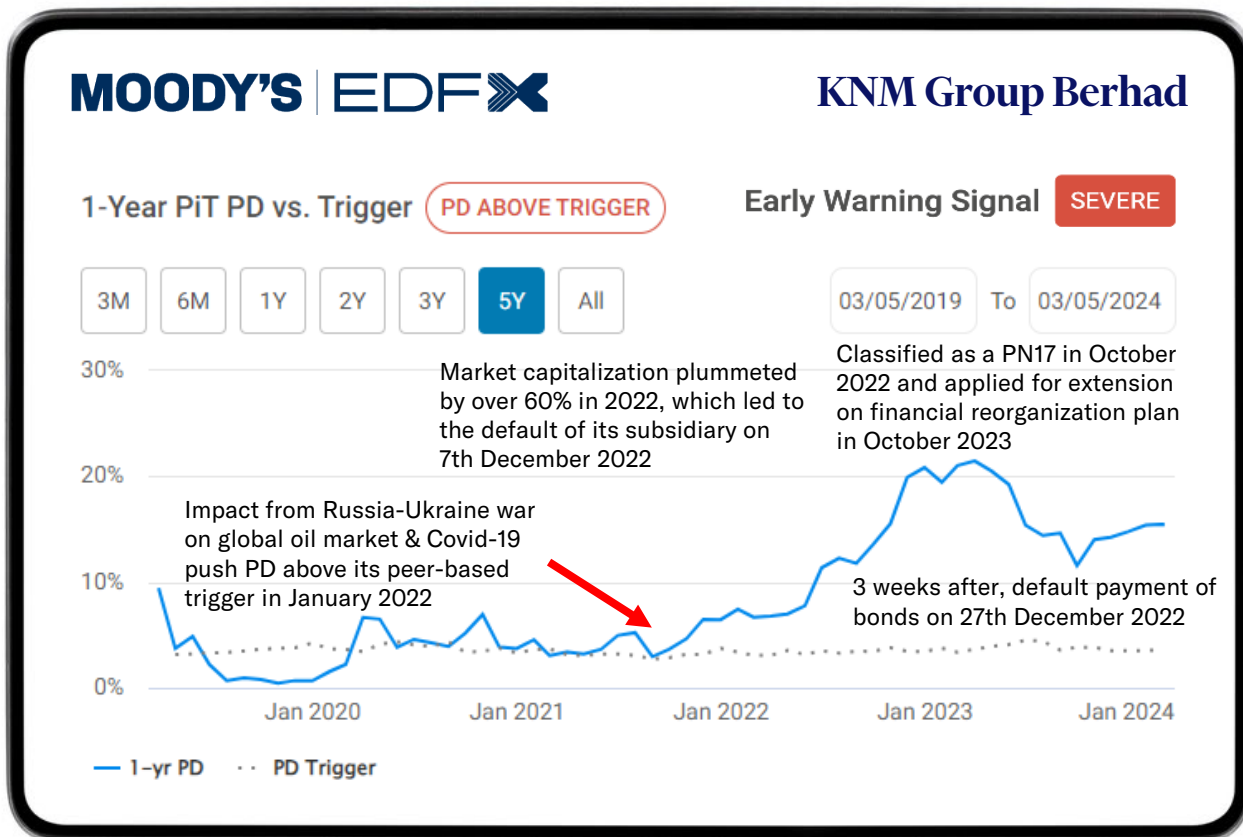


Unfavourable Operating Environment and the Aftershocks of Covid-19 Pandemic forced KNM Group Berhad and its subsidiaries to Default on Loans



Analysis

Disruptions from the Covid-19 pandemic and an unfavourable operating environment led KNM Group Berhad to default on its bonds in the end of December 2022. Founded in 1990, KNM Group Berhad is a public Malaysian company operating in the Oil and Gas Equipment and Services industry. It provides engineering, manufacturing, and maintenance services of oil machineries in many parts of the world. However, the company was plagued by significant debts, and the increased volatility of the global oil market led the EDF-X Early Warning System to flag the firm as an elevated credit risk from January 2022 onwards as KNM Group's Probability of Default breached its peer-group based trigger level.

Despite its global outreach and coverage, KNM Group Berhad faced severe supply-chain disruptions during the pandemic, and increasing uncertainty in the global supply of oil mainly arising from the geopolitical tensions between Russia and Ukraine. The share price for KNM Group Berhad plummeted over 66% over the year of 2022, and its market capitalization fell by nearly 60% resulting in the default of its subsidiary, KNM Renewable Energy Sdn Berhad, at the start of December 2022. Just 3 weeks after, KNM Group Berhad defaulted on its payment of bonds due to Bank of China and Malaysia in the end of December 2022.

KNM Group was classified as a PN17 (financially distressed) company in October 2022, and it had applied for an extension for its financial regularization plan submission to exit its Practice Note status in October 2023, showing its inability to recover from its demise.

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