



10 MAR, 2025

KNM to sell crown jewel Borsig. What's next?

The Malaysian Reserve, Malaysia

KNM to sell crown jewel Borsig. What's next?

NGK to acquire the crown jewel of the fabricator specialist in a deal that will potentially pare down its debts

by HABHAJAN SINGH

AFTER a roller coaster ride, KNM Group Bhd may be seeing light at the end of the tunnel with a proposed sale of its most prized asset on the table.

A Japanese group has come forward to acquire the crown jewel of the fabricator specialist in a deal that will potentially pare down its debts and pave the way forward for its next phase of business.

On Feb 27, KNM said in an exchange filing that its wholly owned subsidiary KNM Process Systems Sdn Bhd (KNMPS) has entered into a conditional sale, purchase and transfer agreement with Japan-based NGK Insulators Ltd for the proposed disposal of its 100% equity interest in Deutsche KNM GmbH (DKNM).

DKNM is the parent of KNM's crown jewel Borsig, a German-based manufacturer of heat recovery systems, transfer line exchanger systems and scraped surface exchangers in the high-pressure and high-temperature range.

The proposed deal, classified as a major disposal under listing requirements, would require the nod of at least 75% of its shareholders.

Once done and dusted, debt-laden KNM intends to charge ahead with its Malaysian operations.

"I believe our return to the market will be faster and more aggressive. We behaved as if we are coming back. And we intend to come back, and we are going to come back strong," KNM group CEO Ravindrasingham Balasingham told *The Malaysian Reserve* (TMR) in an interview.

If it pans out — it will leave behind some tough chapters, including a shareholder tussle.

In October 2023, a group led by Johor Princess Tunku Kamariah Aminah Maimunah Iskandariah Sultan Iskandar and German billionaire Andreas Heesch mounted an attempt to oust the entire existing KNM board led by its chairman Tunku Yaacob Khyra. Tunku Kamariah is the eldest sister of the present King of Malaysia.

First, it has to get the shareholders' approval for the Borsig sale, which Ravindrasingham deems to be the best thing to



Pic. by Muid Amin Nahrul

The price we're getting now is literally an IPO price doing an M&A exercise, says Ravindrasingham

happen to KNM.

KNM was listed in 2003. In 2008, it ventured abroad to buy the German company, as well as FBM Hudson Italiana SpA and FBM-KNM FZCO in Italy.

Prior to this, KNM was running on two tracks, both mergers and acquisitions (M&A) and IPO, in its quest to sell the asset.

"Being involved in M&As, I knew all along the best price can only be gotten at by going for a strategic buyer. That means a buyer who has a purpose to buy this asset for their own growth, either as a bought-on acquisition or it fits into their strategy for the industry that they are in. That's the best way to get the best price," he said.

IPO Track

All along, Ravindrasingham said KNM's preferred approach was the IPO track. That's how NGK came into the picture. Some time towards end-2023, they emerged as a potential cornerstone investor.

"At the conclusion of due diligence, they [NGK] worked out that Borsig was a fantastic asset. It had a strategic future for them.

"After looking at Borsig in detail, they realised this is something we can go whole hog. That's where the picture changed and we had to take a view on where this would go.

"We still carried on with the IPO track, but we are open now, because knowing that this is a strategic buyer, I knew full well that they are going to come at a better price than anything we have seen before.

"Thankfully, they are not out there to try and skim us, or take advantage of us. If you ask me, they recognise the price not based on what it is now, but what it can become as part of their group. So, we had to justify why the higher price is required," he said.

NGK is a global leader in ceramic technology, primarily engaged in the manufacture and sale of electrical insulators, advanced energy storage systems, industrial ceramic products, and electronic parts.

Going deeper into the details of the deal, Ravindrasingham said one of the key pointers in the proposed deal was that the price does not come with any further adjustments or deductions.

At the same time, the buyer was also waiving a €3.1 million (about RM14.3 million) debt by KNM to Borsig. So, this brings the total amount to US\$273.1 million (about RM1.26 billion).

What would be the case if KNM had gone for IPO? In its December 2022 announcement to Bursa Malaysia, the company had placed a target of US\$300 million for an IPO for Borsig, translating at that time to about €283 million.

"The price we're getting now is literally an IPO price doing an M&A exercise. It's a case of somebody asking you to let go of the crown jewel at a fantastic price, without having the problem of going and doing an IPO," said Ravindrasingham.

"In an IPO, most of the cash raised would have gone to the creditors, with KNM left controlling a smaller fraction of Borsig with no control on its dividend stream," he added.

Following the proposed disposal, KNM said in its exchange filing that it will concentrate its efforts on its core business in process equipment manufacturing, which currently operates through KNMPS.

The company said it plans to expand its operations in Malaysia, leveraging its established expertise in designing and manufacturing process equipment for the oil and gas, petrochemical, and fertiliser industries.

KNMPS operates two fabrication plants located in Gebeng, Pahang, and Tanjung Minyak, Melaka, with a combined floor space of approximately 24,000 sq m. In 2023, its Malaysian operations contributed RM63.21 million in revenue to the group.

Next Chapter

For its next chapter, Ravindrasingham said KNM intends to double down on its local operations, an area which gave it positive returns in the past, prior to Covid-19. In 2019, KNM's operations in Malaysia hit RM263 million in turnover, with a profit after tax of RM16 million, with two plants in Gebeng and in Melaka.

"That's a healthy result, not as high as I would like it to be, but a healthy result. Right now, we've got three solid plants. Aside from Gebeng and Melaka, there's another, which was used for boilers that has yet to really kick off," he said.

He said KNM would rebuild its strength locally, backed by its 30-year track record.

He said despite its financial constraints — including accessing banking facilities — KNM had in the last two years delivered on its projects, including Singapore's Keppel Shipyard Ltd's order meant for Brazilian energy giant Petroleo Brasileiro (Petrobras) from its Melaka plant as well as a pressure vessels for a fertiliser plant to be delivered in Turkey.

"We had Keppel and Petrobras people in our plant in Melaka in 2023. In Gebeng, we are working on equipment for Shell Sarawak," he said.

"I've had a number of conversations with clients. We worked with them to help us finish the projects. I believe the same clients can see the spirit with which KNM worked. This is vital for our comeback," he said.



10 MAR, 2025

KNM to sell crown jewel Borsig. What`s next?

The Malaysian Reserve, Malaysia

SUMMARIES

NGK to acquire the crown jewel of the fabricator specialist in a deal that will potentially pare down its debts

AFTER a roller coaster ride, KNM Group Bhd may be seeing light at the end of the tunnel with a proposed sale of its most prized asset on the table.