INDUSTRY SALES REVIEW REPORT

October 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 October, 2014 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of October, 2014.

1.0 CONSUMPTION:

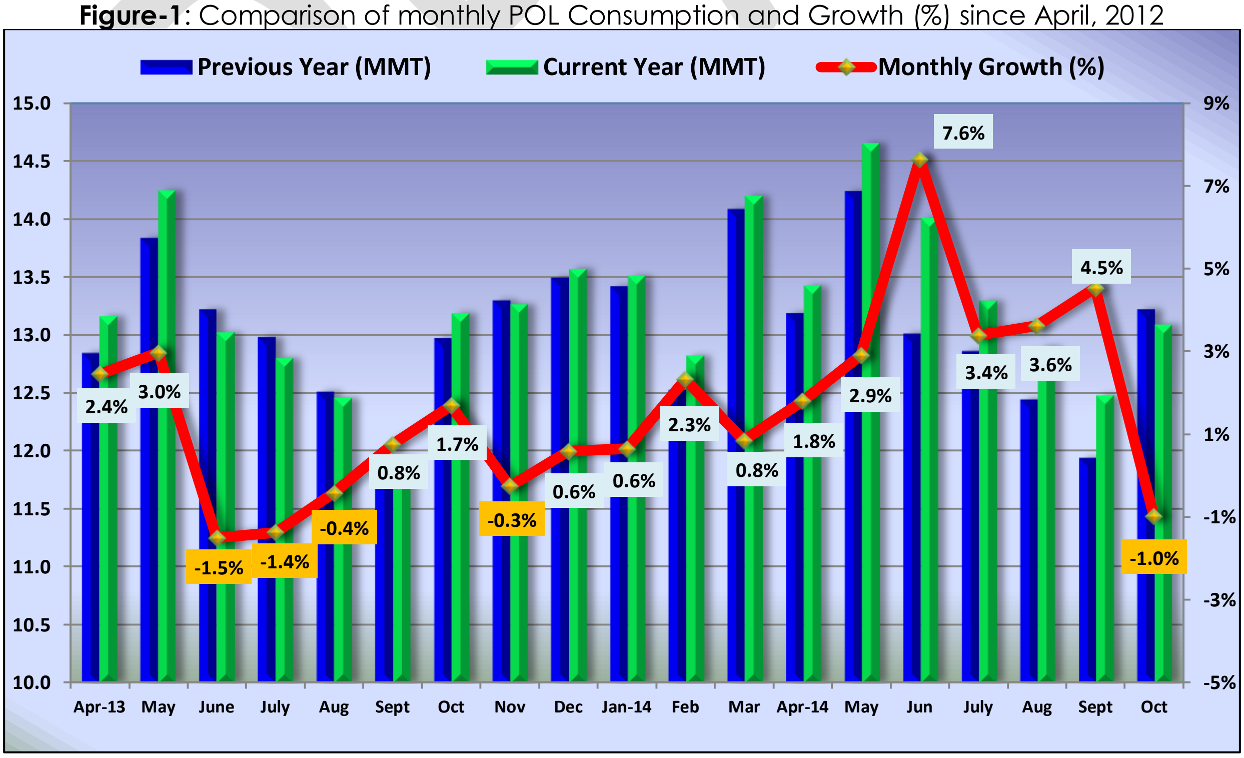
The growth (%) in consumption of petroleum products, category-wise, for the month of October, 2014 is given in Table-1.

Table-1: Consumption (Quantity in TMT)

PRODUCT	% Share	Oct' 2013	Oct' 2014	Growth (%)	Products Included
Sensitive Products	57.6%	7623	7538	-1.1%	SKO, LPG & HSD
Major Decontrolled Products	30.1%	4028	3944	-2.1%	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	12.3%	1570	1609	2.4%	Petcoke & other minor products
Grand Total		**13221**	**13091**	**-1.0%**	

All Products: The consumption of all petroleum products has registered a decline in growth of -1.0% in October, 2014 as compared to that in October, 2013. For the first time after 10 months of positive growth, petroleum products consumption has shown a negative growth. Except for LPG, Petrol, ATF & Petcoke, all other products have recorded negative growth and a cumulative growth of 3.2% during April-October, 2014.

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



The country's economic growth was below 5% in the last two financial years. As per the forecast of OECD (Organization for Economic Cooperation & Development), the Indian economy will be the only major economy to register a pick-up in growth momentum, with forecast of India's GDP estimate for the current fiscal year to 5.4% & the next fiscal year to 6.4%.

The outlook for consumption of petroleum product looks positive in the current and next fiscal year with 88 infrastructure & Industrial projects involving nearly Rs. 2.88 lakh crore having become operational over the past few months. As per Project Monitoring Group of the Cabinet Secretariat, this investment has gone on stream in sectors like power, steel, airports and oil & gas, which are expected to reduce power shortage, add capacity at ports and generate employment.

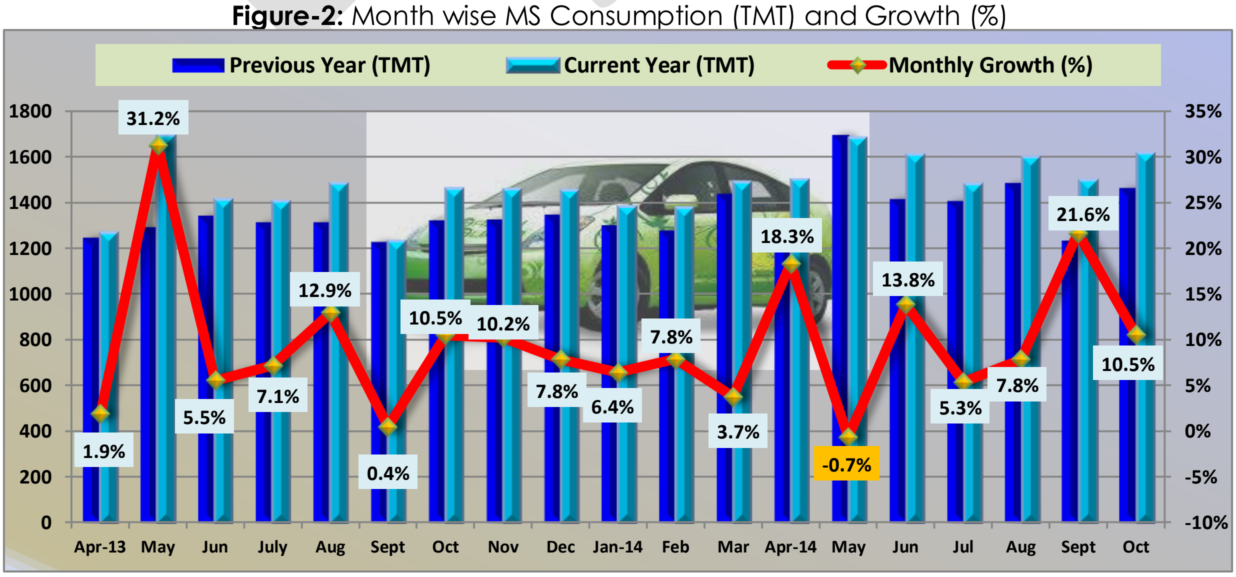
Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available upto August 2014 and private imports data for the balance two months, (i.e. September, 2014 & October, 2014) are projected based on April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

Detailed product-wise analysis of growth for October, 2014 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, 2014 and a cumulative growth of 10.3% for April-October, 2014. The month of October, 2014 registered a growth mainly on account of festivals resulting in increase in vehicular movements and low historical base.

The anticipated downward price revision in MS price during the entire of month of October, 2014 resulted in the dealers maintaining low inventory at retail outlets.

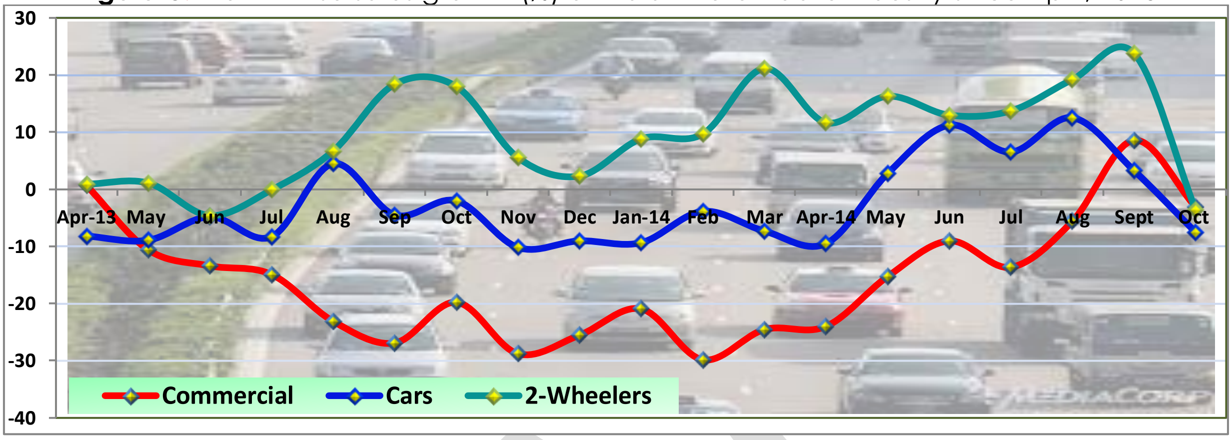
Figure-2: Month wise MS Consumption (TMT) and Growth (%)



Other factors impacting consumption of MS are:

During April- October, 2014, new registration of 14.73 lakh passenger vehicles and 96.30 lakh 2-wheelers across the country has substantially contributed to the growth in consumption of MS.

Figure-3: Month-wise sales growth (%) of Indian Automobile Industry since April, 2013



a) **Total Passenger Vehicles (PV) Sales**: After witnessing a slight pick-up in sales from May to September this year, after a prolonged slump which lasted over two years, the growth in passenger car sales has slowed down during the peak festive season month of October, 2014.

The festive cheer, heavy discounts, extension of excise duty reduction till December, 2014 and positive sentiment of the stable Government has failed to push the sales of cars.

The second half of the fiscal will experience more pressures and challenges because of a strong base effect of the last year. Even the recent cuts in the fuel prices have not translated into any major positive push in sales.

The overall passenger vehicles sales registered a decline in growth of -7.52% during October, 2014.

Segment	Oct, 2013	Oct, 2014	Growth (%)
Passenger Cars	163,199	159,036	-2.55%
Utility Vehicles	57,023	48,465	-15.01%
Vans	18,918	13,650	-27.85%
Total: Passenger Vehicles (PVs)	**239,140**	**221,151**	**-7.52%**

Source: SIAM

b) **2-wheeler Sales**: With domestic sales of 1.46 million units in October, 2014, the 2-wheeler segment recorded a decline in growth of -3.61% for the first time since July, 2013, mainly due to a subdued festive season.

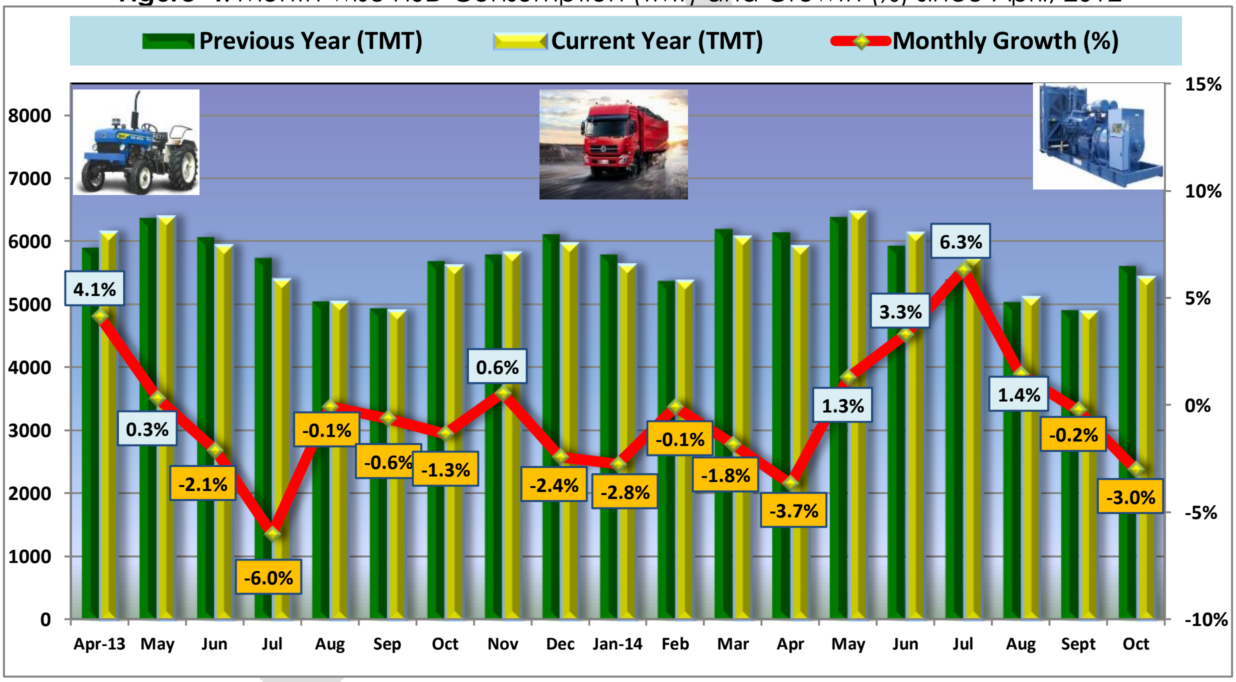
The only silver lining in the 2-wheeler sales for October, 2014 was the positive growth of 10.89% in the Scooter/ Scooterette segment.

Segment	Oct, 2013	Oct, 2014	Growth (%)
Scooter / Scooterette	346,171	383,885	10.89%
Motor Cycles	1,105,269	1,008,761	-8.73%
Mopeds	65,017	69,066	6.23%
Total: Two wheelers	**1,516,457**	**1,461,712**	**-3.61%**

Source: SIAM

1.3 High Speed Diesel (HSD): After a positive trend for the last four months since May, 2014, HSD consumption had recorded a marginal de-growth of -0.2% in the month of September, 2014. The downward trend of HSD consumption continued with a negative growth of -3.0% during October, 2014 and a cumulative marginal growth of 0.7% for April-October, 2014.

Figure-4: Month-wise HSD Consumption (TMT) and Growth (%) since April, 2012



The decline in consumption of HSD during October, 2014 is mainly due to speculation of downward price revision throughout the month which resulted in low inventory levels at retail outlets, reduced truck movement due to ban in coal mining and festive season, shift of 4-Wheeler/ SUV consumer preference from diesel to petrol driven vehicles and improved power position.

Factors affecting diesel consumption are discussed below:

a) **Commercial Vehicles (CV) Sales**: After a positive growth during September, 2014 after months of negative growth, the CV sales again registered a decline in growth of -2.97% during October, 2014 and cumulative negative growth of -9.14% for the period April-October, 2014.

Segment	Oct, 2013	Oct, 2014	Growth (%)
M&HCVs	14,261	17,876	25.35%
LCVs	39,296	34,099	-13.23%
Total: Commercial Vehicles	**53,557**	**51,965**	**-2.97%**

Source: SIAM

b) **Port traffic:** There has been a growth of 7.42% in port traffic and cargos handled at major ports during October, 2014 and a cumulative growth of 4.64% for the period April-October, 2014, due to improvement at all major ports except Visakhapatnam and Cochin.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)				
PORTS	October 2013	October 2014	Gr (%): Oct' 2014	Gr (%): Apr-Oct'14
KOLKATA + HALDIA	3161	3545	12.15%	0.8%
PARADIP	4616	5925	28.36%	6.9%
VISAKHAPATNAM	4277	3675	-14.08%	3.2%
ENNORE	2115	2521	19.20%	16.1%
CHENNAI	4058	4451	9.68%	2.8%
V.O. CHIDAMBARANAR	2580	2583	0.12%	9.8%
COCHIN	1794	1490	-16.95%	1.6%
NEW MANGALORE	2870	3206	11.71%	-3.6%
MORMUGAO	1200	1353	12.75%	20.5%
MUMBAI	5394	5447	0.98%	7.0%
JNPT	4696	5205	10.84%	5.3%
KANDLA	7511	8156	8.59%	2.3%
TOTAL:	**44272**	**47557**	**7.42%**	**4.64%**

Source: Indian Ports Association

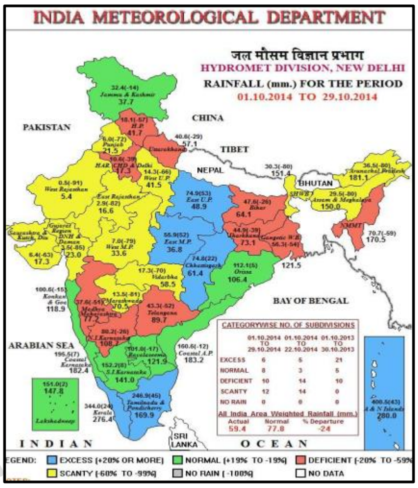
c) **Power situation**: The power deficit position for the month of October, 2014 is given in Table-3.

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

Region	October 2014				October 2013
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	24,488	22,957	-1,531	-6.3%	-6.2%
West	23,945	23,788	-157	-0.7%	-0.7%
South	22,158	21,175	-983	-4.4%	-4.5%
East	8,447	8,338	-109	-1.3%	-1.3%
North East	1,104	1,049	-55	-5.0%	-5.0%
Total	**80,142**	**77,307**	**-2,835**	**-3.5%**	**-3.5%**

Source: Central Electricity Authority (CEA)

The country's worst monsoon in the last five years ended in October and despite a large rainfall deficit, a delayed finish in the last couple of months is expected to improve the soil moisture and sowing prospects for winter crops. The scanty rains in most parts of the country had increased the consumption of diesel for agricultural equipment and irrigation pump sets.

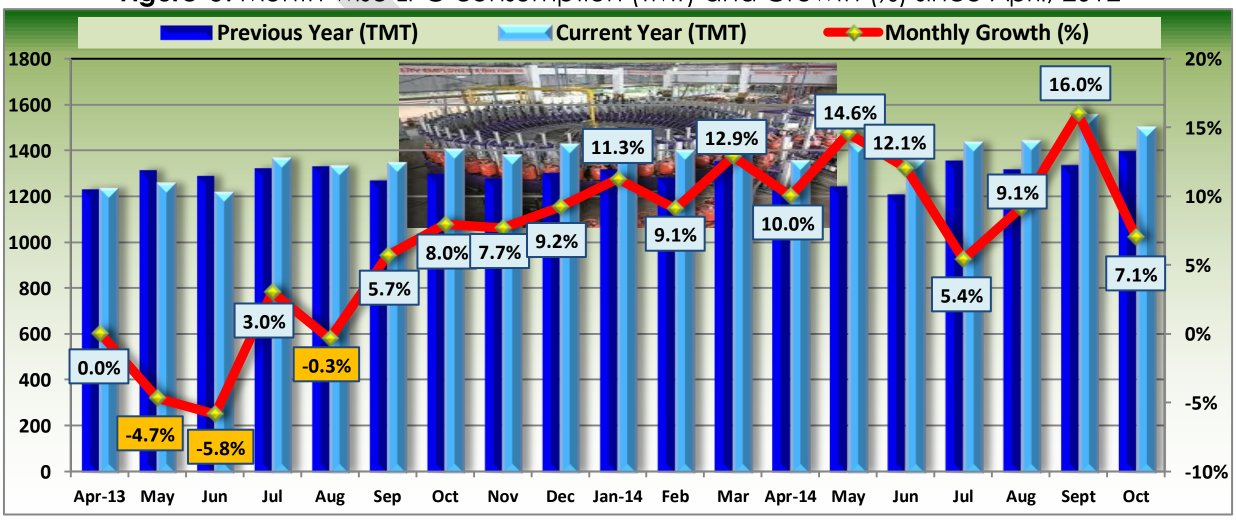


The IMD map for October, 2014 reflects excess rains in Tamil Nadu, Kerala, Chhattisgarh, Bihar and Jharkhand.

1.4 LPG: LPG consumption for the thirteenth month in a row recorded a positive growth of 7.1% during October, 2014 and with a cumulative growth of 10.5% for the period April-October, 2014.

- **LPG-Packed Domestic** consumption registered a growth of 14.9% during April-October, 2014 against growth of 0.4% in April-October, 2013. This is mainly due to release of 82.01 lakh new connections and 50.85 lakh DBCs during April-October, 2014 and increase in the capping of subsidized cylinders.
- **LPG-packed non-domestic** registered continuous de-growth for the thirteenth month in a row. During October, 2014 the de-growth was -9.8% and it was -11.2% during the period April-October, 2014.
- **Bulk LPG** recorded a positive growth for six months in a row. Bulk LPG registered a growth of 69% in October, 2014 and 60.8% during April-October, 2014 as compared to degrowth of -45.3% during April-October, 2013, mainly due to low base and upliftment by ONGC for their petrochemical unit.
- **Auto LPG** registered a de-growth of -23.7% during April-October, 2014 as compared to de-growth of -13.3% during the same period last year mainly due to reduced gap in the price of MS and Auto LPG. The declining trend in Auto LPG consumption continued since September 2013.

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



1.5 Naphtha: Naphtha consumption registered a decline in growth of -3.8% in October, 2014 and a cumulative marginal de-growth of -0.4% for the period April-October, 2014.

There has been a decrease in the consumption by MCFL and Haldia Petrochemicals. However, IOCL Panipat, RIL, Jamnagar and NTPC, Kayamkulam have recorded positive growth.

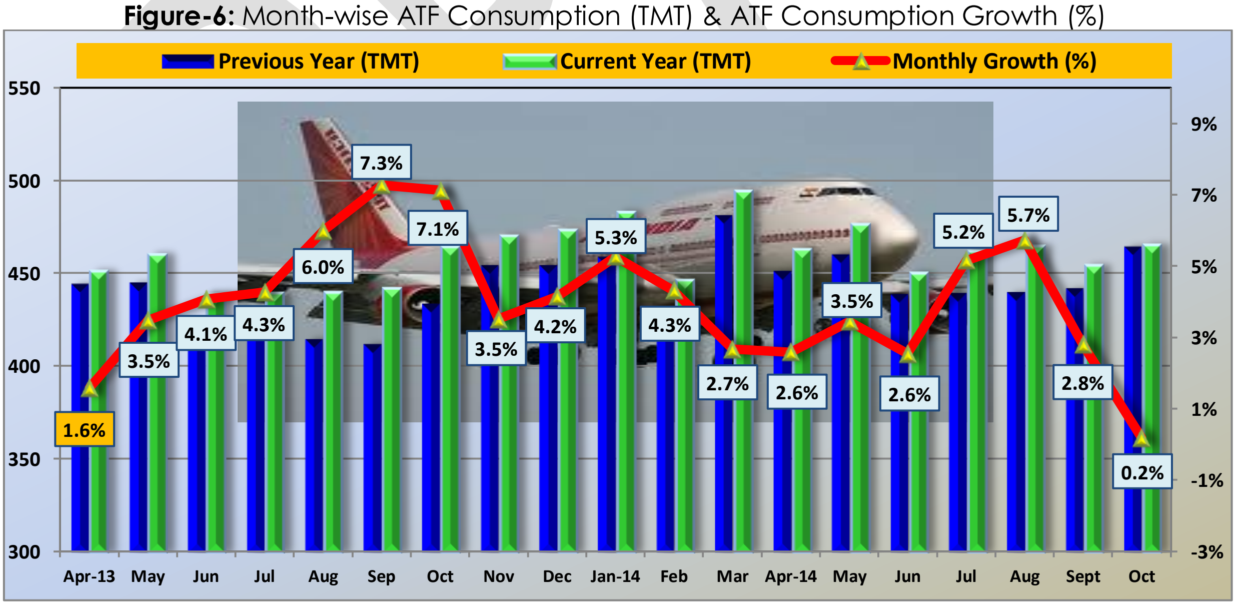
1.6 Bitumen: After growth for three consecutive months till August, 2014, Bitumen consumption registered a decline of -15.7% in October, 2014 and the cumulative growth of 6.4% for the period April-October, 2014.

1.7 FO/LSHS: FO+LSHS consumption registered a decline in growth of -18.0% during October, 2014 and a cumulative de-growth of -7.2% for the period April-October, 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. In the State of Odisha the consumption of FO/LSHS is anticipated to show growth in the coming months mainly due to relaxation of restriction on environmental issues for Aluminum companies.

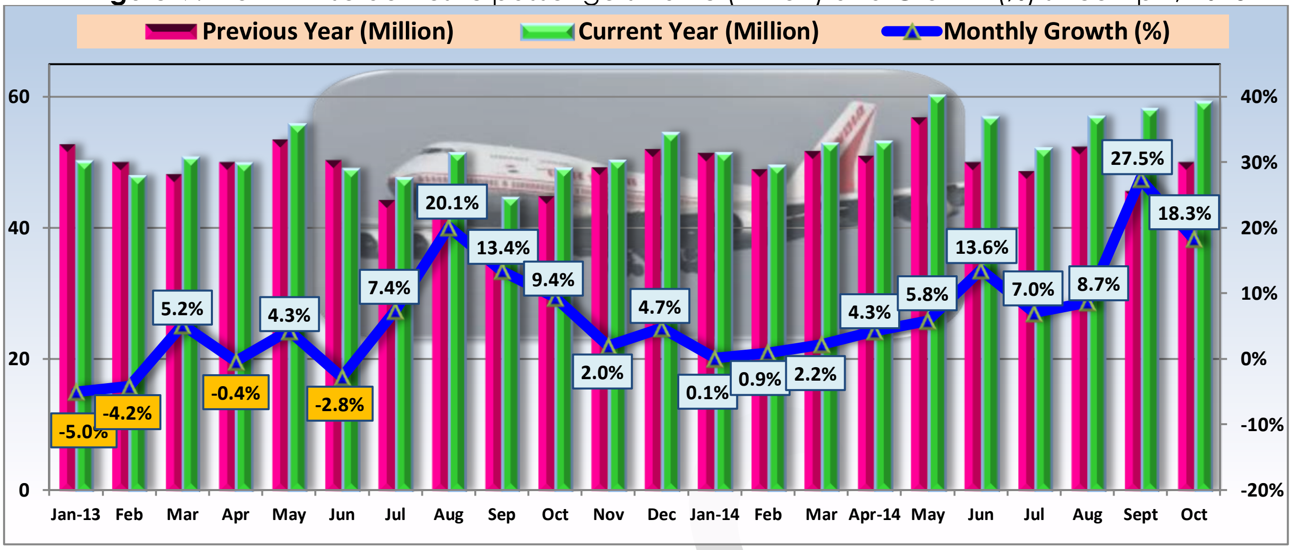
1.8 ATF: There has been a marginal growth of 0.2% growth in the consumption of ATF during October, 2014 and a cumulative growth of 3.7% for April-October, 2014.

Figure-6: Month-wise ATF Consumption (TMT) & ATF Consumption Growth (%)



In order to boost air traffic, most of the airlines had announced slashing of air fares during the festive season. According to the aviation regulator Directorate General of Civil Aviation (DGCA), 551 lakh Passengers were carried by domestic airlines during January-October, 2014 as against 507 lakh during the corresponding period of the previous year thereby registering a growth of 8.6%.

Figure-7: Month-wise domestic passengers traffic (Million) and Growth (%) since April, 2013



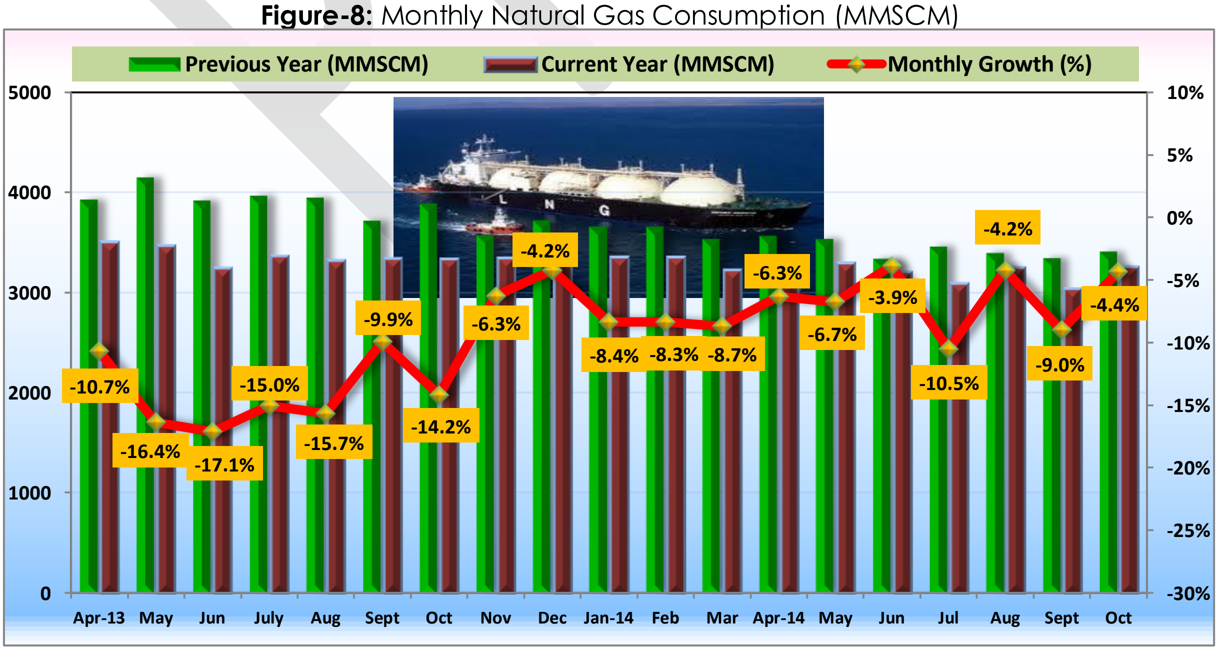
Source: DGCA

1.9 PETCOKE: Petcoke consumption has registered a growth of 2.8% during October, 2014 and a cumulative growth of 14.0% during April-October, 2014.

1.10 LDO: LDO consumption recorded a decline in growth of -27.7% in October, 2014 and a cumulative negative growth of -12.6%, during April-October, 2014.

1.11 Natural Gas: There has been a decline of about -4.35% in the consumption of Natural Gas in October, 2014. The overall consumption for the month was 3,409 MMSCM as compared to 3,260 MMSCM for the same month last year. The cumulative consumption for April-October, 2014 was 23,971 MMSCM against 22,396 MMSCM for the same period last year, showing a decline of -6.57%.

Figure-8: Monthly Natural Gas Consumption (MMSCM)



(Excluding consumption of GSPC)

Major factors affecting Natural Gas sales are highlighted below:

1. **Power Sector**: Power sector showed an increase of 2.13% from 722 MMSCM in October, 2013 to 737 MMSCM in October, 2014 due to high consumption of gas by power plants in the Western region. Though this increase has been largely offset by the low supplies in the South due to an accident in one of the gas pipelines in the KG Basin region, the net effect remains positive. In Northern region, power producers showed slightly higher off-take of gas as compared to last year.

2. **Fertilizer Sector**: Fertilizer sector saw a negative growth of around 4% in October, 2014 primarily because of negligible supply to NCFL in Kakinada area of the Southern region due to the pipeline accident. Further, some of the Gujarat based producers also reduced the intake of gas for their fertilizer plants. Natural gas consumption in fertilizer sector for October, 2014 was 1,255 MMSCM as compared to 1,301 MMSCM in October, 2013.

3. **City Gas Sector**: There was an overall growth of approx. 7% in CGD sales in October, 2014 due to large increase in off-take by CGD companies in Gujarat because of allocation of APM gas for city gas distribution. In the Northern region, however, there was a slight decrease in consumption of about 0.17% because of low demand in the wake of diesel and petrol price decrease. Cumulative natural gas consumption in the CGD sector during April-October, 2014 was 2,502 MMSCM compared to 2,140 MMSCM during the same period last year, registering a growth of 17%.

4. **Internal Consumption**: Internal consumption (IC) showed an overall growth of approx. 10% as GAIL's Lakwa LPG plant ran on less road due to low supply from ONGC's Geleki field. Overall increase in IC was primarily due to high consumption by IOCL refineries at Panipat and Mathura. Internal consumption during October, 2014 was 370 MMSCM as compared to 337 MMSCM in October, 2013. Cumulative internal consumption during April-October, 2014 was 2,599 MMSCM compared to 2,404 MMSCM during the same period last year.

5. **Others Sector**: This low priority sector has been taking a major blow since priority was given to City Gas Distribution Sector as gas suppliers have been diverting gas from this sector to city gas and other higher priority sectors. There was overall decrease of about 25% in consumption in 'Others' sectors which include refineries, steel & other industries. Only in the Northern region, there was a growth in consumption as compared to October, 2013, due to higher demand of gas by Maruti, Gurgaon. In other three regions there has been substantial decline. Cumulative volumes for the period April to October, 2014 showed a fall in volumes to an extent of approx. 28 % from 4,210 MMSCM in the same period last year to 3,062 MMSCM.

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