

ENERGY

PTT sets rejig as price drop hits oil supplies



PTT's headquarters at the Energy Complex on Vibhavadi Rangsit Road. Falling oil prices have prompted the national oil and gas conglomerate to make sweeping adjustments to its business operations. PATTANAPONG HIRUNARD

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PTT Plc, the national oil and gas conglomerate, is adjusting its business operations as it seeks to gain more revenue and prevent inventory losses after global oil prices hit another long-time low, senior officials said yesterday.

The announcement to revamp all operations was made in response to falling oil prices as Dubai crude, a reference for the Asian market, fell to US\$43.24 a barrel, its lowest in six years.

The average Dubai price in the first quarter was \$51.76 a barrel, while the average second-quarter price was \$61.26, according to Thai Oil Plc's weekly report on oil movements.

In 2008, PTT suffered a large inventory loss in the fourth quarter, resulting in a quarterly loss of 22.2 billion baht. Oil prices had fallen to \$36.40 a barrel from \$140 in September amid the US subprime crisis.

The group's 2008 net profit fell by nearly 50% to 51.7 billion baht.

Thai Oil, PTT's refining flagship, plans to cut crude and refined oil stocks to as low as 7 million barrels from the normal 8 million.

Managing director Atikom Terbsiri said Thai Oil also cut last year's inventory to the same level. Each \$1-per-barrel drop in prices incurs an inventory loss of 250 million baht.

Petrochemical PTT Global Chemical Plc (PTTGC) plans to buy back 90 million shares or 2% of its treasury stock.

Chief executive and president Supattapanong Punmeechaow said the treasury buyback would not surpass 4.5 billion baht.

The company will start buying back shares via the Stock Exchange of Thailand within six months, starting on Sept 8 and concluding March 7.

"The reason we plan to buy back our treasury stock is because share prices have fallen below the company's book value of 52 baht apiece," Mr Supattapanong said.

PTTGC shares have fallen from 61.25 baht late last year to 49.25 baht on Monday before bouncing back to 54 baht yesterday for an 11.8% decline.

Yesterday's rise was due to the share buyback plan.

The company's buyback plan was announced on the same day of a share dividend payment of 1.50 baht a share or 6.76 billion baht in total.

Another petrochemical subsidiary, IRPC Plc, has invested in high-value polymers during the last three years as part of its Phoenix Project, gaining higher revenue since late 2013.

President Sukrit Surabotsopon has announced new high-value-added (HVA) products including ultra-high-density

polyethylene, pipe-grade polymers, anti-bacterial polymers and green acrylonitrile butadiene styrene polymers.

"HVA took effect last year and has increased integrated refinery margin by \$2 a barrel even though the crude oil price continued to fall," Mr Sukrit said.

By the end of the HVA expansion, IRPC will have increased capacity utilisation to 100% from the current 80%.

Besides heightened HVA production, the company is upgrading plant facilities and increasing utilisation of infrastructure to cut costs and increase productivity.

IRPC expects high-value polymers to contribute half the company's revenue by 2020, up from 30% now.

PTT shares closed yesterday on the SET at 252 baht, up 12 baht, in heavy trade worth 5.11 billion baht.