

Industry Sales Review Report

February 2014



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Data on product-wise monthly consumption of petroleum products for February, 2014 is uploaded on PPAC website. This report analyses the trend of consumption of petroleum products in the country during the month of February, 2014.

1.0 CONSUMPTION:

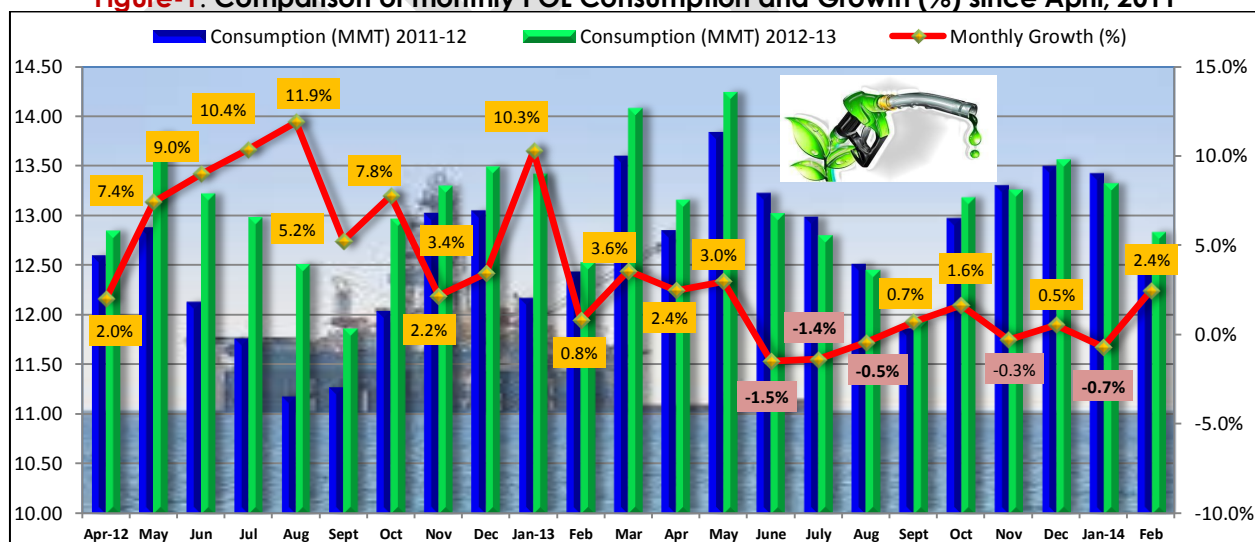
The growth (%) in consumption of petroleum products, category-wise, for the month of February, 2014 and April-February, 2014 is given in **Table-1**.

Table-1: Consumption (TMT)

PRODUCT	February, 2014		April-February, 2014		Products Included
	Qty. (TMT)	Growth (%)	Qty. (TMT)	Growth (%)	
Sensitive Products	7367	1.1	83658	-0.4	SKO, LPG & HSD
Major Decontrolled Products	4008	1.0	43988	-1.6	Naphtha, MS, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor Decontrolled Products	1462	14.9	16153	13.2	Petcoke & other minor products
Grand Total	12836	2.4	143800	0.6	

1.1 All Products: The growth in consumption of all petroleum products has registered a growth of 2.4% February, 2014 as compared to that in February, 2013 and cumulative growth for April-February, 2014 is at 0.6 %. Except for SKO, Lubes, LDO, and FO+LSHS, all other products recorded positive growth.

Figure-1: Comparison of monthly POL Consumption and Growth (%) since April, 2011

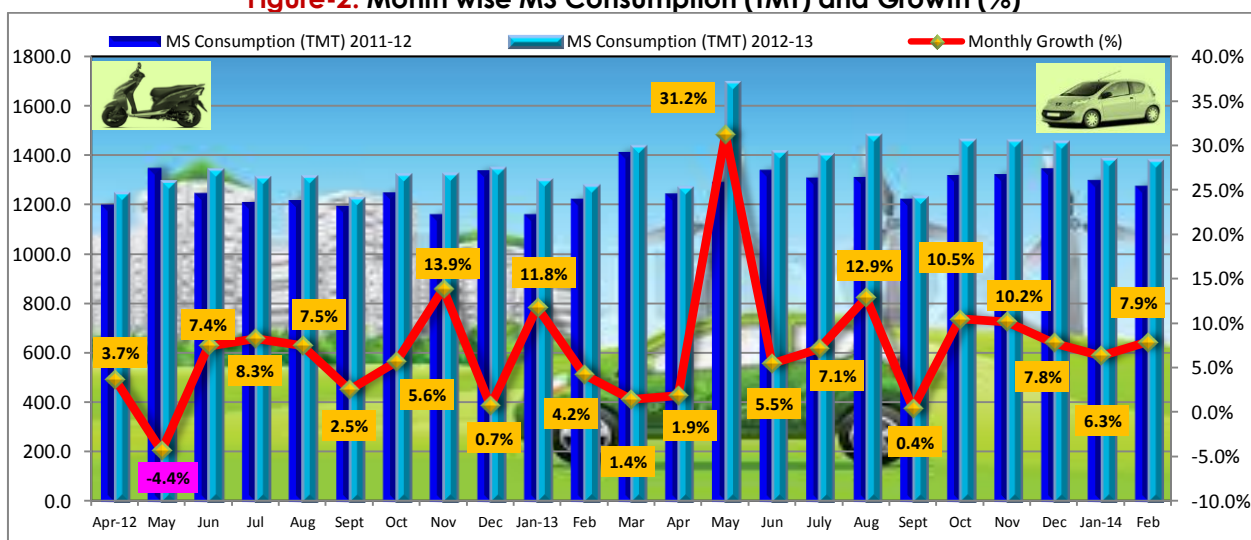


Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to December, 2014 and private imports data for the balance two months, (i.e. January, 2014 & February, 2014) are projected based on April-December, 2013 figures.

Detailed product-wise analysis of growth for February, 2014 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): There has been a 7.9% growth in the consumption of MS during February, 2014 and cumulative growth for April-February, 2014 is at 9.3%. **Figure-2**, gives month wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2011.

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



The growth in consumption of MS in the month of February, 2014 is mainly attributable to low historical base in February, 2013. The prolonged winter conditions, unseasonal rains in some parts of the country and disturbances in Telengana have impacted MS consumption in February, 2014.

Other factors impacting consumption of MS are:

a) **Total Passenger Vehicles (PV) Sales:** The overall passenger vehicles sales fell for the sixth straight month in February, 2014. The cut in excise duty and discounts did not bring cheers to the overall automobile industry and the total passenger vehicles sales registered a decline of -3.86% during February, 2014, while the cumulative decline in growth during April-February, 2014 was -5.91%.

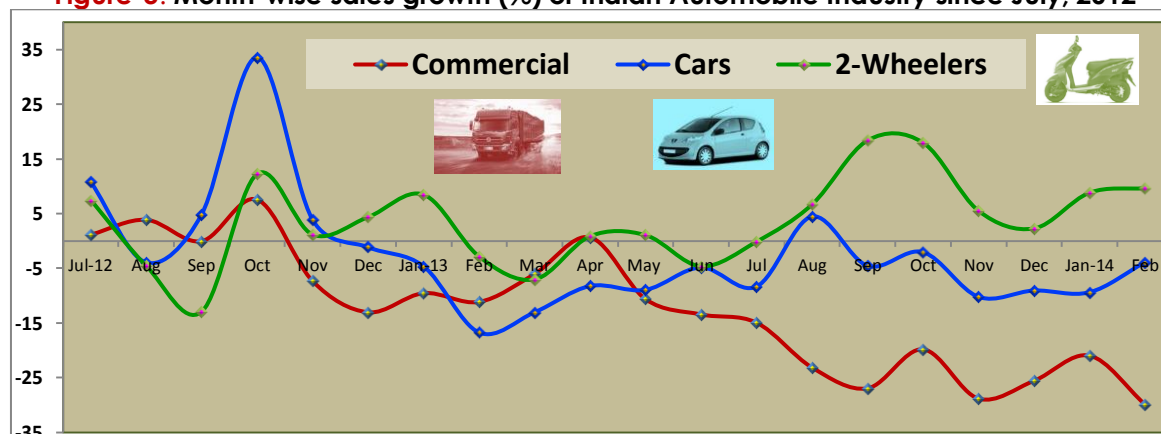
Car sales for the first time in four months registered a marginal growth of 1.39% on the back of successful recent launches and excise duty cuts.

Segment	February Growth (%)	April-February Growth (%)
Passenger Cars	+1.39	- 4.6
Utility Vehicles	- 9.09	- 5.0
Vans	- 32.76	- 18.3
Total Passenger Vehicles (PVs)	- 3.86	- 5.9

Source: SIAM

Rising fuel prices and higher interest rates have escalated the cost of private cars, dissuading the potential buyers in making new purchases.

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



- b) **2-wheeler Sales:** With domestic sales of 1.22 million units in February, 2014, the 2-wheeler segment recorded a growth of 9.69%, mainly due to a continuous impressive growth of 28.19% in the Scooter/ Scooterette segment.

Segment	February Growth (%)	April-February Growth (%)
Scooter / Scooterette	28.19	21.4
Motor Cycles	5.39	2.9
Mopeds	-5.83	- 9.2
Total Two wheelers	9.69	6.11

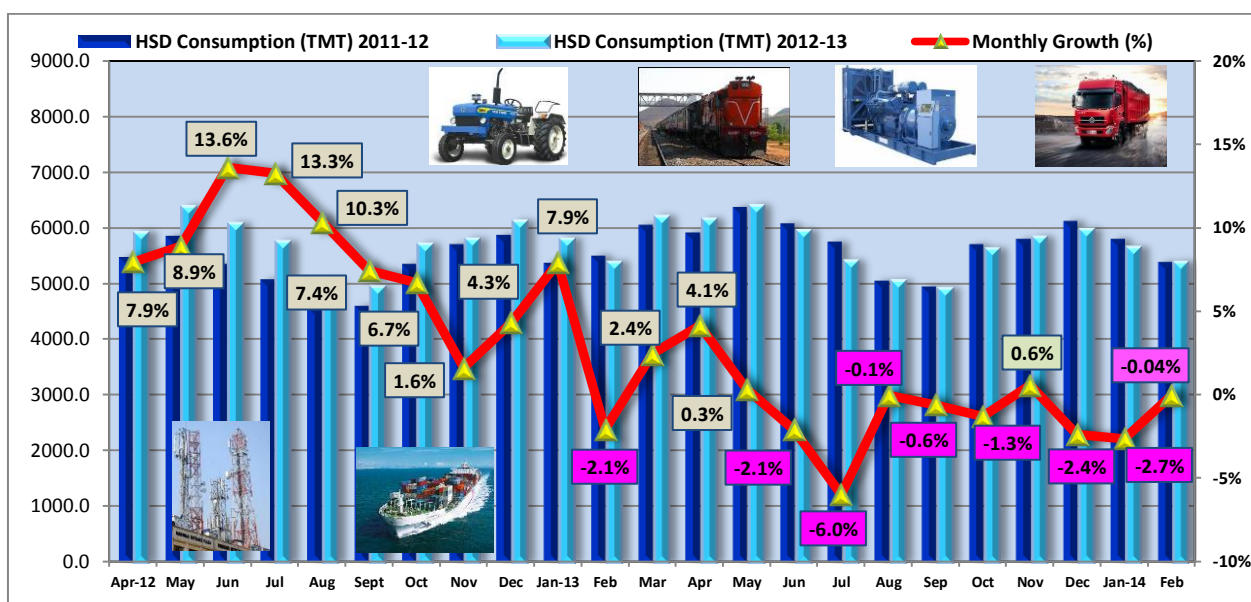
Source: SIAM

More than 60% of the petrol consumption is by 2-wheelers in the country. The spurt in the 2-wheeler sales in the recent past, also suggests that people are opting for 2-wheeler over small car segment. It is an observed trend that more women are opting to take to 2-wheelers, which is resulting in a healthy growth in the Scooter/ Scooterette segment.

1.3 High Speed Diesel (HSD): The declining trend in HSD consumption since June, 2013 continued in February, 2014 also, with the exception of a marginal growth during November, 2013. HSD consumption recorded a marginal negative growth of -0.04% in the month of February, 2014 and a cumulative decline of -0.9% during April-February, 2014.

A combination of factors such as (a) slowing down of sale of commercial diesel vehicles (MPVs, Medium & Heavy vehicles and Light commercial vehicles), (b) improved power situation, (c) un-seasonal rains, (d) shift of Industrial consumers to alternate fuels due to price differential (dual pricing) and increasing fuel prices, and (e) shift of 4-Wheeler/ SUV consumer preference from diesel to petrol driven vehicles, continue to dampen diesel consumption

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



Factors affecting diesel consumption are discussed below:

a) **Port traffic:** There has been a decline in growth of -1.0% in port traffic and cargos handled at major ports during February, 2014, with a positive growth of 1.19% during the cumulative period April-February, 2014 is mainly due to improvement at Kolkatta, Haldia, Paradip, Cochin, New Mangalore and Ennore ports.

Table-2: Cumulative traffic handled at major ports for April-February, 2014 (in '000 Tonnes)

TRAFFIC HANDLED AT MAJOR PORTS				
PORTS	Feb'2014 (% Growth)	APRIL TO FEBRUARY		
		2014	2013	Growth (%)
KOLKATA + HALDIA	-18.2%	36744	35767	2.7%
PARADIP	7.8%	61836	51415	20.3%
VISAKHAPATNAM	1.6%	52767	53944	-2.2%
ENNORE	18.0%	24689	16155	52.8%
CHENNAI	-1.1%	46389	48658	-4.7%
V.O. CHIDAMBARANAR	11.7%	25789	25635	0.6%
COCHIN	3.9%	19161	18160	5.5%
NEW MANGALORE	-0.4%	35761	33615	6.4%
MORMUGAO	39.1%	10607	16714	-36.5%
MUMBAI	8.1%	53905	53000	1.7%
JNPT	-4.0%	56452	58824	-4.0%
KANDLA	-16.8%	79818	86082	-7.3%
TOTAL:	-1.0%	503918	497969	1.19%

Source: IPA

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

- b) **Power situation improves:** All regions have shown substantial improvement and the power deficit position for the month of February, 2014 is given in Table-3. The lower deficit is on account of increased generation and also lower demand due to reduced economic activities.

Table-3: Power deficit: Region-wise position for February, 2014 (% deficit)

Region	February 2014	February 2013
North	-5.5	-8.0
West	-1.2	-1.9
South	-5.8	-16.5
East	-1.0	-4.6
North-East	-6.8	-6.7
All India	-3.8	-8.4

Source: Central Electricity Authority (CEA)

The improvement in power deficit is mainly due to increased power availability and flat growth in power demand during the current fiscal. Further, the improved power position has led to reduced consumption of HSD for power generation by DG sets.

- c) **Commercial Vehicles (CV) Sales:** The CV sales registered a decline of -29.84% during February, 2014 and a cumulative decline in sales of -19.71% during the period April-February, 2014.

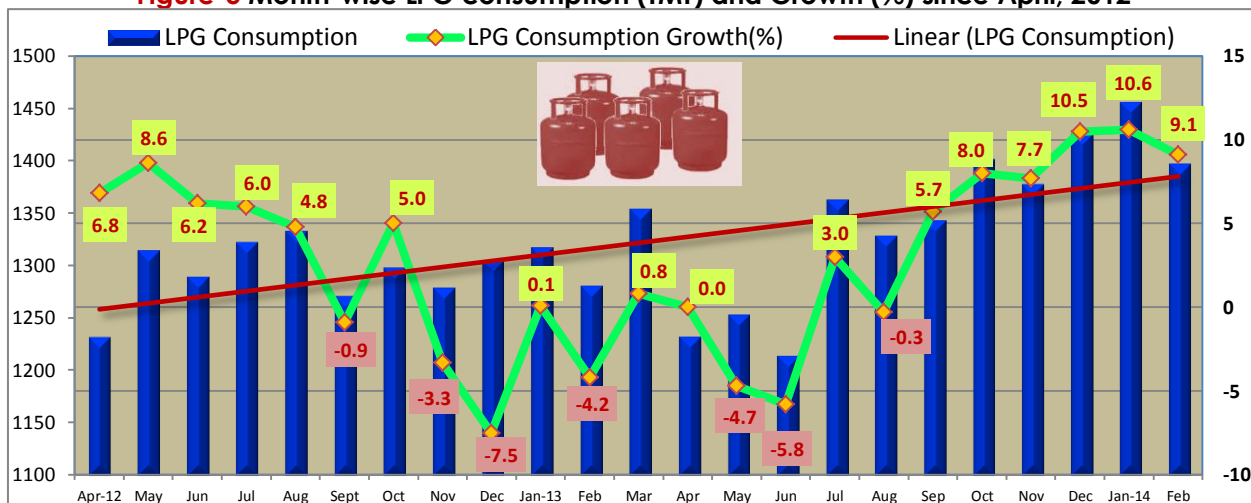
In the last 19 months, sales of heavy commercial vehicles have fallen substantially. Major Indian manufactures such as Ashok-Leyland and Tata Motors are now working at 30% to 50% level of their total production capacity.

Segment	February Growth (%)	Apr-February Growth (%)
M&HCVs	- 23.96	- 25.9
LCVs	- 32.54	- 16.6
TOTAL COMMERCIAL VEHICLES	- 29.84	- 19.71

Source: SIAM

- 1.4 LPG:** The LPG consumption for the sixth month in a row recorded a positive growth (9.1%) during February 2014 and the cumulative growth consumption has been 3.9% during April-February, 2014.

Figure-5 Month-wise LPG consumption (TMT) and Growth (%) since April, 2012



Ceiling in number of subsidized cylinders and blocking of duplicate/ multiple connections had brought down the consumption of subsidized domestic cylinders since September, 2012. However, since September, 2013 there has been growth in LPG consumption due to release of new connections and DBCs and also due to low base of previous year. The announcement of increasing the ceiling of subsidized cylinders from 9 to 12 in a year spurred the growth in domestic LPG demand during February, 2014.

Decline in bulk LPG sales has been observed since February, 2010, which may be 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 marginal growth of 0.6% in February, 2014 and a cumulative negative growth of -7.1%, during April-February, 2014.

There has been reduced consumption in the fertilizer sector (SPIC Tuticorin, Zuari Goa, and FACT Ernakulam) and the power sector (Reliance Energy, Goa and NTPC, Kayankulam), due to shift to Natural Gas by Zuari and reduced demand in power sector, due to improved power generation from other sources. However, some petrochemical units such as IOCL Panipat, Asian Peroxide and Haldia Petrochemicals have recorded positive growth during February, 2014 while there is negative growth in Reliance, Jamnagar.

1.6 Bitumen: Bitumen consumption registered a marginal growth of 0.5% in February, 2014 and a cumulative growth of 7.8% was recorded during April-February, 2014.

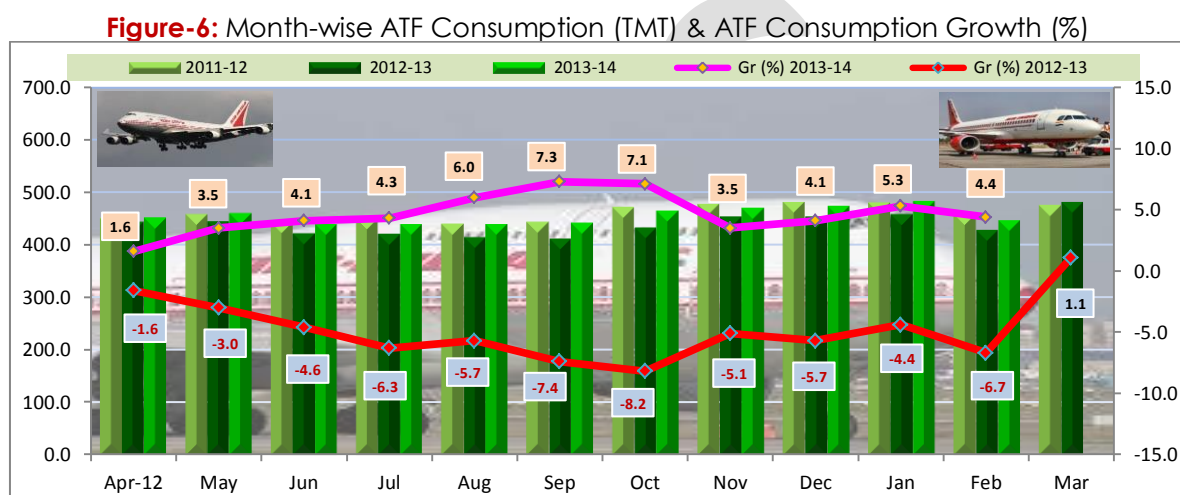
A number of new NHA project clearances and activities of new road construction and repairing of existing roads have contributed to the growth in Bitumen consumption.

1.7 FO/LSHS: The declining trend in the negative growth of FO+LSHS consumption in the current fiscal year continued with -10.2% growth during

February, 2014, and a cumulative negative growth of -20.5% for the period April-February, 2014.

The Fertilizer and Power sectors have contributed to the negative growth in FO/LSHS sales. NFL Panipat & Bhatinda and GNFC Bharuch, the major consumers in the fertilizer sector, have switched to natural gas and their upliftment for the past couple of months is nil.

1.8 ATF: ATF sales recorded a growth of 4.4% in February, 2014 and a cumulative growth of 4.6% during April-February, 2014-14 mainly due to increased passenger and goods traffic during the current year.



After almost two years, domestic air travel is showing signs of growth. In order to boost air traffic in the coming months, most of the airlines have announced slashing of air fares up to 75% for travel upto June, 2014.

The total number of domestic air passengers in February, 2014 grew at 1.10% as compared with the same month last year. In February 2014, domestic airlines carried 49.46 lakh passengers as compared with 48.92 lakh passengers. The passenger numbers, however, are not indicative of the impact of discounts during the current quarter as the sales offered were for travel from only the last week of February onwards.

1.9 Petcoke: Petcoke consumption registered a growth of 11.4% during February, 2014 and a cumulative growth of 13.9% during April-February, 2014.

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, and also due to increased imports because large scale exports from USA.

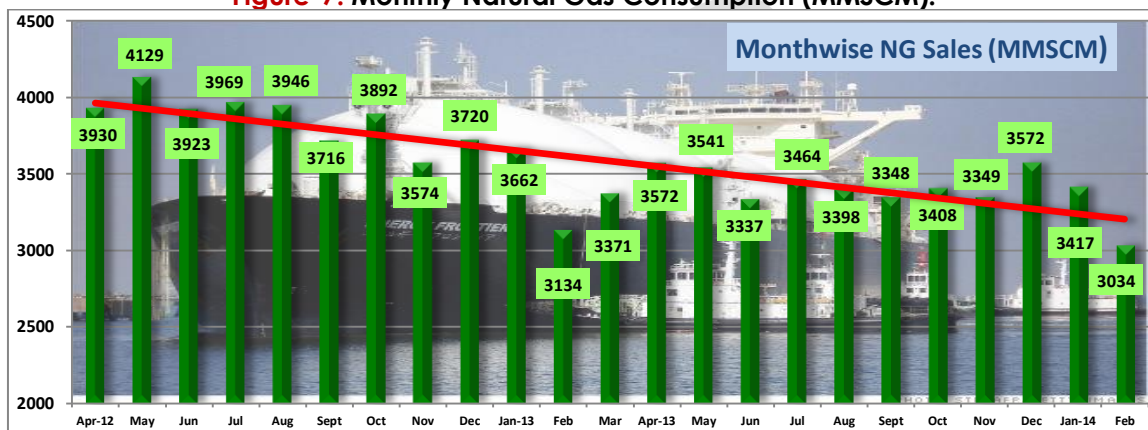
Petcoke is used as fuel at power plants to generate electricity, by the smelting industry to create aluminum and steel, and as a fuel for cement making.

1.10 LDO: LDO consumption recorded a de-growth of -37.8% in February, 2014 and a cumulative negative growth of -6.0%, during April-February, 2014.

1.11 Natural Gas: There has been a decline of about -3.19% in the consumption of Natural Gas in February, 2014 and a cumulative negative growth of -7.99% during April-February, 2014. The overall sale for the month was 3,034.13 MMSCM, as compared to 3,134.18 MMSCM in February, 2013.

Natural gas consumption declined mainly due to reduced domestic gas availability, primarily from the KG D-6 basin.

Figure-7: Monthly Natural Gas Consumption (MMSCM):



- Power Sector:** There was a decline of about -6.75% in natural gas consumption 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.
- Fertilizer Sector:** There was a negative growth of -3.2% in natural gas consumption due to reduced off-take by consumers in Northern, Southern and Western India compared to the same period last year.
- City Gas Sector:** There was growth of approx. 3.78% in CGD sales due to increase in off-take primarily in Northern region (IGL and Green Gas) and Western region (MGL and MNGL)
- Internal Consumption:** Internal consumption (IC) grew by 11.39% compared to the same period last year. The increase was primarily due to low IOC refinery consumption in February, 2013 in Northern India and increased internal consumption by RIL in Southern region
- Others Sectors:** There was overall decrease of about 17% in sales in other sectors. The decline in sales is due to decrease in domestic supply and low LNG off-take by customers.
