

Industry Sales Review Report

February 2013



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

(पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय)

Data on product-wise monthly consumption of petroleum products up to February, 2013 is uploaded on PPAC website. This Report analyses the trend of consumption of petroleum products in the country during the month of February, 2013.

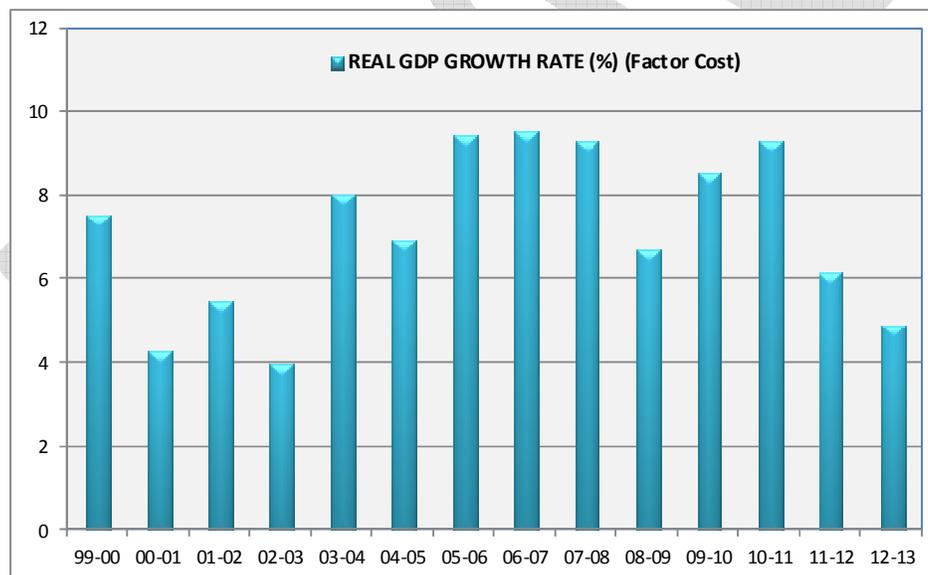
2 CONSUMPTION:

2.1 All Products Consumption:

The advance estimate of GDP growth of the country for the FY 2012-13 by CSO is 5%.

India's gross domestic product (GDP) growth for the third quarter (Q3) (October-December) of 2012-13 has been estimated at a decade low of 4.5 per cent. In the third quarter of 2012, India's economy grew only 4.5 percent due to the widespread weakness in farm, mining and manufacturing output. Figure-1 gives GDP growth (%) of India since 1999-00 to 2012-13 (estimated):

Figure-1: GDP GROWTH RATE (%) (Factor Cost)



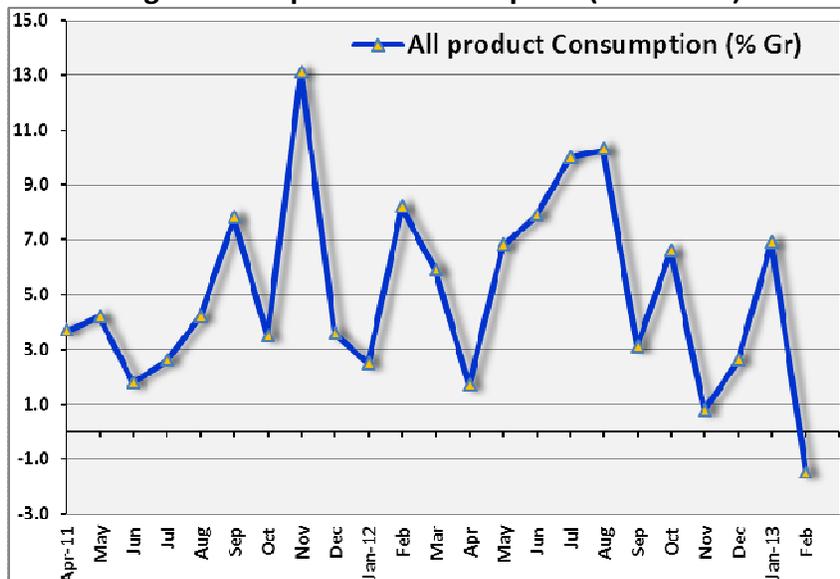
Source: Planning Commission

All products consumption growth for the month of February, 2013 was negative at **-1.5 %** over the corresponding month of previous year with positive growth only in select products like MS, Naphtha and Petroleum Coke.

The total consumption for the month of February, 2013 has been the lowest & first time negative, in the last 23 months. Figure-2 gives the monthly all product consumption (% Growth) since April, 2011.

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

Figure-2: All product consumption (% Growth)



Detailed product-wise analysis of consumption in February, 2013 is given in the following sections:

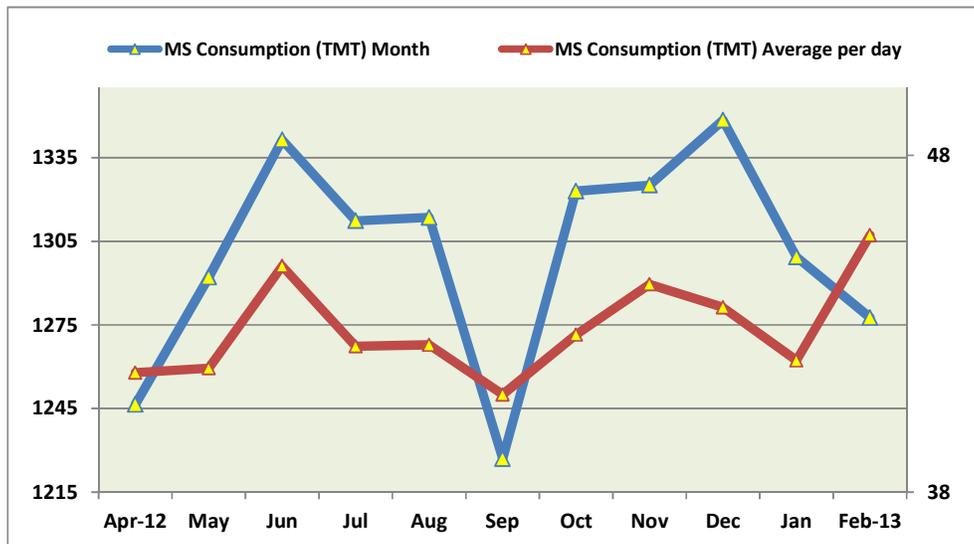
2.3 Petrol/ Motor Spirit (MS): There has been a growth of 4.2 % in February, 2013. Even though consumption volume in February, 2013 is slightly lower than the previous month, MS consumption per day for February, 2013 is the highest in the current fiscal.

Impact of expectation of price revision, whether upward or downward, vitiates the consumption performance unrealistically because the dealers tend to manage the stocks accordingly, thus the same is not fully reflecting the actual consumption response of the customers. Figure-3 gives monthly MS consumption volume (TMT) and average daily MS consumption (TMT) for respective month (TMT) since April, 2012.

Factors affecting MS consumption are discussed below:

- a) MS consumption during February, 2013 was at 1,278 TMT in comparison to average consumption for April-February, 2012-13 of 1,301 TMT. But the MS consumption at 45.63 (TMT per day) was the highest in the FY 2012-13.

Figure-3: MS Monthly & Average per day Consumption (TMT)



- b) **Total Passenger Vehicles (PV) Sales (comprising of Passenger Cars, Utility Vehicles and Vans) recorded negative growth third month in a row:** Total PV sales recorded negative growth of -16.1% in February, 2013, sliding for the third consecutive month, as sluggish economic growth continued to weigh on demand. Hence, MS consumption outlook in the near future remains moderate at best.

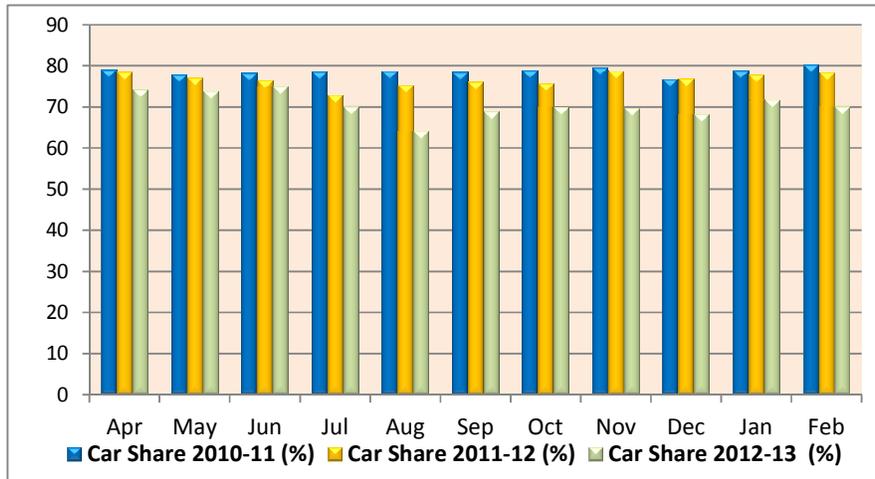
Tracking of the data for the last three years shows that share of passenger car sales in the overall Passenger Vehicles (PV) sales has been dropping. The passenger car share, which was 79% in April, 2010, has dropped to 70.0% in February, 2013 due to growing preference for diesel powered cars also. Utility Vehicles (predominantly diesel driven) recorded a growth of 34.8% during February, 2013 and a whopping 54.5% during April 2012-February, 2013.

Other categories of vehicles within PVs basket, like Multi Purpose Vehicles (MPVs) and Utility Vehicles (UVs) have gained share as these are largely diesel driven. Month-wise share of cars is given in Figure-4:

2-wheeler Sales: In the automobile sector, sales of 2-wheelers have also recorded decline of 2.8 % in February, 2013 after four months of consecutive growth in the current fiscal and recorded a sales volume at 1.11 million units.

One of the reasons for relatively high volumes of 2-wheeler sales could be that consumers are settling for 2-wheelers in the given low economic sentiments that were otherwise planning to buy four wheelers.

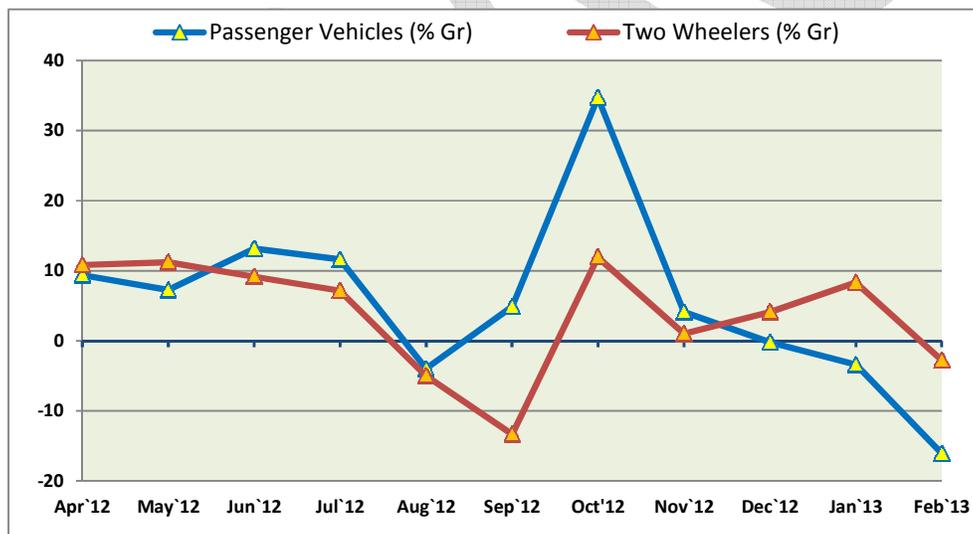
Figure-4: Month-wise Share (%) of Cars in Total Passenger Vehicles



Source: SIAM

Month-wise Sales growth (%) of Passenger Vehicles & 2-wheelers is given in Figure-5:

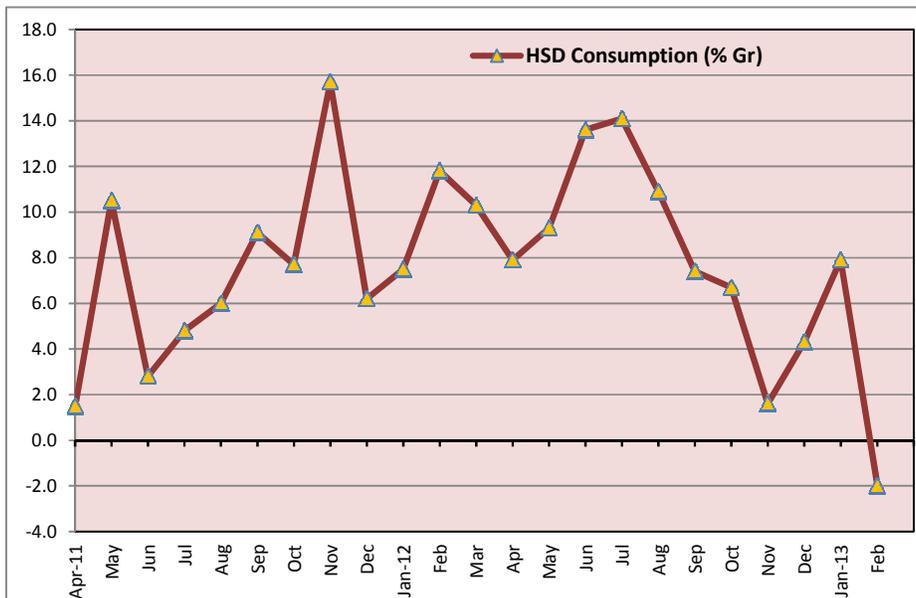
Figure-5: Sales (% Growth) of Passenger vehicles & 2 Wheelers



Source: SIAM

2.4 Diesel/ HSD: After nearly 4 years of continuous growth in consumption, there has been a decline 2.0 % in HSD during February, 2013. Figure-6, gives the monthly HSD Consumption Growth (%) since April, 2011.

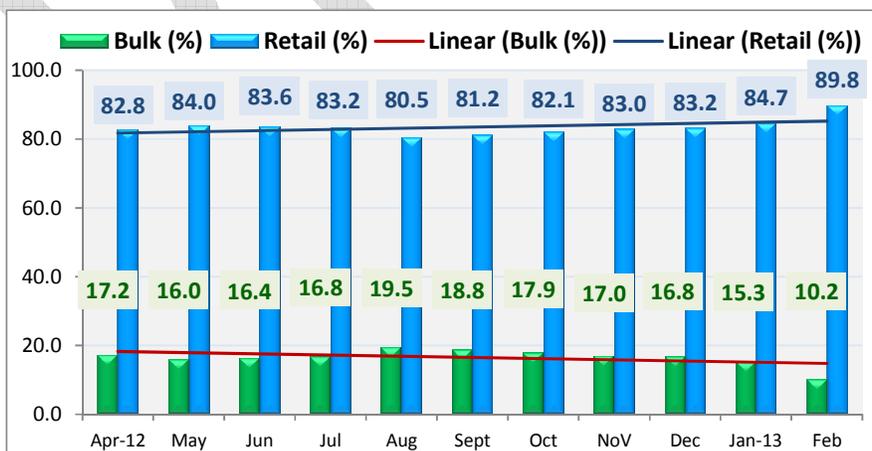
Figure-6: HSD consumption (% Growth)



Factors affecting diesel consumption are discussed below:

- a) **Deregulation of Direct/Bulk Diesel Sales:** Government announced deregulation of diesel sales to direct/ bulk consumers buying the product directly from oil companies. The share of direct/ bulk sales to total sales which was about 18% in 2011-12 has declined due to the price differential effective January 18, 2013.

Figure-7: HSD Retail & Bulk consumption (% Ratio)



The fall in the share of bulk HSD is mainly due to much lower upliftment by State Transport Undertakings (STUs) and industries like Civil Construction, Cement, Mining, Steel, etc.

- b) **Port traffic growth remains negative** : There is no improvement in port traffic and traffic handled at major ports for the period April-February, 2013 is lower than corresponding period of last year, mainly due to slowing of exports and ban on mining.

Of the 12 major ports in the country five have recorded negative growth in port traffic led by Marmugao (-52.6%), Vishakhapatnam (-13.3%), and Kolkata (-10.1%).

Table-1 shows traffic handling data for major ports for April-February (2012-13):

Table-1 (FIGURES IN '000 TONNES)

TRAFFIC HANDLED AT MAJOR PORTS (Prov.)			
PORTS	APRIL - FEBRUARY		% GROWTH
	2013*	2012	
KOLKATA + HALDIA	35767	39765	-10.1%
PARADIP	51415	49844	3.2%
VISAKHAPATNAM	53944	62184	-13.3%
ENNORE	16155	13580	19.0%
CHENNAI	48658	51300	-5.2%
V.O. CHIDAMBARANAR	25635	25148	1.9%
COCHIN	18160	18165	0.0%
NEW MANGALORE	33615	29765	12.9%
MORMUGAO	16714	35239	-52.6%
MUMBAI	53001	50223	5.5%
JNPT	58824	60225	-2.3%
KANDLA	86082	75390	14.2%
TOTAL:	497970	510828	-2.5%

Source: IPA

- c) **Power situation improves**: After recording highest monthly all India power deficits of (-9.8%) in January, 2013 in the current fiscal, the all India power deficit has slightly improved during February, 2013 at -8.4 %.

Western region has shown huge improvement from January, 2013 (-5.9%) to February, 2013 (-1.9%). The improved power position may have led to reduced consumption of HSD for power generation.

Region-wise position for February 2013 is given in Table-2:

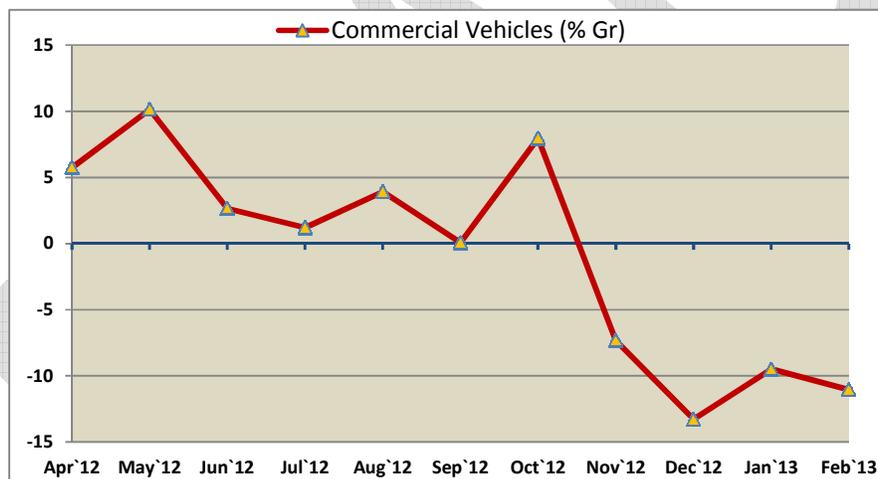
Table-2: Region-wise Power Deficits (%)

Region	Feb. 2012	Feb. 2013
North	-8.0	-6.7
West	-13.4	-1.9
South	-13.3	-16.5
East	-6.8	-4.6
North-East	-11.2	-6.7
All India	-11.1	-8.4

Source: CEA

d) Fourth month in a row negative growth in Commercial Vehicles (CV) Sales: The CV sales dropped by 11.1% in February, 2013. With the prospect of increase in price of diesel on monthly basis and with continued high interest rates, the outlook for CV sales looks bleak in the near future. Figure-8, gives the monthly growth in Commercial Vehicles Sales (%) since April, 2012.

Figure-8: Sales Growth (%) of Commercial vehicles



Source: SIAM

The price increases in diesel has pushed up freight cost, and this coupled with sluggish economic growth, lower exports/imports, reduced mining activities, etc. are likely to further dampen movement of goods.

2.5 LPG: Despite the Government announcement on increase in capping of subsidized cylinders from six to nine, LPG Sales has recorded decline of 4.8 % in February, 2013.

LPG Sales recorded negative growth for the fourth month in a row during the current fiscal. Cap on LPG cylinders, increase in Auto LPG price and the exercise by OMCs to detect and block duplicate domestic connections may have led to reduced consumption.

Due to increase in capping of subsidized from 3 to 5 Nos. during the period September to March, 2012-13, there has been a decline in sales of packed Non-Domestic cylinders as well.

Further, owing to increase in the price of Auto LPG, consumption of Auto LPG has gone down by 10.4 % during February and by 3.6 % during the period April-February, 2013.

2.6 Naphtha: Naphtha sales recorded growth of 3.2 % in February 2013 taking up the cumulative growth for April-February, 2012-13 to 9.1%. Both Petrochemicals and Power sectors have contributed to increased volume in this month. In Southern region, increased consumption by PPN Power Tamil Nadu and NTPC Kayakulam, Kerala have contributed to higher upliftments by power sector. Whereas in Northern Region IOCL Panipat and in Eastern Region Haldia Petrochemicals were the major contributors to Naphtha consumption growth from Petrochemical sector during February, 2013.

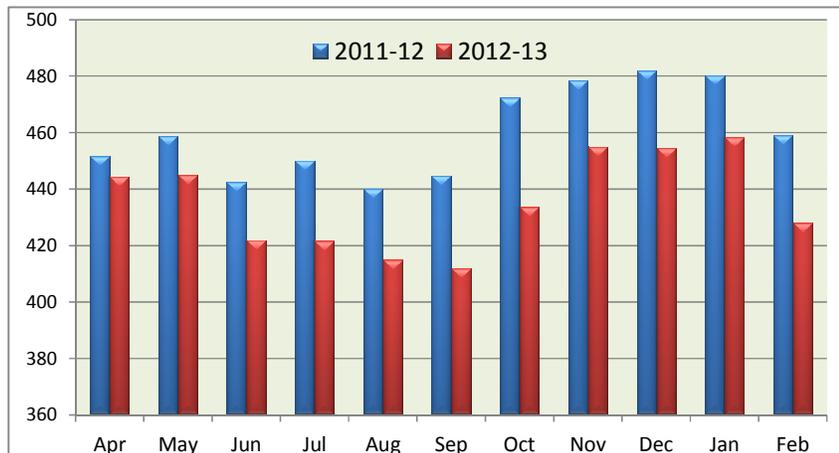
2.7 Bitumen: Bitumen consumption during February, 2013, recorded decline of 6.7 %. The cumulative negative growth has now come down to -1.2% for the period April-February, 2013. The performance of road sector is not inspiring with a number of NHAI projects held up for want of clearances.

2.8 FO/LSHS: As reported in our previous report, the Fertilizer sector has contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda, the major consumers in the fertilizer sector, have switched to gas and their upliftments for the past two months are nil.

Growth in FO+LSHS consumption is -26.0 % in February, 2013, with a cumulative decline of 17.5% for the period April-February, 2013. Hence, the year 2012-13 is likely to end with huge negative growth in FO/LSHS consumption, which is largely due to the shift of fertilizer plants to gas from FO/LSHS.

2.9 ATF: ATF Sales growth remained in negative zone at -6.8% during February, 2013 despite low base, as both the cargo and passengers handled by the airlines during January-December, 2012 was down by 1.4% and 4.9% respectively, as compared to the corresponding period last year. ATF sales shown improvement for four months since October, 2012, indicating some positive signs for the sector in the current fiscal, but during February 2013, it has again come down. Figure-9 indicates the ATF consumption since April, 2011:

Figure-9: Month ATF Consumption (TMT)



2.11 General:

1. Coal India informed that they have lost 300 rakes of loading of coal because of the Kumbh Mela. No rakes could be moved beyond Mughal Sarai for the month of January, 2013 & February, 2013.
2. Partial re-start of mining activities in Odisha and Jharkhand
3. Govt. decision for increase in excise duty on SUVs with larger ground clearance and length, will impact the growth in the Automobiles Sector. The revised excise duty rates are as shown below :
 - Multi-utility vehicle (MUV) weighing over 2,700 Kg to qualify for lower excise duty at 15%.
 - SUV with ground clearance over 170 mm attracts 30% excise duty.
 - Similarly length over 4 meter and engine capacity over 1.5 litres attracts 30% excise duty.
 - Importers of luxury cars will have to pay 100% import duty against 75%.
4. Hindustan Petroleum Corporation Ltd (HPCL) announced setting up a 9 MMTPA refinery-cum-petrochemical complex in Barmer District of Rajasthan as a joint venture (JV) with M/s Rajasthan State Refinery Limited (M/s RSRL) and other equity partners. Proposed facility will be setup at an estimated capital investment of Rs. 37,230 crore. The project is expected to take about 4 years for going on stream after getting approval from the Government of India. The proposed refinery will mainly process the locally available Rajasthan crude and other crudes as well.

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