

Industry Sales Review Report

November 2011



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

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1. Data on product-wise consumption, import and export of petroleum products is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of November 2011. The report highlights the emerging conditions in the domestic market and the underlying factors which might have influenced the consumption trend.

After lagged receipt of oil trade data from Director General of Commercial Intelligence & Statistics (DGCIS), Kolkata consumption figures have been updated for 2010-11. The final quantity of consumption of petroleum products for 2010-11 has been estimated at 141.04 million tonnes as against 141.79 million tonnes estimated earlier. The annual growth rate of POL consumption for 2010-11 works out to 2.3%, lowest in five years. The lower-than-expected growth rate of 2.3% was mostly on account of lower private imports during the year.

2 CONSUMPTION:

2.1 All Products: The November 2011 growth rate of 11.3% was highest monthly growth rate during the current year led mainly by HSD, LPG, Naphtha, ATF and PetCoke. Data on direct private import received from DGCIS, which are added to the final sales data reported by companies are available only up to April 2011. In order to bridge the lag of over six months in receiving data from DGCIS, private imports data for the balance months of the current year are projected.

Detailed product-wise analysis of consumption in November 2011 is given in the following sections.

2.2 Petrol / Motor Spirit (MS): Monthly MS growth for the first time slipped in to negative (for the first time in the last 40 months) recording a growth of -2.4% in November. The cumulative growth has now further fallen to 4.3% for April-November 2011 period, which is the worst showing in the last 16 years except for 2003-04 when the year ended with similar growth of 4.3%. In view of the pessimistic economic perceptions and persistent high oil prices the current trend of MS consumption as predicted last month is expected to continue in the near future.

Major factors impacting consumption of MS are:

- a) The overriding reason for negative growth in November 2011 was anticipation of reduction in MS price due to which dealers maintained bare minimum inventory of the product to avoid loss. Since the retail price was revised downwards twice during November, inventory management by dealers continued through out the month and had

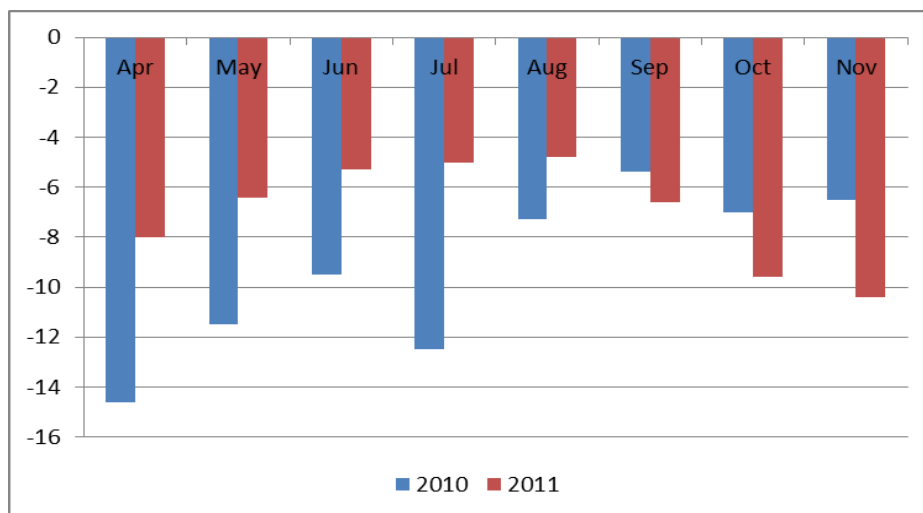
major impact on companies sales. We expect MS sales to be relatively better in December as dealers are expected to bring back their inventories to normal level.

- b) The growth rate in November 2010 was unusually high at 17.3%, causing the high base year impact.
- c) 2-wheelers sales recorded robust growth of 25% in November and crossed a million unit sales fourth month in a row.
- d) Though Passenger Vehicles sales growth returned to positive in November it remains under pressure with a moderate growth of 7.5%.

2.3 HSD: Diesel recorded one of the highest monthly growth of 16% during November 2011 in over two years. As a result, the cumulative growth for April-November 2011 period has shot up to 7.4%. In the backdrop of pessimistic economic scenario and falling GDP growth projections such high growth in diesel is a matter of concern. Factors impacting diesel consumption are analyzed below:

- a) Power situation is going from bad to worse in the recent months including November resulting in significant use of diesel for captive power generation. Third month in a row the power deficit has increased significantly, which is also reflected in high HSD growth of 16%. Monthly power deficit trend this year is given in Figure-1 below:

Figure-1 Monthly Power Deficits Trend: Month-over-Month for 2010 & 2011



One of the factors contributing to this is shortage of coal availability affecting power production.

- b) Reports indicate good demand from agriculture sector in November.
- c) The November 2010 HSD growth was only 3.8%, causing a low base year impact on the estimate.

- d) Commercial Vehicles (CV) sales growth for November was not only robust but highest during the year at 37.2%, adding to HSD consumption.
- e) As per market report significant amount of FO volume is getting substituted by diesel due to price advantage. This is supported by the fact that during November 2011 domestic price of diesel was at an average of approximately \$98/barrel against international FO price which remained above \$105/barrel.

Other factors impacting HSD consumption, inter-alia, include the following:

- a) Torrential rains in Tamil Nadu affected normal life.
- b) Analysis of sector-wise HSD consumption shows high growth in consumption by Marine sector adding over 147 TMT volumes in April-November 2011 period. Mining sector due to restriction on mining activities on court orders reported a decline of 20 TMT.

2.4 LPG: LPG recorded robust growth of 10.7% in November 2011. Higher growth in November 2011 than the trend so far was mainly to make up for lower dispatches by OMCs to their distributors last month due to a number of holidays in October. As a result, Domestic LPG recorded higher growth at 12.4% growth against, non-domestic LPG growth of 3.0% this month. Release of new connections was at 1.09 million in November 2011 and 7.92 million cumulatively for April-November, 2011.

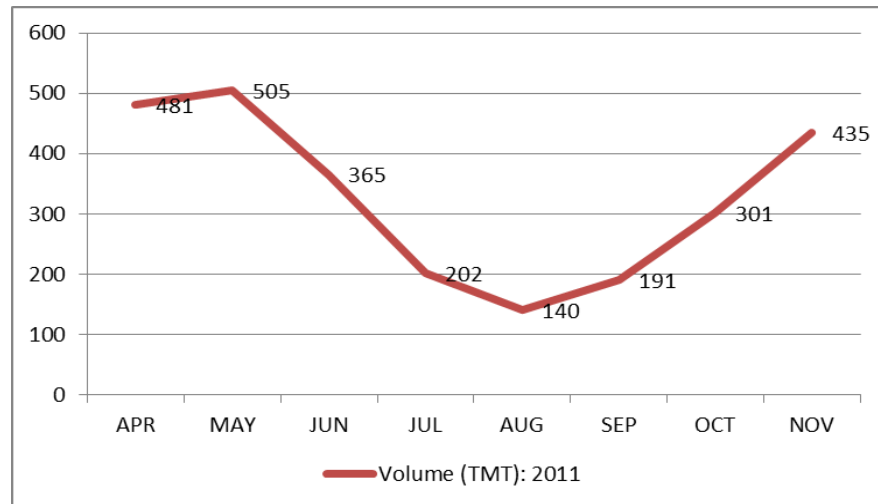
2.5 Naphtha: Naphtha maintained robust monthly growth of 7.8% in November 2011 with cumulative growth of 8.1%. Factors impacting growth are:

- a) Panipat Petrochemical plant provided 58 TMT additional volume as the plant operation appears to have stabilized now.
- b) Power sector has recorded negative growth in Naphtha consumption this year and volume lost in November 2011 alone was 39 TMT.
- c) The imports by major private petro-chemical plants this year were 26 TMT more in November 2011 and 110 TMT cumulatively (April-November) than corresponding period of last year.

2.6 ATF: ATF consumption continued with its consistent trend and growth in November 2011 also was robust at 10.9%. This is despite turbulence in aviation sector leading to cancellation of flights by some airlines.

2.1.8 Bitumen: Bitumen consumption has picked up considerably as growth during November 2011 was high at 44.2%. The uptrend in consumption can be seen from Figure-2 below.

Figure-2: Monthly Consumption Trend (TMT): 2011



2.1.9 FO/LSHS: The negative growth continued in November 2011 also (-7.8%) due to use of alternate fuels. As discussed under HSD, FO/LSHS is reported to be getting substituted by diesel due to latter's price advantage; hence the negative growth trend is expected to continue in the next few months.

2.1.9 PetCoke: PetCoke has recorded extremely high growth of 69.2% in November 2011 and 23.8% cumulatively this year till November 2011. One of the major reasons is low base of last year due to significantly reduced direct private imports by private parties in 2010-11. Another major reason is commissioning of Coker Unit at Gujarat Refinery of IOC, which has increased availability of PetCoke. As a result IOC growth in PetCoke is the highest at 62%.

2.1.10 Others: Jammu witnessed three day disruption of supply of petroleum products due to flash strike by union demanding segregation of route for FCI trucks which hinder their path and cause inconvenience.

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