Industry Sales Review Report

April 2012

Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

Petroleum Planning & Analysis Cell
(Ministry of Petroleum & Natural Gas)

No. VS/P-4035/C **May 28, 2012**

Subject: **Industry Performance Review Report of PPAC: April 2012**

We are pleased to forward herewith monthly Industry Performance Review Report of PPAC for the month of April 2012.

2 This issues with the approval of Director General, PPAC.

Thanking you,

Vijay Sethi
Additional Director
(Demand & Economic Studies)

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Data on product-wise monthly consumption of petroleum products for April 2012 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of April 2012.

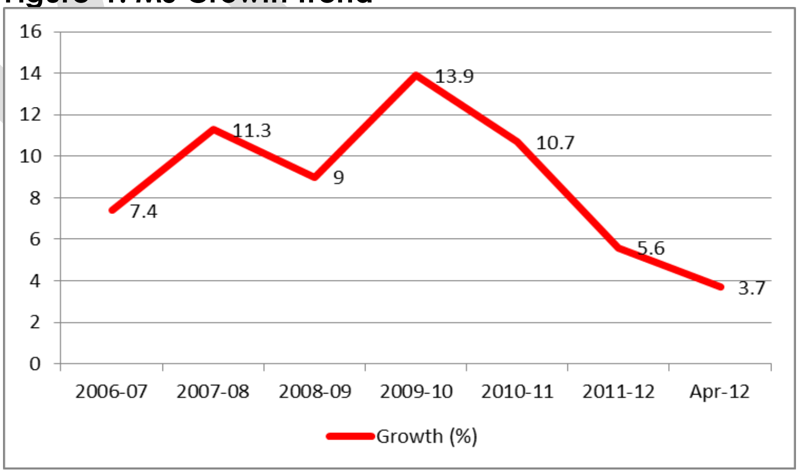
2 CONSUMPTION:

2.1 All Products: April recorded the lowest monthly growth at 0.2% in the last one-and-half years. Data analysis reveals that about 47% of POL consumption in April consisted of diesel, which is a rare phenomenon and has emerged as a new trend in the last couple of months. This is one strong indicator of dieselization of the economy due to price distortion among competing fuels. Seven of the 12 products recorded negative growth and one product low growth in April reflecting pessimistic economic scenario. But for the high growth in HSD the total all products growth would have been in negative zone.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to March 2012 now. Private imports data for the month of April of the current year is projected. Detailed product-wise analysis of consumption in April 2012 is given in the following sections.

2.2 Petrol / Motor Spirit (MS): After the high of March (11.5% growth) MS consumption in April returned to more familiar territory at 3.7% growth. The growth pattern of MS for the past six years is given in Figure-1:

Figure-1: MS Growth Trend



As can be seen from the chart above MS growth peaked in 2010-11 but started declining thereafter post deregulation of price in June 2010 as the retail price started going up. The growth level is expected to remain low as long as MS price remains high with huge difference in HSD selling price.

With recent major price increase affected by oil companies on 24th May 2012, MS growth level may further come down in the near future.

As per reports number of car manufacturers have invested in diesel technology, hence, there could be permanent shift to diesel consumption in passenger vehicle segment impacting MS consumption in the long run, as long as diesel price continue to be substantially lower compared to petrol price.

a) Other major factors impacting consumption of MS remain same, which include increasing preference for diesel vehicles for passenger transport affecting MS consumption and high price of MS dampening sales.
b) After budget related spurt in Passenger Vehicle (PV) sales in Feb. (14.6%) and March (18.8%), the growth dipped to 9.4% in April. The growth is mainly in Utility Vehicles (47.3%), which are largely diesel driven.
c) 2-wheeler sales remain on solid ground recording consistent growth month after month. April growth was 10.8% with a sales volume of 1.15 million units. 2-wheeler sales are expected to remain robust and any downturn due to the not so optimistic economic outlook is more likely to affect car sales.
d) Impact of carry over of high inventories from previous month suppressed MS sales growth in April.

2.3 HSD: Since there is no change in the ground realities affecting diesel consumption, Diesel growth remained robust at 8% in April also. It is expected that this trend is likely to continue unless selling price of HSD is revised upward. Other factors affecting diesel consumption in April 2012 are analyzed below:

a) Power availability position has shown some improvement in comparison to previous two months and power deficit dropped to single digit (8.2%) in April. This is almost same as in the corresponding month of previous year (8.0%). Both Southern and Western regions have shown improvement in power availability. Western region in particular had significant improvement in power availability in April as deficit came down to -4.5% from -9.1% in previous month (March). The improvement in power availability in West is due to NTPC commissioning its first 500 MW unit in Nagpur District. This is part of its super thermal power project of 2320 MW. The project is expected to benefit all major states in the West.
b) South still has major power deficit at -15.5%, which is a marginal improvement over previous month but a huge jump from -6.9% in April last year. Except Kerala, other three major states in South have double digit power deficit with Karnataka (-12.4%), Tamilnadu (-23.5%) and Andhra Pradesh (-13.2%). Tamilnadu recorded very high growth of 28.3% in HSD in April, which can partly be attributed to high power deficit. Other states having major power shortage are J&K (-24.6%), M.P. (-15.3%), Bihar (-23.6%), Jharkhand (-11.6%) and Meghalaya (28.1%).
c) Region-wise power deficit position is given in the Table-1 below:

Table-1

Power Supply Deficit (%)		
Region	**April -2011**	**April - 2012**
NR	-6.3	-5.5
WR	-11.3	-4.5
SR	-6.9	-15.5
ER	-5.0	-5.5
NER	-9.3	-10.6
ALL INDIA	**-8.0**	**-8.2**

Source: CEA

d) Data analysis shows that while sectors like STUs, Railways, Automobiles and Textiles have increased HSD consumption, few other sectors like Marine and Cement have consumed less diesel in April.

e) Slow down in economy and pessimistic business sentiments had adverse impact on Commercial Vehicles (CV) sales growth in April, which dropped to just 5.7%. This is the lowest monthly CV sales growth in the last 34 months.

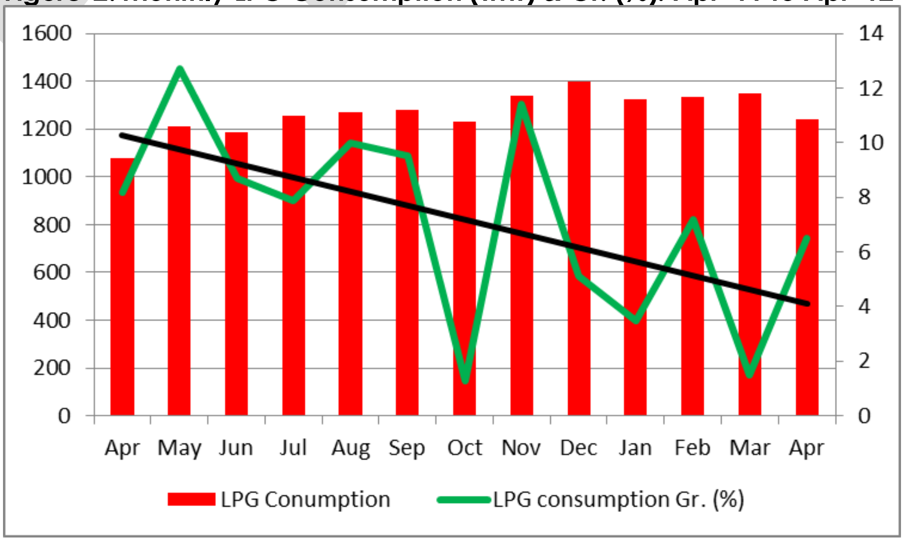
f) Substitution of FO by diesel due to the continued substantial price advantage.

g) Cargo traffic at major ports recorded negative growth of -6.3% in April indicating lesser movement of goods to and from ports.

h) Low base in April 2011 also pushed up HSD growth this month.

2.4 LPG: LPG growth was moderate at 6.5% in April. Availability constraint in the product is adversely affecting consumption. Southern region has reported backlog in LPG of 35 TMT as of 26.04.2012. Despite release of large number of new connections growth has been slowing down due to product availability constraints as can be seen from Figure-2:

Figure-2: Monthly LPG Consumption (TMT) & Gr. (%): Apr' 11 to Apr' 12



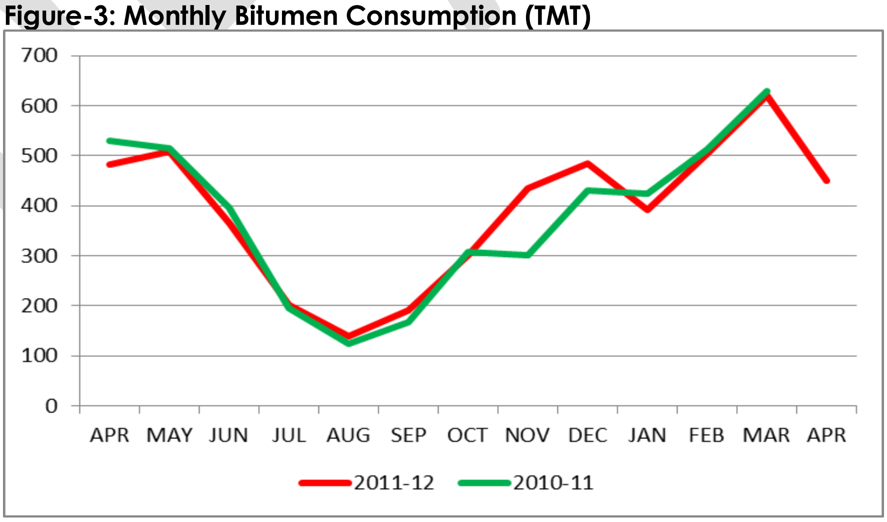
It would be observed from the above chart that consumption volume in April is lower than that in February, which had only 29 days in the month corroborating reports of product availability constrains. Eastern region has reported scarcity of LPG in international markets.

2.5 Naphtha: Naphtha recorded negative growth of -9.7% in April. All sectors - Power, Fertilizer, Petrochem and steel recorded negative growth in consumption. IOC-Panipat plant, which consumed over 200 TMT average monthly Naphtha in 2011-12, recorded major reduction in consumption consuming only 134 TMT in April this year significantly affecting growth. Overall Naphtha imports by major users were slightly higher in April compared to corresponding month of last year.

2.6 ATF: Second month in a row ATF recorded negative growth reflecting the turbulence in the aviation sector. April growth was -1.7% over the corresponding month last year. There appears to be saturation in consumption volume, which is now fluctuating in the narrow band of 450 to 475 TMT per month. With severe curtailment in international flights by Air India due to pilots' strike on top of Kingfisher Airlines trouble, the outlook for ATF does not look bright in the near future.

2.7 Bitumen: Bitumen started the New Year with negative growth of -6.4% in April. While south and east including North East has shown growth due to road construction activities taking place, in other regions like North and West no major road construction work is reported, hence, there was negative growth in consumption in these regions. Figure-3 gives monthly Bitumen consumption volume for the past 25 months:

Figure-3: Monthly Bitumen Consumption (TMT)



Careful look at the consumption trend reveals that road construction activity picked up post monsoon season but remained at low key during extended winter in 2011-12, which otherwise is the high Bitumen use season being last quarter of the year, resulting in flat Bitumen consumption in 2011-12.

2.8 FO/LSHS: Last year monthly FO/LSHS consumption growth remained in negative zone through out the year 2011-12. Even on a low base FO/LSHS recorded high negative growth of -25.5% in April. Except for Steel, which in any case is low user of FO/LSHS, all major sectors like Power, Petrochemicals, and General Trade have recorded significant drop in consumption in April. The industrial slow down and substitution by cheaper diesel are expected to keep consumption volumes low in the near future.

2.9 SKO: The process of rationalization of PDS Kerosene allocation to states has been carried forward to the current year also taking in to account various factors including expansion of domestic LPG through release of new connections. This resulted in significant reduction in PDS Kerosene allocation to states like Punjab, Haryana, Goa, Uttrakhand, Chandigarh, Delhi, Goa, Gujarat, Maharashtra, A.P., Kerala and Tamil Nadu.

As per reports received from field, Punjab state SKO Dealers went on strike in protest against reduction in allocation. Upliftment of PDS allocation was extremely low in states like Punjab and Uttrakhand. Coupled with low allocation and strike by dealers SKO has recorded major negative growth of -19.3% in April.

2.10 General:

A new 9 MMT refinery of HMEL at Bhatinda was commissioned in April when Prime Minister dedicated the same to nation on 28th April 2012. This is expected to improve product availability in North significantly.

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