LG Electronics India Ltd (LGELEC)

ICICI Direct

CMP: ₹ 1730 | Target ₹ 2040 (+18%) | Target Period: 12 months | BUY

August 17, 2026

Premiumisation, localisation, export to scale growth and aid margins

About the stock: Incorporated in 1997, LG Electronics India (LGEDIA), is a wholly owned subsidiary of S. Korea based LG electronics Inc. which is a leading single brand global home appliance player. LGEDIA has strong manufacturing capabilities operated through two facilities at Noida, Pune and upcoming one at Andhra Pradesh.

Q1FY27 performance: LGEDIA reported strong revenue growth of 15.5% YoY to ₹7,233 crore, driven by broad-based growth across all categories, premiumization and healthy export momentum. Home Appliances & Air Solutions segment (AC, refrigerator, washing machine, oven, etc.) reported revenue of ₹5,577 crore, up 13.6% YoY, while Home Entertainment segment (Television, audio visual, monitors, etc.) grew 22.3% YoY to ₹1,657 crore. EBITDA grew 26.2% YoY to ₹904 crore, with EBITDA margins improving to 12.5% (+106 bps YoY) supported by premium mix, operating leverage and calibrated price hikes. PAT grew 27.2% YoY to ₹653 crore.

Investment Rationale:

- **Broad-based growth with premiumisation to drive earnings:** LGEDIA delivered strong Q1FY27 performance with revenue growing 15.5% YoY, led by double-digit growth across all major categories. Premiumisation remains a key growth driver, with strong traction in large-screen TVs, OLED/QNED, French-door refrigerators, 8kg+ washing machines and dishwashers. Home Entertainment outperformed with 22.3% YoY growth and EBIT margin expanding to 19%, while consolidated EBITDA margin improved 106 bps to 12.5%. With richer product mix, calibrated price hikes and operating leverage, management remains confident of sustaining mid-teen revenue growth and early double-digit EBITDA margins in FY27.
- **Exports and capacity expansion to strengthen long-term growth:** LG is increasingly positioning India as a manufacturing and export hub, with exports delivering its highest-ever quarterly performance and now reaching over 60 countries. Premium refrigerators and Essential Series are being scaled across global markets, with exports remaining margin accretive. Further, the ₹5,000 crore Sri City expansion remains on track, with compressor production expected from Q3FY27 and RAC production from Q4FY27, which should enhance capacity, localisation and export capabilities. Localisation stood at 55.2% in FY26, with the company targeting ~65% over the next 3-4 years, which should reduce import dependence and currency-related volatility while supporting margins over the medium term.

Rating and Target Price:

LGEDIA's core advantage is its brand and the strong parentage which positions the company to benefit from domestic as well as export opportunity. Similarly, this also allows the company to better manage the ongoing commodity and currency volatility. Q1FY27's performance demonstrates strong demand across categories along with margin expansion despite commodity and currency headwinds. Management remains confident of mid-teen revenue growth and early double-digit EBITDA margins in FY27, supported by premiumization, exports, Sri City ramp-up, localization and scaling up of B2B & AMC businesses. We remain positive on the stock, valuing it at PE of 50x FY28E EPS with target price of ₹2040/share and retain BUY rating.

Result Update

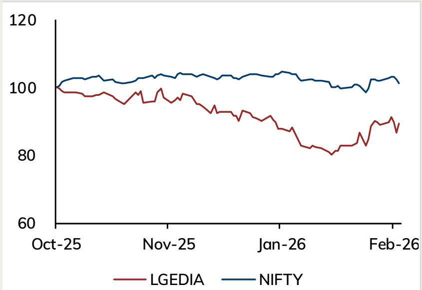
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,17,407
FY26 Debt (₹ Crore)	459
FY26 Cash (₹ Crore)	4,476
EV (Rs Crore)	1,13,390
52 Week H/L (₹)	1,749/1,300
Equity Capital (₹ Crore)	679.0
Face Value	10

Shareholding pattern

	Dec-25	Mar-26	Jun-26
Promoter	85.0	85.0	85.0
FII	3.0	2.7	3.1
DII	7.1	8.0	7.8
Public	4.8	4.2	4.0

Price Chart



Key risks

(i) Intensifying competition.

(ii) Increase in raw material prices.

(iii)Dependence on parent entity for R&D.

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	19,865	21,352	24,367	24,605	7.4	28,129	31,813	13.7
EBITDA	1,899	2,225	3,110	2,408	8.2	3,060	3,986	28.7
EBITDA margin (%)	9.6	10.4	12.8	9.8		10.9	12.5	
Net Profit	1,345	1,511	2,203	1,685	7.8	2,161	2,769	28.2
Diluted/Adjusted EPS (₹)	19.8	22.3	32.5	24.8		31.8	40.8	
P/E(x)	87.3	77.7	53.3	69.7		54.4	42.4	
EV/EBITDA (x)	60.5	51.9	36.7	47.1		37.1	28.3	
RoCE (%)	39.0	48.9	46.0	27.9		32.7	38.0	
RoE (%)	30.9	40.1	36.9	22.0		26.0	30.3	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- Q1FY27 performance remained strong despite raw material cost pressure and currency headwinds, with revenue growing 15.5% YoY to ₹7,233 crore. EBITDA grew 26.2% YoY to ₹904 crore, with EBITDA margin improving to 12.5% (+110 bps YoY) supported by premiumization, calibrated price hikes and operating leverage. PAT grew 27.2% YoY to ₹653 crore.
- **Home Appliance & Air Solution segment:** Revenue grew 13.6% YoY to ₹5,577 crore, with premium categories including French-door refrigerators, 8kg+ washing machines and dishwashers witnessing strong growth. Segment EBIT grew ~13.8% YoY to ~₹640 crore, with margins steady at 11.5%, supported by higher volumes, disciplined pricing and deeper localisation.
- **Home Entertainment** segment remained the key outperformer, with revenue growing 22.3% YoY to ₹1,657 crore. Premiumization in large-screen TVs, OLED and QNED, along with strong information display demand, supported growth. Segment EBIT grew 48.5% YoY with margin expanding to 19%, aided by richer product mix, normalized promotional spends, leaner information display cost structure and operating leverage.
- **Premiumisation** continues to remain a key growth driver across categories. In TVs, 55-inch+ segment grew ~53% YoY and now contributes ~50% of overall TV business. TV market share reached ~26%, while OLED market share stood at ~59%. Management expects the shift towards larger premium formats to remain structural, with new QNED, Micro RGB and OLED launches supporting growth.
- **Essential Series** continues to scale rapidly, with over 5 lakh units sold during January-June. The range is targeting first-time buyers, particularly in tier 2 and tier 3 cities, while margins remain in line with the rest of the B2C portfolio and are not margin dilutive. Essential refrigerators have been expanded across 225L, 251L and 276L capacities, with higher capacity top-load washing machines also planned. Essential products are currently exported to 22 countries.
- **Export** business remains a key strategic focus under the “Make India Global” strategy, with exports growing 30% YoY in Q1FY27. The company is exporting premium refrigerators and other products to key global markets, while Essential Series is being exported across Asia, Middle East and Africa. Global footprint has expanded to 60+ countries, with export margins being relatively better.
- **Sri City facility** expansion remains on track, with compressor production expected to commence from Q3FY27 and room air conditioner production from Q4FY27. The ₹5,000 crore investment is expected to almost double manufacturing capacity, strengthen supply-chain efficiencies and significantly enhance export capabilities. The company plans to fund the investment entirely through internal accruals without external debt.

- Government's quantitative restrictions on compressor imports are expected to benefit LG given its backward integration. Restrictions cover up to 60% of reciprocating compressors used in refrigerators and ~70% of rotary compressors used in ACs. LG has 1mn AC capacity at Greater Noida and is adding 2mn capacity at Sri City, while its 7mn refrigerator capacity at Greater Noida provides strong supply security.
- **Localization** remains an important structural margin lever. FY26 localization stood at 55.2%, with the company continuing to improve localization by 2-3% annually and targeting 65% over the next 3-4 years.
- B2B business continues to scale up, led by HVAC and information display panels. LED signage recorded its highest-ever quarterly sales, with market share reaching 36%, while government and corporate orders continue to support demand. Commercial AC distribution is also being expanded with a wider product portfolio. Management remains confident of a 20% CAGR growth trajectory, in line with growth delivered during FY22-FY25.
- Management highlighted data center cooling as a meaningful long-term B2B opportunity. LG already has a live mid-scale data center business using Multi V, VRF and chiller systems, while the hyperscale opportunity remains at a preliminary stage. The company is evaluating partnerships with established data center distributors and integrators. However, data centers are not expected to be a material driver for FY27.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ (%)	Comments
Revenue	7,233.4	6,262.8	15%	8,053.6	-10%	Broad-based growth across categories.
Other Income	94.7	74.4	27%	101.1	-6%	
Total Income	7,328.1	6,337.2	16%	8,154.6	-10%	
Gross profit	2,272.0	1,979.6	15%	2,299.8	-1%	
Gross margin %	31.4	31.6	-20 bps	28.6	285 bps	Considering commodity and currency volatility, gross profit margin fairly held. Indicates companies' ability to pass on cost.
Operating Expenses	1,089.0	1,009.9	8%	1,119.7	-3%	
Employee Expenses	278.7	253.6	10%	234.8	19%	
Total Expenses	1,367.7	1,263.5	8%	1,354.5	1%	
EBITDA	**904.3**	**716.1**	**26%**	**945.4**	**-4%**	
EBIDTA %	**12.5**	**11.4**	**107 bps**	**11.7**	**76 bps**	Margin improvement is supported by premiumization, calibrated price hike, operating leverage and exports.
Depreciation	111.8	90.2	24%	101.6	10%	
Finance cost	9.1	8.5	7%	13.8	-34%	
PBT	878.1	691.8	27%	931.0	-6%	
Tax	225.2	178.7	26%	238.3	-5%	
Adjusted PAT	652.9	513.1	27%	692.7	-6%	Healthy PAT growth backed by all-round performance.

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**24,367**	**24,605**	**28,129**	**31,813**
% Growth	*14.1*	*1.0*	*14.3*	*13.1*
Other income	*264.0*	*327.9*	*367.2*	*378.3*
Total Revenue	**24,631**	**24,933**	**28,496**	**32,191**
Employee Expenses	963	997	*1,105*	*1,266*
Other expenses	20,294	21,200	23,964	26,560
Total Operating Expenditure	21,256	22,197	25,069	27,827
Operating Profit (EBITDA)	**3,110**	**2,408**	**3,060**	**3,986**
% Growth	39.8	-22.6	27.1	30.3
Interest	*31*	*41*	*40*	*45*
PBDT	3,344	2,695	3,386	4,320
Depreciation	380	396	*481*	596
PBT before Exceptional Items	2,963	2,299	2,906	3,724
Total Tax	760	614	745	955
Reported PAT	2,203	1,685	2,161	2,769
Adjusted PAT	**2,203**	**1,685**	**2,161**	**2,769**
% Growth	45.8	-23.5	28.2	28.2
Adjusted EPS	**32.5**	**24.8**	**31.8**	**40.8**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	2,203	1,685	2,161	2,769
Depreciation	380	396	481	596
Interest	31	41	40	45
Cash Flow before WC changes	2,614	2,122	2,682	3,409
(Inc)/dec in Current Assets	-141	-77	-79	-41
Inc/(dec) in CL and Provisions	73	39	52	58
Net CF from Operating activities	**2,547**	**2,084**	**2,654**	**3,427**
(Purchase)/Sale of Fixed Assets	**-441**	**-1,010**	**-830**	**-1,100**
Net CF from Investing activities	**-441**	**-1,010**	**-830**	**-1,100**
Dividend	-	-	-1,512	-1,938
Others	22	1	-7	20
Net CF from Financing Activities	**22**	**1**	**-1,520**	**-1,918**
Net Cash flow	2,127	1,075	305	408
Opening Cash/Cash Equivalent	2,223	3,741	4,476	4,534
Closing Cash/ Cash Equivalent	**3,742**	**4,476**	**4,534**	**5,098**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	679	679	679	679
Reserve and Surplus	5,291	6,987	7,635	8,466
Total Shareholders' funds	5,970	7,666	8,314	9,144
Total Debt	428	459	492	557
Other liabilities	318	456	422	477
Total Liabilities	**6,716**	**8,581**	**9,228**	**10,178**
Gross Block	3,379	3,858	4,958	6,080
Acc: Depreciation	2,050	2,297	2,778	3,374
Net Block	1,329	1,561	2,180	2,706
Capital WIP	75	457	187	165
Total Fixed Assets	1,404	2,018	2,367	2,871
Non-Current Assets	368	654	647	636
Inventory	3,031	2,962	3,419	3,773
Debtors	2,361	2,825	3,094	3,181
Other Current Assets	407	495	566	545
Cash	3,741	4,476	4,534	5,098
Total Current Assets	9,541	10,758	11,613	12,597
Current Liabilities	**4,597**	**4,849**	**5,399**	**5,926**
Net Current Assets (Ex Cash)	**8,685**	**10,385**	**10,748**	**11,769**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	32.5	24.8	31.8	40.8
Cash per Share	55.1	65.9	66.8	75.1
BV	88.0	112.9	122.5	134.7
Dividend per share	-	-	22.3	28.6
Dividend payout ratio (%)	-	-	70.0	70.0
Operating Ratios (%)				
EBITDA Margin	12.8	9.8	10.9	12.5
PAT Margin	9.0	6.8	7.7	8.7
Return Ratios (%)				
RoE	36.9	22.0	26.0	30.3
RoCE	46.0	27.9	32.7	38.0
Valuation Ratios (x)				
EV / EBITDA	36.7	47.1	37.1	28.3
P/E	53.3	69.7	54.4	42.4
Market Cap / Sales	4.8	4.7	4.1	3.6
Price to Book Value	19.7	15.3	14.1	12.8
Working Capital Management Ratios				
Inventory Days	44.9	43.4	43.8	42.8
Debtors Days	35.0	41.4	39.6	36.1
Creditors Days	49.9	51.4	51.1	49.2
Asset turnover	7.3	6.5	5.7	5.3
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.2	1.2	1.3	1.2
Quick Ratio	0.6	0.7	0.7	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

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