

PROPIONIC ACID

INVESTMENT OPPORTUNITY SCORECARD

CHEMICALS

MARCH 2021



CHEMICALS PROPIONIC ACID

Public / متاح

High Potential

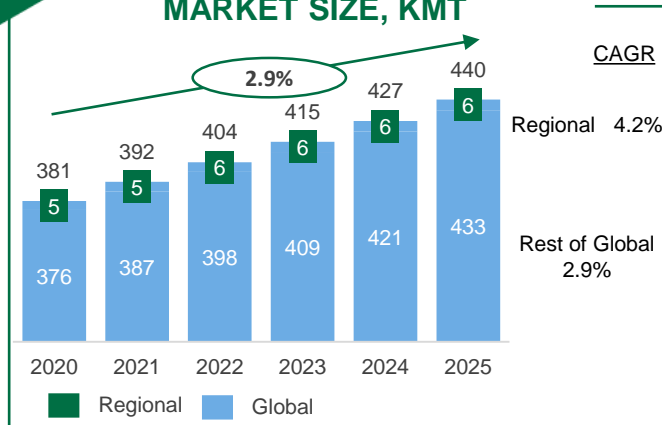
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Opportunity to setup a Propionic Acid production facility of 30 KMT to cater regional and global demand

DEMAND

MARKET SIZE, KMT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 68 Mn
- Plant capacity: 30 KMT
- Expected IRR: More than 12%

VALUE PROPOSITION

- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output
- KSA is strategically located at the crossroads of several markets that have high demand for chemical products
- KSA benefits from having an abundant access to raw materials and a high standard of infrastructure that is continuously being improved upon
- Opportunity for first mover advantage due to non-existent local production of Propionic Acid and lack of competition from major global manufacturers
- This opportunity has a strategic alignment with vision 2030 and National Industrial Strategy by supporting many sectors such as automotive and food and beverage

KEY DEMAND DRIVERS

- Considerable rise in applications in the food & beverage industry for usage as preservatives and packing ready-to-eat food will propel the local propionic acid market
- Growing high-quality animal feed consumption has led to increased feed preservatives demand which in turn is expected to drive propionic acid market growth
- The upcoming automobile manufacturing cluster in KSA is expected to drive the rubber products market. The use of propionic acid in the manufacturing of rubber will drive the market growth
- Increased demand from local feed companies in Saudi Arabia such as ARASCO and FEEDCO will propel the demand for propionic acid

MARKET OVERVIEW

GLOBAL TRENDS

- The global Propionic Acid market was valued at USD 757.5 in 2020 and will reach USD 909.8 million by the end of 2027, growing at a CAGR of 3.1% during the period 2021-2027*
- The food & beverage segment accounted for the highest market share, contributing to more than two-fifths of the total market share in 2018, and is estimated to maintain its highest contribution during the period 2019-2026
- Animal feed preservation, grain preservation, and calcium/sodium propionates account for most Middle Eastern consumption of propionic acid. Saudi Arabia, Turkey, Iran, and Israel account for most consumption in the region



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SUPPLY

SCALABILITY AND LOCALIZATION

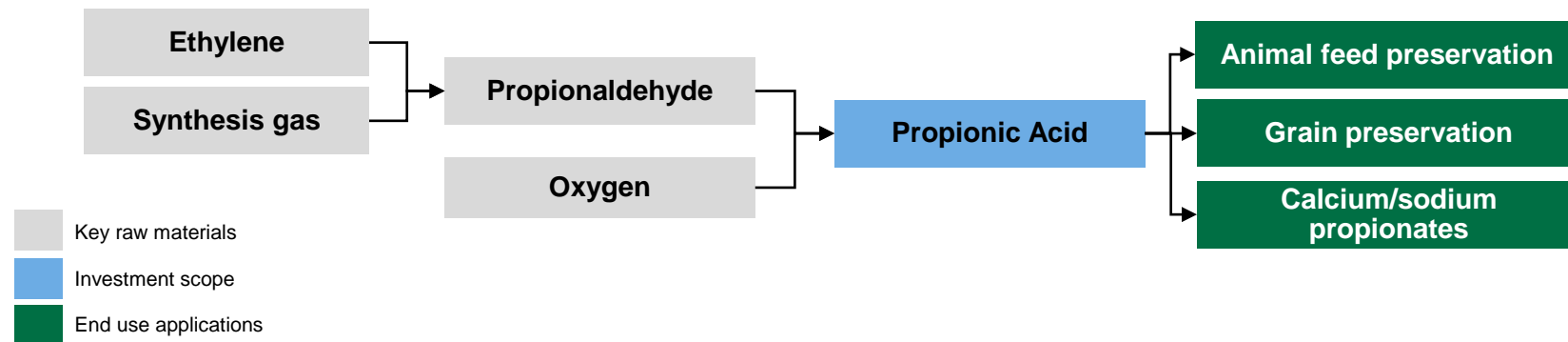
Grade: Low Medium High

- Easy local access to key raw materials in KSA – Ethylene is produced in Al Jubail, Yanbu, Petro Rabigh
- 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

IMPORT DEPENDENCY

- No local production of Propionic Acid in Saudi Arabia, 100% of the local demand in KSA is 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



Sources for Cost of Doing Business: EIU, World Bank

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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