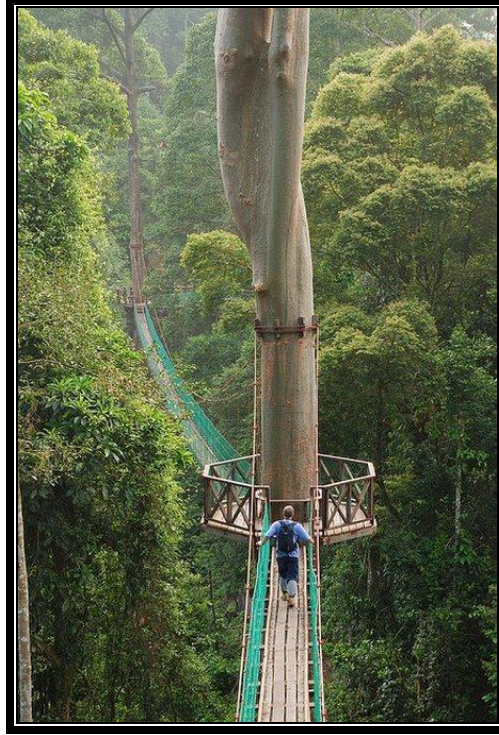


# *Industry Sales Review Report*

*December 2011*



**पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ**  
पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय, भारत सरकार  
**Petroleum Planning & Analysis Cell**  
Ministry of Petroleum & Natural Gas, Govt. of India

1. Data on product-wise consumption of petroleum products is uploaded on PPAC website. This Report attempts to analyse the trend of consumption of petroleum products in the country during the month of December 2011.

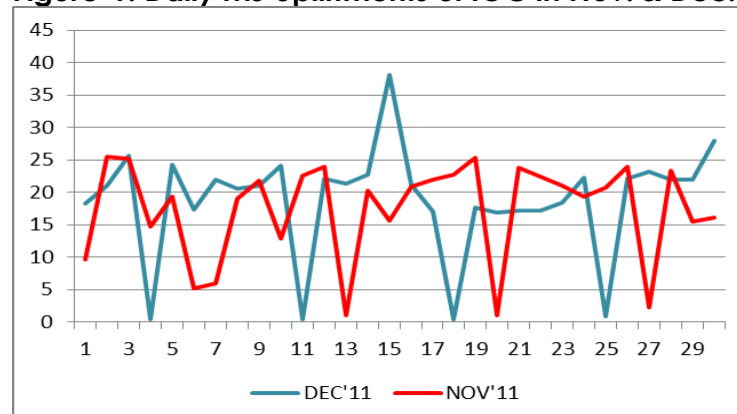
## 2 CONSUMPTION:

**2.1 All Products:** After experiencing high growth in November, growth came down in December, 2011 to the more familiar territory in recent times clocking a growth of 2.3%. The low growth was influenced mainly by negative growth in Naphtha, SKO, LDO, FO/LSHS & 'Others'. Data on direct private imports received from DGCIS, which are added to the final sales data reported by companies, are available now up to May 2011. 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. Detailed product-wise analysis of consumption in December 2011 is given in the following sections.

**2.2 Petrol / Motor Spirit (MS):** In November MS growth slipped in to the negative zone due mainly to expectation of reduction in price. That has been more or less made up with high growth of 11.6% in December as the dealers' inventories came back to normal levels. The cumulative growth remains moderate at 5.1% for April-Dec 2011 period, which is on expected lines. In view of the pessimistic economic perceptions and persistent high retail prices the current trend of MS consumption is expected to continue in the near future. Major factors impacting consumption of MS are discussed below:

- a) AS predicted in last report MS sales were better in December as dealers, who had kept their inventories very low in November, brought back their inventories to normal levels giving extra push to sales in December. We have talked in the past also about impact of inventory management by dealers on consumption growth. Figure-1 below analyses this in detail on the basis of daily MS sales of IOC in November & December, to bring out the impact of inventory management by dealers:

**Figure-1: Daily MS Upliftments of IOC in Nov. & Dec.**



Data Source: IOC Panning - HO

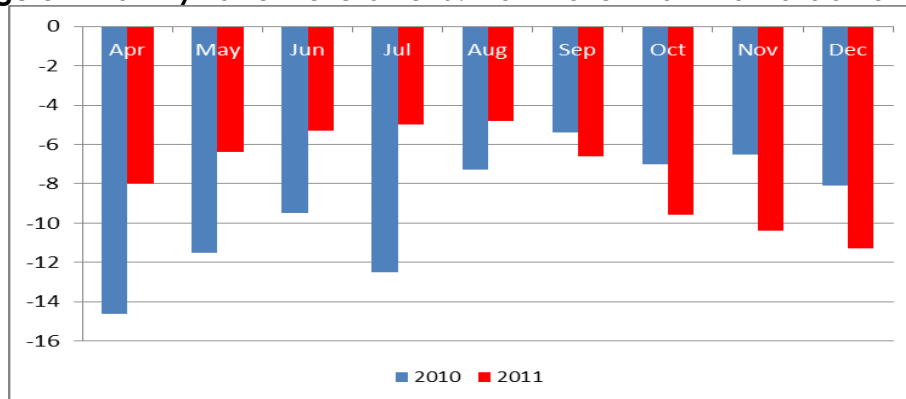
As can be seen in the chart above, daily upliftments were generally lower in November compared to December. There were two price reductions in November, which prompted dealers to keep inventories low to avoid adventitious losses. As per information collected, during November IOC average daily upliftments by dealers were lower by about 1.4 TMTs/day compared to December for no apparent reason except price reduction expectations. IOC accounts for about 45% of market share in MS sales. A rough calculation indicates that on industry basis November upliftments were lower by about 95–100 TMTs or about 8% of average sales due to inventory management by dealers. This is a peculiar situation because OMCs and Govt. both lose revenue in either of the situations i.e. when there is anticipation of price increase or price decrease. In price increase situations dealers uplift more than normal quantity leading to less realization of money to the extent of higher upliftments and same is the case when there are price reduction anticipations. One way to avoid unusual upliftments pattern is to make price revision dates not fixed as is the practice now.

- b) The expectations of price increase in December, which finally did not materialize, also pushed up upliftments by dealers
- c) On the back of year-end discounts, Passenger Vehicles (PV) sales growth was positive at 7% led by Utility Vehicle (UV) growth of 19% in December. Multipurpose Vehicles recorded negative growth.
- d) It is felt that slow down in car sales has benefitted 2-wheelers segment, which is consistently recording million plus units' sales this year. However, the growth was moderate at 8.5% in December due to high base. The high sales trend in 2-wheeler segment indicates that due to unfavorable economic conditions those wanting to upgrade to four wheelers have postponed their decision helping 2-wheeler sales.

**2.3 HSD:** Diesel growth of 6% in December 2011 was moderate and slightly below trend so far. The cumulative growth for April-Dec. 2011 period is robust at 7.1%. Factors impacting diesel consumption in December 2011 are analyzed below:

- a) One of the reasons for very high growth last month (November) is quite peculiar. Many of the dealers who had indented for MS supply reported to have converted their indents to HSD in the last week of the month on learning of proposed reduction in MS price. This gave unusual push to HSD sales. As a result dealers ended up with higher than normal inventories, which were normalized in December; hence, HSD sales this month are moderate.
- b) Power situation is consistently deteriorating and thus boosting HSD consumption for use in Gensets. December was the worst month in the current financial year in terms of power deficit, which stood at -11.3%. as can be seen from Figure-2 below:

**Figure-2 Monthly Power Deficits Trend: Month-over-Month for 2010 & 2011**



Western and Southern regions are worst affected with high power deficit of -14.8 and -11.5% respectively. Power availability position was particularly bad in major states like Madhya Pradesh, Maharashtra, Karnataka, Tamilnadu and Andhra Pradesh. As reported earlier, coal availability constraint is also affecting power production. It is learnt that as against monthly target of 40.60 MT in September, 2011 and 47.08 MT in October, 2011, the coal production was 29.84 MT and 39.89 MT respectively. There was, therefore, a shortfall of 10.76 MT during September, 2011 and 7.19 MT during October. As per reports excessive rains in September and strike by coal workers also affected coal production. Another reason for power shortage reported is lower generation by some plants due to payment issues with State Electricity Boards.

- c) As per reports there was good demand from agriculture sector.
- d) Commercial Vehicles (CV) sales growth has been robust throughout the current year and was 17% in December, adding to HSD consumption.
- e) Due to price advantage FO consumption is getting substituted by diesel. The data on price collected supports this contention as can be seen from Table -1 below:

**Table-1**

Period / Fortnight	FO (Rs./MT)	HSD (Rs./MT) (Adjusted for Calorific Value)	HSD (Rs./MT)
Oct FN I	46083	45595	48303
Oct FN II	47833	45595	48303
Nov FN I	50292	45595	48303
Nov FN II	51553	45595	48303
Dec FN I	52944	45595	48303
Dec FN II	53098	45595	48303

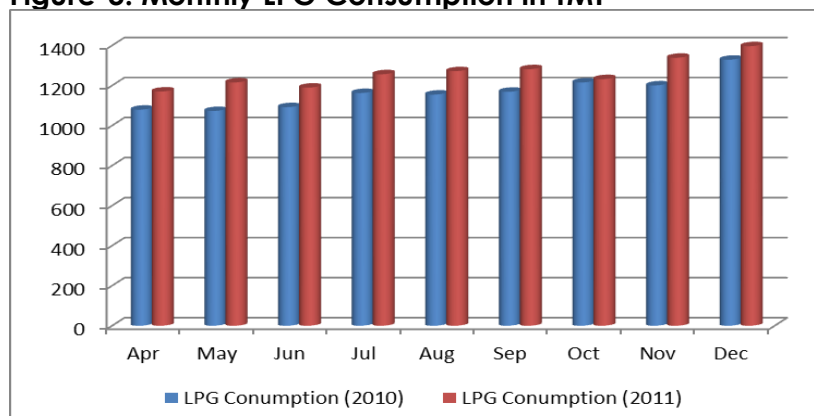
Source: Essar Oil Ltd. (The above assumes calorific value of HSD at 10,700 kcal/kg, and FO at 10,100 kcal/kg.)

The price of HSD in domestic market is lower than FO despite being a superior product, hence, preference for using HSD in place of FO by industry wherever technically possible.

- f) Other factors impacting HSD consumption, inter-alia, include the following:
- i. For four days beginning 28<sup>th</sup> December, cyclone 'Thane' left a devastating trail when it hit coastal areas near Cuddalore. Wind velocity of nearly 150 kms/ hour was experienced.
  - ii. Due to cyclone most of the roads towards Puducherry, Cuddalore and Villupuram were cut off resulting in public suffering. Most of the areas were without power for 3 to 4 days and industry was operating on DG sets. Owing to heavy rains, routine works of Karaikal Port, Pondy, Cuddalore and Pudukottai were affected. Fishing was affected in Rameswaram and Tuticorin in view of rough sea on account of 'Thane' cyclone.
  - iii. Analysis of sector-wise HSD consumption shows higher upliftments by 40 TMT by Railways and STUs in December.
  - iv. Due to Mullaiperiyar dam row Tamil Nadu state buses to Kerala cancelled its services on 19.12.2011. Commercial activity was adversely affected due to traders' strike and inter-state traffic blockade. Movement of goods and services got blocked and tourist travel from Kerala and Tamilnadu during winter vacation was to the minimum.
  - v. The issue created law and order problem throughout Tamil Nadu as there were disturbances in the form of widespread agitations, road blockades, observance of strikes, traders downing shutters.

**2.4 LPG:** LPG recorded growth of 5.1% in December 2011, which is lower than the trend this year. The growth is low in all regions except Eastern region. Low growth is not because of demand but due to base effect as last year December 2010 consumption was higher than normal. Consumption volume was normal this month too. Further analysis shows that very low growth (0.4%) in non-domestic sales also pulled down overall growth in December. Figure-3 below gives trend of LPG consumption since April 2010:

**Figure-3: Monthly LPG Consumption in TMT**



Release of new connections was at 10.98 lacs in December 2011 and 88.5 lacs cumulatively for April-Dec. 2011 period.

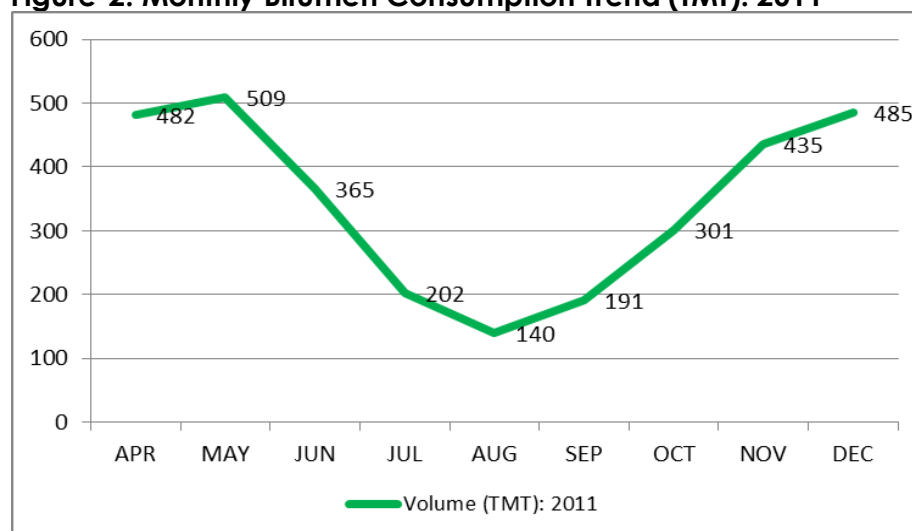
**2.5 Naphtha:** Naphtha recorded high negative growth of -20.8% in December 2011 with cumulative growth dropping to 4.6%. Factors impacting growth are:

- a) There is huge drop (214 TMT) in upliftments by Petrochemical sector. Haldia Petrochemical and RIL Jamnagar plants uplifted less quantity.
- b) Power sector has also recorded negative growth in Naphtha consumption this month led by lower upliftments by NTPC-Kayakulam in Kerala and PPN-Chennai.
- c) The imports by major private parties are higher by 144 TMT cumulatively this year but were at the same level in December.

**2.6 ATF:** After a long time ATF consumption growth moderated and was 6.7% in December 2011 against cumulative growth of 10.3% (Apr-Dec). As per press reports, aviation growth declined to single digit (8%) in December 2011 after a long time, which also appears to have affected ATF consumption. Since June 2011 there is negative growth in cargo traffic which reached -9.9% in November, however, passenger traffic is growing at double digit sustaining growth in ATF consumption at double digit.

**2.1.8 Bitumen:** on expected lines Bitumen consumption grew at a robust growth of 12.1% in December with cumulative growth inching up to 4.7% for Apr-Dec period. The uptrend in consumption is likely to continue. Apart from growth, volume of consumption is also showing consistent increase post monsoon withdrawal as can be seen from Figure-4 below, which is expected to grow further in last quarter of fiscal 2012:

**Figure-2: Monthly Bitumen Consumption Trend (TMT): 2011**



**2.1.9 FO/LSHS:** As predicted in last report, negative growth in FO/LSHS consumption continued in December 2011 also (-18.3%) due to use of alternative fuels. As discussed under HSD, FO is reported to be getting substituted by diesel

due to latter's price advantage. In fact, the negative growth in FO is expected to be high as long as FO price in international markets remain higher compared to domestic price of HSD. Since the gap in price between FO and HSD was higher during December, it appears the substitution volume has also increased. One of the corrective measures to stop unintended use of HSD would be to consistently align domestic price of HSD with FO to ensure that it always remains higher or at par with FO.

**2.1.9 PetCoke:** PetCoke recorded high growth of 31.9% in December 2011 and 25.1% cumulatively for Apr-Dec. This is on expected lines due to increased domestic availability of the product and low base of last year. IOC is the major contributor to PetCoke growth this year.

**Demand & Economic Studies Division, PPAC**