

Tritech to sell small-scale desalinators, eyes public engineering projects

BY ANGELINE CHEONG

After bagging its largest order so far — a \$13.74 million contract to supervise the construction of the Downtown Line Stage 2 — Trittech plans to tap its engineering expertise to venture into a new revenue stream: water technologies. The move comes just as Trittech faces margin pressure as competition for government construction projects heats up.

Since 2003, Trittech has conducted research into technologies related to water treatment, desalination and ground-water extraction. Now, the company is ready to market a range of services, including designing and building diesel- and solar-powered desalination plants and supplying reverse-osmosis (RO) membranes.

While listed water companies like Hyflux build plants with a capacity of more than 100,000 cu m a day, Trittech plans to design and build a range of small- to medium-sized desalinators, with a capacity of up to 500 cu m of freshwater a day. Potential customers include factories, army camps, shipyards, oil-drilling platforms and small villages. “We will try [to promote it to] people who stay on islands around Singapore, like St John’s Island, Jurong Island, and villages near the seas,” says Jeffrey Wang, managing director of Trittech.

Although small-scale plants enjoy only low economies of scale, Wang says its desalinators will be able to operate at a unit cost similar to or even lower than that of larger-scale plants. That is because the desalinator can be powered by solar energy and uses an RO membrane, which is at least 30% more energy-efficient than conventional plants. The membrane can be sold separately and is targeted at existing desalination plants, New-water plants and used-water treat-

ment plants, says Wang.

Trittech has also developed a patented Unit-cell Desalination System (UDS) for larger-scale desalinators. “[UDS] reduces capital and operation costs by 25% and 50% respectively”, says China-born Wang, who took up Singapore citizenship in 1995.

To demonstrate the capabilities of solar-powered desalinators (SPD), Trittech is installing one at the Food Exchange@Admiralty to produce mineralised bottled water for sale. Its products will come under the “Trittech” brand and prices will be kept competitive, says Wang.

Although Trittech develops some products on its own, the SPD and the super-low-pressure polymer and nano-compounded RO membrane were a joint development with Shandong Lubao Water Resource Development Institute. Thus, 5% of revenue from these products has to be paid to Shandong Lubao as technology transfer fees.

Wang is aware of the uncertainty of launching its new venture amid the current downturn, but says the company has been careful with expenses. Of the \$4.4 million raised from its IPO, \$900,000 has been set aside to commercialise its water technologies. Trittech also received funds from SPRING Singapore. As at June 18, the company



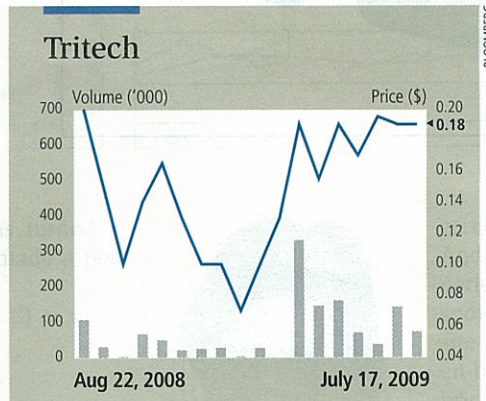
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has used about \$430,000.

Trittech’s venture into water technologies comes as its existing engineering segment faces margin pressure as competitors lower prices to bid for government projects. “We envisage a downward pressure on our profit margins going forward,” admits Wang. To soften the impact, Trittech is turning its attention to longer-term contracts, which offer earnings visibility and enable Trittech to



Trittech is marketing its small to medium-sized solar-powered desalinator, which has a capacity of 500 cu m a day



better manage its costs and seek out the best price when purchasing raw materials, says Wang.

Early this month, Trittech bagged one such deal — a consultancy contract to supervise the design and construction of stations and tunnels at Rochor and Little India for Downtown Line Stage 2. The \$13.74 million contract will last 74 months. The Downtown Line, which involves three stages, will link the Bukit Timah area and eastern parts of Singapore to the CBD and Marina Bay upon completion in 2016. The latest contract win lifts Trittech’s order book to more than \$60 million.

Apart from the Downtown Line, Trittech is also eyeing contracts from the extension of the East West and the North South lines as well as new lines like Thomson and Eastern Region. The Building and Construction Authority projects an annual construction demand of \$22 billion to \$28 billion this year, which includes some \$1.3 billion in public projects being brought forward.

Trittech is able to secure these projects because of its expertise in a highly technical niche area of the construction process. Trittech claims to be the first company in Singapore to offer horizontal directional drilling as well as geological and geophysical investigation for underground oil storage cavern construction.

“Before any construction can begin, our specialist engineers must first conduct the necessary ground and soil studies,” explains Wang, who holds two PhDs and was a chief engineer at Econ Corp.

Public projects now account for 82% of Trittech’s revenue, up from 33% in FY2008 (it has a March financial year-end). “The government projects will cushion any decrease in private spending,” says Wang.

Apart from infrastructure, which is the largest contributor to revenue, Trittech’s expertise is also applicable to the oil and gas, and residential and commercial construction sectors. This factor enables the company to ride out relatively well a cyclical downturn affecting any one of the sectors.

Listed last August, Trittech posted a 32% increase in revenue to \$41.3 million, although earnings dipped 3.4% to \$7 million in FY2009, led by an increase in headcount and the absence of a \$1.3 million gain on disposal of property in FY2008.

Wang plans to venture overseas eventually. About \$1 million of the IPO proceeds will be used to expand into Indonesia, Malaysia and China, helping to diversify its income from Singapore, which contributes to more than 90% of revenue. To speed up its expansion, Trittech is on the lookout for potential M&A targets.

With orders flowing in and the launch of its water-technology services, Wang, who founded the company in 1999 amid the Asian financial crisis, believes he will be able to bring the company to the next level of growth.

Shares of Trittech have rebounded close to its IPO offer price of 20 cents, after hitting a 52-week low of seven cents in January.

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