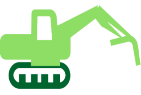


Casing, Bearing Frame and Base Plate

INVESTMENT OPPORTUNITY SCORECARD

MACHINERY & EQUIPMENT



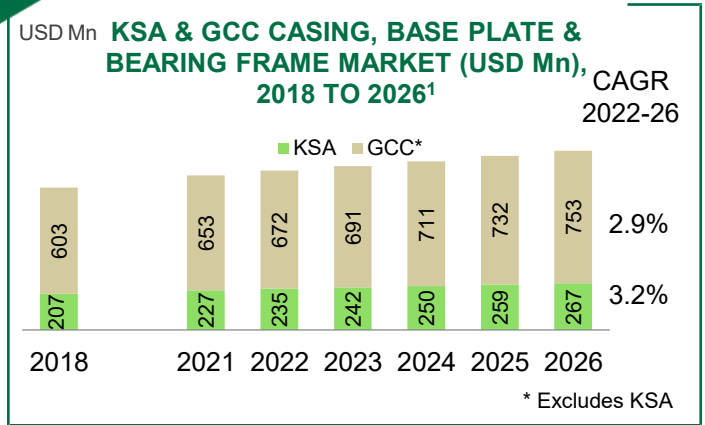
Machinery & Equipment

Casing, Bearing Frame and Base Plate

OPPORTUNITY DESCRIPTION: Enhancing in-country local value addition for pumps, through localization of key component manufacturing

DEMAND

MARKET SIZE, USD



KEY DEMAND DRIVERS

- Saudi Arabia has been expanding its capacities in water desalination and wastewater treatment, boosting demand for centrifugal pumps and its components such as casings and bearing frames
- More than 60 water projects, worth SAR 35 Bn (USD9.3 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 networks³

INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Localizing pump components within KSA will help cater the demand from existing pump assemblers and also support greenfield investments
- With high-end precision machining capability, this facility can also manufacture impellers required for pumps
- Expected investment size#: USD 20 – 25 Mn
- Plant Capacity#: 4300 to 4700 MT annually
- Job Creation*: 180 to 200

VALUE PROPOSITION

- Most of the country's pumps demand is met through imports, of which most of the imports originate from High-Cost Countries (HCC). This presents a strong case for import substitution where a locally developed value chain for pumps can compete with best-in-class facilities globally
- **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

MARKET OVERVIEW

RAW MATERIALS

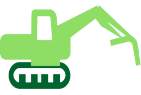
- Cast Iron
- Hot Rolled (HR) Steel Plates
- Cold Rolled (CR) Steel Plates

GLOBAL TRENDS

- There is constant research on protecting pumps from corrosion, erosion and fatigue – specifically around materials and design perspectives
- Technology integration for remote monitoring and performance analysis especially across remote locations in the oil & gas, mining sectors
- Digitization and IIoT unlocking new business models and growth opportunities as end users gradually transition to service-based models

Source: ¹Team Analysis of published strategy documents, reports from SWCC & IKTVA publication, independent market reports, UN Comtrade data, General Authority of Statistics data and industry interactions, ^{2,3}SWPC Announcement. [#]Expert interviews (assumptions), financial statements of peer companies, team analysis

Note: This opportunity is for a component that is manufactured with a range of other components in a facility. No facility is expected to be constructed for manufacturing this component exclusively. Hence, the insights on capacity and investment are indicative - these would vary based on the decision an investor takes on the mix of components to manufacture. 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. CAGR – Compound Annual Growth Rate, OEM – Original Equipment Manufacturer, USD – United States Dollar, SAR – Saudi Riyal, Mn – Million, Bn – Billion, SSTP – Small Sewage Treatment Plants, IIoT – Industrial Internet of Things, MTPA – Metric Tonne Per Annum



SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Manufacturing of these components will not only increase localization potential for pump value chain, but will also justify investment in casting / forging facilities as the same can be used towards manufacturing of components for pipes and valves
- These components can also be exported to other countries in GCC/MEA which lacks critical volume requirement for setting up casting/ forging facility.
- Pump OEM's can hence utilize this facility to facilitate local assembly plans in other countries in the region, thereby gaining significant cost advantage over import from HCC

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 imports⁴
- 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 up to 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, aluminum, polymers, and industrial minerals)

VALUE CHAIN

Upstream

- Raw material extraction (Iron Ore Mining)
- Mineral beneficiation & processing – Hot Rolled (HR) & Cold Rolled (CR) Steel Plates

Midstream

- Casting & Forging
- Component Machining
- Finishing & Painting

Downstream

- Testing & Inspection
- Packaging

Applications*

- Water & Wastewater
- 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
Customs clearance index (1-5)	2.7
Ease of getting credit (0– 100)	50

KEY STAKEHOLDERS



Logos sourced from entity website

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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