

LG Electronics (LGEL) - ADD

Company Update

Current Market Price (CMP) Rs.1564	Fair Value Rs.1600
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Rationale:

- We visited LG Electronics India's Pune factory; it produces five products on nine production lines.
- Gas shortage may not necessarily impact production; RM inflation is a concern.
- FY26E guidance remains unchanged at flat/LSD topline growth, with EBITDA margins expected to touch double digits, and execution remains on track.
- We estimate 9.2%/9%/8.3% sales/EBITDA/PAT CAGR over FY25-28E.
- Company maintains leadership position in premium segments: OLED TVs (63%+ market share), side-by-side refrigerators (~43% market share) and 5-star AC (19-20%).
- We roll over and raise FV to Rs1,600 (unchanged 37x PE) from Rs1,525.

👍 Positives:

- Management noted that demand trends across product categories have been healthy so far in Q4.
- Localization stands at 55-58% at present and is likely to keep increasing.
- Company targets doubling exports in FY27E; anticipates order inflows from US soon.

👎 Negatives:

- Middle East war has also led to a sharp increase in some plastic inputs.

(RM: Raw Material; LSD: Low Single Digit; EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; PAT: Profit After Tax; CAGR: Compound Annual Growth Rate; OLED: Organic Light-Emitting Diode; AC: Air Conditioner; FV: Fair Value; PE: Price/Earnings)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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