

# Opportunities in the Middle East

Process equipment maker KNM Group Bhd managing director Lee Swee Eng shares his views on what lies ahead for his company and the industry



**WHAT is the biggest challenge faced by your company or the industry this year?**

Besides an economic slowdown and slowing consumer demand, we are also seeing a steep correction in oil price from US\$147 per barrel in July to the current US\$50.

The volatility of oil price provides little comfort to many new projects, as the real cost of building a plant is uncertain.

We believe many projects will remain viable even with oil price hovering around US\$50 per barrel, as a steep correction in steel and other raw material prices recently would change the economics of a project, comparable to the period in early to mid-2005 when the price of oil was also at US\$50.

**Have bad debts or margin calls become a problem?**

We don't foresee bad debts (becoming a problem) as our clients are mostly multinational corporations (MNCs), many of which are Fortune 500 companies or oil majors.

**What is the best-performing division in a generally weak market?**

We see the oil and gas sector remaining as the key driver for the company. We are also seeing strong demand in the power and environment sectors, going forward.

**Are you planning to diversify?**

Even though oil and gas is the main driver, gas development is probably the stronger of the two. We are putting emphasis on gas technology to capitalise on the opportunities.

**Is your firm downsizing in view of the market conditions?**

We are not downsizing but are selective in terms of where to incur our capital expenditure.

The Middle East remains strong in terms of oil and gas and power plant spending and we are looking into that region seriously.

**To what extent is the strength of your company's balance sheet important at this time?**

In this turbulent time, cash is king. Our balance sheet remains strong with net gearing at 0.47 times.

As we are not sitting on a war chest for mergers and acquisitions, we will focus on joint ventures and strategic alliances to access new technology.



Lee Swee Eng