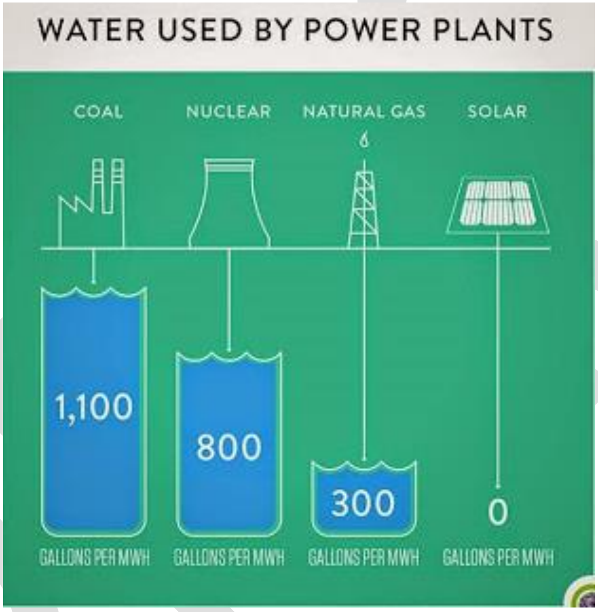
INDUSTRY SALES REVIEW REPORT

August 2014



Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

Data on product-wise monthly consumption of petroleum products for August, 2014 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of August, 2014.

1.0 CONSUMPTION:

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

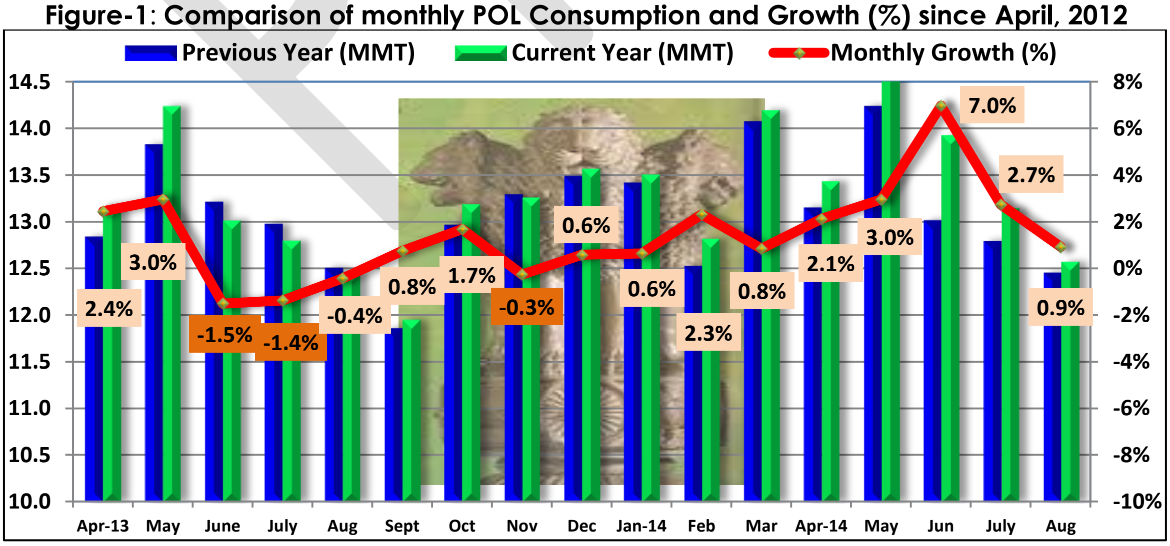
Table-1: Consumption (Quantity in TMT)

PRODUCT	% Share	August, 2013	August, 2014	Growth (%)	Products Included
Sensitive Products	56.9%	6977	7159	2.6%	SKO, LPG & HSD
Major Decontrolled Products	31.2%	3953	3929	-0.6%	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	11.9%	1531	1488	-2.8%	Petcoke & other minor products
Grand Total		**12461**	**12576**	**0.9%**	

1.1 All Products: The consumption of all petroleum products has registered a marginal growth of 0.9% in August, 2014 as compared to that in August, 2013. Except for SKO, Naphtha, Lubes, LDO and FO/LSHS, all other products have recorded positive growth and a cumulative growth of 3.2% for April-August, 2014.

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 June, 2014 and private imports data for the balance two months, (i.e. July, 2014 & August, 2014) are projected based on April, 2013 to March, 2014 figures.

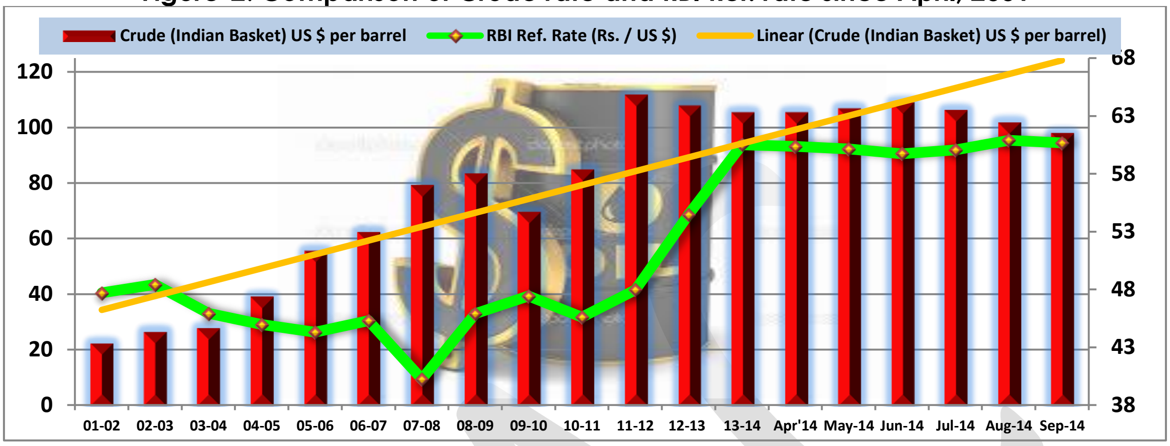
Figure-1: Comparison of monthly POL Consumption and Growth (%) since April, 2012



With significant increase in refining capacity in India in the recent years, the country's dependence on imported petroleum products has come down significantly. Nonetheless, the country's dependence on imports continues to grow as almost 78% of crude oil in India, on consumption basis, is imported.

Oil prices can penetrate into other macro economic variables and all the sectors of the economy. It is therefore subject to the vagaries of a volatile international market for crude and petroleum products.

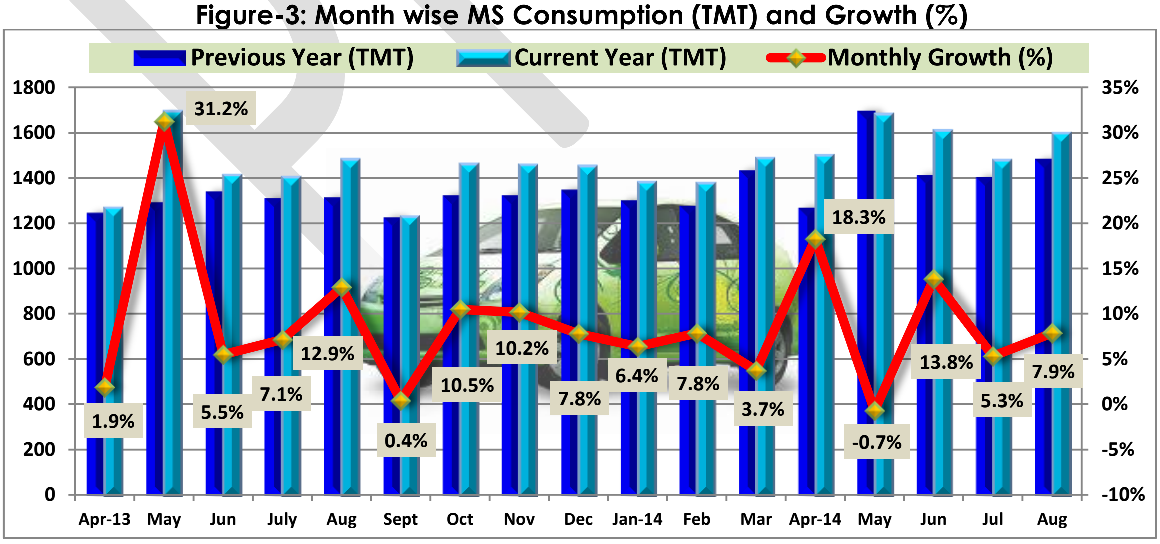
Figure-2: **Comparison of Crude rate and RBI Ref. rate since April, 2001**



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

1.2 Petrol / Motor Spirit (MS): There has been a 7.9% growth in the consumption of MS during August, 2014 and a cumulative growth of 8.3% for April-August, 2014. **Figure-3**, gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2012.

Figure-3: Month wise MS Consumption (TMT) and Growth (%)

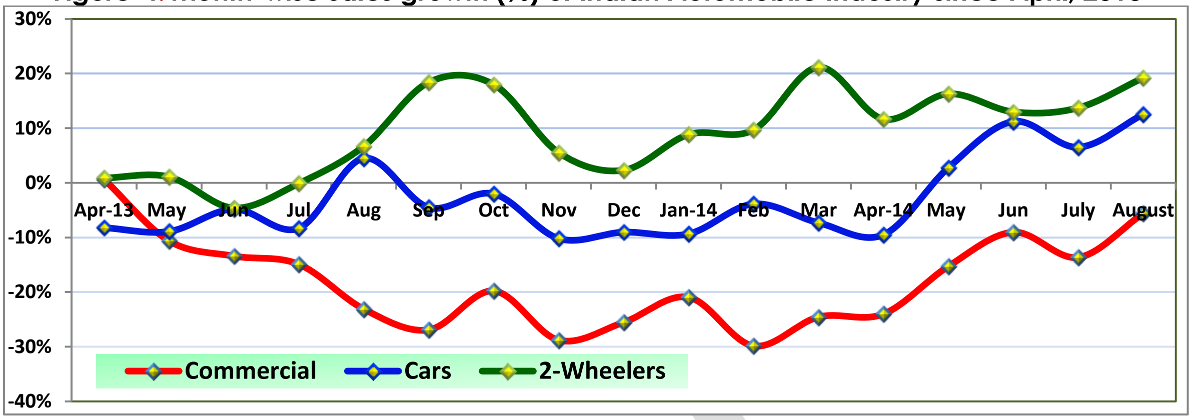


The month of August, 2014 registered a growth mainly due to long weekends on account of festivals resulting in increase in vehicular movements, downward reduction in MS prices and more two wheeler movement on roads due to lesser rains.

Other factors impacting consumption of MS are:

The 2-wheeler segment is showing consistent positive growth, whereas for the last four months passenger vehicles sales has also registered growth, while the commercial vehicles sales is showing marginal signs of recovery.

Figure-4: Month-wise sales growth (%) of Indian Automobile Industry since April, 2013



a) **Total Passenger Vehicles (PV) Sales**: Heavy discounts, extension of excise duty reduction till December, 2014 and riding on positive sentiment of the new stable Government have perked up volumes of the car Industry for the fourth consecutive month. The overall passenger vehicles sales registered a growth of 12.5% during August, 2014.

Segment	August, 2013	August, 2014	Growth (%)
Passenger Cars	133,513	153,758	15.16%
Utility Vehicles	39,385	45,501	18.07%
Vans	17,188	13,656	-20.55%
Total: Passenger Vehicles (PVs)	**190,086**	**213,915**	**12.54%**

Source: SIAM

b) **2-wheeler Sales**: With domestic sales of 1.34 million units in August, 2014, the 2-wheeler segment recorded a growth of 19.2%, mainly due to a continuous impressive growth of 30.4% in the Scooter/ Scooterette segment. More than 60% of the petrol consumption is by 2-wheelers in the country

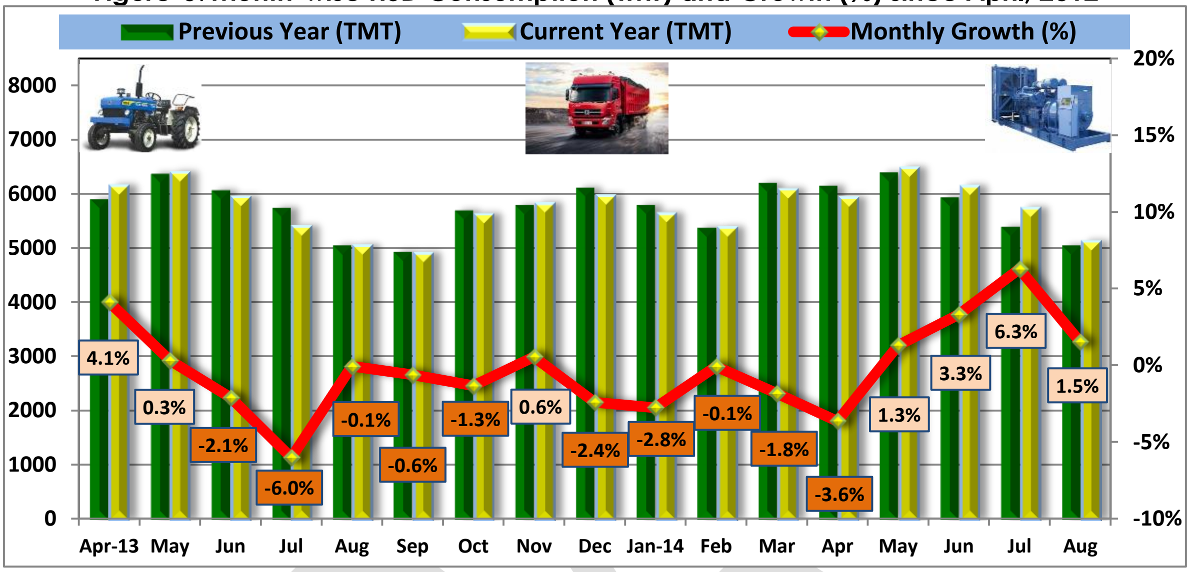
Segment	August, 2013	August, 2014	Growth (%)
Scooter / Scooterette	283,142	369,323	30.44%
Motor Cycles	795,411	910,312	14.45%
Mopeds	50,078	65,871	31.54%
Total: Two wheelers	**1,128,631**	**1,345,506**	**19.22%**

Source: SIAM

1.3 High Speed Diesel (HSD): The declining trend in HSD consumption since June, 2013 continued till April, 2014, with the exception of a marginal growth during November, 2013. HSD consumption for the fourth consecutive month recorded growth of 1.5% in the month of August, 2014 and a cumulative growth of 1.6% for April-August, 2014.

A combination of factors such as **(a)** slowing down of sale of commercial diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), **(b)** erratic power situation, **(c)** poor monsoon, **(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 impact the diesel consumption.

Figure-5: Month-wise HSD Consumption (TMT) and Growth (%) since April, 2012



Factors affecting diesel consumption are discussed below:

a) **Commercial Vehicles (CV) Sales**: The CV sales registered a decline of -5.59% during August, 2014 and cumulative negative growth of -13.66% for the period April-August, 2014.

During the last two to three years, the continued sluggishness in economic activity, stressed mining sector & grim Industrial output, had influenced the slowing down of sales of heavy diesel vehicles.

A positive sign of the turnaround in the commercial vehicle (CV) sector was visible in the last four months with improvement in both business enquiries and vehicle sales.

Segment	August, 2013	August, 2014	Growth (%)
M&HCVs	15,468	16,955	9.61%
LCVs	35,876	31,518	-12.15%
Total: Commercial Vehicles	**51,344**	**48,473**	**-5.59%**

Source: SIAM

b) **Port traffic:** There has been a growth of 1.52% in port traffic and cargo handled at major ports during August, 2014 and a cumulative growth of 2.94% for the period April-August, 2014. During August, 2014 there has been improvement at all major ports except Chennai, JNPT and New Mangalore.

Table-2: Traffic handled at major ports for August, 2014

TRAFFIC HANDLED AT MAJOR PORTS ('000 MT)				
PORTS	**August 2013**	**August 2014**	**Gr (%):** Aug' 2014	**Gr (%):** Apr-Aug'14
KOLKATA + HALDIA	3,421	3,582	4.71%	-4.6%
PARADIP	5,914	6,111	3.33%	1.5%
VISAKHAPATNAM	4,918	5,078	3.25%	4.4%
ENNORE	2,321	2,374	2.28%	13.6%
CHENNAI	4,632	4,314	-6.87%	-0.5%
V.O. CHIDAMBARANAR	2,518	2,646	5.08%	10.2%
COCHIN	1,948	2,282	17.15%	6.7%
NEW MANGALORE	2,876	2,692	-6.40%	-4.2%
MORMUGAO	840	897	6.79%	22.9%
MUMBAI	5,002	5,265	5.26%	7.9%
JNPT	5,375	5,295	-1.49%	3.5%
KANDLA	8,691	8,657	-0.39%	0.0%
TOTAL:	**48,456**	**49,193**	**1.52%**	**2.94%**

Source: Indian Ports Association

c) **Power situation improves**: The power deficit position for the month of August, 2014 is given in Table-3. The shortage during the month has increased compared to August, 2013. Except for Eastern India, the power deficit was higher in all the other regions.

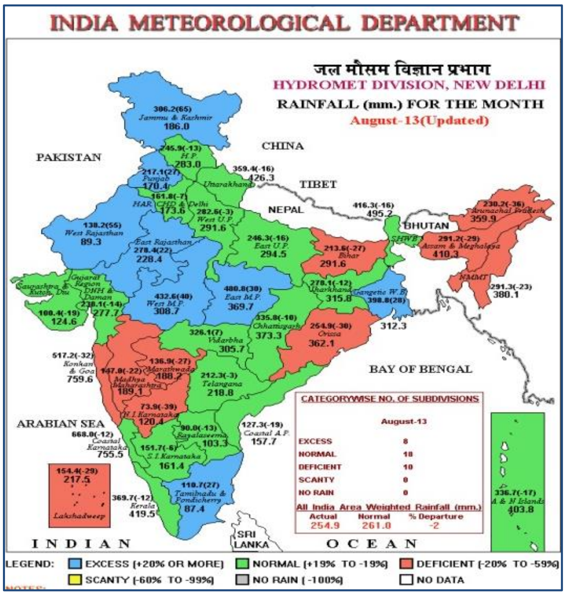
Table-3: Power deficit: Region-wise position for August, 2014 (% deficit)

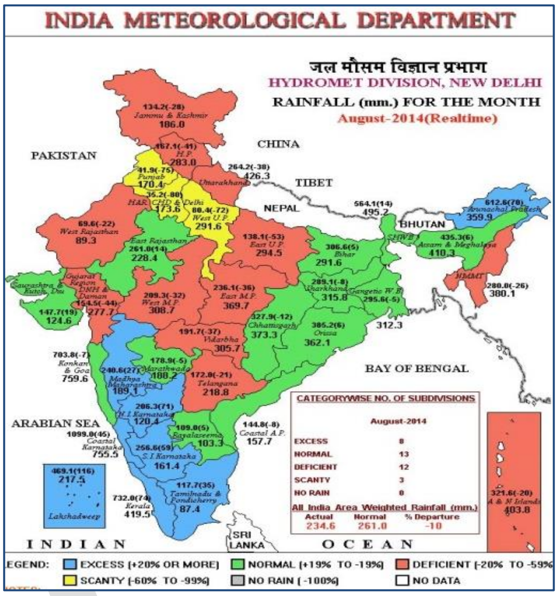
States	**August, 2014**				**August, 2013**
	Requirement (MU)	**Available (MU)**	**Deficit**		**Deficit (%)**
			MU	**(%)**	
North	33,774	31,137	-2,637	-7.8%	-5.2%
West	25,354	24,984	-370	-1.5%	-0.6%
South	23,586	22,757	-829	-3.5%	-3.3%
East	11,124	11,013	-111	-1.0%	-1.1%
North East	1,257	1,156	-101	-8.0%	-5.8%
Total	**95,095**	**91,047**	**-4,048**	**-4.3%**	**-3.0%**

Source: Central Electricity Authority (CEA)

Further, the scanty monsoon in the entire country in August, 2014, has led to increase in the consumption of Diesel for irrigation by DG pump sets.

d) The IMD maps given below, reflect the rainfall impacted deficit of approx. 10% due to EL Nino effect during August, 2014 compared to the same period last year :



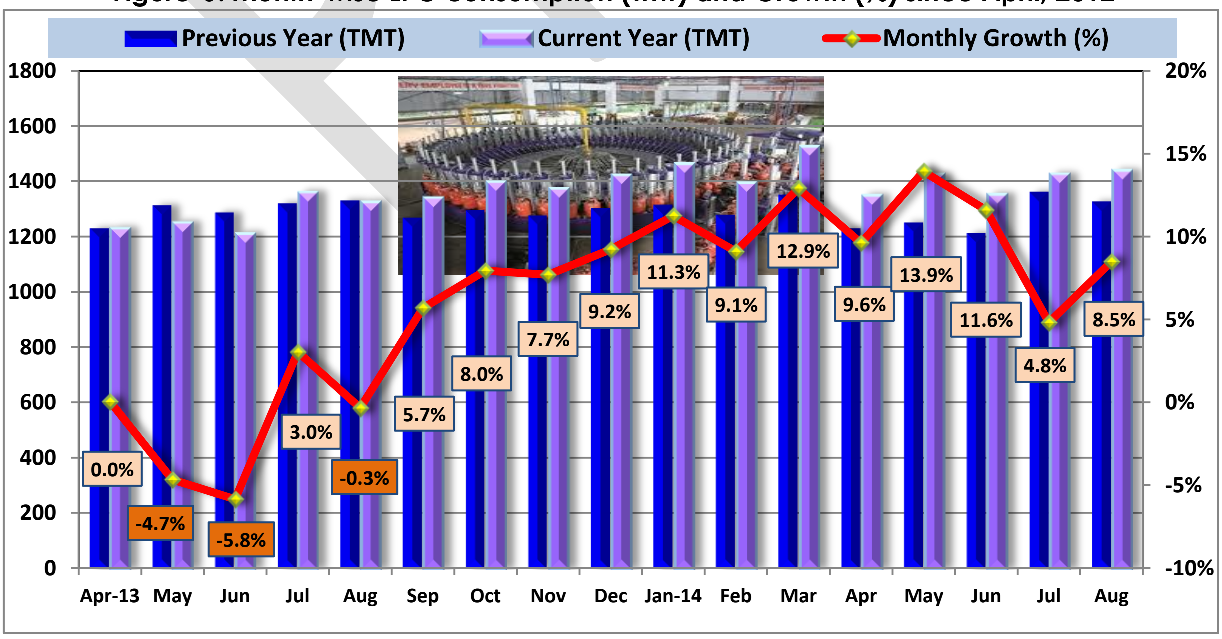


e) **Gap between MS & HSD:**

The reduced gap between MS and HSD price and phased decontrol of HSD Retail price has shifted 4-Wheeler consumer sentiment from diesel to petrol driven vehicles. Indian car makers are recalibrating their production strategy to meet the growing demand for petrol cars after the narrowing price gap between the two automotive fuels from Rs 30.25 per litre in June, 2012 to Rs 9.56 per litre on 1st September, 2014

1.4 LPG: The LPG consumption for the twelfth month in a row recorded a positive growth of 8.5% during August, 2014 and a cumulative growth of 9.6% for the period April-August, 2014.

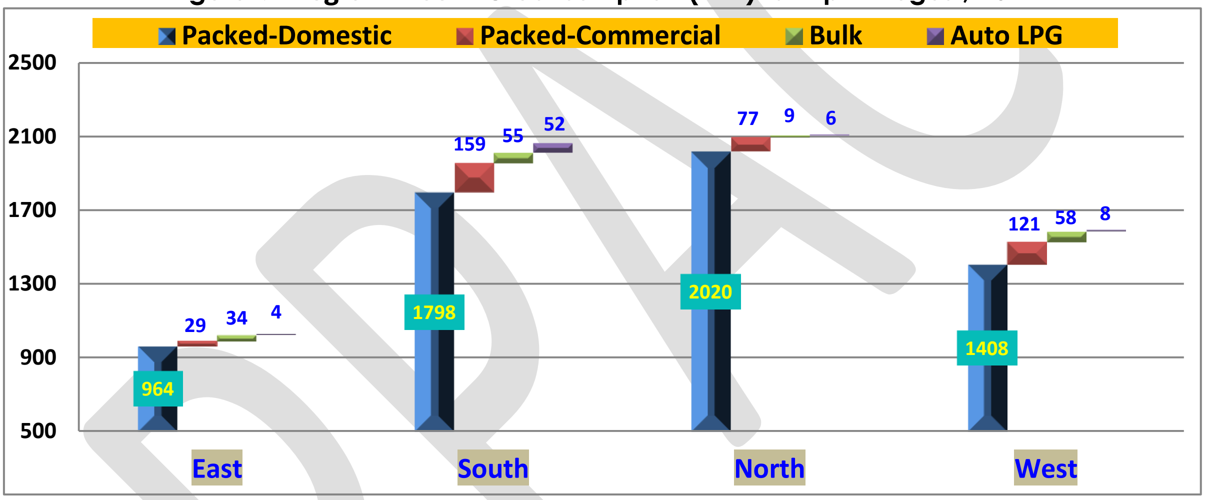
Figure-6: Month-wise LPG consumption (TMT) and Growth (%) since April, 2012



- LPG-Packed Domestic sales registered a growth of 13.4% during August, 2014 and a cumulative growth of 12.7% in April-August, 2014. 9.85 lakh new connections and 6.35 DBCs were released during the month.
- There is a -69.5% growth during August, 2014 in LPG-packed non-domestic, mainly due to increase in subsidized cylinders from 9 to 12 a year.
- Bulk LPG recorded a growth of 34.3% in August, 2014 and a cumulative growth of 63.2% during April-August, 2014, mainly due to large volume upliftment by OMPL.
- Auto LPG declined by -25.8% during August, 2014 and a cumulative degrowth of -24.4% during April-August, 2014.

The **figure-7** gives region wise sales of LPG under various categories such as LPG-Packed Domestic, LPG-packed non-domestic, Bulk LPG and Auto LPG, for the period April- August, 2014:

Figure-7: Region wise LPG consumption (TMT) for April-August, 2014



1.5 Naphtha: Naphtha consumption registered a decline in growth of -7.6% in August, 2014 and a cumulative marginal growth of 0.3% for the period April-August, 2014.

There has been a decrease in consumption in SPIC (Tuticorin) and Haldia Petrochemicals. However, some petrochemical units such as IOCL Panipat, Asian Peroxide and NTPC, Kayamkulam and Mangalore Chemicals & Fertilizers have recorded positive growth.

1.6 Bitumen: Bitumen consumption for the third consecutive month has registered a growth of 13.8% in August, 2014 and a cumulative growth of 11.5% for the period April-August, 2014.

The high growth is mainly due to low base & resumption of road repair/ construction activities after the general elections and availability of fair weather due to scanty monsoon in some parts of the country.

1.7 FO/LSHS: FO+LSHS consumption registered decline in growth of -12.5% during August, 2014 and a cumulative de-growth of -9.0% for the period April-August, 2014.

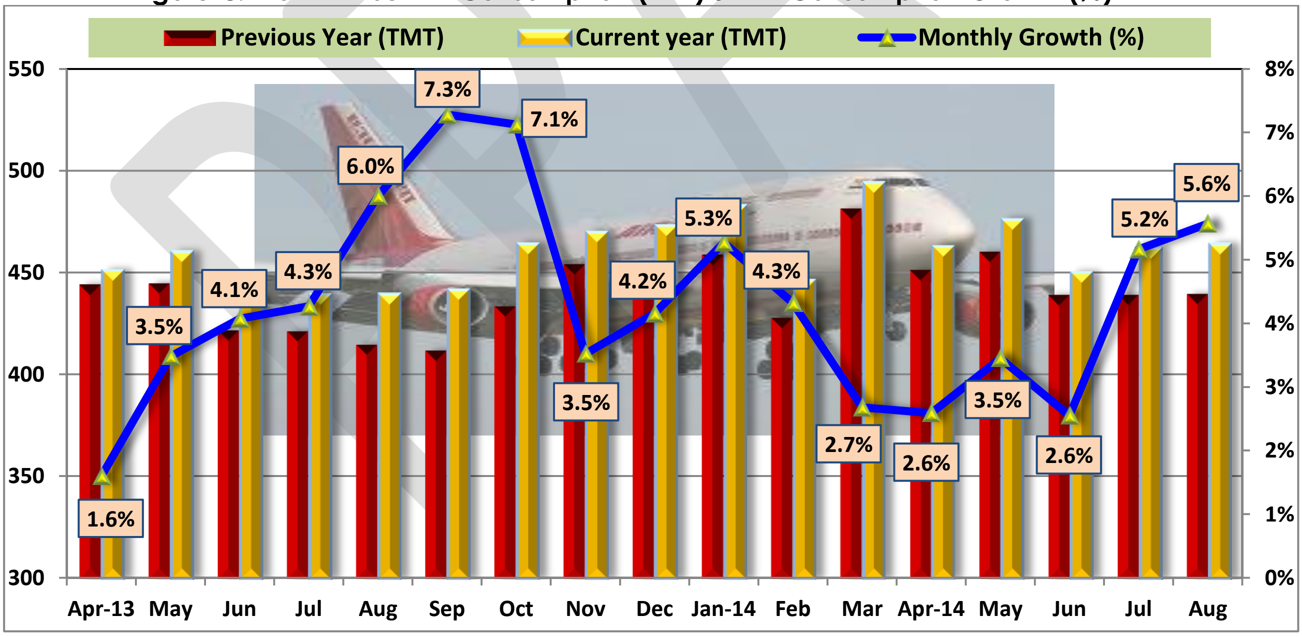
However, there has been an increase in the consumption in the Southern region power sector in Kozhikode DPP, Sampalpatt KTPS, Polavancha and VTPS Ibrahimpatnam.

Some companies in the Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. GMR Vasavi in power sector of South India and 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: There has been a 5.6% growth in the consumption of ATF during August, 2014 and cumulative growth for April-August, 2014 is at 3.9%.

In order to boost air traffic, most of the airlines had announced slashing of air fares up to 75% for travel upto August, 2014. As a result, the domestic airlines flew 57.0 lakhs passengers in August this year registering a growth of 8.19% over the 52.6 lakhs passengers flown during the same period in the previous year.

Figure-8: Month-wise ATF Consumption (TMT) & ATF Consumption Growth (%)



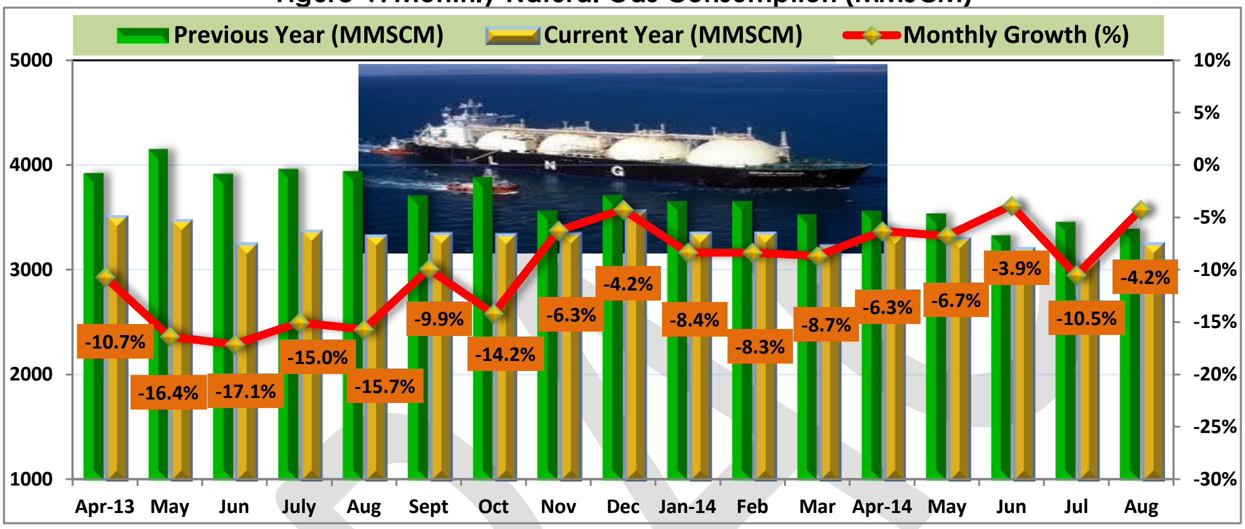
1.9 PETCOKE: Petcoke consumption has registered a marginal growth of 0.2% during August, 2014 and a cumulative growth of 10.0% during April-August, 2014.

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 of large scale exports from USA.

1.10 LDO: LDO consumption recorded a negative growth of -28.3% in August, 2014 and a cumulative negative growth of -14.9%, during April-August, 2014.

1.11 Natural Gas: There has been a decline of about -4.22% in the consumption of Natural Gas in August, 2014. The overall consumption for the month was 3254.34 MMSCM as compared to 3397.85 MMSCM for same month last year. The cumulative consumption for April-August, 2014 was 16213.48 MMSCM against 17161.76 MMSCM for the same period last year, showing a decline of about -6.61%.

Figure-9: Monthly Natural Gas Consumption (MMSCM)



Natural Gas consumption have shown decline predominantly due to reduction in domestic gas production.

1. **Power Sector**: Power sector has shown a slump of -1.88% in August, 2014 and The cumulative volume for the sector dropped almost -9.46% as compared to last year, primarily due to de-growth in gas consumption to the tune of -51% seen in Southern region because of reduction in gas availability from KG D6 and shutdown in GAIL pipeline due to post-accident pipeline check-up in the KG Basin region. In the Northern region, there was a growth of 7.3% due to higher off-take by gas based power plants in Delhi & Uttar Pradesh. The volume of gas consumption in August, 2014 has been 723 MMSCM as compared to 737 MMSCM in August, 2013.

2. **Fertilizer Sector**: Fertilizer sector registered a negative growth of -9.72% in August'14 and a cumulative de-growth of -4.33% in 2014-15 compared to last year, primarily due to reduced off-take of gas by Fertilizer plants in Gujarat and Goa. Further, due to shut-down in GAIL pipeline due to post-accident pipeline check-up in the KG Basin region, gas supply to NFCL, Kakinada was affected and the plant had to be shutdown. The gas consumption in fertilizer sector was 1196 MMSCM in August, 2014 as compared to 1324 MMSCM in August, 2013.

3. **City Gas Sector**: There was an overall growth of approx. 14.30% in CGD consumption in August, 2014 due to increase in the off-take by CGD companies in Gujarat, because of increased APM gas allocation and priority of domestic gas to CGD entities for CGD (Transport) and PNG (Domestic) sector. In the north, there was higher off-take of gas by CGD companies like IGL. Gas consumption in CGD sector for August, 2014 was 370 MMSCM as compared to 324 MMSCM in August, 2013.

4. **Internal Consumption**: Internal consumption (IC) showed a positive overall growth of approx. 11.95% which was primarily due to the higher off take of gas in Northern India by IOCL refineries at Panipat and Mathura. However, in the Southern region, there was decline in the internal consumption by RIL's East-West Pipeline in August, 2014 vis-à-vis August, 2013. Gas consumption also decreased in Western region due to shut down at GAIL Usar plant. Overall, Internal gas consumption was 390 MMSCM for August, 2014 vis-à-vis 348 MMSCM for August, 2013.

5. **Others Sectors**: There was an overall decrease of -29.83% in consumption in other sectors which include refineries, steel & other industries. The decline in consumption is because of reduced gas availability due to change in priority of allocation of domestic gas. Cumulative volumes for the period April to August, 2014 showed a fall in volume to an extent of -28.09 % as compared to the same period last year. The gas consumption in other sectors for August, 2014 was 389 MMSCM as compared to 555 MMSCM in August, 2013.

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