

Industry Sales Review Report

March 2014



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
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Data on product-wise monthly consumption of petroleum products for March, 2014 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of March, 2014.

1.0 CONSUMPTION:

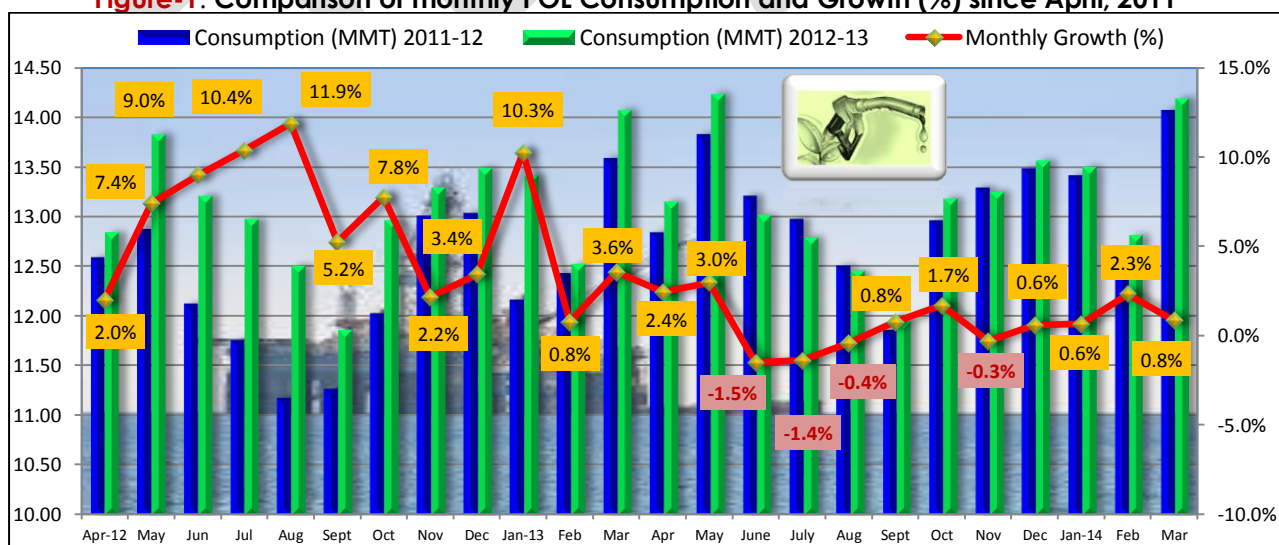
The growth (%) in consumption of petroleum products, category-wise, for the month of March, 2014 and April-March, 2014 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	March, 2014 (P)		April-March, 2014 (P)		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	8208	0.4	91869	-0.3	SKO, LPG & HSD
Major Decontrolled Products	4479	-1.2	48495	-1.5	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1512	10.1	17833	14.0	Petcoke & other minor products
Grand Total	14199	0.8	158197	0.7	

1.1 All Products: The growth in consumption of all petroleum products has registered a marginal growth of 0.8 % during March, 2014 as compared to that in March, 2013 and cumulative growth for April-March, 2014 is at 0.7 %. This is the lowest annual growth in consumption since 2001-02 when it was 0.4%. Except for LPG, MS, LDO, ATF and Petcoke, all other products recorded negative growth.

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



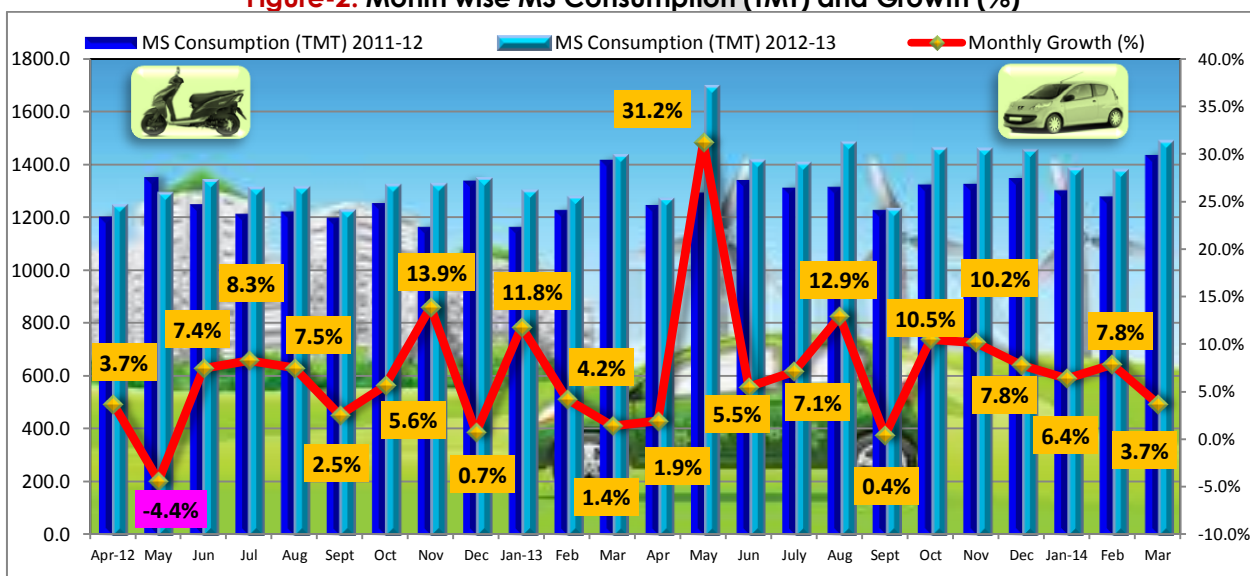
The PMG (project monitoring group) in the Cabinet Secretariat had cleared 113 large projects with an investment of 3.7 lakh crores, which is a positive indication for the growth in consumption of petroleum products during the FY 2014-15.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to January, 2014 and private imports data for the balance two months, (i.e. February, 2014 & March, 2014) are projected based on April-January, 2014 figures.

Detailed product-wise analysis of growth for March, 2014 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): There has been a 3.7% growth in the consumption of MS during March, 2014 and cumulative growth for April-March, 2014 is at 8.8%. **Figure-2**, gives month wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2011.

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



The growth in consumption of MS in the month of March, 2014 is mainly attributable to the lowering of inventories level with dealers in anticipation of downward price revision by month end.

Other factors impacting consumption of MS are:

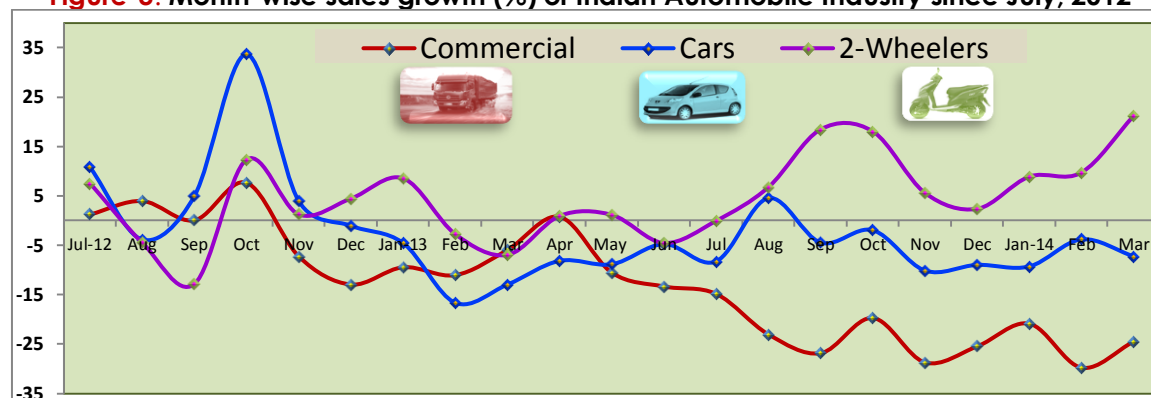
a) **Total Passenger Vehicles (PV) Sales:** The overall passenger vehicles sales fell for the seventh straight month in March, 2014. The cut in excise duty and discounts did not bring any cheers to the overall automobile industry and the total passenger vehicles sales registered a decline of -7.30% during March, 2014, while the cumulative decline during April-March, 2014 was -6.05%.

Car sales wrapped up yet another year in FY 2013-14 of disappointment as the slowing economy, higher interest rates and rising fuel prices have escalated the cost of ownership, dissuading the potential buyers in making new purchases.

Segment	March Growth (%)	April-March Growth (%)
Passenger Cars	- 5.08	- 4.7
Utility Vehicles	- 4.55	- 5.0
Vans	- 31.77	- 19.6
Total Passenger Vehicles (PVs)	- 7.30	- 6.05

Source: SIAM

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



- b) **2-wheeler Sales:** With domestic sales of 1.33 million units in March, 2014, the 2-wheeler segment recorded an impressive growth of 21.16%, mainly due to a continuous very impressive growth of 42.63% in the Scooter/ Scooterette segment.

Segment	March Growth (%)	April-March Growth (%)
Scooter / Scooterette	42.6	23.2
Motor Cycles	16.2	3.9
Mopeds	- 0.2	- 8.3
Total Two wheelers	21.2	7.3

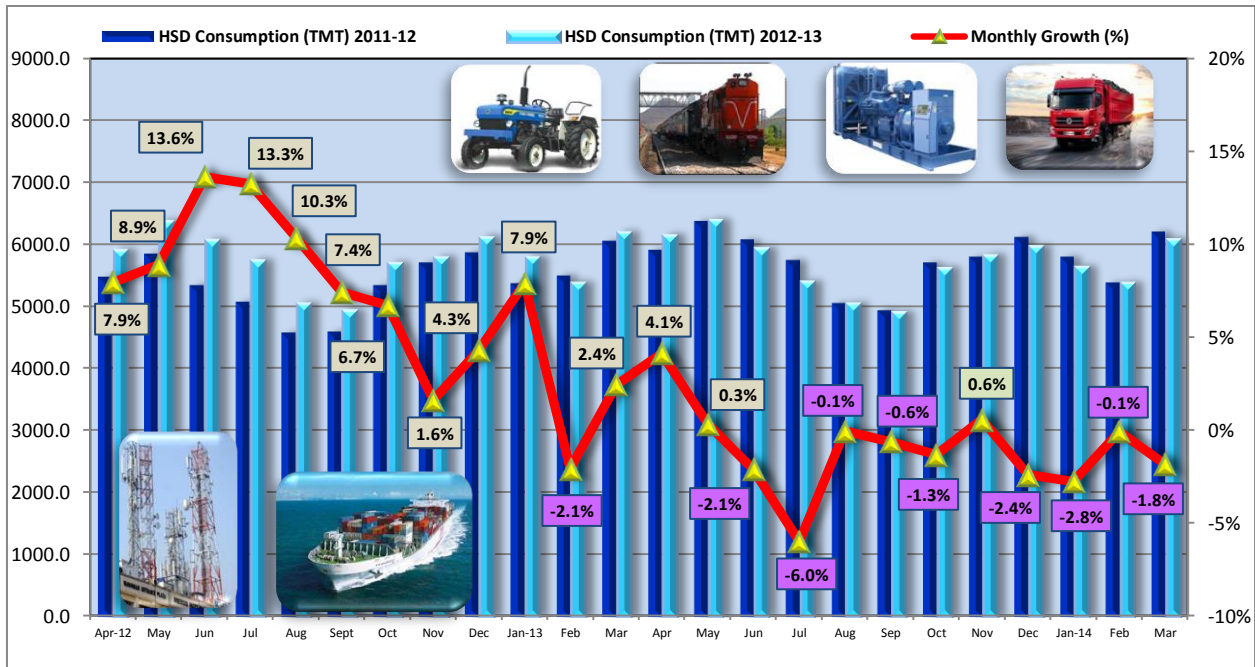
Source: SIAM

More than 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. This is driving the continuous growth in MS sales. It is an observed trend that more women are opting for 2-wheelers, which is resulting in a healthy growth in the Scooter/ Scooterette segment.

1.3 High Speed Diesel (HSD): The declining trend in HSD consumption since June, 2013 continued in March, 2014 also, with the exception of a marginal growth during November, 2013. HSD consumption recorded a negative growth of -1.8% in the month of March, 2014 and a cumulative decline of -1.0% during April-March, 2014. This is the first time since 2001-02, when the annual growth in HSD consumption has declined.

A combination of factors such as (a) slowing down of sale of commercial diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), (b) improved power situation, (c) un-seasonal rainfall, (d) shift of Industrial consumers to alternate fuels due to price differential (dual pricing) and increasing fuel prices, and (e) shift of 4-Wheeler/ SUV consumer preference from diesel to petrol driven vehicles, continue to dampen diesel consumption

Figure-4: Month-wise HSD Consumption (TMT) and Growth (%) since April, 2011



Factors affecting diesel consumption are discussed below:

a) **Port traffic:** There has been a growth of 7.9% in port traffic and cargos handled at major ports during March, 2014, with a positive growth of 1.78% during the cumulative period April-March, 2014, mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, New Mangalore and Ennore ports.

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.

The Supreme Court of India in April, 2014 has lifted the 19 month old ban on mining in Goa, the top Iron ore producing state in the country. The resumption of the mining activities will definitely improve the consumption of petroleum products and cargo movement related activities in Goa during FY 2014-15.

Table-2: Cumulative traffic handled at major ports for April-March, 2014 (in '000 Tonnes)

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	Mar'2014 (% Growth)	APRIL TO MARCH		
		2014	2013	Growth (%)
KOLKATA + HALDIA	11.5%	41385	39928	3.6%
PARADIP	20.1%	68003	56552	20.2%
VISAKHAPATNAM	12.6%	58503	59040	-0.9%
ENNORE	53.1%	27337	17885	52.8%
CHENNAI	-0.6%	51105	53404	-4.3%
V.O. CHIDAMBARANAR	8.7%	28642	28260	1.4%
COCHIN	2.4%	20887	19845	5.3%
NEW MANGALORE	5.3%	39365	37036	6.3%
MORMUGAO	15.6%	11739	17693	-33.7%
MUMBAI	4.8%	59186	58038	2.0%
JNPT	4.0%	62346	64490	-3.3%
KANDLA	-4.6%	87005	93619	-7.1%
TOTAL:	7.9%	555503	545790	1.78%

Source: IPA

- b) **Power situation improves:** All regions have shown improvement and the power deficit position for the month of March, 2014 is given in Table-3.

Table-3: Power deficit: Region-wise position for March, 2014 (% deficit)

Region	March 2014	March 2013
North	-4.6	-7.5
West	-1.1	-1.5
South	-6.1	-18.2
East	-1.0	-3.5
North-East	-7.3	-8.7
All India	-3.6	-8.6

Source: Central Electricity Authority (CEA)

The improvement in power deficit is mainly due to increased power availability and flat growth in power demand during the current fiscal. This improved power position has led to reduced consumption of HSD for power generation by DG sets.

- c) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -24.55% during March, 2014 and a cumulative decline in sales of -20.23% during the period April-March, 2014.

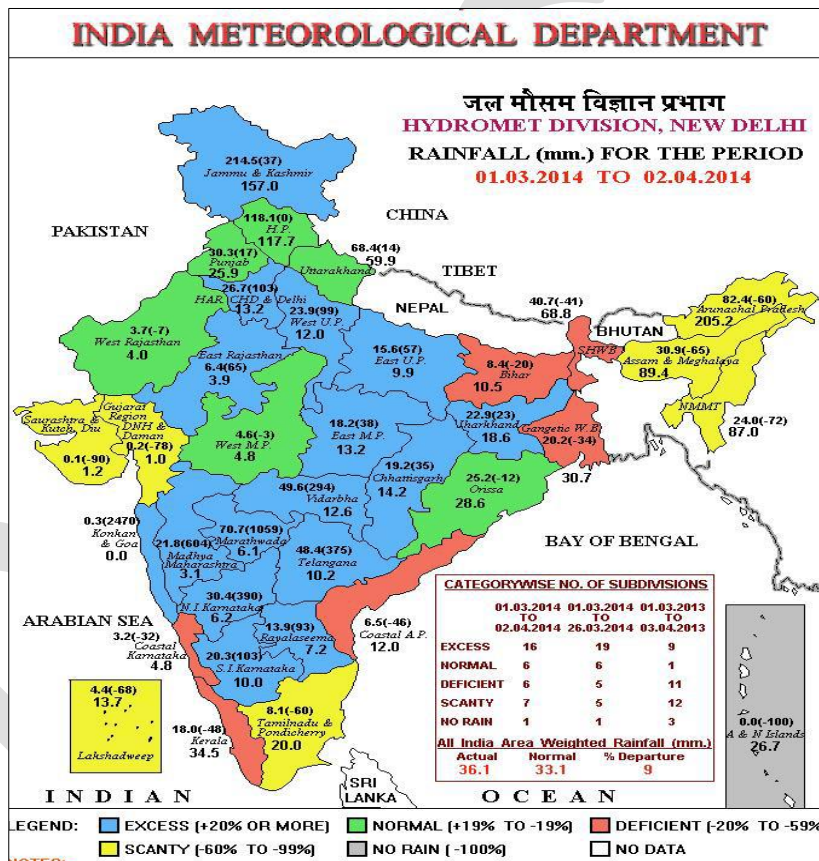
In the last 20 months, sales of heavy commercial vehicles have fallen substantially forcing the major Indian manufactures such as Ashok-Leyland

and Tata Motors for working at 30% to 40% level of their total production capacity.

Segment	March Growth (%)	Apr-March Growth (%)
M&HCVs	- 20.80	- 25.3
LCVs	- 26.55	- 17.6
TOTAL COMMERCIAL VEHICLES	- 24.55	- 20.23

Source: SIAM

d) The IMD maps reflect the good un-seasonal rainfall during March, 2014 compared to the same period last year:

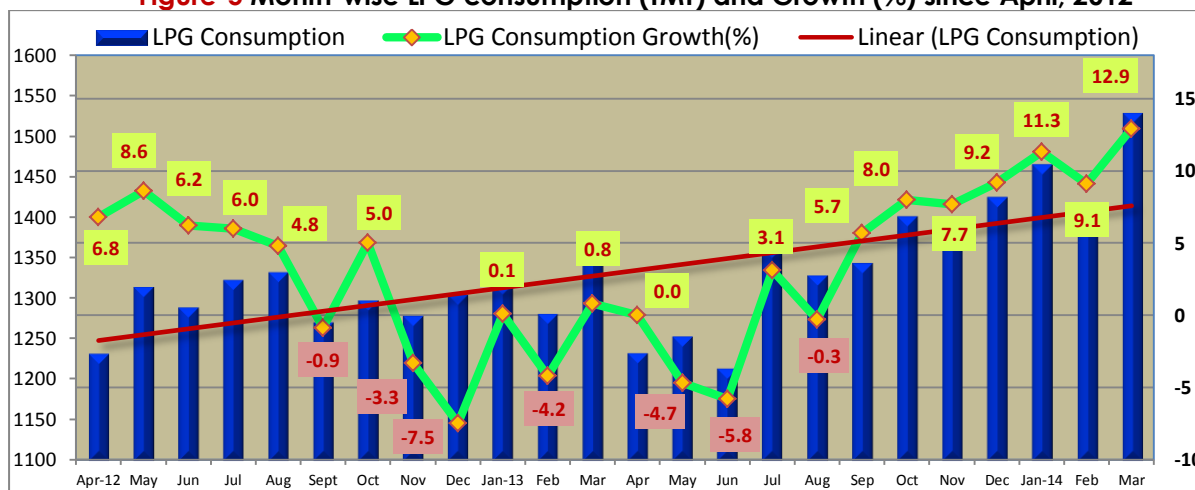


1.4 LPG: The LPG consumption for the seventh month in a row recorded a positive growth 12.9% during March 2014 and the cumulative growth consumption has been 4.7% during April-March, 2014.

Ceiling in number of subsidized cylinders and blocking of duplicate/ multiple connections had brought down the consumption of subsidized domestic cylinders since September, 2012. However, since September, 2014 there has been growth in LPG consumption due to release of new connections and DBCs and also due to low base of previous year. The announcement of increasing the ceiling of subsidized cylinders from 9 to 12 in a year spurred the growth in domestic LPG demand during March, 2014.

Decline in bulk LPG sales has been observed since March, 2010, which may be mainly due to shift of customers to PNG and parallel marketers, and also due to slowdown in industrial activity.

Figure-5 Month-wise LPG consumption (TMT) and Growth (%) since April, 2012



1.5 Naptha: Naptha consumption recorded a de-growth of -3.4% in March, 2014 and a cumulative negative growth of -6.8%, during April-March, 2014.

There has been reduced consumption in the fertilizer sector (SPIC Tuticorin, Zuari Goa, 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 March, 2014, while there is negative growth in Reliance, Jamnagar.

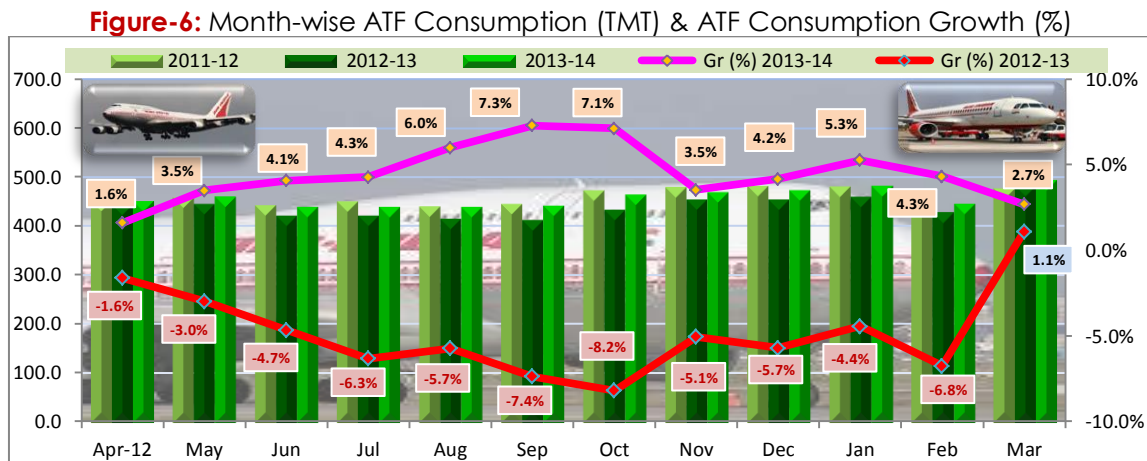
1.6 Bitumen: Bitumen consumption registered a de-growth of -8.1% in March, 2014 and a cumulative growth of 5.6% was recorded during April-March, 2014. The negative growth during the month is mainly due to subdued road activities during the General Elections.

A number of new NHAI project clearances and activities of new road construction and repairing of existing roads have contributed to the overall growth in Bitumen consumption during the year 2013-14.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption in the current fiscal year continued with -2.4% growth during March, 2014, and a cumulative negative growth of -19.1% for the period April-March, 2014.

The Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda and GNFC Bharuch, the major consumers in the fertilizer sector, have switched to natural gas and their upliftment for the past couple of months is nil.

1.8 ATF: ATF sales recorded a growth of 2.7% in March, 2014 and a cumulative growth of 4.4% during April-March, 2014-14.



After almost two years, domestic air travel is showing signs of growth. In order to boost air traffic in the coming months, most of the airlines have announced slashing of air fares up to 75% for travel up to June, 2014.

1.9 Petcoke: Petcoke consumption registered a growth of 24.5% during March, 2014 and a cumulative growth of 15.0% during April-March, 2014.

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 because large scale exports from USA.

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.

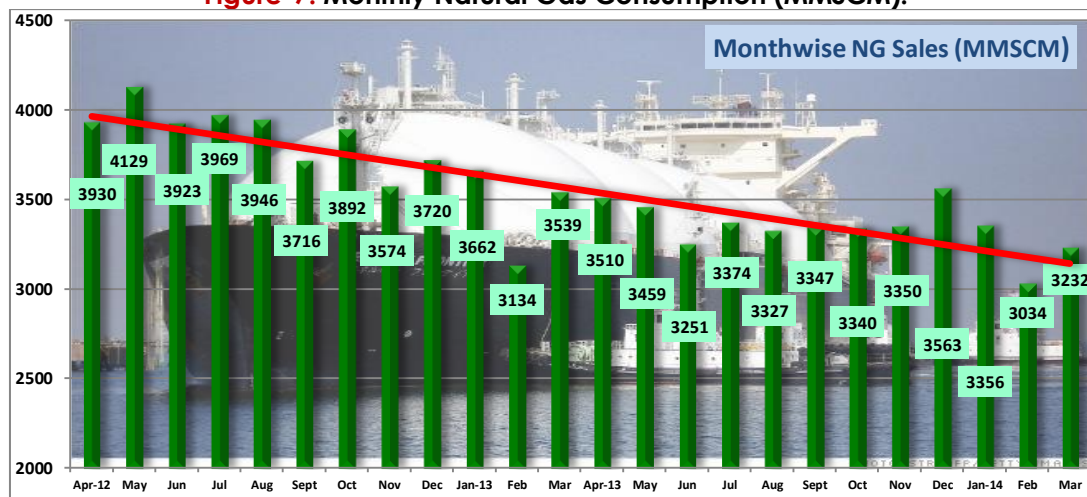
1.10 LDO: LDO consumption recorded a growth of 27.8% in March, 2014 and a cumulative negative growth of -3.1%, during April-March, 2014. However, the volumes are very low.

1.11 Natural Gas: There has been a decline of about -8.68% in the consumption of Natural Gas in March, 2014 and a cumulative negative growth of -8.05% during April-March, 2014. The overall consumption for the month was 3,231.83 MMSCM, as compared to 3,539.06 MMSCM in March, 2013.

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

1. **Power Sector:** There was a decline of about -14.35% in natural gas consumption to the power sector. This was primarily due to reduced consumption by both public and private power producers in Northern, Western and Southern region. Cumulative volume for the sector dropped almost 32% compared to last year due to shortage of domestic gas and as producing power from LNG was not viable due to high cost.

Figure-7: Monthly Natural Gas Consumption (MMSCM):



2. **Fertilizer Sector:** There was a negative growth of -13.16% in natural gas consumption due to reduced off-take by consumers in Northern (Shutdown in Indo-Gulf, IFFCO, CFCL), Southern (NFCL) and Southern India (NFCL) compared to the same period last year. However, there has been increased off-take by producers in Goa and Madhya Pradesh in Western India. Fertilizer sector showed a cumulative growth of 5.41% in 2013-14 compared to last year primarily due to fresh supplies to NFL plants in Punjab through newly laid Dadri-Nangal pipeline and increased supply to Zuari Fertilizers in Goa.
3. **City Gas Sector:** There was growth of 17.30% in CGD consumption due to increase in off-take primarily in Northern region (IGL and Green Gas), Southern region (BGL) and Western region (in Gujarat due to increased APM allocation). During 2013-14, the sector showed a marginal growth of 0.79% due to increased consumption in Maharashtra, UP and Delhi.
4. **Internal Consumption:** There is a negative growth in the Internal Consumption (IC) by -20.35% compared to the same period last year. The de-growth was primarily due to GAIL Pata shutdown in Northern India, reduced GAIL IC in Madhya Pradesh & Gujarat in Western Region and increased internal consumption by RIL in Southern region. Cumulative Internal Consumption for 2013-14 showed a negative growth of 5.05% compared to last year.
5. **Others Sectors:** There was overall decrease of about -7.50% in consumption in Other Sectors. The decline in sales is due to decrease in domestic supply and low LNG off-take by customers in Northern Region (low off take by GAIL & IOCL customers), Western Region (Low off-take in Gujarat) and Southern Region (Zero RIL sales in other sectors since June, 2013). Cumulative volume for the sector showed a negative growth of 15.56% in 2013-14 compared to last year.

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