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Capacity utilisation for transporters goes up to 60% but still a long way from normalcy



Synopsis

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MUMBAI: The capacity utilisation for **road transporters** improved to over 60% in August as economic activity in the country gathered pace and **commercial vehicle traffic** on highways returned to 80-90% of the levels before the **coronavirus** pandemic.

Products like agricultural produce, FMCG, e-commerce, pharmaceuticals, and iron ore aided the upwards trend of **goods movement**. Demand from automobile components, two-wheelers, cement, and steel was also gradually improving.

Capacity utilisation for road transport companies has been improving month-on-month since June but there is a long way to go for normalcy, transporters said.

"Situation is slowly improving. Right now, there is about 60% capacity utilisation across the country and it could go up to 80% during Diwali," according to Sachin Haritash, director at **Chetak Logistics**.

The demand recovery was not evenly distributed across the industry. **Smaller operators** who own between 1-10 vehicles were worse off than their larger, organised counterparts. The smaller operators are generally attached to larger transporters and rely on them for receiving consignments.

"In a scenario where demand is subdued, large fleet operators are prioritising own fleet utilisation over small fleet operators," said Ajay Srinivasan, director at **CRISIL Research**.

The larger operators also generally have contractual arrangements in place that ensures consignments during the returning leg of a journey, he said. Smaller operators have to wait for return load that increases their turnaround time and impacts their utilisation levels.

The utilisation levels for the smaller operators were as low as 30-35%, said Sameer Parab, automotive expert at consulting firm Aranca.

The smaller players also face a shortage of drivers in some cases. About 20% of trucks are still idle without drivers, according to Ashok Shah, chairman of V-Trans, a transport provider.

For automobile transporters, a considerable volume of business was being lost to railways as the turnaround time of goods trains improved in the absence of regular passenger train traffic.

The road transport industry has been suffering from over-capacity of 20-25% ever since the government increased the permitted load carrying capacity for commercial vehicles in July 2018. The downturn in economic activity in India last fiscal followed by the coronavirus pandemic further worsened the situation for the transport sector.

While transport volume may gradually increase, cashflow issues continue to persist for the sector as payments are not timely, said Vipul Nanda, chairman of Pallia Trans Logistics.

Given the situation, many transporters may default on their mortgages as the loan moratorium granted by the central bank ends on 31 August, stakeholders said. According to Parab, many smaller operators could go out of business in the next 5-6 months.

Even larger operators are reducing their fleet sizes by 15-20%, Chetak Logistics' Haritash said.

The supply of used commercial vehicles has gone up significantly. Subsequently, the demand for new commercial vehicles is expected to be subdued at least till FY22.

"Buying a truck right now is like committing suicide," one transporter said.

BY

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Aug 27, 2020, 07:44 PM IST

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