

Industry Sales Review

November 2017



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 November, 2017. Data on product-wise monthly consumption of petroleum products for November, 2017 is uploaded on PPAC website (www.ppac.gov.in). 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:

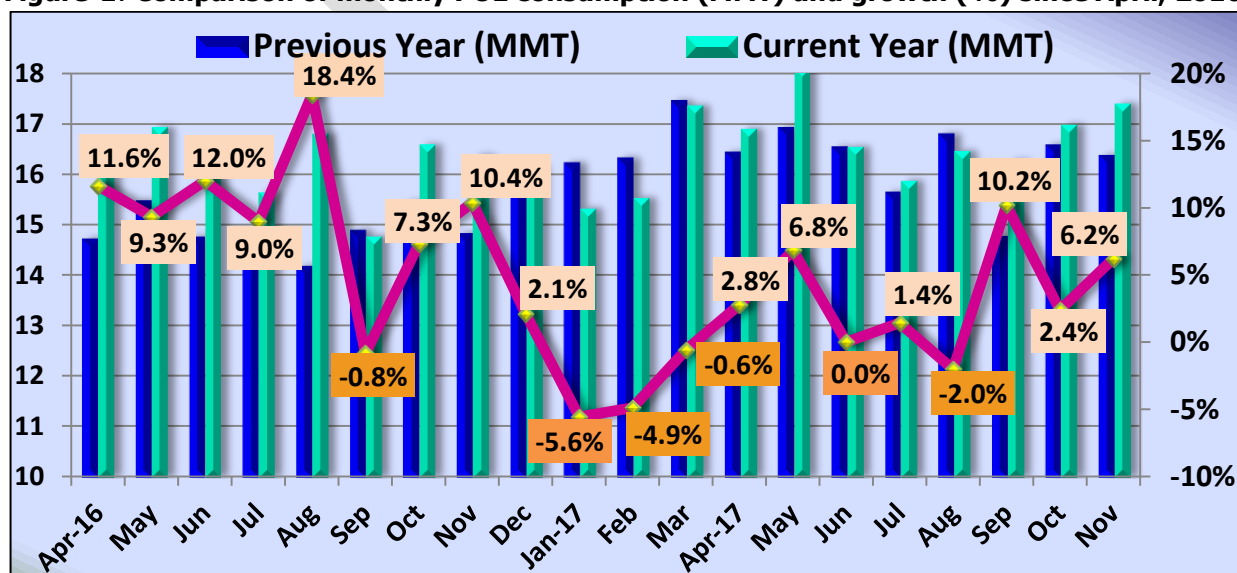
The growth (%) in consumption of petroleum products, category-wise, for the month of November, 2017 is given in Table-1.

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

PRODUCT	Share (%)	November 2016	November 2017	Growth (%)	Products Included
Sensitive products	13.3%	2,260	2,313	2.4%	SKO & LPG
Major decontrolled products	72.2%	11,874	12,566	5.8%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled products	14.5%	2,254	2,529	12.2%	Pet. Coke & other Minor products
Grand Total	100%	16,388	17,408	6.2%	

All Products: India's consumption of petroleum products grew by 6.2% in the month of November, 2017. The demand for all oil products increased to 17.4 MMT from 16.3 MMT a year ago. While there was a drop in the consumption of Kerosene (-18.8%) and Naphtha (-6.1%), all other products recorded positive growth. On cumulative basis, a growth of 3.4% was recorded in consumption of all petroleum products for the period April to November, 2017 as compared to April to November, 2016.

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



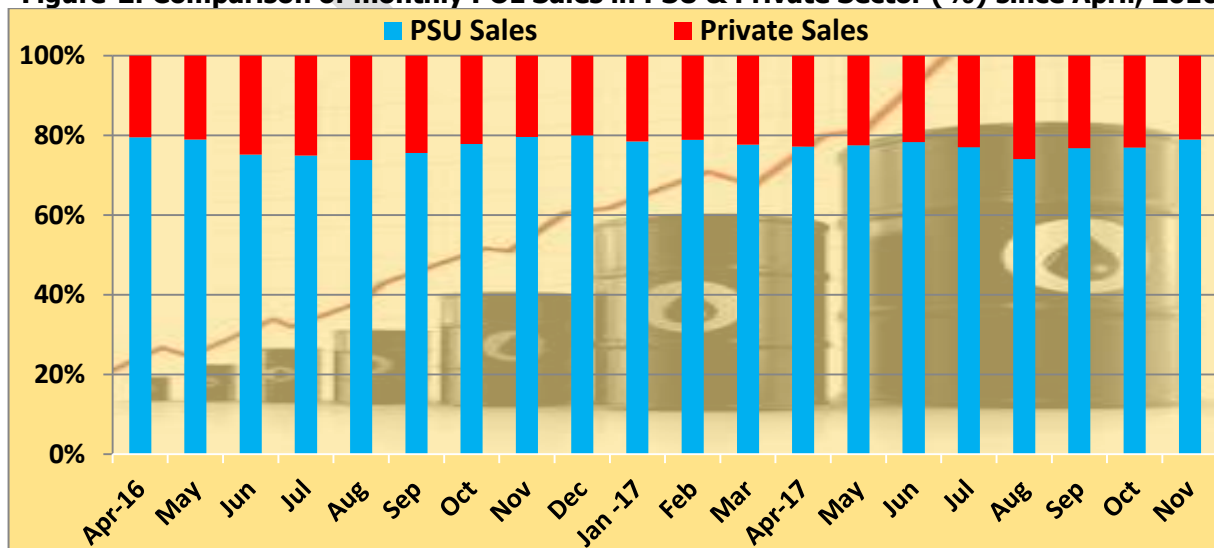
Consumption in the country has recovered after the liquidity crunch associated with demonetization that happened in November, 2017. Indicators of rural consumption, such as two-wheelers sales, have rebounded which was supported by higher crop production and higher rural wages. The large increases in wages, pensions and various allowances for Government employees are also boosting private consumption, in particular in urban areas. India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

The oil and gas sector is among the six core industries in India and plays a major role in influencing decision making for all the other important sectors of the economy. Manufacturing has emerged as one of the high growth sectors in India. With impetus on developing industrial corridors and smart cities, the government aims to ensure holistic development of the nation. The corridors would further assist in integrating, monitoring and developing a conducive environment for industrial development and promote advanced practices in manufacturing. India's economic growth is closely related to energy demand; therefore the need for oil and gas is projected to grow more.

- The Nikkei Services PMI in India slumped to 48.5 in November 2017 from 51.7 in the preceding month. New orders declined while employment growth eased from September's recent high.
- The Nikkei Manufacturing PMI in India jumped to 52.6 in November 2017 from 50.3 in the prior month. The reading pointed to the strongest expansion in manufacturing sector since October 2016, as both output and new orders expanded at the fastest pace in 13 months, employment grew the most since September 2012 and new export orders increased for the first time in three months.

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 September, 2017 and private imports data for the months of October and November, 2017 are projected based on October, 2016 to September, 2017 actual data.

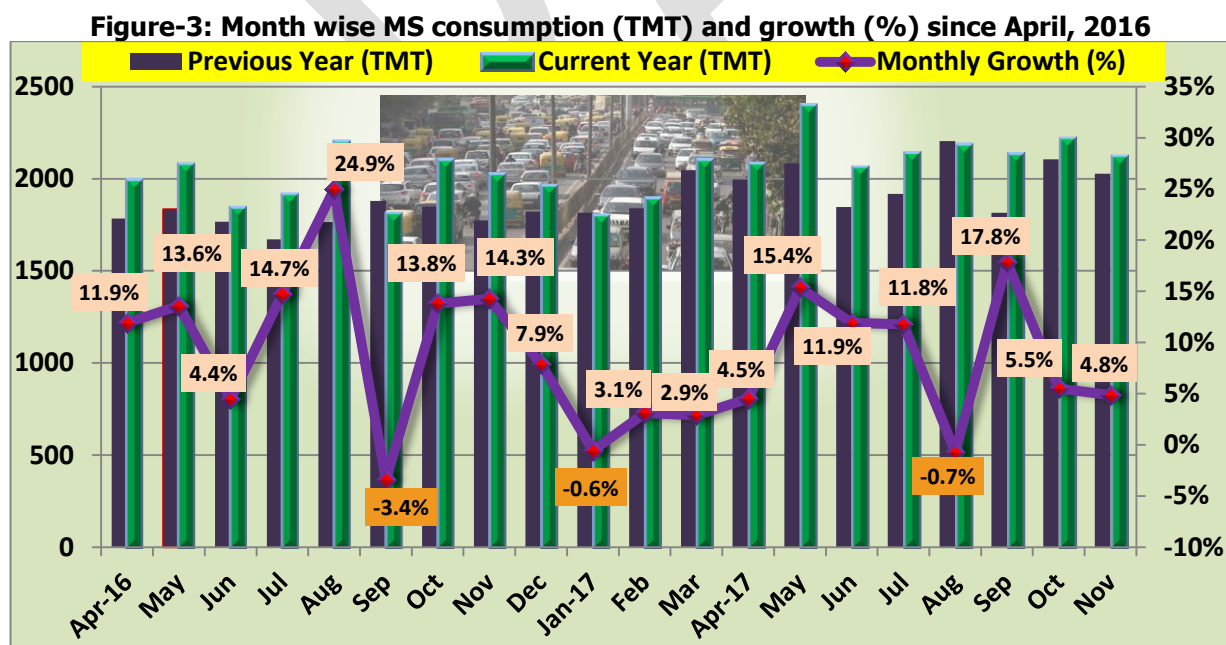
Detailed product-wise analysis of growth for November, 2017 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): MS consumption during November, 2017 recorded a growth of 4.8% as compared to November, 2016, while on cumulative basis; a growth of 8.6% was recorded for the period April to November, 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.

MS consumption during the month was affected due to following factors:

- i. Trend of tourism during short breaks and weekends by road has increased.
- ii. Demonetization in November 2016 impacted November 2017 growth negatively, as the historical base for the month was high. Petrol sales in November, 2016 had recorded a very high growth of 14.3%.

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

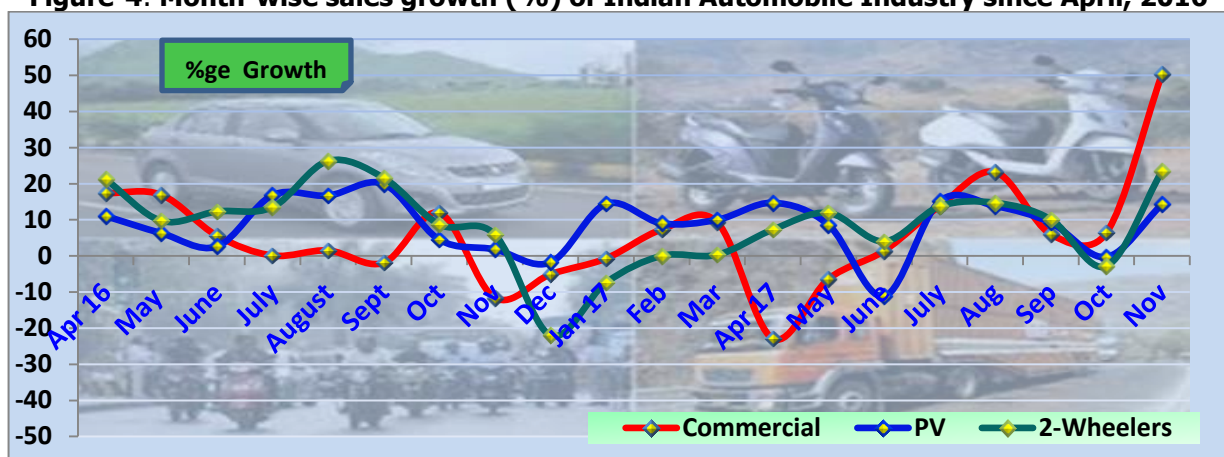


Other factors impacting consumption of MS are:

After experiencing a marginal decline across the spectrum of automotive segments in the month of October 2017, mainly due to stock corrections on account of the ongoing festive season, the industry seems to be finding its feet again and coming back on track. Most automobile companies posted robust growth and sale was back on track.

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 industry's sales for the month of November, 2017 recorded a double digit growth of 14.3% and stood at 275,417 units, as against 240,983 in the same month last year. On cumulative basis, a growth of 8.5% was recorded for the period April to November 2017 as compared to April to November 2016 for passenger vehicles.

Utility vehicles recorded a whopping growth of 44.6%. Passenger cars and vans recorded a growth of 4.5% and 19.3% respectively. On cumulative basis the trend of growth continues for passenger vehicles.

Segment	November			April-November		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
Passenger Cars	173,607	181,395	4.5%	1,395,169	1,460,614	4.7%
Utility Vehicles	53,803	77,824	44.6%	497,851	597,157	19.9%
Vans	13,573	16,198	19.3%	122,679	128,428	4.7%
Sub Total	240,983	275,417	14.3%	2,015,699	2,186,199	8.5%

Source: Society of Indian Automobile Manufacturers (SIAM)

b) **2-wheeler sales:** While the demonetization that happened last year created the low base effect, but generous crop and wage revisions, pensions and allowances helped in sustaining the momentum in growth of the two-wheeler industry during the current year. During the month of November, 2017, 2-wheeler sales witnessed a growth of 23.5%, and on cumulative basis the growth was 9.6%.

Scooter sales recorded a growth of 30.2% by selling 506,267 units. Motorcycles recorded a growth of 23.3% in sales by selling 959,122 units while moped sales recorded a drop of -8.5% by selling 69,888 units. On cumulative basis, scooter and motorcycles sale recorded a growth of 16.1% and 7.6% respectively, while moped sales continued to decline at -7.3%

Segment	November			April-November		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
Scooter / Scooterette	388,692	506,267	30.2	4,007,987	4,655,119	16.1
Motor Cycles	778,173	959,122	23.3	7,965,498	8,572,572	7.6
Mopeds	76,381	69,888	-8.5	610,158	565,860	-7.3
Sub Total	1,243,246	1,535,277	23.5	12,583,643	13,793,551	9.6

Source: Society of Indian Automobile Manufacturers (SIAM)

1.3 High Speed Diesel (HSD): HSD consumption during the month recorded a high growth of 7.5% to reach 7.2 MMT in November, 2017 as compared to 6.7 MMT in November, 2016. This was on top of a very high base when growth of 10.5% witnessed during November, 2016. For the second month, HSD consumption crossed 7 million MT during the current year. On cumulative basis, a growth of 5.3% was recorded for the period April to November 2017 as compared to the same period last year. Improved economic and manufacturing activities, road conditions, infrastructure growth and economic viability of public transport and carrier vehicles resulted in improving diesel sales during the current year.

Diesel consumption during the month was affected due to following factors:

- Increase in activities due to agricultural and marriage season and the elections in the states of Gujarat, Punjab and Himachal Pradesh contributed positively to HSD growth.
- Cyclone and rainfall in southern states and stoppage of mining/ quarry operations affected diesel sales adversely, in addition to high base volume due to demonetization in November 2016.

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

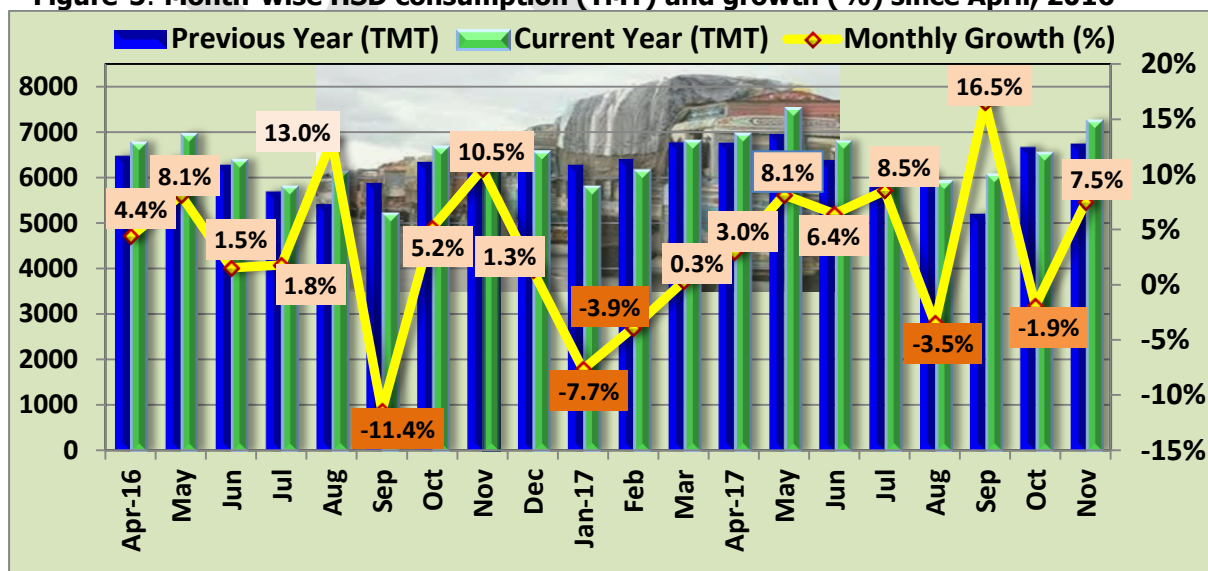
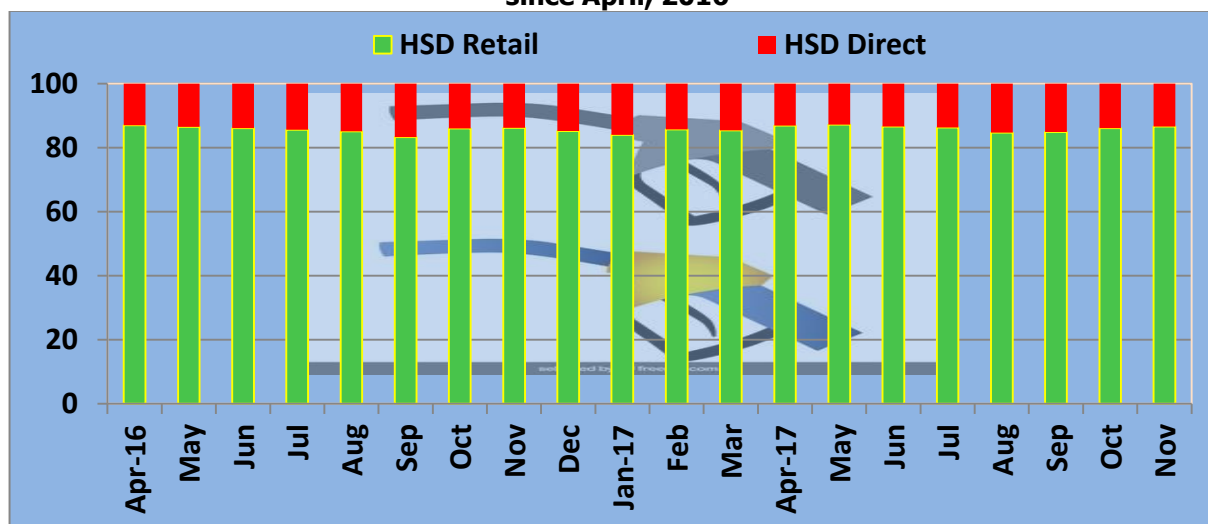


Figure-6 gives a comparison of month-wise percentage of HSD consumption by Retail and Consumer business share since April, 2016.

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:** The commercial sector has bounced back strongly after the initial disruption in the market, surrounding demonetization and the BS-IV transition that largely affected the transport industry last year. Consumption driven sectors have shown an improvement in sales since July 2017 and continue even after the festival season. The increased demand for vehicles across segments and production ramp-up gave a strong boost to the overall sales growth. LCV sales continued 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 very high growth of 62.6% in November, 2017 by selling 28,459 units as compared to 17,499 units in November, 2016. On cumulative basis, M&HCV, recorded a growth of 1.2%.
- b) **Light Commercial Vehicle (LCV):** LCV sector contributed sales of 40,387 units and a growth of 42.9% over historical during the month and a growth of 17.1% for the period April to November, 2017.

Segment	November			April-November		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
M&HCV	17,499	28,459	62.6	181,147	183,302	1.2
LCV	28,268	40,387	42.9	263,670	308,679	17.1
Total Commercial Vehicles	45,767	68,846	50.4	444,817	491,981	10.6

Source: Society of Indian Automobile Manufacturers (SIAM)

- c) **Port traffic:** There was a growth of 4.8% in port traffic during the month of November, 2017. The growth in port traffic and cargos handled during November, 2017 was mainly due to increase in traffic at all ports except at New Mangalore and Mormugao on account of lower handling of coal and iron ore cargoes respectively.

However, there has been a cumulative growth of 3.4% in port traffic during the period April to November 2017. Growth was registered specifically in iron ore (8.8%), POL products (6.7%), other liquids (5.4%), coking coal (2.2%) containers (6.3%) and others (3.8%), while there has been a drop in thermal coal (-9.0%), finished fertilizer (-4.1%) and raw fertilizer (-0.7%). 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 November, 2017.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	November 2016	November 2017	Growth (%)
Kolkata + Haldia	4,064	4,650	14.4%
Paradip	7,196	9,194	27.8%
Visakhapatnam	4,730	5,205	10.0%
Kamarajar (Ennore)	2,474	2,516	1.7%
Chennai	4,252	4,416	3.9%
V.O. Chidambaranar	2,844	3,006	5.7%
Cochin	2,092	2,505	19.7%
New Mangalore	4,051	3,710	-8.4%
Mormugao	3,222	1,687	-47.6%
Mumbai	5,550	5,604	1.0%
JNPT	5,129	5,358	4.5%
Kandla	8,541	8,895	4.1%
TOTAL:	54,145	56,746	4.8%

Source: Indian Ports Association (IPA)

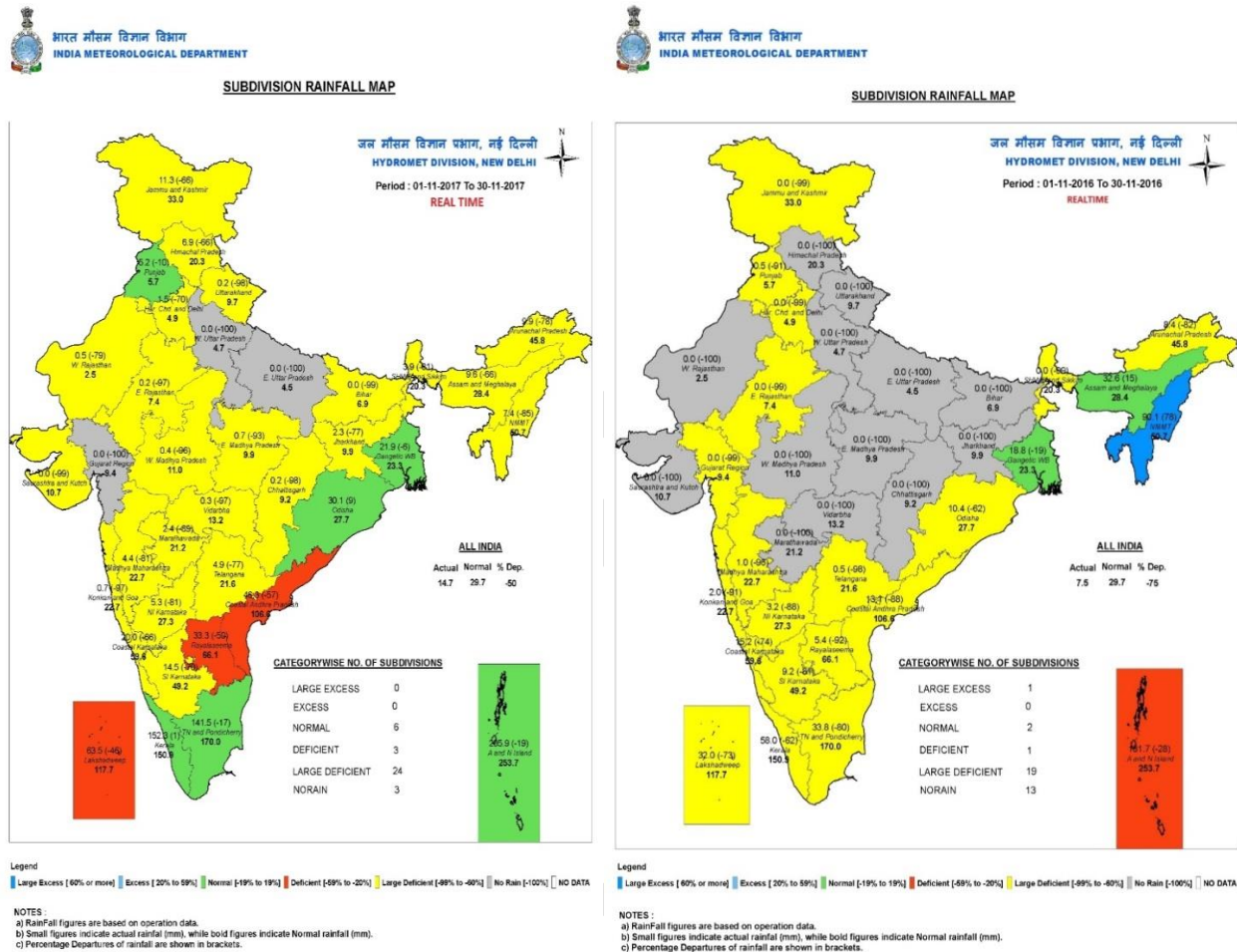
- d) **Power situation:** The power deficit position for the month of November, 2017 is given in Table-3. The power deficit position remained unchanged from -0.7% in November, 2016 to -0.7% in November, 2017. The deficit was mainly in the states of Jammu & Kashmir, Uttar Pradesh, Rajasthan and Karnataka. The power deficit in November, 2017 may have led to increased usage of diesel for back-up power generation.

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

States	November 2017 ^(P)				November 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	26,203	25,748	-456	-1.7%	-2.1%
West	31,171	31,162	-9	0.0%	0.0%
South	25,210	25,117	-93	-0.4%	-0.3%
East	9,274	9,245	-29	-0.3%	-0.1%
North-East	1,194	1,173	-21	-1.7%	-1.6%
Total	93,052	92,444	-608	-0.7%	-0.7%

Source: Central Electricity Authority (CEA)

e) **Seasonal rainfall scenario:** The rainfall in the country during November, 2017 was -50.0% below normal. As against a normal of 29.7 mm, 14.7 mm rain was recorded during the month as against only 7.7 mm during November, 2016. Only a few regions of India received normal rainfall during the month, most of the subdivisions received either below normal or deficient rainfall. Cyclone Ockhi hit Tamil Nadu and Kerala on 30th November, 2017 causing severe damages to infrastructure and property and lives.

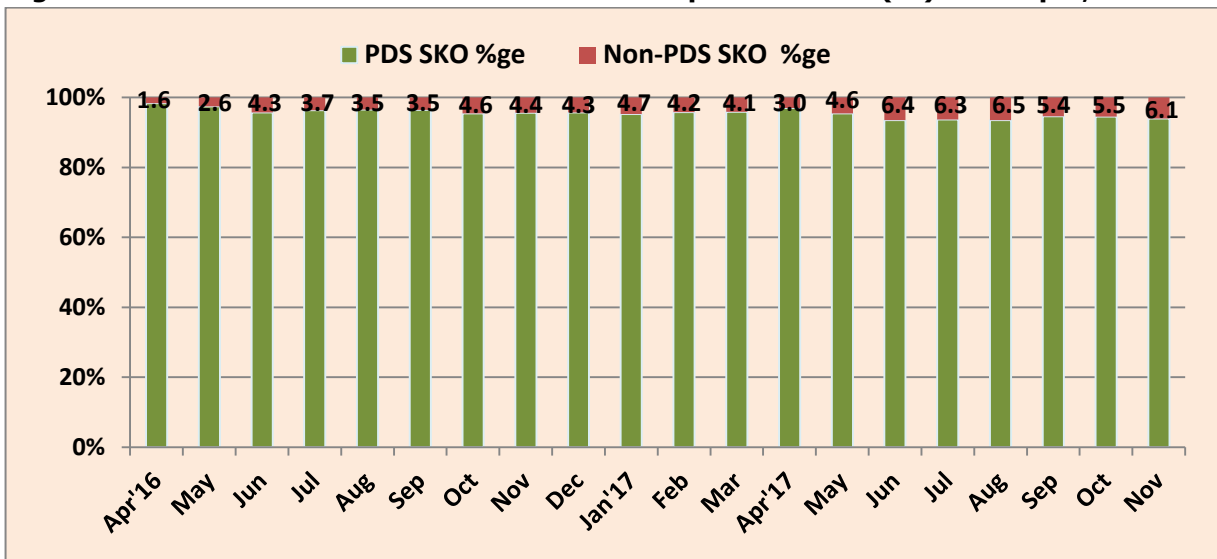


Source: India Meteorological Department (IMD)

1.4 Kerosene: Kerosene consumption recorded a de-growth of -18.8% during November, 2017 and -32.2% on cumulative basis for the period April to November, 2017 as compared to April to November 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 November, 2017 saw nil upliftment by Andhra Pradesh, Chandigarh, Delhi, Dadra & Nagar Haveli, Daman & Diu, Haryana, Lakshadweep, Puducherry and Punjab. The previous 5 years have seen a drastic drop in kerosene consumption with a negative CAGR of -8.1%.

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

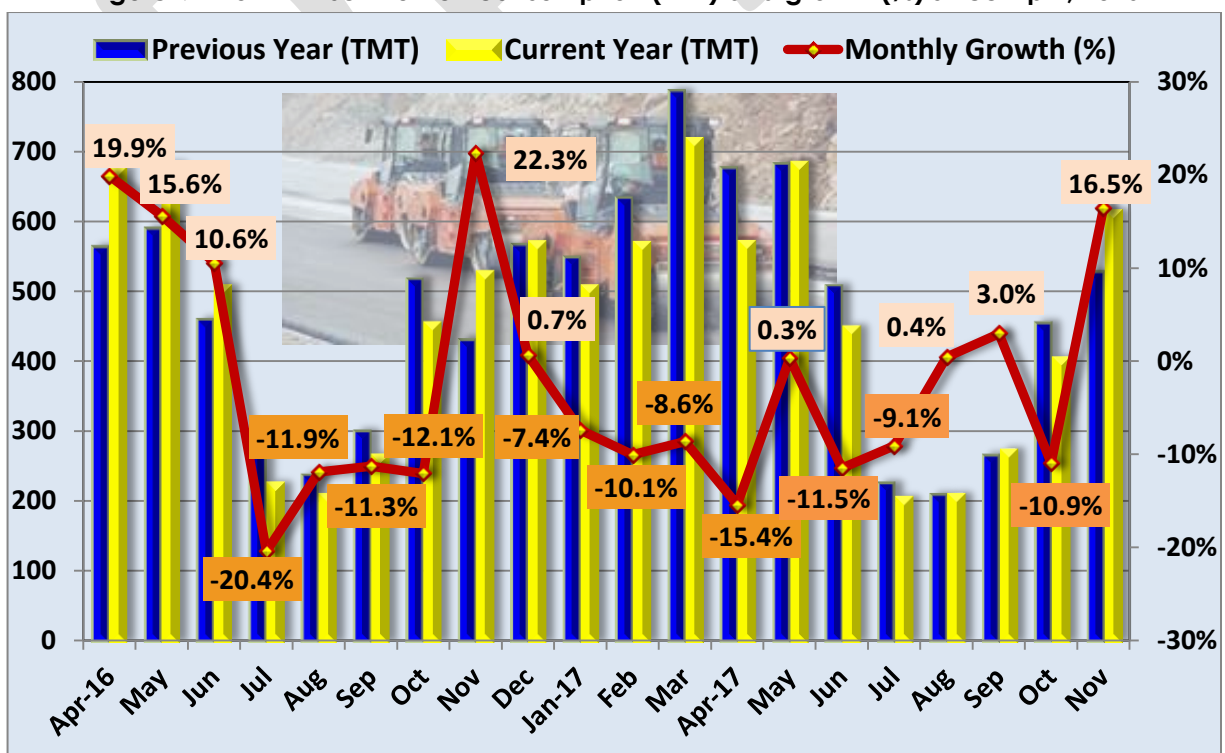


1.5 Bitumen: Bitumen consumption recorded a growth of 16.5% during the month of November, 2017 and a drop of -3.8% on cumulative basis for the period April to November, 2017 as compared to April to November 2016. Bitumen consumption in India has increased on the back of infrastructure spending and expanding road networks across the country. Due to lesser rainfall during the current month as compared to November, 2016, there was a high growth in bitumen consumption.

However, the Government is also 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 fifty one months in a row recorded a positive growth. A growth of 6.7% during November, 2017 and a cumulative growth of 8.8% for the period April to November, 2017 was observed. Out of the five regions, Northern region had the highest share in consumption of 31.0% followed by Southern region at 28.7%, Western region at 22.1%, Eastern region at 15.8% and North Eastern region at 2.3% during the period April to November, 2017. Eastern region had the highest growth of 18.2% in total LPG consumption during the period April to November, 2017.

LPG-Packed Domestic consumption registered a growth of 5.8% during November, 2017 and a growth of 8.6% during the period April to November, 2017. Last year during November, 2016 growth of 16.1% was observed and cumulative growth during April to November, 2016 was 11.0%. This year during the period April to November, 2017, 46.2 lakh DBCs and 206.9 lakh new connections were released out of which 115.8 lakh were released under PMUY. Total 316.1 lakh connections were released under PMUY till 30.11.2017 since inception. During April to November, 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (13.8%), Maharashtra (11.4%), Tamil Nadu (8.2%), West Bengal (7.4%) and Karnataka (6.3%). During the month of November, 2017, percentage share of LPG-Packed Domestic was 88.4% of total LPG consumption, whereas in November, 2016 it was 89.0%.

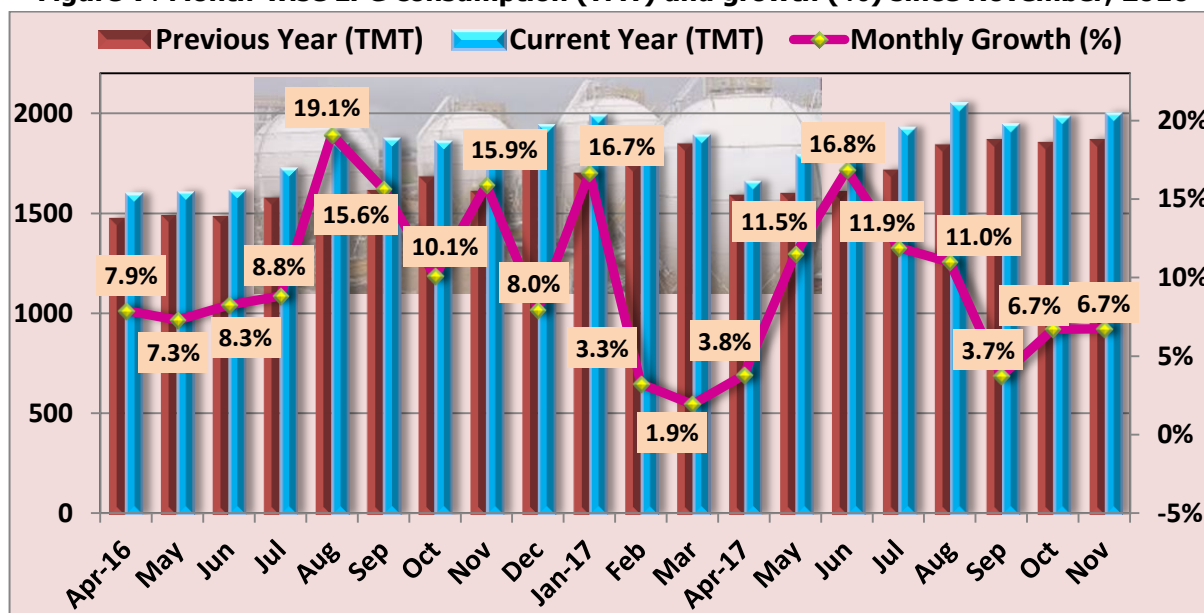
LPG-Packed Non-Domestic consumption for the last thirty five months in a row registered a positive growth. A growth of 17.5% in November, 2017 and cumulative growth of 17.2% during April to November, 2017 was recorded. Last year during November, 2016, growth of 22.1% was observed and cumulative growth during April to November, 2016 was 25.0%. Market share of LPG Packed Non-Domestic has increased to 9.4% in November, 2017 from 8.4% in November, 2016. Region wise share of LPG Packed Non-Domestic consumption was highest in Southern region (40.5%) followed by Western region (29.5%) and Northern region (21.6%) during April to November, 2017. This high growth and increase in share of LPG Packed Non-Domestic consumption is mainly due to easy availability and curb in diversion of subsidized domestic cylinders after the launch of DBTL

Bulk LPG consumption registered a drop of 5.5% during November, 2017 and a cumulative drop of -0.1% during the period April to November, 2017. Last year in the month of November, 2016, a growth of 16.1% and for the cumulative period April to November, 2016, a growth of 10.9% was witnessed. Percentage share of bulk LPG consumption decreased to 1.5% in November, 2017 as compared to 1.7% in November, 2016 and 1.6% during April to November, 2017 as compared to 1.7% during April to November, 2016.

Auto LPG consumption registered a growth of 5.4% in November, 2017 and cumulative growth of 11.9% during April to November, 2017. The sales volume increase was about 0.8 TMT in November, 2017 as against November, 2016. However, last year in the month of November, 2016 a growth of 2.5% and cumulative de-growth of 2.8%

during April to November, 2016 was observed. During the month of November, 2017, percentage share of Auto LPG was 0.8% of total LPG consumption and it was at same level of November, 2016.

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

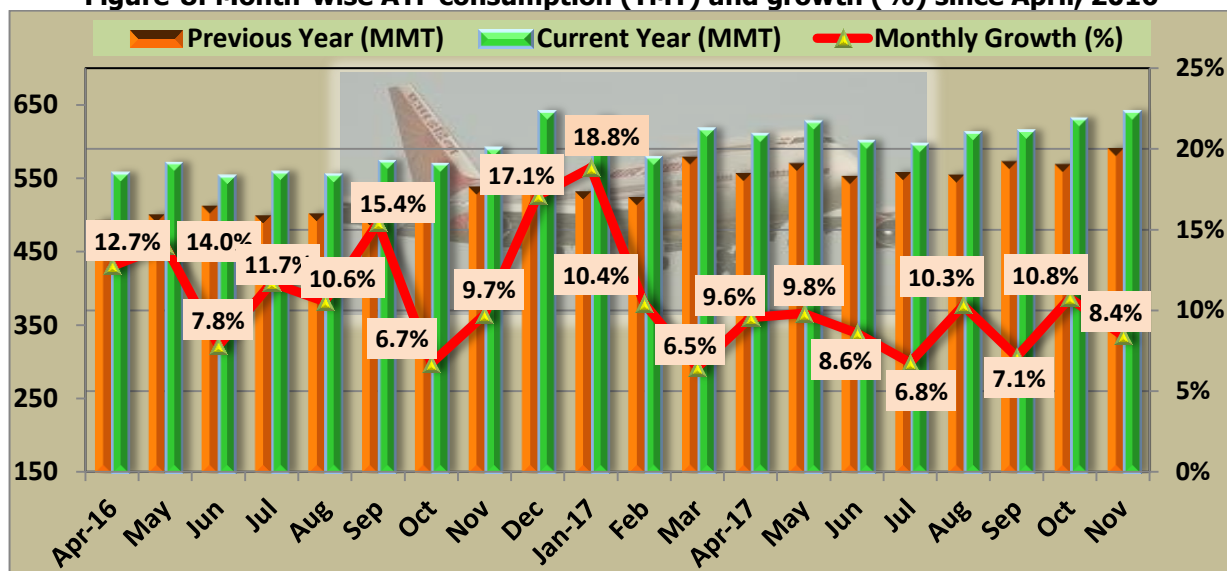


1.7 Naphtha: consumption recorded a drop of -6.1% for the month of November, 2017 and a drop of -10.6% for the period April to November 2017 as compared to April to November 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand by the petrochemical industry (particularly for polymers and plastics) largely drives the growth in naphtha consumption.

1.8 ATF: ATF consumption recorded a growth of 8.4% during November, 2017 as compared to November, 2016. On cumulative basis, for the period April to November 2017, a growth of 8.9% was recorded as compared to the same period last year.

The continued high growth in domestic passenger traffic has resulted in increasing demand for ATF with a CAGR of 4.9% in the last five years. Passengers carried by domestic airlines during November, 2017 stood at the highest ever figure till date - 104.89 lakhs as against 89.66 lakhs during November, 2016 thereby registering a growth of 17%. On cumulative basis a total of 786.54 lakh passengers were carried by domestic airlines in April to November, 2017 as against 673.3 lakh in the same period last year in 2016 and thereby recorded a growth of 16.8% in domestic air traffic. Due to major initiatives taken by government for aviation sector for improving infrastructure and connectivity, the consumption of ATF is expected to increase in line with the thrust applied.

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



1.9 FO/LSHS: FO and LSHS consumption registered a marginal 0.1% growth during November, 2017 as compared to November, 2016 and a drop of -8.5% was recorded for the period April to November 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in power, 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: Petcoke consumption registered a growth of 10.3% in November, 2017 as compared to November, 2016 and on cumulative basis, a growth of 6.0% was registered for the period April to November 2017. The demand for the product had been rising remarkably and during the last five fiscals and it has grown at a CAGR of 30.9%.

However around 150 garment manufacturing plants that supply to top global brands face indefinite closure in the Delhi-NCR region due to a Supreme Court order banning the use of petroleum coke and furnace oil due to air-pollution. Around 80% of export happens between November and March, due to festive season in international markets. This may affect the consumption of Petcoke in the balance part of the current financial year.

1.11 LDO: LDO consumption recorded a growth of 25.5% for the month of November, 2017 and a marginal growth of 1.0% for the period April to November 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 the ban of FO in Delhi, Uttar Pradesh, Rajasthan and Haryana and due to any fluctuation in manufacturing activities elsewhere leads to fluctuation in its consumption.

Industry Consumption Trend Analysis 2017-18 (P)

('000 MT)

Product	November			April-November		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
(A) Sensitive Products						
SKO	386.8	313.9	-18.8	3846.1	2608.9	-32.2
LPG	1872.9	1999.2	6.7	13988.0	15223.5	8.8
Sub Total	2259.7	2313.1	2.4	17834	17832.4	0.0
(B) Major Decontrolled Products						
Naphtha	1074.9	1009.2	-6.1	9052.3	8091.0	-10.6
MS	2026.4	2124.4	4.8	15993.8	17370.3	8.6
HSD	6749.9	7255.3	7.5	50689.6	53383.0	5.3
Lubes+Greases	296.1	301.7	1.9	2315.6	2364.3	2.1
LDO	41.5	52.2	25.5	304.2	307.1	1.0
FO/LSHS	564.6	565.3	0.1	4914.0	4496.9	-8.5
Bitumen	529.6	616.7	16.5	3562.9	3427.1	-3.8
ATF	591.0	640.8	8.4	4528.7	4932.7	8.9
Sub Total	11874.0	12565.6	5.8	91361.1	94372.4	3.3
Sub - Total (A) + (B)	14133.7	14878.7	5.3	109195.2	112204.8	2.8
(C) Minor Decontrolled Products						
Pet.Coke	1729.2	1907.9	10.3	16588.4	17589.5	6.0
Others	524.6	621.4	18.4	4390.1	4804.5	9.4
Sub Total	2253.8	2529.3	12.2	20978.5	22394.0	6.7
Total	16387.5	17408.0	6.2	130173.7	134598.8	3.4