# KNM moving into Canada

## Group sees huge potential in country's booming oil sand industry

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**PETALING JAYA:** KNM Group Bhd sees huge potential in Canada's oil sand industry, said group managing director Lee Swee Eng.

"There is a big boom in the oil sand industry in Canada. Currently, the country produces about 500,000 barrels of oil a day and this is expected to expand to three million barrels by 2010," he told *StarBiz* yesterday.

Oil sands are deposits of bitumen, which are heavy black viscous oil that must be rigorously treated to convert it to an upgraded crude oil before refineries can use it to produce gasoline and diesel fuels.

The industry required about 200,000 tonnes of process equipment annually, Lee said.

On Tuesday, the group told Bursa Malaysia that it had set up three subsidiaries in Canada - KNM Corp, KNM Process Equipment Inc (KNMPE) and KNM Industries Inc (KNMI).

KNM Corp is the investment holding company in Canada while KNMPE will be involved in the design, engineering, procurement and manufacture of process equipment such as pressure vessels, reactors, columns and towers, drums, heat exchangers, air finned coolers, process gas waste heat boilers and specialised shell and tube heat exchangers.

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LEE SWEE ENG

KNMI, on the other hand, will be an asset holding company owning land, and manufacturing plants and machinery related to the group's manufacturing facility in Canada.

Hwang-DBS Vickers Research in a research report said the development in Canada was expected to provide "another leg of growth" for KNM.

"Canada is committed in developing its oil production over the next five years. Nineteen oil sand projects have been earmarked for development," it added.

The research house said it expected initial capacity at KNM's plant in Edmonton at 10,000 tonnes a year, with an initial investment of up to RM50mil.

"Based on our estimates, this may result in C$100mil in revenue and C$15mil in net profit contribution in the medium term," the brokerage said, adding that capacity could increase to 30,000 tonnes annually by 2010.

Considering that oil sands required higher value-added process equipment, Hwang-DBS Vickers expects KNM to seek a strategic tie-up in technical design solutions.

It said while the cost of labour in Canada was expensive, the group was likely to leverage on its plants in China and Malaysia for pre-fabrication works before shipping them to Canada for final assembly.

An analyst at another local brokerage said although labour cost was high, the selling price of KNM's products would also be higher.

"The group is already selling some process equipment to Canada from the Malaysian plant. It exports about 1,000 tonnes to Canada annually," he said.

Having a physical presence in Canada would enable KNM to take advantage of the boom and increase its market share, the analyst said, noting that the Edmonton plant was likely to be operational next year.

Lee Swee Eng