

Fumed Silica

INVESTMENT OPPORTUNITY

[Specialty]

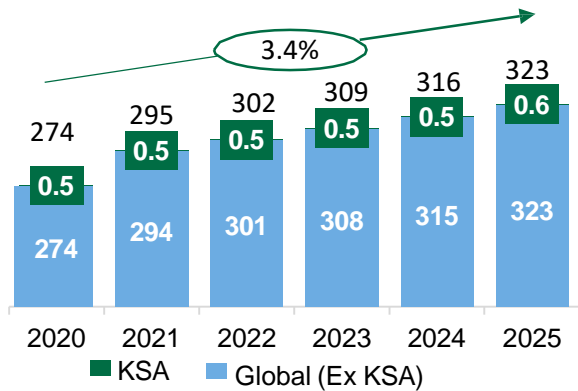


CHEMICALS Fumed Silica

OPPORTUNITY DESCRIPTION: Opportunity to develop Fumed Silica production facility of ~10 KTA in KSA to cater regional and global demand

DEMAND

MARKET SIZE, KT



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 80-100 MN
- Plant capacity: 10 KTA (similar in scale to Foskor Zirconia in South Africa)
- Expected IRR: 15-30%

VALUE PROPOSITION

- Fumed silica products command high prices and the market is highly concentrated.
- There is no production of fumed silica in the region.
- Proximity to key demand region i.e., Asia which has significant demand growth prospects.
- Strong logistics infrastructure to enhance export capability for distributing the products within Middle East and to key export markets.
- The opportunity aligns with the KSA vision 2030 by supporting multiple sectors such as construction, automotive etc.

KEY DEMAND DRIVERS

- Fumed silica consumption is projected to grow by 2.3% annually during 2021–26, led by growth in electronic components as a result of advances in CMP, the rubber market, and new appliances, as well as the rebound in the production of silicones.
- In Middle East, the major end of fumed silica is for paints and coatings industry and as a filler in silicones.

KEY PLAYERS

- Cabot
- Evonik
- Wacker
- Momentive
- Jiangxi Hungpai
- Tokuyama Chemicals

MARKET OVERVIEW

GLOBAL TRENDS

- World fumed silica consumption was estimated at 274 thousand metric tons in 2020, with growth forecast at 3.4% annually during 2020–25.
- The major market for fumed silica is as a reinforcing filler in silicone elastomers. Fumed silica is also used in more demanding carrier/adsorbent/desiccant applications and as high-quality thixotropic agents in resins, coatings, inks, adhesives, and sealants.
- Western Europe and mainland China are the leading consuming regions and are projected to record growth rates of 2.1% and 4.3%, respectively during 2021–26.
- Mainland China is the fastest growing region during the next five years. Silicone elastomer fillers are the largest segment, estimated to account for almost 57% of mainland Chinese consumption in 2021.



CHEMICALS

Fumed Silica

SUPPLY

SCALABILITY AND LOCALIZATION

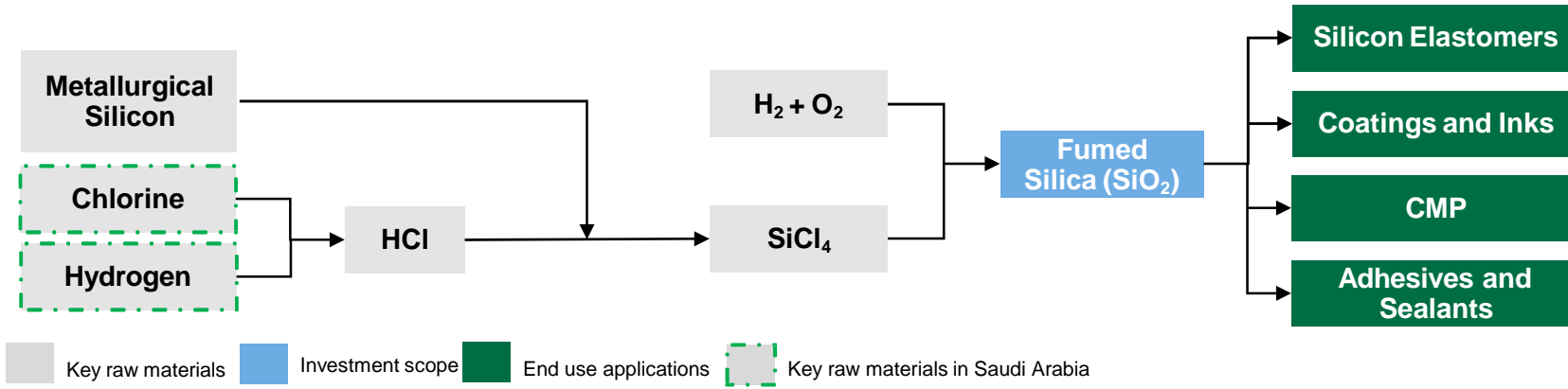
Grade: **Low** Medium High

- The region does not produce silicon tetrachloride. However, there is likely to be some HCl availability in the region. Chlorine and hydrogen can be sourced for direct production if needed.
- HCL is available from multiple producers in the Al Jubail region of the Kingdom.

IMPORT DEPENDENCY

- The region imports about 5-6 thousand metric tons of fumed silica. Since there is no domestic production, the requirement is met through imports.
- Imports in KSA were less than 1 KT.

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 employee's monthly salaries (additional 10% for females) for 2 years, provide 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 | 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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