

Industry Sales Review

August 2011



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
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Subject: Industry Performance Review Report of PPAC: August 2011

1. Data on product-wise consumption, import and export of petroleum products is being uploaded on PPAC website.
2. Comments on industry performance are given below:

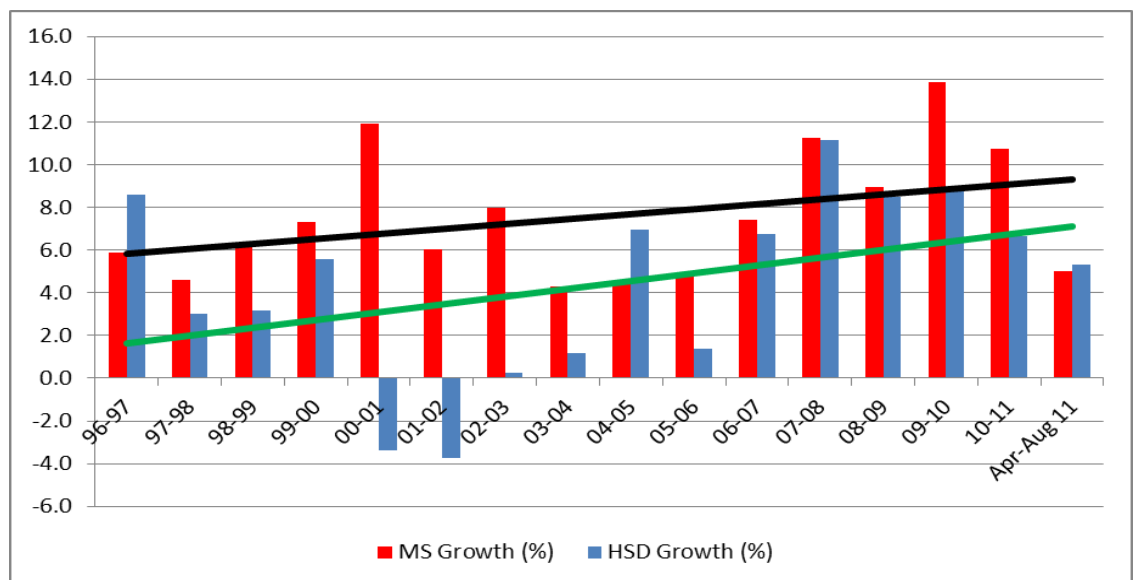
2.1 CONSUMPTION:

2.1.1 All Products: August 2011 growth was low at 1.8% due to negative growth in Naphtha, SKO, FO/LSHS, Lubes and low growth in MS and PetCoke. Data on direct private import which are included in the consumption estimates are received from DGCIS with a lag of few months. Hence, data are projected.

Detailed product-wise analysis of growth for Aug. 2011 is given in the following sections.

2.1.3 Petrol / Motor Spirit (MS): Historically MS growth has been generally more than HSD. Compounded Annual Rate of Growth (CARG) for the last 15 years for MS is 5.6% against 2.5% for HSD. Figure-1 below depicts the trend for the last 15 years:

Figure-1: Yearly MS & HSD Growth (%) Trend



The data analysis for the last 15 years shows that with the exception of 1996-97 & 2004-05 MS growth has always been more than HSD. Trend lines for MS (Black Colour) and HSD (Green Colour) in the chart also clearly brings this out. In that sense, we are in exceptional times, as Apr- Aug 2011 MS growth is lower than HSD and this is happening month after month for the last four months of this year. Current growth rate of MS in August at 4.5% and cumulatively for Apr-Aug at 5.0% is moderate and is heading towards historic low.

Factors impacting consumption of MS are discussed below:

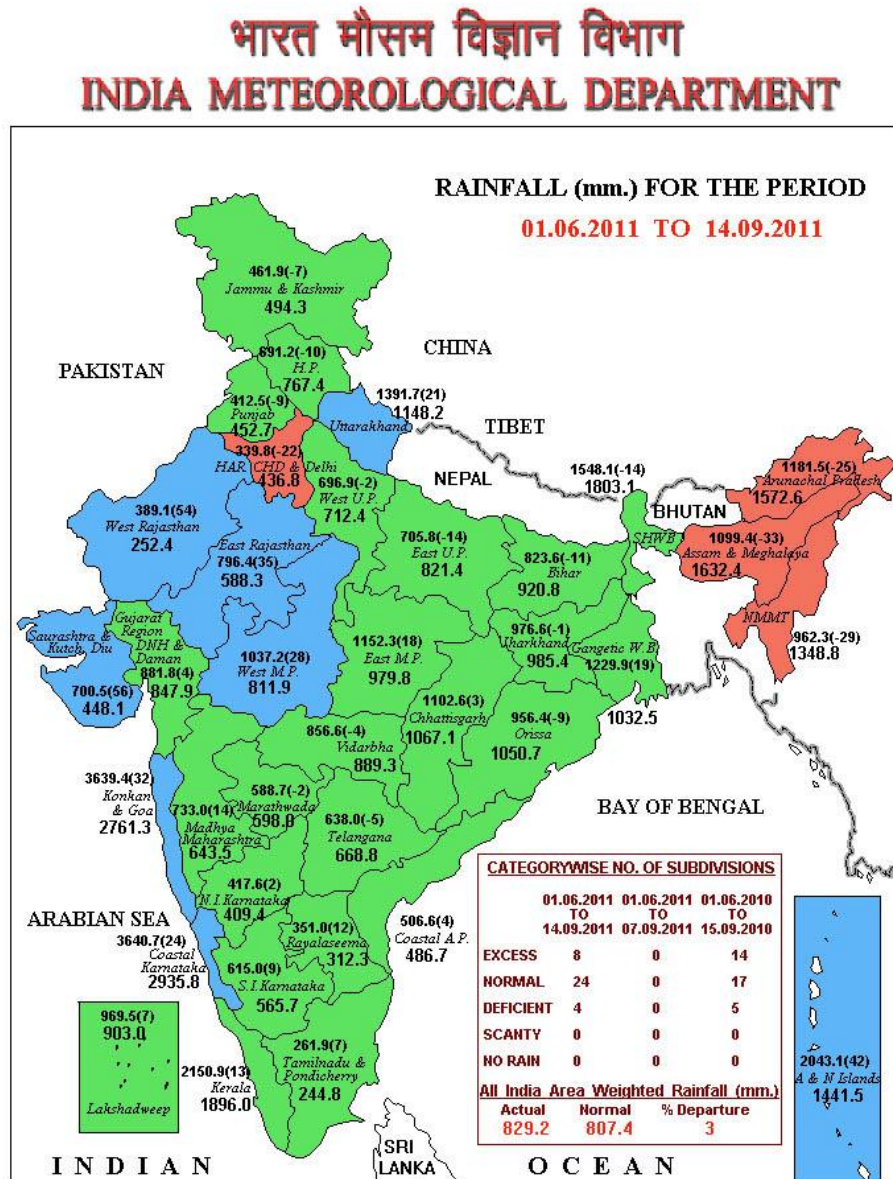
- a) We had highlighted in our previous reports also that the price of MS has substantially increased since June 2010 when it was deregulated. With high inflation including for food items, consumer spend on fuel is continuously getting squeezed. MS price has been increased by around Rs.3 per liter from Sept. 17, 2011, which is likely to adversely affect MS consumption further in coming months.
- b) Second month in a row, car sales skidded and recorded negative growth (-10.1%) in August. However, due to double digit growth in Utility Vehicles, Passenger Vehicles (PV) sales growth was -6.0% during Aug. 2011. One of the reasons for preference for Utility Vehicles is that these are mostly diesel driven.
- c) With Reserve Bank announcing 12th increase in interest rates this month, the cost of loans to purchase will further go up affecting car sales. Added to this is the increased cost of petrol. In a sense, both capital cost and operating cost of petrol driven car has gone up. Although, the ensuing festival season is expected to provide some boost, the car makers do not feel as optimistic as before.
- d) Two wheeler (2-W) sales growth was robust at 16.3% in August. One of the reasons could be that consumers who would have liked to switch over to four-wheeler have not done so and stuck to 2-wheeler purchase in the current uninspiring economic scenario. Sales of 2-Ws crossed million mark seventh month in a row.
- e) Detailed analysis of 2-wheeler sales reveals that while customer has preference for motor cycle purchase, scooters are also slowly finding favour with customers as scooter share in total 2-W sales has inched up to 17.8% this year (Apr-Aug) from low of 11.9% in 2006-07.
- f) Higher base last year is also adversely affecting the estimate of MS growth rate.
- g) State-wise analysis shows that seven states recorded negative growth this month with Manipur recording the highest growth and Nagaland registering lowest growth.

2.1.4 HSD: HSD recorded healthy growth of 6.4% in August 2011. The cumulative growth at 5.3% is in line with PPAC estimates of 5% for 2011-12. Major factors impacting consumption are:

- a) Indian agriculture activities are largely rain dependent (over 70% agriculture land is rain dependent), hence, rainfall plays significant role in food production as also consumption of diesel. One look at rain fall pattern given in Figure-2 and it becomes clear that large parts of the country received normal rains and in fact, few parts in Rajasthan, M.P. Saurashtra in Gujarat and Konkan areas received even excess rainfall. The only exceptions are North East states and Chandigarh / Delhi areas where rainfall was deficient. However, with heavy downpour in third week of September in Delhi, this area should also come under

normal rainfall zone in the next update. Against normal rainfall of 807.4 mm actual rainfall was more by 3% at 829.2 mm. The good rainfall has resulted in lower diesel demand from agriculture sector. Major rain dependent areas have shown low HSD growth like West Bengal (2.7%), Jharkhand (3.1%), Bihar (5.1%), H.P. (-0.6%), and Tamil Nadu (3.2%).

Figure-2: Rainfall Pattern this monsoon up to September14, 2011



LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT [-20% TO -59%]
■ SCANTY [-60% TO -99%] ■ NO RAIN [-100%] NO DATA

NOTES:

- (a) Rainfall figures are based on operational data.
- (b) Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
Percentage Departures of Rainfall are shown in Brackets.

b) Commercial Vehicles (CV) sales are consistently showing good performance with August CV growth at 23.5% adding to HSD consumption.

c) Power availability improvement is becoming routine affair as August also shows improvement in power availability. All India power deficits declined to -5.9% this year from -10.3% same period last year for Apr-August. As is well established now improvement in power availability reduces use of HSD in gensets. Region-wise power deficit position and HSD growth is give in Table-1 below:

Table-1: Region-wise Power Deficits & HSD Growth

Region	Power Deficit (%)		HSD Growth (%)
	Apr-Aug 10	Apr-Aug 11	Apr-Aug 2011
NR	-10.0	-4.1	2.0
WR	-15.1	-9.4	10.9
SR	-7.4	-4.7	5.0
ER	-5.5	-4.0	4.4
North East	-11.4	-9.6	12.3
All India Deficits	-10.3	-5.9	5.3

d) Other factors impacting HSD consumption inter-alia include:

- i. With the increasing gap between MS and HSD retail price preference for diesel cars is increasing. One indicator of this is that against -1.3% growth in car sales, Utility and Multipurpose Vehicles sales have recorded 12.6% growth in first five months of current year. All car manufacturers have introduced diesel version of their main models.
- ii. Analysis of sector-wise HSD consumption shows reduced consumption by Defence, Cement, Mining, Automobile, and other Govt. / private sectors in Apr-Aug period.
- iii. Peaceful situation in J&K has boosted tourist season, which is also reflected in robust growth of 16.9% in HSD consumption in the State this year.

2.1.5 LPG: LPG recorded normal growth of 10.0% in Aug 2011 and 9.6% cumulatively. Release of large number of new connections and demand from existing domestic customer base of 1281 lakhs (as on 30.6.2011) is generating demand.

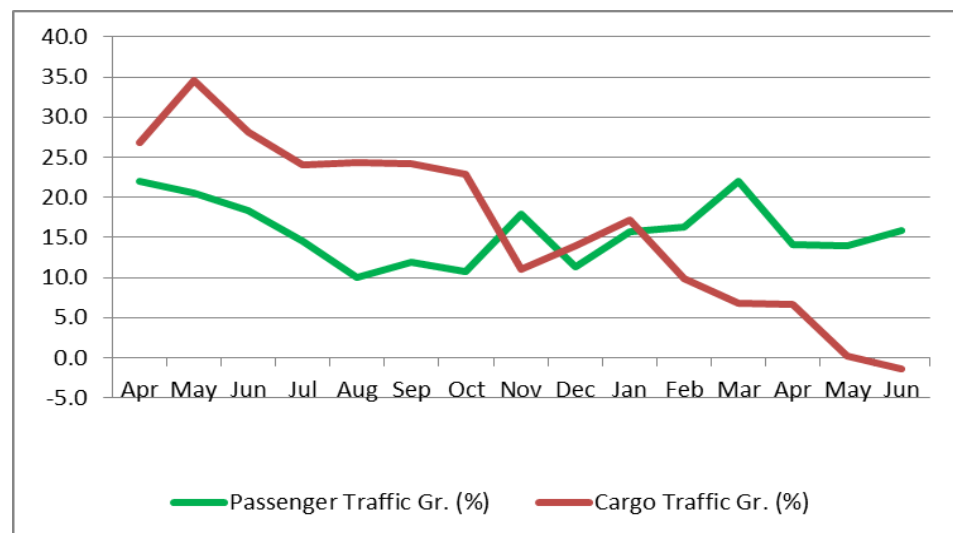
2.1.6 Naphtha: Naphtha recorded -2.1% growth in August and 1.1% cumulatively. Factors affecting growth are:

- a) Power and Steel sectors have recorded negative growth in consumption this year. One of the reasons is shutdown of NTPC, Kayakulam plant in south.

- b) However, Petrochem and Fertilizer sectors have consumed more Naphtha this year than corresponding period of last year.
- c) While IOC Panipat Petro-chemical plant consumption improved to normal levels (190 TMT for the month), imports by major consumers of Naphtha like RIL, HPL & MCFL were lower by 58 TMT in August 2011.

2.1.7 ATF: Performance by aviation sector is quite consistent and it is reflected in ATF consumption with growth of 9.2% in August over the corresponding month of last year. This is expected to continue in the short term. Unlike in the past passenger traffic is now growing faster than cargo traffic as can be seen from Figure-3 below:

Figure-3: Passenger & Cargo Air Traffic Growth (%) Since April 2010



For the first time in June 2011 cargo traffic recorded negative growth reportedly due to upgradation work being done at Delhi and Chennai airports.

2.1.8 Bitumen: On expected lines Bitumen consumption in August remained low because of active monsoon. However, due to lower base it has shown a growth of 8.2% this month. The consumption levels are expected to start picking up after mid September when monsoon starts retreating.

2.1.9 FO/LSHS: As reported last month also due to use of alternate fuels consumption of FO/LSHS is declining. The trend is expected to continue in the short term.

2.1.9 Minor Products (Others): All minor products are clubbed together and the volumes are shown under 'Others' also known as Free Trade Products (FTP). There is good growth in "Others" mainly due to Sulfur. Besides, PetCoke, which is now a big volume product, is also recording high growth. April-August 2011 PetCoke growth is 20.9%.

2.1.10 General:

- a) Shell has started decommissioning retail outlets and is scaling down retail business. So far it has decommissioned 20 outlets.
- b) Auto LPG growth is quite disappointing at 0.7% for Apr-Aug. It is not only poor demand but also logistics, maintenance and repair issues which are affecting sales.

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