Auto Gas
The Indian Experience

WLPGA North American-European Summit
Washington DC, February 9, 2011

Suyash Gupta - Indian Auto LPG Coalition
Agenda

I. INDIAN AUTO LPG INDUSTRY: AN OVERVIEW
II. INDIAN AUTO LPG COALITION
III. GROWTH DRIVERS
IV. CHALLENGES
V. OPPORTUNITIES
VI. CONCLUSIONS
OVERVIEW

• India’s GDP is expected to grow by almost 7% for next few years.

• Automotive industry in India
  – 26.4% growth in 2009-10 with 12.2 million vehicles hitting Indian roads.
  – 1.9 m vehicles in Passenger Car Segment sold in 2009-10, with a segment growth of 25.5% and 15.8% of the total vehicle sales.
  – More than 9.3 million two wheelers sold in 2009-10, signifying 76% share of all vehicles sold.
Station Distribution In India

Dominant Government Sector Oil Companies

✓ Indian Oil Corporation (IOC) - 300 Stations
✓ Hindustan Petroleum Corporation (HPC) - 194 Stations
✓ Bharat Petroleum Corporation (BPC) - 81 Stations

Reliance largest player in private sector with 137 stations. More than 300 stations of other players (SHV, Total, CleanFUEL, Gas Energy, IPPL, Aegis, Vanaz, etc).
## AUTO LPG : SALES AND COVERAGE

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 (31.3.2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES in TMT</td>
<td>9.7</td>
<td>31.1</td>
<td>76.7</td>
<td>180</td>
<td>275</td>
<td>248</td>
<td>318</td>
</tr>
<tr>
<td>% GROWTH (over previous year)</td>
<td>-</td>
<td>220%</td>
<td>146.62%</td>
<td>134.68%</td>
<td>52.78%</td>
<td>(-)9.8%</td>
<td>28.2%</td>
</tr>
</tbody>
</table>

| NO. OF AUTO LPG Stations | Over 1000 Stations: (550 Government Owned Oil Companies 137 by Reliance, others of Parallel Marketers like SHV, Total, Aegis etc), Marketed over 425 Cities & Towns of India. |

- Industry growth at 28% in Fiscal Year 2009-10.
- Negative growth in FY 08-09 due to increase in Autogas Retail Prices consequent of high CP during that period.
- Auto LPG sales remain at about 3% of Petrol sales.
CONVERSION: AFTERMARKET DOMINATES

- At peak, when price at the pump was less than Rs 30 ($0.6) per liter, around 15,000 vehicles, monthly, were estimated to be getting retrofit with legal kits; total number of such cars is estimated around 1,212,000.

- Legal kits are now available to customers for prices ranging from US $250 (indigenous) to US $625 (imported) thus making it sustainable.

- Key kit suppliers in the after-market for 4 Wheelers are Lovato, BRC, Longas, Star, Shrimankar and OMVL. Vialle and Minda supply to OEM Maruti and BRC to OEM Mitsubishi.

- For 3 wheelers, Kit suppliers are: Sagas (Mysore), Vanaz (Pune), Minda (N. Delhi) and Longas (Bangalore).
OE ACTIVITY

- Maruti Udyog, India’s leading vehicle manufacturer launched Omni LPG in 2004, which became the best seller in its category.
OE ACTIVITY

- This was followed by Maruti Launching Wagon R Duo in 2006, which remains a best seller in its category as well.
OE ACTIVITY

- In 08, Tata launched LPG version of Indica (V2 Xeta LPG), its frontline passenger vehicle.
- Bajaj already has LPG Three wheelers & Two wheelers (Platina).
- TVS also launched its LPG Three wheeler, Hindustan Motors with Cedia LPG, Hyundai India launched Santro LPG variant last year.
- GM has emerged as serious LPG player in the OE segment. Spark, Beat.
### FLEET SIZE

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>OEMs</td>
<td>3,10,000</td>
</tr>
<tr>
<td>Retro-Fitted</td>
<td>1,212,000</td>
</tr>
</tbody>
</table>

Maruti has close to 70% share of the OE market.

Other OEs include Bajaj, Tata, GM, Hyundai
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III. KEY GROWTH DRIVERS

IV. CHALLENGES

V. OPPORTUNITIES

VI. CONCLUSIONS
IAC STAKEHOLDERS

A unique coalition with all the critical stakeholder groups working together closely
IAC’s Representation

- Central Motor Vehicle Rules –Technical Standing Committee (CMVR-TSC)
- Standing Committee on Emissions (SCOE)
- Bureau Of Indian Standards (BIS).
- Invitee, EPCA
- Invitee, Legal metrology
IAC Focus

- Fiscal Incentives including tax sops for better fuel pricing, for attractive conversion costs and sops for vehicles manufacturers.
- Sensitize government with autogas benefits by the way of promoting and organizing safety awareness campaigns, trainings and workshops for state level officials.
- To discipline the weak links in the chain, particularly the below-par kit conversion work through an Industry Certification Procedure.
- Facilitate faster district level and highway approvals.
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## KEY GROWTH DRIVERS

### FACTORS HELPING AUTO LPG GROWTH

- Judicial pressure compelling state govt. to fall back on Auto LPG.
- OE support
- Better economics. 35% cost advantage exists
- Massive coverage. Around 425 cities covered with close to 1000 stations.
- Low conversion costs: 4 w Kits available at $250. (Rs.15K). 2 W Kit at $150?
- Lower infrastructural costs $80,000

### FACTORS HINDERING AUTO LPG GROWTH

- Continued subsidy on domestic LPG results in diversion into commercial.
- Lack of adequate retail dispensing stations with Auto LPG & few quality aftermarket converters
- Diesel subsidy
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THE CHALLENGES

• Diversion of Domestic LPG into the automotive fuel sector. Auto LPG is price-sensitive product: diversion increases with increase in Auto LPG prices, leading to lower throughput per station.

• Continuation of launches of LPG-variants by OEMs. Public perception on safety issues is strengthened through launch of LPG variants by OEMs

• Prohibitive pricing of Station Equipment

• Expand Infrastructure – increase availability of Auto LPG fuel through ALDSs

• After-market indiscipline in vehicle conversion

• Local and Highway approvals time consuming, running into months.
WISH LIST

A. Reduce Diversion of Domestic LPG into the automotive fuel sector
   - Increase public awareness through media – regarding illegality and safety hazards involved
   - Kit Marketers to desist from conversions in cities without ALDS
   - Better enforcement through State Govt. machinery on vehicles using domestic LPG cylinders.
   - Cap on supply of refills to customers within specified periods
   - Increase availability of Auto LPG stations.

B. Decontrol Domestic LPG Pricing.

C. Tax exemptions on Auto LPG, Station and conversion equipment. Auto LPG should be covered under declared goods act.

D. Standardized norms for faster local & highway approvals.
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OPPORTUNITIES

• Petrol pricing decontrolled. Easier to maintain the 40% differential with Petrol. In fact at higher retail prices, customer cares about savings in Rupees per litre rather only as a percentage.

• Streamlined domestic LPG distribution, to check diversion being out in place: Gas Control Order changed.-‘One Household, One LPG Connection’. Cap on refills using the subsidized LPG Cylinder, expected.

• Tax incentives on fuel and equipment expected.

• Courts and State level initiatives making mandatory all public fleets to be on gaseous fuels, happening- gradually.
Opportunities - Fuel Share

- India has vehicle population of close to 100 million vehicles, of which 72% are 2 wheelers, 13% are passenger cars.

- For all new vehicles, 70.1% are Petrol driven, 26.4% Diesel and 3.5% driven by all other fuels combines, which indicates a tremendous scope for LPG powered automobiles.
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CONCLUSIONS

✓ India to remain a growing Auto LPG Market.
✓ Continued OE support will have significant impact, particularly in terms of perception.
✓ Initiatives on enforcing after market discipline will result in greater consumer acceptability of the fuel.
✓ Pricing of domestic LPG remains a key factor
✓ Indian experience shows that Industry may need to be seeded by aftermarket players.
“Challenges ahead, but India on its way to becoming a leading Autogas market...”

Even with an absence of any direct government support until now, Autogas has still shown very impressive growth rates. While it remains at about 1.5% of the total auto fuel sales in India, station numbers are growing fast with more than 425 cities already covered with 1000+ stations. With streamlined and faster station rollout process, continued OE support, huge base of LPG vehicle users of close to 1.5 m and an expected government support in terms of tax incentives, India can be expected to become a major autogas market in the next few years.
Thank You

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