

# Insulator Post And Insulator Suspension

INVESTMENT OPPORTUNITY SCORECARD

**ENERGY & WATER**

MARCH 2021

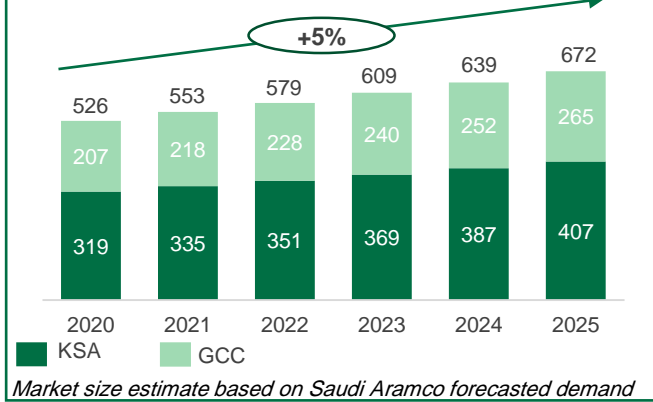


# Insulator Post And Insulator Suspension

**OPPORTUNITY'S DESCRIPTION:** Setting up a manufacturing and assembly plant to produce Insulator Post and Insulator Suspension in KSA

## DEMAND

### MARKET SIZE, USD MN



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 5-15 Mn
- Expected IRR: 9%
- Opportunity to consider different operating models – pure private sector model or joint venture with local player
- Expected timeline to setup the manufacturing and assembly plant is 3-4 months
- Estimated cumulative distribution HV (High Voltage) substations capacity target (KSA – 188K MVA) and cumulative transmission substations capacity target (KSA – 214K over 10 years)

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- KSA's geographical location enables local manufacturers to establish energy network linkages with neighboring countries
- Opportunity to cater local market as well as double-fold regional demand growth
- First mover advantage given limited presence of global manufacturers and assemblers of insulators in KSA
- Presence of large-scale potential buyers for insulators with strong preference for local procurement such as Saudi Electricity Company and Saudi Aramco
- Leverage recent FDI measures such as 100% foreign direct ownership to motivate private sector participation in KSA energy sector

### KEY DEMAND DRIVERS

- KSA plans to expand its power generation capacity to meet rising demand from residential, commercial and industrial sectors
- KSA plans to increase its solar capacity which is anticipated to support the demand for ceramic electric insulators in the coming years
- Reviving economic conditions due to changing government policies, the establishment of special economic zones and industrial clusters, etc. would further drive the demand for power distribution and transmission products in the Kingdom and across the region

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Limited presence of local manufacturers and assemblers for insulators in KSA
- Leading global manufacturers serve local demand through distribution offices/sales representatives

### GLOBAL TRENDS

- Global electric insulator market in 2020 was ~USD 10.8 Bn and is projected to grow at 5.7% p.a. until 2026 to reach USD 14.5 Bn
- Increasing per capita energy consumption and growing investment in the power generation sector further supports the growth of insulator global market
- Global electric insulator market is highly fragmented and marked by presence of multiple international and local players. Key players in this market include Sediver, PPC insulators, LAPP insulators, and NGK insulators, LTD

### COMPETITOR ANALYSIS





# INSULATOR POST AND INSULATOR SUSPENSION

## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium **High**

- Presence of multiple local suppliers for key raw materials such as porcelain (Saudi Marble & Granite Factory Company), steel (Alfanar Steel), silicone rubber (Tasnee), polymers (SABIC), and copper (Riyadh Cables Group Company)
- Testing for electrical insulators is locally possible through services provided by multiple private and government service providers such as SASO, GCC Laboratories, and Advanced Inspection Services Co.
- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investors

### IMPORT DEPENDENCY

- Currently, majority of the local demand is met through imports

Country	% of Saudi imports in 2019
Germany	40.6%
Spain	12.3%
USA	12.2%
Others	34.9%

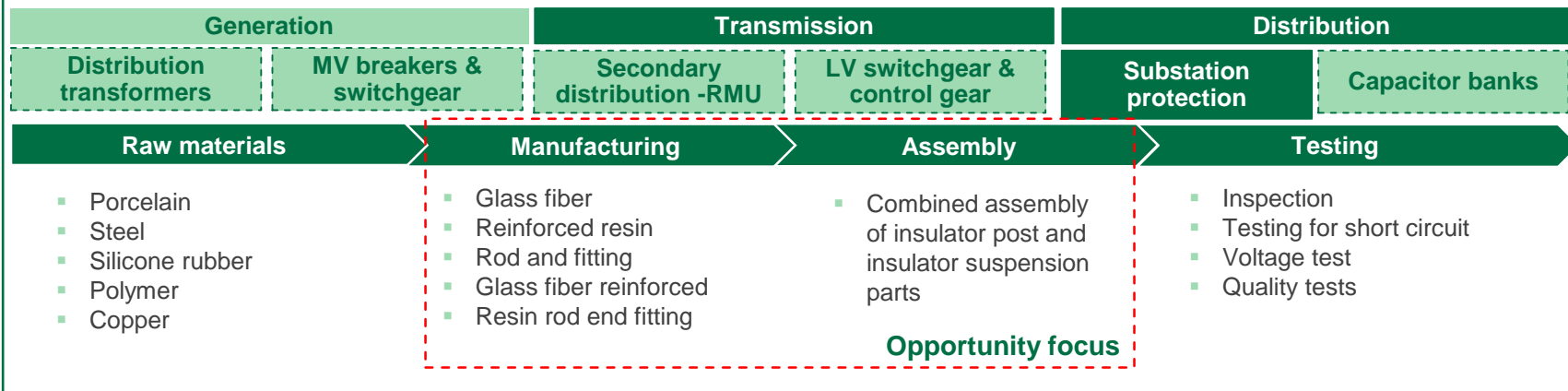
Source: UN COMTRADE

## ENABLING FACTORS

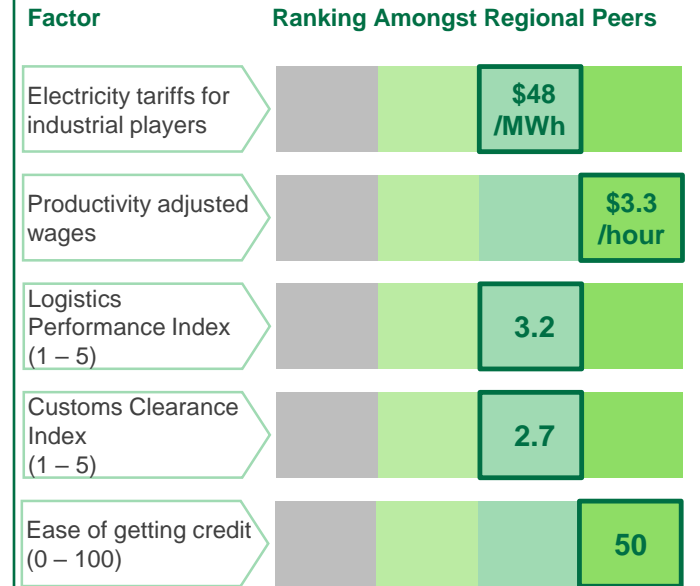
### ENABLERS

- Custom duty drawback & exemption
- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF), with two-year grace period for the repayment of loans
- Land for lease starting from \$ 0.26 per sqm
- 100% foreign direct ownership allowed

### VALUE CHAIN ANALYSIS



### COST OF DOING BUSINESS IN KSA



### KEY STAKEHOLDERS



وزارة الاستثمار  
Ministry of Investment

وزارة الطاقة  
MINISTRY OF ENERGY



الشركة السعودية للكهرباء  
Saudi Electricity Company

# DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	<b>Market size</b>	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	<b>Demand drivers</b>	A select number of factors that will influence future demand for the related product/service
3	<b>Investment highlights</b>	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	<b>Value proposition</b>	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	<b>Market readiness</b>	An overview of KSA market structure, market maturity and level of participation by local and global players
6	<b>Competitor analysis</b>	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	<b>Global trends</b>	Latest business developments within the sector/product category
8	<b>Scalability and localization</b>	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	<b>Import dependency</b>	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	<b>Value chain analysis</b>	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	<b>Key stakeholders</b>	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	<b>Enablers</b>	Factors that enable investment in the underlying opportunity
13	<b>Cost of doing business in KSA</b>	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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