

Industry Performance Review Report

May 2011



Analysis • Knowledge • Information

Petroleum Planning & Analysis Cell
(Ministry of Petroleum & Natural Gas)
New Delhi

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Subject: Industry Performance Review Report of PPAC: May 2011

We are pleased to forward herewith monthly Industry Performance Report of PPAC for the month of May 2011.

2 This issues with the approval of Director, PPAC.

Thanking you,



Vijay Sethi
Additional Director
(Demand & Economic Studies)

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Subject: Industry Performance Review Report of PPAC: May 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: Overall POL consumption growth for May 2011 was 5% and for April-May 2011, 4.7% over the corresponding period of the previous year. This compares well with the PPAC estimate of 4.6% growth for the year 2011-12. Major contribution to growth in the month under review has come from LPG, MS, ATF, 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 one year's figures.

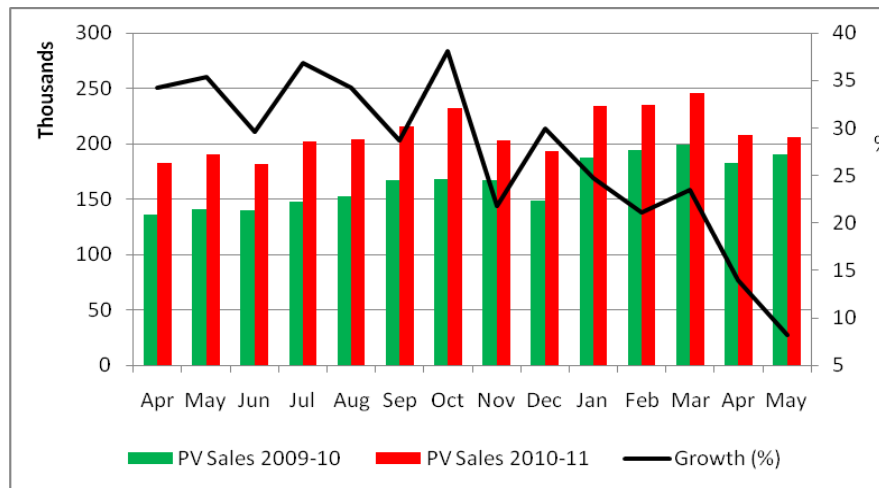
Detailed product-wise analysis of growth for April 2011 is given in the following sections.

2.1.3 Petrol / Motor Spirit (MS): MS consumption growth has now more or less stabilized below double digit mark and was again moderate at 8% in May 2011 also.

Factors impacting consumption of MS are:

- a) The impact of rising MS retail price is quite visible in the consumption trend now. Recent price hike of Rs.5/- liter on 14th May 2011 is expected to further impact consumption in coming months. High food inflation is impacting family budgets and leaving less money for other expenditure including spending on fuel.
- b) Anticipation of price increase in MS drove the dealers to maintain high inventories which resulted in higher sales by OMCs to dealers.
- c) The sales growth in both Passenger Vehicles (PVs) and 2-wheelers has considerably moderated and is likely to remain so as per SIAM projections. The May growth was just 8.2% for PVs and 14.5% for 2-wheelers, as against 33% sales growth for PVs in the first-half of 2010-11. It seems higher petrol prices in the domestic market have begun to impact sales of passenger vehicles.

Figure-1 gives monthly growth trend of PV sales from April 2010 to appreciate the above.



d) Taking in to account the rising fuel price, hardening interest rates (RBI has again raised interest rates in June 2011), high inflation and moderating passenger vehicle sales growth, PPAC has kept MS growth projection at 7% in its original estimates for 2011-12 (since submitted to the Ministry).

2.1.4 HSD: HSD recorded unusually high growth of 10.94% in May 2011, which is highest monthly growth in the last 12 months. Major factors affecting consumption are:

- a) There was constant speculation throughout the month on price increase of diesel. This prompted dealers to keep inventories high, which in turn resulted in higher sales by OMCs.
- b) High prices in international market have pushed up FO prices above diesel price in the domestic market. In May FO price in Mumbai was Rs.1.33 / liter higher than HSD. Apart from price differential diesel is also a superior fuel in terms of calorific value and therefore, preferred over FO. Since diesel price is not aligned with international prices, substitution of FO with HSD has been reported, which is fully corroborated in high diesel growth and huge negative growth (-23.1%) in FO/LSHS consumption in May 2011.
- c) Though Commercial Vehicles (CV) sales somewhat recovered somewhat in May, the same are still nowhere near their height during Dec 2010 to March 2011. CV growth was moderate at 15.9% in May 2011.
- d) Improvement in all India power availability in May 2011 was significant as all India power deficit in the country came down from high 11.5% in May 2010 to just 6.4% in May 2011. Region-wise power deficit position and HSD growth is give in Table-1 below:

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

Month	Power Deficit (%)	
	May 2011	May 2010
North	3.6	10.9
East	4.0	5.7
West	10.9	17.2
South	4.7	7.1
North East	11.3	12.7
All India	6.4	11.5

As can be seen from the table above reduction in power deficit this month in North and West was quite remarkable.

- e) Other factors affecting diesel growth were demand from agriculture sector due to harvesting, removal of restriction on plying of vehicles during elections due to security reasons both in Tamil Nadu and West Bengal, two major states that went to polls.

2.1.5 LPG: LPG recorded highest monthly growth in more than year at 12.8% in May 2011. The possibility of higher upliftments by dealers due to anticipation of price increase cannot be ruled out. Expansion to rural areas and release of large number of connections (9.4 lacs in May & 18.4 lacs Apr-May) is also generating consumption growth in LPG.

2.1.6 Naphtha: Naphtha recorded negative growth of -2.8% in May after a lapse of six months. Factors affecting growth are:

- IOC Panipat Petro-chemical plant consumed lower quantity of Naphtha in May.
- Lower Naphtha imports in May by 59 TMT compared to corresponding month of previous year. Haldia Petrochemical has consumed substantially less Naphtha in May.
- Power sector also recorded lower consumption of Naphtha in May.

2.1.7 ATF: ATF continued its robust growth, which was 8.9% in May. However, high base of 11.8% growth in May last year affected growth in the current month. Aviation sector is witnessing growth in both passenger and cargo.

2.1.8 Bitumen: Bitumen consumption recorded minor negative growth of -1.5% in May. Since monsoon period has started, Bitumen consumption is likely to remain subdued as road construction work is substantially reduced during this period. However, outlook for Bitumen consumption remains optimistic in the medium term.

2.1.9 FO/LSHS: FO/LSHS recorded its highest monthly negative growth in May 2011 (-23.1%) in more than a year. The major reason for this is substitution of the

product by diesel, the price of which is lower by Rs.1.33/liter (Mumbai) now. Usually, diesel is priced higher than FO in the international market; however as diesel prices in the domestic market have been kept unchanged, despite increase in international market, the import parity price of FO has crossed the diesel price level in the domestic market.
