

LG Electronics India

BSE SENSEX
76,704

S&P CNX
23,778

CMP: INR1,581

TP: INR1,860 (+18%)

Buy



Stock Info

Bloomberg	LGEL IN
Equity Shares (m)	679
M.Cap.(INRb)/(USDb)	1073 / 11.6
52-Week Range (INR)	1749 / 1300
1, 6, 12 Rel. Per (%)	9/-/-
12M Avg Val (INR M)	3125
Free float (%)	15.0

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	247.3	272.3	300.5
EBITDA	25.6	32.8	38.3
Adj PAT	18.3	23.7	27.7
EBITDA Margin (%)	10.3	12.0	12.7
EPS (INR)	27.0	35.0	40.9
EPS Gr. (%)	(17.0)	29.7	16.9
BV/Sh (INR)	105.1	127.8	154.4
Ratios			
Net D/E	(0.6)	(0.6)	(0.5)
RoE (%)	27.9	30.0	29.0
RoCE (%)	29.0	31.2	29.9
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	58.7	45.3	38.7
P/BV (x)	15.1	12.4	10.3
EV/EBITDA (x)	40.3	31.3	26.6
Div Yield (%)	0.6	0.8	0.9
FCF Yield (%)	1.1	0.8	1.1

Shareholding pattern (%)

As On	Dec-25
Promoter	85
DII	3
FII	7.2
Others	4.9

FII Includes depository receipts

Demand to remain strong; premium products to gain traction

We visited the LG Electronics India (LGEL) Pune plant and interacted with the management. Our interaction revolves around demand trends, LPG availability, margins, and growth outlook, along with insights on capacity utilization and summer preparedness. Management indicated that LPG availability remains largely secure, with alternate fuels ensuring minimal disruption, while demand trends remain strong with healthy Jan–Mar'26 growth and a positive summer outlook, supported by a pickup in secondary sales from Apr'26. We reiterate a BUY rating on the stock and value it at 45x FY28E EPS to arrive at our TP of INR1,860.

Key takeaways from the management meeting

- **LPG shortage impact:** RAC production is covered till Mar'26, while refrigerator production is covered till early-Apr'26. The company is also shifting to PNG and acetylene, while ~30% of LPG requirements can be shifted to diesel. Washing machine and TV production remain unaffected. No major production disruption is expected, with overall utilization likely to remain at ~80%.
- **Demand trends:** The company reported strong Jan–Feb'26 growth across product categories. RAC sales grew during these two months despite a strong base, and March also remains strong as of now. The summer season was delayed in the Southern region, with recent showers in a few parts of the country. However, management remains optimistic about a strong summer season and expects growth to exceed last year's level, provided there are no supply chain disruptions.
- **RAC pricing & margins:** Cost pressures are visible and continue to fluctuate frequently. The company implemented ~7%–10% price hike in Jan'26, with scope for further increases depending on RM cost inflation. It is also working to contract directly with resin suppliers, bypassing intermediaries to improve procurement efficiency. Margins are expected to be supported by calibrated pricing actions and a gradual shift toward a more premium product mix.
- **Target to double exports in FY27E:** The company plans to increase its export mix to ~12% of revenues in FY27 vs ~6% in FY26. This growth will be driven by side-by-side refrigerators and front-load washing machines.

Valuation and view

- LGEL has established itself as a strong player in various consumer electrical categories, such as TVs, refrigerators, washing machines, RACs, and microwave ovens. The industry outlook remains constructive, led by rising preference for premium, energy-efficient products, while low penetration levels continue to offer volume-led growth opportunities.
- We estimate a CAGR of ~10%/22%/23% in revenue/EBITDA/PAT over FY26-28. OPM should be at 12.0%/12.7% by FY27/FY28 vs. 10.3% in FY26. We estimate a cumulative OCF of INR72b and FCF of INR33b during FY26-28. Lower FCF is due to INR39b capex for the Sri City plant during FY26-28E.
- The stock trades at 45x/39x FY27/FY28E EPS. We value LGEL at 45x FY28E EPS to arrive at our TP of INR1,860. Reiterate BUY.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Research analyst: Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | Abhishek Sheth (Abhishek.Sheth@MotilalOswal.com)

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Detailed highlights of management interactions

- Room air conditioner demand in Jan-Feb'26 was stronger than the previous year, reflecting healthy growth, and Mar'26 also looks promising. The company is witnessing good demand across India. In the South, the demand trend remains strong, excluding select pockets of Kerala and Karnataka. North and East are also seeing healthy growth, supported by early heatwaves. Price hikes of ~7%–10% have already been implemented from Jan'26, with further revisions under evaluation given the ongoing war situation and elevated input material costs.
- Inventory levels are adequately built up across channels as the company was also operating at full utilization during Oct-Nov'25. This is positioning the company to capitalize on a potential demand surge with rising temperatures. Secondary sales typically witness a strong pickup in April, and inventories built up during Jan-Mar get liquidated in the first 10-15 days. Management remains optimistic about a strong summer season and expects growth to exceed last year's level, provided there are no supply chain disruptions.
- Additionally, it has introduced fixed-speed RAC models targeting value-conscious segments/first-time buyers, which constitute ~12%–15% of the industry demand.
- The company remains largely insulated from LPG supply disruptions. For RAC, it is secured through March-end, followed by a shift to PNG, while refrigerator production is covered until early Apr'26, given that it requires only 6-7 cylinders in a month. Further, management is actively exploring alternate fuels, including the potential use of acetylene for RAC production. LPG requirement of ~30% can be shifted to diesel.
- The Noida plant, which operates on propane, has sufficient inventory until April-end. Overall, operations are expected to remain stable. Component vendors are facing LPG supply constraints, for which they are providing active support. Washing machine and TV production remain unaffected.
- The TV business recorded double-digit growth in Jan-Feb'26, supported by GST cut, followed by T20 cricket world cup and the upcoming IPL season. The company has deferred price hikes, despite higher costs, as the rollout of its new technology-driven product is lined up.
- The Pune plant has an annual capacity of ~3.2m units, spanning 32" to 85" models, including ~0.4m OLED units. Localization remains relatively low at ~40%, primarily due to dependence on imported open cells (~50% of inputs). Management is working to increase localization, particularly for larger screen sizes.
- Sales are predominantly driven by traditional channels (~75%), comprising distributors (30%), EBOs (17%), and MBOs (accounting for the remaining), while modern trade and e-commerce contribute ~25%.
- The company is also strengthening its B2B segment by leveraging infrastructure opportunities, while scaling its high-margin AMC business to drive recurring, service-led growth.

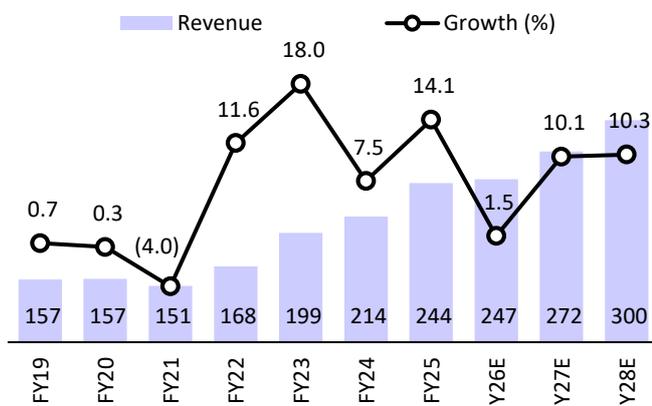
- LGEL continues to lead in premiumization, with ~28%–30% of revenue derived from premium products vs. the industry average of ~15%–16%. The company is focused on addressing portfolio gaps in high-end categories to sustain growth, and has been gaining share in segments such as side-by-side refrigerators and OLED TVs.
- Alongside premiumization, LGEL is expanding its presence in mass segments through new launches such as fixed-speed RACs and its “Essential” series (five-star two-ton ACs and sub-one-ton models), targeting first-time buyers in Tier 2 and Tier 3 markets. The Essential Series is also gaining traction, targeting first-time buyers and underpenetrated markets across refrigerators, washing machines, and RACs. It is combining global technology with deep local insights to develop products tailored to Indian lifestyles, which is driving strong early traction in underpenetrated regional markets.
- The upcoming Sri City plant is strategically aimed at strengthening presence in South India, which contributes ~40% of sales. The facility will be commissioned in phases—starting with RACs, followed by compressors (FY27), washing machines (FY28), and refrigerators (FY29). The facility is expected to enhance production capacity, improve logistics efficiency, and strengthen the supply chain in South India, while deepening localization.
- Further, revenue growth in 4QFY26 is expected to be ~8%-10% YoY, with OPM at ~13-14%. Revenue growth in FY27 is estimated to be ~12% YoY, with OPM similar to FY25 levels (12.8%). The company plans to increase its export mix to ~12% of revenues in FY27E vs ~6% in FY26. It will also be driven by exports of side-by-side refrigerators and front-load washing machines.

Key highlights of the plant visit

- The Pune facility, located at MIDC Ranjangaon, is a key manufacturing hub for LGEL, spread over 52.8 acres with a diversified product portfolio, including refrigerators, TVs, washing machines, and air conditioners. The facility commenced commercial operations in 2004 and operates nine production lines. The plant has a strong focus on automation, quality control, and localization. Refrigerator production stands at ~1.7m units annually with two lines, while TV manufacturing capacity is ~3.2m units annually across five lines. The facility operates at high utilization, with seasonal demand (especially Diwali) leading to double-shift operations.
- The plant has two dedicated refrigerator lines (Ref 01 and Ref 02) producing a wide range, including one-door, frost-free, and side-by-side refrigerators. One-door models account for ~50% of production, while side-by-side models contribute ~15%, and the remaining production comprises frost-free models. Manufacturing involves critical processes such as vacuum forming, foaming, brazing, and assembly, followed by stringent in-line quality assurance (PR1 to QQA). Inner case manufacturing is a key in-house capability, given its criticality to product durability and quality. Compressors are supplied internally by LGEL. Refrigerators are manufactured from scratch, with key components like condensers and compressors sourced from Noida. The plant has storage capacity for 8,000-10,000 units.
- TV manufacturing is housed in the B-building, with three main lines and two secondary lines. The production setup is categorized by screen size (32–55 inch, 43–65 inch, and 86 inch), ensuring optimized throughput based on product configuration. Key processes include panel assembly, motherboard integration, and final testing. While PCB assembly is done in-house, open cells are sourced ~50% from strategic partners and the balance from China. Testing is a critical step given the sensitivity of display products. The facility is supported by a ‘smart control tower’ that monitors critical areas and ensures real-time production tracking. LGEL is also evaluating investments in open cell manufacturing, aligned with broader semiconductor ecosystem developments.
- The plant manufactures front-load washing machines, while top-load models are primarily produced in Noida. The market is witnessing a clear shift toward higher-capacity machines (>8 kg) and front-load adoption. The company holds a strong ~36%–37% market share in washing machines.

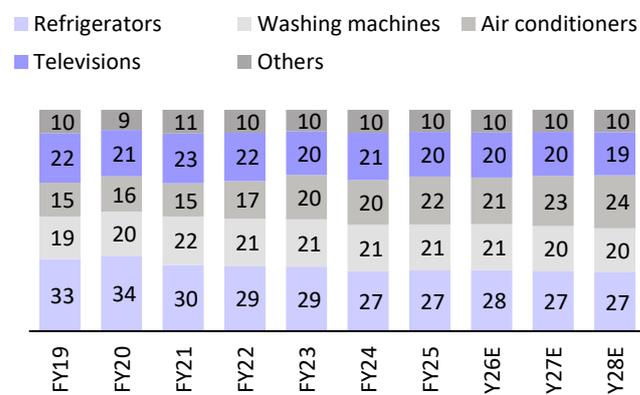
Story in charts

Exhibit 1: Revenue to clock a CAGR of ~10% over FY26-28E



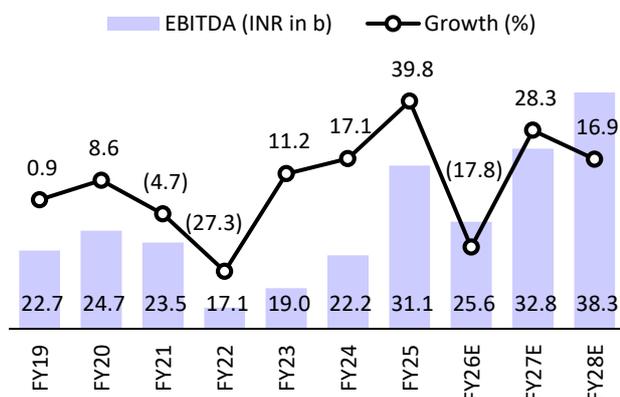
Source: MOFSL, Company

Exhibit 2: Revenue break-up across product categories



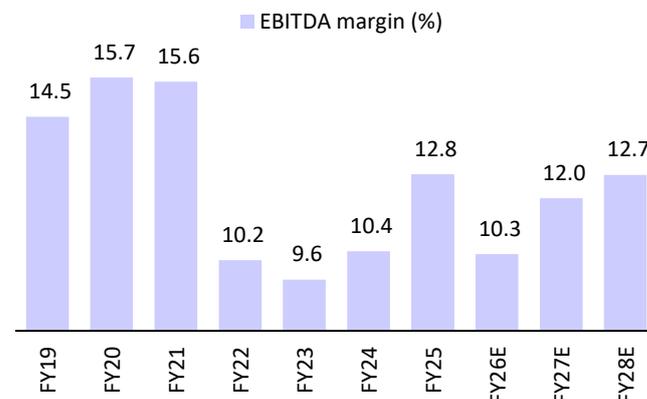
Source: MOFSL, Company

Exhibit 3: EBITDA to clock a CAGR of ~22% over FY26-28



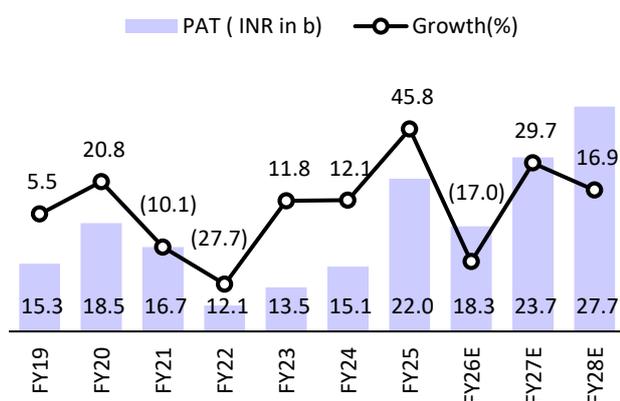
Source: MOFSL, Company

Exhibit 4: EBITDA margin to expand in FY27-28 vs. FY26E



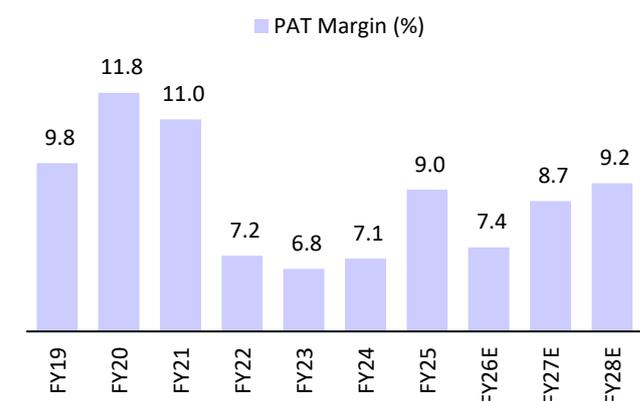
Source: MOFSL, Company

Exhibit 5: PAT to register a CAGR of ~23% over FY26-28E



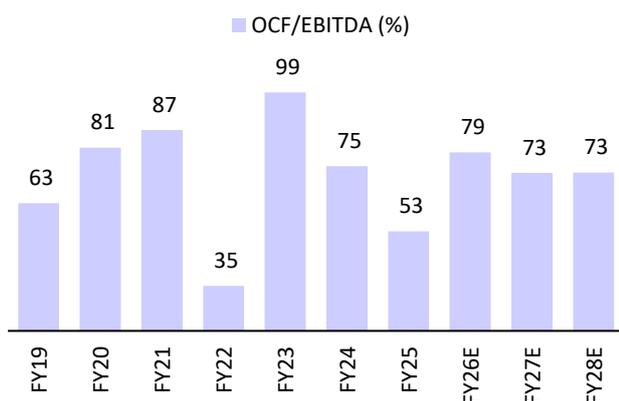
Source: MOFSL, Company

Exhibit 6: PAT margin to expand over FY27-28E vs. FY26E



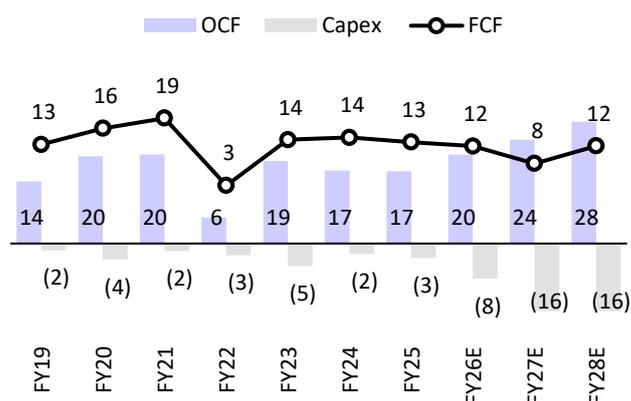
Source: MOFSL, Company

Exhibit 7: OCF/EBITDA conversion



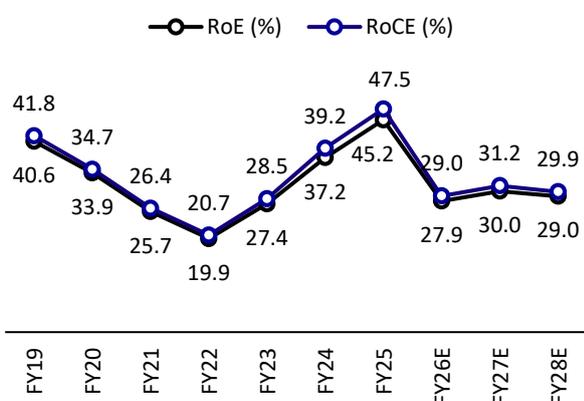
Source: MOFSL, Company

Exhibit 8: FCF to decline in FY27E on higher capex



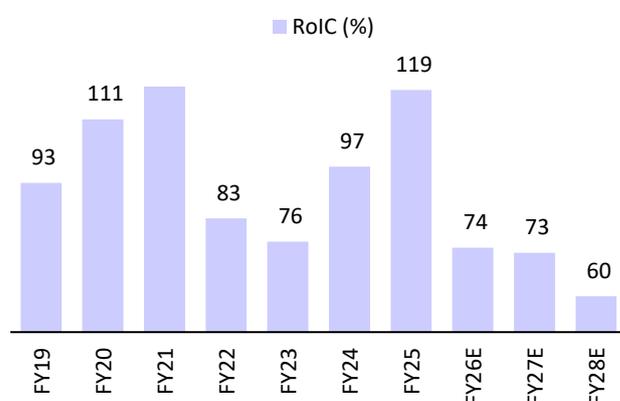
Source: MOFSL, Company

Exhibit 9: RoE/RoCE to remain stable over FY27-28E vs. FY26E



Source: MOFSL, Industry, Company

Exhibit 10: RoIC to moderate during the initial high-capex period



Source: MOFSL, Industry, 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	2,47,336	2,72,341	3,00,500
Change (%)	-4.0	11.6	18.0	7.5	14.1	1.5	10.1	10.3
Raw Materials	97,679	1,18,005	1,40,281	1,49,302	1,65,801	1,72,393	1,85,737	2,03,138
Gross margin (%)	35.3	29.9	29.4	30.1	32.0	30.3	31.8	32.4
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	38,994	42,392	46,474
EBITDA	23,509	17,087	18,993	22,249	31,101	25,550	32,775	38,306
% of Net Sales	15.6	10.2	9.6	10.4	12.8	10.3	12.0	12.7
Depreciation	2,439	2,584	3,004	3,644	3,804	3,866	4,097	4,913
Interest	156	225	226	285	306	359	384	403
Other Income	1,702	2,038	2,440	2,051	2,640	3,088	3,622	4,309
PBT	22,616	16,316	18,203	20,371	29,631	24,414	31,917	37,299
Tax	5,951	4,260	4,723	5,260	7,598	6,260	8,184	9,564
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	-125	0	0
Reported PAT	16,665	12,056	13,480	15,111	22,033	18,029	23,733	27,735
Change (%)	-10.1	-27.7	11.8	12.1	45.8	-18.2	31.6	16.9
Adjusted PAT	16,665	12,056	13,480	15,111	22,033	18,293	23,733	27,735
Change (%)	-10.1	-27.7	11.8	12.1	45.8	-17.0	29.7	16.9

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	64,541	79,967	97,995
Net Worth	65,865	55,007	43,562	37,722	59,702	71,328	86,755	1,04,783
Loans	0	0	0	0	0	0	0	0
Deferred 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	69,288	84,715	1,02,742
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	26,376	30,473	35,386
Net Fixed Assets	10,489	10,475	13,427	13,188	13,291	12,178	14,581	35,168
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	1,07,374	1,16,803	1,30,331
Inventory	26,418	24,094	26,410	23,974	30,315	30,493	33,576	37,048
Debtors	10,595	13,811	14,995	17,970	23,612	23,967	26,390	29,119
Cash & Bank Balance	55,108	37,094	27,626	22,226	37,415	46,048	49,278	55,825
Other Current Assets	6,161	6,331	5,783	5,589	7,659	6,776	7,461	8,233
Current Liab. & Prov.	44,725	39,185	46,359	47,262	55,470	56,263	61,669	67,757
Creditors	33,397	25,984	31,192	30,351	34,049	34,562	38,056	41,991
Other Liabilities	9,154	11,433	13,108	14,504	18,629	18,910	20,822	22,974
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	51,110	55,134	62,575
Application of Funds	64,433	53,729	42,197	36,002	57,662	69,288	84,715	1,02,742

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	27.0	35.0	40.9
Growth (%)	-10.1	-27.7	11.8	12.1	45.8	-17.0	29.7	16.9
Cash EPS	28.1	21.6	24.3	27.6	38.1	32.6	41.0	48.1
Book Value	97.0	81.0	64.2	55.6	88.0	105.1	127.8	154.4
DPS	11.8	20.0	22.0	18.5	0.0	9.4	12.2	14.3
Payout (incl. Div. Tax.)	80.0	187.7	184.6	138.5	0.0	35.0	35.0	35.0
Valuation (x)								
P/Sales	11.9	10.6	9.0	8.4	4.4	4.3	3.9	3.6
P/E (standalone)	64.5	89.1	79.7	71.1	48.8	58.7	45.3	38.7
Cash P/E	56.2	73.4	65.2	57.3	41.6	48.5	38.6	32.9
EV/EBITDA	43.4	60.7	55.1	47.3	33.3	40.3	31.3	26.6
EV/Sales	6.8	6.2	5.3	4.9	4.3	4.2	3.8	3.4
Price/Book Value	16.3	19.5	24.7	28.5	18.0	15.1	12.4	10.3
Dividend Yield (%)	0.7	1.3	1.4	1.2	0.0	0.6	0.8	0.9
Profitability Ratios (%)								
RoE	25.7	19.9	27.4	37.2	45.2	27.9	30.0	29.0
RoCE	26.4	20.7	28.5	39.2	47.5	29.0	31.2	29.9
RoIC	129.7	82.6	75.9	97.4	119.3	74.2	72.7	60.3
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	2.9
Leverage Ratio								
Net Debt/Equity (x)	-0.8	-0.7	-0.6	-0.6	-0.6	-0.6	-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	24,289	31,917	37,299
Add : Depreciation	2,460	2,612	3,004	3,644	3,804	3,866	4,097	4,913
Interest	(1,467)	(1,399)	(1,977)	(1,720)	(2,172)	(2,730)	(3,239)	(3,906)
Less : Direct Taxes Paid	5,676	4,016	4,425	5,698	7,539	6,260	8,184	9,564
(Inc)/Dec in WC	(4,229)	6,793	(3,988)	125	7,025	(1,141)	794	894
CF from Operations	20,426	5,979	18,882	16,663	16,539	20,307	23,797	27,848
(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	12,307	8,297	12,348
(Pur)/Sale of Investments	2,051	1,963	2,399	2,197	3,070	3,088	3,622	4,309
CF from Investments	302	(732)	(2,739)	(214)	(275)	(4,912)	(11,878)	(11,191)
(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	-	6,403	8,307	9,707
CF from Fin. Activity	(13,726)	(23,265)	(25,607)	(21,852)	(1,075)	(6,761)	(8,690)	(10,110)
Inc/Dec of Cash	7,002	(18,018)	(9,464)	(5,403)	15,189	8,634	3,229	6,547
Add: Beginning Balance (including bank deposits)	48,106	55,112	37,090	27,629	22,226	37,415	46,048	49,278
Closing Balance	55,108	37,094	27,626	22,226	37,415	46,048	49,278	55,825

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Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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