

INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

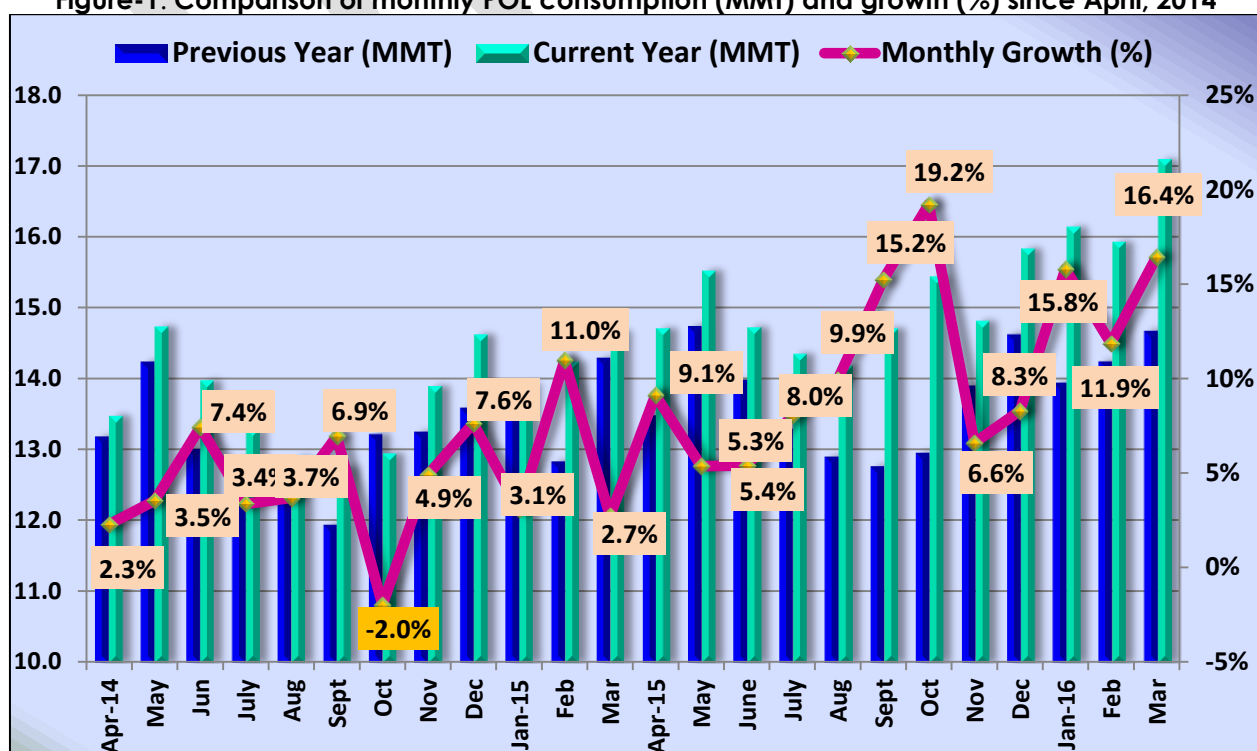
The growth (%) in consumption of petroleum products, category-wise, for the month of March, 2016 is given in Table-1.

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

PRODUCT	% Share	March 2015	March 2016	Growth (%)	Products Included
Sensitive Products	14.0%	2,197	2,401	9.3%	SKO & LPG
Major decontrolled Products	72.8%	10,797	12,437	15.2%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	13.2%	1,683	2,251	33.8%	Pet. Coke & other minor products
Grand Total	100%	14,677	17,089	16.4%	

All Products: The consumption of all petroleum products registered a robust growth of 16.4% in March, 2016 as compared to that in March, 2015. Except for SKO and Lubes & Greases, all other products recorded a positive growth. On cumulative basis, a growth of 10.9% was registered for the period April 2015 to March 2016. SKO and Lubes/Greases are the only products which have recorded a negative growth of -3.7%, and -2.7% respectively during the period April 2015 to March 2016.

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



Public investment and urban consumption were the major growth drivers of economic growth of India in the current financial year. Strong domestic demand continued to bolster the manufacturing and services sectors in the country and it will still remain the key driver of growth in 2016-17 also. The Nikkei Manufacturing PMI in India stood at 52.4 in March, 2016, up from 51.1 in February, 2016, as output accelerated. Nikkei India Services Business Activity index rose to 54.3 in March, 2016 from 51.4 in February, 2016. Economic conditions in India's service sector continued to improve in March, 2016 as a marked and accelerated increase in new businesses boosted output growth. Growth of manufacturing and production also gained strength.

India's impetus to improve infrastructure by laying and repair works of roads, building bridges over roads in the country, push for Make-In-India, reforms in mining, bolstering development of oil and gas wells and pipelines, port modernization projects, developing more inland waterways, commissioning of new power plants, plan to add more smart cities by urbanizing the rural contributed to increased fuel consumption in the country.

By 2030, urban areas are expected to serve 40 per cent of India's population and contribute 75 percent to India's gross domestic product. This rapid expansion necessitates the comprehensive development of infrastructure to improve quality of life and further attract investments. Among other things, the core infrastructure elements in a smart city would include efficient urban mobility, public transport, affordable housing, robust IT connectivity, robust information technology connectivity, digitization and a sustainable environment. The Smart City Mission (SCM) launched in July, 2015 will cover 97 cities over a period of five years from 2015-16 to 2019-20.

With all these above initiatives being taken by the government and the recently presented Union Budget 2016-17 reiterating the focus of the government for infrastructure development in the country, a robust growth of consumption of petroleum products is forecasted in the next financial year as well.

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

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

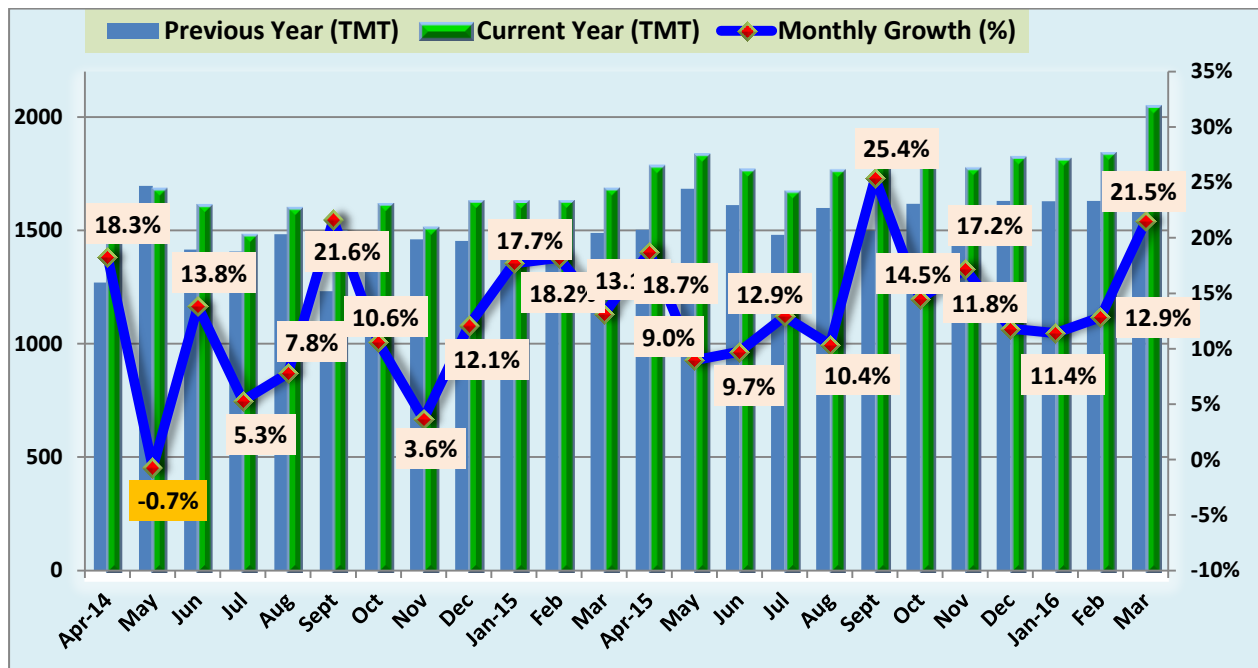
1.2 Petrol / Motor Spirit (MS): MS consumption during the month of March, 2016 recorded a healthy growth of 21.5% as compared to March, 2015 and a cumulative growth of 14.5% for the period April 2015 to March 2016.

Figure 2 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2014.

The month of March, 2016 witnessed highest ever sales volume of 2046.5 TMT. Election campaigns in West Bengal, Assam, Tamil Nadu, Puducherry and Kerala added to the flurry and activity. Anticipation of price rise in the month of April, 2016 prompted the dealer network to fill tanks to capacity.

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 narrowing price gap between diesel and petrol has resulted in a shift towards petrol driven cars. Moderate base, increased city limits and not much of improvement in public transport system contributed to push MS growth.

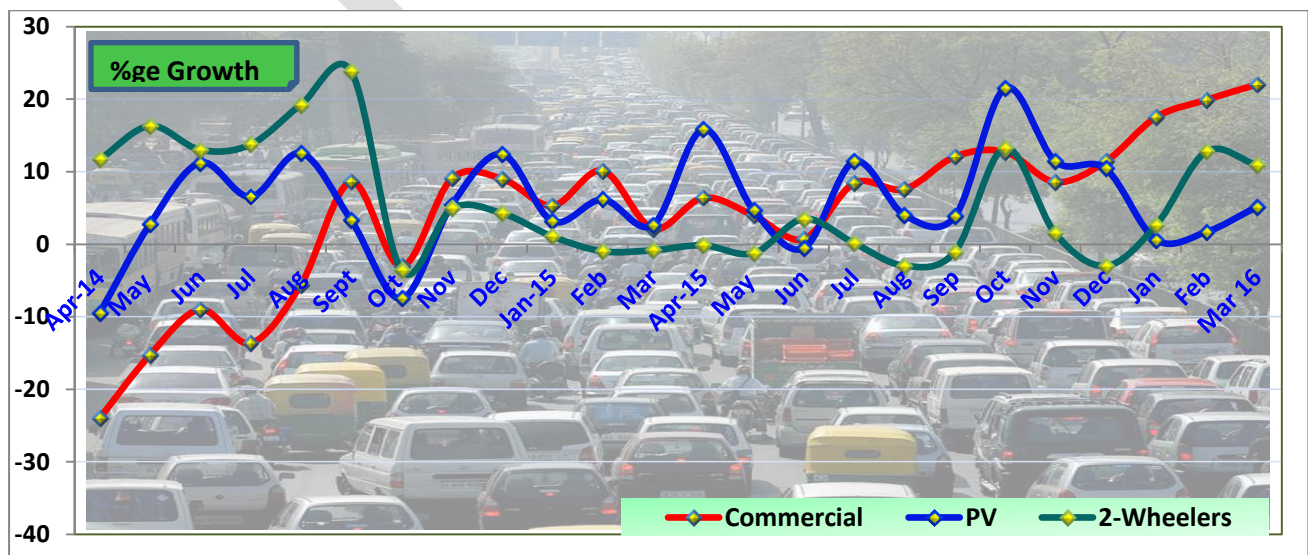
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2014



Other factors impacting consumption of MS are:

The automobile sales numbers of January and February 2016 were a little tepid but the month of March, 2016 has given reason to most of the manufacturers a reason to cheer.

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



- a) **Total passenger vehicles (PV) sales:** The Indian passenger car industry has seen an increase in sales in March, 2016 after a decline for two consecutive months. The overall passenger vehicles sales registered a growth of 5.13% during March, 2016 of which passenger cars recorded de-growth of -0.3%, while utility vehicles and vans recorded a growth of 21.3% and 11.7% respectively. In 2015-16, the manufacturers have sold 2.78 million passenger vehicles, registering a year on year growth of 7.24 %, led by highest sales growth of 7.8% by passenger cars. A slew of product launches, softening interest rates and benign fuel prices played a big role in driving consumer demand for passenger vehicles throughout 2015-16.

Segment	March 2015	March 2016	Growth (%)
Passenger Cars	176,260	175,730	-0.3%
Utility Vehicles	52,962	64,252	21.3%
Vans	15,173	16,960	11.7%
Total: Passenger Vehicles (PVs)	244,395	256,942	5.13%

Source: SIAM

- b) **2-wheeler sales:** The two-wheeler segment clocked double-digit growth of 10.92% during the month, with total sales of 14.67 lakh units. The growth was driven by both scooters and motorcycles in March. Growth in scooters continued to outperform with sales of 450,038 units (+13.67 percent). The motorcycle segment registered a good growth of 10.14% in the month and moped sales also recorded a growth of 4.65% during March, 2016.

Segment	March 2015	March 2016	Growth (%)
Scooter / Scooterette	395,901	450,038	13.67%
Motor Cycles	859,521	946,758	10.14%
Mopeds	67,762	70,918	4.65%
Total: 2-wheelers	1,323,184	1,467,714	10.92%

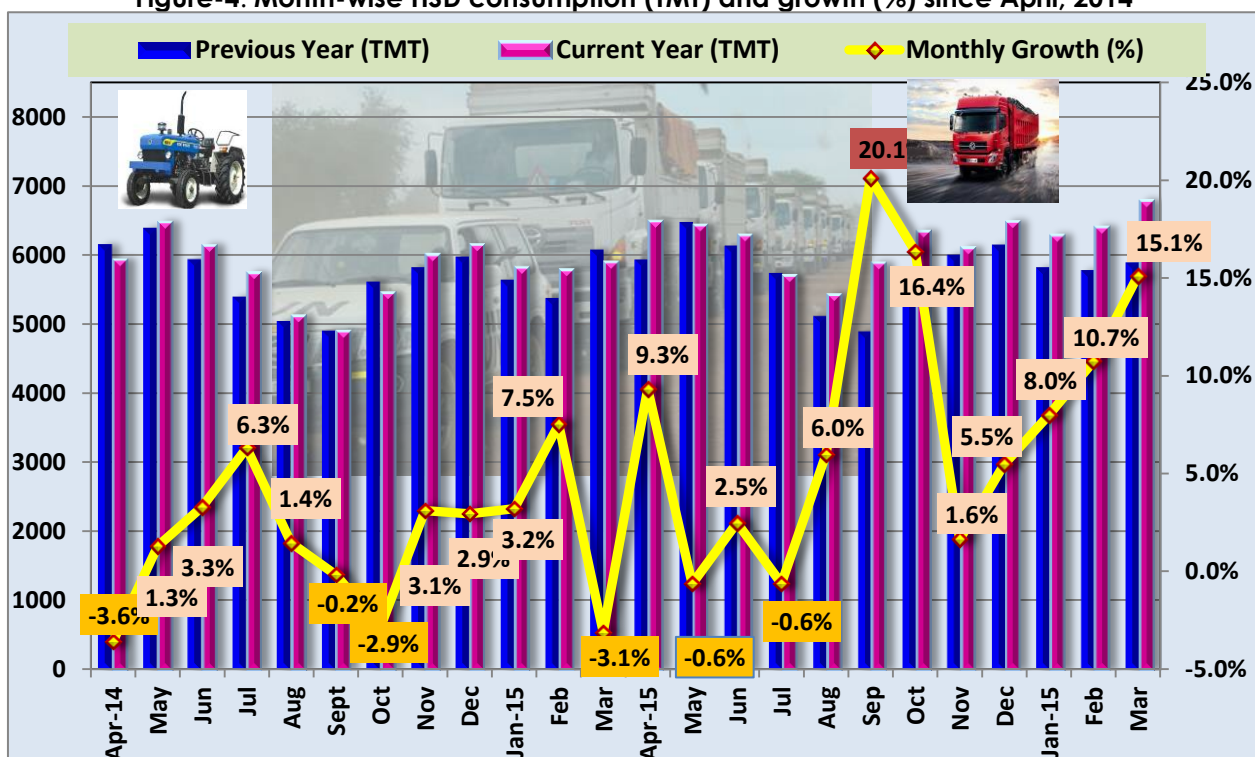
Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a high growth of 15.1% during the month of March, 2016 as compared to March, 2015 and a cumulative growth of 7.5% for the period April 2015 to March 2016. The consumption of diesel has continued to follow the pattern of growth in March 2016. HSD consumption in March, 2015 had recorded a de-growth over March, 2014 and thus there was a low base. Election campaigns continued in the states of Assam, West Bengal, Tamil Nadu, Kerala and Puducherry resulting in improved HSD sales.

HSD demand was high also due to improved demand for diesel for wheat harvesting by thrashers and sugarcane crushers in all Northern states. However drought like conditions that were prevalent in Bundelkhand and parts of Uttar Pradesh due to scanty rainfall prompted use of DG sets.

Economic viability of public transport and carrier vehicles has become better due to cheaper fuel. Road repair and widening projects started in many stretches boosted by the factor of election enhanced diesel sales.

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:** With the boost in infrastructure spend and benign fuel prices, the overall commercial vehicle sector has registered good growth in March 2016. During fiscal 2015-16, medium and heavy commercial vehicles (M&HCVs) maintained their growth curve of the last 18 months with strong sales and recorded a high growth of 28.9% during the month of March, 2016 and 29.91% on cumulative basis, largely due to fleet operators buying bulks of heavy trucks to update their ageing fleets
- b) Light Commercial Vehicle (LCV) sales registered a growth of 16.6% during the month of March, 2016. The sector showed recovery and entered positive territory with a growth of 0.3% during the financial year 2015-16. Importantly, March 2016 saw all key manufacturers register double-digit growth in their LCV sales.

Segment	March 2015	March 2016	Growth (%)
M&HCVs	28,799	37,137	28.9%
LCVs	36,646	42,728	16.6%
Total: Commercial Vehicles	65,445	79,865	22.0%

Source: SIAM

- c) **Power situation improves:** The power deficit position for the month of March, 2016 is given in Table-3. The power deficit position improved from -2.1% in March, 2015 to -1.5% during March, 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 March, 2016 (% deficit)

States	March 2016 ^(P)				March 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	25,369	24,256	-1,113	-4.4%	-4.2%
West	30,519	30,500	-18	-0.1%	-0.3%
South	27,798	27,500	-299	-1.1%	-2.2%
East	11,092	11,068	-24	-0.2%	-1.3%
North-East	1,196	1,164	-32	-2.7%	-6.2%
Total	88,787	87,317	-1,469	-1.5%	-2.1%

Source: Central Electricity Authority (CEA)

Seasonal rainfall scenario: As against a normal of 30.9 mm rain, India experienced 30.6 mm of rainfall during March, 2016 and thus a departure of only -1%. The country experienced significantly above normal temperatures in last two months and it is expected to continue into the hot summer season (April to June) during the year 2016 in all metrological subdivisions of the country. Hot weather conditions increase the demand for diesel for power generation and DG sets usage.

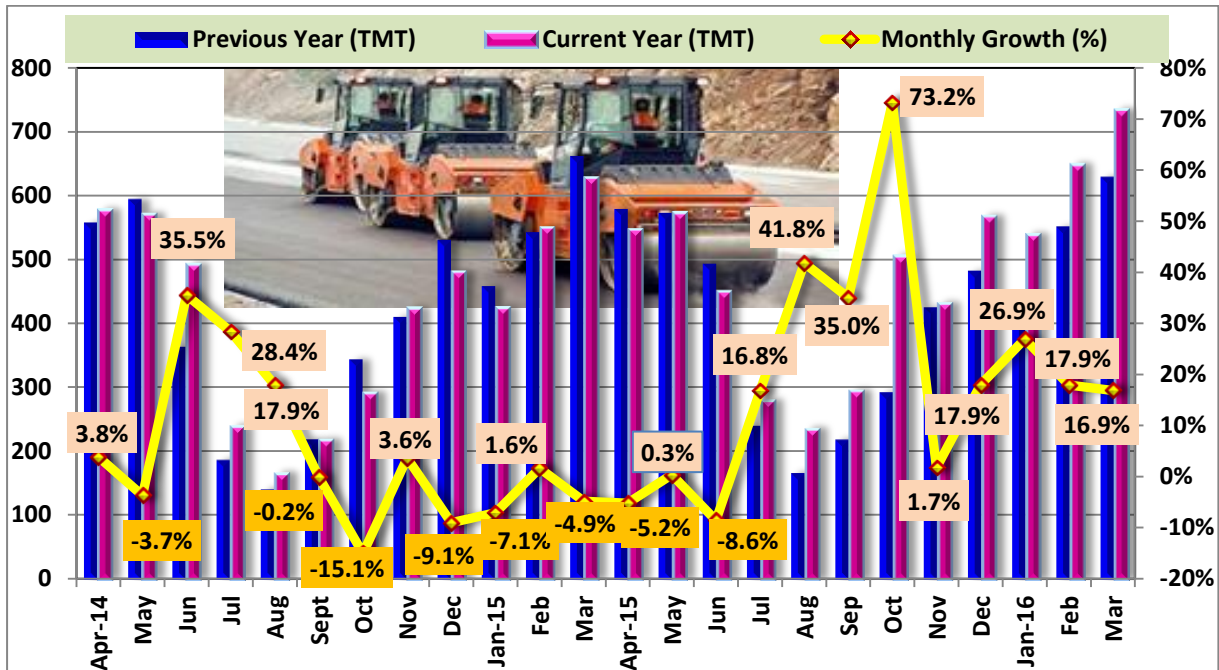


1.4 Bitumen: Bitumen consumption registered a growth of 16.8% during the month of March, 2016 and cumulatively there is a growth of 14.6% for the period April 2015 to March 2016. The central government has launched the Setu Bharatam programme for building bridges for safe and seamless travel on national highways. According to Ministry of Road Transport and Highways (MoRTH), 208 over bridges and under bridges would be constructed at level crossings at a cost of Rs. 208 billion by 2019. In addition 1,500 old bridges will be improved by replacement/widening/strengthening in a phased manner at a cost of about Rs. 300 billion.

Currently a lot of road widening work is already in progress in states of Maharashtra, Rajasthan, Tamil Nadu, Telangana and Andhra Pradesh and in Punjab due to approaching assembly elections in 2017.

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 for the last thirty-one months in a row recorded a positive growth of 14.2% during March, 2016 and a cumulative growth of 8.6% for the period April 2015 to March 2016. Our records from 1970-71 to 2015-2016 shows that there was always growth in total LPG consumption every year except for a minor de-growth of -1.2% during 1980-81.

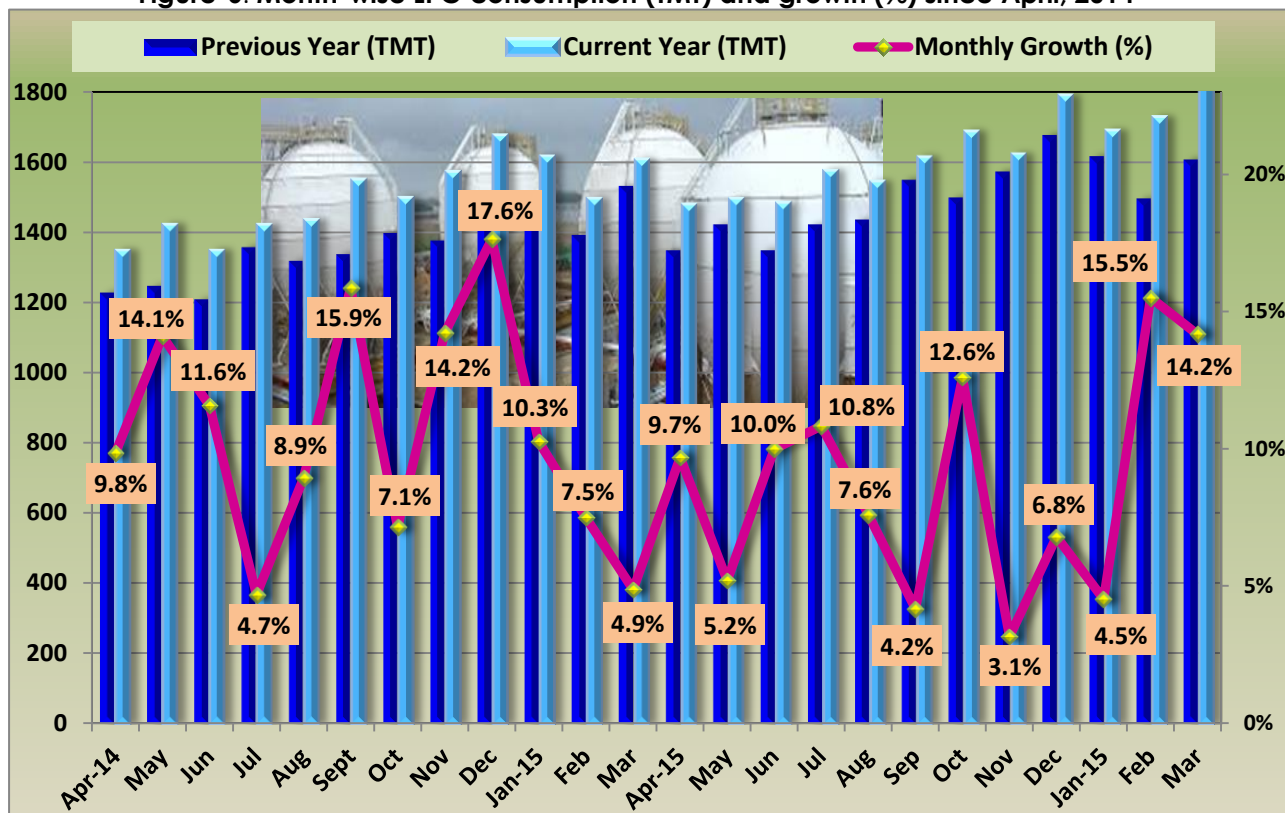
LPG-Packed Domestic consumption registered a growth of 13.2% during March, 2016 and a growth of 7.1% during the period April 2015 to March 2016. During the whole year in all the months LPG packed domestic has shown growth except minor de-growth in November 2015. This year during the period April 2015 to March 2016, release of 203.3 lakh new connections and 102.9 lakh DBCs, have contributed in the growth of LPG packed domestic consumption. Hence, a growth of 24.4% was achieved by release of new connections in the current financial year. Last year during the month of March, 2015, LPG packed Domestic had registered a growth of 3.1% and April 2014 to March 2015 saw a growth of 11.3%,

LPG-Packed Non-Domestic consumption for the fifteenth month in a row registered a positive growth of 34.8% in March, 2016 and cumulative growth of 39.3% during April 2015 to March 2016. During the financial year, in all the months, double digit growth was seen. However, last year during the month of March, 2015, this growth was 36% and de-growth of -2.1%, during the period April 2014 to March 2015. During 2015-2016, high growth in LPG Packed Non-Domestic is mainly due 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 14.5% during March, 2016 and a growth of 0.2% during April 2015 to March 2016. Last year, in the month of March, 2015 growth of 41.4% and during April to March 2015 a growth of 14.6% was observed.

Auto LPG registered a growth of 3.3% in March, 2016 and 4.3% growth during April 2015 to March 2016. However, last year in the month of March, 2015, Auto LPG had registered a growth of 10.4% and -24.4% during April 2014 to March 2015.

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

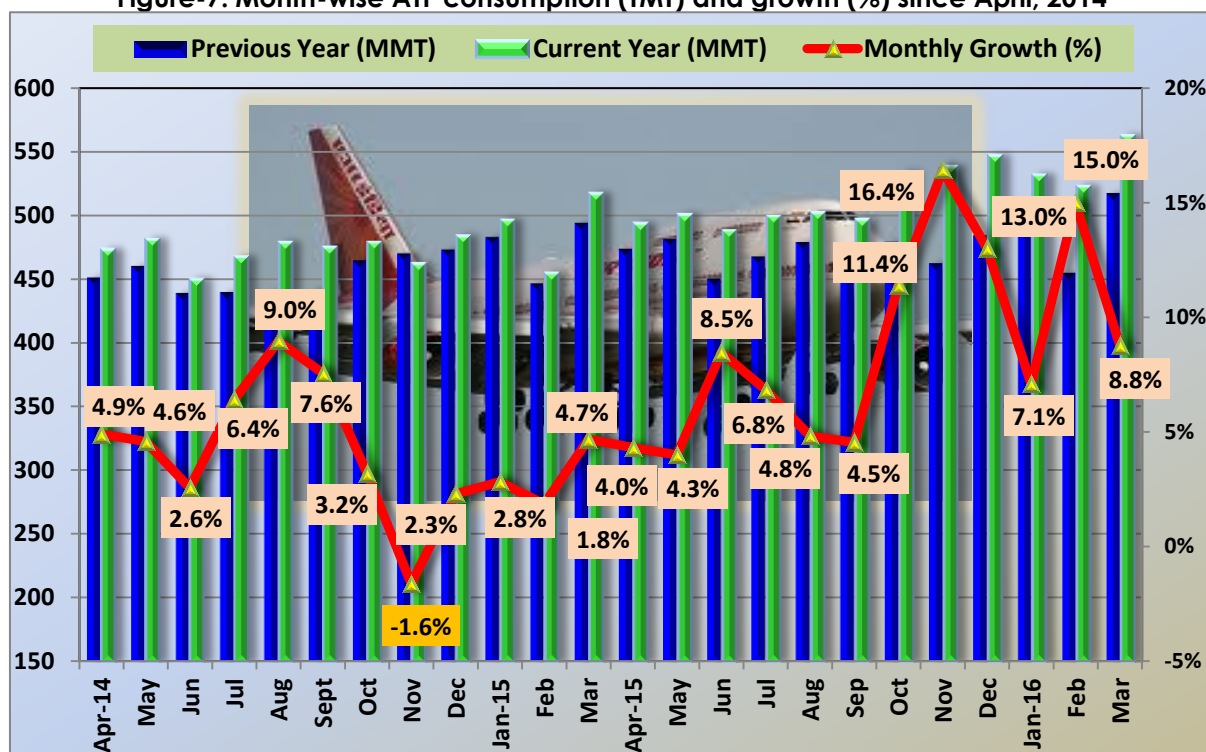


1.6 Naphtha consumption recorded a growth of 3.0% during the month of March, 2016 and a growth of 20.9% on cumulative basis for the period April 2015 to March 2016. Growth is on account of higher use of Naphtha by the petrochemical and fertilizer sectors.

1.7 ATF During March, 2016 the growth in consumption of ATF was 8.8% and on cumulative basis, a growth of 8.7% during the period April 2015 to March 2016 was recorded.

Domestic airlines carried 78.72 lakh passengers during March, 2016, registering a 25% growth over 62.85 lakh flown in March, 2015. India's domestic aviation market grew at over 22.5% during April 2015 to March 2016 on the back of increasing disposable incomes, fall in prices of ATF, increase in tourism, visa reforms, etc.

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



1.8 FO/LSHS: FO and LSHS consumption registered a growth of 39.4% during March, 2016. On cumulative basis, there has been growth of 11.9% for the period April 2015 to March 2016. The growth is mainly from power, steel, others and other general trade sectors.

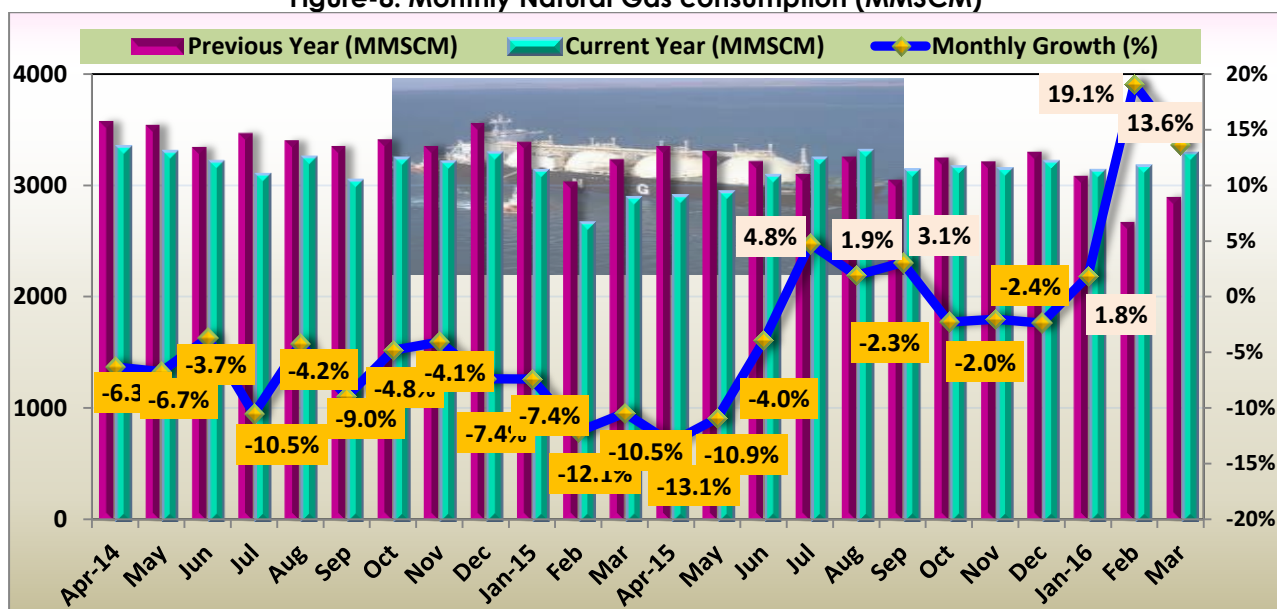
1.9 PETCOKE: Petcoke consumption registered a substantial growth of 43.0% during March, 2016 and a cumulative growth of 25.9% was registered during the period April 2015 to March 2016. Multi-fuel cement plants use petcoke for their production and fall in prices of petroleum products makes it very lucrative to use.

1.10 LDO: LDO consumption recorded a growth of 32.1% in the month of March, 2016 and a growth of 11.4% on cumulative basis for the period April 2015 to March 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 leads to increase in its consumption.

1.11 Natural Gas: On month on month basis, natural gas consumption witnessed a growth of 13.4% during March, 2016¹ as compared to March, 2015. In terms of volumes, total consumption during March, 2016 was 3,289 MMSCM as compared to 2,900 MMSCM in March, 2015. On cumulative basis, i.e. for the period April 2015 to March 2016, gas consumption grew by only 0.30% from 37,736 MMSCM in 2014-15 to 37,847 MMSCM in 2015-16. The financial year 2015-16 has shown flat growth over last financial year 2014-15 in spite of decreased gas production due to compensatory consumption of gas volumes by power and fertilizer sector under the pooling mechanism.

¹ Represents gas sales by GAIL, IOCL, BPCL, HPCL, Shell, ONGC and RIL (domestic). Does not include complete sales data of gas imported at Shell's HLPL 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 24.62 % from 679 MMSCM in March, 2015 to 846.57 MMSCM in March, 2016. The increase is primarily because of the “gas pooling policy” introduced by Government of India to revive idling gas based power plants in the country. The growth is seen primarily in the Western and Southern regions i.e. in the states of Gujarat, Maharashtra and Andhra Pradesh. In Northern region, however, the power sector saw 37% decline as compared to March, 2015. On cumulative basis, overall consumption in power sector during April 2015 to March 2016 rose by 7.79% to 9,190 MMSCM from 8,525 MMSCM in the same period last year.
- Fertilizer Sector:** Fertilizer sector witnessed a jump in consumption of 13% in March, 2016 as compared to March, 2015. In March, 2016, fertilizer sector consumed 1,143.64 MMSCM of gas compared to 1,012 MMSCM in March, 2015. Gas consumption in Northern region saw a positive growth of 11.56% and Western region’s consumption increased by 16.44%, while Southern region showed 1% decline. The growth in fertilizer sector is primarily due to 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. On cumulative basis, overall consumption during April 2015 to March 2016 increased by 5 % to 14,676 MMSCM from 14,012 MMSCM in the same period last year.
- City Gas Distribution Sector (CGD):** Consumption in CGD sector showed a growth of 18% from 338 MMSCM in March, 2015 to 398.73 MMSCM in March, 2016 due to increase in off-take by CGD companies in all the regions as CGD gets top-most priority for domestic gas allocation. On cumulative basis (from April to March), overall sales showed a growth of 3.31% during the current year from 4,201 MMSCM as compared to 4,340 MMSCM during the previous year.

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

4. **Internal Consumption:** Internal consumption (IC) showed an increase of 16.52% from 355 MMSCM in March, 2015 to 414 MMSCM during March, 2016 primarily due to increase in appetite of companies for lower priced spot LNG resulting from the steep decline of crude oil prices. In Northern and Western regions combined, IOCL increased its internal consumption by around 15%. There has been sharp decline in Eastern region due to shutdown of GAIL's gas processing plant, Lakwa as the same is being handed over to newly commissioned Brahmaputra Cracker and Polymer Limited (BCPL) in Lepetkata, Assam. On cumulative basis, overall consumption during April 2015 to March 2016 has declined to 4,460 MMSCM against 4,443 MMSCM in during the same period last year, showing a negligible decline.
5. **Others Sector:** There was overall growth of about 2.42% from 342.34 MMSCM in March, 2015 to 351 MMSCM in March, 2016 in consumption in 'Others' sector which include steel, sponge-iron, refineries (excluding seller's own refineries), manufacturing and miscellaneous other industries. The growth in consumption was primarily due to IOCL's increased consumption in Western region. On cumulative basis, overall consumption during April 2015 to March 2016 has declined by around 24% to 3,789 MMSCM as against 4,980 MMSCM during the same period last year.

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

('000 MT)

Product	March			April-March		
	2014-15	2015-16	Growth (%)	2014-15	2015-16	Growth (%)
(A) Sensitive Products						
SKO	589.6	565.8	-4.0	7086.7	6826.1	-3.7
LPG	1607.7	1835.4	14.2	18000.1	19551.0	8.6
Sub Total	2197.3	2401.2	9.3	25086.8	26377.1	5.1
(B) Major Decontrolled Products						
Naphtha	1175.5	1211.4	3.0	11082.0	13402.0	20.9
MS	1684.0	2046.5	21.5	19075.3	21846.2	14.5
HSD	5893.3	6784.2	15.1	69416.2	74639.0	7.5
Lubes + Greases	361.1	351.2	-2.7	3310.0	3220.8	-2.7
LDO	37.4	49.4	32.1	365.3	406.8	11.4
FO + LSHS	499.7	696.5	39.4	5960.9	6672.9	11.9
Bitumen	628.8	734.8	16.8	5072.8	5815.4	14.6
ATF	517.3	562.7	8.8	5722.9	6219.5	8.7
Sub Total	10797.1	12436.7	15.2	120005.4	132222.6	10.2
Sub - Total (A) + (B)	12994.4	14837.9	14.2	145092.2	158599.7	9.3
(C) Minor Decontrolled Products						
Petroleum Coke	1179.6	1686.4	43.0	14557.6	18322.9	25.9
Others	503.5	565.0	12.2	5870.1	6572.8	12.0
Sub Total	1683.1	2251.4	33.8	20427.7	24895.7	21.9
Total	14677.5	17089.3	16.4	165519.9	183495.4	10.9