

FreightSigns

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

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Freight rates ease further with full effect of excise-duty cut on fuel passed on

In June, transporters passed on the full effect of a drop in diesel prices, by lowering freight rates on several routes.

However, fleet utilisation also dropped. Utilisation in agri products, auto-carriers, FMCG/FMCD, petroleum tankers, and textiles declined at a faster rate. The remaining segments, such as market load, parcel/loose goods, mining (largely coal), and container saw, saw slower decline in utilisation.

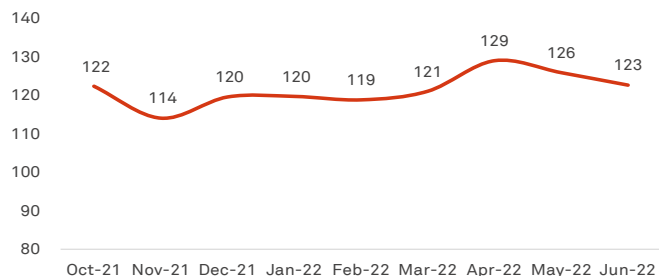
Freight rates

No of combinations	Oct-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Increase in freight rates	132	109	91	72	81	143	41	12
Decrease in freight rates	15	49	51	79	77	15	92	144
No change in freight rates	12	1	17	8	1	1	26	3
Total	159	159	159	159	159	159	159	159

Source: CRISIL Research

In June 2022, ~90% of the combinations saw a decline in freight rates over May 2022.

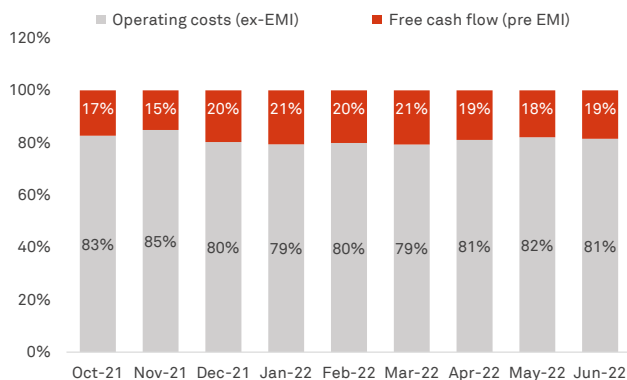
CRISIL Pan-India Freight Index (CRISFrex)



Source: CRISIL Research

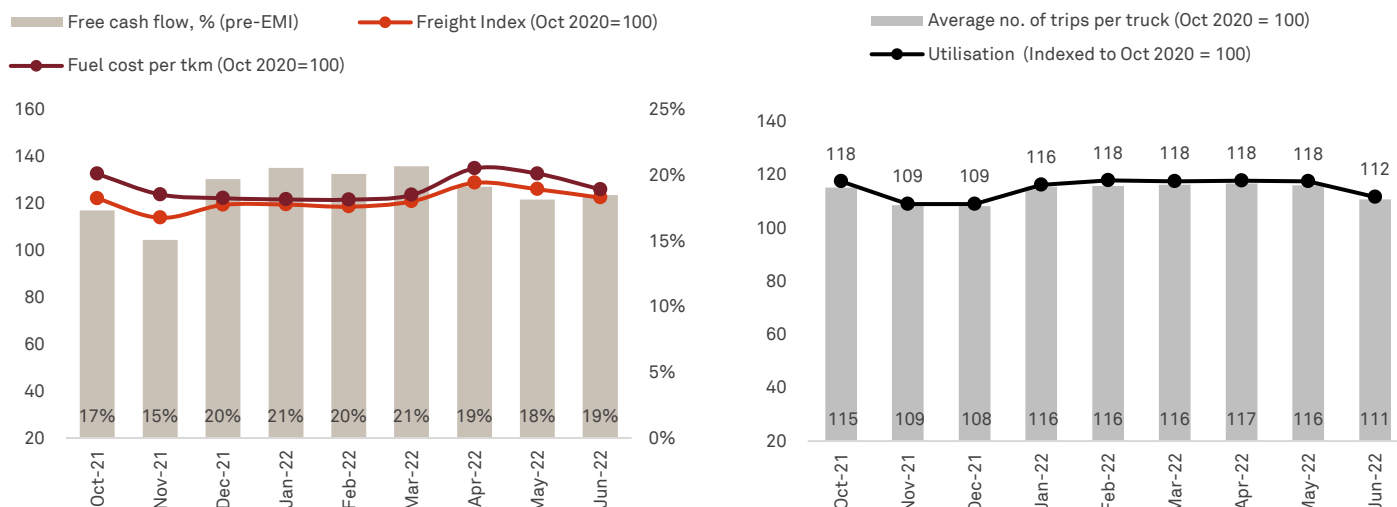
CRISFrex indicates that freight rates have dropped on-month with free cash flow (FCF; pre-equated monthly instalment) going back to April 2022, largely due to a drop in fuel prices.

Margins increase by 100 basis points



Source: CRISIL Research

Utilisation in June 2022



Source: CRISIL Research

Freight-rate contracts, on-month in June 2022 (Oct 2020 pan India average =100)

Commodity	Oct-20	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Agri-products	106	119	128	119	125	125	124	125	134	130	127
Auto-carriers	83	96	102	94	100	98	99	104	107	102	100
Cement	105	128	142	130	138	137	135	136	145	145	139
Container	83	95	99	93	99	97	100	105	108	105	101
FMCG/FMCD	135	138	141	137	136	139	139	140	155	151	149
Market load	101	121	128	119	126	125	122	127	132	130	126
Mining products	88	118	132	122	130	134	133	130	146	145	144
Parcel/loose goods	116	132	139	130	133	133	132	130	143	141	137
Petroleum tankers	86	88	101	95	94	100	106	107	109	107	103
Steel	85	97	104	92	102	103	103	108	111	109	106
Textiles	84	99	111	101	110	111	109	110	119	117	112

Mining applications (largely coal) saw a flattish trajectory in freight rates over the past month

On the other hand, freight rates for agri-products, container, cement, petroleum tankers, textiles and steel saw a mid-single digit decline

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 agri-products, FMCG/FMCD and textiles declined at a faster clip than other commodities on-month in June, while for cement, container and mining products (largely coal), the decline was comparatively slower than other commodities.

Freight rates also witnessed a decline for almost all the commodities, except mining (largely coal). The rates were stable for mining, while for discretionary goods such as

textiles, and bulk commodities such as cement, container, and petroleum, the decline in freight rates was more than in other commodities.

This translated into a drop in CRISFrex to 123 in June from 126 in May.

The industry's FCF improved slightly to ~19% in June from ~18% in May, largely due to a fall in diesel prices. This month saw the full effect of the Central government's duty cut.

Methodology

CRISIL incorporates the views of 100-150 transporters to understand freight dynamics and operational aspects, such as the 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 of the overall trucking scenario in India.

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