

# INDUSTRY SALES REVIEW

May 2016



Analysis • Knowledge • Information

**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 May, 2016. Data on product-wise monthly consumption of petroleum products for May, 2016 is uploaded on PPAC website ([www.ppac.org.in](http://www.ppac.org.in)).

## 1.0 CONSUMPTION :

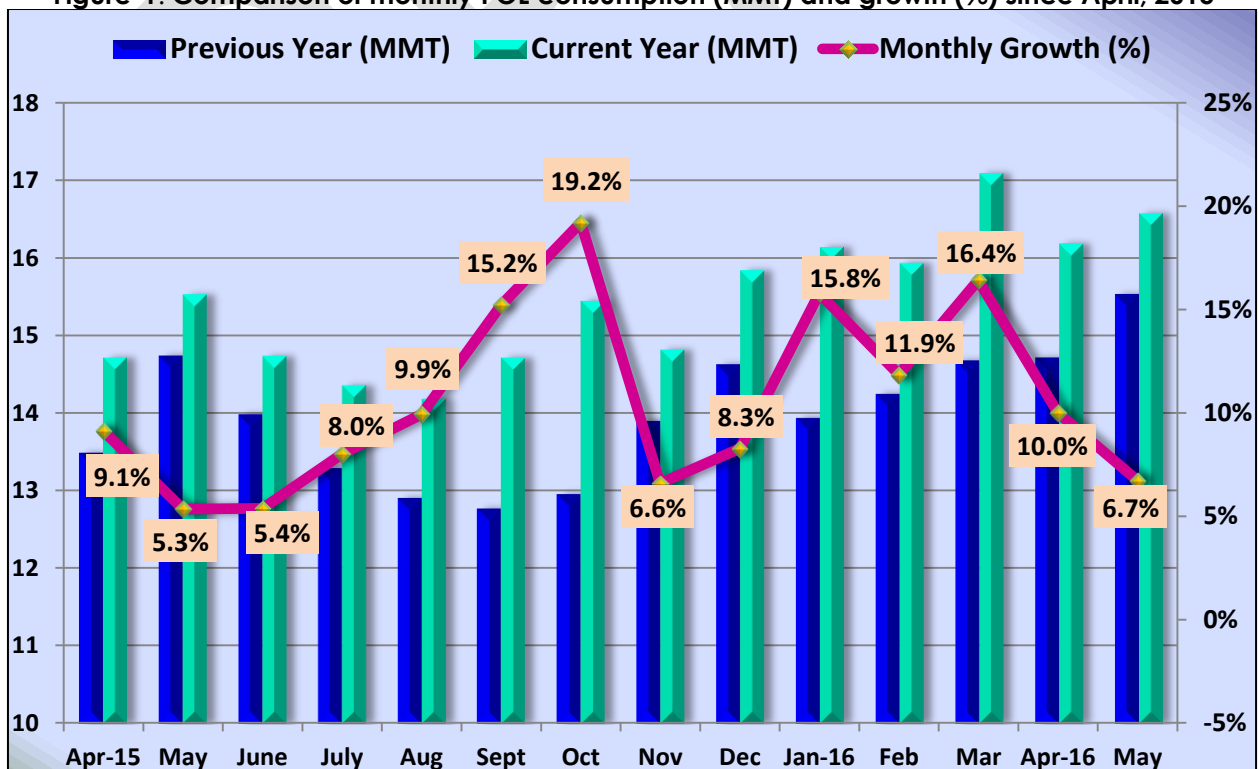
The growth (%) in consumption of petroleum products, category-wise, for the month of May, 2016 is given in Table-1.

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

PRODUCT	% Share	May 2015	May 2016	Growth (%)	Products Included
<b>Sensitive Products</b>	13.3%	2,074	2,138	3.1%	SKO & LPG
<b>Major decontrolled Products</b>	73.3%	11,379	12,308	8.2%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
<b>Minor decontrolled Products</b>	13.4%	2,075	2,127	2.5%	Pet. Coke & other minor products
<b>Grand Total</b>	<b>100%</b>	<b>15,528</b>	<b>16,573</b>	<b>6.7%</b>	

**1.1 All Products:** The consumption of all petroleum products registered a growth of 6.7% in May, 2016 as compared to that in May, 2015. Except for SKO and Naphtha, which recorded a negative growth of -8.1% and -7.4% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 8.3% was registered for the period April to May, 2016 and SKO was the only product, where a negative growth of -8.6% was registered.

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



A growth of 6.7% was recorded in demand of petroleum products in the current month. Both manufacturing production and services activity grew at softer rates in the current month. Nikkei India Services Business Activity index dropped from 53.7 in April, 2016 to 51.0 in May, 2016 pointing to a slight expansion in business activity that was the weakest since November, 2015. The Nikkei Manufacturing PMI in India stood at 50.7 in May, 2016, as compared to 50.5 in April, 2016.

The new financial year started on a muted note with industrial production contracting in April, 2016. Business conditions across India's manufacturing industry improved for the fifth straight month in May, 2016, but with slight pace. The rates of growth were well below trend.



The chart on the left shows % growth in IIP (Index of Industrial Production) month-wise. Figures released by CSO showed that IIP shrank by 0.8% in April 2016. The manufacturing sector has 75% weightage in IIP.

Improved production of consumer durables indicating strong urban demand, contraction in capital goods, an indicator of investment demand and decline in consumer non-durable output, an indicator of weakening rural demand during the last two months of the current financial year indicated the dependence of Indian economy on agriculture and monsoon. However it is expected that on the back of improved infrastructure spending by the government and recovery in monsoon, the demand for capital goods and consumer non-durables would also improve, thereby further strengthening the demand and consumption of petroleum products in the country during 2016-17.

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

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

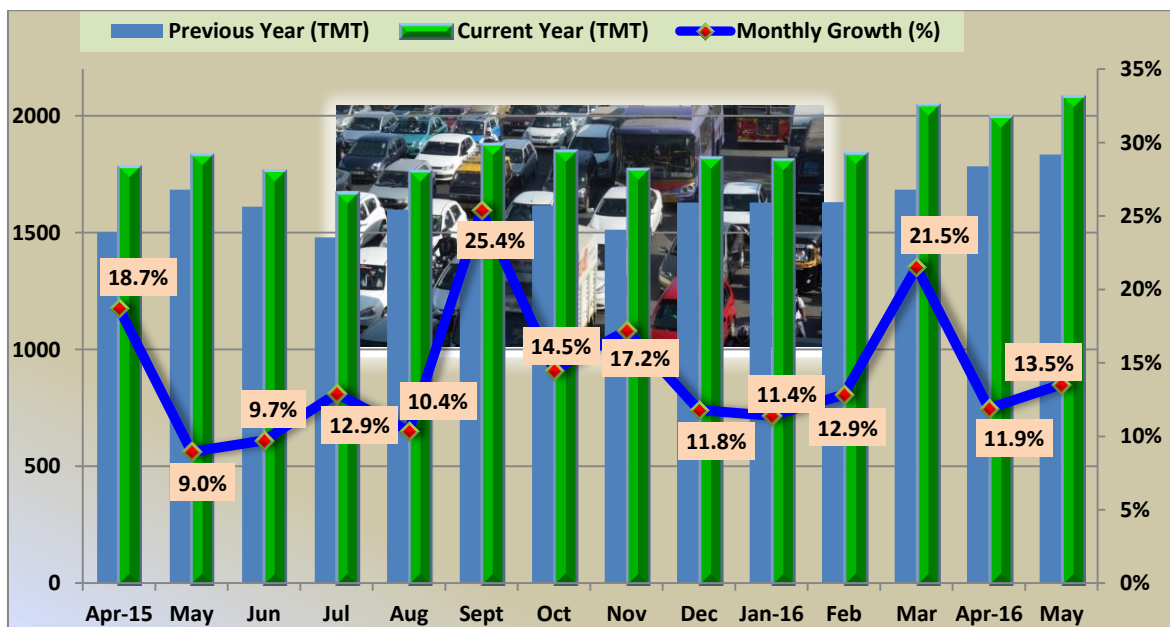
**1.2 Petrol / Motor Spirit (MS):** MS consumption during the month of May, 2016 recorded a good growth of 13.5% as compared to May, 2015 and a cumulative growth of 12.7% for the period April to May, 2016. The high growth in MS consumption can be attributed mainly to:

- i. Consumer preference for petrol driven vehicles as the price difference between petrol and diesel has waned.
- ii. Continuous high sale of two wheelers has given good growth to MS sales.

- iii. Good weather conditions and school vacation pushing travel for tourism.
- iv. Price increment speculations towards the month end prompted the retail outlet network to tank up the inventories at retail outlets which resulted in advance shifting of MS sales from June to May 2016.
- v. Election campaigns in the states of Assam, West Bengal, Kerala, Tamil Nadu and Puducherry continued during the first half of the month with much hype and activity.

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

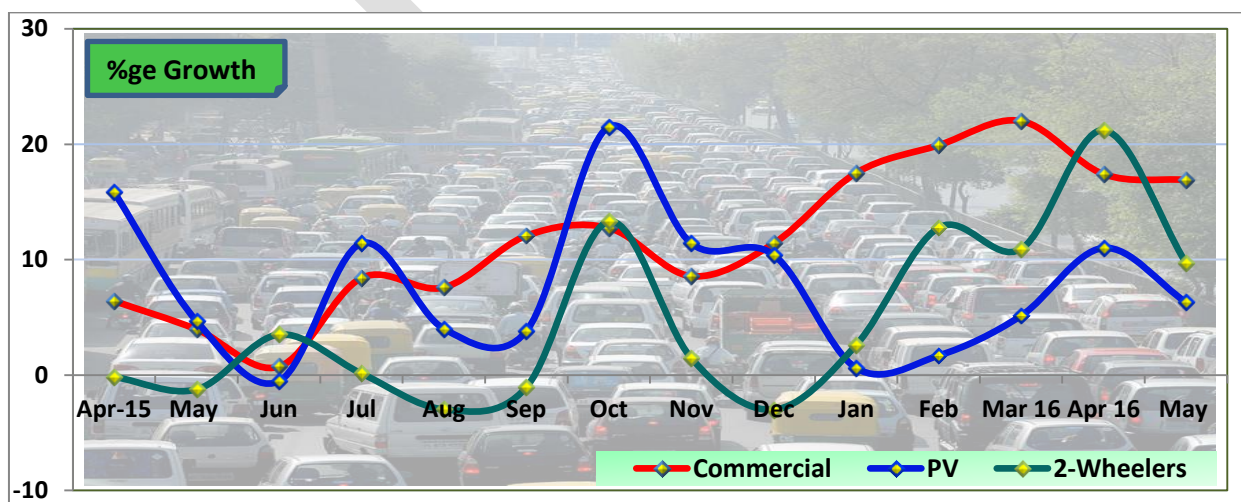
**Figure-2: Month wise MS consumption (TMT) and growth (%) since Apr, 2015**



**Other factors impacting consumption of MS are:**

Passenger vehicle recorded a strong domestic sales growth for the second consecutive months of the new fiscal year by registering a growth of 6.3 percent in May at 2,31,640 units.

**Figure-3: Month-wise sales growth (%) of Indian Automobile Industry since April, 2015**



- a) **Total passenger vehicles (PV) sales:** The Indian passenger car industry growth during May, 2016 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. SIAM data for May, 2016 reveals a lackluster performance by the passenger car and vans segment, which was down by -0.9% and -3.4% respectively while utility vehicles recorded a strong growth of 35.9%. Continuing decline of sales in rural markets is a matter of concern for car manufacturers.

Segment	May 2015	May 2016	Growth (%)
Passenger Cars	160,371	158,996	-0.9%
Utility Vehicles	43,269	58,793	35.9%
Vans	14,344	13,851	-3.4%
<b>Total: Passenger Vehicles (PVs)</b>	<b>217,984</b>	<b>231,640</b>	<b>6.3%</b>

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 sales in two-wheeler segment recorded a growth of 9.7% during the month with total sales of 15.1 lakh units. The sales in the month of May, 2016 were subdued when compared to April, 2016 numbers due to suppressed market demand. April, 2016 had reported high off take on account of the marriage season and regional festivals in different parts of the country.

Scooters continued to outperform with sales of 454,992 units and a growth of 25.0%. The motorcycle segment registered a subdued growth of 3.3% and the moped sales recorded a strong growth of 18.6% during May, 2016.

Segment	May 2015	May 2016	Growth (%)
Scooter / Scooterette	364,073	454,992	25.0%
Motor Cycles	953,311	985,158	3.3%
Mopeds	63,555	75,406	18.6%
<b>Total: 2-wheelers</b>	<b>1,380,939</b>	<b>1,515,556</b>	<b>9.7%</b>

Source: SIAM

**1.3 High Speed Diesel (HSD):** HSD consumption in the country recorded a growth of 8.1% during the month of May, 2016 as compared to May, 2015 and a cumulative growth of 6.3% during the period April to May, 2016.

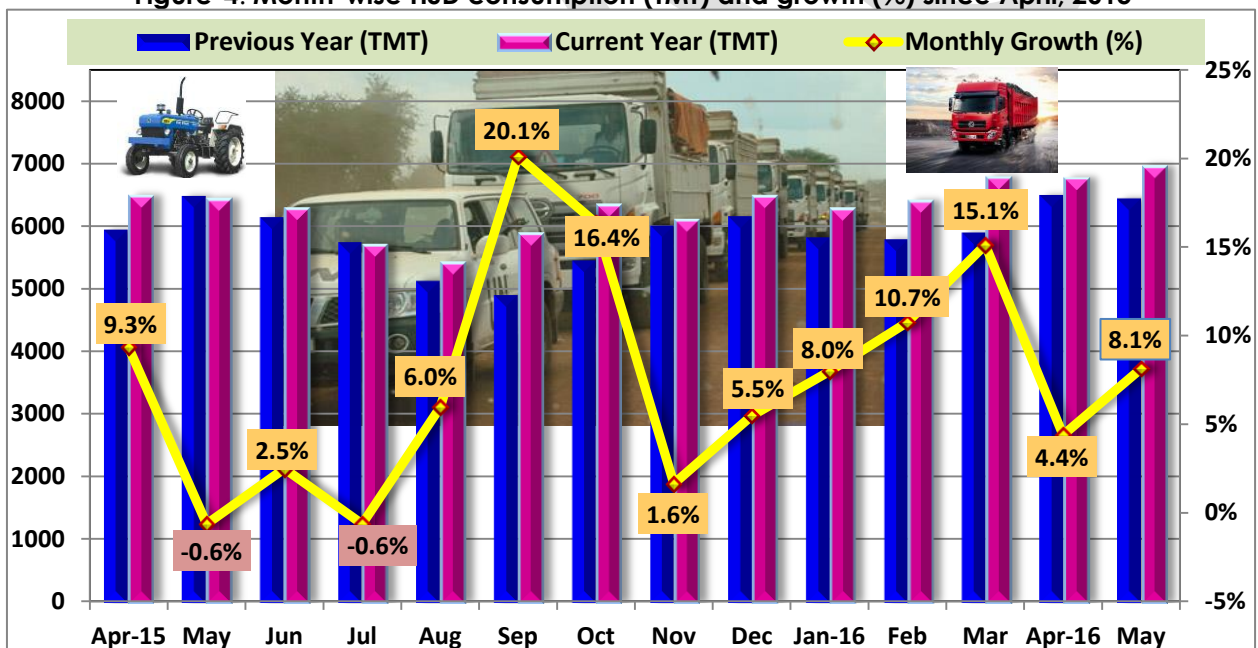
India's gross domestic product (GDP) grew 7.6 per cent in 2015-16, powered by a rebound in farm output, and an improvement in electricity generation and mining production in the fourth quarter of the fiscal. It is predicted that India's economic growth will cross the 8 per cent mark this fiscal on the back of good monsoon and pick up in manufacturing as the growth in the last quarter of the previous fiscal touched 7.9 per cent because of uptick in manufacturing activity and improved performance of agriculture sector. India also has a lot of infrastructure deficit. The sector is highly responsible for propelling India's overall



development and it is currently enjoying intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure. Diesel will be a clear beneficiary of the push towards manufacturing and infrastructure improvement in the country. During the month of May, 2016 a growth in diesel sales was registered mainly due to following reasons:

1. A lot of infrastructure projects have been initiated by the government across the country and there is a push in construction activity resulting in higher diesel consumption.
2. Economic viability of public transport and carrier vehicles has become better due to cheaper fuel.
3. Election campaigns continued in the states of Assam, West Bengal, Kerala, Tamil Nadu and Puducherry during the first half of the month boosting vehicular movement.
4. Anticipated upward price revision that happened on 1<sup>st</sup> of June, 2016 prompted retail outlet network to fill up their storage tanks.
5. Higher use of diesel by farmers who used pumps for irrigation in the absence of rain.

**Figure-4: Month-wise HSD consumption (TMT) and growth (%) since April, 2015**



### Other factors affecting diesel consumption are discussed below:

a) **Commercial vehicles (CV) sales:** The commercial vehicle sector is slowly but surely reaping the gains of the improving Indian economy and is recording month on month growth. Thanks to replacement demand, pre-buying and improving the viability of fleet operators and mining segments, medium and heavy commercial vehicles (M&HCVs) maintained their growth curve and recorded a growth of 21.0 % during the month of May, 2016. The sale of heavy-duty trucks is doing well, mainly due to the huge investments being made by the government in infrastructure and core sector projects such as roads, ports, mining, railways and smart cities.

- b) **Light Commercial Vehicle (LCV)** sales registered a growth of 13.9% during the month of May, 2016. Improving economy of the country and overall recovery due to improved industry and infrastructure sector is also driving the LCV sales growth.

Segment	May 2015	May 2016	Growth (%)
M&HCVs	20,615	24,951	21.0%
LCVs	28,226	32,138	13.9%
<b>Total: Commercial Vehicles</b>	<b>48,841</b>	<b>57,089</b>	<b>16.9%</b>

Source: SIAM

- c) **Port traffic:** There has been a growth of 3.3% in port traffic handled for the month of May, 2016. The growth in port traffic and cargos handled at major ports during May, 2016 is mainly due to increase in port traffic at Paradip, Vishakhapatnam, New Mangalore, Mormugao and Kandla.

**Table-2** below gives the port-wise performance during the month of May, 2016. The growth in traffic during the month has been contributed mostly by Iron ore (523.2%), raw fertilizer (21.5%), other liquids (8.0%), POL products (2.8%), and thermal coal (1.3%) while there has been a drop in finished fertilizer (-28.8%), coking coal (-7.8%) and other miscellaneous cargoes handled. Huge growth in iron ore traffic is due to resumption of iron ore mining activities in Karnataka, Goa and Odisha.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	May 2015	May 2016	Growth (%)
KOLKATA + HALDIA	4,515	4,006	-11.27%
PARADIP	5,891	6,792	15.29%
VISAKHAPATNAM	4,912	5,575	13.50%
KAMARAJAR (ENNORE)	2,540	2,741	-7.33%
CHENNAI	4,443	4,307	-3.06%
V.O. CHIDAMBARANAR	2,803	3,221	-12.98%
COCHIN	2,010	1,957	-2.64%
NEW MANGALORE	3,204	3,295	2.85%
MORMUGAO	1,669	3,415	104.61%
MUMBAI	5,587	5,417	-3.04%
JNPT	5,803	5,460	-5.91%
KANDLA	9,338	9,532	2.08%
<b>TOTAL:</b>	<b>53,334</b>	<b>55,099</b>	<b>3.31%</b>

Source: IPA

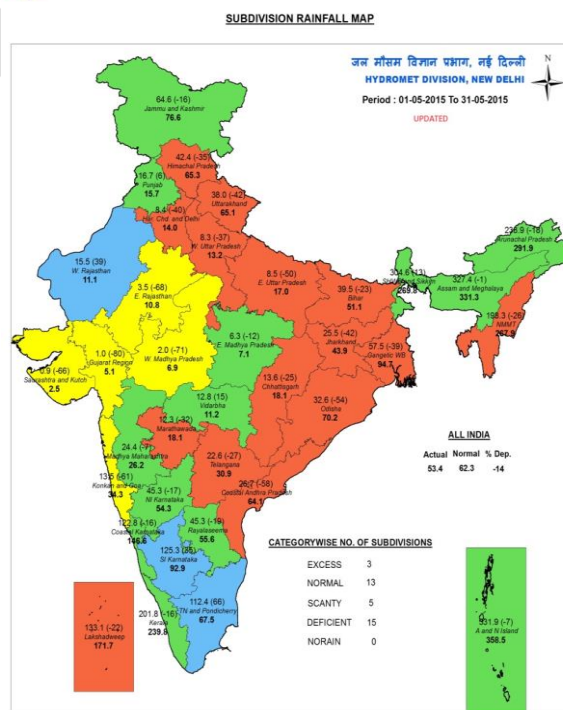
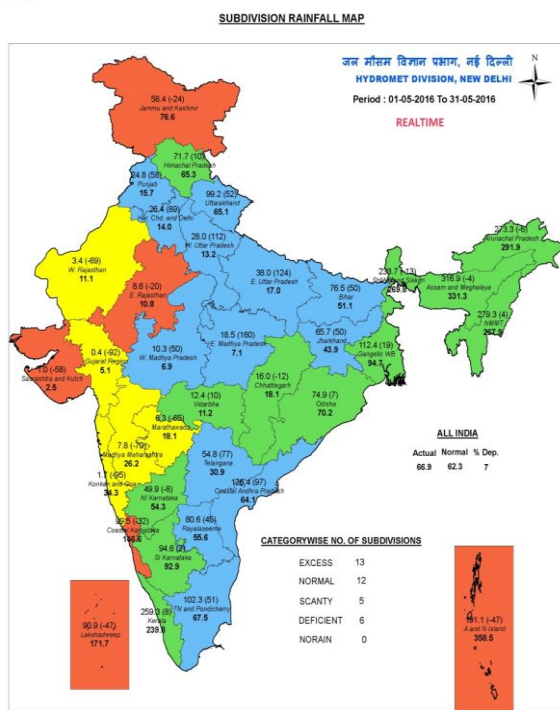
- d) **Power situation improves:** The power deficit position for the month of May, 2016 is given in Table-3. The power deficit position improved from -2.4% in May, 2015 to -0.6% during May, 2016. The shortage during the month improved for all regions. The improved power position may have led to reduced usage of diesel for back-up power generation.

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

States	May 2016 (P)				May 2015
	Requirement (MU)	Available (MU)	MU	(%)	Deficit (%)
North	30,924	30,472	-423	-1.5%	-4.6%
West	30,532	30,511	-21	-0.1%	-0.3%
South	25,310	25,307	-3	0%	-1.9%
East	11,255	11,238	-17	-0.2%	-1.1%
North-East	1,227	1,169	-57	-4.7%	-15.6%
<b>Total</b>	<b>99,248</b>	<b>98,697</b>	<b>-551</b>	<b>-0.6%</b>	<b>-2.4%</b>

Source: Central Electricity Authority (CEA)

**Seasonal rainfall scenario:** India's monsoon deficit has widened to 25% since the beginning of June as rainfall in the month of May and June has been less than half of the normal level, increasing the anxiety of farmers. Weather scientists say total rainfall is well below average, primarily because the monsoon hit peninsular India a week late and has not progressed smoothly after that. Delayed monsoon has led to increased pump set usage thereby increasing diesel consumption.



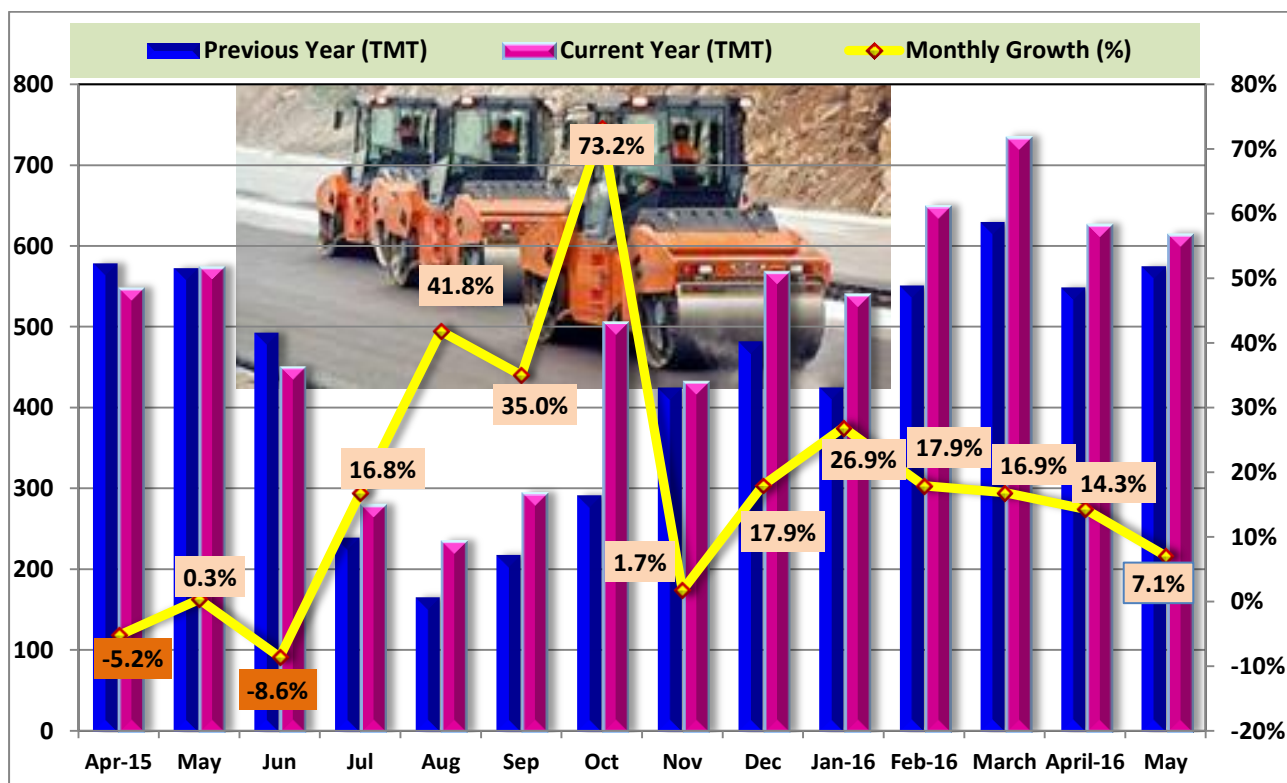
**1.4 Bitumen:** Bitumen consumption registered a growth of 7.1% during the month of May, 2016 and a cumulative growth of 10.6% during the period April to May, 2016. India has a road infrastructure of 3.3 million km, the second largest road network in the world, after the USA. The National Highways cover 2% of the total network and carry the maximum share of freight and passenger traffic making them India's lifeline. The government has kept the development of roads at a



high priority and is already setting up new networks and rehabilitating existing road networks by carrying out projects such as four laning of existing roads and creating road over-bridges and railway crossings to make them safer. 468 kms of roads were constructed during April, 2016, 677 kms in May, 2016 and 800 kms is expected in June, 2016 against the target of 15,000 kms to be constructed during the current financial year. Demand of bitumen is at its peak during summers before rains.

**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 for thirty three months in a row recorded positive growth of 7.4% during May, 2016 and a cumulative growth of 7.8% for the period April to May, 2016. Compounded Annual Growth Rate (CAGR) of last five years is 6.4% and last 10 years is 6.5%.

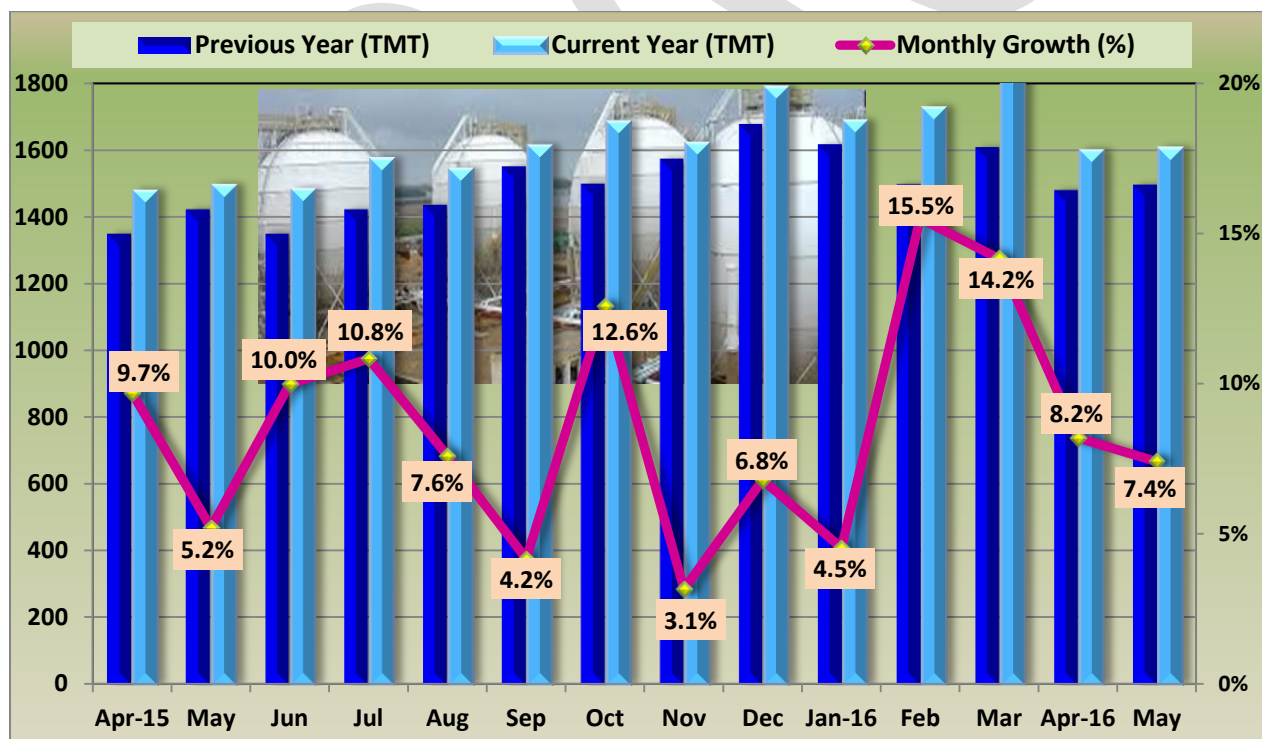
**LPG-Packed Domestic** consumption registered a growth of 5.7% during May, 2016 and a growth of 6.1% during the period April to May, 2016. Last year during May, 2015 growth of 3.5% was observed. During the month of May, 2016, percentage share of LPG-Packed Domestic was 86.9% of total LPG consumption, however, in May, 2015 it was 88.3%. Decrease in market share of LPG-packed domestic consumption is probably due to the impact of implementation of DBTL and curb on diversion of subsidized domestic cylinders. This year during the period April to May 2016, 21.8 lakh new connections and 12.3 lakh DBCs were released which have contributed to the growth of LPG packed domestic consumption.

**LPG-Packed Non-Domestic** consumption for the seventeenth month in a row registered a positive growth of 21.5% in May, 2016 and cumulative growth of 25.8% during April to May, 2106. Last year during May, 2015, high growth of 37.0% was observed and cumulative growth during April to May, 2015 was 39.1%. Market share of LPG packed non-domestic has increased to 8.1% during May, 2016 from 7.2% in May, 2015. This high growth and increase in market share 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 22.0% during May, 2016 and a cumulative growth of 24.2% during April to May, 2016. Last year in the month of May, 2015 growth of 4.6% and for the cumulative period April to May, 2015 a growth of 16.4% was witnessed. Percentage share of bulk LPG consumption has also increased marginally to 2.0% in May, 2016 as compared to 1.7% in May, 2015.

**Auto LPG** registered a de-growth of -4.5% in May, 2016 and cumulative de-growth of -4.8% during April to May, 2016. However, last year in the month of May, 2015 growth of 8.9% and cumulative growth of 10.9% during April to May, 2015 was observed.

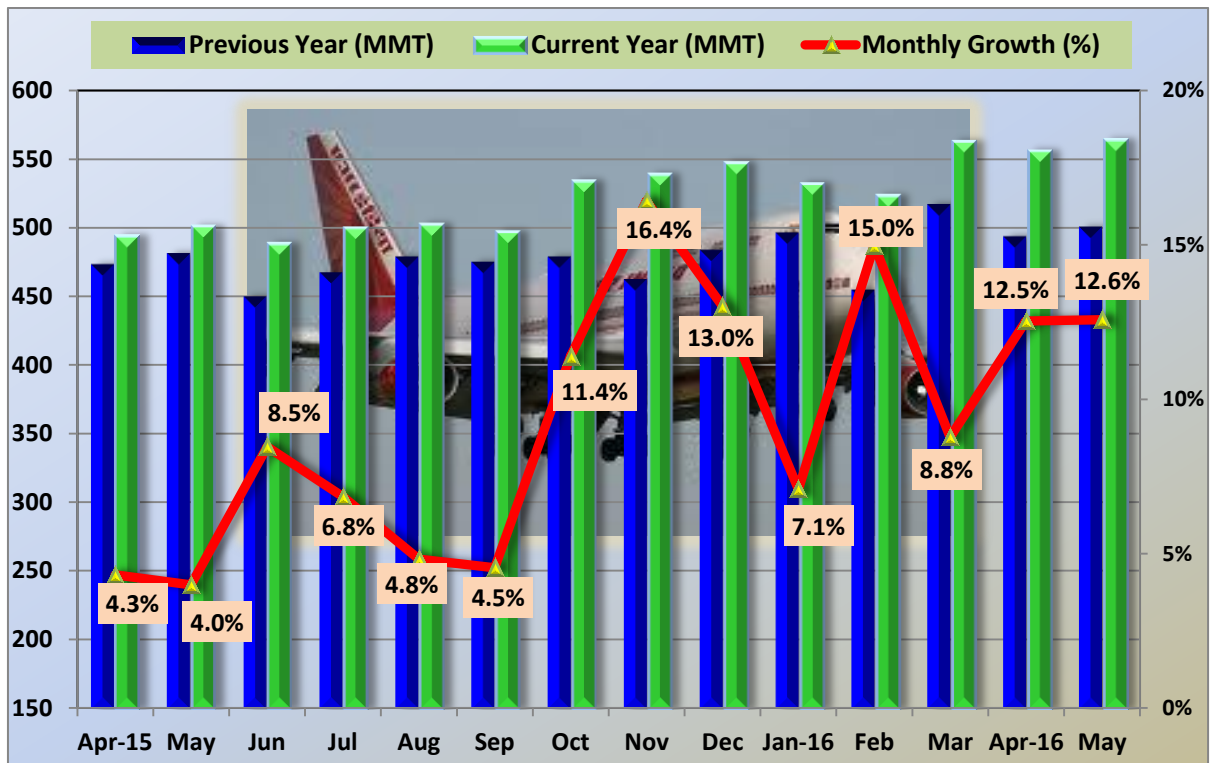
**Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015**



**1.6 Naphtha:** consumption recorded a de-growth of -7.4% during the month of May, 2016 and a cumulative growth of 4.0 % for the period April to May, 2016. The consumption during the month is lower due to less offtake by the petrochemicals sector.

**1.7 ATF** During May, 2016 the growth in consumption of ATF was 12.6% and a cumulative growth of 12.5 % during the period April to May, 2016 was observed. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 86.69 lakh (8.67 million) passengers during May, 2016, 21.63 % more than 71.27 lakh (7.12 million) flown in May, 2015.

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



**1.8 FO/LSHS:** FO and LSHS consumption registered a growth of 17.0% during May, 2016 and a cumulative growth of 22.9 % for April- May, 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.

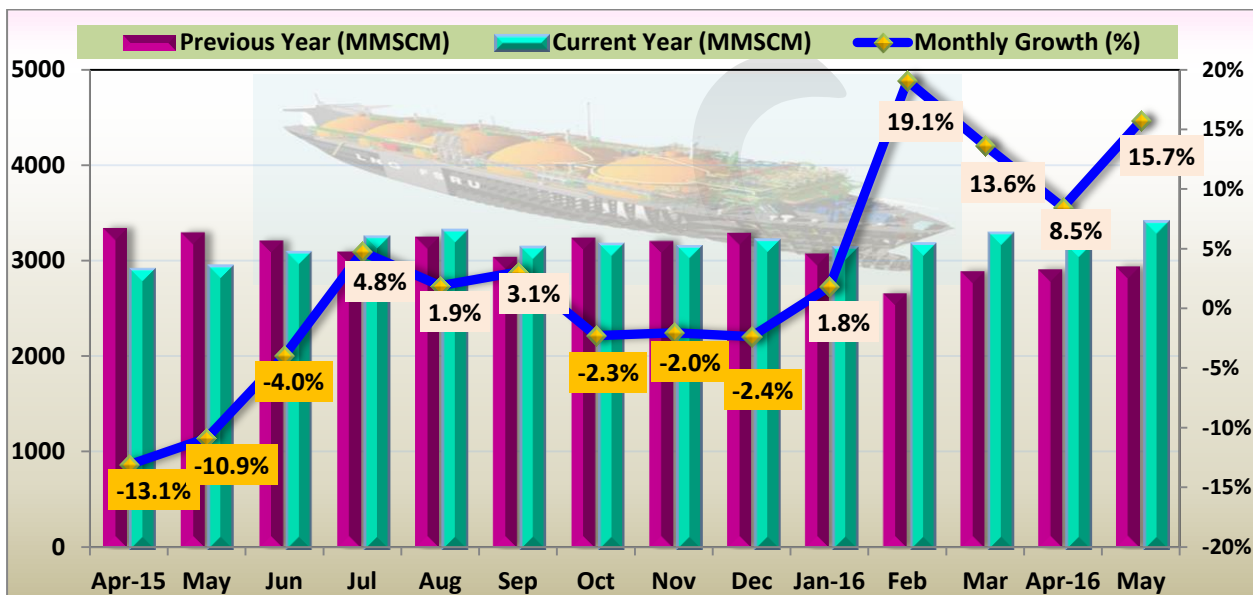
**1.9 PETCOKE:** Pet-coke consumption registered a growth of 2.4% during May, 2016 and a cumulative growth of 18.3 % for April- May, 2016. Multi-fuel cement plants use pet-coke for their production and fall in prices of petroleum products makes it very lucrative to use.

**1.10 LDO:** LDO consumption recorded a growth of 46.6 % in the month of May, 2016 and a cumulative growth of 39.1 % for April- May, 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:

On month on month basis, natural gas consumption saw a jump of 15.72% in May, 2016 as compared to May, 2015. In terms of volumes, total consumption during May, 2016 was 3,407 MMSCM as compared to 2,944 MMSCM in May, 2015. On cumulative basis, gas consumption increased by 12.12% from 5,857 MMSCM during April to May 2015 to 6,566 MMSCM during April to May 2016. Natural gas consumption has shown growth predominantly due to improved consumption in power sector due to implementation of gas pooling policy, improved off-take by CGD and others sector and increased consumption by GAIL for its plants in Vijaiapur and Pata.

Figure-8: Monthly Natural Gas consumption (MMSCM)



Major factors affecting Natural Gas consumption are highlighted below<sup>1</sup>:

- Power Sector:** There was a net increase in consumption by power sector to the tune of 17.54 % from 681 MMSCM in May, 2015 to 800 MMSCM in May, 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 and Southern regions i.e. in the states of Maharashtra, Andhra Pradesh and Telangana. In Northern region, however, the power sector saw 8.31% decline as compared to May, 2015 due to low off-take in UP and Delhi. On cumulative basis, overall consumption in power sector during April to May 2016 rose by 19.52% to 1,590.40 MMSCM from 1,330.62 MMSCM during the same period last year.
- Fertilizer Sector:** Fertilizer sector witnessed a marginal slump of 0.13% compared to May, 2015. In May, 2016, fertilizer sector consumed 1,192.63 MMSCM of gas compared to 1,194.24 MMSCM of gas in May, 2015. Gas consumption in Southern region saw a positive growth of 25.88% due to increased RIL sales, while Northern and Western regions consumption declined marginally by 2.55% and 1.16% respectively. On cumulative basis, overall consumption during April to May 2016 has declined by 4.7% to 2,261.54 MMSCM from 2,373.19 MMSCM during the same period last year.

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

3. **City Gas Distribution Sector (CGD)**: CGD sector showed a healthy growth of 39.23% from 319.87 MMSCM in May, 2015 to 445.34 MMSCM in May, 2016 due to increase in off-take by CGD companies across all the regions as CGD (CNG transport and PNG domestic) gets top-most priority of domestic gas allocation. On cumulative basis, overall consumption grew by 35.1% increasing from 650.89 MMSCM during April to May 2015 to 879.35 MMSCM during April to May 2016.
4. **Internal Consumption**: Internal consumption (IC) witnessed an increase of 33.61% from 306.16 MMSCM in May, 2015 to 409.06 MMSCM in May, 2016 as GAIL's Pata plant was under annual shutdown in May, 2015 and consumption has increased in IOCL refineries. On cumulative basis, overall consumption has increased by approx. 33% to 794.39 MMSCM during April to May 2016 against 597.37 MMSCM during the same period last year as GAIL's new PATA-II petrochemical plant started production.
5. **Others Sector**: There was overall growth of about 17.08 % from 359.74 MMSCM in May, 2015 to 421.19 MMSCM in May, 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 due to increased consumption in Western region, primarily in Gujarat and Maharashtra. On cumulative basis, overall consumption increased by around 11.69% to 816.81 MMSCM during April to May 2016 against 731.29 MMSCM during the same period last year.

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## Industry Consumption Trend Analysis (Provisional) : April-May 2016

('000 MT)

Product	May			April-May		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
<b>(A) Sensitive Products</b>						
SKO	577.1	530.4	-8.1	1,144.9	1,046.5	-8.6
LPG	1,496.6	1,607.4	7.4	2,976.2	3,208.2	7.8
<b>Sub Total</b>	<b>2,073.7</b>	<b>2,137.8</b>	<b>3.1</b>	<b>4,121.1</b>	<b>4,254.7</b>	<b>3.2</b>
<b>(B) Major Decontrolled Products</b>						
Naphtha	1,239.7	1,147.8	-7.4	2,182.1	2,269.3	4.0
MS	1,834.1	2,082.4	13.5	3,617.6	4,078.2	12.7
HSD	6,435.1	6,958.4	8.1	12,922.0	13,729.9	6.3
Lubes + Greases	235.3	279.2	18.7	508.0	532.9	4.9
LDO	24.5	36.0	46.6	50.2	69.8	39.1
FO/LSHS	535.1	625.8	17.0	1019.6	1253.5	22.9
Bitumen	574.1	614.7	7.1	1122.1	1241.3	10.6
ATF	500.8	563.8	12.6	994.7	1118.8	12.5
<b>Sub Total</b>	<b>11,378.7</b>	<b>12,308.1</b>	<b>8.2</b>	<b>22,416.3</b>	<b>24,293.7</b>	<b>8.4</b>
<b>Sub - Total (A) + (B)</b>	<b>13,452.4</b>	<b>14,445.9</b>	<b>7.4</b>	<b>26,537.4</b>	<b>28,548.4</b>	<b>7.6</b>
<b>(C) Minor Decontrolled Products</b>						
Pet. Coke	1,554.1	1,591.5	2.4	2,679.8	3,169.7	18.3
Others	521.4	535.3	2.7	1,025.4	1,041.0	1.5
<b>Sub Total</b>	<b>2,075.4</b>	<b>2,126.8</b>	<b>2.5</b>	<b>3,705.2</b>	<b>4,210.7</b>	<b>13.6</b>
<b>Total</b>	<b>15,527.8</b>	<b>16,572.7</b>	<b>6.7</b>	<b>30,242.6</b>	<b>32,759.1</b>	<b>8.3</b>