INDUSTRY SALES REVIEW

October 2016

पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ
पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय
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This report analyses the trend of consumption of petroleum products in the country during the month of October, 2016. Data on product-wise monthly consumption of petroleum products for October, 2016 is uploaded on PPAC website (www.ppac.gov.in).

1.0 CONSUMPTION :

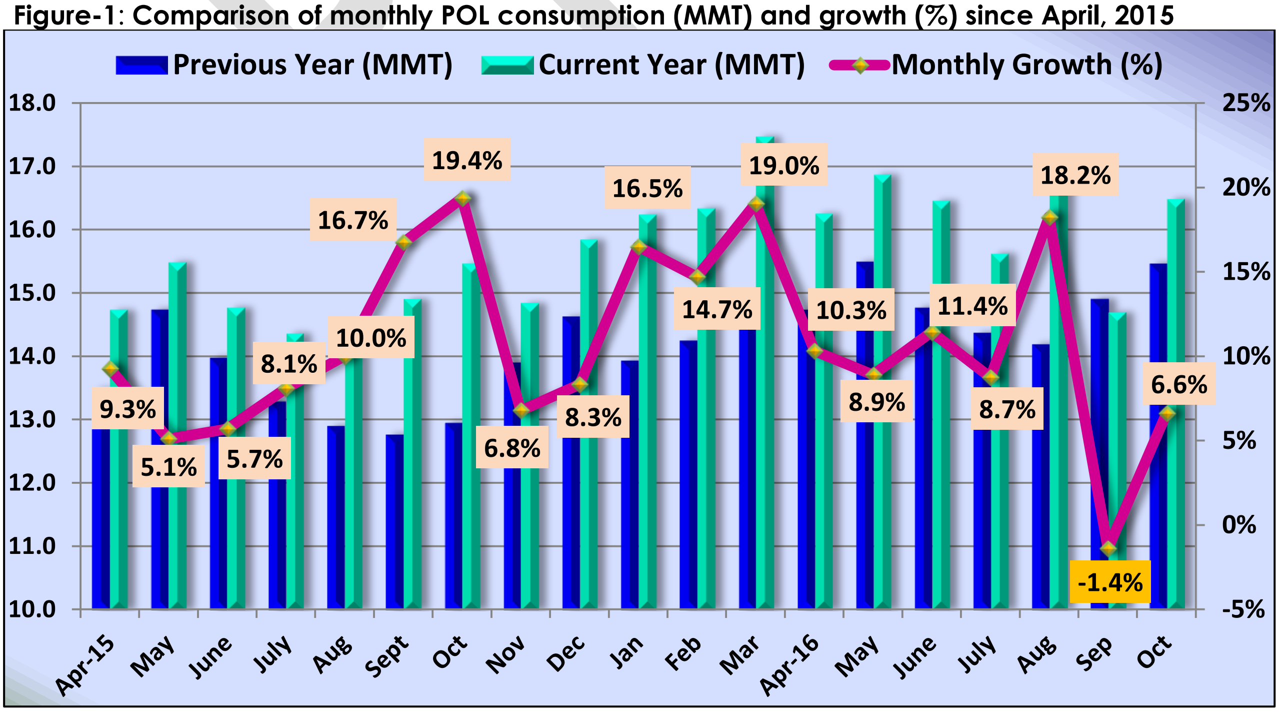
The growth (%) in consumption of petroleum products, category-wise, for the month of October, 2016 is given in Table-1.

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

PRODUCT	% Share	October 2015	October 2016	Growth (%)	Products Included
Sensitive Products	13.6%	2,264	2,240	-1.1%	SKO & LPG
Major decontrolled Products	71.8%	11,142	11,832	6.2%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	14.6%	2,059	2,415	17.3%	Pet. coke & other minor products
Grand Total	**100%**	**15,464**	**16,487**	**6.6%**	

1.1 All Products : India's fuel demand surged by 6.6% in October this year after declining in September, 2016, aided by a sharp rise in petrol and diesel consumption. In October, 2016, the demand for all oil products rose to 16.5 million metric tonnes (MMT) from 15.5 MMT a year ago. Except for SKO and bitumen, which recorded negative growth of -34.0% and -14.5% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 8.9% was registered for the period April to October 2016 and only SKO registered a negative growth of -13.5%. Drop in SKO consumption is mainly due to reduced allocation to states and voluntary cuts taken by some states as penetration of LPG and electricity improves in rural India.

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



The Nikkei India Services Purchasing Managers' Index, or PMI, rose to 54.5 in October, 2016 from 52.0 in September, 2016. Manufacturing PMI in India jumped to 54.4 in October, 2016 from 52.1 in September, 2016. The reading pointed to the highest gain since December 2014, as output and new orders rose the most in 46 months and 22 months, respectively.

According to expert economists at IHS, Markit, "Business outlook data indicate that Indian firms expect the economy to continue on a robust path in the year ahead". New vehicle purchases, fueled by the festive season, helped boost demand for petrol and diesel in October, 2016.

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

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

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of October, 2016 recorded a growth of 13.8% as compared to October, 2015 and a cumulative growth of 11.3% for the period April to October, 2016.

The factors affecting MS consumption during the month can be attributed mainly to the following:

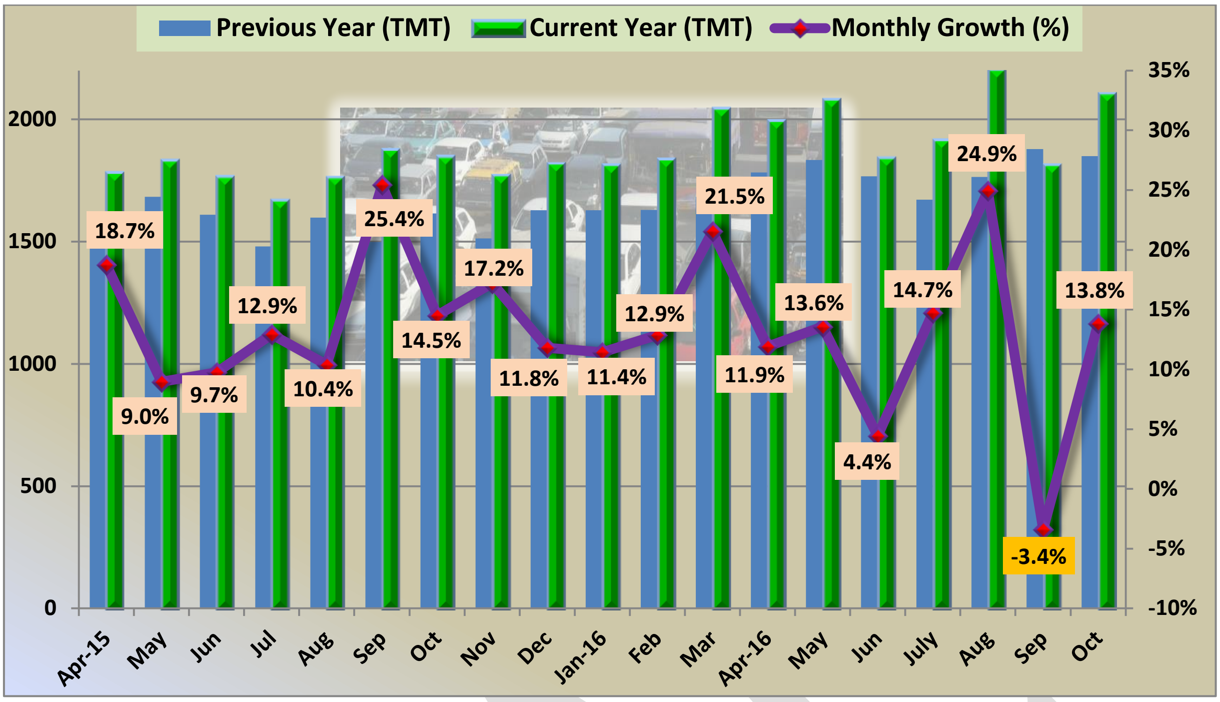
i. Consumer preference for petrol driven vehicles and policy of scrapping old diesel vehicles along with restrictions on sales of higher capacity diesel passenger vehicles has continued to push the sales of MS driven cars.

ii. Continuous high sale of two wheelers and petrol driven cars along with improved road connectivity has given impetus to MS sales in general.

iii. Onset of festival season with Dussehra and Diwali falling in the same month of October.

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

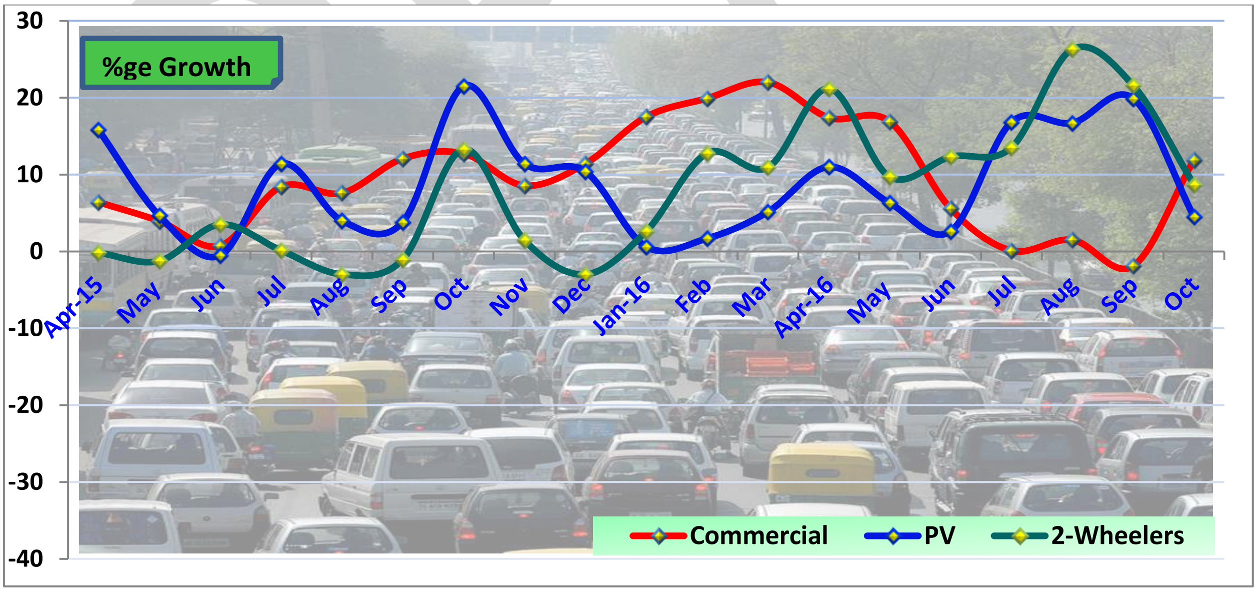
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

November opened with Indian automakers releasing their domestic sales numbers for October 2016. It was clearly seen that most OEMs benefitted from much improved customer sentiment and other factors like festive season demand and better than expected monsoon across the country.

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



a) **Total passenger vehicles (PV) sales**: The stronger festive demand has come on the back of the payouts of the Seventh Pay Commission and marked improvement in consumer buying trends from rural India following a good monsoon season, new models and a high level of discounting on older models. SIAM data for October, 2016 revealed continued good performance by the passenger car segment in terms of numbers of cars sold. The number of cars sold in October was 1.95 lakh as compared to 1.94 lakh in October, 2015. This was at the same level of 1.95 lakh cars sold in September, 2016, however the growth percentage was only 0.5% over October, 2015. The sales of vans recorded a de-growth of -7.7% despite the same number of units sold. Utility vehicles, recorded a high growth of 21.4%.

Segment	October 2015	October 2016	Growth (%)
Passenger Cars	194,158	195,036	0.5%
Utility Vehicles	58,121	70,544	21.4%
Vans	16,351	15,097	-7.7%
Total: Passenger Vehicles (PVs)	**268,630**	**280,677**	**4.5%**

Source: SIAM

b) **2-wheeler sales**: With a bountiful monsoon giving a new surge to rural market demand, most commuter motorcycle manufacturers have seen an uptick in their sales numbers and the scooter market is maintaining its accelerating act. Two-wheeler majors continued to register impressive growth in October 2016 on the back of Navratri, Dhanteras and Diwali.

The two-wheeler segment recorded a growth of 8.7% during the month with total sales of 18.0 lakh units. Scooters continued to perform well with sales of 568,410 units and a growth of 8.2%. The motorcycle segment registered a growth of 7.4% and the moped sales recorded a strong growth of 34.5% during October, 2016. The two-wheeler OEMs have been able to carry forward their sales momentum and the industry fared well with good monsoons and the festive season.

Segment	October 2015	October 2016	Growth (%)
Scooter / Scooterette	525,138	568,410	8.2%
Motor Cycles	1,065,925	1,144,516	7.4%
Mopeds	65,241	87,746	34.5%
Total: 2-wheelers	**1,656,304**	**1,800,672**	**8.7%**

Source: SIAM

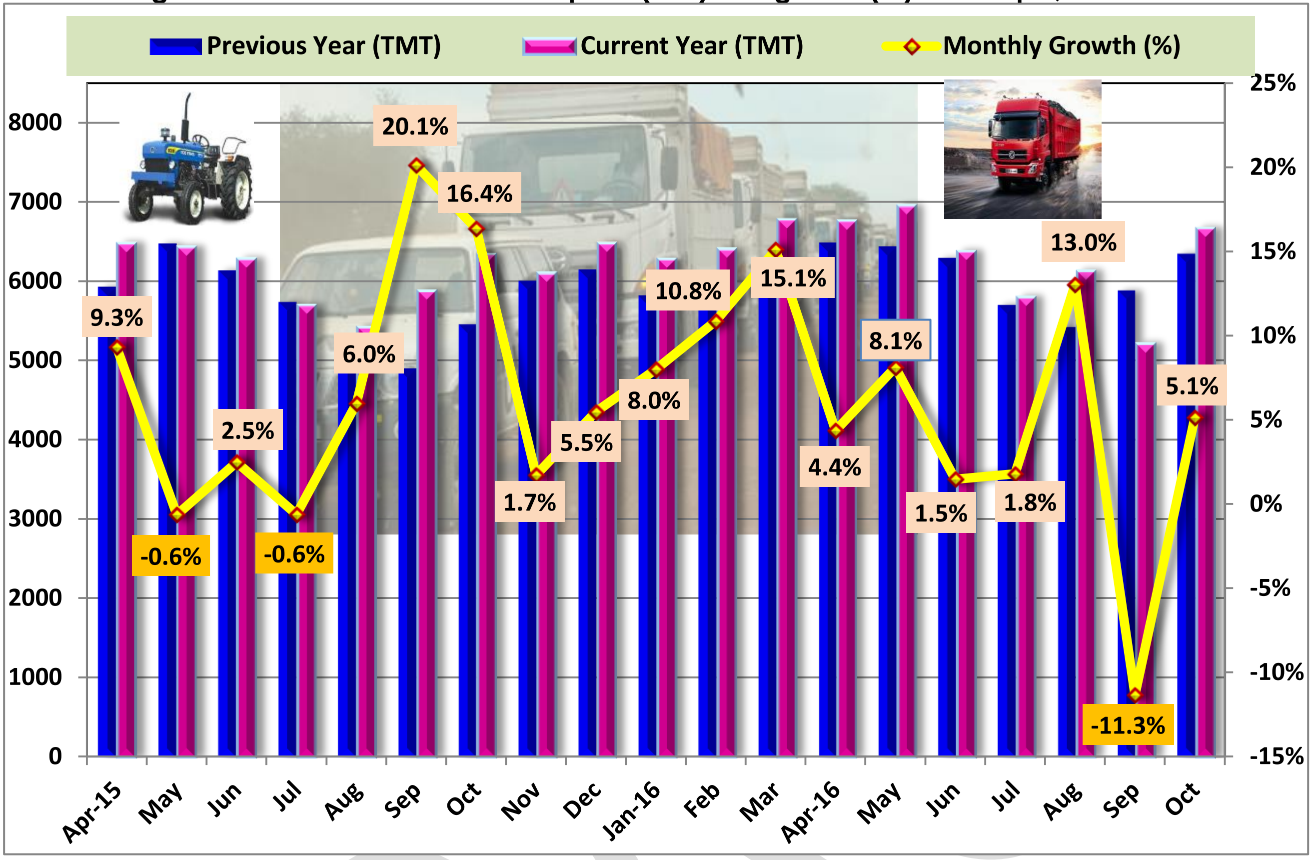
1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a good growth of 5.1% during the month of October, 2016 as compared to October, 2015 and a cumulative growth of 3.2% for the period April to October, 2016. Following were the factors impacting diesel sales during the month of October, 2016:

i. Onset of festival season with Dussehra and Diwali falling in the same month of October and much-improved customer sentiment, along with the lifting of diesel ban in Delhi-NCR and the better than expected monsoon across the country pushed sales of vehicles.

ii. The economic viability of public transport and carrier vehicles due to cheaper fuel has strengthened diesel sales.

iii. Improvement across various sectors including construction, mining, auto logistics, cement, FMCG and consumer durables segment.

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 improved market sentiment, gradual resurgence of demand from rural India following a near-normal monsoon across the country and improvement in fleet buying resulted in M&HCV sales numbers of October 2016 indicating recovery and are further expected to post healthy growth due to speedier execution of construction of National Highways as well as a pick-up in the pace of infra and construction segments after the monsoons.

b) **Light Commercial Vehicle (LCV)**: The sector registered a growth of 8.8% during the month of October, 2016. Improving economy of the country and overall recovery due to improved industry and infrastructure is also driving the LCV sales growth.

Segment	October 2015	October 2016	Growth (%)
M&HCVs	22,181	25,934	16.9%
LCVs	36,415	39,635	8.8%
Total: Commercial Vehicles	**58,596**	**65,569**	**11.9%**

Source: SIAM

c) **Port traffic:** There has been a growth of 13.2% in port traffic for the month of October, 2016. The growth in port traffic and cargos handled at most of the major ports during October, 2016 is mainly due to increase in port traffic at ports except at Vishakhapatnam, JNPT and Chennai.

Table-2 below gives the port-wise performance during the month of October, 2016. The growth in traffic during the period April to October 2016 has been contributed mostly by iron ore (119.17%), POL products (9.03%) and others (11.75%) while there has been a drop in finished fertilizer (-14.84%) and raw fertilizer (-6.35%). 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 October, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**October 2015**	**October 2016**	**Growth (%)**
Kolkata + Haldia	3,857	3,918	1.6%
Paradip	6,437	7,569	17.6%
Visakhapatnam	5,337	5,255	-1.5%
Kamarajar (Ennore)	2,382	2,407	1.0%
Chennai	4,167	4,139	-0.7%
V.O. Chidambaranar	3,119	3,358	7.7%
Cochin	1,781	2,057	15.5%
New Mangalore	2,654	3,794	43.0%
Mormugao	1,479	2,343	58.4%
Mumbai	5,008	5,681	13.4%
JNPT	5,108	5,017	-1.8%
Kandla	6,934	9,081	31.0%
TOTAL:	**48,263**	**54,619**	**13.2%**

Source: IPA

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

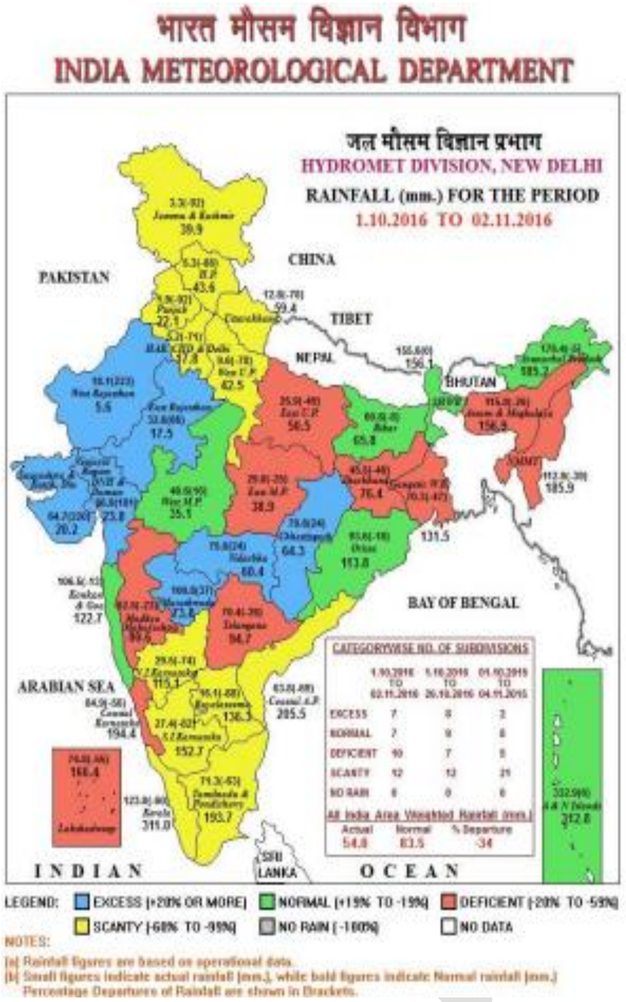
Table-3: Power deficit: Region-wise position for October, 2016 (% deficit)

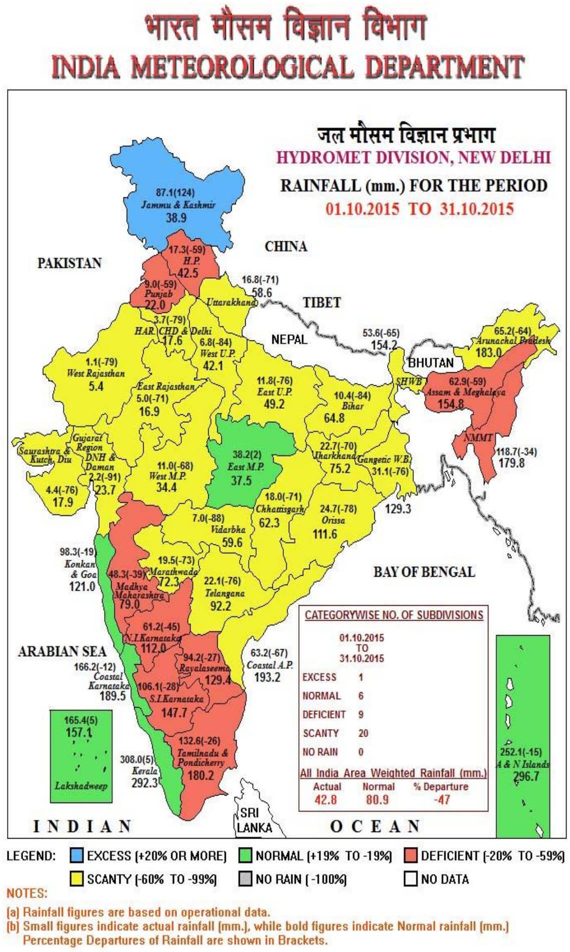
States	**October 2016 (P)**				**October 2015**
	Requirement (MU)	**Available (MU)**	**Deficit**		**Deficit (%)**
			MU	**(%)**	
North	29,058	28,654	-404	-1.4%	-5.0%
West	28,754	28,754	0	0%	-0.6%
South	26,339	26,288	-50	-0.2%	-3.1%
East	11,363	11,352	-11	-0.1%	-0.3%
North-East	1,352	1,322	-30	-2.2%	-4.5%
Total	**96,865**	**96,371**	**-494**	**-0.5%**	**-2.6%**

Source: Central Electricity Authority (CEA)

- **Seasonal rainfall scenario:** Southwest monsoon almost withdrew from the entire country on 28th October 2016. The Northeast monsoon commenced over Southern peninsular India from 30th October. Rainfall in 2016 has been recorded as normal and well distributed in the country.

  Better than expected monsoon across the country gave a fillip to overall numbers in vehicle sales and other allied activities. Better agricultural output helped in boosting supply of agricultural produce and rural incomes. This should benefit urban consumption and a bounce back in economic activity by pushing up the demand of durables and FMCGs in the coming months.

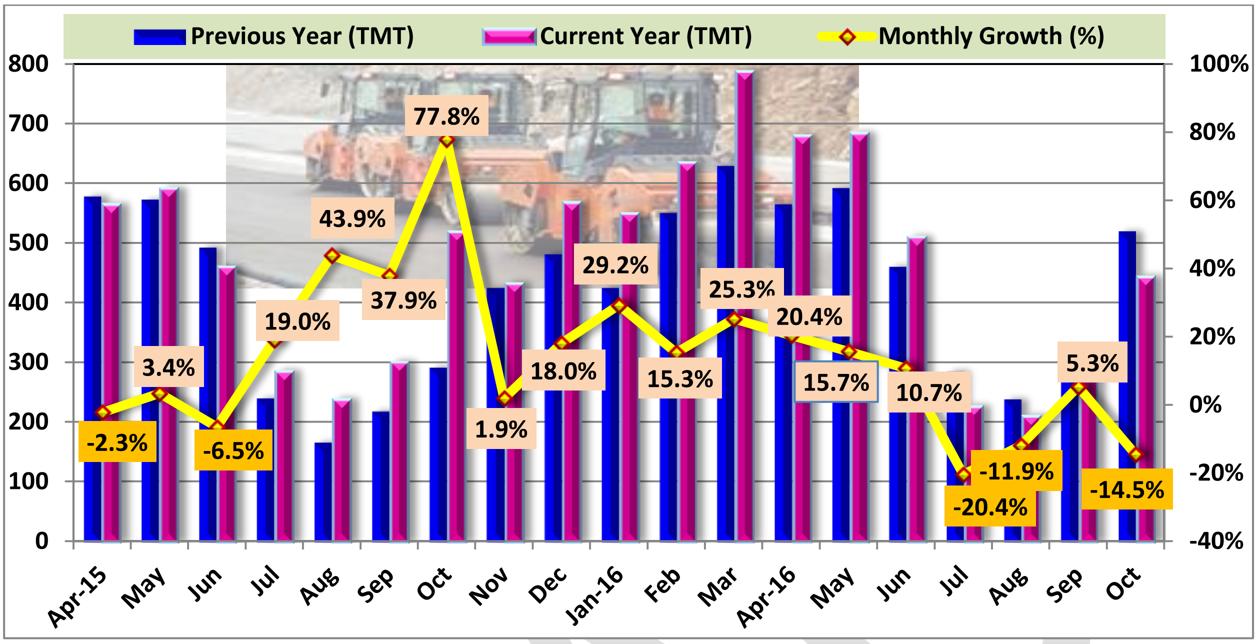




1.4 Bitumen: Bitumen consumption registered a de-growth of -14.5% during the month of October, 2016 and a cumulative growth of 3.7% for the period April to October, 2016. However, as heavy rains continued in Maharashtra, Madhya Pradesh, Chhattisgarh and Gujarat, reduction in allocation of funds for road works in some states and due to the festive season, construction and repair work in four laning of roads and over bridges was impeded and bitumen consumption decreased 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 eight months in a row recorded a positive growth of 10.2% during October, 2016 and cumulative growth of 10.8% for the period April to October 2016. For the third month in a row monthly and cumulative growth in total LPG consumption was observed in double digits.

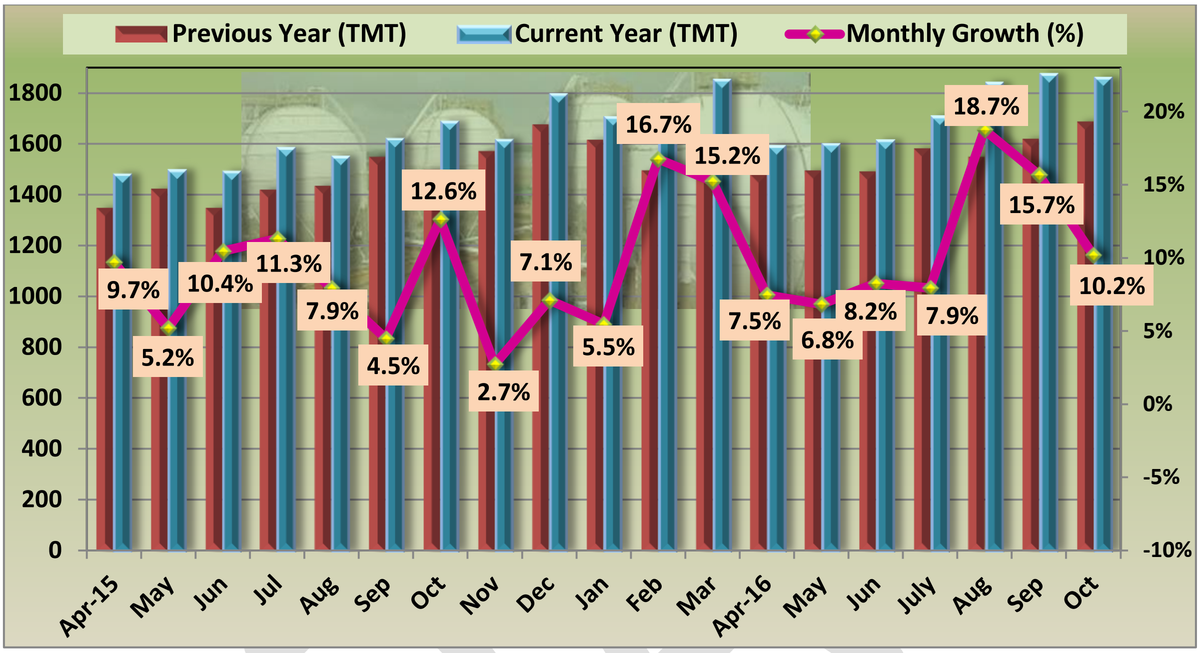
LPG-Packed Domestic consumption registered a growth of 9.9% during October, 2016 and a growth of 10.3% during the period April to October 2016. Last year during October, 2015 growth of 10.4% and in April to October 2015 growth of 7.0% was seen. During the month of October, 2016, approximately 34.9 lakhs new connections were released out of which 23.9 lakhs were released on account of Ujjwala Scheme. In the period April to October 2016, 175.1 lakhs new connections and 41.3 lakhs DBCs were released including approximately 95.7 lakh connections released on account of Ujjwala scheme since inception till October, 2016. Release of DBC is comparatively at less as compared to new connections as Ujjwala connections are released without DBC.

LPG-Packed Non-Domestic consumption for the past twenty two months in a row registered a high growth of 16.4% in October, 2016 and cumulative growth of 25.5% during April to October 2106. Last year during October 2015, growth of 66.3% and cumulative growth of 42.6 during April to October 2015 was observed. This double digit growth and increase in market share from 7.4% in April-October 2015 to 8.3% in April-October 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 -1.2% during October, 2016 and cumulative growth during April to October 2016 was 10.1%. Last year in the month of October, 2015 a growth of 11.0% and during April to October 2015 almost NIL growth was seen.

Auto LPG consumption registered a de-growth of -0.9% in October, 2016 and cumulative de-growth of -3.6% in April to October 2016. However, last year in the month of October, 2015 growth of 6.9% and during April to October 2015 growth of 7.6% was witnessed. Share of Auto LPG has gone down from 0.9% in April to October 2015 to 0.8% in April to October 2016. Reasons for de growth in Auto LPG are mainly due to more focus on CNG and reduction in prices of MS.

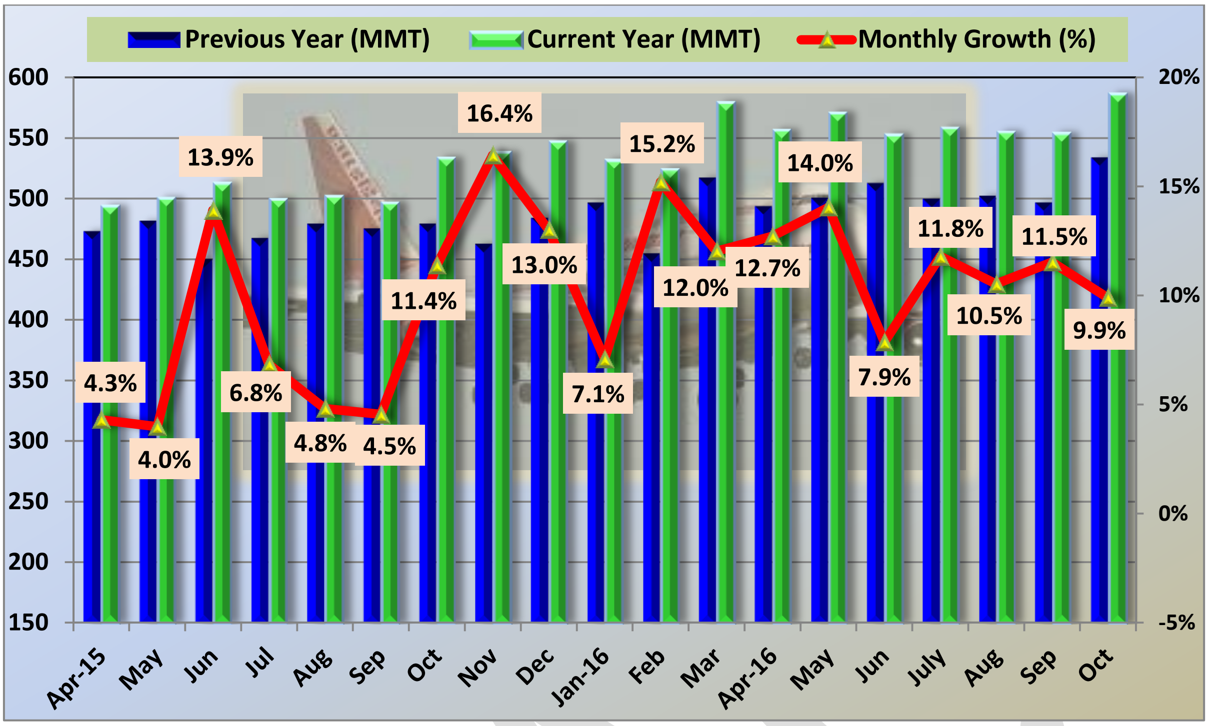
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: consumption recorded a growth of 1.7% during the month of October, 2016 and a growth of 1.5% on cumulative basis for the period April-October, 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 October, 2016 the growth in consumption of ATF was 9.9% and a cumulative growth of 11.2% was observed for the period April to October, 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 86.72 lakh passengers during October, 2016, 23.20% more than the 70.39 lakh flown in October, 2015. The Ministry of Civil Aviation (MoCA) has come out with a National Civil Aviation Policy, 2016 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. The vision of the policy is to create an eco-system to enable 30 crore domestic ticketing by 2022 and 50 crore by 2027, and international ticketing to increase to 20 crore by 2027.

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



1.8 FO/LSHS: FO and LSHS consumption registered a growth of 11.7% during October, 2016 and a cumulative growth of 17.1% for the period April to October 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: Petcoke consumption registered a growth of 20.7% during October, 2016 and a cumulative growth of 41.4% during April to October 2016. Multi-fuel cement plants and aluminum industries use petcoke 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 18.7 % in the month of October, 2016 and a cumulative growth of 14.4% for April to October, 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. Commissioning of new thermal power projects in Rajasthan by L&T at Chhabra and BHEL project at Bara, Allahabad in India resulted in higher consumption of LDO during the month.

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

('000 MT)

Product	October			April-October		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	575.7	380.0	**-34.0**	3,999.5	3,458.7	**-13.5**
LPG	1,688.1	1,859.7	**10.2**	10,906.9	12,083.8	**10.8**
Sub Total	**2,263.8**	**2,239.7**	**-1.1**	**14,906.4**	**15,542.4**	**4.3**
(B) Major Decontrolled Product						
Naphtha	1,087.2	1,106.1	**1.7**	7,712.0	7,830.5	**1.5**
MS	1,850.5	2,106.2	**13.8**	12,550.9	13,967.3	**11.3**
HSD	6,347.3	6,672.8	**5.1**	42,573.2	43,938.4	**3.2**
Lubes+Greases	241.1	285.6	**18.5**	1,922.0	2,031.7	**5.7**
LDO	36.1	42.8	**18.7**	229.6	262.6	**14.4**
FO/LSHS	5,26.0	587.8	**11.7**	3,632.2	4,253.1	**17.1**
Bitumen	519.6	444.1	**-14.5**	2,963.6	3,074.4	**3.7**
ATF	533.9	586.7	**9.9**	3,540.4	3,935.9	**11.2**
Sub Total	**11,141.7**	**11,832.1**	**6.2**	**75,123.9**	**79,293.9**	**5.6**
Sub - Total (A) + (B)	**13,405.5**	**14,071.8**	**5.0**	**90,030.3**	**94,836.3**	**5.3**
(C) Other Minor Decontrolled Products						
Petcoke	1,522.8	1,837.4	**20.7**	10,206.0	14,427.0	**41.4**
Others	535.8	578.0	**7.9**	3,700.6	3,922.7	**6.0**
Sub Total	**2,058.6**	**2,415.4**	**17.3**	**13,906.6**	**18,349.7**	**31.9**
Total	**15,464.1**	**16,487.2**	**6.6**	**103,936.9**	**113,186.0**	**8.9**