Lotus Ornaments Private Limited

September 05, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	9.85 (reduced from 19.79)	IVR BB/ Stable (IVR double B with Stable outlook)	IVR BB/ Stable (IVR double B with Stable outlook)	Rating reaffirmed	Simple
Short-term Bank Facilities	79.45	IVR A4 (IVR A four)	IVR A4 (IVR A four)	Rating reaffirmed	Simple
Total	**89.30 (Rupees Eighty-nine crore and thirty lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Lotus Ornaments Private Limited (LOPL) takes into account experienced promoters with long track record, established relationship with overseas customers and conservative capital structure with moderate debt protection matrices. However, these rating strengths are partially constrained due to susceptibility of profitability to volatility in raw material prices and skilled labour-intensive industry resulted in low profitability, highly regulated and competitive nature of industry, exposure to foreign exchange fluctuations and working capital intensive nature of operations.

The long-term rating outlook is Stable on the back of satisfactory demand outlook of the jewellery industry coupled with increase in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in profitability on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in liquidity

Downward Factors

- Decline in revenue and profit margin on a sustained basis
- Moderation in capital structure with deterioration of overall gearing ratio

- Deterioration in debt protection metrics and Total debt/NCA

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long track record**

The promoters have long-standing experience in production and selling of diamond-studded gold jewellery and export of the same. Currently, Mr. Sameer Shah, director, looks after day-to-day affairs of the company along with other director, Mr. Digamber B. Sawant and a team of experienced personnel. All the directors are having around two decades of experience in the same industry. This apart, the company started its operation in 2004, thus enjoying around two decades of operational track record.

- **Established relationship with overseas customers**

The Company exports jewellery to overseas customers primarily to USA, South Africa, Middle East, Hong Kong, Australia and Europe. LOPL's established relationship with its clients helps it to generate repeat orders.

- **Conservative capital structure with moderate debt protection matrices**

The company has a conservative capital structure supported by significant improvement in net worth in FY25 (provisional) (refers to period April 1st, 2024 to March 31st, 2025) with the revision in terms and reclassification of 1% redeemable preference shares into 1% non-cumulative compulsorily convertible preference shares. Resulting in substantial increase in net worth of the company to Rs. 534.92 crore as on March 31, 2025 from Rs. 114.88 crore as on March 31, 2024. Driven by improved net worth and decline in total debt, leverage ratio, reflected by, overall gearing and debt equity ratio has improved from 5.44x and 4.75x is on FY24 (refers to period April 1st, 2023 to March 31st, 2024) to 0.43x and 0.29x respectively as on FY25 (provisional). The company has moderate debt protection metrics marked by the interest coverage at 1.39x as on FY25 (provisional) end. However, Total debt/NCA, though improved in FY25, remained high at 54.53x in FY25 due to low NCA level compared to total debt. Further, total indebtedness of the company as reflected by the Total Outside Liabilities/ Tangible Net worth improved to 0.49x as on March 31, 2025 (provisional) (5.62x as on March 31, 2024) backed by increase in total net worth of the company.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices and skilled labour-intensive industry resulted in low profitability**

The company procures polished diamonds largely from the open market. Besides, the company procures gold from banks through gold metal loan and fixes the purchase price of gold on the date of selling gold which helps to mitigate risk of volatility in gold prices to an extent. Nevertheless, the profit margins for players in the G&J business remain susceptible to volatility in raw material prices. Further, G&J industry is essentially a skilled labour dominated industry where availability of skilled labour is primary requirement. With the increase in raw material price and wages coupled with low pricing power due to high competition, profit margin of LOPL remains low over the years, where EBITDA and PAT margin stood at 4.03% and 0.77% respectively during FY25 (provisional).

- **Highly regulated and competitive nature of industry**

The gems and jewellery (G&J) industry in India is highly fragmented with the presence of numerous unorganized players in addition to the large integrated G&J manufacturers leading to a high level of competition. The export-oriented G&J industry is susceptible to various guidelines by Government of India, change in taxation structure, impacting the industry.

As the company is into 100% exports, changes in economy and/or government policies of the buyer countries and domestic country, may affect the operations and thereby revenue generation of the company. For instance, during fiscal 2014, to curb the import of gold, the government introduced 80:20 rule, discontinued gold on lease scheme and modified the gold deposit scheme. Subsequently, in fiscal 2015, the gold on loan scheme was re-started and 80:20 rule was scrapped. Further, since January 2016, the government has mandated jewellers to collect PAN card for all purchases beyond Rs.2 lakh. The impact of recent tariff imposition by USA on its jewellery imports from India shall remain a key rating monitorable.

- **Exposure to foreign exchange fluctuations**

Being an EOU, the company is exposed to unexpected foreign exchange price movements, as the export realisations are generally in US$ terms. The total foreign exposure stands at ~Rs. 491 crores as on March 31, 2025. However, the risk is mitigated to some extent from hedged through derivatives.

- **Working capital intensive nature of operations**

The operations of the LOPL is working capital intensive as the company needs to procure its main raw materials i.e. gold and polished diamond mostly on advance basis or with minimum credit period and on the other hand has to extend higher credit period to its customers due to high competition in the industry. Besides, it also needs to maintain raw material inventory (mainly gold) for uninterrupted production and to reduce price volatility. The operating cycle of LOPL stood high at 553 days in FY25 (prov.) due to long collection period (448 days) and high inventory days (122 days). The company had obtained low credit period to obtain better pricing, reflected in the average creditor days (17 in FY25). The average utilisation of its working capital limit of LOPL remained high at about 90% during the past 12 months ended on April, 2025.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies.
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

LOPL has earned a net cash accrual of Rs.4.21 crore in FY25 (prov.). Further the company is expected to earn a cash accrual in the range of ~Rs.6.38 crore to Rs.8.19 crore as against its debt repayment obligations around ~Rs.1.06 crore to Rs.5.84 crore per year during FY26-28. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained high at ~90% during the past 12 months ended April 2025 indicating a low liquidity cushion. However, absence of any debt funded capex provides comfort to the liquidity position.

About the Company

Lotus Ornaments Private Limited (LOPL) was incorporated in the year 2004, as a private limited company aiming at the manufacturing and exporting of jewellery by Mr. Sameer Shah and his family members. The company is engaged in manufacturing and exporting of diamondstudded gold and platinum jewellery. The company has its office and manufacturing facility located at Santacruz Electronics Export Processing Zone, a Special Economic Zone in Mumbai. The company has a production capacity of around 3,50,000 pieces per year. LOPL imports raw materials like gold and polished diamond from domestic tariff area and also few portion from foreign countries and also exports finished jewellery to the countries like- USA, South Africa, Middle East, Hong Kong, Australia and Europe. Currently, Mr. Sameer Shah, director, looks after day-to-day affairs of the company along with other director, Digamber B. Sawant and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	643.14	492.22
EBITDA	18.69	19.85
PAT	4.22	3.79
Total Debt	624.65	229.54
Tangible Net Worth	114.88	534.92
EBITDA Margin (%)	2.91	4.03
PAT Margin (%)	0.66	0.77
Overall Gearing Ratio (x)	5.44	0.43
Interest Coverage (x)	1.42	1.39

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (July 04, 2024)	Date(s) & Rating(s) assigned in 2023-24 (June 07, 2023)	Date(s) & Rating(s) assigned in 2022-23
1.	GECL	Long Term	9.85	IVR BB/ Stable	IVR BB/ Stable	IVR BB/ Stable	-
2.	Short Term Fund Based Working capital*	Short Term	79.45	IVR A4	IVR A4	IVR A4	-

includes PC/PCFC/EPC/FBD/FBP

Analytical Contacts:

Name: Sanmoy Lahiri Tel: (033) 4803 3621 Email: s.lahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033) 4803 3621 Email: sandeep.khaitan@infomerics.com

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL I	-	-	-	July 2026	2.52	IVR BB/ Stable
GECL Ext I	-	-	-	Apr 2028	2.46	IVR BB/ Stable
GECL II	-	-	-	Jan 2026	0.80	IVR BB/ Stable
GECL Ext II	-	-	-	Apr 2027	1.24	IVR BB/ Stable
BGECL	-	-	-	Jan-2028	0.84	IVR BB/ Stable
BGECL Ext.	-	-	-	Jun-2028	0.93	IVR BB/ Stable
GECL III	-	-	-	Aug 2026	0.53	IVR BB/ Stable
GECL Ext III	-	-	-	Sept 2028	0.53	IVR BB/ Stable
PC/PCFC & FOBP	-	-	-	-	37.70	IVR A4
EBR	-	-	-	-	11.75	IVR A4
EPC/PCFC	-	-	-	-	8.00	IVR A4
FBD/FBP	-	-	-	-	14.75	IVR A4
FDBP	-	-	-	-	5.80	IVR A4
PC/PCFC	-	-	-	-	1.45	IVR A4

Annexure 2: Facility wise lender details: As per attached annexure: https://www.infomerics.com/admin/prfiles/len-lotus-sep25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.