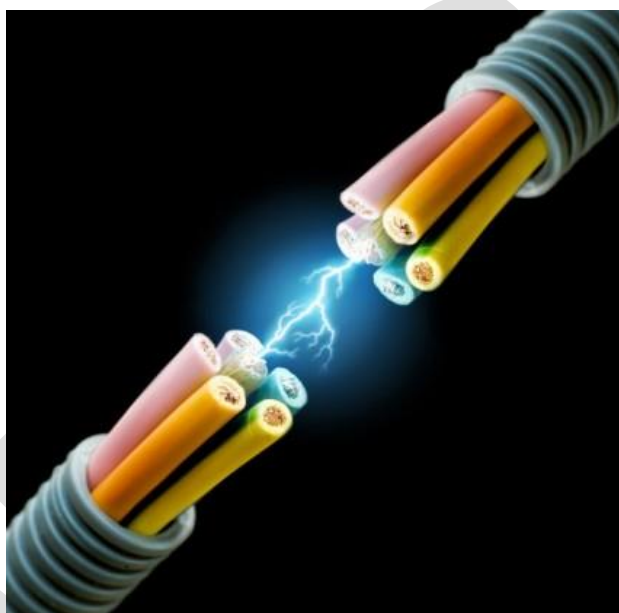


INDUSTRY SALES REVIEW

December 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 December, 2015. Data on product-wise monthly consumption of petroleum products for December, 2015 is uploaded on PPAC website (www.ppac.org.in).

1.0 CONSUMPTION:

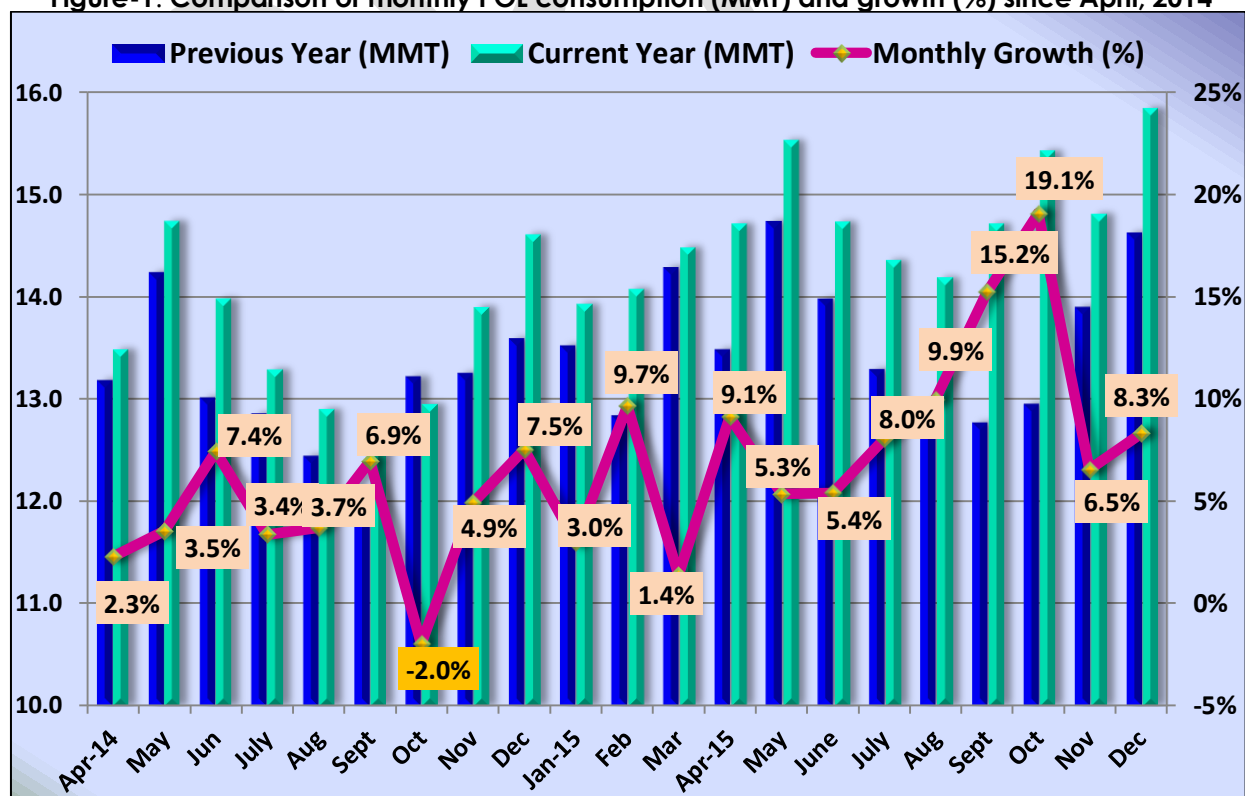
The growth (%) in consumption of petroleum products, category-wise, for the month of December, 2015 is given in Table-1.

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

PRODUCT	% Share	Dec 2014	Dec 2015	Growth (%)	Products Included
Sensitive Products	14.9%	2,276	2,354	3.4%	SKO & LPG
Major decontrolled Products	71.5%	10,367	11,328	9.3%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	13.6%	1,984	2,160	8.8%	Petroleum Coke & other minor products
Grand Total	100%	14,628	15,841	8.3%	

1.1 All Products: The consumption of all petroleum products registered a growth of 8.3% during December, 2015 as compared to that in December, 2014. Except for SKO, all other products recorded a positive growth. On cumulative basis, a growth of 9.5% was registered for the period April to December, 2015. SKO and Lubes/Greases are the only products which have recorded a negative growth of -3.7%, and -6.1% respectively during the period April to December, 2015.

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



IMF maintains India's growth forecast at 7.5% for the next two years. In the update released by World Economic Outlook released on 19th January, 2016, IMF kept growth projections for India unchanged from its October 2015 forecast. The steps taken by Government in recent times have shown positive results. The economic activities which witnessed significant growth are financing, insurance, real estate, business services, trade, hotels, transport and communication services. India's consumer confidence continues to be highest globally due to positive economic environment. The growth in Indian consumer market is due to increasing disposable income with Indian population and it's favorable composition. According to a report by BCG and CII, India's robust growth and rising household incomes would continue to increase and expand India's share of global consumption to 5.8% by 2020. It is projected that maximum consumer spending in India is likely to occur in food, housing, consumer durables, transport and communication. India's buoyant economic growth due to increased domestic demand has given momentum to the growth in consumption of all petroleum products also primarily due to change in lifestyle, disposable incomes, taste and preference of consumers.

Manufacturing PMI showed a decrease from 50.3 in November, 2015 to 49.1 in December, 2015 as incessant rainfall in Chennai impacted heavily on the sector. Growth of manufacturing production softened, while services activities stagnated during the month.

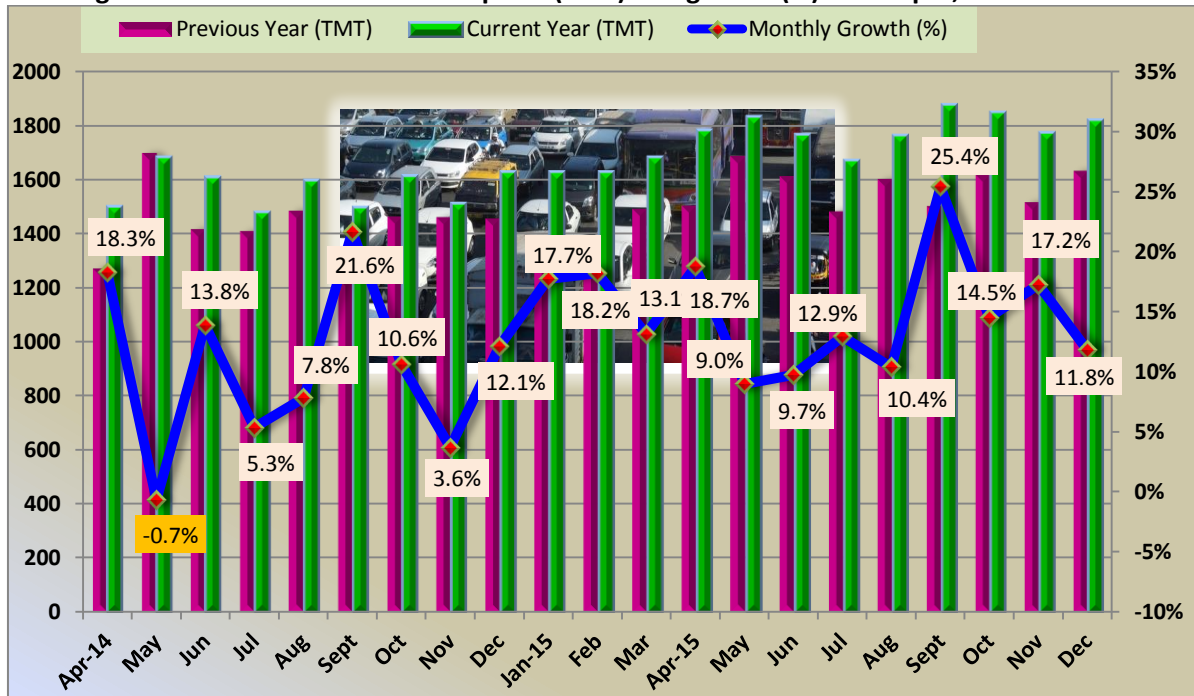
We analyze the sales recorded by the Industry basis the data available. Data on direct private imports received from DGCIS, which are added to the final sales reported by oil companies for estimation of consumption figures, are available up to October, 2015 and private imports data for the month of November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

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

1.2 Petrol / Motor Spirit (MS): In line with the continuing trend, there has been a growth of 11.8% in the consumption of MS during December, 2015 as compared to December, 2014 and a cumulative growth of 14.2 % for the period April to December, 2015. **Figure 2** gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2014. MS consumption recorded growth of 8.8% in 2013-14 and 11.2% in 2014-15, clearly indicating that growth in petrol consumption is driven by healthy growth in automobile Industry. Despite a very high increase in the ownership of passenger vehicles in India in last few years, the ownership levels per capita of passenger vehicles are still very low compared to other emerging economies and developed countries, indicating a trend of continuous healthy growth in MS.

- Further, 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 public transport system also contributed to improved MS growth.

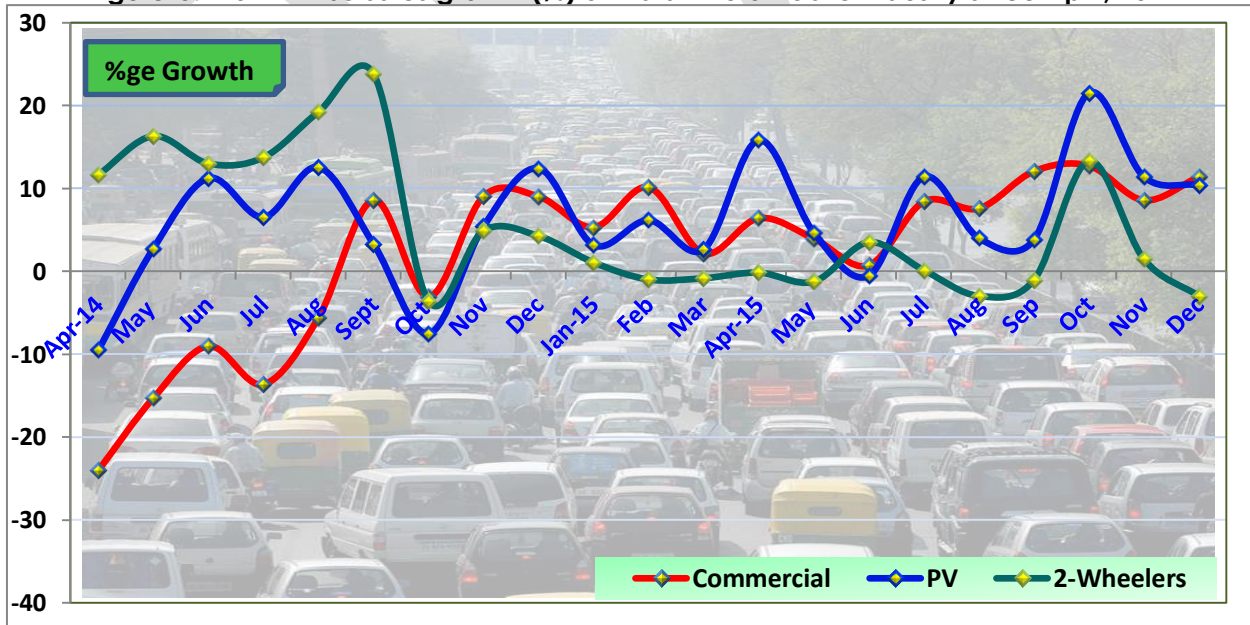
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2014



Other factors impacting consumption of MS are:

Passenger vehicle sales in December witnessed an assorted trend when compared to the same month in 2014. While the new products launched in the recent months, low fuel prices, and year-end discounts boosted sales, severe floods in Chennai weighed on volumes of some car manufacturers as some of the auto manufacturers and auto parts vendors are based at Chennai

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 10.4% during December, 2015, of which passenger cars recorded a growth of 12.8%, while the utility vehicles and vans recorded a growth of 4.1% and 2.9% respectively.

Segment	Dec 2014	Dec 2015	Growth (%)
Passenger Cars	152,986	172,671	12.8%
Utility Vehicles	43,074	44,874	4.1%
Vans	13026	13,415	2.9%
Total: Passenger Vehicles (PVs)	209,086	230,960	10.4%

Source: SIAM

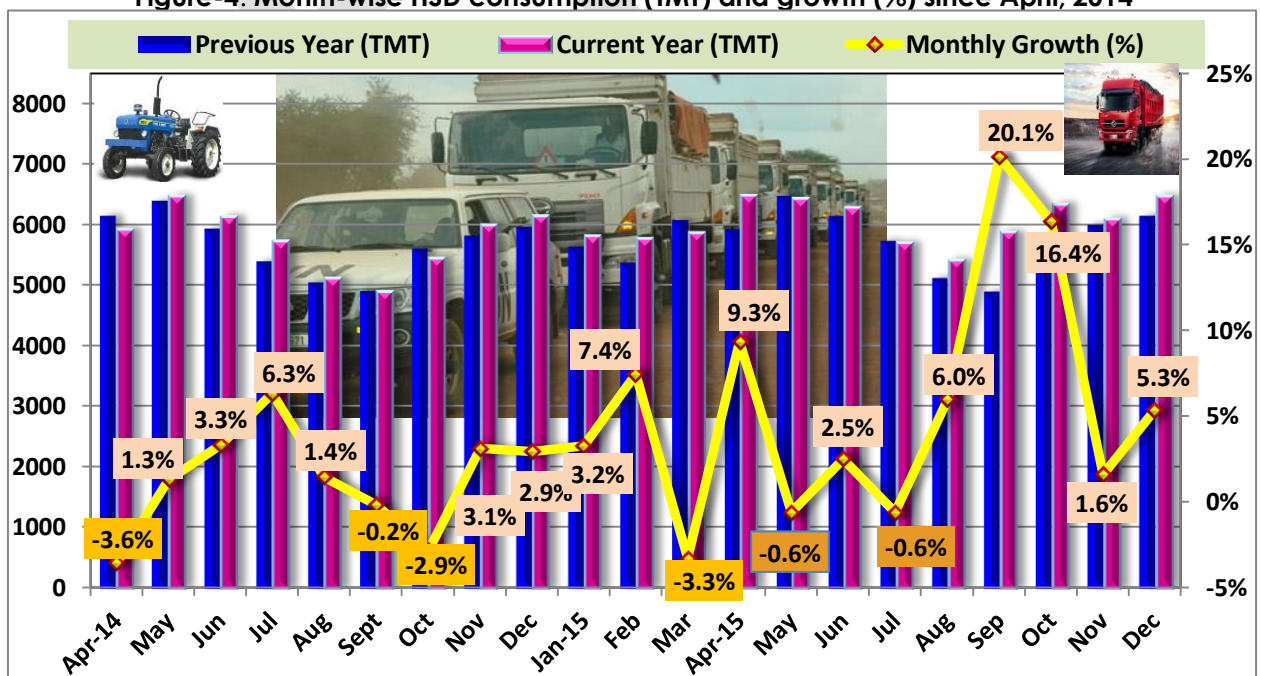
- b) **2-wheeler sales:** Sales reports from a few of the major two-wheeler companies indicate that the market continued to contract during December, 2015. Industry experts say that the month of December is usually low on two-wheeler sales due to delayed purchase decisions and the winter season in major parts of the north and central regions of the country. With domestic sales of 1.16 million units during December, 2015, the sales registered a loss of -3.10%. The motorcycle segment registered a de-growth of -5.9% in the month, while the scooter/ scooterette segment recorded a growth of 3.1%. Moped sales recorded de-growth of -5.5% during December, 2015.

Segment	Dec 2014	Dec 2015	Growth (%)
Scooter / Scooterette	374,601	386,305	3.1%
Motor Cycles	770,519	724,817	-5.9%
Mopeds	59,822	56,521	-5.5%
Total: 2-wheelers	1,204,942	1,167,633	-3.10%

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a growth of 5.3% during the month of December, 2015 as compared to December, 2014 and a cumulative growth of 6.2% for the period April to December, 2015. Diesel growth could have been better but there was a prospective price reduction from 1st of January, 2016, resulting in low inventory with dealers towards month end. Also floods in Chennai and iron ore mining activity has been at a slow pace due to China's recession and surging import of finished steel in India.

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



Other Factors affecting diesel consumption are discussed below:

- a) **Commercial vehicles (CV) sales:** The mood in CV Industry continues to remain buoyant and CV sales registered a growth of 11.4% during the month of December, 2015.
- b) The medium and heavy commercial vehicles sales recorded a growth of 19.3% growth during December, 2015 which is mainly attributed to the positive sentiments in the economy and rising demand for logistics and transportation services. It is further predicted that falling energy prices, improved IIP and growth in GDP along with falling rate of interest, proposal to scrap commercial vehicles older than 15 years would strengthen the demand of M&HCV's in the market.

Segment	Dec 2014	Dec 2015	Growth (%)
M&HCVs	21,801	26,017	19.3%
LCVs	29,198	30,823	5.6%
Total: Commercial Vehicles	50,999	56,840	11.4%

Source: SIAM

- c) **Port traffic:** There has been a growth of 2.1% in the port traffic for the month of December, 2015. On cumulative basis a growth of 3.2% was recorded in the period April to December, 2015. The growth in port traffic and cargos handled at major ports during December is mainly due to increase in port traffic at Kolkata, VO Chidambaranar, Cochin, New Mangalore, Mormugao and JNPT. **Table-2** below gives the port-wise performance during the month of November, 2015. The growth in traffic during April-November, 2015 has been contributed mostly by finished fertilizer (20.96%), thermal coal (12.84%) and other items of cargo (4.7%), POL products(2.91%) while there has been a drop in iron ore (-37.94%)and raw fertilizer (-8.30%) cargoes during the same period last year. Heavy rains and flooding in Tamil Nadu affected cargo handling at Chennai and Ennore ports.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	December 2014	December 2015	Growth (%):
KOLKATA + HALDIA	4,066	4,272	5.07%
PARADIP	6,214	6,199	-0.24%
VISAKHAPATNAM	4,857	4,662	-4.01%
ENNORE	2,731	2,248	-17.69%
CHENNAI	4,319	3,573	-17.27%
V.O. CHIDAMBARANAR	2,473	3,055	23.53%
COCHIN	1,403	1,831	30.51%
NEW MANGALORE	2,745	3,009	9.62%
MORMUGAO	1,225	2,404	96.24%
MUMBAI	5,520	5,189	-6.0%
JNPT	5,337	5,627	5.43%
KANDLA	8,272	8,123	-1.8%
TOTAL:	49,162	50,192	2.10

Source: IPA

d) **Power situation improves:** The power deficit position for the month of December, 2015 is given in Table-3. The power deficit position improved from -3.2% in December, 2014 to -1.6% during December, 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.

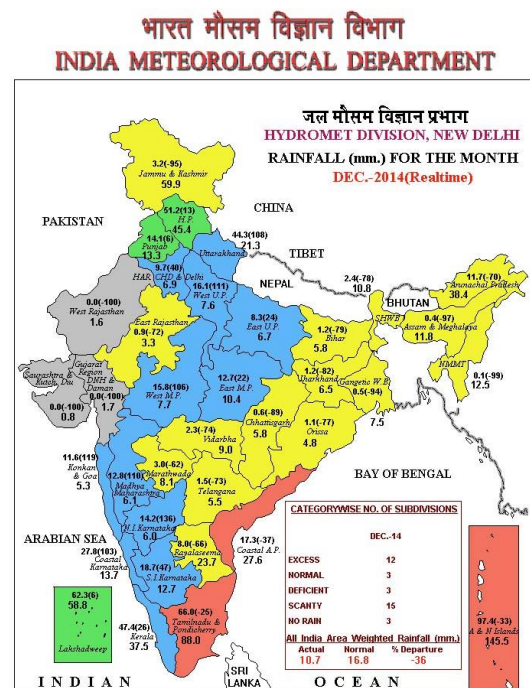
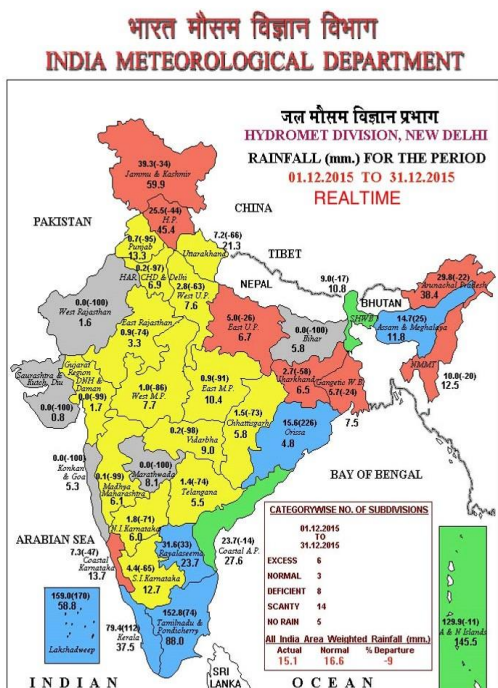
Table-3: Power deficit: Region-wise position for December, 2015 (% deficit)

States	December 2015 (P)				December 2014
	Requirement (MU)	Available (MU)	MU	(%)	Deficit (%)
North	26,301	25,169	-1,132	-4.3%	-6.4%
West	29,652	29,601	-51	-0.2%	-0.3%
South	22,325	22,098	-227	-1.0%	-2.8%
East	10,228	10,199	-29	-0.3%	-1.8%
North-East	1,141	1,111	-30	-2.6%	-16.0%
Total	89,647	88,178	-1,469	-1.6%	-3.2%

Source: Central Electricity Authority (CEA)

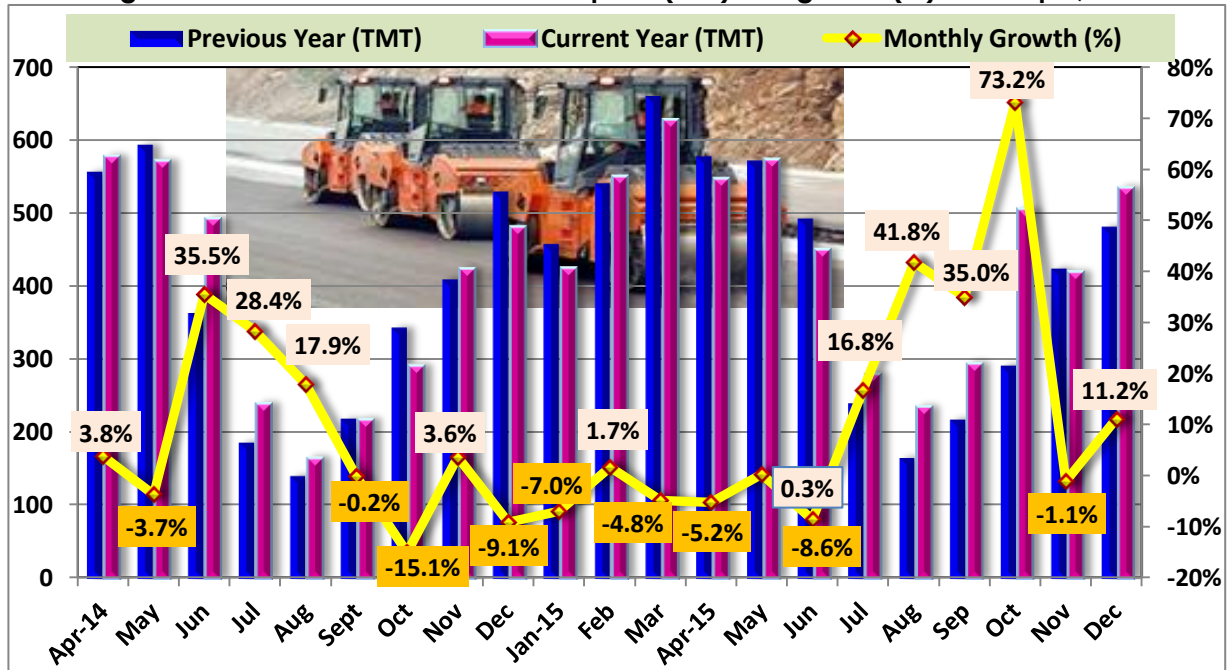
e) **Seasonal rainfall scenario:** On December 1–2, 2015, Chennai received more rainfall in 24 hours than it had seen on any day since 1901.

IMD decided to replace the word “drought” to describe poor rainfall with “deficient year” and “large deficient year”. The decision to tweak the terminology comes at a time when India is facing the fallout of its worst monsoon in six years, with a 14% rain deficit. A total of 302 districts across India - nearly half the total number in the country - received at least 20% less rainfall than normal in 2015, according to IMD. At the end of the June to September 2015, Southwest monsoon season, 39% of India received deficient rainfall. The new language adopted by IMD will mean 2015 was actually a “Deficient Year



1.4 Bitumen: Bitumen consumption registered a growth of 11.2% during the month of December, 2015 and cumulatively there is a growth of 10.9% for the period April to December 2015. High consumption of bitumen is attributed to the major repair/ road widening projects being undertaken across the country. In Rajasthan, four lane-mega highway between Kota-Jhalawar has been approved by the government and the work has started. Work is almost complete on Dholpur-Sarmathura National Highway in Rajasthan. Road widening projects in Punjab on NH-4, NH-71 are underway. In Haryana, four laning of NH-10 between Hissar and Rohtak is underway. Figure 5 gives the month wise bitumen consumption and growth since April, 2014.

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

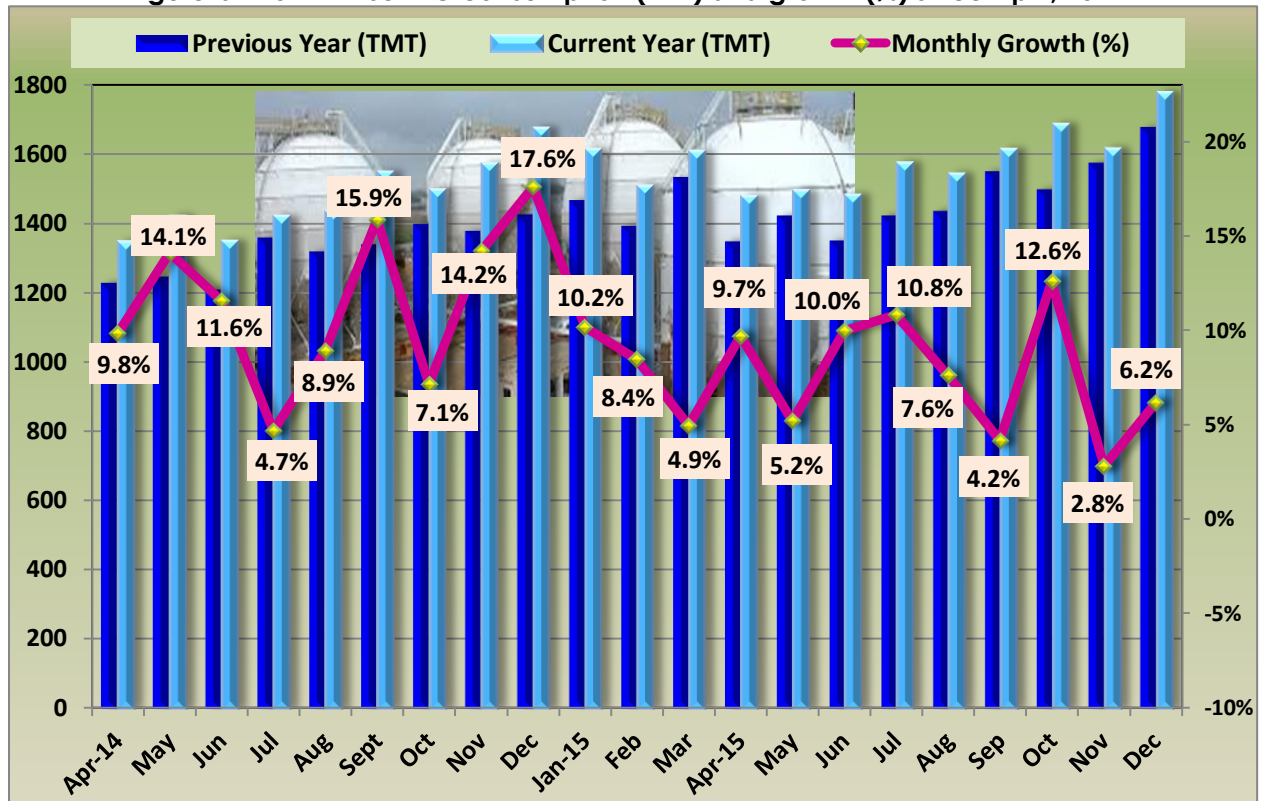


1.5 LPG: Total LPG consumption continuously for the last 28 months in a row recorded a positive growth of 6.2% during December, 2015 and a cumulative growth of 7.5% was registered for the period April to December, 2015.

- **LPG-Packed Domestic** consumption registered a growth of 3.9% during December 2015. It is mainly due to high base of the previous year when consumers started uplifting their quota of 12 cylinders before the launch of DBTL scheme, as a result of which a growth of 19.6% was registered during December 2014. However, during the period April to December 2015, a growth of 5.7% was registered. During the period April to December 2015 release of 146.2 lakh new connections and 77.4 lakh DBCs has contributed to growth of LPG packed domestic consumption.
- **LPG-Packed non-domestic** consumption for the twelfth month in a row registered a positive growth of 47.3% in December 2015 and cumulative growth of 44.4% during April to December 2015. However, in the same month last year, de-growth of -3.8% in December 2014 and negative growth of -10.8% during April to December 2014 was observed. High growth in LPG Packed Non-Domestic may be attributed to easy availability, low price of non-domestic LPG and curb in diversion of subsidized domestic cylinders after the launch of DBTL.

- **Bulk LPG** recorded negative growth of -1.8% during December, 2015 and 2.2% during April to December 2015. Last year, in the month of December 2014, de-growth of -8.3% and during April to December 2014 a growth of 22.8% was observed due to one-time upliftment by a customer in Southern region.
- **Auto LPG** after registering positive growth for eleven months in a row, registered negative growth of -1.2% in December, 2015 and 6.4% growth during April to December 2015. However, last year in the month of December, 2014, Auto LPG had registered a negative growth of -15.8% and April to December 2014 saw negative growth of -23.0%.

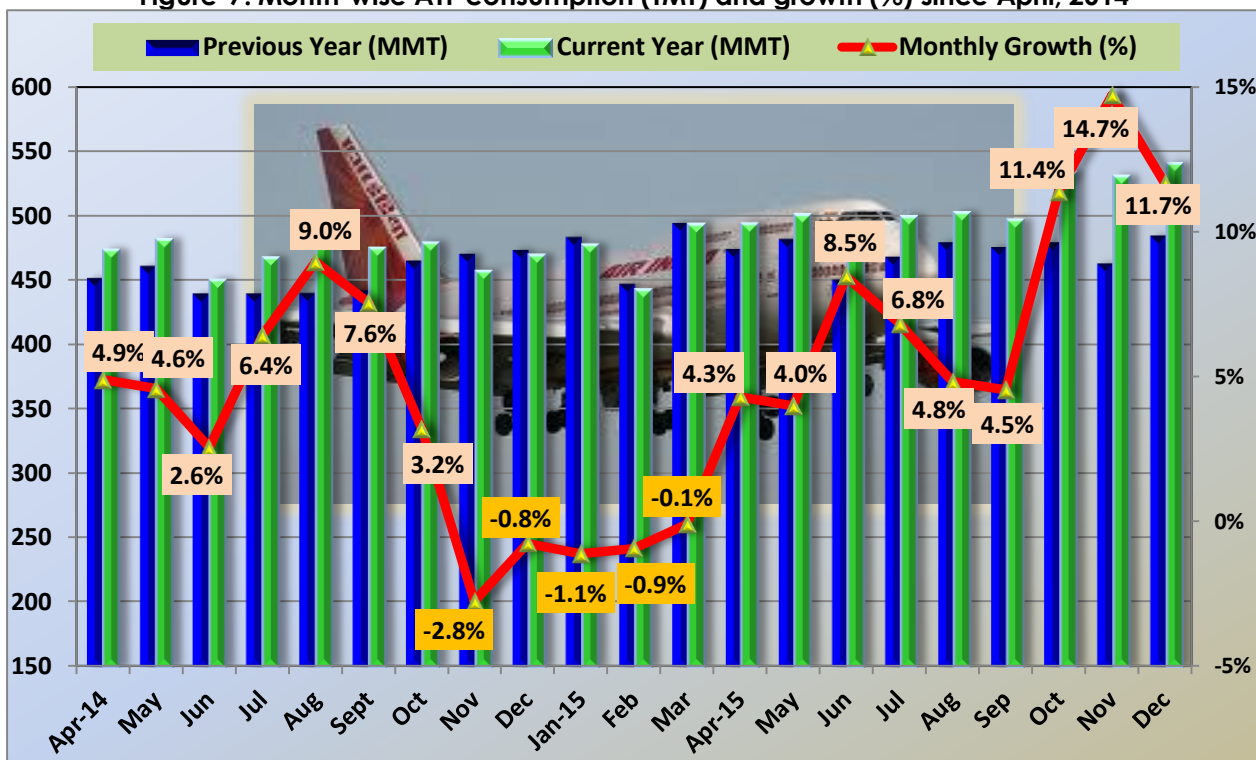
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2014



1.6 Naphtha: consumption recorded a growth of 24.8% during the month of December, 2015 and a growth of 23.4% on cumulative basis for the period April to December, 2015. Growth is on account of higher use of Naphtha by Petrochemical and Steel sectors.

1.7 ATF: During December, 2015 the consumption growth in ATF was 11.7% and on cumulative basis, a growth of 7.8% during the period April to December, 2015 has been recorded. A growth of 20.34% in domestic air traffic has been reported by the Directorate General of Civil Aviation's traffic report for the month of December, 2015 by flying 8.1 million passengers as compared to 6.7 million passengers during the same period last year. Also major Indian Air Force exercise and refueling of Nepal bound airlines in India during the month contributed to high growth during the month.

Figure-7: Month-wise ATF consumption (TMT) and growth (%) since April, 2014



1.8 FO/LSHS: FO/LSHS consumption registered a growth of 12.6% during December, 2015. On cumulative basis, there has been growth of 7.0% for the period April to December, 2015. The growth is mainly from the Fertilizer, Others and General Trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like power and fertilizer industries.

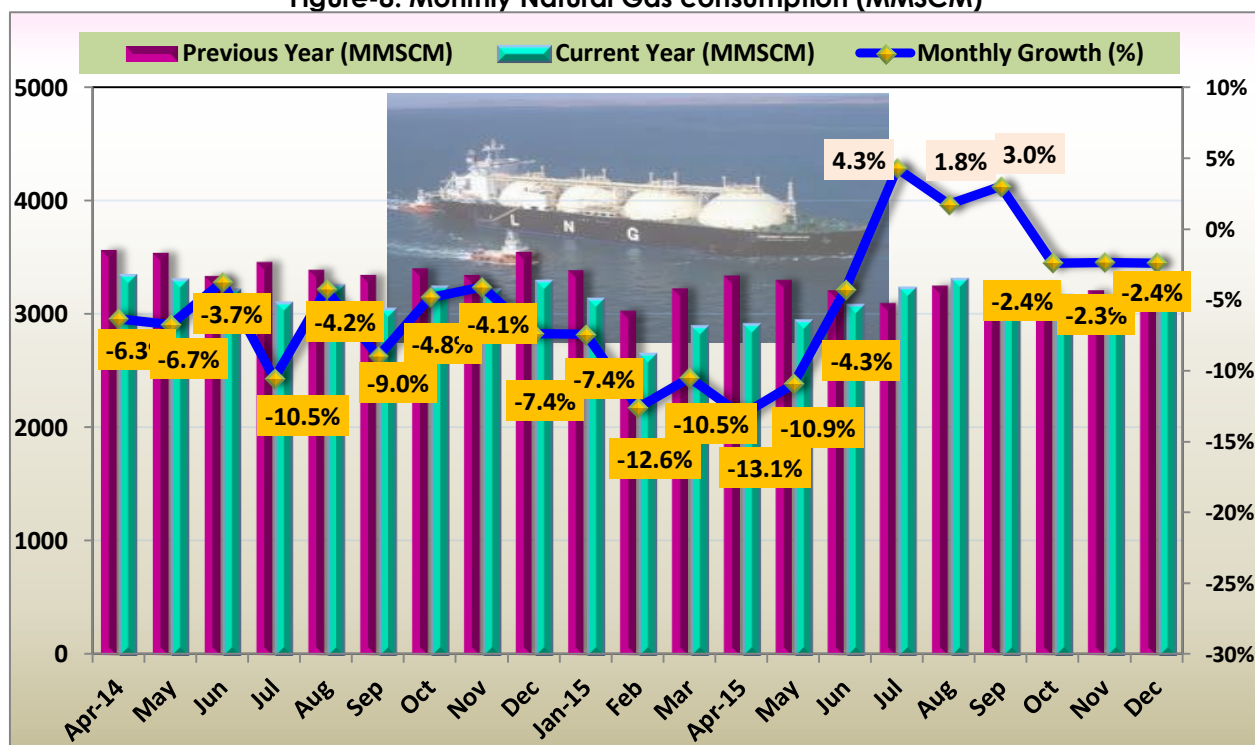
1.9 Petcoke: Petcoke consumption registered a growth of 3.7% during December, 2015 and a cumulative growth of 21.9% was registered during the period April to December, 2015.

1.10 LDO: LDO consumption recorded a high growth of 21.9% in the month of December, 2015 and a growth of 14.6% on cumulative basis for the period April to December, 2015. LDO month wise demand also fluctuates depending on its requirement at power plants for boiler restart as and when it trips. LDO is also extensively used in various types of furnaces and increase in manufacturing activities lead to increase in its consumption.

1.11 Natural Gas: On month on month basis, Natural Gas consumption¹ saw a decline of 2.34% during December, 2015 as compared to December, 2014. In terms of volumes, total consumption during December, 2015 was 3,216 MMSCM as compared to 3,294 MMSCM in December, 2014. Cumulatively, gas consumption declined by 3.06% from 29,013.82 MMSCM during April to December 2014 to 28,127.14 MMSCM during April to December 2015. Natural gas sales have shown decline predominantly due to reduction in domestic gas production and lower off-take of gas in core sectors.

¹ Data does not include natural gas sales of GSPC and spot cargoes imported by private players like Adani Group, Total, RIL, etc.

Figure-8: Monthly Natural Gas consumption (MMSCM)



(Excluding sales of GSPC and spot cargos imported by private players like Adani Group, Total, RIL, etc.)

Major factors affecting Natural Gas sales are highlighted below²:

- Power Sector:** There was an increase in consumption in the power sector by around 28.77% from 670.18 MMSCM in December, 2014 to 863.01 MMSCM during December, 2015. The increase is primarily because of the “gas pooling policy” introduced by Govt. of India to revive idling gas based power plants in the country. The increase is primarily in the Western and Southern regions i.e. in the states of Gujarat, Maharashtra and Andhra Pradesh. The power plants in Northern region could not benefit from the policy as their state governments did not forego the VAT that they were supposed to accrue from the sale of power. Resultantly, Northern region suffered a decline in gas usage for power production. Tamil Nadu also showed a drop in consumption as restoration is going on after heavy flood in that region in December, 2014. On cumulative basis, overall consumption in power sector during April to December 2015 rose by 4.52% to 6,877.05 MMSCM from 6,579.62 MMSCM during the same period last year.
- Fertilizer Sector:** Consumption in fertilizer sector showed a growth of 1.16% from 1,229.15 MMSCM in December, 2014 to 1,243.37 MMSCM in December, 2015. Southern region saw a 41.51% growth in gas consumption and Western region's consumption increased by 11.56% due to new fertilizer pooling mechanism to pool domestically available natural gas and costlier imported Liquefied Natural Gas (LNG) to improve supply at uniform price to urea manufacturers. The rise in gas consumption was seen by KRIBHCO, Hazira, RCF Thal and NFCL. On cumulative basis, overall consumption during April to December 2015 has increased marginally by 3.19% to 11,149.40 MMSCM from 10,804.67 MMSCM during April to December 2014.

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

3. **City Gas Sector (CGD)**: CGD sector showed a growth of 8.35% from 354.96 MMSCM in December, 2014 to 384.60 MMSCM in December, 2015 due to increase in off-take by CGD companies in all the regions. On cumulative basis, overall consumption during April to December 2015 declined by 4.49% to 3,046.52 MMSCM as against 3,189.73 MMSCM during the same period last year.
4. **Internal Consumption (IC)**: IC showed an increase of approx. 3.11% from 383.44 MMSCM during December, 2014 to 395.36 MMSCM in December, 2015 primarily due to increase in appetite for lower priced spot LNG resulting from the steep decline in crude prices. RIL was the prime reason behind this increase in the Southern region i.e. at around 89%. Sharp decline in Eastern region is due to shutdown of GAIL, Lakwa. Northern region showed decline in consumption due to plant stabilization activities of GAIL, Pata but largely compensated by increased consumption of IOCL in internal consumption. On cumulative basis, overall consumption during April to December 2015 has declined by 4.7% to 3,183.06 MMSCM against 3,340.08 MMSCM during April to December 2014.
5. **Others Sector**: There was overall decline of about 56.19% from 490.15 MMSCM in December, 2014 to 214.73 MMSCM during December, 2015 in consumption in 'Others' sector, which include steel, sponge-iron, refineries (excluding seller's own refineries), manufacturing and miscellaneous other industries. The decline in consumption was primarily due to IOCL's own sourcing of LNG for its Panipat and Mathura refineries in Northern region (shift from Others to internal consumption category) and lower off-take by IOCL customers in Western region and GAIL customers in Southern region. On cumulative basis, overall consumption during April to December 2015 has declined by around 28.55% to 2,848.4 MMSCM against 3,986.77 MMSCM during the same period last year.

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

('000 MT)

Product	December			April-December		
	2014-15	2015-16	Growth (%)	2014-15	2015-16	Growth (%)
(A) Sensitive Products						
SKO	599.5	573.5	-4.3	5,340.4	5,140.4	-3.7
LPG	1,676.9	1,780.1	6.2	13,278.9	14,280.9	7.5
Sub Total	2,276.4	2,353.6	3.4	18,619.3	19,421.3	4.3
(B) Major Decontrolled Product						
Naphtha	894.7	1,116.3	24.8	8,038.9	9,921.2	23.4
MS	1,629.3	1,821.6	11.8	14,132.6	16,145.7	14.2
Lubes + Greases	226.2	268.5	18.7	2,462.6	2,313.4	-6.1
LDO	29.3	35.7	21.9	255.4	292.7	14.6
HSD	6,148.1	6,476.5	5.3	51,918.9	55,153.6	6.2
FO/LSHS	473.1	532.6	12.6	4,396.4	4,702.5	7.0
Bitumen	481.9	535.7	11.2	3,467.6	3,846.1	10.9
ATF	484.2	540.7	11.7	4,253.7	4,587.2	7.8
Sub Total	10,366.8	11,327.6	9.3	88,926.1	96,962.4	9.0
Sub - Total (A) + (B)	12,643.2	13,681.2	8.2	107,545.4	116,383.7	8.2
(C) Other Minor Decontrolled Products						
Pet. Coke	1,548.9	1,605.9	3.7	10,672.7	13,006.3	21.9
Others	435.4	554.0	27.2	4,440.3	4,920.4	10.8
Sub Total	1,984.3	2,159.9	8.8	15,113.0	17,926.7	18.6
Total	14,627.5	15,841.1	8.3	122,658.4	134,310.4	9.5