



Construction market assessment in Mid-East

Case study

BA identified opportunities for expansion of construction services in the Mid-East (GCC) market for an international E&C company

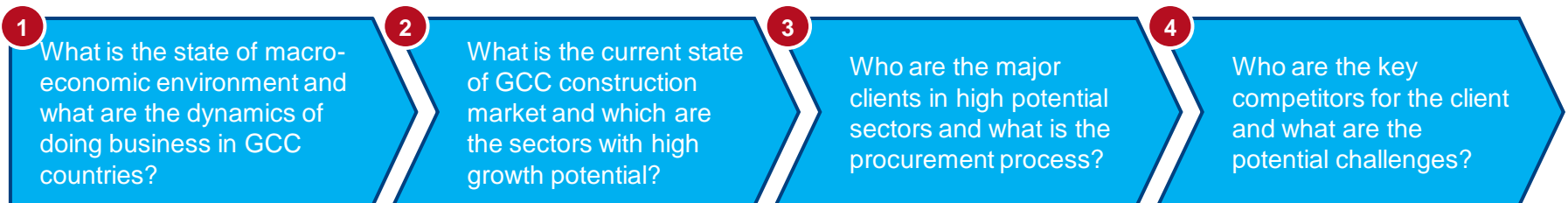
Client Background

- The client is an international engineering and construction group operating across the infrastructure lifecycle through four business areas—construction services, professional services, support services, and infrastructure investment
- The client is currently present in the UAE (primarily in Abu Dhabi, Dubai, and Sharjah) and wanted to expand its presence to other Gulf Co-operation Council (GCC) countries, i.e., Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia
- The client engaged BA to develop a high level understanding of the construction market in GCC countries and identify opportunities to expand

Key Highlights

- BA studied the macro-economic environment and the market for construction services in each of the six GCC countries
- BA assessed the key end-use markets in terms of market size and growth, key ongoing and upcoming projects, major clients, key competitors, etc.
- In addition, BA developed a prioritization matrix for client to shortlist markets for immediate expansion of activities

Key Business Questions



GCC countries were analyzed in terms of their business environment attractiveness and macro economic parameters

- 1 What is the state of macro-economic environment and what are the dynamics of doing business in GCC countries?
- 2 What is the current state of GCC construction market and which are the sectors with high growth potential?
- 3 Who are the major clients in high potential sectors and what is the procurement process?
- 4 Who are the key competitors for the client and what are the potential challenges?

Illustrative

With the largest oil reserves and the biggest population, Saudi Arabia is strategically the most important country in GCC

Key Points ^{(1),(2),(4),(5)}	
Full Name	Kingdom of Saudi Arabia
Capital	Riyadh
Area	2,149,690 sq km
Population (2010)	xx million (including expatriates)
Head of State	King and Prime Minister Abdullah bin Aziz al-Saud
Currency	Saudi riyal (SAR)
Exchange Rate ⁽⁴⁾	1 SAR = GBP 0.167 = US\$ 0.267
Religions	Muslim 100%
Languages	Arabic
International Organisations	Arab League, GCC, OIC, OPEC, UN,
Share of GCC Oil Reserves	xx%
GDP 2010 (at Current Prices)	SR xx B (GBP xx B)
GDP Per Capita 2010 (at Current Prices)	SR xx (GBP xx)
Inflation	

Notes: (A) As on January 11, 2011.

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UAE has a constitutional monarchy with a Presidential government

Government Structure in UAE⁽¹⁾⁽⁵⁾

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    graph TD
      A[Head of State and President  
(Khalifa bin Zayed Al Nahyan)] --> B[Vice-President and Prime Minister  
(Mohammed bin Rashid Al Maktoum)]
      B --> C[Federal Supreme Council (FSC)]
      C --> D[Council of Ministers (the cabinet)  
(Executive branch)]
      C --> E[Federal National Council (Legislature  
branch)]
      C --> F[Judiciary]
  
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- Although elected by the Supreme Council, the post of President and Prime minister are essentially hereditary. The Emir of Abu Dhabi holds the Presidency, while the Emir of Dubai is Prime Minister
- FSC is the highest constitutional body in the UAE and it consists of the Emirs of the seven emirates
- It elects the President, Vice President, members of the Council of Ministers, and Judges of the Federal Supreme Court
- The Supreme Council also formulates government policy, proposes and ratifies national laws and ratifies treaties
- Consists of 40 members: The rulers of the seven emirates appoint 20 members, and 20 are elected for two-year terms
- The Council of Ministers/Cabinet consists of 22 members and is headed by a Prime Minister (chosen by the President with consultation)
- It is the executive authority for the federation
- The main tasks of the FNC are:
 - Discussing constitutional amendments and draft laws
 - Reviewing the annual draft budget of the federation
 - Debating international treaties and conventions
- The legal system of the UAE is based on a dual system of civil and Islamic law
- The judiciary's independence is guaranteed by the Constitution and it includes the Supreme Court and the Courts of First Instance

Illustrative

Qatar ranks xx among all GCC countries on Index of Doing Business

Country Rankings on Ease of Doing Business (2011)⁽¹⁾⁽⁵⁾

Country Rankings on Corruption parameters (2011)⁽¹⁾⁽⁵⁾

- Currently, Qatar's ranking has declined on the Index of Ease of Doing Business over the previous year (ranked xx in 2010)
- The time and efforts required for starting a business in Qatar has gone up due to the addition of a procedure to register for taxes and obtain a company seal
- Qatar has also increased the minimum paid-in-capital and the cost required for obtaining construction permits and registering a property

BA elaborated on the macro-economy, governance structure and business environment for each GCC country.

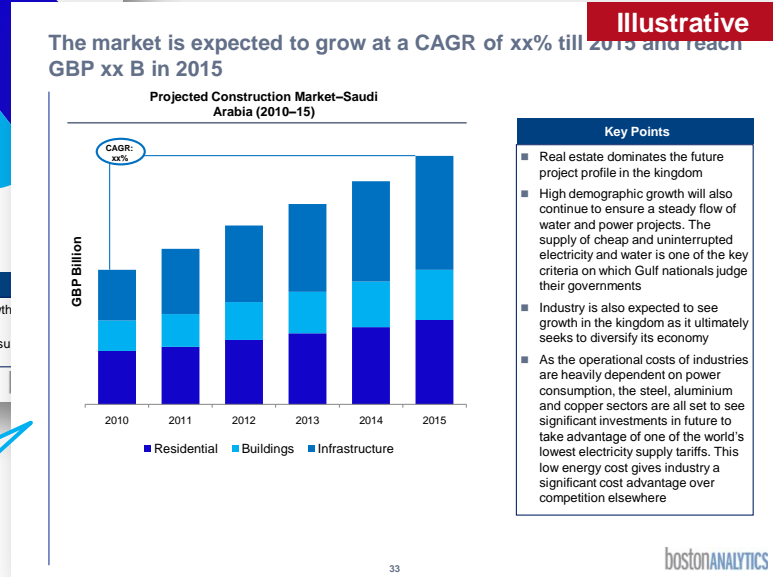
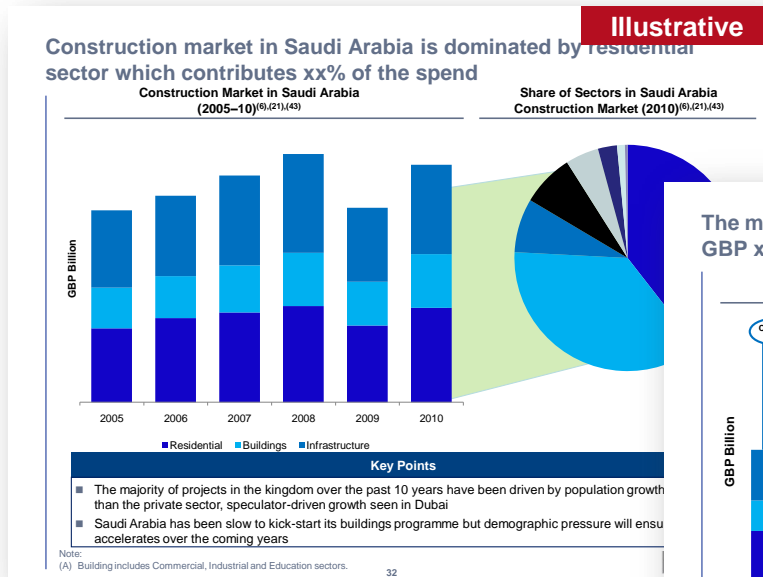
Potentially attractive geographies were assessed with end-use sectors in GCC construction services market

1 What is the state of macro-economic environment and what are the dynamics of doing business in GCC countries?

2 What is the current state of GCC construction market and which are the sectors with high growth potential?

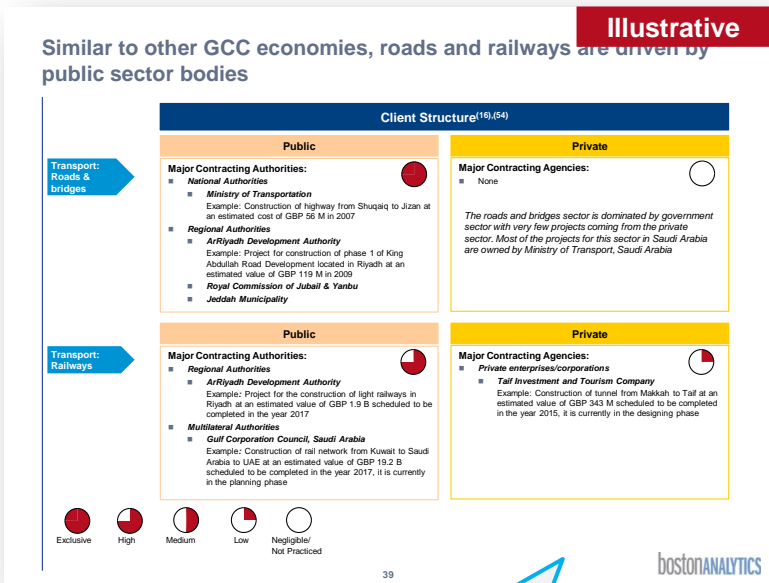
3 Who are the major clients in high potential sectors and what is the procurement process?

4 Who are the key competitors for the client and what are the potential challenges?



BA identified construction services market size for each GCC country from various sources and after discussion with client shortlisted methodology most suitable for their requirements.

Key client types were identified in potential end-use sectors and analyzed for major clients, upcoming projects, & procurement process



BA provided major clients for each sector of interest for each GCC country and relative share of private and public sector clients for these.

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Power and aviation are likely to witness the single biggest projects among the non-residential sectors

Major Upcoming Projects in Saudi Arabia^{(21),(45)}

Sector	Project Detail	Project Owner	Estimated Cost GBP Million	Start Date	Scheduled Completion Date
Industrial	Ras Al-Zour Aluminium Smelter	Maaden/Alcoa	xx	xx	xx
	King Abdullah Economic City: Aluminium Smelter	Emaar/EMAL	xx	xx	xx
Power	Construction of three power stations	Saudi Aramco	xx	xx	xx
	Gas-fired al-Qurayyah power plant	Saudi Electricity Company (SEC)	xx	xx	xx
	Pan-Arab Grid (Saudi Arabia-Egypt Undersea Link)	Governments of Egypt & Saudi Arabia	xx	xx	xx
Oil & Gas	Saudi Jizan Refinery	Saudi Aramco	xx	xx	xx
	Jubail Export Refinery	Jubail Refining & Petrochemical Company	xx	xx	xx
Railways	SRO - North Railway (Madinah-Dhiba-Tabuk-Abu Ajram)	Saudi Railway Organization (SRO)	xx	xx	xx
	GCC Railway	Cooperation Council for the Arab States of the Gulf Secretariat General	xx	xx	xx
	SRO - South Railway (Jeddah-Jizan; Taif-Kharamis Mushayt)	Saudi Railway Organization (SRO)	xx	xx	xx
Port	King Abdullah Economic City: Millennium Seaport	Emaar, The	xx	xx	xx
Aviation	King Abdulaziz International capacity expansion		xx	xx	xx

Major upcoming projects were identified for each sector indicating the sectors expected to see maximum activity and hence opportunity.

Key competitors across construction services in GCC countries were analyzed to understand potential challenges



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Company Overview^{(56),(57)}

Overview	[Redacted]			Scale	Employees	xx
	[Redacted]				Revenues	xx
General Information	Head-quarters	[Redacted]	Founded	[Redacted]		
	Ownership	Private			Key Projects	Residential
Key Clients	Government	[Redacted]	Private	[Redacted]		Road

Geographical Presence

Bahrain	Kuwait	Oman	Qatar
x	x	x	x
Saudi Arabia	UAE	Rest of Asia	Rest of World
✓	✓	✓	x

Focus Sectors

Retail	Office	Residential	Industrial	Healthcare	Education
✓	✓	✓	✓	x	✓
Power	Oil & Gas	Roads			
✓	✓	✓			

Besides these, major Oil & Gas players, major International players and major Facility management providers were also identified

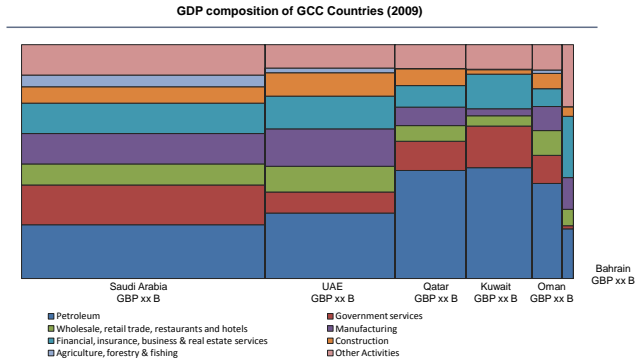
A profile was prepared for each player which serves as a ready reckoner on major competitors

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The analysis was then presented to give a comparative picture of each country

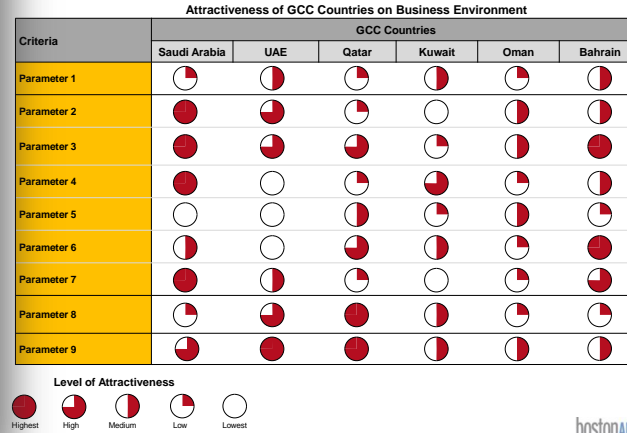
GDP in GCC countries is predominantly Oil & Gas sector driven while construction constitutes a small share

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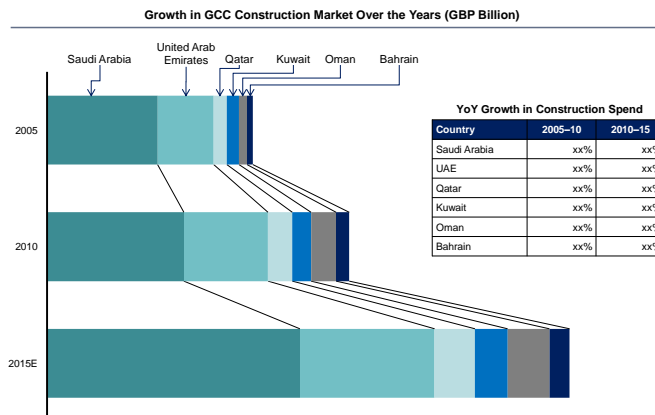
While each of the GCC country (except Oman) have high attractiveness on certain business parameter, enforcement of contracts is a concern across the region

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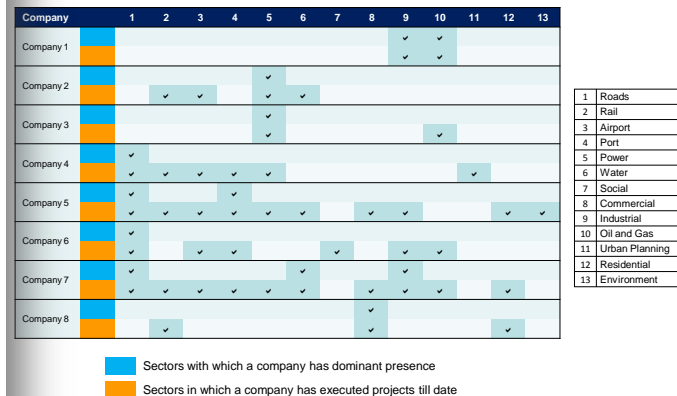
Saudi Arabia construction market is expected to grow at the highest rate among all GCC countries

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Most international companies entered local market initially with a focus on one sector before expanding into other sectors

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