

Lubricant Market Report 2013

Public Utilities Commission of Sri Lanka

02nd September 2014

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.

Contents

1. Role of PUCSL as the Shadow Regulator	1
2. Authorized Parties/Brands.....	2
3. Sales and Market Share	3
4. Trends in Lubricant Market – Sales.....	7
5. Imports.....	9
6. Exports	10
7. Production.....	10
8. Lubricant Standards	10
9. Government Revenue	11

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 2013, there were thirteen (13) parties authorized to import, export, sell, supply and distribute lubricants (Activity 2) and two(2) parties authorized to import, export, sell, supply, distribute and blend lubricants (Activity 1) 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 1
 (Servo)	Indian Oil Corporation Limited	Lanka IOC PLC	Activity 1
 (ExxonMobil, Esso, Mobil, Cat)	ExxonMobil Asia Pacific Pte. Ltd.	McLarens Lubricants Limited	Activity 2
 (Valvoline)	Ashland Inc.	United Motors Lanka Limited	Activity 2
 (Shell)	Shell Markets (Middle East) Limited	N. M. Distributors (Pvt) Limited	Activity 2
 (BP, Castrol)	BP France S.A.	Associated Motorways Limited	Activity 2
 (Laugfs)	Laugfs Holdings Limited	Laugfs Lubricants Limited	Activity 2
 (MAK)	Bharat Petroleum Corporation Limited	TVS Lanka (Pvt) Limited	Activity 2
 (Motul)	Motul	Dynamic Motors (Pvt) Limited	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 Ltd	Navaloka Petroleum (Pvt) Limited	Activity 2
 (Hyrax)	Ceylon Petroleum Corporation		Activity 2

3. Sales and Market Share

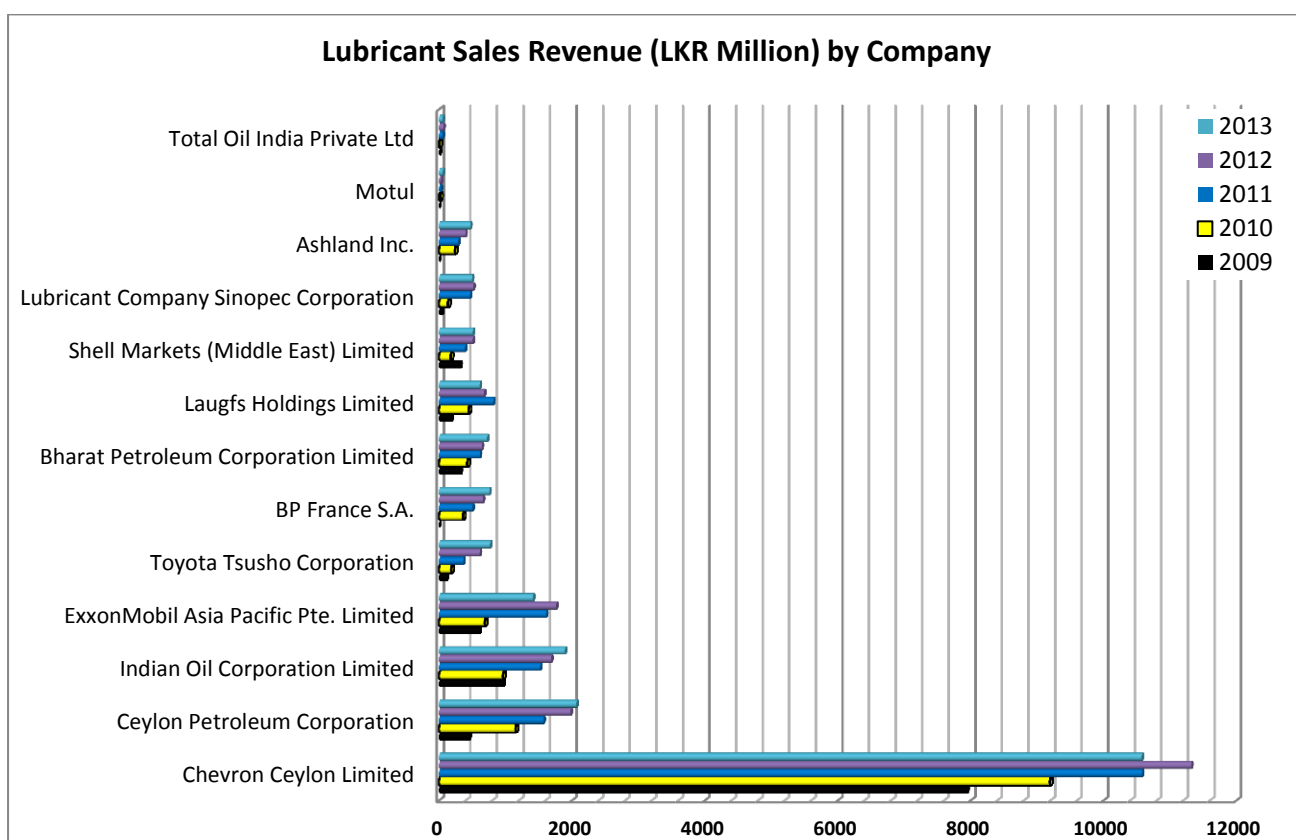
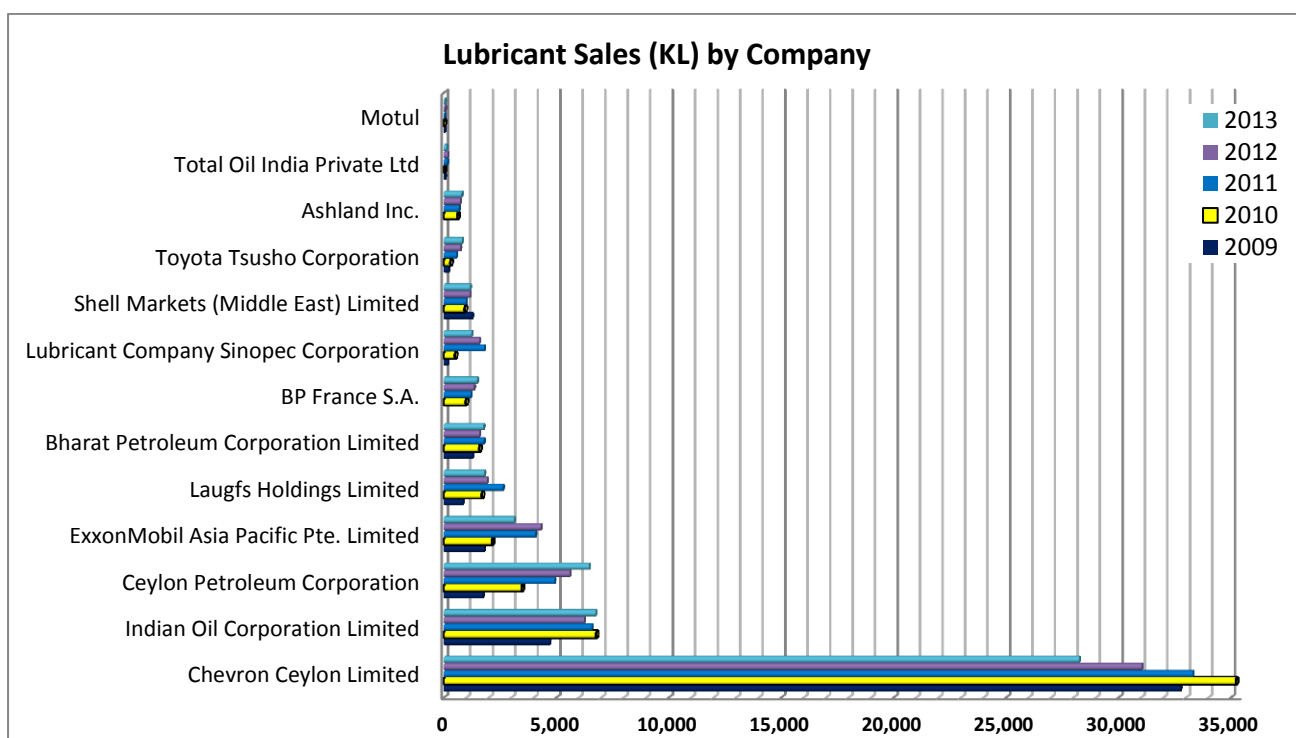
A total of 53,708 KL of lubricants worth of LKR 20.4 billion were sold during the year 2013, out of which 70% of total sales were automotive products while industrial, marine lubricants and greases accounted for 21%, 5% and 4% respectively. Following table gives the summary of sales figures.

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

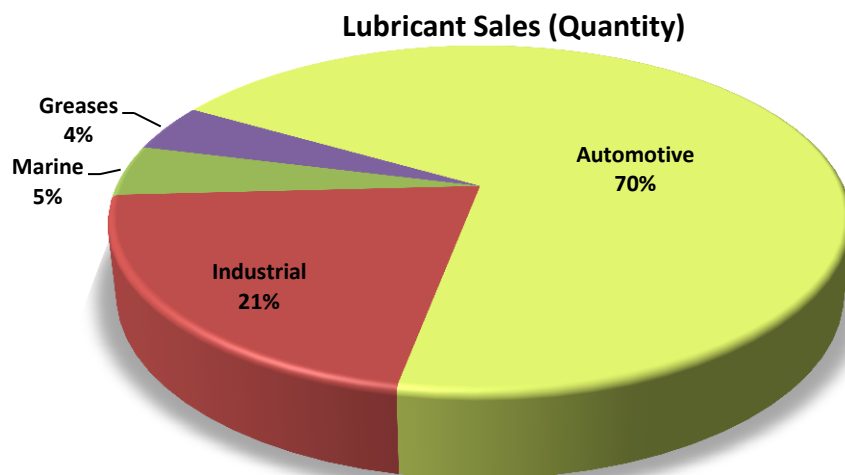
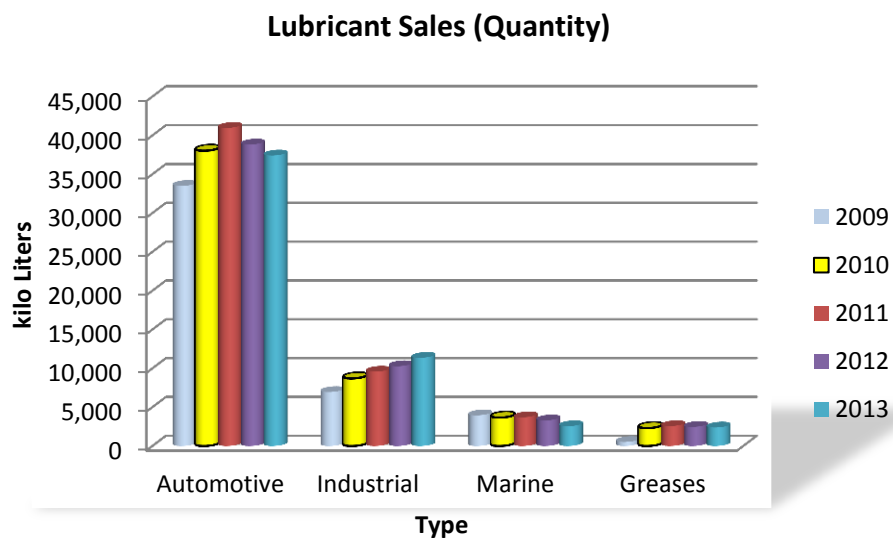
Market leader held a share of 52.58% (reduced from 55% in 2012) and the nearest competitor has got a market share of 12.55%. The market share of remaining participants has increased to 34.87% (from 33.9% in 2012).

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

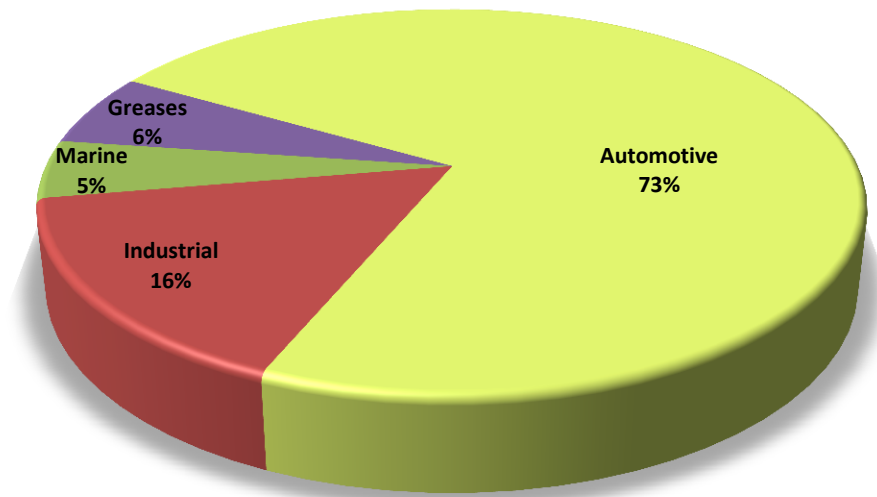
Company	2013		2012	
	Sales Quantity (KL)	Market Share (%)	Sales Quantity (KL)	Market Share (%)
Chevron Ceylon Limited	28,241	52.58	31,029	55.08
Indian Oil Corporation Limited	6,738	12.55	6,231	11.06
Ceylon Petroleum Corporation	6,453	12.01	5,590	9.92
ExxonMobil Asia Pacific Pte. Limited	3,120	5.81	4,302	7.64
Laugfs Holdings Limited	1,798	3.35	1,910	3.39
Bharat Petroleum Corporation Limited	1,760	3.28	1,565	2.78
BP France S.A.	1,476	2.75	1,335	2.37
Lubricant Company Sinopec Corporation	1,221	2.27	1,566	2.78
Shell Markets (Middle East) Limited	1,161	2.16	1,148	2.04
Toyota Tsusho Corporation	798	1.49	729	1.29
Ashland Inc.	785	1.46	711	1.26
Total Oil India Private Ltd	112	0.21	161	0.29
Motul	46	0.09	56	0.10
Total	53,708		56,334	



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

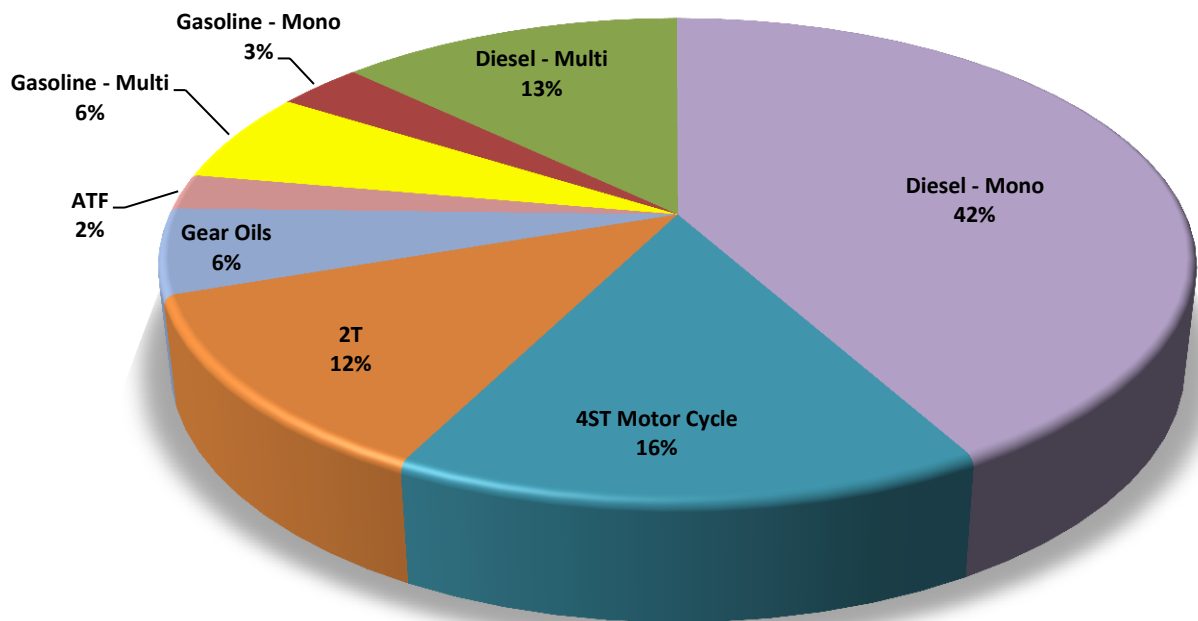


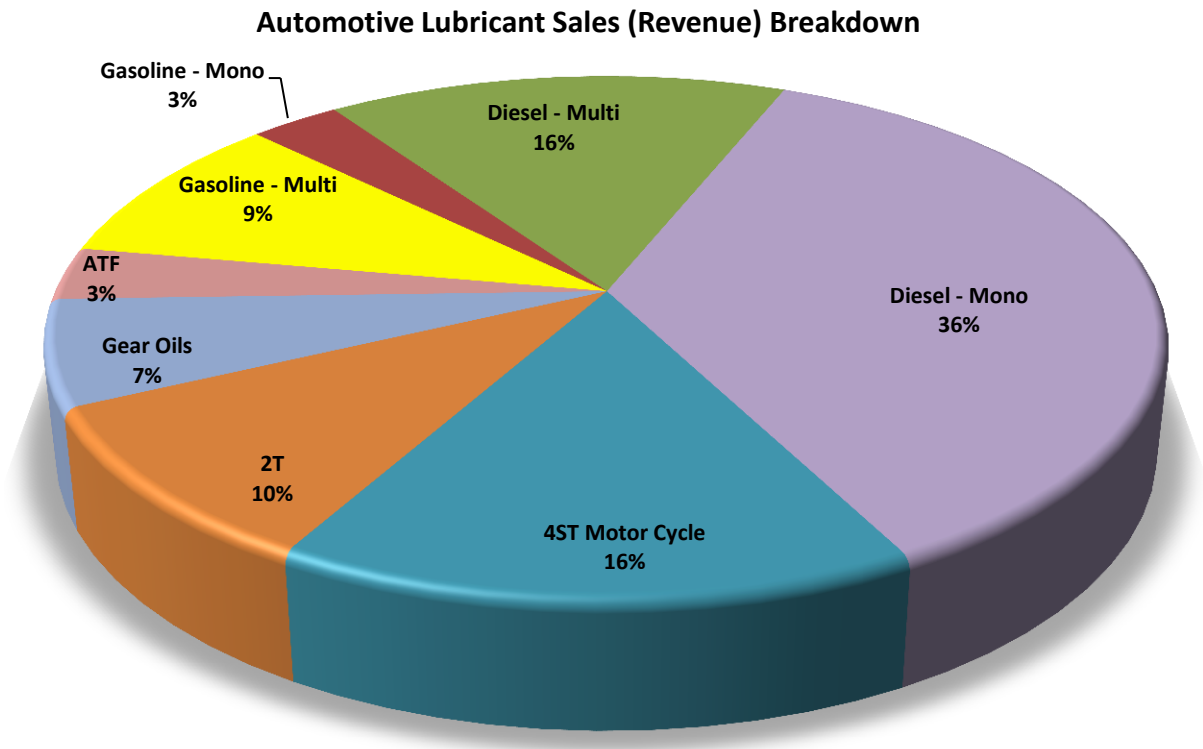
Lubricant Sales (Revenue)



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

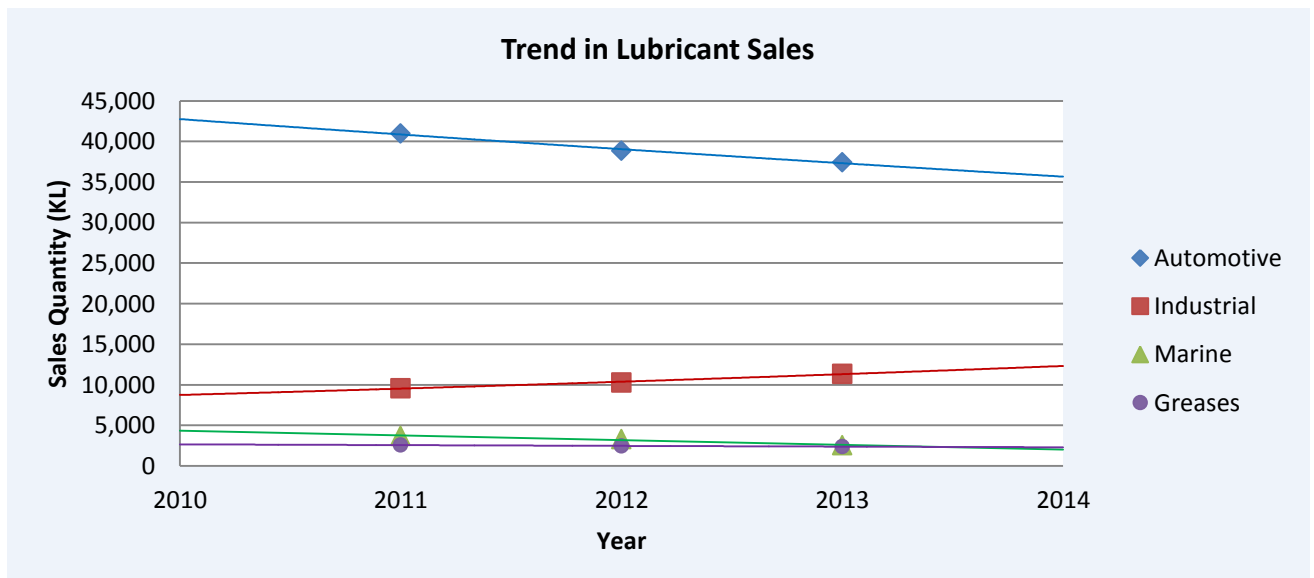
Automotive Lubricant Sales (Quantity) Breakdown





4. Trends in the Lubricant Market – Sales

Using the sales data from the year 2010 to 2013 a trend analysis was carried out and following trends can be observed in automotive, Industrial, marine lubricants and greases.



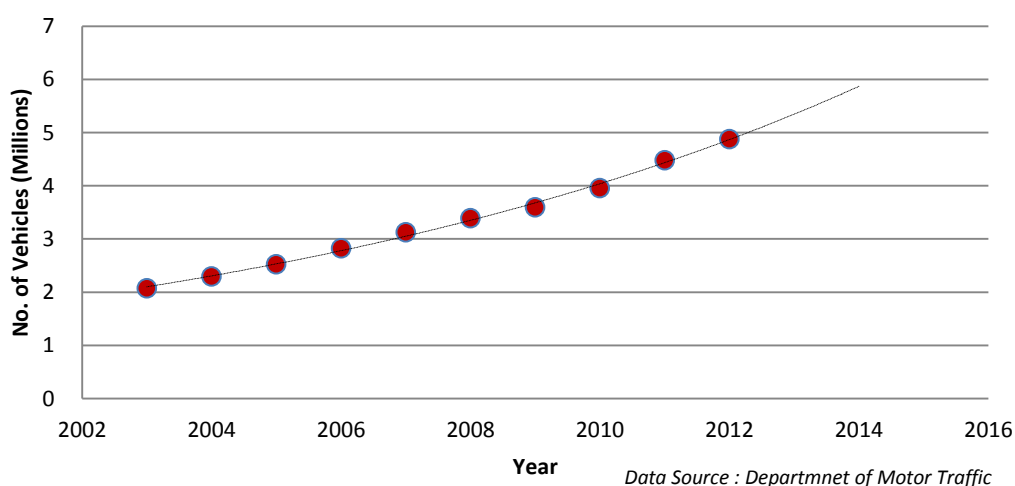
Accordingly following quantities can be expected from the market in 2014 end.

Expectation in 2014 According to the current trend	
Type	Amount (KL)
Automotive	35,711
Industrial	12,318
Marine	2,028
Greases	2,290
Total	52,347

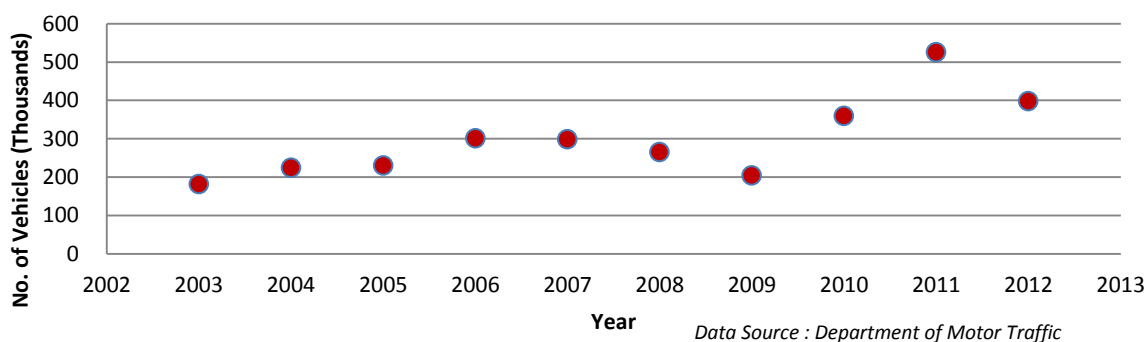
We can observe market shrink in automotive lubricants as indicated in above graph. The maximum decrease in quantity observed in Diesel Multi grade – automotive lubricants, which amounts to 2,966 KL (with respect to year 2012).

Further it is worth to look at the vehicle population in Sri Lanka, Also it can be seen that, number of new registrations of vehicles has been gone down after 2011 (See graphs below). It is expected to be going down further in 2014.

Vehicle Population in Sri Lanka



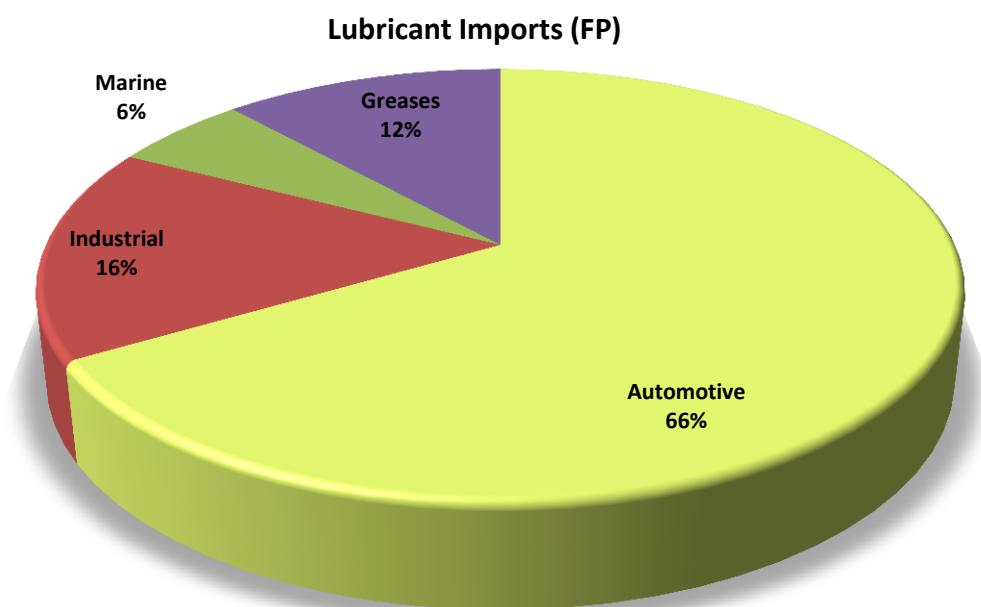
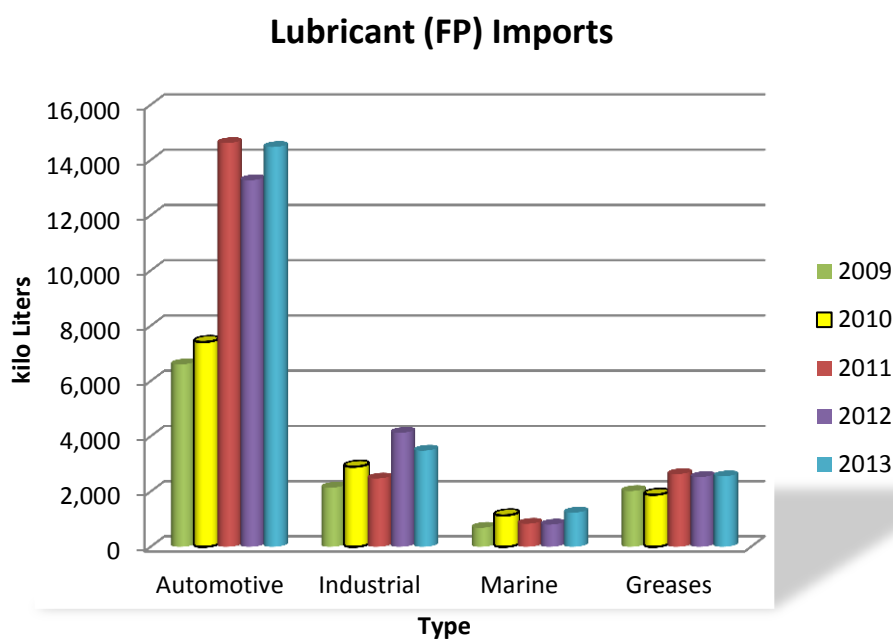
New Vehicle Registrations



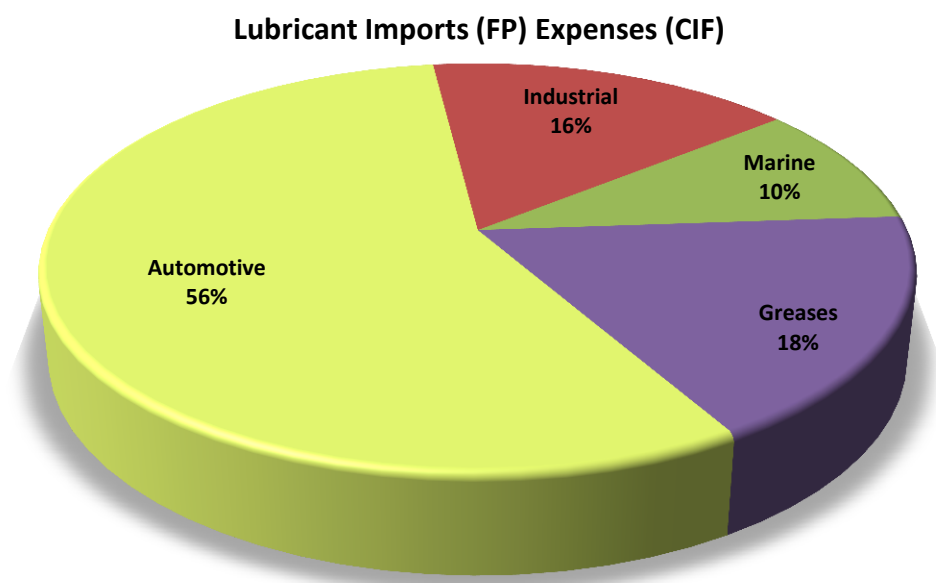
5. Imports

A total of 21,747 Kilo Liters of finished lubricants and greases worth of LKR 3,773 Million were imported during the year 2013; automotive, industrial, marine and greases segments accounts for 67%, 16%, 6% and 12% of the total imports, respectively.

Total of 28,611 KL of Base oils and 3,454 KL of additives were imported for blending by the two parties authorized to blend and produce lubricants and greases. Lubricant imports (KL) on each type are given in following charts.



Expenditure for lubricant imports is given in following chart.



6. Exports

During the year 2013 a total of 2,503 Kilo Liters of Lubricants were exported to regional markets. This is 17% decrease with respect to year 2012.

7. Production

The two authorized parties to blend and produce lubricants in Sri Lanka. During the year 2013, 34,077 KL of lubricants were produced (blended) locally. Around 85% of the blending was carried out at the lube blending plant of Chevron located at Kolonnawa while the balance 15% 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.

8. 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

9. 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 2013 the total attributed registration fee to the Government is LKR 58.2 million.