

# DL-Malic Acid (MAL)

## INVESTMENT OPPORTUNITY SCORECARD

### CHEMICALS

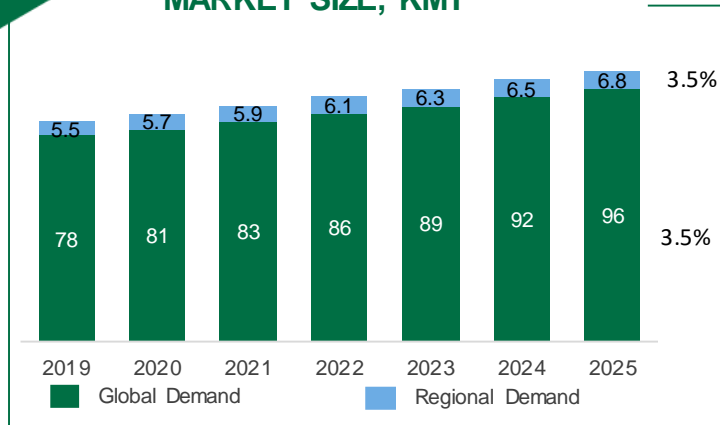
Aug 2021



**OPPORTUNITY DESCRIPTION:** Opportunity to DL-Malic Acid (MAL) manufacturing plant in KSA to cater regional and global demand

## DEMAND

### MARKET SIZE, KMT



### INVESTMENT HIGHLIGHTS

- the project is purely private sector investment with land lease from MODON
- The capital investment size is to be determined based on the plant capacity and available feedstock materials

## INVESTMENT OVERVIEW

### 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

- DL-Malic acid is used mainly in the beverage, confection, and food sectors. In most end uses, DL-malic acid serves to enhance flavors, provide soumess/tartness, control the growth of microorganisms (preservation), adjust pH levels, and reduce ingredient cost.
- Demand in these markets will continue to increase as the popularity of processed food and ready-to-drink beverages grow, along with improving living standards. In developed countries and regions, consumers' desire for nutrition and health will drive demand growth for nutraceutical and fruit-flavored beverages, low-calorie confections, and savory foods. These, along with new product introductions in the food and beverage sector, will support the consumption

## MARKET OVERVIEW

### GLOBAL TRENDS

- Global consumption of DL-malic acid will continue to grow by 2.5–3% during 2019–24, driven by developing markets in Asia, the Middle East, and Africa, as well as in Central and Eastern Europe.
- China accounts for more than 29% of the total capacity, followed by the Americas at 25%, Other Asia at 24%, and Europe, Middle East, and Africa at 22%.
- The concept of using malic acid is to develop downstream businesses in food and beverage with a focus on dietary products.

growth of DL-malic acid.

\*Source: <https://connect.ihsmarket.com/document/show/phoenix/114707?connectPath=Search&searchSessionId=4cb0aac7-4fdc-4a22-bbdb-a86920fffa03>,



## SUPPLY

### SCALABILITY AND LOCALIZATION

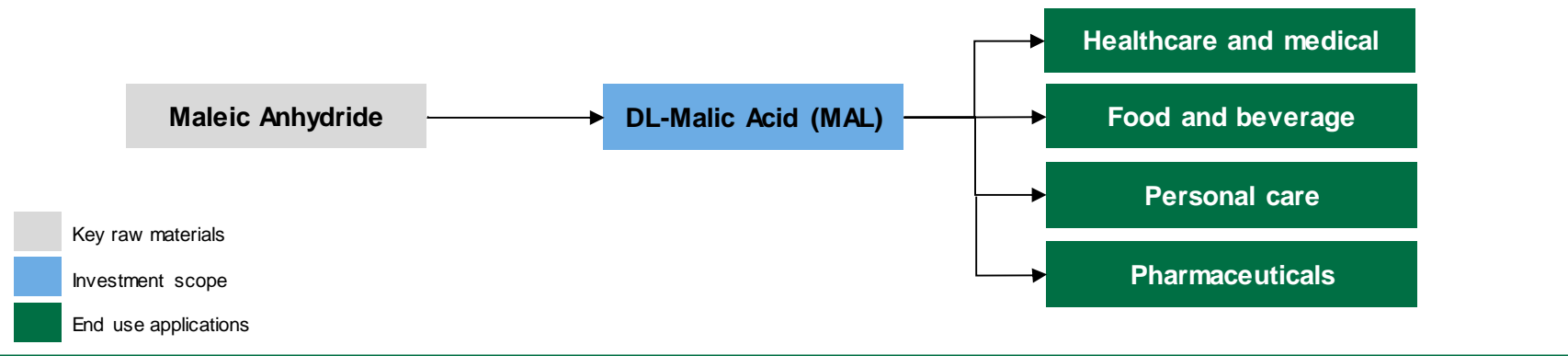
Grade: Low Meduim High

- Easy local access to key the primary raw materials in KSA - A small volume of maleic anhydride ("MAN") is available in the Kingdom from IDC.
- KSA's strategic advantage over regional peers in cost of establishing the business, especially in the manufacturing domain
- Potential to serve the local and regional markets and create a 'regional hub' for chemicals manufacturing in KSA

### IMPORT DEPENDENCY

- No local production of DL-Malic Acid in Saudi Arabia, 100% of the local demand in KSA is met by imports

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS



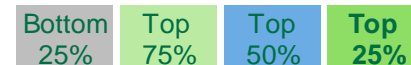
## ENABLING FACTORS

### 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



# 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

# DISCLAIMER

- This report 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 report 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 report 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 report 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 report, any services or other materials, including the accuracy or completeness thereof.

**CONNECT WITH US FOR MORE DETAILS:**

[Petrochemicals@misa.gov.sa](mailto:Petrochemicals@misa.gov.sa)

investsaudi.sa



@investsaudi

