

INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

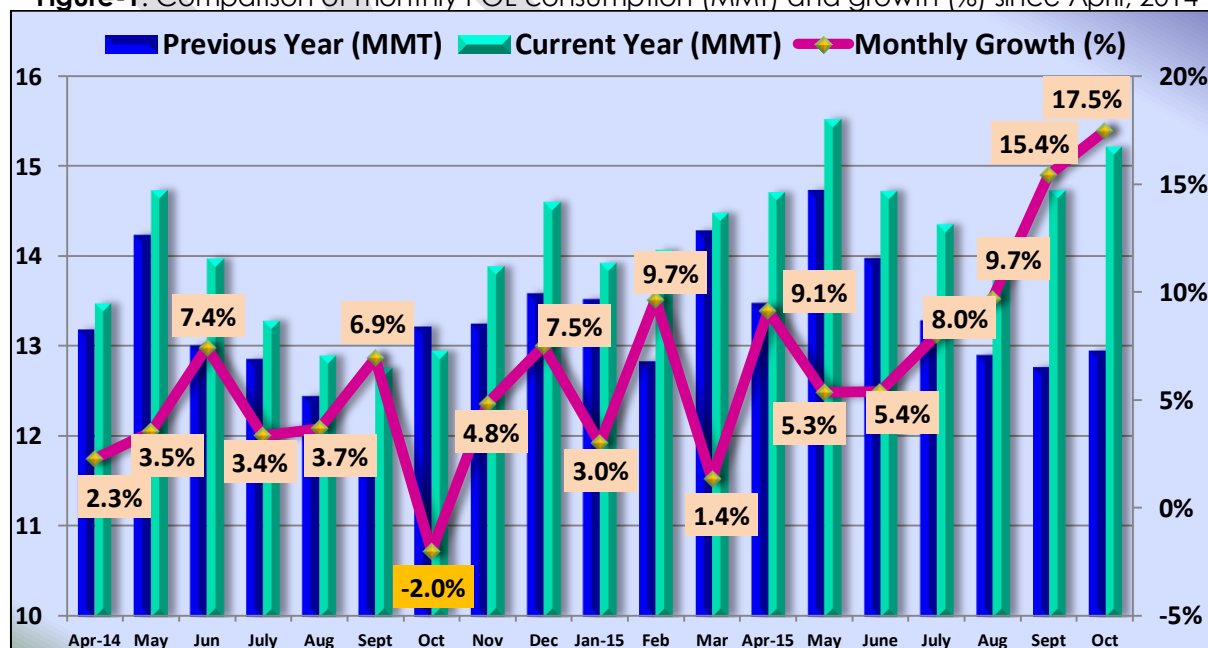
The growth (%) in consumption of petroleum products, category-wise, for the month of October, 2015 is given in Table-1.

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

| PRODUCT | % Share | Oct 2014 | Oct 2015 | Growth (%) | Products Included |
|--|-------------|---------------|---------------|-------------|--|
| Sensitive Products | 16.2% | 2,094 | 2,263 | 8.1% | SKO & LPG |
| Major decontrolled Products | 72.0% | 9,328 | 11,090 | 18.9% | HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF |
| Other Minor decontrolled Products | 11.8% | 1,534 | 1,867 | 21.7% | Pet. Coke & other minor products |
| Grand Total | 100% | 12,956 | 15,220 | 17.5 | |

1.1 All Products: The consumption of all petroleum products continued to register a high growth of 17.5% in October, 2015 as compared to that in October, 2014. Except for SKO, all other products recorded a positive growth. On cumulative basis, a growth of 9.9% was registered for the period April to October, 2015. SKO and Lubes & Greases are the only products which have recorded a negative growth of -3.4% and -9.5% respectively during the period April to October, 2015.

Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2014



India will be the world's fastest growing economy, for the second consecutive year, in 2016 at 7.5 per cent according to International Monetary Fund. In its World Economic Outlook Update, released recently, IMF retained India's growth projection for the current year at 7.5 per cent, which will be higher than China's 6.8 per cent. It forecasts a growth rate of 7.5 per cent for India in 2016 as well. The global growth projection for 2016 has been retained at 3.8 per cent. According to Goldman Sachs report released in September, 2015, an improvement in ease of doing business coupled with gains from higher education levels and convergence in technology is expected to put India on a higher growth trajectory. It has forecasted that India's potential economic growth could rise to 8% over the period FY16- 20 from 7% in FY12-15.

Low oil prices have created a favorable environment for the Indian economy and the outlook for consumption of petroleum products looks positive in the current and next fiscal year as Indian growth will benefit from lower commodity prices, recent policy reforms and a consequent pickup in investment. Growth in India is thus expected to rise above other major emerging economies.

The core infrastructure sector expanded to a four month high of 3.2% in September on the back of increased power and fertilizer inputs. The eight core industries – coal, crude oil, natural gas, refinery products, fertilizer, steel, cement and electricity, comprising 38% of India's total production continued to grow during the month. India's economic growth shifted to a higher gear in October, 2015 driven by the services sector also. Nikkei India's Composite PMI Output Index, which maps both manufacturing and services sector, rose to 52.6 in October, 2015 from 51.5 in September, 2015, helped by new business.

Onset of festivities marked a highest ever pre-Diwali increase in currency in circulation. Consumer purchases were unprecedented, and a very high growth in vehicle sales was also registered. Besides the festival demand there was spurt in consumption of petroleum products due to elections in Bihar. Also a number of holidays resulted in greater tourist movement domestically, increasing vehicular movement on the roads.

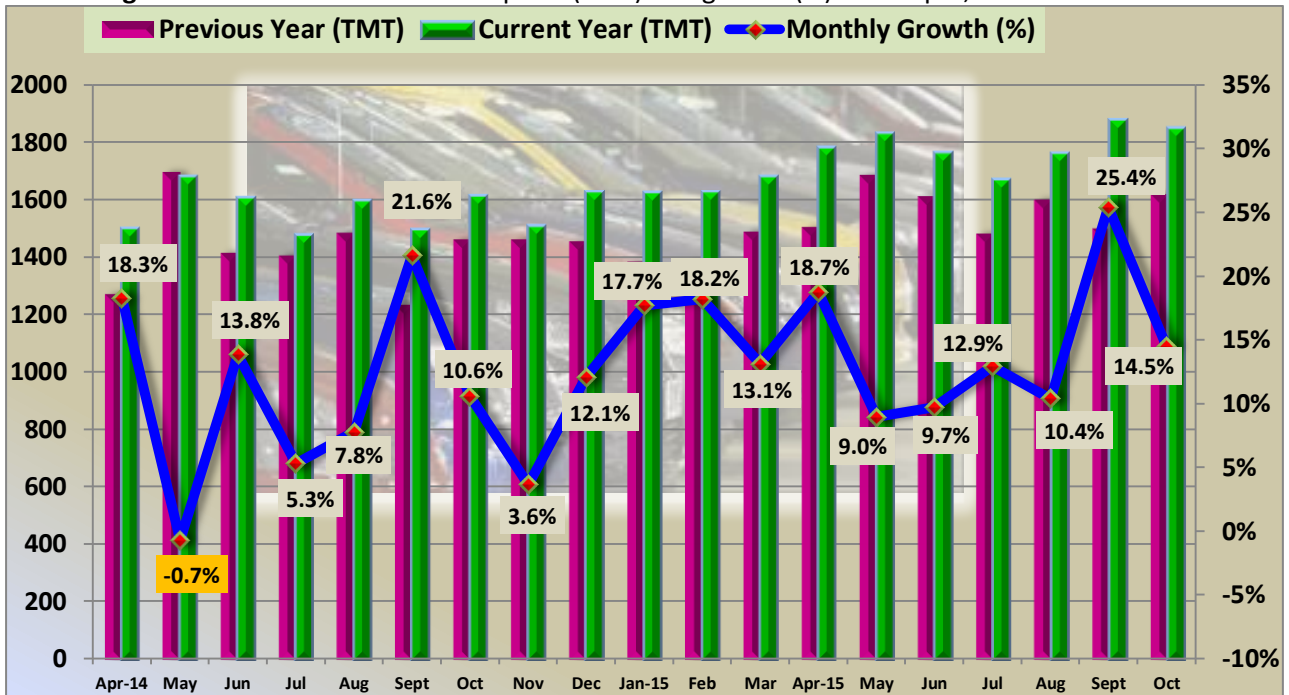
Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to August, 2015 and private imports data for the month of September and October, 2015 is projected based on April, 2015 to August, 2015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

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

1.2 Petrol / Motor Spirit (MS): There has been a growth of 14.5% in the consumption of MS during October, 2015 as compared to October, 2014 and a cumulative growth of 14.2 % for the period April to October, 2015. **Figure 2** gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2014.

- The declining prices of MS have resulted in general to greater usage of cars and two wheeler and consumer preference for petrol driven Vehicles. Onset of festive season, moderate base, increased city limits and not much of improvement in rapid transport system also contributed to improved MS growth.

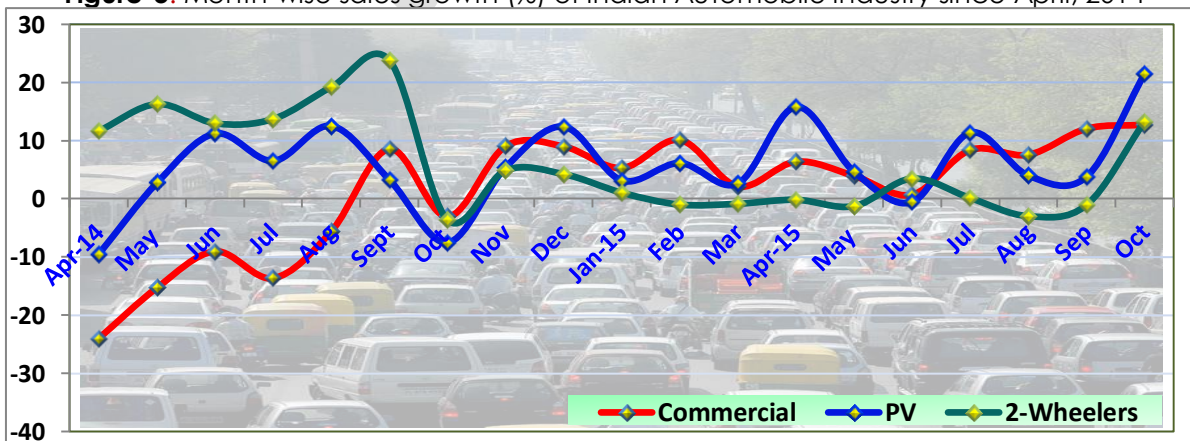
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2014



Other factors impacting consumption of MS are:

Indian carmakers had a real Oktoberfest, posting an impressive 22% growth in October, 2015 by selling about 2.66 lakh units, making it the third highest sales dispatch in a month in the history of the Indian automotive industry. The two-wheeler segment, which had been trudging along, also recorded double digit growth of 13.3% in the same month by recording sales of 16.56 lakh units. The spike in sales was on the back of the festive season coupled with lower interest rates on vehicle loans and other special offers rolled out ahead of Diwali.

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 21.5 % during October, 2015, of which passenger cars recorded a growth of 21.8%, while utility vehicles and vans recorded a growth of 20.8% and 19.8%.

| Segment | Oct 2014 | Oct 2015 | Growth (%) |
|--|----------------|----------------|--------------|
| Passenger Cars | 159,408 | 194,158 | 21.8% |
| Utility Vehicles | 48,105 | 58,120 | 20.8% |
| Vans | 13,650 | 16,351 | 19.8% |
| Total: Passenger Vehicles (PVs) | 221,163 | 268,629 | 21.5% |

Source: SIAM

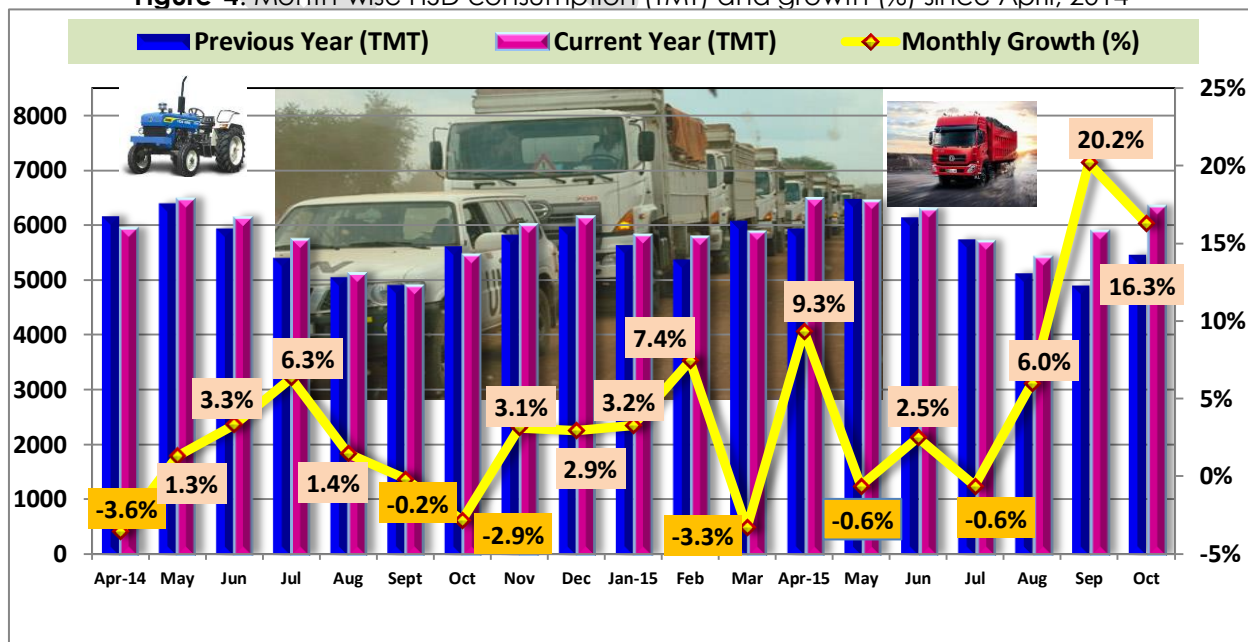
- b) **2-wheeler sales:** With domestic sales of 1.65 million units during October, 2015, the 2-wheeler segment recorded an impressive growth of 13.3 % during the month. The motorcycle segment registered a growth of 5.7% in the month of October, 2015, while the scooter/ scooterette segment recorded a growth of 36.8%. Moped sales recorded de-growth of -5.5 % during October, 2015.

| Segment | Oct 2014 | Oct 2015 | Growth (%) |
|--------------------------|------------------|------------------|--------------|
| Scooter / Scooterette | 383,885 | 525,138 | 36.8% |
| Motor Cycles | 1,008,761 | 1,065,856 | 5.7% |
| Mopeds | 69,066 | 65,241 | -5.5% |
| Total: 2-wheelers | 1,461,712 | 1,656,235 | 13.3% |

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption recorded a robust growth of 16.3% during the month of October, 2015 mainly due to low base of diesel sales and deficit in rainfall. Deficient monsoon led to spurt in use of diesel by DG sets for irrigation in agriculture. Other factors for increased diesel consumption can be attributed to the start of mining activity in Chhattisgarh belt and initiation of road projects in many stretches of National/ State Highways and completion of road repairs due to very low monsoon activity.

Figure-4: Month-wise HSD consumption (TMT) and growth (%) since April, 2014



Factors affecting diesel consumption are discussed below:

- a) **Commercial vehicles (CV) sales:** CV sales registered a growth of 12.7% during the month of October, 2015.
- b) The medium and heavy commercial vehicles sales continued to record an impressive 24.0 % growth during October, 2015 which is mainly attributed to the positive sentiments in the economy and rising demand for logistics and transportation services.

| Segment | Oct 2014 | Oct 2015 | Growth (%) |
|-----------------------------------|---------------|---------------|---------------|
| M&HCVs | 17,892 | 22,181 | 23.97% |
| LCVs | 34,086 | 36,415 | 6.83% |
| Total: Commercial Vehicles | 51,978 | 58,596 | 12.73% |

Source: SIAM

- c) **Port traffic:** There has been a growth of 1.0 % in the port traffic handled at major ports during the month of October, 2015. On cumulative basis a growth of 3.67% was recorded in the period April to October, 2015. The growth in port traffic and cargos handled during October is mainly due to increase in port traffic at all major ports except at Ennore, Chennai, New Mangalore, JNPT, Kandla and Mumbai. **Table-2** below gives the port-wise performance during the month of October, 2015. The growth in traffic during April-October, 2015 has been contributed mostly by finished fertilizer (30.49%), thermal coal (18.35%), POL (2.2%) and other items of cargo (4.38%) while there has been a drop in iron ore (-48.07%) and raw fertilizer (-12.67%) cargoes during the month. The seaborne cargo traffic of fertilizer, coal and container are demand driven while POL traffic is largely imports and driven by the domestic demand supply situation in the economy. Container traffic that represents trade in manufactured goods and components recorded a growth of 1.92% during the period April to October, 2015.

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

| TRAFFIC HANDLED AT MAJOR PORTS (TMT) | | | |
|--------------------------------------|---------------|---------------|-------------|
| PORTS | Oct 2014 | Oct 2015 | Growth (%): |
| KOLKATA + HALDIA | 3,826 | 3,903 | 2.0% |
| PARADIP | 6,437 | 5,925 | 8.6% |
| VISAKHAPATNAM | 3,673 | 5,337 | 45.3% |
| ENNORE | 2,521 | 2,382 | -5.5% |
| CHENNAI | 4,453 | 4,167 | -6.4% |
| V.O. CHIDAMBARANAR | 2,583 | 3,119 | 20.8% |
| COCHIN | 1,490 | 1,781 | 19.5% |
| NEW MANGALORE | 3,232 | 2,654 | -17.9% |
| MORMUGAO | 1,320 | 1,479 | 12.0% |
| MUMBAI | 5,447 | 5,008 | -8.1% |
| JNPT | 5,213 | 5,108 | -2.0% |
| KANDLA | 8,156 | 6,934 | -15.0% |
| TOTAL: | 48,309 | 47,839 | 1.0% |

Source: IPA

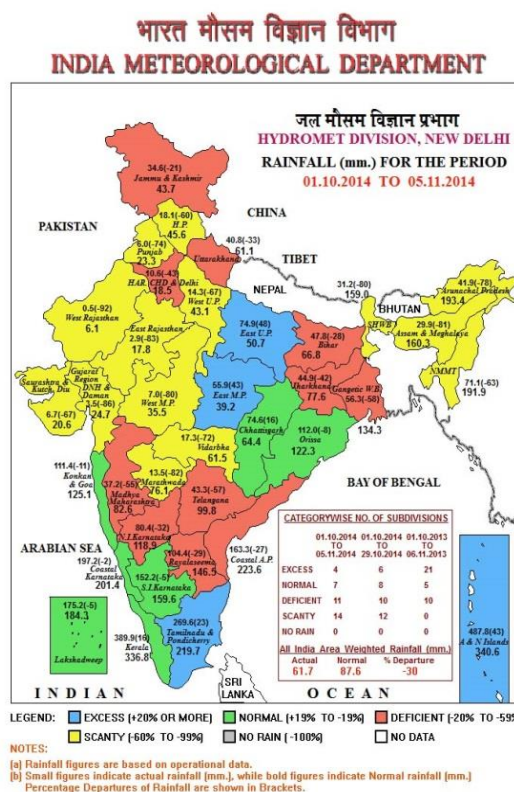
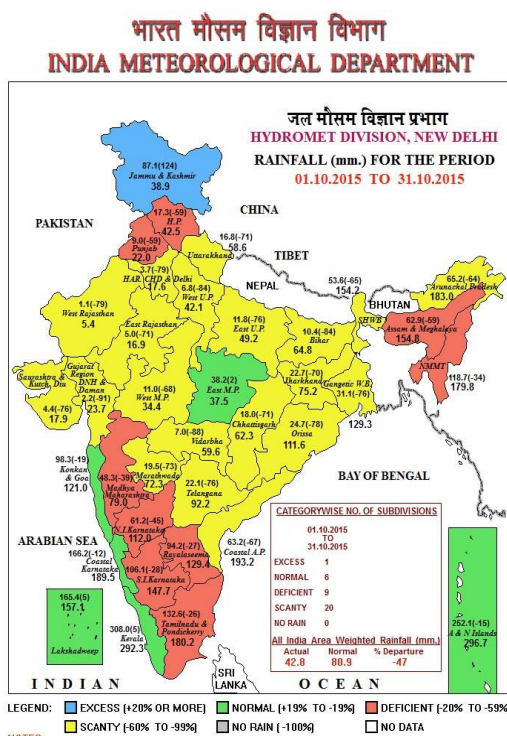
d) **Power situation improves:** The power deficit position for the month of October, 2015 is given in Table-3. The power deficit position during the month has improved from -3.5% in October, 2014 to -2.6% in October, 2015. The shortage during the month improved for all regions. The improved power position may have led to reduced usage of diesel for back-up power generation.

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

| States | October 2015 (P) | | | | October 2014 |
|--------------|------------------|----------------|---------------|--------------|--------------|
| | Requirement (MU) | Available (MU) | Deficit | | Deficit (%) |
| | | | MU | (%) | |
| North | 29,322 | 27859 | -1,463 | -5.0% | -6.3% |
| West | 31,748 | 31,557 | -191 | -0.6% | -0.7% |
| South | 24,446 | 23,691 | -755 | -3.1% | -4.4% |
| East | 10,981 | 10,947 | -34 | -0.3% | -1.3% |
| North-East | 1,311 | 1,252 | -59 | -4.5% | -5.0% |
| Total | 97,808 | 95,306 | -2,502 | -2.6% | -3.5% |

Source: Central Electricity Authority (CEA)

e) **Seasonal rainfall scenario (Southwest Monsoon End of Season Report):** The season (June-September) rainfall over the country as a whole was 86% of its long period average (LPA). Thus the years 2014 & 2015 were the fourth case of two consecutive all India deficient monsoon years during the last 115 years (1901-2015) and the third lowest during the last 15 years. Even during October, 2015 there was a shortfall of -47%.

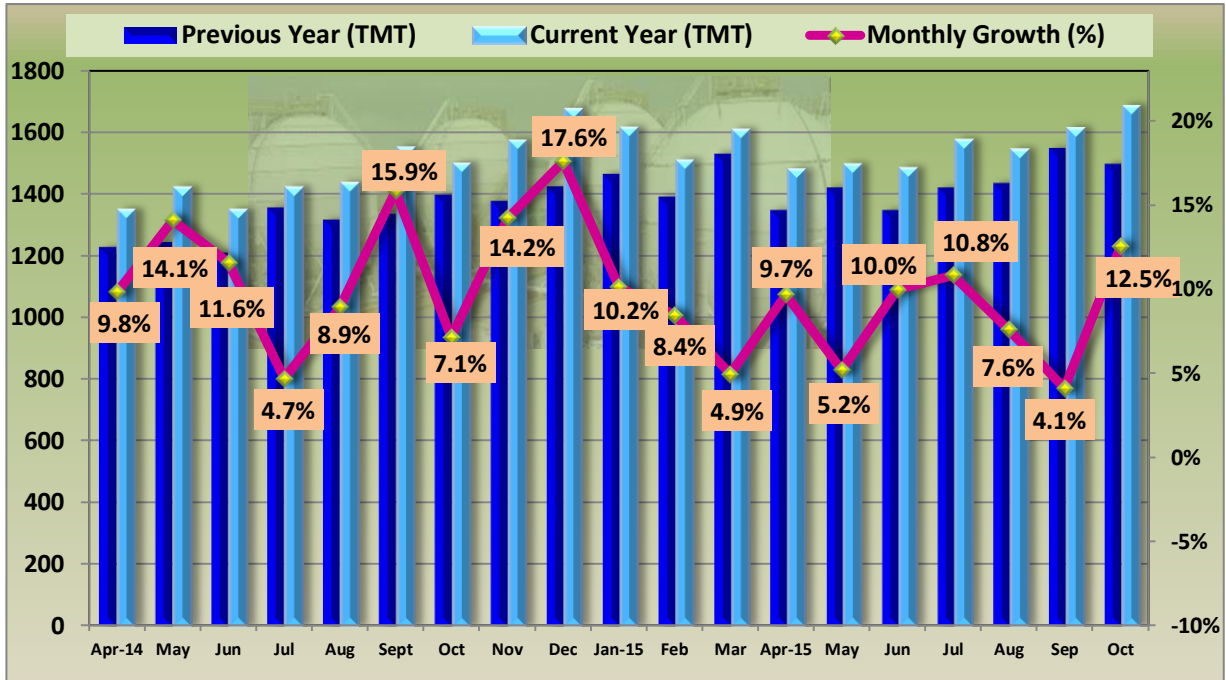


1.4 Bitumen: Bitumen consumption registered a robust growth of 65.0% in the month of October, 2015 and cumulatively there is a growth of 13.1% for the period April to October 2015. Due to deficient rains in the country, road repairs and minor works were undertaken. Construction work is in progress in full swing on NH-6 and NH-34 in West Bengal. 4-lane expansion is in progress on NH-166, NH-211, NH-13 and NH-9 in Western region of India. Tamil Nadu has started repairing of roads. In Andhra Pradesh and Telangana, road laying is being given impetus due to the formation of new capital. Construction and repair activity across the country has boosted bitumen consumption during the month.

1.5 LPG: Total LPG consumption continuously for the last 26 months in a row recorded a positive growth of 12.5% during October, 2015 and a cumulative growth of 8.5% was registered for the period April to October, 2015.

- **LPG-Packed Domestic** consumption also registered a positive growth for the 26th month in a row with a growth of 10.4% during October 2015 and 7.0% growth for the period April to October 2015. During the period April-October 2015, release of 109.6 lakh new connections and 59.9 lakh DBCs also contributed to the growth of LPG packed domestic consumption.
- **LPG-Packed non-domestic** consumption for the tenth month in a row registered a growth of 66.3% in October 2015 and cumulative growth of 42.6% during April to October 2015. However, in the same month last year, de-growth of -9.9% in October, 2014 and negative growth of -11.2 % during April to October 2014 was observed. High growth in LPG-Packed non-domestic may be attributed to low price of non-domestic LPG and curb in diversion of subsidized domestic cylinders, pursuant to implementation of DBTL.
- **Bulk LPG** consumption recorded a positive growth of 10.9% during October, 2015 and -0.2% during April-October 2015. Last year, in the month of October 2014 a growth of 34.0% and in April to October 2014 a growth of 37.2% was observed. Negative growth during April to October 2015 is due to high base of the previous year and one-time upliftment by ONGC for their petrochemical unit last year.
- **Auto LPG** consumption for the tenth month in a row registered a positive growth of 7.0% in October, 2015 and 7.5% during April to October 2015. Last year in the month of October, 2014, Auto LPG consumption registered negative growth of -23.4% and April to October 2014 observed negative growth of -23.7%. Growth of Auto LPG is mainly due to curb in diversion of subsidized domestic cylinders.

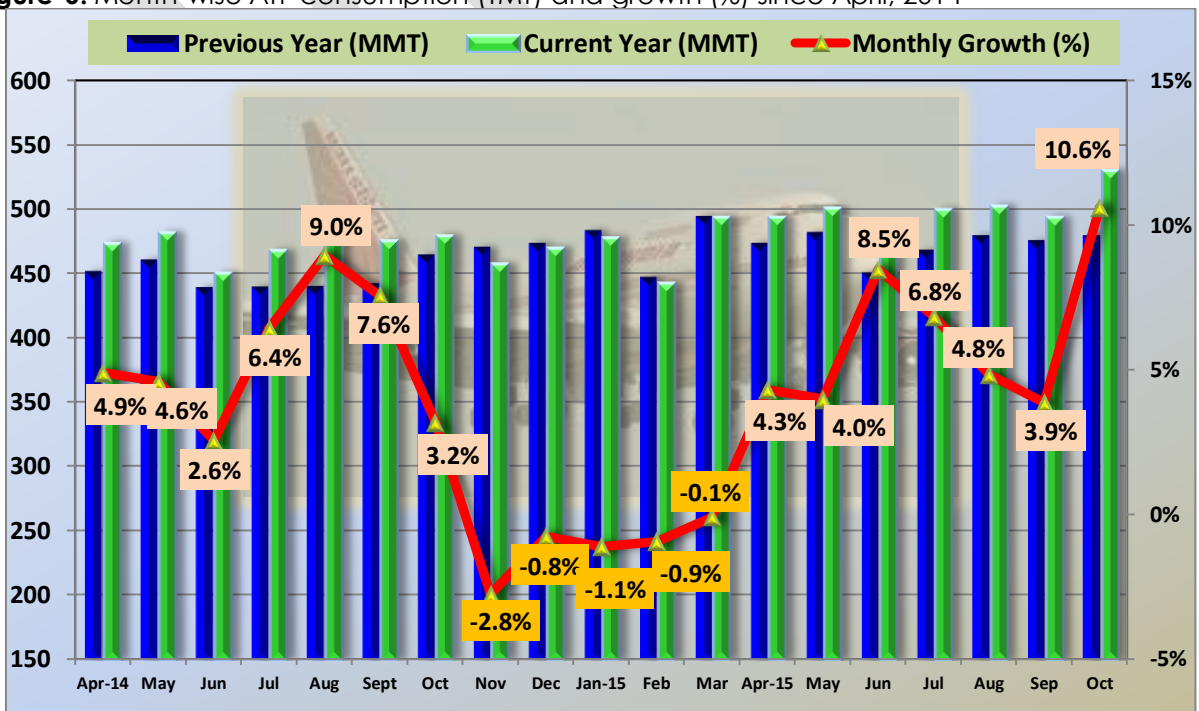
Figure-5: Month-wise LPG consumption (TMT) and growth (%) since April, 2014



1.6 Naphtha: Naphtha consumption recorded a growth of 31.3% during the month of October, 2015 and a growth of 21.7% on cumulative basis for the period April to October, 2015. Petrochemicals sector registered growth due to increased demand by RIL, IOCL, ONGC and APCL petrochemical plants.

1.7 ATF: During October, 2015, the growth in consumption of ATF was 10.6% and on cumulative basis, a growth of 6.1% during the period April to October, 2015 has been recorded. There has been a huge growth of 20.1% in the number of passengers carried by domestic airlines during January to September, 2015.

Figure-6: Month-wise ATF consumption (TMT) and growth (%) since April, 2014



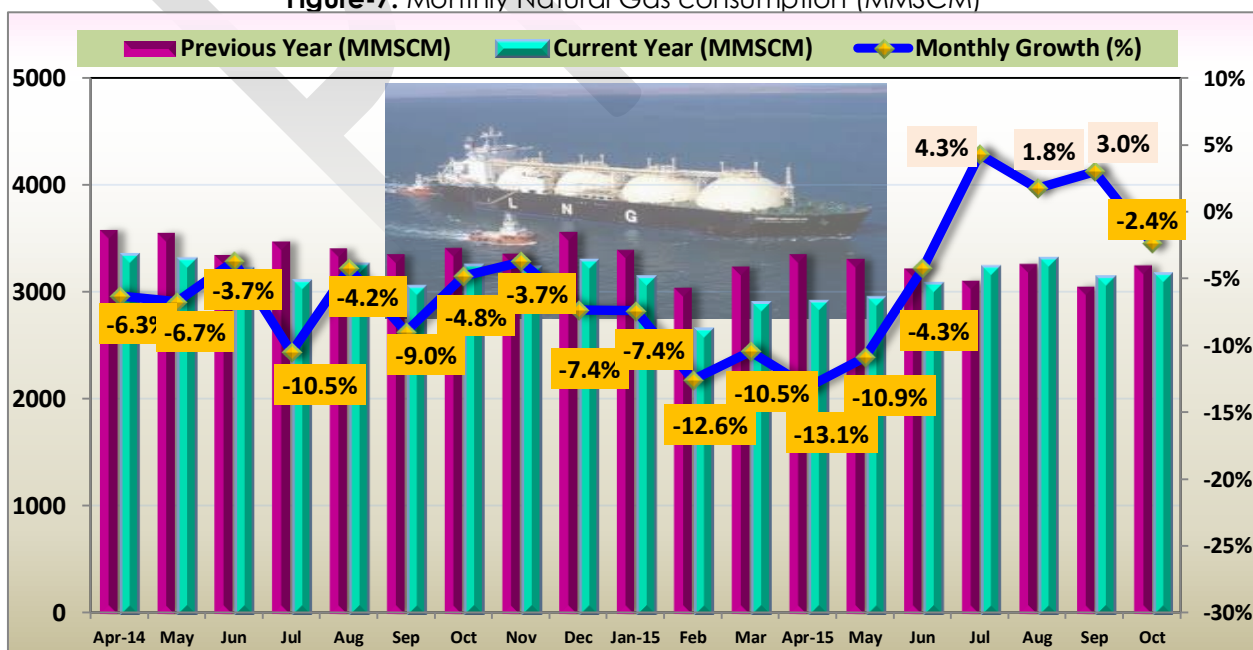
1.8 FO/LSHS: FO and LSHS consumption registered a growth of 28% during October, 2015. On cumulative basis, there has been growth of 8.7% for the period April to October, 2015. The growth is mainly from the fertilizer, steel, power and general trade sectors. While the consumption of LSHS has reduced due to shift to natural gas by major customers like power and fertilizer industries, it gained some volume consumption in steel industry sector

1.9 PETCOKE: Petcoke consumption registered a good growth of 22.6% during October, 2015 and a cumulative growth of 22.2% was registered during the period April to October, 2015.

1.10 LDO: LDO consumption recorded an impressive growth of 59.9% in the month of October, 2015 and a growth of 14.0% on cumulative basis for the period April to October, 2015. LDO consumption recorded a growth during the month due to deficient monsoon, leading to higher use by pumping sets. LDO month wise demand also 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 increase in manufacturing industries leads to increase in its consumption.

1.11 Natural Gas: On month on month basis, after witnessing positive growth for previous three months, natural gas consumption saw a decline of 2.39% during October, 2015 as compared to October, 2014. In terms of volumes, total consumption during October, 2015 was 3,167 MMSCM as compared to 3,244 MMSCM in October, 2014. Cumulatively, consumption declined by 2.83% from 22,398 MMSCM during April to October 2014 to 21,764 MMSCM during the same period this 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 cargoes 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.

¹ Sector-wise consumption consists of sales by GAIL, IOCL, BPCL and RIL only.

Major factors affecting Natural Gas sales are highlighted below:

- Power Sector:** There was an increase in consumption in the power sector by 7.27% from 737 MMSCM in October, 2014 to 790 MMSCM in October, 2015. The increase is primarily because of the 'gas pooling policy' introduced by the Government to revive idling gas based power plants in the country. Consequently, the states of Andhra Pradesh and Gujarat witnessed an increase in gas consumption in the month of October, 2015, but certain power plants in the Northern region could not benefit from the policy as their state governments did not forego the VAT that would have accrued to them from the sale of power. In the Southern and Western regions, the power sector showed a growth of 49% and 25% respectively. On cumulative basis, overall consumption in the power sector during April to October 2015 rose by 0.73% to 5,226 MMSCM from 5,188 MMSCM during the same period last year.
- Fertilizer Sector:** Consumption in the fertilizer sector grew by 2.76% from 1,240 MMSCM in October, 2014 to 1,274 MMSCM in October, 2015. 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. The mechanism has led to revival of many stranded fertilizer units in the Southern and Western region. The Southern region saw a staggering 73% growth in gas consumption and Western region's consumption increased by 12%. On cumulative basis, overall consumption during April to October 2015 has increased by 4.26% to 8,714 MMSCM from 8,357 MMSCM during April to October 2014.
- City Gas Sector:** There was a marginal decrease of 0.48% in gas consumption in the CGD sector from 332 MMSCM in October, 2014 to 330 MMSCM in October, 2015 due to decrease in off-take by CGD companies in the Western region. Certain high volume consumers of CGD have switched from gas to other liquid fuel alternatives after steep decline in oil prices. On cumulative basis, overall consumption during April to October 2015 declined by 8.04% to 2,301 MMSCM as against 2,502 MMSCM during the same period last year.
- Internal Consumption:** Internal consumption (IC) showed an increase of 5.58% from 370 MMSCM in October, 2014 to 391 MMSCM in October, 2015 primarily due to lower spot price of LNG. On cumulative basis, overall consumption during April to October 2015 has declined by 7.22% to 2,405 MMSCM against 2,592 MMSCM during April to October 2014.
- Others Sector:** There was overall decline of 40.61% from 442 MMSCM in October, 2014 to 262 MMSCM in October, 2015 in consumption in 'Others' sector which include steel, sponge-iron, refineries (excluding seller's own refineries), manufacturing and other miscellaneous industries. The decline in consumption was primarily due to lower off-take by IOCL for its Panipat and Mathura refineries and lower off-take by customers in the Western region. On cumulative basis, overall consumption during April to October 2015 has declined by 23% to 2,345 MMSCM against 3,042 MMSCM during the same period last year.

Industry Consumption Trend Analysis (Provisional) : April-October 2015

('000 MT)

| Product | October | | | April-October | | |
|--|----------------|----------------|-------------|----------------|-----------------|-------------|
| | 2014-15 | 2015-16 | Growth (%) | 2014-15 | 2015-16 | Growth (%) |
| (A) Sensitive Products | | | | | | |
| SKO | 594.6 | 575.7 | -3.2 | 4139.9 | 3999.5 | -3.4 |
| LPG | 1498.9 | 1686.9 | 12.5 | 10028.4 | 10881.9 | 8.5 |
| Sub Total | 2093.5 | 2262.6 | 8.1 | 14168.3 | 14881.4 | 5.0 |
| (B) Major Decontrolled Product | | | | | | |
| Naphtha | 796.9 | 1046.5 | 31.3 | 6392.3 | 7777.3 | 21.7 |
| MS | 1616.2 | 1850.3 | 14.5 | 10990.2 | 12550.7 | 14.2 |
| Lubes + Greases | 238.6 | 255.5 | 7.1 | 2011.2 | 1820.0 | -9.5 |
| LDO | 22.6 | 36.0 | 59.9 | 201.4 | 229.6 | 14.0 |
| HSD | 5455.0 | 6343.1 | 16.3 | 39764.2 | 42573.8 | 7.1 |
| FO/LSHS | 427.1 | 546.6 | 28.0 | 3431.7 | 3729.7 | 8.7 |
| Bitumen | 292.2 | 482.1 | 65.0 | 2560.8 | 2896.8 | 13.1 |
| ATF | 479.3 | 530.1 | 10.6 | 3307.0 | 3508.8 | 6.1 |
| Sub Total | 9327.9 | 11090.2 | 18.9 | 68658.8 | 75086.7 | 9.4 |
| Sub - Total (A) + (B) | 11421.4 | 13352.8 | 16.9 | 82827.1 | 89968.1 | 8.6 |
| (C) Other Minor Decontrolled Products | | | | | | |
| Pet.Coke | 1080.5 | 1324.2 | 22.6 | 7963.0 | 9727.9 | 22.2 |
| Others | 453.7 | 543.2 | 19.7 | 3338.6 | 3749.0 | 12.3 |
| Sub Total | 1534.2 | 1867.4 | 21.7 | 11301.6 | 13476.9 | 19.2 |
| Total | 12955.6 | 15220.2 | 17.5 | 94128.7 | 103445.0 | 9.9 |