Industry Sales Review Report

September 2012

Analysis • Knowledge • Information

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

2 CONSUMPTION:

2.1 All Products Consumption: September month would be remembered more for bold reforms initiated by Government on subsidy front by capping number of subsidized domestic LPG cylinders and increase in HSD price besides permitting FDI in retail than for any other activity in the oil sector.

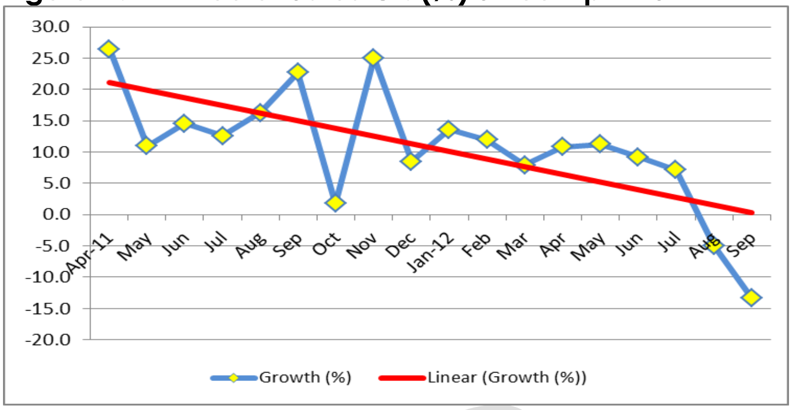
All products growth moderated to 2.8%, lowest in the last five months, in September due to moderation in growth of HSD, low growth in LPG and MS and negative growth in SKO, FO/LSHS and Lubes. Cumulative growth for H-1, however, still remains robust at 5.9% and close to original demand estimates (6.1%). The data analysis for over a decade shows that H-2 consumption of POL is usually higher than H-1 due to combination of factors like festival season, number of days in H-2 and weather conditions etc.

Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies, are available up to May 2012. Private imports data for the months of June-Sept. of the current year are projected. Detailed product-wise analysis of consumption in September 2012 is given in the following sections.

2.3 Petrol / Motor Spirit (MS): After three months of continuous high growth, MS consumption recorded low growth of 2.5% in September. The factors affecting consumption are discussed below:

a) The expectation on reduction of price during the month prompted dealers to keep low inventory thus affecting growth.
b) Car sales continued its poor showing with September 2012 recording -5% negative growth. However, Passenger Vehicle (PV) sales were positive at 4.9% growth, on the back of growth in Utility Vehicles (48.4%) and multipurpose vehicles (16.7%), which are largely diesel driven.
c) **Major Drop in 2-wheeler Sales**: Second month in a row 2-wheelers recorded negative growth with September recording the worst performance at -13.3% growth, an indicator of slowdown in economy. Figure-1 shows how 2-wheeler sales growth is plunging over the months reaching its lowest point in September 2012:

Figure-1: 2-Wheeler Sales Gr. (%) Since April 2011



Source: SIAM

2.4 HSD / Diesel: HSD growth finally showed first sign of real moderation this year recording a growth of 7.4% in September, the lowest monthly growth figure in the current fiscal. First time after a long time the equations affecting HSD growth have actually undergone change with significant increase in retail selling price of HSD. Major issues affecting diesel consumption are discussed below:

a) The monsoon has been more active in its last leg leading to reduction in rain shortfall compared to what was expected at the start of monsoon season, which had impact on HSD demand from agriculture sector. As per IMD, some of the highlights of this year monsoon are:
   - For the country as a whole, the rainfall for the season (June-Sept.) was 92 % of its long period average (LPA).
   - Seasonal rainfall was 93% of its LPA over Northwest India, 96% of its LPA over Central India, 90% of its LPA over south Peninsula and 89% of its LPA over Northeast (NE) India.
   - Out of the total 36 meteorological subdivisions, 23 subdivisions constituting 67.3% of the total area of the country received excess/normal season rainfall and the remaining 13 subdivisions (32.7% of the total area of the country) received deficient season rainfall.
   - Dry weather conditions over many parts of northwest India and Kutch area, presence of a persistent ridge over northwest India and an anti-cyclonic circulation in the lower levels over south Rajasthan and adjoining Gujarat, initiated the withdrawal of southwest monsoon from 24 September.

There has been drop in Kharif sowing acreage by 5.5% till third week of September. NR Coordinator has reported that improvement in monsoon resulted in decreased need for irrigation of crops affecting diesel demand. We have analyzed the data and growth did comedown in most of the northern and eastern regions states. Table-1 below shows diesel growth in August and September in major agriculture States. However, southern states, which were rain deficient, had higher growth:

Table-1

State	HSD Growth	
	Aug. 12	Sep.12
HARYANA	10.5%	6.0%
PUNJAB	14.4%	0.3%
RAJASTHAN	10.6%	5.8%
UTTAR PRADESH	11.2%	0.5%
GUJARAT	17.3%	9.0%
MADHYA PRADESH	-0.1%	0.1%
KARNATAKA	14.5%	15.1%
BIHAR	11.3%	6.0%
W.B.	11.4%	-0.5%
A.P.	11.4%	14.1%

b) Slowdown in economy is manifested through various economic activities like drop in exports and also resultant reduction in handling of cargo traffic at major ports. April-Sept. 2012 cargo data for major ports shows drop in cargo handling in H-1 by 3.28% over corresponding period of the previous year. Port-wise details are shown in Table-2:

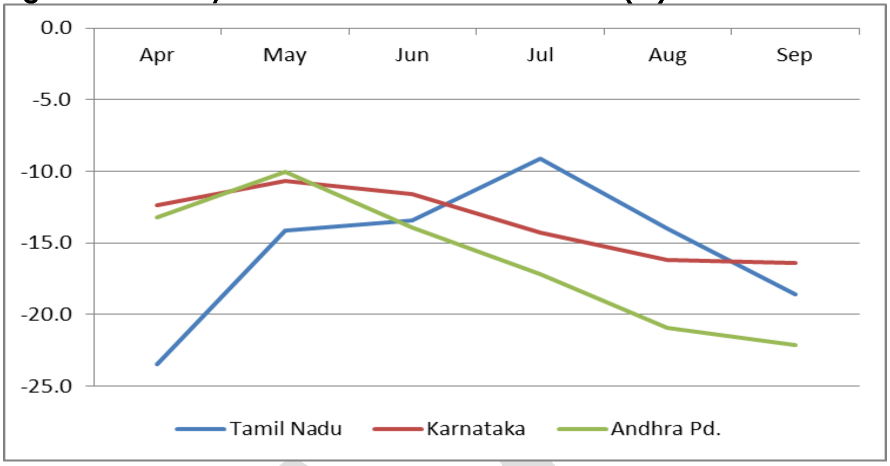
Table-2

PORTS	APRIL TO SEPTEMBER		
	CARGO TRAFFIC ('000 Tonnes)		
	2012	2011	Growth (%)
KOLKATA			
Kolkata Dock System	5754	6203	-7.24
Haldia Dock Complex	14054	17005	-17.35
TOTAL: KOLKATA	19808	23208	-14.65
PARADIP	25629	27996	-8.45
VISAKHAPATNAM	30309	36097	-16.03
ENNORE	7997	6527	22.52
CHENNAI	27128	29269	-7.31
V.O. CHIDAMBARANAR	14037	13852	1.34
COCHIN	10134	9754	3.90
NEW MANGALORE	16736	16042	4.33
MORMUGAO	12656	16406	-22.86
MUMBAI	28789	26662	7.98
JNPT	32653	32348	0.94
KANDLA	44686	41568	7.50
TOTAL:	**270562**	**279729**	**-3.28**

Source: IPA

c) **Groping in the Dark**: Though power position has shown some improvement over the previous month, it remained much worse than corresponding month of the previous year. While West & North East regions have shown improvement in power availability, position in other regions has deteriorated. Southern region is suffering from worst power deficit especially in the major states of Tamil Nadu (-18.6%), Karnataka (-16.4%) and A.P. (-22.1%). The position has only worsened in these states over the past few month as can be seen from Figure-2 below:

Figure-2: Monthly Southern States Power Deficits (%) in 2012



Source: CEA

The acute shortage of power has prompted Tamil Nadu Chief Minister to write to the Centre for giving 1000 MW additional power. Tamil Nadu is also demanding entire power to be generated by Kundankulam Nuclear power plant to be given to the state. On all India basis power deficit states this month with double digit power deficit were J&K, U.P., Daman & Diu, A.P., Karnataka, Tamilnadu and Bihar.

d) The trend of low growth in Commercial Vehicles (CV) sales reached a new low with flat sales showing growth of mere 0.1% in September – the lowest monthly sales growth in about three years another indicator of low economic activity. This is affecting truck rentals also. As per Business Standard report the incessant increase in truck rentals since the past 10 quarters has finally cooled off in the first half of this year, which saw a drop of 1% - 3.8% in freight charges compared to the same period last year. According to Delhi-based research body Indian Foundation of Transport Research and Training (IFTRT) the drop in truck rentals has been experienced despite rail freight going up by 20% and the Rs 5 increase in diesel cost.

e) Other factors having impact on diesel consumption were flood in 16 districts of Assam and 6 districts of Arunachal, Bharat Bandh on 20th September, sluggish mining activity including closure of mines in Goa and M.P. and agitation against Kundankulam nuclear plant.

f) Sector-wise data for direct HSD sales shows that while sectors like Coal, Fisheries, power, STUs, steel, textile, and mining consumed more diesel other sectors like defence, marine and cement recorded lower consumption of diesel in September 2012.

2.5 LPG: It was an unusual month for LPG starting with Govt. announcing cap of six cylinders for subsidized LPG and reduction in categories permitted for supply of subsidized LPG cylinders. LPG growth was merely 1.7% in September – lowest this year.

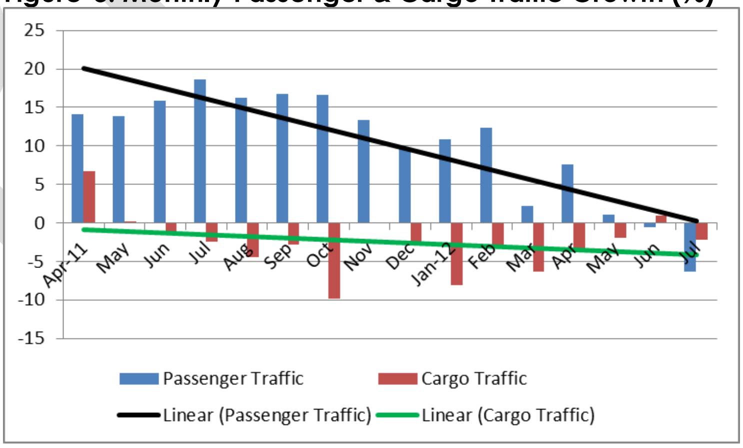
a) Discussion with LPG group brings out that there appeared to be initial confusion among customers on the impact of cap on subsidized cylinders, which may have affected consumption.
b) In fact, 17 states recorded negative growth in LPG in September, which is quite unusual. We expect consumption to come back to normal levels in October.
c) Kochi LPG plant remained closed for about 10 days due to safety issues.
d) An accident of LPG tanker in Kerala brought spotlight on road conditions in the state. As per reports, this resulted in restrictions on movement of heavy vehicles between 6.00 am to 6.00 pm.

We expect that impact of cap on subsidized cylinders may be more visible in the last quarter of current fiscal. Besides, its impact on diversion can also not be ruled out and the beneficiary of that may be Auto LPG sales of which are languishing at present.

2.6 Naphtha: Naphtha recorded growth of 6.4% in September. While Fertilizer sector has recorded negative growth in consumption, it is Petrochemicals Sector that is mainly contributing to growth. IOC Panipat Naphtha plant is operating well and consistently consuming over 200 TMT / month for the past five months. There is increase in Naphtha imports during H-1 again mainly by petrochemical customers led by Haldia Petrochemicals.

2.7 ATF: Keeping with the consumption trend this year ATF recorded negative growth of -7.4% in September – highest monthly negative growth this year. Both passenger and cargo traffic are showing declining performance. In fact, cargo traffic is the worst affected (Fig.-3).

Figure-3: Monthly Passenger & Cargo Traffic Growth (%)



It is reported that GPS Aided Geo Augmented Navigation (GAGAN) is part of modernization plan for air-traffic management and communication navigation surveillance system that will be operational in Jun/Jul-13. Air craft need not go Zig - Zag and may go almost as the crow flies and burn less fuel/money.

2.8 Bitumen: September is the month when Bitumen consumption starts its upward journey during the year. However, late revival of monsoon including floods in some areas this season affected Bitumen consumption in September, which recorded negative growth of -13.5%. Other factors affecting Bitumen consumption were Operational constrains at Haldia affecting bulk movement besides funds constraints with some state Governments.

As per IMD reports, monsoon started withdrawing from 24th September, hence, October consumption of Bitumen is expected to improve.

2.9 FO/LSHS: Though FO/LSHS growth in September was again negative at -12.8%, the changed equation in terms of price of HSD vis-à-vis FO may see some turnaround in FO/LSHS sales in October. As per data obtained from industry price of FO in many states has become lower than HSD that may release pressure on HSD consumption in coming months. Table-3 provides a glimpse in to the latest price position of both HSD and FO:

Table-3: State-wise Comparison of FO & HSD Price (16.09.12)

State	HSD			FO	HSD
	RSP	Price	Cal. Adj.	Incl. VAT	Benefit
Delhi	46.95	56,810	53,624	60,151	6,527
West Bengal	50.61	61,238	57,804	52,012	-5,792
Tamil Nadu	49.98	60,476	57,085	51,774	-5,311
Andhra Pradesh	51.17	61,916	58,444	57,093	-1,351
Maharashtra	52.45	63,465	59,906	55,676	-4,230
Gujarat	52.16	63,114	59,575	51,899	-7,676
Haryana	47.69	57,705	54,469	57,794	3,325
Rajasthan	49.12	59,435	56,102	53,149	-2,953
Uttar Pradesh	49.91	60,391	57,005	60,932	3,927
Punjab	45.65	55,237	52,140	54,317	2,177
Bihar	51.00	61,710	58,250	57,808	-442
Assam	50.50	61,105	57,679	53,906	-3,773
Jharkhand	49.08	59,387	56,057	59,404	3,347
Chattisgarh	51.95	62,860	59,335	55,263	-4,072
Madhya Pradesh	51.87	62,763	59,244	56,551	-2,693
Orissa	49.73	60,173	56,799	57,640	841
Kerala	50.75	61,408	57,965	55,645	-2,320
Karnataka	51.24	62,000	58,523	58,466	-57

Source courtesy: Essar Oil Ltd.

2.11 General: It is reported that to address rising traffic congestion/pollution problem in China, lottery system is introduced for buying a car. One million people have reported to have participated. However, the right to buy a car restricted to only 20,000 people. Use of public transportation more was welcomed by urban planners and environ-mentalists (Source: RSR Coordinator-SR).

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