INDUSTRY SALES REVIEW

June 2016

PPAC

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

1.0 CONSUMPTION :

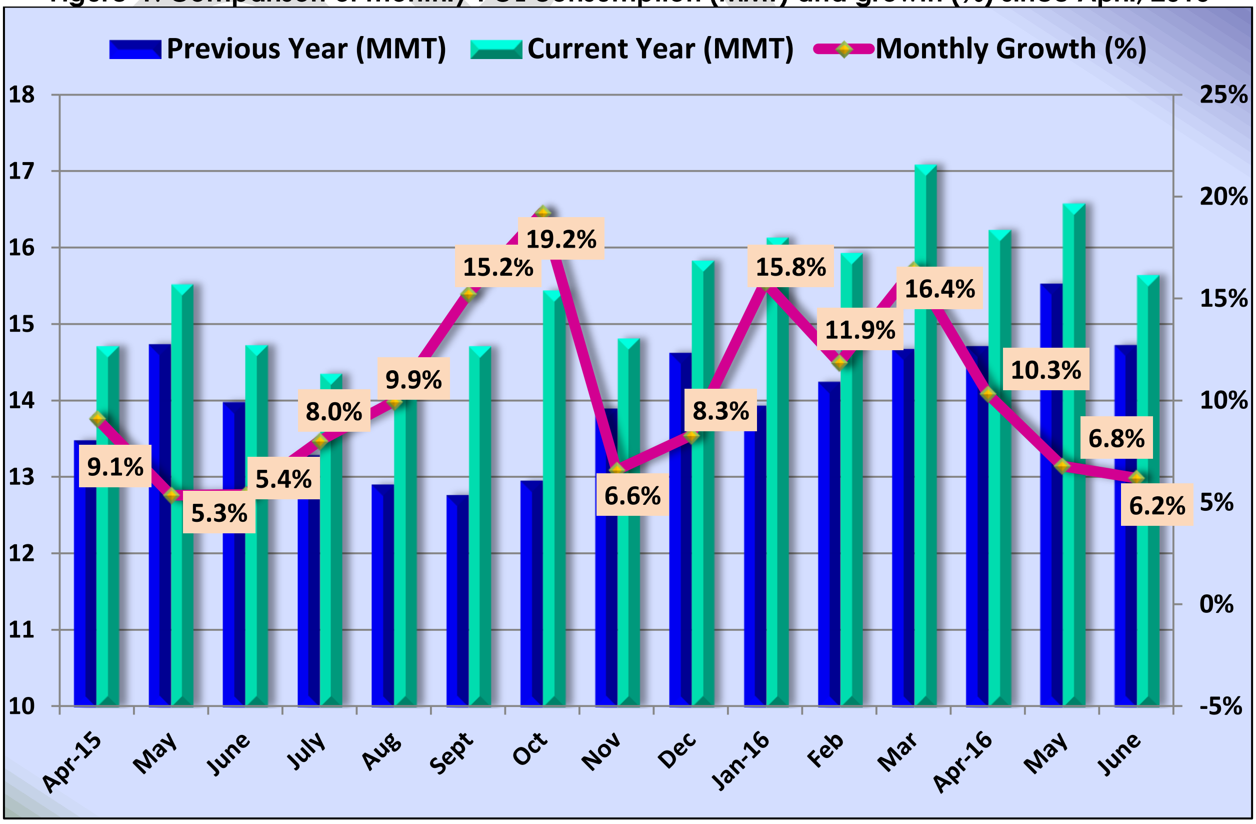
The growth (%) in consumption of petroleum products, category-wise, for the month of June, 2016 is given in Table-1.

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

PRODUCT	% Share	June 2015	June 2016	Growth (%)	Products Included
Sensitive Products	13.7%	2,051	2,143	4.5%	SKO & LPG
Major decontrolled Products	72.6%	10,861	11,360	4.6%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	13.7%	1,821	2,142	17.7%	Pet. Coke & other minor products
Grand Total	**100%**	**14,733**	**15,645**	**6.2%**	

1.1 All Products: The consumption of all petroleum products registered a growth of 6.2% in June, 2016 as compared to that in June, 2015. Except for SKO, LDO, Lubes & Greases and other products which recorded a negative growth of -5.9%, -9.8%, -5.6% and -4.3% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 7.8% was registered for the period April-June, 2016. However a negative growth of -7.7% & -2.1% was registered for SKO and other products respectively.

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



The Nikkei India Services PMI fell to 50.3 in June, 2016 from 51.0 in May, 2016 mainly due to a weaker rise in new business. The Nikkei Manufacturing PMI in India rose to 51.7 in June, 2016 from 50.7 in May, 2016. It was the highest reading since April, 2016 as both production and new orders rose the most in three months. Boosted by sustained growth of order books, buying levels rose in June, 2016. Purchasing activity grew in each of the three sub-sectors, led by consumer goods.

Consumption of petroleum products in India for the April-June, 2016 quarter rose 7.8% as compared to 5.2% in the same period last year. Typically, the April-June quarter is sluggish in performance than the rest of the year. Going by the trend, it so likely that petroleum products consumption growth for the current financial year 2016-17 could be better than that of last year. GDP is closely linked to consumption of petroleum products. The economy is looking up with improved monsoon, government spending on large infrastructure projects and cheaper fuel availability.

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

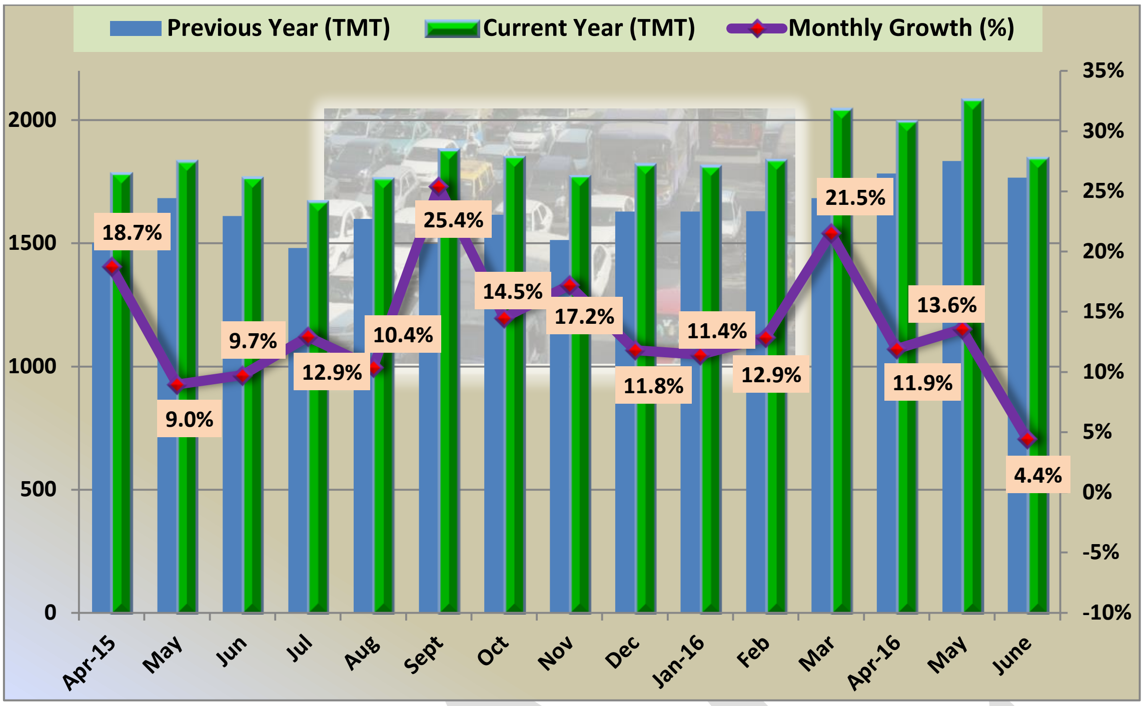
Detailed product-wise analysis of growth for June, 2016 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of June, 2016 recorded a subdued growth of 4.4% as compared to June, 2015 and a cumulative growth of 10.0% for the period April-June, 2016. The factors influencing the growth in MS consumption during the month can be attributed mainly to the following:

i. There is a consumer preference for petrol driven vehicles as the price difference between petrol and diesel has waned. Policy of scrapping old diesel vehicles has also pushed sales of MS driven cars and MS sales.
ii. Continuous high sale of two wheelers has given good growth to MS sales.
iii. Holiday season prompted tourism and travel.
iv. Anticipation of increase in prices from 1st June, 2016 shifted the upliftment to May, 2016 and the anticipated downward price revision from 1st July, 2016 pushed the stocking of stocks by the retail network to July, 2016.

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

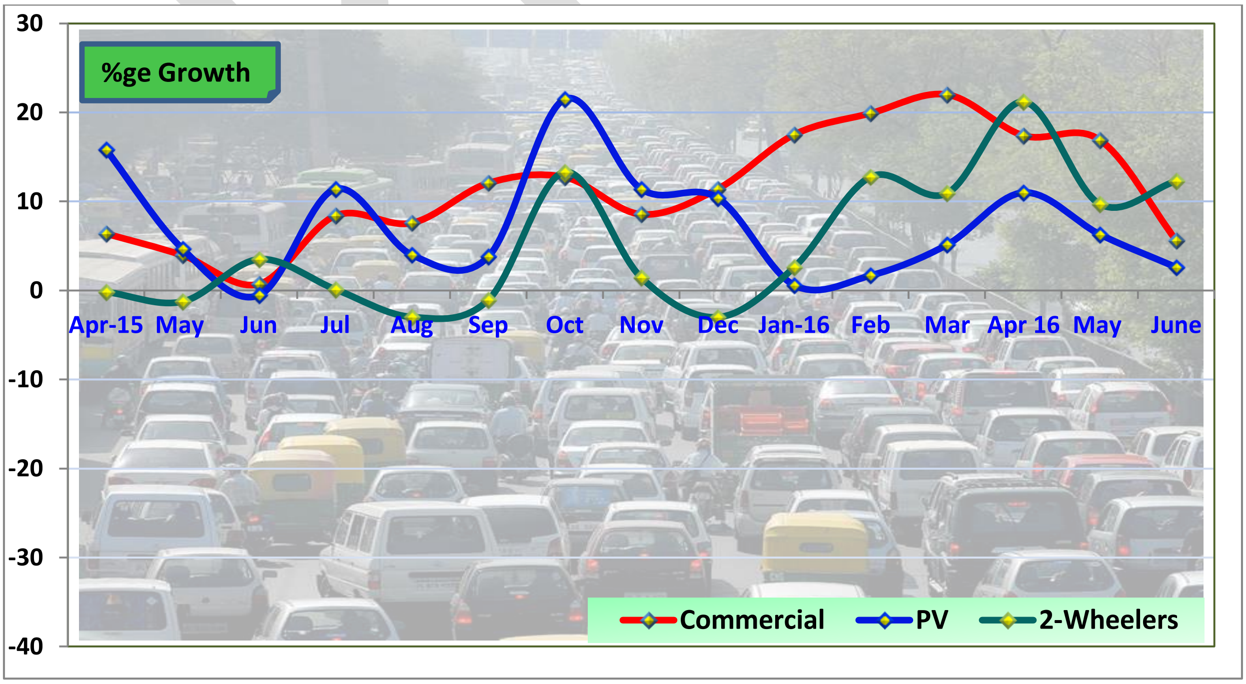
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

All segments in the automobile industry showed positive growth. Lowest growth was in the passenger vehicles segment which although did not register double digit growth, still stayed in positive territory. Passenger vehicles recorded a growth of 2.6% in June, 2016 at 223,454 units. However the recent announcements of Seventh Pay Commission, along with the prediction of normal monsoon and policy of scrapping old diesel vehicles are keeping the industry optimistic about future growth.

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



Source: SIAM

a) **Total passenger vehicles (PV) sales**: The country's largest carmaker Maruti Suzuki India, which commands nearly 50% share in the domestic PV market, dragged the overall industry sales in June, 2016 as it reported its lowest monthly sales in two years due to the suspension of production at Maruti's plants for 10 days which included a maintenance closure. Indian passenger car industry growth during the last month largely came from new launches and robust growth of utility vehicles. SIAM data for June, 2016 reveals a lackluster performance by the passenger car and vans segment, which was down by -5.2% and -3.4% respectively while utility vehicles recorded a strong growth of 35.2%. SIAM expects 6-9% growth during 2016-17. Compact SUV's/Utility segment will drive growth

Segment	June 2015	June 2016	Growth (%)
Passenger Cars	162,655	154,237	-5.2%
Utility Vehicles	41,278	55,825	35.2%
Vans	13,867	13,392	-3.4%
Total: Passenger Vehicles (PVs)	**217,800**	**223,454**	**2.6%**

Source: SIAM

b) **2-wheeler sales**: India's two-wheeler industry saw growing sales in June, 2016 as the onset of monsoon in various parts of the country improved buyer sentiment, especially in rural and semi-urban areas, which contribute to a major chunk of two-wheeler demand.

The two-wheeler segment recorded a growth of 12.3% during the month with total sales of 14.7 lakh units. Scooters continued to outperform with sales of 449,756 units and a growth of 21.3%. The motorcycle segment registered a subdued growth of 7.5 % and the moped sales recorded a strong growth of 25.8% during June, 2016. The two-wheeler OEMs have been able to carry forward their sales momentum and with the industry remains optimistic with the onset of monsoons and the festive season.

Segment	June 2015	June 2016	Growth (%)
Scooter / Scooterette	370,710	449,756	21.3%
Motor Cycles	877,690	943,680	7.5%
Mopeds	59,304	74,599	25.8%
Total: 2-wheelers	**1,307,704**	**1,468,035**	**12.3%**

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a growth of 1.5% during the month of June, 2016 as compared to June, 2015 and a cumulative growth of 4.7% for the period April- June, 2016. This is the lowest month on month growth since July, 2015.

Following were the factors affecting diesel sales during the month of June, 2016:

i. A lot of infrastructure and road projects that have been initiated by the government across the country have resulted in a push in construction activities resulting in higher diesel consumption.

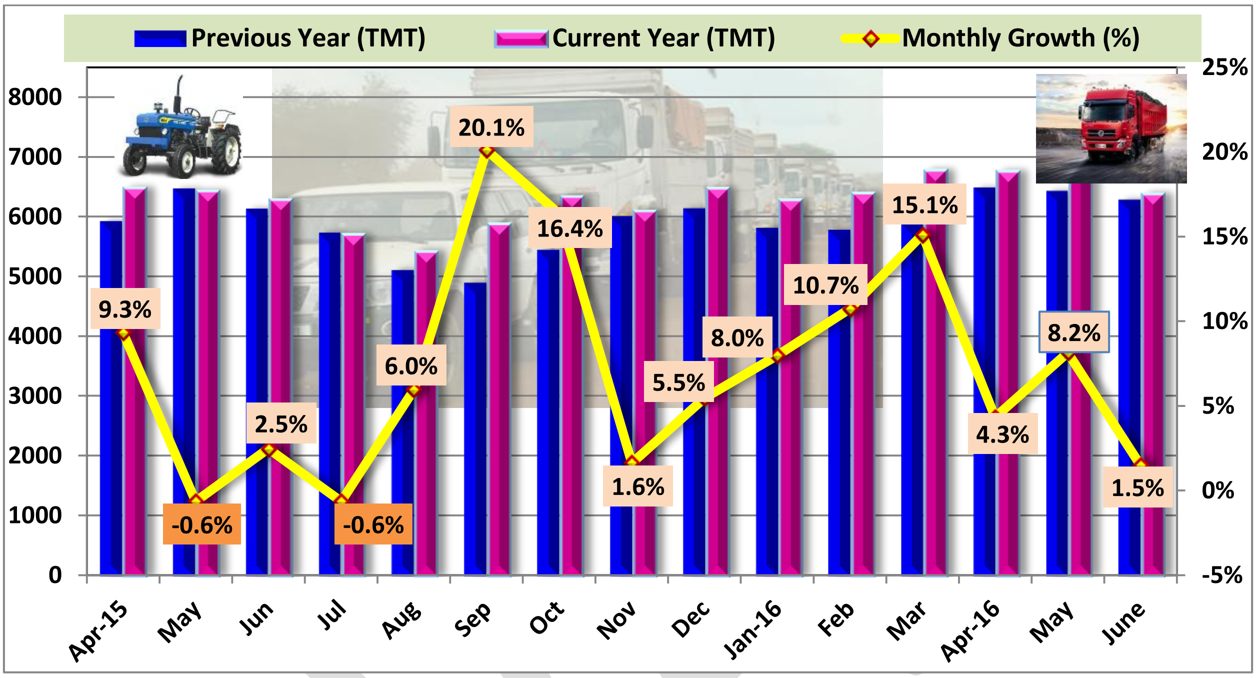
ii. Increase in mining activity improved diesel sales.

iii. Economic viability of public transport and carrier vehicles has become better due to cheaper fuel.

iv. Anticipation of increase in prices from 1st June, 2016 shifted the upliftment to May, 2016 and the anticipated downward price revision from 1st July, 2016 pushed the stocking of stocks by the retail network to July, 2016.

v. Good monsoon affected road transport movement and reduced consumption of diesel by farmers using diesel pumps.

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**: While the overall CV sector is expected to post nearly 10-12% growth during 2016-17, gradual rise in diesel prices since the start of the year and increased truck rentals remain a concern for the short-term. The market is still being driven largely by replacement demand, as also the government's focus on infrastructure by clearing large road construction projects which has stimulated demand for heavy tippers. An increase in heavy goods transportation has also helped generate demand for heavy duty trucks and with the monsoon underway, an uptick is expected in rural India in the coming months for small commercial vehicles. Medium and heavy commercial vehicles (M&HCVs) recorded a growth of 21% during the month of June, 2016.

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

Segment	June 2015	June 2016	Growth (%)
M&HCVs	22,184	22,606	21.0%
LCVs	28,226	32,138	13.9%
Total: Commercial Vehicles	**48,841**	**57,089**	**16.9%**

Source: SIAM

c) **Port traffic:** There has been a growth of 5.9% in port traffic for the month of June, 2016. The growth in port traffic and cargos handled at major ports during June, 2016 is mainly due to increase in port traffic at all ports except at New Mangalore and Mumbai.

Table-2 below gives the port-wise performance during the month of June, 2016. The growth in traffic during the month has been contributed mostly by iron ore (416.1%), other liquids (2.3%), POL products (2.4%), and thermal coal (3.78%) while there has been a drop in finished fertilizer (-12.84%), raw fertilizer (-5.01%), coking coal (-3.14%) and other miscellaneous cargoes. 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 June, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**June 2015**	**June 2016**	**Growth (%)**
KOLKATA + HALDIA	4,186	4,231	1.08%
PARADIP	6,280	6,573	4.67%
VISAKHAPATNAM	4,411	5,299	20.13%
KAMARAJAR (ENNORE)	2,049	2,569	25.38%
CHENNAI	4,333	4,596	6.07%
V.O. CHIDAMBARANAR	3,030	3,459	14.16%
COCHIN	1,726	2,116	22.60%
NEW MANGALORE	3,027	2,610	-13.78%
MORMUGAO	1,153	1,720	49.18%
MUMBAI	4,744	4,574	-3.58%
JNPT	5,164	5,165	0.02%
KANDLA	8,532	8,592	0.70%
TOTAL:	**48,635**	**51,504**	**5.90%**

Source: Indian Port Authority (IPA)

d) **Power situation improves**: The power deficit position for the month of June, 2016 is given in Table-3. The power deficit position improved from -3.7% in June, 2015 to -0.6% during June, 2016. The shortage during the month improved for all regions. The improved power position in June, 2016 may have led to reduced usage of diesel for back-up power generation.

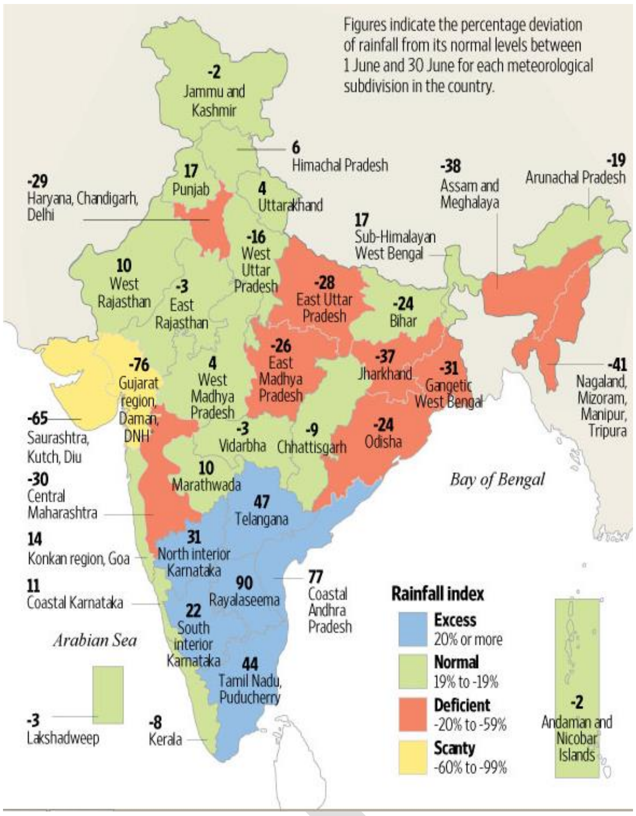
Table-3: Power deficit: Region-wise position for June, 2016 (% deficit)

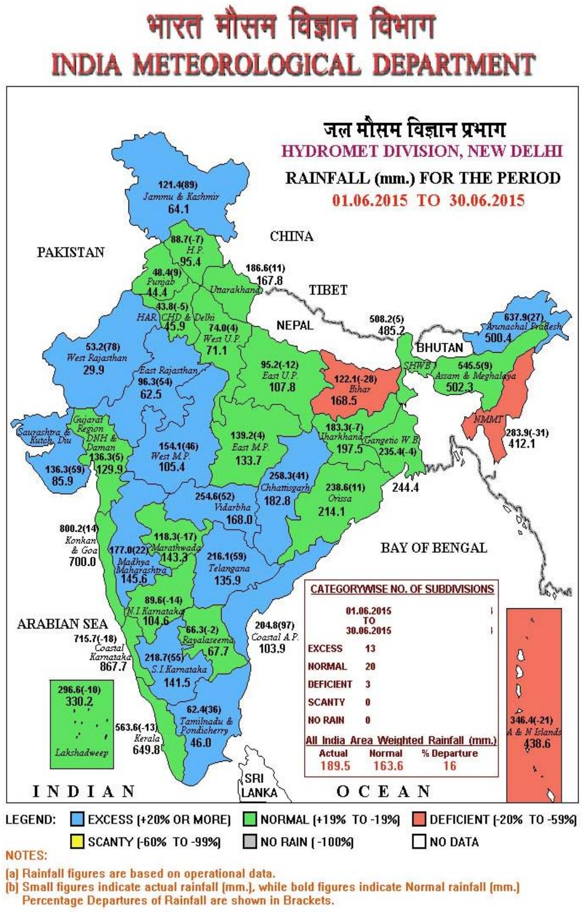
States	June 2016 (P)				June 2015
	Requirement (MU)	Available (MU)	Deficit MU	Deficit (%)	Deficit (%)
North	33,357	32,915	-442	-1.3%	-5.3%
West	28,470	28,441	-30	-0.1%	-1.2%
South	22,794	22,787	-7	0%	-5.4%
East	11,229	11,210	-19	-0.2%	-1.1%
North-East	1,382	1,344	-38	-2.7%	-8.7%
Total	**97,231**	**96,696**	**-535**	**-0.6%**	**-3.7%**

Source: Central Electricity Authority (CEA)

Seasonal rainfall scenario: Late showers during the month shrank rainfall deficit in June, 2016 and the country witnessed above normal monsoon rains, with an exception of Northeast and East India, which recorded a deficiency of 17 per cent in monsoon.

During the monsoon demand for diesel sees a blip (down) because industrial activity slows, transport movement gets affected and demand from agriculture also reduces. Major construction activities including road construction virtually stops during rains. More rain also boosts hydropower generation alleviating electricity shortages and reducing demand for diesel to power small diesel generators to keep lights burning. As a result there is bound to be an impact on diesel demand, which is reflected in low diesel consumption in June, 2016.

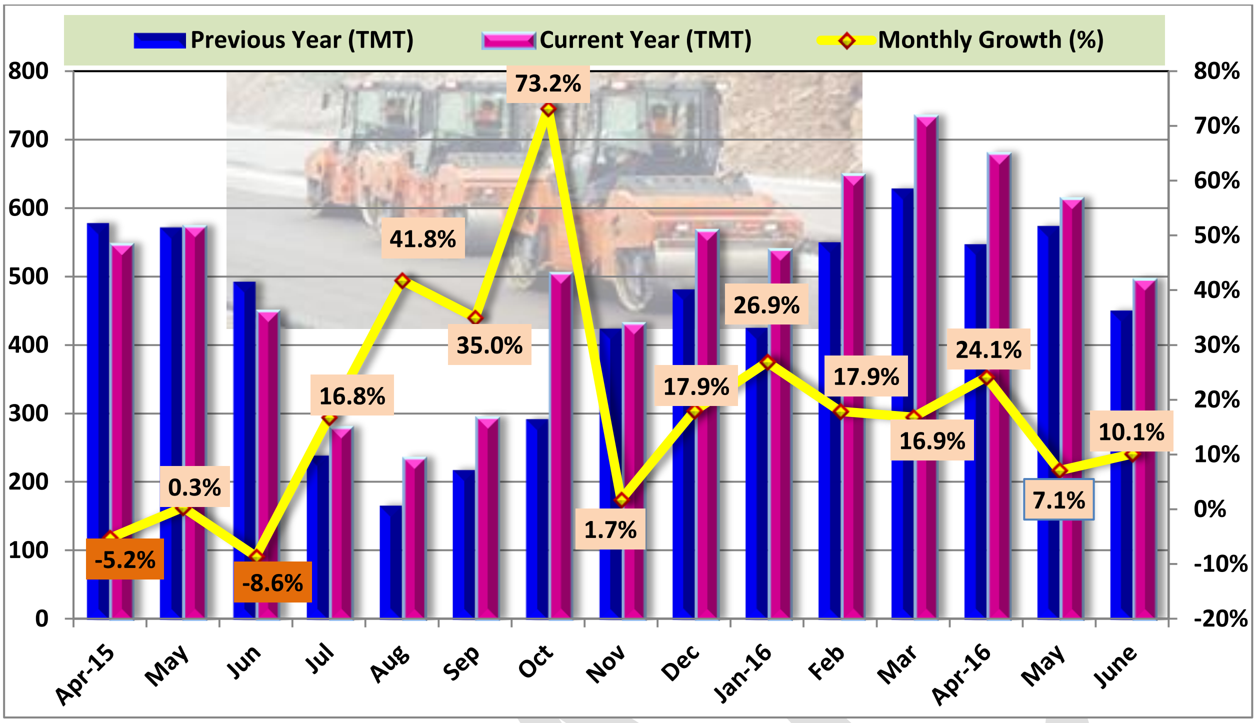




1.4 Bitumen: Bitumen consumption registered a growth of 10.1% in June, 2016 and a cumulative growth of 13.9% during April-June, 2016. The government has kept the development of roads at a high priority and is already setting up new networks and rehabilitating existing road networks by carrying out projects such as four laning of existing roads and creating road over-bridges and railway crossings to make them safer.

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 the last thirty four months in a row recorded a positive growth of 8.5% during June 2016 and cumulative growth of 7.8% for the period April 2016 to June 2016.

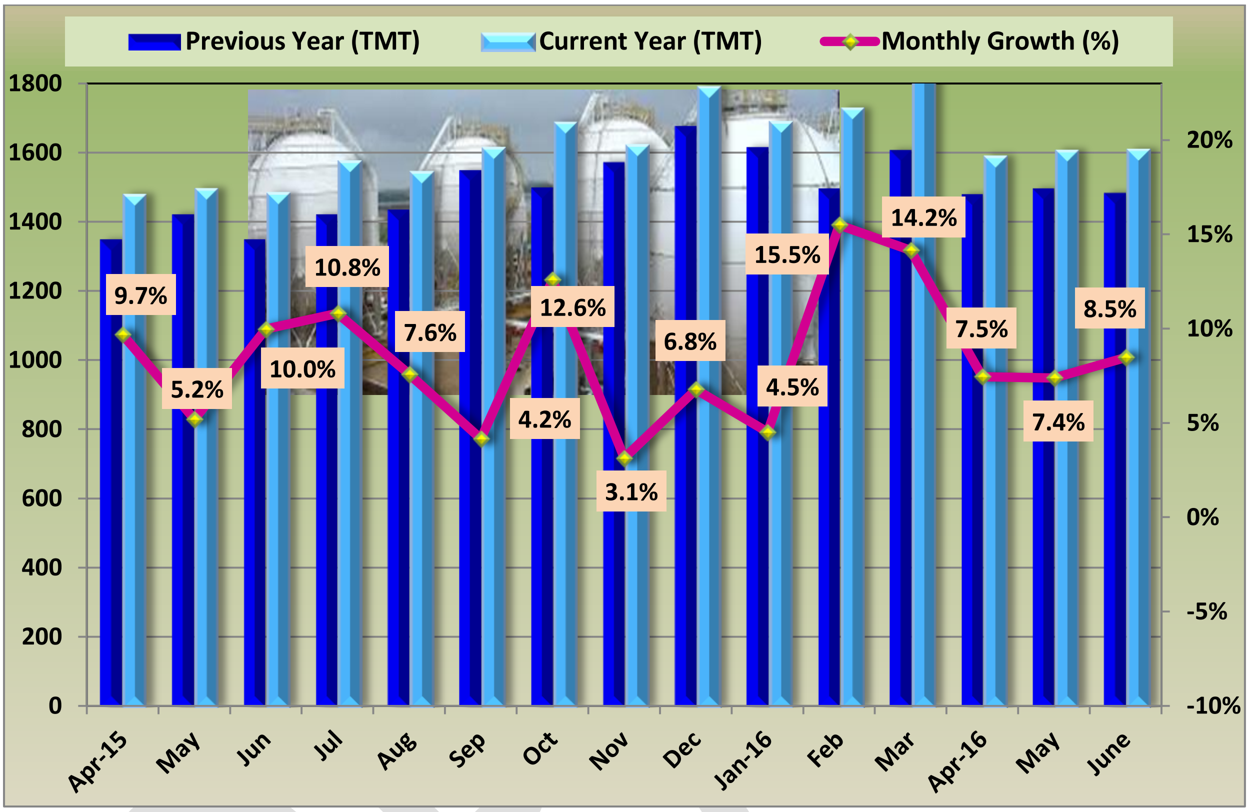
LPG-Packed Domestic consumption registered a growth of 7.0% during June, 2016 and a growth of 6.4% during the period April-June 2016. Last year during June, 2015, a growth of 10.4% and during April-June 2015 a growth of 7.1% was seen. This year during the period April-June 2016, 42.5 lakh new connections and 18.7 lakh DBCs were released which have contributed to the growth of LPG packed domestic consumption

LPG-Packed Non-Domestic consumption for the eighteenth month in a row registered a positive growth of 24.6% in June, 2016 and cumulative growth of 25.5% during April-June 2106. Last year during June, 2015, growth of 28.4% was observed and cumulative growth during April-June 2015 was 35.4%. Market share of LPG Packed Non-Domestic has increased to 8.0% during June, 2016 from 7.0% in June, 2015. This double digit 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 consumption registered a positive growth of 33.6% during June, 2016 and cumulative growth during April-June 2016 was 28.4%. Last year in the month of June, 2015 a de-growth of -25.9% and during April-June 2015 a de-growth of -1.2% was witnessed. Percentage share of bulk LPG consumption has also increased marginally to 1.8% in June, 2016 as compared to 1.5% in June, 2015. Growth in Bulk LPG is mainly due to product availability on low prices. Since LPG is cleaner, cheaper and an easily available product, some of the Industries have shifted from HSD and FO to Bulk LPG.

Auto LPG consumption registered a de-growth of -8.2% in June, 2016 and cumulative de-growth of -6.4% during April-June 2016. However, last year in the month of June, 2015 a growth of 7.1% and during April-June 2015 a growth of 9.6% was witnessed. Reasons for de-growth in Auto LPG is mainly due to more focus on CNG and closure of low selling ROs of LPG.

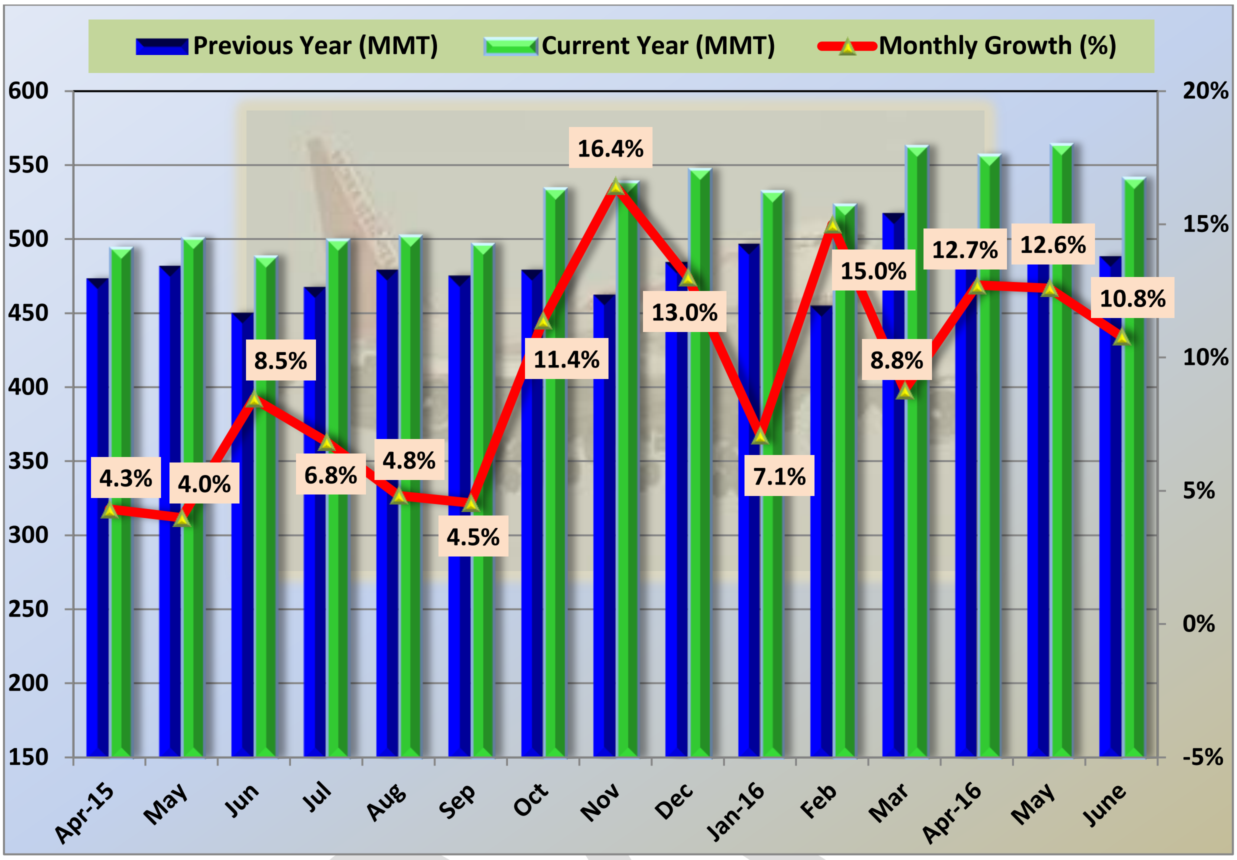
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: consumption recorded a high growth of 15.5% during the month of June, 2016 and a cumulative growth of 7.7% during April-June 2016. This growth 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 economy and manufacturing demand grows, the demand for plastics also grows.

1.7 ATF: During June, 2016 the growth in consumption of ATF was 10.8% and a cumulative growth of 12.1% has been for April-June, 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 7.93 million passengers during June, 2016, 20.2% more than the 6.6 million flown in June, 2015. The Ministry of Civil Aviation (MoCA) has come out with an integrated civil aviation policy with the central idea of making regional air connectivity a reality. The key objective of the policy is to take flying to the masses by making it affordable and convenient along with establishing an integrated eco-system that will lead to significant growth of the sector in the longer term which in term signals a positive outlook for the demand of ATF in the coming months.

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



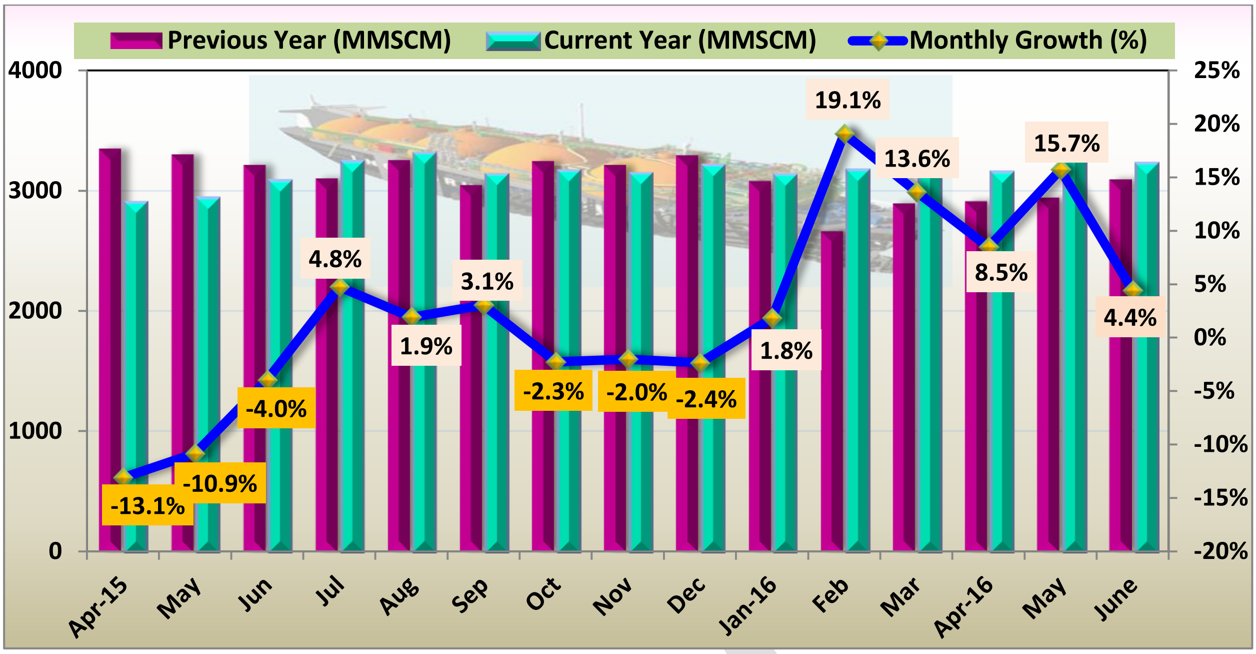
1.8 FO/LSHS: FO and LSHS consumption registered a growth of 17.3% during June, 2016 and a cumulative growth of 22.9 % for the period April-June, 2016. The growth is mainly due to increased consumption of FO in fertilizer, petrochemical, steel and other general trade sectors.

1.9 PETCOKE: Pet-coke consumption registered a substantial growth of 27.3% during June, 2016 and a cumulative growth of 21% for April-June, 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 de-growth of -9.8% in the month of June, 2016 and a cumulative growth of 17.2 % for April- June, 2016. LDO month-wise demand 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 any fluctuation in manufacturing activities leads to fluctuation in its consumption.

1.11 Natural Gas: On a month on month basis, natural gas consumption saw a marginal jump of 4.4% in June, 2016 as compared to June, 2015. In terms of volumes, total consumption during June, 2016 was 3,232 MMSCM as compared to 3,096 MMSCM in June, 2015. On cumulative basis, i.e. for the period April-June 2016, gas consumption increased by 6.7% to 9,547 MMSCM from 8,950 MMSCM during the same period last year. Natural gas consumption has shown growth predominantly due to improved off-take by CGD and other sectors and increased consumption by GAIL for its plants at Vijaipur and Pata.

Figure-8: Monthly Natural Gas consumption (MMSCM) and growth (%) since April, 2015



Major factors affecting Natural Gas consumption are highlighted below[1]:

1. **Power Sector**: There was a net decrease in consumption by power sector to the tune of 6.3% from 767 MMSCM in June, 2015 to 719 MMSCM during June, 2016. The decrease is primarily due to low off take by power producers in Northern region. Western region has shown marginal growth due to high off take in Maharashtra but overall growth is offset by low consumption in Gujarat. In Southern region, growth in Andhra Pradesh and Telangana has been offset by low consumption in Tamil Nadu. In Northern region, power sector has shown a sharp decline of 19.51% as compared to June, 2015 due to low off-take in UP and Rajasthan. On cumulative basis, overall consumption in power sector during April-June, 2016 rose by 10% to 2,309 MMSCM from 2,098 MMSCM during the same period last year.

2. **Fertilizer Sector**: Fertilizer sector witnessed a slump of 4.2% during June, 2016 as compared to June, 2015. In June, 2016, fertilizer sector consumed 1,179 MMSCM of gas compared to 1,232 MMSCM during June, 2015. Gas consumption in Southern region saw a huge jump of 117% due to increased sales by all the gas marketing companies including RIL, GAIL, IOCL and BPCL. In contrast, Northern region has shown sharp decline of over 20% due to reduced sale by all the gas marketing companies. On cumulative basis, overall consumption during April-June, 2016 has declined by 5% to 3,424 MMSCM from 3,605 MMSCM during April-June, 2015.

3. **City Gas Distribution Sector (CGD)**: CGD sector has continued its growth trend and has shown a healthy growth of 29% from 316 MMSCM in June, 2015 to 407 MMSCM during June, 2016 due to increase in off-take by CGD companies across the regions. On cumulative basis, overall consumption grew by 33% during April-June, 2016, increasing from 967 MMSCM during April-June, 2015 to 1,287 MMSCM.

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

4. **Internal Consumption**: Internal consumption (IC) witnessed an increase of 13% from 364.78 MMSCM in June, 2015 to 413.11 MMSCM in June, 2016 as consumption has increased in IOCL refineries and GAIL's Pata and Vijaipur plants. On cumulative basis, overall consumption during April-June, 2016 has increased by approx. 25% to 1,208 MMSCM against 963 MMSCM during the same period last year.

5. **Others Sector**: There was overall growth of about 19.6% from 319 MMSCM in June, 2015 to 382 MMSCM in June, 2016 in consumption in 'Others' sector which include steel, sponge-iron, refineries (excluding seller's own refineries), manufacturing and other miscellaneous industries. The growth in consumption was mainly due to increased consumption in Western region primarily in Maharashtra. On cumulative basis, overall consumption during April-June, 2016 has increased by around 14.7% to 1,201 MMSCM against 1,047 MMSCM during April-June, 2015.

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Industry Sales Trend Analysis (Provisional) : April-June 2016

('000 MT)

Product	June			April-June		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	566.5	533.0	**-5.9**	1,711.4	1,579.4	**-7.7**
LPG	1,484.1	1,609.9	**8.5**	4,460.3	4,807.3	**7.8**
Sub Total	**2,050.6**	**2,142.9**	**4.5**	**6,171.7**	**6,386.7**	**3.5**
(B) Major Decontrolled Product						
Naphtha	1,026.1	1,185.7	**15.5**	3,208.3	3,456.5	**7.7**
MS	1,767.3	1,845.4	**4.4**	5,384.9	5,924.0	**10.0**
HSD	6,290.7	6,385.1	**1.5**	19,212.7	20,112.4	**4.7**
Lubes+Greases	288.5	272.4	**-5.6**	796.5	825.5	**3.6**
LDO	40.9	36.9	**-9.8**	91.1	106.8	**17.2**
FO/LSHS	508.7	596.8	**17.3**	1,528.2	1,878.3	**22.9**
Bitumen	450.8	496.4	**10.1**	1,572.9	1,791.7	**13.9**
ATF	488.4	541.1	**10.8**	1,483.1	1,661.8	**12.1**
Sub Total	**10,861.4**	**11,359.8**	**4.6**	**33,277.7**	**35,757.0**	**7.5**
Sub - Total (A) + (B)	**12,912.0**	**13,502.7**	**4.6**	**39,449.4**	**42,143.7**	**6.8**
(C) Minor Decontrolled Products						
PetCoke	1,263.3	1,608.7	**27.3**	3,943.1	4,769.3	**21.0**
Others	557.5	533.7	**-4.3**	1,582.9	1,549.0	**-2.1**
Sub Total	**1,820.8**	**2,142.4**	**17.7**	**5,526.0**	**6,318.3**	**14.3**
Total	**14,732.8**	**15,645.1**	**6.2**	**44,975.4**	**48,462.0**	**7.8**