

FAN COIL UNIT (FCU) MANUFACTURING

INVESTMENT OPPORTUNITY SCORECARD

INDUSTRIAL EQUIPMENT

SEPTEMBER 2020

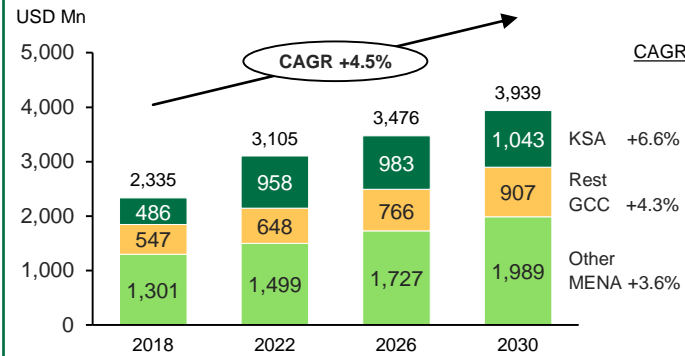


FAN COIL UNIT (FCU) MANUFACTURING

OPPORTUNITY DESCRIPTION: Attract leading global players to setup Fan Coil Unit (FCU) manufacturing base in KSA

DEMAND

MARKET SIZE, USD MN



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Opportunity to setup FCU manufacturing base in KSA to cater local and regional market
- Localizing manufacturing of components such as motors to create additional opportunities due to synergies with other HVAC products and home appliances
- Capitalize on easy access to raw material for manufacturing FCU components such as evaporator coil and body

VALUE PROPOSITION

- Easy access to high growth chiller (hence FCU) 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

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

- Currently KSA FCU market served by selected global and local players, however stricter SASO (Saudi Standards, Metrology and Quality Organization) energy efficiency standards creates scope for new entrants

GLOBAL TRENDS

- FCU manufacturing mostly through regional hubs to cater local/regional demand and meet regulatory requirements
- Manufacturing segment comprises of mix of global and local players
- Most global players are focused on enhanced efficiency measures such as energy-saving operations, easy replacement of filter and low installation costs for FCU manufacturing

COMPETITOR ANALYSIS



*Non exhaustive list



INDUSTRIAL EQUIPMENT FAN COIL UNIT (FCU) MANUFACTURING

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Easy access to raw material and relatively simple technology required for manufacturing FCU components such as insulation, body, coil and assembly creates a highly scalable investment opportunity with potential for localization along the value chain
- Setting-up FCU manufacturing base in KSA to create additional opportunities of localization within larger HVAC segment and other sectors

IMPORT DEPENDENCY

- Currently 120,000 units being imported by KSA which represents ~60% of the total demand for FCU
- FCUs (within larger air-conditioning sector) is mostly sourced from Thailand, China, Malaysia and Italy

VALUE CHAIN ANALYSIS

COMPONENTS	EVAPORATOR COIL	BODY	MOTOR	BLOWER	CONTROLS	ASSEMBLY
Already localized?	✓	✓	X	X	X	✓
Localization potential	High	High	Moderate	Low	Low	High
% Total cost	~35%	~20%	~15%	~10%	~15%	~5%

KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- Expat worker levy waived-off for industrial manufacturers until October 2024
- Equity and debt financing as well as tax rebates on exports, raw material imports
- Free trade agreements to export locally manufactured industrial goods
- Industrial companies 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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