

KNM eyes renewable energy jobs overseas

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SERI KEMBANGAN: KNM Group Bhd is eyeing jobs to build renewable energy facilities overseas after securing its first contract at home, managing director Lee Swee Eng said.

This includes bidding for a project to construct an ethanol plant in Brazil, where the group's process equipment manufacturing facility was targeted to start operations early next year.

"Part of KNM's growth strategy is to tap into the renewable energy sector," Lee told reporters after the signing of a RM122mil contract to design and construct a biodiesel plant for Mission Biofuels Ltd, a company listed in Australia.

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.

The biodiesel plant, which is to be Mission Biofuels' second in the country, is located next to its existing site in Kuantan Port, Pahang.

Its biodiesel production capacity



* Price adjusted for bonus & split

is targeted to reach 250,000 tonnes annually when completed in August next year. The company's first biodiesel plant, which has a capacity of 100,000 tonnes a year, would start shipment by mid-September this year, Mission Biofuels managing director Nathan Mahalingam told a press conference after the signing yesterday.

"Even at current crude palm oil (CPO) prices, the project is still feasible," he said.

Mahalingam said although there were concerns that biodiesel plants were not viable - with CPO futures



Lee Swee Eng and Nathan Mahalingam exchanging documents. With them is Axens NA Process Licensing managing director Michel Dugert

price at above RM2,500 per tonne currently - the company had already secured a five-year off-take agreement with a major Europe-based buyer for a large portion of its targeted 350,000 tonnes of combined output a year.

Mission Biofuels also has a feedstock supply agreement with Cargill, which is building a palm oil storage facility in Kuantan Port.

Earlier this year, KNM formed a joint venture with US-based Crown Iron Works Technology to jumpstart its foray into the renewable energy sector as a builder of processing facilities.

OSK Investment Bank said in an update yesterday it expects KNM to secure three more of such engineering, procurement, construction and

commissioning (EPC) jobs in the financial year ending Dec 31, 2008 (FY08).

With the new contract secured and at least three more to come, OSK has revised upward its earnings forecast for KNM by 12.7% to 32.3 sen per share in FY08.

It has valued the stock at 16 times projected earnings, and upgraded KNM's target price to RM5.20 from RM4.60 previously.

The stock was among yesterday's top three gainers, up 32 sen, or 7.1% to close at a new all-time high of RM4.80.

Lee said KNM's current order book stood at about RM2bil, and the company was tendering for new projects with a combined value of more than RM9bil.