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Bangchak eyes top-20 SET status by 2020

CHIEF UPBEAT DESPITE MISSING FIRST EARNINGS TARGET

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THE NATION

DESPITE JUST missing his first-year earnings target for the company, Bangchak Petroleum president Vichien Usanachote yesterday announced an ambitious goal to get the diversified oil refiner into the top-20 list of largest companies on the Thai stock market by 2020.

The company reported earnings before interest, tax, depreciation and amortisation (ebitda) of Bt9.35 billion for 2013, 6.5 per cent off the Bt10-billion target announced by Vichien soon after assuming the top post on January 1 last year.

At a press conference yesterday, Vichien said Bangchak had set a new challenging target to grow its ebitda to Bt25 billion by 2020.

The growth target has been raised from Bt20 billion announced two years ago by the former president, Anusorn Sangnimmuan.

To reach the target, Bangchak plans to invest Bt12 billion this year, and then at least Bt5 bil-

lion per annum during the next several years.

The refiner has set a target that new projects must offer an internal rate of return of at least 15 per cent.

Of the Bt25-billion annual ebitda target set for 2020, new businesses will fuel about Bt10 billion, while the existing oil-refining business will contribute between Bt7.5 billion and Bt8 billion; oil-marketing business, Bt4 billion; solar farms, Bt2.7 billion; and biofuels (ethanol and biodiesel), Bt1 billion.

The president said Bangchak would like to raise the size of its market capitalisation to get into the top-20 ranking of largest companies on the Stock Exchange of Thailand. It is presently in the bottom part of the SET50 companies list.

The company also targets toppling Esso to become the second-largest oil retailer in the country this year, thanks to a challenging growth target of 11 per cent for oil sales.

Vichien added that Bangchak had previously attained top-2 status for all but two months

during the second half of last year.

He said the company expected to close two or three new deals this year that would require it to invest at least Bt5 billion.

Among these new investment projects is a plan to invest in solar farms in Japan, for which due diligence is being conducted to evaluate the projects' feasibility, and the possible acquisition of some ethanol factories. Each of the Japanese solar-farm projects would have an installed capacity of 30 to 50 megawatts.

To finance these projects, and to provide working capital, Bangchak plans to issue baht-dominated debentures to raise between Bt5 billion and Bt8 billion in the next three months.

Vichien said new businesses that would fuel Bangchak's future growth could be upstream operations such as mineral and petroleum projects that are related to the company's existing businesses, or those to which it could contribute as a valuable strategic partner.

However, Bangchak has no plan to construct a new oil refinery in the Kingdom, due to the difficulty of finding a suitable location, plus the fact that it would neither be competitive with exist-

ing refineries nor when it came to exports, he said.

Bangchak aims to reach the Bt10-billion ebitda target this year, even though oil-refining business will decline due to a longer-than-usual 45-day shutdown of its entire refining complex in Bangkok.

Reduced oil-refining revenues will be offset by additional income from solar-farm business, in which it will complete all of its phase-3 projects by the early part of the third quarter, said the company chief.

During 2014, the company expects oil refining to contribute 55 per cent of its Bt10 billion targeted ebitda; oil marketing, 20 per cent; solar farms, 22 per cent; and biofuels, 3 per cent.

As for the oil-marketing business, Bangchak will spend Bt1.2 billion to build 70 new petrol stations, increasing the number of outlets to 1,130, as well as to complete the refurbishment of 100 old petrol stations this year.

To increase revenue from non-oil businesses, Vichien said Bangchak was negotiating with several franchise operators to establish a new food-and-drink offering at its petrol stations.