

KNM targets 30% recurring income contribution by 2019

KUALA LUMPUR: KNM Group Bhd aims to grow sustainable recurring income contribution to 30% by 2019, driven by its venture into Thailand's renewable energy sector through its unit there, Impress Ethanol Co Ltd (IEL).

KNM group finance director Terence Tan said KNM's bioethanol production capacity was expected to increase to 400,000 litres daily for the first three years, and subsequently higher by another 200,000 litres daily to achieve a recurring income contribution target of 70% by 2021.

"Currently, KNM Group's revenue is purely derived from contracts and not recurring income. Next year, our project in Thailand will start to contribute recurring income," he told reporters after the signing ceremonies for KNM Group's guarantee facility for its guaranteed bonds of up to about 2.78 billion baht (RM328.57 million) from the Credit Guarantee

and Investment Facility (CGIF), as well as KNM Capital (PIC) Sdn Bhd's RM360 million financing facilities from Danajamin Nasional Bhd and Affin Islamic Bank Bhd yesterday.

Tan said with the Thai bonds, KNM Group would be able to kick-start phase 2 of its renewable energy project in Thailand, whereby it planned to utilise proceeds to refinance IEL's debt financing, future expansion and working capital expenses for its bioethanol plants.

KNM Capital's RM360 million financing facilities from Danajamin and Affin Islamic, on the other hand, were in relation to the financing of contracts related to the refinery and petrochemical integrated development project in Pengerang, Johor.

KNM group chief executive officer Lee Swee Eng said the renewable energy sector was growing and the group's venture into the sector,

which presents good recurring income, was in line with its plan to shift away from being just a contracting company.

"The reason why we made this move is because a company that is purely dependent on contracts is highly exposed to the volatility of the global economy and it will face [a] contracting cycle considering the current economic situation," he said.

Lee also said KNM Group was interested in looking for more opportunities in renewable energy in Thailand as part of its five-year plan.

When asked whether the ringgit's depreciation had a negative impact on the company's business, which mainly comprises export activities, he said: "The net effect is not that much because the labour and manufacturing costs, which are in ringgit, are compensated by our contract income, which is in US dollars." — *Bernama*