

Localization of bogey manufacturing  
INVESTMENT OPPORTUNITY  
Transport and Logistics

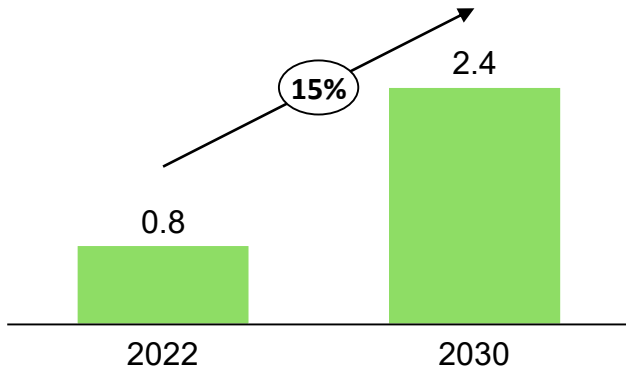


## Localization of bogey manufacturing

**OPPORTUNITY DESCRIPTION:** Localized manufacturing of bogies, a high consumption component in KSA

### DEMAND

#### MARKET SIZE, BN USD



#### INVESTMENT HIGHLIGHT

- **Expected investment size** : ~\$50-100 MN
- **Expected IRR**: ~16-19%
- **Payback period**: ~6 years

#### VALUE PROPOSITION

- Localization of bogies manufacturing will provide access to a vital, high-consumption component for the railway industry in KSA and the broader GCC
- Establishment of a bogies manufacturing facility will also help boost industrial activity in KSA, and support the realization of localization efforts such as the Global Supply Chain Resilience Initiative

### INVESTMENT OVERVIEW

#### KEY DEMAND DRIVERS

- KSA aims to expand the rail network to reach ~13,000 KM which will increase the demand for rolling stock and key components
- There are major ambitions to localize manufacturing of rail components, as detailed in the Rail Sector Strategy
- Bogies experience high wear and tear, and must be replaced every few years

#### MARKET READINESS & COMPETITOR ANALYSIS

- No existing bogies manufacturing facility in KSA

### MARKET OVERVIEW

#### GLOBAL TRENDS

- The global transition to eco-friendly transportation modes is driving a resurgence in Rail travel
- There is growing demand for rolling stock with an expected growth of 2.5% CAGR, which naturally drives more demand for bogies



## Localization of bogey manufacturing

### SUPPLY

#### SCALABILITY & LOCALIZATION

GRADE: Low Medium High

- **High growth potential** due to ambitious Rail development plans in KSA and neighboring MENA countries (e.g., UAE, Egypt)
- **High localization potential** for manufacturing expertise & technology

#### IMPORT DEPENDENCY

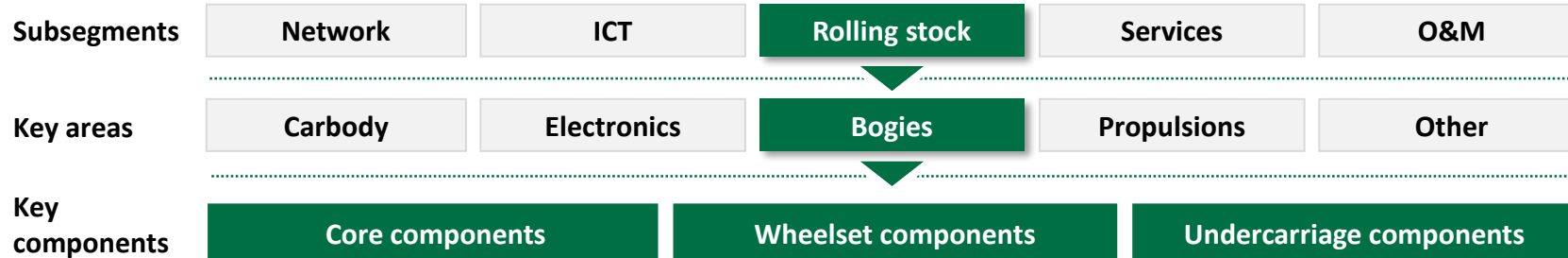
- Main raw material is steel, or its constituent elements, carbon (usually in the form of coal) and iron
- KSA has large reserves of both iron and coal, but they have yet to be commercially exploited at large scale

### ENABLING FACTORS

#### ENABLERS & INCENTIVES

- KSA preferential procurement laws will ensure minimum revenue and overall viability of the investment
- Exports can also be facilitated to service growing rail market in MENA

#### VALUE CHAIN

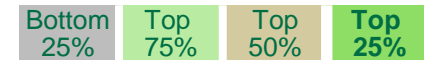


#### KEY STAKEHOLDERS

**Government stakeholders:** SAR, MoTLS, TGA, Ministry of Industry

#### 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)	74
Ease of getting credit (0-100)	50



# 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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