Business Opportunities in the Emerging Lubricant Markets of South Asia, the Middle East, and Northern Africa, 2005-2015

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Economic, political, and regulatory forces are reshaping the dynamics of lubricants supply and demand throughout the world, and opportunities to grow this business continue to emerge.

South Asia, and India, in particular, has emerged as a key growth market as well as a source of competitively priced lubricants that could eventually affect mature markets such as the United States and Western Europe. Growth in South Asia is being driven by fast-growing economies as well as increasing levels of disposable income. Growing awareness of vehicle emissions as a source of air pollution is driving environmental regulation, which will force commercial fleets across the region to modernize. This in turn will create a small but growing market for higher-performance engine oils.

While not as much is known about the developing markets of Northern Africa and the smaller but more sophisticated and profitable country markets of the Middle East, these markets will be changed by the same forces reshaping South Asia.

Business Opportunities in the Emerging Lubricant Markets of South Asia, the Middle East and Northern Africa, 2005-2015 presents a unique concept of monitoring and analyzing these developing lubricant markets. Clearly, these markets differ significantly from each other in terms of volumes and performance levels of lubricants consumed, but each of these markets has significant potential to increase consumption and improve quality levels, thereby offering exciting opportunities to lubricant product blenders and marketers.

Established lubricant marketers and formulators and those looking to enter the market are considering the strategic implications of many of these trends and issues, raising such questions as:

- How can we compete successfully and profitably in these unique and differentiated markets?
- Which geographic areas, end-use segments, and product categories within these regions offer the most opportunities?
- Which business model should we use? Will this differ based on the country and region?
- How will customer expectations and purchasing criteria and practices change over the next five years?
- How can we target our customers effectively? What services should we provide?
- What are the key differences between these markets and the more mature U.S. and Western European markets?
- How might future regulatory trends affect each of the automotive and industrial lubricant regional markets?
- What can we learn from our competitors, including domestic firms and global firms?
- Which channels of distribution should we use to market our lubricants?
- Which promotional measures might prove to be the most effective?
Report Outline

1. EXECUTIVE SUMMARY

2. INDIA
2A. Economic and Manufacturing Outlook
2B. Lubricating Oil Basestocks Overview
2C. Additives Industry Overview
2D. Vehicular Emissions and Fuel Quality Specifications
2E. Lubricating Oil Industry Overview
2F. Future Demand
   - Automotive
   - Industrial

3. OTHER COUNTRY PROFILES
3A. Bangladesh
3B. Egypt
3C. Morocco
3D. Nepal
3E. Pakistan
3F. Saudi Arabia
3G. Sri Lanka
3H. Tunisia
3I. United Arab Emirates

In-depth profiles are supplied for Egypt, Saudi Arabia, and the UAE, including the following information:

- Political and economic background
- Barriers to trade
- Vehicle population and manufacturing activities
- Basestock refineries
- Overall lubricant demand
- Commercial automotive, consumer automotive, and industrial segments
  - Applications
  - Performance specifications
  - Demand
  - Synthetics
  - Maintenance practices

Other profiles include the following information:

- Vehicle population
- Base oil suppliers
- Lubricant potential
- Major suppliers
- Commercial automotive segment
- Consumer automotive segment
- Industrial segment
- Growth

4. SUPPLIER PROFILES
4A. ADNOC
4A. Bharat Petroleum Corp. Ltd.
4A. Castrol India Ltd.
4A. Gulf Oil India Ltd.
4A. Hindustan Petroleum Corp. Ltd.
4A. Indian Oil Corp. Ltd.
4A. Luberef
4A. Valvoline Cummins Ltd.

Supplier profiles include the following information:

- Ownership and equity structure
- Financial performance
- Lubricant production facilities
- Product range
- Market share
- Relationships with OEMs
- Research and development
- Lubricant sales
- Marketing network
- Outlook
Key economic factors contributing to robust growth in South Asia, the Middle East, and Northern Africa include forecast GDP growth as well as growing disposable incomes, which is driving private vehicle ownership in these regions. Investments in transport infrastructure are facilitating greater vehicle use and are thereby contributing to an increase in lubricant demand.

Growth in lubricant consumption in most national markets in these regions has outpaced that of the United States and Western Europe over the last five years, a trend which is expected to continue. The population in these regions is also growing robustly and will be a significant contributing factor to future lubricants growth.

South Asia consumes an estimated 1,700 kilotonnes of lubricants. India is the leading lubricant-consuming country in the subcontinent by far, accounting for an estimated 75% of the volume consumed, followed by Pakistan and Sri Lanka, as shown in Figure 1.

In terms of lubricant consumption, the Indian lubricant market is the fifth-largest national market after the United States, China, Russia, and Japan. However, the United States and Japan are declining markets, and Russia's economy is subject to uncertainty. Total demand for finished lubricants in India is estimated at 1,293 kilotonnes, valued at $2,097 million in 2005, as shown in Figure 2.

The Indian lubricants market is in a state of flux with different drivers affecting the three lubricant consuming market segments. Traditional manufacturing industries such as mining, steel making, cement making, and light and heavy engineering are now being joined by a new generation of industries, including electronics, telecommunications, electricity generation and equipment manufacture, chemicals, textiles, and metallurgy. These industries now account for more than half of India's annual growth.

Demand for industrial lubricants is therefore changing. Manufacturing enterprises are absorbing best manufacturing practices from around the world. In the process, they are changing their mind-set from buying the cheapest lubricants to reducing the overall cost of lubrication, which takes into account the life of the lubricant and cost of downtime. This bodes well for higher-performing lubricants—especially synthetics and semi-synthetics.

Other lubricant markets in South Asia, including Nepal, Sri Lanka, Pakistan, Afghanistan, and Bangladesh, are much smaller than India but have steadily grown in terms of consumption as the level of industrialization and vehicle populations have increased. Quality levels in these markets are also improving, driven by sales of imported passenger and commercial vehicles.
Lubricant consumption in the Middle East, on the other hand, is smaller in comparison to that in South Asia. Iran is the leading lubricant-consuming country in the Middle East, accounting for 38% of the volume consumed, followed by Saudi Arabia and Iraq, as shown in Figure 3.

An interesting aspect of this region is that some of the largest country markets from a volumetric standpoint are not nearly as sophisticated as the smaller consuming markets in the United Arab Emirates, such as Dubai. Thus, the range of lubricants used spans from high-performance synthetics to re-refined oil. Monogrades are primarily used in HDMO applications, and increasing use of multigrades is seen in PCMO applications. Nationalized and semi-nationalized oil companies such as Iranol, Petrolube, KNPC, Qualco, ENOC/EPCO, and ADNOC are competing against multinationals such as Shell, ExxonMobil, Fuchs, Total, Chevron, and BP.

Northern Africa is the smallest lubricant-consuming region from both a volumetric and performance standpoint. As shown in Figure 4, the region accounts for an estimated 802 kilotonnes of lubricants, with Egypt accounting for 48% of the total.

The growth potential in all three regions from both a volume and quality standpoint is significant. Environmental, regulatory, OEM, and competitive pressures are having a significant impact in these markets. The evolving market forces in these regions present significant opportunities to new and existing marketers and formulators of lubricants.

These same forces also present threats to those firms that are unaware of the challenges and changes that lie ahead or are unable or too inflexible to adapt to the changing business environment.

Objectives and Scope

Business Opportunities in the Emerging Lubricant Markets of South Asia, the Middle East and Northern Africa, 2005-2015 provides an in-depth analysis of the automotive and industrial lubricant products, markets, and suppliers for these developing regions. It is specifically designed to assist marketers and formulators of lubricants in understanding market dynamics of each significant market and product segment in all leading lubricant consuming countries in these regions and in capitalizing on the developing business opportunities.

This analysis will provide the critical market and competitive intelligence needed to formulate effective strategic and business plans, for suppliers that are already participating in this market as well as those that are contemplating market entry.
The study provides an in-depth look at lubricant consumption and distribution in India, Saudi Arabia, the United Arab Emirates, and Egypt. Other countries investigated are listed in the table of contents.

Products covered in the report include the following:

- Consumer automotive: PCMO/PCDO, 2T/4T oils, ATF, power steering fluids, gear oils, greases
- Commercial automotive: HDMO, hydraulic and transmission fluids, gear oils, greases
- Industrial oils and fluids:
  - General industrial oils (hydraulic fluids, turbine oils, gear oils, compressor and refrigeration fluids, way oils, rope oils, others)
  - Metalworking fluids (removal, forming, treating, protecting)
  - Industrial engine oils (railroad engine oils, marine engine oils, aviation piston engine oils, natural gas engine oils)
  - Industrial greases

Synthetic, synthetic-blend, and conventional oils are analyzed.

Supply Profiles

Understanding the competition is the basis to defend and grow your lubricants business. This chapter captures information and insights on the overall operations of key lubricant marketers. Each supplier profile also includes Kline & Company's overall assessment of each supplier's lubricants business.

Each supplier profile consists of three major sections. The first section looks at the overall company. It provides information on overall company size and structure, the importance of the lubricants business to the organization, where the lubricants business resides within the organization, and other big picture issues.

The second section of the supplier profile specifically examines the supplier's lubricants business. It provides estimated sales in each of the three market segments as well as information on lubricant manufacturing, distribution, market share, and channels of distribution.

The third section of the supplier profile focuses specifically on the three market segments examined in the study. This section explores estimated sales by product type, marketing and distribution, marketing regions, programs and promotions, and new product introductions.

Research Methodology

Kline's research approach places the greatest emphasis on primary research to ensure that the foundation of business intelligence and insight is accurate and current.

During the course of the field research in each region, the project team conducted in-depth discussions with knowledgeable industry participants to define and verify the nature of the current and future competitive and business environment. We have found that Directed Discussions™, our professional-to-professional field research methods, are unmatched in their ability to gather hard-to-get market and competitive intelligence with a high degree of confidence.
The project team conducted in-person interviews in each of the leading lubricant consuming country markets in the regions with:

- Leading consumers of lubricants including end users, channel players, and OEMs
- Leading manufacturers and marketers of lubricants, basestocks, and additives
- Pertinent government agencies and trade associations

The report also draws upon a search of recent trade and technical literature; statistical data from government agencies, trade associations, and industry organizations; and nonconfidential data from Kline's library and files. Primary research comprises more than 95% of the overall research methodology for this syndicated report.

Forecasts in this report were generated with Kline's new FutureView Scenario Forecasting Model. With the enhanced forecasts, subscribers can see how adjustments in the assumptions behind the forecasts can bring about different outcomes.

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Through our Petroleum & Energy practice, Kline has attained a leadership position in providing consulting services to the petroleum industry, and particularly the lubricants and additives sectors. Our firm has developed in-depth expertise in this area by tracking and analyzing the U.S. and international markets for lubricants used in consumer, commercial, and industrial markets.

Over the past four decades, Kline has established itself as an authoritative source for market research for petroleum and lubricant products. A list of representative reports Kline has published recently and those currently in progress is provided below:

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- Competitive Intelligence for the Global Lubricants Industry, 2003-2013 - Year Two
- Competitive Intelligence for the Global Lubricants Industry, 2004-2014 - Year Three
- Competitive Intelligence for the Global Lubricants Industry, 2005-2015 - Year Four
- Global Business Opportunities in Lubricant Basestocks Industry, 2004-2020
- GTL Specialties: High-Value Threat or Opportunity? Volume I: Lubricant Basestocks; Volume II: Waxes
- Opportunities in Lubricant North America Continuing Industry Analysis
- Lubricant Additives North America, 2002-2007
- Selling Lubricants Online 2001
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- Business Opportunities in the Latin American Lubricants Market 2000
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