

LUBRICANT Market

Report 2011



Public Utilities Commission of Sri Lanka

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 2011, 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)	ExxonMobil Asia Pacific Pte. Ltd.	McLarens Lubricants Limited	Activity 1
 (Valvoline)	Ashland Inc.	United Motors Lanka Limited	Activity 1
 (Shell)	Shell Trading (Middle East) Private 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	Activity 1
 (MAK)	Bharat Petroleum Corporation Limited	TVS Lanka (Pvt) Limited	Activity 1
 (Motul)	Motul France S.A.	Dynamic Motors (Pvt) Limited	Activity 1
 (Greatwall)	Lubricant Company Sinopec Corporation	Interocean Lubricants Limited	Activity 1
 (Toyota)	Toyota Tsusho Corporation	Toyota Lanka (Pvt) Limited	Activity 1
 (Total, Elf)	Total Lubricants India Limited	Navaloka ABC Lubricants (Pvt) Limited	Activity 1
 (Hyrax)	Ceylon Petroleum Corporation		Activity 1

3. Sales and Market Share

A total of 58,554 KL of lubricants worth of Rs. 18.7 billion were sold during the year 2011, out of which 70% of total sales were automotive products while industrial, marine and greases accounted for 16%, 6% and 4% respectively. Following table gives the summary of sales figures.

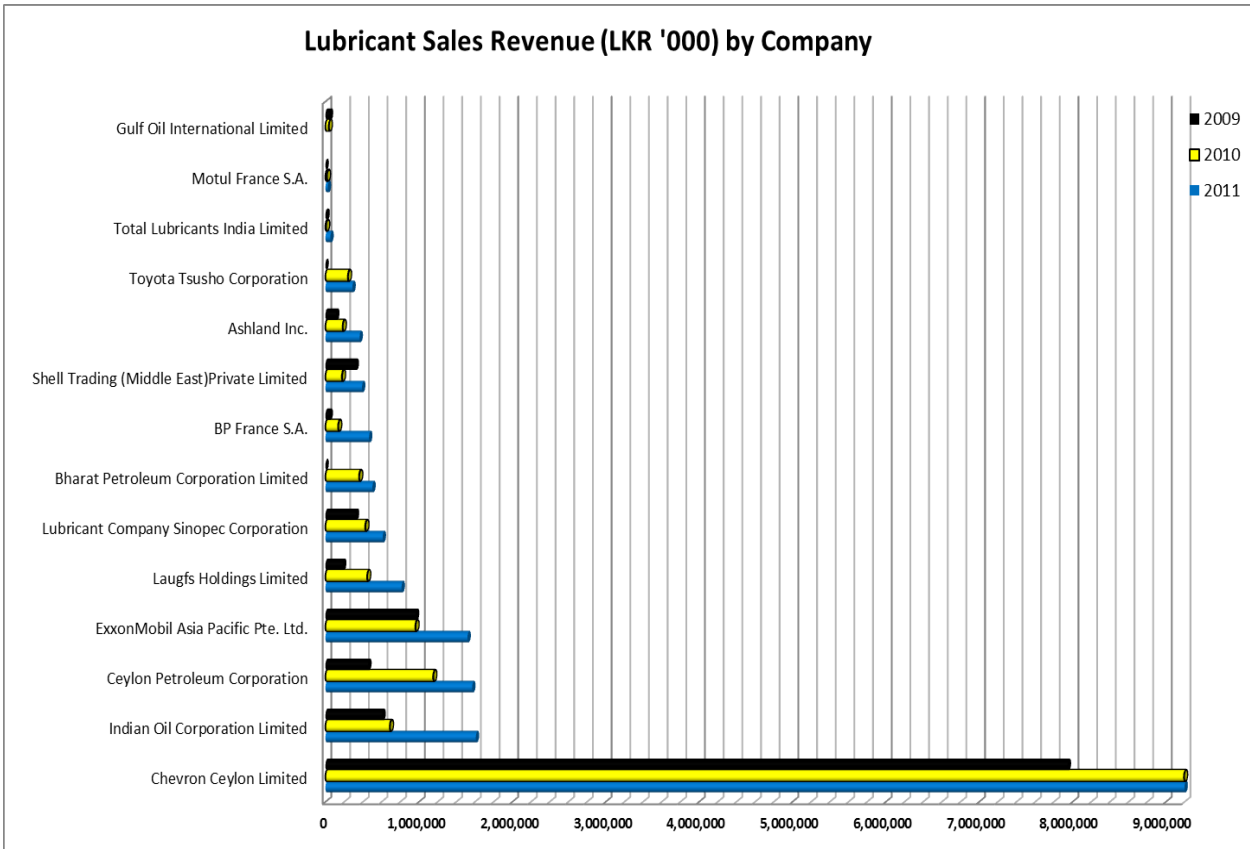
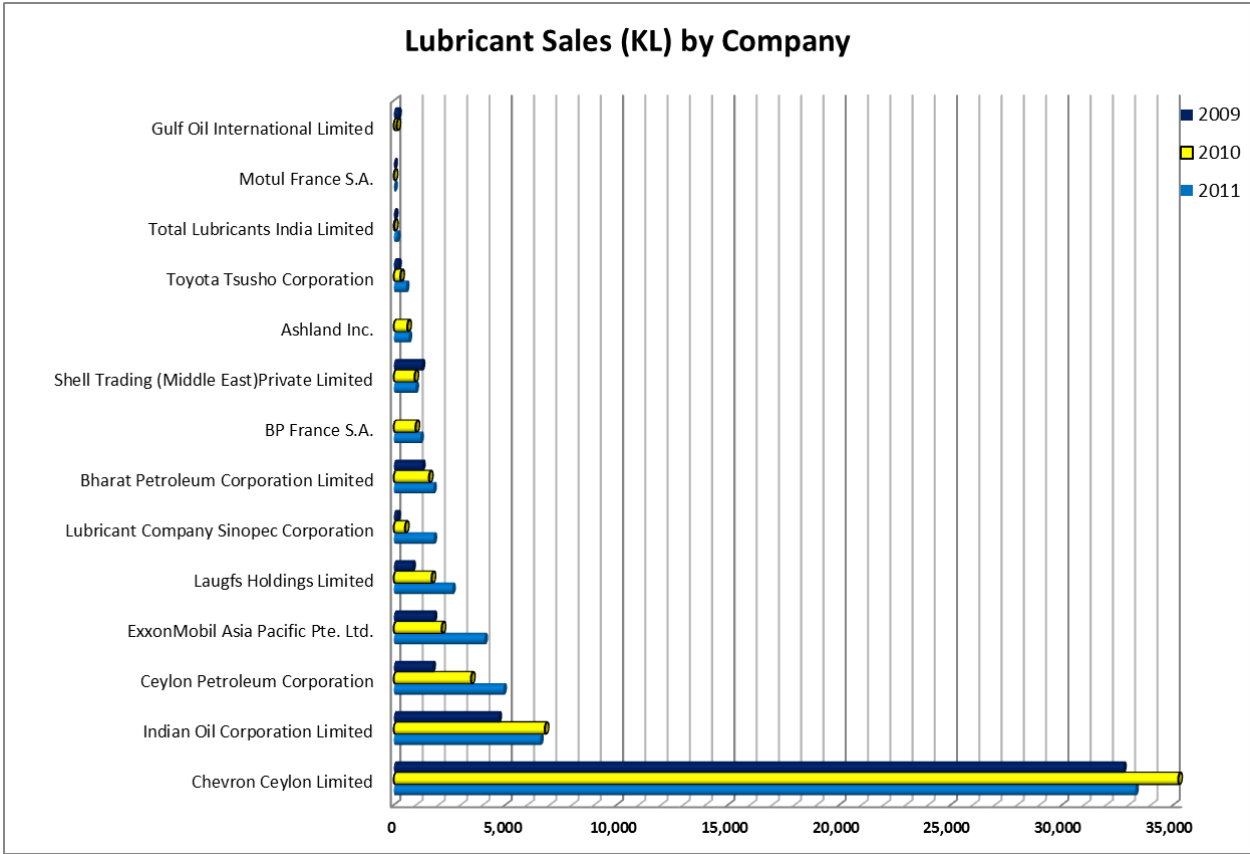
Lubricants - Total Sales		
Year	Quantity (KL)	LKR (Mil.)
2011	58,554	18,775
2010	54,369	14,035
Annual increase (%)	8	34

Market leader held a share of 57% (reduced from 65% in 2010) and the nearest competitor has also got reduction in its market share to 11% (from 12%). The market share of remaining participants has increased considerably to 32% (from 23% in 2010). This is a result of several parties who entered the market upon full liberalization in 2006, consolidating their positions in the market.

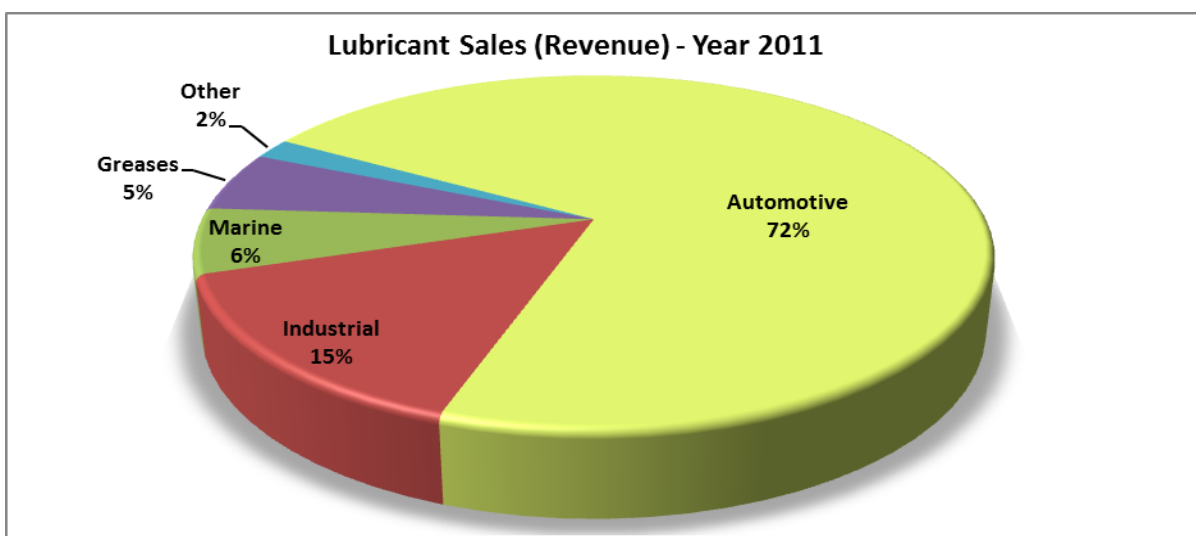
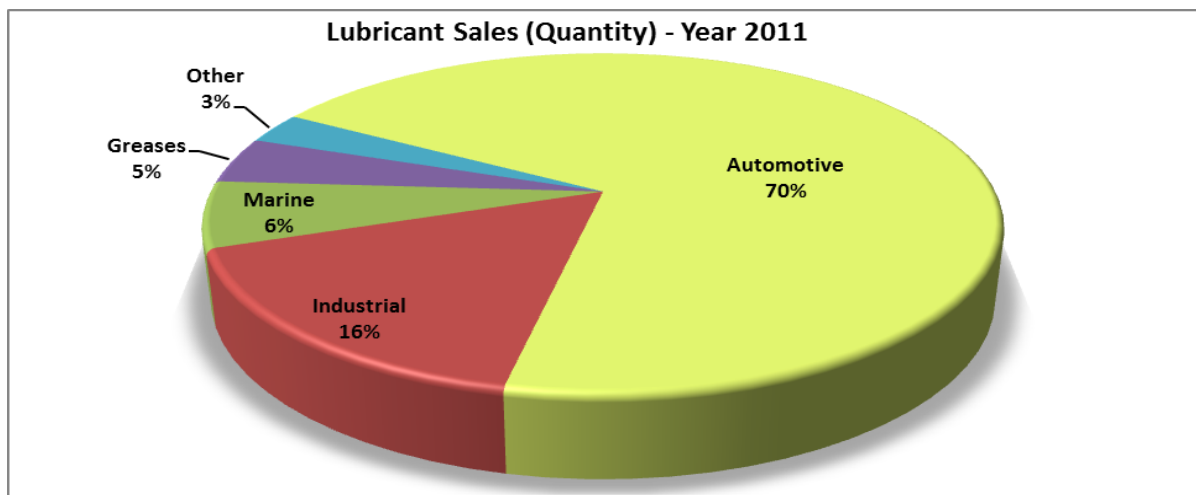
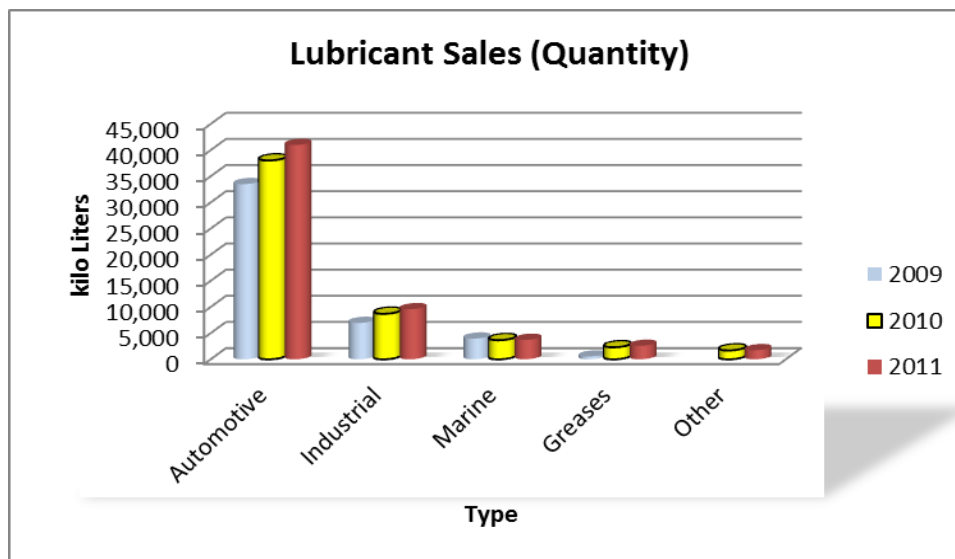
The sales and the market share are given in the table and graphs below

Company	2011		2010		2009	
	KL	%	KL	%	KL	%
Chevron Ceylon Limited	33,297	56.9	35,232	64.8	32,753	72.9
Indian Oil Corporation Limited	6,566	11.2	6,780	12.5	4,700	10.5
Ceylon Petroleum Corporation	4,916	8.4	3,468	6.4	1,727	3.8
ExxonMobil Asia Pacific Pte. Ltd.	4,065	6.9	2,151	4.0	1,792	4.0
Laughs Holding Limited	2,620	4.5	1,699	3.1	829	1.8
Lubricant Company Sinopec Corporation	1,785	3.0	503	0.9	155	0.3
Bharat Petroleum Corporation Limited	1,771	3.0	1,580	2.9	1,265	2.8
BP France S.A.	1,190	2.0	978	1.8		0.0
Shell Trading (Middle East) Private Limited	972	1.7	933	1.7	1,253	2.8
Ashland Inc.	664	1.1	608	1.1		0.0
Toyota Tsusho Corporation	543	0.9	296	0.5	198	0.4
Total Lubricants India Limited	144	0.2	14	0.0	51	0.1
Motul France S.A.	21	0.0	17	0.0	25	0.1
Gulf Oil International Limited *			127	0.2	196	0.4
Total	58,554	100.0	54,386	100.0	44,945	100.0

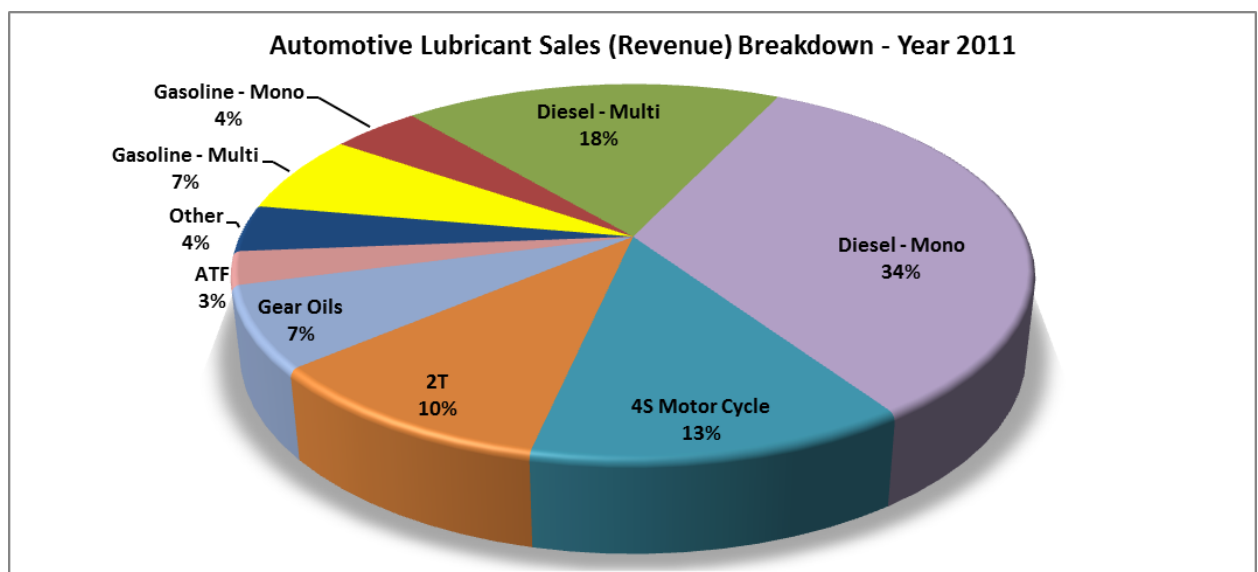
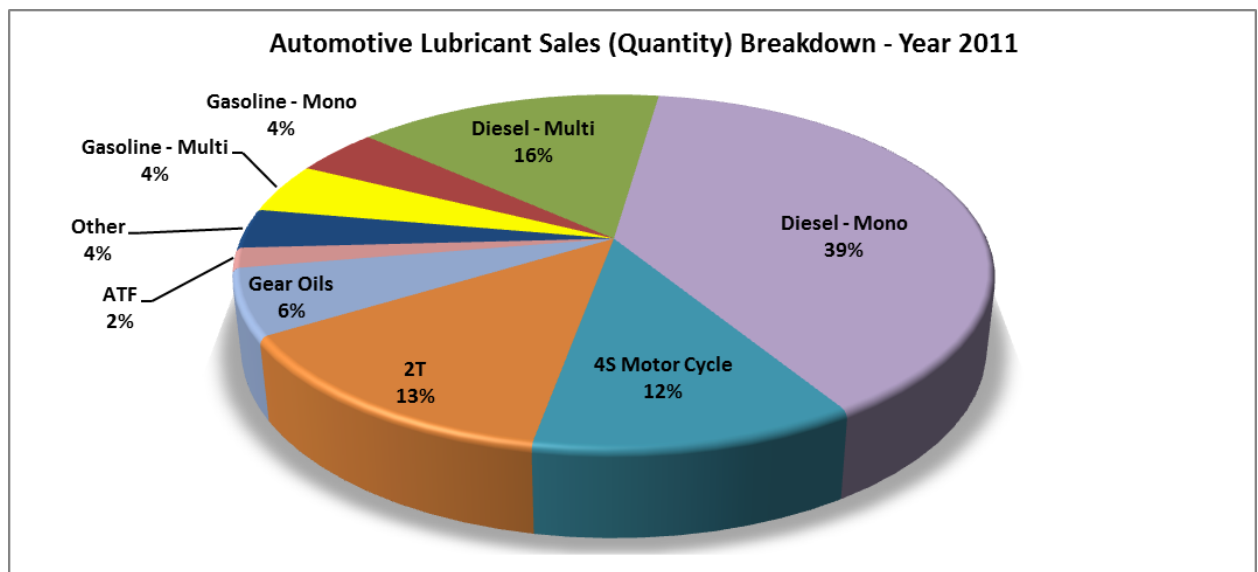
*Has not renewed license for the year 2011.



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



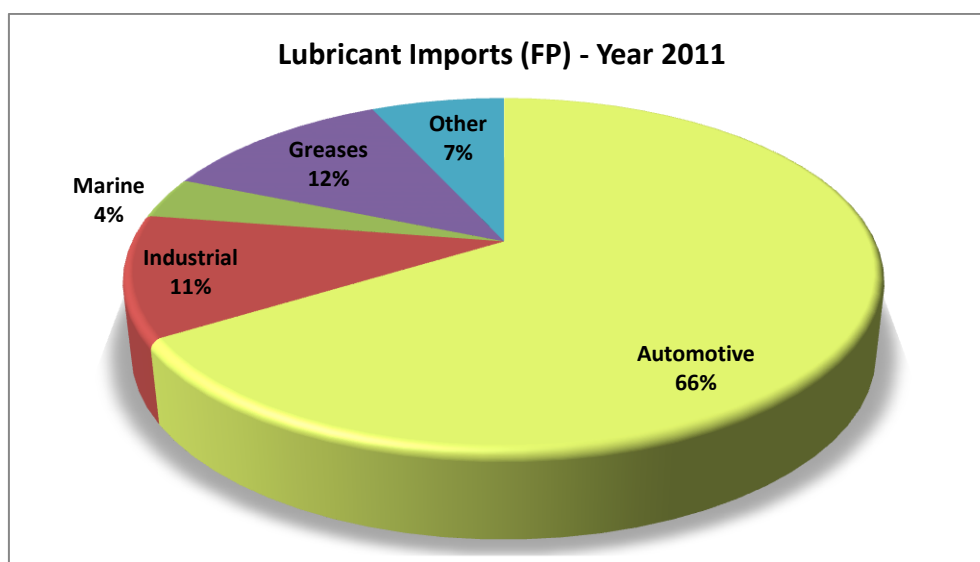
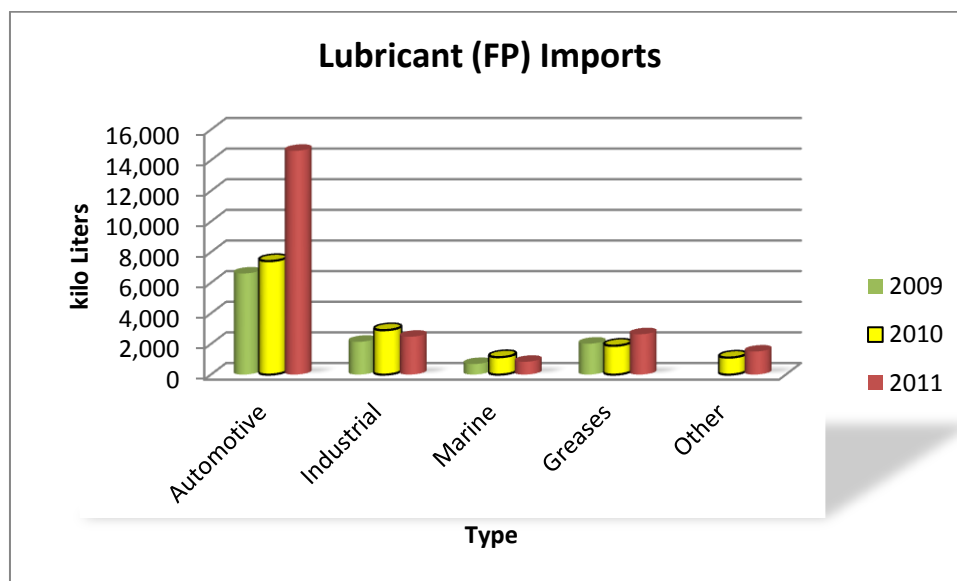
Following pie chart depicts sales quantities and revenue of Automotive Lubricants.



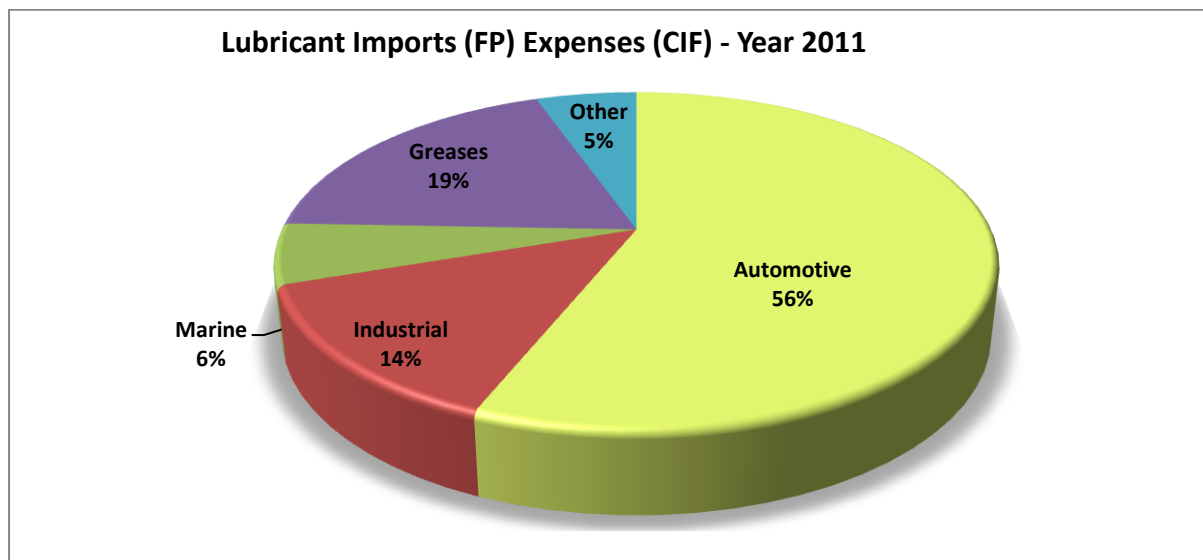
4. Imports

A total of 22,060 Kilo Liters of finished lubricants and greases worth of Rs. 3,708 Million were imported during the year 2011; automotive, industrial, marine and greases segments accounts for 66%, 11%, 4% and 12% of the total imports, respectively.

Base oils worth Rs. 4,753 million and additives worth Rs.1,244 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.



Expenditure for lubricant imports is given in following chart.



5. Exports

During the year, 5,189 Kilo Liters of Lubricants were exported to regional markets. This is 63% increase with respect to year 2010. There exist greater potential for such exports, especially in view of bi/multi lateral concessionary trade agreements between Sri Lanka and other countries.

6. Production

The two authorized parties to blend and produce lubricants in Sri Lanka. During the year 2011, around 64 % (33,440 KL) of the lubricant requirement was produced (blended) locally. Around 87% (32,743 KL) of the blending was carried out at the lube blending plant of Chevron located at Kolonnawa while the balance 13% (4,775 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	SLSI 1374/2009	API SJ	API SL, API SM
Diesel Engine Oil	SLSI 1373/2009	API CF	API CF-2, API CG-4, API CH-4, API CL-4, API CJ-4
Two Stroke Engine Oil	SLSI 1446/2012	JASO FC	JASO FD
Four Stroke Motorcycle Engine Oil	SLSI 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	SLSI 1396/2010	API GL 4	API GL 5, API GL 6
Automatic Transmission Oil	DEXRON IID, DEXRON III MERCON, ALLISON C4, JASO	DEXRON IID, DEXRON III MERCON, ALLISON C4, JASO M315 Type Group A	OEM Recommended Oils
Grease	SLSI 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 2011 the Government has received a total income of Rs. 51.6 million compared to Rs. 46.1 for the year 2010.