

Industry Sales Review Report

January 2014



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

1.0 CONSUMPTION:

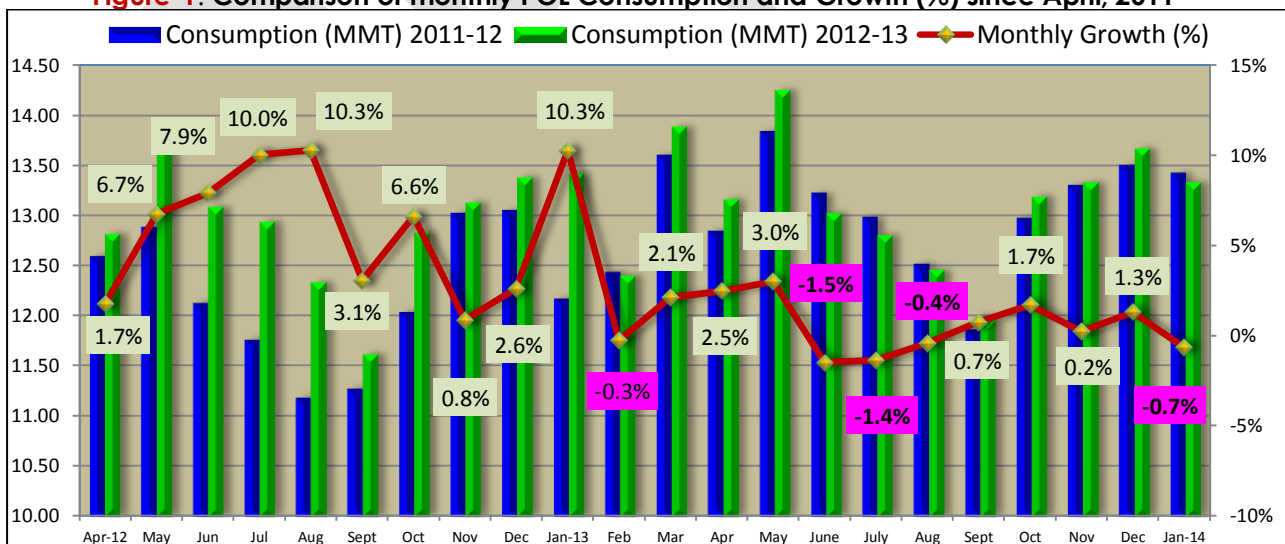
The growth (%) in consumption of petroleum products, category-wise, for the month of January, 2014 and April-January, 2014 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	January, 2014		April-January, 2014		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	7707	-0.4	76311	-0.5	SKO, LPG & HSD
Major Decontrolled Products	4102	-2.0	39897	-2.0	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1521	1.7	14845	14.2	Petcoke & other minor products
Grand Total	13330	-0.7	131053	0.5	

1.1 All Products: The growth in consumption of all petroleum products has registered a decline of 0.7 % January, 2014 as compared to that in January, 2013 and cumulative growth for April-January, 2014 is at 0.5 %. Except for LPG, MS, LDO, Bitumen, ATF and Pet Coke, all other products recorded negative growth.

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

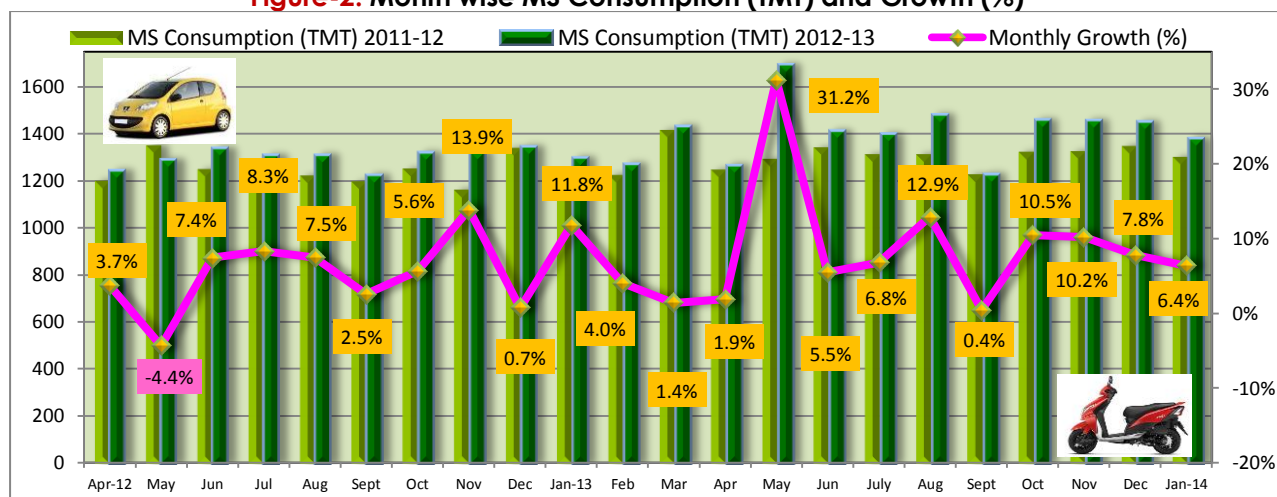


Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to November, 2014 and private imports data for the balance two months, (i.e. December, 2013 & January, 2014) are projected based on April-November, 2013 figures.

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

1.2 Petrol / Motor Spirit (MS): There has been a 6.4 % growth in the consumption of MS during January, 2014 and cumulative growth for April-January, 2014 is at 9.4%. **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 lower growth in consumption of MS in the month of January, 2014 is mainly attributable to high historical base in January, 2013.

But the severe winter conditions in north, parts of west, east and central India and the rains in southern part of India have also impacted MS consumption in January, 2014 as compared to the three previous months.

Other factors impacting consumption of MS are:

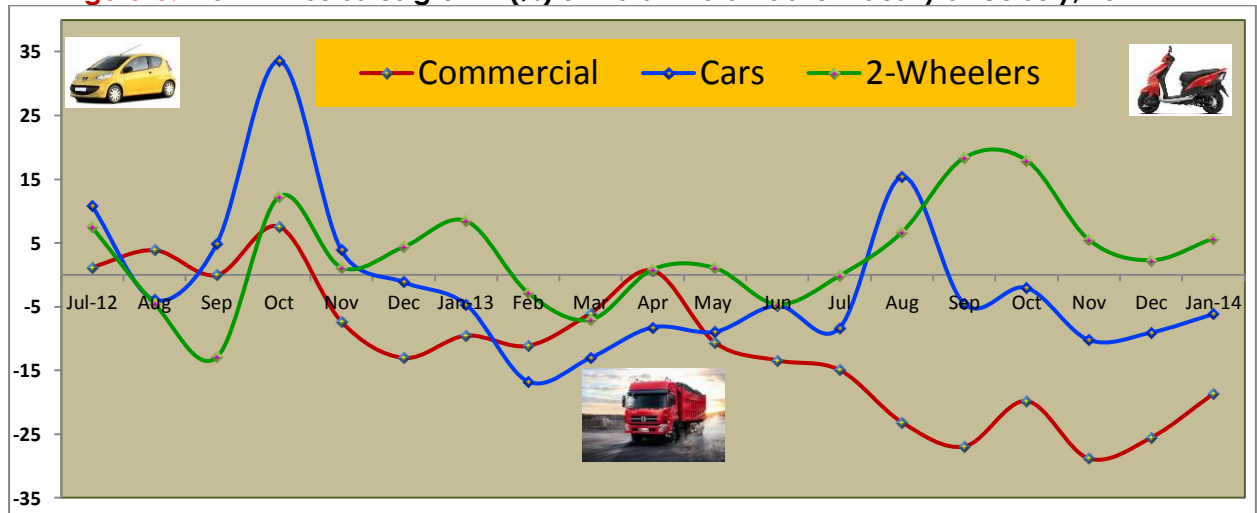
a) **Total Passenger Vehicles (PV) Sales:** Domestic car sales fell for the fourth straight month in January, 2014. The discounts did not bring any cheers to the automobile industry and the total passenger vehicles sales registered a decline of -9.34% during January, 2014, while the cumulative decline in growth during April-January, 2014 was -6.13%.

Segment	January Growth (%)	April-January Growth (%)
Passenger Cars	- 7.59	- 5.2
Utility Vehicles	- 6.27	- 4.6
Vans	- 32.09	- 16.8
Total Passenger Vehicles (PVs)	- 9.34	- 6.13

Source: SIAM

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

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



- b) **2-wheeler Sales:** With domestic sales of 1.31 million units in January, 2014, the 2-wheeler segment recorded a growth of 8.85%, mainly due to a continuous impressive growth of 28.19% in the Scooter/ Scooterette segment.

Segment	January Growth (%)	April-January Growth (%)
Scooter / Scooterette	28.19	20.7
Motor Cycles	4.04	2.6
Mopeds	-0.01	- 9.5
Total Two wheelers	8.85	5.76

Source: SIAM

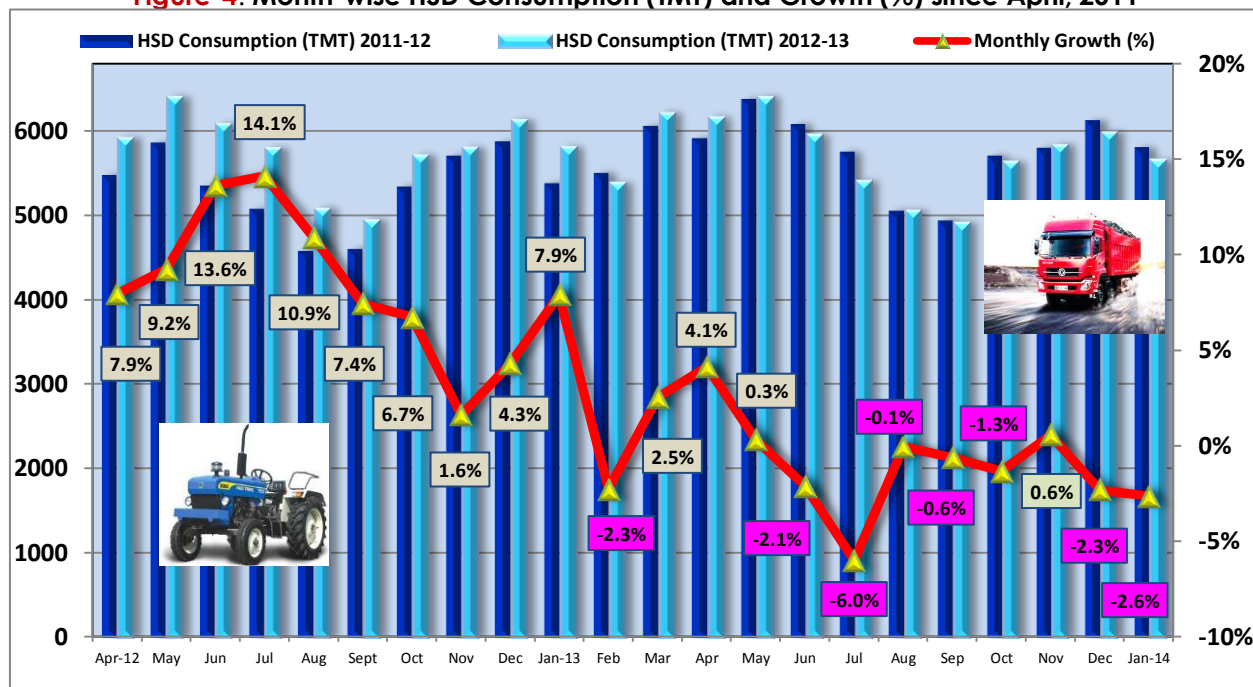
There has been sustained demand for 2-wheelers. The consumers in the rural and semi-urban areas have been purchasing 2-wheelers especially Scooterette & motor cycles due to improved rural economic situation because of good monsoon.

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.

1.3 High Speed Diesel (HSD): The declining trend in HSD consumption since June, 2013 continued in January, 2014 also, with the exception of a marginal growth during November, 2013. HSD consumption recorded a negative growth of -2.6% in the month of January, 2014 and a cumulative decline of -1.0% during April-January, 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) good 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 decline in growth of -2.8% in port traffic and cargos handled at major ports during January, 2014. The positive growth of 1.41% during the cumulative period April-January, 2014 is mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, New Mangalore and Ennore ports.

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

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	DEC'2014 (% Growth)	APRIL TO JANUARY		
		2014	2012	Growth (%)
KOLKATA + HALDIA	-7.9%	33993	32402	4.9%
PARADIP	-1.0%	56658	46610	21.6%
VISAKHAPATNAM	-2.5%	47897	49153	-2.6%
ENNORE	29.5%	22458	14264	57.4%
CHENNAI	-9.6%	42113	44336	-5.0%
V.O. CHIDAMBARANAR	-13.8%	23472	23560	-0.4%

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	DEC'2014 (% Growth)	APRIL TO JANUARY		
		2014	2012	Growth (%)
COCHIN	13.9%	17473	16535	5.7%
NEW MANGALORE	-4.6%	32653	30494	7.1%
MORMUGAO	-5.8%	9522	15934	-40.2%
MUMBAI	22.4%	49063	48521	1.1%
JNPT	-3.2%	51596	53765	-4.0%
KANDLA	-17.6%	73219	78155	-6.3%
TOTAL:	-2.8%	460117	453729	1.4%

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.

- b) **Power situation improves:** All regions have shown improvement and the power deficit position for the month of January, 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 January, 2014 (% deficit)

Region	January 2014	January 2013
North	-5.6	-10.2
West	-1.4	-5.9
South	-3.7	-15.6
East	-1.1	-3.7
North-East	-7.0	-6.8
All India	-3.4	-9.8

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 HSD for power generation by DG sets.

- c) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -20.93% during January, 2014 and a cumulative decline in sales of -18.63% during the period April-January, 2014.

In the last 19 months, sales of heavy commercial vehicles have fallen substantially. Major Indian manufactures such as Ashok-Leyland and Tata Motors are now working at 30% to 50% level of their total production capacity.

Some major reasons for slowdown in Commercial vehicle sales are:

- ❖ The new trucks are more powerful, efficient and with upgraded technology
- ❖ Vehicles are more fuel efficient. Fuel accounts for more than 40% of the transporters total costs. In the last 24 months, diesel prices have increased by 33%, but with marginal increase in freight cost.
- ❖ In order to reduce operation costs, the transporters have also adapted fuel conservation measures.
- ❖ Better road conditions cut down journey times and have substantially reduced the turnaround time, thereby increasing efficiency in transportation segment.

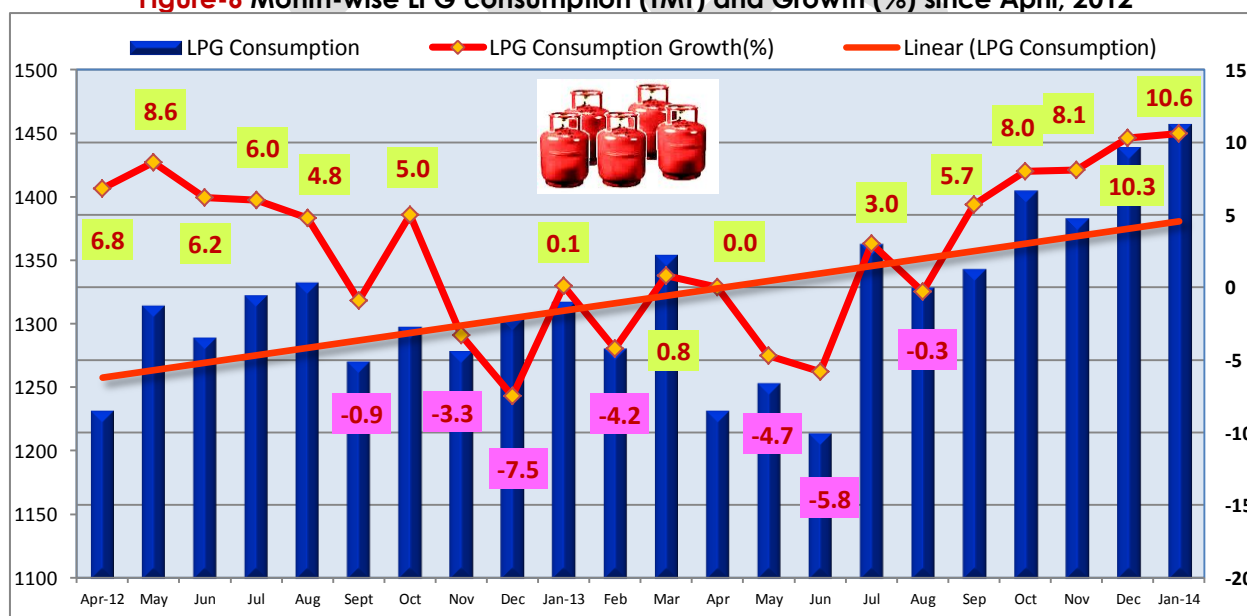
As result of the above factors, reduced consumption of diesel in transport segment is observed

Segment	January Growth (%)	Apr-January Growth (%)
M&HCVs	- 17.42	- 26.1
LCVs	- 22.45	- 14.8
TOTAL COMMERCIAL VEHICLES	- 20.93	- 18.63

Source: SIAM

1.4 LPG: The LPG consumption for the fifth month in a row recorded a positive growth (10.6%) during January 2014 and the cumulative growth consumption has been 3.5% during April-January, 2014.

Figure-6 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. 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 January, 2014.

Decline in bulk LPG sales has been observed since January, 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 -6.3% in January, 2014 and a cumulative negative growth of -7.9%, during April-January, 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 January, 2014 while there is negative growth in Reliance, Jamnagar.

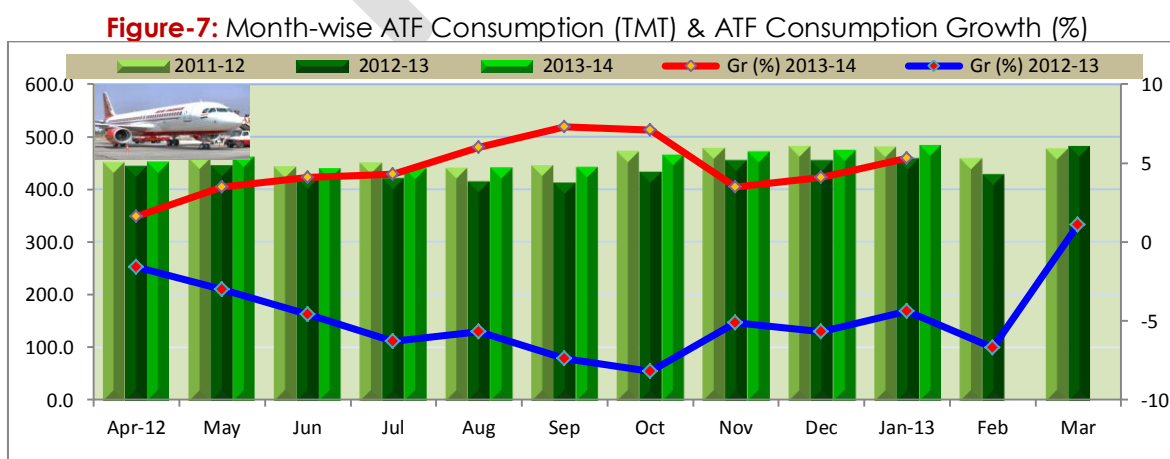
1.6 Bitumen: Bitumen consumption registered growth of 1.5% in January, 2014 and a cumulative growth of 8.5% was recorded during April-January, 2014.

A number of new NHA project clearances and activities of new road construction and repairing of existing roads have contributed to the growth in Bitumen consumption.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption in the current fiscal year continued with -16.7% growth during January, 2014, and a cumulative negative growth of -21.1% for the period April-January, 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 5.3% in January, 2014 and a cumulative growth of 4.6% during April-January, 2014-14 mainly due to increased passenger and goods traffic during the current year.



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.

1.9 Petcoke: Petcoke consumption registered a growth of 5.2% during January, 2014 and a cumulative growth of 15.4% during April-January, 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.

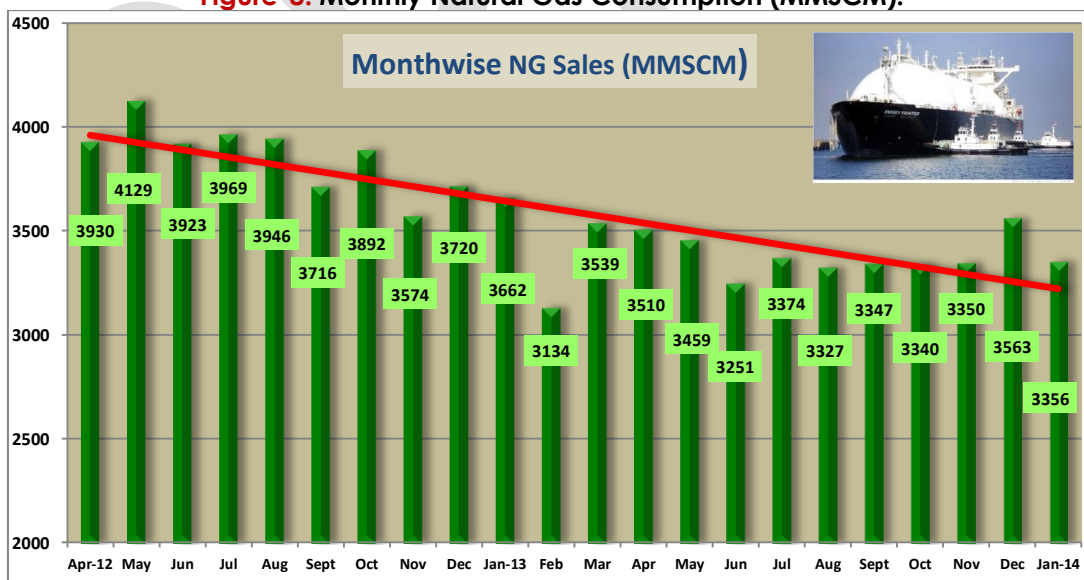
Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making.

1.10 LDO: LDO consumption recorded a de-growth of -12.0% in January, 2014 and a cumulative negative growth of -13.2%, during April-January, 2014.

1.11 Natural Gas: There has been a decline of about -8.35% in the consumption of Natural Gas in January, 2014 and a cumulative negative growth of -11.06% during April-January, 2014. The overall sale for the month was 3,356 MMSCM, as compared to 3,662 MMSCM in January, 2013.

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

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



- Power Sector:** There was a decline of about -25% 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 negatively impacted by declining volumes of domestic gas.

2. **Fertilizer Sector:** There was about 5% growth in natural gas consumption due to increased offtake by consumers in Northern (NFL Nangal, Bhatinda & Panipat; IFFCO and KSFL) and Western (NFL, Kribhco and IFFCO) India compared to the same period last year.
3. **City Gas Sector:** There was a marginal growth of 0.4% in CGD consumption due to reduced off-take in Western region, i.e., by Gujarat CGD companies due to high price of LNG. Northern, Eastern and Southern regions has shown marginal growth in CGD consumption, but the situation may change in coming months due to recent price revision and revised APM allocation in CGD sector.
4. **Internal Consumption:** There was a decline of about 8.6% in internal consumption (IC) compared to the same period last year. The decrease was primarily due to reduced internal consumption by GAIL and IOCL in Northern and Western India.
5. **Others Sectors:** There was overall decline of -12.43% in consumption in other sectors, due to fall in domestic supply and low LNG off-take by customers.

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