

Impellers

INVESTMENT OPPORTUNITY

Machinery & Equipment

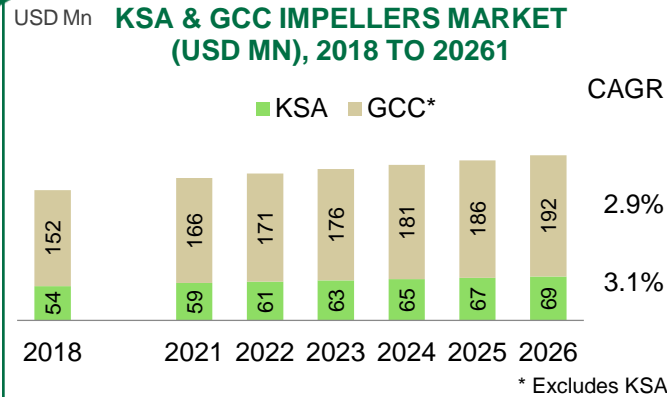


Machinery & Equipment Impellers

OPPORTUNITY DESCRIPTION: Enhancing in-country local value addition for pumps, through the manufacturing of critical components locally

DEMAND

MARKET SIZE, USD



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- These are primarily imported as part of fully assembled pumps into the country, and only some minor instances of imports for assembly in the country
- The proposed facility with high-end precision machining capability, can manufacture impellers and other key pump components such as casing and bearing frame
- Expected investment size#: USD 20 – 25 Mn
- Plant Capacity#: 4300 to 4700 MT annually
- Job Creation*: 180 to 200

VALUE PROPOSITION

- 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
- Centrifugal pumps account for ~75 to 80% of the total pumps demand in KSA, and find application in 5 end-use segments that are high priority development sectors under the country's Vision 2030 program – Power, Water & Wastewater, Oil & Gas, Petrochemicals & Refining and Mining

KEY DEMAND DRIVERS

- Saudi Arabia has been expanding its capacities in water desalination and wastewater treatment, boosting demand for centrifugal pumps and its components such as impellers
- More than 60 water projects, worth SAR35 Bn (USD9.33 Bn) are planned, that will make KSA the largest water desalination market in the world. On completion, these desalination projects will increase the desalination capacity from 2.54 Mn cubic metres per day in 2021 to 7.50 Mn cubic metres per day by 2027²
- In addition, plans are in progress to develop 147 SSTPs with 14,925 kms of wastewater collection networks²

RAW MATERIALS

- Aluminum Bronze Alloy
- Sand & Clay

MARKET OVERVIEW

GLOBAL TRENDS

- Flexible impeller pumps are gaining traction in the F&B industry. These pumps can run in both directions and handle fluids of varied viscosities without causing damage to the pump or the product.
- Predictive maintenance and real-time monitoring are creating a buzz in the industry. Integrating IoT sensors to monitor and predict damage of impeller extends a pump's life and reduces downtime, underscoring the significance of this component for pumps

Source: ¹Team Analysis of published strategy documents, reports from SWCC & IKTVA publication, independent market reports, UN Comtrade data, General Authority of Statistics data and industry interactions, ²SWPC Announcement. [#]Expert interviews (assumptions), financial statements of peer companies, team analysis

Note: 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. CAGR – Compound Annual Growth Rate, F&B – Food & Beverage, IoT – Internet of Things, USD – United States Dollar, SAR – Saudi Riyals, Mn – Million, Bn – Billion, SSTP – Small Sewerage Treatment Plant, SWPC – Saudi Water Partnership Company.



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The manufacturing of impellers in KSA will not just significantly increase the localization of the pumps value chain but will also contribute towards the business case for other manufacturing units, providing additional revenue streams that are linked to high growth segments in country.
- These components can also be exported to other countries in the region that are attempting to increase assembly in their individual geographies but lack the critical mass to setup a casting/ forging facility. Pump OEM's can hence utilize this facility to facilitate local assembly plans in other countries in the region, while reducing transportation costs

IMPORT DEPENDENCY

- Import of components and local assembly makes up only 50% of the market, with the remaining coming from imports
- Of the imports, ~77% originate from high cost countries³
- Previously, non-availability of local casting and associated machining facility were the bottlenecks for localization – and these have been addressed recently

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

Upstream

- Raw material extraction (Aluminum, Copper, Iron, Nickel Ore Mining)
- Mineral beneficiation & processing – Aluminum Bronze Alloy

Midstream

- Casting & Forging
- Machining
- Balancing
- Assembly

Downstream

- Testing & inspection
- Packaging

Applications*

- Water & wastewater
- Power
- Oil & gas
- Petrochemicals & Chemicals

COST OF DOING BUSINESS IN KSA

Factor	Ranking amongst regional peers
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Logistics Performance Index (1-5)	3.2
Construction Costs (Indexed to US, % 0 is cheapest)	2.7
Ease of getting credit (0-100)	50

KEY STAKEHOLDERS



Note: R&D – Research & Development, HRDF - Human Resources 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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