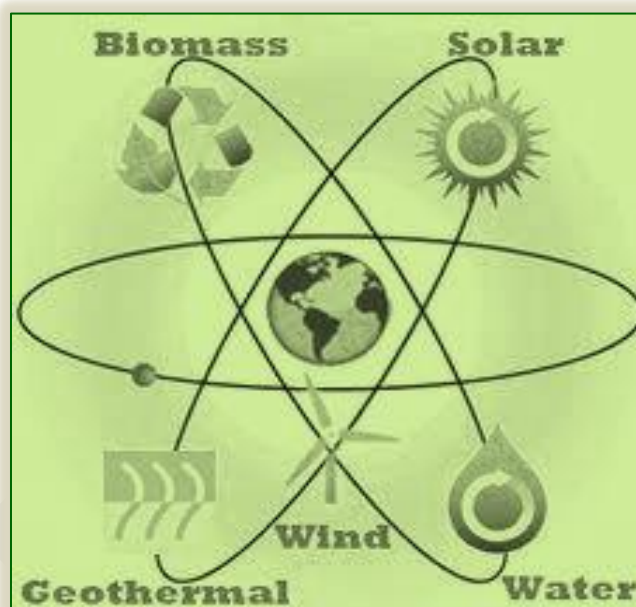


Industry Sales Review Report

October 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 October, 2013 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of October, 2013.

1.0 CONSUMPTION:

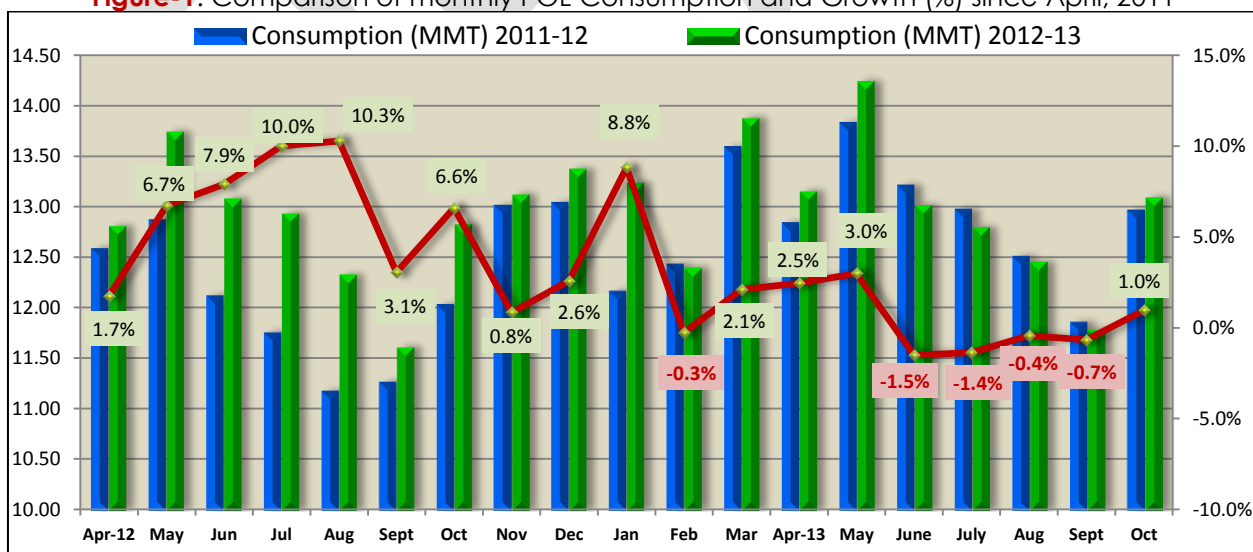
The growth (%) in consumption of petroleum products, category-wise, for the month of October, 2013 and April-October, 2013 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	October, 2013		April-October, 2013		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	7632	0.2	52803	-0.8	SKO, LPG & HSD
Major Decontrolled Products	3966	-1.9	27654	-1.9	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1499	14.5	10120	14.7	Petcoke & other minor products
Grand Total	13097	1.0	90577	0.4	

1.1 All Products: The consumption of all petroleum products, after a declining trend for four consecutive months during the fiscal year, has registered a growth of 1.0 % in October, 2013 as compared to that in October, 2012. Except for LPG, MS, 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 August, 2013 and private imports data for the balance two months, (i.e. September, 2013 & October, 2013) are projected based on April-August, 2013 figures.

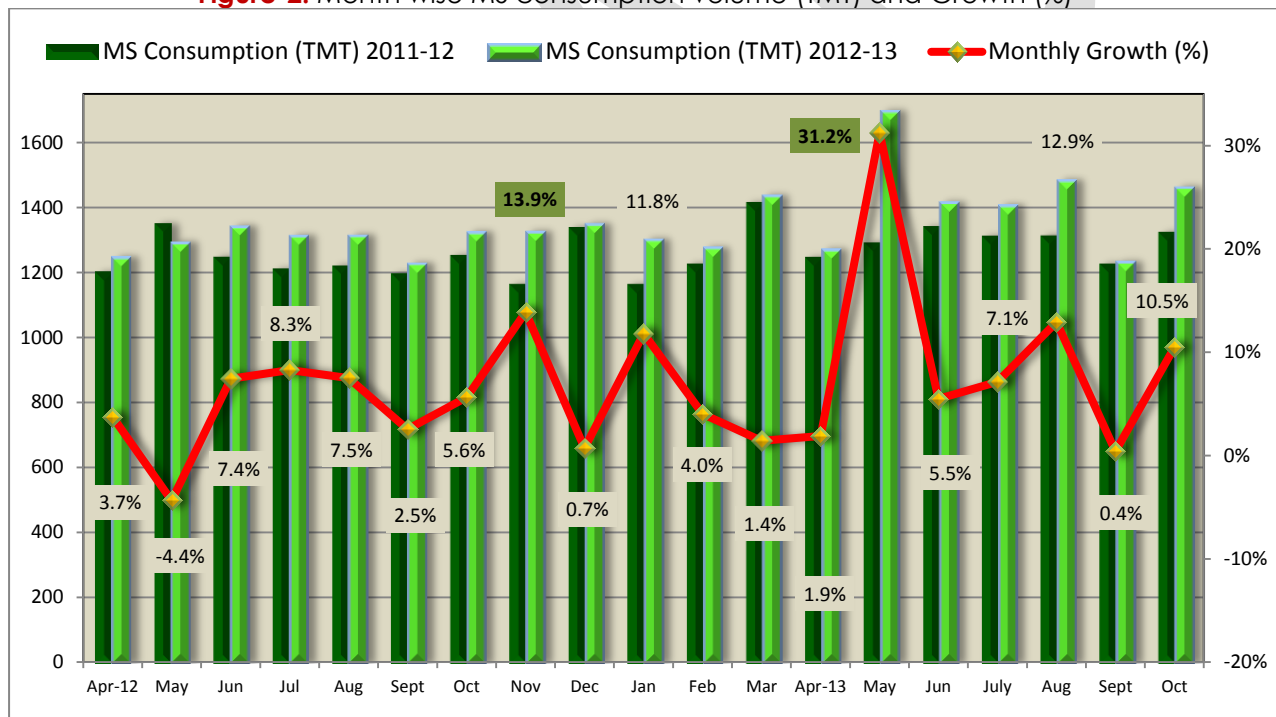
Detailed product-wise analysis of growth for October, 2013 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): There has been a 10.5% growth in the consumption of MS during October, 2013 and cumulative growth for April-October, 2013 is at 10.0%. Figure-2 gives month wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2011.

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

- The fall in the International crude oil prices and improvement in the position of the rupee against the dollar, in the second fortnight of September, 2013, have resulted in lower of inventories level with dealers from mid-September upto the end of September, 2013, in anticipation of downward price revision.
- Another important reason was the low inventory base of October, 2012.

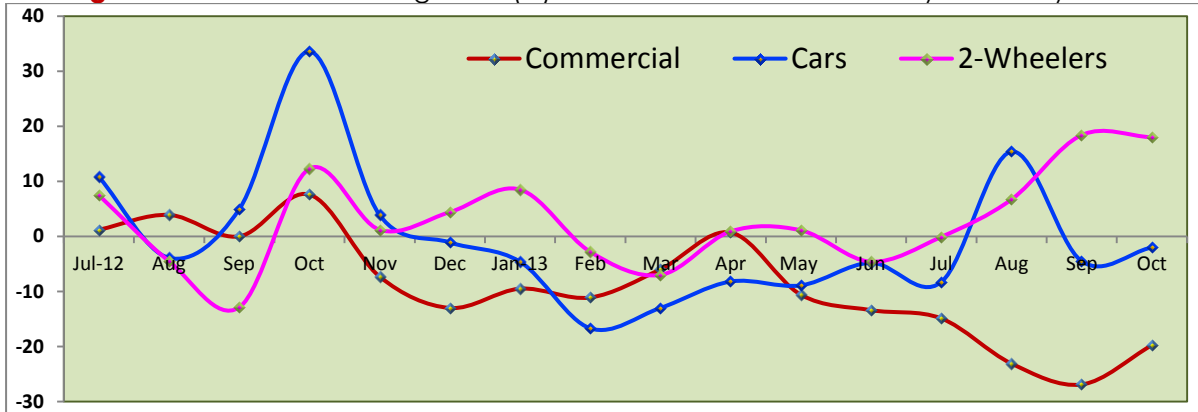
Figure-2: Month wise MS consumption volume (TMT) and Growth (%)



Other factors impacting consumption of MS are:

a) **Total Passenger Vehicles (PV) Sales:** The continued slowdown in the economy has had a negative impact on the Automobile sector. However, the decline in growth during October, 2012 was lower at -2.0%, while the decline in cumulative growth during April-October, 2013 was -4.6%.

Figure-3: Month-wise sales growth (%) of Indian Automobile Industry since July'2012



The festive season brought a slight relief to the struggling passenger vehicles sales. However, rising fuel prices and higher interest rates have escalated the cost of ownership, dissuading the potential buyers in making new purchases.

With a series of new model launches, 57,020 Utility vehicles were sold during October, 2013 and thereby registering a growth of 7.01%.

Segment	October Growth (%)	Apr-October Growth (%)
Passenger Cars	-3.88	- 4.5
Utility Vehicles	7.01	- 2.8
Vans	-9.83	- 9.8
Total Passenger Vehicles (PVs)	- 2.01	- 4.62

Source: SIAM

- b) **2-wheeler Sales:** With domestic sales of 1.51 million units of 2-wheelers in October, 2013, the 2-wheeler segment recorded a growth of 18.0%, mainly due to an impressive growth of 23.89% in the Scooter/ Scooterette segment & growth of 18.05% in the motorcycle segment.

Segment	October Growth (%)	Apr-October Growth (%)
Scooter / Scooterette	23.89	17.8
Motor Cycles	18.05	3.6
Mopeds	-6.40	- 10.1
Total Two wheelers	18.0	5.82

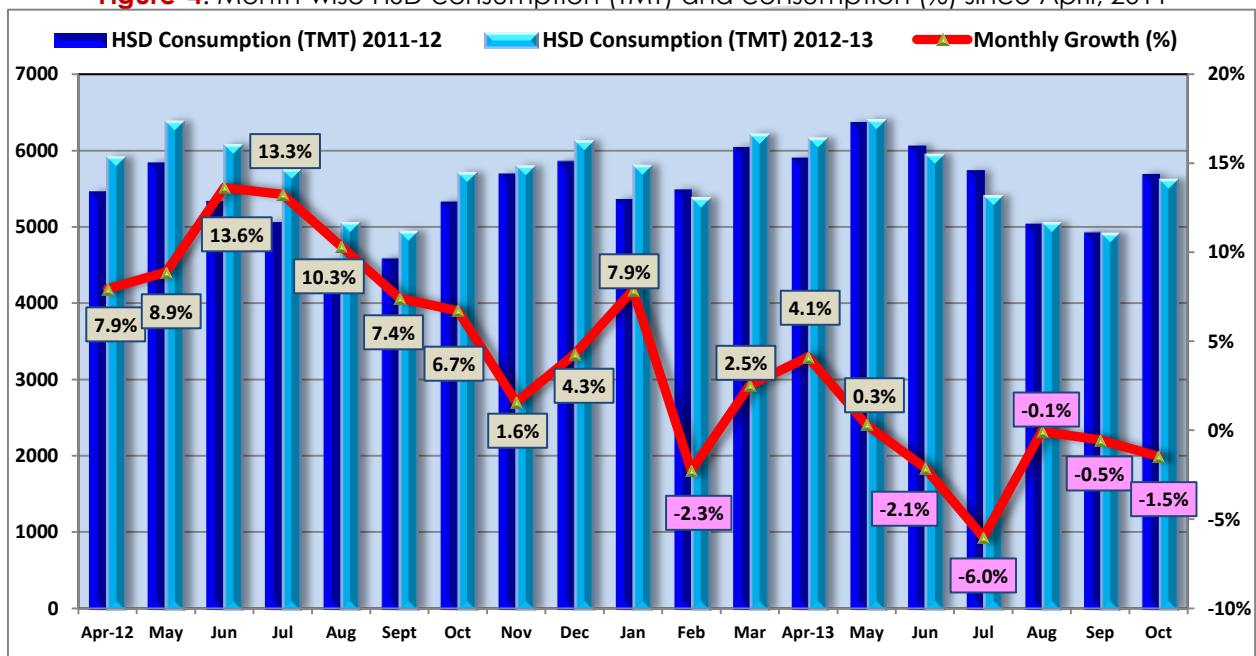
Source: SIAM

Over 60% of the petrol consumption is by 2-wheelers in the country. The spurt in the 2-wheeler sales in the recent past, also suggests that people are opting for 2-wheeler over small car segment. It is an observed trend that more women are opting to take to 2-wheelers, which is resulting in a healthy growth in the Scooter/ Scooterette segment.

1.3 Diesel (HSD): HSD consumption recorded a decline of -1.5% for the fifth consecutive month in October, 2013, and a cumulative decline of -0.8% during April-October, 2013.

A combination of factors such as (a) extended rains in some parts of the country resulting in lower HSD consumption for transportation sectors and agriculture sector pump sets, (b) slowing down of sale of commercial 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 (dual pricing) and increasing fuel prices, continue to dampen diesel consumption.

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 and 16.8% in December, 2012, declined to around 10% in October, 2013.

The fall in the share of bulk HSD is mainly due to very limited upliftment by State Transport Undertakings and by industries like Civil Construction, Cement, Mining, Steel, etc., who have shifted in to Retail Outlets or to alternate fuels.

b) **Port traffic:** There has been a negative growth of -2.2% in port traffic and cargos handled at major ports during October, 2013. However, there is a positive growth of 1.6% during the cumulative period April-October, 2013, mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, New Mangalore and Ennore ports.

Figure-5: Cumulative port traffic handled (%)

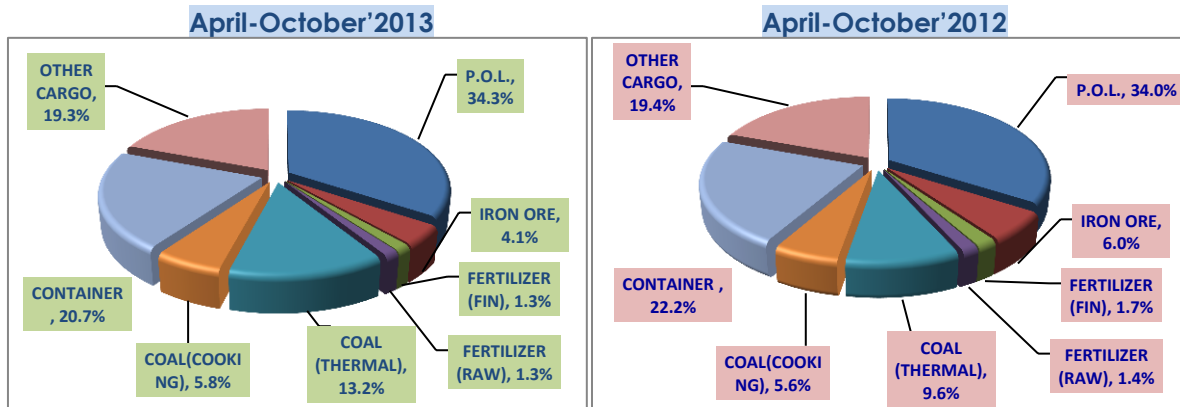


Table-2: Cumulative traffic handled at major ports for April-October, 2013 (in '000 Tonnes)

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	OCT',2013 (% Growth)	APRIL TO OCTOBER		
		2013	2012	Growth (%)
KOLKATA + HALDIA	3.5	24101	22858	5.4
PARADIP	-6.7	38735	30576	26.7
VISAKHAPATNAM	-10.1	33214	35070	-5.3
ENNORE	72.5	14791	9223	60.4
CHENNAI	5.0	30307	30993	-2.2
V.O. CHIDAMBARANAR	10.8	16673	16365	1.9
COCHIN	5.4	12640	11833	6.8
NEW MANGALORE	-15.7	22246	20140	10.5
MORMUGAO	54.8	6359	13431	-52.7
MUMBAI	8.9	32975	33495	-1.6
JNPT	-9.3	35626	37828	-5.8
KANDLA	-19.4	53462	54004	-1.0
TOTAL:	-2.2	321129	315816	1.7

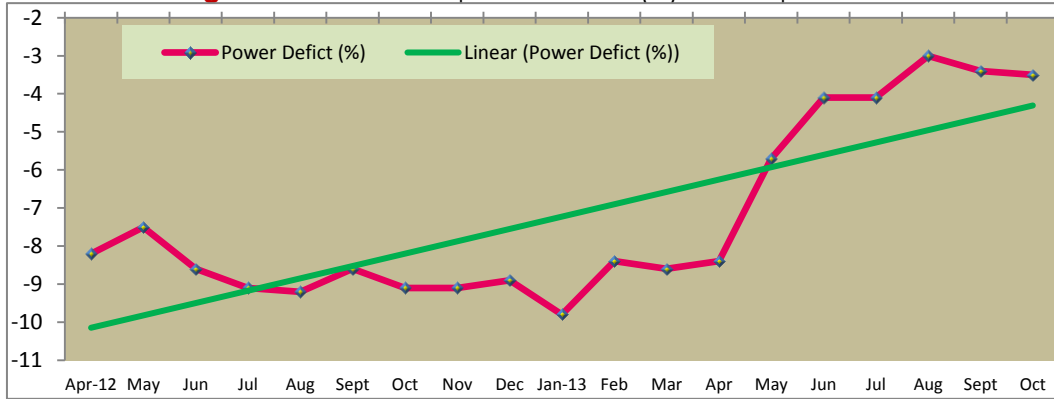
Source: IPA

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

- c) **Power situation improves:** Due to the early onset of monsoon in June, 2013 and extended rains in most parts of the country during October, 2013, the all India power availability has improved and deficit has come down to -3.5%.

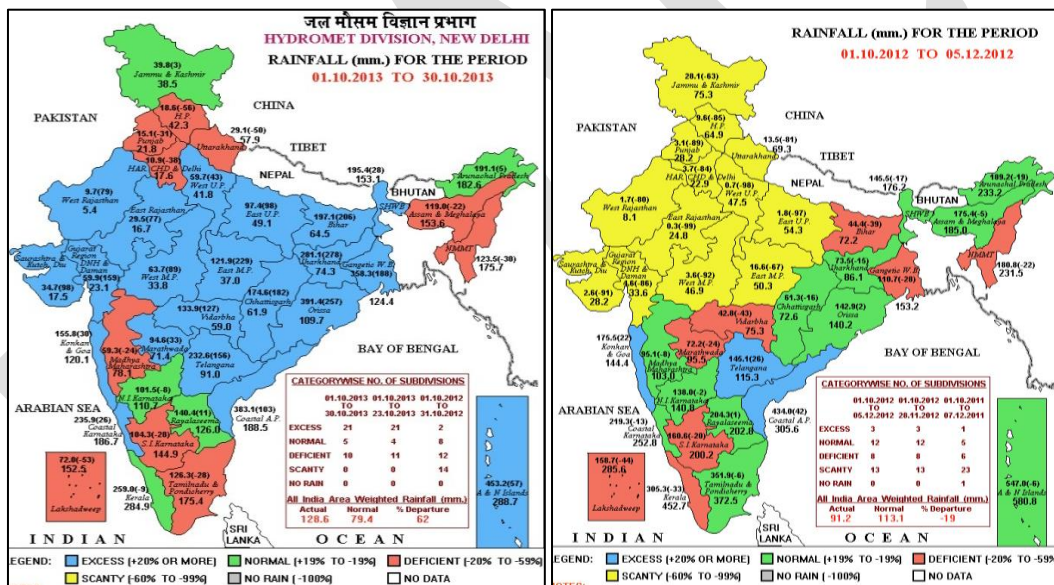
The good monsoon is also beneficial to horticulture, perennial crops, orchards and this has reduced the HSD consumption in the diesel pump sets for irrigation purposes.

Figure-6: Month-wise power Deficit (%) since April'2012



The good monsoon in the fiscal year 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 IMD maps reflect the improved monsoon conditions during the October, 2013 compared to the same period last year:



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

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

Region	October 2013	October 2012
North	-6.2	-9.8
West	-0.7	-2.8
South	-4.5	-17.8
East	-1.3	-3.7
North-East	-5.0	-5.9
All India	-3.5	-9.1

Source: Central Electricity Authority (CEA)

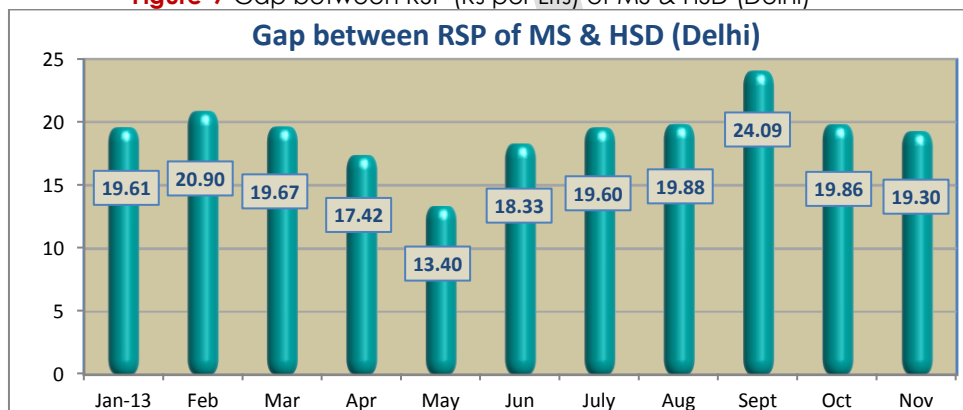
d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of 15.97% during the period April-October, 2013.

Segment	October Growth (%)	Apr-October Growth (%)
M&HCVs	- 31.62	- 26.0
LCVs	-14.38	- 10.4
TOTAL COMMERCIAL VEHICLES	- 19.77	- 15.97

Source: SIAM

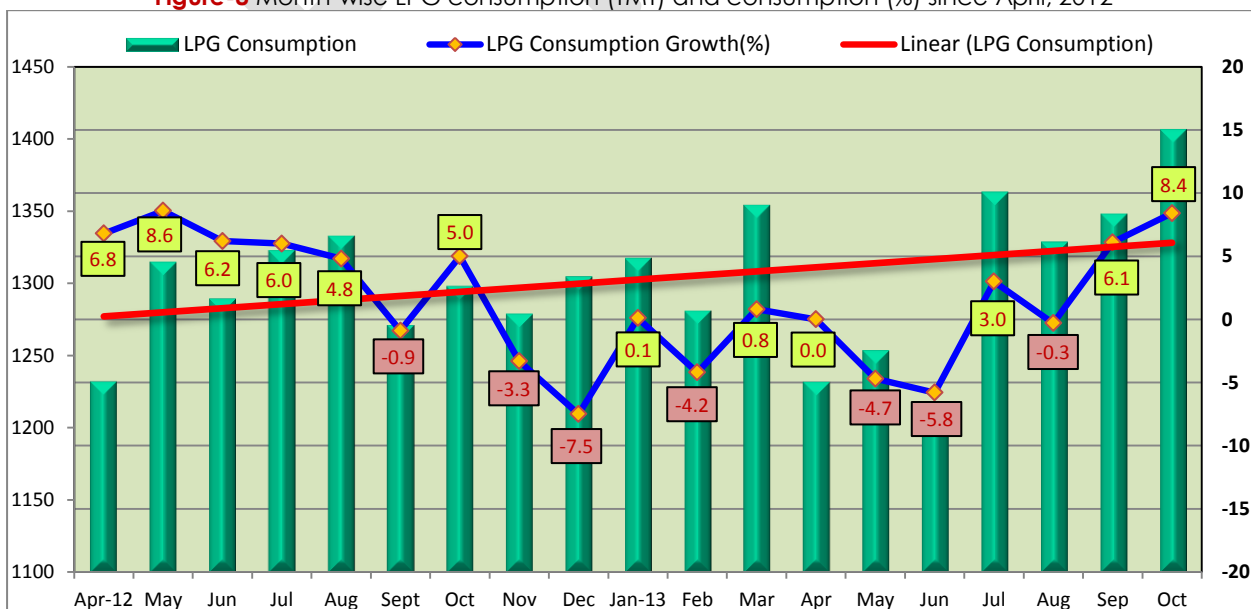
e) The trend in reduction of the gap between MS & HSD prices and phased decontrol of HSD Retail price, appear to have made the 4-Wheeler consumer preference shift from diesel to petrol driven vehicles. Figure-7 shows the narrowing gap between the retail prices of MS & HSD up to November, 2013.

Figure-7 Gap between RSP (Rs per Lits) of MS & HSD (Delhi)



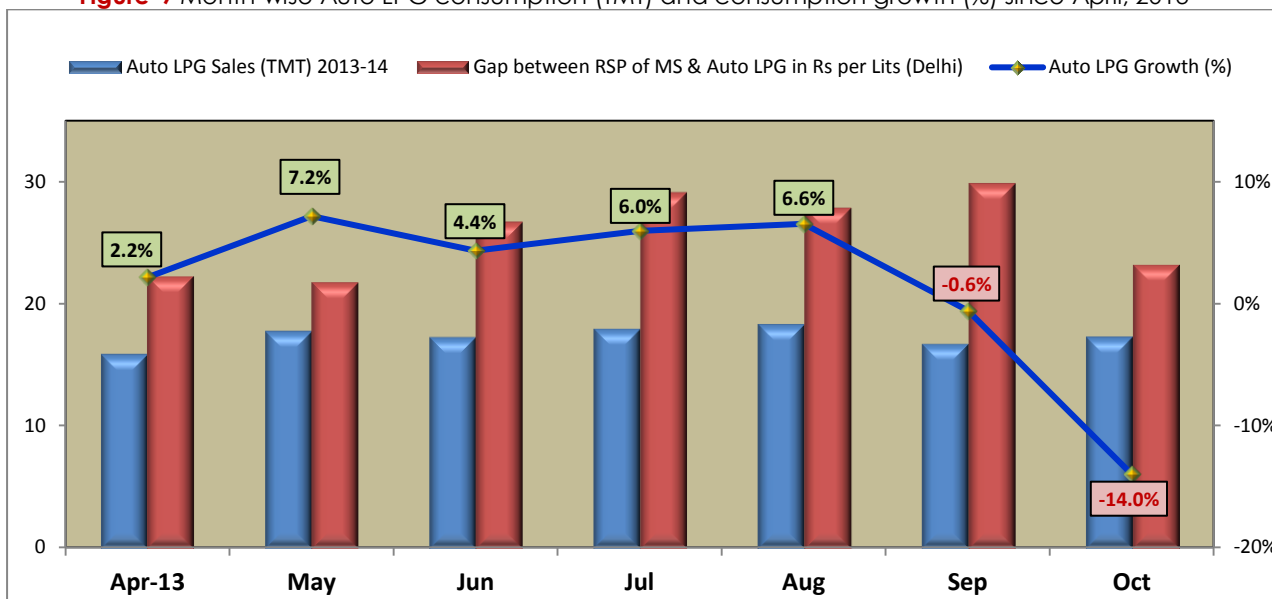
1.4 LPG: The LPG consumption for the second month in a row recorded a positive growth of 8.4% during October 2013, as compared to a growth of 5.0% during October, 2012. The cumulative growth consumption was 0.9% during April-October, 2013.

Figure-8 Month-wise LPG consumption (TMT) and consumption (%) since April, 2012



Ceiling in number of subsidized cylinders and blocking of duplicate/multiple connections have brought down the consumption of subsidized domestic cylinders. Other factors include conservation of use of LPG, switchover to cheaper fuels in rural areas/highways or check in diversion of subsidized LPG cylinders for usage in automobile sector, etc.

Figure-9 Month-wise Auto LPG consumption (TMT) and consumption growth (%) since April, 2013



After five consecutive months of positive growth in the current fiscal year, Auto LPG sales started declining from September, 2013, and during October, 2013, the decline has been sharper at -14.0%. However, the cumulative growth during April-October, 2013 has been positive at 1.2%.

The 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 -6.6% in October, 2013 and a cumulative negative growth of -8.6%, during April-October, 2013.

There has been reduced consumption in both the fertilizer sector (SPIC Tuticorin, Zuari Goa, MCFL Mangalore and FACT Ernakulam) and the power sector (Reliance Energy, Goa and NTPC, Kayankulam), due to shift to Natural Gas by Zuari and reduced demand in power sector, due to improved power generation from other sources. However, some petrochemical units such as IOCL Panipat, Asian Peroxide and Haldia Petrochemicals have recorded positive growth during October, 2013.

1.6 Bitumen: Bitumen consumption declined by -10.3% in October, 2013. However, a cumulative growth of 11.4%, was recorded during April-October, 2013. Excessive rains during October, 2013 hampered road development activities.

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 new road building/ repairing/ re-carpeting of existing roads, has resulted in improvement in the bitumen consumption and the prospects seem to be encouraging for the balance months of the FY 2013-14.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption in the current fiscal year continued with -19.2% growth during October, 2013, and a cumulative negative growth of -21.6% for the period April-October, 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 natural gas and their upliftment for the past couple of months are nil.

1.8 ATF: ATF sales recorded a growth of 7.1% this month and a cumulative growth of 4.8% during April-October, 2013-14.

After witnessing constant fall in the past three years, for the third consecutive month, October, 2013 witnessed an increase in domestic air passenger travels mainly due to the festive season. There has been an increase of about 10% during October, 2013 as compared to that in September, 2013.

1.9 Petcoke: Petcoke consumption registered a growth of 12.7% during October, 2013 and a cumulative growth of 15.0 % during April-October, 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, and also due to increased imports.

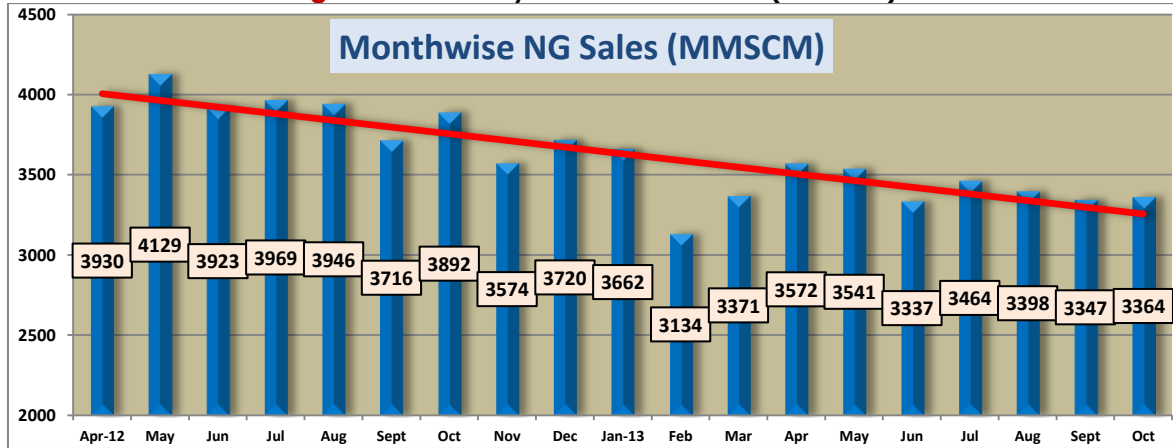
Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making.

1.10 LDO: LDO consumption recorded a decline of -3.5 % in October, 2013 and a cumulative negative growth of -5.6 %, during April-October, 2013.

1.11 Natural Gas: There has been a decline of about -13.6% in the sales of Natural Gas in October, 2013 and a cumulative negative growth of -12.6% during April-October, 2013. The overall sale for the month was 3,363.63 MMSCM, as compared to 3,892.03 MMSCM in October, 2012.

Natural gas sales declined mainly due to reduced domestic gas availability, primarily from the KG D-6 basin.

Figure-10: Monthly Natural Gas Sales (MMSCM):



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

1. **Power Sector:** There was a decline of 40.93% 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 negatively 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 a growth of 9.12% in sales due to increased off take by some major fertilizer consumers in Northern, Southern and Western India compared to the same period last year.
3. **City Gas Sector:** There was overall decline in growth of 3.49% in CGD sales, which was primarily due to reduced off-take in Western region, i.e., by Gujarat CGD companies due to high price of LNG.
4. **Internal Consumption:** There was a decline of 24.59% in internal consumption (IC) compared to the same period last year. The decrease was primarily due to reduced internal consumption by GAIL and IOC Mathura in Northern India, GAIL's reduced consumption in Western region and RIL's reduced internal consumption in Southern India.
5. **Others Sectors:** There was overall decline of 14.76% in sales in other sectors, due to fall in domestic supply and low LNG off-take by customers.

There are noticeable trends towards improvement in the performance of the following sectors having implications for higher consumption of petroleum products in the coming months:

- ❖ **Automobile Industry** : Increase in 2-Wheeler & Utility vehicle sales,
- ❖ **Ports:** Increase in cargo handled & port traffic at some major ports,
- ❖ **Aviation Industry:** Increase in air traffic and passenger movement.

However, increased power supply and good rains would keep diesel consumption under control.