

Investment Casting

INVESTMENT OPPORTUNITY SCORECARD

MINING & METALS

JANUARY 2021

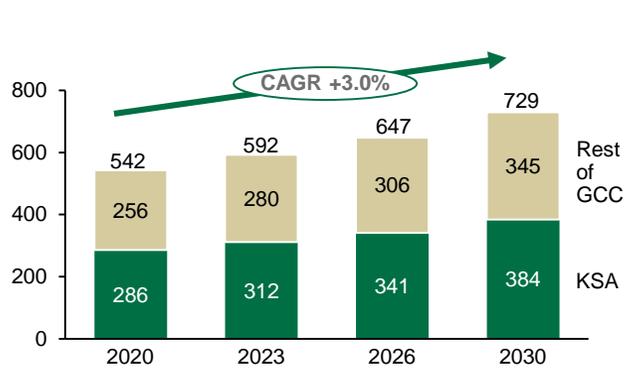


Investment Casting

OPPORTUNITY'S DESCRIPTION: Establish local manufacturing of investment casting plant to serve demand of energy products in the Kingdom of Saudi Arabia and the GCC

DEMAND

MARKET SIZE, USD MN



INVESTMENT HIGHLIGHTS

- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Mining and Metals Industry set to become the “third pillar” of the Saudi industrial base due to KSA’s rich deposits of minerals
- KSA’s geographical advantage and trade agreements with neighboring countries make exporting favorable
- First mover advantage given limited presence of large-scale local fabrication and lack of any next generation investment casting player in KSA
- KSA is working to develop sustainable and globally competitive value-added semi-finished and finished metal industries (downstream) that support the Kingdom’s goals of diversification

KEY DEMAND DRIVERS

- Saudi Arabia accounts for 53% of the investment casting market in GCC
- Demand for investment casting metal components such as turbines, electric motors casting, pumps, gas compressors, valves and gears from the energy industry are predicted to grow at a stable pace over next 5 – 10 years
- High utilization of investment casting components in pumps is mainly due to increasing exploration and production activities in the oil and gas sector, and is expected to keep growing

MARKET OVERVIEW

GLOBAL TRENDS

- The global market for investment casting was valued at USD 16.6 Bn in 2019, and projected to grow at 2.8% p.a. to reach USD 20.7 Bn by 2027
- Rising usage of investment casting in the automotive and transportation industry for the development of advanced components, such as engine parts, compressor, and gearbox components, is likely to drive the market in the long term
- The aerospace and defense industry also plays a crucial role in influencing the demand for investment casting, as various parts of jets and helicopters (such as landing and braking components, hydraulic fluid system components, and flight critical and safety components) are manufactured through investment casting
- Technological enhancements such as integration of automation in the investment casting process are likely to encourage manufacturers to optimize efficiency and reduce lead time. The shift toward automation is anticipated to propel the manufacturers to enhance capacity utilization and obtain greater efficiency



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Investment Casting

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint within the region
- Easy and consistent availability of key raw material, for investment casting such as metals (steel, aluminum, and copper /brass) in the Kingdom
- KSA offers attractive cost base including one of the lowest logistics, land and utilities costs amongst EU & NA production hubs

IMPORT DEPENDENCY

- In 2019, KSA imported investment casting from below countries

Country	% of Saudi imports in 2019
India	22.6%
USA	17.9%
Germany	10.8%
Others	48.7%

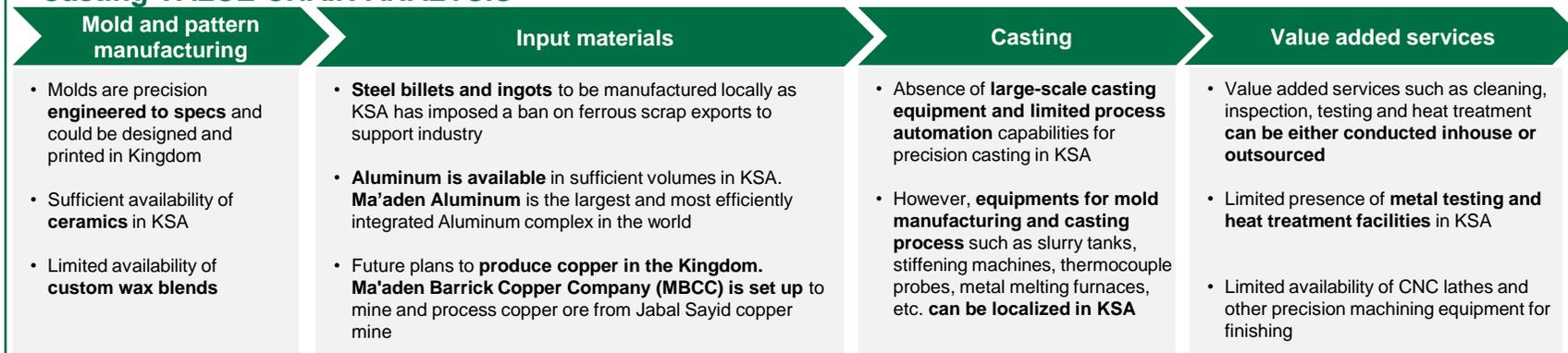
Source: UN COMTRADE

ENABLING FACTORS

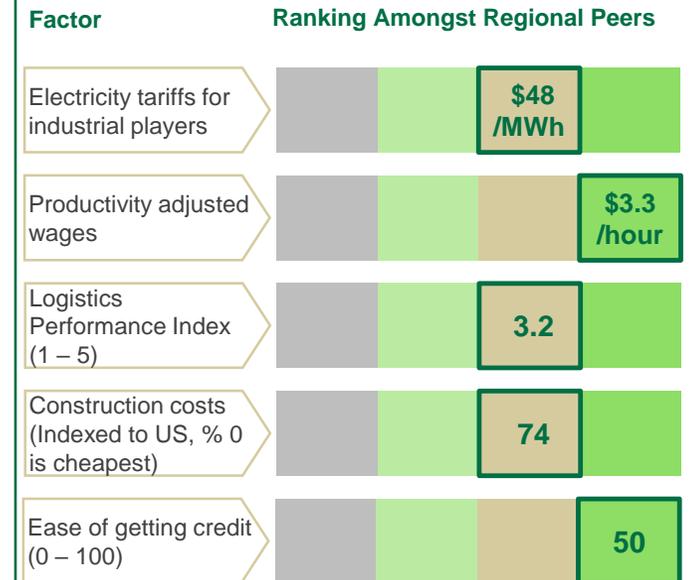
ENABLERS

- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF), with two-year grace period for the repayment of loans
- HRDF covers monthly salaries for 30-50% of Saudi employees (extra 10% for females) for 2 years, provided it does not exceed USD 4,000

Casting VALUE CHAIN ANALYSIS



COST OF DOING BUSINESS IN KSA



KEY STAKEHOLDERS



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	Demand 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	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	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
9	Import dependency	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	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	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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