Laxmi India Finance Ltd.

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IPO Note **28th July 2025**

Company Overview

Laxmi India Finance Limited (LIFL) is a non-deposit-taking, non-banking financial company (NBFC) that serves the financial needs of underserved customers in India's lending market. As of March 31, 2025, its operational network spanned 158 branches across rural, semi-urban, and urban areas in the states of Rajasthan, Gujarat, Madhya Pradesh, Chhattisgarh, and Uttar Pradesh. Laxmi Finance has the broadest reach in Rajasthan, being the company with the highest number of branches among its peers for the full year ended 31 March 2025. The company's product portfolio includes MSME loans, vehicle loans, construction loans, and other lending products that cater to the diverse financial needs of its customers. As of March 31, 2025, LIFL's assets under management (AUM) stood at Rs. 12,770 million, with its MSME and vehicle loan verticals contributing 76.3% and 16.1%, respectively. As of March 31, 2025, LIFL's customer base comprised 35,568 customers, including 18,596 active MSME customers and 12,423 active vehicle loan customers, representing a 48.8% increase from 23,906 customers as of March 31, 2024. The company has systematically grown its branch network from 119 as of March 31, 2023, to 135 as of March 31, 2024, and to 158 as of March 31, 2025. Its MSME AUM grew at a CAGR of 36.5% between FY23 and FY25, while vehicle financing AUM grew at a CAGR of 47.2%. LIFL has a diversified source of funding, including access from 47 lenders, raising debt through various instruments such as term loans from public sector banks and private banks, non-convertible debentures (NCDs), working capital demand loans, and overdrafts against fixed deposits. As of March 31, 2025, its customer base included 37.1% of first-time borrowers. Its average cost of borrowing has decreased from 12.2% as of March 31, 2023, to 12.0% as of March 31, 2025, driven by credit rating upgrades and expanded public sector undertaking (PSU) partnerships.

Objects of the issue

Out of the total issue of Rs. 2,543 million, the company proposes to utilise net proceeds from fresh issue (Rs. 1,652 million) to augment its capital base and meet future business requirements of the company for onward lending.

Out of the total issue size, Rs. 891 million comprises Offer For Sale (OFS).

Investment Rationale

Scalable MSME lending model with deep rural penetration and cost-efficient distribution

LIFL has established a strong presence in India's underpenetrated MSME lending space, with MSME loans contributing 76.3% of AUM and over 80% of total revenues in FY25. Focused primarily on micro and small enterprises with average loan sizes between Rs. 0.05–2.5 million, these loans are secured by residential or commercial property and maintained at a conservative average LTV of 43.8%, ensuring robust asset quality. The company leverages a scalable and cost-efficient multi-channel distribution model comprising a direct on-ground sales team (77.1% of disbursements in FY25), a growing network of 194 DSAs (Direct Sales Associates) (22.0%), and emerging digital channels. Its Hub-and-Branch framework, supported by 1,470 employees (including 614 focused on MSMEs), enables deep penetration into semi-urban and rural markets while maintaining high operational efficiency. Backed by formalization tailwinds (such as Udyam), digital outreach, and the sector's projected 20–22% AUM CAGR through FY27 (as per CARE Ratings), Laxmi India is well-positioned to scale sustainably while maintaining credit discipline in a high-growth borrower segment.

Robust credit and risk management driving prudent growth and asset quality

Laxmi India Finance has institutionalized a comprehensive, technology-enabled credit assessment and risk management framework that underpins its growth in underserved borrower segments. Operating in rural and semi-urban markets with borrowers often lacking formal income documentation, the company employs multi-level loan evaluations, combining credit bureau scores, digital underwriting, in-person assessments, and cash flow profiling to determine repayment ability. As of March 2025, 98.8% of its loan portfolio was secured, with MSME loans backed by assets at a conservative average LTV of 43.8%. The company also demonstrates credit inclusivity without compromising on quality, with 49.3% of customers having a CIBIL score above 650 and 37.1% being new to formal lending, reflecting a disciplined onboarding process for first-time borrowers. Operationally, Laxmi integrates real-time analytics through its digitised Loan Origination System (LOS), which enables automated

Issue Details	
Offer Period	29th July, 2025 - 31st July, 2025
Price Band	Rs. 150 to Rs. 158
Bid Lot	94
Listing	BSE & NSE
Issue Size (no. of shares in mn)	16.1
Issue Size (Rs. in bn)	2.5
Face Value (Rs.)	5

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	PL Capital Markets Pvt. Ltd.
Registrar	MUFG Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter	89.1%	60.5%
Public	10.9%	39.5%
Total	**100.0%**	**100.0%**

(Assuming issue subscribed at higher band)

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background checks, geo-tagged collateral verification, and deviation tracking, thereby significantly reducing human error and turnaround time. To mitigate behavioural and counterparty risks, loans often include co-borrowers (such as spouses or parents), a mandated female co-borrower, and external guarantors. These thoughtful practices not only improve repayment behaviour but also broaden risk-sharing within the borrower ecosystem. With a GNPA of 1.1% and NNPA of 0.5%, it leads the peer group (except CSL Finance), demonstrating strong risk management and a healthy loan book (Source: CARE Report).

Valuation

Laxmi India Finance Limited (LIFL) is a non-deposit taking NBFC, specialising in secured lending to micro and small enterprises (MSMEs) across semi-urban and rural India. With 76.3% of its AUM and over 80% of FY25 revenue derived from MSME loans, the company has built a focused, asset-backed lending model targeting financially underserved but high-potential borrower segments. NBFCs focused on MSME lending are expected to grow their AUM at a CAGR of ~20–22% through FY27, driven by increasing formalisation, digitisation, and structural shifts in credit demand beyond metros. Laxmi India, with its deep-rooted presence, secured lending model, and digitised underwriting, is well placed to capitalise on this multi-year growth opportunity while maintaining prudent risk controls. The company has delivered strong financial performance, with revenue growing at a CAGR of 37.7% and profit after tax expanding at 50.1% between FY23 and FY25. Its AUM nearly doubled over the period, rising from Rs. 6,868 million to Rs. 12,770 million. Net Interest Margin improved to 9.7% in FY25 from 9.3% in FY23. Return ratios also strengthened, with RoAE increasing to 15.7% and RoATA rising to 3.0% in FY25, up from 12.6% and 2.5% in FY24, respectively. Potential concerns include a decline in CRAR (from 23.1% in FY23 to 20.8% in FY25), alongside a rise in GNPA by 49 bps to 1.07% and NNPA by 16 bps to 0.48%, indicating some moderation in capital buffers and marginal deterioration in asset quality. However, we believe that the company continues to show better resilience compared to its peers. Given its high-growth sectoral tailwinds and strong business execution, we remain optimistic about the company's growth prospects. **Based on its FY25 book value, the issue is valued at a P/B ratio of 3.2x at the upper price band, which we believe is fairly valued compared to its peers. Considering the above compelling factors, we recommend a "SUBSCRIBE" rating to this issue from a long-term perspective.**

Key Risks:

- ⇒ A majority of the company's business operations involve transactions with mid to low-income customers in rural and semi-urban areas of India who are susceptible to adverse economic conditions.
- ⇒ The company operates in a highly regulated business environment, with a substantial requirement for capital. Inability to raise or source capital could materially impact the company.
- ⇒ Majority of the company's AUM is concentrated in the north-western region of India. Any adverse developments in this region could have an adverse effect on its business.

Laxmi India Finance Ltd.

Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25
Revenue from Operations			
Interest income	1,248	1,648	2,313
Fees and commission income	44	45	135
Net gain on fair value change	3	39	9
Total Revenue from Operations	**1,295**	**1,731**	**2,457**
Expenses			
Employee benefits expense	319	434	540
Impairment on financial instruments	16	19	119
Net loss on fair value changes	0	0	0
Other expenses	112	154	182
Total Operating Expenses	**447**	**606**	**842**
EBITDA	**848**	**1,125**	**1,616**
Depreciation & amortization	11	15	19
EBIT	**837**	**1,110**	**1,597**
Finance costs	629	834	1,146
Other income	11	19	23
PBT	**220**	**294**	**474**
Current tax	35	61	151
Deferred tax	25	10	-36
Income tax pertaining to earlier years	0	0	-1
Total Tax	**60**	**72**	**114**
Net Profit	**160**	**223**	**360**
Diluted EPS	**5.0**	**5.7**	**8.8**
BVPS	**29.2**	**38.6**	**49.4**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25
Cash flow from operating activities	-1,694	-2,238	-3,113
Cash flow from / (used in) investing activities	51	-68	-184
Net cash flows (used in) / from financing activities	2,127	1,775	3,898
Net increase / (decrease) in cash and cash equivalents	**484**	**-530**	**602**
Cash and cash equivalents at the beginning of the period	**469**	**953**	**423**
Cash and cash equivalents at the end of the period	**953**	**423**	**1,024**

Source: RHP, BP Equities Research

Laxmi India Finance Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25
Assets			
Financial Assets			
(a) Cash and cash equivalents	953	423	1,024
(b) Bank balance other than Cash and cash equivalents	738	730	1,123
(c) Receivables			
- Other receivables	1	3	2
(d) Loans	5,682	8,152	11,269
(e) Investments	77	145	293
(f) Other financial asset	203	243	218
Total Financial Assets	**7,653**	**9,696**	**13,929**
Non-Financial Assets			
(a) Current tax assets	18	22	3
(b) Deferred tax assets (net)	0	0	0
(c) Property, plant and equipment	101	111	128
(d) Capital work in progress (CWIP)	0	0	0
(e) Intangible assets under development	0	1	1
(f) Other intangible assets	0	0	1
(g) Other non-financial assets	14	19	63
Total Non-Financial Assets	**134**	**152**	**196**
Total Assets	**7,787**	**9,848**	**14,125**
Equity and Liabilities			
Equity share capital	183	199	209
Other equity	1,342	1,819	2,370
Total Equity	**1,525**	**2,017**	**2,579**
Financial Liabilities			
(a) Payables			
(i) Trade payables			
- total outstanding dues of micro enterprises and small enterprises	0	2	0
- total outstanding dues of creditors other than micro enterprises and small enterprises	11	11	19
(ii) Other payables			
- total outstanding dues of micro enterprises and small enterprises	0	0	0
- total outstanding dues of creditors other than micro enterprises and small enterprises	0	12	13
(b) Debt securities	232	50	274
(c) Borrowings (other than Debt securities)	5,923	7,537	11,017
(d) Subordinated liabilities	0	79	79
(e) Other financial liabilities	33	62	88
Total Financial Liabilities	**6,199**	**7,753**	**11,492**
Non-Financial Liabilities			
(a) Current tax liabilities	1	1	7
(b) Provisions	11	11	16
(c) Deferred tax liabilities (net)	39	50	13
(d) Other non-financial liabilities	12	17	20
Total Non-Financial Liabilities	**62**	**79**	**55**
Total Liabilities	**6,262**	**7,831**	**11,546**
Total Equity and Liabilities	**7,787**	**9,848**	**14,125**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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