# Industry Sales Review Report

## August 2012

*Sunset at the North Pole*

Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

**Petroleum Planning & Analysis Cell**

Ministry of Petroleum & Natural Gas

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

## 2 CONSUMPTION:

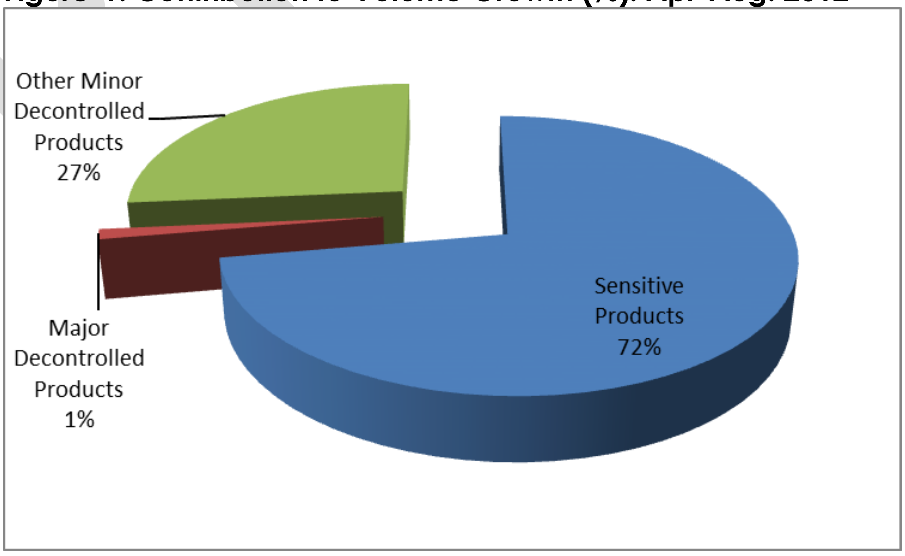
**2.1 All Products Consumption**: PPAC has bifurcated products in to three categories and consumption for each category along with growth (%) for the period Apr-Aug. 2012 is given in Table-1.

**Table-1: Apr-Aug. 2012 Consumption (TMT)**

| (TMT) | Qty. | Growth (%) | Products Included |
|---|---|---|---|
| Sensitive Products | 38801 | 7.9 | SKO, LPG & HSD |
| Major Decontrolled Products | 20127 | 0.2 | Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF |
| Other Minor Decontrolled Products | 5572 | 22.9 | PetCoke & other minor products |
| Grand Total | 64501 | 6.5 | |

Analysis of consumption trend shows that it is the sensitive products other than SKO and minor decontrolled products that are contributing to the bottom line growth. Since prices are market determined for decontrolled products, the growth is flat. Figure-1 shows per cent contribution to volume growth by different categories of products this year:

**Figure-1: Contribution to Volume Growth (%): Apr-Aug. 2012**




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

**2.3 Petrol / Motor Spirit (MS):** MS consumption recorded good growth, 3rd month in a row, at 7.5% in August and is very slowly inching up (4.3% for Apr-Aug) closer to the projected growth (5.8%) for fiscal 2013.

a) Last year June to August was a low growth months for MS, hence, low base is one of the factors contributing to robust growth in recent months. Table-2 brings this out clearly:

**Table-2: MS Growth (%) Pattern**

| Months | MS Growth (%) | |
|---|---|---|
| Year >>> | 2011 | 2012 |
| June | 0.5 | 7.4 |
| July | 4.8 | 8.3 |
| August | 4.7 | 7.5 |

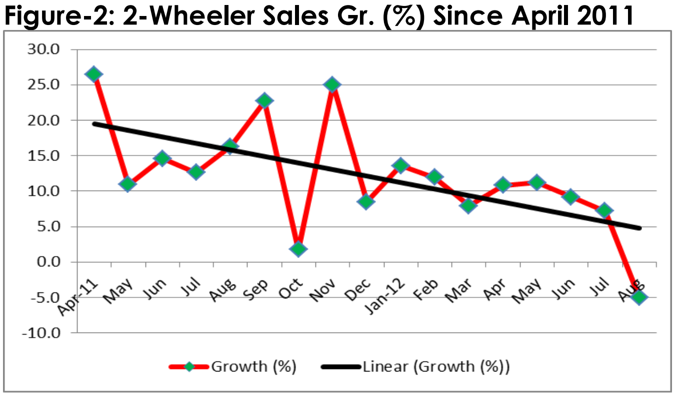
Based on above trend, we expect that MS growth may remain above cumulative growth level in the next few months.

b) Passenger Vehicle (PV) sales skidded to negative zone in August with -4% growth, first time in the last nine months. This was led mainly by drop in car sales, which recorded -18.3% negative growth this month. However, sales of Utility Vehicles continued its upward march with a growth of 67.1% in August, which is further increase on last month growth of 57.5%. As already reported UVs are diesel driven, hence, recording higher sales.

c) With recent increase in HSD retail price, the gap between MS and HSD price has shrunk. However, the gap is still attractive for passenger vehicle buyers to go for diesel vehicles. Therefore, no major shift is expected in the trend in coming months.

a) The sales of 2-wheelers tracked for the last three-and-half years reveals that for the first time 2-W sales recorded negative growth of -5% in August. The growth trend analyzed for the past one-and-half years shows that 2-W growth is heading south for the past many months as can be seen from Figure-2:

**Figure-2: 2-Wheeler Sales Gr. (%) Since April 2011**

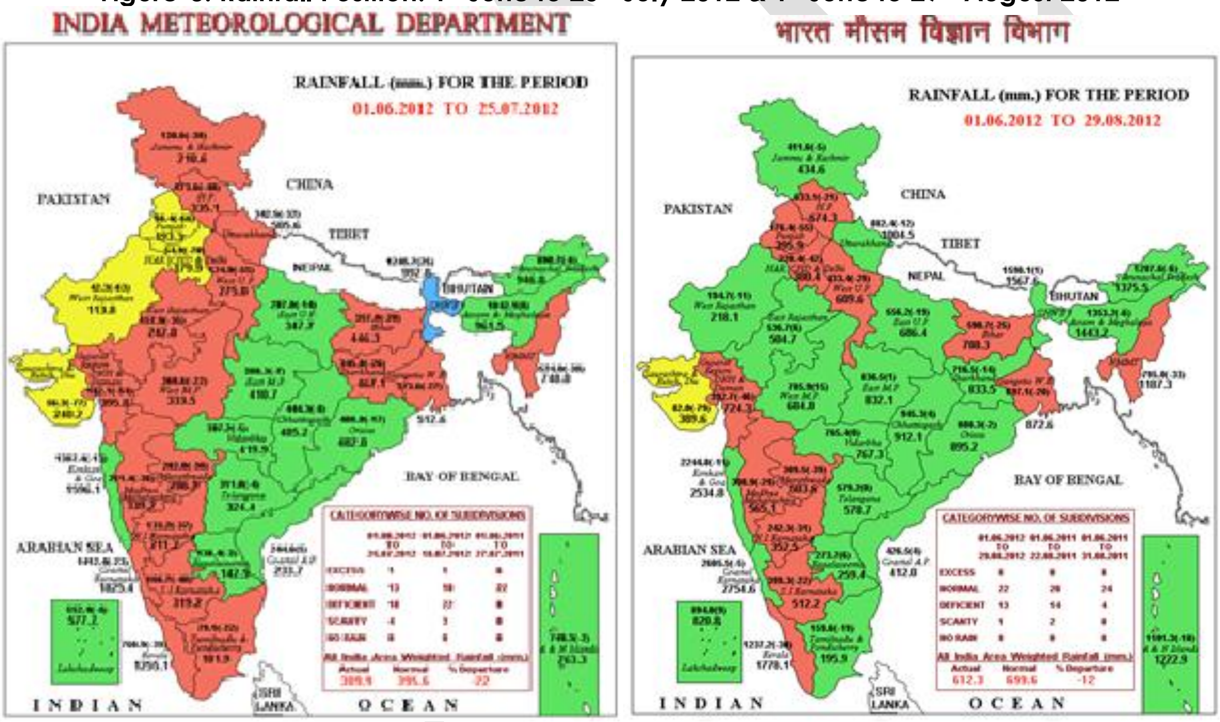


Since festival season is round the corner and hope of lower auto interest rates, there may be some improvement in sales in Diwali season. However, auto experts expect uninspiring show this festival season by automobile industry.

**2.4 HSD / Diesel:** HSD growth moderated a little in August compared to previous month but was still high at 10.4%. It is strange that while the major economic activities that should fuel the diesel growth are uninspiring in the recent months but diesel growth is still high. It is the extraneous factors like price of diesel in comparison to competing fuels and power deficit etc. that are mainly responsible for diesel growth, which makes planning process in terms of estimating demand difficult.

The monsoon surprisingly showed improvement in its last leg. A study of two rainfall maps of IMD brings this out clearly as large areas changed from deficient to normal rainfall areas.

**Figure-3: Rainfall Position: 1st June to 25th July 2012 & 1st June to 29th August 2012**




The position on rainfall this monsoon improved by end-August when many states like J&K, Uttrakhand, Jharkhand, Rajasthan, M.P., and Tamilnadu etc. shifted to normal rainfall zone (area in green) from deficient rainfall (area in brown). This is reflected in reduced need for use of diesel pump sets for irrigation.

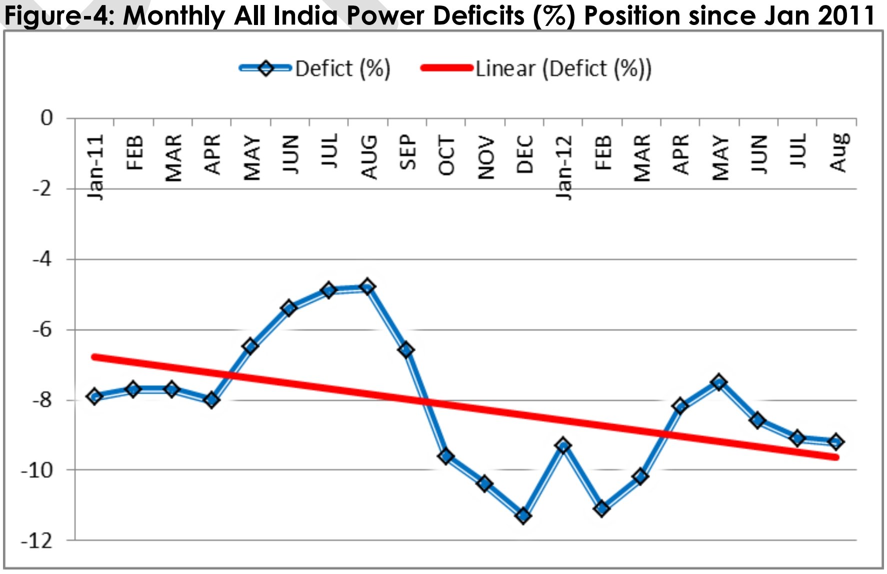
d) Data analysis of state-wise growth shows that due to improved monsoon activity diesel growth in August declined compared to July except for states, which continued to be rain deficient as shown in Table-2:

Table-2

| State | HSD Growth | |
|---|---|---|
| | July 2012 | Aug. 2012 |
| HARYANA | 26.6% | 10.5% |
| HIMACHAL PRADESH | 19.7% | 16.6% |
| JAMMU & KASHMIR | 12.6% | 4.1% |
| DELHI | 21.2% | 13.3% |
| PUNJAB | 23.6% | 14.4% |
| RAJASTHAN | 20.1% | 10.6% |
| UTTAR PRADESH | 14.4% | 11.2% |
| CHANDIGARH | 14.0% | 4.4% |
| UTTARAKHAND | 44.1% | 42% |
| **NORTH** | **20.7%** | **12.7%** |
| DAMAN & DIU | 44.6% | 42.3% |
| GOA | 12.2% | 1.6% |
| GUJARAT | 13.5% | 17.3% |
| MADHYA PRADESH | 17.2% | -0.1% |
| **WEST** | **9.7%** | **7.0%** |
| KARNATAKA | 9.5% | 14.5% |
| KERALA | 13.7% | 10.0% |
| LAKSHADEEP | 70.5% | -48.3% |
| TAMILNADU | 13.7% | 17% |
| **SOUTH** | **9.5%** | **13.5%** |
| **EAST** | **7.6%** | **6.6%** |
| **NORTH EAST** | **6.2%** | **9.4%** |

e) While the monsoon position improved in August, there was no respite from high power deficit, which continues to add to diesel consumption. This month power shortage was higher at 9.2% than previous month (9.1%). Power deficit position has significantly deteriorated in the current year compared to the corresponding months of previous year as can be seen from Figure-4 below:

**Figure-4: Monthly All India Power Deficits (%) Position since Jan 2011**

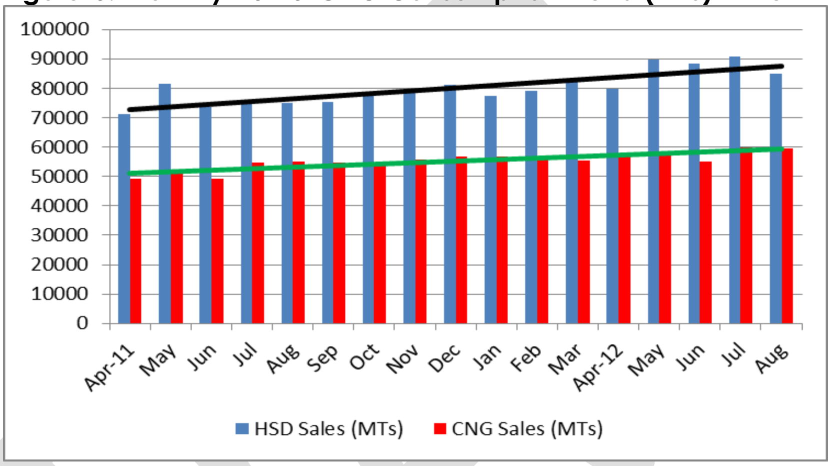



Source: CEA

Major power deficit states this month with double digit power deficit were J&K, U.P., Daman & Diu, A.P., Karnataka and Tamilnadu.

f) In our efforts to continue monitoring of monthly consumption trend for HSD & CNG in Delhi to drive home the point of increasing preference for diesel driven cars; we give below the data up to August 2012 in Figure-5. The latest trend also shows widening gap between consumption of two products. However, this may somewhat get tampered from next month in view of recent hike in HSD price by Rs.5/- liter in Delhi that has once again widened the gap in price of two fuels.

**Figure-5: Monthly HSD & CNG Consumption Trend (MTs) in Delhi**




Source: OMCs & CGD Companies

a) The trend of low growth in Commercial Vehicles (CV) sales continued in August 2012 also as it recorded growth of mere 3.9%. It is becoming clear that sale of HCVs, which is a better reflection of economic activity in the country, continues to be in negative for the past six months.

b) For the past nearly one year (Sept 11 to Jul 12) cargo traffic at major ports has recorded negative growth. Similarly, freight movement by railways is also not showing much promise as the total freight volume in July 2012 was almost at the same level as November 2011.

c) Sector-wise data for direct HSD sales shows that while sectors like power, STUs, steel, mining, automobile have consumed more diesel other sectors like marine and fisheries had lower consumption of diesel during Apr-August 2012 period.

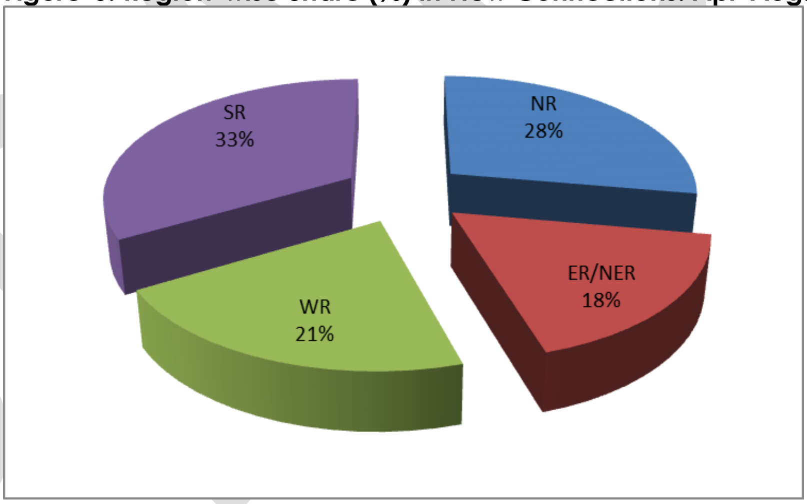
**2.5 LPG:** LPG monthly consumption growth remained low at 5% second month in a row bringing down cumulative growth further to 6%, lowest in the last four years.

a) South reported packed LPG availability problems due to three days strike at Ennore bottling plant.

b) Detailed analysis of the LPG data brings out some very heartening facts about spreading use of LPG in new areas that were hitherto lagging. The analysis reveals that:

i. East & North-East Regions together had only 13.9% share in the all India domestic LPG customer base as of June 2012 ends. However, in a recent spurt in customer enrolments East/North-East region notched up 20.2% of the new enrolments in August 2012.
ii. Bihar and West Bengal led this spurt with a share of 6% and 7% respectively.
iii. State-wise analysis reveals that Andhra Pradesh had the highest share in new enrolments (13.9%) followed by U.P. (11.8%), Tamilnadu (10.2%) and Maharashtra (9.1%) in August.
iv. Release of free connections by Governments of A.P. and Tamilnadu appear to be the reason for higher enrolment in these states.
v. Region-wise analysis shows that south leads in terms of new connections releases this year (Apr-Aug):

**Figure-6: Region-wise Share (%) in New Connections: Apr-Aug.**




**2.6 Naphtha:** Naphtha growth surpassed the previous high in July in terms of monthly growth this year and achieved a growth of 25.2% in August. Higher consumption from Petrochemicals Sector is the main reason for growth. There is increase in Naphtha imports by 72 TMT during Apr-August mainly by petrochemical customers.

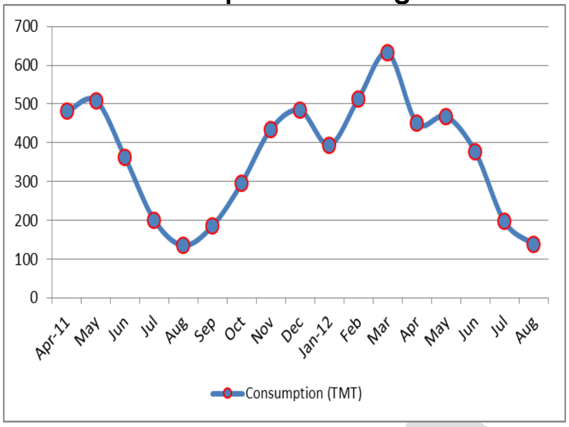
**2.7 ATF**: The only good news from the otherwise depressed aviation sector is the permission for FDI by the Govt. in a recent decision. Negative growth trend in ATF consumption continued in August also (-5.7%). Both passenger and cargo traffic are showing depressed performance.

In the given circumstances outlook for ATF consumption remains negative this year.

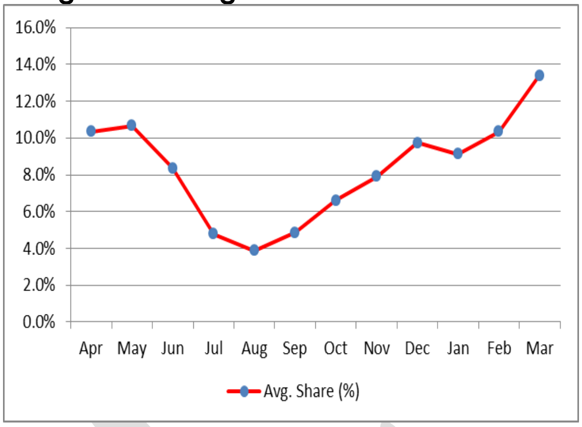
**2.8 Bitumen:** July and August are low consumption months. We give below two charts that show actual consumption curve in (2011-2012) and average consumption curve for Bitumen based on monthly weighted average consumption based on last 10 years data:

**Figure-7 & 8:**

**Actual Data for Apr 2011 to Aug 2012**




**Weighted Average for 10 Years**




As can be seen the last one-and-half year consumption trend is very similar to last one decade Bitumen consumption pattern. Despite August being the lowest consumption month, Bitumen recorded minor growth of 1.2%.

**2.9 FO/LSHS:** As predicted in our July report, FO/LSHS consumption growth is expected to start moderating. The negative growth was at -10.4% in August against -16.2% in the previous month. With recent revision of HSD price the moderation process is expected to pick up further as in some states difference in FO price with HSD has come down and in few cases FO price is now equal or higher than FO. The changed price scenario is expected to reflect in consumption trend of FO in coming months.

**2.11 General:**

- ✓ As per report from ER Coordinator, Paradeep refinery in east is expected to be commissioned by September 2013
- ✓ CPCL refinery went for maintenance shutdown from August 2012. HPC-Vizag refinery also remained under shutdown in July & August 2012.

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