

Booming oil industry to fuel KNM growth

BY HONG BOON HOW

KNM Group Bhd, en route for a listing on the KLSE second board, is confident that the booming oil, gas and petrochemical industries will play an important role in the company's growth and expansion plans.

KNM managing director Lee Swee Eng said it had a strong relationship with global oil and gas companies and multinational firms dealing in engineering and contracting jobs for the oil, gas and petrochemical industries.

"With the return of stability to the Middle East, we expect the oil and gas projects that had been stalled to resume work soon in which process equipment will be in demand," Lee said in an interview in Kuala Lumpur.

In addition to stalled projects, Lee also said that there was a market for replacement equipment in the region.

KNM is a process equipment manufacturer for the oil, gas and petrochemical industries, and a leading turnkey storage facilities provider in Malaysia.

The company was co-founded by Lee and executive chairman Datuk Abdul Rani Mohd Razalli in 1990.

It has four fabrication plants in Malacca, Gebeng, Bintulu and Changsu in China, which have a combined annual capacity of 28,500 tonnes of process equipment.

The company has 438 workers in Malaysia and 69 in China.

The plants are equipped with plate rolling and bending machines and state-of-the-art machinery for welding and testing.

Among KNM's products are columns, reactors, separators, pressure vessels, skid packages, heat exchangers, air coolers and LPG mounded bullets.

KNM has several entries in *The Malaysia Book of Records*. One of them is for building super-sized LPG mounded vessels weighing over 800 tonnes.

"We have also invested a lot in meeting international standards and research and development activities as our clients are large corporations which expect high quality for delivered products and equipment," he said.



Lee Swee Eng

Lee said these international companies had a good reputation to protect and that equipment failures would have an impact on their operations and result in huge loss of earnings during the downturn.

"A significant portion of our business is from regular customers and this shows the level of confidence they have in our products," he said.

Lee said KNM had evolved into a high-ranking manufacturer with an extensive track record and a huge clientele of reputable customers worldwide, including Petroleum Nasional Bhd, BASF, Shell, Halliburton, Technip and JGC Corp of Japan. As of last month, KNM had on-going projects worth RM142mil.

He said that about 55% of the company's business came from domestic projects but expected its overseas business to grow at a faster pace.

"This forecast is in line with the growing number of new oil and gas projects in the



KNM launching the world's tallest and heaviest pressure vessel in Gebeng

Middle East, Asean, east Asia and the Americas," he said, adding that the improving global economy would lead to greater demand for energy.

Lee said the company's policy was to have its manufacturing plants located close to its major customers and seaports to ensure low costs in equipment delivery.

"As our process equipment may weigh over several hundred tonnes our logistics costs can become very expensive if delivery is not properly planned," he said.

For its flotation, KNM is making a public issue of 6.68 million new ordinary shares and a placement of 4.4 million new shares of RM1 each at RM1.48 per share.

Of the public portion, 4.4 million shares will be made available to the public, while 2.28

million shares have been reserved for eligible employees, directors, customers and suppliers of KNM. KNM will have an enlarged share capital of 44 million shares.

KNM posted a pre-tax profit of RM10.6mil on revenue of RM107.4mil for the year ended Dec 31, 2002.

In its prospectus, KNM has forecast a pre-tax profit of RM10.9mil on revenue of RM110mil for its financial year ending Dec 31.

Gross proceeds arising from the company's placement and public issue are estimated to amount to RM21mil, of which RM11.1mil will be used for the repayment of term loans, RM8.2mil for capital expenditure and the balance for working capital and listing expenses.

KNM is scheduled to list on Aug 13.