INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

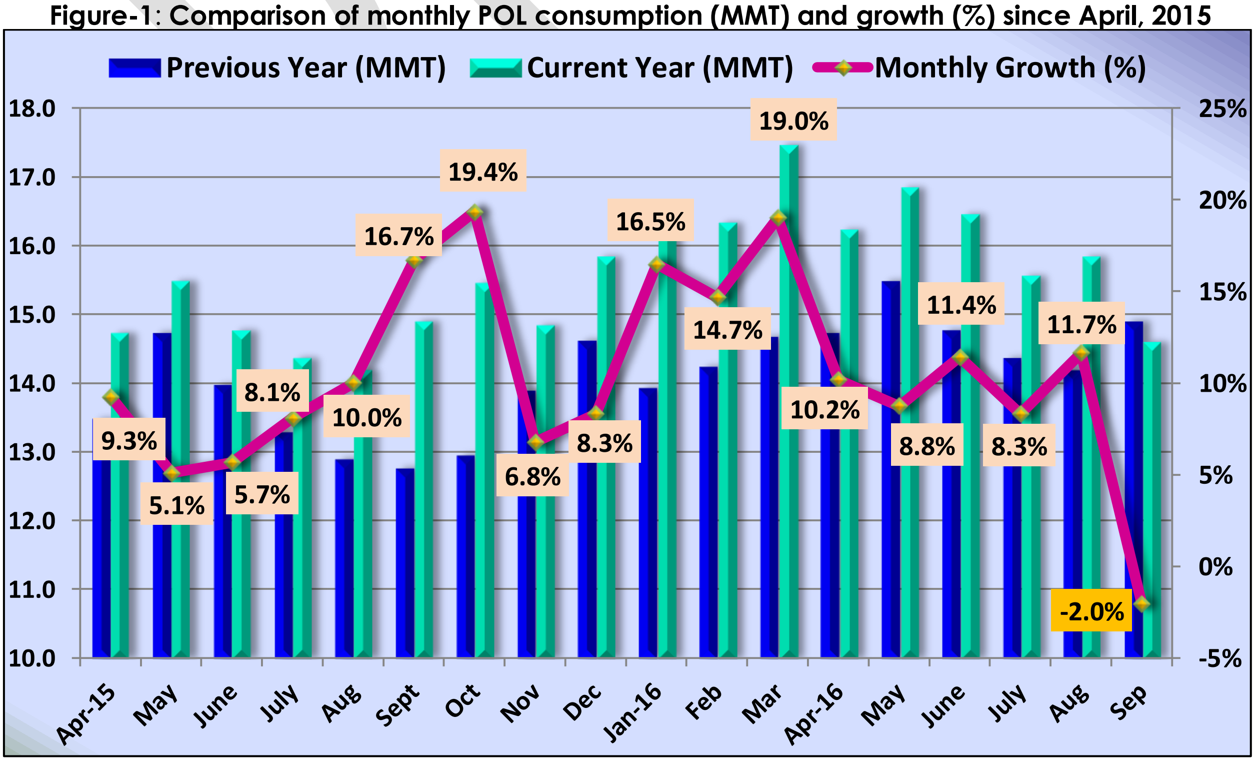
The growth (%) in consumption of petroleum products, category-wise, for the month of September, 2016 is given in Table-1.

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

PRODUCT	% Share	September 2015	September 2016	Growth (%)	Products Included
Sensitive Products	16.3%	2,183	2,375	8.8%	SKO & LPG
Major decontrolled Products	67.7%	10,530	9,886	-6.1%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	16.0%	2,194	2,343	6.8%	Pet. coke & other minor products
Grand Total	**100%**	**14,907**	**14,604**	**-2.0%**	

1.1 All Products : For the first time since October, 2014, the consumption of petroleum products during the month recorded a de-growth of -2.0% in September, 2016 as compared to that in September, 2015. SKO, MS, HSD, LDO and FO/LSHS recorded a negative growth of -11.0%, -3.4%, -11.4%, -.04% and -0.6% respectively during the current month. On cumulative basis, a growth of 8.0% was registered for the period April to September, 2016. A de-growth of -10.1% was registered only for kerosene for the period April to September,2016 as compared to that in April to September, 2015 mainly due to reduction in PDS allocation.

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



The Nikkei India Services PMI fell to 52.0 in September, 2016 from 54.7 in August, 2016. Service sector performance in India continued to improve relatively modestly in September, 2016. With manufacturing also on a softer footing, growth of private sector output and new orders eased in the last month. The Nikkei India Manufacturing Purchasing Managers' Index, or PMI, dropped to 52.1 in September, 2016 from a 13-month high of 52.6 in August, 2016. The Indian manufacturing industry lost momentum in September, 2016, as growth of new orders eased from August, 2016's 20 month high.

Data released by Ministry of Statistics and Program Implementation showed that industrial production contracted in August, 2016 due to weakness in the manufacturing sector. A drop in PMI Index of manufacturing and services in the month of September, 2016 indicates contraction in economic expansion during the current month.

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 July, 2016 and private imports data for the months of August and September, 2016 are projected based on August, 2015 to July, 2016 actual data provided by DGCIS.

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

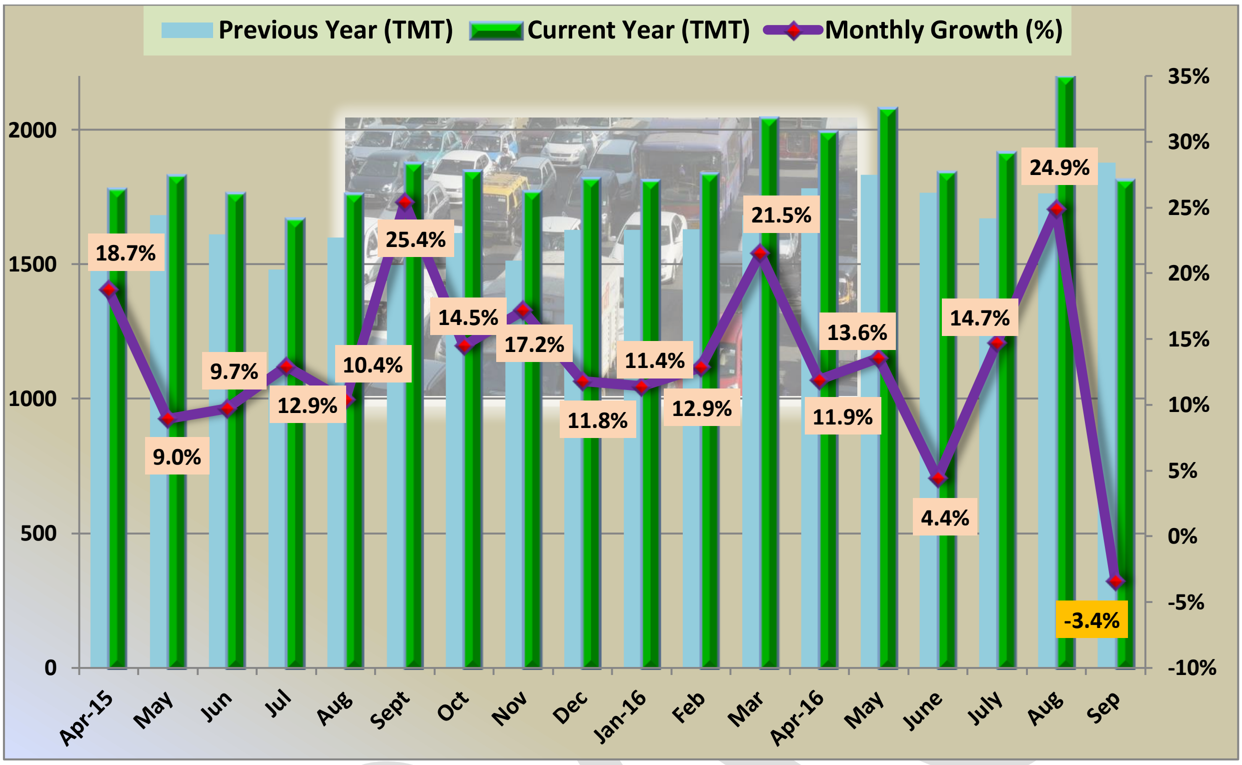
1.2 Petrol / Motor Spirit (MS): MS consumption during the month of September, 2016 recorded a de-growth of -3.4% (for the first time since May, 2014) as compared to September, 2015 and a cumulative growth of 10.8% for the period April-September, 2016. The factors affecting MS consumption during the month can be attributed mainly to the following:

i. September, 2015 had a large volume base and during the same month last year, a very high growth of 25.4% was recorded over September 2014. Also, price revision that happened on 1st September 2016 (price revised upwards) had resulted in shifting of the sales to the month of August 2016, from September, 2016. These have mainly resulted in a de-growth in the consumption of MS during the month.

ii. Consumer preference for petrol driven vehicles and policy of scrapping old diesel vehicles along with restrictions on sales of higher capacity diesel passenger vehicles has continued to push the sales of MS driven cars. Continuous high sale of two wheelers and petrol driven cars along with improved road connectivity has given impetus to MS consumption in general.

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

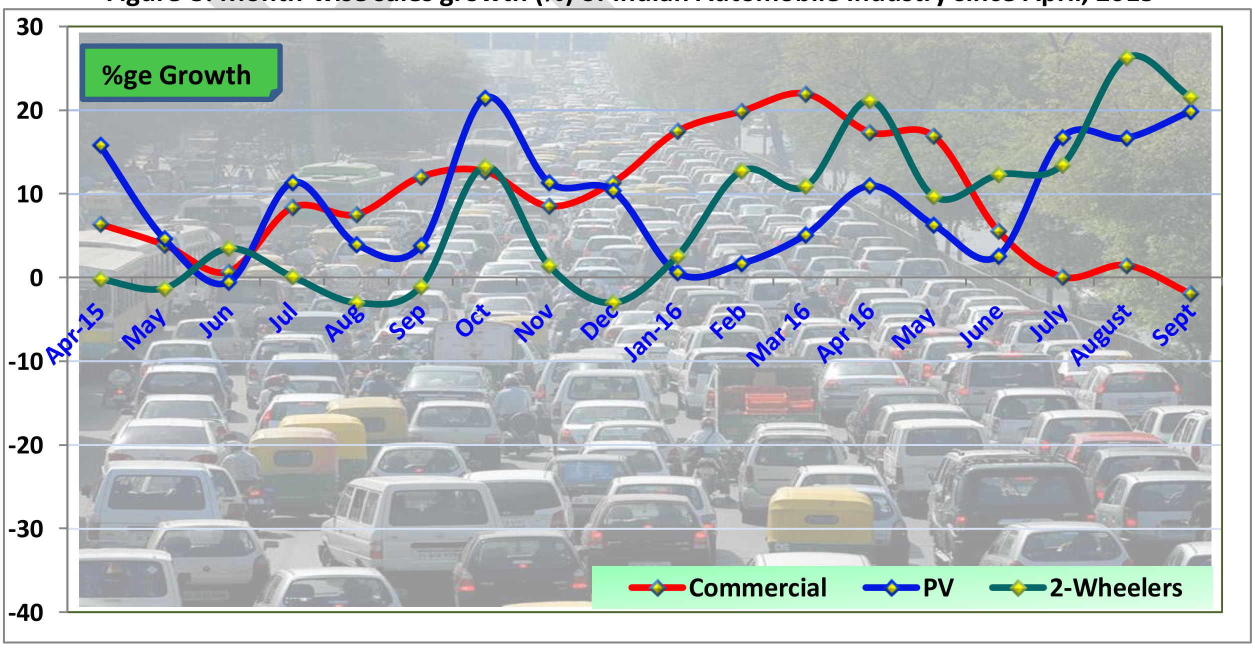
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

Sales of MS driven vehicles has been gaining momentum and as of close of September 2016, the total Passenger Vehicle sales in India touched a cumulative of 14.94 lakh vehicles. Though the phenomenon of high auto sales is global, but in India, the fifth largest vehicle market in the world has been steadily growing and September, 2016 sales recorded an all-time high during the year.

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



a) **Total passenger vehicles (PV) sales**: Anticipating a strong festive season on the back of an above-normal monsoon boosting farm production across the country, improved market sentiment and also a flurry of new, affordable models in the past 6-8 months, most carmakers pushed the stock in bulk to dealers in September, 2016. In India, car sales expanded by 20.0% year on year in September, 2016. The pace of growth, in fact, gained steam this year (6.7% in the first quarter and 12.3% in the six months of the financial year). SIAM data for September, 2016 shows good performance by the passenger car and vans segment, which recorded growths of 15.1% and 15.6% respectively while utility vehicles, recorded a whooping growth of 37.9%.

Segment	September 2015	September 2016	Growth (%)
Passenger Cars	169,590	195,259	15.1%
Utility Vehicles	48,467	66,851	37.9%
Vans	14,113	16,318	15.6%
Total: Passenger Vehicles (PVs)	**232,170**	**278,428**	**19.9%**

Source: SIAM

b) **2-wheeler sales**: As expected, monthly sales reported by two-wheeler companies in India reflect surging sales across the domestic market on the back of the festive season. While the companies are working hard to build up their inventories across regional yards and dealerships, most of them have also reported their best-ever market performance during September, 2016.

The two-wheeler segment recorded a robust growth of 21.6% during the month with total sales of 18.68 lakh units. Scooters continued to perform well with sales of 603,818 units and a growth of 30.6%. The motorcycle segment registered a growth of 16.3% and the moped sales recorded a strong growth of 43.7% during September, 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	September 2015	September 2016	Growth (%)
Scooter / Scooterette	462,341	603,818	30.6%
Motor Cycles	1,020,204	1,186,770	16.3%
Mopeds	54,559	78,405	43.7%
Total: 2-wheelers	**1,537,104**	**1,868,993**	**21.6%**

Source: SIAM

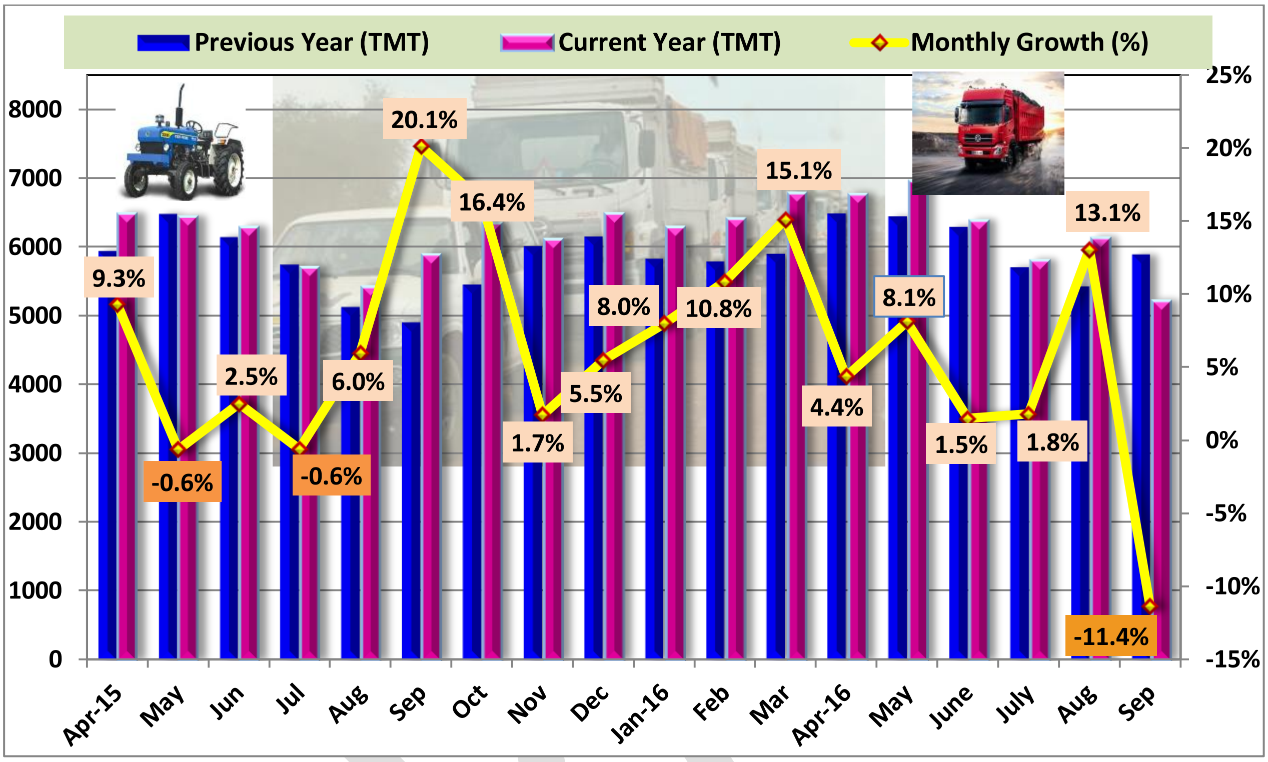
1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a de-growth of -11.4% during the month of September, 2016 as compared to September, 2015 and a cumulative growth of 2.9% for the period April-September, 2016. Following were the factors affecting diesel sales during the month of September, 2016:

i. September, 2015 had a large volume base and during the same month last year, a very high growth of 20.1% was recorded over September 2014. Also price revision that happened on 1st September 2016 (price revised upwards) had resulted in shifting of the sales to the month of

August 2016 from September, 2016. These have mainly resulted in a de-growth in consumption of HSD during the month.

ii. However, improvement in infrastructure due to road projects initiated by the government across the country has resulted in a push in construction activity across all sectors.

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**: Drying replacement demand, lower manufacturing activity and near stagnant coal production has adversely affected demand for the medium and heavy commercial vehicle (M&HCV) segment, as sales fell for the third month in a row. Uncertainty regarding the final rate of GST (a lower rate is expected to bring truck prices down) is delaying the customer's buying decisions.

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 16.4% during the month of September, 2016. Improving economy of the country and overall recovery due to improved industry and infrastructure is also driving the LCV sales growth.

Segment	September 2015	September 2016	Growth (%)
M&HCVs	31,174	24,748	-20.6%
LCVs	31,671	36,873	16.4%
Total: Commercial Vehicles	**62,845**	**61,621**	**-1.9%**

Source: SIAM

c) **Port traffic:** There has been a growth of 8.1% in port traffic for the month of September, 2016. The growth in port traffic and cargos handled at most of the major ports during September, 2016 is mainly due to increase in port traffic at ports except at Kolkata, Ennore, Chennai, and JNPT.

Table-2 below gives the port-wise performance during the month of September, 2016. The growth in traffic during the period April to September,2016 has been contributed mostly by iron ore (42.37%), POL products (6.71%), coking coal (0.59%)and others (4.58%) while there has been a drop in finished fertilizer (-18.99%) and raw fertilizer (-3.67%). 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 September, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**September 2015**	**September 2016**	**Growth (%)**
Kolkata + Haldia	4,028	3,878	-3.7%
Paradip	5,448	6,802	24.9%
Visakhapatnam	4,381	4,898	11.8%
Kamarajar (Ennore)	2,618	2,351	-10.2%
Chennai	4,028	3,979	-1.2%
V.O. Chidambaranar	2,473	3,096	25.2%
Cochin	1,896	1,981	4.5%
New Mangalore	2,466	3,266	32.4%
Mormugao	1,464	1,569	7.2%
Mumbai	5,175	5,261	1.7%
JNPT	5,142	4,851	-5.7%
Kandla	7,781	8,770	12.7%
TOTAL:	**46,900**	**50,702**	**8.1%**

Source: IPA

d) **Power situation improves**: The power deficit position for the month of September, 2016 is given in Table-3. The power deficit position improved from -3.4% in September, 2015 to -0.7% during September, 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 September, 2016 may have led to reduced usage of diesel for back-up power generation.

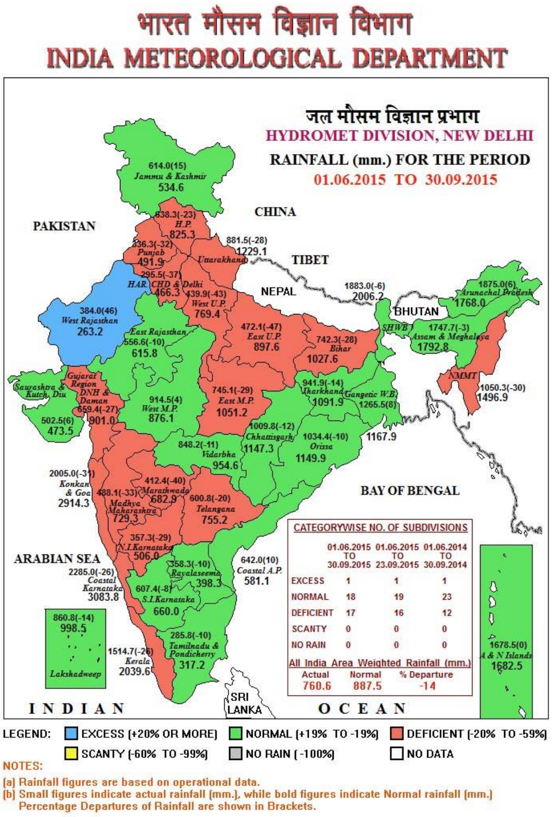
Table-3: Power deficit: Region-wise position for September, 2016 (% deficit)

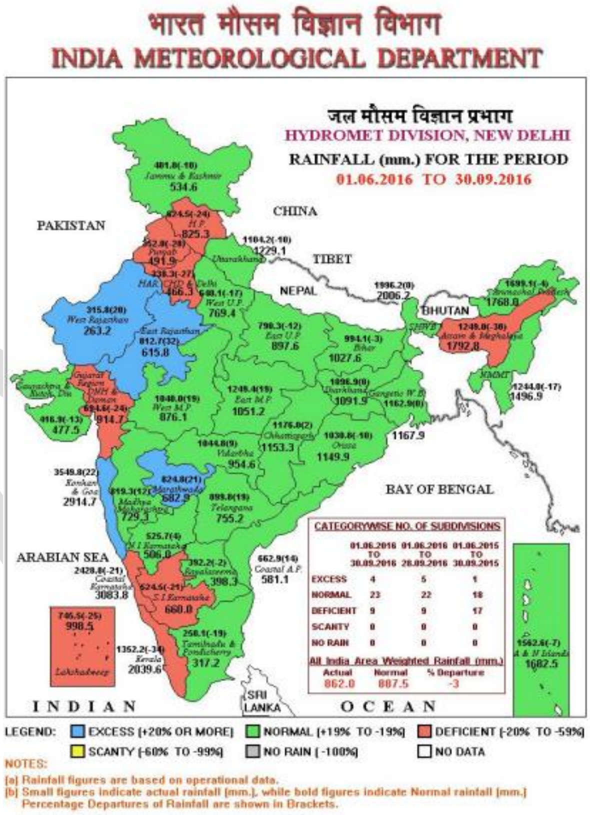
States	September 2016 (P)				September 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	33,300	32,646	-654	-2.0%	-6.0%
West	28,683	28,679	-4	0%	-0.3%
South	24,689	24,686	-3	0%	-3.5%
East	10,976	10,964	-12	-0.1%	-0.6%
North-East	1,373	1,336	-37	-2.7%	-4.3%
Total	**99,021**	**98,310**	**-711**	**-0.7%**	**-3.2%**

Source: Central Electricity Authority (CEA)

• **Seasonal rainfall scenario:** Rainfall in 2016 has been recorded as normal, at just 3% below the long period average. For the first time in 3 years, rains were well distributed across the country.

Favorable monsoon is expected to revive rural incomes. Large agricultural output will help boost supply of agricultural produce and rural incomes. This should also result in fall in food prices and related inflation, which would in turn benefit urban consumption and a bounce back in economic activity by pushing up the demand of durables and FMCGs in the coming months.

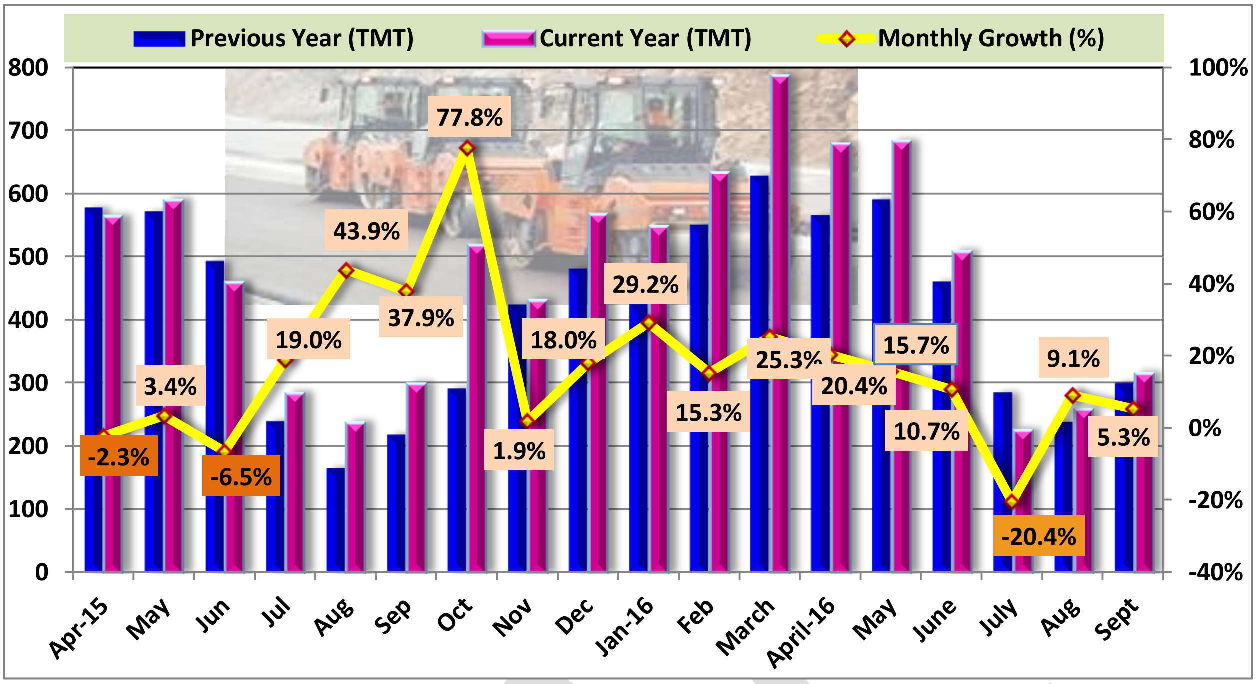




1.4 Bitumen: As rains have tapered off, bitumen consumption registered a growth of 5.4% during the month of September, 2016 and a cumulative growth of 9.7% for the period April to September, 2016. The Government has kept the development of roads at a high priority through various programs.

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 seven months in a row recorded a positive growth of 15.7% during September, 2016 and cumulative growth of 11.0% for the period April to September 2016. For the second month in a row, monthly and cumulative growth in total LPG consumption was observed in double digits

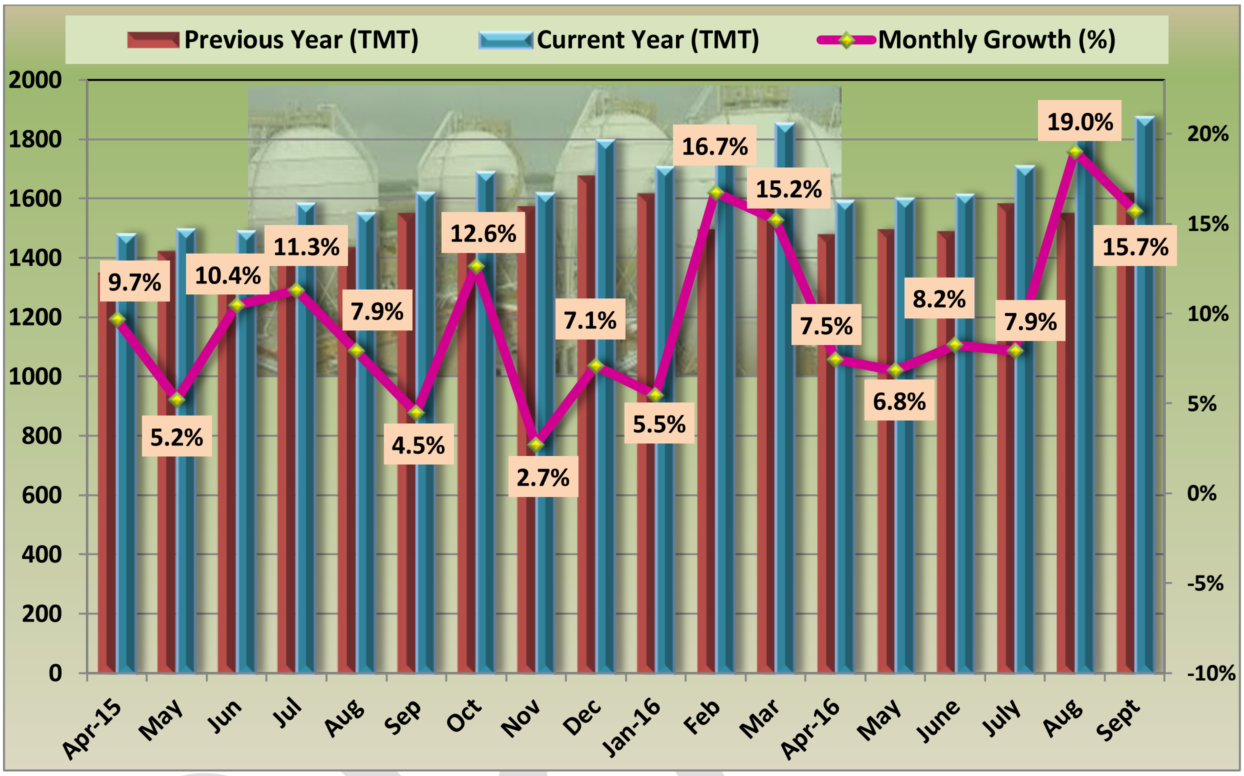
LPG-Packed Domestic consumption registered a growth of 15.0% during September, 2016 and a growth of 10.4% during the period April to September 2016. Last year during September, 2015, growth of 2.5% and in April to September 2015 growth of 6.4% was seen. During the month of September 2016, approximately 36.9 lakhs new connections were released out of which 25.7 lakhs were released on account of Ujjwala scheme. In the period April to September 2016, 140.2 lakhs new connections and 36.4 lakhs DBCs were released including approximately 71.8 lakh connections released on account of Ujjwala scheme since inception till September 2016.

LPG-Packed Non-Domestic consumption for the past twenty one months in a row registered a high growth of 33.3% in September, 2016 and cumulative growth of 27.4% during April to September 2106. Last year during September, 2015, growth of 40.0% and cumulative growth of 38.5 during April to September 2015 was observed. This double digit growth and increase in market share to 8.3% in April to September 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 growth of 14.4% during September, 2016 and cumulative growth during April to September 2016 was 12.3%. Last year in the month of September 2015, a de-growth of -10.6% and during April to September 2015 a de-growth of -1.9% was witnessed.

Auto LPG consumption registered a de-growth of -13.9% in September, 2016 and cumulative de-growth of -4.1% in April to September 2016. However, last year in the month of September, 2015, growth of 7.6% and during April to September 2015 growth of 7.7% was witnessed. Reasons for de-growth in Auto LPG are mainly due to reduction in prices of MS and more focus on CNG.

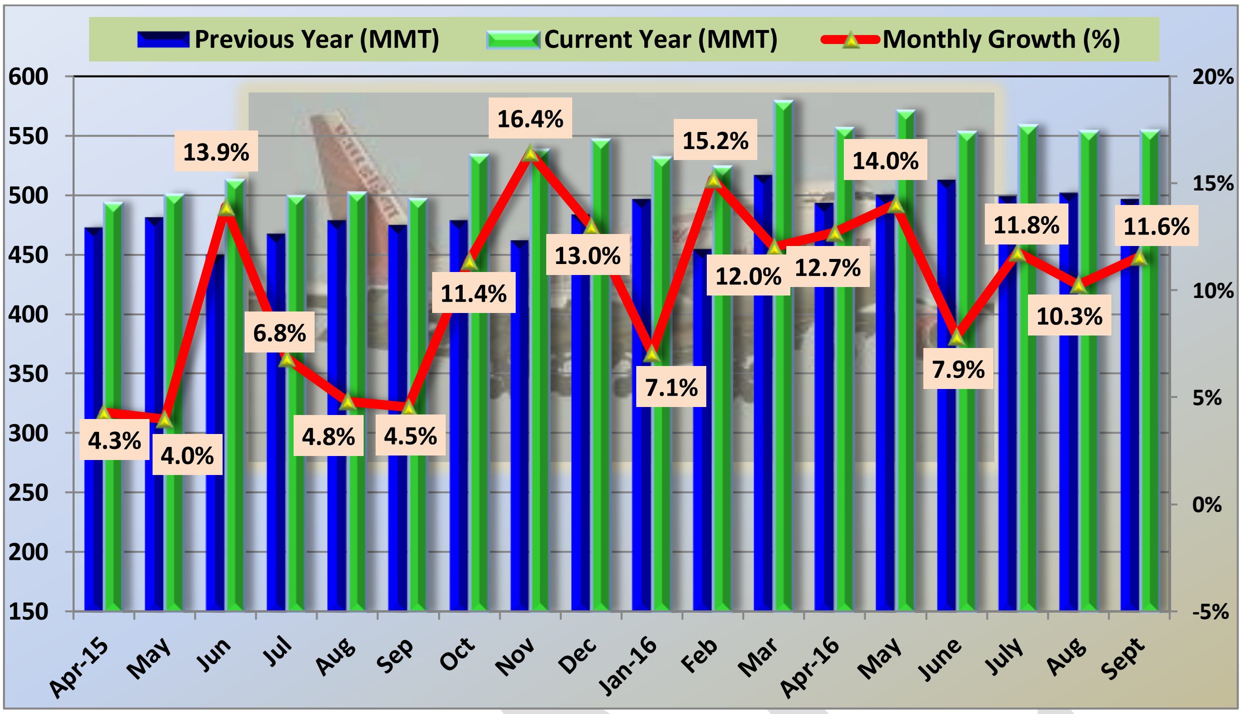
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: consumption recorded a minor growth of 0.3% during the month of September, 2016 and a nil growth on cumulative basis for the period April to September 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 September, 2016, the growth in consumption of ATF was 11.6% and a cumulative growth of 11.4% was observed for the period April to September 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 82.30 lakh passengers during September, 2016, 23.46% more than 66.66 lakh flown in September, 2015. On cumulative basis, a growth of 22.78% was registered in the number of passengers flown by airlines during April to September 2016. 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 de-growth of -0.6% during September, 2016 and a cumulative growth of 19.0% for the period April to September 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 8.8% during September, 2016 and a cumulative growth of 32.4% during April to September 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 de-growth of -0.4 % in the month of September, 2016 and a cumulative growth of 13.5% for the period April to September 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.

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

('000 MT)

Product	September			April-September		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	563.3	501.0	**-11.0**	3,423.8	3,078.8	**-10.1**
LPG	1,619.7	1,874.2	**15.7**	9,218.8	10,228.8	**11.0**
Sub Total	**2,183.0**	**2,375.2**	**8.8**	**12,642.6**	**13,307.6**	**5.3**
(B) Major Decontrolled Product						
Naphtha	1,048.1	1,050.9	**0.3**	6,624.8	6,621.5	**0.0**
MS	1,879.3	1,815.3	**-3.4**	10,700.4	11,860.1	**10.8**
HSD	5,885.0	5,216.8	**-11.4**	36,225.9	37,265.5	**2.9**
Lubes+Greases	288.2	303.5	**5.3**	1,680.9	1,793.2	**6.7**
LDO	36.9	36.8	**-0.4**	193.5	219.7	**13.5**
FO/LSHS	594.5	590.6	**-0.6**	3,106.1	3,697.0	**19.0**
Bitumen	301.4	317.5	**5.4**	2,444.0	2,680.7	**9.7**
ATF	496.9	554.5	**11.6**	3,006.5	3,348.0	**11.4**
Sub Total	**10,530.3**	**9,885.9**	**-6.1**	**63,982.1**	**67,485.7**	**5.5**
Sub - Total (A) + (B)	**12,713.3**	**12,261.1**	**-3.6**	**76,624.7**	**80,793.3**	**5.4**
(C) Other Minor Decontrolled Products						
Pet. Coke	1,634.4	1,778.0	**8.8**	8,683.1	11,495.3	**32.4**
Others	559.7	565.1	**1.0**	3,164.9	3,278.1	**3.6**
Sub Total	**2,194.1**	**2,343.1**	**6.8**	**11,848.0**	**14,773.4**	**24.7**
Total	**14,907.4**	**14,604.2**	**-2.0**	**88,472.7**	**95,566.7**	**8.0**