P.D. Sekhsaria Trading Company Private Limited

April 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.00 (Reduced from 50.00)	CARE BB-; Stable	Downgraded from CARE BB; Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade of the ratings assigned to the bank facilities of P.D. Sekhsaria Trading Company Private Limited (PDST) factors declining scale of operations in FY25 (FY refers to the period from April 01 to March 31) and in 11MFY26 on account of lack of favourable trading opportunities due to volatility in raw cotton prices. The rating continues to be tempered by thin operating profitability margins owing to trading nature of business, modest net worth, product concentration risk, working capital intensive nature of operations, highly competitive nature of business, susceptibility of profit margins to linked with volatile cotton prices and exposure to regulatory risk and vagaries of nature. The ratings, however, continue to derive strength from the long-standing track record of the promoters in the cotton trading business, long standing relationship with customers and suppliers, conservative business model.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Substantial increase in scale of operations over Rs. 70 crores and maintenance of profit before interest, lease rentals, depreciation and taxes (PBILDT) margins above 4% on a sustained basis
- Improvement in operating cycle to below 80 days on a sustained basis

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in PBILDT margin to below 2% on a sustained basis
- Deterioration in overall gearing beyond 2.75x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook to the long-term ratings of PDST factors in CARE Ratings Limited (CARE Ratings) expectation that the company will continue to be benefited from experience of promoters as well as sustain a comfortable capital structure.

Detailed description of key rating drivers

Key weaknesses

Decline scale of operations as well as profitability

The scale of operation marked by total operating income (TOI) of PDST declined significantly in FY25 by 63.22% and remained small at Rs. 26.63 crore, in comparison to Rs.72.41 crore in FY24. The TOI further reduced to Rs.13.46 crore in 9MFY26(Prov.). Political instability in Bangladesh, a key hub in the cotton supply chain, has disrupted production and export activities, exacerbating ongoing supply chain bottlenecks, putting downward pressure on cotton prices. These factors, along with unpredictable weather patterns and trade uncertainties have created a tough environment for the cotton trading industry. Despite its established and long track record, the company's scale of operations remains relatively small, coupled with a modest net worth of Rs. 29.28 crore as on March 31, 2025. Relatively small net worth base limits the company's financial flexibility, especially during periods of crisis or industry downturn.

Further, as a result of decrease in scale of operations, the profitability also declined and remained low in absolute terms with PBILDT and PAT of Rs.1.51 crore and Rs.0.67 crore respectively in FY25 decreased from Rs.2.79 crore and Rs.0.93 crore respectively in FY24. Further, company's profitability remains thin, primarily due to the limited value-added nature of its trading business.

Thin profitability margins due to trading nature of business leading to weak debt coverage indicators

The company's profitability remains thin, primarily due to the limited value-added nature of its trading business. PDST profitability declined on an absolute basis in line with the decline in scale of operations and was low as PBILDT and PAT was

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Rs.1.51 crore and 0.17 crore respectively during FY25 compared to Rs. 2.79 crore and Rs.0.32 crore during FY24. Additionally, the return on capital employed (ROCE) declined and stood at 3.65% in FY25, 5.66% from FY24.
As a result of decrease in profitability in absolute terms, debt coverage indicators moderated and continued to remain weak with interest coverage of 1.16x during FY25 (P.Y. 1.35x) and high TD/GCA at 12.67 years as on March 31, 2025 (P.Y. 21.54 years).

Product portfolio concentration risk
PDST earns revenues from largely from cotton trading, this exposes the company's revenue to volatility in the production, demand, supply, and price of cotton. Furthermore, cotton trading is seasonal in nature with the peak season from December to March. The majority of sales occur during this period. In FY25, sales from cotton bales accounted for 91% of the company's TOI, increased from 67% in FY24. Thus, the profit margins of PDST are susceptible to the risks related to trading in a single commodity as well as seasonal nature of business. PDST also trades in other commodities such as comber and crude palm oil which provide diversification opportunities. However, during FY25, there we no such sales from other commodities.

Working capital intensive nature of operations
The company's export sales are primarily supported by letters of credit (LC), which are discounted through banks, while purchases are made in cash. Additionally, cotton trading is seasonal, with sales concentrated between October and May, making operations working capital-intensive. The operating cycle elongated to 470 days in FY25 (PY: 161 days) largely on account of increase in collection period which has stretched to 383 days in FY25 from 135 days in FY24. The elongation is receivables position is also supported by the fact that over 86% of the outstanding debtors as on March 31, 2025, were outstanding for more than six months. However, In absolute terms PDST's outstanding receivables stood at Rs. 18.85 crore as on March, 31, 2025 compared to Rs. 32.81 crore as on March 31, 2024.

Business operations exposed to regulatory risk and vagaries of nature coupled with presence in competitive and fragmented industrial landscape
In India, the Government controls prices of cotton under the Minimum Support Price (MSP) mechanism and also cotton cultivation is affected due to changes in the weather conditions; hence the company is exposed to fluctuations in cotton and yarn prices. The company is primarily a cotton exporter and vulnerable to regulatory restrictions on cotton exports which is linked to the demand-supply dynamics in the domestic market. PDST operates in an intensely competitive commodity business marked by large number of participants. The industry is fragmented due to weak barriers to entry and relatively low technical and capital requirements, which affect pricing power of participants.

Customer and geographical concentration risk
Reliance on select customers exposes the company to customer concentration risk, and potential risks of financial instability if a key customer reduces their orders, switches to a competitor, or faces financial difficulties. The top 5 customers contributed ~95% of total sales in FY25 vis-à-vis 57% in FY24. The entire portion of export revenue is from Bangladesh (~78% of FY25 TOI) and majorly all export sales are backed by Export LCs. It is important to note that increased exposure from customers in Bangladesh negatively impacts the company's financial stability stemming from political instability in the region. Diversification of customer profile as well as geography remains a key monitorable going forward.

Key strengths
Comfortable capital structure
The entity's capital structure stood comfortable, as marked by an overall gearing of 0.29x as on March 31, 2025 (0.69x as on March 31, 2024) owing to low utilisation of working capital limits.

Risk management measures to mitigate price and operational risks
The company as a cotton exporter is vulnerable to government interventions, such as restrictions on cotton exports and fluctuation in MSP, impacting cotton prices and demand-supply dynamics. PDST purchases cotton on a back-to-back basis and hedges commodity risk when holding inventory. The company books forward contracts as soon as an order is confirmed, thereby mitigating forex risk. To finance its exports, PDST avails a Packing Credit in Foreign Currency (PCFC) denominated in US Dollars (USD) from banks against which the forward contract is booked. The PCFC limits are naturally hedged by the USD payments received from customers. To manage counterparty risk, PDST ensures that its sales are either LC-backed, based on Cash against Documents, or secured with a 10% advance payment, with the remaining 90% paid upon presentation of shipping documents

Experienced promoters
PDST was incorporated in 1987 as an export arm of J P Sekhsaria Group, amongst leading cotton traders in India. The company thus has a track record of more than three decades in the current line of business. Currently, the company's day-to-day operations are handled by Mr. Alok Sekhsaria, having an experience of more than 2 decades.

Liquidity: Stretched
Liquidity is stretched characterized by low cash accruals and modest cash and bank balance. PDST reported low gross cash accrual of Rs. 0.67 crore in FY25. PDST had an unencumbered cash and bank balance of Rs. 5.28 crore as on March 31, 2025. However, Its current ratio and quick ration stood comfortable at 1.78x and 1.46x respectively as on March 31, 2025. While cash-flow from operations was positive at Rs.14 crore in last the FY.

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
Wholesale Trading

About the company and industry

Industry classification

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

Incorporated in 1987, P. D. Sekhsaria Trading Co. Pvt. Ltd. (PDST) is an export arm of JP Sekhsaria Group which is engaged in trading of commodities mainly cotton. The registered office of the company is situated in Bathinda, Punjab and has branch offices in Maharashtra, Telangana, Tamil Nadu & Indore. The company is engaged in trading of cotton with exports comprising majority of its sales and during. PDST is a Government of India recognized Star Export Trading House

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	11MFY26 (UA)
Total operating income	72.41	26.63	13.46
PBILDT*	2.79	1.51	
Profit after tax (PAT)	0.32	0.17	
Overall gearing (x)	0.69	0.29	
Interest coverage (x)	1.35	1.16	

A: Audited; UA: Unaudited; Note: 'the above results are latest financial results available'
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Working capital facilities		-	-	-	29.00	CARE BB-; Stable
Fund-based-Working capital facilities		-	-	-	1.00	CARE BB-; Stable

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 2025-2026	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
1	Fund-based-Working capital facilities	LT	29.00	CARE BB-; Stable	1)CARE BB; Negative (08-Apr-25)	-	1)CARE BB+; Negative (18-Mar-24)	1)CARE BB+; Stable (05-Jan-23) 2)CARE BBB-; Stable (05-Apr-22)
2	Fund-based-Working capital facilities	LT	1.00	CARE BB-; Stable	1)CARE BB; Negative (08-Apr-25)	-	1)CARE BB+; Negative (18-Mar-24)	1)CARE BB+; Stable (05-Jan-23) 2)CARE BBB-; Stable (05-Apr-22)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (05-Apr-22)

LT: Long 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-Working capital facilities	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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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