

Kelington's gas supply biz to provide 30% to revenue

by PREMALATHA JAYARAMAN

KELINGTON Group Bhd expects its recent foray into the industrial gas supply business would contribute 30% to its revenue within the next five to 10 years.

Its group chairman and CEO Raymond Gan Hung Keng said the new business has good potential as industrial gases are widely used among manufacturers in the plantation, oil and gas, food and beverages, and electronics companies.

He said the company's industrial gas supply business would rely much on the group's existing clients, while talks are being held to secure new customers.

"When you talk about the gas industry, the contracts are

usually for 10 years. Our expansion into the industrial gas supply business is long term in nature and would add a stable and recurring income stream to the company," he told reporters after the company's AGM and EGM in Kuala Lumpur yesterday.

In March, Kelington secured its first industrial gas supply contract from one of the country's largest photovoltaic (PV) manufacturers for the onsite supply of nitrogen gas.

Under the contract, Kelington will set up an onsite generator to produce nitrogen gas at the PV manufacturing plant in Malaysia.

In return, the PV manufacturer will pay a fixed facility

fee amounting to RM20 million over a period of 10 years.

For the financial year ended Dec 31, 2016, Kelington recorded a net profit of RM8.69 million compared to a net loss of RM2.55 million a year earlier, while revenue increased to RM340.23 million from RM206.35 million before.

This was driven by the company's efforts in improving internal controls and efficiency to improve profit margins.

"We are cautiously optimistic, but we will have good earnings, driven by the semiconductor industry. The demand will still be there and industry players will continue to make investments," he said.

Gan said leading manufacturers of memory chips and integrated circuits in China are ramping up their produc-

tion capacity and this augurs well for Kelington as it has a strong track record in undertaking ultra-high purity (UHP) projects in China.

In April, Kelington secured two new contracts worth RM19.3 million from a global multinational semiconductor manufacturer for installation of the UHP gas delivery system in China. The contracts are expected to be completed by December 2017.

Gan said the company's current orderbook stands at RM224 million, while its tenderbook is about RM500 million.