

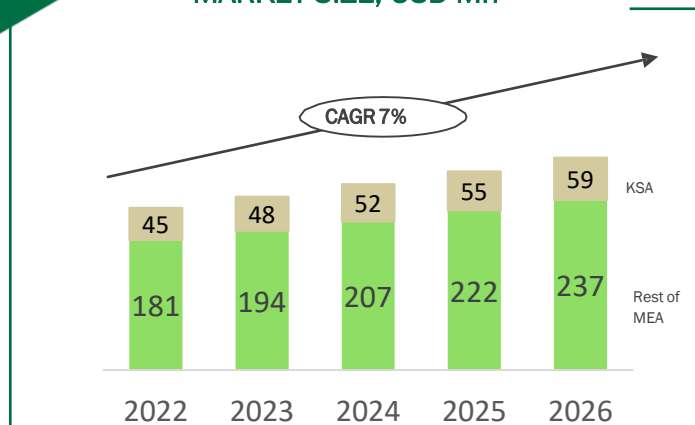
**METHYLCELLULOSE AND DERIVATIVES**  
INVESTMENT OPPORTUNITY  
Specialty Chemicals



**OPPORTUNITY DESCRIPTION:** Setup manufacturing plant for methylcellulose and derivatives in KSA

## DEMAND

### MARKET SIZE, USD Mn



### KEY DEMAND DRIVERS

- Pharma sector is expected to grow post covid and due to greater efforts to improve healthcare in KSA
- The Vision 2030, the private sector investment boost, and the ongoing reforms are expected to be the growth drivers for construction industry. KSA mega projects will drive the demand for Methylcellulose and its derivatives
- Urbanization and job creation is fueling demand for processed food as well as it simplifies logistical constraints. Moreover, it also provide re-export opportunities

### INVESTMENT HIGHLIGHTS

- Expected Investment size of USD 15 to 20 Mn
- Plant capacity: 10 ktpa
- Expected IRR\*: 10-15%
- Payback period\*: 3-6 years
- Job Creation: 20-30 Employees
- GDP Impact: 4-6 Mn USD
- Location (Region): Jubail/Yanbu

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Strategic geographic location to serve emerging markets like Middle East, Africa, Europe and Asia.
- KSA has a market of 45 Mn USD and majority of methylcellulose is imported in KSA showing high scope for localization
- Links to key NIS sectors such as chemicals, pharma, construction materials and food & beverage
- KSA is one of the largest chemical producers in the world and contributes ~10% to the global output

## MARKET OVERVIEW

### GLOBAL TRENDS

- Globally, the methylcellulose market is 2.3 Bn USD in 2018, Asia and Western Europe are the 2 regions with the highest demand
- Methylcellulose has diverse applications, its major use is in construction to improve mortar properties, as a gelling agent in foods, as a binder in tablets in the pharma industry and thickener in coatings & ink
- Key manufacturers of Methylcellulose (MC) include Ashland, Dow, Shin-Etsu, Hercules, Shandong Guangda Technological Development etc.

### RAW MATERIALS

- Cellulose
- Caustic soda
- Methyl chloride



### SUPPLY

#### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Caustic soda used in manufacturing of methylcellulose is available in KSA and manufactured by SABIC and NAMA chemicals
- Reliable supply of low-cost cellulose is required, in order to be competitive on prices
- Supplying value-added service with the chemicals, and rapid development of multi-functional and environmentally friendly grades are important

#### IMPORT DEPENDENCY

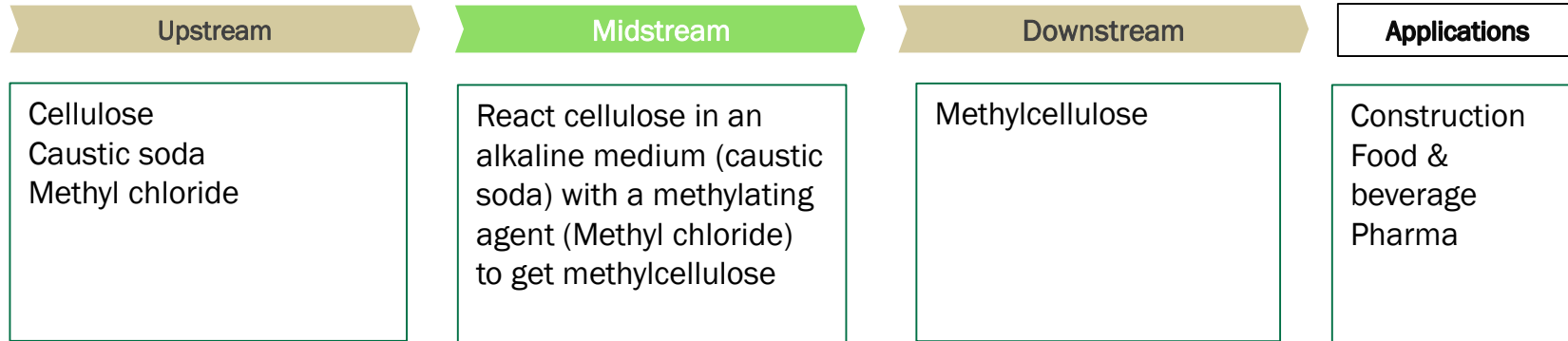
- No local players; all demand met by imports

### 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



# 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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