KNM Group Bhd, an industrial process-equipment maker, says its production capacity will rise by more than half in fiscal 2007 and plans are intact to tap new buyers in the biofuel sector.

The company, whose buyers include oil and gas, petrochemical and mining firms, is also not discounting the possibility of raising more money abroad if strategic investments appear.

KNM is expected to hit by end-2007 an annual output capacity of 118,000 tonnes, up 52 per cent from the 77,500 tonnes a year ago, said group managing director Lee Swee Eng.

The enlarged capacity will be achieved with the setting up of two new factories, one each in Canada and Brazil respectively, besides expansion of existing plants in Malaysia, China and Dubai.

"By end-2007, we expect to have 13 factories operating in eight countries, which give rise to 118,000 tonnes of capacity per annum," Lim told Business Times in Kuala Lumpur recently.

The company, now valued at some RM3.5 billion, was only listed about four years ago. It has managed to take advantage of a big jump in oil exploration and mining activities in recent years.

KNM will pump an initial RM65 million in its Alberta, Canada plant which, for a start, will make some 10,000 tonnes of equipment a year. The capacity will be increased to 30,000 in three years.

But maximum output at its Victoria, Brazil unit, which involves an estimated RM30 million outlay, will be capped at 10,000 tonnes

Lim said this is due to KNM being less familiar with the legal system there and the language barrier in the South American nation.

The company also owns factories in Indonesia, Australia and Italy.

Looking ahead, Lim said KNM is playing the early bird strategy now to gain a foothold in the booming renewable energy sector, where the company is offering production technology to biodiesel makers.

KNM recently roped in US-based Crown Iron Works Co to jointly offer products to customers in the Asean and Oceania regions.

"We hope to grow this (renewable energy) from three per cent (in fiscal 2006) to between five and seven per cent within the next one or two years.

"It's not big, but at least we put ourselves in that position so that in future, when biofuel really kicks off, we are there," Lim said.

Meanwhile, KNM's decision to raise funds abroad will depend on the company's expansion mode which could include buying rivals, said Lim.

"We don't have any overseas fund-raising plans at the moment. Depends on the M&A (mergers and acquisitions) candidate, we will not restrict ourselves to just one place," he said.

The group, which hires some 2,600 workers globally, sold RM300 million worth of Islamic bonds last year to finance expansion and repay loans.

Estimates by three brokerages compiled by Bloomberg have forecast an average revenue of RM1.44 billion for KNM in fiscal 2007, while six research houses gave an average net profit of RM161.6 million.

KNM's 2006 net profit more than tripled to RM133.6 million, or 54.6 cents a share, while revenue more than doubled to RM917.3 million.

Foreign buyers made up 94 per cent of the year's revenue. Segment-wise, clients for oil and gas, petrochemical and minerals sectors accounted for 58, 22, and 17 per cent of turnover respectively.

Shares of KNM rose 0.8 per cent, or 10 cent, to close at RM13.40 for a market capitalisation of RM3.47 billion last Friday. The stock had added 52 per cent so far this year, outperforming the broader market's 24 per cent gain.