

Hydraulic Motors
INVESTMENT OPPORTUNITY
Machinery & Equipment



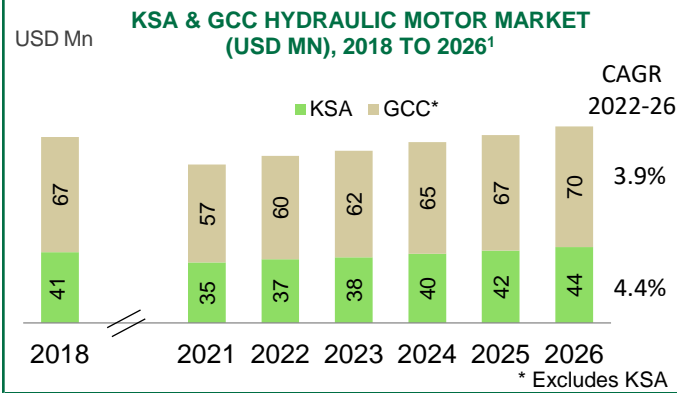
Machinery & Equipment

Hydraulic Motors

OPPORTUNITY DESCRIPTION: A local hydraulic motor assembly facility to cater increasing demand across manufacturing, material handling, construction and other earth moving equipment.

DEMAND

MARKET SIZE



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD#: 29 to 30 Mn
 - Plant capacity#: 68,000 to 70,000 units
 - Expected IRR#: 15.6%
 - Payback period#: 8.03 years
 - Job Creation#: ~ 260 to 280
 - GDP Impact#: USD 26 Mn
- The proposed investment highlight is for a facility that can undertake assembly of both hydraulic and pneumatic motors

VALUE PROPOSITION

- The current demand for hydraulic motors in KSA is met through imports where local hydraulic system assemblers/integrators source hydraulic motors from global OEMs and supply in the local market through system integration²
- Export potential** – Setting up local assembly in KSA allows access to trade routes via KSA that account for 13% of world trade.
- Infrastructure** - special economic zones, Industrial townships, and technically oriented academic institutions provide world-class infrastructure and competitive access to utilities and human capital.

KEY DEMAND DRIVERS

- The Saudi construction industry has registered the strongest quarterly growth since 2014, accounting \$7.6 billion in Q2 of 2022³
- Strategic mega construction projects such as NEOM, Qiddiya, Red Sea, Jabal Omar, Amaala, Ad Diriyah, Al Widyah, King Salman Park, Jeddah Tower, Jeddah and Riyadh Metro, etc. will create a strong demand for construction equipment such as excavators, industrial cranes, and winches where hydraulic motors are used predominantly

MARKET OVERVIEW

RAW MATERIALS

- Cast iron or aluminum alloy for cylindrical block, swash plate, and piston shoe
- Metal alloys (stainless steel, titanium, cast iron, low carbon steel, nickel) for drive shafts, directional control valves, motor casing
- SAE 52100 chrome steel for bearings

GLOBAL TRENDS

- The global hydraulic motors market is estimated to be \$11.5 billion in 2021, growing at a CAGR of 4.7% till 2027 to reach \$14.8 billion.
- Globally, piston motor sub-category accounts for over 40% of the market share as a result of its adaptability to dynamic load conditions, volumetric efficiency, and provide high torque outputs. The development of smart-user interfaces (UI) that simplify motor controls and provide remote monitoring is gaining wide market traction, also leading to more job creation.
- Low-speed hydraulic motors are expected to grow the fastest due to demand for low-speed high-torque applications in industrial machinery equipment.

Source: ¹Team Analysis of published strategy documents, reports from SEC & IKTV publication, independent market reports, UN Comtrade data, General Authority of Statistics data and industry interactions ²Team analysis; ³Zawya-Refinitiv; ⁴International Energy Agency (IEA). #Expert interviews (assumptions), financial statements of peer companies, team analysis. The proposed facility is expected to manufacture mobile hydraulic solutions including motors, pumps, valves, sensors & transmitters, electronic controls

Note: CAGR – Compound Annual Growth Rate, USD – United States Dollar, Mn – Million, Bn – Billion, Tn – Trillion, SAE – Society of Automotive Engineer, OEM – Original Equipment Manufacturer. Opportunity potential is defined basis current import 2 dependency – High refers to >80%, medium >50 to 80% and low <=50%. *Job Creation covers direct and indirect job



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Local hydraulic system integrators and service providers can consider expanding capabilities to assemble hydraulic motors in KSA. Alternatively, a new facility can also be considered for catering to the local demand
- Further, with the opportunity for manufacturing components such as valve plate, pistons, cylinder block ,etc. locally through casting, forging & machining facilities, assemblers could improve local content contribution in the value chain.

IMPORT DEPENDENCY

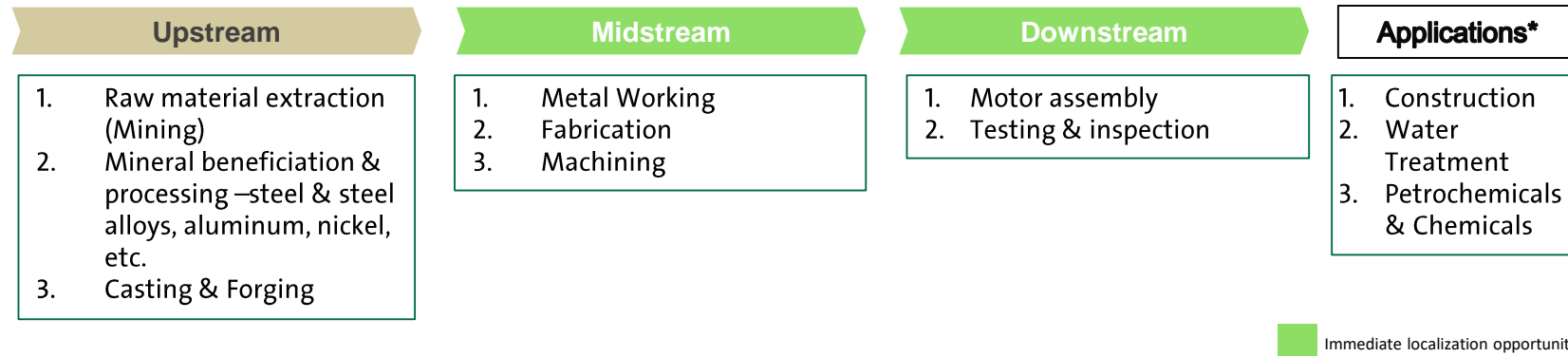
- Of the total imports for finished hydraulic motors in the country, an estimated 85% to 87% of the imports originate from HCC⁴. USA, Germany, UK, Finland and Italy are amongst the leading HCC that export finished hydraulic motors to KSA.
- KSA manufacturers can effectively compete with these HCC for manufacturing of hydraulic motors creating a strong case for product localization.

ENABLING FACTORS

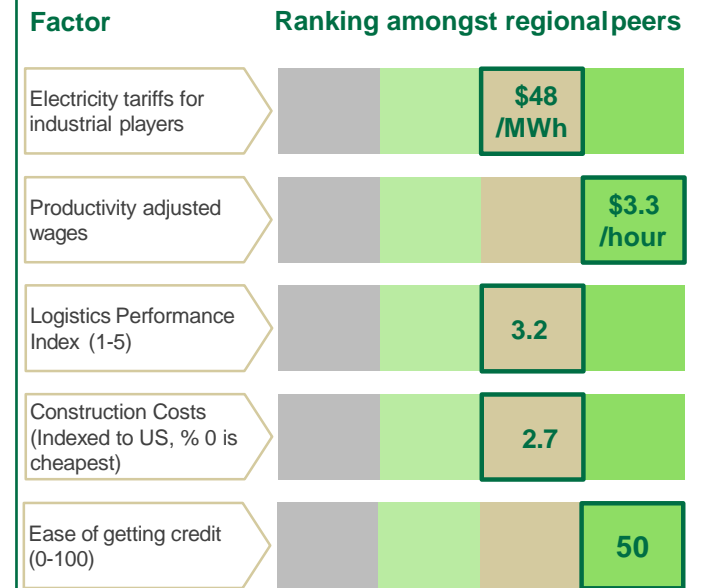
ENABLERS & INCENTIVES

- 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 and industrial minerals)

VALUE CHAIN



COST OF DOING BUSINESS IN KSA



KEY STAKEHOLDERS



Source: ⁴UN Comtrade & ITC Trademap analysis

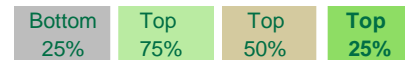
Note: HRDF - Human Resources Development Fund,

Scalability & Localization Grade is defined as

1. high – if the set up can support localization of multiple product categories,

2. medium – if multiple products within a category can be localized and

3. 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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