



LUBRICANT MARKET REPORT 2018



PUBLIC UTILITIES COMMISSION OF SRI LANKA

Economic Technical & Safety Regulator of the Electricity Industry & Shadow Regulator of the Lubricant Market

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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Role Of Pucsl As The Shadow Regulator

Petroleum Industry

The downstream petroleum industry comprises of the importation and refining of crude oil as well as the importation, exportation, distribution, supply and sale of petroleum products such as petrol, diesel, kerosene, furnace oil, liquefied petroleum gas, marine fuel, aviation fuel, naphtha, bitumen as well as other mineral oil products and lubricant oil including greases. It is primarily governed by the Ceylon Petroleum Corporation Act, No. 28 of 1961 as amended and the Petroleum Products (Special Provisions) Act, No. 33 of 2002.

Presently, the Minister in charge of the subject of Petroleum has overall powers to regulate the downstream petroleum industry. However, the operations of market participants are not monitored and regulated properly. In view of the above, a new regulatory framework is to be established under purview of Public Utilities Commission of Sri Lanka. Towards this end, amendments to the Petroleum Products (Special Provisions) Act, No. 33 of 2002 have been prepared by the Ministry of Petroleum Resources Development. The sanction of the Parliament for proposed amendments to the respective acts is currently pending and once those acts are passed by the Parliament, PUCSL will be empowered to fully regulate the downstream petroleum industry.

PUCSL has been designated as the regulator for Petroleum industry. However, the respective acts (The Petroleum Products (Special Provisions) (Amendment) Bill and Ceylon Petroleum Corporation (Amendment) Bill), which would empower the PUCSL to regulate economic, technical, competition and safety aspects of the petroleum industry, is to be presented to the parliament for enactment. At present, the PUCSL assists 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.

Lubricant Market

In 2006 the government nominated PUCSL as the shadow regulator for the Lubricant Market as an interim measure until PUCSL is fully empowered as the regulator for petroleum industry. Since then PUCSL has been advising and assisting the Ministry of Petroleum in policy matters and regulatory role in lubricant market.

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.

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. Also PUCSL collect the data related to the lubricant market and publishes periodically.

The PUCSL 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 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. Activities in 2018

With the view to identify the issues in the sector and the improving the existing regulatory tools PUCSL decided to consult the stakeholders in early 2018. Accordingly, the consultation paper was presented to stakeholders for their views. Stakeholders were invited to submit comments and suggestions on;

- proposed mechanism to investigate and prosecute adulterate lubricants, guidelines for re-refining used lubricants
- guidelines to be strictly followed by relevant agencies such as the Import and Export Control Department, Sri Lanka Customs and market participants with regard to the importation of unauthorized lubricants
- also, the proposal to revise the duty structure taking into consideration the local value addition and investment by local blenders in addressing the price differences between the imported and locally produced lubricants.

28 written comments were received based on the consultation paper and at the final presentation, 36 representatives made oral submissions at the final stage of the consultation held in April 2018 at Bandaranaika Memorial Conference Hall in Colombo.

More than 300 people participated in the consultation and public, industrialists, manufacturers, officials and experts expressed their views on the proposed mechanisms. The summary of Comments is given in following table.

Public Consultation



Issues identified and Proposed Remedies

Issues	Proposed Remedies	Proposed Regulatory Interventions
Quality <ul style="list-style-type: none"> • Sale of substandard lubricants – lubricants adulterated with used lubricants. 	<ul style="list-style-type: none"> • Regulate collection and disposal/ recycling of used lubricants. 	<ul style="list-style-type: none"> • Draft procedure for collection and disposal of used lubricants. • Draft procedure for recycling of used lubricants. • Formulate mechanism for testing the quality of lubricants. • Review and update Sri Lanka Standards for lubricants. • Draft procedure for compulsory import inspection of lubricants by the Sri Lanka Standards Institute and Sri Lanka Customs
Competition & Price <ul style="list-style-type: none"> • Barriers to entry – infrequent selection and authorization of new market participants. 	<ul style="list-style-type: none"> • Process requests for qualification as and when they are received. 	<ul style="list-style-type: none"> • Appoint standing technical evaluation and procurement committees.
<ul style="list-style-type: none"> • Barriers to competition - duty differential between imported and locally blended lubricants. 	<ul style="list-style-type: none"> • Rationalize duties imposed on importation of lubricants, base oils and additives so as to promote fair competition. 	<ul style="list-style-type: none"> • In the interim, ascertain current duty differential and maintain same at ten percent, as decided by the Cabinet • Conduct independent and in-depth study of local value addition and ascertain optimal duty differential to promote fair competition.

Issues	Proposed Remedies	Proposed Regulatory Interventions
Other <ul style="list-style-type: none"> Unauthorized brands of lubricants and unauthorized activities in the market. 	<ul style="list-style-type: none"> Regulate importation of lubricants by the Import & Export Control Department and Sri Lanka Customs. 	<ul style="list-style-type: none"> Formulate guidelines for Import & Export Control Department on issuing Import Licenses and guidelines for Sri Lanka Customs on clearing of lubricants.
	<ul style="list-style-type: none"> Regulate unauthorized activities in the market 	<ul style="list-style-type: none"> Formulate a mechanism for investigation and prosecution of unauthorized activities.
<ul style="list-style-type: none"> Lack of a consumer complaint handling procedure and responsible agency. 	<ul style="list-style-type: none"> Refer complaints to the Public Utilities Commission of Sri Lanka for review and recommendation to the Ministry of Petroleum Resources Development for action by the Minister of Petroleum Resources Development. 	<ul style="list-style-type: none"> Formulate procedure for submission and review of consumer complaints and mechanism for action by relevant Government agencies.
<ul style="list-style-type: none"> Lack of consumer awareness regarding correct selection, authorized and substandard lubricants. 	<ul style="list-style-type: none"> Educate customers through a sustained awareness campaign 	<ul style="list-style-type: none"> Formulate an awareness campaign

After reviewing the comments of the Public Consultation, the following activities were initiated in 2018;

1. Procedure for Handling Consumer Complaints
2. Mechanism for Testing the Quality of Lubricants
3. Review and update Sri Lanka Standards for Lubricants
4. Mechanism for Collection, Recycling and Disposal of Used Lubricants
5. Advise on Economic Value Addition and Duty Structure of Imported and Locally Blended Lubricants

Out of above 5 activities first two activities were finalized during 2018 while 3 remaining activities were planned to be finalized during 2019.

Procedure for Handling Consumer Complaints

One of salient suggestions at the Public Consultation was the importance of having an institution and a procedure to handle complaints of lubricant users as they provide an opportunity for users to submit their complaints and find resolutions.

As per the recommendation of the PUCSL, the Ministry of Petroleum Resources Development (MPRD) appointed a committee comprising of the Consumer Affairs Authority, Sri Lanka Police, Sri Lanka Standards Institution, Industrial Technology Institute, Sri Lanka Accreditation Board, Sri Lanka Customs and the PUCSL to look into these matters and develop a suitable procedure to handle consumer complaint in the lubricant market. The PUCSL prepared the procedure after obtaining inputs from members of the committee.

As per the procedure, any user who has a complaint on lubricants market may submit his/her complaint to PUCSL directly. PUCSL as the complaint handling body, having registering and acknowledging the complaint conduct initial reviewing. Depending on nature of the complaint, investigations can be done by the PUCSL including, inspecting (where necessary) manufacturers details, work stations of service providers with the participation of MPRD, Consumer Affairs Authority, Sri Lanka Standard Institute, Industrial Technology Institute, Sri Lanka Police and Sri Lanka Customs (where they involve). At the conclusion of the investigations, the PUCSL with the participation of institutions involved for the investigation of complaint prepare its decision to solve the complaint. The Decision approved by PUCSL will be forwarded for MPRD (as per power vested to the Ministry) or Consumer Affairs Authority (as per the power vested with the authority) to be communicated to parties to the complaint.

Procedures for Testing the Quality of Lubricants, Investigation & Prosecution of Unauthorized Activities

Among the underlying issues arising from comments received during the public consultation was the sale of substandard lubricants, mainly lubricants adulterated with used lubricants. Consumer organizations stated that there are low priced adulterated lubricants being sold in the market and as such there is uncertainty amongst consumers regarding the quality of lubricants purchased.

Sri Lanka Standards have been published by the Sri Lanka Standards Institute for automotive lubricants and greases. However, there is currently no mechanism to test the quality of lubricants and enforce standards. Therefore, the PUCSL recommended the formulation of a procedure for testing the quality of lubricants. The Ministry of Petroleum Resources appointed a Committee on the above comprising of the Consumer Affairs Authority, Sri Lanka Police, Sri Lanka Standards Institution, Industrial Technology Institute, Sri Lanka Accreditation Board, Sri Lanka Customs and the PUCSL to formulate a procedure. The Committee has drafted a procedure for monitoring the market which entails the PUCSL working with the Consumer Affairs Authority, Industrial Technology Institute, Sri Lanka Standards Institute, Sri Lanka Accreditation Board, Sri Lanka Police and Sri Lanka Customs under the purview of the Ministry to test the quality of automotive lubricants marketed in Sri Lanka for conformity to standards by testing lubricants for their physio-chemical characteristics. The Ministry of Petroleum Resources is currently in the process of obtaining approval of the Cabinet of Ministers for the proposed procedure.

3. Activities for 2019

Following activities have been identified for the year 2019 for the Lubricant market.

	Reference	Activity – 2019	Output
01	AP19/ CP/ LIC /07	Preparation of a solution for collection, recycling and disposal of used lubricants	Identification of a proper solution for collection, recycling and disposal of used lubricants
02	AP19/ RU/ LIC /21	Lubricant (Awareness programs/workshop/Market report)	Quality, Price
03	AP19/ RU/ LIC /22	Evaluation and Granting License for New Lubricant Market Players (3rd round)	Granting license for new lubricant market players
04	AP19/ CP/ REA/02	Review and update Sri Lanka Standards for lubricants	Updated and new Sri Lanka Standards for lubricants
05	AP19/ CP/ REA/05	Formulate procedure for compulsory import inspection of lubricants by the Sri Lanka Standards Institute and Sri Lanka Customs	Implementation of a procedure for compulsory import inspection of lubricants by the Sri Lanka Standards Institute and Sri Lanka Customs
06	AP19/ CP/ REA/07	Formulate advise to the government on duty differential of imported and locally blended Lubricants for increased competition	Duty differential of imported and locally blended lubricants is maintained at 10 per cent

4. Profiles of Market Players

01

SHELL is a global group of Energy and Petrochemical companies and strive to help and meet the energy needs of the society in ways that are economically, environmentally and socially responsible. In line with this we as, responsible citizens of our country would suggest the PUCSL to introduce and implement a suitable mechanism for proper collection and disposal of waste oil which in turn could be used as furnace oil in the industry segment. This will avoid the existing violations of the regulatory frame work and also help building an environment friendly society.

Furthermore, in spite of the present regulations in force, several non-licensed organizations do market lubricants having different quality standards, which the government has still failed to control. Also, the present consumer knowledge on the use of high-quality lubricant in the automotive sector and even in the Industry sector, and its performance and value benefits to the end user or the Industry is at a low key as the market is still price driven.

However, the initial steps taken by the PUCSL with a cabinet approval in controlling this, is highly appreciated and supported by us. Once this is properly regulated the, new and modern vehicle owners could be prevented from facing serious difficulties, with engine and transmission failures.

L P Tillekeratne
Director / CEO
N M Distributors (Pvt) Ltd.

2

Similar to previous years, Sri Lankan lubricant market remains highly volatile and price sensitive. Despite vulnerable market conditions all players are struggling to maintain their market share since expanding one's market share is becoming an increasingly difficult task to accomplish.

Looking at the retail lubricant market, it is interesting to note that despite an ever-increasing number of vehicle registrations in Sri Lanka each year, the lubricant market has been on a minor decline between 2016 to 2018. The data gathered during first two quarters of 2019 indicates that we are heading towards a noticeable decline in 2019. The appreciation of the US Dollar against Sri Lankan Rupee by over 20% during the year so far has driven the lubricant prices higher, pushing the users to stretch the lubricant use to maximum possible or to exceed maximum recommended usage levels, in order to manage the cost of lubricants. Added to this, the industrial lubricant market too has not shown a visible growth in the recent years.

In the face of above developments, the gray lubricant market was threatening to expand its activities. However, the vigilance of PUCSL has retarded the expansion of the gray market and kept it under check. Meanwhile, the operating cost of lubricant companies kept growing due increased administrative and distribution costs which in turn are driving the industry towards thinner profit margins. Unless we witness a resurgence of industrial activities in Sri Lanka, the day we start witnessing a declining lubricant industry may become a real possibility.

Nimal Bopearachchi
Chief Executive Officer
Interocean Lubricants (Pvt) Ltd (Pls insert relevant photo)

3

"The past 24 months have been challenging where unfavorable economic conditions, political instability and fluctuating monetary policies have culminated in a steady decline in the growth of the local lubricant industry.

However, local registered and licensed lubricant companies have been successful in weathering through these conditions and have proven themselves to be capable of meeting existing as well as excess demand for Lubricant within the country."

Niroshan Pieries

Laugfs Lubricants Ltd (Pls insert relevant photo)

4

With the mission of creating life-time delighted customers, we, Toyota being the leading automobility and mobility solution provider in the world and the market leader for Japanese brand-new vehicles in Sri Lanka, always strive to deliver high quality products and Aftersales Services backed by Genuine Parts, Accessories and Toyota Genuine Motor Oils (Lubricants) by following 'Toyota Lanka Way' derived from our principles global vision.

Genuine Motor oil or commonly known as lubricants are critical components for the smooth and safest mobility. With the growing vehicle population, today lubricant market has been liberalized enabling for the importation, exportation, blending, production and distribution under the supervision and regulations of Public Utilities Commission of Sri Lanka (PUCSL) bringing market fundamentals and discipline. As a growing market with over millions of vehicles on the road, licensing and issuance of code of operation are crucial to have a fair play in the playing field. Thanks to the concerted efforts and leadership of PUCSL, today customers can use any global products with the safest mindset. On the other hand, the regulatory powers must be brought in for any violation in order to take remedial action for unresolved issues of adulteration of lubricants and importation of unauthorized lubricants to ensure customer protection is of paramount importance just as same as safe motoring.

TOYOTA (No photo)

5.

Chevron Lubricants Lanka is cautiously optimistic about the domestic lubricants market. Though we see the market demand reducing thus far in 2019 versus the same period last year, longer term we believe that the market could grow at approximately the rate of GDP growth. The market is a competitive one with representation from both the oil majors and regional players. Chevron would like to see more interaction with the regulatory bodies that govern the energy sector. An industry forum could be an avenue to discuss how companies and the government can collaborate to improve the industry for the benefit of Sri Lankan businesses and consumers.

Pat McCloud

Managing Director / CEO

Chevron Lubricants Lanka (No photo)

6.

Based on the import statistics of vehicles, there is a significant drop in the vehicle imports, whereas the Brand new vehicles segment has dropped by 40% and the recon have come down by 50%, as a result the impact has transferred to the lubricant market and the recorded drop is approximately 10% or more within the first 8 months.

Based on what we have observed, the market dynamics also has changed to a greater extent. In terms of commercial the intermediaries are keeping a thick margin while transferring a small portion to the end user, in simple the market has become re seller based and not on the end user. The stockists have a higher negotiation power than the end-user.

Based on new inventions in the 4 wheel vehicle trade, many new applications have introduced to the market in all segments as a result high spec products have launched by the lubricant importers.

The motor cycle segment too has changed lot when compare with the 4 wheeler market, It is highly noticeable of a significant growth in a segment specified for scooters as it is a new market. Also the other markets are slowly diminishing with the development of scooter oil market.

Some of the motorcycle importers have extended their warranty period for 4-5 years and hence forth only OEM,s being recommended during that period and the others have to survive with the left outs which is very small when compare with the total market.

Priyantha Ellepola

General Manager – Valvoline (No photo)

7.

“Total”, the world’s 4th largest French multinational oil company which is a fortune 500 company with an annual revenue exceeding 150 billion Euros. “Total” presently operating in 130 countries with over 96000 employees worldwide, engages in all aspects of the petroleum industry such as oil & gas exploration, development and production, refining, trading as well as the shipping and transport of crude oil and petroleum products. With this strong collaboration Nawaloka Petroleum (Pvt) Ltd is engaged in importing, distributing, and marketing wide range of lubricant oils, greases, and coolants in Sri Lanka under Total & ELF brands. The company offers its products for industrial, commercial and consumer applications and is endorsed by most of the Original Engine Manufacturers like TATA, Renault, Maruti, Peugeot, Nissan, Citroen and KIA.

Nawaloka Petroleum (Pvt) Ltd was incorporated on 29th April 2010, and started its commercial operations in May 2010. Nawaloka Petroleum (Pvt) Ltd is dedicated towards automotive related Industries and currently it is a rapidly but steadily growing tree in the country, spreading its branches in few of the leading brands as their local partner in Sri Lanka. The success of this company lies on its strong partnerships with giant multinationals with strong reputed brands and the dedicated staff who are passionate about the performances & success. Joining hands with leading international business entities we hold the Sole Distributorships for following world renowned International Brands & perform well, gaining financial benefits for both parties.

Nawaloka Petroleum (Pvt) Ltd (No photo)

8.

Lubricant Market in Sri Lanka, predominantly a dealer driven business has its pros and cons, but from a consumer's point of view it could be disadvantages as it limits the choice a consumer can make, as they depend more on the middleman (the dealer), the influencer.

As a regulatory body focused on consumer protection, PUCSL has a major role in creating a level playing field among the stakeholders, enabling world class lubricant manufactures to invest more on consumer awareness and education, empowering consumers to make the best purchase decision and value for money.

Consumer should be given the opportunity to decide between world class products that meets latest regulatory requirement, improved performance, improved efficiency and OEM recommendations. Information is key in identifying the right lubricant product in a rapidly changing industry as a result of improved engine technology, driven by requirement for more power, smaller engines, extended service intervals, reduced emissions and increased efficiency.

The present TAX structure is one of the areas which is disadvantages for finished lubricant product importers because it creates limitations when competing with local blenders, who benefit from comparatively lower TAX percentage on raw material imports.

We wish to also make this an opportunity to applaud PUCSL for the aggressive measures taken to remove substandard and adulterated lubricant products from the market.

Oswald Pereira

Head of Lubricants

Associated Motorways (Pvt) Ltd., (Pls insert relevant photo)

9.

A stagnant market with a clear dominance of a few companies is a challenge for many within the industry. Facilitating a fairer price gap between local manufacturing and imports is a need of the hour. We certainly seek the support of the regulatory bodies to ensure an "even playing field". New entrants may affect the overall industry standards maintained by the leading global and regional players already in.

It is important to note that our customers who have patronized MAK continue to show loyalty to our range of products. We are committed in providing customer-fit lubricants solutions to the Sri Lankan market to further strengthen our position.

Prasanna de Silva

General Manager

TVS Automotives Private Limited. (Pls insert relevant photo)

10.

Ceylon Petroleum Corporation , being the leading Petroleum product marketer in Sri Lanka is committed to value addition to the lubricant product market of Sri Lanka. Today, in collaboration with M/s Hyrax Oil Sdn Bhd of Malaysia , our Corporation has managed to obtain products from the newly built Lubricant Blending Plant at Muthurajawela. This is a breakthrough of CPC's lubricant marketing strategy, where the quality of the products will be guaranteed through a fully equipped laboratory attached to the blending plant. CPC lubricants business is expected to operate based on a competitive model while engaging in a constructive dialogue with the regulating institutions of the government to improve the product quality and to satisfy the demand of the new automobiles and industry requirements. CPC will be committed to create value in the lubricants business in Sri Lanka.

CPC (No Photo)

11.

McLarens Lubricants Limited (MLL) congratulates the Public Utility Commission of Sri Lanka (PUCSL) for their continued engagement with stakeholders in the lubricant market. Their effort has resulted in better regulations of quality lubricants, and better choice for the end consumer who now has access to leading lubricants originating from USA, France, Germany, Netherlands, Japan, India, China and, indeed, Sri Lanka.

We are experiencing a downturn in lubricant market since 2016 despite positive GDP growth, increased vehicle ownership, and increasing industrialization. Further , we are very optimistic about the growth of lubricant market in the coming years due to the timely actions being taken by PUCSL to stop illicit imports and product adulterations .On our part, we at MLL will be delighted to extend our fullest support, underscoring our commitment to Sri Lankan consumers.

Tharindu Atapattu
Director/Chief Executive Officer
McLarens Lubricants (No photo)

5. 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

6. 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 decrease compared to the total sales (quantity) of year 2017. The revenue earned was 814 million higher compared to the revenue of year 2017. Annual quantity decreased by 0.34% while annual revenue increased at a percentage of 3.07% compared to the 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		

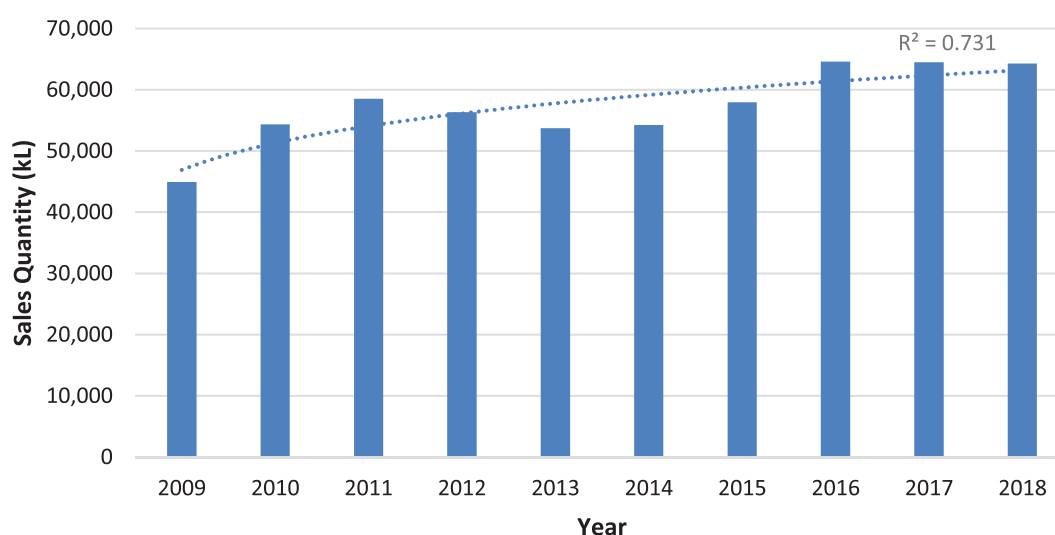
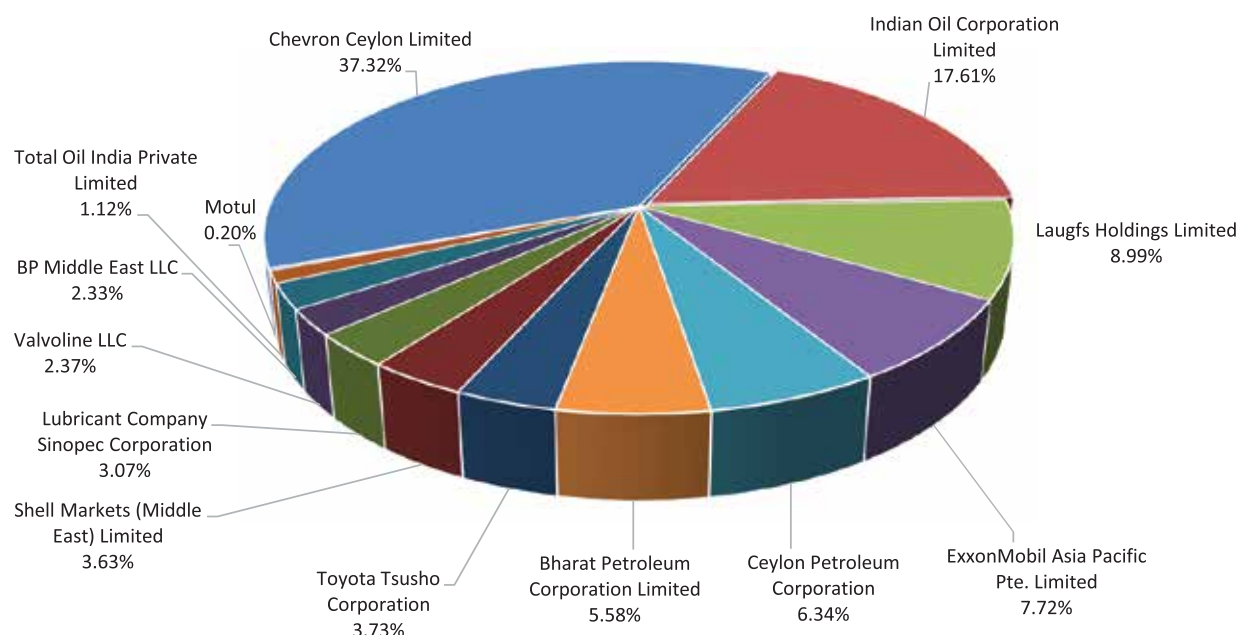


Figure 1 : Lubricant Sales (kL) - 2009 to 2018

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		39.89	29,251.30	45.29
Indian Oil Corporation Limited	11,316.17	17.61		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.	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)	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**

Market leader held a share of 37.32 % in 2018 (39.89 % in 2017) and nearest competitor seized 17.61 % of market share in the same year (17.01 % in 2017). Market leader had reduced the share by 2.57% compared to 2017.

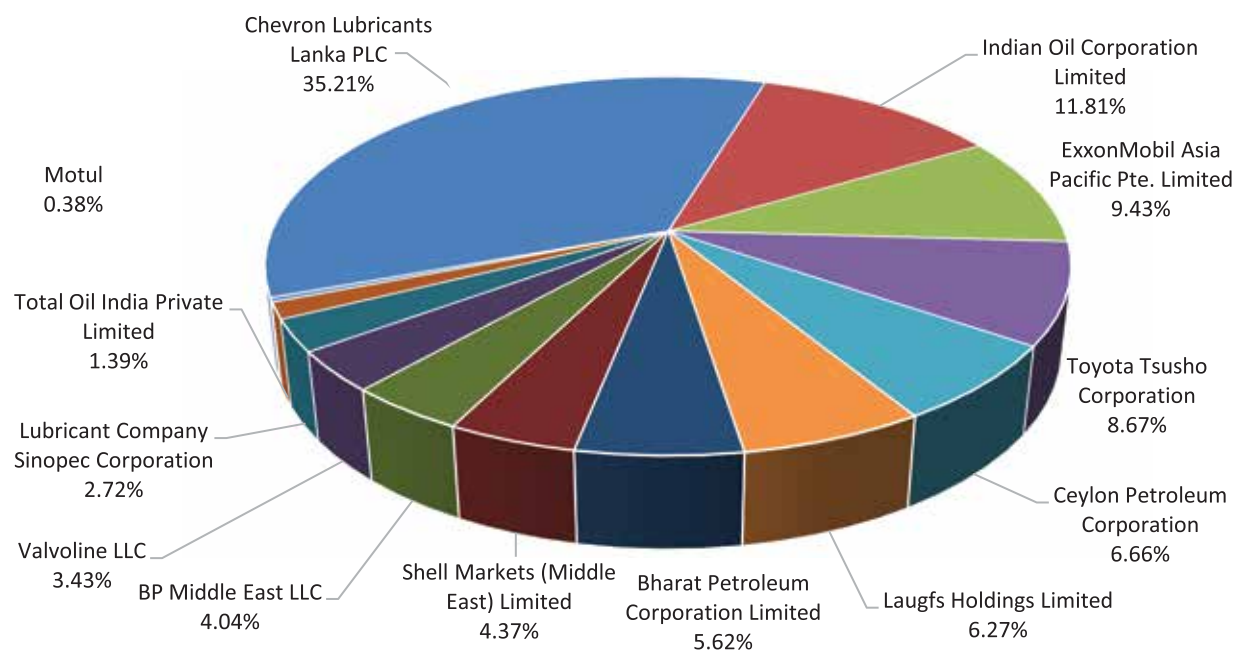


Figure 3 : Lubricant Sales (Revenue) - 2018

Market leader held a revenue of 35.21% in 2018 with nearest competitor gasped 11.81% of revenue in the same year.

7. 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	31,028	28,240	26,752	27,585	29,251	25,721	23,987
Indian Oil Corporation	6,565.	6,230.	6,738.	6,832.	8,618.	10,590	10,969	11,316
Laugfs Holdings Limited	2,620.	1,910.	1,798.	2,896.	2,858.	3,419.	4,949.	5,775.
ExxonMobil Asia Pacific Pte.	4,065.	4,302.	3,120.	3,680.	2,857.	3,105.	3,534.	4,959.
Ceylon Petroleum	4,915.	5,589.	6,452.	5,718.	5,325.	5,445.	5,411.	4,071.
Bharat Petroleum	1,771.	1,565.	1,759.	2,241.	2,951.	3,710.	3,452.	3,584.
Toyota Tsusho Corporation	542.58	729.00	798.00	1,027.	1,483.	1,911.	2,110.	2,398.
Shell Markets (Middle East)	1,183.	1,183.	1,160.	1,183.	1,412.	1,290.	1,898.	2,330.
Lubricant Company Sinopec	1,784.	1,565.	1,221.	1,207.	1,527.	1,569.	1,986.	1,975.
Valvoline LLC	663.53	710.79	784.76	1,076.	1,300.	1,869.	1,949.	1,525.
BP Middle East LLC	54.34	20.55	1,475.	1,314.	1,519.	1,693.	1,639.	1,496.
Total Oil India Private Limited	144.28	160.86	112.2	286.90	479.26	593.12	720.89	720.86
Motul	21.05	56.21	46.080	46.08	59.93	134.88	141.91	127.57
Total	57,629	55,054	53,707	54,264	57,978	64,585	64,484	64,266

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

Type	Lubricant Sales Quantity (kL)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Automotiv	38,024.3	39,963.5	37,389.7	37,418.	38,942.4	42,858.	46,607.0	46,804.4	47,251.80
Industrial	8,700.00	9,648.68	10,418.5	11,361.	9,956.82	10,724.	11,625.0	10,624.0	10,404.29
Marine	3,656.00	3,723.61	3,316.90	2,546.4	2,870.92	1,786.6	3,417.49	4,159.89	3,810.89
Greases	2,295.50	2,545.86	2,459.13	2,380.9	2,491.37	2,608.7	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	54,368.8	57,608.3	55,054.5	53,707.	54,264.9	57,978.	64,585.3	64,484.9	64,266.67

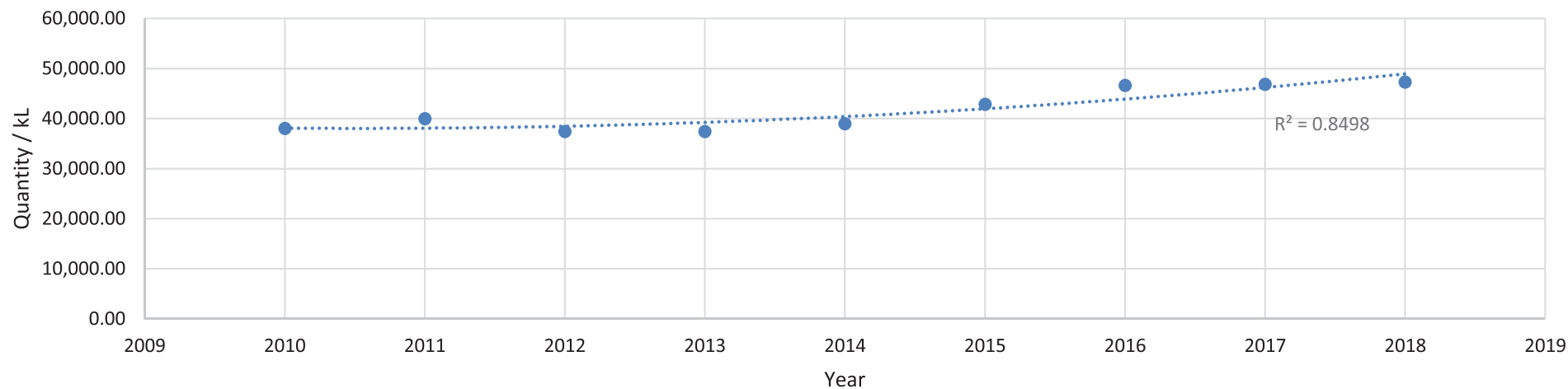


Figure 4 : Lubricant (Automotive) Sales

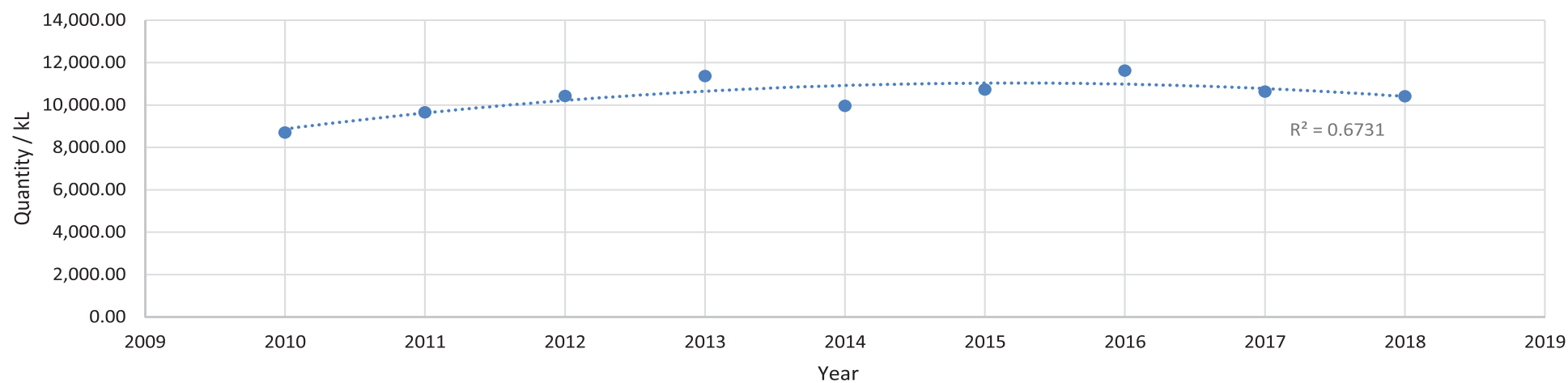


Figure 5: Lubricant (Industrial) Sales

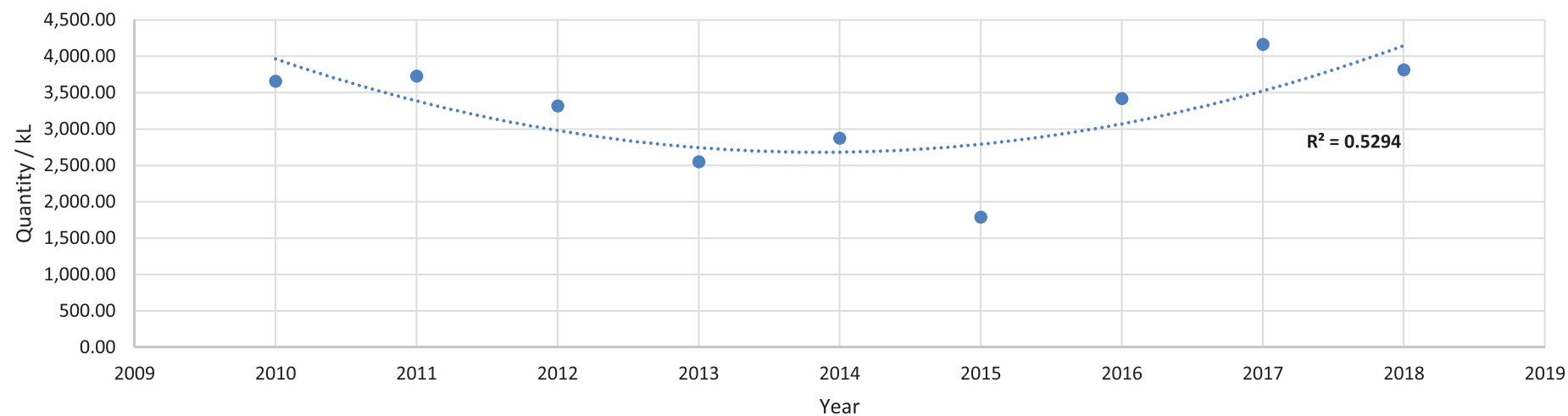


Figure 6 : Lubricant (Marine) Sales

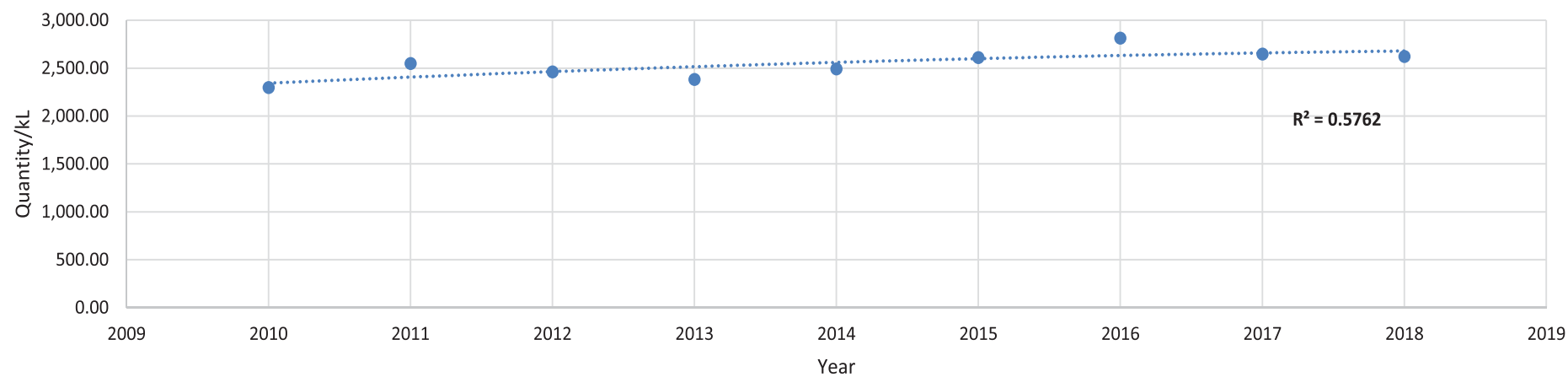


Figure 7 : Lubricant (Greases) Sales

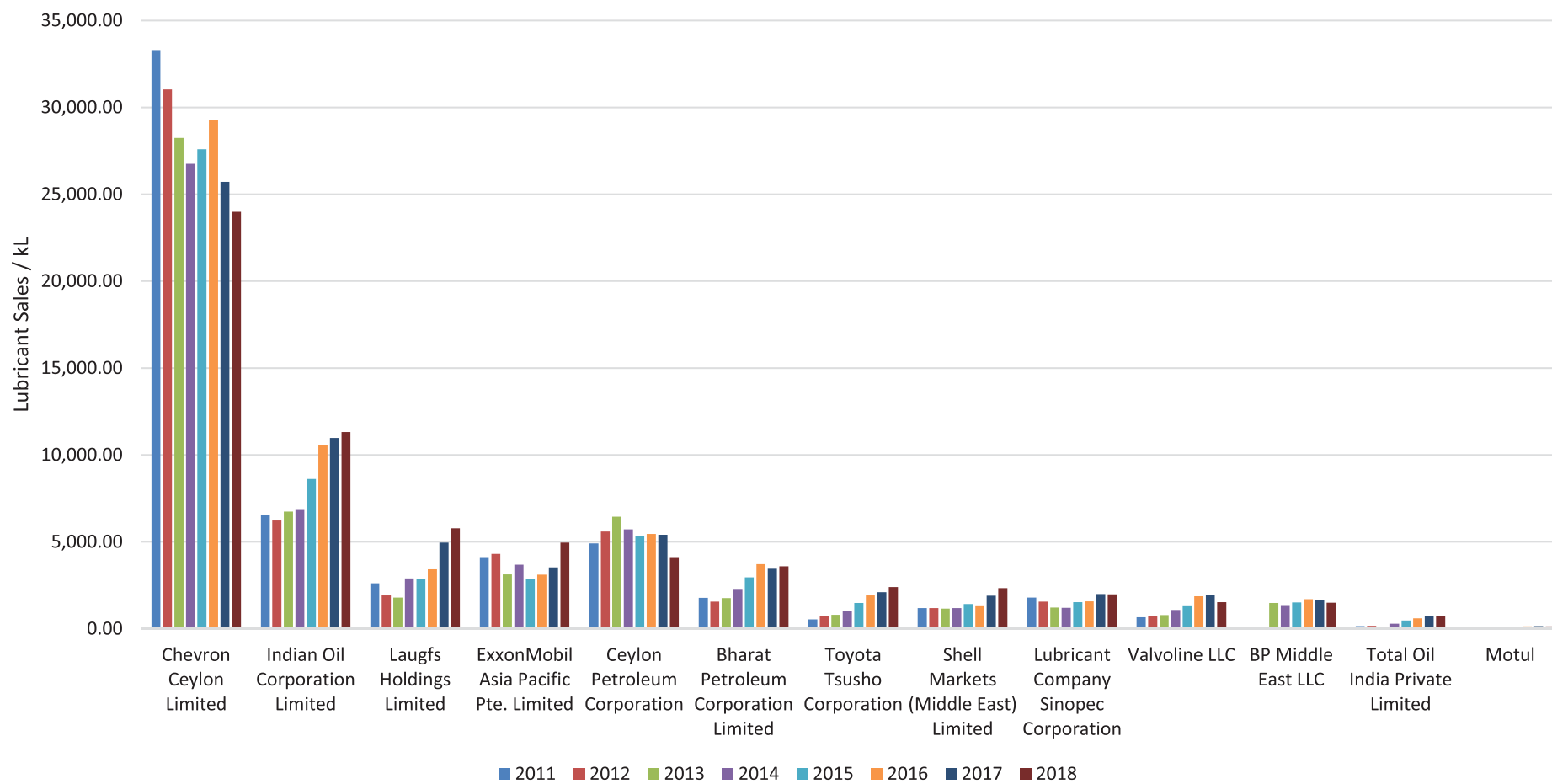


Figure 8 : Lubricant Sales (kL) by Company – 2011 to 2018

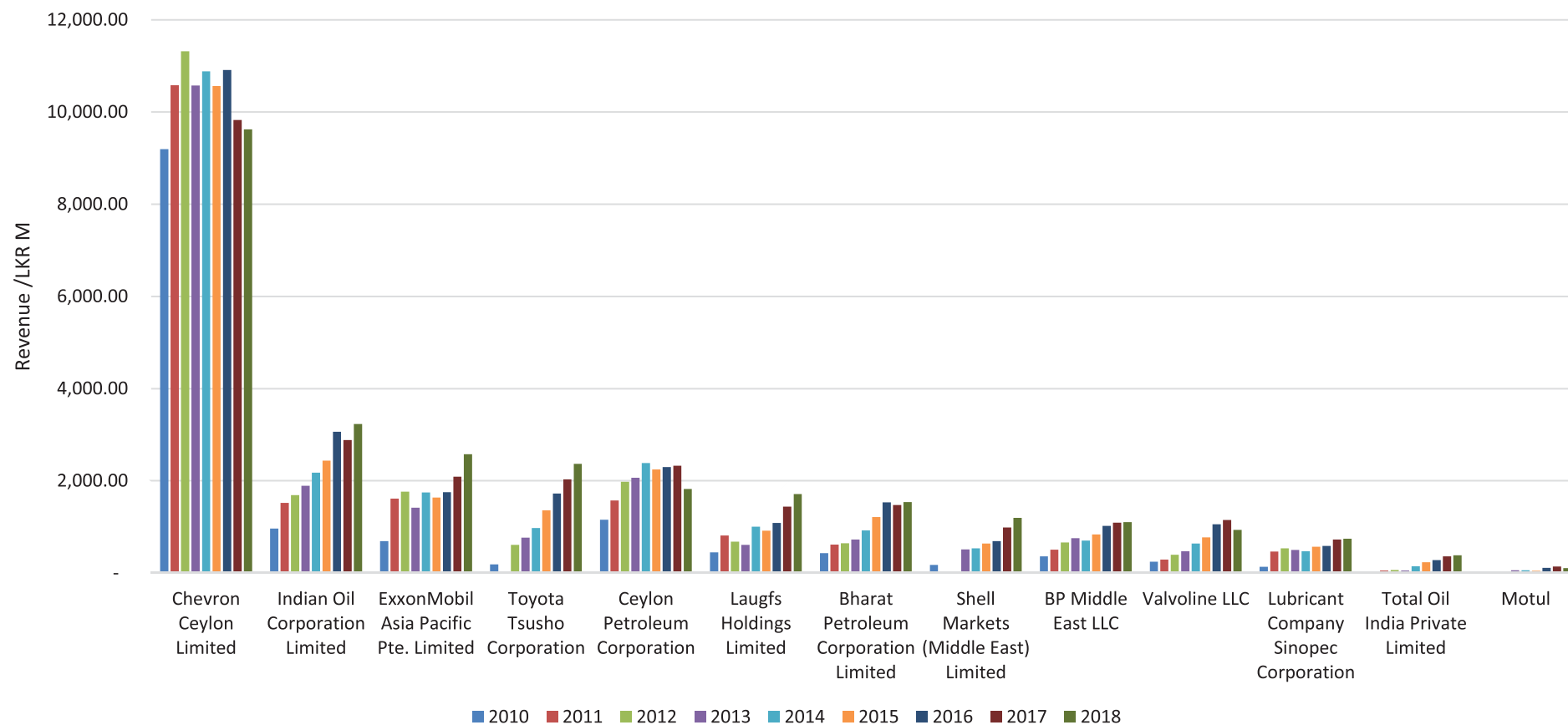


Figure 9 : Lubricant Sales Revenue (LKR in M) by Company – 2010 to 2018

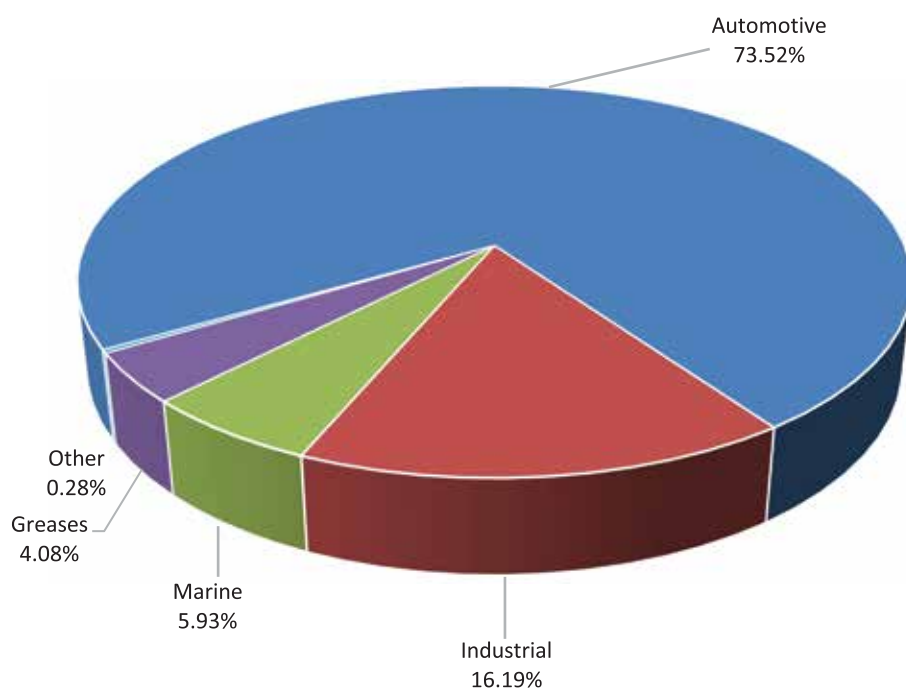


Figure 10 : Lubricant Sales Quantity by Type -2018

Automotive lubricants held the highest market share in 2018 which was 73.52%, Second highest value held by Industrial lubricants (16.19%) and Marine lubricants held 5.93% of market share.

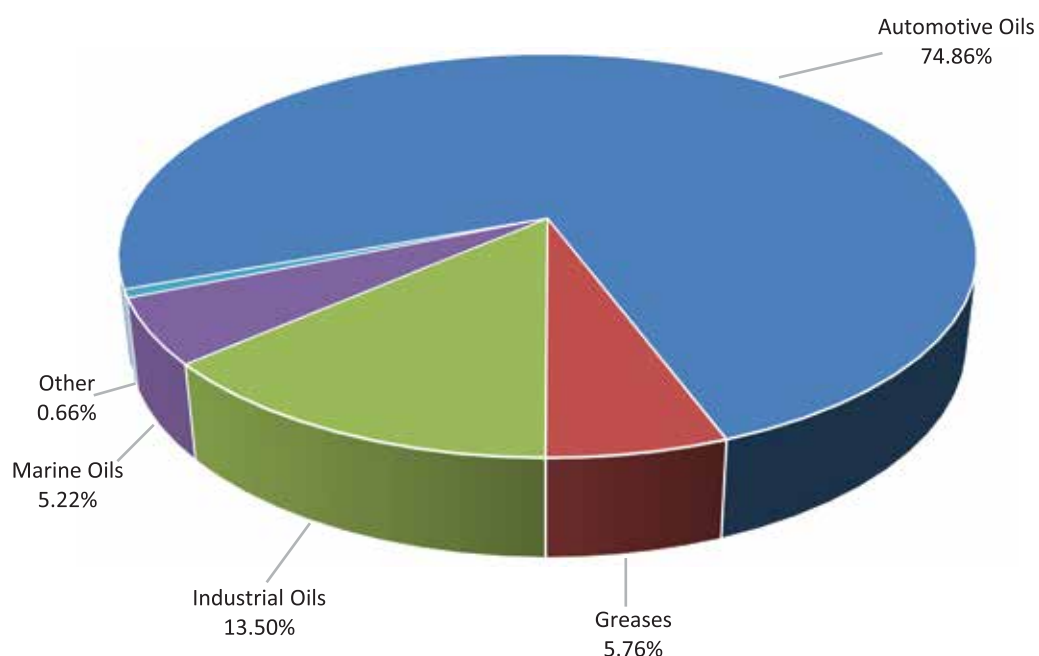


Figure 11 : Lubricant Sales Revenue by Type – 2018

Automotive oils held the highest sales revenue in 2018 which was 74.86%. Second highest value held by Industrial oils (13.5%).

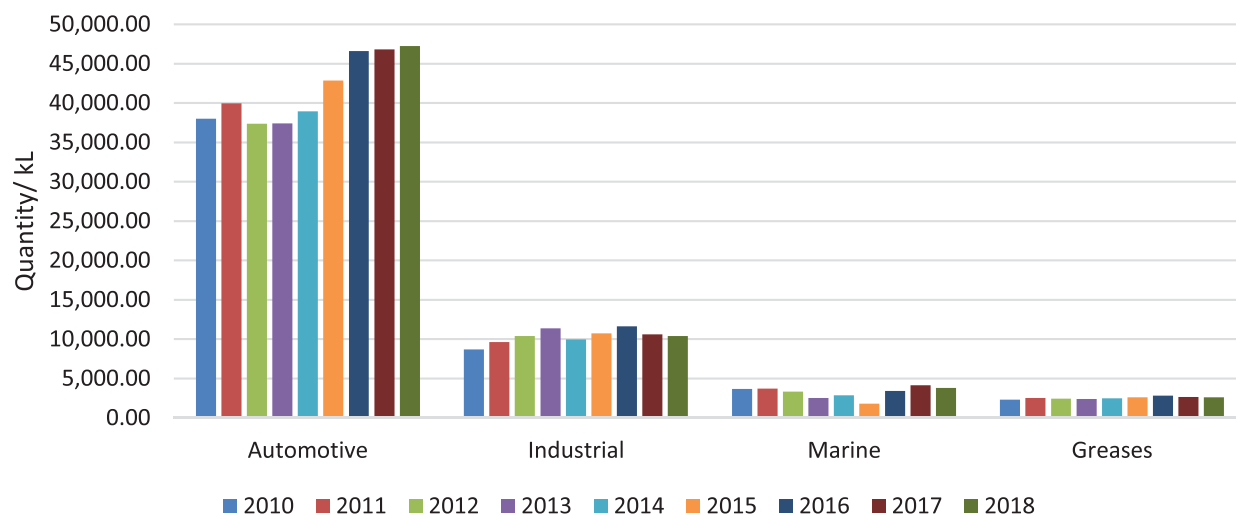


Figure 12 : Lubricant Sales Quantity by Type – 2010 to 2018

8. 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-Mono Grade	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

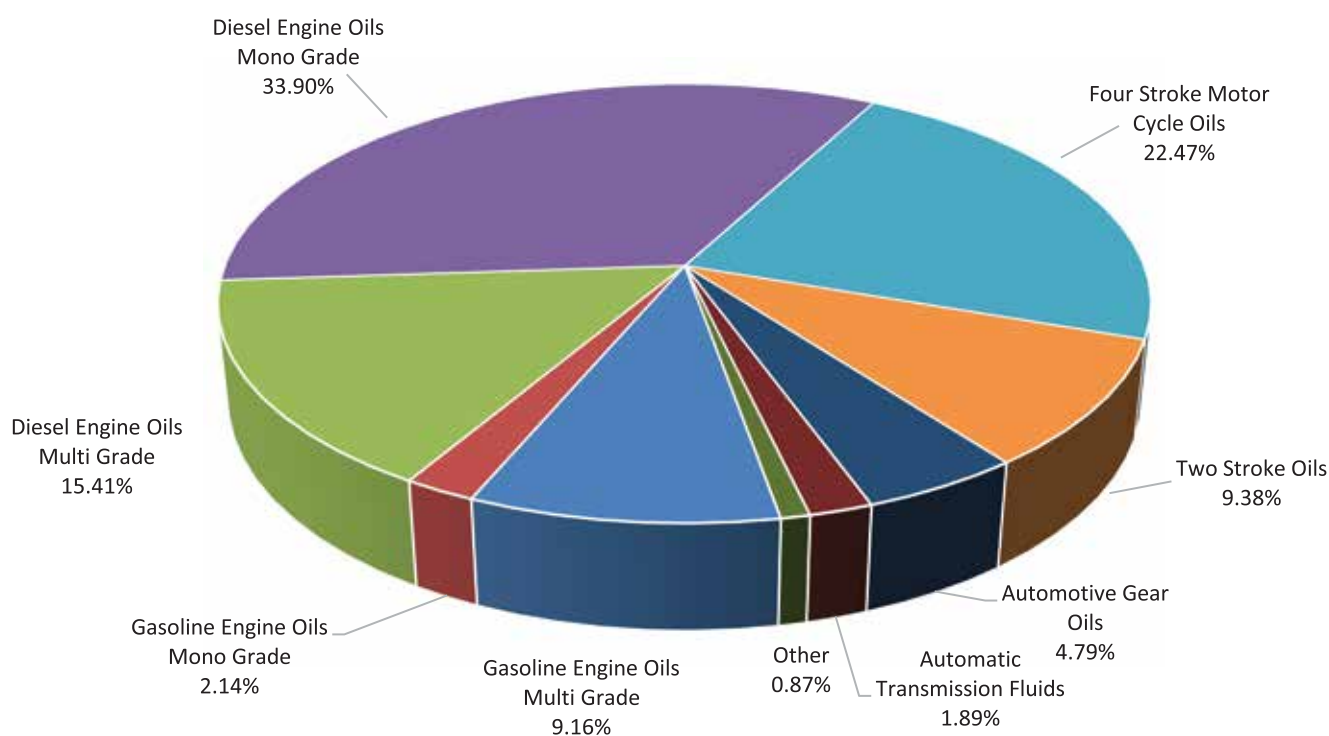


Figure 13 : Automotive Lubricant Sales (Quantity) Breakdown – 2018

Automotive Lubricant Sales (Quantity) Breakdown – 2018, Diesel Engine Oils- Mono Grade held the highest value which is 33.9%. Four Stroke Motor Cycle Oils held the second highest value of 22.47% and Diesel Engine Oils-Multi Grade held 15.41% in the year 2018.

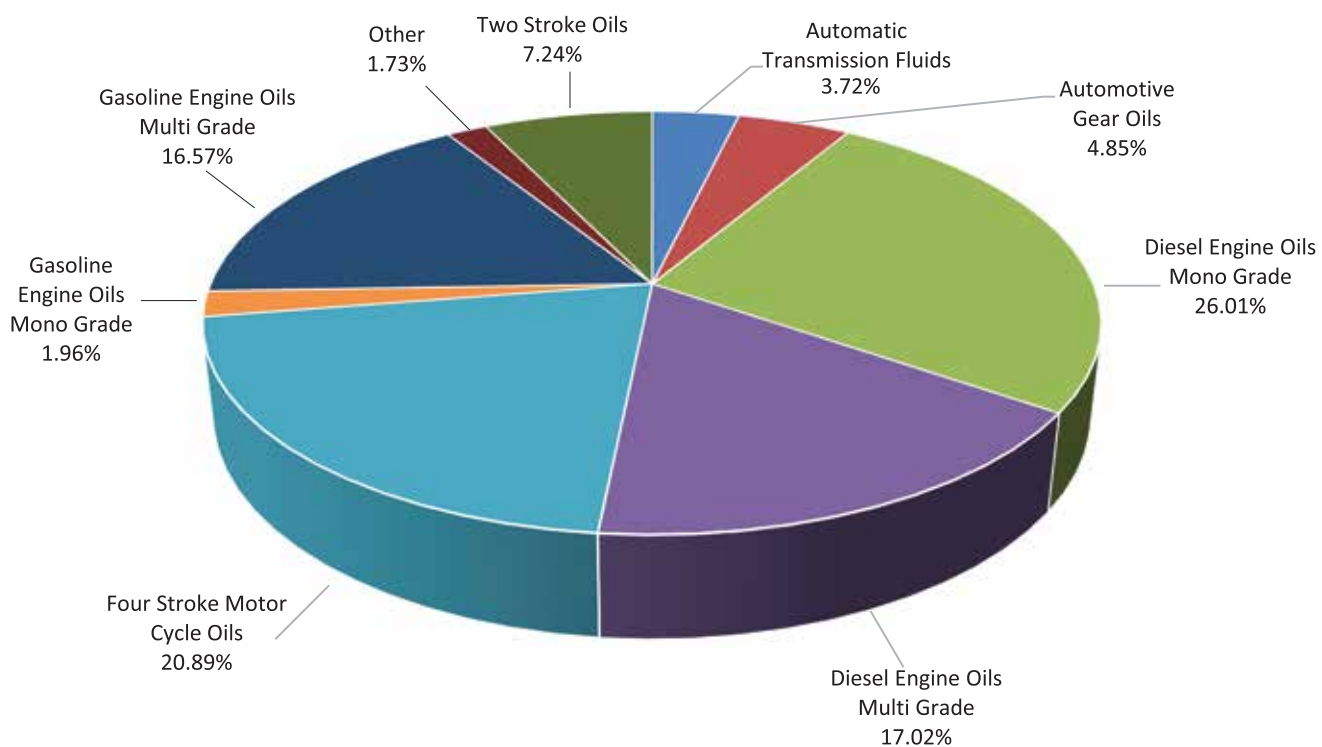


Figure 14 : Automotive Lubricant Sales (Revenue) Breakdown – 2018

Automotive Lubricant Sales (Revenue) Breakdown – 2018, Diesel Engine Oils- Mono Grade held the highest value which was 26.01% and second highest value held by Four Stroke Motor Cycle Oils which is 20.89%.

9. 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

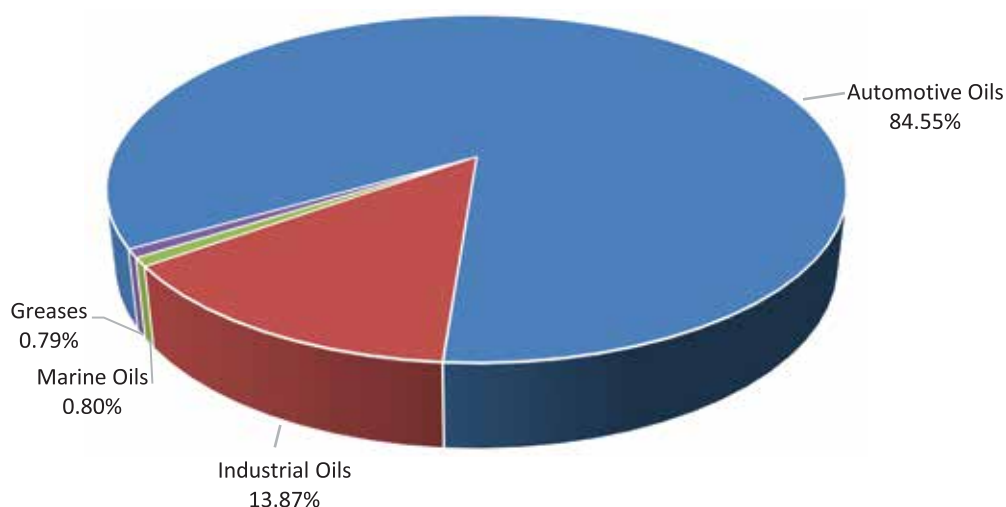


Figure 15: Synthetic Lubricant Sales Quantity by Type- 2018

Synthetic Lubricant Sales Quantity by Type- 2018, Automotive Oils seized 84.55%, Industrial Oils held 13.87% and Marine Oil held at 0.8%.

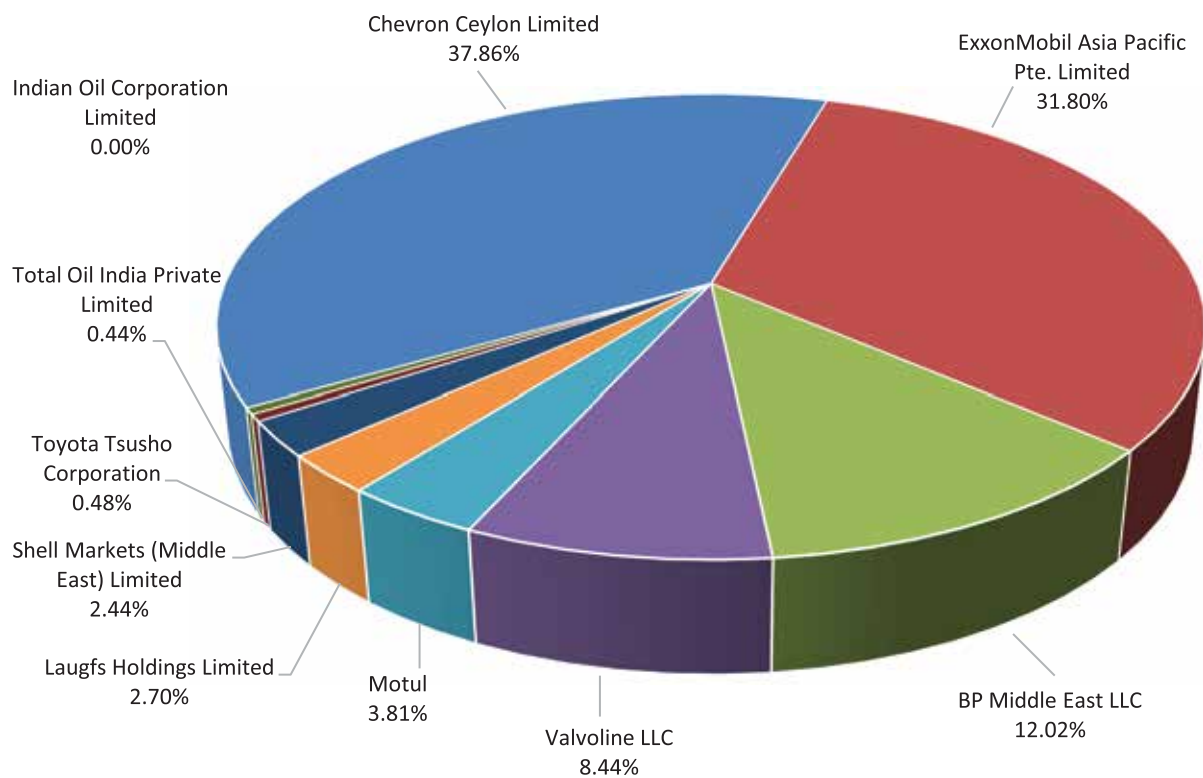


Figure 16 : Synthetic Lubricant Sales Quantity by Company- 2018

Synthetic Lubricant Sales Quantity by Company- 2018, Chevron Ceylon Limited held 37.86%, ExxonMobil Asia Pacific Pte. Limited held 31.8% and BP Middle East LLC held 12.02%.

10. 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

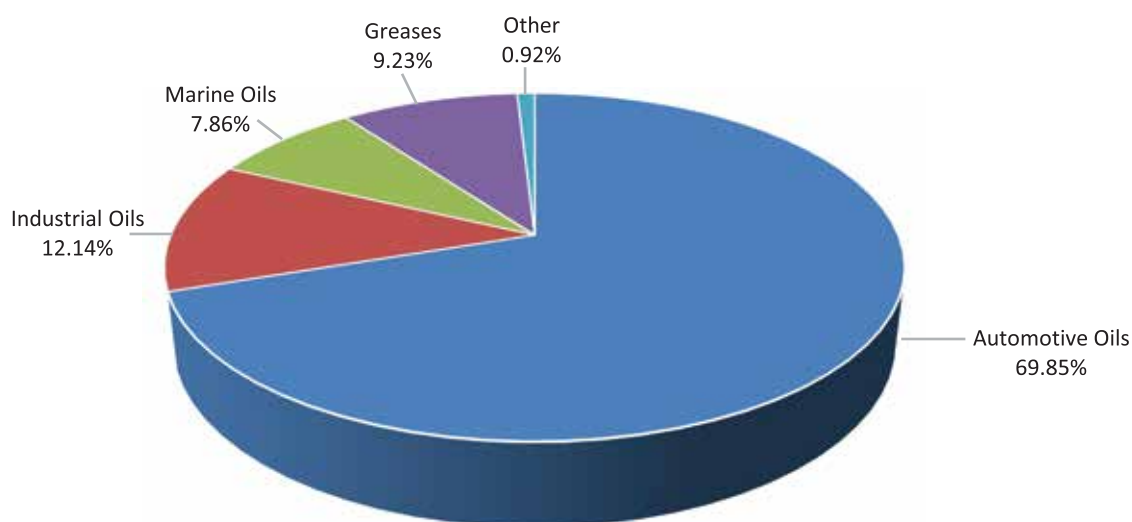


Figure 17 : Lubricant Imports Quantity by Type – 2018

Lubricant Imports Quantity by Type – 2018, Automotive Oils seized 69.85%, Industrial Oils held 12.14% and Greases seized 9.23%.

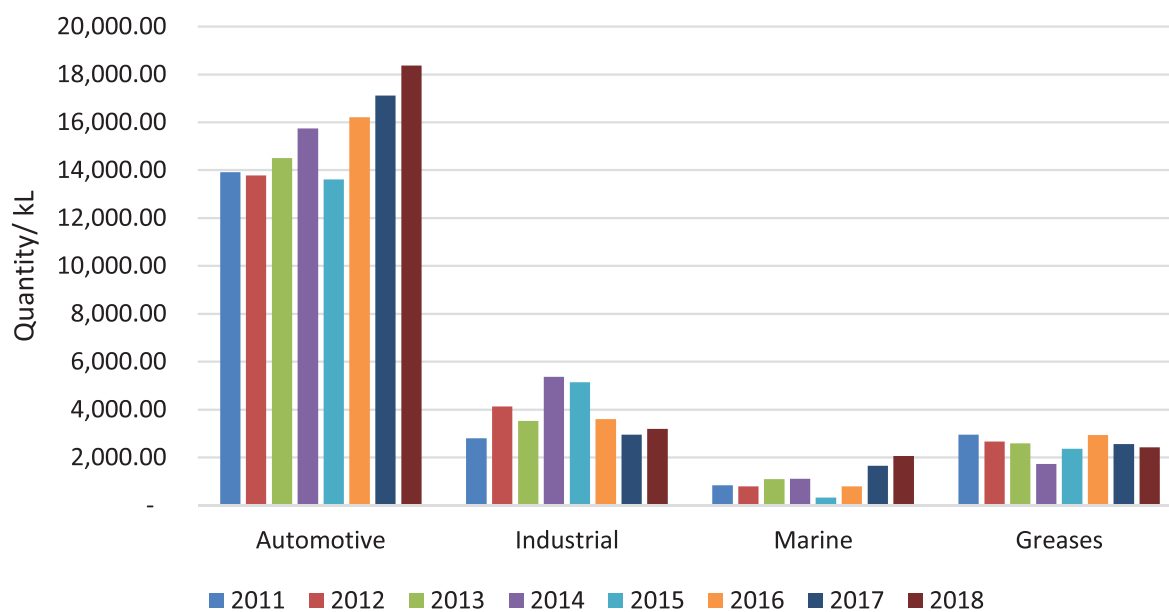


Figure 18: Lubricant Imports Quantity by Type - 2011 to 2018

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

11. 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

12. 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.

13. 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

14. 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.

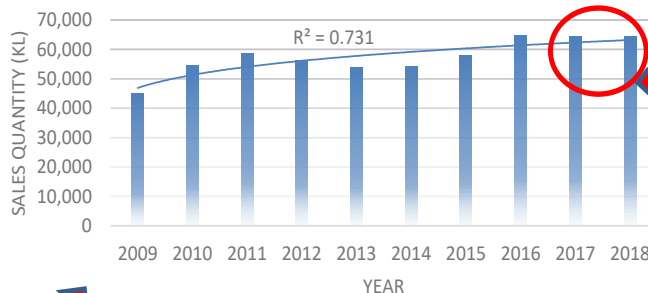
15. Market Analysis

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.

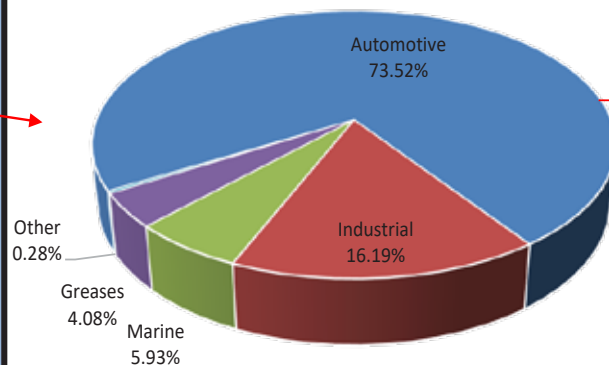


Lubricant Market -2018

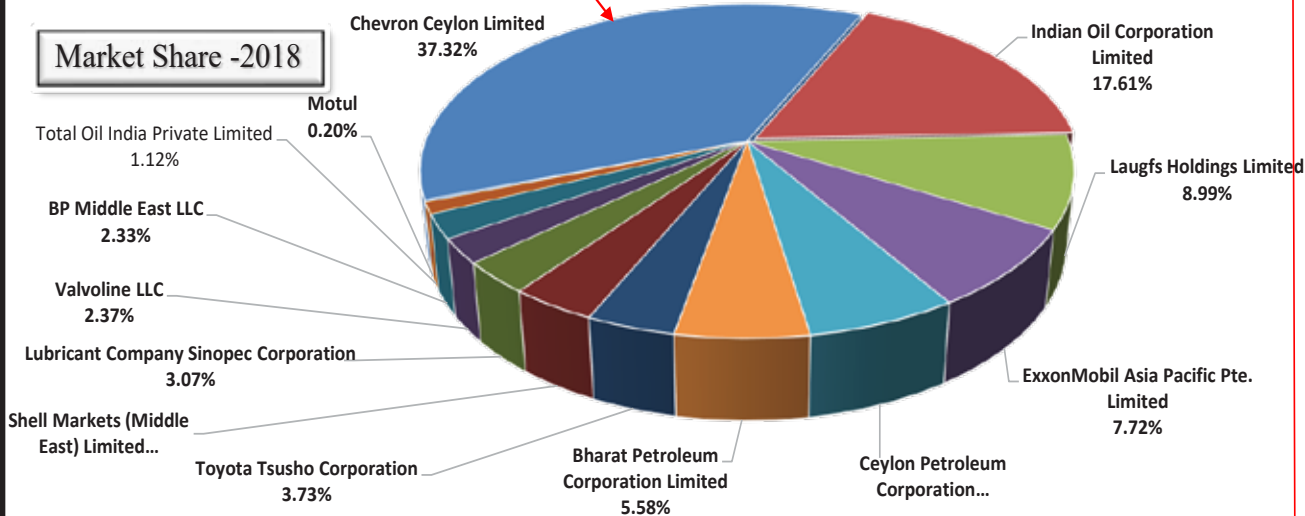
Size of the Lubricant Market

64,485 kL (2017) → 64,267 kL (2018)

Year	Lubricants - Total Sales	
	Quantity (kL)	Revenue (LKR)
2018	64,267	27,336
2017	64,485	26,522
2016	64,585	26,112
2015	57,978	23,463
2014	54,265	22,640
2013	53,708	20,397
2012	56,334	20,854
2011	58,554	18,775
2010	54,369	14,035
2009	44,945	11,039



Market Share -2018



2017/2018 Sales Growth

