LG Electronics India Ltd (LGELEC)

CMP: ₹ 1,775 | Target ₹ 2,125 (+20%) | Target Period: 12 months | BUY

November 9, 2026

Multi-category demand de-risk volatility; Structural 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.

Q2FY27 performance: LGEDIA delivered healthy set of results with broad based growth and steady margins. Revenue came in at ₹7,380 crore, up 19.5% YoY and 2% QoQ. Segmentally, Home appliances segment (Refrigerators, ACs, washing machine, etc) reported revenue growth of 20.9% YoY to ₹4,772 crore and Home entertainment segment (TVs, audio systems, monitors, etc) reported growth of 17.2% YoY to ₹2,608 crore. Gross margin reported at 28.9%, declining 52 bps YoY and 265 bps QoQ amid increased cost inflation. However, EBITDA margin was recorded at 9.5% up 63bps YoY, decline of 322 bps QoQ. Margin was supported by operating leverage and a richer premium mix. PAT came at ₹489 crore up 25.7% YoY.

Investment Rationale:

- **Diversified growth noteworthy:** LGEDIA revenue growth had a diversified colour across product categories, geographies i.e. domestics and exports as well as on B2B front. The performance was supported by premiumisation, with increasing consumer preference for premium, energy-efficient and larger-capacity appliances, such as French Door Refrigerators, Dishwashers and larger-screen TVs (55" and above TV: 50%+ of TV revenue). Besides, exports proportion is slated to increase from single digit proportion. For Q3 and medium term, festive demand inventory build-up, continued premiumisation, exports and the upcoming Sri City facility are expected to support growth. Further, it is diversifying into the automotive market with advanced vehicle solutions, strengthening presence in the growing B2B sector. The company is well on track with its FY27 targets of mid-teen revenue growth and an early double-digit EBITDA margin.

- **Capacity expansion to strengthen long-term growth:** LGEDIA's ₹5,000 crore Sri City expansion remains on track which shall double its revenue potential. 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. LGEDIA is positioning India as a manufacturing and export hub. Premium refrigerators and Essential Series are being scaled across global markets, with exports being margin accretive.

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. Q2FY27's performance demonstrates strong demand across categories while maintaining healthy margin. We maintain BUY rating on the stock, valuing it at PE of 52x FY28E EPS with target price of ₹2,125/share.

Result Update

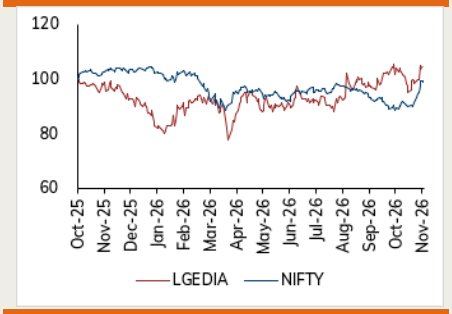
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,20,323
Debt H1FY27 (₹ Crore)	482
Cash H1FY27 (₹ Crore)	5,051
EV (₹ Crore)	1,15,754
52 Week H/L (₹)	1836 / 1300
Equity Capital (₹ Crore)	678.8
Face Value	10

Shareholding pattern

Particulars	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	85.0	85.0	85.0	85.0
FII	3.0	2.7	3.1	2.6
DII	7.2	8.0	7.8	8.7
Others	4.9	4.3	4.0	3.6

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	28,614	32,749	15.4
EBITDA	1,899	2,225	3,110	2,408	8.2	3,073	3,968	28.4
EBITDA margin (%)	9.6	10.4	12.8	9.8		10.7	12.1	
Net Profit	1,345	1,511	2,203	1,685	7.8	2,170	2,775	28.3
Diluted/Adjusted EPS (₹)	19.8	22.3	32.5	24.8		32.0	40.9	
P/E(x)	89.6	79.7	54.7	71.5		55.5	43.4	
EV/EBITDA (x)	62.1	53.3	37.7	48.4		38.1	29.4	
RoCE (%)	39.0	48.9	46.0	27.9		32.8	37.9	
RoE (%)	30.9	40.1	36.9	22.0		26.1	30.3	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

Q2FY27 performance remained strong despite elevated raw material costs and currency headwinds, with revenue growing 19.5% YoY to ₹7,380 crore, driven by broad-based growth across both home appliance and home entertainment segments.

a) Home Appliances & Air Solutions (HAAS) segment revenue grew 20.9% YoY to ₹4,772 crore, with double-digit growth across washing machines, refrigerators and room air conditioners. Segment EBIT grew 28.4% YoY to ₹416 crore, with EBIT margin improving 50 bps to 8.7%, supported by higher volumes, premium mix and cost discipline. Dishwashers also delivered a strong breakout quarter.

- Washing machines witnessed strong demand, with the category recording its highest growth in the last eight quarters, primarily driven by the transition from semi-automatic to fully automatic washing machines. Fully automatic machines now contribute over 60% of total washing machine sales, reflecting continued premiumisation and rising product penetration.
- Refrigerator segment witnessed strong traction across mass and premium categories, with side-by-side and French-door refrigerators growing over 50%. Single-door refrigerators also registered double-digit growth, indicating recovery across mass-market categories. The company recently launched premium French-door refrigerators and expanded its portfolio with chest freezers.
- Air conditioner demand remained encouraging, with Q2FY27 sales exceeding Q1FY27 despite Q2 traditionally being an off-season quarter. Elevated temperatures across several parts of India supported demand. Management highlighted that Q4 typically contributes approximately 55% of annual RAC sales and expects the current momentum to continue. The upcoming Sri City facility will support the launch of a new range of AI air conditioners with in-house compressors.

b) Home Entertainment (HE) segment revenue grew 17.2% YoY to ₹2,608 crore, marking the third consecutive quarter of double-digit growth despite a high base. Segment EBIT grew 19.9% YoY to ₹337 crore, with EBIT margin improving 30 bps to 12.9%, supported by volume growth and favourable product mix, particularly larger screen sizes.

- Television business witnessed structural premiumisation, with the 55-inch and above segment contributing over 50% of total TV revenue. The company achieved record-high offline value market share, supported by strong demand for larger screens. The newly introduced Mini LED range, alongside QLED and OLED models, is expected to strengthen its premium television portfolio. Interestingly, the 32-inch mass segment also witnessed a demand pickup during the festive season.

Other updates

- LG Essential Series continues to gain traction, contributing to both volumes and profitability by addressing affordability requirements of first-time appliance buyers. The range offers India-specific features such as washing machines suitable for low water pressure and refrigerators that automatically adjust cooling based on ambient temperature. The company is expanding its range internationally, with products currently available in 21 countries.
- Margin improvement remained a key highlight, with EBITDA margin expanding 63 bps YoY to 9.5% despite higher copper, aluminium, steel, resin and memory chip costs, along with currency depreciation. Management highlighted that targeted price increases, supplier negotiations, operational efficiencies, higher volumes and premiumisation helped offset the cost pressures. The company has undertaken two rounds of selective price increases during the year without witnessing any significant demand slowdown.
- Sri City manufacturing facility remains on track, with an investment commitment of approximately ₹5,000 crore over the next few years. Compressor production is expected to commence in Q3FY27, followed by air conditioner manufacturing in Q4 FY27 (around January 2027). The facility is expected to double existing production capacity and add ~2 million units of AC capacity. In-house compressor manufacturing will reduce external sourcing dependence, mitigate forex exposure, improve localisation and provide sustainable margin benefits as volumes ramp up.
- Export business continues to scale up, with the company's geographical presence expanding from 50 to 68 countries and distribution partners increasing from 112 to 151. LG Essential Series is now available in 21 countries, with further expansion planned across Africa and Southeast Asia. The company is also exporting premium refrigerators and washing machines to global markets. Management expects significant YoY export revenue growth in FY27, with geographical diversification helping mitigate geopolitical risks.
- B2B business continues to gain traction, with institutional displays and commercial televisions emerging as strong-performing categories across corporate offices, retail, hospitality and public spaces. System AC is also witnessing healthy growth, particularly in large commercial projects. Government infrastructure, smart cities and public buildings offer additional opportunities. B2B currently contributes 10–12% of revenue, with management targeting 15%+ contribution over the next three years while retaining its long-term ambition of 20%+ growth.
- Information Display business has emerged as a second profit engine alongside television, providing a relatively stable margin profile. The company is also witnessing increasing opportunities in government and

institutional projects. Management is closely monitoring the data centre cooling opportunity, where LG has capabilities in chillers and other cooling solutions, although meaningful contribution is not expected in the near term.

- Non-hardware businesses, particularly AMC services, are gaining importance as additional revenue streams with relatively higher margins than the company average. Management believes that increasing contribution from B2B, exports and service-related businesses will improve revenue diversification, profitability and earnings stability over the long term.
- Vehicle Solutions business entry announced, marking an important step towards diversification beyond traditional consumer electronics and home appliances. The company plans to initially manufacture automotive telematics products at Sri City, leveraging LG's global technology and relationships with leading automobile manufacturers. The business will be expanded in phases into other vehicle solution categories and is expected to become an additional long-term growth engine.
- Management reiterated FY27 guidance of mid-teens revenue growth and early double-digit EBITDA margin, supported by strong H1 performance and encouraging festive demand. Management's endeavour is to outperform the stated guidance and industry growth. The company expects H2 FY27 to perform better than H1, supported by festive and wedding season demand, premiumisation, exports and expanding product categories.
- Cash and bank balance stood at ₹5,051 crore as of September 2026 against ₹5,707 crore at the beginning of the quarter, reflecting working capital deployment ahead of the festive and wedding season. Q2 capex stood at ₹870 crore, primarily towards the Sri City facility. Management expects the planned inventory buildup to support healthy festive-season sell-through.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ (%)	Comments
Revenue	7,380	6,174	20%	7,233	2%	Broad-based growth across categories.
Other Income	85.6	79.8	7%	94.7	-10%	
Total Income	7,466	6,254	19%	7,328	2%	
Gross profit	2,135	1,818	17%	2,272	-6%	
Gross margin %	28.9	29.4	-52 bps	31.4	-248 bps	Considering commodity and currency volatility, gross profit margin fairly held. Indicates companies' ability to pass on cost.
Operating Expenses	1,161	1,022	14%	1,089	7%	
Employee Expenses	273	248	10%	279	-2%	
Total Expenses	1,434	1,270	13%	1,368	5%	
EBITDA	**701**	**547**	**28%**	**904**	**-22%**	
EBIDTA %	**9.5**	**8.9**	**63 bps**	**12.5**	**-300 bps**	Margin improvement is supported by premiumization, calibrated price hike, operating leverage and exports.
Depreciation	123	94	31%	112	10%	
Finance cost	9.0	9.0	0%	9.1	-1%	
PBT	655	525	25%	878	-25%	
Tax	165	135	22%	225	-27%	
Adjusted PAT	**489**	**389**	**26%**	**653**	**-25%**	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	28,614	32,749
% Growth	14.1	1.0	16.3	14.5
Other income	264.0	327.9	373.8	407.4
Total Revenue	**24,631**	**24,933**	**28,988**	**33,157**
Employee Expenses	963	997	1,107	1,277
Other expenses	20,294	21,200	24,433	27,504
Total Operating Expenditure	21,256	22,197	25,541	28,782
Operating Profit (EBITDA)	**3,110**	**2,408**	**3,073**	**3,968**
% Growth	39.8	-22.6	27.6	29.1
Interest	31	41	38	43
PBDT	3,344	2,695	3,409	4,331
Depreciation	380	396	491	600
PBT before Exceptional Items	2,963	2,299	2,918	3,732
Total Tax	760	614	748	957
Reported PAT	2,203	1,685	2,170	2,775
Adjusted PAT	**2,203**	**1,685**	**2,170**	**2,775**
% Growth	45.8	-23.5	28.8	27.9
Adjusted EPS	**32.5**	**24.8**	**32.0**	**40.9**

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	2,170	2,775
Depreciation	380	396	491	600
Interest	31	41	38	43
Cash Flow before WC changes	**2,614**	**2,122**	**2,699**	**3,418**
(Inc)/dec in Current Assets	-141	-77	-82	-55
Inc/(dec) in CL and Provisions	73	39	55	71
Others	-639	-381	-275	97
Net CF from Operating activities	**1,908**	**1,703**	**2,397**	**3,531**
(Purchase)/Sale of Fixed Assets	**-441**	**-1,010**	**-1,415**	**-1,100**
Net CF from Investing activities	**-441**	**-1,010**	**-1,415**	**-1,100**
Dividend	-	-	-1,519	-1,942
Others	52	42	47	73
Net CF from Financing Activities	**52**	**42**	**-1,471**	**-1,869**
Net Cash flow	1,519	735	-489	562
Opening Cash/Cash Equivalent	2,223	3,741	4,476	3,987
Closing Cash/ Cash Equivalent	**3,742**	**4,476**	**3,987**	**4,549**

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	7,638	8,470
Total Shareholders' funds	5,970	7,666	8,316	9,149
Total Debt	428	459	506	580
Other liabilities	318	456	429	491
Total Liabilities	**6,716**	**8,581**	**9,252**	**10,220**
Gross Block	3,379	3,858	5,458	6,665
Acc: Depreciation	2,050	2,297	2,788	3,388
Net Block	1,329	1,561	2,670	3,277
Capital WIP	75	457	272	165
Total Fixed Assets	1,404	2,018	2,942	3,442
Non-Current Assets	368	654	658	655
Inventory	3,031	2,962	3,428	3,811
Debtors	2,361	2,825	3,090	3,275
Other Current Assets	407	495	576	561
Cash	3,741	4,476	3,987	4,549
Total Current Assets	9,541	10,758	11,081	12,196
Current Liabilities	**4,597**	**4,849**	**5,429**	**6,073**
Total Asset	**6,716**	**8,581**	**9,252**	**10,220**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	32.5	24.8	32.0	40.9
Cash per Share	55.1	65.9	58.7	67.0
BV	88.0	112.9	122.5	134.8
Dividend per share	-	-	22.4	28.6
Dividend payout ratio (%)	-	-	70.0	70.0
Operating Ratios (%)				
EBITDA Margin	12.8	9.8	10.7	12.1
PAT Margin	9.0	6.8	7.6	8.5
Return Ratios (%)				
RoE	36.9	22.0	26.1	30.3
RoCE	46.0	27.9	32.8	37.9
Valuation Ratios (x)				
EV / EBITDA	37.7	48.4	38.1	29.4
P/E	54.7	71.5	55.5	43.4
Market Cap / Sales	4.9	4.8	4.2	3.6
Price to Book Value	20.2	15.7	14.5	13.2
Working Capital Management Ratios				
Inventory Days	44.9	43.4	43.2	42.0
Debtors Days	35.0	41.4	38.9	36.1
Creditors Days	49.9	51.4	50.3	48.9
Asset turnover	7.3	6.5	5.3	5.0
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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