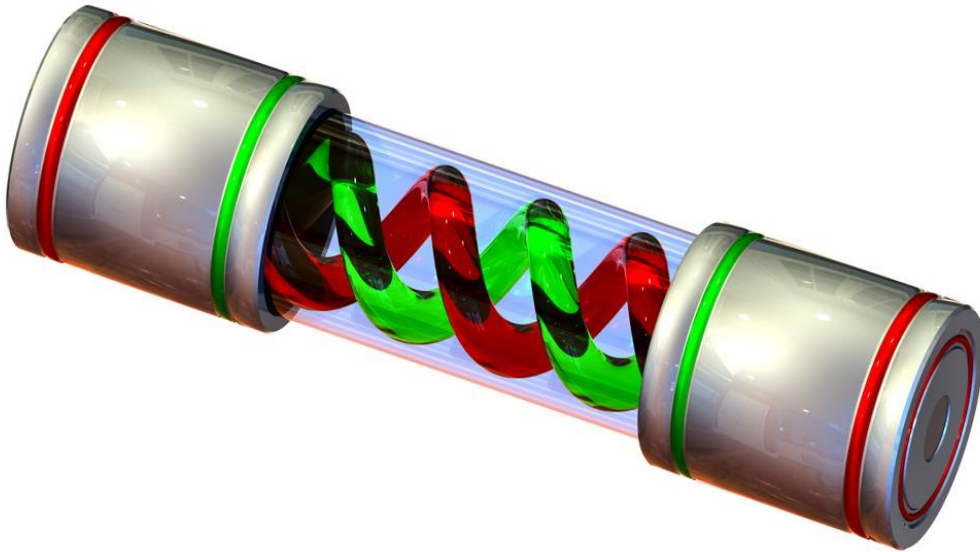


INDUSTRY SALES REVIEW

February 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 February, 2017. Data on product-wise monthly consumption of petroleum products for February, 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 February, 2017 is given in Table-1.

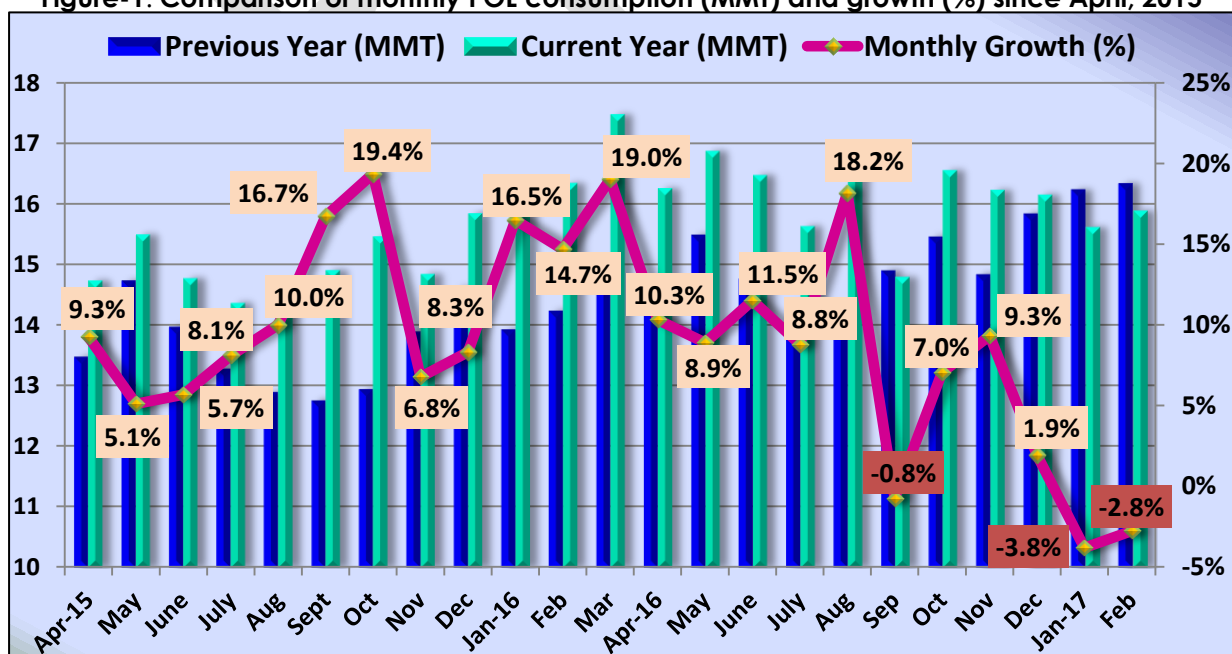
Table-1: Petroleum Products Consumption (Quantity in TMT)

PRODUCT	Share (%)	February 2016	February 2017	Growth (%)	Products Included
Sensitive Products	14.0%	2,307	2,180	-5.5%	SKO & LPG
Major decontrolled Products	70.0%	11,455	11,164	-2.5%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	16.0%	2,576	2,542	-1.3%	Pet. coke & other minor products
Grand Total	100%	16,339	15,886	-2.8%	

All Products : India's demand for fuel consecutively for the second month in a row, dropped by -2.8% in February this year. The demand for all oil products dropped to 15.8 MMT from 16.3 MMT a year ago. On cumulative basis, a growth of 6.0% was registered for the period April 2016 - February 2017. Except for LPG, Naphtha, MS, LDO, ATF and 'other' products which recorded a positive growth all other products recorded a negative growth. However, SKO registered a major de-growth of -33.8 % during the month and -20.4% on cumulative basis, mainly because of reduced allocation to states and voluntary surrender of PDS SKO quota by some states.

February 2016 was a leap year and hence this year the current month has one day less resulting in lower consumption.

Figure-1: Comparison of monthly POL consumption (MMT) and growth (%) since April, 2015

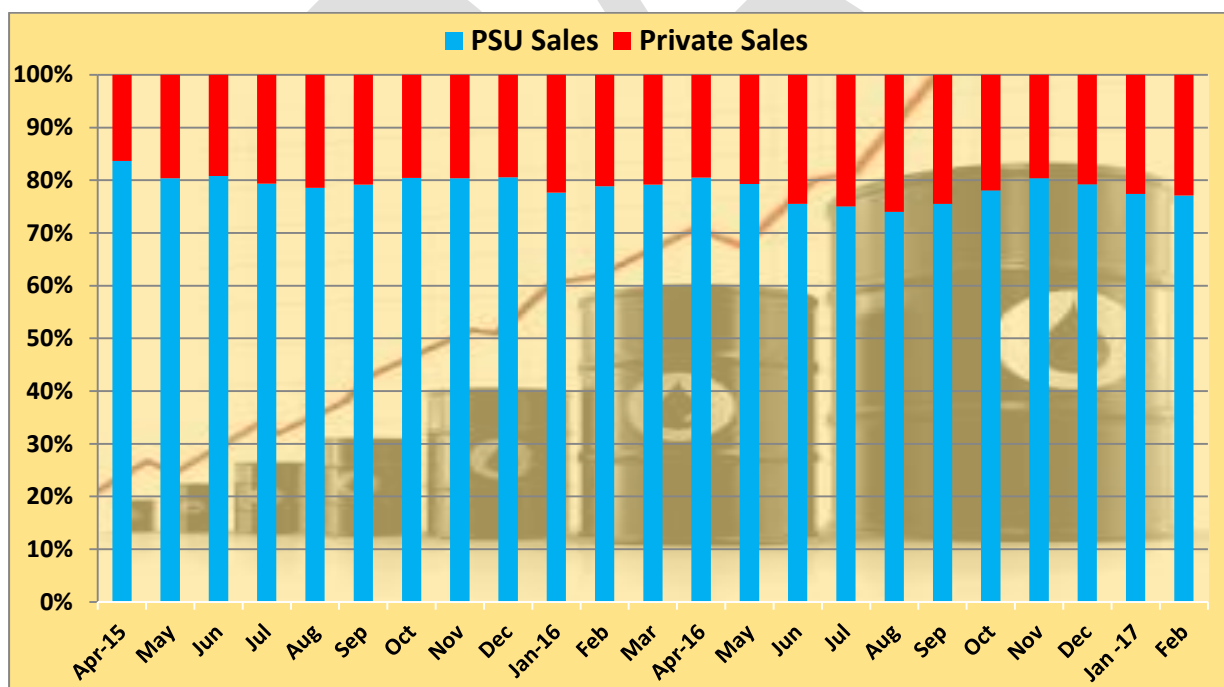


Small and medium sized enterprise sector is a big chunk of the Indian economy contributing to roughly eight percent of GDP whilst employing more than 80 million people year on year. Even as official data showed that the GDP (gross domestic product) grew at 7.1% in the third quarter of 2016-17 belying fears about the impact of demonetization on the economy, the Indian 'Sales Managers Index' (SMI) released by London-based World Economics, which produces data and analysis on the global economy, fell to its lowest level in three years in February 2017. SMI is a composite index of business confidence, market growth, sales, prices charged and staffing levels. World Economics said, "Managers are reporting a big drop in monthly sales for both the consumer and industrial sectors, with small to medium size businesses that predominantly deal with cash transactions, being hardest hit".

Micro, small and medium enterprises continue to bear the brunt of demonetization with loans given by banks to these segments declining over 8% on a year-on-year (y-o-y) basis in January. Credit to small and micro enterprises fell 7.4% y-o-y and to medium enterprises by 10.2% y-o-y, down for the twelfth straight month, RBI data showed.

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

Figure-2: Comparison of monthly POL Sales in PSU & Private Sector (%) since April, 2015



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 December, 2016 and private imports data for the months of January and February, 2017 are projected based on January to December, 2016 actual data provided by DGCIS.

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

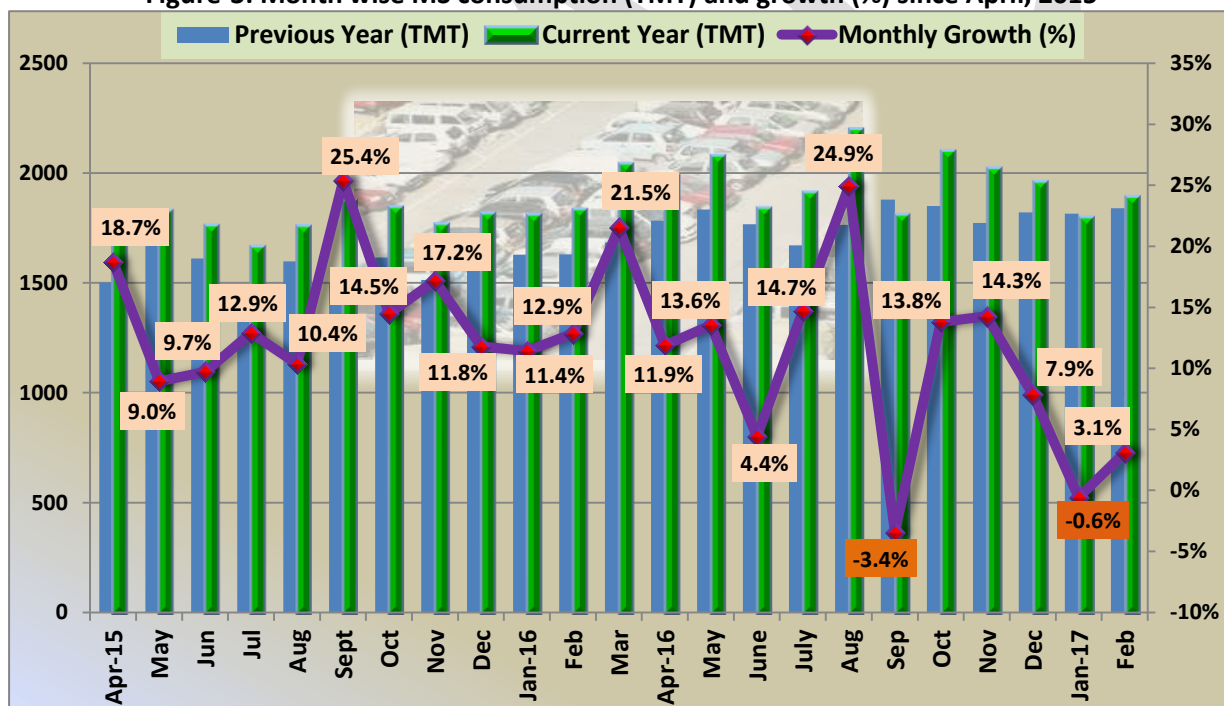
1.2 Petrol / Motor Spirit (MS): MS consumption during the month of February, 2017 recorded a growth of 3.1% as compared to February, 2016 and a cumulative growth of 9.4% for the period April 2016 to February 2017.

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

- i. Consumer preference for petrol driven vehicles, growth in automobile industry and improved road connectivity has boosted MS sales in general.
- ii. 2016 being a leap year had one more day in the month of February 2016 as compared to February 2017, resulting in higher historical base volume.

Figure 3 gives month-wise MS consumption volume (TMT) and month-on-month growth (%) since April, 2015.

Figure-3: Month wise MS consumption (TMT) and growth (%) since April, 2015

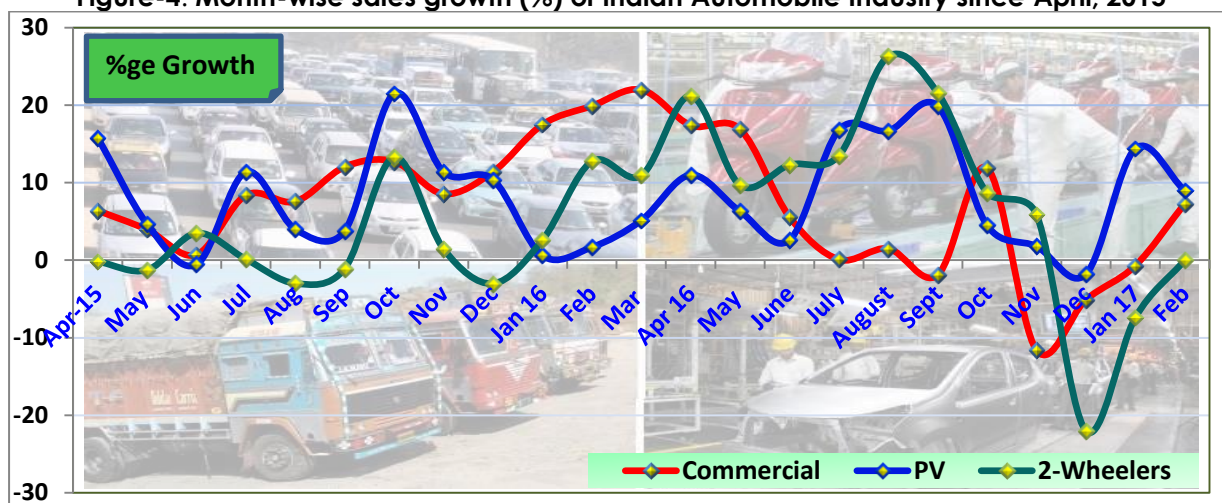


Other factors impacting consumption of MS are:

The buying sentiment is back in the Indian automobile industry. As per data released by SIAM, growth is gradually edging upwards to reach pre-demonetization levels. However, anticipated strong demand from pre-buying ahead of the introduction of BS IV emission norms from April 1, 2017 has not happened yet. It is likely that pre-buying could happen in March 2017. Also, demand is expected to improve on back of various initiatives taken by the government in the Union Budget 2017. Higher allocation for rural sector, infrastructure and transportation segment is likely to benefit demand for 2-wheelers during the coming year.

Figure-4 gives a graphic representation of month-wise growth percentages of Passenger Vehicles, Commercial Vehicles and 2-Wheelers since April, 2015.

Figure-4: Month-wise sales growth (%) of Indian Automobile Industry since April, 2015



a) **Total passenger vehicles (PV) sales:** At 255,359 units in February 2017, the passenger vehicle sales continued to maintain growth, although volumes were down as compared to January 2017's 265,320 units. Passenger car sales rose 4.9 percent to 172,623 units while surging consumer demand for SUVs saw numbers grow by 21.79% to 65,877 units. The month also saw 16,859 vans being sold, up 8.1% as compared to last year.

Segment	February 2016	February 2017	Growth (%)
Passenger Cars	164,559	172,623	4.9%
Utility Vehicles	54,089	65,877	21.8%
Vans	15,596	16,859	8.1%
Total: Passenger Vehicles (PVs)	234,244	255,359	9.0%

Source: SIAM

b) **2-wheeler sales:** 2- wheeler segment saw a flat growth in February 2017. Sales of two-wheelers, most impacted by demonetization, are slowly limping back to normalcy. Importantly, growth has returned to the scooter sector which saw a growth of 3.70%. Motorcycles, which bore the brunt of slowing sales over the past few months, particularly from rural India, saw a de-growth of 3.13%, but was the highest in four months. Meanwhile, mopeds continued to be popular among buyers and recorded 16% growth by selling 77,053 units in February 2017.

Segment	February 2016	February 2017	Growth (%)
Scooter / Scooterette	436,163	452,295	3.7%
Motor Cycles	859,582	832,697	-3.1%
Mopeds	66,432	77,053	16.0%
Total: 2-wheelers	1,362,177	1,362,045	0.0%

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption consecutively for the second month in a row recorded a de-growth of -3.9% during the month of February, 2017 as compared to February, 2016 and a cumulative growth of 2.0% for the period April 2016-February 2017. Following were the major factors affecting diesel sales during the month of February, 2017:

- i. Improvement in Medium and Heavy vehicle sales, improved road conditions, economic viability of public transport and carrier vehicles due to cheaper fuel has strengthened diesel sales in general. However a slowdown in economic activity in the last two months has had a retarding impact over diesel sales.
- ii. Price increase sentiment last year during February, 2016 prompted dealers to limit indents towards the end of the month thus increasing the base. Also 2016 being a leap year had one more day in the month of February 2016 as compared to February 2017, resulting in higher historical base volume.
- iii. No rainfall and drought like conditions across South India affected agricultural activity.
- iv. Reduced mining activity due to closure of illegal sand mining activities in Tamil Nadu and Karnataka and improved power deficit situation has resulted in lower usage of diesel.

Figure-5: Month-wise HSD consumption (TMT) and growth (%) since April, 2015

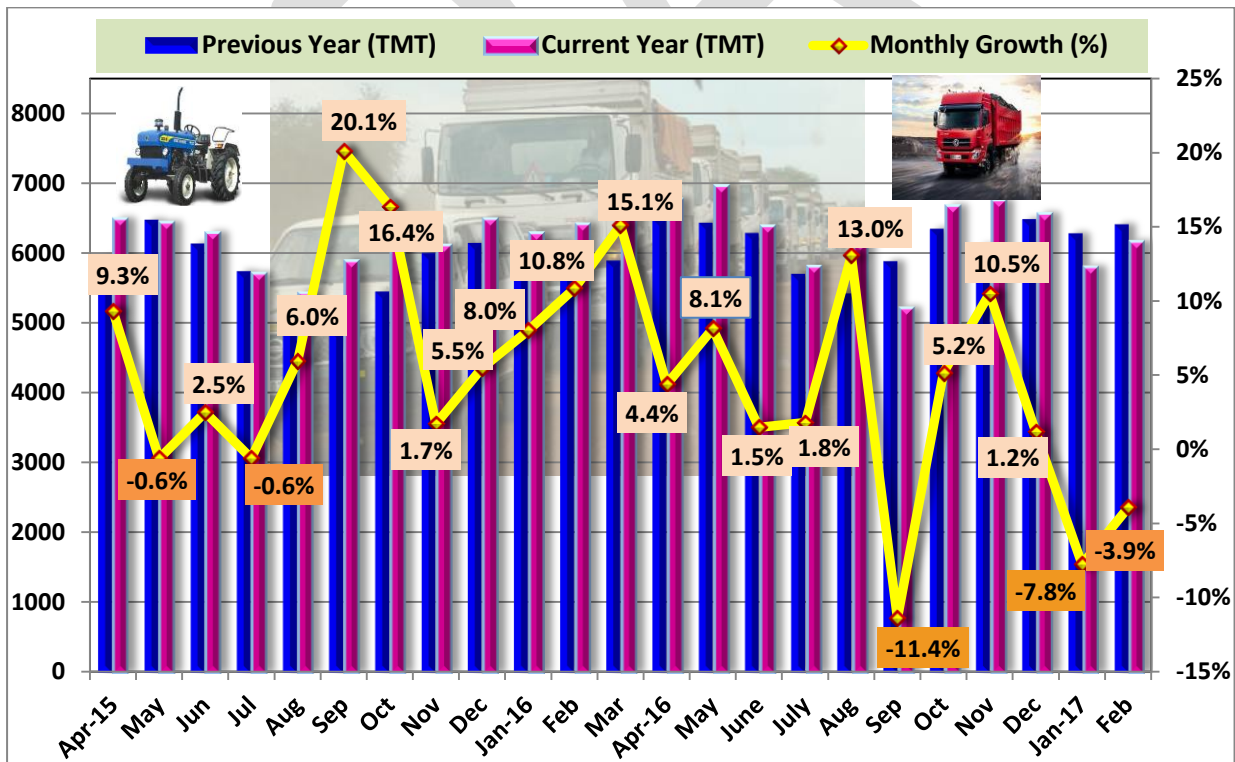
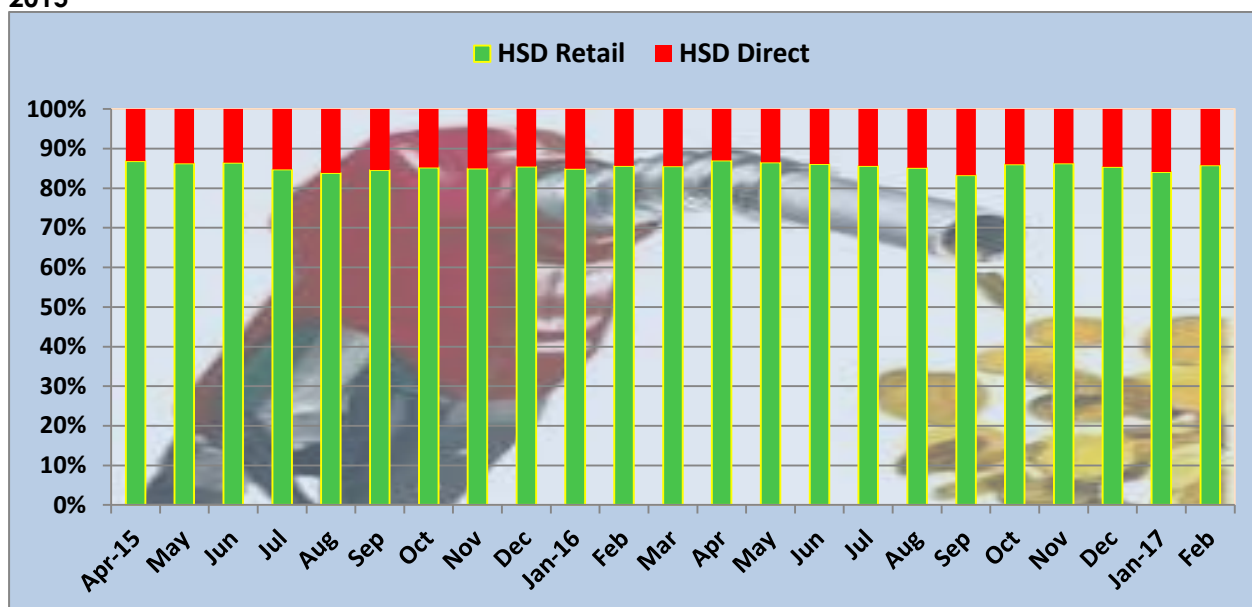


Figure-6 gives comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2015

Figure-6: Month-wise HSD consumption by Retail and Consumer business share (%) since April, 2015



Other factors affecting diesel consumption are discussed below:

- a) **Commercial vehicles (CV) sales:** The green shoots of recovery, after the speed breaker of demonetization, in the Indian commercial vehicle sector are being seen. Commercial vehicles will also have to adhere to BS IV emission norms from 1.4.2017 and therefore the month of February saw a surge in sales. At 66,939 units, CV Sales recorded highest monthly sales for the fiscal year 2016-17. Medium & Heavy Commercial vehicles (M&HCV) recorded highest-ever sales in a single month this fiscal by selling 30,521 units, clearly pointing to considerable pre-buying of heavy vehicles before the BS IV deadline.
- b) **Light Commercial Vehicle (LCV):** The LCV sector too contributed to overall sector growth with sales of 36,418 units.

Segment	February 2016	February 2017	Growth (%)
M&HCVs	29,063	30,521	5.0%
LCVs	33,296	36,418	9.4%
Total: Commercial Vehicles	62,359	66,939	7.3%

Source: SIAM

- c) **Port traffic:** There has been near flat growth of 0.4% in port traffic for the month of February, 2017. The growth in port traffic and cargos handled during February, 2017 is mainly due to increase in port traffic at Paradip, Chidambarnar, Cochin and Mormugao.

The growth in traffic during the period April 2016-February 2017 has been contributed mostly by iron ore (171.4%), POL products (7.6%) and others (15.3%) while there has been a drop in finished fertilizer (-17.6%) and thermal coal (-12.3%). 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 February, 2017.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	February 2016	February 2017	Growth (%)
Kolkata + Haldia	3,950	3,958	0.2%
Paradip	7,094	7,711	8.7%
Visakhapatnam	4,852	4,543	-6.4%
Kamarajar (Ennore)	3,067	2,440	-20.4%
Chennai	3,838	3,354	-12.6%
V.O. Chidambaranar	2,458	2,999	22.0%
Cochin	2,017	2,135	5.9%
New Mangalore	3,613	3,523	-2.5%
Mormugao	1,925	2,919	51.6%
Mumbai	4,682	4,628	-1.2%
JNPT	5,070	4,869	-4.0%
Kandla	8,197	7,866	-4.0%
TOTAL:	50,763	50,945	0.4%

Source: IPA

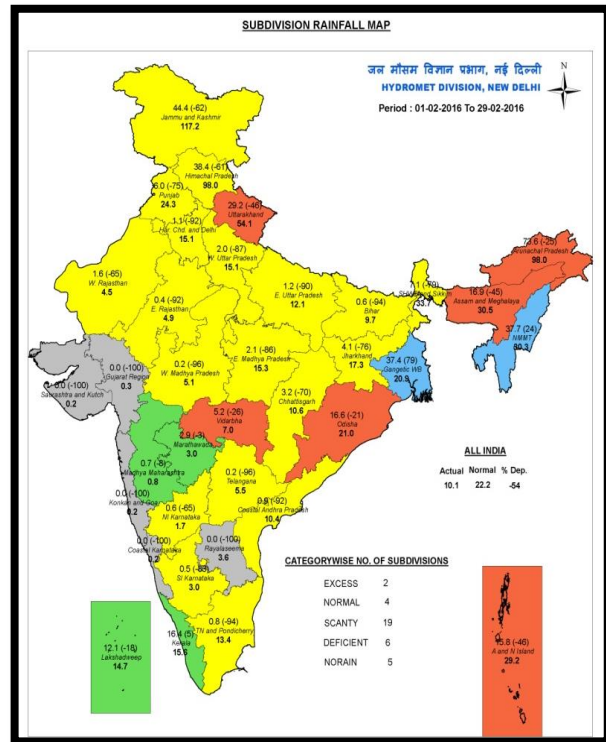
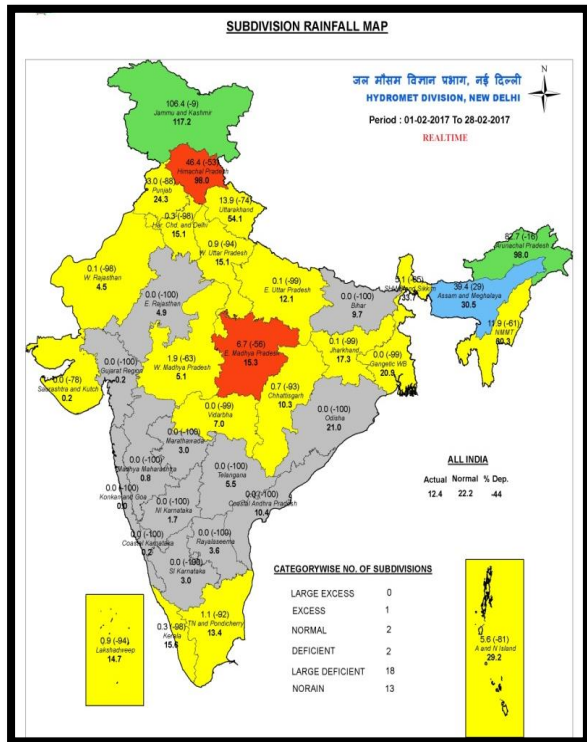
- d) **Power situation improves:** The power deficit position for the month of February, 2017 is given in Table-3. The power deficit position improved from -2.5% in February, 2016 to -0.5% during February, 2017. The shortage during the month improved for all regions. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh and Rajasthan. The improved power position in February, 2017 may have led to reduced usage of diesel for back-up power generation.

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

States	February 2017 (P)				February 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	24,600	24,222	-378	-1.5%	-4.7%
West	27,355	27,352	-3	0.0%	-0.1%
South	24,610	24,609	-1	0.0%	-0.9%
East	9,224	9,214	-10	-0.1%	-0.2%
North-East	1,089	1,071	-18	-1.6%	-5.9%
Total	86,879	86,468	-410	-0.5%	-2.5%

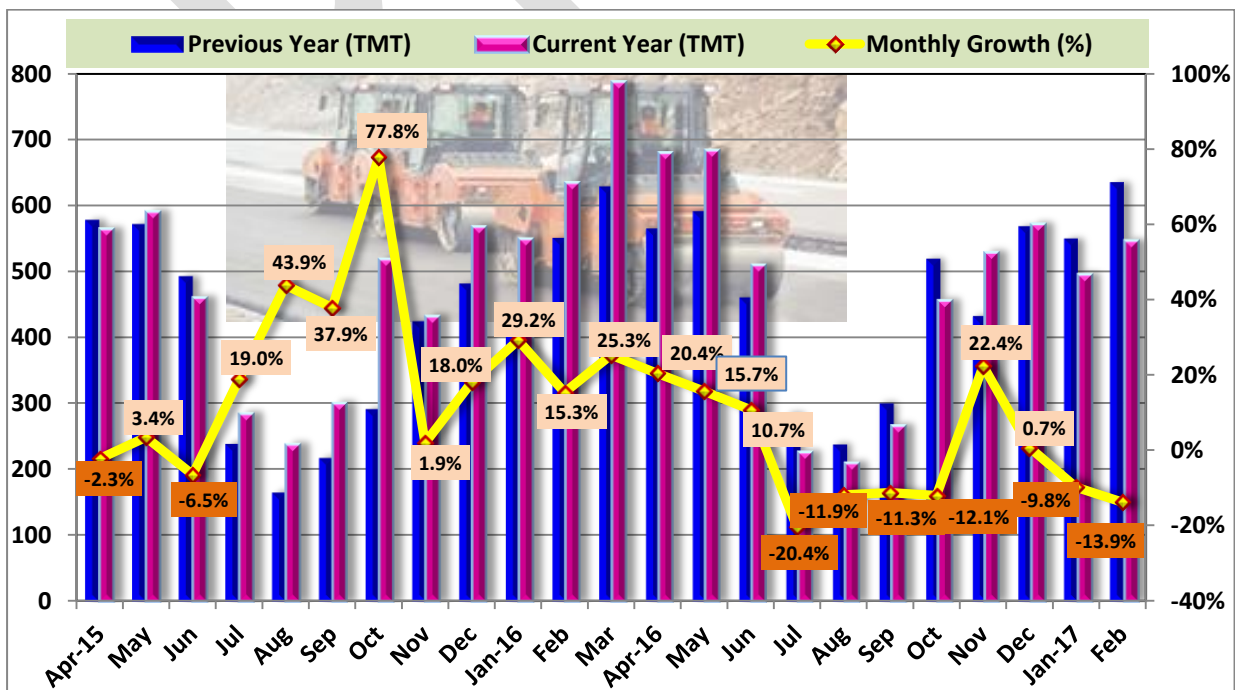
Source: Central Electricity Authority (CEA)

- e) **Seasonal rainfall scenario:** The rainfall in the country during the month has been much less than normal. As against a normal of 22.2 mm, only 12.4 mm rain was recorded during the month of February 2017, which was -44.1% below normal. Deficient rain conditions prevailed in many parts of India, leading to drought like conditions, which may have affected agricultural activity.



1.4 Bitumen: Bitumen consumption recorded a de-growth of -13.9% during the month of February, 2017. On cumulative basis, a marginal growth of 0.6% was recorded for the period April 2016 to February 2017. Demonetization of currency in the country since 8th November 2016, resulted in a slow-down in construction activities due to cash crunch and restriction on cash withdrawals imposed by the banks. Year-end budget constraints in many states also resulted in reduced upliftment of bitumen by the state PWDs. **Figure-6** gives the month wise bitumen consumption and growth since April, 2015.

Figure-6: Month-wise Bitumen consumption (TMT) and growth (%) since April, 2015



1.5 LPG: Total LPG consumption continuously for the last forty two months in a row recorded a positive growth of 3.5% during February 2017 and cumulative growth of 10.7% for the period April 2016 to February 2017. Last year in the month of February 2016, a growth of 16.7% and during April 2015 to February 2016 a growth of 8.4% was observed. This year February had 28 days as against 29 days in February 2016.

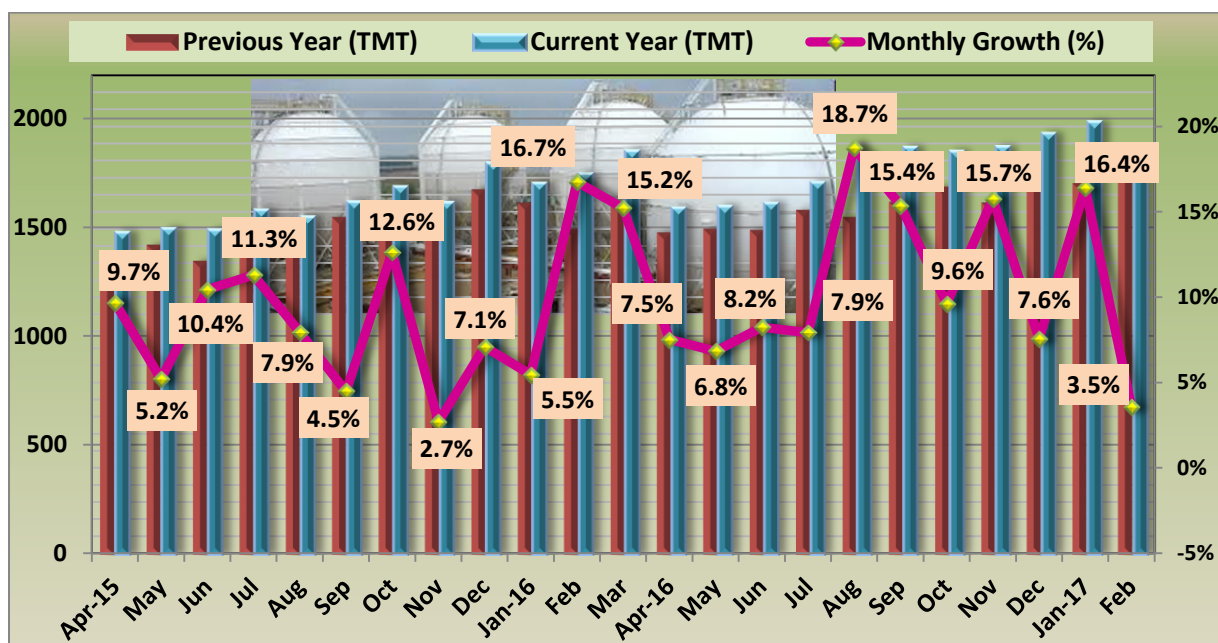
LPG-Packed Domestic consumption registered a growth of 3.6% during February 2017 and a growth of 10.5% during the period April 2016 to February 2017. Last year during February 2016, a growth of 15.3% and in April 2015 to February 2016 a growth of 6.5% was seen. During the month of February 2017, percentage share of LPG packed domestic sales was 88.7% of total LPG consumption as against 89.7% in February 2016. Decrease in market share of LPG packed domestic is due to curb on subsidized domestic cylinders. During the month of February 2017, approximately 19.4 lakhs new connections were released out of which 9.0 lakhs were released on account of Ujjwala scheme, which was the lowest in any month during the period May 2016 to February 2017. In the period April 2016 to February 2017, 294.2 lakhs new connections and 63.8 lakhs DBCs were released including approximately 175.2 lakh connections released on account of Ujjwala scheme since inception in May 2016

LPG-Packed Non-Domestic consumption for the past twenty six months in a row registered double digit growth of 15.6% in February 2017 and cumulative growth of 23.3% during April 2016 to February 2107. Last year during February 2016, growth of 22.1% and cumulative growth of 39.8% during April 2015 to February 2016 was observed. This double digit growth and increase in market share to 8.9% in February 2017 as compared to 8.0% in February 2016 of total LPG consumption is mainly due to easy availability, low price of non-domestic LPG in comparison to earlier years and curb in diversion of subsidized domestic cylinders after the launch of DBTL and LPG packed domestic connections under Ujjwala scheme

Bulk LPG consumption registered a growth of 17.4% during February 2017 and cumulative growth during April 2016 to February 2017 was 18.7%. Last year in the month of February 2016, a de-growth of -15.6% and during April 2015 to February 2016 a de-growth of -0.1% was seen. LPG Bulk market share in February 2017 has increased to 1.6% as compared to 1.4% in February 2016.

Auto LPG consumption registered a de-growth of -3.4% in February 2017 and cumulative de-growth of -2.4% during April 2016 to February 2017. However, last year in the month of February 2016 a de-growth of -5.2% and during April 2015 to February 2016 growth of 4.3% was witnessed. Reasons for de-growth in Auto LPG is mainly due to curb in diversion of subsidized domestic cylinders and more focus on CNG.

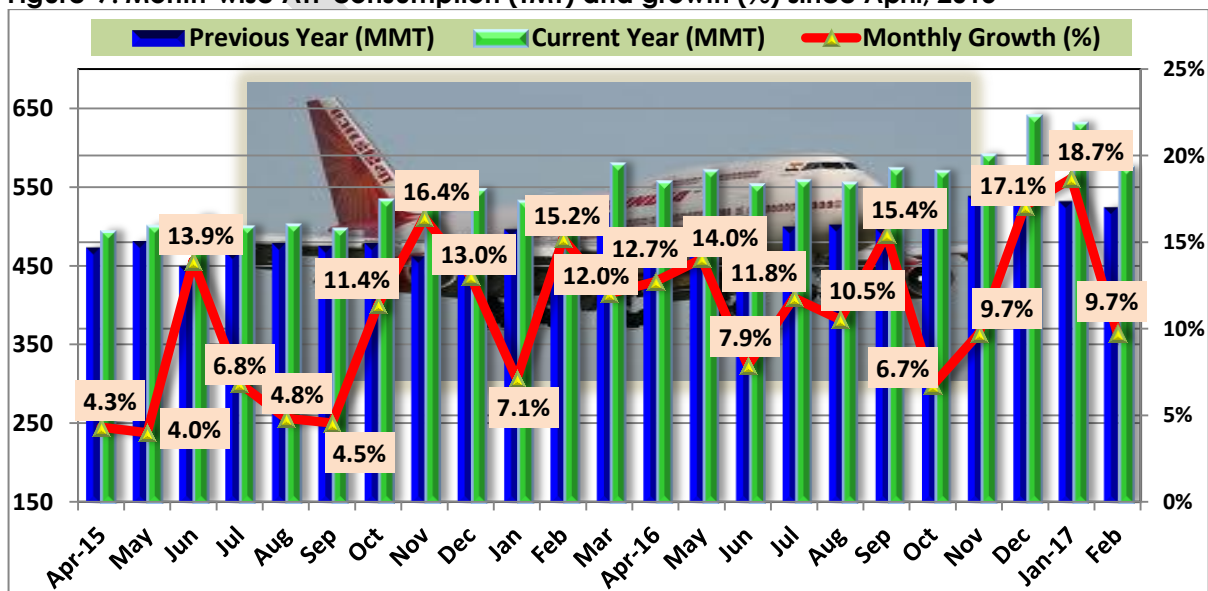
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: consumption recorded a growth of 4.3% during the month of February, 2017 and a growth of 1.4% on cumulative basis for the period April 2016 to February 2017. 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: During February, 2017 growth in consumption of ATF was 9.7% and a cumulative growth of 12.2% was observed for the period April 2016 - February 2017. Passengers carried by domestic airlines during February 2017 were 86.55 lakhs as against 74.76 lakhs during February 2016 thereby registering a growth of 15.77%. Growth in passenger traffic has been strong since the new millennium, especially with rising incomes and low-cost aviation.

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



1.8 FO/LSHS: FO and LSHS consumption registered a de-growth of -10.4% during February, 2017 and a cumulative growth of 13.2% for the period April 2016-February 2017. 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 fertilizer industries.

1.9 PETCOKE: Pet-coke consumption registered a de-growth of -2.1% during February, 2017 and a cumulative growth of 25.7% during April 2016-February 2017.

1.10 LDO: LDO consumption recorded a growth of 7.4% in the month of February, 2017 and a cumulative growth of 15.5% for April 2016-February 2017. 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.

PPAC

Industry Sales Trend Analysis (Provisional): April 2016 to February 2017

('000 MT)

Product	February			April-February		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	559.8	370.6	-33.8	6260.3	4981.8	-20.4
LPG	1747.3	1809.3	3.5	17771.1	19666.4	10.7
Sub Total	2307.1	2179.9	-5.5	24031.4	24648.2	2.6
(B) Major Decontrolled Products						
Naphtha	1072.3	1118.1	4.3	12103.2	12272.4	1.4
MS	1839.6	1896.6	3.1	19800.2	21659.5	9.4
HSD	6411.7	6158.8	-3.9	67863.9	69203.4	2.0
Lubes+Greases	337.3	293.9	-12.9	3167.8	3092.1	-2.4
LDO	32.3	34.6	7.4	357.7	413.1	15.5
FO/LSHS	602.6	540.0	-10.4	5892.3	6668.0	13.2
Bitumen	635.1	547.0	-13.9	5150.3	5182.2	0.6
ATF	524.2	575.1	9.7	5682.3	6376.4	12.2
Sub Total	11455.1	11164.1	-2.5	120017.7	124867.1	4.0
Sub - Total (A) + (B)	13762.2	13344.0	-3.0	144049.1	149515.3	3.8
(C) Minor Decontrolled Products						
Pet.Coke	2049.8	2005.9	-2.1	17329.7	21785.0	25.7
Others	526.6	536.0	1.8	5824.1	5942.0	2.0
Sub Total	2576.4	2541.9	-1.3	23153.8	27727.0	19.8
Total	16338.6	15885.9	-2.8	167202.9	177242.3	6.0