

LG Electronics India

Demand recovery underway

We visited the company's Pune manufacturing facility and interacted with the management. The plant operates nine production lines, manufacturing refrigerators, washing machines, air conditioners, and televisions. The company expects FY26E revenues to remain largely flat YoY (implying 5% YoY growth in Q4), with EBITDA margin staying in the low double digits. Management highlighted improved demand traction in Q4, with washing machines and televisions delivering double-digit growth, while RAC segment delivered growth from January to February despite a high base of 30% growth in the previous year. The company asserted that demand momentum continued in March for RAC as summer demand picked up. While elevated freight costs due to the Middle-East tensions have weighed on export demand (7% of revenue mix), while Middle-East contributes only USD 2–3mn per quarter (<1% of total revenue), which limits the overall impact on revenue. Management indicated that despite ongoing LPG supply disruptions, the Pune facility has adequate LPG inventory to support RAC production until March and refrigerator production until mid-April, while the Noida facility is stocked through April. The availability of alternative fuels options, along with healthy inventory level for room air conditioners (RACs) at both company and channel level, further mitigates production risks. We like LG for its market leadership in core product categories, strong brand equity, consistent technological innovations and product launches, robust return ratios, and low working capital needs. We expect it to continue to deliver healthy growth across segments in the coming times, though FY26E could remain soft on muted demand. We expect the company to deliver revenue/EBITDA/APAT CAGRs of 8/8/8% over FY25–28E. Factoring in ongoing export disruptions due to the Middle-East tensions, we have trimmed our revenue and APAT estimates by 1% each for FY26E, while we have maintained our estimates for FY27/28E. We maintain ADD with an unchanged target price of INR 1,545/share, based on 38x Mar'28E EPS.

- **About the Pune facility:** This is the company's second manufacturing facility in India, commissioned in 2004. The plant operates nine production lines and manufactures refrigerators, washing machines, RACs, commercial air-conditioning systems, and televisions. It has an installed capacity of ~7mn units, representing around 48% of the company's total capacity, and operated at about 75% utilization in FY25. The plant accounts for half of RAC production volume.
- **Demand and guidance:** The company expects FY26E revenues to remain largely flat YoY (implying 5% YoY growth in Q4), with EBITDA margin staying in the low double digits. Management highlighted improved demand traction in Q4, with washing machines and televisions delivering double-digit growth, while the RAC segment has delivered growth from January to February despite a high base of 30% growth in the previous year. It asserted that demand momentum continued in March for RAC as summer demand picked up.
- **Targeting new export markets, with current demand setbacks:** Exports currently account for 7% of the revenue. The US and EU trade agreements are set to accelerate the company's growth, with management targeting a doubling of exports in FY27. However, the ongoing tensions in the Middle East have led to a sharp increase in freight costs, adversely impacting demand. Management noted, however, that the Middle East contributes only USD 2–3mn of revenue per quarter, accounting for less than 1% of total revenue, thereby limiting the overall impact.

ADD

CMP (as on 17 Mar 2026) INR 1,564

Target Price INR 1,545

NIFTY 23,581

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,545	INR 1,545
EPS %	FY26E -1.4	FY27E -

KEY STOCK DATA

Bloomberg code	LGEL IN
No. of Shares (mn)	679
MCap (INR bn) / (\$ mn)	1,062/11,493
6m avg traded value (INR mn)	-
52 Week high / low	INR 1,749/1,300

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.9	-	-
Relative (%)	10.9	-	-

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	100.00	85.00
FIs & Local MFs	0.0	7.15
FPIs	0.0	3.00
Public & Others	0.0	4.85
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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- **Pricing:** The company effected price hikes of 2–3% on washing machines and refrigerators in November-2025, and 7–9% on room air conditioners in January-2026, to pass on higher input costs led by rising aluminium and copper prices as well as the implementation of new BEE norms. However, price increases in televisions have not yet been undertaken, as the company plans to launch a new product series in April.
- **LPG disruptions, no material impact on production:** Management highlighted that air conditioner and refrigerator manufacturing requires LPG fuel. Although there have been disruptions in LPG supply, the company has indicated that it is unlikely to pose a material challenge. The Pune facility has sufficient LPG inventory to support RAC production until March and refrigerator production until mid-April, while the Noida facility is adequately stocked through April. In addition, company has alternative fuel options to explore. Management also highlighted that finished inventory for RACs remains healthy at both company and channel levels, which further mitigates any potential impact on overall production.
- **Sri City greenfield plant:** The company is setting up a third manufacturing facility at Sri City, Andhra Pradesh, to expand capacity, achieve warehousing and logistics cost efficiencies, and strengthen its strategic presence in the southern market, which contributes ~40% of total revenues. The plant will be commissioned in phases, with air conditioner production expected to commence by Q3FY27, followed by compressors in Q4FY27, washing machines in FY28, and refrigerators in FY29.
- **Outlook and valuation:** We like LG for its market leadership in core product categories, strong brand equity, consistent technological innovations and product launches, robust return ratios, and low working capital needs. We expect it to continue to deliver healthy growth across segments in the coming times, though FY26E could remain soft on muted demand. In our view, the company’s margins will decline in FY26E, owing to weak demand and increase promotional expenses as well as raw material costs. However, margins are expected to recover starting FY27E, as demand starts to revive. We expect the company to deliver revenue/EBITDA/APAT CAGRs of 8/8/8%, respectively, over FY25-28E. Factoring in ongoing export disruptions due to the Middle-East tensions, we have trimmed our revenue and APAT estimates by 1% each for FY26E, while we maintain our estimates for FY27/28E. We maintain our ADD rating with an unchanged target price of INR 1,545/share, based on 38x Mar’28E EPS.

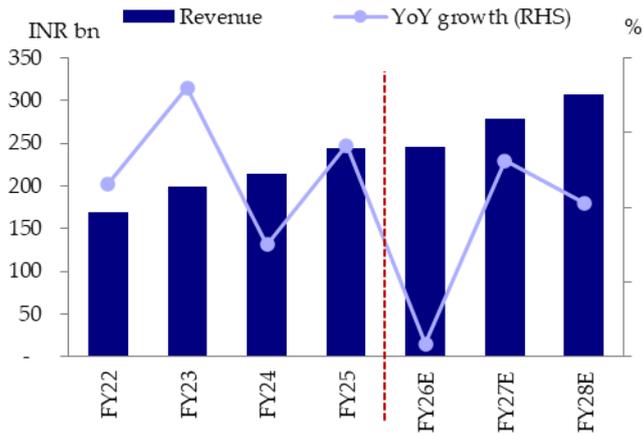
Financial summary

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,68,342	1,98,646	2,13,520	2,43,666	2,45,733	2,77,977	3,06,529
EBITDA	17,105	18,993	22,249	31,101	24,064	34,413	39,650
EBITDAM (%)	10.2	9.6	10.4	12.8	9.8	12.4	12.9
APAT	12,056	13,480	15,111	22,033	17,045	24,398	27,621
EPS (INR)	17.8	19.9	22.3	32.5	25.1	35.9	40.7
EV/EBITDA (x)	60.2	54.8	47.0	33.2	42.3	29.2	25.0
P/E (x)	88.3	79.0	70.5	48.3	62.5	43.7	38.6
RoE (%)	19.9	27.4	37.2	45.2	25.0	28.1	25.5

Source: Company, HSIE Research

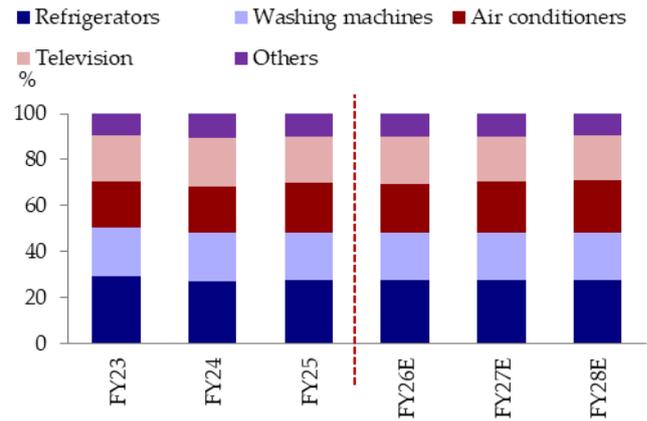
LG Electronics India: Company Update

Revenue to witness 8% CAGR over FY25-28E



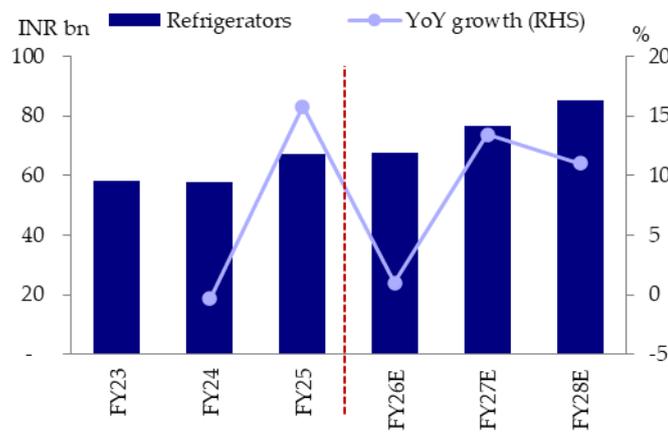
Source: Company, HSIE Research

Product mix to remain mainly same over FY25-28E



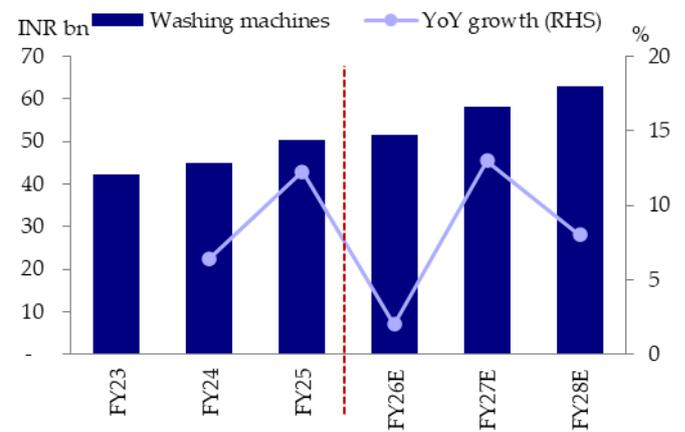
Source: Company, HSIE Research

Refrigerator to register 8% CAGR over FY25-28E...



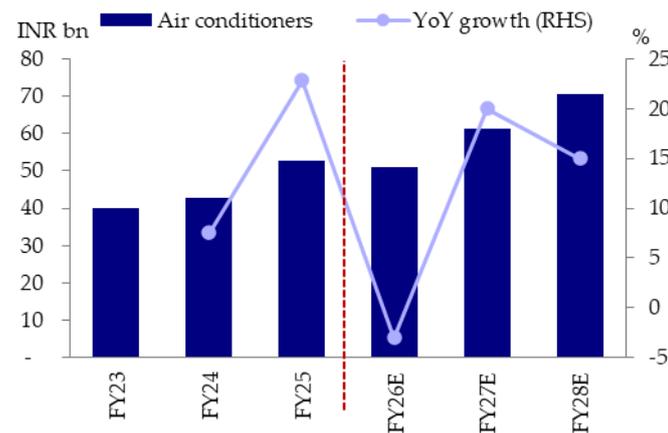
Source: Company, HSIE Research

...and washing machines too...



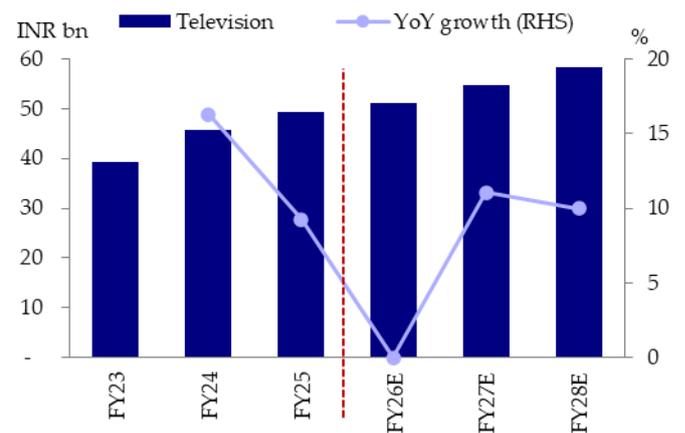
Source: Company, HSIE Research

...RACs to register 10% CAGR over the FY25-28E...



Source: Company, HSIE Research

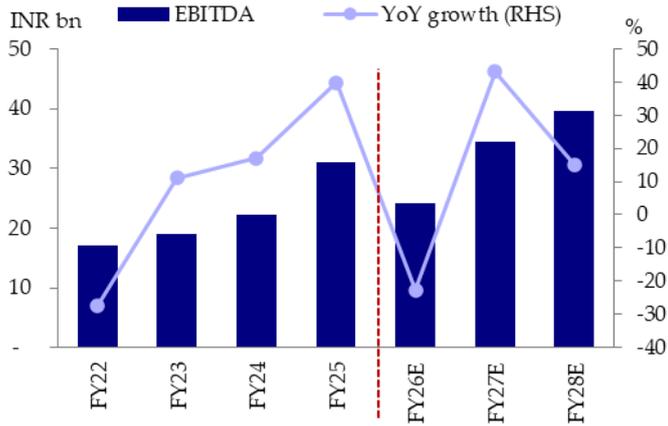
...while televisions to witness 6% CAGR



Source: Company, HSIE Research

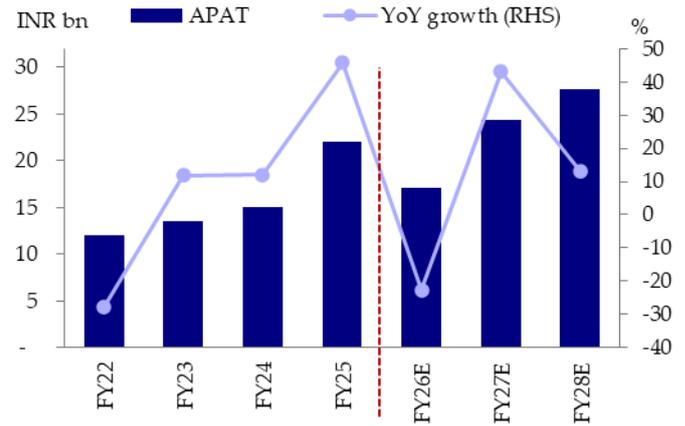
LG Electronics India: Company Update

EBITDA to grow 8% CAGR over FY25-28E



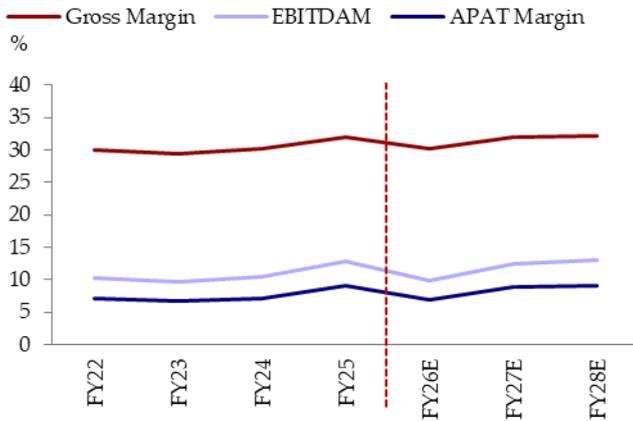
Source: Company, HSIE Research

APAT to witness 8% CAGR over FY25-28E



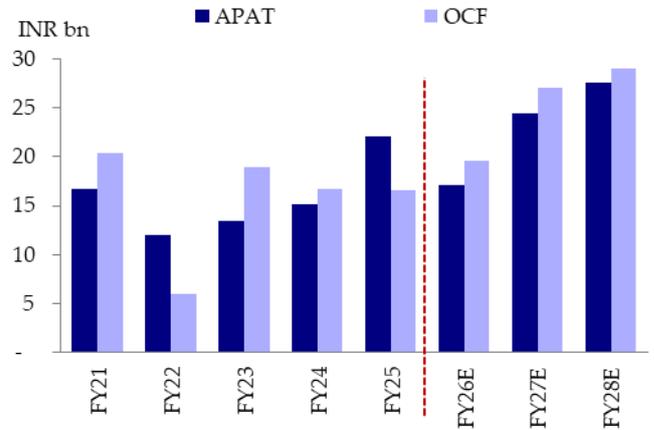
Source: Company, HSIE Research

Margins to decline in FY26; may recover in FY27E/28E



Source: Company, HSIE Research

APAT and OCF likely to rise in coming periods



Source: Company, HSIE Research

Income Statement

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	1,98,646	2,13,520	2,43,666	2,45,733	2,77,977	3,06,529
Growth %	18.0	7.5	14.1	0.8	13.1	10.3
Raw Material	1,40,281	1,49,302	1,65,801	1,71,416	1,89,080	2,08,025
Employee cost	7,992	8,868	9,628	10,075	11,397	12,261
Other Expenses	31,380	33,101	37,136	40,177	43,086	46,592
EBITDA	18,993	22,249	31,101	24,064	34,413	39,650
EBIDTA Margin (%)	9.6	10.4	12.8	9.8	12.4	12.9
EBITDA Growth %	11.0	17.1	39.8	(22.6)	43.0	15.2
Depreciation	3,004	3,644	3,804	3,830	4,780	6,180
EBIT	15,989	18,605	27,298	20,234	29,633	33,470
Other Income	2,440	2,051	2,640	3,168	3,643	4,190
Interest	226	285	306	368	395	435
PBT	18,203	20,371	29,631	23,034	32,881	37,225
Tax	4,723	5,260	7,598	5,989	8,483	9,604
Minority Int	-	-	-	-	-	-
RPAT	13,449	15,111	22,033	16,772	24,398	27,621
EO (Loss) / Profit (Net Of Tax)	(31)	-	-	(273)	-	-
APAT	13,480	15,111	22,033	17,045	24,398	27,621
APAT Growth (%)	11.8	12.1	45.8	(22.6)	43.1	13.2
AEPS	19.9	22.3	32.5	25.1	35.9	40.7
AEPS Growth %	11.8	12.1	45.8	(22.6)	43.1	13.2

Source: Company, HSIE Research

Balance Sheet

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital	1,131	1,131	6,788	6,788	6,788	6,788
Reserves And Surplus	42,431	36,591	52,914	69,959	90,284	1,13,153
Total Equity	43,562	37,722	59,702	76,747	97,072	1,19,941
Long-term Debt	2,495	2,847	3,305	3,636	3,999	4,399
Short-term Debt	690	853	973	1,070	1,177	1,295
Total Debt	3,185	3,700	4,278	4,706	5,177	5,694
Deferred Tax Liability	(1,365)	(1,720)	(2,040)	(2,040)	(2,040)	(2,040)
Long-term Liab+ Provisions	1,865	2,548	3,180	3,451	3,747	4,070
TOTAL SOURCES OF FUNDS	47,247	42,251	65,120	82,863	1,03,955	1,27,665
APPLICATION OF FUNDS						
Net Block	13,428	13,188	13,291	14,461	23,681	31,501
Capital WIP	246	245	753	9,753	9,753	9,753
Other Non-current Assets	3,242	3,248	3,679	4,047	4,451	4,896
Total Non-current Investments	-	-	-	-	-	-
Total Non-current Assets	16,916	16,681	17,723	28,261	37,885	46,150
Inventories	26,410	23,974	30,315	29,488	30,577	33,718
Debtors	14,995	17,970	23,612	24,573	27,798	30,653
Cash and Cash Equivalents	27,626	22,226	37,415	46,274	58,976	73,557
Other Current Assets (& Loans/adv)	2,609	2,414	4,067	4,352	4,788	5,267
Total Current Assets	71,641	66,584	95,408	1,04,687	1,22,139	1,43,194
Creditors	30,633	29,755	33,671	34,403	38,917	42,914
Other Current Liabilities & Provns	10,677	11,259	14,340	15,682	17,153	18,766
Total Current Liabilities	41,309	41,014	48,012	50,085	56,070	61,680
Net Current Assets	30,332	25,570	47,397	54,603	66,069	81,514
TOTAL APPLICATION OF FUNDS	47,247	42,251	65,120	82,863	1,03,955	1,27,665

Source: Company, HSIE Research

Cash Flow

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	18,161	20,371	29,631	23,034	32,881	37,225
Non-operating & EO Items	(2,072)	(1,799)	(2,636)	(3,168)	(3,643)	(4,190)
Interest Expenses	225	269	305	368	395	435
Depreciation	3,004	3,644	3,804	3,830	4,780	6,180
Working Capital Change	3,988	(133)	(7,025)	1,556	1,127	(986)
Tax Paid	(4,425)	(5,699)	(7,539)	(5,989)	(8,483)	(9,604)
OPERATING CASH FLOW (a)	18,882	16,655	16,539	19,631	27,057	29,060
Capex	(5,138)	(2,402)	(3,346)	(14,000)	(14,000)	(14,000)
Free Cash Flow (FCF)	13,744	14,253	13,193	5,631	13,057	15,060
Investments	-	-	-	-	-	-
Non-operating Income	2,399	2,198	3,070	3,168	3,643	4,190
Others						
INVESTING CASH FLOW (b)	(2,739)	(205)	(275)	(10,832)	(10,357)	(9,810)
Debt Issuance/(Repaid)	(494)	(654)	(760)	428	471	518
Interest Expenses	(225)	(269)	(305)	(368)	(395)	(435)
FCFE	13,025	13,329	12,129	5,691	13,132	15,142
Share Capital Issuance	-	-	-	-	-	-
Dividend	(24,888)	(20,929)	-	-	(4,073)	(4,751)
Others	-	-	-	-	-	-
FINANCING CASH FLOW (c)	(25,607)	(21,853)	(1,065)	59	(3,997)	(4,669)
NET CASH FLOW (a+b+c)	(9,464)	(5,402)	15,199	8,859	12,703	14,581
EO Items, Others						
Closing Cash & Equivalents	27,630	22,223	37,425	46,274	58,976	73,557

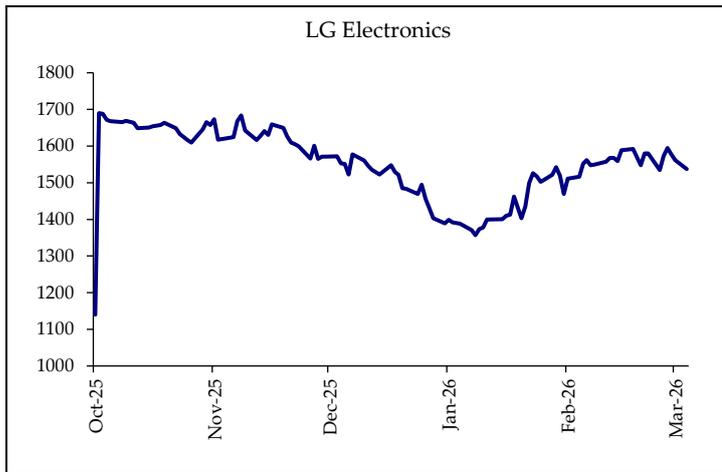
Source: Company, HSIE Research

Key Ratios

Year end march	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	9.6	10.4	12.8	9.8	12.4	12.9
EBIT Margin	8.0	8.7	11.2	8.2	10.7	10.9
APAT Margin	6.8	7.1	9.0	6.9	8.8	9.0
RoE	27.4	37.2	45.2	25.0	28.1	25.5
RoIC (pre tax)	80.8	95.0	116.8	75.2	95.5	84.1
RoCE (pre tax)	34.9	46.2	55.8	31.6	35.6	32.5
EFFICIENCY						
Tax Rate %	25.9	25.8	25.6	26.0	25.8	25.8
Fixed Asset Turnover (x)	7.2	6.8	7.1	6.4	5.8	5.0
Inventory (days)	49	41	45	44	40	40
Debtors (days)	28	31	35	37	37	37
Other Current Assets (days)	11	10	12	12	12	12
Payables (days)	56	51	50	51	51	51
Other Current Liab & Provns (days)	23	24	26	28	27	27
Cash Conversion Cycle (days)	8	7	16	13	10	10
Net Debt/EBITDA (x)	(1.3)	(0.8)	(1.1)	(1.7)	(1.6)	(1.7)
Net D/E	(0.6)	(0.5)	(0.6)	(0.5)	(0.6)	(0.6)
Interest Coverage	70.8	65.3	89.1	54.9	75.0	77.0
PER SHARE DATA (Rs)						
EPS	19.9	22.3	32.5	25.1	35.9	40.7
CEPS	24.3	27.6	38.1	30.8	43.0	49.8
Dividend	36.7	30.8	-	6.0	7.0	8.0
Book Value	64.2	55.6	88.0	113.1	143.0	176.7
VALUATION						
P/E (x)	79.0	70.5	48.3	62.5	43.7	38.6
P/Cash EPS (x)	64.7	56.8	41.2	51.7	36.5	31.5
P/BV (x)	24.4	28.2	17.8	13.9	11.0	8.9
EV/EBITDA (x)	54.8	47.0	33.2	42.3	29.2	25.0
EV/sales (x)	5.24	4.90	4.23	4.14	3.62	3.24
Dividend Yield (%)	2.3	2.0	-	0.4	0.4	0.5
OCF/EV (%)	1.8	1.6	1.6	1.9	2.7	2.9
FCFF/EV (%)	1.3	1.4	1.3	0.6	1.3	1.5
FCFE/M Cap (%)	1.3	1.3	1.2	0.5	1.2	1.4

Source: Company, HSIE Research

Price history



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

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