

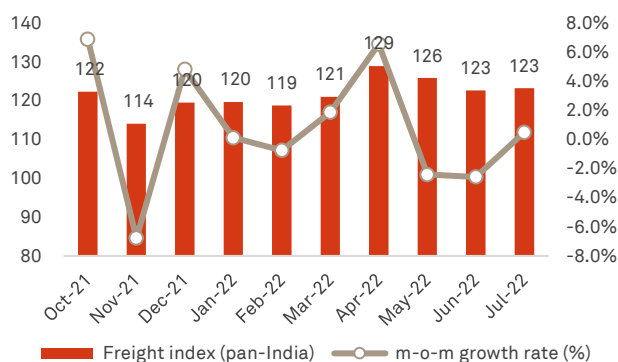
FreightSigns

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

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Higher utilisation nudges rates up

CRISIL pan-India freight index (CRISFrex)



Source: CRISIL Research

CRISFrex indicates that overall freight rates improved marginally (sub-1%) in July on-month. Freight availability was healthy for agri-products, auto carriers, fast-moving consumer goods/durables (FMCG/FMCD), parcel/loose goods, and textiles. Commodities such as petroleum tankers, steel, cement, mining products (largely coal) and container applications saw slightly lower freight availability but was still better than in June.

Freight rates for different combinations

No. of combinations*	Oct-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Increase in freight rates	132	91	72	81	143	41	12	86
Decrease in freight rates	15	51	79	77	15	92	144	48
No change in freight rates	12	17	8	1	1	26	3	25
Total	159	159	159	159	159	159	159	159

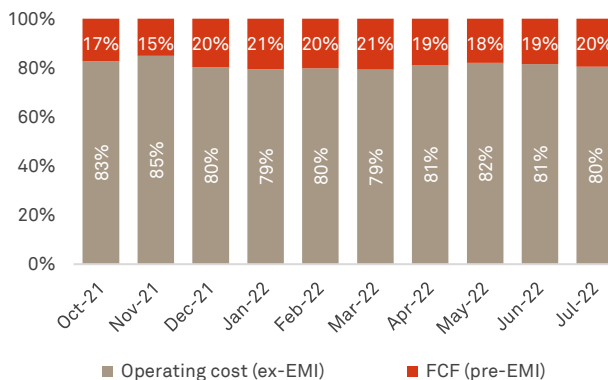
Source: CRISIL Research

* Refers to route-commodity combinations

In July 2022, ~55% of the combinations saw a sequential improvement in freight rates.

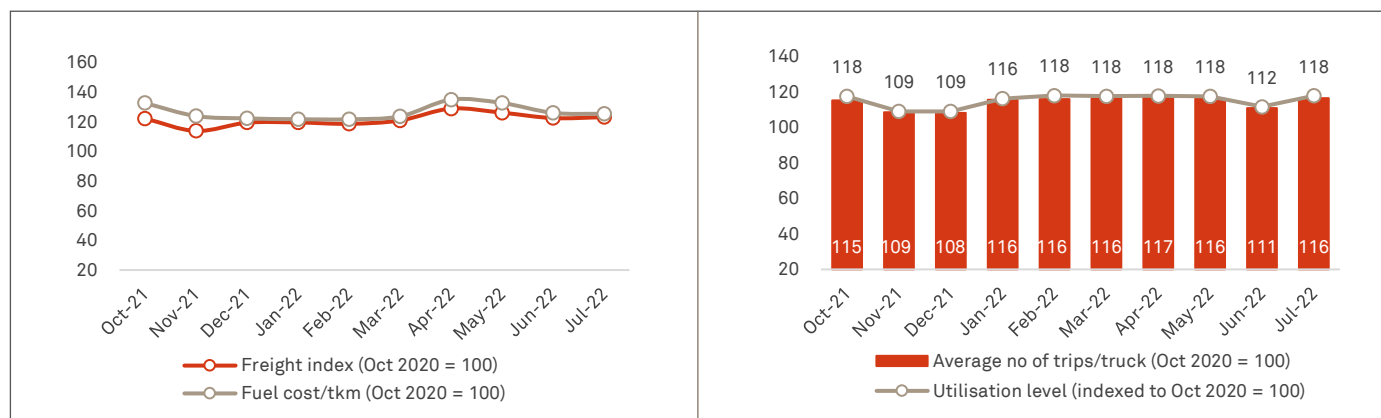
Margin increases 100 basis points

Better freight availability, fuel price cuts in a few states, and marginal improvement in freight rates resulted in an on-month increase in free cash flows (FCF; pre-equated monthly instalment, or EMI) for transporters. The industry's FCF improved slightly to ~20% in July from ~19% in June



Source: CRISIL Research

Freight rates and utilisation trend



Source: CRISIL Research

- Over the past few months, freight rates have closely mirrored fuel cost
- After a blip in June, utilisation is back to May 2022 levels

Freight rates were mostly firmer on-month in July 2022
(October 2020 pan-India average =100)

Commodity	Oct-20	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Agri-products	106	128	119	125	125	124	125	134	130	127	128
Auto-carriers	83	102	94	100	98	99	104	107	102	100	100
Cement	105	142	130	138	137	135	136	145	145	139	139
Container	83	99	93	99	97	100	105	108	105	101	101
FMCG/FMCD	135	141	137	136	139	139	140	155	151	149	149
Market load	101	128	119	126	125	122	127	132	130	126	127
Mining products	88	132	122	130	134	133	130	146	145	144	143
Parcel/Loose goods	116	139	130	133	133	132	130	143	141	137	137
Petroleum tankers	86	101	95	94	100	106	107	109	107	103	105
Steel	85	104	92	102	103	103	108	111	109	106	107
Textiles	84	111	101	110	111	109	110	119	117	112	113

- Freight rates for all commodities have either remained firm or shown slight improvement on-month

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 textile and agri-products increased the most on-month, followed by auto-carriers, FMCG/FMCD, and parcel/loose goods. Increase in utilisation was mildest in mining products and container applications.

Freight rates also marginally rose for some commodities. They dropped slightly for mining (largely coal), and remained flat for discretionary goods such as FMCG/FMCD, and bulk commodities such as cement and containers.

As a result, CRISFrex remained range-bound in July as compared to June.

Methodology

CRISIL incorporates the views of 100-150 transporters to understand freight dynamics and 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 the data collected to arrive at a holistic picture of the overall trucking scenario in India.

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