

Puzzling questions on KNM's takeover attempt that shareholders must ask themselves before Monday's voting

KNMTM

KNM GROUP BERHAD
(521348-H)



Letter to editor

THE takeover investors' investment in KNM Group Bhd shares is minimal – perhaps just suffice to enable them to call for an extraordinary general meeting (EGM) this coming Monday (Oct 16) at much lower prices.

When serious investors like Datuk Seri Mahmud Abu Bekir Taib invest in KNM to show their support to current chairman Tunku Datuk Yaacob Khyra, the takeover investors claim falsely that the son of the Sarawak Governor Tun Abdul Taib Mahmud had invested to support their takeover efforts.

Why resorted to such manipulation attempts in the media? Who are they trying to manipulate? The simple answer is the unsuspecting retail investors of Malaysia. Given that this is a takeover attempt, shouldn't such activity be investigated?

The so-called German tycoon Andreas Heeschen who led the takeover directors to unseat the incumbent directors has recently invested a little more in KNM shares under his name (upped his stake to 8.249% following the acquisition of a further 13.6 million shares or a 0.336% stake in the open market). But still too little to make a dent given that KNM has more than four billion shares in issuance.



Andreas Heeschen

Interestingly, the aspirant directors also claimed that they have a five-year plan but they dare not make their plan public. Why? What details do they have in there till they do not wish to disclose to the public or the regulatory bodies for that matter?

The takeover investors further claimed they will ask the current creditors of KNM to take a hair-cut. Then they will organise the oil & gas (O&G) engineering group to borrow from another set of creditors which if materialises will incur debt beyond the current RM1.2 bil.

Humongous debt

At current debt levels, all the cash flow of Borsig GmbH's operation – the only profitable part of KNM – is just enough to pay service costs to the current creditors. How then will a larger debt level be serviced? Who will lend to a company that is in financial distress and even asking its current creditors to take a hair-cut?



Even if they do, at what interest rates, especially when the current prevailing interest rates world over are all so high? This brings us back again to the question how will KNM service a larger debt?

Then, more critically why should the current creditors take a hair-cut when they can easily liquidate KNM and get 100% of their principal? These creditors include professional institutions like Asian Development Bank and TA/DANOS (private equity investors) who are surely unwilling to accept any hair-cut. Why should they?

So not surprisingly and obviously, the current creditors of KNM have clearly stated that they will take over the assets of KNM immediately (including the Borsig Group which is the jewel in the crown) if there is a change in management or board of directors of KNM.

Therefore, current creditors of KNM will not wait for three or six months – the time the takeover investors are requesting to implement their incredible plans explained above.

Recently, the senior management of Borsig Group have said that “finally we have a KNM board that is commercial and we are able to trust and work well together” and on the back of which Borsig is now working closely with KNM senior management on a strategy to fully integrate the operations of Borsig with KNM Process Systems Sdn Bhd (the group’s wholly owned subsidiary).

However, all of this will be lost if there is a change of board of directors and even more damagingly, some senior management staff at Borsig have intimated that they will resign and leave if there is a change in the KNM board.

Taking all the above disadvantages and risks of a takeover into consideration, one is left wondering what the real purpose of this takeover action is after all.

Given the nosedive in share price from 18 to 11 sen in a span of a week, this certainly raises further valid concerns (KNM was up 1 sen or 9.09% to 12 sen at the close of today’s trading with 54.91 million shares traded, thus valuing the counter at RM486 mil). – **Oct 12, 2023**

KNM Market Observer
Kuala Lumpur

The views expressed are solely of the author and do not necessarily reflect those of Focus Malaysia.