

Single Stage Centrifugal Pumps
INVESTMENT OPPORTUNITY
Machinery & Equipment



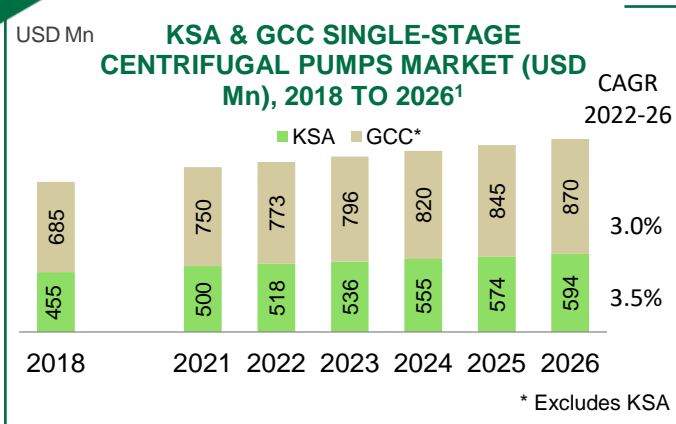
Machinery & Equipment

Single Stage Centrifugal Pumps

OPPORTUNITY DESCRIPTION: Establish a manufacturing unit for single 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 single & multi-stage 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

- Single stage centrifugal pumps account for ~70% 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 wastewater treatment, boosting demand for 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 2027²
- In addition, plans are in progress to develop 147 SSTPs with 14,925 kms of wastewater collection networks²

MARKET OVERVIEW

RAW MATERIALS

- Cast Iron for pump head & base plate
- Sand for core making
- Stainless Steel for Guard plat, shaft, Impeller & Casing
- Nitrile Rubber for O-Rings
- Carbon / Silicon Carbide for mechanical seals

GLOBAL TRENDS

- The rising gap between global water supply and demand (40% by 2030) will result in increasing investments in water extraction and water transmission as governments focus on addressing issues linked to water security
- Rapid advances in technology like digitization and IoT are augmenting the reliability of centrifugal pumps and reducing failure induced losses to process operations

Source: ¹Team Analysis of published strategy documents, reports from SWCC & IKTV 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: CAGR – Compound Annual Growth Rate, OEM – Original Equipment Manufacturer, W&WW – Water & Waste Water. HVAC – Heating Ventilation and Air Conditioning, USD – United States Dollar, SAR – Saudi Riyal, Mn – Million, Bn – Billion, SWPC – Saudi Water Partnership Company, SSTP – Small Sewerage Treatment Plants. 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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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
- Around 77% of the imports come from High-Cost Countries (HCC). 3 of these countries - USA, Italy and Germany together cater to more than 50% of the imports³
- Competitiveness - KSA origin products are proven to compete well against these countries

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*

- 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



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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