

INTEGRATED PU RIGID FOAM SYSTEM HOUSE AND CONVERTER INVESTMENT OPPORTUNITY

Conversions



Conversions

Integrated PU Rigid Foam System House and Converter

Restricted / مقيد

High Potential

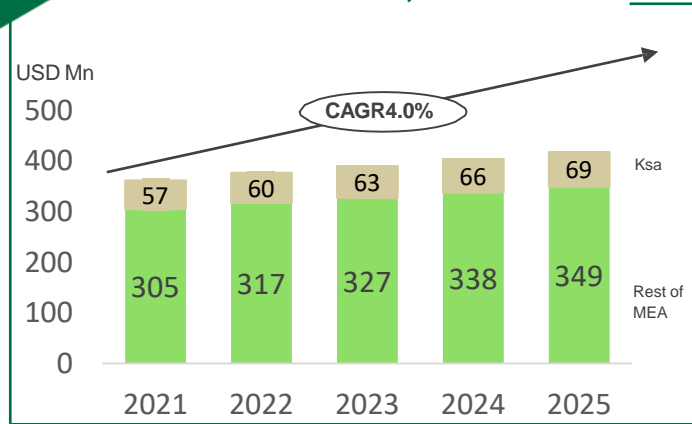
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Set up a manufacturing plant for production of rigid foam products for construction applications

DEMAND

MARKET SIZE, USD



INVESTMENT HIGHLIGHTS

- Expected investment size of USD ~70 - 90 Mn
- Plant capacity of ~60 -70 KTPA
- Expected IRR*: 15-20%
- Payback period*: 10-15 years
- Job Creation: ~ 90 - 110 Employees
- GDP Impact: ~ 30 – 50 Mn USD
- Location (Region): Dammam or Riyadh

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Strategic geographic location to serve emerging markets like Middle East and Africa
- KSA has a large captive consumption of PU rigid foams, with mega projects signaling further growth
- As construction has a variety of rigid foam applications, a converter can position as a single supply source
- MEA is expected to have a production gap of ~100 KTPA by 2025

KEY DEMAND DRIVERS

- With PU rigid foam having significant applications in construction, plan for various mega projects (e.g., NEOM, The Red Sea Project, Qiddiya Entertainment City, Amaala) further drives consumption
- Greater public and private-sector investments are expected to increase industrial & commercial building and construction activity
- As governments focus on their 'Net Zero' ambitions, green buildings are an emerging trend driving demand for PU insulating materials to counteract the amount of energy lost

RAW MATERIALS

- Isocyanates (e.g., MDI)
- Polyols
- Additives

MARKET OVERVIEW

GLOBAL TRENDS

- Global PU rigid foam market volume is expected to grow at a CAGR of 4% from 2019 to 2025, reaching ~7,600 KTPA
- Governments are taking measures to regulate PU production and stop environmental damage. Several new technologies are being explored such as alternative blowing agents (e.g., methylene chloride), instead of CFCs, which damage the ozone layer
- With frequent safety accidents (e.g., building fires), governments are starting to regulate technical requirements for PU products (e.g., Saudi Building Code)



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Developed

SUPPLY

SCALABILITY AND LOCALIZATION

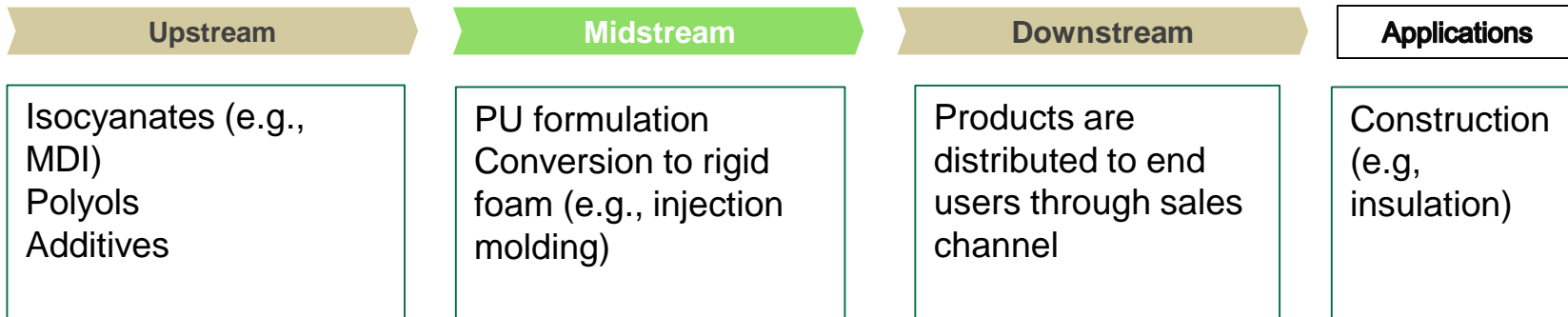
Grade: Low Medium High

- Majority of the raw materials (i.e., isocyanates, additives) can be locally procured from Sadara. However, certain polyol grades required for rigid foams require additional investments for local manufacturing
- Potential to serve the regional market, given the expected production gap by 2025

IMPORT DEPENDENCY

- Some local players already exist; KSA is net importer of PU in primary forms

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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