

Industry Sales Review Report

January 2012



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
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1. 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 January 2012.

PPAC has since finalized revised estimates of demand for 2011-12, which are as under:

Product	Quantity	Estimated Gr. (%)
	(MMT)	
HSD	63.99	6.5
LPG	15.66	9.3
MS	15.01	5.7
SKO	8.28	-7.3
Naphtha	10.76	0.8
ATF	5.55	9.2
LDO	0.45	-2.0
FO/LSHS	9.52	-11.8
Lubes / Greases	2.32	-4.7
Bitumen	4.63	2.1
Pet Coke	5.98	20.1
Others	4.92	7.7
All Products	147.06	4.3
Apr-Jan (2011-12) All Products Gr. (%)*		4.5

*Provisional

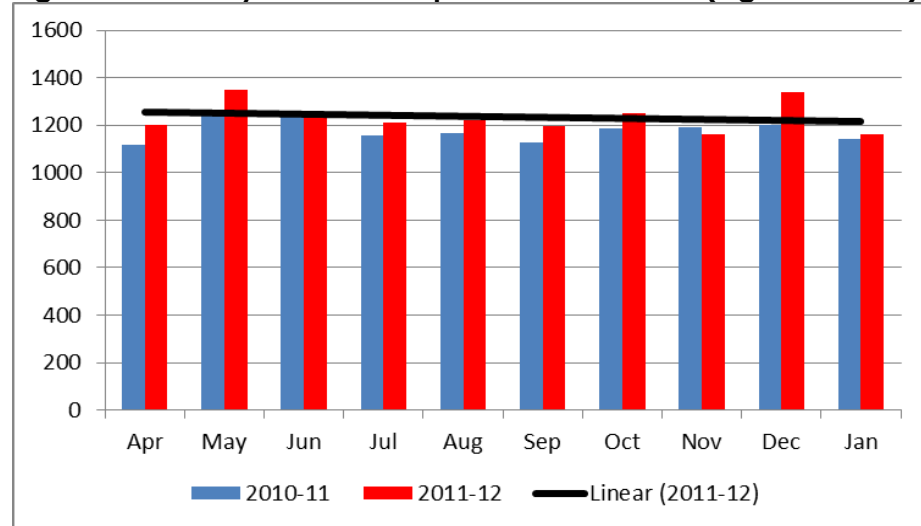
2 CONSUMPTION:

2.1 All Products: January 2012 was a low growth month with all products growth at only 2.3%. However, cumulative growth for Apr-Jan. (2011-12) remains robust and closer to revised estimates at 4.5%. Current month's low growth was influenced by negative growth in Naphtha, SKO, LDO, FO/LSHS, Bitumen and low growth in LPG, MS and Pet Coke. Data on direct private imports received from DGCIS, which are added to the final sales reported by companies, are available up to May 2011 only. 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 January 2012 is given in the following sections.

2.2 Petrol / Motor Spirit (MS): The month ended with very low growth of just 2%. However, looking at the growth figure of Jan 2012 in isolation would be

misleading. We had brought out the impact of inventory management by dealers in our last month analysis. In that context, it would be more realistic to analyze the growth figures based on past few months' data to normalize fluctuations due to unnatural factors. Accordingly, data analysis of last four months' MS consumption shows that during Oct 2011 – Jan 2012 period MS growth was normal at 4.1% and closer in trend with cumulative growth of 4.8% (Apr-Jan: 2011-12). Figure-1 below giving monthly MS consumption volumes brings this out:

Figure-1: Monthly MS Consumption Trend (Figures in TMT)



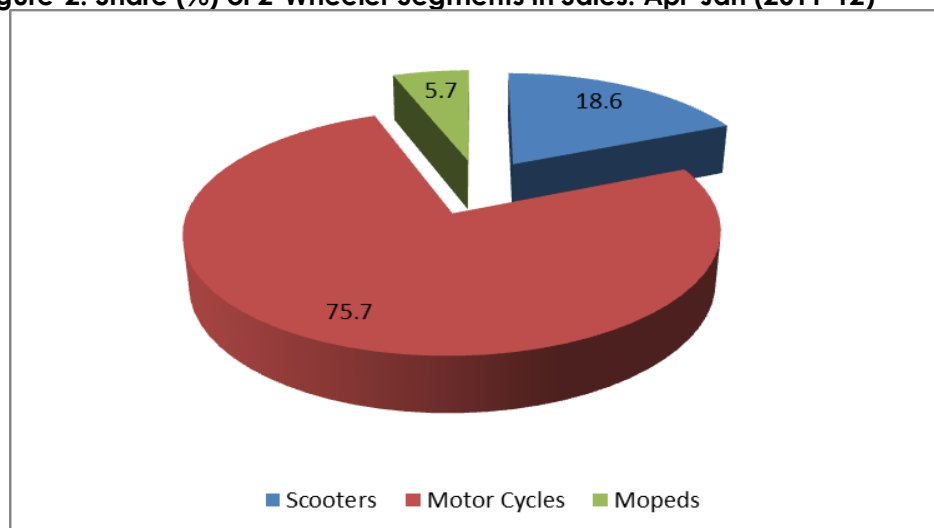
The trend line for 2011-12 (Black line) indicates slowly declining volumes in MS consumption due to high price and poor passenger vehicle sales growth in the recent times.

Other factors impacting consumption of MS are discussed below:

- Severe winter across the country adversely affected MS consumption as more people remained indoors.
- Some carry over impact of high inventories with dealers in previous months.
- As is known MS consumption had a dream run in the last four years growing at 11.3%, 9%, 13.9% and 10.7% respectively from 2007-08 to 2010-11. This has created high base, which is only adding to the lower growth this year.
- While January sales of car are positive at 6.3% growth, the cumulative growth is still negative at -1.6% (Apr-Jan: 2011-12). The indications are that the year may end on negative growth for car sales. However, Passenger Vehicles (PV) sales recorded better growth at 7.7% due to higher growth in Utility Vehicles (12.2%) as these are mostly diesel driven.
- We had commented in previous report that lower car sales has benefitted 2-wheelers segment, which is recording robust sales this year. This trend continued in January too with 2-Ws recording sales of 1.1 million units and 13.6% growth. Over the years 2-W sales trend shows increased preference for motor cycle segment over scooters. Though this trend still remains intact, scooter sales have surprisingly shown higher growth this year

(21.8%) compared to motor cycles (13.6%) during Apr-January period. Figure-2 gives share of different segments of 2-Ws in this year's sales:

Figure-2: Share (%) of 2-Wheeler Segments in Sales: Apr-Jan (2011-12)



2.3 HSD: Diesel recorded robust growth of 7.6% in January 2012. A disturbing trend noticed from detailed analysis of data for Apr-Jan (2011-12) period is that over 68% of the overall growth in petroleum products is contributed by diesel alone. This is one more indicator of dieselization of the economy. This trend is likely to continue with diesel price remaining lower in comparison to other competing fuels. Factors affecting diesel consumption in January 2012 are analyzed below:

- a) One of the regular reasons for higher HSD growth is sharp difference in price of MS and HSD leading to preference for diesel vehicles. This would persist till price difference is significantly reduced. Study of sales of Utility Vehicles, which are diesel run, of popular models of some manufacturers show upswing in sales growth in last few months as can be seen in Table-1 below:

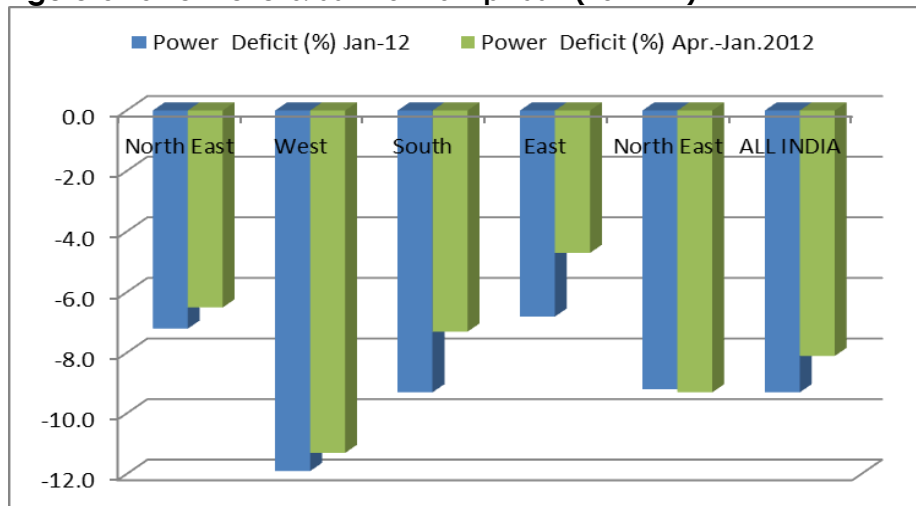
Table-1

MONTH-WISE SALES GROWTH (%)			
MONTH	Model-1	Model-2	Model-3
May`11	-32.0	27.0	2.8
Jun`11	2.5	17.1	11.2
Jul`11	0.0	36.9	24.5
Aug`11	1.5	10.1	5.5
Sep`11	16.0	19.0	-0.8
Oct`11	-24.5	12.1	2.1
Nov.`11	20.5	42.2	48.9
Dec`11	23.1	23.0	22.9
Jan`12	28.6	7.3	21.7

Note: The names of manufacturers & models have been intentionally withheld

b) There is no respite from growing power deficit, which is adding to diesel consumption. Power situation is consistently deteriorating and January was no different as all India deficit increased to -9.3% this month from -7.9% in corresponding month of last year. While all regions are reeling under power deficit, Western Region was the worst affected with -11.9% power deficit. Region-wise M-o-M position is given in Figure-3 below:

Figure-3 Power Deficits: Jan 2012 & Apr-Jan (2011-12)



- c) States with double digit deficit are U.P., Madhya Pradesh, Maharashtra, Karnataka, Tamilnadu, Andhra Pradesh, Bihar and Meghalaya. As per reports from CEA, the coal stocks at SIKKA REP. TPS (GJ), SANJAY GANDHI TPS (MP), BHUSAWAL TPS (MH), KORADI TPS (MH) were critical (< 7 days) and at PARLI TPS (MH) were Super Critical (<4 days) as on 31 Jan 2012.
- d) Severe winter adversely affected road and civil construction activities.
- e) Commercial Vehicles (CV) sales growth continues to be robust at 15% in January. In the given uninspiring economic scenario continuing good growth of CVs (Apr-Jan. Growth: 20.1%) is little baffling and required further probing. Discussions with field officers in Punjab brought out information that in the recent months overloading of trucks has significantly come down due to effective checking by transport authorities in some states. In other words, same load of goods is being now carried by more number of trucks. This may be one of the reasons for higher growth in CV sales.
- f) As reported in detail in our previous report, FO consumption is getting substituted by alternate fuels including diesel and gas etc. This is substantiated by consistent negative growth in FO month after month (-17.3% in Jan 2012).
- g) The impact of Thane cyclone in south continued in January too.
- h) Mining activity and iron ore exports slowing down in AP & Karnataka states as per court orders and political imbroglio in both the states.

2.4 LPG: LPG recorded low growth of 3.3% in January 2012. The growth is low in all regions except Eastern region with South recording marginal negative growth of -0.6%. As per reports, Southern Region bulk LPG transport operators association went on strike from 13/1/2012 to 19/1/2012. More than 60% of the bottling plants in the Southern Region and Goa ran out of stock of refill cylinders.

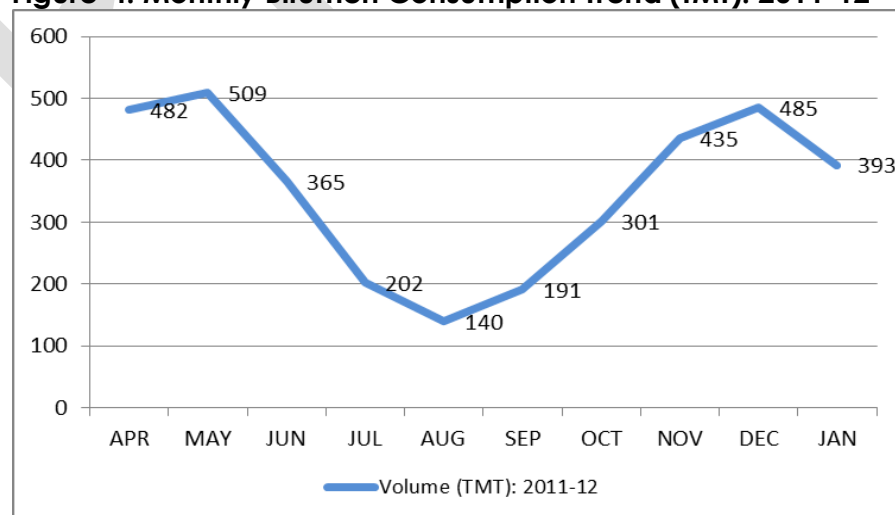
As per information received 34.6% of domestic and 55% of non-domestic LPG connections released all India were for southern region.

2.5 Naphtha: Naphtha recorded negative growth of -3.5% in January, second month in a row. The negative growth in Power sector and lower direct imports by major private parties in January 2012 contributed to this.

2.6 ATF: Second month in a row ATF consumption growth was moderate at 7.7% in January 2012. However, cumulative growth still remains in double digit at 10.1% (Apr-Jan). PPAC has projected a growth of 9.2% for ATF in 2011-12. The growth may moderate a little more in the remaining two months of the year to come down below 10% mark due to high base impact.

2.1.8 Bitumen: The rising Bitumen consumption trend was halted in February, which recorded negative growth of -6.1%. This is mainly because of slowing down of road construction work due to severe winter across country. It is understood from regional coordinators that at some places road activity were halted due to severe winter as there is requirement of minimum ambient temperature laid down by NHAI for maintaining quality of road constructed. Since winter has extended to February also Bitumen consumption this year may be less than estimated. Figure-4 below gives monthly Bitumen consumption trend in 2011-12:

Figure-4: Monthly Bitumen Consumption Trend (TMT): 2011-12



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.

2.1.9 PetCoke: PetCoke recorded minor growth of 0.8% in January 2011. This is not because of lower consumption but due to unusually high base of January 2011. Cumulative growth remains high at 22.6% for Apr-Jan, which is in line with PPAC projections of 20.1% growth as per revised demand estimates for PetCoke for 2011-12.

2.2 General: PPAC has commissioned an '**All India Study on Sectoral Demand for Diesel & Petrol**' in association with OMCs. The study would be conducted in four quarters to take in to account seasonal impact on Diesel consumption pattern. The main objective of the study is to estimate percentage share of sectors / segments in Diesel & Petrol sold through retail outlets. The field survey for the study for the first round started from January end and will cover 16 states, 150 districts and 2000 retail outlets.

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