

# *Industry Performance Review Report*

*July 2011*



**पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ**  
पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय  
**Petroleum Planning & Analysis Cell**  
Ministry of Petroleum & Natural Gas

## Subject: Industry Performance Review Report of PPAC: July 2011

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:

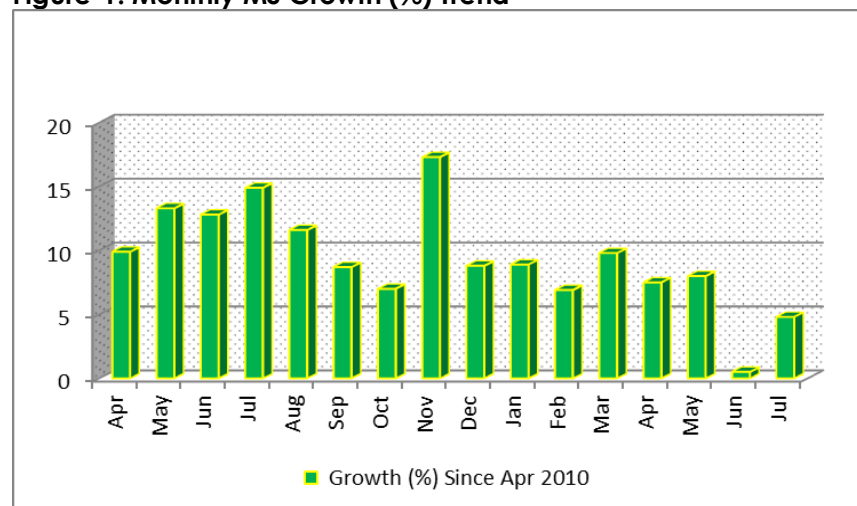
### 2.1 CONSUMPTION:

**2.1.1 All Products:** July 2011 growth returned to normal level of 3.2%. The main contributors to growth products like LPG, MS, HSD and PetCoke. Consumption figures, which include direct private import collected from DGCIS is available only up to July 2010 and is therefore, projected for the balance period based on preceding year's figures.

Detailed product-wise analysis of growth for July 2011 is given in the following sections.

**2.1.3 Petrol / Motor Spirit (MS):** Though MS consumption growth improved from 0.5% in June 2011 to 4.8% in July 2011, it is still quite moderate and also lower than the trend so far this year. Growth trend for the past eight months since December give clear indications that MS growth is likely to remain in single digit this year and is unlikely to reach high double digit levels of 2009-10 and first half of 2010-11. Month-on-Month (M-o-M) growth given in Figure-1 also supports this:

**Figure-1: Monthly MS Growth (%) Trend**

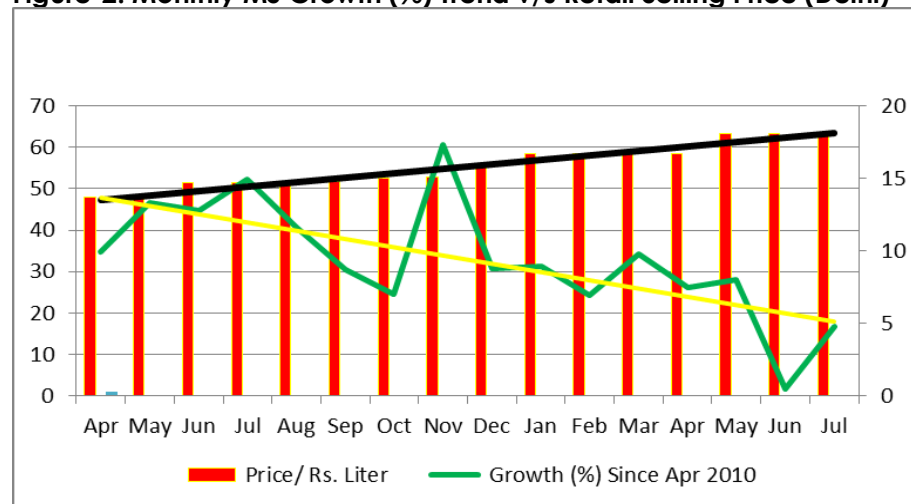


Factors impacting consumption of MS are:

- a) The price of MS has substantially increased since June 2010 after it was deregulated. With high inflation and significant increase in price of food items, consumer spend on fuel is getting squeezed. MS price again went up by 30 paise from July 1, 2011 due to increase in dealer commission. In the last one year (1.7.2010 to 1.7.2011) MS price in Delhi has gone up by approx. 24%. The correlation between MS price and declining growth

rate is reasonably well established especially after the price crossed a threshold level. It can be clearly observed from Figure-2 below:

**Figure-2: Monthly MS Growth (%) Trend v/s Retail Selling Price (Delhi)**



The above figure brings out that as the price trend (Trend line in Black) is showing upward movement, MS growth (Trendline in Yellow) is showing downward trend establishing the opposite correlation between the two.

- b) Car sales recorded negative growth (-15.8%) in July first time after a gap of 30 months. Despite double digit growth in Multipurpose and Utility vehicles, Passenger Vehicles (PV) sales growth was negative at -9.1% during July 2011. We had mentioned in our previous reports also that car sales would remain under pressure this year due to factors like higher interest rate to which is added additional factor of higher MS retail price.
- c) Though two wheeler (2-W) sales growth was robust at 12.6% in July the data analysis shows that it is gradually declining. One of the reasons could be higher base effect, which is likely to continue in near future. Sales of 2-W crossed million mark in July sixth month in a row.
- d) Though the volumes are not high North East is the fastest growing region in MS sales recording 12.1% growth in Apr-July.
- e) Other factors impacting performance include high base, fear of economic recession, rising input cost and expanding metro rail network in Delhi/NCR etc.

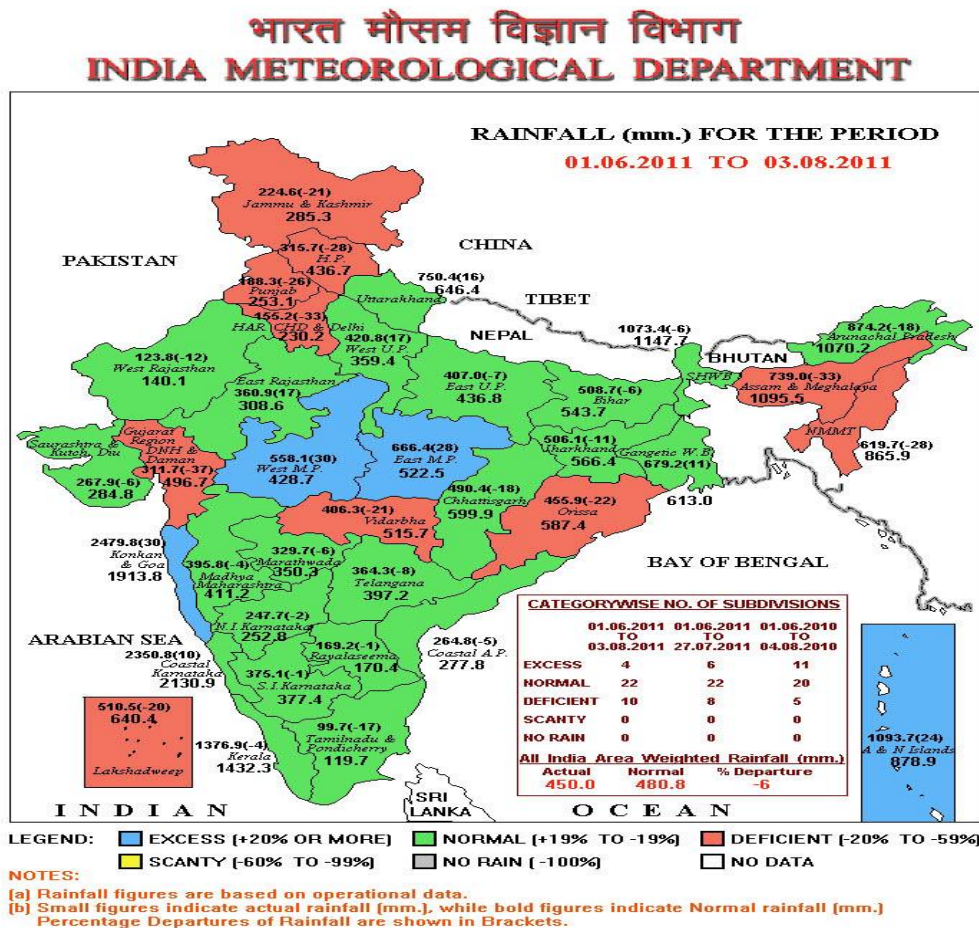
**2.1.4 HSD:** HSD recorded normal growth of 5.3% in July 2011. The cumulative growth at 5.1% is very much in line with PPAC estimates of 5% for 2011-12. Major factors affecting consumption are:

- a) Rain fall pattern during this monsoon up to 3.8.2011 indicates:
  - Deficient rainfall in up North region in J&K, Punjab, parts of Haryana, Himachal Pradesh, Chandigarh, eastern India in Odisha, Jharkhand, parts of Gujarat/Maharashtra in west and many North Eastern states.

- Normal rains in other Northern parts, Southern states, most of Maharashtra, Bihar, West Bengal etc. and
- Excess rains in central India covering M.P. and Konkan region in Maharashtra.

This above is reflected in IMD map of the country shown below in Figure-3:

Figure-3: Rainfall Pattern this monsoon up to August 3, 2011



Rain deficient areas in Maharashtra, Gujarat, North East and Odisha have recorded higher growth in HSD sales.

- Commercial Vehicles (CV) sales continued robust monthly growth trend, recording 24.8% growth in July 2011, highest monthly growth in last seven months.
- Price hike due to increase in dealer commission from 1.7.2011
- Among major states, Delhi, Gujarat, Maharashtra, Tamil Nadu and A.P. had a major cut in PDS Kerosene allocation during first-half of 2011-12. There are reports from Gujarat that reduction in PDS Kerosene allocation has had positive impact on HSD consumption. PPAC would monitor the above in the coming months to gauge impact of reduction in SKO allocation on diesel consumption.

e) During July also there was significant improvement in power availability. On all India level power deficits declined to 6.2% in Apr-July 2011 against 13.8% in the corresponding month of last year, which is a significant improvement. This is reflected in low growth of HSD in Apr-July 2011 as any improvement in power availability reduces use of HSD in gensets. Region-wise power deficit position and HSD growth is give in Table-1 below:

**Table-1: Region-wise Power Deficits & HSD Growth**

Region	Power Deficit (%)		HSD Gr. (%)
	Apr-Jul 10	Apr-Jul 11	Apr-July 2011
NR	-8.8	-4.3	1.4
WR	-18.8	-9.8	11.0
SR	-9.8	-5.2	5.4
ER	-8.4	-3.7	4.2
North East	-16.0	-9.6	14.8
ALL INDIA	-13.8	-6.2	5.1

f) Other factors impacting HSD consumption include:

- i. Reduction in VAT in Goa and Maharashtra by 2% and by 25 paise in Punjab.
- ii. Supreme court suspends Mining operation in 10868 hectares of land in Bellary Dist. of Karnataka State due to over exploitation of the area that caused large scale environmental degradation (BL, 30/07/2011).
- iii. Rail freight traffic up by 7.4% at 79.66 MT for the month Jul-11 and cumulatively it has increased to 7.1% by carrying out 313.32 MT for the period Apr-Jul-2011 (BL, 10/8/2011).
- iv. Exports grow by 46.4% to \$29.2 billion and Import grows by 42.5% to \$ 36.9 billion for the month of July 2011 (Hindu, 2/8/2011)
- v. Situation in J&K largely remained peaceful during the month as a result Tourist season gathered momentum.

**2.1.5 LPG:** LPG recorded normal growth of 6.2% in July 2011. Expansion to rural areas and release of large number of connections is generating consumption growth in LPG. About 10.8 lac new connections were released during July 2011 of which 46.9% were in rural area. Cumulatively 39 lacs new connections have been released this year.

**2.1.6 Naphtha:** Naphtha recorded negative growth (-5.2%) in July. Cumulatively, it is still showing positive growth of 1.9%, which is much below the expected levels. Factors affecting growth are:

- a) All sectors, except Fertilizer, such as Power, Petrochem, and Steel recorded lower consumption of Naphtha in July 2011.
- b) While IOC Panipat Petro-chemical plant consumption improved to normal levels, imports by major consumers of Naphtha like RIL, HPL & MCFL were lower by 26% during July 2011.

**2.1.7 ATF:** There is no change in performance by aviation sector and ATF consumption continued to be robust with growth of 12.2% in July over the corresponding month of last year. This is expected to continue in the short term.

**2.1.8 Bitumen:** Bitumen consumption in July remained low due to onset of monsoon. However, due to lower base it has shown a growth of 4.1% this month. While the consumption levels are expected to remain low in August too, similar growth may happen due to low base in August also.

**2.1.9 FO/LSHS:** As reported in June report of PPAC, with price increase in HSD late June 2011, substitution of FO with HSD on expected lines came down and improved sales in July. However, it still recorded negative growth of -9.3%, which though is much lower than negative growth of -18.9% in June.

Due to use of alternate fuels negative growth in FO/LSHS is expected to continue in near future. One of the reported alternate fuels in Eastern Region is Producer Gas, which consists of Carbon monoxide + Hydrogen and is produced by passing steam over coal.

As per information provided by the industry, operating economics for producer gas is much cheaper than use of Furnace Oil. Initial investment for installation of the furnace with producer gas is Rs. 1 crore and for a medium size steel re-rolling mill hitherto using monthly 200 KL of FO, the payback period is just one year. It is reported that around 5-6 major steel re-rolling mills have converted from FO to Producer Gas in the east. Hence, similar thing happening in other regions is not ruled out as all regions have recorded negative growth in FO/LSHS.

#### **2.1.10 General:**

- a) Auto LPG VAT rate in Tamil Nadu were revised from 12.5% to 14.5% eff. 12/07/2011, however, there was no change in the RSP.
- b) Telangana Bandh was observed on 22/07/2011 in 10 districts of A.P. and all petrol pumps /commercial establishments remained closed on that day. (BL, 23/7/2011).

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