

Valves (Ball, Butterfly, GGC and Control)

INVESTMENT OPPORTUNITY

Machinery & Equipment



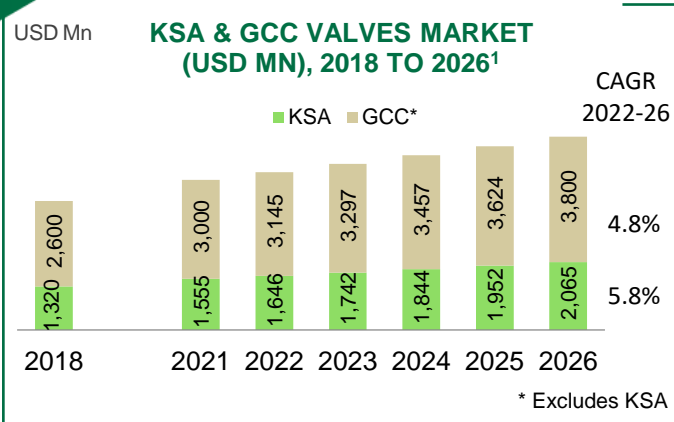
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OPPORTUNITY DESCRIPTION: Setup a facility in KSA for design capabilities, and to localize manufacturing and assembly

DEMAND

MARKET SIZE, USD



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- The facility is proposed to target multiple types of valves; focusing on high-end machining and assembly
- Expected Investment size#: USD 15 to 20 Mn
- Plant capacity#: 14,000 to 16,000 units annually
- Expected IRR#: 12.1%
- Payback period#: 9.1 years
- Job Creation#: 130 to 150
- GDP Impact#: USD 27 Mn

VALUE PROPOSITION

- ~ 80% of Saudi's valves imports are from High-Cost Countries such as USA and many from Europe²; this is mainly driven by the strict quality requirements for Oil & Gas, petrochemicals and desalination plants and presents a strong case for import substitution through a locally developed value chain
- **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

KEY DEMAND DRIVERS

- KSA plans to invest in increasing chemical industry output, targeting a capacity of 147MT by 2027 at 3% CAGR³
- More than 60 water projects, worth SAR 35 Bn (USD 9.3 Bn) are planned, that will make KSA the largest water desalination market in the world. In addition, plans are in progress to develop 147 SSTPs with 14,925 kms of wastewater collection networks⁴
- Capacity expansion across water desalination, wastewater treatment, crude extraction, refining and petrochemicals will drive demand for valves

RAW MATERIALS

- Iron & Steel and its alloys such as carbon steel and stainless steel
- Bronze
- Brass
- Nickel alloys
- Titanium alloys
- Nickel aluminium bronze

MARKET OVERVIEW

GLOBAL TRENDS

- Valve reliability is improving, through IIoT enabled improvements in monitoring and diagnostics – impacting process integrity, predictability, detection and repair turnaround
- This is seen in increased adoption of valves with wireless actuators, embedded processors and networking capabilities
- Usage of 3D printing for valve body and valve components reflects a potential for decentralized manufacturing

Source: ¹ Team 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 UN Comtrade; ³ Gulf Petrochemicals Association Reports (GPCA); ⁴ SWPC Announcement. ⁵ Expert interviews (assumptions), financial statements of peer companies, team analysis

Note: CAGR – Compound Annual Growth Rate, OEM – Original Equipment Manufacturer, MT – Metric Tonne, SSTP – Small Sewage Treatment Plants, GGC-Gate Globe Check valves types. IIoT-Industrial Internet of Things, USD – United States Dollar, SAR – Saudi Riyals, Mn – Million, Bn – Billion, 3D – Three Dimensional. ² Different types of valves have been combined to create a single investor deck as most OEM's manufacture all types of valves rather than focusing on a single type. 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



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Initial efforts can contribute to the attainment of 27-30% localization across the value chain
- This facility can reflect high levels of in-country local value add, through localized casting/machining capabilities

IMPORT DEPENDENCY

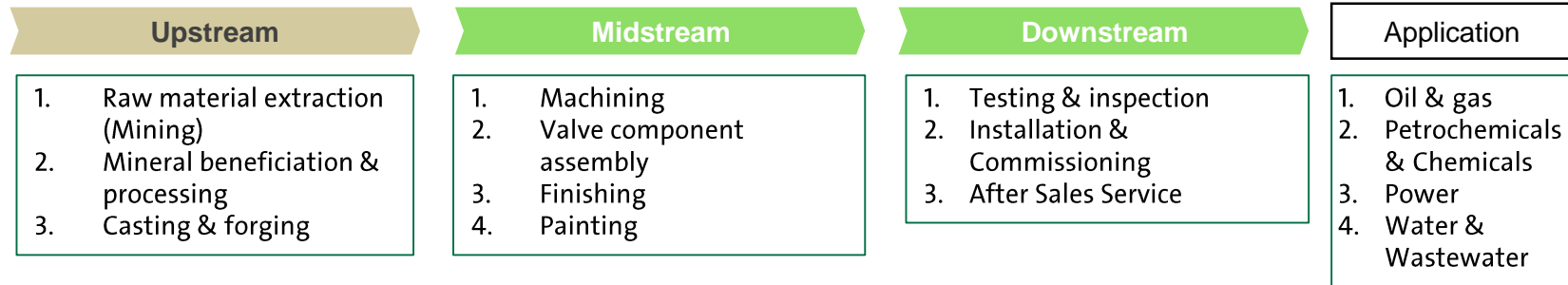
- An estimated 75-77% of the KSA demand for valves is met through imports of finished products while the remaining 23-25% is catered by local assemblers.⁵
- 80% of the finished products are imported from HCC⁶
- Local assemblers also rely heavily on imports for castings which further reduces the local content addition to the value chain

ENABLING FACTORS

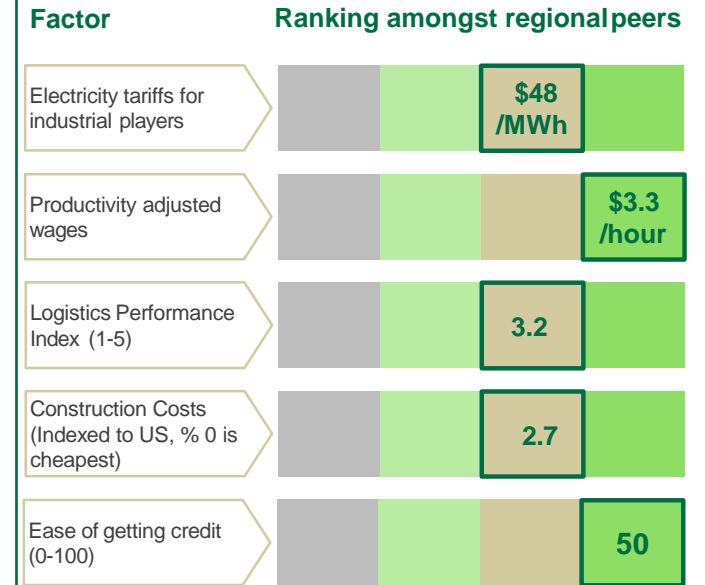
ENABLERS & INCENTIVES

- 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 upto 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, aluminium, polymers, and industrial minerals)

VALUE CHAIN



COST OF DOING BUSINESS IN KSA



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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The logo icon consists of a stylized green tree with three horizontal branches and a vertical trunk, with a green 'X' shape at the base of the trunk.