

TRACTION MOTOR

INVESTMENT OPPORTUNITY SCORECARD

TRANSPORT & LOGISTICS

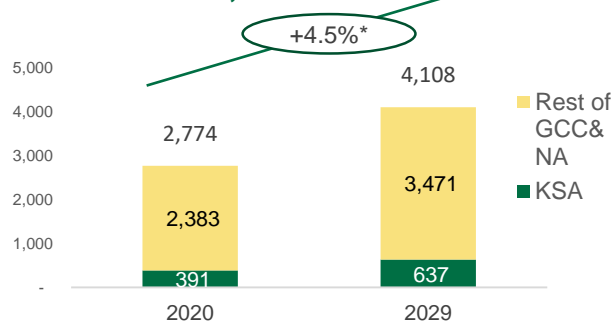
APRIL 2021



OPPORTUNITY'S DESCRIPTION: Develop a traction motor manufacturing plant to serve KSA's demand and rest of GCC and NA region

DEMAND

REGIONAL TRACTION MOTOR MARKET SIZE, UNITS



*Conservative estimate

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 40 Mn – 60 Mn

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA can leverage its strategic location and strong logistics infrastructure to enhance export capability across the region
- KSA has favorable trade agreements. It is a member of GAFTA and therefore goods produced in KSA and exchanged between member states of GAFTA are exempted from all customs duties
- KSA will be logical and easier option for neighboring African and Middle Eastern countries to fulfil their repairs, service and maintenance of motors
- Infrastructure in KSA been identified as one of the core sectors to support the Vision 2030 initiative of development of a sustainable economy, diversifying away from the oil sector
- Opportunity to cater large planned investments in railway sector (over USD 16 Bn for 3,900 KM of rail track)

KEY DEMAND DRIVERS

- Demand for rail manufacturing in local and regional market is driven by development of Mining & Metals, Oil & Gas, Chemicals, Food & Beverage, Construction, Renewables and Water sectors
- The development of new rail lines and expansion of existing lines in KSA will drive the demand for traction motors.
- GCC rail project connecting GCC countries is estimated to have track length of 2,115 km and is expected to complete by 2030
- Saudi Land bridge project is expected to consist of 1,000 km of cross- country freight railway line connecting the East and West coasts of Saudi Arabia.
- Electric generators will have applications in various existing and scheduled industrial units in RIC, Jubail and KSA including pumps, industrial fans, machine tools, blowers, power tools, etc.

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Sector marked by limited presence of local players and heavily dependent on imports
- Major suppliers of Traction Motor are from Europe and North America
- Domestic manufacturing plants are focused on diesel generators, generally of small -medium power (<375 KVA)



GLOBAL TRENDS

- The global traction motor market size was \$10.78 Bn in 2019 and is estimated to reach \$30.06 Bn by 2027, at a CAGR of 13.7% from 2020 to 2027
- The growing incorporation of traction motors in railway engines and the rise in demand due to low maintenance and manufacturing cost will drive the growth of the global traction motor market
- The AC traction motor segment contributed the largest share in 2019, accounting for nearly half of the total share, and is estimated to maintain its dominant position during the next seven years



TRANSPORT & LOGISTICS TRACTION MOTOR

SUPPLY

SCALABILITY AND LOCALIZATION

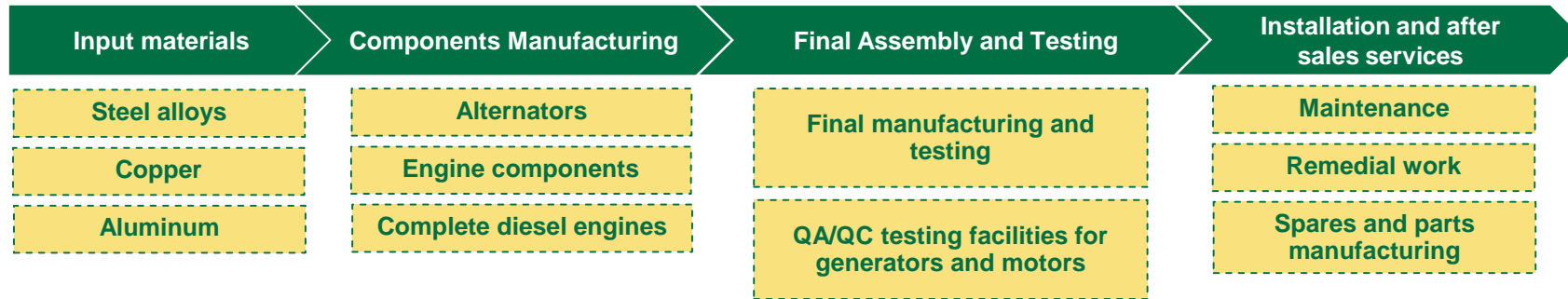
Grade: Low Medium High

- Raw materials can be easily accessed from local markets:
 - ✓ Petrochemical components can be found in Jubail Industrial City
 - ✓ Copper steel alloys, aluminum in Ras Al Khair Industrial City
- Opportunity to provide services to upcoming railway tracks as well as existing networks – 3 major networks exists in KSA with a total of 5,590 km of railway

IMPORT DEPENDENCY

- KSA primarily relies on imports to meet its requirements, for both generators and motors. Imports represent 65 % of the total market

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Custom duty drawback & exemption
- Up to 75 % of project financing through soft loan by SIDF
- Subsidized land provided by SAR, located in Riyadh or Dammam
- HRDF covers 30 to 50 % of Saudi employees' monthly salaries (additional 10 % for females) for 2 years, provided that it does not exceed \$USD 4,000.
- 100% foreign direct ownership allowed
- Offtake agreement for (10) years, MRO traction motors

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
Customs Clearance Index (1 – 5)	2.7
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	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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