

Lubricant Market Report 2012

Public Utilities Commission of Sri Lanka

27th August 2013

As the shadow regulator of the lubricant market,
Public Utilities Commission of Sri Lanka,
Collects and records operational information of the 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 Public Utilities Commission of Sri Lanka (PUCSL) provide assistant to the Ministry of Petroleum Industries to regulate the downstream petroleum products. The regulation of the downstream petroleum industry is to be assigned to the Commission under PUCSL Act, No. 35 of 2002. 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. 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.

The downstream petroleum industry comprises of importing and exporting petroleum products or petroleum resources, refining and blending of petroleum resources or producing petroleum products, storing, distributing and transporting petroleum products or petroleum resources and wholesale and retailing of petroleum products. Petroleum products include petrol, diesel, kerosene, aviation fuel, marine fuel, furnace oil, liquefied petroleum gas and lubricants.

At present PUCSL is acting as the shadow regulator for the lubricant sector by way of advising and assisting the Ministry of Petroleum Industries on policy and regulatory matters. 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 Industries on such activities.
- Launch customer awareness/ education programs on lubricant products.

2. Authorized Parties/Brands

As at end of year 2012, there were thirteen (13) parties authorized to import, export, sell, supply and distribute lubricants (Activity 1) and two(2) parties authorized to import, export, sell, supply, distribute and blend lubricants (Activity 2) under following authorized brands in Sri Lanka.

Table below shows that list of authorized parties/brands and activities.

Brand(s)	Company	Nominee	Activity
 (Caltex, Chevron, Texaco, Lanka)	Chevron Ceylon Limited	Chevron Lubricants Lanka PLC	Activity 2
 (Servo)	Indian Oil Corporation Limited	Lanka IOC PLC	Activity 2
 (ExxonMobil, Esso, Mobil, Cat)	ExxonMobil Asia Pacific Pte. Ltd.	McLarens Lubricants Limited	Activity 1
 (Valvoline)	Ashland Inc.	United Motors Lanka Limited	Activity 1
 (Shell)	Shell Markets (Middle East) Limited	N. M. Distributors (Pvt) Limited	Activity 1
 (BP, Castrol)	BP France S.A.	Associated Motorways Limited	Activity 1
 (Laugfs)	Laugfs Holdings Limited	Laugfs Lubricants Limited	Activity1
 (MAK)	Bharat Petroleum Corporation Limited	TVS Lanka (Pvt) Limited	Activity 1
 (Motul)	Motul	Dynamic Motors (Pvt) Limited	Activity 1
 (Greatwall, Sinopec)	Lubricant Company Sinopec Corporation	Interocean Lubricants Limited	Activity 1
 (Toyota)	Toyota Tsusho Corporation	Toyota Lanka (Pvt) Limited	Activity 1
 (Total, Elf)	Total Oil India Private Ltd	Navaloka ABC Lubricants (Pvt) Limited	Activity 1
 (Hyrax)	Ceylon Petroleum Corporation		Activity 1

3. Sales and Market Share

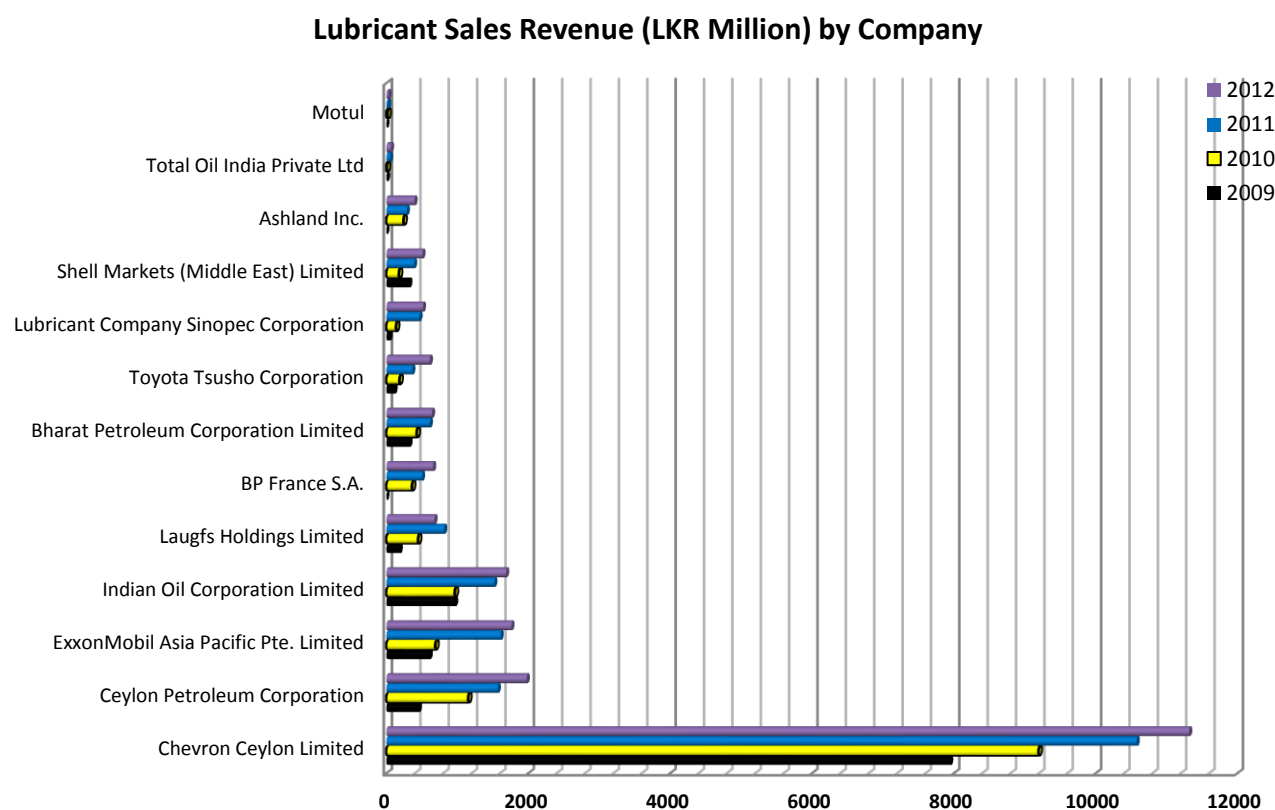
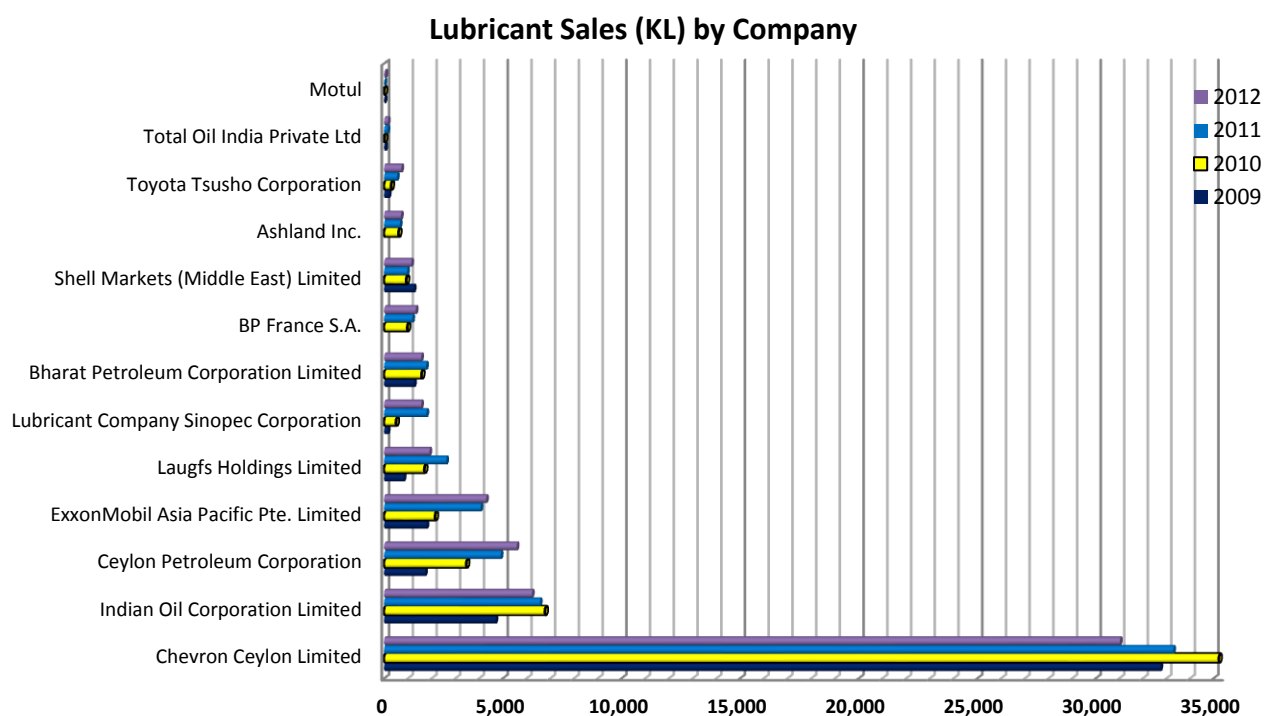
A total of 56,334 KL of lubricants worth of LKR 20.85 billion were sold during the year 2012, out of which 69% of total sales were automotive products while industrial, marine and greases accounted for 18%, 6% and 4% respectively. Following table gives the summary of sales figures.

Year	Lubricants - Total Sales		Annual Increase	
	Quantity (KL)	LKR (Mil.)	Quantity %	Revenue %
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		

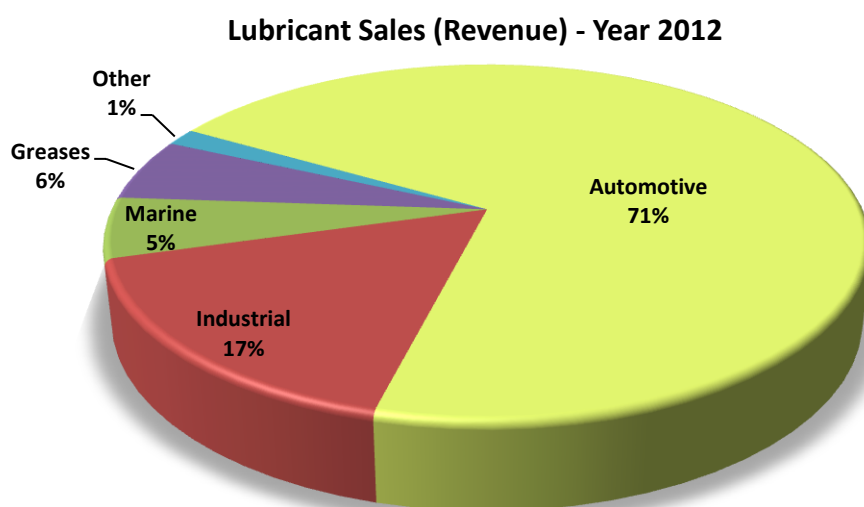
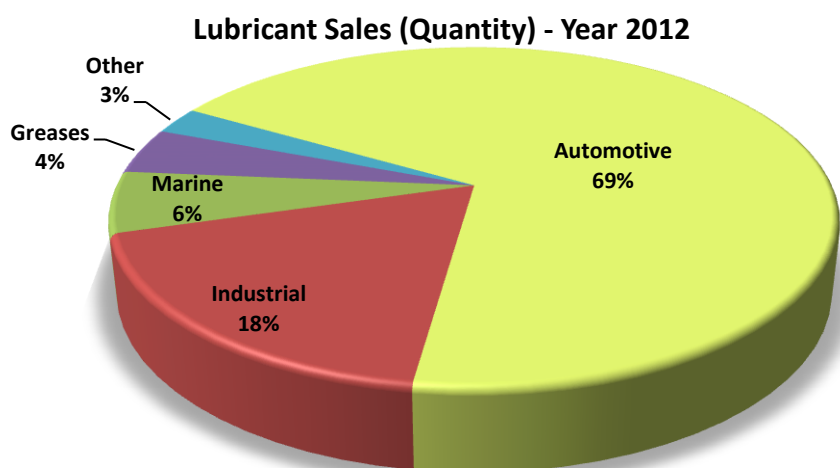
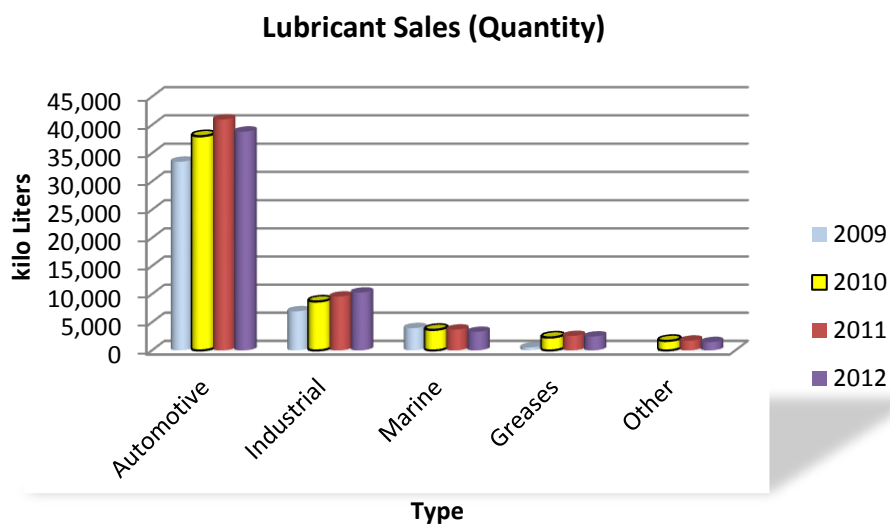
Market leader held a share of 55% (reduced from 57% in 2011) and the nearest competitor has got a market share of 11%. The market share of remaining participants has increased to 34% (from 32% in 2011). This is a result of several parties who entered the market upon full liberalization in 2006, consolidating their positions in the market.

The sales and the market share are given in the table and graphs below

Company	Sales Quantity (KL)	Market Share (%)
Chevron Ceylon Limited	31,029	55.1
Indian Oil Corporation Limited	6,231	11.1
Ceylon Petroleum Corporation	5,590	9.9
ExxonMobil Asia Pacific Pte. Limited	4,302	7.6
Laugfs Holdings Limited	1,910	3.4
Lubricant Company Sinopec Corporation	1,566	2.8
Bharat Petroleum Corporation Limited	1,565	2.8
BP France S.A.	1,335	2.4
Shell Markets (Middle East) Limited	1,148	2.0
Ashland Inc.	711	1.3
Toyota Tsusho Corporation	729	1.3
Total Oil India Private Ltd	161	0.3
Motul	56	0.1
Total	56,334	



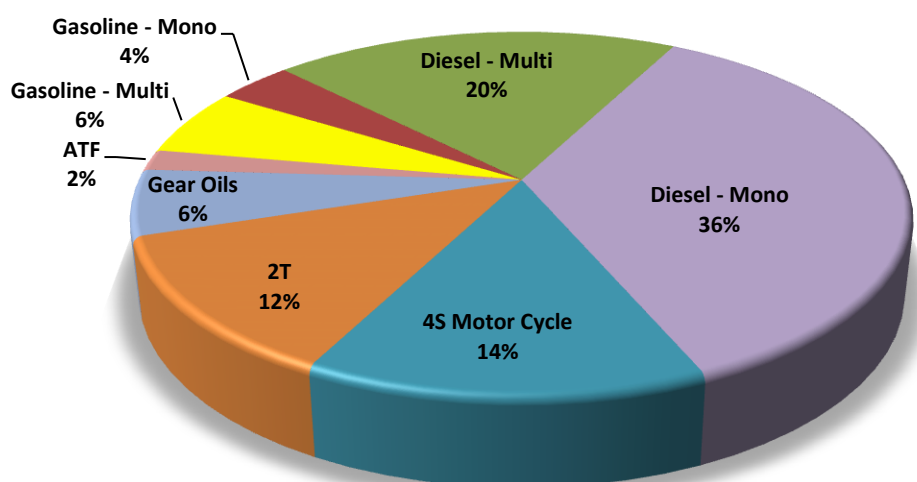
Lubricant sales figures of each type are depicted in following graph.



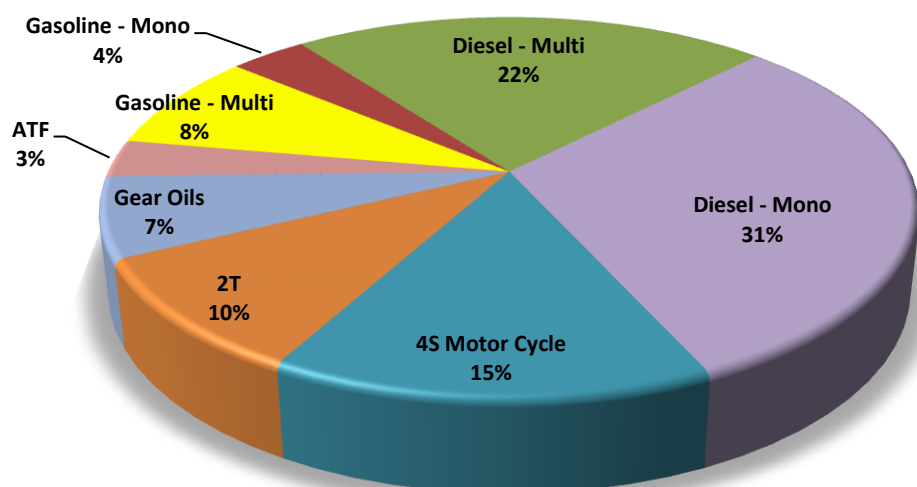
Following table and pie charts depicts sales quantities and revenue of Automotive Lubricants.

Automotive Lubricant Category	Quantity (KL)
Gasoline - Multi	2,314
Gasoline - Mono	1,455
Diesel - Multi	7,785
Diesel - Mono	13,840
4S Motor Cycle	5,472
2T	4,798
Gear Oils	2,265
ATF	712

Automotive Lubricant Sales (Quantity) Breakdown - Year 2012



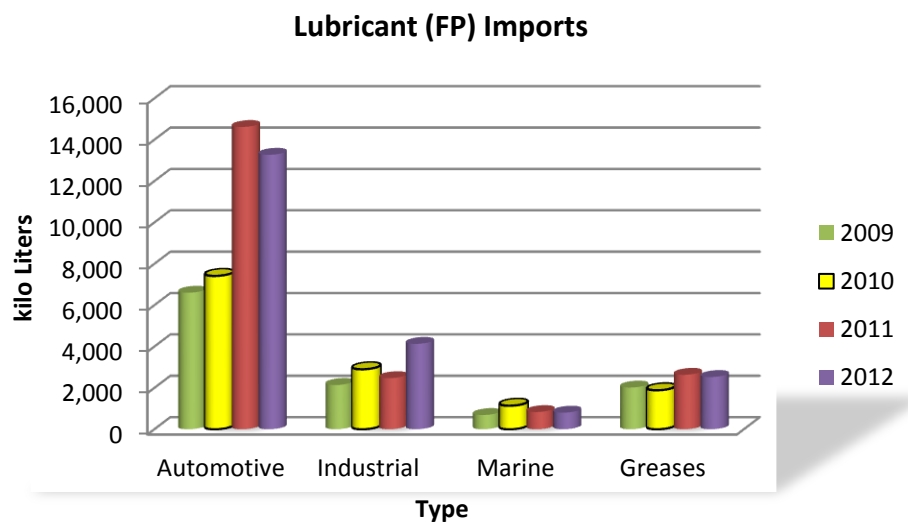
Automotive Lubricant Sales (Revenue) Breakdown - Year 2012



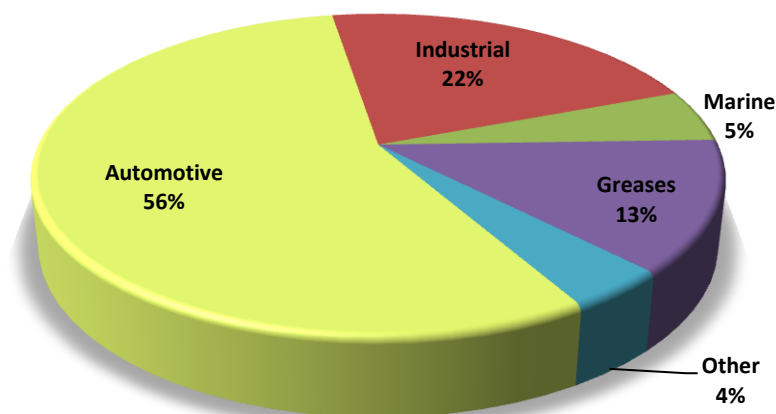
4. Imports

A total of 22,070 Kilo Liters of finished lubricants and greases worth of LKR 4,834 Million were imported during the year 2012; automotive, industrial, marine and greases segments accounts for 60%, 19%, 4% and 11% of the total imports, respectively.

Base oils and additives for blending worth of LKR 4,839 million were imported by the two parties authorized to blend and produce lubricants and greases. Lubricant imports (KL) on each type are given in following charts.

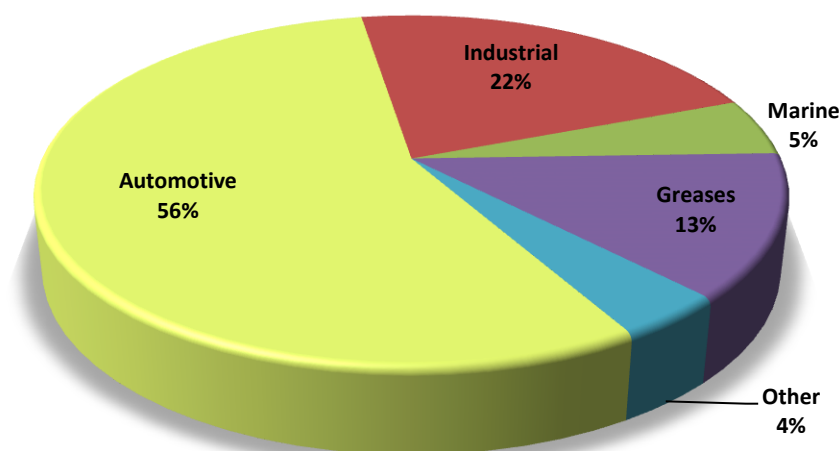


Lubricant Imports (FP) Expenses (CIF) - Year 2012



Expenditure for lubricant imports is given in following chart.

Lubricant Imports (FP) Expenses (CIF) - Year 2012



5. Exports

During the year 3,020 Kilo Liters of Lubricants were exported to regional markets. This is 42% decrease with respect to year 2011. Whereas there was a 63% increase in 2011 with respect to year 2010.

6. Production

The two authorized parties to blend and produce lubricants in Sri Lanka. During the year 2012, around 65 % (36,779 KL) of the lubricant requirement was produced (blended) locally. Around 87% (32,135 KL) of the blending was carried out at the lube blending plant of Chevron located at Kolonnawa while the balance 13% (4,644 KL) was produced at lube blending plant belonging to IOC located at China Bay. Local blending is done, mainly to gain the advantage from the prevailing import tariff differential between raw materials and finished lubricants.

7. 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.

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

8. 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 2012 the total attributed registration fee to the Government is LKR 61.22 million.