

Industry Sales Review Report

September 2013



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

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(Ministry of Petroleum & Natural Gas)

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

1.0 CONSUMPTION:

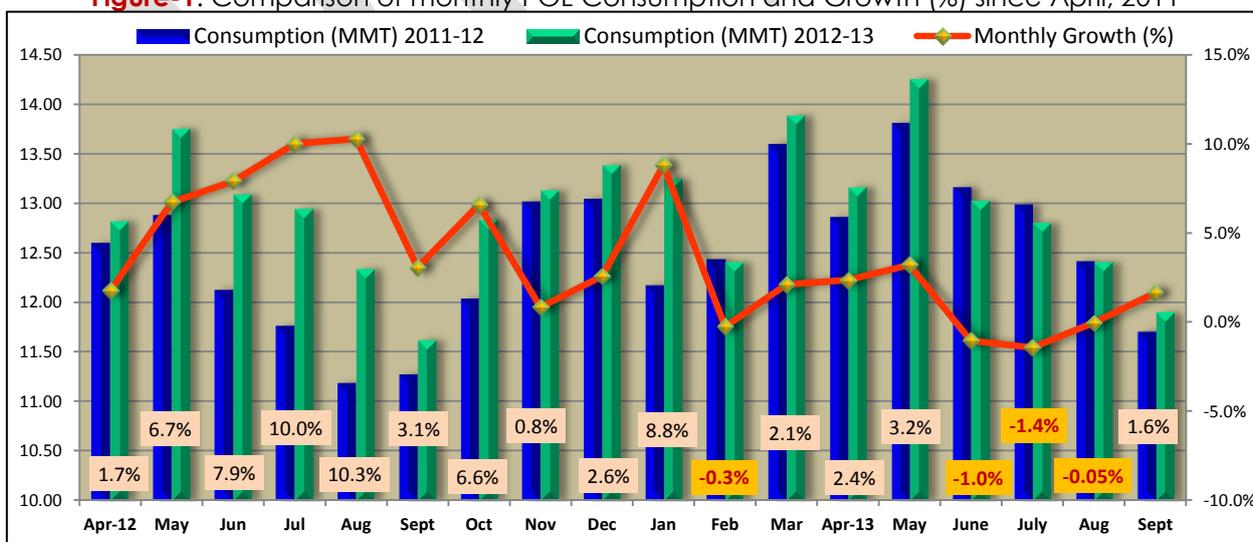
The growth (%) in consumption of petroleum products, category-wise, for the month of September, 2013 and April-September, 2013 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	September, 2013		April-September, 2013		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	6840	0.1	45163	-1.2	SKO, LPG & HSD
Major Decontrolled Products	3638	-3.4	23793	-0.4	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1419	28.3	8577	17.2	Petcoke & other minor products
Grand Total	11897	1.6	77533	0.8	

1.1 All Products: The consumption of all petroleum products after a declining trend for three consecutive months during the fiscal year, has registered a growth of 1.6 % in September, 2013 as compared to that in September, 2012. Except for LPG, MS, Lubes, Bitumen, ATF and Pet Coke, all other products recorded negative growth.

Figure-1: Comparison of monthly POL Consumption and 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 July, 2013 and private imports data for the balance two months, (i.e. August, 2013 & September, 2013) are projected based on April-July, 2013 figures.

Detailed product-wise analysis of growth for September, 2013 is given in the following sections:

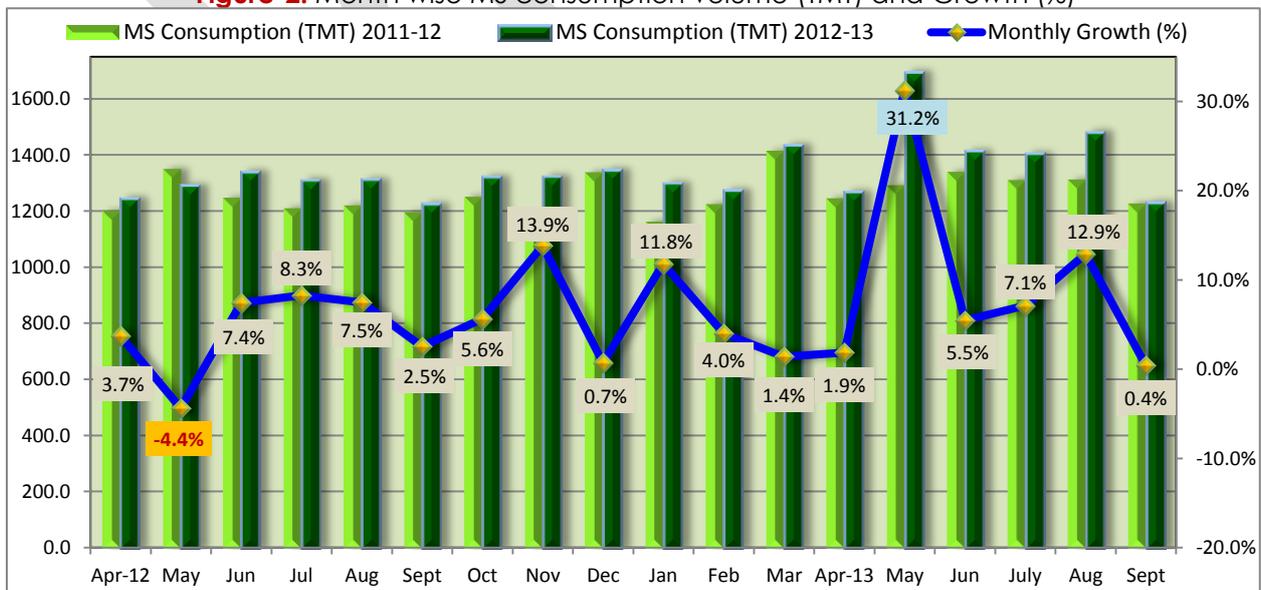
1.2 Petrol / Motor Spirit (MS): There has been only a marginal 0.4 % growth in the consumption of MS during September, 2013 as against the cumulative growth for April-September, 2013 of 9.9 %. **Figure-2** gives month wise MS consumption volume (TMT) and month on month growth (%) during the last 30 months since April, 2011.

The low growth in consumption of MS in the month of September, 2013 is mainly attributable to the following key reasons:

- The increase in the International crude oil prices coupled with other economic factors resulted in topping up of inventories with dealers up to the mid-September, 2013 in anticipation of price hike, which has impacted the consumption data unrealistically. The petrol price in Delhi on 1st September, 2013 was Rs 74.10 per litre, which were revised upwards on 14th September, 2013 to Rs 76.06 per litre.

Further, the lowering of the International crude oil prices and improvement in the position of the rupee against the dollar, in the second fortnight of September, 2013, has resulted in the lowering of inventories level with dealers from mid-September upto the end of September, 2013, in anticipation of downward price revision. The petrol price in Delhi on 14th September, 2013 to Rs 76.06 per litre, which was reduced steeply on 30th September, 2013 to Rs 72.40 per litre.

Figure-2: Month wise MS consumption volume (TMT) and Growth (%)



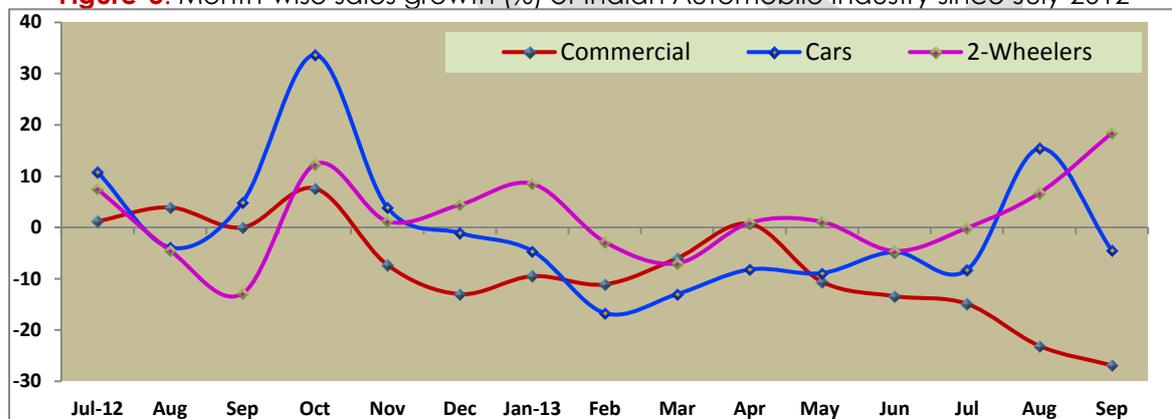
Other factors impacting consumption of MS are:

- The early onset of good monsoon which has covered almost the entire country has also extended to September, 2013, which may have impacted the sales of 2-wheelers.
- Total Passenger Vehicles (PV) Sales:** A slowdown in the economy has hurt the Automobile market, but by snapping a nine month fall, the total PV domestic sales recorded growth of 15.4 % in August, 2013, which was mainly due to low base effect as a result of the month-long lock-out last year at the country's largest car maker Maruti Suzuki India (MSI) Manesar plant.

The prolonged slump in the automobile Industry continued with the total passenger sales recording a decline of 4.5 % in growth during September 2013 as compared to that in September, 2012.

The only hope of a re-bounce was a marginal growth of 0.7 % in the passenger vehicles segment, selling 1,54,884 units during September'2013 which is the highest level in this fiscal.

Figure-3: Month-wise sales growth (%) of Indian Automobile Industry since July'2012



The growth may not be a reflection of the market conditions, as tough market conditions still remain. The situation continues to remain difficult in the Automobile Industry, as weak demand continues despite freebies and discounts by car makers. Interest rates are high, fuel prices continue to be high, while sentiments are yet to pick up.

Segment	September Growth (%)	Apr-September Growth (%)
Passenger Cars	0.7 %	- 4.7 %
Utility Vehicles	-12.0 %	- 4.8 %
Vans	-23.7 %	- 9.8 %
Total Passenger Vehicles (PVs)	- 4.5 %	- 5.2 %

Source: SIAM

c) **2-wheeler Sales:** With domestic sales of 1.26 million units of 2-wheelers in September, 2013, the 2-wheeler segment overall recorded a growth of 18.4 %, mainly due to an impressive growth of 24.9 % in the Scooter/ Scooterttee segment.

Segment	September Growth (%)	Apr-September Growth (%)
Scooter / Scooterttee	24.9 %	16.6 %
Motor Cycles	17.4 %	0.9 %
Mopeds	2.9 %	- 10.8 %
Total Two wheelers	18.4 %	3.5 %

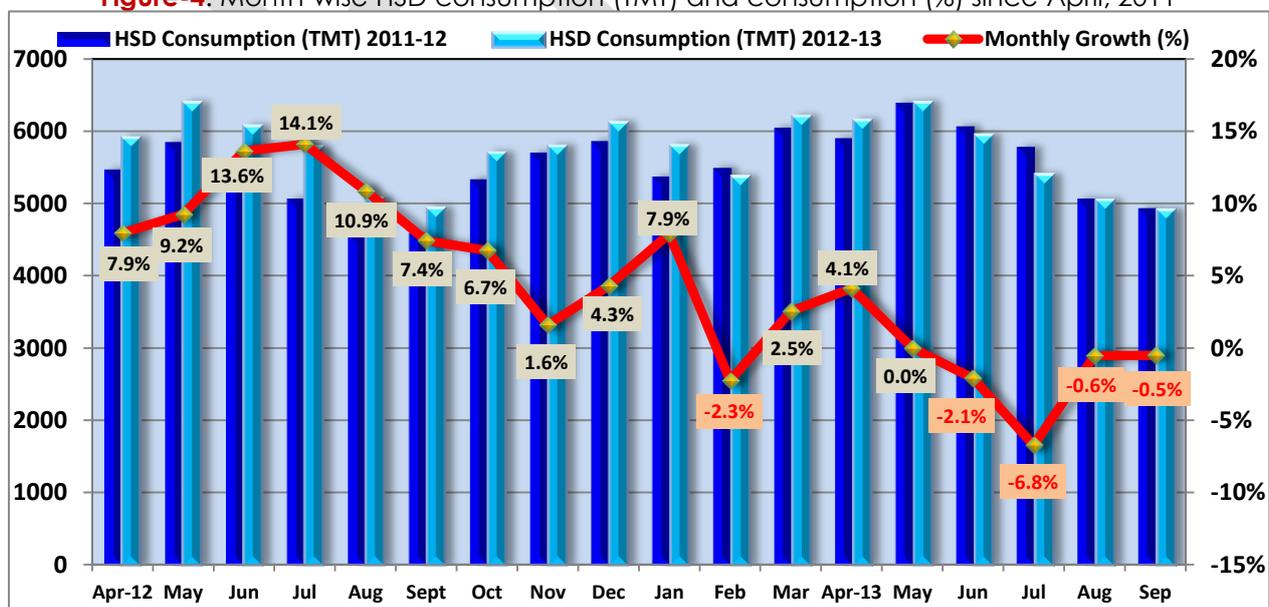
Source: SIAM

Over 60 % of the petrol consumption is by 2-wheelers in the country. In states like Odisha, Rajasthan and Bihar, it is more than 70%. Market determined price of petrol and higher interest rates are having a moderating effect on 2-wheeler purchases. However, with more women opting to take to 2-wheelers, there is a healthy growth in the Scooter/ Scooterttee segment.

1.3 Diesel (HSD): HSD consumption recorded a decline of -0.5 % for the fourth consecutive month in September, 2013, and a cumulative decline of -1.0 % during April-September, 2013.

A combination of factors such as (a) heavy rains across the country resulting in lower HSD consumption for transportation sectors and agriculture sector pump sets, (b) slowing down of sale of diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), (c) improved power situation, (d) shift of Industrial consumers to alternate fuels due to price differential (dual pricing) and increasing fuel prices continue to dampen diesel consumption.

Figure-4: Month-wise HSD consumption (TMT) and consumption (%) since April, 2011



Factors affecting diesel consumption are discussed below:

- a) **Deregulation of Direct/Bulk Diesel Sales:** Government announced on 18th January, 2013 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 and 16.8% in December, 2012, declined to around 10 % in September, 2013.

The fall in the share of bulk HSD is mainly due to very limited upliftment by State Transport Undertakings and by industries like Civil Construction, Cement, Mining, Steel, etc., who have shifted in to Retail Outlets or alternate and now cheaper fuel oils.

- b) **Port traffic scenario improves:** There is an improvement in the port traffic and cargos handled at major ports during the period April-September, 2013, mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, New Mangalore and Ennore ports.

Figure-5: Month-wise port traffic growth (%) since July'2009

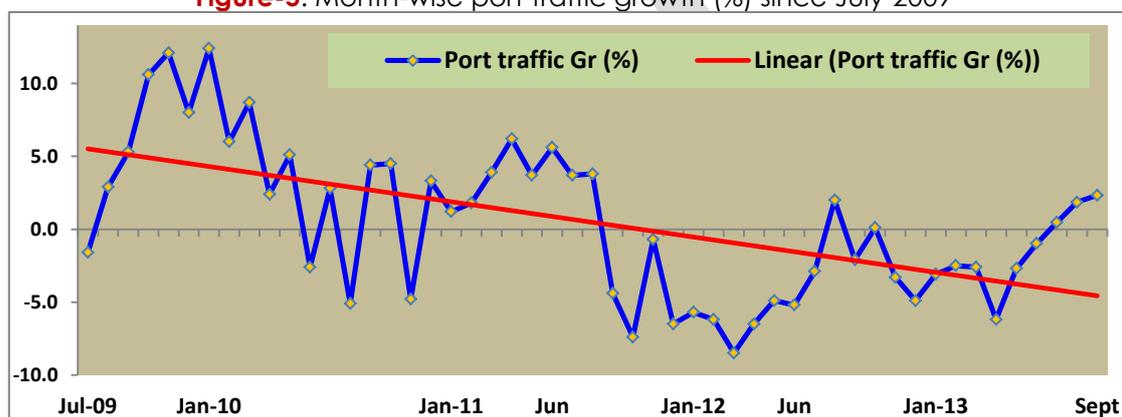


Table-2: Cumulative traffic handled at major ports for April-September, 2013 (in '000 Tonnes)

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	SEPTEMBER, 2013	APRIL TO SEPTEMBER		% GROWTH
	% GROWTH	2013	2012	
KOLKATA + HALDIA	13.90	20944	19808	5.74
PARADIP	11.54	34119	25629	33.13
VISAKHAPATNAM	-5.39	28936	30309	-4.53
ENNORE	65.34	12676	7997	58.51
CHENNAI	-3.44	26249	27127	-3.24
V.O. CHIDAMBARANAR	14.82	14093	14037	0.40
COCHIN	32.14	10850	10134	7.07
NEW MANGALORE	34.09	19376	16736	15.77
MORMUGAO	-9.05	5159	12656	-59.24
MUMBAI	10.42	27851	28788	-4.19
JNPT	-4.87	30934	32653	-5.26
KANDLA	-11.29	45951	44687	2.83
TOTAL:	4.98	276868	270561	2.33

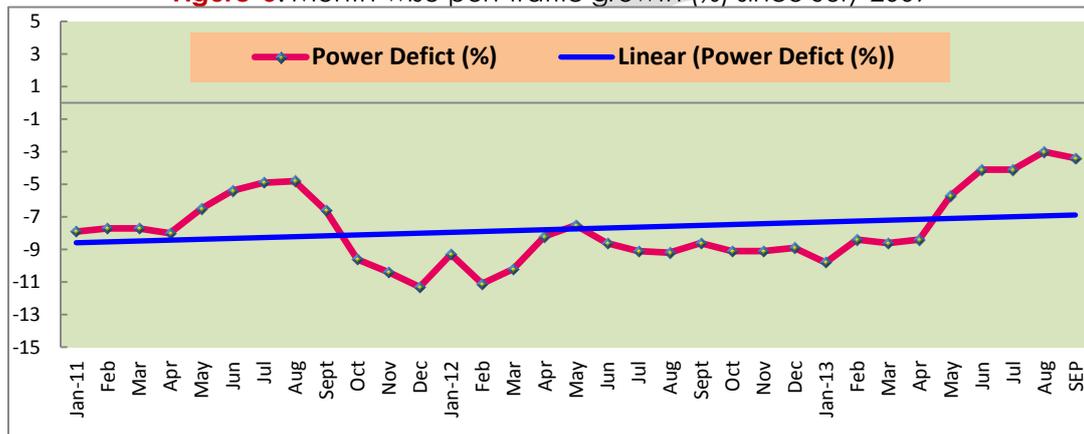
Source: IPA

Of the 12 major ports in the country five have recorded decline in port traffic led by Mormugao (-59.24%), Mumbai (-4.19%), JNPT (-5.26%), Visakhapatnam (-4.53%) and Chennai (-3.24%).

The port traffic movement is primarily affected due to slowdown in mining sector, especially in the domestic iron ore mining, as a result of curbs on mineral rich states such as Goa, Karnataka and Odisha.

- c) **Power situation improves:** Due to the early onset of monsoon and good rains during September, 2013, the all India power availability has improved and deficit has come down to -3.4%.

Figure-5: Month-wise port traffic growth (%) since July'2009



The good monsoon has resulted in topping up of water reservoirs across the country, resulting in improvement of power generation from Hydel power plants. Further, the improved power position has led to reduced consumption of HSD for power generation by DG sets.

The good monsoon is also beneficial to horticulture, perennial crops, orchards and this has reduced the HSD consumption in the diesel pump sets for irrigation purposes.

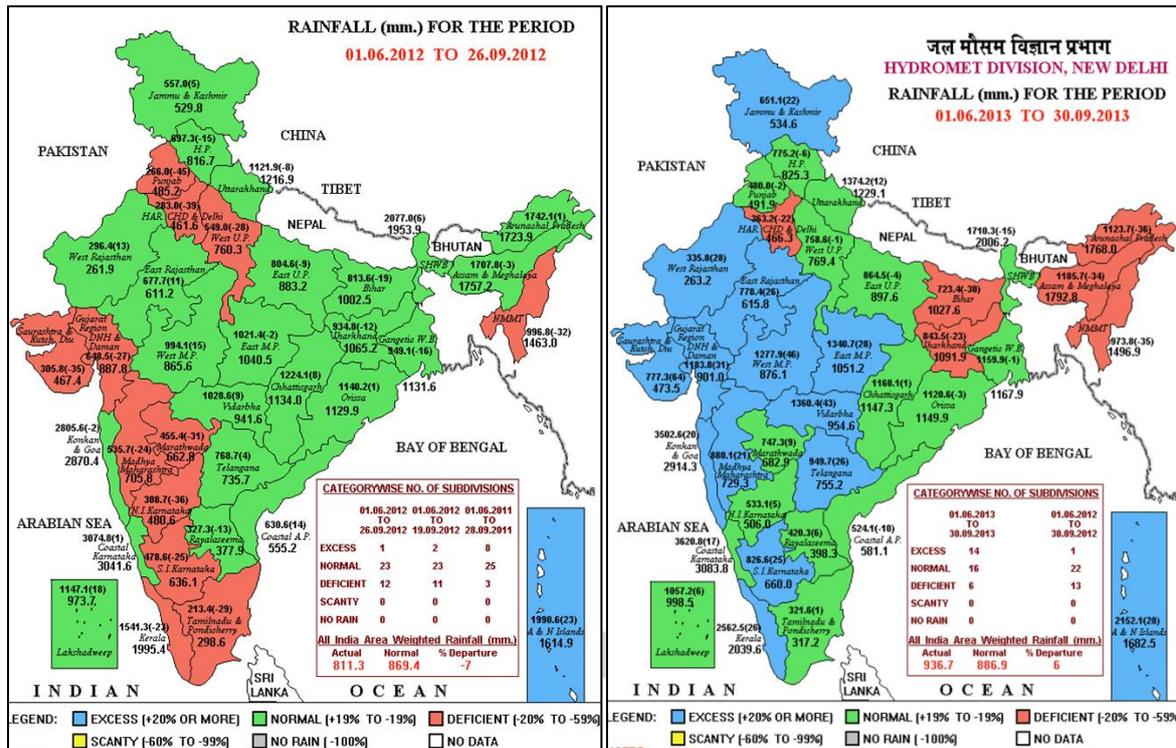
All regions have shown improvement and the power deficit position for the month of September, 2013 is given in Table-3.

Table-3: Region-wise position for September, 2013 (% deficit)

Region	September, 2013	September, 2012
North	-6.5	-8.0
West	-0.7	-1.5
South	-2.8	-18.1
East	-1.3	-3.7
North-East	-6.7	-6.6
All India	-3.4	-8.6

Source: Central Electricity Authority (CEA)

The IMD maps reflect the improved monsoon conditions during the period June to September, 2013 compared to the same period last year:



d) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -15.3% during the period Apr-September, 2013.

Segment	September Growth (%)	Apr-September Growth (%)
M&HCVs	- 41.8 %	- 25.2 %
LCVs	-18.0 %	- 9.6 %
TOTAL COMMERCIAL VEHICLES	- 26.9%	- 15.3%

Source: SIAM

e) **Utility Vehicles (UV) Sales:** The utility vehicles (UV) segment, which used to be a consistent performer, fell for the third consecutive month during September, 2013 this year.

1.4 LPG: The LPG consumption recorded a growth of 5.9 % during September 2013, as compared to a decline of 0.8% in growth during September, 2012. The cumulative consumption was at -0.4% during April-September, 2013.

Ceiling in number of subsidized cylinders and blocking of duplicate/multiple connections has drastically brought down the consumption of subsidized domestic cylinders, which has resulted in conservation of use of LPG, switchover to cheaper fuels in rural areas/highways and checked diversion for usage in automobile sector, etc.

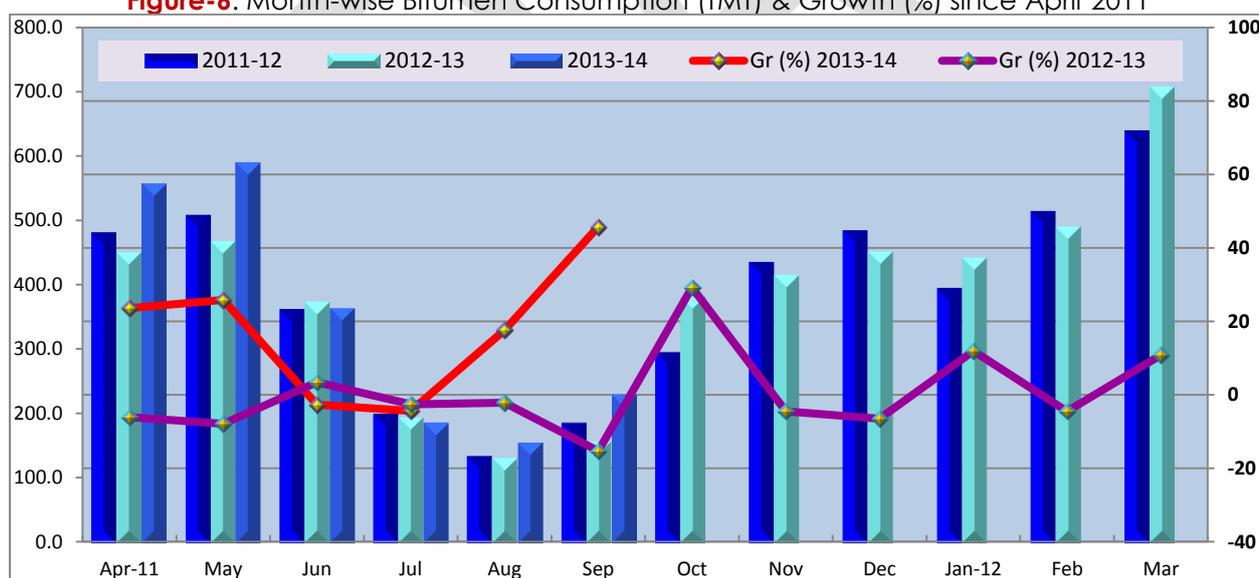
After four consecutive months of growth, Auto LPG sales witnessed a decline of 0.6% during September, 2013, and the cumulative growth in the first half of 2013-14 has been 4.2%. Decline in bulk LPG sales has been observed since October, 2010, which is mainly due to shift of customers to PNG and parallel marketers, and also due to slowdown in industrial activity.

1.5 Naphtha: Naphtha consumption recorded a decline of - 5.6% in September, 2013 and a cumulative negative growth of -7.6%, during April-September, 2013.

There has been reduced consumption in both the fertilizer sector (SPIC Tuticorin, Zuari Goa, MCFL Mangalore and FACT Ernakulam) and power sector (Reliance Energy, Goa and NTPC, Kayankulam) due to shift to Gas by Zuari and reduced demand in power sector due to improved power generation from alternate sources. However, some petrochemical units such as IOCL Panipat and Haldia Petrochemicals have recorded positive growth of Naphtha during September, 2013.

1.6 Bitumen: Bitumen consumption recorded a phenomenal growth of 45.7% in September, 2013 due to large scale road repair activities after heavy monsoons. Cumulative growth of 17.1% was registered for the period April-September, 2013.

Figure-6: Month-wise Bitumen Consumption (TMT) & Growth (%) since April'2011



The performance of the road sector was not inspiring in FY 2012-13, but with a number of new NHAI project clearances and the activities of new road building/repairing/re-carpeting of existing roads, especially in Rajasthan, U.P, Jharkhand, West Bengal, Bihar, etc. resulted in improvement in the bitumen consumption and the prospects seems to be encouraging for the balance months of the FY 2013-14.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption continued with -26.9 % growth during September, 2013 and a cumulative negative growth of -22.2 % for the period April-September, 2013.

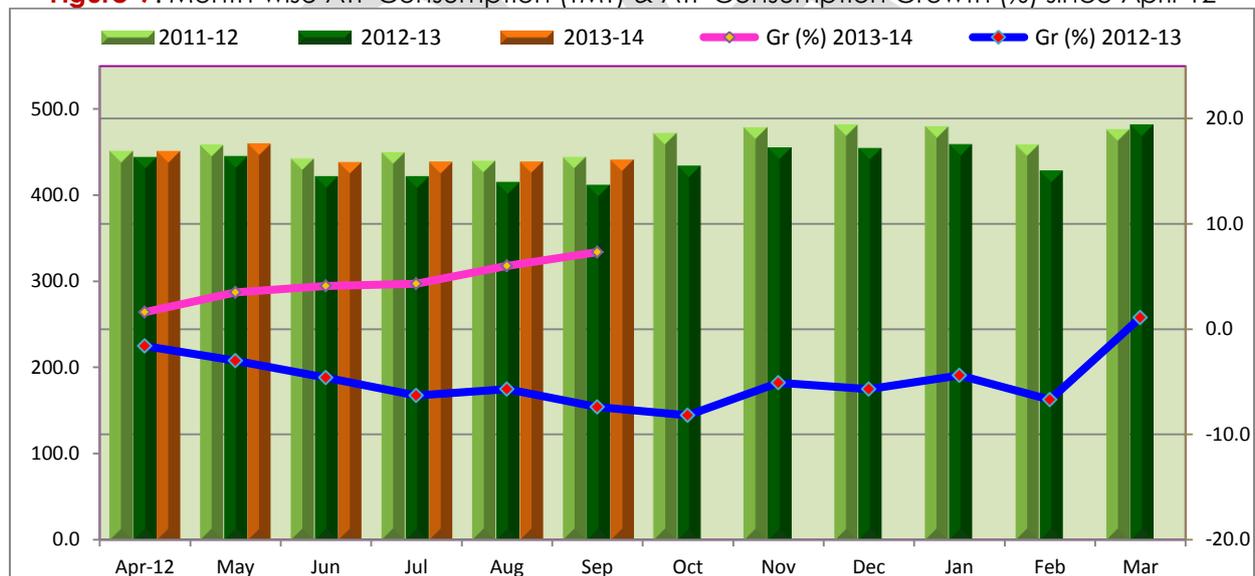
As reported in our previous reports, the Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda, the major consumers in the fertilizer sector, have switched to gas and their upliftments for the past couple of months are nil.

1.8 ATF: ATF sales recorded a growth of 7.3% this month and a cumulative growth of 4.4% during April-September, 2013-14.

After witnessing constant fall in the past three years, for the second consecutive month in the fiscal, September, 2013 saw 45.5 lakhs domestic flyers as compared to 40.2 lakhs in September, 2012, thus registering a growth of 13.4% in domestic air passenger travel despite a steep increase of 7% in ATF prices. The fuel cost constitutes 40-50 % of the operational cost of Indian airlines.

Mainly due to relatively low air-fares, an impressive 52.6 lakh people flew within the country in August, 2013 to celebrate festivals, against 43.6 lakh during August last year.

Figure-7: Month-wise ATF Consumption (TMT) & ATF Consumption Growth (%) since April'12



1.9 Petcoke: Petcoke consumption registered a growth of 23.2% during September, 2013 and a cumulative growth of 18.2% during April-September, 2013.

The high growth during the last couple of years has been due to increased availability after the commissioning of Resid project at the existing IOCL Gujarat Refinery and new refineries at Bina and Bhatinda.

Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making. Nearly 33 % of the world Petcoke production is of fuel grade and 67 % is calcined coke.

In the recent years, Petcoke has replaced coal/ Gas/ Furnace Oil and Lignite as alternate fuel in the Industrial fuel consumption. The main reasons are cost advantage against Gas/Furnace Oil/Lignite. It has nil ash content (< 1%), less pollution related problem and no disposal problem. Further, due to nil ash content in Pet Coke unburnt material is reusable.

1.10 LDO: LDO consumption recorded a decline of – 23.9% in September, 2013 and a cumulative negative growth of -5.9%, during April-September, 2013.

Until January, 2013, HSD was cheaper than LDO and a number of LDO customers (predominantly bulk customers) had switched over to HSD.

1.11 Natural Gas: There has been a decline of about 9.92% in the sales of Natural Gas in September, 2013, with a cumulative negative growth of also 12.56% for April-September, 2013. The overall sale for the month was 3,347.78 MMSCM as compared to 3,716.55 MMSCM in September, 2012.

Natural gas sales declined mainly due to reduction in domestic gas production. The reduction was primarily due to decline in RIL production which dipped more than 50.2% from 800.59 MMSCM in September, 2012 to 399.31 MMSCM in September, 2013.

Figure-6: Monthly Natural Gas Sales (MMSCM):



Major factors affecting Natural Gas sales in the month of September, 2013 are:

- 1. Power Sector:** There was a decline of 27.85% in natural gas sales to the power sector. This was primarily due to reduced consumption by both public and private power producers in Northern, Western and Southern region. The sector has been negatively impacted by declining volumes of domestic gas

as supply to the sector from KG D6 has become zero since March, 2013. In addition, producing power from LNG is not viable due to high cost.

2. **Fertilizer Sector:** There was 6.6% growth in sales due to increased off take by consumers in Northern (NFL Nangal, Bhatinda & Panipat, Chambal Fertilizers & Chemicals Limited and Shriram Fertilizers & Chemicals) and Western (Zuari Fertilizers & KRIBHCO Shyam Fertilizers) India compared to the same period last year. However, in the southern region, there was low off-take by Nagarjuna Fertilizers.
3. **City Gas Sector:** There was overall decline in growth of 2.62% in CGD sales, which was primarily due to reduced off-take in Western region, i.e., by Gujarat CGD companies.
4. **Internal Consumption:** There was a decline of 9.56% in internal consumption (IC) compared to the same period last year. The decrease was primarily due to reduced internal consumption by IOC in both Northern region and RIL's reduced internal consumption in Southern India. Western region was impacted by Force majeure in DUPL.
5. **Others Sectors:** There was overall decline of 20.68% in sales in other sectors. The decline in sales is due to fall in domestic supply and low LNG off-take by customers

There are noticeable trends towards improvement in the performance of the following sectors:

- ❖ Automobile Industry : Increase in 2-Wheeler & passenger car sales,
- ❖ Ports : Increase in cargo handled & port traffic at major ports,
- ❖ Aviation Industry: Increase in air traffic and passenger movement,
- ❖ Roads: Revival of road development activities (new roads & repair of old),
- ❖ Mining: Revival of Mining sector,

All the above factors are likely to positively contribute towards higher consumption of petroleum products during the coming months.