	5.9	4.2	3.6	3.2	3.0
Leverage Ratio								
Net Debt/Equity (x)	-0.8	-0.7	-0.6	-0.6	-0.6	-0.7	-0.6	-0.5

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
(INR M)								
PBT before EO Items	20,880	15,575	18,292	20,562	29,472	26,342	33,203	38,371
Add : Depreciation	2,460	2,612	3,004	3,644	3,804	3,941	4,264	4,913
Interest	(1,467)	(1,399)	(1,977)	(1,720)	(2,172)	(2,853)	(3,345)	(3,959)
Less : Direct Taxes Paid	5,676	4,016	4,425	5,698	7,539	6,754	8,513	9,839
(Inc)/Dec in WC	(4,229)	6,793	(3,988)	125	7,025	(1,005)	867	993
CF from Operations	20,426	5,979	18,882	16,663	16,539	21,681	24,741	28,494
(Inc)/Dec in FA	(1,749)	(2,695)	(5,138)	(2,411)	(3,346)	(8,000)	(15,500)	(15,500)
Free Cash Flow	18,677	3,284	13,744	14,252	13,193	13,681	9,241	12,994
(Pur)/Sale of Investments	2,051	1,963	2,399	2,197	3,070	3,211	3,729	4,362
CF from Investments	302	(732)	(2,739)	(214)	(275)	(4,789)	(11,771)	(11,138)
(Inc)/Dec in Net Worth / Others	(243)	(414)	(494)	(654)	(770)	-	-	-
(Inc)/Dec in Debt	-	-	-	-	-	-	-	-
Less : Interest Paid	156	225	225	269	305	359	384	403
Dividend Paid	13,327	22,626	24,888	20,929	-	6,856	8,641	9,986
CF from Fin. Activity	(13,726)	(23,265)	(25,607)	(21,852)	(1,075)	(7,214)	(9,025)	(10,389)
Inc/Dec of Cash	7,002	(18,018)	(9,464)	(5,403)	15,189	9,678	3,945	6,967
Add: Beginning Balance (incl.bank deposits)	48,106	55,112	37,090	27,629	22,226	37,415	47,092	51,037
Closing Balance	55,108	37,094	27,626	22,226	37,415	47,092	51,037	58,004

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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