BUY
TP: Rs 1,980 | ▲ 20%

LG ELECTRONICS INDIA | Consumer Durables | 22 September 2026

Leadership that compounds

- **LG's market leadership to outperform industry over next 3 years on strong brand recall, new product launches and improving reach**
- **Backward integration into compressors and improving localization to aid margin improvement; B2B and exports to offset seasonality**
- **Initiate LGEIL with BUY, ascribing 50x Sept-28EPS to arrive at TP of Rs 1,980**

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Three decades strong, positioned to outperform: LGEIL's nearly three-decade presence in India has delivered sustained category leadership in inverter ACs, automatic washing machines, refrigerators, and TVs. We expect this leadership to endure, suppssorted by strong brand recall, a shift toward premium positioning, an expanding distribution network, a steady pipeline of launches across premium and value segments (Essential series), and an increasingly localized supply chain.

Backward integration and localization to aid margin expansion: Higher copper and aluminum costs and currency volatility have recently pressured appliance companies' margins. Backward integration and localization offer a structural offset. The existing manufacturing scale and the upcoming Sri City facility support deeper in-house component production (compressors) giving the company greater control over input costs. This also positions LG ahead of tightening of QCO norms.

Exports and B2B – diversifying beyond seasonal domestic demand: LGEIL's domestic appliance sales carry meaningful seasonality, with AC and refrigerator demand concentrated in the April–June period. We see exports and B2B as complementary growth engines that reduce this dependence and add incremental revenue. On exports, LGEIL's manufacturing base in Sricity, Noida, and Pune is set to be leveraged under the parent's "Global South" strategy. On B2B, the company is scaling its Information Display and HVAC businesses, including VRF and Cassette AC systems, alongside its high-margin AMC business. Together, exports and B2B should deliver a more balanced, less seasonally dependent revenue base.

Initiate LGEIL with a BUY rating: We estimate LG to deliver revenue/EBITDA/ PAT CAGR of 13%/23%/20% over FY26-29E driven by the underlying demand for consumer appliances (ex-mobile phone) in the country and within that we believe LG to outperform industry growth on the back of its new product launches, deepening consumer reach, strong brand recall. We ascribe 50x to Sept-28EPS to arrive at Sept-27TP of Rs 1,980.

Ticker/Price	LGEL IN/Rs 1,656
Market cap	US$ 11.8bn
Free float	20%
3M ADV	US$ 10.5mn
52wk high/low	Rs 1,755/Rs 1,304
Promoter/FPI/DII	80%/6%/28%

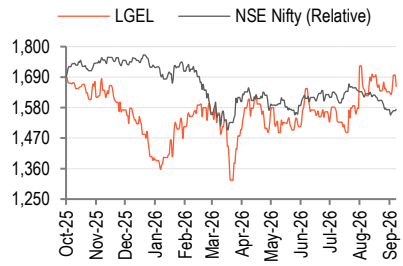
Source: NSE | Price as of 21 Sep 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	2,46,049	2,80,737	3,13,677
EBITDA (Rs mn)	24,083	32,576	37,529
Adj. net profit (Rs mn)	16,851	22,584	24,819
Adj. EPS (Rs)	24.8	33.3	36.6
Consensus EPS (Rs)	24.8	33.5	40.0
Adj. ROAE (%)	24.7	27.1	25.4
Adj. P/E (x)	66.7	49.8	45.3
EV/EBITDA (x)	46.7	34.5	30.0
Adj. EPS growth (%)	(23.5)	34.0	9.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Established leader across core categories

South Korean brand with three decades of operation in India

LG Electronics India incorporated in 1997 as a wholly owned subsidiary of LG Electronics Inc. (South Korea). The company entered a market characterized by domestic incumbents, fragmented distribution networks, and limited technological differentiation. Over the subsequent two decades, it established itself as a leading player in the key categories in consumer electronics and home appliances sector in India.

LG Electronics India (LGEIL) anchors parent's 'Global South' strategy

LGEIL is effectively the execution vehicle for its parent's global south strategy, which is a shift in growth capital from saturated developed markets towards three high growth economies (India, Brazil and Saudi Arabia) targeting a doubling of combined revenue by 2030. India's young workforce, rising disposable income, low appliance penetration and 6.5-7% projected GDP growth through 2030. The company has charted out a new strategy to increase its focus towards increasing exports, branding and production – EXCEL, which stands for exports (EX), capability of new factory production (C), expansion of market leadership, brand and new business (E), and localisation (L).

Core focus on B2C, with new B2B categories being added

LG India reports across two segments: a) home appliances & air solutions and b) home entertainment. Home appliances & air solutions is the core, at ~75% of revenue, spanning refrigerators, washing machines, room air conditioners, water and air purifiers, dishwashers, microwave ovens, vacuum cleaners, etc. Here LG carries one of the widest portfolios among leading appliance players (ex-mobile), letting it capture demand from first-time mass buyers through to premium urban upgraders.

The other segment is home entertainment with televisions at nearly 80% of segment revenue. LG retains TV leadership, but the category faces slower growth and margin pressure from intense competition and online-first price disruption. The opportunity here is less first-time adoption than replacement and premiumization, larger screens, smart TVs and differentiated display technologies. Alongside this core, LGEIL is simultaneously building out a B2B business, commercial HVAC/ air conditioning and information display solutions (LED signage, interactive panels) leveraging the existing manufacturing, R&D and brand infrastructure.

Fig 1 – LGEIL's distribution reach

Particulars	FY22	FY23	FY24	FY25	FY26
Number of LG BrandShops	809	814	780	800	788
Number of B2C touch points	32,199	34,874	35,833	36,230	36,847

Source: Company RHP, AR, BOBCAPS Research

Fig 2 – B2B share ~10% in overall LGEIL sales

Business Segment	Share in Total Revenue	Op. margins vs. B2C Products
B2B Business	~10%	+3 – 4%
Product Exports	~7%	+1 - 2%
Service Business	~3%	+10 – 12%

Source: Company RHP, AR, BOBCAPS Research

Two track strategy – premiumisation alongside a growing mass segment focus

The revenue base is well spread: refrigerators contribute ~28%, with washing machines, room air conditioners and televisions each near 20%. This balance limits dependence on any single category and gives exposure to multiple growth drivers. The mix has been broadly stable across FY23–FY25, with air conditioners growing modestly faster, directionally encouraging given the long runway in AC penetration and the shift toward inverter and energy-efficient models, while the easing refrigerator share reflects the same preference for profitable growth over entry-level volume.

The central point, in our view, is that LG India is not a volume player. It is a scaled, branded, multi-category franchise that uses premiumisation, distribution strength and parent-backed innovation to defend share and sustain profitability. However, recently to capture the large base of mass segment, LG launched its 'essential' series which focuses on launching products in the entry level segment i.e. low tonnage fixed speed split ACs, top load washing machines and refrigerators without diluting its overall profitability.

Fig 3 – LGEIL's presence in mass and premium segment

Brand	Tonnage, rating	Price band
LG Essential Series	**1.5 ton, 2 star AC**	**27000-29000**
Godrej	1.5 ton, 3 star AC	28900
Motorola	1.5 ton, 3 star AC	30000
Onida	1.5 ton, 3 star AC	31500
Voltas	1.5 ton, 3 star AC	33500
Carrier	1.5 ton, 3 star AC	35500
Lloyd	1.5 ton, 3 star AC	35500
LG	**1.5 ton, 3 star AC**	**36490**
Panasonic	1.5 ton, 3 star AC	36400
Samsung	1.5 ton, 3 star AC	37500
Haier	1.5 ton, 3 star AC	36390
Blue star	1.5 ton, 3 star AC	36490

Source: Company, BOBCAPS Research

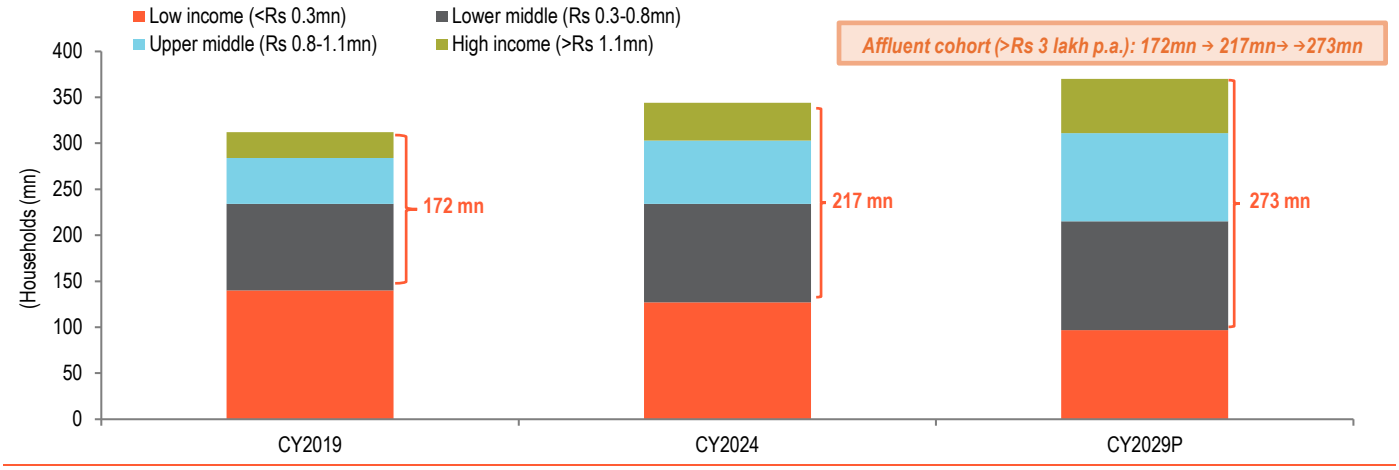
India appliances and electronics market (ex-mobile phones) to double over next 5 years

India's appliances and electronics market (excluding mobile phones) stood at Rs 3,245 billion in CY2024, having grown at a 12% CAGR over CY19-CY24, and is projected to nearly double to Rs 6,190 billion by CY2029P at a 14% CAGR.

Drivers underpinning the Rs 3.3trn market size to Rs 6.2trn trajectory:

- **Affluent household expansion is the volume base** – Households earning >Rs 3 lakh p.a. expand from 172mn (CY19) to 217mn (CY24) to 273mn (CY29P), an addition of ~100mn over the decade. This cohort sits at the income threshold where first-time appliance ownership converts, with per-capita NNI (net national income) at constant prices rising from Rs 94,270 (FY20) to Rs 1,39,582 (FY30E).

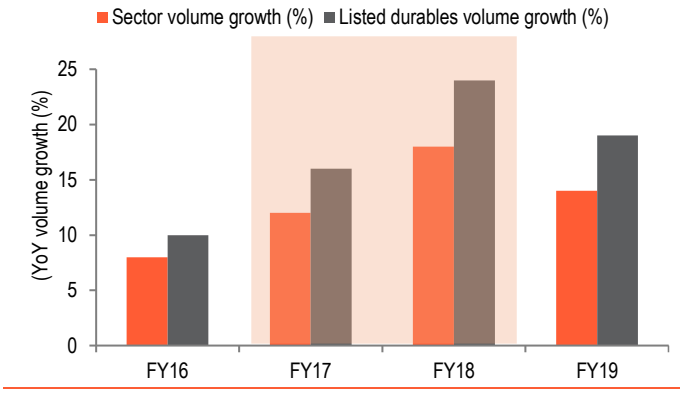
Fig 4 – Households earning> Rs 3lpa to expand to 273mn from existing 217mn (CY24)



Source: RHP, BOBCAPS Research

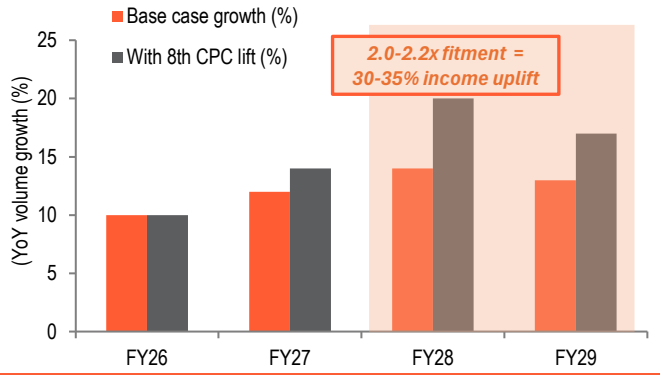
- **8th CPC is the larger, deferred catalyst** – We see this playing out in two waves – 1) near-term lump-sum arrears payout in late FY27/28 to ~4.9mn central employees + ~6.8mn pensioners (15-24 months of arrears, effectively retroactively from 1 Jan 2026), and 2) a longer tail expansion as state governments layer on their own revisions over FY28-31, extrapolating the addressable base toward ~25-30mn households. We believe central government pay commission alone has enough magnitude to drive a discretionary/ durables consumption pulse, with state government's pay commission providing longer runway.

Fig 5 – Volume growth in CD company post 7th CPC



Source: RHP, MOSPI, BOBCAPS Research

Fig 6 – Estimated base case growth post 8th CPC



Source: RHP, MOSPI, BOBCAPS Research

- **Female LFPR is the premiumization driver within categories** – Female labour force participation has moved from 30.0% (FY20) to 41.7% (FY24), an 11.7pp jump in four years. Higher female workforce participation lifts household income and the opportunity cost of household time, translating directly into demand for washing machines, dishwashers, and microwaves.

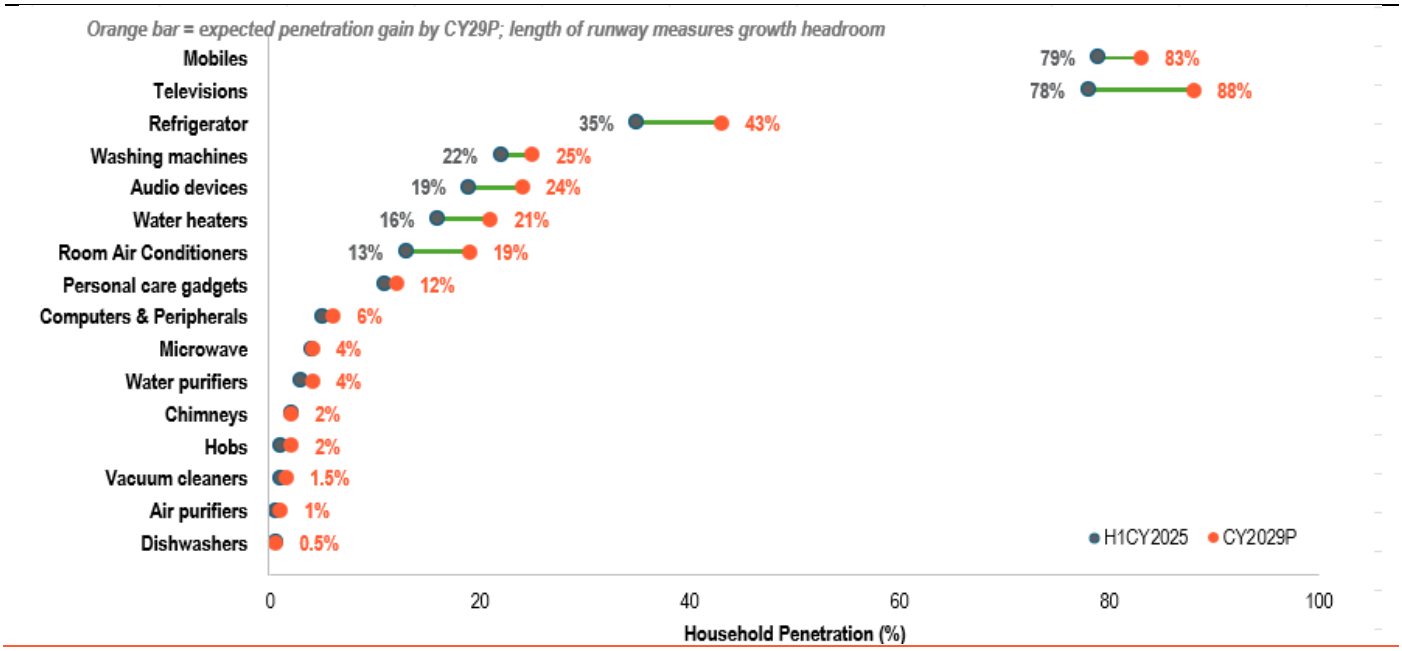
- **Financialization has lowered the affordability barrier** – No-cost and low-cost EMI at point of sale converts the purchase decision from ticket size to monthly outflow. A Rs 35,000 appliance at Rs 2,900/month materially expands the addressable buyer base for premium SKUs. Also to note, GST 2.0 reclassifies appliances, not just re-prices them, ACs moving into the 18% slab alongside laptops shifts household mental accounting from "discretionary" to "essential." The classification shift, combined with the price cut, pulls the AC penetration trajectory earlier by an estimated 18-24 months. CE does not benefit from comparable re-categorization.

- **GST 2.0 cut nullified by rising input costs on ACs, but only transitory**– Reclassification of ACs, refrigerators, washing machines, dishwashers, and large-screen TVs from 28% to 18% translates to a 7-8% reduction in landed retail prices, or Rs 3,000-10,000 saving per unit. Volume response back-ended into FY27 as tier-2/3 awareness catches up with reset price points.

Within the mix, appliances contribute more incremental value than CE:

- **Penetration headroom is asymmetric** – TVs at ~78% household penetration is near saturation; growth is a screen-size and technology ASP story on a flat volume base. Appliances penetration still remains low: ACs at 10-13% projected to 19% by CY29P, WM at 22% projected to reach 28%, Ref at 35% projected to reach 43%, Microwave/Oven at 4%, Dishwashers <1%; benchmarked against China is significantly lower at 60%+ / 70%+ / 99% / 20%+. We see appliances to see compounding both volume and ASPs while CE volume growth to be lower vs appliances.

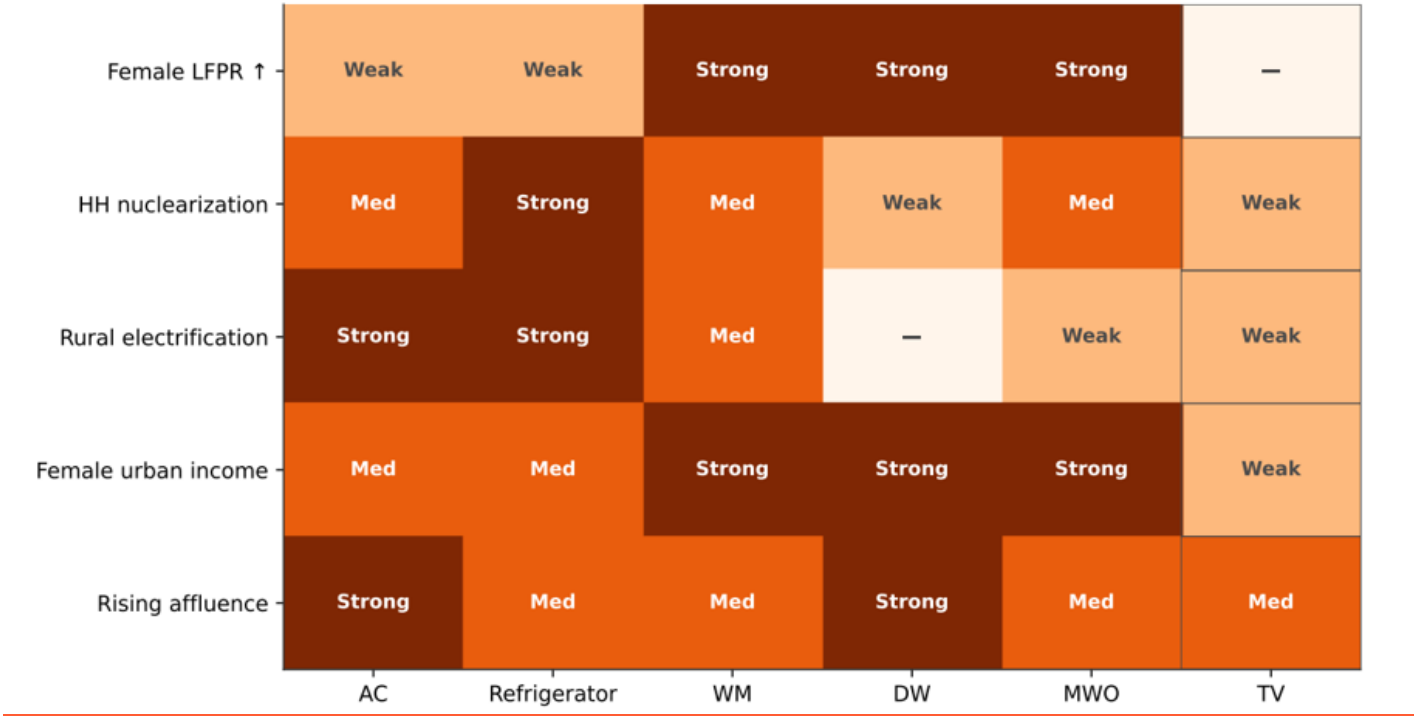
Fig 7 – Existing penetration % of consumer electronics vs expected penetration level by CY2029



Source: RHP, BOBCAPS Research

- **Premiumization economics favour appliances** – The premium tier's share of the B2C market rises from 17% (CY24) to 25-28% (CY29P), with the volume tier compressing from 51% to 35-38%). Inverter ACs, frost-free and side-by-side refrigerators, front-load washer-dryers deliver ASP, volume, and gross margin uplift simultaneously.

Fig 8 – Factor strength for key categories (AC, Ref, WM, Dishwashers and others)



Source: RHP, BOBCAPS Research

Multinational companies' dominance in Indian market has strengthened over last decade

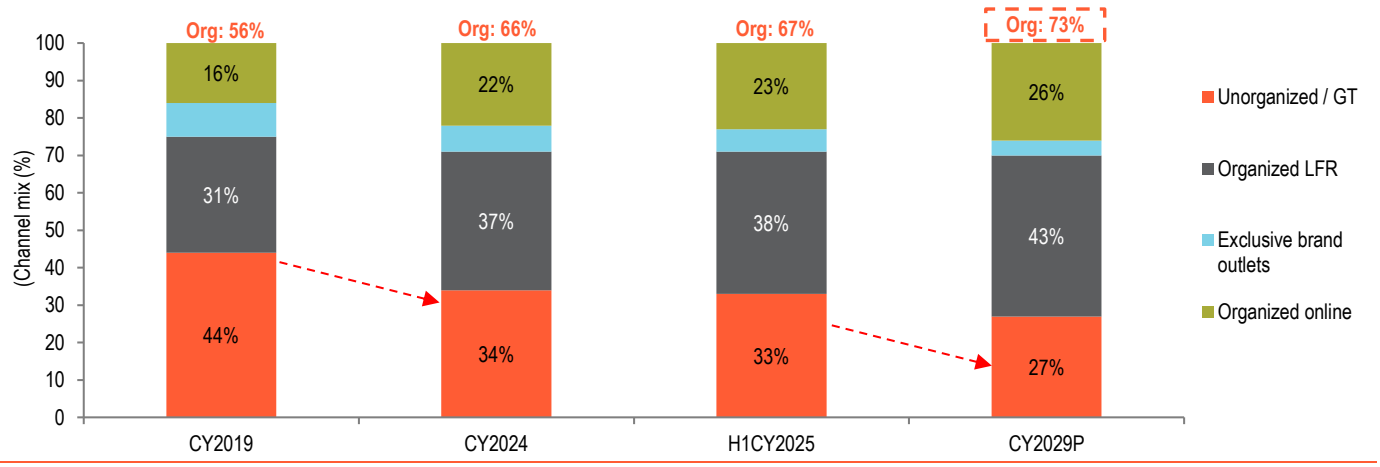
The Indian consumer durables market until the mid-1990s was dominated by domestic manufacturers - Videocon, BPL, and Onida in televisions, Godrej and Kelvinator in refrigerators, Voltas and Carrier in air conditioning. These companies operated in a protected market with limited foreign competition. The entry of Korean multinationals (LG entered in 1997, Samsung around the same period) fundamentally reshaped the landscape. They brought globally competitive product technology, invested heavily in pan-India distribution and service networks when domestic players were largely regional, and built consumer trust through superior after-sales infrastructure. Over this 15-year period, several domestic incumbents - Videocon, BPL, Onida progressively lost relevance and either exited or became marginal players. Godrej repositioned into select categories. Whirlpool carved out a position in refrigerators and washing machines. By the end of this phase, the industry had consolidated around a few large, branded players, with multinational companies (LG, Daikin, Haier, Dyson, Bosch) holding leadership across most major categories and intensifying competition.

Alternative channels (online and MFR) turning out to be mainstream channels

Over the past decade, three concurrent shifts have reshaped the competitive order in Indian appliances. E-commerce platforms such as Flipkart and Amazon opened a distribution channel that allows new entrants to achieve national reach without physical infrastructure. Chinese manufacturers such as Haier in refrigerators and washing machines, and Xiaomi and TCL in televisions gained share through aggressive, online-first pricing. At the same time, domestic companies such as Voltas, Havells (via Lloyd) and Blue Star entered into mass-market and residential categories, competing primarily on distribution reach rather than brand premium. The market has consequently evolved into a three-way contest: Korean incumbents defending premium and mainstream positioning, domestic players competing on mass-market distribution, and Chinese entrants competing on price and digital channels.

Online and modern-trade formats have, as a result, become the primary channel through which category demand is transacted and priced, rather than a supplementary one. Channel leadership is therefore increasingly synonymous with market leadership. In our view, sustained success in this environment will depend on two capabilities in particular: a supply chain resilient enough to support compressed online fulfilment cycles at scale, and pricing discipline, given that online buyers compare prices considerably more frequently than offline shoppers, leaving less room for any gap between price and perceived features to persist unaddressed

Fig 9 – MFR/ Online retail to dominate with 73% share by CY29



Source:RHP, BOBCAPS Research

Energy efficiency is at the core of product development

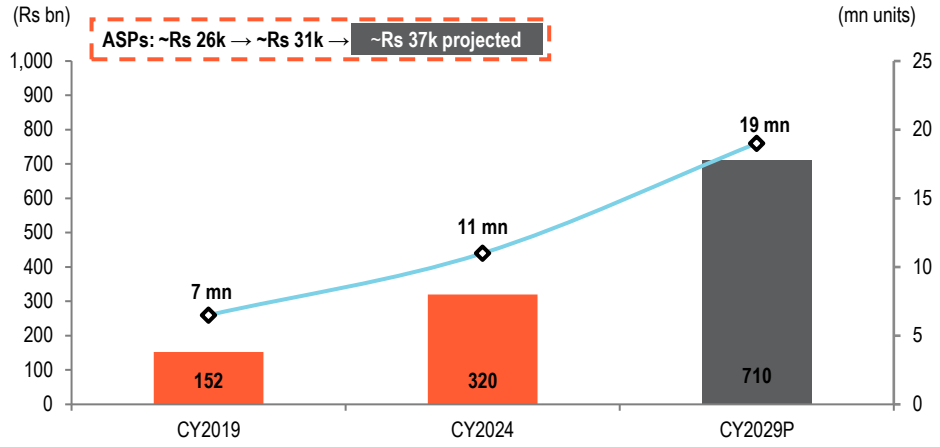
With growing awareness of product lifecycle costs and energy savings, energy efficiency sits at the core of AC product development, as it lowers the total cost of ownership. However, brands differentiating through star-rated performance are not a major hurdle anymore, as brands can easily tap ODM supplied designs, use in-house R&D, or buy off-the-shelf technology.

Category-Level TAM

Air Conditioners (RAC) – The highest growth category

- The residential AC market stood at Rs 320 billion in CY2024, making it the fastest-growing major appliance category at 16% historical CAGR (CY2019-CY2024), projected to accelerate to 17% CAGR reaching Rs 710 billion by CY2029P. Volume is expected to grow from ~11 million units to ~19 million.

Fig 10 – RACs estimated to grow at 17% CAGR over CY24-29P



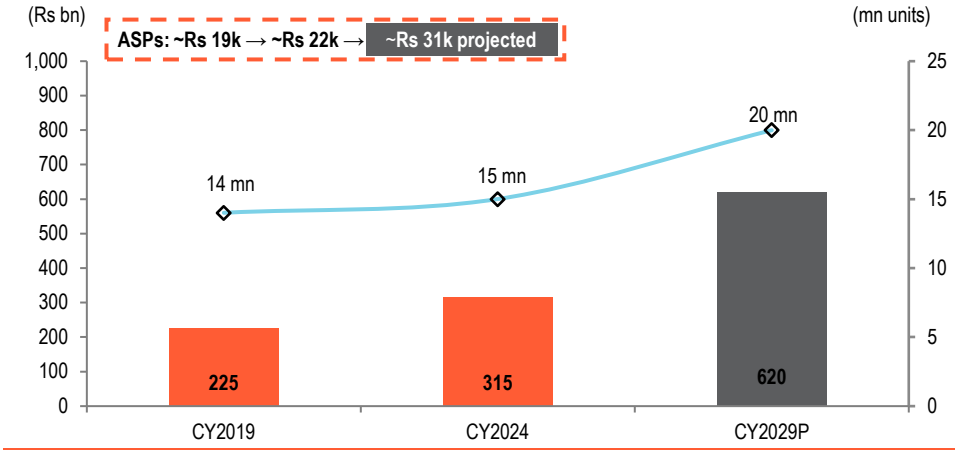
Source: Company, BOBCAPS Research

- This is the most underpenetrated major appliance category at ~13% household penetration. Demand is driven by the convergence of rising incomes making ACs affordable, structurally warmer summers making them necessary, improved power supply enabling their use, and the September 2025 GST cut removing the "luxury" classification.
- The technology transition from fixed-speed to inverter has been the defining product shift inverter ACs now account for ~75% of the market. This transition drove significant ASP uplift (inverter units are priced higher than fixed-speed) and energy cost savings for consumers, creating a virtuous cycle of adoption. Approximately eight out of ten ACs sold in India are now inverter-based.
- Online contributes just ~20% of AC sales, the lowest among major categories because ACs require professional installation, making the offline purchase-and-install experience more natural. However, this is seeing a shift with both brands offering direct after sales support and consumer trust for online products improving. Large-format retail contributed ~38% of sales. This installation dependency creates a structural distribution moat for players with strong service networks.

Refrigerators – The broadest penetration opportunity

- The refrigerator market stood at Rs 315 billion in CY2024, growing at 7% CAGR historically but projected to accelerate to 15% CAGR reaching Rs 620 billion by CY2029P, the sharpest acceleration among all categories. Volume: ~15 million units heading to ~20 million. ASPs from ~Rs 19k to ~Rs 22k heading to ~Rs 31k.

Fig 11 – Ref estimated to grow at 15% CAGR over CY24-29P



Source: Company, BOBCAPS Research

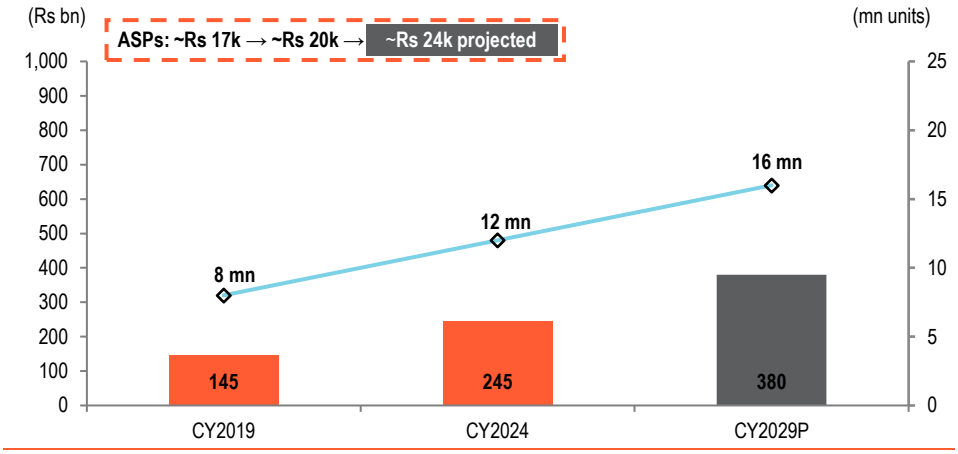
- At ~35% penetration, roughly 2 in 3 Indian households don't own a refrigerator. This makes it the most basic white goods penetration opportunity. Growth is driven simultaneously by first-time adoption (direct cool models at ~Rs 12,000-15,000 entry point) and premiumization (shift from single-door to double-door frost-free to French-door/side-by-side at Rs 50,000-Rs 1,50,000+). Premium share is moving from 18% to 32-35% by CY2029P. The volume segment still accounts for ~50% of the market.

- Online contributes ~19% of sales, with LFR at ~40%. Refrigerators, like ACs, require physical delivery logistics (bulky, heavy products) which naturally favors offline distribution.

Washing Machines – The convenience-driven category

- The washing machine market stood at Rs 245 billion in CY2024, growing at 11% historical CAGR, projected at 9% forward to Rs 380 billion by CY2029P. Volume: ~12 million units heading to ~16 million. ASPs from ~Rs 17k to ~Rs 20k heading to ~Rs 24k.

Fig 12 – WMs are estimated to grow at 9% CAGR over CY24-29P



Source: Company, BOBCAPS Research

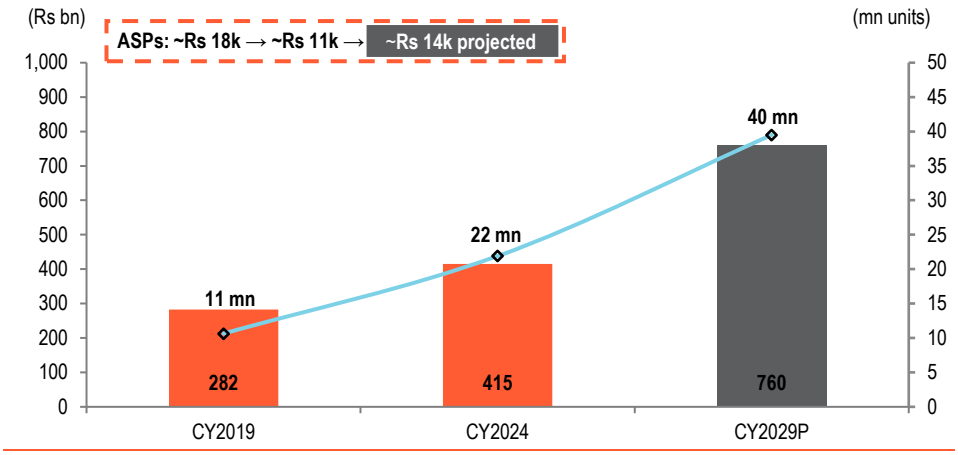
- At ~22% penetration, this is the second-most underpenetrated essential appliance after ACs. The structural growth driver is the shift from manual clothes washing to machine washing, correlated with urbanization, rising female workforce participation, and water supply improvement. The product transition here is from semi-automatic machines (declining as a segment) to fully automatic top-load and front-load machines. Premium sub-segments front-load machines above 8kg capacity, washer-dryers, and wash towers are the fastest growing. India-specific factors like monsoon humidity (making machine drying relevant) and hard water conditions (requiring specific wash technologies) create localization requirements that favor established players.

- Key players include: LG, Samsung, Whirlpool, Godrej, Haier, IFB, and Bosch. LG holds the largest share in the offline channel. IFB is notable as a specialist it has built a strong position in the front-load premium segment specifically. The market is ~65% organized. Online contributes ~23% of sales.

Televisions – The replacement and premiumization story

- The TV market stood at Rs 415 billion in CY2024, growing at 8% CAGR historically, projected to accelerate to 13% forward reaching Rs 760 billion by CY2029P. However, ASPs have actually declined from ~Rs 18k (CY2019) to ~Rs 11k (CY2024) due to Chinese brand-driven price compression and panel cost declines. The ASP is expected to recover to ~Rs 14k by CY2029P as premium mix increases.

Fig 13 – TVs are estimated to grow at 13% CAGR over CY24-29P



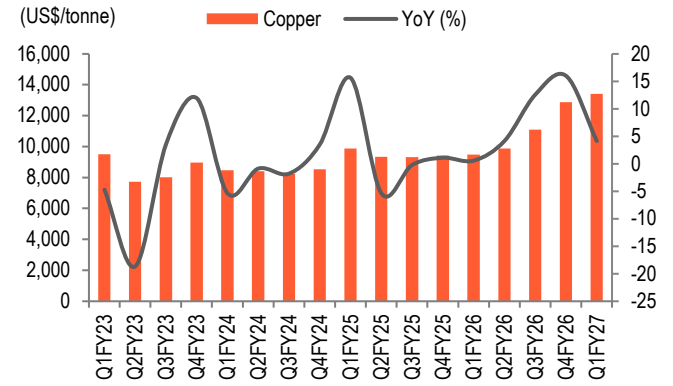
Source: Company, BOBCAPS Research

- At ~78% penetration, TVs are the most penetrated category. Growth is therefore almost entirely replacement-driven and premiumization-driven, not adoption-driven. The product transition has been dramatic over 80% of TVs sold now have 4K resolution, over 90% are Smart TVs, and large screens (55"+) account for ~27% of sales. OLED/QLED/QLED+ models make up ~22% of the market, up from negligible levels five years ago.
- This category experienced the most severe competitive disruption of any appliance segment. When Xiaomi entered in 2018 with online-only smart TVs priced 40-50% below incumbents, it forced a complete repricing of the market. ASPs collapsed, margins compressed, and the online channel's share surged to ~28%. The TV market is where the online vs. offline competitive tension is most acute online is projected to reach 30-33% by CY2029P. Content ecosystem growth (OTT streaming, cricket/IPL broadcasting, gaming) drives replacement demand as consumers seek larger screens and better display technology.
- Key players include: LG, Samsung, Sony, Xiaomi, TCL, Vu, and OnePlus in TVs. In audio (soundbars, speakers, earbuds), the market is ~Rs 525 billion and accounts for ~55% of the home entertainment segment. LG, Samsung, Sony, JBL (Harman), boAt, and Bose are significant players.

Inflationary pressure likely to hurt tail-end brands

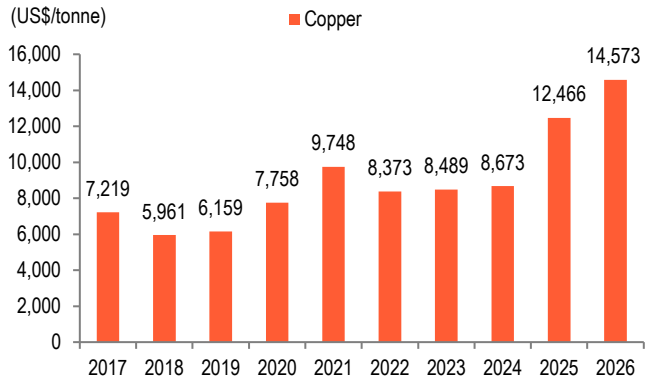
Cost levers relevant to AC/WM/Ref manufacturing in rising trends: Copper, aluminum and the rupee are all moving against consumer durables manufacturers, which has risen input costs across categories, but the impact will not be evenly distributed. Tail-end and regional brands, which already operate on thin margins, weak pricing power, and import dependent sourcing are structurally more exposed than scaled, backward integrated players.

Fig 14 – Copper prices quarterly



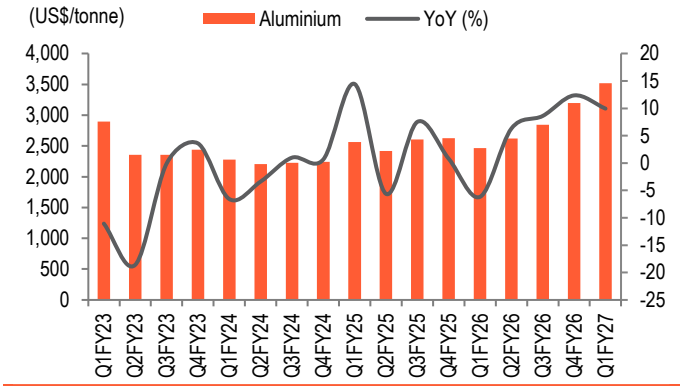
Source: Company, BOBCAPS Research

Fig 15 – Copper prices annually



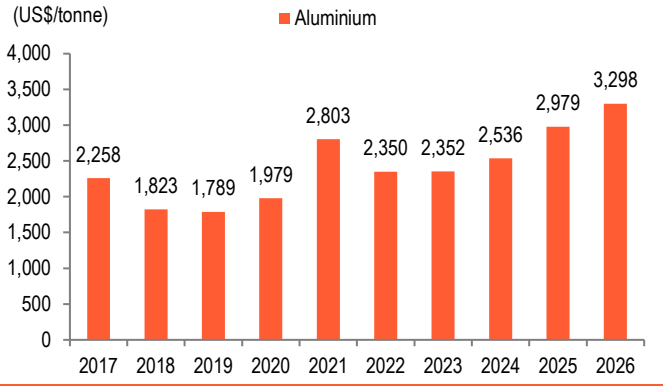
Source: Company, BOBCAPS Research

Fig 16 – Aluminium prices quarterly



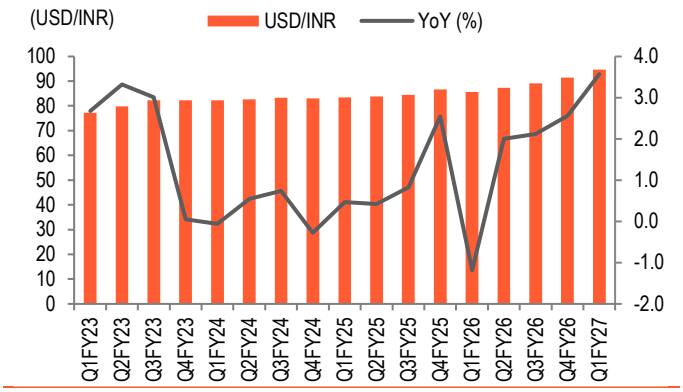
Source: Company, BOBCAPS Research

Fig 17 – Aluminium prices annually



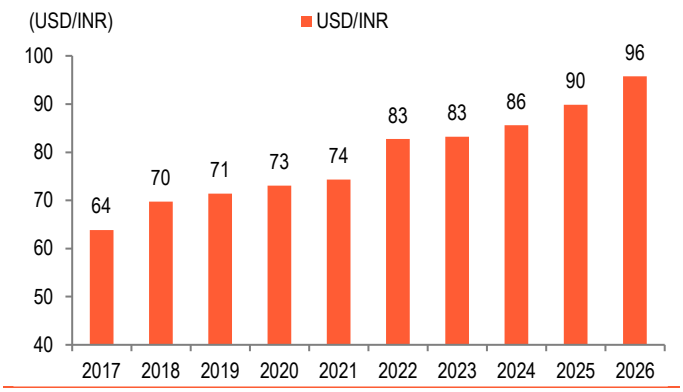
Source: Company, BOBCAPS Research

Fig 18 – USD/INR quarterly deviation



Source: Company, BOBCAPS Research

Fig 19 – USD/INR annual deviation



Source: Company, BOBCAPS Research

Mid-tier and tail end brands struggle on profitability: Input costs are passed through, however, with a lag. Scaled brands can raise price on brand equity and retain volume. Tail end brands compete almost entirely on price. Furthermore, large players increasingly localize compressors (through partners and backward integration) whereas tail-end brands have high dependency on contract manufacturers. Distributors and dealers chase margin, brands that can't protect dealer schemes under cost pressure lose shelf space and push.

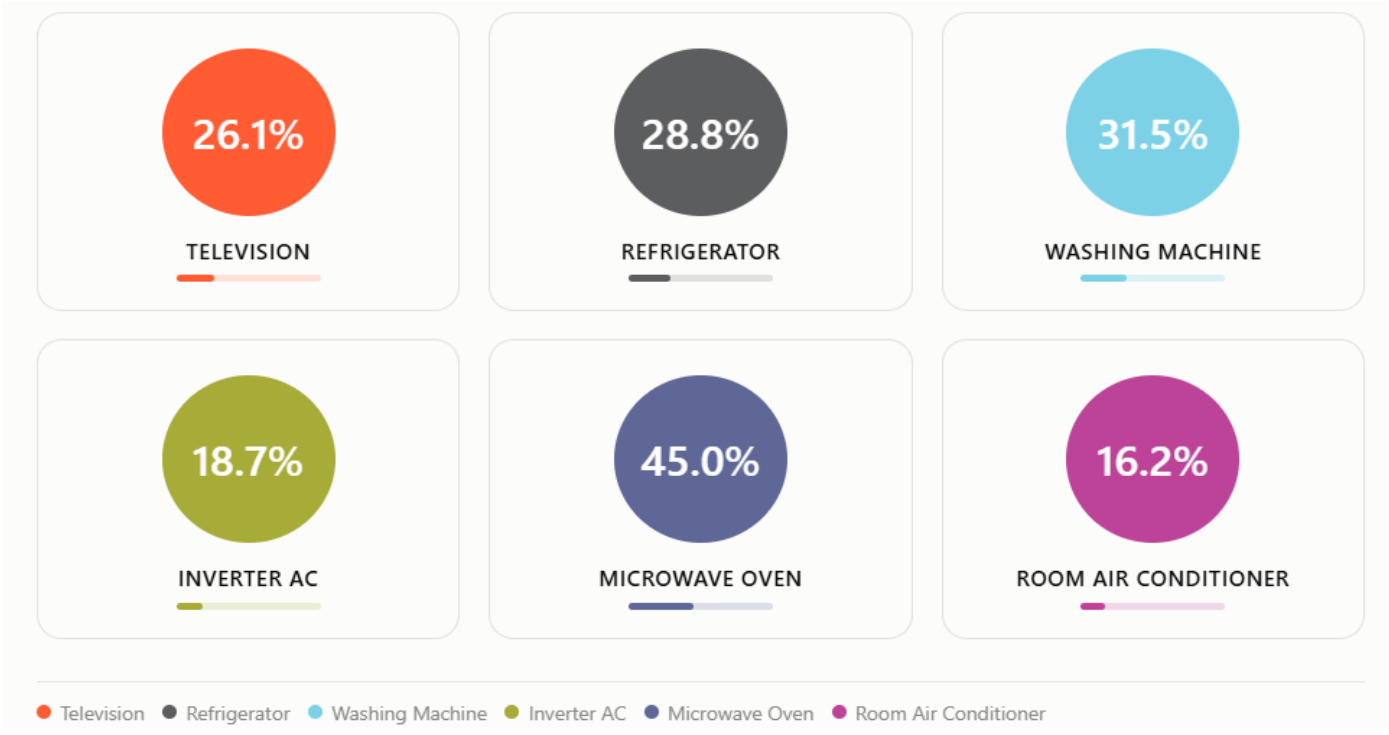
Modest demand is the amplifier, not a side issue: In a strong demand year, volume growth cushions a price hike, realisations still grow on product mix even after price hikes. However, during the modest demand scenario, price hikes potentially cause disproportionate volume loss, so companies settle for margin compression over price hikes. We believe margin compression is more severe for mid-tier to tail-end brands given low pricing power. Working capital stress translates into reduced dealer support which further weakens volume growth.

Investment Rationale

Leadership across categories, not a single-product advantage

We see LG's category leadership as structurally relevant because it spans multiple large appliance segments rather than relying on a single product cycle. With leading offline value shares in washing machines, refrigerators, panel TVs and inverter ACs, the company benefits from cross-category consumer pull, stronger trade economics and more efficient cost leverage across its distribution and service infrastructure. In our view, this makes LG's market position more defensible than that of narrower peers, particularly as premium category strength can partly offset competitive pressure in mass-market segments.

Fig 20 – LGEIL market share (offline value share) across categories

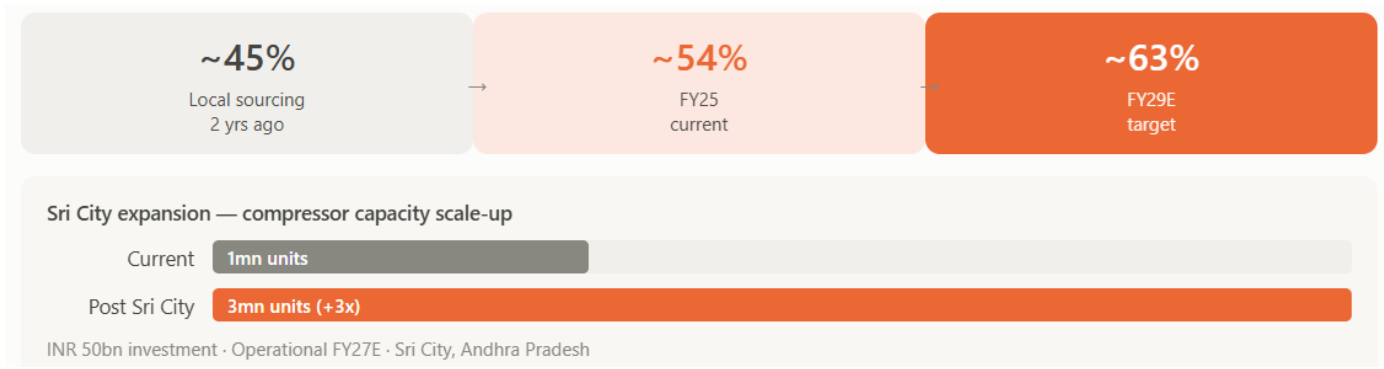


Source: Company, BOBCAPS Research

Vertical integration: strengthening cost, supply, and ecosystem control

LG's manufacturing advantage lies not only in scale, but in the integrated ecosystem it creates across components, vendors, capacity and distribution. Its in-house production of compressors (currently 1mn units expanding to 2mn units), motors, heat exchangers and PCB assemblies together accounting for roughly 60-65% of the AC bill of materials improves cost control, supply assurance and production flexibility, while lowering dependence on imported inputs. Over time, this allows the company to build a more efficient localisation ecosystem around procurement, inventory, plant loading and seasonal demand response. The Rs 5 bn Sri City expansion should reinforce this further by increasing domestic capacity across key categories and lifting local sourcing from 54% in FY25 to 63% by FY29, which in our view supports margins, working-capital efficiency and operating leverage in a more sustainable way.

Fig 21 – Vertical integration — localisation journey & compressor scale-up

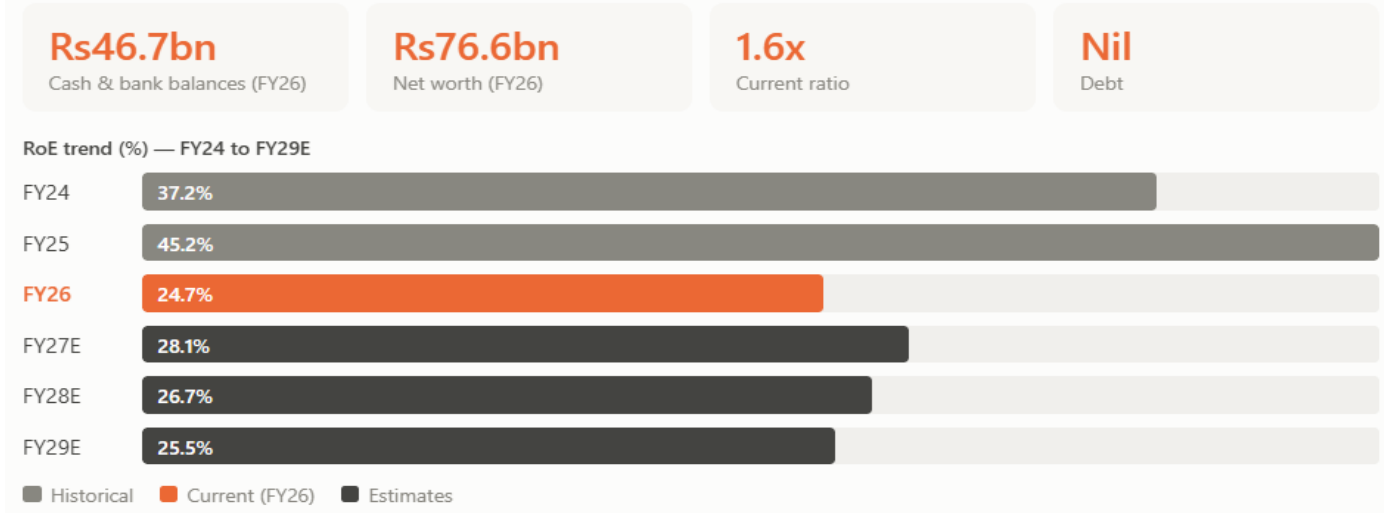


Source: Company, BOBCAPS Research

Strong balance sheet enables self-funded capacity expansion

LG Electronics India's debt-free balance sheet provides meaningful financial flexibility at a time of elevated capital investment. With cash and bank balances of Rs 45.1 bn as of December 2025, net worth rising to Rs 59.6 bn in FY25, and a current ratio of 2.16x, the company appears well positioned to fund the Rs 50 bn Sri City expansion through internal accruals. In our view, this reduces dilution and financing risk, while allowing management to ramp capacity with greater discipline during the initial utilisation phase. The company's three-year ROE of 36.5% also indicates that reinvestment into new capacity is being undertaken from a position of strong underlying capital efficiency.

Fig 22 – Balance sheet strength — self-funded expansion



Source: Company, BOBCAPS Research

Technology access acts as a competitive differentiator

LG's innovation edge is best understood through the economics of its business model rather than through individual product features alone. The Indian subsidiary benefits from the parent's global R&D platform through a royalty structure of roughly Rs 4.5 bn in FY25, or 1.9% of revenue, giving it access to product development capabilities that are difficult for domestic standalone players to match at similar cost. This should support faster platform upgrades, better premium product positioning and more relevant localisation for Indian usage conditions, though monetisation is likely to remain gradual rather than step-change.

Fig 23 – Technology access — R&D spend vs parent



Source: Company, BOBCAPS Research

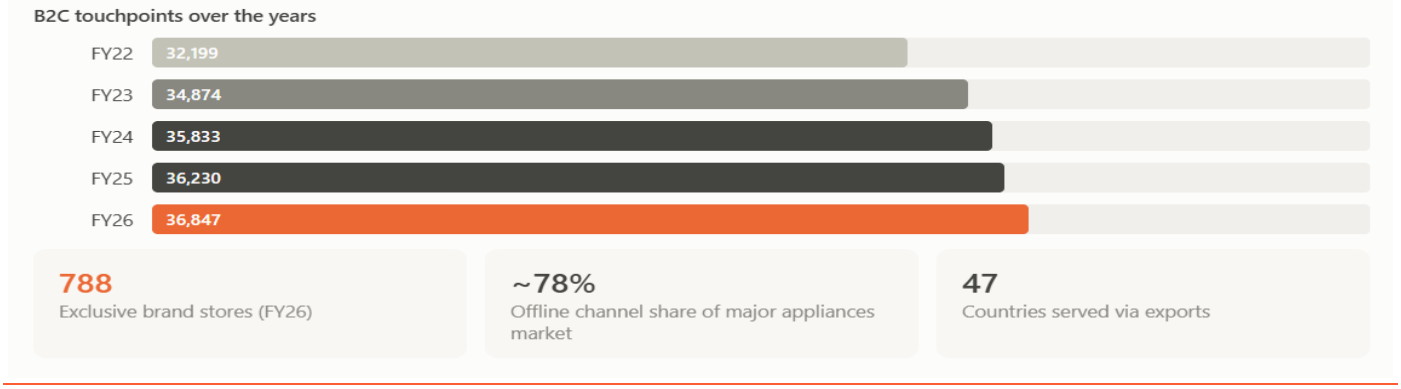
Margin profile remains among the strongest in the sector

We believe LG's margin profile is best assessed on a through-cycle rather than point-in-time basis. The company has historically operated around the ~12% EBITDA margin range, reaching 12.8% in FY25, which places it at the stronger end of the listed consumer durables peer set, in our view. This reflects structural advantages from premiumisation, manufacturing integration, scale benefits and distribution depth. Despite commodity headwinds and demand challenges, LGEIL was able to deliver operating margin at 12.5% during Q1FY27. As such, we see the recent softness as cyclical compression on an otherwise structurally healthy margin trajectory.

Distribution reach and service capability reinforce brand strength

What distinguishes LG's distribution and after-sales infrastructure is not its scale but the nearly three decades of incremental build-out behind it. The network embeds institutional knowledge in trained service personnel, entrenched trade relationships, and consumer trust that cannot be replicated on any investment-relevant timeline, regardless of capital commitment. The economic relevance is straightforward: lower customer acquisition costs via word-of-mouth referral in underpenetrated Tier 2-4 markets, higher cross-category repeat purchase rates, better per-unit service economics, and reduced stockout risk during seasonal demand surges. In a category where after-sales experience materially influences repurchase and recommendation behaviour, this infrastructure compounds incrementally and operates largely independent of product-cycle dynamics.

Fig 24 – Distribution reach — B2C touchpoints growth

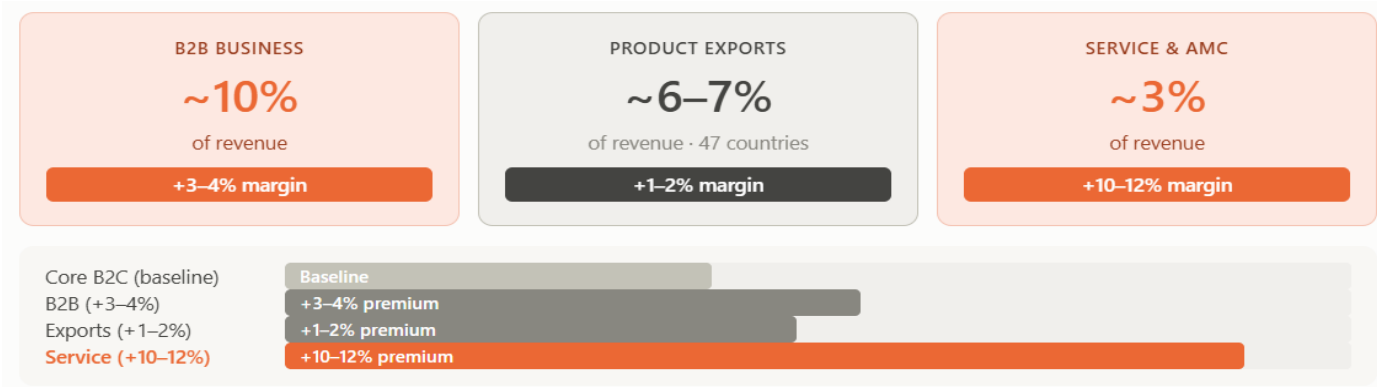


Source: Company, BOBCAPS Research

Export & B2B opportunities

Exports and B2B are not central to the near-term domestic thesis, but they do represent credible medium-term optionality. LG already exports to 47 countries, and the Sri City facility could improve competitiveness through scale, localisation and logistics advantages, while the B2B portfolio offers exposure to segments such as VRF HVAC and institutional solutions. We would treat both as incremental upside rather than core forecast drivers at this stage, but their contribution could become more visible if execution remains on track and parent-led sourcing flows increase over time.

Fig 25 – Export & B2B — revenue mix and margin premium



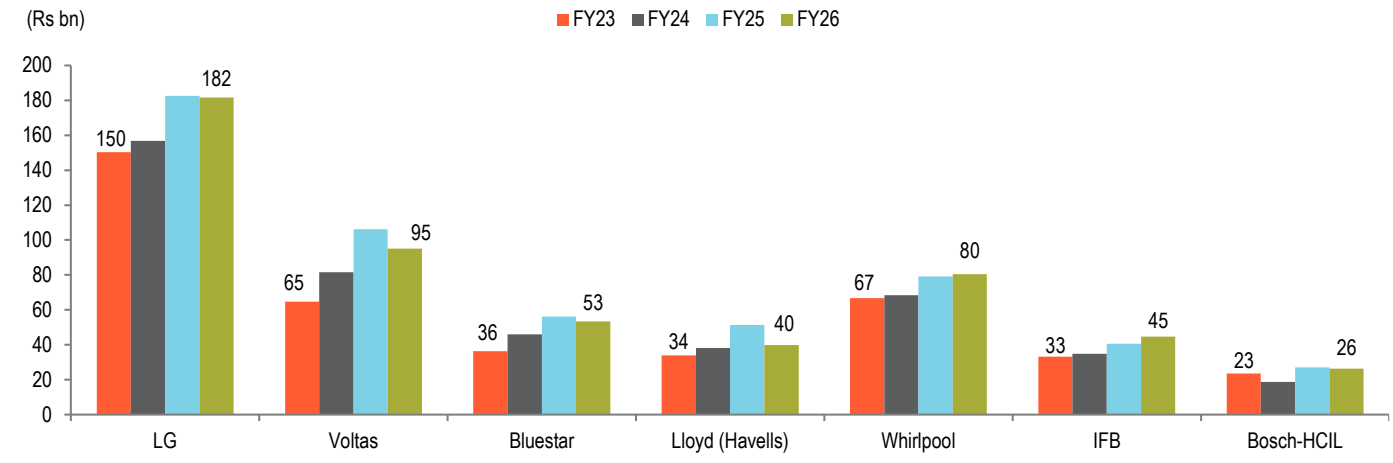
Source: Company, BOBCAPS Research

Peer comparison

LG stands out on scale, profitability and capital efficiency

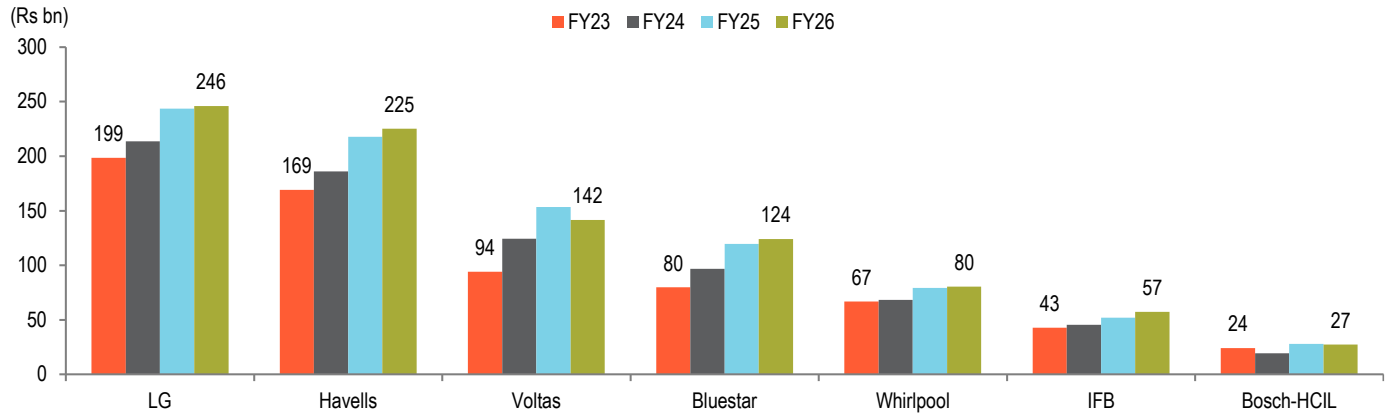
Among its listed peers – Voltas, Blue Star, Lloyd, Whirlpool of India, LGEIL operates at higher scale. LG's home appliances revenue base is 2x of Voltas' UCP sales and its leadership carries through at the category level. This scale supports the highest operating profitability in the peer set with FY26 EBITDA margin at 9.8% vs Voltas (4.5%) and Blue Star (7.5%) even after absorbing royalty of ~2% to its global parent.

Fig 26 – Home appliances revenue LG vs UCP of Bluestar / Voltas, LLOYD, JCHAC, IFB, Whirlpool



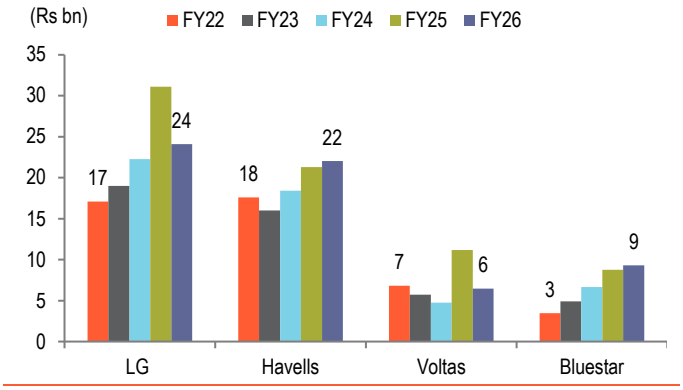
Source: Company, BOBCAPS Research

Fig 27 – Consol revenue (of all) – LG, Voltas, Blue Star, Havells, Whirlpool, JCHAC)



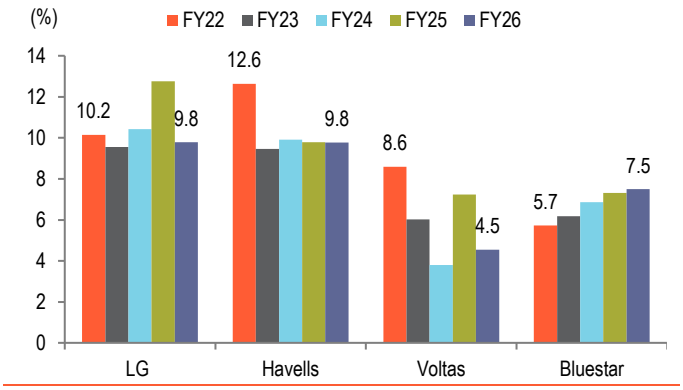
Source: Company, BOBCAPS Research

Fig 28 – Absolute EBITDA



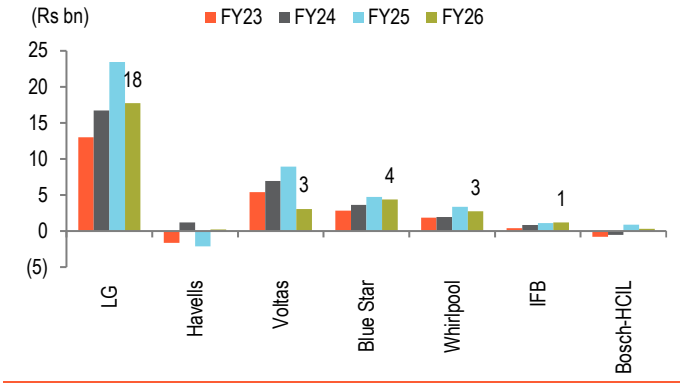
Source: Company, BOBCAPS Research

Fig 29 – LG has highest operating margin vs peers



Source: Company, BOBCAPS Research

Fig 30 – EBIT



Source: Company, BOBCAPS Research

Fig 31 – Highest EBIT margin vs peers

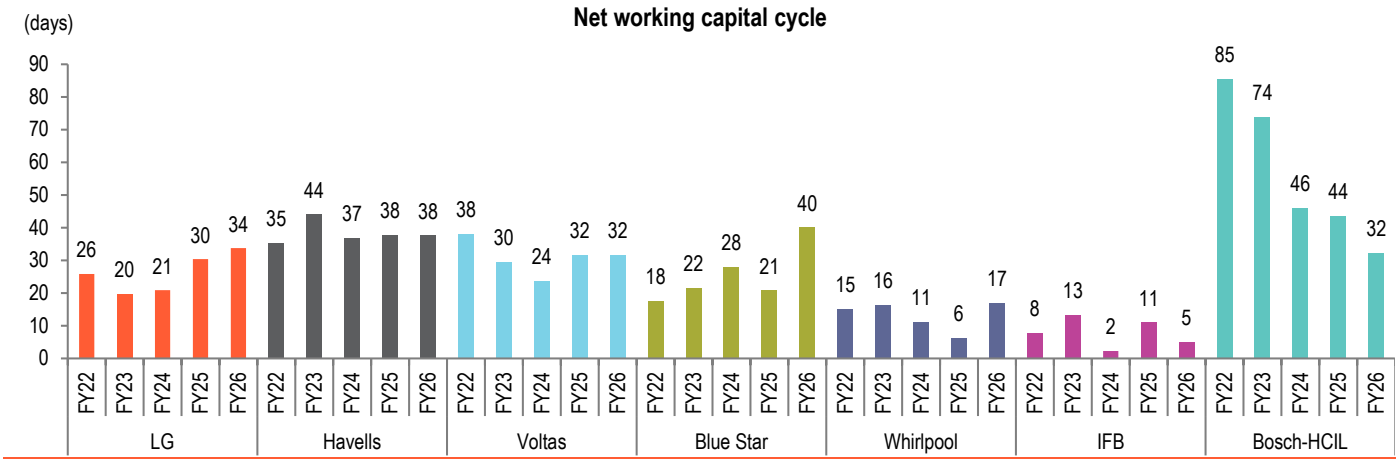


Source: Company, BOBCAPS Research

LG deserves a premium on multiples on account of its balance sheet strength and working capital discipline

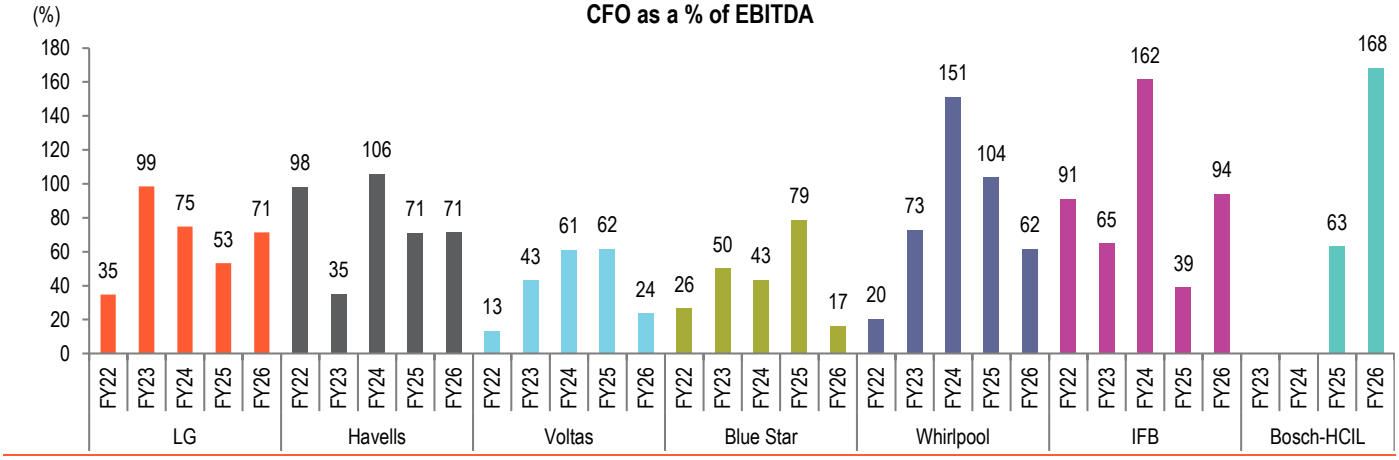
The business also runs on lean working capital: net working capital of 30 days vs industry capital days of 40-45 days and cash conversion (CFO/EBITDA) of 75-80% reflect disciplined inventory and receivables management and favorable supplier terms. Together, these drive the highest return ratios among peers, with RoCE of 19% and RoE of 25%. In our view, this combination of scale, margin, and capital efficiency justifies a premium to domestic peers.

Fig 32 – Working Capital days (lean working capital of ~30 days vs peers)



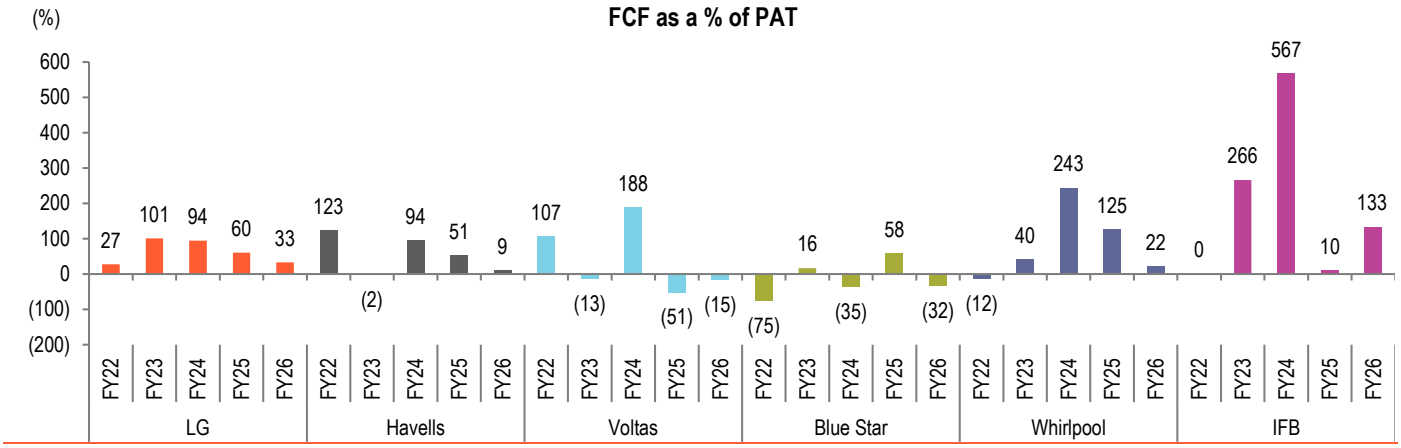
Source: Company, BOBCAPS Research

Fig 33 – CFO / EBITDA of consumer durable peers



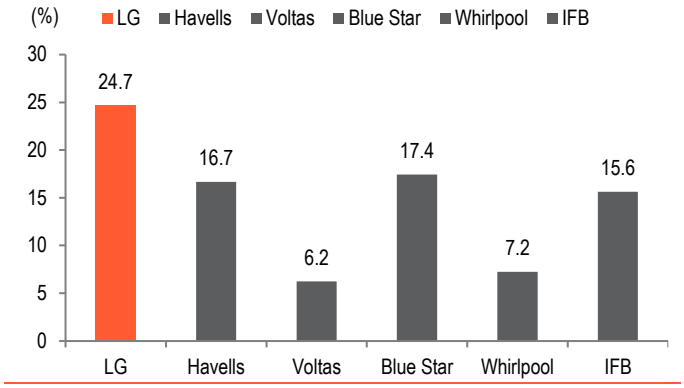
Source: Company, BOBCAPS Research

Fig 34 – FCF / PAT for consumer durable peers



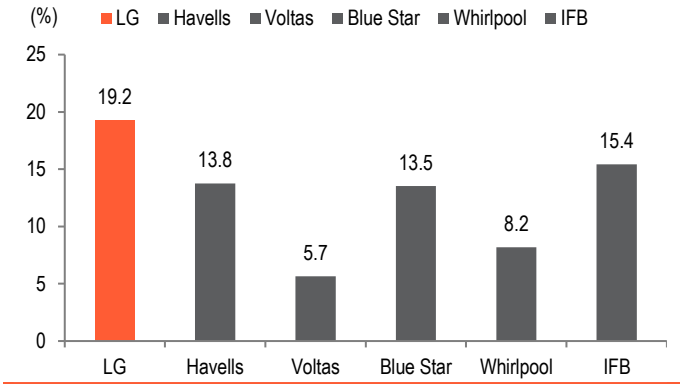
Source: Company, BOBCAPS Research

Fig 35 – Highest ROE among peers



Source: Company, BOBCAPS Research

Fig 36 – Highest ROCE among peers

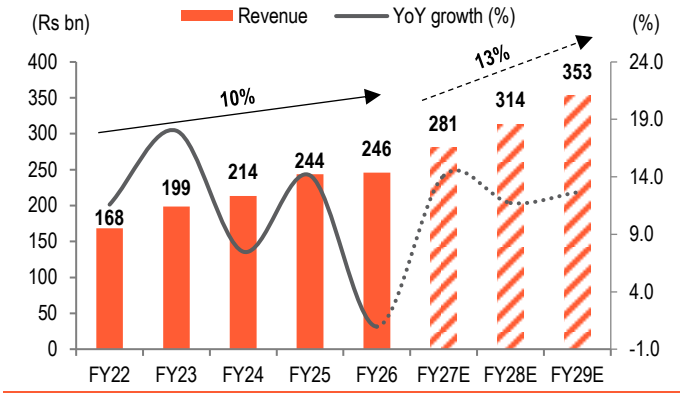


Source: Company, BOBCAPS Research

Financial Analysis

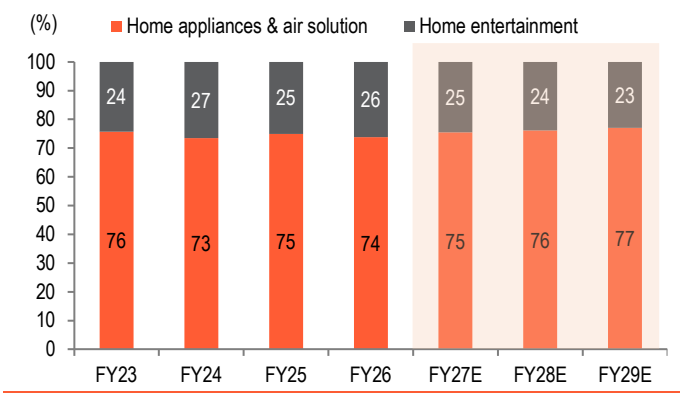
We estimate LGEIL to deliver 13% revenue CAGR over FY26-29E: We expect LG Electronics India to post a 13% revenue CAGR over FY26-29E, led by home appliances (14% CAGR) and home entertainment (8%), backed by strong brand recall, market leadership and distribution reach. With the core categories (AC, refrigerators, washing machines) growing at a ~10% industry CAGR and mid- and lower-tier brands finding it hard to gain share, we expect larger players like LG to outperform: refrigerators at a 13% CAGR (vs. 10% for the industry), washing machines at 11% (vs. 8%), and AC at 21% on a low FY26 base.

Fig 37 – Consolidated revenue



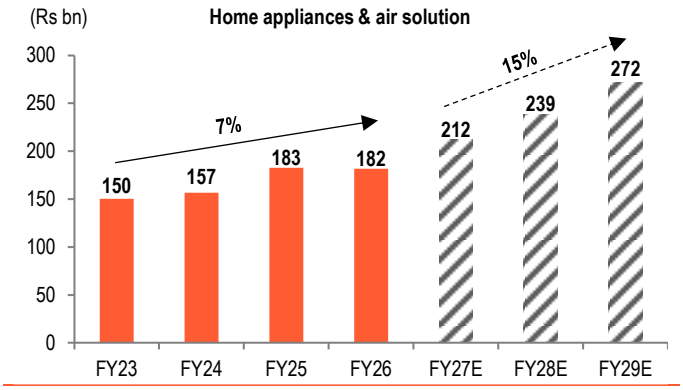
Source: Company, BOBCAPS Research

Fig 38 – Segment wise revenue bifurcation



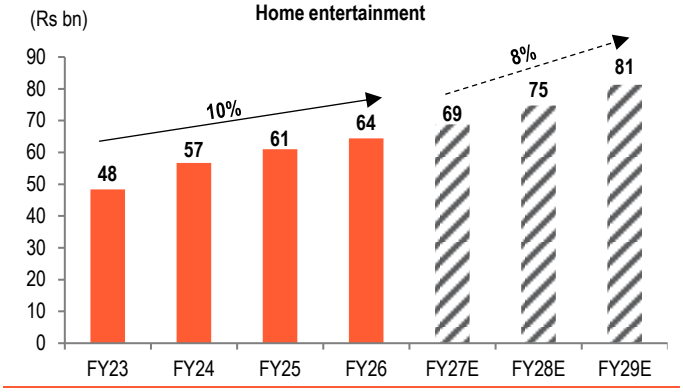
Source: Company, BOBCAPS Research

Fig 39 – Home appliances & air solution revenue



Source: Company, BOBCAPS Research

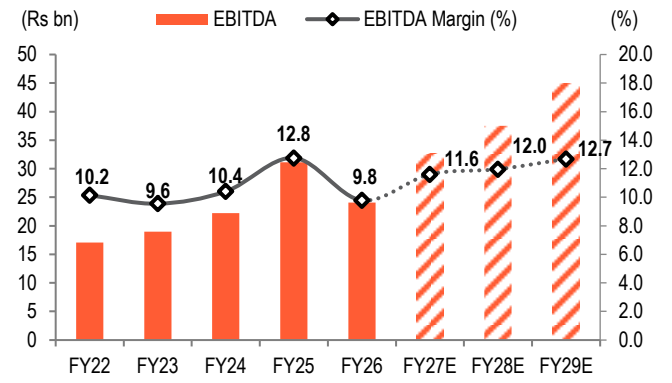
Fig 40 – Home entertainment revenue



Source: Company, BOBCAPS Research

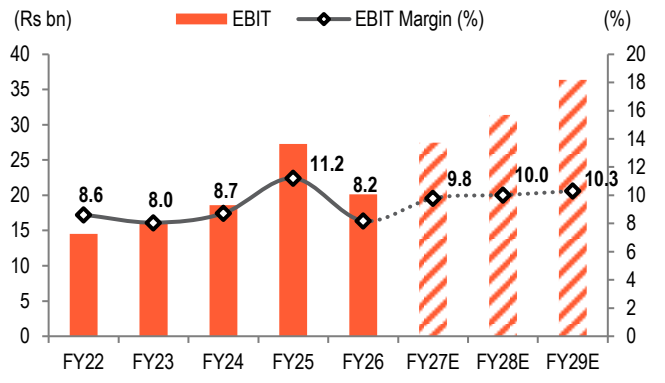
Product mix, localization and scale to drive improvement in margin: We expect LG Electronics India to post a 23% EBITDA CAGR over FY26-29E, well ahead of the 13% revenue CAGR, with EBITDA margin expanding ~290 bps from 9.8% in FY26 to 12.7% in FY29E. Growth should be led by a richer premium mix, the ability to pass on price increases, greater localization of procurement (reducing exposure to volatility), backward integration in key components like compressors, and LG's scale. The low-profitability FY26 base also helps.

Fig 41 – EBITDA margin (%)



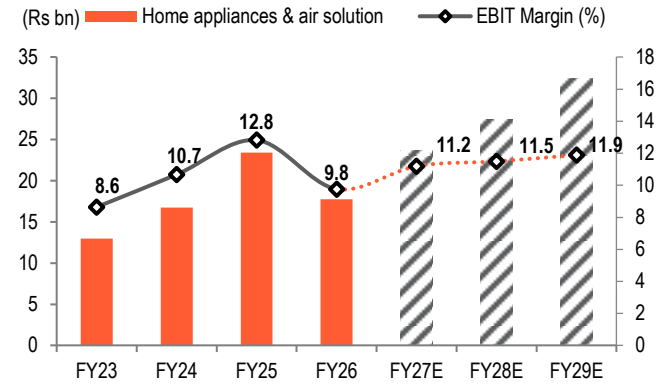
Source: Company, BOBCAPS Research

Fig 42 – EBIT Margin (%)



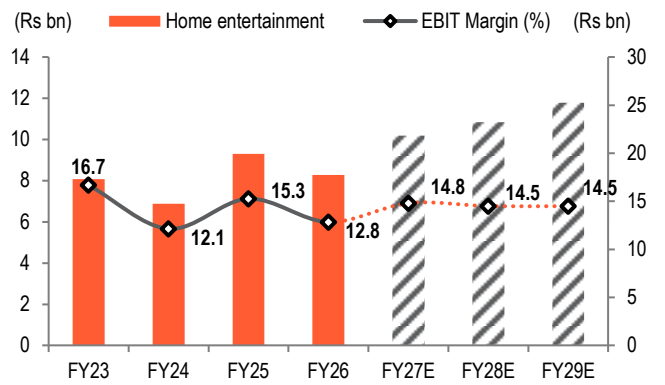
Source: Company, BOBCAPS Research

Fig 43 – Home appliances EBIT margin (%)



Source: Company, BOBCAPS Research

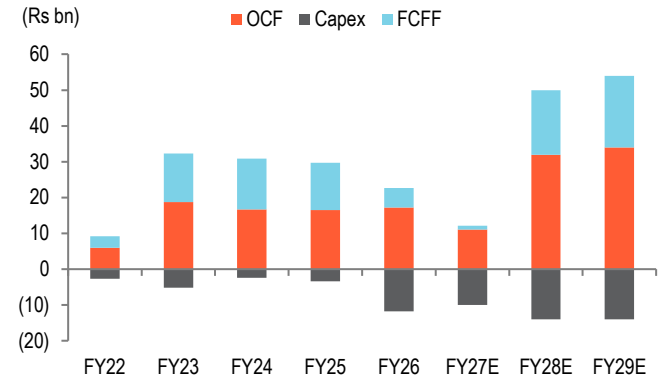
Fig 44 – Home entertainment EBIT margin (%)



Source: Company, BOBCAPS Research

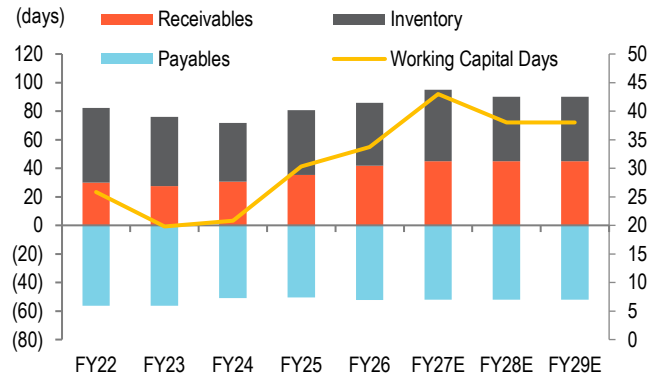
Robust cash flow generation to fund large capex: We estimate LGEIL will generate cumulative cash flow of ~Rs 77bn over FY27-29E, which should comfortably fund the Rs 50bn capex for its upcoming Sri City plant (~Rs 6bn already spent in Q1FY27) and keep the balance sheet strong. We expect working capital to stay range-bound at 35-40 days, with a slight rise in FY27 as brands build up inventories of key components to guard against supply chain disruptions.

Fig 45 – OCF & FCF



Source: Company, BOBCAPS Research

Fig 46 – Working capital days



Source: Company, BOBCAPS Research

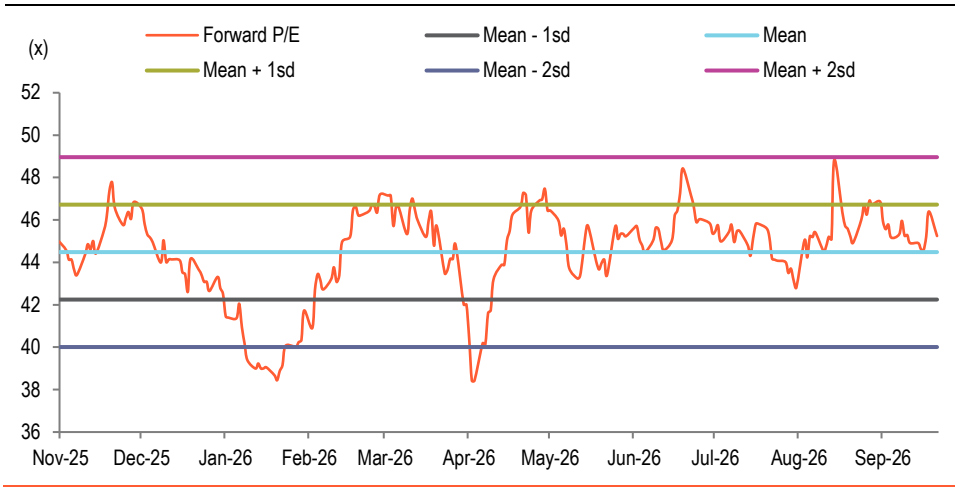
Valuation methodology

We expect LG Electronics India to deliver steady and profitable growth over FY26-FY29E, with revenue/EBITDA/PAT CAGRs of 13%/23%/20%, driven by its leadership across large appliance categories, premiumisation-led mix improvement and sustained demand for refrigerators, washing machines and room air conditioners. While growth is unlikely to be exceptionally high given the company's already scaled base, we believe LG India's category leadership, strong brand recall, extensive distribution network, superior product mix and parent-backed innovation support better earnings visibility versus peers.

At the current market price, the stock trades at ~42x Sep'28E EPS. We value LG Electronics India on a relative basis, assigning ~50x 1YF P/E to Sept'28E EPS. In our view, a premium multiple is justified by LG India's multi-category leadership, strong offline market share, premium positioning, healthy profitability profile and ability to participate in India's long-term appliance penetration and replacement cycle. Unlike several peers that are dependent on one or two categories, LG India offers a more diversified exposure to India's consumer durables opportunity, with Home Appliances and Air Solutions forming the core earnings engine.

We initiate coverage with a **BUY** rating and a target price of Rs 1980, implying 20% upside from the current market price.

Fig 47 – LGEL 1YF P/E band chart



Source: Company, BOBCAPS Research

Fig 48 – Bloomberg Valuation chart

Companies	Market cap	Revenue	EBITDA	PAT	RoE	ROCE	P/Sales (x)				P/E (x)				EV/EBITDA (x)				P/E-G
		FY26-29E	FY26-29E	FY26-29E	FY26	FY26	FY26	FY27	FY28	FY29	FY26	FY27	FY28	FY29	FY26	FY27	FY28	FY29	PAT CAGR
VOLT IN	377.9	16	35	36	5.8	11.1	2.6	2.3	1.9	1.7	71	51	35	28	55	36	27	23	0.8
BLSTR IN	321.8	15	18	21	16.2	19.4	2.5	2.3	1.9	1.7	60	54	41	34	36	32	25	22	1.6
HAVL IN	692.3	13	17	17	19.0	22.9	3.0	2.6	2.3	2.1	46	41	34	29	30	27	22	19	1.7
CROMPTON IN	144.9	13	16	19	(7.6)	(13.4)	1.8	1.6	1.4	1.3	29	24	20	17	17	15	12	11	0.9
POLYCAB IN	1261.3	19	18	18	24.5	27.4	4.4	3.5	3.0	2.6	47	38	33	29	32	26	22	19	1.6
KEII IN	439.4	20	25	21	14.8	15.4	3.7	3.0	2.5	2.1	49	38	32	26	35	26	21	18	1.3
RRKABEL IN	272.8	21	30	31	20.8	24.4	2.9	2.2	1.9	1.6	57	38	31	26	37	25	20	17	0.8
VGRD IN	142.0	14	18	21	13.8	20.1	2.4	2.1	1.8	1.6	45	34	29	25	27	22	19	16	1.2
ORIENTEL IN	35.8	12	19	29	13.2	14.0	1.1	0.9	0.8	0.8	37	26	21	17	16	13	11	9	0.6
LGEL IN	1124.3	13	21	21	24.7	25.9	4.6	4.0	3.5	3.2	64	49	41	36	43	34	28	24	1.7
TTKPT IN	71.9	15	24	23	8.3	8.2	2.5	2.1	1.9	1.6	38	35	28	23	25	20	16	13	1.0
WHIRL IN	91.8	11	13	17	7.2	8.2	1.1	1.0	0.9	0.8	26	27	20	17	13	13	10	9	1.0
EPACK IN	17.3	24	36	99	0.3	2.9	0.8	0.7	0.5	0.4	58	40	20	9	17	13	9	7	0.1
PGEL IN	153.9	24	26	32	6.7	7.6	2.8	2.3	1.7	1.4	56	53	34	25	33	29	21	16	0.8
AMBER IN	250.3	34	33	48	5.3	11.3	2.0	1.7	1.1	0.8	88	67	38	27	31	24	17	13	0.6
KAYNES IN	244.7	32	36	27	9.6	15.7	6.3	4.8	3.6	2.8	56	60	41	28	40	32	23	16	1.0
SYRMA IN	330.4	33	36	37	13.8	17.3	6.9	4.9	3.7	2.9	107	75	55	42	65	45	33	26	1.1
AVALON IN	166.3	34	45	50	16.9	17.8	10.7	7.7	5.8	4.4	159	98	68	47	99	64	45	33	0.9
DIXON IN	816.6	31	32	28	37.4	41.8	1.7	1.1	0.9	0.7	85	69	48	38	44	35	23	19	1.3

Source: Company, BOBCAPS Research

Fig 49 – Bobcaps Valuation

Company	CMP	Old Rating	New Rating	OLD TP	New TP	Old Target PE (x)	New Target PE (x)	FY26-29E CAGR (%)			P/E (x)				EV/EBITDA (x)			
				Mar-27TP	Jun-27TP			Revenue	EBITDA	PAT	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
Havells	1,269	BUY	BUY	1,600	1,530	48	45	12	16	16	49	43	35	32	31	27	22	12
Voltas	1,243	HOLD	HOLD	1,440	1,410	45	45	15	29	38	106	56	41	40	66	42	31	15
Blue Star	1,515	HOLD	HOLD	1,790	1,700	47	47	14	13	16	57	59	44	37	33	33	26	14
Crompton	243	BUY	BUY	330	330	30	30	11	12	16	32	29	24	21	19	18	16	11
Orient Electric	185	BUY	BUY	230	240	30	30	11	15	22	35	29	22	19	16	14	12	11
V guard	332	BUY	BUY	410	430	40	40	13	17	16	39	33	29	25	24	20	17	13
KEI Industries	5,588	HOLD	HOLD	4,900	5,700	40	40	19	22	18	54	43	38	32	37	27	24	19
Polycab	9,098	HOLD	HOLD	9,300	10,200	44	44	14	13	12	54	45	42	38	35	31	27	14

Source: Company, BOBCAPS Research

Key risks

- **Raw material volatility is the perennial gross-margin swing factor:** The input basket - steel, copper, aluminium, ABS resin, display panels, semiconductors is globally priced and FX-sensitive. Listed peer gross margins range from ~22% (Voltas) to ~34% (Whirlpool), reflecting mix and sourcing differentials. With 40-50% of components imported across most players, INR/USD, INR/KRW and INR/CNY moves flow directly to COGS with a one-to-two-quarter lag.
- **Competitive intensity is rising, not falling:** The online channel structurally neutralises distribution moats and favours price-discoverable products; Chinese brands continue to gain share through aggressive pricing; Indian challengers (Voltas, Havells/Lloyd, Blue Star) are expanding portfolios; and global premium brands are deepening their India footprint. The combined effect is margin compression for sub-scale players and forced reinvestment in brand, R&D, and distribution favouring the category leaders.
- **LG India's reliance on its parent:** LGEIL is dependence on its parent LG Electronics, for brand equity, technology, and product innovation represents a structural risk any deterioration in that relationship could meaningfully disrupt operations. This dependence also carries a direct financial cost: royalty payments as a percentage of net revenue have risen steadily from 1.5% in FY22 to 1.9% in FY25. While the parent relationship underpins LG India's premium positioning, the rising royalty burden underscores that this advantage comes at an escalating and non-negotiable cost.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**2,43,666**	**2,46,049**	**2,80,737**	**3,13,677**	**3,53,404**
EBITDA	31,101	24,083	32,576	37,529	44,873
Depreciation	3,804	3,961	5,111	6,113	8,479
EBIT	27,298	20,122	27,464	31,415	36,394
Net interest inc./(exp.)	(306)	(406)	(406)	(406)	(406)
Other inc./(exp.)	2,640	3,279	3,133	2,171	2,617
Exceptional items	0	0	0	0	0
EBT	29,631	22,995	30,192	33,180	38,605
Income taxes	7,598	6,144	7,608	8,361	9,728
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**22,033**	**16,851**	**22,584**	**24,819**	**28,876**
Adjustments	0	0	0	0	0
Adjusted net profit	**22,033**	**16,851**	**22,584**	**24,819**	**28,876**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	33,671	35,135	39,995	44,688	50,348
Other current liabilities	15,313	16,564	12,306	13,750	15,492
Provisions	0	0	0	0	0
Debt funds	0	0	0	0	0
Other liabilities	6,485	8,009	8,009	8,009	8,009
Equity capital	6,788	6,788	6,788	6,788	6,788
Reserves & surplus	52,914	69,868	83,418	98,309	1,15,635
Shareholders' fund	59,702	76,656	90,206	1,05,097	1,22,423
Total liab. and equities	**1,15,171**	**1,36,363**	**1,50,516**	**1,71,544**	**1,96,271**
Cash and cash eq.	37,415	44,763	36,177	43,614	51,301
Accounts receivables	23,612	28,251	34,611	38,672	43,570
Inventories	30,315	29,616	38,457	38,672	43,570
Other current assets	4,037	4,931	6,922	7,734	8,714
Investments	0	0	0	0	0
Net fixed assets	13,197	15,488	20,377	28,264	33,785
CWIP	0	0	0	0	0
Intangible assets	94	122	122	122	122
Deferred tax assets, net	0	0	0	0	0
Other assets	5,719	8,596	8,596	8,596	8,596
Total assets	**1,14,388**	**1,31,767**	**1,45,263**	**1,65,675**	**1,89,658**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**16,539**	**17,213**	**11,093**	**31,976**	**33,976**
Capital expenditures	(3,346)	(11,721)	(10,000)	(14,000)	(14,000)
Change in investments	593	477	(645)	(612)	(738)
Other investing cash flows	2,477	2,679	0	0	0
Cash flow from investing	**(275)**	**(8,565)**	**(10,645)**	**(14,612)**	**(14,738)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(1,065)	(1,274)	(9,033)	(9,928)	(11,551)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(1,065)**	**(1,274)**	**(9,033)**	**(9,928)**	**(11,551)**
Chg in cash & cash eq.	**15,199**	**7,374**	**(8,585)**	**7,436**	**7,688**
Closing cash & cash eq.	**37,415**	**44,763**	**36,177**	**43,614**	**51,301**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	32.5	24.8	33.3	36.6	42.5
Adjusted EPS	32.5	24.8	33.3	36.6	42.5
Dividend per share	0.0	0.0	13.3	14.6	17.0
Book value per share	88.0	112.9	132.9	154.8	180.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.6	4.6	4.0	3.6	3.2
EV/EBITDA	36.1	46.7	34.5	30.0	25.1
Adjusted P/E	51.0	66.7	49.8	45.3	38.9
P/BV	18.8	14.7	12.5	10.7	9.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.4	73.3	74.8	74.8	74.8
Interest burden (PBT/EBIT)	108.5	114.3	109.9	105.6	106.1
EBIT margin (EBIT/Revenue)	11.2	8.2	9.8	10.0	10.3
Asset turnover (Rev./Avg TA)	18.5	15.9	13.8	11.1	10.5
Leverage (Avg TA/Avg Equity)	0.3	0.2	0.2	0.3	0.3
Adjusted ROAE	45.2	24.7	27.1	25.4	25.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	14.1	1.0	14.1	11.7	12.7
EBITDA	39.8	(22.6)	35.3	15.2	19.6
Adjusted EPS	45.8	(23.5)	34.0	9.9	16.3
Profitability & Return ratios (%)					
EBITDA margin	12.8	9.8	11.6	12.0	12.7
EBIT margin	11.2	8.2	9.8	10.0	10.3
Adjusted profit margin	9.0	6.8	8.0	7.9	8.2
Adjusted ROAE	45.2	24.7	27.1	25.4	25.4
ROCE	45.7	25.2	27.4	25.7	25.7
Working capital days (days)					
Receivables	35	42	45	45	45
Inventory	45	44	50	45	45
Payables	50	52	52	52	52
Ratios (x)					
Gross asset turnover	7.2	6.5	6.1	5.4	4.9
Current ratio	1.9	2.1	2.2	2.2	2.2
Net interest coverage ratio	89.1	49.6	67.7	77.4	89.7
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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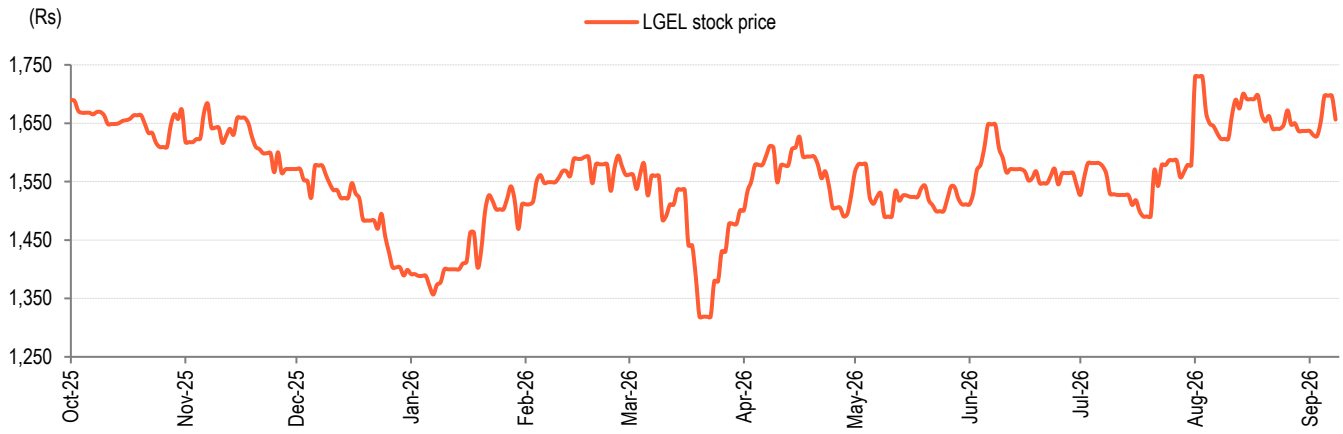
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