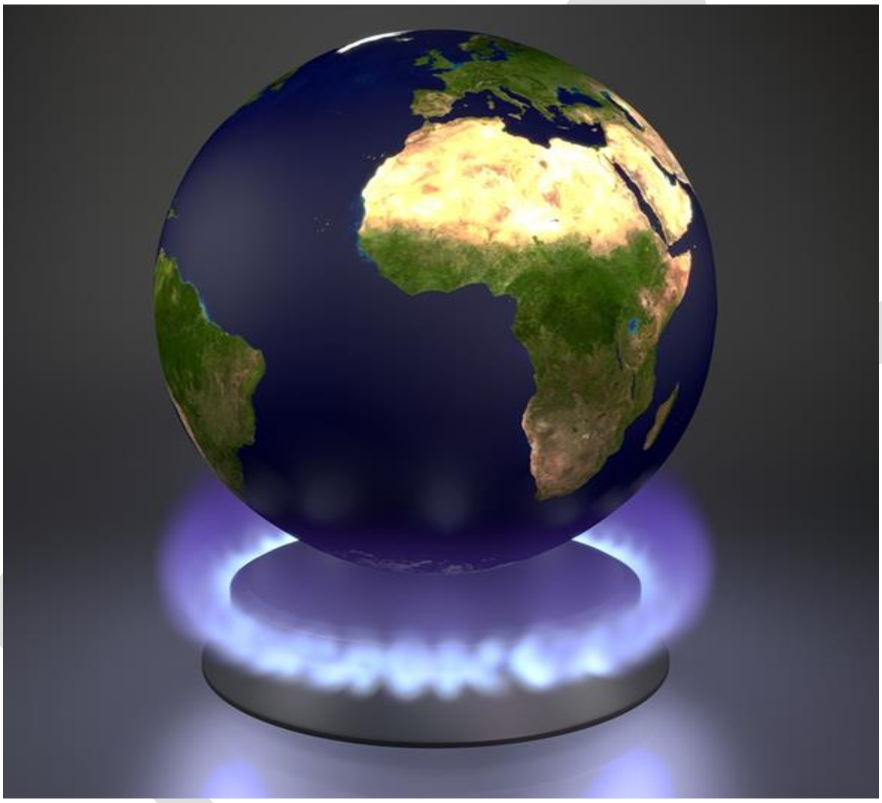
# INDUSTRY SALES REVIEW

# May 2017



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 May, 2017. Data on product-wise monthly consumption of petroleum products for May, 2017 is uploaded on PPAC website (www.ppac.gov.in).

## 1.0 CONSUMPTION :

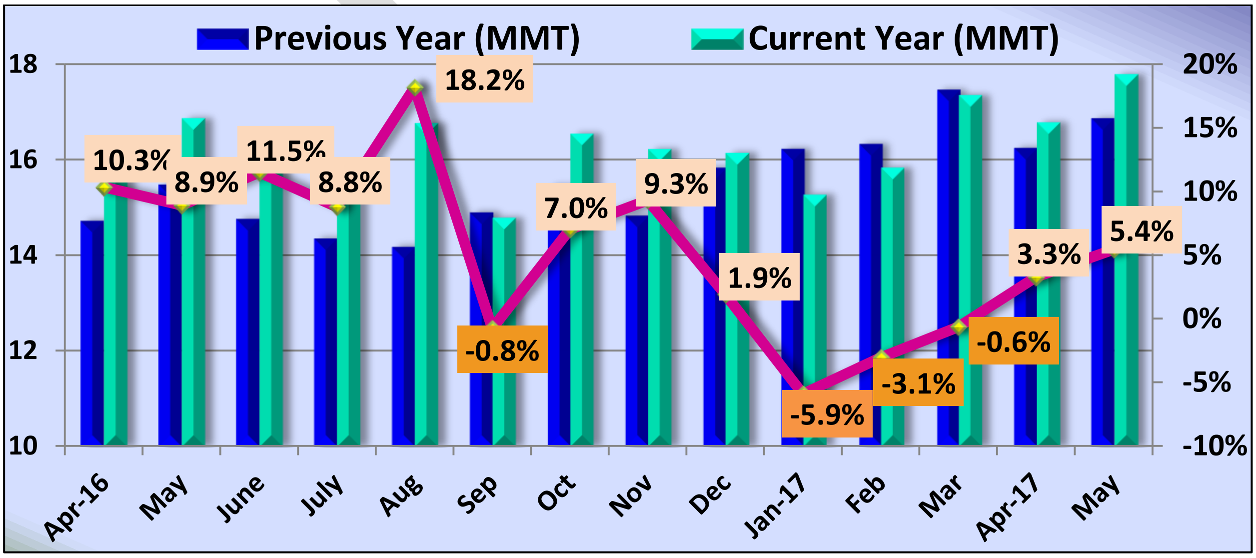
The growth (%) in consumption of petroleum products, category-wise, for the month of May, 2017 is given in Table-1.

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

| PRODUCT | Share (%) | May 2016 | May 2017 | Growth (%) | Products Included |
|---|---|---|---|---|---|
| **Sensitive Products** | 12.6% | 2,129 | 2,137 | 0.4% | SKO & LPG |
| **Major decontrolled Products** | 73.0% | 12,315 | 13,144 | 6.7% | HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF |
| **Minor decontrolled Products** | 14.4% | 2,428 | 2,510 | 3.4% | Pet. coke & other minor products |
| **Grand Total** | **100%** | **16,872** | **17,791** | **5.4%** | |

**All Products :** India's consumption of petroleum products recorded a strong growth in the month of May, 2017. The demand for all oil products rose to 17.8 MMT from 16.9 MMT a year ago. Bottom line growth in consumption of petroleum products was recorded at 5.4 % during the month, mostly driven by a growth in the use of LPG, MS, HSD, ATF and Petcoke. All other products recorded a negative growth. SKO continued to register reduction in consumption and a -33.5% drop was recorded during the month. It was mainly because of reduced allocation to states and voluntary surrender of PDS SKO quota by some states. On cumulative basis, a growth of 4.3% was recorded in consumption of all petroleum products for the period April to May, 2017 as compared to April- May, 2016.

**Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2016**



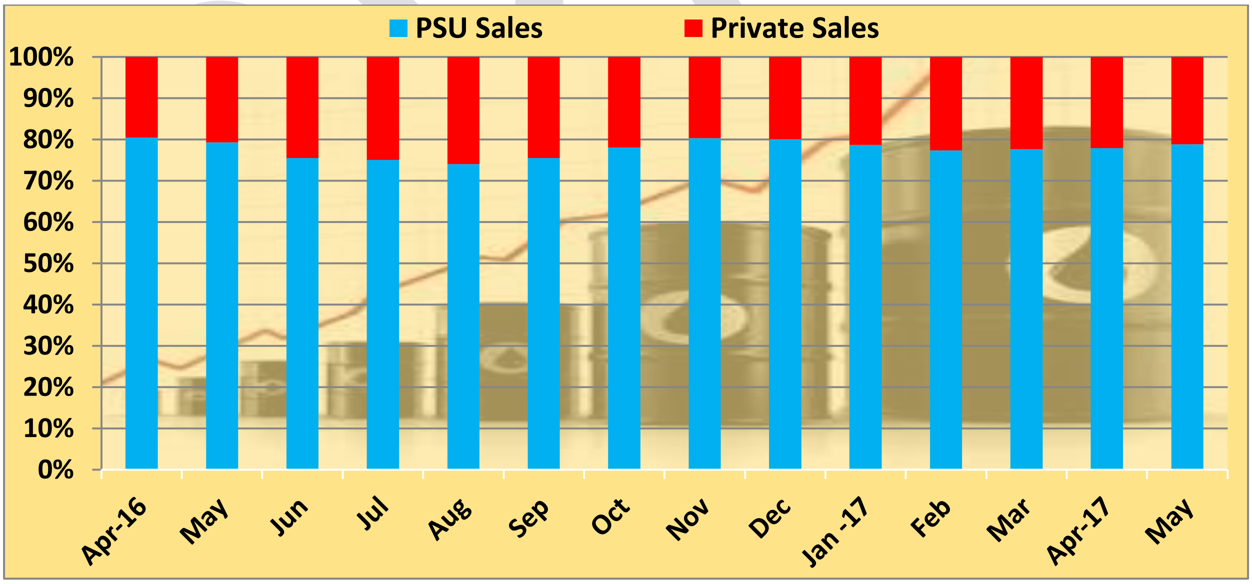
Indian 'Sales Manage’rs Index' (SMI) for May 2017, released by London-based World Economics, which produces data and analysis on the global economy, reflects rapid growth in the Indian economy, and remains close to its all-time high level. Business confidence is reflecting very buoyant "animal spirits ", and is very high indeed compared with confidence in all other countries currently measured by World Economics. The job market has rebounded close to its very high pre-demonetization level and reflects the rapid growth indicated by the SMI Market and Sales Indexes.

The Nikkei India Services Purchasing Managers' Index, or PMI, in India rose to 52.2 in May, 2017 from 50.2 in April, 2017. It was the fourth straight month of growth in services activity and the strongest since October, 2016, supported by faster rises in output and new business while employment growth was at near four-year high. The Nikkei Manufacturing PMI in India fell to 51.6 in May, 2017 from 52.5 in April, 2017. Fuel consumption is robust and growth is coming mainly from the transportation sector.

The indices as mentioned above show that business conditions for India are positive. Rapid economic growth is leading to greater output, which in turn is increasing the demand of oil for production and transportation.

Figure-2 gives a comparison of percentage of monthly sales volumes of all petroleum products by PSU and Private Oil companies since April, 2016.

**Figure-2: Comparison of monthly POL Sales in PSU & Private Sector (%) since April, 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 March, 2017 and private imports data for the months of April and May, 2017 are projected based on April, 2016 to March, 2017 actual data provided by DGCIS.

## Detailed product-wise analysis of growth for May, 2017 is given in the following sections:

**1.2 Petrol / Motor Spirit (MS):** MS consumption during May, 2017 recorded a robust growth of 15.3% as compared to May, 2016 and on cumulative basis, a growth of 10.0% was recorded for the period April to May, 2017 as compared to April to May 2016. With rising income levels, the demand for petrol driven automobiles has increased which is the main driver for MS sales.

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

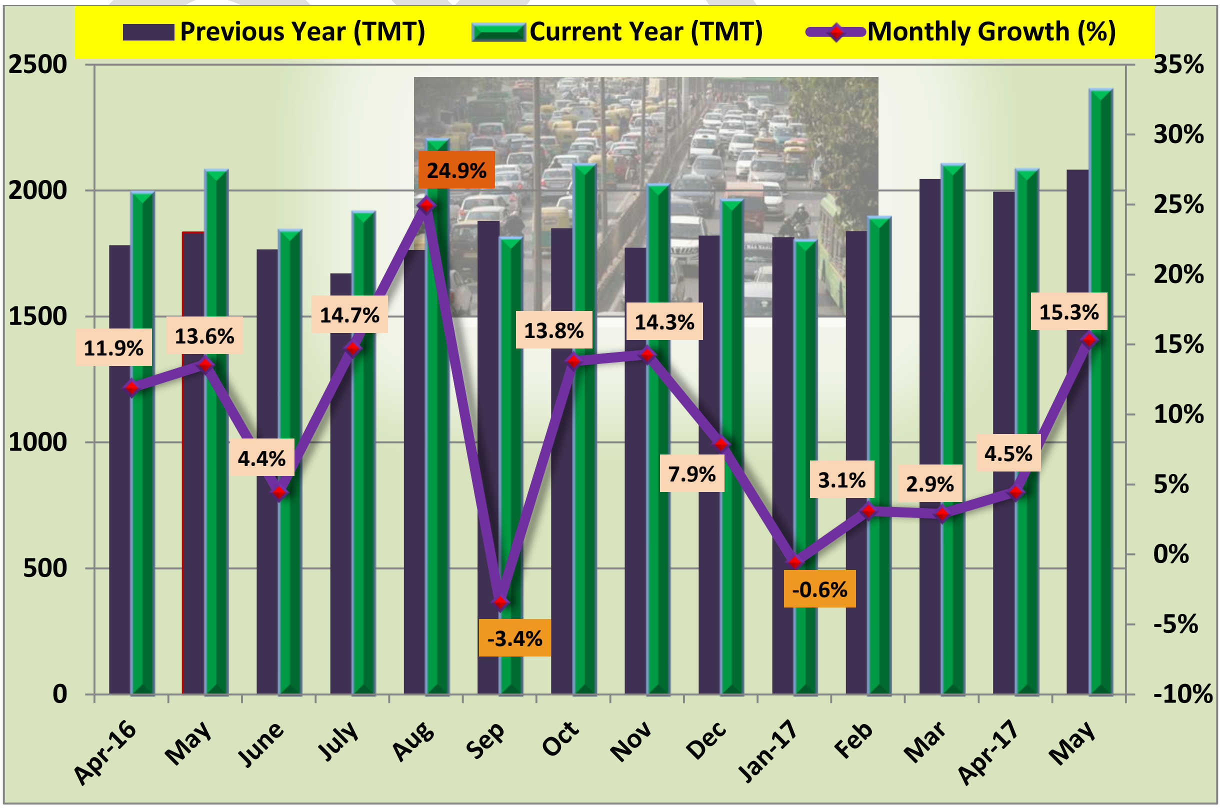
i. Continuous high growth in automobile industry in the country resulting in increased number of vehicles on the roads has resulted in increased MS consumption.

ii. Improved road connectivity, good weather conditions and school vacations, pushing travel for tourism, has boosted MS sales in general.

iii. Price increment speculations towards the month end prompted the retail outlet network to tank up the inventories at retail outlets which resulted in advance shifting of MS sales from June to May 2017.

**Figure 3** gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2016.

**Figure-3: Month wise MS consumption (TMT) and growth (%) since April, 2016**

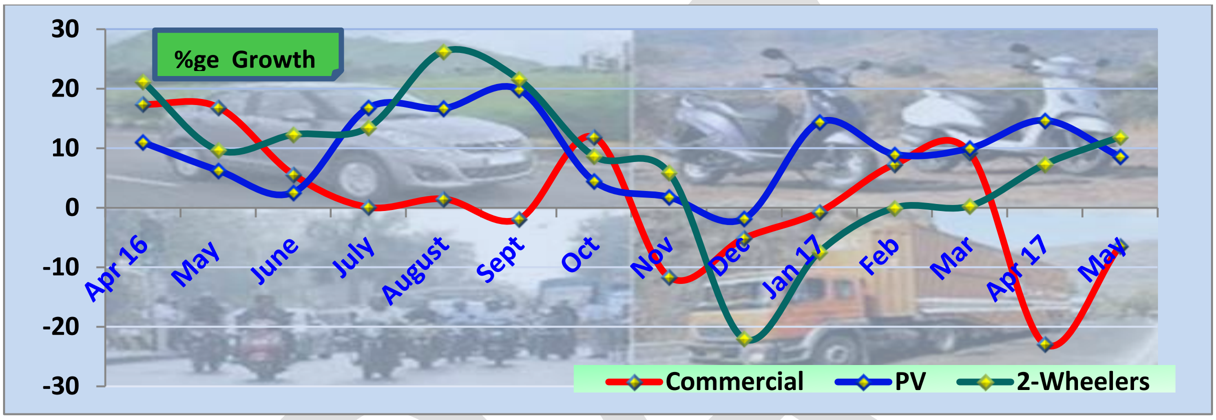


## Other factors impacting consumption of MS are:

Passenger vehicle sales in India had crossed the three million milestone for the first time in 2016-17. For the second month in the financial year 2017-18, sales of most of the passenger vehicle manufacturers continued to grow in double digits. The utility vehicle segment remained the focus of the buyers and was the star attraction. Moreover, with the GST regime set to tax SUVs at a lower rate compared to smaller cars, the SUV market is expected to boom.

**Figure-4** gives a graphic representation of month-wise growth percentages of Passenger Vehicles, Commercial Vehicles and 2-Wheelers since April, 2016.

**Figure-4: Month-wise sales growth (%) of Indian Automobile Industry since April, 2016**




a) **Total passenger vehicles (PV) sales**: At 251,642 units in May, 2017, the passenger vehicle sales recorded a growth of 8.6% over May, 2016. Passenger car sales rose by 4.8%, which was lower than the growth recorded last month which could be attributed to some consumers delaying purchases, particularly of SUVs, in view of the expected price reductions as a result of GST kicking in from July 1, 2017. Surging consumer demand for SUVs saw numbers grow by 18.8%. Reason for growth has been launch of new models. May, 2017 also saw a recovery in growth in number of vans being sold as an increase of 9.5% over May, 2016 sales was recorded.

| Segment | May 2016 | May 2017 | Growth (%) |
|---|---|---|---|
| Passenger Cars | 158,996 | 166,630 | 4.8% |
| Utility Vehicles | 58,793 | 69,845 | 18.8% |
| Vans | 13,851 | 15,167 | 9.5% |
| **Total: Passenger Vehicles (PVs)** | **231,640** | **251,642** | **8.6%** |

*Source: SIAM*

b) **2-wheeler sales**: The two wheelers segment registered a growth of 11.9%, at 1,694,325 units during the month. The start of a bountiful monsoon season, return of consumer sentiment and new models in two-wheeler segment continued the uptick in 2-wheeler segment. Scooters sales witnessed a sharp growth of 24.0% at 563,326 units. Motorcycles recorded a growth of 7.7% in sales by selling 1,060,746 units while mopeds sales went down by -6.8%.

| Segment | May 2016 | May 2017 | Growth (%) |
|---|---|---|---|
| Scooter / Scooterette | 454,213 | 563,326 | 24.0% |
| Motor Cycles | 984,715 | 1,060,746 | 7.7% |
| Mopeds | 75,406 | 70,253 | -6.8% |
| **Total: 2-wheelers** | **1,514,334** | **1,694,325** | **11.9%** |

*Source: SIAM*

**1.3 High Speed Diesel (HSD):** HSD consumption went up by 8.0% to 7.51 million tons for the month of May, 2017. On cumulative basis, a growth of 5.4% was recorded for the period April to May 2017 as compared to the same period last year. Improved economic activity, road conditions and economic viability of public transport and carrier vehicles due to cheaper fuel resulted in improving diesel sales.

Following were the major factors affecting diesel sales during the month:

i. Augmentation of STU fleet by State governments, improved road connectivity, shifting of wedding season to the month of May, good weather conditions and school vacations pushing travel for tourism has boosted HSD sales during the month.

ii. Anticipated upward price revision that happened on 1st of June, 2017, prompted retail outlet network to fill up their storage tanks and resulted in the shift of sales from June to May.

iii. No rainfall and drought like conditions across southern India affecting agricultural activity and stoppage of quarry operation in Kerala adversely affected HSD sales.

**Figure-5: Month-wise HSD consumption (TMT) and growth (%) since April, 2016**

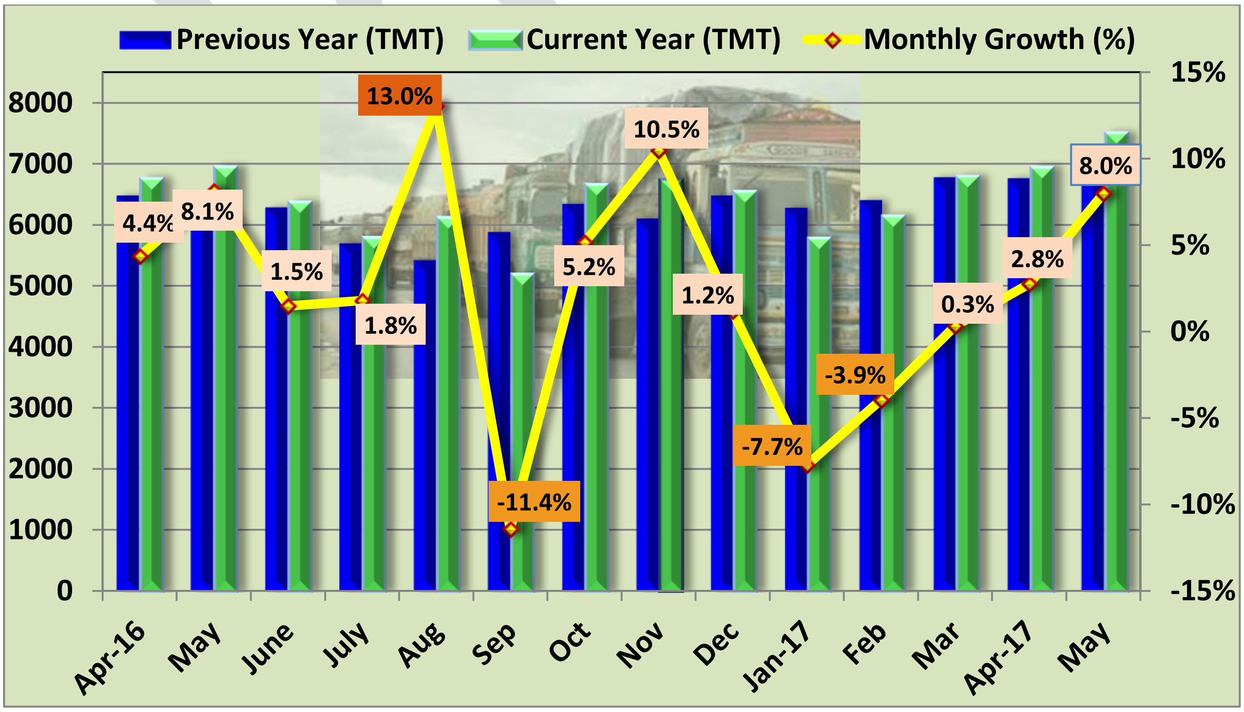
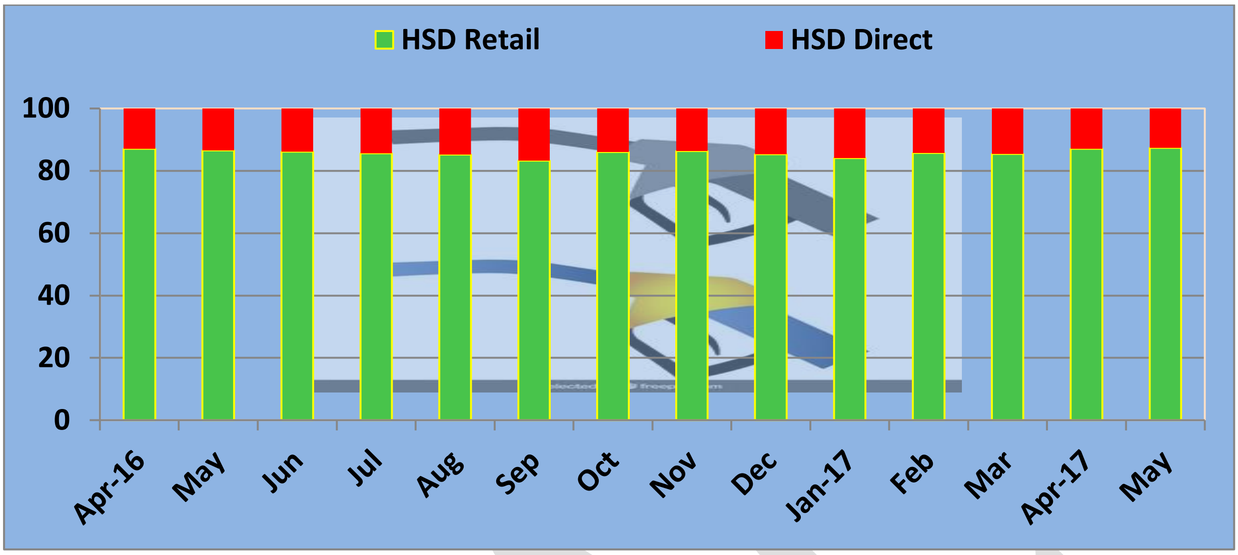


Figure-6 gives a comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2016.

**Figure-6**: **Month-wise HSD consumption by Retail and Consumer business share (%) since April, 2016**




## Other factors affecting diesel consumption are discussed below:

a) **Commercial vehicles (CV) sales**: The overall commercial vehicle sale in May, 2017 was lower by -6.4% over May 2016. This was due to the market continuing to remain weak and the demand not picking up after the huge surge in sales just before the introduction of nation-wide BS-IV auto fuels. It is expected that going forward, as the economy further picks up and infrastructure development gains steam, M&HCVs are expected to return to their former high sales graph.

b) Sales in M&HCVs were also affected primarily due to severe global supply constraints of fuel injection pumps for BS-IV engines. This has resulted in M&HCV sector recording a sales of 16,716 units and a de-growth of -33.0% over historical.

c) **Light Commercial Vehicle (LCV)**: LCV sector contributed sales of 36,741 units and a growth of 14.3% over historical.

| Segment | May 2016 | May 2017 | Growth (%) |
|---|---|---|---|
| **M&HCVs** | 24,951 | 16,716 | -33.0% |
| **LCVs** | 32,138 | 36,741 | 14.3% |
| **Total: Commercial Vehicles** | **57,089** | **53,457** | **-6.4%** |

*Source: SIAM*

d) **Port traffic:** There has been a growth of 4.9% in port traffic during the month of May, 2017. The growth in port traffic and cargos handled during May, 2017 is mainly due to increase in traffic at all ports except Visakhapatnam, Chennai, New Mangalore and Mormugao.

There has been a cumulative growth of 5.6% in port traffic during the period April to May 2017. Growth was registered specifically in iron ore (33.3%), finished fertilizer(20.1%), raw fertilizer (15.0%), coking coal (12.7%), POL products (6.0%), other liquids(6.4%), containers(6.4%), TEUs(8.2%)and others (3.9%), while there has been a drop in thermal coal (-11.9%). High growth in iron ore traffic is due to resumption of iron ore mining activities in Karnataka, Goa and Odisha.

**Table-2** below gives the port-wise performance during the month of May, 2017.

**Table-2: Traffic handled at major ports in May, 2017**

| TRAFFIC HANDLED AT MAJOR PORTS (TMT) | | | |
|---|---|---|---|
| **PORTS** | **May 2016** | **May 2017** | **Growth (%)** |
| Kolkata + Haldia | 4,115 | 4,658 | 13.2% |
| Paradip | 6,792 | 8,864 | 30.5% |
| Visakhapatnam | 5,575 | 5,067 | -9.1% |
| Kamarajar (Ennore) | 2,540 | 2,809 | 10.6% |
| Chennai | 4,307 | 4,096 | -4.9% |
| V.O. Chidambaranar | 2,803 | 2,959 | 5.6% |
| Cochin | 1,957 | 2,443 | 24.8% |
| New Mangalore | 3,295 | 2,974 | -9.7% |
| Mormugao | 3,415 | 3,327 | -2.6% |
| Mumbai | 5,398 | 5,658 | 4.8% |
| JNPT | 5,459 | 5,485 | 0.5% |
| Kandla | 9,532 | 9,542 | 0.1% |
| **TOTAL:** | **55,188** | **57,882** | **4.9%** |

*Source: IPA*

e) **Power situation improves**: The power deficit position for the month of May, 2017 is given in Table-3. The power deficit position improved from -2.4% in May, 2016 to -0.6% in May, 2017. The shortage during the month improved for all regions. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh, Rajasthan and Assam. The improved power position in May, 2017 may have led to reduced usage of diesel for back-up power generation.

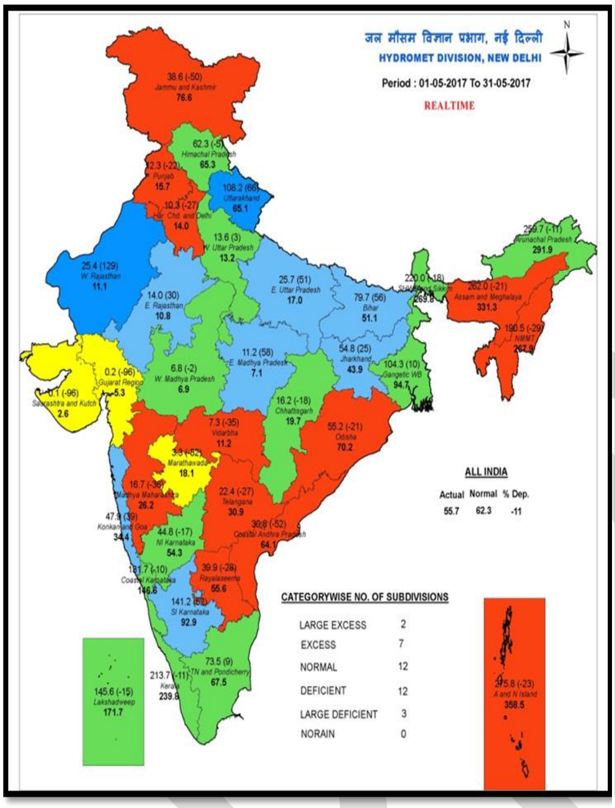
**Table-3: Power deficit: Region-wise position for May, 2016 (% deficit)**

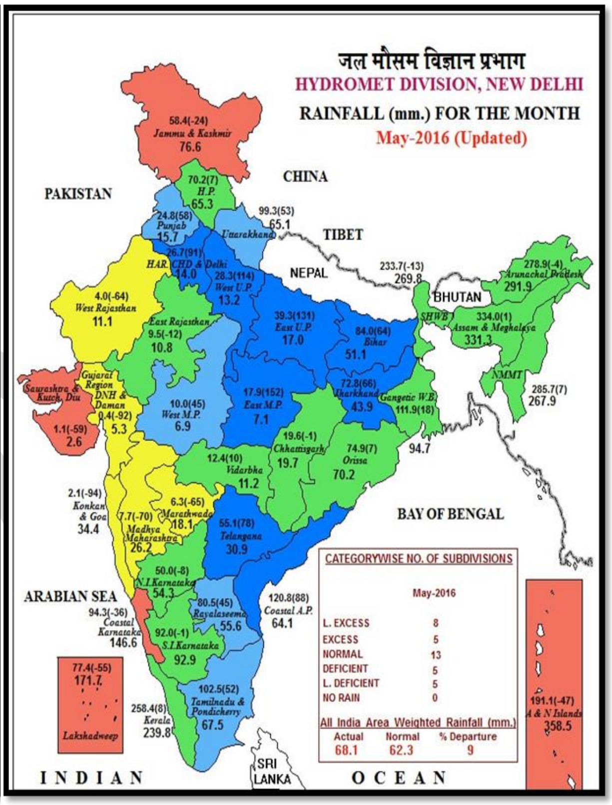
| **States** | **May 2017 (P)** | | | | **May 2016** |
|---|---|---|---|---|---|
| | **Requirement (MU)** | **Available (MU)** | **Deficit** | | **Deficit (%)** |
| | | | **MU** | **(%)** | |
| North | 33,912 | 33,370 | -542 | 1.6% | -4.6% |
| West | 32,615 | 32,581 | -33 | 0.1% | -0.3% |
| South | 26,674 | 26,658 | -16 | -0.1% | -1.9% |
| East | 11,016 | 11,006 | -9 | -0.1% | -1.1% |
| North-East | 1,270 | 1,220 | -50 | -3.9% | -15.6% |
| **Total** | **105,486** | **104,835** | **-651** | **-0.6%** | -2.4% |

*Source: Central Electricity Authority (CEA)*

f) **Seasonal rainfall scenario:** The rainfall in the country during May, 2017 was-11.0% below normal. As against a normal of 62.3 mm, 55.7 mm rain was recorded during the month.

Government of India declared Kerala, Rajasthan, Madhya Pradesh, Karnataka, Uttarakhand, Uttar Pradesh, Andhra Pradesh and Tamil Nadu as drought hit states in 2017. However rainfall over the country as a whole for the 2017 southwest monsoon season (June to September) is most likely to be normal (96% to 104% of long period average (LPA)).



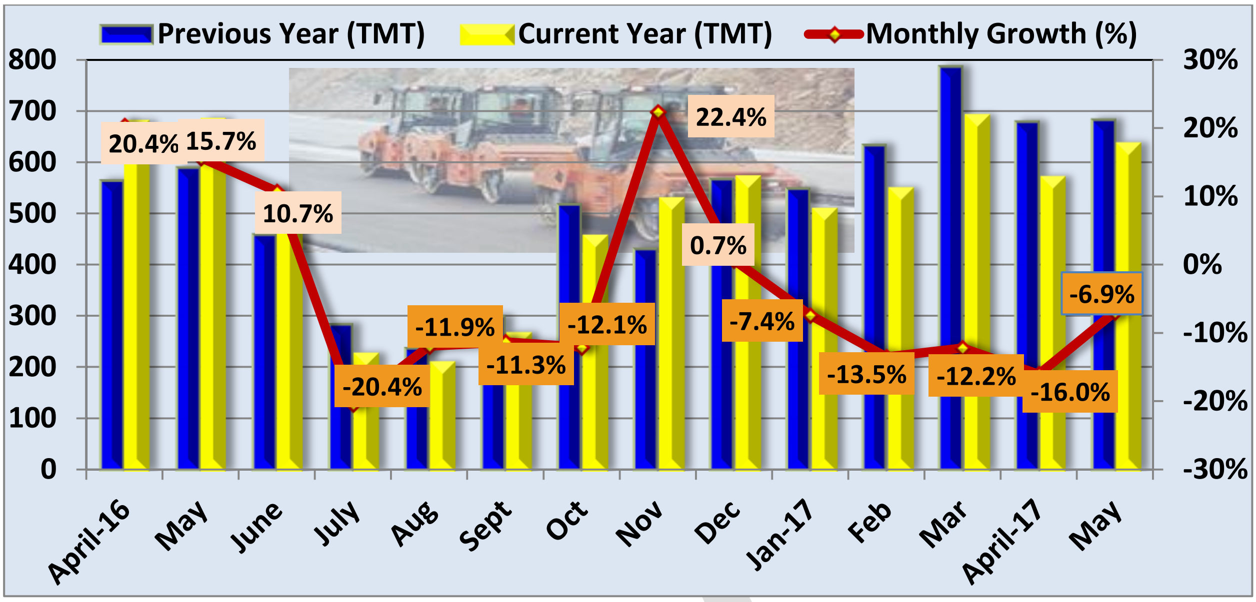




**1.4 Bitumen:** Bitumen consumption recorded de-growth of -6.9% during the month of May, 2017 and -11.2% on cumulative basis for the period April to May, 2017 as compared to April to May 2016.

While the government has kept the development of roads on high priority by setting up new networks and rehabilitating existing road networks but demonetization of currency since November, 2016 in the country resulted in a slow-down in construction activities and consumption of bitumen has reduced. Moreover, the Government is making a transition from bitumen to cement and concrete for making national highways.

**Figure-6** gives the month wise bitumen consumption and growth since April, 2016.

**Figure-6: Month-wise Bitumen consumption (TMT) and growth (%) since April, 2016**




**1.5 LPG: Total LPG consumption** continuously for the last forty five months in a row recorded a positive growth of 11.6% during May, 2017 and a cumulative growth of 7.6% for the period April to May, 2017. Out of five regions, Northern region had the highest growth of 31.8% followed by Southern region at 28.2% in total LPG consumption.

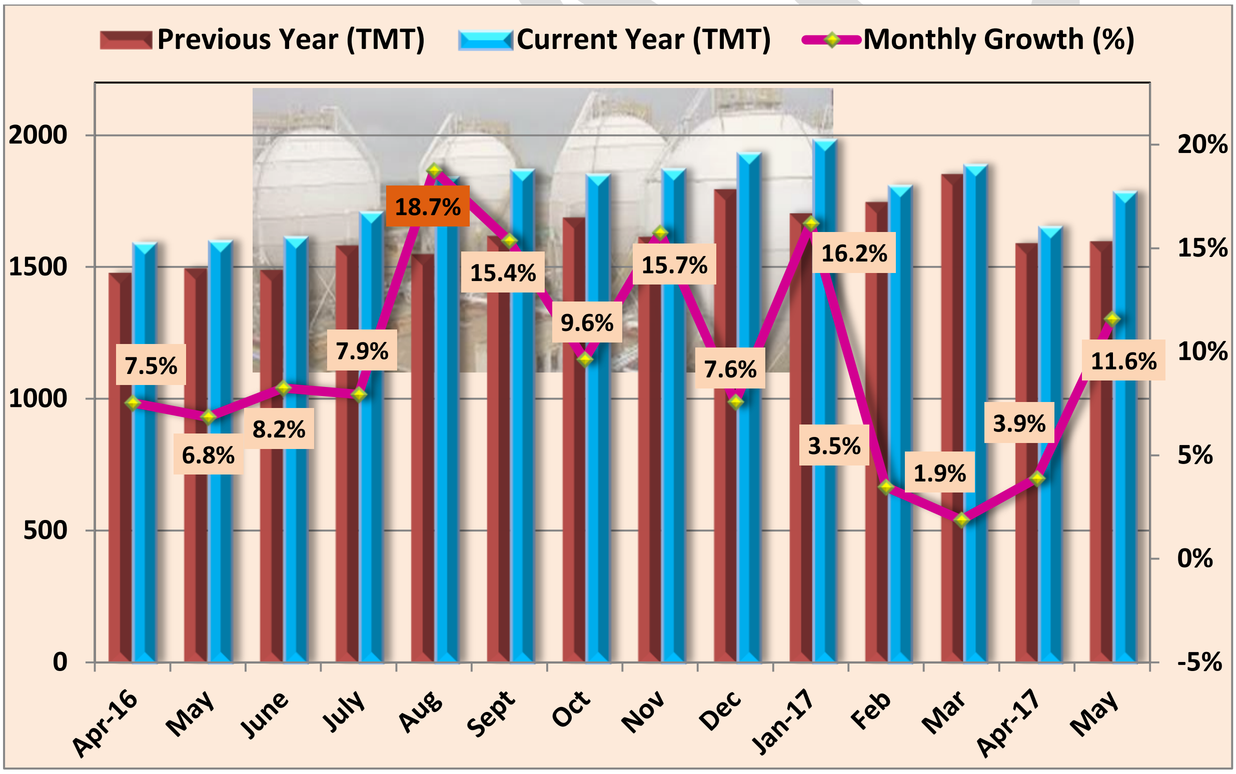
**LPG-Packed Domestic** consumption registered a growth of 11.8% during May, 2017 and a growth of 7.7% during the period April to May, 2017. Last year during May, 2016 growth of 5.6% was observed and cumulative growth during April to May 2016 was 6.1%. During the month of May, 2017, percentage share of LPG-Packed Domestic was 89.0% of total LPG consumption while in May, 2016 it was 88.8%. This year, during the period April to May 2017, 53.0 lakh new connections were released out of which 12.5 lakh were released on account of Ujjwala Yojana. The growth in LPG packed domestic consumption is mainly due to release of new connections and release of 10.7 lakh DBCs during April to May 2017. During April to May, 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (14.2%), Maharashtra (10.9%), Tamil Nadu (8.3%), West Bengal (7.3%) and Karnataka (6.1%).

**LPG-Packed Non-Domestic** consumption for the last twenty nine months in a row registered a positive growth of 17.5% in May, 2017 and cumulative growth of 13.1% during April to May, 2017. Last year during May, 2016, high growth of 21.8% was observed and cumulative growth during April to May, 2016 was 25.5%. Market share of LPG Packed Non-Domestic has increased to 8.7% in May 2017 from 8.3% in May 2016. Region wise share of LPG Packed Non-Domestic consumption is highest in Southern region (40.0%) followed by Western region (30.2%). This high growth and increase in share of LPG Packed Non-Domestic consumption 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 negative growth of -20.6% during May, 2017 and a cumulative de-growth of -25.4% during the period April to May, 2017. Last year in the month of May, 2016, growth of 21.9% and for the cumulative period April to May, 2016, a growth of 26.2% was witnessed. Percentage share of bulk LPG consumption has also decreased to 1.4% in May, 2017 as compared to 2.0% in May, 2016.

**Auto LPG consumption** registered a growth of 12.5% in May, 2017 and cumulative growth of 10.7% during April to May, 2017. The sales volume increase was about 1.7 TMT in May 2017 as against May 2016. However, last year in the month of May, 2016 a de-growth of -4.4% and cumulative de-growth of -4.3% during April to May, 2016 was observed. Growth in Auto LPG consumption is mainly due to it being nearly half the price of petrol. On 1st May, 2017, Auto LPG price in Delhi was Rs. 34.05, while Petrol price was Rs.68.08, Diesel price was Rs. 57.43 and CNG price was Rs. 38.15 (3rd May,2017). It is apparent from the above that Auto LPG price was the cheapest.

**Figure-6: Month-wise LPG consumption (TMT) and growth (%) since May, 2016**



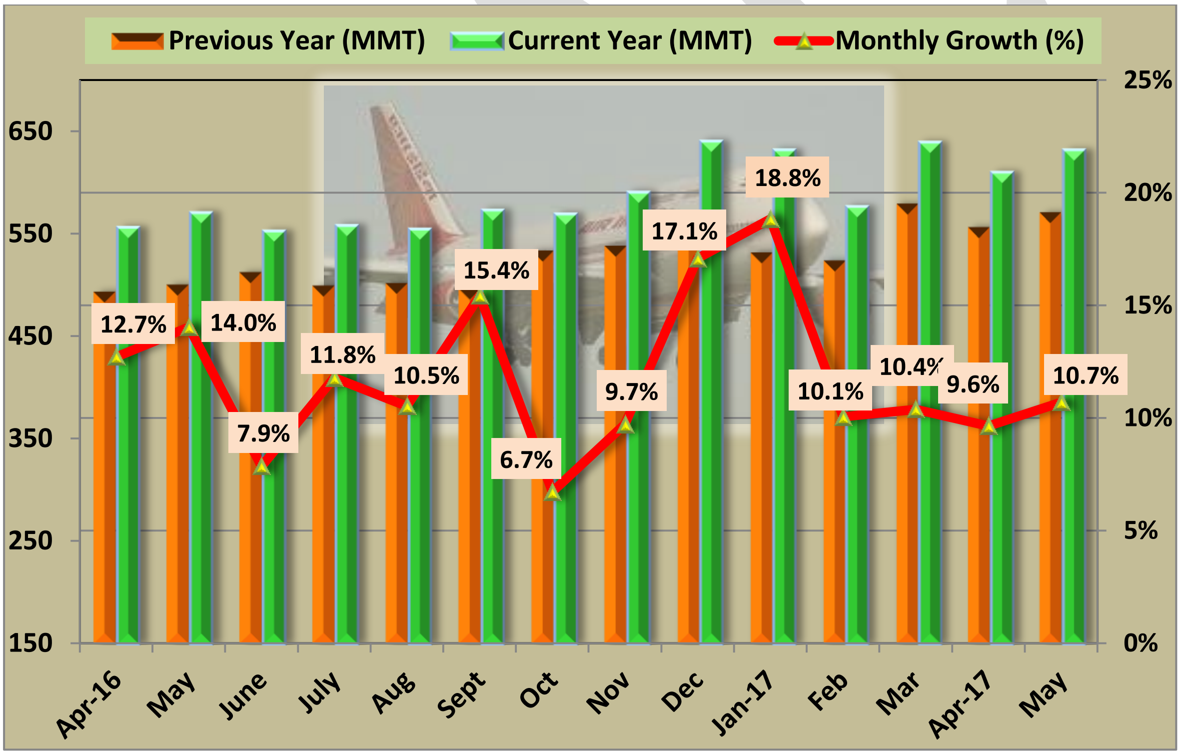

**1.6 Naphtha:** consumption recorded a de-growth of -1.2% for the month of May, 2017 and a growth of 0.7% for the period April to May 2017 as compared to April to May 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand of naphtha by the petrochemical industry (particularly polymers and plastics) largely drives the growth in consumption.

**1.7 ATF:** ATF consumption recorded a growth of 10.7% for the month of May, 2017 as compared to May, 2016. On cumulative basis, for the period April to May 2017, a growth of 10.0% was recorded as compared to the same period last year.

The continued high growth in consumption of ATF has been mainly due to growth in domestic passenger traffic. Passengers carried by domestic airlines during May, 2017 were 101.74 lakhs as against 86.69 lakhs during May, 2016 thereby registering a growth of 17.4%.

India, the third largest domestic air travel market, is estimated to be on a high growth trajectory. India's domestic air passenger traffic reached 100 million in 2016, behind only that of the US (719 million), China (436 million) and ahead of Japan (97 million). Through the UDAN scheme, the government is further facilitating affordable air travel as also to bring small cities and towns to the air transport network.

**Figure-7: Month-wise ATF consumption (TMT) and growth (%) since April, 2016**




**1.8 FO/LSHS:** FO and LSHS consumption registered a de-growth of -1.9% during May, 2017 as compared to May, 2016 and a de-growth of -5.8% was recorded for the period April to May 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in power, steel and general trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like the fertilizer industry.

**1.9 PETCOKE:** Petcoke consumption registered a growth of 5.2% in the month of May, 2017 as compared to May 2016 and on cumulative basis, a growth of 13.8% was registered for the period April to May, 2017. The demand for the product has been rising remarkably and during the last five fiscals, it has grown at a CAGR of 30.9%. Tendency for using petcoke as primary fuel or partially replacing coal with it is gaining momentum among its end users due to its higher composition of carbon relative to coal and resultant calorific value. India is the second largest petcoke consuming country in Asia after China. Rising infrastructure development and growing demand for automotive, steel and cement consumption is fuelling demand for petcoke.

**1.10 LDO:** LDO consumption recorded a de-growth of -12.3% for the month of May, 2017 and a minor growth of 0.9% for the period April to May, 2017 as compared to the same period last year. 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 Consumption Trend Analysis 2017-18 (P)

('000 MT)

| Product | May | | | April-May | | |
|---|---|---|---|---|---|---|
| | 2016-17 | 2017-18 | Growth (%) | 2016-17 | 2017-18 | Growth (%) |
| **(A) Sensitive Products** | | | | | | |
| **SKO** | 530.4 | 352.8 | **-33.5** | 1046.5 | 683.9 | **-34.6** |
| **LPG** | 1598.9 | 1784.1 | **11.6** | 3189.9 | 3432.7 | **7.6** |
| **Sub Total** | **2129.3** | **2136.9** | **0.4** | **4236.4** | **4116.6** | **-2.8** |
| **(B) Major Decontrolled Products** | | | | | | |
| **Naphtha** | 1083.6 | 1070.9 | **-1.2** | 2190.7 | 2206.6 | **0.7** |
| **MS** | 2082.8 | 2402.4 | **15.3** | 4078.7 | 4487.0 | **10.0** |
| **HSD** | 6957.6 | 7513.3 | **8.0** | 13725.5 | 14467.2 | **5.4** |
| **Lubes+Greases** | 291.2 | 259.6 | **-10.8** | 564.5 | 501.4 | **-11.2** |
| **LDO** | 36.0 | 31.6 | **-12.3** | 69.9 | 70.5 | **0.9** |
| **FO/LSHS** | 608.5 | 597.0 | **-1.9** | 1264.4 | 1191.0 | **-5.8** |
| **Bitumen** | 684.3 | 636.9 | **-6.9** | 1364.8 | 1211.5 | **-11.2** |
| **ATF** | 571.1 | 632.2 | **10.7** | 1127.8 | 1241.1 | **10.0** |
| **Sub Total** | **12315.1** | **13143.9** | **6.7** | **24386.3** | **25376.3** | **4.1** |
| | | | | | | |
| **Sub - Total (A) + (B)** | **14444.4** | **15280.8** | **5.8** | **28622.7** | **29492.9** | **3.0** |
| **(C) Minor Decontrolled Products** | | | | | | |
| **Pet.Coke** | 1898.4 | 1997.6 | **5.2** | 3468.4 | 3946.1 | **13.8** |
| **Others** | 529.7 | 512.2 | **-3.3** | 1039.1 | 1104.5 | **6.3** |
| **Sub Total** | **2428.0** | **2509.8** | **3.4** | **4507.4** | **5050.6** | **12.0** |
| **Total** | **16872.4** | **17790.6** | **5.4** | **33130.1** | **34543.5** | **4.3** |