

# FreightSigns

What is the goods traffic, and the free cash flow of fleet operators, telling us?

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## Drive-up in December as industrial goods movement accelerates

Mining, steel and cement freight rates saw a healthy on-month increase in December as construction activity resumed. The extended south-west monsoon rains had affected the rates in November.

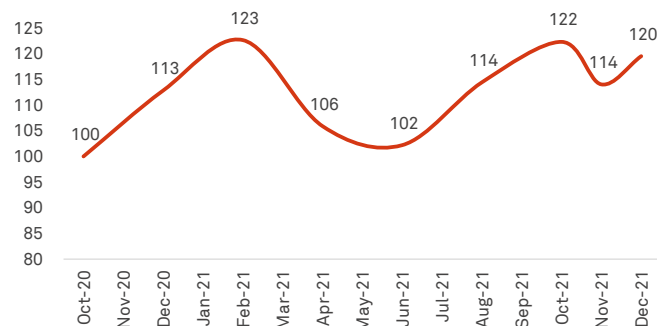
### Trend in freight rates

No of routes	Dec-20	Feb-21	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21
Increase in freight rates	115	129	20	66	147	132	32	109
Decrease in freight rates	44	30	138	93	12	15	124	49
No change in freight rates	0	0	1	0	0	12	3	1
<b>Total</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>

The rise seems to be driven by industrial activity as almost on all routes, steel, mining and auto freight saw a sequential rise. On the other hand, freight rates for fast-moving consumer goods (FMCG)/fast-moving consumer durables (FMCD), parcel/loose goods saw a sequential drop in a few routes as consumer spending tapered after the festive season

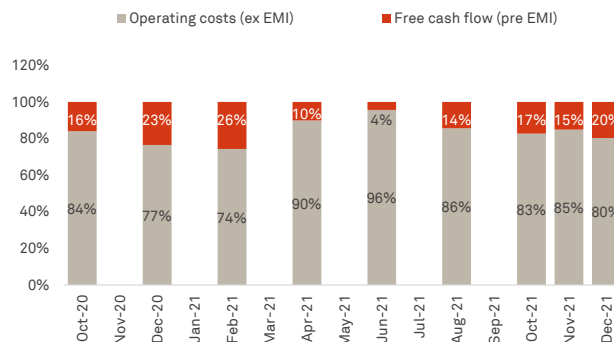
### CRISFrex

The CRISIL pan-India freight index

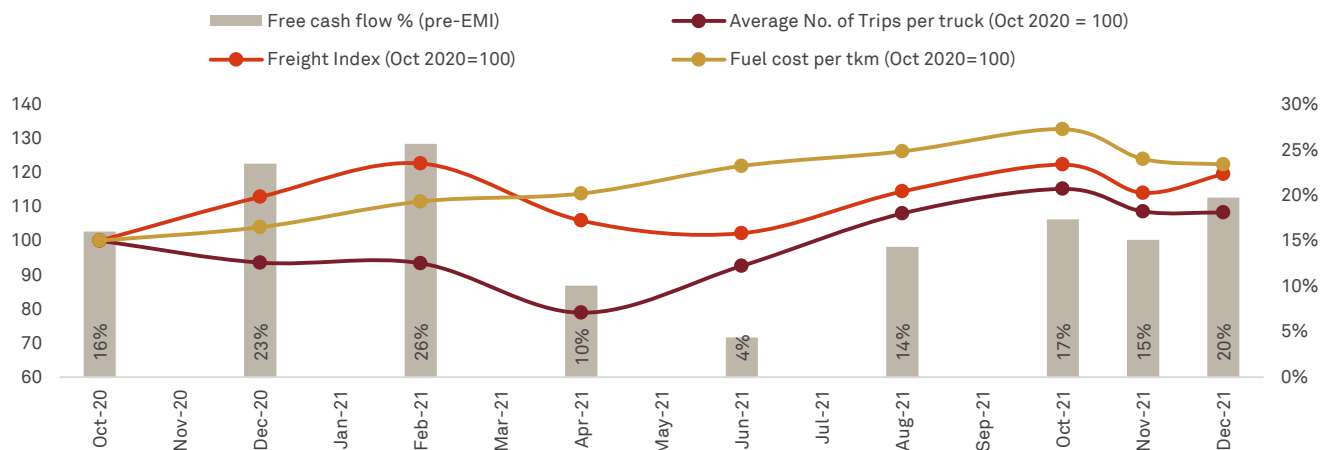


A first-of-its-kind index in India, CRISFrex not only captures the changes in freight rates on a sequential basis, but also tracks the free cash flow, or FCF, (pre-EMI) of transporters on an ongoing basis. Typically, higher FCF improves demand for commercial vehicles.

### Margins tick up as freight rates improve amid range-bound fuel prices on-month



**Utilisation levels moderate partially after the festive peak in October 2021**



**Industrials see a strong recovery in December 2021**

(Oct 2020 pan-India average =100)

Commodity	Oct-20	Dec-20	Feb-21	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21
Agri-products	106	114	127	111	105	119	128	119	125
Auto-carriers	83	105	105	88	90	96	102	94	100
Cement	105	135	154	119	116	128	142	130	138
Container	83	103	106	90	87	95	99	93	99
FMCG/FMCD	135	131	143	128	116	138	141	137	136
Market load	101	111	119	109	109	121	128	119	126
Mining products	88	121	136	114	103	118	132	122	130
Parcel/Loose goods	116	122	136	118	111	132	139	130	133
Petroleum tankers	86	102	100	85	82	88	101	95	94
Steel	85	102	112	88	94	97	104	92	102
Textiles	84	105	116	99	92	99	111	101	110

The rise seems to be driven by industrial activity as in almost all routes steel, mining and auto freight saw a sequential rise.

On the other hand, freight rates for FMCG/FMCD, parcel/loose goods saw a sequential drop on a few routes as consumer spending tapered after the festive season.

Despatches of textiles also rose over a low base of November, where about a week or so was lost to the festive season in terms of production output of small and medium textile enterprises

Note: The above freight analysis is based on CRISIL's proprietary assessment of 159 unique application combinations across 32 different routes and 11 different commodity types. Operating costs include fuel, driver, toll, maintenance and tyre costs.

**CRISIFrex and FCF signals**

Freight rates in December improved at a mid-single-digit level on-month. They rose for almost all commodities barring FMCG and petroleum products.

For consumer essentials such as FMCG/FMCD, which are relatively resilient and stable segments, the drop was limited to less than 1% on-month.

Industrials such as mining products (coal, iron ore, and limestone), cement and steel are seeing a sequential recovery as freight rates for these applications have improved by more than 5%. A key driver for this improvement is the resumption in construction and mining activities, which were subdued in December after a slow November due to prolonged monsoon.

Discretionary goods such as automobiles and textiles also saw an improvement in freight rates. The improvement in auto carriers is driven by a slowly improving scenario in terms of vehicle dispatches (which has thus far been marred by supply issues), while that in textile is driven by restocking of inventory in December after festive buying seen in November.

Cumulatively, the CRISIFrex Index improved to 120 in December 2021 from 114 in the past month due to these factors. Further, relatively stable fuel prices have resulted in this increase translating into a direct increase in margins. FCF, (pre-EMI) as assessed by CRISIL, is estimated to be at about 20% of freight earnings compared with 15% in November 2021, translating into a sequential rise in terms of margins, but margins are still slightly below levels seen in December 2020.

## Methodology

CRISIL incorporates views of 100-150 transporters to understand freight dynamics and operational aspects such as the number of trips and key cost heads (fuel, driver, toll, tyre and maintenance).

This exercise is conducted on a closed sample of 159 route-commodity combinations spanning 32 routes, 11

commodity types and 5 truck platforms with differing load bodies depending on the commodity carried.

Our analysis depicts an aggregated view of the inputs collected to arrive at a holistic picture of the overall trucking scenario in India.

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## CRISIL Research analytical contacts

### Hemal N Thakkar

Director

hemal.thakkar@crisil.com

### Mihir S Patil

Senior Research Analyst

mihir.patil@crisil.com

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