

Industry Sales Review

December 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 December, 2017. Data on product-wise monthly consumption of petroleum products for December, 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:

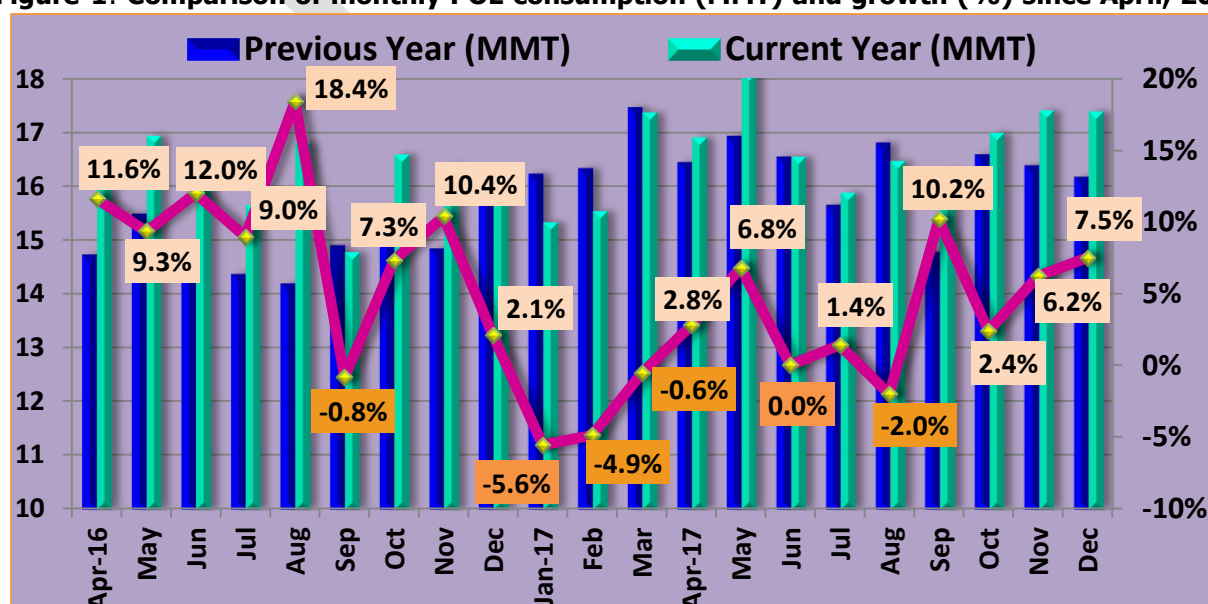
The growth (%) in consumption of petroleum products, category-wise, for the month of December, 2017 is given in Table-1.

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

PRODUCT	Share (%)	December 2016	December 2017	Growth (%)	Products Included
Sensitive products	13.7%	2,338	2,381	1.8%	SKO & LPG
Major decontrolled products	71.8%	11,731	12,494	6.5%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled products	14.5%	2,108	2,520	19.5%	Pet. Coke & other Minor products
Grand Total	100%	16,177	17,394	7.5%	

All Products: India's consumption of petroleum products grew by 7.5% in the month of December, 2017. The demand for all oil products increased to 17.4 MMT from 16.2 MMT a year ago. While there was a drop in the consumption of Kerosene (-18.4%), Naphtha (-1.3%) and FO/LSHS (-10.2%) all other products recorded positive growth. On cumulative basis, a growth of 4.0% was recorded in consumption of all petroleum products for the period April to December, 2017 as compared to April to December, 2016.

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



Composite PMI in India increased to 53.0 in December, 2017 from 50.3 in November, 2017.

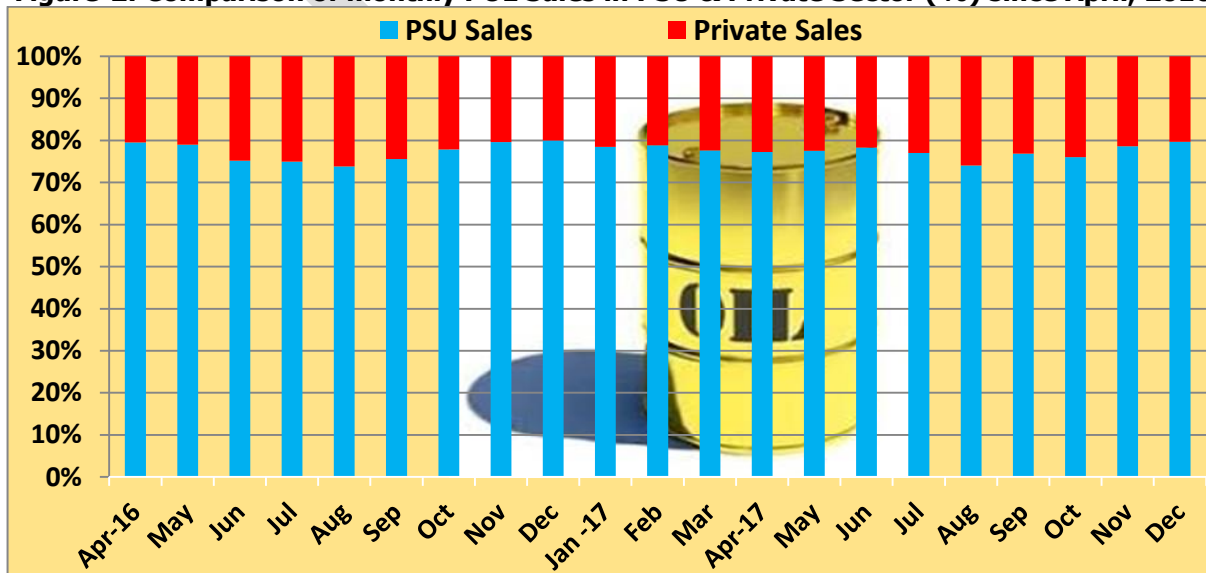
- The Nikkei Services PMI in India jumped to 50.9 in December 2017 from 48.5 in November, 2017. As per Markit Economics, employment increased at the fastest pace since September, 2017 and sentiment remained positive.
- The Nikkei Manufacturing PMI in India jumped to 54.7 in December 2017 from 52.6 in November, 2017. The reading pointed to the strongest expansion in the 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.

The Centre for Economics and Business Research (CEBR) consultancy's 2018 World Economic League Table painted an upbeat view of the global economy, boosted by cheap energy and technology prices. It stated that India looks set to leapfrog Britain and France next year to become the world's fifth largest economy in dollar terms.

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. The above CEBR 2018 report highlights how the construction and infrastructure projects will change the shape of the world by 2032. Key projects including the Delhi-Mumbai industrial corridor, Smart cities and more than 80,000 kms of new highways, and other infrastructure projects will rebuild the world's most populous country. 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.

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

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

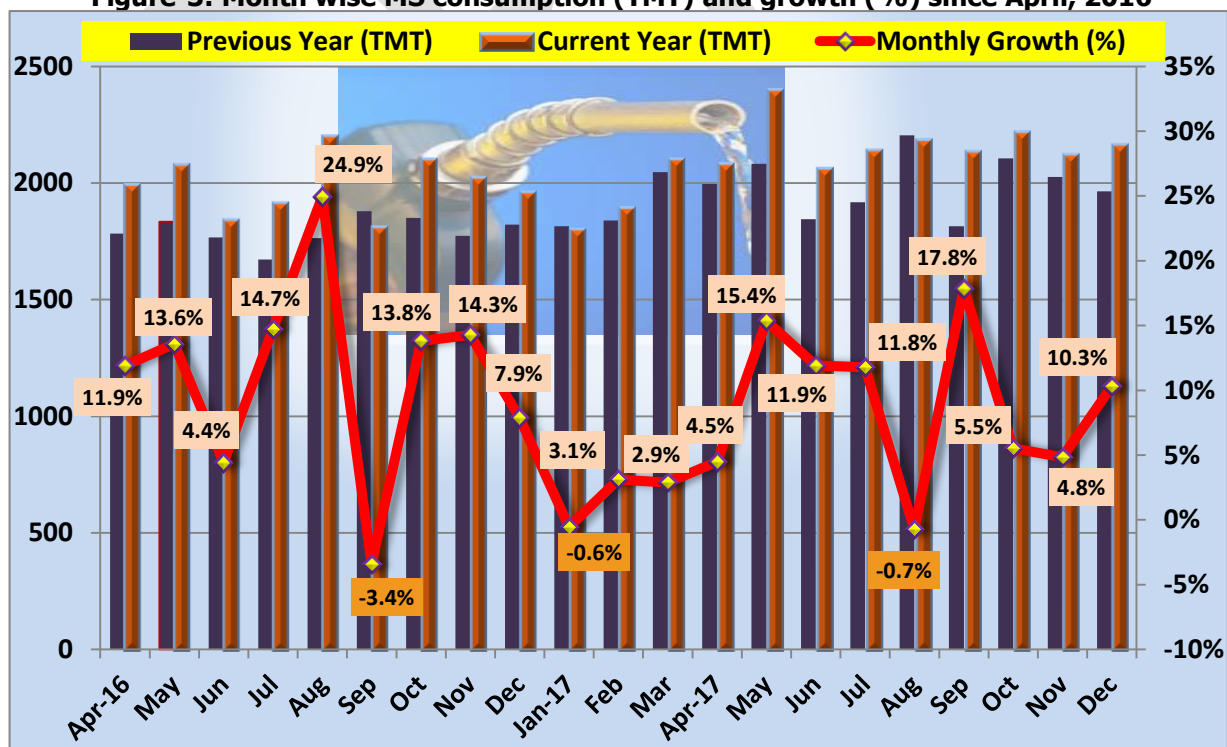
1.2 Petrol / Motor Spirit (MS): MS consumption during December, 2017 recorded a growth of 10.3% as compared to December, 2016, while on cumulative basis a growth of 8.8% was recorded for the period April to December, 2017 as compared to the same period last year. Since March, 2017, MS consumption has consistently recorded consumption of more than 2 million MT every month.

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

- i. 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.
- ii. Demonetization that happened in November 2016 had impacted December 2016 sales resulting in low historical base for the month.

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

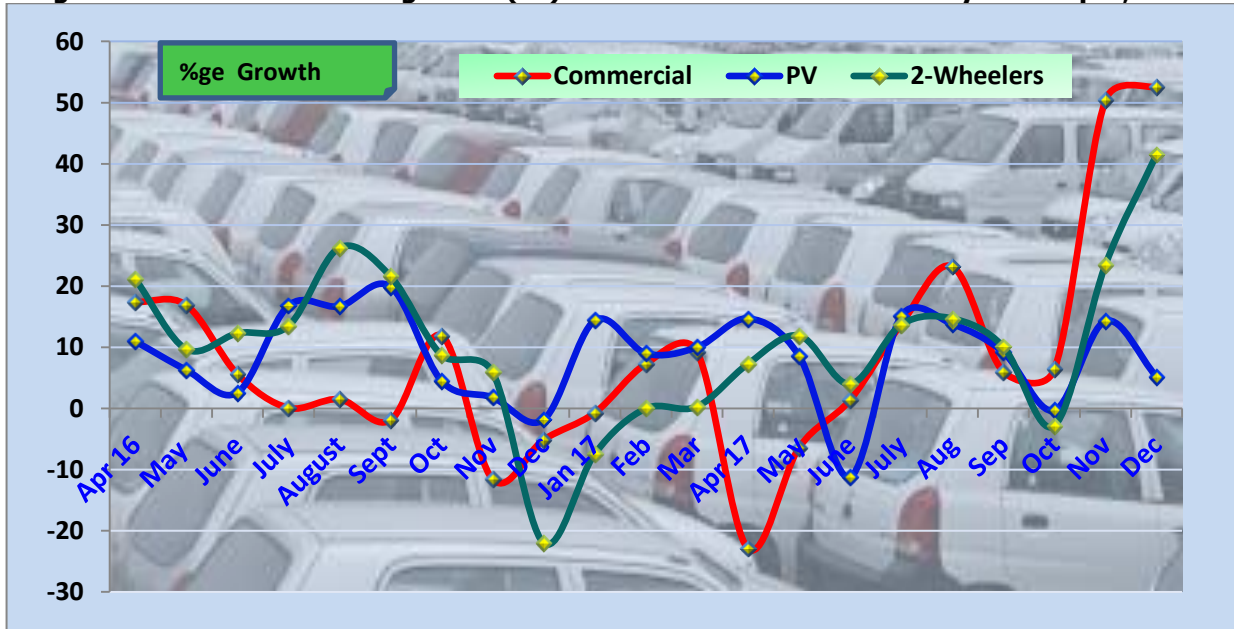


Other factors impacting consumption of MS are:

There has been a notable surge in the sales numbers of the automobile industry in almost the whole of Q-3 of the current year, with the amplification primarily coming across over a low year-ago base created by the effect of demonetization.

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 December, 2017 recorded a growth of 5.2% and stood at 239,712 units, as against 227,823 units in the same month last year. On cumulative basis, a growth of 8.1% was recorded for the period April to December 2017 as compared to April to December 2016 for passenger vehicles.

Passenger cars recorded a drop of -0.2% while the Utility vehicles and Vans segments recorded a growth of 15.0% and 31.3% respectively during the month of December, 2017. On cumulative basis the trend of growth continues for passenger vehicles.

Segment	December			April-December		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
Passenger Cars	158,617	158,326	-0.2%	1,553,786	1,618,940	4.2%
Utility Vehicles	58,308	67,073	15.0%	556,159	664,230	19.4%
Vans	10,898	14,313	31.3%	133,577	142,741	6.9%
Sub-Total	227,823	239,712	5.2%	2,243,522	2,425,911	8.1%

Source: Society of Indian Automobile Manufacturers (SIAM)

b) **2-wheeler sales:** Continuing on the sales upswing during December, 2017, the Indian automotive industry cashed in on a low base effect prevailing during the months of November and December 2016. This was a spin-off of the Centre's demonetization exercise that created a liquidity crunch in the market denting sales and sending the industry into a tailspin during these months. The auto sector also benefited from the year-end discounts as a precursor to the price hikes ranging between 2-5 per cent, announced by vehicle manufacturers kick-starting from January 2018. During the month of December, 2017, 2-wheeler sales witnessed a growth of 41.5%, and on cumulative basis the growth was 11.8%.

Scooter sales recorded a growth of 52.0% by selling 432,429 units. Motorcycles recorded a growth of 40.3% in sales by selling 788,156 units while Moped sales recorded 4.4% growth by selling 67,007 units. On cumulative basis, Scooter and Motorcycles sale recorded a growth of 18.5% and 9.8% respectively, while Moped sales continued to decline at -6.1%

Segment	December			April-December		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
Scooter / Scooterette	284,405	432,429	52.0	4,292,392	5,087,548	18.5
Motor Cycles	561,710	788,156	40.3	8,527,208	9,360,728	9.8
Mopeds	64,161	67,007	4.4	674,319	632,867	-6.1
Sub Total	910,276	1,287,592	41.5	13,493,919	15,081,143	11.8

Source: Society of Indian Automobile Manufacturers (SIAM)

1.3 High Speed Diesel (HSD): HSD consumption during the month recorded a growth of 8.3% to reach 7.1 MMT in December, 2017 as compared to 6.6 MMT in December, 2016. For the second month in a row, HSD consumption crossed 7 million MT. On cumulative basis, a growth of 5.7% was recorded for the period April to December 2017 as compared to the same period last year. Diesel consumption during the month was affected due to following factors:

- i. Improved economic and manufacturing activities, improved construction activities allied with infrastructure growth in the country, economic viability of public transport and carrier vehicles resulted in improving diesel sales.
- ii. Low base volume due to demonetization in November, 2016 resulted in recording higher growth during the current month.
- iii. Stoppage of sand mining activities in Southern and Eastern regions of India had an adverse effect on the growth of diesel sales.

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

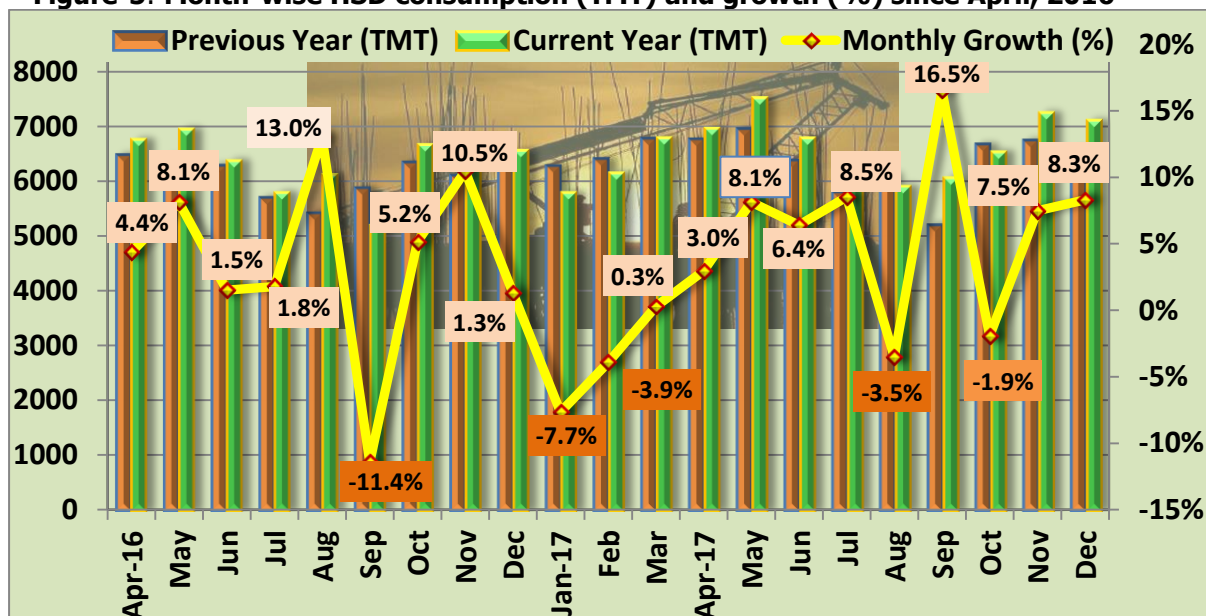
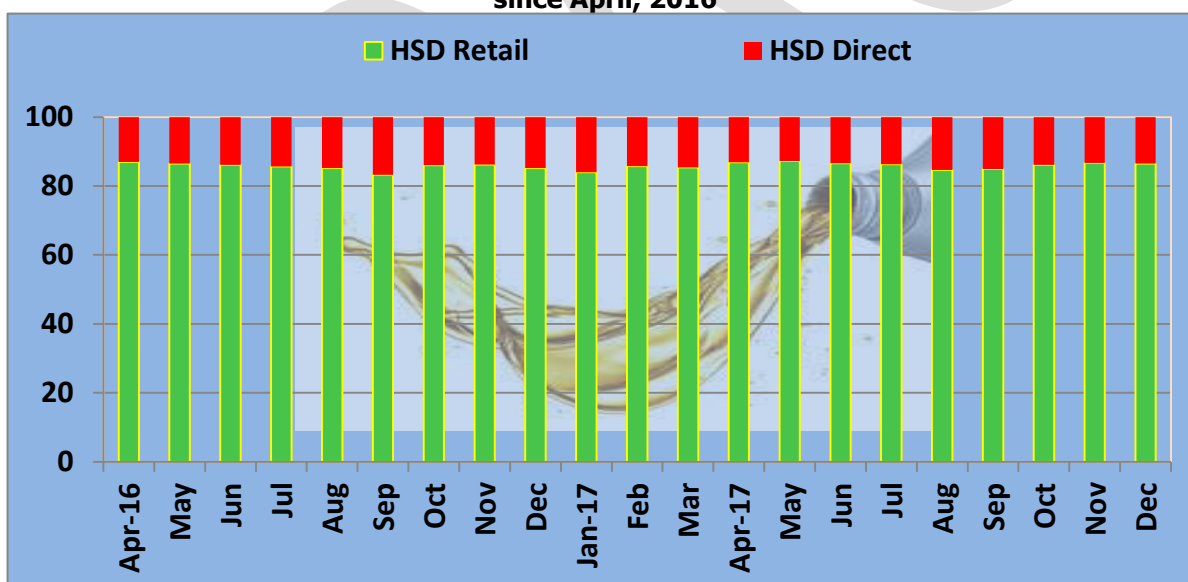


Figure-6 gives a comparison of month-wise percentage of HSD consumption by Retail and Consumer business share since April, 2016.

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:** Commercial vehicles were leading the automobile sales in the month of December 2017 and CVs witnessed a healthy double-digit growth. New model launches across the spectrum of vehicle segments, infrastructure development and road building activities have boosted the CV sector. M&HCV recorded a very high growth of 73.1% in December, 2017 by selling 39,439 units as compared to 22,788 units in December, 2016. On cumulative basis, M&HCV recorded a growth of 9.3%.

- b) **Light Commercial Vehicle (LCV):** LCV sector contributed sales of 42,923 units and a growth of 37.7% over historical during the month and a growth of 19.3% for the period April to December, 2017.

Segment	December			April-December		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
M&HCV	22,788	39,439	73.1	203,935	222,831	9.3
LCV	31,178	42,923	37.7	294,659	351,506	19.3
Total Commercial Vehicles	53,966	82,362	52.6	498,594	574,337	15.2

Source: Society of Indian Automobile Manufacturers (SIAM)

- c) **Port traffic:** There was a growth of 5.0% in port traffic during the month of December, 2017. The growth in port traffic and cargos handled during December, 2017 was mainly due to increase in traffic at all ports except at Chidambarnar Mormugao, Mumbai and Kandla .

There has been a cumulative growth of 3.6% in port traffic during the period April to December 2017. Growth was registered specifically in iron ore (1.4%), POL products (7.0%), other liquids (5.7%), coking coal (4.2%), containers (7.6%) and others (1.3%), while there has been a drop in thermal coal (-5.8%), finished fertilizer (-0.5%) and raw fertilizer (-3.1%). While iron ore mining activities have increased in Karnataka and Odisha, it has been severely restricted in Goa.

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

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	December 2016	December 2017	Growth (%)
Kolkata + Haldia	4,501	4,998	11.0%
Paradip	7,489	9,421	25.8%
Visakhapatnam	5,308	5,612	5.7%
Kamarajar (Ennore)	2,407	3,099	28.7%
Chennai	3,684	4,539	23.2%
V.O. Chidambaranar	3,444	3,349	-2.8%
Cochin	2,162	2,429	12.3%
New Mangalore	3,749	3,877	3.4%
Mormugao	3,941	2,498	-36.6%
Mumbai	5,619	5,199	-7.5%
JNPT	5,222	5,635	7.9%
Kandla	9,386	9,092	-3.1%
TOTAL:	56,912	59,748	5.0%

Source: Indian Ports Association (IPA)

d) **Power situation:** The power deficit position for the month of December, 2017 is given in Table-3. The power deficit position remained the same, from -0.6% in December, 2016 to -0.6% in December, 2017. The deficit was mainly in the states of Jammu & Kashmir, Uttar Pradesh and Rajasthan. The power deficit in December, 2017 may have led to increased usage of diesel for back-up power generation.

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

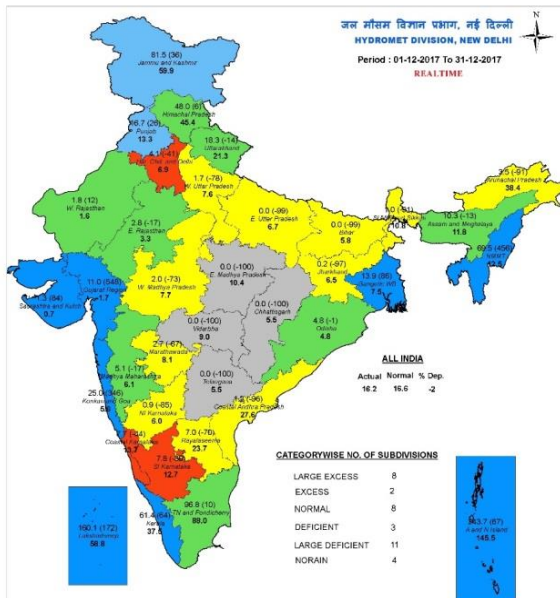
States	December 2017 ^(P)				December 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	27,660	27,201	-458	-1.7%	-1.9%
West	32,836	32,820	-16	0.0%	0.0%
South	26,491	26,463	-28	-0.1%	-0.1%
East	9,397	9,384	-14	-0.1%	-0.3%
North-East	1,252	1,226	-26	-2.1%	-0.1%
Total	97,636	97,094	-542	-0.6%	-0.6%

Source: Central Electricity Authority (CEA)

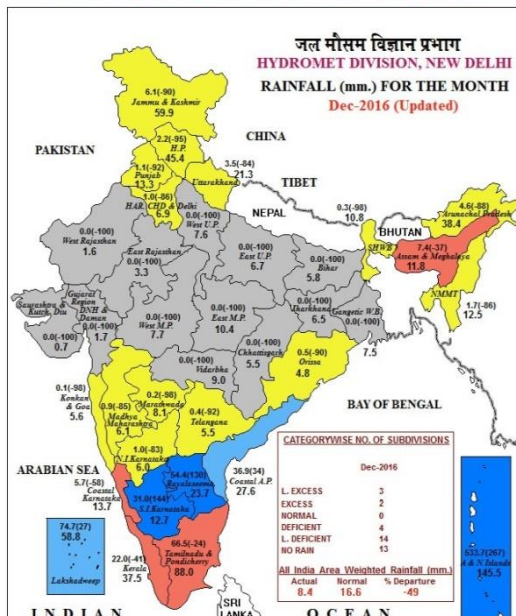
e) **Seasonal rainfall scenario:** The rainfall in the country during December, 2017 was -2.0% below normal. As against a normal of 16.6 mm, 16.2 mm rain was recorded during the month as against only 8.4 mm during December, 2016. While 18 divisions received from normal to excess rainfall, 18 divisions received no rain or deficient rainfall during the month.



SUBDIVISION RAINFALL MAP



भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT

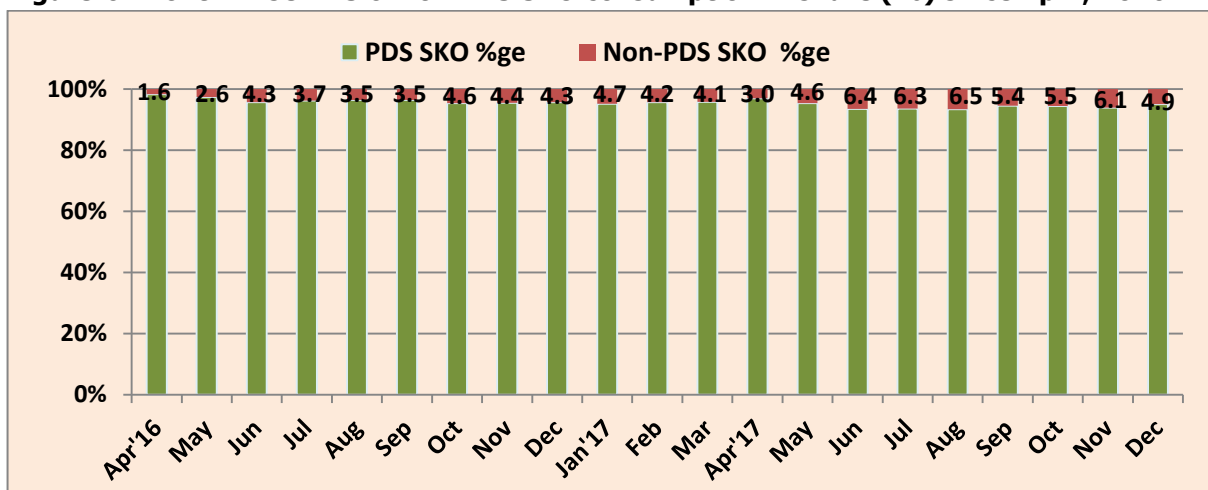


Source: India Meteorological Department (IMD)

1.4 Kerosene: Kerosene consumption recorded a drop of -18.4% during December, 2017 and -30.9% on cumulative basis for the period April to December, 2017 as compared to April to December 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 December, 2017 saw nil upliftment by Andhra Pradesh, Chandigarh, Delhi, Dadra & Nagar Haveli, Daman & Diu, Haryana, Lakshadweep, Puducherry and Punjab.

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

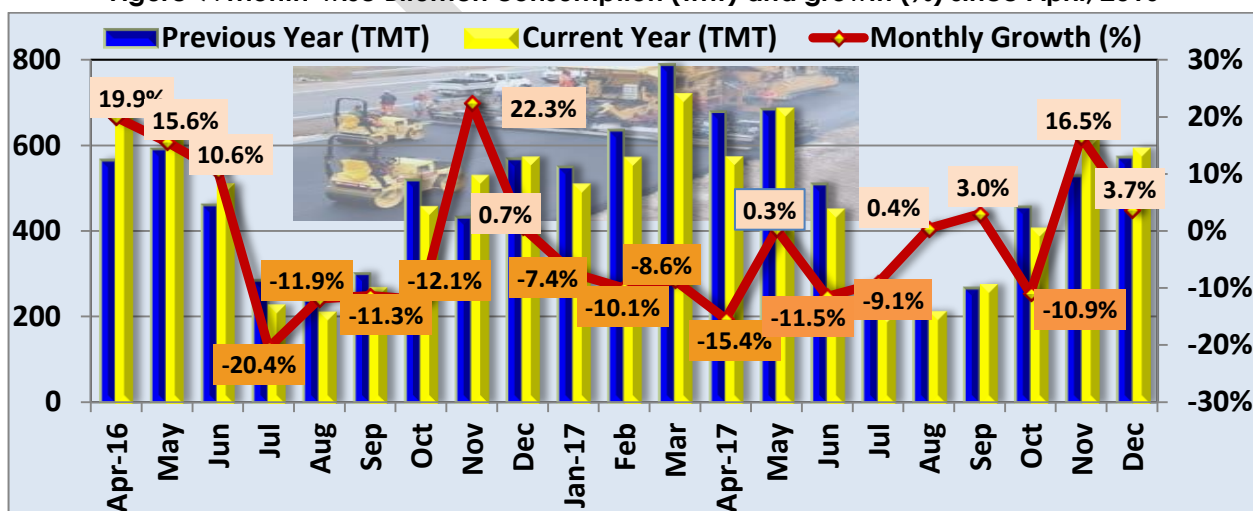


1.5 Bitumen: Bitumen consumption recorded a growth of 3.7% during the month of December, 2017 and a drop of -3.1% on cumulative basis for the period April to December, 2017 as compared to April to December 2016. Bitumen consumption in India has increased on the back of infrastructure spending and expanding road networks across the country.

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 two months in a row recorded a positive growth of 6.0% during December, 2017 and a cumulative growth of 8.4% for the period April to December, 2017. Out of the five regions, Northern region had the highest share in consumption of 31.1% followed by Southern region at 28.7%, Western region at 22.2%, Eastern region at 15.7% and North Eastern region at 2.3% during the period April to December, 2017. Eastern region had the highest growth of 16.6% in total LPG consumption during the period April to December, 2017

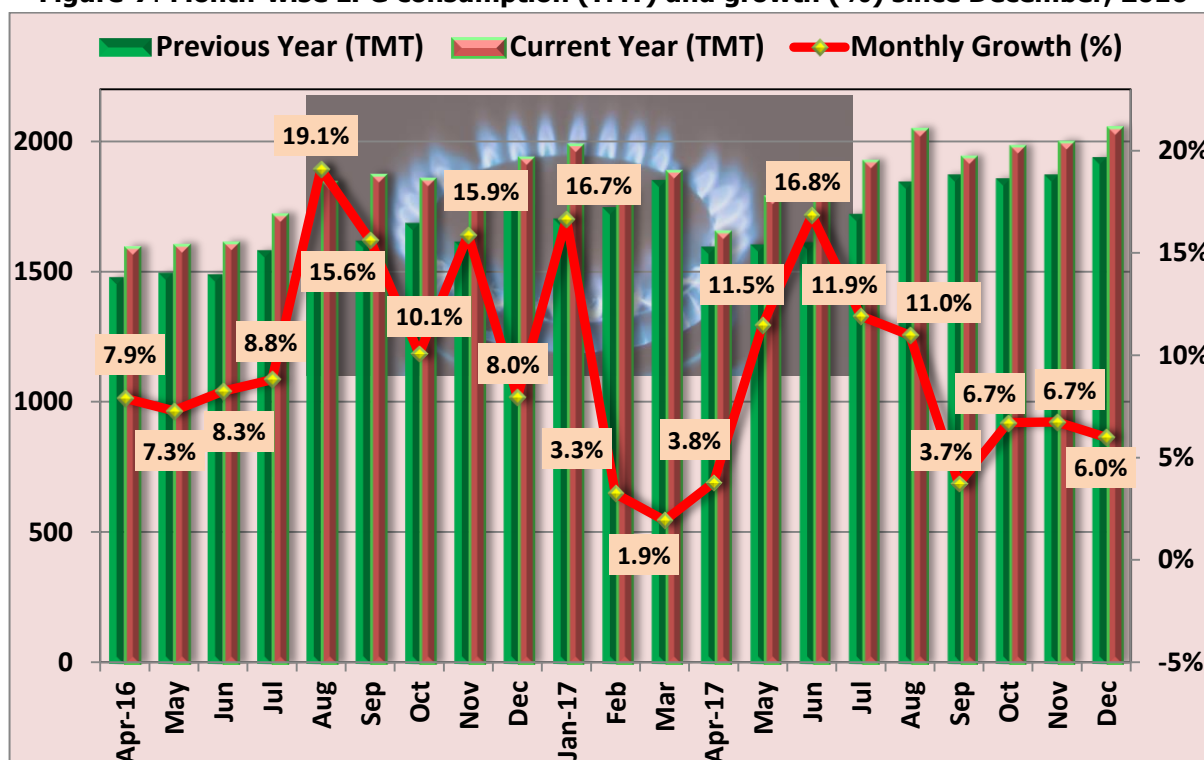
LPG-Packed Domestic consumption registered a growth of 4.9% during December, 2017 and a growth of 8.2% during the period April to December, 2017. Last year during December, 2016 growth of 8.3% was observed and cumulative growth during April to December, 2016 was 10.7%. This year during the period April to December, 2017, 52.4 lakh DBCs and 226.9 lakh new connections were released out of which 125.7 lakh were released under PMUY. Total 326.0 lakh connections were released under PMUY till 31.12.2017 since inception. During April to December, 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (13.7%), Maharashtra (11.4%), Tamil Nadu (8.2%), West Bengal (7.4%) and Karnataka (6.3%). During the month of December, 2017, percentage share of LPG-Packed Domestic was 88.0% of total LPG consumption, whereas in December, 2016 it was 89.2%.

LPG-Packed Non-Domestic consumption for the last thirty six months in a row registered a positive growth of 24.3% in December, 2017 and cumulative growth of 18.0% during April to December, 2017. Last year during December, 2016, growth of 12.2% was observed and cumulative growth during April to December, 2016 was 23.3%. Market share of LPG Packed Non-Domestic has increased to 9.8% in December, 2017 from 8.4% in December, 2016. Region wise share of LPG Packed Non-Domestic consumption was highest in Southern region (40.3%) followed by Western region (29.6%) and Northern region (21.8%) during April to December, 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 4.5% during December, 2017 and a cumulative de-growth of 0.6% during the period April to December, 2017. Last year in the month of December, 2016, a growth of 24.0% and for the cumulative period April to December, 2016, a growth of 12.2% was witnessed. Percentage share of bulk LPG consumption decreased to 1.4% in December, 2017 as compared to 1.6% in December, 2016 and 1.6% during April to December, 2017 as compared to 1.7% during April to December, 2016.

Auto LPG consumption registered a growth of 6.1% in December, 2017 and cumulative growth of 11.3% during April to December, 2017. The sales volume increase was about 0.9 TMT in December, 2017 as against December, 2016. However, last year in the month of December, 2016 a growth of 2.1% and cumulative de-growth of 2.2% during April to December, 2016 was observed.

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

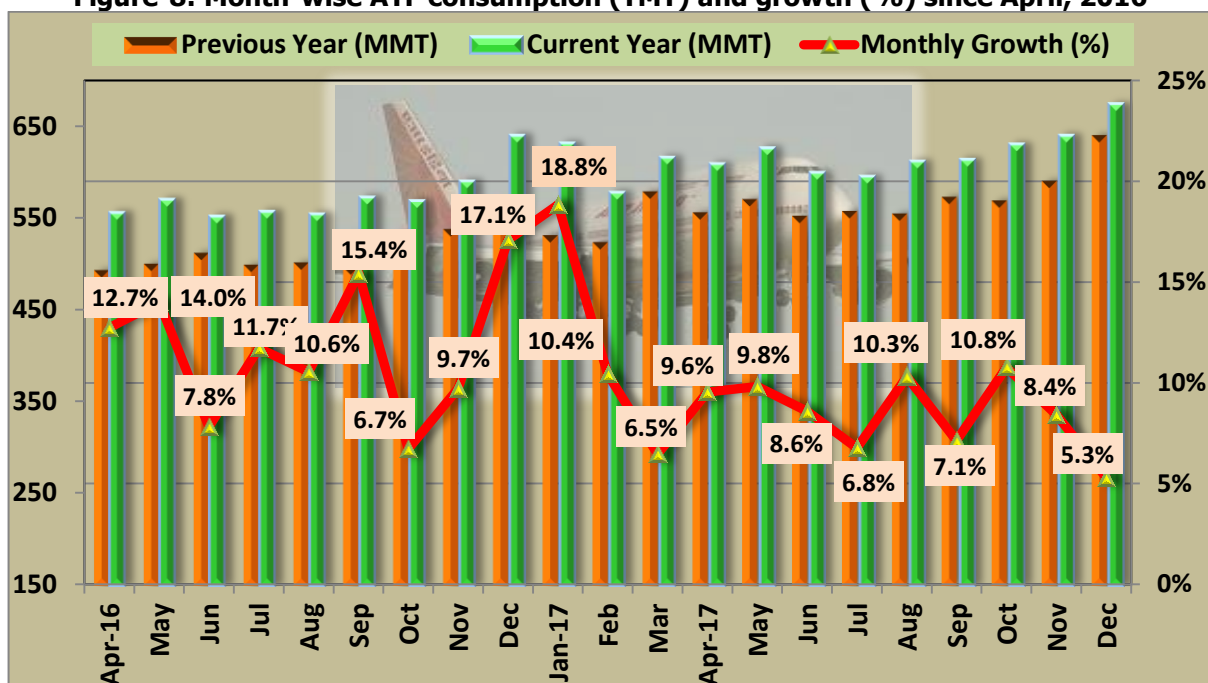


1.7 Naphtha: Naphtha consumption recorded a drop of -1.3% for the month of December, 2017 and a drop of -8.8% for the period April to December 2017 as compared to April to December 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand by the petrochemical industry (particularly for polymers and plastics) largely drives the pattern of naphtha consumption.

1.8 ATF: ATF consumption recorded a growth of 5.3% during December, 2017 as compared to December, 2016. On cumulative basis, for the period April to December 2017, a growth of 8.5% 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 December, 2017 stood at the highest ever figure till date – 112.43 lakhs as against 95.52 lakhs during December, 2016 thereby registering a growth of 17%. On cumulative basis a total of 898.98 lakh passengers were carried by domestic airlines in April to December, 2017 as against 768.80 lakh in the same period last year in 2016 and thereby a growth of 16.9% in domestic air traffic was recorded. Due to major initiatives taken by the government for the 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 drop of -10.2% during December, 2017 as compared to December, 2016 and a drop of -9.1% was recorded for the period April to December 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in power, steel and other sectors mainly due to ban of FO in Delhi, Uttar Pradesh, Rajasthan and Haryana. A growth was observed in consumption by fertilizer and petrochemical sector during the month. 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 14.1% in December, 2017 as compared to December, 2016 and on cumulative basis, a growth of 7.5% was registered for the period April to December 2017.

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 December and March, due to the 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 57.2% for the month of December, 2017 and a marginal growth of 7.7% for the period April to December 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	December			April-December		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
(A) Sensitive Products						
SKO	398.9	325.3	-18.4	4,244.9	2,934.2	-30.9
LPG	1,939.0	2,055.3	6.0	15,927.0	17,265.8	8.4
Sub Total	2,337.9	2,380.6	1.8	20,172.0	20,200.0	0.1
(B) Major Decontrolled Products						
Naphtha	1,036.0	1,022.3	-1.3	10,088.3	9,202.3	-8.8
MS	1,964.9	2,167.7	10.3	17,958.7	19,538.0	8.8
HSD	6,570.3	7,116.4	8.3	57,259.9	60,498.7	5.7
Lubes+Greases	295.5	308.4	4.4	2,611.1	2,717.9	4.1
LDO	39.3	61.8	57.2	343.5	369.8	7.7
FO/LSHS	611.4	548.9	-10.2	5,525.4	5,024.7	-9.1
Bitumen	572.4	593.4	3.7	4,135.5	4,005.9	-3.1
ATF	640.7	674.7	5.3	5,169.4	5,610.1	8.5
Sub Total	11,730.5	12,493.6	6.5	103,091.8	106,967.4	3.8
Sub - Total (A) + (B)	14,068.4	14,874.2	5.7	123,263.7	127,167.4	3.2
(C) Minor Decontrolled Products						
Pet.Coke	1,648.8	1,882.0	14.1	18,237.3	19,603.8	7.5
Others	459.4	637.7	38.8	4,849.5	5,495.4	13.3
Sub Total	2,108.2	2,519.7	19.5	23,086.8	25,099.2	8.7
Total	16,176.6	17,393.9	7.5	146,350.5	152,266.6	4.0