



Lubricant Market Report

2018

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 summarizes the operational information
and provides an
overview of lubricant market in Sri Lanka.

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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 Public Utilities Commission of Sri Lanka (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.

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 Commission learnt that there are a number of issues pertaining to quality and price preventing the efficient functioning of the lubricant market affecting the interests of consumers and market participants. Therefore, the Public Utilities Commission of Sri Lanka conducted Stakeholder Consultation in year 2018 in order to identify the prevailing issues in the lubricant sector. Based on the findings of the said Stakeholder consultation, the Commission is currently working out on below listed activities for the beneficiary of the industry.

1. Formulating a Procedure for Compulsory Import Inspection of Lubricants by the Sri Lanka Standards Institute and Sri Lanka Customs
2. Formulating a Mechanism for Collection, Recycling and Disposal of Used Lubricants
3. Formulating an Advice on Duty Differential of Imported and Locally Blended Lubricants for Increased Competition
4. Formulating Consumer Awareness Campaign on Lubricants
5. Reviewing and updating Sri Lanka Standards for Lubricants
6. Formulating a Mechanism for Testing the Quality of Lubricants

2. Authorized Parties/Brands

As at end of year 2018, 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 (Caltex, Chevron, Texaco, Lanka)	Chevron Ceylon Limited	Chevron Lubricants Lanka PLC	Activity 1
 (Servo)	Indian Oil Corporation Limited	Lanka IOC PLC	Activity 1
 ExxonMobil Mobil (ExxonMobil, Esso, Mobil, Cat)	ExxonMobil Asia Pacific Pte. Limited.	McLarens Lubricants Limited	Activity 2
 (Valvoline)	Valvoline LLC	United Motors Lanka Limited	Activity 2
 (Shell)	Shell Markets (Middle East) Limited	N. M. Distributors (Pvt) Limited	Activity 2
 (BP, Castrol)	BP Middle East LLC.	Associated Motorways Limited	Activity 2
 (Laugfs)	Laugfs Holdings Limited	Laugfs Lubricants Limited	Activity 1
 (MAK)	Bharat Petroleum Corporation Limited	TVS Lanka (Pvt) Limited	Activity 2
 (Motul)	Motul	Transmec International	Activity 2
 (Greatwall, Sinopec)	Lubricant Company Sinopec Corporation	Interocean Lubricants Limited	Activity 2
 (Toyota)	Toyota Tsusho Corporation	Toyota Lanka (Pvt) Limited	Activity 2
 (Total, Elf)	Total Oil India Private Limited	Navaloka Petroleum (Pvt) Limited	Activity 2
 (Hyrax)	Ceylon Petroleum Corporation		Activity 2

3. Market Growth and Market Share

A total of 64,267 kL of lubricants worth of LKR 27.34 billion were sold during the year 2018, which is 218 kL shorter compared to the total sales (quantity) of year 2017.

Table 2 : Lubricant Sales - 2009 to 2018

Year	Lubricants - Total Sales		Annual Increase (%)	
	Quantity (kL)	Revenue (LKR Mil.)	Quantity	Revenue
2018	64,267	27,336	(0.34)	3.07
2017	64,485	26,522	(0.15)	1.57
2016	64,585	26,112	11.4	11.3
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		

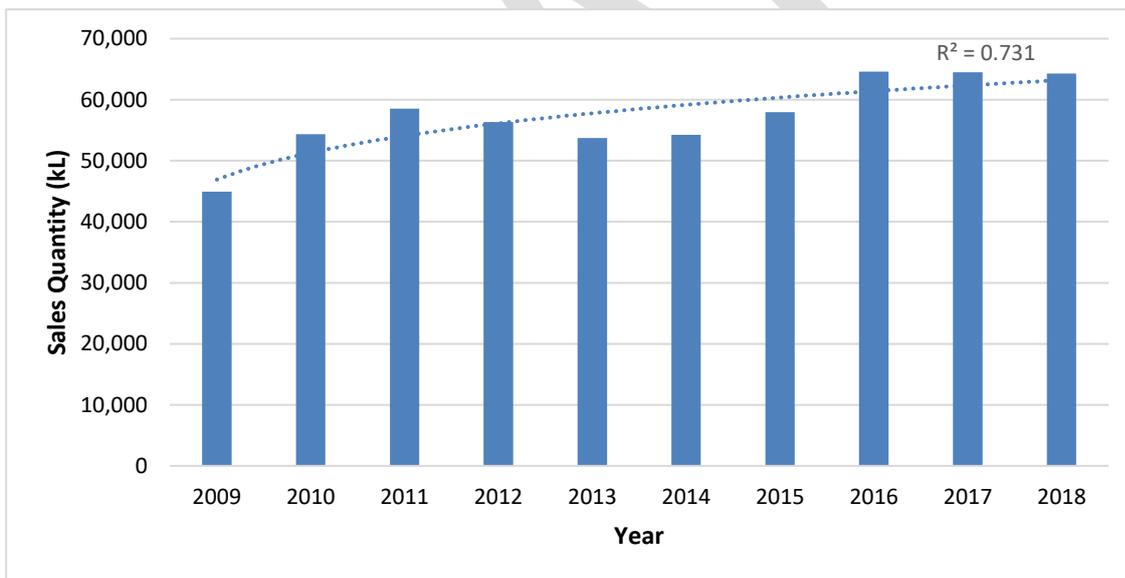


Figure 1 : Lubricant Sales (kL) - 2009 to 2018

According to table 3, market leader held a share of 37.3 % in 2018 (39.9 % in 2017) with nearest competitor seized 17.6 % of market share in the same year up from 17.1 % in 2017.

Table 3 : Lubricant Sales and the Market Share - 2018

Company	SALES QUANTITIES					
	2018		2017		2016	
	kL	%	kL	%	kL	%
Chevron Ceylon Limited	23,987.00	37.32	25,721.00	39.89	29,251.30	45.29
Indian Oil Corporation Limited	11,316.17	17.61	10,969.60	17.01	10,590.26	16.40
Laugfs Holdings Limited	5,775.00	8.99	4,949.56	7.68	3,419.59	5.29
ExxonMobil Asia Pacific Pte. Limited	4,959.08	7.72	3,534.70	5.48	3,105.96	4.81
Ceylon Petroleum Corporation	4,071.49	6.34	5,411.60	8.39	5,445.90	8.43
Bharat Petroleum Corporation	3,584.00	5.58	3,452.00	5.35	3,710.27	5.74
Toyota Tsusho Corporation	2,398.13	3.73	2,110.00	3.27	1,911.99	2.96
Shell Markets (Middle East) Limited	2,330.68	3.63	1,898.34	2.94	1,290.11	2.00
Lubricant Company Sinopec Corporation	1,975.00	3.07	1,986.00	3.08	1,569.20	2.43
Valvoline LLC	1,525.48	2.37	1,949.84	3.02	1,869.49	2.89
BP Middle East LLC	1,496.20	2.33	1,639.54	2.54	1,693.26	2.62
Total Oil India Private Limited	720.866	1.12	720.89	1.12	593.12	0.92
Motul	127.578	0.20	141.91	0.22	134.88	0.21
Total	64,266.67	100.00	64,484.98	100.00	64,585.33	100.00

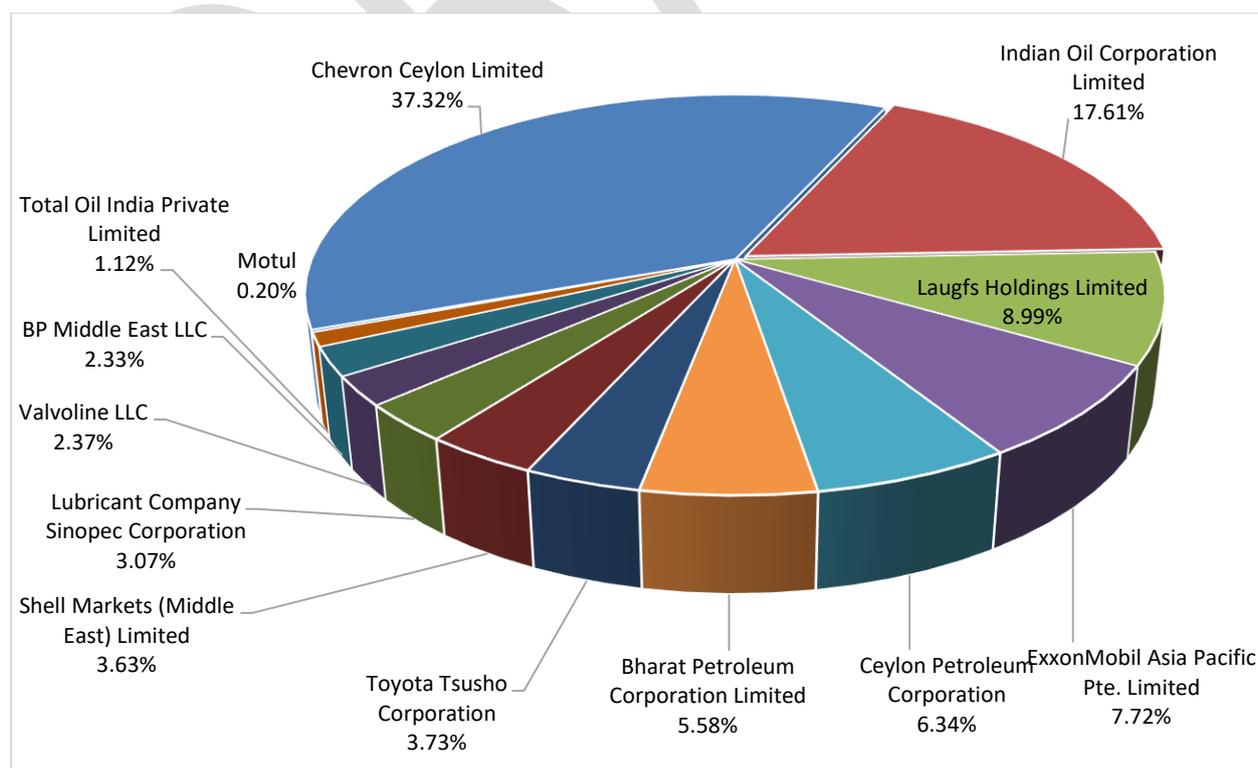


Figure 2 : Lubricant Sales (Quantity) - 2018

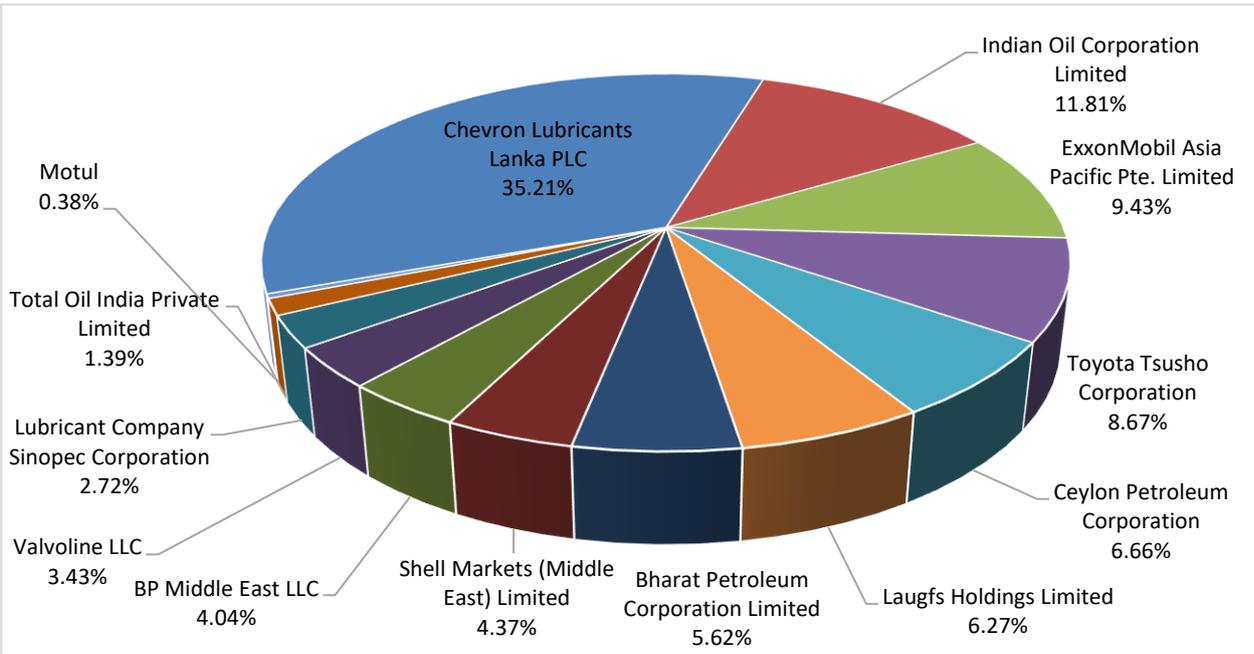


Figure 3 : Lubricant Sales (Revenue) - 2018

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4. Lubricant Sales

Table 4 : Lubricant Sales (Company) – 2011 to 2018

Company	Lubricant Sales Quantity (kL)							
	2011	2012	2013	2014	2015	2016	2017	2018
Chevron Ceylon Limited	33,297.42	31,028.90	28,240.58	26,752.97	27,585.20	29,251.30	25,721.00	23,987.00
Indian Oil Corporation Limited	6,565.92	6,230.91	6,738.02	6,832.69	8,618.00	10,590.26	10,969.60	11,316.17
Laugfs Holdings Limited	2,620.43	1,910.47	1,798.00	2,896.76	2,858.29	3,419.59	4,949.56	5,775.00
ExxonMobil Asia Pacific Pte. Limited	4,065.34	4,302.50	3,120.15	3,680.42	2,857.62	3,105.96	3,534.70	4,959.08
Ceylon Petroleum Corporation	4,915.50	5,589.95	6,452.68	5,718.70	5,325.85	5,445.90	5,411.60	4,071.49
Bharat Petroleum Corporation Limited	1,771.00	1,565.46	1,759.79	2,241.17	2,951.40	3,710.27	3,452.00	3,584.00
Toyota Tsusho Corporation	542.58	729.00	798.00	1,027.39	1,483.16	1,911.99	2,110.00	2,398.13
Shell Markets (Middle East) Limited	1,183.12	1,183.12	1,160.74	1,183.12	1,412.93	1,290.11	1,898.34	2,330.68
Lubricant Company Sinopec Corporation	1,784.89	1,565.80	1,221.19	1,207.70	1,527.20	1,569.20	1,986.00	1,975.00
Valvoline LLC	663.53	710.79	784.76	1,076.61	1,300.16	1,869.49	1,949.84	1,525.48
BP Middle East LLC	54.34	20.55	1,475.52	1,314.44	1,519.11	1,693.26	1,639.54	1,496.20
Total Oil India Private Limited	144.28	160.86	112.2	286.90	479.26	593.12	720.89	720.866
Motul	21.05	56.21	46.080	46.08	59.93	134.88	141.91	127.578
Total	57,629.40	55,054.52	53,707.71	54,264.95	57,978.11	64,585.33	64,484.98	64,266.67

Table 5 : Lubricant Sales (Type) – 2011 to 2018

Type	Lubricant Sales Quantity (kL)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Automotive	38,024.30	39,963.51	37,389.75	37,418.58	38,942.46	42,858.17	46,607.04	46,804.41	47,251.80
Industrial	8,700.00	9,648.68	10,418.57	11,361.83	9,956.82	10,724.53	11,625.05	10,624.04	10,404.29
Marine	3,656.00	3,723.61	3,316.90	2,546.41	2,870.92	1,786.63	3,417.49	4,159.89	3,810.89
Greases	2,295.50	2,545.86	2,459.13	2,380.90	2,491.37	2,608.79	2,810.94	2,645.27	2,619.29
Other	1,693.00	1,726.69	1,470.16	-	3.38	-	124.80	252.37	180.38
Total	54,368.80	57,608.35	55,054.51	53,707.71	54,264.95	57,978.13	64,585.33	64,484.98	64,266.67

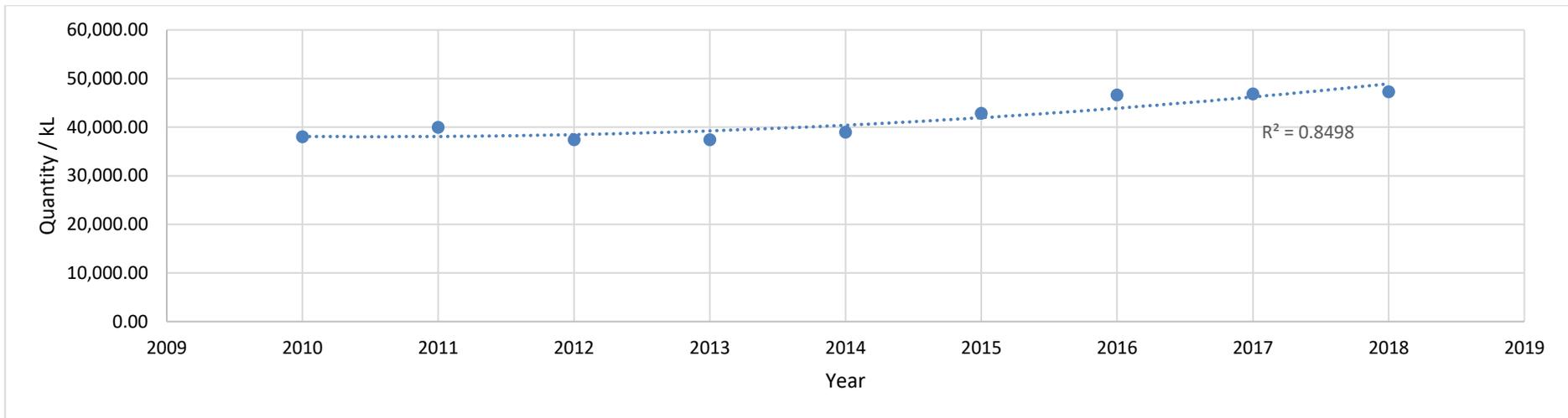


Figure 4 : Lubricant (Automotive) Sales

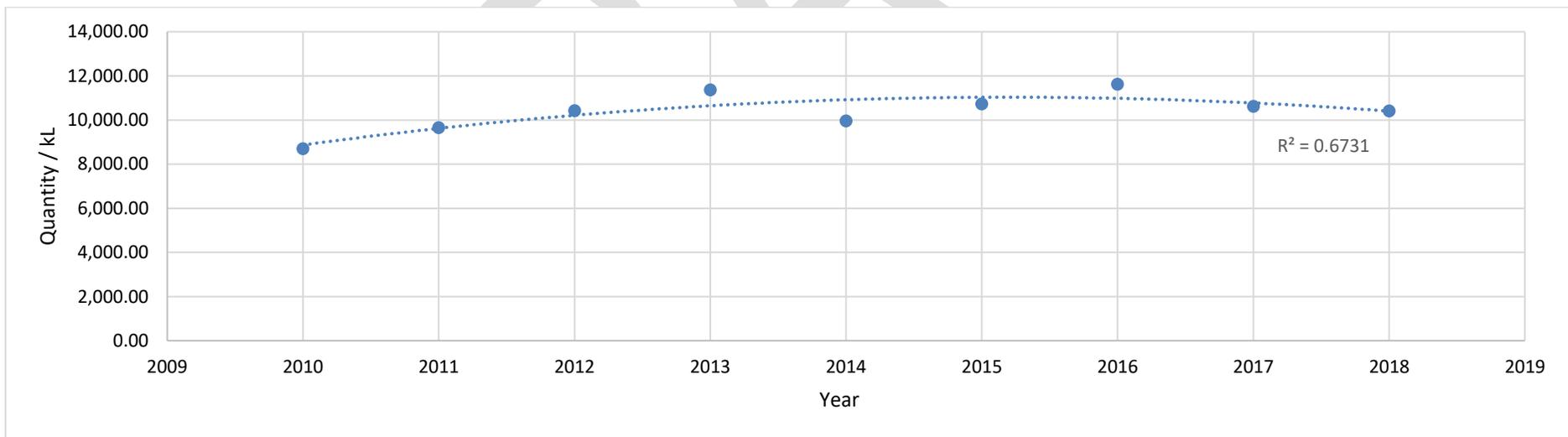


Figure 5: Lubricant (Industrial) Sales

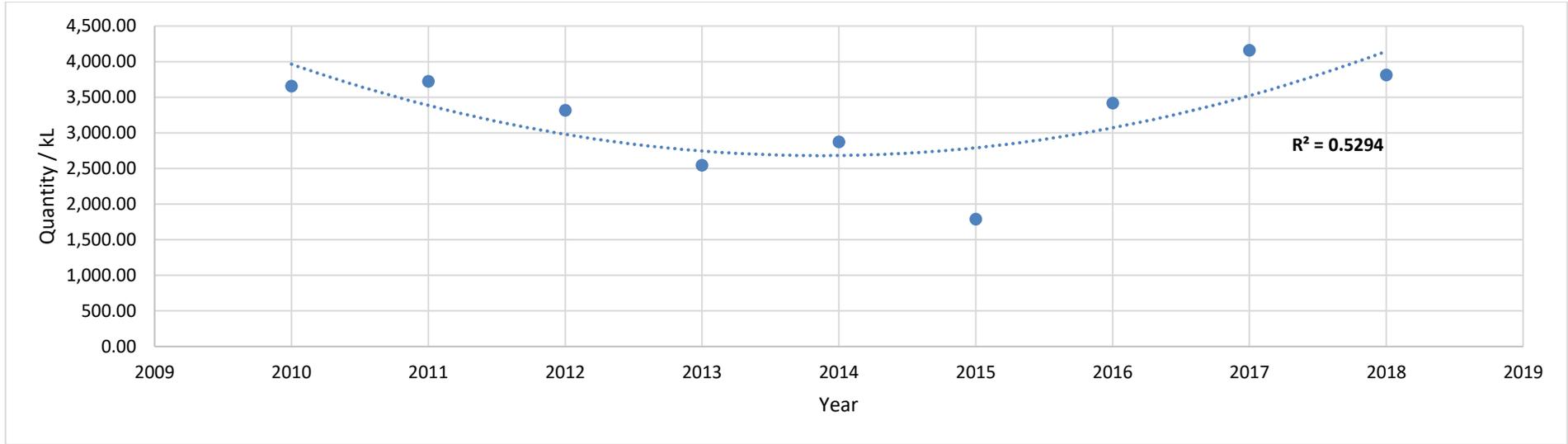


Figure 6 : Lubricant (Marine) Sales

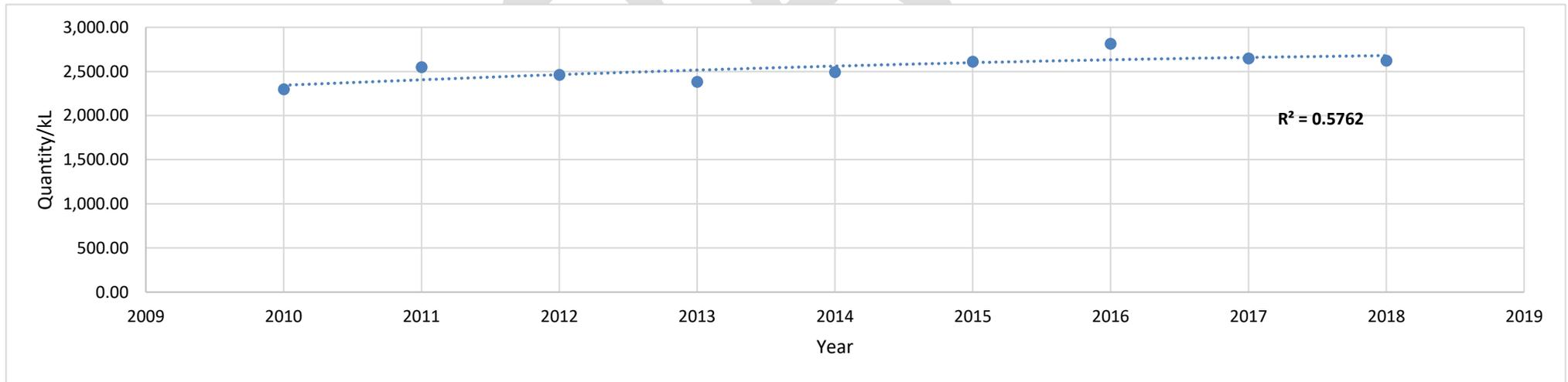


Figure 7 : Lubricant (Greases) Sales

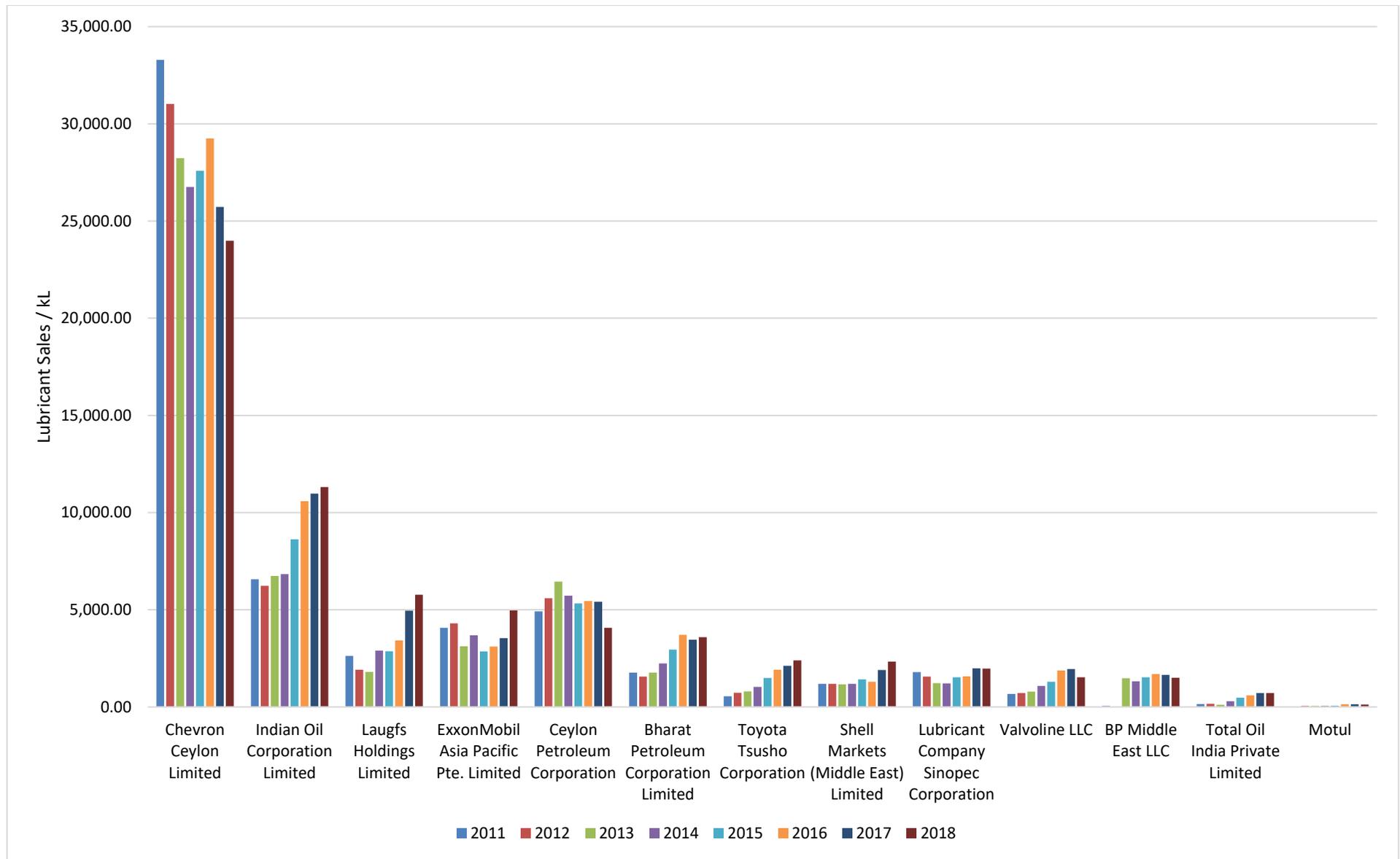


Figure 8 : Lubricant Sales (kL) by Company – 2011 to 2018

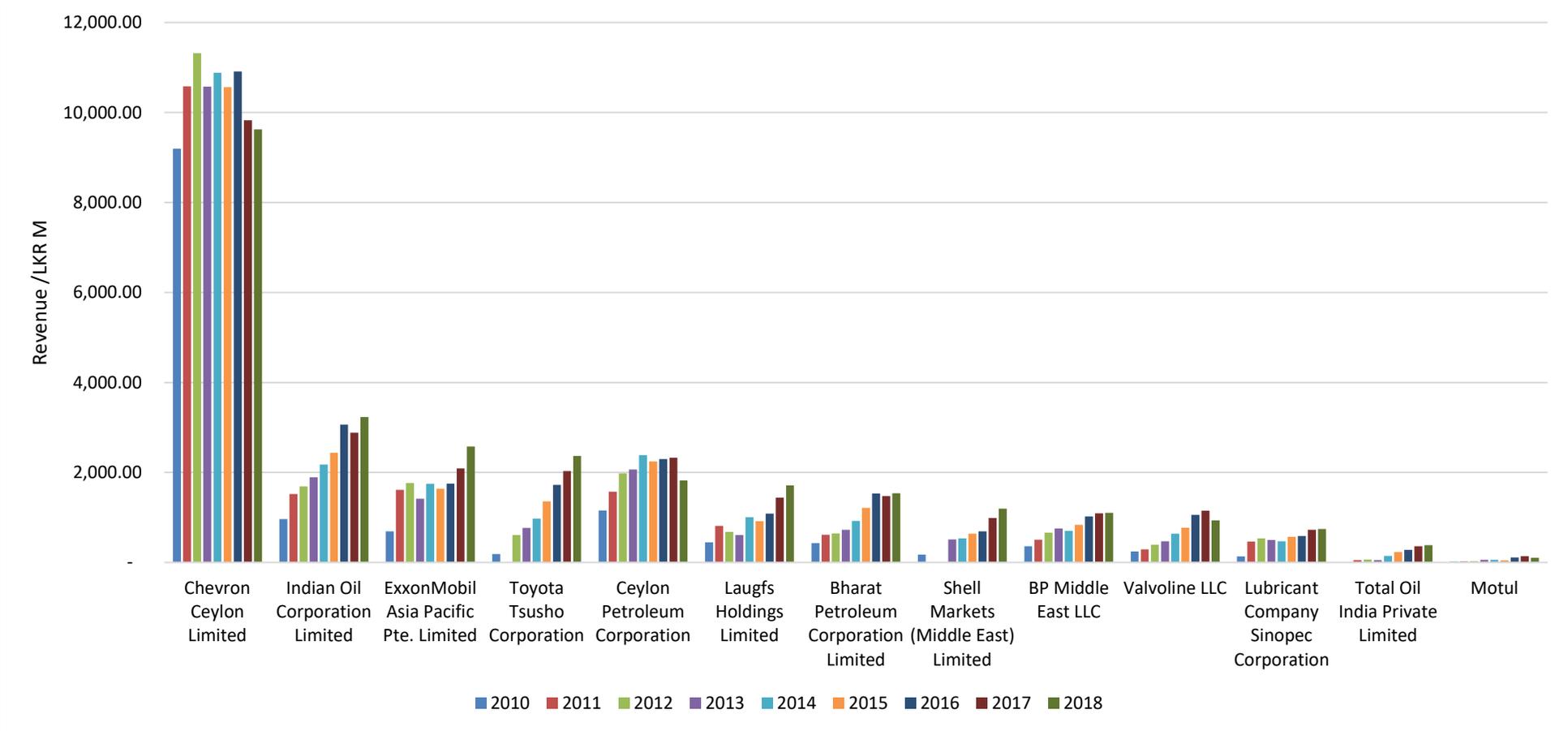


Figure 9 : Lubricant Sales Revenue (LKR in M) by Company – 2010 to 2018

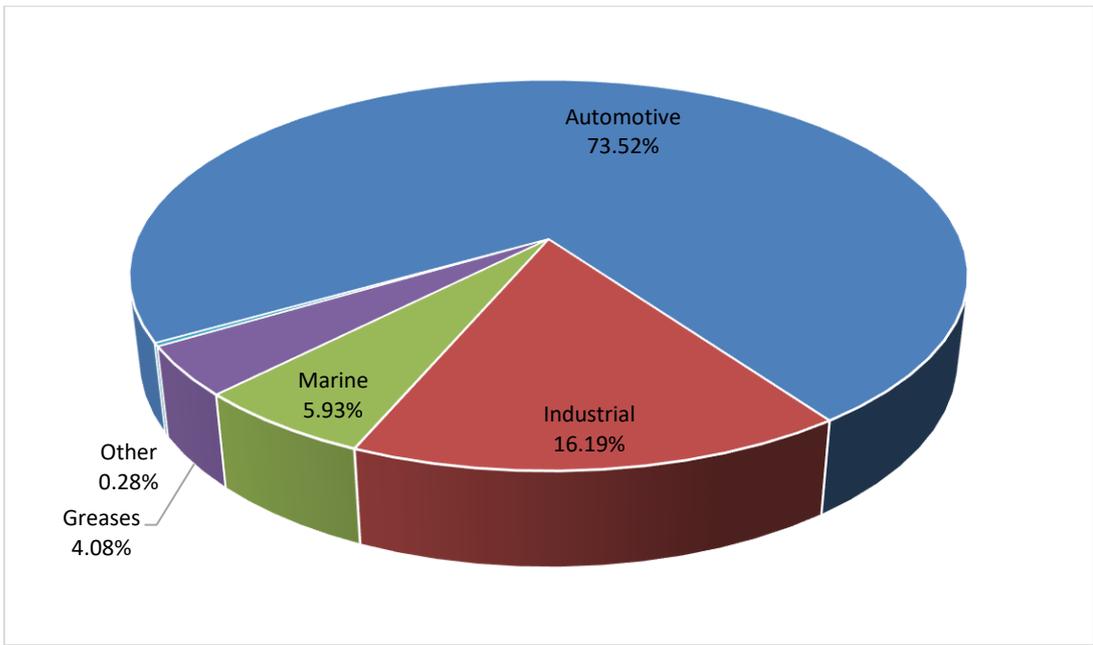


Figure 10 : Lubricant Sales Quantity by Type -2018

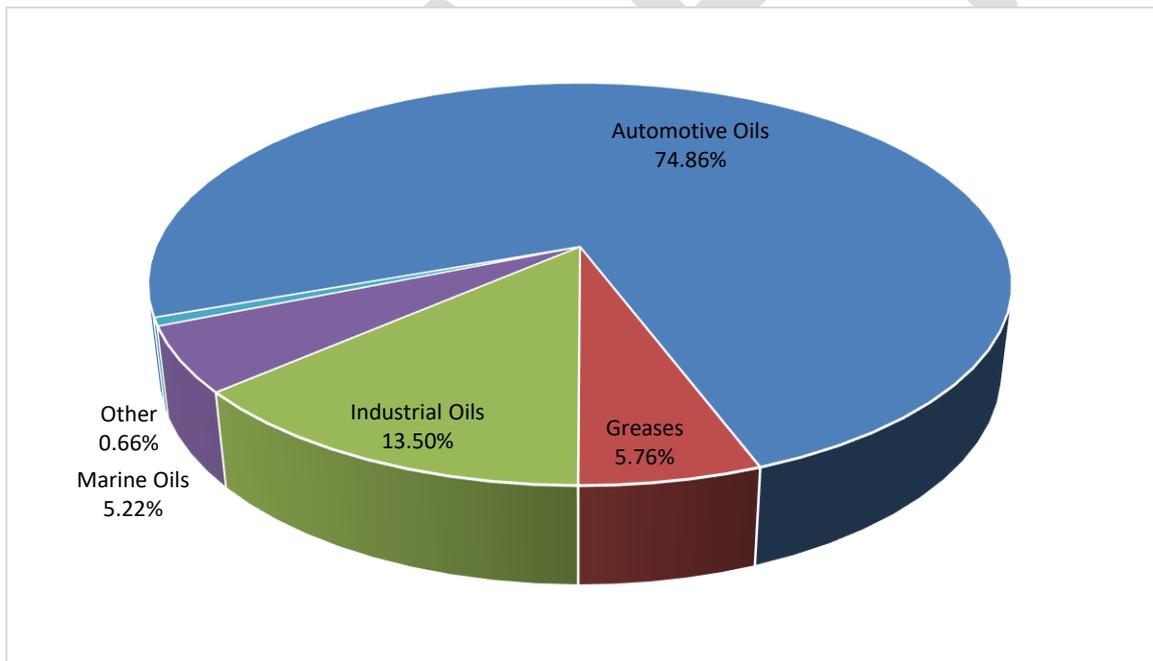


Figure 11 : Lubricant Sales Revenue by Type - 2018

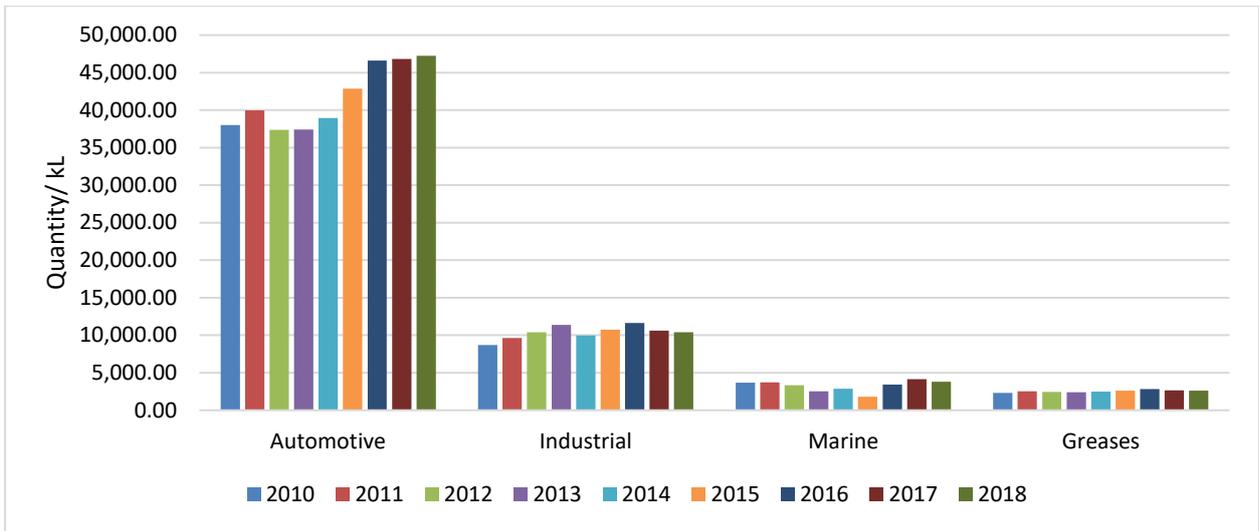


Figure 12 : Lubricant Sales Quantity by Type – 2010 to 2018

5 Automotive Lubricant

Table 6 : Automotive Lubricant Sales Breakdown - 2018

Automotive Lubricant Breakdown	Quantity (kL)
Gasoline Engine Oils -Multi Grade	4,327.30
Gasoline Engine Oils-Mono Grade	1,012.64
Diesel Engine Oils-Multi Grade	7,282.35
Diesel Engine Oils	16,019.69
Four Stroke Motor Cycle Oils	10,616.29
Two Stroke Oils	4,432.44
Automotive Gear Oils	2,261.45
Automatic Transmission Fluids	891.39
Other	409.33
Total	47,252.87

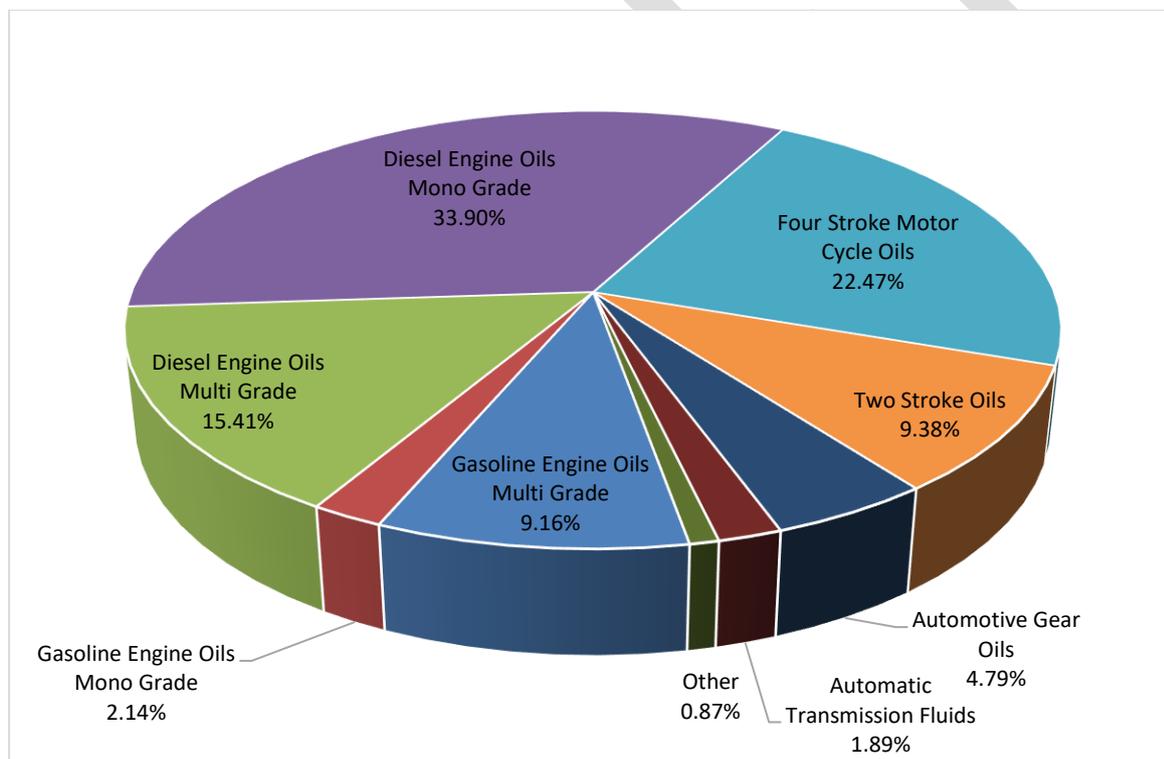


Figure 13 : Automotive Lubricant Sales (Quantity) Breakdown - 2018

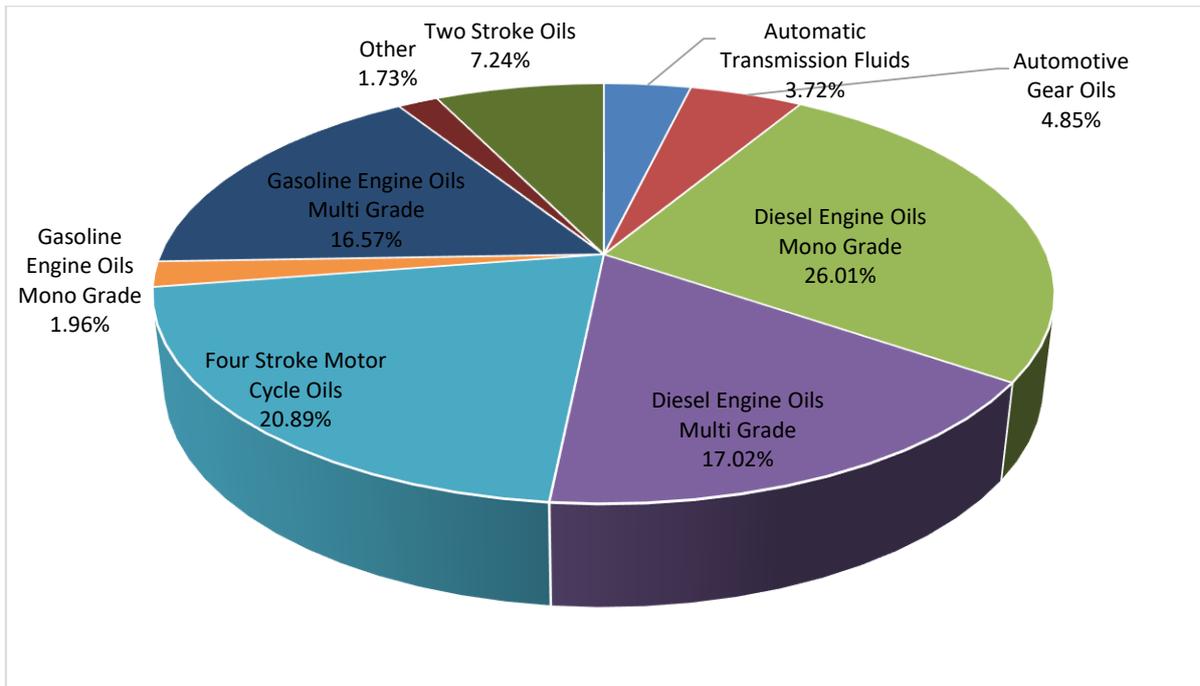


Figure 14 : Automotive Lubricant Sales (Revenue) Breakdown - 2018

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6 Lubricant Sales (Synthetic)

Table 7: Lubricant Sales (Synthetic) Quantity - 2018

Lubricant (synthetic)	Amount (kL)
Automotive Oils	497.98
Industrial Oils	81.69
Marine Oils	4.72
Greases	4.62
Other	0.04
Total	589.05

Table 8 : Lubricant Sales (Synthetic) Quantity by Company - 2018

Company	Lubricant Sales (Synthetic) - kL
Chevron Ceylon Limited	223.00
ExxonMobil Asia Pacific Pte. Limited	187.34
BP Middle East LLC	70.79
Valvoline LLC	49.74
Motul	22.47
Laugfs Holdings Limited	15.92
Shell Markets (Middle East) Limited	14.36
Toyota Tsusho Corporation	2.80
Total Oil India Private Limited	2.61
Indian Oil Corporation Limited	0.02
Total	589.05

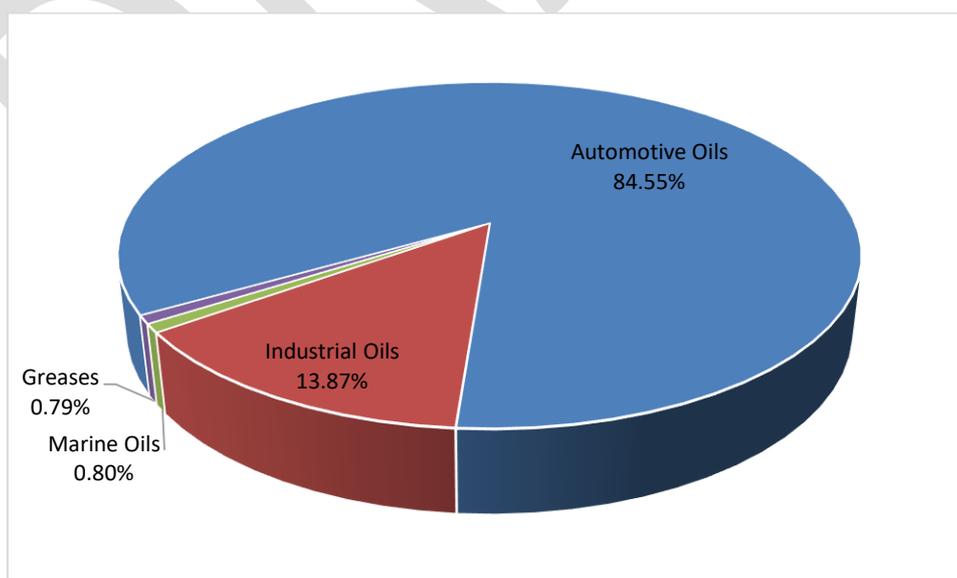


Figure 15: Synthetic Lubricant Sales Quantity by Type- 2018

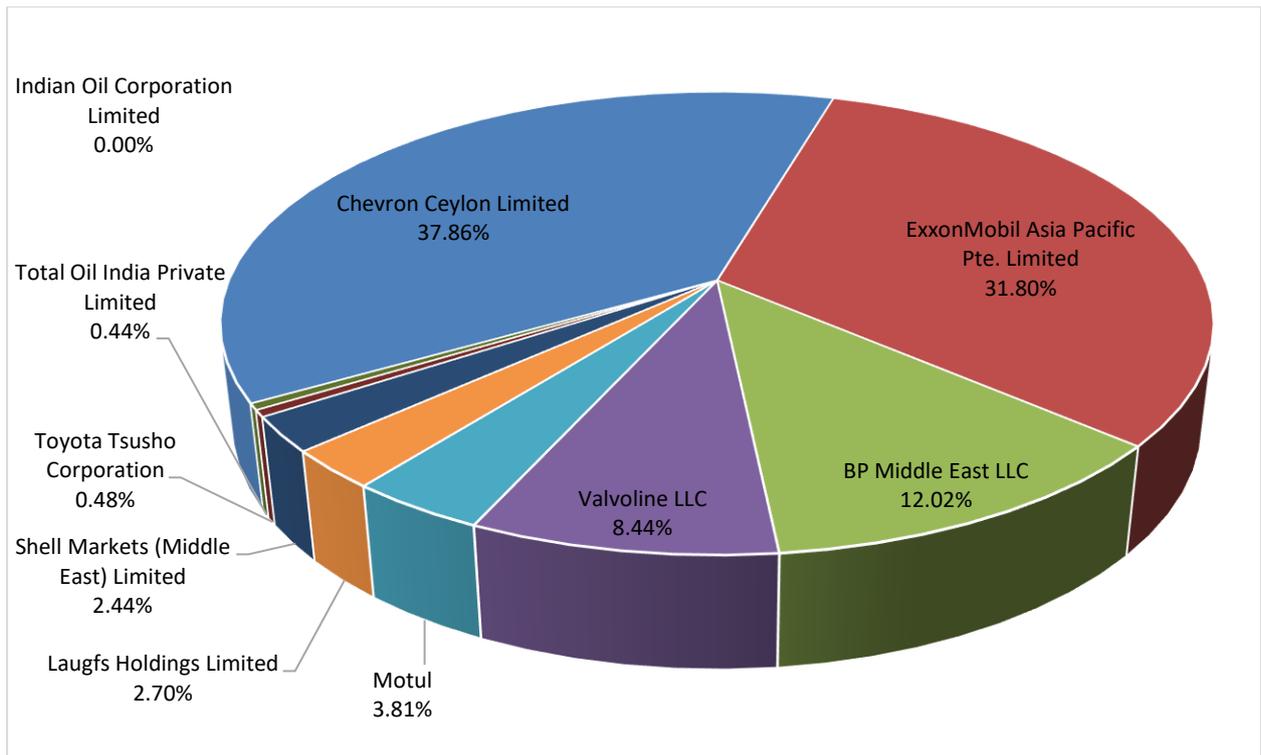


Figure 16 : Synthetic Lubricant Sales Quantity by Company- 2018

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7 Imports

During the year 2018, a total of 26,297.60 Kilo Liters of Lubricants were imported and its lubricant type wise breakdown is listed below.

Table 9 : Lubricant Imports Quantity - 2018

Lubricant	Amount (kL)
Automotive Oils	18,369.44
Industrial Oils	3,192.22
Marine Oils	2,066.52
Greases	2,427.45
Other	241.98
Total	26,297.60

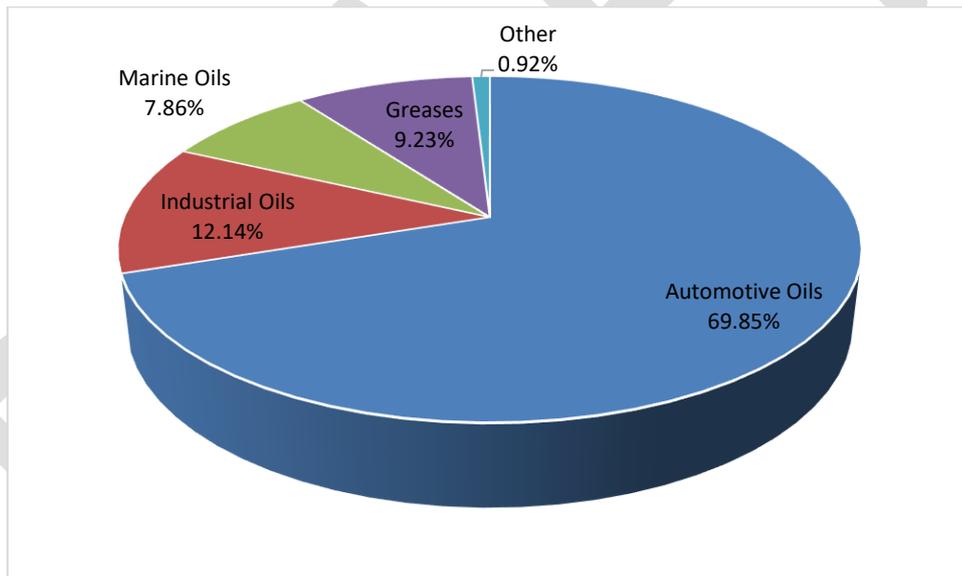


Figure 17 : Lubricant Imports Quantity by Type - 2018

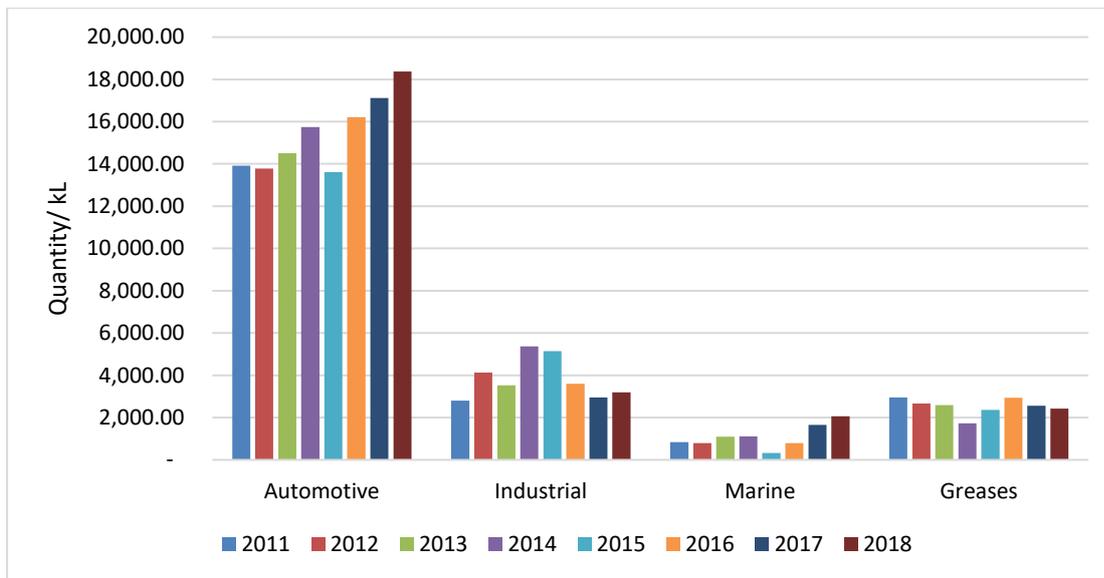


Figure 18: Lubricant Imports Quantity by Type - 2011 to 2018

Total imported quantities of base oil and additives are tabulated below

Table 10: Total base oil and additives - 2018

Company	Base Oils/kL	Additives/kL
Chevron Ceylon Limited	22,477.00	2,897.00
Indian Oil Corporation Limited	16,392.16	917.38
Laugfs Holdings Limited	4,999.78	484.09
Total	43,868.94	4,298.48

8 Exports

During the year 2018, a total of 4,442.3 Kilo Liters of Lubricants were exported to regional markets. Lubricant type wise and company wise Export quantities are tabulated below.

Table 11: Lubricant Exports Quantity - 2018

Lubricant	Amount (kL)
Automotive Oils	2,375.58
Industrial Oils	302.81
Marine Oils	1,527.27
Greases	29.65
Total	4,442.31

Table 12 :Lubricant Exports Quantity by Company - 2018

Company	Amount (kL)
Chevron Ceylon Limited	3,634.00
Indian Oil Corporation Limited	426.26
Shell Markets (Middle East) Limited	281.27
ExxonMobil Asia Pacific Pte. Limited	100.78
Total	4,442.31

9 Production

During year 2018, 44,110.99 kL of lubricants was produced (blended) locally. 62.08 % of that blending was carried out at the lube blending plant of Chevron Ceylon Limited, 25.44 % was produced at lube blending plant belonging to Indian Oil Corporation Limited and remaining 12.47 % was produced by Laugfs Holdings Limited.

10 Lubricant Standards

The mandatory minimum quality standards for imported and blended lubricants and greases stipulated by the Government of Sri Lanka (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 13 : 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

11 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 2.5 million Rupees or 0.75 % of total invoiced sales for that period, whichever is higher. In 2018 the total recognized revenue to the Government is approximately LKR 211 million.

12 Market Analysis

Similar to year 2017, in year 2018 also, Sri Lankan Lubricant market has shown a negative volume growth. The said negative volume growth is 0.34 % when it is compared with the lubricant sales volume in year 2017. During the year 2018, 64,267 kL of lubricants worth of 27.34 LKR billion were sold which is 218 kL lesser than that of in year 2017. As per our last year market report, lubricant market of Sri Lanka had shown a slight negative growth of 0.15% with respect to the lubricant sales volume in year 2016 and during the year 2018, further continuation of the said negative growth can be observed.

All the other lubricant types (marine, industrial and grease) other than automotive lubricant have contributed for the said negative growth where automotive lubricant has shown 1% growth in year 2018 when it is compared with the 2017 figures. The said negative growths of industrial lubricant, marine lubricant and greases are 2%, 8% and 1% respectively.

In year 2018, Automotive lubricant sector holds 73.5 % (47,251 kL) of the lubricant market and which is 72.5 % (46,804 kL) in year 2017. As per the data from Department of Motor Traffic Sri Lanka, total vehicle population has grown by 6.6% in year 2018 and the total new registered vehicles has also gone up by 6.1% with respect to year 2017. The new car registration has shown a significant improvement from 39,182 in year 2017 to 80,742 in year 2018. But irrespective of all these above, the automotive lubricant sales (volume) have gone up only by 447 kL which is 1% growth when it is compared with the year 2017.

Generally, there is a proportional relationship between the vehicle population and the automotive lubricant sales volume. But Introduction of high mileage lubricants to the market and Gradual increment of market share of the new generation vehicles have a direct impact for the said relationship. Further, in the Lubricant Market Stakeholder Consultation which was held on 2018, there were number of representations were made with respect to lubricant grey market. With all these, its required to further analyze whether 1% growth of automotive lubricant sales volume actually reflects the real automotive oil requirement of the market which is arisen as the result of the growth of the vehicle population.