

**Multistage Centrifugal Pumps**  
INVESTMENT OPPORTUNITY  
**Machinery & Equipment**



# Machinery & Equipment

## Multistage Centrifugal Pumps

Public / متاح

High Potential

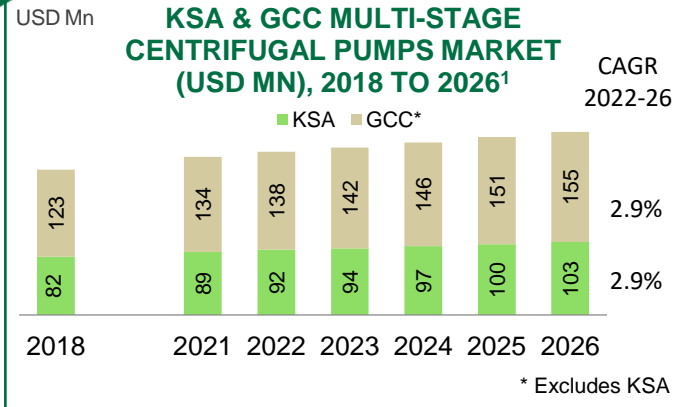
Moderate Potential

Low Potential

**OPPORTUNITY DESCRIPTION:** Establish a manufacturing unit for multi-stage centrifugal pumps with scalability to other pump types

### DEMAND

#### MARKET SIZE, USD



### INVESTMENT OVERVIEW

#### INVESTMENT HIGHLIGHTS

- While most global OEMs in KSA undertake assembly, testing and after sales/ service, the proposed setup would be an integrated facility with in-house casting, component manufacturing and assembly for multi-stage & single pumps
- Expected Investment size#: USD 30 to 35 Mn
- Plant capacity#: 16,000 to 20,000 units annually
- Expected IRR#: 11.7%
- Payback period#: 9.1 years
- Job Creation#: 280 to 310
- GDP Impact#: USD 31 Mn

#### VALUE PROPOSITION

- Multistage centrifugal pumps account for ~13% 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 and Refining and Mining
- 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

#### KEY DEMAND DRIVERS

- Saudi Arabia has been expanding its capacities in water desalination and this is expected to boost the demand for multi-stage centrifugal pumps
- 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 2027<sup>2</sup>
- Proposed increase in crude oil output, refining capacity and capacity for chemical products will further augment demand

#### RAW MATERIALS

- Cast Iron
- Bronze / Phosphor Bronze
- Cast Steel / Stainless Steel / Chrome Steel / Duplex Steel
- Sand for core making
- Nitrile Rubber for O-Rings
- Carbon / Silicon Carbide for mechanical seals

### MARKET OVERVIEW

#### GLOBAL TRENDS

- Technology integration for remote monitoring and performance analysis especially across remote locations in the oil & gas, mining sectors
- Digitization and IIoT unlocking new business models and growth opportunities as end users gradually transition to service-based models

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

Note: CAGR – Compound Annual Growth Rate USD – United States Dollar, SAR – Saudi Riyals, Mn – Million, Bn – Billion, IIoT – Industrial Internet of Things, SWPC – Saudi Water Partnership Company. 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



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## Multistage Centrifugal Pumps

### SUPPLY

#### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- This facility can reflect high levels of in-country local value add, through localized casting/machining capabilities for supply of casings, impellers, base plate and shafts
- Additional localization plans for motors manufacturing will also facilitate in improving local value add and an enhanced value chain in the country

#### IMPORT DEPENDENCY

- High dependency on import of complete pumps and pump components
- Complex engineering and design coupled with critical tolerances result in a high dependency on global supply chains starting from R&D and product engineering up until component manufacturing and machining

### 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 upto 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, aluminium, polymers, and industrial minerals)

#### VALUE CHAIN

##### Upstream

- Raw material extraction (Mining)
- Mineral beneficiation & processing – Cast Iron
- Motor Manufacturing
- Bearings & Mechanical Seals Manufacturing
- O-rings manufacturing

##### Midstream

- Design & Engineering
- Sand Molding
- Sand Casting
- Sand Blasting & Cleaning
- Grinding & Machining
- Shaft machining
- Assembly

##### Downstream

- Testing & inspection
- Installation & Commissioning
- After Sales Service

##### Applications\*

- 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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