

Industry Sales Review Report

July 2013



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
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Data on product-wise monthly consumption of petroleum products for July, 2013 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of July, 2013.

1.0 CONSUMPTION:

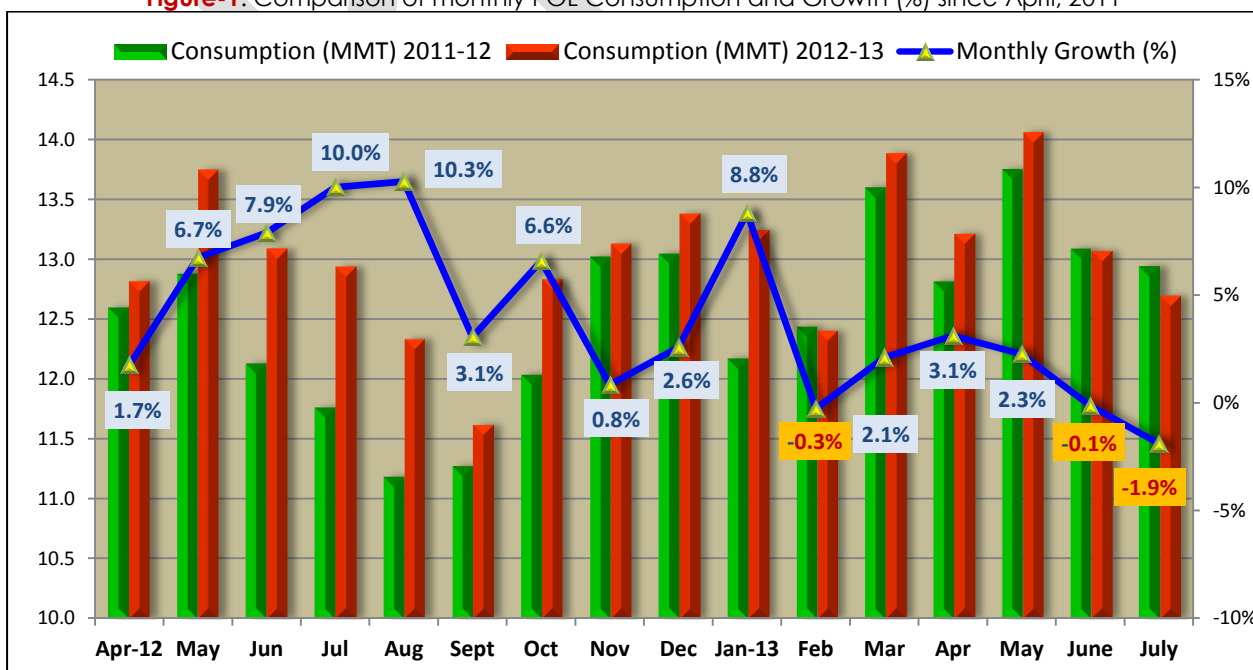
PPAC has bifurcated petroleum products in to three categories and consumption for each category along with growth (%) for the month of July, 2013 and April-July, 2013 is given in Table-1.

Table-1: Consumption (TMT)

PRODUCT	July, 2013		April-July, 2013		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	7374	-5.1	31374	-1.5	SKO, LPG & HSD
Major Decontrolled Products	3827	-4.3	16143	-0.1	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1496	27.9	5675	23.6	Petcoke & other minor products
Grand Total	12696	-1.9	53192	1.1	

1.1 All Products: The consumption of all petroleum products declined for the third consecutive month by -1.9 % in July, 2013 as compared to that in July, 2012. Except for MS, LPG, Lubes, ATF and Pet Coke, all other products recorded negative growth.

Figure-1: Comparison of monthly POL Consumption and Growth (%) since April, 2011

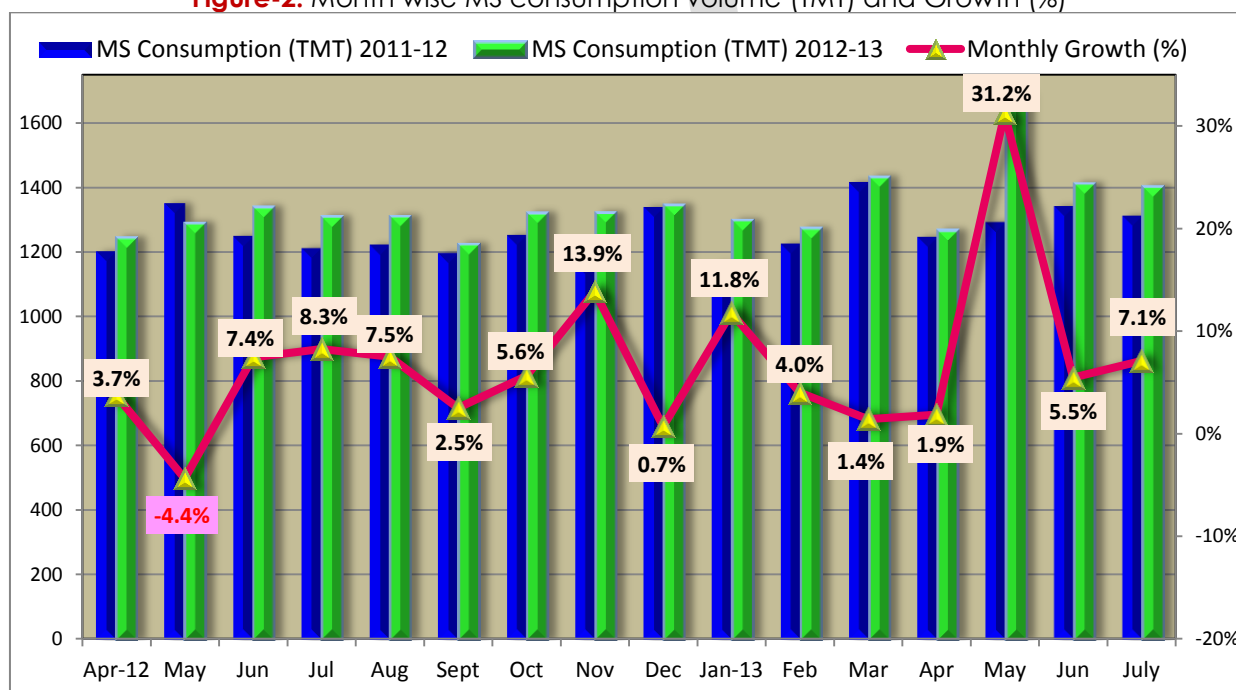


Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to May, 2013 and private imports data for the balance two months, (i.e. June, 2013 & July, 2013) are projected based on April-March, 2013 figures.

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

1.2 Petrol / Motor Spirit (MS): There has been 7.1 % growth in the consumption of MS during July, 2013. The cumulative growth in MS consumption for April-July, 2013 is at 11.4 %. Figure-2 gives month wise MS consumption volume (TMT) and month-on-month growth (%) during the last 27 months since April, 2011:

Figure-2: Month wise MS consumption volume (TMT) and Growth (%)



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

- ❖ The sharp depreciation of the rupee against the dollar in the last few weeks has resulted in rise of petrol prices twice in the month of July, 2013 (14th July & 31st July), which has impacted the consumption data unrealistically, due to topping up of inventories with dealers during the entire month.

Other factors impacting consumption of MS are:

- The early onset of monsoon rain since June, 2013, which has covered almost the entire country and resulted in excessive rains during July, 2013, has impacted and restricted the movement of vehicles.

b) **Total Passenger Vehicles (PV) Sales:** The total PV domestic sales recorded negative growth of -8.3 % in July, 2013 and decline of -7.5 % in growth for the period April-July, 2013. The situation is becoming alarming in the Automobile Industry, as weak demand continues despite freebies and discounts by car makers. Perhaps the demand for passenger vehicles due solely to cheap fuel prices may be declining fast. Besides this, due to slow growth in the economy, disposable income in the hands of the people is lower, affecting expenditure on the purchase of vehicles, especially passenger cars and utility vehicles.

Domestic passenger car sales fell -7.4 % in July, 2013, the ninth straight month of declines, as high fuel cost and interest rates continued to hammer down demand. More importantly, the utility vehicles (UV) segment, which has been a consistent performer so far, fell for the first time in over four years in July this year.

Segment	July Growth (%)	Apr-July Growth (%)
Passenger Cars	- 7.4 %	- 9.7 %
Utility Vehicles	-17.5 %	-1.0 %
Vans	8.9 %	- 2.4 %
Total Passenger Vehicles (PVs)	- 8.3 %	- 7.5 %

Source: SIAM

c) **2-wheeler Sales:** Despite domestic sale of 1.13 million units of 2-wheelers in July, 2013, the 2-wheeler segment recorded a marginal de-growth of -0.1 %. The Scooter/ Scooterttee segment was the only exception with a 9.8 % growth & jump in volumes to 2.71 lakh units.

Segment	July Growth (%)	Apr-July Growth (%)
Scooter / Scooterttee	9.8 %	13.1 %
Motor Cycles	-1.5 %	- 3.4 %
Mopeds	-19.5 %	- 13.1 %
Total Two wheelers	-0.1 %	-0.6 %

Source: SIAM

Nearly 60 % of the petrol consumption is by 2-wheelers in the country. Market determined price of petrol, besides fall in the disposable income and higher loan interest rates are having a moderating impact on 2-wheeler purchases.

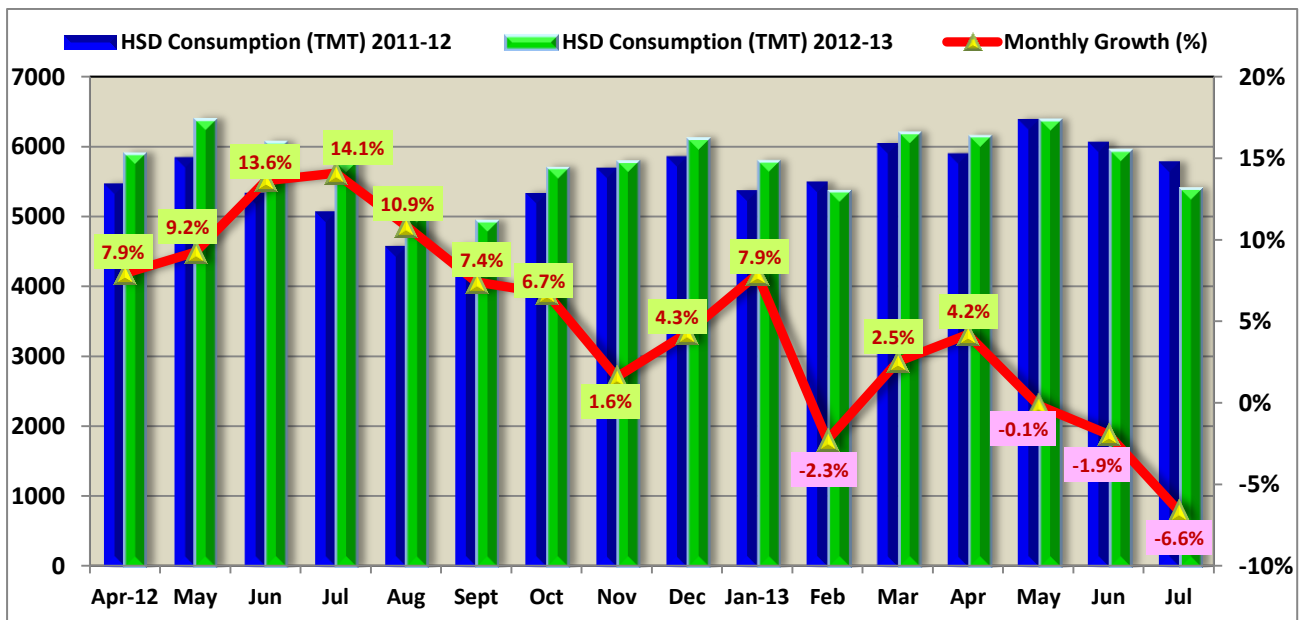
1.3 Diesel (HSD): HSD consumption recorded a decline of -6.6% for the third consecutive month in July, 2013, and a cumulative de-growth of -1.1 % during April-July, 2013.

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 to alternate fuels due to rate differential and overall slowdown in economic activity, fuel prices and low sentiments continue to hurt the diesel consumption.

It may be noted that during the same period last year, from April, 2012 till July, 2012, there was very high growth in HSD consumption, resulting in high base for the current year.

Figure-4: 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 18th 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 July, 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 and industries like Civil Construction, Cement, Mining, Steel, etc., who have shifted in to Retail Outlets or alternate and now cheaper fuel oils.

b) **Port traffic growth improves:** There is improvement in the port traffic and cargos handled at major ports during the period April-July, 2013, mainly due to improvement at Kolkatta, Haldia, Paradip and Ennore ports.

Of the 12 major ports in the country seven have recorded negative growth in port traffic led by Mormugao (-67.92 %), Mumbai (-10.10 %), JNPT (-6.63 %), Chidambaranar (-3.81 %), Chennai (-4.97 %) and Vishakhapatnam (-4.36 %).

The port traffic movement is primarily affected due to the decline in beleaguered mining sector, especially in the domestic iron ore mining, as a result of curbs on mineral rich states such as Goa, Karnataka and Odisha.

The drop in iron ore handling of approx. 8100 TMT and containers of approx. 2600 TMT during April-July, 2013 at the major ports, has been compensated by increased coal handing of approx. 9600 TMT and approx. 500 TMT of fertilizers during the same period.

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

TRAFFIC HANDLED AT MAJOR PORTS			
PORTS	APRIL TO JULY		% GROWTH
	2013	2012	
KOLKATA + HALDIA	14196	13541	4.84
PARADIP	23130	16194	42.83
VISAKHAPATNAM	19720	20619	-4.36
ENNORE	8366	5422	54.30
CHENNAI	17468	18382	-4.97
V.O. CHIDAMBARANAR	9173	9536	-3.81
COCHIN	6912	6921	-0.13
NEW MANGALORE	12886	11227	14.78
MORMUGAO	3412	10637	-67.92
MUMBAI	17740	19732	-10.10
JNPT	20750	22224	-6.63
KANDLA	30775	29231	5.28
TOTAL:	184528	183666	0.47

Source: IPA

- c) **Power situation improves:** Due to the early onset of monsoon and good rains during July, 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 July, 2013 is given in Table-3. Substantial improvement in power deficit has been observed in Haryana, Punjab, Uttar Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu.

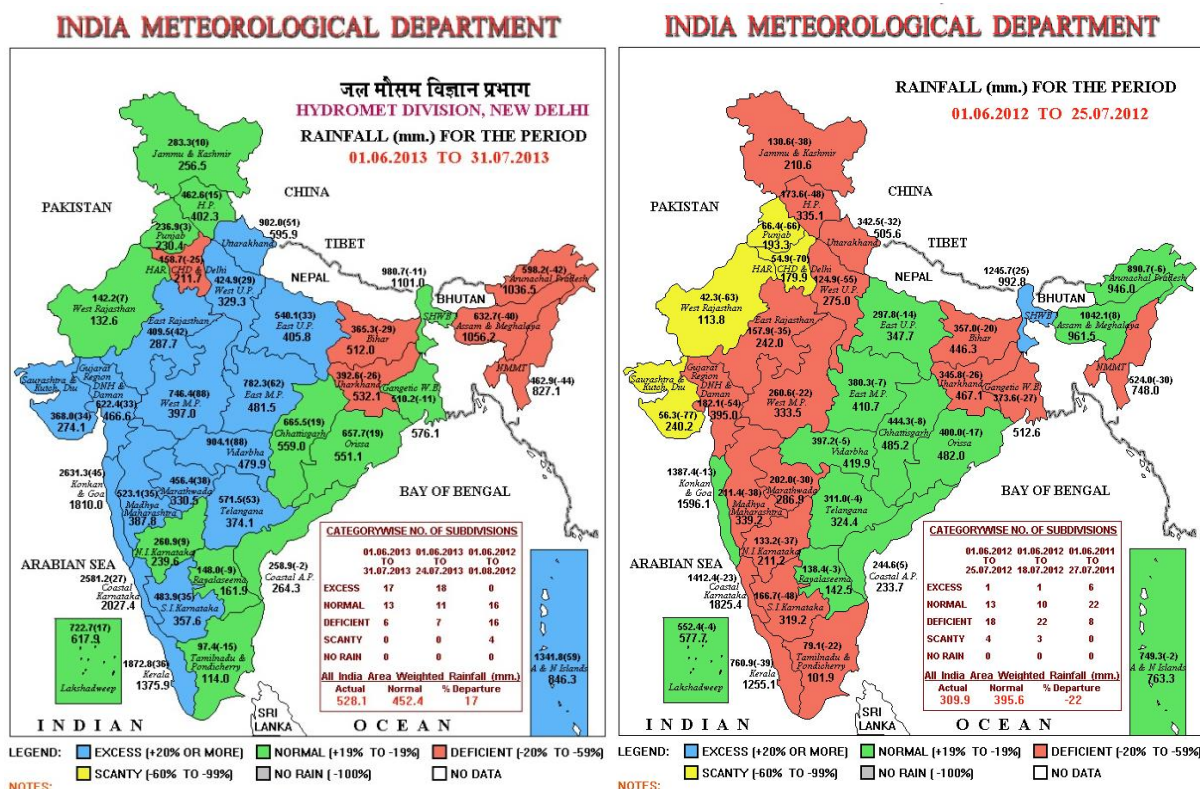
The satisfactory monsoon has covered nearly the entire country, which is also beneficial to horticulture, perennial crops and orchards. This has reduced the HSD consumption by diesel pump sets for irrigation purposes.

Table-3: Region-wise position for July, 2013 (% deficit)

Region	July, 2013	July, 2012
North	-6.4	-11.3
West	-0.3	-4.4
South	-6.3	-12.5
East	-1.4	-5.3
North-East	-4.3	-6.9
All India	-4.1	-9.1

Source: Central Electricity Authority (CEA)

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



There has been 8% excess rainfall during July, 2013 and 17% during June-July, 2013 over long term average (LPA).

d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of 9.9 % during the period Apr-July, 2013.

Segment	July Growth (%)	Apr-July Growth (%)
M&HCVs	-19.9 %	-16.1 %
LCVs	-12.2 %	-6.1 %
TOTAL COMMERCIAL VEHICLES	-14.9%	-9.9%

Source: SIAM

The continued sluggishness in economic activity, beleaguered mining sector & grim Industrial output, is influencing the slowing down of sales of heavy diesel vehicles.

e) **Slowdown in economic activity:** Around 26 % of diesel is consumed by trucks and HCVs. Their consumption is adversely affected by the slowdown in the economy.

f) **High base:** Consumption of diesel in July, 2012 had shown month-on-month growth of 14.1 %. The high base of HSD consumption may also have impacted low/negative growth in July, 2013.

1.4 LPG: After two months of negative growth, LPG consumption recorded a growth of 3.0 % during July 2013 as compared to growth of 6.3 % in July, 2012. The cumulative consumption was at -1.9 % during April-July, 2013. The packed domestic subsidized category witnessed a growth of only 0.2 % during July, 2013 whereas the growth was 49% % for packed domestic non-subsidized and packed non-domestic category.

Ceiling in number of subsidized cylinders and blocking of duplicate/multiple connections has drastically brought down the consumption 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 fourth consecutive month, Auto LPG sales witnessed a growth of 6.1% during July, 2013 and the cumulative growth in the current quarter (Apr-July 2013) has been 5%.

1.5 Naphtha: Naphtha consumption recorded negative growth of -8.6 % in July, 2013 and a cumulative negative growth of -8.2 %, during April-July, 2013.

There has been reduced consumption in both the fertilizer sector (SPIC Tuticorin, Zuari Goa, MCFL Mangalore and FACT Ernakulam) and power sector (Reliance Energy, Goa and NTPC, Kayankulam), whereas, some petrochemical units such as IOCL Panipat and Haldia Petrochemicals, have recorded positive growth of Naphtha during July, 2013.

1.6 Bitumen: Bitumen consumption growth has declined by -4.3 % in July, 2013 largely due to and heavy rainfall. However, cumulative growth of 14.1 % was registered for the period April-July, 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 FY 2013-14.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption continued with -27.6 % growth during July, 2013 and a cumulative negative growth of -23.5 % for the period April-July, 2013.

As reported in our previous reports, the Fertilizer and Power sectors have 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 4.3 % this month and a cumulative growth of 3.3 % during Apr-July 2013-14. As per DGCA, there has been a marginal growth in both the passenger and cargo transportation.

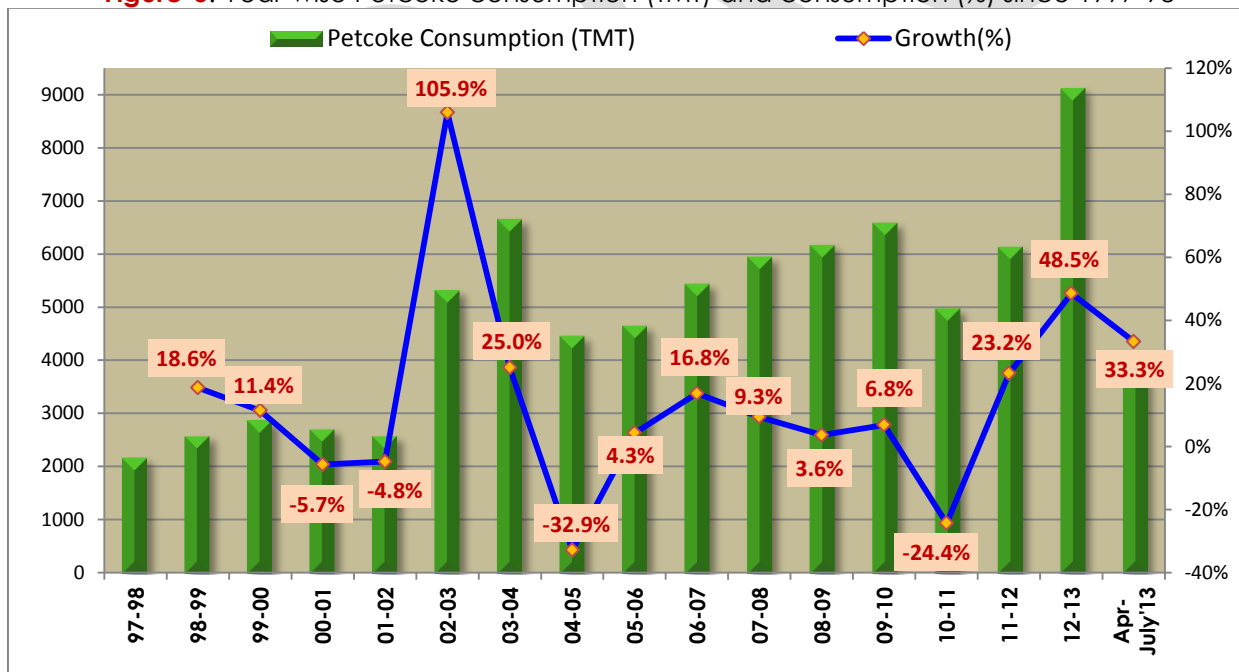
1.9 Petcoke: Petcoke consumption registered a growth of 41.0 % during July, 2013 and a cumulative growth of 33.3 % for the period April-July, 2013.

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.

Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making. Nearly 33 % of the world Petcoke production is of fuel grade and 67 % is calcined coke.

In the recent years, Petcoke has replaced coal/ Gas/ Furnace Oil and Lignite as alternate fuel in the Industrial fuel consumption. The main reasons are cost advantage against Gas/Furnace Oil/Lignite. It has Nil Ash Content (< 1%), less Pollution related problem and no Disposal Problem. Further, due to Nil Ash content in Pet Coke unburnt material is reusable.

Figure-5: Year-wise Petcoke consumption (TMT) and consumption (%) since 1997-98



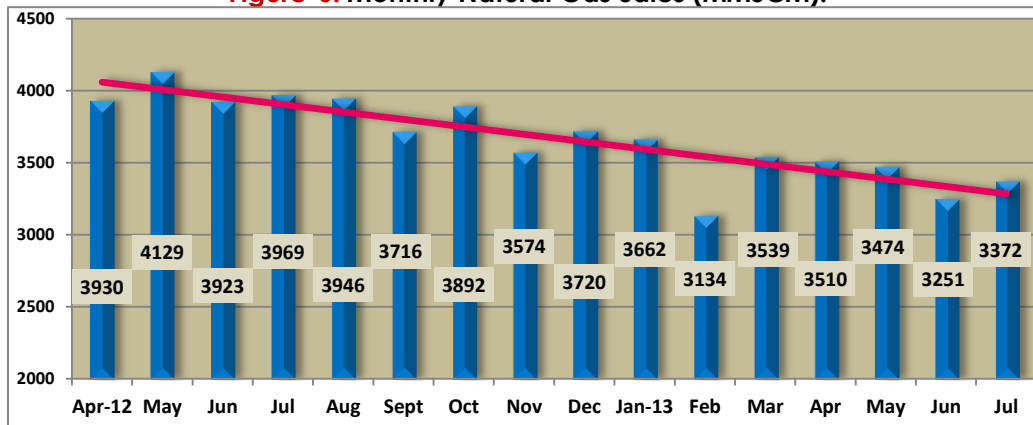
1.10 LDO: LDO consumption recorded de-growth of 17.3 % during July, 2013. However, there has been a cumulative decline of 6.2 % for the period April-July, 2013.

Until the Jan, 2013, HSD was cheaper than LDO and a number of LDO customers (predominantly bulk customers) switched over to HSD.

1.11 Natural Gas: There has been a decline of about 15 % in the sales of Natural Gas in July, 2013, with a cumulative negative growth of also 15 % for April-July, 2013. The overall sale for the month was 3,371.9 MMSCM as compared to 3,969.1 MMSCM in July, 2012.

Natural gas sales declined mainly due to reduction in domestic gas production. The reduction was primarily due to decline in RIL production which dipped more than 50% from 919 MMSCM in July, 2012 to 431 MMSCM in July, 2013.

Figure-6: Monthly Natural Gas Sales (MMSCM):



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

- Power Sector:** There was a decline of about 43% in natural gas sales to the power sector. This was primarily due to reduced consumption by both public and private power producers in Northern, Western and Southern region. The sector has been hugely impacted by declining volumes of domestic gas as supply to the sector from KG D6 has become zero since March, 2013. In addition, producing power from LNG is not viable due to high cost.
- Fertilizer Sector:** There was approx. 11% growth in sales due to increased off take by consumers in Northern (NFL Nangal, Bhatinda & Vijaypur) and Western (Zuari Fertilizers & KRIBHCO Shyam Fertilizers) India compared to the same period last year. However, in the southern region, there was low off-take by Nagarjuna Fertilizers.
- City Gas Sector:** There was overall marginal growth of approx. 5.4 % in CGD sales, which was primarily due to increased short-term/ spot R-LNG off take by IGL in NCR region and by GAIL Gas and Adani Gas Ltd. in Northern region. In Western region, there was an increased off-take by GAIL Gas and MGL.
- Internal Consumption:** There was a decline of approx. 3.5% in internal consumption (IC) compared to the same period last year. The decrease was primarily due to reduced internal consumption by IOC in both Northern and Western region and RIL's reduced internal consumption in Southern India.
- Others Sectors:** There was overall decrease of about 15% in sales in other sectors. The decline in sales is due to decrease in domestic supply.
