

Rajoo Engineers Limited

Instrument	Amount Rated	Rating Action
Cash Credit*	Rs. 19.50 crore	[ICRA]BBB+ (Stable); reaffirmed
Export Packaging Credit*	(Rs. 16.50 crore)	[ICRA]A2; reaffirmed

* Sub limit of Cash Credit Limits

ICRA has reaffirmed the long term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) assigned to the Rs. 19.50 crore¹ cash credit limits of Rajoo Engineers Limited (REL)². ICRA has also reaffirmed the short term rating of [ICRA]A2 (pronounced ICRA A two) for the Rs. 16.50 crore export packing credit limits (sublimit of export packaging credit) of REL. The outlook on the long-term rating is 'Stable'.

The ratings reaffirmation continues to reflect REL's healthy financial risk profile marked by adequate liquidity position, healthy return indicators and comfortable gearing and debt coverage indicators. The ratings continue to favorably take into account the longstanding experience of the promoters in the plastic extrusion machinery. The ratings are also supported by the company's wide ranging product portfolio and its competitive advantage arising from technological tie-ups with the international entities providing access to the latest technology.

The ratings are, however, constrained by the exposure of company's profitability to any adverse fluctuations in foreign exchange rates and volatility in raw material prices. The ratings also consider the increasing competitive pressures both from organized and unorganized players in the domestic market and import threat from Germany, Italy and China as well as the regulatory risks attached with the ban on plastic packaging.

ICRA expects moderate growth in REL's scale of operations in FY2017 supported by rising export orders and development of new product lines, though current domestic economic scenario and ban on plastic packaging may impact the order inflow from the domestic market in the near term. The gearing, as on March 31, 2016, stood comfortable at 0.18 times and the capital structure is expected to remain comfortable because of healthy accruals, moderate working capital intensity, low dependence on external borrowings and absence of any major debt-funded capex. Going forward, the ability of the company to grow its order book and maintain healthy credit metrics will remain critical from the credit perspective.

Company's Profile

Incorporated in 1986, Rajoo Engineers Limited (REL), promoted by Mr. C.N. Doshi and Mr. R.N. Doshi, is engaged in manufacturing of plastic extrusion machinery at its plant located Veraval (Shapar), Dist. Rajkot, Gujarat. The machinery finds application in the flexible packaging industry. The company designs and manufactures the machines and offers customized solutions as per customers' requirement. Its current product portfolio includes a wide range of extrusion machinery consisting of mono and multilayer blown film lines, sheet extrusion lines, thermoforming machines, non-woven fabric machines, Polyvinyl Chloride (PVC) pipeline machines, drip irrigation machines and wooden plastic composite (WPC) machines which can process a wide range of polymers.

REL entered into a Joint Venture with Bausano & Figli, Italy in 2011 and incorporated Rajoo Bausano Extrusions Private Limited (RBEPL) with shareholding of 49:51 (REL : RBEPL) to achieve proficiency in PVC pipeline machinery and develop wooden plastic composite (WPC) manufacturing machinery.

Recent Results

For the year FY 2016, the company reported an operating income of Rs. 106.80 crore and profit after tax of Rs. 4.57 crore as against an operating income of Rs.116.67 crore and profit after tax of Rs 5.25 crore during FY 2015. At consolidated level, REL reported an operating income of Rs. 115.12 crore and profit after tax of Rs. 5.48 crore as against an operating income of Rs.120.12 crore and profit after tax of Rs 5.35 crore during FY 2015.

December 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating definition, please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications



For further details please contact:

Analyst Contacts

Mr. Subrata Ray (Tel No +91-22-6114-3408)
subrata@icraindia.com

Mr. Sanket Thakkar (Tel No +91-079-40271528)
sanket.thakkar@icraindia.com

Relationship Contacts:

Jayanta Chatterjee (+91 80 4332 6401)
jayantac@icraindia.com

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**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**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