

FreightSigns

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

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Rising diesel prices lift freight rates

In April, transporters passed on higher diesel prices by raising freight rates on several routes.

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

Utilisation remained unchanged for fast moving consumer goods (FMCG)/ fast moving consumer durables (FMCD), containers, textiles, and petroleum tankers.

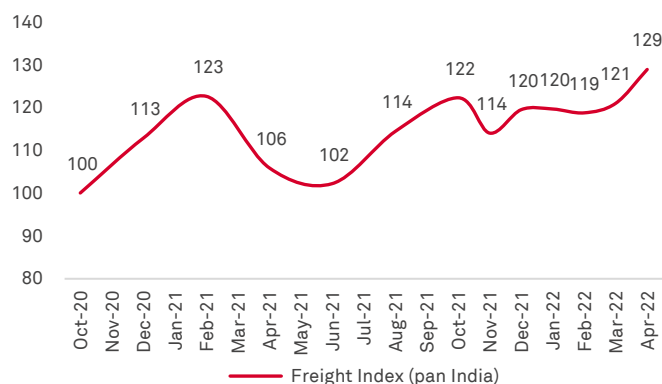
Trend in freight rates

No. of routes	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Increase in freight rates	66	147	132	32	109	91	72	81	143
Decrease in freight rates	93	12	15	124	49	51	79	77	15
No change in freight rates	0	0	12	3	1	17	8	1	1
Total	159	159	159	159	159	159	159	159	159

Source: CRISIL Research

Freight rates of ~90% of the combinations rose sequentially in April 2022, whereas ~9% were not able to pass on the increase in diesel price.

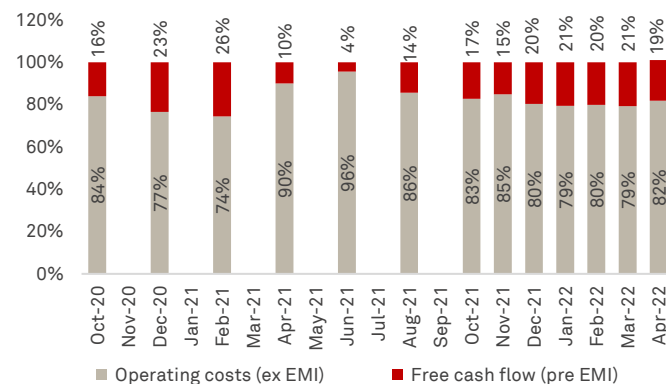
CRISIL Pan-India Freight Index (CRISFrex)



Source: CRISIL Research

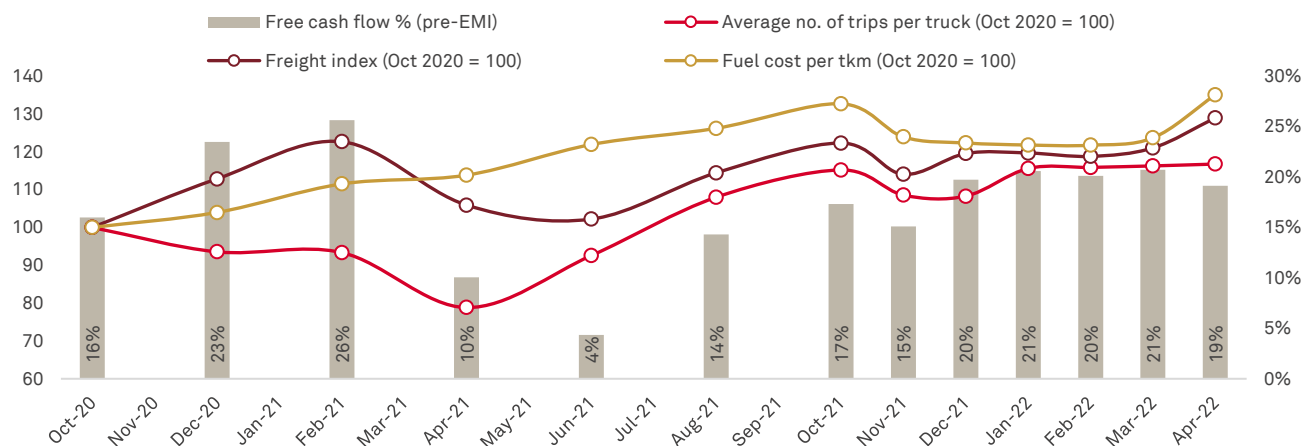
CRISFrex shows freight rates rose on-month. However, free cash flow (FCF; pre-equated monthly instalment) decreased 200 basis points on-month, largely because of the fuel price rise. Higher operating cost constrained the ability of transporters to generate higher — or maintain — cash flows compared with last month.

Transporter profitability contracted slightly in April 2022



Source: CRISIL Research

Utilisation level was range-bound in April 2022



Source: CRISIL Research

Freight rates improved on-month in April 2022

(Oct 2020 pan India average =100)

Commodity	Oct-20	Apr-21	Jun-21	Aug-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Agri-products	106	111	105	119	128	119	125	125	124	125	134
Auto-carriers	83	88	90	96	102	94	100	98	99	104	107
Cement	105	119	116	128	142	130	138	137	135	136	145
Container	83	90	87	95	99	93	99	97	100	105	108
FMCG/FMCD	135	128	116	138	141	137	136	139	139	140	155
Market load	101	109	109	121	128	119	126	125	122	127	132
Mining products	88	114	103	118	132	122	130	134	133	130	146
Parcel/Loose goods	116	118	111	132	139	130	133	133	132	130	143
Petroleum tankers	86	85	82	88	101	95	94	100	106	107	109
Steel	85	88	94	97	104	92	102	103	103	108	111
Textiles	84	99	92	99	111	101	110	111	109	110	119

- The rise in freight rate was because of FMCG/ FMCD, mining applications, parcel goods, textiles, and agri-products. Freight rates for automobile carriers, containers, petroleum tankers, and steel rose in low single digits.

Note:

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

Source: CRISIL Research

CRISFrex and FCF signals

Fleet utilisation for agri-products, cement, mining (largely coal and iron ore), and parcel/loose goods improved on-month in April, whereas it declined for automobile carriers, market load, and steel. For FMCG/FMCD, containers, textiles, and petroleum tankers it was flat.

But freight rates for all commodities rose on-month. Freight rates for consumer essentials such as FMCG/FMCD, loose goods, and mining applications rose sharply, with rates for discretionary goods such as automobiles and textiles also improving on-month.

This translated into the CRISFrex rising on-month to 129 in April 2022 from 121 in March 2022.

Flat utilisation levels, uptick in freight rates, and increase in diesel prices resulted in the industry's FCF falling to ~19% in April 2022 vis-à-vis ~21% in March 2022.

However, given the geopolitical developments, it is imperative to continue to track diesel prices as market dynamics could change rapidly.

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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