

INDUSTRY SALES REVIEW

July 2017



पेट्रोलियम योजना एवं विश्लेषण प्रकोष्ठ

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

Petroleum Planning & Analysis Cell

Ministry of Petroleum & Natural Gas

विषय: पीपीएसी की उद्योग बिक्री समीक्षा रिपोर्ट: - जुलाई 2017

जुलाई 2017 माह की पीपीएसी की उद्योग बिक्री समीक्षा रिपोर्ट भेजते हुए हमें खुशी हो रही है

2. इसे महा निदेशक, पीपीएसी के अनुमोदन से जारी किया गया है।

धन्यवाद

रोहित डावर

रोहित डावर

अपर निदेशक

(मांग एवं आर्थिक अध्ययन)

वितरण:

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय

निजी सचिव (राज्य मंत्री- पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय)
सचिव, पीएनजी
अपर सचिव
अपर सचिव एवं वित्त सलाहकार
वरिष्ठ सलाहकार
संयुक्त सचिव (रिफाइनरी)
संयुक्त सचिव (मार्क.)
संयुक्त सचिव (आईसी)
संयुक्त सचिव (जनरल)
निदेशक (एसएंडपी) / निदेशक (आरएंडए)
निदेशक (वितरण/सीसी)
संयुक्त सलाहकार (पेट्रोलियम), नीति आयोग

उद्योग:

अध्यक्ष, आईओसी, / ओएनजीसी, नई दिल्ली
अध्यक्ष एवं प्रबंधक निदेशक- बीपीसी/एचपीसी/गेल
निदेशक (मार्क.), आईओसी/ बीपीसी/ एचपीसी/ गेल
महानिदेशक, पेट्रोफेड
प्रबंध निदेशक- एनआरएल, गुवाहाटी /सीपीसीएल, चेन्नई
ओएमसी योजना एवं रिटेल ग्रुप - एचओ
प्रेजिडेंट, आरआईएल / सीईओ (मार्क.) इस्सार

प्रतिलिपि:

महा निदेशक, पीपीएसी
निदेशक (वित्त)
सभी विभागाध्यक्ष, पीपीएसी

Subject: Industry Performance Review Report of PPAC: July, 2017

We are pleased to forward herewith monthly Industry Performance Review Report of PPAC for the month of July, 2017.

2. This issues with the approval of Director General, PPAC.

Thanking you,



Rohit Dawar
Additional Director
(Demand & Economic Studies)

Distribution:**MoP&NG:**

PS to MOS (MOP & NG)
Secretary, PNG
Additional Secretary
Additional Secretary & Financial Advisor
Senior Adviser
Jt. Secretary (Refinery)
Jt. Secretary (Marketing)
Jt. Secretary (International Cooperation)
Jt. Secretary (General)
Director (S&P) / Director (R&A)
Director (Distribution)
Jt. Advisor (Petroleum), Niti Aayog

Industry:

Chairman, IOC / ONGC New Delhi
C&MD – BPC / HPC / GAIL
Director (Mkt.), IOC/ BPC / HPC /GAIL
DG, PetroFed
MD- NRL, Guwahati/CPCL, Chennai
OMCs Planning & Retail Groups – HO
President, RIL / CEO (Mktg.) Essar

PPAC:

Director General, PPAC
Director (Finance) & HODs, PPAC

This report analyses the trend of consumption of petroleum products in the country during the month of July, 2017. Data on product-wise monthly consumption of petroleum products for July, 2017 is uploaded on PPAC website (www.ppac.gov.in).

1.0 CONSUMPTION :

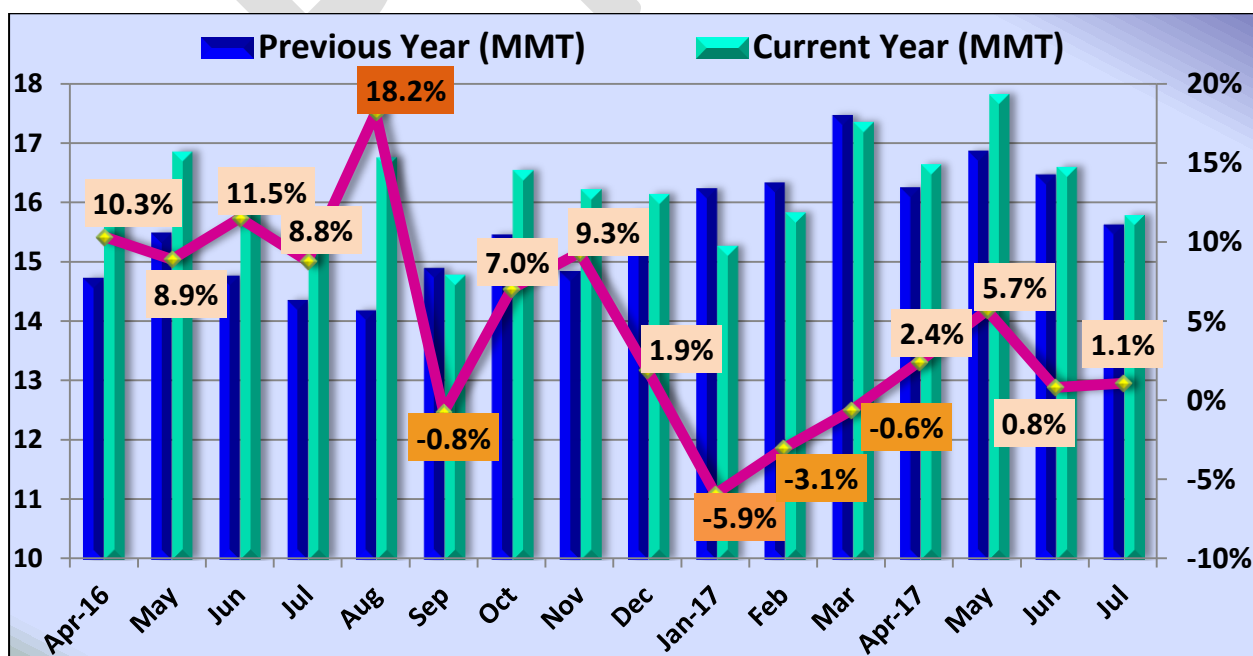
The growth (%) in consumption of petroleum products, category-wise, for the month of July, 2017 is given in Table-1.

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

PRODUCT	Share (%)	July 2016	July 2017	Growth (%)	Products Included
Sensitive Products	14.1%	2,210	2,240	1.3%	SKO & LPG
Major decontrolled Products	68.1%	10,649	11,034	3.6%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	17.8%	2,774	2,527	-8.9%	Pet. coke & other minor products
Grand Total	100%	15,633	15,801	1.1%	

All Products : India's consumption of petroleum products recorded a marginal growth of 1.1% in the month of July, 2017. The demand for all oil products rose to 15.8 MMT from 15.6 MMT a year ago. Growth in consumption of petroleum products during the month of July, 2017 was mostly driven by growth in the consumption of LPG, MS, HSD, LDO, Bitumen and ATF. All other products recorded negative growth. SKO continued with downward trend and a drop of -36.8 % was recorded during the month. On cumulative basis, a growth of 2.5% was recorded in consumption of all petroleum products for the period April to July, 2017 as compared to April to July, 2016.

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

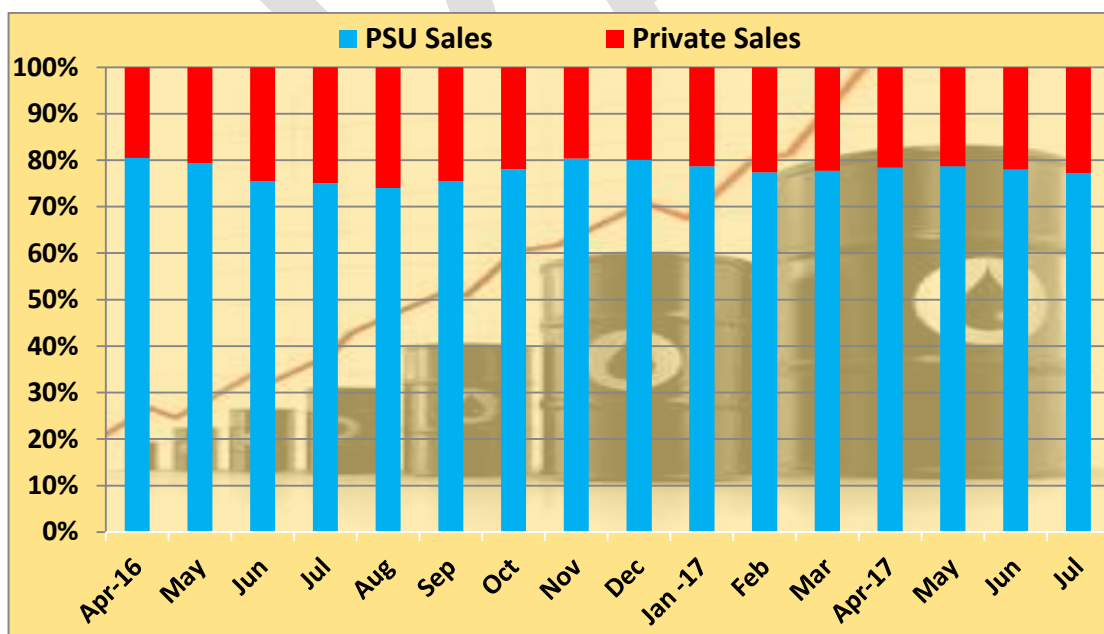


Indian 'Sales Manager's Index' (SMI) for July, 2017, released by London-based World Economics, which produces data and analysis on the global economy, said that the Indian economy continued to expand in August, 2017 but at a slower pace with a Headline Sales Managers' Index (SMI) of 59.3, the lowest level since summer 2013. The Goods & Services Tax (GST), which came into force on the 1st July, has been attributed by sales managers as causing significant issues with stock supply and affecting their ability to perform their role adequately. The Market Growth Index, which monitors the overall state of business activity, has started to show signs of recovery in August, 2017.

India's new GST impacted both the country's services sector as well as the manufacturing industry. The Nikkei India Services Purchasing Managers' Index, or PMI, fell to 45.9 in July, 2017, the lowest reading since September 2013. In June, 2017 it was 53.1. The Nikkei Manufacturing PMI in India fell to 47.9 in July, 2017 down from 50.9 in June, 2017 and was at its lowest since February, 2009. Lower sales triggered an overall accumulation in stocks of finished goods. Discouraged by the downturn in factory orders, companies lowered production in July, 2017. The fall ended a six-month sequence of growth, and the rate of reduction was the most pronounced since the global financial crisis.

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 May, 2017 and private imports data for the months of June and July, 2017 are projected based on June, 2016 to May, 2017 actual data provided by DGCIS.

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

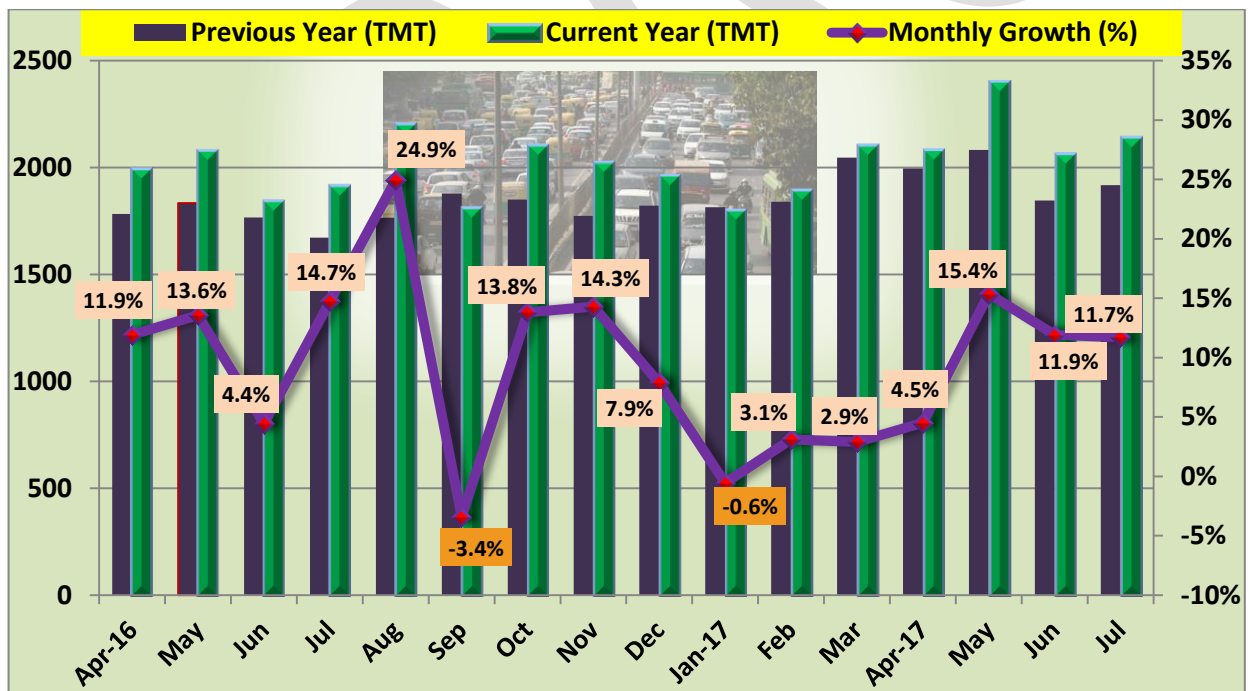
1.2 Petrol / Motor Spirit (MS): MS consumption during July, 2017 recorded a robust growth of 11.7% as compared to July, 2016 and on cumulative basis, a growth of 10.9% was recorded for the period April to July, 2017 as compared to the same period last year. With rising income levels, the demand for petrol driven automobiles has increased which is the main driver for MS sales.

The factors contributing to 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, including 2-wheelers on the roads.
- ii. Improved road connectivity, good weather conditions and college admissions, pushing travel for tourism, has boosted MS sales in general.

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

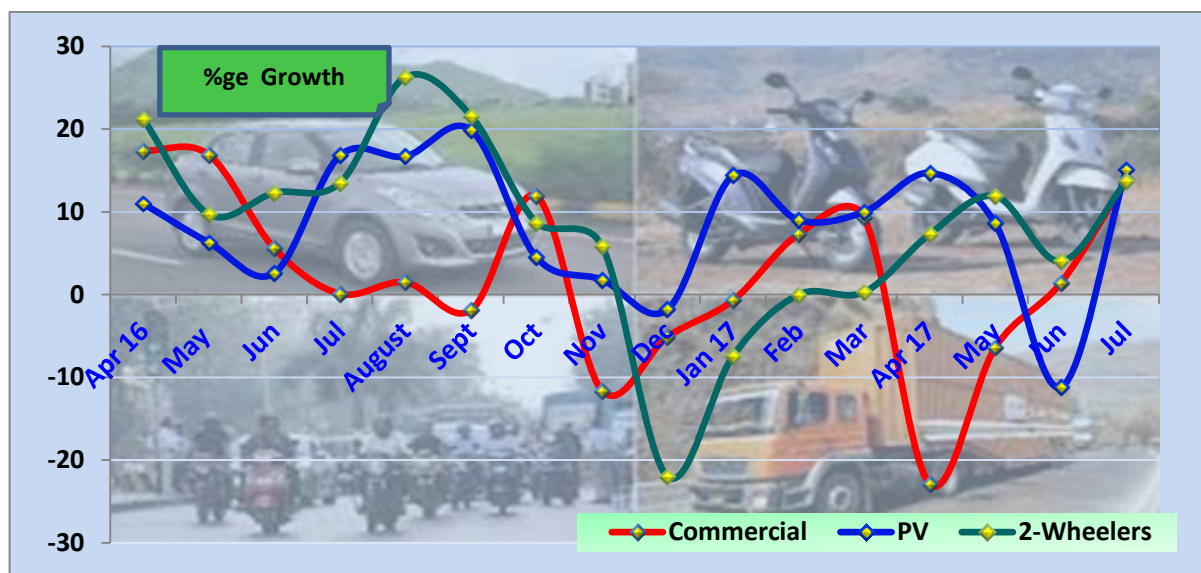


Other factors impacting consumption of MS are:

In the first month since the Goods & Services Tax was introduced, the automobile sector, one of the major beneficiaries due to reduced taxation in all vehicle categories other than hybrids, is seeing a smart uptick in demand.

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:** According to data released by the Society of Indian Automobile Manufacturers (SIAM), domestic passenger vehicle sales growth accelerated to 15.1% and recorded sales of 298,997 units in July, 2017 as against 259,720 units in July, 2016. The higher growth momentum is due to lowering of prices on account of GST implementation, conducive financing rates, festival season and a good monsoon which has improved customer confidence and sentiment towards vehicle buying. Moreover, Government of India aims to make automobiles manufacturing the main driver of “Make in India” initiative, as it expects passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26

Segment	July 2016	July 2017	Growth (%)
Passenger Cars	177,639	192,773	8.5%
Utility Vehicles	64,105	86,874	35.5%
Vans	17,976	19,350	7.6%
Total: Passenger Vehicles (PVs)	259,720	298,997	15.1%

Source: Society of Indian Automobile Manufacturers (SIAM)

b) **2-wheeler sales:** Like it has been for the passenger vehicle segment, July, 2017 has turned out to be a good month for the two-wheeler industry also. Two-wheeler segment registered a growth of 13.7%, at 1,679,055 units during the month. Rural buying is largely dependent on good monsoons, which define the sentiments across the regional markets. The sales of two-wheelers, particularly of commuter motorcycles, are one of the early indicators of market direction during and after the monsoon season. Scooter sales witnessed a growth of 13.0% at 569,809 units. Motorcycles recorded a growth of 16.9% in sales by selling 1,048,657 units while moped sales went down by -19.2%.

Segment	July 2016	July 2017	Growth (%)
Scooter / Scooterette	504,258	569,809	13.0%
Motor Cycles	897,084	1,048,657	16.9%
Mopeds	74,990	60,589	-19.2%
Total: 2-wheelers	1,476,332	1,679,055	13.7%

Source: Society of Indian Automobile Manufactures (SIAM)

1.3 High Speed Diesel (HSD): HSD consumption went up by 8.5% to 6.3 million tons for the month of July, 2017. On cumulative basis, a growth of 6.5% was recorded for the period April to July 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 contributing to diesel sales during the month:

- Agricultural activities, revision in dealer commission, removal of economic blockade in north-eastern states, augmentation of STU fleet by various State governments like Karnataka, Maharashtra, etc., improved road connectivity.
- A number of ongoing infrastructure projects boosting use of transport and industrial fuel, like metro, road widening, four-laning projects in various states.
- Growth in automobile sector and trend of travelling by road for tourism boosted HSD sales during the month.

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

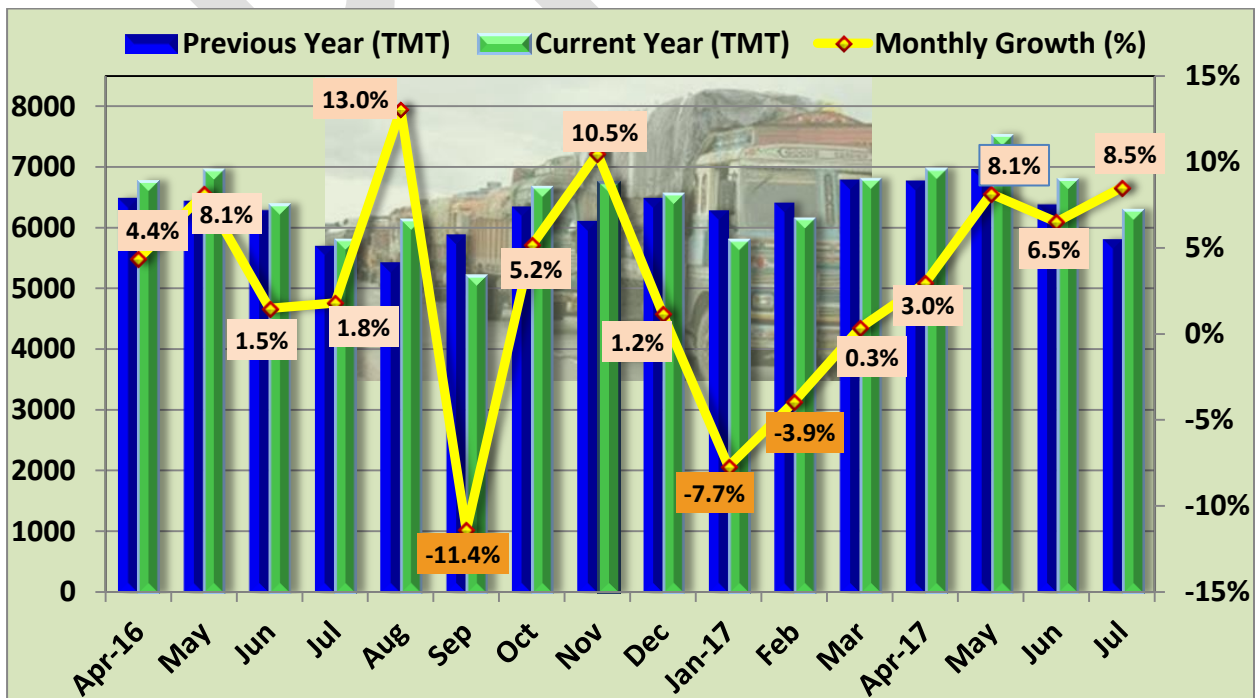
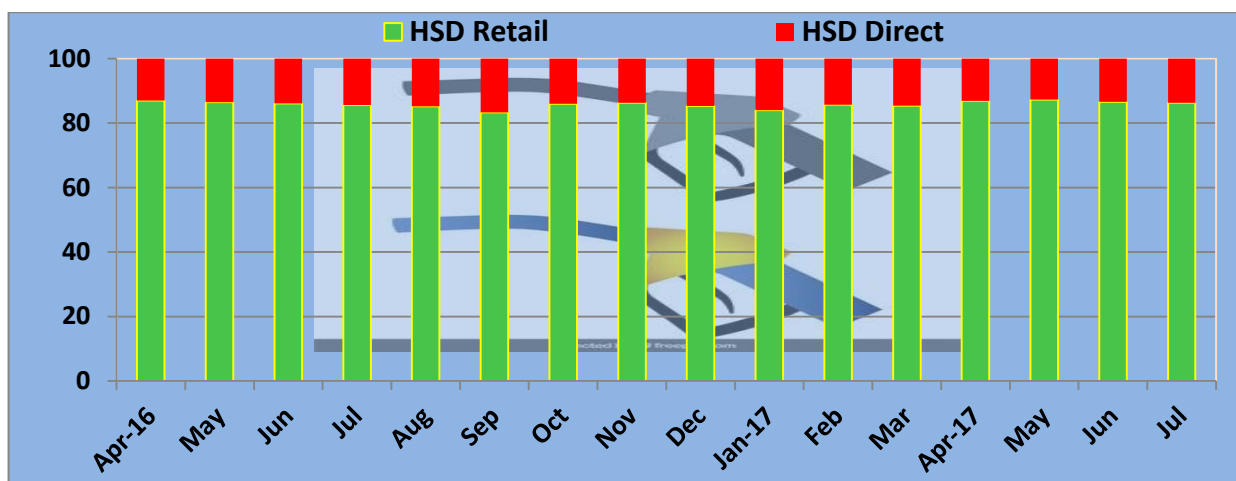


Figure-6 gives a comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2016.

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



Other factors affecting diesel consumption are discussed below:

- Commercial vehicles (CV) sales:** After a reasonably tough Q-1 (April to June 2017), when overall sales at 151,837 units were down -9.1% on cumulative basis, the commercial vehicle (CV) sector has recorded a sharp recovery in July, 2017 driven by growth in the medium and heavy commercial vehicle (M&HCV) segment. Strong growth in M&HCV sector signals improving economic indicators due to thrust on infrastructure and rural sector, improved freight and logistics efficiencies.
- Light Commercial Vehicle (LCV):** LCV sector contributed sales of 36,270 units and a growth of 18.7% over historical.

Segment	July 2016	July 2017	Growth (%)
M&HCVs	21,307	22,730	6.7%
LCVs	30,546	36,270	18.7%
Total: Commercial Vehicles	51,853	59,000	13.8%

Source: Society of Indian Automobile Manufactures (SIAM)

- Port traffic:** There has been a growth of 1.4 % in port traffic during the month of July, 2017. The growth in port traffic and cargos handled during July, 2017 is mainly due to increase in traffic at all ports except Visakhapatnam, Ennore, Chidambarnar and Kandla.

There has been a cumulative growth of 4.1% in port traffic during the period April to July 2017. Growth was registered specifically in iron ore (32.3%), raw fertilizer (6.5%), POL products (10.4%), other liquids (6.9%), containers (6.1%), TEUs (6.0%) and others (7.0%), while there has been a drop in thermal coal (-17.3%), finished fertilizer (-4.1%), and coking coal (-4.4%) . 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 July, 2017.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	July 2016	July 2017	Growth (%)
Kolkata + Haldia	4,249	4,866	14.5%
Paradip	8,056	8,503	5.5%
Visakhapatnam	5,299	4,930	-7.0%
Kamarajar (Ennore)	2,384	2,306	-3.3%
Chennai	4,272	4,725	10.6%
V.O. Chidambaranar	3,465	2,616	-24.5%
Cochin	1,763	2,381	35.1%
New Mangalore	3,097	3,307	6.8%
Mormugao	1,485	1,499	0.9%
Mumbai	4,979	5,121	2.9%
JNPT	5,026	5,493	9.3%
Kandla	9,820	8,914	-9.2%
TOTAL:	53,895	54,661	1.4%

Source: Indian Ports Association (IPA)

- d) **Power situation improves:** The power deficit position for the month of July, 2017 is given in Table-3. The power deficit position widened from -0.4% in July, 2016 to -0.6% in July, 2017. The shortage during the month improved for all regions except Northern region. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh, Rajasthan and Assam. The increase in power deficit in July, 2017 may have led to increased usage of diesel for back-up power generation.

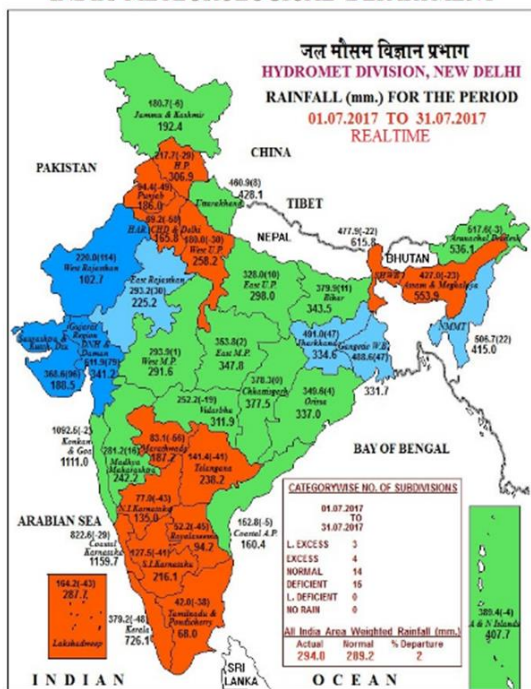
Table-3: Power deficit: Region-wise position for July, 2016 (% deficit)

States	July 2017 ^(P)				July 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	36,153	35,639	514	-1.4%	-0.8%
West	26,521	26,520	0	0.0%	0%
South	26,665	26,654	11	0.0%	0.0%
East	11,236	11,224	12	0.1%	-0.1%
North-East	1,397	1,351	-45	-3.3%	-3.5%
Total	101,971	101,389	-583	0.6%	-0.4%

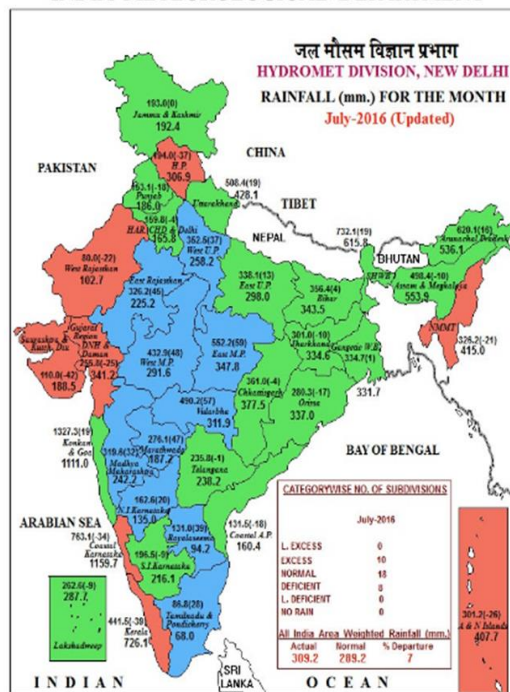
Source: Central Electricity Authority (CEA)

- e) **Seasonal rainfall scenario:** The rainfall in the country during July, 2017 was 2.0% above normal. As against a normal of 289.2 mm, 294 mm rain was recorded during the month. All regions in the country received normal rainfall activity except the Southern peninsula, where the range was below Long period Average (LPA) by 36%.

भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT



भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT



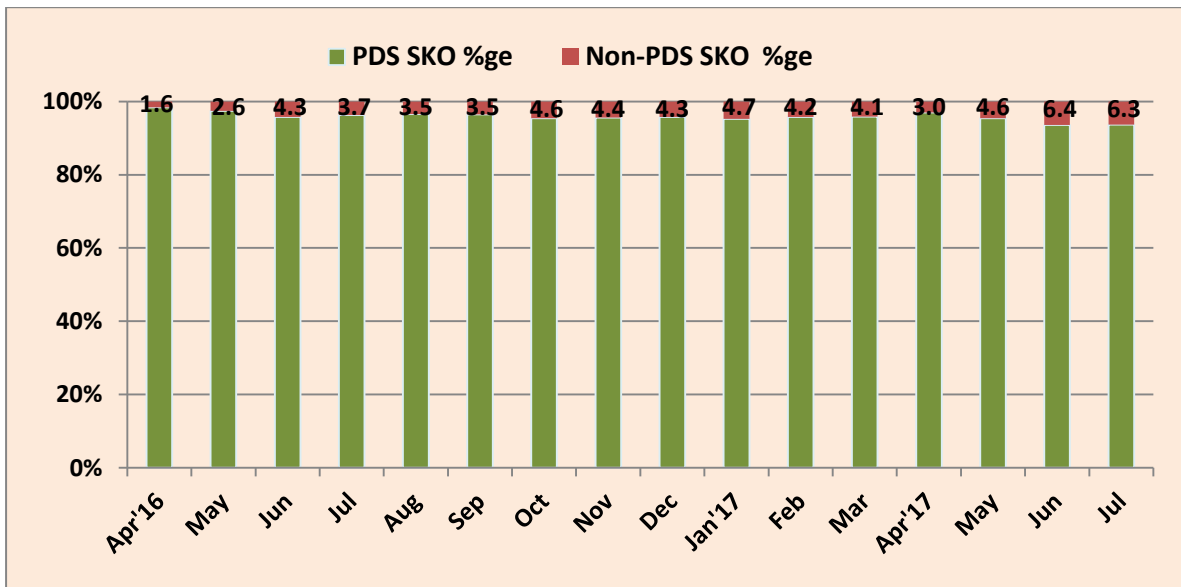
Source: India Meteorological Department (IMD)

1.4 Kerosene: Kerosene consumption recorded de-growth of -36.8% during July, 2017 and -34.7% on cumulative basis for the period April to July, 2017 as compared to April to July 2016. This was mainly because of reduced allocation to states for Q1 and Q-2, 2017-18, voluntary surrender of PDS SKO quota by a few states and very low upliftment by Andhra Pradesh, Rajasthan and Uttarakhand during July, 2017. The reduction in PDS SKO consumption is also indicative of improved penetration of LPG and electricity in rural India for cooking and lighting respectively.

In addition to Delhi, Chandigarh, Haryana, Punjab who have already become kerosene free, the state of Andhra Pradesh is the latest to join in surrendering PDS SKO quota and is making a bid to go "Smoke Free". The Union Territory of Puducherry will become kerosene free from 1st September, 2017. The state of Jharkhand has implemented release of PDS SKO through Direct Benefit Transfer of Kerosene (DBTK) scheme and a significant reduction in PDS SKO upliftment has been recorded in July, 2017. The gradual growth of sales in Non-PDS SKO can be seen in the figure given below. The previous 5 years have seen a drastic drop in Kerosene consumption with a negative CAGR of -8.1%

Figure-6 gives a comparison of kerosene sales in public distribution system vis a vis Non PDS system since April, 2016.

Figure-6: Month-wise PDS & Non PDS SKO consumption in share (%) since April, 2016

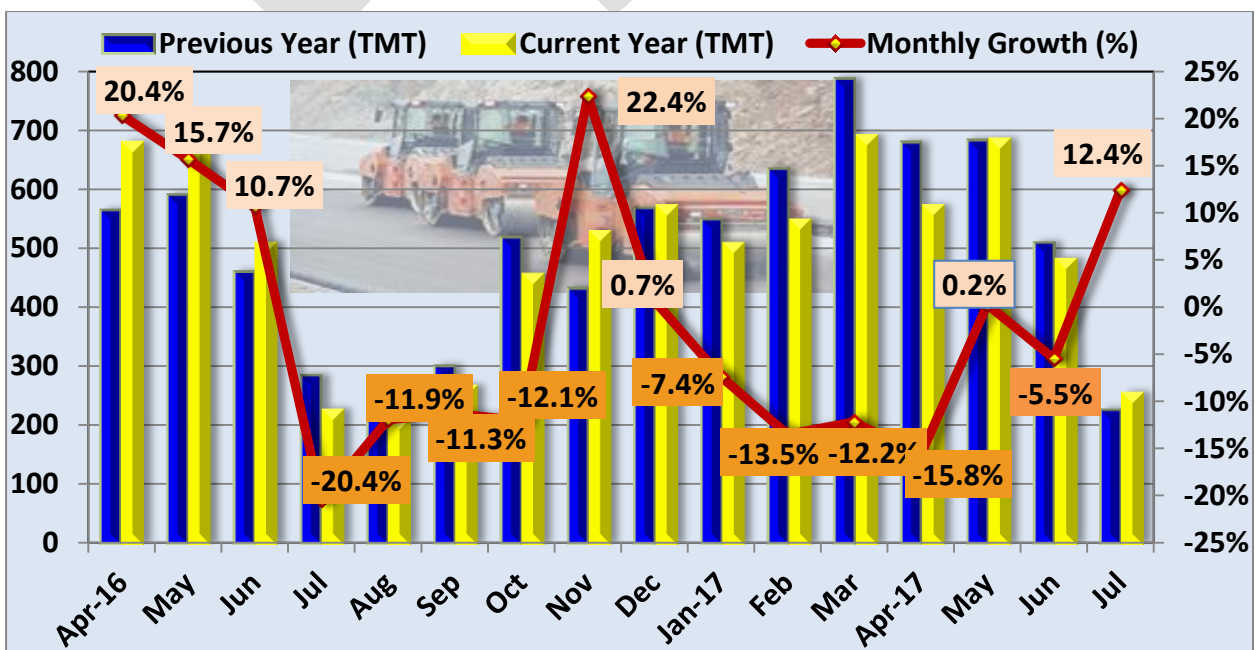


1.5 Bitumen: Bitumen consumption recorded a growth of 12.4% during the month of July, 2017 and a de-growth of -5.0% on cumulative basis for the period April to July, 2017 as compared to April to July 2016.

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-7 gives the month wise bitumen consumption and growth since April, 2016.

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



1.6 LPG: Total LPG consumption continuously for the last forty seven months in a row recorded a positive growth of 12.5% during July, 2017 and a cumulative growth of 11.2% for the period April to July, 2017. Out of the five regions, Northern region had the highest share in consumption of 31.1% followed by Southern region at 28.6%, Western region at 21.9%, Eastern region at 16.1% and North Eastern region at 2.4% during the period April to July, 2017.

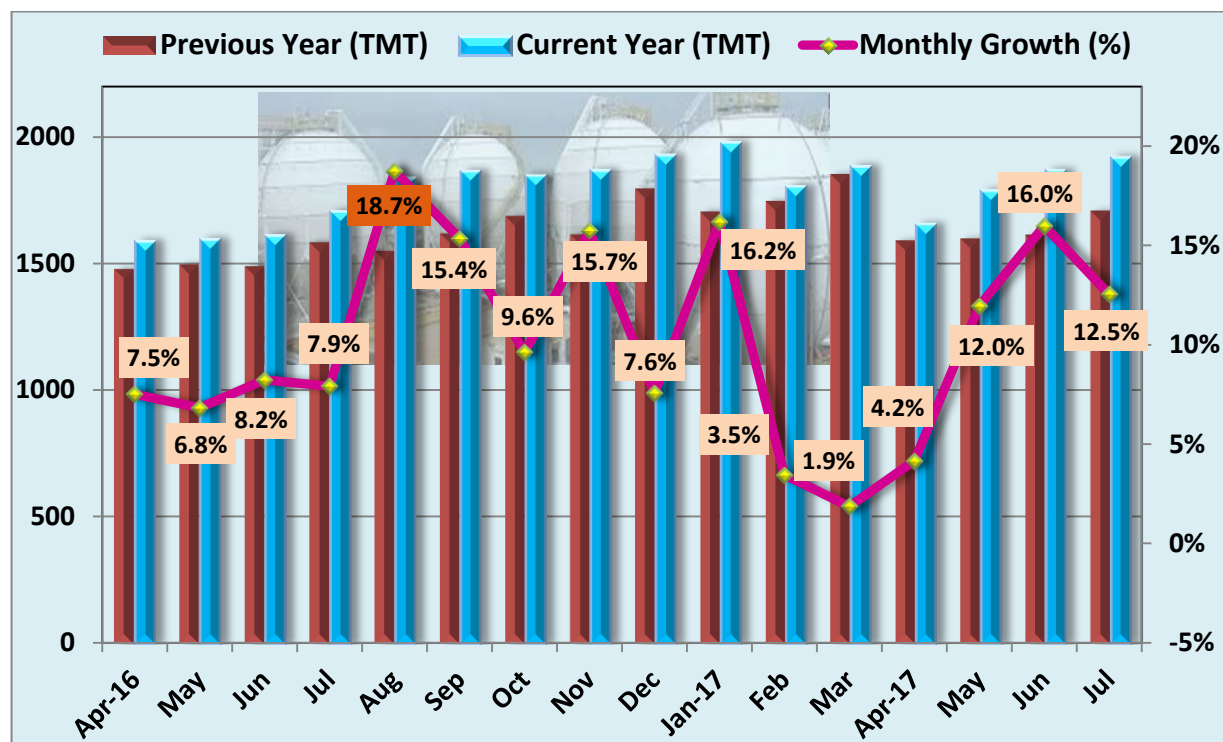
LPG-Packed Domestic consumption registered a growth of 11.8% during July, 2017 and a growth of 10.9% during the period April to July, 2017. Last year during July, 2016 growth of 8.3% was observed and cumulative growth during April to July, 2016 was 6.9%. This year during the period April to July, 2017, around 23.3 lakh DBCs and 115.8 lakh new connections were released out of which 19.3 lakh were released under PMUY. Total 264.1 lakh connections were released under PMUY till 31.7.2017 since inception. During April to July, 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (14.1%), Maharashtra (11.2%), Tamil Nadu (8.1%), West Bengal (7.6%) and Karnataka (6.3%). During the month of July, 2017, percentage share of LPG-Packed Domestic was 88.9% of total LPG consumption, whereas in July, 2016 it was 89.5%.

LPG-Packed Non-Domestic consumption the last thirty one months in a row registered a positive growth of 18.8% in July, 2017 and cumulative growth of 17.6% during April to July, 2017. Last year during July, 2016, high growth of 24.5% was observed and cumulative growth during April to July, 2016 was 25.1%. Market share of LPG Packed Non-Domestic has increased to 8.5% in July, 2017 from 8.1% in July, 2016. Region wise share of LPG Packed Non-Domestic consumption is highest in Southern region (41.0%) followed by Western region (30.0%) and Northern region (20.6%) during April to July, 2017. 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 & curb in diversion of subsidized domestic cylinders after the launch of DBTL.

Bulk LPG consumption registered a growth of 29.5% during July, 2017 and a cumulative de-growth of -4.1% during the period April to July, 2017. Last year in the month of July, 2016, de-growth of 11.4% and for the cumulative period April to July, 2016, a growth of 16.8% was witnessed. Percentage share of bulk LPG consumption has increased to 1.8% in July, 2017 as compared to 1.6% in July, 2016; however, percentage share has decreased to 1.6% during April to July, 2017 as compared to 1.9% during April to July, 2016.

Auto LPG consumption registered a growth of 12.2% in July, 2017 and cumulative growth of 11.6% during April to July, 2017. The sales volume increase was about 1.7 TMT in July, 2017 as against July, 2016. However, last year in the month of July, 2016 a marginal growth of 0.1% and cumulative de-growth of -4.2% during April to July, 2016 was observed. During the month of July, 2017, percentage share of Auto LPG was 0.8% of total LPG

Figure-7: Month-wise LPG consumption (TMT) and growth (%) since July, 2016



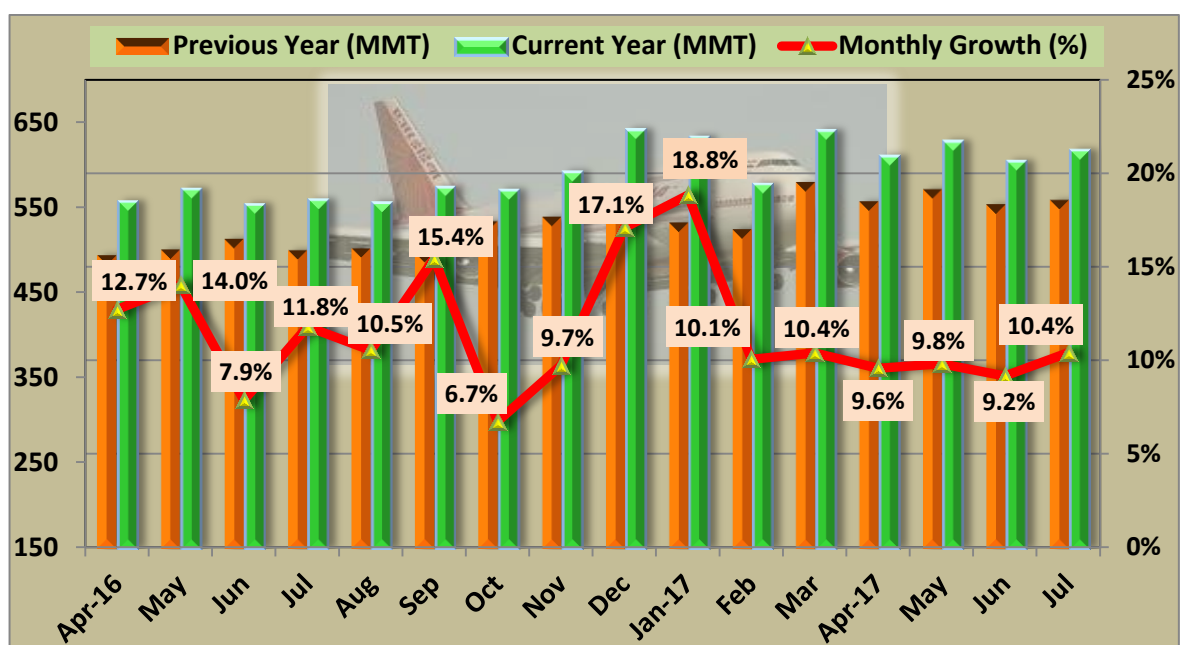
1.7 Naphtha: consumption recorded a de-growth of -26.8% for the month of July, 2017 and a de-growth of -12.3% for the period April to July 2017 as compared to April to July 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand of naphtha by the petrochemical industry (particularly polymers and plastics) largely drives the growth in consumption.

1.8 ATF: ATF consumption recorded a growth of 10.4% for the month of July, 2017 as compared to July, 2016. On cumulative basis, for the period April to July 2017, a growth of 9.7% 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 July, 2017 were 95.65 lakhs as against 85.08 lakhs during July, 2016 thereby registering a growth of 12.4% . .

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-8: Month-wise ATF consumption (TMT) and growth (%) since April, 2016



1.9 FO/LSHS: FO and LSHS consumption registered a de-growth of -10.1% during July, 2017 as compared to July, 2016 and a de-growth of -6.7 % was recorded for the period April to July 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in fertilizer, steel and general trade sectors. The consumption of LSHS has reduced due to shift to natural gas by major customers like the fertilizer industry.

1.10 PETCOKE: Pet-coke consumption registered a de-growth of -10.1% in the month of July, 2017 as compared to July, 2016 and on cumulative basis, a de-growth of only -2.9% was registered for the period April to July, 2017. The demand for the product had been rising remarkably and during the last five fiscals, it has grown at a CAGR of 30.9%. Tendency for using pet-coke 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. However due to its high sulphur content, the use of pet coke as a fuel (for other than cement industries) is being affected as seen from this year's consumption trend.

1.11 LDO: LDO consumption recorded a growth of 8.7% for the month of July, 2017 and a growth of 1.3% for the period April to July, 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.

Industry Consumption Trend Analysis 2017-18 ^(P)

('000 MT)

Product	July			April-July		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
(A) Sensitive Products						
SKO	502.2	317.4	-36.8	2081.7	1358.9	-34.7
LPG	1708.0	1922.2	12.5	6511.2	7240.7	11.2
Sub Total	2210.2	2239.6	1.3	8592.9	8599.6	0.1
(B) Major Decontrolled Products						
Naphtha	1206.0	882.6	-26.8	4537.0	3980.3	-12.3
MS	1917.8	2142.3	11.7	7842.1	8695.7	10.9
HSD	5807.0	6301.4	8.5	25916.2	27592.3	6.5
Lubes+Greases	301.1	262.2	-12.9	1198.4	1070.1	-10.7
LDO	35.3	38.4	8.7	142.2	144.0	1.3
FO/LSHS	595.8	535.5	-10.1	2493.7	2326.2	-6.7
Bitumen	227.2	255.4	12.4	2102.3	1997.1	-5.0
ATF	558.6	616.7	10.4	2239.6	2457.7	9.7
Sub Total	10648.8	11034.5	3.6	46471.5	48263.4	3.9
Sub - Total (A) + (B)	12859.0	13274.1	3.2	55064.4	56863.0	3.3
(C) Minor Decontrolled Products						
Pet.Coke	2165.7	1947.9	-10.1	7961.1	7734.2	-2.9
Others	608.2	578.8	-4.8	2213.0	2295.9	3.7
Sub Total	2773.9	2526.7	-8.9	10174.1	10030.1	-1.4
Total	15632.9	15800.8	1.1	65238.5	66893.1	2.5