

Company Name : Kimlun Corporation Berhad
Date : 1st February 2012
Source : BorneoPost Online

KimLun's Proposed Private Placement To Generate RM27.9 mln



PLANNING AHEAD: KimLun will use part of its proceeds from a possible private placement to finance a land acquisition for the construction of a new precast plant in preparation for possible contracts from the SBK MRT project. — Reuters photo

KUCHING: KimLun Corporation Bhd (KimLun) is proposing to raise additional equity capital via a private placement of 22.9 million new shares to raise an estimated RM27.9 million to be used as working capital and other future developments.

“The private placement will make up 10 per cent of its existing share capital with an indicative issue price of RM1.22 per share,” OSK Research Sdn Bhd (OSK Research) noted in its research report.

KimLun had proposed to utilise the proceeds in the development and incidental expenditure of its existing land bank (RM13 million), the purchase of a parcel of industrial land (RM2.8 million), as working capital for expansion of precast business (RM1.8 million)

and to defray expenses incidental to the private placement (RM0.7 million). The balance would be used as other working capital.

“The bulk of the proceeds will be used to develop its existing land bank comprising of a commercial development in Cyberjaya and industrial development in Nilai,” OSK Research explained.

The commercial development in Cyberjaya was revealed to be in the form of Soho units on 4.95 acres with an estimated gross domestic value (GDV) of RM170 million which KimLun would have a 51 per cent stake.

Meanwhile, the industrial development on 17.3 hectares of land in Nilai would consist of factory lots with a yet to be finalised GDV.

Of the payment proceeds, RM2.8 million would also be used to partially finance a land acquisition for the construction of a new precast plant in preparation for possible contracts from the mass rapid transit (MRT) ‘mega’ project. Another RM1.8 million would be used as the working capital associated with the precast business expansion.

“The precast expansion is to cater to the possibility of KimLun securing some tunnel lining segment (TLS) contracts for the underground portion of the Sungai-Buloh Kajang (SBK) MRT,” the report added, stating the award was expected to happen in April or May, contracts should be out shortly after that.

OSK Research stated that the joint venture between Gamuda Bhd and MMC Corporation Bhd – the frontrunner for the tunnelling portion – had visited KimLun’s existing precast plants to conduct quality control checks.

It believed that KimLun’s strong track record with the supply of TLS for Singapore’s MRT would give it a good chance of landing some contracts for the SBK MRT as well.

The research house went on to peg a fair value of RM2.15 per share for KimLun based on 10 times financial year 2012 earnings as it expected a 26 per cent price upside post proposed private placement.