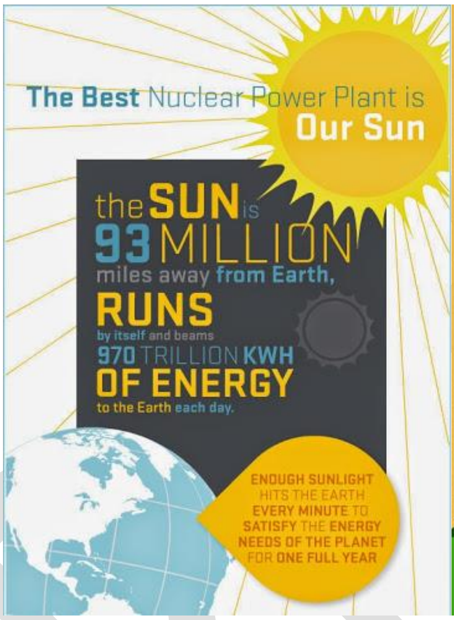
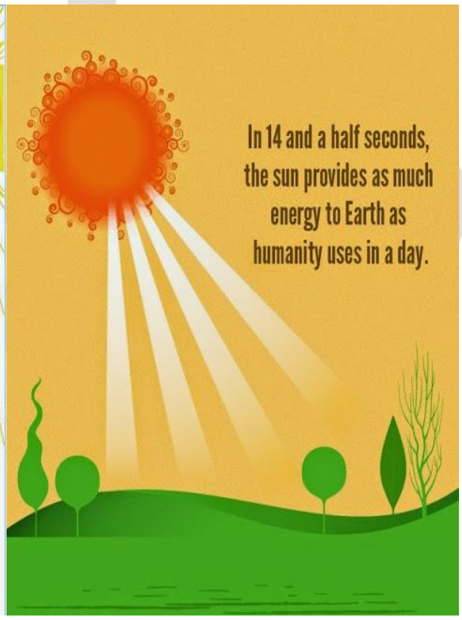
INDUSTRY SALES REVIEW REPORT

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

1.0 CONSUMPTION:

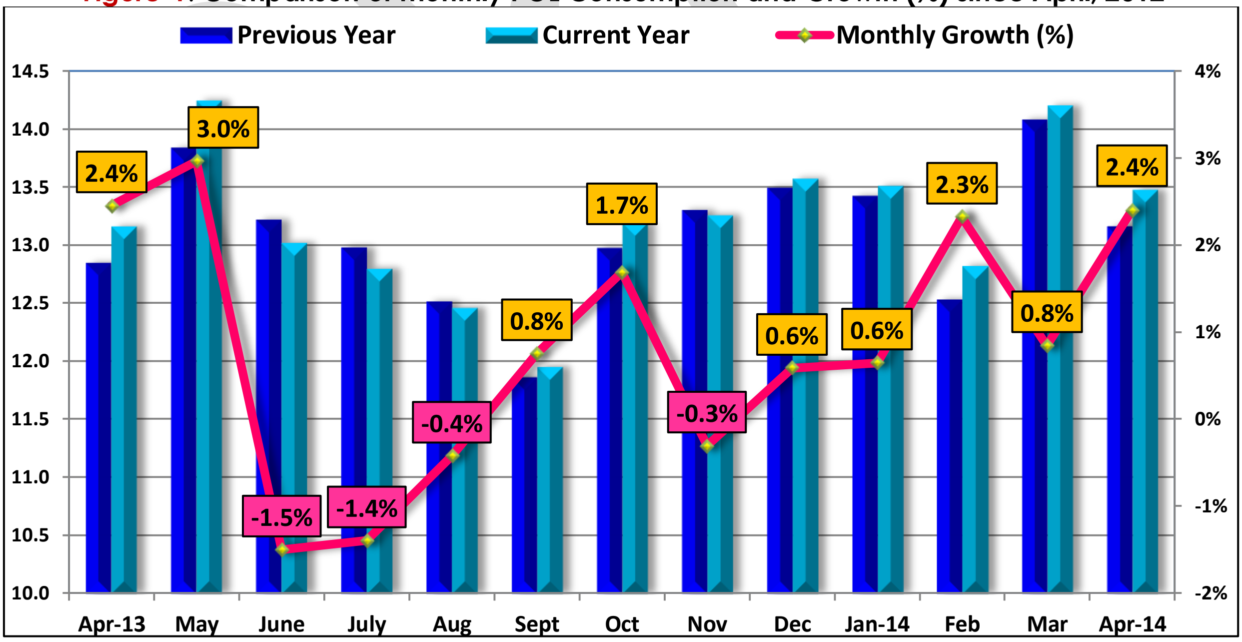
The growth (%) in consumption of petroleum products, category-wise, for the month of April, 2014 is given in Table-1.

Table-1: Consumption (TMT)

PRODUCT	April, 2013	April, 2014		Products Included
	Qty. (TMT)	Qty. (TMT)	Growth (%)	
Sensitive Products	7979	7871	-1.4	SKO, LPG & HSD
Major Decontrolled Products	3946	4123	4.5	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1235	1482	20.0	Petcoke & other minor products
Grand Total	**13160**	**13476**	**2.4**	

1.1 All Products: The consumption of all petroleum products has registered a growth of 2.4 % April, 2014 as compared to that in April, 2013. Except for HSD, SKO, Naphtha, LDO and FO+LSHS, all other products recorded positive growth.

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

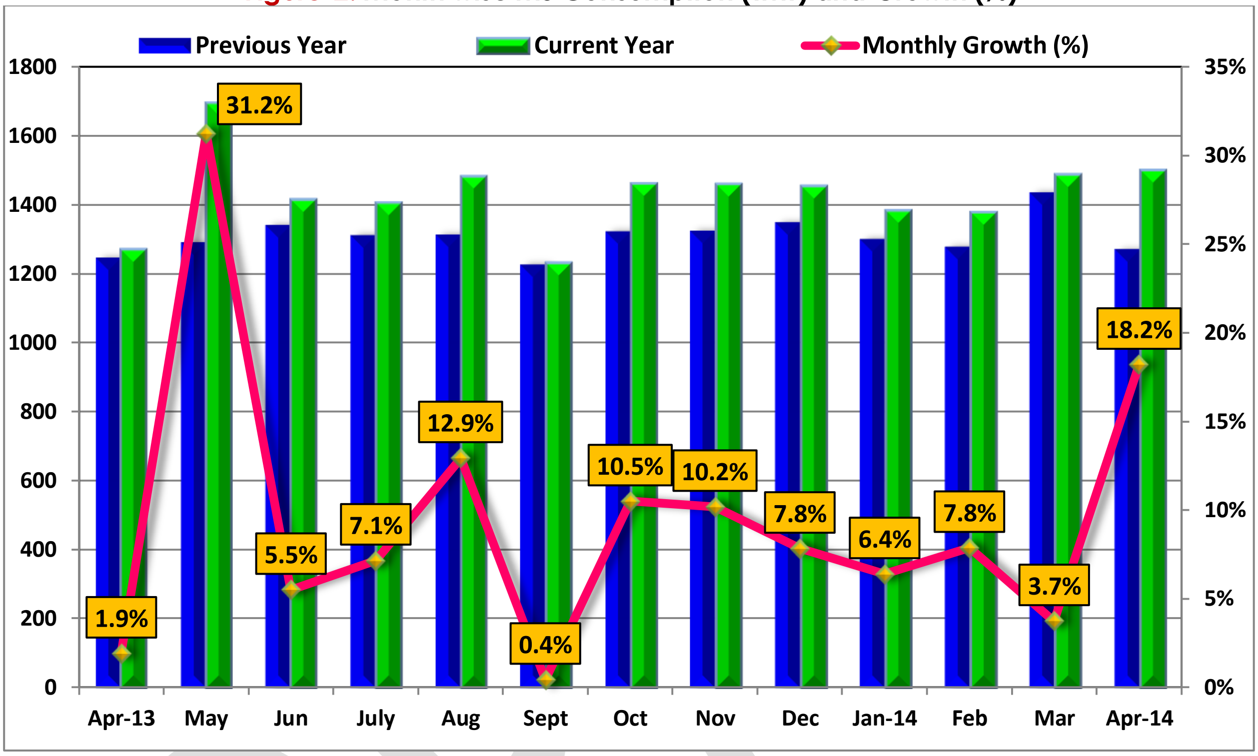


Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available upto February, 2014 and private imports data for the balance two months, (i.e. March, 2014 & April, 2014) are projected based on April-February,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

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

1.2 Petrol / Motor Spirit (MS): There has been 18.2% growth in the consumption of MS during April, 2014. Figure-2, gives month wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2012.

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



The month of April, 2014 registered a high growth that may be attributed to the topping up of low inventories level with dealers and shift of sales from March, 2014 to April, 2014. Further, the peak campaigning activity due to General election across the country has also contributed to the increased consumption of MS during April, 2014.

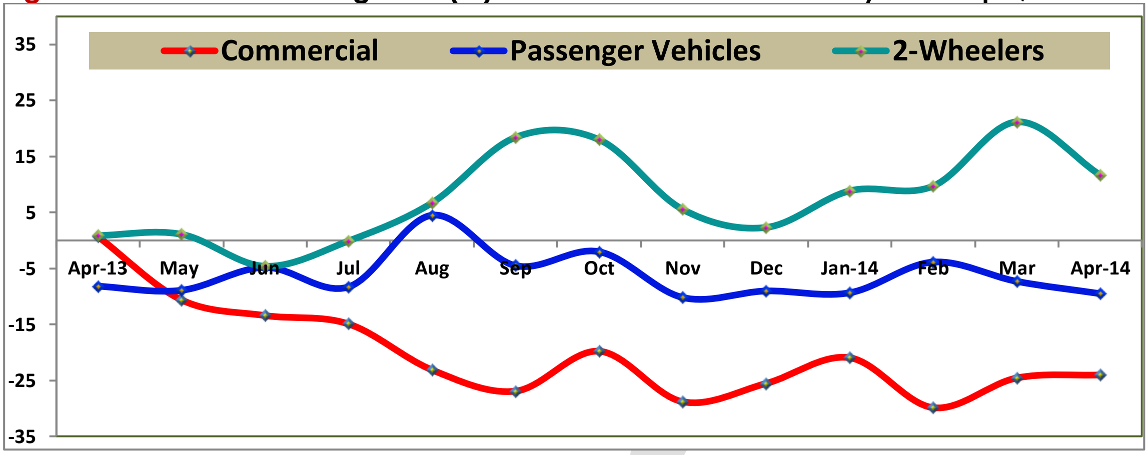
Other factors impacting consumption of MS are:

a) **Total Passenger Vehicles (PV) Sales**: The overall passenger vehicles sales fell for the eighth straight month in April, 2014. The cut in excise duty and discounts could not improve buying sentiments and the total passenger vehicles sales registered a decline of -9.50% during April, 2014,

Segment	April, 2013	April, 2014	
	(Nos.)	(Nos.)	Growth (%)
Passenger Cars	150,737	135,433	- 10.15
Utility Vehicles	40,570	40,680	0.27
Vans	17,034	12,428	- 27.04
Total: Passenger Vehicles (PVs)	**208,341**	**188,541**	**- 9.50**

Source: SIAM

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



Other than the 2-wheeler segment which is showing consistent positive growth, the growth in passenger and commercial vehicles sales are having negative growth for more than 15 months.

b) **2-wheeler Sales**: With domestic sales of 1.30 million units in April, 2014, the 2-wheeler segment recorded a growth of 11.67%, mainly due to a continuous impressive growth of 26.1% in the Scooter/ Scooterette segment.

Segment	April, 2013	April, 2014	
	(Nos.)	(Nos.)	Growth (%)
Scooter / Scooterette	261,475	329,680	26.08
Motor Cycles	843,909	911,908	8.06
Mopeds	62,716	62,859	0.23
Total: Two wheelers	**1,168,100**	**1,304,447**	**11.67**

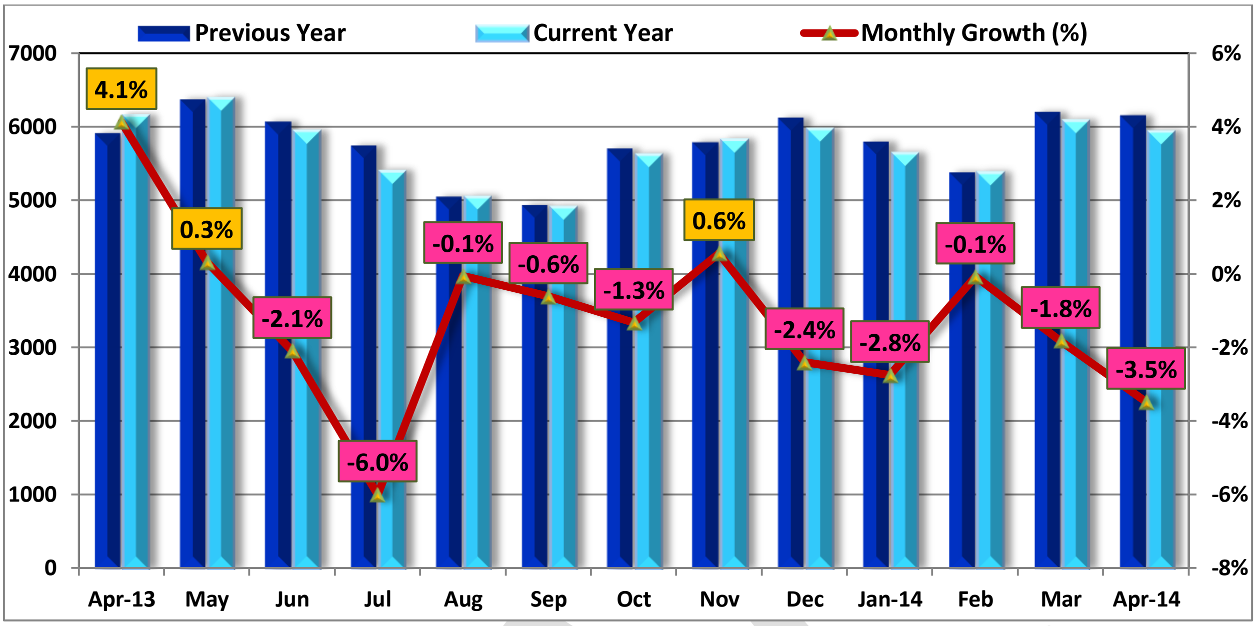
Source: SIAM

More than 60% of the petrol consumption is by 2-wheelers in the country. The rise in income is driving the growth in 2-wheeler sales throughout the country.

1.3 High Speed Diesel (HSD): The declining trend in HSD consumption since June, 2013 continued in April, 2014 also, with the exception of a marginal growth during November, 2013. HSD consumption recorded a negative growth of -3.5% in the month of April, 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)** 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, 2012**



Factors affecting diesel consumption are discussed below:

a) **Port traffic:** There has been a growth of 8.9% in port traffic and cargos handled at major ports during April, 2014, due to improvement at all major ports except Kandla and New Mangalore.

The port traffic movement was primarily affected in the last financial year 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 enable to improve the consumption of petroleum products and increase cargo movement related activities in Goa during FY 2014-15.

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

TRAFFIC HANDLED AT MAJOR PORTS			
PORTS	April 2013	April 2014	
	('000 MT)	('000 MT)	Growth (%)
KOLKATA + HALDIA	3299	2935	12.4%
PARADIP	6417	5816	10.3%
VISAKHAPATNAM	5015	4683	7.1%
ENNORE	2323	1947	19.3%
CHENNAI	4397	4266	3.1%

TRAFFIC HANDLED AT MAJOR PORTS			
PORTS	April 2013	April 2014	
	('000 MT)	('000 MT)	Growth (%)
V.O. CHIDAMBARANAR	2637	1934	36.3%
COCHIN	1779	1562	13.9%
NEW MANGALORE	2969	3282	-9.5%
MORMUGAO	1119	908	23.2%
MUMBAI	5055	3852	31.2%
JNPT	5423	5191	4.5%
KANDLA	6941	7125	-2.6%
TOTAL:	**47374**	**43501**	**8.90%**

Source: IPA

b) **Power situation improves**: All regions have shown improvement and the power deficit position for the month of April, 2014 is given in Table-3. The lower deficit is on account of increased generation and also lower demand due to reduced economic activities.

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

Region	April 2013	April 2014
North	-8.3	-5.2
West	-1.5	-1.0
South	-17.4	-8.2
East	-1.9	-0.9
North-East	-8.8	-7.4
All India	**-8.4**	**-4.3**

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. Further, the improved power position has led to reduced consumption of Diesel for power generation by DG sets.

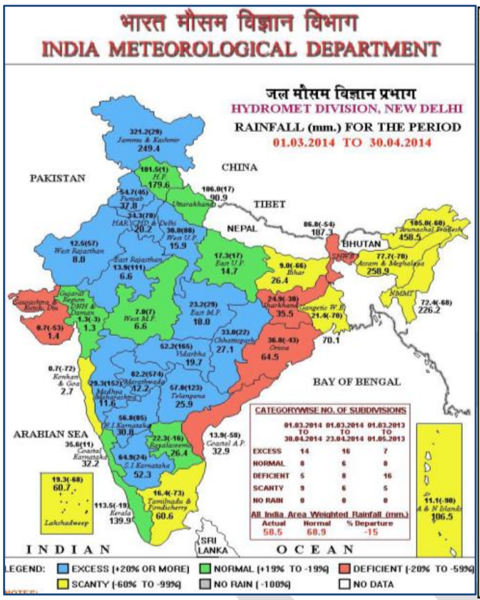
c) **Commercial Vehicles (CV) Sales**: The CV sales registered a decline of -24.0% during April, 2014.

Segment	April, 2013	April, 2014	
	(Nos.)	(Nos.)	Growth (%)
M&HCVs	18,610	15,429	- 17.09
LCVs	38,073	27,651	- 27.37
TOTAL: COMMERCIAL VEHICLES	**56,683**	**43,080**	**-24.00**

Source: SIAM

It is interesting to note that while sales of LCVs below gross weight 12 tonnes is down by -46.0% and that of HCVs between 16.2 to 25 tonnes is down by -5.1%, the sales of HCVs above 25 tonnes has grown by 47.9% during April, 2014. In view of the pressures on the transport industry, fleet owners are preferring higher weight carrying trucks to optimize their operating costs.

d) The IMD maps reflect the good rainfall during April, 2014 compared to the same period last year:



DOES EL NINO MATTER?

Year	Monsoon weak (W)/ normal (N)	El Nino condition (Y or N)	Rainfall deviation from normal (%)*	Foodgrain production (mn tonne)	Growth (%) (compared to prev year)
1991	W	Y	-9	168	-4
1993	N	Y	0	184	2.7
1994	N	Y	10	191	3.6
1997	N	Y	2	192	-3.6
2002	W	Y	-19	174	-17.9
2004	W	Y	-13	198	-7
2006	N	Y	-1	217	4.3
2009	W	Y	-23	218	-6.8
2010	N	Y	2	244	11.9
2011	N	N	2	259	6.1
2012	N	N	-7	257	0.7
2013	N	N	6	263	2.3

*Rainfall deviation calculated on the basis of long period average, which is calculated on the basis of average annual rainfall (89 cm) recorded between 1951 and 2000

Source: Agricultural Statistics 2013, IMD, Crisil research

1.4 Naphtha: Naphtha consumption recorded a de-growth of -6.0% in April, 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 April, 2014.

1.5 Bitumen: Bitumen consumption registered a growth of 1.0% in April, 2014.

1.6 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption of the last financial year continued with -8.7% de-growth during April, 2014.

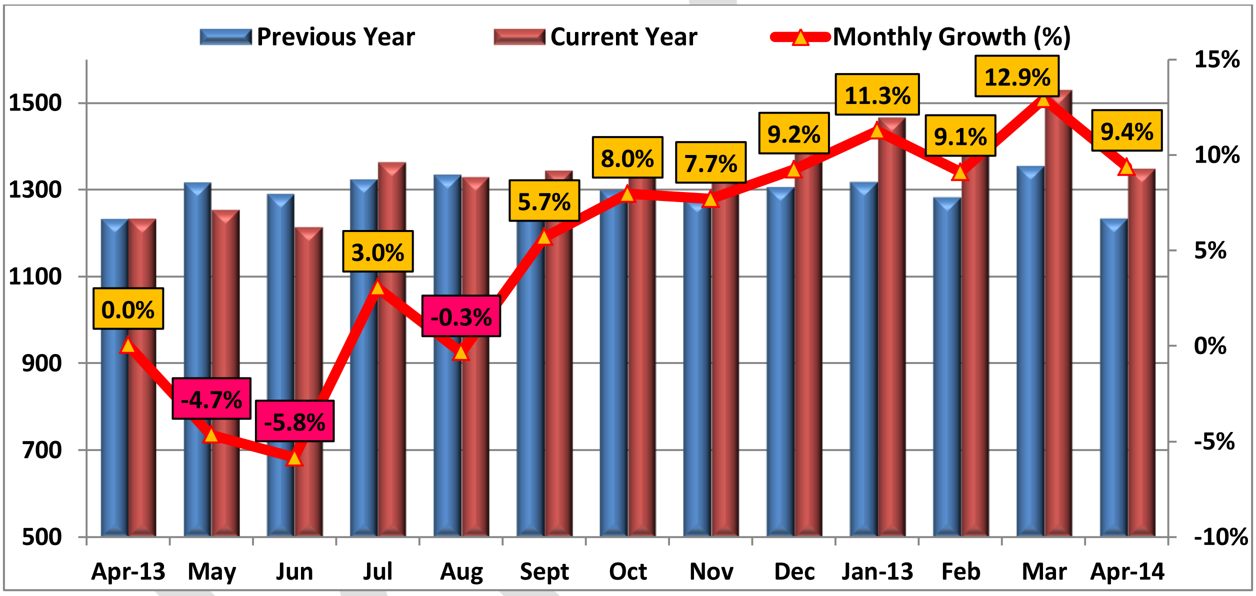
The Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda and GNFC Bharuch, the major consumers in the fertilizer sector, have switched to natural gas and their upliftment for the past couple of months is nil.

1.7 LPG: The LPG consumption for the eighth month in a row recorded a positive growth 9.49% during April 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. During April, 2014, 12.7 lakhs new connections and 8.2 DBCs have been released,

Decline in bulk LPG sales has been observed since April, 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



1.8 Petcoke: Petcoke consumption registered a growth of 35.5% during April, 2014 and a cumulative growth of 33.5% during April-March, 2015.

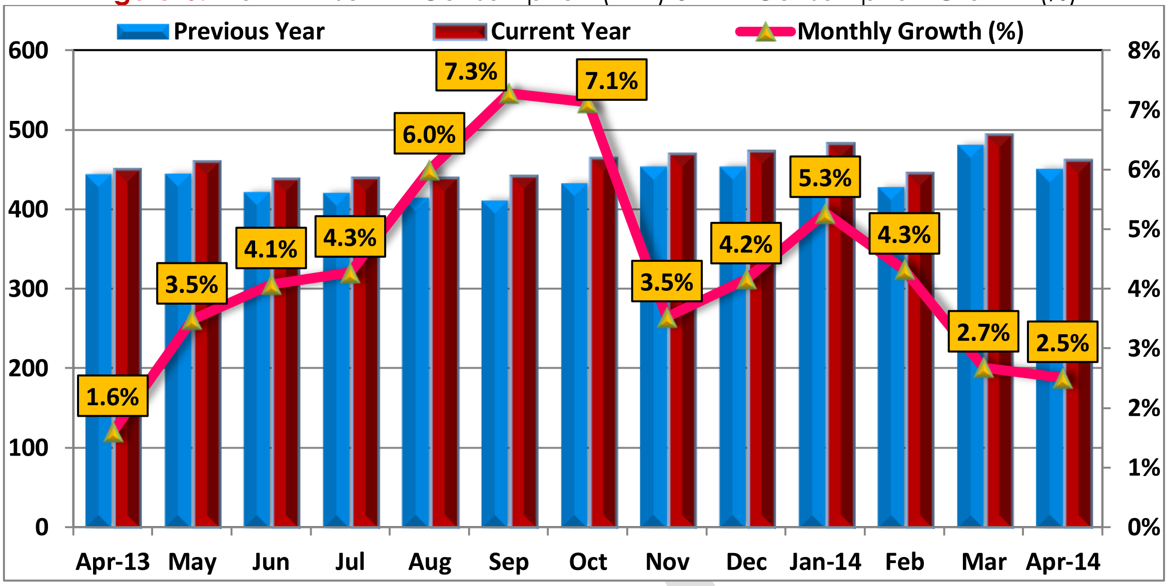
The high growth during the last couple of years has been due to increased availability after the commissioning of Resid project at the existing IOCL Gujarat Refinery and new refineries at Bina and Bhatinda, and also due to increased imports because large scale exports from USA.

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.

1.9 LDO: LDO consumption recorded a de-growth of -5.2% in April, 2014 and a cumulative negative growth of -5.2%, during April-March, 2015.

1.10 ATF: ATF sales recorded a growth of 2.5% in April, 2014

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



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 upto June, 2014. During April, 2014, domestic passenger traffic grew by 4.0% and there was 17.7% growth in goods carried by airlines as compared to April, 2013.

1.11 Natural Gas: There has been a decline of about -6.35 % in the consumption of Natural Gas in April, 2014. The overall sale for the month was 3,345.45 MMSCM, as compared to 3,572.13 MMSCM in April, 2013.

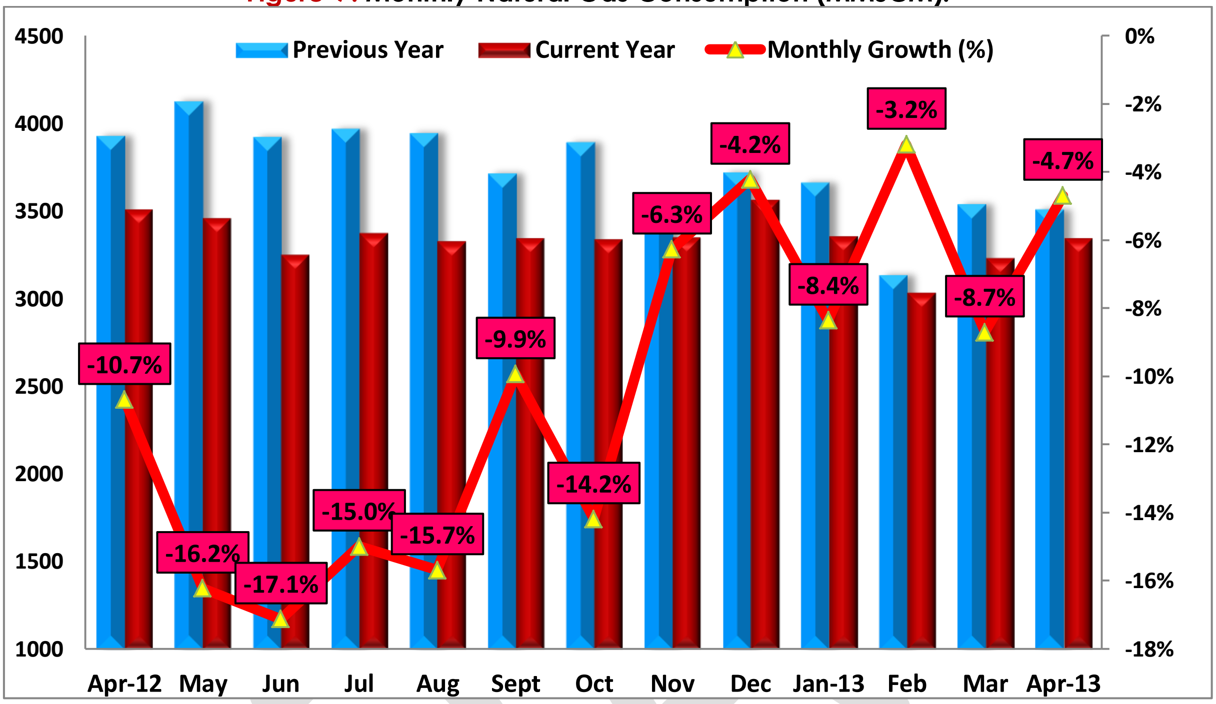
Natural gas consumption declined mainly due to reduced domestic gas availability.

1. **Power Sector**: There was a decline of about -27.94% 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. 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'13. In addition, producing power from LNG is not viable due to high cost.

2. **Fertilizer Sector**: There was a growth of 8.32 % in natural gas consumption due increased offtake by consumers in Northern (Chambal Fertilizer and KSFL) and Western (fertilizer producers in MP, Gujarat, Maharashtra & Goa) India compared to the same period last year.
3. **City Gas Sector**: There was growth of 18.5 % in CGD sales due to increase in off-take primarily in Northern region (Delhi &UP) and Western region (Gujarat).

4. **Internal Consumption**: There was a marginal growth of approx. 1.9% in internal consumption (IC) compared to the same period last year. The increase was primarily due to increased internal consumption by IOCL and RIL in Northern and Southern India respectively.

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



5. **Others Sectors**: There was overall decrease of about 12% in sales in other sectors. The decline in sales is due to decrease in domestic supply and low LNG off-take by customers.

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