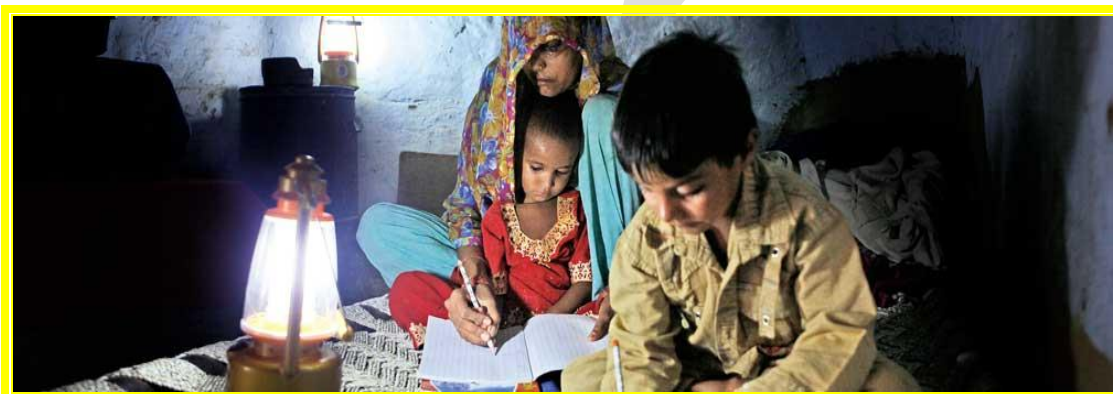


Industry Sales Review Report

June 2012



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय
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Data on product-wise monthly consumption of petroleum products up to June 2012 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of June 2012.

2 CONSUMPTION:

2.1 Demand Estimates: Comparison of first quarter for all products consumption with demand estimates (OE) of 2012-13 shows that the current consumption trend is close to the projections and variation is just 0.3%. The figures are shared in Table-1.

Table-1

(TMT)	2012-13 (OE)	Prorated OE for Qr.-1	Consumption Qr.-1 (Prov.)	Variation (+/-)
All Products	157068	39267	39381	114

2.2 All Products: June month recorded robust growth of 7.2%, highest monthly growth this fiscal, supported by growth in LPG, MS, 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 now up to April 2012. Private imports data for the months of May/June of the current year are projected. Detailed product-wise analysis of consumption in June 2012 is given in the following sections.

2.3 Petrol / Motor Spirit (MS): After recording negative growth two months in a row, MS consumption finally turned positive with a growth of 7.5% in June 2012. Reduction in price twice during the month appears to have helped improve MS consumption apart from making up of low inventories with dealers. Other factors affecting MS consumption are discussed below:

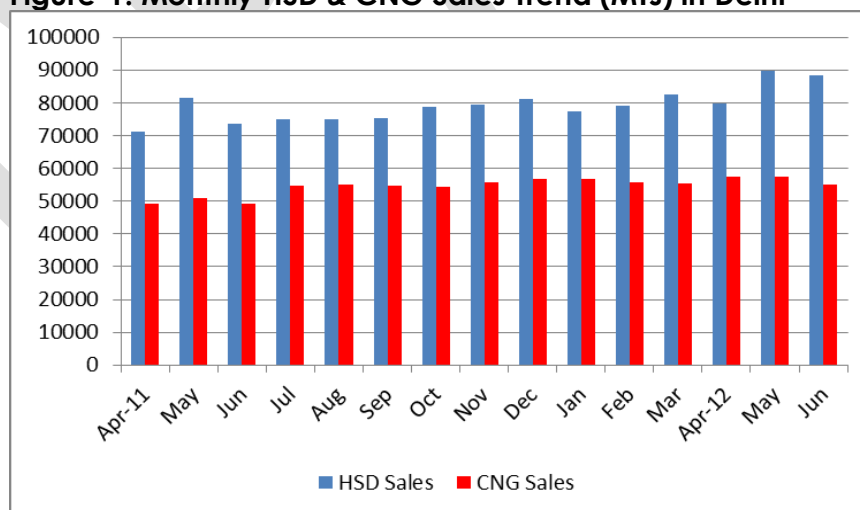
- a) Passenger Vehicle (PV) sales in June was the highest in this fiscal at 13.2%. As usual, the growth is mainly in Utility Vehicles (48.1%), which are largely diesel driven. The preference for diesel vehicles is clearly reflected from the data, which shows that against a growth of mere 13.7% in 2011-12, first quarter (Apr-June 2012) Utility Vehicle (UV) growth has jumped to 49%. Hence, it is expected that MS growth in the near future would remain moderate.
- b) 2-wheeler sales growth has remained high and steady hovering between 9 to 11%. First quarter 2-W growth is also closer to this figure at 10.4%. In the last about one-and-half years, 2-W sales has remained above one million mark and was 1.17 million units in June.

- c) Heat wave and above normal temperature in large part of the country kept people indoors.
- d) As per data provided by Northern Region coordinator MS retail price in June was the cheapest in Delhi, and Jalandhar in Punjab was the costliest (Rs.75.02/liter) due to high VAT.

2.4 HSD: We have mentioned in our earlier reports about fast pace of dieselization of economy. The same is becoming more pronounced as 'King Diesel' is substituting not only products like FO and MS but also a hitherto unaffected fuel like CNG. With monsoon playing hide and seek threatening largely rain dependent agriculture sector in the country and giving rise to significant power shortages, growth of diesel in June 2012 was expectedly high at 13.7%. Most of these factors are price related, which are distorting consumption pattern of different fuels due to low price of HSD. There is unlikely to be any respite from such high growth unless selling price of HSD is revised upward. Major factors affecting diesel consumption in June 2012 are analyzed below:

- a) An interesting trend emerging due to low HSD price is that it appears to be now affecting CNG growth also. To test this hypothesis we have carried out analysis of HSD and CNG sales trend for the past 15 months in Delhi and there are early indications of this impact as can be seen from Figure-1:

Figure-1: Monthly HSD & CNG Sales Trend (MTs) in Delhi



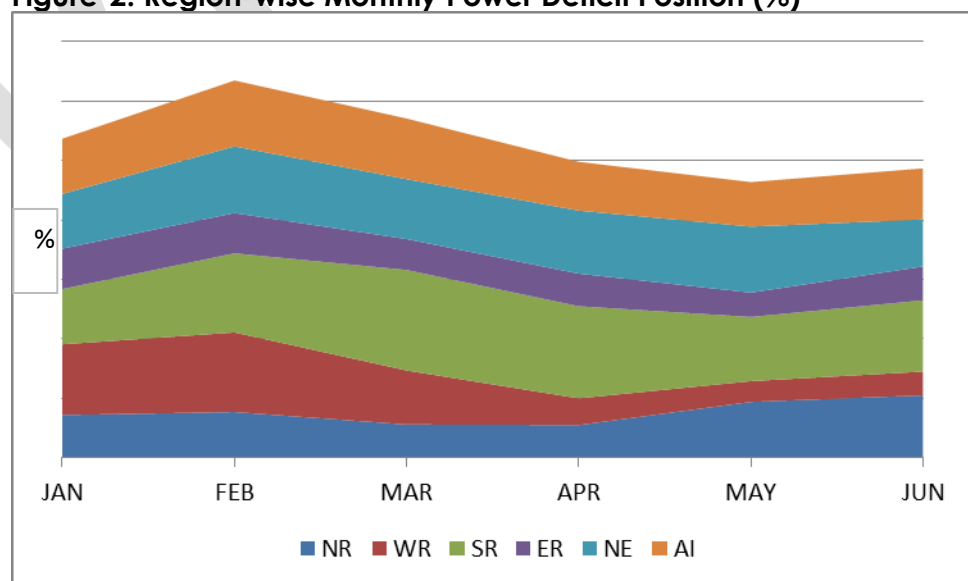
Source: OMCs & CGD Companies

While data needs to be studied for few more months to establish the trend firmly, it can be observed that there is significant spurt in Diesel consumption in Delhi in last couple of months and stagnant sales of CNG for the past few months. Decreasing price gap between CNG and HSD and high price of CNG conversion kit may be responsible for this new

trend. Besides, private vehicle owners do not like waiting for CNG fill at CNG Stations, which has long queues. It appears that those going for CNG conversion kits for their cars earlier are switching to diesel vehicles. CNG price in Delhi now is Rs.38.35/kg against HSD retail price of Rs.41.29/liter. The price gap was much higher between the two fuels about a year ago as retail price as of April 2011 for CNG was Rs.29.30/kg vis-à-vis Rs.37.75/liter for HSD. Multiple car users take out more diesel cars than CNG or MS driven vehicles.

- b) Poor monsoon rains have led to higher use of pump sets for irrigation resulting in increased use of diesel and high growth especially in agriculturally dominant states like Punjab (15.1%), Haryana (17.8%), U.P. (16%) and Bihar (14.9%). Moreover, since there were very good rains last year during this period dampening diesel consumption, the gap in HSD consumption this year vis-à-vis last year is high resulting in high growth in HSD consumption (base effect).
- c) Power shortages remained an important factor in pushing up HSD sales. Power shortage is higher than not only the corresponding month of previous year but also in comparison to previous month. Except North-East region, power availability in June 2012 has deteriorated in all other regions compared to previous month. Both North and South had high power deficits in June 2012. States having major power shortage are Haryana (-12.6%), J&K (-25%), U.P. (-15.3%), A.P. (-10%), M.P. (-10.9%), A.P. (-13.9%), Karnataka (-11.6%), Tamilnadu (-13.4%) and Bihar (-16.3%). Figure-2 shows status of power deficits in all regions and all India in the past six months (Jan-June 2012):

Figure-2: Region-wise Monthly Power Deficit Position (%)

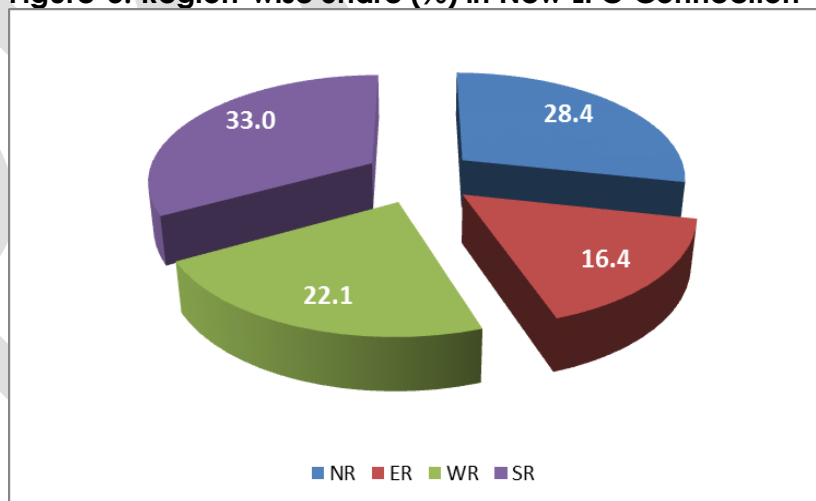


Source: CEA

- d) Commercial Vehicles (CV) sales growth dropped to 2.6% in June 2012, the worst performance in the last three years. This is one of the indicators of slowing economic growth.
- e) Ninth month in a row - from Sept. 2011 to May 2012 cargo traffic at major ports recorded negative growth – another indicator of poor economic scenario.
- f) Spurt in HSD consumption in hill states due to influx of tourists was seen in June also due to high temperatures in the plains. H.P. (27.7%) & Uttrakhand (34.6%) recorded unusually high growth.
- g) Data analysis for HSD-Direct sales reveals that while sectors like Railways and Marine consumed higher quantity of diesel in June; Other Government sectors reduced consumption.

2.5 LPG: Post December 2011, LPG growth has remained in single digit despite release of large number of new domestic LPG connections. The growth was moderate at 6.5% in June also. OMCs have released 27.97 lacs new domestic LPG connections during first quarter (Apr-June). About 40% of these connections were released in rural areas indicating increasing reach of LPG to remote areas in the country after launch of RGGLV scheme. Region-wise break-up of new domestic LPG connections released is given in Figure-3.

Figure-3: Region-wise Share (%) in New LPG Connection



Source: IOC

It would be observed that south has the largest share (33%) in new LPG connections this year.

2.6 Naphtha: Naphtha recorded positive growth (5.8%) second month in a row. In domestic sales of Naphtha only Petro-Chemical sector has shown growth in consumption. Both Fertilizer and Power sector consumption is on

the decline. Consumption through private imports of Naphtha has slightly declined in the first quarter due to lower imports by RIL and MCFL.

2.7 ATF: ATF consumption dropped to 2010-11 levels in June confirming continued turbulence in aviation sector. ATF once again recorded negative growth (-4.7%) in June, highest so far this fiscal. As reported in our previous reports, the outlook for ATF is likely to remain negative in the near future till there is major policy reform in the sector and the ailing airlines regain their operational efficiency.

2.8 Bitumen: Generally monsoon is the lowest Bitumen consumption period; therefore, it is not a period to expect growth in consumption. However, due to low base of corresponding month of previous year and poor monsoon Bitumen unexpectedly recorded growth of 4.1% in June. With monsoon not picking up due to predicted El Niño effect, road construction activity may not halt altogether this monsoon as is usual, giving boost to Bitumen consumption during monsoon period this year.

2.9 FO/LSHS: We had predicted in our previous analysis report that negative growth is likely to continue in the near future. FO/LSHS consumption continues to nose dive recording high negative growth of -17.1% in June. With easing of international prices of FO in June 2012 for sometime, there was hope of FO regaining price advantage over diesel. However, the price of FO is again on the rising curve belying any hope for respite in substitution of FO by HSD. Diesel continues to be lower priced than FO.

2.10 SKO: High negative growth continues in SKO consumption due to rationalization of PDS Kerosene allocation, which has been carried forward to second quarter (July-September 2012) also.

2.11 General: Industry number for retail outlets crossed 45500 in June 2012. Industry has already commissioned over 500 outlets in first quarter.

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