

POLYTETRAFLUOROETHYLENE (PTFE)

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

MARCH 2021

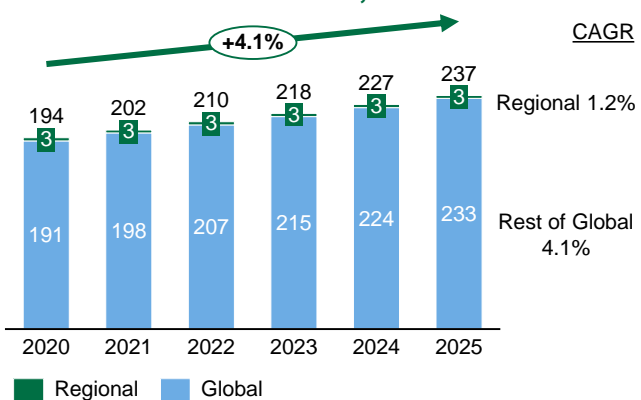


POLYTETRAFLUOROETHYLENE (PTFE)

OPPORTUNITY DESCRIPTION: Opportunity to setup Polytetrafluoroethylene (PTFE) manufacturing plant of 38 KMT capacity in KSA to cater regional and global demand

DEMAND

MARKET SIZE, KMT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 862 Mn
- Plant capacity: 38 KMT
- Investment model options: pure private sector model or joint venture with local player

VALUE PROPOSITION

- KSA has a strategic location and access to feedstock enabling it to serve emerging markets like India, Africa and South East Asia
- KSA can leverage favorable trade agreements (eg: GAFTA) and strong logistics infrastructure to enhance export capability
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- Opportunity for first mover advantage due to non-existent local production of PTFE and lack of competition from major global manufacturers
- This opportunity has a strategic alignment with vision 2030 and National Industrial Strategy by supporting many industries such as defense, automotive and construction

KEY DEMAND DRIVERS

- Demand for PTFE is driven by its wide range of application in rapidly growing industries such as electronic chemicals, automotive, defense and construction
- Saudi Arabia's Vision 2030, together with investments in housing and infrastructure development will boost the construction industry in major cities in the country
- Giga projects planned/initiated in KSA to drive demand for Polytetrafluoroethylene
- Automotive cluster planned in Plaschem and defense industry with multiple new supply contracts can be targeted for downstream synergy

MARKET OVERVIEW

GLOBAL TRENDS

- PTFE market is estimated to reach at USD 3.3 Bn by 2027, growing at a CAGR of 5.6% between 2020 – 27
- Due to excellent heat resistance, high chemical inertness, optimum dielectric properties and low frictional coefficient, PTFE is used in multiple industries such chemical and industrial processing, electronics and electrical, automotive and aerospace, consumer goods and building and construction
- PTFE is also combined with other materials such as glass fibers, carbon and graphite to improve its mechanical and chemical properties
- Asia-Pacific is dominating the PTFE market due to rapid expansion in the industrial and chemical processing industry in developing economies such as India and China
- Global PTFE market is partially consolidated in nature. Some of the major players in the market include Dongyue Group, The Chemours Company, 3M, Gujrat Flurochemical Limited, and Daikin Industries, Ltd., amongst others



POLYTETRAFLUOROETHYLENE (PTFE)

SUPPLY

SCALABILITY AND LOCALIZATION

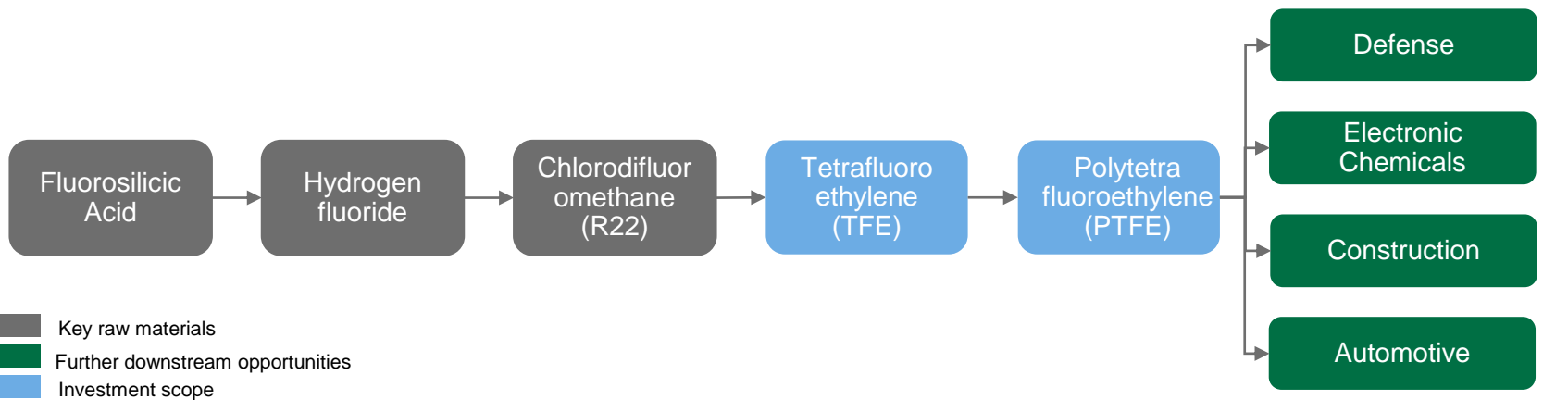
Grade: Low Medium High

- KSA's strategic advantage over regional peers in cost of establishing business especially in manufacturing domain
- Potential to serve local and regional market and create a 'regional hub' for chemicals manufacturing in KSA
- Raw materials are currently not produced in the Kingdom but will form part of the F-Complex

IMPORT DEPENDENCY

- No local production of PTFE exists in Saudi Arabia; currently 100% of the local demand met by imports

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- 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
- HRDF covers 30-50% of Saudi employees monthly salaries (additional 10% for females) for 2 years, provided that it does not exceed USD 4,000

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

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	Demand 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	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	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
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	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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