

Control Valve Actuators
INVESTMENT OPPORTUNITY
Machinery & Equipment

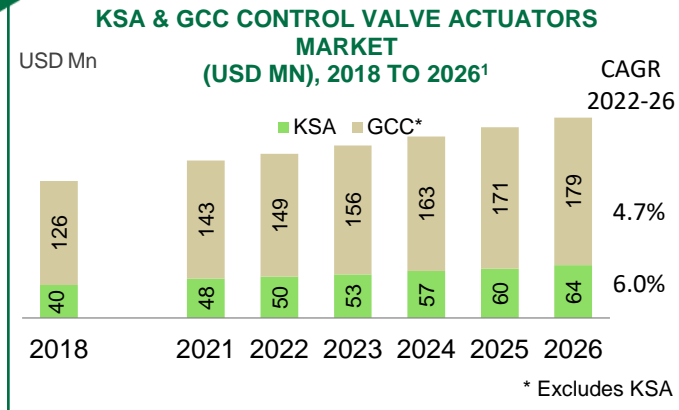


Machinery & Equipment Control Valve Actuators

OPPORTUNITY DESCRIPTION: Establishing a facility for assembly of actuators that can support local value addition to the control valves segment

DEMAND

MARKET SIZE, USD



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- The proposed facility would undertake manufacturing/ assembly of actuators but could additionally manufacture complete control valves, conventional positioners, and self-operated pressure and temperature regulators
- Expected Investment size#: USD 35 to 40 Mn
- Plant capacity#: 4,000 to 5,000 units annually
- Job Creation#: 250 to 300

VALUE PROPOSITION

- ~ 80% of Saudi's valves imports are from High-Cost Countries such as USA and many from Europe²; this is mainly driven by the strict quality requirements for Oil & Gas, petrochemicals and desalination plants and presents a strong case for locally developed value chain for valve components such as actuators
- **Export potential** – Setting up in KSA allows access to trade routes that account for 12% of world trade
- **Infrastructure** - Special economic zones and Industrial townships provide world class infrastructure and competitive access to utilities

KEY DEMAND DRIVERS

- KSA plans to invest in increasing chemical industry output, targeting a capacity of 147MT by 2027 at 3% CAGR³
- More than 60 water projects, worth SAR 35 Bn (USD 9.3 Bn) are planned, that will make KSA the largest water desalination market in the world. In addition, plans are in progress to develop 147 SSTPs with 14,925 kms of wastewater collection networks⁴
- Capacity expansion across water desalination, wastewater treatment, crude extraction, refining and petrochemicals will drive demand for control valves and its actuators

RAW MATERIALS

- Polymers/ plastics - polyurethane
- Aluminum
- Steel or stainless steel
- O rings – nitrile rubber

MARKET OVERVIEW

GLOBAL TRENDS

- Actuators are used for automation of industrial valves and found in all kinds of process industries
- Technological upgradations such as improvements in actuator efficiency, size/footprint, speed, accuracy, output torque or linear force, and IIoT compatibility are the latest trends in the global actuator industry

Source: ¹Team Analysis of published strategy documents, reports from SEC, SWCC & IKTVA publication, independent market reports, UN Comtrade data, General Authority of Statistics data and industry interactions; ²UN Comtrade; ³Gulf Petrochemicals Association Reports (GPCA); ⁴SWPC Announcement. ^{*}Expert interviews (assumptions), financial statements of peer companies, team analysis

Note: CAGR – This opportunity is for a component that is manufactured with a range of other components in a facility. No facility is expected to be constructed for manufacturing this component exclusively. Hence, the insights on capacity and investment are indicative - these would vary based on the decision an investor takes on the mix of components to manufacture. Opportunity potential is defined basis current import dependency – High refers to >80%, medium >50 to 80% and low <=50%. *Job Creation covers direct and indirect job. Compound Annual Growth Rate, MT – Metric Tonne, SSTP – Small Sewage Treatment Plants, IIoT – Industrial Internet of Things, USD – United States Dollar, SAR – Saudi Riyals, Mn – Million, Bn – Billion, LCC – Low Cost Countries, HCC – High Cost Countries. Actuators can be of four types – mechanical/electro-mechanical, hydraulic, pneumatic and piezoelectric.



Machinery & Equipment

Control Valve Actuators

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Initial efforts can contribute to local assembly of actuators which Flowserve is already practicing
- Further efforts can lead to higher in-country value addition through manufacturing of casing and other components by investing in casting / injection molding / machining etc.

IMPORT DEPENDENCY

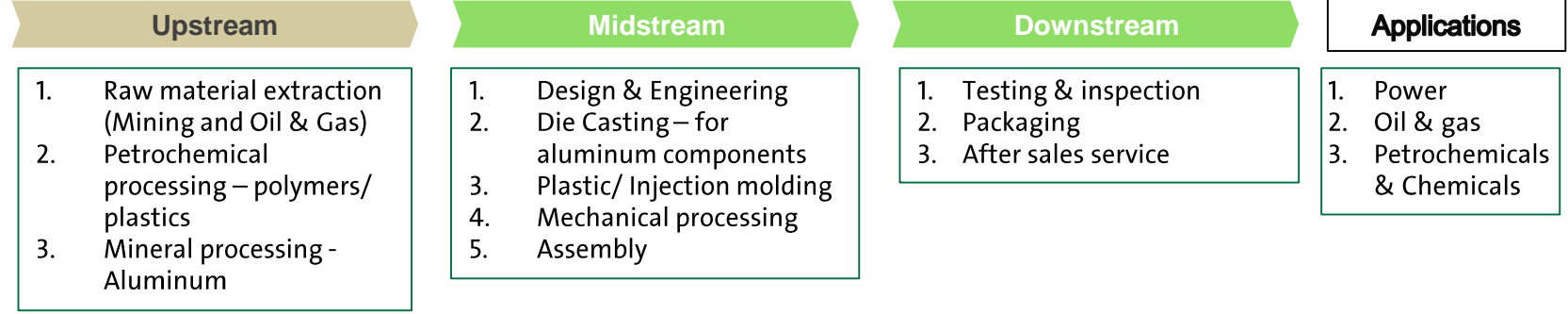
- An estimated 75-77% of the KSA demand for valves is met through imports of finished products while the remaining 23-25% is catered by local assemblers.⁵
- 80% of the finished products are imported from HCC⁶
- Local assemblers also rely heavily on imports for actuators which further reduces the local content addition to the value chain but presents an immediate opportunity for substitution

ENABLING FACTORS

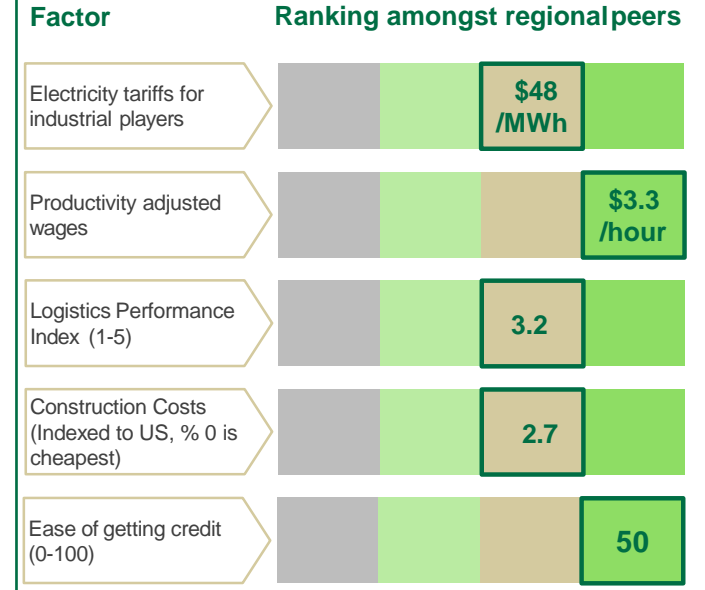
ENABLERS & INCENTIVES

- Customs duties** exemption on imported machinery, equipment, raw materials and spare parts utilized for industrial purpose
- Access to **local content initiatives and programs** at demand centers
- HRDF **covers monthly salaries of up to 30%** for Saudi employees (extra 10% for females) for 2 years
- Expat worker **levy waived off** for industrial manufacturers
- Tax rebates** on exports, raw material imports, and **50% tax credit** on Saudi national worker's payroll & training costs for 10 years
- 2-year **grace period** for the repayment of loans
- Unprecedented access to a **diversified value chain** - especially raw materials (steel, aluminum, polymers, and industrial minerals)

VALUE CHAIN



COST OF DOING BUSINESS IN KSA



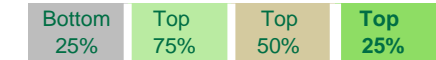
KEY STAKEHOLDERS



Logos sourced from entity website

Source: ⁵Team Analysis basis trade data from UN Comtrade and General Authority of Statistics; ⁶UN Comtrade

Note: HRDF – Human Resource Development Fund. Scalability & Localization Grade is defined as high – if the set up can support localization of multiple product categories, medium – if multiple products within a category can be localized and low – if it supports localization of a single product only. *Only key applications are highlighted



DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Business drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Global trends	Latest business developments within the sector/product category
7	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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