MARKET POTENTIAL

India Now 2nd largest LPG importer globally

Indian LPG imports have been registering some remarkable trends in the last 10 years. The growth

trends over the last 10 years, 5 years and 1 year are: 18% CAGR (FY10 to FY20), 16% CAGR (FY15 to

FY20) and 23%. At nearly 16 million tonnes in FY19, India surpassed Japan’s imports at 10.6 million

tonnes.

Govt initiatives

The government has gone full throttle in promoting LPG as a reliable fuel through schemes such as

Pahal, Ujjwala, Direct Benefit Transfer and 'Give it Up' which led to increased adoption of LPG in

residential segment.

While 'Pahal' got enlisted under Guinness Book of World Record for its largest cash transfer at a

whopping USD 6.5 billion.

All the same, under the Ujjwala scheme free LPG connections will be provided to 5 crore poor

households by 2019.

The Modi government launched the PMUY scheme on 1 May 2016 in Ballia, Uttar Pradesh. As per the

website, over 8 cr connections have already been released by the government in 719 districts as on 7

September 2019.

Pradhan Mantri Ujjwala Yojana (PMUY) was launched with an aim to safeguard the health of women

and children by providing them with a clean cooking fuel – LPG, so that they don’t have to compromise

their health in smoky kitchens or wander in unsafe areas collecting firewood.

Presently, with the approval for setting up “LP Bottling Plants” in the Private Sector Undertakings by

Govt. of India, the demand for LPG cylinder will keep on growing.

The Ministry of Petroleum, Govt of India had announced through their Gazette had “OPEN MARKET POLICY” up to MARCH, 2024, which means that any plant can upgrade their installed capacity by any magnitude.

This is very welcoming situation for the LPG PLANTS. The Govt of India wanted to bring down the

waiting period from Current all India Average of 07 days to 03Days

Steady growth in LPG consumption,

A rapid increase in urban population combined with increasing LPG penetration in rural areas has

resulted in a 10% growth in LPG consumption, making India the second largest LPG consumer in the

World at 19 million tonne per year.

Based on Government's continued efforts to promote clean fuel and increased adoption by

consumers, LPG consumption is expected to see a double-digit growth rate

While over 90% of demand for LPG comes from residential consumers, a consistent hike in the excise

duty for automotive fuels such as diesel and petrol has made commercial LPG a favourable option for

AutoLPG segment.

Owing to a significant drop in the crude oil prices and favourable economics vis a vis petrol and diesel,

The Auto LPG sales registered a growth of 4.9% during FY19. According to SIAM, the domestic

passenger vehicle sales is likely to reach 7%-9% growth in FY20

The ongoing upsurge in LPG consumption as well as penetration in rural segment is driven by LPG’s

practical advantage and an enhanced positive perception as an agent for women empowerment and

social change. With new geographical shifts & expansions in demand base, there is a significant

potential for LPG infrastructure addition and geographical diversification.

THE BASIC PROPOSAL FOR ESTABLISHING LPG PLANT HAS SEVERAL ADVANTAGES LIKE

 Good Financial Viability,

 Early Break Even

 Abundant Market

LPG Cylinders are not available in the open market. These are purchased and distributed by the public

sector companies, mainly:

 M/s. Indian Oil Corporation.

 M/s. Hindustan Petroleum Corporation.

 M/s. Bharat Petroleum Corporation

The distribution network of these companies was initially confined to urban areas but spread to semi- urban and rural areas. With the rapid change in the living conditions of the society the demand for LP

Gas Cylinder increased rapidly.

The demand for LPG cylinders will be in the upward position with the continuity of Distribution System

to the consumer by the distribution companies. The demand and supply balance is in favour of demand

which will continue to outstrip the supply.

LPG is a good substitute for petrol in spark ignition engines. Its clean burning properties in a properly

twined engine give reduced exhaust emissions, extended lubricant and spark giving rise to the demand

of LPG cylinders in Automobile Sector.