Lahoti Overseas Ltd.

Instrument	Amount	Rating Action
CC/EPC/PCFC	Rs. 5.00 crore	[ICRA]BBB(stable) reaffirmed
Term Loan	Rs. 5.45 crore (earlier Rs. 11.75 crore)	[ICRA]BBB(stable) reaffirmed
EPC/PCFC/EBD/FDBP/FUDBP	Rs. 97.00 crore (earlier Rs. 86.00 crore)	[ICRA]A3+ reaffirmed
Letter of Credit (LC)*	(Rs. 2.50 crore)	[ICRA]A3+ reaffirmed

**Sub limit within the ST Fund-based Limit of Rs. 7.00 crore of EPC from ICICI Bank.*

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced as ICRA triple B) to the Rs. 5.00-crore[1] fund-based limits and Rs. 5.45-crore (earlier Rs. 11.75 crore) term loan of Lahoti Overseas Ltd. (Lahoti or the company)[2]. ICRA has also reaffirmed the short-term rating of [ICRA]A3+ (pronounced as ICRA A three plus) to the Rs. 97.00-crore (earlier Rs. 86.00 crore) short-term fund-based limits and Rs. 2.50-crore non-fund based limits (which is a sub-limit within the fund-based limits of Lahoti). The outlook on the long-term rating is "Stable".

The ratings reaffirmation favourably factors in the significant experience of the promoters of Lahoti Overseas Ltd. (Lahoti) in the textile business, established presence of the company, spanning over two decades, and a satisfactory financial profile as reflected by the healthy net worth and moderate gearing levels of 0.64 times as on March 31, 2016.

The ratings are, however, constrained by the susceptibility of revenues to fluctuations in the prices of cotton and cotton yarn, however, with ~90% of the procurement being order-backed it mitigates the price risks to an extent. The ratings also take into consideration the geo–political risk arising out of the majority of exports to a single country, as reflected by the decline in revenues following a slowdown in demand from China, though efforts have been made in FY2016 to diversify into other Asian, European and Latin American countries. In FY2016, exports to China have reduced to ~21% of the total sales compared to ~41% in FY2015. Sales to Portugal (19% of total sales), Iran (7% of total sales), Peru (3% of the total sales), Indonesia (3% of the total sales) and Pakistan (2% of the total sales) have increased in FY2016 following the company's emphasis on diversifying exports to other geographies. ICRA also notes the susceptibility of the margins to the foreign exchange rate fluctuations, nevertheless, ~70% to 80% of the export contracts are hedged through forward contracts.

About the Company

Lahoti Overseas Ltd. (Lahoti or the company) was incorporated in 1990 and it trades in yarns, greige fabric and textured yarn. Cotton yarn accounted for 97% of the total trading sales in FY2016. The company is managed by Mr. Ujwal R. Lahoti, Mr. Umesh R. Lahoti and Mr. Aadhitiya U. Lahoti at present and has its registered office in Mumbai. Lahoti is an ISO 9001:2008-certified company. The Govt. of Maharashtra and other textile associations have awarded Lahoti for its excellence in exports. The company has also been certified by the Global Organic Textile Standard (GOTS)**,** Netherlands for dealing in 100% organic cotton products. The Lahoti Group consists of two other entities besides Lahoti Overseas Ltd. The other entities are G. Varadan Ltd. and Lahoti Spintex Ltd, both of which are non-functional and generate rental income only.

Lahoti has also ventured into the business of power generation and at present has four wind mills, each located in Rajasthan, Madhya Pradesh and two in Maharashtra and also a 2.5 MW solar power generation unit in Rajasthan. Income from power generation stood at Rs. 5.09 crore in FY2016.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Recent Results:
For the year ended March 31, 2016, Lahoti has recorded a profit before tax of Rs. 2.95 crore on an operating income of Rs. 460.57 crore.

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