

Samurai Tradex

October 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.61 (Reduced from 4.86)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	29.00	CARE BB-; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	0.60	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Samurai Tradex continues to be constrained on account of moderate scale of operations, thin profitability, highly leveraged capital structure, weak debt coverage indicators and elongated working capital cycle. The ratings, further, continues to be constrained on account of proprietorship nature of its constitution, fragmented nature of industry with low entry barriers along with foreign exchange fluctuation risk.

The ratings, however, continue to derive comfort from extensive experience of promoters in same line of business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income (TOI) exceeding Rs.400 crore on a sustained basis
- Improvement in capital structure marked by overall gearing below 7 times on a sustained basis
- Improvement in debt coverage indicators marked by interest coverage exceeding 1.75x on a sustained basis

Negative factors

- Significant decrease in the scale of operations below Rs.200 crore on a sustained basis
- Deterioration in debt coverage indicators marked by interest coverage fall below 1.20x on a sustained basis
- Withdrawal of capital leading to deterioration in net worth base along with any further deterioration in liquidity position with mismatched cashflows

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the rated entity is likely to achieve envisaged sales and profitability along with efficient management of working capital cycle.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations with thin profit margins

Firm's TOI remained stable at 323.13 crore in FY24 vis-à-vis 331.75 crore in FY23 due to muted demand from the export market which reduced the export from 33% FY23 to 23% in FY24 primarily in South Korea on account of reduced budgetary allocations by respective government organisations. However, the same was largely offset through increase in revenue from domestic market. Furthermore, during Q1FY25 samurai has booked net sales of Rs.91.82 crores.

The profit margins of the entity remained thin due to trading nature of business. The PBILDT margin remained at 1.52% in FY24 vis-à-vis 1.68% in FY23. Further, PAT margin remained stable at 0.64% in FY24 vis-à-vis 0.61% in FY23. The revenue and profitability margins likely to remain stable in the near term.

Highly leveraged capital structure and weak debt coverage indicators:

ST's capital structure remained highly leveraged, with overall gearing deteriorated to 19.21 times as of March 31, 2024 from 13.40 times as on March 31, 2023. This deterioration was primarily due to a rise in total debt to fund working capital needs, mainly through unsecured loans from related parties. Out of the total debt of Rs.95.57 crore as on March 31, 2024, 59% was availed through unsecured loans from related parties which has no fixed repayment terms.

The debt coverage indicators stood weak, with interest coverage at 1.58x in FY24, (vis-à-vis 1.50x in FY23). The total debt to gross current assets deteriorated to 43.50x in FY24 from 23.68x in FY23 on account of the increase in the total debt during the year.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Elongated working capital cycle:

The working capital requirements of the firm have significantly increased due to elongation in the gross current period to 109 days in FY24 from 71 days in FY23 led by increase in the collection period 52 days in FY24 as against 30 days in FY23. The increase in the debtors was primarily due to delay in the payments from the domestic customers. The inventory period has also increased to 19 days in FY24 from 12 days in FY23. On the other hand, entity receives limited credit period from its suppliers leading to creditors period stood at 13 days in FY24 (vis-à-vis 14 days in FY23). The same has led to elongation in the working capital cycle at 57 days in FY24 as against 28 days in FY23.

Fragmented nature of industry with low entry barriers along with foreign exchange fluctuation risk:

The industry is highly fragmented with large number of organized and unorganized players with low entry barriers. Also, the price of raw materials is highly volatile in nature due to vagaries of nature such as monsoon, cultivation process, etc. and government intervention such as MSP and demand supply scenario. Also, Samurai exports as well as imports its products, which makes its profitability susceptible to fluctuation in foreign exchange rates since it keeps its forex exposure unhedged.

Proprietorship nature of constitution:

Samurai's constitution as a proprietorship concern with low net worth base restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor.

Key Strengths

Experienced promoters:

Samurai Tradex (Samurai) was established as a proprietorship firm in 2019 by Mr. Rakesh Pancholi who looks after overall functioning of the firm supported by his brother Mr. Rahul Pancholi (proprietor of Rahul Agro Industries). Promoter holds an experience of more than one and half decade in trading business.

Liquidity: Stretched

The Liquidity position is stretched marked by low current ratio, moderate quick ratio, moderately high utilization of its working capital limits and tightly matched cash accruals against its debt repayments of Rs.1.66 crore respectively in FY25 and FY26. While the current ratio stood at 1.05x, its quick ratio remained at 0.92x as on March 31, 2024. The average maximum utilization of its working capital limits (fund based) stood at 75.44% during last 12 months ending June 2024. The cash-flow from operations was negative at Rs.35.65 crore in FY24 (vis-à-vis 19.88 crore in FY23).

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Ajmer (Rajasthan) based, Samurai Tradex (Samurai) was established as a proprietorship firm in 2019 by Mr. Rakesh Pancholi and commenced operations from March 2019. Samurai is engaged in trading of sesame seeds, dals and other agricultural commodities. It also exports its products to Russia, South Korea, Poland, Kenya, Turkey, Dubai and Indonesia. The entity also trades locally in Rajasthan. Samurai procures raw material locally and imports from South African countries as per requirement.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	Q1FY25(UA)
Total operating income	331.75	323.13	91.82
PBILDT	5.56	4.93	2.76
PAT	2.01	2.08	NA
Overall gearing (times)	13.40	19.21	NA
Interest coverage (times)	1.50	1.58	NA

A: Audited UA: Unaudited Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-10-2026	3.61	CARE BB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	29.00	CARE BB-; Stable / CARE A4
Fund-based - ST-Forward Contract		-	-	-	0.60	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-Cash Credit	LT/ST	29.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (04-Jan-24)	1)CARE BB-; Stable / CARE A4 (09-Jan-23)	-
2	Fund-based - LT-Proposed fund based limits	LT	-	-	-	-	1)Withdrawn (09-Jan-23)	-
3	Fund-based - LT-Term Loan	LT	3.61	CARE BB-; Stable	-	1)CARE BB-; Stable (04-Jan-24)	1)CARE BB-; Stable (09-Jan-23)	-
4	Fund-based - ST-Forward Contract	ST	0.60	CARE A4	-	1)CARE A4 (04-Jan-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Forward Contract	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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