

## Rajoo Engineers Limited

September 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE A- (RWD)	Placed on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	32.00	CARE A- / CARE A2+ (RWD)	Placed on Rating Watch with Developing Implications
Short Term Bank Facilities	15.00	CARE A2+ (RWD)	Placed on Rating Watch with Developing Implications

Details of facilities in Annexure -1

### Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed the ratings assigned to the bank facilities of Rajoo Engineers Limited (REL) on 'Rating watch with developing implications' (RWD) considering the recent announcement by the company related to acquisition of an entity engaged in manufacturing of machinery catering to various industries. REL has executed a Definitive Agreement on September 10, 2025, with the target entity, however, no additional details have been disclosed by REL due to confidentiality of terms of agreement. CareEdge Ratings will continue to monitor the developments and assess the impact on operational and financial performance of the company once more clarity emerges on the same.

The ratings assigned to the bank facilities of REL continue to derive strength from its established presence in the plastic extrusion machinery industry marked by track record of more than three and a half decades, wide product offering, diversified geographical presence and experienced promoters. The ratings also factor in the company's healthy profitability, comfortable solvency position marked by net debt-free position, comfortable debt coverage indicators, and adequate liquidity.

The ratings, however, continue to be constrained by REL's growing albeit moderate scale and working capital-intensive nature of operations, susceptibility of profitability to fluctuation in raw material prices and foreign exchange rates, vulnerability to inherent cyclical demand from end-user plastic industry, technology obsolescence risk and presence in a competitive engineering capital goods industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant increase in scale of operations supported by diversification of product portfolio along with improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 15% on sustained basis.
- Improvement in operating cycle below 90 days.

#### Negative factors:

- Decline in scale of operations with total operating income (TOI) less than Rs.130 crore on sustained basis.
- Deterioration in the capital structure marked by overall gearing ratio above 1.00x on sustained basis.
- Elongation in operating cycle beyond 180 days.

### Analytical approach: Standalone

### Detailed description of the key rating drivers

#### Key strengths

##### Experienced and qualified management

Rajesh N. Doshi, Co-founder and Chairman of the company holds vast experience and looks after new product development and mentoring top management team of the company. Khushboo Doshi, Managing Director, oversees marketing, after-sales service, communication, human resources, and finance. Utsav Doshi, Jt. Managing Director possesses more than one decade of experience and handles manufacturing function. Sunil Jain, Executive Director, BE Honors (Mechanical, BITS Pilani) has been associated with REL since its inception and handles business development function. Furthermore, REL has well-qualified and experienced second-tier management with well-defined roles and responsibilities.

### Established track record of operations with diversified geographical presence

Incorporated in 1986 as a manufacturer of plastic extrusion machinery, REL has a long operational track record of more than

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

three and a half decades in this industry. With its long track record, it has established presence in the industry and has developed good relationship with its customers as well as suppliers. It has a wide product basket which includes monolayer machines, multi-layer machines, lamination lines, vacuum forming and sheet manufacturing machines among others. Furthermore, revenue profile of REL is geographically diversified marked by export sales forming ~50% of its TOI in the last five years ended FY25. REL exports to more than 40 countries with major focus on Africa, Gulf and South Asian Association for Regional Cooperation (SAARC) region. In case of export sales, REL prefers sales against advance payment or letter of credit. Moreover, the customer base of the company remained diversified with top 10 customers accounting for ~35% of its TOI in FY24 [~36% in FY23]. Being in the capital goods industry, its top customer base keeps on changing based on capex plans at the customers' end.

### **Healthy profitability**

REL commands healthy profitability owing to technical nature of its operations coupled with its placement in niche industry segment. Operating profit of the company as marked by its PBILDT margin improved in FY25 as well as in Q1FY26 as the company benefited from higher order execution translating into better economies of scale coupled with better product mix as well as increasing export sales proportion.

REL's PBILDT margin, and subsequently, PAT margin improved by 480 bps and 393 bps Y-o-Y to 18.44% and 13.90% respectively in FY25 [PY: 13.73% and 9.22% respectively]. In Q1FY26, PBILDT margin and PAT margin improved by 777 bps and 638 bps Y-o-Y to 21.83% and 16.88% respectively [Q1FY25: 14.06% and 10.50% respectively].

### **Comfortable solvency with net debt free position and comfortable debt coverage indicators**

REL's capital structure remained comfortable owing to its low reliance on debt for working capital and capex purposes against moderate net worth base of Rs.152 crore as on March 31, 2025. Moreover, REL had liquid funds available in excess of total outstanding debt, resulting in net debt free position over last five years ended FY25. TOL/TNW also remained at comfortable level of 1.04x as on March 31, 2025, though it increased marginally from 0.95x as on March 31, 2024 due to high customer advances.

REL has executed a definitive agreement for acquisition of an entity (engaged into manufacturing of machines catering to various industries) on September 10, 2025. The company has not disclosed any further details due to confidentiality of terms of agreement and would disclose the upon completion of entire transaction. REL has raised Rs.160 crore through preferential issue to QIP and the same would be utilized for this acquisition and no debt would be availed by the company for the same, as per management articulation.

With minimal reliance on debt, debt coverage indicators of the company remained comfortable marked by PBILDT interest coverage ratio of 50x [Q1FY26: 124x] and total debt to gross cash accruals (TD/GCA) of 0.07x in FY25.

CareEdge Ratings expects REL's capital structure and debt coverage indicators to remain comfortable in medium in absence of any planned major debt-funded capex.

### **Key weaknesses**

#### **Moderate scale of operations with high working capital intensity**

REL is engaged in manufacturing of plastic extrusion machines i.e. capital goods segment, hence, exhibits fluctuating trend in its TOI with Q-o-Q variation in receipt of order and execution. REL's TOI grew by 28% Y-o-Y to Rs.254 crore in FY25 (PY: Rs.198 crore) on the back of availability and execution of more orders and consequently, its TOI grew by 87% Y-o-Y to Rs.85 crore in Q1FY26 (PY: Rs.51 crore).

The company's operations are working capital intensive in nature mainly due to requirement of high inventory holding to cater to various products. Lead time of machines is six to seven months resulting in inventory holding period of around 140-180 days. Furthermore, machine delivery is linked to the project status at client site and hence till then, same would be under work in process (WIP) of REL. The collection period remained short and in the range of 20-30 days as it mainly takes orders against advance payment/Sight letter of credit (LC). Against this, REL receives credit period of around 45-90 days from its suppliers. The operating cycle elongated from 157 days in FY24 to 179 days in FY25 mainly on account of increase in WIP inventory holding period from 58 days in FY24 to 106 days in FY25 to support high order execution. Despite high working capital intensity, working capital borrowings remained low as it is largely funded through customer advances and internal accruals.

#### **Vulnerability to inherent cyclicity in demand from end-user industry, technology obsolescence risk and presence in competitive industry**

REL's customers are mainly from the plastic packaging industry and the addition of new facilities or expansion of the existing facilities by these players is dependent on consumer demand and the country's economic condition. REL's fortunes are thus tied

to the capital expenditure cycle in the plastic industry.

Plastic extrusion machinery segment is highly competitive characterized by presence of large established players along with competition from overseas players with established brand names. Moreover, REL operates in a technology-intensive segment and timely updation to emerging technology becomes inevitable, hence, there is inherent technology obsolescence risk associated with this industry.

#### **Susceptibility of profitability to fluctuation in raw material prices and foreign exchange rate**

The key raw materials required in manufacturing of machines are stainless steel (SS), mild steel (MS) and SS/MS parts, which REL procures from the domestic market whereas it imports the automation parts (i.e. control panel etc.). Steel prices are volatile in nature exposing the profitability to fluctuation in raw material prices. However, the same is partially mitigated as REL has order-backed manufacturing and it books major raw material post receipt of orders.

REL generates around 40-50% revenue through exports and imports around 15-25% of its raw material which provides natural hedge to some extent. For balance unhedged portion, in absence of any active hedging policy, REL's profitability is susceptible to adverse foreign exchange rate fluctuations. The company has registered forex gain of Rs.0.75 crore in FY25 as against Rs.0.60 crore in FY24.

#### **Liquidity: Adequate**

REL's liquidity was adequate marked by sizable liquid funds, healthy cash flow from operations (CFO) coupled with low utilization of working capital limit as well as moderate cash accruals as against low scheduled debt repayment obligations.

The company holds liquid funds to the tune of Rs.90 crore as on March 31, 2025 which increased from Rs.34 crore as on March 31, 2024 supported by increased operating profit and high receipt of customer advances. REL has generated net cash accruals of Rs.38 crore in FY25 [Rs.16 crore in Q1FY26] against negligible long term debt obligation in form of lease liabilities outstanding as on March 31, 2025. As per verbal confirmation from bankers, average utilization of fund-based working capital facilities remained negligible in trailing 12 months ended in August 2025.

**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](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

#### **About the company and industry**

##### **Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

##### **About the company**

Incorporated in 1986 by C.N. Doshi and R.N. Doshi, REL (CIN: L27100GJ1986PLC009212) is engaged in the manufacturing of plastic extrusion machinery. The company designs in-house extrusion machinery and offers customized solutions as per customers' specific needs. REL sells its products in the domestic market as well as exports to more than 40 countries. REL sells its products under the brand name 'Rajoo' and operates through its sole manufacturing facility at Shapar, Rajkot (Gujarat) with a built-up area of 20,000 sq. mtrs.

In 2011, REL entered into a joint venture (JV) with Italy-based Bausano & Figli SPA (B&F) and formed a JV entity named Rajoo Bausano Extrusions Private Limited (RBEPL) to manufacture Polyvinyl chloride (PVC) pipe extrusion machinery as well as wooden plastic composite (WPC) profile and board lines. The Doshi family has also set up associate concern named Essen Speciality Films Limited (ESFL; Rated: CARE BBB+; Stable / CARE A2) which is engaged into manufacturing of ethylene vinyl

acetate (EVA) and low-density polyethylene (LDPE) based articles for various applications in bathroom, kitchen & dining, home décor etc.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	197.63	253.90	85.07
PBILDT	26.96	46.83	18.57
PAT	19.71	35.30	14.36
Overall gearing (times)	0.01	0.00	NA
Interest coverage (times)	40.56	50.36	123.80

A: Audited; UA: Unaudited; NA: Not available. 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	-	-	-	31/03/2030	20.00	CARE A- (RWD)
Fund-based - LT/ST-Cash Credit	-	-	-	-	32.00	CARE A- / CARE A2+ (RWD)
Non-fund-based - ST-Letter of credit	-	-	-	-	15.00	CARE A2+ (RWD)

#### 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 - LT/ST-Cash Credit	LT/ST	32.00	CARE A- / CARE A2+ (RWD)	-	1)CARE A- ; Stable / CARE A2+ (03-Jan-25)	1)CARE A- ; Stable / CARE A2+ (02-Jan-24)	1)CARE A- ; Stable / CARE A2+ (06-Dec-22)
2	Fund-based - LT-Term Loan	LT	20.00	CARE A- (RWD)	-	1)CARE A- ; Stable (03-Jan-25)	-	-
3	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A2+ (RWD)	-	1)CARE A2+ (03-Jan-25)	-	-

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	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

To view 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](mailto:care@careedge.in) for clarifications.

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### About us:

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