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## Japanese MNC likely eyeing KNM's Borsig

The Star, Malaysia

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## CORPORATE

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SOMETHING interesting is brewing in cash-strapped KNM Group Bhd.

Its chairman Tunku Datuk Yaacob Khyra, who was just last year entangled in a boardroom tussle against a German billionaire and a Johor princess, is busy accumulating KNM shares.

In the last six months alone, he has indirectly bought nearly 352 million shares, almost doubling his stake to 18.2%. Assuming an average share price of nine sen, about RM32mil has been spent to mop up the additional shares.

One may wonder why the Negri Sembilan royal is eager to have a bigger say in KNM, at a time when the company's plan to sell its Italian heat exchanger manufacturing asset failed for the third time.

Also, the plan to list its crown jewel, Germany-based process equipment maker Borsig GmbH, on the Singapore Stock Exchange (SGX) may not happen after all, based on sources' information to *StarBizWeek*.

Borsig was last valued at over RM1bil. KNM's market capitalisation, on the other hand, is just over RM300mil.

The German unit is hugely important for KNM, considering that it contributed 86% to the latter's revenue in the three-month period ended March 31, 2024.

Borsig's initial public offering (IPO), in which KNM sought to retain 40% ownership, was supposed to be completed in the second quarter of this year.

It is believed that the IPO delay is caused by SGX not giving the final green light, although the stock exchange operator's concerns are not known at this point.

According to a source close to KNM, a "huge diversified Japanese multinational corporation" has made a substantial bid to acquire Borsig.

"The price offered (for Borsig) is not much different from the gain that KNM could have made from the IPO.

"If the sale to the Japanese party goes through, it will be more than enough to clear KNM's debt and put some extra cash on the table."

Interestingly, in an interview with *StarBizWeek* last September, Tunku Yaacob said KNM will have a better deal by floating Borsig compared to an outright sale.

"If we go for a direct sale, we would get a lower valuation, for example about seven times price-to-earnings (PE) ratio.

"Instead, by listing Borsig, we would get a PE of 15 times and with that, a much higher sale proceeds," he said then.

Tunku Yaacob also stressed that he had never wanted to sell Borsig and that the move to look for a buyer was initiated under the previous management.

"We didn't want to interrupt the pro-

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## Proceeds expected to help clear company's debt

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cess," according to him.

It is not known whether KNM is considering listing Borsig locally instead, if the SGX IPO has indeed fallen through.

Given the size and European brand value of Borsig, one may wonder whether Bursa Malaysia or its chief executive officer (CEO) Datuk Muhamad Umar Swift has approached KNM for the listing of Borsig.

After all, the relationship between Tunku Yaacob and Australia-national Umar goes way back.

Before he was appointed to lead Bursa Malaysia, Umar had previously served for nearly 13 years as the CEO of MAA Group Bhd, in which Tunku Yaacob was and still is the single-largest shareholder.

### Massive debt defaults

Whether Borsig is eventually listed or disposed of in an outright sale, KNM is in a dire state to monetise its assets due to its massive debt level.

As at end-March 2024, KNM was sitting on total borrowings of RM1.29bil, of which 99.5% are short-term debt that must be repaid within a year.

The group has also defaulted various loans and borrowings to banks and financial institutions which amounted to RM1.28bil.

The two creditors are Credit Guarantee and Investment Facility (CGIF) as well as Danos Ltd-TransAsia Private Capital Ltd.

CGIF is a trust fund managed by the Asian Development Bank.

Currently, KNM is in the midst of restructuring the debts.

It is worth noting that KNM has also been assigned as a Practice Note 17 company.

On April 26, the group requested for a one-year time extension until end-April



**Expansion plan:** KNM's bio-ethanol plant in Thailand. The group has plans to monetise its assets in the country and also its waste-to-energy power plant in the United Kingdom.

2025 for the submission of a regularisation plan that would ultimately decide whether KNM can retain its listing status.

Bursa Malaysia is still considering the request, but KNM recently said an announcement on the outcome will be released in "due course".

To bring KNM back on track, Tunku Yaacob and his team is also looking to monetise other assets, which includes Italian subsidiary, FBM Hudson Italiana SpA.

KNM recently announced that it is evaluating new purchase offers from potential buyers for the loss-making FBM Hudson, after failing to sell the asset in the last three rounds.

A source says: "There have been some talks. But, the price (for FBM Hudson) goes lower after failed attempts to sell."

The latest attempt was to sell FBM Hudson to BM Carpenterie Oil & Gas Srl and Officine Piccol SpA for €16.5mil (RM84mil).

However, the move was rejected by the Italian government in June as the transaction failed to obtain the required Golden Power clearance.

This marks the second time the Italian government has blocked such a sale.

Last November, the sale of FBM Hudson to United Arab Emirates' Petro MAT FZCO for €22mil was rejected for the same reason.

Prior to that, KNM had another deal to dispose of FBM Hudson to British Midland FZE for €12mil, which did not materialise.

Apart from FBM Hudson, KNM is also looking at monetising several other assets, including the waste-to-energy power plant project in Peterborough, United Kingdom, as well as an ethanol plant in Thailand.

With the asset monetisation exercise keep dragging on without any success, the pressure rises on Tunku Yaacob and his team to finally turn around KNM as promised.

Andreas Heeschen, the German billionaire who tried to topple Tunku Yaacob and his board last year, remains as a substantial shareholder in KNM albeit with a reduced stake of 6.4%.

It remains to be seen whether Heeschen and his friendly parties will try to block the asset sale.

After all, Johor princess Tunku Kamariah – Heeschen's candidate to replace Tunku Yaacob as the chairperson – had previously criticised KNM's asset disposal.

The sister of His Majesty Sultan Ibrahim, King of Malaysia, had instead called for injection of new capital for a turnaround and to secure new long-term contracts.

She also claimed to have local and European resources to assist KNM to settle debt repayment.



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### SUMMARIES

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