

FINE FRAGRANCE COMPOSITIONS
INVESTMENT OPPORTUNITY
Specialty Chemicals



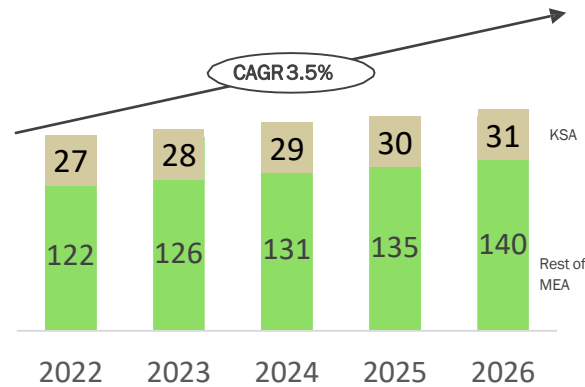
Specialty Chemicals

Fine Fragrance Compositions

OPPORTUNITY DESCRIPTION: Setup manufacturing plant for fine fragrance compositions for use in perfumes and colognes in KSA

DEMAND

MARKET SIZE, USD Mn



INVESTMENT HIGHLIGHTS

- Expected investment size of USD 4 to 8 Mn
- Plant capacity: 2-5 KTPA
- Expected IRR*: 10-15%
- Payback period*: 3-6 years
- Job Creation: 5 – 10 Employees
- GDP Impact: 1.2 – 2.3 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 demand and production
- No fragrance composition local player in KSA; however, several global and local players exist in the MEA region
- Strategic geographic location to serve emerging markets like Middle East, Africa, Europe and Asia

KEY DEMAND DRIVERS

- Natural flavors and fragrances, free from artificial ingredients, antibiotics, and allergens are key trends driving the market
- Growing attention to personal hygiene and demand for luxury exotic fragrances and youth-oriented fragrances
- Increase in the standards of living, growing population and changing demographics (with the emergence of millennials) are key drivers of the perfumes and colognes industry
- Product diversification by manufacturers is attracting a larger consumer base

RAW MATERIALS

- Essential Oils & Extracts
- Aroma Chemicals
- Other chemicals (e.g., Dipropylene glycol...)

MARKET OVERVIEW

GLOBAL TRENDS

- In 2021, the global fragrance composition market was 12.1 Bn USD, growing at 3.5% CAGR
- Consumers are looking for transparency with respect to fragrance ingredients, including full disclosure of fragrance components in cleaning and personal care products
- Efficacy and performance requirements for fragrances are increasing; including controlled release systems to reduce fragrance loss and prolong top notes
- Some of the leading manufacturers are Givaudan, IFF, Froma etc.



SUPPLY

SCALABILITY AND LOCALIZATION

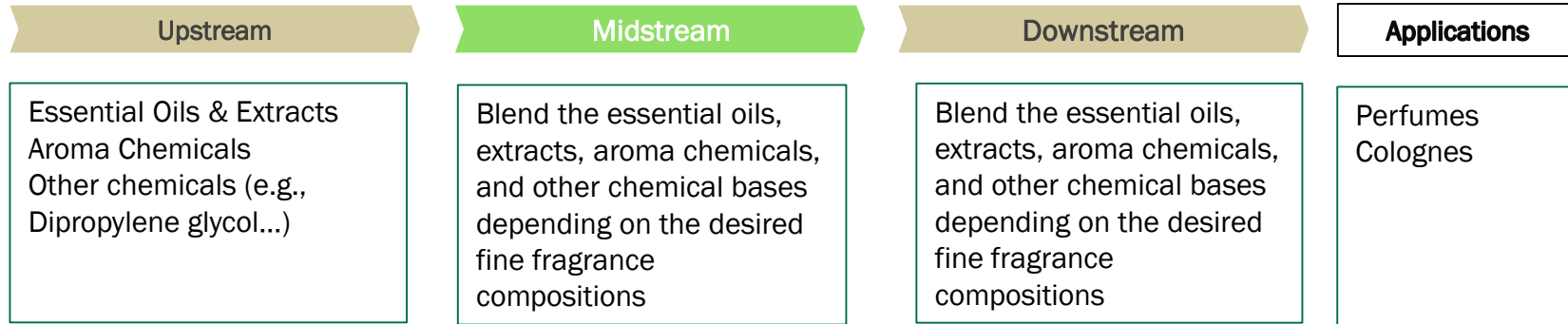
Grade: Low Medium High

- Technology is relatively simple and not capital intensive, requires liquid blending and standardization of the composition
- Players typically enter in the fine fragrances space and then expand to offer both fine and functional fragrances; Production takes place in multi-purpose plants
- JVs/ technical partnerships and contract manufacturing for existing suppliers are two possible routes to enter the market; R&D capabilities are key

IMPORT DEPENDENCY

- No local players; all demand met by imports

VALUE CHAIN



KEY STAKEHOLDERS



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

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