November 14, 2025

Lok Suvidha Finance Limited: Rating reaffirmed and outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]BBB- (Negative); rating reaffirmed and outlook revised to Negative from Stable
Long-term fund-based bank lines – Others	15.00	15.00	[ICRA]BBB- (Negative); rating reaffirmed and outlook revised to Negative from Stable
Non-convertible debentures	25.00	25.00	[ICRA]BBB- (Negative); rating reaffirmed and outlook revised to Negative from Stable
Total	**40.00**	**40.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook to Negative factors in Lok Suvidha Finance Limited's (LSFL) elevated managed gearing level and the delay in raising equity capital. The company's capitalisation remains moderate with a net worth of Rs. 60 crore (including compulsorily convertible debentures (CCDs) of Rs. 15 crore), translating into a managed gearing[1] of 7.7 times as on June 30, 2025 (7.2 times as on March 31, 2024). The equity raise, which was previously expected to be completed in FY2025, has been delayed. It will remain critical for supporting future growth and for keeping the leverage within the negative rating trigger. The company has seen a deterioration in the asset quality, leading to high credit costs. Including write-offs in the last 12 months, the 90+ days past due (dpd) increased to 6.3% as on March 31, 2025 from 5.0% as on March 31, 2024. The asset quality remains exposed to the inherent risk in LSFL's primary business (two-wheeler (2W)/e-rickshaw financing) and its modest borrower segment.

The rating continues to factor in the company's established relationships with automobile dealers, which have helped it scale up its 2W financing portfolio over the years and are likely to aid future growth. LSFL started operations in 2008 as a business correspondent (BC) and has established relationships with more than 1,000 dealers. It gradually increased its on-balance sheet lending since FY2019 and its assets under management (AUM) stood at Rs. 498 crore as on June 30, 2025 (2W financing comprised ~55% of the portfolio, followed by e-rickshaw financing at ~42%). While the scale of operations remains moderate, LSFL has an in-house digital workflow, which is likely to be beneficial for future growth.

Although the company has been expanding its dealership presence, the portfolio is geographically concentrated in Madhya Pradesh (56% as on June 30, 2025) and Maharashtra (24%). Given the moderate scale of operations, its profitability remains subdued. Going forward, an improvement in the profitability is contingent on LSFL's ability to raise capital to support growth and enhance its operating efficiency while controlling the credit costs.

Key rating drivers and their description

Credit strengths

Established relationships with dealers – LSFL, which started operations in 2008, has established relationships with more than 1,000 dealers for sourcing business over the years. It has relationships with the leading original equipment manufacturers (OEMs) of 2Ws and e-rickshaws. In FY2025, 85-88% of the business was sourced through two OEMs, i.e. Hero and Honda. LSFL

[1] *Managed gearing is defined as {Total borrowings including off-balance sheet borrowings/(Net worth + CCDs)}*

has been able to grow its AUM at a healthy pace over the years on the back of its relationship with the dealer/sub-dealer network. The AUM grew to Rs. 498 crore as on June 30, 2025 from Rs. 382 crore as on March 31, 2024. The company has developed an in-house digital workflow for loan underwriting and monitoring, which has helped in scaling up the portfolio.

Credit challenges

Capital raise critical for growth – The company's capitalisation remains moderate with a net worth of Rs. 60 crore (including CCDs of Rs. 15 crore), translating into a managed gearing of 7.7 times as on June 30, 2025 (7.2 times as on March 31, 2024). The AUM growth has been supported by BC partnerships and co-lending, which accounted for 18% and 27%, respectively, of the AUM as on June 30, 2025. LSFL bears the losses from the delinquent portfolio under its BC arrangements with a co-operative bank. Further, it has entered into co-lending arrangements with a first loss default guarantee (FLDG) of 5%. The sizeable AUM and modest net worth resulted in a high managed gearing while the on-balance sheet gearing stood at 3.8 times as on June 30, 2025. The promoters infused Rs. 3-crore equity in FY2024 and Rs. 3-crore equity in H1 FY2025. The raising of equity, which was previously expected to be completed in FY2025, has been delayed. This has kept the leverage above the negative rating trigger and ICRA will monitor the company's progress on raising capital.

Relatively weak borrower profile – LSFL's portfolio vulnerability remains relatively high on account of the inherent risks associated with 2W and e-rickshaw financing and the comparatively weaker credit profile of the borrowers with the company largely catering to the self-employed segment in Tier III/Tier II cities. Its 90+ dpd increased to 6.3%[2] of the AUM as on March 31, 2025 (5.0% as on March 31, 2024) due to overleveraging and operational challenges. The ability to maintain the asset quality and contain credit costs would be a key driver of the profitability and capitalisation.

Moderate scale and high geographical concentration in Maharashtra and Madhya Pradesh– While the AUM has been increasing, it continues to be moderate and the operations remain focussed in Maharashtra and Madhya Pradesh, leading to geographical concentration. As on June 30, 2025, Madhya Pradesh and Maharashtra accounted for 56% and 24% of the AUM, respectively. The company has expanded its operations to Uttar Pradesh and Chhattisgarh, which accounted for just 11% and 5%, respectively, of the AUM as on June 30, 2025. LSFL's business is focussed on financing 2Ws and e-rickshaws, which accounted for 55% and 42%, respectively, of the AUM as on June 30, 2025. The share of 2W financing in the overall AUM is expected to decline while the share of e-rickshaw finance is projected to increase to ~50% in the near term; the overall customer profile is likely to remain weak.

Given its moderate scale of operations, the company's profitability remained subdued with profit after tax (PAT)/average managed assets (AMA) of 1.0% in FY2025 (1.4% in FY2024 and 0.5% in FY2023). Further, it stood at 1.1% in Q1 FY2026. An improvement in the profitability is dependent on LSFL's ability to raise capital and scale up the portfolio, leading to an improvement in the operating efficiency, while controlling its credit costs.

Limited financial flexibility – LSFL's financial flexibility remains limited with the resource profile largely comprising higher-cost funding from non-banking financial companies (NBFCs). While the company has increased its BC and co-lending partnerships, its portfolio has five key lending partners at present, which have helped meet its funding requirements. LSFL's ability to maintain its relationships with its key lending partners and diversify its funding profile to raise resources at better prices would be critical for scaling up its loan book and profitability.

Liquidity position: Adequate

The liquidity position is adequate with no negative cumulative mismatches in the Statement of Structural Liquidity as on June 30, 2025, given the largely similar tenor of the loan book and borrowings. The company's unencumbered cash and bank balance stood at Rs. 3.6 crore along with a sanctioned and undrawn bank line of Rs. 3 crore as on September 30, 2025. Also,

[2] *Including YTD write-offs; 90+ dpd, excluding write-offs, stood at 2.6% as on March 31, 2025 (1.9% as on March 31, 2024)*

the expected inflow from on-balance sheet advances till March 2026 is ~Rs. 100 crore compared to on-balance sheet debt repayments of ~Rs. 112 crore during this period.

LSFL faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or they do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure. ICRA notes that the company was in breach of some financial covenants with its lenders pertaining to capitalisation and has received temporary waivers.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Stable if the company is able to improve its capitalisation profile by raising equity capital to support the business growth.

Negative factors – A delay in capital raise leading to managed gearing remaining elevated beyond 7 times, would negatively impact the rating. ICRA could also downgrade the rating if there is a material deterioration in the asset quality on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Lok Suvidha Finance Limited (LSFL), incorporated in FY2008, is a Nagpur-based public, unlisted, non-deposit taking NBFC registered with the Reserve Bank of India (RBI). The company is promoted by Mr. Nimish Laddhad, who is currently its Managing Director. It primarily finances 2Ws and also provides e-rickshaw loans.

Key financial indicators (audited)

LSFL	FY2024	FY2025	Q1 FY2026
Total income	66.6	94.7	26.9
Profit after tax	5.1	4.7	1.4
Total managed assets	419.5	510.0	533.2
Return on managed assets	1.4%	1.0%	1.1%
Reported gearing (times)	2.9	4.4	3.8
Managed gearing (times)	7.2	7.6	7.7
Gross NPA*	-	2.2%	2.4%
CRAR	25.0%	19.3%	21.1%

*Source: company, ICRA Research; Amount in Rs. crore; Q1 FY2026 financials are provisional; *LSFL started recognising non-performing advances (NPAs) at 120+ dpd w.e.f. March 31, 2025 (earlier at 180+ dpd) and continues write-offs at 180+*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Nov 14, 2025	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]BBB- (Negative)	Dec 26, 2024	[ICRA]BBB- (Stable)	Dec 08, 2023	[ICRA]BBB- (Stable)	Apr 21, 2022	[ICRA]BBB- (Stable)
			-	-	-	-	-	Mar 31, 2023	[ICRA]BBB- (Stable)
Long-term fund-based bank lines – Others	Long term	15.00	[ICRA]BBB- (Negative)	Dec 26, 2024	[ICRA]BBB- (Stable)	Dec 08, 2023	[ICRA]BBB- (Stable)	Mar 31, 2023	[ICRA]BBB- (Stable)
Non-convertible debentures	Long term	25.00	[ICRA]BBB- (Negative)	Dec 26, 2024	[ICRA]BBB- (Stable)	Dec 08, 2023	[ICRA]BBB- (Stable)	Mar 31, 2023	[ICRA]BBB- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Rating	Not applicable
Long-term fund-based bank lines – Others	Very Simple
Non-convertible debentures	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Issuer Rating**	-	NA	NA	-	[ICRA]BBB- (Negative)
NA	**Long-term fund-based bank lines – Others^**	NA	NA	NA	15.00	[ICRA]BBB- (Negative)
INE0H9607053	**Non-convertible debentures**	Nov 16, 2023	14.25%	Dec 07, 2025	7.50	[ICRA]BBB- (Negative)
INE0H9607061	**Non-convertible debentures**	Dec 08, 2023	14.25%	Jan 07, 2026	5.00	[ICRA]BBB- (Negative)
Not yet placed	**Non-convertible debentures**	NA	NA	NA	12.50	[ICRA]BBB- (Negative)

Source: Company; ^Proposed

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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