INDUSTRY SALES REVIEW

September 2017

Analysis • Knowledge • Information

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

This report analyses the trend of consumption of petroleum products in the country during the month of September, 2017. Data on product-wise monthly consumption of petroleum products for September, 2017 is uploaded on PPAC website (www.ppac.gov.in). PPAC has finalized the consumption numbers for 2016-17 and the same has been uploaded on the website. PPAC has also launched its mobile app "PPACE (PPAC-Easy)" that draws on the full range of information available on PPAC website and is available on the play-stores of Android and Apple iOS.

1.0 CONSUMPTION :

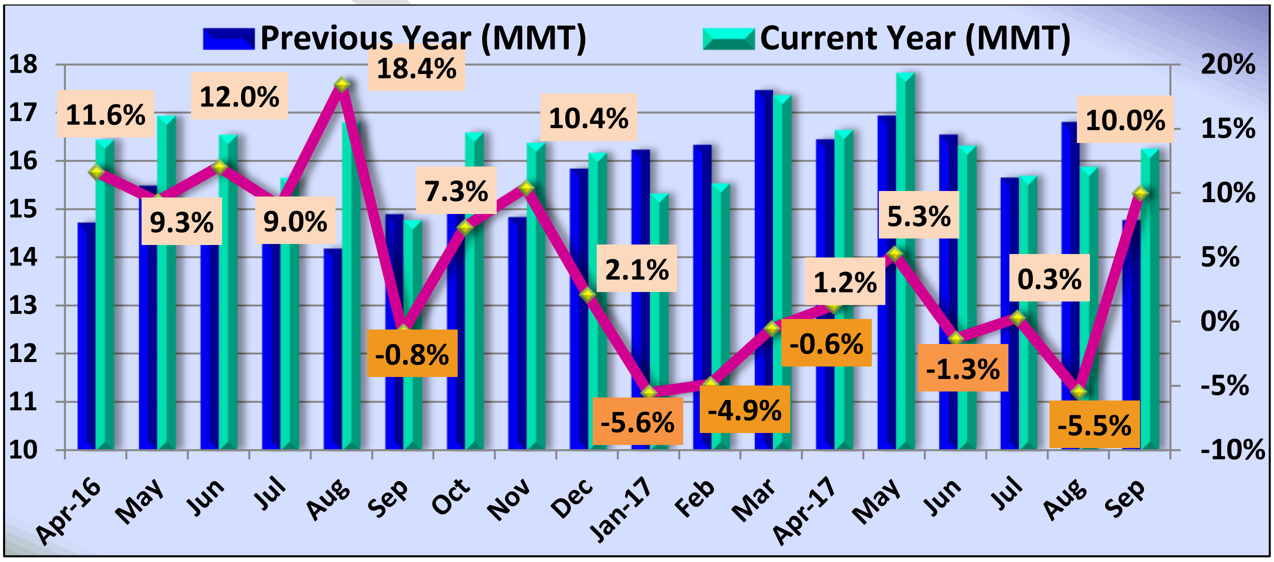
The percentage growth in consumption of petroleum products, category-wise, for the month of September, 2017 is given in Table-1.

Table-1: Petroleum Products Consumption (Quantity in TMT)

PRODUCT	Share (%)	September 2016	September 2017	Growth (%)	Products Included
Sensitive products	14.0 %	2,374	2,278	-4.0%	SKO & LPG
Major decontrolled products	68.9%	9,865	11,193	13.5%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled products	17.1%	2,543	2,785	9.5%	Pet. Coke & other Minor products
Grand Total	**100%**	**14,782**	**16,256**	**10.0%**	

All Products : India's consumption of petroleum products grew by 10% in the month of September, 2017. The demand for all oil products increased to 16.3 MMT from 14.78 MMT a year ago. Except for de-growth in the consumption of kerosene and FO/LSHS, all other products recorded positive growth. SKO continued with downward trend and a drop of -33.5% was recorded during the month. On cumulative basis, a growth of 1.5% was recorded in consumption of all petroleum products for the period April to September, 2017 as compared to April to September, 2016.

Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2016

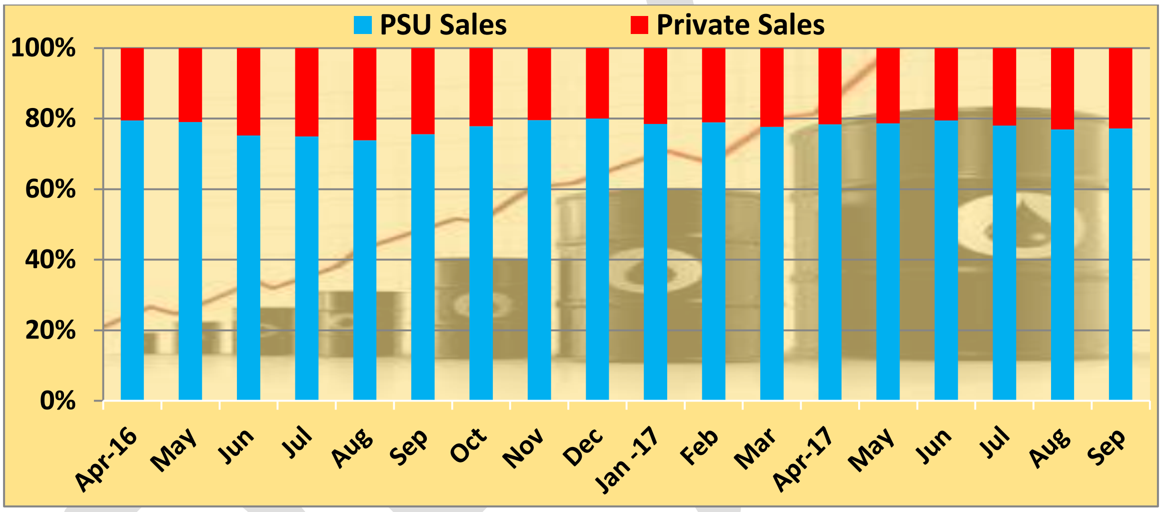


Indian 'Sales Manager's Index' (SMI) for September, 2017, released by London-based World Economics, which produces data and analysis on the global economy, said that the Indian economy recovered rapidly in September, 2017.

The Nikkei Services PMI in India jumped to 50.7 in September, 2017 from 47.5 in the preceding month. The sector was impacted by GST. Output and new orders increased for the first time in three months. The Nikkei Manufacturing PMI in India stood at 51.2 in September, 2017, remaining unchanged from 51.2 in August, 2017. The reading was indicative of a modest improvement in manufacturing sector business conditions in September, 2017.

Figure-2 gives a comparison of percentage of monthly sales volumes of all petroleum products by PSU and Private oil companies since April, 2016.

Figure-2: Comparison of monthly POL Sales in PSU & Private Sector (%) since April, 2016



PPAC analyzes the sales recorded by the Industry on the basis of the data available. 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 July, 2017 and private imports data for the months of August and September, 2017 are projected based on August, 2016 to July, 2017 actual data provided by DGCIS.

Detailed product-wise analysis of growth for September, 2017 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): MS consumption during September, 2017 recorded the highest grown in the current year clocking 17.8% as compared to September, 2016, while on a cumulative basis, growth of 9.8% was recorded for the period April to September, 2017 as compared to the same period last year. With rising income levels, improved road connectivity and automobile industry growing at a fast pace, the demand for petrol driven automobiles has increased which is the main driver for MS sales.

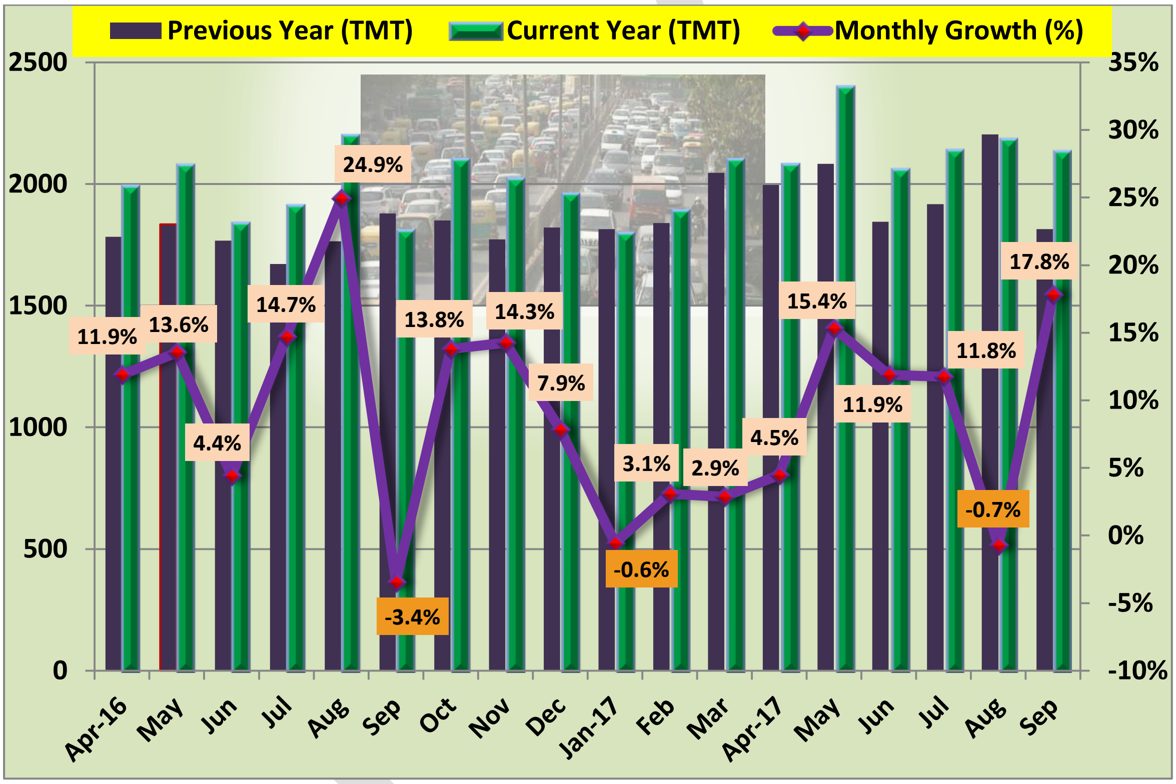
However, growth in MS consumption during the month may be attributed to the following factors.

i. It was mainly due to the fact that September, 2016 had a low base volume as the price revisions that took place on 1st August 2016 (price revised downwards) and on September 2016 (price revised upwards) had resulted in shifting of sales to the month of August, 2016.

ii. Advancement of festive season resulted in growth of sales.

Figure 3 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2016.

Figure-3: Month wise MS consumption (TMT) and growth (%) since April, 2016

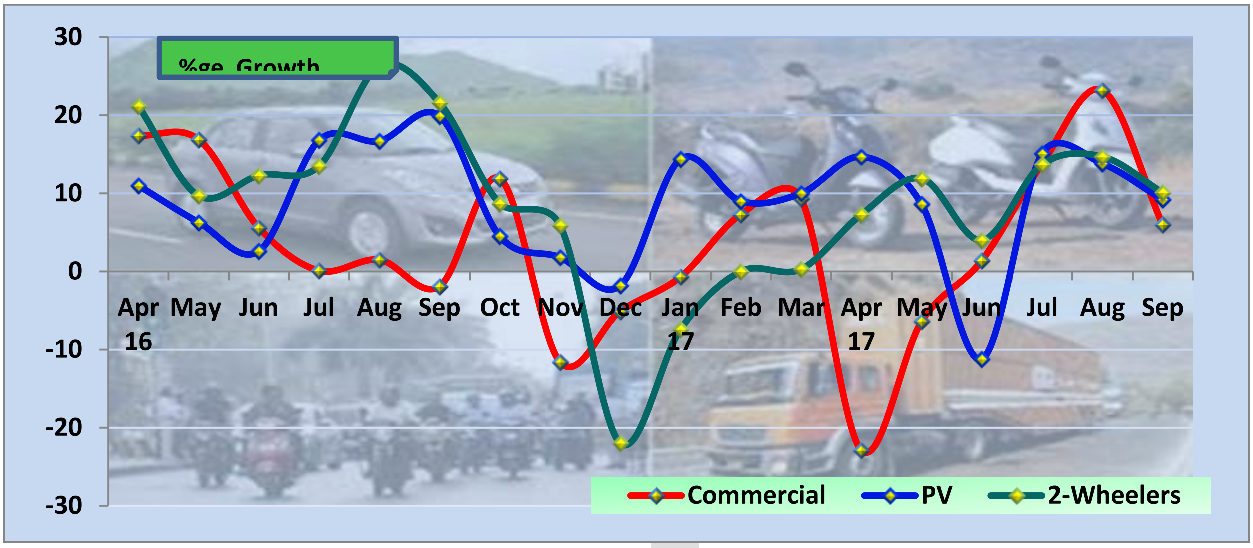


Other factors impacting consumption of MS are:

September, 2017 consumption numbers indicate that demand has bounced back, particularly from rural India. A combination of new vehicle launches, a bountiful monsoon in most parts of the country translating into demand for PVs, small CVs and two-wheelers, as well as a boost in consumer demand from the onset of festive season pushed sales of vehicles and helped automakers post robust numbers.

Figure-4 gives a graphic representation of month-wise growth percentages of passenger vehicles, commercial vehicles and 2-Wheelers since April, 2016.

Figure-4: Month-wise sales growth (%) of Indian Automobile Industry since April, 2016



a) **Total passenger vehicles (PV) sales**: The Indian passenger vehicle (PV) industry's sales for the month of September, 2017 have risen ahead of the festive season. PV sales in India grew by 11.3% in September, 2017, riding on good growth in utility vehicles segment and festive season purchases. According to data released by the Society of Indian Automobile Manufacturers (SIAM), domestic PV sales were at 309,955 units in September, 2017 as against 2,78,428 in the same month last year. India is also fast developing as a hub for small car manufacturing and a major export hub for small cars. Abundance of skilled labor force, low cost of manufacturing compared to global markets and upskilling of the supply chain that can now meet international quality standards is driving this trend.

Segment	September 2016	September 2017	Growth (%)
Passenger Cars	195,259	208,656	6.9%
Utility Vehicles	66,851	84,374	26.2%
Vans	16,318	16,925	3.7%
Total: Passenger Vehicles (PVs)	**278,428**	**309,955**	**11.3**

Source: Society of Indian Automobile Manufactures (SIAM)

b) **2-wheeler sales**: A good monsoon has set the cash registers ringing at two-wheeler firms over Navratri and Dussehra, making it the best festive season for some in the past three years. The demand for two-wheelers is back on its growth trajectory due to the early arrival of the festive season this year, above-average rainfall across major parts of the country clubbed with the positive sentiment prevailing in the market. Scooter sales witnessed a growth of 13.2% by selling 686,478 units. Motorcycles recorded a growth of 7.0% in sales by selling 1,269,612 units while moped sales recorded a growth of 8.3%.

Segment	September 2016	September 2017	Growth (%)
Scooter / Scooterette	606,457	686,478	13.2%
Motor Cycles	1,186,759	1,269,612	7.0%
Mopeds	78,405	84,934	8.3%
Total: 2-wheelers	**1,871,621**	**2,041,024**	**9.1%**

Source: Society of Indian Automobile Manufactures (SIAM)

1.3 High Speed Diesel (HSD): HSD consumption during the month recorded a growth of 16.6% to reach 6.1 MMT in September, 2017 as compared to 5.2 MMT in September, 2016. However on cumulative basis, a growth of 6.2% was recorded for the period April to September 2017 as compared to the same period last year. Improved economic activity, road conditions, infrastructure growth and economic viability of public transport, carrier vehicles due to cheaper fuel resulted in improving diesel sales during the current year.

However diesel consumption during the month recorded an upward growth due to the following factors.

i. It was mainly due to the fact that September, 2016 had a low base volume as the price revisions that took place on 1st August 2016 (price revised downwards) and on September 2016 (price revised upwards) had resulted in shifting of sales to the month of August, 2016.

ii. Advancement of festive season resulted in growth of sales.

Figure-5: Month-wise HSD consumption (TMT) and growth (%) since April, 2016

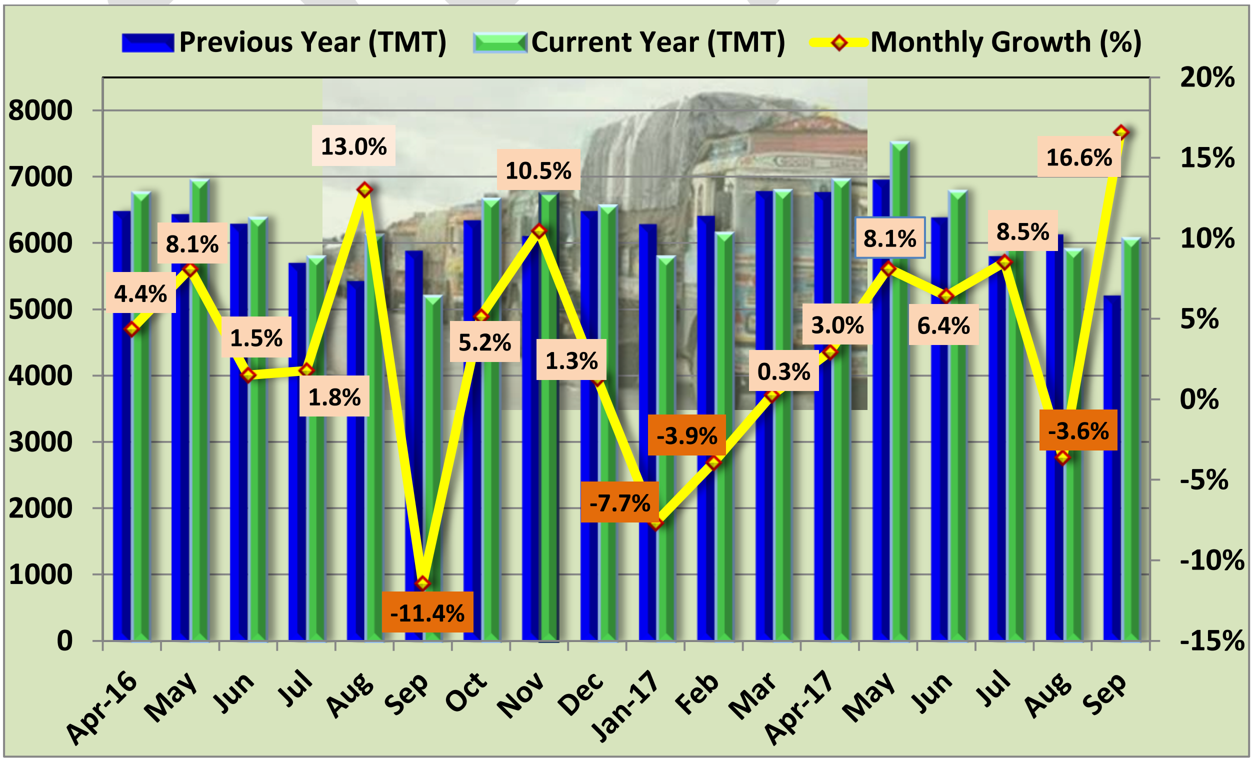
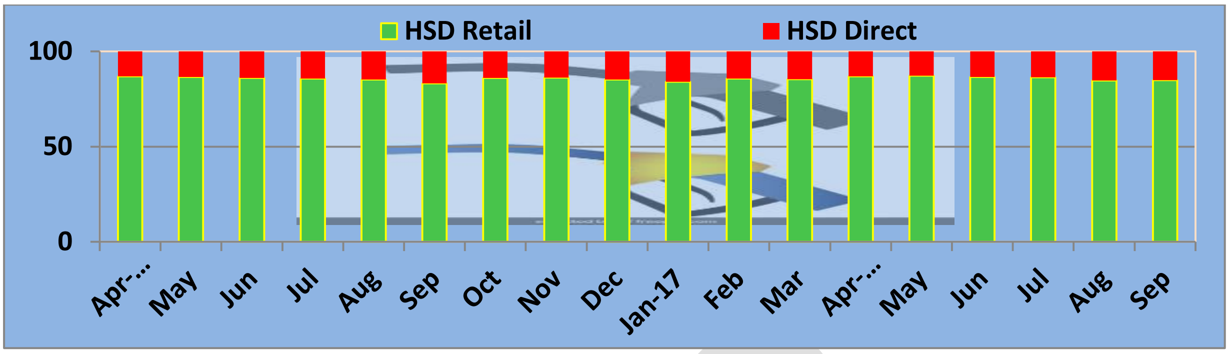


Figure-6 gives a comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2016.

Figure-6: Month-wise HSD consumption by Retail and Direct business share (%) since April, 2016



Other factors affecting diesel consumption are discussed below:

a) **Commercial vehicles (CV) sales**: After a difficult period during April to September, 2017, when the commercial vehicle industry was down, M&HCV segment sales is now looking up due to improvement in overall economic activity in the country. Higher freight load due to the ongoing festive season and greater infrastructure spend have ensured higher sales of haulage trucks and tippers, the two key product categories in the M&HCV segments. LCV sales also continue to grow as improved demand for last-mile connectivity in rural India and big cities are giving a fillip to sales of small CVs and pickups. M&HCV recorded a high growth of 25.6% in September, 2017 by selling 31,086 units as compared to 24,748 units in September, 2016.

b) **Light Commercial Vehicle (LCV)**: LCV sector contributed sales of 46,109 units and a growth of 25.0 % over historical.

Segment	September 2016	September 2017	Growth (%)
M&HCVs	24,748	31,086	25.6%
LCVs	36,873	46,109	25.0%
Total: Commercial Vehicles	**61,621**	**77,195**	**25.3%**

Source: Society of Indian Automobile Manufactures (SIAM)

c) **Port traffic:** There was a growth of 3.1% in port traffic during the month of September, 2017. The growth in port traffic and cargos handled during September, 2017 was mainly due to increase in traffic at all ports except at Visakhapatnam, Ennore, Chidambarnar and Mormugao.

However, there has been a cumulative growth of 3.2% in port traffic during the period April to September 2017. Growth was registered specifically in iron ore (23.4%), POL products (7.1%), other liquids (7.1%), coking coal (3.3%) containers (6.6%) and others (3.2%), while there has been a drop in thermal coal (-16.3%), finished fertilizer (-4.2%)and raw fertilizer (-2.5%). High growth in iron ore traffic is due to resumption of mining activities in Karnataka and Odisha.

Table-2 below gives the port-wise performance during the month of September, 2017.

Table-2: Traffic handled at major ports in September, 2017

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**September 2016**	**September 2017**	**Growth (%)**
Kolkata + Haldia	4,011	4,593	14.5%
Paradip	6,802	7,231	6.3%
Visakhapatnam	4,898	4,704	-4.0%
Kamarajar (Ennore)	2,351	1,768	-24.8%
Chennai	3,959	4,272	7.4%
V.O. Chidambaranar	3,096	2,807	-9.3%
Cochin	1,981	2,333	17.8%
New Mangalore	3,266	3,428	5.0%
Mormugao	1,571	1,432	-8.8%
Mumbai	5,261	5,398	2.6%
JNPT	4,849	5,156	6.3%
Kandla	8,770	9,301	6.1%
TOTAL:	**50,835**	**52,423**	**3.1%**

Source: Indian Ports Association (IPA)

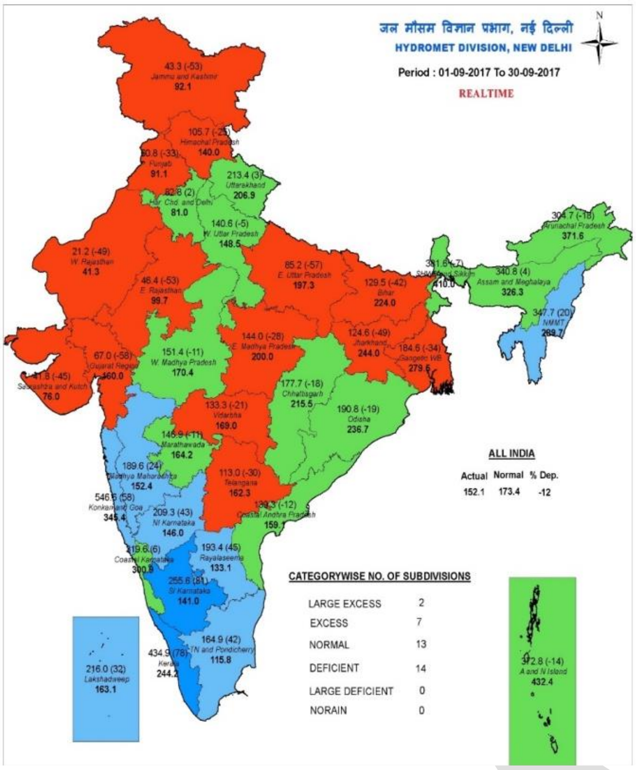
d) **Power situation improves**: The power deficit position for the month of September, 2017 is given in Table-3. The power deficit position widened from -0.7% in September, 2016 to -0.9% in September, 2017. The shortage during the month increased in all regions, except the North as compared to September, 2016. The deficit was mainly in the states of Jammu & Kashmir, UP, Rajasthan, Maharashtra and Assam. The increase in power deficit in September, 2017 may have led to increased usage of diesel for back-up power generation.

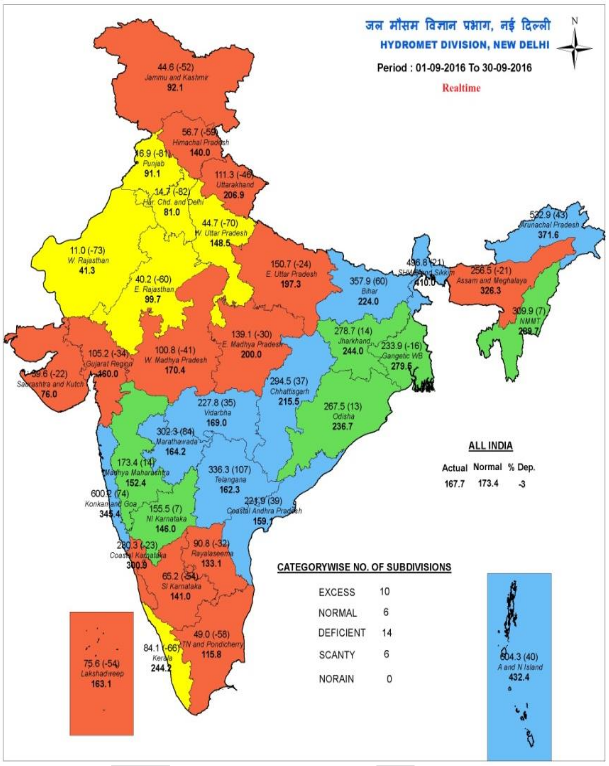
Table-3: Power deficit: Region-wise position for September, 2017 (% deficit)

States	**September 2017 (P)**				**September 2016**
	Requirement (MU)	**Available (MU)**	**Deficit**		**Deficit (%)**
			MU	**(%)**	
North	34,433	33,798	635	-1.8%	-2.0%
West	29,410	29,297	112	- 0.4%	0.0%
South	24,796	24,754	42	- 0.2%	0.0%
East	11,204	11,176	29	- 0.3%	-0.1%
North-East	1,407	1,356	-51	-3.6%	-2.7%
Total	**101,249**	**100,381**	**-868**	**-0.9%**	-0.7%

Source: Central Electricity Authority (CEA)

e) **Seasonal rainfall scenario:** The rainfall in the country during September, 2017 was -12.0% below normal. As against a normal of 173.4 mm, 152.1 mm rain was recorded during the month. Tamil Nadu received good rainfall during the month as the State recorded highest rainfall during south-west monsoon this year (June-September) since 1996 with 30% excess this year. This has brought some relief to the severe drought conditions in TN.





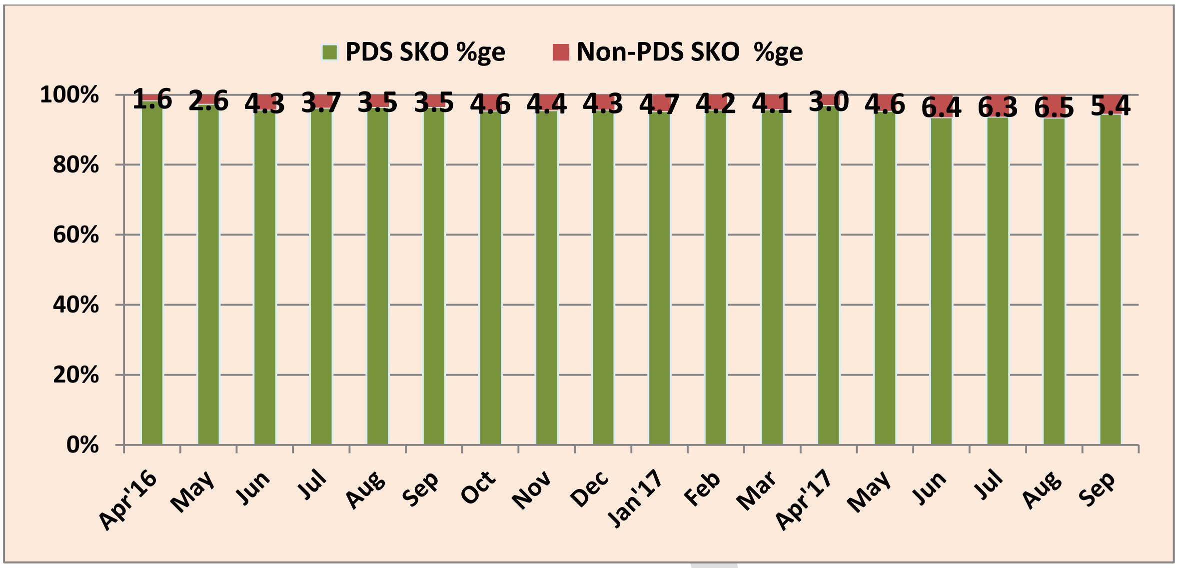
Source: India Meteorological Department (IMD)

1.4 Kerosene: Kerosene consumption recorded a de-growth of -33.5% during September, 2017 and -35.6% on cumulative basis for the period April to September, 2017 as compared to April to September 2016. This was mainly because of reduced allocation to states and also voluntary surrender of PDS SKO quota by a few states. The month of September, 2017 saw nil upliftment by Andhra Pradesh, Chandigarh, Delhi, Dadra & Nagar Haveli, Daman & Diu, Haryana, Lakshadweep, Puducherry and Punjab. The reduction in PDS SKO consumption is also indicative of improved penetration of LPG and electricity in rural India for cooking and lighting respectively.

Puducherry has also surrendered kerosene with effect from 1st of September 2017. The state of Jharkhand has implemented release of PDS SKO through Direct Benefit Transfer of Kerosene (DBTK) scheme and a significant reduction in PDS SKO upliftment is being recorded regularly. The previous 5 years have seen a drastic drop in kerosene consumption with a negative CAGR of -8.1%. With greater penetration of LPG connections and electricity, the trend in reduction of kerosene is expected to continue.

Figure-6 gives a comparison of kerosene sales in public distribution system vis a vis Non PDS system since April, 2016.

Figure-6: Month-wise PDS & Non PDS SKO consumption in share (%) since April, 2016



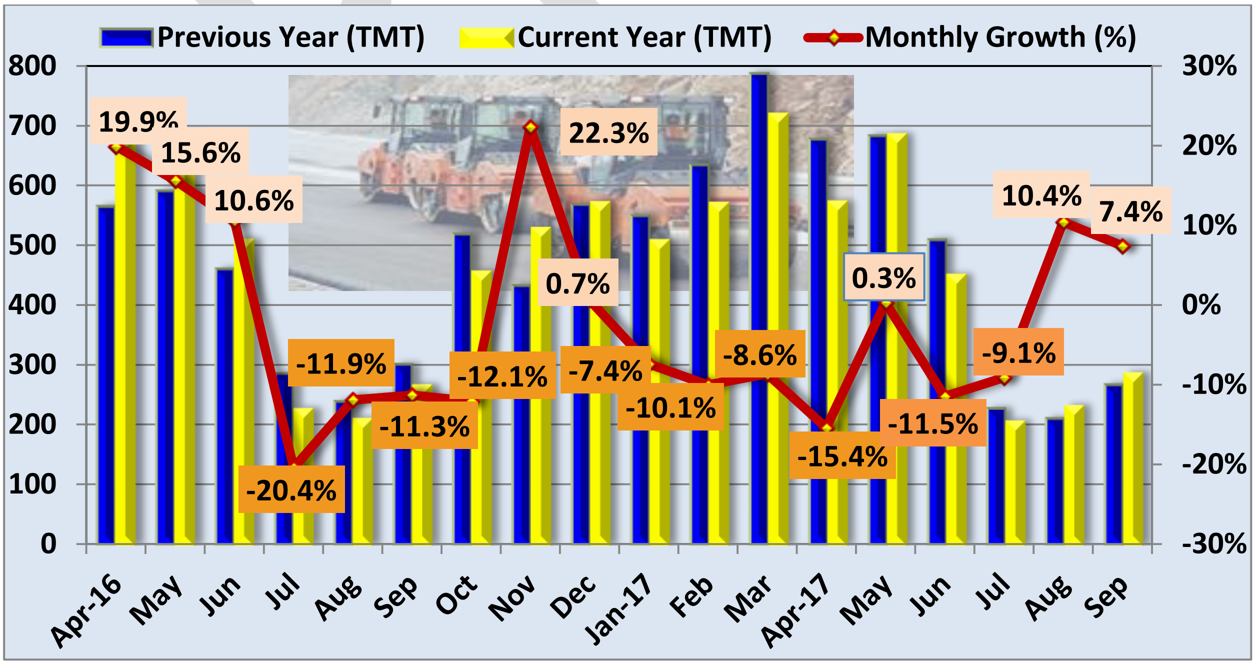
1.5 Bitumen: Bitumen consumption recorded a growth of 7.4% during the month of September, 2017 and a de-growth of -5.4% on cumulative basis for the period April to September, 2017 as compared to April to September 2016.

Due to rain, road works were held up in some parts of the country. Moreover a lot of repair work was carried out last year in Southern India, after roads got washed away, hence fewer job work is being done now.

Moreover, the Government is making a transition from bitumen to cement and concrete for making national highways and other roads.

Figure-7 gives the month wise bitumen consumption and growth since April, 2016.

Figure-7: Month-wise Bitumen consumption (TMT) and growth (%) since April, 2016



1.6 LPG: Total LPG consumption continuously for the last forty nine months in a row recorded a positive growth of 3.8% during September, 2017 and a cumulative growth of 9.9% for the period April to September, 2017. Out of the five regions, Northern region had the highest share in consumption of 31.1% followed by Southern region at 28.6%, Western region at 22.1%, Eastern region at 15.9% and North Eastern region at 2.3% during the period April to September, 2017. Eastern region had the highest growth of 20.2% in total LPG consumption during the period April to September, 2017.

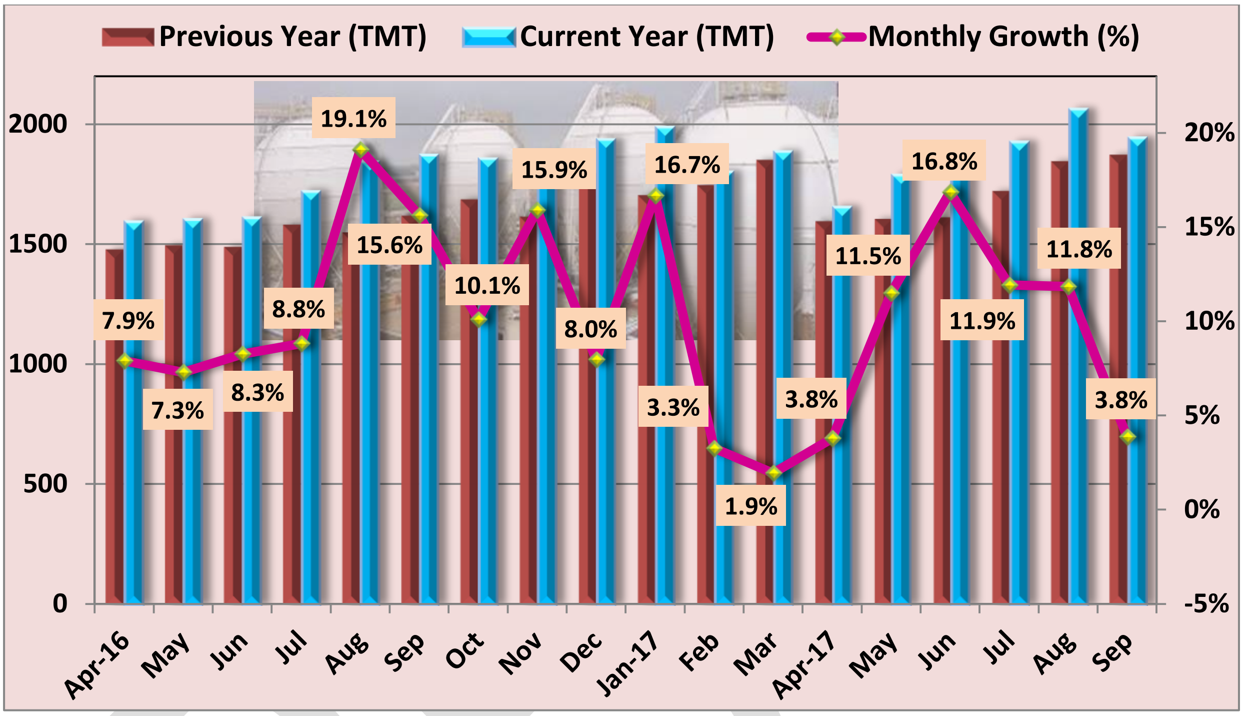
LPG-Packed Domestic consumption registered a growth of 3.6% during September, 2017 and a growth of 9.5% during the period April to September, 2017. Last year during September, 2016 growth of 15.0% was observed and cumulative growth during April to September, 2016 was 10.4%. This year during the period April to September, 2017, 34.8 lakh DBCs and 168.2 lakh new connections were released out of which 96.7 lakh were released under PMUY. Total 297.0 lakh connections were released under PMUY till 30.9.2017 since inception. During April to September, 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (12.9%), Maharashtra (12.1%), Tamil Nadu (8.7%), West Bengal (7.1%) and Karnataka (6.9%). During the month of September, 2017, percentage share of LPG-Packed Domestic was 88.5% of total LPG consumption, whereas in September, 2016 it was 89.0%.

LPG-Packed Non-Domestic consumption for the last thirty three months in a row registered a positive growth of 9.1% in September, 2017 and cumulative growth of 17.5% during April to September, 2017. Last year during September, 2016, high growth of 33.3% was observed and cumulative growth during April to September, 2016 was 27.4%. Market share of LPG Packed Non-Domestic has increased to 9.1% in September, 2017 from 8.7% in September, 2016. Region wise share of LPG Packed Non-Domestic consumption was highest in Southern region (40.8%) followed by Western region (29.7%) and Northern region (21.1%) during April to September, 2017. This high growth and increase in share of LPG Packed Non-Domestic consumption is mainly due to easy availability, low price of non-domestic LPG & curb in diversion of subsidized domestic cylinders after the launch of DBTL.

Bulk LPG consumption registered a de-growth of 0.3% during September, 2017 and a cumulative growth of 5.9% during the period April to September, 2017. Last year in the month of September, 2016, a growth of 14.4% and for the cumulative period April to September, 2016, a growth of 12.3% was witnessed. Percentage share of bulk LPG consumption decreased to 1.6% in September, 2017 as compared to 1.7% in September, 2016 and 1.7% during April to September, 2017 as compared to 1.8% during April to September, 2016.

Auto LPG consumption registered a growth of 25.5% in September, 2017 and cumulative growth of 13.6% during April to September, 2017. The sales volume increase was about 3.2 TMT in September, 2017 as against September, 2016. However, last year in the month of September, 2016 a de-growth of 13.8% and cumulative de-growth of 4.0% during April to September, 2016 was observed. During the month of September, 2017, percentage share of Auto LPG consumption has increased to 0.8% as compared to 0.7% in September, 2016.

Figure-7: Month-wise LPG consumption (TMT) and growth (%) since September, 2016

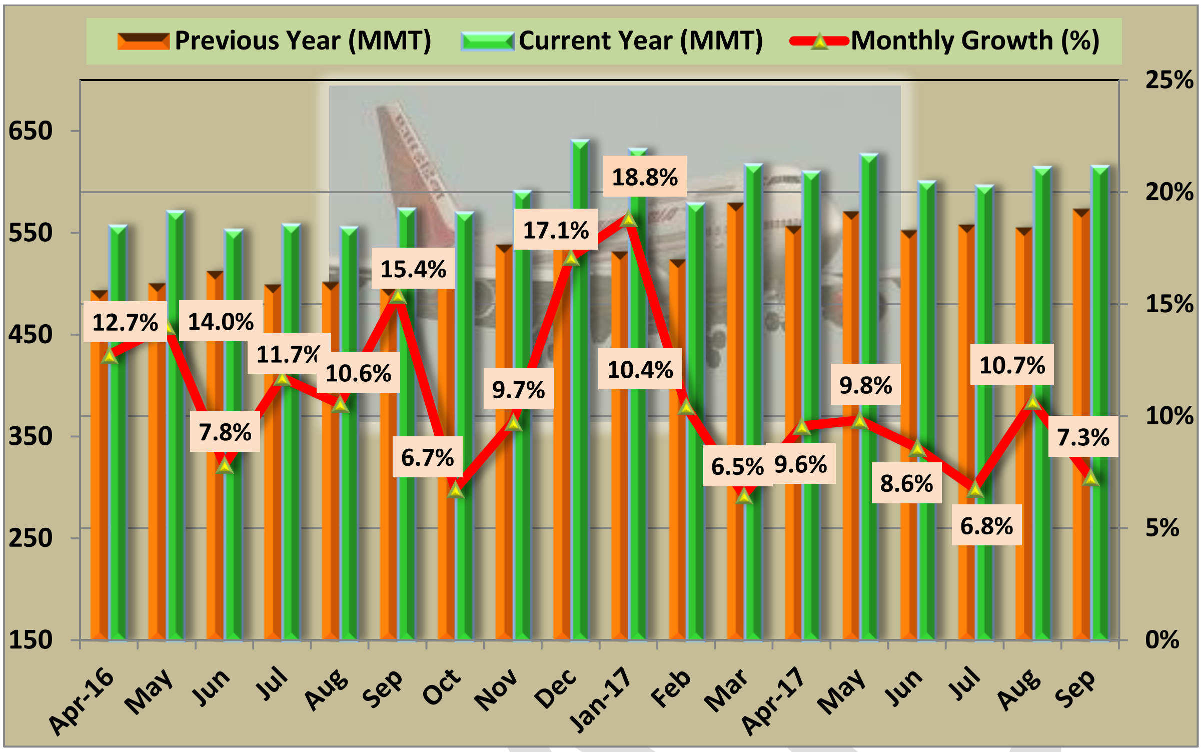


1.7 Naphtha: consumption recorded a growth of 7.8% for the month of September, 2017 and a de-growth of -13.0% for the period April to September 2017 as compared to April to September 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand of naphtha by the petrochemical industry (particularly polymers and plastics) largely drives the growth in consumption.

1.8 ATF: ATF consumption for the thirty fourth month in a row recorded a positive growth of 7.3% during September, 2017 as compared to September, 2016. On cumulative basis, for the period April to September 2017, a growth of 8.8% was recorded as compared to the same period last year.

The continued high growth in consumption of ATF has been mainly due to growth in domestic passenger traffic. Passengers carried by domestic airlines during September, 2017 were 95.83 lakhs as against 82.30 lakhs during September, 2016 thereby registering a growth of 16.4%.

Figure-8: Month-wise ATF consumption (TMT) and growth (%) since April, 2016



1.9 FO/LSHS: FO and LSHS consumption registered a de-growth of -9.6% during September, 2017 as compared to September, 2016 and a de-growth of -9.0% was recorded for the period April to September 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in fertilizer, steel and other sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like the fertilizer industry.

1.10 PETCOKE: After three months of negative growth, petcoke consumption registered a positive growth of 6.2% in September, 2017 as compared to September, 2016 and on cumulative basis, a de-growth of -9.4% was registered for the period April to September 2017. The demand for the product had been rising remarkably and during the last five fiscals had grown at a CAGR of 30.9%. However, with the recent ban by NGT for use of FO and petcoke in NCR, the consumption of petcoke is expected to come down further.

1.11 LDO: LDO consumption recorded a growth of 17.2% for the month of September, 2017 and a growth of 1.9% for the period April to September 2017 as compared to the same period last year. LDO month wise demand fluctuates depending on its requirement at power plants for boiler restart as it trips. LDO is also extensively used in various types of furnaces and any fluctuation in manufacturing activities leads to fluctuation in its consumption.

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Industry Consumption Trend Analysis 2017-18 (P)

('000 MT)

Product	September			April-September		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
(A) Sensitive Products						
SKO	501.0	332.9	**-33.5**	3079.2	1983.8	**-35.6**
LPG	1872.8	1944.9	**3.8**	10256.7	11269.2	**9.9**
Sub - Total	**2373.8**	**2277.8**	**-4.0**	**13335.9**	**13253.0**	**-0.6**
(B) Major Decontrolled Products						
Naphtha	1078.6	1162.2	**7.8**	6822.0	5936.1	**-13.0**
MS	1814.9	2138.6	**17.8**	11861.5	13023.9	**9.8**
HSD	5212.9	6077.9	**16.6**	37265.0	39580.6	**6.2**
Lubes+Greases	247.2	296.2	**19.8**	1743.1	1678.2	**-3.7**
LDO	36.8	43.1	**17.2**	219.8	224.1	**1.9**
FO/LSHS	633.6	572.7	**-9.6**	3739.4	3401.5	**-9.0**
Bitumen	267.3	287.1	**7.4**	2576.6	2436.5	**-5.4**
ATF	573.6	615.3	**7.3**	3367.9	3663.5	**8.8**
Sub - Total	**9864.9**	**11193.1**	**13.5**	**67596**	**69944.4**	**3.5**
Sub - Total (A) + (B)	**12238.7**	**13470.9**	**10.1**	**80931.4**	**83197.4**	**2.8**
(C) Minor Decontrolled Products						
Petcoke	1977.7	2099.6	**6.2**	12957.2	11737.2	**-9.4**
Others	565.3	685.3	**21.2**	3302.5	3720.0	**12.6**
Sub Total	**2543.0**	**2784.9**	**9.5**	**16259.7**	**15457.2**	**-4.9**
Total	**14781.7**	**16255.8**	**10.0**	**97191.1**	**98654.6**	**1.5**