



UPDATE- INTERVIEW – Darco and Qatar joint venture to build \$5 bln water-recycling plant

Darco sees revenue in 2008 rising 48 pct

Global slowdown to hit China projects; Taiwan demand high

By Tan Wei Xin

SINGAPORE, May 13 (Reuters) - Singapore's Darco Water Technologies Ltd <DRWT.SI> said on Tuesday it will build a waste water recycling plant with the Qatar government in a joint venture project worth up to \$5 billion.

"This is a huge project. At the moment, our estimate is a few billion U.S. dollars, but mostly financed by them," Chief Executive Officer Kim Meng Thye told Reuters in an interview, adding that the Qatar government may invest up to \$5 billion.

Thye said Darco has been in discussions with Qatar's Supreme Council for the Environment and Natural Reserves for the joint venture to be publicly-listed.

"We'll be meeting the government to try to finalise whether the joint venture should be corporated. We have to decide what sort of equity each party should have. If those can be finalised, then the deal is done and it can go on."

Thye also said the firm expects revenue for the full-year ending Dec 31, 2008 to be at least S\$130 million (\$95.3 million). This would be a 48 percent jump from the firm's S\$87.6 million revenue last year.

Shares in Darco rose as much as 4.5 percent to an intraday high of S\$0.23 on Tuesday.

Darco Water, which has plants in China, Indonesia, Philippines and Taiwan and a market cap of \$33.7 million, competes with Singapore's Hyflux Ltd <HYFL.SI> and Hong Kong-based Bio-Treat Technology <BIOT.SI>.

When asked how a slowdown in the global economy may affect the company and sector, Thye said he saw a decline in projects

mostly in China, but not in Taiwan where he sees a new government actively courting foreign and Chinese investors.

"Our main concern is when projects run out. When our order books are slow, we are going to face problems because overheads are still there. We have to ensure a steady order book."

Darco's order book stands at S\$636 million so far, with S\$129 million to be delivered this year. The firm's latest contract is to build its first waste recycling plant with the municipal government in Taiwan, worth S\$36 million.

"I can see Taiwan taking off very aggressively. There's a huge demand for infrastructural development," Thye said, adding that Taiwan's business contributes more than 50 percent of the firm's revenue.

Thye said Darco receives most of its revenue from recycling water and waste into products, which are in turn sold to its clients.

Thye also said Darco might list its water assets into a trust in the future but it needs to own more plants in order to do so.

"Ultimately, it makes sense. But we are quite far off from our target. We need around \$200 million worth of assets. Currently, we have \$35 million."

Darco's shares have fallen 10 percent this year, underperforming a 7.5 percent drop in the broader Straits Times Index <.FTSTI>.

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