

Electrical AC motors

INVESTMENT OPPORTUNITY SCORECARD

Environment Services

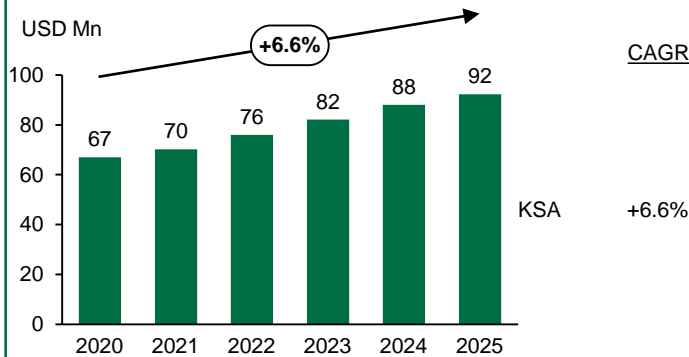
OCTOBER 2021

Environment Services: Electrical AC motors

Opportunity description: Setting up a manufacturing and assembly plant for the production of Electrical AC motors in KSA

Demand

Market size, USD Mn



Key demand drivers

- Growth in **desalination and O&G markets**, as well as the **development of mega projects** (e.g., NEOM) to further boost the demand for electric AC motors
- **Growing industrialization efforts in KSA and across the GCC** spurring demand for electrical AC motors to power them
- Growing demand for **electric AC motors** across various industries (e.g., manufacturing, automotive) driven by their **energy-efficient systems**

Investment overview

Investment highlights

- **Investment size:** TBD by investor
- Potential for **100% private investment** with an opportunity for organic growth or partnerships

Value proposition

- KSA's geographical advantage, trade agreements with other Arab countries and trade regulations on industrial goods make exports to neighboring countries favorable
- Large potential customers in KSA and GCC for electric AC motors – Acwa Power, SWCC, Marafiq, Saudi Aramco and SABIC
- KSA offers low and competitive prices in the industrial cities for land & construction costs, wages, power and diesel

Market overview

Market readiness and competitor analysis

- Local manufacturing of electrical AC motors in KSA around ~10% of total supply volume in the market – Presence of assembly activities in KSA



Global trends

- Global trend towards the **adoption of renewable energy** would see a shift towards the use of electric motors
- Growing global popularity of **industrial internet of things** and cloud computing to result in a growing need for electric AC motors

Environment Services: Electrical AC motors

Supply

Scalability and localization



Manufacturing of Electrical AC motors to be decoupled into **raw material which could be supplied locally:**

- **Rubber:** Amiantit, Alaa Rubber and Gasket Factory, Nabha Rubber Factory
- **Steel & metals:** NASICO, Zamil Steel, Alfanar steel, Gulf Steel Works
- **Epoxy paint:** Sigma Paints, Saudi Industrial Paints Company
- **Cables:** Saudi Cable Company, Bahra Cables, Jeddah Cables

Import dependency

- ~90% of Electrical AC motors are imported into KSA

Country	% of Saudi imports
Germany	~10%
China	~10%
USA	~10%
Italy	~10%
Others	~50%

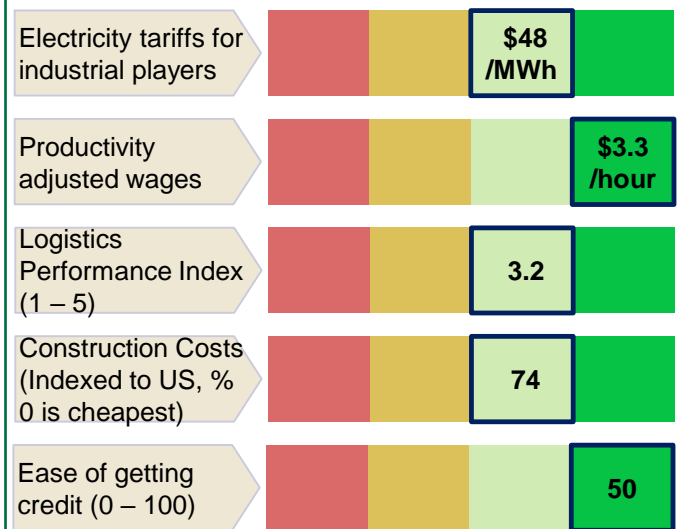
Enabling factors

Enablers

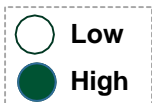
- Custom duty drawback & exemption
- Up to 75% of project financing through soft loan by SIDF
- Land for lease starting from \$ 0.26 per sqm
- HRDF supporting industrial programs by covering ~50% of wages for Saudi employees
- 100% foreign direct ownership allowed

Cost of doing business in KSA

Factor Ranking amongst regional peers



Value chain analysis



Localization potential	Raw materials	Component manufacturing	Assembly & integration	Operations & maintenance
Current localization level	Local availability of some raw materials (e.g., copper, rubber)	Presence of some local component manufactures; Potential opportunity to localize rotors, stators and brushes	Presence of local assembly capabilities	Currently operated by EPC developers / facility operators and maintained by OEMs

Key stakeholders



Definitions

#	Scorecard section	Definitions
1	Market size	<ul style="list-style-type: none"> 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	Demand drivers	<ul style="list-style-type: none"> A select number of factors that will influence future demand for the related product/service
3	Investment highlights	<ul style="list-style-type: none"> An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	<ul style="list-style-type: none"> Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	<ul style="list-style-type: none"> An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	<ul style="list-style-type: none"> List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	<ul style="list-style-type: none"> Latest business developments within the sector/product category
8	Scalability and localization	<ul style="list-style-type: none"> 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
9	Import dependency	<ul style="list-style-type: none"> An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	<ul style="list-style-type: none"> The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	<ul style="list-style-type: none"> Government Institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	<ul style="list-style-type: none"> Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	<ul style="list-style-type: none"> Key factors that position KSA as a competitive destination for investment in the region

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