

INDUSTRY SALES REVIEW REPORT

August 2015



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 August, 2015. Data on product-wise monthly consumption of petroleum products for August, 2015 is uploaded on PPAC website.

1.0 CONSUMPTION :

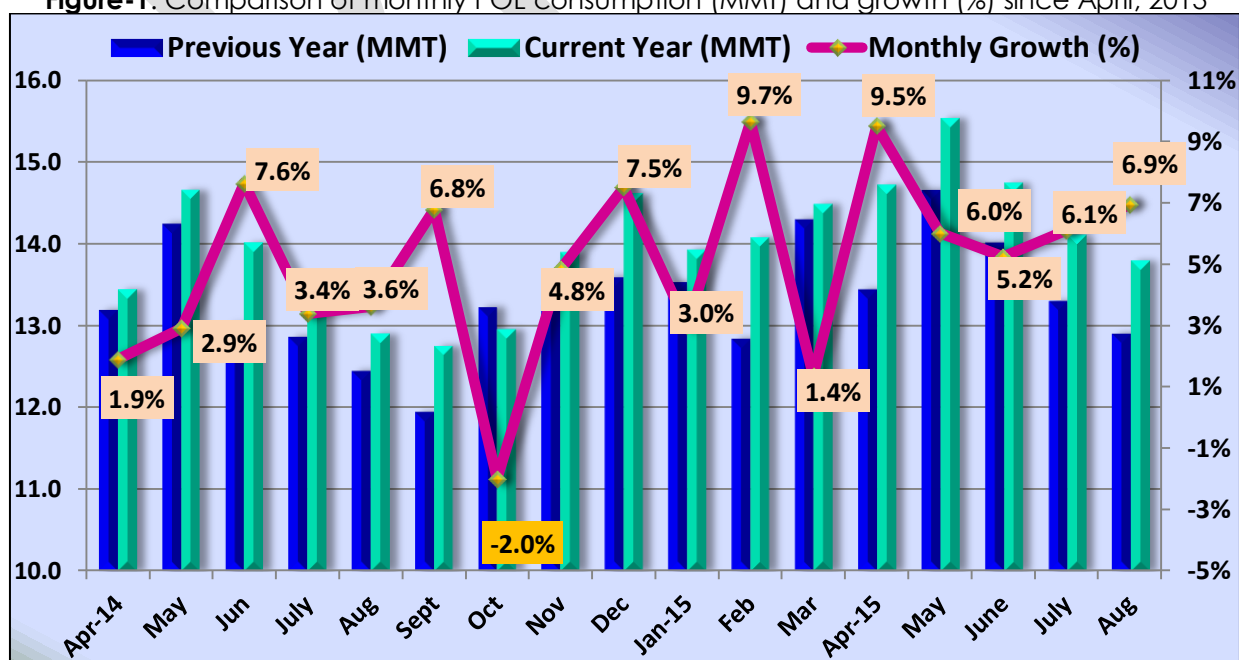
The growth (%) in consumption of petroleum products, category-wise, for the month of August, 2015 is given in Table-1.

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

PRODUCT	% Share	Aug 2014	Aug 2015	Growth (%)	Products Included
Sensitive Products	15.7%	2,028	2,122	4.6%	SKO & LPG
Major decontrolled Products	71.4%	9,213	9,864	7.1%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other Minor decontrolled Products	12.9%	1,656	1,806	9.1%	Pet. Coke & other minor products
Grand Total	100%	12,897	13,792	6.9	

1.1 All Products: The consumption of all petroleum products registered a growth of 6.9% in August, 2015 as compared to that in August, 2014. Except for SKO, Lubes & Greases and FO/LSHS, all other products recorded a positive growth. On a cumulative basis, growth of 6.7% was registered for the period April-August, 2015. SKO is the only product which has recorded a negative growth of -3.2% on cumulative basis.

Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2013



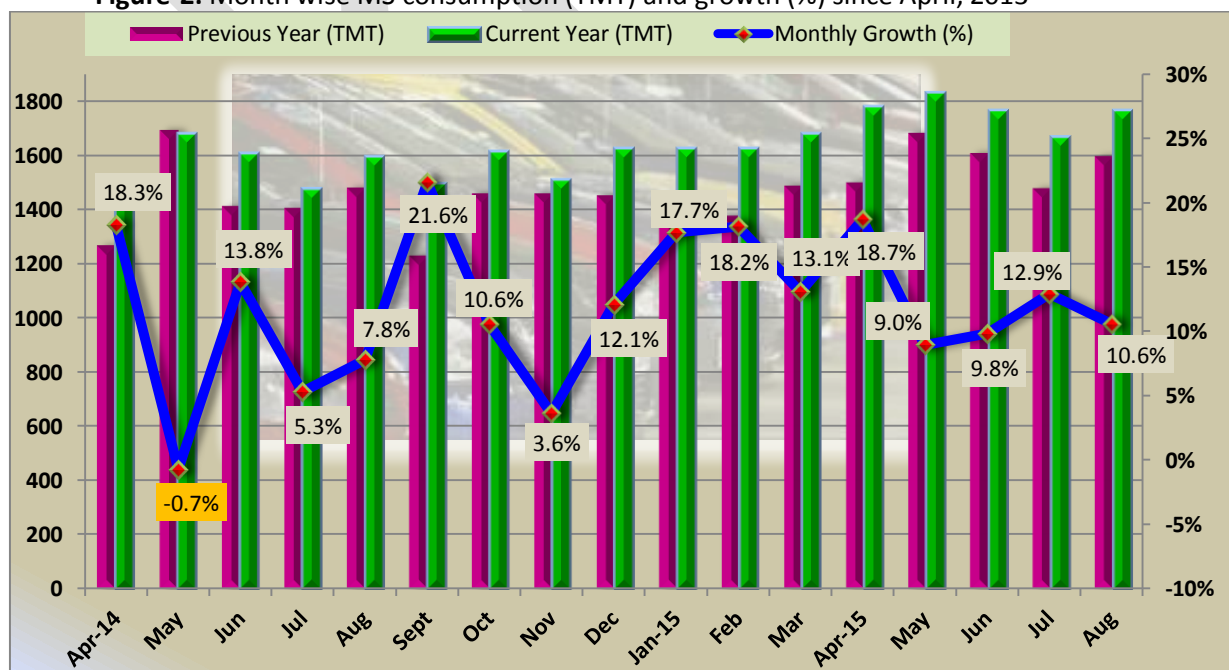
Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to June, 2015 and private imports data for the month of July and August, 2015 is projected based on April, 2014 to March, 2015 figures.

Detailed product-wise analysis of growth for August, 2015 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): There has been a growth of 10.6% in the consumption of MS during August, 2015 as compared to August, 2014 and a cumulative growth of 12.1% for the period April to August, 2015. Figure 2 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2013.

- The high growth in MS consumption may be attributed in general to continuous greater usage of cars and two wheelers and enhanced travel distances due to increase in city limits and also due to shift of consumer preference from diesel to petrol driven vehicles and continuous high sales of passenger cars. The cumulative growth in passenger cars sales has been 9.72% for the period April to August, 2015. Scooter/ Scooterette segment has registered a growth of 10.76% on cumulative basis for the period April to August, 2015. Eased prices of MS have also encouraged the trend of higher sales of MS driven vehicles. Moderate base, lower monsoon and not much of improvement in rapid transport system also contributed to improved MS growth.
- Speculation of MS price reduction in the last week August, 2015 (which took place on 1st September, 2015) led to decreased upliftment by the reseller network.

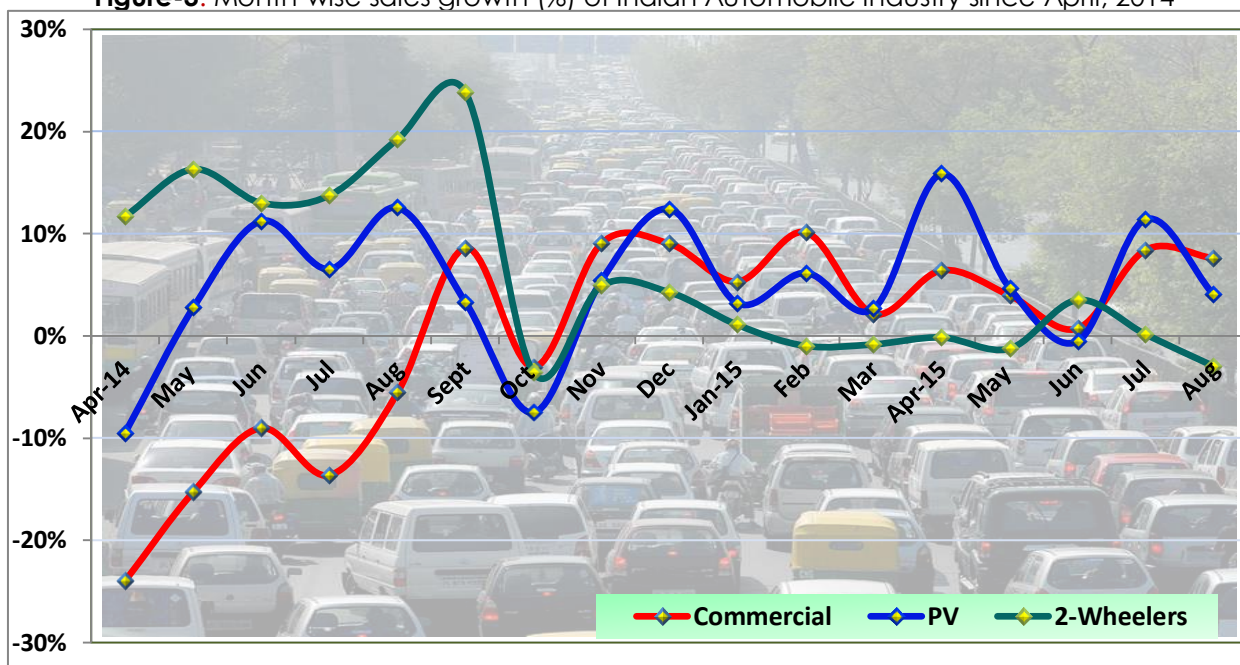
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2013



Other factors impacting consumption of MS are:

The continuous high growth in MS consumption is also due to increased use of personal vehicles (about 2 lakh passenger vehicles and 13 lakh 2-wheelers are added on Indian roads every month), which are predominantly petrol driven. Lesser dependency on public transport due to limited available infrastructure has contributed to high sales of vehicles resulting in congestion of roads. India's economic surge has resulted in massive increase of private vehicles on the roads.

Figure-3: Month-wise sales growth (%) of Indian Automobile Industry since April, 2014



- a) **Total passenger vehicles (PV) sales:** The overall passenger vehicles sales registered a growth of 4.0 % during August, 2015, of which passenger cars and vans recorded a growth of 6.0% and 8.19% respectively, while the utility vehicles recorded a de-growth of -4.07%.

Segment	Aug 2014	Aug 2015	Growth (%)
Passenger Cars	153,781	163,093	6.0%
Utility Vehicles	46,501	44,608	-4.07%
Vans	13,656	14,775	8.19%
Total: Passenger Vehicles (PVs)	213,938	222,476	4.0%

Source: SIAM

- b) **2-wheeler sales:** With domestic sales of 1.3 million units during August, 2015, the 2-wheeler segment recorded de-growth of -2.98 % during the month. The motorcycle segment registered de-growth of -9.6 % in the month of August, 2015, while the scooter/ scooterette segment recorded a high growth of 15.7%. Moped sales recorded de-growth of -16.3 % during August, 2015.

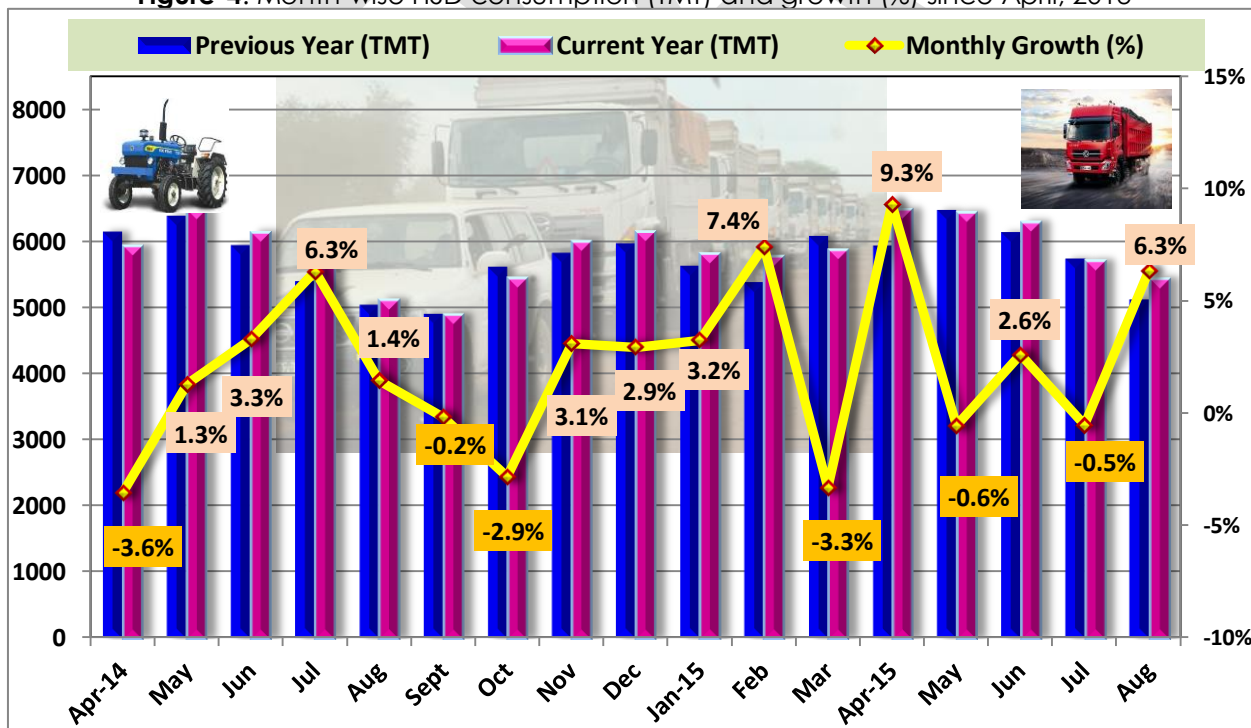
Segment	July 2014	July 2015	Growth (%)
Scooter / Scooterette	369,323	427,165	15.66%
Motor Cycles	910,312	823,053	-9.6%
Mopeds	65,871	55,132	-16.3%
Total: 2-wheelers	1,345,506	1,305,350	-2.98%

Source: SIAM

1.3 High Speed Diesel (HSD): After a marginal de-growth during the previous month, HSD consumption recorded a growth of 6.3% during August, 2015 due to low base of diesel sales and deficit rainfall. However in terms of volume, it was the lowest in the current financial year. Deficient monsoon led to use of diesel by DG sets for irrigation in agriculture.

Negative factors that affected the growth in diesel sales were: (1) Shift of consumer preference from diesel to petrol driven passenger vehicles. (2) Shift of industrial consumers to alternate fuels due to price differential (3) Increased capacity of M/HCV vehicles resulting in lower number of vehicles carrying higher loads (4) Speculation and subsequent price reduction in diesel that happened on 1st September, 2015 prompted dealers to drop inventories at retail outlets, resulting in shifting of HSD sales to September, 2015 and therefore lower sales in August, 2015.

Figure-4: Month-wise HSD consumption (TMT) and growth (%) since April, 2013



Factors affecting diesel consumption are discussed below:

a) **Commercial vehicles (CV) sales:** CV sales registered a growth of 8.4% during the month of July, 2015.

- b) The medium and heavy commercial vehicles sales continued to record an impressive 35.3% growth during August, 2015 which is mainly attributed to the positive sentiments in the economy and rising demand for logistics and transportation services.

Segment	Aug 2014	Aug 2015	Growth (%)
M&HCVs	17,000	23,016	35.3%
LCVs	31,518	29,182	-7.4%
Total: Commercial Vehicles	48,518	52,198	7.58%

Source: SIAM

- c) **Port traffic:** There has been a growth of 4.4% in port traffic and cargos handled at major ports during August, 2015 due to improvement at all major ports except Visakhapatnam, Chennai, Cochin, JNPT and Mumbai. Table-2 below gives the port-wise performance during the month of August, 2015. On cumulative basis, there has been a growth of 5.53% in the traffic handled by ports during the period April to August, 2015. The growth in traffic during April-August, 2015 has been contributed by POL (4.46%), finished fertilizer (51.02%), thermal coal (22.66%) and other items of cargo (9.25%) while there has been a drop in iron ore (-50.72%), raw fertilizer (-16.36%) and coking coal (-0.91%) cargoes during the month.

Table-2: Traffic handled at major ports in August, 2015

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	Aug 2014	Aug 2015	Growth (%):
KOLKATA + HALDIA	3613	4430	22.6%
PARADIP	5686	6285	10.5%
VISAKHAPATNAM	5078	4789	-5.7%
ENNORE	2373	2573	8.4%
CHENNAI	4314	3967	-8.0%
V.O. CHIDAMBARANAR	2646	3129	18.3%
COCHIN	2282	2015	-11.7%
NEW MANGALORE	2692	2776	3.1%
MORMUGAO	900	1304	44.9%
MUMBAI	5265	5145	-2.3%
JNPT	5293	5079	-4.0%
KANDLA	8627	9443	9.5%
TOTAL:	48769	50935	4.4%

Source: IPA

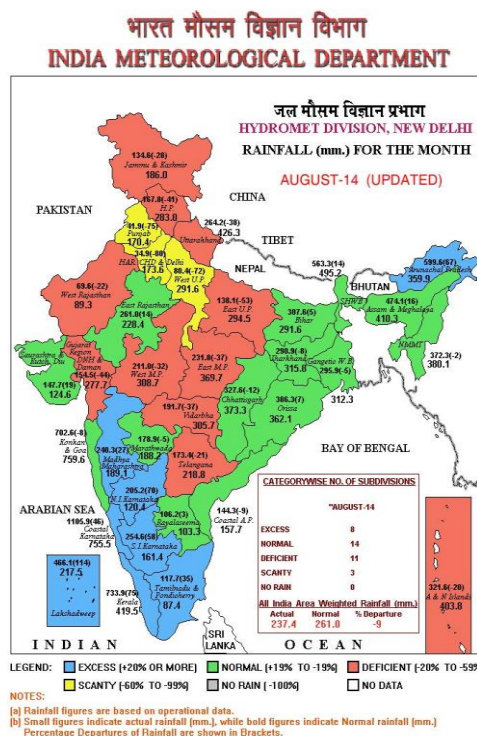
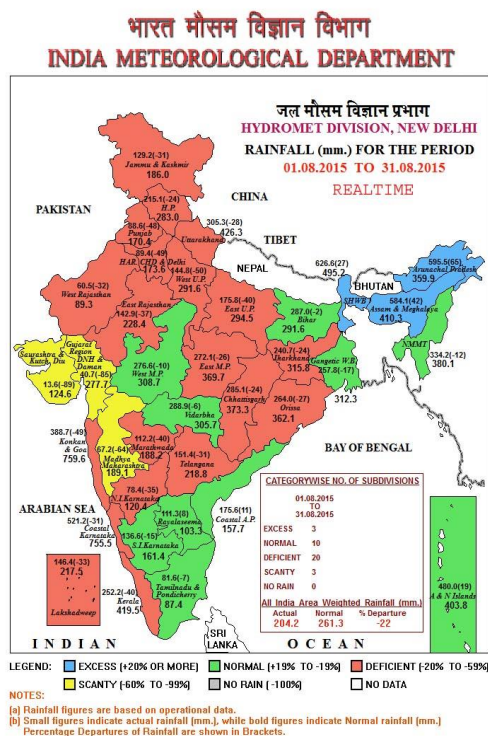
- d) **Power situation improves:** The power deficit position for the month of August, 2015 is given in Table-3. The power deficit position during the month has improved from -4.3% in August, 2014 to only -2.6% in August, 2015. The shortage during the month improved for all the regions. The improved power position may have led to reduced usage of diesel for back-up power generation.

Table-3: Power deficit: Region-wise position for August, 2015 (% deficit)

States	August 2015 (P)				August 2014
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	32,990	31,216	-1,774	-5.4%	-7.8%
West	27,520	27,452	-68	-0.2%	-1.5%
South	24,723	24,230	-493	-2.0%	-3.5%
East	12,751	12,620	-131	-1.0%	-1.0%
North-East	1,297	1,221	-76	-5.9%	-8.0%
Total	99,281	96,739	-2542	-2.6%	-4.3%

Source: Central Electricity Authority (CEA)

Seasonal rainfall scenario (1st June to 16th September, 2015): For the country as a whole, cumulative rainfall during the monsoon season has so far been 16% below the Long Period Average (LPA). Rainfall activity was less than normal in all the four regions. August, 2015 recorded a drop of 22% in the rainfall. Country as a whole recorded 691.3 mm of rainfall as against a normal rainfall of 819.7mm. Maximum drop of 21% was observed in Northwest India, followed by 19% in Central India.

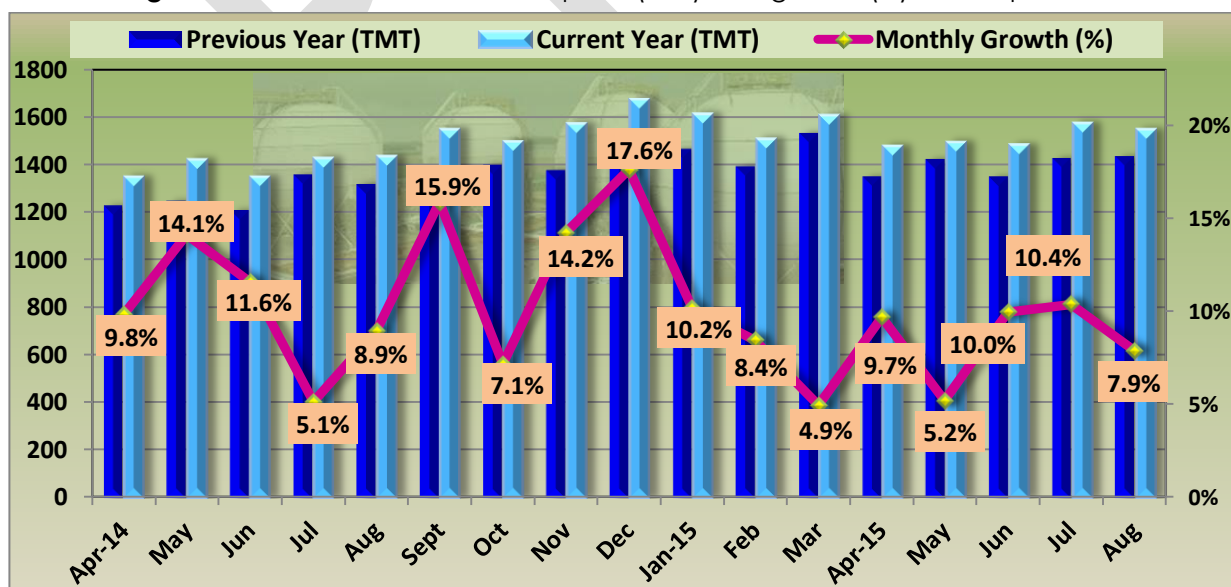


1.4 Bitumen: Bitumen consumption has registered an increase of 52.7% in the month of August, 2015 and cumulatively there is a growth of 2.5% for the period April to August 2015. Due to deficient rains in the country, road repairs and minor works were undertaken on highways. Construction work is in progress on NH-13, NH-211 and NH-3 especially in the sectors in Maharashtra and Gujarat. Construction and repair activities boosted Bitumen consumption during the month.

1.5 LPG: Total LPG consumption continuously, for last two years in a row recorded a positive growth. A growth of 7.9% was registered during the month of August, 2015 and a cumulative growth of 8.6% was recorded for the period April -August 2015.

- **LPG-Packed Domestic** consumption also registered a positive growth for the 24th month in a row with a growth of 5.3% during August, 2015 and 7.2% growth for the period April-August 2015. During the period April-August 2015, release of 75.8 lakh new connections and 43.8 lakh DBCs also contributed to the growth of LPG packed domestic consumption.
- **LPG-Packed non-domestic consumption** for the eighth month in a row registered a growth of 42.8% in August 2015 and cumulative growth of 38.0% during April- August 2015. However, in the same month last year, de-growth of -13.3% in August 2014 and negative growth of -13.0% during April-August 2014 was observed. High growth in LPG Packed Non-Domestic is a result of curb in diversion of subsidized domestic cylinders use after the successful implementation of DBTL.
- **Bulk LPG** recorded a positive growth of 21.4% during August, 2015 and -0.2% during April-August 2015. Except during November and December, 2014, in all other months Bulk LPG registered has positive growth since February, 2014.
- **Auto LPG** for the eighth month in a row registered a positive growth of 3.7% in August, 2015 and 7.4% during April-August 2015. Last year in the month of August, 2014 auto LPG registered negative growth of -25.7% and April-August 2014 observed negative growth of -24.4%. Growth of Auto LPG is mainly due to curb in diversion of subsidized domestic cylinders.

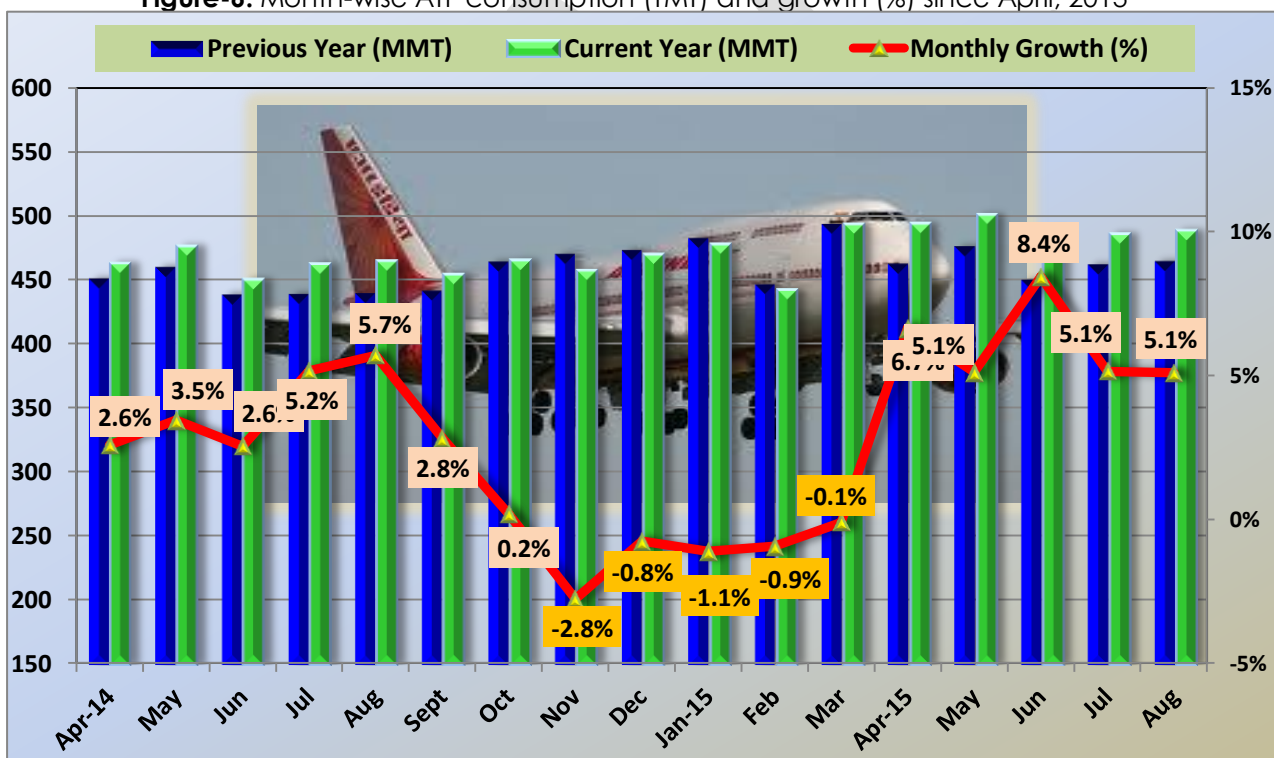
Figure-5: Month-wise LPG consumption (TMT) and growth (%) since April, 2013



1.6 Naptha: consumption recorded a growth of 16.3% during the month of August, 2015 and similar growth of 16.3% on cumulative basis also for the period April-August, 2015. Petrochemicals sector registered growth due to increased demand by RIL, IOCL, ONGC and APCL petrochemical plants. Haldia Petrochemicals has also started uplifting partially from domestic suppliers.

1.7 ATF During August, 2015 the consumption growth in ATF was 5.1% and on cumulative basis, a growth of 6.1% during the period April to August, 2015 has been recorded. Consequent to reduction in the number of flights by Spice jet, other airlines have optimized their operations and have increased their passenger load factor. Passengers carried by all Indian carriers during the month of August, 2015 recorded a growth of 18.66% by carrying 67.60 lakh passengers during the month as compared to 56.97 lakh during the month of August, 2014. The Passenger Load Factor has been also continuously improving and the average for the calendar year January- December 2014 was 76.4%. This year till August 2015 the same has increased to 82.5%.

Figure-6: Month-wise ATF consumption (TMT) and growth (%) since April, 2013



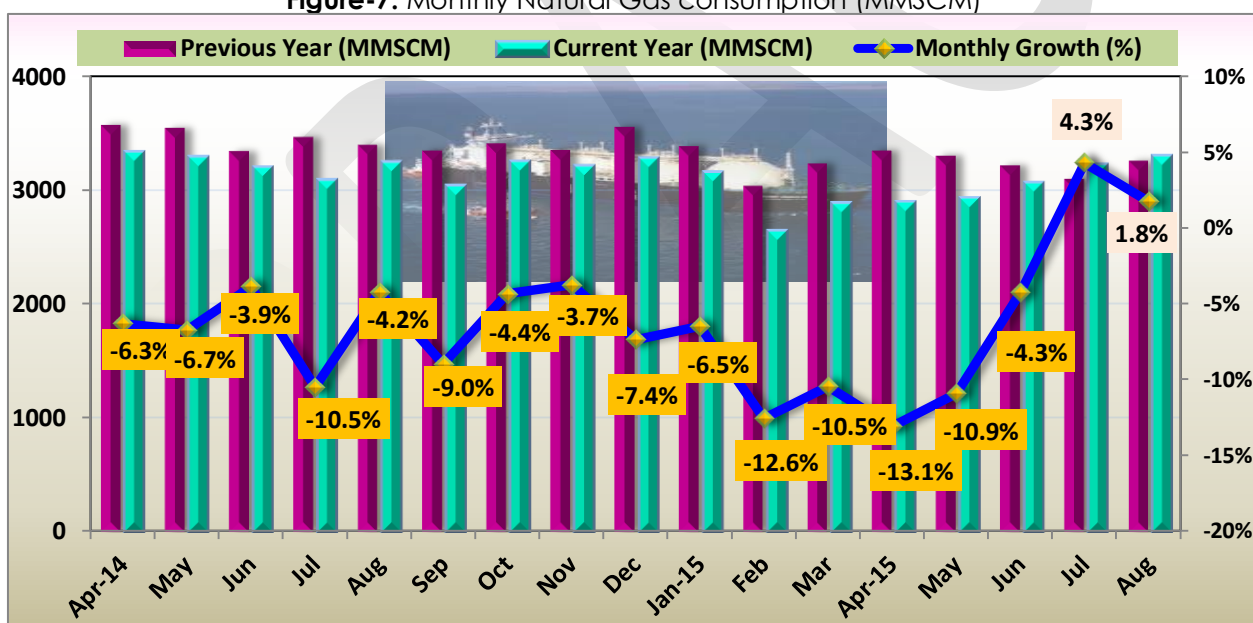
1.8 FO/LSHS: FO and LSHS consumption registered a de-growth of -3.7% during August, 2015. On cumulative basis, there has been growth of 4.9% for the period April to August, 2015. The decline during the month has been mainly because of drop in consumption of LSHS. The growth in consumption of Furnace Oil has been 7.4% whereas LSHS recorded de-growth of -62.1%. The consumption of LSHS has reduced due to shift to natural gas by major customers like power and fertilizer industries, viz, GNFC, NFL etc., while general trade sectors like petrochemicals, steel and power have registered a growth in the consumption of FO as compared to the previous year.

1.9 PETCOKE: Petcoke consumption has continued to register consistent growth of 4.6% during August, 2015 and a cumulative growth of 16.3% was registered during the period April to August, 2015.

1.10 LDO: LDO consumption recorded a growth of 11.6% in August, 2015 and a growth of 7.6% on cumulative basis for the period April to August, 2015. LDO consumption recorded a growth during the month due to deficient monsoon, leading to higher use of pumping sets, resumption of mining activities and improved port traffic.

1.11 Natural Gas: On month on month basis, Natural Gas consumption saw a marginal increase of 1.77% for August, 2015 as compared to August, 2014¹. In terms of volumes, total consumption during August, 2015 was 3,311 MMSCM as compared to 3,254 MMSCM in August, 2014. Cumulatively for the period April to August, gas consumption declined by 4.62% from 16,216 MMSCM last year to 15,467 MMSCM in the current year. Natural gas consumption has shown decline predominantly due to reduction in domestic gas production and lower off-take of gas in core sectors.

Figure-7: Monthly Natural Gas consumption (MMSCM)



(Excluding sales of GSPC and spot cargos imported by private players like Adani Group, Total, RIL, etc.)
Data does not include natural gas sales of GSPC and spot cargoes imported by private players like Adani Group, Total, RIL, etc.

Major factors affecting Natural Gas sales are highlighted below²:

- 1. Power Sector:** There was an increase in consumption in the power sector by around 6% from 723 MMSCM in August, 2014 to 765 MMSCM in August, 2015. The increase is primarily because of the policy introduced by Govt. of India to revive idling gas based power plants in the country. In this policy, also called 'gas pooling policy', imported gas would be supplied to idling power plants

¹ Represents gas sales by GAIL, IOCL, BPCL, Shell, ONGC and RIL. It does not include spot cargo sales of RIL

² Sector-wise sales consist of sales by GAIL, IOCL, BPCL and RIL only.

through subsidy grant. The subsidy grant process is called 'Reverse Bidding' through which power plants will quote a rate, the subsidy for which will be released through the Power System Development Fund. The stakeholders involved in the gas value chain i.e. the gas marketing and transmission companies, state govt., regasification terminal operators would forego certain fraction of their returns/ margins so that the electricity produced is delivered at an affordable price to the consumers. Consequently, Andhra Pradesh and Gujarat states witnessed an increase in gas consumption in the month of August, 2015, but certain power plants in the North could not benefit from the policy as their state governments did not forego the VAT that was supposed to accrue from the sale of power. Resultantly, the North suffered a decline in gas usage for power production. In contrast, A.P and Gujarat govt. have been supportive of this policy and forewent their share of VAT. In Southern and Western regions, the power sector showed a growth of 100% and 24% respectively due to gas pooling policy. On cumulative basis, overall consumption in power sector during April-August, 2015 declined by 4.28% to 3628 MMSCM from 3790 MMSCM during the same period last year.

2. **Fertilizer Sector:** Consumption in fertilizer sector grew marginally by around 9.44% in August, 2015 as compared to August, 2014. Monthly consumption for August, 2015 stood at 1,308.55 MMSCM as compared to 1,195.65 MMSCM in August, 2014. This is primarily due to the 'fertilizer pooling' mechanism to pool domestically available natural gas and costlier imported Liquefied Natural Gas (LNG) to improve supply at affordable prices to urea manufacturers. An Empowered Pool Management Committee (EPMC) has been formed with representatives from the MOP&NG, department of fertilizer, department of expenditure and GAIL. The Department of Fertilizers determines the total requirement of natural gas and draws plant-wide requirement, which is then informed to the pool operator, GAIL, through EPMC. The pool operator ties-up imports after considering domestic availability and after averaging out price of both, delivers the fuel at uniform rate to all plants. The EPMC approves the uniform gas price as proposed by pool operator. The mechanism has led to revival of many stranded fertilizer units in Andhra Pradesh and Western region. The Southern region saw a staggering 255% growth in gas consumption and the Western region's consumption increased by 13%. On cumulative basis, overall sales during April-August, 2015 increased by 3.36% to 6170 MMSCM from 5970 MMSCM during April-August, 2014.
3. **City Gas Sector:** There was an overall decrease of 7.29% in CGD consumption from 370.39 MMSCM in August, 2014 to 343.37 MMSCM in August, 2015 due to decrease in off-take by CGD companies in Western region. Certain high volume consumers of CGD have switched from gas to other liquid fuel alternatives after steep decline in oil prices resulting in lower off-take by the CGD sector consumers. On cumulative basis, overall consumption during April-August, 2015 declined by 8.62% to 1,646 MMSCM as against 1,801 MMSCM during April-August, 2014.

4. **Internal Consumption:** Internal consumption (IC) showed an overall decline of approximately 7.4%, from 389 MMSCM in August, 2014 to 360 MMSCM in August, 2015 primarily due to low production at GAIL's petrochemical complex at Pata. The process of hooking up of existing petrochemical unit (PATA-I) with the new unit (PATA-II) is under way which led to low production and low intake of gas. Additionally, GAIL's Lakwa plant is under shut down for asset transfer to Brahmaputra Cracker & Polymer Limited (BCPL). On cumulative basis, internal consumption during April-August, 2015 has declined by 11.35% to 1656 MMSCM against 1868 MMSCM during the same period last year.
5. **Others Sector:** There was overall increase of about 3.42% from 389.42 MMSCM in August, 2014 to 402.72 MMSCM in August, 2015 in consumption in 'Others' sector which include steel, sponge-iron, refineries, manufacturing and other miscellaneous industries. The increase in consumption was primarily due to higher off-take by customers in Gujarat, Maharashtra and Kerala. On cumulative basis, overall consumption during April-August, 2015 has declined by 18% to 1820 MMSCM as against 2212 MMSCM during April-August, 2015.

Industry Sales Trend Analysis (Provisional) : April-August, 2015

('000 MT)

Product	August			April-August		
	2014-15	2015-16	Growth (%)	2014-15	2015-16	Growth (%)
(A) Sensitive Products						
SKO	591.9	572.7	-3.2	2953.9	2860.6	-3.2
LPG	1435.9	1548.9	7.9	6985.1	7585.0	8.6
Sub Total	2027.8	2121.6	4.6	9939.0	10445.6	5.1
(B) Major Decontrolled Products						
Naphtha	956.5	1112.0	16.3	4772.8	5550.7	16.3
MS	1598.7	1767.7	10.6	7875.5	8826.4	12.1
HSD	5120.7	5444.4	6.3	29412.3	30380.4	3.3
Lubes+Grease	323.4	236.2	-27.0	1239.5	1269.4	2.4
LDO	27.7	30.9	11.6	145.6	156.6	7.6
FO/LSHS	561.3	540.5	-3.7	2497.5	2620.4	4.9
Bitumen	159.5	243.6	52.7	2043.5	2093.7	2.5
ATF	464.9	488.6	5.1	2316.9	2457.6	6.1
Sub Total	9212.7	9863.9	7.1	50303.6	53355.2	6.1
Sub - Total (A) + (B)	11240.5	11985.5	6.6	60242.6	63800.8	5.9
(C) Other Minor Decontrolled Products						
Pet.Coke	1176.5	1230.6	4.6	5506.4	6404.3	16.3
Others	479.6	575.5	20.0	2539.8	2680.2	5.5
Sub Total	1656.1	1806.1	9.1	8046.2	9084.3	12.9
Grand Total (A+B+C)	12896.6	13791.6	6.9	68288.8	72885.1	6.7