Overview of Market Conditions in the Sub-Continent: India

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Hindustan Petroleum Corporation Ltd.

WLPGA Sub-Continent Regional Summit
Overview

1. Indian LPG Scenario
2. LPG Market Opportunities
3. Regulatory Influence
4. Infrastructure Development
5. Summary
About HPCL

- Mega Public Sector Undertaking with Navratna status & a Fortune 500 Company
- Engaged in business of Refining and Marketing of petroleum products
- Turnover of USD 31,546 Million
- HP Gas selected as Superbrand-India
- Catering to 35 Millions Customers
- Pan India strong network of 2750 distributors
- 44 LPG bottling Plants with 3385 TMTPA bottling Capacity and equipped with Electronic Carousel
1. Indian LPG Scenario

- LPG Marketing in India commenced in 1950s by Burmah Shell & Stanvac
- LPG Demand started picking up from 1980s when demand was 0.41 MMT
- India is now fourth largest consumer of LPG in the World
- Third largest consumer of LPG in domestic sector in the World
- Total Demand of LPG: 13.9 MMT in 2010-11 which shall increase to 20 MMT by 2015-16
1. Indian LPG Scenario

- Daily 3 Million LP Gas cylinders are delivered to doorstep of consumers
- Total 200 Million Cylinders in the market
- 12.5 Million cylinders procured annually
- 182 LPG Bottling Plants pan India with installed capacity of 11.3 MMTPA
1. Indian LPG Scenario

Demand & Supply (Indigenous production)

- Demand in 2010-11: **13.9** MMT
- Indigenous Production in 10-11: **9.5** MMT
- 31% of total LPG Demand is met from Imports
- Indigenous LPG production through State Run/Private Refineries & Fractionators
1. Indian LPG Scenario

Product Portfolio

- Domestic Growth is 8-9%; still penetration in rural areas is low
- Commercial & Industrial Consumption is increasing: (from 7% of total pie in 07-08 to 10% in 10-11)
- Auto LPG consumption is 2% of total pie as compared to 9% World wide
1. Indian LPG Scenario

Vision 2015 of MOP&NG

1. Increase in Domestic LPG Connections:
   - Focus on areas where LPG penetration is low by giving incentives - Raise population coverage from 50% to 75%.
   - Increasing LPG customer population from 107 millions to 160 millions by 2015
   - Switch Over from Kerosene to LPG

2. Common LPG Kitchen-Making LPG affordable:
   - Opening up Community Kitchens in villages as a part of Corporate Social Responsibility
1. Indian LPG Scenario

Vision 2015 of MOP&NG:

Rajiv Gandhi Gramin LPG Vitaran Yojana (Low Cost Distribution Model):
- Improving reach of LPG in rural market
- A low cost model of distribution sustainable for cluster of villages having about 4500 families

Expected Refill Sales: 600 cylinders of 14.2 kg per month
2. LPG Market Opportunities

- Rural Market: Domestic Segment
- Industrial/Commercial Sector
- Transport/ Automobile Sector
2. LPG Market Opportunities

Rural Market: Domestic Segment

- 72% of population lives in rural areas
- LPG penetration is 19.6%
- 87% of villages have population less than 2000
- Reduced barriers: Road connectivity, literacy, awareness and purchasing power

### Distribution of Villages in India

<table>
<thead>
<tr>
<th>Population</th>
<th>Number of Villages</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 200</td>
<td>114267</td>
<td>18%</td>
</tr>
<tr>
<td>200-499</td>
<td>15123</td>
<td>24%</td>
</tr>
<tr>
<td>500-999</td>
<td>159400</td>
<td>25%</td>
</tr>
<tr>
<td>1000-1999</td>
<td>125758</td>
<td>20%</td>
</tr>
<tr>
<td>2000-5000</td>
<td>69135</td>
<td>11%</td>
</tr>
<tr>
<td>5000-9999</td>
<td>11618</td>
<td>2%</td>
</tr>
<tr>
<td>&gt;10000</td>
<td>3064</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>638365</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Target Market: Formulating strategies to reach villages with population less than 2000
2. LPG Market Opportunities

Industrial & Commercial Sector:

- Commercial & Industrial Segment growing at 27% CAGR for last 5 years
- LPG- Gaining popularity in Industries
  - Commitment towards climate change
  - Return on Investment: Economical than various other conventional fuel
- In Commercial Segment
  - Boom in Retail Industry: Shopping Malls & Food Courts

Create Awareness in Industries / Commercial Sector about Benefits of LPG
Opportunities in Industry

Ceramic Industry
- Calcination
- Gloss Firing
- Stoneware
- Porcelain

Chemical /Drugs
- Heating
- Drying
- Feedstock in Chemical Ind.

Metallurgical
- Annealing
- Billet Heating
- Melting
- Descaling
- Stress Relieving
- Pre-heating

Glass
- Melting
- Holding
- Blowing
- Polishing
- Stress Relieving
Opportunities in Industry

- Textile
  - Drying
  - Singing
  - Calendering
  - Dyeing
  - Velvet Processing

- Agriculture
  - Heating
  - Drying
  - Feedstock in Chemical Ind.

- Automobile
  - Paint Baking
  - Heat treatment

- Food
  - Baking
  - Boiling
  - Frying
  - Drying
2. LPG Market Opportunities

Automobile /Transport Sector:

- Auto LPG sales has increased by 30% CAGR between 2005-06 and 2009-10
- With 0.5 Million vehicles running on Auto Gas, per vehicle consumption is 451 Kg per annum against world average of 1428 kg per annum.

Source: WLPGA 2009
3. Regulatory Influence

Rural Market:
Focused approach of Govt. of India to increase penetration of LPG in Rural Areas:

• **Vision 2015 of Ministry of Petroleum & Natural Gas**
  - Raise population coverage from 50% to 75%
  - Low cost Distribution model (under Rajiv Gandhi Gramin LPG Vitaran Yojana)
  - Deposit Free Connections to BPL customers

• **Other Govt. Policies to increase purchasing power of rural folks:**
  - Direct subsidy to farmers
  - Extension of Debt waiver
  - Allocation under NREGA increased (NREGA-National Rural Employment Guarantee Act)

*Projected Growth in LPG Demand shall be 8-9% year on year till 2015*
3. Regulatory Influence

Industrial / Commercial Segment

• Sectoral Initiatives taken by Govt. of India and OMCs for:
  ✓ Conversions from conventional fuels to LPG
  ✓ Creating Awareness about LPG as cleaner fuel
  ✓ Capital Investments in Industries for LPG Installations

• Stricter pollution control norms propagating use of efficient fuels

• FDI in retail sector
3. Regulatory Influence

**Pricing of LPG**

- Pricing based on Import Parity Price (Saudi CP)
- Subsidy on Domestic LPG by Govt. of India
- Market driven Prices for Commercial & Industrial LPG
4. Infrastructure Development

<table>
<thead>
<tr>
<th>S.No</th>
<th>Infrastructure</th>
<th>Capacity in TMTPA</th>
<th>Project Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2009-10</td>
<td>2014-15</td>
</tr>
<tr>
<td>1</td>
<td>Import Handling Terminals</td>
<td>4700</td>
<td>6500</td>
</tr>
<tr>
<td>2</td>
<td>Pipelines Capacity</td>
<td>4000</td>
<td>9400</td>
</tr>
<tr>
<td>3</td>
<td>Tankage (Storage Capacity)</td>
<td>685</td>
<td>912</td>
</tr>
<tr>
<td>4</td>
<td>Bottling Capacity</td>
<td>12097</td>
<td>18037</td>
</tr>
</tbody>
</table>

Increasing demand of LPG: State owned companies have planned for Infrastructure Augmentation
4. Infrastructure Development

**PROPOSED PIPELINES**

<table>
<thead>
<tr>
<th>Proposed Pipelines</th>
<th>Length</th>
<th>Cost USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradip – Haldia – Budge</td>
<td>673 km</td>
<td>202 M</td>
</tr>
<tr>
<td>Budge – Kalyani – Durgapur</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ennore – Chenglepet – Pondy – Trichy</td>
<td>382 km</td>
<td>115 M</td>
</tr>
<tr>
<td>Mangalore – Bangalore</td>
<td>376 km</td>
<td>110 M</td>
</tr>
<tr>
<td>Mumbai - Uran – Chakan</td>
<td>166 km</td>
<td>105 M</td>
</tr>
</tbody>
</table>
5. To Summarize

- Opportunity in LPG market in India lies in Rural Domestic Segment
  - Focused strategies to address issues of Availability, Affordability and Awareness
  - Opening up of low cost distribution model in large scale
- 8-9% Growth projected in LPG Demand up to 2015
- Strategic infrastructure planned year-wise to meet the growing demand
Thank You