Industry Sales Review Report

March 2013

Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

(पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय)

Data on product-wise monthly consumption of petroleum products for 2012-13 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of March, 2013 in particular and 2012-13 in general.

2 CONSUMPTION:

2.1 All Products: The year 2012-13 ended with a growth of 4.9% over previous year as per provisional data. The actual consumption vis-à-vis demand projections for the year 2012-13 are as under:

	Quantity (TMT)	Growth (%)
PPAC Revised Estimates	155637	5.07 %
Actual Consumption (Prov.)	155417	4.92 %
Variation (TMT)	-220	
Variation (%)	-0.14%	

Monthly POL consumption growth in March, 2013 was 2.1%, contributed mainly by HSD, MS, Naphtha and 'Others'.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to February, 2013 and private imports data for the balance one months of the current year is projected to arrive at full year's figures.

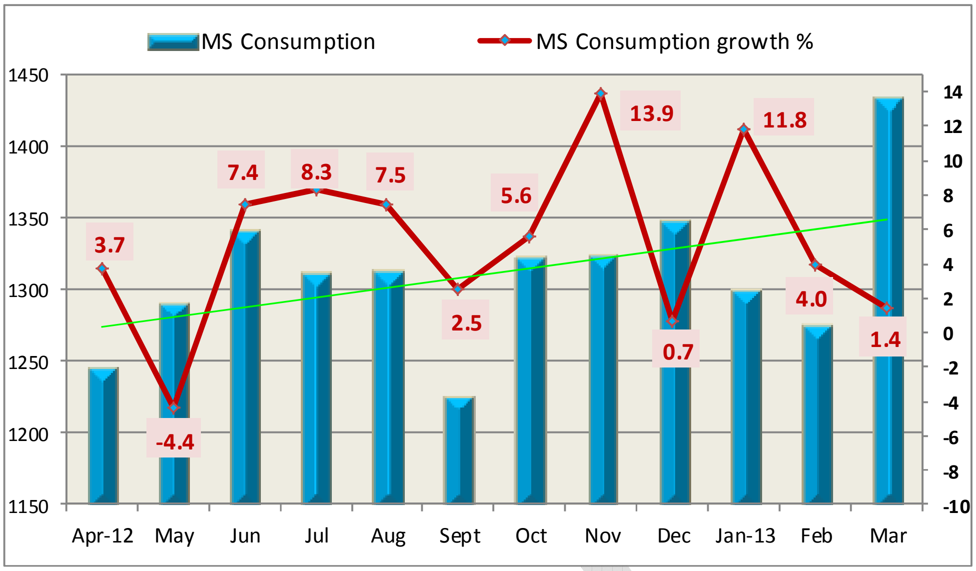
Detailed product-wise analysis of consumption in March, 2013 is given in the following sections.

2.2 Petrol/ Motor Spirit (MS): There has been a growth of 1.4 % in the consumption of MS in March, 2013.

The overall MS consumption growth for the year 2012-13 was at 5.0 %, compared to the growth of 5.6 % during 2011-12.

Figure-1 gives monthly MS consumption volume (TMT) and MS consumption growth (%):

Figure-1: Month-wise MS Consumption (TMT) & Growth (%): 2012-13



MS consumption during March, 2013 was at 1435.4 TMT in comparison to average monthly consumption during April- March, 2012-13 of 1311 TMT.

Factors affecting MS consumption are discussed below:

Total Passenger Vehicles (PV) Sales (comprising of Passenger Cars, Utility Vehicles and Vans) recorded negative growth fourth month in a row: Total PV Sales recorded negative growth of 12.0% in March, 2013, sliding for the fourth consecutive months, as sluggish economic growth continued to weigh on demand. Hence, MS consumption outlook in the near future remains moderate at best.

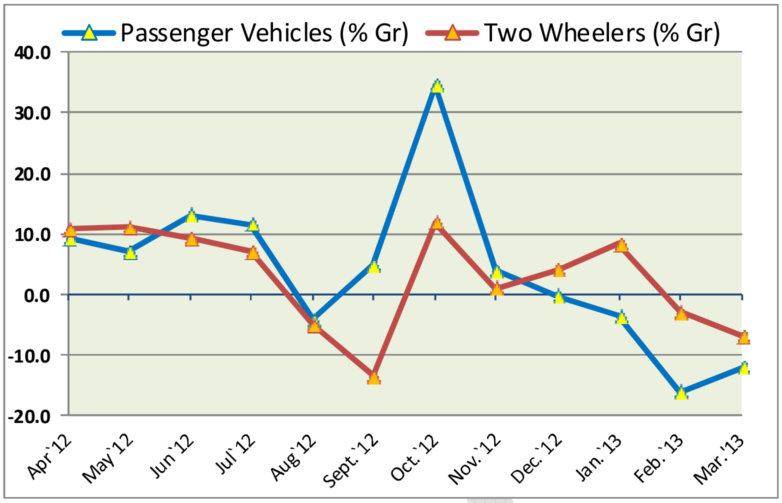
2-wheeler Sales: In the automobile sector, sales of 2-wheelers have also recorded a second consecutive month of decline of 7.0 % in March, 2013 after fourth month of consecutive growth in the current fiscal and recorded sales volume at 1.10 million units.

One of the reasons could be consumers settling for 2-wheelers in the given low economic sentiments who were otherwise planning to buy four wheelers.

The growth in sales of vehicles during the past four years was not based on economic logic, but due to the artificially low cost of fuel, especially diesel. Demand used to be artificially high and as the fuel prices get closer and closer to the international prices, demand for vehicles would also become realistic.

Month-wise Sales growth (%) of Passenger Vehicles & 2-Wheelers is given in **Figure-2:**

Figure-2: Sales (% Growth) of Passenger Vehicles & Two-Wheelers

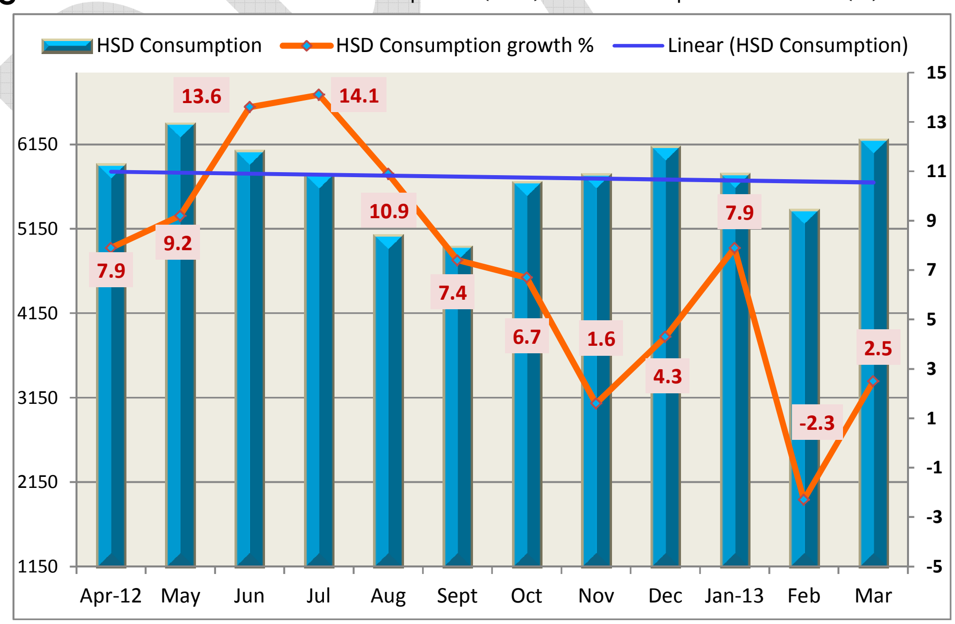


Source: SIAM

2.3 HSD. The growth in HSD Consumption during March, 2013 was 2.5 %, and the overall HSD consumption growth for the year 2012-13 was at 6.8 %, compared to the growth of 7.8 % during 2011-12.

Figure-3 gives the monthly HSD Consumption and Consumption Growth (%) since April, 2012.

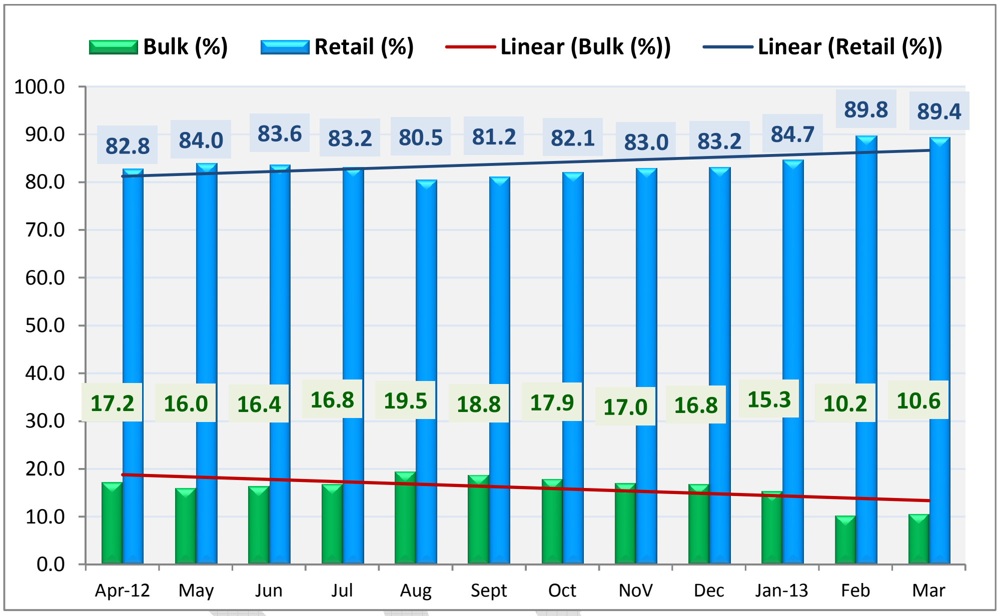
Figure-3: Month-wise HSD Consumption (TMT) & Consumption Growth (%): 2012-13



Factors affecting diesel consumption are discussed below:

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

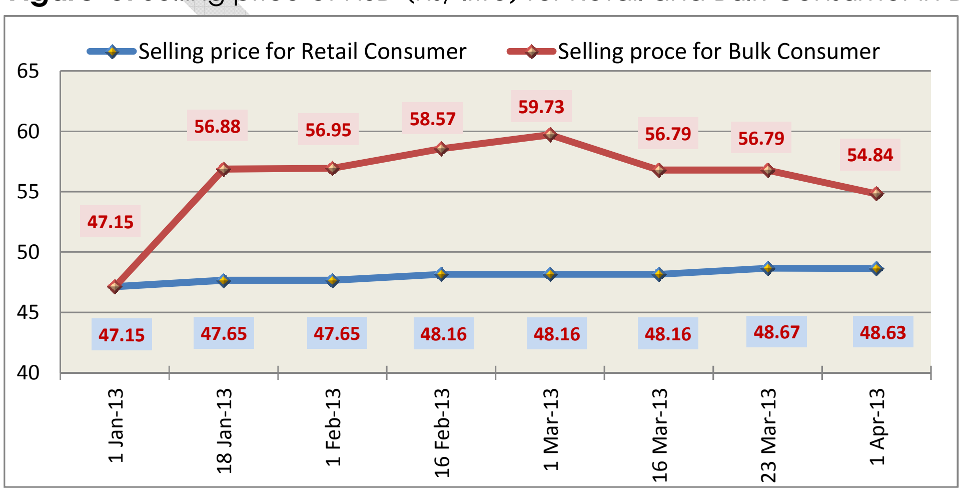
Figure-4: HSD Retail & Bulk consumption (% Ratio)



The fall in share of bulk HSD is mainly due to much lower upliftment by State Transport Undertakings and industries like Civil Construction, Cement, Mining, Steel, etc., who have shifted in to Retail Outlets or to cheaper fuel oil.

Movement of Bulk and Retail price of Diesel since January, 2013 is given below:

Figure-5: Selling price of HSD (Rs/ litre) for Retail and Bulk Consumer in Delhi



b) **Port traffic growth remains negative** : There is no improvement in port traffic and traffic handled at major ports for the period Apr-March,2013 mainly due to slowing of exports and ban on mining. Of the 12 major ports in the country six have recorded negative growth in port traffic led by Marmugao (-54.6%), Vishakhapatnam (-12.5%), and Kolkata (-7.8%).

Table-1 shows traffic handling data for major ports for April-March (2012-13):

Table-1 (FIGURES IN '000 TONNES)

TRAFFIC HANDLED AT MAJOR PORTS (Prov.)			
PORTS	**APRIL TO MARCH**		**% GROWTH**
	2013*	**2012**	
KOLKATA + HALDIA	39884	43248	-7.8%
PARADIP	56552	54254	4.2%
VISAKHAPATNAM	58960	67420	-12.5%
ENNORE	17885	14956	19.6%
CHENNAI	53404	55707	-4.1%
V.O. CHIDAMBARANAR	28260	28105	0.6%
COCHIN	19845	20091	-1.2%
NEW MANGALORE	37036	32941	12.4%
MORMUGAO	17693	39001	-54.6%
MUMBAI	58037	56186	3.3%
JNPT	64501	65727	-1.9%
KANDLA	93622	82501	13.5%
TOTAL:	**545679**	**560137**	**-2.6%**

Source: IPA

c) **Power situation improves**: After recording highest monthly all India power deficits of (-9.8%) in January 2013 in the current fiscal, the all India power deficit has slightly improved during March, 2013 at -8.6 %.

Western region has shown huge improvement from January 2013 (-5.9%) to March 2013 (-1.5%). The improved power position may have led to reduced consumption of HSD for power generation. Region-wise position for March 2013 is given in Table-2:

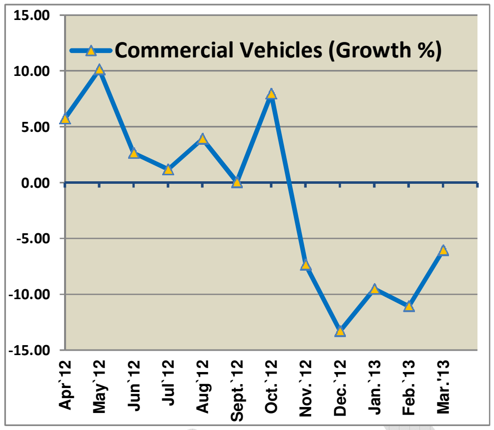
Table-2: Region-wise Power Deficits (%)

Region	March. 2012	March. 2013
North	-5.6	-7.5
West	-9.1	-1.5
South	-16.9	-18.2
East	-5.2	-3.5
North-East	-10.1	-8.7
All India	**-10.2**	**-8.6**

Source: CEA

d) **Fifth Month in a Row Negative Growth in Commercial Vehicles (CV) Sales**: The CV sales dropped by 6% to 84,956 vehicles in March, 2013. **Figure-6**, gives the monthly growth in Commercial Vehicles Sales (%) since Apr-2012.

Figure-6: Sales Growth (%) of Commercial vehicles



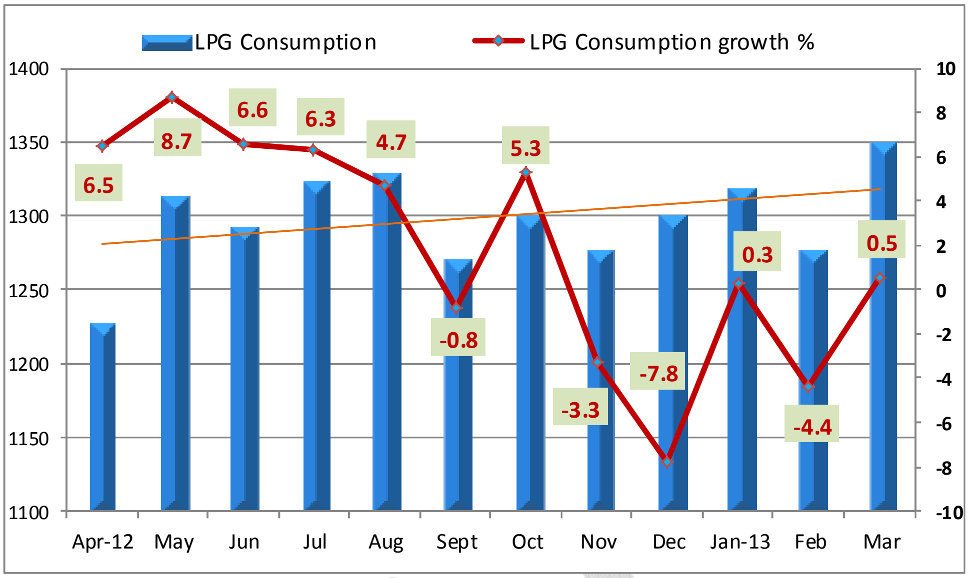
Source: SIAM

2.4 LPG: The overall LPG consumption growth for the year 2012-13 was at only 1.6 %, compared to the growth of 7.1 % during 2011-12. Capping on subsidized LPG cylinders, increase in Auto LPG price, control on diversion of subsidized LPG for auto use and the exercise of OMCs to detect and block duplicate domestic connections had an overall dampening impact on the cumulative LPG sales during the current fiscal.

There was a positive growth of 2.1% during the month of March, 2013 in LPG-Packed Domestic sales, after four months of negative growth, obviously due to relaxation in capping from 3 to 5 cylinders during September-March, 2012-13. Domestic consumers uplifted their balance quota of subsidized cylinders during March, 2013 thereby leading to negative growth in Packed Non-domestic sales during March, 2013.

Auto LPG sales has recorded a negative growth of (-) 9.3% during March, 2013 and (-) 3.9% during 2012-13. The increase in Auto LPG price and simultaneous lowering of MS prices has reduced the price differential between Auto LPG with MS prices, and hence the incentive to use Auto LPG has come down.

Figure-7: Month-wise LPG Consumption (TMT) & Consumption Growth (%): 2012-13



2.5 Naphtha: Naphtha recorded growth of 6.7 % this month and ended the year with cumulative growth of 9.5 % for 2012-13, compared to the growth of 5.1 % during 2011-12.

Both Petrochemicals and Power sectors have contributed to increased volume this month. In Southern region, increased consumption by PPN Power Tamil Nadu and NTPC Kayakulam, Kerala have contributed to higher upliftments by power sector. Whereas in Northern Region IOCL Panipat and in Eastern Region Haldia Petrochemicals were the major contributors to Naphtha consumption growth from the Petrochemicals sector during March 2013.

2.6 Bitumen: Bitumen recorded growth of 10.8 % this month and ended the year with cumulative growth of 0.7 % for 2012-13, compared to the growth of 2.3 % during 2011-12.

The performance of road sector is not inspiring with a number of NHAI projects held up for want of clearances. On the constitution of Cabinet Committee on Investments (CCI), clearances are expected to be faster, which may result in higher growth in bitumen consumption in the coming months.

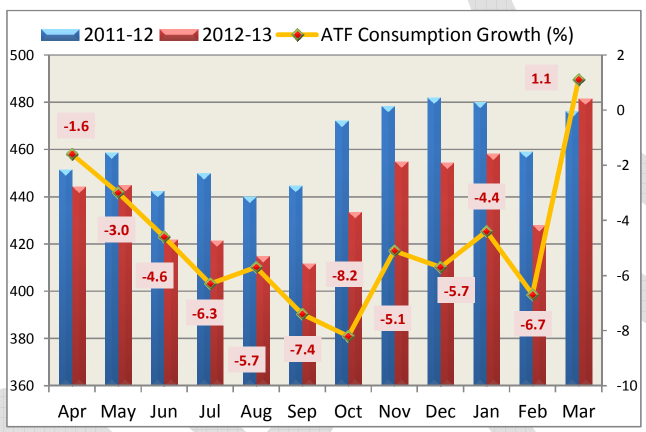
2.7 FO/LSHS: As reported in our previous report in March, 2013 the Fertilizer sector has contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda, major consumers in the fertilizer sector, have switched to gas and their upliftments for the past two months are nil.

Growth in FO+LSHS consumption is -21.2 % in March, 2013, with a cumulative decline of 17.5 % for the full financial year 2012-13, compared to the decline of 13.7 % during 2011-12.

2.8 ATF: ATF recorded growth of 1.1 % this month and ended the year with cumulative negative growth of –4.8 % for 2012-13, compared to the growth of 9.0 % during 2011-12.

With aviation industry going through difficult times including high fares, curtailment and cancellation of several flights, slowdown in growth in ATF consumption is on expected lines. However, with holiday season coming in the coming months and airfares coming down, ATF Sales might pick up.

Figure-8: Month-wise ATF Consumption (TMT) & ATF Consumption Growth (%): 2012-13



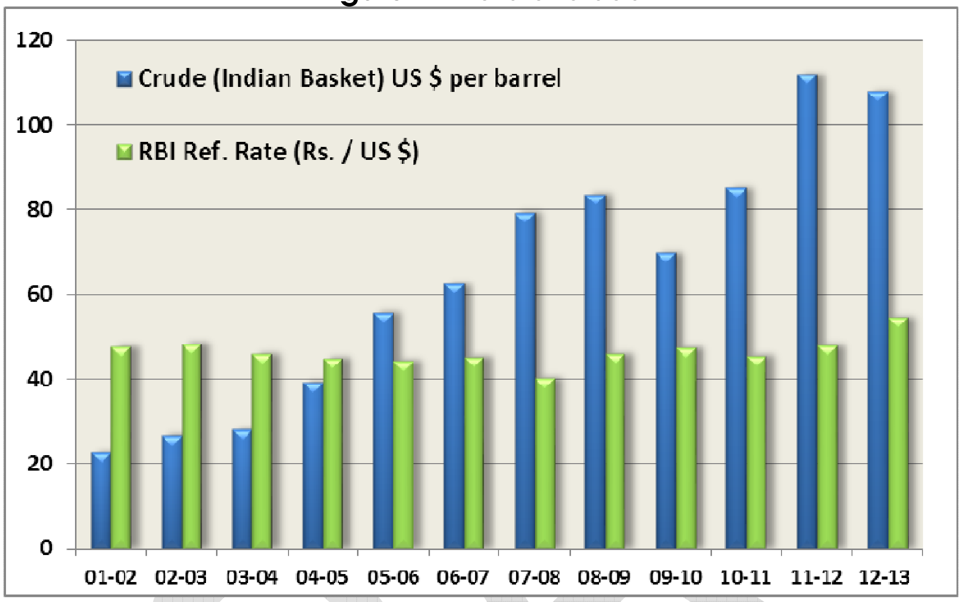
2.9 Petcoke: Petcoke recorded a growth of 23.0 % during March, 2013 and 48.5 % for the year 2012-13, compared to 23.2 % during 211-12. The high growth during the last couple of years has been due to the commissioning of Resid project at existing IOCL Gujarat Refinery and new refineries at Bina and Bhatinda. Lower growth during March, 2013 is due to reduced availability from refineries, mainly due to shut down.

2.10 General:

a) MS price has gone down by approximately Rs. 2.50 effective 16.3.2013 and again, by approximately Rs. 1.05 effective 2.4.2013 in Delhi.

b) The Indian Oil Industry is dependent on import of crude to the tune of about 76.7% on consumption basis, and the rate of US$ alongwith the global geopolitical and economic environment has a direct impact on the cost of crude. **Figure-9** gives the average rate of purchase of crude (Indian basket) & the average RBI Reference rate (Rs. /US$) over the past ten years.

Figure-9: Rate of crude



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