

# *Industry Sales Review Report*

## *June 2013*



**पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ**  
पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय  
**Petroleum Planning & Analysis Cell**  
Ministry of Petroleum & Natural Gas

**Petroleum Planning & Analysis Cell**  
(Ministry of Petroleum & Natural Gas)

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

## 1.0 CONSUMPTION:

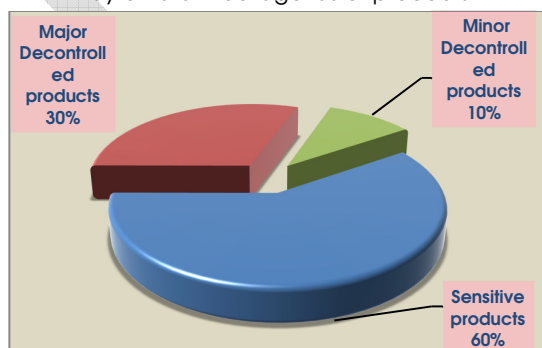
PPAC has bifurcated petroleum products in to three categories and consumption for each category along with growth (%) for the month of June, 2013 and Q-1 period (Apr-June, 2013) is given in Table-1.

**Table-1: Consumption (TMT)**

PRODUCT	June, 2013		April-June, 2013		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	7762	-2.9	23980	-0.4	SKO, LPG & HSD
Major Decontrolled Products	3852	-3.5	12219	0.5	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1455	32.5	4094	19.7	Petcoke & other minor products
<b>Grand Total</b>	<b>13070</b>	<b>-0.1</b>	<b>40293</b>	<b>1.6</b>	

A close look at the consumption trend shows that only a limited number of the **major decontrolled products** (MS, Lubes, ATF & LDO)(16.3% of total in quantity terms) and **minor decontrolled products** (Petcoke & others) (11.1% of total in quantity terms) are contributing to the overall growth. Excluding minor decontrolled products, which are insignificant in value terms, the growth in consumption is negative at -3.1%

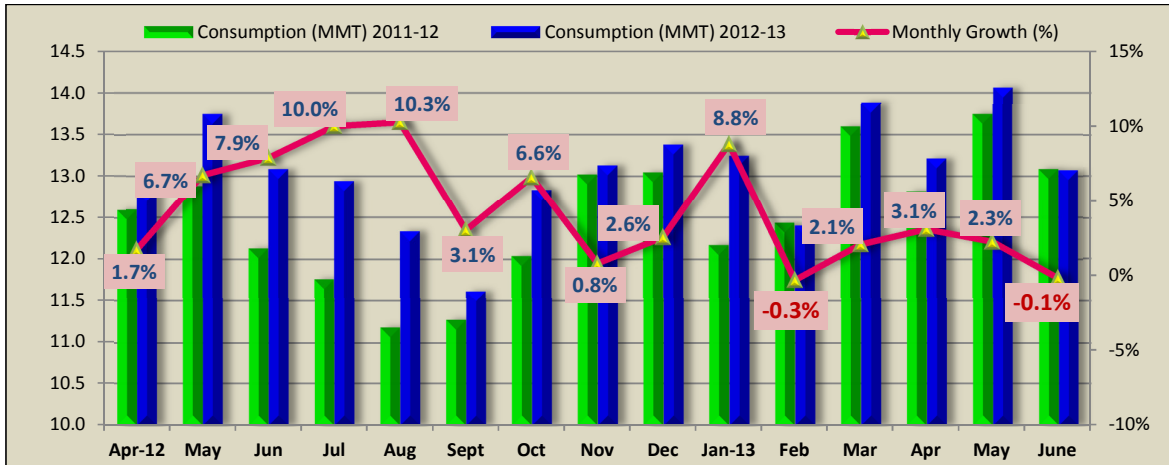
**Figure-1** shows contribution (%) in 1<sup>st</sup> Quarter, 2013 to the volume by different categories of products.



**1.1 All Products:** The consumption of all petroleum products declined by -0.1 % in June, 2013 as compared to that in June, 2012. Except for MS, Lubes, LDO, ATF and Pet Coke, all other products recorded negative growth.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to April, 2013 and private imports data for the balance two months, (i.e. May, 2013 & June, 2013) are projected based on April-March, 2013 figures.

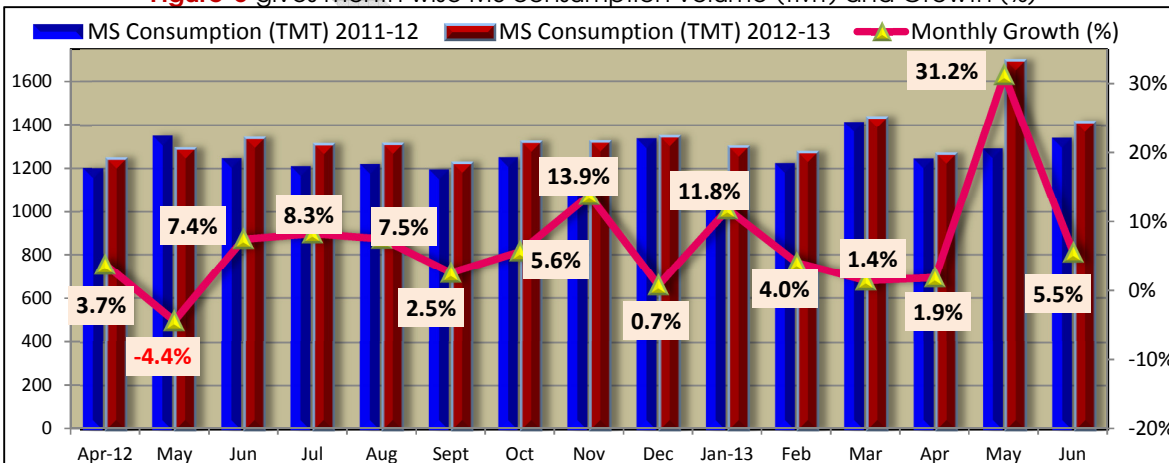
**Figure-2:** Comparison of monthly POL Consumption and Growth (%) since April, 2011



Detailed product-wise analysis of growth for June, 2013 is given in the following sections.

**1.2 Petrol / Motor Spirit (MS):** There has been a growth of 5.5 % in the consumption of MS during June, 2013, compared to an abnormally high growth of 31.2 % during May, 2013. The cumulative MS consumption growth for April-June, 2013 is at 12.9 %. Figure-3 gives month wise MS consumption volume (TMT) and month on month growth (%) during the last 26 months since April, 2011:

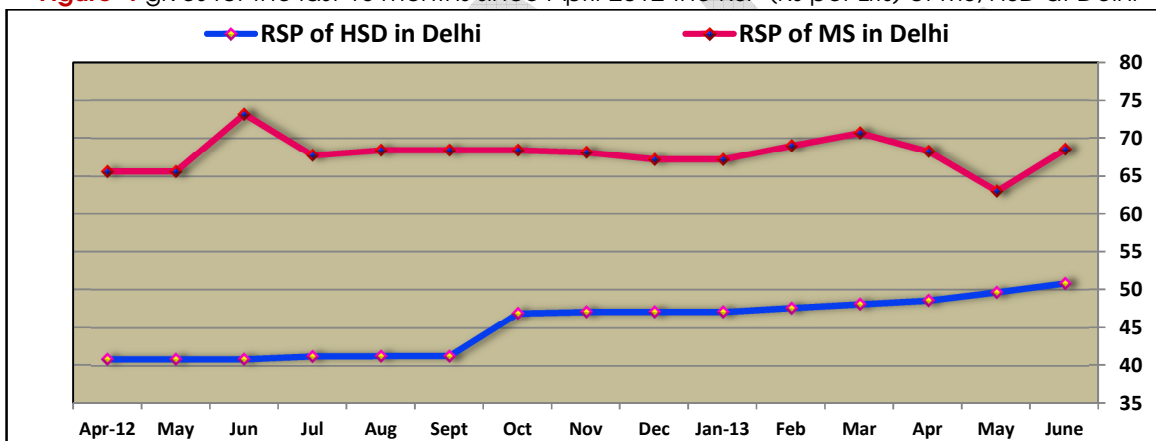
**Figure-3** gives month wise MS consumption volume (TMT) and Growth (%)



The growth in MS in the month of June, 2013 is mainly attributable to the following key reasons:

- ❖ The sharp depreciation of the rupee against the dollar in the last couple of weeks has resulted in rise of petrol prices thrice in the month of June, 2013 (1<sup>st</sup> June, 16<sup>th</sup> June & 29<sup>th</sup> June), which has impacted the consumption data unrealistically, due to topping up of inventories with dealers during the end of the month.
- ❖ The trend in reduction of the gap between MS and HSD prices and phased decontrol of HSD Retail price has made the 4-Wheeler consumer sentiment shift from diesel to petrol driven vehicles. Figure-4 shows the narrowing gap between the retail prices of MS & HSD upto May, 2013. This trend has been reversed in June, 2013, as diesel prices have not increased commensurate with the increase in international prices as well as exchange rate deterioration.

**Figure-4** gives for the last 15 months since April'2012 the RSP (Rs per Lits) of MS, HSD at Delhi



#### Other factors impacting consumption of MS are:

- The early onset of monsoon rain which covered 79 % of the country and resulted in 37% more rains during June, 2013, which has impacted and restricted the movement of vehicles, as also reduced demand from agriculture sector.
- Total Passenger Vehicles (PV) Sales:** The total PV domestic sales recorded negative growth of 7.2 % in the 1<sup>st</sup> Quarter (Apr-Jun'2013), as sluggish economic growth continued to weigh on demand. Only the pre-dominantly diesel powered Utility Vehicles segment registered positive growth.

Segment	April-June Growth (%)
Passenger Cars	-10.4 %
Utility Vehicles	+5.3 %
Vans	-6.0 %
<b>Total Passenger Vehicles (PVs)</b>	<b>-7.2 %</b>

Source: SIAM

c) **2-wheeler Sales:** An average of 1.16 million units per month of 2-wheelers were sold domestically in the 1<sup>st</sup> Quarter (Apr-Jun'2013), recording a marginal decline in growth of 0.8 %. The 2-wheelers segment consumes more than 60% of the total MS sales.

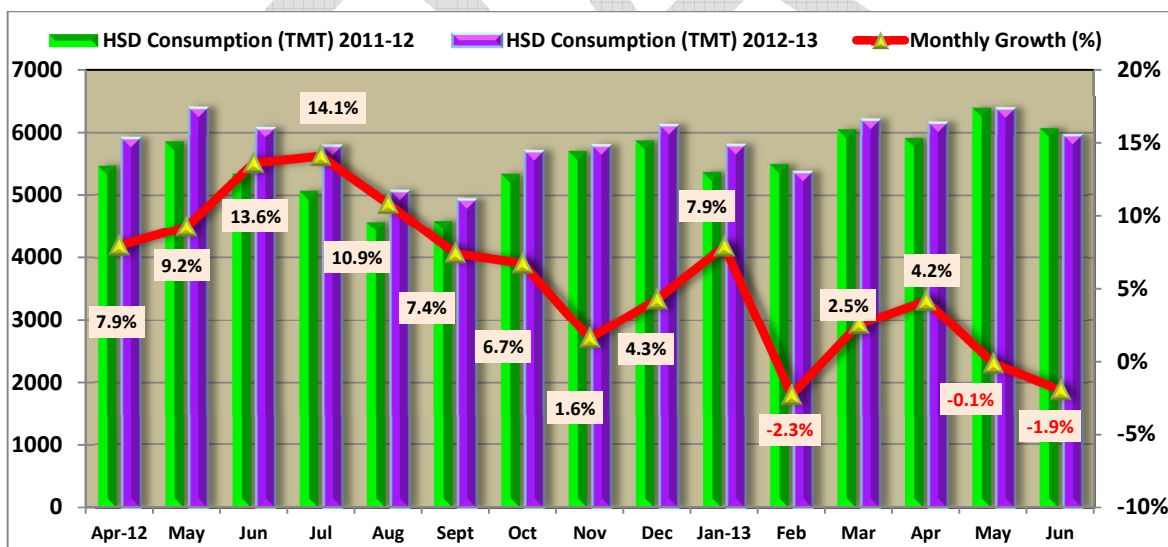
Segment	April- June Growth (%)
Scooter / Scoorterttee	14.3 %
Motor Cycles	-4.0 %
Mopeds	-11.1 %
<b>Total Two wheelers</b>	<b>-0.8 %</b>

Source: SIAM

**1.3 Diesel (HSD):** A decline of 1.9 % was recorded in HSD consumption during June, 2013 and a cumulative growth of only 0.6 % during April-June, 2013.

A combination of factors such as (a) heavy rains across the country resulting in lower HSD consumption for transportation sectors & agriculture sector pump sets, (b) slowing down of sales of diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), (c) improved power situation, (d) shift of Industrial consumers back to LDO/FO due to rate differential and overall slowdown in economic activity, has resulted in reduced diesel consumption.

**Figure-5:** Month-wise HSD consumption (TMT) and consumption (%) since April, 2011

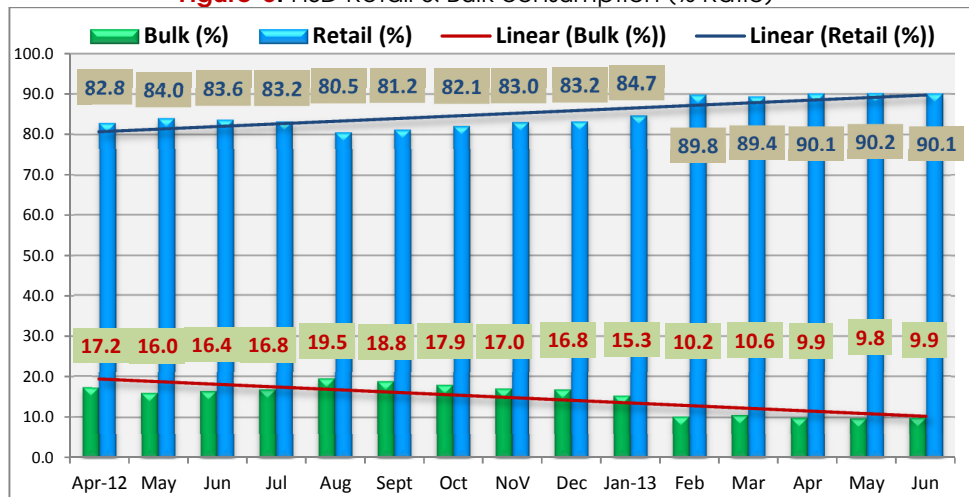


**Factors affecting diesel consumption are discussed below:**

a) **Deregulation of Direct/ Bulk Diesel Sales:** Government announced on 18<sup>th</sup> January, 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, declined to around 10% in June, 2013 due to the price differential effective January 18, 2013.

The fall in the share of bulk HSD is mainly due to much lower upliftment by State Transport Undertakings (from 3.9% in August, 2012 to 0.3% in June, 2013) and industries like Civil Construction, Cement, Mining, Steel, etc., who have shifted in to Retail Outlets or alternate and now cheaper fuel oils.

**Figure-6:** HSD Retail & Bulk consumption (% Ratio)



**b) Port traffic growth remains negative:** There is however some improvement in the port traffic and cargos handled at major ports for the period Apr-June, 2013. Of the 12 major ports in the country six have recorded negative growth in port traffic led by Mormugao (-72.6 %), Mumbai (-14.06 %), JNPT (-7.11%), Chidambaranar (-6.81 %), Chennai (-6.0 %) and Vishakhapatnam (-2.22 %) due to substantial reduction in iron ore handling at Mormugao port.

**Table-2:** Cumulative traffic handled at major ports for April-June, 2013 (in '000 Tonnes)

PORTS	TRAFFIC HANDLED AT MAJOR PORTS		
	APRIL TO JUNE		% GROWTH
	2013*	2012	
KOLKATA + HALDIA	10026	10013	0.13
PARADIP	17001	11742	44.79
VISAKHAPATNAM	14566	14896	-2.22
ENNORE	6199	4176	48.44
CHENNAI	12833	13652	-6.0
V.O. CHIDAMBARANAR	6779	7274	-6.81
COCHIN	5251	4989	5.25
NEW MANGALORE	9667	8611	12.26
MORMUGAO	2672	9768	-72.65
MUMBAI	13279	15452	-14.06
JNPT	15592	16785	-7.11
KANDLA	23285	21163	10.03
<b>TOTAL:</b>	<b>137150</b>	<b>138521</b>	<b>-0.99</b>

Source: IPA

- c) **Power situation improves:** Due early onset of monsoon and 37% more receipt of rains during June, 2013, the all India power availability has improved and deficit has come down to -4.1%. The improved power position has led to reduced consumption of HSD for power generation by DG sets.

All regions have shown improvement and the power deficit position for the month of June, 2013 is given in Table-3.

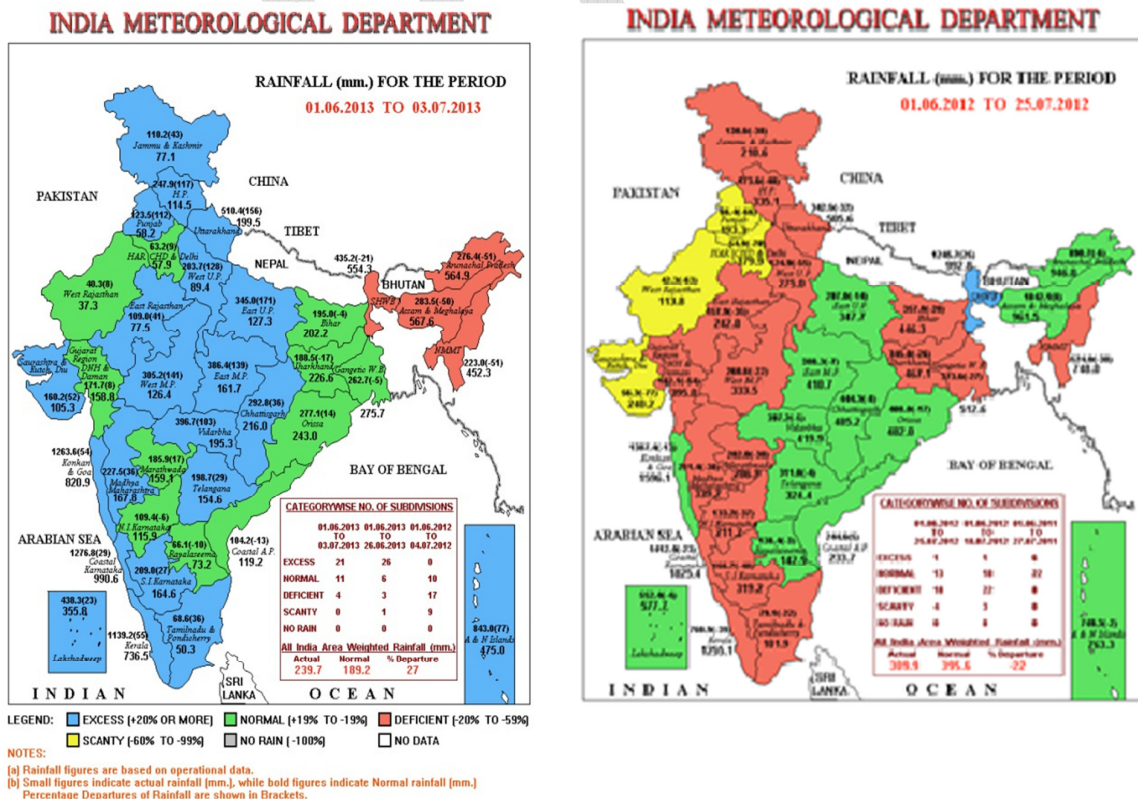
**Table-3:** Region-wise position for June 2013

Region	June, 2013	June, 2012
North	-5.0	-10.5
West	-0.7	-4.0
South	-7.7	-12.0
East	-1.3	-5.7
North-East	-6.4	-7.9
<b>All India</b>	<b>-4.1</b>	<b>-8.6</b>

Source: CEA

The early onset of monsoon has covered 79% of the country, which is also beneficial to horticulture, perennial crops and orchards. This has reduced the HSD consumption by diesel pump sets for irrigation purposes.

The IMD maps reflect the improved monsoon conditions during the period June, 2013 compared to the same period last year:



d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of 8.1% in the 1<sup>st</sup> Quarter (Apr-Jun, 2013).

<b>M&amp;HCVs</b>	<b>-15.5%</b>
<b>LCVs</b>	<b>-3.9 %</b>
<b>TOTAL COMMERCIAL VEHICLES</b>	<b>-8.1%</b>

Source: SIAM

The continued sluggishness in economic activity seems to be influencing the slowing down of sales of heavy diesel vehicles.

**1.4 LPG:** LPG consumption recorded negative growth for the second consecutive month. During June 2013, LPG consumption registered decline of -6.0% as compared to growth of 6.5% in June, 2012. Cumulative consumption also was at -3.8% during April-June, 2013 against growth of 6.6% in the corresponding period last year. Ceiling in number of subsidized cylinders and blocking of about 65 lakh connections has drastically brought down the availability of subsidized domestic cylinders, which has resulted in conservation of use of LPG, switchover to cheaper fuels in rural areas/highways, checked diversion for usage in automobile sector, etc.

For the third consecutive month, Auto LPG sales witnessed a growth of 4.1% and the cumulative growth in the current quarter (Apr-June 2013) has been 6%. Decline in bulk LPG sales has been observed since October 2010, which is mainly due to shift of customers to PNG and also due to slowdown in industrial activity.

**1.5 Naphtha:** Naphtha consumption recorded negative growth of -11.1 % in June, 2013 and a cumulative negative growth of -7.5 %, during April-June, 2013.

There has been reduced consumption in both the fertilizer sector (SPIC Tuticorin, Zuari Goa, MCFL Mangalore and FACT Ernakulam) and petrochemicals sector (RIL Jamnagar, APCL, Asian Peroxide etc., whereas, power units in southern region such as NTPC, Kayamkulam, PPN POWER, BSES, LANCO and some petrochemical units such as IOCL Panipat and Haldia Petrochemicals, have recorded positive growth of Naphtha during June, 2013.

**1.6 Bitumen:** Bitumen consumption growth has declined by 2.4 % in June, 2013 largely due to early onset of monsoon. However, the cumulative growth of 15.5% was registered for the period April-June, 2013.

The performance of the road sector was not inspiring in FY 2012-13, but with a number of new NHAI project clearances and the activities of repairing & re-carpeting of existing roads, bitumen consumption outlook in the near future seems to be encouraging for the FY 2013-14.



**1.7 FO/LSHS:** The declining trend in the negative growth of FO+LSHS consumption continued with -21.8% growth during June, 2013 and a cumulative negative growth of -22.5% for the period April-June, 2013.

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

**1.8 ATF:** ATF sales recorded a growth of 4.1% this month and a cumulative growth of 3.0 % during Apr-June 2013-14. As per DGCA, there has been a marginal growth in both the passenger and cargo transportation.

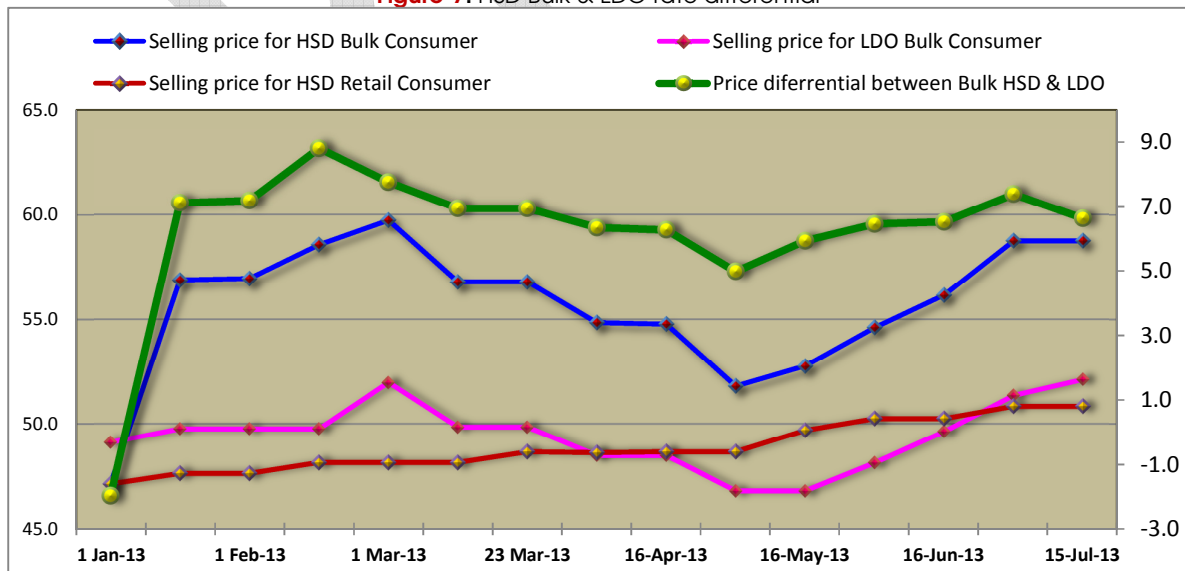
**1.9 Petcoke:** Petcoke consumption registered a growth of 43.7 % during June, 2013 and a cumulative growth of 26.3% for the period April-June, 2013.

The high growth during the last couple of years has been due to increased availability after the commissioning of Resid project at the existing IOCL Gujarat Refinery and new refineries at Bina and Bhatinda.

**1.10 LDO:** LDO consumption recorded a growth of 29.9% during June, 2013. However, there has been a cumulative decline of 26.3% for the period April-June, 2013.

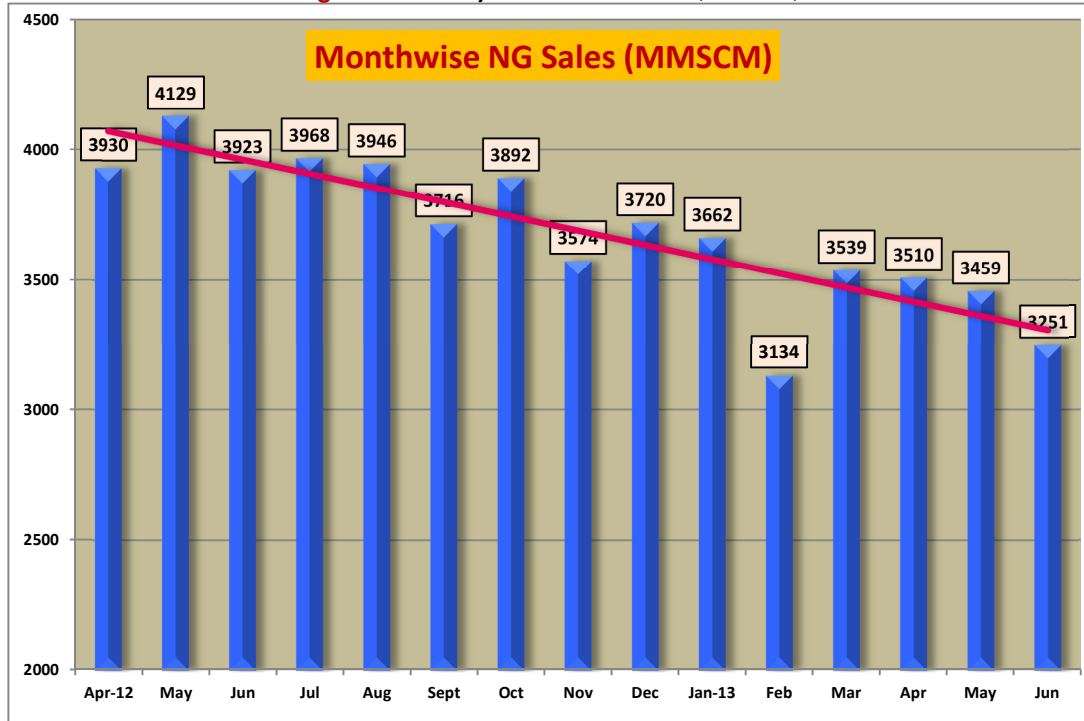
Until the Jan,2013, HSD was cheaper than LDO and a number of LDO customers (predominantly bulk customers) switched over to HSD, However, these customers are switching back to LDO, as it is cheaper than bulk HSD.

**Figure-7:** HSD Bulk & LDO rate differential



**1.11 Natural Gas:** There has been a decline of about 17.1% in the sales of Natural Gas in June, 2013, with a cumulative negative growth of 15.2% for April-June, 2013. The overall sale for the month was 3,251 MMSCM as compared to 3,923 MMSCM in June, 2012.

**Figure-8: Monthly Natural Gas Sales (MMSCM):**



Major factors affecting Natural Gas sales in the month of June, 2013 are:

1. Decline in output in the KGD6.
2. **Power Sector:** There was a decline of about 47% in natural gas sales in the power sector in June, 2013 compared to the same period last year. This was primarily due to reduced consumption by power producers in all the regions. The sector has been hugely impacted by declining volumes of KG basin gas. In addition, producing power from LNG is not viable due to high cost.
3. **Fertilizer Sector:** There was 10% growth in sales due to increased off-take by consumers in northern India (NFL Nangal & Bathinda) and western India (Zuari Fertilisers & Chemicals Limited & KRIBHCO Shyam Fertilizers) compared to the same period last year; whereas in the southern region, there was low off-take by Nagarjuna Fertilizers.
4. **City Gas Sector:** There was an increase in sales of approx. 3%, which was primarily due to increased short-term/ spot R-LNG off-take by IGL in NCR region. In Western region, there was an increased off-take by Mahanagar Gas Limited (MGL) & GAIL Gas Limited; whereas in Southern region, Bhagyanagar Gas Limited (BGL) contributed to the growth in sales.

5. **Internal Consumption:** There was a decline of approx. 7% in internal consumption (IC) compared to the same period last. The decline is primarily due to reduced IC by IOCL refineries in Northern India & RIL's reduced IC in Southern India.
6. **Others Sectors:** There was an overall decrease of about 15% in sales in other sectors. The decline in sales is due to decrease in domestic supply and low LNG off take by customers.

**Demand & Economics Studies Division, PPAC**

\*\*\*\*\*

PPAC