

# FreightSigns

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

Issue 4 | March 2022

## Fleet utilisation flat; freight rates slip

Fleet utilisation levels were flat on-month in February 2022, as improving utilisation of bulk commodities such as steel, and auto carriers and petroleum tankers was negated by lower utilisation levels for agri products, and in mining activities and cement transportation. This impacted freight rates, which dipped marginally, despite flat diesel prices.

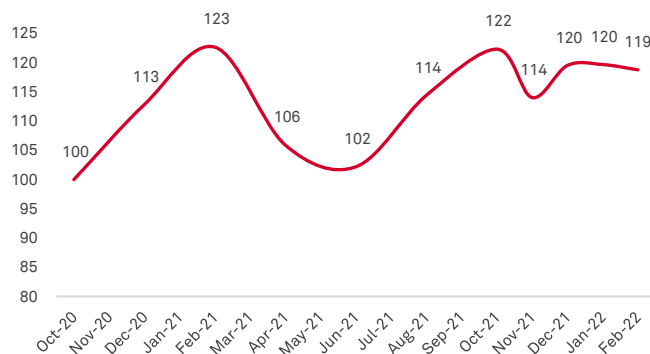
### Trend in freight rates

No. of routes	Feb-21	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Increase in freight rates	129	20	66	147	132	32	109	91	72
Decrease in freight rates	30	138	93	12	15	124	49	51	79
No change in freight rates	0	1	0	0	12	3	1	17	8
<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>	<b>159</b>

Source: CRISIL Research

Aggregated decrease in freight rates was ~1% on-month, with slight decrease in rates on most routes. On 5-7% of the routes, though, there was no change in freight rates.

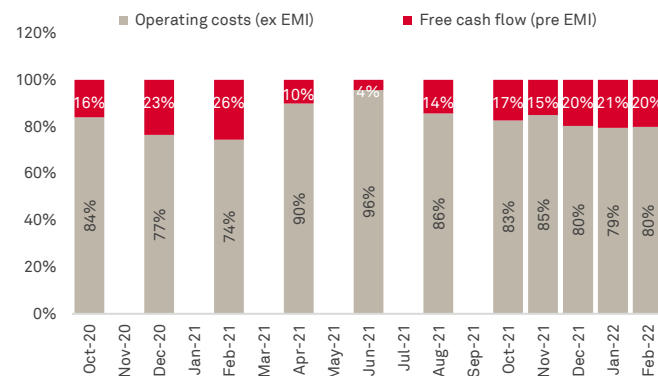
### CRISIL Pan-India Freight Index (CRISFrex)



Source: CRISIL Research

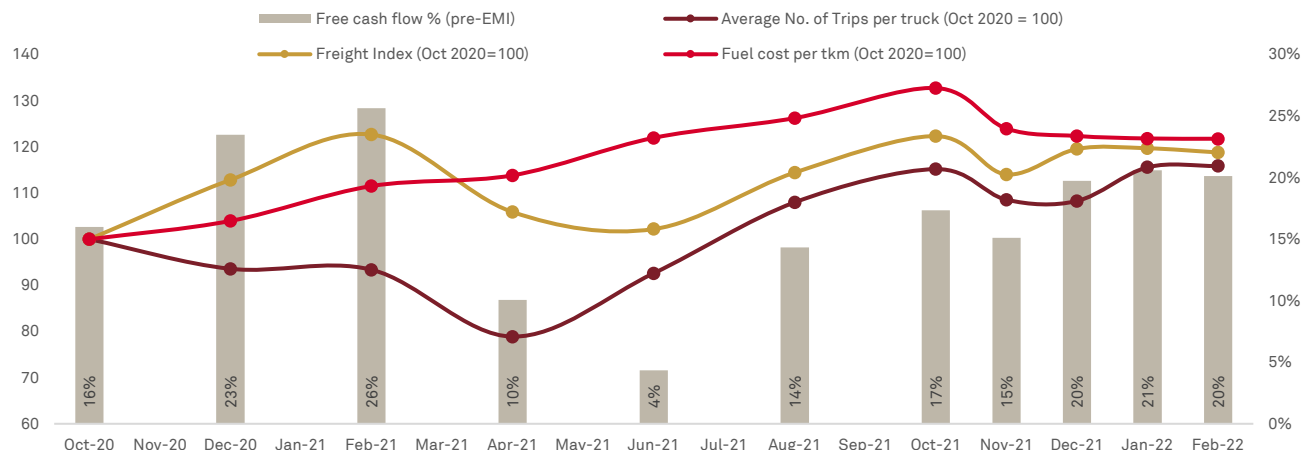
CRISFrex declined slightly on-month, with free cash flow (pre-equated monthly instalment) mirroring the trajectory. Flat utilisation levels exerted pressure on freight rates, constraining transporters' ability to generate higher cash flow.

### Operating costs inch up



Source: CRISIL Research

### Utilisation levels were range-bound in February 2022



Source: CRISIL Research

### Freight rates marginally declined on-month in February 2022

(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	Jan-22	Feb-22
Agri-products	106	114	127	111	105	119	128	119	125	125	124
Auto-carriers	83	105	105	88	90	96	102	94	100	98	99
Cement	105	135	154	119	116	128	142	130	138	137	135
Container	83	103	106	90	87	95	99	93	99	97	100
FMCG/FMCD	135	131	143	128	116	138	141	137	136	139	139
Market load	101	111	119	109	109	121	128	119	126	125	122
Mining products	88	121	136	114	103	118	132	122	130	134	133
Parcel/Loose goods	116	122	136	118	111	132	139	130	133	133	132
Petroleum tankers	86	102	100	85	82	88	101	95	94	100	106
Steel	85	102	112	88	94	97	104	92	102	103	103
Textiles	84	105	116	99	92	99	111	101	110	111	109

- Increase in production of industrial petroleum derivatives increased the realisations of tanker operators
- Recovery in freight rates in North India was better compared with other regions, with the western region catching up gradually

Note:

- 1) The freight analysis is based on CRISIL's assessment of 159 unique application combinations across 32 routes and 11 commodity types
- 2) Operating costs include fuel, driver, toll, maintenance, and tyre costs

Source: CRISIL Research

### CRISFrex almost flat in February

Freight rates edged slightly lower in February 2022, largely because of relatively unchanged fuel prices over the past three months and flat utilisation levels.

The flat utilisation level on-month was because improving utilisation of steel transporters and auto carriers was negated by flat agri product utilisation and fall in cement freight utilisation. Cement transport utilisation dropped because of sluggish construction activity. Dispatches for consumer goods were flat on-month, slightly impacted by subdued consumption, especially in rural areas.

This translated into the CRISFrex Index slipping marginally on-month in February 2022, to 119, from 120 in January 2022.

Flat utilisation levels and diesel prices, and marginal dip in freight rates resulted in the industry's margins shrinking to ~20% from ~21% in the previous month.

Given the current geo-political situation, it is imperative to observe fleet utilisation, freight rates as well as diesel prices over the next 1-2 months as market dynamics could change rapidly. Export-import could be impacted because of supply chain disruptions and trade issues.

## Methodology

CRISIL incorporates views of 100-150 transporters to understand freight dynamics as well as operational aspects, such as number of trips undertaken 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 five truck platforms with differing load bodies, depending on the commodity carried.

CRISIL's analysis provides an aggregated view of inputs collected to arrive at a holistic picture pertaining to 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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