

# KNM asked to consider 'capacity booking'

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**PETALING JAYA:** KNM Group Bhd said several customers have asked it to consider "capacity booking", given the foreseeable shortage in the supply of process equipment after 2008, managing director Lee Swee Eng said.

"The clients foresee a capacity constraint for high-end process equipment, so they have approached us to consider the idea. Some of them are already feeling the constraint in demand but the shortage will be more acute in two years," Lee told StarBiz.

He said the demand for process equipment was getting stronger owing to the boom in the oil and gas industry.

Capacity booking is new in the oil and gas industry. As such, Lee said, there were various aspects to consider, such as pricing and time-frame, before an agreement could be finalised.

Through capacity booking, customers would be able to secure future needs for process equipment while KNM would be able to lock in prospective demand for its present capacity.

Lee said discussions on the matter would probably take at least another

two to three months and that the signing of any agreements would likely be in 2007 or 2008.

Once an agreement was firmed up, the group would look at expanding its current capacity, as "we still need to service other clients as well," he said.

He said the funding for expansion would not be an issue as it was anticipated to be "a mixed bag" of internal funds and some borrowings.

"With a net gearing of about 0.3 time, we're still comfortable," Lee said.

AmResearch Sdn Bhd said in a report that it remained optimistic

on the stock, given the company's reputation, global exposure, wide product range as well as capable and far-sighted management.

Noting its order book of RM1.35bil, the brokerage said despite competition, KNM was likely to reap "fairly high margins", given the robust world demand for process equipment, its diversified business in the oil and gas, minerals and petrochemicals sectors, and large customer base.

Moreover, KNM shares were likely to attract more interest owing to the increased liquidity and affordability after the completion of its bonus issue, which would be com-



pleted by month-end, AmResearch said.

KNM shares closed unchanged at RM9.10 yesterday.