

# FreightSigns

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

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## Freight rates ease a tad after govt slashes excise duty on fuel

In May, transporters passed on the drop in diesel prices by decreasing freight rates on several routes.

However, fleet utilisation was flat on-month. While utilisation for market load was higher, this was offset by slightly lower utilisation for parcel/loose goods, mining (largely coal and iron ore), and agri-products.

The remaining commodities, including auto-carriers, container applications, fast moving consumer goods (FMCG)/ fast moving consumer durables (FMCD), steel, textile, and petroleum tankers, saw flattish trajectory in utilisation.

The complete effect of this duty cut would be visible in the index from next month. This is because the central government set an extrinsic decline in excise duty at the end of the month, whereas CRISFrex represents freight rates and fuel prices for the entire month.

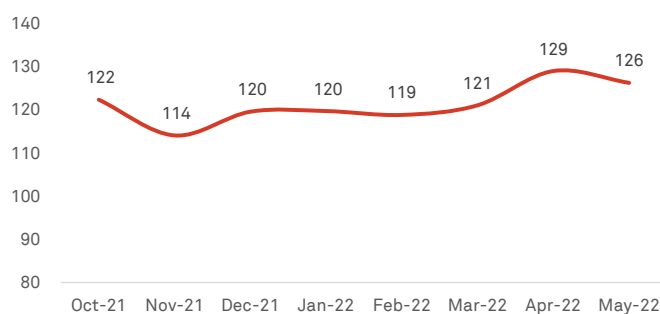
### Trend in freight rates

No of combinations	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Increase in freight rates	132	32	109	91	72	81	143	41
Decrease in freight rates	15	124	49	51	79	77	15	92
No change in freight rates	12	3	1	17	8	1	1	26
<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>

Source: CRISIL Research

In May, ~60% of the combinations saw a decrease in freight rates, while ~16% were stable.

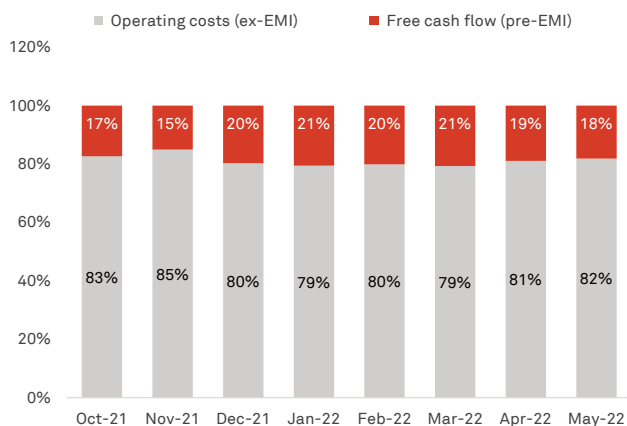
### CRISIL Pan-India Freight Index (CRISFrex)



Source: CRISIL Research

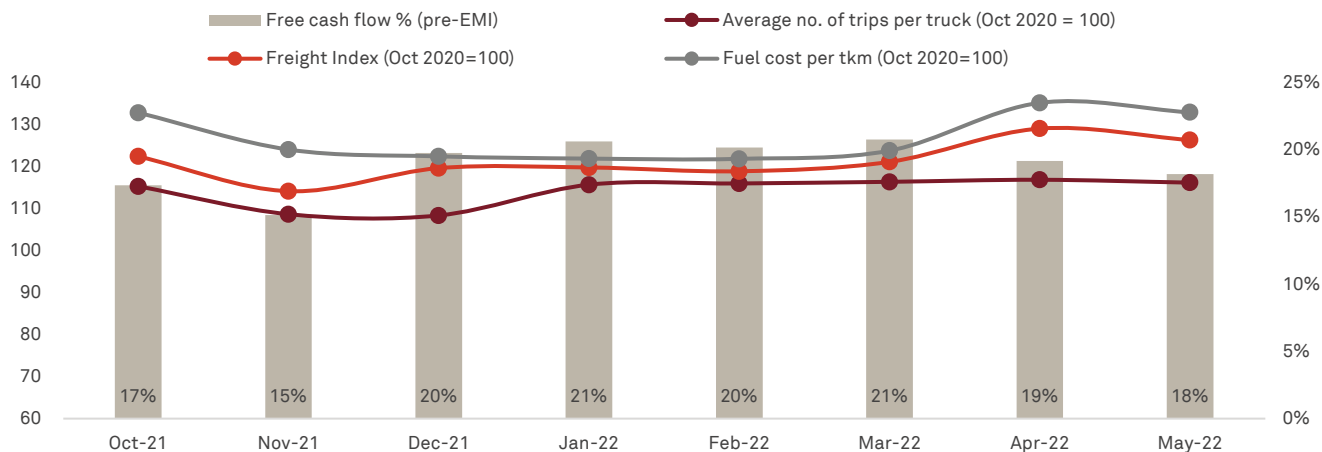
CRISFrex indicates that freight rates have dropped on-month, with free cash flow (FCF; pre-equated monthly instalment) decreasing 100 basis points.

### Margins contracted slightly in May



Source: CRISIL Research

**Utilisation levels were range-bound in May**



Source: CRISIL Research

**Freight rates contract on-month in May (October 2020 pan-India average = 100)**

Commodity	Oct-20	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Agri-products	106	105	119	128	119	125	125	124	125	134	130
Auto-carriers	83	90	96	102	94	100	98	99	104	107	102
Cement	105	116	128	142	130	138	137	135	136	145	145
Container	83	87	95	99	93	99	97	100	105	108	105
FMCG/FMCD	135	116	138	141	137	136	139	139	140	155	151
Market load	101	109	121	128	119	126	125	122	127	132	130
Mining products	88	103	118	132	122	130	134	133	130	146	145
Parcel/loose goods	116	111	132	139	130	133	133	132	130	143	141
Petroleum tankers	86	82	88	101	95	94	100	106	107	109	107
Steel	85	94	97	104	92	102	103	103	108	111	109
Textiles	84	92	99	111	101	110	111	109	110	119	117

Cement and mining applications saw a flattish trajectory in freight rates in May owing to the high base of April

Freight rates for auto-carriers, agri-products, container, FMCG/FMCD, petroleum tankers, textile and steel saw a lower single-digit drop

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 and FCF signals**

Fleet utilisation for cement, agri-products, loose goods, and mining (largely coal and iron ore) application decreased marginally on-month in May. However, it increased marginally for market load and remained flat for auto-carriers, textiles, containers, FMCG/FMCD, steel, and petroleum tankers.

Freight rates, too, declined for most commodities, but were stable for mining and cement. Freight rates declined on-month for consumer essentials such as agri-products, FMCG/FMCD, loose goods and discretionary goods

(automobiles, textiles), and bulk commodities (container, petroleum tankers and steel).

This translated into the CRISFrex rising on-month to 126 in May from 129 in April.

Flat utilisation levels, a decrease in freight rates, and lower diesel prices resulted in the industry's FCF contracting slightly to ~18% in May compared with ~19% in April.

## Methodology

CRISIL incorporates the 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 Indian trucking scenario

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