

Precipitated Silica

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

FEBRUARY 2021

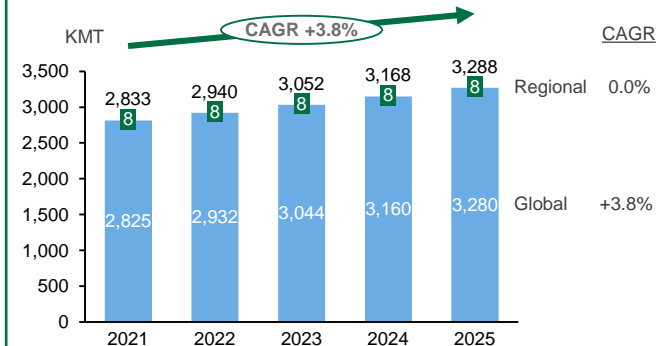


CHEMICALS PRECIPITATED SILICA

OPPORTUNITY DESCRIPTION: Opportunity to setup precipitated silica manufacturing plant of 20 – 25 KMT capacity in KSA to serve regional/global market

DEMAND

MARKET SIZE, KMT



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 147 Mn
- Plant capacity: 20 – 25 KMT
- Expected IRR: More than 12%

INVESTMENT OVERVIEW

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 Precipitated Silica and lack of competition from major global manufacturers

KEY DEMAND DRIVERS

- Increasing use of precipitated silica in end use application industries such as food & beverage, personal care, electronics and others are increasing the demand for precipitated silica
- Rising demand from rubber, agrochemicals, and oral care industries will also increase demand for precipitated silica
- Precipitated silica can be used at National Tire Company's (NTC) planned tire factory in Jubail

MARKET OVERVIEW

GLOBAL TRENDS

- Increasing utilization of precipitated silica in tires to enhance tire tread wear resistance and adhesion, is the major factor driving the growth. Substitution of carbon black with precipitated silica on account of its eco-friendly nature is anticipated to fuel the market
- Due to continued pressure from regulators across the globe to improve environmental safety, the call for green tires is escalating at a remarkable rate and in turn driving demand for intermediate products such as precipitated silica
- Application of the product in agrochemicals is expected to witness a considerable growth on account of its extensive usage as free flow agent due to its absorption ability and chemical stability. Additionally, precipitated silica is used extensively in food applications including edible salt and powdered food products
- Leading global manufacturers include: Evonik Industries (Germany), Solvay SA. (Belgium), and PPG Industries (USA)



CHEMICALS PRECIPITATED SILICA

Public / متاح

SUPPLY

SCALABILITY AND LOCALIZATION

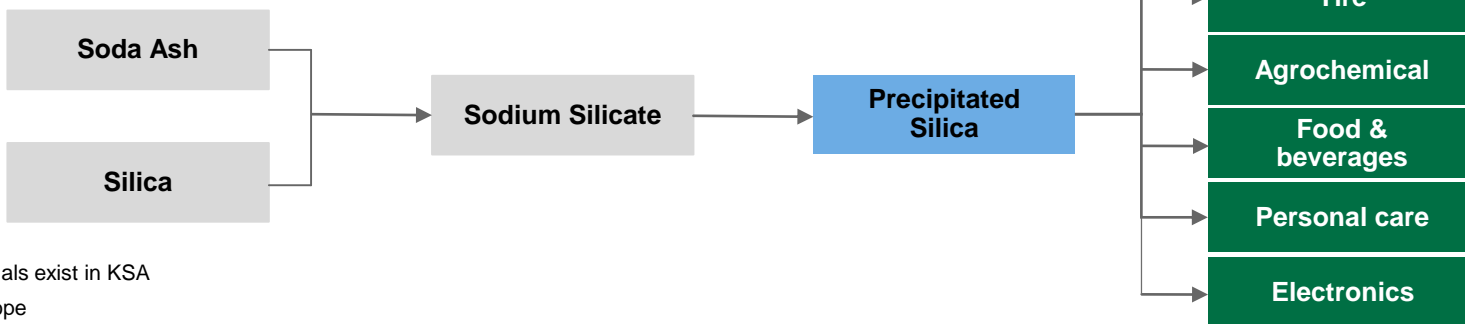
Grade: Low Medium High

- Easy access to primary raw materials in KSA – Sodium silicate, produced by Adwan Chemical Industries
- KSA has strong logistics infrastructure and supportive regulatory value chain to support export of Precipitated Silica globally

IMPORT DEPENDENCY

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

VALUE CHAIN ANALYSIS



 Key raw materials exist in KSA
 Investment scope
 Further downstream opportunities

KEY STAKEHOLDERS



وزارة الاستثمار
Ministry of Investment



National Industrial
Development and
Logistics Program



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

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%

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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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