BUY (Maintain)

CMP: **INR 1,564** Target Price: **INR 1,820 (INR 1,746)** ▲ 16%

ICICI Securities

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18 March 2026

India | Equity Research | Company Update

LG Electronics India

White Goods

RAC upcycle gaining strength; LG essentials and pricing are key drivers

We visited LG Electronics India's (LG) plant in Pune, Maharashtra. We note that it remains well positioned to capitalise on a strong RAC-led upcycle, supported by favourable summer conditions, premiumisation and capacity expansion. Other takeaways: (1) Management indicated LG has performed relatively better in Jan–Feb'26 YoY. (2) It reiterated its revenue guidance of INR 24.3bn for FY26 (implying ~6% YoY growth in Q4FY26) with double-digit EBITDA margin (implied margin of ~12.5% in Q4FY26). (3) It expects RAC industry could grow > 40% YoY in CY26, driven by strong summer season and favourable inventory. (4) Despite near-term headwinds from geopolitical disruptions and gas availability, LG appears well placed to manage costs through alternate fuel options. (5) We model mid-single-digit price hikes in RAC and select categories in Apr–May'26, which could support margins amid elevated input costs. (6) B2B and AMC are also gaining traction, thereby supports margin expansion. (7) LG also expects to increase its revenue contribution from exports to ~10% by FY28. (8) The upcoming Sri City plant is on track and may enhance backward integration in the medium term. (9) TV demand has also seen improvement, supported by sporting events and GST-led affordability. Retain **BUY** with a DCF-based revised TP of INR 1,820 (earlier INR 1,746).

Revenue and margin guidance for FY26

The company has performed better in Jan–Feb'26 YoY. It has reiterated its **revenue guidance** of INR 24.3bn for FY26, implying a flattish performance YoY despite ~2% decline in 9MFY26. This translates into a revenue growth of ~6% YoY in Q4FY26, indicating a recovery led by seasonal demand. **In terms of margin guidance**, it expects double-digit EBITDA margin in FY26 despite 8.8% margin in 9MFY26. This translates into an implied margin of ~12.5% YoY in Q4FY26. This reflects operating leverage benefits and improved product mix.

RAC outlook: Strong summer season to drive recovery

LG expects strong RAC market growth in CY26, with potential growth of > 40% YoY. This will be supported by favourable summer season and improved supply chain. In our view, rising temperatures are likely to drive robust demand, supporting volume growth during the peak season. We believe RAC could be the key growth driver in CY26, aided by strong seasonality and improving supply conditions. However, early monsoon or prolonged gas availability issues may hurt the industry growth rates.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	243,666	244,550	277,530	309,342
EBITDA	31,101	26,528	33,852	38,815
EBITDA Margin (%)	12.8	10.8	12.2	12.5
Net Profit	22,033	18,265	23,049	25,498
EPS (INR)	32.5	26.9	34.0	37.6
EPS % Chg YoY	45.8	(17.1)	26.2	10.6
P/E (x)	48.2	58.1	46.1	41.6
EV/EBITDA (x)	33.5	39.5	31.2	27.4
RoCE (%)	37.1	25.9	36.3	44.8
RoE (%)	45.2	32.1	44.2	53.6

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Market Data

Market Cap (INR)	1,062bn
Market Cap (USD)	11,490mn
Bloomberg Code	LGEL IN
Reuters Code	LGEL.BO
52-week Range (INR)	1,749 /1,300
Free Float (%)	13.0
ADTV-3M (mn) (USD)	14.3

Price Performance (%)	3m	6m	12m
Absolute	0.9	0.0	0.0
Relative to Sensex	10.9	0.0	0.0

ESG Score	2024	2025	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

12-02-2026: Q3FY26 results review
18-12-2025: Company Update

Near-term headwinds

The ongoing Middle East conflict and elevated crude prices have led to some disruption in raw material availability and logistics. Additionally, LPG availability constraints pose near-term operational challenges. However, the company has access to alternate fuels such as diesel and PNG, which provides operational flexibility. We believe these measures mitigate the risk of production disruptions. While input cost volatility remains a key monitorable, LG's scale and sourcing capabilities provide resilience over the medium term.

AMC and B2B businesses are margin-accretive growth drivers

LG's AMC and B2B segments continue to demonstrate strong traction. The B2B segment benefits from technologically advanced products, which typically command superior margins compared to the consumer segment. AMC also provides a steady income stream, supporting cashflow visibility. In our view, increasing contribution from these segments could support margin expansion over the medium term.

Calibrated pricing actions to offset input cost pressures

The company is contemplating mid-to-high single digit price hikes across RAC and select categories, likely to be implemented in Apr–May'26. This price hike could offset raw material inflationary pressures. Additionally, we believe the pricing actions may be industry-wide, which could limit any competitive disadvantage.

Essential series doing well in mass premium category

LG continues to dominate the premium segments with >50% market share. However, its presence in the mass premium segment remains relatively lower (<30% share). The Essential series, which is gaining traction, is a strategic move to address this gap and target value-conscious consumers. We believe this dual strategy of premium leadership and mass expansion could significantly expand its addressable market.

Sri City plant is on track and will support backward integration

The Sri City plant remains on track and is a key strategic investment to strengthen LG's presence in South India, which contributes ~40% of sales. The facility is expected to commence RAC production by Q3FY27, followed by AC compressors in Q4FY27. It will subsequently scale up into washing machines by FY28 and refrigerators by FY29. This expansion could enhance backward integration and lower logistics costs, in our view.

Double-digit revenue contribution from exports by FY28

The company aims to increase exports contribution to ~10% of revenue by FY28 from 6–7% currently. This will be driven by cost efficiencies and improving manufacturing capabilities. In our view, improving US tariffs conditions and EU FTA also provide structural tailwinds. Export scale-up may also aid capacity utilisation and support margin improvement over time.

Sporting events and GST cuts support TV demand

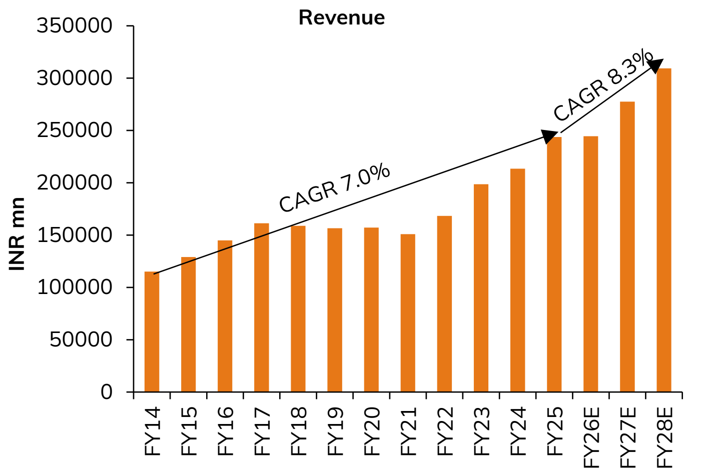
TV demand has seen a healthy uptick in Q4FY26 (so far), supported by sporting events such as the T20 World Cup and improved discretionary spending. Additionally, GST rate reduction has improved affordability, further aiding demand. In our view, the TV segment is gradually shifting towards premium products, which should support margins over medium term.

Maintain BUY

We model LG to report revenue and PAT CAGRs of 8.3% and 5.0%, respectively, over FY25–28E. Maintain **BUY** with a DCF-based revised TP of INR 1,820 (earlier INR 1,746; implied target P/E at 48x FY28E EPS).

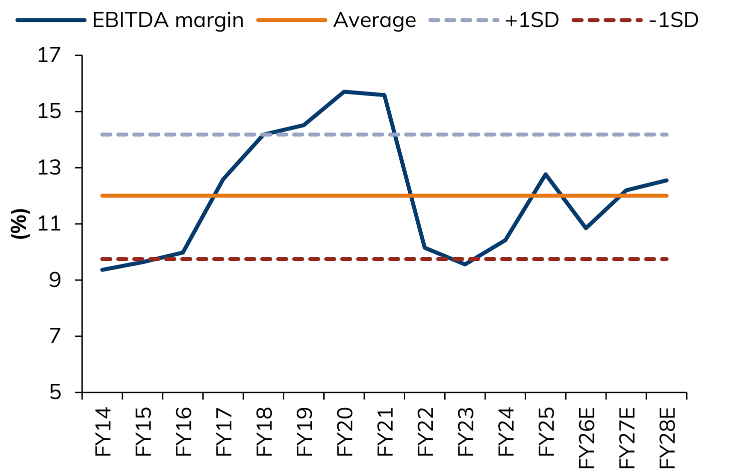
Key indicators – Annual

Exhibit 1: Revenue and revenue growth



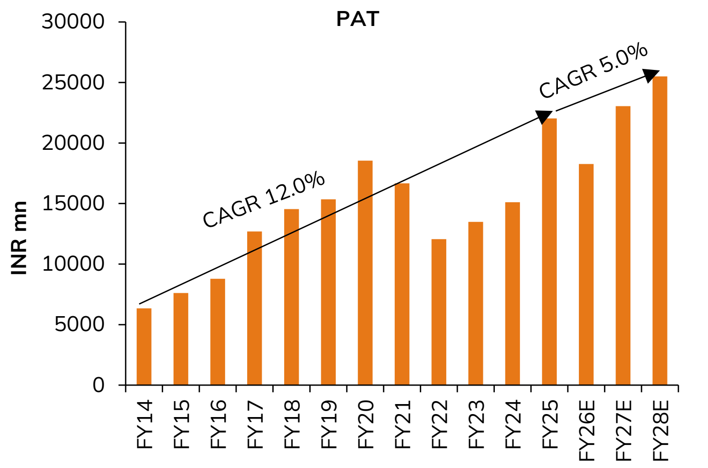
Source: Company data, I-Sec research

Exhibit 2: EBITDA margin



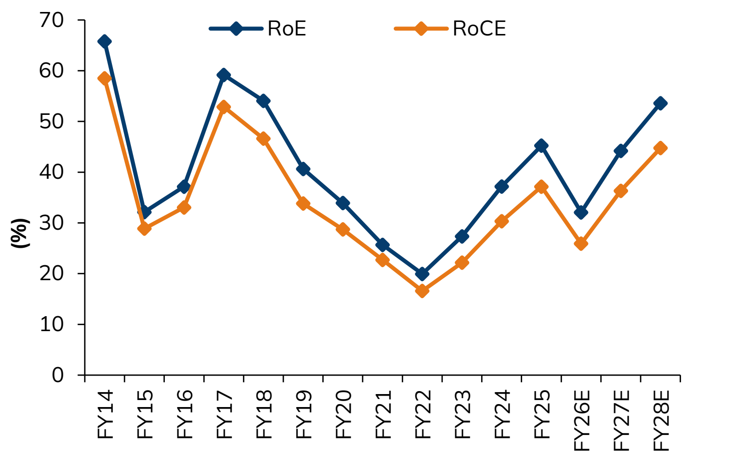
Source: Company data, I-Sec research

Exhibit 3: PAT and PAT growth



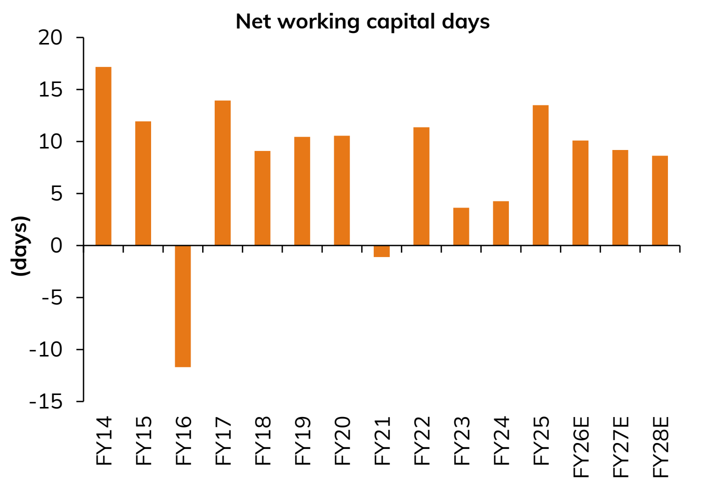
Source: Company data, I-Sec research

Exhibit 4: RoE and RoCE



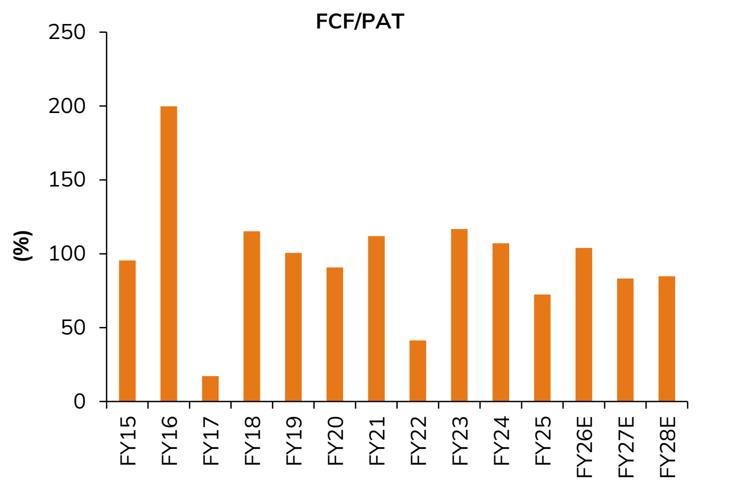
Source: Company data, I-Sec research

Exhibit 5: Net working capital days



Source: Company data, I-Sec research

Exhibit 6: FCF/PAT (%)



Source: Company data, I-Sec research

Valuation and key risks

DCF valuation

We model LG to report revenue and PAT CAGRs of 8.3% and 5.0%, respectively, over FY25–28E. Maintain **BUY** with a DCF-based revised TP of INR 1,820 (earlier INR 1,746; implied target P/E at 48x FY28E EPS).

Exhibit 7: DCF-based valuation

Particulars	
Cost of Equity (%)	11.1%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	380,418
Discounted terminal value (INR mn)	855,075
Total equity value (INR mn)	1,235,493
Value per share (INR)	**1,820**

Source: Company data, I-Sec research

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures may result in downside to our estimates.

Delays in launch of new plants/products

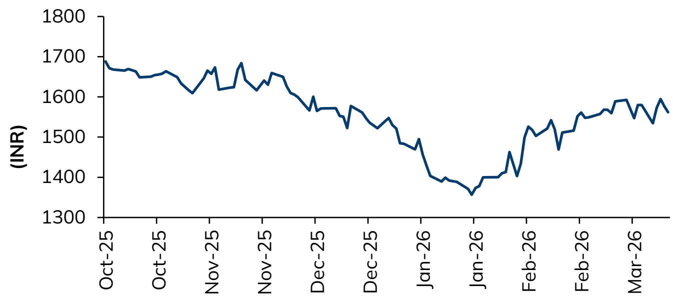
Any delays in launch of new products may result in lower earnings than estimated.

Exhibit 8: Shareholding pattern

%	Oct'25	Dec'25
Promoters	85.0	85.0
Institutional investors	7.4	10.1
MFs and others	2.7	5.4
FIs/Banks	1.0	0.3
Insurance	0.7	1.4
FIIs	3.0	3.0
Others	7.5	4.9

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	243,666	244,550	277,530	309,342
Operating Expenses	**212,565**	**218,023**	**243,679**	**270,527**
EBITDA	31,101	26,528	33,852	38,815
EBITDA Margin (%)	**12.8**	**10.8**	**12.2**	**12.5**
Depreciation & Amortization	3,804	4,466	5,372	6,464
EBIT	27,298	22,062	28,480	32,350
Interest expenditure	306	422	389	389
Other Non-operating Income	2,640	2,877	2,724	2,127
Recurring PBT	29,631	24,517	30,815	34,089
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**7,598**	**6,252**	**7,765**	**8,590**
PAT	22,033	18,265	23,049	25,498
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(54)	-	-	-
Net Income (Reported)	21,979	18,265	23,049	25,498
Net Income (Adjusted)	**22,033**	**18,265**	**23,049**	**25,498**

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	95,408	88,063	87,035	84,799
of which cash & cash eqv.	37,415	32,640	24,686	15,770
Total Current Liabilities & Provisions	48,985	48,666	55,367	61,714
Net Current Assets	**46,424**	**39,397**	**31,668**	**23,085**
Investments	3,679	3,679	3,679	3,679
Net Fixed Assets	13,291	15,578	19,207	22,742
ROU Assets	-	-	-	-
Capital Work-in-Progress	753	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**64,147**	**58,655**	**54,553**	**49,507**
Liabilities				
Borrowings	**6,485**	**6,485**	**6,485**	**6,485**
Deferred Tax Liability	**(2,040)**	**(2,040)**	**(2,040)**	**(2,040)**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	6,788	6,788	6,788	6,788
Reserves & Surplus	52,914	47,422	43,320	38,274
Total Net Worth	**59,702**	**54,210**	**50,108**	**45,062**
Minority Interest	-	-	-	-
Total Liabilities	**64,147**	**58,655**	**54,553**	**49,507**

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	June 25	Sept 25	Dec 25
Net Sales	62,629	61,740	41,144
% growth (YOY)	(2.3)	1.0	(6.4)
EBITDA	7,163	5,476	1,961
Margin %	11.4	8.9	4.8
Other Income	744	798	757
Extraordinaries	8	(10)	(66)
Adjusted Net Profit	5,133	3,894	897

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**18,701**	**24,982**	**28,197**	**31,628**
Working Capital Changes	(7,025)	2,252	(224)	(334)
Capital Commitments	(3,393)	(6,000)	(9,000)	(10,000)
Free Cashflow	**15,308**	**18,982**	**19,197**	**21,628**
Other investing cashflow	**641**	**-**	**-**	**-**
Cashflow from Investing Activities	(2,752)	(6,000)	(9,000)	(10,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(760)	-	-	-
Dividend paid	-	(23,757)	(27,151)	(30,545)
Others	-	-	-	-
Cash flow from Financing Activities	(760)	(23,757)	(27,151)	(30,545)
Chg. in Cash & Bank balance	**15,189**	**(4,775)**	**(7,954)**	**(8,916)**
Closing cash & balance	37,415	32,640	24,686	15,770

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	32.5	26.9	34.0	37.6
Adjusted EPS (Diluted)	32.5	26.9	34.0	37.6
Cash EPS	38.1	33.5	41.9	47.1
Dividend per share (DPS)	-	35.0	40.0	45.0
Book Value per share (BV)	88.0	79.9	73.8	66.4
Dividend Payout (%)	-	130.1	117.8	119.8
Growth (%)				
Net Sales	14.1	0.4	13.5	11.5
EBITDA	39.8	(14.7)	27.6	14.7
EPS (INR)	45.8	(17.1)	26.2	10.6
Valuation Ratios (x)				
P/E	48.2	58.1	46.1	41.6
P/CEPS	41.1	46.7	37.4	33.2
P/BV	17.8	19.6	21.2	23.6
EV / EBITDA	33.5	39.5	31.2	27.4
P / Sales	4.4	4.4	3.9	3.5
Dividend Yield (%)	-	2.2	2.6	2.9
Operating Ratios				
Gross Profit Margins (%)	32.0	31.5	31.3	31.5
EBITDA Margins (%)	12.8	10.8	12.2	12.5
Effective Tax Rate (%)	25.6	25.5	25.2	25.2
Net Profit Margins (%)	9.0	7.5	8.3	8.2
NWC / Total Assets (%)	72.4	67.2	58.0	46.6
Net Debt / Equity (x)	(0.6)	(0.6)	(0.4)	(0.3)
Net Debt / EBITDA (x)	(1.1)	(1.1)	(0.6)	(0.3)
Profitability Ratios				
RoCE (%)	37.1	25.9	36.3	44.8
RoE (%)	45.2	32.1	44.2	53.6
RoIC (%)	95.0	66.4	81.0	80.2
Fixed Asset Turnover (x)	7.2	6.3	5.9	5.5
Inventory Turnover Days	48	44	47	46
Receivables Days	38	33	35	35
Payables Days	75	70	75	74

Source Company data, I-Sec research

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