

# INDUSTRY SALES REVIEW

August 2017



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 August, 2017. Data on product-wise monthly consumption of petroleum products for August, 2017 is uploaded on PPAC website ([www.ppac.gov.in](http://www.ppac.gov.in)).

## 1.0 CONSUMPTION :

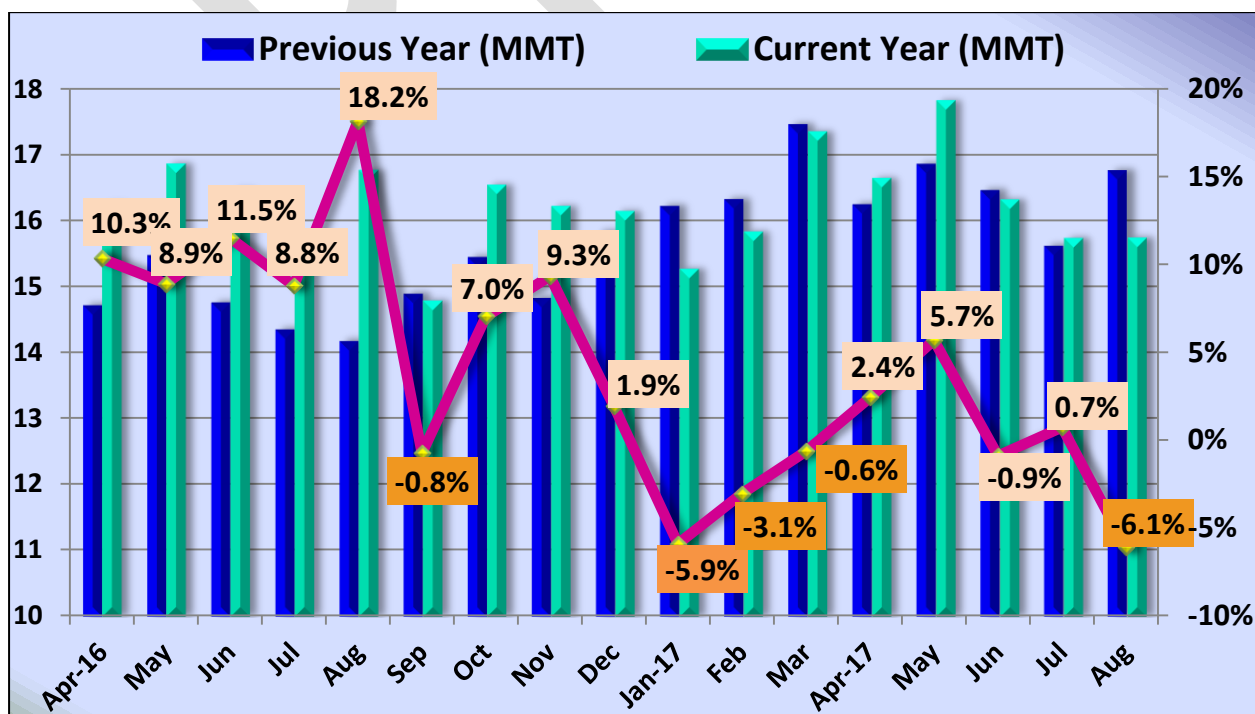
The growth (%) in consumption of petroleum products, category-wise, for the month of August, 2017 is given in Table-1.

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

PRODUCT	Share (%)	August 2016	August 2017	Growth (%)	Products Included
<b>Sensitive Products</b>	14.9%	2,337	2,349	0.5%	SKO & LPG
<b>Major decontrolled Products</b>	68.8%	11,118	10,840	-2.5%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
<b>Minor decontrolled Products</b>	16.3%	3,320	2,560	-22.9%	Pet. coke & other minor products
<b>Grand Total</b>	<b>100%</b>	<b>16,775</b>	<b>15,749</b>	<b>-6.1%</b>	

**All Products :** India's consumption of petroleum products dropped by -6.1% in the month of August, 2017. The demand for all oil products slipped to 15.7 MMT from 16.8 MMT a year ago. Except for growth in the consumption of LPG, Lubes & Greases, Bitumen, ATF and 'Other products', all other products recorded negative growth. SKO continued with downward trend and a drop of -41.2% was recorded during the month. On cumulative basis, a flat growth was recorded in consumption of all petroleum products for the period April to August, 2017 as compared to April to August, 2016.

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

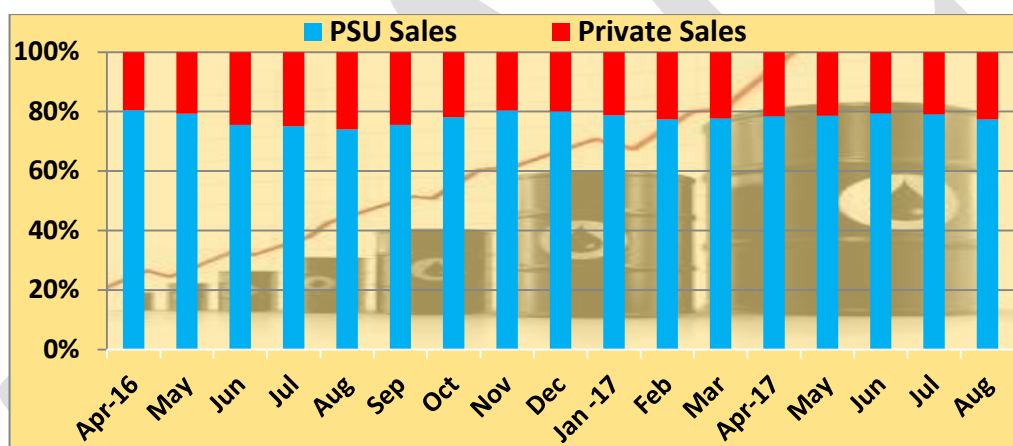


Indian 'Sales Manager's Index' (SMI) for August, 2017, released by London-based World Economics, which produces data and analysis on the global economy, said that the Indian economy continued to expand in August, 2017 but at a slower pace with a Headline Sales Managers' Index (SMI) of 59.3, the lowest level since the Summer of 2013.

The Nikkei Services PMI in India has gone up to 47.5 in August, 2017 from 45.9 in the preceding month. While new orders contracted less than in a month earlier, employment fell for the second month in a row. The Nikkei Manufacturing PMI in India jumped to 51.2 in August, 2017 from 47.9 in July, 2017 as disruptions stemming from confusion over GST eased and there was a rebound in output and new orders, while new export orders increased for the third consecutive month and employment expanded the most since March 2013.

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

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

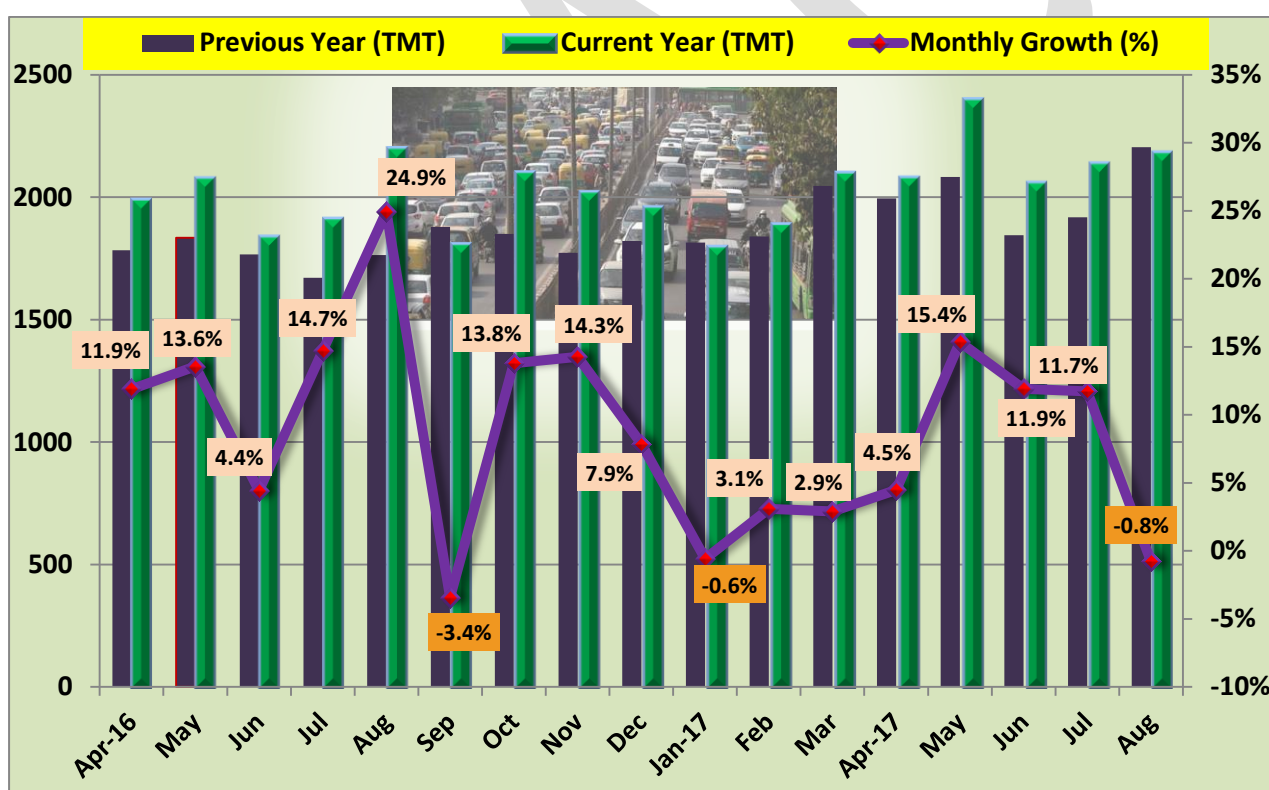
**1.2 Petrol / Motor Spirit (MS):** For the first time this financial year, MS consumption during August, 2017 recorded a de-growth of -0.8% as compared to August, 2016, while on cumulative basis, a growth of 8.3% was recorded for the period April to August, 2017 as compared to the same period last year. With rising income levels, improved road connectivity and automobile industry growing at a fast pace, the demand for petrol driven automobiles has increased which is the main driver for MS sales.

However, downward growth in MS consumption during the month may be attributed to the following factors.

- i. It was mainly due to the fact that August, 2016 had a very high base volume. The two price revisions of August and September 2016 that happened on 1<sup>st</sup> August 2016 (price revised downwards) and on 1<sup>st</sup> September 2016 (price revised upwards) had resulted in shifting of the sales to the month of August, 2016, both from July and September, 2016. Thus the petrol volumes were tanked up by the retailers in the market in the month of August 2016.
- ii. Heavy rains and floods in states of Uttar Pradesh, Bihar, Assam, Maharashtra and Uttarakhand resulted in road blocks and disruption of traffic.

**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**

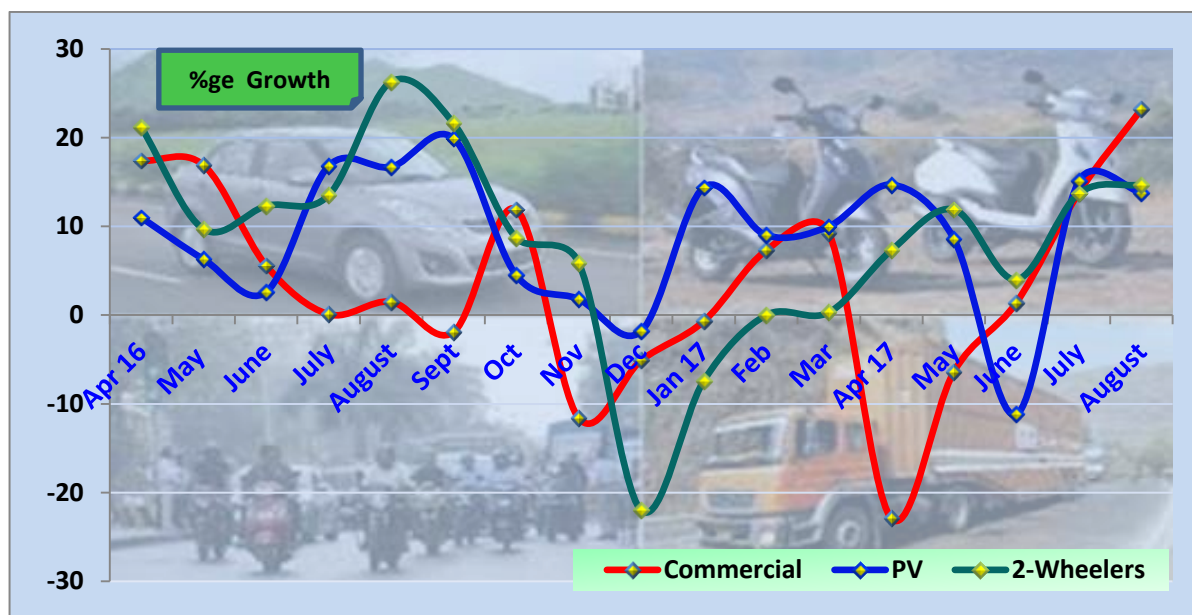


### Other factors impacting consumption of MS are:

Apart from the very low volume of sales during June, 2017, most of the vehicle manufacturers posted high growth in sales for the second month in a row.

**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), the Indian passenger vehicle industry's sales for the month of August, 2017 have risen ahead of the festive season. It seems customers are utilizing the benefits showered on them by the vehicle makers post goods and services tax (GST) implementation. Domestic passenger vehicle sales registered a growth of 13.8% and recorded sales of 294,335 units in August, 2017 as against 258,737 units in August, 2016. India is also fast developing as a hub for small car manufacturing and a major export hub for small cars. Abundance of skilled labor force, low cost of manufacturing compared to global markets and upskilling of the supply chain that can now meet international quality standards is driving this trend.

Segment	August 2016	August 2017	Growth (%)
Passenger Cars	177,829	198,811	11.8%
Utility Vehicles	65,760	78,664	19.6%
Vans	15,148	16,860	7.6%
<b>Total: Passenger Vehicles (PVs)</b>	<b>258,337</b>	<b>294,335</b>	<b>13.8</b>

Source: Society of Indian Automobile Manufactures (SIAM)

b) **2-wheeler sales:** The demand for two-wheelers is back on its growth trajectory due to the early arrival of the festive season this year, above-average rainfall across major parts of the country clubbed with the positive sentiment prevailing in the market. August, 2017 has turned out to be one of the best performing months for the Indian two-wheeler industry since the festive season last year. Scooter sales witnessed a growth of 18.6% by selling 673,444 units. Motorcycles recorded a growth of 12.9% in sales by selling 1,135,699 units while moped sales recorded a growth of 8.6%.

Segment	August 2016	August 2017	Growth (%)
Scooter / Scooterette	567,782	673,444	18.6%
Motor Cycles	1,005,654	1,135,699	12.9%
Mopeds	75,435	81,919	8.6%
<b>Total: 2-wheelers</b>	<b>1,648,871</b>	<b>1,891,062</b>	<b>14.7%</b>

Source: Society of Indian Automobile Manufactures (SIAM)

**1.3 High Speed Diesel (HSD):** For the first time this financial year, HSD consumption recorded a drop of -3.7% to reach 5.9 MMT in August, 2017 as compared to 6.1 MMT in August, 2016. However on cumulative basis, a growth of 4.5% was recorded for the period April to August 2017 as compared to the same period last year. Improved economic activity, road conditions, infrastructure growth and economic viability of public transport, carrier vehicles due to cheaper fuel resulted in improving diesel sales during the current year.

However diesel consumption during the month recorded a downward growth due to following factors.

- It was mainly due to the fact that August 2016 had a very high base volume. The two price revisions of August and September 2016 that happened on 1<sup>st</sup> August 2016 (price revised downwards) and on 1<sup>st</sup> September 2016 (price revised upwards) had resulted in shifting of the sales to the month of August 2016, both from July and September, 2016. Thus the diesel volumes were tanked up by the retailers in the market in the month of August 2016.
- Heavy rains and floods in states of Uttar Pradesh, Bihar, Assam, Maharashtra and Uttarakhand resulted in road blocks and disruption of traffic.

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

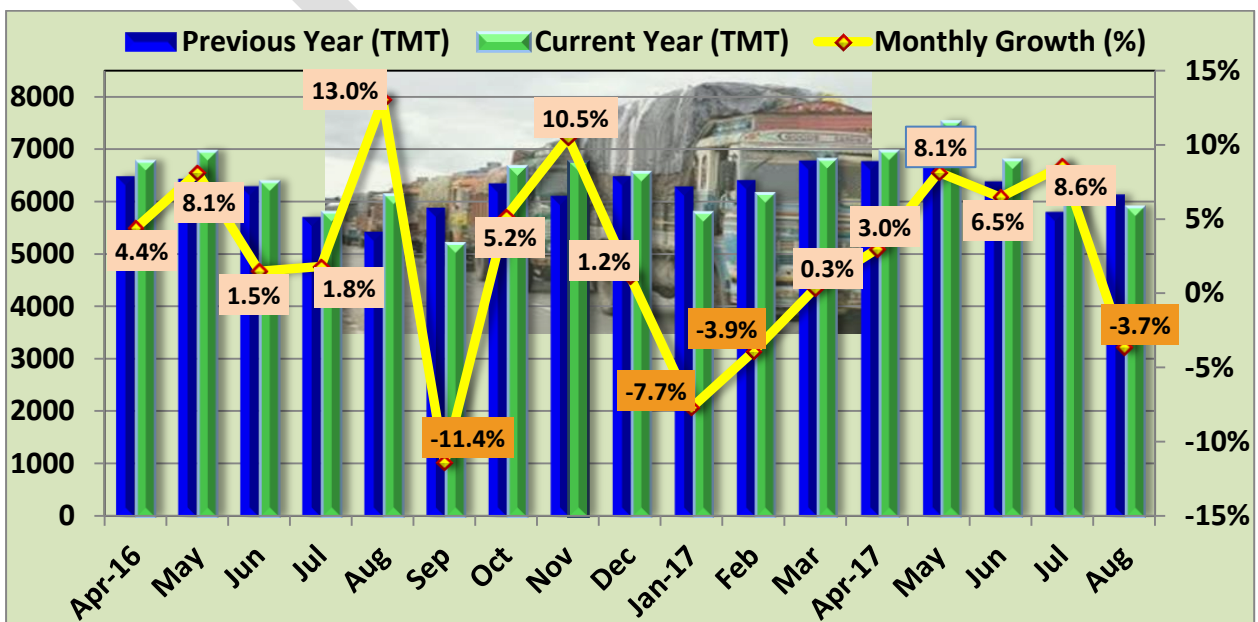
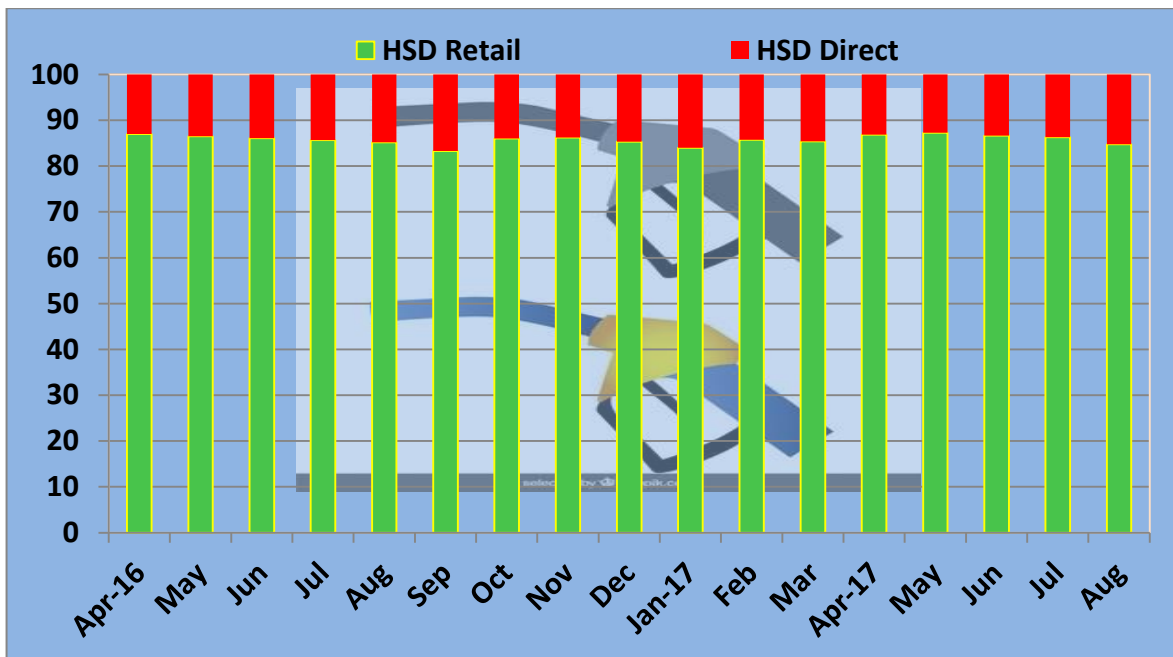


Figure-6 gives a comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2016.

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



**Other factors affecting diesel consumption are discussed below:**

- a) **Commercial vehicles (CV) sales:** Demand for Commercial Vehicles bounced back in the month of August, 2017. After a tepid Q1, the industry has seen growth continue for the second straight month. The higher growth indicates that manufacturers have been able to address bottlenecks in the supply chain and streamline their BS-IV compliant production. It also appears that fleet operators are now gradually showing interest in upgrading their fleet as the initial concern pertaining to BS-IV vehicles efficiencies, production ramp-up and uncertainty towards prices post GST seems to have been clarified. M & HCV recorded a high growth of 28.4% in August, 2017 by selling 26,376 units as compared to 20,537 units in August, 2016.
- b) **Light Commercial Vehicle (LCV):** LCV sector contributed sales of 38,934 units and a growth of 19.9 % over historical.

Segment	August 2016	August 2017	Growth (%)
M&HCVs	20,537	26,376	28.4%
LCVs	32,464	38,934	19.9%
<b>Total: Commercial Vehicles</b>	<b>53,001</b>	<b>65,310</b>	<b>23.2%</b>

Source: Society of Indian Automobile Manufactures (SIAM)

- c) **Port traffic:** There has been a de-growth of -0.3 % in port traffic during the month of August, 2017. The de-growth in port traffic and cargos handled during August, 2017 is mainly due to decrease in traffic at Visakhapatnam, Ennore, Chidambarnar, Momugao, Mumbai and Kandla.

However, there has been a cumulative growth of 3.2% in port traffic during the period April to August 2017. Growth was registered specifically in iron ore (29.3%), raw fertilizer (5.1%), POL products (8.3%), other liquids (7.4%), coking coal (0.5%) containers (6.1%) and others (4.1%), while there has been a drop in thermal coal (-18.6%) and finished fertilizer (-9.8%). High growth in iron ore traffic is due to resumption of mining activities in Karnataka and Odisha.

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

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	August 2016	August 2017	Growth (%)
Kolkata + Haldia	3,870	4,562	17.9%
Paradip	7,211	7,435	3.1%
Visakhapatnam	4,871	5,408	11.0%
Kamarajar (Ennore)	2,411	1,804	-25.2%
Chennai	4,533	4,562	0.6%
V.O. Chidambaranar	3,157	2,821	-10.6%
Cochin	2,119	2,379	12.3%
New Mangalore	2,653	2,851	7.5%
Mormugao	1,546	1,461	-5.5%
Mumbai	5,433	5,144	-5.3%
JNPT	5,004	5,695	13.8%
Kandla	9,342	7,883	-15.6%
<b>TOTAL:</b>	<b>52,150</b>	<b>52,005</b>	<b>-0.3%</b>

Source: Indian Ports Association (IPA)

- d) **Power situation improves:** The power deficit position for the month of August, 2017 is given in Table-3. The power deficit position widened from -0.5% in August, 2016 to -0.6% in August, 2017. The shortage during the month increased in all the regions as compared to August, 2016. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh and Assam. The increase in power deficit in August, 2017 may have led to increased usage of diesel for back-up power generation.

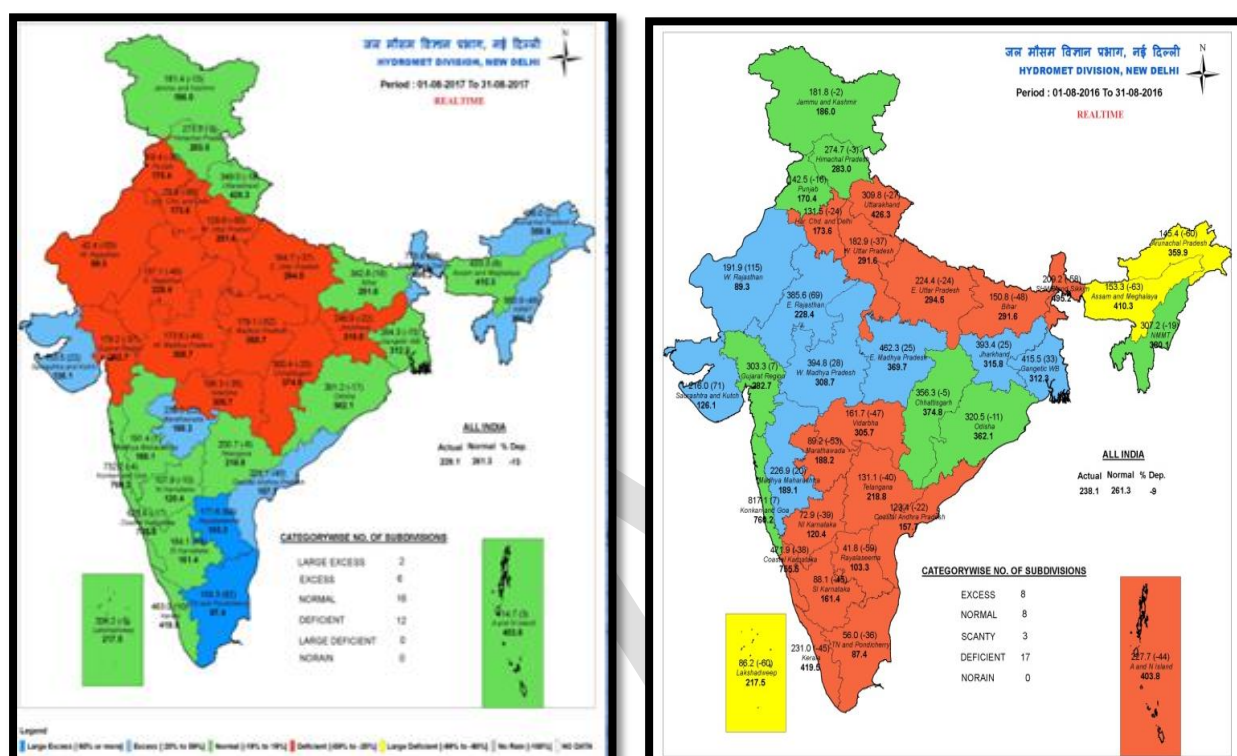
**Table-3: Power deficit: Region-wise position for August, 2016 (% deficit)**

States	August 2017 (P)				August 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	36,844	36,288	556	-1.5%	-1.4%
West	28,171	28,153	18	-0.1%	0.0%
South	26,159	26,136	23	-0.1%	0.0%
East	11,610	11,589	21	-0.2%	-0.1%
North-East	1,453	1,405	-47	-3.3%	-2.8%
<b>Total</b>	<b>104,237</b>	<b>103,571</b>	<b>-666</b>	<b>-0.6%</b>	<b>-0.5%</b>

Source: Central Electricity Authority (CEA)



e) **Seasonal rainfall scenario:** The rainfall in the country during August, 2017 was -13.0% below normal. As against a normal of 261.3 mm, 228.1 mm rain was recorded during the month. There were floods in states like Bihar, UP, Maharashtra and parts of southern peninsula received excessive rainfall. But there was also a break in monsoon and it resulted in gaping rainfall deficits in several regions across the country

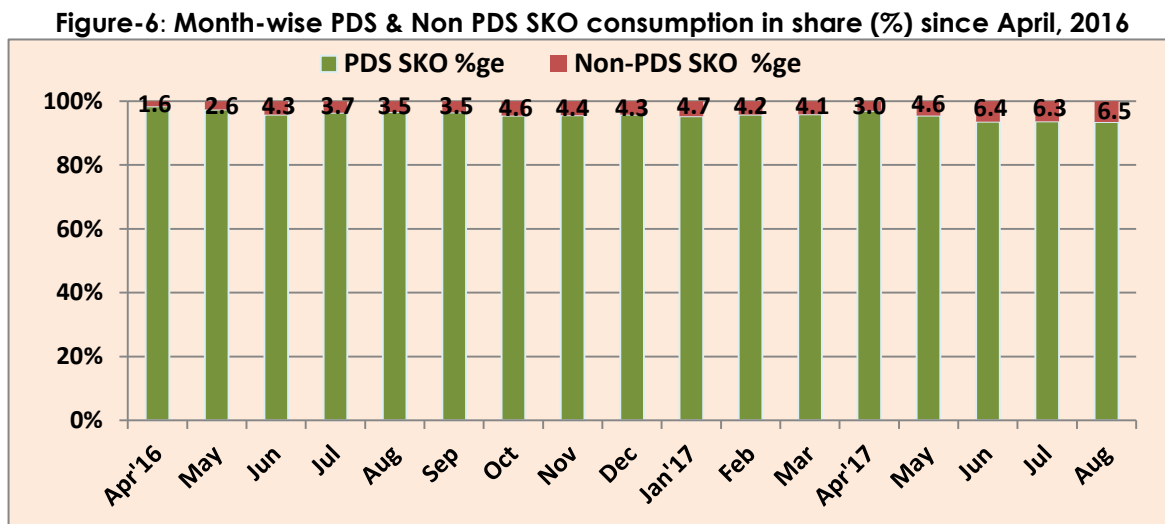


Source: India Meteorological Department (IMD)

**1.4 Kerosene:** Kerosene consumption recorded a de-growth of -41.2% during August, 2017 and -36.0% on cumulative basis for the period April to August, 2017 as compared to April to August 2016. This was mainly because of reduced allocation to states and also voluntary surrender of PDS SKO quota by a few states. The month of August, 2017 saw no upliftment by Andhra Pradesh and Uttarakhand in addition to Delhi, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Haryana and Punjab during August, 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 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 August, 2017. The gradual growth of sales in Non-PDS SKO can be seen in the following figure. The previous 5 years have seen a drastic drop in kerosene consumption with a negative CAGR of -8.1%

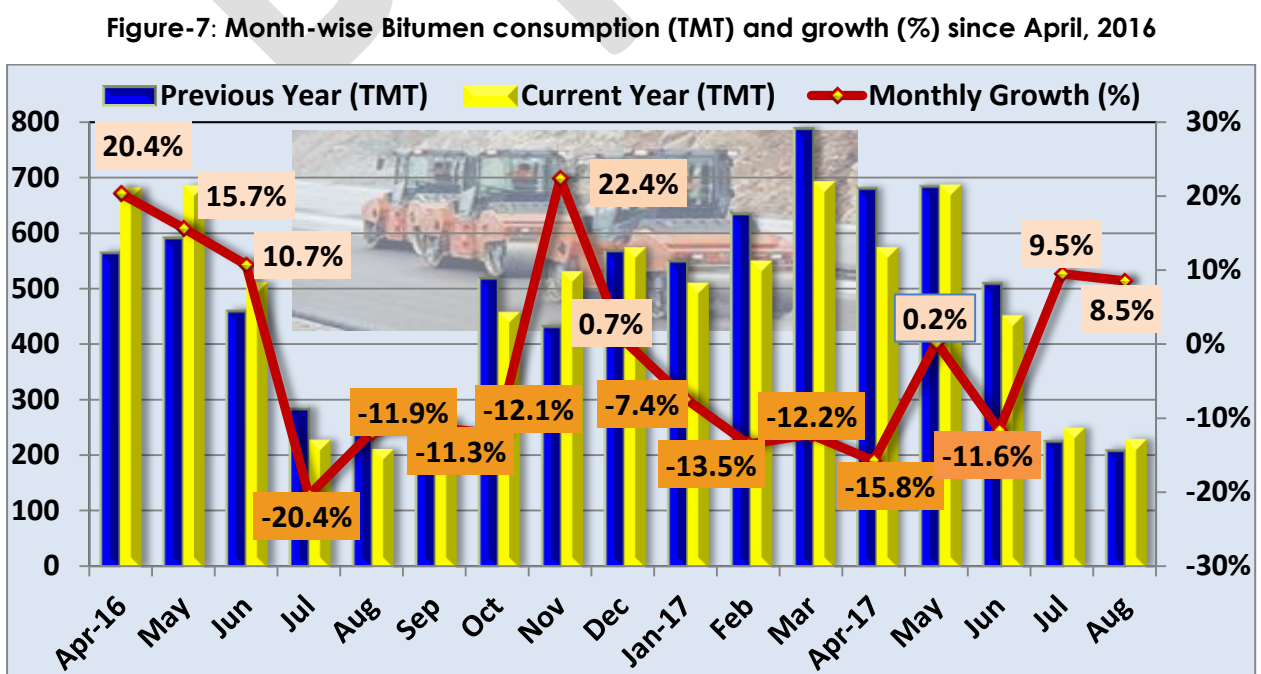
**Figure-6** gives a comparison of kerosene sales in public distribution system vis a vis Non PDS system since April, 2016.



**1.5 Bitumen:** Bitumen consumption recorded a growth of 8.5% during the month of August, 2017 and a de-growth of -5.4% on cumulative basis for the period April to August, 2017 as compared to April to August 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 and other roads.

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



**1.6 LPG: Total LPG consumption** continuously for the last forty eight months in a row recorded a positive growth of 11.8% during August, 2017 and a cumulative growth of 11.5% for the period April to August 2017. For the first time LPG consumption crossed the 2 million tonnes in a month during August, 2017. Out of the five regions, Northern region had the highest share in consumption of 30.8% followed by Southern region at 28.6%, Western region at 22.1%, Eastern region at 16.1% and North Eastern region at 2.3% during the period April to August, 2017. Eastern region had the highest growth of 22.7% in total LPG consumption during the period April to August 2017.

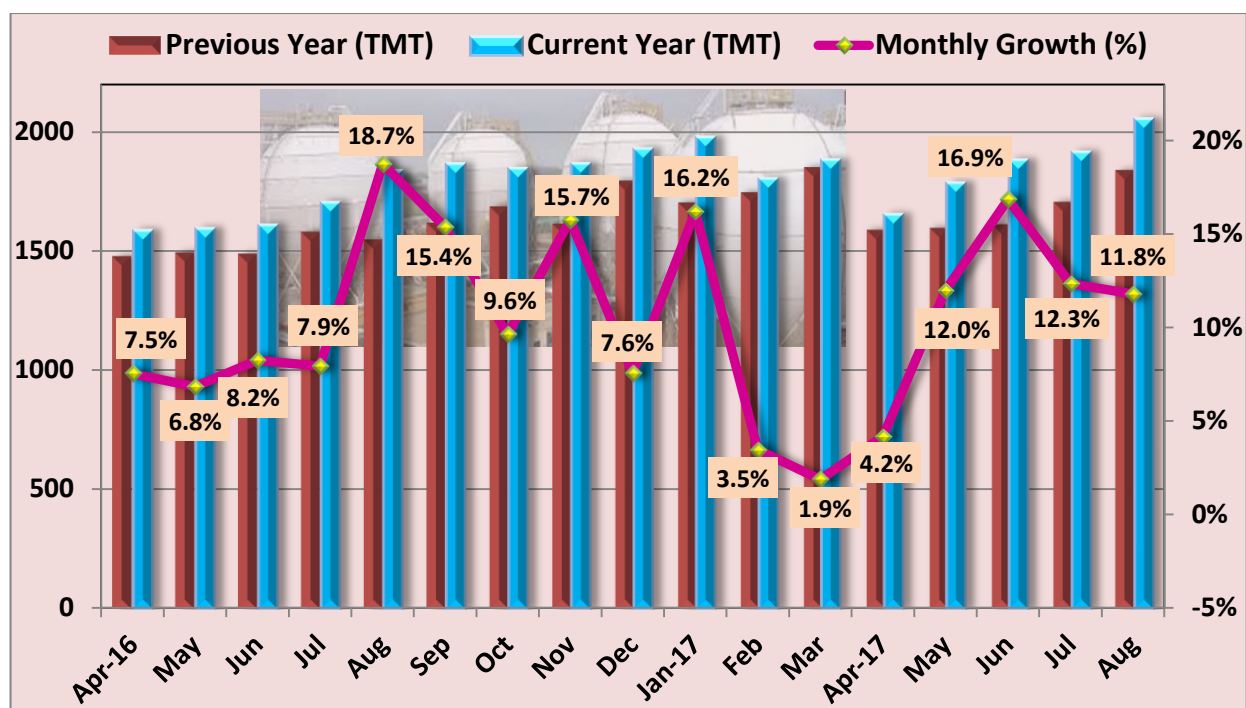
**LPG-Packed Domestic** consumption registered a growth of 10.6% during August, 2017 and a growth of 10.8% during the period April to August 2017. Last year during August, 2016 growth of 19.2% was observed and cumulative growth during April to August 2016 was 9.4%. This year during the period April to August 2017, 29.5 lakh DBCs and 146.4 lakh new connections were released out of which 84.2 lakh were released under PMUY. About 284.5 lakh connections were released under PMUY till 30.07.2017 since inception. During April to August 2017, the five states with the highest LPG-Packed domestic sales were Uttar Pradesh (13.9%), Maharashtra (11.3%), Tamil Nadu (8.1%), West Bengal (7.6%) and Karnataka (6.3%). During the month of August, 2017, percentage share of LPG-Packed Domestic was 87.9% of total LPG consumption, whereas in August, 2016 it was 89.3%.

**LPG-Packed Non-Domestic** consumption for the last thirty two months in a row registered a positive growth of 25.3% in August, 2017 and cumulative growth of 19.3% during April to August 2017. Last year during August, 2016, high growth of 29.4% was observed and cumulative growth during April to August 2016 was 26.1%. Market share of LPG Packed Non-Domestic has increased to 9.2% in August, 2017 from 8.3% in August, 2016. Region wise share of LPG Packed Non-Domestic consumption is highest in Southern region (40.9%) followed by Western region (29.8%) and Northern region (20.8%) during April to August 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 and curb in diversion of subsidized domestic cylinders after the launch of DBTL.

**Bulk LPG** consumption registered a growth of 45.1% during August, 2017 and a cumulative growth of 5.5% during the period April to August 2017. Last year in the month of August, 2016, de-growth of 4.5% and for the cumulative period April to August 2016, a growth of 11.9% was witnessed. Percentage share of bulk LPG consumption has increased to 2.1% in August, 2017 as compared to 1.6% in August, 2016; however, percentage share has decreased to 1.7% during April to August 2017 as compared to 1.8% during April to August 2016.

**Auto LPG consumption** registered a growth of 9.2% in August, 2017 and cumulative growth of 11.1% during April to August 2017. The sales volume increase was about 1.4 TMT in August, 2017 as against August, 2016. Last year in the month of August, 2016 a growth of 6.8% and cumulative de-growth of -2.0% during April to August 2016 was observed. During the month of August, 2017, percentage share of Auto LPG was 0.8% of total LPG consumption and it was at the same level of August, 2016.

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



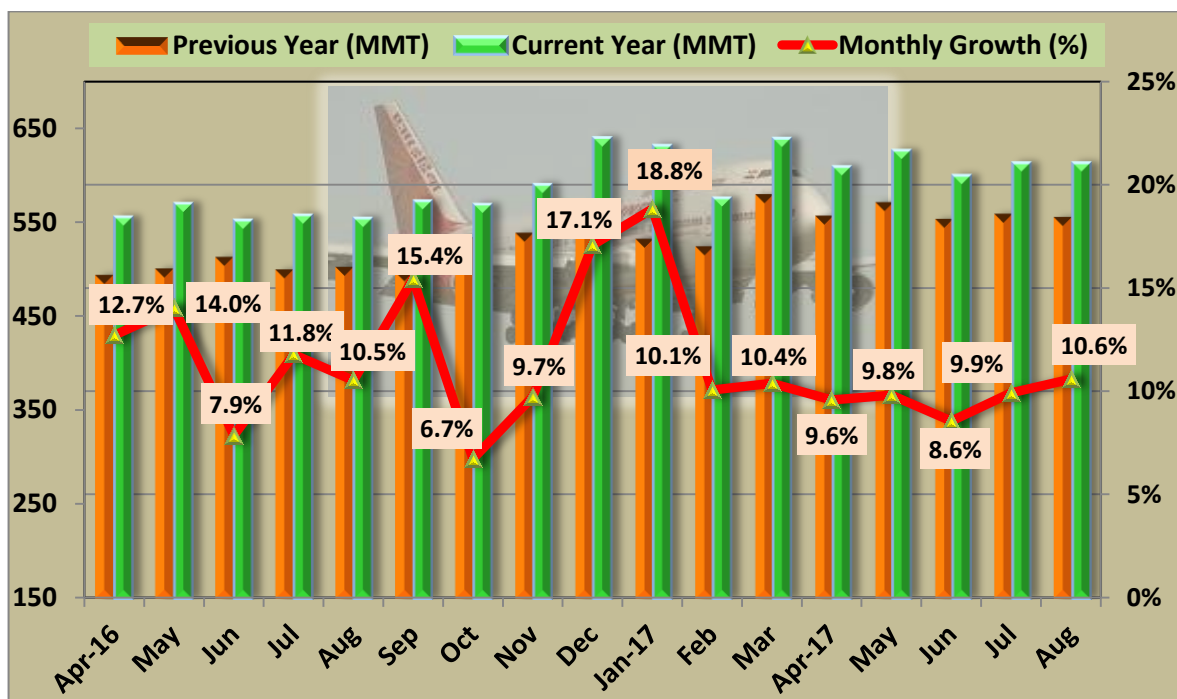
**1.7 Naphtha:** consumption recorded a de-growth of -7.6% for the month of August, 2017 and a de-growth of -16.6% for the period April to August 2017 as compared to April to August 2016. Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and 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 for the thirty third month in a row recorded a positive growth of 10.6% during August, 2017 as compared to August, 2016. On cumulative basis, for the period April to August 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 August, 2017 were 96.90 lakhs as against 83.81 lakhs during August, 2016 thereby registering a growth of 15.6%.

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 -6.8% during August, 2017 as compared to August, 2016 and a de-growth of -7.6% was recorded for the period April to August 2017 as compared to the same period last year. The drop is due to decreased consumption of FO in power, petrochemical, steel and other 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:** For the third month in a row, petcoke consumption registered a de-growth of -29.3% in August, 2017 as compared to August, 2016 and on cumulative basis, a de-growth of -12.4% was registered for the period April to August 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 petcoke as primary fuel or partially replacing coal/ coking coke 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 de-growth of -9.6% for the month of August, 2017 and a growth of -1.1% for the period April to August 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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PPAC

## Industry Consumption Trend Analysis 2017-18 <sup>(P)</sup>

('000 MT)

Product	August			April-August		
	2016-17	2017-18	Growth (%)	2016-17	2017-18	Growth (%)
<b>(A) Sensitive Products</b>						
SKO	496.5	291.9	-41.2	2578.2	1650.8	-36.0
LPG	1840.3	2057.1	11.8	8351.5	9308.5	11.5
<b>Sub Total</b>	<b>2336.8</b>	<b>2349.0</b>	<b>0.5</b>	<b>10929.7</b>	<b>10959.3</b>	<b>0.3</b>
<b>(B) Major Decontrolled Products</b>						
Naphtha	1145.7	1058.8	-7.6	5682.8	4738.3	-16.6
MS	2204.5	2187.3	-0.8	10046.6	10883.3	8.3
HSD	6133.6	5909.7	-3.7	32049.8	33502.0	4.5
Lubes+Greases	246.1	262.5	6.6	1444.6	1327.7	-8.1
LDO	40.9	36.9	-9.6	183.0	181.0	-1.1
FO/LSHS	581.7	541.9	-6.8	3075.3	2841.6	-7.6
Bitumen	210.6	228.6	8.5	2313.0	2187.8	-5.4
ATF	555.2	614.0	10.6	2794.9	3065.5	9.7
<b>Sub Total</b>	<b>11118.3</b>	<b>10839.7</b>	<b>-2.5</b>	<b>57590.0</b>	<b>58727.2</b>	<b>2.0</b>
<b>Sub - Total (A) + (B)</b>	<b>13455.1</b>	<b>13188.7</b>	<b>-2.0</b>	<b>68519.7</b>	<b>69686.5</b>	<b>1.7</b>
<b>(C) Minor Decontrolled Products</b>						
Pet Coke	2748.9	1943.0	-29.3	10710.0	9383.1	-12.4
Others	570.7	617.0	8.1	2783.7	2965.1	6.5
<b>Sub Total</b>	<b>3319.6</b>	<b>2560.0</b>	<b>-22.9</b>	<b>13493.7</b>	<b>12348.2</b>	<b>-8.5</b>
<b>Total</b>	<b>16774.7</b>	<b>15748.7</b>	<b>-6.1</b>	<b>82013.4</b>	<b>82034.7</b>	<b>0.0</b>