INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

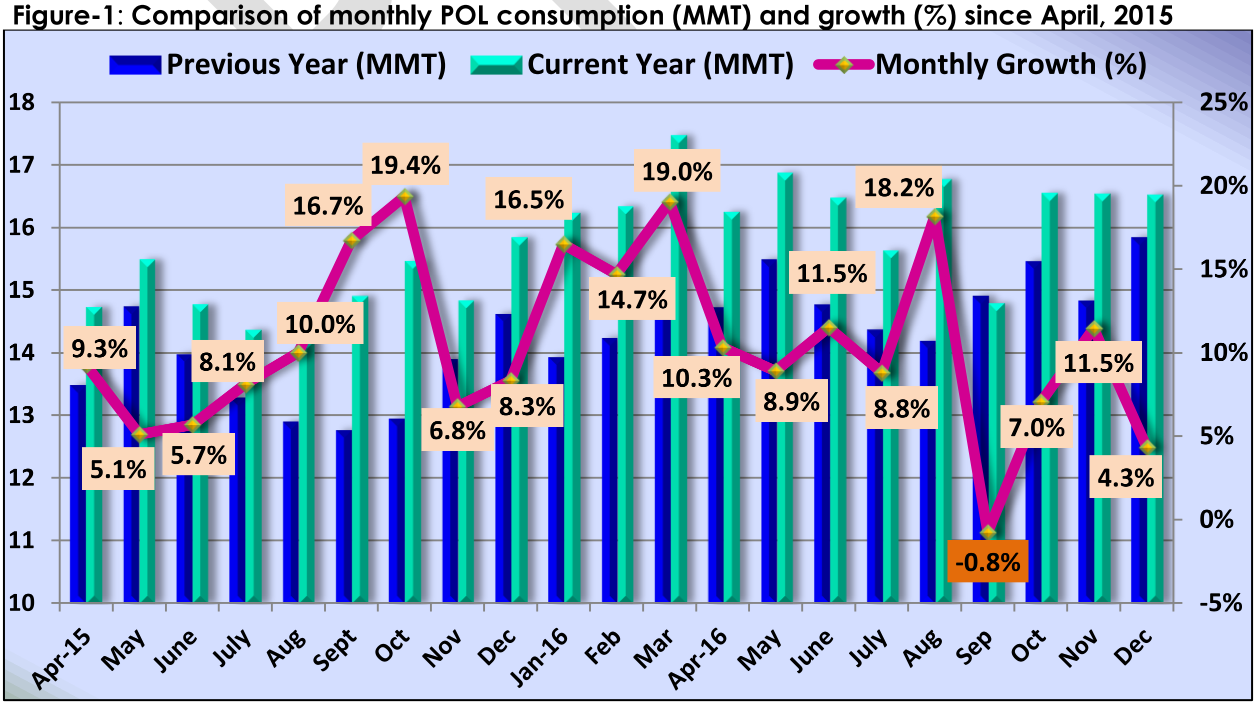
The growth (%) in consumption of petroleum products, category-wise, for the month of December, 2016 is given in Table-1.

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

PRODUCT	% Share	December 2015	December 2016	Growth (%)	Products Included
Sensitive Products	15.0%	2,369	2,337	-1.4%	SKO & LPG
Major decontrolled Products	72.0%	11,417	11,700	2.5%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	13.0%	2,059	2,495	21.2%	Pet. coke & other minor products
Grand Total	**100%**	**15,845**	**16,532**	**4.3%**	

1.1 All Products : India's demand for fuel rose by 4.3% in December this year aided by a sharp rise in petrol and diesel consumption. In December, 2016 the demand for all oil products rose to 16.53 million metric tonnes (MMT) from 15.85 MMT a year ago. Except for SKO, Naphtha and Bitumen, which recorded negative growths of -30.5%, -5.5% and -2.1% respectively during the current month, all other products recorded positive growth. On cumulative basis, a growth of 8.8% was registered for the period April-December, 2016. However, a negative growth of -17.4% was registered for SKO. Drop in SKO is mainly because of drop in subsidized kerosene sales 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 Services PMI in India increased to 46.8 Index Points in December 2016 from 46.7 Index Points in November, 2016. The Nikkei India Manufacturing Purchasing Managers' Index, or PMI, dropped to 49.6 in December, 2016 from November, 2016's 52.3.

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

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

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of December, 2016 recorded a growth of 7.8% as compared to December, 2015 and a cumulative growth of 11.2% for the period April-December, 2016.

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

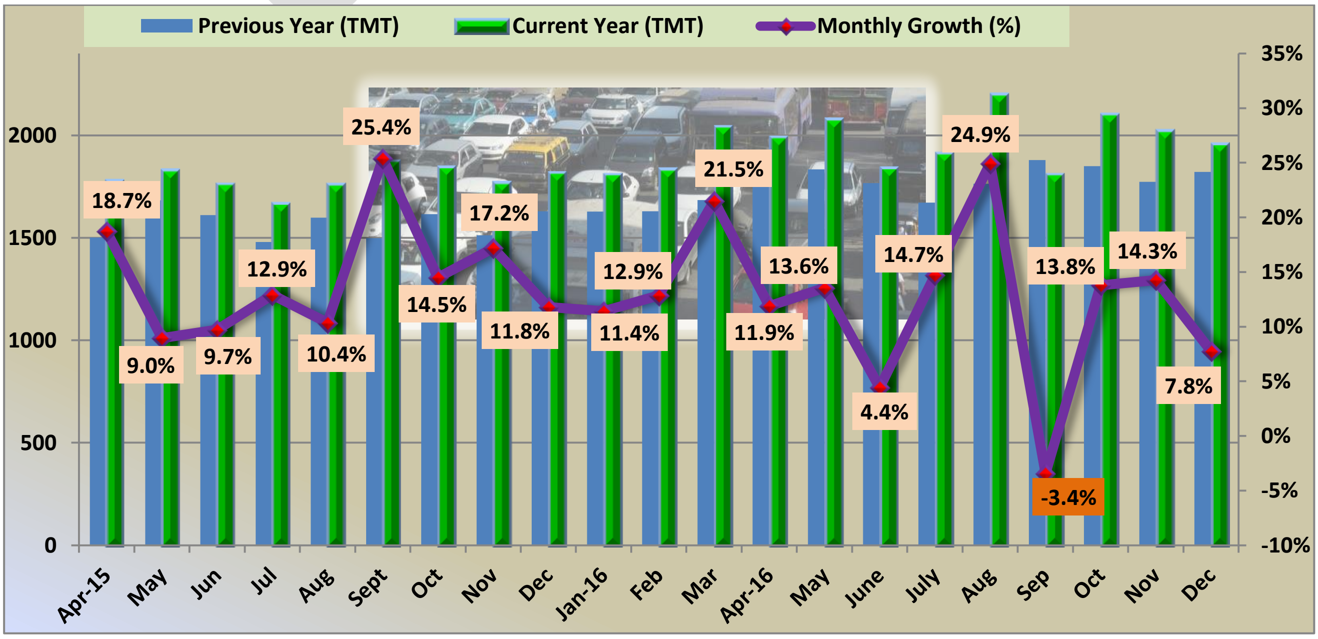
i. Consumer preference for petrol driven vehicles.

ii. Growth in automobile industry for last 9 months and improved road connectivity has boosted MS sales.

iii. Speculation of MS price increase led to enhanced upliftment by the reseller network during the end of the month.

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

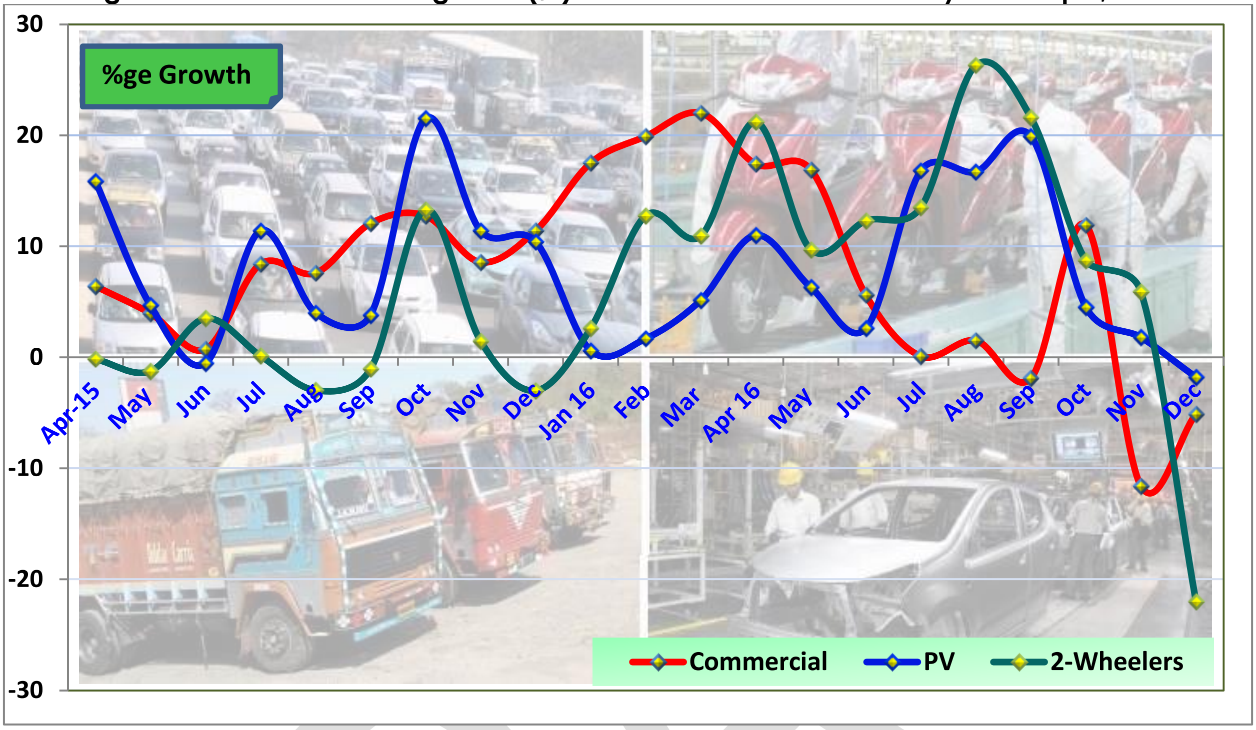
Figure-2: Month wise MS consumption (TMT) and growth (%) since April, 2015



Other factors impacting consumption of MS are:

The ongoing cash crunch is still weighing heavy on the auto vehicle manufacturers as can be seen from the figure below:

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



a) **Total passenger vehicles (PV) sales**: Given the slowing sales of the top three PV manufacturers, particularly Maruti Suzuki India and Hyundai Motor India in December 2016, PV sales recorded a de-growth of -1.8 percent by selling 226,878 units as against 230,959 units in December 2015. The month of December typically sees lower sales, with buyers preferring to delay purchases to the New Year, however consumers are not so forthcoming despite most OEM's offering discounts. Utility Vehicles was the only category where a growth of 29.9% was registered and the same was attributed to consumer demand for newly launched vehicles in this category.

Segment	December 2015	December 2016	Growth (%)
Passenger Cars	172,671	157,671	-8.7%
Utility Vehicles	44,873	58,309	29.9%
Vans	13,415	10,898	-18.8%
Total: Passenger Vehicles (PVs)	**230,959**	**226,878**	**-1.8%**

Source: SIAM

b) **2-wheeler sales**: After December, 2015, 2-wheeler sales for the first time recorded a de-growth during December, 2016 mainly due to cash crunch following the demonetization of large currency notes. This has affected sales mainly in the rural areas.

Segment	December 2015	December 2016	Growth (%)
Scooter / Scooterette	386,305	284,384	-26.4%
Motor Cycles	724,795	561,690	-22.5%
Mopeds	56,521	64,161	13.5%
Total: 2-wheelers	**1,167,621**	**910,235**	**-22.0%**

Source: SIAM

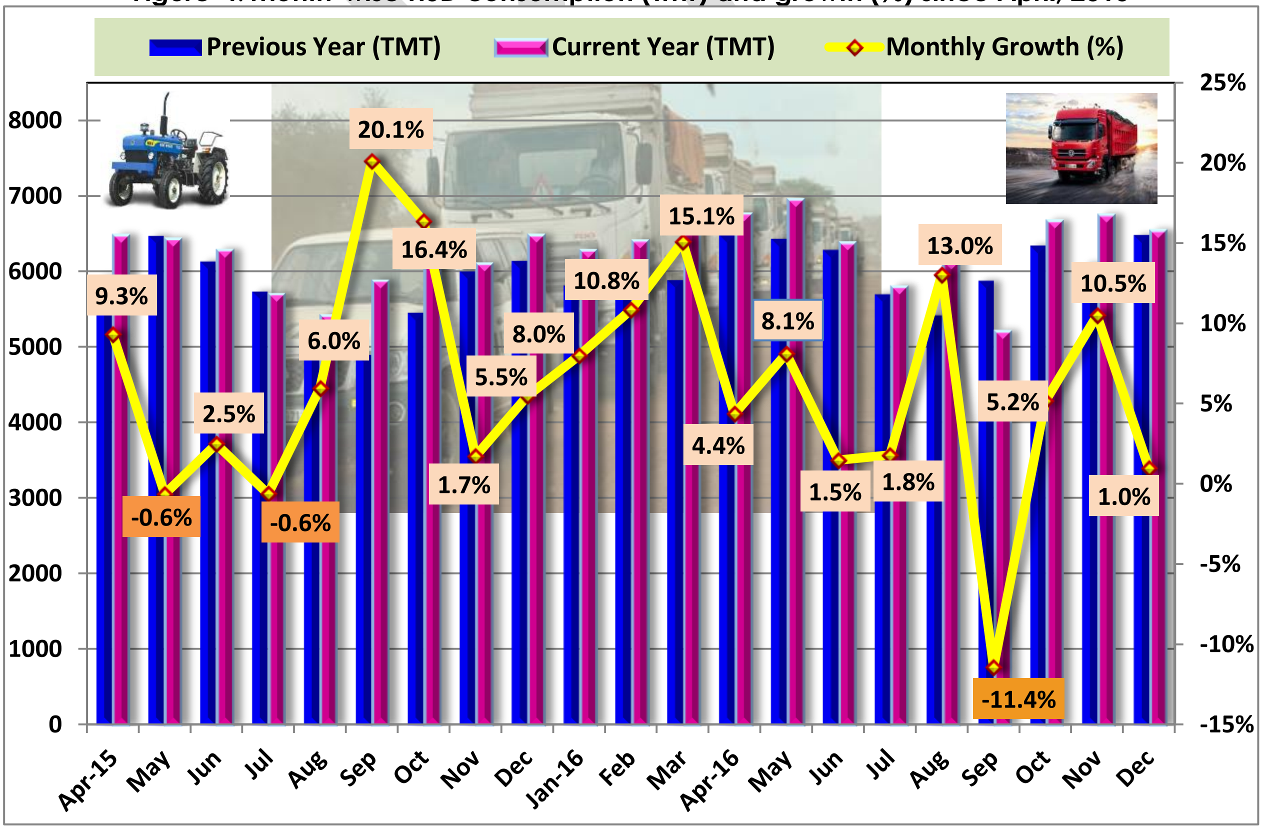
1.3 High Speed Diesel (HSD): HSD consumption in the country recorded a minor growth of 1.0% during the month of December, 2016 as compared to December, 2015 and a cumulative growth of 3.7% for the period April-December, 2016. Following were the factors affecting diesel sales during the month of December, 2016:

i. Improvement in Medium and Heavy Vehicle Industry for last 9 months and improved road conditions, economic viability of public transport and carrier vehicles due to cheaper fuel has strengthened diesel sales.

ii. However after banning old 500 and 1,000 rupee notes on November 8, 2016 the government allowed their use for paying for auto fuels for almost another month which contributed to enhanced sales in diesel in the month of November 2016; as a result, sales in December, 2016 were affected.

iii. Speculation of HSD price increase led to enhanced upliftment by the reseller network during the end of the month.

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**: Like the passenger vehicle industry, the critical medium and heavy commercial vehicle (M&HCV) segment in India is feeling the pressure of slowing sales in the month of December 2016. The overall CV market is currently seeing muted conditions and freight transport demand has been sizably impacted due to a slowdown in supply chains across the country's economy.

b) **Light Commercial Vehicle (LCV)**: The LCV sales improved slightly during the month and the sector registered a growth of 1.2% during the month of December, 2016.

Segment	December 2015	December 2016	Growth (%)
M&HCVs	26,071	22,788	-12.4%
LCVs	30,823	31,178	1.2%
Total: Commercial Vehicles	**56,840**	**53,966**	**-5.1%**

Source: SIAM

c) **Port traffic:** There has been a growth of 13.7% in port traffic for the month of December, 2016. The growth in port traffic and cargos handled at most of the major ports during December, 2016 is mainly due to increase in port traffic at all ports except at JNPT.

Table-2 below gives the port-wise performance during the month of December, 2016. The growth in traffic during the period April-December,2016 has been contributed mostly by iron ore (153.9%), POL products (9.8%) and others (19.1%) while there has been a drop in finished fertilizer (-15.44%) and thermal coal (-8.2%). 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 December, 2016

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**December 2015**	**December 2016**	**Growth (%)**
Kolkata + Haldia	4,227	4,670	10.5%
Paradip	6,199	7,489	20.8%
Visakhapatnam	4,662	5,308	13.9%
Kamarajar (Ennore)	2,248	2,407	7.1%
Chennai	3,573	3,684	3.1%
V.O. Chidambaranar	3,053	3,444	12.8%
Cochin	1,831	2,162	18.1%
New Mangalore	3,009	3,749	24.6%
Mormugao	2,404	3,941	63.9%
Mumbai	5,190	5,619	8.3%
JNPT	5,675	5,222	-8.0%
Kandla	8,123	9,386	15.5%
TOTAL:	**50,194**	**57,081**	**13.7%**

Source: Indian Ports Association

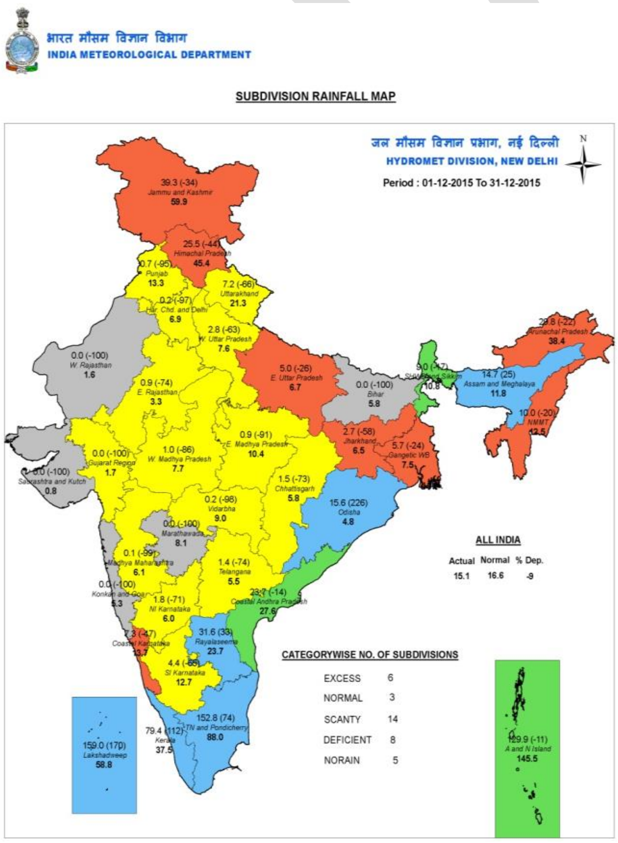
d) **Power situation improves**: The power deficit position for the month of December, 2016 is given in Table-3. The power deficit position improved from -1.6% in December, 2015 to -0.6% during December, 2016. The shortage during the month improved for all regions. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh, Rajasthan, Assam and Bihar. The improved power position in December, 2016 may have led to reduced usage of diesel for back-up power generation.

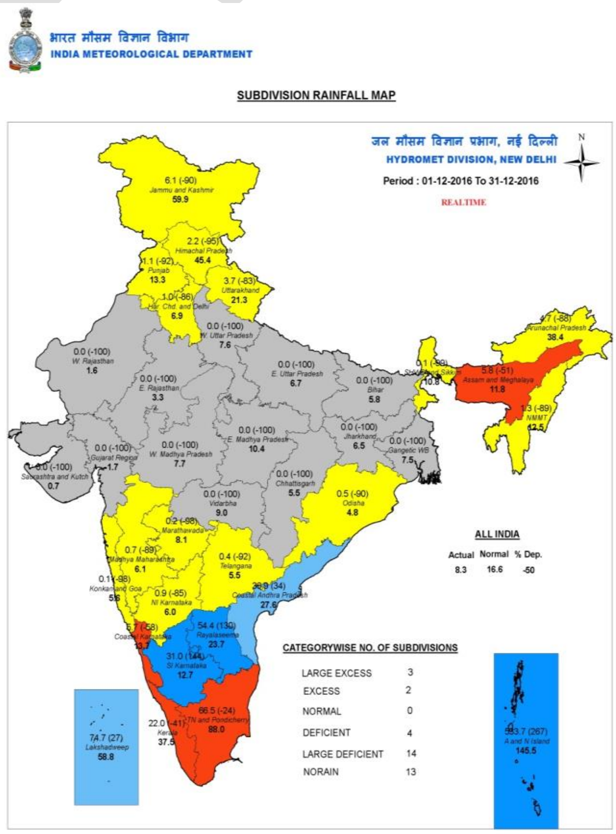
Table-3: Power deficit: Region-wise position for December, 2016 (% deficit)

States	December 2016 (P)				December 2015
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	26,995	26,184	-511	-1.9%	-4.3%
West	29,989	29,983	-7	0%	-0.2%
South	24,378	24,359	-19	-0.1%	-1.0%
East	9,405	9,380	-25	-0.3%	-0.3%
North-East	1,134	1,113	-21	-0.1%	-2.6%
Total	**91,602**	**91,019**	**-584**	**-0.6%**	**-1.6%**

Source: Central Electricity Authority (CEA)

e) **Seasonal rainfall scenario:** Cumulative rainfall during the month of December, 2016 has been deficient for the country as a whole. Cumulative rainfall during this year's post-monsoon has till end December, 2016 been 45% below Long Period Average (LPA). Weather remained dry and the month witnessed the end of agriculture season.



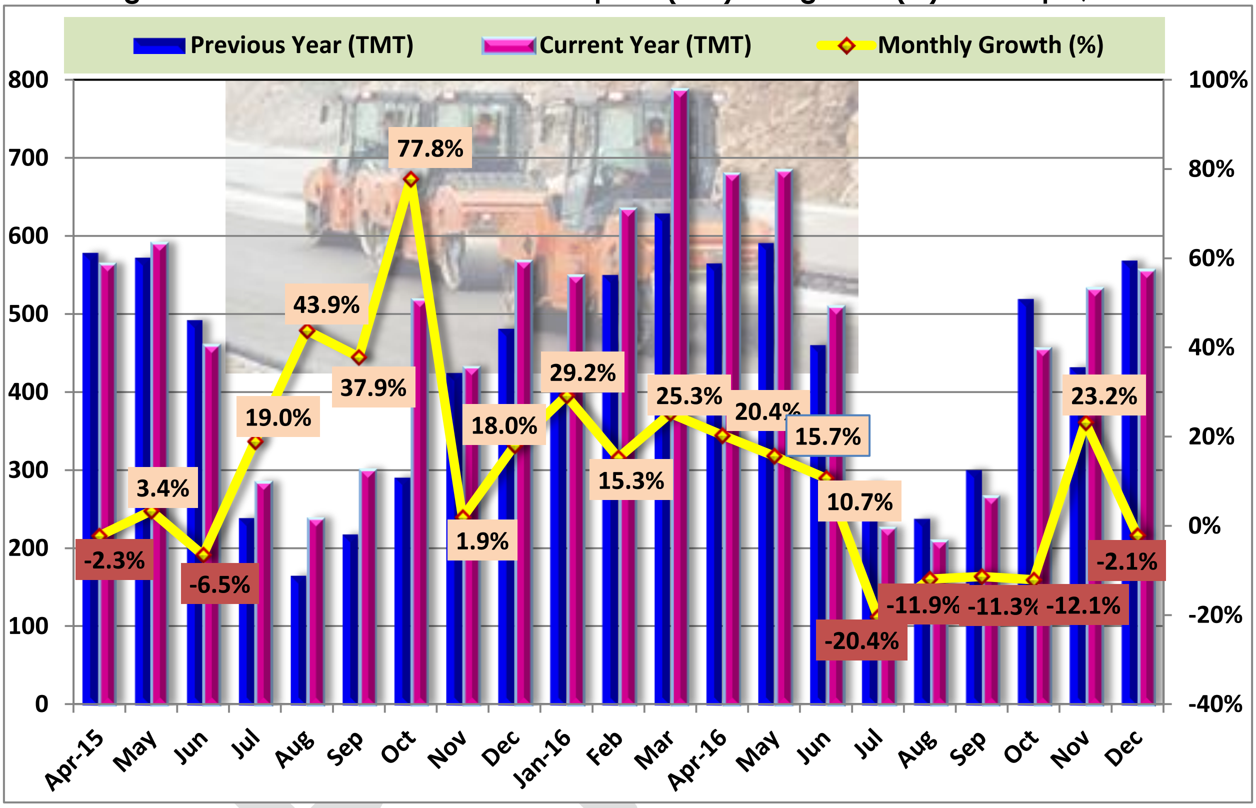


1.4 Bitumen: Bitumen consumption recorded a minor de-growth of -2.1% during the month of December, 2016. However on cumulative basis, a growth of 4.1% was recorded for the period April-December, 2016.

Despite dry weather across the country and impending elections in certain states, demonetization of currency in the country since 8th November, resulted in a slow-down in construction activities. Shut down of Haldia refinery during the month resulted in lower supplies of bitumen to the market.

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 forty months in a row recorded a positive growth of 7.9% during December, 2016 and cumulative growth of 11.0% for the period April-December 2016. Last year in the month of December, 2015, a growth of 7.1% and during April-December 2016 a growth of 7.8% was observed.

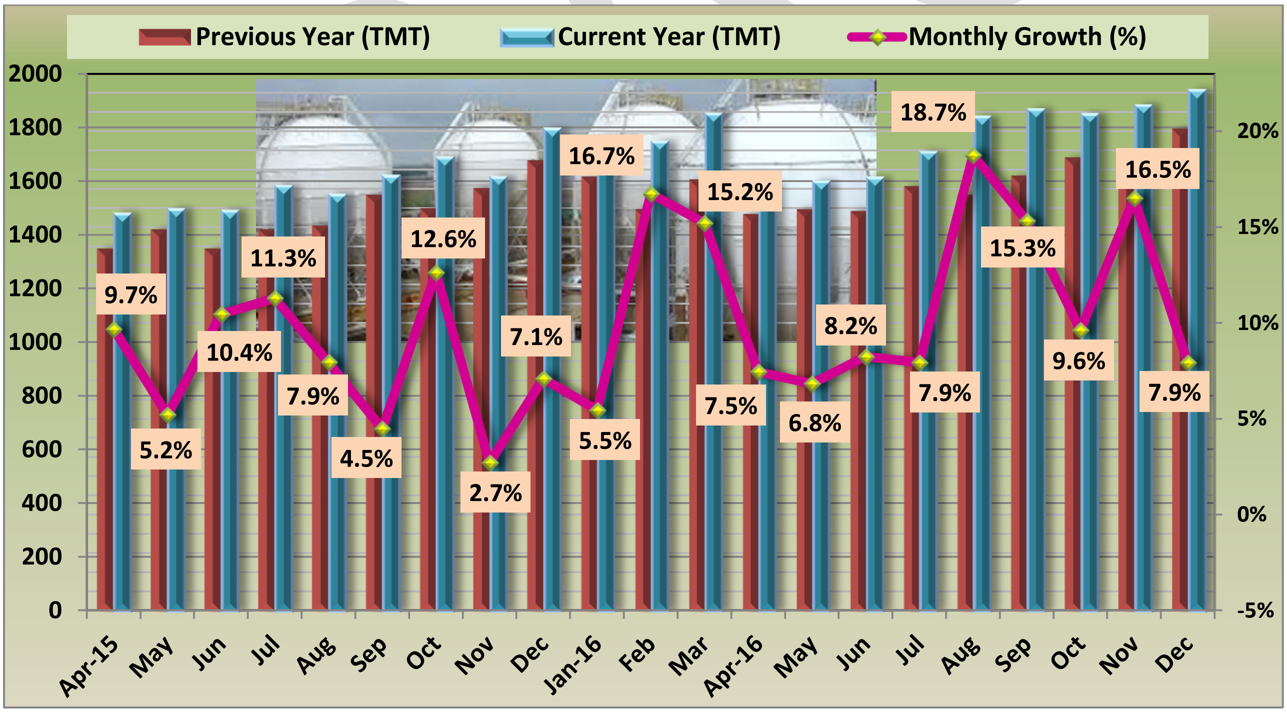
LPG-Packed Domestic consumption a growth of 8.2% during December, 2016 and a growth of 10.7% during the period April- December 2016. Last year during December, 2015, a growth of 4.0% and in April- December 2015 a growth of 5.7% was seen. During the month of December, 2016, approximately 45.2 lakhs new connections were released out of which 36.7 lakhs were released on account of Ujjwala Scheme. In the period April-December 2016, 252.4 lakhs new connections and 53.8 lakhs DBCs were released including approximately 153.7 lakh connections released on account of Ujjwala scheme since inception in May, 2016.

LPG-Packed Non-Domestic consumption for the past twenty four months in a row registered double digit growth of 12.1% in December, 2016 and cumulative growth of 23.3% during April-December 2106. Last year during December, 2015, growth of 47.5% and cumulative growth of 44.8% during April-December 2015 was observed. Lower growth during the current month is due to less severe cold conditions during the current year as compared to last year. 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 growth of 23.8% during December, 2016 and cumulative growth during April-December 2016 was 12.2%. Last year in the month of December, 2015 a de-growth of -1.7% and during April-December 2015 a growth of 2.4% was seen. Higher growth during the month is due to higher sales in Eastern and Southern regions.

Auto LPG consumption registered a growth of 1.8% in December, 2016 and cumulative de-growth of -2.4% during April to December 2016. However, last year in the month of December, 2015 de-growth of -1.4% and during April-December 2015 growth of 6.5% was witnessed. Reasons for de-growth in Auto LPG is 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

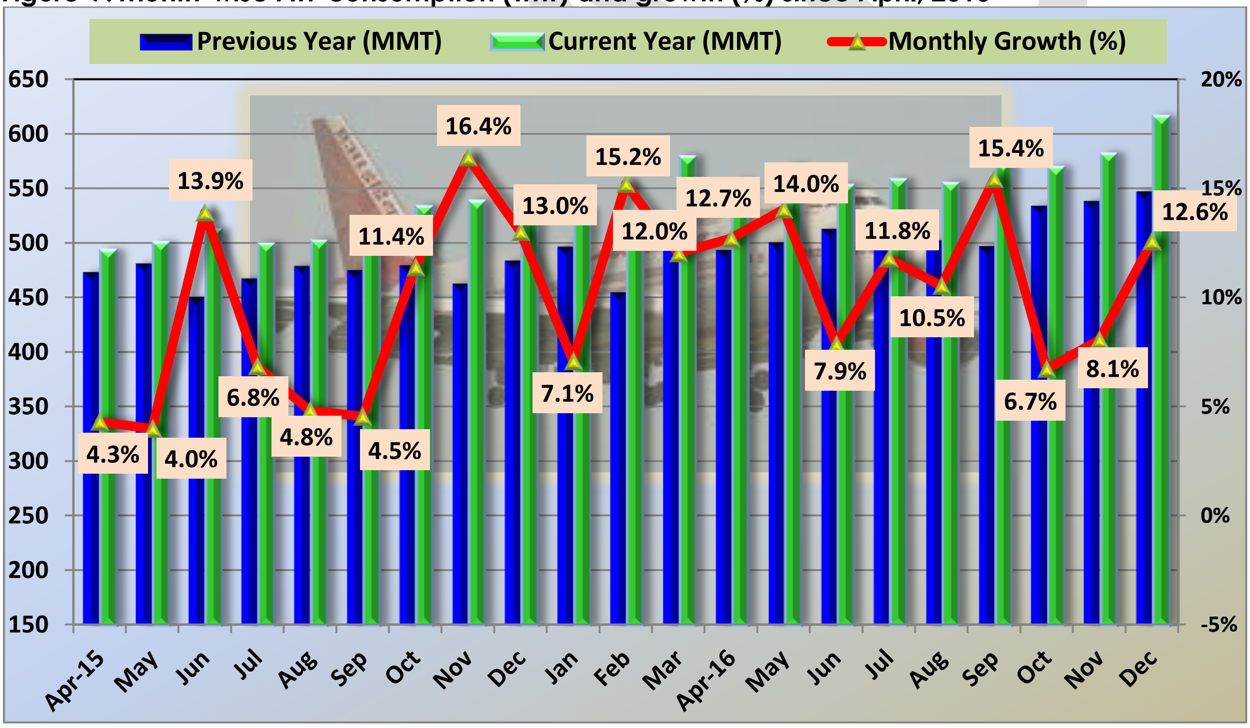


1.6 Naphtha: consumption recorded a de-growth of -5.5% during the month of December, 2016 and a growth of 1.9% on cumulative basis for the period April-December, 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Low demand 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 December, 2016 the growth in consumption of ATF was 12.6% and a cumulative growth of 11.0% was observed for the period April-December, 2016. Air traffic in India continued its upward journey growing at a phenomenal pace, helped by cheaper fares. Domestic airlines carried 95.52 lakh passengers during December, 2016, 23.91% more than 77.09 lakh flown in December, 2015. On cumulative basis a growth of 22.8% was registered in the number of passengers flown by airlines during the period April-December 2016 as compared to April-December 2015.

India's civil aviation industry is on a high-growth trajectory. India aims to become the third-largest aviation market by 2020 and the largest by 2030. The Union Government has launched the regional air connectivity scheme UDAN (Ude Desh ka Aam Naagrik) which seeks to get more people to fly in the smaller towns. The scheme is likely to be rolled out by January, 2017 and will be in operation for a period of 10 years. The UDAN scheme seeks to provide connectivity to un-served and under-served airports of the country through revival of existing air-strips and airports. This first-of-its-kind scheme will ensure affordability, connectivity, growth and development. It aims to increase ticketing volume from 80 million to 300 million by 2022.

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



1.8 FO/LSHS: FO and LSHS consumption registered a growth of 14.1% during December, 2016 and a cumulative growth of 18.4% for the period April-December, 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 28.8% during December, 2016 and a cumulative growth of 40.2% during April-December, 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 8.9 % in the month of December, 2016 and a cumulative growth of 17.2% for April-December, 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-December 2016

('000 MT)

Product	December			April-December		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	573.5	398.5	**-30.5**	5140.4	4244.1	**-17.4**
LPG	1795.9	1938.1	**7.9**	14318.8	15889.4	**11.0**
Sub Total	**2369.4**	**2336.6**	**-1.4**	**19459.2**	**20133.6**	**3.5**
(B) Major Decontrolled Products						
Naphtha	1143.0	1079.9	**-5.5**	9866.6	10055.4	**1.9**
MS	1821.6	1962.9	**7.8**	16145.8	17956.4	**11.2**
HSD	6484.5	6547.4	**1.0**	55167.2	57234.3	**3.7**
Lubes+Greases	294.0	302.4	**2.9**	2518.4	2530.6	**0.5**
LDO	36.1	39.3	**8.9**	293.1	343.4	**17.2**
FO/LSHS	521.6	595.0	**14.1**	4662.1	5521.8	**18.4**
Bitumen	568.7	556.8	**-2.1**	3965.2	4127.3	**4.1**
ATF	547.2	616.0	**12.6**	4626.1	5136.3	**11.0**
Sub Total	**11416.7**	**11699.7**	**2.5**	**97244.5**	**102905.5**	**5.8**
Sub - Total (A) + (B)	**13786.1**	**14036.3**	**1.8**	**116703.7**	**123039.1**	**5.4**
(C) Minor Decontrolled Products						
Pet.Coke	1508.0	1942.3	**28.8**	13121.1	18398.9	**40.2**
Others	551.2	553.0	**0.3**	4801.7	4993.8	**4.0**
Sub Total	**2059.2**	**2495.3**	**21.2**	**17922.8**	**23392.7**	**30.5**
Total	**15845.3**	**16531.6**	**4.3**	**134626.5**	**146431.8**	**8.8**