

Industry Sales Review Report

December 2012



Happy New Year



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

2 CONSUMPTION:

2.1 All Products Demand & Consumption

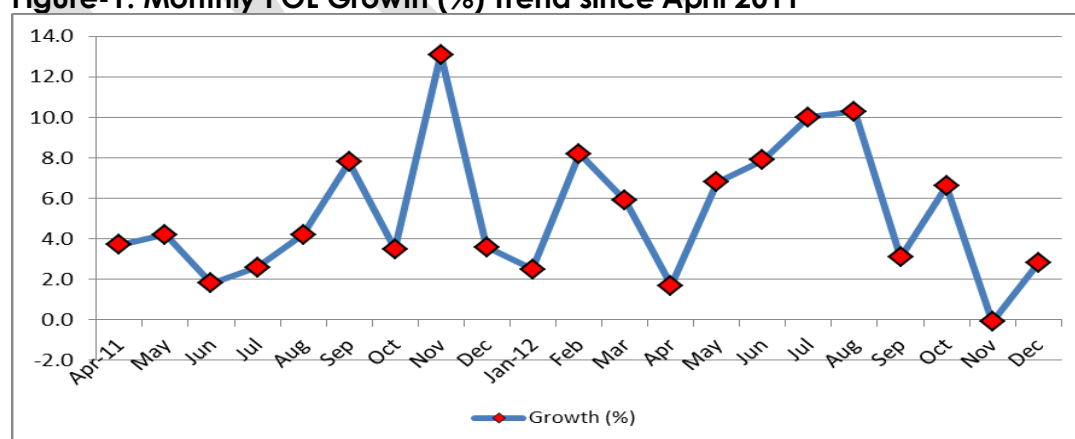
Cumulative POL growth up to December 2012 is in line with revised demand estimates of PPAC. Comparison of demand projection with actual consumption growth as per figures available up to December 2012 is given in Table-1:

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

Category	Growth (%) as per Rev. Estimate	Actual Growth (%)
Sensitive Products	6.2	5.7
Major Decontrolled Products	-0.4	-0.6
Other Minor Decontrolled Products	21.7	29.3
All Products	5.2	5.3

All products consumption for the month of December 2012 was low at 2.8% over the corresponding month of previous year. Monthly growth trend for POL consumption is given in Figure-1 below:

Figure-1: Monthly POL Growth (%) Trend since April 2011



It would be observed that consumption that peaked in August this year started declining after significant increase in price of diesel in Sept. 2012 as diesel has more than 44% weight in POL consumption basket.

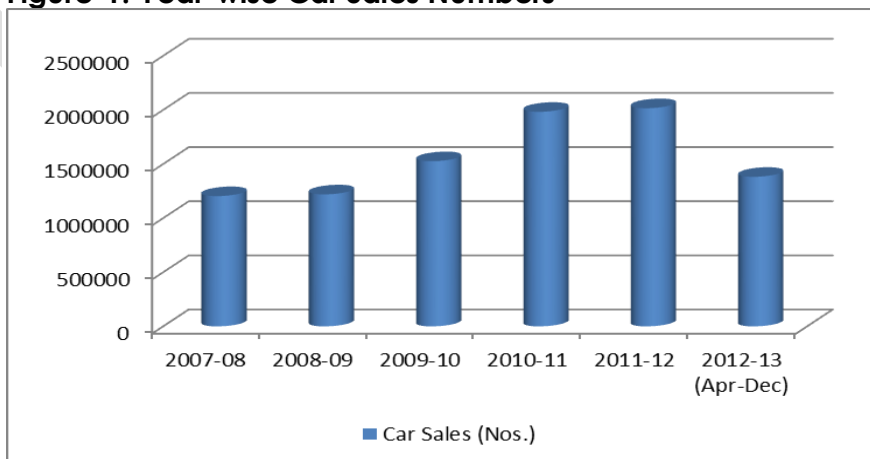
Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to October 2012. Private imports data for the balance two months of the current year are projected.

Detailed product-wise analysis of consumption in December 2012 is given in the following sections.

2.3 Petrol / Motor Spirit (MS): MS consumption growth was low in December 2012 at 0.7%. As predicted last month high growth of November (13.9%) was expected to be corrected in December (0.7%). Factors affecting MS consumption are discussed below:

- a) Main factor that affected MS growth in December is high base in the corresponding month of previous year. Last year, anticipation of downward revision in MS price started in November 2011 when dealers started keeping very low inventory to avoid adventitious loss. The actual price revision happened on December 04, 2011 after which dealers brought up the inventories to normal level making up for low inventories of pervious month. This resulted in high base in December 2011 statistically affecting growth figure this month.
- b) **Passenger Vehicles (PV) Sales growth enters negative zone:** Only the second time this year, PV sales were negative (-0.2%) in December contributed mainly by poor car sales, which recorded -11.4% growth. However, utility vehicles growth remained positive though with a curtailed level of 41.1% against 67.7% in November. The outlook for car sales remains pessimistic. As per newspaper reports, The Society of Indian Automobile Manufacturers (SIAM) slashed the sales growth outlook to 1-3%. Earlier in July, SIAM had projected a more optimistic 9-11% growth. Similar poor growth levels were last seen in 2008-09 when car sales grew at 1.4% and PVs sales grew by merely 0.2%. Year-wise sales trend for car sales is given in Figure-1:

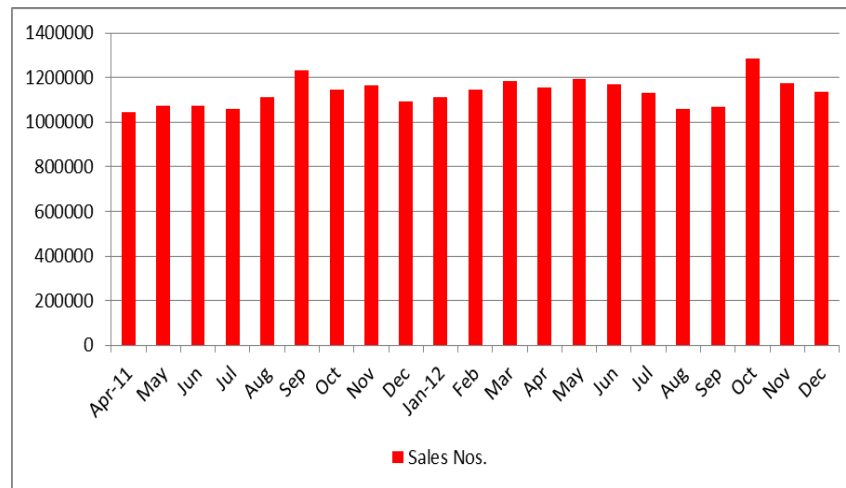
Figure-1: Year-wise Car Sales Numbers



Source: SIAM

- c) **2-wheeler Sales are also sliding:** Not only 2-wheeler sales growth is low at 4.1%, the sales volumes are sliding for the past two months. Figure-2 gives monthly 2-Wheelers sales from April 2011:

Figure-2: Two Wheeler Sales since April 2011

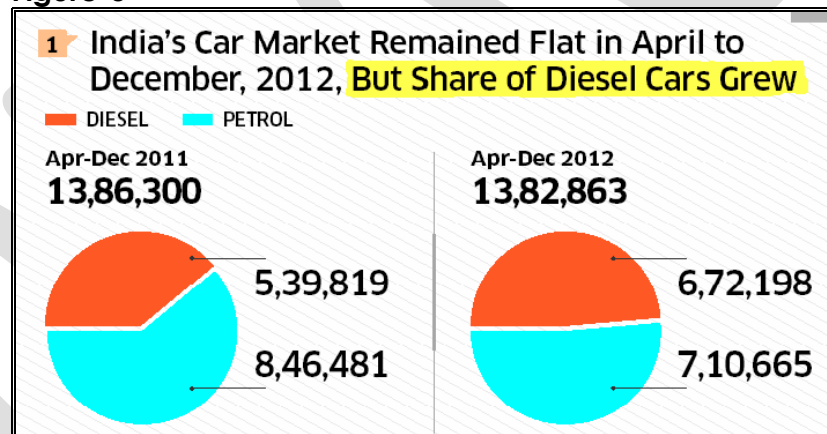


Source: SIAM

As mentioned in previous report, preference for scooters is increasing; as a result this segment recorded higher growth (6.1%).

- d) As per ET report (23.01.2013) despite poor market conditions, share of diesel cars increased from 38.6% in Apr-Dec. 2011 to 48.6% in Apr-Dec. 2012. This has had adverse impact on MS consumption.

Figure-3



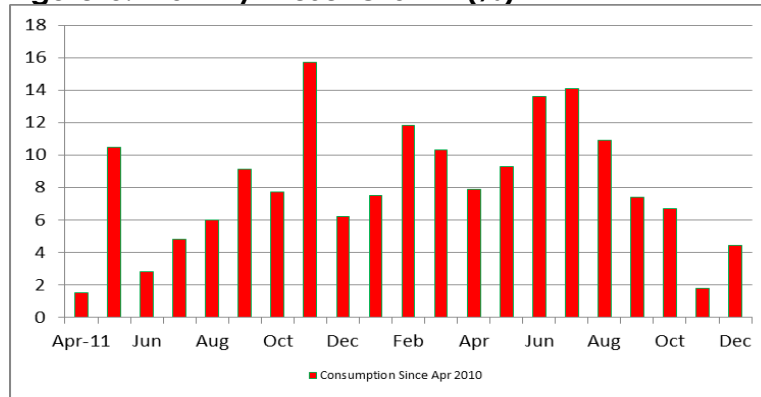
Source courtesy: Economic Times (23.01.2013)

- e) Severe winter also adversely affected consumption especially by 2-wheelers. Delhi experienced lowest temperature range (minimum and maximum) in a long time towards end of the month with coldest Christmas in last six years (minimum temperature dropping at 2.9 Degrees Celsius).

2.4 HSD / Diesel: At 4.4%, monthly HSD growth in December was second lowest this year and more consistent with overall economic conditions. Factors affecting diesel consumption are discussed below:

- a) Ever since substantial increase in HSD price in September, HSD growth has lost shine in terms of preference for substitution. Figure-3 brings out the declining trend in diesel growth:

Figure-3: Monthly Diesel Growth (%)



With deregulation of price for direct sales customers and further marginal increase in diesel price in January 2013, consumption volumes are expected to come under pressure. Besides, shift of consumption volume from direct sales to retail sales may also happen due to substantial price differential.

- b) **Port traffic declines further:** There is no improvement in port traffic and, in fact, Apr-Dec. data shows further decline in traffic handled leading to lower movement of goods. Table-2 shows traffic handling data for major ports for Apr-Dec. 2012:

Table-2

TRAFFIC HANDLED AT MAJOR PORTS (Prov.)			
(IN ' 000 TONNES)			
PORTS	APRIL TO DECEMBER		
	2012	2011	Growth (%)
Kolkata Dock System	8666	9392	-7.73
Haldia Dock Complex	20198	24427	-17.31
TOTAL: KOLKATA	28864	33819	-14.65
PARADIP	40749	40500	0.61
VISAKHAPATNAM	44201	52646	-16.04
ENNORE	12212	10392	17.51
CHENNAI	39896	41940	-4.87
V.O. CHIDAMBARANAR	20951	20853	0.47
COCHIN	14893	14872	0.14
NEW MANGALORE	27025	24233	11.52
MORMUGAO	14918	28337	-47.36
MUMBAI	44090	40217	9.63
JNPT	47977	49489	-3.06
KANDLA	69497	60910	14.10
TOTAL	405273	418208	-3.09

Source: IPA

As already reported Mormugao port is showing huge negative growth of -47.36% mainly due to ban on mining activities in the state of Goa.

- c) **Marginal improvement in power deficit position:** All India power deficit came down marginally from 9.1% in November to 8.9% in December. Except for Eastern Region, all other regions have shown slight improvement

over previous month. However, southern states, mainly Tamilnadu, Karnataka and A.P. continue to suffer huge power deficit. Southern Region Coordinator reported that due to severe power cuts:

- Consumer durable sales are down by 20 to 30% in towns like Trichy, Madurai and Tirunelveli
- Many industries are battling for survival due to power cut coupled with slowdown in economy
- Most of the units are operating at 60% capacity in Coimbatore due to 14 hours power cuts

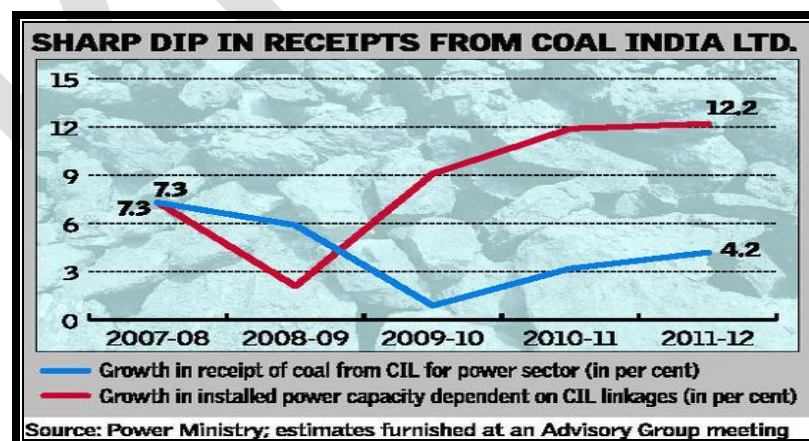
Table-1 gives region-wise power deficit position:

Table-1: Region-wise Power Deficits (%)

Region	Dec.-2011	Dec.-2012
North	9.1%	7.3%
West	14.8	4.1
South	11.5	17.5
East	4.0	5.0
North-East	9.9	5.0
All India	11.3	8.3

Source: CEA

- d) As per reports received from western coordinator, 34 out of 90 power plants face acute coal shortage with stocks only for 7 days. Business Line reports "As per the estimates, coal-fired generation projects cumulatively adding up to 62,680 MW are slated to come up over the next five years, requiring an additional 313 million tonnes of coal. Against this, the incremental coal availability indicated by CIL is only 100 million tonnes. Based on the projected shortages, the new capacity that could be stranded works out to 42,000 MW. The current installed generation capacity in the country is 173,626 MW".



Source courtesy: Business Line

- e) **Record Negative Sales Growth in Commercial Vehicles (CV):** 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 is that it is the medium and heavy vehicles sales, which is considered true reflection of economic activities, dropped by -38.3% in December (Apr-Dec. 19.0%).

This does not augur well for diesel sales from transport sector, which accounts for more than 2/3rd of diesel consumption.

2.5 LPG: Negative growth is becoming a routine in LPG consumption ever since cap on domestic cylinders was introduced in September. LPG recorded major negative growth of -8.0%, third time this fiscal. However, this is partly contributed by higher base also apart from cap on cylinders.

Initial data shows a welcome trend of domestic segment declining by -8.1% in December and non-domestic segment growing by 2.3%. Further analysis reveals an interesting trend that North and East, which had lowest share in non-domestic sales, are recording double digit growth in non-domestic sales. Auto LPG sales also continues to grow. However, increase in price of Auto LPG resulting in shrinking price difference with MS had dampening effect on Auto LPG, which recorded low growth of 2.5% in December.

We expect this trend to continue in the short run. However, the increase in cap of subsidized cylinders from six to nine may give some fillip to domestic LPG consumption in January.

2.6 Naphtha: Naphtha consumption growth was high at 22.4% in December (7.8% Apr-Dec) led by Petrochemical sector. Haldia Petrochemicals and IOC-Panipat plant have together contributed more than half-a-million tonne of additional consumption this year.

2.7 ATF: There is no change in aviation scenario and ATF recorded negative growth (-5.7%) in December also. Most of the volume gained in ATF consumption during previous year is likely to be wiped off this year. As reported, earlier, airport charges in Delhi have been revised downwards in January, which may bring some cheer to the sector.

2.8 Bitumen: While the consumption volumes for Bitumen are consistently increasing, there is no respite from negative growth which was -6.3% in December (Apr-Dec. -2.1%). As per reports, NHAI has claimed that several projects are held up because of green clearance. NHAI has reportedly approached courts for resolution of the matter. With this background, Bitumen performance this year is likely to remain disappointing.

2.9 FO/LSHS: The expected improvement in FO/LSHS consumption after increase in diesel price was marred by nil upliftments in December by major customers like NFL Panipat & Bhatinda in fertilizer sector, which have reportedly switched to gas. Hence, negative growth is likely to continue in FO/LSHS consumption in the near future.

2.11 General: Retail outlets number has crossed 47000 mark on all India. Of this 21% have been put up in rural area by oil companies.

Demand & Economic Studies Division, PPAC
