PLI on aggressive expansion as it eyes worlds top 10 spot

Asia is its priority for growth, followed by Europe and Latin America

BY FATIN RASYIQAH MUSTAZA

KUALA LUMPUR: Petronas Lubri
cant International Ltd (Petronax) on an aggressive expansion mode and "taking bets on a lot of places" to create a bigger share of the global lubricant market, unfortified by falling global oil prices.

"We are taking bets on a lot of places. We are investing in facilities in opportunity for Malaysia. We are in India, which by the end of the year, we are likely to start," said PLI group managing director and chief executive officer Amir Hamzah Arafa in an interview last week with The Edge Financial Daily.

PLI bought a small blending facility in a brand new province of Weifang prefecture, to have a footprint in China five years ago. After imme-
sionally revamping the facilities it produced 65 million litres of lubricants a year.

"Last year, the board gave ap-
proval to expand the Weifang plant. So, we are now undergoing expansion, which will give us a plant facility capable of producing about 70 million litres per year," said Amir.

We have also obtained [the board’s permission] for expansion in India, because we are equally optimistic that India will be good in the long term. We are at the stage of going through the tendering [to construct a new plant there]. By the end of the year, hopefully, we will ask the board for the funds to build the plant," said Amir.

Amir added that the company entered into a long-term agreement with Maharashtra Industrial Development Corp, the industrial infrastructure development agency of the state of Maharashtra in India, to build a lubricant oil blending plant on a 25-acre (10.12ha) piece of industrial land.

"Last year, we did about 24 mil-
lion litres, so India is at a small-

Amir

Amir said that the current slump in oil prices has not hurt the company.

"It has actually lightened the load for working capital. For a very simple reason — our working capital comes from feedback from refineries. If crude oil drops, the cost for refineries to produce drops so our costs are also going down. Margins are staying the same. The key worry is if this drop is due to demand disrup-
tion. At this moment, our demand disruption in the overall economy. In fact, there have been pick-ups," he said.

PLI, which is among the top 10 global lubricant firms in the world now, there are a lot of pockets of growth that are of interest, said Amir.

PwC: O&G to see large M&As over 12 to 18 months

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KUALA LUMPUR: Price waterhouse
coopers (Singapore) said that a number of large, globally relevant mergers and acquisitions (M&A) involving oil and gas (O&G) play-
ers will occur in the next 12 to 18 months as the sector consolidates to seek greater efficiency amid the protracted slump in global oil prices.

The industry, as it has "histor-
cally been driven by joint ventures (JV)", according to PwC Australia partner and O&G specialist Ryan Cooke (pic) in an interview with The Edge Financial Daily last week.

"There aren’t many big O&Gs that aren’t structured under a JV type of arrangement. It’s a great opportunity for these JVs to see if certain organisations globally may have technological advantages.

In the enhanced oil recovery space, partnerships not only bring in technology but also mitigate fiscal risk, you also get a breath in capacities and capability that you may find hard to grow organica-

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larly hit hard this time around and oil prices globally have fallen more than 50%.

"Oil prices have declined by more than six times in the last 40 years. On average, this happens every 8 years. This time the industry has been particularly hit hard this time around and oil prices globally have fallen more than 50%.

"Some forecasters have indi-
cated that it could fail to US$40 or even US$20. I don’t believe that that is possible and what we are seeing now is a bit of an uptick, back up to US$60. We think it will hover around US$60 to US$80 for the rest of 2015 and then gradually see it rising up to US$80 over the next two to three years," said Cooke.

As at last Thursday, Brent was trading at US$66 per barrel. On whether the O&G sector’s outlook is now clear, Cooke said it would be if one’s production cost per barrel is US$85 per barrel.

"The global average is US$35 per barrel. So, if your cost of pro-
duction isn’t significantly lower than that price point, you’re going to be in trouble. The focus will be moving down the cost curve to im-
prove your competitive position," said Cooke.

He added that not everything is bad news with the global oil price decline; as it has been an economic stimulus country to countries that are net energy importers.

"Malaysia is in that position. One of the major impacts on economy is the fact that oil is now cheaper and it’s a good economic stimulus for a broader economic growth within Asia," he said.

He also noted that although O&G expenditures have seen a re-
duction, oil majors and national oil companies (NOCs) have generally cut back on production. It’s a depleting asset. It is producing 100 barrels of oil per day (bpd).

"I’mprobably depleting my reserves by about 10% per annum. I’ll probably produce 100 bpd next year and it comes down [again] the following year.

"But generally, most organisations, once they’ve got their major well production up, they don’t take it down. It takes production because it’s very difficult to shut down," he added.