

KNM to ramp up capacity

It plans to spend about RM130mil a year in 2007 and 2008

SERI KEMBANGAN: Process equipment maker KNM Group Bhd will spend RM130mil this year and a similar amount in 2008 to ramp up the manufacturing capacity of its facilities.

The budget, however, excluded potential mergers and acquisitions (M&A) in the future, group managing director Lee Swee Eng said.

"We will raise the necessary funding should any M&A opportunities arise," he told reporters after the group's AGM and EGM yesterday.

Expansion through acquisition has been a key growth driver for the

group in recent years. Last year, KNM acquired process equipment manufacturing facilities in Australia, Indonesia and Italy.

Lee said new acquisitions were always an option, but noted that such activities "are getting more expensive and difficult" to come by on high demand for pressure tanks and heat exchangers from oil companies.

To boost its future earnings, KNM is building new manufacturing facilities in Canada and Brazil, as well as expanding output at its existing plants in Kuantan, China and Dubai.

The company is also looking to set

up a new fabrication plant in Saudi Arabia this year in a joint venture with the kingdom's Themar Aqaria Ltd Co.

KNM's annual manufacturing capacity is projected to grow 50%, from 77,000 to 150,000 tonnes by end-2008.

Lee said the group's current order book stood to RM1.74bil, pushing its factory average utilisation rate to more than 80%. Most of these jobs would be completed within 18 months.

"KNM is currently bidding for some RM9.5bil worth of fabrication jobs for

projects all over the world," he added.

The company has teamed up with US-based biodiesel plant design specialist Crown Iron Works Co to bid for projects in South-East Asia and Australia.

As of end-2006, revenue from overseas accounted for about 30% of the group's turnover of RM908mil. The company expects income from abroad to match contribution from its local operations in the next two to three years.

KNM's bright growth prospects have pushed the stock 55% higher year-to-date to RM13.60 yesterday.

The counter hit a record high RM14.40 on April 25.

Consensus estimates put its net profit for the full year ending Dec 31, 2007 (FY07) at RM180mil and RM270mil for FY08. The company registered net earnings of RM138mil in FY06.

At yesterday's EGM, KNM shareholders approved a one-for-one bonus issue and a subsequent share split of one share into two stocks of 25 sen each.

This will be KNM's third bonus issue since the company went public in August 2003.