

KNM's Thai plant to start production next month

By GANESHWARAN KANA

ganeswaran@thestar.com.my

KUALA LUMPUR: Process equipment manufacturer and energy firm KNM Group Bhd's bioethanol plant in Thailand is expected to start its commercial production next month and is projected to contribute positively to the group's top line, moving forward.

According to the group's chief executive officer Lee Swee Eng, the first phase of fuel-grade Impress Ethanol Plant which has a production capacity of 200,000 litres per day, has been commissioned.

The bioethanol plant is expected to contribute approximately 5%-7% to the group's revenue in its current financial year of 2017 (FY17).

"We have successfully commissioned the first phase of our bioethanol plant in Thailand and we are currently waiting for the permit to operate and sell ethanol in Thailand.

"As soon as we get the required approvals, we will start full commercial production and commence to sell ethanol in July this year," Lee said after the company's AGM yesterday.

He added that a higher revenue contribution of 10%-15% is expected from the Thailand-based plant in FY18.

Lee added that the company has started the construction of the plant's second phase in May 2017 and that it was scheduled to be completed by the first half of 2019.

Upon its completion, the second phase will be able to produce an additional 300,000 litres of ethanol per day and raise total revenue



Lee: 'Our order book at present will keep us busy for the next 24 months.'

contribution to approximately 30% by FY19 onwards.

Commenting on KNM's order book status, Lee said that its current order book will be able to sustain the group for the next two years.

"Our order book at present will keep us

busy for the next 24 months.

"In fact, once we have secured financing for our Peterborough project in the UK, our order book will sustain us for about 36 months," he said.

He added that the group was focusing more in-house projects rather than projects awarded by external parties.

The company fell into the red in its FY16, as it registered a net loss of RM311.68mil, in contrast to a net profit of RM49.53mil a year earlier.

The fall in KNM's earnings was primarily attributed to the losses in Canada and Kuántan operations, effect of foreign exchange and unforeseen logistic costs as compared with corresponding period last year.

With regard to its top line, the group recorded a marginally higher revenue which increased by 0.3% to RM1.65bil on a year-on-year basis.

KNM posted a gross profit of RM228.16mil in its Europe segment, while its Asia and Oceanic as well as Americas segments delivered gross losses of RM165.03mil and RM37.29mil in FY16, respectively.

Moving forward, KNM said that business environment in FY17 would remain challenging.

The group expects to continue its strategy to diversify its sources of income from project based contracts by building long term sustainable recurring revenue from energy businesses.

Year to date, KNM's share price has fallen by about 18% to 28 sen.

A total of 10.91 million share units changed hands as of closing of trading yesterday.