LAXMI INDIA FINANCE LIMITED

NEUTRAL

IPO Report

28th July'25

Snapshot

Company is a non-deposit taking non-banking financial company focused on serving the financial needs of underserved customers in India's lending market. As on March 31, 2025, company's operational network spans across 158 branches in rural, semi-urban and urban areas in the states of Rajasthan, Gujarat, Madhya Pradesh, Chhattisgarh and Uttar Pradesh. Laxmi Finance has the widest reach in Rajasthan in terms of being the company with highest number of branches amongst its peers for the period ending FY25 . Laxmi Finance has recorded second highest return on net worth in FY25 among the peers compared . Company's product portfolio includes MSME loans, vehicle loans, construction loans and other lending products catering to the diverse financial needs of its customers. Over 80% of company's MSME loans qualifying as Priority Sector Lending under RBI guidelines.

VALUATION

Company is bringing the issue at price band of Rs 150-158 per share at p/b multiple of 1.95x on post issue book value basis.
Company has focus on MSME financing and has access to diversified sources of capital and effective cost of funds. Company has comprehensive credit assessment, underwriting and risk management framework with deeper regional penetration in semi-urban and rural areas supported by a mix of direct and indirect sourcing channels .Also, company's hub and branch model streamlines operations, reduces costs, and increases customer accessibility, driving business growth and market expansion
Hence , we are " Neutral" to issue.

Price Band (Rs./Share)	150-158
Opening date of the issue	29th July '2025
Closing Date of the issue	31st July '2025
No of shares pre issue	4,18,14,300 Eq Shares
Issue Size	Rs 241-254 Cr
Fresh issue	1,04,53,575 Eq Shares
Offer For Sale	56,38,620 Eq Shares
Face Value (Rs/ share)	Rs 5/share
Bid Lot	94
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 79,65,634 Eq Shares)
Non-Institutional	15% of the offer (Approx 23,89,690 Eq Shares)
Retail	35 % of the offer (Approx 55,75,943 Eq Shares)
Employee Reservation	1,60,928 Equity Shares
Lead managers	PL Capital Markets
Registrar to the issue	MUFG Intime India

WHAT WE LIKE

Focus on MSME financing

Over the last three Fiscals 2025, 2024 and 2023 the revenues generated from MSME financing constituted 80.96%, 75.37% and 83.64%, respectively. Company's MSME financing vertical represented 76.34%, 73.94% and 76.16% of company's overall AUM for the Fiscals 2025, 2024 and 2023, respectively. Company cater to diverse business requirements and provide support to entrepreneurs. The MSME loans sanctioned by companys typically vary in the range of ₹0.05 million to ₹2.5 million and are secured by mortgage of residential or commercial property.

Access to diversified sources of capital & effective cost of funds

Company's well-diversified funding profile underpins company's liquidity management system, credit rating and brand equity. Company have historically secured, and seek to continue to secure, cost effective funding through a variety of sources, including public sector banks, private sector banks, small finance banks, other non-banking financial institutions, together with NCDs and direct assignment of loans.

Deeper regional penetration in semi-urban and rural areas supported by a mix of direct and indirect sourcing channels

Company have a growing sales network that caters to customers primarily in the rural and semi-urban areas of India. From Mar'20 to Dec'24, the rural sector witnessed a rise in SCB credit from ₹7.26 trillion to ₹13.76 trillion, reflecting an increase as financial inclusion initiatives, digital banking outreach, and targeted credit delivery mechanisms gained traction in India.

COMPANY BACKGROUND

Building on a legacy that began in early 1990s with Deepak Finance & Leasing Company (a proprietorship concern founded by company's Promoter's father) (DFL), its Promoter acquired the shares and control of Company in 2010. Subsequently, in 2011, Company consolidated the business by acquiring and integrating the business and operations of DFL, leveraging the expertise and strengths of both entities. As of March 31, 2025, company's assets under management (AUM) stood at ₹12,770.18 million with company's MSME and vehicle loan verticals contributing 76.34% and 16.12%, respectively. As on March 31, 2025, company's customer base comprises 35,568 customers, including 18,596 active MSME customers and 12,423 active vehicle loan customers, demonstrating a growth of 48.78% from 23,906 customers as on March 31, 2024.

Company have been systematically expanding its branch network over the years by focusing on deepening company's reach in the existing markets, entering new geographies, and increasing penetration in potential regions. Company's branch network has grown steadily from 119 as of March 31, 2023 to 135 as of March 31, 2024 to 158 as of March 31, 2025. Company's AUM increased from ₹6,867.67 million as of March 31, 2023 to 12,770.18 million as of March 31, 2025, representing a CAGR of 36.36%. The growth in company's AUM was primarily driven by an increase in volume of company's loans due to increase in its disbursement to ₹ 7185.34 million in March 31, 2025 from ₹ 5,254.28 million in March 31, 2024 from ₹ 3,432.91 million in March 31, 2023 and also increase in company's branch network to 158 branches as of March 31, 2025 from 135 branches as of March 31, 2024. Company's MSME AUM grew at a CAGR of 36.52% between March 31, 2023 and March 31, 2025 and its vehicle financing AUM grew at a CAGR of 47.23%.

Company offer a diversified range of lending products to meet the distinct needs of its customers. Company's business verticals comprise:

1) MSME Finance. Company offer secured loans to MSME customers in the form of loans against property, to support their business operations, expansion and working capital needs.
2) Vehicle Finance. Company provide secured loans to its customers for purchasing used commercial vehicles, used personal vehicles, used tractors, two-wheelers, electric two-wheelers and electric three-wheelers.
3) Construction Loans. Company offer secured loans to retail customers for purchasing residential property or constructing, renovating or extending their homes.
4) Others. Company provide (i) small-ticket unsecured business and personal loans to MSME and retail customers for their working capital requirements and personal use, respectively; and (ii) wholesale loans to other NBFCs.

Company have leveraged technology across its operations and throughout the customer life cycle, including loan origination, underwriting, collections, post- disbursement monitoring and customer service.

The share of retail credit in total systemic credit has been steadily increasing from 21.6% in FY19 to a projected 32.1% in FY25. This growth reflects the rising demand for consumer loans, including home loans, personal loans, and auto loans, driven by factors such as increased income levels, higher consumer spending, and greater access to financing. (Source: CARE Report). This favorable market environment, combined with company's technology-driven approach, positions company well to capitalize on the growing demand for retail and MSME credit.

Company have witnessed consistent improvement in its balance sheet position in the last three Fiscals, and company's net worth as of March 31, 2023, March 31, 2024 and March 31, 2025 was ₹1,523.27 million, ₹2,012.15 million and ₹2,574.65 million, respectively. In Fiscal 2023, 2024 and 2025, company's revenue from operations were ₹1,295.29 million, ₹1,731.37 million and ₹2,457.13 million, respectively.

Company have diversified sources of funding and have access to funds from 47 lenders, including 8 public sector banks, 10 private banks, 7 small finance banks, 22 non-banking financial companies and financial institutions as of March 31, 2025. Company raise debt through several 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.

INVESTMENT RATIONALE	
Comprehensive credit assessment, underwriting and risk management framework	Company have a credit assessment and risk management framework to identify, monitor and manage risks inherent in its operations. Credit management is crucial to company's business given its focus on underserved financial segment. As a lender, company's lending decisions are contingent on its evaluation of the ability of the individual and the business to service the loan, and the basis for such assessment is a combination of credit history and present cash flows. Company's risk management committee has developed comprehensive risk management policies, addressing credit risk, market risk, liquidity risks and operational risks. Company have implemented stringent credit quality checks and customized operating procedures that exist at each stage for comprehensive risk management. Company focus on the profile of the borrower, and as of March 31, 2025, 49.31% of its secured customers have a CIBIL score above 650 at the time of origination, while 37.10% of its customers are new to the formal secured lending ecosystem.
Company's Hub and Branch model streamlines operations, reduces costs, and increases customer accessibility, driving business growth and market expansion	Company operates on a hub and branch business model, strategically designed to enhance efficiency, reduce costs, and expand company's reach. This model serves as the backbone of company's operations, enabling it to optimize resources, improve customer service, and tap into underserved markets. At the core of company's structure are hub (disbursement) branches, which serve as hubs for files can be checked and disbursement advice raised. Each hub facilitates disbursement of surrounding branches. This increase efficiency with time and reduce operational cost to serve branch customers. These hub branches are equipped with key decision-makers, including credit managers, business development managers, operations teams, and collections teams. Strategically located in rural and semi-urban areas, these branches focus on sourcing new loans and providing doorstep services to customers. By doing so, company expand its presence in underserved markets, increase accessibility, and enhance customer convenience.
Experienced management with good corporate governance practices	Company's Board, Promoters and Senior Management is composed of experienced professional, industry veterans and management professionals. Company's Board consists of seven directors, of which four are independent directors. Company's independent Board has provided it with diverse perspectives for it to continue to grow Company. Company's Senior Management team consists of qualified, seasoned professionals with an experience across a variety of sectors. Company's Senior Management team includes experts at various functions and professionals with ground level knowledge of the microfinance industry, who are supported by a capable and motivated pool of employees. Together, they have demonstrated an ability to manage and grow company's operations. Company's mid-level management personnel also have in-depth industry knowledge and expertise. Further, company have instituted several training and mentorship programs for company's management employees. Company have successfully recruited and retained employees from a variety of backgrounds, including credit evaluation, risk management, technology and marketing.

OBJECTS OF OFFER

The Offer comprises a Fresh Issue of up to 10,453,575 Equity Shares, by Company and an Offer for Sale of up to 5,638,620 Equity Shares, by the Selling Shareholders.

Objects of the Fresh Issue

Company proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future business requirements of Company towards onward lending.

RISKS

Company require substantial capital for company's business and any disruption in its sources of funding or its inability to secure funding on favourable terms could adversely affect company's liquidity, business, cash flows, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Key Success Factors for NBFC's offering MSME loan

Precision in Underwriting: Strong underwriting capabilities are essential for NBFCs offering MSME loans, ensuring that only creditworthy businesses are funded. In addition to leveraging alternative data sources like transaction histories and GST filings, it is crucial to analyze the cash flow of the business. By evaluating cash flow patterns—such as receivables, payables, and operational expenses—NBFCs can better assess the financial health and repayment capacity of MSMEs. This comprehensive approach to underwriting allows for more accurate risk assessments, expanding access to credit while minimizing defaults.

Sustaining Portfolio Health: Maintaining a high-quality loan portfolio is vital for long-term success. NBFCs must actively monitor repayments, assess credit risk, and take corrective actions—such as loan restructuring or offering payment flexibility—to minimize defaults. A balanced approach, with diversification across risk segments, helps protect against large-scale credit losses and ensures business stability.

Targeting Untapped Markets: A focused approach to under-penetrated markets—particularly in rural or emerging sectors—offers NBFCs significant growth opportunities. By simplifying loan access and tailoring products to local needs, NBFCs can capture a loyal customer base in underserved areas, driving both financial inclusion and business expansion.

Effective Collateral Management: Managing collateral risk effectively is key to protecting loan books. While MSMEs may lack traditional collateral, NBFCs can mitigate risk by accepting alternative assets like receivables or personal guarantees. Flexible collateral policies and real-time tracking tools ensure security while not overburdening businesses with excessive requirements.

Access to Affordable Capital: The ability to raise funds at competitive rates is crucial for offering attractive loan terms. NBFCs with higher credit ratings have a significant advantage, as they can secure cheaper capital through lower interest rates in the debt markets. This allows them to pass on the cost savings to MSMEs, offering more favorable loan terms, including lower interest rates and flexible repayment options. Access to affordable capital not only makes the NBFC more competitive but also enables faster scaling of operations, expanding their reach to more underserved businesses
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Outlook

The MSME sector is the driving force of the Indian economy and has major potential to spread industrialization across the economy. The sector faces number of challenges such as limited access to finance, inadequate availability of skilled labour, and insufficient infrastructure. Along with this, rising interest rates by RBI to control inflation has become a hindrance to the growth in sector. This has led to increase in borrowing cost for MSMEs and further made the situation difficult for accessing credit. This high rise in borrowing cost is expected to impact the cash flows and profitability of MSMEs. Although, this sector has many challenges, the growth potential remains high.
MSMEs employ a large number of people making the sector a key contributor to the economic development of the country. The sheer number of work force engaged also results in this sector receiving good Government support and benefits. Apart from Government initiatives, the improved use of digital solutions adopted during the pandemic (such as easy payments and marketing through digital platforms) increased demand for finished products have strengthen the MSMEs and resulted in recovery of their business.
The MSME sector is expected to help India achieve its goal of becoming a USD 5 trillion economy. The Government expects that MSMEs' contribution to GDP to increase from 30.1% in FY23 to 40-50%

Consolidated Financials

(Rs in Mn)

Financials (Mn)	FY23	FY24	FY25
Total Income	1306.68	1750.18	2480.38
Total Expenses	1070.13	1435.07	1887.91
Pre Provision Profit	236.55	315.11	592.47
Provisions	16.36	18.75	118.91
PBT	220.19	296.36	473.56
Tax	60.48	71.68	113.51
PAT	159.71	224.68	360.05
Eq Cap	183.17	198.63	209.07
Net Worth	1,525.46	2,017.31	2,578.94
EPS	5.02	6.11	8.78
Book value	38.34	50.65	61.57
NIM %	9.27	9.23	9.73
ROE%	11.51	12.80	15.66
ROA%	2.40	2.57	3.00
GNPA%	0.58	0.73	1.07
NNPA%	0.32	0.33	0.48
CRAR%	23.09	21.81	20.80

(Source: RHP)

Peer Comparison

Company Name	Face value	EPS	NAV	P/E	Rev (Million)	RONW %
Laxmi India Finance Limited	***5.00***	***8.78***	***61.57***	.	***2480.38***	***15.66***
Peers						
MAS Financial Services Limited	10.00	17.48	142.50	16.97	15204.50	14.71
Five Star Business Finance Limited	1.00	36.61	214.13	20.62	28660.24	18.60
SBFC Finance Limited	10.00	3.21	29.40	34.38	13067.45	11.39
Ugro Capital Limited	10.00	15.68	222.57	11.65	14418.46	8.68
CSL Finance Limited	10.00	31.64	241.21	10.56	2160.43	14.18
AKME Fintrade (India) Limited	10.00	8.28	89.56	0.94	1027.21	11.09
Moneyboxx Finance Limited	10.00	0.39	79.85	476.67	1992.27	0.53

(Source: RHP)

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