

Septech taps region's scarce resource

News analysis

An Australian has found a 'recession-proof' business – water management in the Gulf, writes Andrew England

Nearly 15 years ago, David Heffernan left one water-deficient country, Australia, to launch a business in another, the United Arab Emirates.

Back then, the country's property development was in its early throes. Mr Heffernan set up Septech Holdings, a water management company that provides systems for housing developments, golf courses and marinas.

Although regional in its outlook, the bulk of the company's work was in the UAE as one development after another sprang up. But since the global economic crisis, which hit the UAE particularly hard, Septech has seen a significant shift in its business.

Two years ago, up to 95 per cent of its work was in

the UAE, yet during the first half of this year 88 per cent of revenues came from abroad, Mr Heffernan says.

The company has tapped into growth in other markets, particularly Saudi Arabia, as governments grapple with better water management practices to protect the resource. Oman, Abu Dhabi and Saudi Arabia have been liberalising the water sector to allow greater private-sector participation.

Mr Heffernan says his work is shifting to desalination and water sewage treatment projects that involve waste water being used for district cooling and industrial usage, rather than drinking water.

In May, Septech won a \$265m contract to provide mobile water-desalination units for Oman that will supply 22.7m litres of water daily to Muscat. The company is also bidding for a near Dh1bn (\$272m) worth of work in Saudi Arabia that would involve desalination, sewage treatment and other water-related infrastructure projects.

Mr Heffernan forecasts a minimum growth in revenue of about 160 per cent

this year compared with 2009, which he described as a "very difficult year".

"While the UAE market has contracted almost 30 per cent in real terms, our geographical focus is expected to combat this downward projection," he says. "We see a massive growth curve developing in our Saudi Arabian operation, which would conservatively support the 200 per

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cent-300 per cent growth projection over the coming years."

The private company, which sold a 49 per cent stake to Dubai-based investment firm Shuaa Capital in 2008, does not publicly disclose financial results. It employs about 250 people in the UAE and expects to expand its operations in Saudi Arabia from about 10 people to 100-200 this year.

"Eighty per cent of our focus will be on Saudi Arabia," Mr Heffernan says. "When you look at...the [population] growth rate and what they're talking about, the housing demands, the infrastructure demand behind that, that's a lot of water."

Saudi Arabia is home to 30 per cent of the Middle East's desalination capacity. As economies and populations swell and natural water resources decline, it is expected that investment of up to \$30bn will be required in desalination across the region, says the World Bank.

"You have this issue of growing populations, ageing infrastructure assets and so we came in where we had seen a gap in the market, about a year ago...[and] invested nearly \$100m in desalination equipment," he says.

He acknowledges competition is increasing and says the economic downturn has slowed some government decisions. But given the region's needs, he is predicting the growth trend will continue. "Decisions might take longer, but it's recession proof," he says.

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