

# INDUSTRY SALES REVIEW

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

## 1.0 CONSUMPTION :

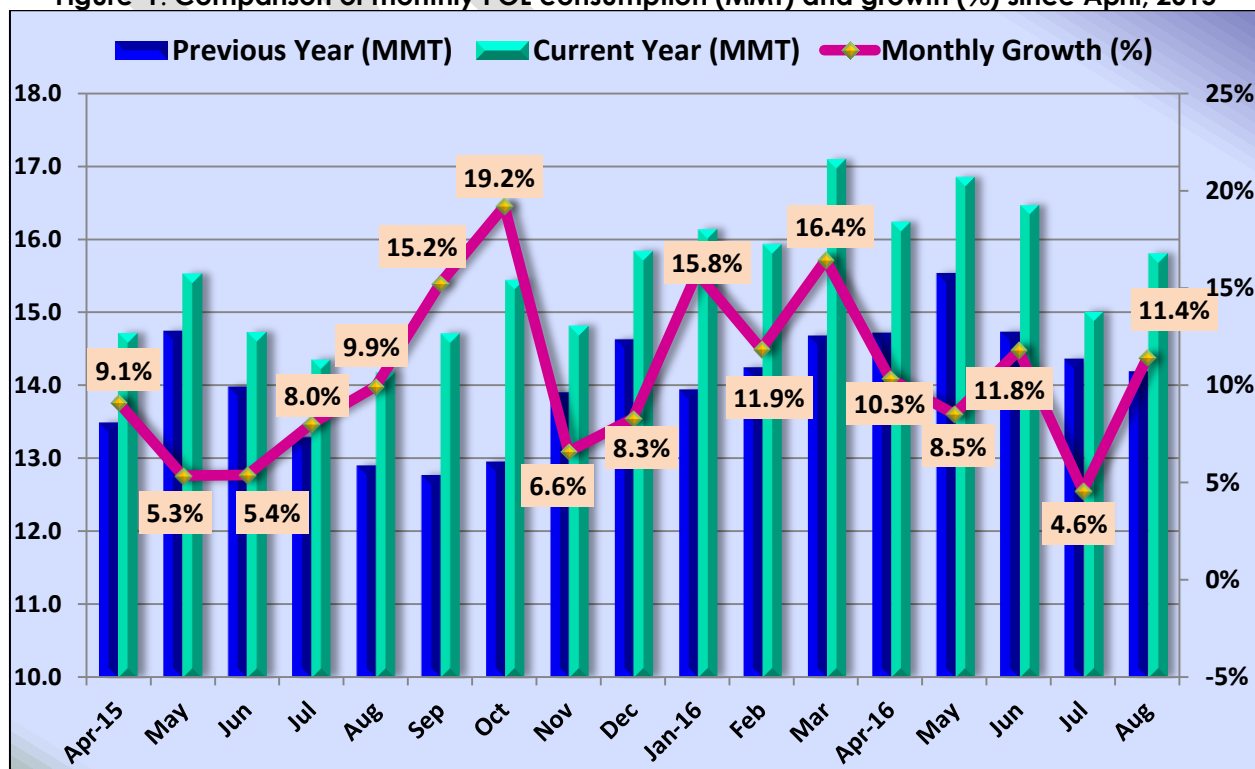
The growth (%) in consumption of petroleum products, category-wise, for the month of August, 2016 is given in Table-1.

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

PRODUCT	% Share	August 2015	August 2016	Growth (%)	Products Included
<b>Sensitive Products</b>	14.8%	2,118	2,339	10.4%	SKO & LPG
<b>Major decontrolled Products</b>	71.0%	9,930	11,224	13.0%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
<b>Minor decontrolled Products</b>	14.2%	2,139	2,242	4.8%	Pet. coke & other minor products
<b>Grand Total</b>	<b>100%</b>	<b>14,187</b>	<b>15,805</b>	<b>11.4%</b>	

**1.1 All Products :** The consumption of petroleum products registered a robust growth of 11.4% in August, 2016 as compared to that in August, 2015. Except for SKO, naphtha and products under 'others' category, which recorded a negative growth of -13.3%, -3.7% and -6.9% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 9.3% was registered for the period April-August, 2016. However, a negative growth of -9.9%, -0.3% and -0.2% was registered for SKO, naphtha 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 54.7 in August, 2016 from 51.9 in July, 2016. It was the strongest reading since January, 2013. Business confidence rose to its highest level since the start of 2015 with over 27 percent of companies expecting activity to increase over the coming year. Manufacturing PMI also increased from 51.8 to 52.6. It was the highest reading since July, 2015, supported by stronger output, new orders and new export orders.

In India, industrial production measures the output of businesses integrated in industrial sector of the economy such as manufacturing, mining, and utilities. In India, manufacturing accounts for 75.5 percent of total output, mining for 14.2 percent and electricity for 10.3 percent. Despite fall in IIP in July, 2016, there was increase in output for coke and refined petroleum products.

Expansion in PMI Index in August, 2016 indicates that growth in manufacturing and services continued. Low oil prices have created a favorable 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 June, 2016 and private imports data for the months of July and August, 2016 are projected based on July, 2015 to June, 2016 figures.

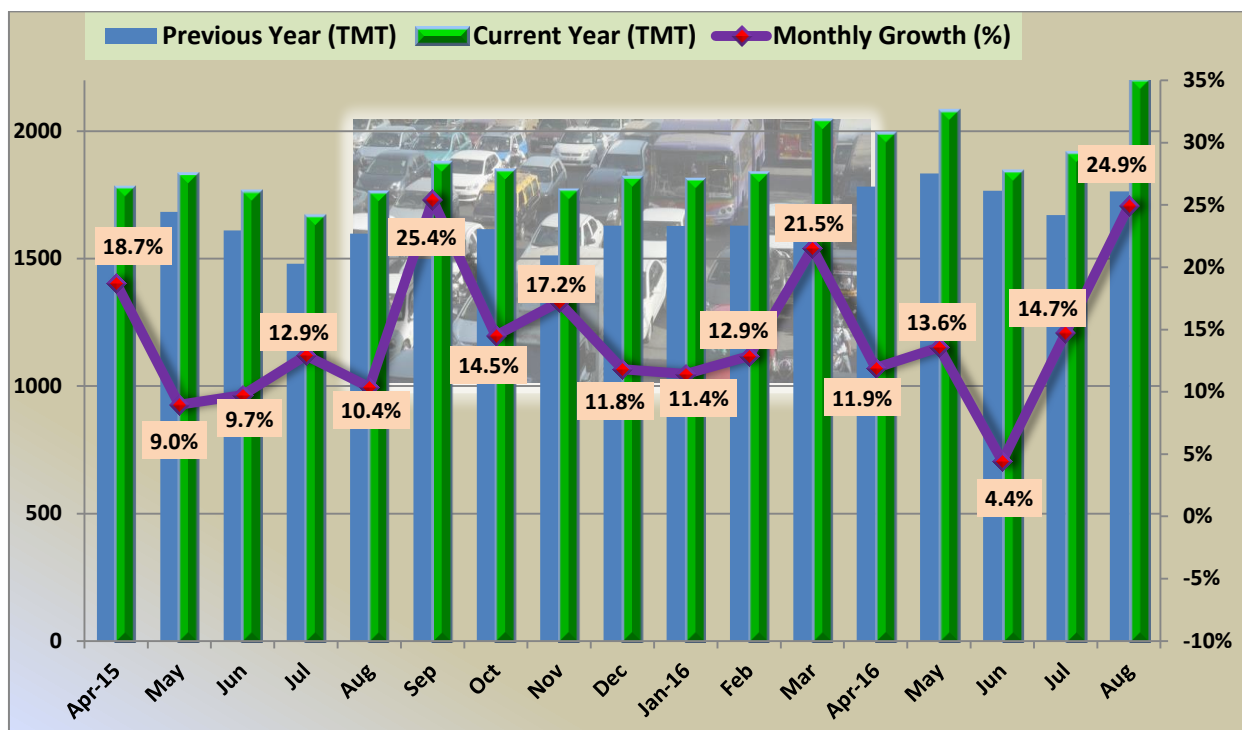
### **Detailed product-wise analysis of growth for August, 2016 is given in the following sections:**

**1.2 Petrol / Motor Spirit (MS):** MS consumption during the month of August, 2016 recorded a substantially high growth of 24.9% as compared to August, 2015 and a cumulative growth of 13.9% for the period April-August, 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. Roads power an economy and foster prosperity. Better road connectivity also prompts more vehicles on road for inter-city movement.
- iv. Price revisions that happened on 1<sup>st</sup> August 2016 (price revised downwards) and on 1<sup>st</sup> September 2016 (price revised upwards) resulted in shifting of the sales to the month of August 2016, both from July and September, 2016.

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

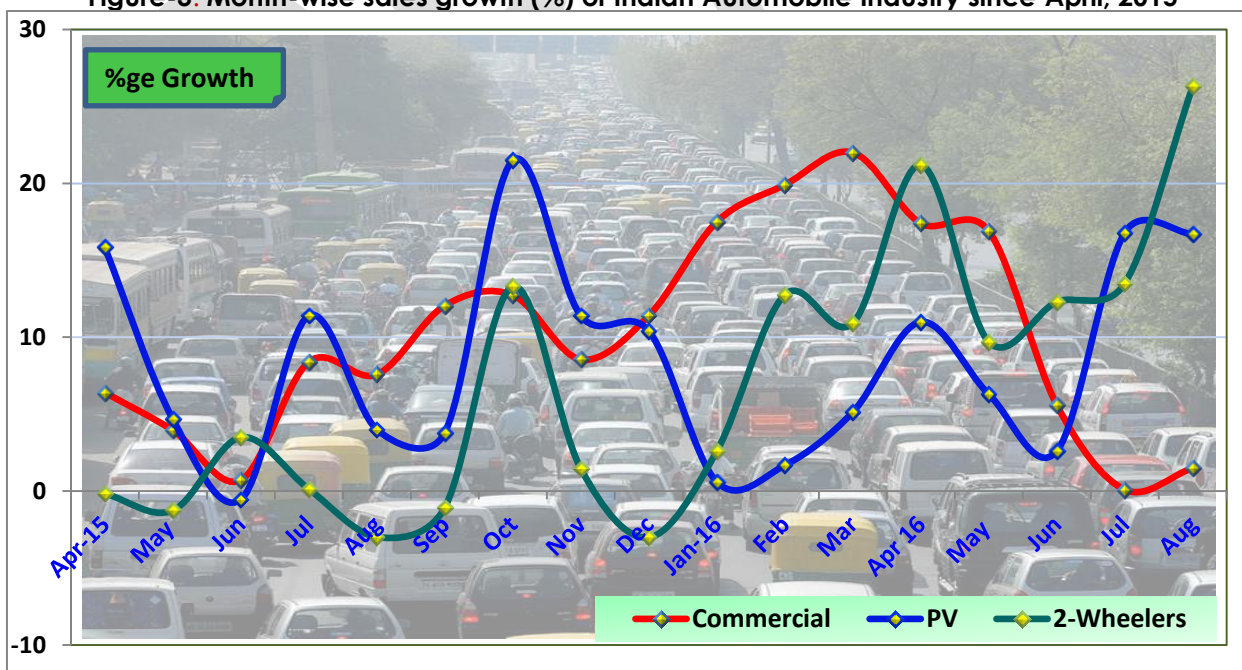
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



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

With an above-normal monsoon boosting farm production across the country, improved market sentiment and a flurry of new, affordable models in the past 6-8 months, good times have returned to the passenger vehicle market.

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



a) **Total passenger vehicles (PV) sales:** A flourishing monsoon, high demand for its new models and the improving buyer sentiment ahead of the festive season augured well for carmakers. Over the past 10 years, the Indian passenger vehicle industry has grown substantially; in fact, it has more than

doubled in its size. The last decade not only saw global markets reel under pressure from the economic meltdown, but also a nascent developing market like India evolved into the sixth largest in the world. A slew of new model launches planned this year, along with strong GDP growth will continue to fuel demand in the PV industry. Additionally, the new Automotive Mission Plan 2026 also envisions that by 2026 the Indian auto industry will be among the top three in the world in terms of engineering, manufacturing and export of vehicles as well as auto components and will encompass safe, efficient and environment friendly conditions for affordable mobility of people and transportation of goods in India. Currently, the auto sector accounts for 7.1 percent of the country's GDP and 49 percent of the manufacturing GDP. Given the burgeoning customer demand particularly for new models, the Make-in-India mantra and global majors keen to have a slice and more of the humungous Indian market, PV market is expected to be among the newsmakers in the next decade.

SIAM data for August, 2016 revealed good performance by the passenger car and vans segment, which recorded a growth of 9.5% and 2.5% respectively while utility vehicles, recorded a strong growth of 47.4%.

Segment	August 2015	August 2016	Growth (%)
Passenger Cars	162,360	177,829	9.5%
Utility Vehicles	44,608	65,745	47.4%
Vans	14,775	15,148	2.5%
<b>Total: Passenger Vehicles (PVs)</b>	<b>221,743</b>	<b>258,722</b>	<b>16.7%</b>

Source: SIAM

- b) **2-wheeler sales:** Like the passenger vehicle industry, the two-wheeler industry too is seeing sales surge following a good monsoon, return of demand from the rural markets, and release of funds from the Seventh Pay Commission.

The two-wheeler segment recorded a robust growth of 26.3% during the month with total sales of 16.5 lakh units. Scooters continued to perform well with sales of 567,782 units and a growth of 32.9%. The motorcycle segment registered a growth of 22.2% and the moped sales recorded a strong growth of 36.8% during August, 2016. The two-wheeler OEMs has been able to carry forward their sales momentum and the industry remains optimistic with the good monsoons and the upcoming festive season.

Segment	August 2015	August 2016	Growth (%)
Scooter / Scooterette	427,165	567,782	32.9%
Motor Cycles	823,051	100,5666	22.2%
Mopeds	55,132	75,435	36.8%
<b>Total: 2-wheelers</b>	<b>1,305,348</b>	<b>1,648,883</b>	<b>26.3%</b>

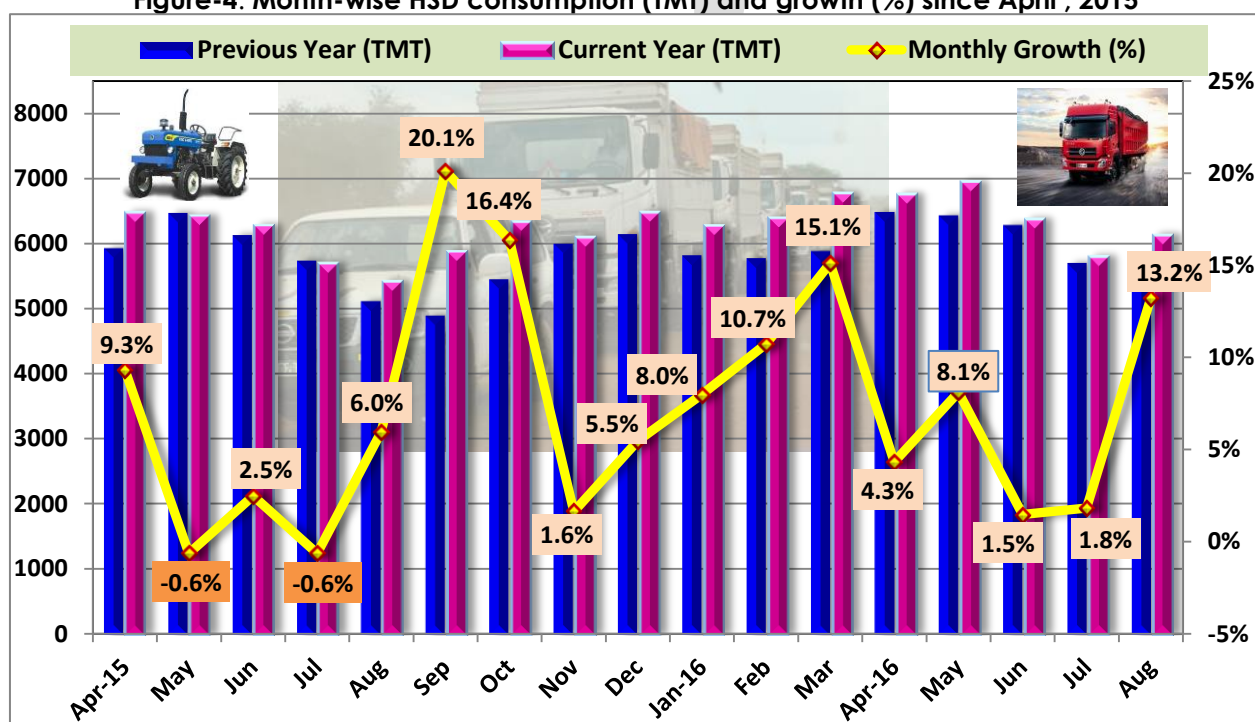
Source: SIAM

**1.3 High Speed Diesel (HSD):** HSD consumption in the country recorded a growth of 13.2% during the month of August, 2016 as compared to August, 2015 and a cumulative growth of 5.7% for the period April-August, 2016.

Following were the factors affecting diesel sales during the month of August, 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. Augmentation of STU fleet is going on.
- iv. Price revisions that happened on 1<sup>st</sup> August 2016 (price revised downwards) and on 1<sup>st</sup> September 2016 (price revised upwards) resulted in shifting of the sales to the month of August 2016, both from July and September, 2016.

**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:** After as many as 23 months of consistent growth, the medium and heavy commercial vehicle (M&HCV) segment has seen its sales decline since July 2016. In the last two years, the M&HCV sector saw growth, enabled by replacement demand. While the August 2016 numbers indicate continued de-growth, it is expected that good monsoon, arrival of agricultural produce, upcoming festival season and the impact of spending from the dues of the 7<sup>th</sup> Pay Commission, would lead to higher freight and higher truck utilization which could improve the commercial vehicle sales.
- b) **Light Commercial Vehicle (LCV) sector,** which saw a sales slowdown for over two years, is experiencing a growth momentum. The sector registered a growth of 11.2% during the month of August, 2016. Improving economy of the

country and overall recovery due to improved industry and infrastructure is also driving the LCV sales growth.

Segment	August 2015	August 2016	Growth (%)
M&HCVs	23,014	20,537	-10.8%
LCVs	29,184	32,459	11.2%
<b>Total: Commercial Vehicles</b>	<b>51,795</b>	<b>51,853</b>	<b>0.1%</b>

Source: SIAM

- c) **Port traffic:** There has been a growth of 1.96% in port traffic for the month of August, 2016. The growth in port traffic and cargos handled at most of the major ports during August, 2016 is mainly due to increase in port traffic at ports except at Kolkata, Ennore, New Mangalore, JNPT and Kandla.

**Table-2** below gives the port-wise performance during the month of August, 2016. The growth in traffic during the period April-August, 2016 has been contributed mostly by iron ore (98.28%), POL products (4.14%), thermal coal (3.7%), coking coal (1.2%) and others (13.0%) while there has been a drop in finished fertilizer (-16.7%) and raw fertilizer (-10.5%). 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 August, 2016**

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	August 2015	August 2016	Growth (%)
Kolkata + Haldia	4,464	3,704	-17.03%
Paradip	6,285	7,211	14.73%
Visakhapatnam	4,788	4,871	1.73%
Kamarajar (Ennore)	2,573	2,411	-6.30%
Chennai	3,963	4,496	13.45%
V.O. Chidambaranar	3,130	3,157	0.86%
Cochin	2,013	2,119	5.27%
New Mangalore	2,776	2,653	-4.43%
Mormugao	1,291	1,547	19.83%
Mumbai	5,144	5,433	5.62%
JNPT	5,078	5,004	-1.46%
Kandla	9,443	9,342	-1.07%
<b>TOTAL:</b>	<b>50,948</b>	<b>51,948</b>	<b>1.96%</b>

Source: IPA

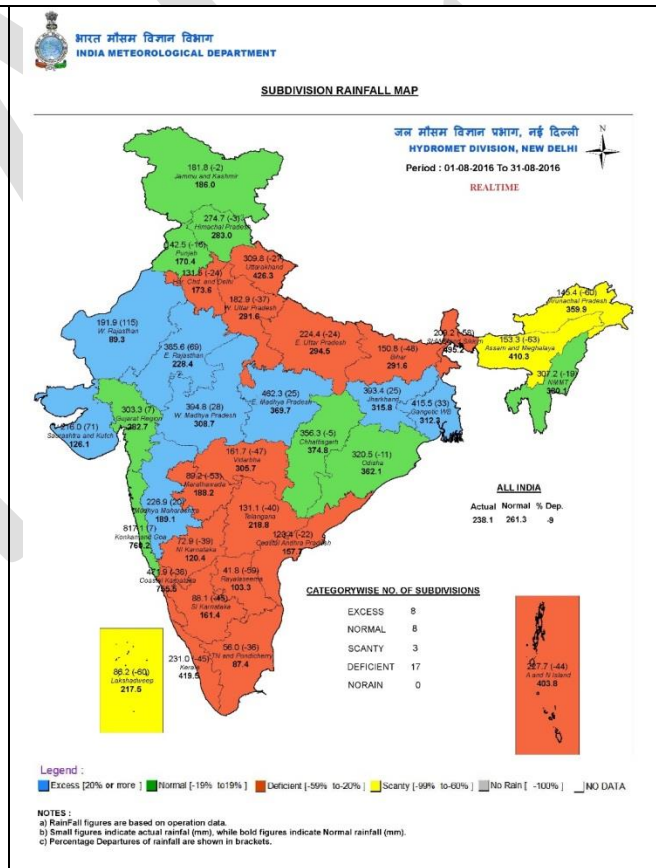
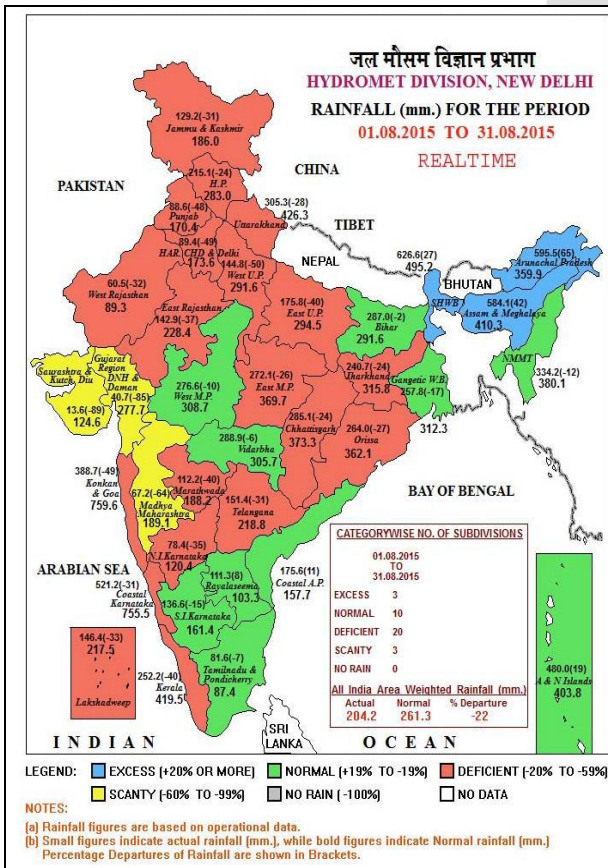
- d) **Power situation improves:** The power deficit position for the month of August, 2016 is given in Table-3. The power deficit position improved from -2.6% in August, 2015 to -0.5% during August, 2016. The shortage during the month improved for all regions. The deficit continues mainly in the states of Jammu & Kashmir, Assam and Uttar Pradesh. The improved power position in August, 2016 may have led to reduced usage of diesel for back-up power generation.

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

States	August 2016 <sup>(P)</sup>				August 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	31,913	31,481	-432	-1.4%	-5.4%
West	27,283	27,277	-5	0%	-0.2%
South	26,487	26,473	-15	0%	-2.0%
East	11,230	11,221	-9	-0.1%	-1.0%
North-East	1,461	1,421	-40	-2.8%	-5.9%
<b>Total</b>	<b>98,374</b>	<b>97,873</b>	<b>-502</b>	<b>-0.5%</b>	<b>-2.6%</b>

Source: Central Electricity Authority (CEA)

- Seasonal rainfall scenario:** After two consecutive droughts, India received normal rainfall (-2 percent less than the 100-year average) by the end of August 2016. But within that normality, more than a third of the country is short of rain. According to India Meteorological Department (IMD) rainfall was 9% below normal, in August, 2016. Rains did not have much impact on diesel consumption during August, 2016.



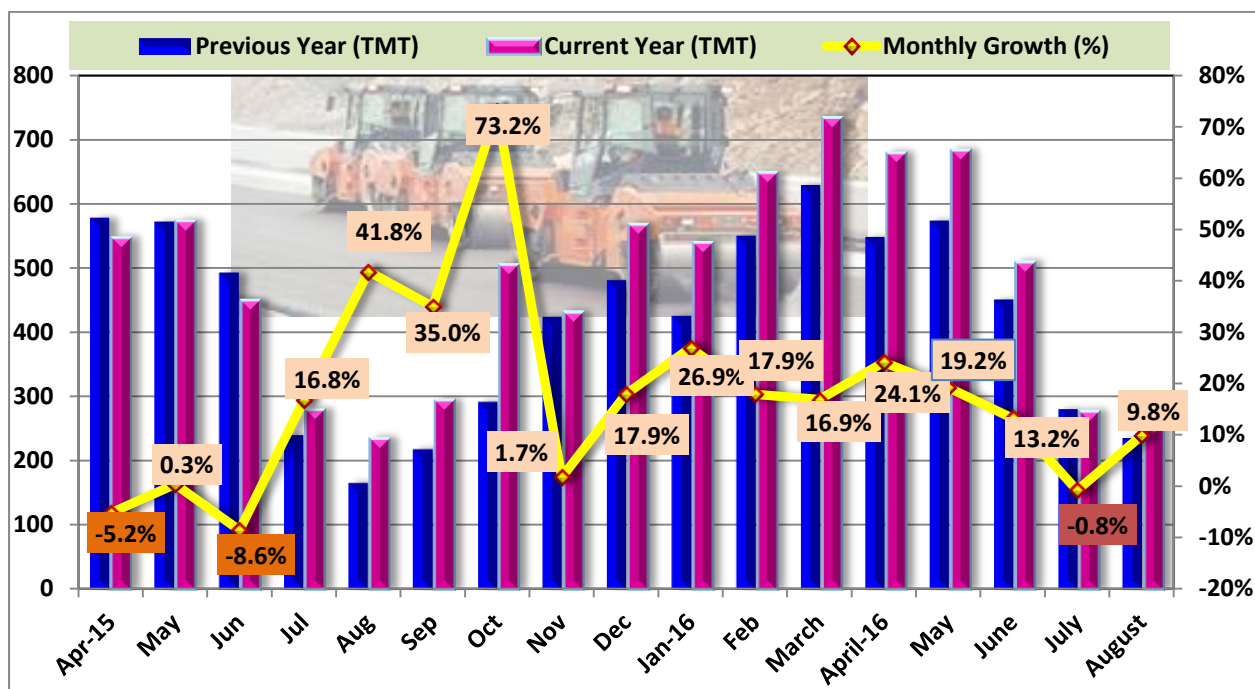
**1.4 Bitumen:** As rains tapered off, bitumen consumption registered a growth of 9.9% during the month of August, 2016 and a cumulative growth of 15.5% for the period April-August, 2016. The Government has kept the development of roads at a high priority through various programs like the National Highways Development Project (NHDP), Special Accelerated Road Development Program in North East (SARDP-NE), Left Wing Extremism (LWE) and Pradhan Mantri Gramin



Sadak Yojana (PMGSY). However, as heavy rains impede construction work and as rainfall decreased, bitumen consumption increased during the month.

**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 six months in a row recorded a positive growth of 19.2% during August, 2016 and cumulative growth of 10.3% for the period April-August 2016. For the first time, during August, 2016, double digit growth in total LPG and LPG Packed Domestic consumption was observed.

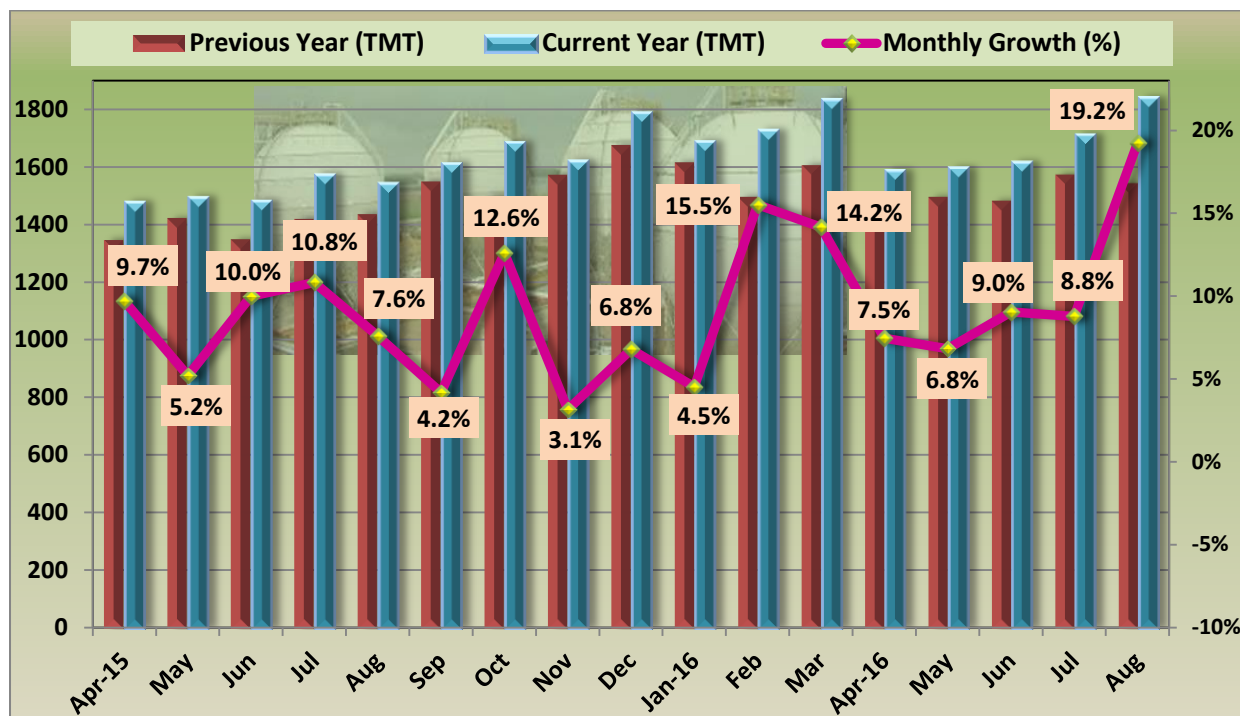
**LPG-Packed Domestic** consumption registered a growth of 19.2% during August 2016 and a growth of 9.4% during the period April-August 2016. Last year during August, 2015 growth of 5.2% and in April-August 2015 growth of 7.2% was seen. During the month of August, 2016, approximately 33 lac new connections were released. This is almost one third of the total new connections released during April-August 2016. In the period April-August 2016, 103.2 lac new connections and 30.8 lac DBCs were released including approximately 46 lac connections released on account of Ujjwala scheme since inception till August, 2016. High release of new connections during the month has also contributed to the increase in share of LPG packed domestic consumption to 89.2%

**LPG-Packed Non-Domestic** consumption for the twentieth month in a row registered a positive growth of 29.4% in August, 2016 and cumulative growth of 26.0% during April-August 2016. Last year during August, 2015, growth of 43.7% and cumulative growth of 38.2% during April-August 2015 was observed. This double digit growth and increase in market share to 8.2% in April-August 2016 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 -5.1% during August, 2016 and cumulative growth during April-August 2016 was 11.8%. Last year in the month of August, 2015 growth of 22.0% and during April-August 2015 a minor growth of 0.1% was witnessed.

**Auto LPG consumption** registered a growth of 6.4% in August, 2016 and cumulative de-growth of -2.2% during April-August 2016. However, last year in the month of August, 2015, growth of 4.8% and during April-August 2015 growth of 7.7% was witnessed. Reasons for de growth in Auto LPG are mainly due to more focus on CNG and reduction in prices of MS.

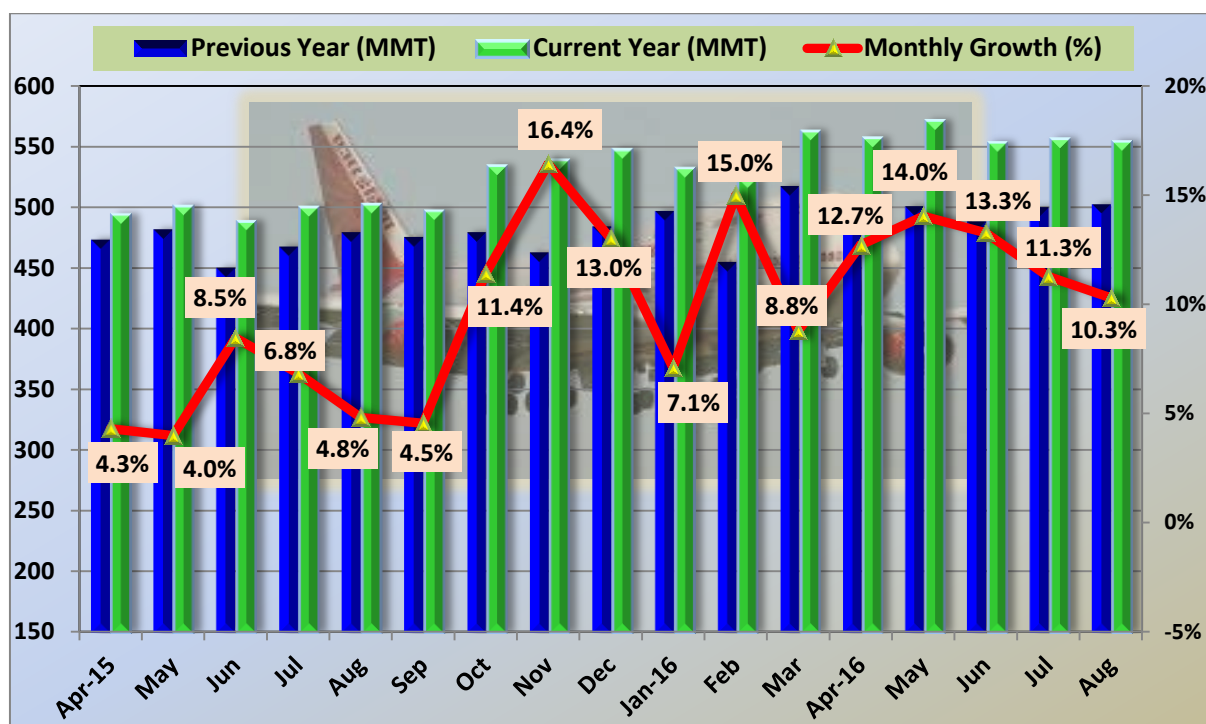
**Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015**



**1.6 Naphtha:** consumption recorded a de-growth of -3.7% during the month of August, 2016 and a cumulative de growth of -0.3 % for the period April-August, 2016. Petrochemical Industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Low demand of naphtha by the petrochemical industry (particularly polymers and plastics) has driven down the growth. Drop in demand by fertilizer and power plants were also recorded during the month.

**1.7 ATF** During August, 2016 the growth in consumption of ATF was 10.3 % and a cumulative growth of 12.3% was observed for the period April-August, 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 83.81 lakh passengers during August, 2016, 23.9% more than 67.60 lakh flown in August, 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.

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



**1.8 FO/LSHS:** FO and LSHS consumption registered a growth of 14.0% during August, 2016 and a cumulative growth of 18.3% for the period April-August, 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 9.5% during August, 2016 and a cumulative growth of 31.0% during April-August, 2016. Multi-fuel cement plants and aluminium 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 31.8 % in the month of August, 2016 and a cumulative growth of 16.8 % for April-August, 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. Commissioning of new Power projects in South and East Zones in India resulted in higher consumption of LDO during the month.

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## Industry Sales Trend Analysis (Provisional) : April-August 2016

('000 MT)

Product	August			April-August		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
<b>(A) Sensitive Products</b>						
SKO	572.7	496.5	-13.3	2860.6	2577.8	-9.9
LPG	1544.9	1842.0	19.2	7581.0	8363.2	10.3
<b>Sub-Total</b>	<b>2117.6</b>	<b>2338.4</b>	<b>10.4</b>	<b>10441.6</b>	<b>10941.0</b>	<b>4.8</b>
<b>(B) Major Decontrolled Products</b>						
Naphtha	1194.3	1150.2	-3.7	5576.7	5559.7	-0.3
MS	1764.4	2204.4	24.9	8821.0	10045.9	13.9
HSD	5425.9	6143.5	13.2	30343.4	32059.8	5.7
Lubes+Greases	244.9	266.2	8.7	1302.2	1424.1	9.4
LDO	30.9	40.7	31.8	156.6	182.9	16.8
FO/LSHS	532.0	606.4	14.0	2596.2	3071.8	18.3
Bitumen	235.7	258.9	9.9	2089.1	2412.1	15.5
ATF	502.3	554.0	10.3	2485.0	2791.3	12.3
<b>Sub-Total</b>	<b>9930.4</b>	<b>11224.3</b>	<b>13.0</b>	<b>53370.2</b>	<b>57547.4</b>	<b>7.8</b>
<b>Sub-Total (A) + (B)</b>	<b>12048.0</b>	<b>13562.7</b>	<b>12.6</b>	<b>63811.8</b>	<b>68488.4</b>	<b>7.3</b>
<b>(C) Minor Decontrolled Products</b>						
Pet. Coke	1533.8	1679.0	9.5	7030.4	9211.0	31.0
Others	604.7	562.9	-6.9	2676.6	2670.5	-0.2
<b>Sub-Total</b>	<b>2138.5</b>	<b>2241.9</b>	<b>4.8</b>	<b>9707.0</b>	<b>11881</b>	<b>22.4</b>
<b>Total</b>	<b>14186.5</b>	<b>15804.6</b>	<b>11.4</b>	<b>73518.8</b>	<b>80370</b>	<b>9.3</b>