Industry Sales Review Report

May 2012

Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

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Ministry of Petroleum & Natural Gas

Data on product-wise monthly consumption of petroleum products for April 2012 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of May 2012.

2 CONSUMPTION:

2.1 Demand Estimates: Although demand estimates for 2012-13 were done at the time of 12th Five Year Plan exercise last year, PPAC as an annual exercise has updated demand estimates for 2012-13 (OE) in consultation with industry, which are shared below in Table-1. To have better appreciation of the estimates we have broken up the estimates in to three categories:

Table-1

Products	2012-13 (OE)	
	Quantity (TMT)	Growth (%)
(A) Sensitive Products		
LPG	16949	10.3
SKO	7700	-6.4
HSD	68552	5.9
Sub total	**93201**	**5.5**
(B) Major Decontrolled Products		
MS	15862	5.8
NAPHTHA	11636	4.0
ATF	5920	6.9
LDO	377	-9.2
LUBES	2770	0.1
FO/LSHS	8620	-6.2
BITUMEN	4877	5.9
Sub total	**50062**	**2.8**
(C) Other Minor Decontrolled Products		
PetCoke	8349	37.6
Others	5456	11.7
Sub Total	**13805**	**26.1**
All Products	**157068**	**6.1**

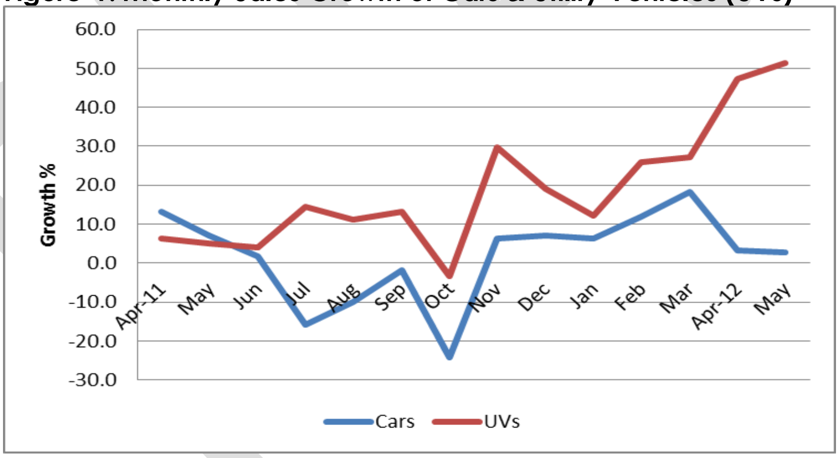
Note: Growth is calculated on provisional consumption figures for 2011-12. Hence, it may undergo minor change after 2011-12 consumption is finalized

2.2 All Products: Unlike April, the month of May recorded robust growth of 5.4% spurred by growth in LPG, HSD, Naphtha, Lubes, and PetCoke. Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to March 2012. Private imports data for the months of April-May of the current year are projected. Detailed product-wise analysis of consumption in April 2012 is given in the following sections.

2.3 Petrol / Motor Spirit (MS): We had reported last month that major price increase effected by oil companies on 24th May 2012 may further bring down MS growth in the near future. May 2012 recorded negative growth of -4.4% in MS consumption, which is a rare occurrence. We delved in to monthly figures for the past over 60 months and found that negative growth in MS occurred only thrice in last over six years - June 2006, June 2008 and November 2011. Factors affecting MS consumption are discussed below:

a) The major reason for negative growth in May was speculation on roll back or reduction in price of MS immediately after oil companies carried out substantial price increase on 24th May 2012. The speculation led to dealers maintaining rock bottom inventories to avoid adventitious loss.
b) Passenger Vehicle (PV) sales in May also remained low at 7.2%. Of this car sales growth remained still lower at 2.8%. The growth again is mainly in Utility Vehicles (51.4%), which are largely diesel driven. The growth pattern of cars and UVs for the last over one year clearly brings out rising preference for UVs, which are diesel driven:

Figure-1: Monthly Sales Growth of Cars & Utility Vehicles (UVs)



It would be noticed that car sales till May 2011 were higher or equavalent to UV sales when MS price was Rs.58.37/liter (Delhi). As the price of MS started increasing, the pattern of sales of cars and UVs also changed significantly responding to price gap between MS and HSD. With recent sharp increase in MS price in May (RSP Rs.73.18/liter in Delhi) the gap in sales growth of cars and UVs has widened abnormally.

c) 2-wheeler sales continue to remain on solid ground recording consistent growth month after month. May growth was 11.4% with a sales volume of 1.19 million units. Post liberalization in mid nineties when new models of 2-wheelers in collaboration of foreign majors became available in Indian markets, motor cycle sales over took scooter sales by leaps and bounds.

While Motor Cycles sales still remain the largest chunk of 2-W sales; it is observed that in the past few years scooters have slowly recaptured lost ground replacing Mopeds, which are going out of fashion. Figure-2 & 3 provide insight in to this changing trend in 2-W segment:

Figure-2: Share in 2002-03

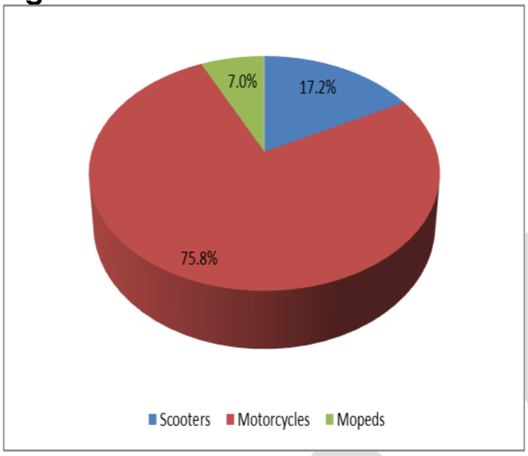
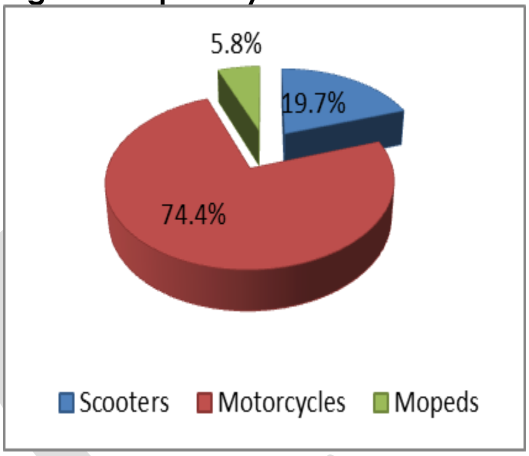


Figure-3: Apr-May 2012 Position



Source: SIAM

d) Above normal temperature and heat wave in large part of the country kept people indoors.
e) There are reports of product availability constraints in South due to product availability restriction from MRPL and CPCL refineries during the month.

2.4 HSD: There is no respite in HSD demand, which is consistently showing high monthly growth in the recent past. HSD growth in May was high at 9%. As reported earlier also this trend is likely to continue unless selling price of HSD is revised upward. Major factors affecting diesel consumption in May 2012 are analyzed below:

a) Increasing demand – supply gap in coal availability is leading to power shortage and resultant demand for diesel for captive power generation. Though power availability position has shown some improvement in May in comparison to previous few months but deficit is still higher than corresponding month of previous year. While Western region has shown significant improvement in power availability (-3.5% deficit), it is Northern region this month that has recorded high power deficit at -9.4%. This is the highest power deficit in North in the past six months due to high power deficit in J&K, Haryana and U.P. states. Despite some improvement, South is still reeling under double digit power deficit at -10.8%.
b) States having major power shortage are Haryana (-12.2%) J&K (-25%), U.P. (-16%), A.P. (-10%), Karnataka (-10.7%), Tamilnadu (-14.1%), Bihar (-11.1%), and Meghalaya (27.8%).
c) Region-wise power deficit position is given in the Table-2 below:

Table-2

Power Supply Deficit (%)			
Region	**May -2011**	**May - 2012**	**Main Power Deficit States**
NR	-4.0	-9.4	Haryana, J&K & U.P.
WR	-10.9	-3.5	M.P., Daman & Diu & DNH
SR	-4.8	-10.8	A.P., Karnataka & Tamilnadu
ER	-4.1	-4.1	Bihar & Andaman Nicobar
NER	-11.2	-11.1	Arunachal, Meghalaya & Nagaland
ALL INDIA	**-6.5**	**-7.5**	

Source: CEA

d) Data analysis reveals that while sectors like STUs and Railways have increased their diesel consumption; Fisheries, Marine and Cement sectors have shown reduced consumption of diesel in May 2012.

e) Commercial Vehicles (CV) sales recovered in May and were robust at 10.1% growth over corresponding month of previous year.

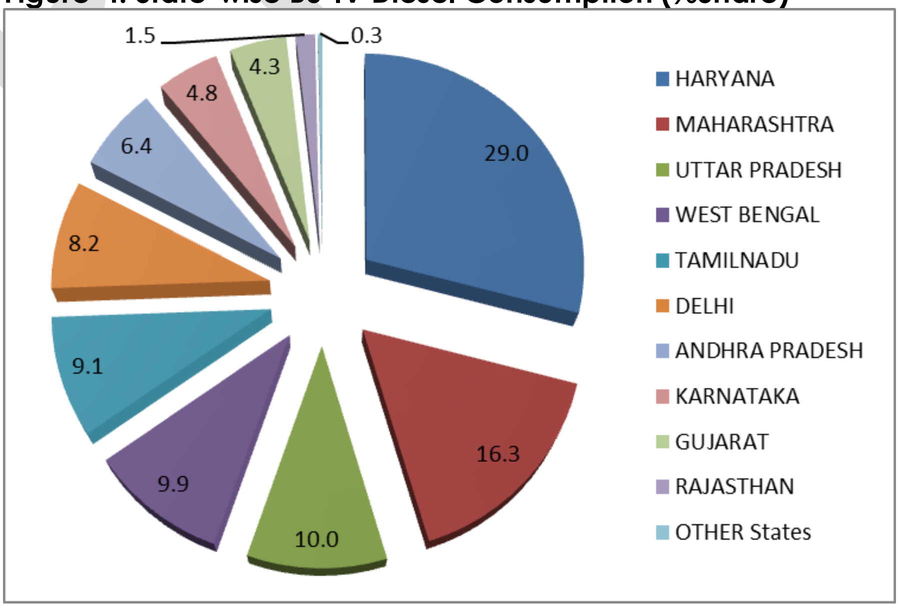
f) Though substitution of FO by diesel remains one of the factors increasing HSD consumption, after a long time, negative growth in FO substantially came down to only -0.5% in May due to low base in corresponding month of previous year.

g) Cargo traffic at major ports once again recorded negative growth (-5.1%) in May due to pessimistic economic scenario.

h) The data analysis shows that due to tourist influx as a result of heat wave hill states have recorded high growth in HSD (H.P. 22.1% & Uttrakhand 22%)

i) For the first time we have done analysis of BS-IV consumption in the country state-wise. Figure-4 shows that Haryana is the leading state in BS-IV diesel consumption during Apr-May period:

Figure-4: State-wise BS-IV Diesel Consumption (%Share)



Due to low sales tax Haryana enjoys price advantage besides having major towns/districts covered by BS-IV auto fuels under NCR area.

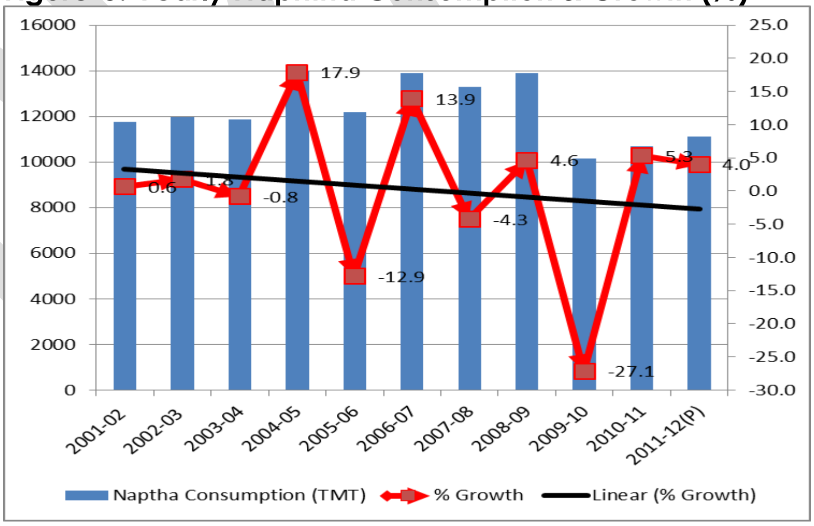
2.5 LPG: Though LPG sales growth improved to 7.8% in May against 6.5% in April, the availability position has not fully improved. Southern Region Coordinator has reported LPG backlog of around 28 TMT as of May end. As per reports, impact of LPG discharge problems at Vizag and Mangalore ports also affected availability in the first fortnight of May.

It is observed that despite price advantage over MS, Auto LPG consumption has been disappointing and is recording negative growth (-11.1%) even on a low base.

2.6 Naphtha: Naphtha performance in consumption improved significantly in May with a growth of 11.7% from negative growth of -9.7% in April. The improvement is mainly due to higher consumption in Petro-Chemical sector. Data shows that both domestic consumption and imports have shown growth. One of the major contributory factors is huge consumption of 260 TMT by IOC-Panipat plant in May against mere 90 TMT in the previous month.

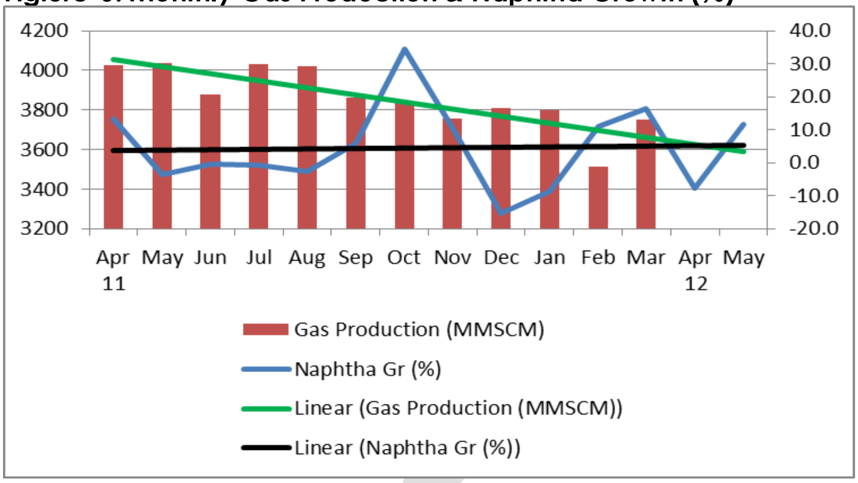
Due to increased availability of Gas including LNG, Naphtha was getting substituted and long term trend since 2001-02 shows declining consumption of Naphtha. Figure-5 brings this out:

Figure-5: Yearly Naphtha Consumption & Growth (%)



With decline in Gas production from KG-6 field in east coast availability has come down in the recent past. However, this has not increased Naphtha consumption correspondingly. Figure-6 shows much sharper decline in gas production and insignificant increase in Naphtha growth:

Figiure-6: Monthly Gas Production & Naphtha Growth (%)



Note: Gas Production data available up to March 2012 only

2.7 ATF: Turbulence in aviation sector continues adversely affecting ATF consumption showing not only negative growth over corresponding period of previous year but also actual decline in absolute consumption, which has dropped below 450 TMT. ATF recorded negative growth (-3.1%) in May, which is a third successive month of negative growth. With severe curtailment in international flights by Air India due to pilots' strike on top and also Kingfisher Airlines troubles, the outlook for ATF continues to be negative in the near future.

2.8 Bitumen: Bitumen continues to show negative growth reflecting poor performance in road construction activity. With monsoon round the corner, Bitumen consumption is likely to remain low till next quarter.

2.9 FO/LSHS: Negative growth in FO/LSHS continues, however, the negative growth level has dropped to -0.5% in May. This is mainly because lower base in the corresponding month of last year. Our analysis indicates that negative growth is likely to continue in the near future.

2.10 SKO: As reported last month the process of rationalization of PDS Kerosene allocation to states was carried forward to the current year also taking in to account various factors including expansion of domestic LPG through release of new connections. The affected states made representation to the Government for increase in allocation. Accordingly, PDS SKO allocation was increased for 11 states. However, the increase is not complete roll back of reduction in allocation and only some relief to the affected states.

2.11 General: Punjab state announced its decision to abolish octroi on MS and HSD, which has been a long pending demand of industry. The levy of octroi was adversely affecting MS/HSD sales in areas bordering other states due to price difference. Officials expect price of MS/HSD to comedown by Rs.1 – 2 a liter.

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