INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

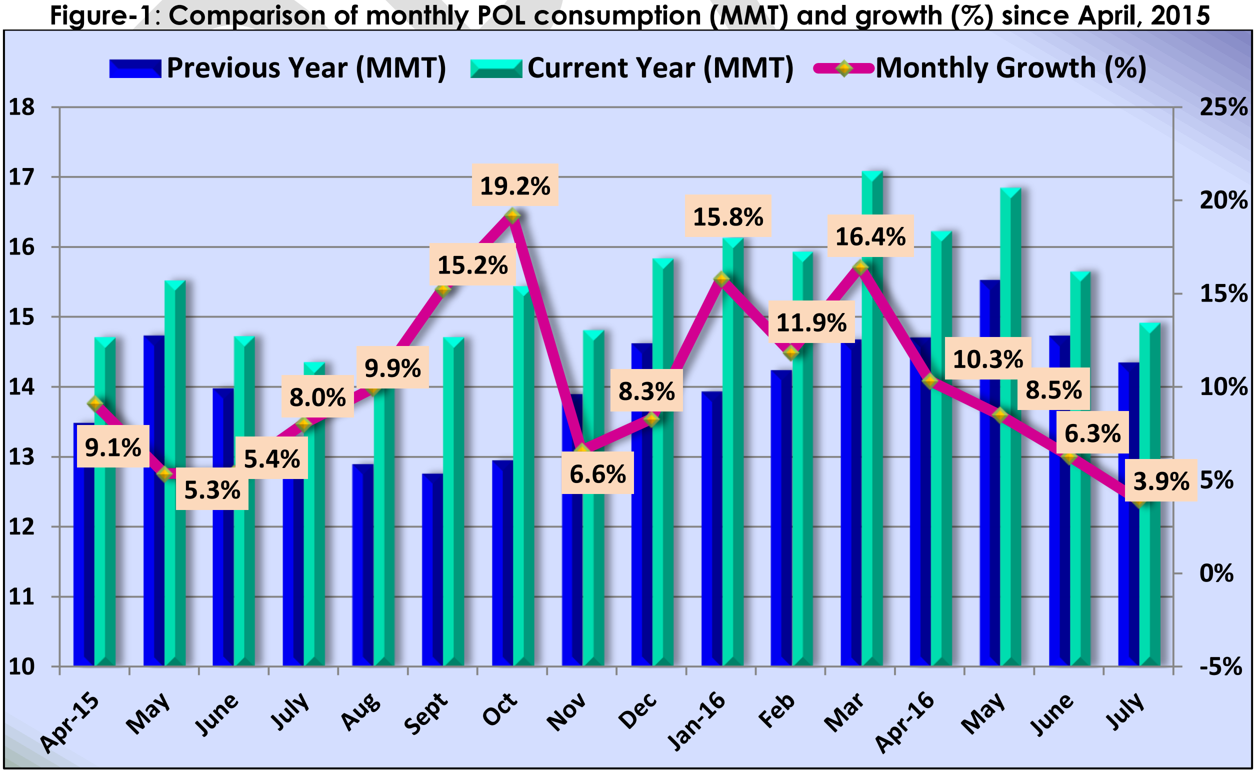
The growth (%) in consumption of petroleum products, category-wise, for the month of July, 2016 is given in Table-1.

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

PRODUCT	% Share	July 2015	July 2016	Growth (%)	Products Included
Sensitive Products	14.9%	2,152	2,216	2.9%	SKO & LPG
Major decontrolled Products	70.5%	10,162	10,523	3.6%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	14.6%	2,042	2,183	6.9%	Pet. coke & other minor products
Grand Total	**100%**	**14,357**	**14,922**	**3.9%**	

1.1 All Products: The consumption of petroleum products registered a growth of 3.9% in July, 2016 as compared to that in July, 2015. Except for SKO, naphtha, lubes & greases and bitumen, which recorded a negative growth of -12.9%, -6.3%, -1.2% and -1.0% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 7.3% was registered for the period April-July, 2016. However, a negative growth of -9.0% & -0.9% was registered for SKO and products under 'others' category respectively.

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



The Nikkei India Services PMI rose to 51.9 in July, 2016 from 50.3 in June, 2016. Business sentiment increased and there was increase in both output and new work. Manufacturing PMI also increased from 51.7 to 51.8. India's manufacturing and infrastructure sectors are on a recovery path, as suggested by the PMI data. With growth of manufacturing production also quickening, the seasonally adjusted Nikkei India Composite PMI Output Index climbed to a three month high of 52.4 in July, 2016 (June, 2016 was 51.1)

The month of June 2016 had recorded a high growth in coal output, cement production, fertilizer production, refinery production and steel output with expansion in electricity production. India's manufacturing economy seemed to be reviving and with lower prices paid for fuel and some other commodities, average input costs dropped for service providers in July, 2016. Expansion in PMI Index in July, 2016 indicates growth in manufacturing and services continued. Low oil prices have created a favourable environment for the economy and the outlook for consumption of petroleum products.

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

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

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of July, 2016 recorded a high growth of 14.7% as compared to July, 2015 and a cumulative growth of 11.1% for the period April-July, 2016. The factors affecting the growth in MS consumption during the month can be attributed mainly to the following:

i. Consumer preference for petrol driven vehicles as the price difference between petrol and diesel has waned. Policy of scrapping old diesel vehicles and restrictions on sales of higher capacity diesel passenger vehicles has also pushed sales of MS driven cars.

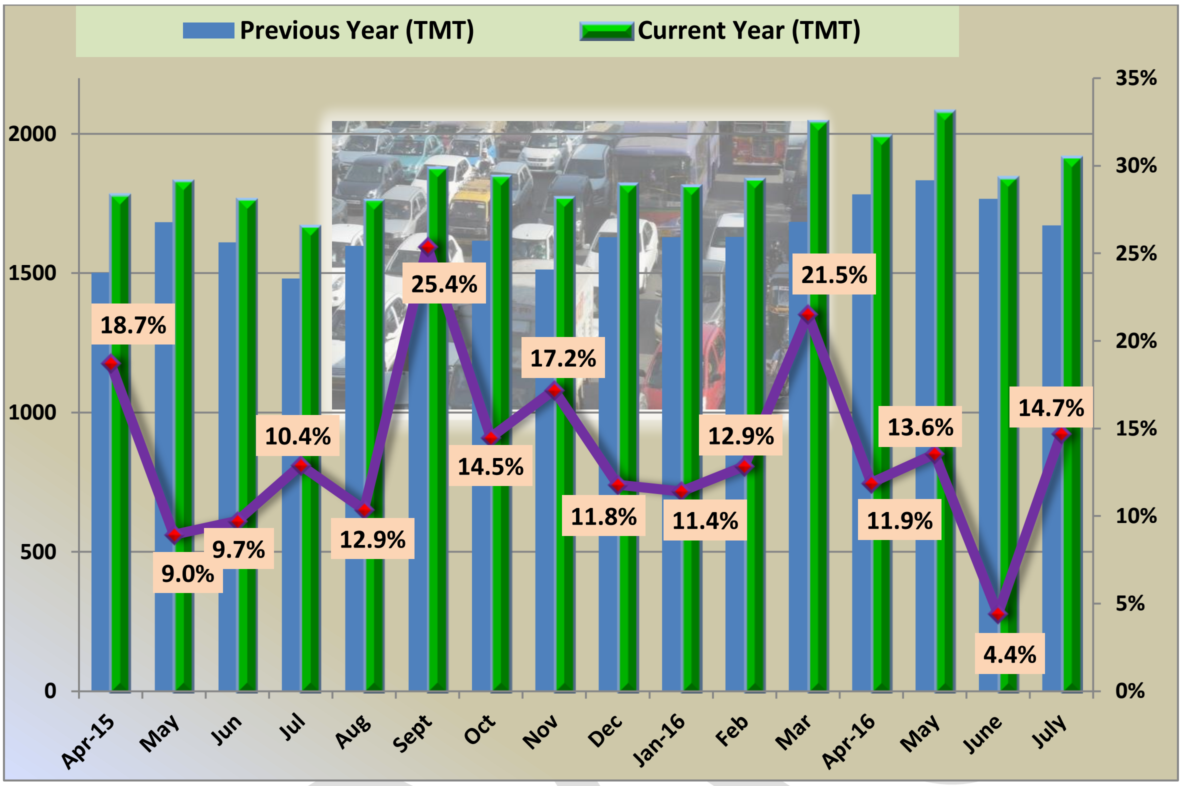
ii. Continuous high sale of two wheelers has given good growth to MS sales.

iii. Increasing travel distances and travel time in the urban areas.

iv. Roads power an economy and foster prosperity. Better road connectivity also prompt more vehicles on road for inter-city movement.

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

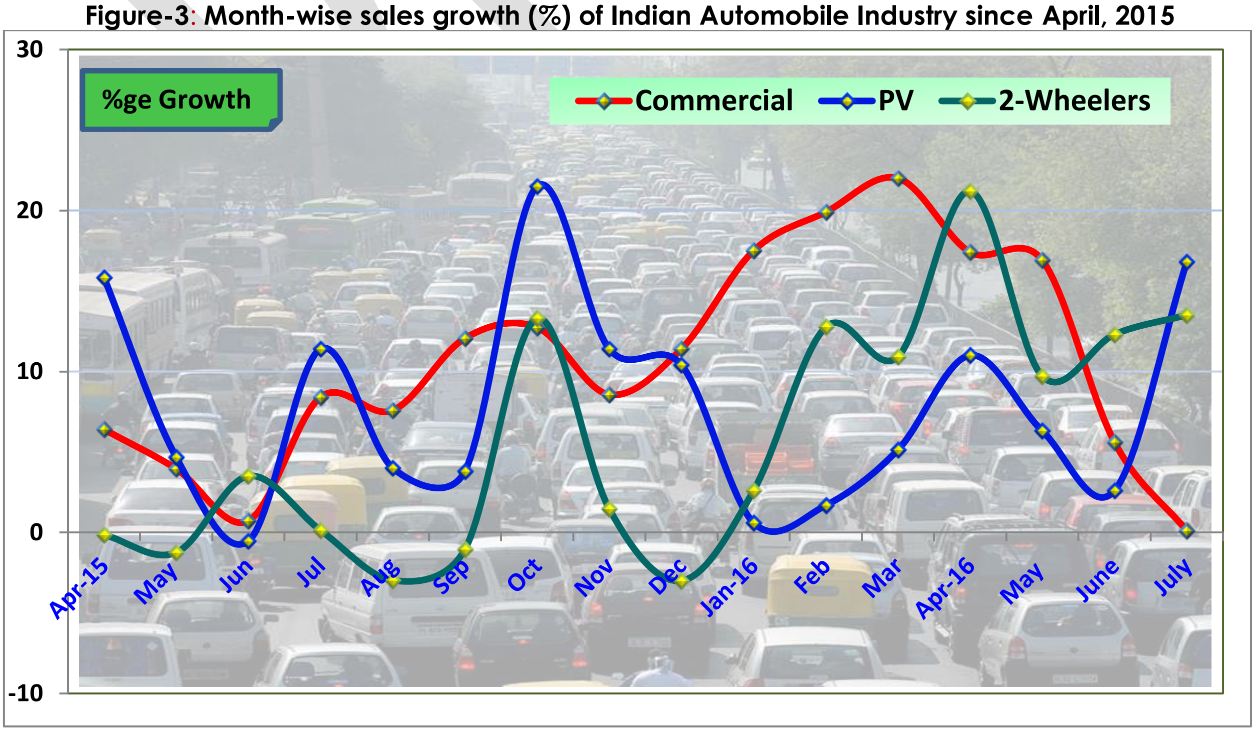
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

Markets are showing improved customer sentiments led by good monsoons, low inflation, reduced interest rates and dropping fuel prices. Passenger vehicles and two wheelers, both reported double digit growth in the month of July 2016.

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



a) **Total passenger vehicles (PV) sales**: The onset of a good monsoon seems to have brought good tidings for the Indian automobile industry. Most of the passenger vehicle OEMs, which declared their July, 2016 sales numbers, reported good growth. Maruti Suzuki India, recorded highest-ever sales in a single month in the domestic market by ramping up production and increased dispatches to dealers across the country to make up for the loss of over 50,000 units in June, 2016 due to production stoppage at its Gurgaon and Manesar plants. Indian passenger car industry growth during the last month largely came from new launches and robust growth of utility vehicles. SIAM data for July, 2016 revealed good performance by the passenger car and vans segment, which recorded a growth of 9.6% and 18.6% respectively and utility vehicles recorded a strong growth of 41.9%.

Segment	July 2015	July 2016	Growth (%)
Passenger Cars	162,022	177,604	9.6%
Utility Vehicles	45,191	64,105	41.9%
Vans	15,155	17,976	18.6%
Total: Passenger Vehicles (PVs)	**222,368**	**259,685**	**16.8%**

Source: SIAM

b) **2-wheeler sales**: India's two-wheeler industry saw growing sales in July, 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 13.5% during the month with total sales of 14.7 lakh units. Scooters continued to perform well with sales of 504,258 units and a growth of 16.7%. The motorcycle segment registered a growth of 11.0% and the moped sales recorded a strong growth of 25.3% during July, 2016. The two-wheeler OEMs have been able to carry forward their sales momentum and the industry remains optimistic with the onset of monsoons and the festive season.

Segment	July 2015	July 2016	Growth (%)
Scooter / Scooterette	432,262	504,258	16.7%
Motor Cycles	808,332	897,092	11.0%
Mopeds	59,863	74,990	25.3%
Total: 2-wheelers	**1,300,457**	**1,476,340**	**13.5%**

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a growth of 1.8% during the month of July, 2016 as compared to July, 2015 and a cumulative growth of 4.0% for the period April-July, 2016.

Following were the factors affecting diesel sales during the month of July, 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 activity resulting in higher diesel consumption.

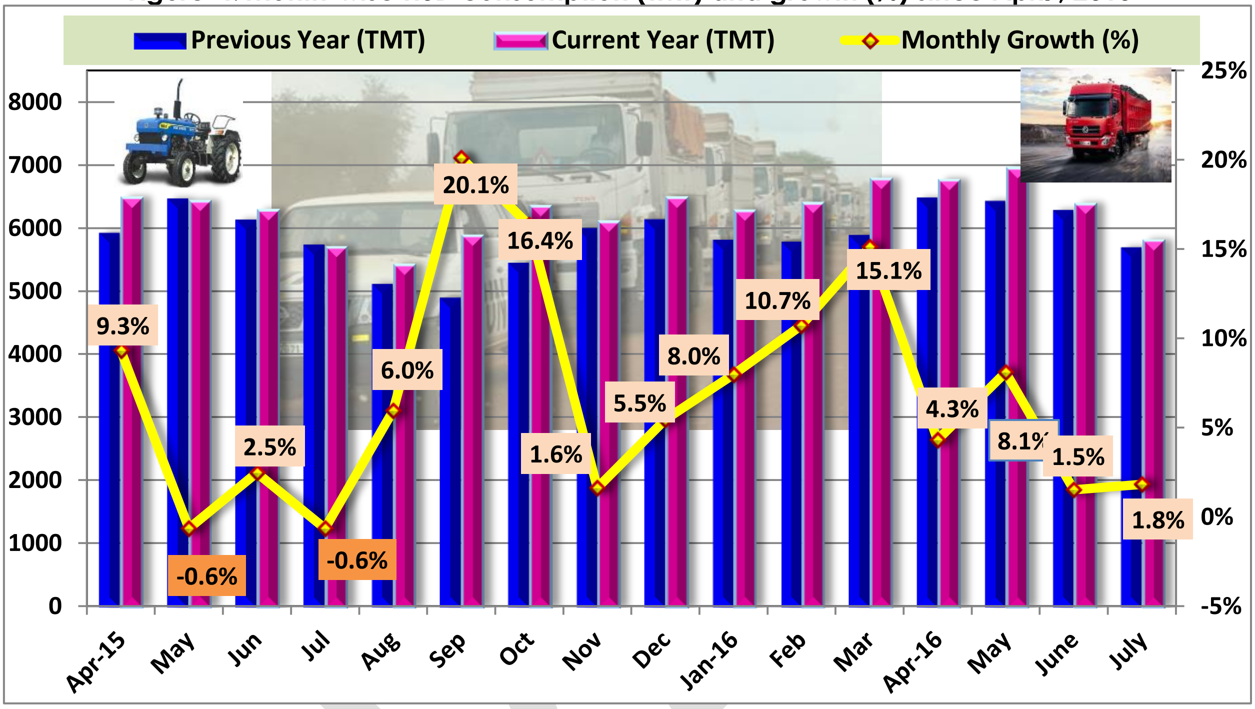
ii. Increase in mining activity improved diesel sales.

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

iv. Price decrease apprehension affected the upliftment of product and prompted dealer to limit indents towards the end of the month.

v. Good monsoons affected the road transport movement, construction activity and reduced usage of diesel by farmers who used pumps for electricity and water fields 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 overall CV sector posted a near flat growth of 0.1% in July, 2016. With the monsoon underway, there was an uptick in rural India for small commercial vehicles. Medium and heavy commercial vehicles (M&HCVs) recorded a de-growth of -7.6 % during the month of July, 2016 mainly due to falling truck rentals in trunk routes.

Light Commercial Vehicle (LCV) sales registered a growth of 6.3% during the month of July, 2016. Improving economy of the country and overall recovery due to improved industry and infrastructure is also driving the LCV sales growth.

Segment	July 2015	July 2016	Growth (%)
M&HCVs	23,061	21,307	-7.6%
LCVs	28,734	30,546	6.3%
Total: Commercial Vehicles	**51,795**	**51,853**	**0.1%**

Source: SIAM

b) **Port traffic:** There has been a growth of 2.7% in port traffic for the month of July, 2016. The growth in port traffic and cargos handled at most of the major ports during July, 2016 is mainly due to increase in port traffic at ports except at Kolkata, Ennore, Chennai, Chidambarnar, Cochin, Mumbai and JNPT.

Table-2 below gives the port-wise performance during the month of July, 2016. The growth in traffic during the period April-July,2016 has been contributed mostly by iron ore (124.8%), other liquids (1.25%), POL products (2.95%), and others (8.85%) while there has been a drop in finished fertilizer (-9.49%) and raw fertilizer(-11.36%). High 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 July, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**July 2015**	**July 2016**	**Growth (%)**
KOLKATA + HALDIA	4,525	4,110	-9.17%
PARADIP	6,086	8,056	32.37%
VISAKHAPATNAM	5,142	5,299	3.05%
KAMARAJAR (ENNORE)	3,059	2,384	-22.07%
CHENNAI	4,422	4,272	-3.39%
V.O. CHIDAMBARANAR	3,599	3,465	-3.72%
COCHIN	1,881	1,763	-6.27%
NEW MANGALORE	2,885	3,097	7.35%
MORMUGAO	1,224	1,492	21.90%
MUMBAI	5,334	4,979	-6.66%
JNPT	5,664	5,019	-11.39%
KANDLA	8,543	9,820	14.95%
TOTAL:	**52,364**	**53,756**	**2.66%**

Source: IPA

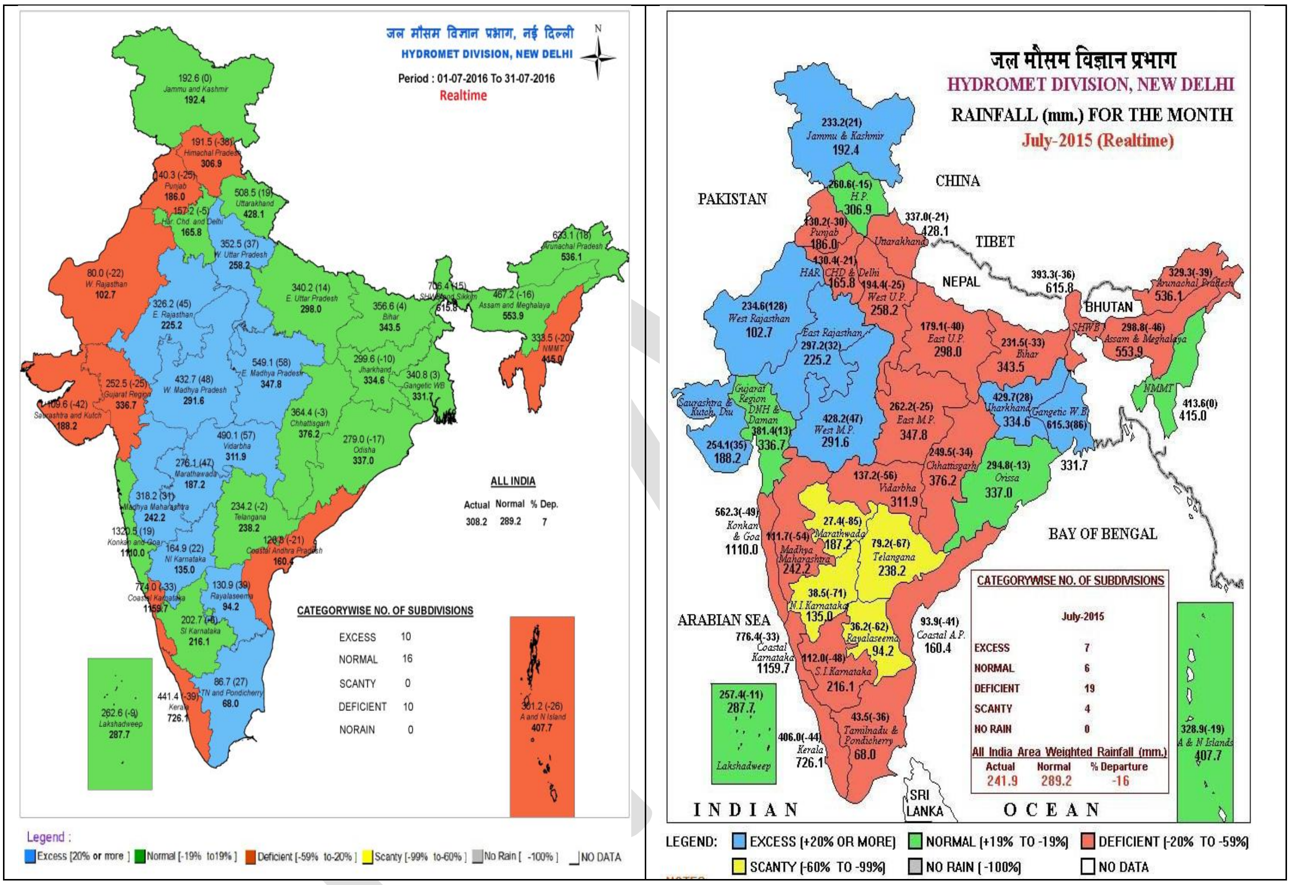
c) **Power situation improves**: The power deficit position for the month of July, 2016 is given in Table-3. The power deficit position improved from -2.1% in July, 2015 to -0.4% during July, 2016. The shortage during the month improved for all regions. The deficits continue mainly in the states of Jammu & Kashmir, Assam and Uttar Pradesh. The improved power position in July, 2016 may have led to reduced usage of diesel for back-up power generation.

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

States	July 2016 (P)				July 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	32,887	32,615	-273	-0.8%	-5.1%
West	26,978	26,965	-13	0%	-0.4%
South	23,950	23,950	0	0%	-0.5%
East	11,703	11,692	-11	-0.1%	-0.6%
North-East	1,306	1,260	-46	-3.5%	-5.1%
Total	**96,824**	**96,482**	**-342**	**-0.4%**	**-2.1%**

Source: Central Electricity Authority (CEA)

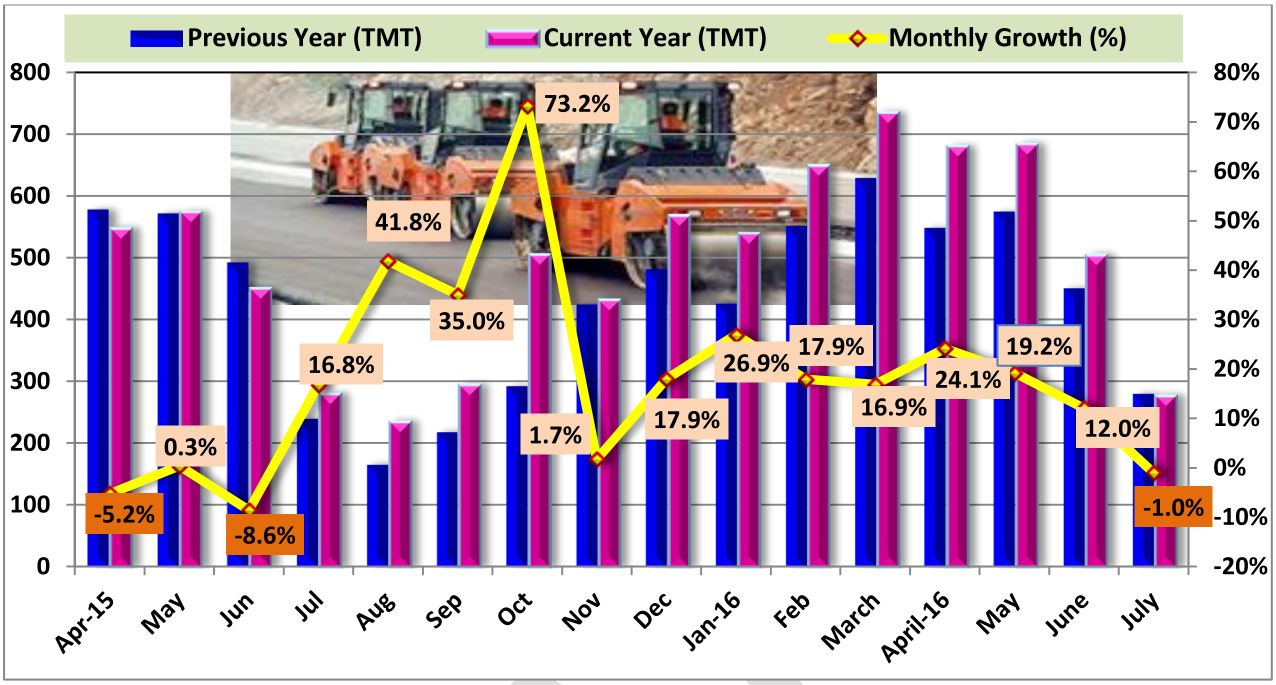
- **Seasonal rainfall scenario:** In July, 2016, rainfall was 7% above average, a sharp improvement from the deficit of 16% last year. Barring Western India, coastal Karnataka, Andhra Pradesh and Kerala, all other regions in the country received normal to excess rainfall during the month. This augurs well for the growth of crops in the Rabi season and crop planting has surpassed last year's level by 6.3% to touch 800 million hectares. Among the various crops planted so far, the area under pulses has expanded. Higher than normal rainfall is expected to reduce the need for diesel by irrigation pumps and diesel powered generators. Heavy rains also impede road construction and other infrastructure related activities which is reflected in diesel consumption of July, 2016.



1.4 Bitumen: After twelve months of high growth, bitumen consumption registered a de-growth of -1.0% during the month of July, 2016 and a cumulative growth of 15.9% for the period April- July, 2016. The government has kept the development of roads at a high priority through various programmes like the National Highways Development Project (NHDP), Special Accelerated Road Development Programme in North East (SARDP-NE), Left Wing Extremism (LWE) and Pradhan Mantri Gramin Sadak Yojana (PMGSY), however, heavy rains impede construction work and bitumen consumption was therefore affected during the month due to monsoons.

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 five months in a row recorded a positive growth of 8.7% during July, 2016 and cumulative growth of 7.9% for the period April-July 2016.

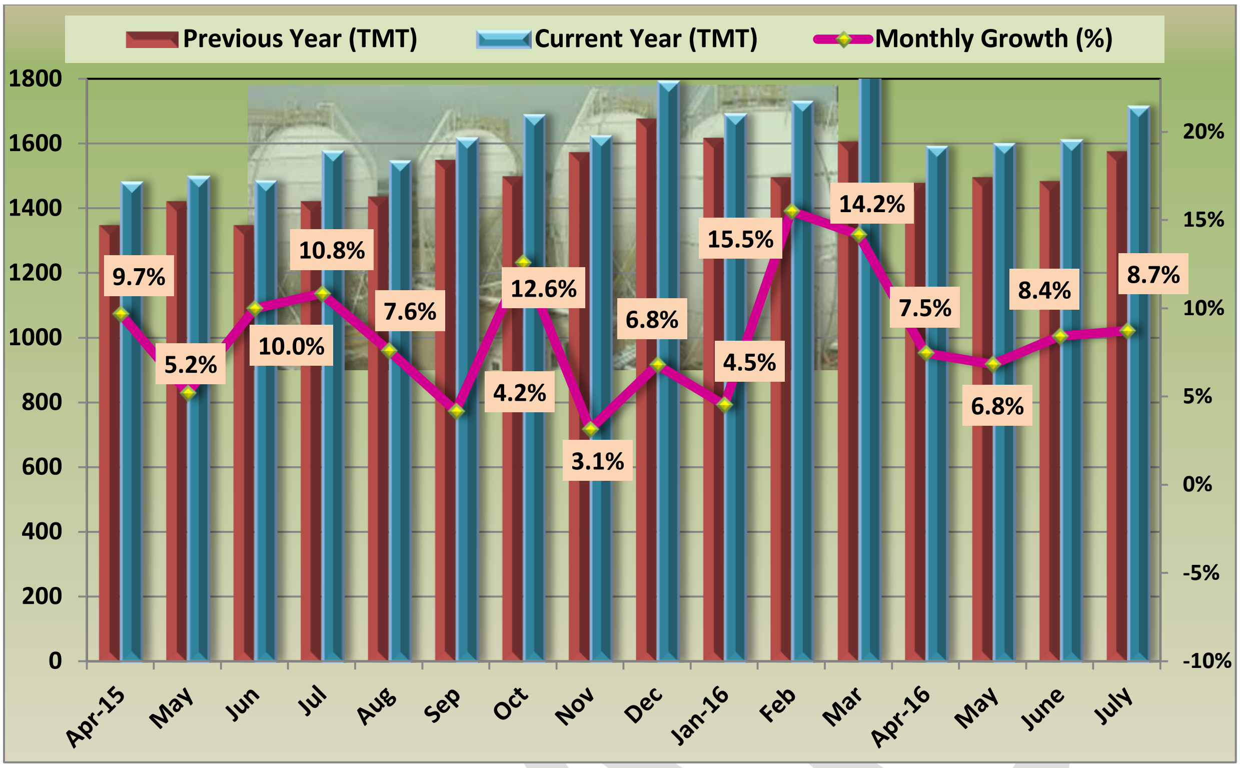
LPG-Packed Domestic consumption registered a growth of 8.3% during July, 2016 and a growth of 6.9% during the period April-July 2016. Last year during July, 2015, a growth of 9.6% and during April-July 2015 a growth of 7.8% was seen. In July, 2016, 27.1 lakh new connections and 6.3 lakh DBCs and in the period April-July, 2016, 69.5 lakh new connections and 25 lakh DBCs were released including approximately 25 lakh connections released on account of Ujjwala scheme during the period May-July 2016. Release of these new connections and DBCs have contributed to the growth of LPG packed domestic consumption

LPG-Packed Non-Domestic consumption for the nineteenth month in a row registered a positive growth of 24.4% in July, 2016 and cumulative growth of 25.1% during April-July 2106. Last year during July, 2015, growth of 40.8% and cumulative growth of 36.7% during April-July 2015 was observed. 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 de-growth of -11.2% during July, 2016 and cumulative growth during April-July 2016 was 16.9%. Last year in the month of July, 2015 a de-growth of -13.2% and during April-July 2015 a de-growth of -5.0% was witnessed.

Auto LPG consumption registered a de-growth of -0.5% in July 2016 and cumulative de-growth of -4.5% in April-July 2016. However, last year in the month of July 2015 a growth of 4.9% and during April-July 2015 a growth of 8.4% was witnessed. Reasons for de-growth in Auto LPG are mainly due to more focus on CNG and reduction in prices of MS.

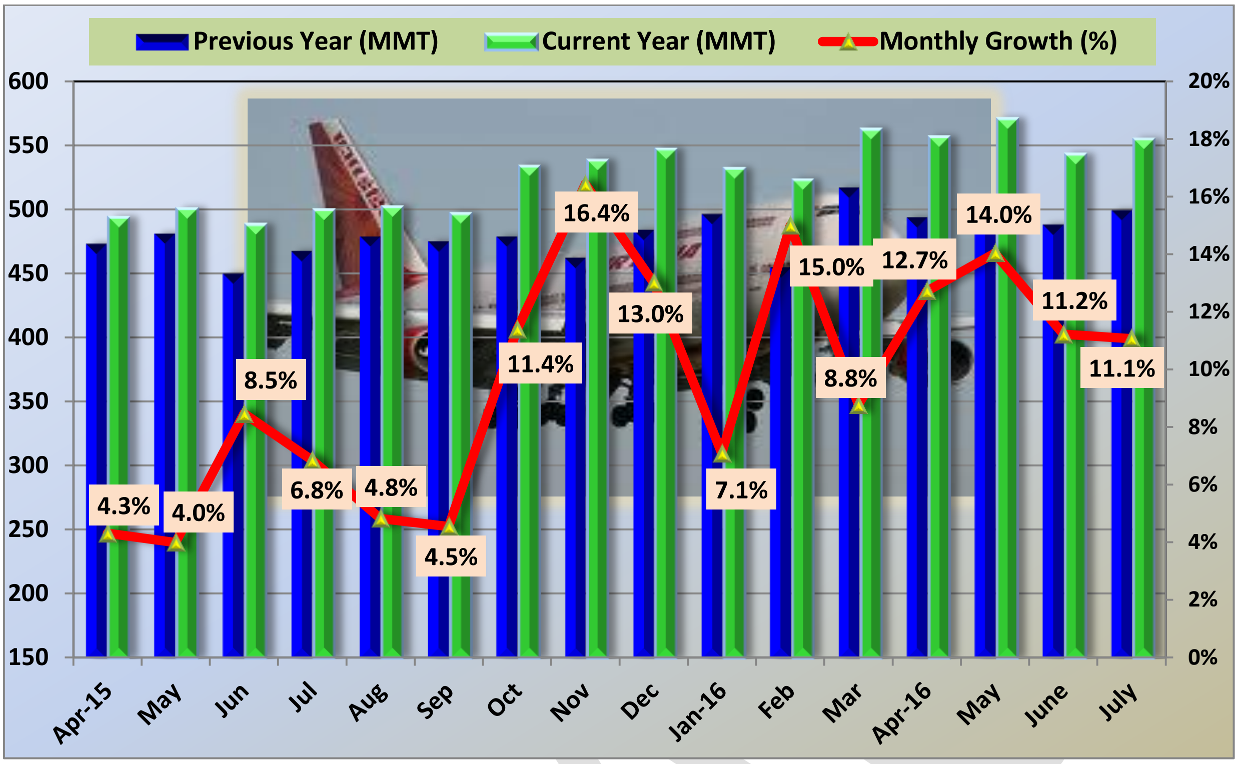
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: consumption recorded a de-growth of -6.3% during the month of July, 2016 and a cumulative growth of 0.8% for the period April- July, 2016. Low demand of naphtha by the petrochemical industry (particularly polymers and plastics) has driven down the growth. As the economy and the demand for manufacturing grow, the demand for plastics also grows and so does the demand for naphtha.

1.7 ATF During July, 2016 the growth in consumption of ATF was 11.1% and a cumulative growth of 12.3% was observed for the period April-July, 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 85.08 lakh (8.5 million) passengers during July 2016, 25.8% more than 67.62 lakh (6.7 million) flown in July, 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. On cumulative basis, a growth of 22.4% was registered in the number of passengers carried by airlines in the period April-July, 2016 as compared to the period April-July, 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 6.5% during July, 2016 and a cumulative growth of 18.4% for the period April-July, 2016. The growth is mainly due to increased consumption of FO in power, petrochemical, steel and general trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like fertilizer industries.

1.9 PETCOKE: Pet-coke consumption registered a growth of 6.8% during July, 2016 and a cumulative growth of 23.3% during April-July, 2016. Multi-fuel cement plants and aluminum industries 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 2.2% in the month of July, 2016 and a cumulative growth of 13.1 % for April-July, 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 lead to fluctuation in its consumption.

****

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

('000 MT)

Product	July			April-July		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	576.4	502.2	**-12.9**	2287.8	2081.7	**-9.0**
LPG	1575.9	1713.5	**8.7**	6036.2	6511.1	**7.9**
Sub Total	**2152.3**	**2215.7**	**2.9**	**8324.0**	**8592.8**	**3.2**
(B) Major Decontrolled Product						
Naphtha	1174.1	1099.9	**-6.3**	4382.4	4415.8	**0.8**
MS	1671.7	1917.7	**14.7**	7056.6	7841.6	**11.1**
HSD	5704.8	5809.4	**1.8**	24917.5	25921.0	**4.0**
Lubes+Greases	260.8	257.6	**-1.2**	1057.3	1098.2	**3.9**
LDO	34.6	35.4	**2.2**	125.7	142.2	**13.1**
FO/LSHS	536.0	570.8	**6.5**	2064.2	2445.0	**18.4**
Bitumen	280.4	277.5	**-1.0**	1853.3	2147.3	**15.9**
ATF	499.7	555.0	**11.1**	1982.8	2226.1	**12.3**
Sub Total	**10162.1**	**10523.3**	**3.6**	**43439.8**	**46237.2**	**6.4**
Sub - Total (A) + (B)	**12314.4**	**12739.0**	**3.4**	**51763.8**	**54830.0**	**5.9**
(C) Minor Decontrolled Products						
Pet Coke	1553.5	1658.9	**6.8**	5496.5	6779.8	**23.3**
Others	489.0	524.0	**7.2**	2071.9	2052.6	**-0.9**
Sub Total	**2042.4**	**2182.9**	**6.9**	**7568.4**	**8832.4**	**16.7**
Total	**14356.8**	**14921.9**	**3.9**	**59332.2**	**63662.4**	**7.3**