

May 25, 2026

Amid headwinds, structural growth drivers intact...

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.

Q4FY26 performance: LGEDIA reported healthy revenue growth of 8% YoY (+96% QoQ) to ₹8054 crore aided by demand recovery & strong growth across premium products. Home appliances segment reported revenue of ₹6516 crore, up 5.7% YoY (+133.7% QoQ) and Home Entertainment segment came in at ₹1537 crore up 19.6% YoY (+15.9% QoQ). EBITDA margins came in at 11.7% down 242 bps YoY (up 678 bps QoQ) impacted by inflated input cost, rupee depreciation and strategic channel investments. PAT came in at ₹693 crore down 8% YoY (up 653% QoQ).

Investment Rationale

- Premiumisation to aid growth, margins set to recover:** LG delivered a strong operational recovery in Q4FY26 (revenue up 8.1% YoY), driven by healthy demand recovery across RACs, premium appliances and large-screen TVs. Further demand momentum has strengthened in April-May with heatwave-led acceleration in cooling products. Despite near-term margin pressure from commodity inflation, rupee depreciation, and elevated channel investments, management remains confident of margin recovery in FY27 aided by calibrated price hikes, improving operating leverage and rising localisation. EBITDA margin stood at 11.7% in Q4, while management guided for early double-digit margins in FY27 while revenue growth is expected at mid-teen supported by strong uptick in premium products across categories.
- Exports, Sri City expansion, improving localisation to emerge as long-term value levers:** LG is increasingly positioning India as a strategic manufacturing and export hub under its Global South strategy. The company aims to scale export contribution from the current ~6-7% to mid-teen levels over the next few years through expansion into newer categories and wider geographical reach. Further, the ongoing expansion at Sri City (₹5,000 crore) is expected to significantly enhance manufacturing capabilities, localisation and production scale over the medium term. Also, localisation levels have increased to ~55% and management targets annual improvement of 1-2% p.a., which should support long-term margin expansion and reduce import dependency.

Rating and Target Price

- Going ahead, with inherent advantage of brand, distribution and parentage, we expect LG to continue its growth momentum. Margins might witness near term moderation owing to geopolitical concerns but shall be transitory and LGEDIA is relatively better positioned for the same. Despite recent headwinds, Management outlook optimistic with mid-teen growth and early double-digit margin. Maintain BUY rating on the stock with target price of ₹1,800 / share, valuing the stock at 45x PE on FY28E EPS.



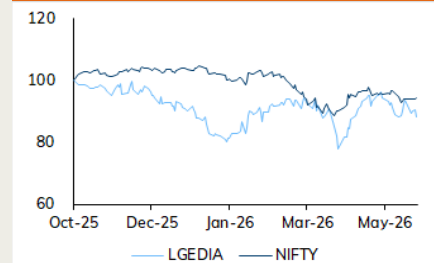
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,04,755
Debt FY26 (₹ Crore)	459
Cash FY26 (₹ Crore)	4,476
EV (₹ Crore)	1,00,738
52 Week H/L (₹)	1749/ 1300
Equity Capital (₹ Crore)	678.7
Face Value	10

Shareholding pattern

	Dec-25	Mar-26
Promoter	85.0	85.0
FII	3.0	2.7
DII	7.2	8.0
Public	4.9	4.3

Price Chart



Key risks

- (i) Intensifying competition
- (ii) ii) Increase in raw material prices
- (iii) iii) Dependence on parent entity for R&D.

Research Analyst

Jaymin Trivedi
jaymin.trivedi@icicisecurities.com

Kirankumar Choudhary
Kiran.choudhary@icicisecurities.com

Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	19,865	21,352	24,367	24,605	7.4	27,999	31,311	12.8
EBITDA	1,899	2,225	3,110	2,408	8.2	2,941	3,912	27.5
EBITDA margin (%)	9.6	10.4	12.8	9.8		10.5	12.5	
Net Profit	1,345	1,511	2,203	1,685	7.8	2,062	2,703	26.7
Diluted/Adjusted EPS (₹)	19.8	22.3	32.5	24.8		30.4	39.8	
P/E(x)	78.0	69.4	47.6	62.2		50.9	38.8	
EV/EBITDA (x)	53.9	46.3	32.7	41.9		34.3	25.6	
RoCE (%)	39.0	48.9	46.0	27.9		31.4	37.3	
RoE (%)	30.9	40.1	36.9	22.0		24.9	29.7	

Concall highlights and outlook

- Q4FY26 performance remained resilient despite several headwinds, with revenue growing ~8% YoY to ₹8,054 crore supported by healthy traction across RACs, premium appliances and large-screen TVs. Home Appliances & Air Solutions segment witnessed stable demand while Home Entertainment segment outperformed driven by premium TVs and signage/display products.
- EBITDA margins declined to ~11.7% (-242 bps YoY / +678 bps QoQ) impacted by higher promotional investments (~1.1% impact), rupee depreciation (~1% impact) & higher e-waste compliance (~0.2% impact). Management expects margin recovery in FY27 aided by calibrated price hikes, operating leverage, localization and exports.
- RAC segment remained key growth driver with LG crossing 1 million AC sales in Q4FY26 for the first time. Management highlighted industry penetration remains low at ~13%, indicating large long-term growth opportunity. GST reduction and heatwave conditions are further supporting demand momentum.
- Premiumisation trend continues to remain a key growth driver with strong traction in large-screen TVs, OLED TVs, front-load washing machines, side-by-side refrigerators and premium RACs. Among premium products, French-door refrigerator market share increased from 5% to 14%, 55-inch+ TVs grew ~47% YoY and now contribute ~49% of TV business & Dishwasher business doubled YoY with LG becoming #2 player in the segment.
- Management highlighted continued market share gains across key categories supported by strong brand positioning and premium product portfolio.
- Export business remains a key strategic focus under “Make India Global” strategy. Management reiterated strong export growth outlook with exports of premium refrigerators, front-load washing machines and Essential Series products to developed and emerging markets.
- Sri City facility expansion remains on track, with first RAC production line expected to commence by Q4FY27 & compressor production to commence from Q3FY27. The new facility shall enhance manufacturing flexibility, improve supply-chain efficiencies and strengthen export capabilities.
- Localisation levels improved to 55.2% in FY26 (+140 bps YoY). Company targets annual improvement of 1-2% points which should reduce import dependence and currency-related volatility.
- B2B and AMC businesses continue to scale up steadily. Commercial ACs, government projects, signage/display business and recurring AMC revenues are becoming meaningful contributors to profitability and revenue mix.

- Management highlighted new growth categories include chest freezers (~₹3,000 crore opportunity), fixed-speed RACs and larger capacity refrigerators.
- **Outlook for FY27 & beyond;** despite several headwinds, Management guided for mid-teen revenue growth and early double-digit EBITDA margins in FY27 supported by strong summer demand, premiumisation, export expansion and scaling up of B2B & AMC businesses. April-May demand trends remain encouraging with strong sell-through across RACs and washing machines.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Revenue	8054	7449	8%	4114	96%	i) Home Appliance & Air Solutions segment 5.7% YoY aided from RAC recovery; ii) Home Entertainment grew by 19.6% YoY backed by premiumisation trend.
Other Income	101	61	67%	76	34%	
Raw Material Exp	5754	5182	11%	2774	107%	Raw material prices inched up owing to rupee depreciation & increased prices.
Employee cost	235	250	-6%	261	-10%	
Other Expenditure	1120	961	17%	884	27%	
Total Expenditure	7108	6394	11%	3918	81%	
EBITDA	945	1055	-10%	196	382%	Inflated input cost, rupee depreciation and strategic channel investments kept margins under pressure.
EBITDA Margin (%)	11.7	14.2	-242 bps	4.8	697 bps	
Depreciation	102	97	5%	111	-8%	
Interest	14	9	59%	9	48%	
PBT	931	1010	-8%	152	514%	
Total Tax	238	256	-7%	62	284%	
PAT	693	755	-8%	90	672%	PAT remained impacted owing to several headwinds

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	24,367	24,605	27,999	31,311
% Growth	14.1	1.0	13.8	11.8
Other income	264.0	327.9	367.2	378.3
Total Revenue	24,631	24,933	28,366	31,689
Employee Expenses	963	997	1,100	1,246
Other expenses	20,294	21,200	23,958	26,153
Total Operating Expenditure	21,256	22,197	25,058	27,400
Operating Profit (EBITDA)	3,110	2,408	2,941	3,912
% Growth	39.8	-22.6	22.1	33.0
Interest	31	41	40	44
PBDT	3,344	2,695	3,268	4,246
Depreciation	380	396	495	610
PBT before Exceptional Items	2,963	2,299	2,773	3,636
Total Tax	760	614	711	932
Reported PAT	2,203	1,685	2,062	2,703
Adjusted PAT	2,203	1,685	2,062	2,703
% Growth	45.8	-23.5	22.4	31.1
Adjusted EPS	32.5	24.8	30.4	39.8

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	2,062	2,703
Depreciation	380	396	495	610
Interest	31	41	40	44
Cash Flow before WC changes	2,614	2,122	2,597	3,358
(Inc)/dec in Current Assets	-141	-77	-79	-30
Inc/(dec) in CL and Provisions	73	39	53	49
Net CF from Operating activities	2,547	2,084	2,571	3,377
(Purchase)/Sale of Fixed Assets	-441	-1,010	-830	-1,100
Net CF from Investing activities	-441	-1,010	-830	-1,100
Dividend	-	-	-1,443	-1,892
Others	22	1	-9	14
Net CF from Financing Activities	22	1	-1,453	-1,878
Net Cash flow	2,127	1,075	289	398
Opening Cash/Cash Equivalent	2,223	3,741	4,476	4,532
Closing Cash/ Cash Equivalent	3,742	4,476	4,532	5,100

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	7,605	8,416
Total Shareholders funds	5,970	7,666	8,284	9,095
Total Debt	428	459	490	548
Other liabilities	318	456	420	470
Total Liabilities	6,716	8,581	9,194	10,113
Gross Block	3,580	4,007	5,107	6,229
Acc: Depreciation	2,251	2,446	2,941	3,552
Net Block	1,329	1,561	2,165	2,677
Capital WIP	75	457	187	165
Total Fixed Assets	1,404	2,018	2,352	2,842
Non Current Assets	368	654	644	626
Inventory	3,031	2,962	3,437	3,735
Debtors	2,361	2,825	3,080	3,131
Other Current Assets	407	495	563	536
Cash	3,741	4,476	4,532	5,100
Total Current Assets	9,541	10,758	11,612	12,502
Current Liabilities	4,597	4,849	5,414	5,858
Total Assets	6,716	8,581	9,194	10,113

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	32.5	24.8	30.4	39.8
Cash per Share	55.1	66.0	66.8	75.1
BV	88.0	112.9	122.1	134.0
Dividend per share	-	-	21.3	27.9
Dividend payout ratio (%)	-	-	70.0	70.0
Operating Ratios (%)				
EBITDA Margin	12.8	9.8	10.5	12.5
PAT Margin	9.0	6.8	7.4	8.6
Return Ratios (%)				
RoE	36.9	22.0	24.9	29.7
RoCE	46.0	27.9	31.4	37.3
Valuation Ratios (x)				
EV / EBITDA	32.7	41.9	34.3	25.6
P/E	47.6	62.2	50.9	38.8
Market Cap / Sales	4.3	4.2	3.7	3.3
Price to Book Value	17.6	13.7	12.7	11.5
Working Capital Management Ratios				
Inventory Days	44.9	43.4	44.2	43.0
Debtors Days	35.0	41.4	39.6	36.1
Creditors Days	49.9	51.4	51.6	49.5
Asset turnover	6.9	6.2	5.6	5.1
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	0.6	0.6

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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