

INDUSTRY SALES REVIEW

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

1.0 CONSUMPTION :

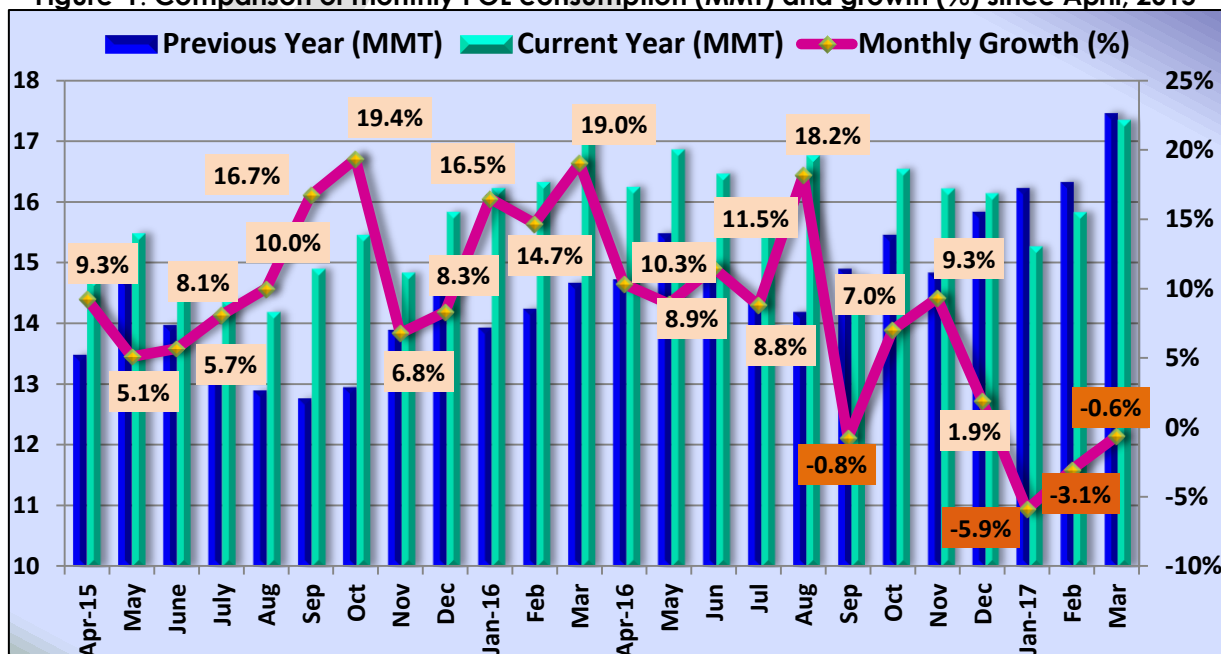
The growth (%) in consumption of petroleum products, category-wise, for the month of March, 2017 is given in Table-1.

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

PRODUCT	Share (%)	March 2016	March 2017	Growth (%)	Products Included
Sensitive Products	14.0%	2,418	2,301	-4.8%	SKO & LPG
Major decontrolled Products	70.0%	12,557	12,329	-1.8%	HSD, MS, Naphtha, Lubes, LDO, FO/LSHS, Bitumen & ATF
Minor decontrolled Products	16.0%	2,496	2,728	9.3%	Pet. coke & other minor products
Grand Total	100%	17,471	17,358	-0.6%	

All Products : India's demand for fuel consecutively for the third month in a row, dropped by -0.6% in March this year. The demand for all oil products dropped to 17.36 MMT from 17.47 MMT a year ago. On cumulative basis, a growth of 5.2% was registered for the period April 2016 to March 2017. Except for LPG, MS, HSD, ATF, Pet Coke and 'other' products which recorded a positive growth, all other products recorded a negative growth during the month. However, SKO registered a major de-growth of -26.8 % during the month and -21.0% on cumulative basis, which is the highest ever de-growth since 1970-71, mainly because of reduced PDS allocation to states and voluntary surrender of PDS quota by some states and release of about 331.7 lakh new connections including 200.3 lakh connections released on account of Ujjwala scheme since its inception in May 2016.

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



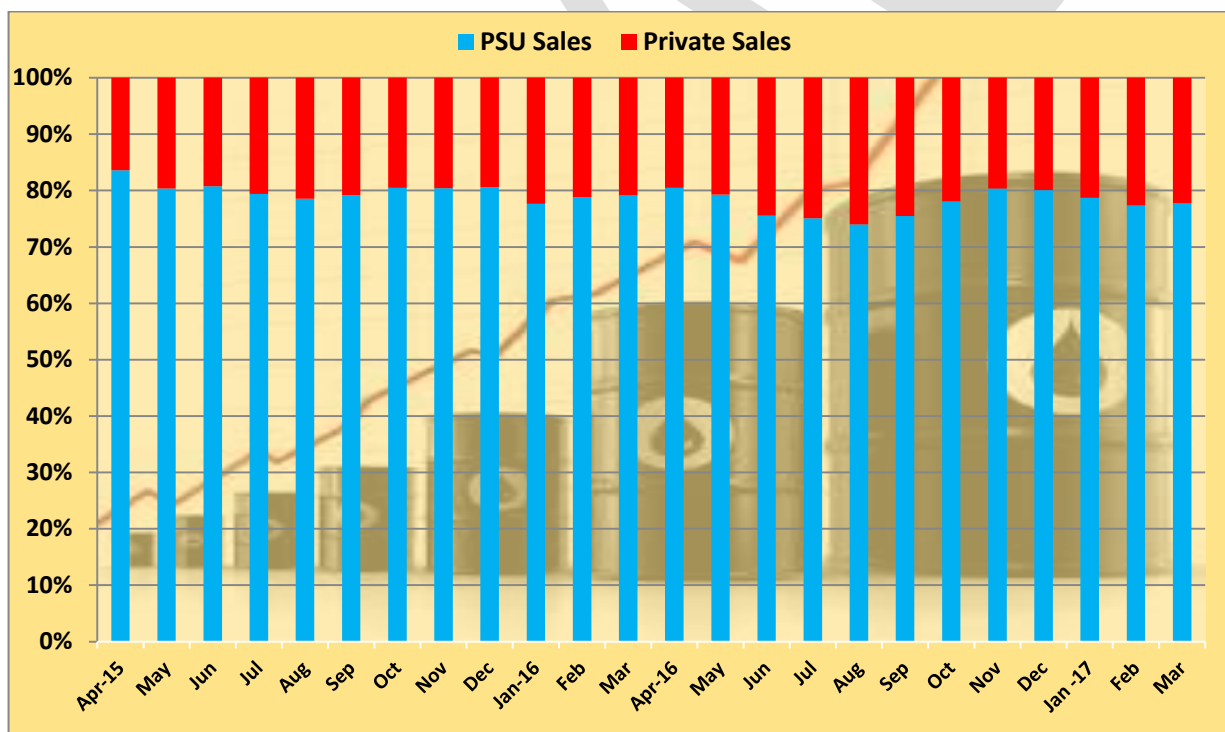
Compounded Annual Growth Rate (CAGR) of total petroleum product consumption during 12th Five Year Plan (2012-17) is 5.6% as compared to 4.2% during 11th plan period (2007-12).

Indian 'Sales Managers Index' (SMI) released by London-based World Economics, which produces data and analysis on the global economy, for March 2017, shows that the Indian economy is in recovery mode from December 2016's demonetization policy. The abrupt impact of demonetization had hit small and medium size businesses hard as they predominately rely on cash based transactions. However SMI suggests an improving situation for Indian businesses in March, with growing sales and enhanced levels of confidence.

The Nikkei India Services Purchasing Managers' Index, or PMI, rose to 51.5 in March 2017 from February 2017's 50.3. Manufacturing sector activity rose to a five-month high in March 2017 with a sharp rise in production and new orders. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 52.5 in March 2017, from 50.7 in February 2017.

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

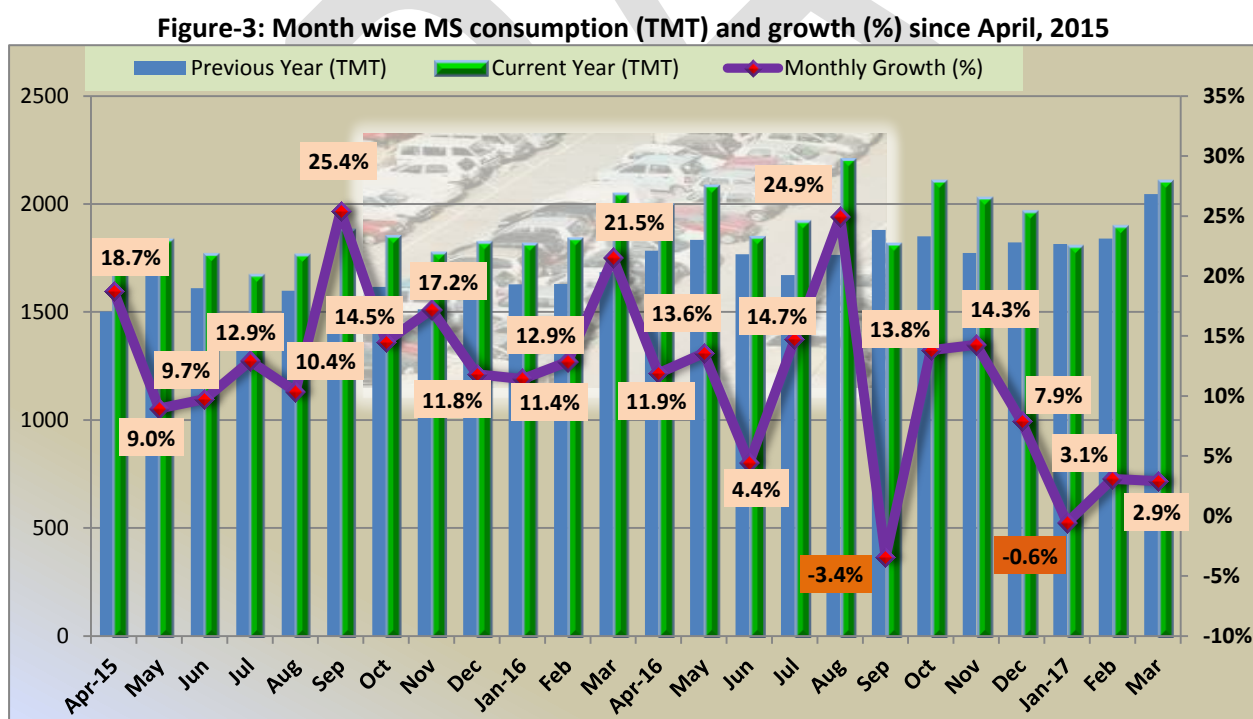
Detailed product-wise analysis of growth for March, 2017 is given in the following sections:

1.2 Petrol / Motor Spirit (MS): MS consumption during the month of March, 2017 recorded a growth of 2.9% as compared to March, 2016 and a cumulative growth of 8.8% for the period April 2016 to March 2017.

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

- Availability of cheaper fuel resulting in preference for petrol driven vehicles, growth in automobile industry and improved road connectivity has boosted MS sales in general.
- MS consumption had registered a high growth of 21.0% in March, 2016 as compared to that in March 2015 resulting in a very high historical base volume. Hence despite recording good sales volume, the growth in percentage terms increase was moderate.
- Huge downward price revision that happened on 1st April 2017 prompted dealers to keep very low inventory resulting in shifting of the sales to the month of April, 2017.

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



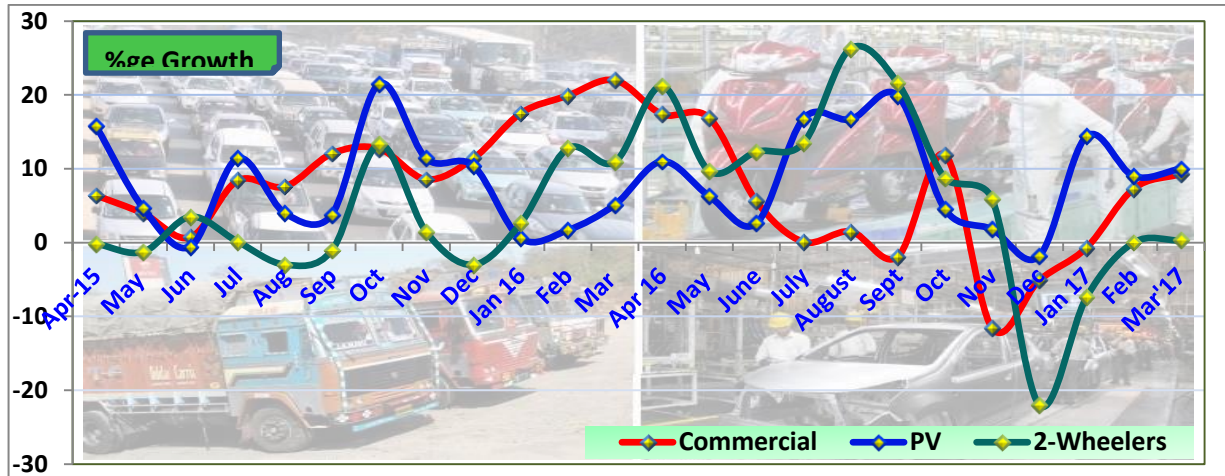
Other factors impacting consumption of MS are:

The Indian automobile industry has witnessed 1.33% growth in its domestic sales during the month of March 2017. For the period April 2016 to March 2017 the industry has recorded a growth of 6.8%, according to data released by Society of Indian Automobile Manufacturers (SIAM). March, 2017 is generally a good month for auto manufacturers as a lot of customers are scheduling their

purchase considering the depreciation benefit. The buying is also preponed to March with the contemplation of price hike in April. The OEMs also offer aggressive discounts in March as it marks the end of the financial year and the OEMs performance for the fiscal is also defined by March's performance. The consumers also get clarity in terms of the annual budget.

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 282,519 units in March 2017, the passenger vehicle sales recorded a growth of 10% over March 2016. Passenger car sales rose by 8.2%. Surging consumer demand for SUVs saw numbers grow by 20.9%. Reason for growth has been launch of new models; as many as 42 new models (including facelift and refreshes) were launched in the past 15 months. March, 2017 also saw a de-growth in number of vans being sold, which was down by -12.9% as compared to last year.

Segment	March 2016	March 2017	Growth (%)
Passenger Cars	175,709	190,065	8.2%
Utility Vehicles	64,251	77,689	20.9%
Vans	16,960	14,765	-12.9%
Total: Passenger Vehicles (PVs)	256,920	282,519	10.0%

Source: SIAM

b) **2-wheeler sales:** The two wheelers segment registered marginal growth of 0.3%, at 1,471,576 units. In this segment, only scooters' sales witnessed positive growth of 8.1% at 486,604 units. Motorcycles and mopeds sales went down by -3.3% and -1.6% at 915,199 units and 69,773 units, respectively.

Segment	March 2016	March 2017	Growth (%)
Scooter / Scooterette	450,038	486,604	8.1%
Motor Cycles	946,754	915,199	-3.3%
Mopeds	70,918	69,773	-1.6%
Total: 2-wheelers	1,467,710	1,471,576	0.3%

Source: SIAM

1.3 High Speed Diesel (HSD): HSD consumption recorded a marginal growth of 0.3% during the month of March, 2017 as compared to March, 2016 and a cumulative growth of 1.8% for the period April 2016 to March 2017. Following were the major factors affecting diesel sales during the month of March, 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. Diesel consumption had registered a high growth of 15.1% in March, 2016 as compared to that in March 2015 resulting in a very high 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.
- v. Huge downward price revision that happened on 1st April 2017 prompted dealers to keep very low inventory resulting in shifting of the sales to the month of April, 2017.

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

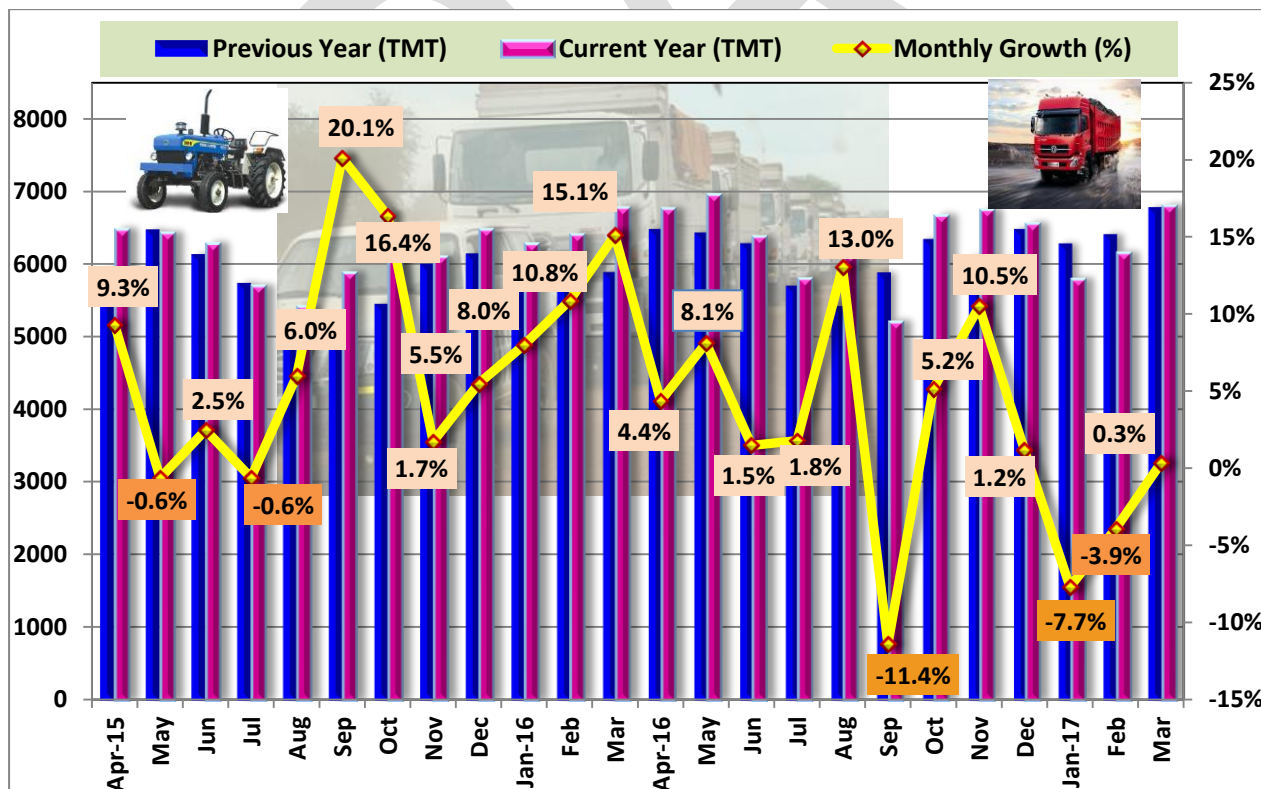
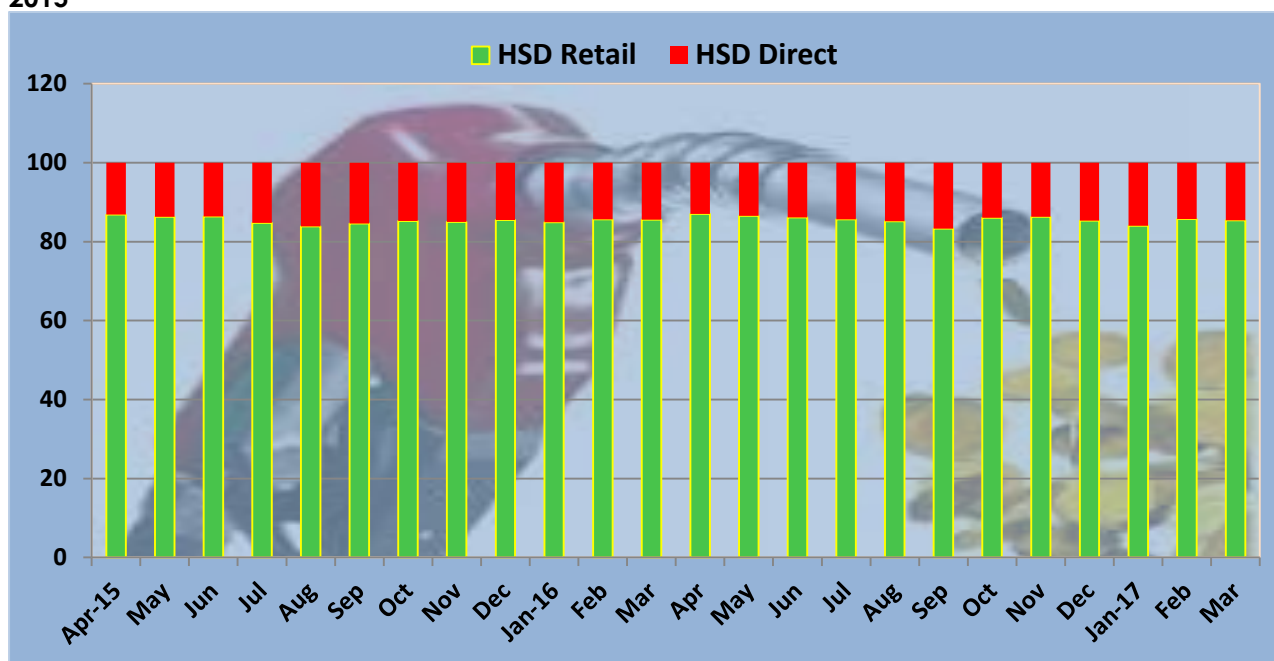


Figure-6 gives comparison of month-wise HSD consumption by Retail and Consumer business share (%) since April, 2015

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 March saw a surge in sales. At 87,257 units, CV sales recorded highest monthly sales for the fiscal year 2016-17 and recorded a growth of 9.3%. Medium & Heavy Commercial vehicles (M&HCV) recorded highest-ever sales in a single month this fiscal by selling 39,353 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 47,904 units and a growth of 12.1% over historical.

Segment	March 2016	March 2017	Growth (%)
M&HCVs	37,137	39,353	6.0%
LCVs	42,728	47,904	12.1%
Total: Commercial Vehicles	79,865	87,257	9.3%

Source: SIAM

- c) **Port traffic:** There has been a growth of 9.5% in port traffic for the month of March, 2017 mainly due to increase in traffic at all ports except Ennore, Chennai and Chidambarnar.

The growth in traffic during the period April 2016 to March 2017 has been contributed mostly by iron ore (163.67%), POL products (8.16%) and others (18.54%) while there has been a drop in finished fertilizer (-17.12%) and thermal coal (-13.48%). 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 March, 2017.

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

TRAFFIC HANDLED AT MAJOR PORTS (TMT)			
PORTS	March 2016	March 2017	Growth (%)
Kolkata + Haldia	4,748	5,789	21.9%
Paradip	7,616	8,342	9.5%
Visakhapatnam	5,067	5,488	8.3%
Kamarajar (Ennore)	3,203	2,724	-15.0%
Chennai	4,692	4,652	-0.9%
V.O. Chidambaranar	3,529	3,301	-6.5%
Cochin	1,587	2,417	52.3%
New Mangalore	3,441	4,014	16.7%
Mormugao	2,757	4,195	52.2%
Mumbai	5,023	5,476	9.0%
JNPT	5,411	5,833	7.8%
Kandla	8,942	9,106	1.8%
Total	56,016	61,337	9.5%

Source: IPA

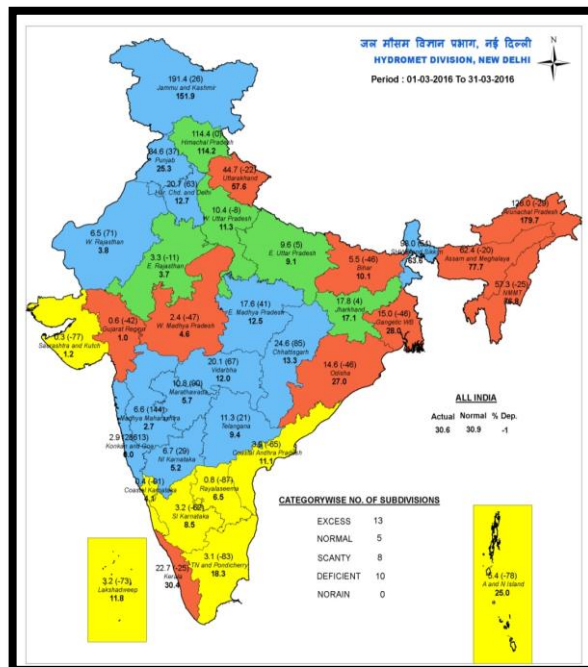
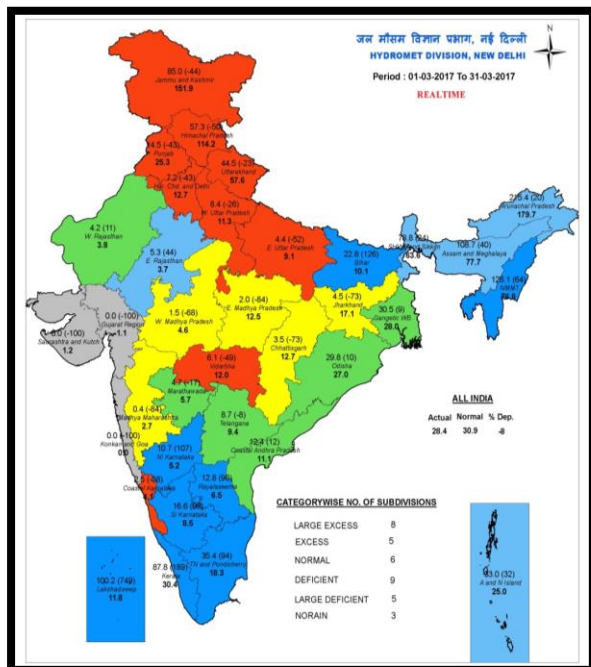
- d) **Power situation improves:** The power deficit position for the month of March, 2017 is given in Table-3. The power deficit position improved from -1.5% in March, 2016 to -0.3% during March, 2017. The shortage during the month improved for all regions. The deficit continues mainly in the states of Jammu & Kashmir, Uttar Pradesh and Assam. The improved power position in March, 2017 may have led to reduced usage of diesel for back-up power generation.

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

States	March 2017 ^(P)				March 2016
	Requirement (MU)	Available (MU)	Deficit		Deficit (%)
			MU	(%)	
North	26,586	26,399	-188	-0.7%	-4.4%
West	30,579	30,571	-8	0.0%	-0.1%
South	28,847	28,829	-18	-0.1%	-1.1%
East	10,698	10,691	-7	-0.1%	-0.2%
North-East	1,211	1,178	-33	-2.8%	-2.7%
Total	97,923	97,669	-254	-0.3%	-1.5%

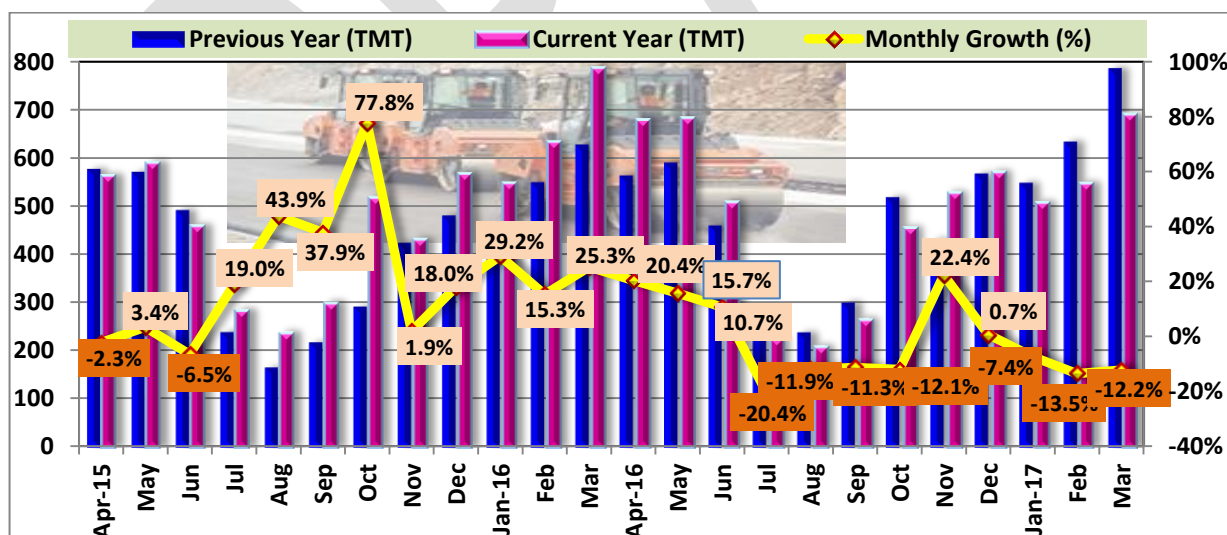
Source: Central Electricity Authority (CEA)

- e) **Seasonal rainfall scenario:** The rainfall in the country during the month has been less than normal. As against a normal of 30.9 mm, only 28.4 mm rain was recorded during the month of March 2017, which was -8.0% below normal. The drought due to shortage in rainfall in the last few months has extended its grip in the South, with the South-West monsoon falling significantly short and the North-East monsoon proving a total failure. Production of food crops such as paddy, ragi, jowar and sugarcane, among others, has taken a hit in the region. Also, plantation crops such as tea, coffee, coconut, rubber and arecanut have been impacted. Output in allied agriculture sectors such as dairy, sericulture and poultry has been affected specifically in Southern India.



1.4 Bitumen: Bitumen consumption recorded a de-growth of -12.2% during the month of March, 2017. On cumulative basis, a marginal de-growth of -0.8% was recorded for the period April 2016 to March 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 three months in a row recorded a positive growth of 1.9% during March, 2017 and cumulative growth of 9.8% for the period April 2016 to March 2017. Last year in the month of March, 2016, a growth of 15.2% and during April 2015 to March 2016 a growth of 9.0% was observed. PPAC records from 1970-71 to 2016-17 show that there was always growth in total LPG consumption every year except for a minor de-growth of -1.2% during 1980-81. Compounded Annual Growth Rate (CAGR) of total LPG consumption of last five years is 7.0% and last 10 years is 7.1%.

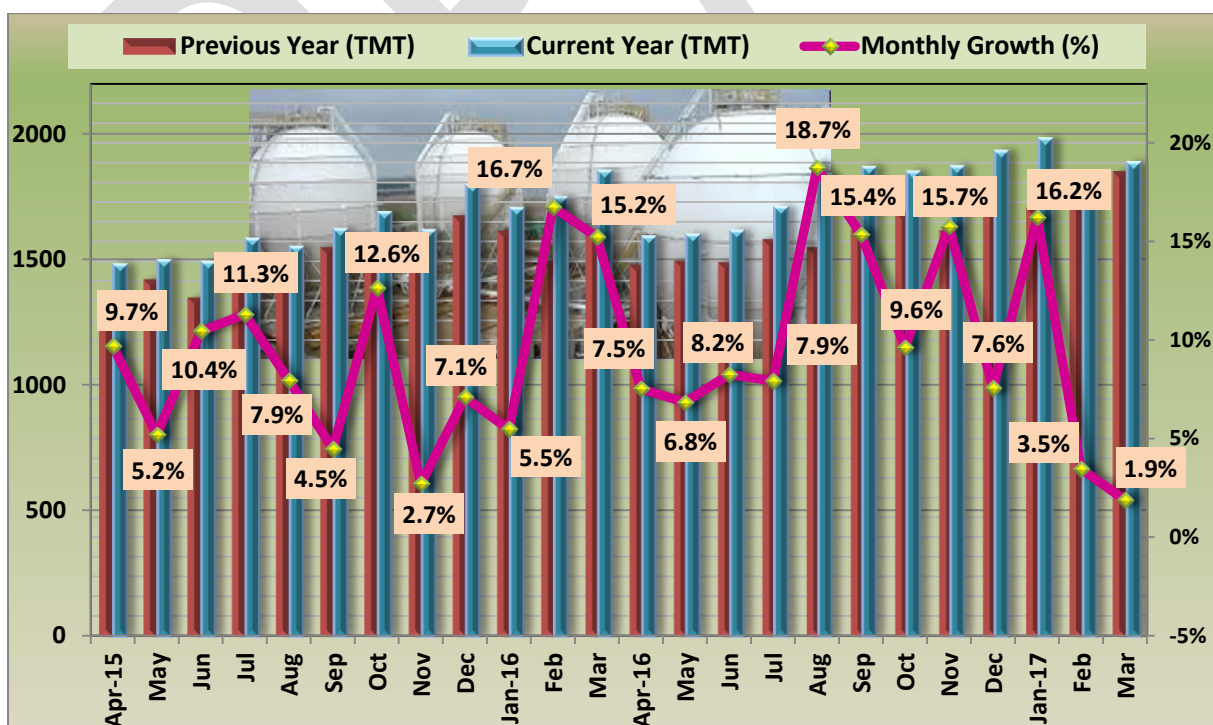
LPG-Packed Domestic consumption registered a growth of 3.4% during March, 2017 and a growth of 9.8% during the period April 2016 to March 2017. Last year during March, 2016, a growth of 13.2% and in April 2015 to March 2016 a growth of 7.1% was seen. During the month of March, 2017, approximately 37.5 lakhs new connections were released out of which 25.1 lakhs were released on account of Ujjwala scheme. In the period April 2016 to March 2017, about 331.7 lakhs new connections and 69.9 lakhs DBCs were released including approximately 200.3 lakh connections released on account of Ujjwala scheme since inception in May 2016.

LPG-Packed Non-Domestic consumption for the past twenty seven months in a row registered a growth of 2.7% in March, 2017 and cumulative growth of 21.3% during April 2016 to March 2017. Last year during March, 2016, growth of 35.3% and cumulative growth of 39.3% during April 2015 to March 2016 was observed. It is mainly due to easy availability and curb in diversion of subsidized domestic cylinders after the launch of DBTL.

Bulk LPG consumption registered a de-growth of -17.4% during March, 2017 and cumulative growth during April 2016 to March 2017 was 14.8%. Last year in the month of March 2016, a growth of 14.4% and during April 2015 to March 2016 a minor growth of 0.5% was seen.

Auto LPG consumption registered a growth of 1.0% in March, 2017 and cumulative de-growth of -2.2% during April 2016 to March 2017. However, last year in the month of March, 2016 a growth of 3.6% and during April 2015 to March 2016 growth of 4.3% was witnessed. Reasons for de-growth in Auto LPG is mainly due to more focus on CNG.

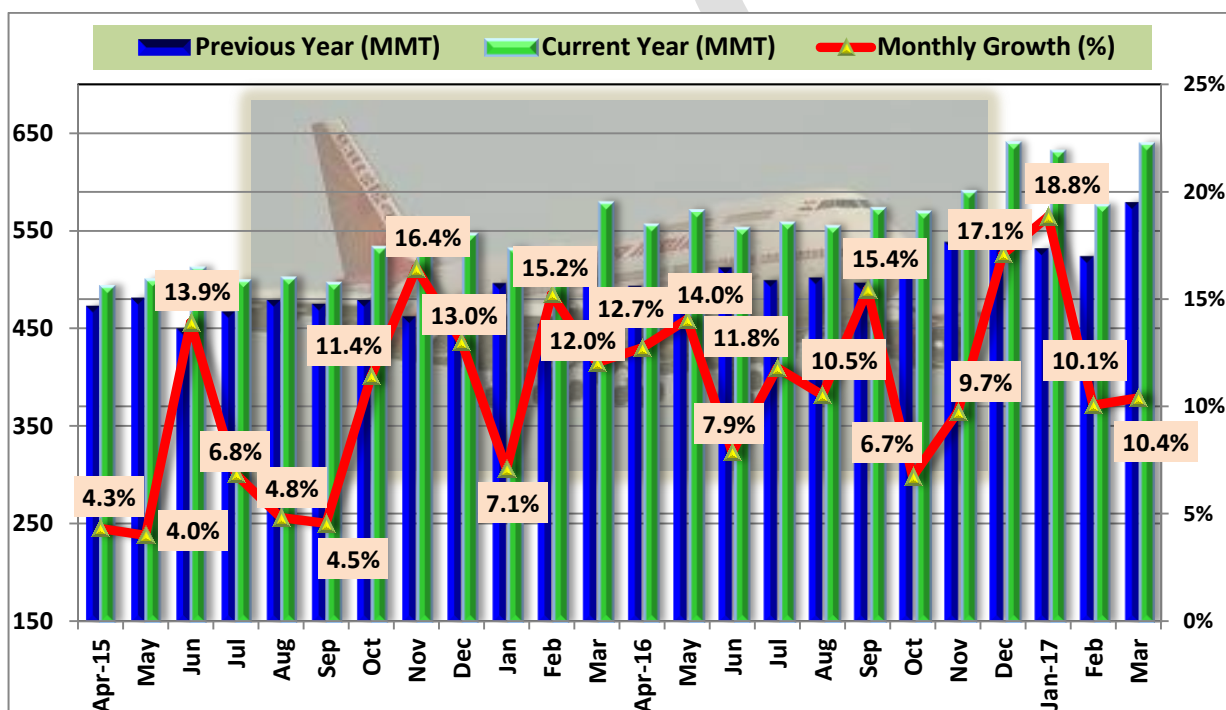
Figure-6: Month-wise LPG consumption (TMT) and growth (%) since April, 2015



1.6 Naphtha: Naphtha consumption recorded a de-growth of -1.8% during the month of March, 2017 and a minor de-growth of -0.1% on cumulative basis for the period April 2016 to March 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 March, 2017 growth in consumption of ATF was 10.4% and a cumulative growth of 12.1% was observed for the period April 2016 to March 2017. This is the highest growth in annual consumption of ATF since 2007-08 which is mainly due to a growth of 21.76% in domestic passenger traffic during the current year. Passengers carried by domestic airlines during March, 2017 were 90.45 lakhs as against 78.72 lakhs during March, 2016 thereby registering a growth of 15.8%. 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 -23.3% during March, 2017 and a cumulative growth of 8.4% for the period April 2016 to March 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 growth of 6.4% during March, 2017 and a cumulative growth of 22.2% during April 2016 to March 2017. Growth seems to have become synonymous to the Petcoke market in India. The demand for the product has been rising remarkably and during the last five fiscals, it has grown at a CAGR of 30.9%. Petcoke is a source of fuel for cement, steel, graphite, aluminium, etc. industries as per their techno-economic considerations.

Tendency for using Petcoke as primary fuel or partially replacing coal with it is gaining momentum among its end users due to its higher composition of carbon relative to coal and therefore resultant calorific value. India is the second largest Petcoke consuming country in Asia after China. A large quantity of Petcoke is being imported in the country to bridge the supply-demand gap. Driven by rising infrastructure development and growing demand for automotive, steel and cement consumption is on increase resulting in improving the demand for Petcoke.

1.10 LDO: LDO consumption recorded a drop of -29.8% in the month of March, 2017 and a cumulative growth of 10.1% for April 2016 to March 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 Consumption Trend Analysis 2016-17 ^(a)

('000 MT)

Product	March			April-March		
	2015-16	2016-17	Growth (%)	2015-16	2016-17	Growth (%)
(A) Sensitive Products						
SKO	566.0	414.2	-26.8	6826.3	5395.9	-21.0
LPG	1852.2	1886.8	1.9	19623.2	21548.2	9.8
Sub Total	2418.2	2301.0	-4.8	26449.5	26944.1	1.9
(B) Major Decontrolled Products						
Naphtha	1167.7	1147.2	-1.8	13270.8	13254.3	-0.1
MS	2046.5	2105.7	2.9	21846.6	23764.8	8.8
HSD	6783.1	6805.4	0.3	74647.1	76012.0	1.8
Lubes+Greases	403.4	337.7	-16.3	3571.2	3413.9	-4.4
LDO	49.4	34.7	-29.8	407.1	448.2	10.1
FO/LSHS	739.8	567.4	-23.3	6632.1	7187.7	8.4
Bitumen	787.7	691.5	-12.2	5937.9	5889.1	-0.8
ATF	579.5	639.7	10.4	6261.7	7018.7	12.1
Sub Total	12557.1	12329.3	-1.8	132574.5	136988.7	3.3
Sub - Total (A) + (B)	14975.3	14630.3	-2.3	159024.0	163932.8	3.1
(C) Minor Decontrolled Products						
Pet.Coke	1967.7	2093.4	6.4	19297.4	23588.9	22.2
Others	528.1	634.5	20.2	6352.2	6692.1	5.4
Sub Total	2495.8	2727.9	9.3	25649.6	30281.0	18.1
Total	17471.1	17358.2	-0.6	184673.6	194213.8	5.2