



Lee Swee Eng

KNM to raise RM2.2bil

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PETALING JAYA: Process equipment maker KNM Group Bhd has proposed to raise up to RM2.2bil to increase its available funds for potential strategic acquisitions and for working capital.

When contacted by *StarBiz* yesterday, managing director Lee Swee Eng confirmed a major acquisition was in the works, saying: "Yes, but I can't say much."

The company, which makes equipment for the oil, gas, petrochemicals and minerals processing industries, told analysts in December last year that it was seeking to acquire a foreign

rival early this year in a deal worth some RM2bil.

"We expect an announcement from KNM in the form of a RM2bil acquisition some time soon," an analyst said, adding that it would likely be a purchase of a European rival that was also involved in the manufacture of high-end process equipment.

The deal, he said, was likely to help KNM "leapfrog" on to the global scene while boosting the company's annual net profit to more than US\$100mil.

KNM had over the past few of years made several acquisitions of specialised equipment

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makers in Italy and Australia in a bid to gain access to new technology to grow its business.

More recently, the company proposed to buy Brazil's Ellimetal NV for 20 million euros.

In a statement yesterday, KNM said the proposed fund raising entailed a rights issue of up to 267.8 million new shares on the basis of one share for every four held, a two-for-one bonus issue of up to 2.67 billion new shares after the rights issue and the issuance of exchangeable bonds of up to US\$350mil (about RM1.1bil).

The indicative price of the rights shares is RM4 each, which translates to proceeds of up to about RM1.1bil.

Meanwhile, Lee also told *StarBiz* that KNM's current order book stood at about RM2.8bil, while bids valued at RM11bil had been submitted. "So, prospects are looking very bright for us," he said.

On Jan 29, KNM said its subsidiaries had secured substantial new orders for overseas projects valued at about RM185mil.

The orders, the company said, were expected to contribute positively to KNM's earnings and net tangible assets for the financial year ending Dec 31, 2008 (FY08) and FY09.

The KNM Group currently has 11 process equipment manufacturing facilities, five of which are in Malaysia, two in Australia and one each in Italy, China, the United Arab Emirates and Indonesia.

"Under our expansion plans for this year, we will have new manufacturing facilities in Canada, Brazil and Saudi Arabia and also an enlarged manufacturing plant in Indonesia," Lee said.