

# CHILLERS

## INVESTMENT OPPORTUNITY SCORECARD

### INDUSTRIAL EQUIPMENT

SEPTEMBER 2020

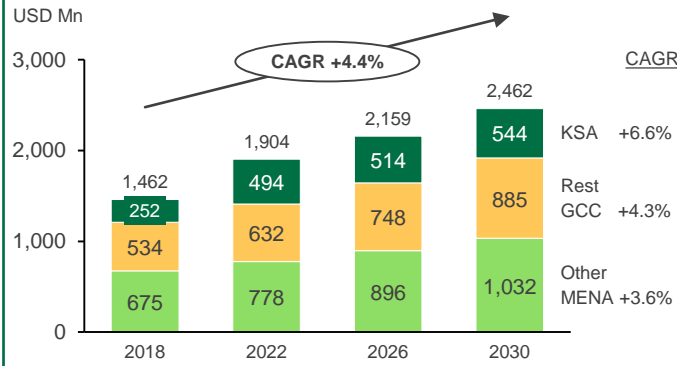


# INDUSTRIAL EQUIPMENT CHILLERS

**OPPORTUNITY DESCRIPTION:** Attract leading global players to setup manufacturing base for chillers in KSA

## DEMAND

### MARKET SIZE, USD MN



## INVESTMENT OVERVIEW

### INVESTMENT HIGHLIGHTS

- Opportunity to setup manufacturing base for chillers in KSA to cater local and regional market
- Investing in standardized production line to produce components such as motors to create additional opportunities due to synergies with other HVAC systems and home appliances

### VALUE PROPOSITION

- Easy access to high growth chiller market in neighboring countries – GCC projected to grow at 4.3% p.a. and rest Middle East and Africa region at 3.6% p.a. between 2019 – 24
- Leverage higher energy efficient standards recently introduced in KSA that further fuel demand for centralized air conditioning
- Chillers identified as one of the industrial products mandated to be procured locally by the government

### KEY DEMAND DRIVERS

- Central cooling system demand set to increase with rising urbanization and improved infrastructure quality
- Mega projects (economic cities, industrial zones/clusters and residential complex) planned/initiated in KSA to drive demand for HVAC systems in both commercial and residential segments over next 10 – 15 years
- Large transportation projects (Riyadh, Makkah and Dammam metro, Madinah high speed railway etc.) to further boost demand for HVAC products

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Sector marked by limited presence of local players and heavily dependent on imports

### GLOBAL TRENDS

- Chiller manufacturing mostly through regional hubs to cater local/regional demand and meet regulatory requirements
- Factors like lower energy consumption and higher cooling efficiency will fuel demand for water-cooled process chillers over other chiller systems

### COMPETITOR ANALYSIS



*\*Non exhaustive list*



# INDUSTRIAL EQUIPMENT CHILLERS

## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Easy access to raw material and relatively simple technology required for manufacturing chiller components such as condenser, body and assembly creates a highly scalable investment opportunity with potential for localization along the value chain
- Potential to cater wide-range of commercial, industrial and institutional facilities creates a cost-effective production system

### IMPORT DEPENDENCY

- Currently 2,200 units being imported by KSA which represents ~88% of the total demand for chillers
- Chillers (within larger air-conditioning sector) are mostly sourced from USA, China, UK and EU

### VALUE CHAIN ANALYSIS

COMPONENTS	COMPRESSOR	MOTOR	COOLER	CONDENSER	BODY	CONTROLS	ASSEMBLY
Already localized?	X	X	X	✓	✓	X	✓
Localization potential	Low	Moderate	Moderate	High	High	Low	High
% Total cost	35-37%	3-5%	15-20%	15-20%	10-15%	10-15%	3-5%

### KEY STAKEHOLDERS



## ENABLING FACTORS

### ENABLERS

- Expat worker levy waived-off for manufacturers until October 2024
- Tax rebates on exports and raw material imports
- Free trade agreements to export locally manufactured industrial goods
- Manufacturers are allowed to import/export without any additional permits

### 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

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