

Retail Research	IPO Note
Sector: NBFC	Price Band (Rs): 150 – 158
24 th July 2025	Recommendation: Subscribe*

*Risk-Return Matrix: HIGH-RISK, HIGH-RETURN

Laxmi India Finance Ltd.

Company Overview:

Laxmi India Finance Ltd. (LIFL) is a non-deposit taking NBFC specializing in extending credit to underserved MSME borrowers across rural and semi-urban India. With a network of 158 branches across five states, i.e. Rajasthan, Gujarat, Madhya Pradesh, Chhattisgarh and Uttar Pradesh; LIFL's business model is geared toward grassroots-level credit delivery. Its product mix includes MSME loans (core focus - 76%), vehicle finance (16%) and construction loans (8%). Further, LIFL focuses on collateral-backed lending, with secured loans accounting for ~98.8% of its loan portfolio as of Mar'25.

Key Highlights:

1. Strong growth in MSME financing: MSME loans form the backbone of LIFL's operations, contributing ~81% of FY25 revenue and ~76% of AUM. The MSME portfolio comprises of ticket sizes ranging from Rs 50,000 to Rs 25 lakh. The company has compounded its AUM at a 2-year CAGR of 36%, reaching Rs 1,277 cr as of FY25, well ahead of industry growth rates.

2. Access to diversified sources of capital and effective cost of funds: LIFL has maintained access to diversified and competitively priced funding. The average cost of borrowings declined from 12.24% in FY23 to 12.02% in FY25, aiding NIM expansion from 9.27% to 9.73% over the same period. This trend underscores disciplined liability management and improving lender confidence.

3. Wide rural and semi-urban reach: LIFL's branch-led distribution, complemented by Direct Sales Associates (DSAs) and digital sourcing, supports efficient last-mile credit delivery. As of May'25, its 1,470-strong team includes a sizable on-ground sales (678) and collections (357) workforce, which is critical in maintaining high asset quality in semi-formal segments.

Industry Outlook: The NBFC-MSME lending space is poised for 22–24% CAGR through FY24E-FY27E, with credit penetration expected to rise from 8.3% in FY24E to 10.7% by FY27E. This structural shift towards formal financing, aided by digitization and credit bureau penetration, provides a long growth runway for players like LIFL with rural roots and tech-enabled underwriting.

Key Risks: Tightening liquidity, regulatory compliance risks, and sector-specific stress (e.g., monsoon, inflation) may weigh on borrower servicing ability and funding access.

Valuation: LIFL's continued discipline in credit underwriting (GNPA: 1.07% & NNPA: 0.48%) and a calibrated approach to scaling make it an attractive small-size NBFC play in the expanding MSME credit opportunity. The company's credit rating has improved to 'A-' (as per Acuite Ratings) from 'BBB+' in FY22. At the upper price band of Rs 158, LIFL is attractively valued at FY25 P/BV (post-issue) of 2x. We recommend investors to SUBSCRIBE to the issue at cut-off price, however looking at the relatively smaller scale of business, investors should note that it will fit in a high risk, high-return investment matrix.

Issue Details	
Date of Opening	29 th July 2025
Date of Closing	31 st July 2025
Price Band (Rs)	150 - 158
Fresh Issue (shares)	1,04,53,575
Offer for Sales (shares)	56,38,620
Employee Reservation (shares)	1,06,928
Issue Size (Rs cr)	241 – 254
Issue Size (No. of shares)	1,60,92,195
Face Value (Rs)	5.0
Post Issue Market Cap (Rs cr)	784 – 826
BRLMs	PL Capital Markets Pvt Ltd
Registrar	MUFG Intime India Pvt Ltd
Bid Lot	94 shares and in multiples thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Augmentation of capital base to meet future capital requirements towards onward lending	177.0
Total proceeds from fresh issue	-

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	3,72,36,188	89.1
Public & Others	45,78,112	10.9
Total	4,18,14,300	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	3,15,97,568	60.5
Public & Others	2,06,70,307	39.5
Total	5,22,67,875	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	3,15,97,568	60.5
Public & Others	2,06,70,307	39.5
Total	5,22,67,875	100.0

Source: RHP, SSL Research

Financial Overview

Particulars	FY23	FY24	FY25
NII (Rs cr)	62.0	81.4	116.7
Total Income (Rs cr)	67.8	91.6	133.4
PAT (Rs cr)	16.0	22.5	36.0
AUM (Rs cr)	687	961	1,277
NIM (%)	9.3	9.2	9.7
GNPA (%)	0.6	0.7	1.1
NNPA (%)	0.3	0.3	0.5
PCR (%)	45.6	54.4	55.1
Cost to Income Ratio (%)	65.1	65.6	55.6
Credit Cost (%)	0.3	0.3	1.2
RoA (%)	2.1	2.5	3.0
Financial Leverage (x)	5.1	5.0	5.2
RoE (%)	10.5	12.7	15.7
CRAR (%)	23.1	21.8	20.8
EPS (Rs)	3.8	5.4	8.6
P/BV (x)	4.3	3.3	2.6
P/E (x)	41.4	29.4	18.3

*Note: P/E (x) and P/BV (x) are based on post-issue share capital @ upper price band

Peer Comparison – FY25

Particulars	Laxmi India Finance Ltd	MAS Financial Services Ltd	Five Star Business Finance Ltd	SBFC Finance Ltd	U GRO Capital Ltd
CMP (Rs)	158.0	332.0	727.0	114.0	175.0
NII (Rs cr)	116.7	567.3	2,098.3	778.1	331.0
PAT (Rs cr)	36.0	320.2	1,069.6	339.9	151.2
Mcap (Rs cr)	826	6,025	21,413	12,434	2,043
AUM (Rs cr)	1,277	12,100	11,877	8,747	12,003
NIM (%)	9.7	5.5	16.1	9.9	4.3
ROA (%)	3.0	3.1	8.2	4.3	2.0
ROE (%)	15.7	14.7	18.6	11.4	8.7
GNPA (%)	1.1	2.4	1.8	2.7	2.3
NNPA (%)	0.5	1.6	0.9	1.5	1.6
PCR (%)	55.1	33.6	50.8	44.9	30.4
P/BV (x)*	2.0	2.3	3.4	3.9	1.0
P/E (x)*	22.9	18.8	20.0	36.6	13.5

- For Laxmi India Finance Ltd., P/BV (x) & P/E (x) are calculated on post-issue equity capital at the upper price band.
- CMP of peer companies is closing price as of 24th July, 2025.
- Source: RHP, SSL Research.

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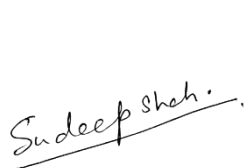
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