Sanli Environmental Ltd

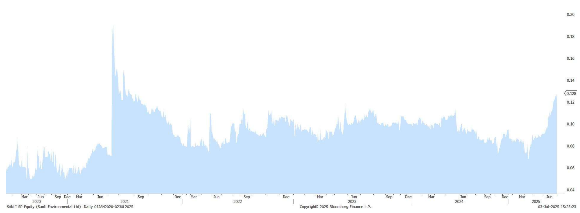
11 July 2025

Buy (Initiation)

BBG	SANLI SP	
Market Cap	S$46.6m	
Price (11 Jul 2025)	S$0.156	
52-week range	S$0.068 - 0.164	
Target Price	S$0.228	
Shares Outstanding	298.4m	
Free Float	36.3%	
Major Shareholder	Typha Holdings Pte. Ltd	37.0%
	Pek Kian Boon	7.5%
	Kew Boon Kee	7.3%
	Sim Hock Heng	7.3%

Source: Company Data, Bloomberg, SAC Capital

SHARE PRICE



Source: Bloomberg

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Sanli Engineers a Comeback

Sanli Environmental Limited is a Singapore-based environmental engineering firm specialising in the design, construction, and maintenance of water and waste infrastructure. Since its founding in 2006 and listing on the SGX Catalist board in 2017, the Group has built a strong track record in delivering public utility projects, particularly for Singapore's national water agency, PUB. Today, the group operates across three segments, Engineering, Procurement & Construction (EPC), Operations & Maintenance (O&M), and Emerging Business Segments (EBS), with growing exposure to renewable energy and environmental chemical manufacturing.

The Group's order book stood at S$333.9 million as of 10 July 2025. The Group has recently been awarded a new project by PUB with a contract value of S$105.3 million, which is for the upcoming NEWater plant located within the Tuas Water Reclamation Plant. We expect new project wins to lift FY26 EPC revenue by 8.3% to $120.0 million and with legacy, low-margin projects nearing completion, margins are expected to increase from 5.5% in FY25 to 9.5% in FY26. Several sizeable EPC tenders are expected to be launched in the next 12 months as Singapore continues its critical infrastructure investments to improve public services, operational efficiency and urban resilience. This offers Sanli potential growth opportunities and the Group is actively positioning itself to secure a portion of this pipeline by leveraging its BCA L6 accreditation, strong project execution record with PUB and NEA, and integrated engineering capabilities.

The Group's Operations & Maintenance business segment delivered robust growth in FY2025, nearly doubling revenue to S$44.2 million. This performance underscores the Group's success in scaling a stable and high-margin income stream. We expect O&M revenue to increase by 7.6% to $47.6 million, with slight increase in margins from 20.5% to 21% in FY26. As Singapore's water infrastructure base expands with more complex installations such as advanced treatment facilities, pumping stations, and decentralised recycling systems, the demand for outsourced maintenance continues to rise. The Group is capitalising on this trend by actively pursuing new O&M contracts for long-term servicing of water and wastewater facilities, leveraging on its track record and niche specialisation.

Coastal Protection Plan to spur infrastructure pipeline. Singapore's commitment to coastal protection, exemplified by initiatives like the East Coast Plan, represents a significant long-term opportunity. The government has announced that at least S$100 billion will be needed to protect its shorelines. The plan includes large-scale reclamation, drainage systems, and flood mitigation works that align with Sanli's core engineering competencies. Sanli is well-positioned to secure contracts from this sustained infrastructure push, further supporting its order book.

KEY FINANCIAL HIGHLIGHTS

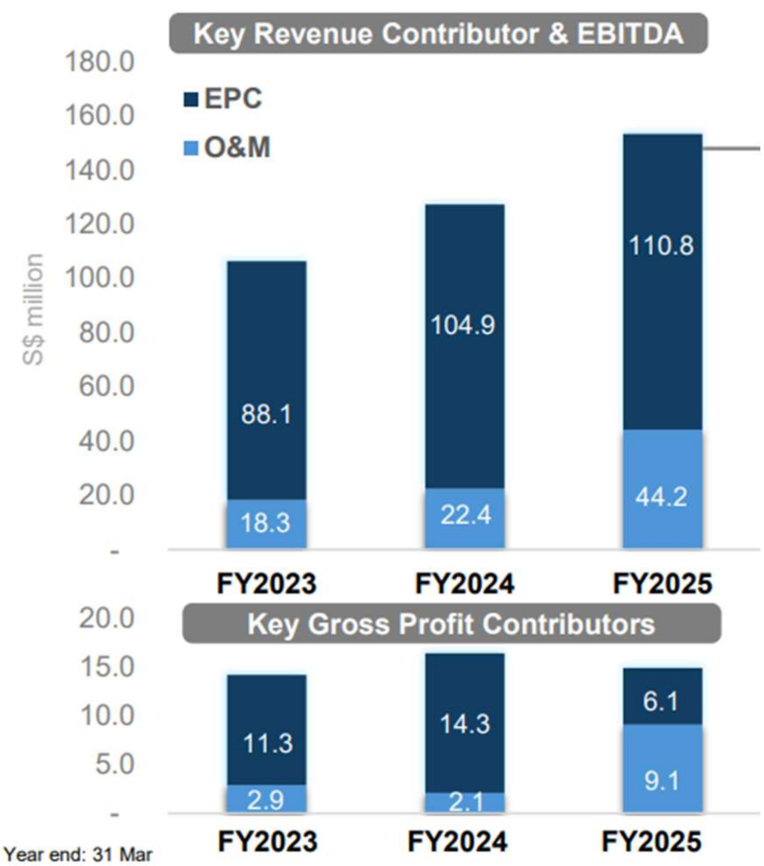
FY ended 31 Mar (S$m)	FY23	FY24	FY25	FY26E	FY27E
Revenue	106.4	130.6	157.6	170.5	202.7
EBIT	5.4	5.5	4.2	9.9	11.9
Net profit attributable to owners of the Company	4.3	2.9	1.5	6.2	8.0
EPS (S¢)	1.6	1.1	0.6	2.2	2.7
Dividend per share (S¢)	0.8	0.3	0.2	0.7	0.8
Net cash / (debt)	5.6	(32.5)	(44.7)	(39.6)	(35.2)
Valuation					
Gross profit margin (%)	13.4	12.4	9.3	12.4	12.5
Net profit margin (%)	3.9	2.3	1.1	3.8	4.0
EV/EBITDA (x)	5.8	10.7	13.0	6.9	4.9
P/E (x)	9.6	14.3	26.9	7.2	5.8
P/B (x)	1.3	1.3	1.3	0.7	0.7
Dividend yield (%)	4.9	2.1	1.1	4.2	5.2
ROE (%)	14.0%	9.1%	4.7%	10.3%	12.0%

Sanli Environmental Ltd

The only Southeast Asian manufacturer of magnesium hydroxide slurry. After building and certifying its plant over two years, Sanli completed its first successful major marine vessel top-up in FY25, breaking into the tightly regulated maritime sector. This validates both product readiness and customer demand. Looking ahead, the Group is focused on deepening penetration within the marine industry, which is increasingly regulated under IMO 2020 and future emissions mandates. Sanli also plans to explore additional use cases for magnesium hydroxide across industrial wastewater and flue gas desulfurisation markets in the Asia-Pacific region. With tightening environmental regulations and increasing demand for non-toxic, high-performance neutralisers, the Group has potential to scale this business into a high-margin revenue stream, complementing its traditional engineering services.

Risks Persistent geopolitical tensions, evolving trade regulations, global supply chain disruptions, and inflationary pressures continue to pose challenges, potentially impacting project costs, material availability, and overall operational efficiency.

Valuation Sanli is currently trading at a one-year forward P/E of 7.2x. Using the Catalist board valuation as a reference, the mean P/E of Catalist board is 13.8x while the median is 10.5x. Taking a conservative stance, we use the lower 10.5x P/E and derive the price target of S¢22.8.



Year end: 31 Mar

Source: Company

Company Background

Sanli Environmental Limited is an environmental engineering company headquartered in Singapore which is primarily engaged in the field of water and waste management. The company traces its origins to the incorporation of Sanli Engineering Pte Ltd in 2006 and was listed on the Catalist Board of SGX in 2017.

The group's expertise is in the design, supply, delivery, installation, commissioning, maintenance, repair and overhaul of mechanical and electrical equipment as well as process, instrumentation and control systems in wastewater treatment plants, water reclamation plants, NEWater plants, waterworks, service reservoirs, pumping stations and incineration plants.

2006
Establishment of Sanli Initiating our journey in the engineering sector.

2006 - 2016
Delivered & Trusted
Successfully delivered >1000 of projects

2016
1st Mega Project
Secured our first mega project worth S$114.8 million from PUB, in collaboration with Chye Joo Construction, at Choa Chu Kang Waterworks.

2017
Listed on SGX
Achieved a significant milestone by being listed on the Catalist Board of the Singapore Exchange.

2018
1st Coastal Protection Project
Awarded a contract for coastal protection at Pulau Tekong.

2019
Major Achievements
- ✓ Secured our first mega contract worth S$51.5 million as the sole main contractor at Kranji Water Reclamation Plant.
- ✓ Successfully completed our first mega project at Choa Chu Kang Waterworks.

2020
Major Contract Win
Secured our first landmark project worth S$170.2 million at Tuas Water Reclamation Plant (WRP).

2021
International Expansion
Secured our first project worth S$71.2 million at Johor River Waterworks (WW) in Kota Tinggi, Malaysia.

2022
Ventured
Established Enviro Plant & Engineering for environmental solutions.

Pioneered
Founded Mag Chemical to produce magnesium hydroxide slurry.

Progressed
Secured a S$66 million mega project at Tuas WRP.

2023
Delivered
Completed and handover our mega project at Kranji Water Reclamation Plant.

Secured
Inaugural project valued at S$4.5 million for Enviro Plant.

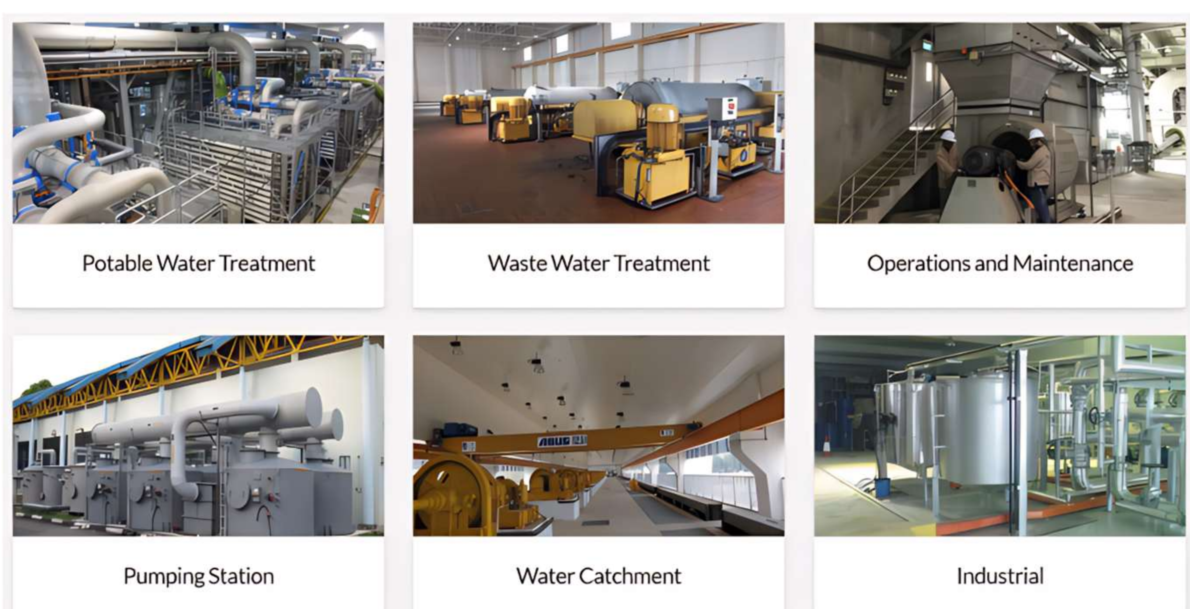
Diversified
Established Sanli-Engreen Co., Ltd in Thailand, specialising in solar power sector.

2024
Relocated
Moved to a new headquarters with an integrated dormitory building.

Milestone
Completed the first solar project in Thailand under Sanli-Engreen.

Innovated
Incorporated Zaison Energy, focusing on energy gasification technologies.

Source: Company



Source: Company

Company Background

The operations of the group are structured into three main segments: Engineering, Procurement, and Construction (EPC), Operations and Maintenance (O&M) and Emerging Business Segments (EBS).

The group provides engineering, procurement and construction services within the field of water and waste management, air pollution control, and industrial systems. Their services include process upgrading of existing water treatment plants, upgrading of pumping station capacities, replacement of aged mechanical and electrical equipment, and design and build of various treatment process systems.

While its foundational business has historically relied heavily on contracts with the Singapore government, the group has recently embarked on a strategic diversification into renewable energy; industrial & gasification and chemical manufacturing.

Source: Company

Industry Overview

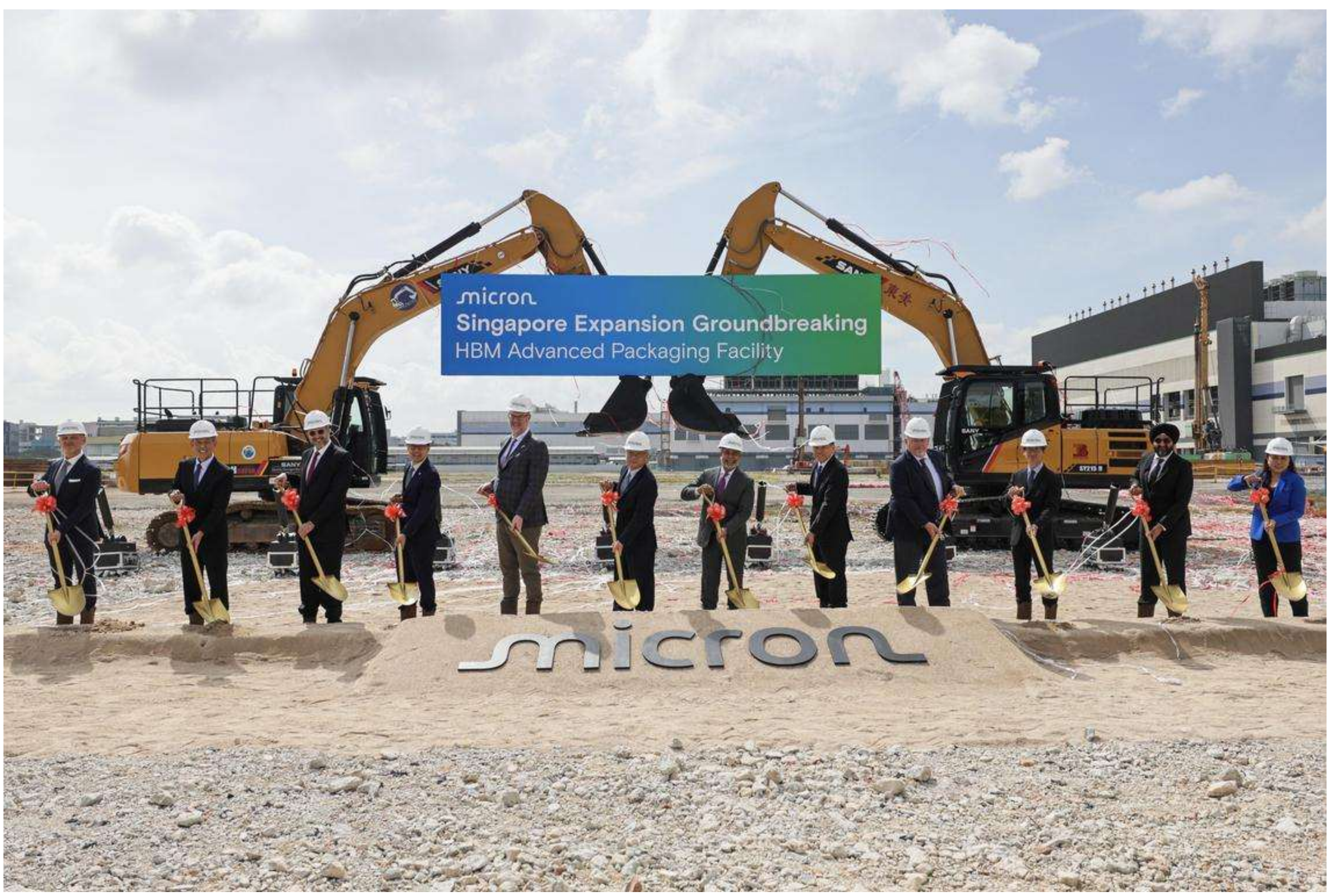
Water Management in Singapore

Rising Demand

Water is a strategic resource for Singapore, and the government has invested heavily to ensure a sustainable and secure water supply. Water demand in Singapore is currently about 440 million gallons a day (mgd), which is enough to fill 800 Olympic-sized swimming pools.

By 2065, Singapore's total water demand could almost double, with the non-domestic sector accounting for about 60%. Singapore is a player in many water-intensive sectors, producing one in ten of the world's semiconductors and hosting many major biomedical and tech operations. Furthermore, the Economic Development Board anticipates that the semiconductor industry will continue to grow in the next decade and beyond.

Recent developments highlight the increasing pressure on non-domestic water resources, from Micron Technology's S$9.5 billion investment in a new semiconductor facility, to AstraZeneca's $2 billion manufacturing campus, along with plans to build a new national S$500 million semiconductor fabrication research and development facility which will begin operations in 2027. These industries currently account for about 17% of non-domestic water demand, highlighting the critical need for sustainable water management strategies.



Source: The Straits Times

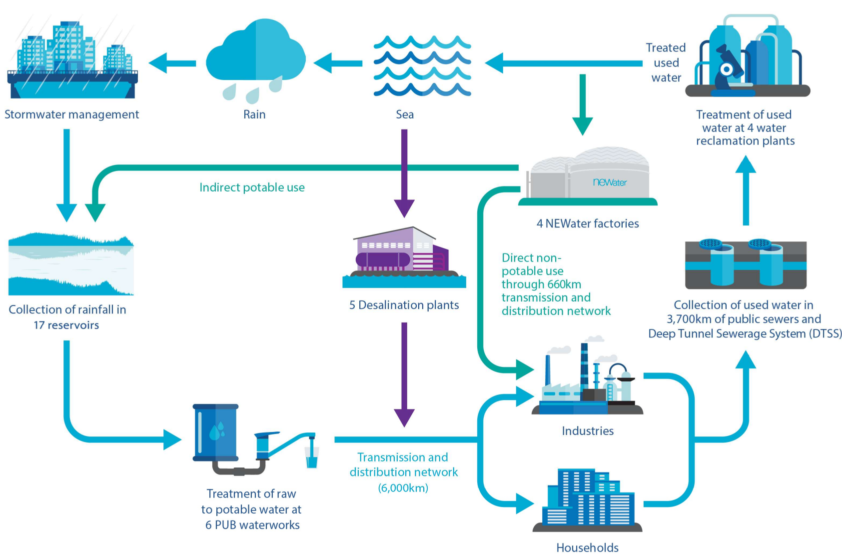
Industry Overview

Water Management in Singapore

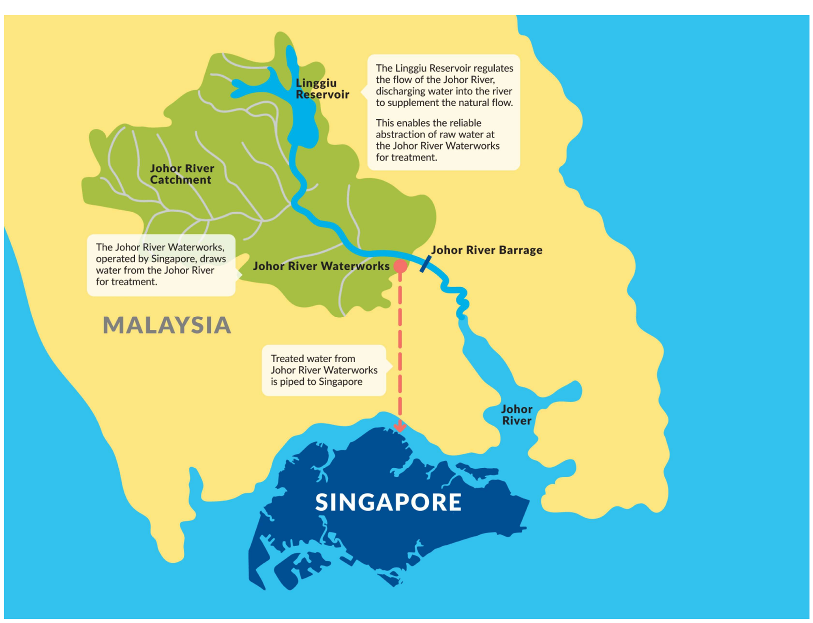
As demand for water continues to increase as the population and economy grows, Singapore takes a holistic approach to water management by developing a robust and diversified water supply strategy centered on the “Four National Taps”. Managed by the Public Utilities Board (PUB), this comprehensive approach integrates local catchment, imported water, highly purified reclaimed water (NEWater), and desalinated water to ensure long-term water security.

Imported Water

Under the 1962 Water Agreement, Singapore can draw up to 250 million gallons of water a day from the Johor River, and Singapore is obliged to provide Johor with treated water up to 2% of the water we import. Constructed by PUB under a 1990 agreement with Johor supplementary to the 1962 Water Agreement, the Linggiu Reservoir is located upstream of the Johor River Waterworks and releases water into the Johor River to supplement its flow. This enables reliable abstraction of raw water at the Johor River Waterworks which is owned and operated by PUB for treatment. The 1962 Water Agreement will expire in 2061.



Source: PUB



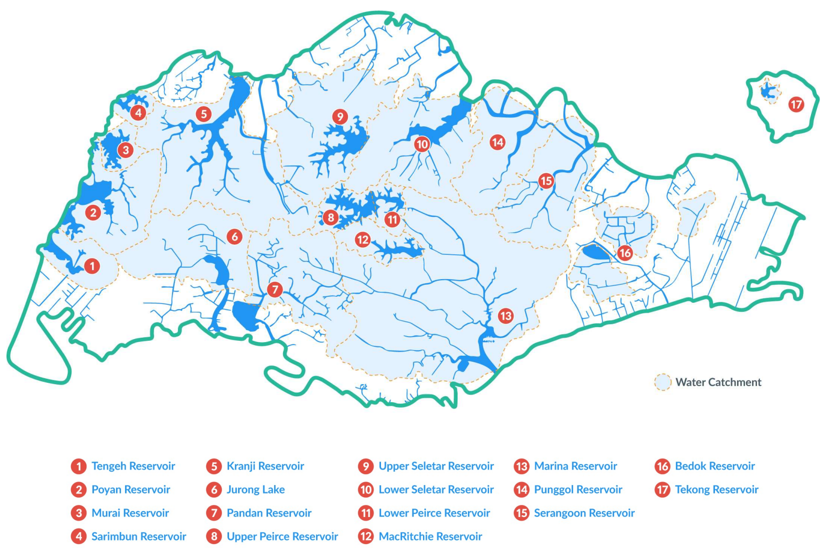
Source: PUB

Industry Overview

Water Management in Singapore

Local Catchment

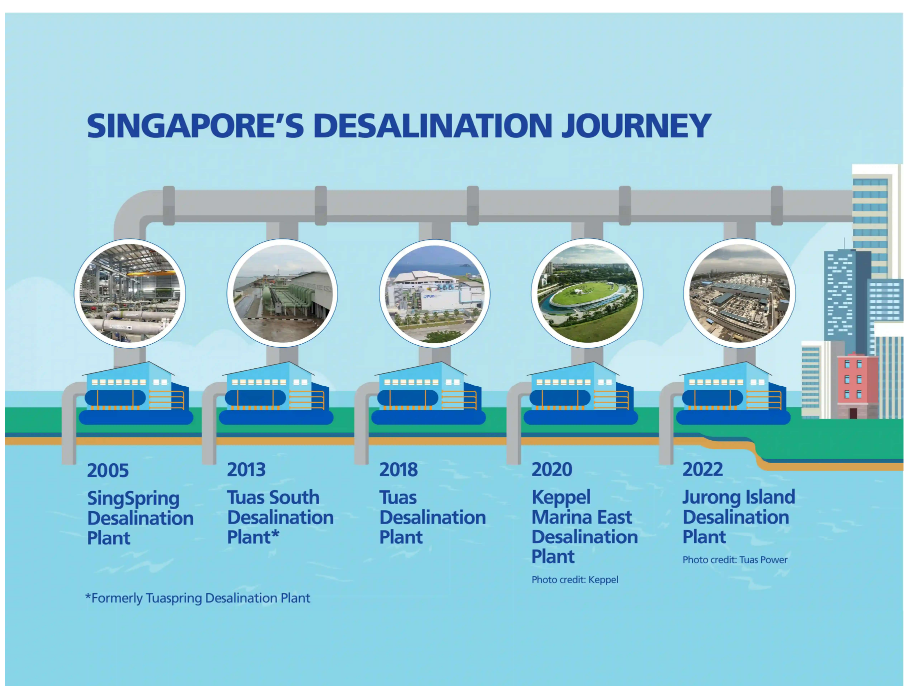
With an area of about 710 km^2 and growing urban areas, Singapore lacks the space to collect and store all the rain that falls on it. Since 2011, the water catchment area has increased from half to two-thirds of Singapore's land surface with the completion of the Marina, Punggol and Serangoon Reservoirs. This makes Singapore one of the few countries in the world to harvest urban stormwater on a large scale for potable consumption.



Source: PUB

Desalinated Water

Desalination is an energy-intensive water source. It is a process which produces pure drinking water by pushing seawater through membranes to remove dissolved salts and minerals. Singapore currently adopts reverse osmosis for its desalination, which uses about 3.5kWh/m3 of energy to make seawater drinkable.



Source: PUB

Industry Overview

Water Management in Singapore

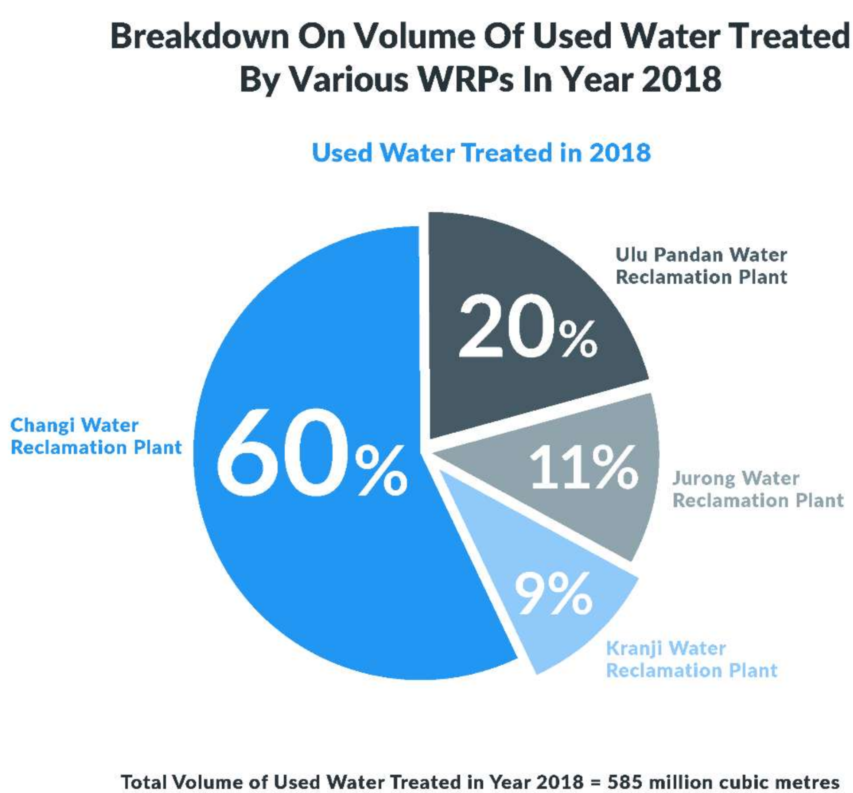
NEWater

Singapore is 100 per cent served by modern sanitation today. Used water is collected through a network of sewers that leads to the water reclamation plants. Currently, there are four water reclamation plants serving a population of over 5 million.

Each year, about 595 million cubic metres of used water, equivalent to 238,000 Olympic-size swimming pools, is treated to international standards stipulated by the U.S Environmental Protection Agency and World Health Organisation.

With Singapore's water demand projected to nearly double by 2065, NEWater's role as a dependable and weather-resilient National Tap remains vital. To meet projected increase in water demand from industries, PUB is building a third NEWater Factory in Changi, located within the existing Changi Water Reclamation Plant (WRP). The upcoming Tuas NEWater Factory (TNF), which will be integrated within the Tuas Water Reclamation Plant currently under construction, will have a production capacity of 75 mgd – the equivalent of 136 Olympic-sized swimming pools.

As Singapore progress towards a three-node used water management system by 2035, PUB will continue to expand the used water treatment capacity and NEWater infrastructure. Plans are underway to reconstruct Kranji WRP and Kranji NEWater Factory (KNF), while Changi WRP will undergo a third phase of expansion to further increase its used water treatment capacity.



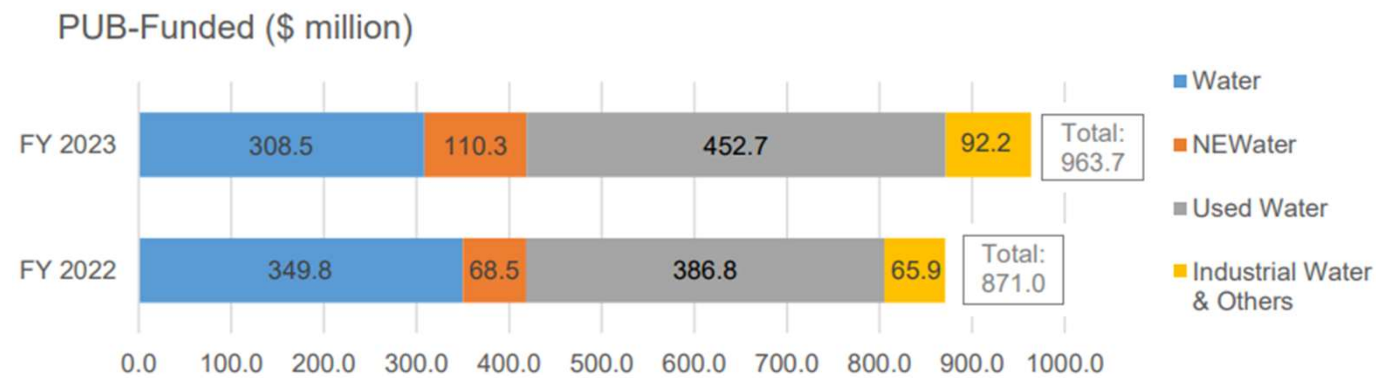
Source: PUB

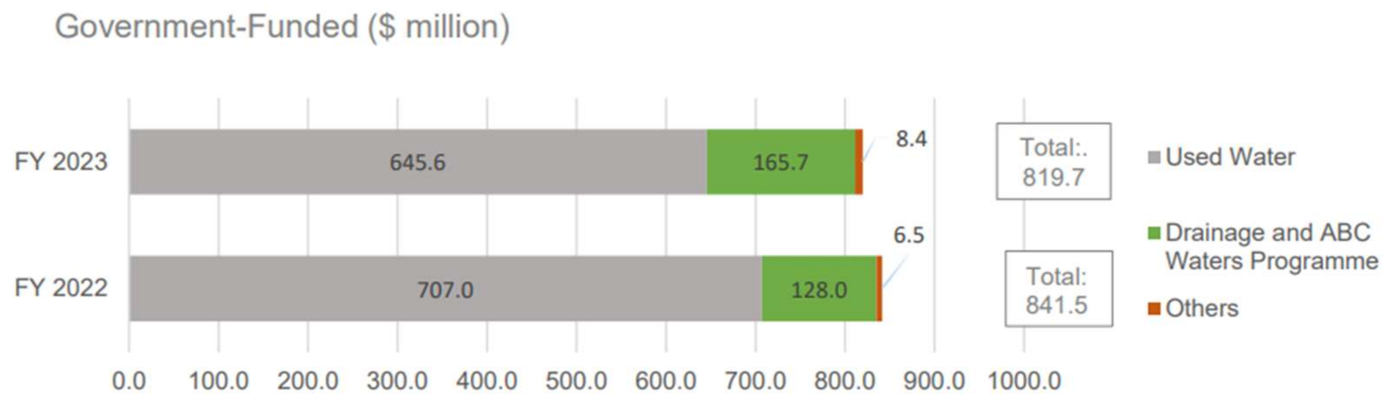
Industry Overview

Water Management in Singapore

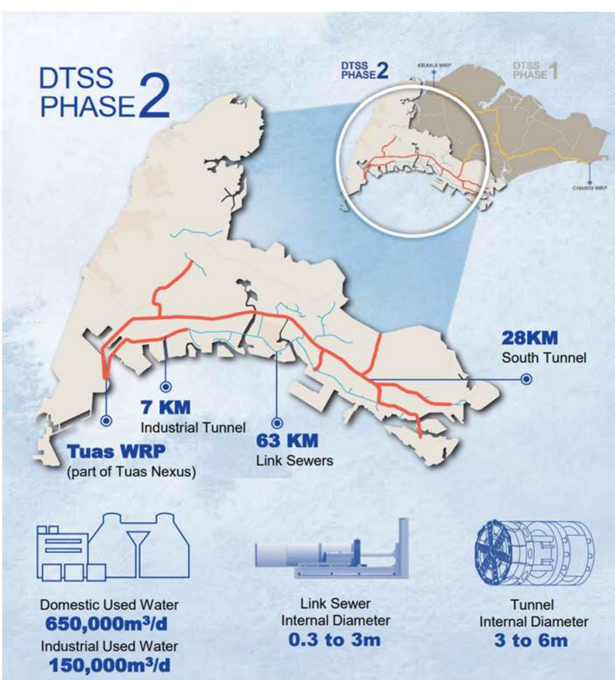
Government Spending

Government policy ensures a continual pipeline of water projects. PUB regularly tenders out projects for building new facilities and upgrading old ones. In the next 1-2 years alone, several sizable EPC tenders are expected. For example, additional NEWater capacity, upgrades to existing waterworks, pumping station renewals, and the ongoing construction of Tuas Water Reclamation Plant (part of the DTSS Phase 2).





Source: PUB



Source: PUB

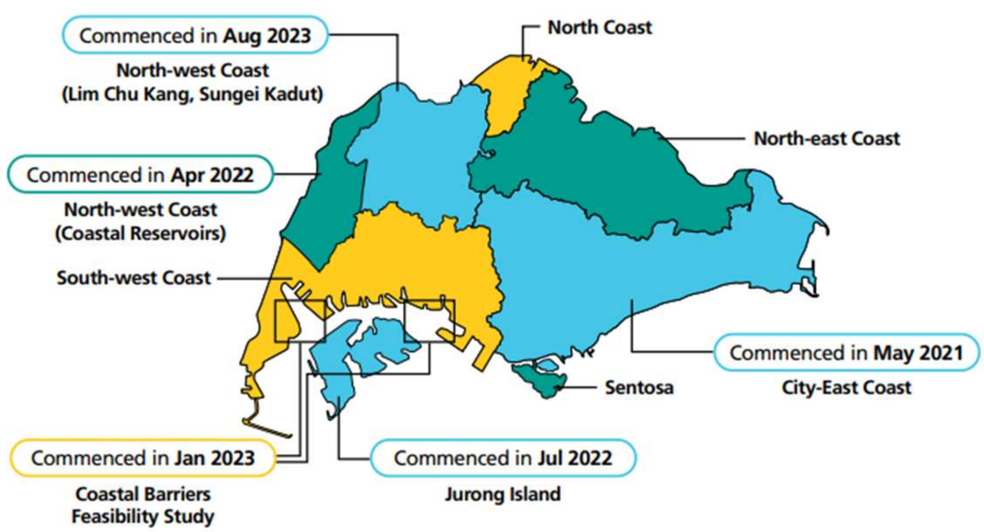
Tuas Water Reclamation Plant (WRP)
Source: PUB

Industry Overview

Water Management in Singapore
Coastal Protection
By end century under the high emissions scenario, the Third National Climate Change Study (V3) projects an increase in extreme daily rainfall by up to 92% in April and May, and an increase in mean sea levels of up to 1.15m. This poses a threat to Singapore – more than one-third of our island is less than 5-metres above mean sea level.

Singapore’s coastline stretches over 300km and is highly varied. To account for the different characteristics of each part of our coastline, PUB has embarked on site-specific studies (SSS) progressively. Each SSS will assess flood risks and develop tailored coastal adaptation measures for the different segments of the coastline. Possible coastal adaptation options include sea walls, earth mounds and tidal gates.

The East Coast is one of the low-lying coastal areas in Singapore that is vulnerable to rising sea levels. Some areas of East Coast Park are already experiencing occasional coastal flooding due to rainfall coinciding with high tide. To protect against sea-level rise and secure future land needs for housing and recreation, PUB and other public agencies will embark on technical studies from 2024 onwards to study the reclamation of tracts of land, collectively known as “Long Island”, off East Coast Park. Land at “Long Island” will be reclaimed to a higher level and form a continuous line of defence along the coast for protection against rising sea levels.



Source: PUB

Polder project at Pulau Tekong
Source: Facebook/Desmond Lee

Industry Overview

Chemical Manufacturing

Magnesium Hydroxide

Magnesium hydroxide – chemical formula $Mg(OH)_2$ – is an inorganic compound used to neutralise acids, treat wastewater, and various industrial applications.

Magnesium hydroxide is used to neutralise acidic wastewater and to adjust pH in various treatment processes. Magnesium hydroxide is also employed in air pollution control, especially to remove sulfur dioxide from flue gases of power plants, waste incinerators, and marine engines.

Vessels frequently use low-grade bunk fuel oil to maximize profits, which results in high sulfur emissions in their exhaust. With the International Maritime Organization’s IMO 2020 regulations capping sulfur content in bunker fuels at 0.5%, many ships have installed exhaust scrubbers to clean emissions while still using high-sulfur fuel. In closed-loop marine scrubbers, an alkaline reagent is added to seawater to neutralize sulfur oxides. Magnesium hydroxide slurry can effectively treat this exhaust, reducing sulfur levels to within regulatory limits (0.5%).

Singapore is a premier global hub port with more than 130,000 vessel calls annually. In 2024, Singapore’s annual vessel arrival tonnage reached a new record high of 3.11 billion Gross Tonnage, comprising various shipping segments, including bulk carriers, containers, and tankers. Given Singapore’s status as a maritime hub and its stringent effluent standards, there is a ready market for high-quality product.



Source: Company

Valuation

Sanli is currently trading at a one-year forward P/E of 7.2x. Using the Catalist board valuation as a reference, the mean P/E of Catalist board is 13.8x while the median is 10.5x. Taking a conservative stance, we use the lower 10.5x P/E and derive the price target of S¢22.8.

Sanli's two Singapore peers are loss-making while the two other water plays are China based, therefore they are not suitable comparables.

Company Name		Last Traded Price (S$)	Mkt Cap	Free Float (%)	Current PER (X)
KOH BROTHERS ECO ENGINEERING	KBE SP	0.06	180.4	15.0	#N/A N/A
MEMIONTEC HOLDINGS LTD	MHL SP	0.01	12.3	28.7	#N/A N/A
SIIC ENVIRONMENT HOLDINGS LT	SIIC SP	0.16	414.7	42.0	3.8
CHINA EVERBRIGHT WATER LTD	CEWL SP	0.25	700.9	27.0	4.2

Source: Company Data, Bloomberg, SAC Capital

Income Statement

FYE Mar (S$m)	FY23	FY24	FY25	FY26E	FY27E
Revenue	**106.4**	**130.6**	**157.6**	**170.5**	**202.7**
Cost of contract works	(92.2)	(114.3)	(142.9)	(149.3)	(177.3)
Gross profit	**14.2**	**16.2**	**14.7**	**21.2**	**25.4**
Other income	0.8	0.5	1.5	1.7	2.0
Administrative expenses	(7.8)	(9.2)	(9.4)	(10.2)	(12.1)
Other operating expenses	(1.8)	(1.9)	(2.5)	(2.7)	(3.2)
Finance costs	(0.4)	(1.7)	(2.3)	(2.3)	(2.3)
Profit before tax	**5.0**	**4.0**	**2.1**	**7.7**	**9.8**
Income tax expense	(0.8)	(1.1)	(0.3)	(1.3)	(1.6)
Net profit	**4.2**	**3.0**	**1.7**	**6.4**	**8.2**
Less: Non-Controlling Interest	(0.2)	0.0	0.2	0.2	0.2
Net profit attributable to owners of the Company	**4.3**	**2.9**	**1.5**	**6.2**	**8.0**

Balance Sheet

FYE Mar (S$m)	FY23	FY24	FY25	FY26E	FY27E
Current assets					
Cash and cash equivalents	19.8	6.4	7.4	12.5	16.8
Trade and other receivables	19.0	20.8	19.6	21.2	25.2
Assets held for sale	-	6.6	3.8	3.8	3.8
Contract assets	46.5	62.1	73.9	83.0	93.1
Total current assets	**85.3**	**95.9**	**104.7**	**120.5**	**138.9**
Non-current assets					
Property, plant and equipment	8.3	19.6	19.1	34.6	30.1
Right-of-use assets	1.3	2.1	1.9	1.7	1.5
Deferred tax assets	0.1	0.1	0.1	0.1	0.1
Total non-current assets	**9.6**	**21.8**	**21.1**	**36.4**	**31.6**
Total assets	**95.0**	**117.7**	**125.8**	**156.9**	**170.5**
Current liabilities					
Borrowings	11.4	27.8	43.5	43.5	43.5
Trade and other payables	41.9	42.7	37.0	40.1	47.7
Contract liabilities	5.6	0.1	0.6	0.6	0.6
Lease liabilities	0.3	0.1	0.1	0.1	0.1
Income tax payable	0.7	0.5	0.2	0.4	0.3
Liabilities directly associated with assets classified as held for sale	-	1.0	0.7	0.8	0.8
Total current liabilities	**59.9**	**72.3**	**82.2**	**85.5**	**93.0**
Non-current liabilities					
Borrowings	2.8	11.1	8.6	8.6	8.6
Lease liabilities	1.1	1.4	1.3	1.3	1.3
Provisions	-	0.5	0.5	0.5	0.5
Deferred tax liabilities	0.1	0.2	0.1	0.1	0.1
Total non-current liabilities	**3.9**	**13.3**	**10.5**	**10.5**	**10.6**
Total liabilities	**63.8**	**85.7**	**92.7**	**96.0**	**103.6**
Equity					
Share capital	21.3	21.3	21.3	25.3	25.3
Treasury shares	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Translation reserves	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Merger reserve	(6.8)	(6.8)	(6.8)	(6.8)	(6.8)
Capital reserve	0.5	0.5	0.5	18.5	18.5
Retained earnings	16.4	17.3	18.0	23.7	29.9
Equity attributable to owners of the Company	**31.1**	**32.0**	**32.7**	**60.5**	**66.7**
Non-controlling interests	0.0	0.1	0.3	0.3	0.3
Total equity	**31.1**	**32.0**	**33.0**	**60.8**	**67.0**
Total liabilities and equity	**95.0**	**117.7**	**125.8**	**156.9**	**170.5**

Cash Flow Statement

FYE Mar (S$m)	FY23	FY24	FY25	FY26E	FY27E
Cash flow from operating activities					
Profit before tax	5.0	4.0	2.1	7.7	9.8
Adjustments for:					
Depreciation of property, plant and equipment	1.3	1.6	2.6	2.5	4.5
Depreciation of right-of-use assets	0.4	0.3	0.2	0.2	0.2
Gain on disposal of property, plant and equipment	-	-	(0.0)	-	-
Gain on disposal of assets classified as held for sale	-	-	(0.5)	-	-
Property, plant and equipment written off	-	0.0	-	-	-
Share-based payments expenses	-	-	0.1	-	-
Finance costs	0.4	1.7	2.3	2.3	2.3
Interest income	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Exchange differences	(0.1)	(0.0)	0.1	-	-
Operating cash flows before movements in working capital	7.0	7.4	6.6	12.6	16.6
Trade and other receivables	(11.1)	(1.8)	1.2	(1.6)	(4.0)
Trade and other payables	29.0	(0.3)	(4.6)	3.0	7.6
Contract assets	(22.0)	(15.6)	(11.8)	(5.2)	(10.3)
Contract liabilities	(1.2)	(5.5)	0.5	-	-
Cash from (used in) operations	1.6	(15.7)	(8.1)	8.8	9.9
Income tax paid	(0.3)	(1.1)	(0.7)	(1.3)	(1.6)
Net cash from (used in) operating activities	**1.3**	**(16.8)**	**(8.8)**	**7.5**	**8.2**
Cash flows from investing activities					
Purchases of property, plant and equipment	(1.2)	(17.6)	(3.2)	-	-
Proceeds from disposal of property, plant and equipment	-	-	0.0	-	-
Proceeds from disposal of assets classified as held for sale	-	-	3.0	-	-
Proceeds from partial disposal of interest in subsidiary	-	-	0.1	-	-
Interest received	0.1	0.2	0.1	0.1	0.2
Net cash generated from/(used in) investing activities	**(1.1)**	**(17.4)**	**(0.0)**	**0.1**	**0.2**
Cash flows from financing activities					
Dividends paid	(1.0)	(2.0)	(0.9)	(0.5)	(1.9)
Proceeds from borrowings	17.9	26.3	16.8	-	-
Repayment of borrowings	(8.0)	(1.5)	(3.7)	-	-
Repayment of lease liabilities	(0.3)	(0.2)	(0.1)	(0.0)	0.0
Interest paid	(0.4)	(1.7)	(2.3)	(2.3)	(2.3)
Proceeds from share placement	-	-	-	4.0	-
Net cash generated from/(used in) financing activities	**8.1**	**20.8**	**9.8**	**1.2**	**(4.2)**
Net increase (decrease) in cash and cash equivalents	**8.3**	**(13.4)**	**1.0**	**8.9**	**4.3**
Cash and cash equivalents at beginning of financial year	11.5	16.0	2.6	3.6	12.5
Cash and cash equivalents at end of financial year	**19.8**	**2.6**	**3.6**	**12.5**	**16.8**

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