

LG Electronics India Ltd- IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
7 October 2025	9 October 2025	₹1080-1140	SUBSCRIBE

Investment Summary

LGEIL is India's #1 offline brand in home appliances and consumer electronics (ex-mobiles), leading key categories like washing machines, refrigerators, TVs, inverter ACs, and microwaves. The company serves both B2C and B2B customers, with most revenue from Home Appliances & Air Solutions and the balance from Home Entertainment, supported by in-house installation and repair services that deepen customer stickiness. Strong brand equity and broad distribution underpin steady demand. Our key catalyst is capital efficiency: FY24 ROCE near 45%, a ~15-day working-capital cycle, and healthy FCF conversion provide ample fuel for growth. This financial discipline supports share gains, premium mix expansion, and faster paybacks on capacity and automation. Solid margins (double-digit EBITDA, healthy net) offer cushion against input volatility and pricing cycles. Net-net, LGEIL combines category leadership with cash-efficient growth, positioning it as a quality compounder.

Company Overview

LG Electronics India (LGEIL) is the No. 1 brand in India's offline home-appliance and consumer-electronics market (ex-mobiles) by value in CY22, CY23, CY24 and 1HCY25. In 1HCY25, it led key categories in offline value share: washing machines 33.5%, refrigerators 29.9%, panel TVs 27.5%, inverter ACs 20.6%, and microwaves 51.4%. The business serves both B2C and B2B customers and is organized into: (a) Home Appliances & Air Solutions (~75% of FY25 revenue; refrigerators, washers, air conditioners, etc.), and (b) Home Entertainment (~25% of FY25 revenue; TVs and audio). LGEIL also provides installation, repair, and maintenance across its portfolio. LGEIL was the first leading home appliances and consumer electronics player to introduce OLED televisions in India in 2015, and was amongst the first players to launch 4K televisions and Smart televisions in 2011.

Business Model

The business model of LG Electronics India Limited (LGEIL) is founded upon its position as a market leader in India in major home appliances and consumer electronics (excluding mobile phones), having been the number one player in the offline channel based on value market share for 13 consecutive years (CY2011 to CY2023). The company generates revenue primarily through two main segments: the Home Appliances and Air Solution division, which accounted for 78.97% of revenue from continuing operations for the three months ended June 30, 2024, and the Home Entertainment division.

Revenue sources include the sale of manufactured goods (84.18% of operations revenue for the three months ended June 30, 2024), the sale of stock-in-trade (11.62%), and the rendering of services, such as installations, commissions, and maintenance, including Annual Maintenance Contracts (AMCs) for out-of-warranty products. LGEIL serves both B2C and B2B consumers in India and maintains an export business to 54 countries across Asia, Africa, and Europe as of June 30, 2024. The operational backbone of the business relies heavily on its Promoter, LG Electronics Inc., which provides support for product innovations, technical know-how, and grants LGEIL an exclusive license to use the "LG" brand and associated technology for Authorized Products, necessitating royalty payments.

The company supports its wide product portfolio (including refrigerators, washing machines, air conditioners, and televisions) through domestic manufacturing units and operates one of the largest distribution networks in India, utilizing 36,401 B2C touch points, 777 LG Brand Shops, and 949 authorized after-sales service centers as of June 30, 2024. Reflecting an emphasis on capital efficiency and strong profitability, LGEIL reported the highest Return on Capital Employed among leading peers (45.31%) and strong margins (EBITDA Margin of 10.42% and Net Profit Margin of 7.01%) in Fiscal 2024. Moving forward, LGEIL aims to diversify its model by expanding its B2B presence, strengthening its AMC offerings, and introducing new revenue streams like subscription services for long-term appliance rentals

Investment Rationale

1. Leading market share in the home appliances and consumer electronics industry in India with #1 market share across key product categories

LGEIL has been India's No.1 offline player for 13 years, leading in key categories like washing machines, fridges, TVs, inverter ACs, and microwaves. It sells a wide range—from entry models to premium (including OLED/QNED/NanoCell/UHD/LED TVs)—and has built strong trust over decades in India. The strategy is balanced: premium products drive upgrades and better margins, while mass offerings keep volumes high. This mix, plus brand strength and consumer insight, positions LGEIL to benefit from both replacement demand and first-time buyers, supporting steady growth and earnings.

2. Innovative technologies tailored to the need of Indian Customers

With over 28 years of presence in India, LGEIL has built a strong understanding of local customer behaviour and product preferences. It combines this market insight with LG Electronics Inc.'s global R&D strength to design products suited for Indian conditions. This approach has helped the company pioneer several firsts in the Indian market, such as inverter-based OLED and 4K TVs, inverter air conditioners, and advanced microwave ovens.

3. Pan-India distribution and after-sales service network

LGEIL runs one of the most widespread distribution and service networks in the Indian consumer electronics space. As of June 2025, its reach extended to 35,640 B2C outlets across major shopping zones and modern retail chains like Croma, Reliance Digital, and Vijay Sales. The company's strong after-sales support network includes 1,006 service centres, 4 call centres, and over 13,000 trained engineers, ensuring same-day installation and prompt service support across the country.

4. Operational efficiency through strong manufacturing capabilities and localized supply chain

LGEIL runs two large plants at Noida and Pune that together produce most of its volumes ($\approx 84\text{--}86\%$ of sales in 1QFY25 and FY22–FY24), with the balance sourced from qualified third parties or other LG Group entities. The factories are designed for mixed-model output—single/double-door refrigerators, water purifiers, ACs on one line TVs/monitors/signage on another—allowing quick shifts to match demand. Automation is deep: smart QC/uptime systems, robotics, automated material handling, and 77 AGVs for part feeding/logistics; these initiatives lifted line utilization (e.g., AC, washer, microwave lines $\geq 78.72\%$ in FY24 at Noida) and improved hourly productivity by $\sim 29\%$ in ACs and $\sim 13\%$ in washers vs FY22. Installed capacity across both sites was $\sim 14.0\text{m}$ units, with FY24 aggregate utilization $\sim 71\%$. LG electronics. A long-tenure vendor base (≈ 280 suppliers; ~ 11 -year average relationship) underpins localization and cost control; domestic raw-material sourcing rose from $\sim 45\%$ in FY22 to $\sim 58\%$ in 1QFY25, helping reduce FX exposure, duties, logistics, lead times, and inventory.

5. Parentage of LG Electronics, which is the leading single-brand global home appliances player in terms of market share by revenue in CY 2023 and strong LG brand.

As a 100%-owned arm of LG Electronics—the world's leading single-brand home-appliance company by CY2023 revenue—LGEIL benefits from a powerful brand, global R&D, and proven operating playbooks. In India, the "LG" name carries high trust, with repeated TRA awards (Most Trusted Brand in refrigerators, washing machines, ACs, and TVs, 2020–2023) and recognition as "Most Attractive Brand" (2020). The company also reaches a large audience via >6 million social followers (Jun 30, 2024). Access to LG's ecosystem speeds local product refreshes and brings manufacturing/automation best practices; sustainability priorities (e.g., higher recycled content) flow into the India portfolio as well.

6. Capital efficient business with high growth and profitability

LGEIL runs a tight balance sheet and converts earnings to cash well. In FY24, ROCE was 45.31% (vs peer avg. $\sim 17\%$), working-capital cycle ~ 15 days (vs ~ 25 days), and free-cash-flow/EBITDA $\sim 59.5\%$ (vs $\sim 58.6\%$). Profitability is also ahead of peers, with EBITDA margin at 10.42% and net margin at 7.01% (vs $<7\%$ and $\sim 4.5\%$ for peers).

**Key Risks****1. Supplier Concentration and Import Exposure**

Top-5 and top-10 vendors formed 21.45% and 31.44% of raw-material purchases (3M ended Jun-24). Dependence exists on a few sources for key inputs—e.g., three domestic steel makers, two resin suppliers (ABS/EPS), and a single supplier for internally grooved tubes—plus some imports from Korea/China. Any disruption, quality lapse, or trade/FX shock could impair production and margins

2. Revenue Concentration in Home Appliances and Key Categories

Earnings are skewed to Home Appliances & Air Solution ($\approx 79\%$ in Q1FY25; $\sim 73\text{--}76\%$ in FY22–FY24). Within Q1FY25, four products—refrigerators (33.71%), washing machines (18.36%), air conditioners (22.08%) and TVs (16.31%)—drive most sales. Any slowdown in these categories would disproportionately hit growth and margins.

3. Dependence on key manufacturing facilities

LGEIL's operations are concentrated in its two manufacturing hubs at Noida and Pune. Any unplanned shutdowns, capacity disruptions, or lower utilization at these sites could materially impact supply and profitability. Risks include equipment failure, regulatory closures, labor disputes, shortages of utilities or manpower, natural calamities, or political disruptions. Given the complex, automated nature of production, even short interruptions or delays in technology upgrades can affect yields, delivery timelines, and customer satisfaction—posing downside risks to earnings stability.

4. Raw Material Inflation and trade policy risk

Input costs (steel, copper, aluminum, polymers, semiconductors, open cells, etc.) are sensitive to global commodity swings, inflation, FX, duties and geopolitics; sharp moves can lift COGS and squeeze margins if not passed through. LGEIL also benefits from FTA/CEPA duty concessions—any rollback would raise import costs. Past shortages (e.g., semiconductors) highlight volatility despite mitigation via LG Group.

5. Dependence on single logistics partner (LX Pantos)

LGEIL relies heavily on LX Pantos to run warehousing and end-to-end transport from plants and CDCs to RDCs and retail touchpoints. A Master Service Agreement (Jul 3, 2024) governs services on a non-exclusive, terminable basis (three-month notice). Any lapse, delay, or non-renewal could disrupt deliveries, raise costs, and hurt service levels.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	19,865	21,352	24,367
EBITDA (₹ Cr)	1,902	2,229	3,110
Net Profit (₹ Cr)	1,345	1,511	2,203
EBITDA Margin (%)	10%	10%	13%
PAT Margin (%)	7%	7%	9%
EPS (Basic) (₹)	19.8	22.3	32.4

IPO Details and Use of Proceeds

Parameter	Details
Issuer	LG Electronics India Ltd.
IPO Structure	Offer for Sale
Issue Size	10,18,15,859 shares (aggregating up to ₹11,607.01 Cr)
Price Band	₹1080 to ₹1140 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹77380.05 Cr (Upper Band)
IPO Opening Date	October 7, 2025
IPO Closing Date	October 9, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	100% /85%
Book Running Lead Manager(s)	Morgan Stanley India Co.Pvt.Ltd
Use of Proceeds	Offer for sale (The Company will not receive any proceeds from the Offer)

Valuation and Recommendation

At an upper price band of Rs.1,140 per share and **post-issue market capitalization** of **~₹77,380.05 crore**, LGEIL lists at **~35.1x** post-issue EPS of ₹32.4 (FY24 PAT ₹2,203.35 crore; 67.9 crore shares). We view the pricing as fair and supported by the company's category leadership, strong brand equity, superior capital efficiency (high ROCE, tight working-capital cycle), and resilient double-digit margin profile. Earnings visibility is underpinned by premiumization in Home Appliances, a growing B2B opportunity, and operating leverage from automation and localization. Versus the sector, the multiple appears justified given scale, brand strength, and cash conversion. Accordingly, we recommend '**SUBSCRIBE**' the IPO.

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