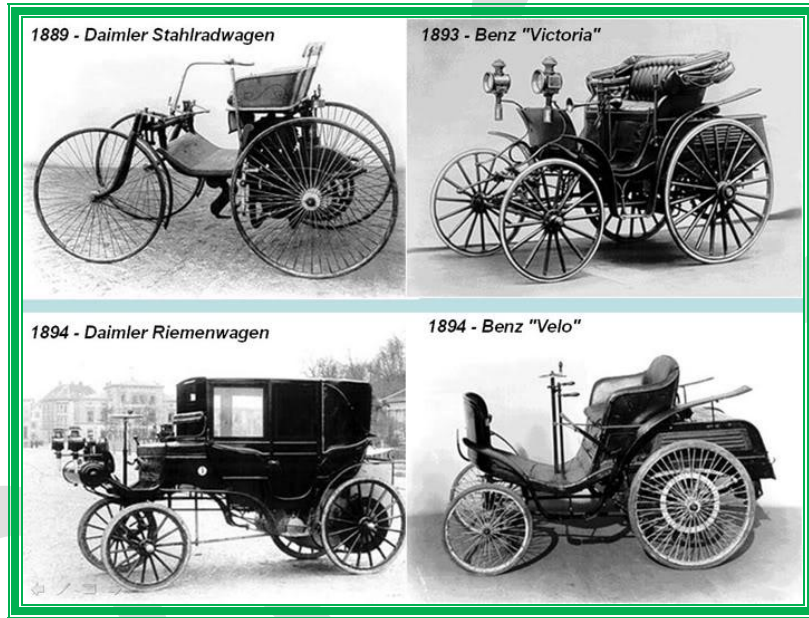


Industry Sales Review Report

November 2012



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 November 2012 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of November 2012.

2 CONSUMPTION:

2.1 All Products Demand & Consumption

PPAC revised demand projection for the current year on 6th December, 2012. Revised projected demand figures for the year 2012-13 are given in Table-1:

Table-1: Demand Projections 2012-13 (RE)

Category	Qty. (TMT)	Growth (%)
Sensitive Products	93782	6.2
Major Decontrolled Products	48451	-0.4
Other Minor Decontrolled Products	13403	21.7
All Products	155637	5.2

Note: Figures rounded off

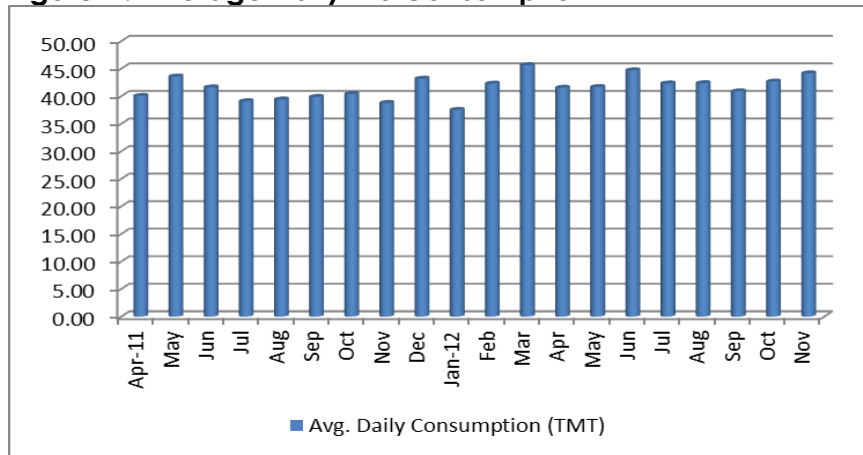
Product-wise demand projection figures are available on PPAC website www.ppac.org.in

All products consumption for the month of November 2012 was flat with a growth of merely 0.1% over the corresponding month of previous year. Of 11 major products six products namely SKO, LPG, Lubes, FO/LSHS, Bitumen and ATF recorded negative growth. Cumulative growth for the period April - November 2012 is now at 5.5%.

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

2.3 Petrol / Motor Spirit (MS): MS consumption recorded highest monthly growth in over two years and was at 13.9% in November 2012. Since the growth is unusually high we analyzed it by looking at the performance from volume angle also. As number of days in each month is not same we normalized the consumption volume by calculating average daily consumption to understand the unusual growth. Figure-1 below provides some insight in to it:

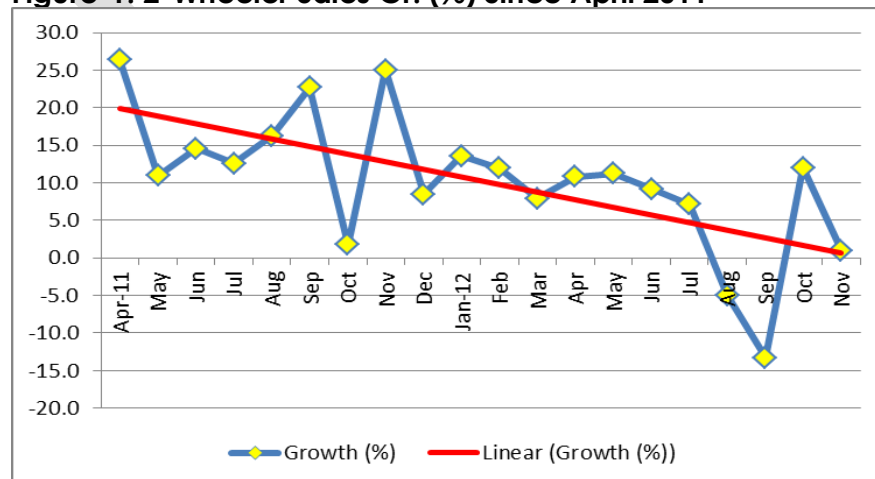
Figure-1: Average Daily MS Consumption in TMT



While there is no doubt about gradual upturn in MS consumption in the past few months, the consumption volumes in November 2012 are not high enough to justify such high growth figure, which is more a statistical result of low base. This may get corrected in December. Other factors affecting MS consumption are discussed below:

- a) **Car Sales falter again:** The hope generated in October turned out to be a false alarm as car sales faltered again in November with negative growth of -7.8%, third time this year, after impressive showing in October. However, Passenger Vehicles (PV), which includes cars, utility vehicles and multi purpose vehicles, remained positive at 4.1% on the back of impressive showing by Utility Vehicles (UVs) growth of 67.6% in November 2012.
- b) **2-wheeler Sales remain flat:** 2-wheeler sales were flat at 1% growth in November 2012. Cumulative growth for Apr-Nov. is also low at 3.8%. This is in the background of impressive showing in the last three years from 2009-10 to 2011-12 when annual growth remained in double digit with growth in 2009-10 at 26%, 2010-11 at 25.8% and 2011-12 at 13.9%. Figure-2 gives glimpse of declining monthly growth:

Figure-1: 2-Wheeler Sales Gr. (%) Since April 2011

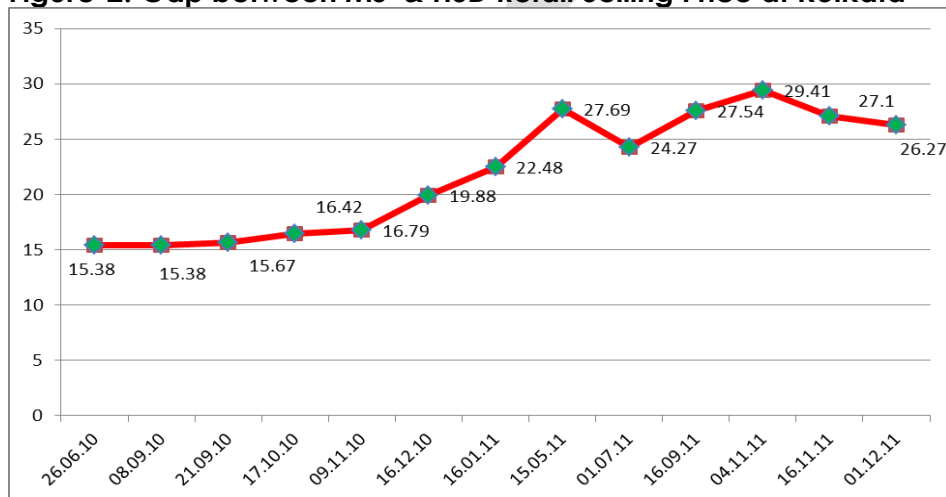


Source: SIAM

We have been observing that preference for scooters has been increasing over the years. Scooter share, which was only 13.3% in 2008-09, has increased to 21.1% in the current year. One of the possible reasons is more females buying 2-wheelers who prefer scooters over motor cycles.

- c) It is normal for month in which Diwali falls to have higher MS consumption; hence, November being a Diwali month recorded higher consumption.
- d) Gap between MS and HSD retail price, which has increased substantially over the period has now started coming down gradually. A little push to MS sales may have been contributed by this reducing price gap. In the last one-and-half months price gap has reduced by nearly Rs.3/- liter. Figure-2 provides clue to this trend:

Figure-2: Gap between MS & HSD Retail Selling Price at Kolkata



Source Courtesy: RSR Coordinator-ER

2.4 HSD / Diesel: The runaway growth in HSD observed in the last over a year has given way to growth, which is now more consistent with performance of the economy. Continuing its downward spiral HSD recorded growth of only 1.7% in November, the lowest monthly growth in one-and-half years. Factors affecting diesel consumption are discussed below:

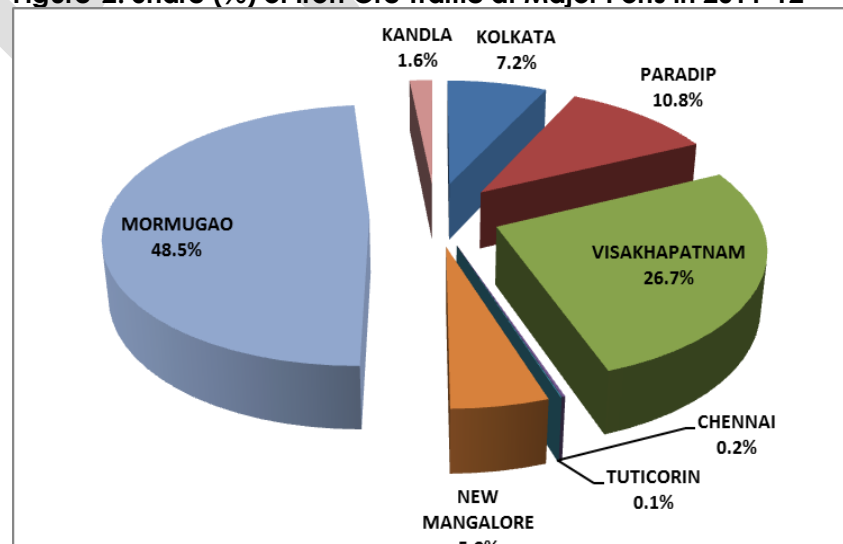
- a) The data analysis shows that monthly consumption volumes have not dropped significantly to justify low growth of 1.7% in diesel. Hence, it is more because of high base impact in the corresponding month of the previous year.
- b) **Mining ban affecting port traffic:** Due to declining exports and decline in mining activities traffic at ports is also coming down. The performance of major ports in handling of traffic is dismal this year leading to lower movement of goods. Table-2 shows traffic handling data for major ports for Apr-Nov. 2012:

Table-2

TRAFFIC HANDLED AT MAJOR PORTS (Prov.)			
(IN ' 000 TONNES)			
PORTS	APRIL TO NOVEMBER		
	2012	2011	Growth (%)
Kolkata Dock System	7755	8364	-7.28
Haldia Dock Complex	18031	22056	-18.25
TOTAL: KOLKATA	25786	30420	-15.23
PARADIP	35465	36366	-2.48
VISAKHAPATNAM	39416	47904	-17.72
ENNORE	10759	8979	19.82
CHENNAI	35581	37851	-6.00
V.O. CHIDAMBARANAR	18467	18107	1.99
COCHIN	13299	13227	0.54
NEW MANGALORE	23566	20951	12.48
MORMUGAO	14205	23856	-40.46
MUMBAI	38885	35628	9.14
JNPT	42860	43630	-1.76
KANDLA	61694	53758	14.76
TOTAL	359983	370677	-2.88

Source: IPA

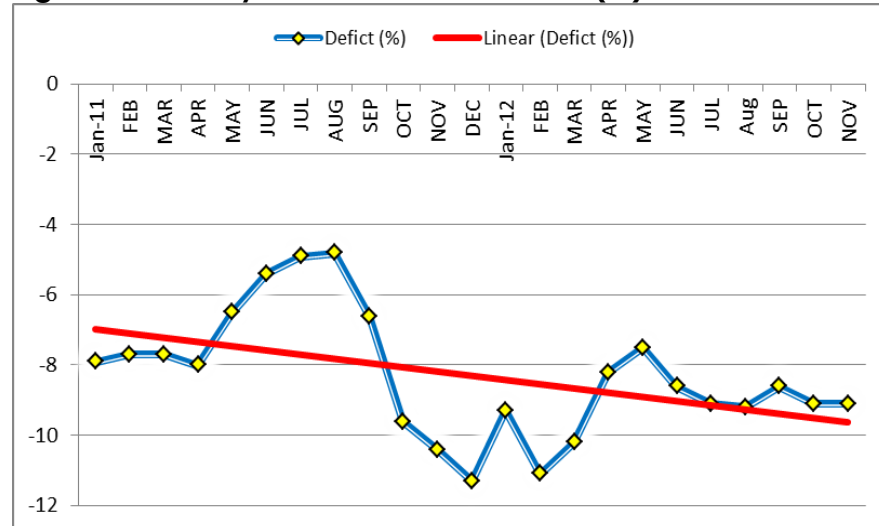
It would be noticed that Mormugao port is showing huge negative growth of -40.46%, which is mainly due to ban on mining activities in the state of Goa. The share of iron ore in total traffic at this port was more than 80% in 2010-11, which declined to 75% in 2011-12. Therefore, ban on mining activities has affected Mormugao port the maximum. Share of iron ore traffic at various ports is given in Figure-3 below:

Figure-2: Share (%) of Iron Ore Traffic at Major Ports in 2011-12

Source: IPA

- c) **Not much change in power deficit position:** All India power deficit has remained stable in the last six months hovering around 8% to 9% figure. Figure-3 gives fair idea of this trend:

Figure-3: Monthly All India Power Deficits (%) Since Jan 2011



Source: CEA

Power position continues to be grim in south (-17.9%) led by Tamilnadu with a deficit of -27%. As per information received from Western Region Coordinator 52 of 90 power plants face coal shortage with stocks for only seven days. Only redeeming feature in this grim scenario on power is the expected commissioning of 250 MW plant from NLC in Tamilnadu shortly.

- d) Since solution to power deficit requires long term planning, states with double digit power deficit in November 2012 remained largely same as in the previous month namely J&K (25.1%), U.P. (15.2%), M.P. (15.5%), Daman & Diu (11.8%), A.P. (17%), Karnataka (11.9%), Tamilnadu (27%), Meghalaya (11.6%) and Bihar (16.5%).
- e) **Lowest Sales Growth in Commercial Vehicles (CV) in 40 Months:** CV sales dropped by -7.3% in November. The last time such negative growth in CV sales witnessed was during 2008-09 recession. What is worse that it is the medium and heavy vehicles sales, which is considered true reflection of economic activities, dropped by -33.1%. This does not augur well for diesel sales from transport sector, which accounts for more than 2/3rd of diesel consumption.
- f) Other factors impacting diesel consumption were elections in H.P. and Gujarat, unrest in Karnataka due to Cauvery issue affecting goods movement for 10 days, heavy rains / cyclone in A.P. affecting vehicles movement on NH-5 for 3 days, indefinite blockade of Imphal-Dimapur-Guwahati / Imphal-Silchar highways, and ban on sand mining in Punjab affecting road construction and iron industry in Gobindgarh etc.

2.5 LPG: Negative growth in LPG is quite uncommon and that is what happened in November as it recorded a negative growth of -4.5%. Twenty five of the 35 states/UTs recorded negative growth in November. The negative growth is

mainly in domestic LPG, whereas there is spurt in non-domestic and Auto LPG sales. LPG consumption is normally higher in winter months; however, data analysis shows that despite release of large number of new connections, LPG consumption is stagnating since cap on domestic cylinders was announced coupled with OMCs exercise to detect and block duplicate domestic connections. Table-3 gives month-wise data on LPG consumption and release of new connections:

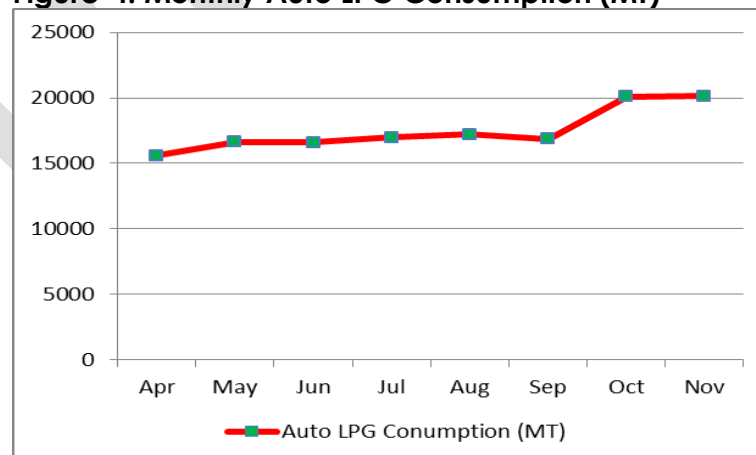
Table-3

Month (2012)	Avg. Daily LPG Consumption (TMT)	New Connections Released (Lakhs)
April	40.18	11.29
May	41.12	09.64
June	41.94	08.41
July	41.45	08.77
August	42.00	10.66
September	41.48	11.19
October	40.99	10.39
November	41.48	04.26

Source: OMCs

PPAC had predicted positive impact of domestic LPG cylinder cap on Auto LPG sales and that is turning out to be correct as Auto LPG volumes have started increasing post cap on subsidized cylinders. We expect this trend to continue in the short run if the policy remains in place. Monthly consumption volume for Auto LPG is given in Figure-4 to appreciate the welcome upturn:

Figure-4: Monthly Auto LPG Consumption (MT)



2.6 Naphtha: Naphtha consumption growth was robust at 7.2% in November. Except Fertilizer all other sectors have recorded positive growth in consumption. There is downward trend in private imports mainly due to significantly lower imports by HPL. IOC-Panipat plant has consumed over 1.66 MMT Naphtha this year, which is higher by 23.9% over previous year.

2.7 ATF: There is no change in aviation scenario, therefore, negative growth in ATF consumption continued in November also recording negative growth of -5%. As predicted in previous reports of PPAC due to closure of private airline, high airport charges and ATF prices, we expect ATF consumption to remain in negative zone this year. However, there is proposal to reduce airport charges from new year, which may bring some cheer to the sector.

2.8 Bitumen: While the consumption volumes for Bitumen are picking up post withdrawal of monsoon, Bitumen consumption remained in negative zone (-5.4%) in November due to high base. The remaining months of the current year are expected to improve Bitumen consumption.

2.9 FO/LSHS: About 50% of FO/LSHS consumption is in the General Trade accounted by small and medium industry. Due to economic slowdown industrial activity is at low key resulting in lower consumption of FO/LSHS. The General Trade segment has lost over 600 TMT volumes in consumption this year, which represents 64% of the total volume lost so far.

2.11 General:

- ▶ Crude oil production, particularly from tight oil rises sharply over the next decade reports EIA. The advent and continuing improvement of advanced crude oil production technologies continues to increase projected domestic supply. Domestic production of crude oil increases sharply in AEO2013, with an annual growth averaging 234 thousand barrels per day (bpd) from 2011 through 2019, when production reaches 7.5 million bpd. The growth results largely from a significant increase in onshore crude oil production, particularly from shale and other tight formations. – Source EIA
- ▶ An interesting information shared by Eastern Region Coordinator says that in the 1st decade of the 21st century, the country faced driest June in 100 years, worst drought in 4 decades, dryness in the usually rainy north-eastern India, heavy downpours in the Rajasthan desert, and frequent month-long delay in monsoon withdrawal.
- ▶ Ernakulum District is the first in India to have 100% banking facility covered for all people in the district (Source: BL, 20/11/2012).

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