

AROMA CHEMICALS - KETONES
INVESTMENT OPPORTUNITY
Specialty Chemicals



Specialty Chemicals

Aroma Chemicals - Ketones

Public / متاح

High Potential

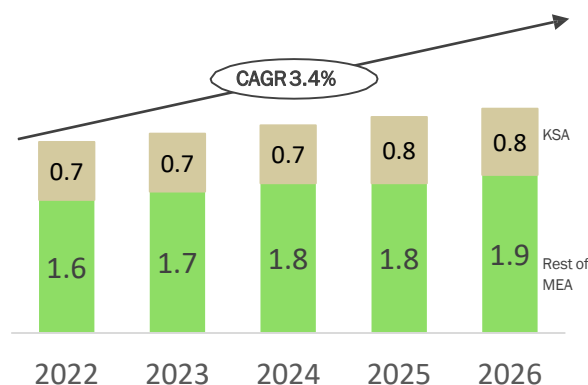
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Setup manufacturing plant for aroma chemicals focused on ketones in KSA

DEMAND

MARKET SIZE, USD Mn



KEY DEMAND DRIVERS

- Aroma chemicals have usage in flavors and fragrances which is a growing market
- Increasing demand for customizable and niche fragrances is driving the consumption of aroma chemicals
- Rise in usage of aroma chemicals in food products for enhancing odour and taste
- Increased applications in aromatherapy to support emotional and psychological well being

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 1-1.5 Mn
- Plant capacity: 0.5 ktpa
- Expected IRR*: 10-15%
- Payback period*: 3-6 years
- Job Creation: 7-10 Employees
- GDP Impact: 0.3-0.4 Mn USD
- Location (Region): Jubail/Yanbu

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Rising imports of fragrance compositions in the region linked with growing regional downstream demand and use of traditional scents
- KSA imported ~ 123 Mn USD of fragrances in 2019 showing scope for local production
- Strategic geographic location to serve emerging markets like Middle East, Africa, Europe and Asia

MARKET OVERVIEW

RAW MATERIALS

- Phosphoric acid
- Acetone
- Citral
- Myrcene
- Aluminium chloride

GLOBAL TRENDS

- Global aroma chemicals market is 5.4 Bn USD in 2021 growing at a CAGR of 3.8%
- MEA market for aroma chemicals is 80 Mn USD in 2021 with a CAGR of 3.4%
- Some applications of aroma chemicals is around consumer goods such as toiletries, perfumes as well as food to enhance the odor
- Linalool, Linalyl acetate, L-menthol, Vanillin and Ethyl vanillin, are the top-3 aroma chemical compounds consumed globally



SUPPLY

SCALABILITY AND LOCALIZATION

Grade:

Low

Medium

High

- Key raw materials such as phosphoric acid (Ma'aden) and acetone (SABIC) are available in KSA
- Condensation and cyclization are the core processes; Current Good Manufacturing Practices (CGMP) certification are required
- International trading is critical to drive scale
- R&D capabilities are key to drive product and application development

IMPORT DEPENDENCY

- No local players all demand met by imports

VALUE CHAIN

Upstream

RM depends on the type of aroma chemical manufactured

Phosphoric acid:
Acetone
Citral
Myrcene
Aluminium chloride

Midstream

Condensation:
Process depending on the type of aroma chemical manufactured, e.g., Ionones are produced from citral by condensation with acetone, followed by cyclization

Downstream

Sale of aroma chemical to flavor and fragrance composition manufacturers and end-use customers which use aroma chemicals directly

Applications

Flavor and fragrance composition

KEY STAKEHOLDERS



وزارة الاستثمار
Ministry of Investment



المركز الصناعي
Industrial Center



National Industrial
Development and
Logistics Program



الصندوق
الصناعي
صندوق التنمية الصناعية السعودي
Saudi Industrial Development Fund

ENABLING
FACTORS

ENABLERS & INCENTIVES

- Custom land options from RCJY AND Modon
- Up to 75% of project financing by Saudi Industrial Development Fund (SIDF)
- 2-year grace period for the repayment of loans
- Expat worker levy waived-off for industrial manufacturers until October 2024

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

Construction Costs (Indexed to US, % 0 is cheapest)

74

Ease of getting credit (0-100)

50

Bottom
25%

Top
75%

Top
50%

Top
25%

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

DISCLAIMER

- This material must be used only to access information, and the information must not be construed, under any circumstances, explicitly or implicitly, as an offer to sell or a solicitation to buy or sell or trade in any opportunity herein mentioned.
- Ministry of Investment (MISA) has no undertaking to update these materials after the date, with the understanding that such information may become outdated or inaccurate.
- Mentioned information in this material is obtained from reliable sources but its accuracy and reliability are in no way guaranteed. No guarantee of any kind is tacit or explicit when projections of future conditions are attempted. MISA has used public/or confidential data and assumptions and has not independently verified the data and assumptions used in the analyses. Changes in underlying data or operating assumptions will clearly impact the analyses and conclusions.
- The financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard methodologies, are not definitive projections, and are not guaranteed by MISA
- The content of this material must not be construed as an implied promise or guarantee for profit or limited loss express or implied by or from MISA or any of its officers, directors, employees and affiliates. All mentioned investments in this material are subject to risk, which should be considered prior to making any investment decisions
- MISA shall have no liability whatsoever to any third party, and hereby any third party waives any rights and claims it may have at any time against MISA with regard to this material, any services or other materials, including the accuracy or completeness thereof.

CONNECT WITH US FOR MORE DETAILS:

Petrochemicals@misa.gov.sa

investsaudi.sa



@investsaudi

