

February 16, 2026

Lahoti Overseas Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/ Short term – Fund-based – Working capital facilities	107.60	107.60	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed
Short term – Non-fund based – Interchangeable	(10.00)	(10.00)	[ICRA]A3+; reaffirmed
Long term/ Short term – Unallocated	6.00	6.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed
Total	113.60	113.60	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation on the bank lines of Lahoti Overseas Ltd. (Lahoti) considers an expected improvement in the operational and financial performance of the entity over the medium term, supported by its established presence in the yarn export segment and experience of its promoters. Post witnessing flat revenue growth of 4% on a year-on-year (YoY) basis to Rs. 507.0 crore in FY2025, the company's revenues contracted by around 30% YoY in H1 FY2026, due to a decline in traded volumes exported to Bangladesh, owing to a weak demand environment. Towards mitigating the same, the entity has gradually started increasing its exports to other countries. Going forward, this is likely to support an increase in revenues over the medium term. Currently the entity generates around 44% (in FY2025) of its revenues from exports to Bangladesh. While operating margins moderated by around 264 bps to 1.0% in H1 FY2026 compared to FY2025 levels, the entity generated a one-time profit of Rs. 5.4 crore from the sale of an asset in H1 FY2026. This has supported a healthy net profit margin of 4.3% in H1 FY2026. The ratings remain supported by Lahoti's healthy financial risk profile, with TOL/TNW of 0.2 times as of September 30, 2025. The capital structure of the entity continues to be robust, aided by minimal long-term borrowing and a strong net worth of Rs. 207.7 crore as of September 30, 2025. The entity's coverage indicators stood healthy with an interest coverage of 5.5 times in FY2025. While the coverage indicators moderated in H1 FY2026 to 2.6 times, investment made by the entity in cash and liquid investment for Rs. 54.9 crore as on March 31, 2025, provides some comfort.

The ratings, however, remain constrained by the susceptibility of the entity's margins to foreign exchange rate fluctuations and volatility in the prices of cotton yarn. However, the risk related to volatility in cotton prices to an extent is mitigated by most of its procurements being backed by confirmed orders. Further, high dependence on export incentives exposes Lahoti's profitability and competitiveness in export markets to any adverse changes in export incentive structure.

The Stable outlook on the long-term rating reflects ICRA's expectation that the revenues and earnings of the entity are likely to improve over the medium term. Further, the outlook underlines ICRA's anticipation that the entity's incremental capital expenditure (capex), if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence in the yarn and fabric export segment – The company was incorporated in 1990 by the Lahoti family. The entity trades in cotton yarn and greige fabrics. The promoters have over three decades of experience in yarn exports, which has helped the entity establish a strong position in the international market.

Comfortable capital structure – The capital structure of the entity remained comfortable over the years, supported by its strong net worth position, which stood at Rs. 207.7 crore as of September 30, 2025. The gearing stood comfortably at 0.1 times as on September 30, 2025, backed by low debt levels. The liquidity position continued to be adequate, with unencumbered cash and liquid investments of Rs. 54.9 crore as on March 31, 2025.

Credit challenges

Profitability remains exposed to highly volatile cotton yarn prices; however, the risk is mitigated to some extent as most procurement is backed by confirmed orders – The entity procures yarn and fabric for trading entirely from the domestic market. Its major markets include Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Gujarat, Rajasthan and Haryana. The profitability remains susceptible to volatility in domestic cotton yarn prices compared to international prices. However, almost 90% of the procurement is order-backed, which mitigates the price fluctuation risk to an extent. Besides, high cotton yarn prices in the domestic market vis-à-vis international prices dented the operating profitability of the entity, and consequently, the coverage indicators.

Vulnerable to exchange rate fluctuations and changes in export incentive structure – While Lahoti's sales are export-oriented, the profit margins remain exposed to foreign exchange rate fluctuations. However, it has a policy of hedging around 90% of its contracts through forward contracts. Like other exporters, high dependence on export incentives exposes the entities' profitability and competitiveness in the international markets to any adverse change in the export incentive structure.

Environment and Social risks

Environmental risks: Lahoti, being a trading company is not directly affected by industry-specific risks. However, through its supply chain, it remains exposed to environmental risks, primarily through water, land use and the impact of the climate on production as well as post-consumer waste. While these risks did not have material implications so far, policy actions towards waste management and the environmental impact like recycling the textile as well as packaging waste generated could have cost implications for the companies.

Social risks: Lahoti, being a trading company, does not have a large employee base; thus, unlike other entities operating in the textile sector, the entity is not exposed to the risk of disruptions due to its inability to properly manage human capital in terms of safety and overall well-being. Further, due to the trading nature of its operations, the entity can quickly adapt to new fashion trends as a result of any major shift in consumer preferences or developments, affecting discretionary consumer spending in key markets.

Liquidity position: Adequate

The liquidity position of Lahoti is adequate, supported by free cash and liquid investments of Rs. 54.9 crore and unutilised working capital limits of around Rs. 101 crore as on March 31, 2025. The average utilisation of the sanctioned working capital limits during the last 12 months ending in December 2025 stood at around 13% of the sanctioned limits of Rs. 124.2 crore. ICRA notes that the company does not have any major debt-funded capex plan and no repayment obligation for the near term.

Rating sensitivities

Positive factors – ICRA could upgrade Lahoti’s ratings if there is a sustained growth in its scale of operations, coupled with an improvement in its profitability.

Negative factors – Pressure on Lahoti’s ratings could arise if there is any sustained pressure on the earnings or a deterioration in the working capital cycle, which would adversely impact its coverage metrics and liquidity position. Specific credit metrics that could result in a downgrade of its ratings include interest cover remaining below 3.0 on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Lahoti Overseas Ltd.

About the company

Lahoti, was incorporated in 1990 as a private limited company and later changed its status to a limited company in 1995. Since its inception, the company has been trading in cotton yarns and fabrics. It is managed by Mr. Ujwal R. Lahoti, Mr. Umesh R. Lahoti and Mr. Aadhitiya U. Lahoti. The company’s product range includes a wide variety of cotton yarns such as carded and combed ring spun yarns, ply yarns with count of 51s and above and greige fabrics. Its registered office is in Mumbai, with branch offices in Coimbatore and Bangladesh. The Lahoti Group consists of two other entities—G. Varadan Ltd. and Lahoti Spintex Ltd. Both are non-functional and only generate rental income. The company has further ventured into power generation with four windmills, one each in Rajasthan and Madhya Pradesh and two in Maharashtra. It also has a solar power generation unit in Rajasthan.

Key financial indicators (audited)

Lahoti Overseas Ltd. (standalone)	FY2024	FY2025	H1 FY2026*
Operating income (OI)	488.4	507.0	193.1
PAT	12.0	12.9	8.3
OPBDIT/OI	2.9%	3.7%	1.0%
PAT/OI	2.5%	2.5%	4.3%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	0.2
Total debt/OPBDIT (times)	0.7	0.3	6.3
Interest coverage (times)	9.5	6.2	4.3

Source: Company, ICRA Research; * Unaudited; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	FY2026		Chronology of rating history for the past 3 years								
		Amount rated (Rs. crore)	Feb 16, 2026	FY2025				FY2024		FY2023		
				Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Export bill discounting/ PCFC	Short term	-	-	-	-	-	-	-	-	-	Dec 29, 2022	[ICRA]A3+
Working capital facilities	Long/Short term	107.60	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 24, 2025	[ICRA]BBB (Stable)/ [ICRA]A3+	Sept 13, 2024	[ICRA]BB+ (Stable)/ [ICRA]A4+; ISSUER NOT COOPERATING	Jul 06, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-
Letter of credit	Short term	(10.00)	[ICRA]A3+	Jan 24, 2025	[ICRA]A3+	Sept 13, 2024	[ICRA]A4+; ISSUER NOT COOPERATING	July 06, 2023	[ICRA]A3+	Dec 29, 2022	[ICRA]A3+	[ICRA]A3+
Unallocated	Long/Short term	6.00	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 24, 2025	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-	-	Dec 29, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Working capital facilities	Simple
Letter of credit	Simple
Unallocated	Not applicable

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	Working capital facilities	NA	NA	NA	107.60	[ICRA]BBB (Stable)/ [ICRA]A3+;
NA	Letter of credit	NA	NA	NA	(10.00)	[ICRA]A3+;
NA	Unallocated	NA	NA	NA	6.00	[ICRA]BBB (Stable)/ [ICRA]A3+;

Source: Company

[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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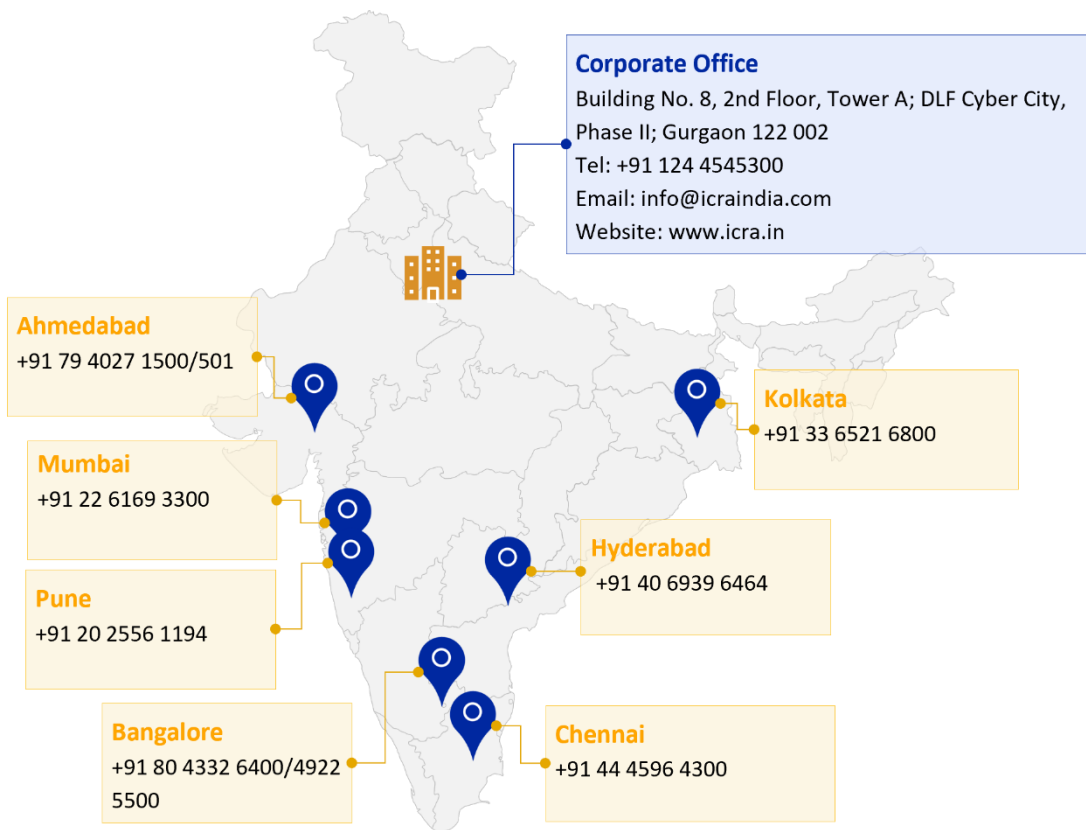
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