Radix Industries (India) Limited

Instrument	Amount in Rs. crore	Rating Action
Fund Based Limit	10.00 (enhanced from 3.50 earlier)	[ICRA]BB+ (Stable) assigned/ reaffirmed
Non Fund Based Limit	0.22	[ICRA]A4+ reaffirmed
Unallocated Limit	19.78 (enhanced from 6.28 earlier)	[ICRA]BB+ (Stable) / [ICRA]A4+ assigned/ reaffirmed

ICRA has reaffirmed the long term rating assigned to Rs. 10.00 crore* (enhanced from Rs. 3.50 crore earlier) fund based limits at [ICRA]BB+ (pronounced ICRA double B plus) and short term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to Rs. 0.22 crore non fund based limits of Radix Industries (India) Limited (RIIL)†. ICRA has also reaffirmed the [ICRA]BB+/[ICRA]A4+ ratings assigned to Rs 19.78 crore (enhanced from Rs 6.28 crore earlier) unallocated limits of RIIL. The outlook on the long term rating is stable.

The reaffirmation of the rating 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. The ratings also factor in RIIL's healthy financial profile characterized by high profitability, low gearing and moderate coverage indictors though the working capital intensity of operation remains high as reflected by high utilization of working capital limits. However, the rating continues to be constrained by RIIL's exposure to high customer concentration risk where any order volatility would impact revenue and foreign exchange fluctuation risk owing to dependence on export though the company enters into forward contract for significant portion of its receivables. ICRA notes that being a fashion-oriented product, the demand for human hair is affected by the vagaries in economic scenario.

Going forward, the ability of the company to grow its business by managing its working capital requirement 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+ (Stable) in August 2015). 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.

Recent Results

In FY 2015, RIIL reported net profit of Rs 4.90 crore on operating income of Rs. 56.00 crore as against net profit of Rs 1.48 crore on operating income of Rs. 23.54 crore in FY 2014.

August 2015

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* *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.*

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