

INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

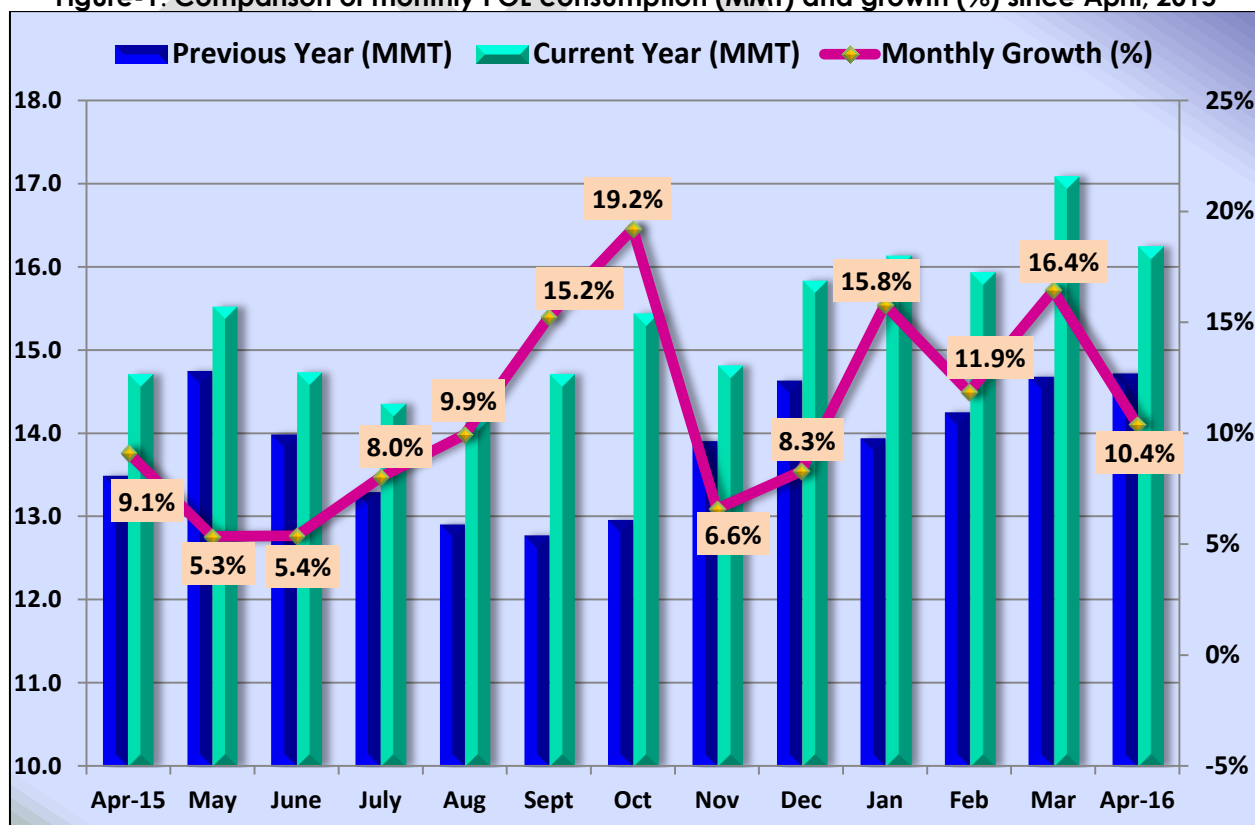
The growth (%) in consumption of petroleum products, category-wise, for the month of April, 2016 is given in Table-1.

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

PRODUCT	% Share	April 2015	April 2016	Growth (%)	Products Included
Sensitive Products	13.0%	2,048	2,117	3.4%	SKO & LPG
Major decontrolled Products	74.1%	11,038	12,043	9.1%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	12.9%	1,630	2,086	28.0%	Pet. Coke & other minor products
Grand Total	100%	14,715	16,245	10.4%	

1.1 All Products: The consumption of all petroleum products registered a robust growth of 10.4% in April, 2016 as compared to that in April, 2015. Except for SKO and Lubes & Greases, which recorded a negative growth of -9.2% and -7.4% respectively during the current month, all other products recorded positive growth.

Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2015



Though the bottom line growth in consumption of all products fell from 16.4% in March, 2016 to 10.4% in April, 2016, the trend in general continues to be of strong growth in consumption of petroleum products. The pace of growth dropped in the current month closely aligned with weakened demand in manufacturing and services sector. The Nikkei Manufacturing PMI in India stood at a four month low of 50.5 in April, 2016, as compared to 52.4, in March, 2016. Nikkei India Services Business Activity index dropped to 53.7 in April, 2016 from 54.3 in March, 2016. The pace of growth took a step back in April, 2016.

In addition to low oil prices, structural and policy driven changes are underway which are resulting in surge in India's oil demand. India's per capita oil consumption has increased as a result of the increased affordability of oil in various uses for a large section of population, who could not afford it previously. This is all becoming visible in the motorization of the economy. Furthermore Indian government's target of increasing the manufacturing share of GDP to 25% by the beginning of the next decade from roughly 16% at present, could lead to higher consumption in manufacturing. Government's move to locally manufacture would help infrastructure sectors such as power, roads, ports, oil and gas. With impetus on developing Industrial corridors and smart cities, there would further be more industrial development and fuel consumption in the country.

The role of transport sector and trend of motorization is a key factor affecting the consumption of fuels. Government's road construction program aiming to construct 30 kms of highway roads per day holds significant implications primarily for road transportation and particularly for diesel consumption. India's construction market is also therefore highlighted as a key driver to growth being set to overtake Japan as the third largest construction market within the next five years.

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

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

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of April, 2016 recorded a growth of 11.9% as compared to April, 2015 although there was a sharp drop in comparison to 21.5% growth recorded in March, 2016.

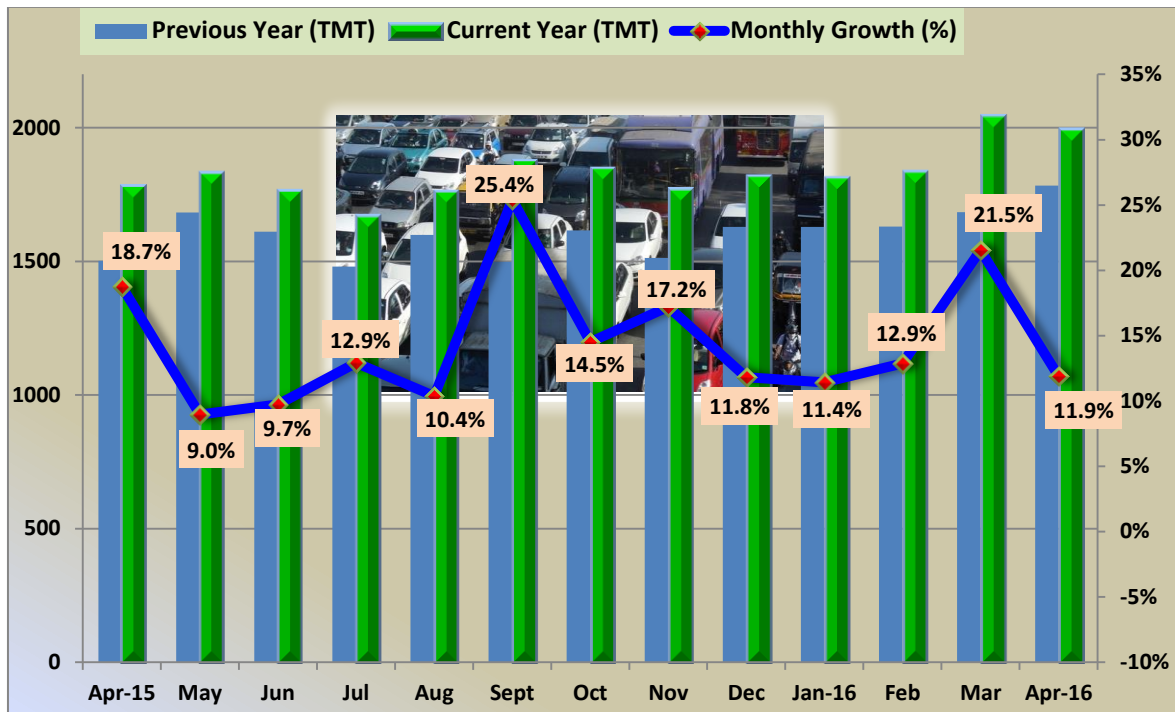
Figure 2 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2015.

Election campaigns in the states of Kerala, Tamil Nadu and Puducherry continued with much hype and activity to woo the voters. Anticipation of price

rise in the month of April, 2016 prompted the dealer network to fill tanks to capacity.

As economies and incomes grow, larger proportions of the population become vehicle owners, contributing to *motorization* of the economy. The declining prices of MS have resulted in general to greater ownership and usage of cars and two wheelers. Further household expenditure on energy is two and a half times higher in urban areas than in rural areas. The drop in crude oil prices from 109 US\$/barrel to about 45 US\$/barrel has been sufficient to increase affordability for a whole new segment of growing middle class population.

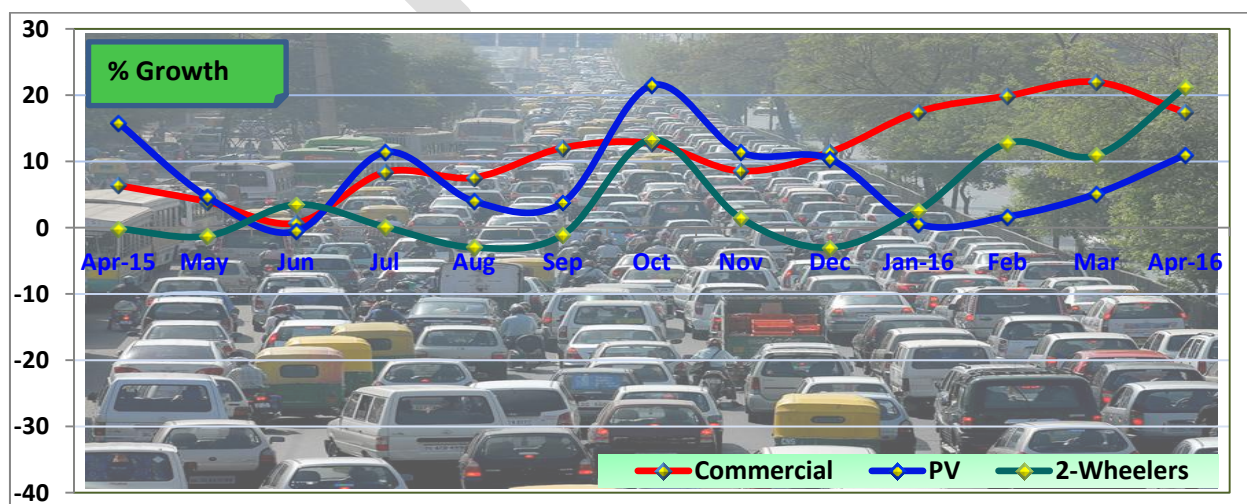
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

Snapping a 3-month declining streak, passenger car sales in India rose 1.9 per cent in April on popular new models, although a subdued rural market due to scanty rains continued to affect the overall sentiment.

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



- a) **Total passenger vehicles (PV) sales:** The Indian passenger car industry growth during the last month largely came from new launches. Sales of cars in rural markets continued to be subdued, and the growth in PV sales was mainly due to the robust growth of utility vehicles. The overall passenger vehicles sales registered a growth of 11.0% during April, 2016 of which passenger cars recorded a growth of 1.9%, while utility vehicles and vans recorded a growth of 42.8% and 16.5% respectively. The industry also benefitted from the splurge in spending during the month on account of festive demand. With a host of Indian communities celebrating the New Year in April, automakers saw improved demand and ramped up their dispatches to cash in.

Segment	April 2015	April 2016	Growth (%)
Passenger Cars	159,588	162,566	1.9%
Utility Vehicles	43,526	62,170	42.8%
Vans	14,875	17,324	16.5%
Total: Passenger Vehicles (PVs)	217,989	242,060	11.0%

Source: SIAM

- b) **2-wheeler sales:** The sales of two wheelers are much more reflective of the number of new consumers entering the market for personal transportation on the back of the increased affordability of petrol. It is therefore a closer reflection of a step up on the energy ladder towards motorization. It can be expected that much of the two wheeler fleet will be replaced by cars as consumers continue to climb the energy ladder on the back of rising economic growth and per capita income.

The two-wheeler segment clocked double-digit growth of 21.2% during the month, with total sales of 15.6 lakh units. The growth was driven by both scooters and motorcycles in April, 2016. The surge in bike sales during the last month may be mainly due to wedding season as the rural demand still remains subdued despite forecast of a better monsoon. Growth in scooters continued to outperform with sales of 468,368 units and a growth of 35.9%. The motorcycle segment registered a good growth of 16.2% and the moped sales also recorded a growth of 10.7% during April, 2016.

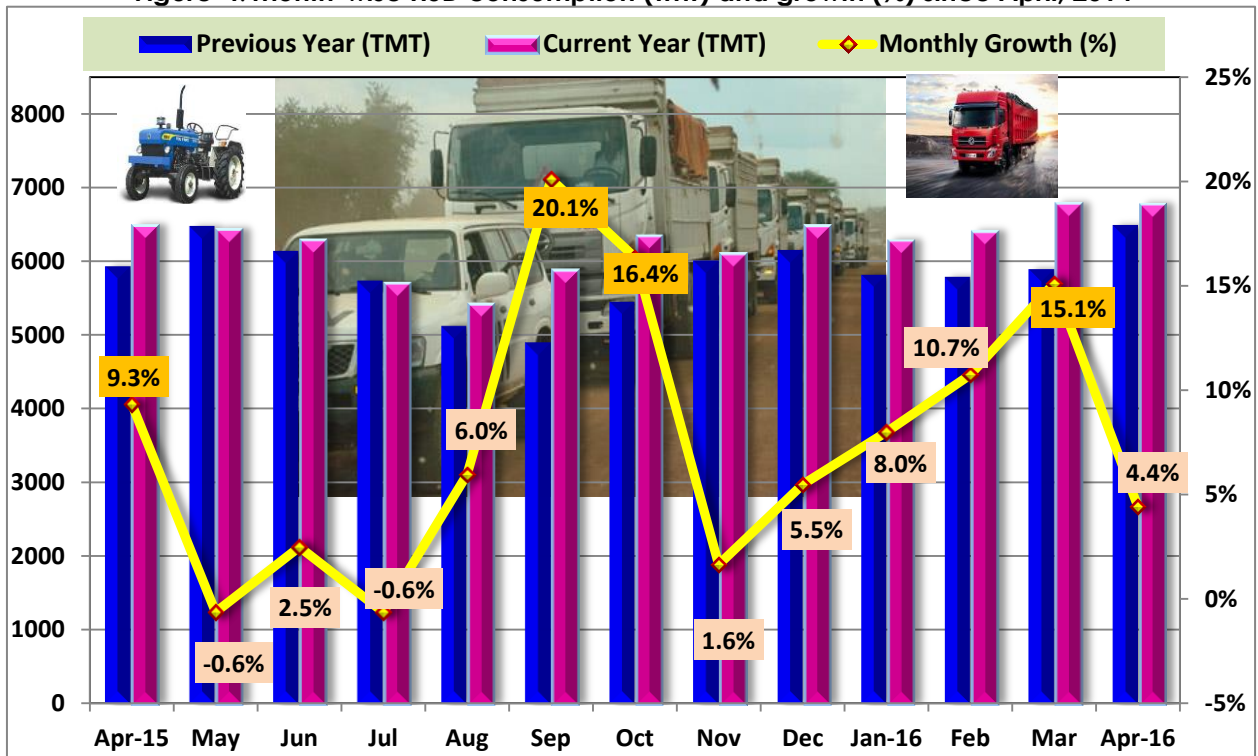
Segment	April 2015	April 2016	Growth (%)
Scooter / Scooterette	344,752	468,368	35.9%
Motor Cycles	881,743	1,024,926	16.2%
Mopeds	60,561	67,045	10.7%
Total: 2-wheelers	1,287,056	1,560,339	21.2%

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a growth of 4.4% during the month of April, 2016 as compared to April, 2015. India's push to expand its share of manufacturing in GDP implies a concomitant increase in oil consumption, subject to improvements in the energy efficiency of GDP. Diesel will be a clear beneficiary of the push towards manufacturing. However during the current month despite the contraction in industrial manufacturing and spike in retail inflation, a growth in diesel sales was registered, following being the reasons:

1. As per the Ministry of Road Transport and Highways (MoRTH), the national highway construction rate has touched 20 km per day. Road repair and widening, four and six laning projects have started in many stretches facilitating commercial fleet movement.
2. Economic viability of public transport and carrier vehicles has become better due to cheaper fuel.
3. Election campaigns continued in the states of Tamil Nadu, Kerala and Puducherry, boosting vehicular movement.
4. Anticipated upward price revision that happened on 1st of May, 2016 prompted dealers to fill up their tanks.

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:** Heavy commercial vehicle segment is witnessing demand from the replacement segment as well AS demand for new vehicles due to infrastructure and mining segments gaining steam.

However the share of diesel vehicles in overall passenger vehicle sales shrank first because of the shrinking gap between petrol and diesel prices and now because of the SC ruling banning registration of diesel engine vehicles, although currently only in National Capital region, but its impact is felt widely. Medium and heavy commercial vehicles (M&HCVs) maintained their growth curve and recorded a growth of 17.4 % during the month of April, 2016, though there was a drop as compared to March, 2016 due to uncertainty in Government policies on diesel vehicle ban and also with the budget announcement to impose an infrastructure cess on diesel vehicles attracting a higher levy than petrol.

Light Commercial Vehicle (LCV) sales registered a growth of 14.0% during the month of April, 2016.

Segment	April 2015	April 2016	Growth (%)
M&HCVs	19,277	23,515	22.0%
LCVs	26,595	30,320	14.0%
Total: Commercial Vehicles	45,872	53,835	17.4%

Source: SIAM

b) **Port traffic:** There has been a growth of 9.7% in port traffic for the month of April, 2016. The growth in port traffic and cargos handled at major ports during April, 2016 is mainly due to increase in port traffic at all ports except Ennore, Chennai and JNPT.

Table-2 below gives the port-wise performance during the month of April, 2016. The growth in traffic during the month has been contributed mostly by Iron ore (518.72%), other liquids (36.49%), POL products(6.75%), raw fertilizer (6.45%) and other items of cargo (28.69%), while there has been a drop in finished fertilizer (-25.88%) and coking coal (-35.40%) cargoes. Huge growth iron ore traffic is due to resumption of iron ore mining activities in Karnataka, Goa and Odisha. The National Perspective Plan (NPP) has identified over 150 projects for development under the government's ambitious Sagarmala programme encompassing areas of port modernization, new port development, port connectivity enhancement, port-led industrial development and coastal community development.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	April 2015	April 2016	Growth (%)
KOLKATA + HALDIA	3,968	4,005	0.93%
PARADIP	6,078	7,234	19.02%
VISAKHAPATNAM	4,003	4,728	18.11%
KAMARAJAR (ENNORE)	2,939	2,636	-10.31%
CHENNAI	4,622	4,242	-8.22%
V.O. CHIDAMBARANAR	3,215	3,341	3.92%
COCHIN	1,805	1,988	10.14%
NEW MANGALORE	2,569	2,578	0.35%
MORMUGAO	1,316	3,327	152.81%
MUMBAI	5,133	5,149	0.31%
JNPT	5,379	5,284	-1.77%
KANDLA	6,746	7,907	17.21%
TOTAL:	47,773	52,419	9.73 %

Source: IPA

c) **Power situation improves:** The power deficit position for the month of April, 2016 is given in Table-3. The power deficit position improved from -2.2% in April, 2015 to -1.2% during April, 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.

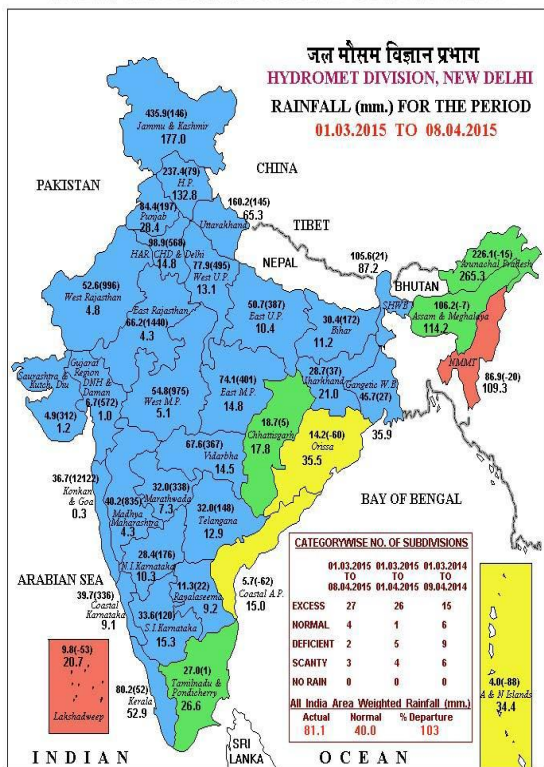
Table-3: Power deficit: Region-wise position for April, 2016 (% deficit)

States	April 2016 (P)					April 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)	
			MU	(%)		
North	27,412	26,590	-822	-3.0%	-4.8%	
West	30,727	30,714	-13	0%	-0.3%	
South	27,671	27,385	-285	-1.0%	-2.1%	
East	11,278	11,244	-34	-0.3%	-1.2%	
North-East	1,102	1,036	-66	-6.0%	-7.5%	
Total	98,189	96,968	-1,221	-1.2%	-2.2%	

Source: Central Electricity Authority (CEA)

Seasonal rainfall scenario: April 2016 has turned out to be the driest one in the last many years; it was one of the hottest on record with temperatures above 40°C recorded at several places. Heat wave like conditions prevailed in as many as 254 districts in 10 states of India and was affected by the water scarcity. Cumulatively, India received 30.8 mm of rainfall against the normal of 38.9 mm. This amounted to 19% of rainfall deficiency. North, Central and West India performed extremely poorly in terms of pre-monsoon showers. Hot weather conditions increases the demand for diesel for power generation and diesel pump sets for agriculture.

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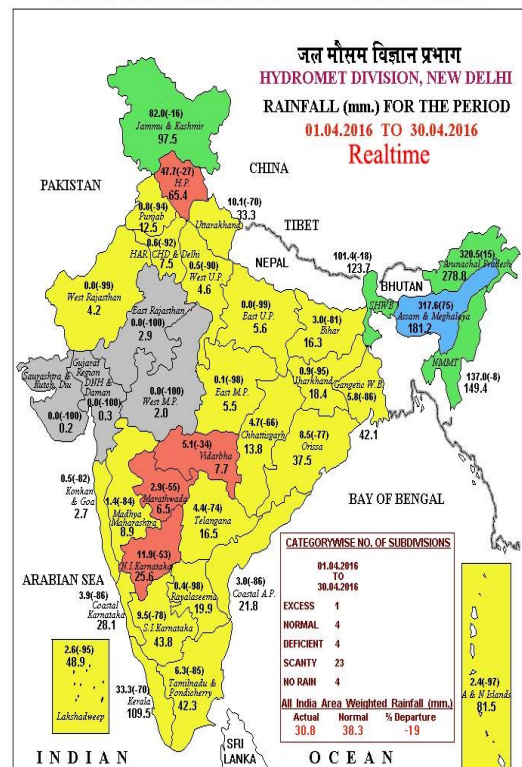


LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+1% TO -1%) ■ DEFICIENT (-20% TO -5%)
■ SCANTY (-60% TO -9%) ■ NO RAIN (-100%) NO DATA

NOTES:

- (a) Rainfall figures are based on operational data.
- (b) Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
Percentage Departures of Rainfall are shown in Brackets.

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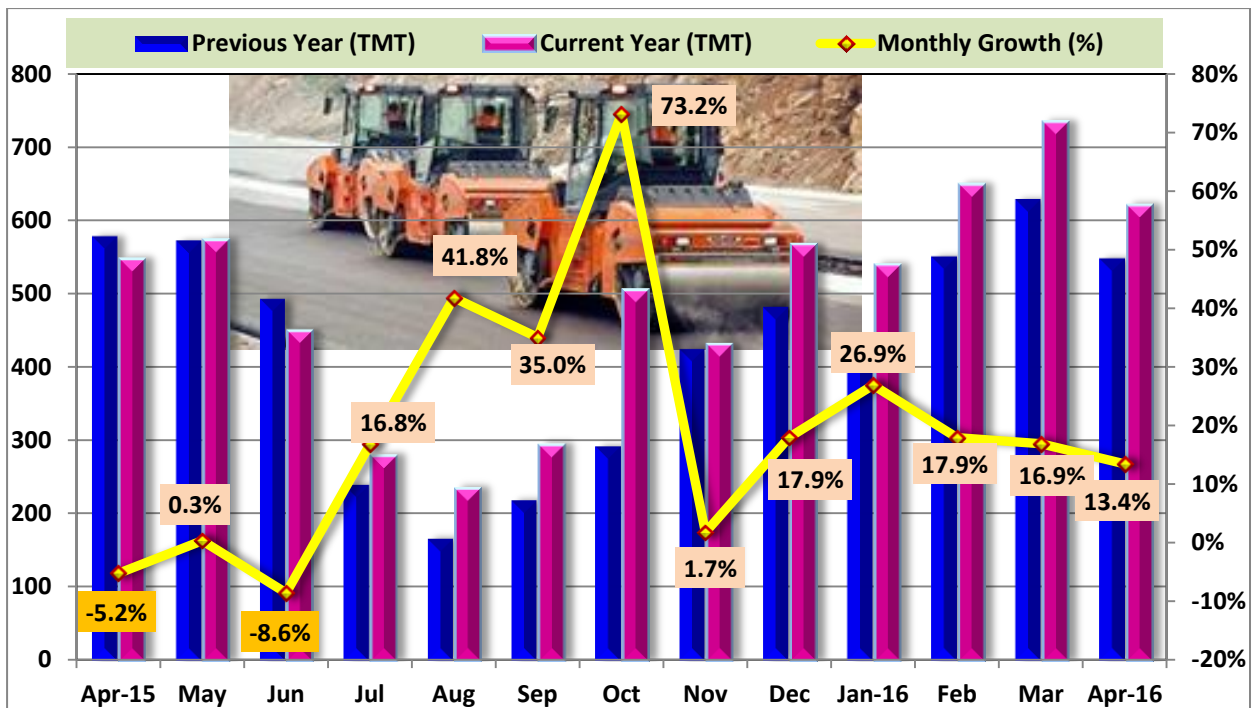
NOTES:

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1.4 Bitumen: Bitumen consumption registered a growth of 13.4% during the month of April, 2016. MoRTH has set a project award target of 10,000 Kms for 2016-17. National Highway construction rate is already touching 20 Kms a day, as against a target of 30 Kms a day. In line with Central government's ideology, states like Andhra Pradesh, Maharashtra, Punjab and Rajasthan have allocated substantial funds towards road development in their state budgets announced recently.

Figure-5 gives the month wise Bitumen consumption and growth since April, 2015.

Figure-5: Month-wise Bitumen consumption (TMT) and growth (%) since April, 2015



1.5 LPG: Total LPG consumption continuously for thirty two months in a row recorded a positive growth of 8.2% during April 2016. However, it is 12.8% lower than the previous month's (March, 2016) consumption of 1,835.4 TMT.

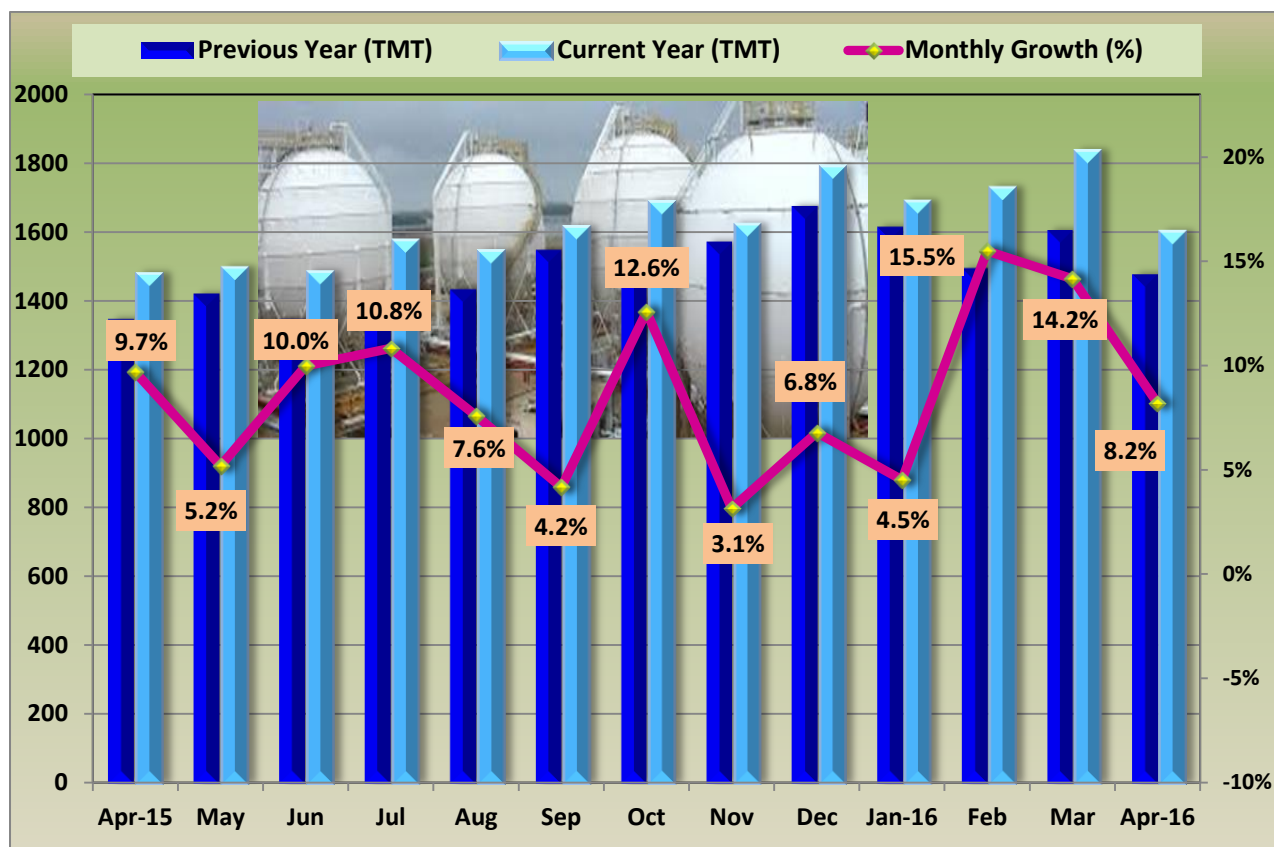
LPG-Packed Domestic consumption registered a growth of 6.6% during April, 2016. Last year during April, 2015, a growth of 7.8% was registered. This year during the period April, 2016, 11.6 lakh new connections and 6.3 lakh DBCs were released which have contributed to the growth of LPG packed domestic consumption. Continuous growth in LPG Packed Domestic from August, 2013 to April, 2016 has been observed, except for minor de-growth of -0.3% during November 2015

LPG-Packed Non-Domestic consumption for the sixteenth month in a row registered a positive growth of 29.6% in April, 2016. Last year during April, 2015, double digit growth of 41.4% was observed. This double digit 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 registered a positive growth of 30.6% during April, 2016. Last year in the month of April, 2015 growth of 33.3% was witnessed.

Auto LPG registered de-growth of -4.6% in April, 2016. However, last year in the month of April, 2015, Auto LPG consumption had witnessed a growth of 13.2%

Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015

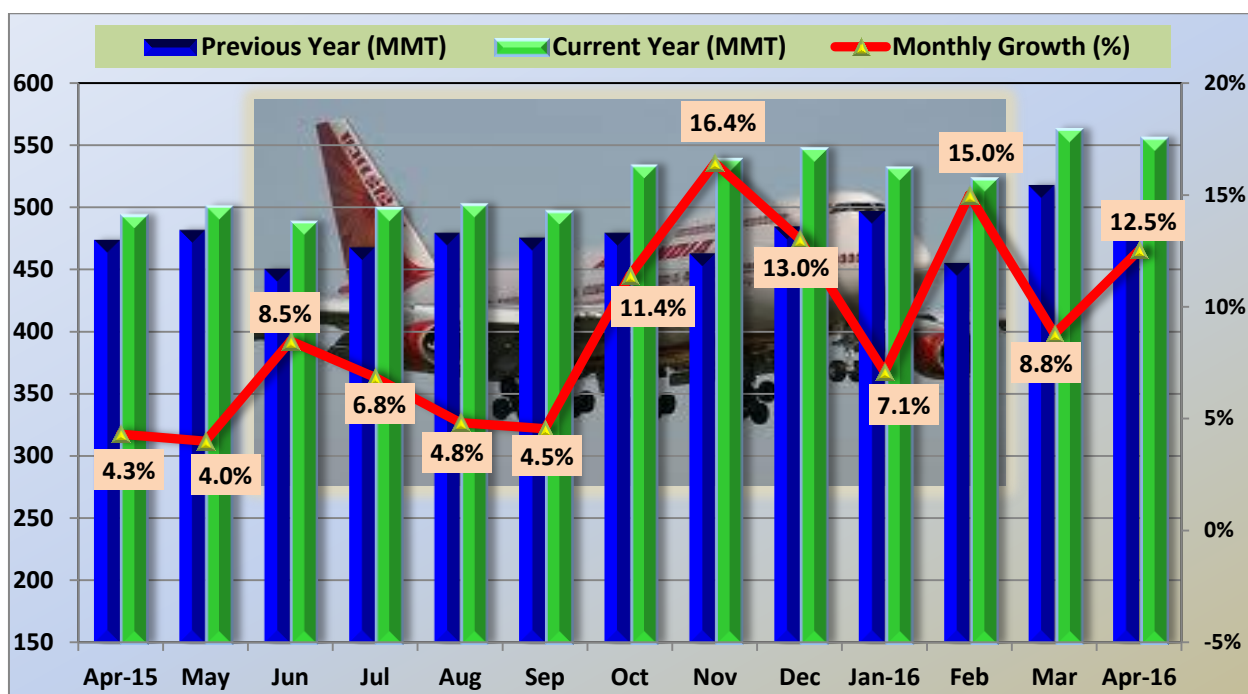


1.6 Naphtha: consumption recorded a growth of 25.6% during the month of April, 2016. The demand for naphtha has grown considerably since March 2015. This demand is driven by the demand for naphtha as a gasoline blend stock by the growing petrochemical industry (particularly polymers and plastics) and fertilizer sector. As manufacturing demand grows, the demand for plastics also grows, and naphtha is best placed to benefit from this, especially given the focus for 'Make in India' campaign.

1.7 ATF During April, 2016 the growth in consumption of ATF was 12.5%. Air traffic in India continued its upward journey growing at a phenomenal pace for four consecutive months helped by cheaper fares. Domestic airlines carried 79.32 lakh (7.93 million) passengers during April 2016, 20.93 percent more than 65.59 lakh (6.55 million) flown in April 2015.

The passenger load factor in the month of April 2016 also slightly increased vis-à-vis the previous month of March, 2016, primarily due to the onset of tourist season and capacity addition by some airlines like Spicejet.

Figure-7: Month-wise ATF consumption (TMT) and growth (%) since April, 2015



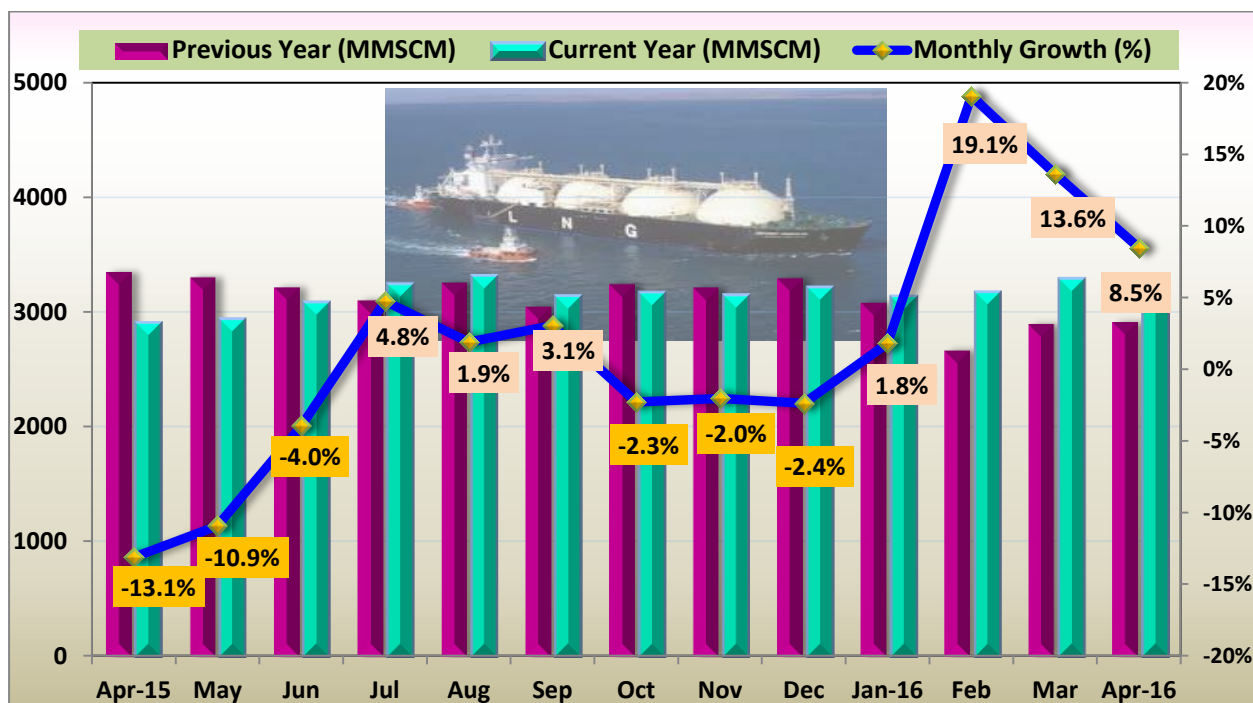
1.8 FO/LSHS: FO and LSHS consumption registered a growth of 29.2% during April, 2016. The growth is mainly due to increased consumption of FO in power, fertilizer, steel and other general trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like fertilizer industries. Also a drop in consumption of FO/LSHS was registered by petrochemical industry during the month.

1.9 PETCOKE: Pet-coke consumption registered a substantial growth of 38.2% during April, 2016. Multi-fuel cement plants use pet-coke 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 31.8 % in the month of April, 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 activities lead to increase in its consumption.

1.11 Natural Gas: Natural gas consumption saw an overall increase of about 8.5% in the month of April, 2016 as compared to April, 2015. In terms of volumes, total gas consumption during April, 2016 was 3,160 MMSCM as compared to 2,913 MMSCM in April, 2015. Natural gas consumption has shown growth predominantly due to improved consumption in power sector due to implementation of gas pooling policy and improved off-take by CGD sector.

Figure-8: Monthly Natural Gas consumption (MMSCM)



Major factors affecting Natural Gas consumption are highlighted below¹:

- Power Sector:** There was a net increase in consumption by power sector to the tune of 21.6 % from 650 MMSCM in April, 2015 to 790 MMSCM in April, 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 growth is seen primarily in the Western region i.e. in the states of Gujarat, Maharashtra, marginal decrease in southern region is primarily due to gas swapping issues. In Northern region, however, the power sector saw -10% decline as compared to April, 2015 due to Nil / low off-take by NTPC-Anta, Faridabad, Pragati power- Bawana and RRVUNL-Dholpur .
- Fertilizer Sector:** Natural gas consumption in the fertilizer sector witnessed a slump of 9.3% during April, 2016 as compared to April, 2015. In April, 2016, fertilizer sector consumed 1,070 MMSCM of gas as compared to 1,179 MMSCM of gas in April, 2015. Gas consumption in Western region saw a positive growth of 8.7% while Northern and Southern regions consumption declined by -15.5% and -52.7% respectively. The reasons for lower consumption are shutdown of TCL, Babrala and low consumption of gas in IFFCO Anola and Nagarjuna Fertilizer Corporation Limited in Andhra Pradesh. The net effect remained negative due to low consumption in Northern and Western regions.
- City Gas Distribution Sector (CGD):** CGD sector showed a growth of 30% from 331 MMSCM in April, 2015 to 431 MMSCM in April, 2016 due to increase in off-take by CGD companies in all the regions as CGD (CNG transport and PNG domestic) gets top-most priority for domestic gas allocation.

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

4. **Internal Consumption:** Internal consumption (IC) witnessed an increase of 32% from 291 MMSCM in April, 2015 to 385 MMSCM during April, 2016 primarily due to increase in appetite of companies for lower priced spot LNG resulting from the steep decline of crude prices. Northern and Western regions witnessed sharp growth of 37% and 26% due to increased off-take by IOCL refineries and GAIL processing units. In Southern region, due to low flow in RIL pipeline, internal consumption was low.
5. **Others Sector:** There was overall growth of about 7.28% from 372 MMSCM in April, 2015 to 399 MMSCM during April, 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 sales in Western region.

PPAC

Industry Consumption Trend Analysis (Provisional) : April 2016

('000 MT)

Product	April			April-April		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	567.9	515.8	-9.2	567.9	515.8	-9.2
LPG	1,479.7	1,600.8	8.2	1,479.7	1,600.8	8.2
Sub Total	2,047.6	2,116.6	3.4	2,047.6	2,116.6	3.4
(B) Major Decontrolled Products						
Naphtha	942.4	1,183.5	25.6	942.4	1,183.5	25.6
MS	1,783.6	1,995.7	11.9	1,783.6	1,995.7	11.9
HSD	6,486.9	6,773.6	4.4	6,486.9	6,773.6	4.4
Lubes + Greases	272.7	252.6	-7.4	272.7	252.6	-7.4
LDO	25.7	33.8	31.8	25.7	33.8	31.8
FO/LSHS	484.5	626.1	29.2	484.5	626.1	29.2
Bitumen	548.1	621.7	13.4	548.1	621.7	13.4
ATF	493.9	555.8	12.5	493.9	555.8	12.5
Sub Total	11,037.8	12,042.8	9.1	11,037.8	12,042.8	9.1
Sub - Total (A) + (B)	13,085.4	14,159.4	8.2	13,085.4	14,159.4	8.2
(C) Minor Decontrolled Products						
Pet. Coke	1,125.7	1,555.2	38.2	1,125.7	1,555.2	38.2
Others	504.0	530.4	5.2	504.0	530.4	5.2
Sub Total	1,629.7	2,085.6	28.0	1,629.7	2,085.6	28.0
Total	14,715.1	16,245.0	10.4	14,715.1	16,245.0	10.4