

March 04, 2025

Reitz India Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based- Cash credit	13.00	15.00	[ICRA]BBB+(Stable); reaffirmed and assigned for enhanced amount
Short term – Non-fund based	40.50	84.50	[ICRA]A2; reaffirmed and assigned for enhanced amount
Long term/Short term- Unallocated limits	1.00	0.00	-
Total	54.50	99.50	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings of Reitz India Limited (REIL) factors in its established track record in the industrial fan industry, along with the technical support from Konrad Reitz Ventilatoren GmbH of Germany (Konrad Reitz) that has an experience of over six decades and REIL's prominent brand position across the globe. The financial profile is healthy, characterised by steady revenue growth, stable profits, a comfortable capital structure and strong coverage indicators. The revenue growth is expected to continue in the near to medium term, evident from a growing order book position.

The company's comfortable order book of ~Rs. 294 crore as on January 31, 2025, a strong pipeline of orders (i.e., 1.2 times of FY2024 revenues) with a short execution timeline and the favourable order intake in FY2024 as well as the current fiscal following the expansion plans by select end-user industries offer comfort. The ratings also consider the company's established relationships with reputed customers across the cement, steel, power and oil and gas industries, resulting in repeat orders over the years.

The ratings are constrained by high segmental concentration with majority of the revenues derived from customers in the cement industry, which accounted for 57% of the total revenues in FY2024. The receivable cycle remains elongated with ~13% of the receivables pending for more than 180 days as on December 31, 2024, though the company has made provision against the same to a certain extent. REIL's revenues and margins are also vulnerable to intense competition in the industry and volatility in demand.

The Stable outlook on the rating reflects ICRA's expectation that REIL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record in industrial fan industry and collaboration with Konrad Reitz – REIL has an established track record of more than two decades in the industrial fan industry, catering to various industries and geographies. Konrad Reitz, its shareholder and one of the leading manufacturers of industrial fans in the world, provides manufacturing and technical expertise. REIL primarily caters to India, the UAE and Singapore and has developed strong competence, especially for products in the cement industry.

Reputed customer profile – The company manufactures customised products and has established relationships with reputed players, reflected in the repeat orders over the years. Its clientele includes leading players in the cement industry such as FL Smidth Ltd, UltraTech Cement Ltd, Shree Cement Ltd, Humboldt Wedag India Pvt Ltd, ACC Ltd, Ambuja Cement, etc, and other reputed players in the steel, power, and oil and gas segments. The domestic market accounted for ~78% of its revenues in FY2024. REIL also exports to markets such as the UAE and Singapore through its subsidiaries. The customer concentration is moderate with the top 10 customers accounting for 50% of the revenues in FY2024, which is mitigated by repeat orders.

Healthy revenue growth and favourable demand prospects, evident from healthy order book position – REIL witnessed a healthy scale-up in its revenues to Rs. 253.28 crore in FY2024 compared to Rs. 208.07 crore in FY2023 on the back of a strong order inflow with the addition of customers across sectors and repeat orders. The company had a comfortable order book position of ~Rs. 294 crore as on January 31, 2025. Also, the key players in the end-user industries, such as cement and steel, are undertaking expansion, factoring in the healthy medium-term demand growth prospects.

Comfortable financial risk profile – The company's financial profile is comfortable with low gearing of 0.1 times as on March 31, 2024, and the debt primarily comprising working capital borrowings. The coverage indicators are comfortable, reflected in interest coverage of 13.02 times (P.Y. 15.68 times), total debt/OPBITDA of 0.33 times (P.Y. 0.24 times) and NCA/total debt of 190% in FY2024. REIL's credit metrics and profitability indicators are likely to remain comfortable over the medium term with a healthy growth in revenues, profits and cash accruals, driven by favourable demand prospects and expansion to the foreign markets.

Credit challenges

High segmental concentration – The company has high segmental concentration as majority of its revenues are derived from the cement industry. The cement industry contributed around 57% to the total revenues in FY2024 and 61% in 10M FY2025. As per the current order book position, the orders from the cement industry account for ~27% of the total order book position as on January 31, 2025, followed by the steel and power industries. Going forward, the cement industry will continue to be the major revenue driver for REIL. Nevertheless, established relationships and repeat orders from its customers mitigate the risk of high customer concentration to an extent.

Higher receivables impacting cash flows – The company has high receivables as payments from a client in Southeast Asia for previously executed orders have been delayed. Around 13% of the total receivables as on December 31, 2024, have been pending for more than six months. The company has made provisions to an extent and continues to focus on timely collections.

Exposed to intense competition in industry and volatility in demand – Despite REIL's established market position, it is exposed to intense competition with the presence of various organised and unorganised players in the industry. The demand is volatile owing to the cyclical nature of the capital expenditure and investments in the end-user industries, impacting the company's revenues and profitability, as witnessed in the past.

Liquidity position: Adequate

REIL has an adequate liquidity profile, reflected in sufficient cushion in working capital limits and comfortable unencumbered cash balance of Rs. 12.19 crore as on December 31, 2024. The absence of any major repayment obligations is expected to support the company's liquidity position. However, the capex plan of Rs. 12 crore for expansion during FY2025 and FY2026, which will be funded through internal accruals, may exert some pressure on the liquidity, although it will continue to be comfortable.

Rating sensitivities

Positive factors – ICRA could upgrade REIL's ratings if the company shows a significant scale-up of operations along with a diversification in the end-user industry and improvement in the profitability and net worth on a sustained basis.

Negative factors – ICRA could downgrade REIL’s ratings if the revenues or profitability decline, resulting in a significant reduction in cash accruals. Any elongation in the working capital cycle weakening the liquidity will also affect ratings. Additionally, an interest coverage of less than 4.0 times, on a sustained basis, may trigger a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

REIL, incorporated in 1998 as Reitz Turbovent Ltd, is a 50:50 Indo-German joint venture between Konrad Reitz Ventilatoren GmbH, Germany, and Mr. Prasad Rao and his family members. In FY2021, Reitz Holding GmbH & Co KG sold its stake to Mr. Prasad Rao and his family members, and Reitz’s stake reduced to 11.9% from 50%. REIL is involved in the manufacturing of industrial fans, catering to diverse industries such as cement, steel, oil and gas, power, fertilisers and chemicals. Konrad Reitz, which is one of the leading fan manufacturers in Germany, provides technological support to REIL. REIL’s manufacturing facility is at Patancheru, Hyderabad, with regional offices in Bengaluru, Chennai, Kolkata, Mumbai and New Delhi. Reitz Southeast Asia and Reitz Middle East are REIL’s wholly-owned subsidiaries based in Singapore and the United Arab Emirates, respectively.

Key financial indicators (audited)

REIL-Standalone	FY2023	FY2024	9M FY2025*
Operating income	208.1	253.3	157.8
PAT	17.6	19.1	7.2
OPBDIT/OI	12.8%	12.0%	9.0%
PAT/OI	8.5%	7.5%	4.6%
Total outside liabilities/Tangible net worth (times)	0.9	0.6	0.9
Total debt/OPBDIT (times)	0.1	0.1	0.2
Interest coverage (times)	15.7	13.0	8.6

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
		Amount rated (Rs. crore)	March 04, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	15.00	[ICRA]BBB+ (Stable)	Jan -19-24	[ICRA]BBB+(Stable)	Nov-25-22	[ICRA]BBB+ (Stable)	Oct- 07-21	[ICRA]BBB (Positive)
Non-fund based facility	Short term	84.50	[ICRA]A2	Jan -19-24	[ICRA]A2	Nov-25-22	[ICRA]A2	Oct- 07-21	[ICRA]A3+
Unallocated limits	Long term /Short term	0.00	-	Jan -19-24	[ICRA]BBB+(Stable)/ [ICRA]A2	Nov-25-22	[ICRA]BBB+(Stable)/ [ICRA]A2	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based- Cash credit	Simple
Short term – Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit facility	NA	NA	NA	15.00	[ICRA]BBB+ (Stable)
NA	Non-fund based facility	NA	NA	NA	84.50	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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