

# *Industry Sales Review Report*

*October 2012*



*Jai Hind*



**पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ**

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

**Petroleum Planning & Analysis Cell**

Ministry of Petroleum & Natural Gas

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

## 2 CONSUMPTION:

### 2.1 All Products Consumption:

October growth was normal and in line with the cumulative trend. The growth pattern for various categories of products is given in Table-1 below:

**Table-1**

Category	Oct, 2012	Apr-Oct, 2012
Sensitive Products	5.6%	7.2%
Major Decontrolled Products	2.3%	0.0%
Other Minor Decontrolled Products	33.8%	23.4%
<b>All Products</b>	<b>5.9%</b>	<b>6.0%</b>

The growth trend is in line with PPAC demand estimates for 2012-13, which projects growth of 6.1%. As can be seen from Table-1 above the growth is mainly from sensitive category of products, which account for 60% of the overall consumption. Though the growth of minor decontrolled products is high the same have limited impact on bottom line growth as their share in total basket of POL is less than 10%. Zero growth (Apr-Oct) in major decontrolled products is a reflection of slow down in the economy as this category consists of industrial/commercial products like Naphtha, ATF, FO/LSHS and Bitumen etc.

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

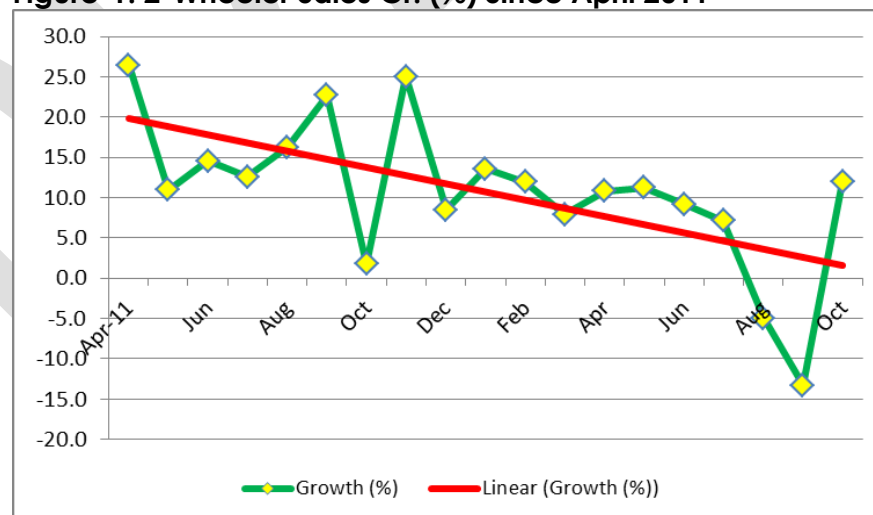
**2.3 Petrol / Motor Spirit (MS):** Considering trend so far in MS consumption in the current year, October 2012 growth of 5.6% is robust and higher than cumulative growth of 4.3% (Apr-Oct). The factors affecting consumption are discussed below:

- a) **Car Sales are back with a Bang:** The festivities in India generally start in October. The purchase decisions for consumer durables largely materialize during this period starting with 'Navratras'. Hence, the pessimism in Passenger Vehicles (PV) sales of the last couple of months disappeared in October as customers returned to buy PVs leading to high growth of 34.7%

in PV sales this month. The growth was high all across categories of PVs including cars (24.5%), UVs (87%) and MPVs (30.1%). This is in stark contrast to trend in recent months especially in car sales. An interesting trend as per newspaper reports has been that some car manufacturers have started educating customers on cost benefit analysis of buying petrol and diesel cars. Since price difference between petrol driven and diesel driven cars is around one lac rupees depending upon model, buying diesel car just for the reason of lower diesel price may not work for some customers. One needs minimum daily running of diesel car to fully realize the advantage of significant difference in retail selling price of two fuels. This customer education campaign reportedly had good impact on petrol driven car sales helping car manufacturers clear their inventories. Good growth in MS sales somewhat supports this change. However, this trend needs to be observed for few more months to understand if this change is permanent. Besides, this will also depend on consistency in campaign by car manufacturers.

- b) **2-wheeler Sales also turns positive:** Both in terms of numbers and growth 2-Wheelers sales had a good month in October. While the monthly growth was robust at 12.0%, at 12.85 lacs units sold 2Ws had the best monthly performance as this is the highest ever sales of 2-Ws. Whether this would be sustained needs to be watched. However, November being a Diwali month the hope is high. Figure-1 clearly brings out the upturn in 2-Ws sales:

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

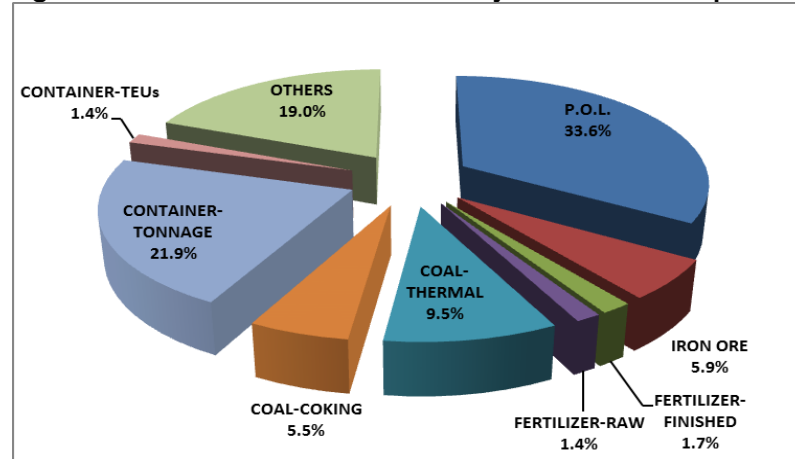


Source: SIAM

**2.4 HSD / Diesel:** First sign of moderation in HSD growth noticed last month was sustained in October also as the month recorded lowest growth (6.8%) this year so far. The bold step of increasing HSD price by Rs.5/- liter in September is bearing the fruits by partially correcting the trend of dieselization of the economy. Other issues affecting diesel consumption are discussed below:

a) Mining sector has been in news in the last couple of years mostly for wrong reasons. The issue of illegal mining getting highlighted led to ban on mining activities in various states due to reasons like court orders or Govt. decision. Mining had a significant share in port traffic at major ports, which in 2008-09 and 2009-10 was 17.7% and 17.8% respectively. The ban on mining for whatever reasons has adversely affected port traffic and share of iron ore mining has dropped to below 6% in Apr-Oct 2012 period. This in turn has reduced truck movement to ports. Figure-2 gives share of various commodities in port traffic at major ports during the current year:

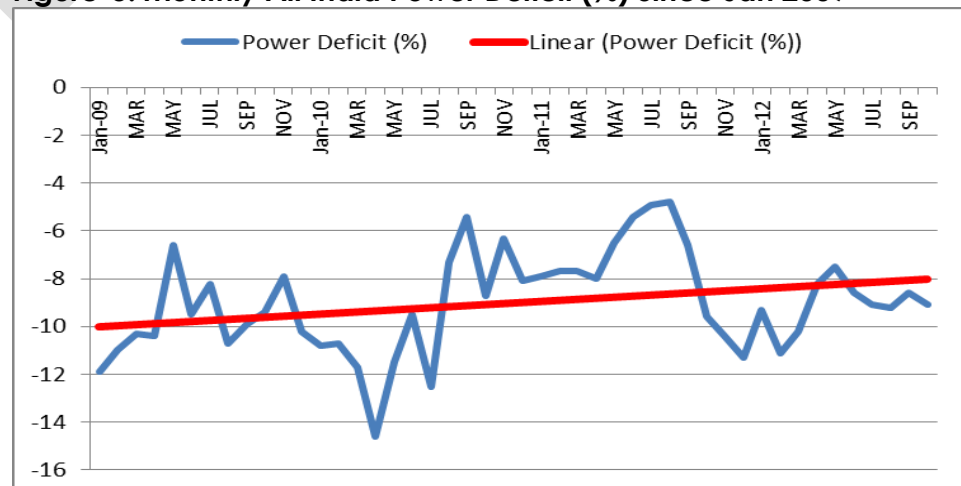
**Figure-2: Share of Commodities in Major Ports Traffic: Apr-Oct**



Source: IPA

b) **No Respite from Power Cuts:** All India power deficit in October was 9.1%, which is higher than previous month but slightly lower than corresponding month of last year (9.6%). In line with the recent trend south had the highest deficit (17.8%) followed by North (9.8%) and North-East (5.9%). Analysis of long term power deficit data shows that power deficit has actually come down over the years. However, the position has deteriorated in the last over one year. Figure-3 gives fair idea of this trend:

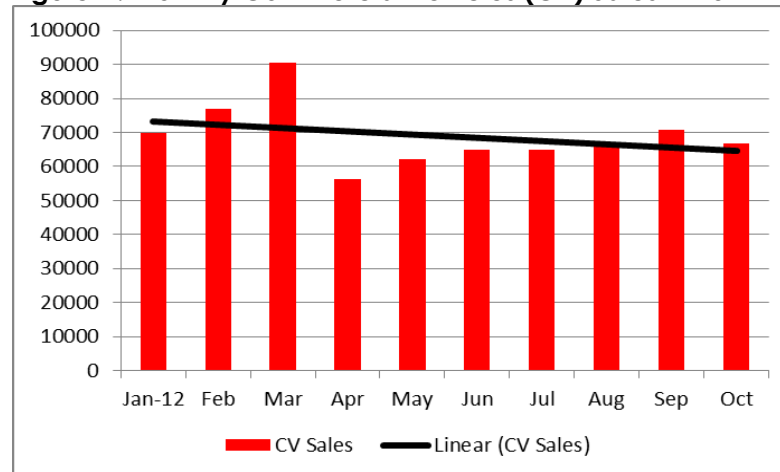
**Figure-3: Monthly All India Power Deficit (%) Since Jan 2009**



Source: CEA

- a) Power deficit states with double digit power deficit during October 2012 remained largely same as in the previous month namely J&K (25.1%), U.P. (19.3%), Daman & Diu (11.5%), A.P. (18.9%), Karnataka (12.9%), Tamilnadu (23.6%) and Bihar (18%).
- b) As in case of PVs, Commercial Vehicles sales also reversed the low growth trend and recorded the best monthly growth of last five months (8%). However, growth figures may not give clear picture of trucks demand because the absolute numbers of CV sales this year do not inspire much confidence as can be seen from Figure-4:

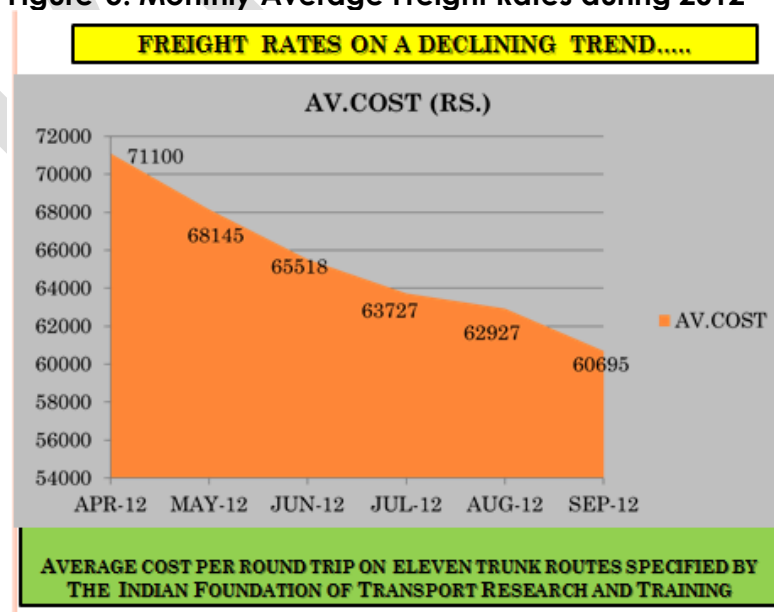
**Figure-4: Monthly Commercial vehicles (CV) Sales in 2012**



Source: SIAM

- c) Southern Coordinator has reported declining freight rate trend due to slow down. Figure-5 shares the data since April 2012:

**Figure-5: Monthly Average Freight Rates during 2012**



- d) Other factors having impact on diesel consumption were election campaigning in H.P. and Gujarat, Closure of mines in M.P. and Goa

including restriction on sand mining in A.P., impact of cyclone 'Nilam' in some areas in Tamilnadu, adverse impact on goods /other traffic movement due to agitations on Cauvery water dispute between Karnataka and Tamilnadu states, and continuing protests against Kodankulam nuclear reactor project in Tuticorin, Tirunelveli and Kanyakumari districts.

**2.5 LPG:** After extremely low growth of 1.7% in September, it was business as usual for LPG in the month of October as it recorded robust growth of 7.9% this month. It appears initial confusion after announcement of six cylinders cap on domestic LPG got cleared and normal consumption resumed.

PPAC had predicted positive impact of domestic LPG cylinder cap on Auto LPG sales in its previous report. This has turned out to be exactly on target as after a long gap Auto LPG recorded positive growth of 9.2% in October. Auto LPG sales have remained in the negative despite addition of Auto LPG Stations across the country – there are 657 ALDS as of 1<sup>st</sup> October, 2012. This only supports the long held view that there is diversion of subsidized LPG for auto use.

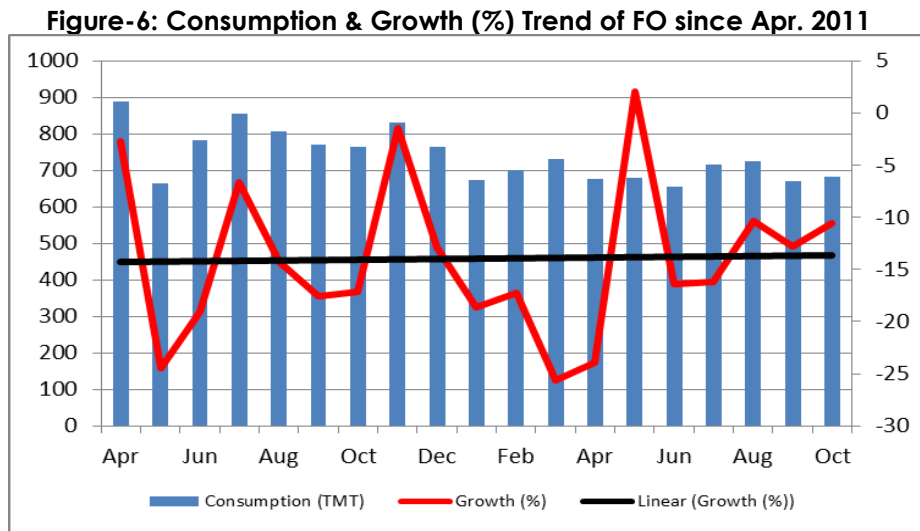
**2.6 Naphtha:** Naphtha consumption growth was low at 1.9% in October, which is more due to higher base in corresponding month of previous year. The growth in Naphtha is being contributed by petrochemical and power sectors. Fertilizer continues to consume less Naphtha than in the previous year. There is minor increase in Naphtha imports during Apr-Oct, 2012 period mainly by petrochemical customers using Naphtha through direct imports.

**2.7 ATF:** Aviation sector continues to be on the downward spiral leading to persistent negative growth in ATF consumption. Scaling new lows of negative growth, ATF recorded -8.2% negative growth in October, highest monthly negative growth. Domestic passengers share in traffic is about 75%. As per data from Airport Authority of India, domestic traffic declined by -1.6% in the first five months of the current year (Apr-Aug.). Freight traffic (domestic + international) also declined by -3% in the similar period. Due to closure of private airline, high airport charges and high ATF prices, we expect ATF consumption to remain in negative zone this year.

**2.8 Bitumen:** After withdrawal of monsoon in late September and resumption of road construction activities, Bitumen consumption finally turned positive recording high growth of 28.2% in October month wiping out the entire cumulative negative growth so far. Bitumen consumption is expected to pick up pace in remaining months of the current year.

**2.9 FO/LSHS:** The data obtained from industry on price comparison between FO and HSD shows that in most of the states HSD price is now higher than FO, which should largely stop substitution of FO by HSD that was taking place in the recent past. It is observed that negative growth in FO/LSHS is slowly on the decline and

volumes are stable. The trend would be clearer after data is available for few more months. Figure-6 provides data on sales volume & growth pattern:



**2.11 General:**

- a) Petronet LNG terminal at Kochi is expected to be ready by early 2013. It would operate only to less than a 1/5th of its million tonne a year capacity as the infra structure was not yet ready. (Source: Hindu, 21/10/2012).
- b) Hurricane Sandy caused a massive power outage in the Northeast US, ultimately affecting 8.5 million customers. For New Jersey, it was the largest power outage in the history of the state. Recovery efforts have been slowed by flood damage and recent snowfall. Source - EIA

**Demand & Economic Studies Division, PPAC**

\*\*\*\*\*