

# *Industry Performance Review Report*

*April 2011*



Analysis • Knowledge • Information

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

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

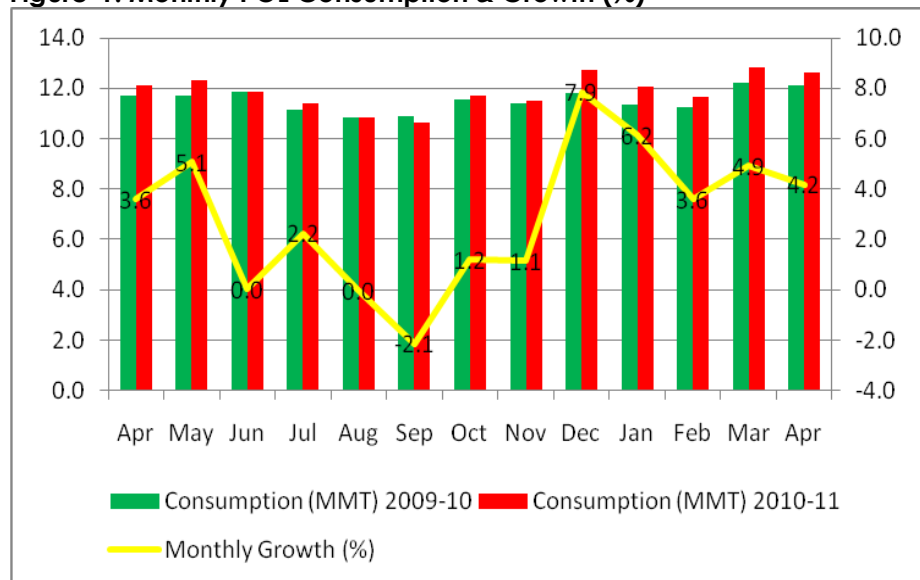
1. Data on product-wise consumption, import and export of petroleum products is being uploaded on PPAC website.
2. Comments on industry performance are given below:

### 2.1 CONSUMPTION:

**2.1.1 All Products:** The new financial year 2011-12 started with an overall consumption growth of 4.2% in April 2011. Except Bitumen and SKO, all other products recorded positive growth. 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.

We give in Figure-1 below comparison of monthly POL consumption and growth (%) in 13 months during 2009-10 and 2010-11:

**Figure-1: Monthly POL Consumption & Growth (%)**



It may be noted that the sales figures included in the consumption estimates are those of companies selling to their dealers and not dealers selling to the consumers, which is not available from companies. Therefore, offtakes of dealers from companies have been found to be inflated by imminent price revisions (to be announced) by companies / Government.

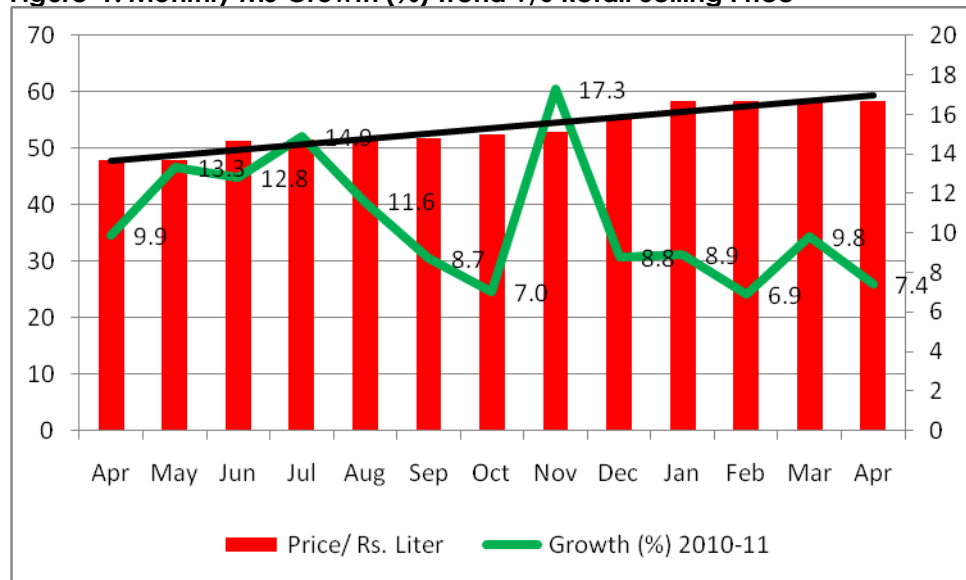
It would be observed from Figure-1 that growth in May 2010, December 2011 and January 2011 was higher due mainly to anticipation of price increase in MS/HSD in those months apart from other factors.

Lower growth during monsoon period was mainly due to low growth in HSD. Since Diesel accounts for over 40% of POL consumption it impacted overall growth also.

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 was below 10% mark fifth month in a row in April also and was moderate at 7.4%. The moderating trend in MS growth can be seen in the Figure-2 below, which gives last 13 months' data for MS growth vis-a-vis retail selling price in Delhi:

**Figure-1: Monthly MS Growth (%) Trend v/s Retail Selling Price**



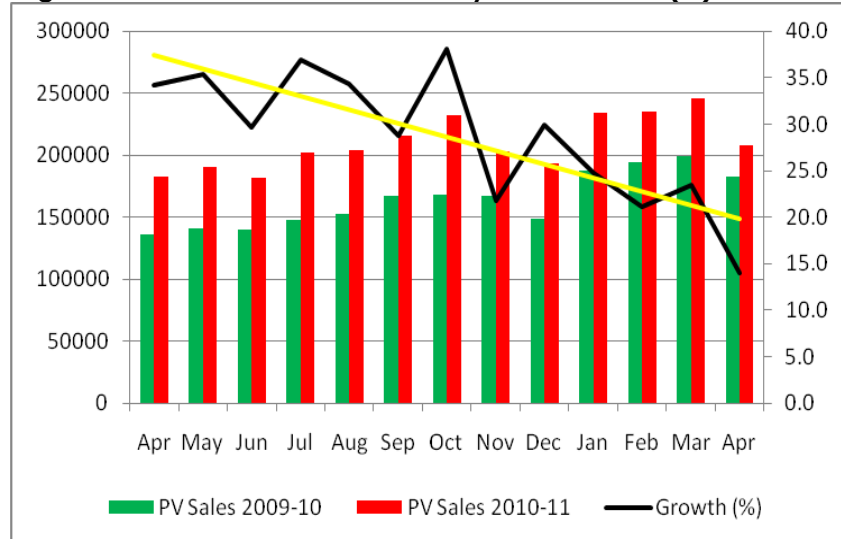
Factors impacting consumption of MS are:

- The impact of rising MS retail price is visible in Figure-2 as after November growth has remained below 10% against about 12% growth in first half of the year. Steep rise in growth figure in November is due to anticipation of price increase and resultant stocking by dealers.
- Since MS price has further gone up steeply in May 2011, its effect on consumption may be felt after couple of months when impact of high inventory with dealers in anticipation of price rise is fully worn off.
- We need to watch this trend for a longer period to have adequate view on impact of price revision on MS demand.
- Taking in to account the rising fuel price, hardening interest rates, high inflation and moderating passenger vehicle sales, PPAC has moderated MS growth projection to 9% in its initial estimates for 2011-12.
- As mentioned in our previous reports, Passenger Vehicles (PV) growth, which on expected lines has significantly moderated from over 29% in 2010-11 to 14% in April 2011. This is likely to affect MS consumption in the coming months also. Figure-3 below clearly brings out declining M-o-M growth trend of PVs.

f) However, two wheeler (2 W) growth continued to be robust at 22% in April though it is slightly lower than 2010-11 annual growth of 25.8%. April logged over a million units sales of 2-Ws.

Figure-3 gives monthly sales and growth (%) of Passenger Vehicles (PV) in the last 13 months:

**Figure-3: Trend of PVs & 2Ws Monthly Sales Growth (%)**



g) Other factors impacting performance include:

- i. It is learnt that during election period normally bigger vehicles are requisitioned for election duty in West Bengal as a result people refrain from taking out their vehicles thus negatively affecting consumption mainly of diesel and to some extent MS. However, due to high voltage election campaign this time even two wheelers were impounded on account of security reasons. Hence, MS sales growth in West Bengal was unusually poor at -1.9% in April.
- ii. Reduction in sales tax on MS by Tamil Nadu Govt. from 30% to 27%.

**2.1.4 HSD:** HSD recorded low growth of 1.4% in April 2011. Major factors affecting consumption are:

- a) Commercial Vehicles (CV) sales recorded lowest monthly growth in last one-and-a-half years and were just at 8.4% in April 2011. One of the reasons for this is high base of 64.5% growth in the corresponding month of last year. Besides, hardening interest rates also had adverse impact.
- b) Due to elections restrictions are reported to have been imposed on vehicle movement for security reasons both in Tamil Nadu and West Bengal, two major states that went to polls. Hence, both the states recorded negative growth in diesel sales at -0.8% (WB) and -1% (TN).
- c) April 2011 is unique in terms of month-on-month reduction in power deficit in the country. On all India level power deficit declined

significantly to -7.6% against -14.6% in the corresponding month of last year. This is suitably reflected in low growth of HSD this month. 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 (%)		HSD Gr. (%)
	April 2010	April 2011	April 2011
North	-16.3	-4.7	-2.7
East	-8.7	-4.3	3.3
West	-18.3	-11.6	9.8
South	-10.6	-6.9	-1.1
North East	-15.8	-9.3	15.2
All India	-14.6	-7.6	1.4

The reduction in power deficit this month in North was huge (11.6%) as a result the region's HSD consumption growth is negative this month. Since North consumes about 1/3<sup>rd</sup> diesel of the country, it had significant impact on all India growth also, which was merely 1.4%.

- d) Impact of high base as HSD growth in April last year was unusually high at 13.7%
- e) Other factors impacting HSD consumption include:
- i. Better traffic growth (6.3%) at major ports in the country during April 2011
  - ii. Mining activity stopped in Karnataka and AP states restricting movement of transport vehicles to ports.
  - iii. Iron ore export stopped for the last six months.
  - iv. All mechanized boats anchored at fishing harbor in Nagapatinam (TN) effective 15/4/2011 onwards for 45 days in order to conserve fish stock at sea during breeding period. (Business Line 16/04/2011).

**2.1.5 LPG:** LPG continued with robust growth of 8.3% in April 2011. Expansion to rural areas and release of large number of connections (8.96 lacs in April) is generating consumption growth in LPG.

**2.1.6 Naphtha:** Naphtha recorded good growth of 12.7% in April and crossed million tonne monthly consumption mark only second time in the last two years. Factors affecting growth are:

- a) IOC Panipat Petro-chemical plant consumed 190 TMT of Naphtha, which is higher by 35 TMT than in corresponding month of previous year.
- b) Imports were marginally lower this month compared to corresponding month of previous year.

c) Both Petrochemical and Power sectors have recorded higher consumption of Naphtha in April.

Natural Gas data shows domestic production has declined, hence, higher consumption of Naphtha by Power sector, though marginal, could be due to this factor.

**2.1.7 ATF:** Despite strike by Air India pilots, ATF recorded highest monthly growth in last one year at 15% in April. Aviation sector is witnessing upswing both in passenger and cargo traffic resulting in higher ATF consumption.

**2.1.8 Bitumen:** Bitumen consumption, which recorded -10.5% growth in April 2011, was affected by high base. Data analysis of over a decade shows that weighted average of Bitumen consumption in April month based on 10 years data is around 380 TMT against 529 TMT in April last year.

**2.1.9 FO/LSHS:** With high base out of the way, FO/LSHS recorded a marginal growth of 0.4% in April. Significantly, Fertilizer sector and General Trade in FO/LSHS have shown higher consumption this month. With declining gas availability, no further significant substitution of FO/LSHS by gas is expected.

## Demand & Economic Studies Division, PPAC

\*\*\*\*\*