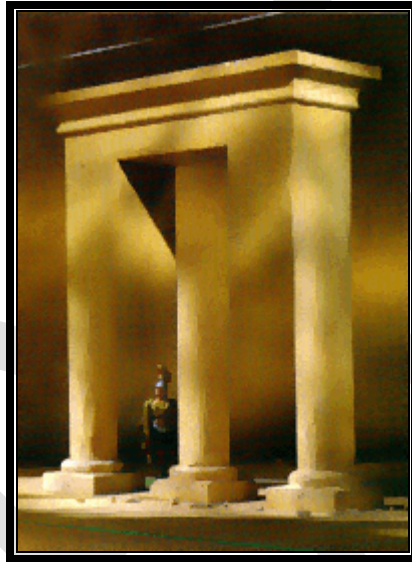


Industry Sales Review Report

March 2012



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 2011-12 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of March 2012 in particular and 2011-12 in general.

2 CONSUMPTION:

2.1 All Products: The year 2011-12 ended with bottom line growth of 4.9% over previous year as per provisional data. The actual consumption viz-a-viz demand projections for the year 2011-12 are as under:

	Quantity (TMT)	Growth (%)
PPAC Revised Estimates	147056	4.3%
Actual Consumption (Prov.)	147991	4.9%
Variation (TMT)	935	
Variation (%)	0.6%	

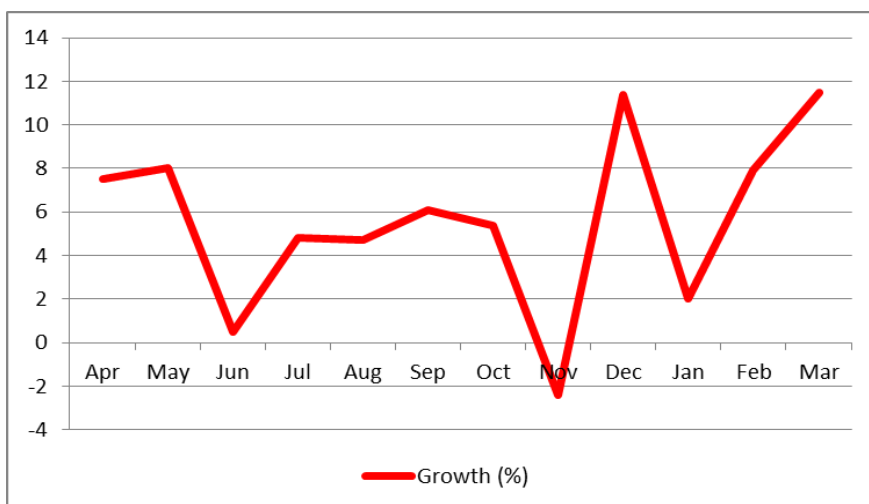
HSD accounts for the major variation, which exceeded the estimated quantity by 763 TMT due to factors such as FO substitution by HSD, increasing preference for diesel run cars etc. most of which are price related as diesel price remained relatively low in comparison to other competing fuels.

Monthly POL consumption growth in March 2012 was 5.1% contributed mainly by HSD, MS, Naphtha and 'Others'.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to January 2012 now. Private imports data for the balance two months of the current year are projected to arrive at full year's figures.

Detailed product-wise analysis of consumption in March 2012 is given in the following sections.

2.2 Petrol / Motor Spirit (MS): The expectations on price increase remained high through out the month especially after declaration of results to Assembly elections in major states of Punjab, U.P. Uttrakhand and Goa. Hence, inventory levels were high with dealers resulting in unusually high growth of 11.5% during month, which is out of sync with moderate MS growth in recent months. Figure-1 gives month-wise MS growth trend in fiscal 2012:



Despite price related growth spurt in December 2011 and March 2012, the growth in the second half of 2011-12 was moderate at 6% over same period last year.

- a) Other major factors impacting consumption of MS remain largely same, which include increasing preference for diesel vehicles for passenger transport affecting MS consumption and high price of MS dampening sales.
- b) Economic Times carried a report on March 28, 2012 that 'Economists believe India may have left slowdown behind' based on car sales and manufacturing data. However, as per reports from regional coordinators there was heavy discount on petrol cars because of stock clearance during March. This is reflected in highest monthly growth in March (18.4%) in car sales during current year against annual growth of merely 1.7%. Passenger Vehicle (PV) sales growth was also the highest at 18.8% in March against annual growth of just 3.9%. A possible reason for high growth was anticipation of increase in excise duty on cars, which finally happened in this year's budget proposals. Next month's vehicle sales data should give some clue to whether things have actually started looking up.
- c) In a very interesting development, post state budget, MS prices were reduced by Rs 11/- per liter in Goa because of reduction in VAT to 0.1 % from 18%. Newspaper reports indicate that to avoid inventory losses dealers brought their stocks to almost nil, a day before the new VAT rate became applicable.

2.3 HSD: Diesel recorded double digit monthly growth (10.3%) in March, third time this year. Additional volume growth in Diesel constitutes about 85% of total volume growth in petroleum products in March and 67% that for the entire year of 2011-12. PPAC has reported in the past that this trend is unlikely to stop till diesel price is aligned to other competing fuels. Other factors affecting diesel consumption in March 2012 are analyzed below:

a) While all indicators point to increasing preference for diesel driven passenger vehicles, no data is published by SIAM on this. This is vital information and SIAM is the right organization to disseminate this information. Economic Times (28/3/2012) has put out figures on diesel and petrol driven car sales, which validate the perception of preference for diesel cars. The data published indicates that:

- i. Against 37% share of diesel driven passenger vehicles in 2008-09 the figures for 2010-11 show only a marginal increase to 38%
- ii. However, figures for 2011-12 (Apr-Oct) show a quantum jump to 44% for diesel run vehicles. It is pertinent to note that petrol prices were freed in June 2010 and gap between retail price of diesel and petrol significantly increased in 2011-12
- iii. Another data supporting the contention that preference for diesel driven cars has increased is that order backlog for diesel cars has increased from 1 lakh in March 2011 to 4 lakhs in March 2012

b) Power deficit increased by 2.5% in March 2012 compared to same month last year. Except Northern region all other regions have recorded deterioration in power availability in March. As in the previous month this month also south has shown major power deficit. From -6.0% in March last year the power deficit in south has dramatically risen to -16.9% this March 2012. The main states suffering from acute power shortage are Tamilnadu (-25%) and Andhra Pradesh (-15.2%). Southern Region Coordinator has reported that:

- i. Industrial / commercial activities are adversely affected due to power shortage
- ii. Power tariff has been increased between 58% to 105%
- iii. Power cut is also affecting agriculture activities

Other states suffering from major power shortage are Uttar Pradesh (-11.4%), Jammu & Kashmir (-20.8%), Bihar (-21.2%), Meghalaya (-28.4%) and Mizoram (-10.3%). Table-1 below gives region-wise power deficit position compared to same month last year:

Table-1

Power Supply Deficit (%)		
Region	March -2011	March - 2012
NR	-5.6	-5.6
WR	-12.2	-9.1
SR	-6.0	-16.9
ER	-4.0	-5.2
NER	-6.5	-10.1
ALL INDIA	-7.7	-10.2

Source: CEA

- c) A shortfall in supply of D-6 gas has also led to drastic decline in power generation by IPPs in Andhra Pradesh. The IPPs in the state are currently operating at only 52% of the Plant Load Factor (PLF) as against the 75% PLF mandated by the EGoM. Southern Region Coordinator has reported that at present, the gas-based power plants are receiving about 8.27 MMSCMD of D-6 gas against total requirement of 12.97 MMSCMD, thereby leaving a deficit of around 4.7 MMSCMD. The state currently has an idle power capacity of 900 MW.
- d) Commercial Vehicles (CV) sales growth in March also was robust at 16.4%. The year ended with annual growth of 19.4% over last year.
- e) Substitution of FO by diesel due to substantial price advantage.
- f) Due to delayed winter, RABI crop was not ready for thrashing leading to delayed agricultural activity by 15 days in North.
- g) Cargo traffic at ports is one of the indicators on road movement. The tentative data for current year on cargo traffic at ports shows that year has ended with negative growth of -1.73% in traffic handled at major ports of the country. Annual cargo traffic at major ports is given in Table 2:

Table-2: Port Cargo Traffic in 2011-12 V/s 2010-11

PORTS	APRIL TO MARCH		(IN ' 000 TONNES)
	TRAFFIC		% VARIATION
	2012	2011	OVER PREV. YEAR
	TRAFFIC		
KOLKATA	43245	47545	-9.04
PARADIP	54254	56030	-3.17
VISAKHAPATNAM	67420	68041	-0.91
ENNORE	14956	11009	35.85
CHENNAI	55707	61460	-9.36
TUTICORIN	28105	25727	9.24
COCHIN	20091	17873	12.41
NEW MANGALORE	32941	31550	4.41
MORMUGAO	39001	50022	-22.03
MUMBAI	56186	54586	2.93
JNPT	65746	64309	2.23
KANDLA	82501	81880	0.76
TOTAL	560153	570032	-1.73

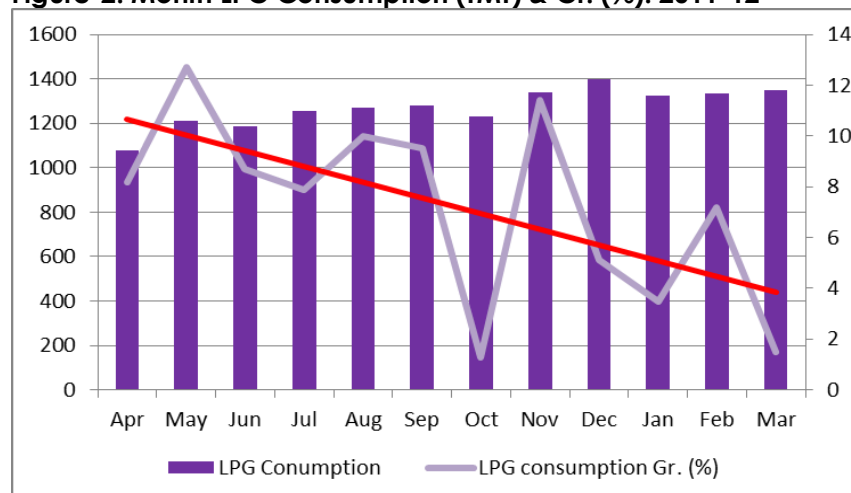
Source: IPA

- h) Consumption of HSD by STUs was higher (16.5%) in March as also in the entire year 2011-12 (5%).

2.4 LPG: LPG recorded second lowest monthly growth this year in March at 1.5%. Though growth in the second half of fiscal 2012 has slowed down in LPG, unusually low growth in March is not due to low demand but due mainly to supply constraints. Due to strike by Bulk LPG transporters, bulk LPG supplies were disrupted in Southern and Western regions affecting availability. Monthly LPG

data for 2011-12 clearly brings out falling growth rate in LPG consumption during 2011-12 (Figure-2):

Figure-2: Month LPG Consumption (TMT) & Gr. (%): 2011-12



2.5 Naphtha: Naphtha recorded high growth of 19.5% this month and ended the year with cumulative growth of 4.8% for 2011-12. The entire growth is contributed by Petrochemical sector both for the current month and entire year of 2011-12. IOC-Petrochemical plant, Panipat alone consumed 2.1 MMT Naphtha in 2011-12, which is higher by 0.7 MMT over the previous year. While Fertilizer sector has recorded minor growth, Power, Steel and Other sectors were in negative this year. Overall Naphtha imports by major users remained largely unchanged this year.

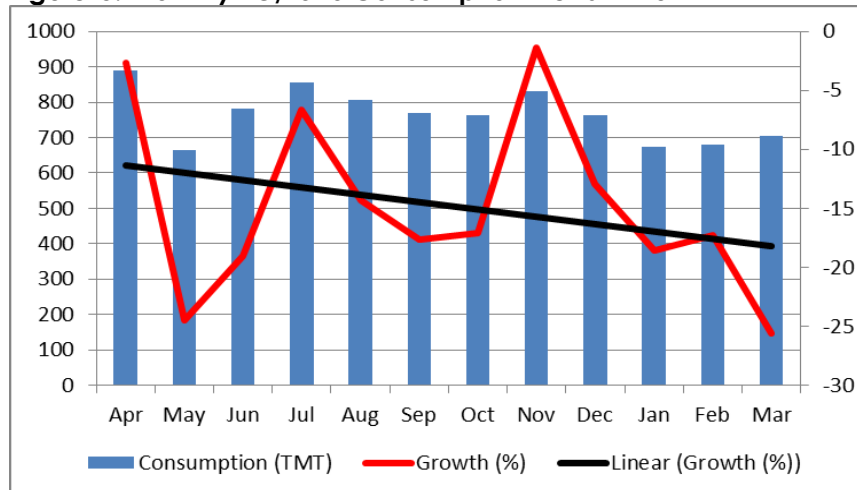
2.6 ATF: After a gap of over 30 months ATF recorded a minor negative growth (-0.1%) in March ending the year with single digit growth of 9%, which is in line with PPAC demand projection of 9.2% growth for 2011-12. Slow down in aviation sector is evident from the slowing monthly growth in ATF in the second half of 2011-12. With aviation industry going through difficult times including curtailment and cancellation of several flights by one of the airlines, slowdown in growth in ATF consumption is on expected lines.

2.1.8 Bitumen: Despite highest monthly consumption in volume terms, Bitumen consumption still ended up in negative zone (-1.4%) in March. Bitumen consumption trend was quite disappointing this year as the year ended with a marginal growth of 1.5%. Poor Bitumen consumption trend is also an indicator of the uninspiring performance in road construction activity during the year.

2.1.9 FO/LSHS: There is no let up in negative growth in FO/LSHS consumption and March recorded the highest monthly negative growth (-25.6%) this year. The year 2011-12 ended with high negative growth in FO/LSHS at -14.9%. All major sectors like Power, Petrochemicals, Steel and General Trade have recorded drop in consumption this year. It is pertinent to note that FO/LSHS consumption reached the lowest level in volume in the last 20 years as it dipped to 9185 TMT in

absolute terms in 2011-12. As mentioned in our previous reports also FO/LSHS consumption is expected to remain low as long as FO price in international markets remain higher than domestic price of HSD. Figure-3 gives monthly consumption trend of FO/LSHS during fiscal 2012:

Figure-3: Monthly FO/LSHS Consumption Trend in 2011-12



It would be noted from the figure above that monthly growth remained in negative zone through out the year.

2.2 General:

- a) The retail outlets number crossed 45000 mark in March. All additional outlets have come from PSU stable and private outlet number has actually declined marginally.
- b) PSUs added over 3100 retail outlets this year, which works out to about 8.7 outlets per day addition.

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