

Monday, 6 October 2025

CM RATING 50 /100

LG Electronics India

Leading home electronics player

Leading market share in India, especially in the offline channel, riding on the product portfolio, 'LG' brand, and pan India sales & service network

LG Electronics India (LEIL), a subsidiary of Republic of Korea (South Korea)-based LG Electronics, manufactures and sells major home appliances and consumer electronics products to B2C and B2B consumers in India and outside India. The company commands leading market share in the home appliances and consumer electronics industry in India, especially in the offline channel, where it is number 1 in terms of value across key product categories.

The business of the company is divided into two segments:(i) home appliances and air solution (HAAS) division, covering the sale of products such as refrigerators, washing machines, air conditioners, water purifiers, dishwashers, microwave ovens, air purifiers and compressors, among others; and (ii) home entertainment (HE) division, covering the sale of products such as televisions, monitors, interactive displays and information systems. LEIL also offers installation services, and repair and maintenance services for all its products.

LEIL has one of the largest in-house production capacity (excluding mobile phones) among leading home appliances and consumer electronics players in India. The manufacturing units of the company are flexible (equipped with assembly lines where different products can be manufactured on a single line) and employ automation technologies. It has two advanced manufacturing units located in Noida (Uttar Pradesh) and Pune (Maharashtra), with an aggregate installed capacity of 1,45,10,000 products in the three-month period ended June 30, 2025. In addition to manufacturing products, it manufactures several key components, such as compressors and motors, at its units in Noida and Pune, giving it greater control over the product development process, product quality, costs and supply and delivery time. The company intends to construct a third manufacturing unit at Sri City in Andhra Pradesh to expand its manufacturing capacity. The new manufacturing unit is expected to become operational by Fiscal 2027, initially focusing on the production of air conditioners and air conditioner compressors, followed by the manufacturing of washing machines and refrigerators in the forthcoming years.

The distribution network spans across urban and rural India through 35,640 B2C touch points in the three months ended June 30, 2025. It serviced consumers through a dedicated team of 463 B2B trade partners and had a team of 286 employees engaging in customer service. Complementing its distribution network, LEIL operate one of the largest after-sales service networks in terms of number of after-sales service center touchpoints among leading home appliances and consumer electronics players in India. It provides installation and repairs/maintenance services through 1,006 service centers across urban and rural India, supported by 13,368 engineers and four call centers.

LEIL has the support of LG Electronics, the parent, in many aspects of its business including management, R&D, design, product planning, manufacturing, supply chain development, quality control, marketing, distribution, brand, human resources and financing, among others. Hi-M Solutek India Private Limited, an indirectly wholly owned subsidiary of promoter provides service only to LEIL and the company does not have an exclusive contractual arrangement with Hi-M Solutek.

Revenue (from sales of products & services) of the HAAS division accounted for 74.97% [refrigerator 27.48%, washing machine 20.69%, ACs 21.63%, others 5.17%] and the HE division accounted for 25.03% [television 20.21%, others 4.82%] in FY 2025. The HAAS division accounted for 78.37% of the revenue and the HE division contributed about 21.63% in Q1 FY 2026. In the revenue from sales of products and services,

the contribution of services (installation services, and repair and maintenance services together) was 2.73% and 2.99%, respectively, in FY 2025 and Q1 FY 2026.

LEIL commanded a market share in value terms of 33.5% in washing machines, 29.9% in refrigerators, 27.55% in panel television, 20.6% in inverter air-conditioners, 51.4% in convection microwave oven, 40.5% in water purifier (stainless steel tanks) in the offline channel in the six-month period ending June 30, 2025, as reported in the Redseer Report.

About 94.04% and 95.37% of LEIL's revenue came from domestic market and balance come from exports especially to Africa and Asia (other than India) in FY 2025 and FY 2024, respectively.

The issue and objects of the issue

The issue comprises only an offer for sale of upto 10,18,15,859 equity shares of Rs 10 face value by LG Electronics Inc, the promoters of the company.

The object of the issue is to achieve the benefits of listing the equity shares on the stock exchanges.

Strength

An extensive product portfolio, strong brand (i.e. LG) and quality service, built over 28 years of operations in India are positioned to capture demand from consumers seeking to make new or replacement purchases of appliances.

Introduces innovative technologies tailored to the needs of the Indian consumers leveraging its market expertise of over 28 years in India and technological capabilities of its parent LG Electronics Inc.

Pan-India distribution and after-sales service network

Operational efficiency through strong manufacturing capabilities and localized supply chain.

Parentage of LG Electronics, the leading single-brand global home appliances player in terms of market share by revenue in CY 2024 and strong LG brand.

Market penetration of appliances and electronics in rural India is currently low compared to urban areas offering growth opportunities.

Weaknesses

Is dependent on the promoter, i.e. LG Electronics, in various aspects of its business (including product innovations, product design, technologies for manufacturing, brand and related technical knowhow and exports), and needs to pay royalty (2.40% of net sales for LCD televisions and monitors and 2.30% for other authorized products) to the parent as per the license agreement. As of the date of the Red Herring Prospectus, LEIL had a contingent liability of Rs 315.30 crore royalty payments to the promoter.

The promoter is currently not engaged in businesses that compete with LEIL in India, but in future may engage in businesses competing with the company because the Indian company does not have any exclusivity arrangement with the parent.

Is dependent on LG Electronics Inc for its exports business

Has entered and may continue to enter related party transactions with LG Electronics and companies within the LG Group, raising conflicts of interest.

Shortage/non-availability of materials or increases in the prices of raw materials/components required for its operations could adversely impact business.

Outstanding tax claims as on June 30, 2025, were Rs 4,717.055 crore, that is, about 73.16% of its net worth.

Decrease in market share across select product categories such as refrigerators (from 31.9% in CY2022 to 29.9% in H1CY2025), washing machines (from 35.8% in CY2022 to 33.5% in H1CY2025), RAC (from 19.8% in CY2022 to 18% in H1CY2025), inverter ACs (from 25.5% in CY2022 to 20.6% in H1CY2025), panel television (from 27.8% in CY2022 to 27.5% in H1CY2025), largely due to focus on profit maximization and product portfolio optimization in favor of the high-end segment rather than the entry segment.

Unavailability, reduction or elimination of government incentives could have a material adverse effect on business.

LEIL paid interim dividends of Rs 2092.882 crore at 1,850% in FY2024 and Rs 2488.832 crore at 2200% in FY2023, respectively, to its promoter, LG Electronics. It did not pay dividends in FY2025. It paid a royalty of Rs 117.502 crore, Rs 454.61 crore and Rs 403.23 crore for Q1FY2026, FY2025 and FY2024, respectively, to its promoter. This adversely affected its ability to utilize its internal accruals and cash and bank balances to invest in the business.

Is dependent on promoter LG Electronics for research and development activities.

The Top 10 sales trade partners contributed 31.25% and 34.93% of its total sales value in Q1FY2026.

Foreign exchange rate fluctuations can adversely affect financial results due to sales and expenses in different currencies.

The LG Group may not succeed in continuing to establish, maintain and strengthen the 'LG' brand and the brand could be harmed by complaints and negative publicity, in India and globally

Products of the company may become outdated in the market due to the changing technologies in the home appliances and consumer electronics markets in India.

Valuation

Consolidated revenue for the fiscal ended Mar 2025, was up 14% to Rs 24366.64 crore gained by increase in volume at both segments as well as higher selling price. But with the operating profit margin expanding by 240 bps to 12.8%, operating profit was up 40% to Rs 3110.12 crore. Finally, PBT jumped 46% to Rs 2203.35 crore.

Sales were down by 2% to Rs 6262.94 crore in Q1 FY 2026 over a year ago, hit largely by lower sales of air conditioners due to a fall in demand for these products due to temperate summer. And with the OPM contracting by 360 bps to 11.4%, OP fell 25% to Rs 716.27 crore. Net profit after MI declined 24% to Rs 513.26 crore.

Sales were Rs 24220.78 crore and net profit was Rs 513.26 crore in the TTM period ended Jun 2025.

On post IPO equity the EPS was Rs 32.5 for FY2025. The PE on the upper price band works out to 35.1 times. The EPS for the TTM period ended June 2025 was Rs 30 and PE works out 38 times. The price/BV is 11.9 times, and the EV/sales is 3 times in the TTM period ended June 2025.

In comparison, Whirlpool India, Voltas, Blue Star and Havells India quote at a PE of 42.3 times, 54.2 times, 66.7 times and 62.9 times of their FY2025 EPS and a P/BV of 3.8 times, 6.9 times, 12.7 times and 11.2 times, respectively. Whirlpool India, Voltas, Blue Star and Havells India quote at a PE of 42.1 times, 69.5 times, 73.1 times and 66.1 times of their EPS for the TTM period ended June 2025.

LG Electronics : Issue Highlights	
Fresh Issue (Rs crore)	0
Offer for sale (in equity share nos.)	101815859
Price band (Rs.)	
Upper	1140
Lower	1080

Post-issue equity (Rs crore)	678.77
Post-issue promoter (including promoter group) stake (%)	85.00
Minimum Bid (in nos.)	13
Issue Open Date	07-10-2025
Issue Close Date	09-10-2025
Listing	BSE, NSE
Rating	50 /100

LG Electronics Re-stated Consolidated Financials					
	2303 (12)	2403 (12)	2503 (12)	2406 (6)	2506 (6)
Sales	19864.59	21352.00	24366.64	6408.80	6262.94
OPM (%)	9.6	10.4	12.8	14.9	11.4
OP	1899.32	2224.87	3110.12	958.07	716.27
Other income	243.99	205.12	263.99	58.00	74.43
PBIDT	2143.31	2429.99	3374.11	1016.07	790.70
Interest	22.58	28.51	30.65	6.94	8.50
PBDT	2120.72	2401.49	3343.47	1009.13	782.20
Depreciation	300.39	364.37	380.36	96.72	90.24
PBT	1820.33	2037.12	2963.11	912.41	691.96
EO Exp	0.00	0.00	0.00	0.00	0.00
PBT after EO	1820.33	2037.12	2963.11	912.41	691.96
Tax	472.31	526.05	759.76	232.76	178.70
PAT from Continuing Biz	1348.02	1511.07	2203.35	679.65	513.26
Share of Profit from Associates	0.00	0.00	0.00	0.00	0.00
PAT from Continuing Biz	1348.02	1511.07	2203.35	679.65	513.26
Profit/Loss of discontinued Biz (net of tax)	-3.09	0.00	0.00	0.00	0.00
Net profit	1344.93	1511.07	2203.35	679.65	513.26
EPS (Rs)*	19.9	22.3	32.5	40.1	30.2
* on post IPO fully dilluted equity (on upper price band) of Rs 678.77 crore. Face Value: Rs 10					
EPS is calculated after excluding EO and relevant tax					
Figures in Rs crore					
Source: Capitaline Corporate database					