LAXMI INDIA FINANCE LTD.

IPO NOTE | 28th JULY , 2025

Canara Bank Securities Ltd

canmoney.in

ABOUT THE COMPANY: Laxmi India Finance Limited, incorporated in 1996, is a Non-Banking Financial Company engaged in lending to individuals and small businesses. The company primarily focuses on underserved borrower segments and plays a key role in financial inclusion across semi-urban and rural areas.

KEY BUSINESS INSIGHTS: Laxmi India Finance (LIF) focuses on a diverse customer base, around 37.10% of customers of LIF are first time borrowers as of March 2025. The company has a multi-channel approach of customer acquisition where it has an on-ground sales team as well as referrals generated through the in-house Laxmi Mitra App. LIF is focused on MSME's with 76.35% of AUM deployed in this segment. Around 98% of loans given by LIF are secured with a loan to value ratio for MSME segment at 43.79%. LIF has access to funds from 47 lenders with includes 8 PSU banks, 10 private banks and 22 NBFC's. LIF also raises funds through NCD's. This diverse mix help LIF optimize it's cost of borrowing and reduces concentration risk. LIF uses a hub and branch model to operate more efficiently and save money. Central hub branches handle important tasks like checking files and raising disbursement advice for surrounding smaller branches.

ISSUE DETAILS	
Price Band (in ₹ per share)	150.00-158.00
Issue size (in ₹ Crore)	254.26
Fresh Issue (in ₹ Crore)	165.17
Offer for Sale (in ₹ Crore)	89.09
Issue Open Date	29.07.2025
Issue Close Date	31.07.2025
Tentative Date of Allotment	01.08.2025
Tentative Date of Listing	05.08.2025
Total Number of Shares (in lakhs)	160.92
Face Value (in ₹)	5.00
Exchanges to be Listed on	BSE & NSE

VIEW:

The company has had robust financial performance for the past three years, where revenue has grown at a CAGR of 38% from 129 Cr to 245 Cr, whereas PAT has grown at a CAGR of 50% from 16 Cr to 36 Cr. The issue is overpriced at 2.57X PB, whereas the listed peers on average are available at 2.02X PB. The company is well positioned to take advantage of the MSME surge in India, as of now LIF is present only in 5 states with major presence (80%) in Rajasthan. This leaves plenty of room for LIF to enter new states and become more dominant in the existing states.

We recommend **SUBSCRIBE** for the long-term gains.

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	94	14,852
Retail (Max)	13	1222	1,93,076
S-HNI (Min)	14	1316	2,07,928
S-HNI (Max)	67	6298	9,95,084
B-HNI (Min)	68	6392	10,09,936

BRLMs: PL Capital Markets Private Limited

PROMOTERS: Deepak Baid , Prem Devi Baid , Aneesha Baid , Preeti Chopra , Rashmi Giria

BRIEF FINANCIALS

PARTICULARS (Rs. Cr)	FY25	FY24	FY23
Share Capital	20.91^^	19.86^	18.32
Net Worth	257.47	201.22	152.33
Revenue from Operations	245.71	173.14	245.71
EBITDA	163.88	114.59	85.96
EBITDA Margin (%)	66.70%	66.18%	65.78%
Profit/(Loss) After Tax	35.91	22.62	16.03
EPS (in Rs.)	8.78	6.11	5.02
Net Asset Value (in Rs.)	61.57	50.65	38.34
Total borrowings	1137.06	766.68	615.49
P/E#	18.00	NA	NA
P/B#	2.57	NA	NA

 # Calculated at Upper Price Band (158), ^ Rights Issue at Issue Price of 90 in March 2023, ^^ Rights Issue at Issue Price of 190 in August 2024, In November 2024, Stock Split from Face Value of 10 to 5.

OBJECTS OF THE OFFER

The Company proposes to utilize the net proceeds towards funding the following objects:

- Augmentation of the capital base to meet the future capital requirements towards onward lending (143 Cr)
- Offer for Sale

FINANCIAL STATEMENTS

Profit & Loss Statement

Particulars (In Crores)	FY2023	FY2024	FY2025
INCOME			
Revenue from operations	**129.529**	**173.137**	**245.712**
Interest Income	124.822	164.785	231.312
Fees and commission Income	4.437	4.471	13.463
Net Gain On Fair Value Changes	0.27	3.881	0.937
Total Income	1.14	1.88	2.33
Total Income	**130.67**	**175.02**	248.037
YoY Growth (%)	-	33.94%	41.72%
Impairment on financial instruments	1.636	1.875	11.891
Employee Benefit Expenses	31.91	43.20	54.03
Other Expenses	11.17	15.35	18.24
EBIDTA	**85.96**	**114.59**	**163.88**
EBIDTA Margin (%)	65.78%	65.47%	66.07%
Depreciation and amortisation expense	1.08	1.53	1.90
EBIT	**84.88**	**113.06**	**161.98**
EBIT Margin (%)	68.00%	68.61%	70.03%
Finance cost	62.86	83.42	114.63
Profit before tax	**22.02**	**29.64**	**47.35**
Tax expenses			
Current Tax	3.55	6.10	15.06
Deferred Tax	2.48	1.04	-3.65
Income Tax for Earlier Year	0.02	0.03	-0.07
Total tax expenses	**6.05**	**7.17**	**11.35**
Profit for the year	**15.97**	**22.47**	**36.00**
PAT Margin (%)	12.80%	13.63%	15.57%
Earnings per share			
Basic earnings per share (₹)	5.02	6.11	8.78

Cashflow Statement

Particulars (In Crores)	FY2023	FY2024	FY2025
Cash generated from operating activities	-165.58	-217.30	-298.49
Income tax paid (net of refunds)	-3.84	-6.45	-12.78
Net cash generated from operating activities	-169.41	-223.75	-311.27
Net cash used in investing activities	5.14	-6.80	-18.39
Net cash used in financing activities	212.68	177.54	389.81
Net increase/ (decrease) in cash and cash equivalents	**48.40**	**-53.01**	**60.16**
Balance as at beginning	46.88	95.28	42.27
Cash and cash equivalent as at year end	**95.28**	**42.27**	**102.43**
Net increase in Cash and Cash Equivalents	**48.40**	**-53.01**	**60.16**

Balance Sheet

Particulars (In Crores)	FY2023	FY2024	FY2025
Assets			
Financial Assets			
(a) Cash and Cash Equivalents	95.28	42.27	102.43
(b) Bank balance other than Cash and cash equivalents	73.79	72.96	112.34
(c) Receivables			
Other receivables	0.07	0.31	0.17
(d) Loans	568.21	815.24	1126.91
(e) Investments	7.67	14.51	29.27
(f) Other Financial Asset	20.32	24.34	21.82
Total Financial Assets	765.34	969.64	1392.94
Non-financial Assets			
(a) Current tax Assets	1.84	2.16	0.35
(b) Deferred tax Assets (Net)	-	-	-
(c) Property, Plant and Equipment	10.08	11.07	12.76
(d) Capital Work in progress(CWIP)	-	-	-
(e)Intangible Assets under development	0.00	0.08	0.05
(f) Other Intangible Assets	0.04	0.04	0.08
(g) Other non-financial assets	1.41	1.86	6.34
Total Non-financial Assets	13.37	15.21	19.58
Total assets	**778.71**	**984.85**	**1412.52**
Equity and liabilities			
Equity			
(a) Equity Share capital	18.32	19.86	20.91
(b) Other Equity	134.23	181.87	236.99
Total equity	**152.55**	**201.73**	**257.89**
Liabilities			
Financial Liabilities			
(a) Payables			
(i) Trade Payables			
total outstanding dues of MSME	0.01	0.17	0.03
total outstanding dues of creditors other than MSME	1.14	1.06	1.92
(ii) Other Payables			
total outstanding dues of MSME			
total outstanding dues of creditors other than MSME	0.01	1.17	1.35
(b) Debt Securities	23.17	5.00	27.39
(c)Borrowings (Other than Debt Securities)	592.31	753.74	1101.73
(d) Subordinated Liabilities	-	7.94	7.95
(e)Other Financial Liabilities	3.28	6.18	8.79
Total Financial Liabilities	**619.93**	**775.26**	**1149.15**
Non Financial Liabilities			
(a) Current Tax Liabilities	0.06	0.06	0.67
(b) Provisions	1.13	1.14	1.56
(c) Deferred Tax Liabilities (Net)	3.88	4.97	1.30
(d) Other non-financial liabilities	1.16	1.69	1.95
Total Non- Financial Liabilities	**6.24**	**7.86**	**5.48**
Total liabilities	**626.16**	**783.12**	**1154.63**
Total equity and liabilities	**778.71**	**984.85**	**1412.52**

Source: RHP

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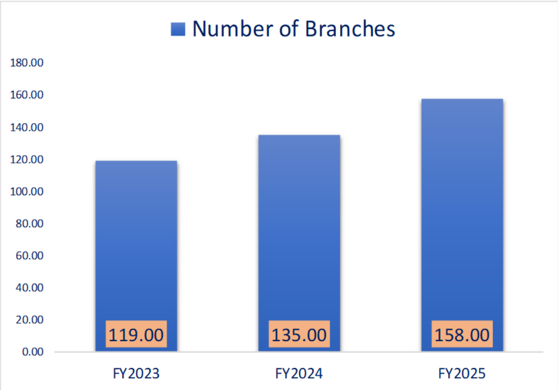
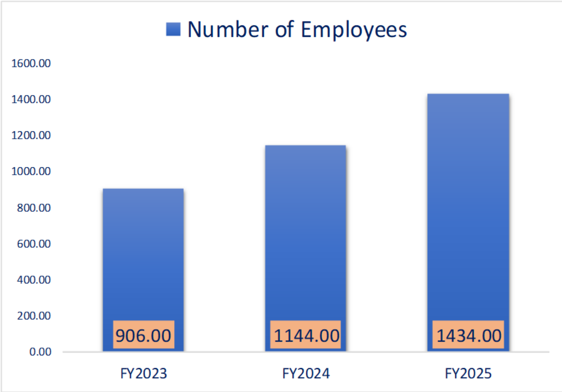
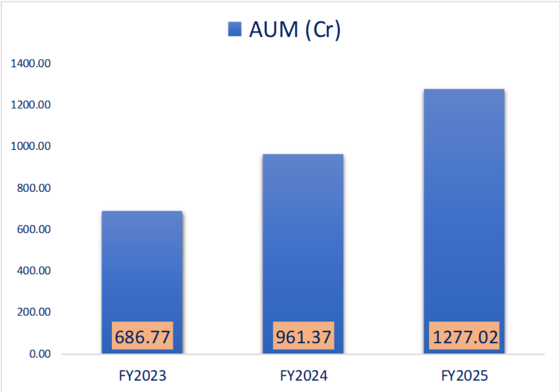
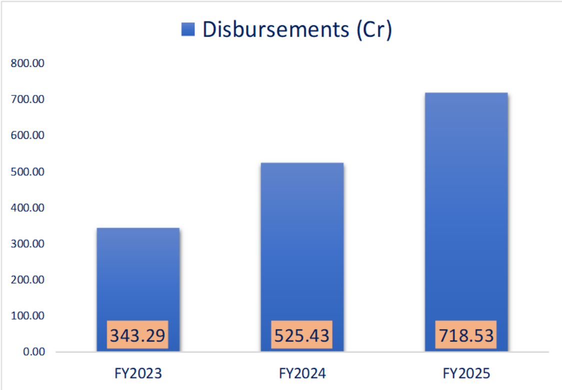
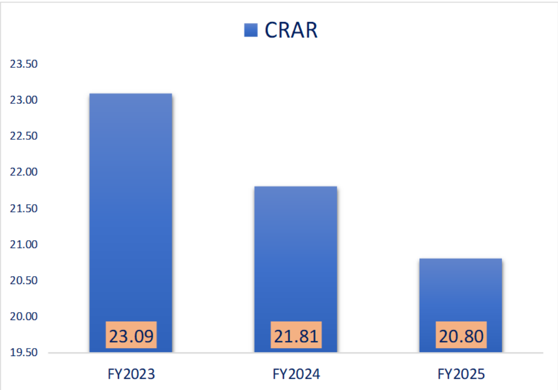
PERFORMANCE THROUGH CHARTS

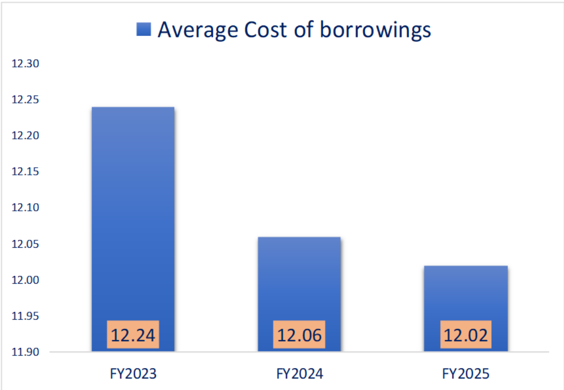


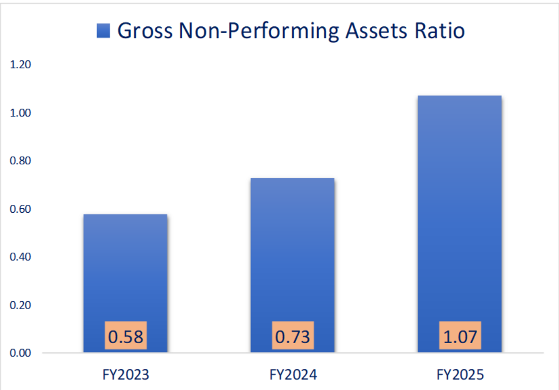


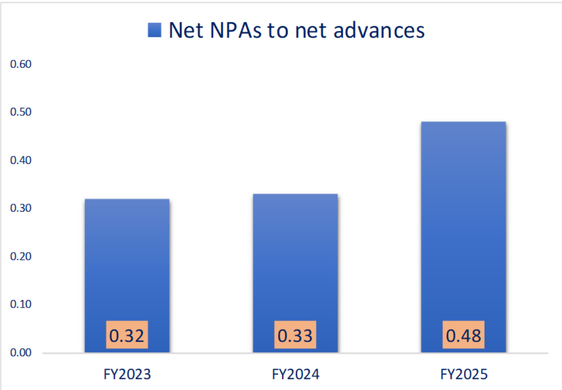












INDUSTRY REVIEW

CREDIT MARKET IN INDIA VIS A VIS OTHER MATURED MARKETS GDP

- The developed countries like United States, United Kingdom and Australia have their credit to GDP ratio in the range of 140% to 200%. The high credit to GDP ratio of developed countries can be largely attributed to their advanced financial systems and ease of access to the credit.
- The Credit to GDP Ratio in India usually ranges from 90% to 100%. As of September 2024, it stands at 93.6%, highlighting significant opportunities for increased credit penetration. With India being one of the fastest-growing economies, the expanding GDP base creates substantial room for credit growth, which can further accelerate economic development.
- Scheduled Commercial Banks (SCBs) primarily follow traditional lending patterns, leaving mid-sized and lower-rated companies underserved. This gap creates an opening for NBFCs to introduce more innovative and flexible financing solutions. By tapping into the rising demand for credit, NBFCs can enhance access to capital, particularly in rural and semi-urban areas.

CREDIT GROWTH IN MSME LENDING

- 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. The first 2 years of this period overlapped with the Covid 19 crisis and moderated the overall growth rates. The period from Sep-21 to Sep-23 witnessed higher CAGR of 13% indicating that the financial institutions started addressing the pent-up demand.
- Number of MSME borrowers has increased steadily but is still much less than the total number of MSMEs in India. This indicates that while the financial sector is improving its outreach to the MSMEs, there is still a very large segment of the market that remains underserved.
- CareEdge Research expects NBFC MSME AUM to grow at a CAGR of approx. 20% to 22% and cross Rs. 6 trillion marks by end of FY27.

TREND IN NBFCS CREDIT TOWARDS AUTO FINANCING

- In the post-Covid era there has been significant growth in automobile sales especially in the passenger and commercial vehicles segment. This has led to increase in demand for auto loans from NBFCs and other financial institutions. The retail auto financing book of NBFCs forms a significant chunk of NBFCs retail credit.
- NBFCs credit towards vehicle loans is expected to have reach Rs. 5.5 trillion as of Mar’25, indicating 15.8% y-o-y growth over Mar’24. This decline in growth can be attributed to high base of previous year, muted automobile sales and some stress in the two-wheeler portfolio.
- Post Covid-19, NBFCs have witnessed significant improvement in asset quality of their auto loans portfolio. The GNPA of auto loan segment of NBFCs improved from 6.3% in FY20 to a staggering 3.7% in FY25. This improvement in asset quality is likely to have been driven by high recoveries, reduced slippages, improved customer sentiments, and overall sustained macroeconomic activity.

COMPETITIVE STRENGTHS OF THE COMPANY

ACCESS TO DIVERSIFIED SOURCES OF CAPITAL AND EFFECTIVE COST OF FUNDS

- The company has 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.
- The company has established strong relationships with its lenders which has enabled it to maintain an average tenure of 4+ years with its top 5 lenders, secure repeat funding from 80% of lenders, and increase credit limits by 7.20% YoY with its top 5 lenders.
- The company's average costs have trended downward being 12.24%, 12.06% and 12.02% in Fiscals 2023, 2024 and 2025 respectively. It has managed to reduce the average cost of borrowing by 0.22% during Fiscal 2023 despite an increase in repo rate by the RBI, demonstrating its ability to secure cost-effective funding.

COMPREHENSIVE CREDIT ASSESSMENT, UNDERWRITING AND RISK MANAGEMENT FRAMEWORK

- The company has a credit assessment and risk management framework to identify, monitor and manage risks inherent in its operations. Credit management is crucial to business given the company's focus on underserved financial segment. As a lender, lending decisions are contingent on the company's 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. It has implemented stringent credit quality checks and customized operating procedures that exist at each stage for comprehensive risk management.
- The 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. The company serves customers in rural, semi-urban and urban markets, often lacking formal proof of income. Further, focus on collateral-backed lending and as of March 31, 2025, 98.81% of its 190-loan portfolio was secured. As of March 31, 2025, the company's secured MSME loans have an average Loan-to-Value (LTV) ratio of 43.79% while its secured vehicle loans have an average LTV ratio of 73.21%.

DEEPER REGIONAL PENETRATION IN SEMI-URBAN AND RURAL AREAS SUPPORTED BY A MIX OF DIRECT AND INDIRECT SOURCING CHANNELS

- The company has 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.
- Rural areas experienced Y-o-Y growth of 14.3% in Mar'21, moderating slightly to 11.1% in Mar'22, and then accelerating again to 15.7% and 17.5% in Mar'23 and Mar'24 respectively. As per the CARE Report, the rural and semi-urban credit market in India is significantly under penetrated, presenting a substantial opportunity for NBFCs to capitalize on this whitespace. Currently, scheduled commercial banks primarily follow traditional lending patterns, leaving mid-sized and lower-rated companies underserved. This gap creates an opening for NBFCs to introduce more innovative and flexible financing solutions
- As of May 31, 2025, the company had 1470 employees and out of these employees, 678 and 357 employees are part of its sales team and collection team, respectively. Of the above sales team employees, 614 and 64 employees focus on MSME financing and vehicle financing, respectively. In addition, the company has a tele-calling team that assists its on-ground sales teams in sourcing customers as of May 31, 2025. This team operates from Jaipur, Rajasthan.

RISK FACTORS

REGULATORY RISK

- As an NBFC, the company has to mandatorily obtain a certificate of registration issued by the RBI and comply with other regulatory requirements. The company therefore require certain statutory and regulatory approvals, licenses and, registrations for operating and expanding its business.
- The company is subject to periodic inspections by the RBI under the Reserve Bank of India Act, 1934 on its operations, risk management systems, internal controls, regulatory compliance and credit monitoring systems, pursuant to which the RBI issues observations, directions and monitorable action plans on issues related to, among other things, any operational risks and regulatory non-compliances.
- Upon final determination by the RBI of the inspection results, the company may be required to take actions specified therein by the RBI to its satisfaction. Non-compliance with observations made by the RBI during these inspections could expose the company to penalties and restrictions.

CONTROL OVER GNPA AND CAR

- Various factors that are beyond the company's control, such as macro-economic factors and adverse regulatory changes as well as customer-specific factors, such as willful default and mismanagement of a customer's operations, may cause a further increase in the level of GNPAs and have a material adverse impact on the quality of the company's loan portfolio.
- Any increase in GNPAs could adversely impact the company's credit ratings and translate into an increase in its cost of funds. Furthermore, if the level of GNPAs increases, the company will have to increase its respective provisions accordingly which may have a material adverse effect on its business, results of operations, cash flows and financial condition.

(₹ in million, except percentages)

Metric	As on March 31, 2025		As on March 31, 2024		As on March 31, 2023	
	Total Gross Loans*	% of Total Gross Loans*	Total Gross Loans*	% of Total Gross Loans*	Total Gross Loans*	% of Total Gross Loans*
30+ DPD	537.70	4.72	401.93	4.90	203.15	3.55
60+ DPD	322.88	2.83	241.91	2.95	118.61	2.07
Gross NPA (i.e., 90+ DPD)	121.83	1.07	59.71	0.73	33.28	0.58
Net NPA	54.61	0.48	27.22	0.33	18.10	0.32

NEGATIVE CASH FLOWS

- Negative cash flows from operating activities for the Fiscals 2025, 2024 and 2023 were mainly attributable to an increase in loans disbursed which represents expansion in loan portfolio of the Company. Negative cash flows from investing activities in Fiscals 2025 and 2024 were mainly attributable to purchase of investments.
- Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact the company's ability to operate its business and implement its growth plans. In order to address the potential risks of extended negative cash flows impacting its ability to meet operating expenses, the company has availed cash credit and overdraft facilities, and it regularly track and forecast cash flows in order to meet its short-term fund requirements, as and when required.

PEER COMPARISON

Name of the company	Revenue from Operations (in ₹ Cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
Laxmi India Finance Limited	248	5	8.78	61.57	15.66	18.00	2.57
MAS Financial Services Limited	1,520	10	17.48	142.50	14.71	19.11	2.34
Five Star Business Finance Ltd	2,866	1	36.61	214.13	18.6	19.77	3.38
SBFC Finance Limited	1,307	10	3.21	29.40	11.39	36.73	4.01
Ugro Capital Limited	1,442	10	15.68	222.57	8.68	11.08	0.78
CSL Finance Limited	216	10	31.64	241.21	14.18	10.28	1.35
AKME Fintrade (India) Limited	103	10	8.28	89.56	11.09	0.91	0.08
Moneyboxx Finance Limited	199	10	0.39	79.85	0.53	443.72	2.17

*Financials are of FY2025 ^ Calculated at upper price band of 158. *Calculated at closing of 22nd July 2025*

Canara Bank Securities Ltd.
(A Wholly Owned Subsidiary of Canara Bank)

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Analyst Certification

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