

Radix Industries (India) Limited

Instrument	Amount In Rs. Crore	Rating Action
Fund Based Limit	13.00 (revised from 10.00)	Revised to [ICRA]BB(Negative)
Non Fund Based Limit	1.00 (revised from 0.22)	Revised to [ICRA]A4
Unallocated Limit	16.00 (revised from 19.78)	Revised to [ICRA]BB(Negative) / [ICRA]A4
Total	30.00	

ICRA has revised the long term rating assigned to the Rs. 13.00 crore¹ (revised from Rs. 10.00 crore) fund based limits to [ICRA]BB (pronounced ICRA double B) from [ICRA]BB+ (pronounced ICRA double B plus) and has also revised the short term rating assigned to the Rs.1.00 crore (revised from Rs. 0.22 crore) non fund based limits of Radix Industries (India) Limited (RIIL)[†] to [ICRA]A4 (pronounced ICRA A four) from [ICRA]A4+ (pronounced ICRA A four plus). ICRA has also revised the long-term/short-term ratings assigned to the Rs 16.00 crore (revised from Rs 19.78 crore) unallocated limits of RIIL to [ICRA]BB/[ICRA]A4 from [ICRA]BB+/[ICRA]A4+. The outlook on the long term rating is also revised to Negative from Stable.

The revision of ratings and outlook to negative primarily factors in the reduced scale of operations from Rs. 55.61 crore in FY2015 to Rs. 30.13 crore in FY2016 and to Rs 2.89 crore in Q1FY2017 owing to lower demand for non-remy hair from Chinese customers and weakened debt protection metrics with interest coverage ratio at 4.97 times (reduced from 12.22 times in FY2015) and NCA/Debt at 31% (reduced from 39% in FY2015) in FY2016 owing to reduced profitability and higher interest expense. The ratings are also constrained by the deteriorated liquidity profile as indicated by increase in working capital intensity to 59%(from 43% in FY2015) for FY2016 owing to increased inventory levels maintained; RIIL's limited pricing flexibility in the intensely competitive hair processing industry pressurizes the margins and exposure to high customer concentration risk where any order volatility would impact revenue as witnessed in the last 18 months. ICRA also notes that being a fashion-oriented product, the demand for human hair is affected by the vagaries in economic scenario.

The ratings however positively factors in long experience of the promoters in the hair processing industry, easy availability of hair and cheap labour which ensures cost competitiveness of the Indian hair export industry and RIIL's established relationship with reputed clientele which ensures repeat orders supporting the business.

Going forward, the ability of the company to increase scale of operations and manage working capital requirements would remain key sensitivities from credit perspective.

Company Profile

Radix Industries (India) Limited, formerly known as Ragson Petrochem Limited (RPL), a public limited company listed in Bombay Stock Exchange and Madras Stock Exchange, was acquired by the promoters of Arqube Industries (India) Limited in 2011 (rated by ICRA at [ICRA]BB(Negative) in September 2016). RPL was incorporated in 1998 and it was earlier engaged in bottling of LPG and supplying to both domestic and commercial use. Post acquisition, the line of business was changed from storage and marketing of gas to dealing in exports of human hair, wigs & its products. Mr. Raghu Rama Raju is the managing director of the company who has more than 18 years of experience in the hair industry.

Recent Results

In FY2016, RIIL reported net profit of Rs 2.03 crore on operating income of Rs. 30.13 crore as against net profit of Rs 4.90 crore on operating income of Rs. 55.61 crore in FY2015. Further, In Q1FY2017, RIIL reported net profit of Rs. 0.13 crore on operating income of Rs. 2.89 crore as against net profit of Rs. 1.73 crore on operating income of Rs. 20.83 crore in Q1FY2016.

September 2016

¹ 100 lakh = 1 crore = 10 million

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



For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Deepak Sharma (Tel No. +91 40 4067 6523)
deepak.sharma@icraindia.com

R Srinivasan (Tel. No. +91 44 4596 4315)
r.srinivasan@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500