

KNM: Oil price rise to benefit industry players

The Star - 22 May 2004 KNM Bhd, a process equipment manufacturer for the oil, gas and petrochemical industries, is confident that the current rise in oil prices will benefit those involved in the industry.

Managing director Lee Swee Eng said the price rise would encourage petroleum companies to increase their production and step up their exploration activities.

"As long as the oil prices do not reach the point that causes global inflation, the rise will be good for us and all in the industry," Lee told reporters after the signing of a share acquisition agreement between KNM subsidiary, KNM International Sdn Bhd (KNM), and FBM-Hudson Italiana SpA (FBM) in Kuala Lumpur yesterday.



From left: Richard Manisco, Italian trade commissioner Dr Massimo Tancerdi, MIDA Director Tan Ah Yong and Lee Swee Eng.

Under the deal, KNM International will acquire a 50% stake in FBM's manufacturing plant in Jebel Ali Free Zone, Dubai for 10mil euros (RM45.64mil).

KNM International and FBM will also subscribe equally for a total of 4mil euros (RM18.26mil) in the shares in the manufacturing plant.

As part of the agreement, FBM will guarantee KNMI a cash dividend of 1.8mil euros (RM8.2mil), 2mil euros (RM9.13mil) and 2.25mil euros (RM10.27mil) respectively in the three years from the date of completion of the agreement.

The plant manufactures air-cooled heat exchangers, shell and tube exchangers, reactors, pressure vessels, condensers and desalination equipment for the oil and gas industry.

Lee said KNM had contracts in hand to manufacture process equipment worth RM180mil for oil and gas companies in China, South Africa, Canada and the Middle East.

Lee said KNMI had also signed a commercial co-operation agreement (CCA) with FBM for joint and exclusive marketing and manufacturing of FBM's process equipment within Asean and China.

He also said the joint-venture and CCA would enable both KNM and FBM to expand their operations to the Middle East, North Africa, Asean and China, and enhance their market share in the oil and gas industry.

FBM managing director Riccardo Manisco said the company was among the top two producers in the world for air-cooled heat exchangers.

"Our joint venture in Jebel Ali will provide a platform for KNM to expand its reach in the Middle East," he said.