Improved margins among reasons for turnaround; better still to come.

KARACHI: Improved refining margin and recovery of better-priced distilled product helped Pakistan Refinery Limited (PRL) record a massive turnaround in net profit (191%) for the third quarter of fiscal year 2014-15 (January-March) compared to the same period last year.

It posted a net profit of Rs1.09 billion during the period, something that will also help the Karachi-based refinery improve its equity position.

"Refining margins have been excellent," said PRL Managing Director Aftab Husain, explaining the reasons behind the high quarterly profit.

EXPECTATION

Rs2.8b

is the amount of equity PRL intends to raise from the rights issue

"Beside this, we are recovering 2% to 3% more diesel from crude after the revamping exercise we carried out at the plant."

Refining more crude oil into petroleum products like diesel instead of furnace oil adds to the profitability of refineries in Pakistan based on old designs.

Known as hydro-skimming refineries, these plants produce a relatively large quantity of furnace oil, which is often priced even less than crude oil.

Petroleum margin – the difference between crude and refined products – depends on the international market's demand and supply.

"The difference between price of diesel and furnace oil comes to around $200 per ton," said Husain. "Revamping has helped us bring in efficiencies."

PRL expects to record further efficiency gains in coming months when its isomerisation unit comes online. "We will be producing 12,000 tons per day of petrol, which will be another add-on for the bottom line."

Since December 2008, Pakistan has become a regular importer of petrol, buying 2.1 million tons of it during fiscal year 2014. But during the same period, refineries exported 854,653 tons of naphtha, which could be converted to petrol.

Like other refineries upgrading their plants to deal with the situation, PRL is investing millions of dollars in Isomerization and Diesel Desulphurisation units. The isomerisation unit processes naphtha into petrol.

The profit along with issue of right shares will also help PRL bridge the gap in its equity, which was bit by accumulated losses of previous years. It intends to raise Rs2.8 billion from rights issue.

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