

Industry Sales Review Report November 2013



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Data on product-wise monthly consumption of petroleum products for November, 2013 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of November, 2013.

1.0 CONSUMPTION:

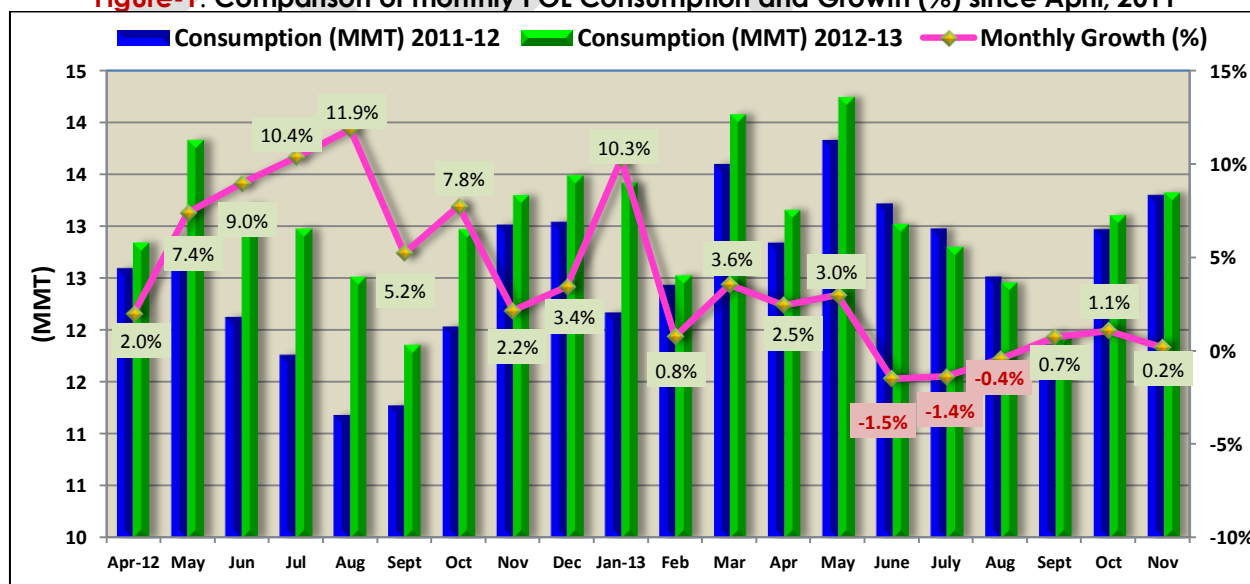
The growth (%) in consumption of petroleum products, category-wise, for the month of November, 2013 and April-November, 2013 is given in **Table-1**.

Table-1: Consumption (TMT)

| PRODUCT | November, 2013 | | April-November, 2013 | | Products Included |
|--|----------------|------------|----------------------|------------|---|
| | Qty. (TMT) | Growth (%) | Qty. (TMT) | Growth (%) | |
| Sensitive Products | 7781 | 1.1 | 60568 | -0.6 | SKO, LPG & HSD |
| Major Decontrolled Products | 4071 | -5.1 | 31686 | -2.4 | Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF |
| Other Minor Decontrolled Products | 1473 | 12.4 | 11828 | 16.7 | Petcoke & other minor products |
| Grand Total | 13324 | 0.2 | 104082 | 0.5 | |

1.1 All Products: The consumption of all petroleum products has registered a marginal growth of 0.2 % in November, 2013 as compared to that in November, 2012. Except for LPG, HSD, MS, Bitumen, ATF and Pet Coke, all other products recorded negative growth.

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

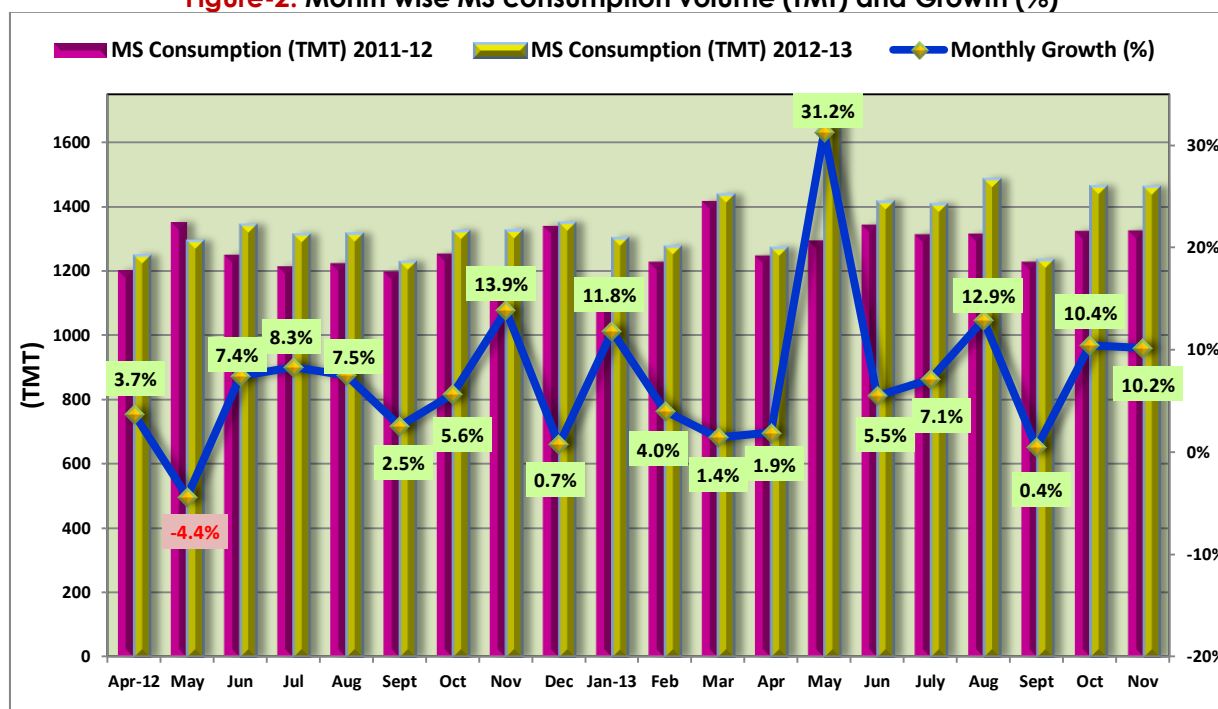


Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to September, 2013 and private imports data for the balance two months, (i.e. October, 2013 & November, 2013) are projected based on April-September, 2013 figures.

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

1.2 Petrol / Motor Spirit (MS): There has been a 10.2% growth in the consumption of MS during November, 2013 and cumulative growth for April-November, 2013 is at 10.0%. Figure-2 gives month wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2011.

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



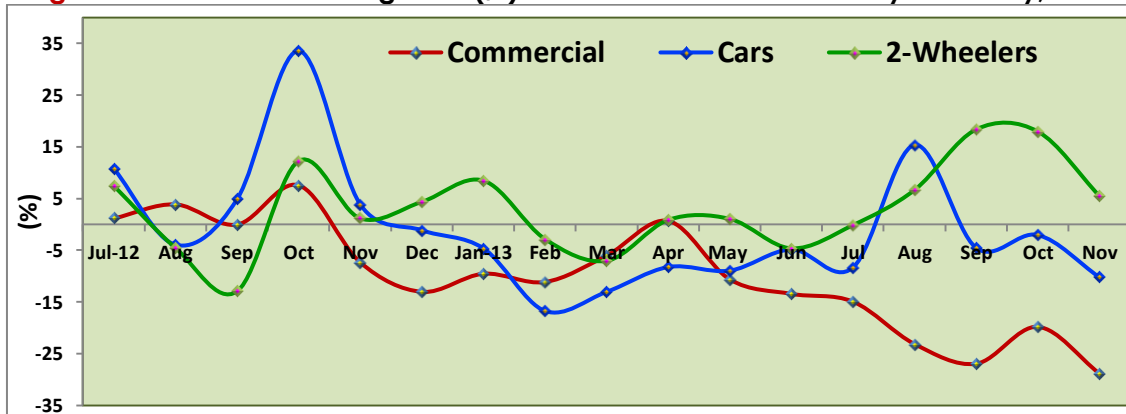
The high growth in consumption of MS in the month of November, 2013 is mainly attributable to the following:

- In anticipation of downward price revision after the fall in the International crude oil prices due to easing of political tension in Iran and Syria and improvement in the position of the rupee against the dollar in the month of October, 2013, the dealers lowered their inventory levels from mid-October till the end of October, 2013 and hence there was increased upliftment during early November, 2013.
- Despite high historical base in November, 2012, the MS sales were good mainly due to election activities in 5 states and extended festive season throughout the month.
- Two-wheelers is the only segment that is showing growth in the auto industry, as the economic slowdown and weak buyer sentiments have impacted demand for cars, commercial vehicles and UVs.

Other factors impacting consumption of MS are:

- a) **Total Passenger Vehicles (PV) Sales:** The festive season did not bring any cheers and the total passenger vehicles sales registered a decline of -10.18% during November, 2013, while the decline in cumulative growth during April-November, 2013 was -5.34%.

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



Rising fuel prices and higher interest rates have escalated the cost of ownership, dissuading the potential buyers in making new purchases.

| Segment | November Growth (%) | April-November Growth (%) |
|---------------------------------------|---------------------|---------------------------|
| Passenger Cars | - 8.16 | - 5.0 |
| Utility Vehicles | - 9.14 | - 3.6 |
| Vans | - 28.37 | - 12.2 |
| Total Passenger Vehicles (PVs) | - 10.18 | - 5.34 |

Source: SIAM

- b) **2-wheeler Sales:** With domestic sales of 1.24 million units in November, 2013, the 2-wheeler segment recorded a growth of 5.5%, mainly due to a continuous impressive growth of 25.03% in the Scooter/ Scooterette segment and a growth of 1.44% in the motorcycle segment.

| Segment | November Growth (%) | April-November Growth (%) |
|---------------------------|---------------------|---------------------------|
| Scooter / Scooterette | 25.03 | 18.7 |
| Motor Cycles | 1.44 | 3.3 |
| Mopeds | -13.21 | - 10.5 |
| Total Two wheelers | 5.55 | 5.78 |

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. It is an observed trend that more

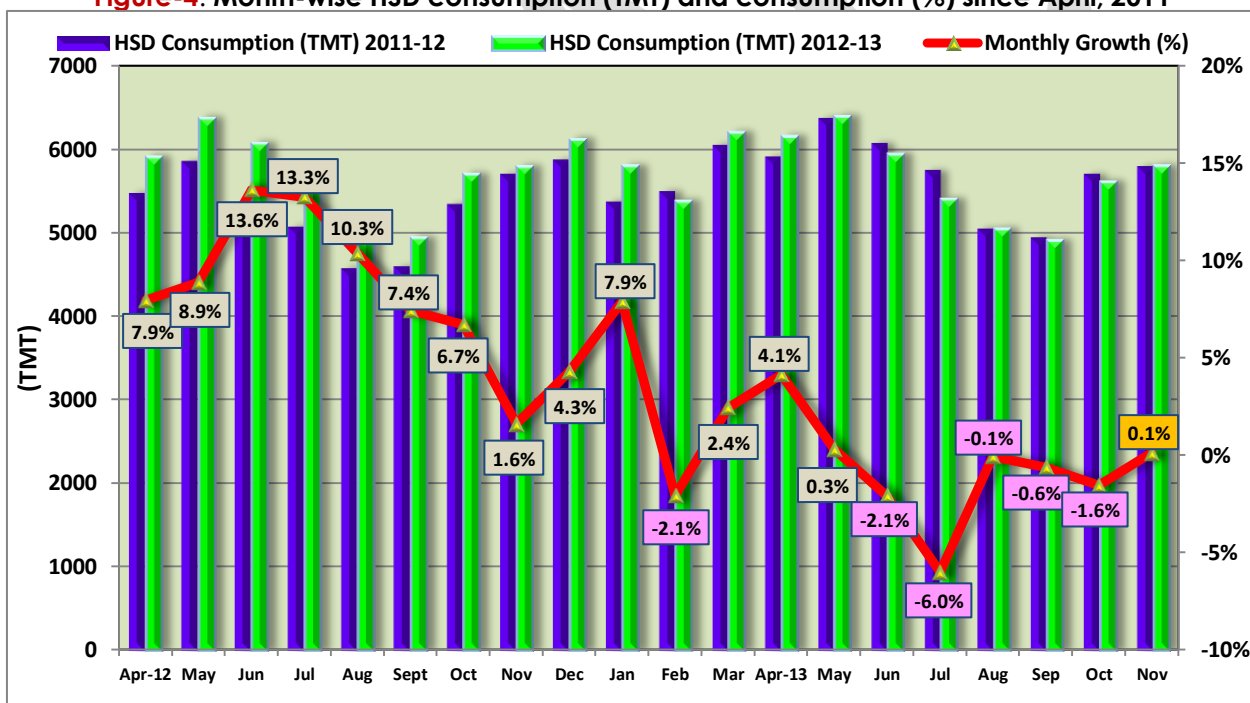
women are opting to take to 2-wheelers, which is resulting in a healthy growth in the Scooter/ Scooterette segment.

Further, the consumers in the rural and semi-urban areas have been purchasing 2-wheelers in anticipation of a good agricultural yield this fiscal.

1.3 Diesel (HSD): After a declining trend for five consecutive months during the current fiscal year, HSD consumption recorded a marginal growth of 0.1% in the month of November, 2013, and a cumulative decline of -0.7% during April-November, 2013.

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, (d) shift of Industrial consumers to alternate fuels due to price differential (dual pricing) and increasing fuel prices, and (d) 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 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 November, 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 marginal negative growth of -0.4% in port traffic and cargos handled at major ports during November, 2013. However, there is a positive growth of 1.43% during the cumulative period April-November, 2013, mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, Mormugao and Ennore ports.

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

| TRAFFIC HANDLED AT MAJOR PORTS | | | | |
|--------------------------------|-------------------------|-------------------|---------------|--------------|
| PORTS | NOV',2013 (% Growth) | APRIL TO NOVEMBER | | |
| | | 2013 | 2012 | Growth (%) |
| KOLKATA + HALDIA | 14.2 | 27446 | 25786 | 6.44% |
| PARADIP | 16.6 | 44435 | 35465 | 25.29% |
| VISAKHAPATNAM | 0.4 | 37576 | 39415 | -4.67% |
| ENNORE | 53.5 | 17149 | 10759 | 59.39% |
| CHENNAI | -19.5 | 34002 | 35582 | -4.44% |
| V.O. CHIDAMBARANAR | 5.3 | 18886 | 18467 | 2.27% |
| COCHIN | 16.2 | 14344 | 13299 | 7.86% |
| NEW MANGALORE | 1.7 | 25719 | 23556 | 9.18% |
| MORMUGAO | 34.9 | 7403 | 14205 | -47.88% |
| MUMBAI | -2.7 | 38221 | 38884 | -1.71% |
| JNPT | -4.6 | 40425 | 42859 | -5.68% |
| KANDLA | -21.2 | 59519 | 61694 | -3.53% |
| TOTAL: | -0.4 | 365125 | 359971 | 1.43% |

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

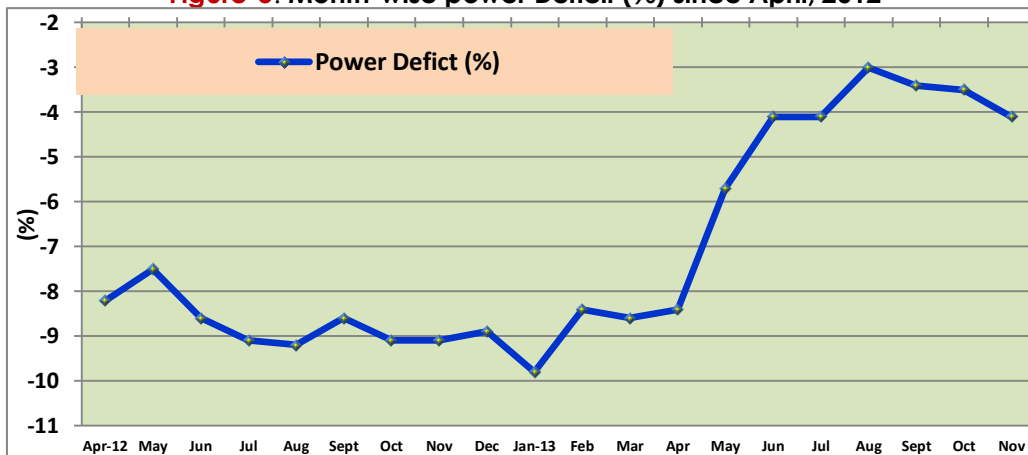
Table-3: Power deficit: Region-wise position for November, 2013 (% deficit)

| Region | November 2013 | November 2012 |
|------------------|---------------|---------------|
| North | -6.5 | -7.8 |
| West | -1.1 | -4.6 |
| South | -5.9 | -17.9 |
| East | -1.5 | -4.3 |
| North-East | -4.6 | -6.6 |
| All India | -4.1 | -9.1 |

Source: Central Electricity Authority (CEA)

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.

Figure-5: Month-wise power Deficit (%) since April, 2012



- d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -28.78% during November, 2013 and a cumulative decline in sales of -17.51% during the period April-November, 2013.

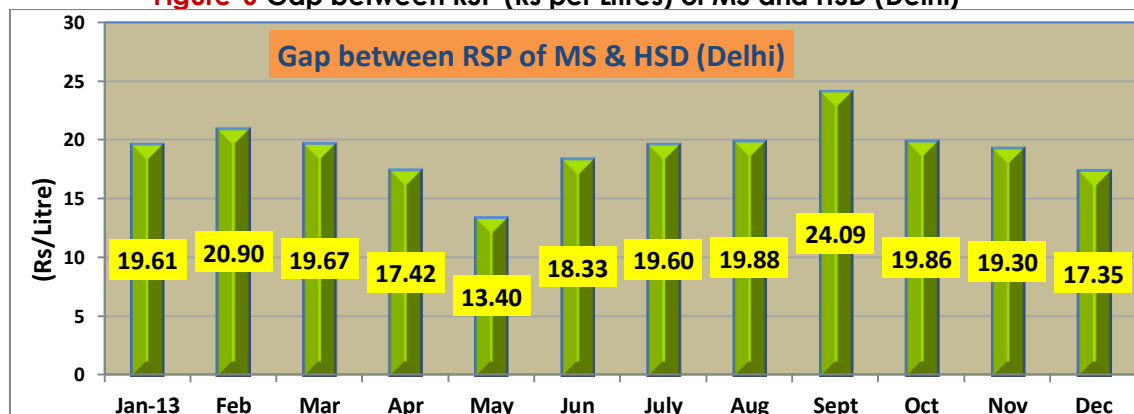
| Segment | November Growth (%) | Apr-November Growth (%) |
|----------------------------------|---------------------|-------------------------|
| M&HCVs | - 3.93 | - 26.8 |
| LCVs | - 26.74 | - 12.5 |
| TOTAL COMMERCIAL VEHICLES | - 28.78 | - 17.51 |

Source: SIAM

- e) The trend in **reduction of the gap between petrol & diesel prices** and phased decontrol of HSD retail price, appear to have made the 4-Wheeler consumer preference shift from diesel to petrol driven vehicles.

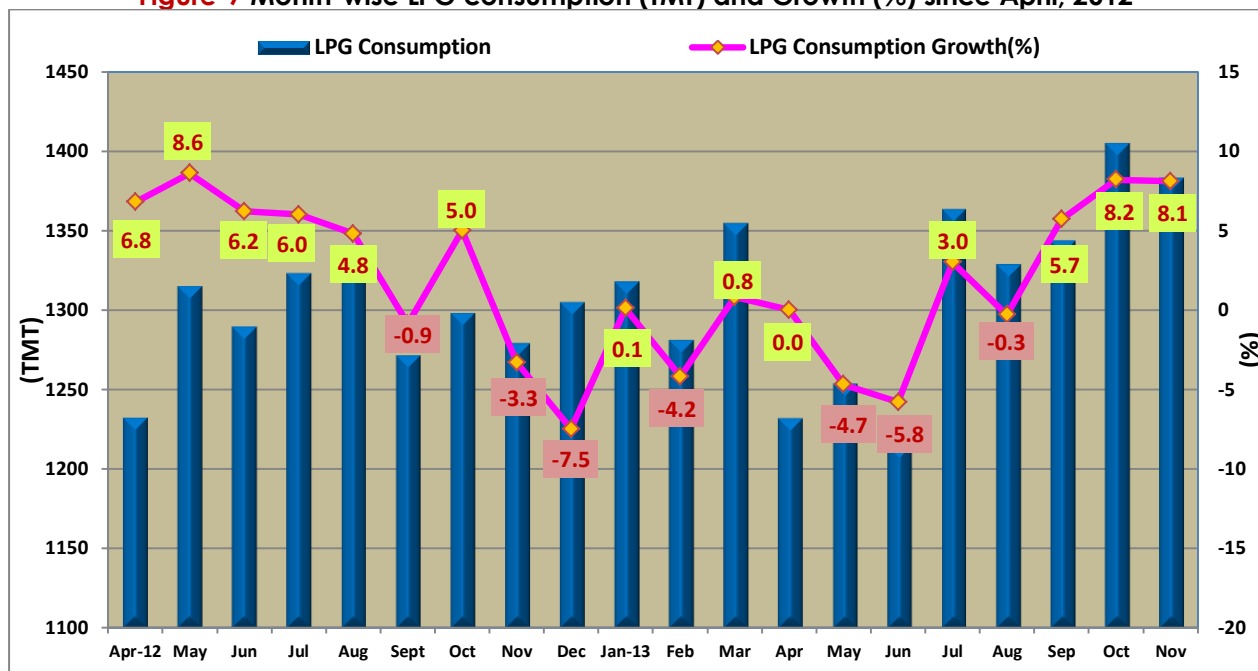
Since January, 2013, diesel prices have gone up by 13.8% in comparison to only 5.62% increase in petrol prices. Figure-6 shows the narrowing gap between the retail prices of MS and HSD up to November, 2013.

Figure-6 Gap between RSP (Rs per Litres) of MS and HSD (Delhi)



1.4 LPG: The LPG consumption for the third month in a row recorded a positive growth of 8.1% during November 2013, as compared to a negative growth of -3.3 % during November, 2012. The cumulative growth consumption was 1.8 % during April-November, 2013.

Figure-7 Month-wise LPG consumption (TMT) and Growth (%) since April, 2012



Ceiling in number of subsidized cylinders and blocking of duplicate/ multiple connections had brought down the consumption of subsidized domestic cylinders since September, 2012. There has been growth in LPG consumption since September, 2013 due to release of new connections and DBCs and also due to low base of previous year. During the period April-November, 2013 more than 105 lakhs new connections and 46 lakhs DBCs have been released.

The decline in bulk LPG sales has been observed since November, 2010, which may be 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 -13.0% in November, 2013 and a cumulative negative growth of -8.2%, during April-November, 2013.

There has been reduced consumption in 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 November, 2013.

1.6 Bitumen: Bitumen consumption declined by -4.3% in November, 2013 mainly due to restricted availability on account of Mathura Refinery shutdown. However, a cumulative growth of 8.6% was recorded during April-November, 2013.

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 due to the forthcoming general elections.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption in the current fiscal year continued with -12.2% growth during November, 2013, and a cumulative negative growth of -21.9% for the period April-November, 2013.

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 3.5% this month and a cumulative growth of 4.6% during April-November, 2013-14 mainly due to increased passenger and goods traffic during the current year.

1.9 Petcoke: Petcoke consumption registered a growth of 17.2% during November, 2013 and a cumulative growth of 18.3% during April-November, 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.

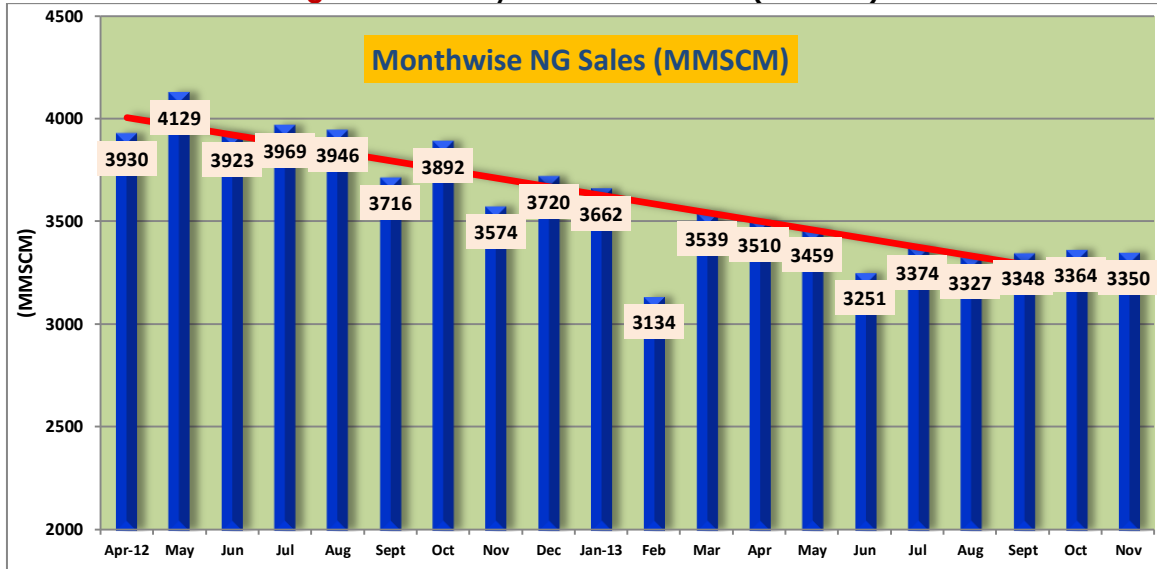
Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making.

1.10 LDO: LDO consumption recorded a decline of -15.9% in November, 2013 and a cumulative negative growth of -6.8%, during April-November, 2013.

1.11 Natural Gas: There has been a decline of about -6.26% in the sales of Natural Gas in November, 2013 and a cumulative negative growth of -11.83% during April-November, 2013. The overall sale for the month was 3,350.31 MMSCM, as compared to 3,574.22 MMSCM in November, 2012.

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

Figure-8: Monthly Natural Gas Sales (MMSCM):



1. **Power Sector:** There was a decline of -28.88% 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 5.82% in sales due to increased off take by some major fertilizer consumers in Northern (NFL, Nangal, Bhatinda and Panipat) and Southern (Nagarjuna Fertilizers and FACT Kochi) India compared to the same period last year.
3. **City Gas Sector:** There was a marginal growth of 0.25% in CGD sales, which was primarily due to marginal increase in off-take in Northern, Eastern and Southern India, while there was 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 -2.31% 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 -10.84% in sales in other sectors, due to fall in domestic supply and low LNG off-take by customers.

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