



Lubricant Market Report 2015

Public Utilities Commission of Sri Lanka

Shadow Regulator - of the Lubricant Market

As the shadow regulator of the lubricant market,
Public Utilities Commission of Sri Lanka,
Collects and records operational information of the lubricant
market.

This report provides an
Overview of lubricant market
and
Summarizes the operational information.

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1. Role of PUCSL as the Shadow Regulator

The lubricant market is regulated and governed under the provisions of the Petroleum Products (Special Provisions) Act No. 33 of 2002 and the Ceylon Petroleum Corporation Act No. 28 of 1961. The importation, exportation, blending, production, sale, supply and distribution of lubricants including greases require specific authorization from the Government. Authorization is granted only to qualified parties who possess proper technical know-how and adequate financial capability, to ensure that substandard products do not enter the market.

The Government has appointed PUCSL as the shadow regulator for Lubricants through a cabinet decision in 2006 (Liberalization of the lubricant market and interim regulation by the Public Utilities Commission of Sri Lanka). As the shadow regulator of the lubricants market, the PUCSL advises the Ministry of Petroleum Resources Development on policy and regulatory matters with respect to liberalization of the lubricants industry. This includes following aspects.

- Providing advice on renewal of licenses of importers of lubricant products.
- Engage in the process of preparing tender documents for issuing licenses to lubricant importers.
- Participate in the preparation of standards for lubricant products at the Sri Lanka Standard Institute.
- Look into the unauthorized activities in lubricant market and advice Ministry of Petroleum Resources Development on such activities.
- Launch customer awareness/ education programs on lubricant products.

The regulation of the downstream petroleum industry is to be assigned to the Commission under PUCSL Act, No. 35 of 2002. The Schedule of Act, No. 35 of 2002 was amended in July 2006, by way of a resolution passed in Parliament to include the Petroleum industry in the list of public utilities to be regulated by the Commission.

However the respective acts (The Petroleum Products (Special Provisions) (Amendment) Bill and Ceylon Petroleum Corporation (Amendment) Bill), which would empower the Commission to regulate economic, technical, competition and safety aspects of the petroleum industry, is to be presented to the parliament for enactment.

At present the Commission provides assistance to the Ministry of Petroleum Resources Development to regulate the downstream petroleum products. Petroleum products include petrol, diesel, kerosene, aviation fuel, marine fuel, furnace oil, liquefied petroleum gas and lubricants.

The Government had shown a green light in giving provisions to PUCSL to regulate the petroleum industry in its budget speech 2015.

‘Having recognized that a robust regulatory mechanism is vital in developing self-reliant SOEs, Government will also provide legislative backing to broaden and strengthen the Public Utilities Commission of Sri Lanka (PUCSL) to include the National Water Supply and Drainage Board (NWSDB) and the Ceylon Petroleum Corporation (CPC) enabling a more cost reflective transparent pricing mechanism.’ – Budget Speech 2015

2. Authorized Parties/Brands

As at end of year 2015, there were thirteen (13) parties authorized to import, export, sell, supply and distribute lubricants (Activity 2) and three(3) parties were authorized to import, export, sell, supply, distribute and blend lubricants (Activity 1) under following authorized brands in Sri Lanka.

Table 1 : List of authorized parties/brands and activities in Sri Lankan Lubricant Market

Brand(s)	Company	Nominee	Activity
 CALTEX Chevron (Caltex, Chevron, Texaco, Lanka)	Chevron Ceylon Limited	Chevron Lubricants Lanka PLC	Activity 1
 SERVO (Servo)	Indian Oil Corporation Limited	Lanka IOC PLC	Activity 1
 ExxonMobil Esso Mobil (ExxonMobil, Esso, Mobil, Cat)	ExxonMobil Asia Pacific Pte. Ltd.	McLarens Lubricants Limited	Activity 2
 Valvoline (Valvoline)	Ashland Inc.	United Motors Lanka Limited	Activity 2
 Shell (Shell)	Shell Markets (Middle East) Limited	N. M. Distributors (Pvt) Limited	Activity 2
 bp Castrol (BP, Castrol)	BP France S.A.	Associated Motorways Limited	Activity 2
 Laugfs (Laugfs)	Laugfs Holdings Limited	Laugfs Lubricants Limited	Activity 1
 MAK LUBRICANTS (MAK)	Bharat Petroleum Corporation Limited	TVS Lanka (Pvt) Limited	Activity 2
 MOTUL (Motul)	Motul	Transmec International	Activity 2
 SINOPEC Premium Lubricants (Greatwall, Sinopec)	Lubricant Company Sinopec Corporation	Interocean Lubricants Limited	Activity 2
 Toyota (Toyota)	Toyota Tsusho Corporation	Toyota Lanka (Pvt) Limited	Activity 2
 TOTAL elf (Total, Elf)	Total Oil India Private Ltd	Navaloka Petroleum (Pvt) Limited	Activity 2
 hyrax (Hyrax)	Ceylon Petroleum Corporation		Activity 2

3. Sales and Market Share

A total of 57,978 kL of lubricants worth of LKR 23.4 billion were sold during the year 2015, up 6.8% compared to the total sales (quantity) of year 2014.

Table 2 : Total Sales History

Year	Lubricants - Total Sales		Annual Increase (%)	
	Quantity (kL)	LKR (Mil.)	Quantity (KL)	LKR (Mil.)
2015	57,978	23,463	6.8	3.6
2014	54,265	22,640	1.0	11.0
2013	53,708	20,397	(4.7)	(2.2)
2012	56,334	20,854	(3.8)	11.1
2011	58,554	18,775	7.7	33.8
2010	54,369	14,035	21.0	27.1
2009	44,945	11,039		

According to the table 3, market leader held a share of 47.58 % in 2015 (49.30% in 2014) with nearest competitor seized 14.86% of market share in the same year up from 12.59% in 2014.

Table 3 : Sales and the Market Share

Company	2015		2014	
	SALES QUANTITIES - kL	SALES QUANTITIES - %	SALES QUANTITIES - kL	SALES QUANTITIES - %
Chevron Ceylon Limited	27,585.20	47.58	26,752.97	49.30
Indian Oil Corporation Limited	8,618.00	14.86	6,832.69	12.59
Ceylon Petroleum Corporation	5,325.85	9.19	5,718.70	10.54
Bharat Petroleum Corporation Limited	2,951.40	5.09	2,241.17	4.13
Laugfs Holdings Limited	2,858.29	4.93	2,896.76	5.34
ExxonMobil Asia Pacific Pte. Ltd.	2,857.62	4.93	3,680.42	6.78
Lubricant Company Sinopec	1,527.20	2.63	1,207.70	2.23
BP France S.A.	1,519.11	2.62	1,314.44	2.42
Toyota Tsusho Corporation	1,483.16	2.56	1,027.39	1.89
Shell Markets (Middle East) Limited	1,412.93	2.44	1,183.12	2.18
Ashland Inc.	1,300.16	2.24	1,076.61	1.98
Total Oil India Private Ltd	479.26	0.83	286.90	0.53
Motul*	59.93	0.10	46.08	0.08
Total	57,978.13	100.00	54,264.95	100

Figure 1 and figure 2 illustrate the Lubricant Sales (kL) by Company since year 2009 and Lubricant Sales Revenue (LKR Million) by Company since year 2009 respectively.

Market analysis

Compared to 2014, the overall lubricant market has increased by 6.8% in 2015. Automotive and Industrial lubricant market has grown by 10.1% and 7.7% while the Marine lubricant market has shown a reduction of 37.7% compared to 2014. Greases market has shown a moderate growth of 4.7%.

In the automotive lubricants market segment the highest growth is shown in Four Stroke Motorcycle oil with an increase of 29%. Petrol vehicle lubricants have increased by 14.8%. This is undoubtedly due to large increase in imports of motorcycles and gasoline driven cars during 2015. The Diesel vehicle lubricant has shown an increase of only 2.3%. Gear oil consumption has increased by 12.5%. Automatic Transmission Fluid consumption has increased by only 2.8%, which appears to be relatively low compared to the increase in gasoline engine lubricants. Virtually all the increase in gasoline engine oil is in multi-grade oils, amounting to 90% of the increase. Surprisingly the multi-grade oil consumption in the diesel engine oil segment show a decline of 11% compared to the previous year. Appears as the diesel lubricant consumers are switching from multi-grade to mono-grade.

The penetration of synthetic oils in the market is very low at 1.12% of the total market.

Lubricant Sales (kL) by Company

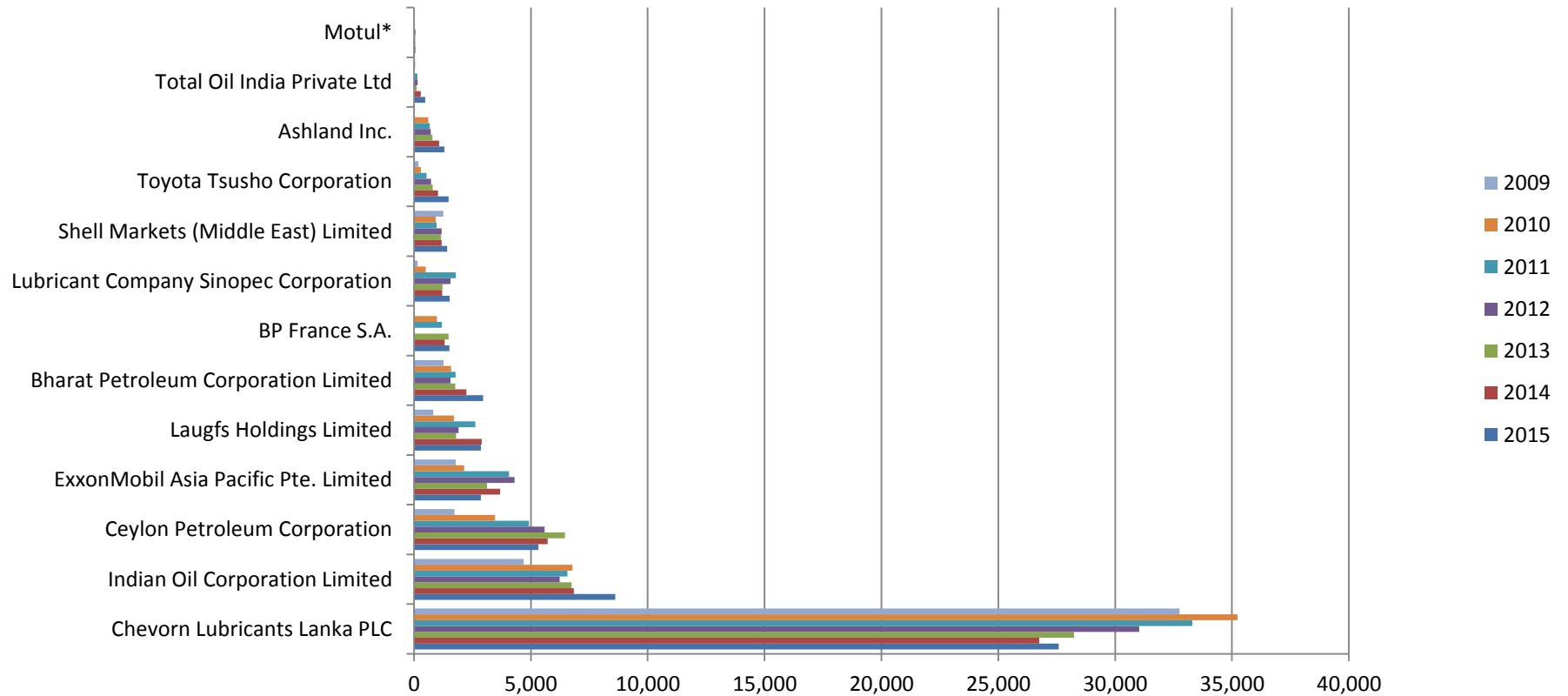


Figure 1: Lubricant Sales (kL) by Company

Lubricant Sales Revenue (LKR Million) by Company

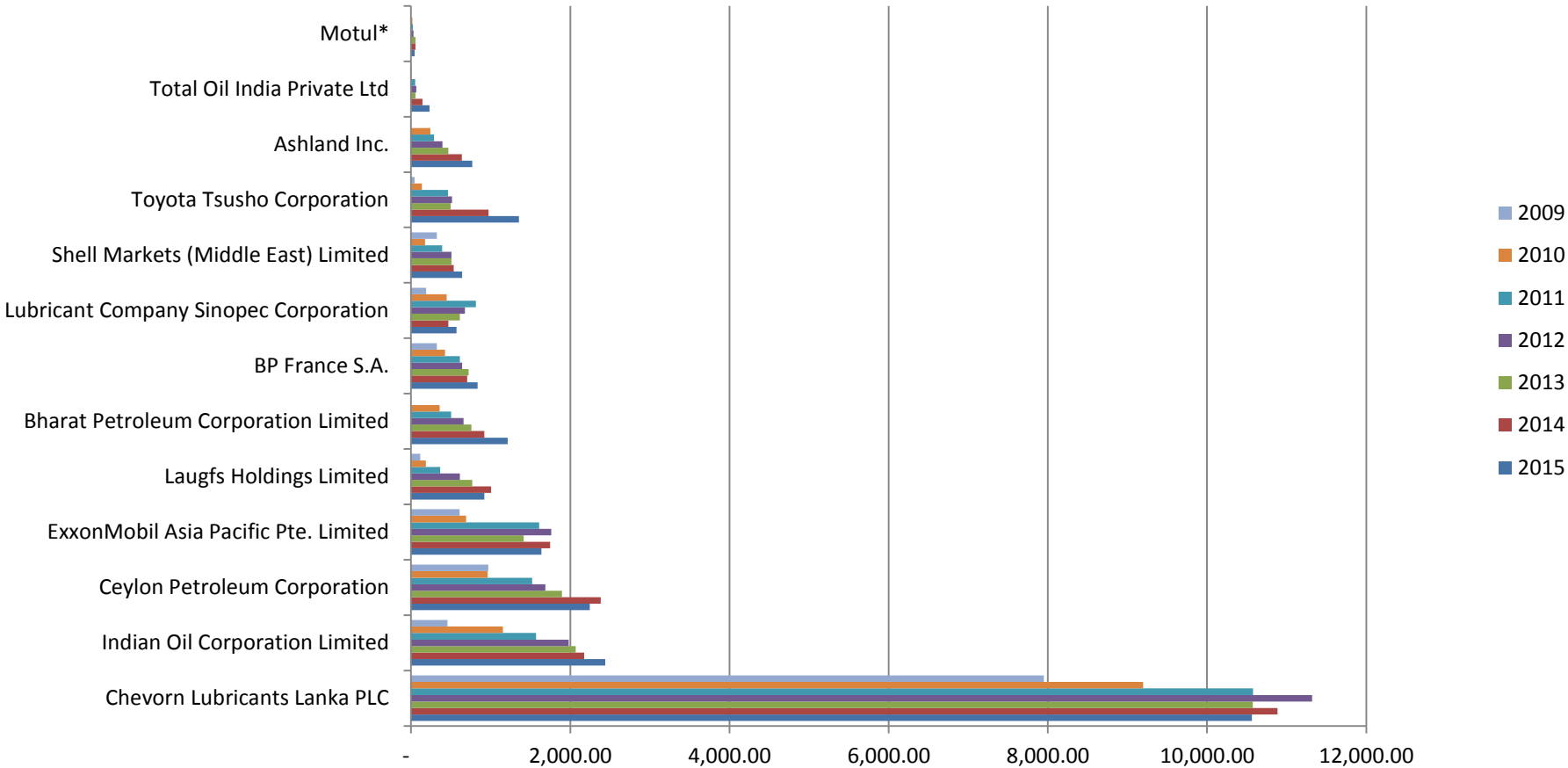


Figure 2 : Lubricant Sales Revenue (LKR Million) by Company

Lubricant Sales (Quantity-kL) - 2015

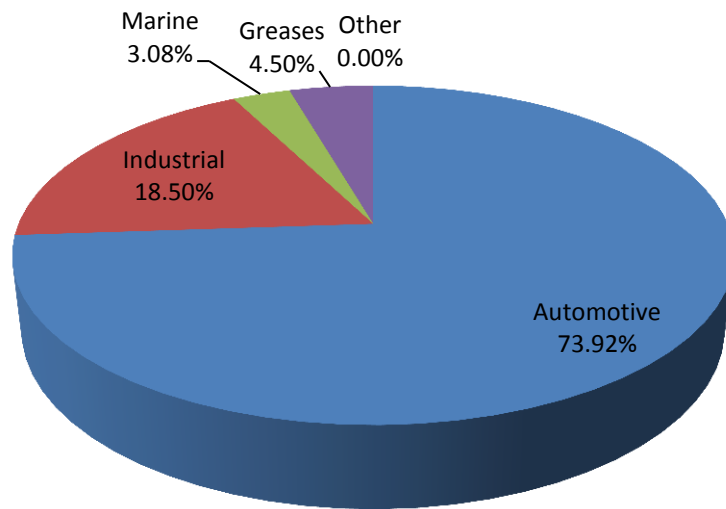


Figure 3 : Lubricant Sales Share (Quantity-kL) - 2015

Yearly lubricant Sales (Quantity-kL)

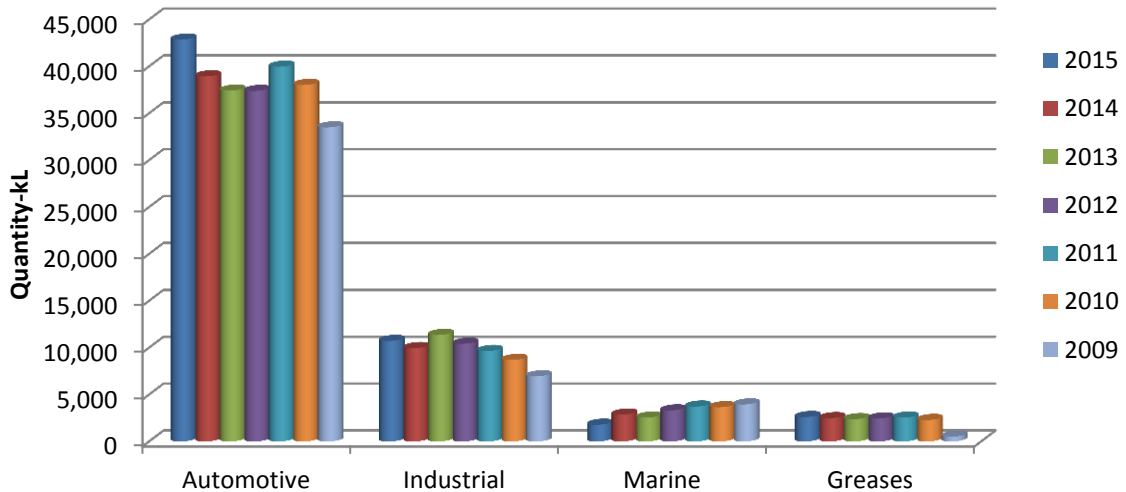


Figure 4 : Yearly lubricant Sales (Quantity-kL) of each type

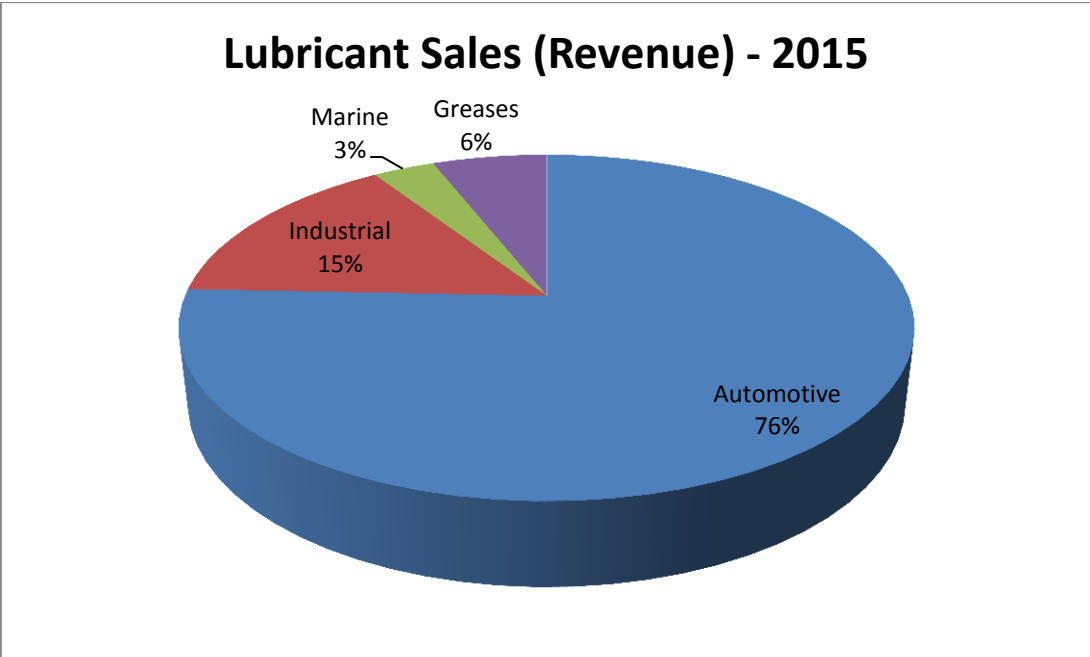


Figure 5 : Lubricant Sales (Revenue) share - 2015

Automotive Lubricant Sales (Quantity) Breakdown

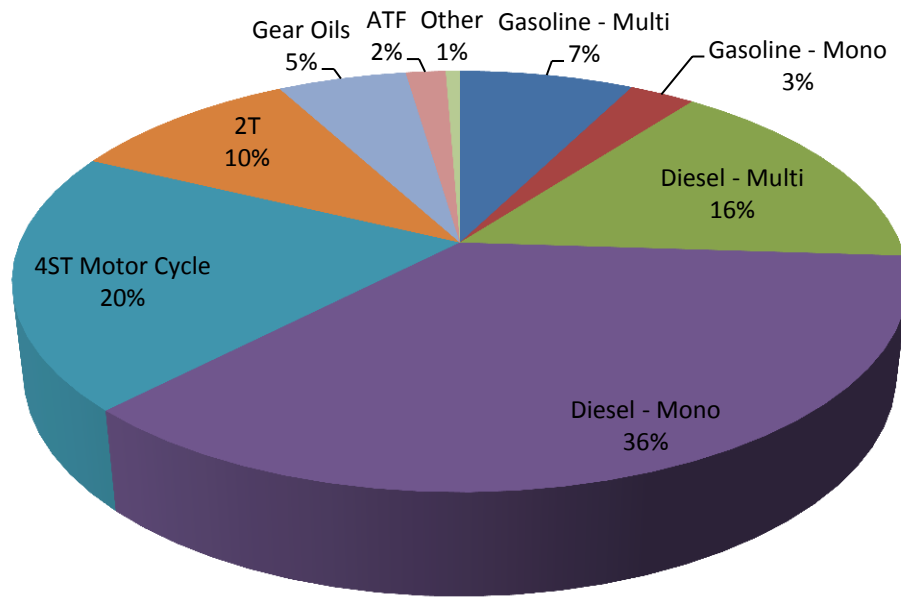


Figure 6 : Automotive Lubricant Sales (Quantity) Breakdown

Automotive Lubricant Sales (Revenue) Breakdown

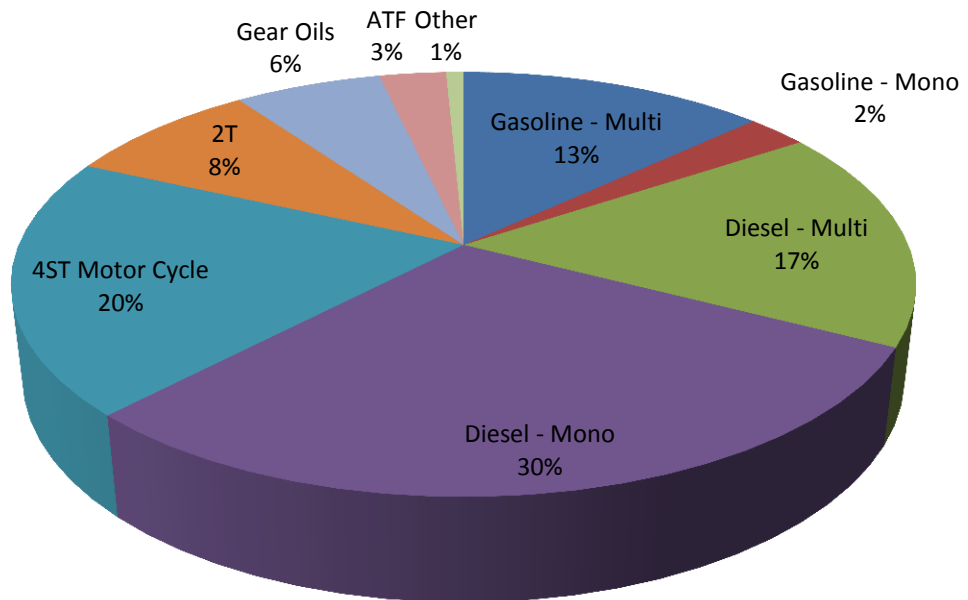


Figure 7 : Automotive Lubricant Sales (Revenue) Breakdown

Synthetic Sales - Quantities (KL)

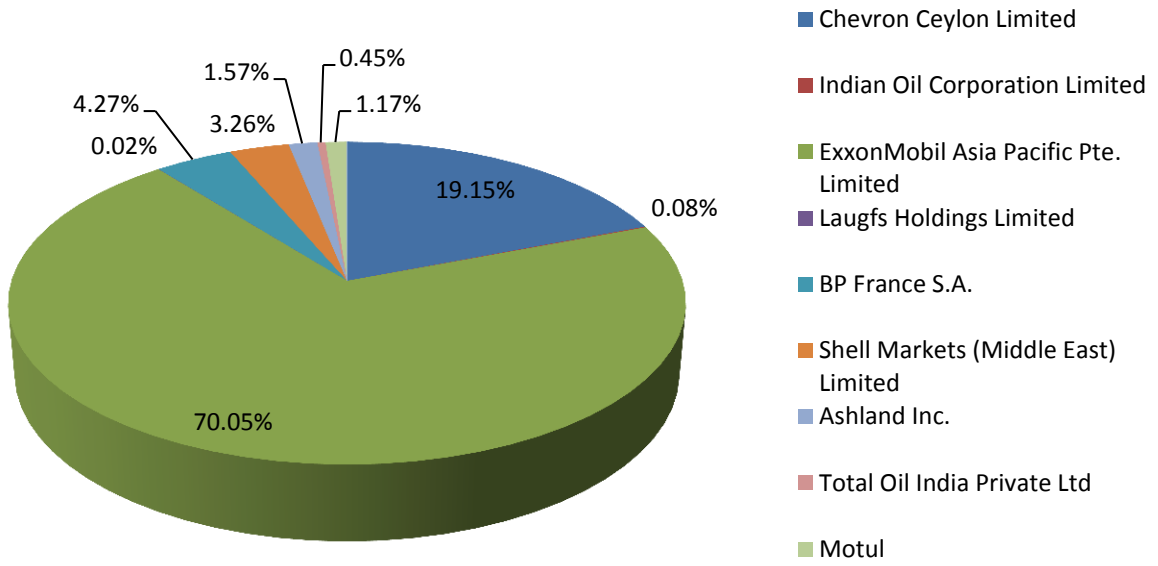


Figure 8 ; Synthetic Sales - Quantities (KL)

Synthetic Sales - Revenue (LKR Million)

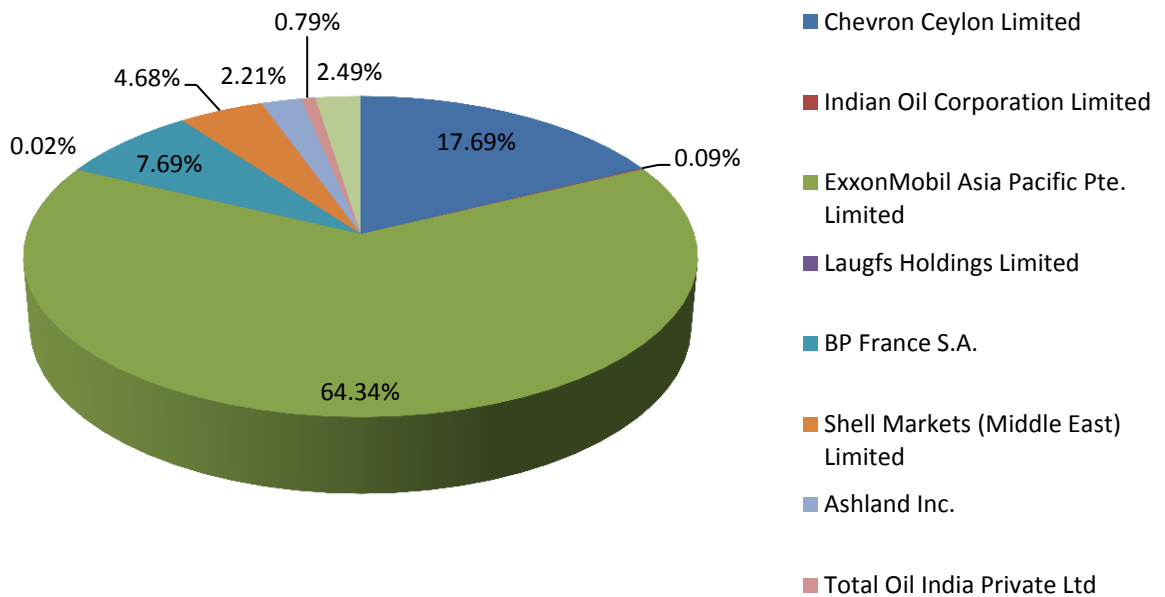


Figure 9 : Synthetic Sales - Revenue (LKR Million)

5. Imports

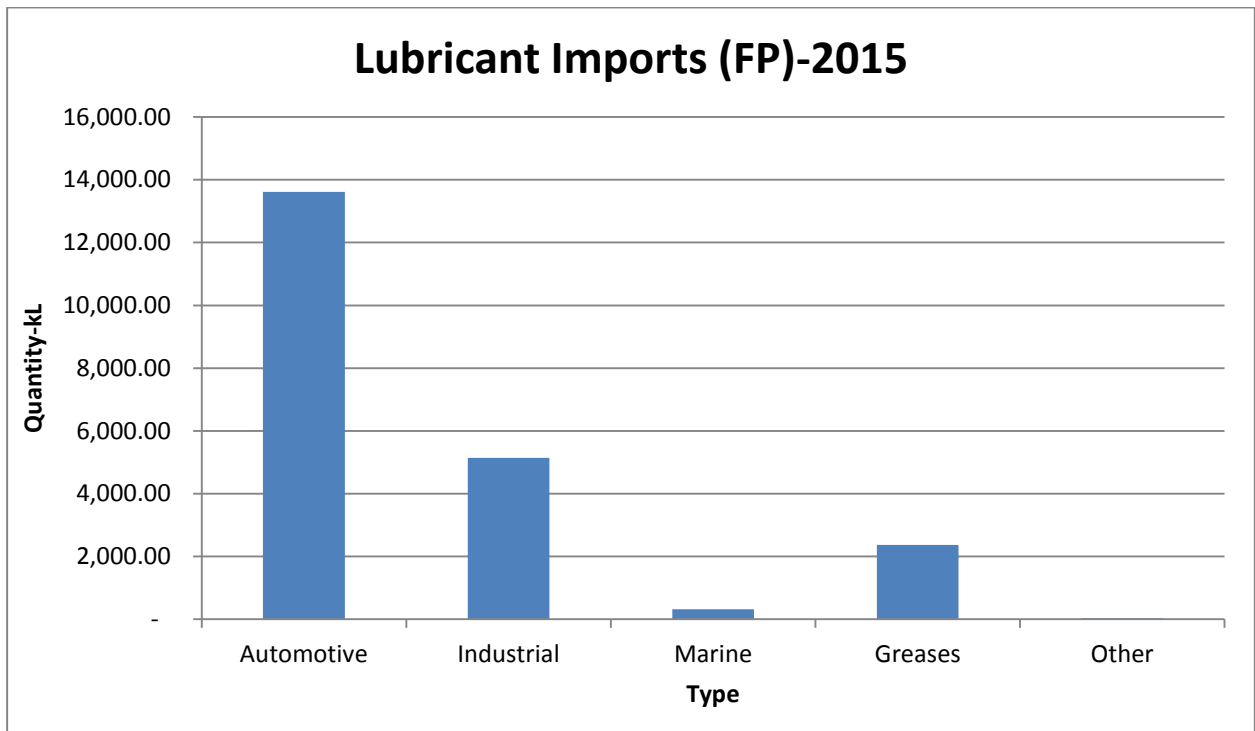


Figure 10 : Lubricant Imports (FP)-2015

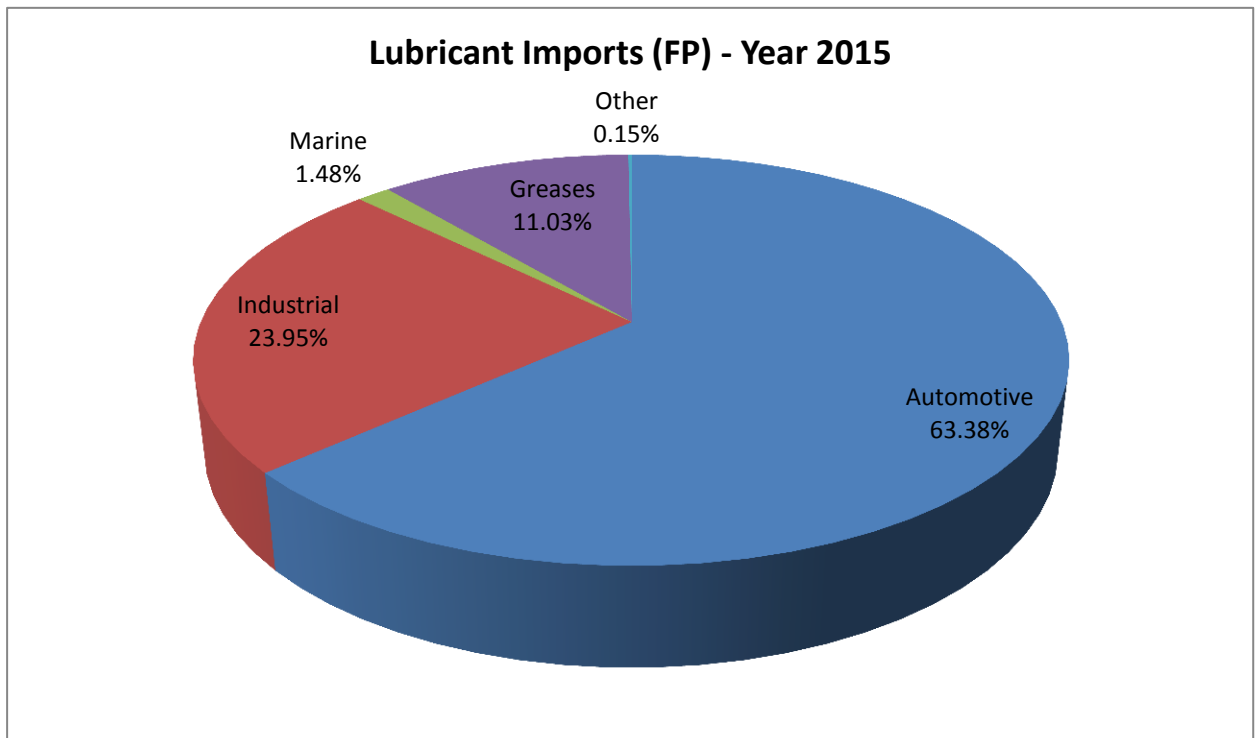


Figure 11 : Lubricant Imports (FP) - Year 2015

Total imported base oil and additives are tabulated as below

Table 4: Total base oil and additives

Company	Base Oils/kL	Additives/kL	Total/kL
Chevron Ceylon Limited	21,880.00	2,822.00	24,702.00
Indian Oil Corporation Limited	10,440.44	611.21	11,051.65
Laugfs Holdings Limited	3,312.94	145.15	3,458.09
Total	35,633.38	3,578.36	39,211.74

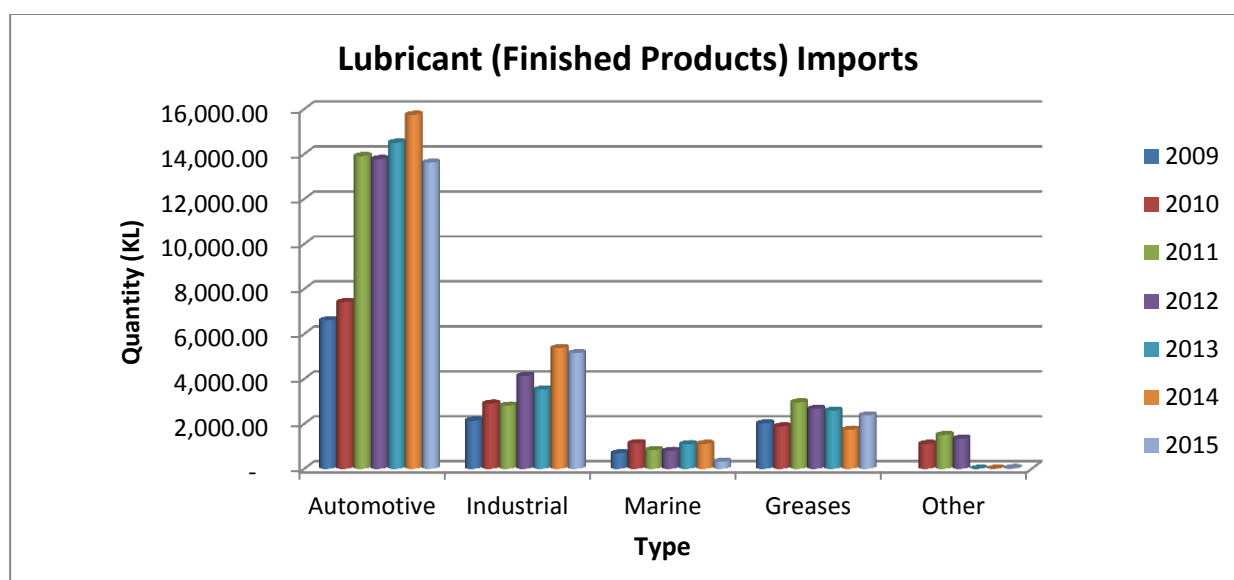


Figure 12 : Lubricant (Finished Products) Imports

6. Exports

During the year 2015, a total of 3,167 Kilo Liters of Lubricants were exported to regional markets. This is an 8% increase with respect to year 2014.

7. Production

During the year 2015, 37,797.00 kL of lubricants were produced (blended) locally. Around 75% of the blending was carried out at the lube blending plant of Chevron, 20% was produced at lube blending plant belonging to IOC and remaining 5% was produced by Laugfs Holdings Limited.

8. Lubricant Sales Trend

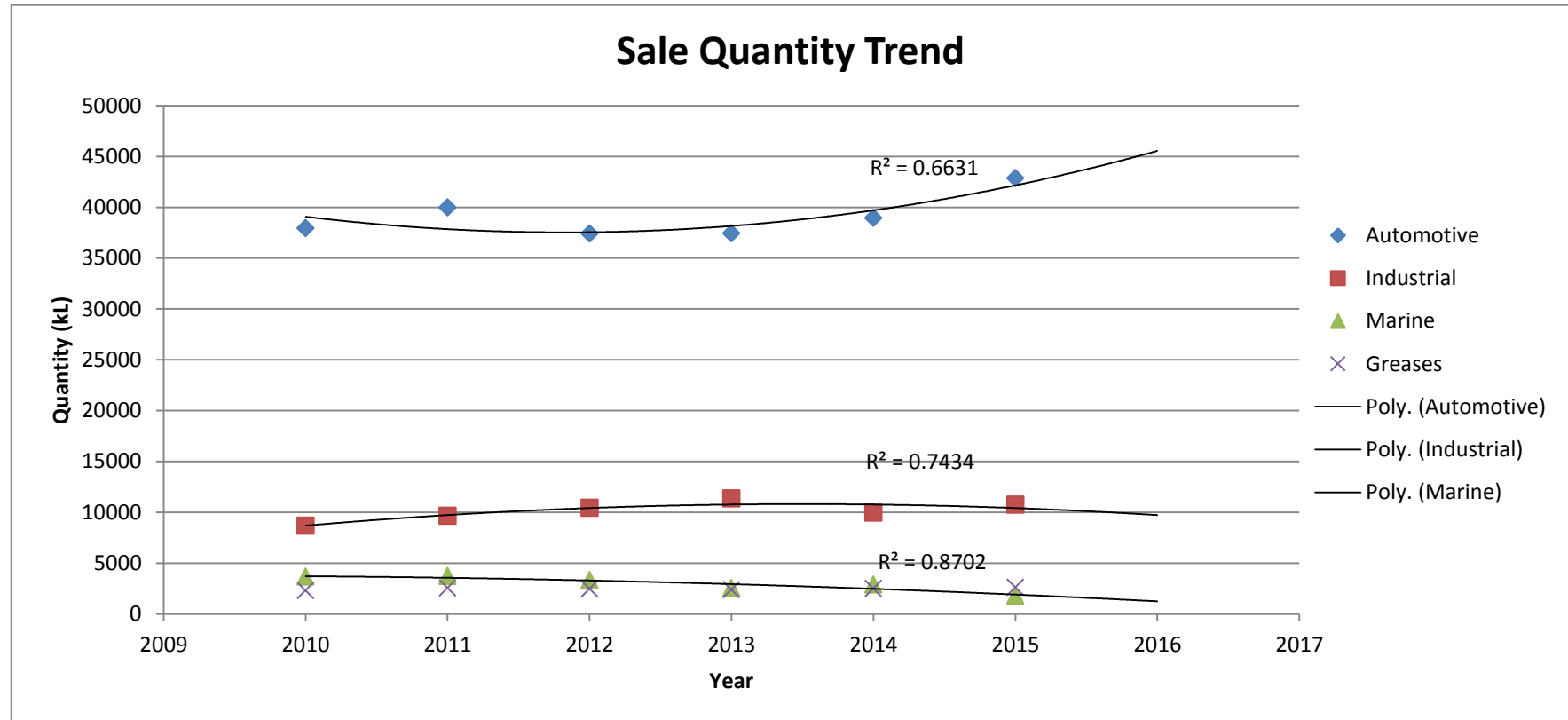


Figure 13 : Sale Quantity Trend

9. Lubricant Standards

The mandatory minimum quality standards for imported and blended lubricants and greases stipulated by the GOSL, have been based on standards published by international organizations such as American Petroleum Institute (API), Japanese Automobile Standards Organization (JASO) etc. Recently, Sri Lanka Standards Institute (SLSI) has published Sri Lanka standards for Gasoline Engine Lubricating Oil, Diesel Engine Lubricating Oil, Automotive Gear Oil, Four Stroke Motorcycle and general purpose Greases and these are used as the currently applicable minimum standards. Sri Lankan Standards may be obtained from SLSI. Currently applicable minimum standards are given below.

Table 5 : Lubricant Standards

Type of Lubricant	Minimum Standard	Equivalent International Standard	Other Standards Above Minimum Standard
Gasoline Engine Oil	SLS 1374/2009	API SJ	API SL, API SM
Diesel Engine Oil	SLS 1373/2009	API CF	API CF-2, API CG-4, API CH-4, API CL-4, API CJ-4
Two Stroke Engine Oil	SLS 1446/2012	JASO FC	JASO FD
Four Stroke Motorcycle Engine Oil	SLS 1409/2011	API SG and JASO MA	API SL and JASO MA , API SM and JASO MA, API SL and JASO MA
Automotive Gear Oil	SLS 1396/2010	API GL 4	API GL 5, API GL 6
Automatic Transmission Oil	DEXRON IID, DEXRON III MERCON, ALLISON C4, JASO M315 Type Group A	DEXRON IID, DEXRON III MERCON, ALLISON C4, JASO M315 Type Group A	OEM Recommended Oils
Grease	SLS 1424/2011	NLGI LA	NLGI LB, NLGI GA, NLGI GB NLGI GC

10. Government Revenue

The GOSL receives income from the authorized parties by way of a bi-annual fixed and in some cases a variable registration fee, which is equivalent to 1 million Rupees or 0.5% of total invoiced sales for that period, whichever is higher, subject to a maximum of five million Rupees. In 2015 the total recognized registration fee to the Government is approximately LKR 74 million and which is a 7.00 % increment compared to the previous year.