

INDUSTRY SALES REVIEW

January 2016



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 January, 2016. Data on product-wise monthly consumption of petroleum products for January, 2016 is uploaded on PPAC website (www.ppac.org.in).

1.0 CONSUMPTION :

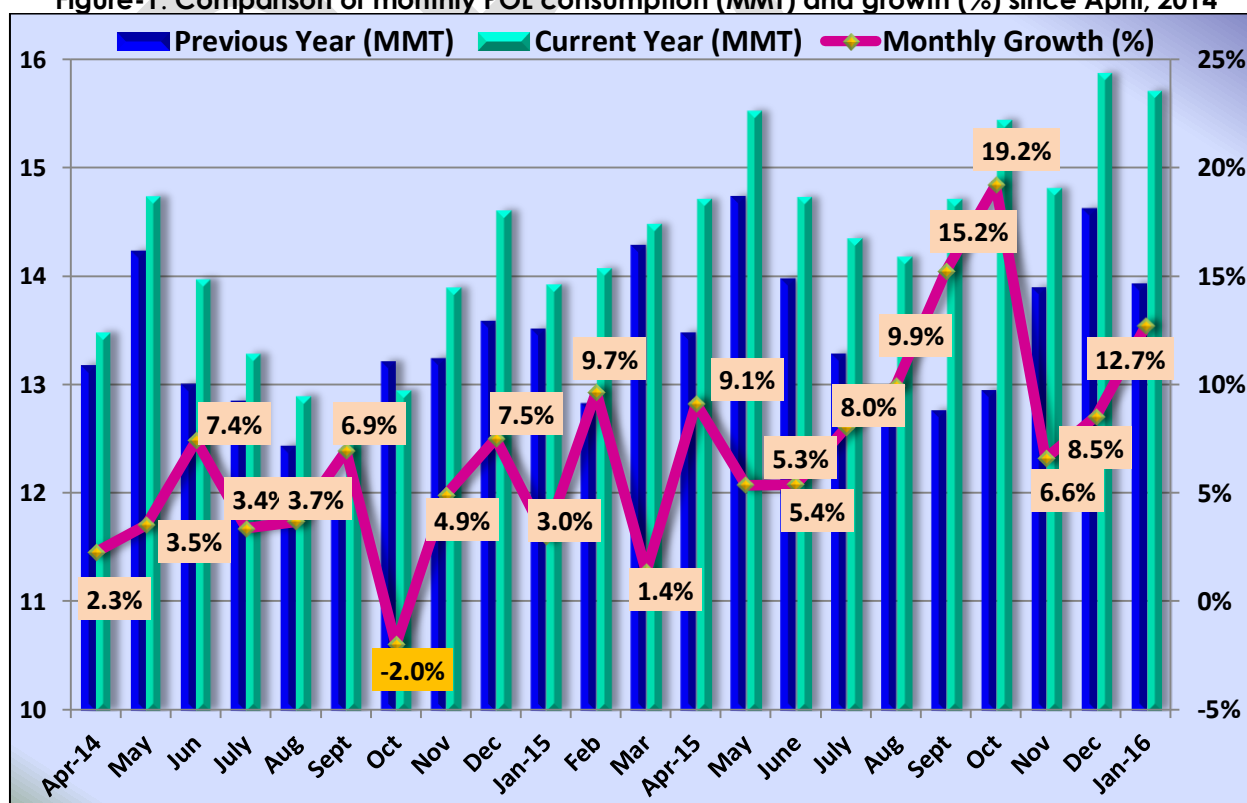
The growth (%) in consumption of petroleum products, category-wise, for the month of January, 2016 is given in Table-1.

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

PRODUCT	% Share	Jan 2015	Jan 2016	Growth (%)	Products Included
Sensitive Products	14.3%	2,185	2,248	2.9%	SKO & LPG
Major decontrolled Products	71.2%	10,023	11,191	11.7%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	14.5%	1,731	2,271	31.2%	Pet. Coke & other minor products
Grand Total	100%	13,938	15,710	12.7%	

1.1 All Products: The consumption of all petroleum products registered a growth of 12.7% in January, 2016 as compared to that in January, 2015. Except for SKO and LDO, all other products recorded a positive growth. On cumulative basis, a growth of 9.9% was registered for the period April 2015 to January 2016. SKO and Lubes/Greases are the only products which have recorded a negative growth of -3.5%, and -2.6 % respectively during the period April 2015 to January 2016.

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



Growth in India continued at a robust pace. Although wholesale prices fell for 15 consecutive months in January, 2016 on the back of sliding global crude oil prices, retail inflation rose to a 17 month high of 5.7% during the current month. The retail inflation data has a higher weightage of food and services. Activity in India's services sector increased at its fastest pace in over a year and a half in January, 2016. The Nikkei Services Purchasing Managers' Index (PMI) rose to 54.3 in January, 2016 from 53.6 in December, 2015. Manufacturing activity also rose to a 4 month high as Nikkei Manufacturing Index rose to 51.1 in the current month from 49.1 in December, 2015. Overall composite PMI index jumped to an 11 month high of 53.3 in January, 2016 compared to 51.6 in December, 2015.

Production and new order recovery from December, 2015 flood related contractions, better weather and stronger underlying demand were said to be the main drivers during the month. Export order inflow strengthened, employment was up, and consumer goods remain the principal growth engine. Low commodity prices, consumption boost from the Seventh Pay Commission and expected normal monsoon in 2016 supporting rural demand are likely to aid growth momentum.

Growth in services, manufacturing, increased consumption of consumer goods and falling fuel prices have an upswing effect in the consumption of petroleum products in the country.

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 November, 2015 and private imports data for the months of December, 2015 and January, 2016 are projected based on April to November, 2015 figures.

Detailed product-wise analysis of growth for January, 2016 is given in the following sections:

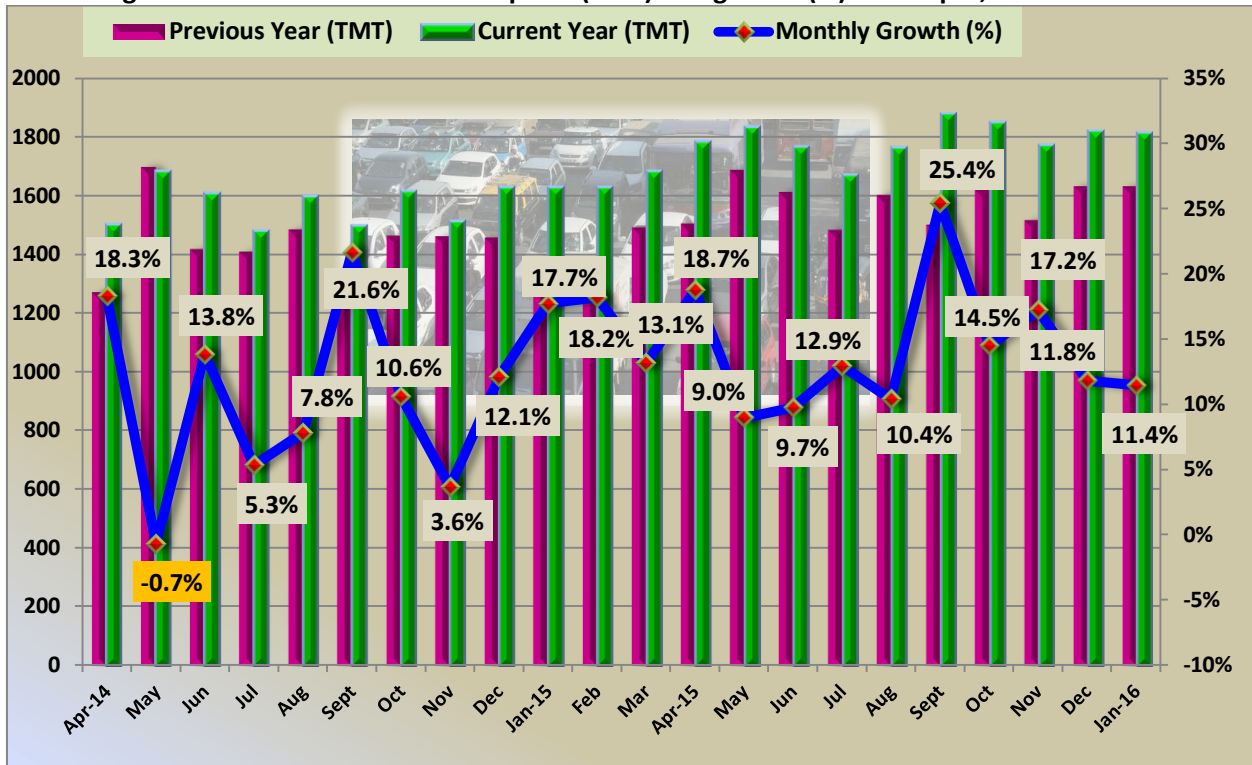
1.2 Petrol / Motor Spirit (MS): MS consumption during the month of January, 2016 recorded a growth of 11.4% as compared to January, 2015 and a cumulative growth of 14.0 % for the period April 2015 to January 2016. **Figure 2** gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2014.

Despite dieselization, enhanced metro ridership and odd-even vehicles on road in Delhi, the sale of MS has continued to follow the high trajectory of growth, clearly indicating that growth in petrol consumption is driven by healthy growth in the automobile Industry.

Further, the declining prices of MS have resulted in general to greater usage of cars and two wheelers and consumer preference for petrol driven vehicles. The changing economics of oil and narrowing price gap between diesel and petrol has resulted in a shift again towards petrol driven cars.

Moderate base, increased city limits and not much of improvement in public transport system also contributed to improved MS growth.

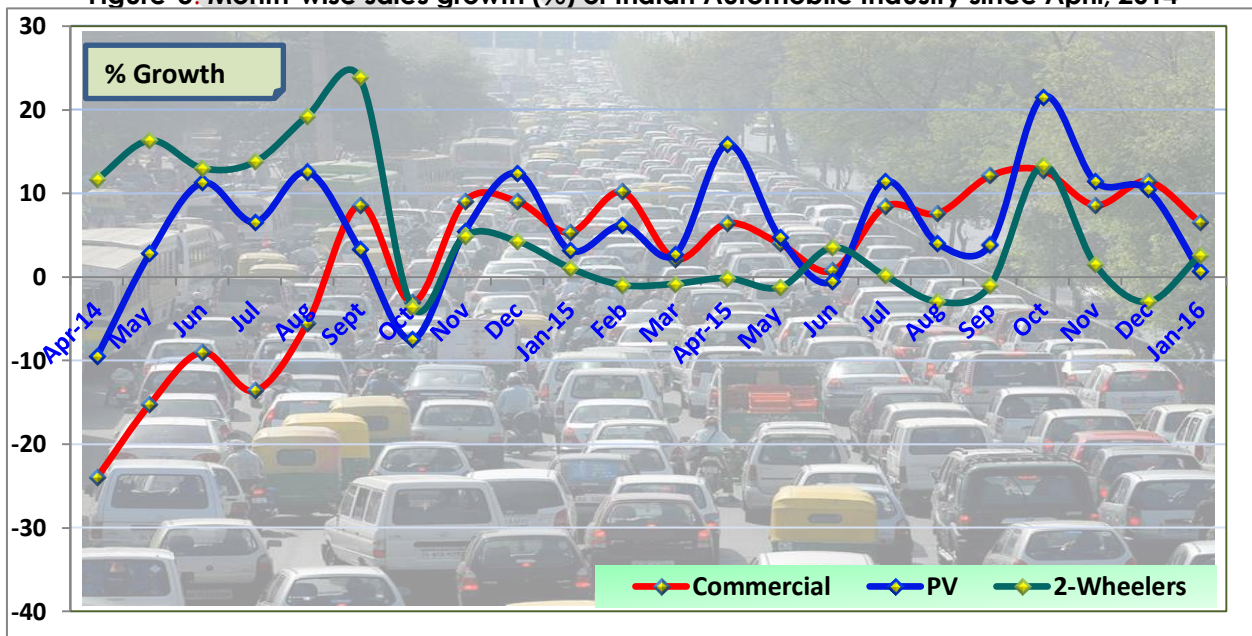
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2014



Other factors impacting consumption of MS are:

For the automotive industry in India, the year 2016 started on a subdued note as the passenger vehicle segment largely witnessed a slowdown in sales. Recent ban on registration of diesel vehicles with engine capacity of more than 2000 cc in Delhi and NCR and enhanced promotion and offers during December 2015 by most of the auto companies were responsible for sliding sales in the initial months of 2016.

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



- a) **Total passenger vehicles (PV) sales:** After consistently posting growth for 14 months, January 2016 sales numbers for passenger vehicle manufacturers in India indicate muted sales for most of the large players. The overall passenger vehicles sales registered a growth of 0.6% during January, 2016 of which passenger cars recorded a de-growth of -0.73%, while the utility vehicles and vans recorded a growth of 3.5% and 7.5% respectively.

Segment	Jan 2015	Jan 2016	Growth (%)
Passenger Cars	169,527	168,303	-0.73%
Utility Vehicles	48,453	50,122	3.5%
Vans	12,638	13,591	7.5%
Total: Passenger Vehicles (PVs)	230,618	232,016	0.6%

Source: SIAM

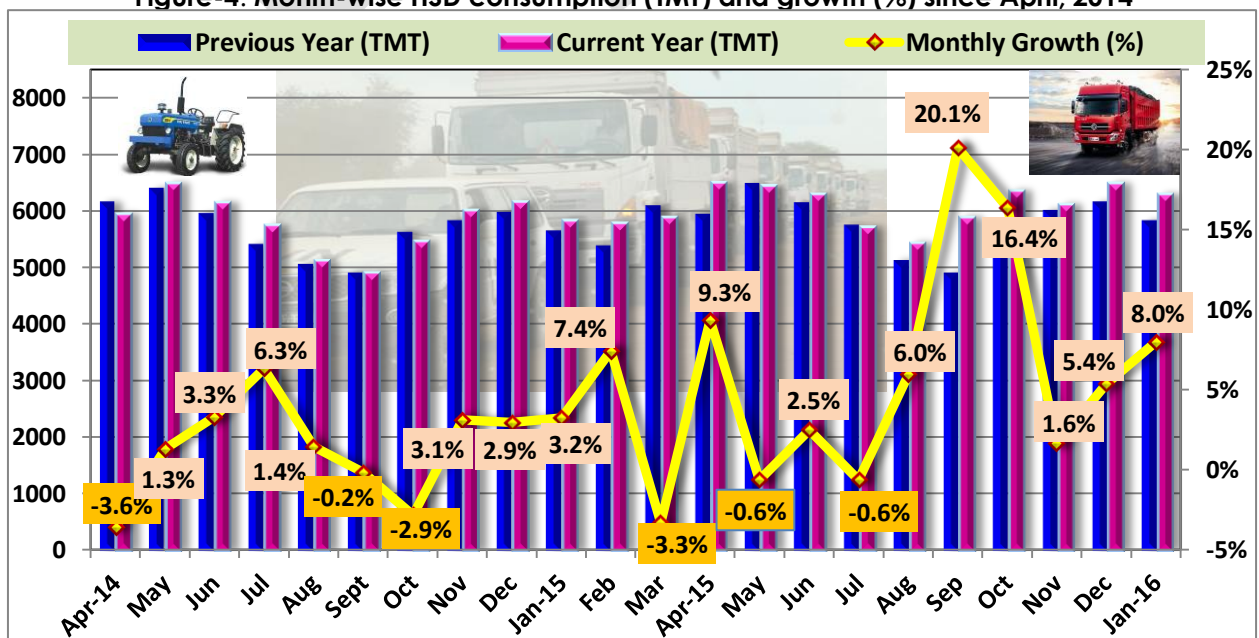
- b) **2-wheeler sales:** With domestic sales of 1.36 million units during January, 2016, the 2-wheeler sales registered a growth of 2.6%. The motorcycle segment registered a minor growth of 0.43% in the month, while the scooter/scooterette segment recorded a growth of 7.85%. Moped sales recorded de-growth of -1.25% during January, 2016.

Segment	Jan 2015	Jan 2016	Growth (%)
Scooter / Scooterette	404,919	436,707	7.85%
Motor Cycles	868,505	872,325	0.43%
Mopeds	54,531	53,849	-1.25%
Total: 2-wheelers	1,327,955	1,362,881	2.6%

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a growth of 8.0% during the month of January, 2016 as compared to January, 2015 and a cumulative growth of 6.4% for the period April 2015 to January 2016. Diesel growth could have been better but there was a price reduction from 1st February, 2016, resulting in low inventory with dealers towards the month end. Also 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 sales in the first month of 2016 were positive across both medium and heavy commercial vehicles (M&HCVs) and light commercial vehicles (LCVs). The LCV segment is seeing growth after nearly two years of declining sales. CV sales registered a growth of 6.5% during the month of January, 2016.
- b) Falling diesel prices and increasing manufacturing and infrastructure activities are helping fleet operators. Medium and heavy commercial vehicles sales recorded a 33.5 % growth during January, 2016. It is further predicted that falling energy prices, improved IIP and growth in GDP along with falling rate of interest and proposal to scrap commercial vehicles older than 15 years would continue to strengthen the demand of M&HCV's in the market.

Segment	Jan 2015	Jan 2016	Growth (%)
M&HCVs	21,363	28,533	33.5%
LCVs	31,118	33,150	6.5%
Total: Commercial Vehicles	52,481	61,683	17.5%

Source: SIAM

- c) **Port traffic:** There has been a growth of 4.9% in the port traffic for the month of January, 2016. On cumulative basis a growth of 3.36% was recorded during the period April 2015 to January 2016. The growth in port traffic and cargos handled at major ports during January, 2016 is mainly due to increase in port traffic at all ports except Kolkata, Chennai, Cochin, New Mangalore and Mumbai. **Table-2** below gives the port-wise performance during the month of January, 2016. The growth in traffic during April 2015 to January 2016 has been contributed mostly by finished fertilizer (14.58%), thermal coal (13.32%), POL products(2.96%) and other items of cargo (4.17%) while there has been a drop in raw fertilizer (-7.77%)and iron ore (-32.47%)cargoes. The drop in iron ore traffic is being attributed to fall in export of iron ore from the country.

Table-2: Traffic handled at major ports in January, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	January 2015	January 2016	Growth (%)
KOLKATA + HALDIA	4,238	3,836	-9.5%
PARADIP	6,487	6,544	0.9%
VISAKHAPATNAM	4,580	4,867	6.3%
ENNORE	2,519	2,968	17.8%
CHENNAI	4,670	4,111	-12.0%
V.O. CHIDAMBARANAR	2,435	3,054	25.4%
COCHIN	2,030	3,238	-1.3%
NEW MANGALORE	3,307	3,238	-2.1%
MORMUGAO	1,411	2,199	55.8%
MUMBAI	5,403	5,006	-7.3%
JNPT	5,231	5,316	1.6%
KANDLA	7,438	9,040	21.5%
TOTAL:	49,749	52,182	4.9%

Source: IPA

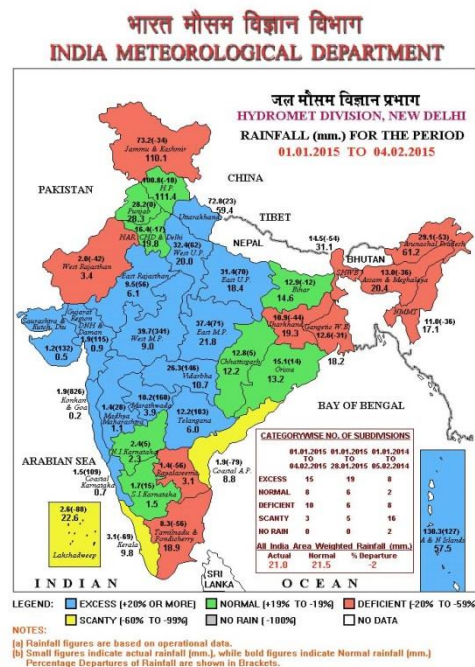
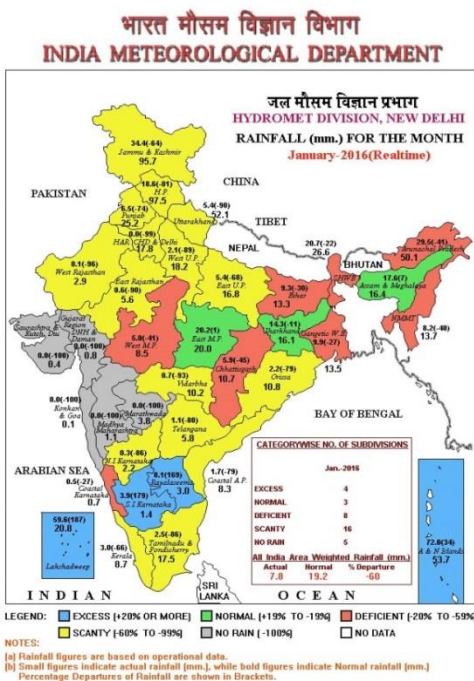
d) **Power situation improves:** The power deficit position for the month of January, 2016 is given in Table-3. The power deficit position improved from -3.1% in January, 2015 to -1.8 % during January, 2016. The shortage during the month improved for all regions. The improved power position may have led to reduced usage of diesel for back-up power generation.

Table-3: Power deficit: Region-wise position for January, 2016 (% deficit)

States	January 2016 ^(P)				January 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	27,147	25,822	-1,325	-4.9%	-6.8%
West	29,340	29,276	-64	-0.2%	-0.5%
South	23,915	23,687	-228	-1.0%	-2.3%
East	9,497	9,481	-16	-0.2%	-1.6%
North-East	1,175	1,136	-39	-3.3%	-10.4%
Total	91,074	89,402	-1,672	-1.8%	-3.1%

Source: Central Electricity Authority (CEA)

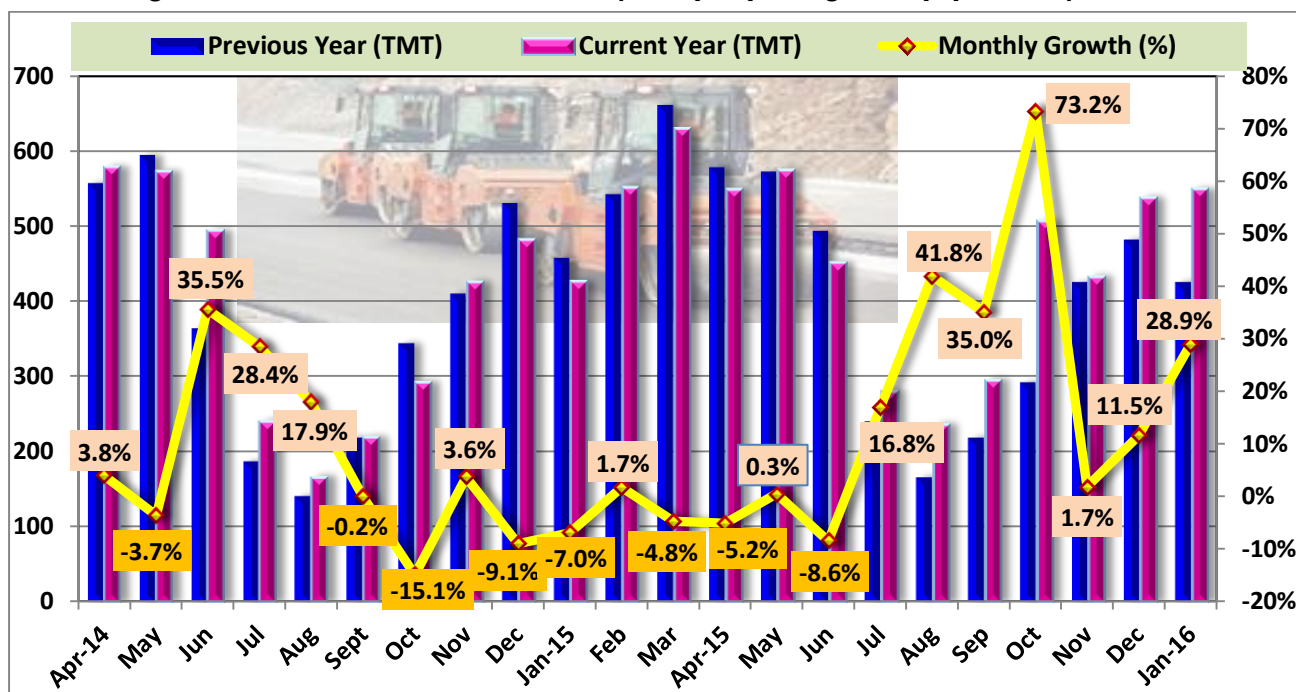
Seasonal rainfall scenario: On an average, temperatures across the country, except in Jammu and Kashmir and some adjoining areas, had been about 4 to 5 degrees above normal which is primarily due to lack of rain this year. The last week of December, 2015 and first week of January, 2016 generally sees rainfall through most of north India, including Delhi, but this year there has been no rain in this period in most parts of the country.



1.4 Bitumen: Bitumen consumption registered a growth of 28.9% during the month of January, 2016 and cumulatively there is a growth of 13.2% for the period April 2015 to January 2016. India has the second largest road network across the world. The government plans to develop a total of 66,117 km of roads under different programs such as National Highways Development Project (NHDP), Special Accelerated Road Development Program in North East (SARDP-NE) and Left Wing Extremism (LWE), and has set an objective of building 30 km of road a day from 2016.

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. In Haryana, four laning of NH-10 between Hissar and Rohtak is underway. Four lane expansions are also in progress in state of Maharashtra on NH-166, 211, 13 and 9. Road repair projects post floods are in full swing in Tamil Nadu. NH widening projects in different stretches of Bihar, Jharkhand and West Bengal are in progress. **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

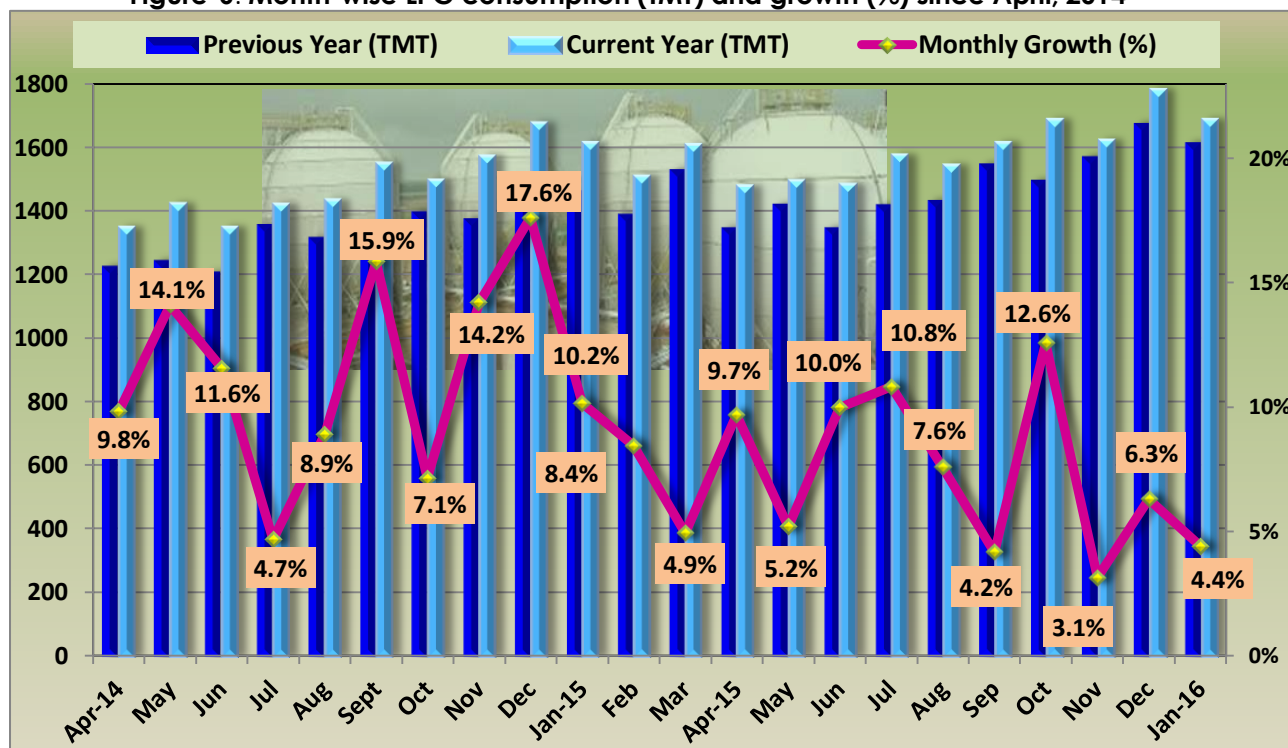


1.5 LPG: Total LPG consumption continuously for the last 29 months in a row recorded a positive growth of 4.4% during January, 2016 and a cumulative growth of 7.3% for the period April 2015 to January 2016.

- **LPG-Packed Domestic** consumption registered a growth of 5.1% during January, 2016 and a growth of 5.7% during the period April 2015 to January 2016. Last year during the month of January, 2015, LPG packed had registered a growth of 8.6% and April 2014 to January 2015 saw a growth of 6.0%. This was mainly due to consumers picking up subsidized cylinders before nationwide launch of DBTL and lapse of quota by end of March, 2015. This year during the period April 2015 to January 2016, release of 163.8 lakh new connections and 85.9 lakh DBCs has contributed to growth of LPG packed domestic consumption
- **LPG-Packed non-domestic** consumption for the thirteenth month in a row registered a positive growth of 23.8% in January, 2016 and cumulative growth of 42.2% during April 2015 to January 2016. 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 a negative growth of -18.0% during January, 2016 and a minor growth of 0.4% during the period April 2015 to January 2016. Last year, in the month of January, 2015, growth of 38.9% and during April 2014 to January 2015 a growth of 4.8% was observed.
- **Auto LPG** for the second month in a row a registered de-growth of -3.4% in January, 2016 and 5.4% growth during April 2015 to January 2016. However, last year in the month of January, 2015, Auto LPG had registered a growth of 14.6% and 7.3% during April 2014 to January 2015.

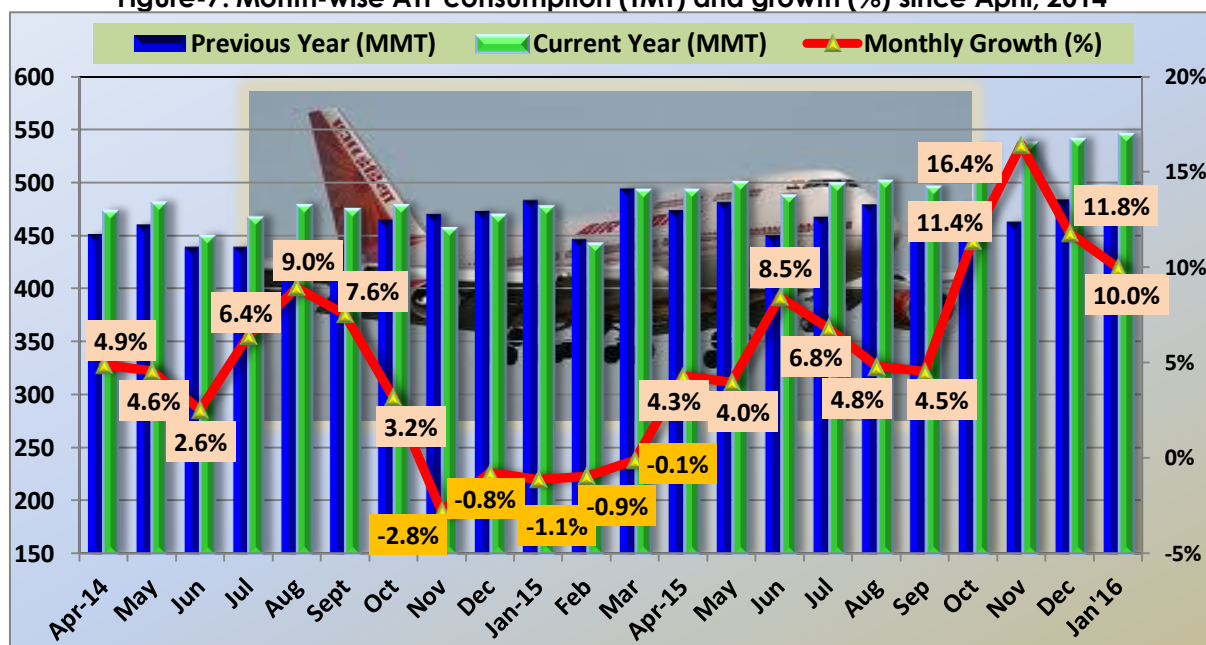
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2014



1.6 Naphtha: consumption recorded a growth of 22.8% during the month of January, 2016 and a growth of 23.2% on cumulative basis for the period April 2015 to January 2016. Growth is on account of higher use of Naphtha by the Petrochemical and Fertilizer sectors.

1.7 ATF During January, 2016 the growth in consumption of ATF was 10.0% and on cumulative basis, a growth of 8.2% during the period April 2015 to January 2016 was recorded. Passengers carried by domestic airlines during January, 2016 were 76.55 lakh as against 62.45 lakh during the corresponding period of the previous year, thereby registering a growth of 22.6%. The data showed that low-cost carrier (LCC) SpiceJet had the highest passenger load factor during the month under review at 92.1 percent. The LCC was followed by budget carriers - GoAir (84.9) and IndiGo (84.7), despite the fact the seat factor declined marginally during the period due to the end of tourist season in the month of January, 2016.

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



1.8 FO/LSHS: FO and LSHS consumption registered a growth of 13.7% during January, 2016. On cumulative basis, there has been growth of 8.2% for the period April 2015 to January 2016. The growth is mainly from the steel and other general trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like power and fertilizer industries.

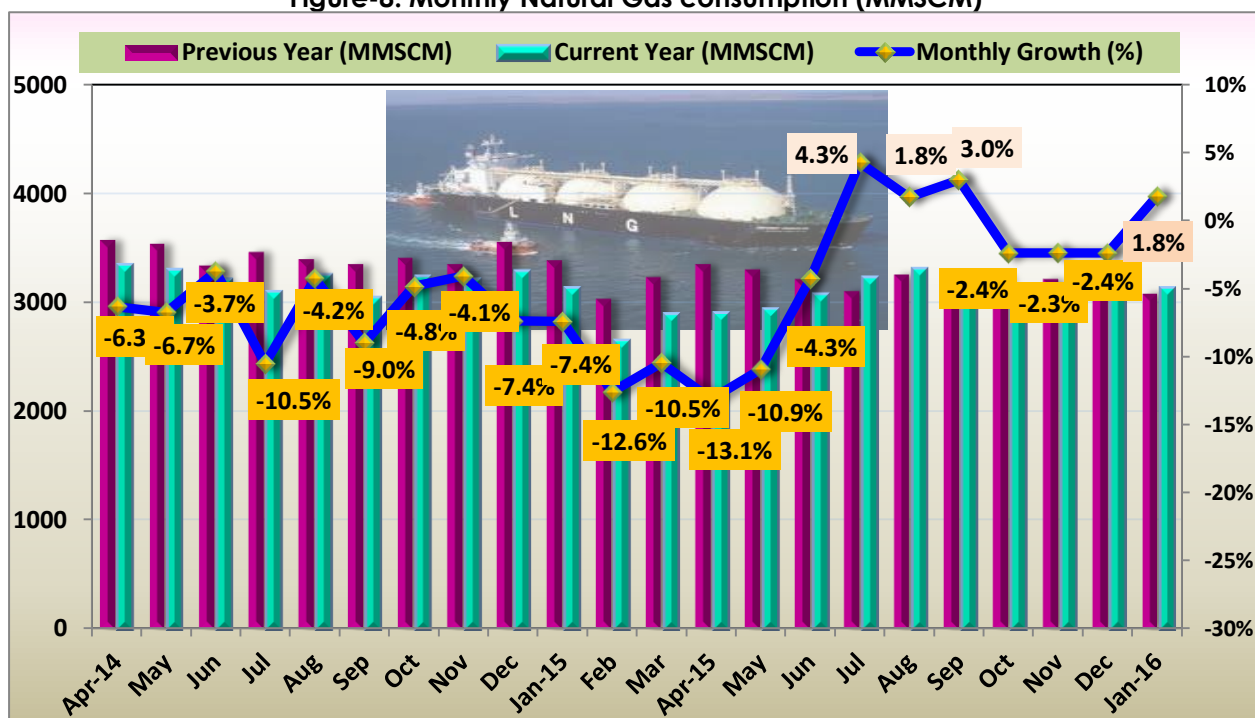
1.9 PETCOKE: Petcoke consumption registered a growth of 28.2% during January, 2016 and a cumulative growth of 22.7% was registered during the period April 2015 to January 2016. Multi-fuel cement plants use petcoke for their production and fall in prices of petroleum products makes it very lucrative to use.

1.10 LDO: LDO consumption recorded a de-growth of -14.1% in the month of January, 2016 and a growth of 11.0% on cumulative basis for the period April 2015 to January 2016. 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 lead to increase in its consumption.

1.11 Natural Gas: On month on month basis, natural gas consumption saw a marginal increase of 1.81% in January, 2016 as compared to January, 2015¹. In terms of volumes, total consumption in January, 2016 was 3,137 MMSCM as compared to 3,081 MMSCM during January, 2015. On cumulative basis, i.e. for the period April 2015 to January 2016, gas sales declined by 2.64% to 31,265 MMSCM from 32,115 MMSCM during the same period last year. Natural gas consumption has shown decline predominantly due to reduction in domestic gas production and lower off-take of gas in core sectors.

¹ Represents gas sales by GAIL, IOCL, BPCL, Shell, ONGC & RIL. Does not include complete sales data of gas imported at Shell's HPL terminal.

Figure-8: Monthly Natural Gas consumption (MMSCM)



Major factors affecting Natural Gas sales are highlighted below²:

- Power Sector:** There was a net increase in consumption by power sector to the tune of 6.54% from 683.31 MMSCM in January, 2015 to 728 MMSCM in January, 2016. 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 North 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. On cumulative basis, overall consumption in the power sector during April 2015 to January 2016 rose by 4.75% to 7,605.05 MMSCM as compared to 7,260.37 during the same period last year.
- Fertilizer Sector:** The growth in fertilizer sector remained flat during the month as compared to the same month last year. In January, 2016 and January, 2015, the fertilizer sector consumed around 1198 MMSCM of gas. Data on sales in Northern region indicates negative growth, but the same was compensated by growth in other regions. Southern region saw a 25.37% growth in gas consumption and Western region's consumption increased by 13.14% due to the new fertilizer pooling mechanism in which domestically available natural gas is pooled with costlier imported Liquefied Natural Gas (LNG) to supply gas 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 2015 to January 2016 has increased marginally by 2.86 % to 12,347 MMSCM as compared to 12,004 MMSCM during the same period last year.

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

3. **City Gas Distribution Sector (CGD):** CGD sector showed a growth of 32.5% during January, 2016. From a consumption level of 345 MMSCM in January, 2015, it increased to 457 MMSCM in January, 2016 mainly due to increase in off-take by CGD companies in all the regions. However on cumulative basis, overall consumption growth during April 2015 to January 2016 remained negative at around 1% declining to 3504 MMSCM as compared to 3,535 MMSCM during the same period last year.
4. **Internal Consumption:** Internal consumption (IC) showed an increase of 3% from 369 MMSCM in January, 2015 to 379.5 MMSCM during January, 2016 primarily due to increase in appetite for lower priced spot LNG resulting from the steep decline of crude oil prices. In Southern region, RIL increased its internal consumption by 25%. There has been a sharp decline in the Eastern region due to shutdown of GAIL's gas processing plant at Lakwa, which is to be handed over to the newly commissioned BCPL in Lepetkata, Assam. Northern region showed decline in consumption due to plant stabilization activities of GAIL Pata but largely compensated by increased internal consumption of gas by IOCL. On cumulative basis, overall consumption during April 2015 to January 2016 declined by approx. 4% to 3,564 MMSCM as compared to 3,709 MMSCM during April 2014 to January 2015.
5. **Others Sector:** There was an overall decline of about 22% from 337 MMSCM in January, 2015 to 263.6 MMSCM during January, 2016 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) and lower off-take by IOCL customers in Western region and GAIL customers in Southern region. On cumulative basis, overall consumption during April 2015 to January 2016 declined by around 28% to 3,112 MMSCM as compared to 4,344 MMSCM during the same period last year.

Industry Consumption Trend Analysis (Provisional) : April 2015-January 2016

('000 MT)

Product	January			April-January		
	2014-15	2015-16	Growth (%)	2014-15	2015-16	Growth (%)
(A) Sensitive Products						
SKO	568.2	560.1	-1.4	5908.6	5700.5	-3.5
LPG	1616.8	1688.0	4.4	14895.7	15977.0	7.3
Sub Total	2185.0	2248.1	2.9	20804.3	21677.5	4.2
(B) Major Decontrolled Product						
Naphtha	895.9	1100.2	22.8	8934.8	11004.7	23.2
MS	1628.8	1814.7	11.4	15761.4	17960.5	14.0
HSD	5819.9	6284.4	8.0	57738.8	61442.4	6.4
Lubes + Greases	196.6	271.4	38.0	2659.2	2589.0	-2.6
LDO	37.7	32.3	-14.1	293.0	325.1	11.0
FO/LSHS	521.6	593.3	13.7	4918.0	5322.6	8.2
Bitumen	425.6	548.6	28.9	3893.2	4408.5	13.2
ATF	496.8	546.5	10.0	4750.5	5142.4	8.2
Sub Total	10022.9	11191.4	11.7	98948.9	108195.2	9.3
Sub - Total (A) + (B)	12207.9	13439.5	10.1	119753.2	129872.7	8.5
(C) Other Minor Decontrolled Products						
Pet. Coke	1322.5	1695.8	28.2	11995.1	14713.6	22.7
Others	408.2	574.8	40.8	4848.4	5494.3	13.3
Sub Total	1730.7	2270.6	31.2	16843.5	20207.9	20.0
Total	13938.6	15710.1	12.7	136596.7	150080.6	9.9