

# INITIATING COVERAGE

## LG ELECTRONICS INDIA LTD



## LG Electronics India: Company's High-Voltage Growth Story

We are initiating coverage on LG Electronics India Ltd (LGEIL) with a BUY recommendation and a target price of Rs 1,815/share, which implies an upside of 16% from the CMP.

- Market Leader in a Structurally Strong Space:** LGEIL has been consistently enjoying a high market share across categories, with an increasing share in premium segments and leadership in Side-by-Side refrigerators. Supported by superior R&D and a strong distribution network, the company is expected to maintain its consolidation in premium ranges as well as entry-level brands. It also has further scope to improve market share through entry into LG Essentials (an entry-level brand), capacity enhancements, and a robust supply chain, which should support improvement in the company's overall profitability. The consumer durables sector is expected to witness deeper penetration in tier 2/3 cities, where LGEIL's strong distribution capabilities are likely to further strengthen its overall market position.
- Innovative Technologies Tailored to Indian Consumers:** Over nearly three decades in India, the company has leveraged LG Electronics' global technology leadership to deliver consumer-centric innovations tailored to local requirements, thereby establishing a strong competitive edge. It has consistently introduced industry-first products, including early launches of OLED, 4K, and Smart TVs, where it commands a dominant market share. Innovation extends across categories through energy-efficient inverter air conditioners, customised washer-dryer solutions suited to Indian climatic conditions, and microwave ovens adapted to Indian cooking habits. Localised design features, supported by a nationwide after-sales service network, further strengthen brand loyalty, reinforcing the company's position as a preferred household electronics brand in India.
- Operational Efficiencies through Localised Supply Chains:** The company's operational efficiency is supported by a deeply localised and well-integrated supply chain. It works with 287 long-standing suppliers, with an increasing share of components sourced domestically; local procurement has risen to 54% in FY25, lowering costs, mitigating currency risk, and reducing lead times. Large in-house manufacturing capacity, component-level backward integration, and improving utilisation levels support tighter cost control and consistent product quality. The upcoming Sri City plant is expected to further enhance localisation, scale, and logistics efficiency. Along with a wide distribution network, this localisation-led strategy enables competitive pricing, faster market responsiveness, and profitable growth across both premium and mass segments. The company's Rs 705 Cr incentive in the government's manufacturing scheme shows the company's participation in the mega-expansion scheme.
- Fully Integrated Model for Sustained Profitability:** The company operates a fully integrated business model that consistently delivers strong profitability and superior returns. High capital efficiency, reflected in a ROCE of 41% in FY25, efficient working capital management, and healthy cash generation underpin sustained earnings quality. Integration across manufacturing, product development, and distribution enables effective cost control, scale advantages, and margin stability. Drivers like expansion into B2B segments, doubling exports by FY27, entry into new product categories, and rising localisation under the 'Make in India' initiative further strengthen the operating model. Supported by a strong brand and presence across both value and premium segments, this end-to-end integration positions the company for durable growth and sustainable profitability.

## Valuation & Recommendation

We initiate coverage on LG Electronics India (LGEIL) with a BUY recommendation. We believe the company is well-positioned for sustained profitability and growth supported by its leading market share, brand equity, and deep distribution networks. We expect a Revenue/EBITDA/PAT CAGR of 9%/19%/14% from FY26-28E. Valuing the company at 44x FY28E EPS, we arrive at a target price of Rs 1,815/share, implying an upside of 16% from the CMP.

## Key Financials (Consolidated)

(Rs Cr)	FY25	FY26E	FY27E	FY28E
Net Sales	24,367	25,585	28,112	30,642
EBITDA	3,110	2,814	3,514	3,983
Net Profit	2,203	2,145	2,567	2,797
EPS, Rs	32	32	38	41
PER, x	49	50	42	38
EV/EBITDA, x	35	38	31	27
ROE, %	37	31	32	29
Debt/Equity (%)	0.9	0.8	0.8	0.7

Source: Company, Axis Securities

CMP as of 18<sup>th</sup> February 2026

CMP (Rs)	1,561
Upside /Downside (%)	16%
High/Low (Rs)	1,749/1,325
Market cap (Cr)	1,05,945
Avg. daily vol. (1m) Shrs.	9,00,506
No. of shares (Cr)	67.87

## Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter Group	100.0	100.0	85.0
FII	0.0	0.0	3.00
MFs/Banks	0.0	0.0	7.15
Others	0.0	0.0	4.85

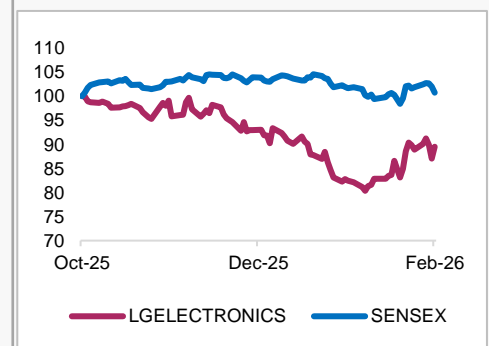
## Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
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## Key Drivers (%) (Growth in %)

Y/E Mar	FY26E	FY27E	FY28E
Net Sales	5	10	9
EBITDA	-10	25	13
Net Profit	-3	20	9

## Relative Performance



Source: Ace Equity, Axis Securities

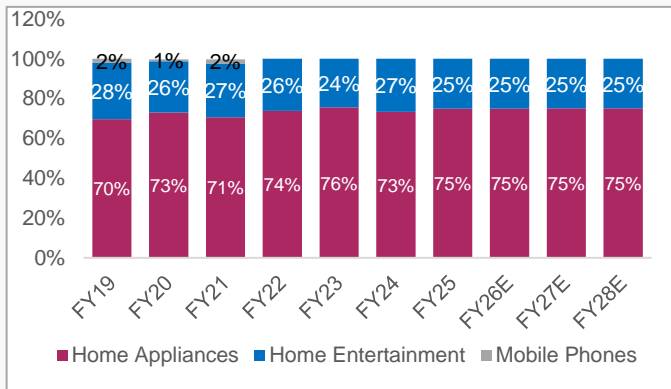
**Eesha Shah**

Research Analyst

Email: Eesha.shah@axissecurities.in

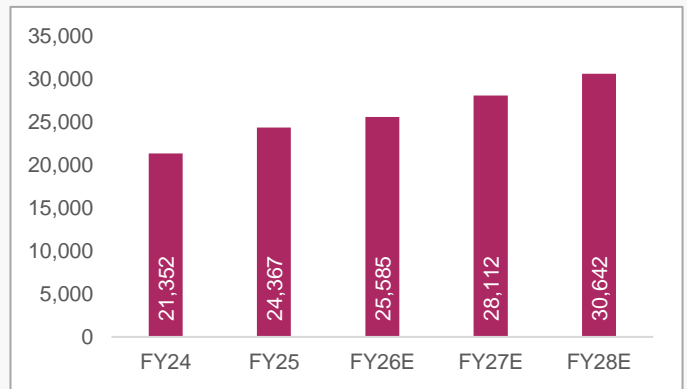
## Story in Charts

**Exhibit 1: Revenue split between HA and HE leading to... (in %)**

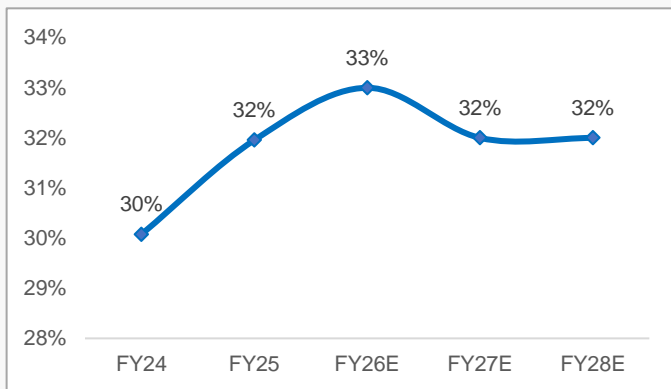


Source: Company, Axis Securities

**Exhibit 2: ... revenue CAGR of 12% from FY26E-28E (in Rs Cr)**

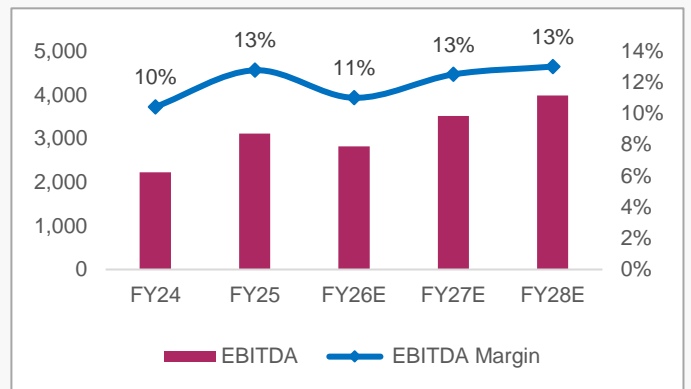


**Exhibit 3: Steady Gross Margin Trends**

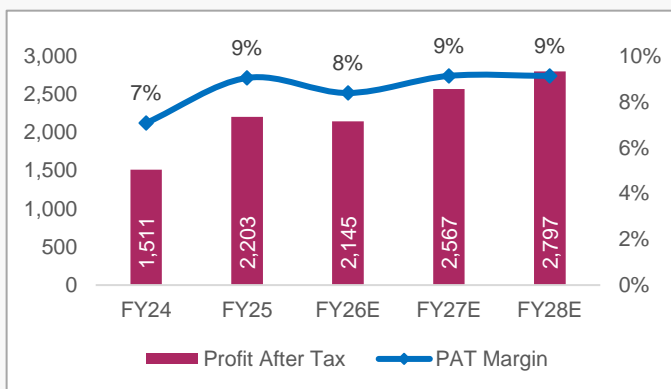


Source: Company, Axis Securities

**Exhibit 4: EBITDA showing a CAGR of 19% from FY26E-28E (in Rs Cr)**

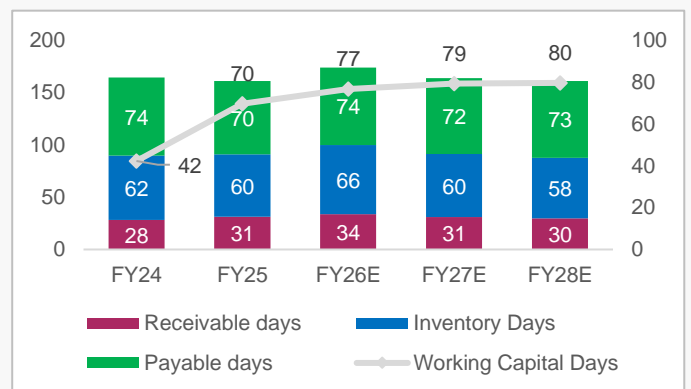


**Exhibit 5: PAT showing a CAGR of 14% from FY26E-28E (in Rs Cr)**



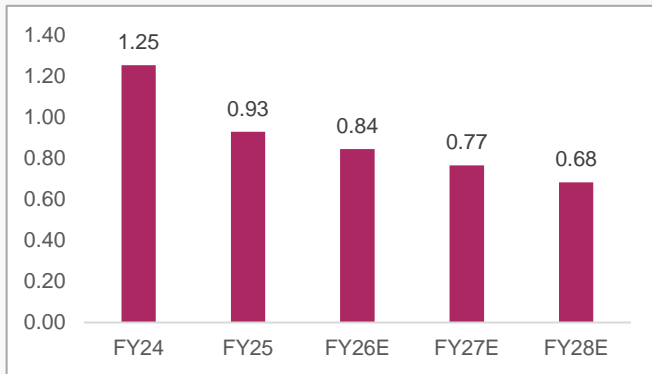
Source: Company, Axis Securities

**Exhibit 6: Trend of Working Capital Days (in days)**



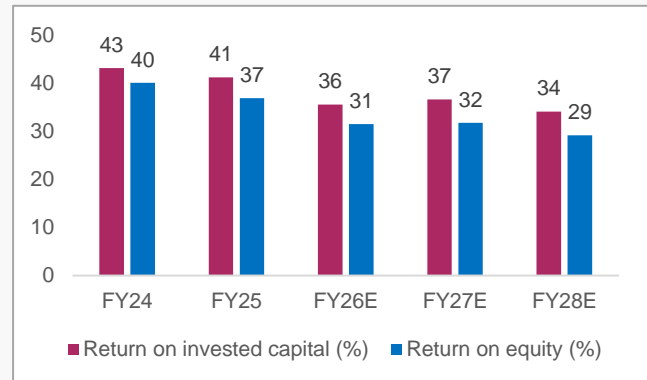
## Story in Charts (Cont'd)

**Exhibit 7: Stable Leverage Ratios – Debt/Equity (in x)**

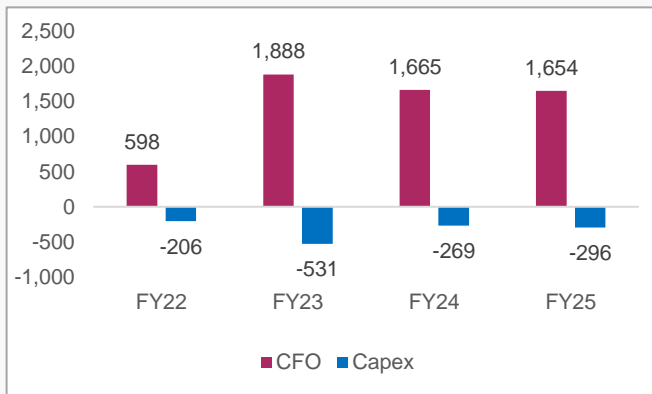


Source: Company, Axis Securities

**Exhibit 8: Better-than-Industry Return Ratios (in %)**

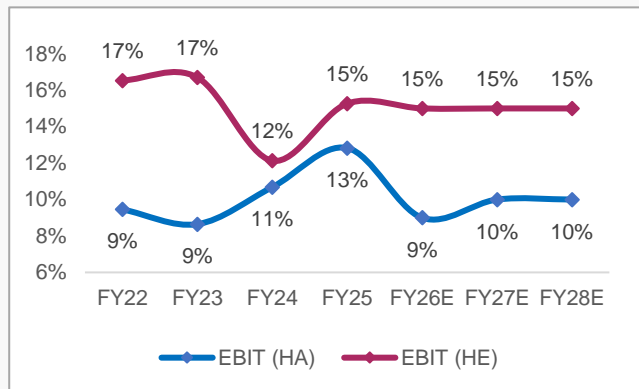


**Exhibit 9: LGEIL generated OCF of ~Rs 5,800 Cr vs capex of ~Rs 1,300 Cr over FY22-25; has announced capex of Rs 5,000 Cr by FY29**



Source: Company, Axis Securities

**Exhibit 10: Segmental EBIT Trend from FY22-28E**



## Company Overview

LG Electronics is the market leader in India across major home appliances and consumer electronics (excluding mobile phones) in terms of volumes. It has also been the number one player in the industry for 13 consecutive years, from CY2011 to CY2023, based on value market share in the offline channel. The company holds leadership positions across several key product categories, including washing machines, refrigerators, panel televisions, inverter air conditioners, and microwave ovens. Its strength in the offline channel is particularly significant, as this segment accounts for nearly 80% of the total value of the major home appliances and consumer electronics market in India (excluding mobile phones).

*LG Electronics India, a market leader, dominates major home appliances and consumer electronics with a wide portfolio, strong offline presence, and leadership across key product categories.*

## Company Structure

The company was incorporated in 1997 as a wholly owned subsidiary of LG Electronics, a leading global home appliances brand. It derives significant benefits from strong parentage, including the LG brand, access to innovative technologies, and a sustained commitment to quality. The company offers one of the widest product portfolios among leading home appliances and consumer electronics players. It sells products in India and overseas to both B2B and B2C customers, provides installation services, and undertakes maintenance and repair services across its product range. Its business is organised into two segments – Home Appliances and Air Solutions (HA) and Home Entertainment (HE).

## LG Electronics business segments

### Key Business Segments



Source: RHP, Company, Axis Securities

## Competitive Strengths & Key Growth Drivers

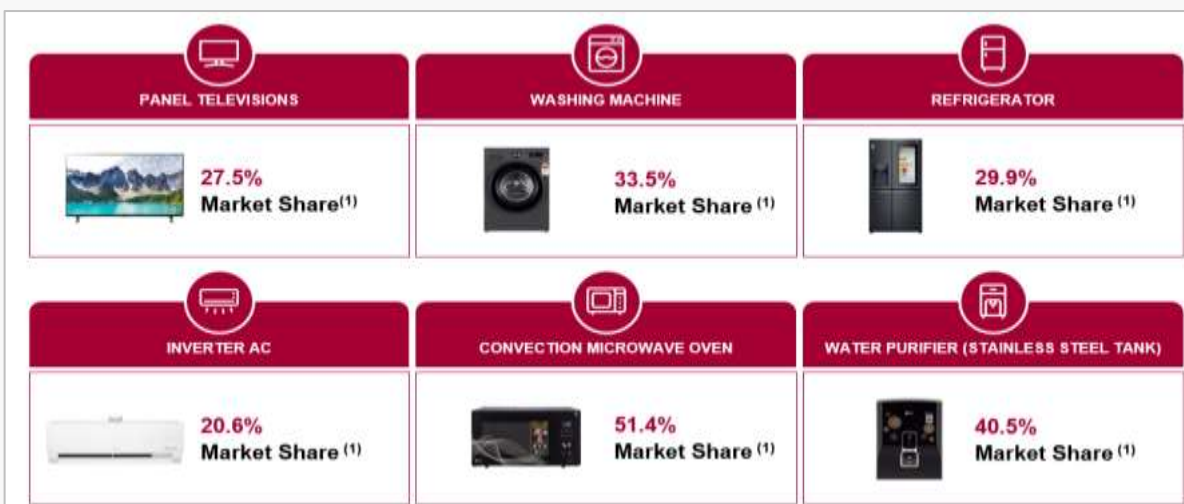
### Market Leader in a Structurally Strong Space

LG Electronics India has over 28 years of experience in the country, which has enabled it to develop deep insights into consumer preferences and a strong understanding of Indian consumers. The company holds a leading market share in the home appliances and consumer electronics industry in India, while being the market leader across key product categories. It is the market leader in India across multiple categories—including washing machines, refrigerators, panel televisions, inverter air conditioners, and microwaves—based on market share (in terms of value) in the offline channel. The offline channel accounts for ~80% of the major home appliances and consumer electronics market (excluding mobile phones) in India.

The company's market leadership extends across both volume and premium segments for washing machines, panel televisions, and microwaves in India, as measured by market share (in terms of value) in the offline channel over the same period. This leadership highlights the company's strong understanding of Indian consumers and its ability to deliver products aligned with their evolving needs.

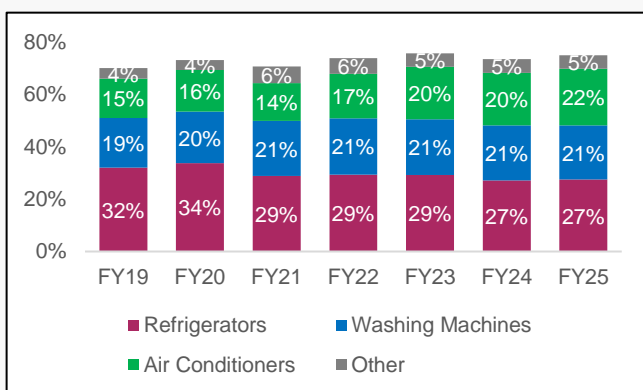
*LG Electronics India, with over 28 years of experience, holds leadership across major home appliances and consumer electronics categories, leveraging deep consumer insights and a strong offline presence to address both mass and premium demand in India.*

### Market Share by Product Category



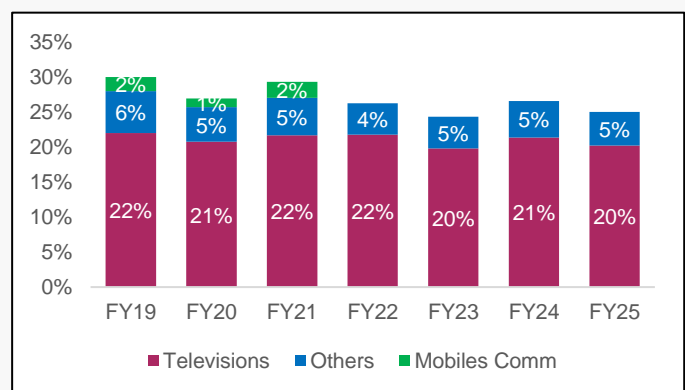
Source: Redseer report, RHP

Exhibit 11: Home Appliances as a % of Total Sales:



Source: Company, Axis Securities

Exhibit 12: Home Electronics as a % of Total Sales



The company is focused on delivering consumer-centric innovations across product categories and price points, catering to a wide customer base ranging from volume-segment buyers prioritising affordability, durability, and quality to premium buyers seeking aesthetics, advanced features, and luxury appliances. LGEIL expects to benefit from an expansion in the target addressable market (estimated at 61.4 Bn by FY29) as penetration improves and is positioned to deliver double-digit growth in the coming years.

## Innovative Technologies tailored to Indian Consumers

- Deep Understanding of Domestic Consumer Preferences:** Over nearly three decades of operating in India, the company has built a deep understanding of domestic consumer preferences and demand patterns. Leveraging the global technological leadership of LG Electronics, it has consistently introduced advanced and innovative products tailored to the needs of Indian consumers, including localised features where required.
- First Major Player in India to Introduce OLED Televisions:** For instance, the company was the first major player in India to introduce OLED televisions in 2015 and was among the earliest to launch 4K and Smart televisions in 2011. During these periods, the company held a value market share of 59.8% and 62.9%, respectively, in the offline OLED segment, supported by its early leadership in this category. Currently, it has a market share of 62.4% in the OLED segment.

## Industry-First products in India



Source: Redseer report; RHP

- Customization across Categories:** The company has introduced washer-dryer models designed to address challenges commonly faced in India, such as high monsoon humidity that delays drying, pollution and hygiene concerns associated with outdoor drying, and the overall time required for clothes to dry. Its microwave ovens have been customised with preset functions aligned to Indian cooking requirements, including features such as an Indian roti basket, a ghee maker, and charcoal-based options for smoky flavours. To reduce household maintenance issues, rat mats have been incorporated into washing machines to help prevent rodent-related damage. Product aesthetics have also been localised for Indian consumers, with offerings such as floral designs in single-door refrigerators and premium regal finishes across select models.
- Large and Well-Established After-Sales Service Network:** LGEIL benefits from a large and well-established after-sales service network comprising more than 1,000 authorized service centers across the country. This infrastructure strengthens customer loyalty, enhances brand perception, and supports strong word-of-mouth advocacy. The company holds leading market positions across key product categories, with market shares of 33% in washing machines, 30% in refrigerators, 27% in televisions (with 62.4% in OLED TV), and 17% in air conditioners as on Q3FY26.
- First to Adapt to the New BEE Rating Norms:** LGEIL was one of the first companies to adapt to the new BEE rating norms and had a successful transition over Q3FY26. The company has also undertaken price hikes in the 7-8% range for 3-star ACs and 9-10% for 5-star ACs.

*The company has localized products for Indian conditions, including washer-dryers for monsoons, microwaves with Indian cooking presets, rat-mats in washing machines, and India-specific aesthetic designs across select models*

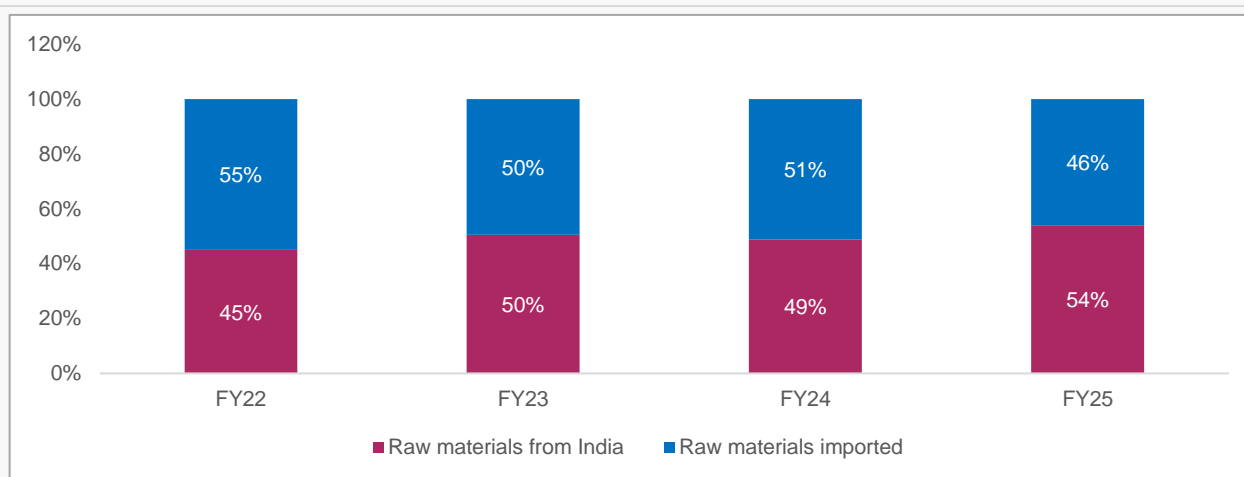
## Operational Efficiencies through Localised Supply Chains

- The company maintains a broad supplier base of 287 partners, with an average relationship tenure of over 13 years. It continues to prioritise domestic manufacturing and sourcing, following a phased localisation strategy to steadily increase the share of components procured within India. This approach supports the local industrial ecosystem while optimising cost structures by reducing exposure to currency volatility, lowering transportation and inventory costs, and minimising import duties, lead times, and stock levels.
- The share of raw materials sourced from domestic suppliers has increased from 45% in FY22 to 54% in FY25. The company places strong emphasis on supplier quality, undertaking rigorous due diligence prior to onboarding, with a focus on manufacturing process standards, supply stability, technological capability, and sustainability practices. Long-standing partnerships further enhance supply chain stability, with 65.51% of third-party raw material suppliers associated with the company for more than 13 years.

*The company leverages a long-standing domestic supplier base to enhance localisation, reduce costs, and ensure quality, with rising domestic sourcing.*

*Rigorous supplier vetting and stable partnerships support competitive pricing and supply chain resilience.*

**Exhibit 13: Increasing Localised Raw Material Sourcing (%of total RM)**



Source: RHP, Company, Axis Securities

- The company is supported by one of the largest in-house production capacities (excluding mobile phones) among home appliance players in India. It operates two advanced manufacturing facilities located in Noida and Pune, with a combined installed capacity of 14.5 million products. Capacity utilization improved to 77% in FY25, up from 70% in FY23. In addition to finished goods, the company also manufactures key components such as compressors and motors, enabling tighter control over product development, quality, costs, and supply chain timelines

### In-House Production:

Metric	FY23	FY24	FY25
<b>Installed Capacity (In units Cr)</b>			
Noida	0.7	0.7	0.8
Pune	0.6	0.7	0.7
<b>Total</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>
<b>Production Volume (In units Cr)</b>			
Noida	0.5	0.6	0.6
Pune	0.4	0.5	0.5
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1.1</b>
<b>Utilizations (in %)</b>			
Noida	72.2	73.9	80.5
Pune	67.9	67.9	72.7
<b>Total</b>	<b>70.2</b>	<b>71.1</b>	<b>76.8</b>

Source: RHP, Company, Axis Securities

### Production at the Upcoming Third Facility in Sri City

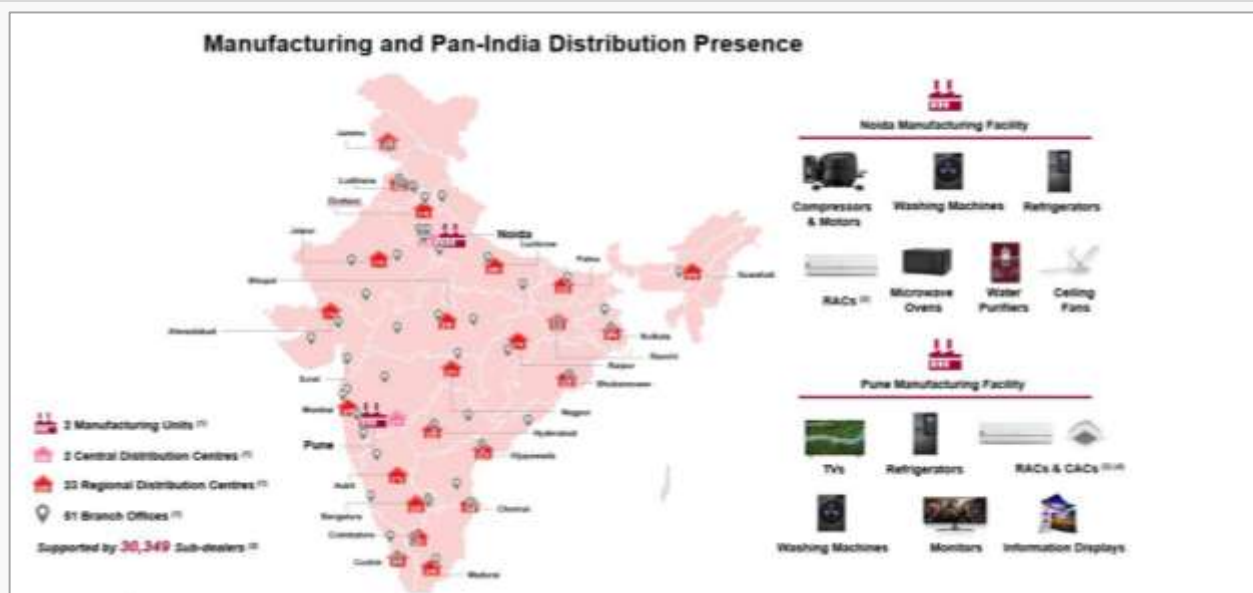
Production at the upcoming third facility in Sri City is expected to commence in 2026. The project entails a phased investment of Rs 5,000 Cr over 4–5 years and is projected to double LGEL’s total production capacity by FY29. In the first phase, the plant will commence manufacturing RACs and compressors by Q3/Q4FY27. This expansion will strengthen LGEL’s presence in the rapidly growing South India market, enhance product availability across India and export markets, and help reduce logistics costs. The production facility will cater to premium export segments, aligning with the company’s goal of doubling exports by FY27 while further strengthening margins.

### Tentative Timelines on Commissioning of Sri-City by Phase

Timeline	Commissioning Product
Q3FY27	RAC
Q4FY27	AC Compressors
Q4FY28	Washing Machines
Q4FY29	Refrigerators

Source: RHP, Company, Axis Securities

### Exhibit 14: Pan-India Distribution for 468+ Distributors, & 777 Brand Stores



Source: RHP, Company, Axis Securities

### Brand of Choice for Indian Households in both Volume and Premium Categories

**Premium Segment Strategy and AI-Led Product Differentiation — LG Electronics:** For the premium market, the company must maintain its competitive edge and appeal to the aspirational segment. Awareness and preference for value-added features are expanding, alongside price and quality considerations. The company plans to capitalise on this trend and continue introducing products aligned with evolving consumer needs. It is focused on producing equipment with new technologies backed by AI, combined with a luxurious and sleek look and feel. The company remains committed to incorporating advanced features enabled by AI and LG ThinQ technology to support smart home integration.

*The company targets both premium and mass segments, offering AI-enabled, design-led products for aspirational consumers. It is also expanding affordable, India-specific offerings, including LG Essentials, to drive profitable growth and strengthen market share across price points.*

## Fully Integrated Model for Sustainable Profitability

The company has developed a business model that consistently delivers strong profitability and superior returns relative to its peers. Its commitment to capital efficiency is reflected in a ROCE of 41% in FY25, significantly ahead of typical levels observed across the home appliances and consumer electronics industry.

The company also maintains healthy cash generation, with a free cash flow of ~Rs 2,100 Cr in FY25. Profitability continues to stand out, with EBITDA and net profit margins of 13% and 9%, respectively, in FY25, both notably higher than margin benchmarks commonly observed among comparable players in the sector.

### B2B Business Focus:

- B2B Growth Roadmap and New Revenue Stream Development:** The company plans to strengthen its B2B business and introduce additional revenue streams. The B2B market—estimated at approximately Rs 51,500 Cr in CY24 and about Rs 55,000 Cr in H1FY26 (annualized), is projected to grow at a five-year CAGR of ~14% through CY29, potentially reaching Rs 97,000 Cr. To capture this opportunity, the company aims to leverage the LG Group’s global technology capabilities to expand its product portfolio and serve the specialized requirements of high-value sectors, including new areas such as hospitality.
- Rising Institutional Demand Driving Advanced HVAC and Smart Infrastructure Solutions:** Demand for advanced HVAC solutions is being driven by the expansion of healthcare, education, and government infrastructure requiring sophisticated equipment; the growing adoption of IoT-enabled and smart-building systems; increasing penetration into emerging commercial real estate and urban infrastructure. In response, the company is broadening its B2B offerings to include HVAC systems, commercial information displays, commercial washing machines, LED displays, and electronic blackboards.
- AMC and Service-Led Model to Support Higher-Margin B2B Expansion:** LG Electronics has introduced a dedicated AMC (Annual Maintenance Charges) division, with management highlighting B2B and service-led revenues as strategic pillars for sustainable, higher-margin growth over the medium term.

*The company plans to scale its B2B business by leveraging LG’s global technologies to address a rapidly growing market.*

*Expanding offerings in HVAC and commercial solutions to serve infrastructure, hospitality, and smart, energy-efficient building needs.*

### Products & Services Portfolio:




Category	Home Appliances & Air Solutions	Home Entertainment
<b>B2C Products</b>	<ul style="list-style-type: none"> <li>Refrigerators, Washing Machines, Air Conditioners, Water Purifiers, Dishwashers, Microwave Ovens, Compressors, Motors</li> </ul>	<ul style="list-style-type: none"> <li>Televisions and Audio Devices</li> </ul>
<b>B2B Products</b>	<ul style="list-style-type: none"> <li>System Air Conditioners</li> </ul>	<ul style="list-style-type: none"> <li>IT devices (monitors and projectors) and information displays</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>Repair &amp; Maintenance, extended warranties, and installation</li> </ul>	<ul style="list-style-type: none"> <li>Repair &amp; Maintenance, extended warranties, and installation</li> </ul>

Source: RHP, Company, Axis Securities

**Low White Goods Penetration Supporting Long-Term Demand Opportunity:** White goods adoption in India remains far lower than international standards, pointing to a substantial unaddressed market and a long-term growth opportunity. This gap in levels of ownership supports sustained demand expansion over time. LG along with its new brand ‘LG Essentials’ is well-placed to cater to customers across both the value and premium segments.

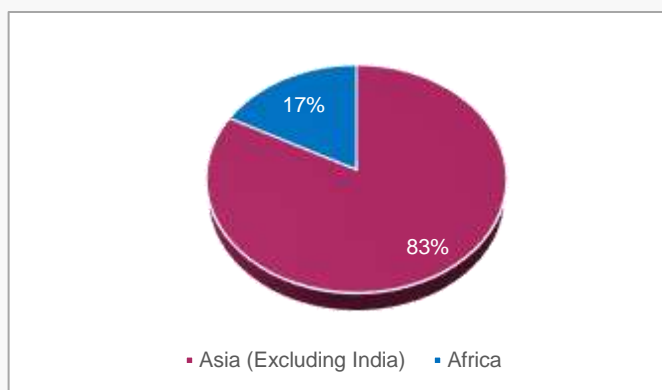
**Structural Growth Drivers Strengthening Competitive Position in Indian Consumer Durables:** The Indian consumer durables industry benefits from enduring growth drivers such as low product adoption, supportive economic trends, and a steady shift toward higher-end products. With strong brand equity, an extensive domestic manufacturing presence, and a broad product offering, LG India is well-positioned to capture an outsized share of the market’s long-term expansion.

**India’s potential penetration depth compared to other developed countries:**

		Refrigerators	Washing Machines	TVs	Microwaves
India		34%	21%	76%	4%
China		99%	69%	>85%	21%
United States		>80%	>80%	>95%	>80%

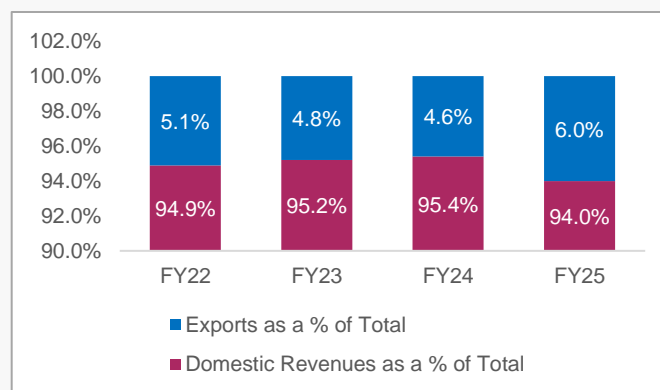
**Relocation of Electronics Productions:** LGEIL is looking to shift a significant portion of its production to India from East Asian countries, thereby reducing reliance on other geographies. Its ‘Make in India’ initiative and collaborations with Indian manufacturers are expected to strengthen the supply chain and create opportunities for India to emerge as a global manufacturing hub. The company is setting up its Sri City plant to cater to export demand. Currently, it exports to 54 countries, with exports contributing around 6% of total revenues. These exports largely comprise mid- and low-end products, primarily to markets such as Nepal, Bangladesh, and East Africa. Going forward, the company expects to double its export by introducing USA and EU nations post trade deals. This will be margin accretive for the business considering higher share of premium products in this region.

**Exhibit 15: Export Revenue Bifurcation as of FY24 (in %)**



Source: Company, Axis Securities

**Exhibit 16: Revenue Split by Geography**



**New Segment Entries:** Within the B2B segment, the company is entering a new product category with chest freezers, which will be launched through B2C distribution channels while catering to institutional applications such as data centres, Global Capability Centres (GCCs), and coding hubs, particularly in emerging locations such as Visakhapatnam (Andhra Pradesh). Additionally, while chillers are currently manufactured in Korea, recent high-profile installations—such as at the BSE—highlight the company’s growing capabilities and credibility in advanced cooling solutions.

## Key Financial Metrics

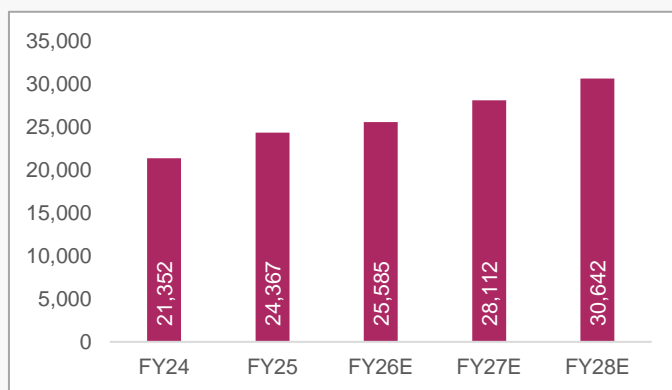
### Revenue Growth

In our estimates, LGEIL's revenue is expected to record a CAGR of 9% from FY26E–FY28E, reaching Rs 30,642 Cr by FY28E. The company showed a revenue CAGR of 13% from FY22–25, showing its robust volume growth over the years. We expect a similar trend to continue moving forward, backed by new capacities and enhanced focus on premium products.

For the company's HA/HE segment, we forecast a CAGR of 9%/9% from FY26E–28E, with ~75% of revenues driven by HA. Among the HA category, Refrigerators and RACs remain key contributors, followed by washing machines.

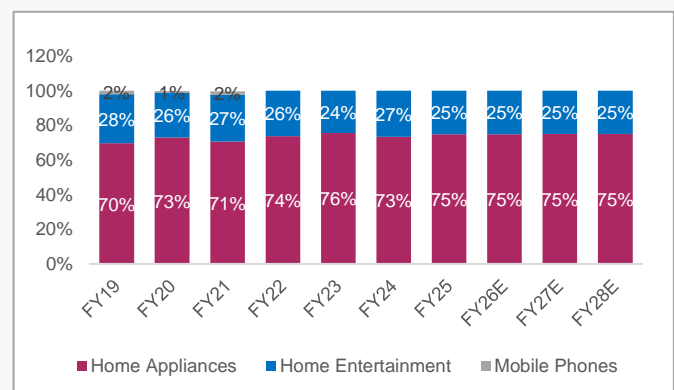
*We expect LGEIL's Revenue/EBITDA/PAT to grow at a CAGR of 9%/19%/14% from FY26E–FY28E.*

**Exhibit 17: Revenue growth over FY26E–FY28E, expected at 9% CAGR (Rs Cr)**



Source: Company, Axis Securities

**Exhibit 18: HA/HE Revenues showing a 9%/9% CAGR from FY26E–28E**



Source: Company, Axis Securities

### LGEIL Segmental Revenues and Assumptions

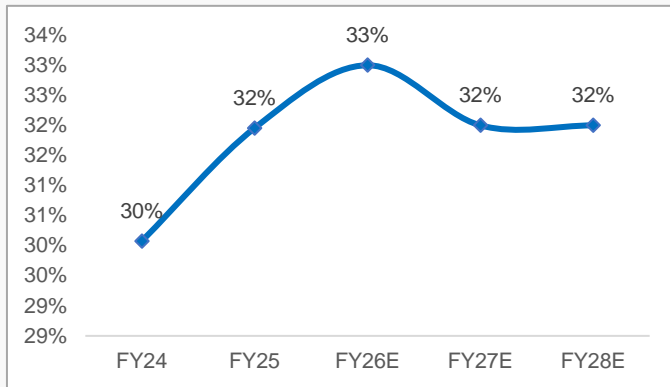
Particulars (Revenues)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Home Appliance and Air Solution</b>	<b>10,905</b>	<b>11,478</b>	<b>11,068</b>	<b>12,418</b>	<b>15,031</b>	<b>15,680</b>	<b>18,268</b>	<b>19,181</b>	<b>21,099</b>	<b>22,998</b>
yoy growth (%)		5%	-4%	12%	21%	4%	17%	5%	10%	9%
% of sales	70%	73%	71%	74%	76%	73%	75%	75%	75%	75%
<b>Home Entertainment</b>	<b>4,452</b>	<b>4,041</b>	<b>4,229</b>	<b>4,416</b>	<b>4,834</b>	<b>5,672</b>	<b>6,099</b>	<b>6,404</b>	<b>7,012</b>	<b>7,643</b>
yoy growth (%)		-9%	5%	4%	9%	17%	8%	5%	10%	9%
% of sales	28%	26%	27%	26%	24%	27%	25%	25%	25%	25%
<b>Mobile Communications</b>	<b>301.8</b>	<b>190.8</b>	<b>364.3</b>							
YoY (%)		-37%	91%							
<b>Total</b>	<b>15,659</b>	<b>15,710</b>	<b>15,662</b>	<b>16,834</b>	<b>19,865</b>	<b>21,352</b>	<b>24,367</b>	<b>25,585</b>	<b>28,112</b>	<b>30,642</b>
<b>% Growth YoY</b>		<b>0%</b>	<b>0%</b>	<b>7%</b>	<b>18%</b>	<b>7%</b>	<b>14%</b>	<b>5%</b>	<b>10%</b>	<b>9%</b>

Source: Company, Axis Securities

## Gross and EBITDA margins

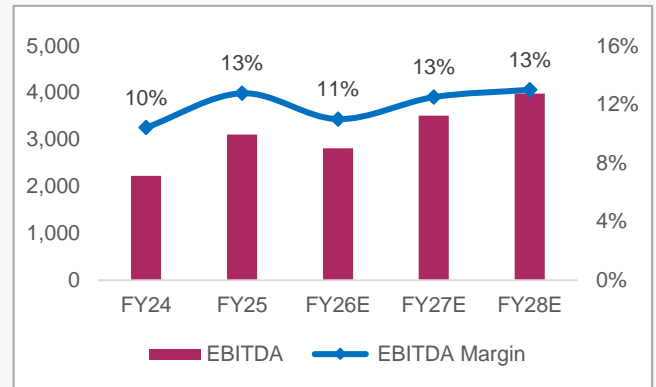
LGEIL reported gross margins of 32% in FY25 and is expected to continue on a similar and stable trend over FY26E-28E. Its EBITDA margins stand at 12.7% for FY25 and is expected to stabilise at the same at early teens range mainly due to added A&P costs offsetting the leverage provided by lower freight costs. Margin improvement will be led by increase in premium product demand combined with an increase in export demand over the coming quarters. The new AMC division will also contribute towards higher margins going forward.

**Exhibit 19: Steady Gross margins over the years...**



Source: Company, Axis Securities

**Exhibit 20: ...showing stable EBITDA margins**



Source: Company, Axis Securities

## EBIT Performance

### LGEIL Segmental EBIT and Assumptions

Segment- EBIT (Rs Cr)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Home Appliance and Air Solution</b>	<b>1,602</b>	<b>1,844</b>	<b>1,535</b>	<b>1,175</b>	<b>1,300</b>	<b>1,674</b>	<b>2,343</b>	<b>1,822</b>	<b>2,215</b>	<b>2,415</b>
<i>yoy growth (%)</i>		15%	-17%	-23%	11%	29%	40%	-22%	22%	9%
<i>EBIT Margin</i>	15%	16%	14%	9%	9%	11%	13%	10%	11%	11%
<b>Home Entertainment</b>	<b>973</b>	<b>854</b>	<b>974</b>	<b>730</b>	<b>807</b>	<b>688</b>	<b>931</b>	<b>832</b>	<b>982</b>	<b>1,070</b>
<i>yoy growth (%)</i>		-12%	14%	-25%	11%	-15%	35%	-11%	18%	9%
<i>EBIT Margin</i>	22%	21%	23%	17%	17%	12%	15%	13%	14%	14%
<b>Mobile Communications</b>	<b>-131</b>	<b>-91</b>	<b>-187</b>							
<i>EBIT Margin</i>	-43%	-48%	-51%							
<b>Total EBIT</b>	<b>2,444</b>	<b>2,608</b>	<b>2,322</b>	<b>1,905</b>	<b>2,107</b>	<b>2,362</b>	<b>3,274</b>	<b>2,655</b>	<b>3,197</b>	<b>3,485</b>
<i>EBIT %</i>						11%	13%	10%	11%	11%

Source: Company, Axis Securities

## Outlook & Valuation

**We Initiate Coverage on LG Electronics Ltd. with a BUY recommendation and a target price of Rs 1,815/share, implying an upside of 16% from the CMP.**

LGEIL is a market leader in a strong-performing sector across products such as refrigerators, washing machines, and televisions. It also commands leadership positions in premium segments, which are characterised by high barriers to entry. The company's focus on globally driven innovation-led technology and increasing localisation of features reflects its commitment to pioneering new product segments. The company is expected to almost double its gross block since FY21, highlighting its intent to sustain growth without relying on heavy leverage. It has planned a capex of Rs 5,000 Cr over three years for commissioning its new plant at Sri City. This investment will support further localisation of products, reduce costs, and improve supply chain efficiencies.

### Exhibit 21: Peer Comparison

Company Name	Mcap (Rs Cr)	Revenue (Rs Cr)				EPS (Rs)				P/E (X)				ROE (%)			
		FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
<b>LG Electronics India Ltd.</b>	<b>1,05,945</b>	<b>24,367</b>	<b>25,585</b>	<b>28,112</b>	<b>30,642</b>	<b>32</b>	<b>32</b>	<b>38</b>	<b>41</b>	<b>49</b>	<b>50</b>	<b>42</b>	<b>38</b>	<b>40</b>	<b>37</b>	<b>31</b>	<b>32</b>
Havells India Ltd.	89,892	21,778	23,247	27,002	30,717	23	25	31	37	65	58	46	39	19	17	20	21
Voltas Ltd.	51,038	15,320	14,631	17,552	20,206	25	17	30	38	57	89	51	41	14	8	14	15
Whirlpool Of India Ltd.	11,818	7,919	8,220	9,224	10,099	28	30	38	46	35	31	25	21	9	9	10	11
Blue Star Ltd.	41,488	11,968	12,712	14,909	17,354	29	27	36	45	74	74	56	45	21	17	20	21

Source: Bloomberg, Axis Securities

## Key Risks

- **Increasing Market Competition:** Heightened competition is faced by sector players, especially from Chinese brands, which are known for competitive pricing, innovative market strategies, and rapid product cycles.
- **Dependency on Parent:** The company is supported by LG Electronics as its promoter and pays royalties to LG Electronics. Any adverse change in this relationship could negatively impact the company's business, reputation, financial condition, and results of operations.
- **Raw Material Pricing:** Raw materials are sourced from a mix of domestic and international suppliers. These suppliers may themselves rely on third parties for inputs, and any disruption in this supply chain could adversely impact the company's operations.
- **Revenue Concentration:** Most of the revenue from continuing operations is derived from the Home Appliances and Air Solutions (HA) division. Any factor that adversely affects this division, particularly HA, could negatively impact revenue from operations.
- **Regulatory and Environmental Compliance Pressures:** Stricter environmental regulations and rising consumer demand for sustainable and energy-efficient products present challenges. Compliance with Bureau of Energy Efficiency (BEE) norms entails higher R&D and manufacturing costs.

## Management Profile

Key Management Personnel	Experience
<b>Daehyun Song</b> Chairman & Non-Executive Director	<ul style="list-style-type: none"> <li>Associated with the LG group since 28<sup>th</sup> Nov 1983, has a Bachelor's degree in Science (Mechanical Design) from Pusan National University, Busan, Korea</li> </ul>
<b>Hong Ju Jeon</b> Managing Director	<ul style="list-style-type: none"> <li>Associated with the LG group since 4<sup>th</sup> Oct 1994 and has an MBA (Global Management) from Thunderbird School of Global Management, Glendale, Arizona, USA.</li> </ul>
<b>Dongmyung Seo</b> Whole-time Director and CFO	<ul style="list-style-type: none"> <li>Associated with the LG group since 19<sup>th</sup> Dec 1994 and has an MBA from Seoul School of Integrated Sciences &amp; Technologies, Seoul, Korea.</li> </ul>
<b>Promila Bhardwaj</b> Independent Director	<ul style="list-style-type: none"> <li>Associated with the company since 19 Nov 2024. Past experience includes service with the Directorate General of Income Tax (Systems) and the Directorate of Income Tax (Systems). Holds a BA in Arts (English), MA in Arts (English), and MA in Philosophy (Social Sciences) from Panjab University, Chandigarh, along with a Master's Diploma in Public Administration from the Indian Institute of Public Administration, New Delhi.</li> </ul>
<b>Ramesh Ramchandran Nair</b> Independent Director	<ul style="list-style-type: none"> <li>Associated with the company since 19 Nov 2024. Experience includes associations with Avaada Electro Private Limited, Mundra Solar PV Limited, Bharat Aluminium Company Limited, and Jindal Stainless Limited. Holds a B.Tech in Electrical Engineering from Kurukshetra University, Haryana, and a Post Graduate Diploma in Financial Management from IGNOU, New Delhi.</li> </ul>
<b>Santosh Kumar Mohanty</b> Independent Director	<ul style="list-style-type: none"> <li>Associated with the company since 19 Nov 2024. Experience includes associations with SEBI, the Forward Markets Commission (GOI), and the Income Tax Department (GOI). Holds a BA (Honours) in Political Science from Utkal University, Bhubaneswar; a Bachelor's degree in Law from Siddharth College of Law, University of Mumbai; a Post Graduate Diploma in Securities Law from Government Law College, Mumbai; and a Master's degree in Political Science (International Studies) from JNU.</li> </ul>

Source: Company

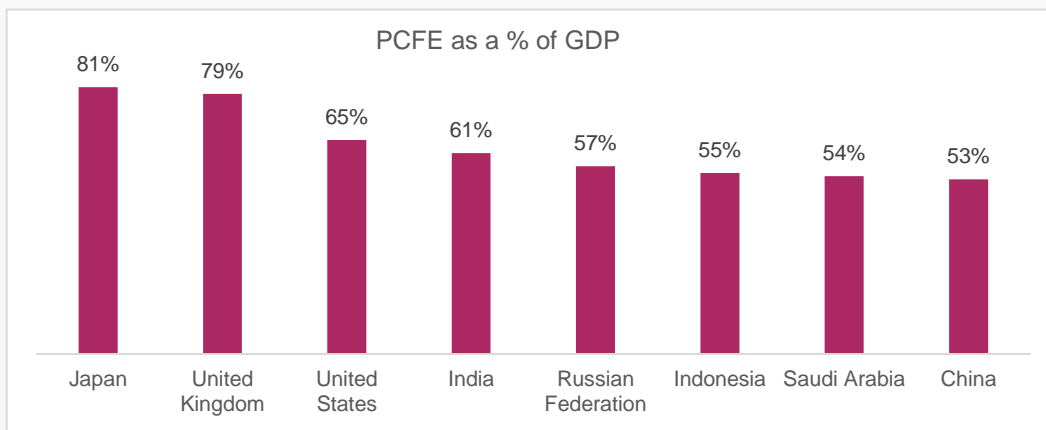
## Industry Overview

Increase in GDP per capita: The critical threshold of US\$2,000 to US\$3,000 GDP per capita has historically been associated with accelerated private consumption growth, particularly for Fast-Moving Electrical Goods (FMEG). Economies that have crossed this benchmark, including the US, China, Japan, Russia, and Brazil, indicate that once this threshold is breached, consumer demand for appliances and electronics typically accelerates. India is expected to reach US\$3,840 GDP per capita by CY2028P.

*Rising GDP per capita beyond the US\$2,000–3,000 threshold and strong growth in private consumption are driving appliance demand in India.*

*This is supported by income growth, urbanisation, expanding credit availability, and an increasing middle class with significant headroom for consumption growth.*

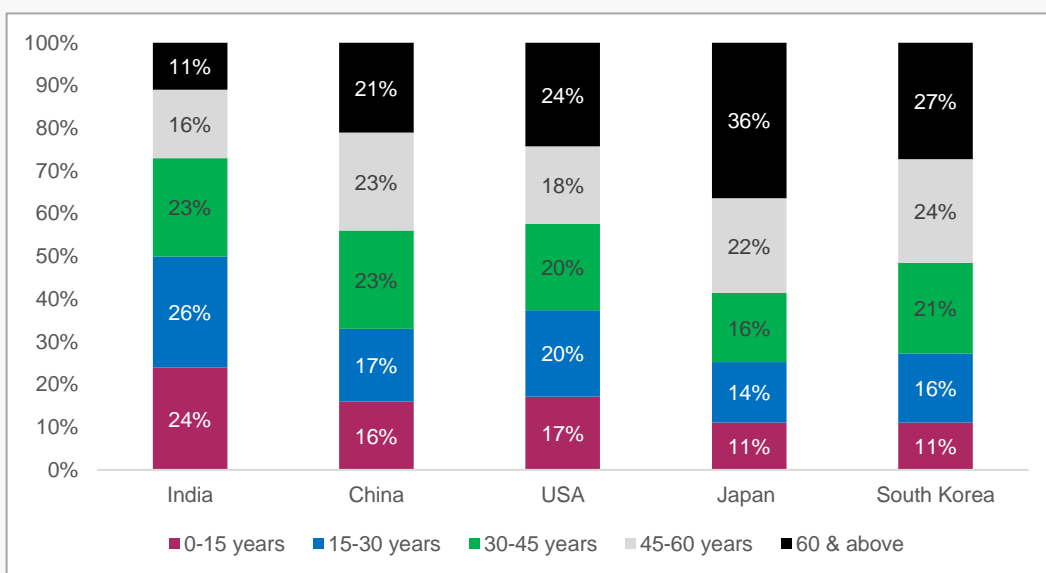
**Exhibit 22: PCFE as a % of GDP**



Source: Company, Axis Securities

**Increasing Young Population:** India's youthful population is among the largest globally, driving an expanding labour force and supporting economic growth. This demographic advantage, combined with a rising proportion of working-age individuals, is fuelling higher incomes and increased consumption across a wide range of sectors. Young and aspirational consumers play a key role in driving demand for technology, home appliances, and consumer goods, positioning India as a significant and attractive market.

**Exhibit 23 Population Segmentation by Age**

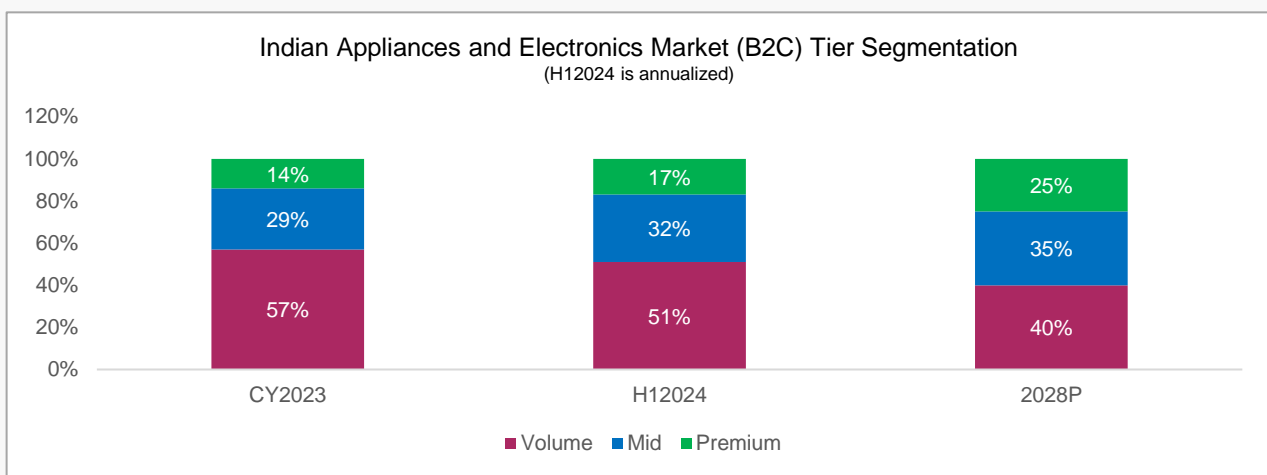


Source: Company, Axis Securities

- Increase in Retail Consumption:** Driven by intersecting trends of higher disposable income and evolving lifestyles, retail consumption in India has increased. Demand has gained momentum across both physical and digital channels, as consumers seek products that enhance their quality of life—from appliances and electronics to lifestyle goods. Collectively, these factors are creating a more dynamic and resilient consumption landscape in India.
- B2C Appliances and Electronics Market Tier Segmentation:** Driven by India’s expanding middle class and rising disposable incomes, demand for premium appliances and electronics is increasing. Consumer discretionary spending in India has grown at a CAGR of ~7% from CY2018 to CY2023, with both average selling prices and product volumes rising for major home appliances and consumer electronics, reflecting a higher propensity among consumers to choose premium and aspirational products.

*The B2C appliances and electronics market is expanding rapidly, supported by strong growth, premiumisation trends, and higher discretionary spending among a growing middle class*

**Exhibit 24: Indian Appliances and Electronics Market (B2C) Tier Segmentation**

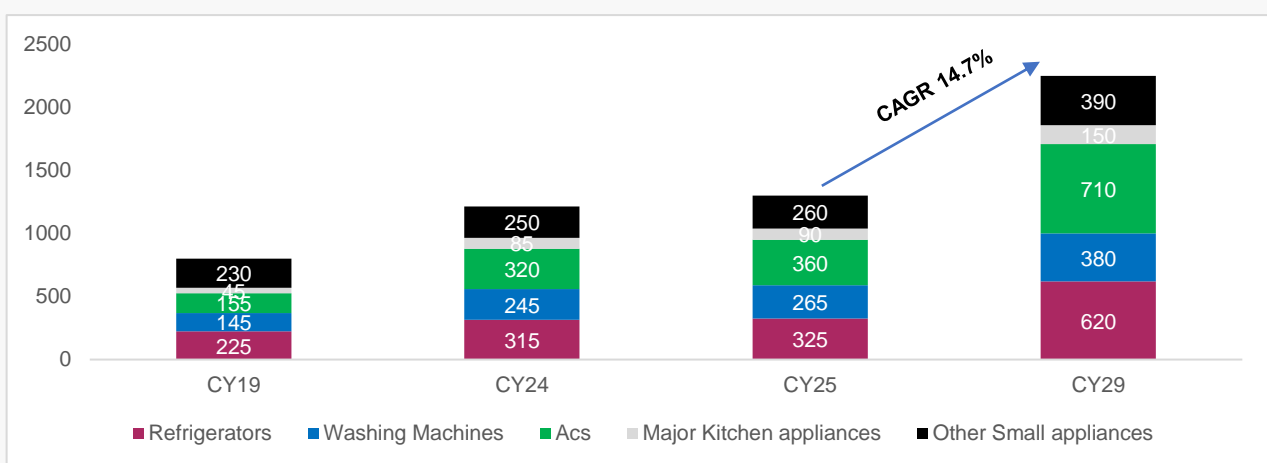


Source: Company, Axis Securities

**Home Appliances Market:**

India’s home appliances market, valued at approximately Rs 1.3 Tn, is led by refrigerators (25%), air conditioners (28%), and washing machines (20%), followed by major kitchen appliances (7%) and small domestic appliances (20%). The market is experiencing steady growth, supported by rising disposable incomes, rapid urbanisation, and expanding electrification in Tier II/III cities and rural areas. Consumers are increasingly upgrading from entry-level models to premium, inverter-based, and smart/IoT-enabled products, driving higher average selling prices.

**Exhibit 25: Home Appliances to report 14.7% CAGR (2025-29E), (Rs Bn)**



Source: Company, Axis Securities

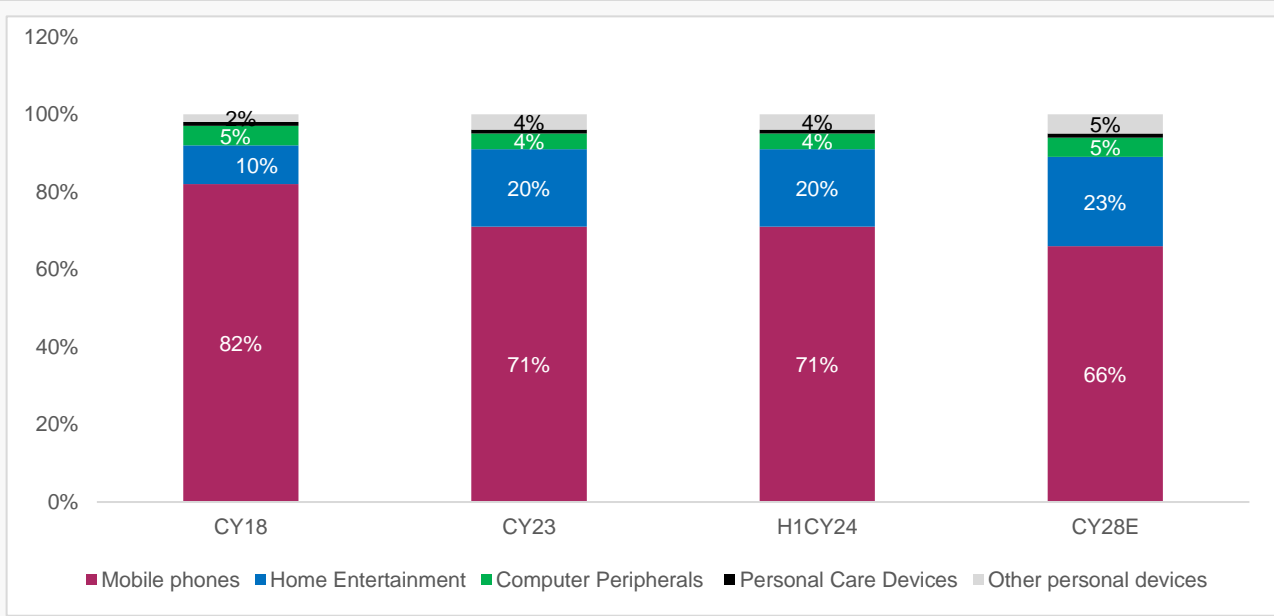
**Consumer Electronics Market:**

Mobile phones dominate the consumer electronics landscape, accounting for 71% of the market. Home entertainment products, including televisions and audio systems, form the second-largest segment at 20%, supported by rising content consumption and improving broadband connectivity. In contrast, computer peripherals contribute a modest 4%, while personal care devices make up just 1% of the market, indicating relatively lower penetration and discretionary adoption. Other personal devices account for the remaining 4%, comprising emerging and niche categories that are gradually gaining traction.

The consumer electronics market is being structurally driven by India's favourable demographics, with a young and digitally native population that is increasingly aspirational in its consumption patterns. Rising internet penetration and affordable data access have accelerated digital adoption, enabling consumers to stay informed about new products, features, and global trends. This improved access to information, combined with growing disposable incomes, is encouraging faster adoption of advanced and premium electronic devices across categories.

Additionally, rapid technological upgrades and shorter replacement cycles are supporting repeat purchases, particularly in mobile phones and home entertainment products. Expanding distribution networks and improving electrification in Tier II and Tier III cities are unlocking new demand pockets beyond metros. As manufacturers tailor products to regional preferences and price points, deeper penetration in these markets is expected to remain a key growth driver for the consumer electronics sector over the medium to long term.

*India's consumer electronics market is dominated by mobile phones, supported by strong home entertainment demand. Favourable demographics, rising internet access, income growth, faster replacement cycles, and deeper Tier II/III penetration are structurally driving adoption and long-term sector growth*

**Exhibit 26: Consumer Electronics Market Bifurcation**


Source: Company, Axis Securities

**Financials (Consolidated)**

<b>Profit &amp; Loss</b>					<b>(Rs Cr)</b>
<b>Y/E Mar</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
Total operating revenues	24,367	25,585	28,112	30,642	
Growth (%)	14.1	5	10	9	
EBITDA	3,110	2,814	3,514	3,983	
EBITDA margin (%)	13	11	13	13	
<i>Growth (%)</i>	<i>40</i>	<i>-10</i>	<i>25</i>	<i>13</i>	
Depreciation & amortization	380	383	458	583	
EBIT	2,730	2,655	3,197	3,485	
EBIT margin (%)	11	10	11	11	
Interest	31	33	33	37	
Other income	264	277	305	332	
Profit before tax	2,963	2,899	3,469	3,780	
Total Tax	760	754	902	983	
Profit After Tax	2,203	2,145	2,567	2,797	
net margin (%)	9.0	8.4	9.1	9.1	
EPS (Rs)	32	32	38	41	

Source: company, Axis Securities

<b>Balance Sheet</b>					<b>(Rs Cr)</b>
<b>Y/E Mar</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
<b>EQUITY</b>					
Equity share capital	679	679	679	679	
Other equity	5,291	6,137	7,404	8,901	
Total Equity	5,970	6,816	8,082	9,580	
<b>Non-Current Liabilities</b>					
Financial Liabilities	331	331	331	331	
Other Non-current liabilities	318	318	318	318	
<i>Total Non-Current Liabilities</i>	<i>649</i>	<i>649</i>	<i>649</i>	<i>649</i>	
<b>Current Liabilities</b>					
Financial Liabilities	97	97	97	97	
Other Current Liabilities	4,801	5,009	5,439	5,799	
<i>Total Current Liabilities</i>	<i>4,898</i>	<i>5,106</i>	<i>5,536</i>	<i>5,897</i>	
<b>Total Equity &amp; Liabilities</b>	<b>11,517</b>	<b>12,570</b>	<b>14,267</b>	<b>16,125</b>	
<b>APPLICATION OF FUNDS</b>					
<b>Non-Current Assets</b>					
Net Fixed Assets	1,404	1,521	2,063	2,980	
Financial Assets	572	572	572	572	
<i>Total Non-Current Assets</i>	<i>1,976</i>	<i>2,093</i>	<i>2,635</i>	<i>3,552</i>	
<b>Current Assets</b>					
Inventories	3,031	3,154	3,158	3,442	
Financial Assets	6,266	7,079	8,231	8,888	
Other current assets	243	243	243	243	
<i>Total Current Assets</i>	<i>9,541</i>	<i>10,477</i>	<i>11,632</i>	<i>12,573</i>	
<b>Total Assets</b>	<b>11,517</b>	<b>12,570</b>	<b>14,267</b>	<b>16,125</b>	

Source: company, Axis Securities

**Cash Flow**
**(Rs Cr)**

Y/E Mar	FY25	FY26E	FY27E	FY28E
PBT	2,963	2,899	3,469	3,780
Depreciation	380	383	458	583
Others	-233	0	0	0
Tax Paid	-754	-754	-902	-983
Changes in Working Capital	-703	63	422	-139
<b>Net Cash from Operations</b>	<b>1,654</b>	<b>2,591</b>	<b>3,447</b>	<b>3,242</b>
Capex	-335	-500	-1,000	-1,500
Change in Investment	248	0	0	0
Others	59	0	0	0
<b>Net Cash from Investing</b>	<b>-28</b>	<b>-500</b>	<b>-1,000</b>	<b>-1,500</b>
Change in debt	-76	0	0	0
Change in Equity	0	0	0	0
Others	-30	0	0	0
<b>Net Cash from Financing</b>	<b>-106</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Cash</b>	<b>1,520</b>	<b>2,091</b>	<b>2,447</b>	<b>1,742</b>

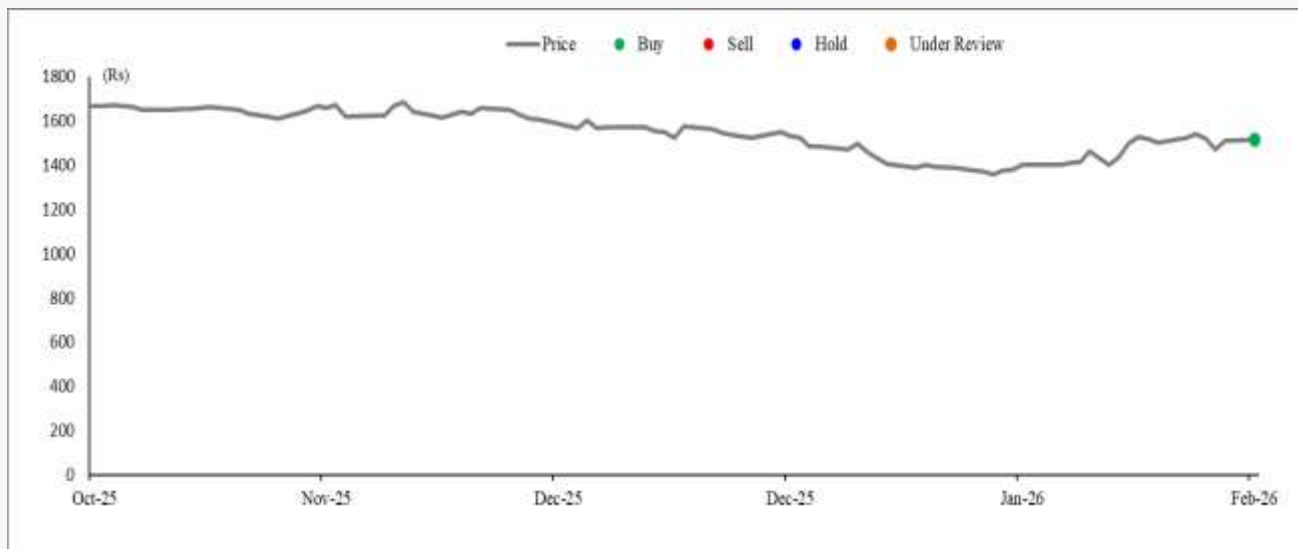
Source: company, Axis Securities

**Ratio Analysis**
**(x) / (%)**

Y/E Mar	FY25	FY26E	FY27E	FY28E
<b>PROFITABILITY RATIOS</b>				
EBITDA Margin (%)	13%	11%	13%	13%
net margin (%)	9.04	8.39	9.13	9.13
Return on invested capital (%)	41	36	37	34
Return on equity (%)	37	31	32	29
<b>EFFICIENCY RATIOS</b>				
Fixed Asset Turnover	17.35	16.82	13.62	10.28
Debtor days	31	34	31	30
Inventory days	60	66	60	58
Payable days	70	74	72	73
<b>PER SHARE DATA</b>				
EPS (Rs)	32.46	31.61	37.82	41.22
Book value per share (Rs)	87.96	100.42	119.09	141.15
<b>VALUATION RATIOS</b>				
P/E	48.52	49.83	41.64	38.21
P/BV	17.91	15.68	13.23	11.16
EV/EBITDA	34.95	38.42	30.56	26.94
Dividend Yield (%)				
<b>LIQUIDITY RATIOS</b>				
Total Debt/Equity(x)	0.93	0.84	0.77	0.68
Total Asset/Equity(x)	1.93	1.84	1.77	1.68
Current Ratio(x)	1.95	2.05	2.10	2.13
Quick Ratio(x)	1.33	1.43	1.53	1.55
Interest Cover(x)	89.07	80.96	97.50	94.89

Source: company, Axis Securities

## LG Electronics India Price Chart and Recommendation History



Date	Reco	TP	Research
19-Feb-26	BUY	1,815	Initiating Coverage

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.