



Industry Sales Review Report

September 2011



Season's Greetings

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

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1. Data on product-wise consumption, import and export of petroleum products is being uploaded on PPAC website.
2. Comments on industry performance are given below:

2.1 CONSUMPTION:

2.1.1 All Products: September 2011 growth was robust at 6.1% led by good growth in LPG, Naphtha, ATF, HSD, Bitumen, PetCoke and moderate growth in MS and 'Others'. Product imports by oil PSUs are included in their sales. However, data on direct private import which are included in the consumption estimates are received from DGCIIS with a lag of few months. Hence, private imports data is projected.

At the beginning of the year, PPAC has made certain estimates of demand, i.e. OE for 2011-12. The actual demand in the H1 of the year is compared with projections to have an idea of robustness of PPAC projections, as indicated in Table-1:

Table-1 **(MMT)**

Item	H-1	H-2 (Est.*)	2011-12 Est.
Actual Consumption (Prov.)	71.8	75.1	146.9
Projected (OE)	72.5	75.8	148.3
Variation	-0.7	-0.7	-1.4
Projection Confidence (%)	99%	99.1%	99.1%

*H-1 & H-2 projection estimates are based on weighted average of 12 years data for H-1 & H-2 period

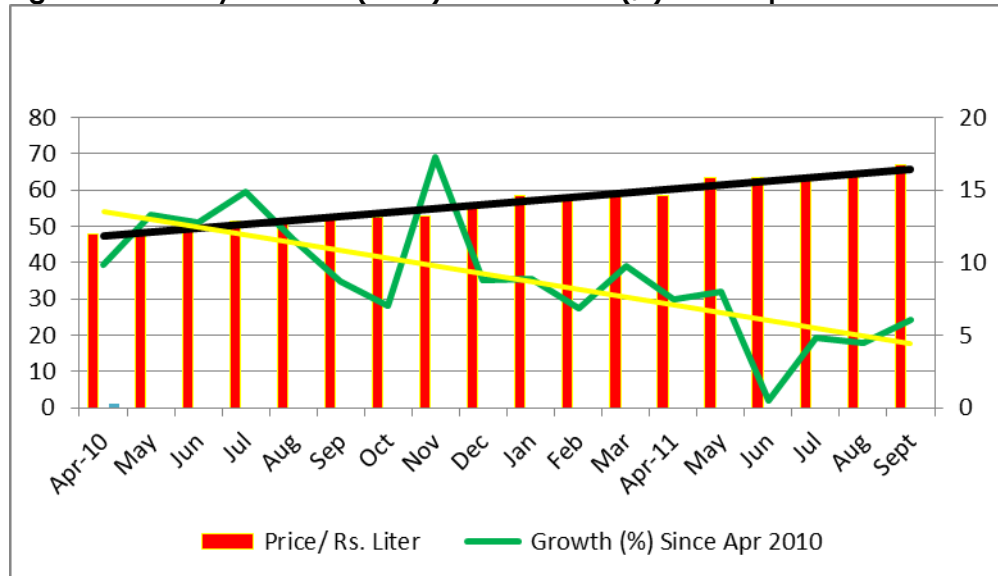
Actual consumption of petroleum products is rising at a lower rate than the projected level. This phenomenon is in line with the global trend. All leading international/Government agencies like EIA, IEA, OPEC, PIRA have been revising petroleum demand down every month during the year, because of sluggish economic growth and macro-economic concerns.

Detailed product-wise analysis of growth for September 2011 and cumulative period is given in the following sections.

2.1.3 Petrol / Motor Spirit (MS): In view of the approaching festival season MS growth on expected lines recovered a little and was 6.1% in September 2011. In view of Diwali falling in October, MS sales next month may also remain better than the trend so far. The factors impacting consumption of MS largely remain same in September also and are discussed below:

a) One of the major factors is MS retail selling price, which has increased by 39.5% in Delhi since April 2010. Figure-1 brings out the correlation between increasing price and falling growth of MS:

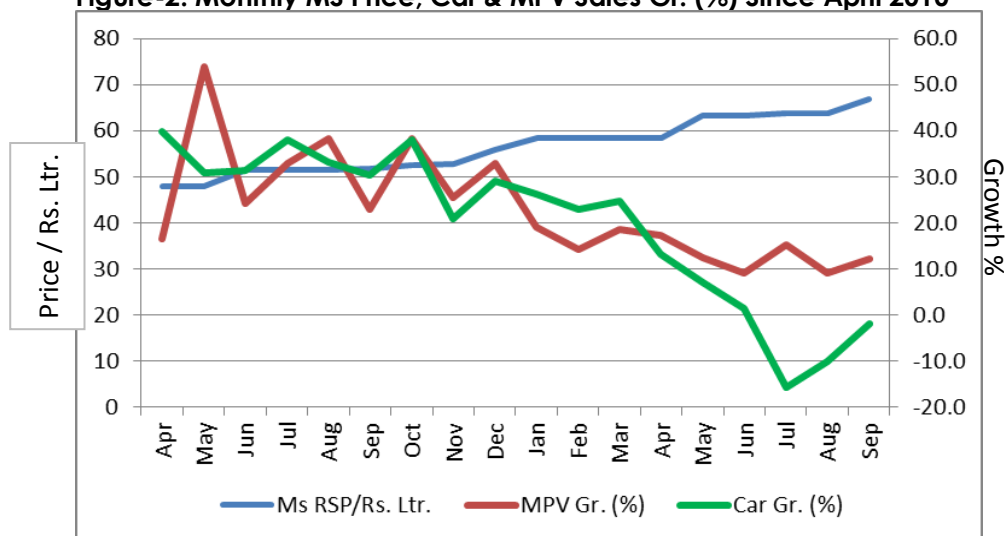
Figure-1: Monthly MS Price (Delhi) & MS Growth (%) Since April 2010



Note: (1) Very high growth sales in Nov 2010 was due to inventory build up by the dealers in expectations of price increase & Diwali falling in November (2) Impact of high base of two successive years & liquidation of inventory built up in previous month due to price increase resulted in unusually lower growth in June 2011

b) Though car sales recorded negative growth third month in a row, due to approaching festival season Passenger Vehicle (PV) sales, which include Utility and Multipurpose vehicles, was marginally positive at 1.2%. The increasing preference for diesel PVs is further reinforced by Figure-2 below:

Figure-2: Monthly MS Price, Car & MPV Sales Gr. (%) Since April 2010



The above chart shows that as the MS price (Delhi) is increasing, PV sales growth is declining. However, the decline in multipurpose vehicles sales,

which are mostly diesel driven, is much less and the gap in growth rates between car and MPVs has widened in the recent months. Up to March 2011, when MS price was below Rs. 60/liter, the growth rate of passenger vehicles remained neck-in-neck with or was sometimes higher than that of the MPV. After March 2011, while MPV sales growth has maintained a steady growth rate of 10%-15% that of PVs has declined sharply even to negative level.

- c) Two wheeler (2-W) sales growth was not only good at 22.7% in September but also achieved sales of 1.23 million units, the highest ever. It strengthens the belief that consumers who would have liked to switch over to four-wheeler are not doing so due to economic downturn and high inflation and high interest rates.
- d) State-wise analysis shows that five states recorded negative growth this month.

2.1.4 HSD: HSD recorded high growth of 9.8% in September 2011. The cumulative growth has climbed to 5.9%. Major factors impacting consumption are:

- a) It is reported in the industry circle that some amount of HSD could substitute FO due to price factor. In the global market the price of FO has remained below that of crude oil and much below that of Diesel. Globally, demand for FO is declining partly aided by the concerns for environment. We give below relevant data in Table-2, which indicates that high growth in HSD is also being aided by price factor:

Table-2 Price of FO & HSD in Delhi, 2011

				<i>Rs./MT</i>
Date	FO	HSD	HSD (Adj. for Calorific Value)	HSD demand Gr. (%)
01-Jan-11	37566	45678	43116	
16-Jan-11	38198	45678	43116	Jan (6.3%)
01-Feb-11	39544	45678	43116	
16-Feb-11	42413	45678	43116	Feb (5.8%)
01-Mar-11	45118	45678	43116	
16-Mar-11	46601	45678	43116	March (6%)
01-Apr-11	46889	45678	43116	
16-Apr-11	48317	45678	43116	Apr (1.4%)*
01-May-11	49004	45678	43116	
16-May-11	48812	45678	43116	May (10.7%)
01-Jun-11	47356	45678	43116	
16-Jun-11	48098	49755	46965	Jun (2.9%)**
01-Jul-11	47040	49501	46725	
16-Jul-11	47040	49501	46725	Jul (5.3%)
01-Aug-11	48290	49501	46725	
16-Aug-11	47603	49501	46725	Aug (6.4%)
01-Sep-11	47603	49501	46725	
16-Sep-11	49580	49501	46725	Sep (9.8%)

Source of price data: Essar Oil Ltd.

Note: *April saw highest reduction in power deficit M-o-M from 14.6% to 7.6%, which appears to have contributed to substantially reduced use of HSD in gensets

**June had two major factors for lower growth – power deficit reduction (5.3% from 9.5%) & very high base impact of the last two years

Since calorific value of diesel is higher than FO and it is a cleaner fuel, it makes economic sense for consumers to switch over to diesel from FO whenever price is favourable.

- b) Commercial Vehicles (CV) sales are consistently showing good performance and in September also growth was robust at 18.8% adding to HSD consumption.
- c) After a gap of several months power deficit increased month-on-month from 5.4% in September 2010 to 6.6% in the current month. There were reports that coal availability reached critical level in many of the power plants affecting power generation this month. Region-wise power deficit position and HSD growth for Sept. 2011 is give in Table-3 below:

Table-3: Region-wise Power Deficits & HSD Growth

Region	Power Deficit (%)		HSD Growth (%)
	Sept. 2010	Sept. 2011	Sept. 2011
NR	5.5	6.7	16.9
WR	7.8	8.3	12.2
SR	3.7	5.7	4.9
ER	3.1	4.2	-0.8
North East	10.1	8.6	15.9
All India Deficits	5.4	6.6	9.8

- d) Other inter-alia factors impacting HSD consumption are explained below:
 - i. Analysis of sector-wise HSD consumption shows reduced consumption by Power, Mining, Coal, and other Govt. sectors in September.
 - ii. As mentioned under MS, the increasing gap between MS and HSD retail price is leading to preference for diesel cars.
 - iii. Good rains in Southern Region and reduction in VAT by Kerala Government.
 - iv. Nine states recorded more than 15% growth in September.
 - v. Peaceful situation and record tourists arrivals in J&K has boosted HSD growth, which was quite high at 27.8% in September.

However, it is a bit early in the year to say whether Diesel demand has moved upward. More data in subsequent months would be required to draw an informed conclusion.

2.1.5 LPG: LPG recorded high growth of 10.0% in Sept 2011 also. Large numbers of new connections and DBCs have been released this year as indicated in Table 4:

Table-4 Release of LPG connections to customers, 2011-12

(In lakhs)	September 2011		Cumulative	
	CY	LY	CY	LY
New Connections	8.65	7.86	57.87	49.05
DBC's	4.06	3.44	28.71	23.09
Total	12.71	11.30	86.58	72.14

CY = Current Year, LY= Last Year

Unlike in the past the growth is driven by consumption of domestic LPG, which was 11.1% as compared with 2.1% for non-domestic LPG in September.

2.1.6 Naphtha: Naphtha recorded the highest growth of the year at 18% in September boosting cumulative growth to 3.8%. Factors affecting growth are:

- Private imports of Naphtha increased by 82 TMT during the month contributed mainly by Haldia Petrochemical plant.
- Power sector continues to lose sales of Naphtha due to substitution by gas. However, Petrochem and Fertilizer sectors have gained volume.
- IOC Panipat Petro-chemical plant consumption appears to have stabilized for the past three months.

2.1.7 ATF: Aviation sector is consistently performing well as compared with the slump in 2009-10, which is helping consistent high ATF growth (11.8% in September over the corresponding month of last year). This is expected to continue in the short term.

2.1.8 Bitumen: Bitumen consumption recorded growth of 11.2% in Sept 2011. However, volumes are still low due to monsoon. Now that monsoon has almost retreated, road construction work is expected to pick up and Bitumen consumption should start showing upward trend.

2.1.9 FO/LSHS: As reported under HSD, apart from other alternate fuels, substitution by HSD due to price considerations is also affecting consumption of FO/LSHS, which is showing major negative growth (-15.3% for Apr-Sept). The trend is expected to continue in the short term.

2.1.9 Minor Products (Others): 'Others' earlier included all small volume products including PetCoke. However, since PetCoke volumes started becoming significant after RIL started selling the product, PetCoke was taken out of the list of 'Others' and is listed separately now. PetCoke share has grown from 0.4% to 3.9% in the last one decade.

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