Industry Sales Review

May 2018

PPAC

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, 2018. Data on product-wise monthly consumption of petroleum products for May, 2018 is uploaded on PPAC website (www.ppac.gov.in). PPAC has also launched its mobile app "PPACE (PPAC-Easy)" that draws on the full range of information available on PPAC website and is available on the play-stores of Android and Apple iOS.

1.0 CONSUMPTION:

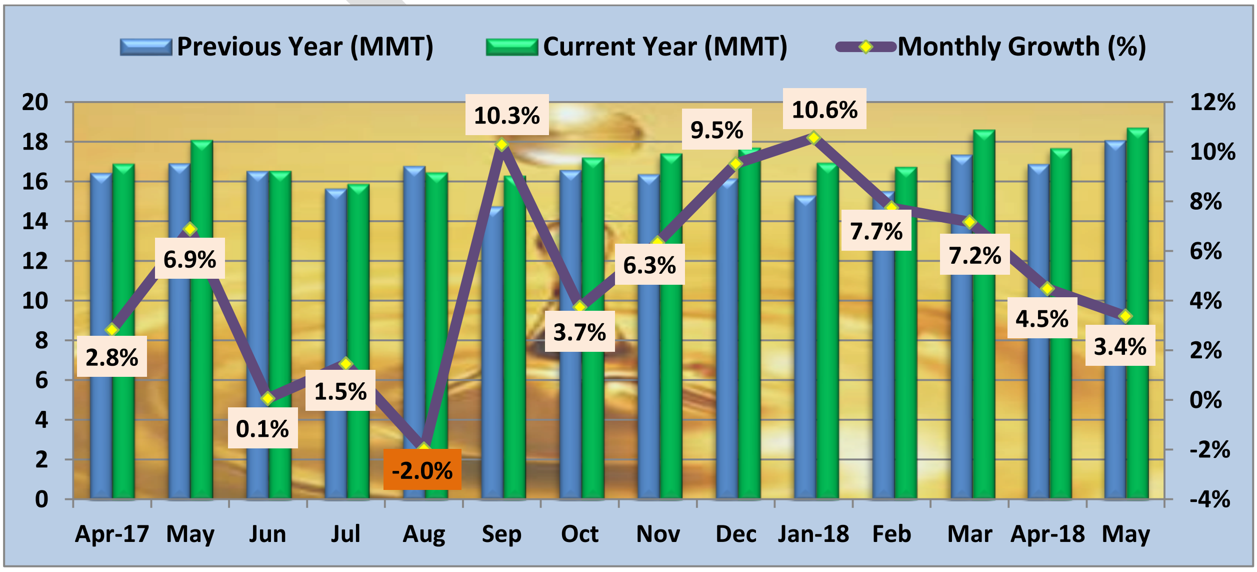
The growth (%) in consumption of petroleum products, category-wise, for the month of May, 2018 is given in Table-1.

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

PRODUCT	Share (%)	May 2017	May 2018	Growth (%)	Products Included
Sensitive products	12.5%	2,143	2,331	8.8%	SKO & LPG
Major decontrolled products	71.3%	13,183	13,353	1.3%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Other decontrolled products	16.2%	2,780	3,033	9.1%	Pet. Coke & other minor products
Grand Total	**100%**	**18,106**	**18,717**	**3.4%**	

All Products: India's fuel demand rose by 3.4% in May, 2018. Consumption of petroleum products totaled to 18.7 MMT during the month as compared to 18.1 MMT a year ago. This is the highest ever monthly consumption of petroleum products in any given month. While there was a drop in the consumption of Kerosene (-19.8%) and FO/LSHS (-13.6%) during the month, all other products recorded positive growth. On cumulative basis, the consumption of petroleum products was 36.4 MMT, thereby registering a growth of 3.9% for the period April to May 2018 as compared to April to May 2017.

Figure-1: **Comparison of monthly POL consumption (MMT) and growth (%) since April, 2017**



The Composite PMI in India decreased to 50.4 in May, 2018 from 51.9 in April, 2018.

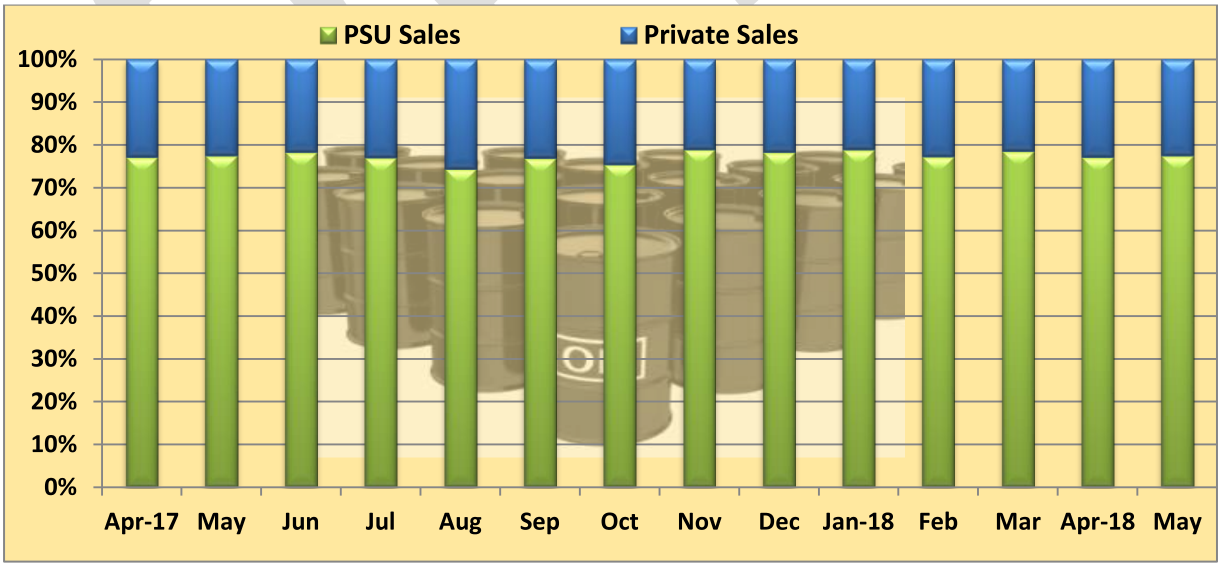
- The Nikkei Services PMI in India dropped to 49.6 in May, 2018 from 51.4 a month earlier. This was the first month of contraction since February, 2018.
- The Nikkei Manufacturing PMI in India fell to 51.2 in May of 2018 from 51.6 in the preceding month. Growth in output, new orders and employment softened while business sentiment dropped. On the price front, a buildup of inflationary pressures reemerged with input cost and output change inflation rates at the strongest since February, 2018 due to upswing in global oil prices.

Increase in India's energy demand is supported by continuous robust economic growth, rural demand, increased penetration of clean cooking fuels, increased infrastructure spending and improved automobile sales. Infrastructure is a key driver of the overall development of the Indian economy. This sector focuses on major infrastructure sectors such as power, roads and bridges, dams and urban infrastructure. The Government of India is expected to invest heavily in the infrastructure sector, mainly for highways, renewable energy and urban transport, and is taking every possible initiative to boost the infrastructure sector.

The changing infrastructure landscape in India and strong private consumption and services are expected to continue to support economic activity. The demand for the transportation fuels is moving in tandem with rising vehicle sale in the country. Improved automobile sales, manufacturing and services, the mainstay of India's growth, are on a positive trajectory as well.

Figure-2 gives a comparison of percentage of monthly sales volumes of all petroleum products by PSU and Private oil companies since April, 2017.

Figure-2: Comparison of monthly POL Sales in PSU & Private Sector (%) since April, 2017



PPAC analyzes the sales recorded by the Industry on the basis of the available data. 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, 2018 and private imports data for the months of April and May 2018 are projected based on April 2017 to March 2018 actual data.

Detailed product-wise analysis of growth for May, 2018 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): MS consumption during May, 2018 recorded a growth of 2.0% as compared to May, 2017, while on cumulative basis a growth of 5.4% was recorded for the period April to May 2018 as compared to the same period last year. Since April, 2017, MS consumption has consistently logged more than 2 million MT every month and during May, 2018 it recorded the highest ever consumption during any month.

Major factors contributing to MS consumption during the month were:

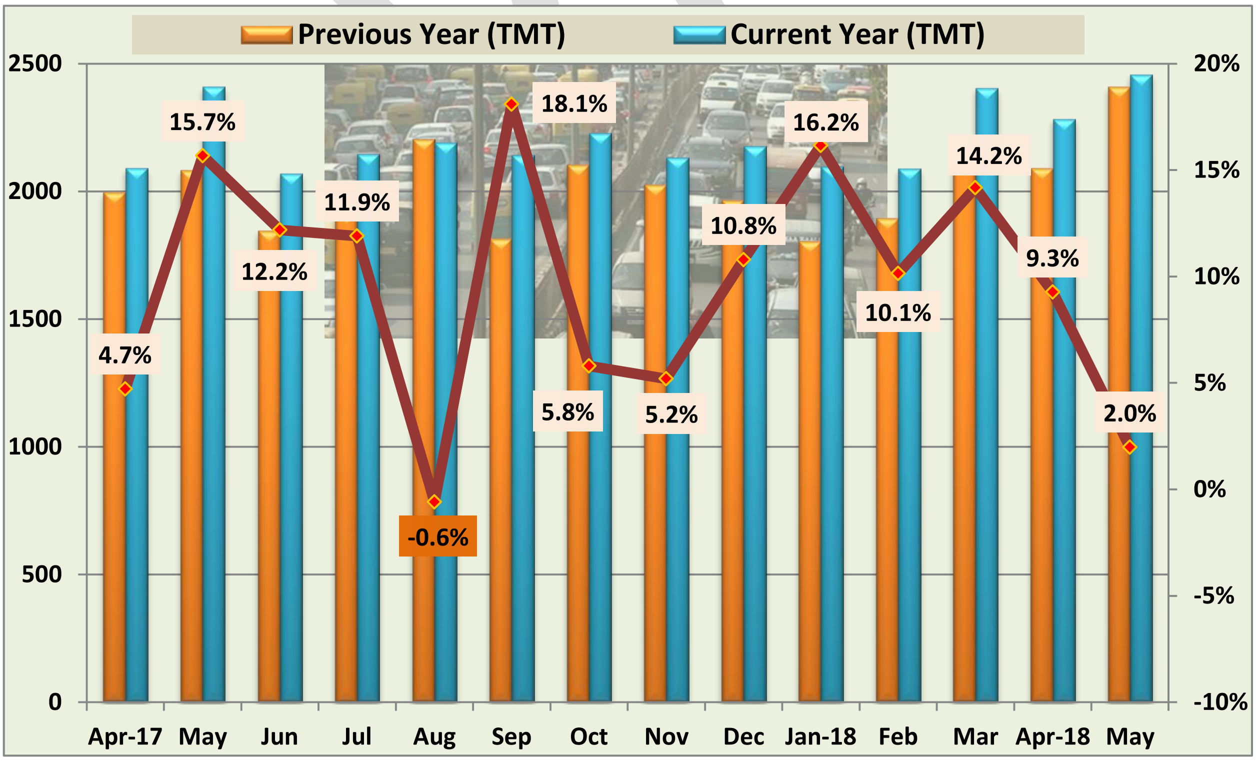
i. With rising income levels, improved road connectivity in rural areas and automobile industry growing at a fast pace, the demand for petrol driven automobiles (both 4-wheelers and 2-wheelers) has increased which is the main driver for MS sales. SIAM has reported that by the end of 2017-18, share of diesel in car sales has come down to 23% as against a high of 47% during 2012-13 and presently even the SUV segment is seeing high percentage of petrol driven vehicles.

ii. Increase of tourism due to onset of holiday season.

iii. In the major consuming regions of North and West due to lesser number of rainy days, the 2-wheeler traffic would have driven more miles.

Figure-3 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2017.

Figure-3: Month wise MS consumption (TMT) and growth (%) since April, 2017

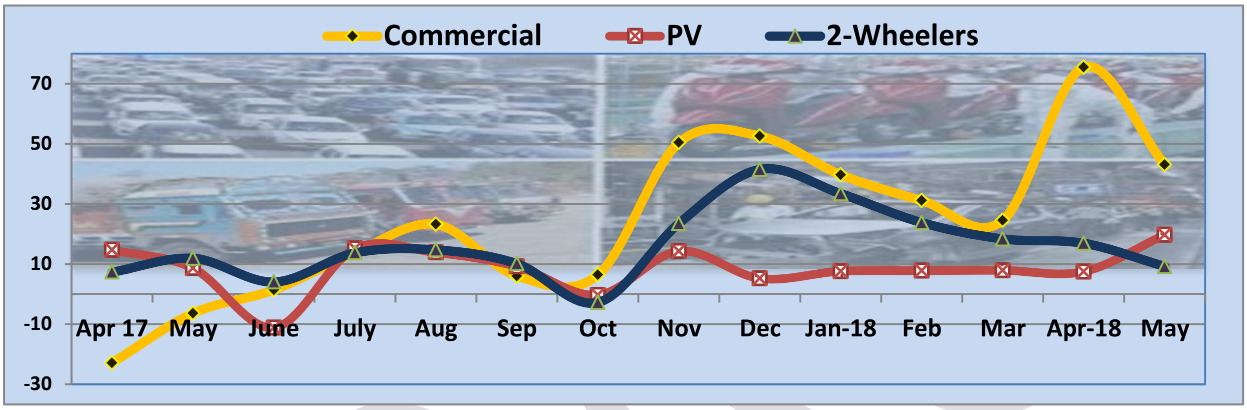


Other factors impacting consumption of MS are:

The automotive sector has shown considerable growth in the month of May, 2018 by registering a high growth of 11.4% on the bottom line including all segments of passenger, commercial vehicles and two-wheeler segments. On cumulative basis the sector has recorded a growth of 14.1% for the period April to May 2018 as compared to the same period last year.

Figure-4 gives a graphic representation of month-wise growth percentages of passenger vehicles, commercial vehicles and 2-wheelers since April, 2017.

Figure-4: Month-wise sales growth (%) of Indian Automobile Industry since April, 2017



a) **Total passenger vehicles (PV) sales**: The Indian passenger vehicle industry's sales for the month of May, 2018 recorded a growth of 19.7% and stood at 301,238 units, as against 251,764 units in the same month last year. On cumulative basis, a growth of 13.3% was recorded for the period April to May 2018 as compared to April to May 2017. With regard to passenger cars, there was a lull in demand during April-June 2017 in anticipation of lower prices with the implementation of the GST regime from July 2017. A slew of new models launches are also giving a boost to passenger car sales during the current year.

Passenger cars segment recorded a growth of 19.6%, while utility vehicles which remain the new favorite of car buyers within the passenger vehicle space, posted a growth of 17.5% during the month of May, 2018. Van sales posted a growth of 29.5% during the month. On cumulative basis passenger cars, utility vehicles and vans recorded a growth of 11.8%, 14.7% and 24.1% respectively.

Segment	May			April-May		
	2017-18	2018-19	Growth (%)	2017-18	2018-19	Growth (%)
Passenger Cars	166,732	199,479	19.6	357,586	399,662	11.8
Utility Vehicles	69,845	82,086	17.5	140,551	161,222	14.7
Vans	15,187	19,673	29.5	31,310	38,858	24.1
Sub-Total	**251,764**	**301,238**	**19.7**	**529,447**	**599,742**	**13.3**

Source: Society of Indian Automobile Manufacturers (SIAM)

b) **2-wheeler sales**: The 2-wheeler segment with 84% share is the leader of the Indian automobile market owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets has further aided the growth of the sector. In May, 2018, the sales growth has been driven by strong growth in motorcycles. During the month of May, 2018, 2-wheeler sales witnessed a growth of 9.2%. On cumulative basis the segment has recorded a growth of 13.0% for the period April to May 2018 as compared to the same period last year.

Scooter sales recorded a drop of -1.4% by selling 555,467 units. Motorcycles recorded a growth of 15.2% in sales by selling 1,221,559 units while moped sales recorded a growth of 4.0% by selling 73,067 units. On cumulative basis, scooter, motorcycles and moped sale recorded a growth of 5.8%, 17.2% and 9.8% respectively.

The prediction of a near normal monsoon during 2018-19 along with low cost of ownership would boost 2-wheeler sales in the current year also leading to sustained growth in MS sales.

Segment	May			April-May		
	2017-18	2018-19	Growth (%)	2017-18	2018-19	Growth (%)
Scooter/ Scooterette	563,326	555,467	-1.4	1,150,212	1,216,474	5.8
Motor Cycles	1,060,744	1,221,559	15.2	2,090,707	2,451,085	17.2
Mopeds	70,253	73,067	4.0	128,191	140,775	9.8
Sub Total	**1,694,323**	**1,850,093**	**9.2**	**3,369,110**	**3,808,334**	**13.0**

Source: Society of Indian Automobile Manufacturers (SIAM)

1.3 High Speed Diesel (HSD): HSD consumption during the month recorded a minor growth of 0.3% to reach 7.54 MMT in May, 2018 as compared to 7.52 MMT in May, 2017. However, during May, 2018 it recorded the highest ever consumption during any month On cumulative basis, a growth of 1.4% was recorded for the period April to May 2018 as compared to the same period last year. Diesel consumption during the month may have been affected mainly due to the following factors:

i. Improved economic and manufacturing activities, increased construction activities allied with infrastructure growth in the country, economic viability of public transport and carrier vehicles resulted in improving diesel sales.

ii. High cumulative growth of LCV and M& HCV vehicles has contributed to boost diesel sales.

iii. High base of consumption during May, 2017 has resulted in lower percentage growth during the month.

Figure-5: **Month-wise HSD consumption (TMT) and growth (%) since April, 2017**

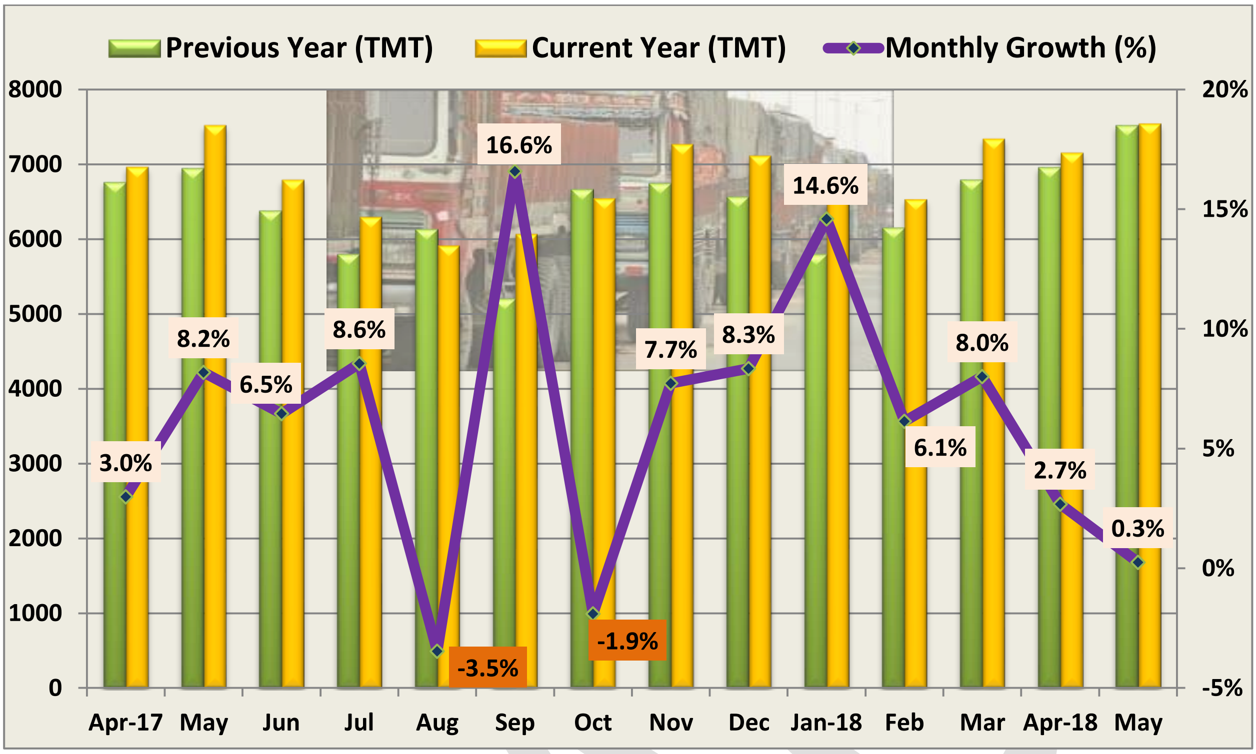
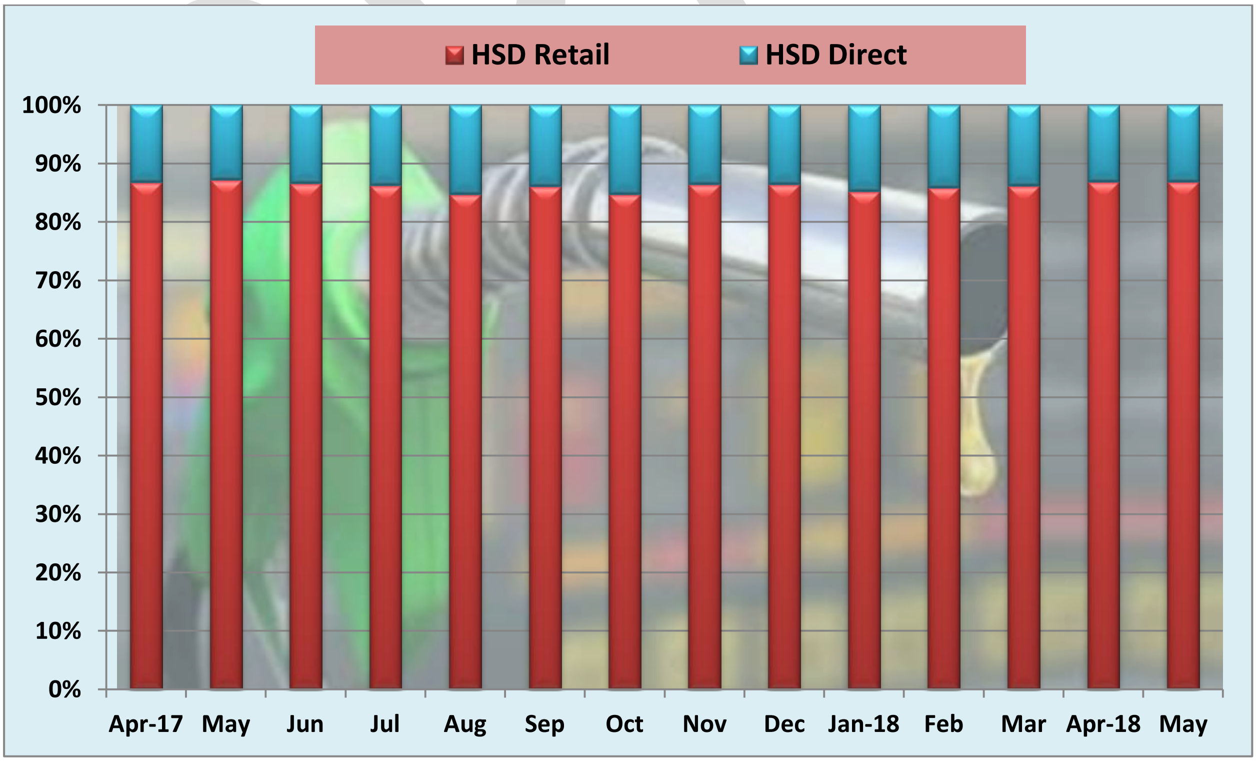


Figure-6 gives a comparison of month-wise percentage of HSD consumption by Retail and Consumer business share since April, 2017.

Figure-6: **Month-wise HSD consumption by Retail & Direct business share (%) since April, 2017**



Other factors affecting diesel consumption are discussed below:

a) **Commercial vehicles (CV) sales**: The growth in commercial vehicle sales was facilitated by infrastructure growth, fresh tenders in car carriers and coal transportation. Further, increasing demand from the construction, logistics, e-commerce and FMCG sectors gave a boost to this market. Commercial vehicles sales in the month of May, 2018 witnessed a high growth of 43.1%. On cumulative basis the segment has recorded a growth of 57.4% for the period April to May 2018 as compared to the same period last year. India's commercial vehicle sector continues to maintain its strong momentum for the second month in a row in the current fiscal. The growth has come on the back of overall buoyancy in the economy, higher spending by the government in infrastructure development, road construction, increase in the number of irrigation facilities and housing projects across the country, thus resulting in strong demand for M&HCVs and tippers.

M&HCV recorded a growth of 80.2% in May, 2018 by selling 30,128 units as compared to 16,716 units in May, 2017. On cumulative basis, M&HCV recorded a growth of 114.8%.

b) **Light Commercial Vehicle (LCV)**: The LCV segment performed strongly, witnessing a 26.2% growth driven by rising demand from e-commerce and logistics sectors. LCV sector contributed sales of 46,350 units as against a historical of 36,741 units during the month. A growth of 34.3% was recorded for the segment for the period April to May 2018.

	May			April-May		
Segment	**2017-18**	**2018-19**	**Growth (%)**	**2017-18**	**2018-19**	**Growth (%)**
M&HCV	16,716	30,128	80.2	27,318	58,675	114.8
LCV	36,741	46,350	26.2	67,623	90,796	34.3
Total Commercial Vehicles	**53,457**	**76,478**	**43.1**	**94,941**	**149,471**	**57.4**

Source: Society of Indian Automobile Manufacturers (SIAM)

c) **Port traffic:** There was a growth of 3.0% in port traffic during the month of May, 2018 mainly due to increase in traffic at all ports except at Mormugao and Mumbai

Growth was registered specifically in POL products (0.9%), finished fertilizer (42.7%), thermal coal (18.8%), containers (7.7%) and TEU (5.9%). A drop has been observed in other liquids (-2.0%), Iron Ore (-22.7%), raw fertilizer (-8.9%) and coking coal (-3.2%). While iron ore mining activities have increased in Karnataka and Odisha, it has been severely restricted in Goa.

Table-2 below gives the port-wise performance during the month of May, 2018.

Table-2: Traffic handled at major ports in May, 2018

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	**May 2017**	**May 2018**	**Growth (%)**
Kolkata + Haldia	4,695	5,174	10.2%
Paradip	8,864	9,280	4.7%
Visakhapatnam	5,067	5,467	7.9%
Kamarajar (Ennore)	2,809	3,127	11.3%
Chennai	4,096	4,335	5.8%
V.O. Chidambaranar	2,959	2,977	0.6%
Cochin	2,443	2,720	11.3%
New Mangalore	2,974	3,020	1.5%
Mormugao	3,331	2,025	-39.2%
Mumbai	5,438	5,180	-4.7%
JNPT	5,484	5,808	5.9%
Kandla	9,542	10,332	8.3%
TOTAL:	**57,702**	**59,445**	**3.0%**

Source: Indian Ports Association (IPA)

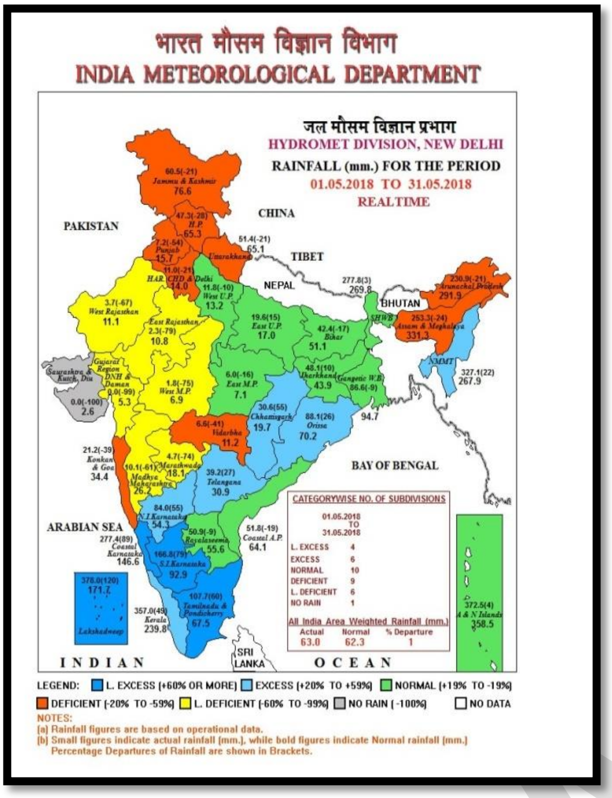
d) **Power situation**: The power deficit position for the month of May, 2018 is given in Table-3. As per data reported, the power deficit position widened from -0.6% in May, 2017 to -1.4% in May, 2018. The deficit was mainly in the states of Jammu & Kashmir, Uttar Pradesh, Gujarat and Maharashtra. The power deficit in May, 2018 may have led to increased usage of diesel for back-up power generation.

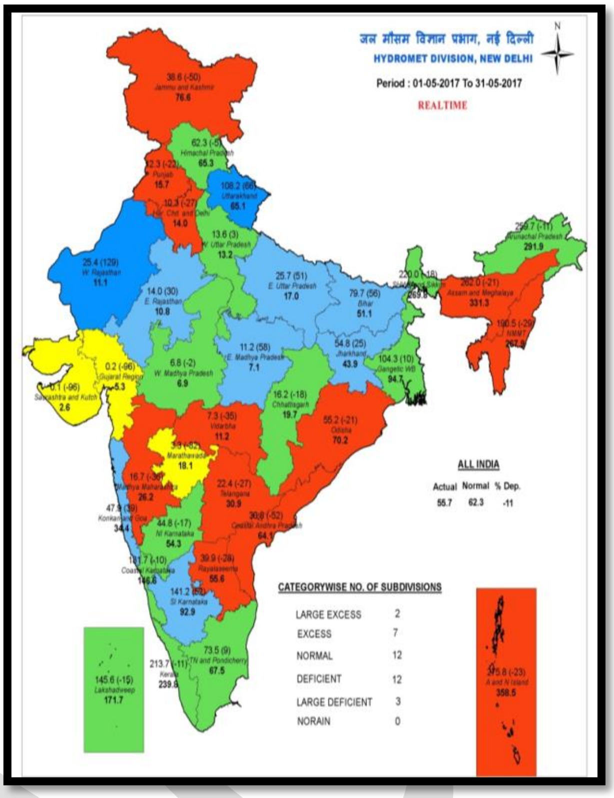
Table-3: Power deficit: Region-wise position for May, 2018 (% deficit)

States	**May 2018 (P)**				**May 2017**
	Requirement (MU)	**Available (MU)**	**Deficit**		**Deficit (%)**
			MU	**(%)**	
North	54,441	53,441	-1000	-1.8%	-1.6%
West	53,817	52,418	-1,399	-2.6%	-0.1%
South	43,573	43,573	0	0.0%	-0.1%
East	21,209	21,209	0	0.0%	-0.1%
North-East	2,709	2,611	-98	-3.6%	-3.9%
Total	**173,226**	**170,765**	**-2461**	**-1.4%**	**-0.6%**

Source: Central Electricity Authority (CEA)

e) **Seasonal rainfall scenario:** The rainfall in the country during May, 2018 was normal. As against a normal reading of 62.3 mm, 63.0 mm rain was recorded during May, 2018. 20 out of 36 sub divisions in the country received from normal to excess rainfall during the month as can be seen from the following map. Normal rainfall may have led to decreased usage of diesel for agriculture-related activities.





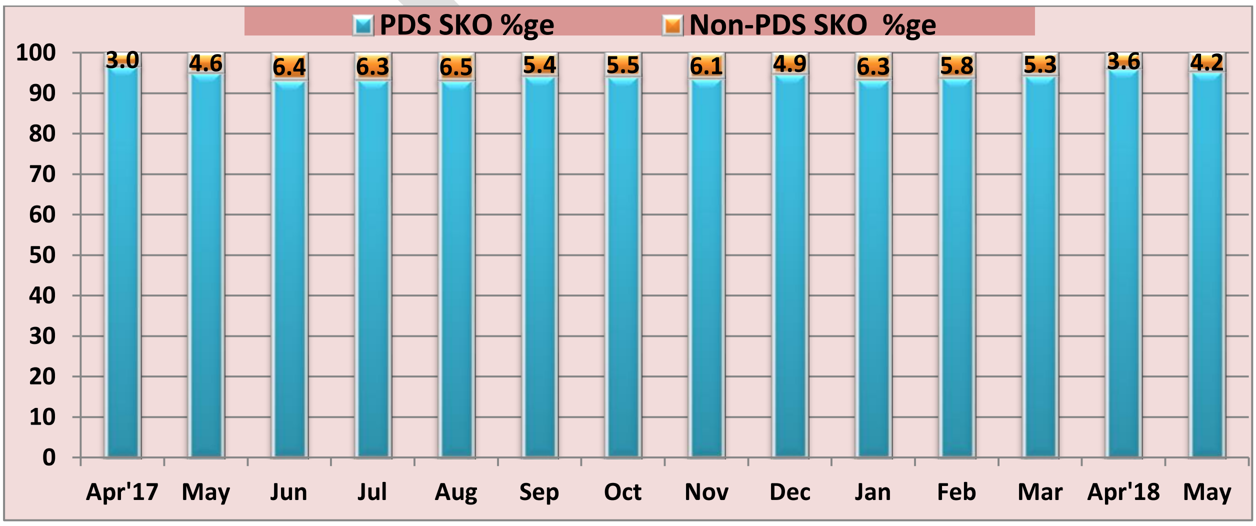
Source: India Meteorological Department (IMD)

1.4 Kerosene: Kerosene consumption recorded a drop of -19.8% during May, 2018 and -13.8% on cumulative basis for the period April to May 2018 as compared to same period last year. This was mainly because of reduced allocation to states and also voluntary surrender of PDS SKO quota by a few states/UTs. The month of May, 2018 saw nil upliftment by Andhra Pradesh, Chandigarh, Delhi, Dadra & Nagar Haveli, Daman & Diu, Haryana, Puducherry and Punjab.

States like Gujarat, Bihar and Goa have voluntarily surrendered their PDS quota during the month, resulting in lower upliftment by these states.

Figure-6 gives a comparison of kerosene sales in public distribution system vis-à-vis Non-PDS system since April, 2017.

Figure-6: Month-wise PDS & Non PDS SKO consumption in share (%) since April, 2017

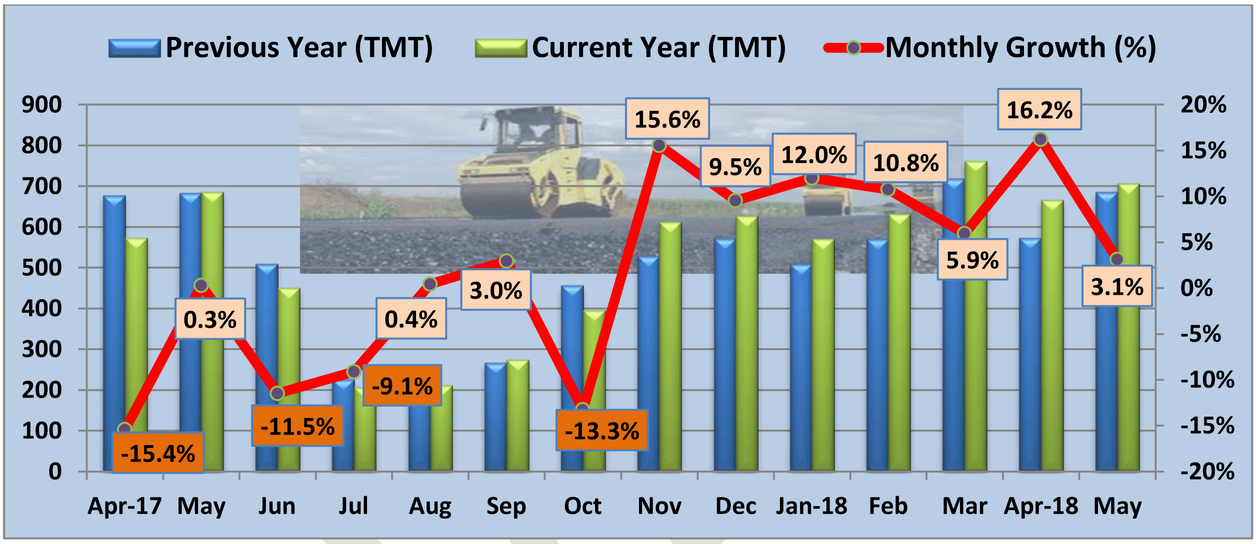


1.5 Bitumen: Bitumen consumption recorded a growth of 3.1% during the month of May, 2018 and 9.1% on cumulative basis for the period April to May 2018 as compared to April to May 2017. Bitumen consumption in India has increased on the back of infrastructure spending and expanding road networks across the country which was helped by good weather during the month.

However, the Government is also 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, 2017.

Figure-7: Month-wise Bitumen consumption (TMT) and growth (%) since April, 2017



1.6 LPG: **Total LPG consumption** continuously for the last fifty seven months in a row recorded a positive growth. Growth of 14.4% during May, 2018 and a cumulative growth of 13.7% for the period April to May 2018 was observed. Out of the five regions, Northern region had the highest share in consumption of 31.3% followed by Southern region at 28.3%, Western region at 21.2%, Eastern region at 16.5% and North Eastern region at 2.8% during the period May 2018. North Eastern region had the highest growth of 29.4% in total LPG consumption during the period May 2018.

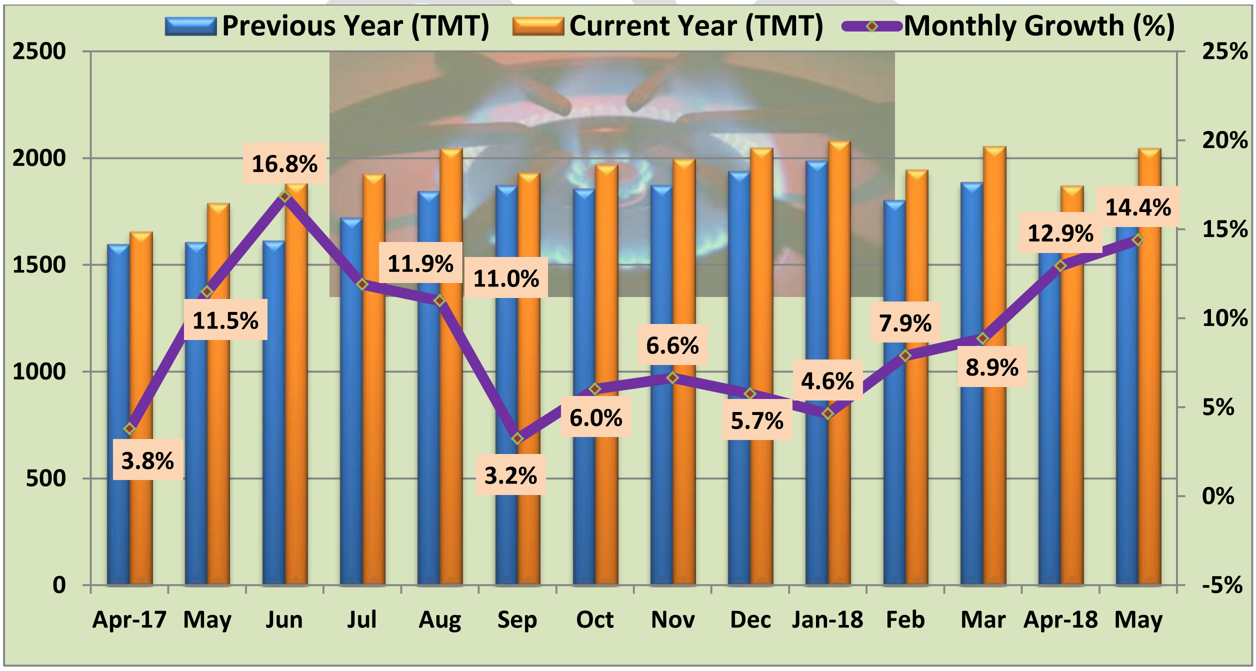
LPG-Packed Domestic consumption registered a growth of 14.2% during May, 2018 and a growth of 13.2% during the period April to May 2018. Last year during May, 2017, growth of 11.8% was observed and cumulative growth during April to May 2017 was 7.8%. This year during the period April to May 2018, 8.6 lakh DBCs and 71.8 lakh new connections were released out of which 56.7 lakh were released under PMUY. Nearly 19 lakh new connections have been released more during the current year in this period compared to last year. Total 412.8 lakh connections were released under PMUY till 31.05.2018 since inception. During May, 2018, the five states with the highest LPG-Packed domestic sales share were Uttar Pradesh (14.5%), Maharashtra (10.5%), Tamil Nadu (8.0%), West Bengal (7.8%) and Karnataka (6.1%). During the month of May, 2018, percentage share of LPG-Packed Domestic was 88.4% of total LPG consumption whereas in May, 2017 it was 88.9%.

LPG-Packed Non-Domestic consumption for the last forty one months in a row registered a positive growth. Growth of 22.7% in May, 2018 and cumulative growth of 24.2% during the period April to May 2018 was observed. Last year during May, 2017, growth of 17.5% was observed and cumulative growth during April to May 2017 was 13.1%. Share of LPG Packed Non-Domestic in total LPG consumption has increased to 9.3% in May, 2018 from 8.7% in May, 2017. Region wise share of LPG Packed Non-Domestic consumption was highest in Southern region (40.8%) followed by Western region (29.2%) and Northern region (21.3%) during May, 2018.

Bulk LPG consumption registered a growth of 22.0% during May, 2018 and a cumulative growth of 30.0% during the period April to May 2018. Last year in the month of May, 2017, a de-growth of -19.5% and for the cumulative period April to May 2017, a de-growth of -24.8% was witnessed. Percentage share of bulk LPG consumption to total LPG consumption increased to 1.5% in May, 2018 as compared to 1.4% in May, 2017.

Auto LPG consumption registered a marginal growth of 0.02% in May, 2018 and cumulative growth of 0.2% during the period April to May 2018. However, last year in the month of May, 2017 a growth of 12.8% and cumulative growth of 10.8% during April to May 2017 was observed. During the month of May, 2018, percentage share of Auto LPG reduced to 0.8% of total LPG consumption from 0.9% during May 2017.

Figure-7: **Month-wise LPG consumption (TMT) and growth (%) since April, 2017**

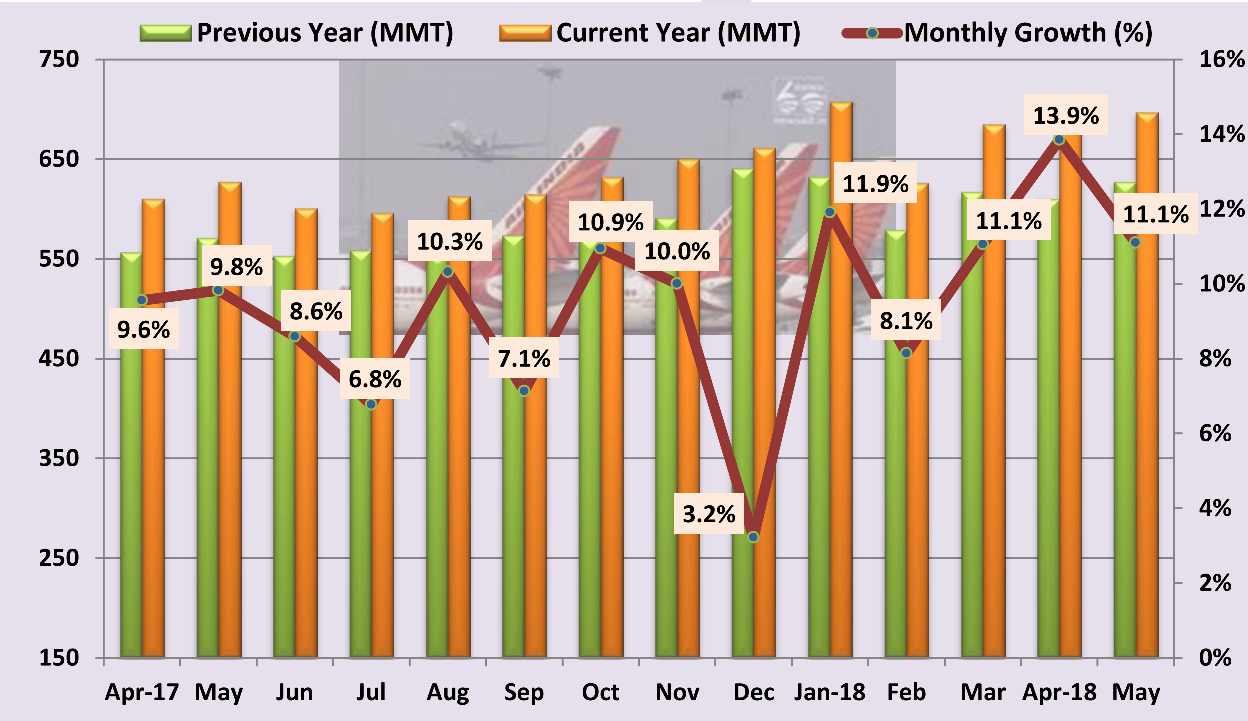


1.7 Naphtha: Naphtha consumption recorded a growth of 3.6% for the month of May, 2018 and 4.9% on cumulative basis for the period April to May 2018 as compared to April to May 2017. Steel and Petrochemical industries remain the main consumers of naphtha in addition to minor consumers like fertilizer and power plants. Fluctuation in demand by the petrochemical industry (particularly for polymers and plastics) largely drives the pattern of naphtha consumption.

1.8 ATF: ATF consumption recorded a growth of 11.1% during May, 2018 as compared to May, 2017 and 12.5% on cumulative basis for the period April 2018 to May 2018 as compared to April 2016 to March 2017.

The continued high growth in domestic passenger traffic has resulted in increasing demand for ATF with a CAGR of 7.7% in the last five years. Passengers carried by domestic airlines during May, 2018 stood at 118.56 lakhs as against 101.74 lakhs during May, 2017 thereby registering a growth of 16.5% during the month and 21.0% on cumulative basis for the period April to May 2018 as compared to April to May 2017. Due to major initiatives taken by the government for the aviation sector for improving infrastructure and connectivity, the consumption of ATF is expected to increase in line with the thrust applied.

Figure-8: Month-wise ATF consumption (TMT) and growth (%) since April, 2017



1.9 FO/LSHS: FO and LSHS consumption registered a drop of -13.6% during May, 2017 and -11.6% on cumulative basis for the period April to May 2018 as compared to April to May 2017. The overall drop during the current year is due to decreased consumption of FO in steel, fertilizer and power sectors. However a marginal growth was noted for petrochemical and general trade sectors. The drop in consumption has been mainly due to ban of FO in Delhi, Uttar Pradesh, Rajasthan and Haryana. Consumption of LSHS has also reduced due to shift to natural gas by major customers like the fertilizer industry.

1.10 PETCOKE: Petcoke consumption registered a growth of 8.7% in May, 2018 as compared to May, 2017 and 3.7% on cumulative basis for the period April to May 2018 as compared to April to May 2017. The consumption of petcoke by the cement industry is on the rise after the Supreme Court order of December 2017 allowed its use as a feedstock.

1.11 LDO: LDO consumption recorded a growth of 35.9% for the month of May, 2018 and 40.4% on cumulative basis for the period April to May 2018 as compared to April to May 2017. LDO month wise demand fluctuates depending on its requirement at power plants for boiler restart as it trips and due to fluctuation in manufacturing activities. LDO is also extensively used in various types of furnaces and the ban of FO in Delhi, Uttar Pradesh, Rajasthan and Haryana has led to an increase in consumption.

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Industry Consumption Trend Analysis 2018-19 (Provisional)

('000 MT)

Product	May			April-May		
	2017-18	2018-19	Growth (%)	2017-18	2018-19	Growth (%)
(A) Sensitive Products						
SKO	353.0	283.1	**-19.8**	684.2	589.6	**-13.8**
LPG	1,790.2	2,048.1	**14.4**	3,447.3	3,919.7	**13.7**
Sub Total	**2,143.2**	**2,331.2**	**8.8**	**4,131.4**	**4,509.3**	**9.1**
(B) Major Decontrolled Product						
Naphtha	1,004.9	1,040.9	**3.6**	2,004.5	2,102.8	**4.9**
MS	2,409.1	2,456.8	**2.0**	4,499.1	4,740.4	**5.4**
HSD	7,526.6	7,545.5	**0.3**	14,496.9	14,702.9	**1.4**
Lubes+Greases	268.3	318.6	**18.7**	552.6	617.1	**11.7**
LDO	31.8	43.2	**35.9**	70.7	99.3	**40.4**
FO/LSHS	629.4	543.6	**-13.6**	1,233.4	1,090.4	**-11.6**
Bitumen	686.0	707.5	**3.1**	1,259.2	1,373.8	**9.1**
ATF	627.1	696.7	**11.1**	1,237.1	1,391.2	**12.5**
Sub Total	**13,183.2**	**13,352.8**	**1.3**	**25,353.5**	**26,117.9**	**3.0**
Sub - Total (A) + (B)	**15,326.4**	**15,684.0**	**2.3**	**29,484.9**	**30,627.2**	**3.9**
(C) Minor Decontrolled Products						
Petcoke	2,221.5	2,414.9	**8.7**	4,415.5	4,576.8	**3.7**
Others	558.0	617.9	**10.7**	1,120.9	1,188.2	**6.0**
Sub Total	**2,779.5**	**3,032.8**	**9.1**	**5,536.4**	**5,765.0**	**4.1**
Total	**18,105.9**	**18,716.8**	**3.4**	**35,021.3**	**36,392.2**	**3.9**