Industry Sales Review Report

July 2012

Waiting for the Rains

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 up to July 2012 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of July 2012.

2 CONSUMPTION:

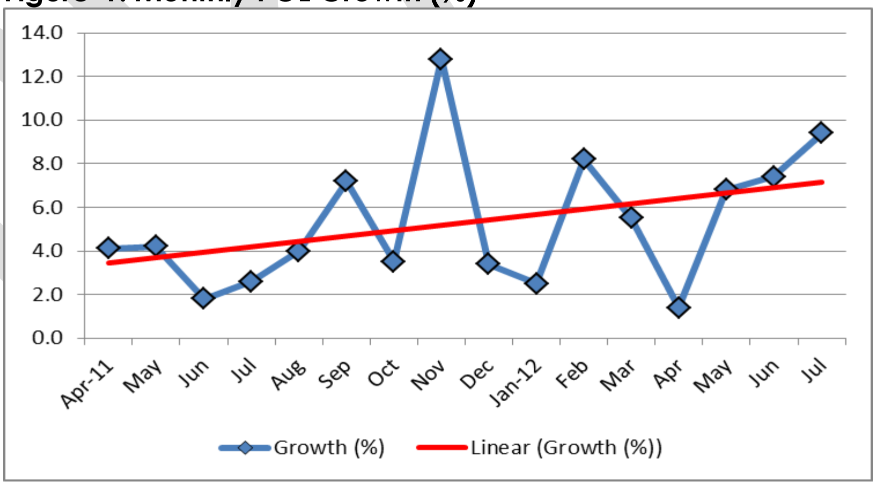
2.1 Demand Estimates: One-third of the current year is over and comparison of estimated consumption growth with actual growth shows that the current consumption trend is very close to the projections. However, there are inter-product variations. The figures are given in Table-1.

Table-1

(TMT)	2012-13 (OE)	Prorated OE for Apr-July	Consumption Apr-July (Prov.)	Variation (+/-)
All Products	**157068**	**52356**	**52462**	**106**
Growth (%)	**6.1%**	**-**	**6.1%**	**-**

2.2 All Products: Analysis of all products growth trend shows that monthly growth curve is on the upswing for the past more than a year and especially in the current fiscal. Figure-1 brings this out clearly:

Figure-1: Monthly POL Growth (%)



The uptrend in the current fiscal is mainly due to runaway growth in diesel and PetCoke. POL growth during July 2012 (9.4%) was the highest in the past eight months.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available now up to May 2012. Private imports data for the months of June/July of the current year are projected.

Detailed product-wise analysis of consumption in July 2012 is given in the following sections.

2.3 Petrol / Motor Spirit (MS): MS consumption recorded robust growth, second month in a row, at 8.3% in July taking the cumulative growth to 3.6% for Apr-July period. Factors affecting MS consumption are discussed below:

a) One of the major factor affecting MS sales in July was the impact of low inventories with dealers in the previous month (June) due to expected roll back in price. MS growth trend data submitted by Northern Region Coordinator shows that the carry over impact of June was quite high in the initial period for making up the low inventory of previous month as can be seen from Table-2:

Table-2: Northern Region Weekly MS Growth (%) in July 2012

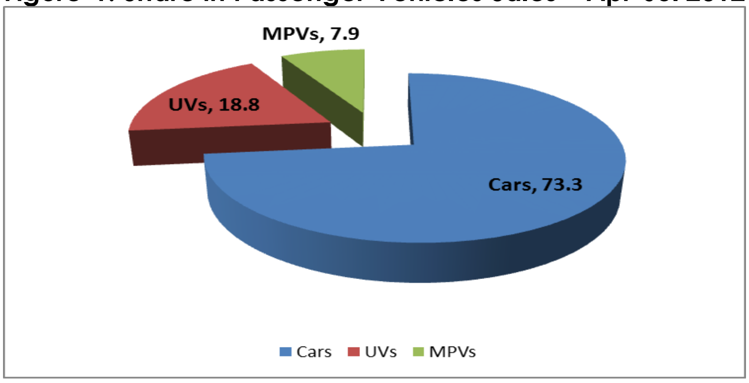
Weeks >>>	1-7th	8-14th	15-21st	22-26th
MS Growth (%)	34.4%	17.1%	13.2%	10.4%

a) Average daily consumption trend for MS analyzed for over a decade shows that July has the lowest average daily consumption of MS due mainly to rains. However, deficient rains this July resulted in normal consumption leading to higher growth (8.3%) in July 2012.

b) Passenger Vehicle (PV) sales recorded double digit growth (11.6%) in July boosted mainly by growth in Utility Vehicles (57.4%), which is the highest monthly growth in UV sales in the last two-and-half years. Since UVs are diesel driven, it is one of the significant indicators that number of diesel vehicles on the road is on the rise.

As per data submitted by SIAM passenger vehicles consist of cars, utility vehicles and multipurpose vehicles. It would be interesting to note that share of UVs in the overall PVs sales, which was only 12.8% in 2010-11 has risen to 18.8% in the first four months of this fiscal. Break-up of PVs sales during Apr-July 2012 is given in Figure-1 below:

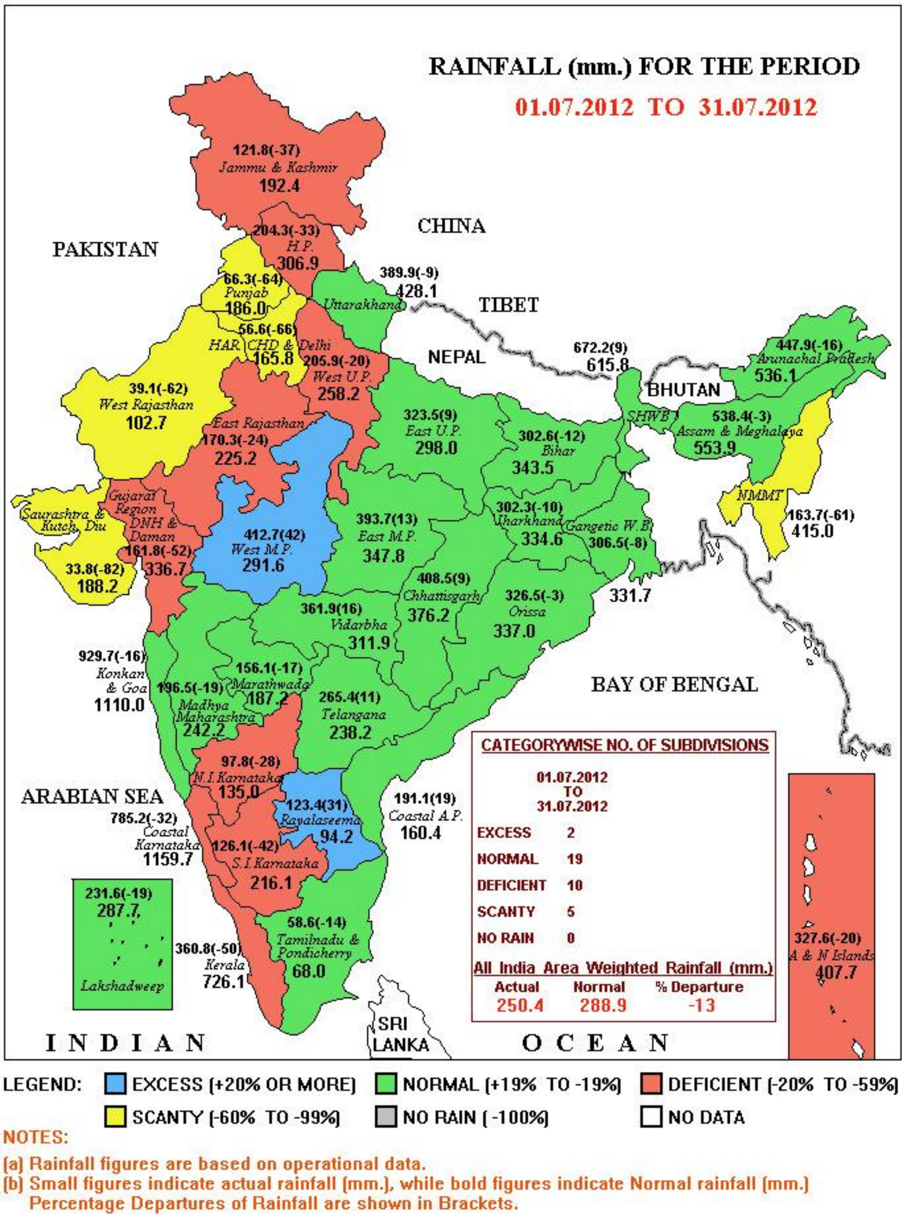
Figure-1: Share in Passenger Vehicles Sales – Apr-Jul 2012



c) After a long time 2-wheeler sales growth dropped to 0.8% in July. However, since number of units sold at 1.13 million remains quite high, the drop in growth is due to high base effect as in the corresponding month of previous year 2-w sales was high at 1.06 million units.

2.4 HSD: HSD growth in July was high at 13%. Diesel consumption in July 2012 was dominated by the monsoon factor. The rain fall position as per Indian Metrological Department (IMD) map (Figure-2) for July shows that large areas in North-West and South were rain deficient. The country had 13% less rain in July. The rain deficiency was particularly acute – shortfall of more than 60% - in states like West Rajasthan, Haryana and Punjab. The shortfall was more than 20% in areas like H.P., J&K, East Rajasthan, Delhi, West U.P., Gujarat, Karnataka and Kerala.

Figure-2: Rainfall Position during July 2012



b) As per IMD, till August 01, 2012 rainfall shortfall is 19%. Region-wise details are given in the Table-3 below:

Table-3

Seasonal Rainfall (in mm) from 1 June-1 August, 2012			
Region	**Actual**	**Normal**	**% Departure from Long Period Average**
All India	**374.1**	**461.7**	**-19%**
East & Northeast India	712.2	797.6	-11%
Northwest India	191.8	296.0	-35%
Central India	426.5	498.9	-15%
South Peninsula	295.0	384.9	-23%

As can be seen from the above table Northwest region is the worst affected, which includes India's agriculturally advanced states of Punjab and Haryana. No wonder these states consumed more diesel for irrigation in July.

c) Data analysis shows that most of the rain deficient states have recorded high diesel growth in July as use of pump sets goes up for irrigation:

Table-4

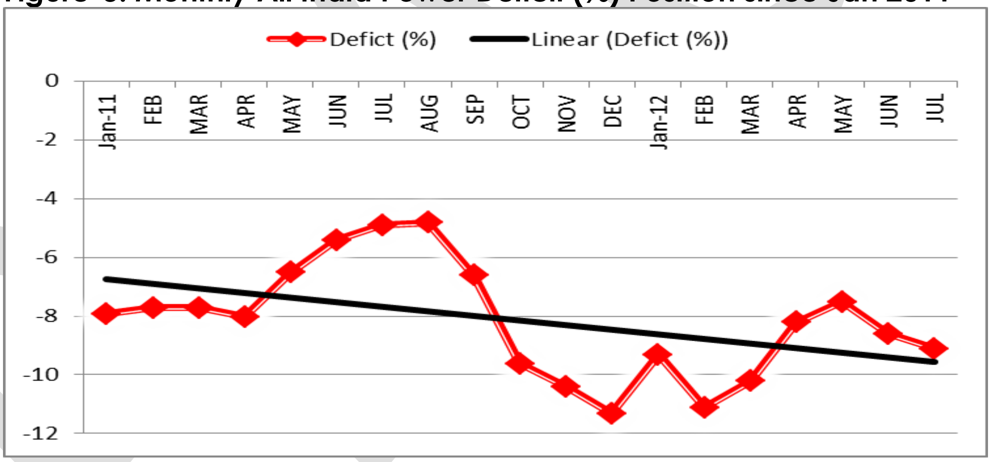
State	HSD Growth (%) in July 2012
HARYANA	26.6%
HIMACHAL PRADESH	19.7%
JAMMU & KASHMIR	12.6%
DELHI	21.2%
PUNJAB	23.6%
RAJASTHAN	20.1%
UTTAR PRADESH	14.4%
CHANDIGARH	14.0%
UTTARAKHAND	44.1%
NORTH	**20.7%**
DAMAN & DIU	44.6%
GOA	12.2%
GUJARAT	13.5%
MADHYA PRADESH	17.2%
WEST	**9.7%**
KARNATAKA	9.5%
KERALA	13.7%
LAKSHADEEP	70.5%
TAMILNADU	13.7%
SOUTH	**9.5%**
EAST	**7.6%**
NORTH EAST	**6.2%**

d) As per CRISIL, Indian monsoon, till July 18, 2012, was almost 22 per cent deficient - similar to the level in 2009, an all-India drought year. Scores from

CRISIL's proprietary Deficient Rainfall Impact Parameter (DRIP) show that the deficient monsoon so far this year will have a similar impact on agricultural output as it did during the 2009 drought. (The DRIP scores measure the impact of deficient rainfall on agricultural output in India.) The deficient rainfall has hit acreage and could hit yield of kharif crops, affecting growth in agricultural output. Rain-fed crops have been worst affected: coarse cereals, oilseeds and pulses. Farm output has been hit the hardest in Gujarat, Rajasthan, Maharashtra, Karnataka and Madhya Pradesh. The fact that poor states (Rajasthan and Madhya Pradesh) with a high dependence on agriculture have been affected may lead to increase in the government's fiscal burden. The lower farm output may exacerbate the already high food inflation.

e) In addition to poor monsoon, power deficit also added to the diesel consumption. This month also power shortage is high at 9.1%. It is more than not only the corresponding month of previous year (4.9%) but also in comparison to previous month (8.6%). Power position is worsening over the months and Figure-3 clearly brings this out:

Figure-3: Monthly All India Power Deficit (%) Position since Jan 2011

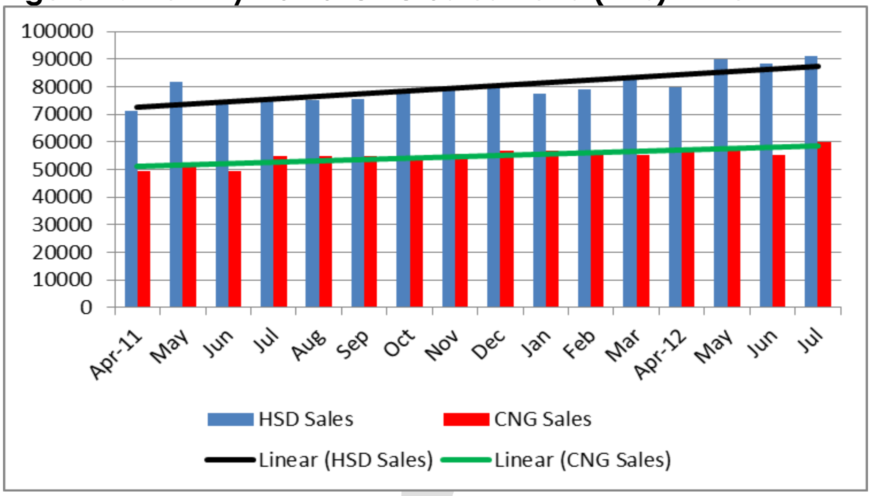


Source: CEA

Except for a brief period of five months between May-Sep 2011, power deficit has been on the increase. Major power deficit states in July were Haryana, J&K, U.P., M.P., Goa, A.P., Karnataka and Bihar, all with double digit power deficit.

f) In our previous report we had mentioned that 'King Diesel' is substituting not only products like FO and MS but also a hitherto unaffected fuel like CNG. In order to track this trend we give below position up to July 2012 (Figure-4). It would be observed that diesel consumption is now growing much faster and CNG growth curve is relatively flat. The gap between HSD and CNG monthly consumption in Delhi was about 22 TMT in Jan 2011 in favour of diesel, which has grown to 31 TMT in July.

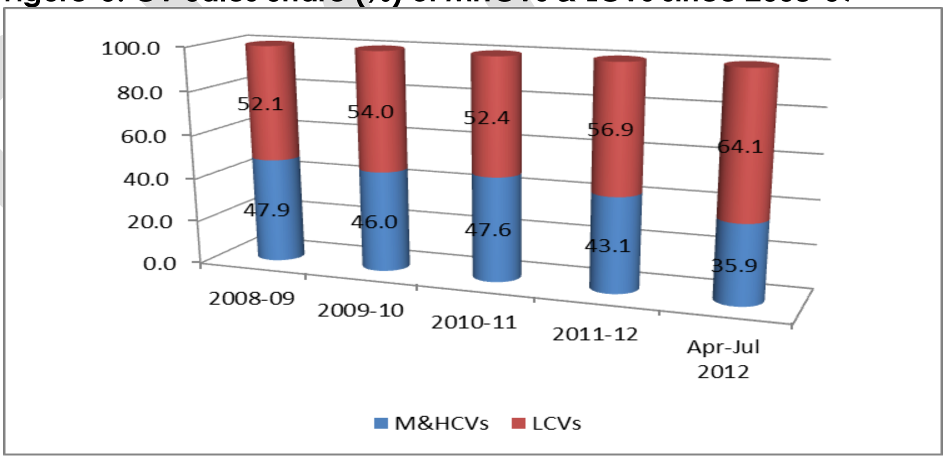
Figure-4: Monthly HSD & CNG Sales Trend (MTs) in Delhi



Source: OMCs & CGD Companies

a) Commercial Vehicles (CV) sales growth further dropped to 1.2% in July 2012, the worst performance in the last three years due to slowing economic growth. An interesting scenario is emerging in CV sales, which indicates that long distance goods movement by road is slowing down compared to local movement that is on the rise. Last five years' sales trend of both medium/heavy and light truck sales clearly shows that share of LCVs in Commercial Vehicles sales has significantly increased over the years.

Figure-5: CV Sales Share (%) of MHCVs & LCVs since 2008-09



Source: SIAM

b) Cargo traffic at major ports recorded negative growth of -4.89% during Apr-Jul 2012 – an indicator of poor economic conditions. Country's imports –Exports data also shows declining trend affecting activity at ports.

2.5 LPG: LPG monthly consumption growth dropped to its lowest level (4.7%) this fiscal. As mentioned in our previous reports also LPG growth has slowed down this year and is at 6.2% cumulatively up to July 2012.

LPG marketing in the country has undergone significant change with expansion in the rural areas.

Highlights of LPG Marketing in India (As on July 01, 2012):

a) As per data provided by OMCs, domestic LPG customer base has reached 140.17 million.
b) Non-Domestic LPG customer base has also shown significant increase reaching 1.71 million mark.
c) An interesting and welcome development in LPG marketing is that in the last seven years since 1.4.2007 while domestic LPG customer base has grown by 48.7% that of non-domestic customer base has grown by huge 163.1% in the same period.
d) The changing face of LPG marketing in India is adequately reflected in the fact that while number of LPG Distributors in urban areas has increased by meager 0.4% over the last seven years since 1.4.207 that of rural LPG Distributors has increased by whopping 148.5% including Distributorships under RGGLV.
e) The number of LPG markets in the country has grown to 5006.
f) Country has now bottling capacity of 12108 '000 MTPA.

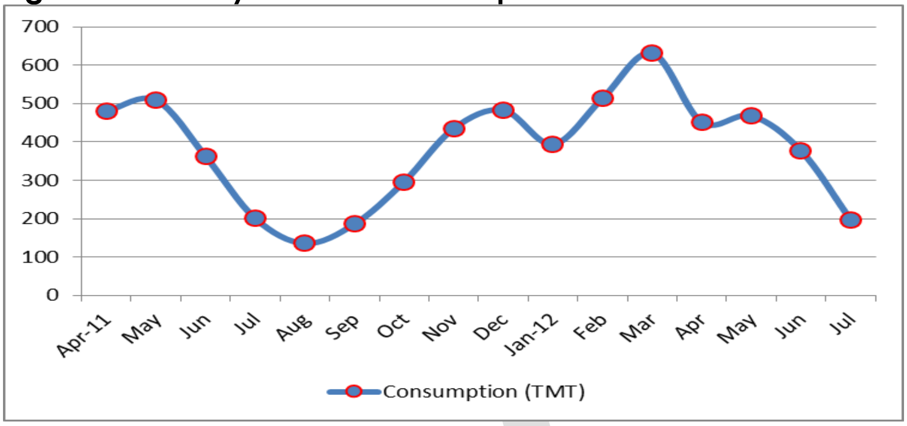
2.6 Naphtha: Naphtha recorded highest monthly growth (18.5%) in July. Push in consumption came from Petrochemicals Sector as major plants like HPL and IOC-Panipat consumed more Naphtha. Besides, there was significant increase in Naphtha imports this month further adding to the growth.

2.7 ATF: There is no respite in woes of aviation sector adversely affecting ATF consumption, which again recorded negative growth of -6.3% in July, highest this fiscal. Newspaper report by Times of India informed that the dream of transforming capital into a bustling aviation hub like neighbouring Dubai or Bangkok has remained just a dream due to the levying of hefty charges on both incoming and outbound passengers, drastic reduction of flights by almost bankrupt carriers, and hiking of airport charges by 346 % for airlines, air traffic is now firmly declining at the IGI airport. The three runways of IGI that were handling an average of 950 flights a day till the beginning of this year, are now barely handling 800 flights these days.
This is a far cry from the 1,000 plus aircraft movement that was recorded for the first time by an Indian airport in March last year, during the India-Pakistan cricket World Cup semi final in Mohali.

In the given circumstances ATF consumption outlook is quite bleak in the near future. As such ATF growth is likely to remain in negative or at best flat in the current fiscal.

2.8 Bitumen: Monsoon is low Bitumen consumption period - coupled with poor road construction activity in the recent period; July 2012 growth remained in negative at -1.7%. Figure-5 gives trend of Bitumen consumption since Apr 2011:

Figure-5: Monthly Bitumen Consumption Trend



2.9 FO/LSHS: FO/LSHS consumption continues its march towards south and on expected lines recorded negative growth of -16.3% in July. Since there is no change in the prevailing price situation that had spurred substitution of FO by HSD, no change in negative trend in consumption growth is expected. However, with consumption reaching very low levels negative growth may moderate in the second half of this fiscal due to base effect.

2.10 SKO: SKO consumption on expected lines recorded negative growth of -11.7% in July. A welcome development in the current year towards ad hoc additional SKO allocations to states is that all additional allocations were made at non-subsidized price.

2.11 General:

- ✓ Six-laning work on NH-8 & NH-10 resulted in major disruption at retail outlets reported Northern Region coordinator.
- ✓ As per reports, Delhi metro now carries over two million passengers daily
- ✓ Major violence reported at Maruti's Manesar plant with one senior executive dying in the violence and several injured disrupting industrial peace
- ✓ As per EIA reports U.S. proved reserves increased sharply in 2010. Proved reserves of both oil and natural gas in 2010 rose by the highest amounts ever recorded in the 35 years EIA has been publishing proved reserves estimates.

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