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**FUTURE**



PAKISTAN REFINERY LIMITED

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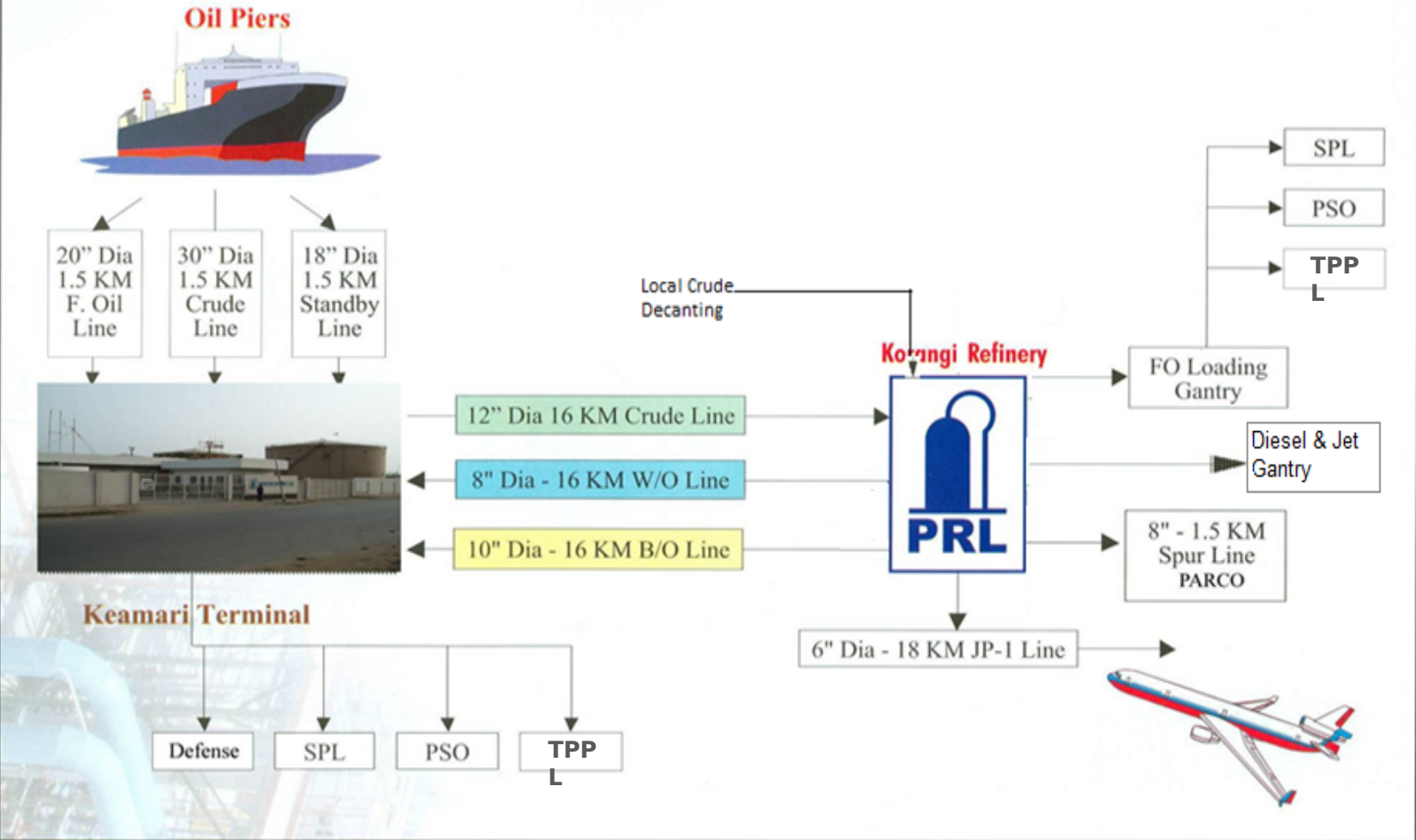
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# Refinery Operations

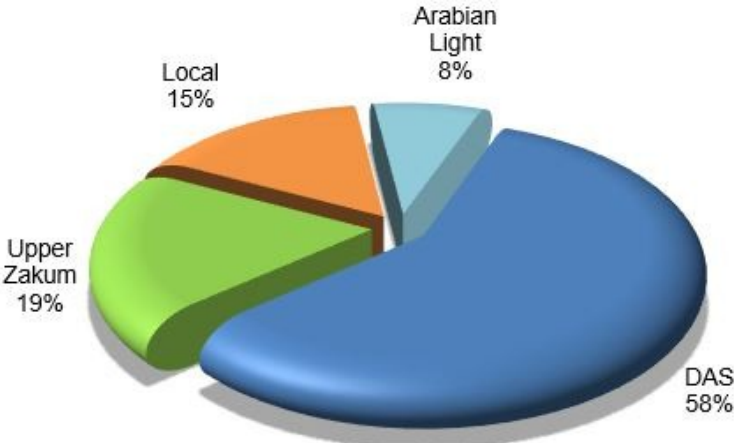
# PRL Network Diagram

## Overall Operation Network

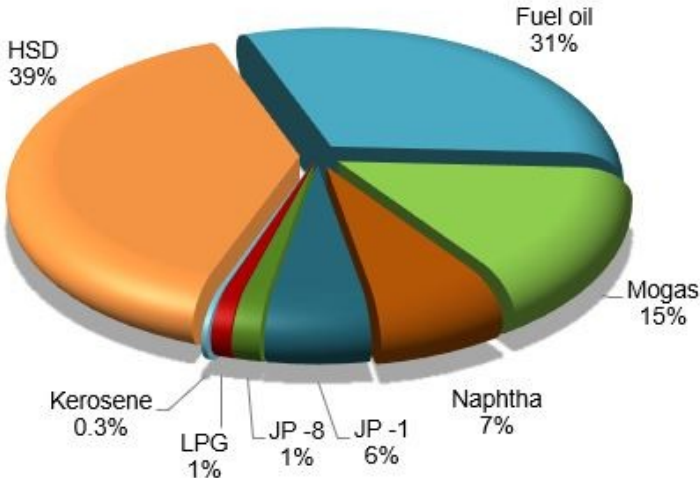


# Crude and Product Mix

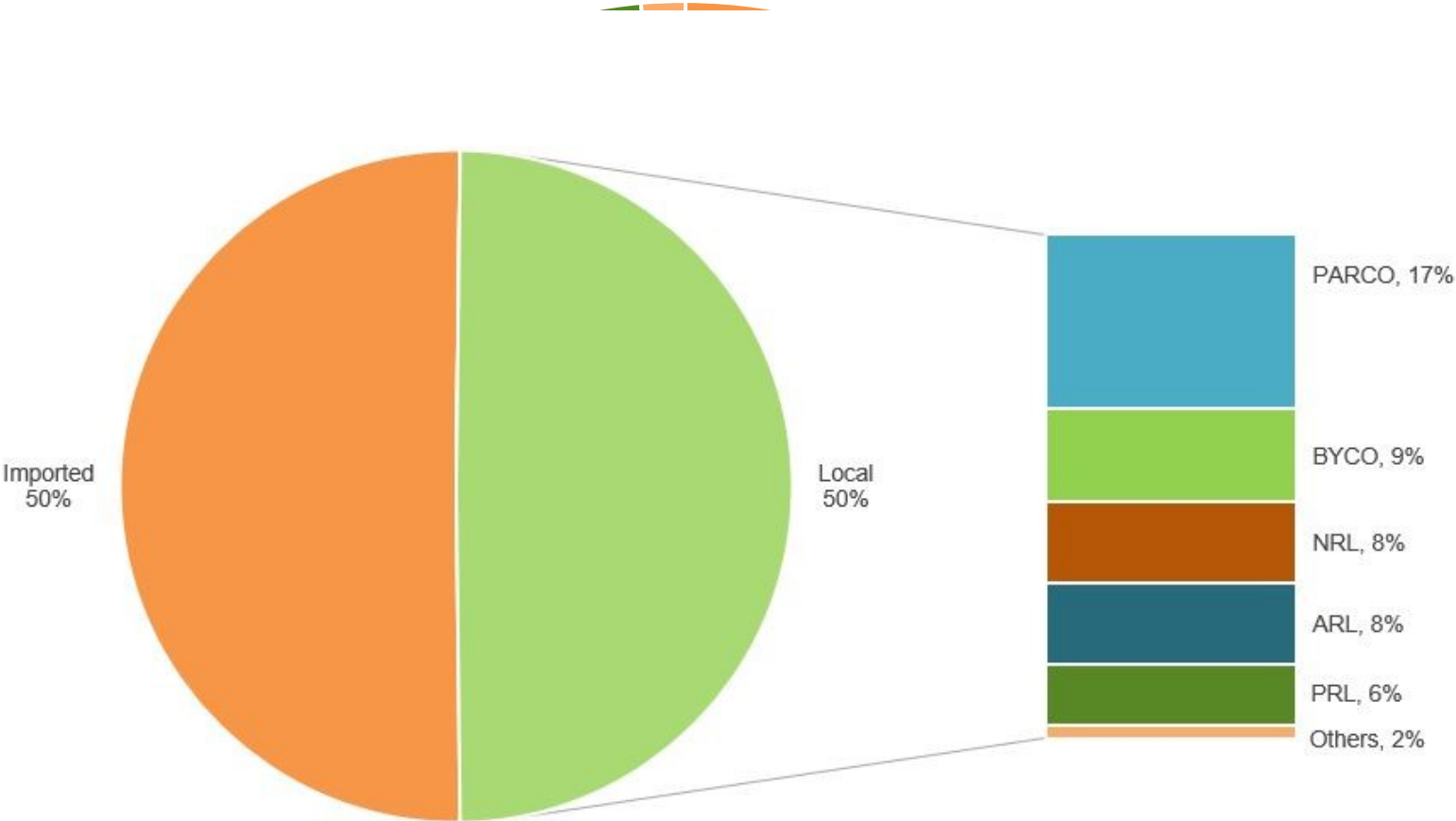
Crude Mix (M.tons)  
2018-19



Production Mix (M.Tons)  
2018-19



# Petroleum Products Market share 2017-18



Source: OCAC Oil Book 2017-18

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# Financial highlights

# Statement of profit / loss account

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	2019	2018
	(Rupees in thousand)	
Revenue from contracts with customers	115,740,971	92,229,260
Cost of sales	<u>(118,915,466)</u>	<u>(91,184,232)</u>
Gross (loss) / profit	(3,174,495)	1,045,028
Distribution costs	(250,171)	(201,163)
Administrative expenses	(485,457)	(388,701)
Loss allowance on trade receivables	(121,939)	-
Other operating expenses	(23,763)	(124,355)
Other income	<u>267,304</u>	<u>1,090,813</u>
Operating (loss) / profit	(3,788,521)	1,421,622
Finance cost	(1,442,624)	(591,228)
Share of net loss of associate accounted for using the equity method	(13,963)	(1,598)
(Loss) / profit before income tax	<u>(5,245,108)</u>	<u>828,796</u>
Income tax expense	<u>(576,015)</u>	<u>(325,007)</u>
(Loss) / profit for the year	<u>(5,821,123)</u>	<u>503,789</u>
(Loss) / earnings per share - basic and diluted	<u>Rs. (18.92)</u>	<u>Rs. 1.64</u>



# Financial highlights

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- Pakistan State Oil Company Limited (PSO) acquired 84 million shares from Shell Petroleum Company Limited, UK thereby increasing its shareholding in the Company to 52.68%. Consequently, the relationship between PSO and the Company is now that of a parent and a subsidiary.
- Unprecedented decline in the prices of Petrol, depressed refining margins and steep devaluation of Pak Rupee by nearly 35%, and non-compliance with the requirement to meet EURO II standard mentioned below, were the main adverse factors responsible for loss for the year.
- During the year, a decline in furnace oil demand led to build-up of furnace oil inventory which turn put pressure on the Refinery operations. Therefore, the prices of furnace oil were reduced on multiple occasions having a negative impact on Company's profitability.

# Financial highlights

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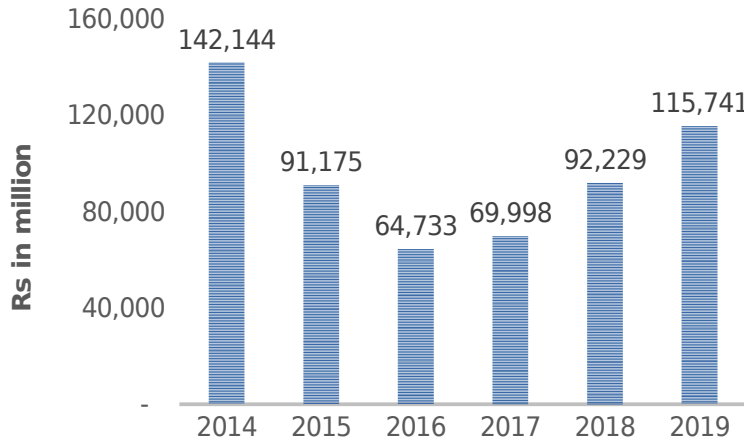
- Under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy (MoE) on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation Unit (DHDS) by June 30, 2017 to produce EURO II compliant High Speed Diesel (HSD).

In case of non-compliance, the ex-refinery price of HSD based on Import Parity Pricing (IPP) formula would be downward adjusted / reduced due to higher Sulphur content.

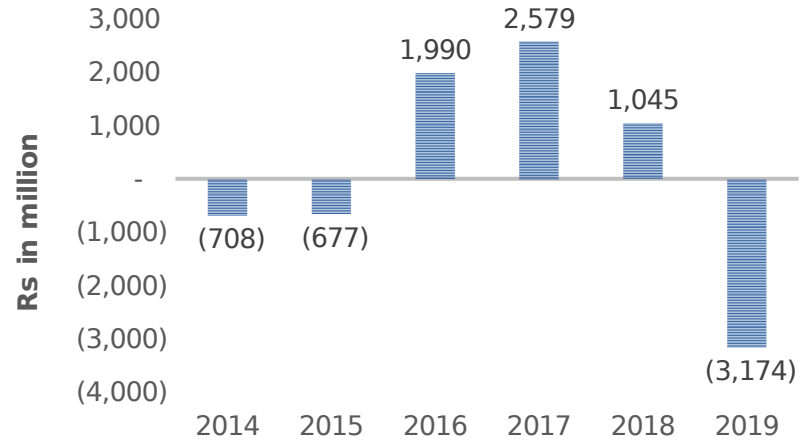
The Company did not meet the said deadline of setting up DHDS unit and hence was subjected to downward adjustments of its HSD pricing causing loss of Rs. 1.15 billion (2018: Rs. 0.74 billion).

# Financial highlights

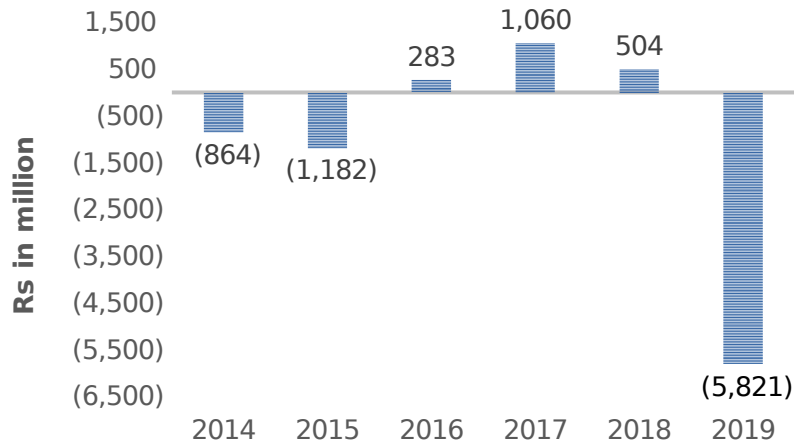
## Revenue from contracts with customers



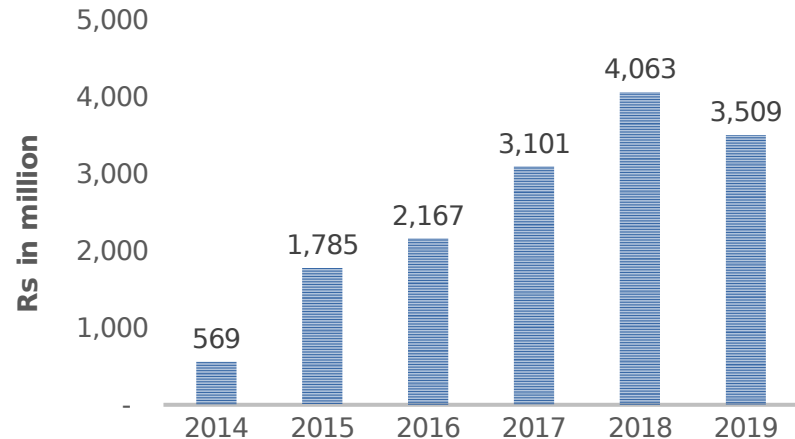
## Gross profit / (loss)



## Profit / (loss) after tax

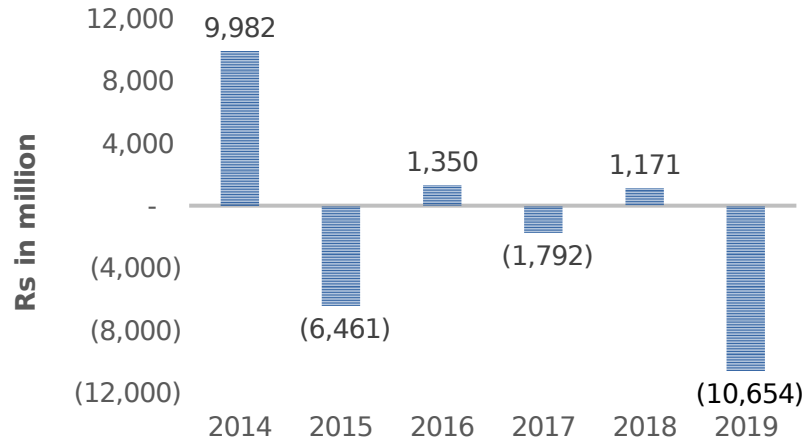


## Net equity chart

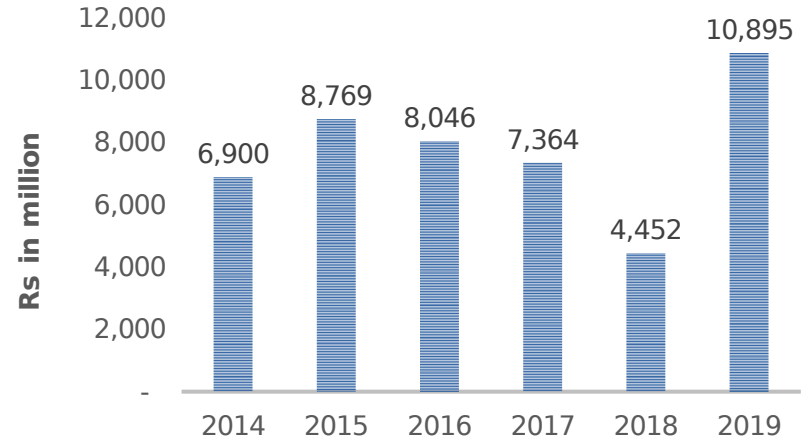


# Financial highlights

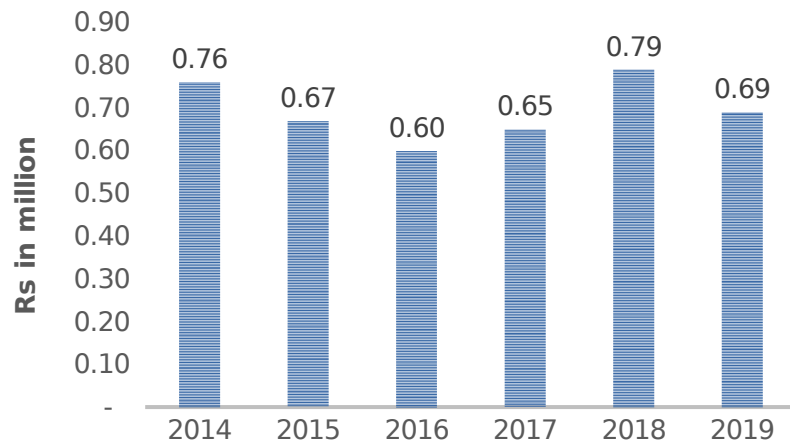
### Net cash flow



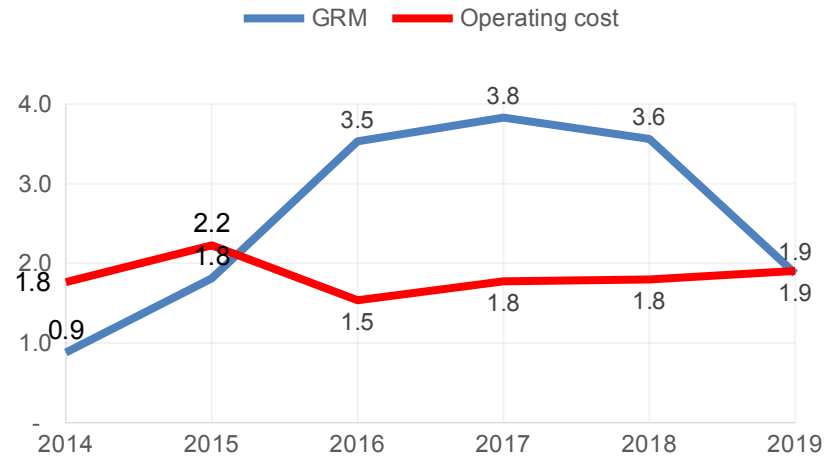
### Net Current liabilities



### Current ratio



### GRM and OPERATING cost (USD per barrel)



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# **Principle Risks and Uncertainties**

# **Principal risks and uncertainties**

- The Refinery operates under policy framework of the Government of Pakistan (GoP). Further, the pricing of certain products is regulated / monitored by the MoE which are primarily on import parity pricing basis. Changes in international pricing of crude oil and refined petroleum products and local pricing mechanism by MoE may have significant impact on the results of the Company.
- Specifications of Refinery's products are defined by the Government and Refinery is required to strictly comply with such specifications. Any change in these specifications may require the Refinery to make changes in operational parameters which in turn may have an adverse impact on the results of the Company. The Company has not installed DHDS and is subject to downward adjustments in pricing of HSD resulting in negative impact on the results of the Company.

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# Future Outlook

# Future Outlook

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- The Company believes that since extraordinary low petrol pricing, that was persistent during the year have started rising above the pricing of crude oil, thus, the refining margins are expected to improve in the future.
- The GoP has implemented the policy to curtail imports of furnace oil in the country in order to accommodate local production of furnace oil. This will ensure steady off-take of furnace oil being produced by local refineries.
- GoP is making efforts to stabilise macro-economy of the country and build foreign currency reserves by various efforts including assistance and support from friendly countries, Saudi crude oil deferred payment facility and finalization of International Monetary Fund Extended Fund Facility in July 2019. These steps are expected to release pressure on Pak Rupee and stabilise the value of Pak Rupee against USD in the next financial year besides achieving economic stability. Further, the Company together with its peer companies has made representations to the GoP, requesting changes in pricing mechanism so that the refineries are able to recover such exchange losses through its product pricing.



# Future Outlook

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- The Company has initiated the work on Refinery Upgrade Project including meeting regulatory requirements of installation of DHDS Unit to produce EURO II compliant HSD. This project has upgrade considerations also for changing the product slate to a more profitable mix; primarily to convert furnace oil into petrol and HSD. In addition, the project has been designed keeping future product specifications in consideration, therefore, the Refinery will be able to meet any future specifications by making minimal capital expenditure.

As the detailed feasibility study with foreign consultant was already completed, during the year, the Board of Directors approved the Refinery Upgrade Project. Work on prequalification of Project Management Consultant and contractor for combined Front End Engineering Design (FEED) and Engineering, Procurement and Construction (EPC) contract is underway.

# Quarterly performance - September 30, 2019

	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
Revenue from contracts with customers	35,721,442	25,509,636
Cost of sales	<u>(34,719,052)</u>	<u>(25,465,641)</u>
Gross profit	1,002,390	43,995
Distribution costs	(66,534)	(56,664)
Administrative expenses	(89,968)	(86,245)
Other operating expenses	(34,970)	(698)
Other income	<u>97,338</u>	<u>42,256</u>
Operating profit / (loss)	908,256	(57,356)
Finance cost	(453,801)	(228,647)
Share of net loss of associate accounted for using the equity method	-	(1,781)
Profit / (loss) before income tax	<u>454,455</u>	<u>(287,784)</u>
Income tax expense	<u>(273,141)</u>	<u>(132,692)</u>
Profit / (loss) for the quarter	<u>181,314</u>	<u>(420,782)</u>
Earnings / (loss) per share - basic and diluted	<u>Rs. 0.59</u>	<u>(Rs. 1.37)</u>

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# Shareholding Structure

# Shareholding structure- June 30, 2019

Name of shareholder	Class	Number of shares	% shareholding
Pakistan State Oil Company Limited	B	154,875,000	52.68%
Hascol Petroleum Limited	A	43,249,500	14.71%
Shell Petroleum Company Limited, UK	B	10,500,000	3.57%
Chevron Global Energy Inc, US	B	2,625,000	0.89%
Modarabas and Mutual Funds	A	5,965,975	2.03%
Banks, Insurance Companies and Pension Funds	A	4,702,958	1.60%
Directors, their spouse and minor children	A	20,500	0.01%
General Public	A	63,620,908	21.64%
Others	A	8,440,159	2.87%
<b>Total</b>		<b>294,000,000</b>	<b>100%</b>

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Thank you

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# Q & A