

Electric Generators

INVESTMENT OPPORTUNITY SCORECARD

ENERGY & WATER

November 2020



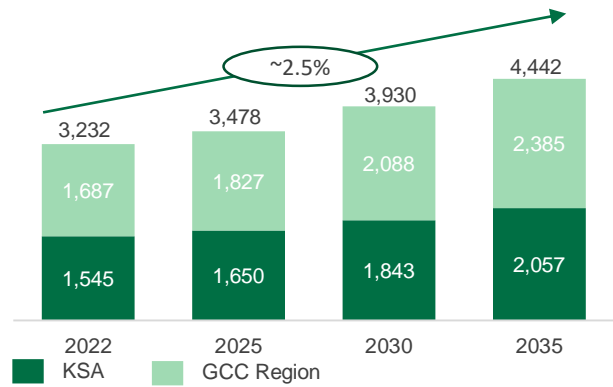
ENERGY & WATER

Electric Generators

OPPORTUNITY'S DESCRIPTION: Opportunity to setup a 750 MWpa capacity manufacturing plant for electric generators (375 -750 KVA, >750 KVA)

DEMAND

MARKET SIZE, USD BN



INVESTMENT HIGHLIGHTS

- Medium and high-power electric generators and non-standard motors manufacturing
- Expected investment size of USD 40 Mn
- Plant capacity: 750 MWpa
- Expected IRR: 13%
- Payback period: 9 years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA can leverage favorable trade agreements (eg: GAFTA) and strong logistics infrastructure to enhance export capability
- KSA has access to the high growth electric generators market in GCC, projected to grow at 2.7% p.a. between 2022 – 35
- KSA has a strategic location enabling it to serve emerging markets like Africa, Europe and rest of the Middle East countries
- There is limited local production of medium and large sized generators in KSA

KEY DEMAND DRIVERS

- Demand for electric generators in the local and regional market is driven by development of Mining & Metals, Oil & Gas, Chemicals, Food & Beverage, Construction, Rail, Renewables sectors
- 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.
- The production of vessels at the proposed King Salman Maritime Complex in RIC will guarantee a captive demand for electric generators

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Sector marked by limited presence of local players and heavily dependent on imports
- Domestic manufacturing plants are focused on diesel generators, generally of small - medium power (<375)

COMPETITOR ANALYSIS



GLOBAL TRENDS

- The global demand for both motors and generators is expected to reach approximately USD 100 Bn by 2023
- The global industrial generators demand is USD 20 Bn in 2018, and expected to grow at CAGR of 8% from 2020-2030 ,to reach over USD 39.1 Bn
- Asia Pacific is expected to witness the highest growth in electric motors in the coming years due to its rapid industrialization



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Public / متاح

SUPPLY

SCALABILITY AND LOCALIZATION

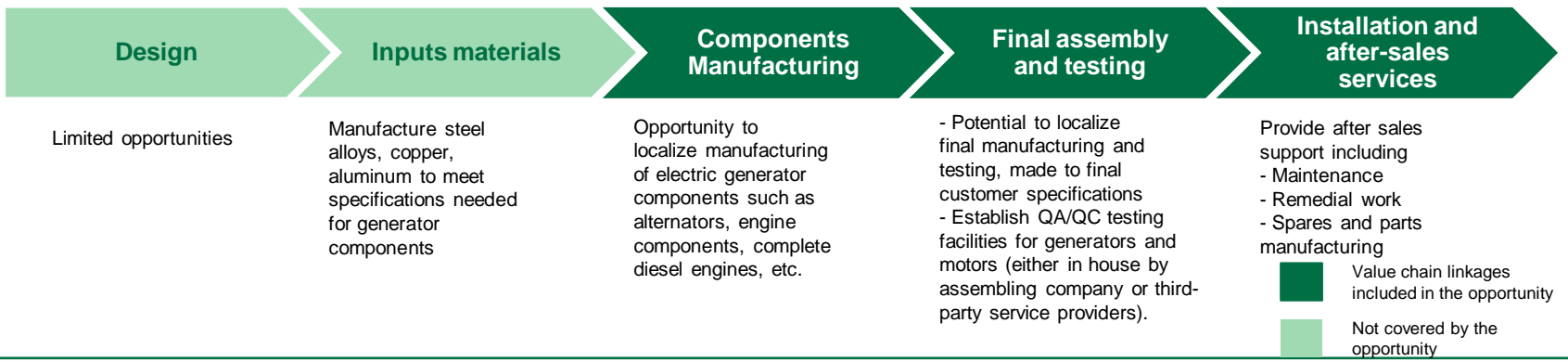
Grade: Low Medium High

- 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
- The plant will supply the maritime complex, but most of the production will be sold in the rest of the country and GCC

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



وزارة الاستثمار
Ministry of Investment



ENABLING FACTORS

ENABLERS

- Custom duty drawback & exemption
- Up to 75% of project financing through soft loan by SIDF
- Land for lease starting from \$ 0.26 per sq mt
- HRDF covers 30-50% 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

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 |

Bottom 25% | Top 75% | Top 50% | Top 25%

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 |

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