

CMP: ₹ 1390

Target: ₹ 1725 (+24%)

Target Period: 12 months

January 12, 2026

Strong brand positioning along with market leadership

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. It operates one of the largest distribution networks among leading home appliances players with ~35,640 B2C touchpoints and ~463 B2B trade partners.

Investment Rationale

- Strong leadership hold across categories:** LGEDIA is the market leader across multiple product categories - The company commands strong offline market shares, including ~29.9% in refrigerators, 33.5% in washing machines, 27.5% in panel TVs, 20.6% in inverter ACs, 51.4% in convection microwaves and 40.5% in water purifiers. In premium segments, LGEDIA enjoys a dominant position with ~43.2% share in side-by-side refrigerators, 36.9% in front-load washing machines, 27.2% in 5-star ACs and 62.9% in OLED TVs. Similarly, the company has strong presence in mass market i.e. high-volume segment. We expect LGEDIA to sustain its leadership across mass and premium categories, considering its brand trust, parent know-how and execution abilities.
- Reputed global parentage and its focus on Indian operations:** LGEDIA leverages strong brand equity and product innovation of parent, having access to global R&D. Under LG's global south strategy, India is being positioned as a key pillar for domestic as well as export growth, innovation and manufacturing amid shifting global supply chains and geo-economic realignments. With India emerging as a global manufacturing hub, the company is further investing ~₹5000 crore for upcoming Sri City facility, which shall reduce logistic cost and presents export opportunity which company targets to increase from ~6% to ~10%+ of revenue by FY29.
- Localisation to pick up with expanding manufacturing capabilities:** LGEDIA is currently one of the most backward integrated manufacturers with various key components such as compressors, heat exchangers & PCB assembly in-house, leading to strong localization component of ~55.8%. Management aims to increase localization by 2-3% p.a. which shall further aid in expanding margins and profitability.

Rating and Target Price:

- LGEDIA has proven its ability to leverage the strong brand, technical knowhow and execution abilities as reflected in its strong market share across product categories. It has a cash rich balance sheet with superior margin and return-ratios. Further, the company continues to invest growth capital to cater domestic as well as export opportunity. Recent sharp cut in GST rates shall aid demand revival, esp. on premium categories side.
- We initiate coverage on the stock with a BUY rating, assigning target price of Rs 1725, with a target PE multiple of 42x FY28E EPS.


LG

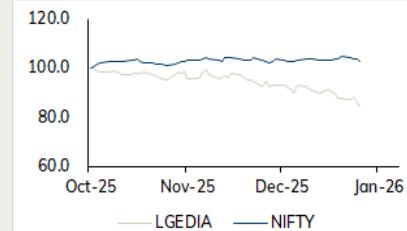
Particulars

Particular	Amount
Market Cap (₹ Crore)	94,369
H1FY26 Debt (₹ Crore)	473
H1FY26 Cash (₹ Crore)	4,284
EV (₹ Crore)	90,558
52 Week H/L (₹)	1749/ 1382
Equity Capital (₹ Crore)	678.8
Face Value	10

Shareholding pattern

	Oct-25
Promoter	85.0
FII	2.9
DII	4.4
Public	7.7
Others	0.0

Price chart (indexed to 100)



Key risks

- Intensifying competition
- Increase in raw material prices
- 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	2 Year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	19,865	21,352	24,367	10.8	25,769	29,400	32,890	10.5
EBITDA	1,899	2,225	3,110	28.0	2,879	3,611	4,144	10.0
EBITDA margin (%)	9.6	10.4	12.8		11.2	12.3	12.6	
Net Profit	1,345	1,511	2,203	28.0	2,010	2,484	2,798	8.3
Diluted/Adjusted EPS (₹)	19.8	22.3	32.5		29.6	36.6	41.2	
P/E(x)	70.2	62.4	42.8		46.9	38.0	33.7	
EV/EBITDA (x)	48.4	41.6	29.3		31.5	25.1	21.8	
RoCE (%)	39.0	48.9	46.0		35.2	39.7	40.5	
RoE (%)	30.9	40.1	36.9		28.1	31.5	32.0	

Industry Background

Indian appliances and electronics market is fairly under-penetrated as depicted in table below.

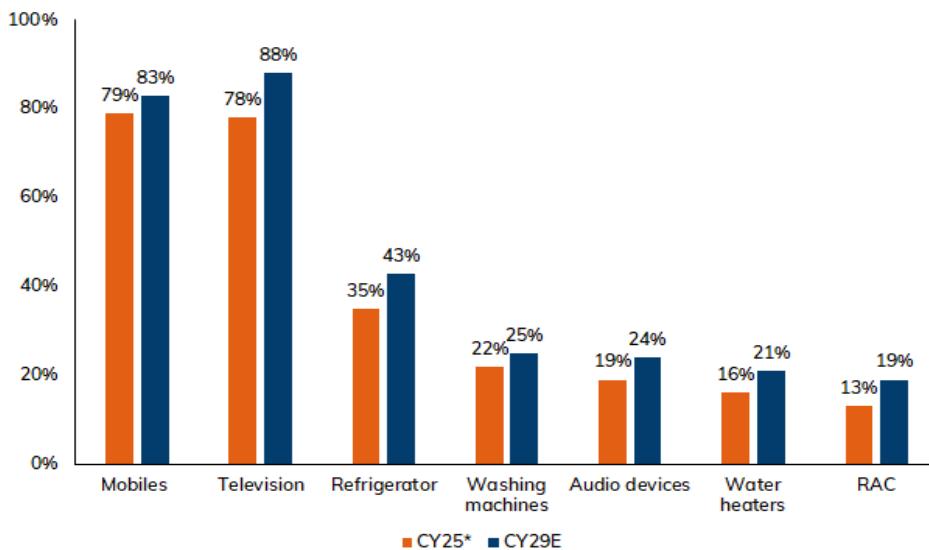
Exhibit 1: Core categories penetration (US/China vs. India)

Product	Penetration (India)	Penetration (US & China)
RAC	13%	80-90%
Washing Machine	22%	70-80%
Refrigerator	35%	80-99%
TV & Audio devices	78%	85-95%
Mobile	79%	90-100%

Source: LG RHP, ICICI Direct Research

India's appliances penetration rates are low but are steadily advancing towards global benchmarks driven by macroeconomic growth and improved affordability.

Exhibit 2: Domestic penetration expected to rise across product categories...

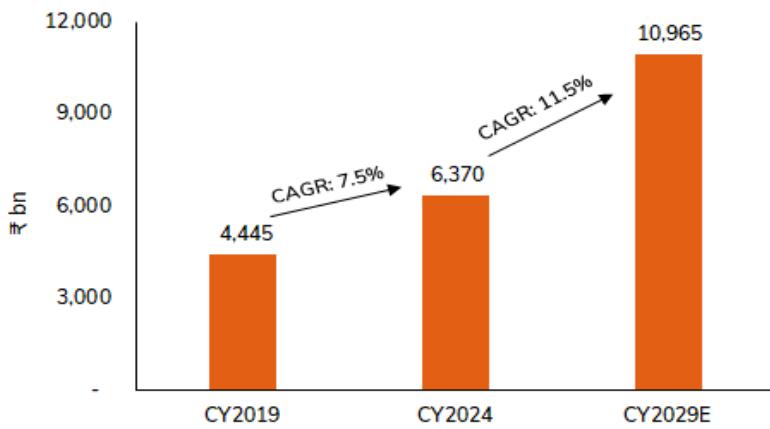


Source: LG RHP, ICICI Direct Research

The home appliances and consumer electronics market in totality has been growing at a steady pace with further uptick expected in forthcoming years. GST cut, income tax rationalisation and rising per capita shall aid this growth uptick.

Further, improved affordability has led to sharp uptick in premiumisation trend which shall support branded players. Similarly, the increasing awareness of energy efficient appliances shall improve average ticket price of products.

Exhibit 3: Total India appliances & electronics market



Source: LG RHP, ICICI Direct Research

Overall healthy growth is expected across major categories in appliances & electronics market supported by premiumisation trend and lower penetration as depicted in below exhibit:

Exhibit 4: Category wise bifurcation (₹ in bn)

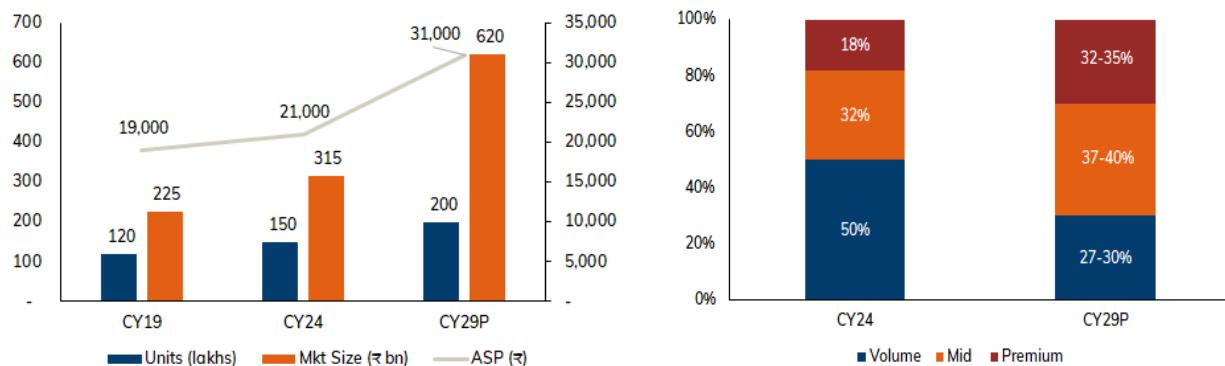
Categories	CY2019	CY2024	CY2029E	CAGR (CY19-24)	CAGR (CY24-29E)
Indian Appliances & Electronics market	4,445	6,370	10,965	7%	11%
Home appliances	790	1,215	2,255	9%	13%
Refrigerator	225	315	620	7%	15%
Washing machines	145	245	380	11%	9%
Air conditioner	155	320	710	16%	17%
Major Kitchen Appliances	45	85	150	14%	12%
Other small appliances	230	250	390	2%	9%
Consumer Electronics	3,250	4,410	7,220	6%	10%
Home entertainmemt	370	895	1,725	19%	14%
Computer & peripherals	150	180	320	4%	12%
Mobile phones	2,635	3,125	4,775	3%	9%
Personal care devices	25	40	60	10%	8%
Other personal devices	75	170	340	18%	15%
Services	115	235	520	15%	17%
Laundromat	45	60	95	6%	10%
Appliances rental & Subscription	40	120	320	25%	22%
AMCs	35	55	105	9%	14%
B2B Devices & Systems	290	515	970	12%	13%
Commercial AC systems	30	65	145	17%	17%
Commercial IT	205	355	660	12%	13%
Commercial Display & Signages	10	30	55	25%	13%
Other B2B devices & systems	40	60	110	8%	13%

Source: LG RHP, ICICI Direct Research

Analysing Core Categories:

a) **Refrigerators:** Refrigerator market is currently valued at ~₹315 bn which is expected to reach ~₹620 bn by CY29 implying CAGR of 15% backed by low penetration & unserved and untapped segments. With enhanced distribution network and improved affordability, overall penetration is expected to improve from ~35% currently to ~43% in CY29. Alongside, aspirational buying and need for space optimization shall fuel demand for premium categories with customers preferences shifting to premium products like side-by-side door and French door variants.

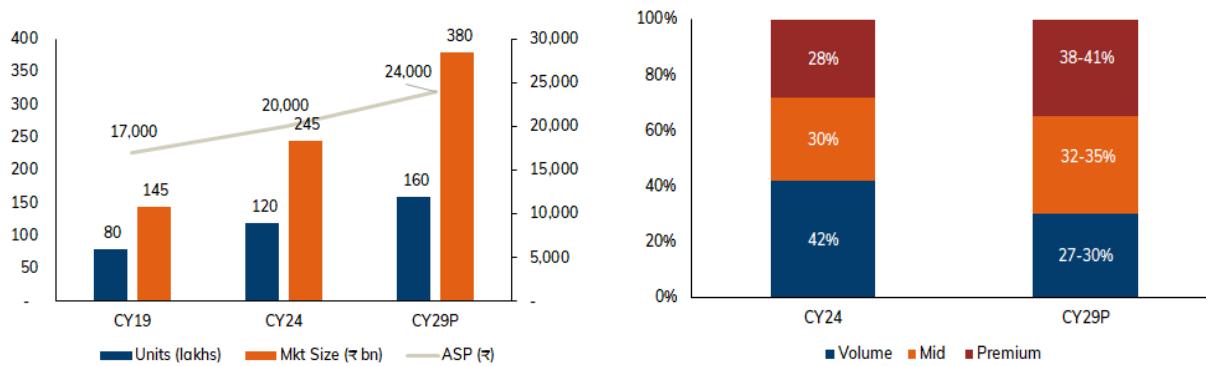
Exhibit 5: Refrigerator market overview...



Source: LGEDIA RHP, ICICI Direct Research

b) **Washing Machine:** Washing machine market stood at ~₹245 bn as on CY24 which is expected to reach ~₹380 bn by CY29P growing at 11% CAGR over CY24-CY29P. Demand for high end, larger capacities & feature rich machines are gaining traction against semi-automatic machines models.

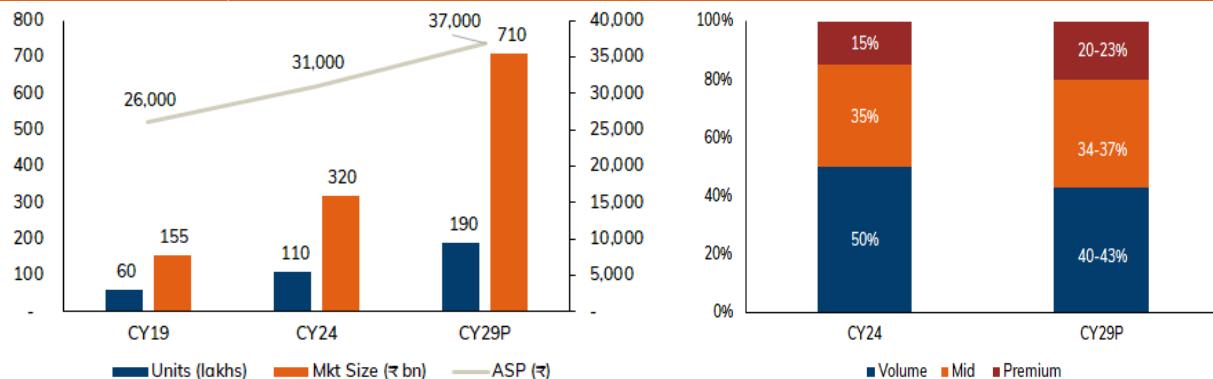
Exhibit 6: Washing machine market overview...



Source: LGEDIA RHP, ICICI Direct Research

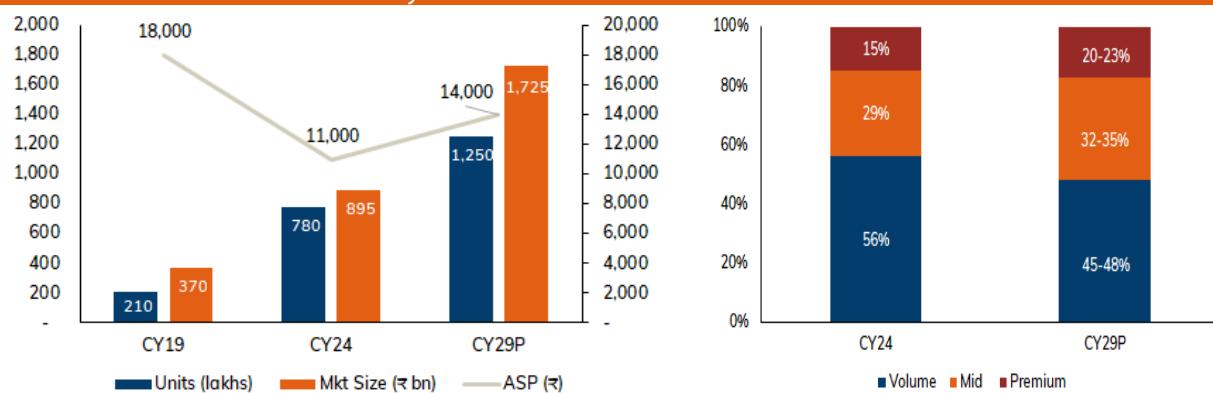
c) **Room air conditioners:** Room air conditioner market in India is est. be valued at ~₹320 bn in CY24 growing at CAGR of ~17% and is expected to reach ~₹710 bn by CY29P. For current year due to pre-monsoon and milder summer, AC industry struggled with weaker demand & high inventory build-up in anticipation of strong demand which eventually resulted into a washed-out season. However, the long-term prospects of the industry remain intact, aided by deepening penetration. Cut in GST rates from 28% to 18% shall offset to large extent the expected increase in RAC cost owing to BEE norms. Rising temperatures, increasing disposable income and credit options shall support the long-term demand. In addition, increasing demand for larger residential spaces shall also be supportive of multiple RACs demand.

Exhibit 7: RAC Industry overview...



d) Home entertainment (TV & Audio devices): Home entertainment segment, encompassing televisions & audio devices stands at ~₹960 bn in CY24 and is expected to witness CAGR growth of ~14% over CY24-CY29P and shall reach ~₹1,725 bn in CY29P. Televisions accounts for ~45% of this market. Within televisions, large (>55 inch) screen sizes are increasing in popularity and accounts for ~27% of TV sales. Alongside, other premium products such as OLED/QLED/QLED+ makes up ~22% of market. Growing customer interest towards these larger size TVs and premium TVs is expected to drive growth in this segment.

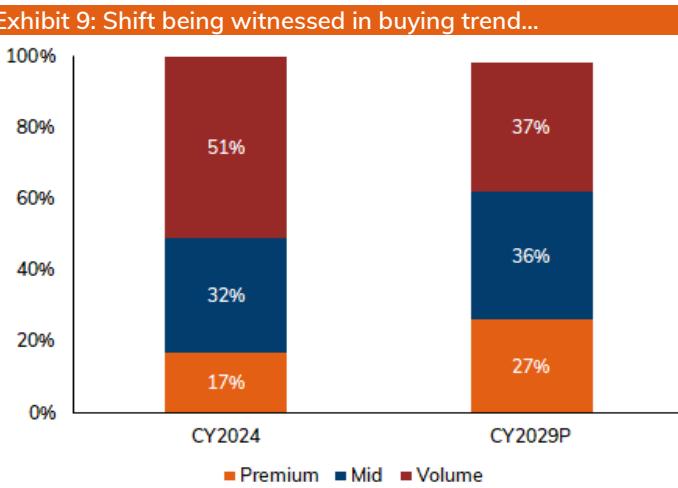
Exhibit 8: Home entertainment industry overview...



Overall trend shifting towards premium category products

Following chart exhibits tier wise segmentation across product categories in B2C appliances and electronics market.

Exhibit 9: Shift being witnessed in buying trend...

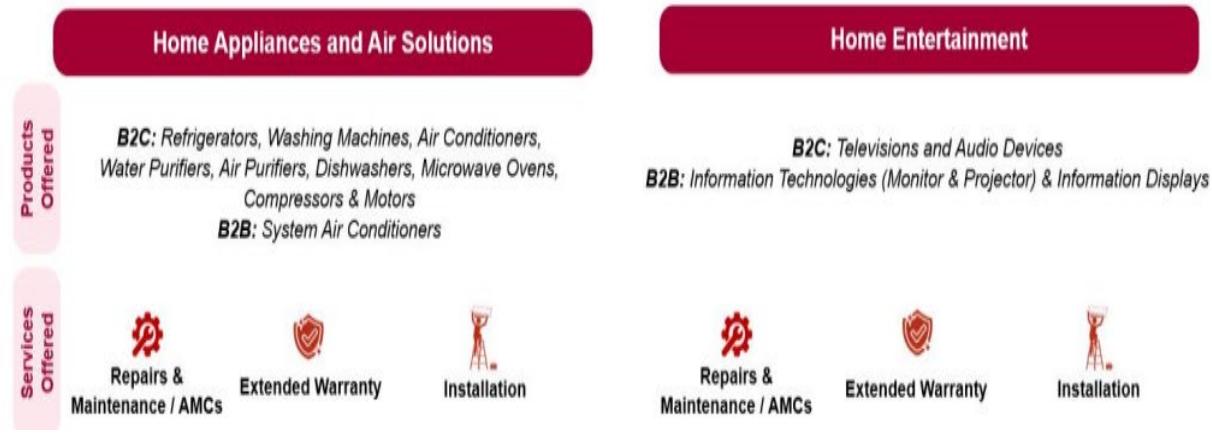


While increasing penetration drives demand for volume & mid-tier products, as disposable income rise, consumers are also increasingly shifting towards premium, feature-rich product appliances that offer superior energy efficiency and advanced functionalities. This demand not only reflects a preference for high quality products but also drives replacement demand, as consumers upgrade to more sophisticated models that align with evolving lifestyle expectations.

Company Background

LGEDIA, established in 1997, is the Indian Subsidiary of the South Korean consumer electronics and home appliance company LG Electronics INC. The company has been offering one of the widest product portfolios amongst leading home appliances and consumer electronics players (excluding mobile phones). The company broadly offers products through two segments; a) Home appliances & Air solutions & b) Home entertainment. As depicted in Exhibit below, the company offers both products as well as services to B2B & B2C consumers, domestically and internationally.

Exhibit 10: Product portfolio



Source: LG RHP, ICICI Direct Research

Competitive edge on innovation front:

With over 28 years of experience and through leveraging the global leadership of LG Electronics, it has been recognized as a pioneer of innovative technology to introduce new and innovative products to cater Indian consumer preferences and local requirements. The company has been among the leading players to introduce several global technologies in home appliances and consumer electronics market including introducing inverter technology in air conditioners in India from earlier fixed speed air conditioners and first player to transition from using plastic tanks in water purifiers to stainless steel tanks.

Diversified product portfolio

LGEDIA offers a broader range of product offerings than most of the leading home appliances and consumer electronics across several product categories. With strong brand built over 28 years of operations alongwith delivering service quality, positions the company to capture demand from varied consumers looking for products from affordable range to premium product range across various categories.

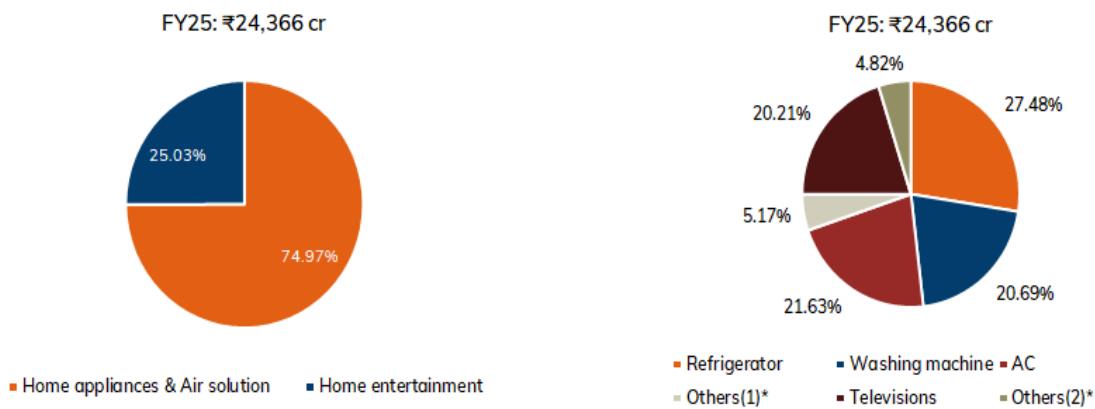
Exhibit 11: Diverse product range across various price points



Source: LGEDIA RHP, ICICI Direct Research

In FY25, LGEDIA reported consolidated revenue of ₹24,366 crore which has been broadly classified into: i) Home appliances and Air solutions (forming 74.97% of revenue) and ii) Home entertainment (forming 25.03% of revenue).

Exhibit 12: Revenue mix

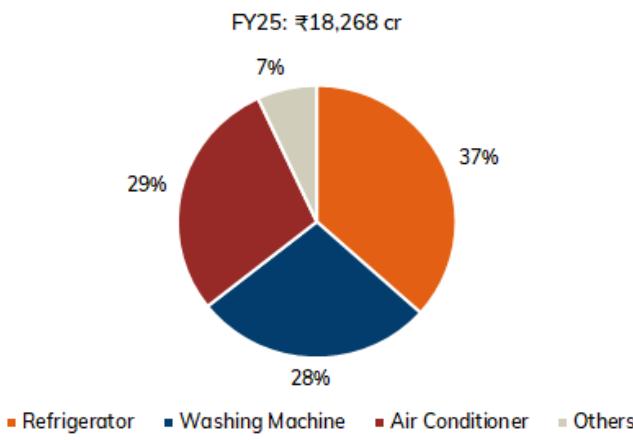


Source: LGEDIA RHP, ICICI Direct Research

*Others (1)- water purifiers, air purifiers, microwave oven, dishwasher, vacuum cleaners and compressors; Others (2) - media display and audiovisual products including monitors, interactive displays and information systems, projectors, wireless speakers and earbuds, etc.

- Home appliances and Air solutions:** This division of LGEDIA constitutes products such as refrigerators, washing machines, air conditioners, water purifiers, air purifiers, microwave oven, dishwasher, vacuum cleaners and compressors. Product wise revenue breakup is depicted below;

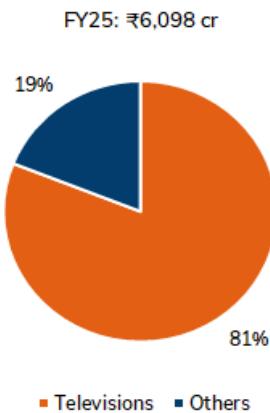
Exhibit 13: Revenue mix - Home appliances and air solutions division



Source: LGEDIA RHP, ICICI Direct Research

- Home entertainment:** This division includes products such as televisions, media display and audiovisual products including monitors, interactive displays and information systems, projectors, wireless speakers and earbuds, etc. Product wise revenue breakup is depicted below;

Exhibit 14: Revenue mix - Home entertainment division



Source: LGEDIA RHP, ICICI Direct Research

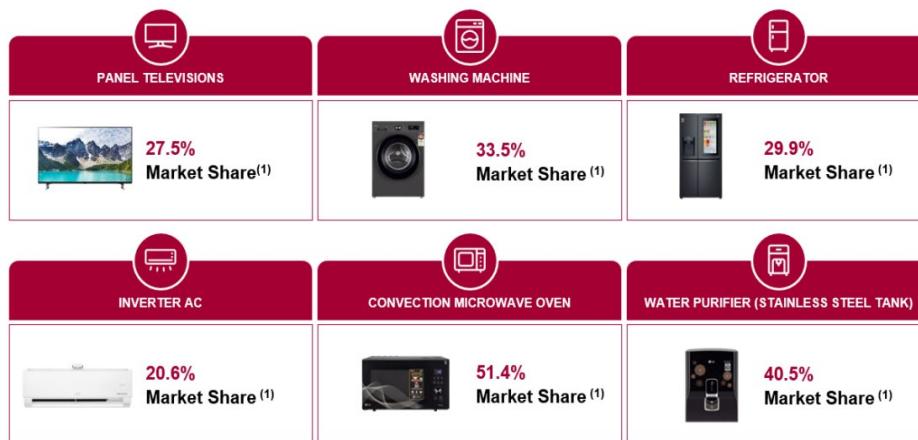
Investment Rationale

- Market leadership across key product categories (both in volume and premium categories)

LG through its broader range of product offerings commands strong market leadership across product categories. With its focused strategy involving delivering consumer-centric innovations across product categories & price points, spanning a broad consumer base from volume market purchasers to premium product buyers.

LGEDIA has been number one player in terms of market share (in value terms) in the offline channel in India. Its leadership, based on market share (in value terms) in offline channel extends across various multiple products categories including washing machines (33.5%), refrigerators (29.9%), panel televisions (27.5%), inverter air conditioners (20.6%), and convection microwaves (51.4%). These categories represent ~78% and 77% of the major home appliances and consumer electronics market resp.

Exhibit 15: Strong market leadership across products

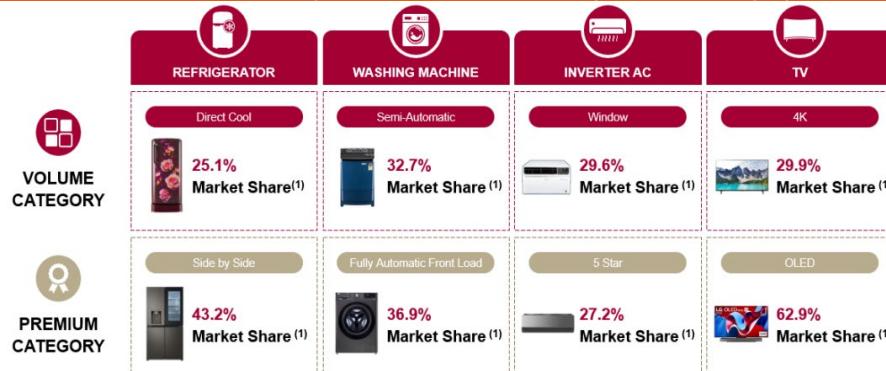


Source: LGEDIA RHP, ICICI Direct Research

With increasing affordability and consumers tending to buy feature rich product, overall demand for premium products is expected to rise (refer exhibit: 9). This premiumisation trend is expected across all major categories of products in consumer durable segments. For instance, refrigerators are witnessing an increasing shift towards side-by-side door and French door models, for washing machines consumers are moving towards larger capacity models across both top-load & front-load models prioritizing quality and performance. Similarly, Inverter ACs are gaining traction with preferences for models that provide superior cooling performance & quieter operation and shifting towards higher star rated models.

LGEDIA is well-positioned to capture this premiumisation trend across product categories.

Exhibit 16: Market leadership in volume as well as in premium category



Source: LG RHP, ICICI Direct Research

Post GST cut, there has been a strong trend of premiumisation being witnessed across products including 55 inch+ TVs, 5-star ACs, etc. Considering company's

positioning and brand advantage, LGEDIA is expected to be one of the key beneficiaries of this trend.

For the volume market, company operates with a strategy to provide a mix of products those are affordable, accessible and designed in India. With an expanding urban, young, and affluent consumer base, there is increasing awareness and preference for value-added features, digital connectivity, and aesthetics, in addition to price and quality considerations. Under premium category, LGEDIA aims to capitalize the trend and introduce products that serve the evolving customer needs and preferences. Through targeted marketing and offering wide products company aims to increase the number of LGEDIA products per households and drive consumers to upgrade products to premium range.

Exhibit 17: Market share (in offline channels) trend across years

Product categories	CY22	CY23	CY24	June'25
Refrigerator	32%	31%	30%	30%
Washing machines	36%	35%	34%	34%
RAC	20%	20%	17%	18%
Panel televisions	28%	27%	27%	28%

Source: LGEDIA RHP, ICICI Direct Research

LGEDIA has been able to broadly hold onto its strong market leadership across various product categories. However limited decline was witnessed owing to strategic decision of not operating in basic entry price segments & focus on profit maximisation & product portfolio optimization. However, the company has been able to stay ahead of competition by considerable margin across major product categories as indicated in below exhibit.

Exhibit 18: Strong position among its competitors

Product categories	LGEDIA	Competitor 1	Competitor 2	Competitor 3
Refrigerator	30%	24%	16%	12%
Washing Machine	34%	17%	11%	10%
Invertor AC	21%	15%	9%	8%
Panel Television	28%	23%	17%	6%

Source: LGEDIA RHP, ICICI Direct Research

- Strong manufacturing capabilities with strategic plant locations**

LGEDIA has one of the largest in-house manufacturing capacities amongst leading home appliances and consumer electronics players in India. The company has 2 advanced manufacturing units located at Noida and Pune with the total installed capacity of ~1.45 cr units. These manufacturing units collectively operate at utilization rate of ~76.8%. Additionally, company manufactures several key components such as compressor and motors at their manufacturing plants providing them a key control over product development process, product quality, cost and supply and delivery time.

Investment in new plant at Sri city indicates focus of parent company on LGEDIA

LGEDIA intends to expand its manufacturing footprints by establishing a third manufacturing unit at Sri City, Andhra Pradesh. LGEDIA is investing \$600 mn (₹ 5000 cr+) over next 5 years for this facility which shall be funded through internal accruals. The company has signed a MoU dated January 17, 2025 with Sri City Private Limited for allotment of land under a 99-year lease and executed agreements pertaining to factory design and construction. This new facility, set to be operational by Oct – Nov 2026, will manufacture smart and energy-efficient home appliances like refrigerators, ACs alongwith compressors, and washing machines which shall overall double LGEDIA's current manufacturing capacities.

Further, this plant location has geographical advantages and has been chosen with an aim to make India a global manufacturing hub for LG. This Andhra Pradesh facility shall have better access to ports, airports, and industrial corridors while India's lower manufacturing cost shall enable it to position as a manufacturing hub for global markets. LGEDIA currently exports to 47 countries across Middle east, Africa, Asia & South-Central America. Currently exports

accounts for ~6% of total revenue which grew ~45% YoY in FY25. Management intends to increase export revenue proportion to double digits by FY29E.

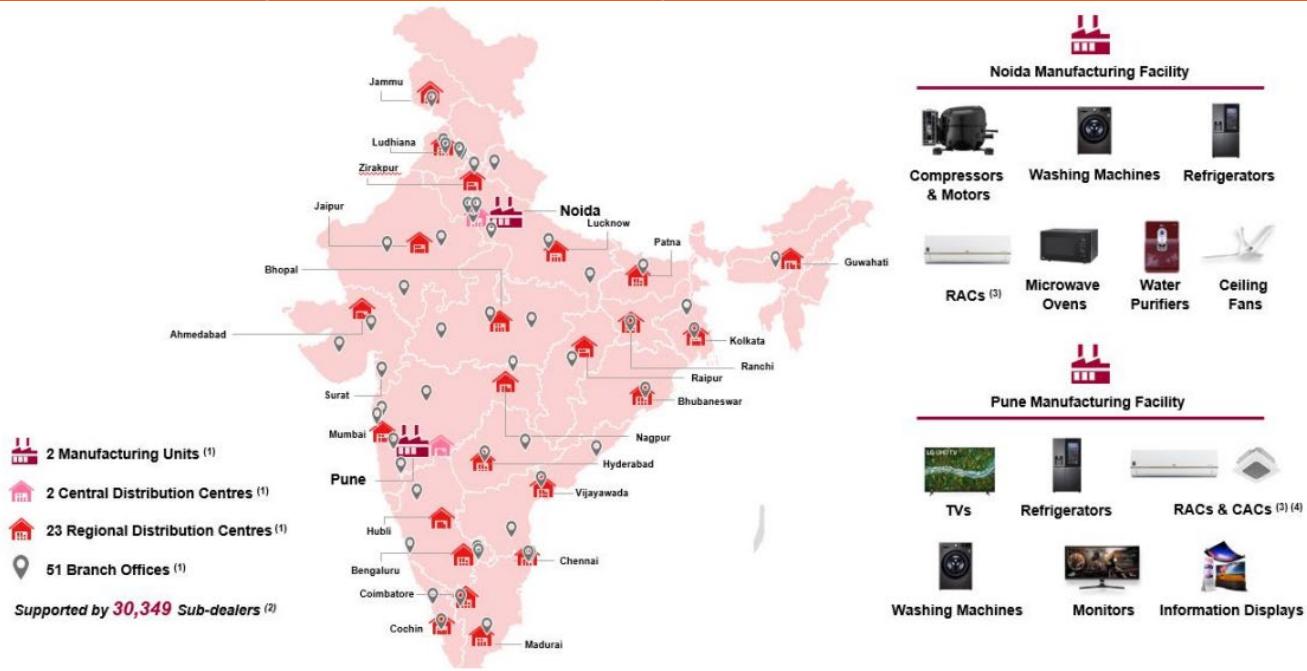
- Strong supply chain and localization trend provides business stability.**

LGEDIA stays focused on moving the supply chain to India, reducing imports and impact of global uncertainty. LGEDIA current localization stands at ~55.8% wherein it manufactures key components such as compressors, heat exchangers, PCB assembly etc in house. LGEDIA has made continuous efforts to increase the localised manufacturing by 2-3% every year since last few years. Company expects the same to continue for next few years, wherein overall the company aims to reach ~70% localisation in next 4 -5 years. Overall, this shall aid in margin expansion alongwith reducing dependence on imports amid stressed geo-political scenario.

- Strong & diversified distribution network with PAN India footprints:**

To facilitate storage and movement of products to and from manufacturing facilities, the company has a pan-India supply chain network of 25 product warehouses, comprising 2 central distribution network (CDCs) and 23 regional distribution centres (RDCs) enabling it to manage inventory and deliver products from its closest CDC or RDC and shortening delivery time to the trade partners and consumers.

Exhibit 19: Manufacturing Plants and Pan-India distribution presence



To render efficient services, the company operates an in-house call center in Noida and utilize three outsourced call centers in Mumbai, Hyderabad, and Kolkata, each providing 24/7 consumer service. Further, it has implemented several automation initiatives, such as chatbots for consumer interactions and automated call registrations. Its offerings include installation, repair, and maintenance covering both in-warranty and out-of-warranty appliances. The brand also has Annual Maintenance Contracts (AMCs) which includes service agreements for the maintenance and repair of home and electronic appliances.

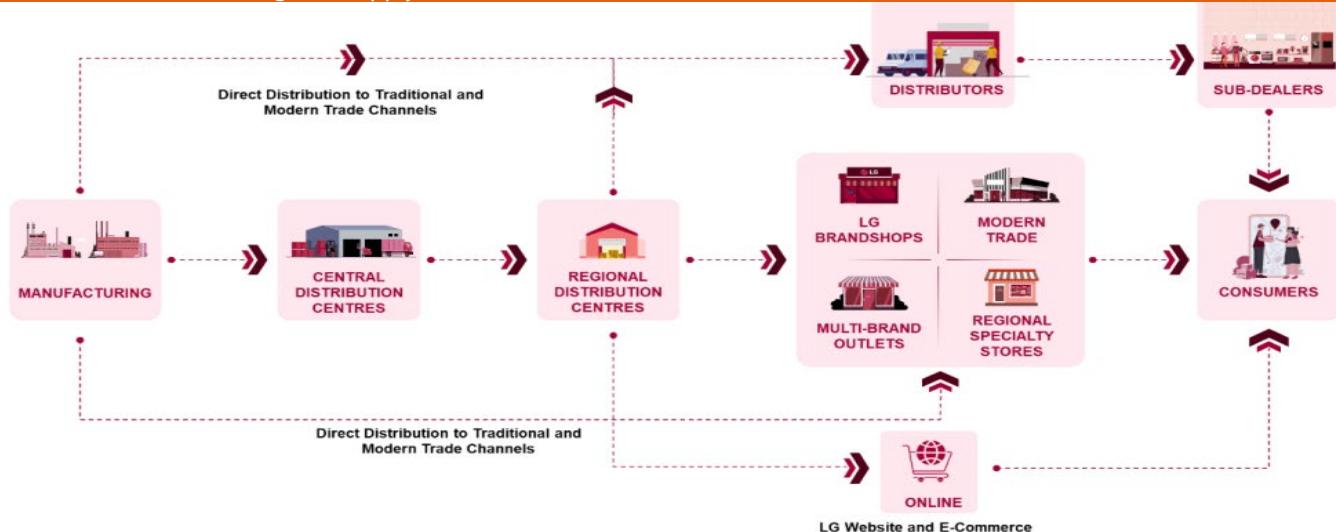
Exhibit 20: Strong distribution footprints

	LG Brand Shops	Modern Trade Outlets	Multi-Brand Outlets	Regional Specialty Stores	Distributors & Sub-dealers	B2B	Online
Overview							
	Offline stores which sell LG products exclusively	Organized stores including supermarkets, hypermarkets & large-format stores	Traditional outlet stores that offer products from various brands	Traditional offline stores that focus on a narrow product line	Wholesale distributors who purchase products in bulk and resell in smaller quantities	Dedicated distributors and dealers	LG Website and 2 e-commerce marketplaces
Number of B2C Touch Points / B2B Trade Partners ⁽¹⁾	777	1,385	1,134	1,615	377 Distributors 30,349 Sub-dealers ⁽²⁾	463 B2B Trade Partners	3

Source: LGEDIA RHP, ICICI Direct Research

As depicted in exhibit above, LGEDIA operates with the largest distribution in home appliances and consumer electronics network among leading players. Company's distribution network spans across urban and rural India through ~35,640 touch points and installation and repairs/maintenance services are provided through ~1,006 service centres across urban and rural India. Further the company has a dedicated team of 463 B2B trade partners leading to effectively address the demands of B2B consumers and 286 employees engaged in providing customer services enabling extensive Pan-India presence enabling to offer services to wide consumer base. Furthermore ~49.5% of the trade partners have been distributing company's products over 10 years implying a strong relationship with trade partners.

Exhibit 21: Manufacturing and supply chain



Source: LG RHP, ICICI Direct Research

• **Reputed Global parentage**

LG Electronics Inc., the promoter entity is a leading single-brand global home appliances player in terms of market share by revenue. Its revenue reported for CY24 extends to ~ KRW 87.73 trn (~₹5.35 trn) with operating profit of ~KRW 3.42 trn (~₹0.21 trn). LGEDIA is leveraging the "LG" brand image and associated consumer loyalty to maintain market leadership. Trust Research Advisory has recognised LGEDIA as the "Most Trusted Brand for Refrigerators, Washing Machines, Air Conditioners & Televisions" for four consecutive years from 2020 to 2023, and the "Most Attractive Brand" in 2020 by The Economic Times Brand Equity. The company has a wide social media presence that enables it to reach a wider audience to promote new product launches.

In addition, as part of the LG Electronics ecosystem, LGEDIA is leveraging their product innovations to design and introduce new variants of products within a short period of time. Through the LG Electronics ecosystem, the company also has access to global manufacturing and autonomy best practices and operating insights. LGEDIA pays royalty of 1.8-1.9% of sales in total to the parent which includes all kind of expense including brand usage, technical know-how, etc.

- **Remained industry first in launching innovative products**

LG Electronics' global leadership has been recognized as a pioneer for innovative technology serving consumers across globe and in India. LG has introduced many industry-first technologies in home appliances & consumer electronics industry. It was the first leading home appliances & consumer durable company to introduce OLED televisions in India in 2015, also was amongst the first players to launch 4K televisions and smart televisions in 2011. This resulted with LGEDIA to become a market leader with ~62.9% market share in offline channel for OLED TVs while for 4K & smart TVs the company held a market share of ~27.2% in offline channel.

LGEDIA was the first company to announce 100% transition to inverter technology air conditioners in 2017. Currently 8 out of 10 ACs sold are based on inverter technology, LGEDIA holds healthy ~20% market share in this category.

The company led multiple technological innovations in B2B categories in India, being the first one to introduce transparent OLED based information display solutions in 2020 and OLED gaming monitors in 2022.

Exhibit 22: Strong track record in innovation

Demonstrated Track Record of Introducing Several 'Industry-Firsts'

Amongst Leading Home Appliances and Consumer Electronics Players in India

 TV	2014	First to Launch webOS Platform in India	2015	Launched India's First 4K OLED TV	2020	Launched World's First 8K OLED TV	2022	Launched India's First Rollable OLED TV
	2013	First to Launch PowerCut EverCool Technology in India	2014	First to Launch Smart Diagnosis Technology in India	2016	Amongst the First to Launch Hygiene Fresh Technology in India	2016	Amongst the First to Launch Single Door Refrigerators with Smart Inverter Compressors in India
	1998	First to Introduce Direct Drive technology in India	2017	First to Introduce Smart Inverter Technology in India	2019	Amongst the First to Launch 5-star Rated Washing Machines in India	2023	First to Introduce WashTower range in India
	2014	Amongst the First to Introduce Inverter Technology in India	2017	Amongst the First to Shift to 100% Inverter Technology in India	2019	Amongst the First to Launch Smart Connectivity ACs in India	2024	Amongst the First to Launch Energy Manager Feature in India
 REFRIGERATOR	1999	Launched India's First Microwaves	2013	Launched India's First Charcoal Lighting Heater Microwaves	2019	Launched India's First 401 Auto Cook Menu for Microwaves	2023	Launched India's First Scan-to-Cook Wi-Fi Enabled Microwave
	2013	First to Launch PowerCut EverCool Technology in India	2014	First to Launch Smart Diagnosis Technology in India	2016	Amongst the First to Launch Hygiene Fresh Technology in India	2016	Amongst the First to Launch Single Door Refrigerators with Smart Inverter Compressors in India
	1998	First to Introduce Direct Drive technology in India	2017	First to Introduce Smart Inverter Technology in India	2019	Amongst the First to Launch 5-star Rated Washing Machines in India	2023	First to Introduce WashTower range in India
	2014	Amongst the First to Introduce Inverter Technology in India	2017	Amongst the First to Shift to 100% Inverter Technology in India	2019	Amongst the First to Launch Smart Connectivity ACs in India	2024	Amongst the First to Launch Energy Manager Feature in India

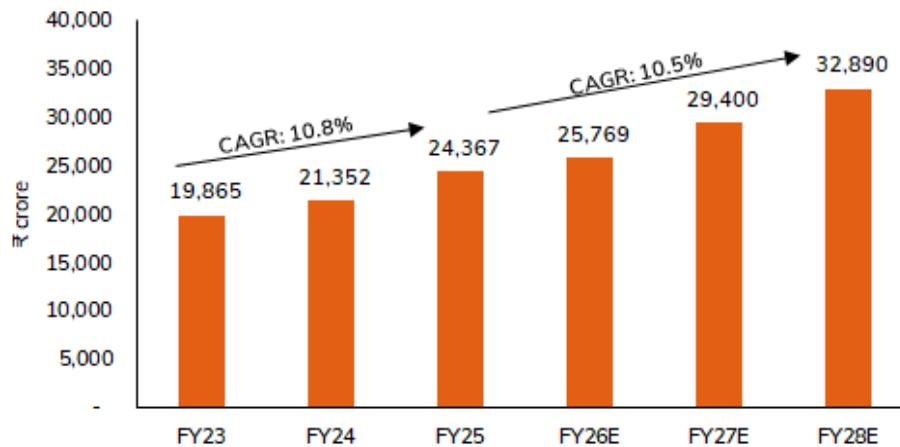
Source: LG RHP, ICICI Direct Research

Key Financial Summary

Revenue expected to witness steady growth at ~10.5% CAGR over FY25-28E

Considering under-penetrated consumer durable market, GST rate cut and Income tax rationalisation is expected to uplift consumer sentiments and lever overall growth across product categories. LGEDIA reported consolidated revenue of ₹24,367 crore which is expected to grow ~₹32,890 crore implying CAGR of 10.5% over FY25-FY28E. With a shift being witnessed in consumer perception, premium category products are gaining traction. Also, company aims to increase its export contribution to its overall revenue from current ~6% to 10%+. These shall overall lever growth in topline for LGEDIA.

Exhibit 23: Steady growth in topline

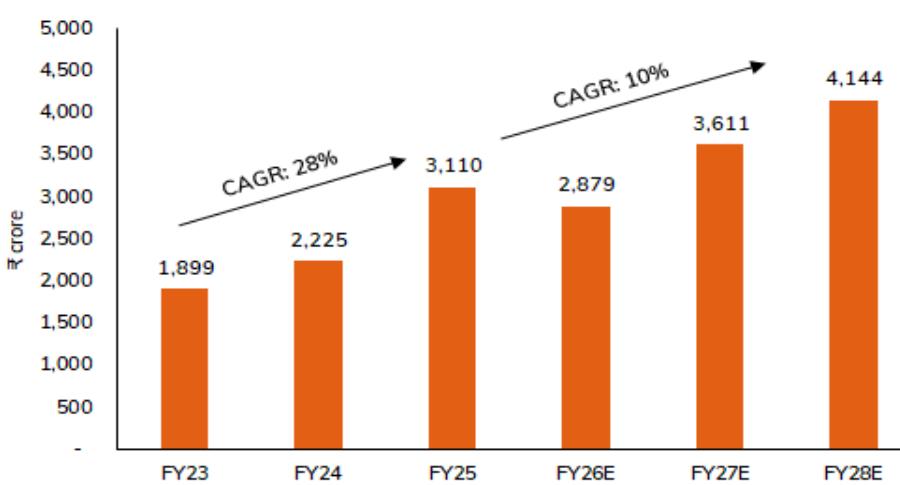


Source: Company, ICICI Direct Research

EBITDA to witness ~ 10.7% CAGR growth over FY25-28E

LGEDIA's reported EBITDA of ₹3,110 crore in FY25 which is expected to grow by 10% CAGR over FY25-FY28E. Increased commodity prices and rupee depreciation has been currently impacting company's margin profile, however through conscious price hikes and product premiumisation, company aims to minimise the impact and aims to maintain the EBITDA margins at current levels.

Exhibit 24: Trend in EBITDA

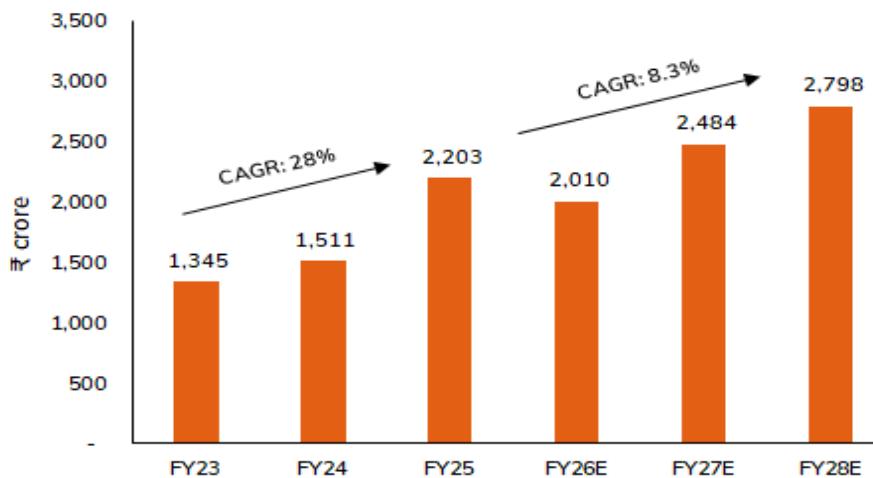


Source: Company, ICICI Direct Research

PAT expected to grow 8.3% CAGR over FY25-28E

LGEDIA reported PAT at ₹2,203 crore for FY25, which grew ~ 28% over FY23 to FY25. Going ahead, PAT is expected to grow at CAGR 8.3% over from FY25 to FY28E.

Exhibit 25: PAT Trend

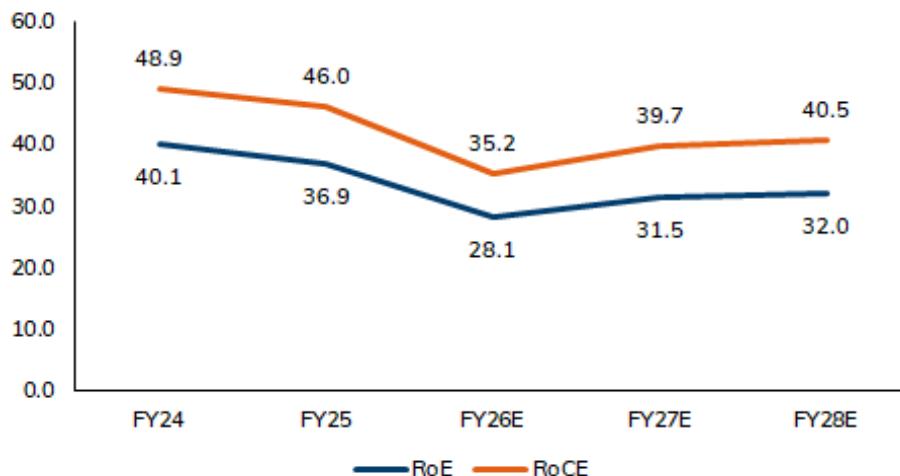


Source: Company, ICICI Direct Research

Superior return ratios to be maintained

LGEDIA's balance sheet remains healthy with zero debt, healthy cash generation and superior return ratios which coupled with its MNC parentage shall enable it to command rich valuations.

Exhibit 26: Trend in Return Ratios



Source: Company, ICICI Direct Research

Risk & Concerns

Increase in raw material and commodity prices

Raw materials including steel, copper, aluminium, polymers and other components such as semiconductor (used in circuit boards), electromechanical parts, open cells (used in TV panel) and packaging materials are sourced from various domestic as well as foreign suppliers. Any significant movement in global commodity prices and inflation beyond company's reach could significantly increase its costs. Further such other geopolitical factors such as military conflicts as well as de-coupling China and western economies can result in increase in raw material prices, high production and delivery costs impacting margins.

Intensifying competition and fast evolving customer preferences

LGEDIA operates in multiple products and service categories facing competition ranging from existing as well as upcoming brands. Company competes with various domestic as well as global and multi-national brands such as Voltas, Havells, Godrej, Blue star, Haier, Whirlpool, Philips, Samsung and Sony among others. LGEDIA might face challenges to timely identify or effectively respond to evolving customer preferences and tastes including for premium products which could negatively impact company's relationship with trade partners and customers along-side impacting its market share.

Dependence on parent company and promoters for R&D

LGEDIA is highly reliant on the technology received from parent, any reduction of spends on R&D or reduction in technological support from parent will adversely impact company's ability to innovate products and potentially impacting company business prospects and operations.

Delay in commencement of new manufacturing facility

LGEDIA is establishing a new manufacturing facility at Sri City (Andhra Pradesh) by investing ~₹5000 cr. This manufacturing facility is expected to expand company's capabilities, reduce logistic cost and support exports growth. Any delay to commercialise the plant in expected time could adversely impact financials and operations of the company.



Financial summary

Exhibit 27: Profit and loss statement

(Year-end March)	FY25	FY26E	FY27E	FY28E	₹ crore
Revenue	24,367	25,769	29,400	32,890	
% Growth	14.1	5.8	14.1	11.9	
Other income	264.0	317.1	355.1	380.0	
Total Revenue	24,631	26,086	29,755	33,270	
Employee Expenses	963	1,005	1,155	1,309	
Other expenses	20,294	21,885	24,634	27,438	
Total Operating Expenditure	21,256	22,890	25,789	28,747	
 Operating Profit (EBITDA)	3,110	2,879	3,611	4,144	
% Growth	39.8	-7.4	25.4	14.8	
Interest	31	32	34	36	
PBTD	3,344	3,163	3,932	4,488	
Depreciation	380	460	592	726	
PBT before Exceptional Items	2,963	2,704	3,340	3,762	
Total Tax	760	693	856	965	
Reported PAT	2,203	2,010	2,484	2,798	
Adjusted PAT	2,203	2,010	2,484	2,798	
% Growth	45.8	-8.8	23.5	12.6	
Adjusted EPS	32.5	29.6	36.6	41.2	

Source: Company, ICICI Direct Research

Exhibit 28: Cash flow statement

(Year-end March)	FY25	FY26E	FY27E	FY28E	₹ crore
Profit after Tax	2,203	2,010	2,484	2,798	
Depreciation	380	460	592	726	
Interest	31	32	34	36	
Cash Flow before W/C changes	2,614	2,503	3,109	3,559	
(Inc)/dec in Current Assets	-141	-62	-84	-88	
Inc/(dec) in CL and Provisions	73	35	64	66	
Net CF from Operating activities	2,547	2,476	3,089	3,537	
 (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	-	-1,407	-1,739	-1,958	
Others	22	562	-14	-13	
Net CF from Financing Activities	22	-846	-1,753	-1,971	
Net Cash flow	2,127	536	219	466	
Opening Cash/Cash Equivalent	2,223	3,741	4,035	4,075	
Closing Cash/ Cash Equivalent	3,742	4,035	4,075	4,340	

Source: Company, ICICI Direct Research

Exhibit 29: Balance sheet

(Year-end March)	FY25	FY26E	FY27E	FY28E	₹ crore
Equity Capital	679	679	679	679	
Reserve and Surplus	5,291	6,466	7,211	8,050	
Total Shareholders funds	5,970	7,144	7,890	8,729	
Total Debt	428	451	470	493	
Other liabilities	318	387	382	411	
Total Liabilities	6,716	7,982	8,742	9,633	
 Gross Block	3,580	4,379	5,479	6,601	
Acc: Depreciation	2,251	2,510	3,101	3,827	
Net Block	1,329	1,869	2,378	2,773	
Capital WIP	75	170	187	165	
Total Fixed Assets	1,404	2,039	2,565	2,938	
Non Current Assets	368	567	588	658	
Inventory	3,031	3,335	3,772	4,196	
Debtors	2,361	2,448	2,764	3,092	
Other Current Assets	407	441	503	563	
Cash	3,741	4,035	4,075	4,340	
Total Current Assets	9,541	10,259	11,114	12,190	
Current Liabilities	4,597	4,883	5,524	6,153	
Total Assets	6,716	7,982	8,742	9,633	

Source: Company, ICICI Direct Research

Exhibit 30: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS	32.5	29.6	36.6	41.2
Cash per Share	55.1	59.4	60.0	63.9
BV	88.0	105.3	116.2	128.6
Dividend per share	-	20.7	25.6	28.9
Dividend payout ratio (%)	-	70.0	70.0	70.0
Operating Ratios (%)				
EBITDA Margin	12.8	11.2	12.3	12.6
PAT Margin	9.0	7.8	8.4	8.5
Return Ratios (%)				
RoE	36.9	28.1	31.5	32.0
RoCE	46.0	35.2	39.7	40.5
Valuation Ratios (x)				
EV / EBITDA	29.3	31.5	25.1	21.8
P/E	42.8	46.9	38.0	33.7
Market Cap / Sales	3.8	3.6	3.2	2.8
Price to Book Value	15.8	13.2	12.0	10.8
Working Capital Management Ratios				
Inventory Days	44.9	46.7	46.3	46.0
Debtors Days	35.0	34.3	33.9	33.9
Creditors Days	49.9	49.9	49.8	49.5
Asset turnover	6.9	6.0	5.4	5.0
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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Reduce: -15% to -5%;

Sell: <-15%



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 Agarwal
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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