

Industry Sales Review Report

February 2012



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

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Data on product-wise consumption of petroleum products is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of February 2012.

2 CONSUMPTION:

2.1 All Products: POL consumption growth during February 2012 was high at 7.3%, which is led by high growth in diesel, PetCoke, ATF, LPG and 'Others'. High growth in current month pushed up the cumulative growth for Apr-Feb. to 4.9% from 4.5% for Apr-Jan period reported last month. Since 2012 is a leap year it had extra day in the month of February, which added to growth in consumption of petroleum products this month, compared to that in February 2011.

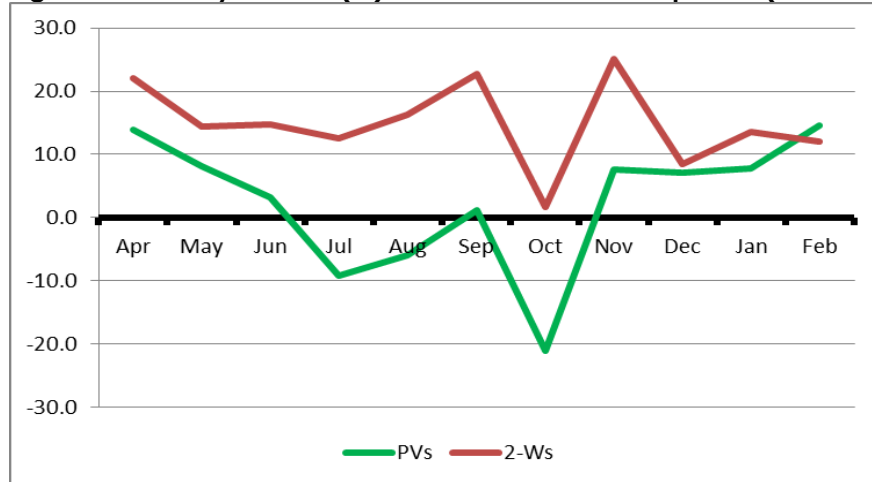
Data on direct private imports received from DGCIS, which are added to the final sales reported by companies, are available up to July 2011 now. In order to bridge the lag of over six to seven months in receiving data from DGCIS, private imports data for the balance months of the current year are projected and also collected from major private importers directly.

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

2.2 Petrol / Motor Spirit (MS): The month ended with relatively higher growth of 8%. Major factors impacting consumption of MS are discussed below:

- a) The common factor of additional one day in leap year resulted in higher growth in MS also in February.
- b) Passenger Vehicle (PV) sales growth in February was the highest at 14.6% in this fiscal. Both car sales and Utility Vehicles sales recorded robust growth. In fact, PV sales growth this month was higher than 2-Ws. One of the reasons for this growth could be anticipation of increase in excise duty, which did happen in this year's budget announcements.
- c) Similarly 2-wheeler sales continued its good run this month also with a growth of 12% over corresponding month of previous year. Thirteenth month in a row 2-wheeler sales recorded more than million units' sales. Figure-1 gives monthly growth trend of Passenger Vehicles and 2-Ws sales this year:

Figure-1: Monthly Growth (%) of PVs & 2-Ws Sales: Apr-Feb (2011-12)



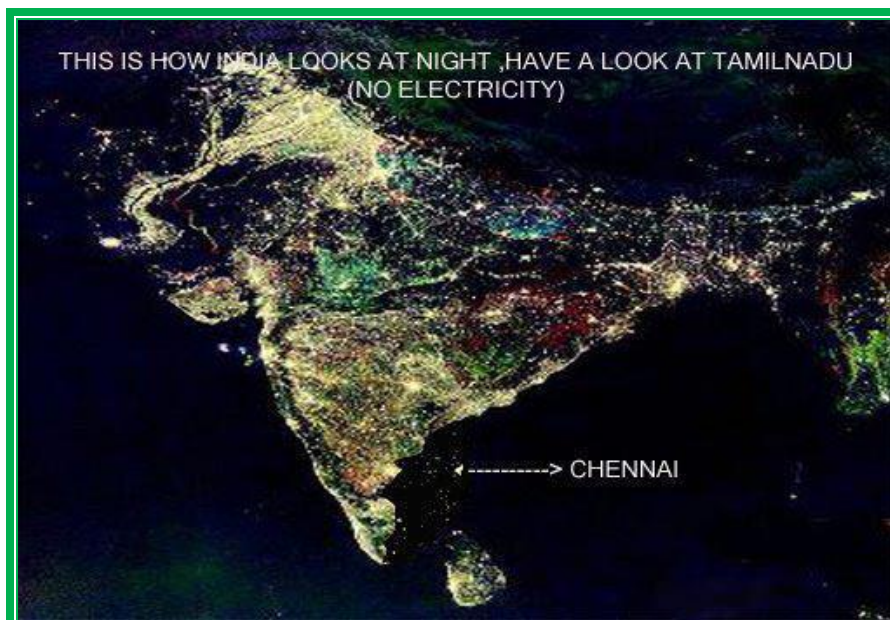
Source: SIAM

- d) While high price of MS is adversely affecting sales in general, Karnataka has one of the highest retail selling prices of MS at Rs.73.52/ liter. It is worth noting that due to variation in state sales tax, difference in price is huge at about Rs.10/ liter even with in the same region (Puducherry price is only Rs.63.74/liter).
- e) Other factors include growth in rural sector, enhanced vehicle movement due to Panchayat elections in Odisha, and continued cold weather in February in many parts of the country etc.

2.3 HSD: Diesel recorded second highest monthly growth this year at 11.9% in February 2012. This is again disturbing as additional volume growth in Diesel constitutes about 70% of overall growth in petroleum products in February. As predicted in last month's report of PPAC, this trend is likely to continue with diesel price remaining lower in comparison to other competing fuels. Other factors affecting diesel consumption in February 2012 are analyzed below:

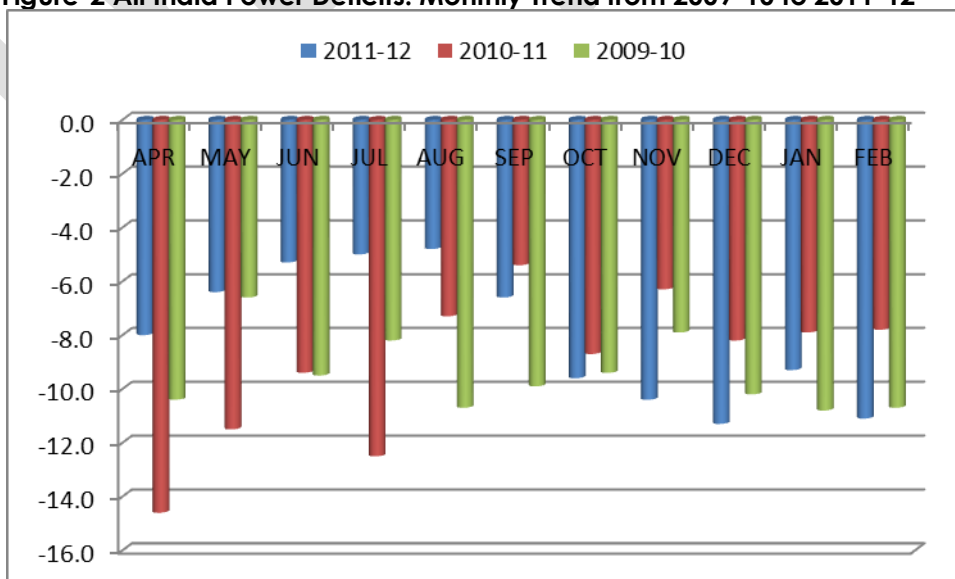
- a) Power shortage is one of the dominant reasons for higher HSD growth. Southern Region Coordinator has reported critical power position in Tamil Nadu. It is learnt that:
- As of Feb end, Tamil Nadu was having around 30% power shortage
 - SME and other industries are facing 65% power shortage
 - As of Feb end, scheduled load shedding in Chennai is for one hour and in other parts of Tamil Nadu two hours
 - Peak hour restriction of HT units are twice in the evening (6 pm to 10 pm) besides 20% power cut

Southern Region coordinator has submitted a night photograph of India, which is shared below, showing blackout in Tamil Nadu area.



As per reports from south, the Andhra Pradesh Govt. also follows 2-3 days power holiday a week and four hours power cut during the peak hours from 6 pm to 10 pm. As per estimates, current power cuts work out to 52% overall (Business Line of 2/3/2012). Commercial activity is reported to be badly affected due to extensive power cuts. Profitability is compromised in many businesses that are forced to operate long hours on captive power. There is no respite from growing power deficit, which is adding to diesel consumption. Power deficit position in the last three years is depicted in Figure-2 below:

Figure-2 All India Power Deficits: Monthly Trend from 2009-10 to 2011-12



Source: CEA

As would be observed from the figure above, current year position is quite bad for the last five months. While all regions have shown deterioration in

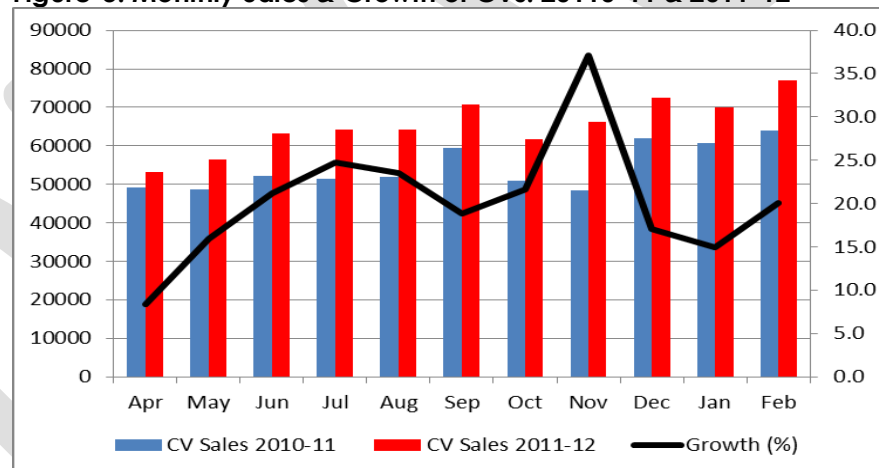
power availability, Table-1 below brings out clearly the critical situation in Southern Region compared to same month last year:

Table-1

Power Supply Deficit (%)		
Region	Feb-11	Feb-12
NR	-6.1	-7.7
WR	-13.3	-13.4
SR	-4.0	-13.3
ER	-3.9	-6.8
NER	-5.6	-11.2
ALL INDIA	-7.7	-11.1

b) Commercial Vehicles (CV) sales growth on expected lines was robust at 20% in February also. As reported last month, field reports indicate that overloading of trucks has significantly come down due to effective checking by transport authorities in some states. As a result, same load of goods is being now carried by more number of trucks boosting sales of CVs. Figure-3 below gives monthly sales trend of CVs during 2010-11 & 2011-12:

Figure-3: Monthly Sales & Growth of CVs: 2010-11 & 2011-12

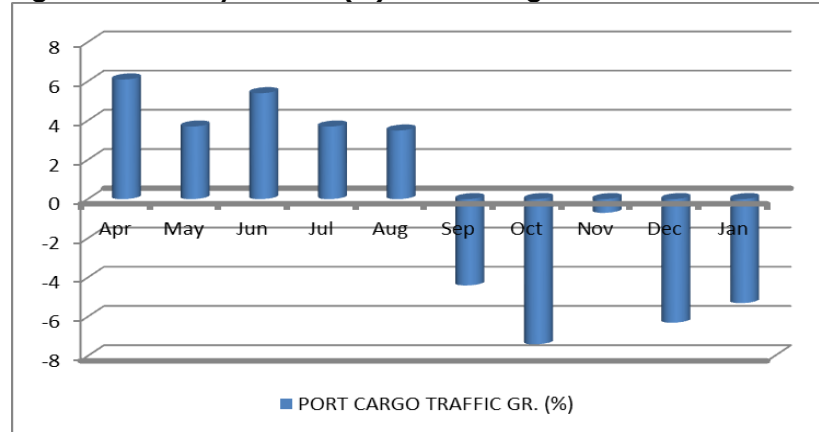


c) Substitution of FO by diesel due to substantial price advantage.

d) Mining activity, which leads to road movement of trucks, has significantly comedown due to reasons like court orders and Government bans due to several reports of illegal mining activities. This is also reflected in GDP figures for Quarter-III (Oct-Dec 2011) that show negative growth of -3.1% in mining sector.

e) Cargo traffic at ports is one of the directional indicators on road movement. The data on monthly cargo traffic at ports is not encouraging this year. Cumulative growth is in negative by -0.2% for Apr-Jan period. Month-wise growth of cargo traffic at major ports is given in Figure-4:

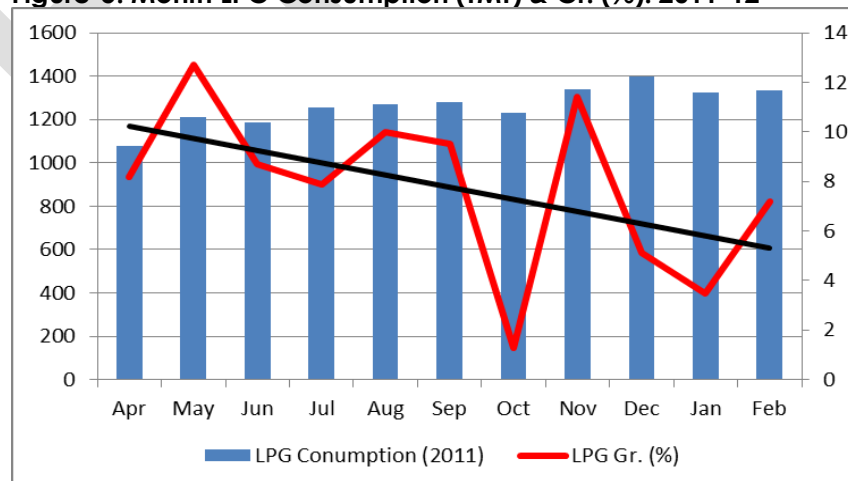
Figure-4: Monthly Growth (%) in Port Cargo Traffic in 2011-12



f) Other factors include major road construction activity in Sikkim after earthquake, all India strike by trade unions on February 22, 2012, large number of processing and dyeing units being closed in Tirupur and Erode districts due to violation of environment norms on pollution and growth of 9% in rail freight traffic in February etc.

2.4 LPG: Data analysis on monthly growth indicates that LPG growth in the second half of fiscal 2012 has slowed down. One of the reasons could be that expansion of LPG is now more in rural / semi-urban areas where average consumption of LPG is generally lower than urban areas. Further scrutiny of data for Apr-Dec. period supports this contention as 47.4% of new enrolments of domestic LPG connections is in the rural area as per OMCs figures. In fact, in South the enrolment in rural areas is still higher at 51% during the same period. LPG growth was 7.2% in February 2012 despite the advantage of one extra day of leap year. Monthly consumption and growth trend in LPG during current year is shown in Figure-5:

Figure-5: Month LPG Consumption (TMT) & Gr. (%): 2011-12

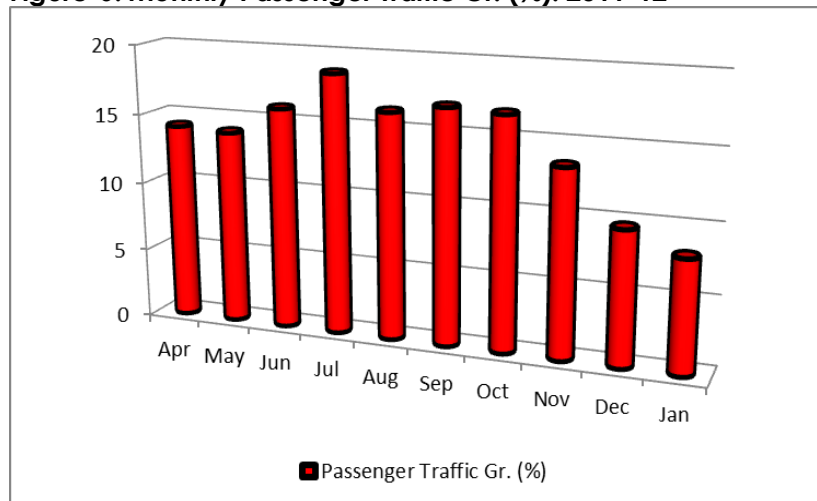


2.5 Naphtha: Naphtha recorded growth of 6.9% in February and 4.7% on cumulative basis for the period Apr-Feb. Sector-wise analysis reveals that growth has come mainly from Petrochemical sector both for the current month and

cumulative period (Apr-Feb). IOC – Petrochem. Panipat plant alone has added over 600 TMT volumes to consumption this year. Naphtha imports by major private importers are also up this fiscal by over 5%.

2.6 ATF: Single digit growth in ATF appears here to stay as third month in a row ATF consumption growth was below two digits and was at 9% in February 2012. Slow down in aviation sector is evident from the passenger traffic growth figures as given in Figure-6 below:

Figure-6: Monthly Passenger Traffic Gr. (%): 2011-12



With aviation industry going through difficult times including curtailment and cancellation of several flights by one of the airlines, moderation in growth in ATF may continue in the near future.

2.1.8 Bitumen: Despite significant increase in consumption volume compared to previous months, Bitumen recorded small negative growth of -1.4% in February as predicted by PPAC in its report. Since February weather was also colder than usual, it slowed down road construction work. As reported last month, at some places road activity was affected for requirement of minimum ambient temperature laid down by NHAI for maintaining quality of road constructed.

2.1.9 FO/LSHS: There is consistent negative growth in FO/LSHS consumption as it further dipped to -17.3% in January due to use of alternative fuels. The negative growth in FO/LSHS is expected to continue as long as FO price in international markets remain higher than domestic price of HSD.

2.1.10 PetCoke: PetCoke recorded very high growth of 48.9% in February 2012 boosted by higher Imports reported by private parties. Cumulative growth is equally high at 25.6% for Apr-Feb. period, which is in line with PPAC projections of high PetCoke consumption growth in 2011-12.

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