

Industry Sales Review Report

August 2013



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

1.0 CONSUMPTION:

India is the fourth largest consumer and also the fourth largest importer of oil after the United States, China, and Japan.

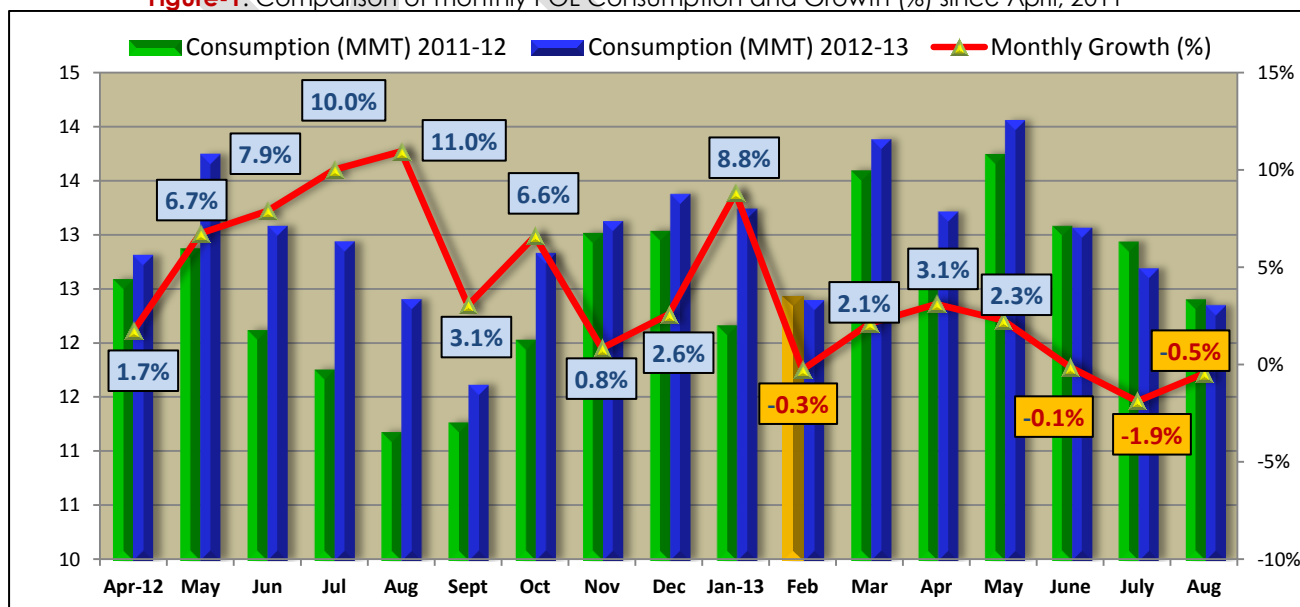
The growth (%) in consumption of petroleum products, category-wise, for the month of August, 2013 and April-August, 2013 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	August, 2013		April-August, 2013		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	6980	-0.7	38341	-1.4	SKO, LPG & HSD
Major Decontrolled Products	3922	-1.3	20113	-0.1	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1452	3.1	7038	13.3	Petcoke & other minor products
Grand Total	12354	-0.5	65493	0.4	

1.1 All Products: The consumption of all petroleum products declined for the third consecutive month during the fiscal year by -0.5 % in August, 2013 as compared to that in August, 2012. Except for MS, LDO, Bitumen, 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 June, 2013 and private imports data for the balance two months, (i.e. July, 2013 & August, 2013) are projected based on April-March, 2013 figures.

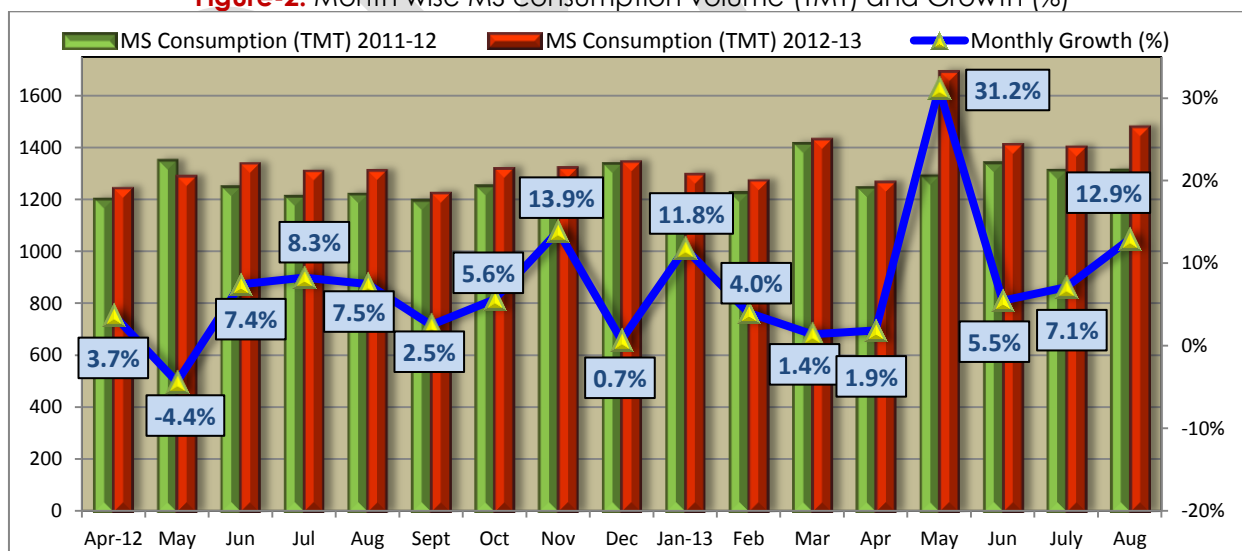
Detailed product-wise analysis of growth for August, 2013 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): There has been 12.9 % growth in the consumption of MS during August, 2013. The cumulative growth in MS consumption for April-August, 2013 is at 11.7 %. **Figure-2** gives month wise MS consumption volume (TMT) and month on month growth (%) during the last 27 months since April, 2011.

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

- The sharp depreciation of the rupee against the dollar and increase in the International crude oil prices mainly due to the Syria crisis has resulted in topping up of inventories with dealers during the entire month in anticipation of price hike, which has impacted the consumption data unrealistically.
- The festive holidays every week on the occasion of Eid, Independence Day, Rakhi and Janmashtmi, has resulted in increase of vehicle movement during the entire month.

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



Other factors impacting consumption of MS are:

a) The early onset of monsoon rain since June, 2013, which has covered almost the entire country and resulted in excessive rains during August, 2013, which may have impacted the movement of 2-wheeler and on the other hand resulted in the increase in 4-wheeler movements during the festive months with extended weekends.

b) **Total Passenger Vehicles (PV) Sales:** A slowdown in the economy has hurt the Automobile market badly, but by snapping a nine month fall, the total PV domestic sales recorded growth of 15.4 % in August, 2013 and a cumulative decline of - 5.8 % in growth for the period April-August, 2013.

The growth was mainly due to low base effect as a result of the month-long lock-out last year at the country's largest car maker Maruti Suzuki India (MSI) Manesar plant.

The growth may not be a reflection of the market conditions, as tough market conditions still remain. The situation continues to remain difficult in the Automobile Industry, as weak demand continues despite freebies and discounts by car makers. Interest rates are high, fuel prices continue to be high, while sentiments are yet to pick up.

Segment	August Growth (%)	Apr-August Growth (%)
Passenger Cars	15.4 %	- 5.8 %
Utility Vehicles	-12.6 %	- 3.1 %
Vans	-18.7 %	- 6.2 %
Total Passenger Vehicles (PVs)	4.5 %	- 5.3 %

Source: SIAM

c) **2-wheeler Sales:** With domestic sales of 1.12 million units of 2-wheelers in August, 2013, the 2-wheeler segment overall recorded a growth of 6.7 %. The Scooter/ Scooterttee segment witnessed an impressive growth of 21.4 %, mainly due to the festive season & jump in volumes to 2.82 lakh units.

Segment	August Growth (%)	Apr-August Growth (%)
Scooter / Scooterttee	21.4 %	14.8 %
Motor Cycles	3.8 %	- 2.1 %
Mopeds	-14.6 %	- 13.3 %
Total Two wheelers	6.7 %	-0.7 %

Source: SIAM

Over 60 % of the petrol consumption is by 2-wheelers in the country. Market determined price of petrol and higher interest rates are having a moderating impact on 2-wheeler purchases. However, with more women opting to become mobile, there is a healthy growth in the Scooter/ Scooterttee segment.

1.3 Diesel (HSD): HSD consumption recorded a decline of -0.4 % for the fourth consecutive month in August, 2013, and a cumulative decline of -1.0 % during April-August, 2013.

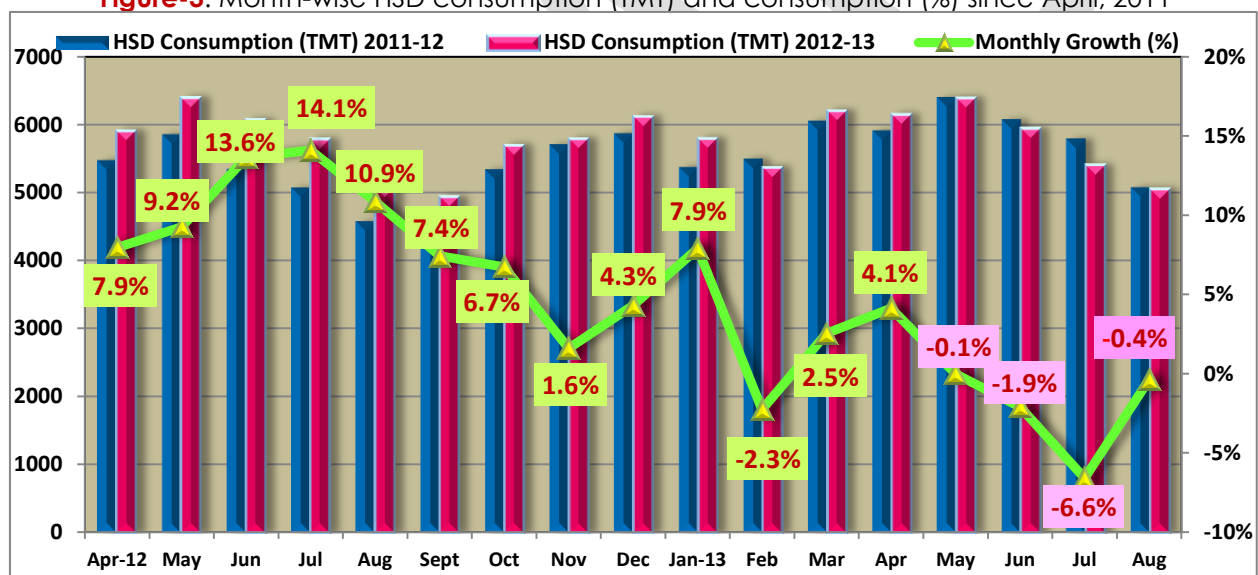
A combination of factors such as (a) heavy rains across the country resulting in lower HSD consumption for transportation sectors and agriculture sector pump sets, (b) slowing down of sales of diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), (c) improved power situation, (d) shift of Industrial consumers to alternate fuels due to price differential and increasing fuel prices continue to dampen diesel consumption.

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 August, 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.

Figure-3: Month-wise HSD consumption (TMT) and consumption (%) since April, 2011



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

Of the 12 major ports in the country six have recorded decline in port traffic led by Mormugao (-63.52 %), Mumbai (-5.87 %), JNPT (-5.34 %), Chidambaranar (-2.13 %) and Chennai (-3.20 %).

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

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

TRAFFIC HANDLED AT MAJOR PORTS			
PORTS	APRIL TO AUGUST		% GROWTH
	2013	2012	
KOLKATA + HALDIA	17822	17067	4.42
PARADIP	29044	21079	37.79
VISAKHAPATNAM	24638	25766	-4.38
ENNORE	10687	6794	57.30
CHENNAI	22100	22830	-3.20
V.O. CHIDAMBARANAR	11691	11945	-2.13
COCHIN	8860	8628	2.69
NEW MANGALORE	15765	14043	12.26
MORMUGAO	4254	11661	-63.52
MUMBAI	22743	24162	-5.87
JNPT	26126	27599	-5.34
KANDLA	39518	37435	5.56
TOTAL:	233248	229009	1.85

Source: IPA

- c) **Power situation improves:** Due to the early onset of monsoon and good rains during August, 2013, the all India power availability has improved and deficit has come down to -3.0%.

The satisfactory monsoon has resulted in topping up of water reservoirs across the country, resulting in improvement of power generation from Hydel power plants. Further, the improved power position has led to reduced consumption of HSD for power generation by DG sets.

The good monsoon is also beneficial to horticulture, perennial crops, orchards and this has reduced the HSD consumption in the diesel pump sets for irrigation purposes.

Last fiscal, the country added 20,622 MW of capacity. Over the last three months, the state owned Coal India Ltd. (CIL) has inked fuel agreements (FSA) with a total of 146 new power projects, totaling a cumulative capacity of over 65,000 MW, which has assured the further improvement in power deficit position.

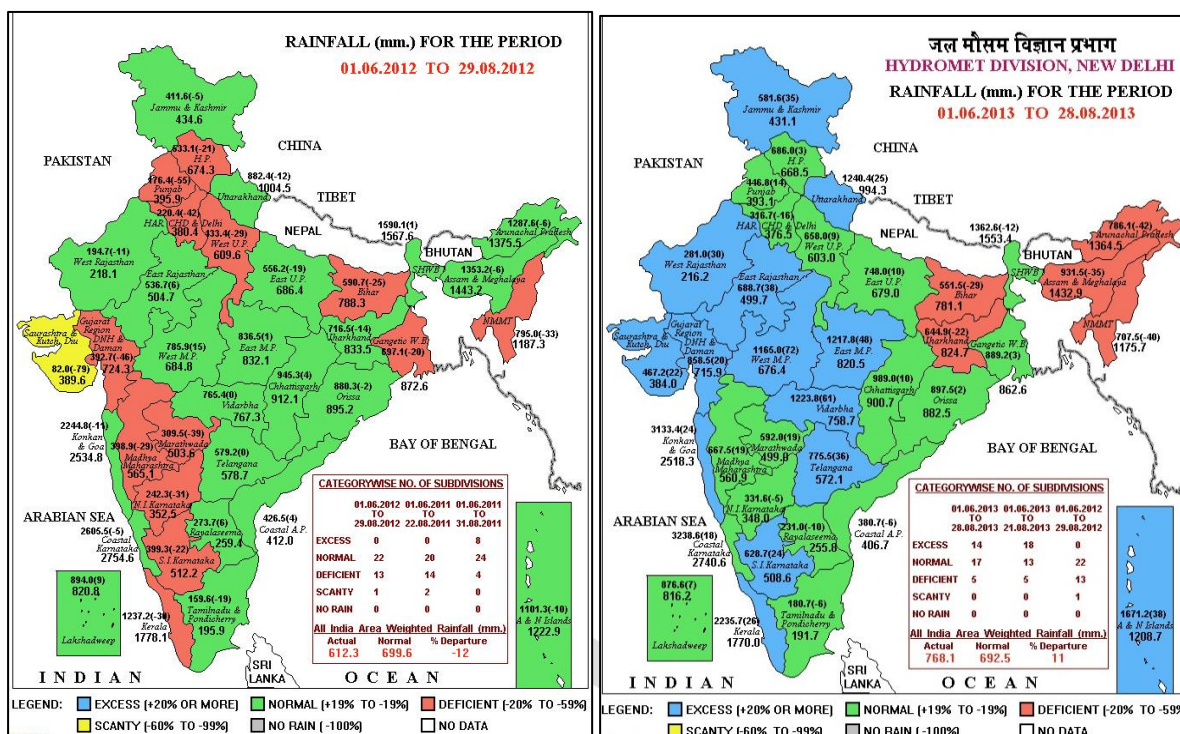
All regions have shown improvement and the power deficit position for the month of August, 2013 is given in Table-3.

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

Region	August, 2013	August, 2012
North	-5.2	-10.6
West	-0.6	-2.1
South	-3.3	-16.0
East	-1.2	-4.9
North-East	-5.7	-6.3
All India	-3.0	-9.2

Source: Central Electricity Authority (CEA)

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



d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -23.1 % during the period Apr-August, 2013.

Segment	August Growth (%)	Apr-August Growth (%)
M&HCVs	- 38.2 %	- 21.4 %
LCVs	-14.0 %	- 7.8 %
TOTAL COMMERCIAL VEHICLES	- 23.1%	- 12.7%

Source: SIAM

This is to some extent due to the fact that transporters are buying relatively larger capacity vehicles than before. With lesser number of vehicles, they are able to move much more goods to longer distances more efficiently.

e) **Utility Vehicles (UV) Sales:** The utility vehicles (UV) segment, which has been a consistent performer so far, fell for the second month in a row during August this year.

1.4 LPG: The LPG consumption recorded a decline in growth of 0.5 % during August 2013, as compared to growth of 4.7 % in August, 2012. The cumulative consumption was at -1.6 % during April-August, 2013.

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 and checked diversion for usage in automobile sector, etc.

For the fourth consecutive month, Auto LPG sales witnessed a growth of 6.9% during August, 2013 and the cumulative growth in the current quarter (April-August 2013) has been 5.4%. Decline in bulk LPG sales has been observed since October, 2010, which is mainly due to shift of customers to PNG and parallel marketers, and also due to slowdown in industrial activity.

1.5 Naphtha: Naphtha consumption recorded a decline of - 7.6 % in August, 2013 and a cumulative negative growth of -6.5 %, during April-August, 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) due to shift to Gas by Zuari and reduced demand in power sector due to improved power generation from alternate sources. However, some petrochemical units such as IOCL Panipat and Haldia Petrochemicals have recorded positive growth of Naphtha during August, 2013.

1.6 Bitumen: Bitumen consumption recorded growth of 11.5 % in August, 2013 despite heavy rainfall. However, cumulative growth of 13.9 % was registered for the period April-August, 2013.

The performance of the road sector was not inspiring in FY 2012-13, but with a number of new NHA project clearances and the activities of repairing & re-carpeting of existing roads, especially in UP and Delhi, bitumen consumption outlook 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 -24.0 % growth during August, 2013 and a cumulative negative growth of -24.2 % for the period April-August, 2013.

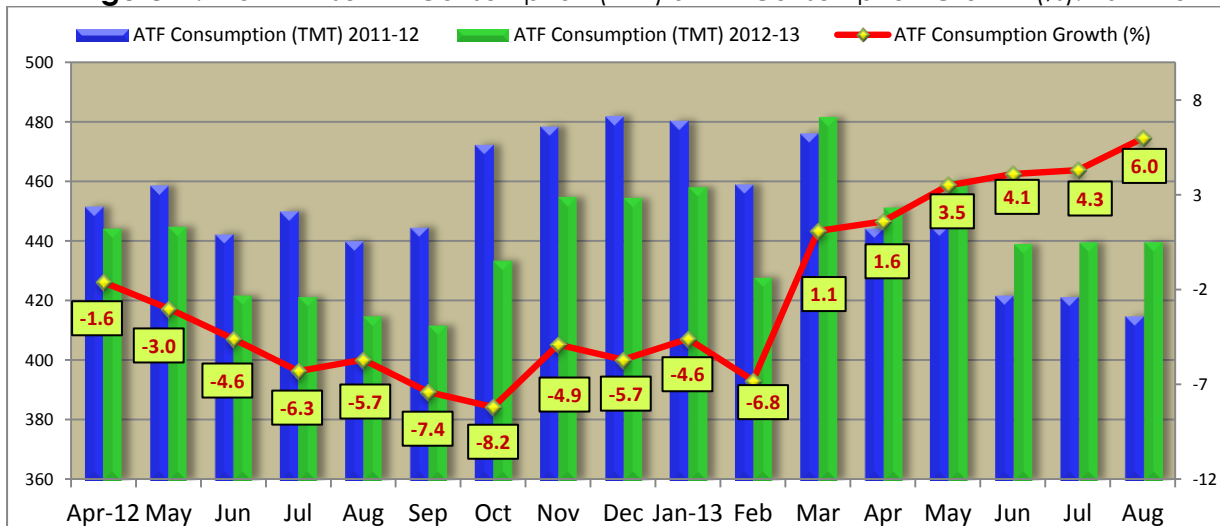
As reported in our previous reports, the Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda, the major consumers in the fertilizer sector, have switched to gas and their upliftments for the past couple of months are nil.

1.8 ATF: ATF sales recorded a growth of 6.0 % this month and a cumulative growth of 3.9 % during April-August, 2013-14. After falling for several months, domestic air travel grew by 20.4 % in August mainly due to a holiday every week on the occasions of Eid, Independence Day, Raakhi and Janmashtmi.

An impressive 52.6 lakh people flew within the country in August, 2013 to celebrate festivals, against 43.6 lakh during August last year. Low fares charged by the Airlines till August, 2013, also boosted growth in domestic air travel. Even spot fares were low in August, 2013.

The fuel cost constitutes 40-50 % of the operational cost of Indian airlines. The steep increase of 7% in ATF prices, just ahead of the peak travel season beginning October, 2013, when fares are anyway at their peak, will have an impact on the air traffic movements. From early September, 2013, fares are expected to increase.

Figure-4: Month-wise ATF Consumption (TMT) & ATF Consumption Growth (%): 2012-13



1.9 Petcoke: Petcoke consumption registered a growth of 0.6 % during August, 2013 and a cumulative growth of 15.8 % during April-August, 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.

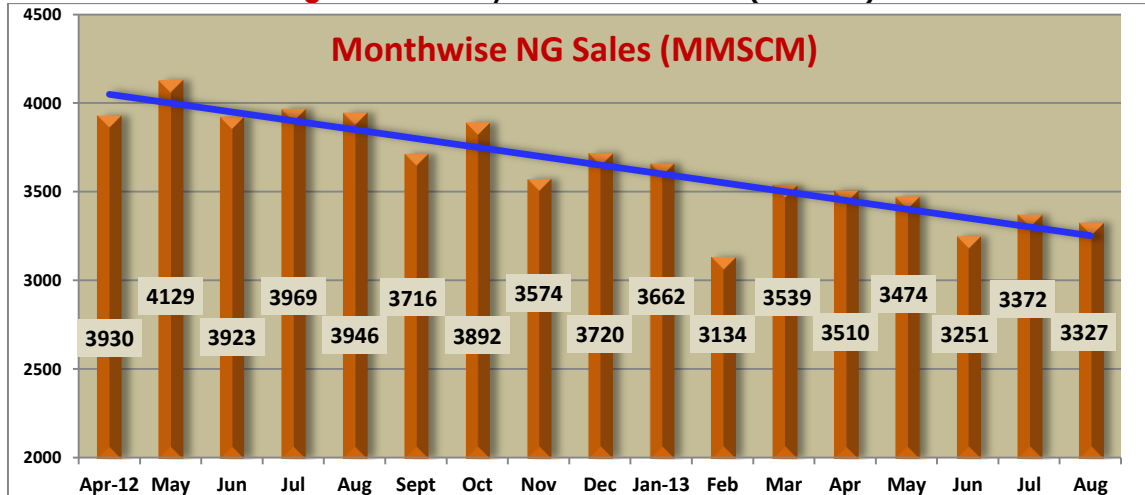
1.10 LDO: LDO consumption recorded a healthy growth of 13.1 % during August, 2013, reversing the low consumption during the previous months and reducing the cumulative decline during the period April-August, 2013 to -2.3 %.

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

1.11 Natural Gas: There has been a decline of about 15.68 % in the sales of Natural Gas in August, 2013, with a cumulative negative growth of also 15.04 % for April-August, 2013. The overall sale for the month was 3,327.76 MMSCM as compared to 3,945.88 MMSCM in August, 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 51.1% from 870.91 MMSCM in August, 2012 to 425.71 MMSCM in August, 2013.

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



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

1. **Power Sector:** There was a decline of about 39% 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.
2. **Fertilizer Sector:** There was 8.4% 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.
3. **City Gas Sector:** There was overall marginal growth of approx. 3.3 % 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.
4. **Internal Consumption:** There was a decline of approx. 2.7% 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.
5. **Others Sectors:** There was overall decrease of about 23.1% in sales in other sectors. The decline in sales is due to decrease in domestic supply.

There is a noticeable trend towards improvement in the mining sector, 2-wheeler sales, port and air traffic movement and road development activities. This could result in higher levels of consumption of petroleum products, especially diesel, in the remaining part of the current year.

The move to gradually make the price of diesel closer to market determined levels and putting a cap in the number of subsidized domestic LPG cylinders, appears to have started reducing wasteful consumption of petroleum products, to some extent.