

Manufacture of seamless pipes



Potential Industrial Investment Opportunity Profile

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INTRODUCTION

Egypt is an attractive destination for industrial investments due to its strategic location, large and growing domestic market, diversified economy, skilled and competitive workforce, favorable investment climate, and supportive infrastructure. It also has access to major shipping routes and is within easy reach of major markets in Europe, Africa, and the Middle East. The Egyptian government has implemented reforms to improve the country's investment climate, such as simplifying business regulations, reducing bureaucratic hurdles, and offering tax incentives, implemented economic reforms, deep industrial sectorial expertise, access to finance, government support, cultural diversity, and hospitality. Along with, Egypt has signed several free trade agreements with other countries these agreements offer investors access to larger markets and reduced tariffs. The government has also established several investment zones and industrial parks to provide investors with supportive infrastructure and services. Also, adopted a variety of policies and measures to promote and fit foreign direct investment needs in exportable high-value products and services.



Egypt's seamless pipe market is being boosted by a variety of factors, including the country's rising economy and increased demand for infrastructure and construction projects. Seamless pipes have a variety of applications, including: Drilling and exploratory activity, as well as the transportation of oil and gas products, all need the use of these pipes. Seamless pipes are also used in a number of manufacturing processes such as making boilers, heat exchangers, and other industrial equipment and application. In 2022, Domestic demand had climbed by 74% over the previous year, with imports hitting USD 225.8 million.

INVESTMENT ENABLERS

Egypt offers several industrial investment enablers that make it an attractive destination for industrial investment. Some of these key enablers are:

Strategic Location:



Egypt is located at the crossroads of Europe, Africa, and Asia, making it a strategic location for trade and investment. The country has access to major shipping routes and is within easy reach of major markets in Europe, Africa, and the Middle East.

Large and Growing Domestic Market:



Egypt has a large and growing domestic market with a population of over 100 million people. The country has a diversified economy with a range of industries that offer opportunities for investment.

Skilled and Competitive Workforce:



Egypt has a large pool of skilled and competitive workers with a high level of education and technical expertise. The country has a robust education system that produces a large number of graduates in science, technology, engineering, and mathematics (STEM) fields.

Favorable Investment Climate:



The Egyptian government has implemented several reforms in recent years to improve the country's investment climate. These reforms include simplifying business regulations, reducing bureaucratic hurdles, and offering tax incentives to investors.

Supportive Infrastructure:



Egypt has a well-developed infrastructure that includes airports, seaports, highways, and railways. The country has also made significant investments in renewable energy, such as wind and solar power, which can offer opportunities for investment.





Free Trade Agreements:



Egypt has signed several free trade agreements with other countries, including the United States, the European Union, and Arab and African countries. These agreements offer investors access to larger markets and reduced tariffs.

Strong Sectoral Expertise:



Egypt has strong sectoral expertise in several industries, including textiles, food processing, petrochemicals, construction materials, and automotive. The country's skilled workforce and supportive infrastructure create an attractive investment climate in these sectors.

Access to Finance:



Egypt has a well-developed financial sector with a range of financing options available for investors, including commercial banks, investment funds, and private equity firms. The government has also established several financing initiatives to support small and medium-sized enterprises (SMEs) and promote entrepreneurship.

Government Support:



The Egyptian government offers several types of support to investors, including tax incentives, custom exemptions, and investment guarantees. The government has also established several investment zones and industrial parks that offer investors access to supportive infrastructure and services.

Cultural Diversity:



Egypt has a rich cultural diversity and a unique history that creates a welcoming environment for foreign investors. The country's people are known for their hospitality, and the government has implemented several initiatives to promote cultural exchange and understanding.

OPPORTUNITY AT A GLANCE

Figures Summary

Manufacture of Seamless pipes - Metallurgical industries

Categories

Specific processed intermediate goods




ISIC 4 CODE

2410 - Manufacture of basic iron and steel

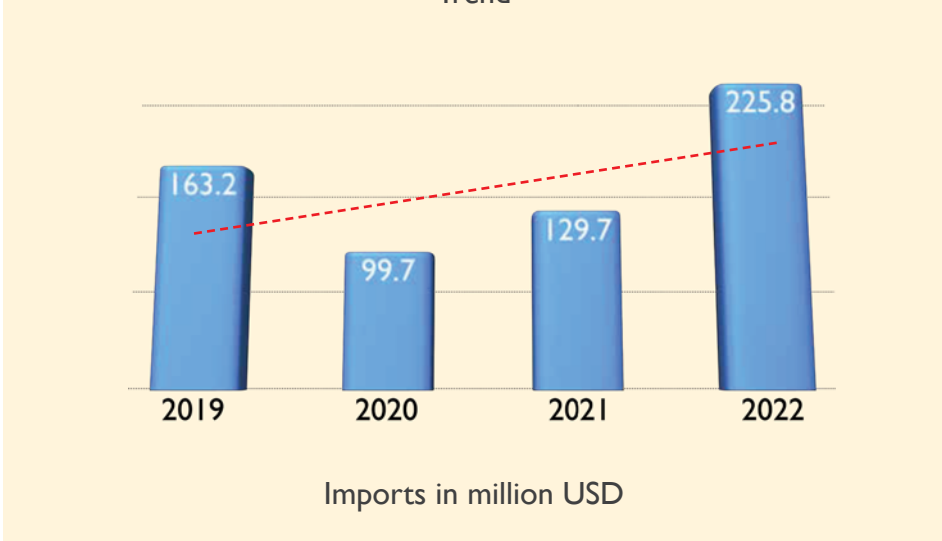
Importance



Rationale

-  Fulfill a domestic market gap
-  Enhance the national added value
-  Exports increase

Trend



Highlights

1 Global Market:

The market size for global seamless steel pipes in 2021 was valued at USD 72,5 billion, and is estimated to increase at a CAGR of 4.83% until 2030. The global seamless steel pipes market has been divided into two types: hot finished seamless pipes and cold finished seamless pipes. In 2021, the hot finished seamless pipes category had a higher revenue share of the global market. Hot finished seamless steel pipes are often made from a spinning heated bar that has been punctured to form a hollow tube. As these pipes provide numerous benefits, including cost-effective heavy wall pipe, easy machinability, and an excellent choice for most processing techniques. Hot finished seamless pipes are used to make bushings, bosses, collars, oil and gas components, axles, large diameter hydraulic cylinders, hinges, rollers, spacers and sleeves, drilling equipment and agricultural components.



2 Domestic Market:

the demand for seamless steel pipes is on the rise due to their properties, which make them ideal for use in infrastructure projects & industries such as oil and gas, chemicals, pharmaceuticals, steam boilers, and heat exchangers. The domestic market size in 2021 was valued at USD 129.7 and increased to USD 225.8 Million in 2022,



3 Domestic Production:

Egypt still relies heavily on importing domestic demand of seamless pipes. Bearing in mind, El Nasr Steel Pipes & Fittings, which is manufacturing longitudinal and spiral welded pipes according to API specifications since 1962, seeks to collaborate with the private sector within the framework of the state ownership policy document. This partnership may be considered as an opportunity for joint venture.



4 Vertical Integration:

Egypt is the largest steel producer in Africa and the second largest in the Middle East and North Africa (MENA) region, according to a report by Fitch Solutions, quoted by the Information and Decision Support Centre (IDSC). The report indicates Egypt's steel production amounted to 9.8 million tons in 2022.



5 Workforce:

Egypt has a large, growing workforce, efficient, and skilled labour force, with a population of over 100 million people. The cost of labor in Egypt is relatively low compared to China, Cambodia, India, Vietnam and other countries, making it an attractive location for businesses looking to reduce their production costs.



6

Regulatory environment:

The Egyptian government has implemented policies to support foreign investment and promote the development of the manufacturing sector. This includes tax incentives, streamlined procedures for business registration, and the establishment of industrial zones and free zones.

7

Export Potential:

due to the strategic location at the crossroads of Europe, Asia, and Africa, as well as the competitive production prices and trade agreements, Egypt offers huge export potential for countries with significant oil and gas sectors, such as Saudi Arabia, the United Arab Emirates, and Kuwait, require considerable numbers of seamless pipes.





Harmonized System (HS) Codes

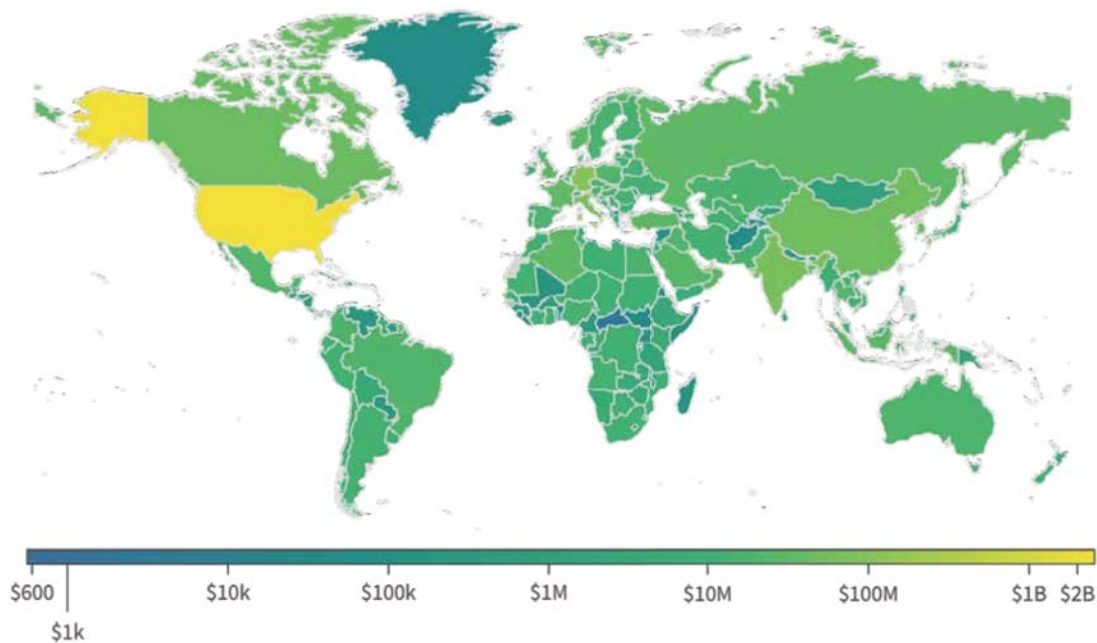
The key Harmonized System (HS) Codes covered under manufacture of Manufacture of seamless pipes opportunity are as follow:

HS subheading code	HS subheading description
730429	Casing and tubing of a kind used in drilling for oil or gas, seamless, of iron or steel (excl. products of cast iron)
730419	Iron or steel (excluding cast iron or stainless steel); seamless, line pipe of a kind used for oil or gas pipelines
730439	Tubes, pipes and hollow profiles seamless, of circular cross-section, of iron or non-alloy steel, not cold-drawn or cold-rolled «cold-reduced» (excl. cast iron products, line pipe of a kind used for oil or gas pipelines, casing and tubing of a kind used f
730490	Tubes, pipes and hollow profiles, seamless, of non-circular cross-section, of iron or steel (excl. products of cast iron)
730424	Steel, stainless; seamless, casing and tubing, of a kind used in drilling for oil or gas

KEY DESTINATION MARKETS

Egypt is positioned to export to both regional and international markets, with some of the potential export destinations, such as:

1. Middle East: Egypt's proximity to Middle Eastern countries makes it an attractive supplier of seamless pipes to the region. Countries such as Saudi Arabia, the United Arab Emirates, and Kuwait have significant oil and gas industries and require large quantities of seamless pipes.
2. Europe: Egypt can also export seamless pipes to European countries, such as Italy, Spain, and Greece, which have a high demand for infrastructure and construction materials.
3. Africa: Egypt is in close proximity to other African countries and can export seamless pipes to countries such as Kenya, Nigeria, and South Africa, which have growing economies and are investing in infrastructure development.
4. Asia: Egypt can export seamless pipes to Asian countries such as China, India, and Indonesia, which are large consumers of oil and gas products and have a high demand for infrastructure development.



Which countries import Iron Pipes (2021)

Overall, the key destination markets are diverse and offer exporting businesses opportunities for seamless pipes products to different regions of the world with shorter lead times. The government can also provide support through the provision of trade agreements and investment incentives to encourage the growth of the seamless pipe industry and increase exports.

INVESTMENT

INVESTMENT GUARANTEES & INCENTIVES

Investment Guarantees

The Egyptian investment Law guarantees a fair treatment for local and foreign investors alike. It also protects the invested capital and projects from any arbitrary measures, as investment projects may not be nationalized, and sequestration of projects, attachment or freeze of funds may not be allowed except on the basis of a court ruling. Moreover, the Law guarantees foreign investors the freedom to transfer profits in foreign currencies without any restrictions. In the event of liquidation, the company under liquidation shall be informed of all the financial frameworks due within a maximum period of 120 days, which would ensure the safe exit of the investors in a timely manner. The most important guarantees according to the Law are as follows:

- Fair and equitable treatment to national and international investors.
- Foreign currency transfers without any restrictions.
- The administrative authorities may not revoke or suspend the licenses issued for Investment Project unless it has served a notice on Investor and has given Investor a 60-day grace period to reconcile the violations.
- Invested capital and projects may not be subject to any arbitrary measures unless by virtue of a judgment.
- An investor demonstrating seriousness in implementing his/her investment project is entitled to obtain residence permit for a period of 5 years, renewed for similar periods throughout the project period.
- Investment Projects shall have the right to import raw materials, production requirements, machinery, and spare parts without the need to be registered in the Register of Importers.
- Investment Project shall have the right to export its products, without a license and without the need to be registered in the Register of Exporters.
- The right to employ foreign workers within the range of 10% of the total number of workers in the project, and it may be increased to no more than 20% in the event that it is not possible to employ a national worker with the necessary qualifications.

General Incentives

- Memoranda of incorporation of companies and establishments, along with credit facility and pledge contracts pertaining to the business thereof, shall be exempt from stamp duty as well as notarization and publicity fees for a period of 5 years from the date on which such memoranda and contracts are entered into the Commercial Register.
- Contracts of registration of lands required for setting up companies and establishments shall be exempt from the aforementioned duty and fees.
- The collection of a uniform customs duty at two percent (2%) that shall apply to the following:
 - All machinery, equipment and devices imported by companies and establishments and required for its formation.
 - All machinery, equipment and devices imported by companies and establishments, operating on public utility projects, and required for its formation or completion.
- Investment Projects of industrial nature, governed by the provisions of this Law, may import casts, molds and other similar production requirements without customs fees.





Special Incentives

Projects set up, after the coming into force of this Law, in accordance with the investment map shall be granted an investment incentive, in the form of a discount of f the taxable net profits, as follows:

- 50% discount off the investment costs of Sector(A):
 - This sector comprises the geographic areas designated as most in need of development, based on the investment map, the data and statistics issued by the Central Agency for Public Mobilization and Statistics ("CAPMS") and the distribution of investment activities in such areas as specified by the Executive Regulations of this Law, and decisions of the Prime Minister issued in this regard.
- 30% discount off the investment costs of Sector (B):
 - This sector covers the remaining geographic areas of the Republic, as per the distribution of investment activities, in respect of the following projects:
 - Labor-intensive projects, subject to the controls prescribed in the Executive Regulations of this Law;
 - Small and Medium Enterprises;
 - Projects depending on or producing new and renewable energy;
 - National and strategic projects to be listed under a resolution of the Supreme Investment Council;
 - Tourism projects to be listed under a resolution of the Supreme Investment Council;
 - Electricity generation and distribution projects to be listed under a decree of the Prime Minister, based on a joint proposal of the Appropriate Minister, the minister concerned with electricity affairs and Minister of Finance;
 - Projects exporting products thereof outside the geographic territory of the Arab Republic of Egypt;
 - Automotive manufacturing and the supplying industries thereof;
 - Wood, furniture, printing, packaging and chemical industries;
 - Antibiotics, tumor drugs and cosmetics industries;
 - Food, agricultural crops and agricultural waste recycling industries; and
 - Engineering, metallurgical, textile and leather industries.
 - ICT related industries.
 - Research centers and accreditation laboratories associated with the automotive industry.



Additional Incentives

Additional incentives may be granted by a decree of the Council of Ministers to the projects listed in Article (11) of the Investment Law No. 72 of 2017. Additional incentives include:

- Permission to establish special customs ports of entry for Investment Project importations or exportations, in agreement with Minister of Finance;
- Upon Investment Project becoming operational, payment, whether in whole or in part, by the State for the expenses incurred by Investor in course of providing utilities to the premises of Investment Project;
- Payment by the State for a part of the expenses incurred in course of providing personnel technical training;
- Refund at fifty percent (50%) of the value of the land allocated for the industrial projects, should production start within two (2) years from the date on which the land was handed over; and
- Allocation of lands free of charge to some strategic activities in accordance with the legally prescribed rules in this respect.





INTERNATIONAL AND MULTINATIONAL KEY PLAYERS CURRENTLY INVEST IN EGYPT

There are no international and multinational key players currently investing in Egypt's seamless pipes industry. Even though El Nasr Steel Pipes & Fittings Co. is one of the oldest state-owned companies in the field of steel pipes industry since 1962. El Nasr Steel Pipes & Fittings is producing longitudinally and spiral welded pipes according to the specifications of the American Petroleum Institute, which is required for the transportation of oil, gas and water and other square – rectangle sections for use in various structural and engineering applications.



FOR MORE DETAILS AND SUPPORT

Contact us today to learn more about investing in Manufacture of seamless pipes.

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