E. I. T. A. India Limited

February 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	40.00	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	6.50	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of E.I.T.A. India Limited (EITA) continues to derive strength from its experienced promoters, the company's long track record in transport and logistics industry, established client base, and logistics infrastructure. Ratings also derive strength from its comfortable capital structure and significant amount of support extended by promoters in form of unsecured loans to meet working capital requirement.
However, ratings continue to remain constrained due to moderation in financial performance in FY24 due to under absorption of fixed overheads (overheads pertaining to fleet business are in the process of being shifted to another promoter entity, EITA Logistics Ltd [ELL], in FY25, while revenue booking has begun from FY24 onwards). CARE Ratings Limited (CARE Ratings) takes note of improvement in operating margins in H1FY25 due to shifting of overheads to ELL as mentioned earlier. Ratings also factor in exposure to fuel price volatility, dependence on economic growth and intense competition in industry and working capital intensive operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Company's ability to retain existing clients and add new clients to its portfolio.
- Increasing scale of operations and improving operating margin (profit before interest, lease rentals, depreciation, and taxation [PBILDT] margin > 5%) on a sustained basis.
- Improving capital structure with overall gearing below 0.75x.

Negative factors

- Declining scale of operations and profitability margin (PBILDT margin < 2.5%) on a sustained basis.
- Significantly deteriorating in gross operating cycle.
- Deteriorating capital structure with overall gearing going above 1.5x.

Analytical approach: Standalone.

Outlook: Stable

CARE Ratings believes EITA will continue to benefit from promoter's extensive experience in same line of business and expects profitability margins to increase in medium term despite marginal dip in scale of operations due to segregation of business to associate companies.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and company's long track record in transport and logistics industry

EITA is managed by a five-member Board, with two members belonging to promoters' family (including Arvind Kumar Lohia). Company's day-to-day affairs are looked after by Arvind Lohia (MD), a management graduate from IIM Kolkata, having an experience of over three decades in transport and logistics industry. He is supported by a team of experienced professionals. EITA was set up in 1955 as a partnership firm and has an established track record of over six decades in the industry.

Established client base and logistics infrastructure

EITA provides integrated operation, warehousing, and transportation services per customer requirement. Apart from full truck load (FTL) and less-than-truck load (LTL) transportation services, EITA also provides third-party logistics (3PL) and supply chain solutions (SCS) to its established and large client base. Over last few years, EITA has been majorly focusing on providing FTL and

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

LTL services. It derives majority of its revenues from industries such as paint, tyre, paper, white goods, glass, and liquor. EITA has a long-standing relationship with various reputed clients, from which it has been receiving regular orders. Most of these clients are leading companies in respective sectors with strong credit profiles, and hence, the counter party risk is low. EITA derived ~34% of its total sales from its top 10 customers in FY24 and ~40% of its total sales in H1FY25 indicating moderate client concentration risk. EITA's operation is backed by comprehensive infrastructure, which constitutes a network of over 140 inter-connected offices, a fleet of ~2000 trucks (of which ~80 trucks are owned by EITA, while the rest are hired), including a dedicated fleet of specialised vehicles and in-house tracking and monitoring software packages.

Comfortable capital structure

The capital structure witnessed improvement from 1.04x on March 31, 2023 to 0.85x as on March 31, 2024, backed by gradual repayment of term loans. CARE Ratings observes, going forward, the gearing level is expected to improve as there is no further capex planned in EITA.

There has been slight moderation in the debt protection metrices in FY24 owing to moderation in profitability margins during the year. Total debt/gross cash accruals (GCA) witnessed moderation from 7.58x in FY23 to 13.01x in FY24, whereas interest coverage ratio was recorded at 1.92x for FY24 (FY23: 2.23x).

Corporate guarantee (CG) given by the company to vehicle loans taken from Kotak Mahindra Bank by ELL has been removed in current financial year (FY). Currently, there in one CG given to lease rental discounting (LRD) loan availed by Abhinandan Investment Pvt Ltd amounting to ₹7.6 crore (o/s ₹6.6 crore). The same is in the process of getting removed since escrow account has already been opened to route rental income and routing of rental is expected to start shortly as articulated by the lender. The company has given CG of ₹1.5 crore to cash credit limits of EITA Logisolutions Limited (ELSL) to CC facility given by ICICI Bank and the same is expected to continue.

Key weaknesses

Moderation in financial performance in FY24 despite improvement in H1FY25

The company is in process of segregating its business and has started shifting its different divisions of transportation business to two group entities Eita Logistics Ltd (ELL) and EITA Logisolutions Limited (ELSL) from FY24 onwards. The same is expected to improve the profitability margin owing to optimum utilisation of fleets and proper distribution of overheads. ELL has fleet of his own and is primarily focusing on RM handling for fast moving consumer goods (FMCG) companies, whereas ELSL is following asset light model and running through hired fleet, while focusing on small material movement on specific routes.

Although the revenue started shifting from FY24 onwards to ELL, the overhead expenses still remained in EITA. As a result, the turnover of the company moderated to ₹589 crore in FY24 from ₹603 crore in FY23, whereas PBILDT margin also witnessed a moderation to 2.25% from 2.30% in FY23. The shifting of overheads of fleet business is taking place in FY25, resulting in improved profitability margin. In H1FY25, the company reported turnover of ₹263.56 crore with 2.45% PBILDT margin. The turnover is expected to moderate going ahead post completion of transfer of fleet business to ELL.

CARE Ratings observes, as articulated by the management, the company's profitability margins are expected to improve going ahead due to transfer of overhead expense pertaining to ELL's fleet business.

Exposure to volatility in fuel prices

EITA's major cost is for fuel, for which an escalation clause is incorporated into the contract entered with the client, whereby EITA passes on incremental/lower diesel cost, though with time lag, per the contracted formula. However, the company remains exposed to significant volatility in fuel prices.

Dependence on economic growth and intense competition in the industry

Performance of transportation sector is linked to freight volumes, which, in turn, depend on the health of manufacturing and trading sectors, making transportation activity highly dependent on economic growth. However, most of EITA's clients are reputed companies from diverse sectors providing some cushion from downturn in any sector. Moreover, EITA is exposed to increased competition in the fragmented industry arising out of entry of various new players providing delivery services.

Working capital intensive nature of operation

EITA's operations are working capital intensive with credit period extended to its customers ranging from 50 to 90 days, primarily due to presence of large corporates in its customer profile, having substantial bargaining power. While 70%-90% of the lorry hire charge is paid immediately to approved agents, balance 10%-30% is paid in 30-60 days, increasing working capital intensity of operations. The same is financed through a mix of creditors, bank borrowings, and unsecured loans infused by promoters. However, bad debt risk for EITA is mitigated due to reputed clientele across various sectors. The average collection period increased to 61 days in FY24 from 58 days in FY23, and accordingly, operating cycle moderated to 54 days from FY24 from 51 days in FY23. To meet contingencies, the company maintains significant cash balance (₹9.84 crore as on March 31, 2024).

Liquidity: Adequate

The liquidity of the company is marked adequate backed by GCA of ₹5.08 crore against debt repayment obligation of ₹2.84 crore in FY24. In FY25, the company has repayment obligation of ₹3.22 crore, which is expected to be met comfortably. The average working capital utilisation stood moderate at ~70% in the last 12-month period ending November 2024. The company had free cash and bank balance of ₹9.84 crore as on March 31, 2024.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Service Sector Companies]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Road Transport

EITA was set up in 1955 as a partnership firm, East India Transport Agency, by Late Bal Govind Lohia and his brothers to transport goods and merchandise, particularly in country's eastern region. Later in 1983, it was reconstituted as a public limited company. EITA is engaged in providing various transportation services such as FTL, LTL, 3PL, SCS, and warehousing across several locations in India.

The promoters have adopted more focused approach, for efficient management of different business segments and to optimise overhead expenses, by segregating the same in three entities, EITA , EITA Logistics Ltd, and EITA Logi Solutions Ltd.
Currently, Arvind Kumar Lohia (MD), son of Late Bal Govind Lohia, along with four other directors, manage company's day-to-day affairs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	603.35	589.43	263.56
PBILDT	13.86	13.25	6.45
PAT	3.96	4.08	2.26
Overall gearing (times)	1.04	0.85	-
Interest coverage (times)	2.23	1.92	-

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	40.00	CARE BBB; Stable
Non-fund-based - ST-Bank guarantee		-	-	-	6.50	CARE A3+

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	40.00	CARE BBB; Stable	-	1)CARE BBB; Stable (27-Feb-24)	1)CARE BBB; Stable (28-Mar-23) 2)CARE BBB; Stable (06-Apr-22)	1)CARE BBB; Stable (05-Apr-21)
2	Non-fund-based - ST-Bank guarantee	ST	6.50	CARE A3+	-	1)CARE A3+ (27-Feb-24)	1)CARE A3+ (28-Mar-23) 2)CARE A3+ (06-Apr-22)	1)CARE A3+ (05-Apr-21)
3	Fund-based - LT-Working capital term loan	LT	-	-	-	-	1)Withdrawn (06-Apr-22)	1)CARE BBB; Stable (05-Apr-21)

LT: Long term; ST: 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-Cash credit	Simple
2	Non-fund-based - ST-Bank guarantee	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 for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Arindam Saha Director **CARE Ratings Limited** Phone: 91-033- 40181631 E-mail: arindam.saha@careedge.in Punit Singhania Associate Director **CARE Ratings Limited** Phone: 91-033- 40181620 E-mail: punit.singhania@careedge.in Soumadip Kumar Analyst **CARE Ratings Limited** E-mail: Soumadip.Kumar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in