# *Industry Sales Review Report*

## *January 2013*

Analysis • Knowledge • Information

**पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ**

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

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Ministry of Petroleum & Natural Gas

Data on product-wise monthly consumption of petroleum products up to January 2013 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of January 2013.

## 2 CONSUMPTION:

### 2.1 Demand Estimates:

PPAC has finalized demand estimates for 2013-14 (OE) in consultation with OMCs, which are shared in Table-1 below:

**Table-1: Demand Estimates for 2013-14 (OE)**

| Category | Volume (TMT) | Growth (%) |
|---|---|---|
| | | |
| Sensitive Products | 98514 | 5.0 |
| Major Decontrolled Products | 48719 | 0.6 |
| Other Minor Decontrolled Products | 14796 | 10.4 |
| **All Products** | **162029** | **4.1** |

Note: (1) All figures rounded off (2) Growth (%) calculated on 2012-13 (RE) figures

Product-wise demand estimate figures are uploaded on PPAC website.

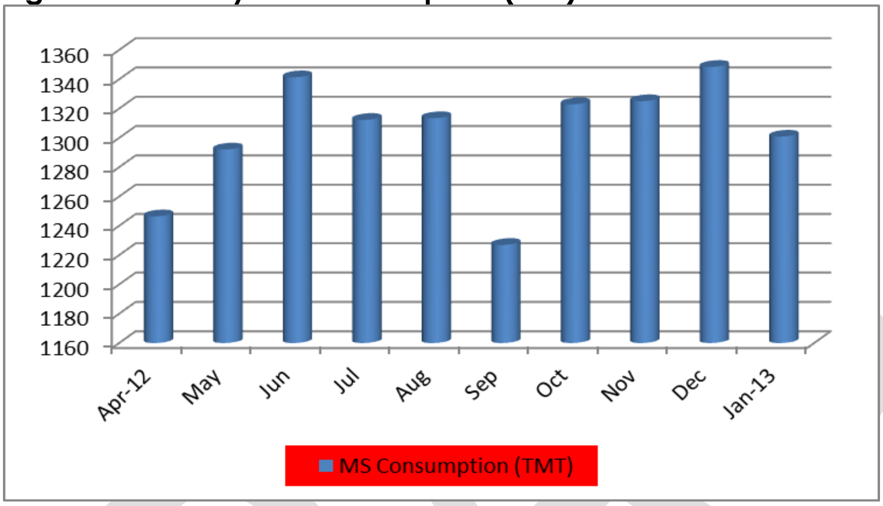
### 2.2 All Products Consumption:

All products consumption for the month of January 2013 was high at 7.8% over the corresponding month of previous year on the back of high growth in PetCoke, Naphtha, MS and Bitumen besides continued high growth in HSD.

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 months of the current year are projected. Detailed product-wise analysis of consumption in January, 2013 is given in the following sections.

**2.3 Petrol / Motor Spirit (MS):** High growth of 11.8% in January 2013 is not a true reflection of ground reality and is more a statistical reflection of low base than any major upturn in consumption. In fact, consumption volume in January 2013 is slightly lower than during the previous three months. Impact of expectation of price revision, whether upward or downward, vitiates the consumption performance unrealistically. In such a scenario it is better to look at figures over a few months than just for one month, which may provide better insight in to the consumption trend. The data analysis for two sets of periods – Apr. to Sept. 2012 and Oct. 2012 to Jan. 2013 reveals an interesting consumption trend. While in the first half of the year MS was losing its sheen due to increasing gap in price with HSD and thus recorded subdued growth of 4% (Apr-Sept.). After substantial increase in HSD retail price in Sept. 2012 and reducing gap in price of two fuels coupled with reduction in MS price on 18.01.2013 and campaign by car manufacturers to explain advantages of buying petrol driven cars by users driving cars for limited distance, resulted in MS consumption partially regaining lost ground. Hence, Oct. 2012 to Jan. 2013 period saw much higher growth at 7%. MS consumption volume is largely stable now and have consistently remained above 1300 TMT / month for the past four months. Figure-1 gives monthly MS consumption volume since April 2012:

**Figure-1: Monthly MS Consumption (TMT)**



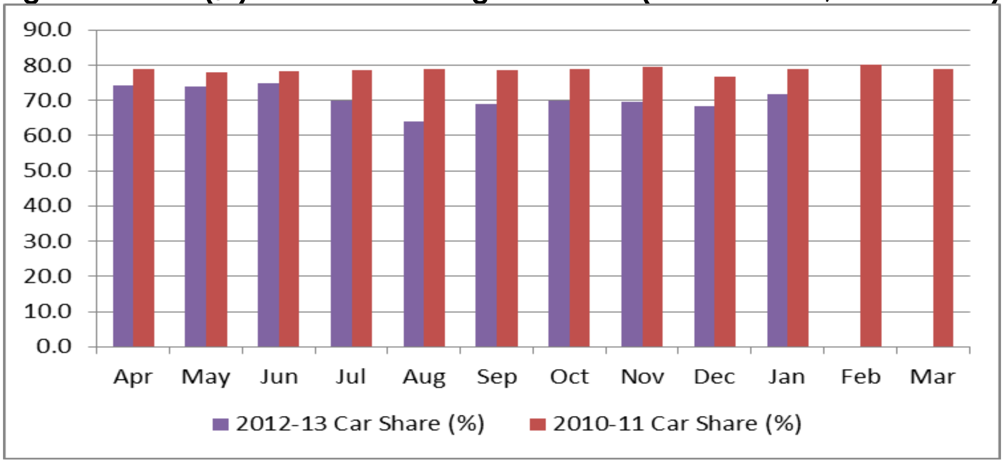

Factors affecting MS consumption are discussed below:

a) MS consumption during corresponding month of previous year was low at 1164 TMT in comparison to average monthly consumption volume of 1235 TMT due to impact of carry over of high inventory with dealers from previous month.

b) **Passenger Vehicles (PV) Sales records negative growth second month in a row**: Despite better volumes than December, PV recorded negative growth of -3.4% in January. SIAM has scaled down growth forecast for 2012-13 for PVs to 7 to 10% growth from earlier estimates of 11 to 13%. Based on emerging trend and slowdown in the economy, we expect that even the scaled down target may be difficult to achieve. Hence, MS consumption outlook in the near future remains moderate at best.

Tracking of the data for the last three years shows that share of car sales in the overall Passenger Vehicles (PV) sales has been dropping. The car share, which was 79% in April 2010, has dropped to 71.7% in Jan. 2013 due to growing preference for diesel vehicles. Other categories of vehicle within PVs basket like Multi Purpose Vehicles (MPVs) and Utility Vehicles (UVs) have gained share as these are largely diesel driven. Month-wise share of cars within PVs is given in Figure-2:

**Figure-2: Share (%) of Cars in Passenger Vehicles (includes Cars, MPVs & UVs)**




Source: SIAM

c) **2-wheeler Sales Pick Up**: In the otherwise gloomy scenario for the automobile sector sales of 2-wheelers is the only silver lining, which recorded a growth of 8.4% in January. Apart from growth, sales volume at 1.21 million units is also robust.

**2.4 HSD / Diesel:** At 8%, monthly HSD growth in January was very much in line with the declining trend this fiscal as cumulative growth for the period Apr-Jan. (2012-13) stands at 8.3% from growth rate of over 10% in first half (H1) of the current fiscal. Factors affecting diesel consumption are discussed below:

a) **Deregulation of Direct / Bulk Diesel Sales**: Government announced deregulation of diesel sales to direct/bulk consumers buying the product directly from oil companies. The share of direct / bulk sales was about 18% in 2011-12, which may undergo significant change in the short term due to the price differential effective January 18, 2013.

Since deregulation was announced only in the third week of January 2013, it is too early for clear trends to emerge, taking in to account factors like the reaction time of various users. However, we have tried to analyze the data in little more details and early trends observed are shared here:

- January 2013 monthly direct / bulk consumption share of diesel dropped to 15.3% from about 18% so far.
- Average consumption of Road Transport sector (Mainly STUs) in the direct/bulk segment was 213 TMT/month in 2011-12. This dropped to 180 TMT in Jan. 2013. It is understood that STUs are shifting their purchases to retail outlets in most of the states, hence, this segment may see significant drop in consumption in near future under direct/bulk category.
- Since Railways have operational problem in shifting their purchases to retail outlets, it may continue with direct/bulk purchases from oil companies. However, the deregulation in direct/bulk sales has opened

up the field for private sector. Hence, sales to users like railways may bring intense competition among PSU and private oil companies.

- **Collateral Damage**: An unexpected fall out of shift of STUs to retail outlets is congestion at retail outlets affecting service to common customers buying fuel at these outlets. Such initial reports have specifically come from south.

b) **Port traffic growth remains in negative zone**: There is no improvement in port traffic, and traffic handled at major ports is less than that during last year for the period Apr-Jan. due to slowing exports and ban on mining. Of the 12 major ports in the country six have recorded negative growth led by Marmugao (-50.2%), Vishakhapatnam (-15.2%), and Kolkata (-11.8%). Table-2 shows traffic handling data for major ports for Apr-Jan. (2012-13):

**Table-2**

| TRAFFIC HANDLED AT MAJOR PORTS (Prov.) | | | |
|---|---|---|---|
| | | | (IN ' 000 TONNES) |
| **PORTS** | **APRIL TO JANUATY** | | |
| | **2012-13** | **2011-12** | **Growth (%)** |
| KOLKATA (Haldia+Kolkata) | 32402 | 36725 | -11.8 |
| PARADIP | 46610 | 45540 | 2.4 |
| VISAKHAPATNAM | 49153 | 57943 | -15.2 |
| ENNORE | 14264 | 12064 | 18.2 |
| CHENNAI | 44336 | 47084 | -5.8 |
| V.O. CHIDAMBARANAR | 23560 | 22915 | 2.8 |
| COCHIN | 16536 | 16711 | -1.1 |
| NEW MANGALORE | 30494 | 26964 | 13.1 |
| MORMUGAO | 15934 | 31994 | -50.2 |
| MUMBAI | 48522 | 45151 | 7.5 |
| JNPT | 53765 | 55443 | -3.0 |
| KANDLA | 78154 | 68563 | 14.0 |
| **TOTAL** | **453730** | **467097** | **-2.86** |

Source: IPA

As reported in our previous reports the negative growth in traffic handling at ports is mainly due to major drop in iron ore (-54.7%). Commodity-wise analysis of traffic at ports shows that fertilizer and container traffic are also showing negative growth. Only thermal coke and other miscellaneous cargo are showing reasonably high growth.

c) **Power deficit widens**: January, 2013 recorded highest monthly all India power deficit (-9.8%) during this fiscal. While the traditionally power deficit southern region has shown slight improvement, it was the northern region, which recorded double digit deficit (-10.2%) led by U.P. and J&K. Region-wise position for January is given in Table-3:

**Table-3: Region-wise Power Deficits (%)**

| Region | Jan. 2012 | Jan. 2013 |
|---|---|---|
| North | -7.2 | -10.2 |
| West | -11.9 | -5.9 |
| South | -9.3 | -15.6 |
| East | -6.8 | -3.7 |
| North-East | -9.2 | -6.8 |
| **All India** | **-9.3** | **-9.8** |

Source: CEA

d) **Third Month in a Row Negative Growth in Commercial Vehicles (CV) Sales**: Last time such a situation was witnessed was during the recession period of April to June 2009. CV sales dropped by -9.5% in January, 2013. With the prospect of increase in price of diesel on monthly basis and with continued high interest rates, the outlook for CV sales looks bleak in the near future.

e) The price increase in diesel has pushed up freight cost. It is reported by the southern coordinator that this has also pushed up cost of cement manufacturing. All these are likely to further dampen movement of goods.

**2.5 LPG:** On the back of Government announcement on increase in capping of subsidized cylinders from six to nine and higher PMS imports, LPG managed a positive growth of 0.1% in January 2013 after two months of negative growth. Despite increase in the subsidized cylinder limit domestic LPG remained in negative zone though with lower negative growth of -1.7%. This is one of the indicators that runaway growth in LPG is now a thing of past.

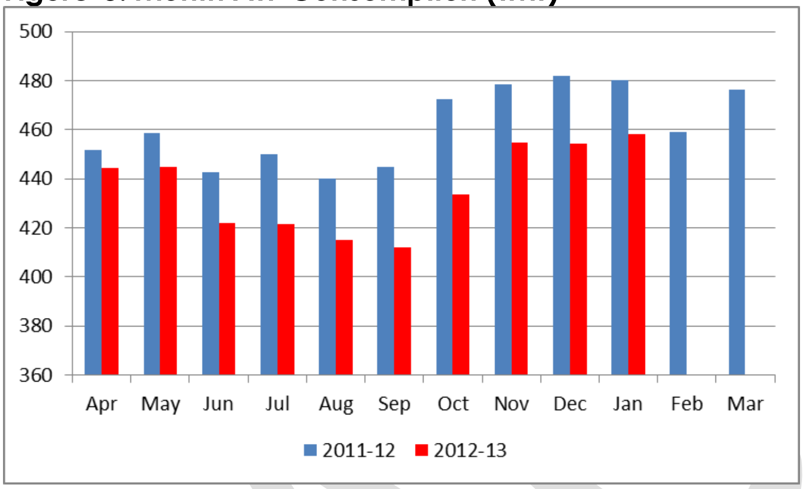
*An interesting trend observed is that increase in non-domestic LPG sales is more than the drop in domestic LPG sales. January data shows that domestic packed LPG consumption dropped by 20 TMT compared to corresponding month of previous year. However, increase in non-domestic packed LPG consumption was 24 TMT during the same period.*

Share of packed non-domestic LPG was 6.7% for the period Apr-Oct. 2012. By January 2013 end this share has increased to 7.5%. The increase of 0.8% share for packed non-domestic translates to shift of about 136 TMT from packed domestic to packed non-domestic LPG based on demand estimates for 2012-13 (RE).

**2.6 Naphtha:** Naphtha recorded huge growth of 22.1% in January 2013 taking up the cumulative growth for Apr-Jan (2012-13) to a robust level of 9.2%. Both Petrochemicals and Power sectors have contributed to increased volume this month. Increased consumption by PPN Power Tamilnadu and NTPC Kayakulam, Kerala have contributed to higher upliftments by power sector. IOCL Panipat and Haldia Petrochemicals were the major contributors to Naphtha consumption growth from Petrochemical sector during January.

**2.7 ATF:** Despite recording the highest sales volume during this fiscal, ATF growth remained in negative zone (-4.6%) during January 2013 due to higher base. A silver lining is that ATF volumes have shown improvement in the last three months after touching the nadir in September 2012, indicating some positive signs for the sector. Figure-3 below brings this out clearly:

**Figure-3: Month ATF Consumption (TMT)**




During the next month (February) growth may turn positive for the first time this fiscal, due to the low base in February, 2012.

**2.8 Bitumen:** The recent positive growth trend continued in Bitumen consumption during January 2013 as it recorded a growth of 12.2%. The cumulative negative growth has now come down to -0.5% for the period Apr-Jan igniting the hope that the year 2012-13 may end with some positive growth in Bitumen consumption. Nevertheless, performance of road sector is not inspiring with number of NHAI projects held up for want of clearances.

**2.9 FO/LSHS:** As reported in our previous report the Fertilizer sector has contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda, major consumers in fertilizer sector, have switched to gas and their upliftments for the past two months are nil. General Trade group, which accounts for small industrial consumers, have uplifted less by over 64 TMT this month reflecting general business conditions in the economy. Hence, the year 2012-13 is likely to end with huge negative growth in FO/LSHS consumption, which is largely due to the shift of fertilizer plants to gas from FO/LSHS.

**2.11 General:**

- As per PIB press note of 7th February, 2013 on *ADVANCE ESTIMATES OF NATIONAL INCOME, 2012-13 by CSO*, Gross Domestic Product (GDP) at factor cost at constant (2004-05) prices in the year 2012-13 is likely to attain a level of Rs.55,03,476 crore, as against the First Revised Estimate of GDP for the year 2011-12 of Rs. 52,43,582 crore, released on 31st January 2013.

- The growth in GDP during 2012-13 is estimated at 5.0 per cent as compared to the growth rate of 6.2 per cent in 2011-12.
- The sectors which registered growth rate of over 5 percent are 'Construction', 'trade, hotels, transport and communication', 'financing, insurance, real estate and business services', and 'community, social and personal services'.
- There is estimated to be slow growth in 'agriculture, forestry and fishing' (1.8%), manufacturing (1.9%) and electricity, gas & water supply (4.9%). The growth in the mining and quarrying sector is estimated to be only (0.4%).

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