LAXMI INDIA FINANCE LIMITED

July 28, 2025

SMC Ranking

★ ½ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	NBFC
Offer for sale (Shares)	5,638,620
Fresh Issue (Shares)	10,453,575
Net Offer to the Public	**16,092,195**
Issue Size (Rs. Cr.)	241-255
Price Band (Rs.)	150-158
Offer Date	29-Jul-25
Close Date	31-Jul-25
Face Value	5
Lot Size	94

Issue Composition

	In shares
Total Issue for Sale	16,092,195
QIB	8,046,098
NIB	2,413,829
Retail	5,632,268

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	89.05%	60.45%
QIB	0.00%	15.39%
NIB	0.00%	4.62%
Retail	10.95%	19.53%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

Augmentation of capital base to meet its future capital requirements towards onward lending

Book Running Lead Manager

- PL CAPITAL MARKETS PRIVATE LIMITED

Name of the registrar

- MUFG Intime India Private Limited

About the company

Laxmi India Finance Limited, incorporated in 1996, is a Non-Banking Financial Company (NBFC) that provides secured lending solutions to small businesses and individuals. The company offers MSME loans, vehicle finance, and construction loans, with over 80% of MSME loans qualifying as Priority Sector Lending. Its MSME loans range from Rs. 0.05 crore to Rs. 2.5 crore, secured against property, with an LTV ratio of 65% and tenure of up to 84 months. Vehicle loans include financing for commercial vehicles, two-wheelers, and tractors, while construction loans are extended to retail customers for building or renovating properties. As of March 31, 2025, its Asset Under Management (AUM) stood at Rs. 1,277.02 crore, with MSME and vehicle loans comprising over 92% of the portfolio. The company has a customer base of 35,568, including 37.10% first-time borrowers, and operates through 158 branches across Rajasthan, Gujarat, Madhya Pradesh, and Chhattisgarh. It has received funding from 47 institutional lenders.

Strength

Focus on MSME Financing: Laxmi India Finance Limited has strategically prioritized MSME financing, with MSME loans comprising 80.96%, 75.37%, and 83.64% of its revenue in Fiscals 2025, 2024, and 2023 respectively. The MSME segment represented over 76% of the company's AUM in Fiscal 2025. It offers secured loans between Rs. 0.05 crore and Rs. 2.5 crore, backed by residential or commercial property, ensuring risk mitigation through tangible collateral. As of March 31, 2025, the company had 18,596 MSME customers, with an average loan-to-value (LTV) of 43.79%. The MSME sector, underpenetrated by traditional banking channels due to documentation gaps, presents significant opportunities for NBFCs. With over 6.4 crore MSMEs registered on the Udyam portal, and growing formalization and digitization, Laxmi India Finance is well-positioned to capitalize on this market. Its AUM from MSMEs stood at Rs. 9,748.59 million as of March 2025. Strong domain expertise and tech adoption further enhance its capabilities in serving this underserved yet high-potential sector.

Access to Diversified Sources of Capital and Cost Efficiency: Laxmi India Finance Limited maintains a well-diversified funding base, sourcing capital from public and private banks, small finance institutions, NBFCs, NCDs, and loan assignments. Its strong lender relationships have enabled over 80% repeat funding and a consistent increase in credit limits. Promoter holding of 87.78% and ongoing capital infusions reflect high sponsor commitment. Improved credit ratings and consistent reduction in borrowing costs—12.24%, 12.06%, and 12.02% over Fiscals 2023–2025—underscore the company's ability to secure cost-effective funding, even during rate hikes or economic crises. Its conservative Asset Liability Management (ALM) and capital adequacy ratio of 20.80% (well above RBI's 15% threshold) strengthen liquidity and operational resilience. The company leverages securitized loan proceeds, direct assignments, and structured products to optimize borrowing costs and reduce balance sheet risk. These strategies allow Laxmi India Finance to competitively price its loan offerings while safeguarding margins, thereby supporting sustainable growth across economic cycles.

Comprehensive Credit Assessment and Risk Management: Laxmi India Finance Limited has implemented a robust credit assessment and risk management framework tailored for the underserved borrower segment. With 98.81% of its loan book secured as of March 31, 2025, the company focuses on collateral-backed lending with average LTVs of 43.79% for MSME loans and 73.21% for vehicle loans. About 49.31% of secured borrowers had CIBIL scores above 650, while 37.10% were new to formal credit systems. Its credit

evaluation involves multiple layers—preliminary screening by sourcing teams, followed by independent review using financial documents, credit bureau scores, site visits, and legal verifications. The company also mandates spouse or women co-borrowers and often includes guarantors to enhance repayment discipline. Geo-tagged inspections, digital Loan Origination System (LOS), and real-time background checks ensure consistency and scalability. With negligible loan write-offs, Laxmi India Finance's meticulous underwriting process and deep local market knowledge contribute to strong asset quality and minimal delinquencies.

Deeper Penetration in Rural and Semi-Urban Markets: Laxmi India Finance Limited targets underpenetrated rural and semi-urban credit markets through a robust network and multi-channel sourcing model. From FY20 to Dec FY24, rural credit grew significantly, supported by financial inclusion and digital outreach, while semi-urban lending more than doubled to Rs. 24.46 trillion. Recognizing this whitespace, Laxmi India Finance employs direct sourcing via on-ground sales teams, DSAs, and digital channels. As of May 31, 2025, it had 1,470 employees, including 614 focused on MSME financing. Its tele-calling team based in Jaipur complements field efforts. Through WhatsApp, Facebook, YouTube, and other digital platforms, the company drives awareness and engagement. Bulk SMS and IVR systems enhance lead generation and follow-ups. The company's approach not only supports financial empowerment in underserved regions but also strengthens customer acquisition at low cost. Its ability to operate efficiently in smaller towns and rural pockets positions it as a key enabler of inclusive growth in India.

Hub and Branch Model for Operational Efficiency: Laxmi India Finance Limited operates on a hub-and-branch model designed to optimize resource allocation, reduce costs, and enhance service delivery. In this setup, strategically located hub branches handle disbursement and decision-making for several nearby branches, streamlining operations and improving turnaround times. These hubs house credit managers, business development executives, and collections teams, enabling centralized oversight while maintaining regional accessibility. This model supports deeper rural and semi-urban penetration, particularly where credit demand is rising and formal banking channels remain limited. Branch-level teams focus on sourcing and servicing customers through doorstep delivery, reinforcing customer convenience and satisfaction. Shared infrastructure and centralized processes reduce operational costs and facilitate scalability. The structure also enhances loan monitoring and credit evaluation, ensuring better risk control. By leveraging this model, Laxmi India Finance combines operational efficiency with expanded geographic reach, reinforcing its competitive edge and enabling cost-effective growth across diverse markets in India.

Strategy

Geographical Expansion and Deeper Market Penetration: As of March 31, 2025, Laxmi India Finance Limited operated 158 branches across 83 districts in five Indian states. In Fiscal 2025 alone, it added 23 new branches to strengthen market presence. While its operations are concentrated in North-western India, the company aims to selectively expand into underserved regions with low credit penetration. New geographies are chosen after rigorous analysis, including field surveys, competitor concentration, and growth potential. Branch launches follow a phased approach—beginning with a limited presence to test the market and scaling based on response. With a 30% district-level penetration in operating states, Laxmi India Finance sees significant room for deeper in-state expansion. Between Fiscal 2023 and 2025, its branch count rose from 119 to 158. The company continues to evaluate new markets for expansion and may also pursue strategic acquisitions to accelerate its growth, enhance distribution strength, and expand access to its financial offerings across India.

Leveraging Branch Network and Customer Base for Cross-Selling: Laxmi India Finance Limited aims to leverage its existing customer base and branch infrastructure to expand its loan portfolio and diversify product offerings. As of March 31, 2025, the gross loan portfolio per branch stood at Rs. 80.82 million. By cross-selling products such as vehicle loans, construction finance, and additional MSME offerings, the company enhances revenue, increases retention, and reduces customer acquisition costs. This strategy also spreads risk across asset classes, improving credit quality.

Cross-sell success is built on deep customer relationships and tailored financial solutions. The company's experienced sales team identifies low-risk, repeat borrowers eligible for larger ticket sizes. It uses analytics to monitor customer behavior, optimize sales funnels, and assess cross-sell potential. With minimal incremental sourcing cost and established trust, Laxmi India Finance anticipates strong revenue growth from cross-selling initiatives. These efforts support profitability while mitigating rate volatility and further solidifying its presence in India's retail lending market.

Investing in Technology for Service Quality, Efficiency, and Risk Reduction: Laxmi India Finance Limited continues to strengthen its digital infrastructure to enhance customer service, operational efficiency, and cost optimization. The company integrates technology across functions such as underwriting, loan origination, disbursement, and collections. Tools like GPS-enabled mobility-based systems and real-time credit bureau checks help streamline operations and accelerate loan approvals. It leverages digital channels to reduce risks associated with cash handling by promoting payments through UPI, net banking, and mobile wallets. As branch operations expand, the technology platform scales seamlessly to support increased volume while maintaining service quality. The company employs analytics to track lead conversions, sales funnel drop-offs, and loan performance, enabling informed decision-making. It also uses technology for fraud prevention, geo-tagging, and post-disbursement service tracking. These systems minimize operational risk and enhance customer engagement. By investing in automation and analytics, Laxmi India Finance aims to maintain competitive turnaround times, ensure regulatory compliance, and continue delivering value-added services at scale.

Diversifying Borrowing Profile and Lowering Cost of Funds: Laxmi India Finance Limited is committed to optimizing its borrowing profile by reducing dependence on high-cost term loans and expanding funding channels. With improved credit ratings and liquidity, the company has consistently negotiated lower interest rates—its average borrowing cost declined from 12.24% in FY23 to 12.02% in FY25. Even amid rising repo rates, the company managed a 0.22% reduction in borrowing cost in FY23, underscoring its ability to access cost-efficient capital. Its funding strategy includes term loans, NCDs, working capital facilities, and direct assignment of loans. NCDs accounted for 2.41% of borrowings in FY25. The company also partners with financial institutions and ARCs for loan assignments, efficiently freeing up capital without adding balance sheet risk. With a disciplined asset-liability management (ALM) policy, Laxmi India Finance maintains a stable funding structure. This diversification enables competitive pricing for its loan products, supporting business growth while ensuring financial sustainability and improved margins.

Loan Book Diversification Through Inorganic Growth: Laxmi India Finance Limited is focused on diversifying its loan book to tap into emerging opportunities in retail finance. To scale its retail lending vertical, the company recently entered into a business transfer agreement to acquire a retail loan portfolio worth Rs. 533.34 million. The acquisition includes 1,750 customers, two branches, two employees, and related assets and liabilities, with a total consideration of Rs. 516.93 million. This strategic move aligns with the company's goal of strengthening its presence in the retail segment and gaining access to a broader customer base. Through such inorganic expansion, Laxmi India Finance accelerates growth without significant upfront customer acquisition costs. The acquisition is expected to enhance product diversification, reduce concentration risk, and contribute positively to revenues. The company continues to evaluate similar opportunities to scale its loan book across verticals and geographies while maintaining prudent risk management and operational efficiency.

Risk Factor

- Laxmi India Finance Limited requires significant capital to sustain and grow its operations.
- The company's core focus on micro, small, and medium enterprises (MSMEs) exposes it to sector-specific risks.
- In the past, Laxmi India Finance Limited has experienced negative cash flows and may continue to do so in the future, particularly as it continues to invest in expanding its distribution network across India to support long-term growth.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Five Star Business Finance Limited	2847.84	1072.49	36.42	18.95	3.22	214.12	1	690.00	20316.53
SBFC Finance Limited	1374.49	367.27	3.17	34.62	3.75	29.30	10	109.75	11949.81
MAS Financial Services Limited	1698.12	324.21	17.87	17.97	2.23	143.79	10	321.15	5827.38
Ugro Capital Limited	1395.90	143.94	12.33	13.58	0.99	169.88	10	167.40	1954.49
CSL Finance Limited	215.07	72.09	31.64	9.94	1.32	237.89	10	314.45	716.40
Moneyboxx Finance Limited	212.33	-2.82	0.38	434.21	2.07	79.81	10	165.00	539.05
AKME Fintrade (India) Limited	98.97	33.23	0.78	9.23	0.80	8.96	1	7.20	307.26
Laxmi India Finance Limited	231.31	36.00	6.89	22.94	1.95	80.94	5	158.00	825.83

***Peer companies financials are TTM based**
**** HDB Financial Services Limited financials are based on Fy25**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.158, the stock is priced at pre issue P/E of 18.35x on FY25 EPS of Rs.8.61. Post issue, the stock is priced at a P/E of 22.94x on its EPS of Rs.6.89.. Looking at the P/B ratio at Rs.158, pre issue, book value of Rs. 61.68 of P/Bvx 2.56x. Post issue, book value of Rs. 80.94 of P/Bvx 1.95x.

Considering the P/E valuation, on the lower end of the price band of Rs.150, the stock is priced at pre issue P/E of 17.42x on FY25 EPS of Rs.6.89. Post issue, the stock is priced at a P/E of 21.78x on its EPS of Rs.6.89. Looking at the P/B ratio at Rs.158, pre issue, book value of Rs. 61.68 of P/Bvx 2.43x. Post issue, book value of Rs. 80.94 of P/Bvx 1.85x.

Industry Outlook

The total systemic credit in India has witnessed a steady and broad-based expansion over recent years. From Rs 134.5 trillion in FY19, credit outstanding is expected to have crossed Rs 236 trillion as of FY25 By FY27, systemic credit is projected to reach around to ~Rs 300 trillion, indicating a healthy CAGR of 12%–13% between FY25 - FY27. The share of NBFCs in systemic credit has steadily increased from 17% in FY19 to 19% in FY24 and is projected to reach 20% by FY27. This trend reflects the growing contribution of NBFCs in the Indian credit landscape, particularly in addressing credit demand in under-served segments such as microfinance, small and medium enterprises and loans to priority sectors. Commercial credit to MSMEs in India grew at a steady pace of 11% CAGR in the 4-year period from Sep-19 to Sep-23. CareEdge Research expects NBFC MSME AUM to grow at a CAGR of approx. 20% to 22% and cross Rs. 6 trillion mark by end of FY27.

Outlook

Laxmi India Finance Limited offers growth potential through its focus on secured MSME lending, rural expansion, and digital operations. Strong underwriting and diversified funding support profitability. However, risks include dependence on MSME sector health, capital-intensive growth, and interest rate volatility. While fundamentals are sound, investors should weigh sectoral and liquidity risks before considering long-term exposure.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	29-July-25
BID/ISSUE CLOSES ON	31-July-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	01-August-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	04-August-25
Credit of Equity Shares to Demat Accounts of Allottees	04-August-25
Commencement of trading of the Equity Shares on the Stock Exchanges	05-August-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Interest income	231.31	164.79	124.82
Interest expenses	180.54	128.50	96.40
Net Interest Income	**50.77**	**36.29**	**28.42**
Other Operating Income	14.40	8.35	4.71
Operating Profit	**65.17**	**44.64**	**33.13**
Other Income	2.33	1.88	1.14
Total Net Income	**67.49**	**46.52**	**34.27**
Other Expenses	18.24	15.35	11.17
PBDT	**49.26**	**31.17**	**23.10**
Depreciation	1.90	1.53	1.08
PBT	**47.36**	**29.64**	**22.02**
Tax	11.35	7.17	6.05
PAT	**36.00**	**22.47**	**15.97**

Key Financial parameters

Particulars	2025	2024	2023
Net Interest Margin %	9.73%	9.23%	9.27%
Gross Non-Performing Assets	1.07%	0.73%	0.58%
Net Non-Performing Assets	0.48%	0.33%	0.32%
Provision Coverage Ratio	55.18%	54.41%	45.60%
Cost of Borrowings	12.02%	12.06%	12.24%
RONW	15.66%	12.80%	11.51%
ROA	3.00%	2.57%	2.40%

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-25	As on 31-Mar-24	As on 31-Mar-23
ASSETS			
Financial assets			
Cash and cash equivalents	102.43	42.27	95.28
Bank balances other than (a) above	112.34	72.96	73.79
Receivables			
Other receivables	0.17	0.31	0.07
Loans	1126.91	815.24	568.21
Investments	29.27	14.51	7.67
Other financial assets	21.82	24.34	20.32
Total Financial assets	**1392.94**	**969.64**	**765.34**
Non-financial assets			
Current tax assets (net)	0.35	2.16	1.84
Property, plant and equipment	12.76	11.07	10.08
Intangible Assets under development	0.05	0.08	0.00
Other Intangible Assets	0.08	0.04	0.04
Other non-financial assets	6.34	1.86	1.41
Total Non- Financial assets	**19.58**	**15.21**	**13.37**
Total assets	**1412.52**	**984.85**	**778.71**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables	0.03	0.17	0.01
Trade payables - total outstanding	1.92	1.06	1.14
dues of micro enterprises and small			
enterprises			
Trade payables -total outstanding dues of creditors other than micro enterprises and small enterprises	0.00	0.00	0.00
Other Payables-total outstanding dues of creditors other than micro enterprises and small enterprises	1.35	1.17	0.01
Debt securities	27.39	5.00	23.17
Borrowings (Other than Debt Securities)	1101.73	753.74	592.31
Subordinated liabilities	7.95	7.94	0.00
Other Financial liabilities	8.79	6.18	3.28
Total Financial liabilities	**1149.15**	**775.26**	**619.93**
Non-financial Liabilities			
Current tax liabilities (net)	0.67	0.06	0.06
Provisions	1.56	1.14	1.13
Deferred Tax Liabilities (Net)	1.30	4.97	3.88
Other non-financial liabilities	1.95	1.69	1.16
Total Non- Financial liabilities	**5.48**	**7.86**	**6.24**
Total Liabilities	**1154.63**	**783.12**	**626.16**
Net worth represented by:			
Equity Share Capital	20.91	19.86	18.32
Other equity	236.99	181.87	134.23
Net Worth	**257.89**	**201.73**	**152.55**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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