

INTEGRATED TIRE MANUFACTURING INVESTMENT OPPORTUNITY

Conversions



Conversions

Integrated Tire Manufacturing

Restricted / مقيد

High Potential

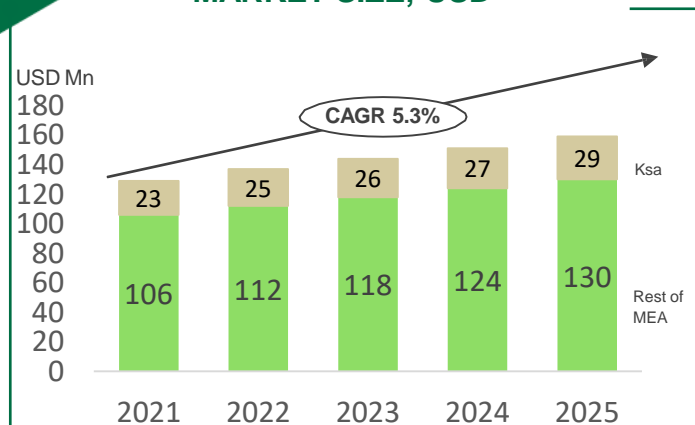
Moderate Potential

Low Potential

OPPORTUNITY DESCRIPTION: Set up a plant for end-to-end tire manufacturing

DEMAND

MARKET SIZE, USD



KEY DEMAND DRIVERS

- Shifting consumers' preferences, backed by increased disposable income, is propelling growth of sedan cars. Increasing women drivers is also poised to boost the demand for passenger vehicles
- Heavy focus on industrialization as part of Vision 2030 and investments planned to improve the logistics network are expected to drive growth for commercial vehicles
- Growth in electrical vehicles tires segment with focus on noise reduction and better traction
- Growth in demand for off-the-road (OTR) tires driven by the growth in construction activity
- Emissions-related regulations and fuel efficiency mandates has been driving innovation for low resistance and weight reduction of tires

INVESTMENT HIGHLIGHTS

- Expected investment size of USD 450-550 Mn
- Plant capacity: 8-10 Mn tires
- Expected IRR*: 8-15%
- Payback period*: 8-12 years
- Job Creation: ~ 2500-3000 Employees
- GDP Impact: ~ 160 170 Mn USD
- Location (Region): KAEC

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Strategic geographic location to serve emerging markets like Middle East
- KSA has a large captive consumption of tires within the GCC, given the large population size. All of KSA's demand for tires is currently met by imports
- Vision is to have at least 40% Local Gross Value Add (LGVA) across the KSA automotive ecosystem
- Several OEMs (e.g., Lucid motors, Foxtron) are in discussions to setup manufacturing in KSA

MARKET OVERVIEW

GLOBAL TRENDS

- Global Tires market is expected to grow at a CAGR of 4% from 2019 (~2 Bn tires) to 2025
- Shift from bias tires to radial tires across commercial vehicles is happening at a fast pace, thereby increasing tire durability and vehicle mileage
- Emphasis on circular economy has led to increased recycling, and tire manufacturers are pursuing zero waste initiatives (e.g., Bridgestone is investing in chemical recovery of isoprene from used tires)
- Technology driven innovation is driving the market (e.g., pneumatic tires having multiple chambers where air pressure in each chamber is independently controlled, smart and self-inflating tires auto-triggering changes to air pressure inside the tire based on external environment)

RAW MATERIALS

- Natural and Synthetic rubber
- Carbon black, Sulphur, and other chemicals
- Steel and Nylon reinforcement



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Restricted / مقيد

Developed

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium **High**

- Currently 40-45% raw materials (e.g., synthetic rubber, carbon black, zinc oxide), can be locally procured
- Tire manufacturing is a high investment business, with huge capital expenditure required to ensure profitability
- Tire import duties and lower utility cost has potential to make local manufacturing competitive
- Potential to expand capacity to serve the regional market

IMPORT DEPENDENCY

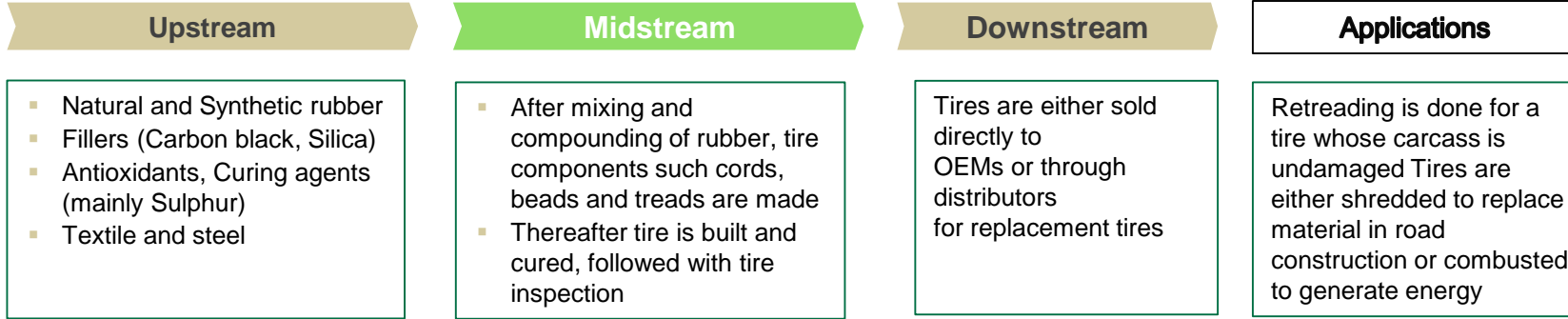
- No current local players; all demand met by imports

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

VALUE CHAIN



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

KEY STAKEHOLDERS



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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