

# FreightSigns

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

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## Fleet utilisation flat, freight rates up

In March, fleet utilisation trended at the level seen the month before, with improving utilisation of cement and mining products (largely coal) negated by lower utilisation levels of loose goods and textiles. For bulk commodities such as steel, auto-carriers and petroleum tankers, utilisation was flat on-month.

Freight rates, though, edged up on higher diesel prices.

From here, an increase in diesel price by Rs 5 per litre would push up freight rates by 2-3%.

Considering the government's investment plans and borrowing plan for the first half of the year, the increase in diesel price could be passed on to sectors such as steel and cement.

Consumption sectors such as fast moving consumer goods/ durables (FMCG/FMCD) and textiles, however, would find it difficult to pass on the incremental cost to end-consumers.

### Trend in freight rates

No of routes	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Increase in freight rates	20	66	147	132	32	109	91	72	81
Decrease in freight rates	138	93	12	15	124	49	51	79	77
No change in freight rates	1	0	0	12	3	1	17	8	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>	<b>159</b>

Source: CRISIL Research

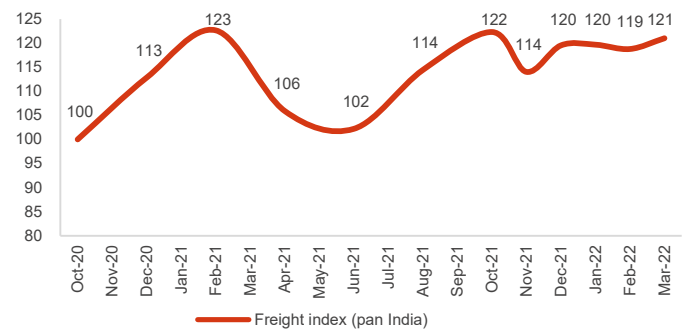
In March 2022, freight rates of 50-52% of the combinations improved on-month, while 48-50% were unable to pass on the diesel price increase.

### CRISFrex

CRISFrex indicates that freight rates marginally rose on-month, with free cash flow (FCF; pre-equated monthly instalment) mirroring the trajectory. Flat utilisation levels, though, constrained transporter's ability to generate higher cash flow.

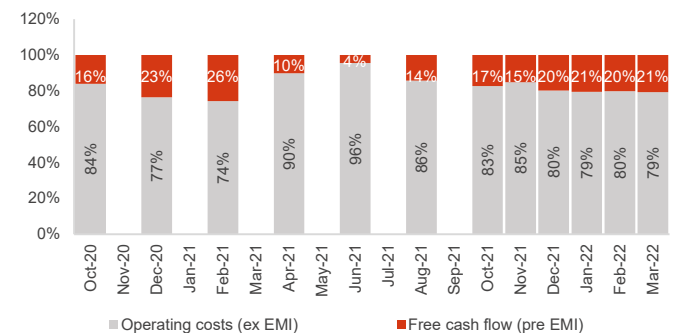
## Research

### The CRISIL pan-India freight index



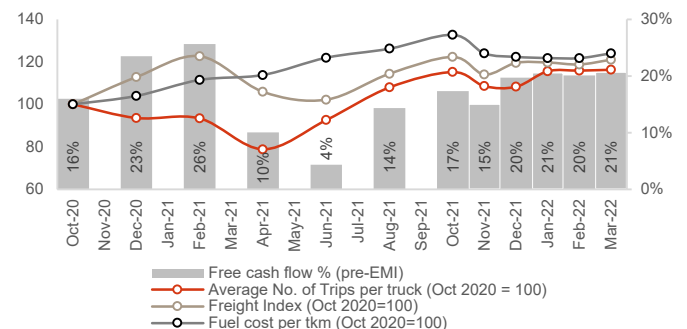
Source: CRISIL Research

### Transporter profitability improves slightly



Source: CRISIL Research

### Utilisation levels were range bound in March 2022



Source: CRISIL Research

## Freight rates improved slightly on-month in March 2022

(Oct 2020 pan India average =100)

Commodity	Oct-20	Feb-21	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Agri-products	106	127	111	105	119	128	119	125	125	124	125
Auto-carriers	83	105	88	90	96	102	94	100	98	99	104
Cement	105	154	119	116	128	142	130	138	137	135	136
Container	83	106	90	87	95	99	93	99	97	100	105
FMCG/FMCD	135	143	128	116	138	141	137	136	138	139	140
Market load	101	119	109	109	121	128	119	126	125	122	127
Mining products	88	136	114	103	118	132	122	130	134	133	130
Parcel/Loose goods	116	136	118	111	132	139	130	133	134	132	130
Petroleum tankers	86	100	85	82	88	101	95	94	100	106	107
Steel	85	112	88	94	97	104	92	102	103	103	108
Textiles	84	116	99	92	99	111	101	110	110	109	110

FMCG: Fast moving consumer goods; FMCD: Fast moving consumer durables

The rise was driven by industrial activity, as on most routes, steel, cement, containers and auto freight rates rose sequentially. On the other hand, freight rates for agri-products, FMCG/FMCD, petroleum tankers, and textiles remained unchanged

Note: 1) Freight analysis is based on CRISIL's assessment of 159 unique application combinations across 32 routes and 11 commodity types.  
 2) Operating cost includes fuel, driver, toll, maintenance, and tyre costs.

Source: CRISIL Research

## CRISFrex and FCF signals

Fleet utilisation for cement and mining (largely coal) application improved on-month in March 2022, while it dropped for textiles and parcel/loose goods, and remained flat for auto carriers, containers, FMCG/FMCD, and petroleum tankers.

In the case of freight rates, there was a marginal uptick on-month for most commodities. Freight rates for consumer essentials such as FMCG/FMCD, and industrials such as petroleum tankers and steel, rose sequentially. Rates for discretionary goods such as automobiles also improved on-month.

This translated into the CRISFrex rising on-month to 121 from 119 in February 2022.

Flat utilisation levels, uptick in freight rates, and increase in diesel prices resulted in the industry's FCF rising marginally to ~21% vis-à-vis ~20% in February 2022.

However, given the current geo-political situation, it is

imperative to watch fleet utilisation, freight rates as well as diesel prices for the next 1-2 months as market dynamics could change rapidly. Export-import could be impacted as supply chain as well as trade could get affected.

## 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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