

Weak Q3, localisation and exports to anchor recovery...

About the stock: Incorporated in 1997, LG Electronics India, 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. It operates one of the largest distribution networks among leading home appliances players with ~35,640 B2C touchpoints and ~463 B2B trade partners.

Q3FY26 performance: LG Electronics reported weak Q3 amid softer post-festive demand and weak traction in compressor-led categories. Revenues were down by 6.4% YoY, 33.4% QoQ. Segmentally, Home Appliance & Air Solutions segment reported de-growth of 9.8% YoY, while Home Entertainment posted flattish revenue growth of 1.7% YoY. EBITDA margin contracted sharply by 290 bps YoY, 410 bps QoQ owing to operating de-leverage, elevated input costs and currency headwinds.

Investment Rationale

- Revenue rebound expected supported by premiumisation and exports:** Post mediocre Q3, growth momentum is expected to witness revival from Q4 onwards with management guiding double-digit revenue growth in FY27E. This shall be driven by premiumization across categories, continued market share gains and expected robust exports growth owing to EU FTA and relatively favorable US tariffs. Management aims to double exports and increase its proportion from 6-7% currently to mid-teen by FY27 and beyond. Under LG's global south strategy, India is being positioned as a key pillar of manufacturing for domestic as well as export growth.
- Structural margin expansion driven by cost discipline & localisation:** Despite near term margin pressure owing to commodity inflation, FX volatility and regulatory costs, LG has demonstrated its ability to protect profitability through calibrated price hikes, premium product mix and global procurement scale. It is benefitted from long-term raw material contracts and strong backward integration, helping it to mitigate volatility in input costs. Structurally, localisation content (currently ~56%) is set to increase further with Sri City plant ramping up which shall be a key margin lever. As localisation deepens alongside export scale-up, operating leverage and cost efficiencies are expected to improve supporting margin expansion over medium to long term.

Rating and Target Price

- Despite weak Q3 marked by softer revenue growth, we view the scenario as seasonal and temporary. With inherent advantage of brand, distribution and parentage, we believe recovery is underway supported by premiumisation and increasing export contribution. We maintain BUY rating on the stock and revise target price to ₹1,780 / share, considering the improved export outlook. We value the stock at 44x PE on FY28E EPS.



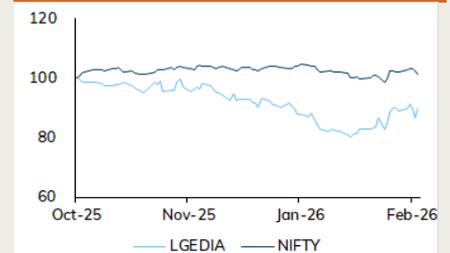
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,02,603
H1FY26 Debt (₹ Crore)	473
H1FY26 Cash (₹ Crore)	4,284
EV (₹ Crore)	98,792
52 Week H/L (₹)	1749/ 1325
Equity Capital (₹ Crore)	678.8
Face Value	10

Shareholding pattern

	Oct-25	Dec-25
Promoter	85.0	85.0
FII	2.9	3.0
DII	4.4	7.2
Public	7.7	4.9

Price Chart



Key risks

- Intensifying competition
- Increase in raw material prices
- Dependence on parent entity for R&D.

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	2 Year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	19,865	21,352	24,367	10.8	24,680	28,103	31,329	8.7
EBITDA	1,899	2,225	3,110	28.0	2,637	3,315	3,972	8.5
EBITDA margin (%)	9.6	10.4	12.8		10.7	11.8	12.7	
Net Profit	1,345	1,511	2,203	28.0	1,864	2,310	2,719	7.3
Diluted/Adjusted EPS (₹)	19.8	22.3	32.5		27.5	34.0	40.1	
P/E(x)	76.3	67.9	46.5		55.0	44.4	37.7	
EV/EBITDA (x)	52.7	45.3	31.9		37.6	29.9	24.9	
RoCE (%)	39.0	48.9	46.0		33.0	37.4	40.0	
RoE (%)	30.9	40.1	36.9		26.3	29.6	31.6	

Concall highlights and outlook

- Q3FY26 remained weaker with revenue declining by 6.4% YoY and 33.4% QoQ to ₹4,114 crore amid softer post-festive demand and weak traction in compressor-led categories. Management indicated Q4 has started strongly with broad-based demand recovery, especially in Home Appliances.
- Margins were impacted by operating de-leverage, higher copper/aluminium prices, FX volatility, new labour code impact and higher e-waste recycling targets. Management reiterated FY26 EBITDA margin guidance of double digit and expects early-teen margins in FY27, in line with FY25 levels.
- Implemented price hikes across categories owing to change in BEE ratings & input cost inflation, wherein Air-conditioners saw **7–8% price hike (3-star) and 9–10% (5-star)** while refrigerators and washing machines witnessed **~2–3% price increases** in November to offset input cost inflation.
- Market share gained across product categories for YTD Dec'25, **Refrigerators (30%, up 0.5%), RAC (17.3%, up 0.4%) and TVs (up 0.7%)**. Premium leadership remains strong with 62.4% OLED TV share and 43.3% side-by-side refrigerator share.
- With US tariff rationalization and India–EU FTA, **company aims to double exports by FY27E and beyond** (currently 6–7% of revenue), especially with premium refrigerators (like side-by-side refrigerator, large-capacity top freezer) from Pune and strategically located future Sri City plant.
- **New manufacturing plant** at Sri City, Andhra Pradesh progressing as planned. First RAC line is expected by Q4CY26; Capex to be funded via internal accruals over 4–5 years. This plant shall aid in exports and increasing localisation.
- **Localisation increased from 45.1% in FY22 to 54.6% in Q3FY26**. Management aims to increase it 2–3% p.a. reducing import dependency, mitigate FX risk supporting margin expansions over medium-long term.
- **Outlook for FY26E & FY27E**; despite near term softness, company expects to deliver early single digit revenue growth for FY26E, supported by a strong recovery in Q4 (double digit revenue growth alongwith mid-teen margin) across home appliances & RAC categories. For FY27E, management guided for double-digit revenue growth and early teen-EBITDA margins broadly aligned with FY25 levels. EBITDA margin shall be aided by calibrated price hikes, improving premium product mix and normalization in operating leverage.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue	4114	4395	-6%	6174	-33%	i) Home Appliance & Air Solutions segment de-grew by 9.8% YoY; ii) Home Entertainment grew by 1.7% YoY. Overall demand remained subdued post festive demand normalisation.
Other Income	76	79	-4%	80	-5%	
Raw Material Exp	2774	2943	-6%	4356	-36%	Gross margins largely in line YoY
Employee cost	261	237	10%	248	5%	
Other Expenditure	884	875	1%	1022	-14%	Other expenses well contained
Total Expenditure	3918	4055	-3%	5627	-30%	
EBITDA	196	340	-42%	547	-64%	Subdued margins owing to operating delverage, commodity inflation and currency headwinds
EBITDA Margin (%)	4.8	7.7	-298 bps	8.9	-410 bps	
Depreciation	111	90	23%	94	18%	
Interest	9	9	48	9	4%	
PBT	152	321	-56	525	-71%	
Total Tax	62	87	72	135	-54%	
PAT	90	233	111	389	-77%	Profit declined impacted by underwhelming demand

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	24,367	24,680	28,103	31,329
% Growth	14.1	1.3	13.9	11.5
Other income	264.0	317.1	355.1	365.8
Total Revenue	24,631	24,997	28,458	31,694
Employee Expenses	963	1,037	1,104	1,247
Other expenses	20,294	21,007	23,683	26,110
Total Operating Expenditure	21,256	22,043	24,787	27,356
Operating Profit (EBITDA)	3,110	2,637	3,315	3,972
% Growth	39.8	-15.2	25.7	19.8
Interest	31	35	32	34
PBDT	3,344	2,918	3,638	4,304
Depreciation	380	412	531	647
PBT before Exceptional Items	2,963	2,507	3,107	3,657
Total Tax	760	643	797	938
Reported PAT	2,203	1,864	2,310	2,719
Adjusted PAT	2,203	1,864	2,310	2,719
% Growth	45.8	-15.4	23.9	17.7
Adjusted EPS	32.5	27.5	34.0	40.1

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	2,203	1,864	2,310	2,719
Depreciation	380	412	531	647
Interest	31	35	32	34
Cash Flow before WC changes	2,614	2,311	2,874	3,400
(Inc)/dec in Current Assets	-141	-33	-81	-79
Inc/(dec) in CL and Provisions	73	12	63	58
Net CF from Operating activities	2,547	2,290	2,855	3,379
(Purchase)/Sale of Fixed Assets	-441	-1,095	-1,117	-1,100
Net CF from Investing activities	-441	-1,095	-1,117	-1,100
Dividend	-	-1,305	-1,617	-1,904
Others	22	540	-15	-14
Net CF from Financing Activities	22	-765	-1,632	-1,917
Net Cash flow	2,127	431	107	362
Opening Cash/Cash Equivalent	2,223	3,741	3,988	3,928
Closing Cash/ Cash Equivalent	3,742	3,988	3,928	4,100

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	679	679	679	679
Reserve and Surplus	5,291	6,422	7,115	7,931
Total Shareholders funds	5,970	7,100	7,794	8,609
Total Debt	428	432	450	470
Other liabilities	318	370	365	392
Total Liabilities	6,716	7,903	8,608	9,471
Gross Block	3,580	4,379	5,479	6,601
Acc: Depreciation	2,251	2,461	2,993	3,640
Net Block	1,329	1,917	2,486	2,961
Capital WIP	75	170	187	165
Total Fixed Assets	1,404	2,087	2,673	3,126
Non Current Assets	368	543	562	627
Inventory	3,031	3,185	3,621	3,985
Debtors	2,361	2,345	2,642	2,945
Other Current Assets	407	423	481	537
Cash	3,741	3,988	3,928	4,100
Total Current Assets	9,541	9,940	10,672	11,566
Current Liabilities	4,597	4,668	5,299	5,848
Total Assets	6,716	7,902	8,608	9,471

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS	32.5	27.5	34.0	40.1
Cash per Share	55.1	58.8	57.9	60.4
BV	88.0	104.6	114.8	126.8
Dividend per share	-	19.2	23.8	28.0
Dividend payout ratio (%)	-	70.0	70.0	70.0
Operating Ratios (%)				
EBITDA Margin	12.8	10.7	11.8	12.7
PAT Margin	9.0	7.6	8.2	8.7
Return Ratios (%)				
RoE	36.9	26.3	29.6	31.6
RoCE	46.0	33.0	37.4	40.0
Valuation Ratios (x)				
EV / EBITDA	31.9	37.6	29.9	24.9
P/E	46.5	55.0	44.4	37.7
Market Cap / Sales	4.2	4.1	3.6	3.2
Price to Book Value	17.2	14.4	13.2	11.9
Working Capital Management Ratios				
Inventory Days	44.9	46.5	46.4	45.9
Debtors Days	35.0	34.2	33.9	33.9
Creditors Days	49.9	49.8	50.0	49.4
Asset turnover	6.9	5.7	5.2	4.8
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.2	1.2	1.2	1.2
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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